



## HIGHETT AND SOUTHLAND-PENNYDALE ECONOMIC ADVICE

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# 1. INTRODUCTION

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## 1.1 Project objectives

Bayside City Council are currently preparing Structure Plans for Highett and Southland-Pennydale. SGS Economics and Planning has been engaged to undertake an economic assessment of the future growth opportunities of these study areas associated activity centres. The economic forecasts then lead to planning recommendations for the Structure Plan Study Areas specifically.

In amongst this analytical and policy work, this report seeks to shed light on the following strategic issues:

- The quantum and type of retail and commercial floorspace demand in the two centres
- Given the investment associated with the new railway station at Southland, what is the likely and desirable spatial growth pattern for this centre
- What the growth of Southland Shopping Centre might mean for future economic opportunities along Bay Road
- Whether there is any merit in establishing new economic activity to the west of the proposed Southland Station
- Whether there is any merit in establishing new economic activity at the corner of Park Road and Churchill Avenue.
- The best method for growing Highett's retail and commercial footprint in the future
- The locations where Highett can be expected to expand
- Implications for the Bayside Economic Triangle vision

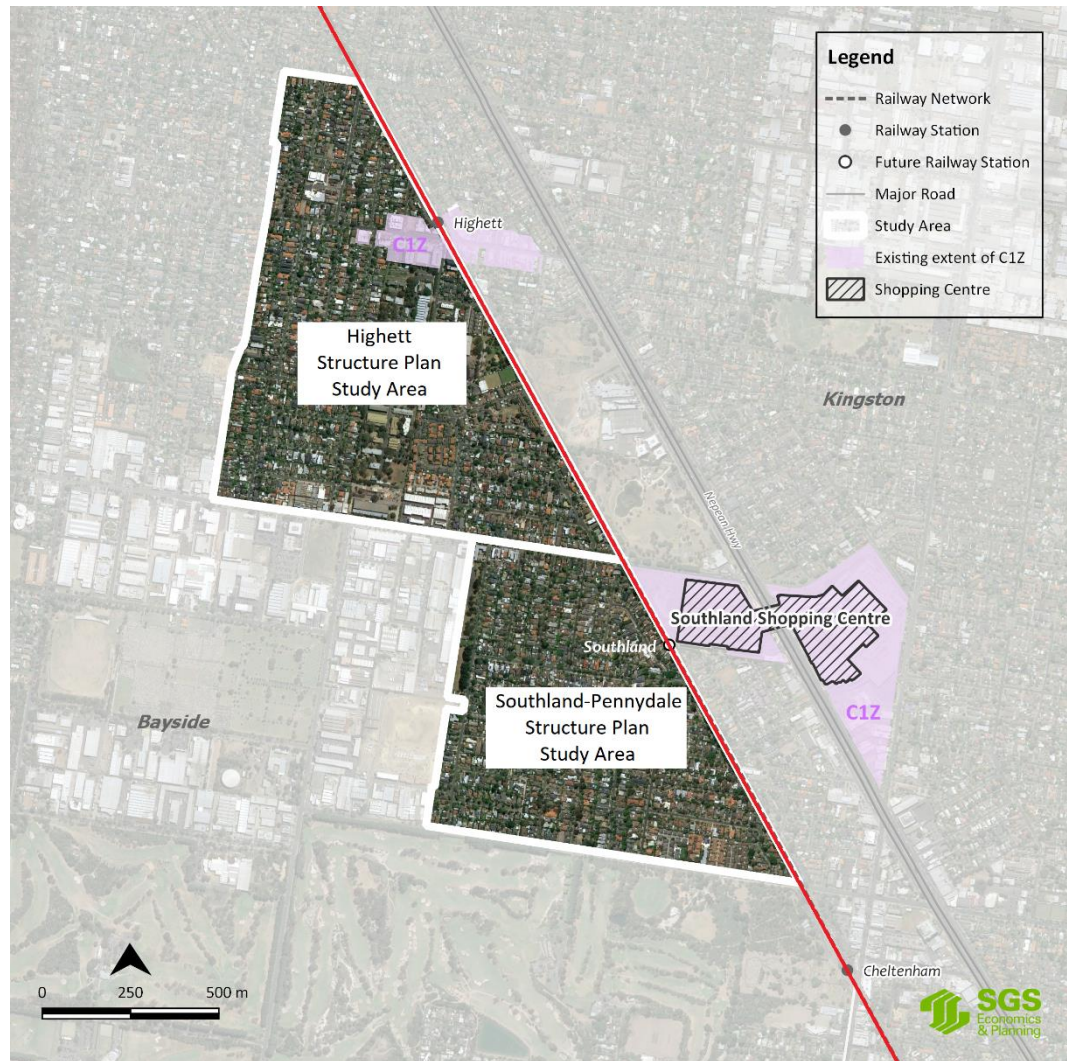
## 1.2 Study area and context

The Highett and Southland-Cheltenham Activity Centres are located approximately 19 kilometres south of the Melbourne CBD. With the proposed development of Southland Railway Station, both centres will be well connected by both road and rail. The centres are surrounded by a good mix of residential neighbourhoods, the Bayside Business District (BBD) to west and some industrial lands to the east in Moorabbin. There are also a number of private hospitals in the local region. All of these features point to two well located economic centres which are likely to experience multi-faceted growth opportunities.

Figure 1 presents the two study areas in question for this report. It is important to distinguish between the existing commercial footprint of these centres (broadly defined by the land use zoning of the Commercial 1 Zone) and the study areas for which Council's Structure Plans for the two centres will cover.

Approximately half of the Highett Activity Centre's retail floorspace and all of the Southland-Cheltenham Activity Centre's retail floorspace is currently located in the City of Kingston. The economic approach of this study is to still analyse the two centres in their entirety regardless of LGA boundaries, before focusing on what the City of Bayside can do from a planning policy perspective.

FIGURE 1 HIGHETT AND SOUTHLAND-PENNYDALE STRUCTURE PLAN STUDY AREA



## 2. DEVELOPMENT FUTURES

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The purpose of this section is to articulate the demand and supply equation for retail and commercial uses in Highett and Southland-Cheltenham Activity Centres<sup>1</sup>. It seeks to identify economic opportunities for the growth and improvement of these centres that meet the demands of their local community.

### 2.1 Method

This section features the following narrative:

1. An overarching discussion about centre hierarchies, with a focus on what this mean for Southland-Cheltenham and Highett's role in the local and regional economy
2. An analysis of demand and catchment areas for Southland-Cheltenham and Highett
3. Assessment of how existing supply in these centres align with local demand (2)
4. Analysis of non-retail commercial prospects (office floorspace)
5. Key opportunities which emerge for these two centres and their surrounding precincts.

The general quantitative method for calculating retail demand in these centres can be summarised as follows:

- Definition of the trade area based on competition analysis of other centres. For Southland-Cheltenham Activity Centre, food and non-food expenditure is assessed separately as this regional centre's merchandise and entertainment role extends well beyond the catchment of its supermarket anchors.
- Confirmation of the existing/future population and per capita expenditure of this trade area. Per capita retail expenditure is sourced from Marketinfo.
- Gross existing and future expenditure is calculated from multiplying existing and future population by per capita expenditure
- Floorspace demand is determined through dividing retail expenditure by Retail Turnover Density (RTD). For this analysis, SGS has applied the standard Urbis RTD averages for Victoria.

Both Highett and Southland-Cheltenham Activity Centres are located on the Bayside-Kingston LGA boundary. This section is focused on economic demand and supply and so still treats these centres in their entirety.

In Section 3, the discussion turns to planning initiatives, where a stronger focus is made on the distinction between what Bayside can do within its own LGA area as opposed to the parts of these centres that are located on the Kingston side.

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<sup>1</sup> This component of the assessment considers the two centres in their entirety regardless of LGA boundaries.

## 2.2 Centre hierarchies

Retail centre hierarchies are defined using three key criteria: centre size, floorspace composition and economic role.

A retail centre's primary function in the regional context is to provide retailing services to its population catchment; secondary roles may include office employment, community services or tourism related features for people beyond the core catchment area. The extent to which a centre is able to attract visitation, footfall and expenditure ultimately determines the scale of its role in the hierarchy.

This then enables other land uses to co-locate with retailing and thus generate co-location benefits. The presence of non-retail land uses in centres most commonly encompasses social and community facilities, commercial offices and residential dwellings. Collectively, these land uses can contribute greatly to employment outcomes and net community benefit.

