

# Heidelberg Major Activity Centre Economic Review 2020

Prepared for  
**Banyule City Council**

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# Instructions.

Instructing Party	Banyule City Council (Fae Ballingall )
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## Executive Summary.

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- The Heidelberg Major Activity Centre (the HMAc) is Banyule's largest employment cluster and leading area for economic output. At 2019, the HMAc supported 13,100 jobs and contributed \$2.3 billion to the municipality's economic output. Led by its substantial health economy, the HMAc is a regionally significant economic node within Melbourne's north east, generating economic value of a similar scale to that of the Box Hill Major Activity Centre and Doncaster Westfield.
- The Centre comprises two distinct economies, the regionally significant Austin Health Precinct and the more locally focused Burgundy and Bell Street retail and service economy. The Austin Health precinct is the Centre's largest economic entity and a major driver of local employment growth. For the 2011 to 2019 period, the HMAc added approximately 2,400 jobs, accounting for more than 35% of Banyule's employment growth (the vast majority of this occurring within the Allied Health precinct).
- The HMAc's commercial areas support the weekly shopping needs of the Centre's surrounding suburbs and are also a significant source of local part time employment. Food and services have become the leading sectors of the HMAc's commercial economy while the Centre's merchandise retail sector is in decline.
- In the space of a decade, the HMAc has emerged as one of the most significant high density residential nodes in Melbourne's north east. Since 2007, the HMAc added over 900 apartments. Charter estimates that the HMAc has accommodated approximately 20% of Banyule LGA's recent population growth. Housing growth has attracted significant numbers of well educated and well paid young adults to the Centre. At 2019, there were more than 5,000 residents living within the Centre which, given the Centre's substantial development pipeline, has the potential to grow to over 8,000 residents by 2036. Residential growth provides the basis for the creation of a genuine 20 Minute Neighbourhood within the Centre.

### The Allied Health and Hospital Precinct

*A medical cluster of state significance-* the Austin health precinct is Victoria's second largest health precinct outside of Parkville. The precinct incorporates major hospitals and specialisations that support the needs of patients from across the region and Victoria. In 2019, there were 8,500 jobs in the precinct. The precinct has driven broader change throughout the Centre with much of the Centre's commercial space increasingly supporting health and social assistance uses. For the 2011 to 2019 period, health care employment growth within the HMAc comprised 25% of all job growth in Banyule LGA.

*Disrupted operations* – the Coronavirus has reduced activity within the precinct and resulted in the redeployment of staff to the nursing home sector. As a non-tradeable part of the economy, the HMAc's health care sector is likely to be relatively insulated (compared to other sectors such as retail) from any long term economic downturn albeit that the precinct's recent employment growth is unlikely to be replicated.

*The precinct requires a land use plan* – The evolution and growth of the Allied Health precinct requires an integrated and dedicated plan that addresses its land supply, redevelopment and accessibility needs. The precinct is the largest economic asset in the municipality and warrants specific attention.

## Retail and Commercial Areas

*A growing food and service economy.* - The Centre's Burgundy Street spine has evolved into a major food destination that now supports 27 restaurants/café's and four mainline supermarkets. Food uses currently occupy over 25% of Burgundy Street's retail floor space. The emergence of the HMAc food economy has helped cushion the decline of the Centre's merchandise retail sector while also helping the Centre to maintain a relatively low vacancy rate (5% at April 2020). Additionally, new mixed use commercial space to the east of Burgundy Street has attracted a diversity of small scale recruitment, financial planning, social assistance, legal, information technology and accounting firms to the Centre.

**Figure 1: Food Retailing**



*The decline of traditional retail* – The rise of online platforms and the ongoing growth of high quality self contained shopping centres has adversely impacted on the independent retail sector resulting in significant shop vacancies along many of Melbourne's traditional shopping strips. The Centre's traders would like to see the Centre's retailing diversify broaden to strengthen the Centre's role as a shopping destination. This is a worthwhile objective, however, the volume of physical retailing space is shrinking globally and increasingly concentrated in high quality comparison shopping nodes. As such, the



restoration of the Centre's former retail diversity is very unlikely. This study, therefore, advocates for Council to continue to support the Centre's existing commercial strengths which are in food, services and niche merchandising.

*Embrace the online economy:* In the Coronavirus period, the Centre's food services sector has rapidly adopted online platforms as their primary method of commerce. 70% of the Centre's food retailers now have a relatively strong ecommerce platform. This is the future of physical retailing. Increasingly, successful physical retailers combine face to face experience with online marketing and distribution infrastructure. The Coronavirus is accelerating this shift both amongst consumers and proprietors as is demonstrated within the Centre's food sector. The Centre also includes merchandise traders that have succeeded in combining clicks and mortar retailing who are able to appeal to consumers well beyond the HMAC's retail catchment due to their online capability. Other traders will need support in making this shift.

## Recommendations

The study provides the following recommendations for the future structure plan:

- *Plan the HMAC as two distinct economies.* The drivers, issues and opportunities confronting the NEIC's commercial and medical economies are very different and of very different scales. The precincts, by in large, operate independently of each other and need to be planned, engaged with and supported individually.
- *Support the growth of the Allied Health and Hospital Precinct.* The precinct would benefit from a guiding development framework that addresses long term land supply and access needs.
- *Support the HMAC's existing commercial strengths.* There are a number of existing commercial strengths within the HMAC including food, services and niche retailing. Future planning should nurture this identity and continue to support these uses through urban design treatments and via the facilitation of floor plates that attract new uses. The HMAC might also provide more explicit policy support for floor plates that support homemaker activity along the Bell Street commercial area.
- *Ensure the centre leverages commercial activity from high density development.* The HMAC's development pipeline provides a basis to expand the Centre's commercial catchment. Clear and safe pedestrian and cycling links between growing high density areas and established commercial areas will help deepen the Centre's economy.
- *Support physical retailers to adopt ecommerce platforms.* Council already provides this type of support. More, however, might be done to support broader understanding of ecommerce technologies and to support hybrid activities such as click and collect infrastructure.
- *Plan for accessibility uplift.* The North East Link, which will be delivered in 2027, will boost accessibility along the Bell/Banksia Street corridor

strengthening the attractiveness of the Jika Precinct as a commercial office precinct and the regional role of contemporary large format retail uses along Bell Street.

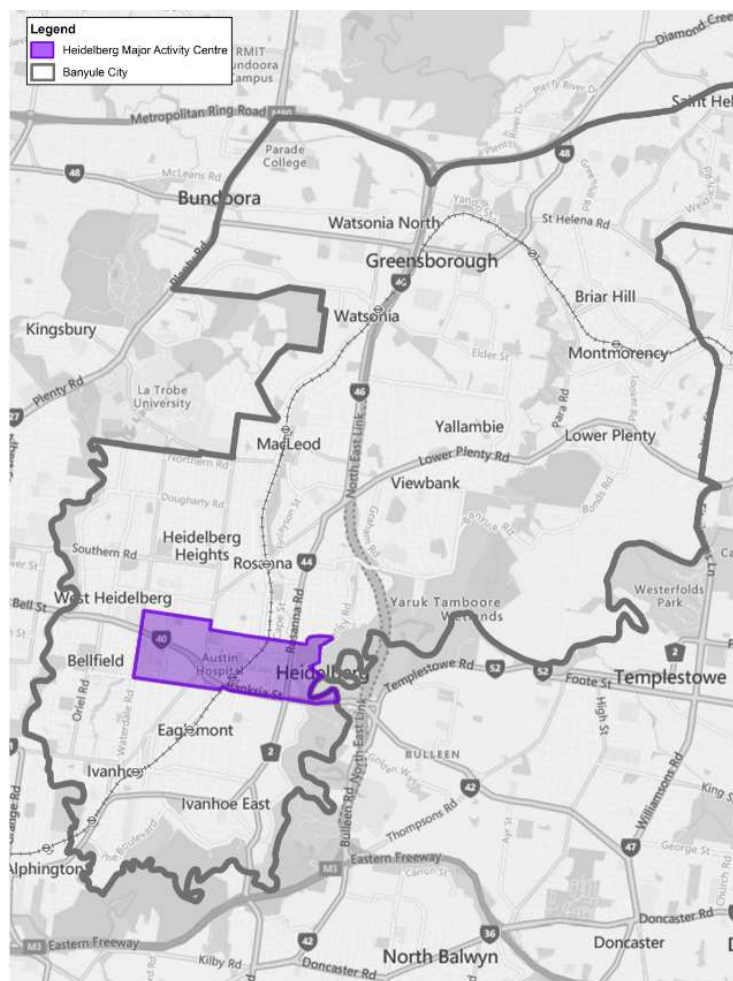
- *Enhance the Centre's attractiveness as a destination and retail node via ongoing place making.* Improving the quality of the Centre's public realm is critical in supporting the amenity of the Centre's growing resident base and in strengthening and expanding the role of the Centre as a community anchor point and a destination for regional dining and services.

# 1. Strategic Context

The Heidelberg Major Activity Centre (the HMAc) is a regionally significant retail, service and medical centre 11 kilometres north east of Melbourne's CBD.

The HMAc encompasses extensive medical specialisations and infrastructure including specialisations that are unique to the State. The Austin health precinct, which occupies the western portion of the Centre, is the largest health care precinct in Melbourne's northern region and the second largest medical precinct in Victoria outside of Parkville.

Figure 2: Heidelberg Activity Centre Geographic Context



For the residents of the suburbs of Heidelberg, Rosanna, Heidelberg West, Bellfield, Eaglemont and Ivanhoe East, the Burgundy and Bell Street shopping areas include extensive food and merchandise retailers and increasingly personal and professional service providers. The last decade has seen significant growth in the HMAc's food sector, which has cushioned the decline of the Centre's independent merchandise based retailers. At present the Centre supports four main line supermarkets comprising approximately 9,000 sqms of food retailing space and approximately 12,000 sqms of space currently used to

support food and beverage services. The Bell Street commercial area in the west of the Centre supports big box and road side retailing including fast food services.

The Jika street area to the east of the Centre is primarily an office based and large format retail/trade supplies location. The precinct incorporates a number of public service providers, major medical services and number of trade supplies.

**Figure 3: Heidelberg Major Activity Centre**



Source: Charter Keck Cramer

The past decade has seen the overall built scale of the HMAC change significantly both as a result of the expansion of the Centre's medical infrastructure and the addition of numerous high and medium density residential buildings. The Centre is a major node for young adults in Melbourne's north east with significant numbers of 20 to 40 year olds now living in the Centre.

The Centre's topography rises steeply toward its west and north west which in combination with the Hurstbridge rail line embankment inhibit pedestrian circulation between the western and eastern sections of the HMAC. The Warringal and Banksia Parklands form the eastern edge of the Centre, these landscapes are well known for their inspirational role in the early careers of some of Australia's leading visual artists.

## 1.1. Study Objectives

The study explores the economic composition of the HMAC, the drivers and character of recent economic change and the position and status of the HMAC's economic sectors. The study draws in depth analysis of the Centre and broader economic analysis to identify opportunities and interventions that will support the continued growth of the Centre.

This evidence base aims to equip Council to support future structure planning and associated economic initiatives. The study coincides with a tumultuous time in Victoria's history in which the 2020 Coronavirus pandemic has adversely impacted all households and businesses. The study, therefore, explores the impact of the coronavirus on the Centre and its industry sectors.

In order to build a detailed picture of the HMAC, the study closely investigates:

- existing conditions and trends
- employment and employee attributes
- household retail expenditure within the Centre's retail catchment
- the status of the HMAC relative to its regional competitors
- frequency of visitation to the Centre
- recent housing and population growth

The above analysis is combined with engagement with local industry sectors to both validate and expand on data based insights. Given the period that this study encompasses the engagement also sought to explore the various impacts of the coronavirus on the Centre's industry sectors.

The final section of the study examines regional economic drivers including long term structural trends in the retail industry with the aim of identifying opportunities for growth and potential modifications to land use policy that may stimulate growth and attract new uses to the Centre.

## 1.2. Policy Context

The Centre is the subject of state and local land use policy and development aspirations.

The Heidelberg Structure Plan 2007 (updated 31 May 2010) provides the most current and detailed overarching direction for the growth and development of the HMA. Fundamentally, the plan's guiding land use vision seeks to achieve the dual objectives of enhancing the HMA's liveability and sustainability while also instigating initiatives to stimulate local economic activity.

The plan includes commercially focused directions that seek to facilitate economic growth by expanding local consumer demand via support for new mixed use commercial and residential development and by the further clustering of allied health services within and in proximity to the hospital precinct.

The structure plan supports high density residential growth within the Centre as well as new commercial office development. As will be discussed, planning support for high density residential development within the HMA has been met with significant property market acceptance.

The plan also identifies preferred locations for specific uses. Bulky goods and similar forms of large format retailing are supported for frontage along Bell Street while major commercial office redevelopment is supported for Yarra Street and Dora and Jika Streets.

The Centre's topography along with the Hurstbridge rail line embankment, physically separate the Centre's medical uses to the west of the rail line from the Centre's retail, commercial and administrative uses to its east. It follows that the 2007 Structure Plan seeks to improve the circulation, accessibility and the overall interconnectedness of the Centre.

### Heidelberg Structure Plan



The Heidelberg Structure Plan 2007 established a framework for high density residential and mixed use growth within the Centre.

The introduction of the plan coincided with the beginnings of Melbourne's apartment boom which by the mid 2010s had spread to middle Melbourne.

The HMA has been a major focus of high density growth in Melbourne's north east with the addition of 920 apartments since 2010. Development has transformed an estimated 7.7 hectares of land within the Centre and brought more than a 1000 mostly young and professional residents into the Centre.

Resulting mixed use development has added to and updated the Centre's office space and added new space for gyms and other uses.

Charter estimates the Centre accommodated approximately 20% of Banyule LGA's recent population growth.

The development vision of 2007 has proven to be timely, transforming the Centre's demography and adding significantly to the region's housing diversity.

## The La Trobe National Employment and Innovation Cluster

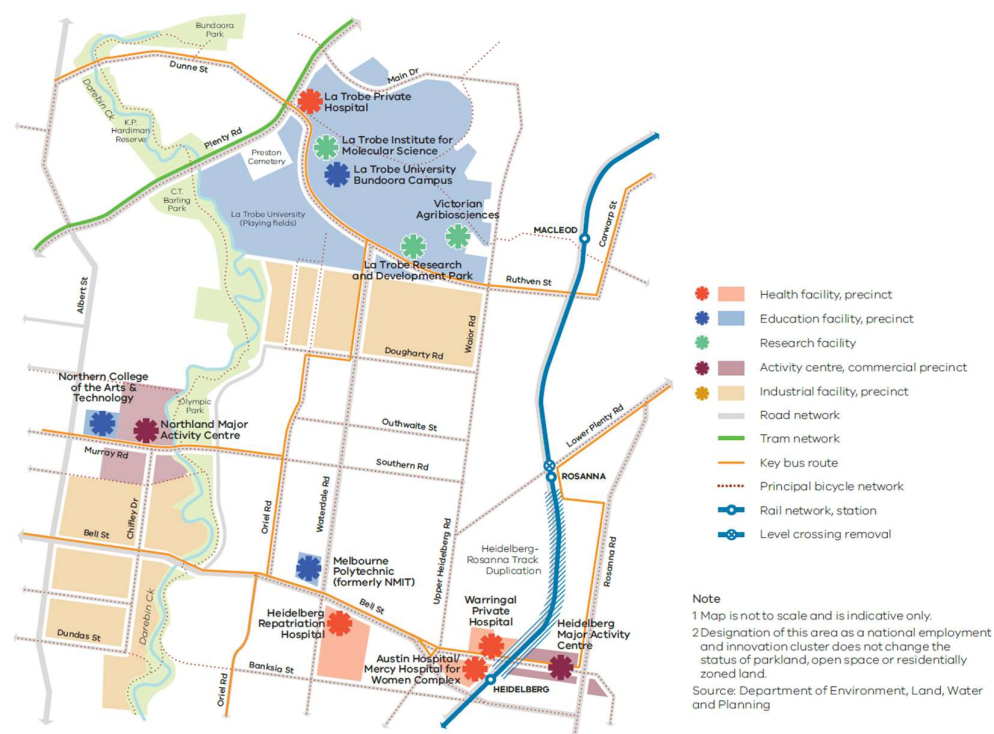
Heidelberg was identified as a Major Activity Centre in the 2002 metropolitan land use plan *Melbourne 2030*. The subsequent metropolitan plan of 2017, *Plan Melbourne*, confirmed the Centre's designation as an employment, retail and service node while also identifying the HMAC as part of the La Trobe National Employment and Innovation Cluster.

According to *Plan Melbourne*, National Employment and Innovation are areas to:

*be developed as places with a concentration of linked businesses and institutions providing a major contribution to the Victorian economy, with excellent transport links and potential to accommodate significant future growth in jobs and in some instances housing.*

The La Trobe precinct was identified as a state significant employment cluster based on its strengths in education, research, health and retail.

**Figure 4: The La Trobe National Employment and Innovation Cluster**



Source: Plan Melbourne

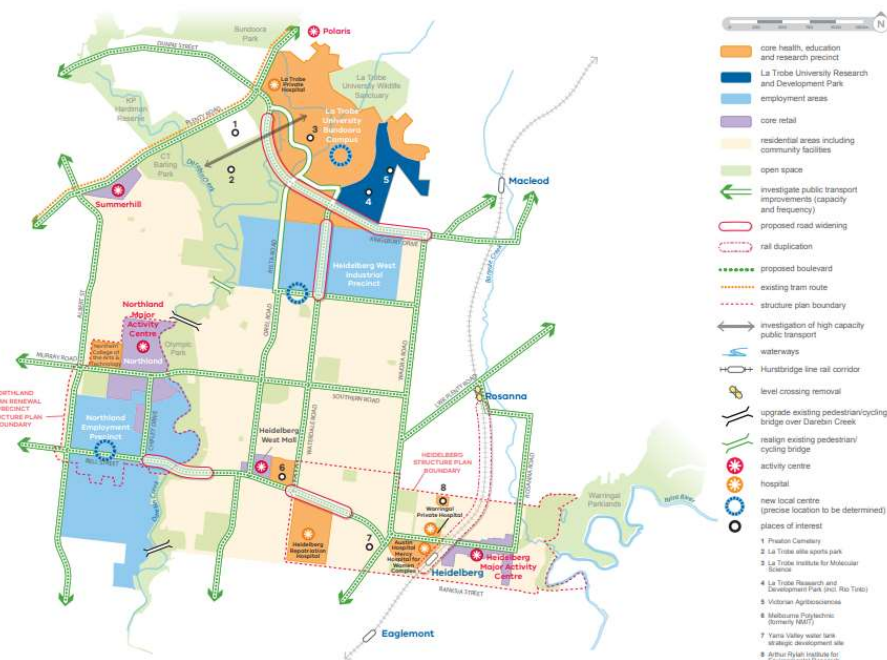
In March 2017, The Victorian Planning Authority released the *La Trobe National Employment and Innovation Cluster Draft Framework Plan* which identifies the cluster as the key location for the growth of employment and business in Melbourne's north east.

A major priority for the *Framework* is to integrate the largely separate institutions that comprise the cluster into an '*integrated, hyper productive city focused on boosting jobs in education and research, health and advanced manufacturing*'. The framework identifies a variety of transport initiatives to



boost the Cluster's connectivity including road widening, rail investment and the creation of an extensive bike network.

Figure 5: Connectivity Plan La Trobe Framework Plan



Source: Plan Melbourne

The *Framework* supports a number of initiatives within the HMA. In particular, the development and implementation of a master plan to guide the future development of the Heidelberg Train Station is identified as a priority action.

Within the region, there are 19 nominated major activity centres that vary in size, role and function. Greensborough, Preston Northland and Doncaster Westfield are the largest centres nearest to the HMA and thereby its largest subregional retailing competitors. Strip-based centres within Brunswick, Coburg, Northcote and Ivanhoe also offer a range of retailing, office and community uses commensurate with the HMA.

Within Banyule LGA planning policy supports the HMA for significant high density residential development, which as will be demonstrated has successfully driven substantial population growth and built form change within the Centre. In addition, the HMA is supported for large scale office development along with the Greensborough and Ivanhoe Major Activity Centres.



### 1.3. Economic Context

The Centre's economy is intertwined with the economies and demography of both Banyule LGA and Melbourne's northern and eastern regions.

The Centre functions as an important retail and service node in the Banyule LGA economy and as the leading medical service provider in Melbourne's northern and eastern region.

While primarily functioning as a residential local government area, Banyule LGA also incorporates regionally significant education and health assets. At 2019, the Banyule LGA economy was the smallest urban economy in the northern region by gross regional product.

The municipality's northern neighbours, including Hume LGA and Whittlesea LGA, support significantly larger economies owing both to their larger populations and more extensive economic infrastructure (the City of Hume includes the Melbourne airport economy while the City of Whittlesea includes extensive manufacturing and logistics enterprises).

**Table 1: Gross Regional Product 2019 Northern Region Councils<sup>1</sup>**

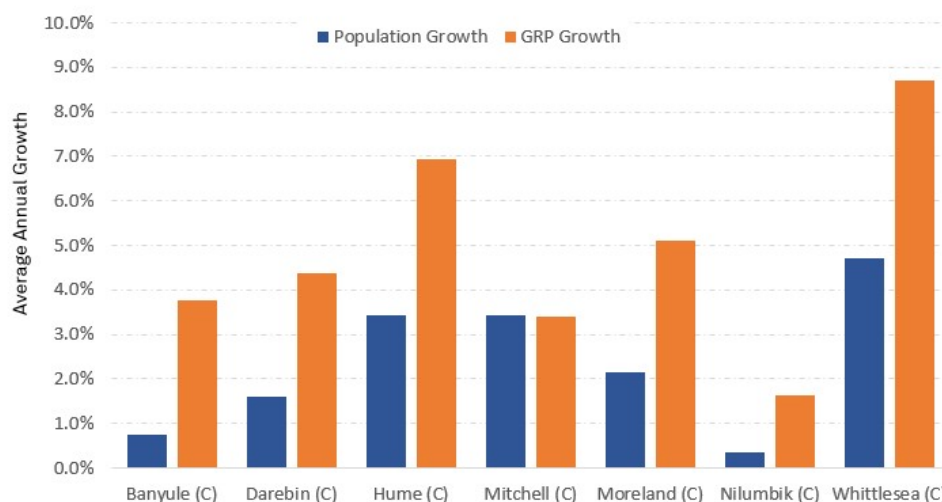
LGA	Gross Regional Product (Millions \$)	GRP per Capita
Hume	\$14,199	\$121,483
Whittlesea	\$7,745	\$112,221
Darebin	\$7,273	\$122,531
Moreland	\$5,928	\$123,705
Banyule	\$5,627	\$112,311
Nillumbik	\$1,902	\$115,208
Mitchell	\$1,410	\$110,485

Source: National Institute of Economic and Industry Research

Over the 2009 to 2019 period, Banyule LGA's economic output grew at an average annual rate of 3.8% p.a. As can be seen below, relative to its northern neighbours, the municipality has grown without experiencing correspondingly high rates of population growth. As a major health and education provider, broader population growth is likely to have spurred increased demand and activity within the municipality's economy.

