



LUCID
ECONOMICS

Amendment C228 to the Casey Planning Scheme

Expert Witness Statement

Prepared for

Maddocks

5 April 2018



lucid

/ˈluːsɪd/

adjective

1. expressed clearly; easy to understand

2. bright or luminous



Document Control

Job Name: Minta Farm Expert Witness

Client: Maddocks

Client Contact: Barnaby McIlrath

Disclaimer:

While every effort has been made to ensure the accuracy of this document, Lucid Economics Pty Ltd is unable to make any warranties in relation to the information contained herein. Lucid Economics Pty Ltd, its employees and agents accept no liability for any loss or damage that may be suffered as a result of reliance on this information, whether or not there has been any error, omission or negligence on the part of Lucid Economics Pty Ltd, its employees or agents. Any forecasts or projections used in the analysis and relied upon for any findings can be affected by a number of unforeseen or unknown variables, and as such no warranty is given that a particular set of results will in fact be achieved or realised.

Table of Contents

Table of Contents	i
1. Introduction	1
2. Strategic Context and Future Employment Requirements	3
2.1 Strategic Context	3
2.1.1 Plan Melbourne 2017-2050	3
2.1.2 South-East Growth Corridor Plan 2012.....	4
2.1.3 Local Policies.....	4
2.2 Regional Context	5
2.3 Future Workforce and Employment Requirements	7
3. Employment Precinct Benchmarking	10
4. Demand for Commercial Office and Light Industrial Land	12
4.1 Commercial Office	12
4.1.1 Consultation with Stakeholders	12
4.1.2 Localised Commercial Office Demand	12
4.2 Light Industrial.....	13
4.2.1 Consultation with Stakeholders.....	13
4.2.2 Localised Light Industrial Demand (Consumption)	13
5. Supply of Commercial Office and Light Industrial Land	15
5.1 Commercial Office Property	15
5.2 Light Industrial Land	16
6. Future Take-up of Commercial Office and Light Industrial Land	17
7. Summary of Findings	20
8. Declaration	22
References	23
Appendix A: Michael Campbell CV	24

1. Introduction

1. This report has been prepared by Michael Grier Campbell, Director, Lucid Economics, residing at 26 Nicholas Street, McDowall QLD.
2. I hold qualifications in business administration with a concentration in finance and have eighteen years' experience in economic/industry analysis, economic development, investment attraction and working with businesses on relocation/expansion projects. Further details of my qualifications and experience are outlined in **Appendix A**.
3. I was initially contacted by the City of Casey in September 2017 regarding the Minta Farm precinct structure planning process. Subsequently in October 2017, my firm was engaged to review the *Minta Farm Precinct Structure Plan Employment Precinct Land Review* (October 2017), with specific reference to the allocation and projections for commercial office employment within the precinct. Our initial report was delivered in December 2017 and various revisions and updates have been provided including the expansion of the scope to include light industrial employment as well. Our report *Minta Farm Review* was finalised in April 2018.
4. Tom Sully, Associate with Lucid Economics, provided some research and analysis for the *Minta Farm Review* Report.
5. I received instructions from Mr. Barnaby McIlrath, Special Counsel, Planning and Environment Group, Maddocks on 13 March 2018, including the following scope:

In the event that you can support the position outlined in Council's submission, and subject to its acceptance of your fee estimate, our client will engage you to act as an expert witness on its behalf at the Panel hearing. Your engagement will include:

- Attend an initial briefing/teleconference with Maddocks.
 - Preparation of an expert witness statement of evidence addressing the economic issues raised by the Amendment (including, in particular, employment land allocation and assumptions, and anticipated demand over time).
 - Attend expert conclave as required by Planning Panels Victoria (including review of draft conclave **stamen**).
 - Appear to give expert evidence at the Panel Hearing during the week of 16 April 2018 (precise dates to be confirmed), including the preparation of a report to the Panel in accordance with the Planning Panels Victoria expert evidence guidelines.
 - Assist Council and Maddocks to attend to specific matters during and following the hearing.
6. This statement relies on research and analysis presented in our report *Minta Farm Review* and many opinions presented here reflect analysis contained in this report. Additional evidence has been presented here to supplement this earlier analysis by providing regional employment projections, review of recent supply and demand of industrial land in Melbourne, a broader strategic context for the future development of the Minta Farm precinct as well as specific recommendations regarding the *Minta Farm Precinct Structure Plan*.

7. I have organised my statement into the following sections in order to address the scope:

- Section 2: Strategic Context and Future Employment Requirements
- Section 3: Employment Precinct Benchmarking
- Section 4: Demand for Commercial Office and Light Industrial Land
- Section 5: Supply and Take-up of Commercial Office and Light Industrial Land
- Section 6: Future Take-up of Commercial Office and Light Industrial Land
- Section 7: Summary of Findings
- Section 8: Declaration

2. Strategic Context and Future Employment Requirements

8. This section reviews the broader strategic context across the region as well as future employment requirements for the region.

2.1 Strategic Context

2.1.1 Plan Melbourne 2017-2050

9. *Plan Melbourne 2017-2050* (Refresh) was released in March 2017. One of the notable changes was the focus on providing more jobs close to where people live, including the notion of '20-minute neighbourhoods'. Direction 1.2 states to 'Improve access to jobs across Melbourne and closer to where people live'.

10. *Plan Melbourne 2017-2050* further highlights future population growth of the Southern region (including Cardinia, Casey, Frankston, Greater Dandenong, Kingston, Mornington Peninsula) of 690,000 people and a projected increase of 105,000 jobs. It highlights various key industries, including retail trade, manufacturing, healthcare and social assistance, education and training.

