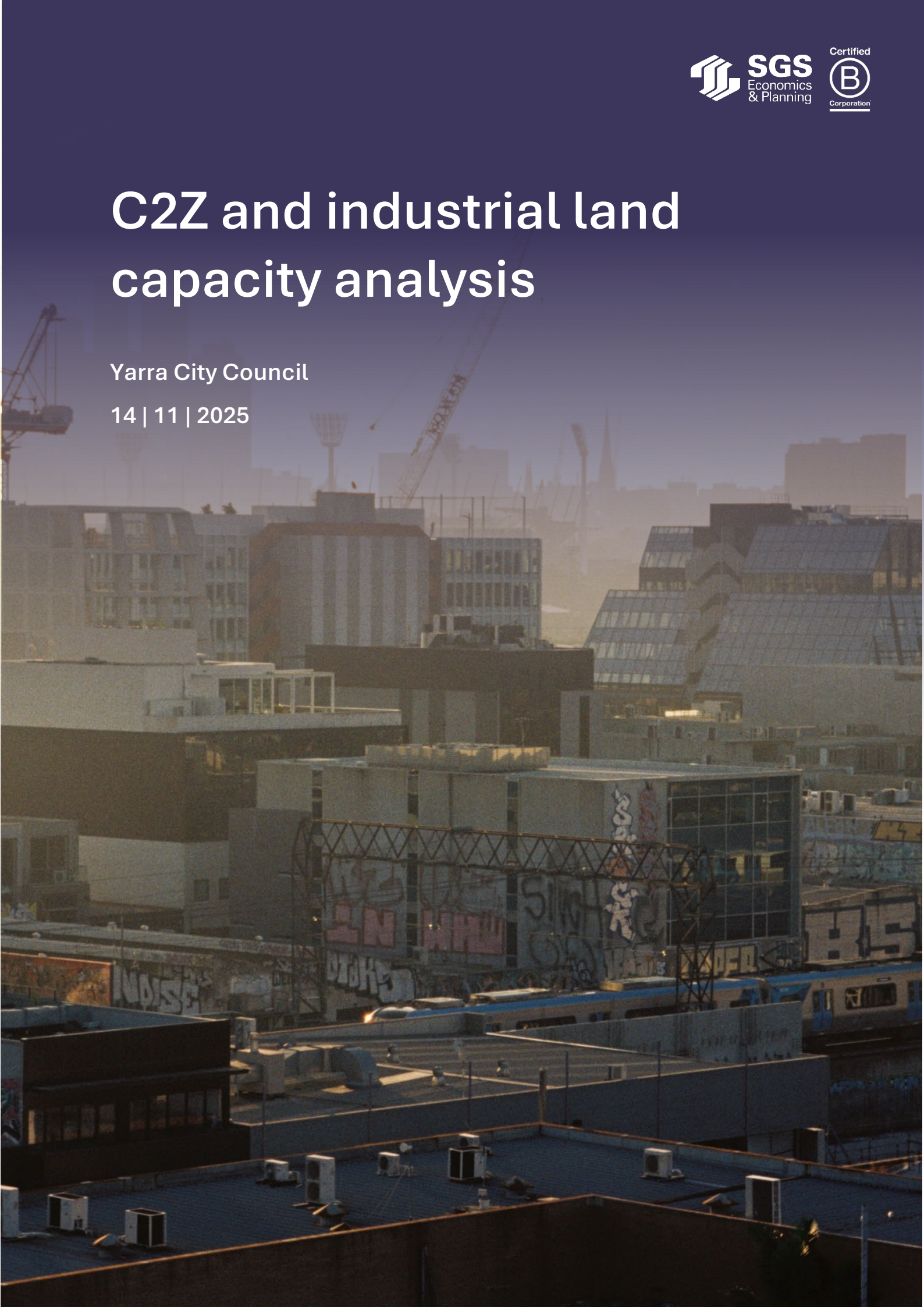
SGS Economics & Planning

Certified B Corporation

C2Z and industrial land capacity analysis

Yarra City Council

14 | 11 | 2025



SGS Economics and Planning Pty Ltd
ACN 007 437 729
www.sgsep.com.au

OFFICES IN CANBERRA, HOBART, MELBOURNE, AND SYDNEY ON THE COUNTRY OF THE NGAMBRI/NGUNNAWAL/NGARIGO, MUWININA/PALAWA, WURUNDJERI, AND GADIGAL PEOPLES.

Contents

1. Introduction

The City of Yarra has commissioned SGS Economics and Planning to undertake a capacity analysis of employment areas – specifically land zoned C2, IN1 and IN3.

The work is intended to assist in the long-term planning of these employment precincts. Alongside the demand and supply analysis in the Stage 1 SEES report, analysis of capacity for additional employment floor space sheds light on the extent to which future growth in employment activity can be accommodated in existing employment precincts.

The report contains:

- Analysis of emerging development typologies in employment land – Section 2
- Analysis of floor space capacity in employment areas, including sensitivity testing - Section 3
- A comparison on employment floor space capacity and demand – Section 4

It should be noted that this capacity analysis excludes:

- Activity Centres which are being assessed in a separate process led by State Government
- Health and Education precincts, which would require in depth consideration of the plans of key local anchors in both industries.

Capacity in these areas will need to be considered separately for now (until further investigations are completed) and are beyond the scope of this report. The demand and capacity alignment in Section 4 also excludes forecast demand for employment floor space in activity centres (i.e. retail, health and education).

2. Development and land zone analysis

This section defines the scope of the capacity assessment before conducting an analysis of emerging development typologies in employment land. The purpose here is to understand what types of development being produced by the market; which allows us to model and predict the likely development outcomes in employment precincts in the medium to longer term.

2.1 Land for employment in the City of Yarra

There is 268ha of employment zoned land in the City of Yarra. C1Z land makes up the largest portion at 148ha, followed by C2Z (110ha), MUZ (103ha), IN1Z (37ha) and IN3Z (18ha).

A distinction can be made between employment land in employment precincts and Activity Centres (see Figure 1 below). 68% of all employment land, within the City of Yarra, is located in employment precincts and the remaining 32% is within Activity Centres. The majority of C1Z land (83%) and MUZ land (64%) are located within a Major or other Activity Centres, whilst the majority of C2Z land (82%), and the entirety of IN1Z (100%) and IN3Z (100%) land is outside of Activity Centres.

