



*Real value in a changing world*

# Cleveland CBD

## Commercial Investment Attraction Strategy

October 2013

Prepared for: Redland City Council  
PO Box 21  
Cleveland Qld 4163



Source: Cleveland Centre Master Plan, 2010

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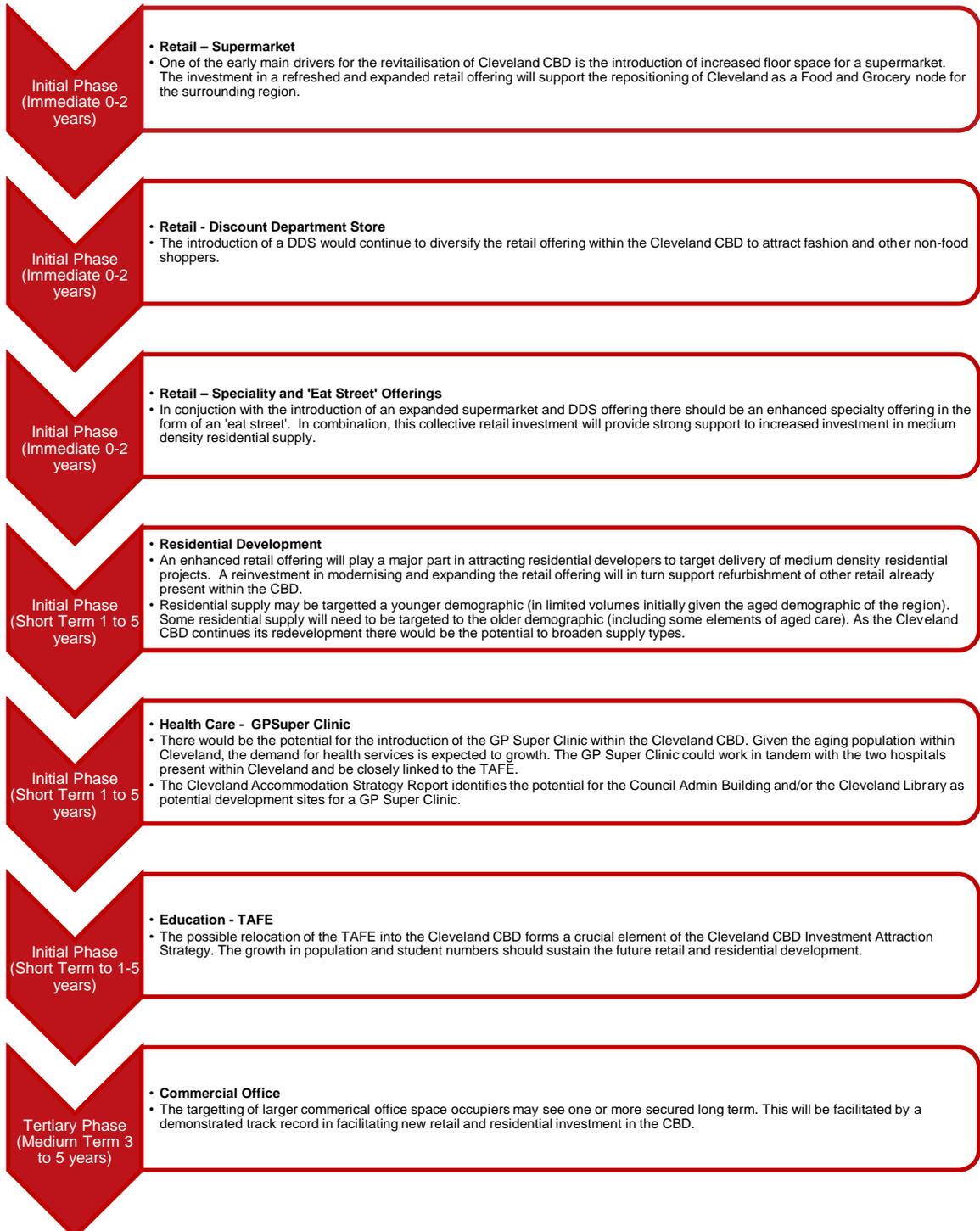
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# 1 Executive Summary

## Future Economic Role and Function of the CBD

The Future Economic Role and Function of the CBD section of the report has examined the findings of the Land Use Market Assessment to determine the uses that could be most supportable in the CBD and how they could work together to private a vibrant CBD environment and stimulate development activity.

The flowchart below provides a summary of the key land uses addressed above and their appropriateness to supporting the investment and economic development within the Cleveland CBD including our view on sequencing.



## Competitiveness of the Cleveland CBD with comparison to other LGAs across SEQ

	Diverse Demographic	Visual Amenity	Strong Retail	Rail Access
<b>Cleveland</b>	<i>Cleveland has the opportunity to leverage the higher net wealth residents located within Raby Bay and cater to an expanded offering (retail, residential, commercial, recreational/entertainment)</i>	<i>The redevelopment of Toondah Harbour will provide Cleveland with an important element in furthering the level of amenity within the region</i>	<i>Stockland's retail centre has provided a strong retail element within the region which should be expanded and upgraded</i>	<i>The rail access provides good accessibility to the CBD and should be leveraged.</i>
<b>Benchmark Regions (Focus on the inner region of the regions)</b>	<p>Most of the benchmarked CBD centres within SEQ have a greater diversity of population which supports a broader range of land uses.</p> <p><b><i>Cleveland has the opportunity to attract a broader demographic by introducing an enhanced and expanded retail offering, development at Toondah Harbour and relocating the TAFE into the Cleveland CBD.</i></b></p>	<p>All regions (to a lesser extent Ipswich) offer strong pedestrian and visual appeal across multiple areas within and in close proximity to their CBD.</p> <p><b><i>The Cleveland CBD revitalisation strategy has the opportunity to link the heart of the CBD to the Toondah Harbour redevelopment, increasing the local amenity for residents and attracting a younger demographic market to the region.</i></b></p>	<p>Stockland's retail centre provides a moderate retail base for the residents within Cleveland. It is under represented compared to other CBD including Brisbane and the Gold Coast contain multiple centres.</p> <p><b>Further retail development within the Cleveland CBD will be needed to contribute to driving increased pedestrian activity both during and after work hours and attract a younger demographic market.</b></p>	<p>The rail access links residents from the surrounding suburbs to the Cleveland CBD. All benchmark regions, excluding the Gold Coast and the Sunshine Coast, have the benefit of direct rail access to their CBD.</p>
	Major Development Potential	Increased Connectivity	Consolidation of Government Operations	Increased Residential Population
<b>Cleveland</b>	<i>Significant amount of land with strong redevelopment potential in and around the CBD</i>	<i>The location of the rail link increasing connectivity to the CBD, which will be further enhanced by a number of planned upgrades.</i>	<i>Consolidation of Government Operations will provide a boost to the CBD workforce population and support other land uses</i>	<i>Other catalysts will encourage developers to develop new medium to higher density product and support increased population growth.</i>
<b>Benchmark Regions (Focus on the inner region of the regions)</b>	<p>The main CBD centres within Brisbane, Gold Coast, Sunshine Coast and Ipswich have been substantially developed and diversified.</p> <p><b>The availability of land and lower capital barriers to entry, when compared to the other regions, coupled with strong local government initiatives to boost competitiveness will provide Cleveland with a strategic opportunity to entice investment within the region. Selection and facilitation of signature transactions will be critical to demonstrate early wins and momentum.</b></p>	<p>Cleveland has a strategic advantage over a number of regions with a direct train link from the suburbs to the CBD.</p> <p><b>A high proportion of residents who reside in Cleveland work within the immediate suburbs. The rail link and any interconnecting transit network upgrades will further enhance the viability of the region.</b></p>	<p>The Gold Coast and Brisbane have the advantage of a high proportion of government workers concentrated within precincts. Recently amalgamated regions including Moreton Bay and Sunshine Coast still have government operations spread over a number of offices.</p> <p><b>By bringing all government operations into one precinct, Cleveland will boost their concentration, support increased CBD activity levels which will support other land uses.</b></p>	<p>Cleveland's population growth has been low when compared to the other key benchmark regions.</p> <p><b>Driving other land uses (retail and education, entertainment and leisure) will support increased density and drive stronger population growth.</b></p>

## Demographic Analysis

- Cleveland CBD and immediate surrounds (Cleveland SLA) is a well-established urban area. Accommodating population growth in recent years has been largely reliant on increased residential density through urban infill.
- Typical challenges of transitioning to an urban infill dominated market (cost effective supply, matching of product type to demographic demands that have been used to detached housing) has seen a slow but steady emergence of this market over the last 15+ years.
- In combination, population growth has been relatively slow at 1.1% p.a. since 2001 (or just 136 people per annum). This compares to 1.6% p.a. for the wider Redland City LGA and 2.0% p.a. for Queensland. Importantly, population growth is forecast to increase to 1.8% p.a. between 2011 and 2031, or around 188 persons per annum.
- Cleveland SLA has an aged demographic profile, and this is expected to become increasingly pronounced over the long term based on current population growth forecasts. Significantly, 99.2% of population growth from 2001 to 2011 was for persons aged 55 and over.
- This demographic bias will have a strong influence on the volume and type of new residential product offered (e.g. catering to higher proportion of single person households and smaller average household sizes) over the short to medium term.
- Should the challenges associated with attracting and retaining a younger demographic including a younger workforce are able to be progressively overcome, this will enable the residential property market to respond with a broader range of new supply that may cater to a younger demographic. A more balanced demographic profile will also drive a broader range of major land uses, being commercial, retail and short term accommodation.
- Incomes are lower for Cleveland SLA than Redland LGA at \$79,112 versus \$85,761 per annum. However, Raby Bay residents have relatively high household incomes ranging from \$96,512 to \$150,072.

## Residential Market Assessment

- Early signs of a recovery are emerging in some segments of the residential market across the SEQ region however broader market conditions still remain relatively flat.
- Matching of appropriate housing supply to the demand profile will be an important component of retaining a younger demographic in Cleveland, while providing appropriate options for an older population (e.g. downsizing options, retirement living etc.)
- Median house prices remain 10.8% above the 10 year average, and are only marginally below the levels at the market peak in 2008;
- The median house sale price for Cleveland SLA was \$518,000 in 2012, and our most current data for the year to date has indicated that this has largely remained constant;
- The current median sale price for Cleveland SLA has softened in line with the wider Redland Region to \$350,000, which is around 4% below the 10 year average;
- Sales volumes for the last three years have remained steady, with the increase experienced by the wider region not mirrored in Cleveland SLA.
- New dwelling approvals for the Cleveland SLA are at around half the ten year average, and well below their peak in 2008.

## Residential Demand and Supply Outlook

- The Office of Economic and Statistical Research (OESR) forecast that Redland City LGA will see grow at a slower pace over the next 10 years compared to historical trends (based on medium growth forecasts).
- Under the low growth scenario, the OESR forecast that Redland City LGA will grow at an average annual growth rate of 0.84% per annum. The low growth scenario assumes an additional 1,328 people per annum.
- The Redland residential property market, and consequently the Cleveland market, will need to accommodate for an ageing population. This trend is not unlike national demographic trends for many regions although is more pronounced for Cleveland. Nevertheless, the Cleveland residential property market will need to retain flexibility in its product options so that other core demographic groups, including the younger end of the population, are catered for.
- There is an average of around 93 new dwelling approvals per year over a ten year period ending December 2012;
- Over the last five years, although 2010 performed strongly, there has been an overall softening in the number of approvals since 2008 when dwelling approvals peaked at 144;

## Employment Overview and Occupier Profile

- The Cleveland CBD has developed as the administrative centre of Redland LGA with local government services and the police station / courts precinct being the key tenants. Given the potential synergies between these government services and other state government services, it could be argued that further government services should be directed to Cleveland CBD rather than alternative locations in the Redland LGA.
- Cleveland CBD has a relative weakness with regard to employment in Health Care and Social Assistance and Education and Training. Both are below the average for Redland LGA, despite these uses often being anchor employers within CBD environments.
- Cleveland has a smaller retail base with only 17.6% of the workforce employed within this industry, when compared to Capalaba which has 29.7% of its workforce within the retail industry.
- The Cleveland CBD has developed as the administrative capital of Redland LGA with local government services and the police station / courts precinct being the key tenants. Given the potential synergies between these government services and other state government services, it could be argued that further government services should be directed to Cleveland CBD rather than alternative locations in the Redland LGA.

## Office Market Assessment

- We expect that Cleveland CBD will experience relative low commercial office growth if left to market forces, with Cleveland CBD performing its existing service role with growth in office based services growing in line with the population in the catchment.
- Office demand can be heavily influenced by government intervention in the form of office relocation as well as improved infrastructure that provides greater appeal for investors and occupiers to consider Cleveland as a future office location
- Potential Office Market and Employment Strategies include;
  - Consolidation of local government administration
  - Increased retail offering supporting office services
  - Office services for an ageing population
  - Re-location of TAFE
  - Call centres / back office functions
  - ATO regional office
  - Regional state government offices
  - University Campus

## Retail Assessment

- The large land holdings of Stockland Cleveland provides the logical opportunity to provide new anchor tenants aimed at:
  - Consolidating the CBD as a strong F&G destination; or
  - Providing a non-food/entertainment offer to retain the non-food spending of nearby residents who currently use other centres such as: Capalaba, Victoria Point, Garden City and Carindale.
- Based on the supermarket assessment in section 6.4, there is likely to be an opportunity to increase the provision of supermarket floorspace (by around +2,500 sqm) within the Cleveland CBD over the next 15-20 years.
- This could be delivered via: a floorspace extension of the existing supermarkets; the development of a new store for another competitive supermarket operator, with ALDI being the logical inclusion, or; a combination of both.
- This opportunity would consolidate Cleveland CBD as a strong F&G destination of choice for residents in Cleveland and surrounding suburbs.
- While full market support does not seem to be evident at this point in time, section 6.5 highlights that there is potential to accommodate a DDS (Big W, Kmart or Target) within the Cleveland CBD by 2031.
- The cinema assessment (section 6.6) shows that there is unlikely to be an opportunity to accommodate a sizeable cinema development (+6 screens) within the Cleveland CBD. While the larger operators are unlikely to be interested in the opportunity, an independent or boutique operator may consider Cleveland as a location, particularly if the development was delivered with a range of other entertainment uses to create an entertainment and lifestyle precinct.
- Future retail development should aim to improve pedestrian flows along Cleveland CBD's main streets so that development is mutually beneficial to all.

## Other Commercial Uses

- We believe that there is a key education sector opportunity for the Cleveland CBD to secure relocation of the Alexandra Hills TAFE campus. This will benefit the area significantly by attracting a younger demographic to the region, which will help activate the CBD.
- We expect that further growth in the Fitness Centre market within Cleveland CBD is possible, primarily in association with growth in the retail market (which would increase the customer base for a range of other services).
- It has a relatively large, affluent population base nearby (particularly residents of Raby Bay) and offers opportunities for waterfront dining as well as alfresco dining within the city centre.
- With major hospitals nearby, Cleveland CBD is expected to primarily require a range of non-hospital health care services, including medical centres, consulting rooms, allied health services such as optical, physiotherapy, podiatry, and a range of other health services such as blood banks, ambulance services, therapeutic massage etc.
- It is expected that the total number of residents aged over 65 will continue to increase beyond 2031. Therefore additional retirement floor space may be required. In a sector that is adapting to change and seeking new ways of providing for retirement accommodation, it is appropriate that councils engage with the retirement living sector and seek high quality, multi-storey developments within the Cleveland CBD that meet the needs of discerning retirees.

## Commercial feasibility of development in the CBD

Assessments of a range of development scenarios have been undertaken. The scenarios tested the viability of development of a 10,000sqm office building (suitable for consideration as Council's new head office), high density residential (8 levels), and a 15,000sqm TAFE. To test the impacts of Council's current CBD development incentives, all feasibilities were run with an assumed waiving of infrastructure charges.

The results indicated that viability is achievable for the commercial schemes at market rents of around \$370/sqm net (approximately \$500/sqm on gross rent basis) with car parking ratios of 1:50sqm. Lower rise campus style office with one basement level of car parking on a larger site produces a notably stronger return by around 7% (13% vs 20% return on cost) on a like-for-like basis compared to a high rise scheme on smaller site with multiple basement levels.

The residential schemes are also viable for two bedroom product with an average price of around \$525,000 for a 100sqm dwelling with car parking ratios of 1.75 or an average of \$485,000 per 90 sqm two bedroom dwelling.

Finally, the TAFE scenarios tested both new builds and use of the refurbished existing Council offices on Bloomfield Street (supplemented with additional new space to make up the balance of the 15,000sqm). The results highlight that this project would be viable at similar commercial rents of around \$370/sqm net, and with reduced car parking ratios of 1:150sqm. The refurbishment scenario is considered to produce a marginally higher return on cost (ROC) compared to a new build.

## Recommendations for Maximising the Competitiveness of Cleveland and the CBD

Our assessment and benchmarking of competing Local Government Areas across South East Queensland and our knowledge of successful and competitive government areas across Australia has highlighted the opportunities for Redland City Council to maximise Council's competitiveness. This is categorised into three broad groups as outlined below:

### Development and Business Attraction and Facilitation

The strategies below are targeted at introducing or attracting new development projects or new business into the Cleveland CBD. Importantly, this includes a strong emphasis on facilitation to ensure the opportunity is secured. These include:

1. Establish dedicated investment pathways such as access to business incubators (small office spaces available for start-up and small business), access to specialised industry grants and linkages with State and Federal entities, site selection process and private sector partnering framework. Other elements could be the establishment of a business unit or provide discounted services that can assist small business in their day to day operations. These services may include a business development officer, accountant or administration support.

2. Establish and clearly communicate Development Pathways for major property projects, which should include fast tracked DA processes with guaranteed maximum approval timeframes and a collaborative and commercially grounded process. A dedicated client relationship manager should be established for each project. Further we also propose a new approach to this process through establishing a multi-skilled development approvals team including: an architect and development manager along with a traditional town planner to ensure high quality schemes are approved but that planning constraints are understood so that approvals are commercially grounded. An 'early win' major project should be selected and fast-tracked to get some runs on the board and demonstrate that Council is committed to driving change.
3. An investment incentive scheme that offers a discount on any Council charges payable for new businesses for a start-up period (with partial claw-back for early exit). The discounts could be front-ended, allowing business to reduce establishment costs themselves before having to pay rates.
4. Identify and rank priority / signature projects and resource with project champion and team to facilitate. Ensure financial viability is understood and reflected in a commercial business plan before targeting the facilitation of the signature projects. The project champion will ensure the project is facilitated in a timely way and partner closely with key private sector and State government entities as required.
5. Target expansion opportunities to build existing and new business clusters – education and training, food/agriculture industries, boutique start-ups, marine focus / environmental and maritime industries. Develop alliances with universities through both education and training facilities as well as local businesses.
6. Boost local hi-tech and business park development competitiveness – maintain highly competitive car parking ratios and on-site amenity. Partner with the private sector expertise to facilitate.
7. Limit PPP models to cost recovery for Council rather than profit driven to ensure maximum potential for success and reduce pass-through costs to occupiers.
8. Expand Infrastructure Charges discounts and fast tracked approvals to wider Cleveland area for medium density projects, retail, commercial, and leisure (not limited to CBD core). This is critical to being competitive with other LGA's.
9. Benchmark Development Applications fees to other LGA's to ensure competitive. This includes consideration of providing flexible payment terms to support financial viability of major new projects.

### **Redland City Council Partnerships**

The strategies below illustrate a number of partnership options for the Redland City Council that could contribute to driving new businesses and development into the Cleveland CBD. These include;

1. Partner with the private sector and State and Federal Government to target 'footloose' companies in South East Queensland to bring to Cleveland. Establish clear targeting list to actively engage with businesses for potential relocation to Cleveland CBD. Ensure site availability, financial viability and approval facilitation pathways are clearly established to support successful outcomes.
2. Link and work closely with private sector partners who are involved in priority/signature projects to assist with streamlining processes, removing roadblocks and facilitating the outcome and transition.
3. Establish private sector representation on entity responsible for business attraction initiatives. This should comprise a mix of reputable commercial businesses of varying sizes and from both inside and outside of the Cleveland business community.

### **Redland City Council Internal Processes**

The strategies below are options that the Redland City Council can undertake independently to support the growth of business and development within the Cleveland CBD. These include;

1. Establish and adequately fund position of Chief Digital Officer – a strong differentiator for the region. This role will drive change inside and outside of the organisation and demonstrate innovation through actioned change across the LGA.

2. Survey small and mid-sized companies to understand what would make them move to Cleveland and why they located to their current premises.
3. Facilitate the establishment of greater availability of child care options in close proximity to or in the Cleveland CBD to boost workforce amenity
4. Marketing and events focus to develop signature events programme for Cleveland that pull from wider SEQ region. Strong focus on events for younger demographic including young families. Themed annual event that has strong emphasis on the CBD if possible.

Arguably one of the most significant learnings from the benchmarking of LGA's in terms of establishing a competitive position and maintaining it, is simply ensuring resourcing with the right expertise over a sustained period of time that is needed to deliver meaningful results. Our understanding of the often limited progress with the implementation of many Master Plans in suburban activity centres has highlighted that there is a consistent absence of a clearly established, externally visible and appropriately resourced vehicle or framework to deliver major projects and significant change. In this regard, with appropriate sustained resourcing and a strong and well supported framework, Redland City Council will be well positioned to establish a strong competitive position to drive new investment across the CBD and wider area.

## 2 Introduction and Instructions

### Strategy Objectives

The Redland City Council (RCC) has engaged Jones Lang LaSalle to prepare a Commercial Investment Attraction Strategy as the next step in the process to proactively drive the revitalisation of the Cleveland CBD and realise the vision encapsulated in the CBD Master Plan. Jones Lang LaSalle understands that a key focus of the Investment Attraction Strategy is for RCC to engage with private sector partners to attract investment and drive the urban renewal process. This is intended to be led by one or more key catalyst projects within the Cleveland CBD.

The main objectives of the Cleveland CBD Commercial Investment Strategy are:

1. To undertake a detailed market analysis to determine the most likely development opportunities, and what strategies that RCC can implement to maximise the potential to attract and secure market interest by developers and investors;
2. Complete a detailed market assessment to understand the most viable market opportunities to demonstrate the centre's strength and attract the developers capable of delivering viable projects for the CBD; and
3. To provide informed market driven and feasibility analysis concerning the types of land uses and commercial development the Cleveland CBD can support, in line with the intentions of the Master Plan.

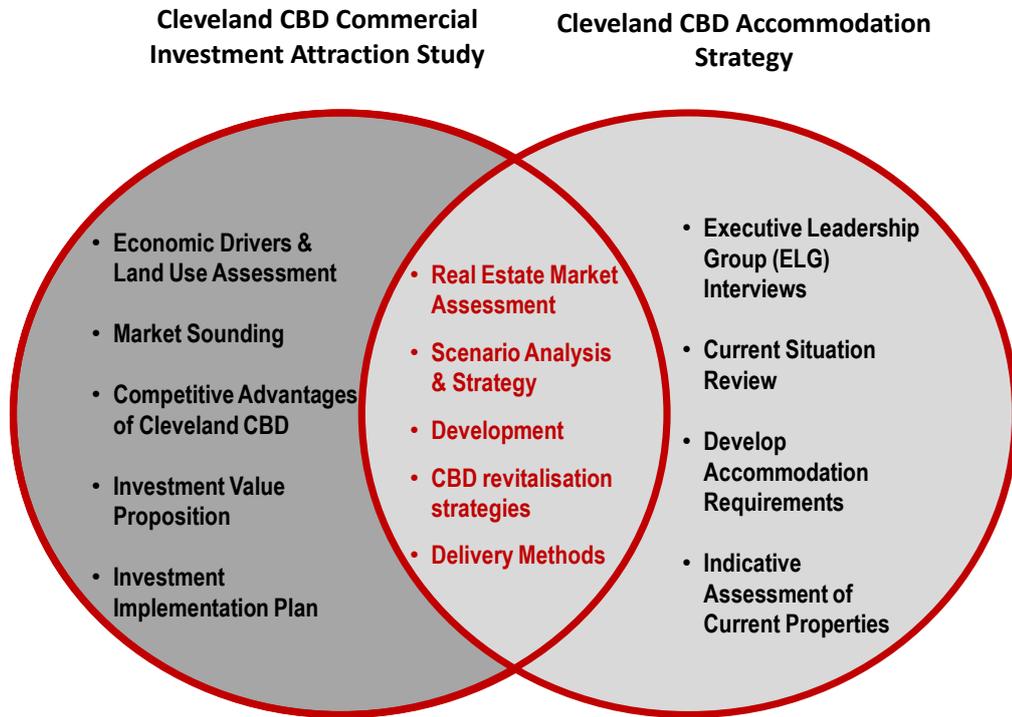
In achieving these objectives the project is to address the following four key deliverables:

1. **Develop an economic baseline assessment for the Cleveland CBD** that identifies the target market and business sector profile that Council should seek to target for the Cleveland CBD;
2. **Define the competitive advantages of the Cleveland CBD** relative to other opportunities currently available throughout South-East Queensland;
3. **Identify specific investors to locate and invest in the Cleveland CBD, including the identification of financially viable catalytic project sites on Council owned land** that provide commercially oriented development options that allow Council to act in a development facilitation role; and
4. **Develop a commercial investment attraction plan for the Cleveland CBD.**

Jones Lang LaSalle recognises the importance of establishing this robust framework to drive investment in the CBD. In the current economic climate of development activity being far more challenging to successfully deliver, such proactive and collaborative approaches that 'pull demand' to a location are critical to drive the necessary urban renewal process that supports sustained economic growth. In adopting such an approach we are confident that Council can make positive progress to facilitating the necessary steps to support the realisation of the Master Plan vision for the future of Cleveland CBD.

It is also important to acknowledge the linkages and interface of the Investment Attraction Strategy with the RCC Office Accommodation Strategy that has been concurrently undertaken by Jones Lang LaSalle. Figure 1 illustrates the scope of services of both this study and the RCC Office Accommodation Strategy and highlights the synergies between the two projects. The RCC is the largest employer in the Cleveland CBD and one of the largest employers in the Redland LGA and is considered a core component to building a larger employment base in the Cleveland CBD. One way that the RCC can express confidence in the Cleveland CBD as a place to conduct business is by retaining and potentially growing and / or renewing its office accommodation and commitment to retaining the major employment presence in the CBD. Under a renewal outcome, particularly whereby this entailed a new building this clearly has the potential to act as a major catalyst project for Cleveland CBD to stimulate further complementary development activity.

Figure 1: Relationship between Commercial Investment Attraction Study and Accommodation Strategy Scope of Services



# 3 Cleveland Centre Master Plan

## Background

An important component of the foundation for the Cleveland CBD Investment Attraction Strategy is the long term vision for how the CBD is preferred to evolve. This is represented by the Cleveland Centre Master Plan, which outlines the desired role and function of the CBD in a built form and urban design context. As such, the Investment Attraction Strategy recognises the need for a strong linkage to this vision to best shape the strategy for attracting the right type of investment that is needed to facilitate the realisation of the Master Plan vision.

## The Cleveland Centre Master Plan

Setting the strategic context for Cleveland CBD and the importance of the role it plays in the broader South East Queensland region, is the recognition of its position in the hierarchy of urban centres, being designated as a Principal Regional Activity Centre as identified in the South East Queensland Regional Plan 2009-2031. This designation means that in addition to the Brisbane CBD, Cleveland is one of the highest order centres within South East Queensland. As such, Cleveland is intended to provide key focal points for regional employment, community services, entertainment and in-centre residential development.

The recently completed Cleveland Centre Master Plan provides a long term vision to guide growth and development in the Cleveland Centre over the next 20 years and beyond. This document provides a vital first step in moving toward a vibrant future for Cleveland. The Master Plan advocates a co-ordinated approach to the future growth of the centre by developing and consolidating housing, employment, public spaces, infrastructure and community services in an area suited to infill development.

The Cleveland Centre Master Plan and Implementation Plan (the Master Plan) provides a long term vision to guide growth and development in the Cleveland Centre over the next 20 years and beyond. Redland City Council adopted the Master Plan in September 2010.

**Figure 2: Artist's Impression; Bloomfield Street**

Source: Cleveland Centre Master Plan Project, 2010



The Redland City Council within the Cleveland Centre Master Plan document outlined a number of overarching elements embedded within the master plan including;

- Reconnect Cleveland Centre with the Bay
- Increase the variety and volume of activity within the Centre by increase the mixed use development and removing voids in the Centre's urban grain
- Increase the residential population of the Centre by introducing bayside focused residential development, above large floor plate retail and commercial premises
- Facilitate the development of mixed use leisure and residential precinct
- Rejuvenate Raby Bay Harbor Park to create an attracted and exciting place of regional significance
- Create opportunities for a range of scales of retail provision
- Consolidate and strengthen the emerging Arts, Cultural and Education precinct
- Enhance movement routes, parking and public transport strategies

These elements are strong themes throughout the Master Plan with the bayside location being seen as central to Cleveland's distinctive character and a major local asset.

The Master Plan also establishes a number of distinct character areas or precincts, which are;

Precinct	Location	Future Use
The Bayside Precinct	Focused Around Raby Bay	A significant amount of new development is anticipated within the precinct to create a destination. The land use will be focused on mixed use, leisure and retail with a large proportion of residential development.
Centre Core	Cleveland CBD	The design and land use of the Core will reflect its civic/ceremonial role with the introduction of new public square and pedestrian routes
Civic, Creative Arts and Knowledge Hub	Western End of Middle Street	The region will be strengthened with the provision of development to accommodate community uses and educational facilities
Reinforced Core	Southern End of Bloomfield Street	A large focuses on residential development, in addition to, the introduction of on street activity through a diverse mix of uses.

Source; Cleveland Centre Master Plan

The Cleveland Master Plan has identified that the success of the proposed Cleveland Town Centre is pivotal to the development of two strategic project sites;

- **The Raby Bay Harbor Park** – Important role in building on the physical and visual connection between the Centre and its bay front location. The Cleveland Master Plan has identified the park to be transformed into a high quality park land landscape.
- **Civic Heart** – The Civic Heart will be formed following the amalgamation of two public space either side of Bloomfield Street to crease a seamless larger plaza

We consider both these projects are central to attracting further investment in Cleveland, providing investors / developers with confidence in Cleveland centre's future.

## 4 Demographic Analysis

### Key Points & Outcomes

Cleveland CBD and immediate surrounds (Cleveland SLA) is a well-established urban area. Accommodating population growth in recent years has been largely reliant on increased residential density through urban infill.

Typical challenges of transitioning to an urban infill dominated market (cost effective supply, matching of product type to demographic demands that have been used to detached housing) has seen a slow but steady emergence of this market over the last 15+ years. In combination, population growth has been relatively slow at 1.1% p.a. since 2001 (or just 136 people per annum). This compares to 1.6% p.a. for the wider Redland City LGA and 2.0% p.a. for Queensland. Importantly, population growth is forecast to increase to 1.8% p.a. between 2011 and 2031, or around 188 persons per annum.

Cleveland SLA has an aged demographic profile, and this is expected to become increasingly pronounced over the long term based on current population growth forecasts. Significantly, 99.2% of population growth from 2001 to 2011 was for persons aged 55 and over. This demographic bias will have a strong influence on the volume and type of new residential product offered (e.g. catering to higher proportion of single person households and smaller average household sizes) over the short to medium term.

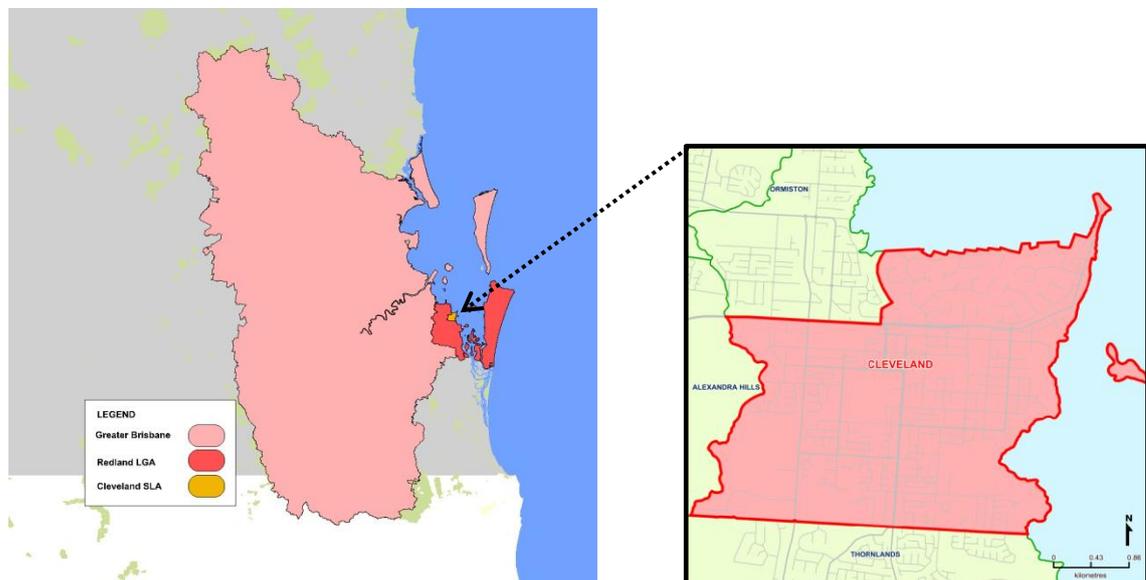
Should the challenges associated with attracting and retaining a younger demographic including a younger workforce are able to be progressively overcome, this will enable the residential property market to respond with a broader range of new supply that may cater to a younger demographic. A more balanced demographic profile will also drive a broader range of major land uses, being commercial, retail and short term accommodation.

Incomes are lower for Cleveland SLA than Redland LGA at \$79,112 versus \$85,761 per annum. However, Raby Bay residents have relatively high household incomes ranging from \$96,512 to \$150,072.

### 4.1 Demographic Profile

The following section summarises the demographic profile of Cleveland CBD and immediate surrounds drawing on the 2011 Census data for the Cleveland Statistical Local Area (SLA) area (refer image below), which incorporates Raby Bay to the north, the coastline to the east, South Street to the south and broadly follows the urban footprint located west of Wellington Street to incorporate a total catchment of 11.8 square kilometres. This demographic information is compared with the wider Redland Local Government Area (LGA) and Greater Brisbane (SA), to provide a point of reference. Redland City LGA data also provides us with a better understanding of the context of Cleveland with its immediate vicinity.

