New Form submission on Planning for Melbourne’s Industrial and Commercial Land

Hi planning.implementation@delwp.vic.gov.au

There has been a submission on Planning for Melbourne’s Industrial and Commercial Land through Engage Victoria

A copy of the submission is provided as below:

Planning principles and strategies for employment land.

The draft Melbourne industrial and commercial land use plan includes principles and strategies to guide planning for industrial and commercial land. (page 32).

Do you think the principles and strategies provide enough clarity and guidance to assist planning for industrial and commercial land?

If no, please let us know why and how they could be improved.
Criteria to identify regionally-significant industrial precincts.

Plan Melbourne identifies state-significant industrial precincts. The draft Melbourne industrial and commercial land use plan identifies regionally-significant industrial precincts and includes criteria used as the basis to identify these locations (page 34).

Do you support the criteria developed to identify regionally-significant industrial precincts?

If no, please let us know why and how they could be improved.

Purpose for regionally-significant industrial precincts and local industrial precincts.

Plan Melbourne outlines a purpose for state-significant industrial precincts. The draft Melbourne industrial and commercial land use plan identifies a purpose for regionally-significant industrial precincts and local industrial precincts (page 35).

Do you support the purpose developed for regionally-significant industrial precincts and local industrial precincts?

If no, please let us know why and how they could be improved.

Developing local industrial land use strategies.
Appendix 2 of the draft Melbourne industrial and commercial land use plan proposes guidance for developing local industrial land use strategies.

Do you have any comments or suggestions to improve the guidance for developing local industrial land use strategies?

Key industrial and commercial areas.

The draft Melbourne industrial and commercial land use plan identifies and describes key industrial and commercial areas for each of the six metropolitan regions (refer to Part B of the plan).

Have the key industrial and commercial areas been adequately identified and described across the regions?

If no, please let us know which other area we should identify or how the areas can be better described.

Would you like to comment on any other aspects of the plan?

If you would like to upload a submission, please do so here.

I am making this submission:
on behalf of an organisation

Email address (Optional)

I agree to receive emails about my submission if required or project updates.

Yes

Privacy Statement - Draft Melbourne Industrial and Commercial Land Use Plan

What we will do with your submission

The Department of Environment, Land, Water and Planning (DELWP) is committed to protecting personal information provided by you in accordance with the principles of the Victorian privacy laws. The submission you provide to DELWP will be used to inform the finalisation of the Melbourne Industrial and Commercial Land Use Plan.

The information you provide will be made available to DELWP to develop a consultation report. This report will be uploaded to the Melbourne Industrial and Commercial Land Use Plan page on the DELWP website.

The contact information you provide may be used to contact you should we need to clarify your submission or to provide you with project updates.

The submission you provide will be published on the DELWP website. To protect individual privacy, DELWP will remove your name and address from your submission when we receive it.

If you do not wish to be identified, please ensure there is no other information in your submission that could identify you or other individuals.
If you are making comment as an organisation, then your comments may be published, including the name of your organisation.

De-identified submissions may be used by DELWP, or its contracted service providers under confidentiality agreements, in preparing its recommendations to government.

Please note, if you do not provide your name/email address we will not be able to identify your submission if you wish to access it, make a correction, or require technical support.

Should you need to correct the information you provided or gain access to your submission, please contact us via email at planning.implementation@delwp.vic.gov.au

I agree to the privacy statement

yes

To view all of the form's submissions, visit:


Regards,

The Engage Victoria Team

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SUBMISSION TO THE DRAFT MELBOURNE INDUSTRIAL AND COMMERCIAL LAND USE PLAN

1. INTRODUCTION

Galileo Group Pty Ltd represents the landowners of the Casey Fields South Precinct Structure Plan (PSP) area.

This letter puts forward our submission to the draft ‘Melbourne Industrial and Commercial Land Use Plan’ prepared by the Department of Environment, Land, Water and Planning (DELWP). Thank you for the opportunity to provide feedback.

We believe the assumptions that underpin the approach to identifying suitable locations for industrial land should be re-examined. We are concerned that the locations identified are not supported by a detailed assessment of the locational merits and / or the area’s ability to viably support a large-scale industrial precinct.

We have engaged with the Victorian Planning Authority (VPA) and the City of Casey since early 2018 regarding the Casey Fields South area. The Market Research assessment and Economic Analysis reports we have put forward (and attached to this correspondence) have concluded that this area does not fulfil the locational requirements for large scale industrial infrastructure and users, and there are superior locations in nearby Officer, Packenham, Cranbourne west and Hastings where industrial land can be accommodated.

The Casey Fields PSP area is more suitable for a flexible mixed use precinct, combining residential, employment and some industrial space for the jobs of tomorrow that delivers government’s policy of 20 minute neighbourhoods.

2. BACKGROUND

The Casey Fields South Precinct Structure Plan (PSP) is located in Clyde. The land is comprised of 17 land parcels totalling approximately 220 hectares. It is bounded by Ballarto Road to the north, Clyde Five-Ways Road to the east and South Gippsland Highway to the South.

Whilst no commencement date has been set for the PSP, the South East Growth Corridor Plan (SEGCP) identifies the site as potential industrial land. Industrial areas within the SEGCP are identified to ‘achieve greater local job self containment’ in the South East.

We commissioned Urbis to provide advice to us in relation to the suitability of the Casey Fields South PSP area for industrial uses, and the likely industrial demand requirement in this area. We have engaged with the City of Casey and the Victorian Planning Authority (VPA) regarding this issue since mid 2018.

The draft Melbourne Industrial and Commercial Land Use Plan appears to have transposed land previously nominated future industrial to represent the future land that must be quarantined over the next 30+ years. As such, the Casey Fields South PSP is identified as a regionally significant industrial land use in the draft document.
3. OUR POSITION

The research undertaken by Urbis has identified that the Casey Fields South PSP will not be commercially viable in the long-run if it was entirely designated for industry, particularly as ‘regionally significant’ industry. We believe that approximately 20 to 30 hectares of the 220 hectares should be nominated as industrial employment land with the remainder available for residential and mixed-use purposes (including some commercial and retail). This allocation takes into account the 35 hectares contained within the Ballarto Road Employment Precinct adjoining the Casey Fields South land to the west.

We have attached the reports prepared by Urbis to our submission. Their detailed assessment has driven our understanding and conclusions about the site and its overall viability as an industrial precinct. The reports include:

- Appendix A – Casey Fields South Industrial Land Demand Study
- Appendix B - Market Research, Casey Fields South Industrial Research Report As At May 2019

The sections below provide a summary of our concerns with DELWP’s draft report.

3.1. USE OF PREVIOUS STRATEGIES

The South East Growth Corridor Plan (SEGCP) was prepared in 2012 and identifies the site as potential industrial land. The SEGCP concluded that the South East region only required a modest increase in the future industrial land supply. The Officer-Pakenham Employment Corridor is identified as the key focus of industrial land supply in the region. The SEGCP recognised that designating land for employment purposes within the Growth Corridor Plan will not in itself ensure the provision of an appropriate level and mix of employment opportunities in each growth area. The viable level and mix of land uses will depend upon future decisions made by a diverse and large number of individual businesses and public sector agencies. The designation of the land was not backed by a detailed assessment of the merits of the location or its ability support a large-scale industrial precinct.

Plan Melbourne highlights the significance of regions rather than municipalities as a more strategic focus when considering the provision of employment. The subject site, as part of the broader South Gippsland Highway Industrial Node, is not identified in Plan Melbourne as a state-significant industrial precinct. Rather, it is simply designated as an “Industrial Area – Future”.

It appears that the draft Melbourne Industrial and Commercial Land Use Plan accepts the status quo without further interrogation or challenge. Rather than clearly assessing the ability of sites/precincts and locations to serve their intended role under the new ‘significance’ designations, the document has simply transposed land previously nominated future industrial or commercial land to represent the future land that must be quarantined over the next 30+ years.

There has been no consideration of whether other land (not previously identified for industrial purposes) would be more suitable for large scale industrial infrastructure and users, than the areas previously designated.

3.2. CONCERNS ABOUT DELWP’S METHODOLOGY

The Casey Fields South PSP is identified as a regionally significant industrial land use in the draft document. Our concerns regarding the methodology used to reach this outcome may be summarised as follows:

- The Draft Plan provides a new framework for categorising industrial and commercial land, but it appears to be inconsistently applied. Industrial land is now classified as either
State-Significant, Regionally-Significant or Local. The State-Significant precincts are broadly consistent with the designation in Plan Melbourne, although the Regionally-Significant classification is new, with a set of criteria detailed to identify these precincts with the intention of protecting them from encroachment into the future. However, some of the Regionally-Significant Industrial Precincts identified do not meet the criteria outlined. Please refer to Appendix C for a detailed assessment against the criteria.

- There appears to be no assessment of, or justification for, the proposed industrial precincts, with the criteria for many Regionally-Significant Industrial Precincts seemingly ignored. The exhibited designation of industrial precincts of regional significance still largely follows the direction set in previous strategic planning documents, such as the Growth Corridor Plans. There appears to be no assessment of the merits of individual areas as potential industrial land within their local context. As discussed previously, the draft appears to accept the status quo without challenge, which was not the intention of the Growth Corridor Plans.

- The Draft Plan has miscalculated the supply of unzoned industrial land supply in the Southern Region. As illustrated below, the Region has an estimated 11 years of future unzoned supply, instead of 7 years identified by the Draft Plan (para. 3, pg. 89), based on consumption level observed in 2017-18. This indicates the Region has around 32 years of supply in total, above the 30-year supply target set out in the Draft Plan (Principle 1, pg. 32).

### Estimated Years of Industrial Land Supply

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**Estimated Supply @ 2017-18 Consumption Level (years)**

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<tr>
<th>Geography</th>
<th>Zoned Occupied</th>
<th>Zoned Vacant</th>
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<td>(5) (4) / (2) / (1)</td>
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<td>21</td>
<td>11</td>
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</tbody>
</table>

Source: UDP 2018; Draft Melbourne Industrial & Commercial Land Use Plan; Urbis

**3.3. IMPACTS OF THE DESIGNATIONS**

The miscalculations within the methodology affect the conclusions of the document. Of note, we are concerned with the following:

- No conclusion appears to have been provided as to whether industrial land supply is adequate across Melbourne or within each region. The Draft Plan identifies the need to maintain at least 15-years supply of zoned land, with a further 15-years of unzoned supply to
meet demand over the long-term (30 years). According to the Urban Development Program (UDP), across Melbourne, this requirement is met with 23 years of zoned land and 15 years of unzoned. It is also met in the Southern Region (21 years zoned, 11 years unzoned) among other regions. However, across Melbourne and in each region, the conclusion appears to be to protect all previously nominated industrial land areas, regardless of the extent of the supply pipeline or whether that land is suitable.

- **Findings in the background study for the Southern Region that suggest a reducing role for the Southern Region as an industrial area have been ignored.** We note curiously that the Southern Region was the only region where a background study on the current and future state of industrial sector development was undertaken (i.e. Southern Region Industrial Land Study - Stages 1& 2 Reports). However, the extensive commentary, including the points below relating to the future role positioning of the Southern Region as an industrial area have not been reflected in the Draft Plan.

- **Anecdotal feedback from large national industrial owners such as Frasers, Logos, Goodman, Charter Hall and GPT suggesting national head-office investment decisions will likely target Melbourne’s north and west in the future as these areas will be the focus for future infrastructure and distribution centre locations to service the largest share of Melbourne’s future population growth.**

With ready access to major supply routes and infrastructure across Melbourne’s western suburbs, including areas such as Geelong and regional Victoria, this location is clearly preferred for new large-scale industrial occupiers/ employers.

Feedback from these groups and local real estate agents suggests large scale industrial owners are less likely to make further investments beyond the Southern SSIP into areas as far east as Officer/Pakenham and are more likely to invest in Melbourne’s northern and western growth fronts. This shift in focus will have implications for future investment levels within the Southern Region, particularly considering forecast land availability within the Southern SSIP. (pg. 75, Stage 2 Report).

- **The exclusion of the Casey Fields South PSP land from future supply calculations will have a limited impact on the ability of the region to meet industrial demand.** In the unlikely event that the entire Casey Fields South PSP land is excluded from future supply, the reduction of 245 hectares of industrial land would only reduce the timeline of supply by around 2 years (refer Table 2), even based on higher demand levels observed in recent years. Overall, the Region would still have sufficient land for an extended period over the next 30 years or so. The Casey Fields South PSP which is not focussed entirely on industrial development can still set aside areas for employment uses.

- **Inappropriately designated land does not assist in the achievement of employment or industrial development goals.** It must be remembered that setting aside land that remains vacant as it is not attractive for its designated use does not create jobs, nor economic activity.
4. **RECOMMENDATION**

Casey Fields South would be more suited as a commercial and mixed use precinct supporting local businesses and employment opportunities.

The PSP area does fulfil the requirements for a Regionally-Significant Industrial Precinct. The subject land and surrounding precinct will not be a preferred location for industrial users relative to much larger competitive locations.

The area lacks major transport infrastructure and access, which is critical for large scale industrial users. The location on the edge of the urban area is not proximate to suppliers and other businesses who are more likely in the larger and better located precincts. There is unlikely to be a sufficient critical mass of industrial activity to act as an attractor for potential occupiers or multiple large-lot users. This reflects the area’s role as a potential Local Industrial Precinct, which could support around 20 to 30 hectares of industrial zoned land.

A more mixed use and commercial precinct, with some components of residential is the preferred development outcome. Given the demand for industrial use in Casey Fields South will likely only support a smaller industrial area, the area of land designated for industrial purposes should be reduced and consolidated around the existing employment land to the west (Ballarto Road Employment Precinct).

A much smaller employment precinct, comprising around 20 to 30 hectares of local industrial land, and some commercial and retail, would be sufficient to serve the local role. With continued strong population growth and a looming residential land supply shortage within the Casey LGA and across the Southern Region, the site lends itself to a mixed use outcome as the highest and best use.
APPENDIX A

CASEY FIELDS SOUTH INDUSTRIAL LAND DEMAND STUDY
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INTRODUCTION & KEY FINDINGS

PURPOSE OF ANALYSIS

Urbis have been engaged by Galileo Group Ltd Pty to investigate the appropriateness of the future Casey Fields South Precinct Structure Plan (PSP) in the City of Casey for industrial purposes. The proposed PSP encompasses approximately 222 ha of land, which has been set aside in the South East Growth Corridor Plan as land to be retained for future industrial supply.

This report presents a preliminary analysis of this matter, reviewing the planning history that has led to the land being designated for potential industrial use, and whether there is likely to be a need or demand for the land to be retained for industrial use. The analysis draws on past and anticipated future trends in industrial land take-up as well as the location’s suitability for industrial purposes.

The remainder of this report is structured as follows.

Section 1 reviews the development context of the future Casey Fields South PSP.

Section 2 presents a high-level overview of the planning history for the PSP area and assesses planning considerations for setting aside this area for future industrial use.

Section 3 summarises the key employment characteristics and trends within the Southern Region, based on the latest 2016 Census data.

Section 4 presents an analysis of the supply of and demand for industrial land within the Southern Region to determine the potential impact on the level of industrial provision, should the PSP be excluded from future industrial land supply.

Section 5 assesses the suitability of the subject site for industrial developments, drawing on implications from the above sections and other studies commissioned that led to the designation of the precinct for industrial use, followed by a brief discussion on the potential best and highest use of the site.

Section 6 concludes the research and summarises the key findings.

KEY FINDINGS OF ASSESSMENT

Key findings from this research are summarised as follows.

Lack of strategic justification - It appears there has not been any strategic justification for the area covered by the future Casey Fields South PSP to be set aside for industrial use. While some State planning documents have made allowance for future industrial use in this area, no rigorous supply and demand assessment has been undertaken to establish the need for industrial land in the PSP, nor to identify the appropriateness of the location for the proposed land use.

PSP area only a secondary location for industrial use with limited demand - The area covered by the future PSP would only be a secondary location for industrial tenants within the Southern Region. The location is less accessible and lacks critical mass to compete with other major industrial destinations within the Region, such as in Dandenong, Officer/Pakenham or Hastings. Consequently, the Casey Fields South PSP is expected to serve a role meeting local service business demand. Local demand will not require the full 222 ha that is currently indicated.

No impact on extensive regional supply - There is more than sufficient provision of industrial land across the Southern Region to satisfy the Region’s demand for industrial development over the next 40 to 50 years. The exclusion of any industrial land would hardly have any impact on such provision. Even the exclusion of the Casey Fields South PSP from future industrial supply would only reduce this provision by up to 2 years.

Residential use the preferred development outcome with a reduced employment area - Given the demand for industrial use in Casey Fields South will likely only support a smaller employment area, the land area should be reduced and consolidated around the existing employment land to the west. With continued strong population growth within the Casey LGA and across the Southern Region, the site lends itself to residential development as the highest and best use.
1. DEVELOPMENT CONTEXT

The proposed Casey Fields South PSP area is located in Melbourne’s southeast Local Government Area (LGA) of Casey, approximately 47km from the CBD. As shown on Map 1.1 overleaf:

- According to the Victorian Planning Authority (VPA), the future PSP occupies a gross land area of approximately 233 ha. Our own measurement, however, shows that this figure should be 222 ha, excluding the triangle land around the corner of South Gippsland Highway and Clyde Five Ways Road, which now forms part of the neighbouring Clyde South PSP.

