



*Achieve
Ambitions*

*East Bentleigh Village
Employment Assessment
October 2017*



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VPA Precinct Plan 2

Executive Summary

JLL was appointed by the Victorian Planning Authority to review the East Village site in East Bentleigh from the perspective of understanding the probable market scenarios associated with the site being rezoned (or not rezoned) and the employment overlays and development constructs that would be envisioned by the rezoning. The review is also to consider the potential mix of uses considering the location within the wider Glen Eira municipality and associated development staging.

JLL has been supplied with previous work undertaken by the VPA and SGS Economics & Planning Pty Ltd on the site for information and reference. The fundamental difference between previous work and this work is that it brings into play the real estate elements of the site re-zoning and hence repositioning. The question of office viability has been raised with approximately 134,255 sq.mts of office proposed.

This report concludes that the site is better rezoned than not as existing improvements, infrastructure, layout and design cannot propel the Site into the desired employment catchment as-is. Re-development is required and will take approximately 10 years (potentially more dependent upon development appetite, resources and funding). JLL finds that all of the proposed office space may not be supportable by current dynamics and that a scaled back vision of office between 60,000 and 80,000 sq. mts is more supportable for the Site, given the broad South East Suburban office competition landscape and office demand characteristics.

The economic uplift from the re-development is such that the site would move to a mixed use development with office, retail, residential, educational and health related services. JLL depict that jobs within the Site would range between 3,565 and 4,300 fully developed and is ultimately dependent upon density of office space as occupied and office space actually built. These factors alone determine how many jobs can be held within the Site over a long term sustainable period.

JLL considers the staging of development to be likely undertaken in three principal stages, with potentially sub-stages ensuing. Initial activation of office, retail and educational facilities together with the community infrastructure is considered likely at stage 1. Stage 2 motivates the mixed use component of the site with more office space but importantly major infrastructure relocation and siting has occurred. Stage 3 closes out the site with continued mixed use, office and townhouse developments.

Our report follows:-

Introduction

The Victorian Planning Authority is working in partnership with Glen Eira City Council to develop a Comprehensive Development Plan that would facilitate the re-zoning and redevelopment of East Village in Bentleigh East from Industrial uses to mixed use development over the longer term. The vision for the site is that it will be a “sustainable mixed use precinct with a focus on innovative employment and education opportunities, enhanced by green spaces and places for people and will be supported by a diverse range of high quality housing and retail that caters for all”.

JLL have been requested to:

- Evaluate the current and future competitive position of the site remaining as industrial land (including specific development opportunities and constraints), having regard to its location within the wider Glen Eira municipality and South and East metropolitan sub-regions more generally.
- Evaluate current and potential competitive position of the Precinct having regard for specific development constraints and opportunities, locational attributes, and the wider influence as a potential location for commercial, retail and residential uses (or combinations thereof).
- Evaluate and provide advice in relation to the potential mix and location of commercial land uses within the subject site, having regard to the site’s location within the wider Glen Eira municipality.
- Provide an assessment of potential job yields and floorspace having regard to the two concept plans attached.
- Provide advice to inform the site planning, staging and design requirements that are sensitive to existing uses and employers within the precinct to establish clear parameters for block design, including building typologies.

The Opportunity

The subject Site comprises 24.5 ha of largely obsolescent industrial and mixed use properties within what is now a desirable South Eastern Suburban (SES) location of East Bentleigh. The Site is prime for re-zoning and for redevelopment and after analysis of the proposed Masterplan some 17.24 ha (172,450 sq. mts) of land could be developed into an integrated commercial /mixed use facility with considerable economic activity resulting from the rejuvenation. Principal loss of land (approximately 30%) is due to planned pedestrian linkages, roadways and Public Open Space requirements. A summary of the breakdown of developable areas is shown below.

Use	Size (M2)	NDA (M2)
Commercial	47,650	
Mixed use	68,850	
Retail	16,850	
Residential	39,100	
		172,450

Each parcel of land would have its own individual setback and site development overlay with commercial offices benefitting from revised planning provisions incorporating an increased height limit. A summary of each precinct, its type of development and contemplated use from development is shown below.

Precinct	Type of Development	Contemplated Use	Development Limit (storeys)
Transitional Commercial Area	Office, Retail & Service Industry	Multi-storey building	6 storeys
Residential (East)	Residential	Townhouses	3 storeys
Residential (South)	Residential	Townhouses	3storeys
Commercial	Office	Multi-storey building	4 storeys
Retail	Retail with Residential above	Multi-storey building	8 storeys
Mixed Use	Office & Residential	Multi-storey building	8 storeys
Community Education	Community Use	Multi-storey building	4 storeys

Employment Assessment

The rezoning and re-development of the Site would facilitate an employment range of jobs on the Site ranging from 3,6850 to 4,350 people (an approximate range of 20%) dependent upon space occupation ratio's adopted by tenants within the space. These jobs would be incorporated/phased-in as development is completed throughout the Site. Development is expected to be over an approximate 10 year timeframe.

Re-development of the Site will also aid in the containment of jobs with Glen Eira and stimulate residential markets around the immediate site.

Precinct Plans – (Refer Appendix 1)

The project brief requires the analysis and assessment of the plans with respect to the development of commercial offices. Plan 2, provides the latest version and orientation of the precinct.

Individual Land Parcels

Plan 2 shown below indicates the individual structure of land parcels within the Precinct Plan. It should be noted that the structure of the Plan is 'considered an appropriate structure by the VPA' and in the opinion of JLL attempts to maximize the success of the site.

However, it should be noted that the retail element of the site should be reviewed from an adjacencies to residential perspective and also size of the development. Major supermarkets command 6,000 to 8,000 sq. mts of space, second tier supermarkets 4,000 to 6,000 sq.mts and specialty shops between 50 sq.mts and 1,000 sq. mts.

