Longwarry – Employment Land Review and Forecast

Prepared for
Shire of Baw Baw

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Executive Summary.

The purpose of this Employment Land Review & Forecast Assessment ('the Report') is to provide guidance to Baw Baw Shire Council on the future requirements for employment land in the Longwarry township.

Report Context

Charter has been engaged by Baw Baw Shire Council to assess the strategic policy context and market conditions for employment land in Longwarry.

Accordingly, the purpose of this report is to provide guidance and insight on estimated future required employment land in Longwarry based on a robust supply and demand analysis which will assist to establish the strategic framework for future land use and development in the township.

A key focus of the Report is to assess the Employment Investigation Area in the north of the town as well as commercial and retail needs in the town centre including type, location and floor area.

Policy Context

This Report reviews Council's policy framework as it relates to the Longwarry Employment Investigation Area, including analysis of a range of strategic policy documents and background information.

The development of this Employment Investigation Area presents an opportunity to attract future investment and employment for Longwarry and we note this is broadly in alignment with the strategic policy frameworks for this land, in particular as articulated in the Baw Baw Planning Scheme.

Market Dynamics – Employment Lands

An analysis of the employment lands market is undertaken, which analyses the future supply of available vacant industrial land for employment driven by the estimated consumption of industrial land for future estimated years.

Taking into consideration the currently identified future supply of approximately 24.3 hectares of industrial zoned land, and allowing for the upper consumption rate of 0.5 hectares per year, the Longwarry township has at least a 49-year supply of employment land (allowing for the lower consumption rate of 0.2 hectares per year the supply of available industrial zoned land will likely provide supply for a greater length of time).

Market Dynamics – Retail

An analysis of the retail market is undertaken, which analyses the demand for retail driven by the estimated existing and future population growth within the defined Retail Investigation Area.

Analysis of existing and future retail provision estimates a potential need for expanded (or potentially a new additional) small supermarket/convenience store within the defined Retail Investigation Area from 2036 onwards, in light of regional Victorian provision benchmarks.

Furthermore analysis of existing and future retail provision estimates demand for a pre-packaged liquor store and chemist store in the current (2021) period, with demand likely to escalate for these (and likely other specialty retail stores) due to healthy population growth in future years.

This analysis sets out a range of development options for such a new proposed commercial centre in the Longwarry study area (set out in figure 4), in response to estimated escalating demand for retail as the future population grows:

Potential Retail Use	Option 1 (2031)	Option 2 (2036)	Option 3 (2041)
Small supermarket / convenience store	Approximately 300 - 350 sq.m	Approximately 350 - 400 sq.m	Approximately 400 - 450 sq.m
Specialty retail	Approximately 2,500 – 2,750 sq.m	Approximately 3,000 – 3,200 sq.m	Approximately 3,500 – 3,700 sq.m
Total Estimated Retail Floorspace	Approximately 2,800 – 3,100 sq.m	Approximately 3,350 – 3,600 sq.m	Approximately 3,900 – 4,150 sq.m

Based on the existing retail provision throughout the Retail Investigation Area, and in light of estimated healthy population growth within the defined Retail Investigation Area, this analysis indicates an opportunity exists for an expanded retail offering in the Longwarry township to meet net additional demand for retail facilities in future years (dependent upon the development options outlined above).

Market Dynamics – Commercial

An analysis of the market dynamics of commercial and non-retail floorspace for the Longwarry town centre indicates likely demand associated with the estimated growth in retail floorspace.

Demand for commercial and non-retail floorspace is estimated to increase from approximately 600 sq.m in 2021 to approximately 1,050 sq.m in 2041, representing an increase of approximately 450 sq.m during that period (dependent upon the development options outlined below).

Potential Use	Option 1 (2031)	Option 2 (2036)	Option 3 (2041)
Total Estimated Commercial and Non-Retail Floorspace	Approximately 750 sq.m - 830 sq.m	Approximately 900 sq.m - 960 sq.m	Approximately 1,050 sq.m – 1,100 sq.m

2. Purpose of Report

The purpose of this Employment Land Review & Forecast Assessment ('the Report') is to provide guidance to Baw Baw Shire Council on the future requirements for employment land in the Longwarry township. A series of detailed research tasks have been undertaken with the objective to provide robust evidence-based recommendations that support the potential requirements for the Longwarry township.

Further to this purpose, the objective of this report is to provide guidance to Council on the supply and demand for industrial employment lands, commercial floorspace and retail floorspace, for future years (to 2041), for the Longwarry township.

In undertaking this assessment, this report addresses the future estimated supply and demand in the form of detailed market analyses for this market, with respect to the defined catchment surrounding the Longwarry township.

2.1. Approach

In undertaking this assessment for the Longwarry township, Charter has:

- Undertaken demand estimates of employment lands, for current (2021) demand and estimated future requirements through the estimation period to 2041;
- Undertaken demand estimates of commercial floorspace, for current (2021) demand and estimated future requirements through the estimation period to 2041;
- Undertaken demand estimates of retail floorspace, for current (2021) demand and estimated future requirements through the estimation period to 2041;
- Synthesised demand and supply estimates to provide a market assessment for these markets.

3. The Longwarry Township

This section provides a high-level overview of the township of Longwarry within its local and regional context as well as a summary of relevant key concepts and themes expressed in Council planning polices & plans.

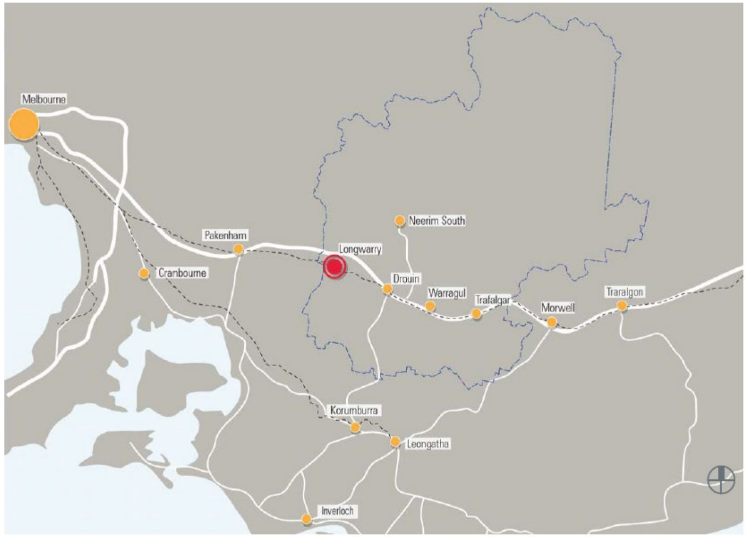
3.1. Strategic Considerations: Township Context

Longwarry is located 80km from Melbourne and 25km from Pakenham. The town is located in the Shire of Baw Baw. It is also within the orbit of the Local Government Area of Cardinia Shire. The larger towns of Drouin and Warragul offer more regional services than Longwarry.

Longwarry railway station provides a V-line service to Melbourne whilst the Princes Freeway connects the town to Melbourne.

Longwarry is identified as one of the Shire's six main towns. It provides commercial, industrial and residential uses for its immediate residents and wider catchment. Longwarry also has strong economic connections with the dairy industry. (*Urban Design Framework, page 8*).

Figure 1. Longwarry (Regional Context)



Source: Longwarry Urban Design Framework; Charter Keck Cramer

3.2. Policy Framework

This section sets out key strategic documents pertaining to Longwarry.

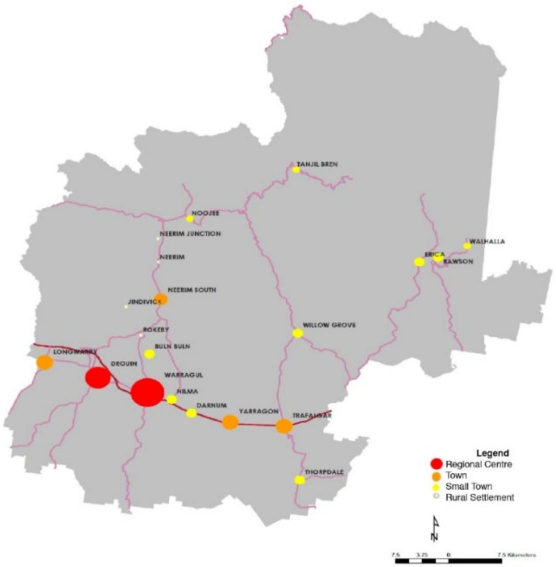
3.2.1. Baw Baw Planning Scheme

The Baw Baw Planning Scheme and Settlement Management Plan direct most of the future growth of the Shire to the larger towns of Drouin and Warragul.

Longwarry is identified in the Baw Baw Planning Scheme as a medium-sized township providing a strong local service role.

However, the Settlement Management Plan acknowledges Longwarry's proximity to Melbourne's growing fringe which may generate demand for residential expansion.

Figure 2. Baw Baw Planning Scheme – Town Roles



Source: Baw Baw Planning Scheme; Charter Keck Cramer

3.2.2. Longwarry Structure Plan

The "Employment Investigation Area" appears to the north of the Longwarry town centre in the map below. Relating to commercial land uses, the Baw Baw Planning Scheme states:

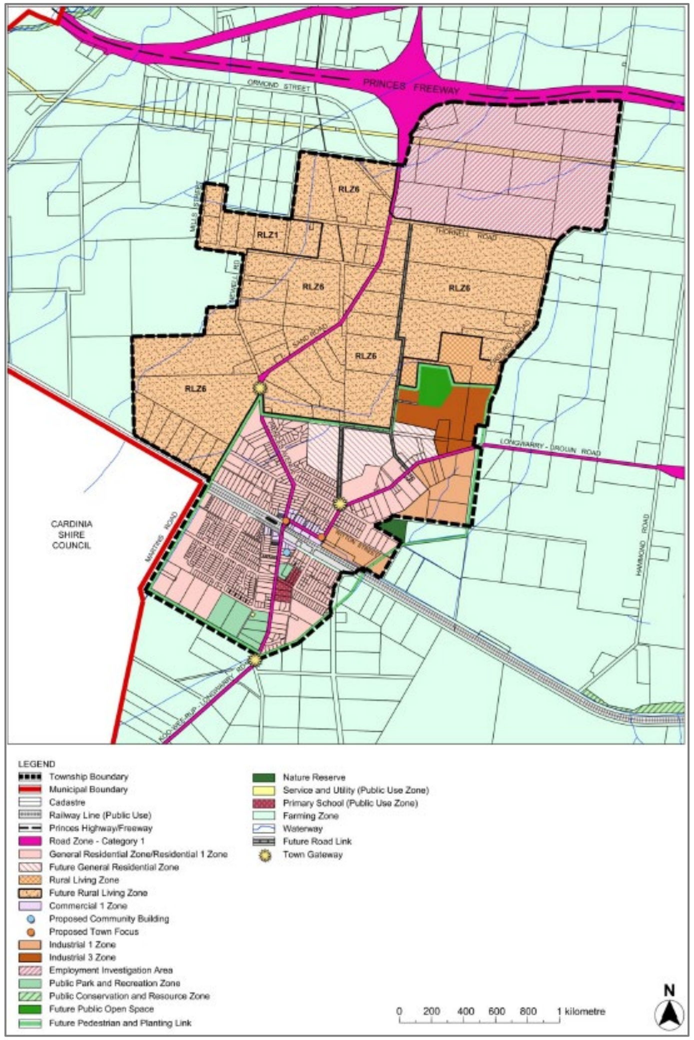
"Improve the relationship between the retail centres on either side of the railway line through the development of a town centre urban design framework."

Relating to industrial land uses, the Baw Baw Planning Scheme states:

"Investigate a future employment area further north adjoining the Freeway for a logistics precinct servicing the Shire and region. Any value adding businesses that provide an attractive gateway to the Shire, with limited amenity impacts to adjoining residents, could also be considered."

