

81-95 Burnley Street and 26-34 Doonside Street, Richmond

Economic Assessment

Prepared for Astrodome Hire Pty Ltd
20 December 2018



Deep End Services

Deep End Services is an economic research and property consulting firm based in Melbourne. It provides a range of services to local and international retailers, property owners and developers including due diligence and market scoping studies, store benchmarking and network planning, site analysis and sales forecasting, market assessments for a variety of land uses, and highest and best use studies.

Contact

Deep End Services Pty Ltd
Suite 304
9-11 Claremont Street
South Yarra VIC 3141

T +61 3 8825 5888
F +61 3 9826 5331
deependservices.com.au

Enquiries about this report should be directed to:

Matthew Lee
Principal
matthew.lee@deependservices.com.au

John Deane
Senior Associate
john.deane@deependservices.com.au

Document Name

Harry the Hirer Report - 81-95 Burnley St & 26-34 Doonside St
economic assessment - 20 Dec 18
20.12.18

Disclaimer

This report has been prepared by Deep End Services Pty Ltd solely for use by the party to whom it is addressed. Accordingly, any changes to this report will only be notified to that party. Deep End Services Pty Ltd, its employees and agents accept no responsibility or liability for any loss or damage which may arise from the use or reliance on this report or any information contained therein by any other party and gives no guarantees or warranties as to the accuracy or completeness of the information contained in this report.

This report contains forecasts of future events that are based on numerous sources of information as referenced in the text and supporting material. It is not always possible to verify that this information is accurate or complete. It should be noted that information inputs and the factors influencing the findings in this report may change hence Deep End Services Pty Ltd cannot accept responsibility for reliance upon such findings beyond six months from the date of this report. Beyond that date, a review of the findings contained in this report may be necessary.

This report should be read in its entirety, as reference to part only may be misleading.

Contents

1	Introduction	1
2	Site context	3
3	Development concept	8
4	Economic context	10
5	Economic outcomes	14
6	Summary	18

Tables + Figures

Table 1—Summary of indicative uses	8
Table 2—Construction employment estimates	15
Table 3—Ongoing (on-site) employment estimates	16
Table 4—Estimated rates and charges	16
Table 5—Retail expenditure by residents (2026)	17
Figure 1—Site context	4
Figure 2—Zoning structure	5
Figure 3—Inner Metro Region extract	7
Figure 4—Indicative design concept	9
Figure 5—Dwelling approvals by type July 2016 to October 2018	10
Figure 6—Number of business owners by place of usual residence	12
Figure 7—Number of business owners by place of work	12

1

Introduction

1.1 Background

This report, prepared on behalf of Astrodome Hire Pty Ltd, presents economic analysis of the proposed rezoning of the subject site at 81-95 Burnley Street and 26-34 Doonside Street.

The subject site has an area of 1.3ha and is situated approximately 150 metres south of the Victoria Gardens Shopping Centre. The land is within the Industrial 3 Zone (IN3Z) and is currently occupied by *Harry the Hirer* with a business shopfront located on the Burnley Street frontage.

Harry the Hirer has also historically operated from a second property opposite the site at 171 Buckingham Street. A property and operations review has concluded that these properties are to be rationalised, with some activities shifting to Brooklyn and the remainder consolidated onto the subject property. We understand the Buckingham Street site has been sold in accordance with this accommodation review, with settlement to occur 31 December 2018.

A request to rezone the land to the Mixed Use Zone (MUZ) is being made to Yarra City Council to enable construction of a mixed use development containing residential apartments and commercial uses. Preliminary concept plans provide for the retention and expansion of the Harry the Hirer business at ground level and part podium level, with further opportunity for commercial uses on the balance of podium levels, and construction of mid-rise apartment buildings with a total housing yield of approximately 557 dwellings.

1.2 Project brief Deep End Services have been commissioned to assess the proposed rezoning in terms of:

- Strategic and market justification for a mixed use development of the type proposed
- Analysis of the local and regional economic outcomes including:
 - Capital investment on the site
 - Employment generation during construction (direct on-site and indirect employment)
 - Ongoing employment generation (direct and indirect)
 - Indicative rates revenue
 - Local expenditure flows associated with new residents
 - Support for local businesses within the local area.

1.3 Assumptions Analysis in this report is based on information provided by Astrodome Hire (trading as Harry the Hirer) with respect to existing and future staffing, the anticipated future mix of uses and housing yield, construction costs, the timing of development and the capital value of the site on completion. Other data sources and assumptions are identified in the body of this report.

2

Site context

2.1 Location

The subject site is located at the north-eastern edge of the suburb of Richmond, approximately 5 km from the Melbourne CBD and 1½ km from the Richmond Town Hall on Bridge Road.

The site is within the Victoria Street – Richmond activity centre, just to the south of Victoria Gardens, which is a sub-regional shopping centre containing Kmart, Coles, Freedom, Rebel, a Hoyts cinema complex and a range of specialty retailers. IKEA is integrated into the centre.

