Coburg Hill Mixed Use Precinct

Commercial Assessment

urbis

November 2011

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Introduction

Statewide have acquired the mixed-use precinct forming part of the Coburg Hill development on the previous Kodak site at 173 Elizabeth Street, Coburg North.

Satterley Group is developing the residential component of the development, expected to be nearly 400 dwellings which will house approximately 1,200 residents at capacity. The development is currently in its first stage of release and is offering a range of detached and semi-detached homes on 300 – 450 sq.m blocks. Prices range from around $634,000 to $890,000.

The planning controls applying to the site include a Development Plan Overlay which requires the preparation of a Development Plan to inform the proposal. The Development Plan was approved on 21 July 2010 and confirms that the proposed Centre is to serve a local convenience role and must not have a total leasable floor area of more than 2,000 sq.m for shop and 1,000 sq.m for office. The Schedule to the Business 1 Zone reflects the floorspace requirements in the approved Development Plan

The purpose of this report is to conduct a high level assessment on the appropriateness of the site for these different land uses.

In relation to consideration of retailing, it does not represent a formal economic impact assessment but considers the issues and consequences around increasing the size of the supermarket currently envisaged to provide a full-line national chain store.

The report is structured as follows:

Report Structure

1. Assessment of the site and its local characteristics

2. Review of the local demographics including population, ages, income, employment levels and housing typology currently in the area

3. Assess the merits of <u>office</u> floorspace on the site in the context of the success and failure factors for office location and consideration of the subject site against those factors.

4. Assess the merits of high density <u>apartment</u> dwellings based on consideration of the typical success factors for this type of use and the attributes of the subject site.

5. Consideration of the <u>retail</u> component:

   - Assessing need and demand for retail in the study area at capacity. This comprises a high level consideration of the available retail spending market and level of supportable retail floorspace, given competition in the local area.

   - Key success drivers of local retail precincts (including anchor tenant considerations).

6. Summary and Conclusions

1 Site Assessment

This section reviews the site location and attributes and places it in the context of the broader region.

1.1 LOCAL AND REGIONAL CONTEXT

The former Kodak site (renamed "Coburg Hill") is located at 173 Elizabeth Street, Coburg North, an established residential area approximately 9km from the CBD (refer to Map 1.1 and Map 2.1). It is a large infill site encompassing 20 hectares, presenting a rare development opportunity in the northern middle ring suburbs of Melbourne. The site is located within the municipality of Moreland, but very close to the border of Darebin.

The site is bounded by existing housing and Tilley Street in the north, Elizabeth Street in the east, a combination of Ronald Street and Boyne Street in the south, and Edgars Creek Reserve in the west.

The proposed mixed use precinct is located at the future intersection of Elizabeth Street and the extension of Murphy Street which will form the main route in and out of Coburg Hill for residents.

1.2 SURROUNDING LAND USE/ACTIVITIES

Surrounding land uses are mainly residential, consisting of detached housing built over the post war period, on lots typically between 500-700 sq.m in size. Opposite the site on Elizabeth Street there is a medical centre and small collection of neighbourhood shops, mostly vacant apart from a hairdresser and newsagency/small post office (see Figures 1-3 on following page).

The site is located directly opposite Newlands Primary School. In addition there is another primary school (Reservoir West) within 1km. Coburg Senior High School is located around 1km south west of the site adjacent to the Pentridge redevelopment. The school only accepts students from Year 10-12.

Due to school closures and mergers in the region the nearest government secondary college accepting Year 7 students is Brunswick Secondary College or Northcote High School to the south, or Fawkner Secondary College to the north. Preston Girls and Pascoe Vale Girls High Schools are also relatively close for girls in the study area.

Coburg Hill is in close proximity to a network of park reserves in this region of Melbourne. The Edgars Creek Reserve extends along the western edge of the development. This connects with the Merri Creek Reserve, which incorporates a key bicycle route in the northern suburbs. It also links with Edwardes Lake Park Reserve and Coburg Lake. Sporting facilities available in close proximity include an athletics track, basketball stadium, tennis courts, Coburg Olympic Swimming Pool (outdoors), several ovals and other sporting facilities.

The closest neighbourhood shops are located at the West Preston tram terminus on Gilbert Road.

1.3 TRANSPORT AND INFRASTRUCTURE

The site has good access to the surrounding local road network with Elizabeth Street functioning as a local collector road linking the Newlands residential area with Murray Road. Murray Road is a secondary state arterial road providing east-west access through northern middle ring suburbs of Melbourne. A series of local traffic streets also provide access to Gilbert Street in the east, which is a major road extending in a north and south direction.

The site is serviced by a range of public transport infrastructure albeit some distance away as shown in Map 1 which provides access to the CBD in approximately 30-40 minutes:

- **Tram –** Tram lines extend along Sydney Road (North Coburg route, <3km) and Gilbert Street (West Preston route, <800m), both with northern termination points parallel with the subject site. In addition the East Coburg tram route terminates 4km to the south at the intersection of Bell Street and Murray Road.

- **Rail –** The subject site is located between the Upfield and Epping railway lines, approximately 1.5km from each. Whilst not within a convenient walkable distance, having access to two suburban lines within 1.5km is unique.

- **Bus –** A bus route (526) runs along Elizabeth Street which ends via a loop at Kennedy Street just north of the subject site and links through to the Coburg Town Centre. There is another bus route which passes the intersection of Elizabeth Street and Murray Road to the south (527) which accesses both Coburg and Northland regional shopping centre.