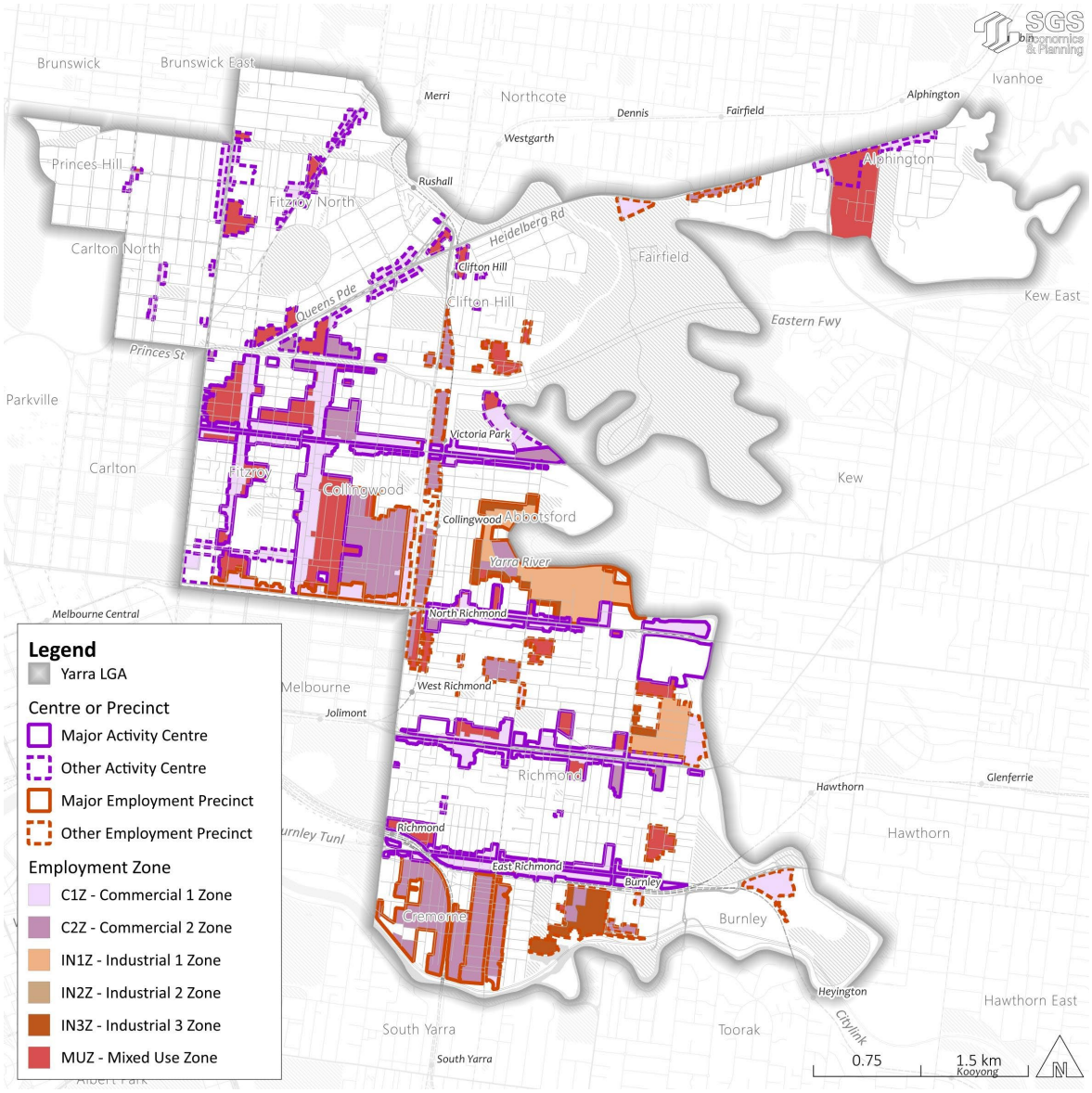
This employment capacity assessment focuses on land zoned C2Z, IN1Z and IN3Z, the majority of which is located outside of Major or other Activity Centres. All land zoned C1Z and MUZ within and outside of activity centres has not been included in this analysis. The capacity of C1Z and MUZ to accommodate employment uses will be addressed via a separate assessment to be related to the State Government's Activity Centre programme.

Table 1: Analysis of employment zoned land within and outside of Major and other Activity Centres

Land use zone	Major Activity Centre (ha)	Other Activity Centre (ha)	Employment precincts (ha)	Total area (ha)	% Activity Centres	% Employment precincts
C1Z	95	27	26	148	83%	17%
C2Z	16	4	90	110	18%	82%
IN1Z	-	-	37	37	-	100%
IN3Z	-	-	18	18	-	100%
MUZ	51	15	36	103	64%	36%
Total	**67**	**19**	**181**	**268**	**32%**	**68%**

Source: SGS Economics and Planning (2025)

Figure 1: Employment zones and activity centre boundaries



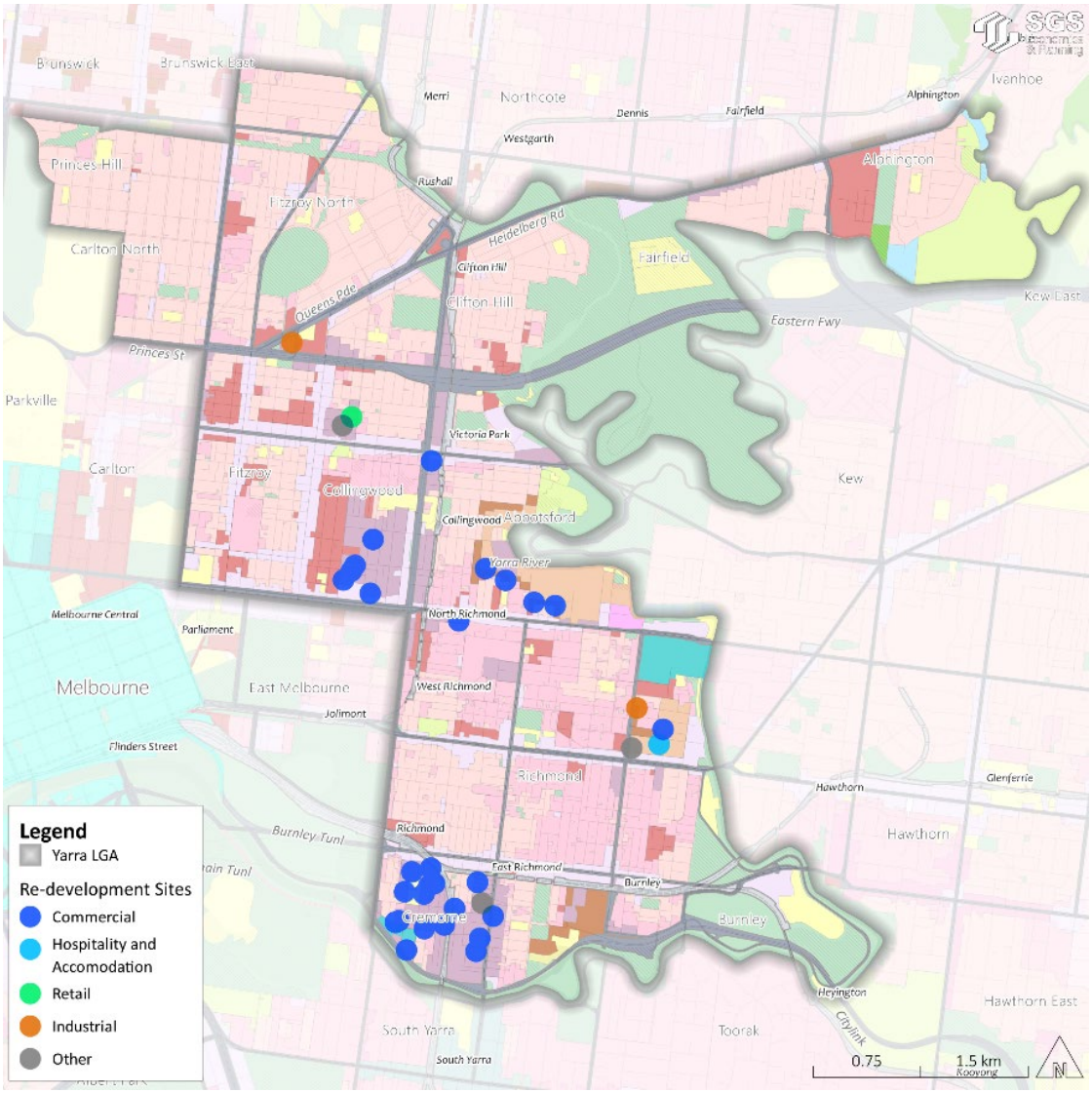
Source: SGS Economics and Planning (2025)

2.2 Analysis of recent development

Analysis was undertaken of recent developments within Yarra LGA, located within the Commercial 2 and Industrial zones constructed between 2020 and 2025 and those which are currently under construction. This information was used as an input to the capacity modelling in the following chapter.

Recent developments are clustered in the suburbs of Abbotsford, Collingwood, Cremorne, Fitzroy North, and Richmond as shown in see Figure 2.

Figure 2: Development sites that have been constructed or are under construction between 2020 and 2025



Source: SGS Economics and Planning (2025), Cordell Connect development data

Type of new development by land use

The majority of development observed was in the C2Z zone (26 projects) with most being classed as 'Commercial' development (24 projects).

Table 2: Development by typology and zone

Zone	Commercial	Hospitality and Accommodation	Industrial	Retail	Total
C2Z	24	-	1	1	26
IN1Z	1	1	-	-	2
IN3Z	3	-	1	-	4
Grand Total	**28**	**1**	**2**	**1**	**32**

Source: Cordell Connect development data (2025)

Location of new development

Cremorne experienced the most development (15 projects), followed by Collingwood (6 projects), Abbotsford (5 projects) and Richmond (5 projects).

Table 3: Development by typology and suburb

Suburb	Commercial	Hospitality and Accommodation	Industrial	Retail	Total
Abbotsford	5	-	-	-	5
Collingwood	5	-	-	1	6
Cremorne	15	-	-	-	15
Fitzroy North		-	1	-	1
Richmond	3	1	1	-	5
Grand total	**28**	**1**	**2**	**1**	**32**

Source: Cordell Connect development data (2025)

Density of new development

Analysis was undertaken to understand the density of the development by zone. Density was measured as the floor area ratio (FAR) being the gross floor space divided by the site area.