The Victoria Street activity centre extends westwards where strip retailing has a focus on Asian-oriented groceries and dining.

Other significant commercial strips in the surrounding region include Bridge Road and Swan Street to the south, both of which are traditional shopping strips. The eastern end of Bridge Road near Burnley Street has a focus on larger floorplate uses including furniture and homewares retailing.

Public transport services comprise the 109 and 12 tram routes along Victoria Street, and the 48 and 75 tram routes along Bridge Road.

2.2 Site details

The subject site comprises the following two properties with a total area of 12,803 sqm:

- 81-95 Burnley Street: 10,970 sqm
- 26-34 Doonside Street: 1,833 sqm

The site has an 85 m frontage to Burnley Street, with longer frontages to Doonside Street (171 m) and Appleton Street (132 m).

2.3 Existing uses

The subject site is currently being utilised by Harry the Hirer for showroom, office and warehouse activities, with a total of 115 staff employed on-site. These operations are mainly contained within a number of industrial buildings extending east from Burnley Street, with a combined area of approximately 7,100 sqm. The remainder of the site contains smaller built structures including a heritage listed building at 26 Doonside Street, and paved car parking/hardstand area.

2.4 Surrounding uses

Properties north along Burnley Street are currently being used for large format retail and showrooms, but permits have been lodged or are likely to be lodged for more intensive residential developments. Further north is the Victoria Gardens Shopping Centre which has a main car park entrance approximately 150m north of Doonside Street. Apartment developments have occurred in recent years on the western side of Burnley Street opposite Victoria Gardens.

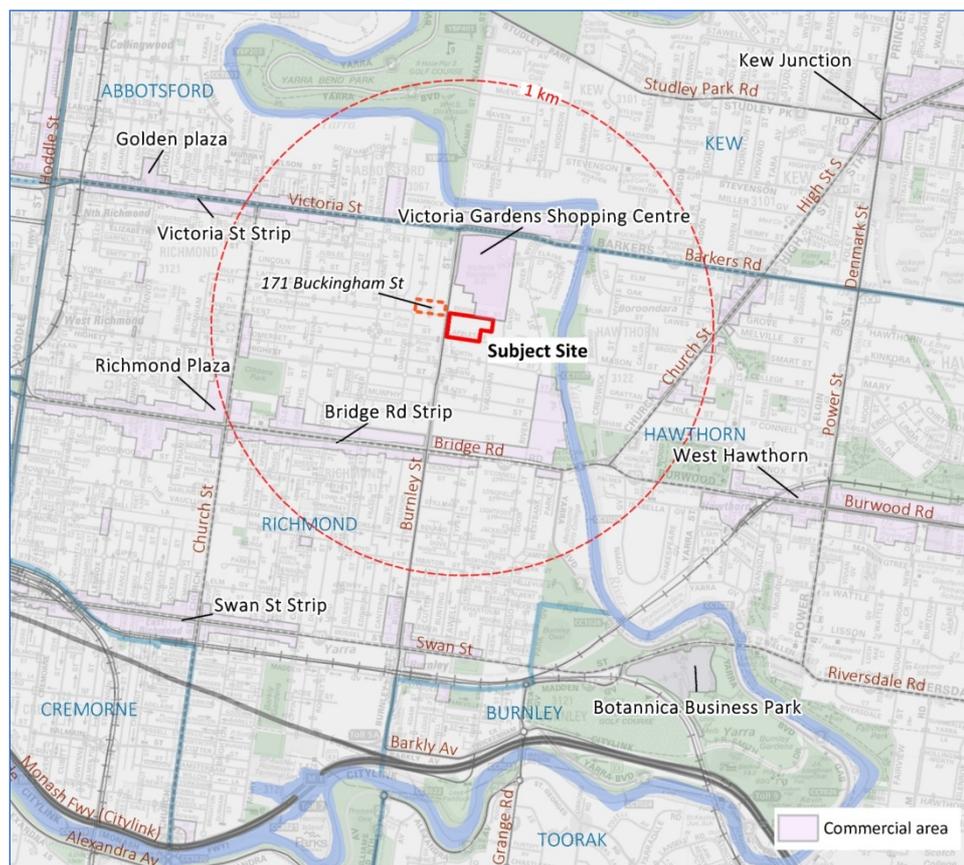
We understand the former Harry the Hirer property on Buckingham Street was purchased with a permit in place for some 187 apartments and a café.

To the east of the site, construction is well advanced at the immediately adjacent property at 36-44 Doonside Street and 27-41 Appleton Street (occupying the remainder of the block) and 9-11 David Street (Supply & Co). These mid-rise residential developments will be a maximum of 12 and 11 storeys, respectively.

Land to the south of Appleton Street is occupied by low-scale cottage housing and warehousing.