FIGURE 1 – ELIZABETH STREET SHOPS

FIGURE 2 – ELIZABETH STREET SHOPS

FIGURE 3 – ELIZABETH STREET SHOPS

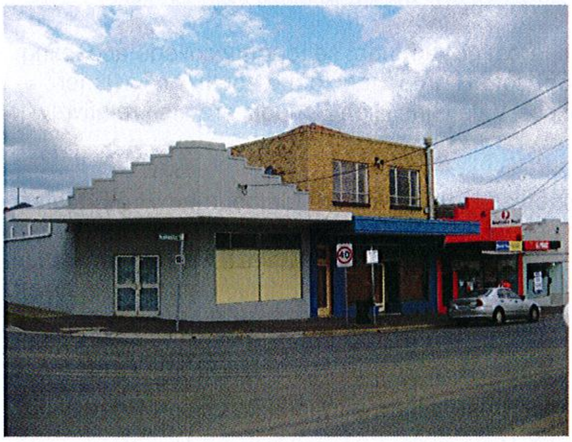
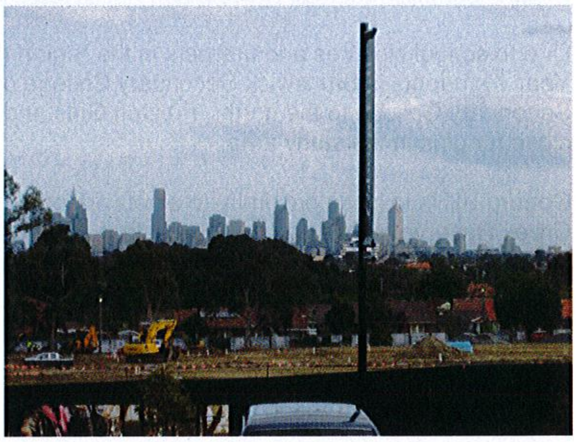
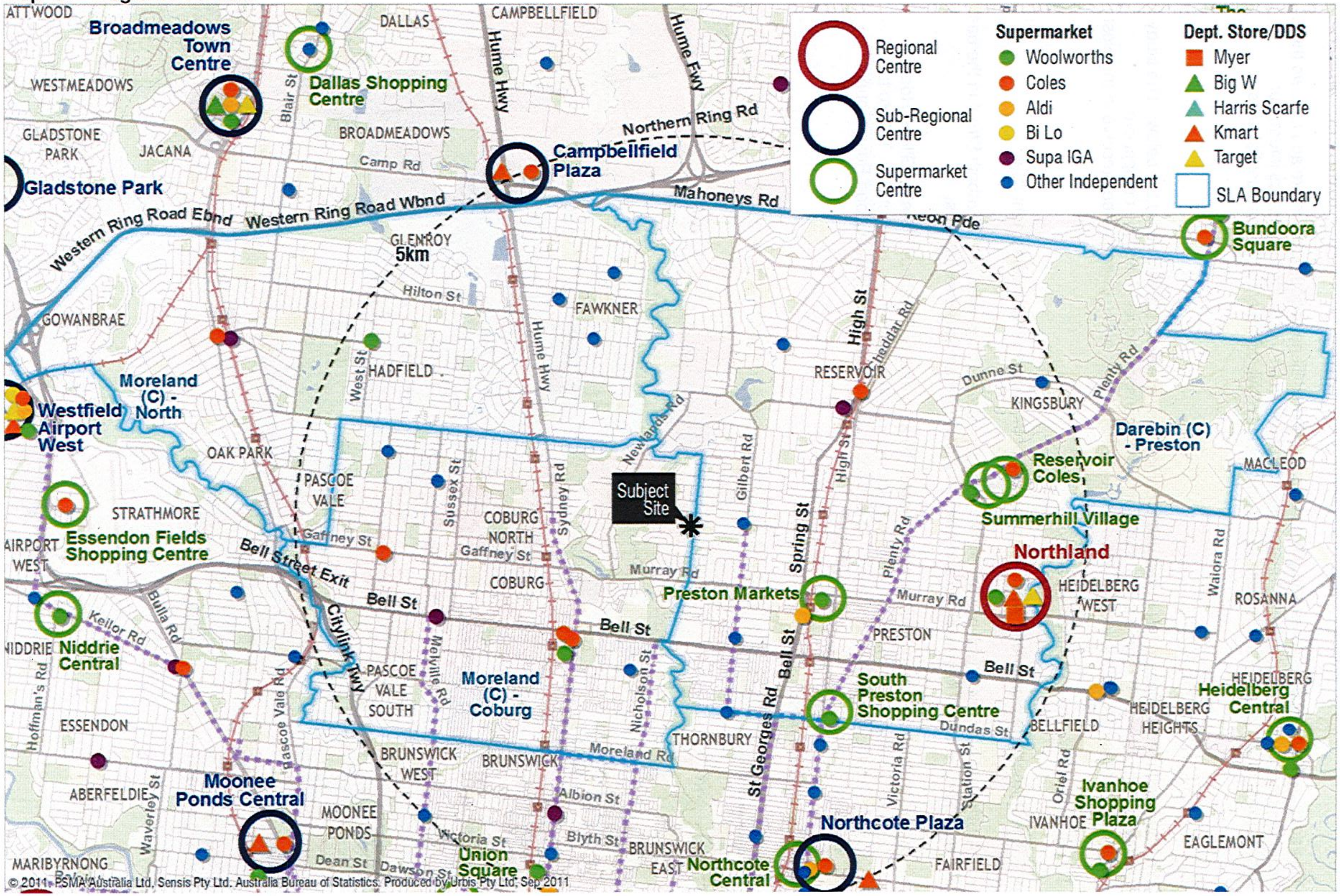


FIGURE 4 – COBURG HILL SITE CITY VIEWS



Map 1.1 – Regional Context



2 Demographic Characteristics

This section defines a study area catchment for the Coburg Hill neighbourhood centre and reviews the historical and forecast demographic characteristics of the area. These demographics inform our assessment of the potential for the site to accommodate retail, commercial and residential uses.

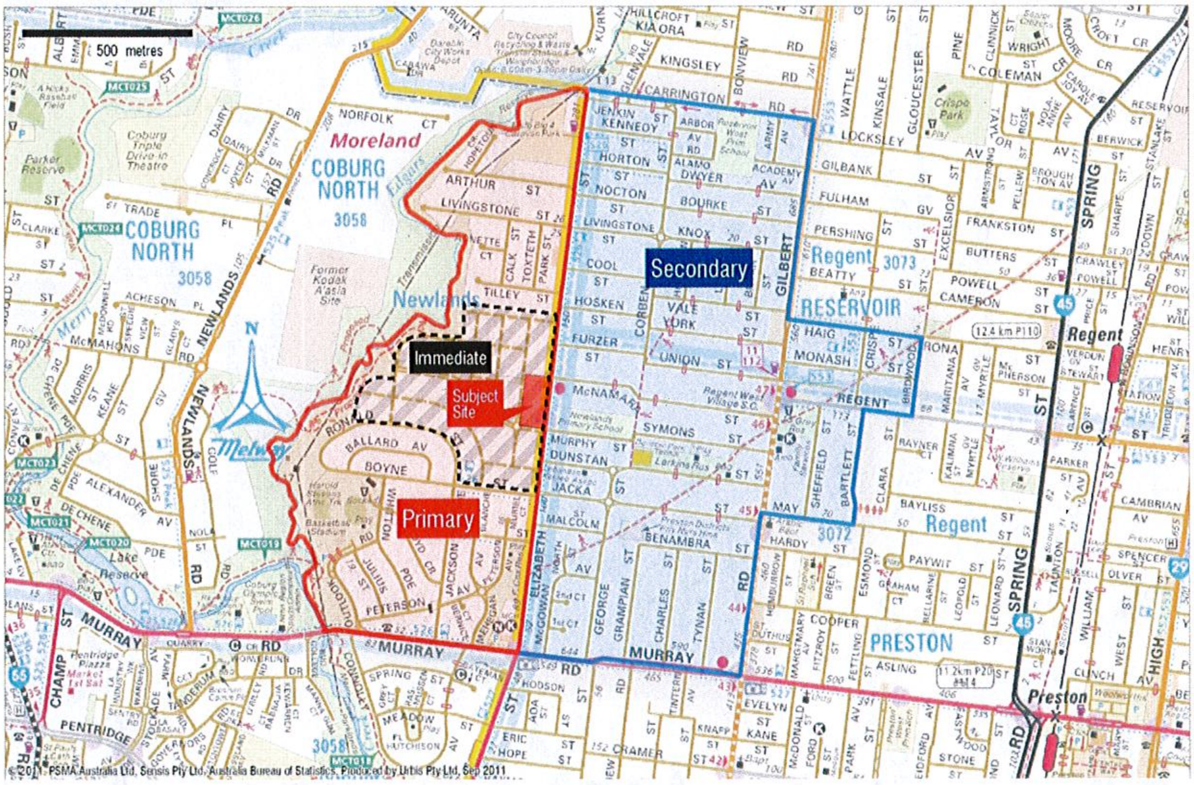
2.1 STUDY AREA

We have defined the Coburg Hill mixed use precinct study area, as shown in Map 2.1 below. The study area was defined having regard to on: road and public transport accessibility; the competitive neighbourhood centres in the local vicinity; and the urban break of the Edgars Creek reserve to the west.

Three sectors have been defined for analysis:

- The **immediate** catchment, which is the extent of the Coburg Hill development itself;
- A **primary** catchment which is bordered by Edgars Creek in the west and Elizabeth Street in the east, extending south to Murray Road and north to include Arthur Street residences;
- A **secondary** catchment which encompasses the area east of Elizabeth Street to Gilbert Road, bordered in the north and south by Carrington Road and Murray Road respectively. Due to the census collector district boundaries this also extends a short way beyond Gilbert Road around Regent Street.

Map 2.1 – Study Area



2.2 HISTORICAL/FORECAST POPULATION

In this section we review historic and forecast population both levels for the study area and the broader regions (Moreland – Coburg, and Darebin - Preston Statistical Local Areas).

Historically, population growth in the area surrounding Coburg Hill has been modest, with a net increase averaging 15 people per annum over the last 15 years as shown in Table 2.1. The effect of the influx of population in the Coburg Hill development will therefore be significant. We have assumed the resident population of Coburg Hill reaches capacity in 2021, at approximately 1,200 people, and that the first release of houses are occupied by June 2012. In total, the total study area is expected to add 1,450 people in the ten years to 2021, with the immediate study area sector (Coburg Hill) accounting for 83% of this growth.

The subject site is located within Moreland - Coburg SLA, close to the borders of Darebin – Preston. Likewise in the broader area, growth has been historically slow, averaging 1% per annum in the 15 years to 2011, although this is higher than in the study area. Over the next ten years the Victoria In Future 2008 forecast predicts that Preston SLA is expected to add around 6,700 people and the Coburg SLA 5,200 people (11,900 people in total).