Applying these characteristics, a region's **retail hierarchy** can be defined according to the pyramid in Figure 2. Each of the five levels in the hierarchy are described in more detail below.

FIGURE 2 REGIONAL HIERARCHIES



Source: SGS research into Activity Centres, Town Centres and Metropolitan Centres.

### Regional Centres

Regional centres possess large and diverse retail and entertainment facilities, often featuring some niche retail sub-precincts.

There are several different tiers of regional centres in the retail economy, including sub classifications comprising of (in descending order) Central Business Districts, Super Regional Centres, Major Regional Centres and Regional Centres.

Regional Centres are typically positioned in some of the most accessible locations in a regional area, with strong public transport and major road linkages.

All Regional Centres serve a wide catchment and are usually anchored by one or more department stores, discount department store(s), supermarket(s), mini major(s) and



speciality stores. These centres are often associated with a significant provision of bulky goods retailing adjacent to the core retail centre, and in pure planning principles are the best places to accommodate regionally significant bulky goods retail clusters.

Regional Centres provide for a full range of retail needs including leisure and social facilities such as large cinemas and restaurants.

Regional Centres can range in size from anywhere between 40,000 sqm to 150,000 sqm, with a typical size of approximately 70,000 sqm. An average Regional Centre's catchment should encompass a minimum of 100,000 people.

Southland-Cheltenham Activity Centre sits comfortably in this category, with the proposed railway station likely to strengthen the centre's appeal if well integrated.

### Sub-Regional Centres

Sub Regional Centres are major retail nodes that serve wide catchments (but smaller than a Regional Centre) and can be anchored by one or more discount department stores (although multiple DDSs in the one sub-regional centre are becoming less viable), supermarket(s), mini major(s) and specialty stores.

Sub Regional centres generally range from 15,000 sqm to 50,000 sqm, with the typical centre at a size of approximately 35,000sqm. The average Sub-Regional Centre's catchment area can be expected to encompass approximately 45,000 people.

Until the past decade, sub-regional centres have traditionally traded well, as they offer a nearly full range of goods and services to the local resident community. The recent (albeit gradual) decline of DDSs has seen these centres become increasingly vulnerable to competition from District and Neighbourhood Centres.

Most sub-regional centres will contain an enclosed or semi-enclosed mall or plaza, as the DDS anchor generally prefers to operate out of those boxes. In a sense this has been the central limiting factor to these centres. As on-street activity, alfresco dining and cultural features have becoming increasingly important to centre performance in the online era, centres anchored by malls are under increasing pressure to create a more open environment – both physically and socially. And whilst malls in Regional Centres can justify significant investment in those domains from shopping centre operators, many sub-regional centres have been left to look somewhat more tired.

There is no sub-regional centre in Bayside. This is common when there is already a Regional centre in close proximity.

### Neighbourhood Centres

Neighbourhood Centres generally serve a contained catchment and are anchored by one or more supermarkets. Some of these centres may also contain mini major(s), but not Discount Department Stores.

Neighbourhood Centres can vary significantly in terms of function, size and floorspace composition. Any centre ranging from 2,000 sqm to 20,000 sqm should be considered as a Neighbourhood Centre.

Centres with less than 7,000sqm of floorspace can be described as small neighbourhood centres, whilst 7,000sqm+ centres are considered larger neighbourhood centres.

Most neighbourhood centres will generally serve the weekly shopping needs of its population catchment. However some will also play a more specialised role that draws customers and visitation from across the metropolitan or regional area.

The typical population catchment for Neighbourhood Centres is 10,000 - 25,000 people, noting that major supermarket operators generally seek a catchment of at least 8,000 people.

Bayside's retail economy is dominated by well functioning Neighbourhood Centres. One of these is Highett, which sits on the Kingston and Bayside LGA boundary. The study area for the Highett Activity Centre Structure Plan exclusively deals with the 6,000sqm Bayside section. But it should be noted that Highett overall is a 16,000sqm large neighbourhood centre.

### Local Centres/Small Neighbourhood Centres

Local centres are smaller retail nodes which serve the day to day needs of residents who are within walking distance. These centres usually consist of small grocers, milk-bars, a takeaway restaurant and perhaps a café. They are generally no larger than 2,500sqm.

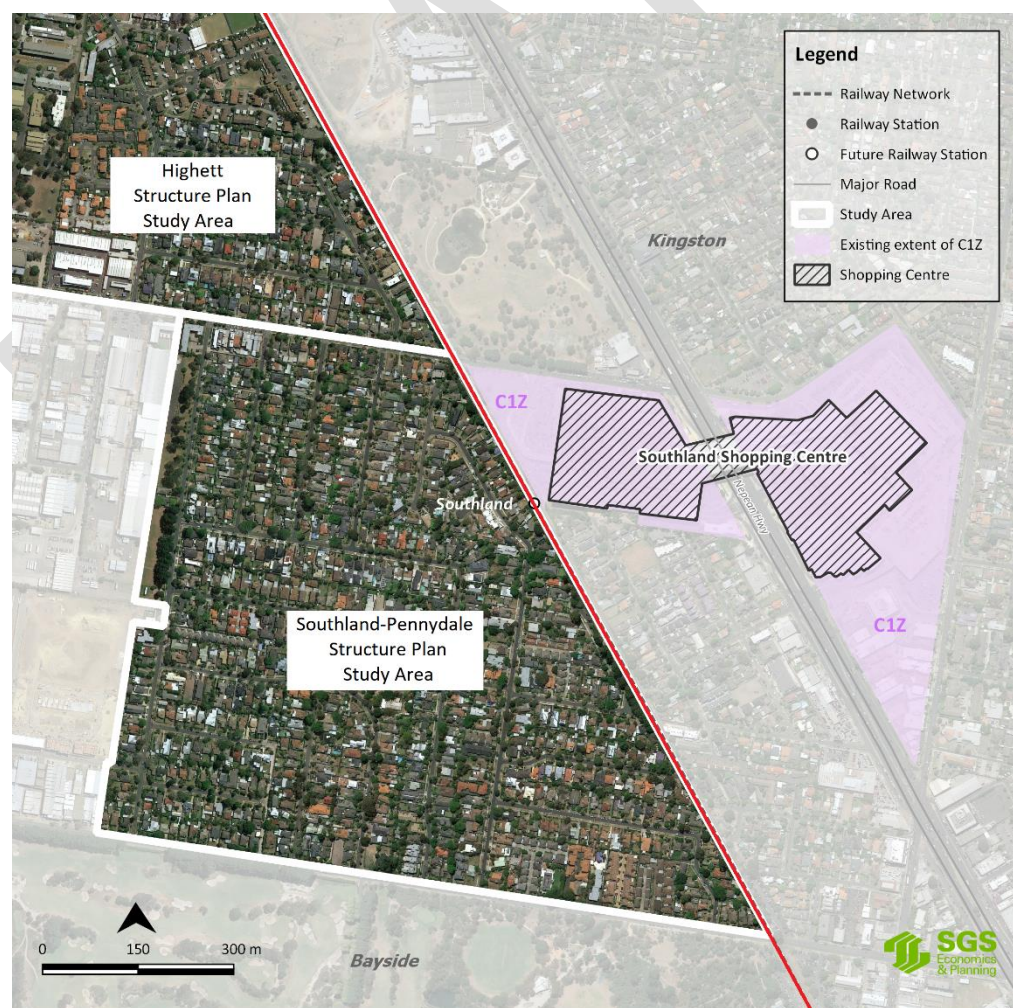
There are a large number of these centres scattered across Bayside. Within the Southland – Pennydale Structure Plan Study Area there is the Bay and Jack Road Small Neighbourhood Centre. Refer to the Small Activity Centres Strategy for more detail on these centres.

## 2.3 Southland-Cheltenham Activity Centre

### Context

Southland-Cheltenham is an Activity Centre located along the Bayside-Kingston LGA boundary. Whilst the existing footprint of what is known as the Southland Shopping Centre sits predominantly in the Kingston LGA, Bayside is currently planning for the area to the immediate west of that shopping mall. That area is known as the Southland-Pennydale Structure Plan Study Area as shown by the study area boundary in Figure 3 below.