Figure 1—Site context

Source: Deep End Services; Ausway; MapInfo Australia



2.5 Planning context

Zone

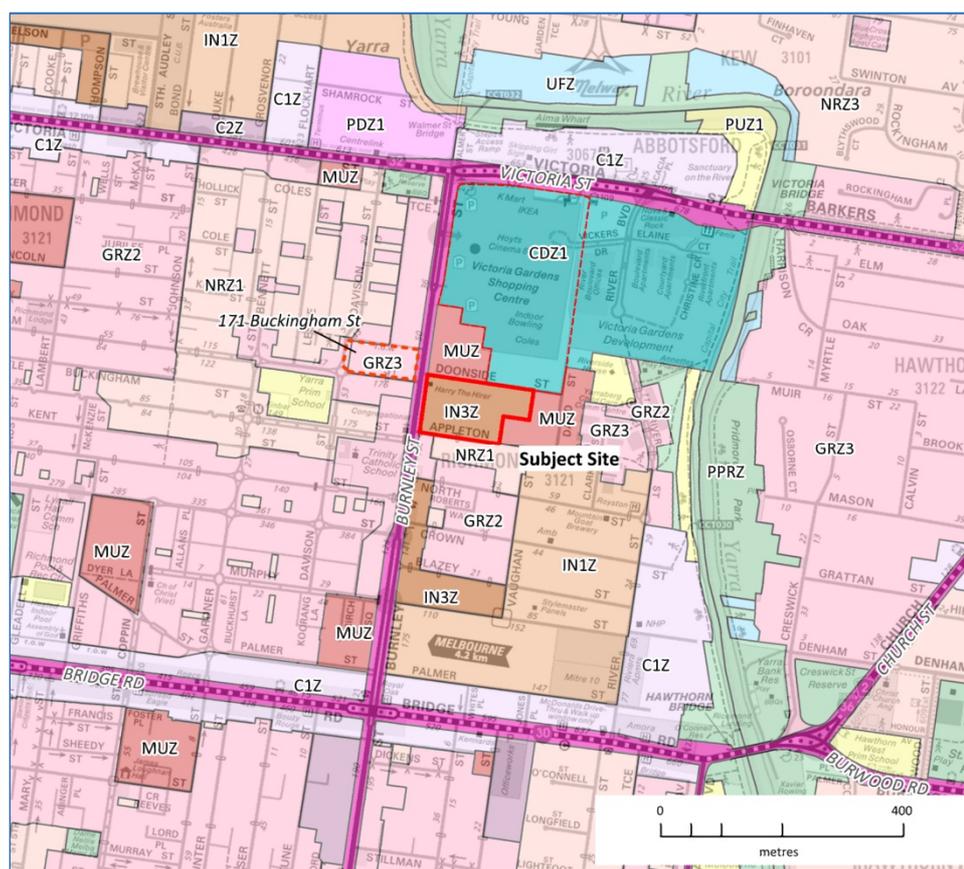
The subject site is located within the Industrial 3 Zone (IN3Z). Properties immediately to the north along Burnley Street and to the east are within the MUZ, while Victoria Gardens is within the Comprehensive Development Zone – Schedule 1 (CDZ1).

Land to the west of Burnley Street is within the General Residential Zone (GRZ3) and to the south the Neighbourhood Residential Zone (NR1) has been applied to low-scale residential housing.

Further south-west, remnant industrial and commercial uses are within the IN3Z and IN1Z, with the C1Z applied to the Bridge Road frontage.

Figure 2—Zoning structure

Source: City of Yarra Planning Scheme



City of Yarra Planning Policy Framework

The City of Yarra's Municipal Strategic Statement recognises the role of the municipality in accommodating residential growth through redevelopment of strategic sites and infill development. Clause 21.04 provides strong support for new housing to be established close to activity centres where good access to services and transport is consistent with metropolitan strategies.

The site is within the North Richmond – Victoria Street East neighbourhood (Clause 21.08) where residential and mixed use development is promoted for properties close to Victoria Street. The site is included within an area identified for rezoning to MUZ (MSS, CI 21.08-9, Figure 21), noting that surrounding properties were rezoned as a result of Amendment C99 to the Yarra Planning Scheme.

Clause 22.11 implements the Victoria Street East Precinct, *Richmond Urban Design Framework* which provides additional support for the rezoning of the subject site for mixed use development.

Amendment C99 (Am C99)

Am C99 was exhibited in December 2008 and proposed to rezone land within the “Doonside Precinct” from the IN3Z to the MUZ.

The land originally proposed to be rezoned included the subject site, but the owner expressed concern at the time about the potential effect on the operation of Harry the Hirer, particularly as warehousing and other industrial activities were still present and had potential to conflict with activities promoted by a mixed use/residential zoning. For these reasons the subject site was excluded from the exhibited amendment.

These concerns are now not warranted as the intention is to relocate the warehouse activities, retaining only office and showroom uses on the subject site, which would complement the proposed Mixed Use Zone.