- The area has frontages to South Gippsland Highway, Ballarto and Clyde-Five Ways Roads.

- To the immediate northwest of the PSP lies the planned Cranbourne East Employment Area and the Adrian Street Local Town Centre, where local retail and commercial uses are expected to be accommodated, primarily for the rapidly developing residential areas in Cranbourne East. This employment area of around 34 net developable hectares, combined with the proposed Casey Fields South PSP area, forms what has been designated as the South Gippsland Highway Industrial Node in the South East Growth Corridor Plan.

- The South Gippsland Highway Industrial Node sits at the south-eastern extremity of Melbourne, adjacent to the Urban Growth Boundary.

- Further northwest at the junction of High Street and Sladen Road is the existing Cranbourne Town Centre, including the Cranbourne Park Shopping Centre, a sub-regional level retail offer servicing the broader Cranbourne area.

- As part of the State’s infrastructure commitment to the area, the Cranbourne Rail Line service which currently ends at the Cranbourne Station, is to be extended further southeast along the historical rail corridor, with the future Clyde Station being proposed at the corner of Twyford and Ballarto Roads, to the north east of the PSP.

While the land covered by the PSP is currently farming land and yet to be zoned as part of the future PSP for any uses, various existing state planning documents, including the South East Growth Corridor Plan, have identified the area as reserved land for future industrial purposes. This will be discussed shortly in Section 2.
2. HISTORY OF PLANNING FOR CASEY FIELDS SOUTH

This section provides an overview of the various planning documents which have identified the use of the Casey Fields South area as an employment precinct, in order to assess whether there has been any strategic justification for the area to be set aside for future industrial purposes.

2.1. GAA REPORT ON INDUSTRIAL LAND FOR GROWTH AREAS (2011)

In preparation for the Growth Corridor Plans, the then Growth Areas Authority (GAA), the statutory body preceding the Victorian Planning Authority (VPA), conducted a comprehensive audit of the demand and supply status of industrial land across Melbourne’s metropolitan area, with key findings summarised in its October 2011 report Planning for Employment and Industry in Melbourne’s Growth Areas.

The GAA report recognises the importance of ensuring adequate provision of well-located industrial land in the growth areas in maintaining Melbourne’s competitiveness as Australia’s major manufacturing and logistics hub, as well as in accommodating additional job growth over the horizon until at least 2040.

The report was informed by three specialist reports that considered the broad magnitude of industrial land required across the regions of Melbourne. However, these specialist reports did not address the specific locations for industrial and other employment land that were designated ultimately in the GAA report and subsequently the Growth Corridor Plans.

It was concluded that the South East region only required a modest increase in the future land supply of less than 500 hectares of the total 5,000 hectares allocated across Melbourne:

This proposed distribution reflects both forecast demand for industrial land in each region, with major influences being the superior access of the western and northern growth corridors to the Port of Melbourne, Melbourne Airport and to interstate freeway and rail links and also the relatively greater number of years supply that already exists in the south – eastern growth corridor.

Source: Pg. 4, Planning for Employment and Industry in Melbourne’s Growth Areas, 2011

A distinction is also made between larger and smaller industrial precincts and their role:

The larger (typically at least 200 + hectares and in some cases substantially more) industrial estates have been located to have very good freeway and arterial road access and are designed to provide for the industrial land requirements of firms that serve metropolitan wide, national or international markets.

Smaller (typically around 20 hectare) service trades areas will be designed to provide for the needs of smaller business serving more local markets.

The larger industrial areas are identified in the draft Growth Corridor Plans. The smaller local industrial/service trades areas will be identified through the subsequent precinct structure planning process.

Source: Pg. 12, Planning for Employment and Industry in Melbourne’s Growth Areas, 2011

For the South East region more specifically, the report identifies the Officer-Pakenham Employment Corridor (marked No. 1 on Figure 1 overleaf) as the key focus of industrial land supply in the region. In addition, it proposed two future areas for employment development in the South East, including:

- The Thompsons Road Employment Corridor (No. 2), with some 380 gross hectares of commercial and 170 gross hectares of mixed-use land along Thompsons Road in Casey; and,
- Around 260 gross hectares of manufacturing and logistics land at the South Gippsland Highway Industrial Node, shown as No.3 on Figure 1 overleaf.

From the distinction between large and small industrial precincts, clearly the GAA envisaged the South Gippsland Highway Industrial Node, within which the subject site sits, to be a larger industrial precinct capable of serving metropolitan-wide, national or international markets.

Also, while the report discusses the attributes required for larger industrial precincts, there appears to have been no explanation of why the proposed industrial areas were selected, nor is there any assessment of the precincts against the identified needs of such precincts. This is considered further later in this report.
Finally, discussion in the report did point to the fact that the broad-based allocation of industrial land to various precincts would need to be tested by the market in future:

*It has to be recognised that designating land for employment purposes within the Growth Corridor Plan will not in itself ensure the provision of an appropriate level and mix of employment opportunities in each growth area. The actual level and mix of employment that develops will depend upon future decisions made by a diverse and large number of individual businesses and public sector agencies. However it is important that the Growth Corridor Plans facilitate land use opportunities for business and employment development to occur over time.*

*Source: Pg. 6, Planning for Employment and Industry in Melbourne’s Growth Areas, 2011*

Figure 1 – Proposed Employment Areas in the South East Growth Area (2011)
2.2. SOUTH EAST GROWTH CORRIDOR PLAN (2012)

Following the identification of the South Gippsland Highway Industrial Node in the GAA’s 2011 report, it was subsequently retained in the final release of the South East Growth Corridor Plan in 2012. The land area was identified as 250 hectares gross, relative to the 260 hectares identified in the earlier report.

Within the Plan, the South Gippsland Highway Industrial Node, which is to be covered by the future Casey Fields South PSP, was recognised as only being supplementary to the Officer-Pakenham area. The Dandenong Central Activities Area was identified to remain as the core employment destination in the South East, whilst the Officer-Pakenham Employment Corridor was highlighted as the main area of future industrial land supply. As the Plan states:

*The South East Growth Corridor will continue to have a strong relationship to the Dandenong Central Activities Area (CAA) and other major employment destinations in the broader south east metropolitan area. This will continue to drive the need for improved transport connections between the Growth Corridor and major job locations.*

*Source: Pg. 88, The South East Growth Corridor Plan (2012)*

This corridor [Officer-Pakenham Industrial/Business Corridor] has good freight and public transport connections, and will be an attractive location for a wide range of advanced manufacturing and commercial enterprises, as well as the more traditional manufacturing, warehouse and logistics, commercial and some high density residential uses.

A new 250ha (gross) industrial precinct is identified along the South Gippsland Highway. This precinct will also enjoy excellent freight access to the metropolitan area and the Port of Hastings, the South Gippsland Highway and Western Port Highway. It will be serviced by a new railway station, and Major Town Centre at Clyde.

*Source: Pg. 89, The South East Growth Corridor Plan (2012)*

While the discussion above appears to be justification of the merits of the location as a major industrial precinct, it remains a superficial response which has not adequately established the appropriateness of the industrial node at the scale proposed.
Figure 2 – The South East Employment Concept Plan

Source: The South East Growth Corridor Plan
2.3. PLAN MELBOURNE 2017-2050

To facilitate strategic planning and co-ordinated action on a State-wide and local level, Plan Melbourne 2017-2050 (March 2017) has taken a regional approach to metropolitan planning. It divides Greater Melbourne into six metropolitan regions (Figure 3), with Casey Fields South and the broader Casey LGA being contained within the Southern Region. The other five municipalities that form parts of the Southern Region are Cardinia, Frankston, Greater Dandenong, Kingston and Mornington Peninsula.

Figure 3 – Melbourne’s Regions and Jobs Growth, 2015-2031

Source: Pg. 21, Plan Melbourne 2017-2050
As shown in Figure 3, the Southern region in Plan Melbourne is anticipated to see only modest employment growth of 105,000 jobs to 2031 at a rate of 0.5% per annum. As discussed in subsequent sections, the region already has a strong supply of jobs. Importantly, in producing the forecasts in Figure 3, the Department of Economic Development, Jobs, Transport and Resources have concluded that there will continue to be a loss in manufacturing jobs, with the loss in the Southern region one of the highest across Melbourne. The shift away from manufacturing will reduce the need for industrial land.

Plan Melbourne also introduced the principle of 20-minute neighbourhoods where every-day needs should be readily available within 20-minute walk, ride or public transport trip of where people live. However, it also recognises that many residents of an area will always have to leave the area to access a broader range of employment opportunities:

“Principle 5: Living locally—20-minute neighbourhoods
Creating accessible, safe and attractive local areas where people can access most of their everyday needs within a 20-minute walk, cycle or local public transport trip, will make Melbourne healthier and more inclusive. Due to the specialised and diverse nature of work, many people will still need to travel outside of this 20-minute neighbourhood for their jobs.”

Source: Pg. 10, Plan Melbourne 2017-2050

Previous council-based planning in Melbourne has predominantly been focused on providing an increased range of jobs within a municipality to service the employment needs of residents in that municipality. However, the 20-minute neighbourhood concept removes the focus on municipalities as the area of analysis. The key consideration following the release of Plan Melbourne is the ability of people to access some jobs and all every-day needs within 20 minutes of their home. This highlights the significance of regions rather than municipalities as a more strategic focus when considering the provision of employment as well as other services.

The focus on where jobs are to be located through Plan Melbourne has moved to be around key employment clusters, centres and state-significant industrial precincts rather than small local precincts. As shown on Figure 4 overleaf, within the Southern Region, residents have access to multiple major employment nodes including Dandenong South, the broader Dandenong National Employment and Innovation Cluster (NEIC), Officer/Pakenham and the Port of Hastings, all of which of either national or state significance. The Monash NEIC is another significant employment precinct just to the north west of the Region.

The subject site, as part the broader South Gippsland Highway Industrial Node is not identified in Plan Melbourne as a state-significant industrial precinct. Rather, it is simply designated as an “Industrial Area – Future”. It is surrounded by growth area land.
Figure 4 – Plan Melbourne Southern Region Implementation Plan
2.4. CASEY FIELDS SOUTH PSP

The Casey Fields South PSP was originally referred to by the City of Casey Council as Casey Fields South Part 2 in its Casey Fields South Precinct Map (Figure 5). Part 1 of the wider precinct just north of Ballarto Road is expected to be the predominantly residential area of Casey Fields South.

The VPA recently removed the southern triangle of the area bounded by South Gippsland Highway and Clyde Five Ways Road which is now part of the future Clyde South PSP immediately adjacent to the east.

As a future PSP area, planning for the Casey Fields South area has yet to commence. While no detailed information is currently available, Council has indicated on its website that the PSP is expected to be generally in accordance with the South East Growth Corridor Plan.

Figure 5 – Casey Fields South PSP (Casey Fields South Part 2)
2.5. CASEY PLANNING SCHEME AMENDMENT C219 PANEL REPORT (2018)

The Planning Panels Victoria report on Casey Planning Scheme Amendment C219 (January 2018) presents a summary of the debate around the proposed changes to the Cranbourne West PSP where a large piece of land originally set aside for industrial use is subject to be rezoned to residential land, resulting in a reduced employment area.

The Cranbourne West land has some similarities to the subject site in that it is a smaller industrial precinct in the Southern Region facing competition from larger precincts (existing and future), and is surrounded by residential areas which have impacted on the appeal of the location for industrial users. The need to rezone industrial land elsewhere nearby should be instructive when considering the scale of industrial land that needs to be set aside in Casey Fields South.

In the report released in relation to C219, the Panel was generally supportive of the proposal and concludes, among other things, that:

*There is sufficient medium to long term industrial land supply in the Southern region if the Amendment is approved.*

*The approval of the Amendment would have only a minor impact on the supply of industrial land in the Southern region.*

*The constraints on the land, particularly its proximity to residential land, will make it difficult to attract some industrial uses.*

Source: Executive summary, Casey Planning Scheme Amendment C219, Panel Report, 4 January 2018

In addition, the Panel recognises that a regional rather than local approach is more appropriate in assessing industrial land supply and demand in cases such as this. Therefore, Urbis have adopted the same approach for the subject site assessment to follow in this report.

2.6. SUMMARY

While the future Casey Fields South area has emerged in the State’s various planning documents and has been designated for potential future industrial land supply, the scale and location of the area lacks any strategic justification. The 250 ha (now 222 ha) industrial area at Casey Fields South that originally appeared from the Growth Corridor Planning process is considered a large industrial area serving a metropolitan-wide role. However, the designation of the land was not backed by a detailed assessment of the merits of the location or its ability support a large-scale industrial precinct.

A regional approach to employment land planning has been adopted in Plan Melbourne, and subsequently indicated as being an appropriate approach to considering industrial supply and demand issues in the recent City of Casey Amendment C219 Panel Report. All analysis undertaken to inform the Growth Corridor Plans indicated that the vast majority of the additional industrial land supply over the next 40 years was required in the north and west of Melbourne, with the South East having a large existing supply and inferior attributes for industrial users.

Subsequent sections of this report will consider the regional need and demand for industrial land, and the attributes of the Casey Fields South precinct to support a large industrial land supply.
3. REGIONAL EMPLOYMENT CHARACTERISTICS & TRENDS

Consistent with Plan Melbourne 2017-2050, Urbis have adopted a regional approach to reviewing and assessing the employment characteristics and trends across the wider Southern Region, rather than focusing on individual municipalities. This section therefore summarises these key characteristics and trends through a high-level analysis of the latest employment data from the 2016 Census.

Charts 3.1-3.6 present some of the key employment data for the Southern Region. Of note:

- **Job growth higher than population growth.** With a total of over 350,000 jobs, the Southern Region is now the second largest region in Melbourne in terms of employment provision, up from just over 287,000 in 2011, only behind the Inner Metro Region (593,800 jobs as at June 2016). This is equivalent to some 12,600 additional jobs per annum on average between 2011 and 2016. While this was less than the average annual increase in population (almost 25,000 people annually), in percentage terms, job growth outstripped population growth at 4.1% versus 2.6% per annum on average during the same period (Chart 3.1).

- **High provision of Blue Collar jobs.** Of the 350,000 jobs in the Region, 35% were in Blue Collar occupations (i.e. Technicians and Trade Workers, Machinery Operators and Drivers and Labourers), the highest amongst all regions in both volume and percentage terms (Chart 3.2). 23% were in Community, Retail and Local Services based occupations (i.e. Community and Personal Service Workers and Sales Workers), with only 43% of total jobs being in the higher value Office-based occupations (i.e. Managers, Professionals and Clerical and Administration Workers), the second lowest across all regions just marginally higher than in the Western Region (42%). While it is common for outer regions to have a lower proportion of office-based jobs as most of these jobs are concentrated in the inner regions, the proportion of higher value jobs in the Southern Region is nonetheless low.

- **Continued de-industrialisation.** While the absolute provision of Blue Collar jobs remains high, the Region has witnessed continued decline in industrial-related jobs. Between 2011 and 2016, Manufacturing and Wholesale Trade sectors saw a decline in resident workers (Chart 3.3), despite an increase in total jobs for the municipality of around 63,000 jobs over the period. All other industries experienced positive growth in employed residents within the Region.

- **High job containment within the region.** Job containment refers to local residents who live and work in the same region as a share of total resident workers in that region. As illustrated in Chart 3.4, the Southern Region has the second highest proportion of residents who live and work in the same region, with growth in this statistic over the last Census periods (56% in 2011 vs. 61% in 2016). More specifically, the Southern Region has the highest level of job containment for Community, Retail and Local Services (Community and Personal Service Workers and Sales Workers) and Blue Collar Technicians and Trade Workers, Machinery Operators and Drivers and Labourers) occupation groupings at 69% and 62% respectively (Chart 3.5). The high job containment suggests that most residents can access jobs within the Region and opportunities to work locally have increased. In this context, it is considered there isn’t a shortage of jobs. If there was any deficit of jobs, it can only be considered to be within the office-based occupations.

