

## **Appendix 2**

# **Assessment of Development Options Report**

**(Charter Keck Cramer)**

## **Bayswater Activity Centre Triangle Site: Assessment of Development Options**

Prepared for

Knox City Council

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## 1. EXECUTIVE SUMMARY

The purpose of this analysis is to provide a strategic assessment of development options for the triangle site (bound by Mountain Highway to the north, Scoresby Road to the east and Station Street to the west) located within the Bayswater Activity Centre. Development options are based on those identified in the Bayswater Activity Centre Structure Plan and each use has been assessed as if it were a stand-alone development within the triangle site.

The following development options have been considered:

- Residential - Townhouses, Apartments
- Aged Care/Retirement Living
- Bulky Goods
- Trade Supplies/Showrooms
- Offices
- Cinema
- Bayswater Hotel
- Accommodation
- Performing Arts
- Conference Centre
- Education Facilities

The potential of these development options has been assessed as follows:

### Development Potential - Strong

- Residential – Townhouses
- Bayswater Hotel (redevelopment within site)
- Trade Supplies/Showrooms

### Development Potential – Moderate

- Office Suites
- Bulky Goods
- Accommodation
- Performing Arts Centre

Other development options that have been assessed as having an unlikely development potential include residential apartments, aged care/retirement living, conference centre, cinema and education facilities. Development options that have strong or moderate potential are capable of incorporating some of the uses that would not be viable as a stand-alone development. This is the case with uses such as conference and education facilities.

Council's vision for the redevelopment of the triangle site consists of a convention centre/hotel at the intersection of Mountain Highway and Scoresby Road and bulky goods/education/entertainment across the remainder of the site. The two key properties that will contribute the achievement of this vision and influence the future redevelopment of the triangle site are the Council owned property the intersection of Mountain Highway and Scoresby Road the Bayswater Hotel property.

The development option that would provide the greatest opportunity for achieving this vision is the redevelopment of the Bayswater Hotel on Council owned land at the intersection of Mountain Highway and Scoresby Road. This could enable the provision of a modern facility on this gateway site and potentially incorporate associated uses such as conference and accommodation facilities. This would also open up a large area of land currently occupied by the Bayswater Hotel for alternative development options

If the Bayswater Hotel were to remain in its current location the only significant property with redevelopment potential would be the Council owned land at the corner of Mountain Highway and Scoresby Road. The ability for this property alone to drive and influence redevelopment across the rest of the triangle site would be limited.

In order to assist and inform the preparation of the master plan discussions should be held with the property owners of the Bayswater Hotel in order to understand the future plans for this facility. This will enable clearer direction regarding the appropriate form of development on the two key properties and associated planning across the triangle site.

## **2. INTRODUCTION**

### **2.1 Study Objectives**

The purpose of this analysis is to provide a strategic assessment of development options for the triangle site (bound by Mountain Highway to the north, Scoresby Road to the east and Station Street to the west) located within the Bayswater Activity Centre. Development options are based on those identified in the Bayswater Activity Centre Structure Plan and each use has been assessed as if it were a stand-alone development within the triangle site. The conclusions of this assessment will inform the preparation of a Master Plan for the triangle site.

### **2.2 Methodology**

The following development options were assessed based on uses identified in the Bayswater Activity Centre Structure Plan:

- Residential - Townhouses, Apartments
- Aged Care/Retirement Living
- Bulky Goods
- Trade Supplies/Showrooms
- Offices
- Cinema
- Bayswater Hotel
- Accommodation
- Performing Arts
- Conference Centre
- Education Facilities

Considerations that have been incorporated into the assessment of development options include current local market conditions, potential target markets for proposed activities, and potential impacts upon existing commercial activities taking into account competition and synergies with such uses.

### 2.3 Subject Site

**Location:** Corner Mountain Highway and Scoresby Rd, Bayswater (Melway Ref: 64 G3)

**Site Area:** 11ha (estimated)

**Ownership:** Multiple ownership

<i>Ownership</i>	<i>Use</i>	<i>Estimated Land Area</i>	<i>% of Site</i>
Vic Track	1 - Railway	4.5ha	40%
Private Owners	2 – Car Rental 3 - Automobile Brake Repairs 4 - Petrol Station/Car Wash 5 - Bayswater Hotel 9- Light Industrial/Trade Supplies	3.7	35%
Council/State Government	6 - Bayswater Senior Citizens Club 7 - Knox Community Arts Centre 8 - CFA Fire Station	2.8	25%

**Figure 1: Subject Site**



## 2.4 Site Characteristics

### 2.4.1 Development Pattern

The ownership and development patterns within the site reflects adhoc development over time which has resulted in four distinct development precincts (refer to Figure 2):

**Precinct A** - This precinct includes the Bayswater Hotel and a petrol station. The Bayswater Hotel is the dominant use within the precinct however it is disadvantaged by limited main road exposure.

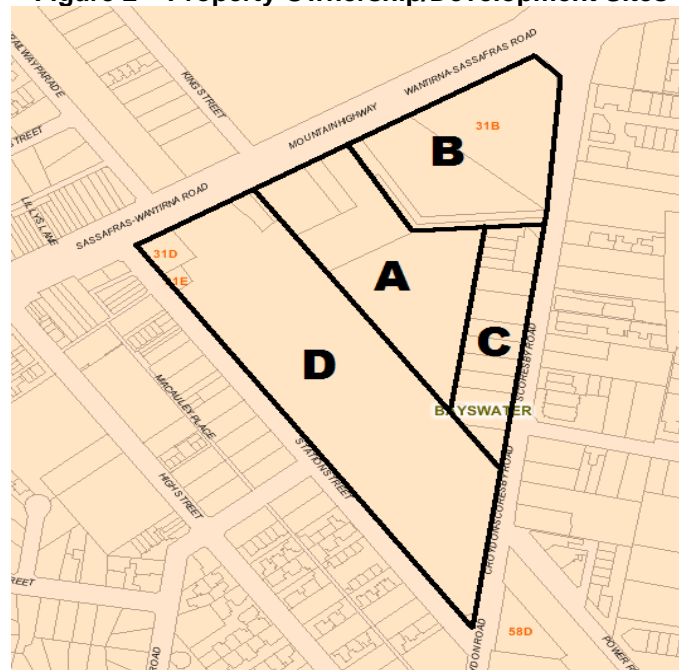
**Precinct B** – This is a strategic precinct for the future redevelopment of the triangle site as it is publicly owned, underdeveloped and offers the greatest exposure to passing traffic. The vegetation planted around the perimeter contributes to the appeal of the precinct while at the same time creating a visual barricade that limits exposure. A portion of this precinct (at the intersection of Mountain Hwy and Scoresby Rd) is a Crown allotment.