The development of this Employment Investigation Area presents an opportunity to attract future investment and employment for not just Longwarry but also the region. The Longwarry Structure Plan map appears below.

Figure 3. Longwarry Structure Plan



Source: Baw Baw Planning Scheme; Charter Keck Cramer

3.2.3. Longwarry Urban Design Framework

The Longwarry Urban Design Framework, prepared by Hansen for Baw Baw Shire Council in 2019, sets out the future form and character of Longwarry township.

The defined study area for the Longwarry Urban Design Framework is set out below.

Figure 4. Longwarry Urban Design Framework – Study Area

Source: Longwarry Urban Design Framework; Charter Keck Cramer

3.2.4. Council Plan 2017 – 2021

Baw Baw Shire's Council Plan 2017 – 2021 is a key strategic document setting out principles, plans and priorities in the form of a 'four year road map' for Council to manage resources, and addressing key areas such as population growth, guide long-term infrastructure planning and manage resource allocation.

Longwarry is identified as a key township within this document and priority initiative 1.6 pertains to "commencing development of Longwarry Structure Plan".

3.2.5. Gippsland Regional Growth Plan (2014)

The Gippsland Regional Growth Plan, published in 2014 by the Gippsland Local Government Network and the Department of Transport, Planning and Local Infrastructure, establishes overarching objectives in relation to the broad area's future growth. The area covers the included Local Government Areas of Baw Baw Shire Council, Bass Coast Shire Council, East Gippsland Shire Council, Latrobe City Council, South Gippsland Shire Council and Wellington Shire Council.

The Regional Growth Plan provides a guiding document to facilitate the expected increase in population, driving economic growth and providing for sustainable communities.

Within the Regional Growth Plan Longwarry (along with other townships) is acknowledged as an important dairy manufacturing location which is of regional significance due to the Gippsland region's key economic activities including agricultural production comprising extensive dairy production, food production, dairy processing and dairy manufacturing.

4. Employment Lands Analysis

This section assesses the supply, demand and existing and potential future development outcomes of employment lands in Longwarry.

4.1. Regional Context

A summary of employment land shown in the figure below indicates that extensive areas of current and future employment land supply are available in the south eastern growth corridor of metropolitan Melbourne.

Data provided by the Department of Environment, Land, Water and Planning's Urban Development Program (2019) indicates large areas of existing industrial lands (displayed in blue) are present in the Dandenong, Narre Warren, Officer and Pakenham areas. Large areas of proposed industrial lands (indicated in purple) are indicated in Clyde and Officer.

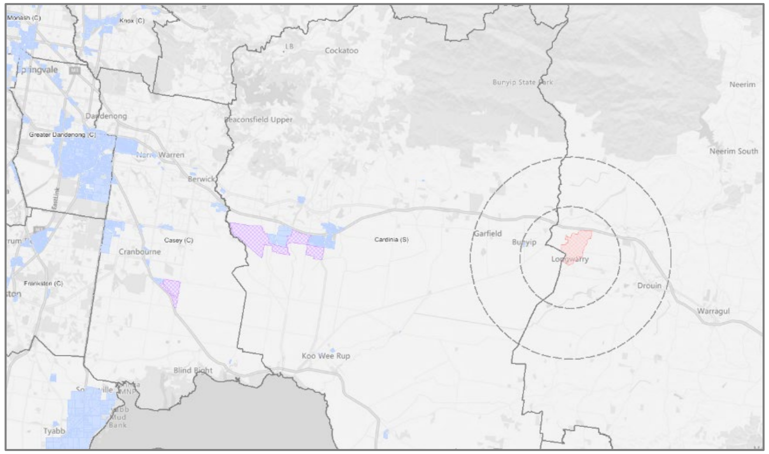
The Department of Environment, Land, Water and Planning identifies five State Significant Industrial Precincts throughout metropolitan Melbourne:

- Western State Significant Industrial Precinct
- Northern State Significant Industrial Precinct
- Southern State Significant Industrial Precinct
- Officer/Pakenham State Significant Industrial Precinct
- Hastings State Significant Industrial Precinct

The Department of Environment, Land, Water and Planning estimates that, when land identified as 'Proposed Future Industrial' is added to the existing industrial land within each State Significant Industrial Precinct, that the Pakenham/Officer State Significant Industrial Precinct will become the third largest.

Map appears below with 5km and 10km radius marked.

Figure 5. Employment Land Current and Proposed – Metropolitan Melbourne



Source: DELWP; Charter Keck Cramer

4.2. Demand Considerations

Consumption of vacant industrial land is a measure of when new uses and investment occur on that vacant industrial land.

4.2.1. Drivers of Employment Land Use Development

The following key drivers are relevant in considering the demand for employment land in and around the Longwarry township:

- Population Growth. Longwarry is estimated to experience healthy population growth in future years, driven by both healthy endogenous growth, as well as significant broad flows of people from the larger metropolitan cities to regional townships. As additional people relocate to regional centres, this is likely to drive additional demand for goods and services, with subsequent additional demand for existing warehouse space.
- Land Affordability. The eastern regional Victorian (and to an extent the outer eastern metropolitan Melbourne) industrial market is characterised by relatively competitive land costs compared with other parts of metropolitan Melbourne. Longwarry has the potential to be an attractive location for businesses for which cost competitiveness is an important locational consideration.
- Transport Connectivity. Longwarry has good transport connectivity being located on Nar Nar Goon-Longwarry Road and having nearby access to Princes Highway, Longwarry Rail Station being located in the centre of the Longwarry township, and proximity to the broader metropolitan Melbourne transport network.
- Labour Force Availability and Skills. For many corporate and larger-scale businesses, access to an appropriately qualified and experienced labour force is an important locational consideration. As the population of the Baw Baw Shire and surrounding region grows in future decades, the willingness of key businesses to locate at Longwarry may be enhanced by a 'deeper' local labour force pool where appropriate skills and experience may become accessible.
- Wider Economic Linkages. Longwarry is likely to continue to attract businesses with strong linkages to local supply chains, providing goods and services for the local economy. Should larger businesses be able to be attracted to Longwarry, this may bring the potential for inter-state and/or international trade linkages.
- Diversity of Users. While the current range of industries present in Longwarry has a local focus (primarily timber-related and agriculture-related), the availability of vacant industrial land – and the potential for additional employment lands in the Employment Investigation Area – provide the potential for an increased diversity of land use mix.

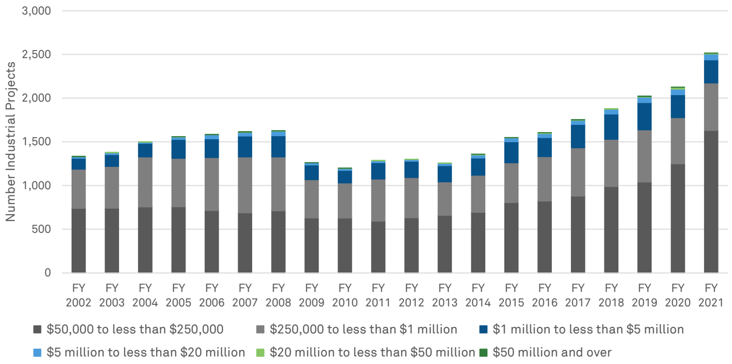
4.2.2. Building Approvals

Building approvals of industrial projects provide an indication of the demand for vacant industrial land. Total number of industrial building approval projects throughout Victoria is set out by financial year period below, by value range.

A clear upward trend is observable during the FY 2013 to FY 2021 period, as the demand for industrial land has continued to increase in recent years. A clear acceleration in industrial building approval activity is evident during the FY 2020 to FY 2021 period, as flow-on effects from the Covid-19 pandemic have prompted significant shifts towards online retailing with accompanying demand for logistics and warehouse space driving increased appetite for industrial land.

In FY 2021 approximately 65% of the 2,517 industrial projects approved throughout Victoria had a construction value of between $50,000 - $250,000, while a further 22% had a construction value of between $250,000 - $1 million during the same period.

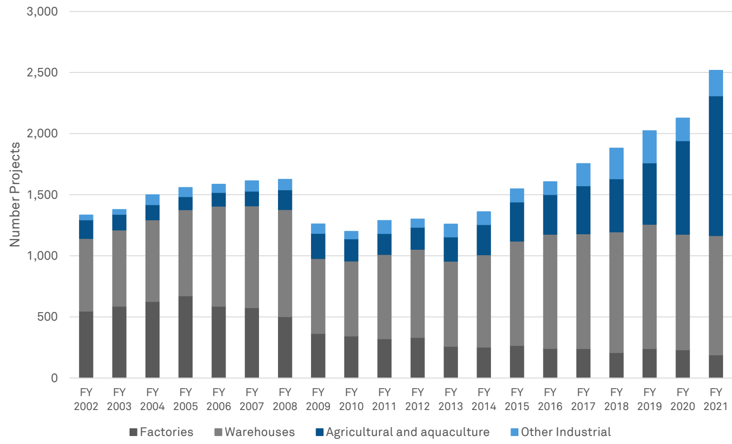
Figure 6. Total Number of Industrial Building Approvals by FY Period (by Value Range) - Victoria



Source: ABS; Charter Keck Cramer

The total number of building projects approved is set out by financial year period below, by sub-type. A significant proportion of industrial building approval projects have consisted of warehouses (approximately 39% in FY 2021) and agricultural/aquacultural projects (approximately 45% in FY 2021).

Figure 7. Total Number of Industrial Building Approvals by FY Period (by Sub Type) - Victoria



Source: ABS; Charter Keck Cramer

4.3. Supply Considerations

Supply considerations are set out in the following sections.

4.3.1. Existing Major Employment Locations

Existing employment lands in Longwarry are set out below, with a total of 39.6 hectares of industrial land in Longwarry.

A total of approximately 15.3 hectares of industrial land is currently occupied (i.e., with operating uses on the land) for industrial and employment areas in the Longwarry township. This indicates approximately 39% of all industrial land in Longwarry is being utilised for industrial and employment uses.

A total of approximately 24.3 hectares of industrial land is vacant and available for future development (representing approximately 61% of all industrial land in Longwarry).

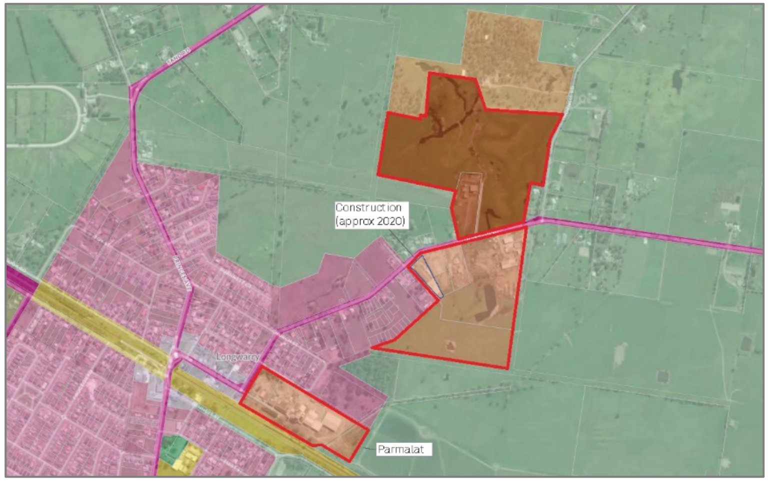
Figure 8. Longwarry - Employment Land (Current)

	Land (ha)	Proportion
Total Occupied Industrial Land	15.3	39%
Total Supply of Vacant Industrial Land	24.3	61%
Total Industrial Land (Vacant + Occupied)	39.6	100%

Source: Charter Keck Cramer

Industrial zoned employment land is set out in the figure below. In particular we note the large Parmalat dairy processing facility (47.9 ha) located on Witton Street. Furthermore the industrial zoned property at 62 Longwarry-Drouin Road (6,112 sq.m - marked in blue) was previously vacant, and had an office/warehouse constructed recently, with construction being completed in approximately 2020, indicating consumption of this land.