Figure 3: Greater Brisbane SA, Redland City LGA and Cleveland SLA



A summary of the Cleveland SLA demographic profile is provided below:

- Cleveland SLA accounts for approximately 10% of the Redland City LGA population, with 14,420 residents as at the 2011 Census;
- Population growth in Cleveland SLA since 2001 has been 1.1% per annum, having grown at a slower rate than both Redland City LGA and Queensland, which experienced growth of 1.6% and 2.0% respectively. During 2006 – 2011 Cleveland SLA's growth was even lower, at 1.0% per annum, compared to Redland City LGA at 1.6% and Queensland at 2.0%;
- Cleveland SLA's population growth has averaged 136 people per annum for the past five years, which results in a need for approximately 57 dwellings each year;
- Cleveland SLA has a much older population than the greater Brisbane average, with 22.1% of the population aged over 65 years (Brisbane 11.8%). Conversely, Cleveland SLA has a lower proportion of children and population of working age than Brisbane;
- Lone person households within Cleveland SLA (27.8%) are above the wider average for both Redland and Brisbane, 19.7% and 21.8% respectively. This also reflects the older age profile of the area;
- Semi-detached housing is quite common in Cleveland SLA, considered to be a function of its elderly population profile, with this product accounting for 23.6% of the total housing stock, compared to the Brisbane average of 8.5%. The popularity of duplex-style accommodation and single level retirement dwellings accounts for the high levels of attached housing, much of which is occupied by elderly residents. The Redland City LGA semi-detached housing rate is more in line with wider Brisbane at 9.7%;
- Cleveland SLA has a much higher rate of home owners (37.5%) compared with Redland (32.4%), and greater Brisbane (27.9%);
- Whilst average personal income is relatively consistent with the Brisbane averages, Cleveland SLA's income profile is characterised by lower levels of household income of \$79,112 versus \$85,761 per annum. Redland City LGA is in line with Greater Brisbane across both averages;
- Cleveland SLA has a very high proportion of households with income between \$1-\$599/week, at 26.4% versus greater Brisbane at 18.4%.
- Population growth in Cleveland SLA over the next 20 years is forecast to outstrip the average growth across the City, which is expected to be the result of medium density infill development in and around the Cleveland CBD. We note that this stronger population growth is still below the Queensland average, which is predicted to be 1.8% per annum between 2011 and 2031; and
- This growth equates to an additional 188 persons per annum for the next five years, or 78 new dwellings per annum in Cleveland SLA.

A summary of this key demographic information is outlined below;

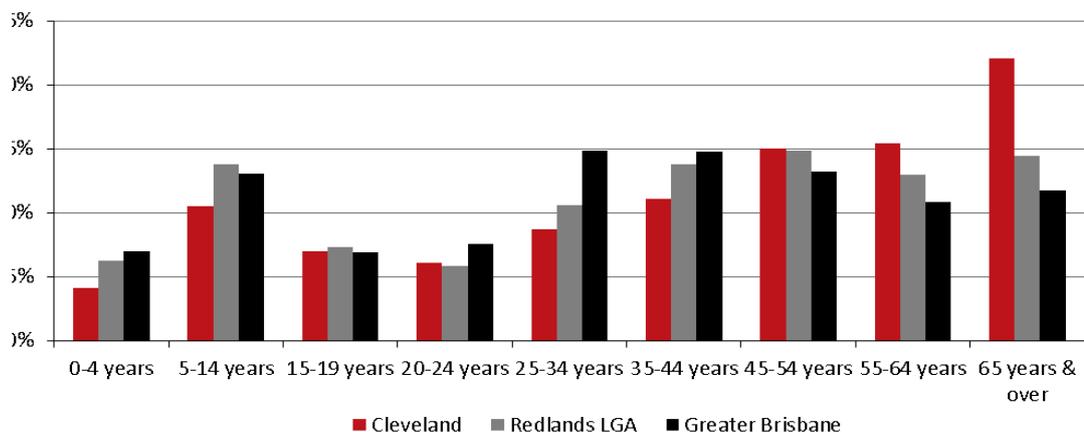
**Table 1: Selected demographic characteristics, Cleveland SLA, Redland City LGA and Greater Brisbane**

<b>Selected Characteristic</b>	<b>Cleveland SLA</b>	<b>Redland LGA</b>	<b>Greater Brisbane</b>
<u>Population</u>	14,414	138,666	2,065,996
<u>Age Distribution</u>			
0-4 years	4.1%	6.2%	7.0%
5-14 years	10.5%	13.8%	13.1%
15-19 years	7.0%	7.3%	6.9%
20-24 years	6.1%	5.9%	7.6%
25-34 years	8.7%	10.6%	14.8%
35-44 years	11.1%	13.8%	14.8%
45-54 years	15.1%	14.9%	13.2%
55-64 years	15.4%	12.9%	10.8%
65 years & over	22.1%	14.5%	11.8%
<u>Birthplace</u>			
Australia	68.7%	76.4%	74.0%
UK	12.4%	8.7%	5.6%
Other	13.1%	10.7%	12.0%
<u>Housing Status</u>			
Owner	37.5%	32.4%	27.9%

Selected Characteristic	Cleveland SLA	Redland LGA	Greater Brisbane
Purchaser	27.1%	41.3%	37.6%
Renter	34.0%	25.0%	33.7%
Other	1.4%	1.3%	0.8%
<b>Dwelling Structure</b>			
Separate house	65.7%	86.6%	79.1%
Semi-det, row/terrace, townhouse	23.6%	9.7%	8.5%
Flat, unit, apt	10.4%	3.2%	11.7%
<b>Family Composition</b>			
Couple - No Children	44.9%	38.0%	37.0%
Couple - Dependent Children	22.7%	30.6%	31.6%
Couple - Non-dependent Children	15.2%	15.5%	13.3%
One Parent - Dependent Children	7.4%	8.0%	8.8%
One Parent - Non-dependent Children	8.5%	6.8%	7.3%
Other Family	1.3%	1.1%	2.0%
<b>Households</b>			
Family Households	69.5%	77.6%	72.9%
Lone Person Households	27.8%	19.7%	21.8%
Group Households	2.7%	2.7%	5.2%
<b>Income</b>			
Average Personal Income	\$41,027	\$40,038	\$41,468
- Variation from benchmark	-1.1%	-3.4%	
Average Household Income	\$79,112	\$83,384	\$85,761
- Variation from benchmark	-7.8%	-2.8%	
Average Household Size	2.3	2.7	2.6

Source: Australian Bureau of Statistics Census 2011, Jones Lang LaSalle

**Figure 4: Age Distribution**



Source: Australian Bureau of Statistics Census 2011, Jones Lang LaSalle

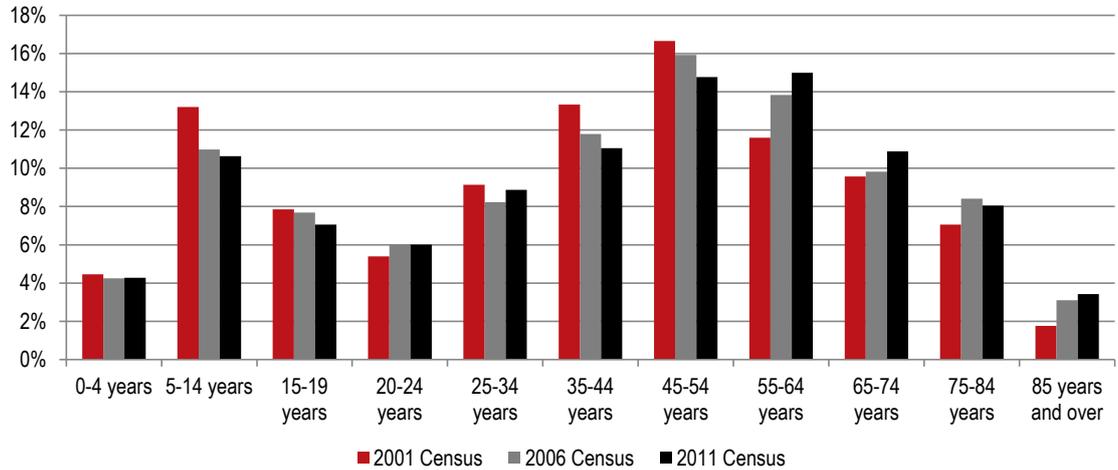
The age distribution graph above illustrates the proportion of residents within each age bracket, at the time of the 2011 Census, for the Cleveland SLA, Redland LGA and Greater Brisbane SA.

The age distribution graph above illustrates the prevalence of older residents within Cleveland, evident with approximately 22.1% of residents aged 65 years or greater compared with the Redland LGA and Greater Brisbane. The higher proportion of this older demographic within the Cleveland SLA can be attributed to the SLA containing seven retirement villages and aged care communities.

The age distribution graph also illustrates the smaller number of families within the Cleveland SLA when compared to the Redland LGA and Greater Brisbane. Within the Cleveland SLA there are only 22% of residents

aged less than 19 years (Children) with a corresponding 35% of the population aged 25 to 54 years (parents). This compares to 28% of residents less than 19 years of age and 40% residents aged 25 to 54 years within the Redland LGA.

**Figure 5: Age Distribution by Census Period**



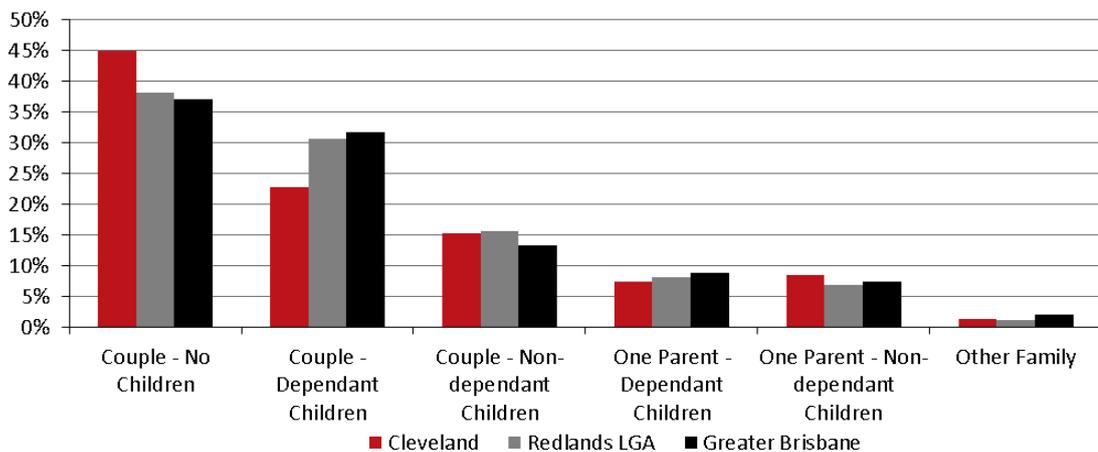
The age distribution graph above illustrates the change in age cohorts between the 2001, 2006 and 2011 Census Periods for the Cleveland SLA.

The SLA has experienced strong growth in the older demographic identified above with the number of residents above 55 years of age increasing by 3% per annum or 1,521 residents between the 2001 and 2011 census periods. Significantly, this demographic group has accounted for 99.2% of total population growth within Cleveland between the 2001 and 2011 Census periods.

The prevalence of the family demographic within the Cleveland SLA has diminished between the 2001 and 2011 census period with the proportion of residents aged less than 19 years declining from 26% in 2001 to 22% in 2012. Also, the proportion of residents 25 to 54 years has reduced from 39% to 35%

Moving forward, it would be expected that the prevalence and dominance of the older demographic would continue, highlighting the need to provide residential dwellings that are suited and targeted to this demographic.

**Figure 6: Family Composition**

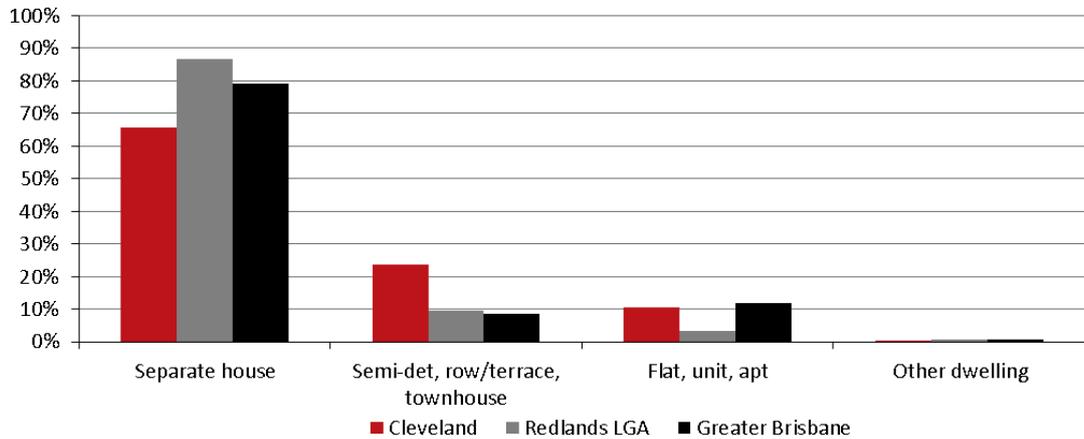


Source: Australian Bureau of Statistics Census 2011, Jones Lang LaSalle

The family composition graph above illustrates the proportion of families within each composition for the Cleveland SLA, Redland LGA and Greater Brisbane.

There is a higher proportion of couple family without Children within the Cleveland SLA with 44.9% compared to the Redland LGA and Greater Brisbane. This can be attributed to the higher proportion of older residents whose children generally no longer reside at home.

**Figure 7: Dwelling Type**



Source: Australian Bureau of Statistics Census 2011, Jones Lang LaSalle

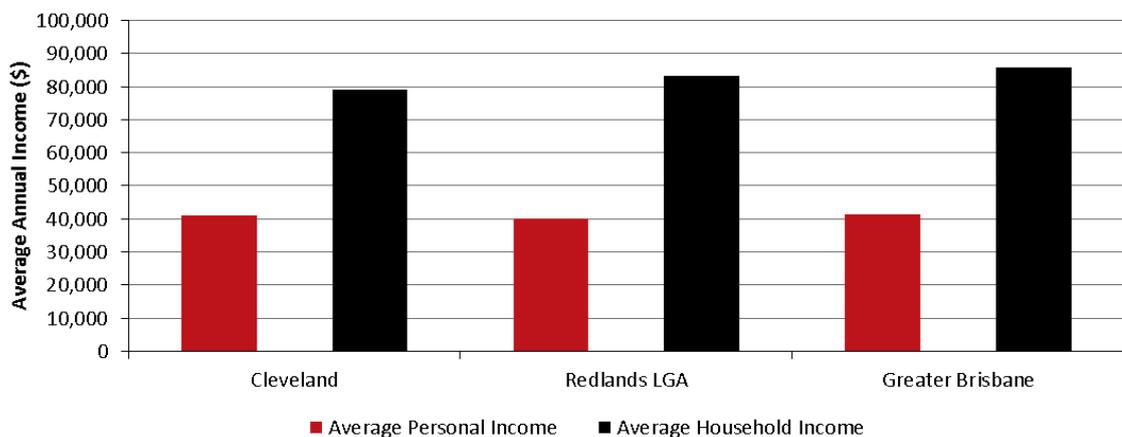
Analysis of dwelling types across the area, as highlighted above, illustrates the proportion of dwellings within each tenure type for the Cleveland SLA, Redland LGA and Greater Brisbane GCCSA.

The prevalence of the aged care and retirement communities within the Cleveland SLA is evident with the higher proportion of semi-detached residential dwellings. This type of residential dwelling product is also evident within a number of gated communities within or surrounding the Raby Bay Canal development. This low density product type is generally also desired by an older demographic as it offers low maintenance living options compared to a large detached dwelling.

The higher proportion of apartments within the Cleveland SLA when compared to the Redland LGA can be attributed to the extensive residential development that has occurred surrounding the Raby Bay Marina.

The smaller proportion of families within the Cleveland SLA is consistent with a reduced number of separate homes within the region when compared to the family oriented Redland LGA and Greater Brisbane.

**Figure 8: Personal and Household Income**



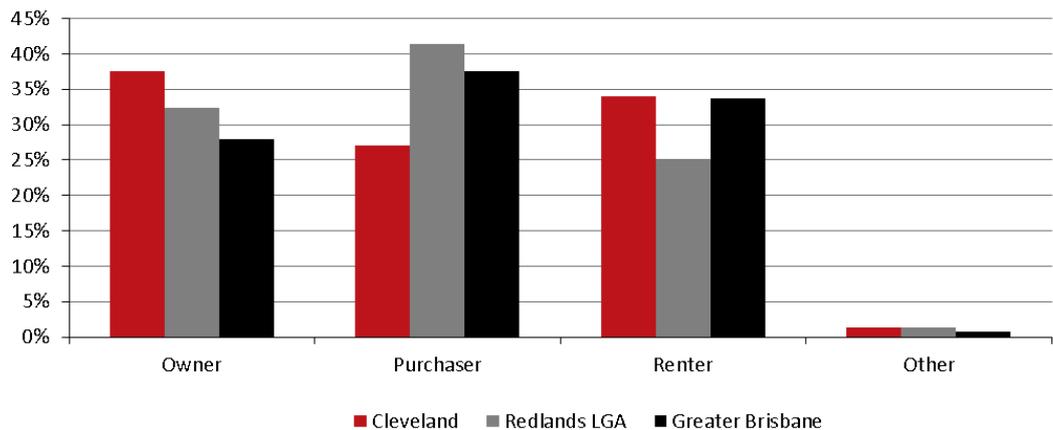
Source: Australian Bureau of Statistics Census 2011, Jones Lang LaSalle

The personal and household income graph above illustrates the proportion of families within each composition for the Cleveland SLA, Redland LGA and Greater Brisbane GCCSA.

The average personal and household incomes for the Cleveland SLA, Redland LGA and Greater Brisbane were relatively similar at the time of the 2011 Census. The lower than expected income levels for Cleveland can be attributed to the older age demographic within the SLA with a high proportion of the residents either retiring or working at a reduced capacity.

The 2011 Census highlighted that 32.9% of households within the Cleveland SLA have one person working full time and the second working either part time or not at all, compared to 37.7% of households within the Redland LGA. In addition, 24.4% residents (who could potentially form part of the labour force) within the Cleveland SLA are not working at all compared to 18.8% within the Redland LGA.

**Figure 9: Housing Status**

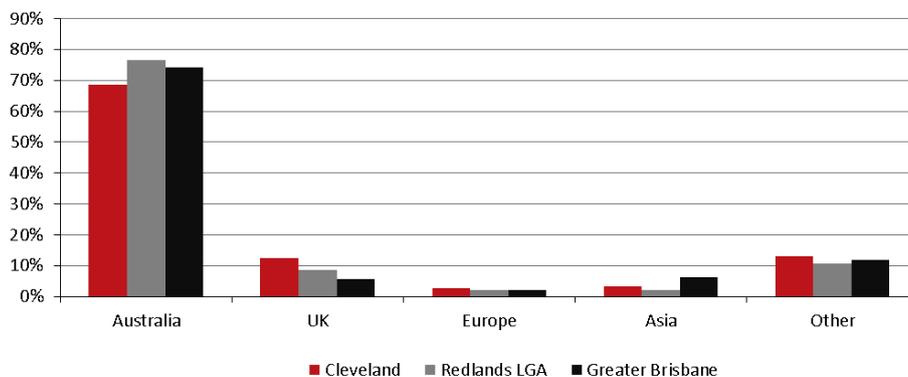


Source: Australian Bureau of Statistics Census 2011, Jones Lang LaSalle

The housing status graph above illustrates the proportion of dwellings within each tenure type for the Cleveland SLA, Redland LGA and Greater Brisbane GCCSA.

The Cleveland SLA has a higher proportion of residents who own their dwelling outright, which is consistent with an older demographic profile. Interestingly, there are a high proportion of dwellings that are currently rented within the Cleveland SLA, which is presumably due to the large number of residents that are residing within age care and retirement villages and is more common in this type of accommodation.

**Figure 10: Birthplace**



Source: Australian Bureau of Statistics Census 2011, Jones Lang LaSalle

A detailed demographic case study has been compiled to illustrate the market depth of this demographic. The table below compares the demographic differences between the Statistical Area Level 1s (SA1s) that the Raby Bay Canal development comprises of, against the broader suburb of Cleveland.

**Table 2: Raby Bay Demographic Profile**

Region	Median Age	Median mortgage repayment (\$/monthly)	Median total household income (\$/weekly)
3100732	55	\$3,500	\$2,886
3100723	54	\$2,800	\$2,670
3100736	53	\$2,700	\$2,643
3100733	50	\$2,400	\$2,333
3100735	49	\$2,300	\$2,312
3100724	45	\$1,750	\$1,856
<b>Cleveland</b>	<b>46</b>	<b>\$2,000</b>	<b>\$1,139</b>

The Raby Bay Canal development has been able to attract a demographic, which is considerably different to the wider suburb of Cleveland. The median age for residents within the Raby Bay SA1s ranges in age from 55 to 45 years with the majority significantly higher than Cleveland.

The premium dwellings within the region are evident within the median mortgage repayments for dwellings within the Canal, which range from \$3,500 to \$2,000, which is greater than the suburb of Cleveland. The median total household income for residents within the SA1s range from \$2,886 to \$1,856 per month (\$150,072 to \$96,512 per annum), which is significantly greater than the median household income within Cleveland.

The birthplace for Cleveland SLA residents is predominantly Australia (68.7%), although there is a higher percentage of residents born overseas than for Redland or wider Brisbane. Of these internationally born residents, the United Kingdom and 'Other' are the highest source.

**Table 3: Cleveland Migration between 2006 and 2011 Census Periods**

State of Usual Residence Five Years Ago	Number of Residence	Proportion of Migration
Queensland	3455	66
Overseas	1088	21
New South Wales	353	7
Victoria	130	1
Western Australia	61	1
South Australia	59	1
Australian Capital Territory	24	0
Northern Territory	19	0
Tasmania	13	0
Other Territories	0	0
<b>SLA of residence Five Years Ago</b>		
Cleveland (includes residents who have not moved or moved but remained within Cleveland)	7920	n/a
Thornlands	349	6.7
Alexandra Hills	260	5
Capalaba	231	4.4

Ormiston	230	4.4
Birkdale	195	3.7
Victoria Point	194	3.7
Redland Bay	183	3.5
Wellington Point	160	3.1
Sheldon- Mt Cotton	61	1.2

Source: Australian Bureau of Statistics Census 2011, Jones Lang LaSalle

The table above illustrates the number of residents who have moved into the Cleveland SLA between the 2006 and 2011 Census periods. The data illustrates their State and SLA of usual residence at the time of the 2011 Census. The data also comprises residents that have either remained within the same dwelling or moved internally within the Cleveland SLA between the census periods.

Interestingly over 1,000 residents have moved from overseas locations into the Cleveland SLA between the Census periods, more than all the States (excluding Queensland) combined. Based on the change in birthplace between the Census periods, it is reasonable to assume that the majority of these residents are from the United Kingdom, New Zealand and South Africa.

The migration by SLA illustrates that the majority of residents have moved into the Cleveland SLA from the surrounding regions of Thornlands, Alexandra Hills, Capalaba and Ormiston.

## 4.2 Demand Assessment

### Queensland Population Growth

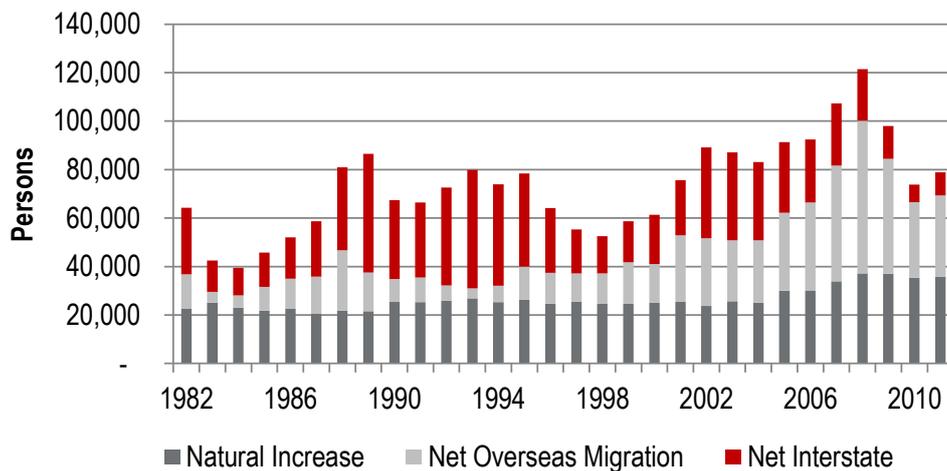
Queensland has consistently performed as the fastest growing state in the country. Over the past decade, Queensland's population has grown at an average rate of 2.0% per annum, and over the period 2005 to 2008 grew at an exceptionally strong rate of around 2.5%. Recent data highlights that this growth rate has slowed, although total aggregate growth still remains in line with longer term average annual rates at around 75,000 additional residents per annum.

Figure 7 shows the composition of Queensland's population growth from 1984 to 2011. Net population change at a state level is derived from three components: natural increase, net overseas migration and net interstate migration. The contribution to Queensland's population growth by each component has changed notably in the past decade. We discuss some of these changes below:

- Net overseas migration has historically been one the largest contributors to Queensland's population growth over the past decade. More recently, net overseas migration has declined while natural increases have been a more significant contributor to growth. Nevertheless, over the 12 months to June-2012, net overseas migration was the largest contributor to population growth, adding additional 40,472 people. This represents around 47% of the State's total – this compares to 52% in 2009).
- Natural increase accounted for the second largest proportion of growth over the year to June-2012 (33,693 people or 39% of the State's total – this compares to 30% in 2009);
- Net interstate migration made the smallest contribution to growth of 11,796 people, or 13% of the State's total – this compares to 17% in 2009.

As Queensland's economic recovery moves into a stronger phase of growth from 2013 onwards, it is expected that this will drive population growth up again, particularly for interstate migration as people seek new job opportunities created by the pipeline of committed resource projects, as well as the pickup in other industries as the State government moves to broaden the state's economic drivers. Tourism, property and construction and agriculture have been actively targeted by the state as growth areas and we believe that this, in conjunction with ongoing resource sector activity, will see population growth pick up over the medium term.

**Figure 11: Queensland population, composition change (1984-2011)**



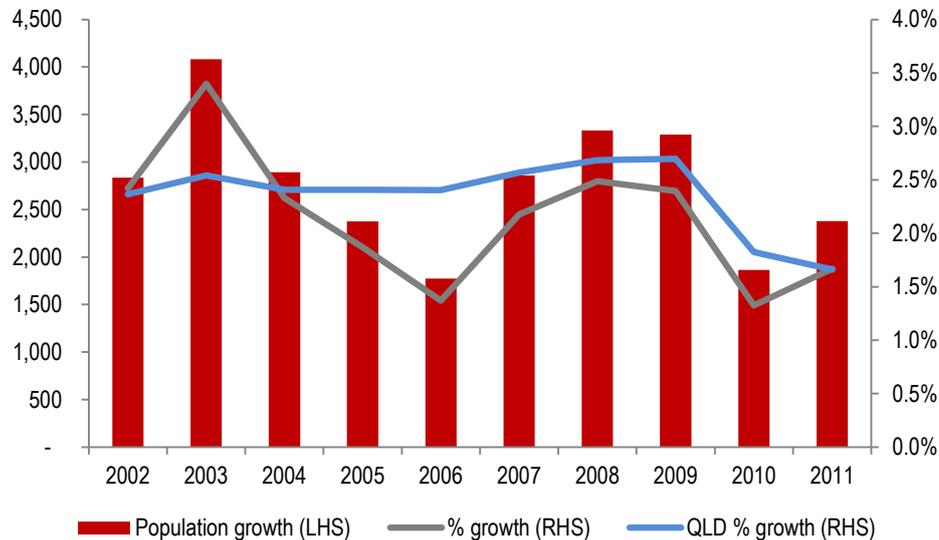
Source: Jones Lang LaSalle, ABS

### Redland City LGA Population Growth

The estimated resident population in the Redland City LGA as at 2011 was 144,936 people. Over the past 10 years the Redland region has grown at an average annual growth rate of 2.1% per annum, representing around 2,768 people per annum. This compares to the Queensland average of 2.4% per annum over the same period. Redland

experienced its strongest growth from 2007 to 2009, growing at an average annual rate of 2.4% per annum. Since 2009 the region's population growth has slowed growing at only 1.8% per annum to 2011. Despite the slowdown, population growth has remained solid and importantly in 2011 the region saw population recover from its 2010 trough.

**Figure 12: Redland City LGA Population Growth (2002 – 2011)**



Source: Jones Lang LaSalle, ABS

The Redland City LGA comprises 12 individual Statistical Local Areas (SLA). An analysis of these areas provides a greater understanding of the region's population trends and how Cleveland is positioned within this context.

The fastest growing SLA in Redland has been Redland Bay, growing at an average annual rate of 7.1% per annum, equating to an additional 696 people per annum. The strong growth in Redland Bay has seen growth average 8.8% from 2002 to 2007 with growth beginning to fall only from 2008. Nevertheless, growth has remained well above state trends and has grown at an average annual rate of 3.3%. The exceptional growth seen in Redland Bay is not surprising given the availability of broad hectare land to accommodate new residential development. Furthermore, the area has good access to lifestyle amenities, recreational areas, employment nodes, retail centres and other social infrastructure, which highlights the importance of these factors in determining the desired outcomes for Cleveland SLA.

### Housing Mix Analysis

In order to understand the long term trends for growth in detached dwellings and medium density dwellings in the region, we have analysed the change in dwelling stock in the Redland City LGA over the past three Census periods (2001, 2006 and 2011). We have analysed the additions to dwelling stock over this period and the associated change in dwelling mix over each respective timeframe.

**Table 4: Housing Composition – Redland City LGA**

	2001	2006		2011	
	Total Stock	Ave. Annual Growth to 2006	Total Stock	Ave. Ann Growth to 2011	Total Stock
<b>House</b>	<b>35,068</b>	<b>907</b>	<b>39,605</b>	<b>805</b>	<b>43,630</b>
<b>Semi-detached*</b>	<b>3,896</b>	<b>92</b>	<b>4,354</b>	<b>103</b>	<b>4,867</b>
<b>Apartment</b>	<b>1,167</b>	<b>114</b>	<b>1,735</b>	<b>20</b>	<b>1,636</b>
1 or 2 storey	954	97	1,439	-36	1,261
3 storey	16	14	187	1	194
4 storey +	20	9	67	13	134
<b>Other / balance</b>	<b>762</b>	<b>52</b>	<b>502</b>	<b>27</b>	<b>369</b>
<b>Total</b>	<b>40,893</b>	<b>1,061</b>	<b>46,196</b>	<b>861</b>	<b>50,502</b>

Source: Jones Lang LaSalle Research & Consulting, ABS

\* includes row, terrace or townhouses etc.

Based on our analysis we note the following key findings:

- Redland has traditionally been characterised as a detached housing market but more medium density dwelling forms are emerging. In 2001, detached houses comprised 86.0% of all dwelling stock, this fell slightly to 85.3% in 2006 and then fell again to 84.9% in 2011. While the proportion of detached dwellings to overall stock has slightly decreased its growth has remained solid over the past 10 years. Over the five year period from 2006 to 2011, detached housing supply grew by 8.1% and comprised 79.9% of all dwelling supply delivered over this period.
- The Redland region has started to see a transition to more medium density semi-detached dwelling types with solid growth seen in this market segment over the past five years to 2011. As at 2011, semi-detached housing comprised 10.0% of all dwelling stock compared to 8.8% in 2006 and 8.4% in 2001. Interestingly, the growth of the this type of dwelling supply has been one of the strongest performing market segments over the past five years, growing by 24.0% from 2006 to 2011. This compares to only 13.4% growth from 2001 to 2006.
- Attached housing, (apartments and unit stock) has traditionally comprised only a small portion Redland's housing market. In 2001, these types of dwellings formed only 3.3% of all housing stock and then increased to 4.9% in 2006 and then fell to 4.2% in 2011. The decline seen over the past five years to 2011 has been due to the decline of one storey attached dwellings which contracted by 17.3%. Attached dwellings of two or more storeys increased by 54.1% over the five years to 2011 highlighting the emerging trends of urban renewal and increasing density in the LGA.

# 5 Residential Market Assessment

## Key Points & Outcomes

Early signs of a recovery are emerging in some segments of the residential market across the SEQ region however broader market conditions still remain relatively flat.

Matching of appropriate housing supply to the demand profile will be an important component of retaining a younger demographic in Cleveland, while providing appropriate options for an older population (e.g. downsizing options, retirement living etc.)

Median house prices remain 10.8% above the 10 year average, and are only marginally below the levels at the market peak in 2008;

The median house sale price for Cleveland SLA was \$518,000 in 2012, and our most current data for the year to date has indicated that this has largely remained constant;

The current median sale price for Cleveland SLA has softened in line with the wider Redland Region to \$350,000, which is around 4% below the 10 year average;

Sales volumes for the last three years have remained steady, with the increase experienced by the wider region not mirrored in Cleveland SLA.

New dwelling approvals for the Cleveland SLA are at around half the ten year average, and well below their peak in 2008.

### 5.1 Overview

The residential property market across South East Queensland has continued through an extended recovery phase over the course of the last couple of years with prices remaining relatively stable. Early signs of a recovery are emerging in some segments of the residential market across the SEQ region however, broader market conditions still remain relatively flat. This extended period of stabilisation has been characterised by relatively low levels of demand, limited price growth and constrained financing conditions. This reflects a level of ongoing domestic and global economic uncertainty and a level of caution by owners and investors, with correspondingly high levels of household savings and lower levels of spending and investment levels.

The focus of this report with regard to the residential market is primarily on the medium density market, to understand the drivers to support increased supply and density in and around transport nodes and in close proximity to the Cleveland CBD. Key elements of the report to note include;

- The current challenges developers face in securing finance and significant presale levels for medium density projects. The difficulty in access finance and reaching presale targets has resulted in longer development timeframes and subsequent lag period for developments to be constructed.
- There is increased competition within the residential market with off-the-plan apartments and new residential houses competing directly with near new and resale product. This increased competition has driven vendor discounting and increased developer incentives.

Despite these challenging conditions, it is clear that the segment of the medium density market that is performing well across SEQ is projects that are not just well located, but are quality, well-designed projects that provide a point of difference and deliver good value for money. Consumer expectations have shifted and expectations have increased to focus on value for money and quality along with innovative design and high levels of functionality. This has seen many projects that are offering a more 'generic' product suffer from poorer sales performance (price and / or demand level) due to limited product differentiation. Quality projects continue to demonstrate the market demand for this type of offering, with evidence of greater take-up by owner occupiers of such product particularly in more 'boutique' sized schemes (sub 30 dwellings).