**Precinct C** - The properties in this precinct have been developed for light industrial and trade supplies/showroom uses and they appear to be in multiple ownership. It is the only precinct within the triangle site that will require consolidation of smaller sites if redevelopment is to occur. For this reason it is unlikely that this precinct will lead redevelopment within the triangle site

**Precinct D** – The railway precinct represents a major impediment to maximising the development potential of the site as it acts as a barrier that separates the site from the retail core of the activity centre.

The Bayswater Activity Centre Structure Plan proposes the concept of undergrounding the railway line as a method of connecting the site with the retail core. This would result in creating new property where the land value would be well above any comparable land values in the area.

**Figure 2 – Property Ownership/Development Sites**



## 2.4.2 Road Frontage

Mountain Highway along the northern boundary of the triangle site is classified as a primary state arterial road and is a dual carriageway. Properties fronting Mountain Highway would be the preferred location for higher value commercial development as a result of the exposure to high volumes of traffic.

Scoresby Road along the eastern boundary of the triangle site is classified as a primary state arterial road and also provides good road exposure but at a lower level than Mountain Highway. As this is not a dual carriageway it can provide easier access into the site compared to Mountain Highway.

Due to the shape of the triangle site, if building frontage was maximised along both Mountain Highway and Scoresby Road would create a large internal area within the site potentially creating low amenity and limited access. Building layout and design would have to be closely considered to ensure that maximising exposure would not limit development potential in other areas.

## 2.4.3 Site Coverage – Building and Parking

The Bayswater Activity Centre Structure Plan refers to a built form of 4-5 storey across the triangle site, implies a high building density and encourages new developments to provide fewer car spaces to promote the use of public transit.

The dominance of car use within the municipality is recognised in the Structure Plan and it would be expected that a majority of people coming to the triangle site would travel by car. To ensure access for both employees and customers, developments would need to include appropriate amounts of parking which contradicts an action of the Structure Plan.

Maximising building density and providing appropriate parking can be achieved by providing multi-level parking. When assessing the development costs of a building that incorporates multi-level parking, the cost of providing parking spaces should be less than the cost of purchasing additional land for providing at-grade parking. Due to the relatively low land values in suburbs such as Bayswater, it is likely that it will not be viable to build multi-level parking and developments will be required to providing at-grade parking. The results will be lower building density and at grade parking which may contradict the objectives of the Structure Plan.



### 3. ASSESSMENT OF DEVELOPMENT OPTIONS

#### 3.1 Residential

The Bayswater Activity Centre Structure Plan has not specifically identified the triangle site for residential development. However an assessment of higher density residential options have been considered as it is consistent with objectives Melbourne 2030 for encouraging higher density residential development in activity centres.

It is recognised that any form of housing will limit or restrict other forms of development within the site due to conflicts between commercial and residential uses. Consideration must also be given to the requirements of the Structure Plan for appropriate interface and separation between residential and commercial uses.

The dominant form of housing within Bayswater is detached housing and single level townhouses on subdivided blocks. These forms of housing are consistent with underlying land values and highlights the viability of low and medium density housing relative to higher density alternatives. In Bayswater the housing values are below the metropolitan Melbourne average. Victoria Valuer General data indicates that as of June 2008 the difference between the median house price in Metropolitan Melbourne (\$452,000) and Bayswater (\$358,000) was \$94,000 or 20%.

Data for apartment sales was not available for this period as there were not enough sales recorded over the past year. This suggests that high density housing in the form of apartments may not be viable in Bayswater.

A comparison of the sales of houses and townhouses in Bayswater and Bayswater North from August 2007 to August 2008 is provided in Table 1. The difference between the median selling prices of houses compared to townhouses is \$68,000. It would be expected that for the difference in price buyers would choose a house with land over a townhouse.

**Table1: Residential Sales - August 2007 to 2008 for Postcode 3153  
(Bayswater and Bayswater North)**

	<i>Minimum Selling Price</i>	<i>Maximum Selling Price</i>	<i>Median Selling Price</i>
Houses	\$270,000	\$2,955,000	\$355,000
Townhouses	\$231,500	\$337,000	\$287,000

Source: Real Estate Institute of Victoria, August 2008

The viability of higher density residential development is influenced by a number of variables. At a general level it is determined by the difference between the land plus construction costs and the final sale price for different housing forms. Higher density forms of development such as townhouses and apartments typically have higher construction costs per square metre compared to detached houses. The higher construction costs for townhouses and apartments must be offset by cost savings associated with their lower land area requirement.

### 3.1.1 Town Houses

Charter Keck Cramer's research indicates that despite the low supply of townhouses in Bayswater, supply in other areas of Knox is growing. These range from single level villas with a basic fit-out selling for \$150,000 - \$200,000 to two storey townhouses with 2 - 3 bedrooms and high quality fit-out selling for \$400,000 - \$450,000. Demand for this form of medium density housing is considered to be growing.

The analysis indicates that townhouses would be a viable development option within the site but would be at the lower end of the market reflecting the lower amenity of the site. A typical townhouse would be 2 levels, 2 bedrooms with a basic fit-out which would sell for between \$250,000 to \$300,000. The location within the site and adjacent land uses may also influence the development value and selling price.

### 3.1.2 Apartments

Charter Keck Cramer's assessment of the apartment market in Knox is that there are a limited number of new apartment developments within the region. Those that are known to be on the market are being taken up at a slow rate resulting in a higher risk and holding costs for developers.

From the purchaser's perspective, the price they are prepared to pay for an apartment is strongly influenced by the opportunity cost of purchasing lower density housing, with the latter's major benefits being larger land area and larger dwelling size. In suburban locations, such as Bayswater, this opportunity cost issue is particularly important.

From a development perspective, a return of between 15-20% is typically sought by a developer. Increased construction costs associated with apartment developments must be offset by savings on the land component of any development. In general, this only occurs when underlying land values are in the order of around \$1,000 sq.m. As a result, higher density apartment developments have been largely limited to Melbourne's central inner eastern suburbs within 10 km. of the Melbourne CBD where competing house prices are generally in excess of \$500,000. The development of contemporary apartments in Melbourne's middle and outer suburbs has to date been relatively minimal.