FIGURE 3 SOUTHLAND-PENNYDALE STRUCTURE PLAN STUDY AREA



Source: SGS

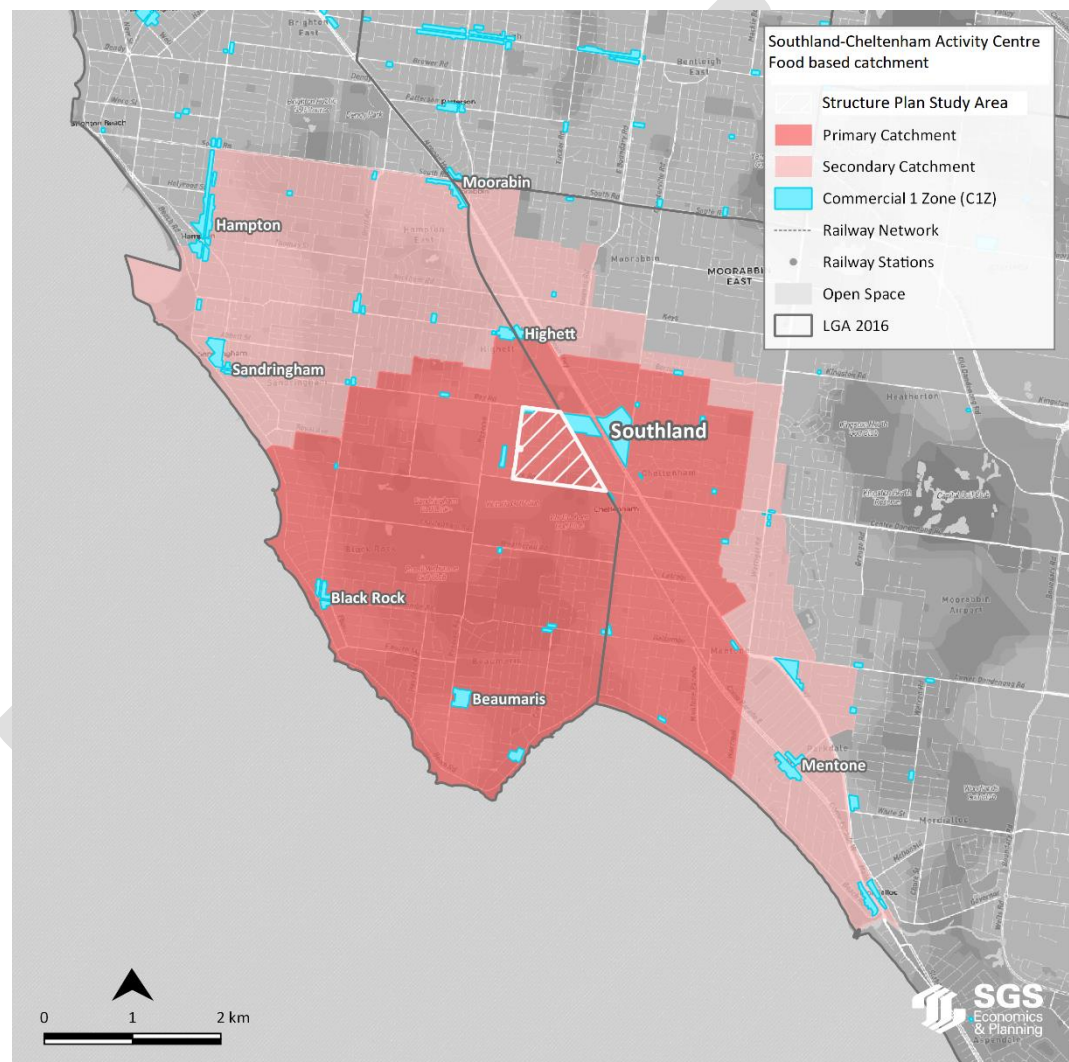
## Retail catchment

Southland-Cheltenham Activity Centre is a Major Regional Centre which serves a significant catchment across south-eastern Melbourne. It is the only higher order centre (above neighbourhood centres) in the Bayside area and therefore monopolises the local region in terms of demand for the major chains in the retail economy.

Figure 4 and Figure 5 show Southland-Cheltenham Activity Centre's retail catchments for food and non-food retailing respectively. The distinction is important because the food offer is anchored by supermarkets and typically have a more localised catchment.

The non-food offer on the other hand, is anchored by department stores which are less common in the economy and therefore has a much larger catchment area.

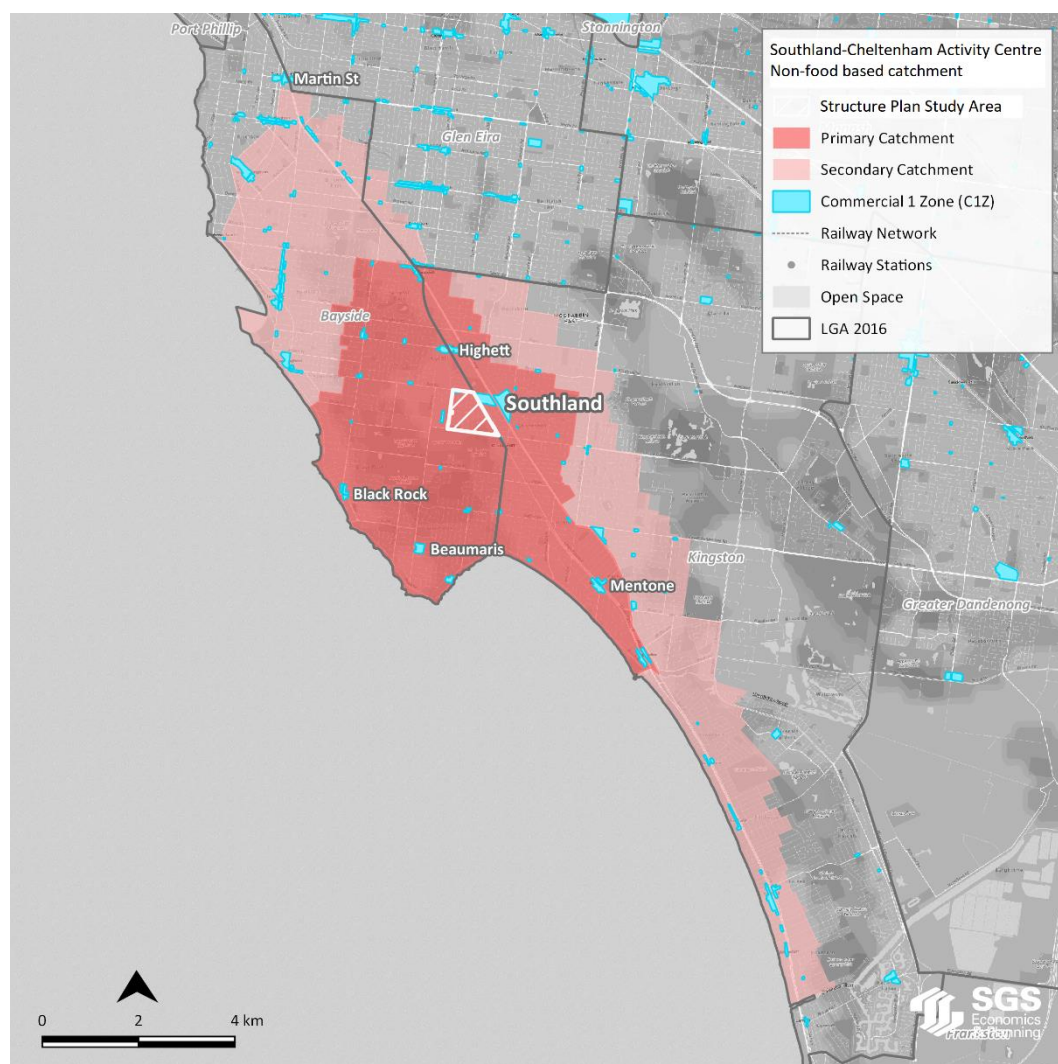
FIGURE 4 SOUTHLAND-CHELTHENHAM ACTIVITY CENTRE FOOD BASED TRADE AREA



Source: SGS



FIGURE 5 SOUTHLAND-CHELTENHAM ACTIVITY CENTRE NON FOOD BASED TRADE AREA



Source: SGS

### Retail floorspace forecasts

Table 1 below shows the expected floorspace growth trajectory of Southland-Cheltenham Activity Centre to 2031. The demand increase is primarily driven by population growth.

Floorspace demand can often fluctuate significantly when there is a shift in per capita retail expenditure. Over the next 15 years, the following trends could occur to either reduce or increase the demand for retail floorspace that is shown in Table 1:

- The economy moves out of its current flat state and a new economic boom results, increasing expenditure and floorspace demand
- There is an economic recession which reduces retail expenditure – particularly in discretionary, non-food categories, resulting in significant vacancy. Given the forecast is for the next 15 years, its certainly possible
- Online retailing expands its presence more heavily into the food category (online supermarket retailing is still mainly the domain of the elderly), potentially reducing demand for food based stores.