Cleveland has historically provided affordable housing options within close proximity to the CBD. In recent years the suburb has seen the emergence of medium density residential projects over four to eight levels. These projects have

primarily been marketed to the investor market rather than owner-occupiers. Around 60% of Cleveland SLA's apartments are rental accommodation.

Many of the more recently marketed projects post GFC (2008) have stalled, owing to funding and difficulties securing pre-sales, or have had mixed results upon completion. We have analysed the performance of some medium density projects in Cleveland SLA and note that there are projects with approximately 40 units that have taken more than two years to sell just half the stock.

The current median sale price for Cleveland SLA has softened in line with the wider Redland Region to \$350,000, which is around 4% below the 10 year average. Sales volumes for the last three years have remained steady, with the increase experienced by the wider region not mirrored in Cleveland SLA according to current data. Average sales volumes between 2002 and 2012 were 121 sales per year. 2012 saw sales transaction volumes remain at 25% below the 10 year average for the third consecutive year, reflecting the generally soft housing market conditions across South East Queensland.

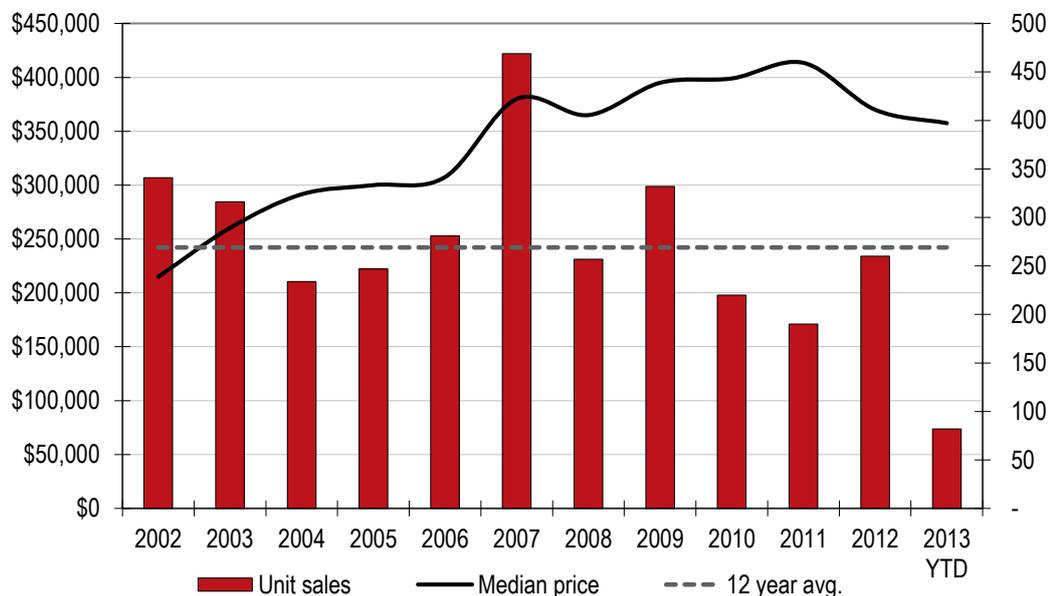
For Cleveland SLA, the number of sales for houses has progressively softened since 2002, although median prices have increased steadily between 2002 and 2008, and have generally remained steady since. The current median house price for Cleveland SLA is \$500,000.

### Sales Performance

The following provides an overview of the historical and recent performance of unit and home sales in the Redland City LGA, and the Cleveland SLA. This analysis considers the trend in median unit and house prices over this period.

Figure 11 shows the historical performance of apartment sales and median prices across the Redland City LGA from 2001 to 2013 YTD. It is noted that this data is a reflection of the 'existing' market (i.e. built product), and does not reflect sales performance for 'off the plan' product types.

**Figure 13: Unit sales, Redland City LGA**



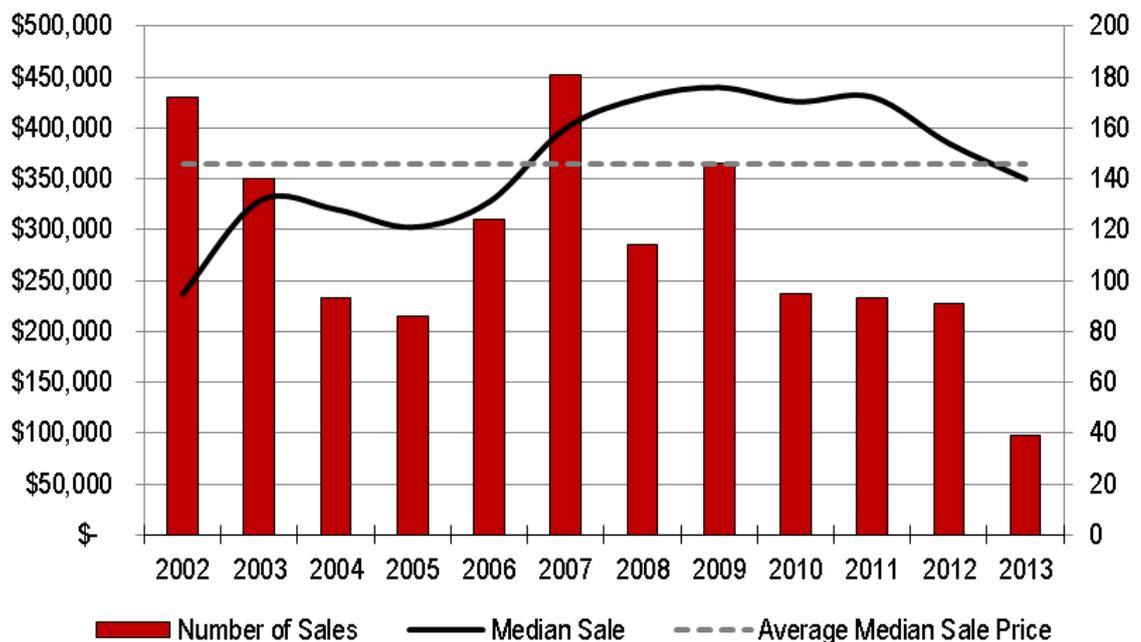
Source: Jones Lang LaSalle, RP Data

We note the following key characteristics about the performance of the Redland City LGA unit market over this period.

- Since 2002 units sales across the Redland City LGA have averaged 269 per annum.

- The trend in unit sales shows a clear peak in 2007 with the market recording 469 sales, approximately 74.2% above the historical average. The market entered a sharp contraction in 2008 with only 257 sales recorded, this result reflects a 45.2% decline from the 2007 peak and a 4.4% drop from the long term average.
- The market recovered in 2009 which coincided with the State Government boost to home owner grants.
- In 2010 and 2011, unit sales were well below historical average trends and the market reached a trough in 2011 with only 190 sales recorded, a 29% decline from the long term average trend.
- While conditions have been challenging, the market made a stronger recovery in 2012 with sales almost in line with their historical average representing an increase of 37% from 2011.
- As at 2012, median prices for units were \$370,500. Median unit prices have gradually trended upwards since 2002. Despite the solid gain in unit prices over the past decade, the market appears to have corrected itself over the past few years with unit prices falling 10.5% in 2012.

**Figure 14: Unit sales, Cleveland SLA**

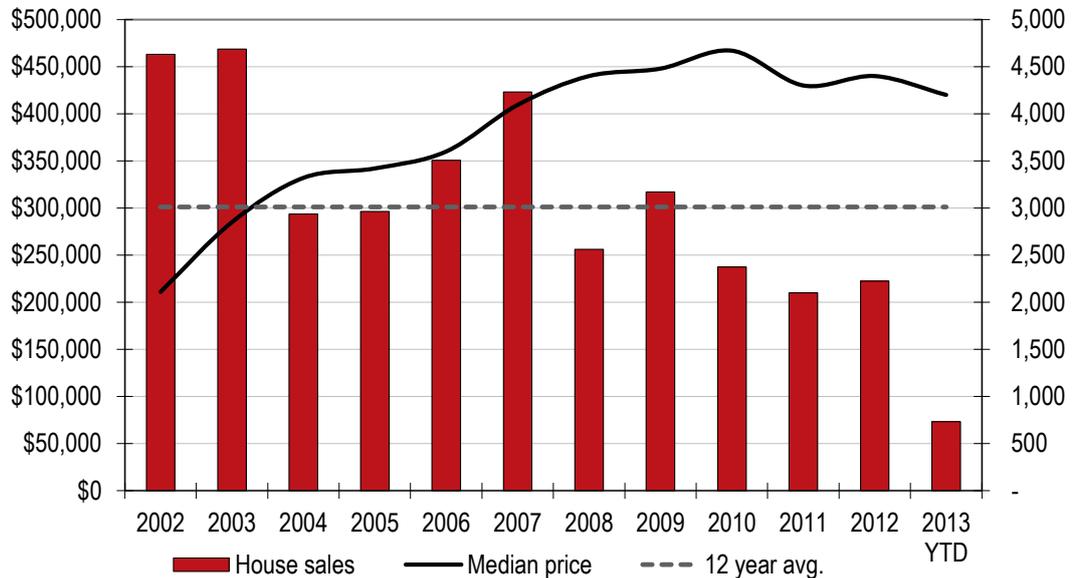


Source: Jones Lang LaSalle, RP Data

With regard to unit sales in Cleveland SLA specifically, we note that the general market cycle largely reflects the movements as per the Redland City LGA in the above assessment. For the unit market in Cleveland SLA, the following points highlight key information;

- The current median sale price for Cleveland SLA has softened in line with the wider Redland Region to \$350,000, which is around 4% below the 10 year average;
- Number of sales for the last three years has remained steady, with the increase experienced by the wider region not mirrored in Cleveland SLA according to current data; and
- Average sales volumes between 2002 and 2012 were 121 sales per year. 2012 saw sales transaction volumes remain below the 10 year average for the third consecutive year, reflecting the generally softer market conditions across South East Queensland.

**Figure 15: House Sales, Redland City LGA**

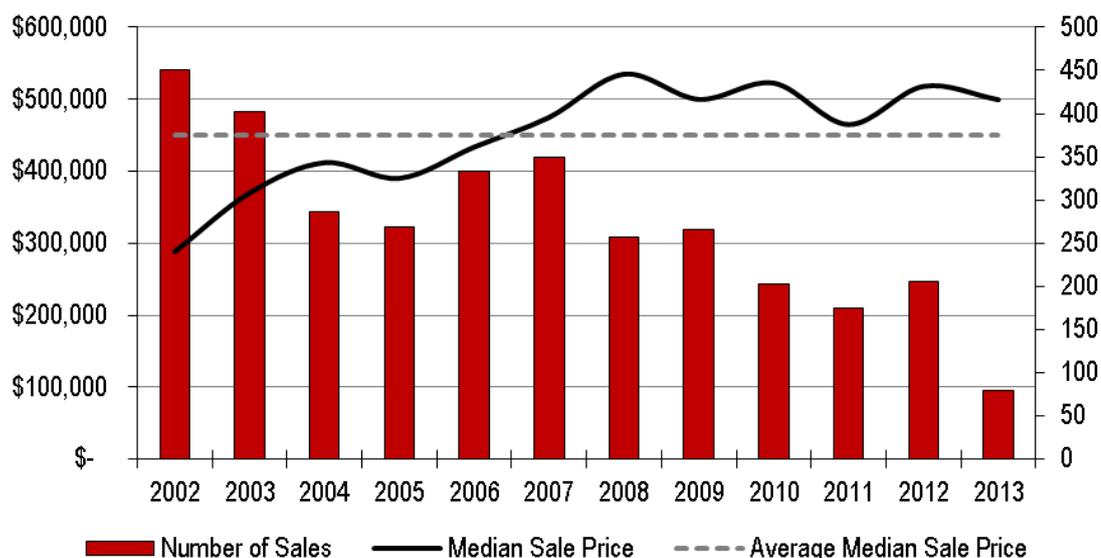


Source: Jones Lang LaSalle, RP Data

We note the following key characteristics about the performance of the Redland detached housing market over 2002-2012:

- Since 2002 house sales across the Redland City LGA have averaged 3,010 per annum.
- The Redland housing market has seen similar volatility to the national housing market over the past several years. Since reaching a peak in 2007 house sales have remained well below historical average trends and are nearly half the levels reached at the peak of the market.
- At the peak of the market in 2007 Redland recorded approximately 4,231 sales, 40.6% above the long term average trend. The market quickly moved into a trough as economic conditions worsened and in 2008 sales fell by 39.4% from the 2007 peak.
- The market reached a short term peak in 2009 reflecting the impact of the State Government's home owner's boost. This peak quickly deteriorated and sales volumes have fallen well below their historical long term average trend.
- Since 2009 sales have averaged approximately 2,223 per annum, 26.1% below the long term average.
- We note that the detached house market has not seen the same rebound as the unit market in 2012 with sales volumes only increasing by 3.5% over the year.
- Median house prices have seen a gradual and steady increase since 2002 with a slight correction in 2011. At 2012, the median house price was \$425,000. Since 2002 median house prices have increased at a compound annual growth rate of 5.6% per annum. Cleveland SLA saw significant price growth in the housing market over 2003 to 2007 when house prices grew at an average annual rate of 12.4% per annum. The median sale price peaked in 2009.

**Figure 16: House Sales, Cleveland SLA**



Source: Jones Lang LaSalle, RP Data

We note that the Cleveland SLA house sale analysis has highlighted that the movement of both price and sales volumes generally reflects the movements within the wider Redland City LGA region, as per the above analysis. The following points highlight key information for the Cleveland SLA;

- The median house sale price for Cleveland SLA was \$518,000 in 2012, and our most current data for the year to date has indicated that this has largely remained constant;
- Median house prices remain 10.8% above the 10 year average, and are only marginally below the levels at the market peak in 2008;
- Typically, average median sale prices are between 12 and 17% higher in Cleveland SLA than for the Redland City LGA region;
- There is a 10 year average of 273 house sales per annum, with a significant softening in sales activity over the same ten year period beginning December 2002. 2012 sales volumes were 25% below the ten year average, and 55% below their 2002 peak. This gradual decline in sales volumes is considered to reflect the limited available supply of land in Cleveland SLA for detached housing and is therefore expected to remain at relatively low levels as new dwelling supply is increasingly met by attached product;
- 2003, 2006 and 2008 saw the most significant increases in median sale prices, with increases of 28%, 11% and 12% respectively.

## 5.2 Demand Outlook

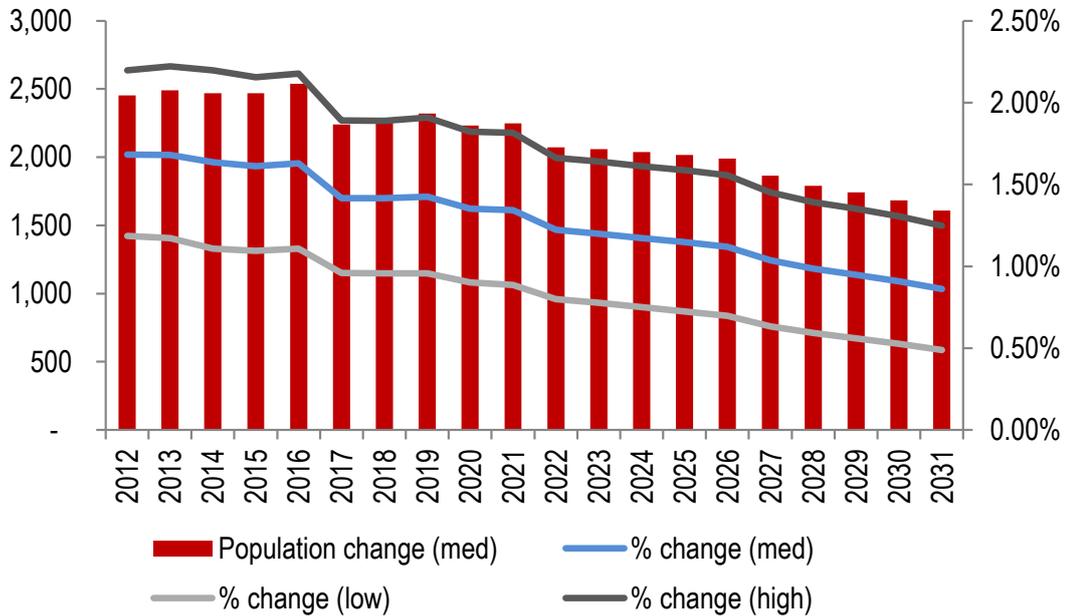
### Population Forecasts

The Office of Economic and Statistical Research (OESR) forecast that Redland City LGA will see grow at a slower pace over the next 10 years compared to historical trends (based on medium growth forecasts). Over the next 10 years, the Redland City LGA is expected to grow at an average annual rate of 1.47% and compares to 2.1% over the past decade. Growth is expected to be stronger over the next few years to 2016, averaging 1.64% per annum. Under the medium growth scenario, Redland City LGA's population is expected to grow in absolute terms by 23,353 people.

Longer term, the medium growth projections for the Redland City LGA indicate that population will grow at an average annual rate of 1.27% per annum to 2031. This equates to an additional 40,144 people.

Under the low growth scenario, the OESR forecast that Redland City LGA will grow at an average annual growth rate of 0.83% per annum. The low growth scenario assumes an additional 1,328 people per annum.

**Figure 17: Redland City LGA population forecasts – Medium Growth Series**

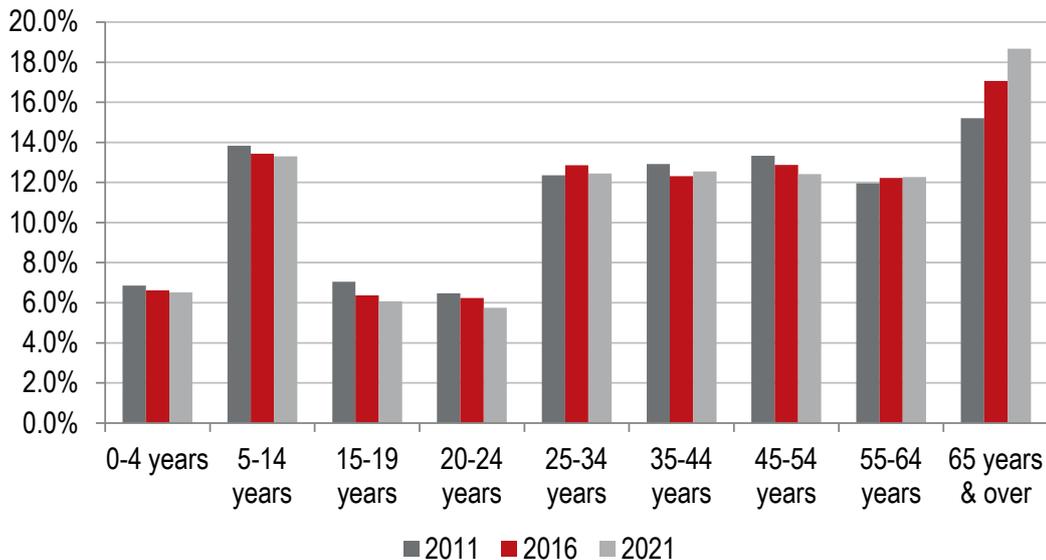


Source: Jones Lang LaSalle Research & Consulting, OESR

### Population Forecasts by Age

The demand for housing in Cleveland will be largely dependent on not only the growth in population, but also the change in age composition (age profile) across the wider region. Demographic changes will ultimately dictate the type of housing forms that are ultimately delivered. Accordingly, we have analysed the OESR population forecasts by age across the Redland City LGA Region to demonstrate the population age profile which will ultimately influence demand for housing in Cleveland.

**Figure 18: Redland City LGA population forecasts by age**



Source: Jones Lang LaSalle Research & Consulting, OESR

Based on our analysis of the age composition forecast for the Redland City LGA region we note the following key findings:

- The 65 years and over age cohort are expected to comprise around 15% of the total Redland City LGA population by 2016 and then 18.5% by 2021. This age bracket will comprise the largest share of the population, and will this will have implications for the type and level of demand. It will be the fastest growing and most significant proportion of the population; and
- The balance of the population brackets will remain generally steady, with some slight decreases over the long term. The only other age bracket which positive growth expected is the 55-64 group;
- The 5-14 year old age group represents a significant long term demand driver, with a need to cater to this proportion of the population as they grow older and form part of the residential buyer market.

The Redland residential property market, and consequently the Cleveland market, will need to accommodate for an ageing population. This trend is not unlike national demographic trends for many regions although is more pronounced for Cleveland. It has the ability to be a significant market influence over the coming years. Nevertheless, the Cleveland residential property market will need to retain flexibility in its product options so that other core demographic groups, including the younger end of the population, are catered for. This matching of appropriate housing supply to this demand profile will be an important component of retaining a younger demographic in Cleveland, and providing appropriate options for an older population (e.g. downsizing options, retirement living etc.)

### Dwelling Supply Forecasts

Jones Lang LaSalle has considered the historical dwelling profile of the Cleveland SLA catchment, illustrated below, in with a view to establishing a likely forecast of dwelling requirements under both a medium and high growth profile over a ten year horizon.

**Figure 19 - Cleveland Statistical Local**



Source: ABS

### Key Points

- Historically the supply of dwellings in this catchment has included a significant proportion of units: as at the 2011 Census the proportion of detached and apartment dwellings reflected approximately 34% of Cleveland SLA's total housing stock, with the balance being detached houses.
- From 2001 to 2006 the proportion of apartment stock rose from 9% to 14%, however tapered to 10% as at the 2011 census, no doubt reflecting the challenging market conditions that made multi-unit developments more difficult to move.

- Since 2005 the catchment has seen an emergence of multi-unit residential developments, primarily located along Shore Street from the Cleveland city centre east to Toondah Harbour, which capitalise on the water views from upper levels.

**Table 5: Residential dwelling stock forecasts - Cleveland**

	2012/ 2013	2013/ 2014	2014/ 2015	2015/ 2016	2016 /2017	2017/ 2018	2018/ 2019	2019/ 2020	2020/ 2021	2021/ 2022	2022/ 2023
<b>Apportionment of future dwellings in Cleveland</b>											
Apartments	25%	30%	35%	40%	50%	50%	50%	50%	50%	50%	50%
Semi-detached	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%
Detached	45%	40%	35%	30%	20%	20%	20%	20%	20%	20%	20%
<b>Total</b>	<b>100%</b>										
<b>Medium Growth Scenario</b>											
Growth in dwelling stock (pa)	2.00 %	2.00 %	2.00 %	2.00 %	2.00 %	2.00 %	2.00 %	2.00 %	2.00 %	2.00 %	2.00 %
New dwellings required	116	118	120	123	125	128	130	133	135	138	141
<i>Apportioned as:</i>											
Apartments	29	35	42	49	63	64	65	66	68	69	70
Semi-detached	35	35	36	37	38	38	39	40	41	41	42
Detached	52	47	42	37	25	26	26	27	27	28	28
<b>High Growth Scenario</b>											
Growth in dwelling stock (pa)	2.50 %	2.50 %	2.50 %	2.50 %	2.50 %	2.50 %	2.50 %	2.50 %	2.50 %	2.50 %	2.50 %
New dwellings required	145	148	152	156	160	164	168	172	176	181	185
<i>Apportioned as:</i>											
Apartments	36	44	53	62	80	82	84	86	88	90	93
Semi-detached	43	44	46	47	48	49	50	52	53	54	56
Detached	65	59	53	47	32	33	34	34	35	36	37

Source: Jones Lang LaSalle

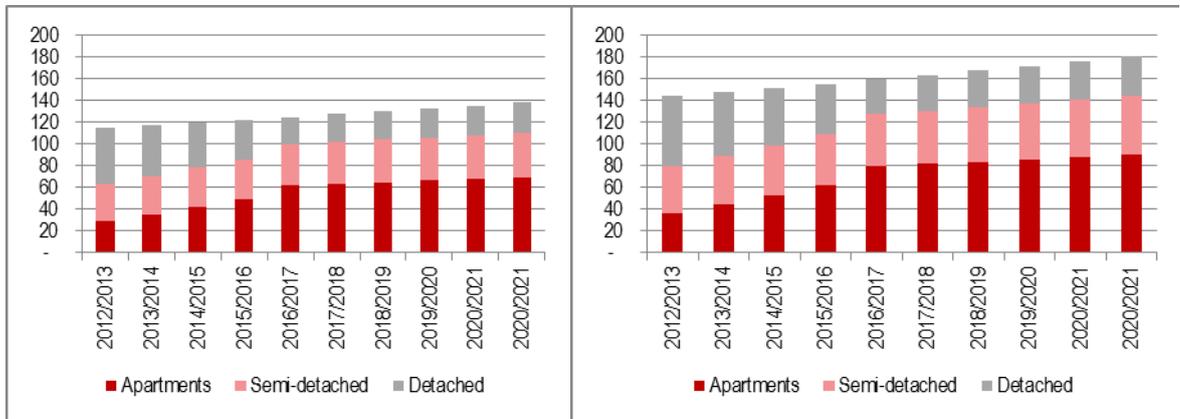
The following methodology and assumptions were applied in generate the medium and high growth scenarios;

- We have estimated the apportionment of the future housing stock in the context of trends evident in the past decade from the 2001, 2006 and 2011 Census Periods. This future stock has been recorded as a proportion of 100% from 2012 to 2022. Based on these assumptions, the proportion of apartments has increased by 25% over the 10 year period conversely to the proportion of attached dwellings which has declined by the same amount.
- Based on the dwelling growth rate between the 2001 and 2011 Census period we have assumed;
  - o A medium growth scenario of 2.0% per annum (broadly consistent with the growth rates from 1996 to 2011)
  - o A high growth scenario of 2.5% per annum (above the growth rates from 1996 to 2011)
- In order to project the growth of dwellings within the Cleveland SLA we have multiplied the growth rate in dwelling stock (either 2.0% or 2.5%) by the number of occupied private dwellings recorded within the SLA at the time of the 2011 Census (5,782 dwellings). The resultant figure is then multiplied by the growth rate in each annual period through to 2022.
- The new dwellings required figure, a calculation from the growth rates and number of dwellings, is then apportioned across the three dwelling types.

A summary of these demand forecasts are provided below in graphical form:

**Figure 20 – Medium Growth Scenario, Cleveland Dwellings**

**Figure 21 - High Growth Scenario, Cleveland Dwellings**



## Supply Overview

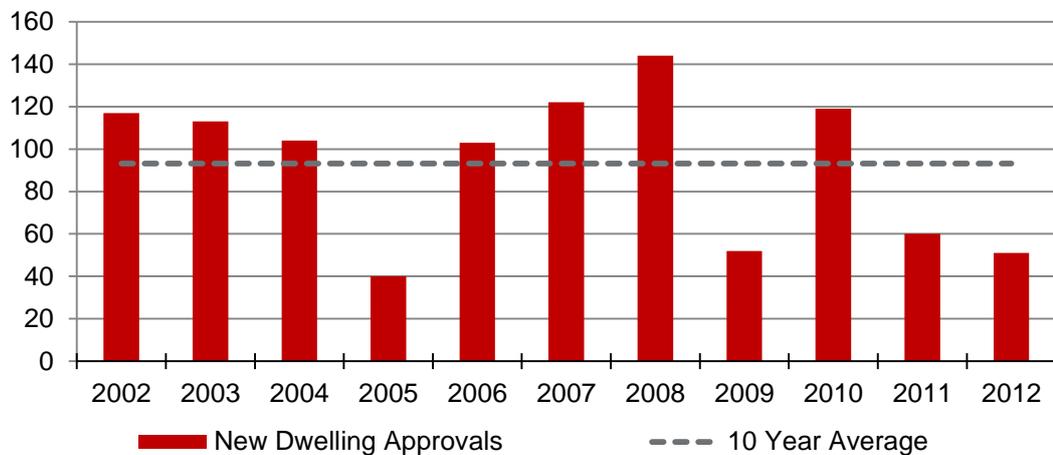
### Building Approvals

Figure 18 shows the total number of dwellings approved in the Cleveland SLA region since FY01 – FY12. The building approvals data comprises both houses (detached dwellings) and other (comprising attached dwellings).

During this period, we note the following key points for the Cleveland SLA.

- There is an average of around 93 new dwelling approvals per year over a ten year period ending December 2012;
- Over the last five years, although 2010 performed strongly, there has been an overall softening in the number of approvals since 2008 when dwelling approvals peaked at 144;
- 2012 saw 51 new dwelling approvals, slightly down on 2011 when 60 were approved; and
- Since the significant increase in 2010, dwelling approvals have remained around 50% below the 10 year average but are still above their lowest point in 2005, which saw only 40 new approvals.

**Figure 22: Cleveland SLA Dwelling Approvals (Dec 02 – Dec 12)**



Source: ABS, Jones Lang LaSalle

## Project Profiles

We have outlined several apartment projects recently completed, proposed and being actively marketed in Cleveland. Where information is available we have sought to focus on their product mix, pricing, sales performance and target market.

### Fitzroy on the Bay Fitzroy Street, Cleveland



- The site comprises 2,427sqm and was purchased for \$1,583,000 in 2003.
- This project includes 51 units spread across seven levels. The project is located on Fitzroy Street adjacent to the newly constructed RSL Club. The unit mix comprises 1, 2 and 3 bedroom apartments. Construction has not yet commenced.
- We note that there are only 18 units that have sold to date. The units that have sold have been largely 1 and 2 bedroom units. Higher end product comprising terrace penthouse apartments and standard 3 bedroom apartments are still for sale.
- 2 bed apartment (Internal area: 88 sqm - 119sqm, Balcony area: 18sqm – 22 sqm)
- 3 bed terrace apartments (Internal area: 190sqm, Balcony area: 50sqm, Terrace area: 150sqm).
- This project has not commenced construction. Current financing of medium density projects in South East Queensland generally require around 50% of product to be pre-sold before construction funding will be provided. This would necessitate over 25 sales (18 pre-sold). Discussions with the developer indicate that marketing is still ongoing.

### On Shore Apartments 203 Shore Street, Cleveland



- The site comprises 1,599sqm and was purchased for \$1,167,500 in 2007.

- This project includes 31 units spread across seven levels. We have identified 13 apartments owned by Club Construction Pty Ltd. The owner of these units appears to be the developer. The units have been held by the developer since 2007. We note that we have not been able to determine if the units have been purposefully retained by the developer for the purpose of rental accommodation or if it has been due to sales difficulties given the current market environment.
- We note all units transacted in 2007 – 2010, and there have been no resales recorded yet
- The product mix is a mix of largely 2 bedroom and 3 bedroom apartments.
- 2 bed apartments sold in 2010 for approximately \$450,000 and 3 bedroom apartments for approximately \$552,000.

### Shore Line View 7 Shore Street East, Cleveland



- Site purchased in 2007
- Developed by Nichols Constructions
- Our evidence suggests that around 75% of apartments have sold to date.
- Priced from \$399,000 to \$470,000, units offered for sale with free iPad to purchasers who can settle within 60 days
- 2 bedroom 1 bathroom units have an area of approximately 94m<sup>2</sup>, with a 20m<sup>2</sup> balcony
- There have been a number of re-sales in the last 12 months, with prices ranging from \$380,000 to \$440,000

**Aquience  
201 Shore Street East, Cleveland**



- Project was being marketed in late 2012, although marketing no longer appears to be undertaken as at mid 2013. We note that marketing material is still provided for on-site.
- The project is located on Shore Street, within walking distance to Cleveland CBD and Toondah Harbour. The development proposes 71 units and 4 penthouses, basement parking, a 20 metre heated lap pool, gymnasium and ground floor retail and commercial space.
- 2 bed 2 bath 2 car for sale for \$449,000 (units start from 89m<sup>2</sup>, plus 27m<sup>2</sup> balcony)
- 3 bed 2 bath 2 car for sale for \$525,000 (units start from 120m<sup>2</sup>, plus 46m<sup>2</sup> balcony)

**Cascades by the Bay  
29 Shore Street East, Cleveland**



- This project is currently under construction, and when finished will include 20 units over five levels. The development is located within proximity to Cleveland CBD and Toondah Harbour, and has a northerly aspect and views to the bay.
- Buyer groups have largely been locals, people leaving larger homes including older residents.
- Units are on the market for \$485,000 to \$615,000.
- The project has been marketed since February 2011, and to date 11 units have been sold.
- We note the following with respect to the mix of the project:
  - - Penthouse apartments (Internal area: 192sqm, Balcony area: 66sqm)
  - - Standard 2 bed apartments (Internal area: 106sqm, Balcony area: 22sqm)
  - - Small 2 bed apartments (Internal area: 90sqm, Balcony area: 17sqm)
  - - Ground level 2 bed apartments (Internal area: 91sqm, Balcony area 30sqm)

**Water's Edge  
150 Middle Street, Cleveland**



- This project includes 46 units, located between Toondah Harbour and Cleveland CBD on Middle Street. The development benefits from two street frontages, with many of the units having water views.
- We note that a lot of the product appears to have been held by the developer for a long period of time (up to 3 years in some instances). We consider this to reflect the difficult market conditions and could possibly indicate the developer's strategy to hold on to product until market conditions improve.
- An analysis of historical sales data indicates a large reduction in values across the project. We do not believe this to necessarily reflect issues specific to the project itself, but more so the conditions of the market:
- Re-sale of 2 bed apartment. Original sale in 2007 @ \$440,000, Re-sale in 2012 @ \$372,000, represents an 18.2% fall in price.
- Re-sale of 2 bed apartment. Original sale in 2009 @ \$420,000, Re-sale in 2013 @ \$388,500, represents an 8.0% fall in price.
- Re-sale of 3 bed apartment. Original sale in 2009 @ \$695,000, Re-sale in 2013 @ \$550,000, represents a 26.3% fall in price.

## 6 Employment Overview and Occupier Profile

### Key Points & Outcomes

The Cleveland CBD has developed as the administrative centre of Redland LGA with local government services and the police station / courts precinct being the key tenants. Given the potential synergies between these government services and other state government services, it could be argued that further government services should be directed to Cleveland CBD rather than alternative locations in the Redland LGA.