Figure 9. Longwarry - Employment Land (Current)



Source: Landchecker; Charter Keck Cramer

4.3.2. Planned Major Employment Locations

A total supply of approximately 24.3 ha of land will be available for industrial and employment areas in the Longwarry township in the future.

A further total supply of approximately 99.5 ha of land may become available (pending investigation and planning considerations) for industrial and employment areas in the Longwarry Employment Investigation Area in the future.

A summary of the key employment precincts is as follows:

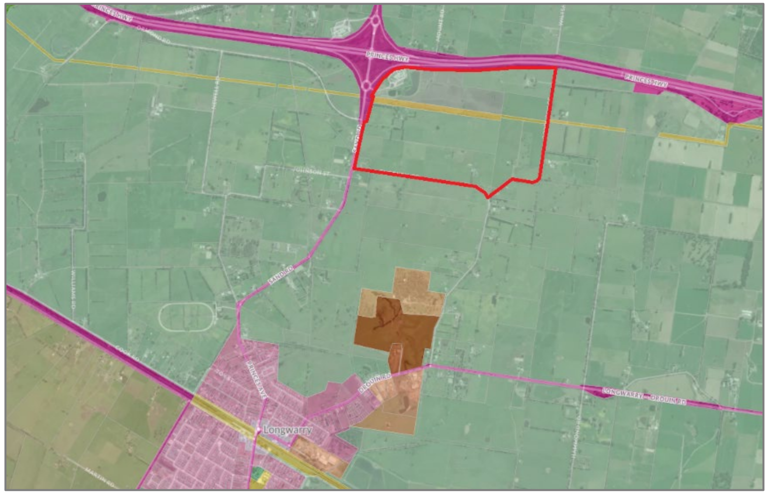
- Longwarry township (existing supply of vacant industrial zoned land): Vacant industrial zoned land in and around the Longwarry town centre comprises approximately 24.3 hectares.

- Longwarry Employment Investigation Area: The Longwarry Employment Investigation Area comprises approximately 99.5 hectares of land located at the intersection of Princes Highway and Sand Road.

We note the Longwarry Employment Investigation Area comprises land which is primarily characterised as Farming zone. Furthermore we note the estimate of approximately 99.5 hectares excludes the public use zoned land parcel (indicated in yellow in the figure below) and also excludes the fuel station at the north west corner of the Employment Investigation Area.

These estimates take into consideration existing vacant land zoned for industrial purposes and land identified for employment in the Longwarry Structure Plan.

Figure 10. Longwarry - Employment Investigation Area



Source: Baw Baw Planning Scheme; Landchecker; Charter Keck Cramer

4.3.3. Industrial Land Consumption

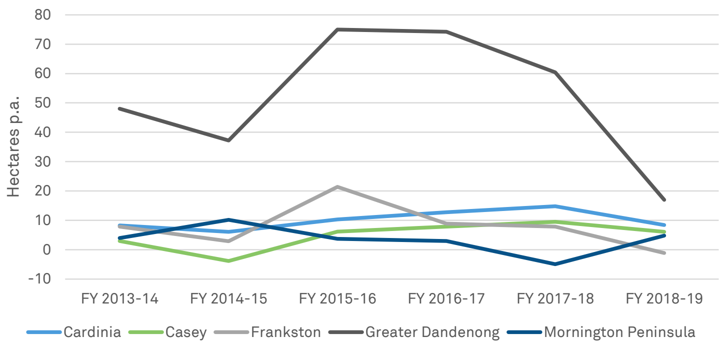
Consumption of industrial land refers to the construction on or use of previously unutilised industrial land over time.

A review of historical Urban Development Program data for southern and eastern Melbourne and other growth area corridors in Melbourne indicates an average long-term (FY 2013-14 to FY 2018-19) annual rate of employment land consumption of approximately:

- Cardinia LGA: 10.1 hectares p.a.
- Casey LGA: 4.8 hectares p.a.
- Frankston LGA: 8.0 hectares p.a.
- Greater Dandenong LGA: 52.0: hectares p.a.
- Mornington Peninsula LGA: 3.5: hectares p.a.

Historical annual rates of employment land consumption during the FY 2013-14 to FY 2018-19 period for these LGAs is set out below.

Figure 11. Consumption of Industrial land [hectares; p.a.], FY2013-14 to FY2018-19 – Selected LGAs



Source: DELWP; Charter Keck Cramer

The Urban Development Program's "Regional Industrial Report - Shire of Baw Baw" publication (2012) indicated for the years 2006 – 2012 an average annual 2.1 hectares per annum of industrial land consumed throughout the Baw Baw Council area. At that time within Baw Baw Shire, Warragul had the highest rate of industrial land consumption with an annual rate of 1.1 hectares, with Yarragon at 0.6 hectares per annum and Longwarry consuming approximately 0.2 hectares per annum.

Furthermore, Charter's analysis of all industrial zoned land in and around Longwarry during the 2013 – 2021 period indicates a total of 6,112 sqm (0.6 hectares) of industrial land has been consumed (following the construction of an office/warehouse at 62 Longwarry-Drouin Road), indicating a consumption rate of approximately 0.08 hectares per year in Longwarry during this period.

Figure 12. Longwarry – Consumption of Industrial Land

	Key Metric
Available Supply of Vacant Industrial Land (2013-2021 period)	24.9
Total Industrial Land Consumed (ha)	0.6
Available Supply of Vacant Industrial Land (2021)	24.3
No. periods (2013-2021)	8
Estimated Consumption Rate (2013-2021; ha, p.a.)	0.08

Source: Charter Keck Cramer

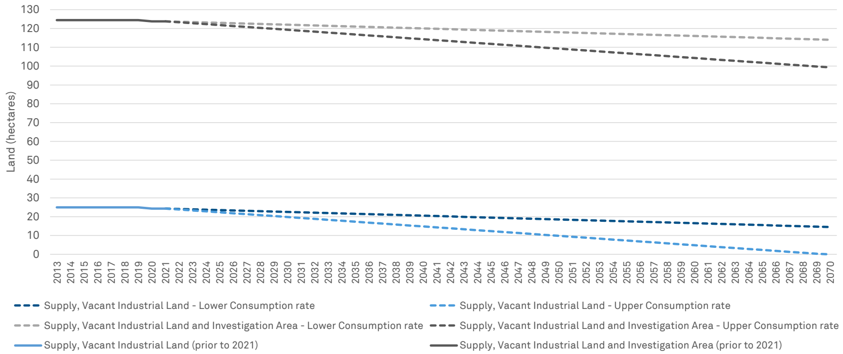
In light of these historical consumption rates, and in conjunction with broader macro trends indicating a strong demand for industrial land throughout the metropolitan Melbourne and regional Victorian area, an average long-term annual rate of employment land consumption of approximately 0.2 hectares to 0.5 hectares per year is estimated in Longwarry for future years.

Based on these consumption rates, the estimated exhaustion of industrial land in and around Longwarry is shown below.

Taking into consideration the currently identified future supply of approximately 24.3 hectares of industrial zoned land, and allowing for the upper consumption rate of 0.5 hectares per year, the Longwarry township has at least a 49-year supply of employment land (should the land be consumed at the lower consumption rate of 0.2 hectares per year Longwarry township has a 122 year supply of employment land).

The potential for additional employment land supply identified in the Longwarry Employment Investigation Area (identified in the Longwarry Structure Plan) would indicate further additional employment land supply of 99.5 hectares may be created in addition to the land supply identified in the supply analysis. Should this transpire, a total of 123.8 hectares of vacant industrial land would be available in Longwarry, which – if allowing for the upper consumption rate of 0.5 hectares per year – would provide the Longwarry township with at least a 247-year supply of employment land.

Figure 13. Longwarry – Modelled Exhaustion of Industrial Land



Source: DELWP; Charter Keck Cramer

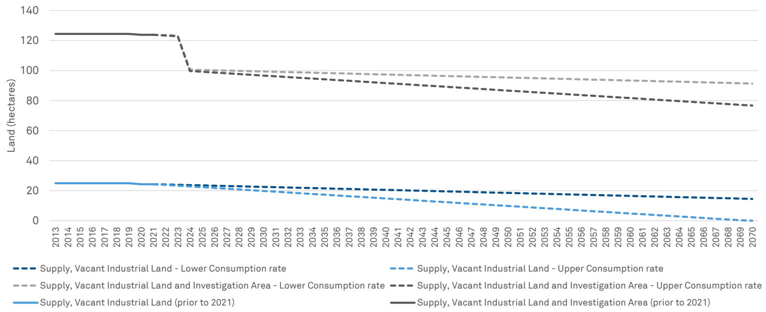
4.3.4. Scenario – Saleyards Development

A significant development for a new saleyards is proposed at 85 Thornell Road, Longwarry, being located within the Employment Investigation Area. The Environmental Protection Agency has issued a works approval (with conditions) for the development, which allows for the livestock saleyard and associated plant and equipment, designed to have an annual throughput of 132,000 animal units. We note a planning permit has been issued and that the outcome of a VCAT hearing regarding certain permit conditions is pending as at the time of this report.

The land parcel 85 Thornell Road, Longwarry is approximately 22.6 hectares. Accordingly, should this proposed saleyards development proceed, a significant volume of land would be consumed. We note that such consumption of land is hypothetical since this is in future, and that the land is currently farming zone (notwithstanding this development may proceed with farming zone). However since this proposed use would produce associated employment, and the land is located within the Employment Investigation Area, a scenario (whereby all consumption rates referred to above remain unchanged) has been included to demonstrate the likely effect on land consumption, should the saleyards development be constructed with an assumed construction year of 2024.

As seen in the figure below, under this scenario the Longwarry township has at least a 49-year supply of employment land (allowing for the lower consumption rate of 0.2 hectares per year the supply of available industrial zoned land will likely provide supply for a greater length of time).

Figure 14. Longwarry – Modelled Exhaustion of Industrial Land - Scenario



Source: DELWP; Charter Keck Cramer

4.3.5. SWOT Analysis – Longwarry Employment Investigation Area

We note previous analysis indicates at least 49-years supply of available industrial zoned land in Longwarry township.

Notwithstanding, a SWOT analysis of the Longwarry Employment Investigation Area has been carried out to summarise the potential for industrial development at the Employment Investigation Area, drawing together locational attributes of the site, surrounding urban form, key findings from the industrial land analysis conducted in previous sections of this report.

Figure 15. SWOT Analysis – Longwarry Employment Investigation Area

Strengths	Weaknesses
- Employment Investigation Area is a large strategically located site on Princess Highway, providing excellent exposure and access to the key transport corridor for the region. - The broader market for industrial land throughout the metropolitan Melbourne and Regional Victorian regions is experiencing strong growth, driven by escalating demand for e-commerce, freight and logistics.	- Industrial land analysis indicates at least 49 years supply of vacant industrial land (currently zoned) in Longwarry based on local market conditions. - Recent estimated consumption rate of approximately 0.08 ha p.a. indicates relatively subdued demand for industrial land in the Longwarry area.
Opportunities	**Threats**
- Opportunity to provide large land parcel sizes which may not be available within existing vacant industrial zoned land in Longwarry, which may potentially appeal to larger tenants. - The Employment Investigation Area represents an investment opportunity for Longwarry and the broader Baw Baw region, as new entrants attracted to these potentially available large land parcels may include larger operations which may ultimately service a wider region.	- In light of the moderate consumption rate of industrial land in the Longwarry region, providing additional employment lands at the Employment Investigation Area may result in over-supplied conditions in the local area, which may lead to reduced land value rates for current and/or future land sales and leasing activity in Longwarry. - Noteworthy competing locations for employment lands provider greater scale, co-location with larger diversity of existing businesses (for example, Drouin and Warragul) and closer proximity to major transport corridors (for example, Pakenham).