TABLE 1 SOUTHLAND-CHELTENHAM ACTIVITY CENTRE RETAIL FLOORSPACE FORECAST

Store Type	RTD	Current Supply	Projection			
			2021		2031	
			Demand	Expansion Need	Demand	Expansion Need
Supermarket	\$10,800	27,300	29,300	2,000	33,000	5,700
Other Food	\$12,800	6,100	6,600	500	7,400	1,300
Clothing	\$7,300	8,700	9,300	600	10,500	1,800
Household Goods	\$7,500	14,600	15,700	1,100	17,600	3,000
Other Retail	\$9,300	12,300	13,200	900	14,900	2,600
Hospitality	\$6,600	20,500	22,000	1,500	24,800	4,300
D'ment stores	\$2,800	30,200	32,400	2,200	36,500	6,300
<b>Total</b>		<b>119,700</b>	<b>128,600</b>	<b>8,900</b>	<b>144,600</b>	<b>24,900</b>

Source: Urbis retail averages, Marketinfo, SGS analysis

Note: includes both Bayside and Kingston components of Southland-Cheltenham Activity Centre

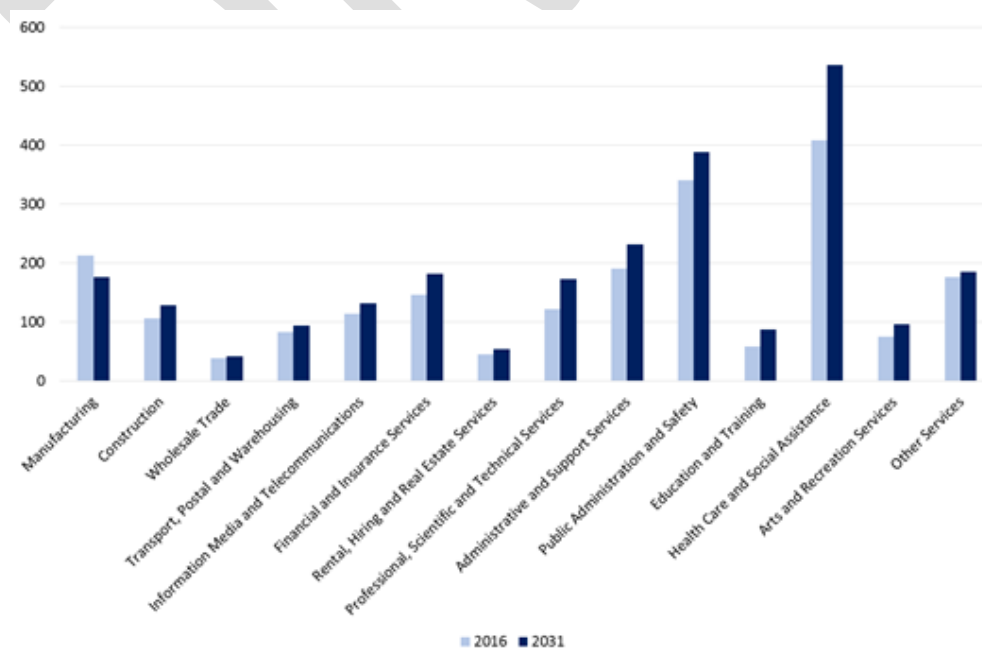
### Commercial office forecasts

Demand for office floorspace is driven by a combination of business to consumer and business to business firms in the local and regional economy. Typically, business to consumer firms are more likely to occupy commercial floorspace near a major centre such as Southland-Cheltenham Activity Centre.

In recent years Westfield has become more aggressive in its approach towards attracting commercial office tenants, with commercial offices now featuring on the Chadstone Shopping Centre site in particular.

Figure 6 below shows the employment by industry growth over the next 15 years that will drive demand for commercial offices in this centre. Overall growth levels are expected to be modest. As is the case across the Australian economy, health care and social assistance is the largest growth sector.

FIGURE 6 SOUTHLAND-CHELTENHAM ACTIVITY CENTRE EMPLOYMENT FORECASTS



Source: SGS

The office floorspace forecast is then shown in Table 2 below. This is a base case forecast based on established trends. In the long term, there is the potential for Southland Station to attract greater levels of office development. However, this is dependent on the centre owner (Westfield) to capitalise on, as there are no other parcels of land which will gain sufficient pedestrian access to the station. Therefore, in the interest of conservatism that potential extra demand has not been factored in here for the purpose of centre planning.

TABLE 2 SOUTHLAND –CHELTENHAM ACTIVITY CENTRE COMMERCIAL FLOORSPACE FORECAST

Year	Commercial Employment	Estimated Supply (m <sup>2</sup> )	Floor space Required (m <sup>2</sup> )	Expansion Need
Current	1,450	35,500	35,500	-
2021	1,542	35,500	37,700	2,200
2026	1,653	35,500	40,500	5,000
2031	1,778	35,500	43,500	8,000

Source: SGS

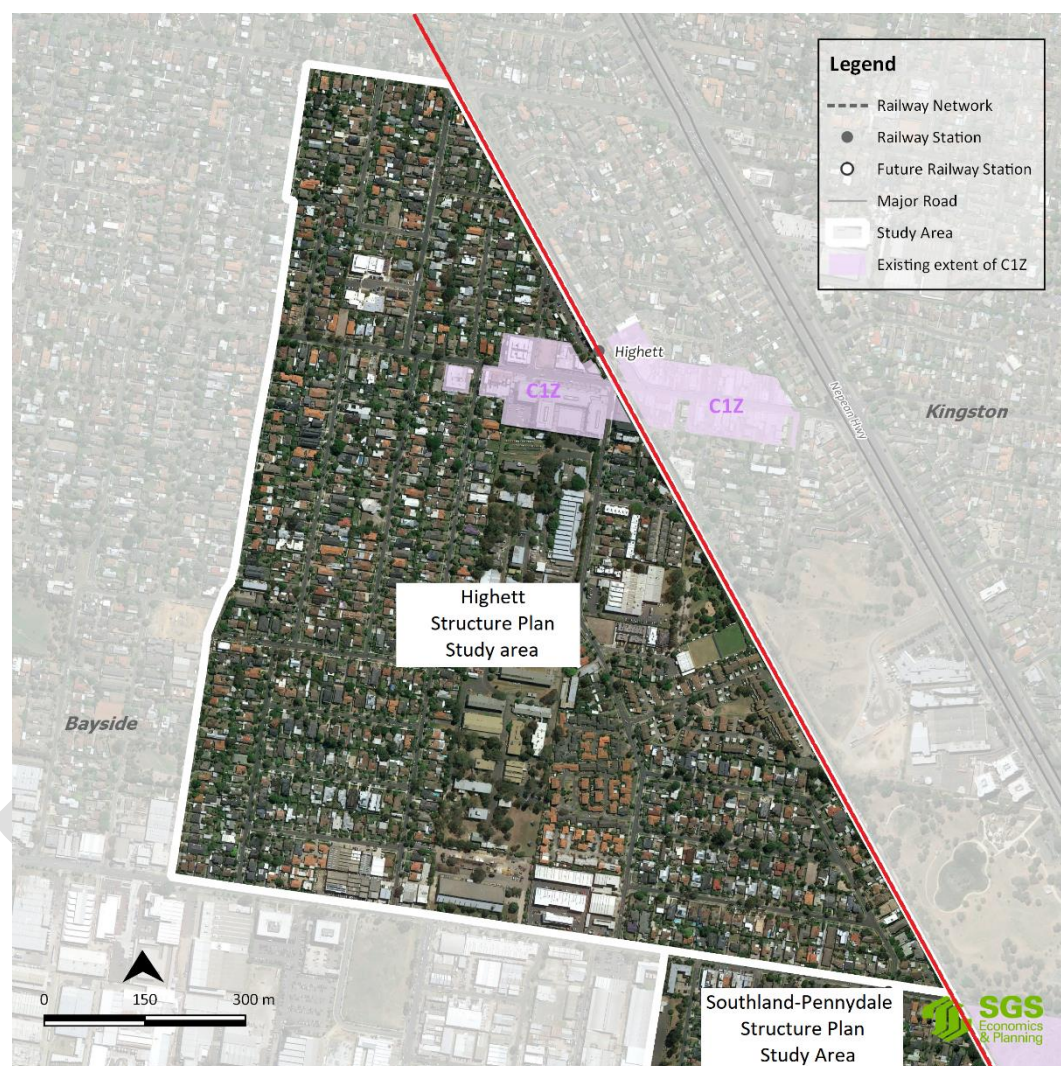
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## 2.4 Highett

### Context

As with Southland-Cheltenham Activity Centre, the Highett Activity Centre also lies on the border of the Bayside and Kingston municipalities (denoted by the red line in Figure 7 below). Development in the Bayside half typically consists of new two and three storey residential developments with active street frontages, as well as older style single storey buildings. The area benefits from a full line supermarket and close proximity to Highett Railway Station.