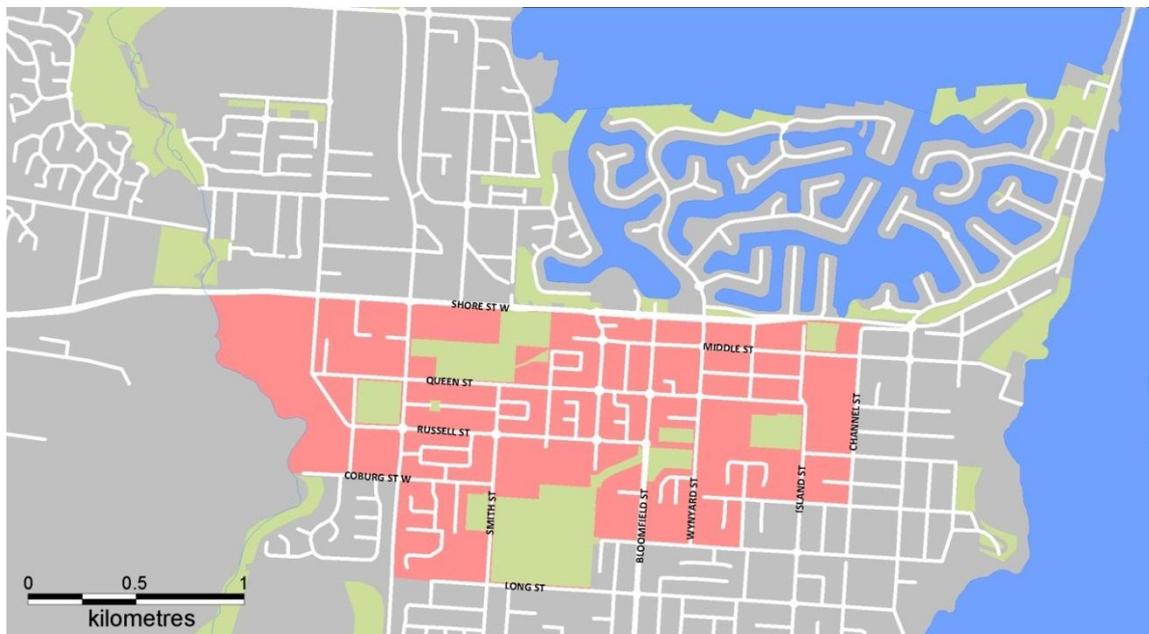
Cleveland CBD has a relative weakness with regard to employment in *Health Care and Social Assistance* and *Education and Training*. Both are below the average for Redland LGA, despite these uses often being anchor employers within CBD environments.

Cleveland has a smaller retail base with only 17.6% of the workforce employed within this industry, when compared to Capalaba which has 29.7% of its workforce within the retail industry.

### Employment Profile

This section considers the employment base of the Cleveland CBD as at the 2011 Census of Population and Housing. Our analysis is based on the Australian Bureau of Statistics' travel zone that covers the Cleveland CBD, as shown in Figure 22 below.

Figure 23: Cleveland CBD Travel Zone\*, 2011



Source: Jones Lang LaSalle, ABS, PBBI Mapinfo

\* Employment data from the 2011 Census for Cleveland CBD refers to the area depicted in pink above

Table 4 provides a summary of employment in the Cleveland CBD as at August 2011 compared with Redland LGA. We have also compared Cleveland CBD to Capalaba and Greater Brisbane. Four industry groups dominate employment in Cleveland:

- Retail trade;
- Accommodation and food services;
- Public administration; and

- Health care & social assistance.

Together these industry groups account for 56.1% of all jobs in the CBD. Selected major employees and land uses include:

- Stockland Cleveland Shopping Centre;
- Redland City Council;
- Centrelink;
- Cleveland State School; and
- Cleveland District State High School.

The breakdown of employment by industry in Cleveland CBD, Capalaba and Redland LGA highlights the relatively small office market. A proxy for office based employment in the Cleveland CBD is the highlighted categories below. These industry sectors are expected to be primarily businesses that occupy office space. Total employment in Cleveland CBD across the five industry sectors is 1,348 employees of which 723 employees (51.5%) are in Public Administration and Safety. This is predominantly Redland City Council employees. Our assessment of Council employees is that approximately 609 full-time, part-time, temporary and casual staff are employed by Council within the CBD at either the Council administration building or library.

**Table 6: Cleveland CBD Employment by Industry, 2011**

Industry	Employees Cleveland CBD	% of Total	Employees Redland LGA	% of Total	Employees Capalaba	% of Total	Greater Brisbane (% benchmark)
Agriculture, Forestry and Fishing	10	0.2%	313	0.9%	6	0.1%	0.7%
Mining	-		257	0.7%	21	0.3%	1.1%
Manufacturing	117	2.8%	3,124	8.8%	1,072	13.6%	9.4%
Electricity, Gas, Water and Waste Services	84	2.0%	281	0.8%	21	0.3%	1.3%
Construction	139	3.4%	2,985	8.4%	716	9.1%	6.6%
Wholesale Trade	89	2.2%	1,283	3.6%	542	6.9%	4.3%
Retail Trade	722	17.6%	5,683	16.0%	2,346	29.7%	10.4%
Accommodation and Food Services	453	11.0%	2,858	8.1%	501	6.3%	6.0%
Transport, Postal and Warehousing	54	1.3%	1,101	3.1%	301	3.8%	5.7%
Information Media and Telecommunications	56	1.4%	466	1.3%	107	1.4%	1.5%
<b>Financial and Insurance Services</b>	<b>118</b>	<b>2.9%</b>	<b>670</b>	<b>1.9%</b>	<b>196</b>	<b>2.5%</b>	<b>3.7%</b>
<b>Rental, Hiring and Real Estate Services</b>	<b>168</b>	<b>4.1%</b>	<b>756</b>	<b>2.1%</b>	<b>124</b>	<b>1.6%</b>	<b>1.9%</b>
<b>Professional, Scientific and Technical Services</b>	<b>255</b>	<b>6.2%</b>	<b>1,957</b>	<b>5.5%</b>	<b>345</b>	<b>4.4%</b>	<b>8.9%</b>
<b>Administrative and Support Services</b>	<b>84</b>	<b>2.0%</b>	<b>1,138</b>	<b>3.2%</b>	<b>241</b>	<b>3.0%</b>	<b>3.0%</b>
<b>Public Administration and Safety</b>	<b>723</b>	<b>17.6%</b>	<b>1,502</b>	<b>4.2%</b>	<b>112</b>	<b>1.4%</b>	<b>8.0%</b>
Education and Training	260	6.3%	3,570	10.1%	200	2.5%	8.5%
Health Care and Social Assistance	411	10.0%	5,066	14.3%	433	5.5%	12.9%
Arts and Recreation Services	78	1.9%	428	1.2%	59	0.7%	1.3%
Other Services	262	6.4%	1,640	4.6%	473	6.0%	3.8%
Inadequately described / Not stated	30	0.7%	384	1.1%	93	1.2%	1.0%
<b>Total Employment</b>	<b>4,113</b>	<b>100.0%</b>	<b>35,462</b>	<b>100.0%</b>	<b>7,909</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Jones Lang LaSalle, ABS

The above table also highlights the relative weakness of the Cleveland CBD with regard to employment in *Health Care and Social Assistance* and *Education and Training*. Both are below the average for Redland LGA, despite these uses often being anchor employers within CBD environments. Both are also below the Greater Brisbane average (10.0% vs 12.9% for Health Care and 6.3% vs 8.5% for Education). Also, Retail Trade is only slightly above the Redland LGA average, despite retail being concentrated in centres such as Cleveland. We consider these three sectors together with the highlighted office based employment sectors provide the greatest opportunities for future employment growth.

Cleveland has a smaller retail base with only 17.6% of the workforce employed within this industry, when compared to Capalaba which has 29.7% of its workforce within the retail industry. A nearby industrial precinct accounts for Capalaba's employment in the manufacturing, construction, wholesale trade and warehousing sectors. Capalaba also has a larger employment base in most of the non-government office sectors in terms of total employment numbers (*Administrative & Support Services; Financial & Insurance Services* etc.).

**Table 7: Place of Work (POW) by SA2 for residents of Cleveland and Redland LGA**

<b>POW by SA2</b>	<b>Cleveland</b>		<b>POW by SA2</b>	<b>Redland LGA</b>
<b>Cleveland</b>	<b>27.1%</b>		<b>Cleveland</b>	<b>10.2%</b>
<b>Capalaba</b>	<b>6.9%</b>		<b>Capalaba</b>	<b>9.8%</b>
<b>Brisbane City</b>	<b>6.7%</b>		<b>Brisbane City</b>	<b>5.9%</b>
<b>Victoria Point</b>	<b>3.2%</b>		<b>Victoria Point</b>	<b>4.7%</b>
<b>Alexandra Hills</b>	<b>1.9%</b>		<b>Alexandra Hills</b>	<b>2.6%</b>
Thornlands	1.6%		Birkdale	2.4%
Murarie	1.6%		Redland Bay	2.2%
Ormiston	1.6%		Thornlands	2.2%
Rocklea - Acacia Ridge	1.5%		Murarie	2.1%
South Brisbane	1.5%		Redland Islands	2.0%
Wynnum West - Hemmant	1.3%		Wellington Point	2.0%
Fortitude Valley	1.2%		Rocklea - Acacia Ridge	1.9%
Brisbane Airport	1.2%		Wynnum West - Hemmant	1.7%
Birkdale	1.1%		South Brisbane	1.6%
Eagle Farm - Pinkenba	1.0%		Sheldon - Mount Cotton	1.5%
Brisbane Port - Lytton	1.0%		Ormiston	1.3%
Woolloongabba	0.9%		Brisbane Airport	1.3%
Carindale	0.9%		Brisbane Port - Lytton	1.3%
Redland Bay	0.9%		Woolloongabba	1.1%
Sheldon - Mount Cotton	0.9%		Fortitude Valley	1.0%
<b>Top 20</b>	<b>64.2%</b>		<b>Top 20</b>	<b>58.8%</b>
<b>Other</b>	<b>26.8%</b>		<b>Other</b>	<b>30.8%</b>

Source: Jones Lang LaSalle, ABS

The table above illustrates the proportion of residents who reside within the suburb of Cleveland or Redland LGA by their place of work (POW). The place of work is collected on a Statistical Area Level 2 (SA2) basis.

The table illustrates that Cleveland is the largest employment node for residents who reside within the suburb and the wider Redland LGA. Outside of Cleveland the largest competing employment nodes are Capalaba, Brisbane City, Victoria Point and Alexandra Hills. Interestingly approximately 50% of residents who reside within Cleveland are employed within the surrounding suburbs, indicating the prevalence of the workforce to work within close proximity to their home. Also it indicates that the majority of residents work in non-specialist occupations, requiring them not to work within certain nodes.

## **6.1 Summary and Implications**

The Cleveland CBD has developed as the administrative capital of Redland LGA with local government services and the police station / courts precinct being the key tenants. Given the potential synergies between these government services and other state government services, it could be argued that further government services should be directed to Cleveland CBD rather than alternative locations in the Redland LGA.

The following sections provide a more detailed assessment of key land uses and opportunities within Cleveland CBD.

## 7 Office Market Assessment

### Key Points & Outcomes

We expect that Cleveland CBD will experience relative low commercial office growth if left to market forces, with Cleveland CBD performing its existing service role with growth in office based services growing in line with the population in the catchment.

Office demand can be heavily influenced by government intervention in the form of office relocation as well as improved infrastructure that provides greater appeal for investors and occupiers to consider Cleveland as a future office location

It can also be influenced by investment attraction strategies aimed at attracting corporate groups to a specific location

### 7.1 Brisbane Office Markets

Jones Lang LaSalle monitors both the Brisbane CBD and Brisbane Fringe office markets. These two markets dominate the office market in the metropolitan area, with suburban markets being relatively small by comparison.

Why is an active office market important to a suburban city centre? Offices are a more intensive employment generator than virtually any other land use, with modern office often employing one employee for every 13-15 square metres of net lettable floor area. A sizable office market can therefore provide significant activity and support a range of other employment generating uses. Attracting a significant supply of office space is essential to any employment generating strategy for a suburban city centre.

Compared to Melbourne and Sydney, Brisbane has been slow to develop a large suburban office market. The larger eastern seaboard cities have sizable suburban office markets, with a mix of the more traditional “town centre” office markets and the more recent business park format. In Sydney these include Parramatta, Chatswood and Macquarie Park while in Melbourne the main locations are in the south eastern suburbs, including Dandenong, Boroondara, Monash and Whitehorse.

Cleveland CBD has relatively small commercial office precinct. In terms of suburban office nodes servicing the Redland LGA, Cleveland competes most directly with Capalaba.

Business parks such as Bayside Business Park are predominantly industrial parks, but have the potential to attract some office development in the future, subject to planning provisions allowing such land use mix. As noted above, suburban business parks have successfully developed in Melbourne and Sydney, providing significant employment opportunities locally.

The table below summarises the monitored office markets across Brisbane metropolitan area, as well as key business park markets that are emerging or include significant office stock. A key feature of office markets outside of the CBD and fringe markets is they are either dominated by government tenants or have a strong government backed technology focus. Corporate office parks such as the Southern Brisbane Corridor (Brisbane Technology Park, Southgate Corporate Park, Freeway Office Park etc) have been successful in attracting major private companies, often for “back office” functions that do not rely on a CBD location for face to face interaction with clients and other businesses. They also often have a mobile workforce requiring a high proportion of car parking, necessitating a cost effective solution for this component of their requirement.

**Table 8: Major office markets: Brisbane Metropolitan Area**

Market	Stock (sqm)	Comments
Brisbane CBD	2,168,513	Dominant and most concentrated office precinct in Brisbane.
Brisbane Fringe	1,222,524	Fast growing market, benefiting from proximity to CBD. Major precincts include: Milton, Petrie Terrace, Toowong, Spring Hill, Fortitude Valley, Bowen Hills, Newstead, South Brisbane, West End, Woolloongabba
Upper Mount Gravatt & Macgregor	95,944	Excludes Brisbane Technology Park.
Chermside	34,298	Major tenant is Australian Taxation Office. The location of Westfield Chermside a key anchor tenant attracting customers.
Springfield	15,000	Emerging market. Anchored by 10,000sqm Springfield Tower.
Cannon Hill	50,000	Includes the Southgate Corporate Park (50,000sqm in Stage One) –Westpac; Honeywell; Holden HSV etc. Metroplex @ Gateway is nearby – this is a high tech industrial market but includes buildings with a high office content.
Brisbane Technology Park	102,000	Dominant hi-tech industrial and office park in Brisbane. Mix of R&D, technology, health/medical and engineering and government occupiers. Mix of both owner occupiers and tenants.
Garden City Office Park	18,600	Office park development.
Freeway Office Park	15,000	Office park development.
Brisbane Airport	35,000 est	Major potential. Has attracted some 100% office development as well as a mix of 'hi-tech' office / warehouse uses.
Ipswich City	55,000 est	Regional market dominated by government occupiers (approx. 60-70% by area). New 12,000sqm development at Ipswich City Heart by Leighton Properties to be anchored by State Government tenant. New builds will continue to be largely government led.

Source: Jones Lang LaSalle

## 7.2 Office Supply Overview

### Stock

It is estimated that the Cleveland CBD has in the vicinity of 25,000sqm of office space. The main buildings with office space are Council's administration building and library, with a combined floor area of 9,500sqm (excluding library space).

Our observations reveal the office market is modest with few significant office uses outside of Redland City Council. The mix of office uses is primarily driven by the needs of the local catchment and is considered to be predominantly secondary to the primary retail use. Many of the office tenants would rely of the strength of the retail offer to attract customers to the CBD.

The following main office uses have been identified:

- Redland City Council
- Cleveland Magistrates Court
- Cleveland Police Station
- Centrelink
- Lawyers / solicitors
- Accountants
- Real estate agents
- Banks / financial institutions / financial planners

We note that based on the employment within the five highlighted categories in Table 4 above (1,348 employees), and assuming each employee occupies 18-20 square metres of office space (which is more typical of a workspace ratio in suburban markets compared to CBD and near-city markets which are around 13-15 square metres), the “office” based workers would occupy around 25,000 square metres of office space.

Very few new projects that incorporate an office element have been identified in the suburb of Cleveland (refer to table below). Both projects identified are located on Bloomfield Street, the main north-south road connecting the Cleveland CBD to Redland Bay and Redland’s southern suburbs.

**Table 9: Cleveland CBD Employment by Industry, 2011**

Address	Project Details	Status	Area	Comments
219-221 Bloomfield Street, Cleveland	18 commercial tenancies and 87 dwellings in a three stage development	Approved	n.a.	Project deferred. Further stage for hotel and apartments.
153-157 Bloomfield Street, Cleveland	Bloomfield Street Medical & Commercial Complex Stages 1 & 2	Under Construction	995sqm	Medical and office uses (420sqm of office space)

Source: Jones Lang LaSalle, Cordell Connect

### 7.3 Benchmarking and Case Studies

We have compared a range of town centres and business parks across Australia, including Brisbane’s main business parks, to identify success factors and gain a better understanding of the potential size of a commercial office market that may be achieved at Cleveland.

The major office parks in Brisbane such as Brisbane Technology Park and Cannon Hill have substantial space at 102,000sqm and 50,000sqm respectively, although in the case of Brisbane Technology Park have been in existence for considerable time (established in 1986) and only in more recent times (early 2000’s onwards) has recorded stronger levels of demand.

The key success factors for these parks are competitive rents and generous car availability parking, also at relatively low cost / no additional cost. This is in addition to accessibility to major roads and in some cases public transport as well. More recent business park examples have shown supporting recreational and retail amenity (both within the park and in close proximity) as being of increased importance. We have considered how Cleveland CBD would compete for office occupiers against other suburban markets by considering the key success factors that drive suburban office markets.

Cleveland’s key strengths are its relatively strong retail focus as well as being the head office for Redland City Council. It is reasonably well served by public transport (rail and bus). Currently, however, it is not seen as a major location for office accommodation. Its major competition comes from Capalaba, which could also be argued has a relatively immature office market. Overall, there is no sizeable office market in the Redland City LGA.

In terms of future potential and in relation to Capalaba, Cleveland provides an attractive environment but is further from the Brisbane CBD, not in close proximity to major arterial road networks and is less central to the Redland LGA catchment than Capalaba. This will be a challenge for Cleveland and accordingly will need to be countered as part of the investment attraction strategy for the CBD.

We have conducted a strategic assessment of the Cleveland CBD as a commercial office precinct against the major success factors of suburban office markets both now and in the future as well as compared Cleveland office market against specific suburban office markets. Our assessment is outlined in Tables 7 and 8.

These markets were provided for benchmarking as we believe that they reflect the outcomes which are envisioned for Cleveland CBD in terms of their ability to capture market demand for commercial office space in a ‘town centre’ structure.

**Table 10: Suburban Office Market Benchmarking Summary**

Comparison Centre	Distance from CBD	Estimated growth per annum (sqm)	Public Transport Infrastructure	Highway Access	Estimated Office Stock	Supporting anchors	Comments
Parramatta (NSW)	23km	9,000-10,000	Rail and Bus		700,000sqm	Westfield Parramatta; University, Hospitals	Driven primarily by government decentralisation policy
Box Hill (VIC)	14kms	< 1,000	Rail (Heavy and Light) and Bus	Yes	130,000sqm	Centro Box Hill – 38,000sqm; TAFE	Central location close to skilled workforce and public transport. Total market size has been relatively stable for the last 20 years
Joondalup (WA)	30kms	< 2,000	Rail and Bus	Yes	30-40,000sqm	Joondalup Shopping Centre – 66,000sqm and expanding to 100,000sqm. Edith Cowan University and West Coast Inst. Of Training; WA Police Training facility; Joondalup Health Campus	Regional location for government offices & services. Sheer critical mass is creating demand for a wide range of regional government services.
Robina/Varsity Lakes (QLD)	Not applicable	6,000-7,000	Rail and Bus	Yes	133,000sqm	Robina Shopping Centre – 125,000sqm; University; Hospital, Stadium	One of the major Gold Coast commercial centres. Master-planned development attracting private sector corporations. Limited competition from dominant CBD
Mawson Lakes (SA)	12kms	1,000-2,000	Rail and Bus	Yes	50,000sqm	Neighbourhood Shopping Centre; University of SA; Technology Park	Approx. 50% of space developed with government assistance in first few years of Technology Park. Average of less than 1,000sqm per annum take-up since.
<i>Cleveland CBD</i>	<i>28kms</i>	<i>&lt; 1,000</i>	<i>Rail and Bus</i>	<i>Yes</i>	<i>Less than 20,000sqm</i>	<i>Stockland Cleveland. Redland City Council</i>	<i>Localised office market, providing services for its population catchment. Main uses are Redland City Council and Magistrates Court. Has attracted limited regional government offices. Expected to compete with Capalaba for regional office location.</i>

Source: Jones Lang LaSalle Research & Consulting

Based on the major drivers of suburban office markets, we have assessed the Cleveland CBD against the key success factors as outlined below.

**Table 11: Key Success Factors, Suburban Office Markets**

Point of Comparison	Rating (1-5)*	Comments relating to Cleveland CBD
Population Growth	3	Redland LGA's population growth is lower than anticipated for Brisbane metropolitan area, but is still relatively strong for a developed suburban location. Potential growth based on attractive waterfront locations nearby / views will support growth in near CBD locations.
Strong Master Planning	2	Investors may be drawn to Cleveland should government show commitment through a master planned approach, providing a degree of certainty surrounding future investment.
Quality Transport Infrastructure	3.5	We have found that good quality road infrastructure has been a more significant driver than transit for suburban office park locations, although we expect that access to quality public transport will become more important over time. Frequency of service is important. Good north-south connectivity is also critical given much of Cleveland's natural catchment is to the south away from the rail infrastructure.
Presence of University or TAFE	1	Currently there are no university campuses. Universities and TAFES can create a strong pull factor for high tech companies to locate close by and related educational support services (retail, commercial and residential).
Major Retail Centre	3	Stockland Cleveland is representative of a sub-regional centre. With no regional centre nearby (Carindale is a significant distance from Cleveland), Cleveland should benefit from a captive market. Will be difficult to justify expansion to regional sized centre given catchment constraints (to the north and east is water).
Health and medical precincts	1	Mater Private Hospital, Redland Public Hospital and environs has expanded (including Bayside Business Park) but this is some 2km from Cleveland CBD. This emerging employment precinct may compete with Cleveland CBD for future commercial space.
Connectivity to a wider region(ability to be more than suburban periphery)	2	Not a major pull factor. Very few regional level services beyond Redland CC and Cleveland Magistrates Court. Potential to benefit from tourism traffic heading to Stradbroke Island but Toondah Harbour may gain most of this benefit.

Source: Jones Lang LaSalle Research and Consulting  
A rating of 1=Very low; 2=low; 3=moderate; 4=high; 5=very high

## 7.4 Office Market Performance Indicators

We have undertaken a search of available space for lease in Cleveland CBD. Much of the available space is advertised for a variety of uses – ground floor tenancies typically for retail, office or medical consulting rooms.

Good quality office space is being marketed for between \$320 and \$400 per square metre per annum net. Poorer quality space in older, secondary buildings is being advertised for up to \$250 per square metre per annum net. Asking rents are well below the expected “economic rent” required for commercially viable new space. This limits the potential for new office projects as the majority of private sector office tenants will not be prepared to agree to the rent levels required to “kick-start” new development.

The majority of tenancies are between 50 and 200 square metres.

As at June 2013, there were 60 tenancies advertised on [www.realcommercial.com.au](http://www.realcommercial.com.au) (some duplicates being advertised by more than one agent). Key office locations were Bloomfield Street, Middle Street and Shore Street. It is

noted that many of the listings could accommodate a range of businesses, including office, retail and medical consulting rooms.

## 7.5 Office Demand Forecasts

We consider the majority of office demand will be driven by population growth. Increased population within the catchment will require more services – more lawyers, accountants, conveyancers, real estate agents, banking, financial planners, government services etc. This assumption can be supported by the 2011 Census with the place of work data illustrating that approximately 50% of residents who live within Cleveland work either in Cleveland or the immediate suburbs.

Government policy can have a dramatic impact on demand – for example a policy in favour of decentralised government administrative office may benefit suburban markets such as Cleveland. However, there will also be significant competition between suburban markets for such offices. In the current fiscally constrained public sector environment (both Federal and State), this is also unlikely to be an occupier that could be attracted to Cleveland CBD in the short to medium term.

Our forecasts consider the likely population growth within the Cleveland CBD catchment and expected growth in base office demand across suburban Brisbane. The methodology used is as follows:

- Base office demand forecasts for suburban Brisbane markets are derived from Deloitte Access Economics' employment forecasts, taking into account the considerable pull for office employment to the CBD and near city markets;
- State government forecasts of population growth for Brisbane metropolitan area and Redland LGA are compared – specifically we calculate the proportion of metropolitan growth attributable to Redland LGA;
- It is assumed that a similar proportion of base office demand flows to Redland LGA;
- Market shares for Cleveland CBD are estimated (as a proportion of total Redland LGA base office demand) taking into account competing markets – three scenarios are provided;
- It is assumed each office job creates demand for an additional 15 square metres of office space (noting that some of the office demand will be employees working from home);
- Supportable office demand is calculated (square metres per annum).

Assuming Cleveland CBD achieves a 15% market share of Redland LGA's base office demand, 910 square metres per annum of office space would be demanded. This is the equivalent of 10 small tenancies per annum the size of a typical specialty shop.

If Cleveland CBD achieves 20% market share, then the average per annum demand would rise to 1,213 square metres.

While 20% may not be considered a significant market share, there are stronger suburban office markets that will compete with Cleveland CBD, both within the Redland LGA and outside of the LGA. This includes the following destinations:

- Capalaba;
- Victoria Point;
- Smaller neighbourhood centres;
- Industrial locations – these often attract some office space;
- Significant suburban office markets highlighted in Table 5;
- Home offices.

A 20% market share is therefore considered a stretch target, which would rely on the following factors:

- Significant growth in the retail market, which would increase customers and therefore demand for office based services;
- Attracting some regional government offices (likely in direct competition with Capalaba).

Large corporate occupiers and major government tenants (e.g. 5,000sqm plus tenancies) are difficult to predict and are often politically driven decision. Our forecasts have not accounted for such major office occupiers moving to Cleveland CBD.

**Table 12: Cleveland CBD, Office Market Forecasts, 2012-2026**

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
<b>Metro. Brisbane Base Office Growth (employees)</b>		12,728	- 1,004	1,837	8,719	8,092	8,570	8,109	7,424	6,556	6,660	7,814	6,278	6,278	6,278	6,278
<b>Metro. Brisbane Population Forecasts</b>	2,086,171	2,127,188	2,168,204	2,209,221	2,250,237	2,291,254	2,332,890	2,374,526	2,416,161	2,457,797	2,499,433	2,541,775	2,584,833	2,628,621	2,673,151	2,718,435
- BSD Growth per annum		41,017	41,017	41,017	41,017	41,017	41,636	41,636	41,636	41,636	41,636	42,341	43,059	43,788	44,530	45,284
- Growth rate (%)		2.0%	1.9%	1.9%	1.9%	1.8%	1.8%	1.8%	1.8%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%
<b>Redland LGA Population Forecasts</b>	145,874	148,358	150,842	153,325	155,809	158,293	160,556	162,819	165,082	167,344	169,607	171,901	174,225	176,581	178,968	181,388
- Redland Growth per annum		2,484	2,484	2,484	2,484	2,484	2,263	2,263	2,263	2,263	2,263	2,293	2,324	2,356	2,388	2,420
- Growth rate (%)		1.7%	1.7%	1.6%	1.6%	1.6%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%
<b>Proportion of Metro. Brisbane growth</b>		6.1%	6.1%	6.1%	6.1%	6.1%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	5.3%
<b>Redland LGA Base Office Growth (employees)</b>		771	- 61	111	528	490	466	441	403	356	362	423	339	338	337	335
<b>Market Share to Cleveland CBD</b>																
15%		116	- 9	17	79	74	70	66	61	53	54	63	51	51	50	50
20%		154	- 12	22	106	98	93	88	81	71	72	85	68	68	67	67
25%		193	- 15	28	132	123	116	110	101	89	90	106	85	84	84	84
<b>Cleveland CBD Floor Area Demand (sqm)</b>																
15% (910 sqm average per annum)		1,850	- 146	267	1,267	1,176	1,118	1,058	968	855	869	1,016	813	811	808	805
20% (1,210 sqm average per annum)		2,466	- 195	356	1,690	1,568	1,490	1,410	1,291	1,140	1,158	1,354	1,084	1,081	1,077	1,074
25% (1,520 sqm average per annum)		3,083	- 243	445	2,112	1,960	1,863	1,763	1,614	1,425	1,448	1,693	1,356	1,351	1,346	1,342

Source: Jones Lang LaSalle Research and Consulting

## 7.6 Conclusions and Market Opportunities

The above forecasts identify relatively low commercial office space growth if Cleveland CBD is to be left to market forces, with Cleveland CBD performing its existing service role with growth in office based services growing in line with the population in the catchment. The table illustrates that with a 15% market share of the Redland's LGA population growth, demand for commercial office space within the Cleveland CBD will peak at 1,267 sqm during 2014-2015. The peak in demand for office space could potentially reach 1,960 sqm during 2014-2015, assuming that the Cleveland CBD can attract a market share of 25%. A significant market intervention would have to occur to alter historical averages to achieve close to this level.

However, office demand can be heavily influenced by government intervention in the form of office relocation as well as improved infrastructure that provides greater appeal for investors and occupiers to consider the Cleveland CBD as a future office location. The main focus of the implementation of the CBD Investment Attraction Strategy that concentrates on increasing demand for and supply of office space would be to provide clear drivers and opportunities to entice investors and tenants to the CBD. For example, many employers will look to the availability of the key factors that support their business including access to a white collar workforce, a transport service, good road access and parking, and high quality amenity that can support the attraction and retention of their workforce. Given the often difficult and cyclical nature for the demand for office space these drivers and opportunities will be crucial moving forward.

As one of Australia's largest leasing agents of commercial office space, Jones Lang LaSalle can confirm the strong benefits that can be generated by investment attraction strategies aimed at attracting corporate groups to a specific location. Table 10 illustrates the potential target occupiers that could be considered for the Cleveland CBD;

**Table 13: Office Market and Employment Strategies Opportunities**

Opportunities	Comments / Success Factors
Consolidation of local government administration	Jones Lang LaSalle has identified additional capacity within Council's existing administrative offices to accommodate more staff, which is currently located outside the CBD. An estimated 150 additional office based employees could be located in the CBD. Jones Lang LaSalle understands that any consolidation of staff would need to be balanced against service delivery across the Redland City LGA.
Increased retail offering supporting office services	A strong retail element would be one of the largest drivers for bringing people to the Cleveland CBD. Any retail offering should also include complementary tenancies that can also sustain night time uses.  An increase in the retail offering within the Cleveland CBD will act as a draw card, bringing more customers into the CBD, which could result in an increase of a range of services, supporting the continued demand for office space.
Office services for an ageing population	Approximately 99% of population growth within Cleveland between the 2001 and 2011 census periods has been from residents above 55 years of age. This has been highlighted by an 8% per annum increase of residents greater than 85 years of age over the decade.  Cleveland has the opportunity to embrace and capitalize on this aging population by attracting agencies and companies that provide services to an ageing population. These can potentially include; <ul style="list-style-type: none"> <li>• Peak industry bodies</li> <li>• Aged care service providers and professionals, which could also include facilities for meal programs, allied health and social support.</li> <li>• Financial Planners</li> <li>• Government Bodies</li> </ul>
Re-location of TAFE	The relocation of TAFE from Alexandra Hills to the Cleveland CBD is not considered a large employment attractor but has a considerable number of indirect benefits. These include; induced residential dwelling demand, increased retail demand and a younger population to support new industries.  There is the potential to complement the existing workforce within the Cleveland region by offering training courses that meet the needs of the wider community. An initial option

	would be to relate the Alexandra Hills TAFE to co-locate with one of Cleveland's high schools.
Call centres / back office functions	Cleveland may provide an alternative to costly CBD space for back office functions of major corporations. Corporates want low cost campus style accommodation, on-site parking, good quality amenity for workforce, good accessibility to workforce (private and public transport connections).
ATO regional office	The ATO can be a major employer – as shown in other suburban markets including Dandenong, Moonee Ponds and Geelong (VIC); Chermshire; Upper Mount Gravatt.
Regional state government offices	Dept of Housing (Bayside Area Office) is located at Capalaba so unlikely to require an additional regional office at Cleveland. Capalaba appears to be favoured over Cleveland for such offices, but given that Cleveland CBD is the location of the main court precinct and local government administrative offices, perhaps it provides a more favorable location than Capalaba..
University Campus	Significant employer and generator of activity in many suburban and regional centres. E.g. Mawson Lakes (UniSA); Geelong (Deakin University); Monash (Monash University; Varsity Lakes (Bond University); Joondalup (Edith Cowan University). Expected to support a range of office based services

Source: Jones Lang LaSalle Research and Consulting

## 8 Retail Assessment

### Key Points & Outcomes

The large land holdings of Stockland Cleveland provides the logical opportunity to provide new anchor tenants aimed at:

- Consolidating the CBD as a strong F&G destination; or
- Providing a non-food/entertainment offer to retain the non-food spending of nearby residents who currently use other centres such as: Capalaba, Victoria Point, Garden City and Carindale.

Based on the supermarket assessment in section 6.4, there is likely to be an opportunity to increase the provision of supermarket floorspace (by around +2,500 sqm) within the Cleveland CBD over the next 15-20 years. This could be delivered via: a floorspace extension of the existing supermarkets; the development of a new store for another competitive supermarket operator, with ALDI being the logical inclusion, or; a combination of both. This opportunity would consolidate Cleveland CBD as a strong F&G destination of choice for residents in Cleveland and surrounding suburbs.

While full market support doesn't seem to be evident at this point in time, section 6.5 highlights that there is potential to accommodate a DDS (Big W, Kmart or Target) within the Cleveland CBD by 2031.

The cinema assessment (section 6.6) shows that there is unlikely to be an opportunity to accommodate a sizeable cinema development (+6 screens) within the Cleveland CBD. While the larger operators are unlikely to be interested in the opportunity, an independent or boutique operator may consider Cleveland as a location, particularly if the development was delivered with a range of other entertainment uses to create an entertainment and lifestyle precinct.

Future retail development should aim to improve pedestrian flows along Cleveland CBD's main streets so that development is mutually beneficial to all.

This section outlines the current state of retail in the Cleveland CBD and highlights potential opportunities that may arise in the future. We have focussed on the opportunities for introducing new retail anchor tenants to Cleveland CBD as this is often the catalyst to generating further spend at a retail destination, which in turn can support additional spending within specialty stores.

The main additional anchors considered in this assessment include department store retailing (e.g. full-line department stores; discount department stores), cinemas and entertainment, and supermarket. Attracting such major retail anchors within a centre/CBD can justify the development of more specialty space.

### 8.1 Existing Cleveland CBD Retail

The existing supply of retail in the Cleveland CBD largely serves the retail needs of nearby residents. Cleveland CBD has a range of uses, with the two major retailers being Woolworths and Coles, which are both located in Stockland Cleveland.