Study Area Population, 1996-2021

COBURG HILL MIXED USE PRECINCT

TABLE 2.1

		Resident Populatioı			Forecast Population	
Study Area Sector	**1996**	**2001**	**2006**	**2011**	**2016**	**2021**
• Immediate	0	0	0	0	900	1,200
• Primary	1,710	1,660	1,560	1,590	1,610	1,640
Total Primary	**1,710**	**1,660**	**1,560**	**1,590**	**2,510**	**2,840**
• Secondary	3,960	3,880	4,060	4,230	4,330	4,430
Total Study Area	**5,670**	**5,540**	**5,620**	**5,820**	**6,840**	**7,270**

Average Annual Change (No.)

	1996-01	**2001-06**	**2006-11**	**2011-16**	**2016-21**
• Immediate	0	0	0	180	60
• Primary	-10	-20	6	4	6
Total Primary	**-10**	**-20**	**6**	**184**	**66**
• Secondary	-16	36	34	20	20
Total Study Area	**-26**	**16**	**40**	**204**	**86**

Average Annual Change (%)

	1996-01	**2001-06**	**2006-11**	**2011-16**	**2016-21**
• Immediate					5.9%
• Primary	-0.6%	-1.2%	0.4%	0.3%	0.4%
Total Primary	**-0.6%**	**-1.2%**	**0.4%**	**9.6%**	**2.5%**
• Secondary	-0.4%	0.9%	0.8%	0.5%	0.5%
Total Study Area	**-0.5%**	**0.3%**	**0.7%**	**3.3%**	**1.2%**

1. as at June

Source : ABS Cdata 1991, 1996, 2001 and 2006; ABS, Regional Population Growth, Australia, Electronic Delivery (3218.0.55.001); DPCD, Victoria In Future 2008, rebased to ABS Estimated Resident Population 2010; Urbis

Region Population Trends by SLA, 1996-2021

COBURG HILL MIXED USE PRECINCT TABLE 2.2

	Resident Population[1]			Forecast Population		
SLA	1996	2001	2006	2011	2016	2021
Darebin (C) - Preston	81,070	81,480	85,470	91,120	94,396	97,821
Moreland (C) - Coburg	49,960	48,090	50,160	53,090	55,161	58,280
Total Region	**131,030**	**129,570**	**135,630**	**144,210**	**149,557**	**156,101**
Average Annual Change (No.)						
		1996-01	2001-06	2006-11	2011-16	2016-21
Darebin (C) - Preston		82	798	1,050	655	685
Moreland (C) - Coburg		-374	414	590	414	624
Total Region		**-292**	**1,212**	**1,640**	**1,069**	**1,309**
Average Annual Change (%)						
		1996-01	2001-06	2006-11	2011-16	2016-21
Darebin (C) - Preston		0.1%	1.0%	1.3%	0.7%	0.7%
Moreland (C) - Coburg		-0.8%	0.8%	1.1%	0.8%	1.1%
Total Region		**-0.2%**	**0.9%**	**1.2%**	**0.7%**	**0.9%**

1. as at June

Source : ABS, Regional Population Growth, Australia, Electronic Delivery (3218.0.55.001);
DPCD, Victoria In Future 2008, rebased to ABS Estimated Resident Population 2010; Urbis

2.3 AGE/INCOME

Table 2.3 reviews the income and age group characteristics of the study area and regional SLAs as at the 2006 Census. As shown, incomes in both the study area and broader region are below the Melbourne average:

- Per capita incomes in the total study area, at $22,548, are 17% below the Melbourne average ($27,105).
- Household incomes at $54,657 in the total study area are likewise 23.2% below the Melbourne average, although Coburg – North SLA household incomes only 12% below the average. Coburg – North has a 24% of households with incomes over $88,400.
- The study area has a significantly higher proportion of 60+ year olds than Melbourne as a whole. Less baby boomers but a slightly higher proportion of those aged 25-39, suggesting some first home buyers in the area.

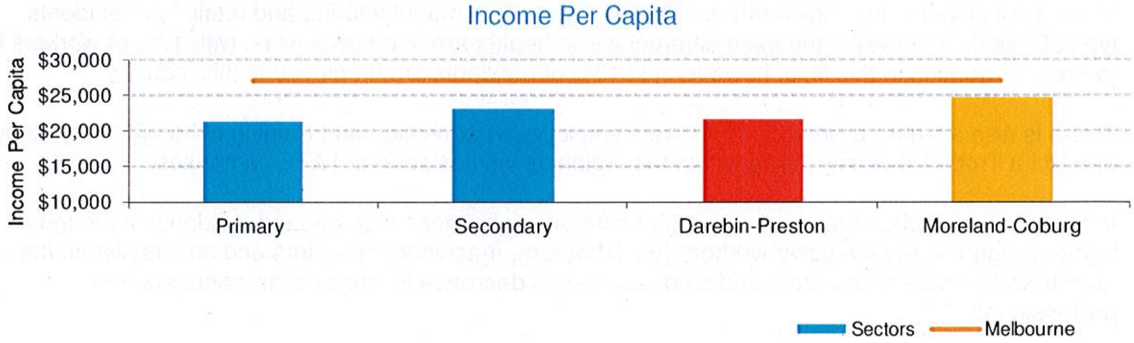
In summary the study area and surrounding region as at 2006 exhibited a more aged population than Melbourne as a whole, with below average incomes. Residents expected to move in to the Coburg Hill residential development can be expected to have a slightly different profile.

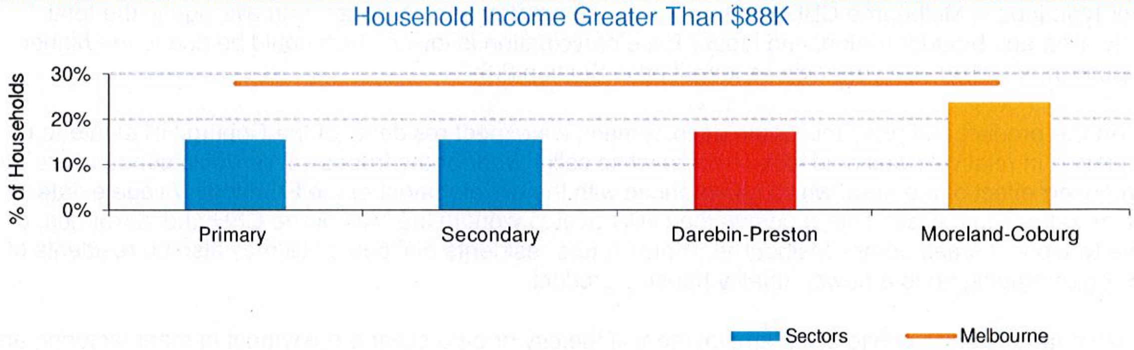
From speaking to Satterley's sales team and reviewing the housing offer and pricing strategy we envisage that future residents of Coburg Hill will be relatively more affluent families upgrading to their second home. This will have positive implications for the area with respect to the supportability of retail and potential other uses on the neighbourhood centre site.

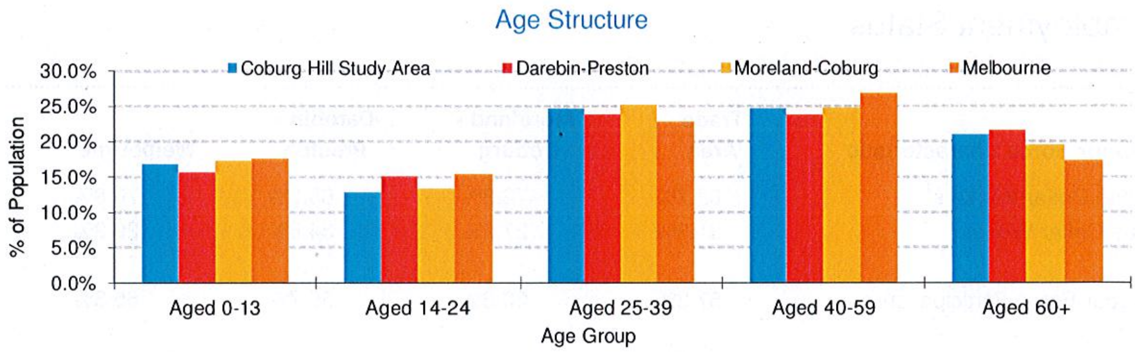
Income & Age Profile, 2006

COBURG HILL MIXED USE PRECINCT

CHART 2.1







Source : ABS, Census of Population & Housing, 2006; Urbis

2.4 EMPLOYMENT

We have reviewed the 2006 Census data in order to understand the industries and occupations in which the catchment population work, and the types of employment currently available in the broader region.