FIGURE 7 HIGHETT STRUCTURE PLAN STUDY AREA



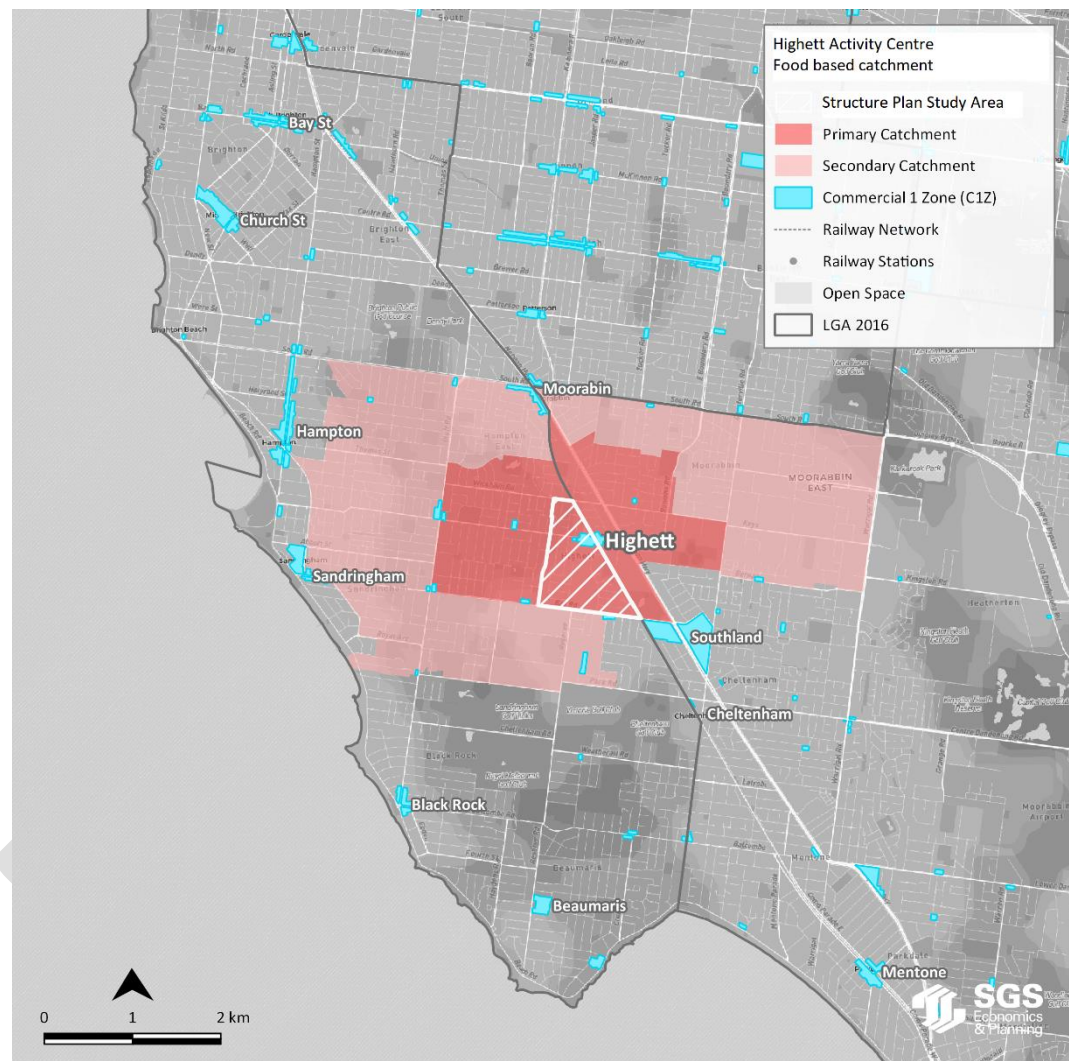
Source: Bayside City Council, SGS



## Retail catchment

The Highett Activity Centre possesses a relatively extensive catchment as it is one of the few neighbourhood centres in Bayside with a full line supermarket (along with Bay Street). In the long run this anchor is expected to help the centre attract a growing variety of specialty shops, although opportunities will still be limited given the Kingston parts of this centre's catchment area is predominantly industrial, whilst the centre is also close to Southland-Cheltenham Activity Centre.

FIGURE 8 HIGHETT ACTIVITY CENTRE TRADE AREA



Source: SGS



## Retail floorspace forecasts

Table 3 below shows the volume of floorspace growth forecast in the Highett Activity Centre (both Kingston and Bayside) over the next 15 years. The growth is expected to be relatively incremental and modest in volume, so Council can expect a few new shops to potentially open every year, with any major retail driven redevelopment (e.g. another supermarket) being unlikely.

TABLE 3 HIGHETT ACTIVITY CENTRE RETAIL DEMAND FORECAST

		Projection				
		2021			2031	
Store Type	RTD	Current	Demand	Expansion Need	Demand	Expansion Need
Supermarket	\$10,800	4,400	5,000	600	5,500	1,100
Other Food	\$7,200	2,500	2,900	400	3,300	800
Other Retail	\$6,600	6,200	7,100	900	7,900	1,700
Hospitality	\$5,800	3,200	3,700	500	4,100	900
<b>Total</b>		<b>16,200</b>	<b>18,800</b>	<b>2,600</b>	<b>20,800</b>	<b>4,600</b>

Source: SGS, Bayside City Council

Note: includes both Bayside and Kingston components of Highett Activity Centre

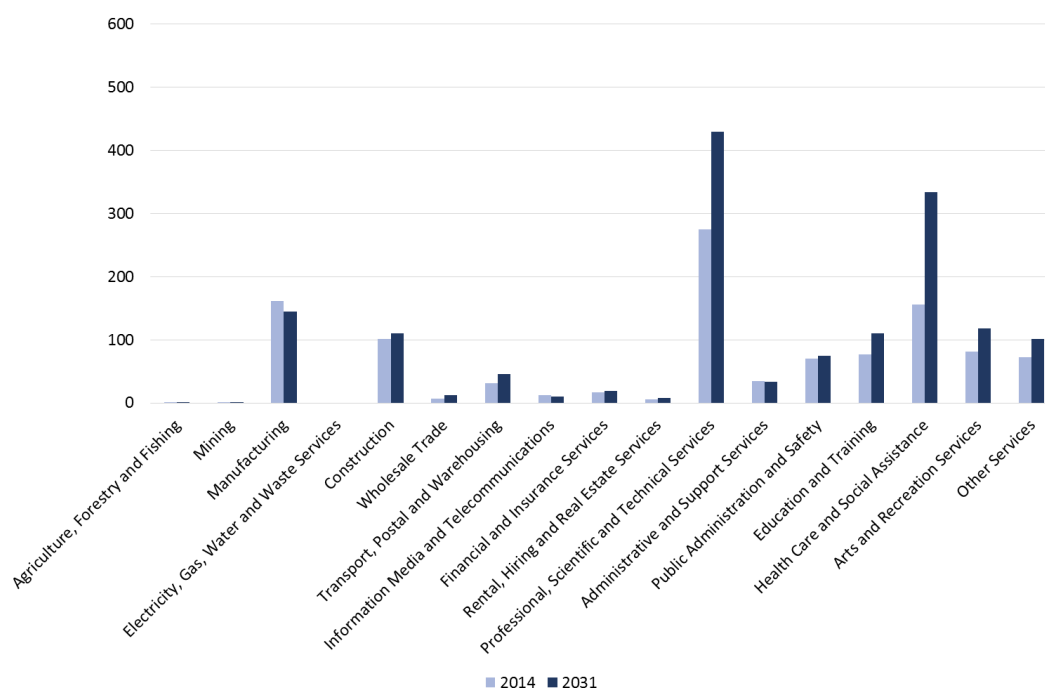
## Commercial office floorspace forecasts

Highett actually presents a solid location for commercial office development. However it is expected that most of the demand for Business to Consumer offices in this region will be absorbed by commercial developments closer to Southland-Cheltenham Activity Centre or along the Nepean Highway closer to Moorabbin. The Bayside Business District (BBD) will also be a stronger attractor of Business to Business activities in the future. To that end, it is unlikely that Highett will experience any major volumes of commercial office growth.