### 3.2 Aged Care / Retirement Living

In the last two decades the retirement village industry has transformed from a cottage industry into a corporate industry involving major publicly listed companies and institutional investors. Historically, retirement village were mainly provided by not-for-profit operators such as church and other charitable agencies. These groups have also historically been closely associated with the broader health and aged care sector which created confusion and misunderstanding of the role and function of independent living units (ILUs) within retirement village as distinct from nursing homes, hostels and other forms of care for the aged.

More recently, since the early to mid 2000s there has been a much greater corporatisation of this highly fragmented industry through the involvement of private investors which was partly driven by the disposal of retirement village portfolios by traditional not-for-profit operators. The concentration of ownership by the private sector is expected to be reinforced over the longer term as ownership between these new interests also consolidates further. The involvement of major investment companies seeking a long-term interest in the industry is in itself suggestive of robust long-term opportunities in the sector.

There are two types of retirement accommodation:

- aged care facilities which provide low and high care services and receive a level of government funding; and
- retirement villages which are privately funded.

The growth in development of low and high care facilities is regulated to the extent that they are funded by government based upon local demand. The Department of Human Services has indicated to the consultant that based on current estimates the City of Knox is currently well supplied with government funded low and high aged care places for the next 8 years.

The growth of privately funded retirement villages is driven by a combination of lifestyle choices and the demand the resulting demand that is generated. When considering purchasing in an independent living development, retirees look for a range of services and activities. As the industry evolves, the range of services and activities provided by many operators is expanding so as to appeal to a wider segment of the market, particularly those seeking lifestyle changes. For these reasons modern retirement villages require large sites. The average amount of land required to provide a full suite of services and activities is approximately 7 – 8 ha. In a suburban location the supply of retirement villages to meet future population requirements could be limited by the availability of appropriate sites and competition with other forms of development.

In 2007 Charter Keck Cramer conducted a comprehensive review of the supply and demand for retirement facilities across Australia. A list of retirement villages in Knox is provided in Table 2 below.

**Table 2: Retirement Villages in Knox**

Village Name	Class	Suburb	ILUs	Status
Martin Luther King Homes	Multi	Boronia	46	Not for Profit
Glengollan Village	Multi	Ferntree Gully	126	Profit
Waterford Park	Multi	Knoxfield	139	Profit
Peppertree Hill Retirement Village	Multi	Rowville	189	Profit
Rowville Retirement Village	ILU	Rowville	104	Profit
Waterford Valley Lakes	Multi	Rowville	185	Profit
Salford Park Retirement Village	RV	Wantirna	170	Profit
Balmoral Gardens Retirement Village	RV	Wantirna South	197	Profit
Knox Retirement Village	Multi	Wantirna South	205	Profit
Latvian Retirement Village	RV	Wantirna South	42	Not for Profit
Wantirna Retirement Village	Multi	Wantirna South	150	Profit

Source: Charter Keck Cramer

Research concluded that the City of Knox has an adequate supply to meet future demands. Population growth scenarios were modelled and according to a moderate growth scenario the City of Knox will have an excess supply of independent living units up to 2021 (refer to Table 3). With the current over supply of retirement villages in Knox and adequate future supply in the region, it is expected that aged care or retirement living would not be a development option for the site.

**Table 3: Supply Assessment of Retirement Independent Living Units in Knox**

Over 55s Population			Change 2006 - 2021	
2006	2011	2021	Persons	Av. % p.a.
30,045	36,465	49,183	19,138	3.3%

Supply of Independent Living Units					
Private Sector			Total (Incl. Not For Profit Sector)		
ILUs	RVs	% Total ILUs	ILUs	RVs	National Rank (1 = most ILUs)
1,465	9	95%	1,553	11	10

Balance Between Demand and Supply ( Moderate Growth Scenario)					
2007		2011		2021	
Over/Under Supply of ILUs	National Rank (1=Most Oversupplied)	Over/Under Supply of ILUs	National Rank (1=Most Oversupplied)	Over/Under Supply of ILUs	National Rank (1=Most Oversupplied)
1,033	6	913	7	276	7

Source: Charter Keck Cramer

### 3.3 Bulky Goods

Bulky goods retailers tend to cluster around one another either on individual sites along a main road or within a bulky goods centre. To achieve an appropriate critical mass of bulky goods retailers generally requires a strong anchor or a strong cluster of similar retailers within a market segment such as furniture or whitegoods/electronics. The ability to attract bulky goods to the triangle site will be influenced by:

- the extent to which bulky goods retailers is already established in the area;
- site area available for development; and
- availability of alternative sites.

Bunnings Warehouse and Harvey Norman are considered to be the strongest anchor tenants for bulky goods. In most circumstances Bunnings is the sole occupier of a site and other bulky goods retailers will locate on nearby sites to benefit from the market attracted to Bunnings. Bunnings is located on Canterbury Rd, 2km to the north east of the site. Anaconda and Spotlight have also located along Canterbury Road which would indicate that this area is an emerging bulky goods precinct. Bunnings is also located on Burwood Highway 9km south west of the site. Within the vicinity of this Bunnings there are other potential development sites for bulky goods retailers suggesting the potential for a bulky goods precinct. As Bunnings is already established in the area it is unlikely to be an option for the triangle site.

The format of Harvey Norman is more flexible than Bunnings. Their stores can be located in shopping centres with a focus on computers and electrical and small appliances or they can be an anchor tenant in a bulky goods centre and offer a wider range of products that will also include bedding, furniture and floor coverings. The closest Harvey Norman is located in Knox City Shopping Centre which has computers and electrical and small appliances. Within 14 km of the site there are three Harvey Norman stores offering a full range of products. Harvey Norman may be a potential anchor for a bulky goods centre as they have limited exposure in the area.

Within the site, excluding the Vic Track land, there is approximately 6.5ha of land available for development. Options for the development of a bulky goods centre would require sites that range from 10,000 to 12,000 sq.m. for a small scale centre to 6ha for a full scale homemaker centre. The layout and format of bulky goods retail would the development potential within the triangle site. Lower order bulky goods retailers could occupy individual sites with frontage along Mountain Highway and Scoresby Rd which would minimise exposure and access to the central area of the triangle site. A larger homemaker centre could take up a larger portion of the triangle site and design the development to fit into the area available making it a more efficient use.

The growth of bulky goods in Melbourne has generally followed the growth of the residential market. Although the expansion of bulky goods retail developments appear to be continuing, the slowing demand for housing suggests that the growth in this sector is questionable. It is also evident that Canterbury Rd is an emerging bulky goods precinct and there are large site available for future development. From a local government perspective creating a new bulky goods precinct will not necessarily increase retail expenditure within Knox. The effect may be to spread bulky goods retail across the municipality and merely create an alternative retail format within the activity centre.