11. *Plan Melbourne 2017-2050* also supports the growth and development of 'new knowledge economies' and highlights a number of priority sectors that have the ability to deliver significant growth and investment, including:

- Medical technology and pharmaceuticals
- New energy technologies
- Food and fibre
- Transport technologies
- Defence technologies
- Construction technologies
- International education
- Professional services.

12. *Plan Melbourne 2017-2050* has a range of policies relevant to the Minta Farm precinct, including:

- Policy 1.1.6 *Plan for industrial land in the right locations to support employment and investment opportunities*. The policy highlights the importance of ensuring enough available industrial land for future development in order to maintain global competitiveness. The policy also highlights the importance of transport infrastructure in servicing industrial land. This policy also protects the identified State Significant Industrial Precincts from incompatible uses in order to preserve these areas for major industrial development linked to key freight and transport networks.
- Policy 1.1.7 *Plan for adequate commercial land across Melbourne*. The policy highlights the requirement to ensure there is sufficient land available to maintain a competitive commercial market and facilitate local access to employment.

- Policy 1.2.2 *Facilitate investment in Melbourne's outer areas to increase local access to employment*. The policy reinforces the requirement to support investment that creates jobs in outer suburban areas and growth areas. Specifically, the policy states 'Planning for outer suburbs and growth areas must ensure there is sufficient zoned land to support future development and job creation' (pg 37).

2.1.2 South-East Growth Corridor Plan 2012

13. The South-East Growth Corridor Plan was released in June 2012 and established an employment target of one job per dwelling, which the plan anticipated would result in:

- 40%-45% of jobs within dedicated employment land, being 'business' and 'industrial' uses.
- 55%-60% of jobs within the residential areas, comprising of town centres, community uses and home-based employment.

14. The South-east Growth Corridor Plan 2012 highlighted the Minta Farm precinct as business with residential and according to the *Minta Farm Precinct Structure Plan Employment Precinct Review* (October 2017), the Plan envisioned two broad classifications for employment land, including:

- Mixed use for office, research and development and associated manufacturing facilities.
- Industrial areas for industry, logistics and service trades and specifically:
 - Larger industrial estates, typically 200 hectares and more, with very good freeway and arterial road access and designed to provide for metropolitan, national and international markets.
 - Smaller industrial estates, typically around 20 hectares to provide for service trades and designed to provide for the needs of smaller businesses servicing local markets.

2.1.3 Local Policies

2.1.3.1 Economic Development Policy 21.5

15. The *Economic Development Policy 21.5* acknowledge the importance of economic growth in order to provide positive social and community outcomes. It contains the following objectives:

- To facilitate the creation of knowledge-based jobs in Casey.
- To take advantage of Casey's competitive edges to create local employment opportunities across a diverse economic base to secure a sustainable and prosperous future.

2.1.3.2 Casey-Cardinia Economic Development Strategy 2016-17

16. The *Casey-Cardinia Economic Development Strategy 2016-17* identifies that the economy provides an insufficient number of local jobs to cater for its resident workforce and as a result, almost 70% of local resident workers leave the area for work every day.

17. The *Casey-Cardinia Economic Development Strategy 2016-17* seeks to encourage greater levels of economic diversity and to support the local resident workforce through the identified growth sectors:

- Manufacturing
 - Advanced manufacturing
 - Food product manufacturing
 - Machinery and equipment manufacturing
- Professional and Business Services
 - Professional, scientific and technical services
 - Transport and logistics
 - Building materials and construction services
 - Administration and support services
- Population and Household Services
 - Education and training
 - Health care and community services

18. The *Casey-Cardinia Economic Development Strategy 2016-17* adopts four key principles to guide future economic development of the region, including:

- Be investment ready
- Business leadership
- Innovation, science and technology
- Advocacy for business and economic growth

2.2 Regional Context

19. Economic development is driven by the competitiveness at a regional level more so than areas defined by political geographies, such as local or state government boundaries.

20. The Minta Farm precinct is within the South East region of Melbourne, part of the broader Melbourne Metropolitan region. Future growth of the economy will depend largely on the competitiveness of the region and the level of innovation and productivity gains.

21. The Urban Development Program (2017) provides an updated analysis of supply and demand for residential and industrial land across metropolitan Melbourne. The following table (Table 2.1) shows varying degrees of industrial land consumption across the metropolitan region (and identified sub-regions).

Table 2.1 Consumption of Industrial Land (hectares), 2012-13 to 2016-17

	2013-14	2014-15	2015-16	2016-17
Brimbank	27.2	13.8	8.2	42.7
Hobsons Bay	2.5	12.1	3.8	15.6
Maribyrnong	-2.1	0.5	-0.5	0.7
Melton	23.9	17.7	33	25.3
Moonee Valley	0.4	0.3	-0.2	-0.2
Wyndham	38.3	31.2	43	50.8
Western Region	90.1	75.5	87.2	135
<i>Western SSIP</i>	<i>90.0</i>	<i>76.2</i>	<i>90.3</i>	<i>123.1</i>
Banyule	0.1	-0.3	0	1.6
Darebin	0	2.1	2.1	0
Hume	20	134.9	50.5	18.2
Moreland	0.4	-1.5	-1.6	0.8
Nillumbik	0.1	-0.1	0.1	0
Whittlesea	5.8	5.6	26.1	1.5
Northern Region	26.5	140.7	77.2	22.1
<i>Northern SSIP</i>	<i>9.7</i>	<i>103.4</i>	<i>72.5</i>	<i>15.9</i>
Knox	4.9	8.7	0.1	7.6
Manningham	0	0	0	0
Maroondah	-1.6	1.5	-0.8	3.4
Monash	0.5	-1	7.8	6.6
Whitehorse	1.6	0.3	2.1	-0.9
Yarra Ranges	0	1.7	1.2	1.7
Eastern Region	5.4	11.1	10.4	18.4
Bayside	0.2	0.0	-0.2	0.0
Boroondara	0.0	0.0	0.1	-0.1
Glen Eira	-0.3	0.0	0.0	0.3
Stonnington	0.0	0.0	0.0	0.0
Inner South East Region	-0.1	0.0	-0.1	0.2
Cardinia	8.3	6.1	10.3	15.1
Casey	3.0	-3.8	6.2	4.4
Frankston	7.9	2.9	21.4	10.8
Greater Dandenong	48.0	37.2	75.0	56.3
Kingston	2.9	5.5	13.3	13.5
Mornington Peninsula	4.0	10.2	3.7	4.7
Southern Region	74.0	58.2	130.0	104.7
<i>Southern SSIP</i>	<i>52.7</i>	<i>39.8</i>	<i>76.4</i>	<i>58.5</i>
<i>Officer/ Pakenham SSIP</i>	<i>8.3</i>	<i>5.9</i>	<i>10.3</i>	<i>15.6</i>
<i>Hastings SSIP</i>	<i>0.0</i>	<i>-0.4</i>	<i>0.0</i>	<i>0.0</i>
Melbourne	0.9	2.3	1.5	-1.0
Port Phillip	-0.1	0.1	0.0	0.0
Yarra Ranges	0.1	-0.2	0.2	0.0
Inner Metro Region	1.0	2.2	1.7	-1.0
Metropolitan Melbourne	197.0	287.7	306.3	279.4