<sup>1</sup> The GRP represents the monetary measure of market value of all final good and services produced within a region and therefore the relative size of regional economies.

Figure 6: Average GRP and Population Growth 2009 to 2019



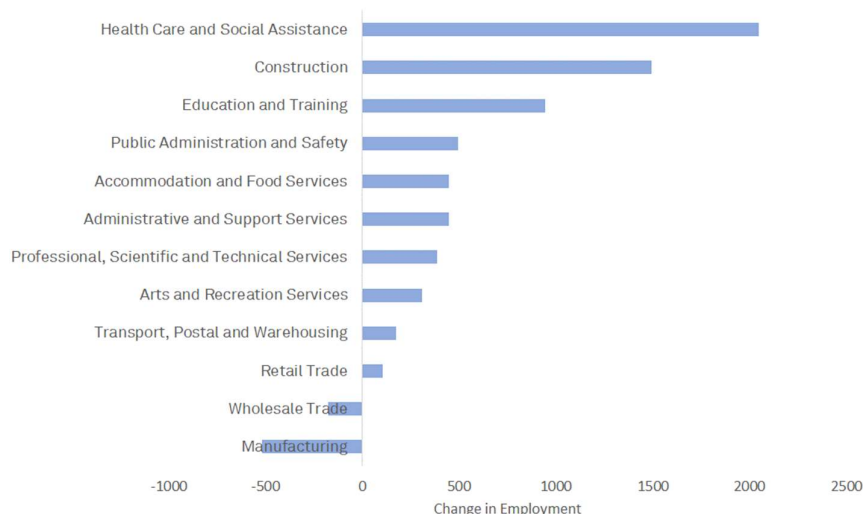
Source: National Institute of Economic and Industry Research, ABS, REMPLAN

The municipality's employment base has been growing. Over the 2011 to 2019 period, employment grew within the municipality at an average annual rate of 1.8% p.a (or approximately 780 jobs per annum). At 2019, there were an estimated 42,500 jobs in Banyule LGA.<sup>2</sup>

A key area for employment growth has been the municipality's health and education sectors. The municipality's food service and food retailing sectors have also been growing, which are sectors that typically provide employment for local residents. The development of new health care infrastructure combined with unprecedented medium and high density residential growth has also resulted in major gains in construction employment, which may be temporary given the largely project basis of this form of employment.

<sup>2</sup> At the 2016 Census approximately 25% of Banyule's workforce lived within the municipality.

Approximately, 25% of the municipality's health care workforce, 36% of the education workforce and 38% of the retail workforce live locally.

Figure 7: Employment Change Banyule LGA 2011 to 2019<sup>3</sup>

Source: ABS Census and REMPLAN

As with many other parts of the state, the municipality has seen a decline in its manufacturing workforce, while retail employment, which continues to be a substantial local employer (comprising 10% of the municipality's employment at 2019), has largely stagnated.

As will be discussed shortly, the HMAc has been an important focus for the region's employment growth particularly within the health and food sectors. Additionally, in contrast to broader trends, the HMAc's retail employment has proven to be highly resilient which, to a large extent, reflects the way in which growth in the HMAc's food retailing and food service economy has helped cushion an ongoing decline in merchandise based retail employment. These outcomes are discussed further in the following section.

<sup>3</sup> Charter analysed the evolving nature of employment within the Heidelberg Activity Centre as well as relevant comparable study regions. The employment data is based on the Australian Bureau of Statistics Working Population Profile (WPP) which counts jobs and employment within a defined region. For the purpose of the report, the study regions were constructed from Destination Zones (the most granular geography across the WPP). Given the most recent ABS data reflects 2016 results, Charter incorporated Remplan figures that projects employment data by the relevant ABS categories to 2019. This allows the analysis to reflect more current conditions across the relevant study regions and precinct. The official ABS employment figures by industry category were then compared to the projected Remplan figures (2019) to highlight changes in employment and industries over the relevant study period.

## 2. Centre Analysis

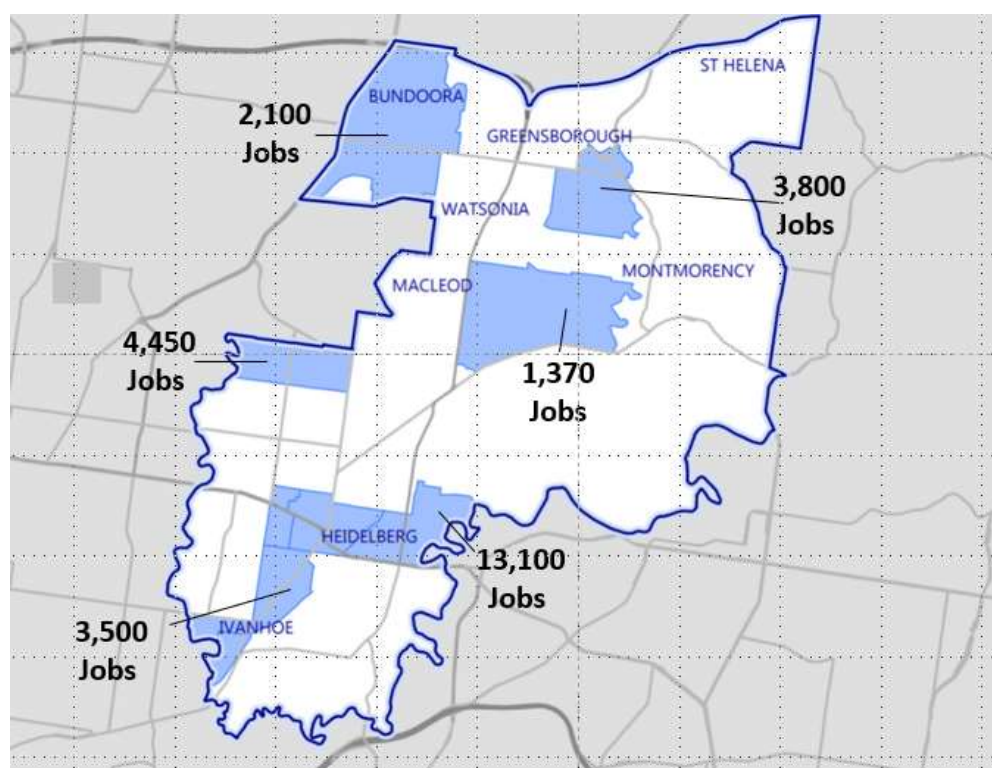
The following explores the economic composition of the HMAC, the drivers and character of recent economic change and the position and status of the HMAC's economic sectors.

### 2.1. Overview

At 2019 there are approximately 13,100 jobs within the Centre representing 31% of Banyule LGA's total employment. The HMAC is the municipality's largest economic node by both employment and economic output.

The Heidelberg West industrial precinct and the Greensborough Major Activity Centre are the municipality's next largest employment nodes followed by the Ivanhoe Major Activity Centre.

Figure 8: Major Employment Clusters Banyule LGA 2019



Source: REMPLAN

The HMAc generated an estimated \$2.3 billion of economic output in 2019, equating to 18% of the municipality's output for the same period. As will be seen shortly, health care is the primary driver of the HMAc's economy. The West Heidelberg industrial precinct is the next largest economic node with an estimated output of \$2 billion in 2019.<sup>4</sup>

In terms of employment and output the Ivanhoe and Greensborough Centres are comparatively smaller Centres. However, it's important to note that when employment within the HMAc's health care sector is removed each of the Heidelberg, Ivanhoe and Greensborough Major Activity Centres encompass relatively similar numbers of jobs and employment profiles.

## 2.2. Economic Geographies

The HMAc comprises two distinct economies and economic geographies.

As discussed, the western section of the HMAc is dominated by regionally significant health care services and infrastructure, while the eastern portion of the Centre largely supports retail based uses and services for the Centre's local catchment.

In order to effectively portray the underlying function and composition of the HMAc, Charter has identified three distinct economic precincts within the HMAc as follows, the:

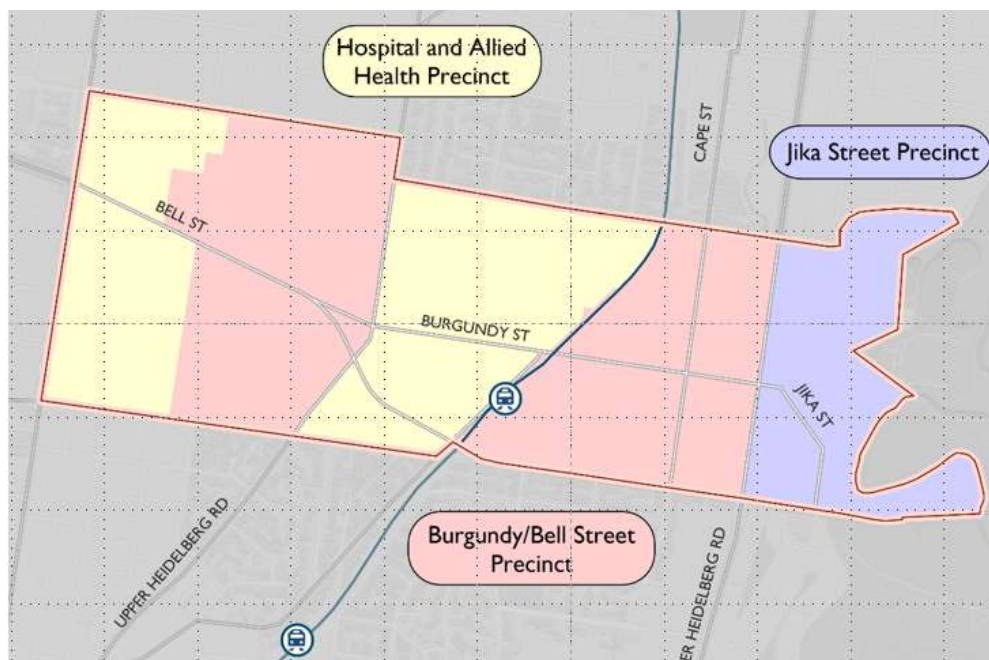
- Austin and Allied Health Precinct: agglomeration of allied health, hospital and repatriation and specialist services
- Jika Street Precinct: large format public services, commercial office, medical, trade supplies and automotive uses
- Burgundy/Bell Street Precinct: Extensive retail area combining fresh food, food retail, independent retail, medical and big box retail

The analysis tabled in this report focuses on the above precincts as largely distinct economic geographies. This reflects their very different economic roles and markets whilst also establishing a basis to explore the way in which their different industry sectors are likely to change in relation to broader changes in the northern region and Victorian economies.

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<sup>4</sup> Economic output resulting from health care provision primarily relates to the value of services delivered by the precinct. Banyule households that work in the precinct directly benefit from economic activity within the precinct while local businesses that supply catering, merchandise and services to the precinct likewise benefit. Local florists, for instance, supply the hospital precinct.

Figure 9: HMAC Economic Geographies



Source: Charter Keck Cramer

In terms of employment and economic output, the HMAC's precincts differ considerably. As can be seen below, of the 13,100 jobs within the Centre at 2019, the vast majority of jobs were concentrated within the Allied Health and Hospital Precinct which is also responsible for the largest share of the HMAC's economic output.

Figure 10: Employment distribution by precinct 2019

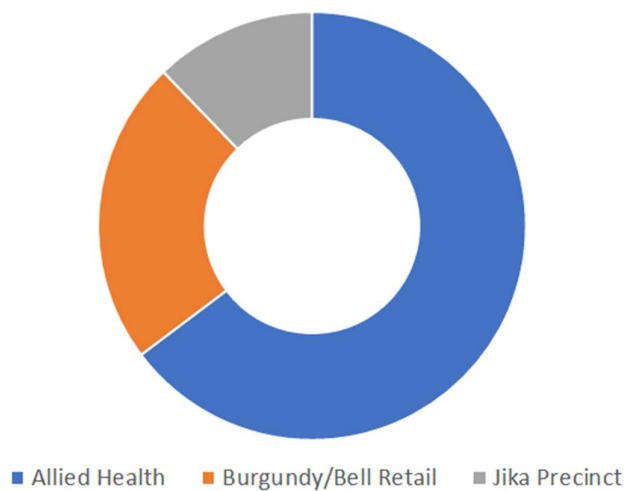


Table 2: Precinct Employment and Output 2019

Precinct	Jobs 2019	Output 2019 (Million)
Allied Health	8,520	\$1,337
Burgundy/Bell Street	3,030	\$625
Jika	1,600	\$347

Source: REMPLAN

The following investigates the economic composition of the Centre by focusing on the recent performance of the Centre's three core precincts. The section concludes with a comparison of employment, education and journey to work within area.

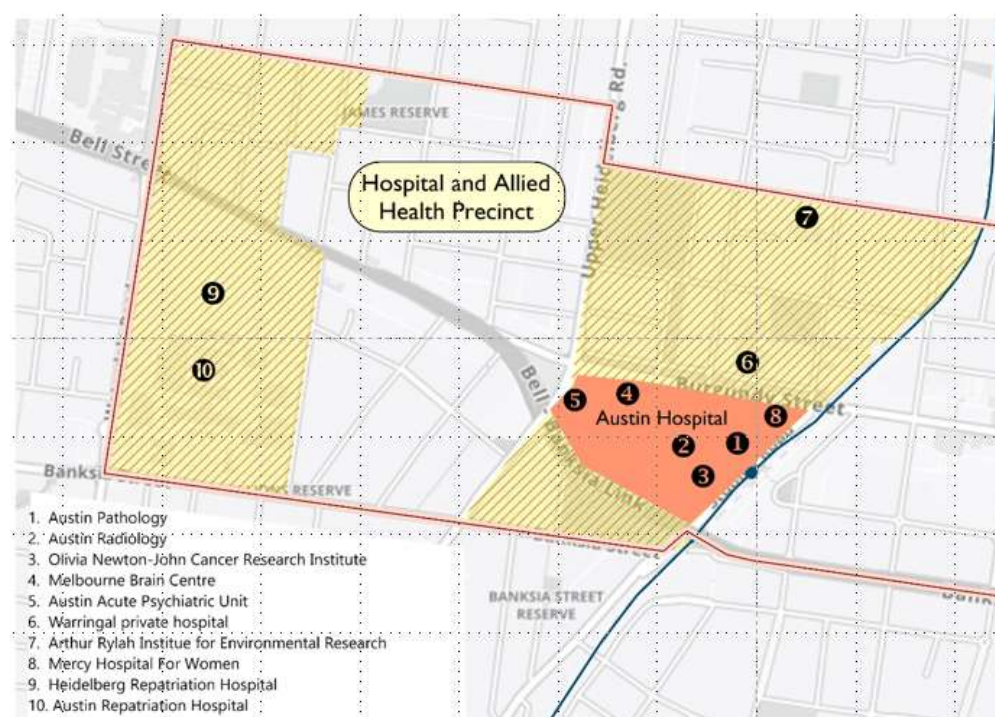


## 2.3. Precinct 1: Health Precinct

The Centre's allied health and hospital precinct is the most significant medical node in Melbourne's northern health care network and Victoria's second largest medical services precinct outside of the Parkville precinct in inner Melbourne.

The precinct incorporates regionally significant medical specialties including a number of state significant specialisations (Victorian Spinal Cord Service, Victorian Respiratory Support Services, Victorian Liver Transplant Unit, State-wide Toxicology Services and the Victorian Poisons Information Centre).

**Figure 11: HMAc Health Precinct Major Institutions**



Source: Charter Keck Cramer

The precinct is anchored by the Austin, Mercy and Warringal Hospitals as well as the Heidelberg Repatriation Hospital which, over time, have fostered the growth of a range of complementary allied health services. In the recent past the precinct added the Olivia Newton-John Cancer Research Institute and the Austin Acute Psychiatric Unit.

Growth within the precinct has largely resulted from the redevelopment and expansion of existing facilities within the historic footprint of the precinct. At 2019, the precinct is seen to be largely at capacity with minimal adjoining vacant land to support new growth. During the engagement for this study, precinct stakeholders contended that future growth would need to rely on the demolition and redevelopment of existing structures and facilities.

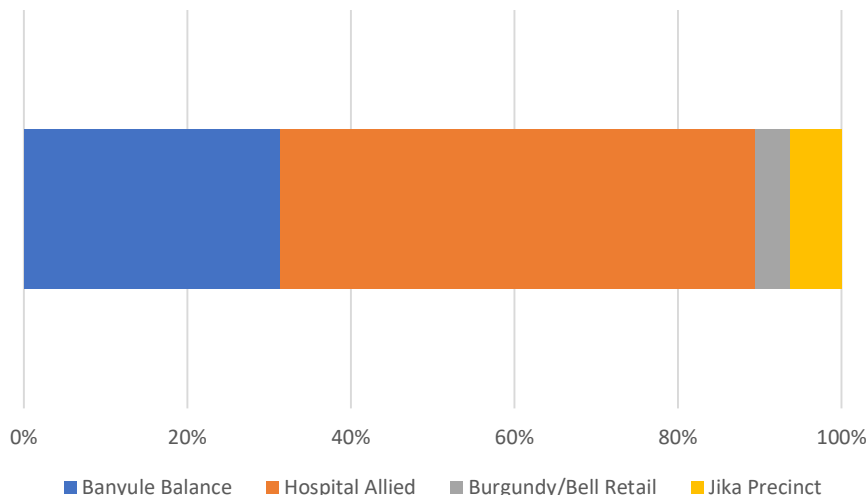
Ongoing expansion has propelled substantial jobs growth within the precinct. An estimated 1,170 jobs were added to the health precinct's employment base over the 2011 to 2019 period, resulting in 8,500 jobs in 2019 (the vast majority



of employment within the precinct is hospital based health care employment, although there is also a significant administrative workforce).

For the 2011 to 2019 period, health care employment growth within the HMAc comprised 25% of all new job growth in Banyule LGA, further underlying the importance of the precinct within the Banyule economy.

**Figure 12: Distribution of Health Sector and Social Assistance Employment Banyule LGA 2019**



Source: ABS Census, REMPLAN

The health care and the social assistance sector is by far the municipality's largest employer and industry sector with approximately 13,000 jobs at 2019. Of these jobs, approximately 70% are located in the HMAc. In addition, the HMAc is also a regionally significant employer representing approximately 5% of employment in Melbourne's north at 2016.

Health care jobs are steadily spilling over into the HMAc's other precincts with new health care functions establishing on the eastern side of the rail embankment and within the Jika Street precinct. In the recent past, a major National Disability Insurance Scheme enterprise established in Yarra Street within the HMAc.

As will be seen shortly, the HMAc's health precinct supports a relatively educated and well paid work force that attracts workers from across Melbourne. The HMAc's health workers have the highest incomes and levels of education of all workers within the Centre.

### Coronavirus Impacts

The coronavirus has impacted significantly on the HMAc's health sector. Specifically, under social distancing restrictions elective surgery procedures and treatments have been limited resulting in a significant decline in activity within the precinct, and in particular, within the precinct's private health sector. Precinct staff have also been redeployed to assist the retirement sector. Overall, engagement with the sector suggested that treatment and activity within the precinct has declined significantly due to coronavirus restrictions.

The 2020-2021 recession is likely to limit demand for discretionary health care services, constrain budgets for the expansion of health care services and reduce population driven health care growth. At the same time, consultation suggests that a backlog of elective treatments and procedures is building up that will result in significant activity when restrictions are eased.

The health care sector is a largely a non-tradeable part of the economy and therefore not as exposed to economic change as discretionary parts of the economy. As such, the HMAc's health care sector is likely to be relatively insulated from changes in the broader economy. The next period of employment growth, is nonetheless, likely to be subdued and unlikely to replicate the scale of growth seen over the 2011 to 2019 period when the Precinct added more than 1,170 health care jobs.

The precinct also includes a relatively high number of public administration and professional service staff. The Arthur Rylah Institute is an environmental research institute that supports a substantial number of professional and technical service jobs in the precinct.

### **Expansion Constraints**

Precinct stakeholders identified a substantial opportunity for the HMAc's health uses and infrastructure to continue to grow and expand. According to precinct stakeholders, the broader growth of the region and the ability of the HMAc's existing cluster of medical uses to agglomerate new uses and attract new public and private investment provide a basis for growth.

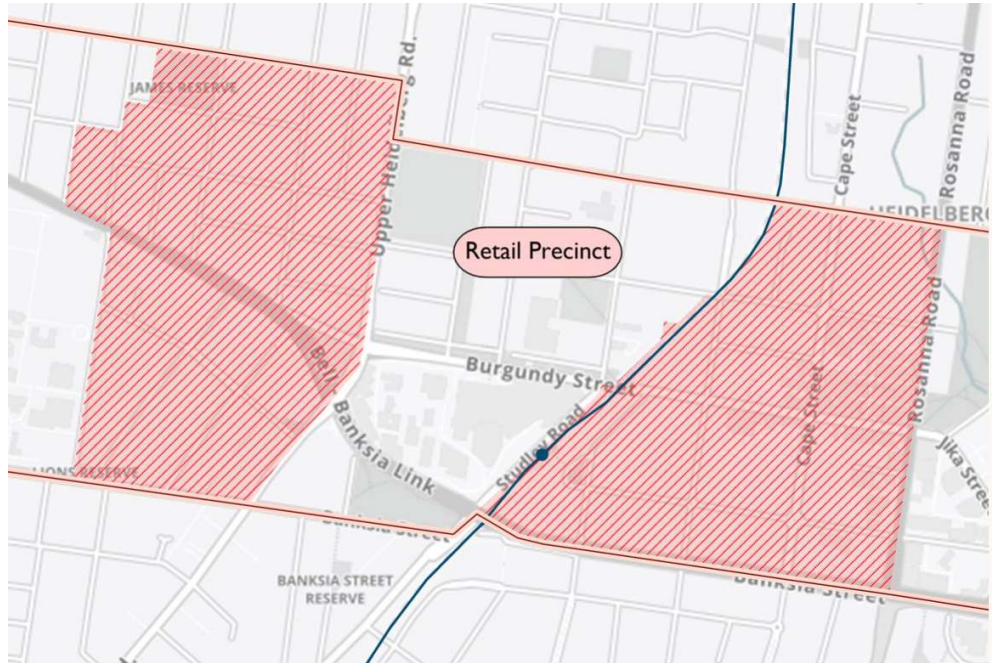
Notwithstanding, precinct stakeholders identify land supply constraints as a major threat to the growth of the precinct and its role in supporting the medical needs of Melbourne's north east. At present, precinct stakeholders are working with the State Government to co-ordinate the interests of the precinct's different institutions in relation to both growth but also local planning and transport issues. As the largest economic entity in the HMAc and within Banyule, the Structure Plan should seek to engage with precinct stakeholders to understand future expansion aspirations and where and how these might be accommodated within the Precinct.