The Panel supported the rezoning, noting the opportunity to *“encourage and facilitate a mix of uses including residential development, office and retail, in a location which has all of the attributes needed to support inner city urban renewal and redevelopment”* (Am C99 Panel Report, p47).

Plan Melbourne

Plan Melbourne classifies Richmond - Victoria Street as a Major Activity Centre within Inner Metro Region (refer Figure 3), one of six regions that comprise Metropolitan Melbourne. Major Activity Centres are classified as places *“...that provide a suburban focal point for services, employment, housing, public transport and social interaction.”*

Other relevant aspects of Plan Melbourne include support for new developments that bring residents and services closer together within ‘20-minute’ neighbourhoods, and encouragement for defined activity centres to be enhanced with new housing, retail, commercial and civic functions. *“In a 20 minute neighbourhood, people have the choice to live locally, with the ability to meet most of their everyday needs including access to shops, childcare and schools, parks, doctors and public transport, within a 20-minute walk, or alternatively cycle or local public transport trip from their homes.”*

Figure 3—Inner Metro Region extract

Source: Plan Melbourne Implementation Plan



2.6 Summary

The subject site is a large consolidated property strategically positioned within the Victoria Street Activity Centre and in an area that is transitioning to higher density mixed use development.

Redevelopment of the site for a mix of uses which accommodates the existing Harry the Hirer business and adds new commercial office, retail and residential activity has strong strategic planning support and is consistent with land use trends in the surrounding area.

3

Development concept

3.1 Proposed uses

The proposal is for a mixed-use development scheme containing residential and commercial uses that would:

- Retain and expand the existing Harry the Hirer business which will comprise 9,649 sqm of commercial area at ground floor and part podium level, including retention of the Burnley Street frontage
- Commercial office space on balance of podium levels
- Accommodate a series of medium rise residential apartment buildings set back from Burnley Street and other sensitive frontages
- Incorporate opportunities for small-scale retail of approximately 610 sqm
- Provide for home offices and community facilities.

In relation to the Harry the Hirer business, Astrodome Hire have confirmed that an area of 9,649 sqm will be required for the office, showroom and customer pick up/drop off uses at the subject site. Warehousing activities that occur on the subject site and on the Buckingham Street site would be transitioned to Brooklyn.

The proposed uses are summarised in Table 1.

Table 1—Summary of indicative uses

Source: Astrodome Hire

Use	Amount
Residential	
Apartments	557 units
Non-residential	
Harry the Hirer	9,649 sqm
Office (Commercial)	8,480 sqm
Retail	610 sqm
Total commercial	18,739 sqm

The total commercial floorspace meets the criteria stated in the draft Development Plan Overlay which specifies that at least 9,000 sqm of GFA is to be provided for employment generating activities.

3.2 Indicative design

A preliminary concept design has been prepared to illustrate the anticipated urban form likely to arise as a result of the rezoning of the subject land (refer Figure 4).

The development effectively has three parts which likely to be developed in stages:

- Burnley Street frontage – retention of Harry the Hirer into commercial space at ground level, commercial offices on a podium level (first floor), and ultimately with residential apartments above
- Mid-block – residential apartments over a 3-level podium incorporating Harry the Hirer at ground level and part first level, with the balance of upper podium levels providing commercial office space
- Rear of block – local open space provision and retention of a heritage building on the northern edge, with a single residential apartment building over a podium base which would incorporate small-scale retail, home office and community facilities.