Source: Charter Keck Cramer

5. Retail Market Analysis

This section describes the retail property market dynamics of the township of Longwarry.

5.1. Retail Industry

The current retail environment in Australia is challenging, with a number of secular trends in recent years converging to apply pressure to traditional retailing, including among others the rise of online shopping, the entry of large global retail brands in Australia and increasing competition.

5.1.1. Retail Turnover and Growth

In more recent years, while the Australian economy has displayed relatively healthy indicators, below average wages growth and elevated levels of household debt have among other factors contributed to Australian retail sales growth holding reasonably steady at approximately 2.6% p.a. (year on year) during the period of early 2017 to early 2020.

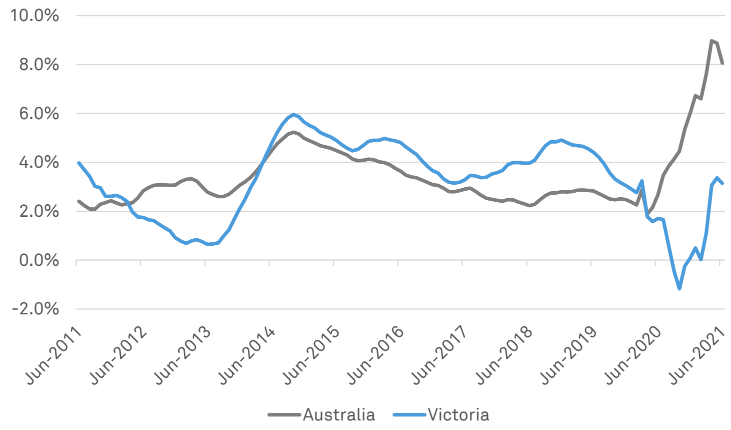
In Victoria, retail sales growth has increased at a higher rate than that for Australia throughout the period of early 2014 to early 2020. Notwithstanding, retail turnover growth in Victoria has decelerated in recent years since 2018.

As of January 2020, Victoria's retail turnover growth was 2.9% (year on year), being broadly similar to the national average of 2.4% (year on year). In response to the significant global COVID-19 health event in the early months of 2020, widespread social isolation measures were introduced throughout Australia and were more strictly enforced in Victoria than in other states, resulting in a noticeable spike upwards for retail turnover growth for March 2020 due to 'panic buying', followed by a noticeable decline being observable for April – June 2020.

Additional lockdowns along with social isolation measures in Victoria during July to November 2020 prompted further declines in retail spending, which contrasts with the uplift in retail turnover for all other States during this period (as observable in the figure below).

As of June 2021, Victoria's retail turnover growth was 3.1% (year on year), being significantly below the national average of 8.1% (year on year).

Figure 16. Retail Turnover



Source: ABS; Charter Keck Cramer

The rise of e-commerce in Australia has been significant in recent years, with online retail sales rising steadily as a proportion of total retail sales from approximately 2.7% in

June 2014, to approximately 6.6% in September 2019. Given the significant impacts of the Covid-19 pandemic, this increased from 7.1% of total retail sales in March 2020, to 11.1% in April 2020. From June 2020 to June 2021, the proportion of online retail sales has remained within a range of approximately 9.1% - 11.0% of total retail sales (being 10.5% as of June 2021).

Figure 17. Online Sales as a Proportion of Retail Sales

Source: ABS; Charter Keck Cramer

Within total online retail sales, a clear trend is observable with Non-Food online sales rising more significantly than for Food online sales during June 2014 to December 2020 period.

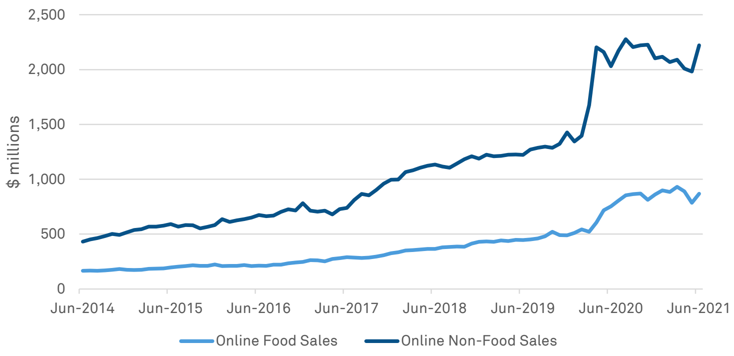
A non-exhaustive list of factors contributing to this includes:

- Non-Food items such as books, clothes, and dry goods are more easily shipped than food items, and accordingly have likely experienced greater adaptation to online retail formats
- The majority of food items are perishable by nature, and require refrigeration and specific storage requirements, thereby providing an enduring role for grocery store retail formats
- The attraction of café and restaurant dining experiences are 'in-person' experiences by their nature, thereby providing a compelling role for 'bricks and mortar' food retailing formats.
- The significant rise in online sales in Australia during August 2020 – September 2020 was driven by (among other influences) the introduction of Stage 3 and 4 restrictions in Victoria which resulted in the closure of the majority of physical retail stores.

From November 2020 to June 2021, online food sales and online non-food sales have remained elevated by comparison with their historical averages prior to the onset of the Covid-19 health event. A pronounced increase is observable in the month of June 2021, with online food sales increasing 10.8% and online non-food sales increasing by 12.0% in that month, following the announcement of additional lockdowns and social isolation restrictions in multiple Australian cities, including Sydney, Melbourne and Brisbane.

Online retailing continues to grow, however some retail uses are currently facing significantly less online disruption including food, liquor and groceries (FLG), food and beverage, retail services, medical and fitness/health centres. Uses most vulnerable to online disruption include apparel and footwear, department stores and discount department stores, books and electrical retailers. Accordingly, at present, impacts from online retailing on retail nodes and activity centres anchored by supermarkets and grocery retailing is significantly less than for those retail centres (including some larger shopping centres) containing elevated proportions of those retail categories facing greater online disruption.

Figure 18. Online Sales – Food vs Non-Food (Australia)



Source: ABS; Charter Keck Cramer

5.2. Supply Analysis

A review of existing retail supply throughout the Longwarry township has been undertaken, with a focus on those retail premises within the Longwarry study area (shown in figure 4).

The following retail services are currently available within the Longwarry township:

- Supermarket
- Butcher
- Bakery
- Furniture store
- Two cafés
- Fast food (Fish & Chips with newsagency)
- Hair salon
- Post Office
- Beauty salon
- Make-up artist
- Dressmaker

The supply of retail floorspace within Longwarry appears below.

Figure 19. Longwarry – Supply of Commercial and Non-Retail Floorspace

Commercial Floorspace	Total Area (GFA; sq.m)	Total No. Properties	Proportion (%) of GFA
Retail	2,315	12	100.0%
Retail (Occupied)	2,315	12	100.0%
Retail - Vacant	-	-	-
Retail (Occupied and Vacant)	2,315	12	100.0%

Source: ABS; Charter Keck Cramer

5.3. Demand For Retail

This section of the report sets out an overview of the changing demand for retail across the Retail investigation area. It concludes with a summary of the likely target market for this type of retail development in the Retail Investigation Area.

5.3.1. Demand Considerations

This section assesses the demand for retail services in the Retail Investigation Area. In later sections, estimated demand will be assessed with respect to estimated supply to provide an estimation of the state of the market for retail services within the catchment.

5.3.2. Drivers of Demand

The demand for retail services in the catchment will be driven by:

- The growing population;
- The ratio (pending determination in following sections) of retailers (within respective retail sub-categories) to residents in the Retail investigation area;
- The presence of existing retail services throughout the broader regional Victorian area.

5.3.3. Retail Investigation Area

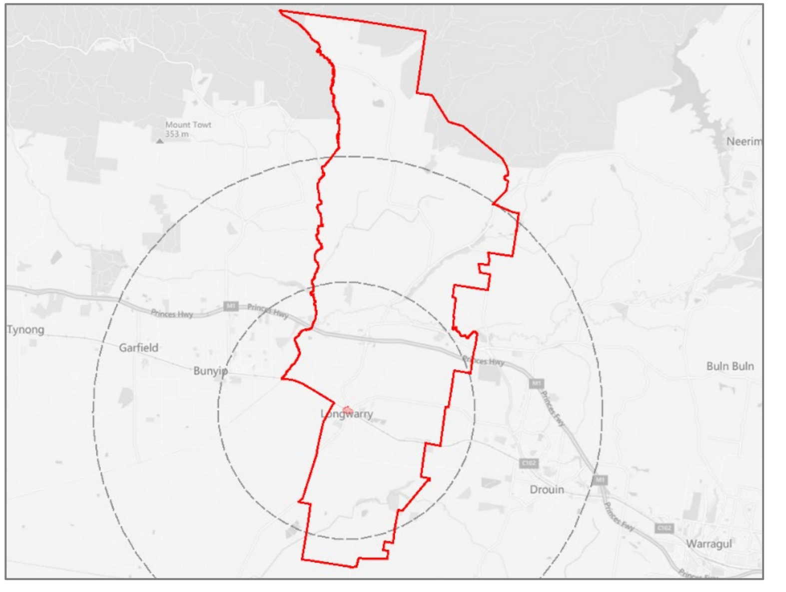
Charter Keck Cramer has defined a Retail Investigation Area in order to analyse the demand for retail services by the residents living within that defined area.

The customised Retail Investigation Area includes all or parts of the suburbs of Longwarry, Longwarry North and Labertouche.

The Retail Investigation Area is shown below in red (line), with 5km and 10km radius rings illustrated to provide context to the surrounding region.

The study area set out in the Longwarry Urban Design Framework (referred to in figure 4 of this report, and displayed in red shading in the figure below) is also included, indicating the location of the main retail areas in Longwarry.

Figure 20. Longwarry – Retail Investigation Area



Source: ABS; Charter Keck Cramer

5.3.4. Population

This section examines the population characteristics within the Retail Investigation Area, with respect to demand for retail provision within this catchment, to provide guidance on the estimated demand for retail in the Retail Investigation Area.

Charter has estimated the future population for the resident catchment population, to increase from 2,981 to 5,081 over the period from 2021 - 2041, representing a net increase of approximately 2,100 over the estimation period.

The estimated future population for the Retail Investigation Area is set out below, indicating the total catchment population is estimated to grow at a strong average annual growth rate of 2.7% p.a. during the 2021 to 2041 period.

Figure 21. Population Projections – Retail Investigation Area

							2021-2041	
	2016	2021	2026	2031	2036	2041	Net Change	Avge Annual Growth Rate
Total Population	2,545	2,981	3,506	4,031	4,556	5,081	2,100	2.7%
Avge Annual Growth Rate		3.2%	3.3%	2.8%	2.5%	2.2%	-	-

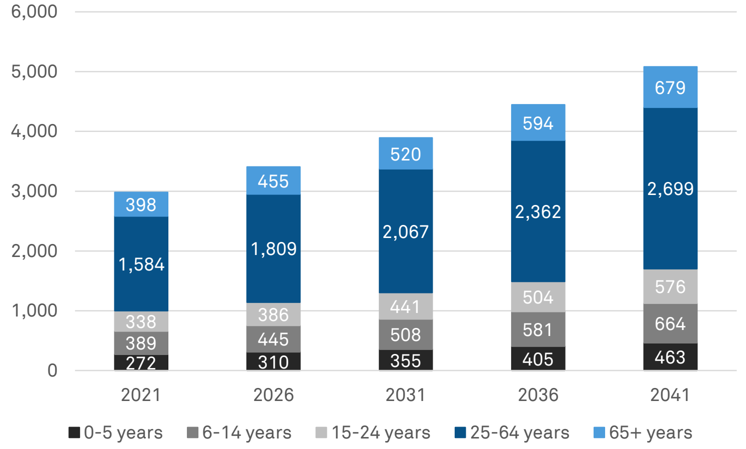
Source: ABS; Charter Keck Cramer

5.3.5. Population Growth – age cohorts

Analysis of population data for the Retail Investigation Area, shows the proportions different age cohorts are estimated to contribute to total catchment population growth over the estimation period.