## 2.4. Precinct 2: Burgundy and Bell Street Corridor

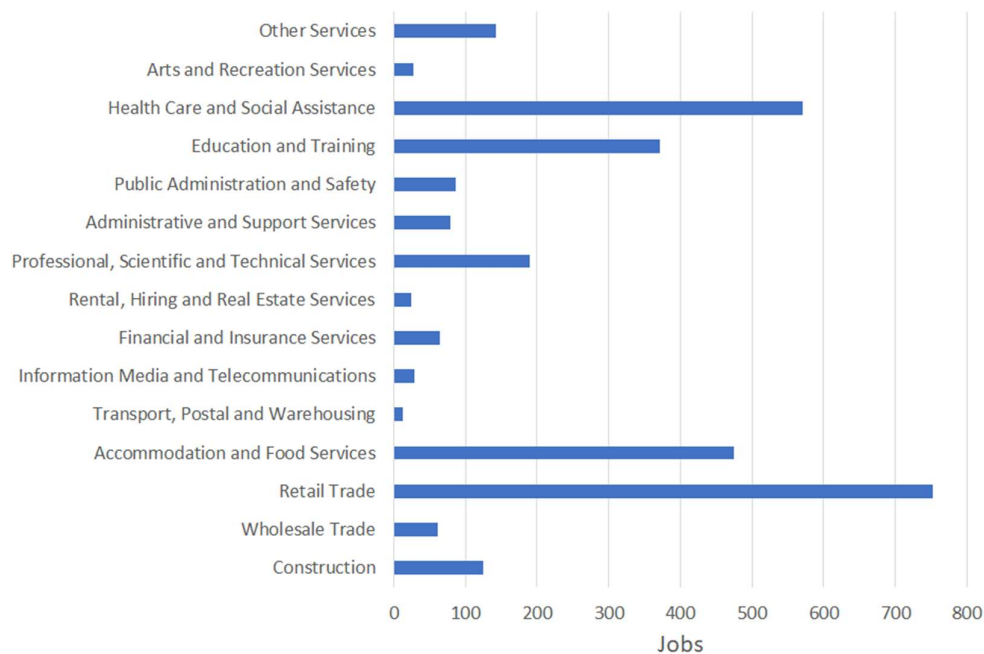
The Burgundy/Bell Street Precinct is the HMAc's retail and convenience shopping precinct. The Burgundy Street shopping strip is the HMAc's primary retail location incorporating four supermarkets, the Warringal shopping centre and numerous independent retailers.

The precinct also includes large format retail frontage along the Bell-Banksia Link and Upper Heidelberg Road.

**Figure 13: HMAc Retail Precincts**



At 2019, there were 3,040 jobs within the precinct with approximately 40% of jobs (1,220 jobs) within the retail and food services sectors. Owing to the Heidelberg Primary School and the Our Lady of Mercy College the precinct also includes high numbers of education jobs.

Figure 14: Employment Composition Burgundy and Bell Street Precinct<sup>5</sup>

Source: Remplan

### Declining Retail Diversity

As with many of Melbourne's traditional retail shopping strips, the restructuring of Australia's retail sector has impacted the composition and role of the Burgundy Street retail sector. The underlying economic composition of the precinct's retail enterprises, like many of Melbourne's shopping strips, is now in an advanced state of change. There are now far fewer independent merchandise based retailers within the HMAC, many of whom have been replaced by new food retailing and personal services enterprises.

As observed by the Centre's traders during the project consultation, the diversity and depth of the HMAC's merchandise retail sector is in an advanced state of decline. The street now incorporates limited numbers of apparel, homewares and footwear vendors and no electronics, toy, outdoor or sporting goods traders. There is only one national apparel brand in the Centre (TK MAXX) other than this there are no national merchandise retailers currently trading within the Centre. The Centre formerly supported a JB Hi Fi electronics retailer.

The decline of retail based strip shopping environments reflects the broader change in Australia's retail sector. The ongoing growth of dense high quality self contained shopping centres combined with changing consumer preferences toward either known brands or low cost outlets has adversely impacted on the attractiveness and competitiveness of independent merchandise street based retailers that often lack the capital to compete with national and international

<sup>5</sup> At 2016 accommodation jobs made up less than 10% of employment within the accommodation and food services employment category. As such, employment in food services make up the vast majority of employment in this category.

retail networks. In addition, the last decade has seen the growth of online shopping platforms that mimic and expand on the variety of goods typically sold in physical stores which under coronavirus conditions are now experiencing a surge in growth.

The restructuring of physical retail has resulted in significant vacancy in Melbourne's many strip shopping centres. Vacancy rates of between of 10% to 20% are evident across many of Melbourne's shopping strips. Due to the rise in its food sector, the HMAC has, however, largely avoided this with a vacancy of approximately 5% at April 2020.

Financial and telecommunication based retailing has also contracted within the Centre. Nearly all of Australia's major retail banks have now exited the Centre with only three financial institutions remaining. Moreover, despite telecommunications being a major growth area in consumer expenditure, the Centre currently only supports one retail telecommunications enterprise which is a Telstra popup shop within the Warringal Shopping Centre (the longevity of this venture is therefore unknown).

In consulting with local traders, many pointed to the need to diversify the Centre's retail base in order to broaden the appeal of the Centre and grow its foot fall. This is a valid aspiration, however, in a changing retail environment its unclear whether the former depth and diversity of the centre's retail diversity can be restored.

Merchandise retailing, will nonetheless continue as core component of the HMAC but in an increasingly specialised form. This is already exemplified in the precinct by a variety of existing speciality stores including specialised cycling, footwear, boutique apparel, and homeware and appliance stores. These stores provide a combination of customised service and niche products in which their value proposition is far broader than price. Generic independent stores that seek to compete with integrated national enterprises are unlikely to succeed.

The future of physical retail will entail a hybrid of physical and online experiences that combine the sales and service of physical stores with the distribution, marketing and product comparison of online platforms. Notably, merchandise trade in the coronavirus era has compelled greater click and collect activity in which online and physical distribution are combined.

In engaging with local retailers it was observed that many of the Centre's current traders lack the skills and capability to progress an integrated online and physical enterprise model. While this may be the case, there are some notable examples within the Centre of traders that have significant online capability including optimised search capability and sophisticated online distribution and payment platforms.

### **A Growing Food Sector**

The Burgundy Street Precinct has adapted to changing conditions and, as discussed, maintained relatively low vacancy rates (of approximately 5%) due to the concurrent growth of its food services and food retailing sector. As the

Centre's retailing has restructured, physical store fronts have been repurposed to support the growth of leisure based food consumption and convenience food culture which has been a major growth area in household expenditure.

For the 2011 to 2019 period, the precinct added approximately 170 new jobs in the food services sector (resulting in 470 jobs in accommodation and food services sector at 2019). The area between the Hurstbridge rail embankment and Cape Street now includes an extensive number of restaurants and cafes. Within the precinct approximately 25% of floor space is now dedicated to food and beverage services.

Food retailing, primarily in the form of supermarket employment is also growing. Census analysis identified an additional 85 food retailing jobs in the 2011 to 2016 period.

**Figure 15: Food Services Burgundy Street**



Source: Charter Keck Cramer

### The Coronavirus Era: Adaption and Change

In house dining restrictions have adversely impacted on the Centre's burgeoning restaurant sector limiting turnover and compelling significant change and adaptation in the delivery of food services.

Proof Pizzeria exemplifies the range of challenges triggered by the coronavirus. The pizzeria caters to a diverse customer base including couples and families and prior to the virus regularly hosted birthday parties and events. The prohibition of in house dining compelled the business to rapidly introduce a new delivery service which steadily recovered lost turnover while creating a basis for future survival and potential growth. The business is now focused on innovating its food packaging and delivery processes.





## The Rise of Local Services

The precinct's economy and ongoing occupancy has also been sustained by the growth of the HMA's local services sector. For the 2011 to 2019 period, the precinct experienced significant growth in professional services (+77 jobs), health and social assistance (+180 jobs) and a range personal services (+ 60 jobs). A significant cluster of service firms have now emerged at the eastern end of Burgundy Street including numerous recruitment, accounting, legal and social service providers.

**Figure 16: Service Uses Burgundy Street**



Source: Charter Keck Cramer

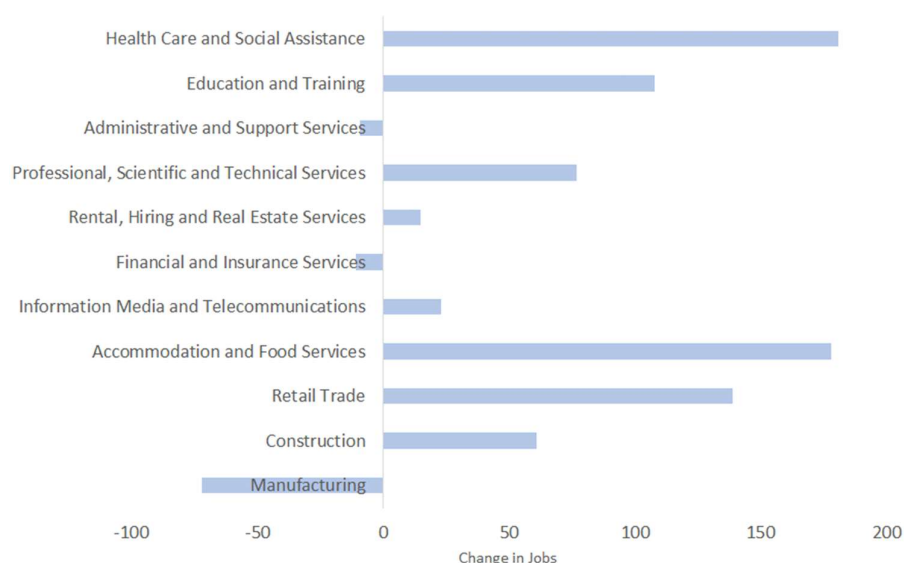
The development of new mixed commercial and residential buildings as per the direction of the *Heidelberg Structure Plan 2007*, has added significant commercial office space to Burgundy Street precinct. Recent mixed use development has resulted in first floor office space that supports small scale enterprises and practitioners that require between 100 m<sup>2</sup> to 300 m<sup>2</sup> of office and consulting space. Consultation suggests that this scale of space has been attractive to enterprise owners and practitioners that live locally.

The corresponding growth of service industries within the Burgundy Street Precinct to some extent represents a vindication of local planning policy which has sought to ensure new residential development also supports economic activity. There is, however, emerging office floor space vacancy which in the near term is unlikely to attract demand. In the medium term, the post coronavirus era may generate new suburban office market demand as enterprises embrace a decentralised work hub model. The Coronavirus has triggered major organisational and technological change in Australia's office based industry sectors.. Based on the success and likely cost saving resulting from this, many organisations are now considering decentralised office arrangements as part of their long term structure. Suburban offices nodes

including the HMA are well positioned to service the needs of a more decentralised workforce.

In light of this, there is a need for the future structure plan to assess the commercial floor plates that have resulted from recent mixed use development and to also review the urban design and car parking requirements applied to these sites. Future mixed use development should aim to continue to attract local professionals while also providing floor space for firms seeking to decentralise their operations in the post coronavirus era.

**Figure 17: Change in Employment 2011 to 2019 Burgundy and Bell Street Precinct**



Source: ABS, Remplan

Health care and social assistance employment has lead the precinct's employment growth which is indicative of both the use of new commercial floor space by the social assistance sector (particularly at the eastern end of Burgundy Street) and spillover of medical uses from the allied health precinct to the western end of Burgundy Street. The local fitness industry is also growing with the Centre now supporting four private gyms of over 2,000m<sup>2</sup>.

### Employment Growth and Floor Space Change

At 2019 there were approximately 3,030 jobs within the Burgundy and Bell Street precinct (with approximately 2,000 jobs in the Burgundy Street portion of the precinct). For the 2011 to 2019 period employment within the precinct grew at an average annual rate of 3.7%p.a. resulting in the addition of 760 jobs. Growth has been accompanied by significant growth in part time employment. In 2016 part time employment comprised nearly 50% of employment in the precinct. As will be seen shortly, part time jobs tend to be more attractive to local residents.

The evolution of the Burgundy Street precinct's floor space closely aligns with recent employment growth which has seen employment in food and beverage, health, food retailing, professional services and social services grow strongly.



Symbiotically the use of floor space now reflects the precinct's major commercial strengths. While many consultation respondents critiqued the narrowing of retail uses along within the precinct, the growth of the HMAC's food and services sectors might also be seen as a highly successful adaptation to changing economic and retail conditions (one that other strip shopping centres are yet to advance).

### **Coronavirus Impacts**

The imposition of social distancing requirements, and the prohibition of inhouse dining during stage 4 coronavirus restrictions have resulted in a range of impacts on the HMAC's retail sector

Coronavirus social distancing requirements have reduced foot fall and demand within the street. Impacts on the HMAC's retail sector relate to (a) the Coronavirus regulations relating to individual industry sectors and (b) the capacity of enterprises to adapt to the Coronavirus regulations.

The HMAC's food sector has needed to rapidly embrace online platforms and to adjust and improve associated take away and pick up delivery processes. A number of enterprises reported success in this with changes and adaptations set to endure beyond the Coronavirus era. Businesses in the food sector, nonetheless, reported significant declines in turnover and trade especially those traditionally reliant on daily foot fall.

As an essential sector, the HMAC's supermarkets are reported to be trading strongly (as is the case with this sector throughout Melbourne). Some specialist businesses reported strong demand particularly as a result of established online platforms and their capacity to support the specialised retail needs of local residents.

Many non-essential retailers and personal service providers without the support of online platforms have been closed throughout the Stage 4 Coronavirus period. Engagement with this sector proved to be very challenging as such there is limited insight as to the impact of closure on these businesses and in what form they plan to recommence operations following the easing of coronavirus restrictions.

Engagement with local professional service providers suggested that most had shifted to work from home arrangements supported by online platforms. A number suggested that would reassess their need for office space in the post-pandemic era (although all suggested they would still continue to need a physical non-residential location albeit with lesser volume of office space).

Leisure based food consumption is likely to rebound following the easing of restrictions, however, studies of the food sector in locations in which restrictions have already been eased suggest perceptions of risk related to in house dining are likely to continue. Council is likely to have an ongoing role in helping institute cleaning and hygiene practices that help build trust in the community.

## The HMA Online Food Economy Survey

Charter investigated all food-related retail businesses (i.e., restaurants, take-away food and cafes) along Burgundy Street, consisting of a total of 27 food-related retailers.

Of these 27 food-related retailers, 70% currently provide eCommerce functionality allowing customers to purchase online from their business (defined as having a presence on at least one web platform which facilitates payment, including major platforms such as UberEats or their own homepage which facilitates eCommerce), while 22% do not currently have such functionality.

Of these 27 food-related retailers, 59% currently have an online booking functionality, which provides customers with the ability to either make a booking for a sit-down meal or to collect food for take-away service, while 33% do not currently have such functionality.

Furthermore of these 27 food-related retailers, 70% currently have a web presence assessed as being 'good' (defined as the retailer having a web presence on multiple platforms including general social media, specific food-related social media, and/or a homepage which is optimised for online search). 22% of these food-related retailers are assessed as having a 'moderate' web presence (defined as having a minimal web presence on a limited number of platforms, resulting in reduced ability for customers to access their services).

	Yes	No	Unknown / Tenancy potentially ceased trading
Can the customer purchase online from the business?	70%	22%	7%
Does the Food Business have online booking (for sit-down dining/take-away) functionality?	59%	33%	7%
	Good (i.e., web presence on multiple web platforms)	Moderate (i.e., web presence on a minimal number of web platforms)	Unknown / Tenancy potentially ceased trading
To what extent does the Food Business have a general online presence, which allows customers to search and find the store online?	70%	22%	7%

Source: Charter Keck Cramer

## 2.4.2. Retail Analysis

The benefits of a healthy retail and lifestyle amenity precinct underpins not just local economic activity but supports perceptions of street activation and its attractiveness as a location for investment and renewal.

The Centre is set within natural and man made barriers that form a relatively self-contained retail catchment. Parkland to the east, the eastern freeway to the south and the La Trobe parklands and steep topography toward the Centre's west and north position the Centre as the most accessible weekly shopping destination for households in Rosanna, Eaglemont, Heidelberg, Heidelberg West, Bellfield and parts of Ivanhoe. Beyond weekly shopping requirements the Centre is surrounded by significant retail destinations that incorporate far greater commercial floor space, along with a greater variety and quality of retailers including Westfield Doncaster, Northland and Greensborough Major Activity Centre.

**Figure 18: Competitive Context Retail**



Source : Charter Keck Cramer

Each of the HMA's largest competitors support a wider array of retailers, and, in turn, a more diverse comparison shopping experience than the HMA currently provides. The HMA's merchandise retailers have traditionally serviced the retail needs of the local community. However, as predominately independent and speciality retailers they largely function as niche attractors. At present, the HMA hosts only a small number of retailers with the depth of capital and market profile to function as major regional attractors. This is not the case in either of Westfield Doncaster, Northland and Greensborough Major Activity Centre which host a range of national and international retailers that as individual entities are able to function as retail destinations and that together

support a superior high quality comparison shopping experience for consumers, relative to the HMAC (although not to the same scale as Westfield Doncaster). Additionally, Greensborough and Westfield Doncaster include significant entertainment and food service sectors that function as regional attractors.

**Figure 19: Retail Matrix**



Source : Charter Keck Cramer

Notwithstanding the above, the HMACs concentration of food retailers remains a major strength and discussions with a number of food service enterprises during the preparation of this report suggested strong trading conditions even during the coronavirus period.

The HMAC is also a far larger and more diverse retail destination than nearby major and neighbourhood centres including Ivanhoe, Bulleen, Eaglemont, and Polaris shopping centres. Furthermore, the HMAC's growing residential pipeline provides a strong basis for an enduring and vibrant retail sector with opportunities for growth in target sectors such as homewares.

**Table 3: Floor Space**

Shopping Centre	Type	NLA	Shops	Key Tenants	Year
Warringal Shopping Centre	Neighbourhood Shopping Centre	11,000	42	Coles, Aldi, Liquor Land, My Chemist	1986
Westfield Doncaster	Super Regional Centre	123,067	400+	Big W, Coles, David Jones Woolworths	1969
Northland	Major Regional Centre	97,141	260+	Myer, Kmart, ALDI, Coles Woolworths, HOYTS	1966
Greensborough Plaza	Sub regional	70,804	180+	ALDI, Chemist Warehouse, Coles, HOYTS, JB-Hifi Kmart	1978

Polaris Shopping Centre	Neighbourhood Shopping Centre	approx 8,700 (includes "High Street" component)	approx 20	Woolworths Polaris Medical Centre	2013
Northcote Plaza Shopping Centre	Sub Regional Shopping Centre	18,318	60+	Kmart, Coles, Liquor land	1981
Ivanhoe Plaza Shopping Plaza	Neighbourhood Shopping Centre	6,900	14	Coles, Degani	Pre-2000

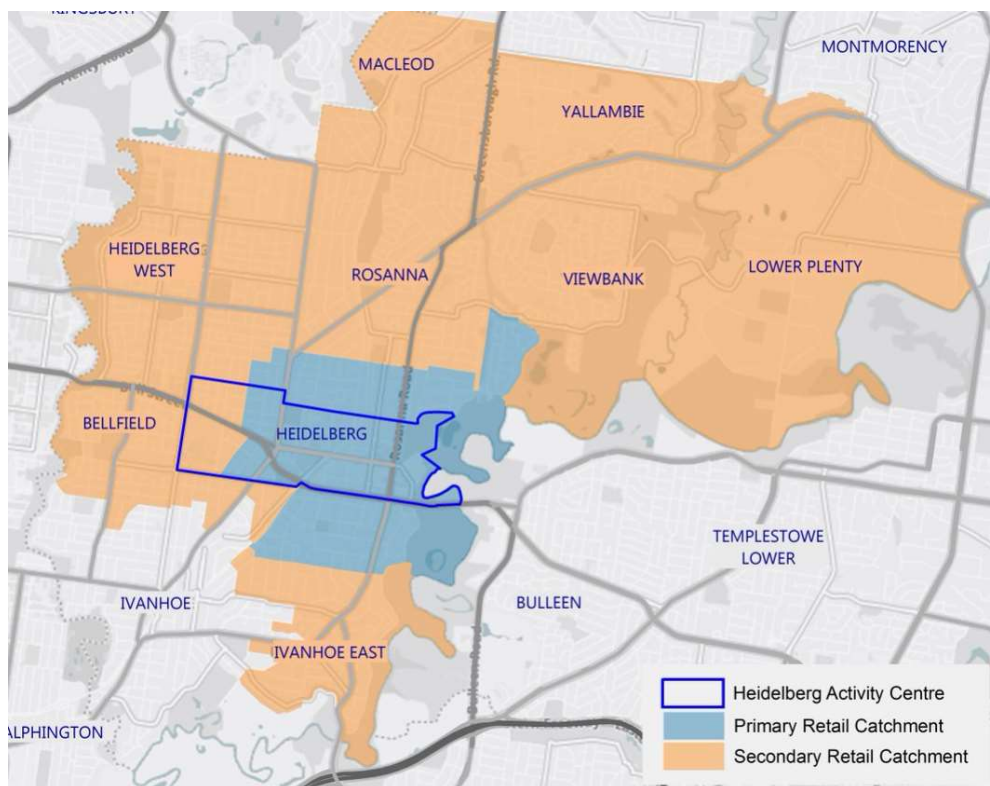
Source : Charter Keck Cramer

### 2.4.3. Retail Spending Analysis

The underlying health of the local retail economy is underpinned by the spending preferences and habits of the local retail catchment. The incomes and preferences of local households form a major part of a Centre's consumer base and the viability of its retail businesses.