Stockland Cleveland is understood to be a strong performing retail centre, generating total retail sales of around \$130 million from around 15,000 sqm of retail floorspace. Combined, Coles and Woolworths are estimated to achieve a turnover of \$80 million from 7,600 sqm of leasable space, which is around 35% higher than the 'typical' double supermarket based centre (compared with the 2012 *Urbis Retail Averages*). The retail specialty shops also perform well, understood to be achieving turnover rates of around \$7,500 per sqm (15% above the average for Double Supermarket based Centres from the 2012 *Urbis Retail Averages*).

The strength of Stockland Cleveland immediately highlights that quality retail in Cleveland CBD performs well and there may be opportunity to increase the provision of anchor floorspace and specialty floorspace. The strategy for RCC should be to attract new retail anchors, which will provide a catalyst for an increased provision of specialty floorspace through increased traffic visitations. The evident retail opportunities to be tested are:

- The opportunity to accommodate another supermarket in the Cleveland CBD? We understand that supermarkets already perform well in Cleveland CBD and another supermarket could further consolidate the CBD as a strong Food and Grocery (F&G) destination.
- The opportunity to accommodate a Discount Department Store (DDS) in the Cleveland CBD? The attraction of a DDS would attract a new profile of shopper to Cleveland CBD, driving non-food shopping trips.

- Is there an opportunity to accommodate a cinema in the Cleveland CBD? The development of a cinema in the Cleveland CBD would support food and beverage and other entertainment retailers in the CBD, as well as potentially attracting more specialty retailers in to the CBD.

## 8.2 Existing Competitive Supply

The relevant competitive landscape for Cleveland CBD retail is segmented into three categories:

- Supermarket and F&G destinations;
- Department Store (including DDS) and higher-order retail destinations; and
- Cinema and Entertainment precincts.

### Supermarket and F&G destinations

Supermarket and F&G shopping is largely convenience driven, with majority of residents shopping at their closest store/precinct. While other factors will influence resident's decision making, there is typically a supermarket, with an adequate offer, within 3 kilometres of residents and, as a result, there is typically a high provision of supermarkets on a per capita basis (versus other retail formats).

Considering this, the destinations that compete most with supermarkets and F&G operators in Cleveland CBD are:

- **Alexandra Hills Shopping Centre** — 5 kms west of Cleveland CBD — includes a Woolworths supermarket (3,700 sqm) and around 4,600 sqm of retail specialty shops. The centre is understood to perform well, achieving retail sales of around \$70 million. While the store is not located in the Alexandra Hills SC, **ALDI Alexandra Hills** (~1,500 sqm) strengthens the draw of Alexandra Hills as a supermarket destination. Relative to the Cleveland CBD, this is the nearest ALDI supermarket
- **Birkdale Fair**, located around 6 kms north-west of Cleveland CBD, includes a Woolworths supermarket (3,700 sqm) and around 15 specialty shops. Annual retail sales are understood to be around \$55 million, driven largely by the performance of the supermarket.
- **Victoria Point**, 6-7 kms south of Cleveland CBD, is another strong supermarket and F&G destination, accommodating all three of: Woolworths (two stores); Coles; and ALDI. Victoria Point has two shopping centres, 'Town Centre and Victoria Point' and 'The Victoria Point Shopping Centre', which are part of a larger retail precinct located at the intersection of Bunker Road and Cleveland-Redland Bay Road. The centre has a diverse mix of retail, with other retail majors driving visitations including Kmart and Bunnings. The total retail sales at Victoria Point are unknown however, the Property Council of Australia states that the Victoria Point Shopping Centre (Kmart, Coles and Woolworths) achieves annual sales of around \$140 million.

### Department Stores and Higher Order Retail

While currently Cleveland CBD does not compete with non-food based centres, the competitive landscape needs to be understood before testing the opportunity to provide a DDS within the CBD. Higher order retail centres often accommodate a department store — such as MYER or David Jones — and/or DDS's — such as Kmart, Big W or Target. These higher-order centres provide a non-food retail destination for nearby residents and draw from a wider catchment. If Cleveland CBD were to attract a DDS operator within the CBD, the key competitive centres would be:

- **Victoria Point**. As mentioned previously, Victoria Point is a sub-regional shopping destination accommodating several supermarkets, a Bunnings store and, most importantly for this assessment, a Kmart store of around 6,000 sqm. The benefits of a diverse range of anchors at Victoria Point is that residents use the destination for more than convenience based shopping and the centre has a higher provision of fashion and homeware retailers. Nearby residents of Cleveland and Thornlands would likely use this centre because it is the closest DDS based centre for these residents.
- **Capalaba Park Shopping Centre and Capalaba Central**, 8-9 kms west of Cleveland CBD, is the sub-regional shopping destination for RCC residents, accommodating all three DDS operators (Kmart of 6,400 sqm; Target of 7,200 sqm and; Big W of 8,200 sqm) and other major retailers such as Harvey Norman, Woolworths, Colas and ALDI. These two centres have a combined retail floorspace of around 70,000 sqm and achieve a combined annual retail turnover of around \$360 million.
- **Westfield Garden City** is a regional shopping centre located in Mt Gravatt, around 18 kms west of Cleveland CBD. The 98,000 sqm centre has a vast range of uses, including a David Jones Department Store. Achieving sales of \$566 million per annum and serving a catchment of around 440,000 residents, Westfield Garden City

provides residents of RCC a higher order retail centre which incorporates all types of retail including: department stores, supermarkets, fashion specialties, cinemas etc.

- **Westfield Carindale**, similar to Westfield Garden City, is one of Brisbane's largest shopping centres, with around 136,000 sqm of retail floorspace. Included in this offer is MYER and David Jones department stores, cinemas, two DDSs, three supermarkets, and 31,000 sqm of retail specialty shops. Westfield Carindale is one of the better performing centres throughout Australia, achieving annual sales of around \$760 million, with majority of the sales generated by its large resident catchment of 430,000 residents.

### Cinemas and Entertainment

The inclusion of cinemas at activity centres generate a different type of visitation to the centre and most importantly, at a different time to that of traditional retail. Similar to other retail anchors, cinemas provide a catalyst that attracts other entertainment uses to a centre, which is important when trying to establish a destination. Currently, there are only two complexes within close proximity of Cleveland CBD, which are:

- **Cineplex at Victoria Point** is a **9 screen** (the average cinema has 4 screens) cinema;
- An **8 screen cinema**, operated by **Birch Carrol and Coyle**, is located at **Capalaba Central SC**.

### 8.3 Potential Retail Catchment and Population

The catchment for Cleveland has been defined to allow for other uses to be assessed in this analysis (DDS and Cinema) and therefore, is slightly broader than the catchment that Cleveland CBD retailers would likely serve at present. The main considerations taken into account in the catchment definition are:

- The proximity of residents to Cleveland CBD;
- The proximity of competing retail supply;
- The existing road network and ;
- Natural and urban breaks.

Taking consideration of all of the above, the catchment has been defined as follows:

**The primary catchment** includes the suburbs of Cleveland and Ormiston. This primary catchment considers both a DDS and Cinema in context of competing supply. The defined catchment also represents what would be majority of the total catchment for the existing retail at Cleveland, with the possible addition of part of the secondary south and secondary west likely to be currently included.

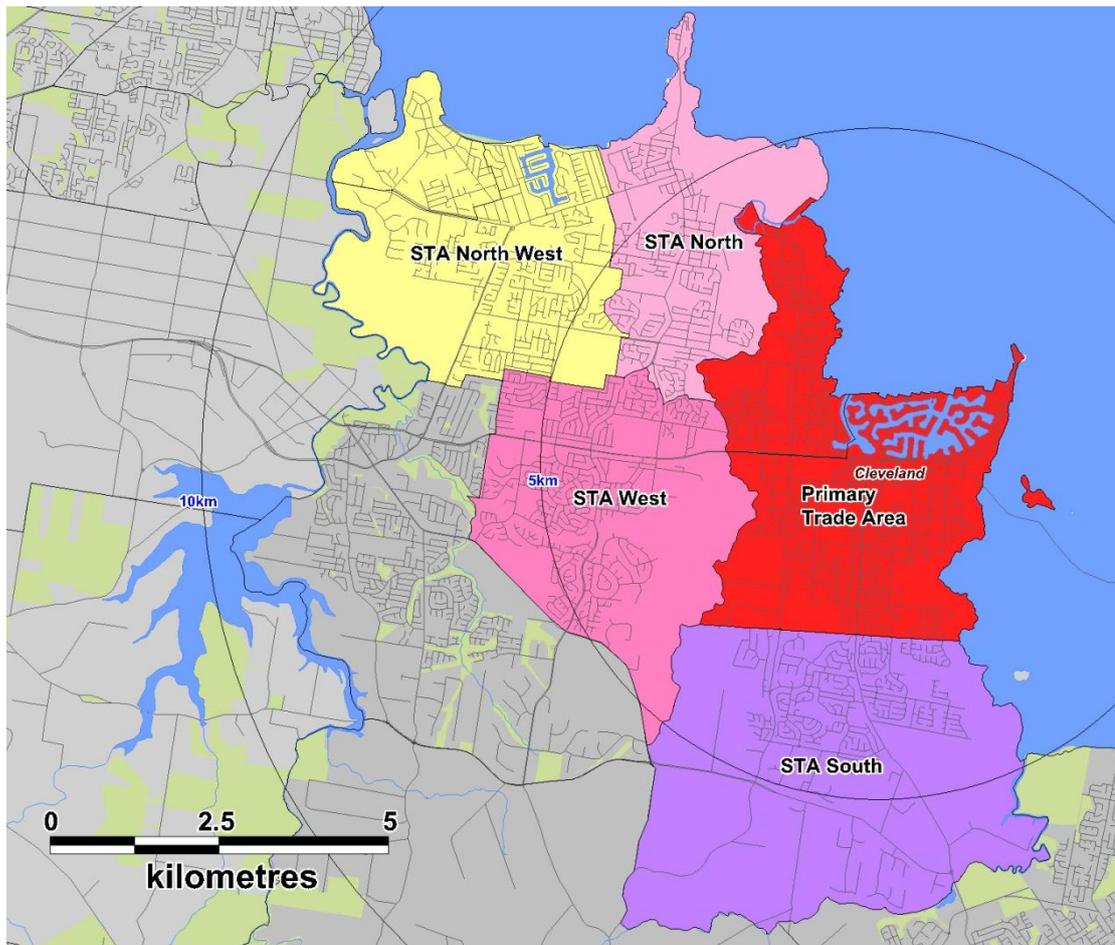
**The secondary north catchment** includes the suburbs of Wellington Point, which currently has no major retail anchor located within the suburb. The area has been included as secondary (likely to be a strong secondary sector) due to residents having supermarket options at Birkdale and Alexandra Hills and higher order retail at Capalaba being easily accessible, via Birkdale and Old Cleveland Road.

**The secondary south catchment** includes Thornlands but does not extend any further due to the proximity of retail at Victoria Point.

**The secondary west catchment** includes the suburb of Alexandra Hills. A market that is currently well served for supermarkets (both ALDI and Woolworths), Alexandra Hills residents are also within reasonably close proximity, and have easy access to higher order retail at Capalaba.

Similar to the secondary west, **secondary north-west catchment** includes the suburbs of Birkdale and Thorneside. This sector also has relatively easy access to Capalaba but would potentially frequent Cleveland CBD if the retail offer was strong enough.

**Figure 24: Cleveland CBD Potential Retail Catchment**



Source: Jones Lang LaSalle, PBBI MapInfo, Australian Bureau of Statistics

Considering the above catchment definition, the total existing and forecast catchment population is shown in Table 11. Total catchment population was 78,450 residents in 2011, including 20,050 residents in the primary catchment and 58,400 residents in the total secondary catchment.

Looking forward, population growth has been forecast to remain the same to 2021 (~1.0%), taking total catchment population to 86,850 residents. Between 2021 and 2031, population growth is anticipated to slow to around 0.5% per annum, driving total catchment population to 90,900 in 2031, which would include 23,170 residents in the primary catchment and 67,750 in the total secondary catchment.

**Table 14: Retail Catchment Population Forecast**

Catchment Population Total						
	2006	2011	2016	2021	2026	2031
<b>Primary</b>	<b>18,969</b>	<b>20,055</b>	<b>21,078</b>	<b>22,044</b>	<b>22,600</b>	<b>23,171</b>
North	10,713	10,987	11,264	11,520	11,665	11,811
South	10,519	12,807	14,847	16,961	18,182	19,109
West	16,986	16,710	16,710	16,710	16,710	16,710
North West	<u>16,920</u>	<u>17,892</u>	<u>18,805</u>	<u>19,617</u>	<u>19,864</u>	<u>20,113</u>
<b>Total Secondary</b>	<b>55,138</b>	<b>58,396</b>	<b>61,626</b>	<b>64,808</b>	<b>66,420</b>	<b>67,744</b>
<b>Total Catchment</b>	<b>74,107</b>	<b>78,451</b>	<b>82,704</b>	<b>86,852</b>	<b>89,020</b>	<b>90,914</b>
Catchment Population Growth p.a. (no)						
<b>Primary</b>		<b>217</b>	<b>205</b>	<b>193</b>	<b>111</b>	<b>114</b>
North		55	55	51	29	29
South		458	408	423	244	185
West		-	55	-	-	-
North West		<u>194</u>	<u>183</u>	<u>162</u>	<u>49</u>	<u>50</u>
<b>Total Secondary</b>		<b>652</b>	<b>646</b>	<b>636</b>	<b>322</b>	<b>265</b>
<b>Total Catchment</b>		<b>869</b>	<b>851</b>	<b>830</b>	<b>434</b>	<b>379</b>
Catchment Population Growth p.a. (%)						
<b>Primary</b>		<b>1.1%</b>	<b>1.0%</b>	<b>0.9%</b>	<b>0.5%</b>	<b>0.5%</b>
North		0.5%	0.5%	0.4%	0.2%	0.2%
South		4.0%	3.0%	2.7%	1.4%	1.0%
West		-0.3%	0.0%	0.0%	0.0%	0.0%
North West		<u>1.1%</u>	<u>1.0%</u>	<u>0.8%</u>	<u>0.2%</u>	<u>0.2%</u>
<b>Total Secondary</b>		<b>1.2%</b>	<b>1.1%</b>	<b>1.0%</b>	<b>0.5%</b>	<b>0.4%</b>
<b>Total Catchment</b>		<b>1.1%</b>	<b>1.1%</b>	<b>1.0%</b>	<b>0.5%</b>	<b>0.4%</b>

Source: Jones Lang LaSalle Research and Consulting; ABS

## 8.4 Supermarket Assessment

Derived from ABS retail trade figures, Table 12 highlights the estimated level of expenditure at supermarkets for each area of the catchment. The markets with stronger per capita incomes (primary, secondary north and secondary south) have a slightly higher supermarket spend per capita rate than the Queensland average (+2% to +4%). Vice-versa for those markets with slightly weaker (secondary west and secondary north west) per capita incomes than the Queensland average, with supermarket spending varying between -1% and -4%. As at 2011, the Queensland spend per capita at supermarkets is estimated at \$3,790 and is forecast to grow at 3.0% per annum (including both real growth and inflation) and is anticipated to reach around \$6,200 per capita in 2031.

By multiplying the annual spend rate per capita by the catchment population size, we are able to estimate total supermarket expenditure by catchment residents. This results in total catchment expenditure on supermarkets of \$298 million in 2011 and growing to \$622 million in 2031. (see Table 12)

**Table 15: Catchment Supermarket Spend**

Catchment Population Total						
	2006	2011	2016	2021	2026	2031
<b>Primary</b>	<b>18,969</b>	<b>20,055</b>	<b>21,078</b>	<b>22,044</b>	<b>22,600</b>	<b>23,171</b>
North	10,713	10,987	11,264	11,520	11,665	11,811
South	10,519	12,807	14,847	16,961	18,182	19,109
West	16,986	16,710	16,710	16,710	16,710	16,710
North West	16,920	17,892	18,805	19,617	19,864	20,113
<b>Total Secondary</b>	<b>55,138</b>	<b>58,396</b>	<b>61,626</b>	<b>64,808</b>	<b>66,420</b>	<b>67,744</b>
<b>Total Catchment</b>	<b>74,107</b>	<b>78,451</b>	<b>82,704</b>	<b>86,852</b>	<b>89,020</b>	<b>90,914</b>
<b>Supermarket Spend Per Capita</b>	<b>2006</b>	<b>2011</b>	<b>2016</b>	<b>2021</b>	<b>2026</b>	<b>2031</b>
<b>Primary</b>	<b>2,968</b>	<b>3,866</b>	<b>4,463</b>	<b>5,173</b>	<b>5,997</b>	<b>6,953</b>
North	3,026	3,942	4,550	5,275	6,115	7,089
South	2,968	3,866	4,463	5,173	5,997	6,953
West	2,793	3,638	4,200	4,869	5,645	6,544
North West	2,880	3,752	4,331	5,021	5,821	6,748
<b>Total Secondary</b>	<b>2,898</b>	<b>3,780</b>	<b>4,367</b>	<b>5,067</b>	<b>5,877</b>	<b>6,815</b>
<b>Total Catchment</b>	<b>2,916</b>	<b>3,802</b>	<b>4,392</b>	<b>5,094</b>	<b>5,907</b>	<b>6,850</b>
<b>Total Supermarket Spend (\$M)</b>	<b>2006</b>	<b>2011</b>	<b>2016</b>	<b>2021</b>	<b>2026</b>	<b>2031</b>
<b>Primary</b>	<b>56.29</b>	<b>77.53</b>	<b>94.06</b>	<b>114.04</b>	<b>135.54</b>	<b>161.10</b>
North	32.42	43.31	51.25	60.77	71.33	83.73
South	31.22	49.51	66.26	87.75	109.04	132.86
West	47.44	60.80	70.18	81.36	94.32	109.34
North West	48.74	67.13	81.45	98.50	115.63	135.73
<b>Total Secondary</b>	<b>159.8</b>	<b>220.7</b>	<b>269.1</b>	<b>328.4</b>	<b>390.3</b>	<b>461.7</b>
<b>Total Catchment</b>	<b>216.1</b>	<b>298.3</b>	<b>363.2</b>	<b>442.4</b>	<b>525.9</b>	<b>622.8</b>

Source: Jones Lang LaSalle Research and Consulting; ABS

We understand that the supermarkets at Stockland Cleveland shopping centre currently achieve total turnover of around \$80 million, in which we have estimated the following distributions: some 60% is coming from the primary catchment (resulting in a current market share of around 60%), 30% from the secondary catchments (resulting in a current market share of 11%) and, 10% from markets beyond the residential catchment area. These distributions and market shares have been estimated based on: the proximity and strength of competitive supply; road networks; the proximity of the catchment area to Cleveland CBD and; our experience in retail market assessments.

By applying these shares, and assuming no competitive impacts to the Cleveland CBD supermarkets, total supermarket turnover could potentially grow to \$160 million at 2031.

A generally accepted level of supportable turnover per sqm within the supermarket industry is around \$9,000 per sqm. By dividing the total turnover generated by the average per sqm rate (which has been increased at 3.0% per annum beyond 2011, to allow for increasing operating costs etc.) total supportable floorspace is to be around 8,900 sqm as of 2011 and forecast to grow to 10,200 sqm by 2031 (+1,300sqm). The 10,200 sqm compared with the current provision of leasable floorspace of 7,600 sqm, suggest a further + 2,600 sqm could be supported within Cleveland CBD. This leaves the opportunity for ALDI (typically 1,500 sqm) and/or an expansion of one of the existing supermarkets in Cleveland CBD.

**Table 16: Supermarket Opportunity Assessment**

Total Supermarket Spend (\$M)						
	2006	2011	2016	2021	2026	2031
<b>Primary</b>	<b>56.29</b>	<b>77.53</b>	<b>94.06</b>	<b>114.04</b>	<b>135.54</b>	<b>161.10</b>
North	32.42	43.31	51.25	60.77	71.33	83.73
South	31.22	49.51	66.26	87.75	109.04	132.86
West	47.44	60.80	70.18	81.36	94.32	109.34
North West	48.74	67.13	81.45	98.50	115.63	135.73
<b>Total Secondary</b>	<b>159.8</b>	<b>220.7</b>	<b>269.1</b>	<b>328.4</b>	<b>390.3</b>	<b>461.7</b>
<b>Total Catchment</b>	<b>216.1</b>	<b>298.3</b>	<b>363.2</b>	<b>442.4</b>	<b>525.9</b>	<b>622.8</b>
<b>Cleveland CBD Market Share (%)</b>						
<b>Primary</b>	<b>61%</b>	<b>61%</b>	<b>61%</b>	<b>61%</b>	<b>61%</b>	<b>61%</b>
North	31%	31%	31%	31%	31%	31%
South	8%	8%	8%	8%	8%	8%
West	7%	7%	7%	7%	7%	7%
North West	5%	5%	5%	5%	5%	5%
<b>Total Secondary</b>	<b>12%</b>	<b>11%</b>	<b>11%</b>	<b>11%</b>	<b>11%</b>	<b>11%</b>
<b>Total Catchment</b>	<b>24%</b>	<b>24%</b>	<b>24%</b>	<b>24%</b>	<b>24%</b>	<b>24%</b>
<b>Cleveland CBD Supermarket Turnover (\$M)</b>						
<b>Primary</b>	<b>34.45</b>	<b>47.45</b>	<b>57.57</b>	<b>69.79</b>	<b>82.95</b>	<b>98.59</b>
North	9.92	13.25	15.68	18.59	21.83	25.62
South	2.46	3.90	5.22	6.91	8.59	10.46
West	3.42	4.38	5.05	5.86	6.79	7.87
North West	2.63	3.63	4.40	5.32	6.24	7.33
<b>Total Secondary</b>	<b>18.4</b>	<b>25.2</b>	<b>30.4</b>	<b>36.7</b>	<b>43.4</b>	<b>51.3</b>
<b>Total Catchment</b>	<b>52.9</b>	<b>72.6</b>	<b>87.9</b>	<b>106.5</b>	<b>126.4</b>	<b>149.9</b>
Beyond the Catchment	5.88	8.07	9.77	11.83	14.04	16.65
<b>Total Supermarket Turnover</b>	<b>58.8</b>	<b>80.7</b>	<b>97.7</b>	<b>118.3</b>	<b>140.4</b>	<b>166.5</b>
<b>Supportable Floorspace</b>						
Avg Supermarket \$ per sqm*	\$ 7,763	\$ 9,000	\$ 10,433	\$ 12,095	\$ 14,022	\$ 16,255
<b>Supportable Floorspace</b>	<b>7,567.8</b>	<b>8,963.1</b>	<b>9,363.0</b>	<b>9,781.1</b>	<b>10,016.3</b>	<b>10,244.9</b>
Current Floorspace	7,604.0	7,604.0	7,604.0	7,604.0	7,604.0	7,604.0
<b>Surplus/Deficit</b>	<b>36.2</b>	<b>- 1,359.1</b>	<b>- 1,759.0</b>	<b>- 2,177.1</b>	<b>- 2,412.3</b>	<b>- 2,640.9</b>

Source: Jones Lang LaSalle Research and Consulting; ABS

## 8.5 Discount Department Store Assessment

The DDS assessment follows the same market share approach as the supermarket assessment. Due to higher incomes, the: primary, secondary north and, secondary south; catchments all have higher spending rates than the Queensland average (+5% to +10%) and the lower income areas have department store spending rates -5% to -10% of the Queensland average (\$804.6 per capita in 2011). Spending rates per capita for department stores is anticipated to be slow, forecast to grow at 0.5% per annum (including retail price inflation and real growth). As a result, Queensland department store spending per capita is estimated at \$880 per capita in 2031. The slow rate of capita growth is slower than anticipated retail price inflation, reflecting the ongoing decreasing market share of department stores relative to other retail formats (online retailers, international brands etc.)

Combined with the total catchment population, total department store expenditure by catchment residents is estimated at \$63.3 million in 2011 and forecast to increase to \$80.6 million in 2031.

**Table 17: Catchment Discount Department Store Spend**

Catchment Population Total						
	2006	2011	2016	2021	2026	2031
<b>Primary</b>	<b>18,969</b>	<b>20,055</b>	<b>21,078</b>	<b>22,044</b>	<b>22,600</b>	<b>23,171</b>
North	10,713	10,987	11,264	11,520	11,665	11,811
South	10,519	12,807	14,847	16,961	18,182	19,109
West	16,986	16,710	16,710	16,710	16,710	16,710
North West	16,920	17,892	18,805	19,617	19,864	20,113
<b>Total Secondary</b>	<b>55,138</b>	<b>58,396</b>	<b>61,626</b>	<b>64,808</b>	<b>66,420</b>	<b>67,744</b>
<b>Total Catchment</b>	<b>74,107</b>	<b>78,451</b>	<b>82,704</b>	<b>86,852</b>	<b>89,020</b>	<b>90,914</b>
<b>Department Store Spend Per Capita</b>	<b>2006</b>	<b>2011</b>	<b>2016</b>	<b>2021</b>	<b>2026</b>	<b>2031</b>
<b>Primary</b>	<b>790</b>	<b>845</b>	<b>857</b>	<b>879</b>	<b>901</b>	<b>924</b>
North	828	885	898	921	944	968
South	790	845	857	879	901	924
West	677	724	735	754	773	792
North West	715	764	776	795	815	836
<b>Total Secondary</b>	<b>739</b>	<b>793</b>	<b>807</b>	<b>829</b>	<b>851</b>	<b>873</b>
<b>Total Catchment</b>	<b>752</b>	<b>806</b>	<b>820</b>	<b>842</b>	<b>864</b>	<b>886</b>
<b>Total Department Store Spend (\$M)</b>	<b>2006</b>	<b>2011</b>	<b>2016</b>	<b>2021</b>	<b>2026</b>	<b>2031</b>
<b>Primary</b>	<b>14.98</b>	<b>16.94</b>	<b>18.07</b>	<b>19.38</b>	<b>20.37</b>	<b>21.41</b>
North	8.87	9.72	10.12	10.61	11.01	11.43
South	8.31	10.82	12.73	14.91	16.39	17.66
West	11.50	12.10	12.28	12.59	12.91	13.23
North West	12.09	13.68	14.59	15.60	16.20	16.82
<b>Total Secondary</b>	<b>40.8</b>	<b>46.3</b>	<b>49.7</b>	<b>53.7</b>	<b>56.5</b>	<b>59.1</b>
<b>Total Catchment</b>	<b>55.8</b>	<b>63.3</b>	<b>67.8</b>	<b>73.1</b>	<b>76.9</b>	<b>80.6</b>

Source: Jones Lang LaSalle Research and Consulting; ABS

To test the turnover and supportability of a DDS in Cleveland CBD, we have assumed a store to open in 2016 and applied market shares with consideration to the current competitive landscape. The market shares applied assume that the development would include all the requirements of a competitive and modern DDS, such as: high provision of parking, latest store fitout, full range of goods etc. Taking all of this into consideration, the following market shares have been applied:

- A market share of 38% in the primary catchment has been applied. A DDS within the Cleveland CBD would be the closest store for primary residents. While a DDS in the CBD will help to serve a gap in the market, residents will still head to other retail destination due to brand preference (Kmart versus Big W or Target) or to higher order department stores at Carindale, Garden City and Brisbane CBD.
- Competitive DDSs at Victoria Point (Kmart) and Capalaba (Big W, Kmart and Target) will make the secondary south, secondary west and secondary north west more competitive (relative to the primary catchment). As a result, a lower rate of 13% has been applied to these sectors.
- Within the secondary north catchment area, a DDS operator should be able to achieve slightly higher market shares (compared with other secondary catchment areas) of around 21%.
- Around 25% of turnover is expected to be generated from markets beyond the resident catchment.

Applying the above market shares, DDS turnover in 2016 is forecast at \$18.8 million and expected to grow to \$22.3 million in 2031. At an average turnover rate of \$3,000 per sqm in 2011 (forecast to grow at 1.0% per annum, reflecting increasing costs etc. over the period), the supportable DDS floorspace is forecast at 5,967 sqm in 2016 and 6,033 sqm in 2031. A 6,000 sqm store footprint would meet the requirements of DDS operators.

Table 18: DDS Opportunity Assessment

Total Department Store Spend (\$M)						
	2006	2011	2016	2021	2026	2031
<b>Primary</b>	<b>14.98</b>	<b>16.94</b>	<b>18.07</b>	<b>19.38</b>	<b>20.37</b>	<b>21.41</b>
North	8.87	9.72	10.12	10.61	11.01	11.43
South	8.31	10.82	12.73	14.91	16.39	17.66
West	11.50	12.10	12.28	12.59	12.91	13.23
North West	12.09	13.68	14.59	15.60	16.20	16.82
<b>Total Secondary</b>	<b>40.8</b>	<b>46.3</b>	<b>49.7</b>	<b>53.7</b>	<b>56.5</b>	<b>59.1</b>
<b>Total Catchment</b>	<b>55.8</b>	<b>63.3</b>	<b>67.8</b>	<b>73.1</b>	<b>76.9</b>	<b>80.6</b>
<b>Cleveland CBD Market Share (%)</b>						
<b>Primary</b>	<b>0%</b>	<b>0%</b>	<b>38%</b>	<b>38%</b>	<b>38%</b>	<b>38%</b>
North	0%	0%	21%	21%	21%	21%
South	0%	0%	13%	13%	13%	13%
West	0%	0%	13%	13%	13%	13%
North West	0%	0%	13%	13%	13%	13%
<b>Total Secondary</b>	<b>0%</b>	<b>0%</b>	<b>14%</b>	<b>14%</b>	<b>14%</b>	<b>14%</b>
<b>Total Catchment</b>	<b>0%</b>	<b>0%</b>	<b>21%</b>	<b>21%</b>	<b>21%</b>	<b>21%</b>
<b>Cleveland CBD Department Store Turnover (\$M)</b>						
<b>Primary</b>	<b>-</b>	<b>-</b>	<b>6.91</b>	<b>7.41</b>	<b>7.79</b>	<b>8.19</b>
North	-	-	2.15	2.25	2.34	2.43
South	-	-	1.62	1.90	2.09	2.25
West	-	-	1.57	1.61	1.65	1.69
North West	-	-	1.86	1.99	2.07	2.14
<b>Total Secondary</b>	<b>-</b>	<b>-</b>	<b>7.2</b>	<b>7.8</b>	<b>8.1</b>	<b>8.5</b>
<b>Total Catchment</b>	<b>-</b>	<b>-</b>	<b>14.1</b>	<b>15.2</b>	<b>15.9</b>	<b>16.7</b>
Beyond the Catchment	-	-	4.70	5.05	5.31	5.57
<b>Total Supermarket Turnover</b>	<b>-</b>	<b>-</b>	<b>18.8</b>	<b>20.2</b>	<b>21.2</b>	<b>22.3</b>
<b>Supportable Floorspace</b>						
Avg Supermarket \$ per sqm*	\$ 2,854	\$ 3,000	\$ 3,153	\$ 3,314	\$ 3,483	\$ 3,661
<b>Supportable Floorspace</b>	<b>-</b>	<b>-</b>	<b>5,967.6</b>	<b>6,100.6</b>	<b>6,099.2</b>	<b>6,083.6</b>
Current Floorspace	-	-	-	-	-	-
<b>Surplus/Deficit</b>	<b>-</b>	<b>-</b>	<b>- 5,967.6</b>	<b>- 6,100.6</b>	<b>- 6,099.2</b>	<b>- 6,083.6</b>

Source: Jones Lang LaSalle Research and Consulting; ABS

## 8.6 Cinema Assessment

The cinema assessment uses the same catchment area and population as the other retail assessment but assesses the size of the market in a different way. The common approach for assessing cinema supportability will determine the size of the market based on the catchment population and resident average cinema visitations per capita. An allowance is then made for the market visitations that could be captured if a cinema was provided at the subject centre (in this case, the Cleveland CBD).

The assessment for Cleveland is in Table 16. The following has been applied in the assessment:

- The assessment assumes a quality cinema establishment would be developed, including providing screens with the latest technologies.
- Benchmark annual cinema visitations were 1.7 per capita for Queensland in 2011. Given catchment residents will have several options (at Capalaba, Victoria Point and Cleveland CBD), a higher average annual rate of 2.5 visits per capita has been applied. This results in total attendances by catchment residents of 227,286 per annum in 2031.
- Assuming a well-presented and price competitive cinema operates at Cleveland, a market share assessment has been applied to each catchment sector to estimate total visitations at the subject site. A high share (70%) of primary residents cinema visitations would be directed toward a cinema at Cleveland CBD, while secondary sectors would still see reasonable, but smaller, shares (20%-30%) due to competitive supply.
- A reasonable amount of visitations could be expected to be generated by residents from beyond the catchment area. Considering the draw of the catchment and the competitive supply, 20% has been applied.
- Total Cinema visitations for a cinema complex in the Cleveland CBD are forecast at 92,954 in 2011 and forecast to grow to 108,225 per annum.
- By applying the national average ticket price in 2011, \$12.9 per ticket, total box office revenue generated by a cinema at Cleveland CBD is estimated to be in the range of \$1.2 - \$1.4 million per annum.
- The average box office per screen in Queensland is around \$500,000 per annum in 2011. Because this is an average of 'all' cinema screens in Queensland, therefore including everything from independent operators to Megaplexes, a discounted rate of \$350,000 is considered to be supportable. By applying a rate of \$350,000 per screen to the forecast box office revenue, total screens demanded at Cleveland CBD is estimated at 3.4 in 2011 and 4.0 in 2031. As at January 2013, the Queensland and Australia average screens per complex was 4.4 and 4.2 respectively. The average for an independent operator is 2.1 screens per complex, while the larger operators (BCC, Village, Dendy, Hoyts etc.) typical provide 7-8 screens in each complex.

On the basis of this assessment, demand for cinemas at Cleveland CBD seems to be marginal. While the larger operators are unlikely to be interested in the opportunity, an independent or boutique operator may consider Cleveland as a location, particularly if the development was delivered with a range of other entertainment uses to create an entertainment and lifestyle precinct.