The results of this analysis are shown in Table 2.3, Table 2.4 and Chart 2.2. Key points to note are:

- The total study area and the region is characterised by higher unemployment and lower labour force participation than Melbourne on average. Both the total study area and the Darebin – Preston SLA have relatively higher numbers of blue collar workers than the Melbourne average, and a corresponding decrease in white collar workers, with Moreland – Coburg the exception.

- Residents of the broader region work predominantly either in inner Melbourne and the CBD, or the region itself with 20% job containment. The next closest major work location is Hume – Broadmeadows.

- Workers in Preston and Coburg live predominantly in the region, or travel from the north and east (ie. Epping, Thomastown, Mill Park, Bundoora, Heidelberg).
- In terms of industry, the region offers more employment in manufacturing and retail than residents typically work in, however the main difference is in healthcare and social work, with 17% of workers in the region working in this field, however just 10% of residents are employed in this industry.
- There is also a higher proportion of workers employed in education and training although this is likely due to La Trobe University falling within the region as well as several TAFE campuses.
- In terms of occupation there are only minor differences between workers and residents, although a higher proportion of blue collar workers (eg. labourers, machinery operators and drivers) live in the area than find work in the area, and a corresponding decrease in white collar managers and professionals.

In summary the residents of the region tend to work more in blue collar jobs within the region, or office work type jobs in Melbourne CBD and surrounds. Unemployment is higher than average in the total study area and broader region, and labour force participation is lower which could be due to the higher proportion of retired 60+ year olds as identified in Section 2.3.

Given the product and price mix of the development, we expect residents of the Coburg Hill estate to be employed in relatively well paid jobs either in white collar work or the trades. This would contribute to the gentrifying effect of the area, which commenced with the development of the Pentridge Village estate 1.3km to the south east. This suggests they will travel to work in the Melbourne CBD and surrounds, or drive to work in areas across Melbourne. Some future residents of Coburg Hill may also be residents of the region trading up to a newer, quality housing product.

These characteristics (white collar employment in the city or blue collar employment in manufacturing and labouring) do not suggest demand for suburban commercial office space is high in the area.

Employment Status

RESIDENTS OF THE BROADER REGION, 2006 TABLE 2.3

Labour Force Characteristic	Trade Area	Moreland - Coburg	Darebin - Preston	Melbourne
White Collar Workers[1]	68.7%	72.8%	65.2%	70.8%
Blue Collar Workers	31.3%	27.2%	34.8%	29.2%
Labour Force Participation	57.8%	60.6%	56.7%	65.3%
% Unemployed	8.1%	5.3%	7.8%	5.3%

1. Includes Managers, Professionals, Sales, Clerical & Admin, and Community & Personal Service workers
Note: Broader Region made up of Darebin - Preston and Moreland - Coburg SLAs
Source : ABS, Census of Population & Housing, 2006; Urbis

Journey To Work by Location

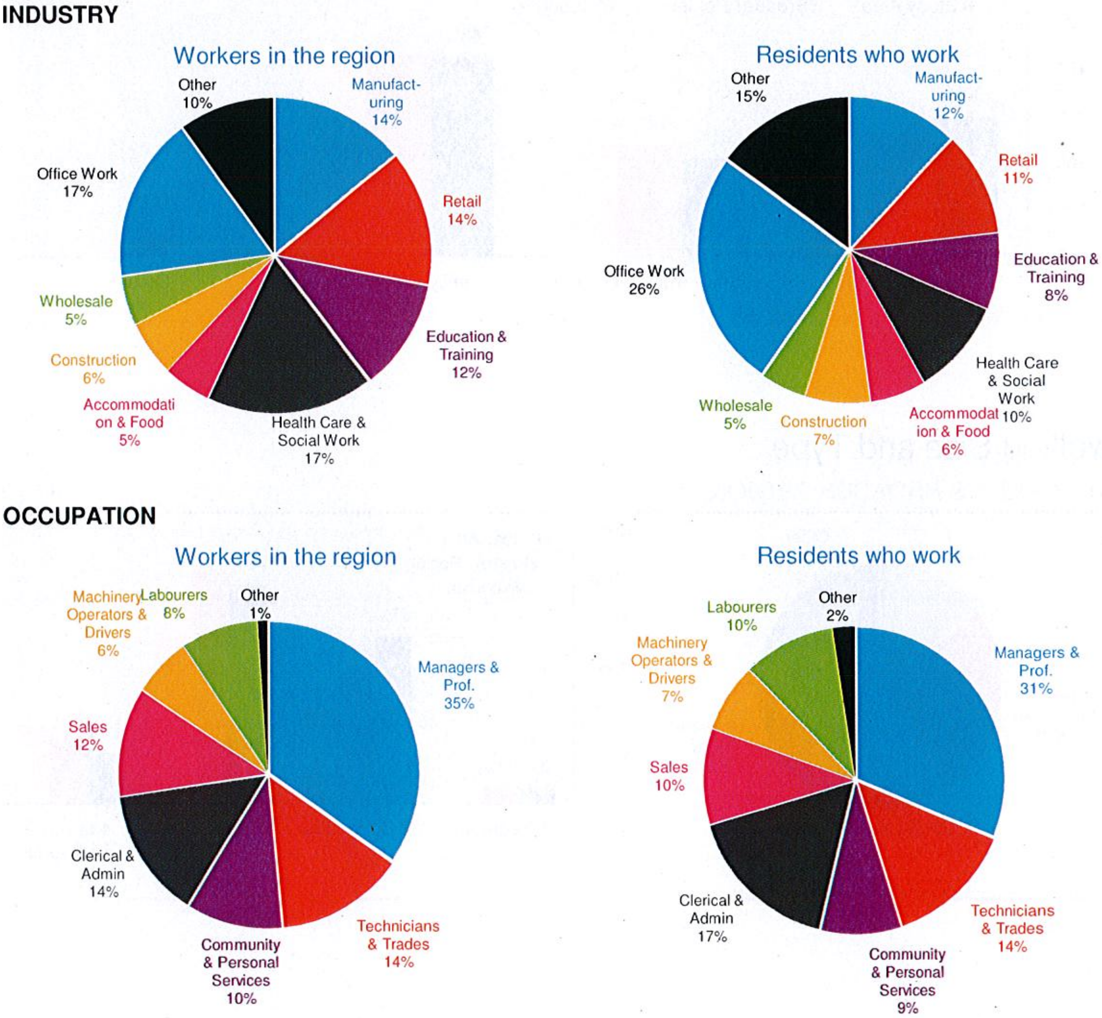
RESIDENTS AND WORKERS IN THE BROADER REGION, 2006 — TABLE 2.4

Top 5 Destinations Where Residents Work	Number	% of Total
Darebin - Preston	7,269	14%
Melbourne CBD & Docklands SLAs[1]	6,910	13%
Melbourne - Remainder (Inner Melbourne)	4,773	9%
Moreland - Coburg	3,363	6%
Hume - Broadmeadows	2,322	4%
Top 5 SLAs Where Workers Live		
Darebin - Preston	7,123	18%
Moreland - Coburg	3,509	9%
Whittlesea - South West	2,598	7%
Whittlesea - South East	2,255	6%
Banyule - Heidelberg	2,032	5%

1. Includes SLAs of Melbourne - Inner and Melbourne - S'thbank & Docklands
Note: Broader Region made up of Darebin - Preston and Moreland - Coburg SLAs
Source : ABS, Census of Population & Housing, 2006; Urbis

Journey To Work by Industry/Occupation

PRESTON & COBURG SLAS, 2006 — CHART 2.2



Source : ABS, Census of Population & Housing, 2006; Urbis

2.5 HOUSEHOLD STRUCTURE, DWELLING TYPE, CHANGE

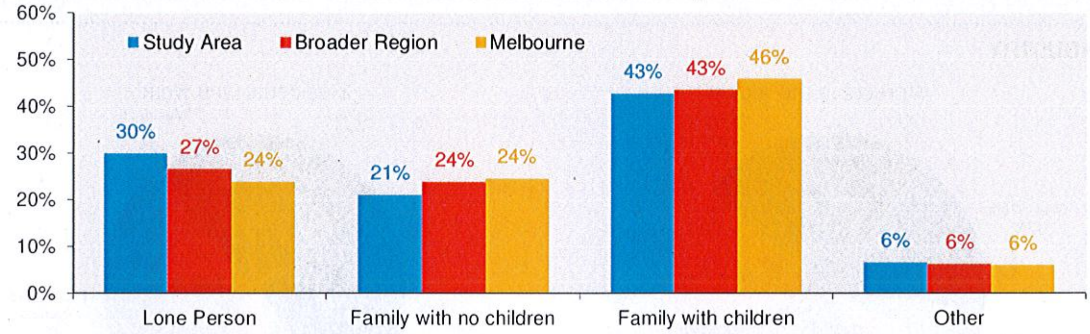
This section reviews the household structure and dwelling type and size in the region as at the 2006 Census. Key points to note from Chart 2.3 and Chart 2.4 are:

- The total study area and broader Coburg-Preston region exhibit larger numbers of people living alone than the Melbourne average, and corresponding lesser share of families.
- Separate houses dominate the total study area at 59% of all dwellings, however semi-detached dwellings (eg. townhouses) and flats/units/apartments make up a significant 40% share of dwellings, which is much higher than Melbourne on average (27%). This makes sense in light of the lower proportion of families, which tend to prefer larger houses with more bedrooms.
- By far the predominant dwelling size is 2 and 3 bedrooms, accounting for 85% of the dwelling sizes in the total study area, and 81% in the broader region.

Adding approximately 400 dwellings at Coburg Hill is likely to continue the historic dwelling mix. On offer are a variety of detached, semi-detached and terraced medium density residential dwellings on blocks ranging between 100-400 sq.m in land area. We expect a higher proportion of family buyers at Coburg Hill reflecting which will raise the proportion of family household structures in the region given that Coburg Hill represents an influx of around 1,200 residents to the area.

Household Structure

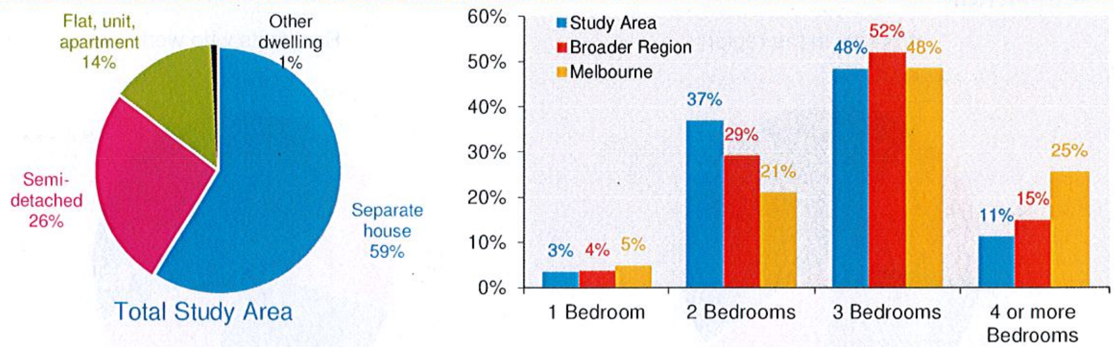
STUDY AREA & BROADER REGION, 2006 CHART 2.3



ABS Census of Population and Housing 2006; Urbis

Dwelling Size and Type

STUDY AREA & BROADER REGION, 2006 CHART 2.4



ABS Census of Population and Housing 2006; Urbis

Source : Urbis

3 Commercial Considerations

The prospects for commercial (office) use within the mixed use precinct of the Coburg Hill development are now assessed having regard to the location and demographic analysis outlined previously and against typical success factors for suburban office development.

The following table presents the key success factors for commercial office development, assesses the local area and rates a possible Coburg Hill development in the Neighbourhood Centre against each criteria:

TABLE 3.1 – COMMERCIAL SUCCESS FACTORS

CRITERIA	DESCRIPTION	ASSESSMENT	RATING
Part of broader commercial precinct	Commercial offices do well when there is significant established office floorspace nearby. The type of tenants in the precinct and the calibre of those tenants also influences whether office developments will be successful. A critical mass of certain types of office floorspace is ideal, co-located with broader uses such as retail and community services.	There is a small existing precinct in Elizabeth Street immediately opposite the site with a high level of vacancy. Likewise the West Preston precinct has more commercial floorspace in the form of real estate agencies and medical centres, but also a high number of vacancies. The nearest office precincts would be the mixed use Preston and Coburg town centres which are a more attractive location for a commercial office development.	✗
Access to workforce	Due to changing work patterns, the distribution of white collar workers is now more evenly distributed throughout metropolitan areas than say 20 to 30 years ago, when large precincts within metropolitan areas were dominated by industrial activity and the nearby resident population provided the blue collar workforce. The erosion of industrial activity throughout Australian cities has led to widespread distribution of a white collar workforce.	The existing white collar workforce is below the Melbourne average proportion in the catchment area. Reflecting the price points and target market we expect the incoming residents of Coburg Hill to be predominantly employed in white collar occupations with existing employers. Other more substantial commercial precincts in the area afford better access to a larger workforce than the subject site.	✗
Proximity to contacts/clients	Proximity to clients is another particularly important location factor for a suburban office. An activity reliant on servicing customers directly needs to be positioned to access as large a potential client base as possible.	For businesses serving anything beyond local markets more attractive locations in the area are considered to exist. Businesses serving a local need (tax agents, lawyers, banks, travel agents etc.) are also expected to choose other locations for their higher exposure to passing traffic.	?

CRITERIA	DESCRIPTION	ASSESSMENT	RATING
Accessibility including parking and proximity to public transport	Office precincts are usually dependent upon good accessibility across the entire metropolitan area (and beyond) as the demand for office workers is rarely restricted to one precinct. With increasing road traffic congestion, good accessibility includes both private (roads) and public (train, bus, tram) transport systems. Many private and public sector office users require parking either on site or immediately adjacent to office space for employees and clients.	The site is off a secondary road with limited public transport immediately adjacent, however there is a local bus route on Elizabeth Street (destination: Coburg station). Trams are at West Preston terminus (800m) and slightly further afield at North Coburg and East Coburg termini (1.7km and 1.3km respectively). Regent and Batman stations are also within 2km of the site. Office precincts generally are situated in closer proximity to public transport. The subject site is not considered to have desirable accessibility for most potential office occupiers.	✗
Close to amenity precinct	Office worker amenity is an increasingly important driver behind demand for office space. Amenity includes retail, including food retail and food catering options such as supermarkets, cafes and restaurants, as well as general non-food retail shops; entertainment; and to a lesser extent sporting and cultural facilities.	There is a small existing precinct in Elizabeth Street, but this has a high level of vacancy. The West Preston commercial precinct is within 800m. Food catering options are however limited and are important for any successful office precinct. The subject site, if supermarket and other retail eventuate, will have sufficient amenity.	✓
Price competitiveness (to central CBD);	Suburban office developments require trade-offs in order to attract tenants and one of those is that rents need to be cheaper than office space in more desirable locations.	Unknown at this stage, although the observed high vacancy level suggests commercially viable office development may be difficult to achieve.	?

The locational attributes of the site are such that viable rental levels are not expected to be achieved in this location which has limited scale, transport accessibility and amenity. The West Preston precinct or large activity centres at Coburg and Preston would be more attractive commercial locations due to superior road and public transport access as well as existing established shops and tenancies.

The opportunity for the site is limited to:

- Decisions to locate there based on personal preferences of the business owner
- Soho (small office/home office) style buildings that do not rely on a fixed location

Both of these opportunities represent small scale, niche operations at a level on which it is considered to be difficult to base a commercial business case. Whilst the establishment of a small supermarket would add to the amenity and attractiveness of the area as an office precinct, the site would still be considered unable to meet the requirements of most potential commercial occupiers, particularly in the context of the availability of better locations in the vicinity.

4 Residential Considerations

Prospects for medium density residential on the site are again considered against typical observed success factors and consideration of locational and demographic attributes of the area.