Source: Dept. of Environment, Land, Water and Planning (2017)

22. Consumption of industrial land varies greatly across the sub-regions as well as their constituent LGAs based on their own competitive advantages and appeal to the market:

- In the Southern Region, Greater Dandenong has the highest level of consumption, which is consistent with the area’s industrial nature and appeal to larger industrial users (which is also partly responsible for the higher levels of consumption).
- In contrast, other areas further north such as Boroondara and Glen Eira have very low levels of consumption, which is consistent with an absence of available industrial land and the less industrial nature of these areas.
- Casey has experience much lower levels of consumption (relative to Greater Dandenong), which is consistent with the nature of its industrial activity that is much smaller scale and represents a lighter industrial nature (such as Thompsons Base).
- Cardinia has experienced increasing levels of industrial land consumption, which is consistent with its more recent development cycle.
- The fact that the majority of industrial land consumption in Greater Dandenong and Cardinia has taken place in the State Significant Industrial Precincts represents the appeal of these areas to larger industrial users and heavier industrial uses, for which these areas have been reserved in *Plan Melbourne 2017-2050*.

2.3 Future Workforce and Employment Requirements

23. This section highlights the results of future modelling undertaken specifically for the Minta Farm Panel Hearing.

24. The future resident workforce for the Southern Region (defined as the local government areas of Cardinia, Casey, Frankston, Greater Dandenong, Kingston and Mornington Peninsula) has been identified in the table below (Table 2.2). Local resident workers in the Southern Region are expected to increase by over 151,000 from 2016 to 2031.

Table 2.2 Resident Workforce, Southern Region (2016-2031)

	2016	2021	2026	2031
Cardinia	46,620	58,138	70,037	81,814
Casey	144,468	171,510	195,184	217,071
Frankston	65,944	68,524	71,647	75,807
Greater Dandenong	63,829	67,988	71,915	77,031
Kingston	77,837	82,312	87,206	92,218
Mornington Peninsula	70,051	74,118	78,314	82,907
Southern Region	468,856	519,658	569,497	620,524

Source: Lucid Economics; ABS (2017a); ABS (2017b); Dept. of Environment, Land, Water and Planning (2016)

25. These estimates have been developed through the following approach:

- Identification of participation rates and unemployment rates for each of the LGAs in the Southern Region (Cardinia, Casey, Frankston, Greater Dandenong, Kingston and Mornington Peninsula) over the last three Census periods.
- Identification of *Victoria in Future* (2016) future population projections (by age group) for each of the LGAs in the Southern Region.
- Identification of the 2016 Estimated Resident Population for the three LGAs in the Southern Region.

- The proportion of the population aged 15+ and the total population highlighted for each of the LGAs from the 2016 Census was applied to the post Census estimated resident population (ERP) from the ABS in order to identify the proportion of the estimated resident population aged 15+ in each of the LGAs.
- Expected population growth rates for the population aged 15+ from *Victoria in Future* (2016) were then applied to the 2016 estimated resident population aged 15+.
- The 2016 participation rate from the Census was applied to identify the labour force in each LGA in 2016 and then the average participation rate from the last three Census periods for each LGA was then applied to the future population aged 15+ in order to identify the total labour force into the future.
- The 2016 unemployment rate from the Census was applied to the identified labour force in each LGA to identify local residents that were employed. The average unemployment rate from the last three Census periods for each LGA was then applied to the future labour force to identify the future resident (employed) workforce for each LGA.

26. *Plan Melbourne 2017-2050* has identified that 105,000 jobs are required for the Southern Region (defined as the local government areas of Cardinia, Casey, Frankston, Greater Dandenong, Kingston and Mornington Peninsula) and a focus to deliver jobs close to where people live.

27. In order to better understand the industry breakdown of how these jobs could be delivered into the future, the future projected resident workforce was segmented into industries. As highlighted in the following table (Table 2.3), growth is expected across a range of employment areas. As is the case currently, it would be expected that many of these resident workers may leave the area for work, however, *Plan Melbourne 2017-2050* clearly sets out a strategic intent to deliver more local jobs for local residents.