The following examines the total and per capita retail expenditure within the HMA's primary and secondary retail catchment as defined below. The analysis aims to highlight the extent to which retail expenditure is retained within the HMA catchment, and conversely, spent in locations outside of the catchment.

**Figure 20: Primary and Secondary Retail Catchment HMA**



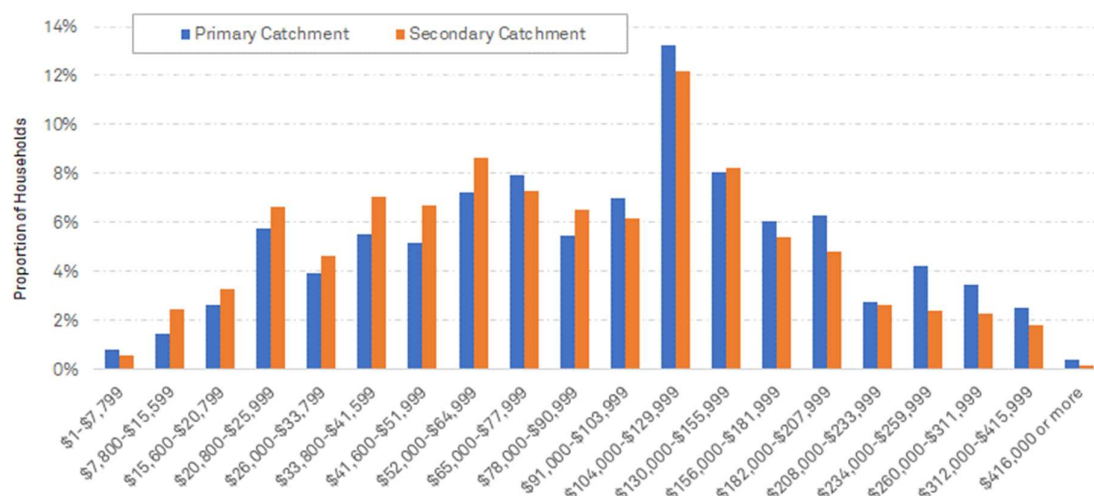
Source – Charter Keck Cramer.

In 2019, the catchment was home to an estimated population of 62,700 residents of which 10,900 residents lived within the primary catchment. The catchment includes high proportions of residents in middle age brackets of

between 30 to 44 years of age along with high numbers of 0 to 9 year olds which, in combination, is indicative of an area with high proportions of family households.

The primary retail catchment, however, differs with the broader catchment as it also includes large numbers of young adults aged between 25 to 34 years of age which, as will be discussed shortly, reflects the prevalence of high density housing within the primary retail catchment.

**Figure 21: Heidelberg Activity Centre Retail Catchment Household Incomes 2016**



Source: ABS

Retail expenditure across the catchment is a function of household income. At 2016, the derived median income for all individuals and families in the broader secondary catchment was in line with that of Banyule LGA. The Centre's primary catchment, however, now includes increasing numbers of well educated and professional younger households with incomes that exceed the local average which in turn suggest a greater capacity for discretionary expenditure.

**Table 4: Annual Incomes HMA Primary and Secondary Catchment**

	Individual	Family	Household
Primary Catchment	\$51,100	\$121,900	\$98,400
Secondary Catchment	\$41,700	\$106,200	\$83,200
Banyule LGA	\$37,900	\$105,700	\$86,100

Source: ABS

## Expenditure patterns

On average per capita retail expenditure within the HMAC's primary catchment is higher than that of Banyule LGA which in turn is higher than per capita retail expenditure in metropolitan Melbourne. Overall, the data suggests that the HMAC supports a relatively affluent consumer base that reflects socio-economic change within the Heidelberg region over the past two decades.

The following examines modelled retail per capita retail expenditure. The analysis seeks to infer the extent to which this expenditure is likely to have been retained within the Centre or spent elsewhere based on the HMAC's retail strengths and weaknesses.

**Table 5: Annual Per Capita Expenditure 2019**

Category	Primary Catchment	Secondary Catchment	Total Catchment	Banyule LGA	Metropolitan Melbourne
Retail	16,094	14,670	14,918	15,083	14,453
Non-Retail	40,563	33,960	35,107	34,97	34,384
Apparel	1,765	1,503	1,549	1,554	1,490
Food & Groceries	5,824	5,690	5,713	5,777	5,564
Food Catering	2,287	1,954	2,012	2,017	1,996
General Retail	1,109	1,051	1,061	1,078	1,021
Household Goods	2,955	2,598	2,660	2,691	2,531
Leisure Retail	731	633	650	662	620
Packaged Liquor	766	684	698	722	692
Retail Services	657	557	574	582	539

Source: Gapmaps

Food and groceries expenditure comprises the catchment's largest retail category (38% of expenditure). Owing to the HMAC's relatively self contained catchment and extensive food retailing floor space, it's likely that a high proportion of this expenditure is retained within the catchment (which aligns with the strength of the HMAC's supermarket sector).

Per capita food catering (café, restaurant and catering and takeaway food) and liquor expenditure comprise a further 18% of the catchment's retail expenditure. In line with the Centre's overall strength in this category, it is likely that a high proportion of this expenditure occurs within the HMAC (which also aligns with the growth of this sector over the past decade).

An important component of the HMAC's food and beverage demand is likely to derive from the many young adults that live within and near the Centre. Per capita food catering data shows that food catering expenditure amongst the HMAC's immediate resident base is greater than per capita expenditure in both Banyule LGA and metropolitan Melbourne. Young adults with disposable

income that live within the Centre would seem to have helped spur the growth of the Centre's considerable food economy.

Expenditure on household goods (hardware, furniture, electronics and whitegoods) constitutes a further 18% of household expenditure. This is a category with limited representation within the HMAC. It, therefore, follows that a high proportion of this expenditure is likely to have occurred outside of the HMAC. Similarly, a high proportion of per capita apparel expenditure (10% of expenditure) is likely to have occurred beyond the catchment given the limited depth of enterprises currently within this sector.

Apparel and homeware retail categories are now largely non-geographic categories as consumers are able to purchase and interact with retailers in these categories on a global scale via the internet.

When comparing the catchment's expenditure with the HMAC's retailing offer it would seem likely that the HMAC is successfully retaining high proportions of the catchment's fresh food expenditure and food catering expenditure (which are retail categories that are generally more geographically restricted than other retail categories and categories in which the HMAC incorporates a significant breadth of traders). On the other hand, the majority of the catchment's apparel, leisure and homewares expenditure is likely to occur in other locations. As is discussed in the section of this report, these are categories in which physical retailers are increasingly struggling to compete with online entities.

## 2.5. Visitor Behaviour

Visitor trips to the Burgundy Street retail precinct have been analysed in order to review the frequency of visits to the precinct, their origin as well as the precinct's most and least active trading times.

The analysis considers visits to the centre measured between 8<sup>th</sup> September 2019 and 8<sup>th</sup> June 2020 using mobile phone data.<sup>6</sup> The assessment also benchmarks Burgundy Street against a broad number of Victorian neighbourhood centres.<sup>7</sup> Because the data is derived from mobile phone data it is important to note that the data is likely to underrepresent activity particularly from older age cohorts that may not possess a mobile phone and from other visitors that either do not own a mobile phone or who have had their phone switched off.

The data provides insight into hours of activity including the times of day at which Burgundy Street is most active and conversely least active. As can be seen below, the street is generally busiest at midday. There is also evidence of

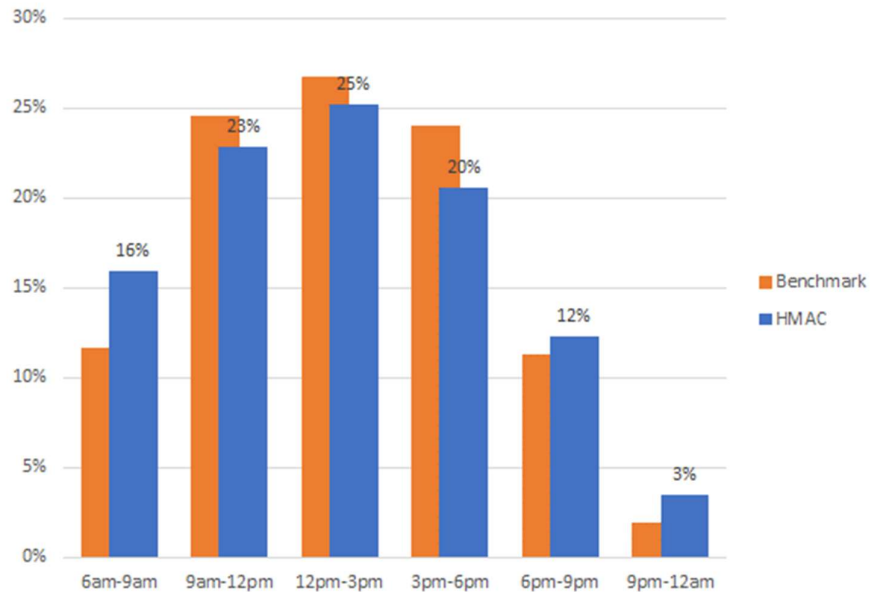
<sup>6</sup> Visitors to Burgundy Street are registered as having visited Burgundy Street if their mobile phone signal was present in the street for ten minutes or longer. All information relating to mobile phone data is de-identified to protect the privacy of individuals.

<sup>7</sup> The benchmark is derived from a set of 31 Victorian Subregional Shopping Centres. All of these have a gross lettable floor area of between 10,000 to 30,000 sqm.



night time activity along Burgundy Street particularly between 6pm to 9pm as well as significant early morning activity with a high proportion of visits recorded between 6am and 9am. Both early morning and evening activity is, however, likely to be somewhat conflated by commuters walking to and from the Heidelberg Rail Station.

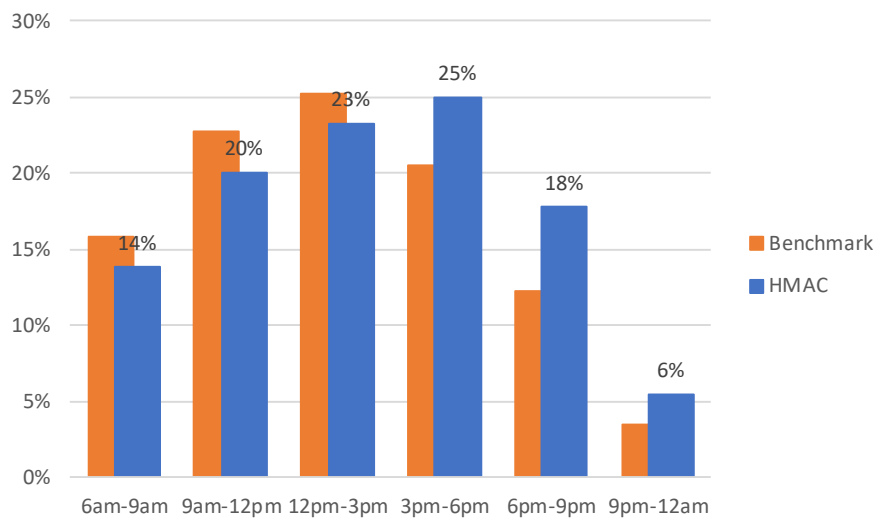
**Figure 22: Visitation Time of Day**



Source: Gapmaps

Visitors that live closer to the HMAC more frequently visit the street in the late afternoon and evening. As such, the data tends to confirm the hypothesis that the HMAC's primary residential catchment is an important segment of the HMAC's night time economy.

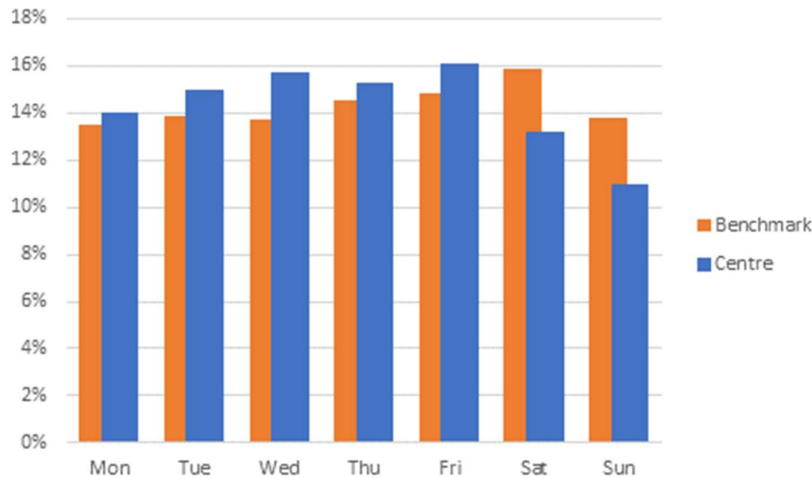
**Figure 23: Visitation Time of Day - Visitors from between 0 and 2 KMs from Centre**



Source: Gapmaps

Peak day street activity was recorded on Friday with activity along the street declining over weekends. Comparatively, benchmark centres tend to experience peak visitor numbers across weekends. Due to the focus on Burgundy Street in this analysis, the study does not capture unique visits to the Centre's supermarkets along Lower Heidelberg/Rossana Road. Supermarket shoppers that visited the Centre's supermarkets without then visiting Burgundy Street are not captured in the data. Visitation to the HMAC over weekends might, therefore, be far greater than is suggested in the visitation data below. If this is the case, however, then this result would tend to highlight the lack of spillover from the Centre's supermarkets into the broader Centre.

**Figure 24: Visitation by Days of the Week**

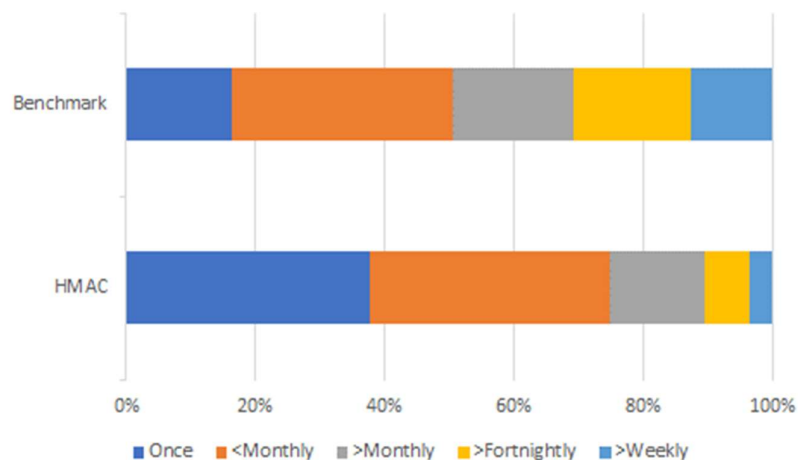


Source: Gapmaps

As might be expected visitors that live within 2 kilometres of the Centre use the street more frequently on weekends particularly on Saturdays.

Burgundy Street under performs benchmark centres in terms of visitor frequency. As can be seen below, there are fewer weekly and fortnightly visitors to the street than benchmark locations. Again, there may, however, be numerous weekly supermarket shoppers that do not then visit Burgundy Street resulting in lower than expected visitor frequencies (as previously explained visitors to the upper Heidelberg/Rosanna Road supermarkets that do not then visit Burgundy Street are not captured in the data).

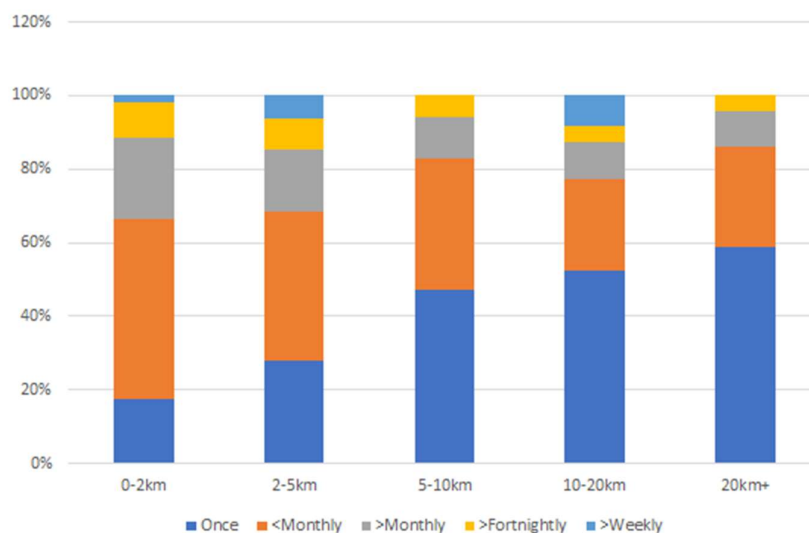
Figure 25: Frequency of Visitation



Source: Gapmaps

As might be expected, visitors from within 2 kms of the HMAC more frequently visit Burgundy Street than visitors from more distant locations.

Figure 26: Visitation by visitor distance to the Centre



Source: Gapmaps

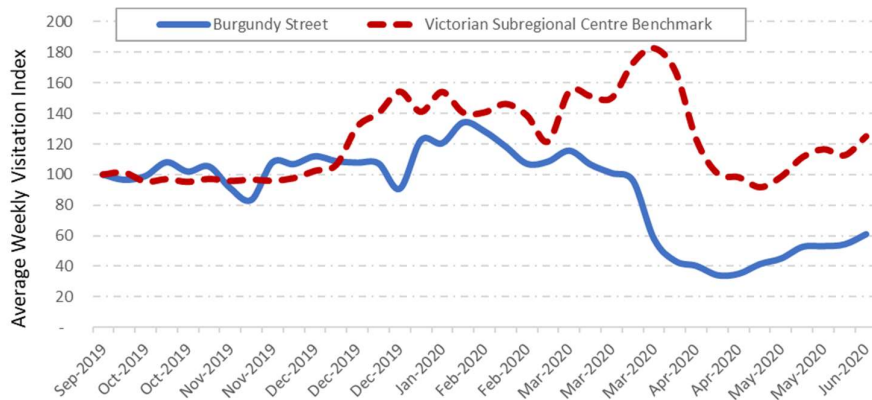
Within the Centre, the majority of visitors stay less than 30 minutes. This may reflect the degree to which workers, students, and residents in the region engage in site specific convenience shopping rather than leisure based comparison shopping which, as explained, is relatively limited within the Centre.

### Visitation and Coronavirus Impacts

The data encompasses the time prior to the impact of the Coronavirus as well as the period during the first stage of social distancing and stay at home orders to June 2020.

As can be seen below, Burgundy Street experienced higher levels of visitation during the December shopping Christmas period albeit benchmark locations experienced even higher rates of visitation. A clear drop off in visitation is evident from March onwards as social distancing measures were implemented across Victoria (visitation declined by almost by 50% across the monitored area).

**Figure 27: Average Weekly Visitation**



Source: Gapmaps

The data confirms the extreme impact of coronavirus based stay at home orders on visitation to Burgundy Street and the likely flow on impact to the street's retailers.

The data does not incorporate the period in which Stage 4 restrictions were applied from July 2020. It is likely that with the re-introduction and expansion of stay at home orders in July 2020 resulted in further declines of foot fall and visitation (given that an even greater number of restrictions on businesses and households were imposed during stage 4 restrictions). It is important to note that in consulting with the Centre's food traders it was evident that a number of traders had successfully adapted to Coronavirus restrictions via the utilisation of online platforms and by strengthening take away and food delivery processes. Notwithstanding traders also reported substantial decreases in turnover.

### 2.5.2. Centre Integration

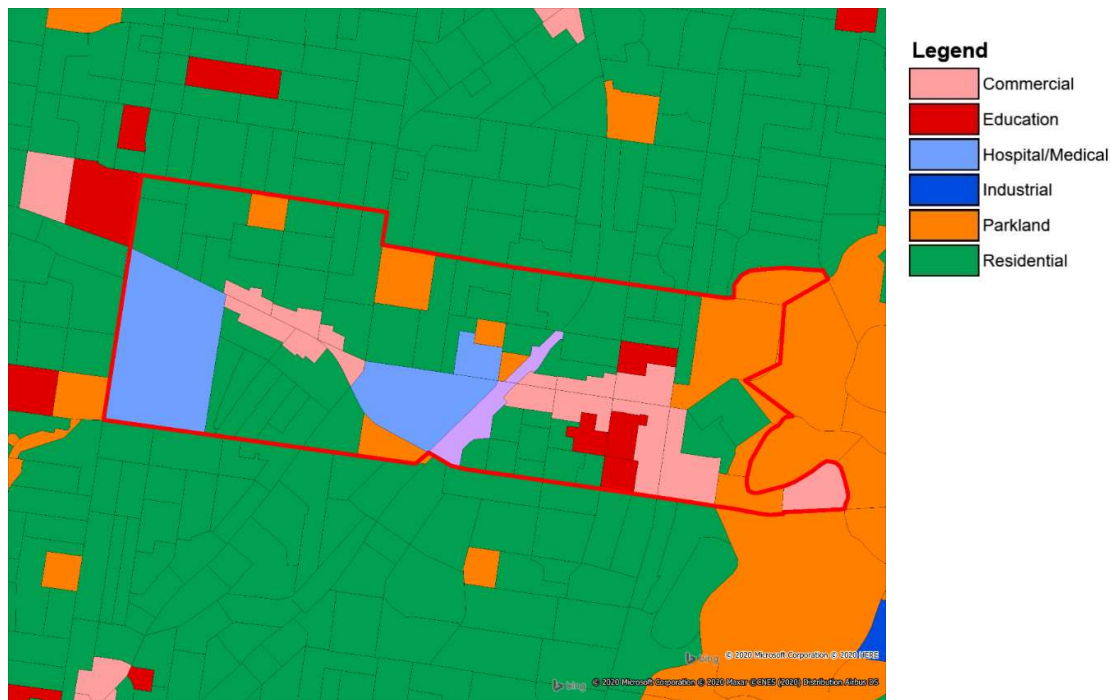
The study also examines the level of visitation between the HMAC's different economic nodes. Specifically, the study examines the extent to which visitors to the HMAC visit more than one of the HMAC's precincts on any given trip.

Charter notes that the desire to facilitate greater integration between the HMAC's medical precinct and retail areas has been an enduring aspiration of HMAC movement and land use planning.

To undertake this element of the study, the HMAC's precincts were broken into ten distinct areas comprising education, commercial, retail, open space, and residential areas. The study then assessed the extent to which visitors to these nodes subsequently visited another area during the same time period (visitors

needed to stay in a node for a minimum of ten minutes to be counted as a visitor to the node).