The following table presents the key success factors for apartment living, assesses the local area and rates a possible Coburg Hill development in the Neighbourhood Centre against each criteria:

TABLE 4.1 – RESIDENTIAL SUCCESS FACTORS

CRITERIA	DESCRIPTION	ASSESSMENT	RATING
Proximity to CBD	A key factor in determining demand for apartments is the distance from the CBD. People seeking to live close to the city with its attendant amenities such as employment, entertainment and retail are willing to trade off with smaller dwelling size and higher density living. This particularly applies to young professionals without children and lone person households.	The Coburg Hill development is around 9km from the CBD. This is within the 10km radius that is increasingly seeing large numbers of successful apartment developments.	✓
Proximity to Transport	Apartments located within close proximity to a train station or tram line support more intensive forms of development. Being within walking distance of a train station is particularly attractive to workers commuting into the CBD or other places of employment. Minimal commuting times and ease of access are key considerations in the decision to move to higher density developments. An apartment location in close proximity to transport is a key decision criteria for both owner occupiers and renters/investors. In the absence of strong connectivity, the product is likely to be attractive to a much reduced segment of the market.	The closest trams are at West Preston terminus (800m) and slightly further afield at North Coburg and East Coburg termini (1.7km and 1.3km respectively). Regent and Batman stations are also within 2km of the site. Whilst a local bus route exists on Elizabeth Street which serves Coburg Station, relative to other apartment developments this site's connections to public transport are not as good. Overall, public transport connectivity is considered to be modest.	?
Access to Freeways	Good freeway access is beneficial for residential development, particularly in outer suburban locations.	The northern suburbs do not have the easy access to freeways that other parts of Melbourne enjoy. Bell Street runs to the south of the site and accesses the Tullamarine & Calder Freeways (5km west) but can get congested especially during peak hours, while the Metropolitan Ring Road is some distance to the north.	✗

CRITERIA	DESCRIPTION	ASSESSMENT	RATING
Retail / Entertainment Amenity	One benefit of apartment living is often improved access to a wide variety of entertainment, recreation, retail and service facilities. This is due to the critical mass of the denser population being able to support a wider range of facilities that may not be viable in a low-density area. This benefit generally extends to the ability to access these amenities without having to get into a car – which is generally captured within a 400 metre walking distance. It is also important to offer a range of activities, such as a variety of retail as well as entertainment facilities such as cinemas, cafes and restaurants.	There is a small existing precinct in Elizabeth Street, but this has a high level of vacancy. The West Preston commercial precinct is within 800m. The nearest significant commercial precinct is at a distance that would most likely be accessed by car, are in Coburg and Preston town centres. Development of a supermarket and other commercial activity can be expected to contribute to the activity and amenity. A larger supermarket would generate greater activity and afford greater amenity.	?
Views/ Aspect	Apartments are often successful when they can provide water, park or CBD views. Well elevated sites or sites that have significant views such as beach, river, golf courses or scenic vistas are often attractive for high density living. These views are expected to be available in perpetuity and not likely to be built out or obscured. A favourable aspect (i.e. north facing) is particularly desirable as it allows for solar access throughout the year.	Coburg Hill enjoys great views of the Melbourne CBD from the upper reaches of the site, and a shop-top apartment development view would be unlikely to be built out.	✓✓
Visual Amenity	One of the attractions of apartment living is the lack of maintenance involved, mainly from the absence of a garden. To counter the lack of private outdoor space, access to public open space can be a decisive factor in the choice to move to a high density environment. The loss of backyard or courtyard can be compensated by a high quality public space that is within comfortable walking distance. The open spaces should be able to accommodate a range of functions. They should also provide a feeling of personal comfort and safety.	The Kodak site as a whole is well located with respect to public open space, being bordered on the western side by the Edgars Creek Reserve. It is also in close proximity to sporting facilities in Coburg including the Coburg outdoor swimming pool , Coburg Lake environs, Harold Stevens athletics track and basketball stadium to the south west. There are also tennis courts and a park down Dunstan Street to the east, closer to the Neighbourhood Centre site.	✓✓✓

CRITERIA	DESCRIPTION	ASSESSMENT	RATING
Noise	An important aspect for the success of residential developments is the level of noise pollution. Older couples and young families on particular are more attracted to quiet living environments, compared with living on busy and noisy main roads.	The site is located on a secondary road across from a primary school, in a predominantly residential environment. We expect there would be some levels of noise generated from the primary school but on the whole the residents would have quiet enjoyment of the local area.	✓✓

The location exhibits a number of characteristics indicating its suitability for and strong success prospects for medium density apartment developments. Particular attributes the site would do well to capitalise on include the very good views of the city skyline, and its access to local community facilities and parks. Areas requiring attention would be the lack of attendant retail and entertainment amenity in the area currently. This may be overcome in time given the proposed retail element of the development.

5 Retail Considerations

This section reviews the available retail spending market and the competitive environment in the surrounding area. We establish whether the supermarket is supportable and appropriate and identify those factors relevant in considering an appropriate size. The retail study area encompasses immediate, primary and secondary catchments as defined in Section 2.

In the first instance the analysis is based on consideration of a 1,800 sq.m supermarket reflecting already presented plans. We then go on to consider the effects of a larger full line supermarket locating of the site.

We now understand there is a proposal to increase the size of the supermarket to 3,700 sq.m and we comment on the likely impacts.

5.1 AVAILABLE SPENDING MARKET

In this section we look at current retail expenditure per capita by residents of the total study area, and the total spending market generated by applying per capita retail spending rates to the population of the study area forecast in Section 2.2.

Retail spending market estimates are generated by *Market Info*, a model developed by MDS Market Data Systems Pty Ltd. The model is based on information from the ABS Household Expenditure Survey (HES), the Census of Population and Housing (2006) and other information sources that provide up-to-date information on changes in spending behaviour and/or income levels (e.g. Australian National Accounts, Australian Taxation Statistics etc.). *Market Info* is used widely by stakeholders in the retail industry.

As shown in Table 5.1, per capita spending on total retail goods and services by residents of the study area is 8% below the Melbourne average. Interestingly this is a lesser margin than the difference in per capita incomes identified in Section 2.3 would suggest.

Importantly for a local shopping centre such as this, per capita spending rates on food product groups are just 5% below the Melbourne average, and retail services (such as hairdressing, dry cleaners and other retailer types typically found in small neighbourhood convenience centres) are 9% below average.

Retail Spending Variation from Averages 2011 ($2011, Ex GST)

COBURG HILL NEIGHBOURHOOD CENTRE MAIN TRADE AREA — TABLE 5.1

Product Group	Aust.	Melbourne	Centre MTA	**Var'n From Benchmarks (%)** Aust.	Melbourne
Food Retail	5,101	5,142	5,049	-1%	-2%
Food Catering	1,292	1,502	1,283	-1%	-15%
Apparel	1,147	1,200	1,006	-12%	-16%
Homewares	868	851	759	-12%	-11%
Bulky	1,135	1,177	1,015	-11%	-14%
General/Leisure	1,406	1,523	1,340	-5%	-12%
Services	424	445	406	-4%	-9%
Total Retail Spending	**11,373**	**11,839**	**10,858**	**-5%**	**-8%**
DSTM Spending	4,556	4,750	4,121	-10%	-13%
Food	6,393	6,644	6,332	-1%	-5%
Non-Food	4,980	5,195	4,527	-9%	-13%

Source: MDS, MarketInfo 2010; ABS, Australian National Accounts: National Income, Expenditure and Product Accounts (5206.0); Urbis

Looking at the total spending market we can see that residents in the total study area currently generate around $63.1 million of retail spending. We estimate that currently nearly all of this retail expenditure is leaving the local study area in favour of the retail offer at Coburg and Preston town centres, and regional shopping centres such as Northlands.

Looking forward to 2021, when the Coburg Hill estate is expected to be developed in full, we expect the total spending market to comprise $74.6 million. However, this may be a conservative estimate as it is based on the socio-demographic indicators of the current population. We expect the people moving in to Coburg Hill to be relatively more affluent and thus the total retail spending market generated could well be higher than this.