Figure 9 below shows the types of industries that are likely to occupy commercial floorspace in this centre. Overwhelmingly, it is skewed towards:

- professional services – so the local accountant, conveyancer, real estate agent, and
- health care and social assistance – mainly small scale allied health clinics which are well suited to a relatively affluent local population, and which feed off the growth of the local Linacare and Sandringham Hospitals.

FIGURE 9 EMPLOYMENT GROWTH IN HIGHETT ACTIVITY CENTRE 2016 TO 2031



Source: SGS

The office floorspace forecast is then shown in Table 4 below. The ABS census has identified a significant local employment presence which is not quite reflected in the actual presence of office floorspace in the centre. This suggests that there is some latent demand in the local economy for some more commercial office floorspace in this area.

The question is how much latent demand should Council seek to meet. In the 2015 Bayside Retail Commercial and Employment Strategy, SGS identified that approximately 41%<sup>2</sup> of Bayside's commercial office-type employment was located out of home-based offices.

In other words, this LGA has been able to provide office floorspace for 59% of non-retail commercial employment. Holding this relationship constant, there is some guidance for the potential volume of commercial floorspace which Council could zone for this local market to deliver. This is summarised in Table 4.

TABLE 4 HIGHETT ACTIVITY CENTRE COMMERCIAL FLOORSPACE FORECAST

Year	Commercial Employment in Highett local economy	Commercial Employment which could be catered for in Highett Activity Centre	Equivalent Floorspace (sqm) Demand @ 25 sqm per job	Existing Supply (sqm)	Expansion Need (sqm)
Current	410	240	6,000	4,800	1,200
2021	470	280	7,000	4,800	2,200
2031	570	340	8,500	4,800	3,700

Source: SGS, Bayside City Council

<sup>2</sup> Approximately 3,200 jobs out of 7,900 commercial office type jobs were not accommodated by commercial office floorspace in the LGA.

## 2.5 Key opportunities

The analysis of Section 2.3 and 2.4 has some important implications for the future growth and development of Southland-Cheltenham and Highett Activity Centres. They can be summarised as follows in Table 5.

TABLE 5 KEY OPPORTUNITIES OF RETAIL AND COMMERCIAL ASSESSMENT

Topic	Opportunity/Issue	Policy Implications
1. Southland-Cheltenham Activity Centre's future retail offer mix	For the next 15 years, Southland-Cheltenham Activity Centre's main retail growth opportunities will likely be in supermarkets, department stores <sup>3</sup> and hospitality.	The first two are likely to be well contained within the mall itself, but restaurants and cafes could potentially feature along the Bay Road frontage (along with a selection of other shops).
2. Incremental retail expansion in Highett	Floorspace growth projected for Highett is modest in the sense that on average, it is likely to result in a couple of new shops per year.	Council can focus on a gradual, almost organic expansion of the centre without the need to facilitate any radical redevelopment.
3. Office floorspace in Highett	There is some latent demand for Highett to provide for more commercial office floorspace. Many businesses which currently operate out of home offices could be drawn into the centre.	Simply providing some shop-top office floorspace will help Highett retain expanding businesses in the local area which need to move out of the home office. A slightly more ambitious initiative could see the creation of a shared workspace where local SMEs can 'come and go', creating a collaborative work environment that facilitates networking opportunities in the local business community.
4. Growth of the health industry	As with many suburban centres in this region, both Southland-Cheltenham and Highett can expect to accommodate a growing presence of medical and allied health related businesses.	Although strictly considered to be 'office' floorspace, they are usually customer facing and therefore benefit from having retail type frontages. Can also potentially fit into houses along Bay Rd or Highett Rd without requiring any redevelopment.

<sup>3</sup> Could be in the form of DJs or Myer expansion or it could in the form of those international mini-majors such as Zara, Topshop etc.

# 3. PLANNING FOR GROWTH

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This section explores the role of Council in managing the expected growth trajectories of the Bayside components of Southland-Cheltenham and Highett Activity Centres. This section initially focuses on overarching strategies for growing the centres before pivoting towards what the City of Bayside should prioritise in its study area.

## 3.1 The role of planning in managing growth

The role of planning in managing the growth of Activity Centres can be unpacked under the following spectrum of issues which need to be considered:

- What are the growth opportunities moving forward
- What is the overarching strategic approach for managing and facilitating this growth
- Broadly speaking, is it a matter of spatial expansion or land use consolidation through redevelopment within the centre's existing footprint
- Which parts of the centre and its surrounding areas are logical locations for accommodating growth
- Comparison of alternative options
- Planning policy instruments which will help Council deliver these changes

Each centre is different. Note that this is not intended to be an exhaustive list, but rather a summary of the general approach and key issues which are likely to be most relevant to Highett and Southland-Cheltenham Activity Centre's future economic growth.

Sections 3.2 and 3.3 focus on the application of these considerations to the economic opportunities highlighted in Section 2.

## 3.2 Southland-Cheltenham Activity Centre

### Growth opportunities

The Southland-Cheltenham Activity Centre is presented with the following growth opportunities over the next 15 years:

- Growth in demand for supermarkets, department stores<sup>4</sup> and hospitality floorspace. Restaurants and cafes in particular, have the potential to locate along the Bay Road frontage of the Southland-Cheltenham centre.
- Growth in demand for commercial floorspace from businesses in the health sector, which could potentially suit a Bay Road frontage and even occupy the existing detached dwellings.
- The proposed Southland Railway Station, which will improve accessibility to and from the centre.

### Strategic approach

There are a number of directions in which the Southland Shopping Centre could be expected to grow, both in terms of retail (25,000sqm) and commercial office (8,000sqm) floorspace.

Figure 10 highlights the most logical areas in which the centre could expand its footprint. Note that some of these lands are already zoned C1Z or C2Z whilst others are currently zoned residential.

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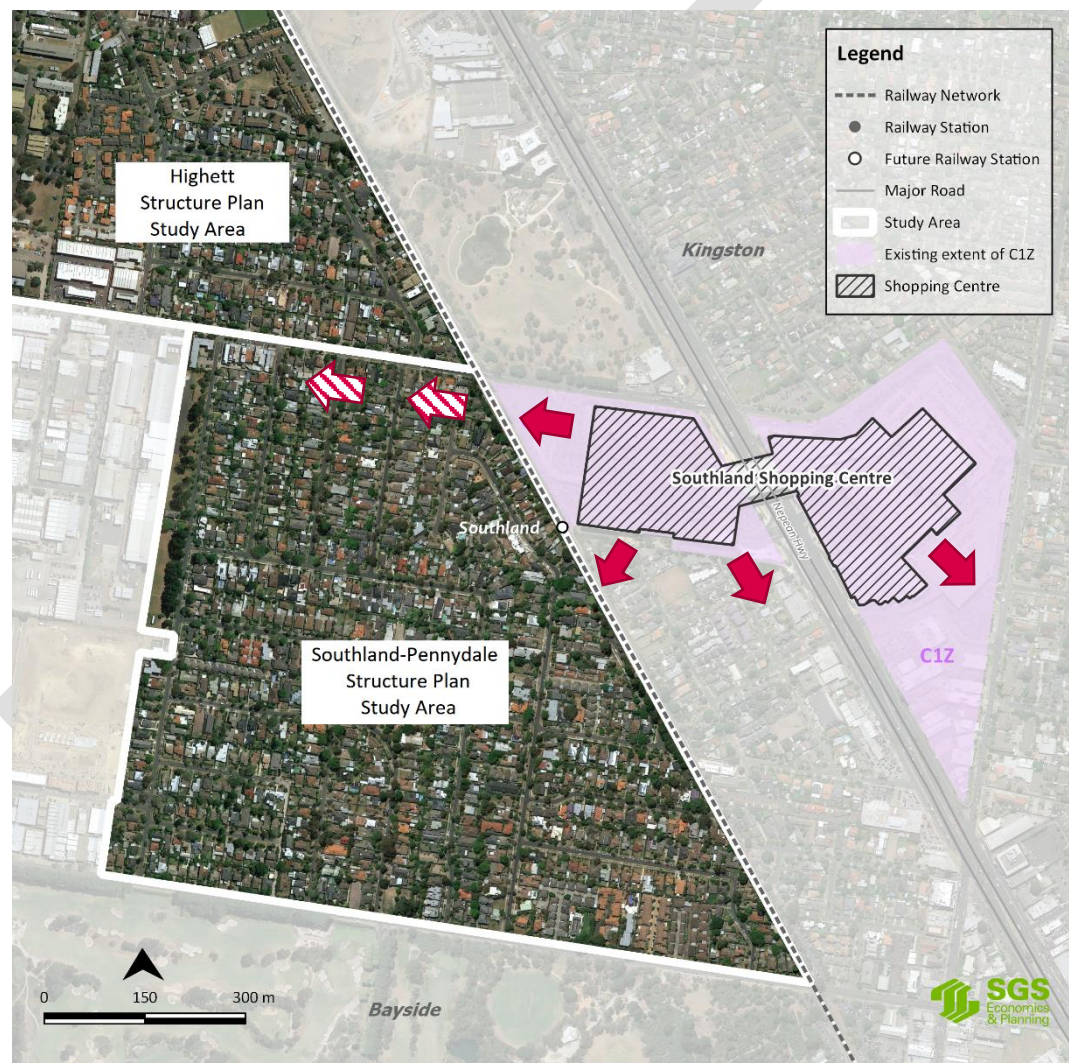
<sup>4</sup> Could be in the form of DJs or Myer expansion or it could be in the form of those international mini-majors such as Zara, Topshop etc.