Competing and Supporting Catchments

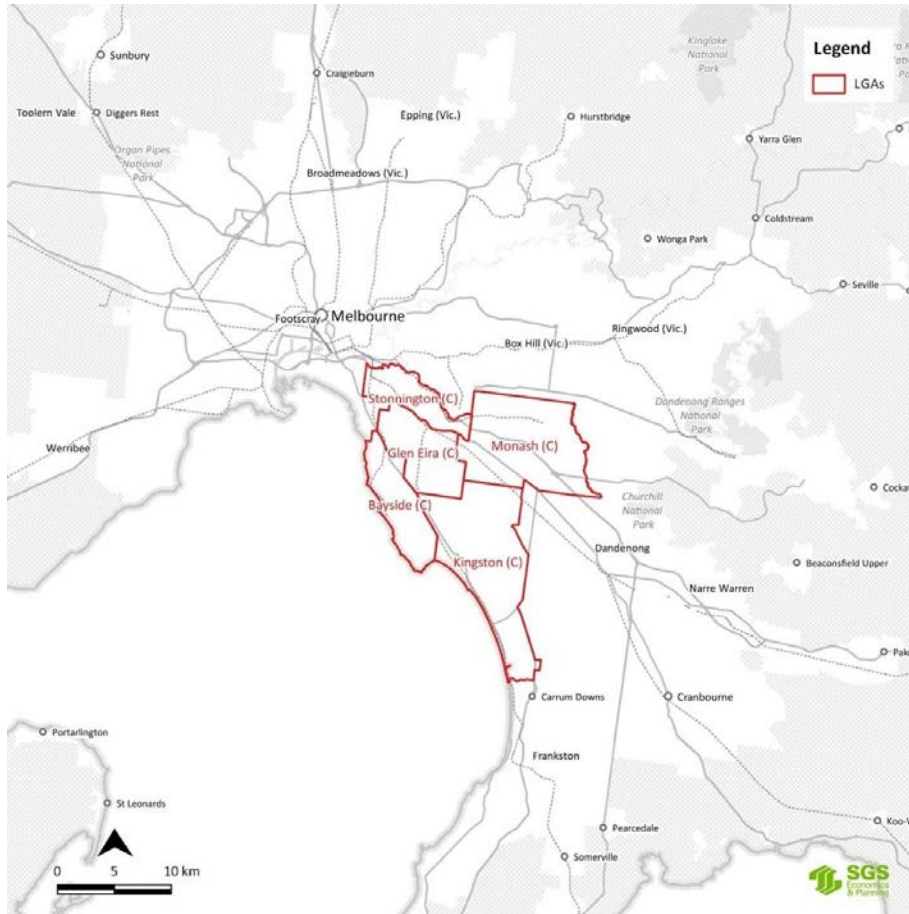
The following Local Government Area's (LGA's) compete and also indirectly support the Glen Eira East Bentleigh East Village site:

LGA	Major Developments / Precincts	Major Institutions	Major Characteristics
Stonnington	Chadstone Prahran Market Chapel Street	Cabrini Hospital	<ul style="list-style-type: none"> – Australia's most successful suburban shopping centre – High Predominance of strip Shopping Centres – Prestige residential suburbs
Monash	Monash Medical Centre The Glen Shopping Centre Village Century City Waverley Gardens Shopping Centre	Monash University PC Gear Case	<ul style="list-style-type: none"> – Growth in major developments from old industrial factory sites i.e. M-City
Bayside	Bay Rd Strip Shopping Centre Nepean Highway Developments	Royal Melbourne, Victoria & Cheltenham Golf Courses	<ul style="list-style-type: none"> – Premium residential – Popular Bayside family location
Kingston	Costco DFO Moorabbin Westfield Southland Shopping Centre	Moorabbin Airport Kingston Golf Course	<ul style="list-style-type: none"> – Growth in major re-developments from older industrial factory sites – Popular for Bayside Boating and links course golfing

Subject LGA

LGA	Major Developments	Major Institutions	Major Characteristics
Glen Eira	Nepean & Princes Highway Developments	Ripponlea Caulfield Racecourse Monash University - Caulfield Campus	<ul style="list-style-type: none"> – Growth in major re-developments from older industrial factory sites

This map indicates the Glen Eira Local Government Area (LGA) and that of the surrounding LGA's.



Source: SGS Economics & Planning Pty Ltd

Within Glen Eira and the surrounding LGA we see office demand for the subject Site coming from the following catchments areas shown on the catchment map below. Each of these locations are within close proximity to the subject site and have characteristics that are likely to drive demand for office accommodation nearby. These characteristics are highlighted below.



Map of the subject site within the Glen Eira LGA with surrounding catchment areas.

Catchment Areas	Why	Likely Users
Chadstone	Its 5 minutes to Chadstone and 10 minutes to Westfield Southland. Limited office supply exists	Retailers with service requirements
Monash University	It's at capacity with Monash stretched for growth options	Off-site administration and back office
Moorabbin & Bayside suburbs	Movement from strip offices and small concerns to a mid-priced integrated offices.	Small to medium sized companies providing a service to SES communities
Hampton / Cheltenham	Strip shops are being redeveloped into residential sites and relocations are required	Accountants, Real-estate agents, developers, builders, architects, software designers
Brighton	Demographics of Brighton are changing and offices generally ill-fit the area	Accountants, lawyers, Real-estate agents, developers, builders, architects, software designers, product suppliers

Table 1: Surrounding LGA Catchments

Section 1

Evaluation of the current and future competitive position of part of the site remaining as industrial land (including specific development opportunities & constraints) having regard to its location within the wider Glen Eira municipality and South and East metropolitan sub-regions more generally.

Constructs of the Evaluation

- The industrial zoning remains.
- It is contemplated that the land would remain in fundamentally the same configuration as it exists today.
- Development occurs over the next 1-30 years, however is ad-hoc with developer bias towards their site and is generally less sympathetic to broader government motivations.
- First mover advantage from a developer that “cherry picks” the site and targets street frontage parcels with the maximum development opportunity.