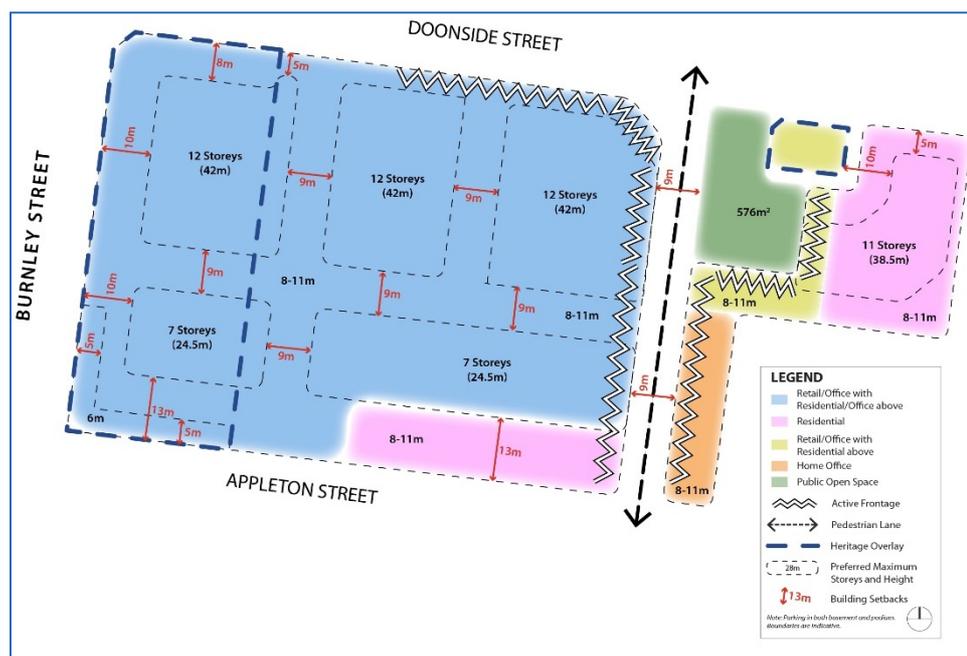
3.3 Development timing

Development of the site is likely to be staged over a period of approximately 6 years, following completion of the planning permit process in 2020, with an actual construction period (ie with on-site works) of approximately 4 years during this time.

It is anticipated that the mid block (Lot 2) would be developed first, followed by the Burnley Street frontage (Lot 1) and finally, the rear block (Lot 3) being the final stage of development.

Figure 4—
Indicative design
concept

Source: Tract
Consultants



4

Economic context

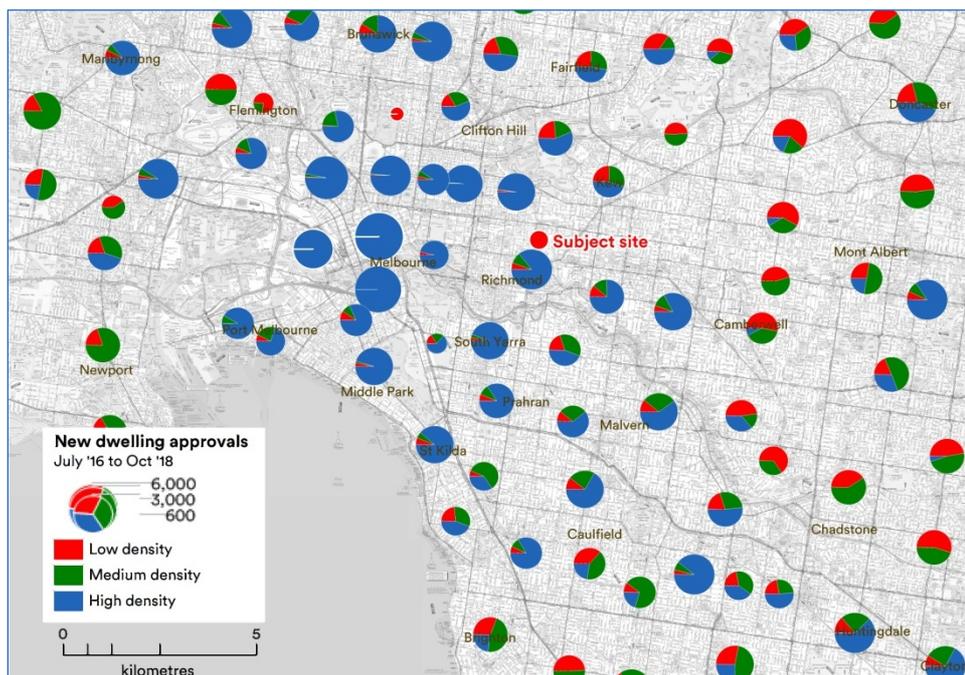
4.1 Residential development

High density apartment development drives most residential development within the inner city region, as shown in Figure 5 below which displays building approvals by type since 2016.

Within the City of Yarra over this period, a total of 3,566 new residential dwelling permits have been issued, of which 86% (or 3,075 units) were for high density apartments 4-storeys or more, and another 8% for medium density product (semi-detached, townhouses and low-rise apartments).

Figure 5—Dwelling approvals by type July 2016 to October 2018

Source: ABS Building Approvals Australia by SA2 geography (Cat. No. 8731.0)



4.2 Commercial development

Commercial space of 18,129 sqm of will be provided in Lots 1 and 2 which are to be developed to the west of the pedestrian lane and closest to Burnley Street (refer Figure 4 on page 9).

Harry the Hirer

The Harry the Hirer business will be retained and expanded across the ground and part podium level space in Lots 1 and 2 (9,649 sqm), involving at least 150 staff being employed on-site over time.

More specifically, it is understood that Harry the Hirer will transition into a new showroom and office within Lot 2, further to which it will then backfill into its existing ground floor Burnley Street space once it has been redeveloped. This will provide occupancy of the vast majority of ground floor space between Burnley Street and the pedestrian lane, with further office space on podium level. This accommodation and staging strategy will both allow for the Harry the Hirer business to remain on site throughout construction and ultimately cater for its future expansion plans.

The Burnley Street frontage provides excellent visibility for the existing business or (in the longer term) for any alternative commercial use of the site.