In summary, there is no deficit of jobs in the Southern Region that needs to be addressed by setting aside more employment land. This is particularly true in the blue collar jobs provided on industrial land, with various opportunities in the region for residents of the region to access employment. The amount of land set aside for industrial purposes within the region should be guided solely by market need and demand. With key industries requiring industrial land seeing a decline in employment levels, industrial land requirements are also falling. The need for future industrial land supply in the region is addressed in the next section.
Population Growth Vs Job Growth (Annual % Change)
Metropolitan Regions, 2011-2016, Year Ending June

Source: ABS Censuses 2011 & 2016, Urbis

Proportion of Jobs by Occupation Categories¹
Metropolitan Regions, 2016

Source: ABS Censuses 2011 & 2016, Urbis

¹ Excludes those recorded as 'Inadequately described', 'Not stated' or 'Not applicable'.
Changes in Resident Workers by Industry¹
Southern Region, 2011 vs. 2016, Year Ending June

<table>
<thead>
<tr>
<th>Industry</th>
<th>Change (2011 - 2016)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other Services</td>
<td>+1,853</td>
</tr>
<tr>
<td>Arts and Recreation Services</td>
<td>+1,568</td>
</tr>
<tr>
<td>Health Care and Social Assistance</td>
<td>+11,033</td>
</tr>
<tr>
<td>Education and Training</td>
<td>+5,840</td>
</tr>
<tr>
<td>Public Administration and Safety</td>
<td>+1,903</td>
</tr>
<tr>
<td>Administrative and Support Services</td>
<td>+2,526</td>
</tr>
<tr>
<td>Professional, Scientific and Technical Services</td>
<td>+3,364</td>
</tr>
<tr>
<td>Rental, Hiring and Real Estate Services</td>
<td>+1,263</td>
</tr>
<tr>
<td>Financial and Insurance Services</td>
<td>+485</td>
</tr>
<tr>
<td>Information Media and Telecommunications</td>
<td>+133</td>
</tr>
<tr>
<td>Transport, Postal and Warehousing</td>
<td>+1,942</td>
</tr>
<tr>
<td>Accommodation and Food Services</td>
<td>+4,344</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>+2,677</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>-4,540</td>
</tr>
<tr>
<td>Construction</td>
<td>+6,449</td>
</tr>
<tr>
<td>Electricity, Gas, Water and Waste Services</td>
<td>+148</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>+1,054</td>
</tr>
<tr>
<td>Agriculture, Forestry and Fishing</td>
<td>-13,122</td>
</tr>
</tbody>
</table>

1. Excludes those recorded as 'Inadequately described', 'Not stated' or 'Not applicable'.
Source: ABS Censuses 2011 & 2016; Urbis

Proportion of Resident Workers Living and Working in the Region¹
Metropolitan Regions, 2011 vs. 2016, Year Ending June

1. Excludes those recorded as 'Inadequately described', 'Not stated' or 'Not applicable'.
Source: ABS Census 2016; Urbis
Job Containment by Occupation Categories\textsuperscript{1}
Metropolitan Regions, 2016, Year Ending June

\begin{figure}
\centering
\includegraphics[width=\textwidth]{chart35}
\end{figure}

\textsuperscript{1} Excludes those recorded as 'Inadequately described', 'Not stated' or 'Not applicable'.

Source: ABS Census 2016; Urbis
4. EMPLOYMENT LAND SUPPLY & DEMAND CONDITIONS

This section presents an analysis of the supply and demand status of the industrial land market in the Southern Region to determine whether the exclusion of the Casey Fields South PSP for industrial use would have any impact on adequacy of the industrial land pipeline in the Region.

4.1. SUPPLY OF INDUSTRIAL LAND

4.1.1. Zoned Supply

The Department of Environment, Land, Water and Planning (DELWP) publishes an annual Urban Development Program (UDP) report providing information on the supply of and demand for residential and industrial land across Victoria. The UDP defines industrial land as being either unavailable or supply/available land based on aerial photographic assessments.

The 2017 UDP indicates the Southern Region contains **8,783 gross ha of land zoned to allow industrial use without a permit** (Industrial 1, Industrial 2, Industrial 3, Commercial 2 or Business 4 (Frankston only), or with a permit in the case of the large area zoned Special Use 1 near Hastings to allow for industrial uses associated with the port activities. The **land recorded as vacant or ‘available’ supply in the UDP is 2,067 gross ha across the Southern Region**.

Maps 4.1 and 4.2 show that the distribution of industrial land in the Southern Region is primarily focused around Dandenong South, with other large concentrations in the City of Kingston, near Hastings and large areas of future industrial land near Officer/Pakenham. The Casey Fields South area is isolated and relatively small compared to the other major precincts in the Southern Region.
In addition to the industrial/commercial zones, the UDP also considers land that is within the Urban Growth Zone (UGZ) and is designated to be used for industrial or commercial purposes. While the maps above show the UGZ areas in Cranbourne West, Cranbourne South and Officer/Pakenham, Urbis have considered the applied zones that make up the UGZ land and matched those areas against what the UDP indicates as either available or occupied. There is a total of 728 ha in the Region that has an applied zone suitable for use as industrial land, of which 396 ha are considered available. However, it should be noted that the UDP may have understated the true level of available industrial land in the region, as the identification of land availability was based on aerial photographic assessment. This is particularly evident in the UGZ areas which have not yet been developed substantially. On inspection of the UGZ areas in the Southern Region, including large parts Officer/Pakenham, many areas detailed as unavailable in the UDP are still being used as farm land. The same applies in the area adjacent to Casey Fields South at the corner of Ballarto Road and South Gippsland Highway which has seen only a couple of small sites developed for industrial use, but the whole area of 34 ha is shown as unavailable. It appears that the presence of farm houses and other out buildings on the sites have led to them being classified as ‘occupied’ and therefore ‘unavailable’. This is considered a flaw in the methodology of the UDP that must be kept in mind when considering the absolute volume of vacant land and the level of consumption of land as reported in the UDP.

In addition to the existing zoned industrial land and the defined UGZ land, the 2017 UDP makes an allowance for land in proposed industrial land precincts, primarily based on the 2012 South East Growth Corridor Plan. In the Southern Region, these proposed areas include the future Casey Fields South Employment PSP (i.e. the South Gippsland Highway Industrial Node as defined in the Growth Corridor Plan) and the further expansion of the Officer-Pakenham industrial precinct (Map 4.2). These areas allow for an additional 1,185 ha of industrial land in total.
4.1.4. Industrial Land in Other Commercial Precincts

In preparing the Growth Corridor Plans for Melbourne, the GAA provided estimates of the proportion of other future employment land (commercial and mixed use) that would likely be used for industrial purposes. In total, there was an allowance for 437 ha of commercial land and 104 ha of mixed use land in the Southern Region. The allowance made was for 50% of commercial precincts to be used for industrial purposes, and 25% of mixed use precincts.

Table 4.1 details the level of occupied (unavailable) and vacant (supply) industrial land in the Southern Region that is either zoned, proposed or allowed for within commercial and mixed use precincts.

### Industrial Land Supply by Type

<table>
<thead>
<tr>
<th>Zoned Industrial Land</th>
<th>Southern Region (gross ha)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unavailable Land</td>
<td>6,716</td>
</tr>
<tr>
<td>Supply</td>
<td>2,067</td>
</tr>
<tr>
<td>Total Industrial Land</td>
<td>8,783</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Applied Zones Under Urban Growth Zone</th>
<th>Southern Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unavailable Land</td>
<td>333</td>
</tr>
<tr>
<td>Supply</td>
<td>396</td>
</tr>
<tr>
<td>Total UGZ</td>
<td>729</td>
</tr>
</tbody>
</table>

Additional Future Supply

- Proposed Areas Future Supply: 1,185
- Allowance for Industrial Uses in Other Zones
  - Commercial Precincts (50%): 437
  - Mixed Used Precincts (25%): 104
- Total Other Industrial: 541

1. Industrial Land includes Industrial 1, Industrial 2, Industrial 3, Commercial 2, Business 4 (Frankston only), Special Use Zone 1 (Mornington Peninsula only) zoned land, but excludes Activity Centre Zone within Casey and industrial land controlled by the Commonwealth.
2. Area of applied zones suitable for industrial purposes that correspond to areas of unavailability or supply as defined in the UDP 2017 report. Urban Growth Zone allowed for Industrial uses in the South Growth Corridor includes Urban Growth 1 and Urban Growth 2 zoned land.
3. GAA Report on Industrial Land quoted numbers for Casey, while the remainder of the 1,290 gross ha from the South East Growth Corridor Report is expected to be located in Cardinia (Officer/Pakenham), assumed to be two thirds commercial and one third mixed use.

Source: UDP 2017; GAA Report on Industrial Land for Growth Areas, October 2011; The South East Growth Corridor Plan, 2012; Urbis

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1 GAA, Planning for Employment and Industry in Melbourne’s Growth Areas, October 2011
4.1.5. Total Supply

The total future industrial land supply for the Southern Region is summarised in Table 4.2 below. When all four sources of future industrial land supply are combined (excluding currently occupied land), there is an estimated 4,189 gross ha of land available across the Southern Region to meet future demand.

This analysis does account for the applied zones within the UGZ that are suitable for industrial use, although no adjustment has been made for the underestimation of available supply that results from the methodology applied within the UDP. As such, we expect the true supply of industrial land is greater than shown here.

Industrial Land Supply Summary

<table>
<thead>
<tr>
<th>Southern Region, as at June 2017</th>
<th>Table 4.2</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Industrial Land</strong>¹</td>
<td><strong>Southern Region (gross ha)</strong></td>
</tr>
<tr>
<td>Current Supply</td>
<td>2,067</td>
</tr>
<tr>
<td>Urban Growth Zone²</td>
<td>396</td>
</tr>
<tr>
<td>Additional Future Supply</td>
<td>1,185</td>
</tr>
<tr>
<td>Other Industrial (Business Land)</td>
<td>541</td>
</tr>
<tr>
<td><strong>Total Future Supply</strong></td>
<td><strong>4,189</strong></td>
</tr>
</tbody>
</table>

¹. Industrial Land includes Industrial 1, Industrial 2, Industrial 3, Commercial 2, Business 4 (Frankston only), Special Use Zone 1 (Mornington Peninsula only) zoned land, but excludes Activity Centre Zone within Casey and industrial land controlled by the Commonwealth.

². Area of applied zones suitable for industrial purposes that correspond to areas of unavailability or supply as defined in the UDP 2017 report. Urban Growth Zone allowed for Industrial uses in the North Growth Corridor includes Urban Growth 5 and Urban Growth 8 zoned land.

Source: UDP 2017; GAA Report on Industrial Land for Growth Areas, October 2011; The South East Growth Corridor Plan, 2012; Urbis

Note: Supply above includes the land that was the subject of the City of Casey Amendment C219 which is now recommended to be converted to residential use by the Panel. This conversion is not guaranteed as yet. Regardless, the exclusion of this land (108 ha) will only reduce the future supply marginally.

4.2. DEMAND FOR INDUSTRIAL LAND

In assessing the demand for industrial land, Urbis have used the UDP information from two time periods (2007 and 2017) to estimate the past take-up of industrial land in the Southern Region.

In areas outside of the Urban Growth Zones in the Southern Region, average annual consumption of land zoned for industrial purposes between 2007 and 2017 was recorded in UDP at around 75 hectares (refer Table 4.3). The absolute majority of this was taken up primarily in the state-significant Dandenong South area which is attractive to industrial users.

The consumption levels calculated here also overstate the true take up of industrial land, as the 2007 supply excluded the B4 (mixed use) zone. Some of the increase in unavailable land between 2007 and 2017 was simply the inclusion of B4 land that may already have been unavailable in 2007 and therefore was not ‘consumed’ during the relevant period.

Given continued strong population growth in the Southern Region, it is reasonable to assume that annual consumption of land zoned for industrial purposes could increase in the Region in general. As a result, we have conservatively allowed for increased consumption rates with the release of the UGZ industrial land.

In total, across the Southern Region we have allowed for between 80-100 gross hectares of industrial land to be consumed annually in future, as shown in Table 4.3. At up to 30% higher than observed levels over the last decade or so, this is considered a very generous allowance given.

Various research has indicated that demand for industrial land in future will only likely reduce due to the continuation of de-industrialisation across Australia.

In addition, the advancement of technology has given rise to a continued decline in industrial employment (particularly manufacturing) which could lead to a reducing annual demand for industrial land. Therefore, this approach has the potential to overstate the future land requirement.
4.3. ADEQUACY OF INDUSTRIAL LAND SUPPLY

In the Growth Corridor Plans released in 2012, it was indicated the plans provided sufficient industrial land for up to the next 40 years (i.e. 33-34 years from now). Having established the future supply of and demand for industrial land within the Southern Region, we consider whether the supply is indeed adequate to meet demand over this 40-year time period.

Table 4.4 below summarises the provision of industrial land, measured in the number of years this land is likely to last before exhaustion. Of note:

- Based on our estimated historical absorption rate of industrial land between 2007 and 2017, the future supply of 4,189 ha of industrial land would be able to meet the demand across the Region for the next 42 to 52 years or so, substantially greater than the 40-year benchmark.

- Under a rather extreme scenario, should the entire 222 ha of land covered by the Casey Fields South PSP area be removed from industrial land supply, total available supply for the region would only be reduced by around two years. This level of impact is considered immaterial at the regional level.

Note that our assumed future consumption at 80-100 ha per annum is likely to overstate the actual demand for industrial land. As the Victorian economy continues to de-industrialise and transitions towards higher-value services, demand for blue collar workers and hence industrial employment land is only likely to become less. There is more than enough industrial land supply in the Southern Region to meet demand for at least the next 40 years, with or without the Casey Fields South PSP being set aside for industrial use.

### Provision of Industrial Land

<table>
<thead>
<tr>
<th>No. of Years of Available Supply, Southern Region</th>
<th>Table 4.4</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Existing Industrial Land Provision</strong>¹</td>
<td></td>
</tr>
<tr>
<td>Future Supply (gross ha)</td>
<td>4,189</td>
</tr>
<tr>
<td>Assumed Future Consumption (gross ha/yr)</td>
<td>80-100</td>
</tr>
<tr>
<td>Total Available Supply (yrs)</td>
<td>42-52</td>
</tr>
<tr>
<td><strong>Industrial Land Provision</strong></td>
<td></td>
</tr>
<tr>
<td>Future Supply (gross ha)</td>
<td>3,967</td>
</tr>
<tr>
<td>Assumed Future Consumption (gross ha/yr)</td>
<td>80-100</td>
</tr>
<tr>
<td>Total Available Supply (yrs)</td>
<td>40-50</td>
</tr>
</tbody>
</table>

¹. Industrial Land includes Industrial 1, Industrial 2, Industrial 3, Commercial 2, Business 4 (Frankston only), Special Use Zone 1 (Mornington Peninsula only) zoned land.

Source: UDP 2007 & 2017; Urbis
5. **ASSESSMENT OF INDUSTRIAL DEVELOPMENT POTENTIAL**

Simply designating land for industrial purposes does not ensure it will be occupied and provide employment consistent with the intent of the Growth Corridor Plans. Industrial land users require certain site characteristics to be met before choosing to occupy land in a particular location. Analysis presented in this section assesses the suitability of the Casey Fields South PSP for industrial use, and therefore the likelihood the land will be used for the intended purpose as a large manufacturing and logistics precinct.

5.1. **REQUIREMENTS FOR INDUSTRIAL LAND**

In this sub-section, two of the key reports feeding into the preparation of the Growth Corridor Plans and hence the designation of major employment precincts in other various strategic plans are reviewed. This provides a context in which the merits of Casey Fields South PSP for future industrial development is assessed. These two reports are:

- *A Study into The Take-Up of Industrial Land And Future Land Requirements in Melbourne* prepared by Jones Lang LaSalle (JLL)
- *Activity Centre and Employment Planning*, Essential Economics

Both reports were commissioned by various State government agencies in 2010. While another report *Use, Zoning, Distribution and Consumption of Industrial Land* prepared by Spatial Economics was also taken into account by the GAA, it is considered less relevant in particular in drawing implications for the appropriateness of future industrial land.

5.1.1. **Jones Lang LaSalle Study Into Industrial Land Demand Drivers**

The JLL report *A Study into The Take-Up of Industrial Land And Future Land Requirements in Melbourne (July 2010)* was prepared for the Department of Innovation, Industry and Regional Development and fed into the preparation of the Growth Corridor Plans in 2011. A number of key criteria were determined to assess the merits of future industrial land in the identified LGAs across Melbourne’s growth areas, including Brimbank, Cardinia, Casey, Greater Dandenong, Hume, Melton, Whittlesea and Wyndham. These criteria included:

- **Distance from Port of Melbourne** – as the Port is identified as a major driver of industrial land demand across Melbourne, Growth Area LGAs in relatively close proximity to the Port will likely generate more demand. This trend was evidenced by a correlation between land value in Melbourne’s western industrial market and growth in container imports. In addition, JLL also points out that superior access to various airports and potentially a second major port at Bay West are of equal significance in determining the level of demand for industrial land in a region.

  It could be argued that proximity to the Port of Hastings is a driver of demand also. However, expansion of the Port’s capacity is unlikely given the long-term capacity of the Port of Melbourne and Infrastructure Victoria’s preference for Bay West, while there are large tracts of vacant industrial land around Hastings already.

- **Principal Freight Network (PFN)** – Infrastructure plays a key role in driving demand for industrial land. Access to PFN, in particular Rail/Intermodal Terminals and Road Network, will have an impact on industrial land demand.

- **Distance to Major Markets** – convenient access to retail locations in major residential markets especially Growth Area markets is also an important factor for industrial demand.

- **Competing Land Uses** – competing uses to industrial, such as residential, retail and office in popular residential areas or areas experiencing gentrification will place pressure on industrial land due to higher value/yield these uses could generate.

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2 A Study Into the Take-Up of Industrial Land and Future Land Requirements in Melbourne, Jones Land LaSalle, July 2010, page 37-38
Based on the above criteria, ratings were given on a scale of 1-5 (1 being ‘poor’ and 5 being ‘excellent’) as to how likely each of these LGAs would generate demand for industrial land over the next 30 years or so. The results show that:

- Industrial land demand is more likely to be generated in Melbourne’s North and West, in particular in Hume and Wyndham (each having the highest score of 18 out of 20), and to a lesser extent Whittlesea and Brimbank (a score of 16 out of 20 respectively). This has been due to their high ratings in the relative ease to access major highways (e.g. Hume Freeway, Princes/West Gate Freeway, Metropolitan/Western Ring Road, etc.).