We note the 25 – 54 year old age cohort is estimated to experience a net increase of approximately 1,116 people during the 2021 to 2041 period, while there is an estimated growth of 281 persons aged 65 years old over this same period. A summary of our findings is shown below.

Figure 22. Population Projections – Retail Investigation Area



Source: ABS; Charter Keck Cramer

5.3.6. Socio-Demographic Characteristics

Key socio-demographic characteristics of the population within the defined Retail Investigation Area and Regional Victoria are shown below.

Figure 23. Socio-Demographics: Retail Investigation Area & Regional Victoria (2016)

	Retail Investigation Area		Regional Victoria	
Population and Households	(No.)	(%)	(No.)	(%)
Persons (ERP)	2,545	-	1,453,933	-
Households	1,001	-	688,865	-
Average Household Size	2.6	-	2.4	-
Average Children per family	1.9	-	1.9	-
Income and Wealth				
Median Weekly Household Income	$1,329	-	$1,124	-
Occupation				
Professionals	102	9%	107,552	17%
Managers	166	15%	90,136	15%
Clerical and Administrative Workers	107	10%	69,811	11%
Sales Workers	120	11%	59,819	10%
Community and Personal Service Workers	120	11%	72,622	12%
Technicians and Trades Workers	206	19%	91,588	15%
Labourers	179	16%	76,668	12%
Machinery Operators And Drivers	98	9%	40,101	7%
Age Distribution				
0-5 years	232	9%	107,616	7%
6-14 years	332	13%	162,442	11%
15-24 years	289	11%	173,588	12%
25-64 years	1,352	53%	724,848	50%
65+ years	340	13%	285,439	20%
Family Type				
Couple Family with Children	282	43%	146,809	40%
Couple Family without Children	254	38%	159,025	43%
One parent families	119	18%	59,832	16%
Other family	8	1%	4,770	1%
Dwellings				
Occupied private dwellings	951	95%	538,224	83%
Unoccupied private dwellings	55	5%	111,130	17%
Birthplace				
Australia	2,045	80%	1,173,324	81%
Overseas	500	20%	280,609	19%

Source: ABS; Charter Keck Cramer

Key Observations are:

- Predominant Age Group - Persons aged 0 - 14 years old constitute 22% of the total population within the Retail Investigation Area, which is a higher proportion than regional Victoria (at 18%). Furthermore, the age distribution of residents within the Retail Investigation Area is somewhat different than that for regional Victoria, with a higher proportion of residents within the 25 - 64 year old age cohort (53% compared with 50%), and a lower proportion of residents within the 65+ year old range (13% compared with 20%).
- Predominant Family & Household Type - 43% of families within the Retail Investigation Area are couple families with children (higher than regional Victoria with 40%). Furthermore, residents in the Retail Investigation Area have an average household size of 2.6 persons per household, which is higher than the regional Victorian average of 2.4. The ratio of unoccupied to occupied dwellings is higher than regional Victoria, with approximately 95% of dwellings occupied.
- Incomes - The median weekly household income of $1,329 in the Retail Investigation Area is approximately 18% higher than the median household weekly income for regional Victoria of $1,124.
- Employment - 19% of residents in the Retail Investigation Area hold 'Technicians and Trades' occupations, which is higher than the proportion for regional Victoria (15%). Meanwhile, 16% of residents in the Retail Investigation Area hold 'Labourer' occupations (higher than that for regional Victoria at 12%), and 15% of residents hold 'Manager' occupations (similar to that for regional Victoria at 15%).
- Ethnicity - Approximately 80% of residents within the Retail Investigation Area were born in Australia, which is similar to the regional Victoria region (which is 81%).

These observations indicate that higher than average median weekly household incomes and elevated proportions of Technicians and Trades Workers, Labourer and Manager occupations among the residents in the Retail Investigation Area are favourable socio-demographic characteristics for the retail market, since persons in these occupations are more likely to experience stability of employment and, in conjunction with the higher proportions of younger age cohorts prevalent in the Retail Investigation Area, are likely to move into the 'household formation' and 'new family formation' life stages, with commensurate increases in retail spending patterns for food & grocery and household items.

Key target market considerations include:

- The higher proportion of couple families with children indicates support for retail services catering to the needs of families who may be seeking family-friendly retail goods and services, including food & grocery and household items;
- The higher proportion of residents aged 0 - 14 years indicating support for the retail services catered to the needs of younger children such as food, cafes and children-based activities.

5.4. Competitive Context

This section sets out the broad retail competitive context for various retail uses throughout and beyond the Retail Investigation Area.

5.4.1. Activity Centres

Key activity centres and shopping centres in proximity to the Retail Investigation Area are set out below. In identifying existing centres, reference is made to the town roles articulated in the Baw Baw Planning Scheme.

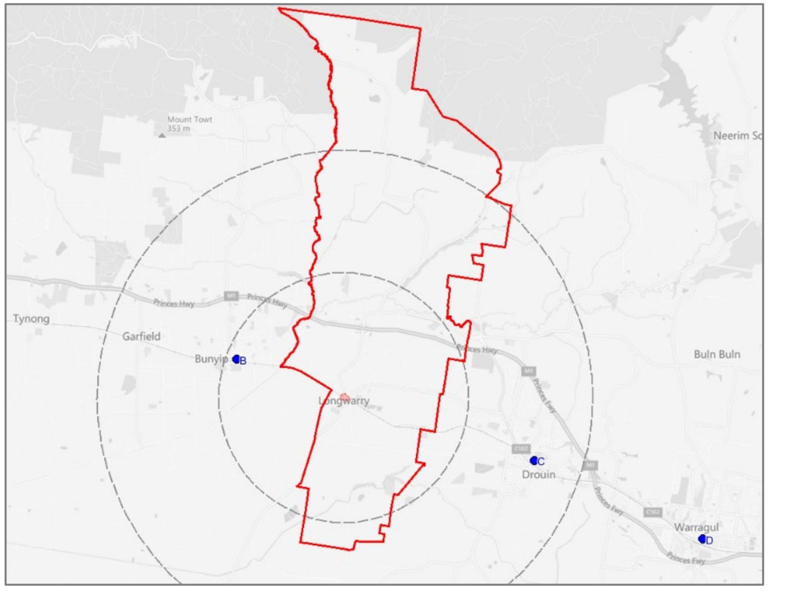
Figure 24. Activity Centres in Proximity to the Retail Investigation Area

Map Marker	Centre Name	Type	Major Tenants	Distance from Subject Site (km)
Longwarry	Longwarry Township	Town	IGA Friendly Grocer	0.1
B	Bunyip Township	Town	IGA plus Liquor	4.7
C	Drouin	Regional Centre	Woolworths, Coles	7.8
D	Warragul	Regional Centre	Coles, Woolworths, Harvey Norman, Aldi	15.7

Source: Property Council; Charter Keck Cramer

The spatial distribution of selected major shopping centres in proximity to the Retail Investigation Area are set out below, with 5km and 10km radius rings marked.

Figure 25. Activity Centres in Proximity to the Retail Investigation Area



Source: Property Council; Charter Keck Cramer

Longwarry Township

Longwarry township is a small township providing a modest degree of retail provision for the local population, including a small supermarket located in the centre of the town (nearby the train station).

Bunyip Township

The Bunyip township contains a number of retail and commercial activities which are located in the town centre and primarily provide local and convenience shopping facilities.

Drouin Regional Township

Drouin is identified within the Baw Baw Settlement Plan as being one of the Baw Baw Shire's largest townships, and provides a reasonably comprehensive local retail offering including two medium sized supermarkets (Coles and Woolworths).

Warragul Regional Township

Warragul is the largest township in the Baw Baw Shire region and provides a large retail offering including three supermarkets (Coles, Woolworths and Aldi) along with Harvey Norman and a large range of retail (and non-retail) services including restaurants and retail services.

Warragul also provides a range of health services (such as the West Gippsland Hospital) and community services (such as the West Gippsland Arts Theatre), thereby providing a range of important community infrastructure for the broader region.

5.4.2. Retail Analysis – Supermarkets

The provision of supermarkets throughout and beyond the defined Retail Investigation Area is referenced below. We note there are 4 supermarkets in the Longwarry region, three of which lie beyond the Retail Investigation area.

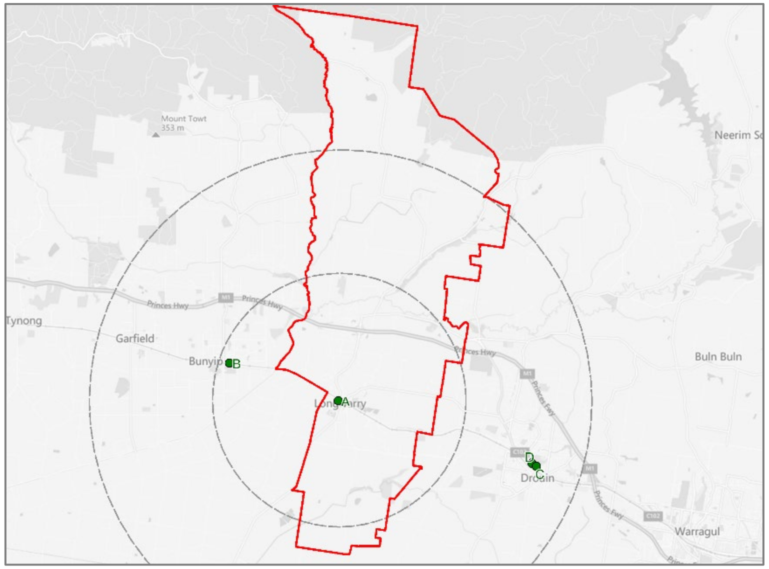
Figure 26. Supermarkets – Throughout & Beyond the Retail Investigation Area

Map Marker	Name	Operator	Address	Suburb	Distance from Subject Site
A	Longwarry IGA Friendly Grocers	IGA - Supermarkets	Kennedy Street	Longwarry	0.1km
B	IGA - Bunyip	IGA - Supermarkets	6 Main Street	Bunyip	4.7km
C	Coles – Drouin	Coles	Young Street	Drouin	7.7km
D	Woolworths - Drouin	Woolworths	72-100 Young Street	Drouin	7.8km

Source: Charter Keck Cramer

The spatial distribution of these supermarkets throughout and beyond the defined Retail Investigation Area appears below, with 5km and 10km radius rings marked.

Figure 27. Supermarkets – Throughout & Beyond the Retail Investigation Area



Source: Charter Keck Cramer

Market Analysis

The average provision of supermarkets throughout Regional Victoria is 22.0 supermarkets per 100,000 people (indicating 1 regional Victorian supermarket serves an average population of approximately 4,500 people). We note supermarkets throughout regional Victoria generally range in size from approximately 400 – 600 sq.m in smaller settlements up to 800 – 2,000 sq.m in larger regional centres.

With one small supermarket (Longwarry IGA, approximately 260 sq.m) currently operating within the Retail Investigation Area, the provision of supermarkets throughout the Retail Investigation area in the current period (2021) is 33.5 supermarkets per 100,000 people, indicative of adequate provision of supermarkets by the current residents within the Retail Investigation Area.