Other commercial space

Other commercial space (8,480 sqm) will be supplied on podium levels in Lots 1, 2 and 3, with a small amount of retail space (610 sqm) in Lot 3 at ground floor level.

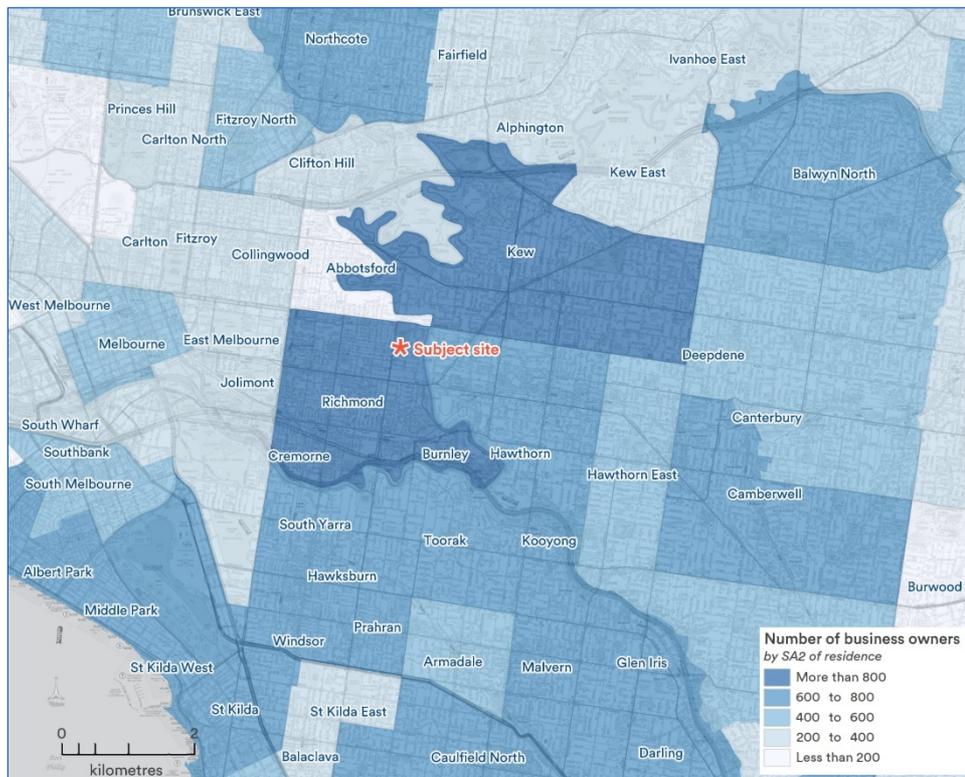
Research conducted by Deep End Services on behalf of other clients has found that the major demand for small-scale commercial offices (including strata titled product) comes from small businesses employing fewer than 20 workers, operating in particular industry sectors (finance, real estate, professional services, etc), and within around 20-30 minutes' drive from the owners' residence.

Figure 6 shows the number of owners of small businesses operating in the key industry sectors that generate most demand for commercial office space, who live in the surrounding region.

The subject site is ideally placed to attract these small business operators, with a large number of business owners residing in Richmond and surrounding inner-eastern suburbs.

Figure 6—Number of business owners by place of usual residence

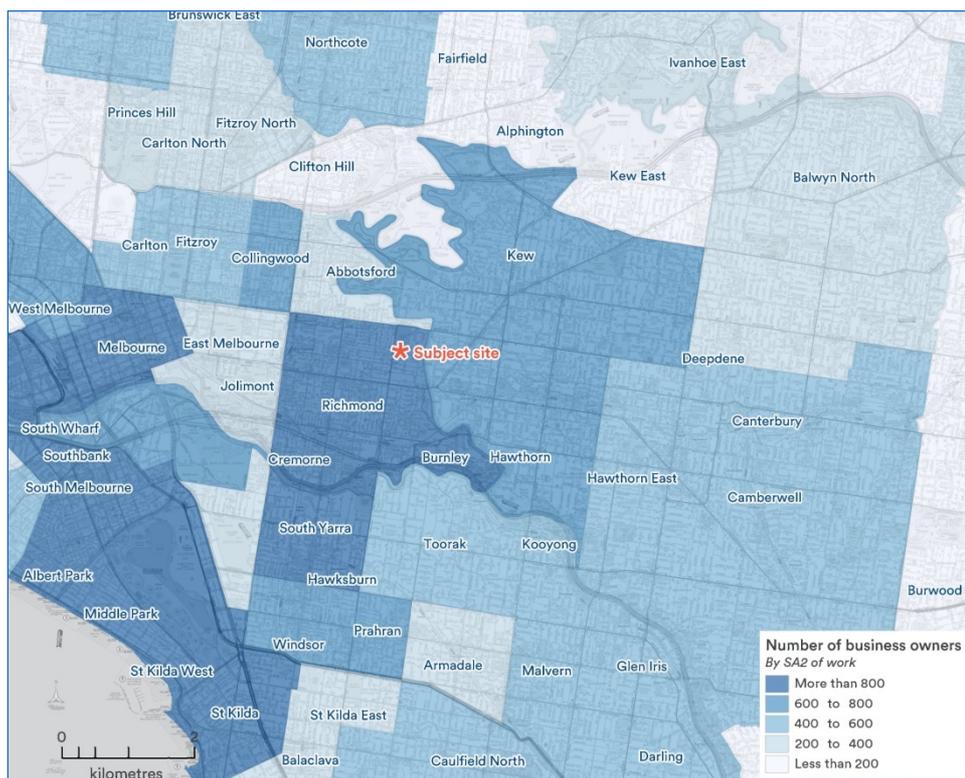
Source: ABS Census 2016 -Journey to Work