The western expansion towards the existing car park site would appeal to the Westfield centre managers as it allows the centre to re-orient itself towards the railway station. The site could potentially be used for retail, commercial office or even residential development. A mixed use development consisting of all three uses could be lucrative.

A westward expansion also has the potential ability to activate the Bay Road frontage that is currently interfaced by the car park. A combination of restaurants, cafes and boutique shops would activate the street frontage and is something that the local planning authorities could consider working with the centre managers for.

If that stretch of Bay Road becomes activated, then there is certainly the long term potential for commercial, retail and mixed use development to extend into Bayside, leveraging off the westward momentum generated by the opening of Southland Station.

FIGURE 10 GROWTH OPPORTUNITIES FOR SOUTHLAND-CHELTENHAM ACTIVITY CENTRE



NB: Solid arrows – short/medium term opportunities; Hashed arrows – longer term opportunities

Source: SGS

Other opportunities for expansion of the shopping centre include:

- **South western expansion**, still towards the proposed Southland station but into the residential area wedged between the mall and the railway line. This is the next best option if the north-western carpark is off-limits. But would require a rezoning as well as acquisition of many residential lots, so the economic feasibility of this option would be inferior to any expansions into the western carpark.

- **Southern/Southeastern expansion.** This option has merit because there are already established commercial and bulky goods retail activities along these arterials. This would likely involve intensification of retail and office uses along Chesterville Road and/or the Nepean Highway, displacing lower yield tenancies (usually bulky goods retailers) to other locations in the local region. Whilst economically viable, extending and intensifying economic activity further away from a major public investment (Southland station) would detract from the primary planning objective of land use and transport integration.

Consideration has also been given to:

- Development activity on the **western side of the proposed Southland Station**. The intent here would be to leverage off the public investment at the station and generate economic and/or community activities off the back of that. The main problem with this option is that Tulip Grove is a quiet residential street with no passing traffic and poor connections to any major arterials. As such it is highly unlikely there would be market demand for commercial activity here, let alone the appetite to acquire residential lots for development.
- The creation of an activity centre node at the **corner of Park Road and Churchill Avenue**. Such a node is assessed as economically unnecessary given the presence of Cheltenham Activity Centre just down the road. This location is also distant from Cheltenham or Southland Stations. There would be little market appetite for any economic use in this area even if the zoning permitted it.

### Recommendations for Bayside LGA

The Westfield Southland Shopping Centre is currently located within the boundaries of the City of Kingston. All feasible short to medium term opportunities also sit within Kingston's boundaries. So in the immediate future, there is no need for the City of Bayside to undertake any further work or analysis to generate economic activity in the Southland-Pennydale Structure Plan Study Area.

In the long term, if the Westfield centre were to expand westward towards Southland Station, the Kingston stretch of Bay Road could be activated with the presence of restaurants, shops and cafes.

In such an instance, the City of Bayside can begin scoping the opportunities that could be presented by creating an economic corridor linking Southland-Cheltenham to the Bayside Business District (BBD). The key question then would be the feasibility of development along this corridor. Generally the higher the employment floorspace and dwelling yield, the higher the feasibility of development. Council would need to strike a balance between urban design outcomes and development feasibility. This can all be investigated if/when the opportunity does arise.



### 3.3 Highett Activity Centre

#### Growth opportunities

Highett Activity Centre is presented with the following growth opportunities over the next 15 years:

- Incremental retail expansion to the tune of a couple of new shops per year
- Growth in demand for commercial floorspace from businesses in the health sector, which could potentially suit a Highett Road frontage and even occupy the existing detached dwellings.
- There is some latent demand for commercial office floorspace

#### Strategic approach

##### Consolidation vs Expansion

The projected economic growth of the Highett Activity Centre will be more incremental than transformational in nature. This means demand in the form of a couple of new shops and a few new office uses per year. There are two general methods for facilitating this growth:

- Consolidation of the existing centre. This would involve mixed use redevelopment of existing C1Z sites, which has been observed in this centre in recent times. Fundamentally, the redevelopments are driven by the profitability of the residential yield. If carefully managed however, they can also contribute to broader outcomes in the local centre by creating new commercial (shop-top) floorspace, along with renewal of the existing outdated shop fronts.
- Incremental expansion of the centre precinct, which would involve a spatial expansion of the centre in a westerly direction. Incremental expansion is the better approach when Councils seek to restrict the volume of residential/mixed use redevelopment whilst facilitating retail expansion of centres. It is also the most logical approach for growth area, peri-urban and regional councils where the feasibility of mixed use development in centres is usually low.

Both methods have their merits. Consolidation is favoured when a centre is lacking integration, there are numerous vacancies, and Council needs to find a method for better activating the street frontages. Expansion on the other hand, is generally favoured when retail trading is strong and demand for retail floorspace exceeds demand for commercial offices or apartments – creating the need for more shop frontages.

In the Highett case, there is:

- a strong Woolworths anchor on the western side of the railway line.
- a number of remaining sites where redevelopment is likely to be feasible in the near future
- incremental demand for both retail (4,600sqm) and commercial office (3,700sqm) floorspace by 2031.
- Relatively low levels of retail vacancy

The demand for commercial floorspace can mostly be satisfied in shop top offices as part of the redevelopments. Some activities such as medical practices may still benefit from having street level exposure.

The demand for retail floorspace on the other hand, will almost certainly require some expansion of the centre. Expansion needs to be managed incrementally, because providing floorspace for the whole 4,600sqm of demand 15 years in advance is likely to result in immediate vacancies. The interim objective should be to provide for the extra 2,600sqm of

demand that would be required by 2021 (across the whole centre, including in the Kingston side).