The provision ratio within the Retail Investigation Area is moderately above the Regional Victorian average in 2021, and with estimated population growth this provision ratio is estimated to change to approximately 21.9 supermarkets per 100,000 people (in 2036). This indicates likely adequate provision of supermarkets within the catchment in current and future years through until 2036, and is indicative of likely broad alignment of demand with supply of supermarket floorspace by the estimated resident population within the catchment until approximately 2036.

By implication, current residents are likely currently fulfilling their supermarket needs at other supermarkets beyond the Retail Investigation Area (for example, in Bunyip and Drouin).

We note that based on the estimated population growth within the Retail Investigation Area, the residential population is likely to exceed 4,500 in approximately 2036 and thereafter, indicating that the existing small supermarket in Longwarry would likely experience escalating demand for its retail offering during the years leading up to 2036, and thereafter (since the estimated ratio of 21.9 supermarkets per 100,000 people in 2036 would be below the regional Victorian benchmark of 22.0, indicating that supermarkets in the Retail Investigation Area would likely experience healthy demand for this type of retail provision in 2036 and thereafter).

A review of available planning permit information indicates no other proposed supermarkets within the Retail Investigation Area (we note ongoing monitoring is recommended due to the future possibility that new planning permit applications may be lodged and/or updated in the future).

The opportunity for new additional supermarket floorspace in Longwarry is estimated to be moderate with estimated population growth indicating such an opportunity may become an attractive proposition from a market perspective from approximately 2036 onwards. This may take the form of either an expansion of the existing Longwarry supermarket or an additional small supermarket/convenience store at that time.

Figure 28. Provision Ratio of Supermarkets – Retail Investigation Area

	2021	2026	2031	2036	2041
Population	2,981	3,506	4,031	4,556	5,081
No. Supermarkets - existing	1	1	1	1	1
No. Supermarkets - proposed	0	0	0	0	0
No. Supermarkets - total	1	1	1	1	1
Supermarkets per 100,000 people	**33.5**	**28.5**	**24.8**	**21.9**	**19.7**

Source: Charter Keck Cramer

5.4.3. Retail Analysis – Licensed Pre-Packaged Liquor stores

The provision of licensed pre-packaged liquor stores throughout and beyond the defined Retail Investigation Area is referenced below. We note there is one licensed pre-packaged liquor store in the Retail investigation area (pre-packaged liquor store within the Longwarry IGA supermarket), with other pre-packaged liquor stores lying beyond the Retail Investigation Area.

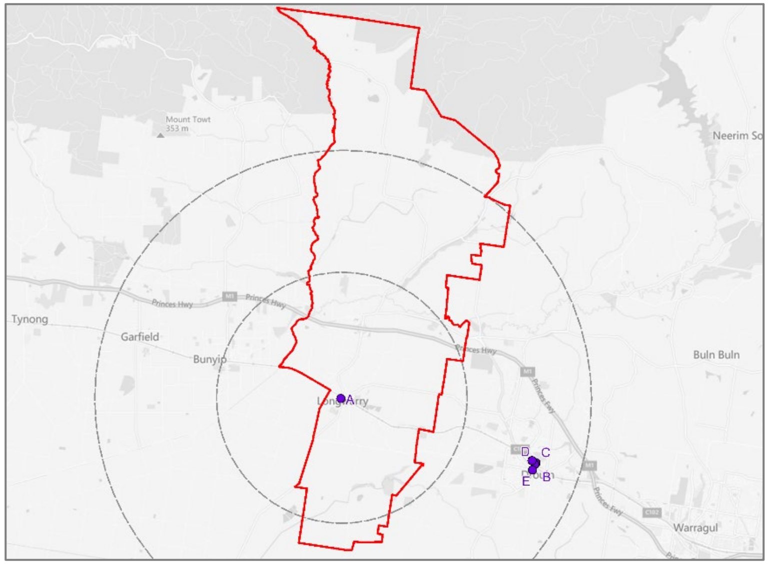
Figure 29. Licensed Pre-Packaged Liquor Stores – Throughout and Beyond the Retail Investigation Area

Map Marker	Name	Operator	Address	Suburb
A	IGA Friendly Grocer (including liquor)	IGA Supermarkets	2 Kennedy Street	Longwarry
B	BWS Drouin	Woolworths	72-100 Young Street	Drouin
C	Thirsty Camel	IBA	65 Princes Way	Drouin
D	Liquorland	Coles	10 Hope Street	Drouin
E	Bottlemart (Royal Hotel)	LMG	2 Main South Road	Drouin

Source: Charter Keck Cramer

The spatial distribution of these licensed pre-packaged liquor stores throughout and beyond the defined Retail Investigation Area is shown below, with 5km and 10km radius rings marked.

Figure 30. Licensed Pre-Packaged Liquor Stores – Throughout and Beyond the Retail Investigation Area



Source: Charter Keck Cramer

Market Analysis

A high level analysis of licensed pre-packaged liquor stores has been conducted for the Retail Investigation Area.

The average provision of licensed pre-packaged liquor stores throughout Regional Victoria is 44.3 licensed pre-packaged liquor stores per 100,000 people (indicating 1 pre-packaged liquor store serves an average population of approximately 2,250 people). We note the size of licensed pre-packaged liquor stores throughout regional Victoria can range in size from approximately 30 – 150 sq.m.

Given there is one licensed pre-packaged liquor store currently operating within the Retail Investigation Area, the provision of licensed pre-packaged liquor stores throughout the Retail Investigation Area in the current (2020) period is 33.5 licensed pre-packaged liquor stores per 100,000 people.

Given the provision ratio within the Retail Investigation Area is below the Regional Victorian benchmark of 44.3 licensed pre-packaged liquor stores per 100,000 people, this indicates likely under-provision of licensed pre-packaged liquor stores within the Retail Investigation Area, and is indicative of likely healthy demand for licensed pre-packaged liquor store floorspace by the estimated resident population within this catchment.

We note some current residents may be fulfilling some of their liquor retail needs at other retail nodes beyond the Retail Investigation Area (for example, in Drouin and Warragul).

In consideration of the broad regional Victorian benchmark whereby 1 pre-packaged liquor store serves an average population of approximately 2,250 people, the Retail Investigation Area population is estimated to exceed 4,500 in the year 2036, indicating potential need for a new pre-packaged liquor store within the Retail Investigation Area around that time (with demand for such a new proposed liquor retail offering likely escalating during the years leading up to 2036).

A review of available planning permit information indicates no proposed new liquor stores within the Retail Investigation Area (we note ongoing monitoring is recommended due to the future possibility that new planning permit applications may be lodged and/or updated in the future).

That said, should the opportunity be considered for an expansion of the existing supermarket/convenience store (or a new proposed small supermarket) at the Longwarry town centre be considered, an expanded (or new proposed) pre-packaged liquor store could serve a complementary retail function, or potentially be included within the small supermarket/convenience store, pending considerations of store layout, loading, access, and exposure to pedestrian flows throughout the centre.

Figure 31. Provision Ratio of Pre-Packaged Liquor Stores – Retail Investigation Area

	2021	2026	2031	2036	2041
Population	2,981	3,506	4,031	4,556	5,081
No. Liquor Stores - existing	1	1	1	1	1
No. Liquor Stores - proposed	0	0	0	0	0
No. Liquor Stores - total	1	1	1	1	1
Liquor Stores per 100,000 people	33.5	28.5	24.8	21.9	19.7

Source: Charter Keck Cramer

5.4.4. Retail Analysis – Chemist stores

The provision of chemist stores throughout and beyond the defined Retail Investigation Area is referenced below. We note there are no chemist stores in the Retail Investigation Area, with other surrounding chemist stores lying beyond the Retail Investigation Area.

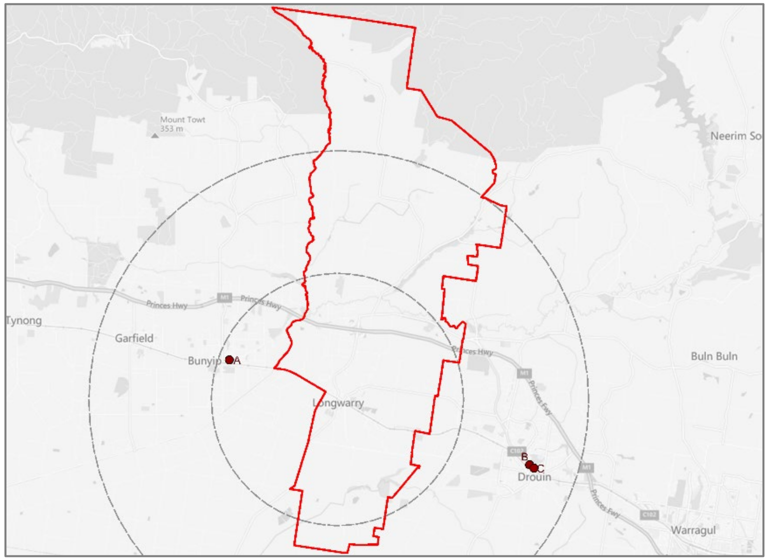
Figure 32. Chemist Stores – Throughout & Beyond the Retail Investigation Area

Map Marker	Name	Operator	Address	Suburb
A	Bunyip Pharmacy	Bunyip Pharmacy	19 High Street	Bunyip
B	Chemist Discount Centre Drouin	Chemist Discount Centre	1 Hope Street	Drouin
C	Amcal Pharmacy Drouin	Amcal	33 Princes Way	Drouin

Source: Charter Keck Cramer

The spatial distribution of these chemist stores throughout and beyond the defined Retail Investigation Area is shown below, with 5km and 10km radius rings marked.

Figure 33. Chemist Stores – Throughout & Beyond the Retail Investigation Area



Source: Charter Keck Cramer

Market Analysis – Chemist stores

A high level analysis of chemist stores has been conducted for the Retail Investigation Area.

The average provision of chemist stores throughout Regional Victoria is 20.6 chemist stores per 100,000 people (indicating 1 chemist store serves an average population of approximately 4,800 people). We note the size of chemist stores throughout regional Victoria can range in size from approximately 50 – 200 sq.m for smaller independent pharmacies and up to 400 – 800 sq.m for larger national franchises.

Given there are no chemist stores currently operating within the Retail Investigation Area, the provision of chemist stores throughout the Retail Investigation Area in the current (2021) period is 0.0 chemist stores per 100,000 people.

Given the provision ratio within the Retail Investigation Area is significantly below the Regional Victorian benchmark, this indicates under-provision of chemist stores within the Retail Investigation Area, and is indicative of likely healthy demand for chemist store floorspace by the estimated resident population within the catchment.

Current residents are likely fulfilling their chemist retail needs at other retail nodes beyond the Retail Investigation Area (for example, in Bunyip and Drouin).

In consideration of the broad regional Victorian benchmark whereby 1 chemist store serves an average population of approximately 4,800 people, and with the Retail Investigation Area population estimated to have a population of more than 4,500 in the year 2036, this indicates the potential need for a new chemist store within the Retail Investigation Area broadly during the 2036 to 2041 period (with demand for such a new proposed chemist store offering likely escalating during the years leading up to 2036).

A review of available planning permit information indicates no proposed chemist stores within the Retail Investigation Area (we note ongoing monitoring is recommended due to the future possibility that new planning permit applications may be lodged and/or updated in the future).

A chemist store could serve a complementary retail function for the existing retail centre at Longwarry, pending considerations of store layout, loading, access, and exposure to pedestrian flows throughout the centre.