**Figure 28: Monitored Nodes**



Source: ABS, Charter Keck Cramer

The greatest volume of movement is between the HMAC's commercial and residential areas which is to be expected and which to some extent confirms the relationship between local residential growth and commercial foot fall. There is, however, very limited mobility between the allied health precinct and the HMAC's commercial areas. The data reveals a scarcity of interaction and movement between these two nodes with slightly less than 2 in every 100 visitors to the hospital precinct then visiting the HMAC's commercial areas. Likewise, there is very limited movement from the HMAC's commercial areas to the hospital precinct.

**Table 6: Movement Between HMAC Nodes**

		Second Location								
First Location		Residential Location	Commercial Location	Education Location	Hospital / Medical					Other
					A	B	C	D	Other	
Residential Location		43.4%	12.3%	2.4%	0.1%	0.9%	0.3%	0.5%	0.2%	2.3%
Commercial Location		14.2%	5.6%	0.6%	0.0%	0.2%	0.1%	0.2%	0.0%	0.7%
Education Location		2.9%	0.5%	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%
Hospital / Medical	A	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	B	1.5%	0.3%	0.1%	0.0%	0.8%	0.0%	0.0%	0.0%	0.0%
	C	0.7%	0.2%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%
	D	0.4%	0.2%	0.0%	0.0%	0.0%	0.0%	0.5%	0.0%	0.0%
	Other	0.6%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other Location		3.9%	0.7%	0.2%	0.0%	0.1%	0.0%	0.0%	0.0%	0.7%

Source : GAPMAPS

The analysis validates the observation that there is limited integration between the HMAc's hospital precinct and its commercial areas. The hospital precinct includes dining and catering facilities that support the convenience needs of staff and visitors and enable a self contained visitation experience. The data, in turn, raises the question as to whether the integration of the HMAc's various precincts should remain an enduring aspiration of land use planning or whether each of the Centre's precincts should be planned as individual locations with distinct identities. The way in which visitors use the HMAc would suggest that this is already the way in which the HMAc is used and perceived.

The data, nonetheless, demonstrates mobility between the Centre's residential and commercial areas encapsulating the 20 Minute Neighbourhood aspiration of *Plan Melbourne*. There is also movement between the HMAc's residential areas and the hospital precinct (although to a more limited extent). Ideally, the future structure plan would seek to support and improve mobility between the HMAc's residential and commercial nodes to the equal benefit of the Centre's residents and traders.

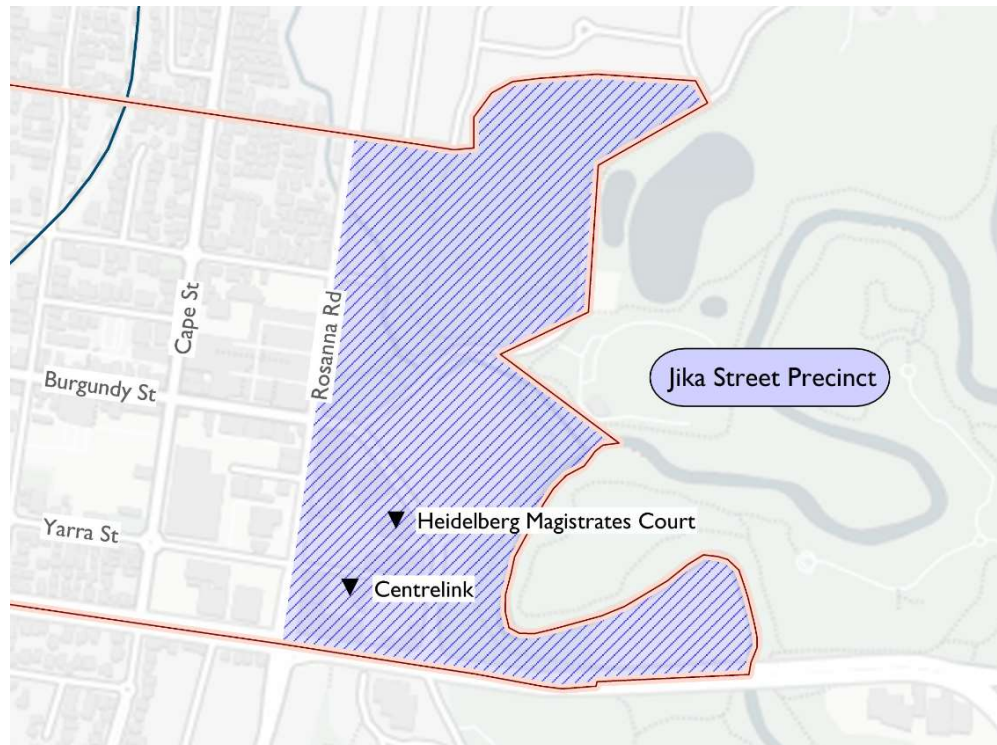


## 2.6. Precinct 3: Jika Precinct

The Jika precinct combines primarily large format public sector and health based office uses with trade supplies and automotive uses. In the main, the precinct functions quite separately from the retail and lifestyle focus of the Burgundy street precinct.

The precinct includes regionally significant public uses including the Heidelberg Magistrates court, Medicare and Centrelink offices and the Heidelberg Police Station. At 2019, there were an estimated 265 public administration jobs in the precinct.

**Figure 29: Jika Precinct**



Source: Charter Keck Cramer

The precinct also supports significant health care employment (850 jobs at 2019). Dorevitch pathology occupies approximately 7,000 sqms of office space on the corner of Banksia and Lower Heidelberg Road and is a major health care employer in the precinct.

There are a number of large format automotive and trades supplies enterprises in the precinct. There is also a 1,600 sqm office facility at the corner of Burgundy Street and Lower Heidelberg Road that includes 33 office spaces that prior to the coronavirus were nearly fully occupied primarily by local professionals and service providers. According to building management the facility has since seen a major decline in occupancy.

At 2019, the precinct supported 1,600 jobs. A high proportion of workers in the precinct are full time staff. For the 2011-2019 period, contributed 15 % of the

HMAC's employment growth equating to the addition of 340 jobs. Nearly all of this employment growth resulted from public service and health care employment growth.

Public administration and health care are relatively non-trade exposed sectors of the economy. As such, the precinct's employment base is likely to be highly resilient during the Coronavirus recession.

### Future Growth and Change in the Jika Precinct

The precinct includes a significant number of large lots all of which are occupied but many of which appear underutilised.

As indicated by recent employment data office based uses are growing within the precinct. In the forthcoming structure plan, the area might continue to be identified as a public administration and office hub. As such, underutilised lots might then be supported for redevelopment into commercial office space. As will be discussed, recent employment projections by the Department of Environment, Land, Water and Planning identify the need for an additional 19,000 sqms of commercial space in Banyule LGA.<sup>8</sup> This area of the HMAC is best positioned to accommodate new large format office space and thereby to support the long term growth of local public sector, medical and professional services. As discussed, prior to the 2020 Coronavirus these uses were driving employment growth and high levels of occupancy within the precinct. As such, normalisation of Victoria's economy in the medium term should see these growth drivers return to the precinct and associated floor space demand.

Figure 30: Lot Size Profile, Jika Street

Lot Size (Sqms)	250-500	500-750	750-1000	1000-2000	2000-5000	5000+
Count of Lots	6	10	11	14	19	4
Total Land (sqms)	1,910	6,330	9,835	16,160	56,650	24,400

Source : Charter Keck Cramer

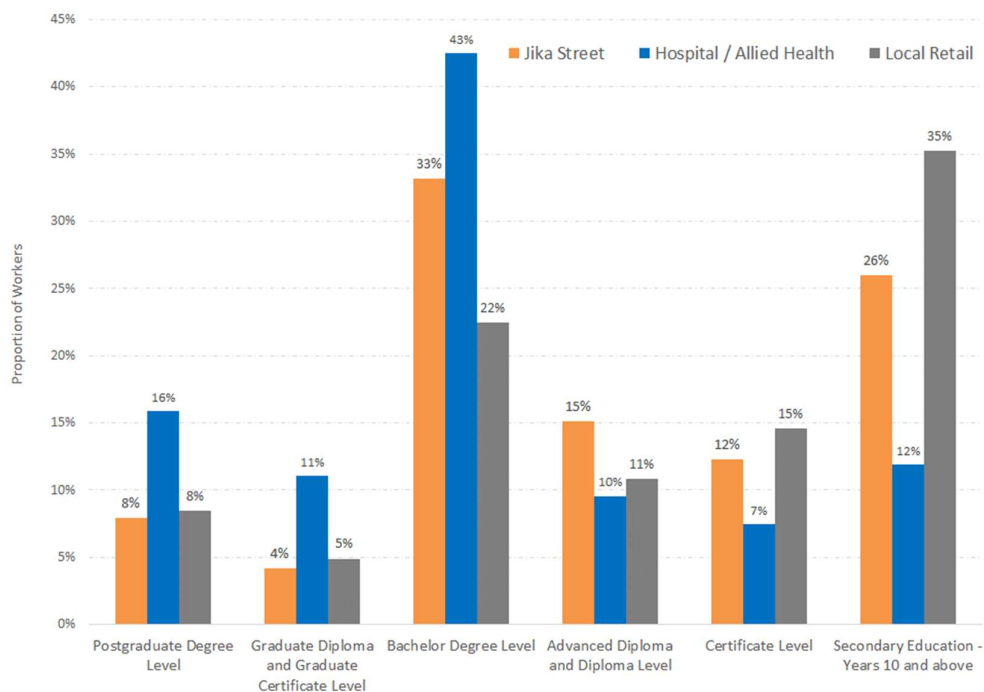
<sup>8</sup> The DELWP projection suggests that the vast majority of the projected 19,000 sqms commercial floor space demand to 2031 will be in the form of commercial office space. If the HMAC were to maintain its current share of commercial office within Banyule LGA this would equate to demand for between 4 to 5 floors of commercial office at 1,500 sqms per floor or between 6 to 7 floors at 1,000 sqms per floor. Given high levels of commercial office occupancy within the Jika street precinct and the accessibility uplift resulting from the North East Link following delivery in 2027, a new self contained office facility is likely to attract commercial interest within the Jika precinct to 2031.

### 2.7.1. Precinct Comparison

A high level comparison of employment and employees in the HMAC's precincts solidifies the underlying attributes that distinguish the HMAC's different economic geographies.

As can be seen below, worker educational attainment in both the health and Jika precincts is significantly greater than that in the retail precinct.

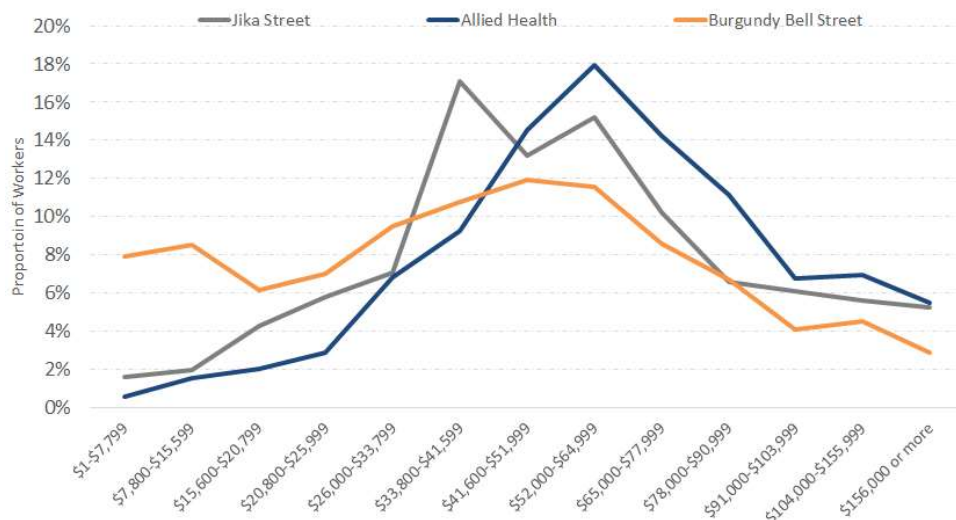
**Figure 31: Highest Level of Educational Attainment HMAC Precincts 2016**



Source: ABS Census

It follows that employee incomes within both the allied health and Jika precincts are greater than those in the retail precinct.

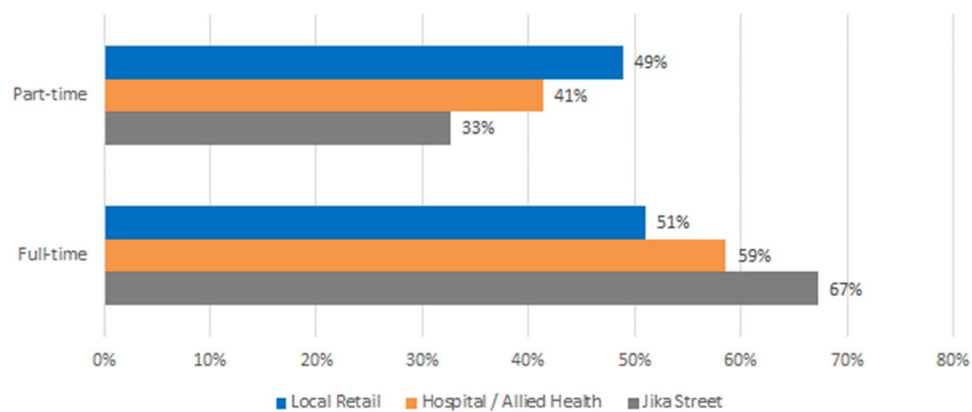
Figure 32: HMAC Incomes 2016 by Precinct



Source: ABS 2016

As a major centre for professional and public service employment the Jika precinct includes high numbers of full time workers. Conversely, nearly 50% of workers within the retail precinct work in a part time or casual capacity. Census analysis indicates part time work is growing across the entire HMAC. At 2016 approximately 37% of Victoria's work force was employed on a part time basis.

Figure 33: Labour Force Status 2016



Source: ABS 2016

Part time work typically attracts workers that live locally. Accordingly, high numbers of the HMAC's retail workers live in close proximity to the Centre. Allied Health and Jika Street workers generally travel further for employment which reflects higher pay scales and greater levels of full time work in these precincts.

### 2.7.2. Centre Benchmarking

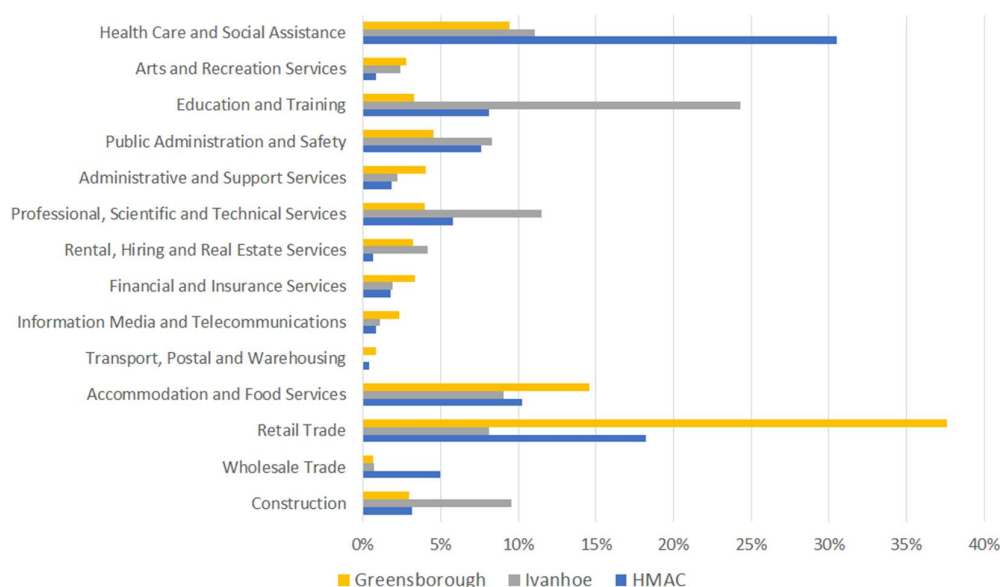
Comparing Banyule's major centres highlights a number of distinct economic strengths within each Centre.

The following excludes the influence of the HMAc's allied health precinct from the comparative analysis. Without the allied health and hospital precinct, the HMAc included 4,650 jobs at 2019 making it still the largest employment centre within Banyule LGA. This, however, still reflects the depth of the HMAc's health care economy as at 2019 there were just over 1,400 health care and social assistance jobs within the HMAc located outside of the allied health and hospital precinct.

As can be seen below, Ivanhoe MAC includes significant numbers of education jobs which reflects the inclusion of Ivanhoe Grammar and Ivanhoe Girls Grammar in the data. Beyond this, Ivanhoe MAC has clear strength in professional service and public sector employment (with over 680 jobs in these sectors at 2019). At 2019 there were approximately 3,500 jobs in the Ivanhoe MAC.

The Greensborough MAC has high numbers of retail and food service jobs and is the most trade exposed Centre within Banyule (unlike Ivanhoe MAC or the HMAc it does not include high proportions of health, public service and education jobs). At 2019 there were over 1,400 retail jobs and 550 food service jobs in the Centre. The concentration of retail and food sector employment within the Greensborough MAC suggests that a large proportion of the MAC's workforce is likely to have been adversely impacted by coronavirus restrictions.

**Figure 34: Employment Composition Greensborough, Ivanhoe Major Activity Centre and HMAc 2019**



Source: REMPLAN

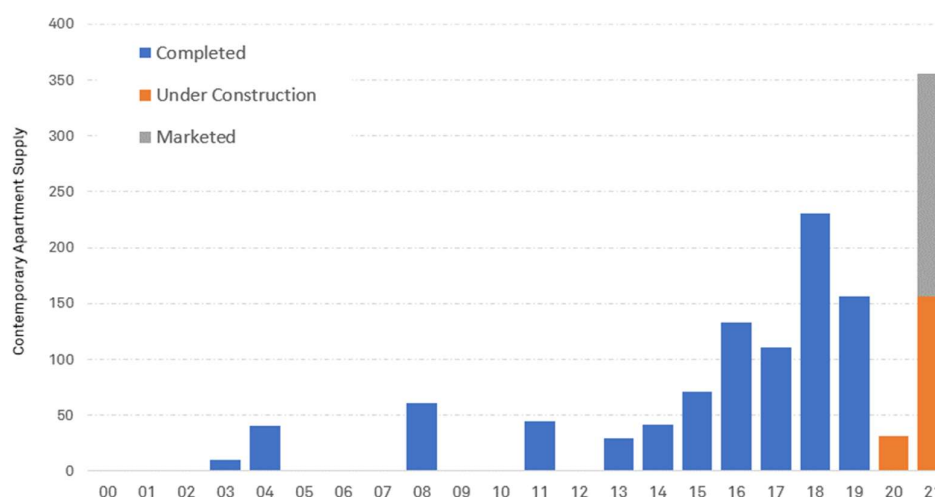
For the 2011 to 2019 period, the HMAc outperformed each of the other centres in terms of employment growth adding over 1,100 jobs with significant growth in professional service, health and food service employment. The Greensborough MAC added over 850 jobs in this period with retail, food service and health driving employment growth. In contrast, Ivanhoe MAC experienced minimal job growth and declines in retail employment.

### 3. Residential Growth and Population Change

The past decade has seen significant high density residential growth and corresponding population growth throughout Melbourne's middle ring activity centres.

As discussed, the timing of the implementation of the 2007 Heidelberg Structure Plan coincided with Melbourne's apartment boom, in turn, delivering significant built form resident change into the Centre. Since 2008, the HMAc added 870 new apartments to its housing stock at approximately 80 new apartments per annum. As can be seen, a significant number of apartments have been added since 2016 with an average of more than 150 new apartments completed per annum to the 2019 period. At 2019 there were an estimated 2,600 dwellings within the Centre.<sup>9</sup>

**Figure 35: HMAc Apartment Development**



Source: Charter Keck Cramer

The HMAc's residential growth is set to continue into the 2020 to 2021 period with approximately 187 apartments currently under construction which will be delivered over the next 18 months. There are a further 200 apartment subject to marketing.

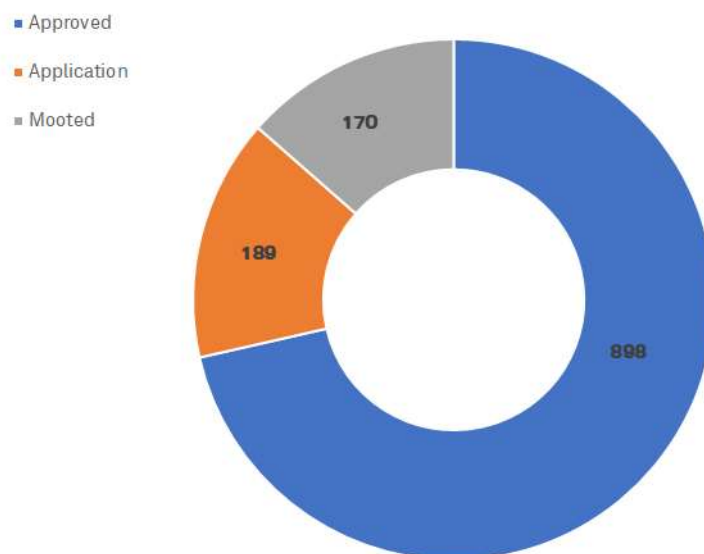
<sup>9</sup> The Centre's recent supply is equivalent to that of other high housing supply centres in Melbourne middle ring including Ringwood, Glen Iris, Northcote and West Brunswick. In a very short space of time (approximately a decade) the Centre has emerged as a major area for housing growth and diversification in Melbourne's middle ring and middle north.

**Table 7: Apartment Development HMAc**

	04	05	06	07	08	09	10	11	12	13	14	15	16	17	18	19	2020/ 2021f
Completed	40				61			44		29	41	71	133	111	231	156	
Under Construction																	187
Marketed																	200

Source: Charter Keck Cramer

Added to the above is a unprecedented pipeline of more than 1,000 apartments that have either been approved or are currently being considered for approval for the Centre.