Total Spending Market, 2011-2021 ($2011, Ex GST)

COBURG HILL NEIGHBOURHOOD CENTRE MAIN TRADE AREA — TABLE 5.2

Year	Food & Grocery $M	Total Food $M	Total Non-Food $M	Total Retail $M
2011	26.5	36.8	26.3	**63.1**
2012	26.7	37.0	26.5	**63.5**
2013	27.0	37.6	27.4	**64.9**
2014	27.3	38.1	28.1	**66.2**
2015	27.5	38.5	28.8	**67.3**
2016	27.8	39.0	29.4	**68.4**
2017	28.1	39.4	30.1	**69.6**
2018	28.4	39.9	30.9	**70.8**
2019	28.7	40.4	31.6	**72.0**
2020	29.0	40.9	32.4	**73.3**
2021	29.4	41.4	33.2	**74.6**
Average Annual Growth[1]				
2011-16	1.0%	1.2%	2.3%	**1.6%**
2016-21	1.1%	1.2%	2.4%	**1.7%**
2011-21	1.0%	1.2%	2.3%	**1.7%**

1. Assumes average annual per capita growth of -1.6% in 2010-2015 and 0.8% thereafter, with different growth rates for each product group.
2. Current year is financial year ; Forecast years are financial years
Source: MDS, MarketInfo 2010; ABS, Australian National Accounts: National Income, Expenditure and Product Accounts (5206.0); Urbis

5.2 COMPETITION

Table 5.3 on the following page outlines the competing retail in the broader region, which is also shown in Map 1.1. As shown, residents have no full line supermarkets within 2km and the closest higher order shopping is 5km to the east at Northland Shopping Centre.

This suggests a supermarket may fulfil a need in the market to access groceries and convenience type retail goods within a walkable distance of the Coburg Hill estate.

Competitive Environment

COBURG HILL NEIGHBOURHOOD CENTRE

TABLE 5.3

Centre	Dist.[1] From Centre (km.)	Major Tenants: Food	Major Tenants: Non Food	Comments
Regional Centres				
Northland Shopping Centre	5.0	Coles, Woolworths	Myer, Kmart, Target	Major regional centre - residents highly likely to shop here for non-food. Supermarket shopping may be less convenient.
Sub-Regional Centres				
Northcote Plaza	6.6	Coles x 2	Kmart	These centres are all distant from Coburg Hill however residents may shop here, particularly as Brunswick & Northcote have easy access to public transport.
Barkley Square, Brunswick	6.8	Coles, Woolworths	Kmart	
Campbellfield Plaza	7.4	Coles	Kmart	
Other Supermarkets and Town Centres				
West Preston Shops	800m	Budget Rite		Close but limited offer. High vacancy rates at time of visit for broader strip. Sole grocer in the study area, and it's only small.
Preston Town Centre (nr railway station)	2.3	Woolworths, Aldi, Preston Market (food and non-food)		Closest full-line supermarket. Preston Market also a drawcard for residents' food shopping in the area.
Gilbert Road Shops	2.5	Foodworks		Small convenience shop at end of tram line.
Reservoir Town Centre (nr railway station)	3.1	Coles, Supa IGA		Offers a variety of takeaway shops, fast food and retail services.
Coburg Town Centre (nr railway station)	3.2	Coles x 2, Woolworths		Retail along Sydney Road varied and multicultural. Large provision of supermarket floorspace and easily accessible for residents.
South Preston Shopping Centre	4.7	Woolworths		Neighbourhood shopping centre less likely to be used by trade area residents.
Coles Pascoe Vale (Gaffney Street)	4.9	Coles		Relatively distant from Coburg Hill but relatively easy access along Murray Road and Gaffney Street for residents travelling west (eg. for employment)
Plenty Road Reservoir	5.3	Coles, Woolworths		Summerhill Village and surrounds. Target recently closed its store in this precinct.
Brunswick Town Centre (nr railway station)	6.0	Aldi, Mediterranean Wholesalers Supermarket, Woolworths, Supa IGA		These town centres offer a variety of other retailing along their respective main streets (Sydney Road and High Street) which may attract residents this far, particularly as the closest Year 7-12 secondary schools are located in Brunswick & Northcote (Coburg SHS accepts students from Year 10-12).
Northcote Town Centre (High Street)	6.5	Aldi, Not Quite Right, IGA (town centre also includes Northcote Plaza)		

1. Distance measured by most direct road route

Source : PCA, Australian Shopping Centre Database 2010 ; Urbis

5.3 SUPPORTABILITY ASSESSMENT

We have conducted a high level assessment of the supportability of an 1,800 sq.m supermarket on the subject site. Applying an average trading level of $7,100 per square metre (based on our experience with other comparable neighbourhood centre developments), this results in a turnover figure of $12.8 million. Of this the majority of turnover will be derived from the food and grocery spending market ($11.8 million).

Table 5.4 presents the expected market shares achievable in each trade area sector and calculates the resulting turnover from each sector. Whilst the development would likely occur sooner, we have presented the analysis at 2021 when the Coburg Hill site is expected to be fully occupied.

In determining the achievable market share we have given consideration to:

- The accessibility of each trade area sector
- The competitive environment
- The scale of the proposed supermarket and its assumed operation by a national chain retailer.
- The locational attributes of the subject site.

In addition, a proportion of supermarket turnover can reasonably be expected to come from beyond the trade area. Given Newlands Primary School is located opposite the development we have allocated 15% of turnover from beyond the study area.

The exercise demonstrates that a 1,800 sq.m supermarket is supportable in the subject development.

Indicative Supermarket Supportability, 2021

COBURG HILL MIXED USE PRECINCT, $2011 — TABLE 5.4

Year		Unit	
Supermarket Floorspace		sq.m	1,800
Turnover @ $7,100 per sq.m		$M	12.8
Less: General Merchandise turnover @ 8%			
Food & Grocery Turnover		**$M**	**11.8**
Sector	**F&G Market ($M)**	**Achievable Market Share (%)**	**Turnover ($M)**
Immediate	6.0	50%	3.0
Primary	8.2	35%	2.9
Secondary	21.1	20%	4.2
Study Area	35.4	29%	10.1
Turnover from Beyond @ 15%			*1.8*
Total Food & Grocery Turnover			**11.8**

Source: MDS, MarketInfo 2010; ABS, Australian National Accounts: National Income, Expenditure and Product Accounts (5206.0); Urbis

5.4 RETAIL SUCCESS FACTORS

The following table presents the key success factors for retail, assesses the local area and rates retail in the Coburg Hill Neighbourhood Centre against each criteria:

TABLE 5.5 – RETAIL SUCCESS FACTORS

CRITERIA	DESCRIPTION	ASSESSMENT	RATING
Appropriate scale and tenant mix	A retail scheme has to be large enough to be attractive to a range of market segments and at the same time of a sustainable scale. Retail needs to be suited to the needs and desires of the local residents who will ultimately determine its success.	Looking at the available spending market and distribution of competitors in the area we can see that a small supermarket of 1,800 sq.m meets the needs of residents and is supportable. The supermarket will be sleeved by specialty tenancies which will improve the look of the development from the street and broaden the retail offer.	✓
Parking	Well designed, easily accessible carparking is important, especially for supermarkets and convenience related retail.	Current plans for the development include some 100 car parks which we consider sufficient and would avoid use of surrounding streets by shoppers.	✓✓✓
Strong anchor tenants / quality of individual tenants	The success of neighbourhood centres is heavily reliant on the strength of the tenants. Experienced, competent and appealing operators are important to the success of any local retail precinct.	At this stage we understand plans include a 1,800 sq.m supermarket. This is small in contrast to a full-line supermarket of 3,000 – 3,500 sq.m and the level of activity generated would therefore be reduced in the case of a 1,800 sq.m store.	?
Exposure to main roads / 'ant tracks'	Exposure to main roads generates passing-by retail business, as well as providing greater accessibility to the centre. Small local convenience facilities are destination uses that must effectively serve the residential population in their immediate location. To this extent they require sufficient levels of vehicular and pedestrian flow past the centre.	While Elizabeth Street is a secondary connector road, the entrance and exit to the Coburg Hill estate is situated alongside the proposed neighbourhood centre. This will provide a flow of residents. Additionally it will be co-located with Newlands Primary School allowing multi-purpose trips by study area residents. The proposed supermarket is small in size and serving a more local catchment, therefore main road exposure is less significant.	?

CRITERIA	DESCRIPTION	ASSESSMENT	RATING
Proximity to other complementary uses	Neighbourhood centres often need to be facilities that are located so that they can be used on conjunction with a journey for another purpose.	Newlands Primary School is across the road. There is currently a small shopping strip on Elizabeth Street including a medical centre. A bus route runs up Elizabeth Street.	✓✓
Proximity to competitors	A centre in close proximity to directly competing centres or retailers is likely to be less successful than a centre in an area with limited competition.	The closest supermarket is 2.3km distant at Preston shops. The closest regional centre is 5km distant (Northland).	✓✓

The above table highlights the site as suitable for accommodating retail activity serving the convenience needs of the local population,

5.5 SIZE CONSIDERATIONS

The size of any supermarket is determined by a range of factors and varies according to a wide variety of influences. In Perth for example the Sunday trading law has a noticeable impact on typical supermarket sizes. Broadly speaking the major influences on supermarket size are considered to relate to operational issues of retailers, customer behaviour, shopping patterns and the competitive environment.