Figure 34. Provision Ratio of Chemist Stores – Retail Investigation Area

	2021	2026	2031	2036	2041
Population	2,981	3,506	4,031	4,556	5,081
No. Chemist Stores - existing	0	0	0	0	0
No. Chemist Stores - proposed	0	0	0	0	0
No. Chemist Stores - total	0	0	0	0	0
Liquor Stores per 100,000 people	0.0	0.0	0.0	0.0	0.0

Source: Charter Keck Cramer

5.5. Development Options

This section sets out potential development options for the retail centre at the Longwarry township to reflect timing and staging considerations.

Based on the analysis in previous sections, estimated future demand for additional retail provision has been considered.

We note that the retail provision ratios are based on the average provision across large geographical regions (for example, the average across Regional Victoria) which include a wide range of retail store format and floorspace sizes.

We furthermore note that there is currently approximately 2,300 sq.m of retail floorspace provision within the Longwarry township, and that there is currently adequate provision of supermarket floorspace for the existing residential population, with estimated likely moderate demand for specialty retail floorspace for the current period of 2021 and that demand for total retail floorspace is likely to escalate moderately as the population is estimated to grow at a healthy rate in future years.

Accordingly, development options for the total quantum of retail floorspace may be considered, in order to respond to escalating residential development and population growth over time. Indicative development options are set out below.

Figure 35. Indicative Development Options

Option 1	Option 2	Option 3
2031	2036	2041
1 x Supermarket (approx. 300 sq.m)	1 x Supermarket (approx. 350 sq.m)	1 x Supermarket (approx. 400 sq.m)
Specialty retail (approx. 2,500 sq.m)	Specialty retail (approx. 3,000 sq.m)	Specialty retail (approx. 3,500 sq.m)
Total Estimated Floorspace (approx. 2,800 sq.m)	Total Estimated Floorspace (approx. 3,350 sq.m)	Total Estimated Floorspace (approx. 3,900 sq.m)

Source: Charter Keck Cramer

We furthermore note that the population growth rates assumptions contained in this analysis have been derived on a conscientiously conservative basis. In particular, the estimated population growth aligns with the 'medium' series population forecast contained in Charter's "Longwarry – Residential Demand Forecast" Report (Section 10.4), which are based on an annual take up of 30 lots/dwellings per annum expected to be sustainable over the long term in an unconstrained environment.

Accordingly, should the population growth be higher than that estimated in the analysis above, the associated net additional population from this additional growth may contribute to net additional demand for retail floorspace over and above the levels estimated.

Furthermore, we note the recently announced upgrade of the Longwarry Station as part of the Gippsland Line Upgrade may contribute to the area's increased attractiveness by enhancing public transport connections and potentially drawing additional residents and visitors to the area over the long term. However any additional benefits arising from such positive effects have not been incorporated in this analysis, and as such, any such benefits should they materialise would constitute an addition over and above these estimates.

5.6. Opportunity Assessment

Based on the analysis above, an opportunity exists to provide an expanded retail offering within the Longwarry town centre to cater to existing and future estimated demand for retail floorspace in future years.

We note that the future Longwarry retail and commercial centre will likely be optimised by ensuring the retail and trading health of a key anchor tenant such as the existing (and/or potential future additional) small supermarket. This will assist in providing convenience retail services to new residents within the Longwarry retail and commercial centre and may also support residential dwelling take up by offering improved amenities and convenience within the town centre.

While the overall retail tenancy mix may be influenced by a range of considerations including timing and staging of development, the evolving Longwarry retail and commercial centre may consist of:

- A potentially expanded small (or new proposed) supermarket: e.g., Foodworks, IGA, etc.
- Specialty retail uses: e.g., Chemist, newsagency, licensed liquor store, bakery, fast food, eyewear, hairdressors, jewellery, pets, or a range of others.

The evolving Longwarry retail and commercial centre may potentially also include a modest quantum of complimentary commercial and non-retail commercial uses, such as professional services (e.g., accountants, lawyers) or medical services (e.g., doctor, dentist).

5.6.1. Supermarket

An opportunity potentially exists for an expanded small supermarket (or new proposed supermarket) at 2036 or thereafter to potentially be located in Longwarry town centre, as part of the Longwarry town centre's evolving role in supporting local population growth.

Such an expanded (or new proposed) small supermarket would likely provide a convenience retail role and function for local residents and would also likely appeal to those pedestrian-based customers who may be commuting to/from work via train (which may be enhanced by the construction of the proposed upgraded Longwarry train station) and/or bus seeking small basket sized purchases.

We note other supermarkets beyond the Retail Investigation Area are unlikely to be impacted by the establishment of an expanded (or new proposed) small supermarket/convenience store at Longwarry town centre.

The Longwarry IGA Supermarket serves the established Longwarry township population as well as passing trade along Koo Wee Rup-Longwarry Road. Meanwhile the Drouin retail centre currently provides a full line Woolworths and Coles, and these larger supermarkets are expected to continue to provide for more substantial weekly shopping patterns for residents throughout the broader surrounding regions.

Furthermore should the opportunity to locate an expanded (or new proposed) small supermarket/convenience store at the Longwarry town centre subject site be considered, we note careful consideration of such an opportunity is required in light of the following factors:

- Retail Role and Function: An expanded (or new proposed) supermarket at the subject site would likely serve a convenience-based role and function, since weekly shopper behaviour and large basket sized purchases will likely continue to be provided for by the Coles and Woolworths at Drouin.

- Location: The location would be an important consideration, and would likely be optimised by capitalising on foot-traffic patterns, cycling patterns and vehicle trips throughout the Longwarry town centre, as well as future commuting patterns to/from the future proposed Longwarry train station;
- Target Market: An expanded (or new proposed) small supermarket operator/convenience store will likely best serve the local community and optimise their commercial viability by catering to the socio-demographic characteristics of the local catchment in order to provide a compelling retail offer.
- Tenancy size: In light of the convenience-based nature of the opportunity, such an expanded (or new proposed) supermarket/convenience store would likely be of an approximate size of likely 300 – 400 sq.m (depending on the choice of Development Option as outlined above).

5.6.2. Speciality Retail

A range of speciality retail uses may be considered for the retail and commercial centre, including (but not limited to) pre-packaged liquor store, bakery, chemist, hairdresser, and others.

The specific tenancy mix for these specialty retailer will likely be considered in conjunction with a range of factors such as timing and staging of residential development, socio-demographic profile and the potential for complimentary retail functions nearby the existing supermarket (or nearby a new proposed small supermarket), should an expanded (or new proposed) supermarket be considered.

In light of the convenience-based nature of the opportunity, total specialty retail floorspace would likely be of an approximate size of likely 2,500 – 3,500 sq.m (depending on the choice of Development Option as outlined above).

5.7. SWOT Analysis

A SWOT analysis of the subject site has been carried out to summarise the potential for retail development at the Longwarry township, drawing together locational attributes of the site, surrounding urban form, key findings from the socio-demographic analysis and competitive dynamics analysis conducted in previous sections of this report.

Figure 36. SWOT Analysis – Longwarry Retail Investigation Area

Strengths	Weaknesses
- Longwarry township and the retail centre within it has close proximity to main road arterials and the Longwarry train station, providing good connectivity for road and rail. - Likely demand for additional specialty retail services in particular chemist and/or pre-packaged liquor store.	- Retail provision at Longwarry is bisected by the railway line (retail is provided on Mackey Street to the north of the railway line, and also on Bennett Street, to the south of the railway line) which negatively impacts the ability for either northern or southern retail precinct to achieve 'critical mass', which may also impact the ability of the town centre to attract larger retail tenants in the future.
Opportunities	**Threats**
- Vacant commercial zoned land parcels provide opportunities to potentially attract larger retail tenants – for example small/medium supermarket and/or convenience retailers.	- Notwithstanding vacant land parcels providing an opportunity for new additional retail tenants in Longwarry town centre, consideration required for the type of retail in light of likely adequate provision of supermarket floorspace in Longwarry. - Nearby town centres provide large retail and commercial centres with larger supermarkets and speciality retail offerings (for example, at Drouin and Warragul) which likely provide noteworthy competition to retail operators in Longwarry.

Source: Charter Keck Cramer

5.8. Development Options

Based on our analysis in previous sections, Charter has assessed a market need for additional retail services to meet demand from the existing and future estimated population in the defined Retail Investigation Area.

While specific floorspace estimates will be subject to the overall design of any development at Longwarry town centre, and will need to be determined within various logistical constraints (e.g., loading dock, access and pedestrian flows), indicative total retail floorspace estimates are set out below, summarising the broad range of potential retail floorspace allocations which may be appropriate for future consideration.

Figure 37. Retail Tenancy – Potential Retail Floorspace (sq.m) – Development Option 1 (2031)

Potential Retail Use	Estimated Lower range	Estimated Upper Range
Small supermarket/convenience store	300	350
Specialty retail	2,500	2,750
Total retail floorspace	2,800	3,100

Source: Charter Keck Cramer

Alternatively, an allocation for retail uses which may be appropriate for future consideration in accordance with progressively escalating future population growth and associated demand for retail floorspace in 2036 could include the following.

Figure 38. Retail Tenancy – Potential Retail Floorspace (sq.m) – Development Option 2 (2036)

Potential Retail Use	Estimated Lower range	Estimated Upper Range
Small supermarket/convenience store	350	400
Specialty retail	3,000	3,200
Total retail floorspace	3,350	3,600

Source: Charter Keck Cramer

Alternatively, as population is estimated to continue increasing at a reasonably healthy growth rate through to the end of the estimation period in 2041, an allocation for retail uses which may be appropriate for future consideration could include the following.

Figure 39. Retail Tenancy – Potential Retail Floorspace (sq.m) – Development Option 3 (2041)

Potential Retail Use	Estimated Lower range	Estimated Upper Range
Small supermarket/convenience store	400	450
Specialty retail	3,500	3,700
Total retail floorspace	3,900	4,150

Source: Charter Keck Cramer

6. Longwarry: Commercial Market Analysis

This section assesses the market dynamics of commercial and non-retail floorspace for the Longwarry town centre. This includes:

- Commercial uses refer to a selection of uses such as commercial office uses (including accountancy and legal services) and medical suites (for example, physiotherapy and psychological counselling suites).
- Non-retail land uses refer to a selection of uses such as cinemas, car wash, petrol stations, gym and fitness centres. (While the term 'non-retail' may appear counter-intuitive, this terminology has been deliberately used in this report in order to maintain consistency with ABS categories and industry publications pertaining to retail expenditure categories.)

6.1. Office Market Overview

The market dynamics of commercial office floorspace are driven in large part by the underlying labour market conditions throughout the broader economy, tempered by local factors for employing businesses within the local catchment.

Within Melbourne, in light of the COVID-19 pandemic and relatively more severe lockdowns and social isolation rules in Victoria (compared with other states), labour markets have been slower to improve than other metropolitan markets.

However there are signs of an economic recovery, with a number of lead indicators such as business and consumer confidence, jobs advertised and job vacancies all indicating that an economic rebound may be forthcoming.

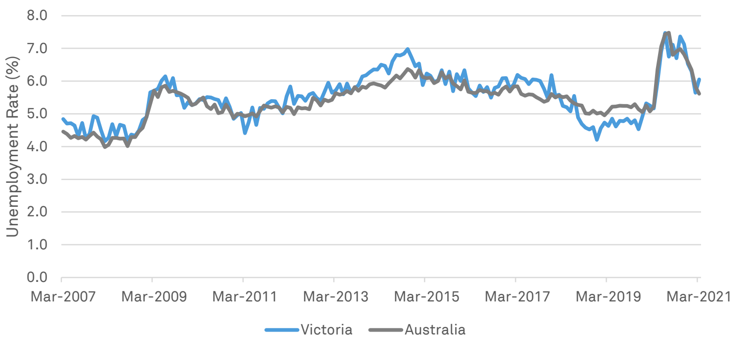
6.1.1. Unemployment

In the last decade during the February 2010 to February 2020 period, the Australian unemployment rate has generally remained within a reasonably consistent range of between approximately 5.0% - 6.5%, with an average rate of 5.5% during that time. Throughout this same period, the Victorian unemployment rate has generally remained broadly similar to the national average with an average unemployment rate of 5.6% over this same period (notably the unemployment rate in Victoria was slightly above the national average at an average of 6.0% over the CY2017 period compared with the national average of 5.6%, and slightly below the national average at an average of 4.7% over the CY2019 period (compared with the national average of 5.2%).