### 3.4 Trade Supplies/Showrooms

Trade supplies/showrooms are usually located within or adjacent to an industrial area. In these locations they are close to their core market and the rent is less than it would be within a homemaker centre. The building formats of these developments can vary. Businesses such as building supplies may require road frontage and a display areas. Businesses that are more specialised and destination based can locate within an industrial area and their market will find them.

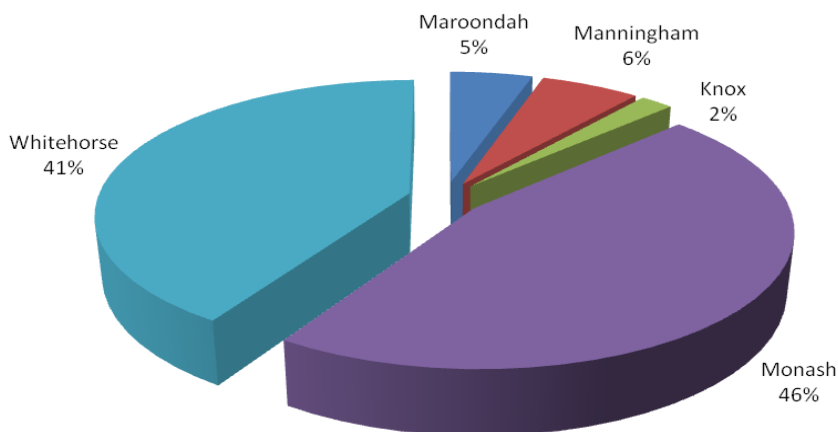
This form of development already exists along Scoresby Road with the opportunity for further expansion to complement the local market and establish stronger links between the activity centre and the adjacent industrial area. However, it would also create an industrial feel to the site which would be contrary to the objectives of the Bayswater Activity Centre Structure Plan. The composition of development would likely consist of showrooms that dominate the road frontage with small office/warehouse units that do not require road exposure occupying the central area within the site.

### 3.5 Offices

Melbourne’s suburban office market is comprised of over 2.9 million sq.m. of lettable floor space which accounts for around 1/3 of metropolitan Melbourne’s total office supply. The Outer East, which incorporates the City of Knox, is the second largest office market within the suburban context with an estimated 795,700 sq.m. of commercial floor space. The largest suburban office nodes are found in Whitehorse and Monash which account for 87% of the office floor space (690,000 sq.m) within this region.

The City of Knox represents the smallest allocation of commercial office floor space in the Outer East (refer to Figure 3) with 15,400 sq.m. located predominantly on Burwood Highway in Wantirna South. Offices in this location are of secondary grade with buildings between 1,000 and 2,000 sq.m.

**Figure 3: Outer East Region Office Market by Municipality**



Source: Charter Keck Cramer

The suburban office market in Melbourne is characterised by clusters of office buildings of various ages and qualities. Two common formats for offices are corporate office buildings designed primarily for a large company that will occupy a majority of the building, and strata title office suites where floor areas are divided into smaller office units to accommodate businesses that provide services to other businesses or the local population. Typically office nodes are located within or adjacent to retail centres which highlights the importance of amenities and facilities for employees.

When examined in terms of location, suburban offices situated along major arterial roads have continued to perform better. Lower vacancy rates are generally observed in better quality space which is driven by tenants wanting quality accommodation that better matches the requirements of their business. One of the most important drivers of suburban office demand is its lower occupancy cost structure relative to the central city.

Demand for office space is driven by a range of factors. These include the structure of the local economy, the structure of the workforce and general economic conditions. The Knox Economic Development Strategy 2008-2018 identifies the key strengths and competitive advantages of the local economy as being:

- *A greater industry concentration than the national economy in the Wholesale Trade, Manufacturing and Retail Trade sectors;*
- *A balance of sectoral employment between secondary (goods-based), tertiary (commerce-based) and quaternary (information and finance-based) industries; and*
- *In relation to Melbourne and Victoria, Knox has a comparatively high average industry turnover, particularly in the Wholesale Trade, Manufacturing, Finance & Insurance and Retail Trade sectors.*

The Economic Development strategy also identifies “*(T)he most common occupational grouping amongst employed residents in the City of Knox in 2006 was Clerical & Administrative Workers, accounting for 17.5% of total employment, followed by Professionals (16.8%) and Technicians & Trades Workers (16.5%).*”

The profile of suburban office tenants varies between locations reflecting the requirements of small & medium size enterprises (lower rental costs, availability of new generation office buildings, accessibility for staff, local amenity, availability of car parking, availability of workforce, proximity to other industries and clients etc). Key occupier groups in the suburbs and the primary location requirements are as follows:

- Information Technology and Communications (ICT) - This industry is structured around several large industry players (such Telstra, Optus and Hutchison) as well as several small, niche companies providing specialised services to the larger players. This sector is highly represented in the suburbs due to the need to provide services to residential and business customers. Depending on the size of businesses this sector would require corporate or strata title office suites.
- Property and Business Services – This classification covers a broad range of business activities ranging from business consultants, cleaning contractors, accountants and real estate agents, resulting in a large number of small firms that require office space. The growth of SMEs in this sector has been a major driver for the demand of office suites. These businesses are typically focused on local demand for business services. In suburban locations this sector would typically require strata title office suites.
- Manufacturing – As a result of structural shifts in manufacturing companies have outsourced manufacturing processes and retained distribution, marketing and administration all of which require office space. This sector has driven demand for office space as the manufacturing and the administrative function has traditionally been collocated in the suburbs. This sector would typically require a corporate office format.

The diverse structure of the local economy, the location of the triangle site in an activity centre and adjacent to an industrial area and the profile of suburban office tenants indicates that there may be potential for the development of strata title office suites within the triangle site. The popularity of office suites has increased in recent years with the market being taken up by owner occupiers and small private investors. Across metropolitan Melbourne over 180 of these projects have been completed providing over 2,700 office suites with an estimated floor area of over 420,900 sq.m. (refer to Table 4).