Competitive Position

JLL have assessed the current competitive position of the site and have summarised this information in the SWOT analysis below:

Strengths	Weaknesses
<ul style="list-style-type: none">– Site offers affordable rentals;– Site is aligned along 2 major roads with high visibility;– Site is less than 10 minute drive from feeder areas of Monash, Chadstone, Brighton, Caulfield and Moorabbin; and– Community revolves around the site (GESAC and Duncan MacKinnon Reserve).	<ul style="list-style-type: none">– Site is functionally obsolescent and has poor utilisation;– Site has limited identity or brand alignment;– Site does not offer destination or high value social activities;– Site is open 6 days a week from 0800 to 1800 hours without after hours activation; and– There is limited retail, car parking and social infrastructure.
Opportunities	Threats
<ul style="list-style-type: none">– Existing industrial uses can be expected to move towards industrial premises with a higher percentage of office accommodation; and– Opportunistic development in character with the masterplan is motivated by developers.	<ul style="list-style-type: none">– Government and other tenants move out or are enticed out and are not quickly replaced. A hollowing out of the space may occur leading to a general decline in the area.

Specific Development Opportunities & Constraints

1) Opportunities:

- a. Significant road frontage enhancements could be offered to motivate more branding of the Site;
- b. A rebranding of the area may lead to greater interest of space in and around the Site;
- c. Site amalgamation is a real opportunity that would ultimately lead to redevelopment of parts of the Site;
- d. New development would allow piece-meal sections of the site to be enhanced, lifting the older facilities in image and potentially providing greater tenant mix and occupation strategies;
- e. Internal roadways could be enhanced to offer greater delineation between sites, greater safety and Site definition;
- f. Construction of multi deck car parking to reduce at grade cars and allow more internal development;
- g. Loading dock and forklift dependent companies could be co-located to effectively utilize the access and egress of heavy goods;
- h. An emerging opportunity over time is that the existing industrial uses can be expected to move towards industrial premises with a higher percentage of office accommodation. Existing tenants such as Officeworks headquarters and iSelect display this trend; and
- i. Likely that expanding companies that require more warehouse accommodation would consider moving to locations that allow for expansion (currently constrained as no expansion space on site). Under current zoning, the redevelopment options are limited as they do not necessarily provide for a significant higher and better use. So sites might take some time to redevelop without some uplift in development opportunity.

2) Constraints of development are centred on the following elements:

- a. The electrical sub-station and its ability to be either reconfigured into part of the development or right sized in line with future probable use. The issues of harmonic distortion, contamination and setbacks required by and emanating from the sub-station are not contemplated in the report and are the subject of separate consideration by the VPA.
- b. Contamination within the site needs to be considered by all parties. The extent of contamination maybe wide throughout the site such that any asbestos in buildings, contaminated groundwater and potential hydrocarbon or heavy metal contamination will need to be assessed and a remediation action plan identified for the affected sites.
- c. Telecommunication. A telecommunication tower is situated near the electrical substation and its existence would be subject of either a license or lease. Contemplation of its relocation and the telecommunication Master-plan for the site needs to be considered.
- d. Infrastructure of services. Notably on the site are large fire service support facilities including water storage, combined hydrant & pump room and booster connections. Separately water treatment ponds and reserves are located towards the south eastern corner of the Site.
- e. Funding of the individual parcels of the development.

Evaluation

The competitive position of the site diminishes over time as it offers continued as-is office, and industrial facilities and limited community support services. The Site and its surrounds lacks definition in structure, form and usages. Continued usage as-is limits the development opportunity of the Site, and as such, the uplift of the area. Enhancement of community uses are blocked from the Site and a continued polarization of community offerings i.e. GESAC and sports at Duncan MacKinnon ensues.

The high predominance of cars on site (at grade), coupled with the current industrial usage limits growth in jobs at the Site as stimulatory jobs factors simply do not exist, or exist at a very low level. The obsolescent layout of infrastructure at the Site also limits development without significant upgrades. The incitement of new large tenants to the site is somewhat difficult, save low cost project office accommodation. Unfortunately this type of accommodation has a limited life span. Smaller tenants can be accommodated at the site and warehouse office style accommodation is provided, however the broad range of newer accommodation in and around Notting Hill has attracted premium users in that space.

Comparative evaluation of other larger Sites suggests that sites need to be master-planned, at a minimum 40% pre-committed and cleared of occupational impediments (leases, drainage and sewerage easements, telecommunication and infra-structure) ready for development before lending institutions are prepared to back these developments. Recent examples of M-City in the City of Monash indicate collective behaviours from both the private and public sectors to motivate re-developments.

Section 2

Evaluate current and potential competitive position of the Precinct having regard for specific development constraints and opportunities, locational attributes, and the wider influence as a potential location for commercial, retail and residential uses (or combinations thereof).

Constructs of the Evaluation

- The land is re-zoned from Industrial and commercial to mixed use.
- Land values appreciate as a result of the rezoning and development ensues.
- The land is reconfigured into marketable lots and has a masterplan for its future occupation.
- Development occurs over the next 2-10 years and is staged in line with the VPA plan.
- Maximum development opportunity is afforded by the developers and they capture high quality tenants with pre-commitments.
- The opportunity to Joint venture (JV) with interested parties allows for growth within the development recognising other company's specialized skills within the market i.e. aged care, retail and hotel partners.
- The development is staged to allow logical growth, site optimisation and minimal construction congestion.

Competitive Position

We have assessed the proposed East Village precinct's competitive position, post re-development, and have summarised this information in the SWOT analysis below.

We have assumed a 2027 delivery of the redeveloped Site based upon a three stage development. We have also considered the inherent uplift in the area due to the re-developments with other notable sites within the surrounding competitive area.

Population pressures in the surrounding LGA's indicate growth of approximately 1.5% per annum (Melbourne Population Bulletin 2106) which suggests an increase in population of almost 100,000 people in Glen Eira and surrounding LGA's in the nine years to 2024 (11,000 additional residents per annum).