The analysis showed that, the average FAR for the C2 and IN1 zones was 3.33 and 3.34 respectively, and 2.30 for the IN3 zone. Overall, the average FAR of all observed development was 3.26.

The maximum FAR seen within the C2 zone was 8.58, followed by 4.03 in the IN1 zone and 3.57 in the IN3 zone.

It is important to note that the sample size of recent developments within the IN1 and IN3 zones is relatively small – 2 and 4 respectively – whereas there were 26 developments in the C2Z. This sample size should be considered when considering these results and their impacts on development assumptions for the future.

Table 4: Average and maximum density of recent developments by zone

Zone	Weighted* Average FAR	MAX FAR	Count of developments sampled
C2Z	3.33	8.58	26
IN1Z	3.34	4.03	2
IN3Z	2.30	3.57	4
All Zones	**3.26**	**8.58**	**32**

Source: SGS Economics and Planning (2025), Cordell Connect development data (2025)

*Total floor space divided by total site area for recent developments.

Maximum density in the C2 zone

To provide context to the analysis, some features of the development identified with the maximum FAR in the C2 zone has been summarised in the table below. Applying the maximum FAR to every potential development site within the LGA would imply that every site would develop to this density, which is unlikely.

Table 5: Analysis of development site

Metric	Details
Name	T3 Collingwood
Address	36-52 Wellington Street, Collingwood
FAR	8.6:1
Status	Constructed
Height	15 storeys

Metric	Details
Site Area	2,100sqm
Floor Area	18,000sqm
Further details	https://t3collingwood.com.au/
Project rendering	
Status	Completed

Source: SGS Economics and Planning (2025), Cordell Connect development data (2025)

3. Employment floorspace capacity assessment

3.1 Approach

Floorspace capacity assessment is a theoretical estimate of how much additional employment generating floorspace could be built in each precinct based on uplift assumptions and/or existing planning controls.

Two capacity estimates are provided: the is first based on the average density of recent developments and the second is based on the maximum density of recent developments. For each estimate both theoretical and adjusted capacity estimates are provided:

- Theoretical capacity is based on applying the density of recent development in each zone (both average and maximum densities) to all sites. The results are net of existing floor space.
- Adjusted capacity considers whether development of a site is feasible or likely to occur. taking into consideration the existing intensity of development on site and attributes that may limit development potential including site size, heritage and other relevant overlays.

The capacity estimates were calculated using a range of inputs including building footprint data, vacancy, property, zoning and environmental information to identify properties which may have potential for redevelopment.

3.2 Current vacant floor space[1]

There is 42,800sqm of vacant floorspace in these areas which constitutes approximate 3% of the total floor space. This vacant floor space might accommodate additional employment, however it is also normal for there to be a proportion of floor space that is vacant at any point in time as floor space is recently vacated, being sold (as a vacant position), for lease or under renovation.

3.3 Theoretical floorspace capacity

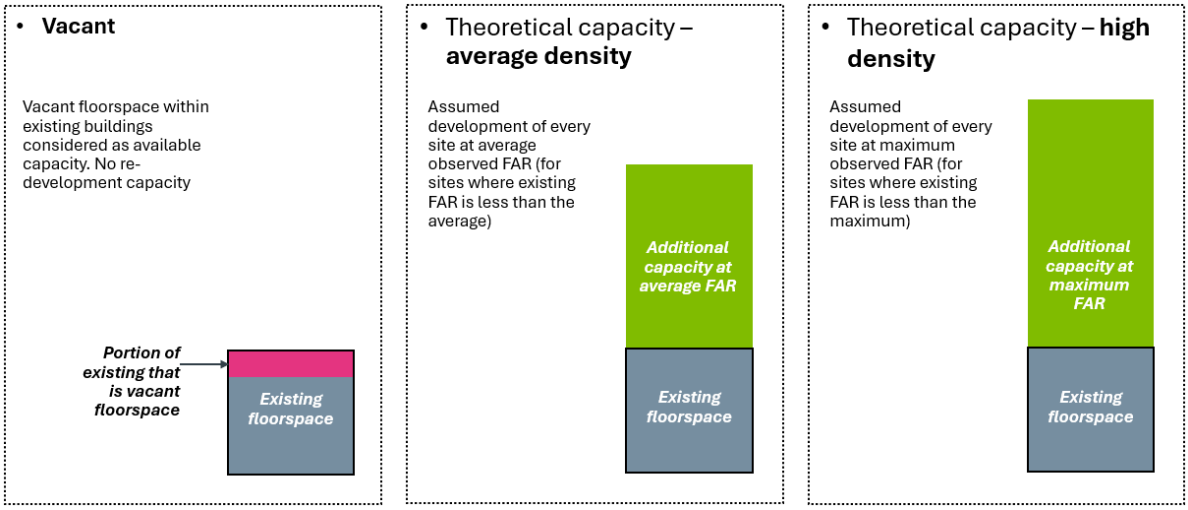
Currently, there are generally no height or density controls in C2Z, IN1Z and IN3Z areas in the City of Yarra. Exceptions to this rule are the current interim and permanent provisions located within Planning Scheme Amendment C271, Fitzroy and Collingwood (along Alexandra Parade and Nicholson Street in Fitzroy West), and Cremorne. Therefore, the theoretical capacity was calculated based on the density of recent development in the C2Z and industrial zones.

[1] Vacant floorspace was identified through an audit undertaken by Council officers in 2024.

Two theoretical capacity estimates have been provided: one based on the average density of recent developments and another based on the maximum floor area ratio of recent developments. The densities applied by zone are shown in Table 4.

Both scenarios assume that any lot that is not currently at capacity would be redeveloped to that capacity, with 100 per cent employment floorspace. The diagram below shows the scenarios graphically.

Figure 3: Theoretical capacity



Source: SGS Economics and Planning (2025)

Employment floor space capacity

Based on the average FAR assumption, this is approximately 3,158,000 sqm of additional development capacity across the three zones, and based on the maximum FAR, there is 8,678,000sqm of additional development capacity.

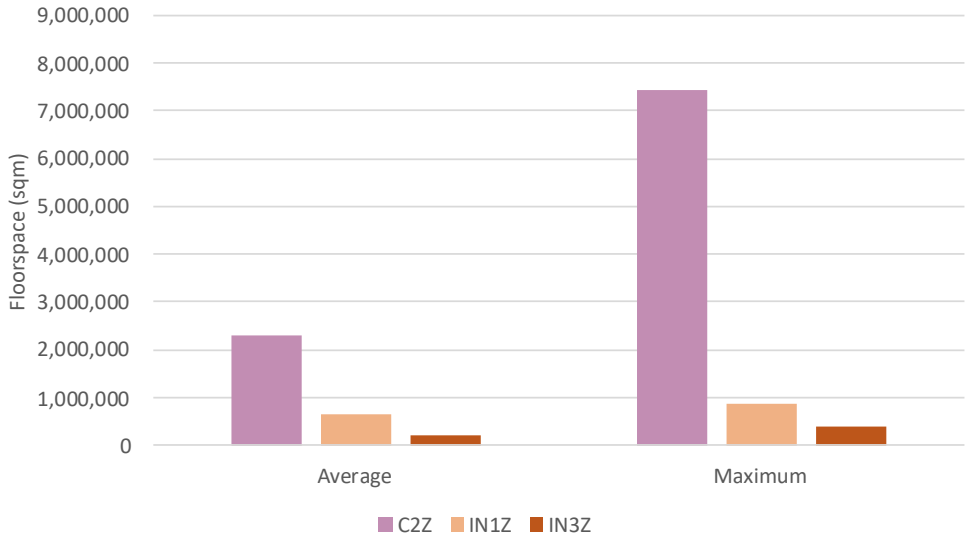
The majority of this capacity under each scenario is in the Commercial 2 Zone, followed by the Industrial 1 Zone and finally the Industrial 3 Zone. This is reflective of the fact that most of the employment land outside of activity centres is zoned for Commercial 2 and there is almost double the amount of IN1Z land compared to IN3Z land in Yarra.