**Table 4: Suburban Melbourne Office Suite Market by Region – January 2008**

<i>Region</i>	<i>Main Office Suburbs</i>	<i>No. of Buildings</i>	<i>No. of Office Suites</i>	<i>A Grade (sq.m.)</i>	<i>B Grade (sq.m.)</i>	<i>C/D Grade (sq.m.)</i>	<i>Total Stock (sq.m.)</i>	<i>% of Prime Grade Stock</i>	<i>% of Total Stock</i>
<b>CITY FRINGE</b>	Port Melbourne, South Melbourne, East Melbourne, Carlton, Richmond	34	423	40,600	36,100	9,300	86,000	17%	20%
<b>INNER EAST</b>	Camberwell, Hawthorn, Kew, Balwyn, Malvern, South Yarra	42	898	50,300	35,300	9,900	95,500	21%	23%
<b>NORTH &amp; WEST</b>	Moonee Ponds, Preston, Footscray, Essendon, Heidelberg	26	467	34,300	17,100	13,100	64,500	14%	15%
<b>OUTER EAST</b>	Box Hill, Burwood East, Mulgrave, Notting Hill, Blackburn, Glen Waverley	63	796	104,000	24,000	14,200	142,200	43%	34%
<b>SOUTH EAST</b>	Cheltenham, Moorabbin, Caulfield, Dandenong, Berwick, Frankston	19	185	12,200	18,500	2,000	32,700	5%	8%
<b>Total</b>		<b>184</b>	<b>2,769</b>	<b>241,400</b>	<b>131,000</b>	<b>48,500</b>	<b>420,900</b>	<b>100%</b>	<b>100%</b>

Source: Charter Keck Cramer

Strata title office suites which generally range in size from 1,500 to 5,000 sq.m. and contain 20 or more suites with individual unit sizes of between 50 and 150 sq.m. Ownership usually consists of small business owner/occupiers or individual investors. A typical development would consist of 2 to 3 storeys the possibility of a small amount of retail at ground floor.

Although main road frontage would attract higher sales and leasing premiums, strata title office suites would not necessarily require main road frontage and could be situated in any location within the triangle site. The buildings would need to be of suitable design quality with at grade parking and appropriate landscaping.

A variation of office suites are serviced offices where tenants share common facilities such as office equipment, administrative services and meeting rooms in order to reduce operational and business costs. This concept is also similar to a business incubator which is designed specifically to assist start-up businesses. An objective in the Knox Economic Development Strategy is to establish a business incubator specialising in sustainable technologies in association with Swinburne University's National Centre for Sustainable Enterprise and Development. Government owned land within the site may be used as an opportunity to facilitate the establishment of a business incubator within the site.

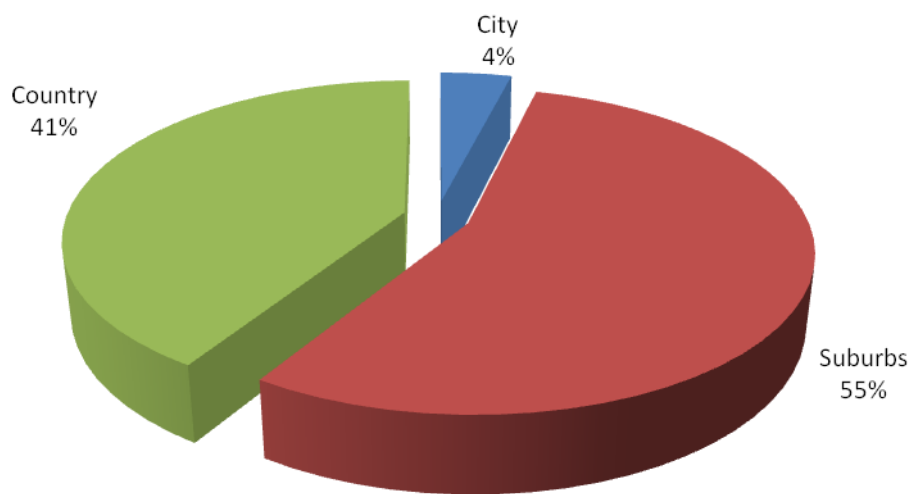


### 3.6 Cinema

Screen Australia reports that nationally the number of cinema screens increased from 712 in 1998 to 1,941 in 2007, while the number of cinemas has decreased by 35 over the same period for a total of 485.

The growth in the number screen numbers is a result of multiplex (3-13 screens) and megaplex (14 or more screens) cinema formats establishing in shopping centres in the suburbs of capital cities. Most of the growth occurred in the late 1990's and has slowed since. This resulted in a redistribution of cinemas away from the city centres and suburbs of Australian capital cities now account for 55% of cinemas (refer to Figure 4).

**Figure 4: Location of Cinemas in Australia – 2007**

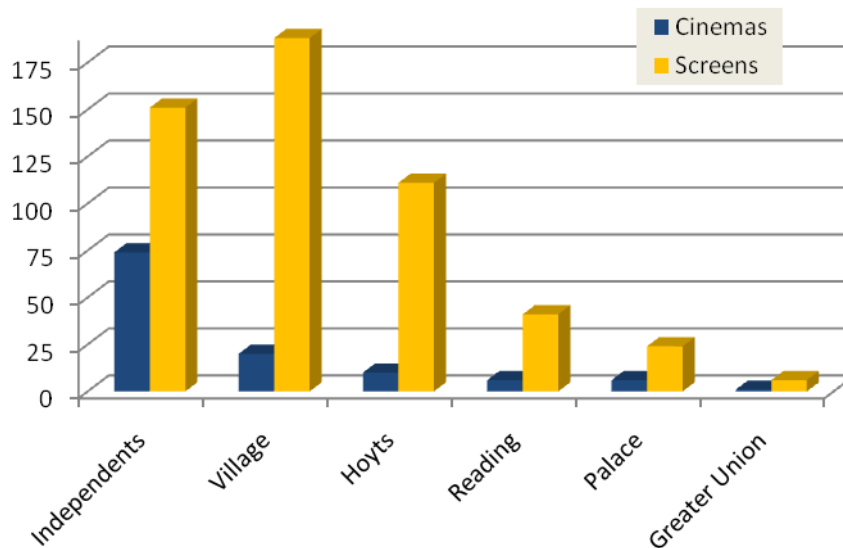


Source: Screen Australia (2008) Get The Picture, Australia Government

There are six cinema exhibition companies operating in Victoria being Village, Hoyts, Greater Union, Reading, Palace and Dendy. Of these companies Village, Hoyts and Reading have cinemas with a combined 35 screens within close proximity to the site at:

- Village Knox City Shopping Centre 4km south west of the site (15 screen megaplex);
- Hoyts Eastland Shopping Centre 5km north west of the site (12 screen multiplex); and
- Reading Chirnside Park Shopping Centre 9km north west of the site (8 screen multiplex).