- In comparison, LGAs in the North West and South East are rated much lower. Cardinia and Casey, the two LGAs in the South East Growth Corridor, are the lowest ranking LGAs with an overall score of just 10. Even Greater Dandenong, the highest achieving LGA in the South East, has an overall score of only 13 and ranks fifth across the eight identified study area LGAs. Melton is also scored lower at 12.

Implications from the above JLL analysis for the potential of major industrial developments in Casey Fields South are as follows:

- The low scores of the three LGAs across the South East suggest that industrial land demand will only likely be modest compared with other superior areas in the North and West. Cardinia and Casey are not as well served as some areas by major highways/freeways on interstate routes, and are a long distance from the Port of Melbourne.

- While JLL assigned a rather high score in ‘Competing Land Uses’ to both Cardinia and Casey (i.e. 4 out of 5), land use competition across the corridor has changed significantly since the release of the Report in 2010 and will continue to intensify as residential growth continues to drive up land value, putting pressure on demand for industrial land across the broader region. Indeed, this trend was also envisaged by JLL back in 2010:

  Whilst the LGAs of the study area are in Growth Areas and have relatively large amounts of residential and industrial supply (compared to the rest of Melbourne), this situation is expected to change over time for some LGAs. As competing uses move in to an area, demand for industrial land is expected to decrease as land values rise.

  Source: A Study Into the Take-Up of Industrial Land and Future Land Requirements in Melbourne, Jones Land LaSalle, July 2010, page 59

- Casey Fields South and the broader Casey and Cardinia LGAs are in closer proximity to the Port of Hastings, although removed from Bay West and the Port of Melbourne. However, the region lacks major road infrastructure to connect major industrial developments to the Port of Hastings. There are no major road connections from the Port to Casey Fields South or Officer/Pakenham.

- In addition, as analysed earlier in sub-section 4.1.1 and shown on Map 4.1, there is ample affordable industrial land supply around the Port of Hastings to meet future demand over the long term, with which no industrial precincts in the Southern Region would be able to compete.

5.1.2. Essential Economics Research on Industrial Land Demand

Similarly, Essential Economics in their report Activity Centre and Employment Planning prepared to inform the Growth Corridor Plans for the GAA found:

- The majority of future employment land needed would likely be provided in Melbourne’s North and West, with the requirement for the South-East being only around 15-16% of the total future supply needed across all growth corridors.3

- The South-East region was estimated to require total employment land of between 600-675ha (low scenario) and 1,000-1,125ha (high scenario).

- The factors influencing the appropriate location of employment zones were identified as including the surrounding transport network and the ability to access the precinct from the major arterial road network; access to the rail network (where this is a relevant consideration, depending upon the type of industrial/business use); location with respect to a skilled labour force; the amenity of the area;

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3 Essential Economics, Growth Corridor Plans – Activity Centre and Employment Planning, November 2011, page 106
opportunities for executive housing in the surrounding region; opportunities for synergies to be created with other uses (downstream and upstream linkages); alternative use of the land (e.g. for residential, recreation, etc) and linkages with activity centres and supporting business services.

Significant industrial precincts in the South East will still attract a share of industrial/employment land demand over the medium to long term. However, it is likely that most of the industrial demand will be focused in the State-Significant Industrial Precincts, including Dandenong South, before shifting to Officer/Pakenham where there is a much larger supply of land. Officer/Pakenham provides around 1,300 hectares of vacant or future industrial land, when the Essential Economics study found the whole South-East region would require a maximum of 1,125ha, but possibly as low as 600ha.

The analysis implies that industrial areas such as Casey Fields South that do not have the strategic advantages of the larger precincts where most of the future industrial land will be concentrated. As such, Casey Fields South will primarily service local demand. Essential Economics described these small employment precincts as suitable for a range of locally-based service industry uses and small businesses, with each precinct only needing to be 15-25ha in size.

5.1.3. Summary of Industrial Land Requirements

Overall, the City of Casey, and Casey Fields South within it, do not provide the locational attributes identified by JLL as being necessary to support a large industrial precinct. Likewise, Essential Economics also found that the south-east would only see modest demand for new industrial floorspace, and that the majority of that would be concentrated within Dandenong South and Officer/Pakenham as state-significant precincts.

If industrial land is to be a part of the Casey Fields South PSP, the evidence presented here suggests that at best, a small local service industrial offer would be warranted. Although I note that the adjacent area in the south of the Cranbourne East PSP area is already designated to provide 34ha of employment land serving this role.

It is important to recall, as detailed earlier in this report, that the GAA in their 2011 report in relation to future industrial land requirements made specific reference to the requirements of larger and smaller industrial estates:

*The larger (typically at least 200 + hectares and in some cases substantially more) industrial estates have been located to have very good freeway and arterial road access and are designed to provide for the industrial land requirements of firms that serve metropolitan wide, national or international markets.*

*Smaller (typically around 20 hectare) service trades areas will be designed to provide for the needs of smaller business serving more local markets.*

*Source: Pg. 12, Planning for Employment and Industry in Melbourne’s Growth Areas, 2011*

In this regard, the GAA has had no considerations of land requirements in designating Casey Fields South as an industrial precinct. Nor does Casey Fields South provide the necessary conditions identified by either JLL or Essential Economics to support the 222 hectares of industrial land currently under consideration, which would place it firmly in the realm of a larger industrial precinct. This is discussed further in the following sub-section.

5.2. Attributes of the Location for Industrial Development

Based on the above analysis and bearing in mind the locational attributes of Casey Fields South, Table 5.1 across the following three pages details the key considerations of tenants and developers in determining the appropriateness of a site for industrial development based on Urbis’ experience in dealing with similar sites in Melbourne’s growth areas. The Casey Fields South PSP area is then assessed and rated against these criteria.

As can be seen from this assessment, the proposed industrial precinct is unlikely to be an attractive location for major industrial tenants, now or in future.

- The location lacks the level of ease of access and proximity to suppliers and logistics chains required for major industrial developments, particularly with poor access to freeway networks.
It is removed from any existing industrial clusters in the region, and would generally be seen as a secondary location at best relative to other potential locations for industrial developments across the Southern Region, such as Officer/Pakenham.

In addition, the declining demand for industrial and other blue collar workers as a result of continued de-industrialisation and technology advancements will further reduce the demand for industrial land, making small sites in a growth area such as this even less competitive.

### Requirements for Industrial Land

#### Assessment of Casey Fields South PSP

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Details</th>
<th>Assessment</th>
<th>Casey Fields South Rating</th>
</tr>
</thead>
</table>
| Proximity to clients               | - Ease of accessing client markets  
- Ease in which client can access/visit the business                                                                                                                                           | Access reasonable along South Gippsland Highway but site on the boundary of the urban growth boundary means clients are likely to be further removed than more central locations.                                      | BELOW AVERAGE             |
| Proximity to suppliers or support businesses | - Ease of accessing raw materials or input  
- Access to support businesses  
- Adjacency to other sites or operations of the business                                                                                                                                         | Likely to be removed from suppliers/other businesses due to location at the far edge of Melbourne, and relatively small size of the precinct which cannot accommodate the critical mass of complementary businesses of competitive locations such as Dandenong South or Officer/Pakenham. The proximity to suppliers is critical for manufacturing and logistics businesses which have been envisaged for this location. | POOR                      |
| Proximity to home/workforce or public transport | - Ease of staff getting to/from work (major roads, public transport)  
- Potential to lose staff if move too far away                                                                                                                                                  | The growing Cranbourne area will provide access to a local workforce, although again the subject land is on the edge of the urban area, meaning most workers will have to be travelling outward from the north and west. In effect, the location will only have a "one-sided" catchment. | AVERAGE                   |
| Proximity to transport networks/links & terminals | - Access to main roads/routes  
- Ability to avoid stop/start traffic (e.g. traffic lights)  
- Ease of getting in and out of estates  
- Access to rail or port terminals  
- Ability to avoid residential streets                                                                                                                                  | Access to the South Gippsland Highway provides a degree of access, but in industrial land terms, this is seen as local access. The PSP is well removed from any freeways or interstate routes, requiring transport to navigate numerous traffic lights on the way back towards the city, port or airport. Competitive locations provide superior access to airports, ports and central Melbourne. | BELOW AVERAGE             |
| Adequate buffers to residential areas or other sensitive uses | - Avoid safety concerns  
- Less restrictions on operations                                                                                                                                                    | The designated industrial area in the proposed Casey Fields South PSP is to be surrounded by residential areas, separated only by lower level roads (Clyde-Five Ways and Bailarto Roads). Although buffer details will be | POOR                      |
<table>
<thead>
<tr>
<th>Requirement</th>
<th>Details</th>
<th>Assessment</th>
<th>Casey Fields South Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Separate freight/transport</td>
<td>- Avoid conflict with residential traffic</td>
<td>Industrial traffic will mix with residential traffic given the proximity to surrounding areas and the nature of roads bordering the employment area which carry predominantly residential traffic.</td>
<td>BELOW AVERAGE</td>
</tr>
<tr>
<td>roads</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lot size</td>
<td>- Needs to be adequate to suit operational and vehicle requirements</td>
<td>With the PSP yet to be developed, the greenfield location allows for some large lots to be provided. However, the modest size of the precinct overall means that the number of very large sites that can be provided is restricted compared to other locations such as Officer/Pakenham.</td>
<td>AVERAGE</td>
</tr>
<tr>
<td>Visibility and exposure</td>
<td>- Help advertising and raise profile</td>
<td>Businesses located along the South Gippsland Highway will have reasonable exposure to some passing traffic. However, the location on the edge of the urban growth area results in less traffic relative to more centrally located industrial locations.</td>
<td>BELOW AVERAGE</td>
</tr>
<tr>
<td>Suitable site profile</td>
<td>- Flat land</td>
<td>The land is relatively flat, although undulating in parts. This may impact on the ability to deliver large industrial sites suitable for manufacturing and logistics as intended.</td>
<td>AVERAGE</td>
</tr>
<tr>
<td></td>
<td>- Drainage allowances</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Minimal setbacks and other building restrictions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other development costs and</td>
<td>- Cost of land</td>
<td>These costs and other practical aspects of the subject land are not able to be assessed adequately at this time without more detailed analysis of comparative costs.</td>
<td>N/A</td>
</tr>
<tr>
<td>site requirements</td>
<td>- Availability of utilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Ownership structure</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Overall, the proposed precinct in Casey Fields South is considered an inferior location for the establishment of a large industrial precinct suitable for manufacturing and logistics businesses. This is perhaps also supported by the lack of development on the adjacent land south of Ballarto Road in the Cranbourne East PSP. Despite being approved almost 8 years ago, only a couple of small sites in that precinct have been developed for industrial use.
5.3. **APPROPRIATENESS OF A LARGE INDUSTRIAL PRECINCT IN CASEY FIELDS SOUTH**

The above analysis, combined with the assessment of industrial supply and demand in the region, leads to the following conclusions relating to the appropriateness of maintaining a large land area for the South Gippsland Industrial Node in the Casey Fields South PSP:

- **There is a large existing and future supply of industrial land supply relative to anticipated demand levels across the Southern Region.** There is up to five decades of supply designated. The assessment in this report is supported by the findings of the metropolitan-wide Growth Corridor Plans process which found there was little need for additional industrial land to be set aside in the south-east. Any reduction of the proposed industrial provision in Casey Fields South will only reduce this supply pipeline by up to two years.

- **The subject land and surrounding precinct will not be a preferred location for industrial use relative to much larger competitive locations.** It is certainly not suitable as a larger industrial precinct as defined in the Growth Corridor Plan at over 200 ha that is intended to be used for manufacturing and logistics. Access via the highway is not ideal, the location on the edge of the urban area is not proximate to suppliers and other businesses who are more likely in the larger precincts, while there won’t be a sufficient critical mass of industrial activity to act as an attractor for potential occupiers or accommodate multiple large-lot users.

- **Other issues with the designation of a large industrial precinct at Casey Fields South relate to conflicts with other uses existing or proposed in the area.** For example, the Lighthouse Christian College is already located in the PSP area which is incompatible with many industrial uses, particularly large scale manufacturing and logistics as envisaged for the PSP. Similarly, the employment area is surrounded by future residential areas. Without adequate buffers and separation of traffic, many industrial users will see this as a challenging location to do business.

- **The proposed industrial node is small and does not compare favourably to the better located and much larger precincts in the region such as Dandenong South, Officer/Pakenham, and Hastings given the role it plays relative to the port there.** In circumstances where there is ample supply of industrial land across the region, the South Gippsland Industrial Node will be a secondary location that could take many decades to be occupied for the intended purpose. Vacant land does not meet job creation or business growth goals.

- **It is more likely the precinct will be suitable as a local service industrial precinct, catering to the needs of residents and business as the surrounding area grows.** These businesses do not need access to wider markets and can operate effectively with reduced accessibility. However, as established by the GAA in the 2011 background report to the Growth Corridor Plans, smaller, local service precincts only require a land area typically of around 20 ha, rather than the 200+ ha sites suitable for large precincts serving a broader role. A much smaller industrial precinct could be set aside to meet local needs, without sterilising the land for further development. This is discussed further below.
5.4. HIGHEST & BEST USE OF THE SUBJECT LAND

Having established the lack of demand for the Casey Fields South precinct to accommodate a large industrial offer for manufacturing and logistics business, the potential highest and best use of the subject site and surrounding land is considered here.

As discussed above, there may be some potential for a smaller, local service industrial precinct in this location. The types of businesses that could occupy land in such a precinct might include local or smaller businesses needing a small warehouse facility with a complementary office space; storage facilities; mechanical repair outlets or commercial or community operations looking for cheaper space than in activity centres (e.g. gyms, other leisure facilities such as yoga or dance studios, education providers, children’s play centres or care, private swimming school etc.).

However, in our experience, and supported by the findings of the GAA in their 2011 work supporting the Growth Corridor Plans, these local industrial precincts respond to a smaller local market and only ultimately require a total land area in the order of 20-40 hectares.

The employment area that is designated adjacent to Casey Fields South (south of Ballarto Road in the Cranbourne East PSP) is around 34 net developable hectares. Aside from a couple of small sites which have been developed in recent years, almost all that land is still available for future development. There is unlikely to be too much demand for much more land than this due to the role as a local service industrial precinct rather than a location suited to a large manufacturing or logistics precinct.

This puts in question the need for further industrial land in the Casey Fields South PSP, or at least the scale of land set aside for industrial use.

If it is assessed that there is a need for some of Casey Fields South to remain for employment purposes, it should logically be reduced in size and consolidated. Land in close proximity to the future Clyde train station may be more appropriate for local activity centre uses and/or a small employment precinct. As such, sites near the corner of Ballarto Road and Clyde Five Ways Road may be appropriate for employment uses. Alternatively, a consolidation of employment closer to the Cranbourne East PSP employment land closer to the Ballarto Road/South Gippsland Highway intersection could be appropriate.

It is believed that the best and highest use for the balance of the land in the PSP is residential development:

- Population growth within the City of Casey is very strong and is unlikely to slow significantly anytime soon. There will be continued demand for housing in the foreseeable future, in particular in outer suburbs where residential properties remain relatively affordable. If this residential demand is not met, the City of Casey will likely see increasing land prices.

- In fact, a recent Urbis research investigating the supply and demand conditions of residential land in the City of Casey shows that local residential land supply capacity is already under constraint. With less than 33,000 ‘development ready lots’ (i.e. existing residential land prior to the introduction of the Urban Growth Zone (UGZ) and UGZ land in an approved PSP, based on the 2017 UDP data) and at a current land take-up rate of between 2,700 and 3,500 lots per year within the municipality, the City of Casey will likely see its existing residential land be exhausted in the next decade or so. Therefore, it is imperative that new residential land be introduced to avert a potential shortage of residential land supply and the negative consequences associated.

- New residential development will generate economic activity and employment in a far shorter period of time than would a secondary industrial precinct. Residential development will also support the delivery of important community services such as the planned retail and commercial precincts in the vicinity.

- In addition, development of housing on the land will generate significant developer contributions to fund much needed community facilities in the area.

- The proposed industrial area in Casey Fields South is surrounded by existing or future residential development. As such, the use of at least some of the land in the PSP for residential purposes creates the opportunity to provide a better interface to other residential areas nearby, while allowing for appropriate buffers to any industrial precinct which does exist, which we maintain will only ever support local supplier demand.
6. CONCLUSIONS

Based on the above analysis, the following conclusions can be drawn:

**Lack of strategic justification** - There appears there has not been any strategic justification for the area covered by the future Casey Fields South PSP to be set aside for industrial use. While the future Casey Fields South area has emerged in the State’s various planning documents and designated as an area reserved for potential future industrial land supply, the scale and location of the area as a major industrial precinct lacks any strategic justification. The industrial area at Casey Fields South that appeared from the Growth Corridor Planning process is considered a large industrial area serving a metropolitan-wide role. However, the designation of the land was not backed by a detailed assessment of the merits of the location nor its ability to support a large-scale industrial precinct.

**The region is recognised as having a large future supply of industrial land relative to demand** - All analysis undertaken to inform the Growth Corridor Plans indicated that the vast majority of the additional industrial land supply over the next 40 years was required in the north and west of Melbourne, with the South East having a large existing supply and inferior attributes for industrial users.