**Table 19: Cleveland CBD Cinema Potential**

Catchment Population Total	2006	2011	2016	2021	2026	2031
<b>Primary</b>	<b>18,969</b>	<b>20,055</b>	<b>21,078</b>	<b>22,044</b>	<b>22,600</b>	<b>23,171</b>
North	10,713	10,987	11,264	11,520	11,665	11,811
South	10,519	12,807	14,847	16,961	18,182	19,109
West	16,986	16,710	16,710	16,710	16,710	16,710
North West	16,920	17,892	18,805	19,617	19,864	20,113
<b>Total Secondary</b>	<b>55,138</b>	<b>58,396</b>	<b>61,626</b>	<b>64,808</b>	<b>66,420</b>	<b>67,744</b>
<b>Total Catchment</b>	<b>74,107</b>	<b>78,451</b>	<b>82,704</b>	<b>86,852</b>	<b>89,020</b>	<b>90,914</b>
<b>Benchmark Annual Cinema Visitations Per Annum</b>						
Queensland Avge	2.6	1.7	2.0	2.0	2.0	2.0
Applied for Catchment	2.6	2.5	2.5	2.5	2.5	2.5
<b>Cinema Attendances Per Annum</b>						
<b>Primary</b>	<b>49,319</b>	<b>50,138</b>	<b>52,695</b>	<b>55,109</b>	<b>56,500</b>	<b>57,927</b>
North	27,854	27,468	28,161	28,800	29,162	29,529
South	27,349	32,018	37,117	42,402	45,454	47,773
West	44,164	41,775	41,775	41,775	41,775	41,775
North West	43,992	44,730	47,012	49,043	49,659	50,283
<b>Total Secondary</b>	<b>143,359</b>	<b>145,990</b>	<b>154,065</b>	<b>162,020</b>	<b>166,050</b>	<b>169,359</b>
<b>Total Catchment</b>	<b>192,678</b>	<b>196,128</b>	<b>206,760</b>	<b>217,129</b>	<b>222,551</b>	<b>227,286</b>
<b>Market Share &amp; Forecast Visitations</b>						
<b>Primary</b>	<b>70%</b>	<b>35,096</b>	<b>36,887</b>	<b>38,576</b>	<b>39,550</b>	<b>40,549</b>
North	45%	12,360	12,672	12,960	13,123	13,288
South	30%	9,605	11,135	12,721	13,636	14,332
West	20%	8,355	8,355	8,355	8,355	8,355
North West	20%	8,946	9,402	9,809	9,932	10,057
<b>Total Secondary</b>	<b>27%</b>	<b>39,267</b>	<b>41,565</b>	<b>43,844</b>	<b>45,046</b>	<b>46,031</b>
<b>Total Catchment</b>	<b>51%</b>	<b>74,363</b>	<b>78,451</b>	<b>82,421</b>	<b>84,596</b>	<b>86,580</b>
Beyond	20%	18,591	19,613	20,605	21,149	21,645
<b>Total Visitations</b>		<b>92,954</b>	<b>98,064</b>	<b>103,026</b>	<b>105,745</b>	<b>108,225</b>
<b>Revenue &amp; Screen Assessment</b>						
Average Ticket Price	\$ 10.4	\$ 12.9	\$ 12.9	\$ 12.9	\$ 12.9	\$ 12.9
Potential Box Office Revenue		1,199,101	1,265,030	1,329,032	1,364,115	1,396,106
Supportable Box Office Revenue per Screen		\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000
Total Screens Supportable		3.0	3.2	3.3	3.4	3.5

Source: Jones Lang LaSalle Research and Consulting; ABS; Screen Australia

## 8.7 Conclusions and Opportunities

The conclusions of the retail assessment are as follows:

- Currently, Stockland Cleveland performs reasonably well with the strong performance of the two supermarkets benefiting specialty retail throughout the centre. Its relatively strong performance, however, does not necessarily flow through to other retail floor space throughout the CBD.
- There are still opportunities to improve the offer, and the large land holdings of Stockland Cleveland provides the logical opportunity to provide new anchor tenants aimed at:
  - o consolidating the CBD as a strong F&G destination; or
  - o Providing a non-food/entertainment offer to retain the non-food spending of nearby residents, which is currently directed to other centres, such as: Capalaba, Victoria Point, Garden City and Carindale.
- The trade area, defined to test the inclusion of a DDS or Cinema, highlights a potentially wide draw that includes the suburbs of: Cleveland, Ormiston, Wellington Point, Thornlands and Alexandra Hills. As at the 2011 census, this catchment area had a total resident population of 78,450 residents and is expected to increase to 90,900 residents in 2031, reflecting a total increase over this period of + 12,400 residents (+15%).
- Based on the supermarket assessment in section 6.4, there is likely to be an opportunity to increase the provision of supermarket floorspace (by around +2,500 sqm) within the Cleveland CBD over the next 15-20 years. This could be delivered via: a floorspace extension of the existing supermarkets; the development of a new store for another competitive supermarket operator, with ALDI being the logical inclusion, or; a combination of both. This opportunity would consolidate Cleveland CBD as a strong F&G destination of choice for residents in Cleveland and surrounding suburbs.
- While full market support does not seem to be evident at this point in time, section 6.5 highlights that there is potential to accommodate a DDS (Big W, Kmart or Target) within the Cleveland CBD by 2031. The demand assessment, which applies reasonable market shares based on the usual considerations (proximity and strength of competitors, road networks etc.), shows that there could be demand for a 6,000 sqm DDS store by 2031. This store size should be flexible to allow for a store size of between 6,000 – 8,000 sqm, which would allow operators to meet their desired store requirements. The opportunity to accommodate a DDS would change the retail role of the Cleveland CBD from being a food destination to then attracting fashion and other non-food shoppers. A new DDS would also have flow on benefit to existing non-food specialty retails and may support the opportunity to provide further non-food specialty floorspace within the CBD.
- Guided by Australian and Queensland per capita benchmarks, the cinema assessment (section 6.6) shows that there is unlikely to be an opportunity to accommodate a sizeable cinema development (+6 screens) within the Cleveland CBD. By applying reasonable market shares, the assessment shows that there may be potential to accommodate a 3-4 screen complex in Cleveland CBD, which is more likely to be an independent or boutique operator. Unless there was a distinct point of difference in the operation of the cinema (compared with multiplexes at Victoria Point and Capalaba), a smaller cinema would unlikely be an anchor that would provide the catalyst for significant flow-on benefit for other entertainment (and food and beverage) uses. While the cinema opportunity should not be prioritised over the DDS and supermarket opportunities, the option should be sounded out with cinema operators to gauge their interest in the market.
- Future retail development should aim to improve pedestrian flows along Cleveland CBD's main streets so that development is mutually beneficial to all.

## 9 Other Commercial Uses

### Key Points & Outcomes

We believe that there is a key education sector opportunity for the Cleveland CBD to attract a TAFE campus. This will benefit the area significantly by attracting a younger demographic to the region, which will help activate the CBD.

We expect that further growth in the Gym market within Cleveland CBD is possible, primarily in association with growth in the retail market (which would increase the customer base for a range of other services).

It has a relatively large, affluent population base nearby (particularly residents of Raby Bay) and offers opportunities for waterfront dining as well as alfresco dining within the city centre.

With major hospitals nearby, Cleveland CBD is expected to primarily require a range of non-hospital health care services, including medical centres, consulting rooms, allied health services such as optical, physiotherapy, podiatry, and a range of other health services such as blood banks, ambulance services, therapeutic massage etc.

It is expected that the total number of residents aged over 65 will continue to increase beyond 2031. Therefore additional retirement floor space may be required. In a sector that is adapting to change and seeking new ways of providing for retirement accommodation, it is appropriate that councils engage with the retirement living sector and seek high quality, multi-storey developments within the Cleveland CBD that meet the needs of discerning retirees.

This section briefly discusses other employment generating uses that have successfully contributed to a more vibrant CBD in other markets.

### 9.1 Education sector

The education sector includes higher education, vocational education and training (e.g. TAFE courses), English language intensive courses for international students - ELICOS), schools and pre-schools. Higher education in particular is a major employer and activity generator within city centres, supporting other uses such as the retail core, cafes, restaurants, rental accommodation, visitor accommodation and tourism. More recently, higher education has emerged as one of Australia's largest exports, with international students studying in Australia.

CBDs are well placed to capitalise on the growth in the education centre. They provide an ideal location for all forms of education providers – close to public transport, close to a sizable workforce and accessible to the catchment they serve. Universities and TAFEs are important activity generators in both capital city CBDs and suburban CBDs.

#### Supply / competition

There is no major university within Redland LGA, although the Nazarene Theological College in Thornlands provides accredited higher education courses. The closest universities are the Logan campus of Griffith University and Brisbane city universities. The Metropolitan South Institute of TAFE at Alexandra Hills is the closest further education facility to Cleveland CBD. We do not consider there is scope for a further campus at Cleveland given the proximity to Alexandra Hills (approximately 5km to the west), however there may be the potential to relocate the campus should there be sound commercial reasons for doing so. This may come from potential to co-locate with the existing Cleveland District State High School, which occupies a site in Cleveland CBD. We understand the State Government is reviewing the TAFE campus network and that this provides a strong opportunity for Council to proactively engage with the State to support the consideration and facilitation of relocation (partial / full) to the Cleveland CBD.

#### Demand

Apart from a TAFE, the Cleveland CBD appears to be well catered for with a public high school and primary school. Furthermore, Cleveland is an ageing population and unless this is reversed, the population of high school students within the nearby catchment may diminish over time.

A private high school or primary school (or both) may express interest in Cleveland should land become available. However, opportunities are quite rare and would most likely occur through consolidation of existing public education

facilities (therefore no net gain in education facilities). A private school may also find itself competing with residential development interests for valuable land.

Pre-schools are popular in CBD locations as workers often prefer to enrol their children in a pre-school close to their workplace (rather than close to home). This aids with pick-up / drop-off timing. Should the Cleveland CBD experience growth in its workforce, then pre-schools may be supported. While this is not a significant employment generator it can be one of many important ingredients that support a high quality level of amenity for a white collar workforce that is critical to employers due to their focus on workforce attraction and retention.

### **Market opportunities**

The Metropolitan South Institute of TAFE (MSIT) located at Alexandra Hills was created following an amalgamation of courses previously delivered at Logan, Moreton and Yeronga TAFEs. Jones Lang LaSalle understands that the State Government is currently reviewing the TAFE platform including the associated real estate portfolio. The reviews will focus on optimising the portfolio through strategic acquisitions, disposal of surplus assets and relocation of assets to create greater social and economic benefits.

This provides Redland Regional Council with an ideal opportunity to be actively marketing the attractiveness of moving the MIST campus into the Cleveland CBD. The introduction of a large scale TAFE centre would benefit the community by providing a number of additional jobs, in addition to, providing the region with a purpose built educational node. Outside of the direct benefits, large scale educational institutions also provide a number of positive flow-on benefits including;

- Increased demand for residential property – An influx of students to a region provided underlying support for increased supply of residential property within a region, in particular rental properties. The introduction of a strong rental market into Cleveland will contribute to bringing new development with investors and developers alike seeking to capitalise on this market.
- Increased demand and diversification of retail facilities – The increase in student numbers will continue to support the existing retail outlets currently operating within the Cleveland CBD. There would also be the potential for new retail outlets, which cater for a younger demographic to be introduced, diversifying the traditional retail offering within the Cleveland CBD.
- Increased activation of the CBD – The increase in student numbers will contribute to activating the city, especially during the night. Complementary residential development within the Cleveland CBD, which allows the younger residents to reside in rental dwellings above or in close proximity to key recreational and retail amenity, will also support the activation of the CBD.

## **9.2 Leisure and entertainment uses**

This discussion focuses on leisure and entertainment uses that may be attracted to a city centre. We have identified a number of uses and provide a short qualitative assessment on each drawn from our observations of other centres.

### **Gymnasiums**

Nationally there has been significant change in the fitness industry, which has resulted in winners and losers. Some large gyms are being replaced with small gyms operating 24-7. Fitness First has recently sold its Australian operations due to mounting debt, and a number of its outlets have closed.

While the large groups have consolidated, there has been very strong growth in the lower priced 24 hour gyms, led by Anytime Fitness, Jetts and Snap Fitness. These franchise operations have been some of the fastest growing businesses in Australia over the past 12 months.

Gyms are not a major employment generator but can provide significant activation to a city centre, particularly after hours. In this regard, they can be an important element in building a night-time economy.

Gym participation has seen very strong growth across Australia and Queensland is no exception. The participation rate has increased from 13.5% in 2005-06 to 16.7% in 2011-12.

As with many CBDs, Cleveland has experienced change in its gym operations. Stepz Fitness is due to open and Snap Fitness and Good Life Health Clubs operate in the CBD. We would expect that further growth is possible, primarily in association with growth in the retail market (which would increase the customer base for a range of other services).

**Table 20: Participation in Sport & Physical Recreation, Queensland\***

Year	Participants ('000)	Participation Rate (%)
2005–06	416.5	13.5
2009–10	520.1	15.0
2011–12	600.5	16.7

Source: Australian Bureau of Statistics, Catalogue 4177.0

\*All persons aged 15 years and over

## Cinemas

Cinemas have been discussed elsewhere in this report in association with demand for additional retail floor space.

## Taverns, cafes and restaurants

The Cleveland CBD has not traditionally capitalised on the affluent older population base, which currently resides within Raby Bay and the surrounding precinct. There is the potential to diversify the traditional retail offering within the region by targeting this demographic. Waterfront and alfresco dining, coffee shops and modern and innovative retail offers within the Cleveland CBD, should be supported by this demographic.

The opportunity is present for the Redland City Council to actively develop a number of cluster dining opportunities within the CBD to active the region. The concept of an 'eat street' that offers well tenanted and innovate retail and dining options has proven successful in regions within South East Queensland with a similar demographic to Raby Bay. Importantly, they will often be an early activating land use that coincides with strong urban renewal outcomes. Examples include;

- Oxford Street at Bulimba
- Royal Esplanade at Manly
- Marine Parade Redcliffe

## 9.3 Health and medical uses

Health and medical facilities are concentrated near Mater Private Hospital and Redland Public Hospital (170 beds), approximately 2km to the south west of the Cleveland CBD. With major hospitals nearby, Cleveland CBD is expected to primarily require a range of non-hospital health care services, including medical centres, consulting rooms, allied health services such as optical, physiotherapy, podiatry, and a range of other health services such as blood banks, ambulance services, therapeutic massage etc.

While a CBD is well placed to provide a comprehensive demand for such uses, a more complete range of medical facilities anchored by a hospital is not warranted given the proximity to the hospital precinct. One area where there has been considerable growth has been with large medical centres such as GP Super Clinics and Day Surgeries. Both are often co-located with a public or private hospital. A large medical centre such as a GP Super Clinic may provide the best opportunity of growth in CBD health services in the Cleveland CBD. Given the ageing population, demand for health services is expected to grow.

The growth of free standing day hospitals has been strong during the past 2 decades, with the majority of private day hospitals owned by physicians. In 2009/2010 there were 302 freestanding day hospitals that had emerged to take advantage of low invasive surgical techniques. This is significant growth when compared to the fact that there were only 72 day hospitals in 1991/1992.

In view of the opportunities that exist in the day hospital sector, many large private and public hospitals have also converted theatres and space for day surgery units, which now conduct more than 50% of all surgery. Revenue in 2009/2010 totalled \$746 million, with the growth from 2008/09 of 18.7% being higher than the five year average of 14.7% p.a.. However, substitution of overnight admissions with same day care is still short of what could be achieved, with some analysts anticipating day surgery to grow to 80% of total procedures.

Health services are already an important employer for the Cleveland CBD, accounting for 10% of the working population in the CBD. However, compared to the employment in the Health care sector across Redland LGA, Cleveland is under-represented (10% compared with 14.3% in Redland LGA). This is not surprising given the likely dominance of health care employment at the existing hospital precinct 2km south-west of the CBD.

## 9.4 Retirement Living

Retirement living is a growing sector across Australia, due to an ageing population. In recent years there has been a demand for different living options for retirees such as: independent living units, assisted living and, nursing homes.

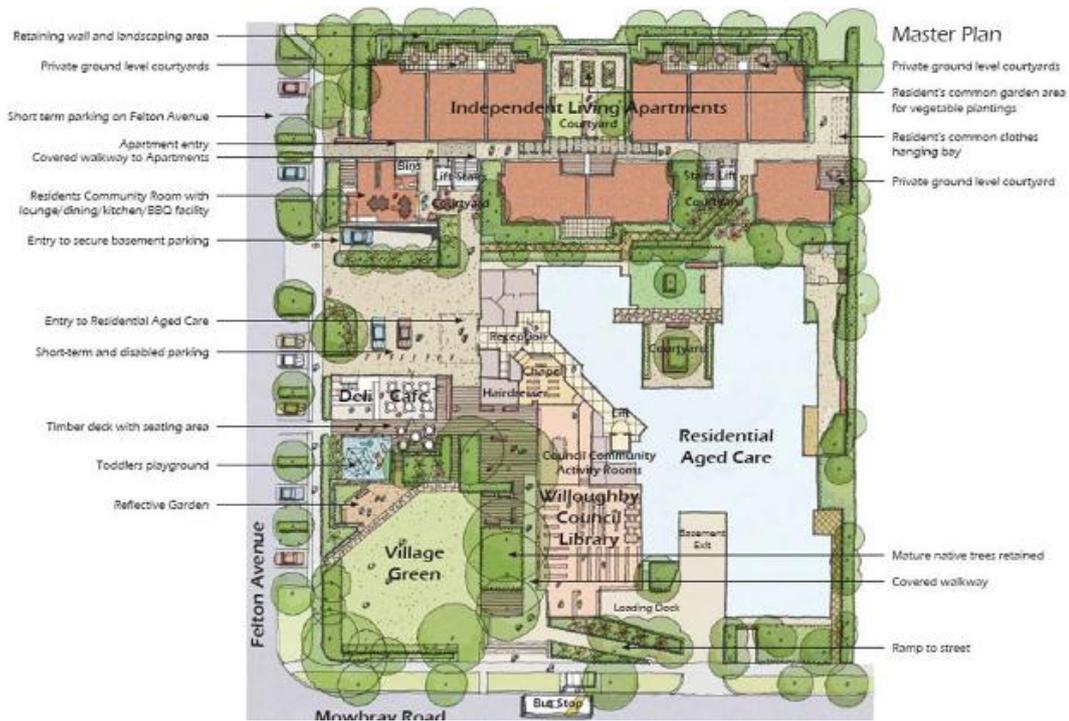
The obvious areas that have high demand for retirement living are those with a high concentration or proportion of residents aged 65 years of age and over.

### Opportunities

Retirement villages have been typically low-density, low-rise development located within close proximity (but often on the fringe) of city centres. Some relevant recent trends within the retirement living development sector are as follows:

- **Multi-storey retirement projects.** It is considered that, going forward, retirement villages could potentially be delivered in multi-storey developments within city centres. These types of projects are currently attracting interest from not-for-profit providers, allowing them to meet their targets of providing affordable properties up-front.
- **Small retirement clusters.** Another consideration for the future of retirement living is to deliver smaller scale services that are integrated with traditional residential areas.
- **De-institutionalising the sector.** There is an emerging trend of breaking down the barriers (or de-institutionalising) retirement living. This is expected to see interest in integrated developments that incorporate retirement living with a range of other uses that can be accessed by the wider community. Developments providing local shopping, community facilities and allied health facilities with retirement living and aged care have been successfully developed interstate, often in multi-storey developments (see example below). Early examples of such projects have been delivered in South East Queensland and well received although this type of integrated multi-level medium density project type is only in its infancy.

**Figure 25: Integrated aged care, retail and community facilities**



**St Peter's Green, Lane Cove North.**

### Future Demand

The demand for retirement living in or near the Cleveland CBD will most likely come from residents who are already living in the Redland LGA and is expected to increase over the next 15-20 years based on the current demographic profile of the area.

Forecast demand for independent living units (ILUs) is as follows:

- As at the 2011 census, Redland LGA has around 20,100 residents aged +65 years of age, which is 14% of the total Redland LGA population
- At the same time, Cleveland SLA had 3,170 residents aged +65, representing 22% of the total Cleveland SLA population.
- As a proportion of total population, Cleveland SLA accounts for 10% of the total Redland LGA but for the +65 years of age segment, Cleveland SLA accounts for 16%, highlighting Cleveland as a preferred living destination for retirement aged residents.
- Cleveland SLA is forecast to have approximately 4,000 residents aged over 65 years at 2031, which would result in this age bracket growing at a faster rate than the anticipated total population growth.
- Assuming a penetration rate of 10-15% living in ILUs, between 80 and 125 additional residents are expected to require ILUs in the Cleveland SLA.
- Assuming 1.4 residents per ILU, between 60 and 90 ILUs would be demanded by Cleveland residents that are of retirement age.
- With an aggressive strategy from Council, a high proportion (say 75%) of the ILUs could be located within Cleveland CBD, equating to supply of 45-65 ILUs. If a more conservative proportion was allowed for, say 30%, the total ILUs required would be around 20-30.

It is expected that the total number of residents aged over 65 will continue to increase beyond 2031. Therefore additional retirement floor space may be required. In a sector that is adapting to change and seeking new ways of

providing for retirement accommodation, it is appropriate that councils engage with the retirement living sector and seek high quality, multi-storey developments within the Cleveland CBD that meet the needs of discerning retirees.

## 9.5 Visitor Accommodation

Visitor accommodation is often a sought after land use in town centres, potentially bringing night-time patronage to entertainment and retail uses. However, Cleveland is not seen as a natural location for significant visitor accommodation. This is due to:

- Cleveland does not have any significant attractors for domestic or international tourists, which are more likely to stay within: the inner Brisbane area, the Gold Coast and the Sunshine Coast.
- Should Cleveland attract modest tourism numbers, it is only a short trip from central Brisbane (with a large volume and diverse range of accommodation offerings) and therefore tourism is more likely to be in the form of 'day trippers' rather than involving an overnight stay.
- Total domestic holiday visitor nights, for Brisbane and Gold Coast, are forecast to grow at around 1.4% per annum between 2012 and 2022.
- Total business visitor nights, for Brisbane and Gold Coast, is forecast to be a shrinking market over the next ten years, declining at a rate of -0.3% per annum.
- While the Brisbane hotel market has been a consistently strong performing market over the last decade, it is currently recording softer conditions compared to other capital cities around Australia, with 2Q 2013 results showing an average occupancy rate of around 75%, which is lower than Melbourne (~83%), Sydney (~85%) and Perth (~85%). Revenues are also lower than other capital cities with the average revenue per average room (RevPAR) per night in Brisbane an average of \$170-180, below Melbourne (\$180-190), Sydney (\$220-\$230) and Perth (\$230-\$235).
- While this represents a relatively short term outlook based on current market performance, the Brisbane short term accommodation market will be under increasing pressure over the medium term with over 800 rooms under construction and expected to reach the market over the coming 12 months to 2 years. Additionally, we note that short term accommodation markets are increasingly influenced by the serviced apartment market and Brisbane has seen a relatively solid increase in this segment as well with further supply coming on line over the next 12 months. Combined, this will likely see the market take several years to absorb this increase in supply before new supply is expected to be considered viable.
- Successful suburban hotel markets require key demand generators. These include one or more of the following: strong local economic drivers that attract overnight business from out of the region, a strong business population, or conference facilities within close proximity. In the case of Cleveland, our assessment of the local market suggests a waterfront function facility at Toondah Harbour that can cater to both corporate and recreational events would provide a strong destinational element to the redevelopment of the harbour. In time, this event facility may also generate demand for on-site accommodation. However, we note that demand is not likely to be sufficiently strong enough in the short to medium term for additional short term accommodation until more substantial urban renewal has occurred.
- Finally we note that hotel / short term accommodation is one of the most difficult land uses to achieve financial viability in order to support development of a new project. As such, in time this use may need specific concessions to stimulate new supply. This market segment would be best monitored with incentives introduced as demand reaches a point that dictates additional supply, should the market not respond in delivering such new supply.

# 10 Market Sounding Findings

## Key Points & Outcomes

Developers are interested to invest in the Cleveland area. However the previous long-running reputation of Redland City Council associated with difficult approval processes is a major barrier to overcome.

A demonstration of Council's current commitment to the development community to support renewed investment in Cleveland is required. We recommend this be demonstrated through a fast tracked approval for a major project.

A number of changes are required to the planning approval processes to ensure maximum competitiveness with other LGAs

An extension of investment attraction incentives to the wider Cleveland area is required to ensure Cleveland is competitive with other LGAs

To understand the current barriers to investment in the Cleveland CBD and surrounds, Jones Lang LaSalle conducted consultation with a range of active property investors and developers inside and outside of the region. This covered a broad range of land uses including retail, commercial and residential. The primary findings of this consultation process and consistent themes are outlined below:

- Developers are interested in opportunities within Cleveland. However, investment interest is constrained due to previous dealings with Council regarding development approval processes. This has had a sustained impact in turning investors away to easier to invest in locations. Issues raised that have previously impacted on potential new investments:
  - Extensive approval timeframes
  - Unviable emphasis on Koala corridors – e.g. requesting corridors through developments not adjacent to.
  - Inconsistent and uncompetitive application fees relative to other LGA's – e.g. full impact assessable fees charged for preliminary approval
  - Difficult approval processes – too great a focus on detail, disjointed process for seeking resolution on each component of approval, not collaborative
- Low population growth was noted as a concern and the aged demographic. Most proponents were consistent in advocating a need to support development of land uses in the CBD that will attract population to the region and a younger demographic. Retail, education and leisure uses were noted as areas to concentrate on.
- The current investment attraction incentives were viewed positively to boost development in the CBD. However, it was noted that limiting the discounts to the CBD core is disadvantaging investment in potential projects in close proximity to the CBD. This bias was seen by most proponents as counter intuitive to driving increased investment in the Cleveland area and was noted as uncompetitive compared to other LGAs.
- Higher density residential investment in the CBD was not seen by some groups to be viable without other catalyst projects commencing to create the necessary attractors for buyers. Employment generators including upgraded retail and leisure/entertainment and education uses were seen as critical to attract people to the CBD and sell the story of 'amenity at the doorstep'.

- Free car parking was noted as being a constraint to high rise development where paid parking will be necessary to support. This was noted as a major constraint to any multi-deck parking solutions.

We consider that there are a number of implications and our resultant recommendations from this are:

- The previous history of difficult and costly development approval processes should be a strong focus for Council to counter this image. We would recommend a signature project be identified for Council to work collaboratively with the developer to fast track the approval to use as a marketing tool to demonstrate to the development industry the genuine commitment to supporting new projects is leading to real results.
- A benchmarking of development application fees should be undertaken to ensure Cleveland is the highly competitive with our LGAs.
- A dedicated central point of contact for facilitating major development applications should be established to assist in providing support to streamline the approval process and ensure consistency in assessment approach.
- The skill set of the planning approval team is recommended to be enhanced through a combined multi-disciplinary approach with architectural and development expertise. This will ensure that commercial viability issues are taken into account and architectural quality is ensured during the approvals process.
- Current investment incentives for the CBD are recommended to be expanded to the wider Cleveland area to encourage investment across this relatively concentrated area and ensure that Cleveland is competitive with other LGA's.

## 11 Future Economic Role and Function of the CBD

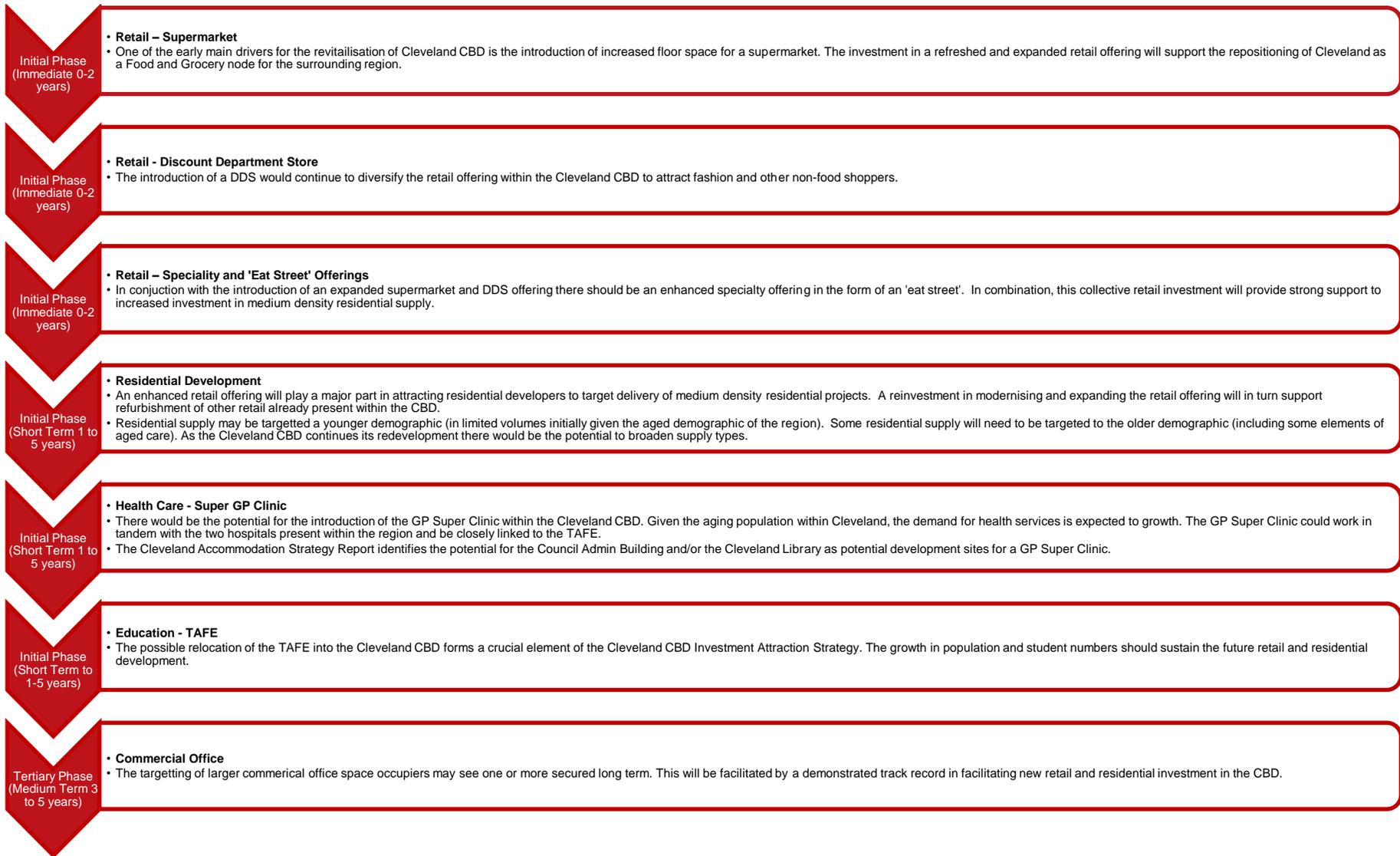
The Future Economic Role and Function of the CBD section of the report will examine the findings of the Land Use Market Assessment to determine the uses that could be most supportable in the CBD and how they could work together to private a vibrant CBD environment and stimulate development activity. The findings of the commercial land uses assessment will play an important role in understanding the economic role of the CBD.

The table below provides a summary of the key land uses addressed above and their appropriateness to supporting the investment and economic development within the Cleveland CBD.