LGA	2015 Population	Assessed 2024 Population	Growth in LGA community
Bayside	101,321	115,849	14,528
Kingston	154,477	176,627	22,150
Glen Eira	146,303	167,281	20,978
Monash	187,286	214,140	26,854
Stonnington	107,941	123,418	15,477
Totals	697,328	797,315	99,987

Strengths	Weaknesses
<ul style="list-style-type: none"> – East Village is a destination point & offers modern space, ample car parking with rentals significantly less than the cost of Melbourne CBD and fringe rentals; – Site has high visibility with quality structures and an urban presence; – Site transportation hubs links with and support other surrounding LGA's; and – Community groups readily access the site (GESAC and Duncan MacKinnon Reserve). 	<ul style="list-style-type: none"> – Site will need to address <ol style="list-style-type: none"> 1. Appropriate built form outcomes ensuring the development is not out of place compared to other residential and commercial buildings. 2. Over-shadowing of surrounding residences; 2. Traffic congestion within the site; 3. Pedestrian linkages; 4. Noise and disturbance above current thresholds.
Opportunities	Threats
<ul style="list-style-type: none"> – The re-development creates an urban destination with a community feel; and – Spreading out the development allows for innovation trends and themes to be incorporated throughout the construction phases. 	<ul style="list-style-type: none"> – Development stalls and only a small proportion of the site is developed; and – Development is not conducive to the overall theme and pockets of inactive space are located throughout the development.

Residential Uses

Strong apartment development is focussed on Inner Melbourne and townhouses has been a popular infill development form in the middle suburbs. However, the opportunities to development medium density development as well as small scale apartment projects in the inner suburbs has been constrained by existing development form and pressure from existing owners that has resisted higher density. Large infill sites such as the subject site provide an opportunity to improve housing diversity in the middle ring suburbs.

VPA data indicates that a total of approximately 3,000 dwellings can be constructed on the Site.

There are currently 8,375 townhouses in the supply pipeline (refer greater Melbourne townhouse supply pipeline graph below) that may complete before the end of 2022. Of these, 2,490 are under construction and a further 1,630 are currently marketing. Unlike many inner-city apartment developments, we anticipate that the majority of projects marketing or in planning will proceed to construction. This is due to strong demand from owner-occupiers and less supply concerns among lenders. In total, 1,465 townhouses are anticipated to complete in major projects over 2017.

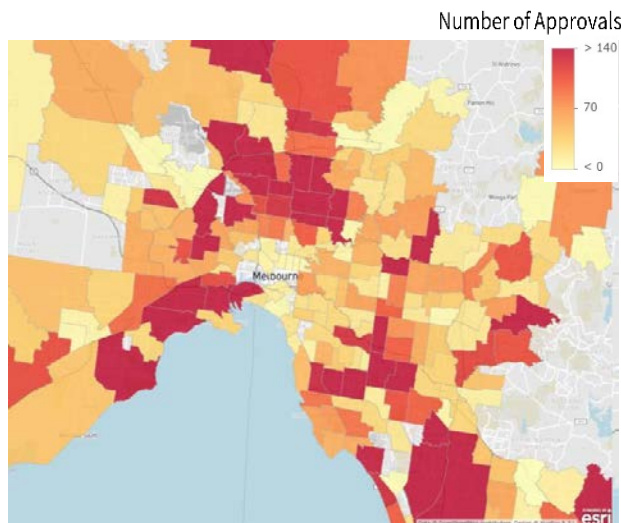
This compares to the 10,000 apartments anticipated to be completed within Inner-Melbourne over the year. Based upon the 2017 rate of construction between apartments and townhouses it suggests that for every townhouse built there are 6.67 apartments built. While the ratio seem highs the economic driver of margin and profit on developments is required to support land acquisition and construction.



Greater Melbourne Townhouse Supply Pipeline

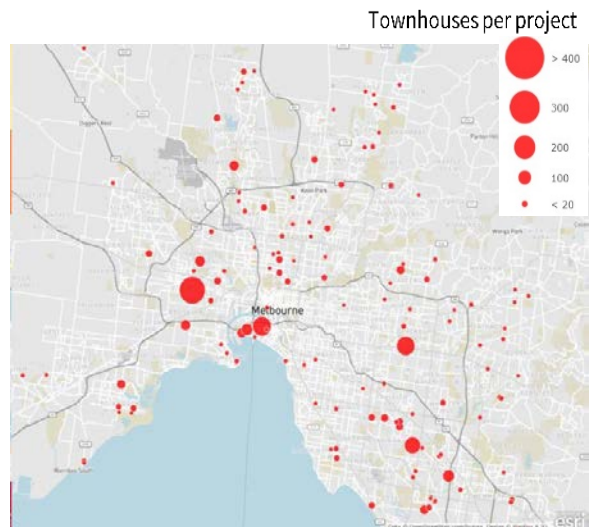
Townhouse approvals have largely occurred in those suburbs which have undergone limited population growth. The greatest amount of townhouse approvals have been in Melbourne’s North and West middle ring suburbs and also in various high-growth outer ring suburbs. The SA2 with the highest amount of approvals since May 2015 was Pascoe vale (415 dwelling approvals) a middle ring suburb 10km from Melbourne’s CBD. Outer ring suburbs with a high amount of townhouse approvals include Craigieburn to the North and Point Cook in the west. Major townhouse developments are dispersed over Melbourne but largely avoid the inner-city and the eastern suburbs (See Townhouse Projects Map). This is also reflected by the approvals data which re-affirms that most approvals in these areas are likely boutique developments rather than major projects.

Townhouse Dwelling Approval Heat Map



Source: JLL Research, ABS May 2015-June 2017

Townhouse Projects



Source: JLL Research, as at August 2017

Developers are increasingly including medium density products into master-planned communities to target first home buyers and downsizers. The 2017/18 federal budget provided incentives to both these buyer groups. As townhouses require less land, they traditionally provide a cheaper alternative to detached housing a factor particularly appealing to first home buyers. East Village has the potential to draw townhouse buyers to the Site who have been frustrated by high landed property prices. Our analysis indicates that many younger families and empty nesters are looking at the purchase of townhouses as the intermediary stages of entry to and exit from landed properties. Retirees see townhouses as logical progressions from landed properties, where downsizing is seen as necessary and before aged accommodation is required.

Commercial - Long Term Absorption

The subject East Bentleigh site has the potential to develop into a further office precinct in the south east suburbs. It will naturally compete with existing nearby precincts, including Monash, which is the closest of the large office precincts in Melbourne's South East Suburbs.