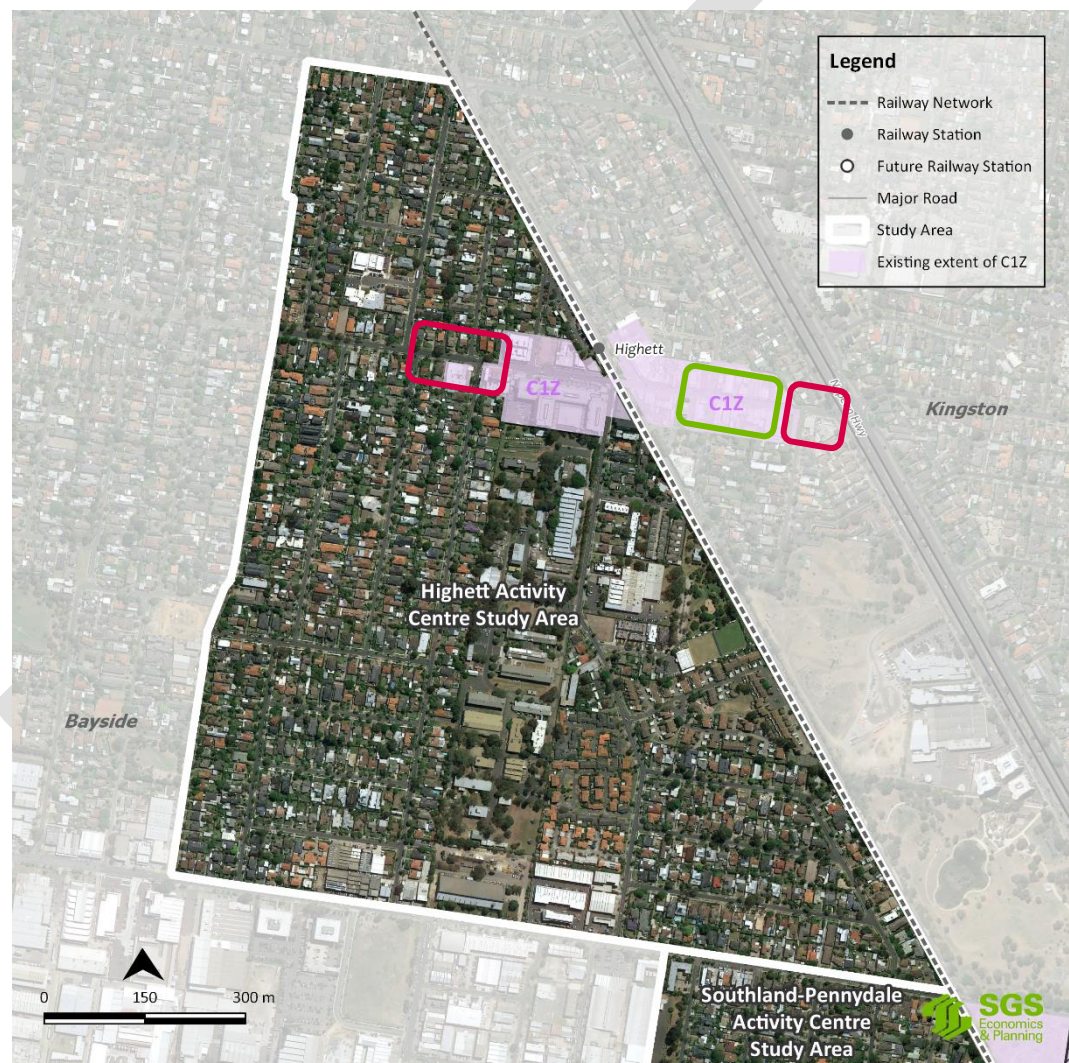
So in conclusion, consolidation through redevelopment is ideal for attracting shop top office, whilst incremental expansion is needed to generate more retail floorspace in this centre.

### Locations

There is also the issue of how this floorspace would actually be provided and where.

The C1Z area of Highett is mostly surrounded by low density, residential lots. Figure 11 shows in principle, the areas which Council should seek to prioritise for future retail floorspace expansion (in red), along with the best areas for consolidation and redevelopment (green).

FIGURE 11 C1Z EXPANSION OPPORTUNITIES FOR HIGHETT ACTIVITY CENTRE



Source: SGS

Westward expansion along Highett Road (between Major St and Worthing Road) is logical in the sense that the sites there benefit from a frontage to Highett Road. The main issue for Council is that when redevelopment occurs in this area, the current zoning is the General Residential Zone (GRZ). The GRZ prohibits all non-medical office uses. This zoning also does not do enough to encourage ground floor retail activity to ensure that this centre can grow in this direction.



It is recommended that Council rezone this block to C1Z as soon as possible to ensure that all future development here provides ground floor retail as a minimum, whilst commercial office is not prohibited as is currently the case. The red polygon highlighted in Figure 11 contains approximately 2,875sqm of undeveloped lot area. At a standard Floorspace to Site Area Ratio (FSR) of 0.8 to 1 for mixed use development, this area should yield about 2,300sqm of new retail floorspace, which is nearly enough for the next five years given the projection is for 2,600sqm of retail floorspace growth by 2021. The area highlighted for C1Z expansion at the eastern end of the centre in the Kingston LGA should be able to absorb the remainder of the retail floorspace demand in the near future.

For lots that do not redevelop immediately, the C1Z also has the added benefit of broadening the range of commercial land uses which can operate out of those existing houses. This is also a desirable outcome because the front or backyard of those properties can serve to help local accountants or medical practices in meeting local parking requirements which can otherwise be a significant problem if those uses were to operate out of mixed use developments<sup>5</sup>. Council need only ensure that the range of permissible uses in those lots are broad enough so that medical practices, legal services and local accountants can operate from those lots – which is what the C1Z would achieve.

The Mixed Use Zone (MUZ) was also given some consideration. However the main problem with this zone is that it does not mandate for a retail floorspace outcome at the ground floor.

In terms of consolidation opportunities, the majority of redevelopments which have occurred in this centre have been focused around primarily the new Woolworths anchor. Indeed, most lots in the Bayside portion of this centre have already been redeveloped to the extent where the majority of future opportunities for centre consolidation will be in the Kingston portion of the centre. The one exception would be the lot at 495 Highett Road, which barring site specific constraints, should be expected to redevelop in the near future.

### Recommendations

This report recommends the City of Bayside the following key directions in facilitating the future growth and expansion of the Highett Activity Centre:

- Rezone land along Highett Road between Worthing Road and Major Avenue from GRZ to C1Z
- In that sub-precinct, mandate for retail floorspace provision at the ground floor of all new multi-unit developments.
- In all multi-unit redevelopments, encourage the provision of shop top offices where possible<sup>6</sup>.

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<sup>5</sup> On smaller lots, basement parking for customers would be an expensive solution. Mixed use developments which provide the floorspace without the parking would then fail to attract those types of business tenants.

<sup>6</sup> The word encourage is used here as the VPP currently lacks a straightforward mechanism to mandate for shop top office in this type of centre.

### 3.4 Bayside Economic Triangle

In the 2016 Bayside Retail Commercial and Employment Strategy (RCES), a major strategic initiative was the future establishment of the Bayside Economic Triangle (BET) (see Figure 12 below for schematic).

The primary intent behind the initiative was to generate connections between the major anchor nodes in the local area, being the Southland-Cheltenham Activity Centre, the Highett Activity Centre and the Bayside Business District (BBD).

The analysis in this report demonstrates that two of these nodes (Highett and Southland) have bright futures and are expected to expand into the future.

As these centres expand, the need for stronger connections between the nodes should only strengthen.

That said, there is no immediate market need for economic activity to occur between these nodes (although there could be some demand for mixed use activity along Bay Road in the long term). In that context, the initial recommendation to 'strengthen connection between nodes' should be interpreted as improving access between the locations so that pedestrians, cyclists, motorists and public transport users are all able to move freely between the centres.

FIGURE 12 PROPOSED BAYSIDE ECONOMIC TRIANGLE (REPRODUCED FROM RCES 2016)



Source: SGS

## 4. CONCLUSIONS

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Both Southland-Cheltenham and Highett Activity Centres are expected to accommodate retail and commercial floorspace expansion over the next 15 years. In this report, the extent of that growth is quantified, and broken down into industries and store types.

A number of implications have been distilled, along with some in depth recommendations for how Council should seek to plan for this growth.

### 4.1 Recommendations for Southland-Cheltenham Activity Centre

The Southland-Cheltenham Activity Centre is expected to accommodate significant growth to the tune of 25,000sqm of retail floorspace and 8,000sqm of commercial office floorspace by 2031.

In the short to medium term, most of this growth should be accommodated between the Westfield Southland Shopping Centre and the proposed Southland Railway Station. Retail floorspace in this location should generate activation opportunities for the mall's Bay Road frontage. In the long term, economic activity can then extend west towards the Bayside Business District.

There is no pressing need for the City of Bayside to act upon this opportunity in the near future. Nonetheless, Council should work with the mall owners and the City of Kingston to encourage economic activity and activation of Bay Road.

If this were to eventuate, Council will then have the opportunity to investigate means for extending economic activities between the Bayside Business District and the Westfield Southland Shopping Centre along Bay Road. Commercial office along with residential apartments would appear the most likely use mix at this stage.

### 4.2 Recommendations for Highett Activity Centre

The Highett centre is expected to accommodate incremental volumes of retail and commercial floorspace expansion over the next 15 years. For a centre of this size, Council's approach should be to gradually expand the centre in line with demand to ensure that there is no oversupply of floorspace; thereby avoiding unnecessary levels of shopfront vacancies in this centre.

Retail floorspace expansion should be facilitated to the west of this centre through a C1Z rezoning along Highett Road between Worthing Road and Major Street. This should be undertaken as soon as possible to prevent more redevelopments in the area that fail to deliver a shop frontage.

Commercial offices can be accommodated in shop top formats as part of mixed use redevelopments in the centre. There are not too many more opportunities for these mixed use developments in the near future in the Bayside precinct of this centre, so Council should encourage the broader use of detached dwellings in the surrounding area for a range of non-retail commercial uses including medical facilities.



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