Land Use	Market Overview	Outlook	Recommended Use within the Cleveland CBD
<b>Residential</b>	<p>The residential market within Cleveland can be separated into two distinct markets;</p> <ul style="list-style-type: none"> <li>- Wider Cleveland market that has historically offered affordable housing product</li> <li>- A premium residential market located within Raby Bay</li> </ul> <p>The price for residential dwellings (both units and house) has softened slightly within the Cleveland SLA, in line with the wider Redland LGA and Queensland.</p> <p>Price points for marketed supply have not come down and are considered to be above that which can be afforded by the local market. Further, we consider that marketed product has concentrated on an investor market rather than owner occupiers. With strong employment growth in the short term, the primary market will be generated by owner occupiers.</p> <p>The market within Raby Bay has remained buoyant despite the tough conditions, especially for waterfront and premium land.</p>	<p>Despite some softening in market conditions the Cleveland Residential Market has illustrated a number of strong fundamentals that should continue to support the market over the short to medium term. These fundamentals include;</p> <ul style="list-style-type: none"> <li>• Buoyancy within the Cleveland Housing Market, in addition to, increased market activity over the short term</li> <li>• A number of strong resales within Raby Bay</li> <li>• Continued strong demand for residential dwellings within Raby Bay</li> <li>• An increase in the proportion of apartments between the Census Periods suggesting increasing market acceptance of this product</li> </ul>	<p>The Cleveland CBD has the opportunity to introduce medium density residential product. The apartment project should leverage of the region's main advantages, which include:</p> <ul style="list-style-type: none"> <li>• Water Views or proximity to the ocean</li> <li>• High quality green spaces</li> <li>• Direct rail access to suburban Brisbane and Brisbane CBD</li> <li>• Focus on improving amenity commensurate with market expectations associated with apartment lifestyle. This should include leveraging new investment in the CBD in the form of refreshed and expanded retail offering including dedicated 'eat street'</li> <li>• Provide stronger price-pointed supply focussed on local owner occupier market until such time as other major employment catalysts have commenced (at which point can broaden focus to target investors).</li> </ul>
<b>Commercial Office</b>	<p>The Cleveland CBD has developed into the administrative centre of Redland LGA.</p> <p>Compared with Capalaba, Cleveland has a much smaller retail base – retail accounts for nearly 30% of its total workforce.</p> <p>27% of residents who work within Cleveland also reside within the suburb</p>	<p>Jones Lang LaSalle's office demand forecasts indicated that there would be relatively low commercial office growth within the Cleveland CBD if the region was left to market forces.</p> <p>The main focus of the office space component of the CBD Investment Attraction Strategy should be to provide clear drivers and opportunities to entice investors and tenants to the CBD. Key strategies</p>	<p>The consolidation of Council's office space in the CBD will contribute to a small proportion of commercial office growth.</p> <p>Natural population growth will support demand for additional moderate cost office space from new and existing small businesses. Local business incentives for location to Cleveland CBD will support attraction and retention of small business.</p>

Land Use	Market Overview	Outlook	Recommended Use within the Cleveland CBD
	<p>There has been limited development of new commercial office space within the region</p>	<p>include;</p> <ul style="list-style-type: none"> <li>• Consolidation of local government administration</li> <li>• Increased retail offering supporting office services and providing modern standard of quality retail environment including an 'eat street' in the CBD</li> <li>• Office services for an ageing population</li> <li>• Re-location of TAFE</li> <li>• Attraction of other facilities that will bring a younger demographic profile to the CBD including high quality schools and tertiary education.</li> </ul>	<p>Larger office occupiers will consider Cleveland when there is a demonstrated trend of a growing younger demographic and with strong amenity and lifestyle features that will attract families to the centre.</p> <p>Sustained efforts at directly targeting corporate occupiers should be actively engaged by Council through appropriate channels (Federal and State government and with support from private sector real estate agencies that specialise in such services) as this will be the only way for Cleveland to get on the 'radar' of major corporates and larger not-for-profit groups.</p>
<p><b>Retail</b></p>	<p>The existing supply of retail in the Cleveland CBD largely serves the retail needs of nearby residents. Cleveland CBD has a range of uses, with the two major retailers being Woolworths and Coles, which are both located in Stockland Cleveland.</p> <p>Currently, Stockland Cleveland performs reasonably well with the strong performance of the two supermarkets benefiting specialty retail throughout the centre. Its relatively strong performance, however, does not necessarily flow through to other retail floor space throughout the CBD.</p> <p>The trade area, defined to test the inclusion of a DDS or Cinema, highlights a potentially wide draw that includes the suburbs of: Cleveland, Ormiston, Wellington Point, Thornlands and Alexandra Hills</p>	<p>Based on the supermarket assessment in section 6.4, there is likely to be an opportunity to increase the provision of supermarket floorspace (by around +2,500 sqm) within the Cleveland CBD over the next 15-20 years.</p> <p>While full market support doesn't seem to be evident at this point in time, section 6.5 highlights that there is potential to accommodate a DDS (Big W, Kmart or Target) within the Cleveland CBD by 2031</p> <p>Future retail development should aim to improve pedestrian flows along Cleveland CBD's main streets so that development is mutually beneficial to all.</p>	<p>Retail will form a crucial element within the Cleveland CBD master plan and has the potential to be the catalyst for the urban renewal process. There is an opportunity to reposition the Cleveland CBD into a strong F&amp;G destination of choice for residents in Cleveland and surrounding suburbs.</p> <p>In addition, the introduction of a DDS would continue to diversify the retail offering within the Cleveland CBD to attract fashion and other non-food shoppers.</p> <p>The introduction of a DDS would also have a flow on benefit to existing non-food specialty retails and may support the opportunity to provide further non-specialty flood space within the CBD.</p> <p>Cinemas should be targeted (boutique size of 2 to 4 screens) as residential density and other demand</p>

Land Use	Market Overview	Outlook	Recommended Use within the Cleveland CBD
			generators move to the CBD.
<b>Education</b>	<p>There is no major university within Redland LGA, although the Nazarene Theological College in Thornlands provides accredited higher education courses.</p> <p>The closest universities are the Logan campus of Griffith University and Brisbane city universities. The Metropolitan South Institute of TAFE at Alexandra Hills is the closest tertiary education facility to Cleveland CBD</p>	<p>Apart from a TAFE, the Cleveland CBD appears to be well catered for with a public high school and primary school.</p> <p>A private high school or primary school (or both) may express interest in Cleveland should land become available. However, opportunities are quite rare and would most likely occur through consolidation of existing public education facilities.</p>	<p>We do not consider there is scope for a further campus at Cleveland given the proximity to Alexandra Hills (approximately 5km to the west), however there may be the potential to relocate the campus should there be sound commercial reasons for doing so.</p> <p>This may come from potential to co-locate with the existing Cleveland District State High School, which occupies a site in Cleveland CBD.</p> <p>Targeting the establishment of another reputable private school with strong brand credibility in the Cleveland catchment will provide an important boost to attracting younger families and those with white collar workers.</p>
<b>Healthcare</b>	<p>Health and medical facilities are concentrated near the Mater Private Hospital and Redland Public Hospital. With these major hospitals nearby, the Cleveland CBD will primarily require a range of non-hospital health care services, including medical centres, consulting rooms and allied health services. A potential use is a large medical centre such as GP Super Clinics and Day Surgeries, which are often co-located with a public or private hospital. Examples include;</p> <ul style="list-style-type: none"> <li>Ipswich GP Super Clinic – located less than 1km from the Ipswich Hospital</li> <li>Brisbane Southside GP Super Clinic – located less than 500m from the Logan Hospital</li> </ul>	<p>Health services are already an important employer for the Cleveland CBD accounting for 10% of the working population of the CBD. However, when compared to the wider Redland LGA, Cleveland is under represented (10% compared to 14.3% in the LGA).</p> <p>There would be the potential for the introduction of the GP Super Clinic within the Cleveland CBD. Given the aging population within Cleveland, the demand for health services is expected to grow.</p> <p>In addition, there is the potential for the GP Super Clinic to link with the TAFE. The University of Queensland (UQ) currently operates three GP Super Clinics.</p>	<p>The Cleveland Accommodation Strategy Report (prepared by Jones Lang LaSalle) identifies the potential for the Council Admin Building and/or the Cleveland Library as potential development sites for a GP Super Clinic.</p> <p>The model adopted by UQ, through the integration of the university and clinic, could be implemented by the TAFE. This would allow students to gain practical experience as well as, providing the opportunity for qualified doctors and nurses to tutor and teach at the TAFE.</p> <p>The services that could be offered include; Child Health and Immunisations, Travel Vaccines, Chronic Disease Management, Allied Health Services and Pathology.</p>



# 12 Investment Attraction Program Case Studies

## 12.1 Overview

A review of various State government and local government economic development and investment attraction strategies was undertaken to compare and contrast the various approaches and key areas of focus. This identified that while each State government has an agency that focuses on investment attraction, local government authorities generally focussed on broader economic development strategies. Some local governments do not see investment attraction activities as a core responsibility, and suggest that this is more the domain of national and state governments.

Our investigations, however, highlighted a number of investment attraction agencies operating at the local or regional level which were considered to have been successful in promoting their regions, both nationally and internationally.

## 12.2 Summary – What Constitutes Best Practice?

Our review of workforce attraction schemes in Australia capital cities found that most cities focussed on a broader economic development strategy rather than a specific workforce growth plan.

The general consensus was that it is important to have a mix of short, medium and long-term strategies. Short-term strategies, or goals, were considered important in terms of maintaining commitment to the overall vision. Early “wins” helps morale and provides an incentive to keep working towards the bigger picture goals.

There was a striking similarity between the various strategies. Most strategies emphasised the importance of a skilled and educated workforce, infrastructure, an entrepreneurial culture, innovation, sustainability, the environment and employment growth. These are all attributes of “best practice” and are seen as the building blocks to successfully competing for inward investment.

Economic development strategies are becoming an integral part of the overall plan to manage the urban environment. This is particularly well illustrated in Melbourne’s City Plan 2010, which has incorporated its economic development strategies within the one document.

Whilst this analysis provides an insight into the broad economic development policies at both State and local government level, it is the implementation of these policies that is obviously critical. Again Melbourne appears to have been particularly active in recent years, in marketing, actively supporting business development and committing to major infrastructure projects that are improving the environment and accessibility in the City. Some of these projects no doubt were timed to coincide with the Commonwealth Games, but have placed Melbourne in a strong position to now reap the rewards of improved infrastructure.

As we mentioned at the outset, each city is clearly unique and there is no “one size fits all” policy initiative that will work across all cities. But there are common themes that run through those cities most often cited as best practice. These are summarised below:

- Early adopter of emerging trends
- Long term vision but flexible approach
- Strong and very clear marketing message
- Collaborative approach across levels of governments and including the private sector
- A bold approach that shows confidence

While Redland City LGA may focus on a different set of factors to set it apart from its competition for inward investment, these themes are considered essential to long term, sustainable economic growth.

There is, however, an emerging “sameness” between economic development strategies. This is where being an early adopter of emerging trends is critical. It is no use just stating a desire to be innovative. In order to be more successful than the competition requires the ability to both adapt to change and recognise opportunities before the competition.

As we have noted, it is the implementation of the various policy initiatives that leads to successful outcomes.

The following provides an analysis of alternative investment locations. The purpose of this assessment is to provide Redland City Council with an understanding of the key drivers that are facilitating and attracting investment into other regions around South East Queensland and why businesses may choose to re-locate their business to such areas.

Our assessment considers both the economic and property market drivers. Where applicable, we have also commented on any Council led initiatives that have stimulated investment.

**Table 21: Investment Location Benchmark Summary**

Council	Resourcing	Structure	Key Partnerships	Strategic Goals	Recent Highlights	Attraction Programme
<b>Redland City</b>	Redland City has its own Economic Development Branch	The Economic Development Branch is fully funded by Council	Queensland Government  Brisbane Marketing  TAFE Queensland	A number of key opportunities identified by council include;  - CBD Areas of Cleveland and Capalaba  - Transport and marine hubs at Toondah Harbour and Weinam Creek  - Structure planned greenfield site within close proximity of major activity centres	Declaration of Toondah Harbour and Weinam Creek as the second and third Priority Development Areas within Queensland.  Tourism summit on North Stradbroke Island  Redland Business Expo	Cleveland CBD Incentives Package stimulus measures include;  - Defined land uses  - Financial incentives, which include waivers of fees and infrastructure charges. This could include 75% to 100% discount on development applications fees and infrastructure contributions  - Fast-tracked assessment (20 days) of material change of use applications  - Car-parking concessions  - Short-term amendments to the Redland Planning Scheme
<b>Gold Coast City</b>	Business GC is the Council's economic development branch	Business GC and Economic Development and Tourism are controlled/funded entities of the City Council.	TradeStart  International Trade & Investment Program  Small business clusters such as; Study Gold Coast, Film Gold Coast, IT Gold Coast and Marine Gold Coast.	The economy is built on a diversified knowledge and strong export base  Infrastructure supports global competitive business development and growth  The supply of skilled labour meets local business requirements  The lifestyle and opportunities are seen as advantages  Regional collaboration and pro-active representation enhance the city	Two feature films and a prime time television show filmed on the Gold Coast, (est benefit of over \$40 million and more than 800 jobs)  IBM new software development team  Visy - \$86 million beverage can manufacturing plant (44 permanent and 150 construction jobs)	Infrastructure charges for residential and non-residential development in June 2011, which have been set lower than the Queensland State Government's maximums.  Low rents for commercial and industrial land, with high incentive rates.
<b>Ipswich City</b>	Fully funded by the Ipswich City Council as an entity within the Office of the Mayor, and currently has six staff.	Managed by the Economic Development Manager.  • Economic Development Manager	Co-operative marketing with owners of key industrial parks to promote opportunities  Partnerships with hotel owners to market	City Leadership  Regional Leadership City Competitiveness	ICON – a partnership with private enterprise to revitalise the Ipswich City Centre. Est value: \$1 billion  Building Industry On-line – BIO is a website that links local trades and service providers with projects in the region and encourages local trading	Development Pathway where applications are evaluated based on size, complexity, completeness of application etc, and a team is established to process the application as quickly and efficiently as possible. This system has been well received by

		<ul style="list-style-type: none"> <li>Business Liaison Officer</li> <li>Economic Development Officer</li> <li>Business Development Officer</li> <li>Regional Digital economy Co-ordinator</li> <li>Administration Support Officer</li> </ul>	<p>Conference and Event opportunities nationally</p> <p>Partnerships with two Chambers of Commerce to represent and assist businesses</p> <p>Business Ambassador program where Council works with representatives of overseas countries to facilitate business and cultural opportunities</p>		<p>Activate Ipswich – a program to fill vacant shops with community groups and start up business – making the most of empty spaces</p> <p>Job Creation – 14 industrial parks (the majority of industrial land in SEQ ) under various stages of development providing jobs close to where people live</p> <p>Ipswich was named the Most Liveable City in Australia by “Partners for Liveable Communities in America”</p> <p>Unemployment is lower than the state and national averages</p> <p>CAPRAL Aluminium – had trouble obtaining planning approval over an 18 month period. Ipswich offered a site and approvals in 8 weeks. They are now established in City Switch</p>	<p>the development community. In particular, there is streamlined development approval for 'like industries'</p> <ul style="list-style-type: none"> <li>- Aerospace</li> <li>- Automotive</li> <li>- Sustainable and knowledge industries.</li> </ul>
<b>Moreton Bay</b>	<p>The Economic Development Unit is fully funded by the Regional Council as set out in the Economic Development Strategy Report in 2010.</p> <p>Regional Development Australia Moreton Bay Inc. is a partnership between the Australian, state and local governments to</p>		<ul style="list-style-type: none"> <li>- Queensland Department of State Development, Infrastructure and Planning;</li> <li>- Invest Queensland;</li> <li>- Trade Queensland;</li> <li>- TAFE;</li> <li>- Regional Development Australia;</li> <li>- Existing Businesses;</li> <li>- AusTrade and AusIndustry</li> </ul>	<ul style="list-style-type: none"> <li>• Building Product Manufacturing</li> <li>• Machinery and Equipment Manufacturing</li> <li>• Food and Beverage Manufacturing</li> <li>• Professional Services</li> <li>• Transport and Logistics</li> </ul>	<p>Budget Direct North Lakes established its call centre within North Lakes and now employs more than 240 staff.</p> <p>The MCQ Group currently employ 80 personnel within the Moreton Bay region with this number expected to grow to approximately 120 people by 2015.</p>	
<b>Sunshine Coast</b>	<p>The Sunshine Coast Council's Economic Development Branch will be fully funded by the Council. The priorities and strategy will be determined by the council.</p>		<ul style="list-style-type: none"> <li>- Chamber of Commerce and Industry Queensland</li> <li>- Cleantech Industries Sunshine Coast</li> <li>- Innovation Centre Sunshine Coast</li> <li>- Noosa Biosphere</li> <li>- Sunshine Coast Business Council</li> <li>- Sunshine Coast Destination Limited</li> </ul>	<p>A broad economic base - diversification of the economic to create a wider job base of economic sectors</p> <p>Support for local business – training and development of small to medium enterprises</p> <p>Infrastructure for economic growth – targeted development of land to ensure growth and improvements in soft infrastructure</p> <p>A sustainable tourism industry – continue to growth the volume and value of the tourism industry</p> <p>Strong rural sector – retention of productive capacity</p>	<p>Innovation Centre Sunshine Coast was established in 2002 and now houses 30 start-up companies in addition to, developing 55 companies and 350 local jobs.</p> <p>Sea English Academy was established in 2003 and now employs a global team of 60.</p>	<p>Development Incentives – targeted incentives offer up to 50% discount of infrastructure charges. The council is also offering reductions in charged imposed for missing networks for DA extensions and triggered by building approvals.</p> <p>Dedicated investment and business support services – site selection assessment, introduction and access to relevant networks, potential suppliers and single entry point within council.</p> <p>Eligibility for assistance under the Sunshine Coast Investment Incentive Scheme</p>
<b>Brisbane</b>	<p>Brisbane Marketing is a wholly-owned subsidiary of the Brisbane City</p>	<p>Brisbane Marketing has a board of directors that is made up of all private</p>	<ul style="list-style-type: none"> <li>- Brisbane City Council</li> <li>- Department of Tourism, Major Events, Small</li> </ul>	<p>to profile Brisbane both domestically and internationally as a leading destination for business investment, export, international</p>	<p>Mercedes Benz Fashion Festival</p> <p>GoMA Events</p>	<p>Brisbane Marketing's Investment Attraction team provide;</p>

City	Council	sector members. The direction of Brisbane Marketing was established by the Brisbane City Council's Economic Development Plan and Vision for the City – Living in Brisbane 2026	Business & Commonwealth Games - Department of State Development, Infrastructure and Planning - Department of Treasury and Trade - Austrade - Tourism Australia - Trade Invest Queensland - Tourism & Events Queensland - Property Council of Australia - Tourism and Transport Forum	students, conventions, tourism, major events, retail and film and television production.	Attraction of Major Conferences contributing over \$200M to Brisbane economy City recognised as a top 10 growth city, Asia (GPD, 2011) Trade Coast Partnership Brisbane International Tennis Tournament Bledisloe Cup	<ul style="list-style-type: none"> <li>• Business Case Development</li> <li>• Facilitate Critical Introductions</li> <li>• Talent and Labour Analysis</li> <li>• Property Solutions</li> <li>• Grants and Incentives- financial and also facilitating streamlined development application processes.</li> </ul>
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# 13 SWOT Analysis of the Cleveland CBD

## 13.1 Strengths

**Proximity to Raby Bay** provides the Cleveland CBD with a broader catchment demographic, particularly with regard to the rate of high income people, which for Raby Bay is significantly above the wider region medians. This has important flow on effects for the viability of commercial and retail offerings within the CBD;

**Visual Amenity.** We note that the connection and link that the Cleveland CBD is able to create with Toondah Harbour as it undergoes a redevelopment process will be an important element in furthering the amenity and pedestrian appeal of the region;

**Strong retail performance** within the Stockland Centre. This activates the CBD and has significant reciprocal benefits;

**Rail Access** allows for increased accessibility to the CBD, increasing the desirability of office space within the CBD.

## 13.2 Opportunities

**Major development** opportunities exist within the CBD, with a number of significant parcels of underutilised land located within the Cleveland CBD possessing clear redevelopment potential;

**Increased Connectivity** between the CBD and Toondah Harbour regions, allowing for better enjoyment and utilisation of the waterfront area, particularly as Toondah Harbour undergoes a process of renewal;

**Expand retail offering** to provide a more comprehensive range of retailing. This will drive activity within the city centre;

**Capitalise on rail connectivity.** The location of a rail link within the Cleveland CBD increases accessibility to the CBD, and there is a significant opportunity to leverage off this public transport link. Duplication of the rail line from Thornside to Cleveland (planned 2021 completion) will increase this accessibility, which will have positive benefits for businesses within the CBD region;

**Consolidation of Government Operations** will provide a boost to the workforce population within the CBD and allow the Council to divest a number of other properties across the Redland Region. This will also increase the number and range of services offered within the CBD;

**Expansion of Stockland Cleveland** has been highlighted as a key opportunity. Through the addition of a discount department store or similar destinational retail component, the store will expand its customer catchment, bringing more people into the CBD and allowing the CBD to further leverage off this destinational focus and commercial success;

**Increased Residential Population and Density** will have significant benefits for the Cleveland CBD, by driving demand and providing an employment source. It is important for the CBD to develop in such a way which captures some of this demand and population growth.

## 13.3 Weaknesses

**Age Profile** The Cleveland region demography is significantly biased toward an aged population. This lack of young adults impacts the workforce available to the CBD from the immediate region, as well as the amount of wider CBD activity.

**Education Facilities** within the Cleveland region are limited, and this affects the likelihood of young families to live and work in the area. This reduces the available workforce for the CBD, and reduces the general activity. TAFE and university facilities are generally large activity drivers within a region, and can often act as a catalyst for the renewal of an urban area.

**Limited Range of Medical Services** This is due largely to the proximity of the Mater Private Hospital, and Redland Private Hospital.

### 13.4 Threats

**Capalaba** may compete for future employment.

**Strength of Victoria Point retail** may limit the capacity of Cleveland to further establish a retail offering

**Public Opposition** The existing population of Cleveland may be resistant to change, particularly increased activity or higher density residential development.

## 14 Overall Competitiveness of the Cleveland CBD

The Investment Location Benchmarks provide a detailed overview of how effective resourcing, partnerships and strategic goals and led to strong economic and social growth within a region. These Benchmark regions are also direct competitor to the Cleveland stimulating property development and investment.

The section below will assess each respective investment location against the findings of the SWOT and the benchmarking, to clearly define the opportunities and constrains to Cleveland. The section will focus on benchmarking the strengths and opportunities of Cleveland.

These are illustrated within the table below;

**Table 22: Strengths and Opportunities, Cleveland CBD**

	Strengths and Opportunities			
	Diverse Demographic	Visual Amenity	Strong Retail	Rail Access
<b>Cleveland</b>	<i>Cleveland has the opportunity to leverage the higher net wealth residents located within Raby Bay and cater to an expanded offering (retail, residential, commercial, recreational/entertainment)</i>	<i>The redevelopment of Toondah Harbour will provide Cleveland with an important element in furthering the level of amenity within the region</i>	<i>Stockland's retail centre has provided a strong retail element within the region which should be expanded and upgraded</i>	<i>The rail access provides good accessibility to the CBD and should be leveraged.</i>
<b>Benchmark Regions (Focus on the inner region of the regions)</b>	<p>Most of the benchmarked CBD centres within SEQ have a greater diversity of population which supports a broader range of land uses.</p> <p><b><i>Cleveland has the opportunity to attract a broader demographic by introducing an enhanced and expanded retail offering, development at Toondah Harbour and relocating the TAFE into the Cleveland CBD.</i></b></p>	<p>All regions (to a lesser extent Ipswich) offer strong pedestrian and visual appeal across multiple areas within and in close proximity to their CBD.</p> <p><b><i>The Cleveland CBD revitalisation strategy has the opportunity to link the heart of the CBD to the Toondah Harbour redevelopment, increasing the local amenity for residents and attracting a younger demographic market to the region.</i></b></p>	<p>Stockland Cleveland provides a strong retail base for the residents within Cleveland. Larger regions including Brisbane and the Gold Coast contain multiple centres.</p> <p><b>Further retail development within the Cleveland CBD will contribute to driving increased pedestrian activity both during and after work hours and attract a younger demographic market.</b></p>	<p>The rail access links residents from the surrounding suburbs to the Cleveland CBD. Benchmarking regions, excluding the Gold Coast and the Sunshine Coast, have the benefit of direct rail access to their CBD.</p>

	Major Development Potential	Increased Connectivity	Consolidation of Government Operations	Increased Residential Population
<b>Cleveland</b>	<i>Significant amount of land with strong redevelopment potential in and around the CBD</i>	<i>The location of the rail link increasing connectivity to the CBD, which will be further enhanced by a number of planned upgrades.</i>	<i>Consolidation of Government Operations will provide a boost to the CBD workforce population and support other land uses</i>	<i>Other catalysts will encourage developers to develop new medium to higher density product and support increased population growth.</i>
<b>Benchmark Regions (Focus on the inner region of the regions)</b>	<p>The main CBD centres within Brisbane, Gold Coast, Sunshine Coast and Ipswich have been substantially developed and diversified.</p> <p><b>The availability of land and lower capital barriers to entry, when compared to the other regions, coupled with strong local government initiatives to boost competitiveness will provide Cleveland with a strategic opportunity to entice investment within the region. Selection and facilitation of signature transactions will be critical to demonstrate early wins and momentum.</b></p>	<p>As previously mentioned Cleveland has a strategic advantage over a number of regions with a direct train link from the suburbs to the CBD</p> <p><b>A high proportion of residents who reside in Cleveland work within the immediate suburbs. The rail link and any interconnecting transit network upgrades will further enhance the viability of the region.</b></p>	<p>The Gold Coast and Brisbane have the advantage of a high proportion of government workers concentrated within precincts. Recently amalgamated regions including Moreton Bay and Sunshine Coast still have government operations spread over a number of offices.</p> <p><b>By bringing all government operations into one precinct, Cleveland will boost their concentration, support increased CBD activity levels which will support other land uses.</b></p>	<p>Cleveland's population growth has been low when compared to the other key benchmark regions.</p> <p><b>Driving other land uses (retail and education, entertainment and leisure) will support increased density and drive stronger population growth</b></p>

# 15 Cleveland CBD Feasibility Assessment

## 15.1 Overview

A key component of determining the necessary steps to attract investment to Cleveland CBD is to understand the likely financial viability of developing new projects within the CBD. This has been tested under a number of scenarios to verify the extent to which different land uses and development densities are considered viable.

The key scenarios have been jointly developed with Council to ensure alignment with the types of development desired in the CBD, and balanced with Jones Lang LaSalle's view of what types of development are considered market supportable in time or of interest to test. We note that this report identifies additional major retail development may be supportable in the future. We have not incorporated major retail development into the feasibility options. These opportunities for future retail development are expected to be progressed by Stockland, the major retail owner in the Cleveland CBD.

One key consideration was the understanding of Council's potential new office development as a catalyst project to kick-start other redevelopment activity in the CBD. Multiple iterations of this scenario were tested to understand the likely impact of varied built-form solutions.

Finally, we note that the options were assumed to be developed on strategic sites in the CBD held by Council and capable of being a catalyst project. This enables the Council to understand the implied land value as part of the development and may ultimately provide the opportunity for Council to leverage this equity in any joint project.

The scenarios are based on three core scenarios, with multiple sub-variations and sensitivity testing conducted. They are as follows:

### Scenarios 1 to 3: Development of Redland City Council offices:

- 9,100sqm NLA on a 2,400sqm site at the corner of Queen St and Wynyard Street site adjacent to the existing Stockland car park – 1,200sqm floor plate over 8 levels (sensitivity testing including ground floor retail and basement vs podium / on-grade parking)
- 9,100sqm NLA on Council's existing site in a campus-style (large floorplate) format over 3 levels
- 9,100sqm NLA on the Doig Street car park in a campus-style (large floorplate) format over 3 levels.

### Scenarios 4 and 5: High Density Residential Development

- Two towers of around 48 units each over 8 levels adjacent to Council's commercial development on their existing site. The balance land is sufficient for the two tower residential scheme.
- Standalone two tower residential scheme of 48 units over 8 levels.

### Scenarios 6 and 7: Relocation of Alexandra Hills TAFE to the CBD

The current facility is in excess of 22,000sqm. While final space configuration for any potential relocation is not known (as TAFE portfolio is currently under review) a notional allowance of 15,000sqm GFA has been adopted on the basis that efficiencies can be gained moving to a new purpose built facility. Two scenarios for TAFE were tested:

- A new-build on the Doig Street Car Park
- A refurbishment of the existing Council building and supplemented with new-space to make up the balance required.

For the purpose of the feasibility assessments, we have reviewed the commercial viability of each proposed development assuming the land is serviced. Under this approach we have reviewed the built form scenarios for each development and adopted the build rates as outlined in the report.

With regard to the Council and TAFE office development scenarios, the feasibilities have been modelled on a standard basis being the perspective of a developer seeking a commercial return. As such, the feasibility assumed notional rents for office space and car parking (and retail space where relevant). A capitalisation rate was also adopted to reflect an assumed sale on completion in order to calculate the Return on Cost (ROC) for the project. The ROC is a key metric that is used by financiers in determining whether to provide debt funding for a project and, in this high level feasibility assessment, is arguably the most important metric to understand. A general hurdle rate of return of around 20.0% is considered acceptable for bank funding purposes. A return of slightly below 20.0% may be considered acceptable where the project is very low risk – e.g. long lease-back term and quality tenant. For the purposes of the feasibility modelling, the capitalisation rate is based on a 15 year lease on the non-residential space. As such, given a strong commitment like this by Council or the State over a long lease term, a return on cost of just below 20% may be considered a sufficient hurdle rate of return for funding purposes.

It should also be noted that all feasibilities have adopted the discounted arrangement for infrastructure charges for new projects in the CBD, so as to provide a guide to the likely viability of new projects with this incentive arrangement in place.

## 15.2 Scenarios 1 to 3 – Redland City Council Offices

*Scenario 1* involved testing the concept of a multi-rise office building (with no retail space) on the 3 contiguous titles owned by Stockand that are located on the corner of Wynyard and Queen Streets (this land parcels not affected by easement issues with neighbours). To minimise impact to the existing adjacent car park, a 1,200sqm plate was nominated and associated consequences to basement parking were tested. The rationale for testing a smaller floorplate than Council's existing floorplate was also to model a building configuration that would be more easily able to be adapted to multiple smaller tenancies that are most prevalent in Cleveland. This would reflect a building that has an alternative market that could occupy the space when Council moves to a new facility in say 25 to 30 years.

**Table 23: Scenario 1 Summary**

Scenario 1	Queen Street (Stockland Car Park)
Site	2,427sqm
GFA	10,000sqm
NLA	9,124sqm
Ground floor retail	Nil
Levels	8
Car parking configuration	2 levels + on-grade
Car parking ratio	1:50
Floor plates	1,300sqm
Land costs	\$750/sqm
Rent (office)	\$350 net
Rent (retail)	N/A
Parking rent	\$150/bay p.c.m.
Capitalisation rate*	8.50%

\* Assumes 15 year lease

### Results Summary for Scenario 1:

The results highlight that this scheme is considered viable at commercial parameters. The key outputs are:

- Estimated Profit of \$3.85million
- Return on Cost (including Finance) of 10.5%

The above results highlight that the return is not considered to be viable at the adopted assumptions. To reach a viable level, there are number of variables that could be adjusted. As an example, an increase in market rents for office space rents in the order of \$30/sqm to \$380/sqm would meet an acceptable hurdle rate of just under 20%.

*Scenario 1A* involved testing the above multi-rise office building in Scenario 1 with the addition of 400sqm of ground retail space to activate street frontage and improve returns.

**Table 24: Scenario 1A Summary**

Scenario 1A	Queen Street (Stockland Car Park) + GF retail
Site	2,427sqm
GFA	10,557sqm
NLA	9,500sqm
Ground floor retail	400sqm
Levels	8
Car parking configuration	2.5 levels + on-grade
Car parking ratio	1:50 (office) 1:15 (retail)
Floor plates	1,300sqm
Land costs	\$750/sqm
Rent (office)	\$350 net
Rent (retail)	\$550 net
Parking rent	\$150/bay p.c.m.
Capitalisation rate*	8.50%

\* Assumes 15 year lease

### Results Summary for Scenario 1A:

The results highlight that this scheme is considered viable at commercial parameters. The key outputs are:

- Estimated Profit of \$4.33 million
- Return on Cost (including Finance) of 11.33%

The above results highlight that the additional retail space delivers less than 1% increase in total return on cost. This is still not considered to be viable and as an example, office space rents would need to be in the order of \$370/sqm net to produce a viable return on cost of just under 20%.

Scenario 2 involved testing a campus-style format office building to understand the impacts of reduced construction costs. The larger site area also facilitates a reduced requirement for levels of basement and this reduced cost is also an element to understand the impacts on total returns.

**Table 25: Scenario 2 Summary**

Scenario 2	Existing Council Chambers Site (Bloomfield Street)
Site	4,818sqm
GFA	10,000sqm
NLA	9,100sqm
Ground floor retail	Nil
Levels	4
Car parking configuration	undercroft + on-grade
Car parking ratio	1:50
Floor plates	2,500sqm
Land costs	\$750/sqm
Rent (office)	\$350 net
Rent (retail)	\$550 net
Parking rent	\$150/bay p.c.m.
Capitalisation rate*	8.50%
Demolition costs	\$95/sqm

\* Assumes 15 year lease

### Results Summary for Scenario 2:

The results highlight that this scheme is considered viable at commercial parameters. The key outputs are:

- Estimated Profit of \$5.7 million
- Return on Cost (including Finance) of 16.4%

The above results highlight that the lower construction costs compared to the high rise scenario, and reduced basement car parking required has increased total returns to being very close to viable at the adopted office and car parking rents. Only a marginal increase in revenues would be required to reach acceptable hurdle rates of return.

Scenario 3 involved also tested the campus-style format office building with the reduced construction costs. Unlike Scenario 2 there was no demolition cost as the site is currently used as a car park.

**Table 26: Scenario 3 Summary**

Scenario 3	Waterloo St and Doig St Carpark site
Site	6,724sqm
GFA	10,000sqm
NLA	9,100sqm
Ground floor retail	Nil
Levels	5
Car parking configuration	undercroft+ on-grade
Car parking ratio	1:50
Floor plates	2,000sqm
Land costs	\$750/sqm
Rent (office)	\$350 net
Parking rent	\$150/bay p.c.m.
Capitalisation rate*	8.50%

\* Assumes 15 year lease

### Results Summary for Scenario 3:

The results highlight that this scheme is considered viable at commercial parameters. The key outputs are:

- Estimated Profit of \$6.85 million
- Return on Cost (including Finance) of 20.4%

The above results highlight that absence of any demolition costs further boosts total returns to a viable level of return on cost. It should also be noted this result is achieved with a marginal increase in heights from 4 levels to 5 compared to scenario 2. On a like-for-like basis compared to Scenario 1 (high rise scheme on smaller site with multiple basement levels) this scenario (lower rise campus style office with one basement level of car parking on a larger site) produces a notably stronger return by around 7% (13% vs 20% return on cost).

### 15.3 Scenarios 4 to 5 – High Density Residential Development

Scenario 4 involved testing a campus-style format office building to understand the impacts of reduced construction costs in combination with utilising the balance of the site for high density residential towers. Both scenarios were based on demolishing the existing Council Chambers site and then developing.

**Table 27: Scenario 4 Summary**

Scenario 4	Existing Council Chambers Site (Bloomfield Street) + Residential
Site	4,818sqm
GFA	19,657sqm (9,100sqm office and 2 x 48 residential unit towers)
Ground floor retail	Nil
Levels	Office - 3 Residential - 6
Car parking configuration	3 levels + on-grade
Floor plates	2,500sqm
Land costs	\$750/sqm
Rent (office)	\$350 net
Parking Ratio	1:50 (Commercial) 1.75 bays/unit (Residential)
Parking rent	\$150/bay p.c.m.
Residential GFA (ave)	100sqm
Residential sales price	\$485,000
Capitalisation rate*	8.50%
Demolition costs	\$95/sqm

\* Assumes 15 year lease

#### Results Summary for Scenario 4:

The results highlight that this scheme is considered viable at commercial parameters. The key outputs are:

- Estimated Profit of \$8.45 million
- Return on Cost (including Finance) of 11.7%

The results highlight that the viability of this option is impacted most by significant basement car parking requirements and demolition costs. In order to produce a viable return (with costs being generally conservative and not likely be any lower) there are a number of options to improve returns. These may include 1) the residential sales returns would need to increase (by increasing total price or reducing area to improve margins), car parking requirements would need to decrease and / or returns on the office rents would also need to increase.

Scenario 5 involved testing the returns generated from high density residential towers as a standalone project. The same configuration for this residential scheme is adopted from scenario 4 for consistency and to facilitate comparison. Note in this scenario the balance land (2,418sqm) is still owned by RCC and would exist for future sale or development.

**Table 28: Scenario 5 Summary**

Scenario 5	Existing Council Chambers Site-Residential Only
Site	2,400sqm (2x1200sqm)
GFA	9,600sqm (2x 48 residential unit towers)
Ground floor retail	Nil
Levels	6
Car parking configuration	2 level + on-grade
Land costs	\$750/sqm
Residential Units	96
Residential GFA (ave)	100sqm
Residential sales price	\$485,000
Car parking ratio (residential)	1.75 / unit

**Results Summary for Scenario 5:**

The results highlight that this scheme is considered viable at commercial parameters. The key outputs are:

- Estimated Profit of \$3.26 million
- Return on Cost (including Finance) of 8.8%

The results highlight that the while this option is not viable based on the conservative rates of sale, an increase of around \$40,000 per dwelling would be required to produce a viable return (all other factors being unchanged). A minor reduction in the car parking ratio to 1.50 may also provide an opportunity to reduce costs which could enable a smaller increase in the residential dwelling sales rate. Similarly, a minor reduction in dwelling size by around 10% also produces a viable result of around 18% ROC without having to vary the \$485,000 sales price per dwelling.