JLL Research monitor the Melbourne SES market, which as at 3Q17 comprised total stock of 1.46 million square metres net lettable area. This includes the major office precincts but does not include small scale office space that may be present in strip shopping centres or office space attached to predominantly industrial buildings.

The long-term increase in total stock per annum across the South East Suburbs is 33,900sq.mts per annum. This is across six precincts. Furthermore, we note that some precinct comprises a number of small business parks. Effectively there are considerably more than six precincts, all with their own particular pros and cons.

Much of the recent growth in Melbourne SES has occurred in Monash, located approx. 20km from the subject site. This precinct alone has grown by an average 16,600sq.mts per annum over the last 10 years.

If we assume that future demand for office space in Melbourne SES will be similar to the past decade, then East Bentleigh may attract a portion of the average 33,900sqm growth per annum. A 20% market share, which is high considering the size of the competing region, and number of competitors, would result in demand of 6,800sq.mts per annum. This assessment highlights that even a modest growth rate of 5,000sqm per annum is quite sizable given the current growth in the major monitored SES Melbourne markets.

Of course, there may be a long-term structural change in favour of the Melbourne SES market for office activity, which may see stronger growth moving forward. However, there will still be strong competition within the SES for office occupiers, and this will limit expected development.

There are very few suburban office markets in Melbourne with in excess of 100,000sqm of commercial office space, and none within a relatively confined area outside of activity centres. Three business parks and their approximate office floor area are:

- Tally Ho: 61,000 sqm
- University Hill: 10,000-15,000 sqm
- Essendon Fields: 26,000 sqm

A more realistic long-term target for office accommodation may be 60,000 to 80,000 sq.m. We state this as JLL has observed a number of offices and developments where the true definition of office is blurred by sales space, showroom activity and high employee benefit factors of entertainment rooms, recreational areas and large kitchen /meals areas. These benefits are required to attract staff to the offices

60,000sq.m of office space would likely employ around 4,000 employees, allowing for a work space ratio of approx. 15sqm per employee. 80,000 sq.m delivers some 5,300 employees at a density of 15 sq.m.

Melbourne's Metro office market net absorption figures for 2Q17 totalled 18,547 sq.mts with positive net absorption in the Fringe office market (20,327 sq.mts) outweighing slight negative net absorption in the SES office market (-1,780 sq.mts). On an annual basis, net absorption in the Fringe market is -16,383 sq.mts compared to +30,851 sq.mts in the SES market. However, leasing focus over the last six months has shifted from suburban precincts to fringe precincts as a desire to centralise currently exists within the market.

The Fringe office market continues to be characterised by withdrawals of office stock for conversion to residential use. Five office assets in the fringe market were withdrawn over the last 12 months, totalling 26,600 sq.mts. St Kilda Road is the focus of the withdrawal activity. We are monitoring four further St Kilda Road precinct assets that are likely to be withdrawn for residential development over the next three years out of nine across the fringe office market.

However, the office construction cycle is gaining momentum in the fringe office market with seven projects under construction totalling 17,500 sq.mts. Of these, 85% are expected to complete in 2017 with 39.5% pre-committed as at 2Q17.

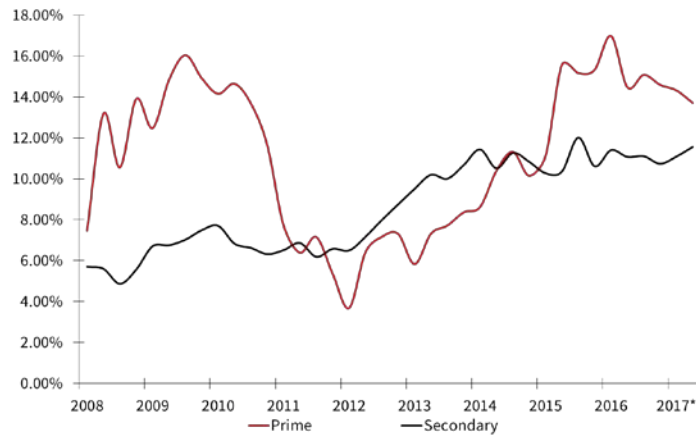
The strong speculative 2015/2016 supply cycle of the SES market has come to an end (117,000 sq.mts). As at 2Q17, a single speculatively built asset totalling 8,700 sq.mts is under construction within the Nexus Court Office estate, Mulgrave.

Supply/Vacancy

In the SES Prime vacancy declined to 13.7% while secondary vacancy increased to 11.6% in 2Q17. Vacancy rates vary substantially in the SES office precincts. Dandenong still has the highest vacancy (21.0%) and has stubbornly remained at over 20% for the last 24 months with a peak in 1Q16 (24.8%). Vacancy is tightest in precincts closer to the CBD such as Caulfield/Malvern (6.4%) and Boroondara (9.1%).

There will now be a break in the supply pipeline. A new building within the Nexus business park (8,700 sq.mts) is under construction and due for completion in late 2018. Salta is developing the project but is yet to secure an occupier (as at 2Q17).

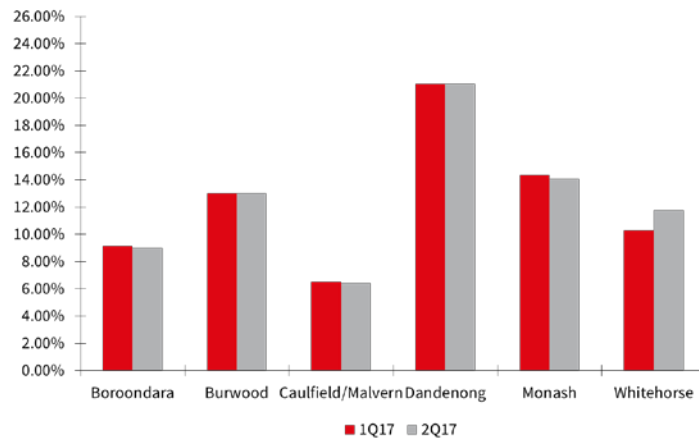
There are eight projects that are either proposed or have plans approved totalling 91,500 sq.mts with the potential to complete by late 2019. However, they are unlikely to proceed without pre-commitment. Four of these projects are in the Monash precinct.