Table 2.3 Resident Workforce, by Industry Group, Southern Region (2016-2031)

	2016	2021	2026	2031
Industrial	147,820	147,337	140,851	131,006
Business and Professional Services	78,566	90,439	103,354	117,234
Population Services	206,559	240,052	276,642	316,213
Other	35,910	41,830	48,651	56,071
Total	468,856	519,658	569,497	620,524

Source: Lucid Economics; ABS (2017a); ABS (2017b); Dept. of Environment, Land, Water and Planning (2016)

28. In relation to the Minta Farm precinct, the following table shows the local resident workforce projections by industry group for the Casey-Cardinia region (defined as the City of Casey and the Shire of Cardinia). Given the direction from *Plan Melbourne 2017-2050* to deliver jobs closer to where people live, the future local resident workforce shows potential for local employment in Minta Farm across industrial, business and professional services as well as population services.

Table 2.4 Resident Workforce, by Industry Group, Casey-Cardinia Region (2016-2031)

	2016	2021	2026	2031
Industrial	49,731	52,138	50,645	46,661
Business and Professional Services	22,982	28,678	34,358	40,126
Population Services	60,916	77,106	93,769	110,978
Other	10,840	13,588	16,412	19,307
Total	144,468	171,510	195,184	217,071

Source: Lucid Economics; ABS (2017a); ABS (2017b); Dept. of Environment, Land, Water and Planning (2016)

29. These estimates have been developed through the following approach:

- Identification of industry of employment for resident workforce by LGA over the last three Census periods.
- Analysis of the proportion of employment by industry for the resident workforce by LGA over the last three Census periods.
- Forecast of the proportion of employment by industry for the resident workforce by LGA into the future using a simple linear regression.
- Group employment in various industries into industry groupings as highlighted in the table below (adapted from the *Urban Development Program 2017*)

Table 2.5 Industry Grouping Definitions

Industry Group	Industry Type	ANZSIC – Industry Divisions
Industrial	Manufacturing Transport and Warehousing Wholesaling Construction	Manufacturing Transport, Postal & Warehousing Wholesale Trade Construction
Business and Professional Services	Business and Professional Services	Information Media & Telecommunications Financial & Insurance Services Rental, Hiring & Real Estate Services Professional, Scientific & Technical Services Administrative & Support Services
Population Services	Population Services	Retail Trade Accommodation & Food Services Public Administration & Safety Education & Training Health Care & Social Assistance Arts & Recreation Services
Other	Other	Agriculture, Forestry & Fishing Mining Electricity, Gas, Water & Waste Services Other Services

Source: Lucid Economics; Dept. of Environment, Land, Water and Planning (2016)

30. The remaining sections focus on the City of Casey and provide a summary of research and analysis contained in our report, *Minta Farm Review*. The strategic and regional context is important for the future economic growth of the City of Casey and a variety of market drivers (regional, State, national and international) will direct and determine future growth. However, these next sections consider how the future growth will manifest itself locally within the City of Casey and specific to the Minta Farm precinct.

3. Employment Precinct Benchmarking

31. The *Minta Farm Precinct Structure Plan (2017)* envisioned an employment precinct of 68.8 ha that could eventually employ over 10,000 people with an average job density (jobs/hectare) of 146 (Table 3.1). For the commercial and office precinct the jobs density cited was 280 jobs per hectare.

Table 3.1 Recommended Land Use Composition, Minta Farm Employment Sub-Precincts

Land Use	Description (Plan 6 of Exhibited PSP)	Net Area (HA)	Jobs	Job Density (Jobs/HA)
Commercial and office	Commercial and office including research, education, retail and other supporting business services	26.15	7,322	280
Innovation and Technology	Business uses with a technology focus, including business incubators, light manufacturing as well as research and development	39.26	2,199	56
Small Local Enterprise	Local service businesses for example, gym or dance studio, private play centre, storage, automobile repairs, workshops and veterinary clinic	3.40	536	158
Total		68.80	10,057	146

Source: VPA (2017a)

32. The following table (Table 3.2) provides a summary of the benchmarking assessment contained in our report, *Minta Farm Review*, regarding the characteristics of various employment precincts (some cited in the *Minta Farm Precinct Structure Plan Employment Precinct Land Review*) in order to compare to the *Minta Farm Precinct Structure Plan*.

Table 3.2 Case Study Analysis Summary

Precinct	Size (HA)	2016 Employment	Distance from CBD (km)	% Developed	Implied Employment Density (Jobs/HA)
Dandenong LOGIS Business Park	154	1,518	29.2	65%	15
Chifley Business Park	121	2,494	21.2	90%	23
Caribbean Business Park	188	5,119	24.4	80%	34
Tally Ho Business Park	26	3,090	17.9	100%	119
Narre Warren Office Precinct	50	1,848	37.8	70%	52
Norwest Business Park	157	21,839	27.0	83%	169
Macquarie Park	161	37,201	12.5	91%	253
Sydney Olympic Park	52	9,847	12.7	97%	197
Penrith CBD	88	10,562	49.0	80%	151
Brisbane Technology Park	33	4,544	14.1	97%	142
Springfield Central	183	3,221	26.7	40%	44
<i>Average</i>	<i>101</i>	<i>9,208</i>	<i>24.8</i>	<i>83%</i>	<i>126</i>
<i>Minta Farm</i>	<i>69</i>	<i>10,057</i>	<i>44.8</i>	<i>0%</i>	<i>146</i>

Note: % developed estimated based on 2016/2017 aerial imagery when official government estimates not available.