**No impact on extensive regional supply** - The analysis in this report confirms there is more than sufficient provision of industrial land across the Southern Region to satisfy the Region’s demand for industrial development over the next 40 to 50 years. The exclusion of any industrial land within the PSP area would have almost no impact on such provision. Even the exclusion of the entire Casey Fields South PSP from future industrial supply would only reduce this provision by up to 2 years.

**Regional blue collar employment is high relative to population, with key industries reducing jobs** - There is no deficit of jobs in the Southern Region that needs to be addressed by setting aside more employment land. This is particularly true in the blue collar jobs provided on industrial land, with various opportunities in the region for residents of the region to access employment. The amount of land set aside for industrial purposes within the region should be guided solely by market need and demand. With key industries requiring industrial land seeing a decline in employment levels, industrial land requirements are only growing slowly.

**Casey Fields South only a secondary location for industrial use with limited demand** - The subject land and surrounding precinct will not be a preferred location for industrial use relative to much larger competitive locations. It is certainly not suitable as a larger industrial precinct as defined in the Growth Corridor Plan at over 200 ha that is intended to be used for manufacturing and logistics. Access via the highway is not ideal, the location on the edge of the urban area is not proximate to suppliers and other businesses who are more likely in the larger precincts, while there won’t be a sufficient critical mass of industrial activity to act as an attractor for potential occupiers or accommodate multiple large-lot users.

**Residential use the preferred development outcome with a reduced employment area** - Given the demand for industrial use in Casey Fields South will likely only support a smaller employment area, the land area should be reduced and consolidated around the existing employment land to the west. A much smaller precinct of around 20-40 ha should be sufficient to serve the local role. With continued strong population growth and a looming residential land supply shortage within the Casey LGA and across the Southern Region, the site lends itself to residential development as the highest and best use.
This report is dated 6 December 2018 and incorporates information and events up to that date only and excludes any information arising, or event occurring, after that date which may affect the validity of Urbis Pty Ltd’s (Urbis) opinion in this report. Urbis prepared this report on the instructions, and for the benefit only, of Galileo Group Pty Ltd (Instructing Party) for the purpose of Industrial Land Demand Study (Purpose) and not for any other purpose or use. To the extent permitted by applicable law, Urbis expressly disclaims all liability, whether direct or indirect, to the Instructing Party which relies or purports to rely on this report for any purpose other than the Purpose, and to any other person which relies or purports to rely on this report for any purpose whatsoever (including the Purpose).

In preparing this report, Urbis was required to make judgements which may be affected by unforeseen future events, the likelihood and effects of which are not capable of precise assessment.

All surveys, forecasts, projections and recommendations contained in or associated with this report are made in good faith and on the basis of information supplied to Urbis at the date of this report, and upon which Urbis relied. Achievement of the projections and budgets set out in this report will depend, among other things, on the actions of others over which Urbis has no control.

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Whilst Urbis has made all reasonable inquiries it believes necessary in preparing this report, it is not responsible for determining the completeness or accuracy of information provided to it. Urbis (including its officers and personnel) is not liable for any errors or omissions, including in information provided by the Instructing Party or another person or upon which Urbis relies, provided that such errors or omissions are not made by Urbis recklessly or in bad faith.

This report has been prepared with due care and diligence by Urbis and the statements and opinions given by Urbis in this report are given in good faith and in the reasonable belief that they are correct and not misleading, subject to the limitations above.
APPENDIX A SOURCES OF INFORMATION
SOURCES

City of Casey, Casey Planning Scheme Amendment C50, Proposed Clause 21.18-2, September 2012

Department of Sustainability and Environment, Casey-Cardinia Growth Area Framework Plan, 2006

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Spatial Economics, Use, Zoning, Distribution and Consumption of Industrial Land, October 2010
APPENDIX B
MARKET RESEARCH, CASEY FIELDS SOUTH INDUSTRIAL RESEARCH
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INTRODUCTION

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</tr>
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<td>Development Director</td>
</tr>
<tr>
<td>Date of Instruction:</td>
<td>26 April 2019</td>
</tr>
<tr>
<td>Purpose of Report:</td>
<td>Internal Company purposes</td>
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<tr>
<td>Reliance Authority:</td>
<td>Galileo Group</td>
</tr>
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<td></td>
<td>VPA, Casey Council and other Government Departments and stakeholders</td>
</tr>
</tbody>
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1.2. PURPOSE OF MARKET RESEARCH REPORT

The purpose of the market research report is to provide advice on the extent for which employment land, most particularly industrial use land, is supportable at the Casey Fields South (CFS) Precinct Structure Plan (PSP).

In particular, the report is to address the following key aspects:

- An overview of Melbourne’s Industrial market and noteworthy changes impacting user demand;
- A high-level review of the CFS PSP and its suitability for Industrial use;
- A review of the Urbis prepared Property Council research on Industrial Land Supply to provide a framework for comparison to this research;
- Case Study research of comparably located industrial precincts to establish the type of users and rate of land take up/total land requirement;
- Comparative Analysis between the case studies and the CFS PSP to establish likely employment/industrial demand requirement while having regard to existing Industrial zoned supply within Casey and Cardinia Councils; and
- Conclusions and recommendation for the portion of the CFS PSP that is suitable to be zoned for Industrial Use.

1.3. DISCLAIMERS

1.3.1. Third Party

We are obliged to advise that this Report is only for the use of the party to whom it is addressed, and no responsibility or liability is accepted to any third party for the whole or any part of its contents.

1.3.2. Pecuniary Interest

We confirm that neither Urbis nor the signatories to this Report have any pecuniary interest that could reasonably be regarded as being capable of affecting that person’s ability to give an unbiased opinion of value, or that would conflict with a proper assessment of the property. We advise that this position will be maintained until the purpose for which this Report is being obtained is completed.
1.3.3. Limited Liability Scheme

Urbis Valuations Pty Ltd operates under the Australian Property Institute Limited Liability Scheme which is a scheme approved under Professional Standards Legislation.
2. MARKET OVERVIEW

2.1. INDUSTRIAL PRECINCTS

The Melbourne Industrial market can be divided into three main industrial precincts, the south east industrial submarket, the western industrial submarket, and the north industrial submarket.

The South East Industrial Submarket (SEIM) includes scattered pockets of industrial development in Moorabbin and in the east with Bayswater, Kilsyth and Croydon however is centred on the State Significant industrial Precinct of Dandenong South and Keysborough. It includes potential future areas of industrial development in Hastings and Office/Pakenham.

The SEIM is characterised by shortages of industrial land in currently developed areas. The UDP report shows land will be exhausted in this precinct in coming years with doubling of land values in Dandenong South and Keysborough being shown by market activity during the last 18 to 24 months.

Traditionally the SEIM has a stronger manufacturing base than the WIM however with improved transport infrastructure in the east and south east of Melbourne, logistic and freight business have become more common. The Casey Fields South PSP is at the outer fringe of the SEIM.

The Western Industrial Submarket (WIM) encompasses an area of approximately 7,686 hectares of industrial land and forms one of the major industrial precincts within Melbourne. Given the Melbourne industrial market’s importance and size the WIM also represents a major precinct in national terms.
The region is generally defined by the Western Highway (Ballarat Road) to the north, the Western Ring Road to the east and Princes Freeway to the south. It stretches west towards the edge of the city and the Urban Growth Boundary with current built form industrial stopping at the Deer Park – West Werribee railway line with vacant land beyond.

The WIM is contained within four local government areas being Hobsons Bay to the south east, Brimbank to the north, Wyndham to the centre and south, and Melton to the north and west. The majority of further industrial land supply falls within the Wyndham and Melton regions.

Although the map above shows a wide geographical area stretching from Werribee in the south-west to Melton in the north-west and to the city fringe in the east, the industrial market is effectively concentrated within the Derrimut, Altona, Truganina and Ravenhall areas circa 20 kilometres from the Melbourne CBD.

The WIM has a strong manufacturing, logistics and supply chain, freight and distribution base. The region is dominated by a transport, logistics and distribution sector which is and will continue evolving as result of the corridor’s plentiful land supply and ‘cheap’ land pricing has historically been the western precinct’s major tenant ‘draw card’ but recent demand has seen the land pipeline significantly absorbed (taken up). Over the past five (5) years (2014-2018) Urbis have tracked just over 2,010,000 square metres of Industrial GBA constructed in Metropolitan Melbourne of which 1,125,000 square metres was built in Melbourne Western Submarket representing 55% of the total.

The Northern Industrial Submarket (NIM) is the second largest in Melbourne in terms of area and stretches from Thomastown and Broadmeadows to the south with its current extremes to the north being the Dulux manufacturing plant in Mickleham. Northwards growth is expected to continue as more central land supplies are exhausted with abundant industrial land currently zoned in Somerton, Epping and Mickleham with future supplied planned in Beveridge.

The NIM has been favoured by smaller scale industrial uses in comparison to the other major markets in Melbourne, often for manufacturing and car industry related uses.

Due to a large land supply base, and relatively low consumption rates land values in the NIM have shown more restrained growth in recent years than the other major Melbourne precincts.

The major industrial precincts in Melbourne’s metropolitan area are centred on major transport infrastructure with continuing road construction key to unlocking new areas for development.

2.2. MARKET OVERVIEW

Melbourne’s Industrial Market remains in one of its strongest historic positions with an active investment climate, robust tenant demand, falling vacancies, a reducing land supply and increasing land value growth. With prime yields now generally trading in the high 5.00% to 7.00% range many participants consider a market ‘peak’ may have been reached yet this consensus has prevailed for almost a year and continued low cost of debt and investment asset supply (relative to strong purchaser demand) imbalance have meant there is no evidence of prices softening. If anything, gradual price firming continues.

Foreign investment/capital flows into Australia remain strong in all property sectors and are driving both direct asset investment and partnering/whole fund investment. Private Investors have also significantly increased their activity.

Beyond overriding local economic performance and market sentiment we consider the key drivers for the next direction/movement in yields to be:

- The level of international capital flows - which remain strong, with the number of new entrants growing and capital investment targets for these groups significant. When this capital looks to exit market volatility will considerably increase.
- The next movement and trend in the cost of debt (short term debt is yet to follow the trend up being experienced in long term debt). Notably long-term debt, particularly the 10-year Bond rate has fallen from almost 3.00% in May 2018 down to just under 2.40% in early 2019. Similar Bond rate falls have been seen since Q3/Q4 2018 in the US, UK and other major economies.
• Performance of other asset classes (i.e. equities and bonds) which strongly influence, particularly for local superannuation and foreign pension funds, the flow of capital to Property. The recent Stock Market volatility may continue to draw investors to property.

An overview of the Melbourne Industrial market is provided as follows:

• **Existing Building Supply** – Whilst the Property Council of Australia (PCA) measure commercial vacancy rates, no industry measure of Melbourne’s industrial vacancy rate is undertaken.

A vacancy study undertaken by Urbis in Q4 2018, which involved surveying over 790 major Industrial facilities (10,000m²+), representing over 15,500,000m² of space revealed 24 vacant facilities and a market vacancy rate of 2.5%. By grade 17 facilities were considered to be ‘Prime’ or ‘Modern’, whilst 7 facilities were graded as ‘secondary’ and ‘tertiary’. Key take outs from this study include:

- Total vacancy has decreased slightly from circa 405,000m² (Q3 2018) to circa 385,000m² (Q4 2018).
- The eastern market recorded the highest vacancy at 3.6% (yet also the greatest fall down from 6.1%)
- The continued fall in vacancy can be attributed to a number of factors including a slowing of speculative activity (new stock), strong take-up by occupiers and owner occupiers acquiring vacant buildings.
- The combined prime/modern vacancy rate is 3.2% (down from 3.1%).
- The combined secondary/tertiary vacancy rate is 1.6% (down from 2.0%).

• **Market Demand/Take-up** – Melbourne’s Industrial leasing market has seen strong activity relative to recent years contributing to the low vacancy numbers. The volume of speculative activity has also reduced meaning a greater portion of new supply is pre-committed and tenant led. The most active occupier sector remains transport and e-retailing businesses who are benefiting from the growth in online retailing and Melbourne’s shift from manufacturing to distribution with a number of major retail groups consolidating to new facilities in many instances introducing an element of automation. Against the trend some manufacturing facilities have, however, been recently developed or are under construction for Visy, Dulux and D’Orsogna.

• **Land Supply** – The supply of serviced industrial land throughout metropolitan Melbourne is not independently monitored. Development activity by both Institutional and Private Developers has been strong resulting in high rates of land absorption in most markets and falling supply. Current (land market) conditions have limited comparability to that post GFC and are very robust. Land supply in most submarkets is now limited with the south east the most impacted resulting in strong land value growth. The western corridor has also experienced strong price growth in the past 12-18 months.

Industrial Land Subdivisions currently being actively marketed include: The Crossing, Truganina (Cadence Property); Alliance, Epping (MAB); Connect North, Epping (McMullin); Canterbury Road, Braeside (Frasers); Stage 4 Thompsons Base, Cranbourne (MAB); and Biodiversity Business Park, Somerton (Vaughans). Of the above estates, infrastructure has either commenced or been completed in almost all of these estates. A number of the major institutional development groups have considerably developed their land holdings and are actively targeting or have actioned ‘re-stock’ englobo opportunities.

• **Rental Levels** – Rents in most industrial submarkets of Melbourne are yet to experience noteworthy growth. Firming capitalisation rates and tenant demand being predominantly incentive led will, for the short term, limit growth. Locations best placed to achieve rental growth are precincts where land supply is constrained, most likely within inner Melbourne as part of Port Melbourne (Fishermans Bend) transitions to alternative uses. Growth in land pricing, which has been significant, is the most likely impetus to rental growth. Future rental growth over the ensuing five-year period is forecast by most participants to be in the vicinity of 2.75% to 3.00% per annum. The prospect of a reducing land supply (serviced land) and strong land prices plus any softening in yields provides another mechanism for rental growth. The south east is likely to be the first sub market to benefit. Incentives are certainly showing evidence of having fallen in the past 6 months.

Melbourne’s industrial rents are well known for being relatively flat but the land supply shift and step up in land values should see genuine rental growth kick in within a 12-18 month horizon.
Investment Activity – Reported major investment transactions (over $10M) for the 2018 calendar year were down significantly at around $560 million compared to the just over $1 billion recorded in 2017 and $1.5 billion recorded in 2016.

We recorded 24 asset sales at an average price of $23 million, the largest and most noteworthy being the sale of the Kmart DC at 2-12 Banfield Court, Truganina for $119 million comprising 77,000m², currently returning around $6.5 million per annum net with just under 8 years to run, reflected an initial yield of 5.45%.

In the current market prime assets with long term leases are trading at sub 6.00% with most IRR’s circa 6.50% to 7.00%.

The recent M&G Real Estate partnership investment with Dexus is excluded from the above numbers.

2.3. MAJOR INFRASTRUCTURE PROJECTS

The two major drivers of industrial property development are availability of land and access to major transport infrastructure. Changes in infrastructure influences user demand by reducing logistics/transport times and increasing access to markets.

Below is a summary of the major infrastructure projects underway or planning that will impact the wider metropolitan Melbourne industrial market.

2.3.1. West Gate Tunnel Project

The West Gate Tunnel Project, formally known as the Western Distributor, is a five-kilometre road tunnel currently under construction which links the West Gate Freeway with the Port of Melbourne and CityLink. The Tunnel provides an alternative river crossing to the West Gate Bridge and aims to remove trucks from residential areas of the city’s inner west. Works associated with the project also included four additional lanes from the M80 to the West Gate Bridge.

The Victorian government announced in December 2015 it would proceed with the project. Planning approvals were granted in December 2017. Major construction of the tunnel and elevated tollway began in January 2018 and is expected to be completed in 2022.

2.3.2. Port Rail Shuttle Network

The Port Rail Shuttle Network will be an integrated container rail shuttle system operating between the Port of Melbourne and several suburban intermodal terminals which is hoped to provide an alternative to the road-based container transfer system in Melbourne.

The State government recently (late 2018) announced a $26 million injection towards assets and project facilitation with private partners expected to also contribute assets, operate the system and take the operational risk with expected private sector funding upgrades of $46 million.

The announcement of funding covered the Somerton and Altona locations within the Network. $16.2 million is being invested at Austrak in Somerton and $9.5 million at SCT Logistics in Altona to connect these major freight hubs to the Port of Melbourne by rail.

The projects will allow increased movement by rail, reduce road congestion and shift containers from residential streets onto dedicated routes to the port.

Options to connect Melbourne’s south-east to the Port Rail Shuttle network are still being investigated.

2.3.3. North East Link

The North East link is a proposed, circa 26 kilometres motorway to connect the Metropolitan Ring Road at Greensborough with the Eastern Freeway at Bulleen. As well the freeway would be upgraded from Bullen Road to Springvale Road, Nunawading.

Several routes were considered by the State Government however ‘Route A’ has been selected which is described as a ‘western option via Watsonia and Rosanna’.

The Link will ‘fix’ the missing ling in Melbourne’s freeway network, is planned to provide for 100,000 vehicles a day and should significantly reduce travel times between Melbourne’s northern and south east.

The North East Link is planned to include:
- Victoria’s longest road tunnels: three-lane twin tunnels travelling for six kilometres, protecting properties and the sensitive Banyule Flats area
- Interchanges at the M80 Ring Road, Grimshaw Street, Lower Plenty Road, Manningham Road and Bulleen Road
- Melbourne’s first dedicated busway with express lanes along the Eastern Freeway from Doncaster towards the city.