Source: JLL Research

* As at June 2017

Vacancy by grade



Source: JLL Research

* As at June 2017

Vacancy by Precinct

Demand

Occupier demand remains subdued in 2017 in the SES office market; with a second consecutive quarter of negative net absorption totalling -1,780 sq.mts in 2Q17. Centralisation of tenancies became a core theme of tenants during the first three quarters of 2017 as occupiers sought to consolidate space throughout Melbourne, Fringe and SES. As cost control continues to be an identifiable issue for management, we believe some companies may seek alternative SES space close to worker demographics in the future, essentially to eliminate lengthy commutes, avoidance of congestion and for a significant cost control.

Notable trends include the weakened demand from both larger and smaller tenants (<1,000 sq.mts). Acquire Learning had the biggest impact on negative net absorption vacating 3,600 sq.mts at 600 Glenferrie Road Hawthorn having entered voluntary administration following the federal Government crackdown on the sector.

Cannibalisation of office from other Precincts (Market Share)

Success of the East Bentleigh East Village office precinct would in part come from the cannibalisation of office tenants from other precincts. Our aspiration for the office space is that it supports a number of large Australian companies housing its Melbourne office requirements, however, mostly caters for small and medium enterprises (SME's). Fully developed the East Village precinct creates a new office precinct for the SES and potentially a destination point for surrounding residences.

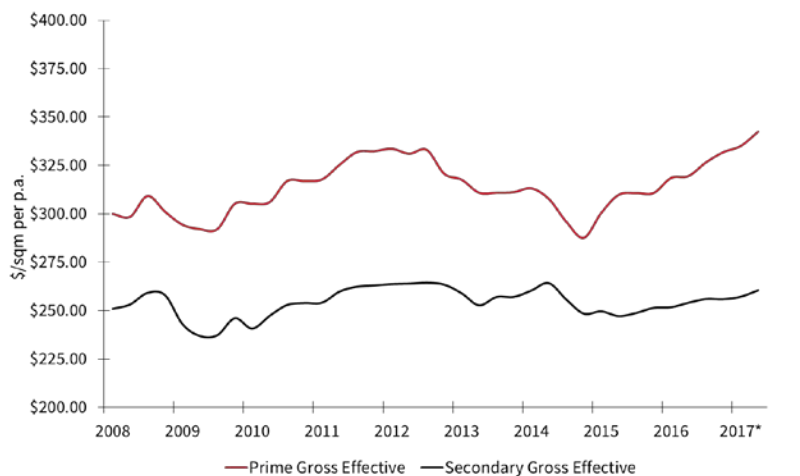
Asset Performance

Average prime and secondary gross effective rents increased to \$342 per sq.mts p.a. (+7.2% y-y) and \$261 per sq.mts p.a. (+2.6% y-y) respectively.

Prime and secondary yields tightened this quarter at 5.75%-6.50% and 6.50%-8.25% respectively.

Six assets changed ownership in SES precincts in 2Q17 totalling \$147.15 million. The three largest transactions were for properties in the Monash precinct. Sales activity, in the South East suburbs, is strong - with transaction volumes over the last 12 months close to \$422 million. This figure is more than double the average level of activity over the last 10 years (\$205 million p.a.).

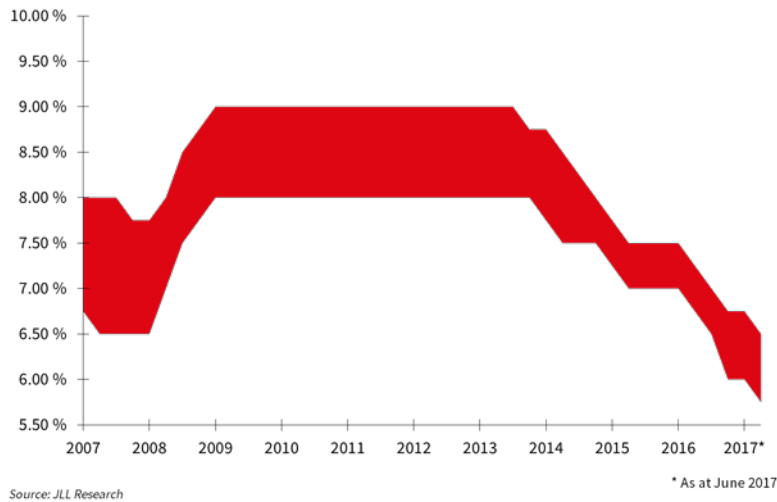
SES Prime vs. Secondary Rentals



Source: JLL Research

* As at June 2017

SES Office Prime Yields Spread



Retail

Retail development tends to have a lower workspace ratio than office space, with a high proportion of part-time employment. Retail typical of a neighbourhood shopping centre may expect to employ 1 person per 25-30 sq. m of retail floor space. A neighbourhood centre of 15,000 sqm may therefore employ 230-280 employees (say 250 employees). Such a centre would draw patrons primarily from a 2km radius around the subject site.

A potentially growing employment sector is the home office. An estimated one in 12 employees identify their principal place of work as being from home (ABS, 2011 Census). This may include self-employed tradespeople that are mobile as well as other small businesses that do not rent space.

Our view is that the subject site has the long-term potential to provide employment for approx. 4,000 employees, with the major source of employment ranging from 60,000-80,000sqm of office floor area with additional employment generated from on-site retail and home office uses. Annual take-up of office space is expected to average between 5,000 to 7,000 sqm per annum.

Specific Development Opportunities & Constraints

1) Opportunities:

- a. Brand recognition of the Site would lead to greater interest of space in and around the Site;
- b. Master-planning of the Site, with owner co-operation, affords successful coordinated development with logical staging transitions;
- c. New development provides greater tenant mix and occupation strategies;
- d. Multi-deck car parking is offered to reduce parking congestion within the Site;
- e. Shared parking facilities are offered to ensure parking facilities within commercial areas can be utilised after hours and during the weekends to reduce parking congestion within the Site;
- f. Internal roadways are defined and offer greater delineation between sites with greater safety;
- g. Set-backs and landscaping of properties offers co-ordinated street scape designs; and
- h. Heavy goods movement is significantly reduced in and around the Site.