Source: Lucid Economics; ABS (2017b); VPA (2017a); NSW DPE (2017)

33. This benchmarking analysis yielded many interesting findings in relation to the Minta Farm precinct (as envisioned in the *Minta Farm Precinct Structure Plan*), including:

- **Distance from CBD:** Precincts closer to the CBD tend to have higher densities and a higher proportion of professional business services (i.e. white-collar employment). Given the distance of Minta Farm from the CBD, the job density is high, relative to other precincts examined.
- **Recommended Industry Mix:** There is a great diversity of industries within the precincts studied. Many have a specific focus including industrial activities (e.g. Dandenong Logis, Chifley, Caribbean) or professional business services (e.g. Tally Ho, Macquarie Park, Sydney Olympic Park), but all have a mix of activities. The proportion of land dedicated to commercial office uses in Minta Farm would seem high, relative to the other precincts, their distance from the CBD and existing employment structures.
- **Variety of Job Densities:** There is a range of employment densities across the precincts, ranging from 15 to 253. The job densities achieved relate directly to the mix of industries and proximity away from the CBD. Precincts closer to the CBD are able to attract a higher proportion of commercial office development, which creates the opportunity for higher densities. By contrast, industrial precincts have much lower densities. The Penrith CBD is an outlier in the analysis, given its size and distance from the Sydney CBD as well as the fact that it's a well-established regional centre, while the other precincts represent various business parks and/or employment areas. Macquarie Park is the largest (in terms of employment) and has the highest density. It is also the closest to a CBD. The job density for the commercial office component of Minta Farm would seem high relative to the case study areas, particularly given the distance from the CBD.
- **Land Sizes:** The precincts vary in their size, ranging from 26 ha to 188 ha. The size of the precinct has less of an impact on the employment capacity of the land than the distance from the CBD and the industry mix. The Minta Farm employment precinct (69 ha) is smaller than the average across the case study areas (101 ha).

4. Demand for Commercial Office and Light Industrial Land

34. This section summaries research and analysis contained in our report, *Minta Farm Review*.

4.1 Commercial Office

4.1.1 Consultation with Stakeholders

35. Local real estate professionals and developers were consulted regarding the current market for commercial office property in the South East and the City of Casey specifically. The key findings from this consultation include:

- There are two key market segments:
 - Owner/occupiers
 - Small business/start-ups
- Predominantly tenants are seeking to work closer to where they live
- Industry mix is diverse and includes a wide range of professional business services including lending/mortgage, finance, insurance, personnel staffing/recruitment, legal, accounting, business consulting, IT as well as government and community service organisations.
- Office suites requirements generally range from 50 sqm to 300 sqm, with most averaging between 80 sqm and 200 sqm.
- Major precincts in the City of Casey (Berwick and Narre Warren) are competitively disadvantaged against other precincts within the South East, such as Dandenong, that have much greater access to public transport and amenity, which is particularly important for larger office users.
- Overall, market sentiment was mixed with some participants identifying that demand for commercial office space has been in line with expectations and others citing a lack of demand for commercial office space in the City of Casey.

4.1.2 Localised Commercial Office Demand

36. Using sales and leasing information directly from landlords and developers, demand for commercial office space in the City of Casey in 2017 was identified at 3,360 sqm. This level of demand includes offices leased in new developments as well as office units sold during the calendar year in projects currently under development.

4.2 Light Industrial

4.2.1 Consultation with Stakeholders

37. Local real estate professionals and developers were consulted regarding the current market for light industrial property in the South East and the City of Casey specifically. The key findings from this consultation include:

- The market is dominated by small businesses, across a range of industries, including:
 - Many trades and businesses supporting residential construction in the broader region such as electricians, plumbing contractors, HVAC providers, kitchen/bathroom businesses, etc.
 - Range of wholesale and retail style businesses catering to both the public as well as building contractors.
- All stakeholders identified a strong demand for small lot, serviced light industrial properties
- A central driver for most tenants was to work close to where they live.
- The City of Casey was attractive for small lot, light industrial development compared to other areas such as Dandenong and Officer/Pakenham, which are attractive for larger and heavier industrial users.
- Serviced light industrial lots between 800 sqm and 2,000 sqm were in great demand with small industrial units averaging around 500 sqm.
- Prices for light industrial land were reported to have increased substantially during 2017, from \$265 per sqm to \$300 per sqm (and above).
- Some stakeholders identified a current lack of small, serviced light industrial lots in the market.

4.2.2 Localised Light Industrial Demand (Consumption)

38. In 2017, it is estimated that 6.7 ha of land was consumed for light industrial uses in the City of Casey (Table 2.2). Additionally, there is another 2.1 ha of light industrial land currently under construction, which will likely finish in 2018.

Table 4.1 Light Industrial Land Consumption, City of Casey (2017)

Land	Area (sqm)	Area (HA)
Thompsons Base	49,215	4.92
1445 S. Gippsland Hwy	4,953	0.50
Evans Road Precinct	13,192	1.32
Total	67,360	6.74

Source: Lucid Economics

39. In order to identify consumption of light industrial land the definition of industrial land consumption used in the Urban Development Program has been utilised, namely, 'Consumption occurs when land changes from vacant to having some form of use on it, such as a building, storage area, carpark, etc. (pg 11)'. It has been assumed that land remains 'vacant' during construction and is then considered 'consumed' once construction is finished.

40. For the calendar year 2017, aerial imagery was examined to identify new industrial construction and to measure the area of land that the development occupied. Internet property sales listings (www.realcommercial.com.au) were also used to help identify recently completed buildings as well as those currently under construction.
41. Given the high rate of sales in 2017 for smaller industrial lots highlighted by stakeholders, it is likely that consumption of light industrial land could double over the next few years within the City of Casey.

5. Supply of Commercial Office and Light Industrial Land

5.1 Commercial Office Property

42. Supply of new and future commercial office property within the City of Casey totals 44,834 sqm and is highlighted in the following table (Table 5.1). This information has been compiled using information from development approvals and marketing fliers for various projects as well as consultation with developers.