The location of work for small business owners is shown in Figure 7. The map highlights the local opportunities in Richmond and very strong demand for small office accommodation around the subject site.

Figure 7—Number of business owners by place of work

Source: ABS Census 2016 -Journey to Work



Given the high propensity for small business owners to live and work in Richmond and surrounding suburbs, the amount of office space to be supplied at the subject site should be attractive to a broad range of professional businesses.

Other commercial space will provide new opportunities for local-level retail, food and beverage, home-office and community services provision.

With respect to other small-scale retail opportunities, ABS data shows that approximately 4,100 people currently live within a local catchment bounded by Victoria Street, the Yarra River, Bridge Road and Gardiner Road/Leslie Street, within easy walking distance (approximately 400 m) of the subject site.

Future identified residential projects within this catchment will add in excess of 1,500 new residential units. The residential population associated with this future development is likely to be in the order of 2,100 persons once development of these projects (including the subject site) is completed, and will grow further with housing development on other sites where permitted.

The total catchment population of in excess of 6,000 residents would support the provision of local level retail services at the scale proposed, involving small convenience shopping, food & beverage and retail services, and possibly some non-retail business services.

5

Economic outcomes

- 5.1 Items assessed** This section presents analysis of potential economic outcomes arising from the proposed development in terms of:
- Capital investment on the site
 - Employment generation during construction
 - Ongoing employment generation
 - Financial transfers including rates revenue to Council
 - Local expenditure flows associated with new residents
 - Other effects such as support for local businesses within the immediate environs.
- 5.2 Capital investment** Advice provided by Astrodome Hire is that the total investment in the construction of the project (excluding land purchase costs) is estimated at approximately \$208 million.
- This represents a significant investment that will improve the value and amenity of the property and lead to more intensive use of the land.
- 5.3 Construction employment** An estimated 1,050 construction-related jobs will be directly created on-site over the life of the project, representing a total of 265 full-time equivalent job-years over an indicative 4-year construction period.
- Another 795 job-years will be created indirectly throughout the local and wider economy as a result of assessed consumption and production multiplier effects.
- The calculations are shown below in Table 2.

Table 2—
Construction
employment
estimates

Source: Astrodome
Hire; Deep End Services

Item	Measure
Construction cost	\$208.0m
Labour component	45%
Labour cost	\$93.6m
Average construction wage (FTE)	\$89,000
Direct employment (FTE - total)	1,050
Construction period (months)	48
Direct employment (FTE - job years)	265
Multiplier for (Type 2B)	3.0
Indirect employment (FTE job years)	795

5.4 Ongoing employment

Ongoing employment will be generated as a result of:

- The retention and expansion of Harry the Hirer
- Take-up of the remaining commercial office space
- The inclusion of small-scale retail development opportunities
- Home-based businesses including those within the proposed home-office housing product
- Proposed commercial/community facilities at podium level in the north-east corner of the site.

The total net employment increase arising from the development is estimated at approximately +414 jobs, as shown in Table 3. This estimate is based on the following:

- Advice from Astrodome Hire is that a minimum of 150 Harry the Hirer staff would be employed on-site over time
- Substantial commercial office space and approximately five or so small retail and service businesses would be incorporated into the development scheme, with employment based on typical floorspace-employment ratios
- An estimated 3% of residents would be employed at home, based on ABS Census data for Richmond residents living within apartments and accounting for home-office housing product.

The analysis in Table 3 shows that additional staffing (+35 positions) would occur as a result of the consolidation and expansion of Harry the Hirer operations, with an increase in the on-site workforce. Total on-site employment would be around 529 positions or around 415 full-time equivalent (FTE) positions.

Additional employment would be generated as a result of the local retail opportunities and associated with businesses being run from home within the residential component of the development.

These figures do not incorporate new employment opportunities likely to be developed in the local area as a result of spending by residents on retailing, personal and business services and other activities in the region.