Figure 5 below represents the number of cinemas and screens in Victoria by operator. The cinemas listed above represent the three largest cinema operators in Victoria. While the number of independent cinemas is significant, they are generally located in areas with higher population densities, occupy smaller premises and have fewer screens per cinema.

**Figure 5: Number of Cinemas and Screens in Victoria by Company – 2007**

Source: Screen Australia (2008) Get The Picture, Australia Government

Growth of this industry is expected to occur through changing formats in existing cinemas to attract increased patronage. The two formats for attracting growth are likely to be:

- 500 seat digital theatres that will also show live sporting events and concerts; and
- small luxury cinemas offering food and wine.

The development of a cinemas within the triangle site will be limited by:

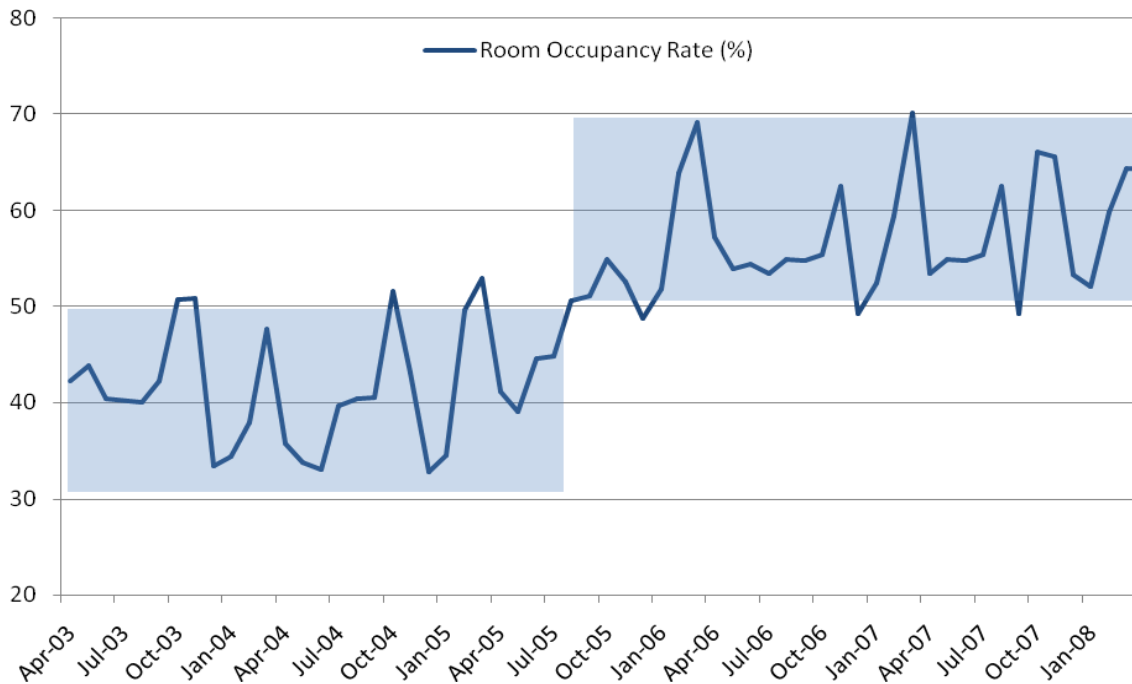
- the big three cinema exhibitors already being established within the region which creates a high level of competition and increases the risk for a new cinema operator entering the market;
- future investment for the current operators is likely to be in new digital cinema technology to increase audiences in existing cinemas as opposed to developing new sites; and
- the priority for the development of new cinemas in Melbourne will be in growth corridors where cinemas are not currently located.

### 3.7 Accommodation

The City of Knox is located in Tourism Victoria’s Melbourne Region which includes 25 local governments in the metropolitan area. Within this region there are 391 accommodation establishments providing 34,502 rooms. Knox represents a fraction of the supply with 6 accommodation establishments contributing to 1.5% of the market and 217 rooms contributing to 0.6% of the market.

In Knox the room occupancy rate and income rates have been relatively low but have shown signs of improvement. The average room occupancy rate from April 2003 to March 2008 was 50% while the average occupancy rate for metropolitan Melbourne during the same period was 72%. Figure 6 below shows two distinct trends in the occupancy rate in Knox. From April 2003 to January 2006 the occupancy rate was generally between 33% to 53%, representing an average of 43%. From August 2005 to March 2008 the trend in the occupancy rate increased and was generally between 50% to 70%, representing an average of 57%. Although the trend in occupancy rate improved, it is still below the metropolitan average.

**Figure 6: Knox Accommodation Occupancy Rate (%)**



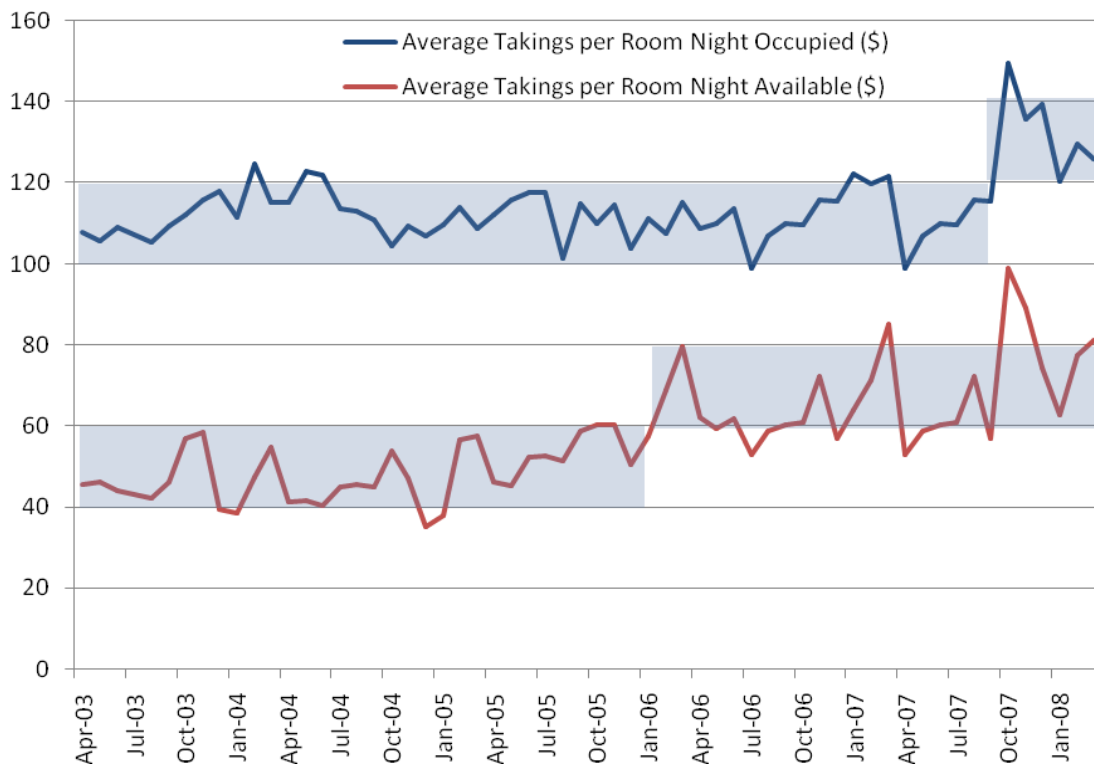
Source: ABS, 8635 – Tourist Accommodation, Australia