Table 5.1 Commercial Office Development, City of Casey (2017)

Project	SQM
New Existing Space (Available)	
66 Victor Crescent Bldg 1 (Narre Warren)	370
66 Victor Crescent Bldg 2 (Narre Warren)	5,637
Total Available	6,007
Under Construction	
55-75 Victor Crescent - Cube 1 (Narre Warren)	4,357
12 South Gippsland Hwy (Cranbourne)	492
Total Under Construction	4,849
Approved	
66 Victor Crescent Bldg 3 (Narre Warren)	4,487
66 Victor Crescent Bldg 4 (Narre Warren)	4,508
25 Verdun Drive (Narre Warren)	6,863
55-75 Victor Crescent -Cube2 (Narre Warren)	4,564
10 Lyall Street (Cranbourne)	1,256
145 Sladen St (Cranbourne)	300
Total Approved	21,978
Proposed	
81 Victor Crescent (Narre Warren)	12,000
Total Potential Future Space	44,834

Note: SQM equal net leasable area (NLA). NLA sourced directly from marketing brochures or estimated based on gross floor area (GFA) provided in Council development approval and applying a ratio of 80% to convert GFA into NLA.
Source: Lucid Economics; City of Casey (2018); MAB (2018); CBRE (2018); Lettieri (2014)

43. In addition to this potential future supply of commercial office space, recent plans from the VPA make provisions for additional commercial office development in the City of Casey. The recently completed *Berwick Health & Education Comprehensive Development Plan* (December 2017) has identified a future provision for 98,582 sqm of commercial office space (NLA) in the proposed Corporate Centre precinct. The *Casey Central Town Centre Precinct Structure Plan* (May 2016) envisions a further 70,086 sqm of commercial office space (NLA).

44. Including these areas, there is the potential for a total of 213,502 sqm of commercial office space across the City of Casey, which at current rates equates to 63.5 years of supply.

5.2 Light Industrial Land

45. While it has been estimated that there was 6.7 ha of light industrial land consumed in the City of Casey in 2017, it is likely, based on consultation with stakeholders that industrial lot sales were even greater. However, a land transaction will not immediately transition into the consumption of the land due to the various design, planning and permitting processes. As such, there is still land available for consumption across numerous light industrial precincts within the City of Casey as highlighted in the following table (Table 5.2). At the current rate of consumption (6.7 ha), there is currently 14.8 years of supply.

Table 5.2 Available Light Industrial Land, City of Casey (2017)

Development	Land Available for Future Consumption (HA)
Thompsons Base	11.0
Evans Road Precinct	36.4
Cranbourne West Business Park	9.8
Element Park	28.0
Summit	14.7
Total	99.9

Source: Lucid Economics

6. Future Take-up of Commercial Office and Light Industrial Land

46. In order to evaluate future employment outcomes for the Minta Farm precinct, as presented in the *Minta Farm Precinct Structure Plan*, the future take-up and consumption of commercial office property and land as well as light industrial land across the City of Casey was calculated against the known future supply.

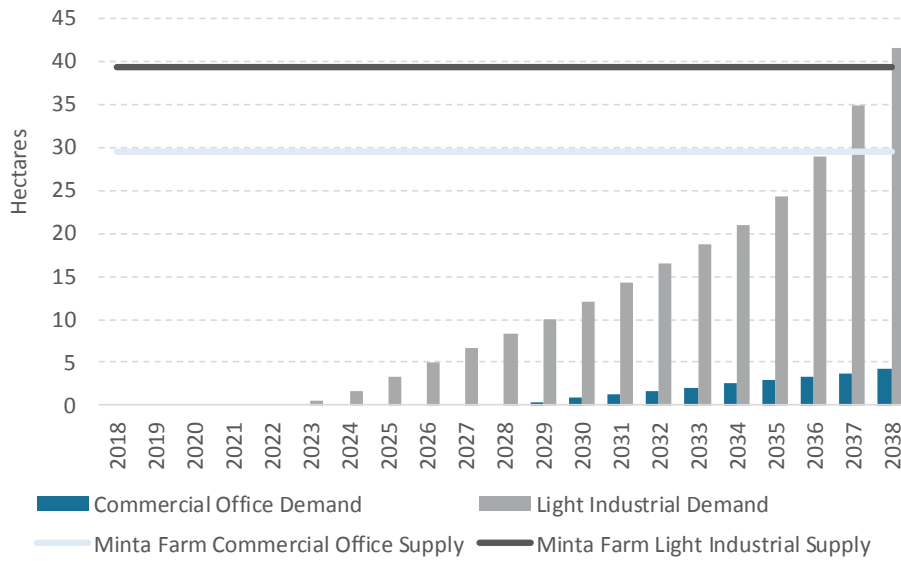
47. Two main scenarios were developed in order to comment on the identified employment precinct in the *Minta Farm Precinct Structure Plan*, including:

- **Current commercial and office demand:** Current level of demand, estimated at 3,360 sqm per year, was modelled against the new existing commercial office space in the City of Casey as well as the space currently under construction, approved and planned in order to reflect the time required to absorb this space. Based on consultation, it has been assumed that commercial office demand does not materialise for Minta Farm until after the identified commercial office space in Narre Warren is absorbed, due to the distance from the Melbourne CBD and absence of any key demand driver. In order to transition commercial office demand (in sqm) into an annual demand for land at Minta Farm, the application of a floor space efficiency of 80%, average of two storeys, and a site coverage of 50% were applied¹. The result is an estimated average annual consumption of 0.42 ha of net developable commercial office land. In reality, commercial office development does not take place evenly across years but instead in large, 'bulky' increments. However, for demonstration purposes this average annual figure of land consumption can be used as the demand will average out over the future time frames. This scenario does not consider any commercial office development taking place in the Berwick Health and Education Precinct or the Casey Central Town Centre. Inclusion of these projects would likely extend the start of commercial office development in Minta Farm.
- **Current light industrial consumption:** Current level of consumption, estimated at 6.7 ha per year, was modelled against the known future supply of light industrial land across the various existing developments in the City of Casey, in order to show the time required to consume this land. As per consultation, it has been assumed that light industrial land in Minta Farm sells quickly after being offered to the market (assumed to be two years from now). Demand is split across the existing and future anticipated light industrial precincts until land in these precincts is completely consumed. At such a time, additional consumption is added to the remaining precincts.