Table 6: Net development capacity under the Base scenario (sqm)

Zone	Existing employment floorspace	Theoretical capacity: *average* density of recent development	Theoretical capacity: *maximum* density of recent development
C2Z	970,400	2,299,000	7,444,000
IN1Z	376,500	642,000	853,000
IN3Z	79,000	217,000	382,000
Total	**1,425,900**	**3,158,000**	**8,678,000**

Source: SGS Economics and Planning (2025)

Figure 4: Theoretical development capacity (net, sqm)

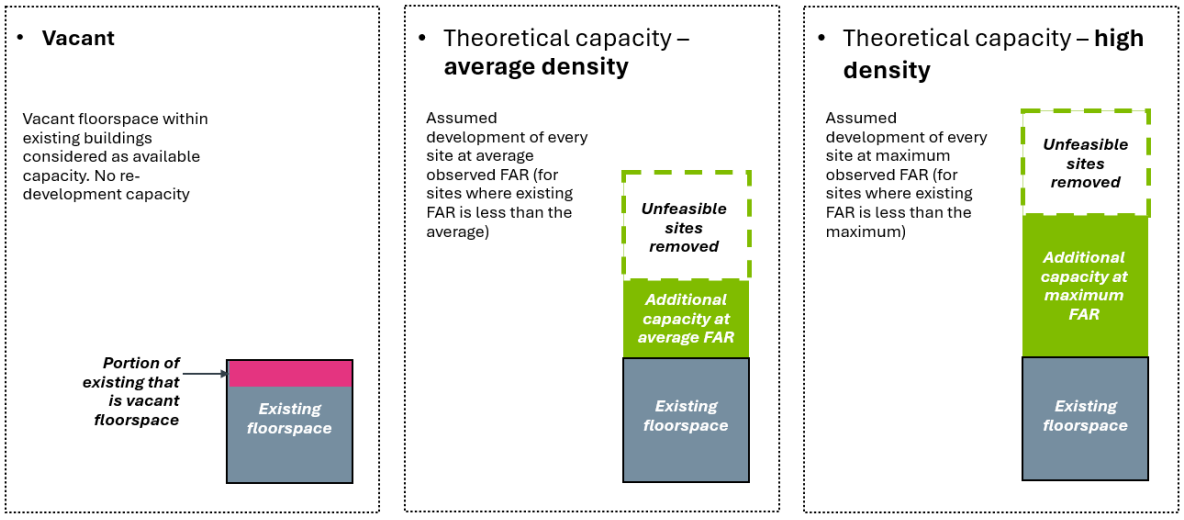


Source: SGS Economics and Planning (2025)

3.4 Adjusted employment floor space capacity testing

The theoretical capacity for employment floor space described above is derived from applying density assumptions to all sites and then discounting the existing floor space to arrive at an estimate of net additional floor space capacity. However, this approach is likely to overestimate capacity as not all sites will be available for redevelopment even over the longer term as a result of a variety of constraints. The impact of not all sites being available for development on capacity is described conceptually in the diagrams below.

Figure 5: Adjusted floor space capacity



Source: SGS Economics and Planning (2025)

Sensitivity tests

There are a wide range of factors that affect whether sites are redeveloped and when. These include can planning constraints, the value of existing buildings and other improvements, land size and shape, landowner intentions, and/or recent investments or redevelopment.

To better understand the realistic capacity for additional employment floor space a series of 'sensitivity tests' were applied to the estimated theoretical capacity. Each test excludes a share of sites based on specific attributes to test the impact of overall capacity.

The following attributes were considered on a site-by-site basis in the analysis:

- Lot size less than 300 sqm (very small lots are less likely to be redeveloped without amalgamation)
- Redeveloped within the last 5 years (recently development lots are unliked to redevelop in the next 20+ years)
- The existing floorspace is greater than 30% of the potential floor space (sites with existing significant improvements are much less likely to be redeveloped as their existing use value exceeds the residual value of the hypothetical redevelopment)
- Greater than 80% of coverage of a site by an overlay that is likely to restrict development potential (Environmental Significance Overlay – ESO, Significant Landscape Overlay – SLO, Heritage Overlay – HO, Land Subject to Inundation Overlay – LSIO, Special Building Overlay – SBO).

It is noted that testing was undertaken on gross (not net) adjusted floorspace capacity results. The results of each test are discussed below.

Test 1: Minimum lot size – exclude lots less than 300 sqm in area in all zones

This test excludes small lots, as without amalgamations, they are unlikely to be redeveloped.

The results of this test show:

- In total, a total of 510,000sqm of capacity is lost under the average FAR scenario and 1,270,000sqm under the maximum FAR scenario, making up 11.1% and 12.6% of the total capacity respectively.
- This constitutes a small portion of capacity lost under each scenario in comparison to the total capacity available under these areas.

Table 7: Minimum lot size exclusions per zone by total lots and land area

Scenario	Total Lots	Minimum lot size (sqm)	Lots Affected (less than minimum lot size)	Area Affected (ha)	% of total lots affected	Lost Capacity (sqm)	% of total capacity lost
Average FAR	1,926	300	927	15.6	5.5%	510,000	11.1%
Maximum FAR	1,926	300	927	15.6	5.5%	1,270,000	12.6%

Source: SGS Economics and Planning (2025)

Test 2: Recent development – exclude lots redeveloped in the last 5 years

Recently developed lots are generally unlikely to be redeveloped in the short-medium term and so have been excluded from the capacity estimates.

The results of this test show that:

- A total of 111 lots were excluded from the capacity analysis due to being subject to recent development, resulting in the loss of 711,000sqm of capacity under the average FAR scenario (15.5%) and 1,739,000sqm (17.2%) under the maximum FAR scenario.

This constitutes a small portion of capacity lost under each scenario in comparison to the total capacity available under these areas.

Table 8:Recent exclusions by total lots and land area

Scenario	Lots Affected	% Total	Area Affected (ha)	% Total	Lost Capacity (sqm)	% of total capacity lost
Average FAR	111	5.8%	21.5	7.6%	711,000	15.5%
Maximum FAR	111	5.8%	21.5	7.6%	1,739,000	17.2%

Source: SGS Economics and Planning (2025)

Test 3: Where a site's existing floorspace is more than 30% of the estimated development capacity

Where there is already a significant building footprint, it can be assumed that their existing use value exceeds or is comparable to the residual value of the hypothetical development – thereby reducing the financial impetus of a development on such sites.

The results of this test show that:

- Under the medium scenario, 545 lots are excluded from the capacity analysis, resulting in a reduction of estimated capacity by 1,839,000sqm (40.1%).
- Under the high scenario, only 76 lots were excluded from the capacity analysis, resulting in the loss of 849sqm of capacity (8.4%). This implies that the high development scenario is fairly optimistic and assumes most sites will redevelop as the assumed density is significantly higher than most existing buildings.

- The significantly larger loss seen under the medium scenario reflects more realistic conditions, noting that the modelled area is for the most part already developed, and it is unlikely that they will develop in the near-term future when given modest uplift.

Table 9: Existing floorspace exclusions per scenario by total lots and land area

Scenario	Threshold	Lots Affected	% Total	Area Affected (ha)	% Total	Lost Capacity (sqm)	% of total capacity lost
Average FAR	30%	545	28.3%	56.7	20.0%	1,839,000	40.1%
Maximum FAR	30%	76	3.9%	18.9	6.7%	849,000	8.4%

Source: SGS Economics and Planning (2025)

Test 4: Planning overlays

The presence of some overlays (ESO, SLO, HO, LSIO) can inhibit development potential compared to other sites that are not under such controls.

The results of this test show that:

- The LSIO results in 4.9% of excluded sites, resulting in a loss of 1,335,000sqm (29.1%%) of capacity lost under the average FAR scenario and 2,572,000sqm (25.5%) of capacity lost under the maximum FAR scenario.
- The HO results in 11.4% of sites being excluded, resulting in a loss of 391,000sqm (8.5%) of capacity lost under the average FAR scenario and 971,000sqm (9.6%) of capacity lost under the maximum FAR scenario.
- The SLO results in 3% of sites being excluded, resulting in a loss of 461,000sqm (10%) of capacity lost under the average FAR scenario and 850,460sqm (8.4%) of capacity lost under the maximum FAR scenario.
- The ESO resulted in no exclusions.
- These results show that the LSIO has the largest impact on future development, largely affecting lots within close proximity to the Yarra River, followed by the SLO and the HO.