2) Constraints of development are centred on the following elements:

- a. Public transport is limited to buses immediately around the Site. However, train services at (Ormond & Huntingdale) are located to the east and west of the Site within a 3 Km radius.
- b. Right sizing car-parking for the Site will need to be addressed to ensure an appropriate amount of spaces are provided.
- c. Right-sizing the transport hub and locations thereof within the development.
- d. The electrical sub-station and its ability to be either reconfigured into part of a development or appropriately managed in line with future probable uses.
- e. Contamination within the site needs to be considered by all parties.
- f. Telecommunication. A telecommunication tower is situated near the electrical substation and its existence would be subject of either a license or lease. Contemplation of its relocation and the telecommunication Master-plan for the site needs to be considered.
- g. Infrastructure of services. Notably on the site are large fire service support facilities including water storage, combined hydrant & pump room and booster connections. Separately water treatment ponds and reserves are located towards the south eastern corner of the Site.

Evaluation

The competitive position of the Site and its importance in the community is greatly enhanced upon re-development. The Site would offer a significant repositioning of uses compared to that currently being offered. Based upon the Net Development Area of approximately 172,450 sq.mts (17.24 ha) the site would offer 28% commercial, 40% mixed-use, 10% retail, and 22% residential uses compared with the current 245,000 sq.mts (24.5 ha) of industrial and low rise offices. It could be expected from the NDA of 172,450 sq. mts that a total development of 325,000 to 375,000 square meters would be achievable and that the complement of apartments, townhouses, and retirement and aged care units could support 3,000 dwellings.

The nature of the re-development places this property within a catchment of major south eastern suburbs draw-cards of Southland, Chadstone and Monash University and the four surrounding LGA's showing compound growth of approximately 100,000 people from 2015 to 2024. The office component of the development supports and influences the overall development with pedestrian uses and linkages throughout the Site. Critical to our evaluation and the success of the development is pre-commitment from some of the existing tenants and the notion of staged office development along the main road frontages. Currently the East Bentleigh market does not support a single line office development of 134,000 square meters of space.

Recent examples of major projects include M-City in the City of Monash indicating collective behaviours from both the private and public sectors to motivate re-developments. Residential projects of Mirvac's Jack Road and Cedar Woods Jackson Green residential projects on Centre and Haughton Roads provide evidence that the residential markets are strong with high level of pre-commitments and can support further apartment and townhouse development.

The question of whether the re-development is justifiable is moot. The project will happen if not now, but in the future as pure economic factors press on the Site. The market exists for mixed use over the site and for office and with rentals ranging between \$300 - \$375p.s.m.p.a. on a net effective basis.

Section 3

Evaluate and provide advice in relation to the potential mix and location of commercial land uses within the subject site, having regard to the site's location within the wider Glen Eira municipality.

The site is naturally favoured by the existence of Duncan McKinnon Reserve and the Glen Eira Sports and Aquatic Centre (GESAC). Weekend traffic flows to these facilities support neighbourhood sporting and recreational activities, however post activity most patrons disperse to other catchment areas where they engage in family time with light lunches and beverages. The fact that the area does not hold (nor necessarily attract) a large proportion of patrons for this type of activity is a significant economic loss to the municipality and the subject of how East Village East Bentleigh potentially should be shaped to capture out of hours and weekend traffic.

Given the above, the potential mix of commercial land uses needs to be considered in light of social group attraction and retention. The following table highlights the relevant social groups currently being catered for in future Long term planning.

Social Group	Born	Current Age Range
Post War cohort	1922- 1927	72 – 95 years
Baby Boomers	1946 -1954	63 – 71 years
Boomer V2	1955 - 1965	52 - 62 years
Generation X	1966 - 1976	41- 51 years
Generation Y	1977 - 1994	23 – 40 years
Generation Z (Millennials)	1995 - 2017	1 -22 years

Currently the Site caters for many occupants in the Boomer 2 and Generation X social grouping due to its existing structure and current operation. This, however, is likely to change when development occurs where it is expected that a move to more Generation X and Generation Y usage and occupation. This would occur due to Site repositioning and enhanced mixed-use commercial and retail offerings.

The potential mix of uses needs to be considered holistically and may need to be aligned around the social groups mentioned in the table above. Some thought should be given to the adoption of a theme for the Site and a significant tourist draw card that also supports the local community. Considerations of a micro-brewery on the site differentiate the Site from other locations and attractions, however may not fit into overall scheming. Micro-brewery's offer a dynamic interactive destination where visitors can engage at all levels of the process primarily from making inspection, testing and consuming product. Other significant uses of pedestrian space and walkways may include big screens recently included and highly successful in Eastland.

The location of uses over the site suggests that the highest value sites (primarily office and retail) would be located on the perimeter of the site. North Road would probably have the highest value land, then closely followed by East Boundary Road. The corner site on the south eastern corner of East Boundary and North Roads is the premier site with the highest visibility and in our opinion and could be orientated towards a number of uses including but not limited to office, hotel and private hospital.

Parcels of land that can be amalgamated into super lots supporting residential or retail uses are likely to have access points off the main roads penetrating into the site. The dominant land area is likely to be set back off main road frontages incorporating interior lots, hence lifting the appeal of these lots. Cobar Road becomes an important integrator within the site with access off North Road and linkages to North and South Drives. Land in the interior of the site is liberated by these linkages and support mixed use and residential usages.

Land around Virginia Park is likely to support educational concerns, residential and office. Land in the south-eastern corner of the site off Barrington Street has greater vehicular access supporting educational linkages.

Given the dynamic nature of the Site, more traditional uses of parts of the site could include a private hospital and hotel. The hospital could be located in one of the residential neighbourhoods and it is suggested that the hospital be located next to Virginia Park on the Southern boundary of the Site. This Site in JLL's opinion allows for the maximum draw of people through the Site while supporting community interests around the Site. This location also supports and provides high adjacency value toward the community facility and Education Area in the South-eastern corner of the Site.