The idea for a North East Link was first considered in 1929. It is now identified as Victoria’s priority road project by Infrastructure Victoria and will be the single biggest investment in road transport infrastructure in Victorian history.

At the current stage, Planning approvals are being sought with an Environmental Effects Statement planning to be published during the first half of 2019. Ideally construction works will commence within 2020 with a project budget of $7 to $9 billion of primary works.

The current State government timeline proposes the North East Link will be open to traffic in 2027 in line with an election promise made during Labor’s 2018 re-election campaign.

2.3.4. Western Intermodal Freight Terminal

The proposed Western Interstate Freight Terminal (WIFT) is planned to include the construction of an interstate rail freight terminal and warehousing precinct at Truganina in Melbourne’s west and a rail link to the interstate rail freight network.

At present, interstate containers bound for distribution in Melbourne are railed to terminals at Dynon, next to the Port of Melbourne, and then trucked to the outer suburbs. The Dynon terminals have limited space and capacity and can be difficult to access.

The location of the Terminal has not been confirmed but is expected to be located within the area outlines for the Derrimut Field Precinct Structure Plan (PSP). The proposes PSP covers circa 510 hectares of undeveloped land bound by Middle Road to the north, Boundary Road to the south, Derrimut Road to the west and the regional rail link to the east.

The planned WIFT should move freight more efficiently by providing modern terminal facilities closer to the warehouse precincts in Melbourne’s west, reducing the time and length of truck trips. It is also likely to reduce freight traffic through the inner west by removing the need for trains and trucks to bring interstate freight into the Dynon precinct.

The WIFT is part of the wider Commonwealth’s Inland Rail project, which is expected to accommodate longer trains with double-stacked containers, which cannot be efficiently accommodated at Dynon.

The timeline for the completion of the Terminal is uncertain. The 2018-2019 Victorian State Budget included funding to commence the business case for the WIFT however similar measures had been included in previous budgets with little progress having been made in recent years. The Commonwealth’s Inland Rail project previously included a timeline for an operational WIFT at 2025 however this timeline now appears optimistic given a location has not yet been defined.

Other estimates from market participants now state a more reasonable completion date of circa 10 years and for the Beveridge Intermodal Freight Terminal (see below) following that.

2.3.5. Beveridge Intermodal Freight Terminal

The proposed Beveridge Intermodal Freight Terminal (BIFT) is to be located to the east of the Hume Freeway at Beveridge within what is proposed to be the Northern Freight Precinct Structure Plan (PSP). This PSP consists of 1,399 hectares of land proposed to be an employment hub.

The BIFT will be designed to enable the transfer of interstate freight between road and rail from the Port of Melbourne and is a core part of the State Government’s strategy to prove over 100,000 jobs in the North Growth Corridor. The Commonwealth Government’s Inland Rail project is designed to run via Beveridge, is due to be completed by the late 2020s and will provide the ability to move containers double stacked from Melbourne to Brisbane.

The State Government’s North Growth Corridor, published June 2012, described the Terminal as a ‘longer term freight, logistics and related industry concept’. There is currently no timeframe for the development of
the BIFT and market expectation is for the Western Intermodal Freight Terminal to take precedence in terms of timing with the BIFT more likely to be circa 15 years ago. Its development may coincide with advanced works on the Outer Metropolitan Ring Road significantly improving rail and road access to Beveridge and surrounding districts.

2.3.6. Outer Metropolitan Ring Road

The future Outer Metropolitan Ring Road will accommodate a 100-kilometre-long high-speed transport link (70 kilometres in the Ring and 23 kilometres in the E6 extension) for people and freight in Melbourne’s north and west. It will create the opportunity for new road and rail transport links through the Werribee, Melton, Tullamarine, Craigieburn / Mickleham and Epping / Thomastown areas to be provided as transport demand warrants.

The planning for the transport corridor provides options for an ultimate freeway standard road, capable of up to four lanes in each direction and four railway tracks in the median for interstate freight and high-speed passenger trains between Werribee and Kalkallo and capable of ultimately being a six-lane freeway standard road elsewhere.

The Victorian State Government’s listed aim for the project is to:

- create better connections to key international transport hubs such as Melbourne Airport, Avalon Airport and the Port of Geelong;
- improve access to the proposed Donnybrook/Beveridge Interstate Rail Terminal;
- serve as an important travel and freight route to interstate and regional destinations;
- link residential and employment growth areas in the north and west of Melbourne; and
- improve access in this major employment corridor, which includes Avalon Airport, Werribee, Melton, Melbourne Airport, Mickleham and Donnybrook.

There is currently no timeframe for the construction of the road with the exception of the VicRoads website stating that the project is at an early stage and construction on the project is unlikely to commence before 2020 (interestingly they had the same message in 2009). Regardless, the development is likely to proceed on a piecemeal basis perhaps commencing in the south west near Geelong with the majority of construction more likely in the late 2020s or early 2030s.

Other estimates from market participants now state a more reasonable completion date of circa 10 years and for the Beveridge Intermodal Freight Terminal (see below) following that.

2.3.7. Summary

In relation to the Casey Fields South PSP, although there appears to be plans to remove the level crossing within the Cranbourne town centre, there is little in the way of planned infrastructure planning that benefits any further large-scale industrial precinct located within the PSP boundaries.

To illustrate this point we map the above infrastructure projects and their relative position within the Melbourne metropolitan area overleaf;
2.4. **OVERVIEW OF USER CATEGORIES**

In the following case studies outlined in Section 5 of this report, we have divided the industrial occupancy market into three broad categories being small scale uses, medium scale and large scale. We present a table of criteria and characteristics for each category overleaf;
<table>
<thead>
<tr>
<th>Category of User</th>
<th>Definition</th>
<th>Land Usage</th>
<th>Requirements</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small Scale.</td>
<td>Up to 5,000 square metres of buildings.</td>
<td>Predominantly smaller than 0.5 hectares per occupier, some up to 1 hectare.</td>
<td>Local population base.</td>
<td>Local users. Tradesman (electricians, plumbers etc), small scale engineering firms, automotive uses/panel beaters, printing, small scale import/export.</td>
</tr>
<tr>
<td>Medium Scale.</td>
<td>5,000 to 10,000m² of buildings.</td>
<td>From 1 hectare to 2 hectares per occupier.</td>
<td>Proximity to linkages and Port of Melbourne, Melbourne Airport.</td>
<td>Larger scale Local Users. Manufacturing, engineering firms, biotech industry, cold storage, import/export.</td>
</tr>
<tr>
<td>Large Scale.</td>
<td>10,000m² and above buildings.</td>
<td>From 2 hectares up to 10 hectares per occupier.</td>
<td>Superior infrastructure linkages; large scale allotments; separation from residential interfaces, proximity to Port of Melbourne, Melbourne Airport, major blue-collar residential areas.</td>
<td>Major logistics companies, major distribution centres for supermarkets etc. Toll, TNT Express, StarTrack, Coles, Woolworths, Kmart, AMart Furniture etc.</td>
</tr>
</tbody>
</table>
3. **CASEY FIELDS SOUTH PSP**

3.1. **LOCATION**

The subject sites which form the Casey Fields South Precinct Structure Plan (CFS PSP), are located primarily within the suburb of Clyde, with a small western portion within Cranbourne East, positioned approximately 46 radial kilometres south east of the Melbourne Central Business District. More specifically, the site is bound by the South Gippsland Highway to the south-east, Clyde-Fiveways Road to the east and Ballarto Road to the north.

The Victorian Planning Authority notes that the Precinct Structure Plan will cover an area of approximately 234 hectares, with a mostly regular shape. Generally, the land appears quite level in contour, with a slight west to east and north to south slope. From aerial photography, there are eight retarding basins across the site area for flood protection, totalling approximately 5.94 hectares of constrained land.

The Precinct Structure Plan sits approximately 2.9 radial kilometres south east of the nearby town centre of Cranbourne, which comprises of a Coles, Woolworths and Aldi Supermarket, small retail and commercial strip with surrounding low-density single dwelling residential establishments.

The area is poorly serviced by surrounding public transportation infrastructure. The closest form of public transportation is the Bus Station, positioned on the South Gippsland Highway, servicing the 795 Bus Route which runs between Warneet and Cranbourne. The closest train station is located within Cranbourne, approximately 4 radial kilometres from the subject area. The Cranbourne station is the end of the line for the Cranbourne train line and provides access to Melbourne’s South Eastern suburbs and the CBD.
Major road infrastructure servicing the sites include the South Gippsland Highway, however other surrounding major arterial roads including the Mornington Freeway and the Princes Freeway, are located approximately 12 and 15 kilometres respectively from the subject.

Whilst there appears to be little immediate infrastructure linkage development within close proximity of the site underway, the level crossing at Camms Road in Cranbourne is a priority site for a level crossing removal, with early investigations underway. There is some evidence of extending and improving the existing Cranbourne Line. Vic Roads has a plan to extend the service with a new station in Clyde, and several election promises from both major state government parties are being made, however currently there is no formal evidence of such works going ahead.

Surrounding uses comprise of a mixture of rural farming zoned properties, including a nursery, egg farm, and a quarry, and recently developed low density residential dwellings. Furthermore, the Royal Botanic Gardens Cranbourne are located approximately 2 radial kilometres west of the sites.

3.2. **ZONING**

The site is predominantly zoned as Urban Growth Zone (UGZ), and Urban Growth Zone – Schedule 2 (UGZ2) under the Casey City Council Planning Scheme. Furthermore, there is a section of Urban Floodway Zone running through the south and west of the site. We estimate that approximately 15.1 of the total 234 hectares are zoned Urban Floodway Zoning and would be considered constrained land.

3.3. **IMMEDIATE COMPETITION**

In terms of zoned industrial land, the closest competition are the estates to the north west of the Cranbourne Central Business District. This area, lining the Western Port Highway and Thompsons Road comprises of circa 255 hectares of land however we understand that a section is likely to be rezoned which leases 130.8 hectares of zoned Industrial land ready for development.

Over the coming years, it is likely this land will be considered to be superior to any industrial supply in the Casey Fields South PSP area due to its location closer to existing industrial uses and being located on the city side of the Cranbourne town centre.

3.4. **CONCLUSION**

The major road infrastructure servicing the site is the South Gippsland highway. Large scale logistic industrial users are traditionally access their sites through such large arterial roads, currently however this road runs through the Cranbourne Central Business District. Unless further road infrastructure is planned (see Section 2.3), proposed large scale industrial users of the site would be required to navigate through local roads, or through the Cranbourne CBD, which runs through a level crossing removal, approximately eight sets of pedestrian and vehicle traffic lights, local retail users and surrounding residential and rural properties.

In conclusion, given the topography and ongoing population growth, lack of transport infrastructure and access, it appears the site would be less suitable for large scale industrial infrastructure and users, and would appear more suitable as a local industrial area for the surrounding Cranbourne CBD and for local industrial employment for the future population growth.
4. PROPERTY COUNCIL REPORT OF UDP INDUSTRIAL SUPPLY

4.1. THE BACKGROUND

The Victorian State Government via the Department of Environment, Land, Water and Planning (DELWP) undertakes an annual study of both Residential and Industrial Land Supply.

The report known as the UDP (Urban Development Program) reports remaining land supply and annual take up, implying a remaining years supply.

The most recent report, the Metropolitan Melbourne Industrial 2017 implies 23 years supply of Industrial land (i.e. 6,669 Hectares supply divided by the three-year average annual take up of 290 Hectares). When the UDP data is captured in GIS form the supply number slightly alters to 6,672 Hectares although this variation is nominal.

4.2. THE BRIEF

The Industrial sector represented by the Property Council of Australia, and more specifically the Victorian Infrastructure, Industrial and Logistics Committee, holds an alternate view on remaining years’ supply of Industrial Land (i.e. that it is considerably shorter than 23 years) and Urbis was engaged to provide independent analysis of the UDP data. This alternative view was based on transactional market data and tenant requirements in terms of both the type and location of industrial property.

Urbis’ engagement only related to the industrial land supply aspect of the UDP report, the brief excluded the residential land supply component of the report.

4.3. THE SCOPE

Urbis have been engaged to provide further analysis and critique of the UDP data only, the scope has not been to undertake independent research on land supply or replicate the work undertaken by DELWP.

4.4. FAIR ACKNOWLEDGEMENT

Neither the Property Council of Australia or any private consultancy practice combined have the financial capacity/budget to mirror or replicate the work undertaken by DELWP. The industry recognises this research as very beneficial for Government planning of land release and zoning and infrastructure planning.

We would like to acknowledge the assistance and positive engagement received from Principal – Employment and Land Supply of DELWP throughout this research.

The objective of this engagement is to demonstrate the benefits that would result for both Government and Industry if DELWP took a more consultative and market engagement-based approach to its UDP research.

4.5. THE RESULTS

The results, based upon UDP’s past three years average annual take up of 290 Hectares, are best summarised as follows:

<table>
<thead>
<tr>
<th>Supply – UDP Raw Data</th>
<th>Supply – Inside Market Activity Line</th>
<th>Supply – Excluding not available to market</th>
<th>Supply – Excluding estimated take up</th>
<th>Moved to today</th>
</tr>
</thead>
<tbody>
<tr>
<td>6,672 Hectares</td>
<td>3,678 Hectares</td>
<td>3,380 Hectares</td>
<td>1,980 Hectares</td>
<td>1,545 Hectares</td>
</tr>
<tr>
<td>23.0 years</td>
<td>12.7 years</td>
<td>11.7 years</td>
<td>6.8 years</td>
<td>5.3 years</td>
</tr>
</tbody>
</table>

For more details please refer to the PCA’s report which is available from the Property Council.
4.6. COMPARISON TO CASEY FIELDS SOUTH PSP RESEARCH

As stated above, the Property Council’s Study concluded there was 5.3 years of supply available (as at late 2018) within industrial precincts currently zoned and available for industrial development. The study took the UDP’s database and viewed it through a market lens to determine ‘true’ current supply while also taking the UDP’s land consumption rate of 290 hectares per annum throughout metropolitan Melbourne at face value.

The UDP defines the important precincts of industrial land throughout Melbourne as State Significant Industrial Precincts (SSIPs). The five SSIPs are the Northern SSIP centred on Somerton and Campbellfield, the Western SSIP based in Derrimut, Truganina and Altona, the South SSIP which includes Dandenong, Keysborough and Hallam, the Pakenham/Officer SSIP and the Hastings SSIP based on the land associated with any future expansion of the Port of Hastings.

Further analysis of the UDP’s data undertaken for this study suggests that the majority of the supply, and consumption, falls within these SSIPs. The consumption data is as per the following table:

<table>
<thead>
<tr>
<th>Sector</th>
<th>Consumption - 2015-2016 (Ha)</th>
<th>Consumption - 2016-2017 (Ha)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not in SSIP</td>
<td>56.8</td>
<td>70.9</td>
</tr>
<tr>
<td>Hastings State Significant Industrial Precinct</td>
<td>0.0</td>
<td>0.4</td>
</tr>
<tr>
<td>North State Significant Industrial Precinct</td>
<td>72.5</td>
<td>17.2</td>
</tr>
<tr>
<td>Pakenham/Officer State Significant Industrial Precinct</td>
<td>10.3</td>
<td>15.7</td>
</tr>
<tr>
<td>South State Significant Industrial Precinct</td>
<td>76.4</td>
<td>59.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>306.3</strong></td>
<td><strong>289.5</strong></td>
</tr>
</tbody>
</table>

As can be seen, only circa 20% of the consumption falls outside the SSIPs. In terms of supply, ‘Not in SSIP’ accounts for circa 34% of total available supply. Using raw UDP data (excluding the factors utilised in the PCA research) there is 4,435 hectares of land within SSIPs at a consumption rate of 231 hectares per annum implies 19 years of supply. Not in SSIPs amounts to 2,239 hectares as a consumption rate of 64 hectares per annum implies 32 years of supply.

The PCA’s Study concluded there was a looming shortage of industrial land supply in areas where the market was operating, that is locations with a population base to provide workers and infrastructure for large scale logistics type uses typically in SSIPs. Based upon these criteria supply as at May 2020 is likely to be sub five years.

However, the Casey Fields South PSP area is not within a SSIP and lacks current or planned infrastructure to support large scale logistics uses. With the Pakenham and Officer SSIP located on major transport infrastructure and being circa 12 kilometres north east of the Casey Fields South PSP is considered likely that in coming decades major logistics uses will view Pakenham as their preferred location.

Discussions and research reports from major logistics uses reinforce the suggestion that they will look for major transport routes, proximity and access to Melbourne’s Central Business District and the Port of Melbourne in determining preferred locations. Casey Fields PSP lacks major transport links, and furthermore, relatively nearby precincts, such as Dandenong South, Pakenham and Carrum Downs enjoy far superior linkages.
Casey Fields PSP is more likely to be considered a ‘local’ industrial precinct supporting employment in the local area with industrial improvements predominantly sitting in the sub 5,000 square metre market segment. This is more in line with locations in the south east such as the township of Hastings, Carrum Downs and Mornington (as discussed in more detail in Section 5 and 6 of this report) and accordingly consumption is expected to be more in line with these precincts and not areas considered to be State Significant Industrial Precincts.