As a result of the COVID-19 health event and associated social and economic policies, unemployment has spiked upwards, with the Victorian unemployment rate of a historical high of 7.5% observed in June 2020 (being slightly above the Australian unemployment rate of 7.4% in the same period).

The Victorian unemployment rate has returned to 6.1% in March 2021, being moderately above its historical average as economic conditions have become more favourable following the easing of restrictions and associated policy response to the COVID-19 health event.

Figure 40. Unemployment Rate



Source: Charter Keck Cramer

6.2. Supply Analysis

This section sets out the supply of commercial and non-retail floorspace throughout the Longwarry township, with a focus on premises within the Longwarry study area (shown in figure 4).

Key commercial and non-retail properties within Longwarry township are:

- Longwarry Medical Centre: Medical centre providing medical services (approximately 300 sq.m floorspace).
- JMB Real Estate: Real Estate Agency (approximately 100 sq.m floorspace)
- Connecting Dots for Kids: Speech Pathologist services focused on children's speech pathology services (approximately 150 sq.m floorspace)

The supply of commercial and non-retail floorspace within Longwarry appears below.

Figure 41. Longwarry – Supply of Commercial and Non-Retail Floorspace

Commercial Floorspace	Total Area (GFA; sq.m)	Total No. Properties	Proportion (%) of GFA
Commercial & Non-Retail	623	4	100.0%
Commercial & Non-Retail (Occupied)	**623**	**4**	**100.0%**
Commercial & Non-Retail - Vacant	-	-	-
Commercial & Non-Retail (Occupied and Vacant)	**623**	**4**	**100.0%**

Source: Charter Keck Cramer

6.3. Demand for Commercial and Non-Retail Floorspace

Assessing the opportunities for commercial development requires quantitative analyses in conjunction with qualitative assessments, including the location preferences of businesses, and the propensity of those businesses to seek commercial floorspace for their staff.

Similarly non-retail businesses often seek to co-locate nearby core retail centres benefiting from vehicle and pedestrian movements associated with regular shopping behaviour.

In undertaking these assessments, Charter draws on a range of industry datasets and extensive experience analysing commercial property markets. This includes acknowledging the existing Longwarry retail and commercial precinct, which will likely continue to attract the majority of new commercial and non-retail based business activity.

Typically, demand for office space in regional townships comes from larger entities as well as professional service providers such as accountants, legal services, financial planners, solicitors and medical service providers that service local residents and other businesses. These businesses often commence as small scale operations and therefore have the option of locating in home-based offices or quasi office space such as shop fronts. As they grow, some businesses will graduate to purpose-built office space in locations where they can better serve their clients.

In estimating the demand for commercial and non-retail floorspace within the Longwarry township, reference has been drawn from a number of factors, including:

- Demand analysis for retail floorspace, including population growth drivers and total estimated demand and growth of retail floorspace for the Longwarry town centre (section 5).
- High level supply analysis conducted for Longwarry town centre (figure below).
- Reference to the range of land uses contained within the commercial and non-retail category (for example, gym/fitness, self storage, etc).
- Charter's experience in activity centre analysis, retail analysis, commercial property markets and urban settlement patterns.

A high level review of supply data collected in the land use audit (Appendix A) for the Longwarry study area indicates a total of approximately 623 sq.m commercial and non-retail floorspace, and a total of approximately 2,315 sq.m of retail floorspace.

This indicates a demand scale factor for non-retail floorspace of 0.27 in the Longwarry township. That is, in recognition of commercial and non-retail businesses benefiting to varying degrees from existing retail shopping patterns and demand for retail floorspace, and from their location within the Longwarry town centre, this indicates that for every 1,000 sq.m of retail floorspace in the Longwarry town centre, demand is generated for an additional 270 sq.m of commercial and non-retail floorspace within the centre.

Figure 42. Longwarry – Commercial and Non-Retail Floorspace and Retail Floorspace (sqm)

	Key Metric
Supply: Commercial and Non-Retail Floorspace (GFA; sq.m)	623
Supply: Retail Floorspace (GFA; sq.m)	2,315
Commercial and Non-Retail floorspace – Demand scale factor	**0.27**

Source: Charter Keck Cramer

Given the range of uses comprised in non-retail floorspace – for example, including among others cinemas, self storage facilities, car washes, gyms and fitness centres – larger activity centres tend to have a greater prevalence of such non-retail uses than smaller Activity Centres, due to such facilities generally fulfilling more specialised roles within the commercial landscape. Accordingly, such facilities may draw customers and trade from wider catchments than conventional retail uses. For example, cinemas (a commonly occurring non-retail land use) may draw patrons from a significantly wider catchment than, for example, a local grocery store (a commonly occurring retail land use).

Large Activity Centres with a significant quantum of retail and commercial floorspace tend to have varying constituent proportions of non-retail floorspace, with these proportions tending to vary in line with a range of factors including the availability of suitable sites (for example, cinemas and self storage facilities tend to require large site areas), planning and zoning considerations, traffic patterns and vehicle access, as well as the overall size of the activity centre.

In consideration of these factors, Charter estimates the demand for commercial and non-retail floorspace to be derived with respect to the estimated demand for retail floorspace (figure 37, 38 and 39) and in relation to the commercial and non-retail floorspace demand scale factor of 0.27 outlined above. Furthermore Charter estimates this current (2021) demand scale factor is estimated to hold constant over the estimation period to 2041.

Demand for commercial and non-retail floorspace is estimated to increase from approximately 600 sq.m in 2021 to approximately 750 sq.m in 2031, representing an increase of approximately 150 sq.m during that period.

Figure 43. Demand for Commercial and Non-Retail Floorspace (sqm) – Development Option 1 (2031)

Potential Retail Use	Estimated Lower range	Estimated Upper Range
Total retail floorspace	2,800	3,100
Commercial and Non-Retail floorspace – Demand scale factor	0.27	0.27
Commercial and Non-Retail floorspace	750	830

Source: Charter Keck Cramer

Alternatively, future consideration in accordance with progressively escalating future population growth and associated demand for commercial and non-retail floorspace may increase to approximately 900 sq.m in 2036.

Figure 44. Demand for Commercial and Non-Retail Floorspace (sqm) – Development Option 2 (2036)

Potential Retail Use	Estimated Lower range	Estimated Upper Range
Total retail floorspace	3,350	3,600
Commercial and Non-Retail floorspace – Demand scale factor	0.27	0.27
Commercial and Non-Retail floorspace	900	960

Source: Charter Keck Cramer

As population is estimated to continue increasing at a reasonably healthy growth rate through to the end of the estimation period in 2041, demand for commercial and non-retail floorspace may increase to approximately 1,050 sq.m in 2041.

Figure 45. Demand for Commercial and Non-Retail Floorspace (sqm) – Development Option 3 (2041)

Potential Retail Use	Estimated Lower range	Estimated Upper Range
Total retail floorspace	3,900	4,150
Commercial and Non-Retail floorspace – Demand scale factor	0.27	0.27
Commercial and Non-Retail floorspace	1,050	1,110

Source: Charter Keck Cramer

We note that there are also numerous commercial and non-retail businesses and services provided at surrounding townships of Drouin, Bunyip and Warragul which provide a greater range of these services due to their larger commercial scale and activity centre size, with the implication being that the catchment population likely accesses a range of such services in these surrounding townships.

Accordingly, opportunities for future commercial and/or non-retail provision may seek to fulfill 'gaps' in service provision with Longwarry by providing such services. For example, legal services and accountancy services are provided in these surrounding townships however are not provided in Longwarry and may provide opportunities to augment the service offering within Longwarry (pending appropriate 'fit' with local consumer preferences).

Appendix A: Land Use Audit

In undertaking the land use audit, Charter has completed a high level review of commercial tenancies throughout the Longwarry town centre.

Charter has undertaken a 'desktop' based approach, drawing on a range of data sources to generate base data for properties and tenancies. Furthermore, in some instances Charter has drawn on experience and expertise to make estimates, in order to provide a comprehensive review.

Approach to estimating current floor space supply

In the absence of a comprehensive physical inspection-based land audit, a combination of various datasets were used to determine the existing floor space by broad land use category. These datasets were synthesised into a single comprehensive floorspace database as follows:

A combination of cadastral parcel data (provided by DELWP), Nearmap and Landchecker formed the basis of the physical location and address database for land parcels. This covered most existing land parcels within the defined Longwarry town centre boundary.

A number of supplementary datasets were then used to review/refine/expand this base dataset and also add estimated floorspace (GFA) for each land parcel, as well as estimated land use.

Google Maps data, real estate agency listings, aerial imagery, google maps and desktop-based research was used to enable Charter to measure building areas (based on rooflines) to estimate floorspace and estimate internal building uses.

A range of policy/planning documents were reviewed to source the location and planned size/role of existing activity centres.

Based on the project scope and information available at the time of the study, this process provides a reasonable understanding of the existing floorspace uses throughout the Longwarry study area (shown in figure 4) for strategic purposes.

Approach limitations

Charter has endeavoured to provide a detailed review of tenancies, as discussed above. However, it should be noted that:

- A comprehensive physical land audit was not completed, and therefore any issues/errors in the underlying datasets may be present in this floorspace dataset.
- A significant review process and triangulation of multiple datasets was used to improve data quality and reduce any errors as much as possible within the project scope limitations.

Longwarry Town Centre

This section sets out the land use audit for the Longwarry town centre.

A summary of land use for the Longwarry town centre is set out in the table below.

Figure 46. Longwarry Township – Supply of Retail and Commercial Floorspace

Retail and Commercial Floorspace	Total Area (GFA; sq.m)	Total No. Properties	Proportion (%) of GFA
Retail	2,315	12	67%
Commercial (including Non-Retail)	623	4	18%
Retail and Commercial (Occupied)	2,938	16	85%
Vacant	505	3	15%
Retail and Commercial (Occupied and Vacant)	3,443	35	100%

Source: Charter Keck Cramer

Appendix A: Assumptions / Qualifications

Legend

sq.m.	square metres
p.w.	per week
p.a.	per annum
ABS	Australian Bureau of Statistics
ERP	Estimated Resident Population
ASGS	Australian Statistical Geography Standard
MB	Mesh Block
SA1	Statistical Area 1
SA2	Statistical Area 2
SA3	Statistical Area 3
GCCSA	Greater Capital City Statistical Area

Demographic Commentary

Where relevant, population estimates have been prepared with consideration of datasets produced by the Australian Bureau of Statistics and "Victoria In Future 2019" population projections prepared by The Department of Environment, Land, Water and Planning.

Historical population data is stated with respect to estimated resident population published by the Australian Bureau of Statistics for Statistical Area 2 (SA2) Geographical Regions. Where SA2 Geographical Regions differ from State Suburb (SSC) Regions, reference is made to Statistical Area 1 (SA1) Geographical Regions to ensure accuracy. Where SA1 Geographical Regions differ from State Suburb (SSC) Regions, reference is made to Mesh Block (MB) Geographical Regions to ensure accuracy.

As this report involves future forecasts, it can be affected by a number of unforeseen variables. It represents for the party to whom or which it is addressed the best estimates of Charter Keck Cramer, but no assurance can be given by Charter that the forecasts will be achieved.

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