Table 10: Overlay exclusions per overlay by total lots and land area

Scenario	Overlay	Coverage threshold	Lots Affected	% Total	Area Affected (ha)	% Total	Lost Capacity (sqm)	% of total capacity lost
Average FAR	ESO	80%	0	0.0%	0.0	0.0%	0	0%
	SLO	80%	57	3.0%	14.8	5.2%	461,000	10.0%
	HO	80%	220	11.4%	12.0	4.3%	391,000	8.5%
	LSIO	80%	94	4.9%	41.6	14.7%	1,335,000	29.1%

	Combined overlays	**80%**	**313**	**16.3%**	**53.2**	**18.8%**	**1,711,000**	**80%**
Maximum FAR	ESO	80%	0	0.0%	0.0	0.0%	0	0%
	SLO	80%	57	3.0%	14.8	5.2%	850,460	8.4%
	HO	80%	220	11.4%	12.0	4.3%	971,000	9.6%
	LSIO	80%	94	4.9%	41.6	14.7%	2,572,000	25.5%
	Combined overlays	**80%**	**313**	**16.3%**	**53.2**	**18.8%**	**3,505,000**	**34.7%**

Source: SGS Economics and Planning (2025)

Summary and all tests combined

The results of the adjusted floor space capacity show a significant reduction in overall floorspace capacity under the average FAR and maximum FAR scenarios compared to the theoretical capacity estimates.

When all sensitivities are combined, **under the average FAR scenario**, the results show that:

- The existing floorspace (test 3) has the greatest impact on potential capacity, resulting in the loss of 1,839,000sqm (40.1%) of theoretical total capacity. This is followed by overlays resulting in the reduction of capacity by 1,711,000sqm (37.3%), recent development resulting in the loss of 711,000sqm (15.5%) of total capacity and minimum lot size resulting in the loss of 510,000sqm (11.1%) of total capacity.
- In total, when all sensitivity tests are applied to theoretical capacity there is a total loss of 3,163,000sqm of total theoretical capacity making up 69% of the total.
- The total adjusted employment floor space capacity – being capacity that is unaffected by any of the sensitivity tests – is 1,421,000sqm under the average FAR scenario is. The net adjustment capacity is approximately 1,136,000sqm.
- These results indicate that in aggregate, the realistic capacity may be significantly lower than the estimated theoretical development capacity.

Under the maximum FAR scenario, the results show that:

- The overlays have the greatest impact on potential capacity, resulting in the loss of 3,505,000sqm (34.7%) of theoretical total capacity. This is followed by recent development resulting in the loss of 1,739,000sqm (17.2%) of total capacity, minimum lot size resulting in the loss of 1,270,000sqm (12.6%) of total capacity and existing floorspace resulting in the loss of 849,000sqm (8.4%) of total capacity.
- In total, when all sensitivity tests are applied to theoretical capacity there is a total loss of 5,671,000sqm of total theoretical capacity making up 56.1% of the total.
- The total adjusted employment floor space capacity is 4,433,000sqm under the maximum FAR scenario. The net adjustment capacity is approximately 3,926,000sqm.

The results are shown in the following table.

Table 11: Impacts of sensitivity test on employment floor space capacity (sqm)*

Scenario	Total theoretical capacity	Lost capacity: test 1 (min. lot size)	Lost capacity: test 2 (recent dev'ment)	Lost capacity: test 3 (existing floorspace)	Lost capacity: test 4 (planning overlays)	Lost capacity: all tests combined	Adjusted capacity
Average FAR	4,584,000	510,000	711,000	1,839,000	1,711,000	3,163,000	1,421,000
	% of total:	***11.1%***	***15.5%***	***40.1%***	***37.3%***	***69.0%***	***31%***
Maximum FAR	10,104,000	1,270,000	1,739,000	849,000	3,505,000	5,671,000	4,433,000
	% of total:	***12.6%***	***17.2%***	***8.4%***	***34.7%***	***56.1%***	***43.9%***

Source: SGS Economics and Planning (2025) *Individual sites may be affected by more than one sensitivity constraint.

Adjusted capacity by zone

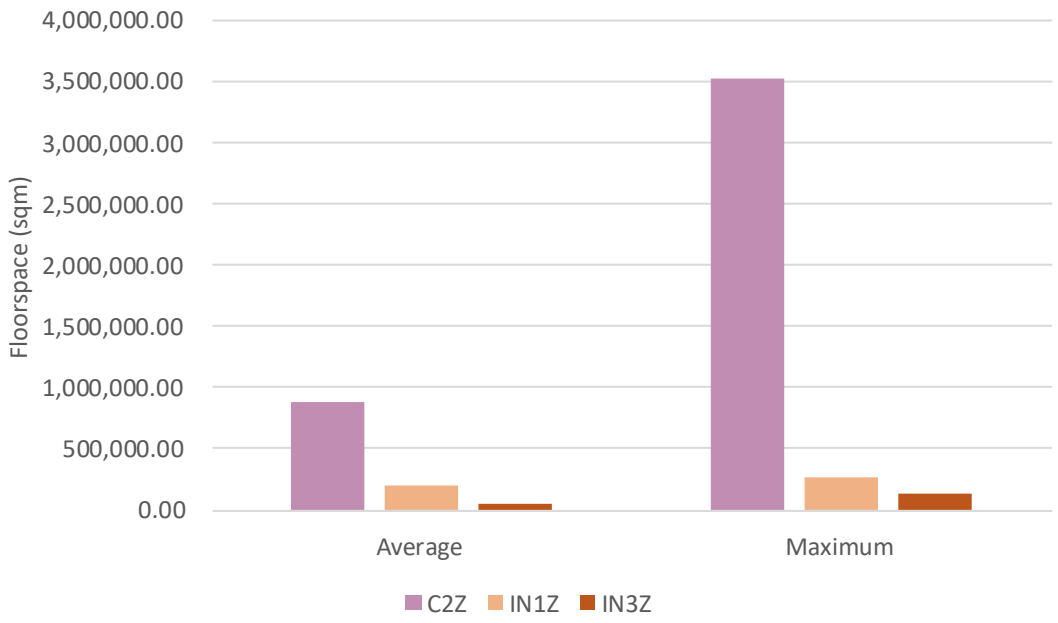
The majority of this capacity under each scenario is seen in the Commercial 2 Zone, followed by the Industrial 1 Zone and finally the Industrial 3 Zone. This is reflective of the fact that most of the employment land outside of activity centres is zoned for Commercial 2 and there is almost double the amount of IN1Z land compared to IN3Z land in Yarra.

Table 12: Adjusted net development capacity after applying the sensitivity analysis scenarios (sqm)

Zone	Existing employment floorspace	Theoretical capacity: *average* density of recent development	Theoretical capacity: *maximum* density of recent development
C2Z	970,400	884,000	3,517,000
IN1Z	376,500	201,000	270,000
IN3Z	79,000	50,000	139,000
Total	**1,425,900**	**1,136,000**	**3,926,000**

Source: SGS Economics and Planning (2025)

Figure 6: Adjusted net development capacity (sqm)



Source: SGS Economics and Planning (2025)

3.5 Net theoretical and net adjusted floorspace capacity

The net theoretical and adjusted floorspace capacity were compared across both FAR scenarios. The results show that:

- Under the average FAR scenario, there is 3,158,000sqm of net theoretical floorspace capacity. This reduces to 1,136,000sqm of net floorspace capacity when adjusted to account for various constraints discussed in the section above.
- Under the maximum FAR scenario, there is 8,678,000sqm of net theoretical floorspace capacity. This reduces to 3,926,000sqm of net floorspace capacity when adjusted to account for various constraints discussed in the section above.
- This means that there is between 1,136,000 – 3,926,000sqm of realisable floorspace capacity within the LGA.