**Figure 36: HMAc Development Pipeline**

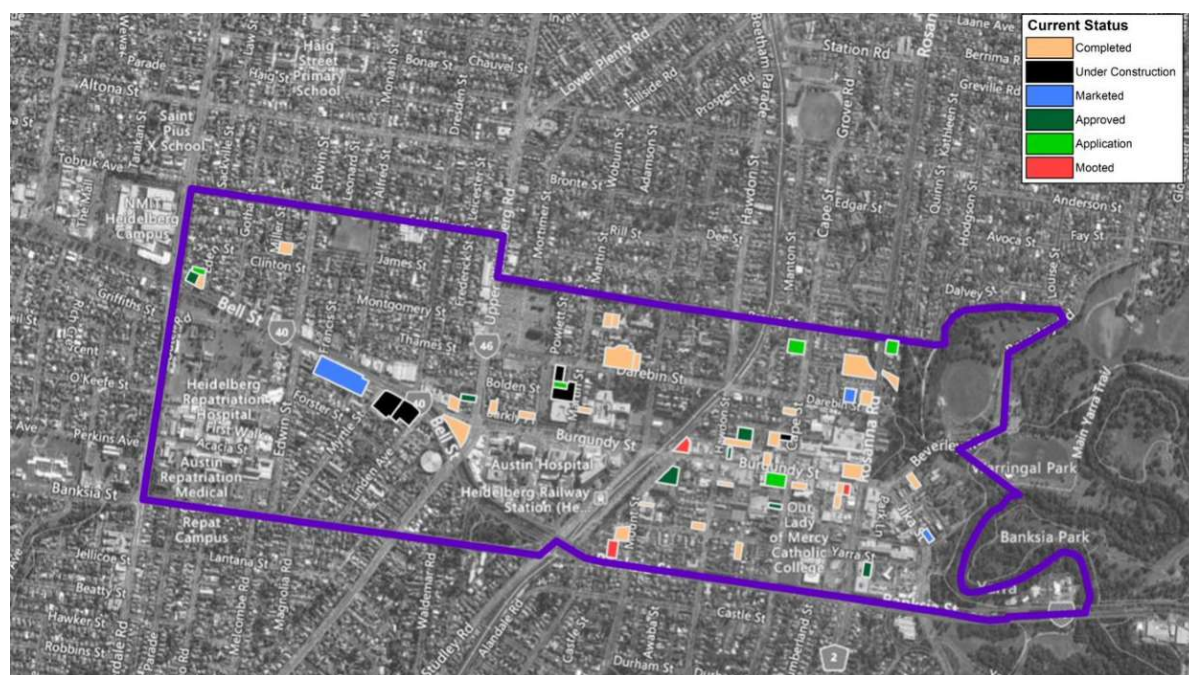
Source: Charter Keck Cramer

To date the eastern section of the Centre has been the main focus for new apartment development. This is, however, set to change with significant numbers of apartments scheduled for development in the west of the Centre. The Samma Place development at 87 to 131 Bell Street is set to deliver 500 apartments while the Ivanhoe Gardens development, which is currently under construction, at 37 to 63 Bell Street will deliver 160 apartments and approximately 70 retirement dwellings. This will generate new retail demand within this area as well as a range of transport and connectivity challenges that should be examined in the forthcoming structure plan.

Substantial residential expansion within the Centre represents a major achievement of the 2007 structure plan which established the framework for this growth. Moreover, development in the HMAc has resulted the diversification of Banyule LGA's housing diversity with numerous new medium and higher density housing options that were previously largely not available in the municipality.



Figure 37: HMA Residential Development Completions and Pipeline



Source: Charter Keck Cramer

The HMA development pipeline will be impacted by the Coronavirus as is the case for all of Melbourne's property markets. In particular, more limited population growth, fewer international students, lower median house prices and more risk averse households are likely to limit high density property demand over the short to medium term.

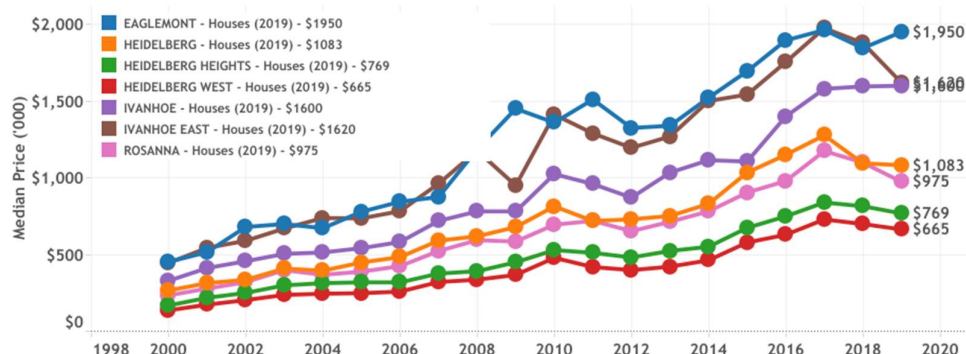
Council can expect existing development plans within the HMA and the broader municipality to be revised and deferred in response to market conditions. Development plans for major sites, for instance, may be revised to incorporate greater numbers of medium density dwellings that appeal to local owner occupiers. High density projects may also be deferred until market conditions improve.<sup>10</sup>

Notwithstanding the above, the HMA housing market incorporates a number of attributes that are likely to bolster its resilience. Specifically, the Centre will continue to represent a relatively affordable housing area within the region and, as such, an attractive option for the regions younger and older households, but also households that have been adversely impacted by the coronavirus.

<sup>10</sup> At 2016, 53% of HMA residents rented compared with 25% of residents in Banyule LGA. The number of renters is likely to be under represented as the data includes high numbers of 'not stated.'

The HMAc is situated within housing markets in which median house prices are generally above the Melbourne median. While local house price medians are falling the relative affordability of the HMAc's housing stock will be sustained ensuring that the HMAc is an attractive destination for downsizers that need to access housing equity, young adults that are commencing their housing journey and local health workers.

**Figure 38: Median House Prices**



Source: APM, Charter Keck Cramer

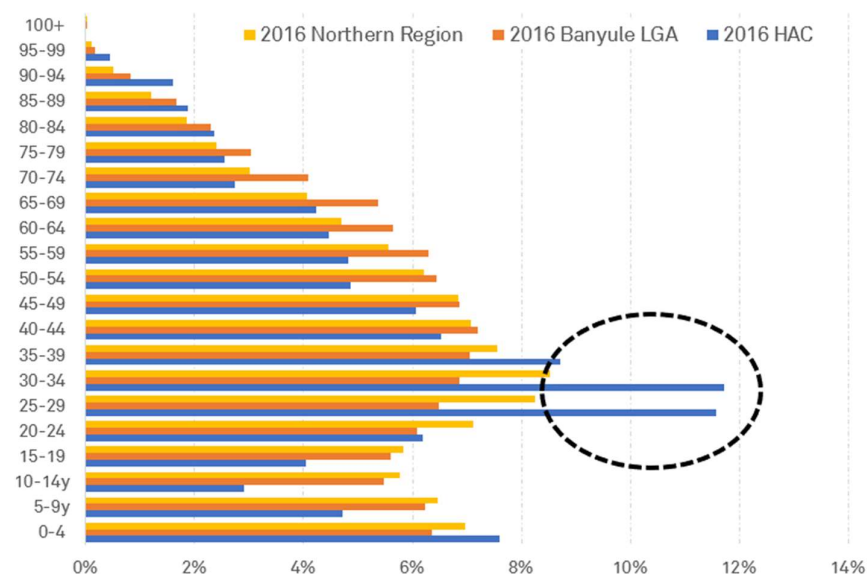
Local agents confirmed the role of the HMAc as a housing diversity destination that supports the housing needs of the regions younger and older households. In the first quarter of 2020 median unit prices were 635K within Heidelberg as compared to house prices of over \$1 million.

### 3.1.1. Population Change

At 2016, there were approximately 4,320 people living within the Centre. Given that more than 500 apartments were completed since 2016, the Centre's population is likely to now exceed 5,000 residents.

As can be seen below, the Centre has become an area with a significant number of young adults. At 2016, just under 40% of the MAC's population was aged between 20 and 40 years of age as compared with Banyule LGA in which 26% of the 2016 population was within this age range.

Figure 39: Age Cohorts 2016

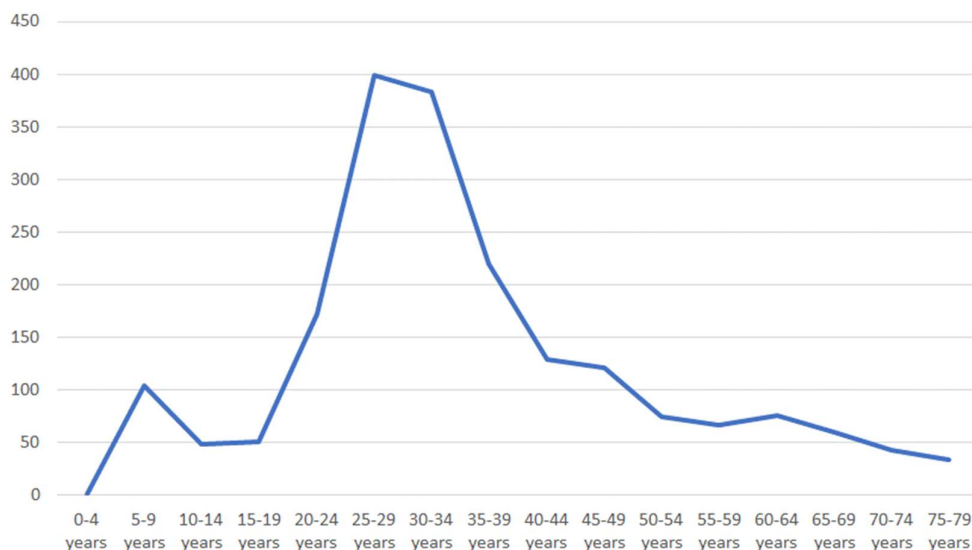


Source: ABS 2016

Over the 2011 to 2016 period the Centre added just over 600 new residents most of whom were young adults. As discussed, more recent apartment completions will have expanded and accelerated the Centre's population growth.

On an annual average basis the HMAC's population has been growing at a much faster rate than the population of Banyule LGA. For the 2011 to 2016 period Banyule LGA grew at an annual average rate of 0.6% per annum while the HMAC grew at 3.1% per annum (which is a rate that has most likely grown since 2016 with significant numbers of apartment completions). For this period, the HMAC accommodated approximately 20% of the municipality's population growth primarily via the attraction of young adults.

Figure 40: Migration to HMAC 2011 to 2016 by Age Cohort

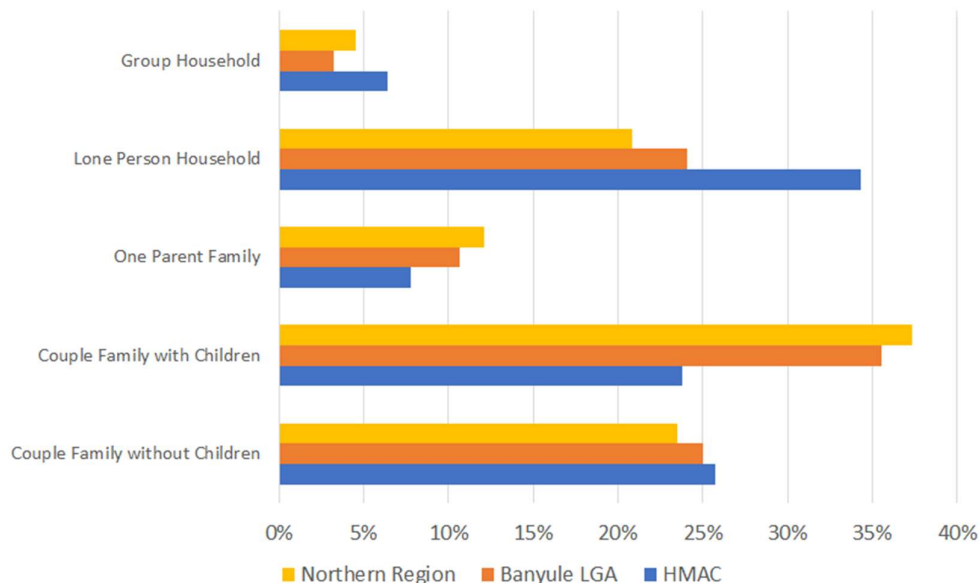


Source: ABS Census

The HMAc is home to high numbers of smaller households including many lone person households. There are also large numbers of group households in the Centre which reflects the prevalence of young adults.

Charter's analysis suggests that the area functions as a transition area for young adults prior to or during the early stages of family formation. High numbers of 5+ year olds and 30+ year olds migrate from the Centre (suggesting that families tend to leave the Centre which typically follows the birth of a second child). The structure plan might consider 3 bedroom floor plates and amenity that might help retain more young families within the Centre.

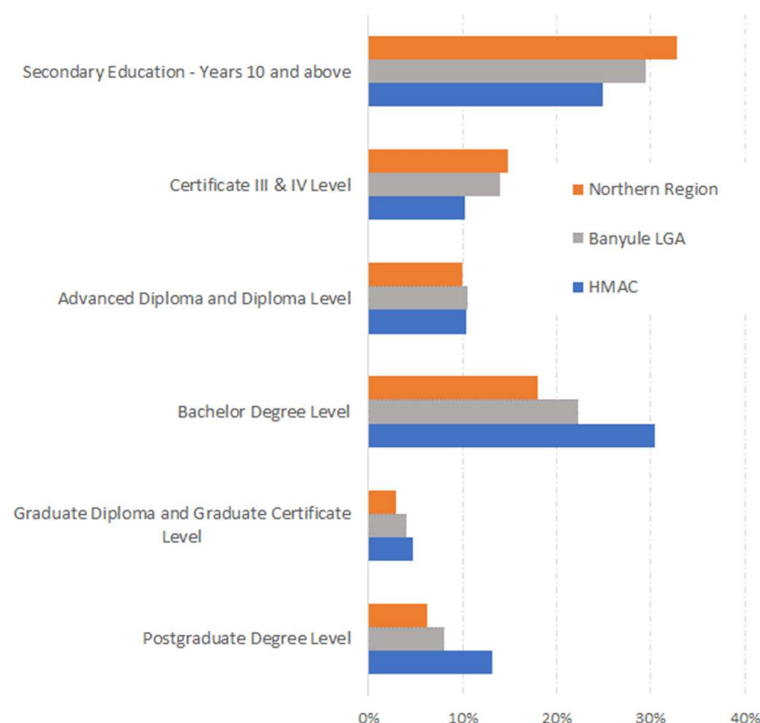
**Figure 41: Household Composition 2016**



Source: ABS 2016

The HMAc is home to high numbers of professionals that are generally more educated and affluent than residents in the broader municipality and the northern region. As can be seen below, high proportions of the Centre's residents have higher education qualifications including significant numbers of residents with post graduate qualifications.

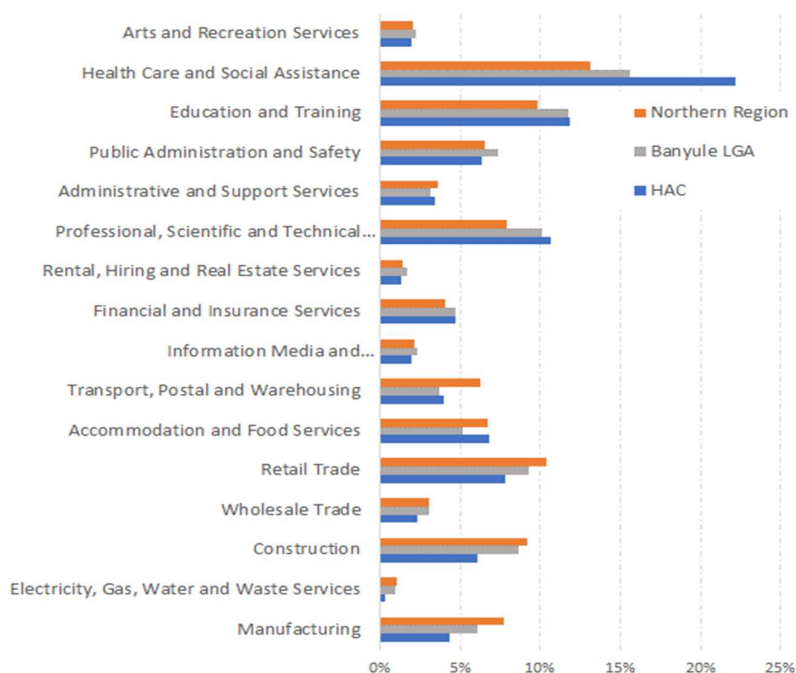
Figure 42: Educational Qualifications 2016



Source: ABS 2016

A symbiotic and complementary relationship between the health precinct and the HMAc's residential markets has also emerged which is reflected in the high numbers of health workers that currently live within the Centre. This might be interpreted as a further endorsement of the of the 2007 structure plan and the way in which its resulting high density development has created a genuine 20 minute city within Banyule LGA.

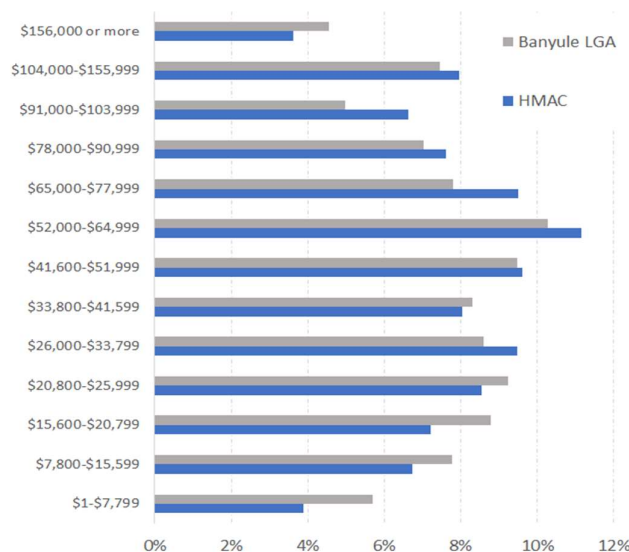
Figure 43: Industry of Employment 2016



Source: ABS 2016

The largely professional workforce that now lives in the HMAC have higher incomes than residents of the region and municipality which confirms the economic strength of the HMAC's primary retail catchment. As will be discussed shortly, more might be done to capture a greater share of this purchasing power.<sup>11</sup>

Figure 44: Annualised Personal Income Banyule LGA and HMAC



Source: ABS 2016

<sup>11</sup> At the time of the 2016 Census approximately 13% of the Centre's resident workers (approximately 275 workers) worked within the Centre. Of these worker residents, slightly more than 50% worked in the health care sector.

## 4. Engagement Outcomes

Charter consulted broadly within the Centre seeking to engage all industry groups and sectors including food industry, commercial office, merchandise trade, local property agents and the allied health sector.

The engagement focused on both individual experiences of the Centre and broader perceptions of change. Key focus areas included:

- perceptions and experience of recent change within the Centre
- the perceived role of the Centre
- the geographic breadth and profile of the trader's customer base
- trading conditions prior to Coronavirus
- Coronavirus impacts
- improvement opportunities, frustrations and suggestions

The period of the engagement overlapped with Stage 3 and 4 restrictions (see Appendix 2 for a full account of these restrictions). As such all engagement was conducted remotely. Not all industry sectors were engaged with (no fitness or personal service operations were successfully engaged with these services closed during the period of the study).

Key themes to emerge in the consultation are set out as follows:

**Table 8: Engagement Themes**

Theme	Insights
Expand retail diversity	<ul style="list-style-type: none"> <li>– Many traders commented on the growth of the HMA's food sector. Respondents generally considered the expansion of the Centre's food industry to have resulted in the narrowing of the HMA's retail base. As such, while accepting the growth of the Centre's food industry and its role as a dining and take away location, many respondents advocated for the Centre to attract more diverse retailers.</li> <li>– A greater diversity of retailing within the Centre was seen to be key to generating greater foot fall and for the expansion of the Centre as a more attractive destination.</li> <li>– Leasing agents, however, pointed to the difficulty of attracting national brands and enterprises to the Centre and the difficulty of then retaining major tenants in these categories.</li> <li>– A number of traders stated that the quality of shop fronts needed to improve to attract more consumers. There was also a variety of commentary on the marketing of the Centre some supportive some critical.</li> <li>– It was suggested that the prevailing width of the Centre's shop fronts (of approximately 5 to 7 metres) limited the Street's appeal to major retailers that prefer more expansive shop fronts. This was confirmed in discussion with two local agents</li> </ul>



	that pointed to the recent departure of a major national brand within the Centre as resulting from the lack of appropriate premises (they noted that the retailer was trading strongly however the premises was unsuitable). More diversity of retail floor plates may be needed to attract a greater range of traders.
A recognised convenience centre	<ul style="list-style-type: none"> <li>– Traders and enterprises within the Centre continually recognised the strength of the centre as a weekly shopping and convenience destination for the local community.</li> <li>– The distinction between a strong weekly and convenience shopping centre and a diverse comparison shopping location was not identified.</li> </ul>
A vehicle friendly centre	<ul style="list-style-type: none"> <li>– Almost all respondents commented on parking and vehicle access. In general, parking and traffic calming measures were identified as constraints. Many respondents felt proposed pedestrianisation strategies didn't accord with the primary way in which consumers accessed the Centre which was purported to be by private vehicle (respondents did not distinguish the way in which consumers travel to the Centre and the way in which they then circulated around the Centre).</li> <li>– Private vehicle car parking requirements were also seen to be a limitation on property development.</li> <li>– Notwithstanding the above, one respondent contended that Council should consider further traffic pacification along Burgundy Street. They regularly observed dangerous interaction between vehicles and pedestrians.</li> </ul>
High density development and population growth	<ul style="list-style-type: none"> <li>– All respondents were aware of the significant expansion of high density in and around the Centre, yet apart from local property agents, most were unable to identify specific benefits for their business.</li> <li>– Respondents did not identify a direct economic relationship between the growth of centre residents and their enterprise.</li> <li>– Some respondents considered high density development resulted in more congestion and more limited parking availability. Notwithstanding this, no traders expressed opposition to further high density growth. Notably, a respondent from the Allied health sector perceived high density growth within the Allied health precinct as potentially crowding out future medical growth.</li> <li>– The office space resulting from mixed use development was considered to have been beneficial to the Centre. Office developers and managers have attracted local professionals to the Centre's new office space enabling new clusters of industry to emerge including recruitment, accounting and legal services as well as specialised information technology and financial service firms. It was observed that occupants tended to live locally.</li> </ul>