Table 3—Ongoing (on-site) employment estimates

Source: Astrodome Hire; Deep End Services

Use	Employment rate	Positions	Jobs		Total (FTE)
			Direct (FTE)	Indirect (FTE)	
Harry the Hirer					
- existing staff		115	98	205	303
- future staff		150	128	265	393
Net change		+35	+30	+60	+90
Other uses					
Retail	40 sqm/job	15	11	15	26
Office	25 sqm/job	339	254	665	919
Home-based employment	3% of population work from home	25	24	65	89
Net employment		+414	+319	+805	+1,124
Total on-site employment		529	415	1,010	1,425

5.5 Rates and charges

The development would generate a significant increase in rates revenue for the City of Yarra as a result of the uplift in the capital improved value of the site.

Based on information from Astrodome Hire, the completed project would have a capital value of approximately \$437 m. Assuming that this is equivalent to the capital improved value used for the purposes of calculating rates, the development would generate:

- \$771,500 in annual rates income for the City of Yarra
- \$129,500 pa contribution to the State Government's Fire Services Levy (FSL).

Land tax would be in addition to the figures above, but has not been calculated in this case because the proportion of owner-occupier residents (not subject to land tax) is uncertain.

Estimates of council rates and FSL contributions are shown in Table 4, noting that these calculations are based on the current rate in the dollar and would be significantly higher in nominal terms when the development is completed.

Table 4—Estimated rates and charges

Notes: CIV = capital improved value; FSL = fire service levy

Source: Deep End Services; City of Yarra

Component	CIV	General rate	FSL	Total
Commercial elements	\$123m	\$217,000	\$59,000	\$276,000
Residential	\$314m	\$554,500	\$70,500	\$625,000
Total property	\$437m	\$771,500	\$129,500	\$901,000

5.6 Expenditure flows

On completion the development would have a resident population of approximately 835 persons based on an average household size of 1.5 residents per dwelling.

The residential community will generate a total of \$18.3m of annual spending on retail goods and services as summarised in Table 5. This is presented as an estimate for the year 2026 to indicate approximately when the development may be completed, and is based on modelling the existing expenditure levels for residents living in Richmond and Abbotsford.

Given the proximity and extent of retail services available at Victoria Gardens and elsewhere in the City of Yarra, a substantial share of resident spending (probably up to 75% or \$13.7m per year) will be retained to support retail businesses in the local area.

Table 5—Retail expenditure by residents (2026)

Source: Deep End Services; ABS; MDS Market Data Systems; Deloitte Access Economics

Retail category	Average spend	Total spend
Food & Groceries	\$6,755	\$5.6m
Take-Home Liquor	\$962	\$0.8m
Prepared Food	\$5,020	\$4.2m
Fashion	\$2,285	\$1.9m
Household Goods	\$3,662	\$3.1m
Other Non-Food Goods	\$2,110	\$1.8m
Retail Services	\$1,087	\$0.9m
Total	\$21,880	\$18.3m

Approximately another \$22m of annual resident spending will be generated in non-retail sectors, but a large share of this spending (eg on financial services, household energy retailing, etc) will accrue to the wider national economy. Nevertheless, local businesses such as health and personal service providers, personal services, and businesses offering financial planning and taxation advice, would stand to benefit from this additional spending in the local area.

5.7 Other outcomes

In addition to the outcomes described above, a number of other effects can be identified:

- Opportunities for local businesses to win contracts during the construction phase and in ongoing operation and maintenance
- Support for local businesses which may capture a share of the estimated \$18.3m in retail spending by residents
- Opportunities for other businesses in health, personal and business services
- Increased activity and support for retailing and dining establishments in the Victoria Street Activity Centre and elsewhere in the City of Yarra
- Support for local policy which anticipates transition of the area to mixed use development
- Increased employment intensity on the site, in accordance with local and State planning policy.

6

Summary

In summary, the proposed construction of a mixed use development on the property at 81-95 Burnley Street and 26-34 Doonside Street, Richmond would generate the following potential economic outcomes:

Investment

- Total construction investment of \$208m

Construction effects

- Total of 265 direct full-time equivalent jobs created over the approximately 4-year construction period
- Another 795 jobs (FTE) created indirectly over the construction period

Ongoing employment

- 529 positions created on-site, equivalent to 415 FTE jobs
- 1,010 FTE jobs indirectly generated in the wider economy, bringing total employment creation to 1,425 FTE jobs
- A net increase of around 319 FTE jobs

Rates and charges

- An estimated contribution of \$771,500 each year to the City of Yarra in rates income
- An estimated \$129,500 pa contribution to the State government as a fire service levy

Resident spending

- An injection of \$18.3m pa in retail spending by new residents, around \$13.7m pa of which would be captured by local retailers
- Approximately \$22m pa in other spending, some of which would support local providers of health, personal and business services

Other outcomes

- Opportunities for local businesses during the construction and ongoing operation stages
- Increased activity within the Victoria Road Activity Centre and provision of local facilities for nearby residents
- Support for local policy which anticipates transition of the area to mixed use development
- Increased employment intensity in accordance with local and State planning policy.