Table 13: Net capacity alignment theoretical and adjusted

Scenario	Theoretical capacity (sqm)	Adjusted capacity (sqm)	Adjusted capacity as a % of theoretical capacity
Average FAR	3,158,000	1,136,000	36%
Maximum FAR	8,678,000	3,926,000	45%

Source: SGS Economics and Planning (2025)

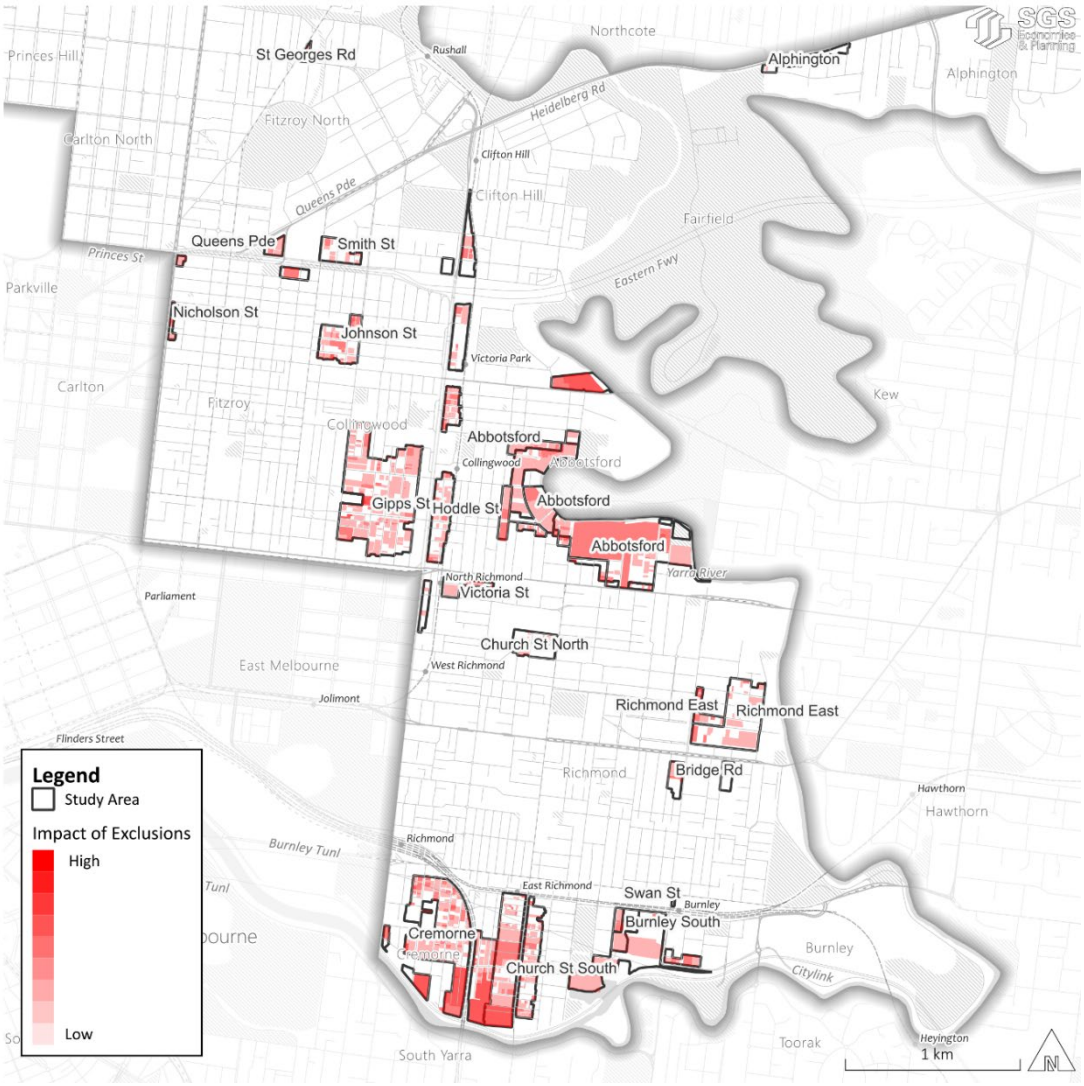
3.6 Distribution of lots effected by sensitivity tests and adjusted capacity

Spatial distribution of lots excluded in the sensitivity analyses

Lots that are subject to multiple exclusions are less likely to develop. In the following maps all four sets of excluded lots are overlaid to show lots that are affected by 1, 2, 3 or all 4 of the sensitivity tests. The results show that:

- Exclusions are seen across all precincts.
- There is clustering in areas adjacent to the Yarra River.
- Areas with smaller lot sizes are seeing greater exclusions than areas with larger sized lots.
- There are pockets with no exclusions, which are more likely to be redeveloped in future.

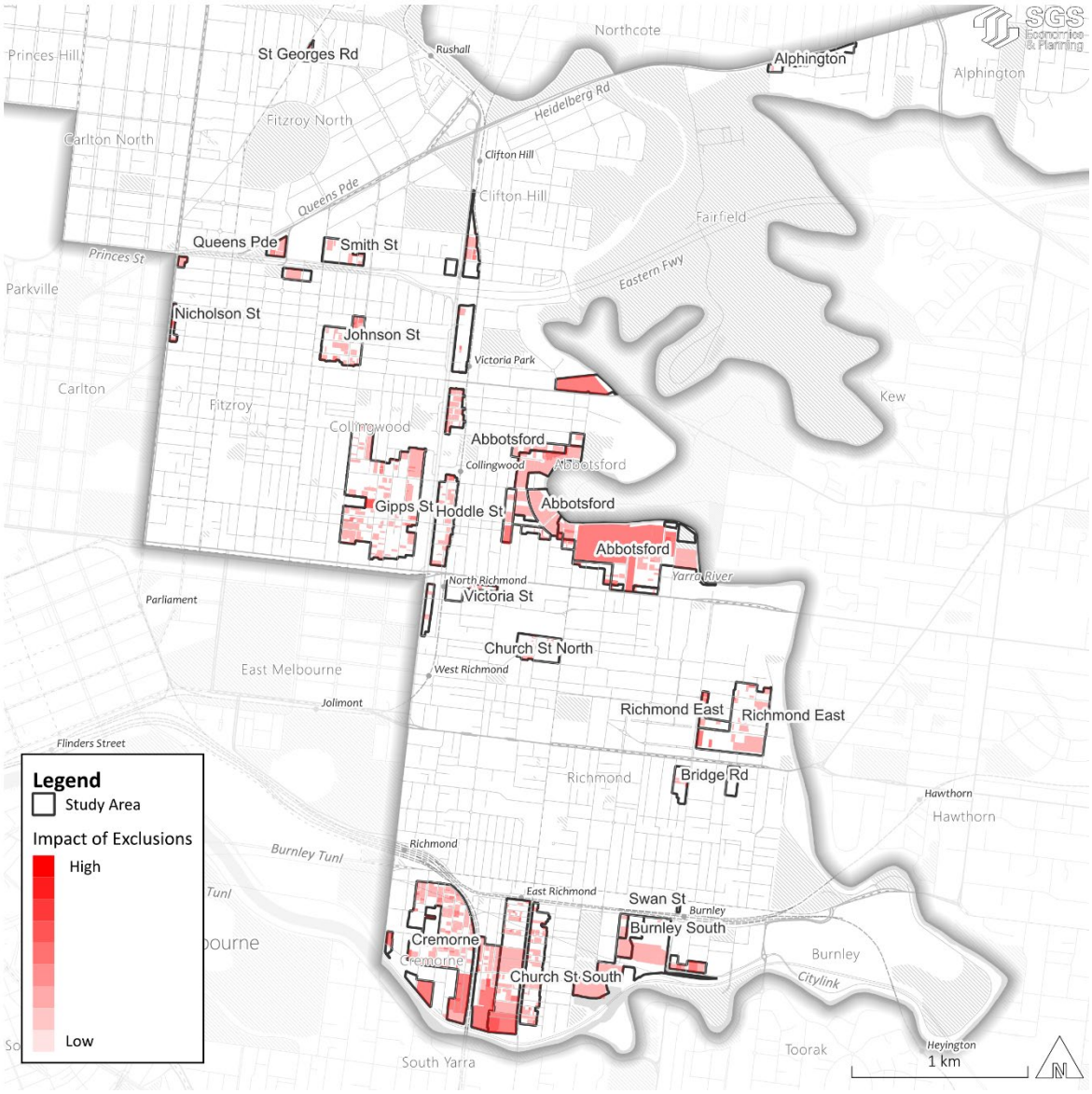
Figure 7: Excluded lots - all exclusions layered (average FAR scenario)



Source: SGS Economics and Planning (2025)

Under the maximum FAR scenario, the results are similar to those of the average FAR scenario, however the effect of the existing development floor space sensitivity test is less widespread resulting in fewer affected lots, particularly in the Gipps Street precinct.