Figure 7 below provides time series data for the *average takings per night occupied* and *average takings per room night available*. The difference between these two indicators is the *average takings per room night occupied* provides an indication of the price charged per room while the *average takings per room night available* provides an indication of the actual income per room when taking into account the occupancy rates.

For a period of almost 4 ½ years from April 2003 to October 2007 the *average takings per room night occupied* in Knox was relatively constant as it ranged between \$100 to \$120 per night for an average of \$112 per night. The trend in this rate increased and from August 2007 to March 2008 the value of this rate ranged between \$120 to \$150 per night for an average of \$129 per night.

However, when considering the *average takings per room night available* the value per room night is significantly lower. Between April 2003 and March 2008 the value of the *average takings per room night available* in Knox was \$57 per night. This suggests that during this period the price charged for one room had to pay for the operating cost of two rooms.

**Figure 7: Knox Accommodation Takings per Room Night (\$)**



Source: ABS, 8635 – Tourist Accommodation, Australia

When comparing the three indicators, the lag time between changes in the trends of each indicator is significant. In August 2005 the trend in the *occupancy rate* increased. In February 2006, six months later, the trend in *average takings per room night available* increased. In October 2007, one year and eight months later, the trend in *average takings per room night occupied* increased. Despite improvements in the occupancy rate where there was an increase and relative stability, there was a significant delay in the increase of price charged per room. This indicates price sensitivity for accommodation in Knox.

Within 4.5km to the east of the site there are two serviced apartments, Quest Knox Serviced Apartments and Punt Hill Knox Serviced Apartments. The primary market for both of these serviced apartments is the business market. Punt Hill Knox Serviced Apartments being located beside Knox City Shopping Centre which would offer more amenities to customers compared to the location of Quest Knox Serviced Apartments.

**Quest Knox Serviced Apartments**

- Mountain Highway, Wantirna
- 4 star accommodation with 52 serviced apartments
- Price ranges from \$133/night for a studio apartment to \$250/night for a 2 bedroom apartment

#### Punt Hill Knox Serviced Apartments

- Corner Stud Rd and Maroondah Highway, Wantirna South
- 4.5 star accommodation with 50 serviced apartments
- Price ranges from \$150/night for a studio apartment to \$350/night for a 2 bedroom apartment

Another example of a suburban accommodation establishment in Melbourne is the Novotel in Glen Waverley.

#### Novotel Melbourne Glen Waverley

- 285 Springvale Rd, Glen Waverley
- 4 star accommodation with 200 hotel rooms
- Price ranges from \$240 to \$408/night during the week with cheaper rates on weekends

Located next to The Glen Shopping Centre the Novotel Melbourne Glen Waverley was established in 1998 and at a time when there were no other significant accommodation establishments in the area. It was also developed in association with Village Cinemas at a time when cinemas were expanding in Australia. The primary market of the Novotel Melbourne Glen Waverley are visitors to businesses within the Monash office and industrial precincts, which have a significant corporate presence.

The market for accommodation in Bayswater would consist of business travellers during the week and the family market during the weekends and public holidays (weddings, corporate functions, anniversaries, sporting events, etc). Business travellers usually pay a premium for hotel rooms that are closer to their work requirements whereas the family market is more price sensitive and would expect to pay less for accommodation in a suburban location that is further from the city centre. Based on the above analysis, the subject site offers the potential for the development an accommodation facility. However, due to the price sensitivities for accommodation in Knox, the format of existing supply and the location of the triangle site, the most likely form of development would be a 3 star serviced apartment with minimal amenities in order to keep operating costs low.

### 3.8 Performing Arts/Conference Centre

Venues for performing arts and conferences exist in a wide variety of formats. Key findings of the Knox Arts Plan 2003-08 regarding the availability of arts, convention and conference facilities are that:

- *“Community arts organisations provide a range of amateur facilities, including two theatres and a gallery/studio;*
- *The community sector provides a range of multi-purpose halls, and includes the Hungarian Club and the Waverley Christian Centre; and*
- *The private sector provides a number of multi-purpose facilities that are available for hire and includes Rembrandt’s and Village Cinemas”.*

The main difference between these two types of venues is that performing arts venues are purpose built facilities and require specialised internal facilities and as a result are more expensive to build. Conference venues vary in size, are less complex in design and are ancillary to but benefit from association with other uses such as a hotel, education institute, golf course, restaurant, tourist attraction, etc.

#### 3.8.1 Performing Arts Centre

The Knox Community Arts Centre located within the site as described on Council’s website *“is designed for a variety of activities and is a popular venue for theatre, film, cabaret, and recitals. This versatile venue is suited for small or large meetings, conferences and function hire.”*

In assessing the need for an improved performing arts facility the Knox Arts Plan 2003-08 considers the options for various grades of performing arts centres in Knox. The two sites that are considered for a new facility are the current site (which is the focus of this assessment) and the Knox Central Design Precinct which is bordered by Stud and Scoresby Roads, Burwood Highway and Lewis Park and opposite the Knox City Shopping Centre.

The Arts Plan presents six design options for a new facility with the two sites considered for each option. The conclusion that is reached is the most appropriate site for a performing arts centre is the Central Design Precinct opposite the Knox City Shopping Centre.

The attributes of the triangle site that would support development of a performing arts centre include:

- the site is accessible and has the potential to provide a high level of exposure; and
- being Council owned land on a major gateway site would eliminate the need for Council to purchase property and would provide an icon development for the Bayswater Activity Centre.