	<ul style="list-style-type: none"> <li>– The Heidelberg Park and Warringal parklands was seen to be an amenity advantage for local office workers.</li> </ul>
The need to nurture contemporary retail enterprises	<ul style="list-style-type: none"> <li>– Specialised retailers identified a strong relationship between their business and local households (but not necessarily HMAC households).</li> <li>– It was observed that many retailers lacked the necessary skills and knowledge to function as contemporary retailers. Specifically, the ability to undertake internet marketing and distribution in combination with physical retailing.</li> <li>– A small number of respondents in the food sector stated that they had been successful in adopting online platforms and improving their delivery services which would now become an enduring component of their business. As discussed earlier 70% of the HMAC's food sector now incorporated an ecommerce platform.</li> <li>– Notably, during the Covid period Council has implemented ecommerce support for traders. No traders referred to this (although traders were not directly asked about. All traders were, however, asked about ecommerce activities.</li> </ul>
Reaching markets beyond the centre catchment	<ul style="list-style-type: none"> <li>– Office based professional service providers considered that their market was well beyond the Centre's catchment with some identifying metropolitan Melbourne as their market.</li> <li>– Multi channel merchandise based retailers likewise identified a far larger catchment than the HMAC's immediate retail catchment as their target market.</li> <li>– It was observed that many of the Centre's traders lacked the skills to undertake contemporary online marketing and distribution techniques in order to reach consumers beyond the immediate geographic market.</li> <li>– Most traders identified their target market as the immediate geographic retail catchment.</li> </ul>
The impact of the Coronavirus	<ul style="list-style-type: none"> <li>– The consultation period includes both the stage 3 and stage 4 coronavirus period which entailed increasing stringent stay at home orders and business restrictions to control the spread of the virus.</li> <li>– The vast majority of respondents reported detrimental impacts on demand and business operations. Impacts are sector specific as follows: <ul style="list-style-type: none"> <li>– office based uses have largely shifted to work from home arrangements and online interaction with clients</li> <li>– food traders have shifted to online and take away services.</li> <li>– The Centre's fitness industry and personal care services are largely closed</li> <li>– The allied health precinct has seen redeployment of staff to support aged care whilst also experiencing a</li> </ul> </li> </ul>

	<p>decline in elective procedures and treatments as well as the introduction of new protocols for staff, patient and visitor management</p> <ul style="list-style-type: none"> <li>– Supermarkets are fully functioning but under restricted trading hours</li> <li>– At the time of writing this report, the Centres merchandise retailers were largely closed.</li> <li>– Enterprises with established online distributions and marketing platforms were best able to adapt to changing conditions. The consultation identified only a limited number of businesses with established online purchasing and marketing platforms prior to the pandemic.</li> <li>– A number of businesses stated that they had sought to adapt via the rapid integration of online platforms. For some this had proven to be a successful endeavour (one respondent expressed significant pride in their efforts to adapt and a sense of achievement).</li> <li>– Respondents have observed lower foot fall (which is confirmed by the mobile phone data in tabled in this report).</li> <li>– Traders reported on far greater levels of cleaning and washing.</li> <li>– Businesses were not asked about changes in turnover. Some, nonetheless, voluntarily reported on their turnover. One food vendor stated that their turnover had dropped but was now returning to that of the pre- coronavirus period based on the use of online services. Another, however, identified a decline in turnover of 80% while another vendor identified a decline of 50%.</li> <li>– Some expressed concern about the impact on younger staff and their future careers and housing prospects. The disruption to careers and household income was seen as a major concern.</li> <li>– Many expressed concern about the potential for retail vacancy to escalate within the Centre and in turn to undermine the presentation and attractiveness of the HMAc as a destination.</li> <li>– Office based uses were adapting to conditions via the use of online platforms. Many suggested that they would now reassess their need for commercial office space given the success of work from home arrangements. These respondents suggested that they would, in the future, combine work from home and office based activities (commercial office space would therefore still be needed).</li> </ul>
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







It should be noted, that much of the above aligns with the results of the *Heidelberg Activity Centre Liveability Study 2020* in which impressions of the HMAc were explored with the local community. Specifically, *The Heidelberg*

*Activity Centre Liveability Study 2020*, identifies convenience shopping as the centre's leading attribute and parking as its most significant deficiency.

**Figure 45: Survey Results Heidelberg Activity Centre Liveability Study 2020**

#### WHAT IS IMPACTING THE LIVED EXPERIENCE TODAY

These tables identify the highest and lowest rated attributes that are contributing to neighbourhood liveability.

RATE	TOP 5 LIVEABILITY CONTRIBUTORS	RATE	BOTTOM 5 LIVEABILITY CONTRIBUTORS
#1	 <b>Local businesses that provide for daily needs</b> (grocery stores, pharmacy, banks etc.)	#50	 <b>Ease of driving and parking</b>
#2	 <b>Access to neighbourhood amenities</b> (cafes, shops, health and wellness services etc.)	#49	 <b>Sustainable urban design</b> (water sensitive design, transport-oriented design, sustainable building design, density etc.)
#3	 <b>There are people like me</b> (age, gender, interests, ethnic backgrounds etc.)	#48	 <b>Things to do in the evening</b> (bars, dining, cinema, live music etc.)
#4	 <b>Connectivity</b> (proximity to other neighbourhoods, employment centres, shops etc.)	#47	 <b>Unusual or unique buildings and/or public space design</b>
#5	 <b>Locally owned and operated businesses</b>	#46	 <b>Sustainable behaviours in the community</b> (water management, solar panels, recycling etc.)

Source : Heidelberg Activity Centre Liveability Study 2020

## 5. Future Directions

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The following explores potential growth pathways for the Centre whilst also canvassing a number of initiatives to drive future growth.

### 5.1. A Growing Region

Into the future, Melbourne's Northern region will continue to grow. To 2031, projections by the Department of Environment, Land, Water and the Planning (DELWP) envisage the region's population growing to 1.3 million people (from 950K in 2016).<sup>12</sup> Concurrently, DELWP also projects the addition of 138,000 jobs resulting in a regional employment of more than 450K jobs.

DELWP's projections do not account for the short and long term impacts of the Coronavirus on both the regional economy and population growth. As such, it is likely that the timeline for the achievement of DELWP's 2020 projections will be deferred into the mid 2030's (assuming that government commitment to Australia's migration program is enduring and ongoing household formation and growth within the region's existing population continues).

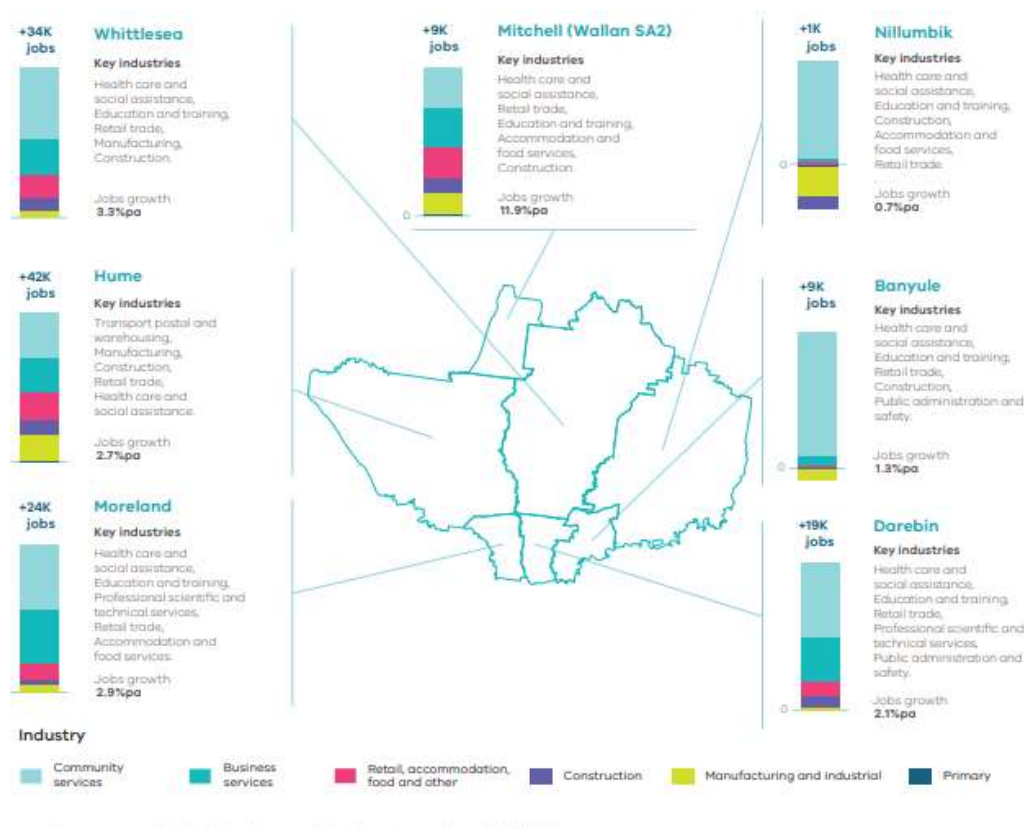
The region's growth areas in Whittlesea LGA and Hume LGA are projected to take on the vast majority of forecast growth. As per its role in supporting recent regional growth, the HMAC is well positioned to benefit from continued regional growth. The 2020 DELWP projections identify a further 9k in jobs in Banyule LGA to 2031 with the vast majority of this employment arising within the health, social assistance and education sectors.

Assuming that the HMAC maintained its current share of employment within Banyule LGA (of approximately 30% of the municipality's jobs) the Centre's employment base is likely to exceed 15,000 jobs in the 2030's. DELWP projections identify the need for a further 19,000 sqms of predominately commercial office floor space within Banyule LGA to support its employment growth.

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<sup>12</sup> The Department of Environment, Land, Water and the Planning, *Melbourne Industrial and Commercial Land Use Plan 2020* page 61

Figure 46: Melbourne Industrial and Commercial Land Use Plan 2020 Northern Region



Source: Melbourne Industrial and Commercial Land Use Plan 2020

The HMAC is well positioned to support the region's population growth both as a medical service provider and as a major housing diversity node catering to the housing needs of the region's young adults and its older households.

The following outlines a number of interventions to support the ongoing growth of the HMAC economy in the context of broader economic growth and change.

### Support the Growth of Austin Health Precinct

The Centre's Allied Health and Hospital precinct is a major economic asset for Banyule LGA and the HMAC.

As the region grows the need for the precinct's many different health services and specialisations will continue to grow. At present, however, there is very limited understanding of the way in which the precinct will grow and change in response to both regional growth and the evolution of health care. There is, for instance, no unified plan that outlines the way in which the precinct's infrastructure will evolve or the type of future uses the precinct might seek to attract.

Invest Victoria is currently seeking to establish governance arrangements within the precinct that links the interests of its major stakeholders to a united agenda. A key priority for the Structure Plan should be to understand the future growth aspirations of the precinct and the implications for this in terms of land use, land supply and transport accessibility.

Precinct representatives suggested that there was limited scope for the precinct to expand other than via the redevelopment of its existing footprint. Competition for the provision of health services will intensify as the region grows. A framework plan to support the precinct's growth should be considered as matter of both protecting and enhancing the precinct's existing competitive advantages. The plan might identify long term preferred areas for expansion based on consultation with precinct stakeholders and landowners.

As identified in this report health uses are increasingly spilling over into other areas of the HMAC creating a broader health economy. As such, areas outside of the existing precinct might be considered for expansion.

### **Plan the HMAC as Distinct Economic Areas**

The evaluation of the Centre's commercial functions identified core strengths within the Centre that in the long term should be supported and nurtured.

Fundamentally, the Centre's economy is comprised of two distinct economies a regional health care economy and a more localised retail and services economy. The scale, drivers and future economic prospects of these economies are very different and as such should be addressed separately in the future structure plan.

Within the retail precinct there is the potential to affirm the evolution of the Centre's food and services sectors as core areas of its identity and future growth. Both professional services and food based consumption are sectors of the economy that have been growing and are projected to grow in the future.

Affirming these identities may, however, undermine the desire to facilitate a more diverse retail economy within the Centre. As has been discussed, the restructuring of the retail sector in response is unlikely to see major brands return to strip shopping centres.



Figure 47: Proposed Sub Precincts



Homewares, is a further category of retail growth in which Charter's analysis suggests that there is significant leakage of expenditure from the Centre's retail catchment. Building from the existing structure plan, the future structure plan may seek to promote road side retail in homeware categories along the commercial areas of Bell Street and seek to influence redevelopment floor plates to support these showroom based uses as this area under goes change. Increasingly, homeware enterprises function as hybrid retailers that combine showroom service with click and collect opportunities. The Bell street commercial area is ideally situated to support these uses.

The above implies an ongoing narrowing of the Centre's retail base. It is to be expected that physical retailing will continue to decline in line with the broader restructuring of retailing globally. In the face of this, services and food continue to function as categories of existing strength within the HMAc that provide a basis to sustain local employment and activity while ensuring that the Centre functions as a destination in key sectors of the economy.

Identifying subprecincts may help to:

- Facilitate further clustering of uses
- Influence the types of floor plates that result from new development in preferred areas (for instance, larger floor plates in the Homewares precinct, office floor plates in the Jika Precinct)
- Influence the location of new investment in the HMAc
- Strengthen the existing commercial identity of established uses

- Guide urban design treatments to support preferred uses
- Create a basis to respond to future planning proposals

### **Attract and nurture niche and hybrid retailers**

Many traders expressed the desire for the HMAc to support a more diverse retail base that would function as a major destination for more diverse consumer groups.

Given both the ongoing restructuring of retailing, the accelerating growth of ecommerce and the quality of shopping experience provided by hard top self enclosed shopping centres, it's unlikely that the HMAc's retailing sector will diversify (it instead is more likely to narrow).

Physical merchandise trade, nonetheless, will continue to be a component of the Centre's retail make up particularly that many categories of merchandise trade will continue to grow in line with expenditure trends. Into the future, niche and customised traders are likely to lead the Centre's merchandise trading. These are traders in which the overall value proposition is based on product specialisation and service (as is already the case for a number of the Centre's retailers).

The future will see the emergence of hybrid retailers which combine online and physical trading (again the Centre includes traders that exemplify this form of retailing who are able to appeal to consumers well beyond the HMAc's retail catchment due to their online capability).

The Centre's rents and accessibility will continue to attract niche retailers which are unlikely to function as major anchors for the Centre, but are critical to maintaining the Centre's occupancy and activity.

Key initiatives to support niche and hybrid retailers might include:

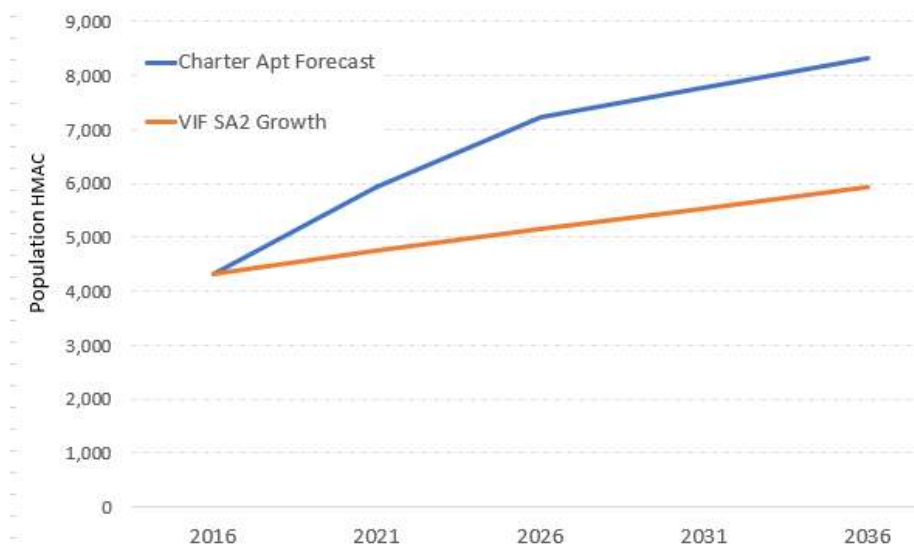
- Supporting hybrid floor plates that enable show room/ click and collect activity (primarily in Bell Street and Burgundy Street where possible)
- Trial the potential redeployment of a limited number of Council car parks within the Burgundy Street precinct to function as click and collect zones
- Support the development of search engine optimisation and ecommerce capability amongst HMAc traders.

### **Ensure the Centre Leverages Commercial Activity From High Density Development**

The analysis suggests a relatively young, educated and affluent demography has emerged within the catchment. The volume of development mooted for the Centre suggests that this is likely to grow.

To 2036, State Government population projections suggest that the HMAc's population is likely to grow to 5,900 residents. Charter, however, considers that given the Centre's pipeline of development there is the potential for its population to grow to 8,300.

Figure 48: HMAc Population Projections



Source: Victoria in Future 2019, Charter Keck Cramer

Population growth provides a basis for greater foot fall and expenditure within the Centre, which given the affluence of the Centre's existing residential cohort represents a major strength of the Centre. This, however, will need to be encouraged via careful urban design treatments that support the ease of movement between residential development and commercial activity.

Creating an attractive, high amenity environment for existing and new residents that fulfills the objectives of the 20 minute neighbourhood is essential for the Centre's liveability but also provides the basis to boost the Centre's economy and attractiveness as a destination. Seeking out opportunities to activate the public realm, through a mix of curated and informal place activation programs will assist in attracting visitors to the HMAc. Likewise, ensuring the ease of movement between the HMAc's existing and future residential and commercial areas including night time pedestrian safety should be a structure plan priority. Notably, the HMAc's residential growth areas along Bell Street presents significant challenges in this respect.

There is also an opportunity for Council's economic development division to promote the significant purchasing power of the Centre's residents as a potential attractor for new businesses. The Centre's high density cohort enjoys incomes and educational attainment levels that are very different to the historic socio-demography of the area. This is an insight that might be shared more broadly with the business community.

### Plan for Accessibility Uplift

The North East Link, which will be delivered in 2027, will connect Melbourne's freeway network between the Eastern Freeway and the M80 Ring Road. The link will boost the Centre's metropolitan and regional accessibility with the Banksia/Bell Street corridor, in particular, benefiting from the Manningham and

Bulleen Road interchange (modelling also suggests that vehicle use along Lower Heidelberg Road is likely to decline to the benefit of the HMAc).

Regional road accessibility has helped underpin the ongoing expansion of contemporary commercial office uses in Melbourne's east particularly within Monash LGA in which the accessibility provided by overlapping road networks has supported sustained commercial office growth in the suburbs of Blackburn, Clayton, Mount Waverly and Mulgrave (Melbourne's outer east currently hosts over 900,000 sqms of commercial office space). More recently, the delivery of East Link has supported unprecedented suburban office expansion in proximity to the East Link corridor (the Caribbean Gardens office park in Scoresby is on track to become Melbourne's largest commercial office park of 235,000 sqms while office towers are either currently under construction or planned within the Ringwood Major Activity Centre).

The introduction of the North East Link will, likewise, transform the attractiveness of commercial office uses within the HMAc and in particular the attractiveness of the Bell/Banksia street corridor for new commercial uses. The Jika precinct, which already includes a significant service and office sector, includes a number of large underutilised sites that in the future are well positioned to attract office based commercial investment given the area's post 2027 accessibility. Increased accessibility along the Bell Street corridor will also help strengthen the rationale for showroom and large format contemporary retail uses.

In the post Coronavirus era, decentralisation of office based work in suburban work hubs may also support local office demand. The Jika precinct is ideally placed to support local decentralised office uses given the significant numbers of professionals within the municipality. Notably, prior to the Coronavirus strata titled office space within the precinct were nearing full occupancy.

Over the long term, the Suburban Rail Loop will transform the HMAc's fixed rail public transport accessibility. The delivery of the North East section of the rail loop will see Heidelberg Train Station function as an interchange between the Loop and the Hurstbridge rail line, broadening the HMAc's commuter catchment and the variety of destinations available to local residents. The HMAc is well positioned to support the development objectives of the Suburban Rail Loop which entail leveraging the Loop's accessibility in growing jobs and housing. At present, the timing, funding, route and design of the Loop are still under consideration. The forthcoming Heidelberg Structure Plan should seek further information from State Government on these matters to assess whether consideration of the Loop's impact is within the reasonable horizon of the structure plan.

## Appendix

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### 5.2. Appendix 1: Retail Disruption

Retailing as an economic activity has historically required the presence of physical retail outlets. Based on a common set of consumer needs, the emergence of similar physical retail formats has evolved worldwide. This is reflected in the proliferation of supermarkets, convenience stores, department stores, and specialty retail and shopping malls of various configurations.

The continued primacy of physical locations for retailing is now being challenged like never before, as the ways in which shoppers choose to shop are changing in the most fundamental ways.

The retail sector will continue to face major challenges, due to both cyclical downward pressure but more significantly, structural changes due to the rapid, yet still early impact of technology and the rise of ecommerce.

Technology is driving the transformation of shopping behaviour and retail industry change which is also profoundly impacting the geography of retailing across the globe. More bricks and mortar retailers will launch online stores to complement their traditional offerings, while many online operators are anticipated to open shopfronts and flagship stores. Industry revenue is also projected to rise as older Australians become increasingly computer literate.

As retailing will no longer be limited to physical outlets the absolute number of stores will be reduced sharply, and the configuration of those remaining will change from a network of similar configuration and type, to a far more diverse offering. For major chains, significant reductions in store numbers and radical reconfiguring of store formats is anticipated.

Perhaps the most significant trend unfolding as a result of technological impact, is that highly localised demand by individual shoppers can now increasingly be met by supply at a boundaryless global scale. Lack of physical access to a retail store is no longer a barrier to the ability of a shopper to purchase from a retailer or for the ability of that retailer to make their offering available in locations where they have no physical presence.

Of course, the most pressing question that traditional retail operators will now need to address is what the role of the physical store will be in a world where retailing no longer needs to be conducted through physical stores, and where shoppers, especially the vast numbers of millennials, live in a 'digital first' retail world.

For established retailers a key challenge in creating an enterprise relevant to the needs and expectations of contemporary shoppers is not just to reinvent the store but also to create networks of digital engagement within which to locate the stores that remain. For new retail enterprises the challenge will be different.

Interestingly, many Internet only enterprises are now discovering the value of physical points of engagement also.

In seeking to understand the future of retail, it is first and foremost important to acknowledge that a multitude of hybrid models combining physical and digital engagement opportunities for the shopper will continue to emerge.

### **5.3. Structural Change – Rise of Ecommerce**

It is now widely understood that the retail industry across the globe is undergoing structural change due to the rise of e-commerce as more and more people exchange goods and services via the Internet. This is directly impacting the performance of bricks and retail mortar, which is becoming increasingly evident in shop vacancies and rental values across the retail market.