Figure 8: Excluded lots analysis by all exclusions (maximum FAR scenario)



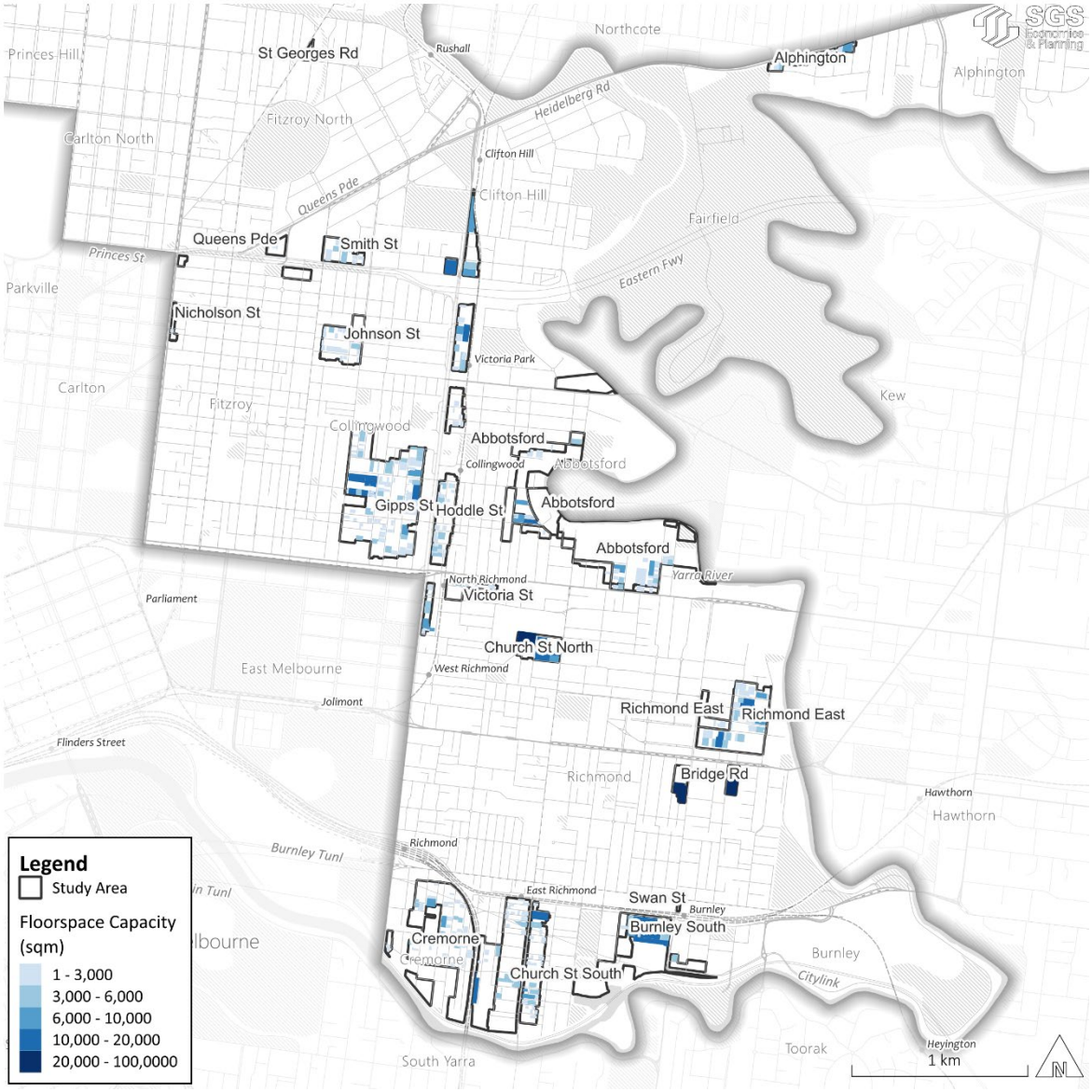
Source: SGS Economics and Planning (2025)

Spatial distribution of floorspace capacity under sensitivity analysis

Capacity was mapped across the LGA for both FAR scenarios. Under the medium FAR scenario, the results show that:

- Capacity is spread across precincts, with some large sites showing significant capacity of greater than 20,000sqm of potential floorspace
- The locations identified for capacity are those which are not affected by exclusions.

Figure 9: Floorspace capacity (sqm) (medium FAR scenario)

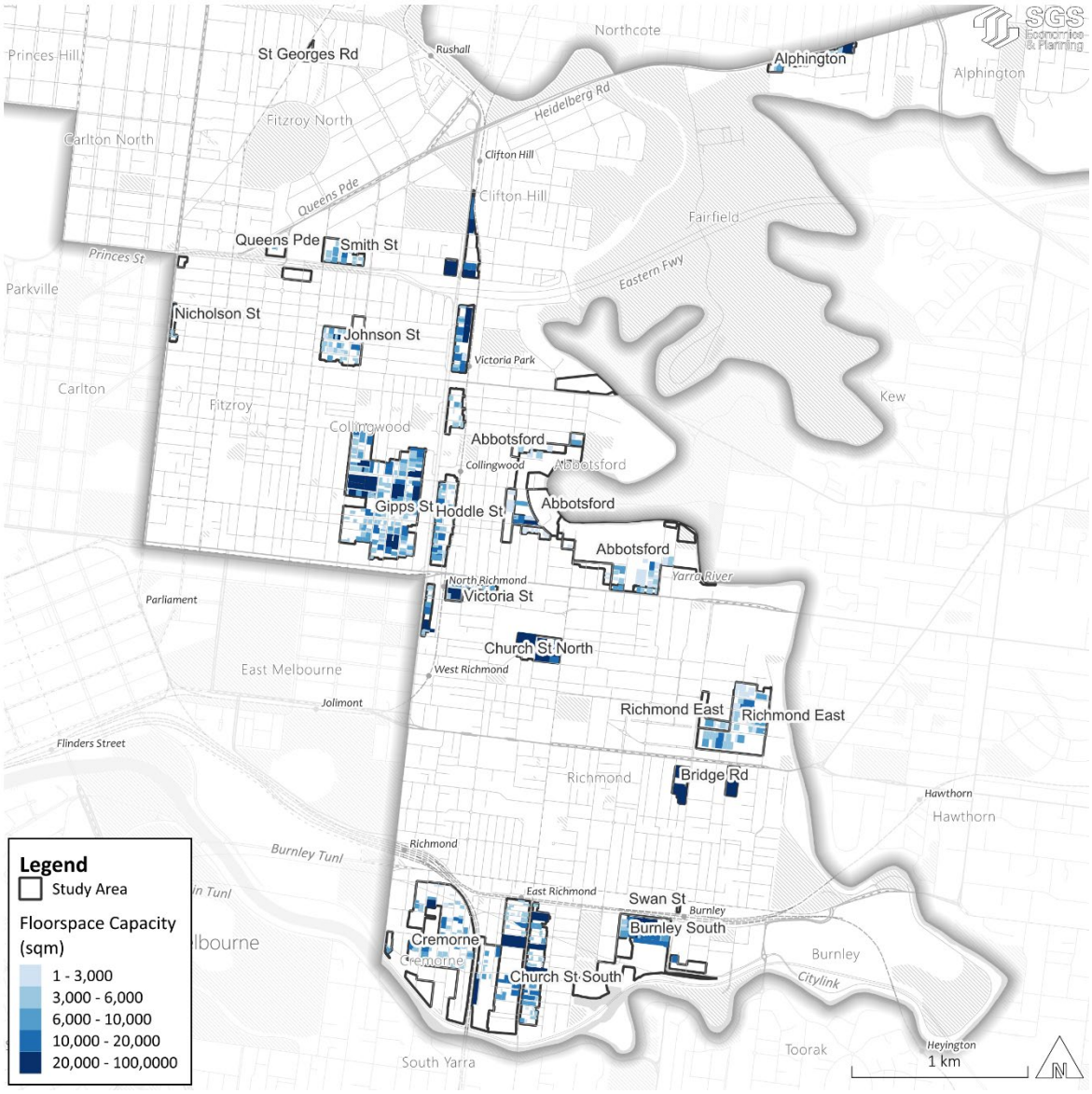


Source: SGS Economics and Planning (2025)

Under the maximum FAR scenario, the results show that:

- Capacity is spread across precincts, with some large sites showing significant capacity of greater than 20,000sqm of potential floorspace
- All sites identified with capacity under the medium scenario show an increase under the high scenario, reflecting the increase in potential floorspace under a higher FAR
- There are additional sites identified with capacity under the maximum FAR scenario, showing that sites become available as the development potential of sites increases.

Figure 10: Floorspace capacity (sqm) (high FAR scenario)



Source: SGS Economics and Planning (2025)

4. Demand and capacity alignment

In the Yarra Spatial Economic and Employment Strategy review report, demand for floorspace in employment centres was calculated at 387,000 sqm to 2041.[2] This demand has been compared with floorspace capacity under all two scenarios from Section 3 to determine if there was potential under exiting conditions to accommodate this future demand.