48. As highlighted in the figure below (Figure 6.1), by 2038 all light industrial land within the Minta Farm precinct will be consumed. By contrast, only 14% of the commercial office land within the Minta Farm precinct will be consumed. At these rates, there is 20 years' worth of light industrial land and 81 years' worth of commercial office land in the Minta Farm precinct (as defined in the Minta Farm Precinct Structure Plan).

¹ These assumptions were used in the *Minta Farm PSP Employment Precinct Land Review* to convert the land into commercial office built form.

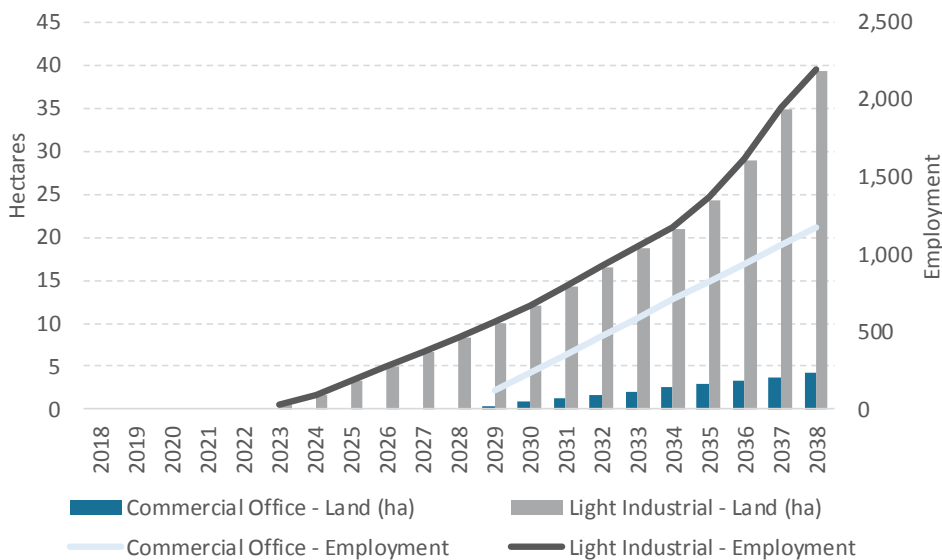
Figure 6.1. Future Demand and Supply, Minta Farm (HA)



Source: Lucid Economics

49. The following figure (Figure 6.2) highlights the employment outcomes for each demand scenario (using the suggested employment densities in the *Minta Farm PSP*). As highlighted, at current levels of demand, light industrial lands in Minta Farm have the potential to generate 2,199 jobs by 2038 and commercial office lands can deliver 1,176 jobs by the same timeframe. Given the existing and future supply of light industrial land in Cranbourne West and Clayton North, Minta Farm is not expected to deliver jobs until 2023. Given the existing and future supply of commercial office space at Narre Warren, the commercial lands in Minta Farm are not expected to generate jobs until 2029.

Figure 6.2. Future Demand and Employment Outcomes, Minta Farm



Source: Lucid Economics

50. If different employment densities were used, the analysis would yield different results.

51. Based on the benchmarking assessment, the job density of 280 jobs per ha for the commercial office precinct is high, relative to the case studies. If a lower density was used, then the employment generation capability of the Minta Farm precinct for office development would decrease further. Similarly, the assumed two-storey development over the site may be too low. Increasing the average building height would create greater densities (and more employment on a per hectare basis) but also consume less land over time (due to the denser development). Increasing the building heights would further extend the life of commercial office land in Minta Farm.

7. Summary of Findings

52. Based on the research and analysis presented in this statement (and our report, Minta Farm Review), the following are my key findings:

- Based on the case study analysis:
 - Precincts closer to a CBD tend to have higher densities and a higher proportion of professional business services (i.e. white-collar employment).
 - The proportion of land dedicated to commercial office uses in the Minta Farm precinct is high, relative to the other precincts and their distance from a CBD.
 - The job density for the commercial office component of Minta Farm is high relative to the case study areas, particularly given the distance from the CBD.
- Consultation with real estate professionals and developers revealed:
 - Commercial office demand in the City of Casey is dominated by local businesses, employees and residents who wish to work close to where they live.
 - Existing commercial office precincts (such as Narre Warren) have disadvantages in terms of access to public transport and amenity directly in the precinct.
 - Commercial office development in Minta Farm may be possible in the future, but it would not take place for many years (at least 10 to 15 years, or potentially longer).
 - Strong demand and interest in light industrial property within the City of Casey currently and a potential shortage of serviced, small light industrial lots available for purchase in the market currently.
- At the current rate of demand for commercial office space in the City of Casey (3,360 sqm per year), it would be a minimum of 13 years for the market to absorb the new existing space as well as the office space currently under construction, approved and proposed. Some stakeholders felt that 20-30 years could be required for the market to absorb this space.
- Recent planning documents for the Berwick Health and Education precinct as well as the Casey Central Town Centre have made provisions for an additional 168,668 sqm of commercial office space, which would compete with Minta Farm and potentially extend the time period required for the market to absorb space.
- In 2017, an estimated 6.7 ha of land was consumed for light industrial uses in the City of Casey.
- Based on current levels of consumption, demand and supply, it is likely that any light industrial land within the Minta Farm precinct would be well received by the market in the short to medium term.
- Future demand and consumption of commercial office and light industrial land (based on 2017 levels) identified:
 - By 2038, all light industrial land within the Minta Farm precinct would be consumed, which equates to 20 years' worth of light industrial land.
 - By 2038, 14% of the commercial office land within the Minta Farm precinct would be consumed, which translates to 81 years' worth of commercial office demand.
 - Light industrial land within the Minta Farm precinct can generate 2,199 jobs by 2038 (using 56 jobs per hectare as per PSP).