### 3.8.2 Conference Centre

There are a number of venues within the eastern region that provide professional facilities for conferences, business seminars, corporate meetings, events, weddings, etc. such as:

- Swinburne Conference Centre – Croydon Campus (50 Norton Rd, Croydon)
  - Approx 5km from site
  - Auditorium – seating capacity from 64 to 160 people
  - Seminar Rooms – 5 rooms available each with individual capacity of up to 60
  - 20 station computer lab;
  
- Karralyka Centre (1,600 m<sup>2</sup>) – Mine Rd, Ringwood East
  - Approximately 5km from site
  - theatre – seating capacity 430
  - 4 conference rooms with capacity of 60 to 750 people depending on configuration; and
  
- Smaller scale conference and event facilities include The Grand on Cathies Lane, Bram Leigh Receptions, Colonial Court Receptions and Punt Hill Knox Serviced Apartments.

The majority of these venues are located in and around the Knox Central Design Precinct. With the exception of the Knox Community Arts Centre located within the site, conference venues are not known to exist within the immediate vicinity of the Bayswater Activity Centre.

The number and variety of venues in the area indicates a high level of competition between venues with the closure of the Rembrandt's, opposite the Knox City Shopping Centre, an indication of this. A purpose built conference venue within the triangle site would be high risk considering the level of competition within the market.

Conference and event facilities could be incorporated into a complimentary use such as the redevelopment of the Bayswater Hotel, a serviced apartment or an office building. Combined with another form of development, conference and event facilities would be a lower risk development option.

### 3.9 Bayswater Hotel

The Bayswater Hotel represents a strategic redevelopment opportunity given its site area (1.6 ha), aging facilities and, most importantly, its role as a key destination attraction. Any redevelopment of the Bayswater Hotel would result in a more contemporary facility offering a wider range of services. Charter Keck Cramer's knowledge of this hotel/pub industry indicates that being an older venue, the owners of the Bayswater Hotel may consider redevelopment options.

The redevelopment of the Bayswater Hotel on Council owned land at the corner of Mountain Highway and Scoresby Road provides the best opportunity for Council to achieve the vision for the triangle site which consists of:

- an icon development on the gateway site at the corner of Mountain Highway and Scoresby Road consisting of a convention centre and hotel; and
- a combination of uses being bulky goods retail, education and entertainment uses across the remainder of the site.

The relocation of the Bayswater Hotel on to the Council owned property would provide the opportunity to maintain a destination based entertainment/hospitality use within the activity centre. A new, modern facility could incorporate other uses a club, accommodation, conference facilities, etc. An example of a comparable venue would be the Manningham Club and Conference Centre in Bulleen. This multi-purpose venue occupies a site of approximately 1.8ha and includes:

- six conference rooms that can accommodate from 40 to 450 people;
- twelve 3 star motel units;
- bar & bistro;
- sports bar;
- gaming rooms; and
- 450 car parking spaces.

The relocation of the Bayswater Hotel within the site would open up a larger area for redevelopment along the railway. Private investment could be used to leverage government funding for the construction of a pedestrian bridge that could be integrated with a development and link the site with the retail core.

Alternatively, if the Bayswater Hotel remains on the property it is currently occupying, the only significant redevelopment opportunity would be limited to the property that is owned by Council. Development options would need to be carefully considered as there would not be the same potential to integrate uses across the triangle site.

### **3.10 Education Facilities**

Swinburne has two TAFE campuses in the region. The Wantirna campus is located 5km to the south west of the triangle site and the Croydon campus is located 5km to the north east of the triangle site. As TAFEs in Victoria have established regions that they serve and land for further expansion is available within the existing campuses, there is no indication that either of the two existing TAFE campuses in Knox (Wantirna and Croydon) are seeking to expand beyond their current sites.

An alternative to a purpose built education facility is for an established education institute or private provider to lease office space in an office development within the site. Our assessment indicates that there is a market for the development of office suites and leasing office space would be a cheaper option compared to constructing a purpose built facility.

As previously discussed establishing an incubator in association with Swinburne University's National Centre for Sustainable Enterprise and Development could achieve the objective of attracting an education facility to the triangle site.



#### 4. SUMMARY

The assessment indicates the potential for the following development options within the site when considering the uses as stand-alone developments within the site:

##### Development Potential - Strong

- Residential – Townhouses
- Trade Supplies/Showrooms
- Bayswater Hotel (redevelopment within site)

##### Development Potential – Moderate

- Office Suites
- Bulky Goods
- Accommodation
- Performing Arts Centre

##### Development Potential – Unlikely

- Residential – Apartments
- Aged Care/retirement Living
- Conference Centre
- Cinema
- Education Facilities

Council's vision for the triangle site consists of a convention centre/hotel on the property at the intersection of Mountain Highway and Scoresby Road and bulky goods/education/entertainment across the remainder of the site. The development option that would provide the greatest opportunity for achieving this vision is the redevelopment of the Bayswater Hotel on Council owned land at the intersection of Mountain Highway and Scoresby Road. This could enable the provision of a modern facility on this gateway site and potentially incorporate associated uses such as conference and accommodation facilities. This would also open up a large area of land currently occupied by the Bayswater Hotel for alternative development options such as bulky goods or office suites.

The concurrent redevelopment of two large properties would likely result in improved integration of uses and access through the triangle site. Investment in the redevelopment of the precinct that the Bayswater Hotel is located in, could potentially be used to leveraged to attract government funding to provide a link over the railway line connecting the triangle site with the retail core.

If the Bayswater Hotel were to remain in its current location the only significant property with redevelopment potential would be the Council owned land at the corner of Mountain Highway and Scoresby Road. The ability for this property alone to drive and influence redevelopment across the rest of the triangle site would be limited. The ability of this property alone to drive and influence redevelopment across the rest of the triangle site would be limited.

Development options that have been considered in this assessment would produce very different outcomes and would influence the extent to which integration of future uses occur across the triangle site. Bulky goods retailing would likely be higher impact form of development that would occupy frontage and create a high level of activity within the site. An office development would likely be a lower impact form of development and would generate activity across specific periods during the week.

The two properties that will influence the future redevelopment of the triangle site are the Council property the Bayswater Hotel property. In order to assist and inform the preparation of the master plan, discussions should be held with the property owners of the Bayswater Hotel. An understanding of the future plans for this facility will enable clearer direction regarding the appropriate form of development on key properties and associated planning across the triangle site.