4.1 Employment precinct floorspace demand and vacancy rates

Demand for additional employment floor space in employment precincts to 2041 has been estimated at 387,000sqm. In office and industrial markets, it is prudent to keep vacancies at around 5% so that new or emerging businesses can immediately find floorspace or expansion opportunities when needed rather than wait years for a new development to emerge. There are also no drawbacks to these vacancies (unlike in centres where vacancies over 5% can reduce centre amenity). Some level of available floorspace also keeps rent prices lower for business tenants. The current vacancy average rate within the employment centres is relatively low at approximately 3%[3].

Including a 5% vacancy rate this demand figure increases to 473,000 sqm. That equates to 28,000sqm of additional employment floorspace per year across a 17-year period from 2024 to 2041. 28,000sqm would be one to two major developments or four to five smaller commercial projects every year.

Table 14: Floorspace demand within employment centres

Precinct type	Floorspace demand to 2041 (sqm) (17-years)	Yearly demand (sqm) 2025-2041
Employment floorspace demand	387,000	23,000
With 5% vacancy rate	473,000	28,000

Source: SGS Economics and Planning (2025)

4.2 Floorspace demand and capacity compared

Forecast demand for employment floorspace outside of Activity Centres is compared with potential capacity under all scenarios in the table below. The results show that:

- Under the average FAR scenario, there is expected to be a surplus of approximately 663,000sqm of employment floorspace by 2041, with demand outstripping supply by 2065 (41-years' time)

[2] Yarra Spatial Economic Strategy (2024)
[3] Note that this was the observed vacancy rate at the time of the land audit. Whilst vacancy rates can fluctuate over time, the focus of this work is a long-term horizon and so that figure is still instructive for that purpose.

- Under the maximum FAR scenario, there is expected to be a surplus of approximately 3,453,000sqm of employment floorspace by 2041, with demand outstripping supply by 2164 (140-years' time).

Table 15: Demand and adjusted capacity compared (sqm)

Metric	Average FAR Scenario	Maximum FAR Scenario
1. Existing employment floor space	1,425,925	1,425,925
2. Net adjusted capacity	1,136,000	3,926,000
3. Demand to 2041	473,000	473,000
4. Capacity in excess of demand [3-2]	663,000	3,453,000
5. Ratio of capacity to demand [3/2]	2.4	8.3
6. Annual demand (2025-2041)	28,000	28,000
7. Years of supply [2/6]	41	140

Source: SGS Economics and Planning (2025)

It is recommended that Council plan on the basis of the Average FAR Scenario, as the Maximum FAR Scenario is unlikely to eventuate given Council is unable to enforce developers to build to maximum FAR for any sites.

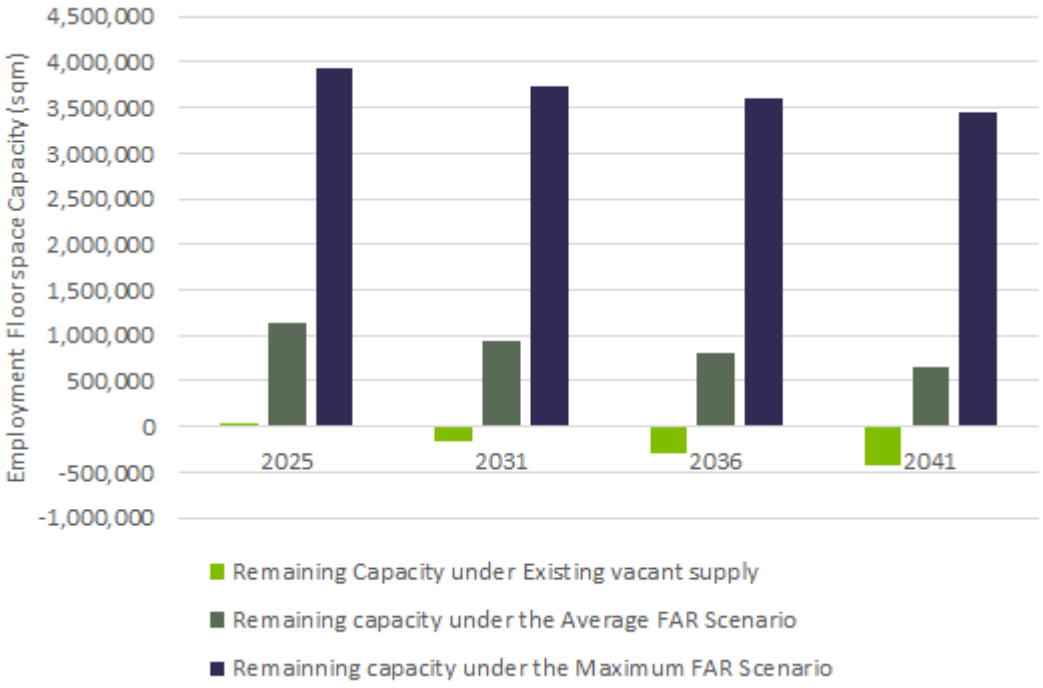
A 5-yearly breakdown of modelled capacity aligned with demand is shown in the table and chart below.

Table 16: Demand and capacity 5-yearly alignment table

Year	Remaining capacity under the Average FAR Scenario	Remaining capacity under the Maximum FAR Scenario
2025	1,136,000	3,926,000
2031	941,000	3,731,000
2036	802,000	3,592,000
2041	663,000	3,453,000

Source: SGS Economics and Planning (2025)

Figure 11: Demand and capacity 5 yearly alignment



Source: SGS Economics and Planning (2025)

5. Summary

This study has sought to determine potential development capacity within City of Yarra on land zoned C2, IN1 and IN3.

There is 42,800sqm of vacant floorspace in these areas which constitutes approximate 3% of the total floor space. This vacant floor space might accommodate additional employment, however it is also normal for there to be a proportion of floor space that is vacant at any point in time as floor space is recently vacated, being sold (as a vacant position), for lease or under renovation.

A sample of developments constructed between 2020 and 2025 were analysed to identify average and maximum densities (expressed as floor area ratios) observed in new employment development across the LGA. The average FAR across all development was 3.3 FAR, with a maximum of 8.6 FAR being observed at T3 Collingwood. These inputs were used to calculate hypothetical development capacity above existing supply.

Based on the average densities there is an estimated 3,158,000sqm sqm of additional employment floor space capacity. Based on the highest observed densities, there is an estimated 8,678,000 sqm of additional floor space capacity.

It is unlikely that all sites will be available for redevelopment within the near future as a result of a variety of constraints (e.g. planning constraints, value of existing improvements, land size and shape, landowner intentions, recent redevelopment). To better understand the realistic capacity for additional employment floor space a series of sensitivity tests were applied. Sites were excluded if they had a lot size smaller than 300sqm, had been subject to recent development (within the last 5 years), had a significant amount of existing floorspace or were significantly affected by an overlay likely to hinder development potential. The results showed a reduction of capacity under the average FAR scenario to 1,136,000sqm and a reduction in capacity under the maximum FAR scenario to 3,926,000sqm.

This capacity was compared with demand for floorspace within employment centres (calculated at 28,000sqm per year to 2041) which showed that, after taking into consideration lot size, recent development, existing floorspace and overlays, capacity exceeds demand to 2041 by a ratio of 2.4:1 for the average FAR scenario (and 8.3:1 for the maximum FAR scenario).

Having this extra capacity past 2041 is necessary and indeed advantageous for the Yarra and metropolitan Melbourne community. It is important to plan for the long term (and review at regular/5-10 year intervals) because having extra capacity allows for the accommodation of low-density employment uses including industrial businesses, creatives and start-up ventures – all of which play a beneficial role in the local and metropolitan economy.

CANBERRA / NGAMBRI /
NGUNNAWAL / NGARIGO

Level 2, 28-36 Ainslie Place
Canberra ACT 2601
+61 2 6257 4525
sgsact@sgsep.com.au

HOBART / NIPALUNA

PO Box 123
Franklin TAS 7113
+61 421 372 940
sgstas@sgsep.com.au

MELBOURNE / NAARM

Level 14, 222 Exhibition Street
Melbourne VIC 3000
+61 3 8616 0331
sgsvic@sgsep.com.au

SYDNEY / WARRANG

Suite 201/50 Holt Street
Surry Hills NSW 2010
+61 2 8307 0121
sgsnsw@sgsep.com.au

SGS Economics & Planning

Certified B Corporation