A map showing the location of the Casey Fields South PSP in relation to major transport infrastructure, and other industrial precincts (including the South, Pakenham and Hastings SSIPs) is shown below;
5. **LAND SUPPLY CASE STUDIES**

5.1. **METHODOLOGY**

Urbis has conducted six case studies of existing industrial precincts to establish industrial land take up rates for areas that may be comparable to any future industrial land located within the Casey Fields South PSP. In selecting the case studies to run we examined areas with a similar amount of supply as well as characteristics being a local (rather than current State Significant) precinct as well as similar infrastructure connections.

In conducting our case studies, we have utilised the following process;

- Aerial imagery and zoning maps were used to establish the following areas in each study area;
  - The total amount of zoned land in the case study area;
  - The amount of supply of zoned land available at circa five-year intervals; and
  - The supply of zoned land available as at the latest available imagery.

- From the aerial data we were able to establish total supply and land take up. In converting englobo style supply to end product (retail) allotments we utilised a factor of 15%. That is a 10 hectares englobo parcel would be expected to produce 85,000 square metres of allotments that can be developed for end users.

- Due to the limited transport infrastructure available to the Casey Fields PSP we have focused on buildings within the sub 5,000 square metre market.

- From the date we have been able to calculate a rate per hectare per annum of take up and a total life expectancy of each estate.

- Census data on population growth in the case study precincts and associated catchment areas has been utilised to produce a hectare per population growth per annum statistics.

We turn to the result of each case study in turn.

5.2. **CARRUM DOWNS**

The Carrum Downs industrial precinct is located north of the suburb of Frankston, being circa 35 kilometres south east of the Melbourne central business district. It benefits from being located at the intersection of the Mornington Peninsula Freeway (opened 2013) and Frankston Freeway and enjoys a large catchment area including Frankston, Seaford and semi-rural areas to the south and east.

The industrial precinct amounts to circa 309 hectares of developable Industrial zoned land. The precinct commenced construction during the 1980s with the areas to the west being first developed with the precinct expected to be effectively build out over the coming two to four years. The northern areas are the last to be developed and the precinct may be extended further north with the local Council understood to be considering rezoning a portion of the Green Wedge Zoned land immediately north of the precinct to allow further development.
A map showing our assessed catchment area for this precinct is shown overleaf:

Although well serviced by Freeways/transport infrastructure this precinct is not included in the UDPs definition of a State Significant Industrial Precinct and in our view, it has superior, characteristics as the future Casey Fields South industrial precinct in terms of size, infrastructure and access.
A summary of our area analysis is shown in table form below;

<table>
<thead>
<tr>
<th>CARRUM DOWNS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Industrial Zoned Land: 308.61 hectares</td>
</tr>
<tr>
<td>Total Serviced Supply        262.32 hectares</td>
</tr>
<tr>
<td>2009 Supply Available:       102.58 hectares</td>
</tr>
<tr>
<td>2019 Supply Available:       22.26 hectares</td>
</tr>
<tr>
<td>Consumption by 5,000 square metre or less Improvements: 7.91 hectares per annum over 10 years</td>
</tr>
<tr>
<td>Estimated Supply at Commencement of Development 31 years</td>
</tr>
<tr>
<td>Estimated End of Development 2022</td>
</tr>
</tbody>
</table>

With reference to census data, we can calculate a consumption rate per head of population growth as follows;

<table>
<thead>
<tr>
<th>CARRUM DOWNS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumption                  7.91 hectares per annum over 10 years</td>
</tr>
<tr>
<td>Catchment Population 2009    102,944</td>
</tr>
<tr>
<td>Catchment Population 2019    113,444</td>
</tr>
<tr>
<td>Population Growth            10,500</td>
</tr>
<tr>
<td>Consumption per population growth 75.3 square metres per head of population growth</td>
</tr>
</tbody>
</table>

In terms of the uses that are dominant with the Carrum Downs industrial precinct, it is apparent that the vast majority are small scale local businesses. By our estimates there are no buildings greater than 10,000 square metres in area with circa nine premises of 5,000 to 10,000 square metres. The vast majority of premises, circa 500 are of a smaller scale (less than 5,000 square metres of building area).

5.3. PAKENHAM

The Pakenham industrial precinct is located south and south east of the Pakenham township, being circa 55 kilometres south east of the Melbourne central business district. It benefits from being located on the Princess Freeway out to the La Trobe Valley and enjoys a large catchment area including Officer and stretching into towards Melbourne to Beaconsfield as well as semi-rural areas to the south and east.

The industrial precinct, as currently zoned amounts to circa 394 hectares of developable Industrial zoned land. The precinct includes a central portion that served as a local industrial pocket during the decades leading up to 2000s with the majority of current construction south of the Freeway which opened in late 2007.

The area is deemed to be a State Significant Industrial Precinct by the UDP and while total zoned land amounts to circa 394 hectares at the current day, there is an expectation that a significant amount of land will be rezoned as further supply in coming decades. According to the Victoria Planning Authority there will be circa 1,600 hectares of land zoned for employment use within the yet to be completed Officer Employment PSP, Pakenham West Employment PSP and the Pakenham South Employment PSP.
Due to its location on a major Freeway and the designation as a SSIP with expectations that it will replace the Dandenong/Keysborough precinct as the major source of industrial supply in the south east over coming decades, this location is considered to be superior to the Casey Fields South PSP.

A map showing our assessed catchment area for this precinct is shown overleaf:
A summary of our area analysis is shown in table form below:

<table>
<thead>
<tr>
<th>Description</th>
<th>Pakenham</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Industrial Zoned Land:</td>
<td>393.87 hectares</td>
</tr>
<tr>
<td>Total Serviced Supply</td>
<td>334.79 hectares</td>
</tr>
<tr>
<td>2013 Supply Available</td>
<td>230.57 hectares</td>
</tr>
<tr>
<td>2019 Supply Available</td>
<td>173.89 hectares</td>
</tr>
<tr>
<td>Consumption by 5,000 square metre or less Improvements:</td>
<td>9.40 hectares per annum over 6 years</td>
</tr>
<tr>
<td>Estimated Supply at Commencement of Development</td>
<td>34 years (assuming no future rezonings)</td>
</tr>
<tr>
<td>Estimated End of Development</td>
<td>2036</td>
</tr>
</tbody>
</table>

With reference to census data, we can calculate a consumption rate per head of population growth as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Pakenham</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumption</td>
<td>9.40 hectares per annum over 6 years</td>
</tr>
<tr>
<td>Catchment Population 2013</td>
<td>70,252</td>
</tr>
<tr>
<td>Catchment Population 2019</td>
<td>94,066</td>
</tr>
<tr>
<td>Population Growth</td>
<td>23,814</td>
</tr>
<tr>
<td>Consumption per population growth</td>
<td>23.7 square metres per head of population growth</td>
</tr>
</tbody>
</table>

In terms of the uses that are dominant with the industrial precinct, it is apparent that the vast majority are currently small-scale local businesses. By our estimates there are three buildings greater than 10,000 square metres in area with two premises of 5,000 to 10,000 square metres. The vast majority of premises, circa 650 are of a smaller scale (less than 5,000 square metres of building area).

There is the expectation in coming decades, as Pakenham and Officer replace Dandenong and Keysborough as the primary source of large-scale industrial land in the south east, for more major logistic and manufacturing style improvements may be constructed in this area.

5.4. MORNINGTON

The Mornington industrial precinct is located south and south east of the Mornington township, being circa 45 kilometres south of the Melbourne central business district. It lacks direct access to major transport infrastructure although the Nepean Highway does connect Mornington to Frankston. Its catchment predominantly comprises only the township of Mornington.

The industrial precinct, as currently zoned amounts to circa 105 hectares of developable Industrial zoned land spread over four small pockets of industrial development. The precinct includes a central portion lining Mornington-Tyabb Road with more recent development to the north lining the Nepean Highway.
This precinct is not included in the UDPs definition of a State Significant Industrial Precinct and in our view, it is likely to be inferior to the development of the Casey Fields South PSP in terms of size, infrastructure and access.

A map showing our assessed catchment area for this precinct is shown overleaf:

A summary of our area analysis is shown in table form below;

<table>
<thead>
<tr>
<th>Description</th>
<th>MORNINGTON</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Industrial Zoned Land</td>
<td>105.07 hectares</td>
</tr>
<tr>
<td>Total Serviced Supply</td>
<td>89.31 hectares</td>
</tr>
<tr>
<td>2010 Supply Available:</td>
<td>17.87 hectares</td>
</tr>
</tbody>
</table>
2019 Supply Available: 12.62 hectares

Consumption by 5,000 square metre or less Improvements: 0.62 hectares per annum over 9 years

Estimated Supply at Commencement of Development Greater than 100 years.

Estimated End of Development 2039

With reference to census data, we can calculate a consumption rate per head of population growth as follows:

<table>
<thead>
<tr>
<th>Consumption</th>
<th>0.62 hectares per annum over 9 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Catchment Population 2009</td>
<td>31,289</td>
</tr>
<tr>
<td>Catchment Population 2019</td>
<td>34,364</td>
</tr>
<tr>
<td>Population Growth</td>
<td>3,075</td>
</tr>
<tr>
<td>Consumption per population growth</td>
<td>18.1 square metres per head of population growth</td>
</tr>
</tbody>
</table>

It is apparent that recent uptake of industrial land has diminished as population growth in the wider surrounds has reduced. Hence the years of estimated supply at commencement is misleading.

In terms of the uses that are dominant with the industrial precinct, it is apparent that the vast majority are small scale local businesses. By our estimates there are three buildings greater than 10,000 square metres in area with only one premises of 5,000 to 10,000 square metres. The vast majority of premises, circa 200 are of a smaller scale (less than 5,000 square metres of building area).

5.5. HASTINGS

The Hastings industrial precinct is located north and west of the Hastings township, being circa 60 kilometres south of the Melbourne central business district. It lacks direct access to major transport infrastructure although the Western Port Highway does connect Hastings to Dandenong. Its catchment predominantly comprises only the township of Hastings. There is a large supply of land zoned Special Use 1 which is set aside for industrial uses in conjunction with the Port of Hastings however given no development of this land or the Port in recent decades we have excluded this supply from our analysis.

The industrial precinct, as currently zoned amounts to circa 71 hectares of developable Industrial zoned land spread over five small pockets of industrial development. The precinct includes a central portion lining Frankston-Flinders Road with a smaller pocket to the north east.
There is a State Significant Industrial Precinct of Hastings that includes the land to the north which is zoned Special Use Zone 1. However, the local precinct has developed over the previous decades as a small township precinct rather than a SSIP. In our view it is likely to be inferior to the development of the Casey Fields South PSP in terms of size, infrastructure and access.

A map showing our assessed catchment area for this precinct is shown overleaf:

A summary of our area analysis is shown in table form below:

<table>
<thead>
<tr>
<th></th>
<th>HASTINGS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Industrial Zoned Land</td>
<td>70.80 hectares</td>
</tr>
<tr>
<td>Total Serviced Supply</td>
<td>60.18 hectares</td>
</tr>
<tr>
<td>2010 Supply Available</td>
<td>25.92 hectares</td>
</tr>
<tr>
<td>2019 Supply Available</td>
<td>21.51 hectares</td>
</tr>
<tr>
<td>Consumption by 5,000 square</td>
<td>0.70 hectares per annum</td>
</tr>
<tr>
<td>metre or less Improvements</td>
<td>over 9 years</td>
</tr>
<tr>
<td>Estimated Supply at</td>
<td>63 years</td>
</tr>
<tr>
<td>Commencement of Development</td>
<td></td>
</tr>
<tr>
<td>Estimated End of Development</td>
<td>2037</td>
</tr>
</tbody>
</table>

With reference to census data, we can calculate a consumption rate per head of population growth as follows;
<table>
<thead>
<tr>
<th>Consumption</th>
<th>0.95 hectares per annum over 9 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Catchment Population 2009</td>
<td>17,821</td>
</tr>
<tr>
<td>Catchment Population 2019</td>
<td>20,374</td>
</tr>
<tr>
<td>Population Growth</td>
<td>2,553</td>
</tr>
<tr>
<td>Consumption per population growth</td>
<td>24.6 square metres per head of population growth</td>
</tr>
</tbody>
</table>

In terms of the uses that are dominant with the industrial precinct, it is apparent that this location is a local town precinct with no buildings greater than 10,000 square metres in area with only one premises of 5,000 to 10,000 square metres. The vast majority of premises, circa 100 are of a smaller scale (less than 5,000 square metres of building area).

### 5.6. MELTON

The Melton industrial precinct is located east of the suburb of Melton, being circa 45 kilometres north west of the Melbourne central business district. It benefits from direct access to major transport infrastructure being the Western Freeway and the Melton Highway that connect the precinct to Melbourne. However, its catchment predominantly comprises only the suburbs of Melton, Melton South and Kurunjang.

The industrial precinct, as currently zoned amounts to circa 188 hectares of developable Industrial zoned land located just north of the Freeway in a single pocket.

This precinct is not classed as State Significant Industrial precinct and in our view, it is likely to be superior to the development of the Casey Fields South PSP in terms of size, infrastructure and access.

A map showing our assessed catchment area for this precinct is shown overleaf.
A summary of our area analysis is shown in table form below;

<table>
<thead>
<tr>
<th></th>
<th>MELTON</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Industrial Zoned Land:</td>
<td>188.71 hectares</td>
</tr>
<tr>
<td>Total Serviced Supply</td>
<td>160.40 hectares</td>
</tr>
<tr>
<td>2010 Supply Available</td>
<td>95.33 hectares</td>
</tr>
<tr>
<td>2019 Supply Available</td>
<td>89.93 hectares</td>
</tr>
<tr>
<td>Consumption</td>
<td>0.67 hectares per annum over 9 years</td>
</tr>
<tr>
<td>Estimated Supply at Commencement of Development</td>
<td>Greater than 100 years.</td>
</tr>
<tr>
<td>Estimated End of Development</td>
<td>Greater than 100 years.</td>
</tr>
</tbody>
</table>

With reference to census data, we can calculate a consumption rate per head of population growth as follows;

<table>
<thead>
<tr>
<th></th>
<th>MELTON</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumption</td>
<td>0.67 hectares per annum over 9 years</td>
</tr>
<tr>
<td>Catchment Population 2009</td>
<td>46,009</td>
</tr>
<tr>
<td>Catchment Population 2019</td>
<td>69,956</td>
</tr>
<tr>
<td>Population Growth</td>
<td>23,947</td>
</tr>
<tr>
<td>Consumption per population growth</td>
<td>2.5 square metres per head of population growth</td>
</tr>
</tbody>
</table>
In terms of the uses that are dominant with the industrial precinct, it is apparent that this location is a local town precinct with no buildings greater than 10,000 square metres in area with four premises of 5,000 to 10,000 square metres. The vast majority of premises, circa 300 are of a smaller scale (less than 5,000 square metres of building area).

5.7. WERRIBEE

The Werribee industrial precinct is located south of the suburb of Werribee, being circa 28 kilometres south west of the Melbourne central business district. It is adjacent to but without direct access to major transport infrastructure with access to the Princes Freeway via circa 2.5 kilometres of local road. The catchment area consists of the local suburb of Werribee.

The industrial precinct, as currently zoned amounts to circa 188 hectares of developable Industrial zoned land located just north of the Freeway in a single pocket.

This precinct is not classed as State Significant Industrial precinct and in our view, it is likely to be superior to the development of the Casey Fields South PSP in terms of size, infrastructure and access.

A map showing our assessed catchment area for this precinct is shown overleaf:
A summary of our area analysis is shown in table form below:

<table>
<thead>
<tr>
<th>Description</th>
<th>WERRIBEE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Industrial Zoned Land:</td>
<td>45.69 hectares</td>
</tr>
<tr>
<td>Total Serviced Supply</td>
<td>39.92 hectares</td>
</tr>
<tr>
<td>2009 Supply Available:</td>
<td>18.60 hectares</td>
</tr>
<tr>
<td>2019 Supply Available:</td>
<td>9.84 hectares</td>
</tr>
<tr>
<td>Consumption</td>
<td>0.92 hectares per annum over 10 years</td>
</tr>
<tr>
<td>Estimated Supply at Commencement of Development</td>
<td>Greater than 100 years.</td>
</tr>
<tr>
<td>Estimated End of Development</td>
<td>Greater than 100 years.</td>
</tr>
</tbody>
</table>

With reference to census data, we can calculate a consumption rate per head of population growth as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>WERRIBEE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumption</td>
<td>0.92 hectares per annum over 10 years</td>
</tr>
<tr>
<td>Catchment Population 2009</td>
<td>10,869</td>
</tr>
<tr>
<td>Catchment Population 2019</td>
<td>13,176</td>
</tr>
<tr>
<td>Population Growth</td>
<td>2,307</td>
</tr>
<tr>
<td>Consumption per population growth</td>
<td>40.0 square metres per head of population growth</td>
</tr>
</tbody>
</table>
In terms of the uses that are dominant with the industrial precinct, it is apparent that this location is a local town precinct with no buildings greater than 5,000 square metres in area. The vast majority of premises, circa 100 are of a smaller scale (less than 5,000 square metres of building area).
6. COMPARATIVE ANALYSIS

6.1. DISCUSSION OF CASE STUDY RESULTS

From the data above we can tabulate our results as follows:

<table>
<thead>
<tr>
<th>Precinct</th>
<th>Consumption per Annum (Ha)</th>
<th>Consumption per Population Growth (square metres)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrum Downs</td>
<td>7.91</td>
<td>75.3</td>
</tr>
<tr>
<td>Pakenham</td>
<td>9.40</td>
<td>23.7</td>
</tr>
<tr>
<td>Mornington</td>
<td>0.62</td>
<td>18.1</td>
</tr>
<tr>
<td>Hastings</td>
<td>0.70</td>
<td>24.6</td>
</tr>
<tr>
<td>Melton</td>
<td>0.67</td>
<td>2.5</td>
</tr>
<tr>
<td>Werribee</td>
<td>0.92</td>
<td>40.0</td>
</tr>
</tbody>
</table>

In terms of consumption of land per annum we note the following:

- The more major industrial precincts of Carrum Downs and Pakenham have significantly greater levels of consumption than more local industrial precincts. This is to be expected given the excellent transport links adjacent to Carrum Downs and Pakenham and their wider catchment areas.