#### **5.3.1. Ecommerce – A Global Phenomenon**

Driven by Millennials, the impact of e-commerce is extensive, with direct impacts on everything from small business to global enterprise and beyond. At the same time that online retailing continues to grow, in-store sales are in long-term decline. This is occurring in an environment where consumer preferences are evolving and people allocate a larger share of their income towards retail services.

The scale of growth occurring in ecommerce is highlighted by the fact in 2019, the global market size was A\$2.8 trillion, which was 11.3% larger than 2018. By 2021, it is anticipated the market will grow by 25%<sup>13</sup>, though this figure could be pushed significantly higher due to impact COVID-19 is having on online shopping behaviour.

#### **5.3.2. Changing Consumer Behaviour**

Demand for goods purchased online is typically influenced by a range of factors such as price, discretionary spending, reputation, consumer sentiment, product range and the availability of substitutes from other retail channels.

Consumers have become more value-conscious and the trend towards bargain hunting has grown increasingly prevalent. As a result, demand for online goods has grown significantly as consumers continue to see out the best prices and products across different websites.

Although volatile consumer sentiment and limited discretionary spending have affected traditional retailers over the past five years, online stores have benefited from this change in consumer behaviour.

In addition, consumers may also choose to purchase goods from foreign operators that offer competitive prices and wider product ranges. This is

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<sup>13</sup> (Source: [Statista](#))

particularly prevalent when the value of the Australian dollar is high, as international products will be relatively cheaper to domestic consumers.

Online shopping offers unprecedented choice through highly competitive prices and a lack of geographical boundaries. Convenience and price have been the largest factors driving consumer demand for goods purchased online.

The ability to purchase goods without the restrictions of traditional stores, such as trading hours and shopping queues, has clearly benefited consumers.

Following initial fears regarding the safety of ordering goods online, online shopping has been embraced by consumers because of the increase in efficiency, reliability, turnaround time and the increasing ability to resolve issues. Growth in the range of products and services on offer by retailers has also boosted demand over the past five years.

Several retail subsectors have already migrated online in certain markets, in particular music, travel services and increasingly financial services. Perhaps unsurprisingly it has been the generic and more basic retail categories that have migrated most quickly.

## 5.4. Australia's Embrace of Ecommerce

Australia is currently the 10th largest ecommerce market in the world (based on revenue). As of February 2019, 80.8% of people in Australia are shopping online. In the pre-COVID period, it was estimated that approximately one out of every ten items was purchased off ecommerce stores. By 2021, ecommerce market penetration rate will reach 85% of Australians, and the number of people buying online is expected to be 22.0 million<sup>14</sup>.

Despite having a smaller population than its counterparts, there are several factors that explain why Australia has become one of the world's biggest participants in e-commerce.

With a population of 25 million, e-commerce in Australia has been fueled by a strong economy and supportive infrastructure, rather than the number of consumers. Eighty-five per cent of people in Australia have internet access and the number of users is increasing at a rate of 1.7%. In a global context, this is a very high proportion and ensures that e-commerce websites are able to easily reach a large audience.

In 2019, total retail sales in Australia (excluding cafes, restaurants and takeaway food) recorded modest growth of 2.7% in 2019, reaching a dollar value of \$282.8 billion. During the same time, Australians spent \$32 billion online, an increase of 17.5% year on year, amounting to 11.3% of the total retail spend.<sup>15</sup>

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<sup>14</sup> Statista

<sup>15</sup> [https://auspost.com.au/content/dam/auspost\\_corp/media/documents/2020-ecommerce-industry-report.pdf](https://auspost.com.au/content/dam/auspost_corp/media/documents/2020-ecommerce-industry-report.pdf)

The growth of online retailing through smartphones and tablets is anticipated to provide further opportunities for operators to enhance products and services, and reach a wider, technologically savvy audience. The convenience for the shopper and the reduction in overheads for the retailer are two primary drivers of Australian ecommerce growth, and with steadily decreasing costs of logistics and delivery – this growth trend is set to continue for several years yet.

**Table 3: E-Commerce Revenue Outlook**

Year	Revenue (\$ million)	Growth
2019-20	25,584.6	7.8
2020-21	27,527.2	7.6
2021-22	29,634.0	7.7
2022-23	31,821.2	7.4
2023-24	34,495.8	8.4
2024-25	36,983.2	7.2

## 5.5. Onset of COVID-19

The global pandemic has brought change on an unprecedented scale, significantly altering the trajectory of the eCommerce industry. Online has for many become the preferred way to shop, prompting massive online growth as retailers and shoppers alike adapt to this new model.

### 5.5.1. Bringing Forward Existing Trends

The onset of COVID-19 has resulted in a sharp acceleration in the impact that online retailing was otherwise expected to have in the short term. As a result, it has added further uncertainty to a sector already enduring significant change, raising many questions about the future role and functionality of retailing and the need for particular formats.

The pandemic's disruption of global supply chains, the grounding of commercial freighters, and the congestion in trade lanes will continue to put unprecedented pressure on retailers. The pandemic has fundamentally impacted the retail sector, bringing years' worth of expected change in just a matter of weeks.

As described, retailers and their suppliers were already in the middle of multiple industry-wide paradigm shifts. However, margins are now shrinking, and business closures are rising, so without a major intervention the pandemic crisis will accelerate these trends, especially online shopping. This will consolidate the control that major corporate retailers already had on retail trade and push out what small businesses are left.

### 5.5.2. The Spike in Ecommerce Sales

The spike in ecommerce sales following the onset of Covid19 has been remarkable.

In 2020, more people have been shopping online than ever before, up 31% in April to 5.2 million when compared to the average in 2019. Significantly, more than 200,000 new shoppers entered the market and purchased something



online for the first time in April, with over a third of new shoppers making multiple purchases. Seasoned shoppers have also increased their purchase frequency with over half of them buying online more than twice in April 2020.

Ecommerce in Victoria grew 111% year on year in April (compared to 19.9% in 2019). Meanwhile, the Australian Capital Territory and New South Wales grew by 102% and 98% year on year respectively, compared to 16.4% and 16.5% in 2019.

Earlier in the pandemic, a rise in online sales was driven by non-food retail categories, as customers turned to online shopping as physical stores closed over April. Food did not see a comparable rise in sales, because stores such as supermarkets kept physical stores open throughout the month and restricted online shopping to 'at-risk' customers.

Since April, non-food shopping eased as social distancing regulations were relaxed and as physical stores re-opened. At the same time food online sales have risen as supermarkets have returned to offering online shopping to all sections of the community.

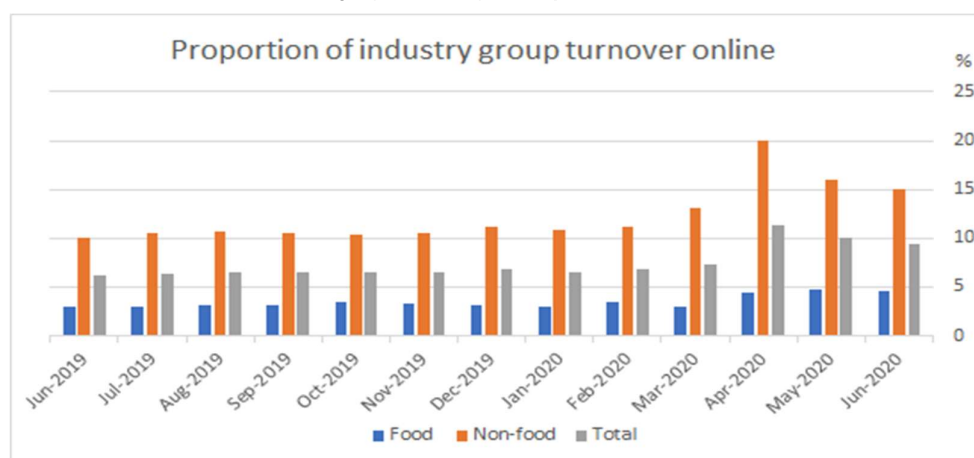
As a proportion of grouped industry turnover, Non-food online sales have dropped from 20.0% in April, to 15.9% in May, and 15.0% in June. Despite the month-on-month falls, Non-food sales continue to be much larger than the same time last year. Food online sales have risen slightly from 4.3% in April, to 4.7% in May, and 4.6% in June.

#### Increase in Online Retail Sales – Australia [June 2019 – June 2020]



With the fall in Non-food offset somewhat by the rise in Food, the percentage of total online sales remains elevated at 9.4% of total sales (seasonally adjusted). While this is a slight fall from the peak of 11.3% in April 2020, the proportion of online sales in June is still significantly above pre-COVID-19 levels, indicating consumers continued to spend more online even as restrictions eased gradually in May and June.

## Growth in Online Purchasing by Industry Group



Fashion and apparel remained the most popular items purchased online, while other categories such as Specialty Food & Liquor continued to grow in market share as consumer confidence increased.

Though it's still too early to say how the industry will look post-pandemic, it's clear that a new baseline has been set. It was previously predicted that by 2025, online shopping would account for 16–18% of total retail spend. However, recent growth suggests the pandemic has brought this change forward such that by the end of 2020, online spend will hold a 15% share of the total retail market.

### 5.5.3. Melbourne – A Case Study

Though the full effects of COVID-19 on the Melbourne retail sector are far from being fully understood, it is nonetheless instructive to highlight an evolving use of retail space that is occurring in direct response to the pandemic that also provides insight into the potential hybridisation of such space expected to continue.

Despite hospitality being the hardest-hit segment of the market since the start of the pandemic, many operators are re-inventing their businesses with a new dining business model built on providing take-away meals, which is one of the few sectors enjoying a boom during the lockdown. The fact that 8.7 million Australians now had a delivery app on their phones, compared with 4 million pre-COVID-19 pandemic, highlights the massive opportunity for food and beverage operators.

A survey of cafes and restaurants from Food Industry Foresight have found that 100 per cent have now changed to also offer takeaway meals, and 57 per cent delivery. Perhaps most significantly, only 32 per cent of cafes and 28 per cent of restaurants believe business will return to normal in the future.

Since Melbourne went into lockdown, almost half of new retail leases have been for food and beverage operators, adapting to the huge surge in demand for

takeaway and home delivery.<sup>16</sup> Based on a hybrid business model, with 50 per cent of trade set for takeaway packages, and an anticipated future return of patrons (albeit less than previously), smaller spaces fitted with kitchens and minimal seating areas, particularly along retail strips, have proved particularly popular.

From a retail property perspective, the market will be heavily impacted by tenants' propensity, and ability to pay rent as part of the overall changing business model. Rents will ultimately convert to be determined in this context by a sum of money, likely to be between \$25,000 and \$60,000 per annum.

## 5.6. The Future of Bricks and Mortar Retail

**One of the consequences of the rise of online shopping is the decline of customer footfall in bricks-and-mortar stores which is leading to store closures or insolvencies of domestic bricks and mortar retailers.**

Competition from online shopping and large international retailers has created a particularly difficult environment for domestic bricks-and-mortar retailers, particularly discretionary goods retailers.

The impact of global e-commerce players on local Australian retailers is evidenced by the decision of numerous brands such as Marcs, David Lawrence, Pumpkin Patch, Payless Shoes and Herringbone to collapse or close their physical stores. The challenges faced by the retail sector have caused subdued demand for retail floor space. This indicates that there is potentially simply too much physical retail space in a time when purchases are increasingly made online. Furthermore, the costs associated with the initial start-up of a physical retail store make it a significantly more risky financial decision than starting an online store.

These challenges will continue to affect every retailer in the market as online stores continue to compete with traditional bricks and mortar retailers such as department stores and specialised retailers. The weakening of retail has now manifested itself in two significant ways; a sharp increase in vacancies, and a decrease in rental levels. These impacts are highlighted in new research which shows vacancy rates on Melbourne's high-profile retail strips, such as Melbourne's Chapel Street and Bridge Road, Richmond hitting record levels of more than 20 per cent in June. In Sydney, hundreds of shops are available for

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<sup>16</sup> <https://www.commercialrealestate.com.au/news/surge-in-popularity-of-takeaway-during-melbournes-covid-19-lockdown-drives-renewed-interest-in-small-shops-for-lease-2-979598/>

lease in Oxford Street, Paddington, Newtown's King Street and other inner suburbs<sup>17</sup>.

### 5.6.1. The Bricks & Mortar Challenge

There are approximately 75,000 retail shops in Australia at present. This equates to approximately one shop for every 320 people. This makes Australia third on a per capita basis to the USA and Canada in shopping density<sup>18</sup>. Given this, it can be reasonably expected that there will be continued contraction of total retail floorspace over the long term as ecommerce continues to become more popular.

While attempting to quantify future vacancy rates is fraught it is not difficult to imagine continued increase in vacancy rate as retailers migrate online in the coming years. With the appetite by a growing number of shoppers to buy online it is difficult to foresee how many retailers in established retail markets will not reduce a substantial proportion of their real estate portfolios. Physical network and store rationalisation will therefore continue for the foreseeable future.

### 5.6.2. The Outlook for Bricks & Mortar

In seeking to understand the outlook for bricks and mortar retailing, the results of a survey of small bricks and mortar businesses published in January 2020, are compelling. These revealed the following key responses from retailers regarding their future plans and predictions.

- Almost half of Australian bricks-and-mortar small business owners (48%) predicted their business would operate entirely online in the future, with more than a quarter (26 %) of these businesses foreseeing this occurring in the next three years.
- Regardless of their future form, 46% of all small business operators predict online channels will account for at least half of their sales in three years' time.

While operating solely online is a popular future strategy for Australian small business owners, particularly amongst those in the travel and retail fashion sectors, the survey results also revealed that going digital is not without challenges. When compared to small businesses with a physical presence, today's online small businesses are more likely to:

- Fear insolvency within the next three to five years - 37% (online) vs. 32% (bricks and mortar)
- Expect declining or flat revenue in the next year - 55% (online) vs. 34% (bricks and mortar)
- Feel less optimistic about the future of the small business sector - 33% (online) vs. 41% (bricks and mortar).<sup>19</sup>

<sup>18</sup> <https://www.insideretail.com.au/news/retail-predictions-for-2018>  
**Leaders in**  
**Property**  
**Intelligence.** <https://blog.retail.org.au/newsandinsights/small-businesses-predict-major-digital-shift>

## 5.7. The Future of Retail

### 5.7.1. Opportunities for Physical Retailing

Despite the profound changes that will continue to transform the retail sector physical stores will still have significant opportunities to capture a significant portion of the market. This will of course need to be different to the traditional model and provided in ways that are different from, yet complementary to the online alternative.

The new landscape of retail is more fluid and complex than many retailers have been used to operating in. In a digital world the very notion of what a store even is has changed and whereas retailing used to be synonymous with physical stores it no longer is.

Traditional value chains where participants in retail understood their role and is increasingly a thing of the past, as everyone is now a retailer. The ways in which shoppers can expect to be able to fulfil their needs and desires is far more complex and multidimensional than it has ever been in the past.

It will increasingly be the role of the retailer to provide a range of engagement and fulfilment options from which the shopper can create their own purchase choices. The opportunities will be enormous for those that can create truly customer centric enterprises that are genuinely able to engage with shoppers in the ways in which they now wish to be engaged.

One opportunity that can play to the relative advantage of a physical space is to conceive of the store as being less a selling space and more a place of brand immersion and product showcase. Rather than seeing this as a challenge to be resisted, an alternative view is to accept the reality that many shoppers want to use stores in this way, and facilitate the process by helping the shopper to order on the businesses website products that they have been inspired by whilst in the store. Product uniqueness will be a prerequisite for this strategy to be effective.

For many shoppers, much of the biggest part of their retail spend is predictable and repetitive and does not change from one shop to the next. In retail categories involving such generic behaviour, there is obvious opportunity for enterprises to deliver more convenience to the shopper by removing the drudgery of making such purchases.

Shopfronts will evolve to have new purposes so that they aren't just places people come when they need to buy something, but places people come to gather info, connect with a brand or company, comparison shop, and spend leisure time. Shoppers who are actively in the market for an item may or may not make the final purchase at a physical store. Accordingly, shopfronts that can make themselves into experiences rather than merchants will compete most effectively in this new reality.

### 5.7.2. The Retailtainment Experience

Retail space in both shopping centres and within the portfolios of retailers is diverging between a smaller amount of better quality space and poor secondary space. The continued distinction in the quality of retail space will therefore be one of the defining features of the new landscape of retailing. The addition of high quality new space will further accelerate the exiting of poorer quality space.

As part of the broader shift to quality within the physical retailing sector, consumers are increasingly viewing shopping as an experience. As a result, astute developers and investors are starting to accommodate this by creating an engaging space with activities which cannot be achieved at home or online. This emerging trend is widely referred to as 'retailtainment'. Stores that can provide a broader experience, sense of place and social engagement will be valued. Creating highly personalised experiences for shoppers both in how they are engaged and the products that they purchase presents a unique opportunity for physical retailers and is particularly relevant in emerging markets.

For strip shopping centres curating an improved consumer and community experience entails public realm investment including investment to support ease and safety of movement, passive recreation, and out door dining. For many in the community, strip shopping centres represent an authentic and personal shopping experience that is situated within local community business and personal networks. Public realm interventions can help build on existing authenticity by strengthening the role of strip centres as community anchor points and attractive destinations.

### 5.7.3. Fulfilment Points

As highlighted during the COVID lockdown, the click and collect model of purchasing online and collecting in-store has emerged quickly as a preferred model for many shoppers. This has led to a reconfiguration of some retail stores into pass warehouses. It is anticipated that this model will continue to present opportunities full physical retailing over the long term.

### 5.7.4. Digital Integration

In the future, the quantum of retail floorspace provided will need to better align with demand and integrate with digital technology forming part of retail ecosystems where physical stores act as a hub. Accordingly, storefronts that can make themselves into experiences rather than merchants will compete most effectively in this new reality.

The physical landscape of retailing is going to look very different in very many locations in the near-term future as retailers radically review their store portfolios in the context of very different technology and shopper engagement landscapes which will have profound impacts on the vitality of retail centres in particular.

In the new landscape of retailing, physical stores can, and will continue to be valued by many shoppers in numerous locations. The transformation of physical retailing from inflexible networks of conforming stores to highly diverse networks of points of engagement present significant possibilities for retailers both traditional enterprises and new retail businesses.

While price transparency between competitors is an attractive feature of online shopping not all retailers need to aspire to be the price leader, however it does mean that the value proposition of bricks and mortar retailers needs to be very clear to customers. This can be achieved in a number of ways such as better inventory management, assortment of merchandise, immediacy of purchase, trust building and locational convenience.

## Appendix 2

In response to the Coronavirus outbreak, Stage 3 restrictions applied for the Melbourne metropolitan region from 28th March 2020 onwards.

### Stage 3 Restrictions

Under Stage 3 restrictions, the following rules came into effect:

- For those who were able to work from home, they must work from home.
- Restrictions imposed on public gatherings, which entailed the closure of entertainment and cultural venues (such as galleries and cinemas) and the cancellation of major sporting and entertainment events;
- Restrictions imposed on gatherings at the home, including a ban on making social visits to friends and family;
- Social distancing requirements introduced, whereby all people are required to maintain a minimum of 1.5 metres distance from all other people, at all times;
- Face coverings required to be worn when leaving home.

Stage 3 'Stay at Home' restrictions applied for Melbourne metropolitan region from March 2020 onwards. Under the new restrictions there were only four reasons that a resident could leave their home:

- to shop for food and necessary goods or services;
- to provide care, for compassionate reasons or to seek medical treatment;
- to exercise or for outdoor recreation;
- for work or education, if the resident could not do it from home.

Under Stage 3 restrictions, the following applied for restaurants and cafes:

- Restaurants and cafes continued to open for takeaway and delivery only.
- Food courts continued closed, but restaurants and cafes within food courts were able to open for takeaway and food delivery.
- Pubs, bars, clubs and nightclubs closed, and were able to offer takeaway or home delivery of food and alcohol only.
- Bottle shops remained open.

Under Stage 3 restrictions, the following applied for shopping and retail:

- Residents able to leave home to shop for necessary goods and services.
- Beauty therapy, tanning, waxing, nail salons, spas, tattoo parlours and massage parlours were prohibited operating.
- Hairdressing and barbers were able to operate (with additional operational requirements such as social distancing).
- Auction houses were only permitted to conduct auctions remotely.
- Market stalls: only takeaway food and drink only were able to operate.



Some specific industries were granted special status as providing a designate 'essential' service, including among others:

- Health care workers
- Construction sites
- Retail workers
- Teachers and educators

People breaching the directions were subject to potential on the spot fines of \$1,652 for individuals and \$9,913 for businesses.

#### **Stage 4 Restrictions**

In response to the Coronavirus, a state of disaster was declared for the state of Victoria, and Metropolitan Melbourne moved into Stage 4 restrictions from 6pm on Sunday 2nd August 2020.

Under Stage 4 restrictions, the following rules were in place:

- A curfew was imposed for the Melbourne Metropolitan region, whereby residents were required to stay indoors from 8pm to 5am every day, for the duration of the Stage 4 restrictions.
- Only 1 person per household was allowed to go shopping each day
- People could not travel more than 5 kilometres from their house.
- Exercise limited to 1 hour per day, maximum of two people
- Kindergarten, early childhood education, schools, universities and TAFE required to undertake remote and flexible learning, across all year levels (with some exceptions for year 11 and year 12 students).
- Public transport services reduced during the curfew, and the 'Night Network' was suspended.
- Weddings banned.
- Face coverings compulsory.

Under Stage 4 restrictions, all retail trade was closed, except:

- Supermarkets and grocery stores
- Convenience stores and newsagents
- Bottle shops
- Fuel retailing
- Fruit and vegetable stores, butchers and bakers
- Pharmacies
- Specialist stationery services for business use
- Post offices
- Motor vehicle parts for emergency repairs only
- Hardware, building and garden supplies retailing for trade
- Agricultural retailers (drive through only)
- Retailers working on site for the purposes of fulfilling online orders

Retailers were able to operate contactless 'click and collect' and delivery services with strict protocols in place. Hardware stores were able to sell to trades people and allow contactless pickup for the public. Supermarkets and basic food and beverage retailers experienced no change (between stage three and stage 4).

Under Stage 4 restrictions, a curfew operated for the Melbourne Metropolitan area from 8pm to 5am every day. Residents were only allowed to leave their home during curfew for work, essential health, care or safety reasons.

We note during these same periods (from 2nd August 2020 onwards), Regional Victoria moved to Stage 3 restrictions.

People breaching the directions were subject to potential on the spot fines of \$4,952 for individuals and up to \$20,000 for businesses.