- Commercial office land within the Minta Farm precinct can generate 1,176 jobs by 2038 (using 280 jobs per hectare as per PSP). At a lower density, the employment outcomes would be less.
- Light industrial land in Minta Farm would not generate employment until 2023, while the commercial office land in Minta Farm would not generate employment until 2029.

53. Based on the evidence presented in this statement, I believe:

- The Minta Farm Precinct Structure Plan should retain the identified and allocated employment precinct (68.8 ha) for employment purposes.
- The commercial office sub-precinct should be reduced in overall size to better facilitate its development over time and provide additional lands for other employment purposes.
- Planning controls over the employment precinct should remain flexible to cater for future business needs and to facilitate employment generation.

8. Declaration

54. I have made all the inquiries that I believe are desirable and appropriate and no matters of significance which I regard as relevant have to my knowledge been withheld from the Panel.



Michael Grier Campbell
Director
Lucid Economics Pty Ltd

5/4/18

Date

References

- ABS (2007). *Census of Population and Housing, 2011*. Australian Bureau of Statistics, Canberra.
- ABS (2012). *Census of Population and Housing, 2011*. Australian Bureau of Statistics, Canberra.
- ABS (2017a). *Regional Population Growth, Australia*. Cat. No. 3218.0. Australian Bureau of Statistics, Canberra.
- ABS (2017b). *Census of Population and Housing, 2016*. Australian Bureau of Statistics, Canberra.
- CBRE (2018). *Narre Warren's Premier Leasing Opportunity*. Marketing Flier.
- City of Casey (2018). *Selected Development Approval Data*. City of Casey. Unpublished.
- Dept. of Environment, Land, Water and Planning (2016). *Victoria in Future 2016*. State of Victoria Department of Environment, Land, Water and Planning, Melbourne. July 2016.
- Dept. of Environment, Land, Water and Planning (2017). *Urban Development Program Metropolitan Melbourne Industrial 2017*. State of Victoria Department of Environment, Land, Water and Planning, Planning Group, Melbourne.
- ID (2018). *City of Casey Economic Profile*. Available from www.economy.id.com.au/casey. Last accessed 23 February 2018.
- Lettieri (2014). *Casey Business Park*. Offices for Lease. Marketing Brochure. Lettieri Property Group.
- MAB (2018). *Cube One Narre Warren*. Marketing Brochure. MAB Corporation.
- NSW DPE (2017). *Employment Lands Development Monitor 2017*. NSW Department of Planning and Environment, Sydney.
- Real Commercial (2018). *Commercial office property search*. Available at www.realcommercial.com. Last accessed 21 March 2018.
- VPA (2017a). *Minta Farm Precinct Structure Plan*. Victorian Planning Authority. October 2017.
- VPA (2017b). *Minta Farm Precinct Structure Plan – Employment Precinct Land Review*. Victorian Planning Authority. October 2017.
- VPA (2017c). *Berwick Health & Education Comprehensive Development Plan*. Victorian Planning Authority. December 2017.
- VPA (2016). *Casey Central Town Centre Precinct Structure Plan*. Victorian Planning Authority. May 2016.

Appendix A: Michael Campbell CV



Michael Campbell
Director

Qualifications: BA (History), BA (German Language), IMBA (Finance), MBA

Memberships: Economic Development Australia (EDA); CoreNet Global

Michael has over 18-years' experience across economics, property, economic development and tourism. Michael's experience spans three continents and includes significant time working with corporate management teams regarding capital investments and site selection as well as working with governments at all levels to generate new jobs and investment through economic development and tourism. Throughout his career, Michael has advised corporate clients on over \$1 billion of capital investment. As an economic developer, he has located 54 corporate operations representing \$425 million in capital expenditure and almost 4,000 new jobs.

Over the last 12 years in Australia, Michael has provided a range of advice and analysis to both public and private sector clients. He has become a trusted adviser to many local and state governments in economic development, investment attraction, planning and tourism matters. Michael also provides valuable advice and analysis to some of Australia's largest property developers and investors including market assessments, feasibility and due diligence. He has worked across various property asset types including industrial, tourism, residential and mixed use developments.

Michael has provided detailed analysis and advice to large, multinational corporations regarding site selection and location analysis across the Asia-Pacific region, including Australia. These projects have focused on advanced manufacturing centres, engineering centres, financial service hubs and large-scale industrial manufacturing.

Michael has also provided a range of economic and industry analysis to local and state governments including employment forecasting, industry projections and economy wide projections, using a range of modelling techniques.

Michael's Past Projects (Sample)

- Bayswater Industrial Precinct Analysis and Review (VIC)
- Sunbury Economic Analysis (VIC)
- Casey-Cardinia Economic Development Strategy (VIC)
- Maribyrnong Economic & Industrial Development Strategy (VIC)
- Melton Industry and Supply Chain Gap Assessment (VIC)
- Rydalmere Industrial Precinct Economic Development Study (NSW)
- Penrith Investment Attraction and Business Development Plan (NSW)
- Auburn Employment Lands Study (NSW)
- Wollondilly Economic Development Strategy (NSW)
- Hamilton Precinct Economic Analysis (WA)
- Perth and Peel Economic Development Study (WA)
- Armadale Economic Development Strategy (WA)
- Charlton Wellcamp Structure Plan (QLD)
- Moreton Bay Land Demand Study (QLD)
- Yatala Investment Attraction Strategy (QLD)
- Sunshine Coast Regional Economic Development Strategy (QLD)

PAGE LEFT INTENTIONALLY BLANK



LUCID
ECONOMICS

Lucid Economics Pty Ltd

www.lucideconomics.com.au

info@lucideconomics.com.au