- Industrial precincts such as Mornington, Hastings, Melton and Werribee are ‘local’ precinct areas, lacking any significant large-scale buildings and serve the employment needs of the immediate town or suburb that is adjacent with improvements nearly exclusively smaller than 5,000 square metres in size.

In terms of consumption per population growth we note the following:

- The industrial precincts of Pakenham, Mornington, Hastings and Werribee show a fairly constant rate of consumption per head of population growth of circa 18 to 40 square metres.

- Carrum Downs shows a significantly higher rate of circa 75 square metres. This is likely explained by the completion of the Mornington Peninsula Freeway in 2013 which significantly changed the potential catchment area of the precinct without significantly altering the growth rate of the immediate area. Further analysis shows a consumption rate of circa 50 square metres per population growth prior to 2014 and a rate over 100 square metre per population growth since this date.

- Melton appears to be an exception to the general rule in terms of consumption per population growth. Further review of aerial maps shows significant residential development within the catchment area but little corresponding industrial development. Due to Melton lacking a significant industrial base, the increased population growth effectively means the township is a satellite suburb of Melbourne with new residents seeking employment outside the Melton catchment area. Melton is in close proximity to the Western State Significant Industrial Precinct centred on Derrimut and Truganina where significant blue-collar employment opportunities exist, and it appears that these areas benefit from Melton’s population growth at the expense of the local precinct.

- Given the unique factors above for Melton and Carrum Downs, we can say the case studies show a more standard range from circa 15 to circa 40 square metres per population growth.

In coming to our conclusions on the metrics to adopt in our analysis, we present the following matrix with the factors we consider to be most important in determining the level of demand associated with an industrial precinct:
<table>
<thead>
<tr>
<th>Factors</th>
<th>Casey Fields</th>
<th>Carrum Downs</th>
<th>Pakenham</th>
<th>Mornington</th>
<th>Hastings</th>
<th>Melton</th>
<th>Werribee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proximity to Major Road Infrastructure</td>
<td>×</td>
<td>✓</td>
<td>✓</td>
<td>×</td>
<td>×</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Limited Competition/ Mature Area</td>
<td>×</td>
<td>✓</td>
<td>×</td>
<td>✓</td>
<td>✓</td>
<td>×</td>
<td>✓</td>
</tr>
<tr>
<td>State Significant Industrial Precinct</td>
<td>×</td>
<td>×</td>
<td>✓</td>
<td>×</td>
<td>✓</td>
<td>×</td>
<td>×</td>
</tr>
<tr>
<td>Local Housing By-passed</td>
<td>×</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>×</td>
<td>✓</td>
<td>×</td>
</tr>
<tr>
<td>Proximity to Melbourne Port, CBD</td>
<td>×</td>
<td>×</td>
<td>✓</td>
<td>×</td>
<td>×</td>
<td>×</td>
<td>✓</td>
</tr>
<tr>
<td>Consumption per Annum (Ha)</td>
<td>Adopt: 3.5</td>
<td>7.91</td>
<td>9.4</td>
<td>0.62</td>
<td>0.7</td>
<td>0.67</td>
<td>0.92</td>
</tr>
<tr>
<td>Consumption per Population Growth</td>
<td>Adopt: 20</td>
<td>75.3</td>
<td>23.7</td>
<td>18.1</td>
<td>24.6</td>
<td>2.5</td>
<td>40</td>
</tr>
<tr>
<td>Size of Precinct (ha)</td>
<td>Adopt: 60</td>
<td>308.61</td>
<td>393.87</td>
<td>105.07</td>
<td>70.8</td>
<td>188.71</td>
<td>45.69</td>
</tr>
</tbody>
</table>
7. **CONCLUSIONS**

7.1. **PRIMARY FACTORS IN ADOPTED RATES**

As described throughout this report the primary drivers of take up of industrial zoned land are as follows:

- **Transport infrastructure.** The level of infrastructure determines if a precinct is likely to be a major/State Significant precinct or a local precinct.

- **The level of supply and competition within surrounding precincts.** Melton is an example of where land is available however due to the proximity to established and major precincts (e.g. Truganina and Derrimut) take-up of land in the local precinct is low.

In terms of these criteria we assess the subject property as having:

- **A poor level of infrastructure to support a major industrial precinct.** In this category the Casey Fields South PSP area is most comparable to Hastings or Mornington where access will be via a major road, but not Freeway access associated with major areas such as Pakenham or Dandenong. As such, it appears destined to be a ‘local’ industrial precinct rather than a major one. It will attract small scale uses, with buildings of less than 5,000 square metres. The likely lack of significant large-scale logistics, who can absorb multiple hectares of land in one construction project, limits the speed of consumption.

- **An abundant supply of competition from precincts located with superior established industrial bases and superior infrastructure to support growth and supply blue collar employment opportunities.** As at the current day there is circa 400 hectares of supply available at Pakenham and Officer with a further 1,600 hectares of supply in Precinct Structure Plans expected to be completed in coming years. Officer Employment PSP is less than 7 kilometres from the subject PSP with road connection likely to improve as residential development takes place. As shown by analysis of take up in Carrum Downs, the existence of significant supply in major industrial precincts within close proximity to ‘capture’ population growth in the area and lead to blue collar workers bypassing the local employment catchment. There is also circa 600 hectares of industrial land vacant within the Hastings SSIP which is likely to become accessible in coming decades as residential city fringe development spreads south. Given this competition and limited infrastructure for the CFS PSP it is considered likely that uptake of industrial land will be slowed.

In comparison to the case studies, we would expect the developing subject precinct to achieve consumption rates per annum above those established local precincts such as Hastings, Mornington or Werribee. Although these precincts are the most comparable to the subject precinct, they are more mature with lower population growth and as such a rate above these precincts should apply. However, due to the lack of major transport infrastructure adjacent to the precinct, rates well below that achieved by Carrum Downs or Pakenham are to be expected. A rate per annum of between three to four hectares has been adopted.

On a rate per population growth basis, the above factors lead us to adopt a rate in line with the Hastings and Mornington precincts which show 24.6 and 18.1 respectively. Our analysis is based upon a range showing circa 15 to circa 25 square metres per population growth, while focusing towards the midpoint of this range, being 20 square metres per population growth.

7.2. **METRICS APPLICABLE CASEY FIELDS SOUTH PRECINCT STRUCTURE PLAN**

The total Casey Fields South Precinct Structure Plan (PSP) are is estimated to be 234 hectares of englobo land, which at our standard ratio of 85% equates to circa 199 hectares of developed allotments to be absorbed by the market.

In terms of population growth within the Casey Fields PSP and associated catchment area, we again population growth data utilised by the Casey Council and produced by .id. Our assessment of the catchment area is as overleaf;
Projections of population growth over the next 10 years are as below;

<table>
<thead>
<tr>
<th>Precinct</th>
<th>2016 Population</th>
<th>2021 Population</th>
<th>2026 Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Casey Fields South PSP and catchment area</td>
<td>5,576</td>
<td>10,725</td>
<td>22,615</td>
</tr>
</tbody>
</table>

Given this data, and our conclusions from our Case Studies in Section 5, we have estimated consumption rates for the CFS PSP and estimated time to consume the entire area, assuming it was 100% zoned for industrial uses.

A summary of these calculations is shown below;

<table>
<thead>
<tr>
<th>Precinct</th>
<th>@ 20m² per population growth</th>
<th>@ 3.5 hectares per annum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Casey Fields South PSP</td>
<td>58.3 years supply</td>
<td>56.8 years supply</td>
</tr>
</tbody>
</table>

In addition, we have run a sensitivity analysis whereas an ‘aggressive’ set of consumption scenarios were run at 4 hectares per annum consumption in conjunction with 25 per square metre per population growth, a ‘standard’ set of scenarios were run at 3.5 hectares per annum and 20 per square metre of population growth, and a ‘conservative’ set of scenarios at 3 hectares per annum and 15 per square metre of population growth. Our results of this analysis are shown overleaf;
Although our analysis shows a 57.6-year supply within the Casey Fields South PSP, in addition we note that the PSP has not been completed and there is a significant supply of industrial zoned land in a superior location to the north of the Cranbourne town centre. This supply of employment land is likely to be preferred to the CFS PSP due to its superior access and closer proximity to existing industrial. This area is deemed to be 130 hectares of supply in the UDP’s supply study and at a more aggressive consumption rate of 6.5 hectares per annum this represents 20 years supply.

Admittedly there will be some overlap between this area and the subject PSP, given the lack of current planning in place, and the inferior position of the PSP, we consider a reasonable expectation for the subject PSP is for full scale development to commence 10 years from the present date.

As such, we believe the PSP, if fully zoned for Industrial, will provide supply through to circa 2087, 68 years from the present date. As at this date, Clyde will not be city fringe and it is likely significant further supply will be available at locations to the south and east as the city spreads.

7.3. SIZE AND DEVELOPMENT LIFE SPAN DISCUSSION

The comparable industrial precincts range in size from circa 45 to 400 hectares of zoned industrial land. As to be expected the larger end of this range, Pakenham and Carrum Downs, have excellent transport infrastructure and in Pakenham’s case are a State Significant Industrial Precinct.

Areas with more similar characteristics to the subject precinct, such as Hastings, Mornington and Werribee show a tighter range from 45 to 105 hectares and this size industrial precincts appears to be more appropriate for the subject Casey Fields South PSP.

As a point of comparison, we note that Carrum Downs first supported significant industrial development in the mid to late 1980s. Our calculations reveal that by circa 2022 the precinct will be effectively fully developed, which provides a lifespan for the precinct of circa 30 years. Carrum Downs is not a city fringe precinct in the current day with new precincts, such as the subject PSP and Pakenham, will provide future supply.

If too large a supply of land within the PSP is zoned for industrial use, there is a risk that the city fringe and population driven employment land requirements will pass the CFS PSP by leaving a large amount of land to be consumed by a population with limited growth. As shown by overall consumption rate in the Hastings and Mornington precincts, once residential area construction stops, industrial land take-up decreases.

7.4. RECOMMENDATIONS

In summary, our research shows a Casey Fields Precinct Structure Plan (CFS PSP), with all the available land zoned as Industrial will have a life span, as at the current day, of circa 68 years. This is well in excess of the life span for precincts such as Carrum Downs and Pakenham (as currently zoned) and will result in significant amounts of land being available in the precinct well past the time where the city fringe has moved south and east producing further industrial precincts as it travels.

Analysis of currently active industrial estates suggest a lifespan of circa 25-30 years is appropriate before city fringe movements means there is limited population growth available to consume the remaining industrial zoned land. Given the existing competition in Cranbourne North and the lack of current PSP framework our expectations are that limited supply will be consumed in the next 10 years.

This leaves 15 to 20 years of consumption of industrial land before the precinct is superseded by newer precinct at the expanded city fringe. Based upon our adopted consumption rates of 3.5 hectares per annum, a range of 50 to 70 hectares appears appropriate. This size precinct falls in line with the size of comparable precincts such as Hastings township.
The PSP currently contains 234 hectares of land. Therefore, our conclusion is that the CFS PSP could be split into two portions. Our analysis suggests that circa 60 hectares of land would provide an appropriate level of supply for industrial land, with the balance of circa 175 hectares able to be utilised for a Higher and Better Use. The choice of that use is beyond the scope of this study; however, it may be a combination of commercial, medical and residential uses.
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This report is dated May 2019 and incorporates information and events up to that date only and excludes any information arising, or event occurring, after that date which may affect the validity of Urbis Valuations Pty Ltd’s (Urbis) opinion in this report. Urbis prepared this report on the instructions, and for the benefit only, of Galileo Five Ways Nominee Pty Limited (Instructing Party) for the purpose of Internal Decision-Making Purposes (Purpose) and not for any other purpose or use. To the extent permitted by applicable law, Urbis expressly disclaims all liability, whether direct or indirect, to the Instructing Party which relies or purports to rely on this report for any purpose other than the Purpose, and to any other person which relies or purports to rely on this report for any purpose whatsoever (including the Purpose).

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All surveys, forecasts, projections and recommendations contained in or associated with this report are made in good faith and on the basis of information supplied to Urbis at the date of this report, and upon which Urbis relied. Achievement of the projections and budgets set out in this report will depend, among other things, on the actions of others over which Urbis has no control.

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This report has been prepared with due care and diligence by Urbis and the statements and opinions given by Urbis in this report are given in good faith and in the reasonable belief that they are correct and not misleading, subject to the limitations above.

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### APPENDIX C – ASSESSMENT OF CASEY FIELDS SOUTH PSP LAND AGAINST CRITERIA OF REGIONALLY SIGNIFICANT INDUSTRIAL PRECINCTS

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Assessment</th>
<th>Tick the Box (Y/N)</th>
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<tr>
<td><strong>Policy Alignment</strong>&lt;br&gt;The area exhibits a strong relationship with or supports other places of state significance such as national employment and innovation clusters (NEICs) or transport gateways.&lt;br&gt;The area has been identified through growth area planning as a larger industrial estate offering good freeway and arterial road access and can provide for the industrial land requirements of firms that serve metropolitan wide, national or international markets.&lt;br&gt;The area has been identified in council strategies as being a core or primary industrial area that should be retained, or that</td>
<td>The Casey Fields South PSP area is completely isolated from either current or future major industrial precincts in the Southern Region, such as the South SSIP or the Pakenham/Officer SSIP. Nor is it anywhere close to any of the NEICs or key transport gateways.&lt;br&gt;While the future Casey Fields South area has emerged in the State’s various planning documents and been designated as an area reserved for potential future industrial land supply, the scale and location of the area as a major industrial precinct lacks any strategic justification. The industrial area at Casey Fields South that appeared from the Growth Corridor Planning process is of a size that would be expected to serve a metropolitan-wide role. However, at no stage has there been any assessment as to why this is an appropriate location for a large industrial precinct, considering the merits of the location and its ability to support such a large industrial offer.&lt;br&gt;While the subject area is now going through the PSP process, development of the subject land for large-scale industrial purposes will be a very long-term proposition, given the superior locational and amenity</td>
<td>No&lt;br&gt;Partially&lt;br&gt;Partially</td>
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<tr>
<td>Criteria</td>
<td>Assessment</td>
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<tr>
<td>Accessibility &amp; Business Clustering</td>
<td>The area or precinct can leverage off existing or proposed rail and road networks and infrastructure, including the Principal Freight Network (PFN)</td>
<td>No (while proximate to these connections, they cannot be effectively leveraged)</td>
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<td>The area provides for the clustering of industrial uses with limited or no residential intrusion and can be adequately buffered from sensitive uses</td>
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<td>The area is extensively surrounded by existing and future residential land, with direct residential interface to the east, west and north. Distinct from major industrial precincts such as Dandenong South or Pakenham/Officer where industrial vehicles can easily access major highways (i.e. Monash and Princes Freeways) which link directly to the wider metropolitan markets or key transport hubs without traffic lights, the Casey Fields South PSP area is only served by the lower grade, narrower South Gippsland Highway, a secondary transport route that is extensively shared with other non-industrial vehicles.</td>
<td>No</td>
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<tr>
<td>Criteria</td>
<td>Assessment</td>
<td>Tick the Box (Y/N)</td>
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| **Economic & Employment Contribution** | The precinct provides for contiguous areas of industry with similar, related or dependent industrial or commercial activities. | With the subject land currently being vacant and only occupying a secondary location relative to other major industrial precincts, it is highly unlikely that it would attract tenants that are able to generate some level of synergies in the foreseeable future. Areas such as this would be unable to compete in a region where there is still significant industrial land supply in much superior locations, which in most cases would provide far better choices for developers or tenants, leaving the area either vacant or having a very low level of activity over an extended period of time. | Current: No  
Future: Unlikely |
| The area generates a relatively high and ongoing economic output contributing to the region and state's economy | The modest size, the unfavourable site attributes and removal from larger employment precincts preclude the Casey Fields South PSP area from having the capacity to attract larger, anchor industrial tenants and therefore the ability to generate high and ongoing economic contributions to the region or the state more generally. | Current: No  
Future: Unlikely |
| The area is a location of high levels of employment and/or capital goods, generating wider regional employment and economic benefits | Again, the subject area is isolated from locations that generate high levels of employment or producing high levels of capital goods (i.e. fixed assets such as machinery, equipment, vehicles, etc.). Nor is it likely to become one itself. | No |