In considering the size of supermarket available the following factors are relevant:

Customer Behaviour

- Supermarket shopping can be divided into weekly and "top-up" shopping trips. Weekly or main shopping trips generally describe the large volume visits to the supermarket where the majority of spending occurs. In addition to the main shop customers can also be expected to undertake top-up shopping trips purchasing for example bread and milk on a more frequent basis and at a more localised store. Customers generally travel greater distances and to a full-line store to undertake their main shopping trip.

- Given that there is limited provision of large supermarkets within the local area, a larger store would be of greater benefit to residents of the study area as it would maximise choice and product range and minimise the need to travel longer distances to less convenient stores. Map 5.1 identifies those areas with and without access to a full-line supermarket within 2km.

- As identified in earlier sections of this report the residents expected to live at Coburg Hill are families paying off mortgages with high levels of labour force participation and higher incomes than average. This type of consumer is most likely to shop once a week. Given this demographic and the pattern of supermarket shopping that we would expect to eventuate, a 1,800 sq.m store would not be as capable of providing the range of products required or desired for the major weekly shop. Consequently if a 1,800 sq.m store did eventuate we would expect residents of the trade area to visit larger stores within or beyond the trade area.

- A full-line (over 3,000 sq.m) supermarket can be expected to offer greater range and convenience to the shoppers and enable a broader range of shopping activities (including weekly trips) to occur.

- A larger supermarket in the location would reduce the need for residents to visit larger stores beyond the trade area.

Map 5.1 – GLA Accessibility

Operational Issues

- The efficient (from a supermarket operator perspective) operation of a supermarket relies on the ability to accommodate a number of stock keeping units (SKUs). Larger stores can for example accommodate a greater range and choice (more SKUs). Costs of supplying, staffing and running stores of less than 2,000 sq.m are generally less efficient than larger store in locations such as this.

Competitive Issues

- Retailing is an important contributor to the local economy and local employment. In order to compete effectively with other supermarkets in and around the trade area and to retain retail spending and jobs more locally, supermarkets need to be able to compete effectively.

- There is a current absence of a quality retail offer in the locality, a sufficient retail spending market, and the site attributes mean that a full line supermarket would justify urban design outcomes such as an underground carpark and sleeving the 'box' of the supermarket with other shops and potential residential apartments.

Community Benefits

- A larger store in this location would also provide a larger quantum of local jobs which would benefit residents of the area, particularly given current high unemployment levels in the study area relative to Melbourne.

- Local residents are more likely to direct a greater proportion of spending to a larger store. Community benefits can therefore be expected to accrue as a result of reducing the need to travel and in greater number of trips generating greater activity levels and enhancing the appeal of and prospects for the broader Elizabeth Street precinct.

In summary, a full line supermarket (over 3,000 sq.m) anchored retail precinct is expected to have a number of benefits which would be diminished if only a smaller store were to be accommodated on site. These benefits include:

- A broader range of choices for consumers than would otherwise be provided, increasing the ability for the community to make multipurpose trips and thus diminishing time spent in cars and the associated environmental, traffic congestion and social costs;
- Higher activity levels for the precinct leading to the ability to support additional facilities such as the currently vacant shops on Elizabeth Street
- Greater prospects for the facility to eventuate within a reasonable timeframe given retailer interest at this proposed scale.

A smaller, independent store would be less likely to fully satisfy the needs of local residents, and is considered unlikely to support a broad range of other retail facilities on the site and in Elizabeth Street.

A full-line supermarket in this location would fill a gap in the market and reduce travel times for local residents with attendant environmental and traffic benefits. In addition the presence of a strong operator running a successful supermarket in this neighbourhood will become a catalyst to revitalise the vacant shops on the opposite side of Elizabeth Street.

6 Summary and Conclusions

Regarding the appropriate uses on the mixed use precinct the table and dot points below reflect our findings in relation to the appropriateness and scale of different land uses.

Office	Poor site attributes suggest this would be high risk	✗
Apartments	At an appropriate price point and scale the subject site could support medium density apartment development	✓
Retail	Yes but important that the benefits are not compromised by limiting the scale of the anchor tenant or quality and quantum of parking.	✓

- Population growth in the area surrounding Coburg Hill has been slow, with a net increase averaging 15 people per annum over the last 15 years as shown in Table 2.1. The effect of the influx of population in the Coburg Hill development is therefore significant for the area. Total residents of the study area in 2021 are expected to be 7,300 people.

- The study area and surrounding region as at 2006 exhibited a relatively aged population with below average incomes. We expect residents moving in to the Coburg Hill development will be relatively more affluent families upgrading to their second home. This will have positive implications for the area with respect to the supportability of potential uses on the neighbourhood centre site.

- Residents of the region tend to work more in blue collar jobs within the region, or office work type jobs in Melbourne CBD and surrounds. Unemployment is higher than average in the study area and broader region, and labour force participation is lower. We expect residents of the Coburg Hill estate to be employed in relatively well paid jobs either in white collar work or the trades. This suggests they will travel to work in the Melbourne CBD and surrounds, or drive to work in areas across Melbourne. Some future residents of Coburg Hill may also be residents of the region trading up to a newer, quality housing product. These characteristics (white collar employment in the city or blue collar employment in manufacturing and labouring) do not suggest demand for suburban commercial office space is high in the area.

- The site does not score highly when rated against commercial office success factors. Site attributes are such that viable rental levels are not expected to be achieved in this location which has limited scale and transport accessibility. The West Preston nearby precinct would be a more attractive commercial location due to superior road and public transport access as well as existing established shops and tenancies, but still struggles to provide any significant level of white collar employment.

- Current housing stock is predominantly 2 and 3 bedroom detached housing. On offer at Coburg Hill are a variety of detached, semi-detached and terraced medium density residential dwellings on blocks ranging between 100-400 sq.m in land area. However we expect a higher proportion of family buyers at Coburg Hill which will raise the proportion of family households in the region.

- The location exhibits a number of characteristics indicating its suitability for and strong success prospects for medium density apartment developments. Particular attributes the site would do well to capitalise on include the very good views of the city skyline, and its access to local community facilities and parks. Areas requiring attention would be the lack of attendant retail and entertainment amenity in the area currently. This may be overcome in time given the proposed retail element of the development.

- The site scores relatively highly on success factors for neighbourhood centre retailing. Residents have no full line supermarkets within 2km and the closest higher order shopping is 5km to the east at Northland Shopping Centre. We consider a supermarket will fulfil a need in the market to access groceries within a walkable distance of the Coburg Hill estate.

- A larger supermarket in this location would fill a gap in the market and reduce travel times for local residents with attendant environmental and traffic benefits. In addition the presence of a strong operator running a successful supermarket in this neighbourhood will become a catalyst to revitalise the vacant shops on the opposite side of Elizabeth Street.

- A smaller independent store would not achieve these benefits. The level of other goods and services that a small store could support would also be reduced which would further limit the services available to the local population and limit prospects for the revitalisation of retailing on Elizabeth Street. Moreover, a smaller supermarket and reduced turnover expectations would impact on the viability of providing a basement parking area, with it being more likely that a larger surface level carpark would be required.

The outcome of our retail supportability assessment shows a 1,800 sq.m supermarket is supportable in this location, however a larger store would create further benefits accruing to the community, the retailer and the consumer:

It is considered that a supermarket of less than full-line scale would not meet the needs of residents in terms of their main weekly shop requiring customers to travel further and to facilities outside the area in undertaking their main shopping trips.

Community need generally describes social and environmental aspects or outcomes associated with retail planning. In this context community need could be considered to be met through provision of a centre that:

- Provides activated street frontages
- Provides an attractive environment
- High activity levels
- Minimising need for use of the private vehicle
- An urban design that provides a legible pedestrian friendly layout without dead ends or areas of poor natural surveillance.

In this context a large supermarket can be expected to result in greater benefits to the consumer, the retailer and the community.

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