The Hotel (if commercial viability exists) could be positioned on the corner of North and East Boundary roads being the highest valued corner of the Site with prominent accessibility and dual frontages affording maximum signage potential. Alternatively, the hotel could be located on another site along North Road as its location opposite the Duncan MacKinnon Reserve affords the hotel good views and linkage to retail within the site. Recent examples of the M-City development in the Monash LGA and Quest in Dandenong support this notion.

The notion of diverse housing options within the mixed use neighbourhood allowing potentially aged care, student housing and family sized apartments provides for a quality use of space, but does not necessarily drive the employment uplift from the Site. We consider that two of these options are more viable for the Site from a velocity of circulation of money perspective than the student housing option. Family sized apartments and then aged care would in our opinion most align to the uses within the Site.

Net Developable Area (NDA) of retail space of 16,848 sq. mts over the site, suggest a Gross development Area (GDA) on site of between 30,000-40,000 sq. mts and provides for twin supermarkets and approximately 20 to 30 specialty shops in the development dependent upon size. The retailing space does not link with the residential aspects of the site rather office and is concentrated with its entrance on the East Boundary Road. Consideration should be given to some scattering of retail usages within other office developments to support potentially office break-out, lunch and dinner trades.

Other commercial/retail uses within the retail precinct could include a cinema offering. This has the ability to lift and extend operational hours on the Site while complementing the retail offering.

Section 4

Provide an assessment of potential job yields and floorspace having regard to the concept plans attached.

The following table indicates our assessment of job yields from the development. Principally job yields come from the development of office and retail facilities and to a lesser extent residential. Our analysis indicates that approximately 3,685 to 4,350 jobs could be provided by the re-development of the site over an approximate 10 year period.

The determination of jobs to space ratio is undertaken from research of CBD office ratios, where 1:10m² is considered the norm in CBD offices to SES offices where 1:100 ratios (and greater) are observed. The difference is in the type of office and its usage. SES offices are more sales driven offices, where displays and product are infused in the space. This is not the case in CBD offices where open plan structures provide for high density staffing plans. This is fundamentally an outcome of the cost of rentals and the need to combine many departments in a single tenancy.

Retail usages suggest lower job yield ratios as a higher proportion of the space is set for display, product and selling opportunities.

Land Use Areas	NDA's (sq.mts)	Height Limitations	Approximate NLA's (sq.mts)	Jobs Yield	Jobs
Commercial	47,650	6 storeys	134,255		
				1:50m ²	2685
Mixed Use	68,850	8 storeys	195,661		
Office/Retail		1 storeys	Approx. 10% (20,000 sq. mts)	1:75m ²	265
Residential		7 storeys	Approx. 90% (175,661 sq. mts).	1.50 in 10 for home offices	450
Retail	16,850	2 storeys	12,192	1:75m ²	165
Residential	39,100	3 & 4 storeys	38,009	Included in residential calc. above	Included in residential calc. above
Totals	172,450 sqm				3,565

Table 2: Job Yields Assessment

It is not inconceivable that the range of job yields could spread upward to approximately 4,300 persons upon completion, approximately a 20% delta from the 3,565 persons indicated in the assessment. The reason behind this is that there is a high likelihood that the Site could be used and become a destination for back office and service/call centres.

Section 5

Provide advice to inform the site planning, staging and design requirements that are sensitive to existing uses and employers within the precinct to establish clear parameters for block design, including building typologies.

Pre Commitments

Critical to the success of the development are pre-commitments throughout the Site. The size of the current potential office development (134,255 sq.mts) is significant for the area and indeed the surrounding LGA's. It would be in the interests of the landowners to secure pre-commitment from both Officeworks and I-select to anchor the developments and effectively underpin 2 of the potentially 6 offices throughout the Site. Our analysis indicates that a range of opportunity exists for office demand of between 60,000 to 80,000 sq.m. over the next 10 years.

Design Requirements

It is important for the development to have a clear direction and plan of attack on the infrastructure over the Site. Current impediments of the sub-station, telecommunications tower, fire services infrastructure and water treatment on the Site need to be addressed before development.

We have not sighted architectural designs for the site and suggest that competitive developments may provide some guidance of designs within the Site. Competitive developments of Mirvac's Jack road, M-City, Clayton Business Park (31 ha) and PMP Printing (11 ha) and Jacksons Green provide evidence based guidance on trends and design in major developments.

Comments on Staging

The staging plans indicated below are complemented with the notion of most likely development potential over the site, recognising some of the obstacles and constraints inherent within the site. Staging and sub-staging is most likely to happen within timeframes and development constructs that support ultimate delivery of the desired product. In most instances development will be undertaken after pre-commitments are confirmed and marketing programs locked away and operationally supported.

Our comments on the staging are indicated below:-

Stage 1 - activates the key development components of the site including retail, office and educational developments. Importantly, not all the development occurs in one part of the site allowing flexibility to manage head works, roads and transport hub linkages.

From a tenant retention perspective, this allows tenants to move into a new facility before older structures are demolished. Landowners economically benefit from the strategic positioning of tenants within the complex and marketing to other entities can begin to fill potentially vacant spaces

Stage 2 – is motivated on the back of first round relocations and the bedding of major heads-works throughout the Site, including fire services, telecommunications and electrical sub-station works (if any) . Public Open space and pedestrian walkways is motivated and a move into the development of more retail, office and mixed use space ensues.

Stage 2 is pivotal as it binds the core of the development with a solid middle tier of re-development underpinning North Road frontages. This development sets the mixed use framework in motion and brings the residential component to life.

Stage 3 – supports the development of the last two offices on main road frontages and allows the market to absorb previous office space while setting the framework for the next offering. Townhouse developments and further mixed use precincts are activated and provide the closure of the masterplan.

Stage 3 provides the “glue” to the development that binds the precinct together. Importantly for the office precinct it allows absorption of earlier office and mixed use developments to settle and provides a framework for next round marketing efforts and pre-commitments to ensue.

Leaving the townhouse development to stage 3 may be debateable and construction may be stimulated and occur earlier.

End report

Stage 1 - Development from 2018 to 2021



Stage 2 – Development from 2021 to 2024



Stage 3 – Development from 2024 to 2027