## 15.4 Scenarios 6 and 7 – TAFE

Scenarios 6 & 7 involved testing the results generated if the Alexandra Hills TAFE, or certain faculties, were able to be relocated to the Cleveland CBD. Car parks related to the TAFE use were not considered as crucial to occupiers compared to commercial uses and therefore both the number required and rates charged were both reduced.

Scenario 6 tested the development of a new 15,000sqm GFA (13,500sqm NLA) TAFE facility on the Doig Street Car Park site.

**Table 29: Scenario 6 Summary**

Scenario 6	TAFE – Doig St Car Park
Site	4,818sqm
GFA	15,000sqm
NLA	13,500sqm
Ground floor retail	Nil
Levels	7
Car parking configuration	Undercroft and on-grade
Car parking ratio	1:150
Floor plates	2,000sqm
Land costs	\$750/sqm
Rent (office)	\$350 net
Parking rent	\$75/bay p.c.m.
Capitalisation rate*	8.50%

\* Assumes 15 year lease

### Results Summary for Scenario 6:

The results highlight that this scheme is considered viable at commercial parameters. The key outputs are:

- Estimated Profit of \$6.8 million
- Return on Cost (including Finance) of 13.3%

The results highlight that the while this option is not viable at the adopted rates, viability could be achieved at a marginally higher rent of around \$370/sqm net.

Scenario 7 tested the refurbishment of the existing Council building and construction of additional space to incorporate 15,000sqm GFA / 13,500sqm NLA.

**Table 30: Scenario 7 Summary**

Scenario 7	TAFE – Existing Council Chambers Building – Bloomfield Street
Site	4,818sqm
GFA	15,000sqm
NLA	13,500sqm
Refurbishment Area	6,900sqm
New Area	8,100sqm
Ground floor retail	Nil
Levels	5
Car parking configuration	under-croft and semi-basement
Car parking ratio	1:150
Floor plates	2,000sqm
Land costs	\$550/sqm
Rent (office)	\$350 net
Parking rent	\$75/bay p.c.m.
Capitalisation rate*	8.50%

\* Assumes 15 year lease

### Results Summary for Scenario 7:

The results highlight that this scheme is considered viable at commercial parameters. The key outputs are:

- Estimated Profit of \$6.76 million
- Return on Cost (including Finance) of 13.9%

Similar to Scenario 6 the results highlight that the while this option is not viable at the adopted rates, viability could be achieved at a marginally higher rent of around \$370/sqm net. The refurbishment scenario suggests this could be delivered for a marginally improved but largely similar result to a full new build.

## 15.5 Summary and Conclusions

- The most viable commercial office option was a campus-style format new building on Doig Street Car Park. This scenario benefits from lower construction costs due to less levels, and no demolition costs.
- The viability of refurbishment was considered to provide an inferior outcome for the result given the marginal difference between a new building and the layout of the building will still be inherently inefficient compared to a new building.
- Based on our view of residential market sales prices at competitive rates of \$485,000 for a 100sqm apartment, a residential apartment building did not provide a viable ROC. The average price would need to

be increased by around \$40,000 to achieve a viable return. A mid-market residential tower may be considered viable.

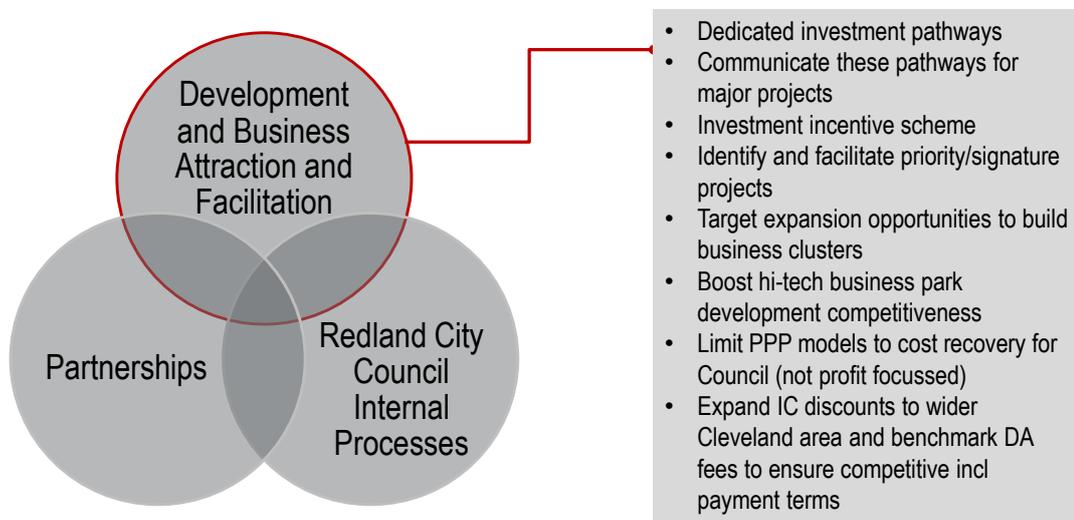
- Neither TAFE options were viable at the adopted rental rates of \$350 per sqm per annum net but would be viable at around \$370 per sqm per annum net. This difference in rents is considered to still be broadly in line with a competitive market and as such this is still considered to be a potentially viable outcome.
- All feasibilities were improved due the assumed waiving of infrastructure charges. This was generally improving the viability, as measured by ROC, in the order of 1% to 3%.

# 16 Key Recommendations to Maximise Competitiveness

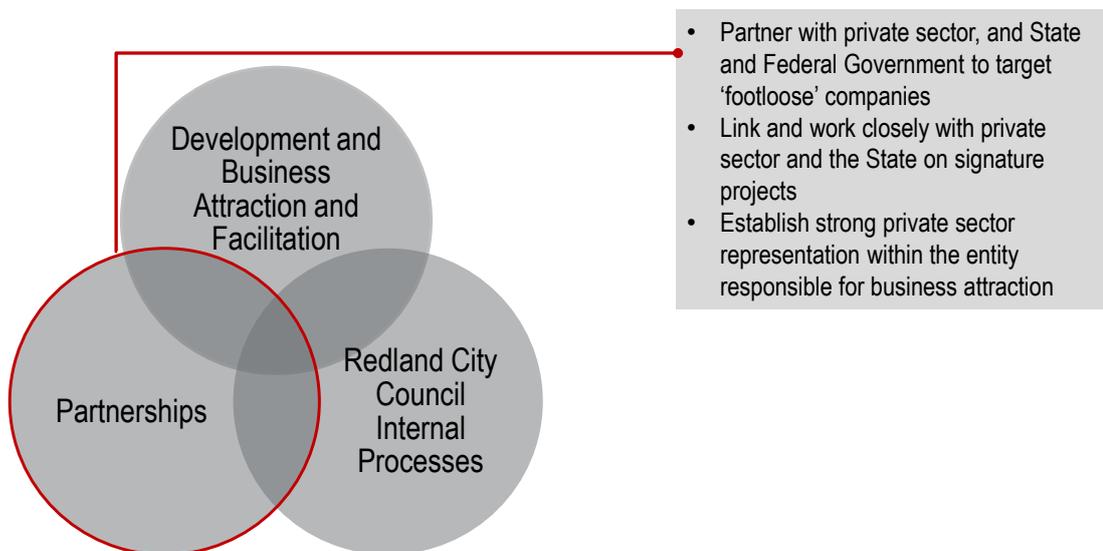
## 16.1 Overview

Our assessment and benchmarking of competing Local Government Areas across South East Queensland and our knowledge of successful and competitive government areas across Australia has highlighted the opportunities for Redland City Council to maximise Council's competitiveness. This is categorised into three broad groups as outlined below and shown diagrammatically:

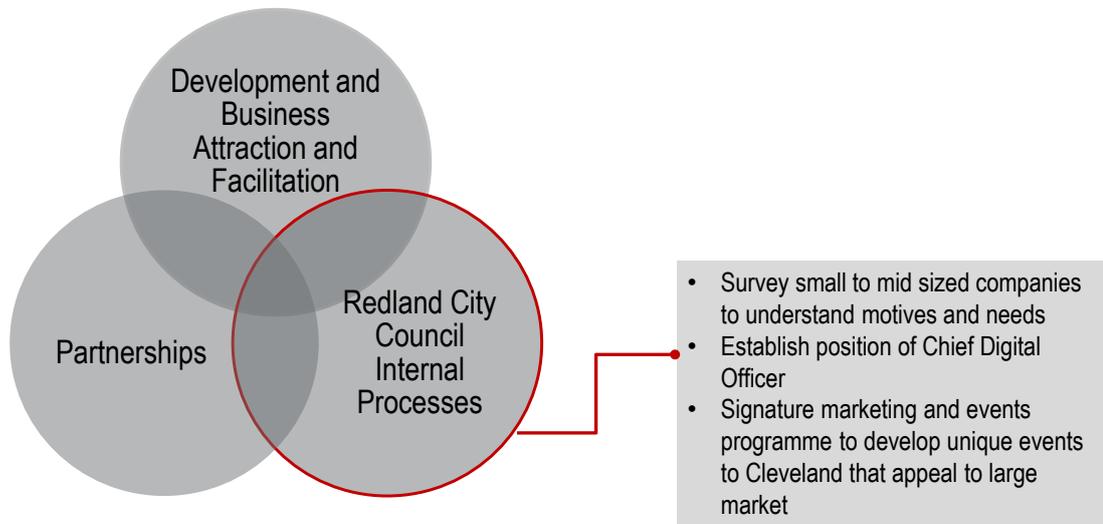
### Development and Business Attraction and Facilitation



### Partnerships



## Redland City Council Internal Processes



### Development and Business Attraction and Facilitation

The strategies below are targeted at introducing or attracting new development projects or new business into the Cleveland CBD. Importantly, this includes a strong emphasis on facilitation to ensure the opportunity is secured. These include:

1. Establish dedicated investment pathways such as access to business incubators (small office spaces available for start-up and small business), access to specialised industry grants and linkages with State and Federal entities, site selection process and private sector partnering framework. Other elements could be the establishment of a business unit or provide discounted services that can assist small business in their day to day operations. These services may include a business development officer, accountant or administration support.
2. Establish and clearly communicate Development Pathways for major property projects, which should include fast tracked DA processes with guaranteed maximum approval timeframes and a **collaborative** and commercially grounded process. A dedicated client relationship manager should be established for each project. Further we also propose a new approach to this process through establishing a multi-skilled development approvals team including: an architect and development manager along with a traditional town planner to ensure high quality schemes are approved but that planning constraints are understood so that approvals are commercially grounded. **An 'early win' major project should be selected and fast-tracked to get some runs on the board and demonstrate that Council is committed to driving change.**
3. An investment incentive scheme that offers a discount on any Council charges payable for new businesses for a start-up period (with partial claw-back for early exit). The discounts could be front-ended, allowing business to reduce establishment costs themselves before having to pay rates.
4. Identify and rank priority / signature projects and resource with project champion and team to facilitate. Ensure financial viability is understood and reflected in a commercial business plan before targeting the facilitation of the signature projects. The project champion will ensure the project is facilitated in a timely way and partner closely with key private sector and State government entities as required.
5. Target expansion opportunities to build existing and new business clusters – education and training, food/agriculture industries, boutique start-ups, marine focus / environmental and maritime industries. Develop alliances with universities through both education and training facilities as well as local businesses.

6. Boost local hi-tech and business park development competitiveness – maintain highly competitive car parking ratios and on-site amenity. Partner with the private sector expertise to facilitate.
7. Limit PPP models to cost recovery for Council rather than profit driven to ensure maximum potential for success and reduce pass-through costs to occupiers.
8. Expand Infrastructure Charges discounts and fast tracked approvals to wider Cleveland area for medium density projects, retail, commercial, and leisure (not limited to CBD core). This is critical to being competitive with other LGA's.
9. Benchmark Development Applications fees to other LGA's to ensure competitiveness. This includes consideration of providing flexible payment terms to support financial viability of major new projects.

### **Redland City Council Partnerships**

The strategies below illustrate a number of partnership options for the Redland City Council that could contribute to driving new businesses and development into the Cleveland CBD. These include;

1. Partner with the private sector and State and Federal Government to target 'footloose' companies in South East Queensland to bring to Cleveland. Establish clear targeting list to actively engage with businesses for potential relocation to Cleveland CBD. Ensure site availability, financial viability and approval facilitation pathways are clearly established to support successful outcomes.
2. Link and work closely with private sector partners who are involved in priority/signature projects to assist with streamlining processes, removing roadblocks and facilitating the outcome and transition.
3. Establish private sector representation on entity responsible for business attraction initiatives. This should comprise a mix of reputable commercial businesses of varying sizes and from both inside and outside of the Cleveland business community.

### **Redland City Council Internal Processes**

The strategies below are options that the Redland City Council can undertake independently to add in the growth of business and development within the Cleveland CBD. These include;

1. Establish and adequately fund position of Chief Digital Officer – a strong differentiator for the region. This role will drive change inside and outside of the organisation and demonstrate innovation through actioned change across the LGA.
2. Survey small and mid-sized companies to understand what would make them move to Cleveland and why they located to their current premises.
3. Facilitate the establishment of greater availability of child care options in close proximity to or in the Cleveland CBD to boost workforce amenity
4. Marketing and events focus to develop signature events programme for Cleveland that pull from wider SEQ region. Strong focus on events for younger demographic including young families. Themed annual event that has strong emphasis on the CBD if possible.

Arguably one of the most significant learnings from the benchmarking of LGA's in terms of establishing a competitive position and maintaining it, is simply ensuring resourcing with the right expertise over a sustained period of time that is needed to deliver meaningful results. Our understanding of the often limited progress with the implementation of many Master Plans in suburban activity centres has highlighted that there is a consistent absence of a clearly established, externally visible and appropriately resourced vehicle or framework to deliver major projects and significant change. In this regard, with appropriate sustained resourcing and a strong and well supported framework, Redland City Council will be well positioned to establish a strong competitive position to drive new investment across the CBD and wider area.

# 17 Appendix 1 - Case Studies

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## 17.1 Gold Coast City Council

### Government Program

The Gold Coast City Council, through Business Gold Coast (GC), has developed the Gold Coast Investment Attraction Program to assist in attracting new business to the city. The program was produced to assist with the relocation, expansion or establishment of business of the Gold Coast. In addition, the program can potentially offer financial assessment and introductions for new businesses to established local industry networks.

### Resourcing

Business GC is the Council's economic development branch that was established to facilitate the growth of key industries through the implementation of the Gold Coast City Council Economic Development Strategy. Specifically, its aim is to establish business growth acceleration and link with state and federal entities, through the provision of incentives.

### Structure

Business GC and Economic Development and Tourism are controlled/funded entities of the City Council. The goals and strategies of the entities are governed by the Gold Coast City Council Economic Development Strategy.

### Partner Relationship

The Gold Coast City Council endorsed the International Trade & Investment Program in 2012 with the intent to increase export growth and assist local firms to generate export sales.

The Council and Business GC support small business working in clusters to achieve common goals and overcome business concerns. An example of the networks include; Study Gold Coast, Film Gold Coast, IT Gold Coast and Marine Gold Coast. Business GC will help establish these specialised clusters.

Business GC also works closely with TradeStart, an Australian Government Initiative that delivers AusTrade services through local public sector and industry organisations throughout Australian.

### Strategic Goals and Targets

Business GC strategy will deliver on the following strategic outcomes;

- The economy is built on a diversified knowledge and strong export base
- Our infrastructure supports global competitive business development and growth
- The supply of skilled labour meets local business requirements
- The lifestyle and opportunities are seen as advantages
- Regional collaboration and pro-active representation enhance the city

### Role of the Private Sector

The private sector and individual companies do not play a large role in driving the direction or strategies of Business GC. The entity will work with large foreign companies to drive further investment within the Gold Coast or conversely work with large local firms to drive export out of the Gold Coast.

### Highlights

A number of recent highlights and success stories include;

- Two feature files and a prime time television show being lured to the Gold Coast, which could generate an estimated spend of over \$40 million and more than 800 jobs.
- A number of key incentives offered by Council resulted in IBM establishing a new software development team in the city.
- Visy will construct an \$86 million beverage can manufacturing plant within the Gold Coast, resulting in 44 permanent and 150 construction jobs.

### Financial Incentives

The Gold Coast City Council has introduced and highlighted a number of cost-competitive advantages to attract new business including;

- The City Council introduced new infrastructure charges for residential and non-residential development in June 2011, which have been set lower than the Queensland State Government's maximums. The amending of the infrastructure charges also provided the Council with flexibility to offer discounted rates, potentially significantly lower than advised in the State Planning Regulatory Provision.
- The average gross face rents for commercial office space within the Gold Coast range from \$190-\$425 (\$/sq m), which are on average less than Brisbane, Sydney and Melbourne. In addition, the average gross face rents for prime grade Industrial space are also less than Brisbane and Sydney. The City Council has highlighted that incentives for both industrial and commercial space are currently on offer from 10-25%.
- Other key financial elements highlighted include Queensland's low payroll tax and the lower Corporate Tax Rate when compared to other international locations.

### Key Case Study - Robina

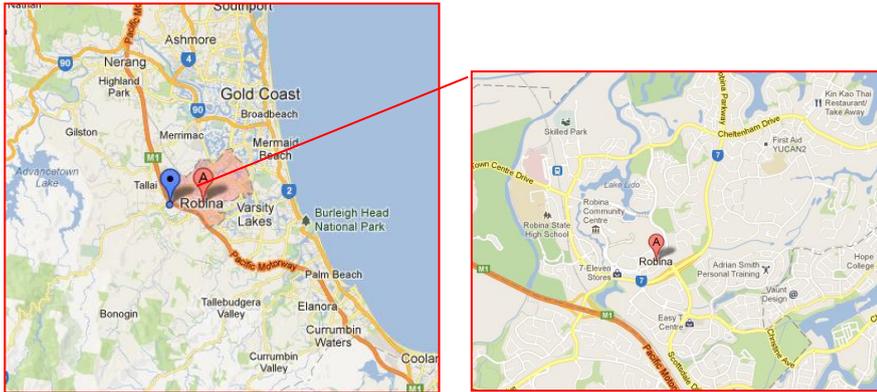
	Key Facts
<b>Type</b>	Private sector led master planned community
<b>Site Area</b>	1,658 hectares
<b>Owner/Developer</b>	Robina Land Corporation
<b>Site Redevelopment</b>	Residential, office, retail
<b>Surrounding Land Uses</b>	University, residential

#### Overview:

Robina is located on the Gold Coast, approximately 82 kilometres south of the Brisbane Central Business District and approximately 15 kilometres from Southport. As at the 2011 Census, the suburb had a population of 20,522. The suburb of Robina has received an immense amount of investment over the past 30 years which has seen it transform into one of the major commercial, residential and retail hubs for the Gold Coast.

The development of Robina began in the 1980's by the Robina Land Corporation. The initial stages of Robina began with the construction of residential housing estates with the first stage of allotments completing in 1981. Residential remained the focus of the development for many years. Robina Land Corporation completed the first stage of Robina Town Centre in 1996. As the area began to expand the need for greater connectivity and public transport infrastructure became apparent, which saw the construction of the Robina Railway Station in 1998.

Other services began to follow with the Queensland Government acquiring the Robina Private Hospital in 2002 with a major expansion undertaken in 2007. Robina Town Centre underwent a major expansion in 2010 and is now one of the largest regional shopping centres in Queensland.



### Location:

Robina is located on the Gold Coast, approximately 6 kilometres west from the coastline and 82 kilometres south from the Brisbane CBD. The suburb sits adjacent to the Pacific Motorway approximately and is considered to be at the geographic centre of the Gold Coast.

### Economic Drivers

Robina has experienced exceptional population growth over the past decade. From 2002 to 2011, the population of Robina has grown at an average annual growth rate of 4.6% per annum. This compares to only 2.9% growth for the Gold Coast Local Government Area (LGA). Robina experienced its strongest growth over 2002 to 2004 growing by an average of 9.7% per annum. Since 2007 population has only grown at an average of 0.9% per annum. The slow growth experienced over the past few years has been a reflection of the subdued residential market.

Robina and to a lesser extent, Varsity Lakes, have recently emerged as one of the primary employment nodes of the Gold Coast. These areas have been supported by the greater land availability at the southern end of the Gold Coast, enabling an extended catchment to the rapidly growing area of the Tweed Coast. This large scale master planned community has centred around a major regional retail centre and university and been supported by quality infrastructure and has not suffered from the land-locked constraints of other commercial precincts. As at 2012, Robina comprised 28% of the Gold Coast office market.

The appetite for businesses to establish themselves in Robina continues to grow and is creating solid momentum. Robina has been able to attract major tenants including; State Government services, CPG Mineral Technologies, Clear Smiles Orthodontics, EIM Training, Shine Lawyers, Foxtel, Slater and Gordon, GHD Global, Trilby Misso and WMS Chartered Accountants. The attractiveness of Robina to these groups has been its accessibility, amenity, proximity to residential neighbourhoods and public transport.

One of the core drivers of the area are the obvious lifestyle benefits. The areas proximity in relation to the Gold Coast beaches, access to retail amenity, employment opportunities and social infrastructure have ensured the region remains an attractive destination to live.

### Property market considerations

Development activity over the past several years has remained relatively solid in the Robina area, despite a difficult economic environment. The majority of development that has occurred in past couple of years has been residential and commercially focused.

The area is largely characterised by a mix of residential, retail and commercial uses all of which provide an important role in supporting one another.

The housing mix of Robina largely comprises separate houses which account for 72.1% of total housing supply. Medium density housing comprises 9.1% of total housing stock while semi-detached product comprises around 18.1%.

Robina Town Centre comprises around 125,000 sqm and is the major provider of retail amenity for the area and for much of the Gold Coast. The centre is well located in relation to the central and southern regions of the Gold Coast.

A major 45,000sq.m expansion was completed in 2010 which included a Myer, 10,000 sqm Big-W, 4,500sqm Woolworths, 100 specialties, 900 seat food court and lakeside fine dining. Approx 95% Pre-committed. and northern Both centres are anchored by department stores, discount department stores, supermarkets and cinemas, and have a full range of retail services.

Robina's office market comprises around 133,443 sqm and is considered one of the primary employment nodes of the Gold Coast. As at 2012, Robina comprised 28% of the entire Gold Coast office market.

### **Local Government Levers**

There has been limited involvement from Council in the facilitation of development at Robina. The area was originally supported by its location and affordable living options. The area grew rapidly largely through private sector investment from Robina Land Corporation and Queensland Investment Corporation (owner of Robina Town Centre).

The State Government has played an important role in providing social infrastructure to the area. This includes investments made in Skilled Stadium, Robina Train Station and Robina Hospital.

### **Implications for Cleveland CBD**

- Demonstrates how a town centre can be developed with little Council or public sector investment.
- Provides a good indication as to the 'timeline of events' and how different uses are added and built upon over time.
- Importance of providing social infrastructure to support the continued viability of new development.

## **17.2 Ipswich Regional Council**

### **Overview**

The Office of Economic Development is the major entity for facilitating investment attraction within the Ipswich City Council. The Office of Economic Development has formed the Economic Development Plan which outlines a vision for growth in Ipswich City that:

1. Builds on the City's success in attracting new investment.
2. Creates opportunities for future growth.
3. Works with existing businesses and stakeholders.
4. Creates a vibrant and growing City with a focus on liveability and lifestyle.

The department has targeted 15 lead projects to achieve this outcome. The projects within the CBD are;

- Develop a Masterplan
- Ipswich Square and Ellenborough Street sites positioned as priority development sites
- Secure the future of the Ipswich Public Hospital
- Develop a multipurpose Performing Arts Complex including a public square
- Build the Riverlink pedestrian/bike bridge
- Convert Brisbane Street and Limestone Street into two way streets
- Initiate continuous north-south public transport through the centre core
- Strategy to locate State and Federal Government administrative functions in the Ipswich CBD as a catalyst for private sector retail and commercial space development
- Redevelop the existing transit centre and Ipswich rail station as an integrated development site

These lead projects link to an extended range of action plans to support economic and employment growth across 20 centres in the City and across a range of industry sectors.

The Ipswich City Economic Development Plan (EDP) aligns with existing Ipswich City Council (ICC) Strategies:

- Ipswich Regional Centre Strategy.
- Ipswich 2020 and Beyond and the City of Centres approach.
- Ipswich City Council Corporate Plan 2007-2012.
- Ipswich Planning Scheme, 2006.

## Resourcing and Structure

The department is fully funded by the Ipswich City Council as an entity within the Office of the Mayor, and currently has six staff. It is managed by the Economic Development Manager.

- Economic Development Manager
- Business Liaison Officer
- Economic Development Officer
- Business Development Officer
- Regional Digital economy Co-ordinator
- Administration Support Officer

## Partner Relationships

- Co-operative marketing with owners of key industrial parks to promote opportunities
- Partnerships with hotel owners to market Conference and Event opportunities nationally
- Partnerships with two Chambers of Commerce to represent and assist businesses
- Business Ambassador program where Council works with representatives of overseas countries to facilitate business and cultural opportunities

## Strategic Goals and Targets

### City Leadership

1. InfoCity Plan – creating a digital innovation community that uses world class broadband infrastructure, supports creative communities and provides a hub for new digital content, ideas and innovation for business and community applications. The strategy supports increased knowledge industry investment in City precincts.
2. Establish a City Centre that creates vibrant living, work and entertainment options – sending a message about the quality of growth in Ipswich City.
3. Establish Springfield community and Ipswich City as a base for sustainable industries, clean technology and associated education and training.

### Regional Leadership

1. Regional advocacy and active participation in Invest West and SEQ West to support key regional projects, infrastructure and new investment.
2. Work with Logan City on common growth priorities for the Ipswich / Logan corridor and act as a lead agent in Western Corridor growth initiatives.
3. Work with Brisbane City to support shared and complementary economic growth priorities.

### City Growth

1. Create one of the largest job and industry growth zones in Australia covering 20 growth and employment precincts in the City.
2. Target new investment from industries that export products and services from the City, build sector competitiveness or add capabilities to existing industry clusters.
3. Build competitive local supply chains and build industry capacity through technology uptake.

### City Competitiveness

1. Promote a major investment pathway within Council that supports investment attraction in key sectors.
2. Continue to develop trade and export links to support long term competitiveness in the economy.
3. Proactive investment in transport and other infrastructure to meet industry and employee expectations and City growth targets.

4. Implement a Skilling Ipswich Program which covers community skilling, industry sector skills strategies, indigenous employment and expands the education and training sector in the City.
5. Create a 'Welcome to Ipswich' campaign that communicates the benefits that Ipswich City offers – key messages for residents and those outside the City.
6. Continue the City's focus on liveability and lifestyle options. This includes retail, events, entertainment and housing options to meet a range of needs and expectations to build on the city's role as a high quality destination.

### **Role of the Private Sector**

The private sector and individual companies play a large role in driving the direction or strategies of the Office of Economic Activity. The majority of development is undertaken by private enterprise, with direction through the Council.

### **Highlights**

1. ICON – a partnership with private enterprise to revitalise the Ipswich City Centre. Stage 1 of the \$1 billion project will be completed in September 13 comprising a 9 storey office tower accommodation 1200 office staff. An announcement regarding the second tower will be made soon
2. Building Industry On-line – BIO is a website that links local trades and service providers with projects in the region and encourages local trading
3. Activate Ipswich – a program to fill vacant shops with community groups and start up business – making the most of empty spaces
4. NBN – Ipswich is undergoing stage 2 roll out of the optic fibre rollout providing high speed internet access for businesses and the community
5. Job Creation – 14 industrial parks (the majority of industrial land in SEQ ) under various stages of development providing jobs close to where people live
6. Ipswich was named the Most Livable City in Australia by "Partners for Livable Communities in America"
7. Unemployment is lower than the state and national averages
8. CAPRAL Aluminium – had trouble obtaining planning approval over an 18 month period. Ipswich offered a site an approvals in 8 weeks . They are now established in City Switch

### **Investment Attraction**

#### **Development Facilitation**

Council has initiated a Development Pathway where applications are evaluated based on size, complexity and completeness of application, and a team is established to processed the application as quickly and efficiently as possible. This fast-tracking system has been well received by the development community. In particular, there is streamlined development approval for 'like industries'

- Aerospace at the Aerospace and Defence Support Centre - Amberley,
- Automotive and motorsports at the Ipswich Motorsports Precinct
- Sustainable and knowledge industries at designated parks/clusters.

#### **Financial incentives**

Council does not offer financial incentives. Our consultation with the Council highlighted the belief that if a business requires finance assistance to influence a decision to establish in the region they are coming for the wrong reason and that it is more important that they be near supply chains, skilled labour and customers.

### Key Case Study- Ipswich City Heart Project, Queensland

	Key Facts
Type	Joint Venture urban redevelopment project
Site Area	3.4ha
Owner/Developer	Leighton Properties and the Ipswich City Council
Site Redevelopment	Residential, office, retail
Surrounding Land Uses	CBD

#### Overview:

The Ipswich City Heart project provides an ideal example of how Local Government intervention can be used to facilitate and drive development and investment in a particular area. The Ipswich City Heart project was an initiative of the Ipswich City Council and was established to drive the revitalisation of the CBD.

In order to facilitate the delivery of the project, Council established Ipswich City Properties Pty Ltd, a company wholly owned by Ipswich City Council. The objective of the company is to bring the vision of the revitalisation of the Ipswich City under the Ipswich Regional Centre Strategy into reality. The Directors of Ipswich City Properties Pty Ltd are Paul Tully (Chair) Paul Pisasale, Carl Wulff and Jim Lindsay.

In order to facilitate the redevelopment of the CBD, Ipswich City Properties made the decision to acquire Ipswich City Square. Ipswich City Properties also acquired surplus QR land and included previously owned Council land into the redevelopment proposal. The entire site area comprised approximately 3.4 hectares.

Following the acquisition and establishment of various land holdings in the CBD, Ipswich City Properties gained approval from Ipswich City Council for a Preliminary Approval over the combined site. The Preliminary Approval included an increase in the maximum building height to allow for high rise residential and commercial towers.

An Expression of Interest process was run to identify a preferred development partner for the delivery of the project. Leighton Properties were selected as the preferred development partner for the project.

The following provides a summary of events for the project to date:

- **October, 2009:** Investment partners sought for Ipswich City major redevelopment.
- **March, 2010:** Submissions accepted for Ipswich City major redevelopment.
- **September, 2010:** Ipswich City Council release plans of redevelopment.
- **December, 2010:** Ipswich City Council appoint Leighton Properties as preferred developer.
- **June, 2011:** Development Application lodged with Council to develop a nine-storey A-grade commercial office tower.
- **August, 2011:** Leighton Properties and Ipswich City Properties Joint Venture announce seven week Expression of Interest campaign to find an investor for the CBD regional shopping centre development.
- **September, 2011:** Queensland Government sign lease for their commitment to the commercial office tower.
- **November, 2011:** Leighton Properties announce sale of commercial office tower to Cromwell.
- **December, 2011:** Work commences on Stage 1 of the revitalisation project, being the 9-storey commercial office tower.
- **May, 2012:** Leighton Properties and Ipswich City Council lodge Development Application to develop second commercial office tower in the CBD. The proposal includes an eight level A-grade commercial tower with three levels of basement car parking providing 177 new car park spaces.
- **March, 2013:** Ipswich City Properties seek Expressions of Interest for the development of a three hectare retail site opportunity in the CBD. The proposed concept plans envisage the development of a sub-regional retail centre which can be expanded into a regional centre. The plans incorporate a 4,200 sq.m supermarket, an 8,000 sq.m discount department store, specialty shops, cinemas, entertainment precinct and the ability to provide for a 15,000 sq.m department store in the future.

We note that the original Expressions of Interest documentation outlined the following proposed structure for developer and finance arrangements:

- The Owner will enter into the Agreement with the preferred Developer for the redevelopment of the Land in accordance with a concept master plan for the Project.
- The preferred Developer will prepare and submit to the Owner a detailed development plan for the Project for approval by the Owner. The Owner will be responsible for approval (or otherwise) of the development plan.
- The Developer shall be responsible for undertaking day to day development of the Project and shall have authority to proceed with development in accordance with the approved development plan.
- The Owner and the Developer shall form a project control group to address issues in relation to the redevelopment.
- The Owner will continue to own the Land and will make the Land available for the approved redevelopment. The Owner will sell or lease the redeveloped property to end purchasers/users.
- Whilst the Owner will own the Land it may consider allowing the Land to be used as security for the Project on a limited recourse basis (ie limited to the value of the Land) and subject to approval of staged finance arrangements by the Owner.
- The Owner will remain wholly owned by the Council.
- The Owner will be seeking a significant up-front payment and a guaranteed minimum return on the development. The Owner will pay the Developer a Development Fee (as per an approved financial model forming part of the Agreement).

### **Location:**

Ipswich is located approximately 40 kilometres west of the Brisbane CBD.

### **Economic Drivers**

Ipswich is considered a major regional centre for the western corridor of Brisbane and has benefited from major infrastructure investment. As at 2011, Ipswich had a total population of 172,147. Over the past decade the region has experienced solid population growth, growing at an average annual rate of 3.2%. Ipswich experienced its strongest population growth over 2007 – 2009, growing at an average annual rate of 4.4%. While growth has moderated only slightly, Ipswich experienced solid growth over 2010 and 2011 at 3.2% and 2.8%. Ipswich has a relatively young population but this is expected to change over the next 20 years.

Approximately 50.8% of Ipswich workers currently leave Ipswich to go to work, a reflection of the potential limited employment opportunities directly available within the primary activity centres. Ipswich also lags behind South East Queensland in people working in professional occupations.

The value of the Ipswich economy increased from \$4.2 billion in 2006 to an estimated \$4.9 billion gross value added production in 2008, an increase of 17.8% in two years (Ipswich City Council, 2010).

The Ipswich City Council recently conducted an analysis in to the future economic drivers of the region. This analysis indicated that the future economic performance of the region will be driven by growth in manufacturing, hospitality, health, education and entertainment.

### **Local Government Levers**

The Ipswich CBD was recognised as an under invested area of the city prior to the initiation of the Ipswich City Heart project. Outside of the smaller private sector market, there was limited interest from larger investors and developers. The direct intervention that Ipswich City Council played in establishing Ipswich City Properties Pty Ltd, acquiring land within the CBD and engaging with the private sector allowed for market interest and investment to occur at a much faster rate.

The level of intervention undertaken by Ipswich City Council in this instance is considered to be relatively high. Furthermore, the strategy required a large amount of capital to initially fund the acquisition of specific sites within the CBD. While specific details on the development agreement between Leighton Properties and Ipswich City Council are unknown, the above outline of developer and finance arrangements provide a broad indication.

## Implications for Cleveland CBD

- Demonstrates how a high level of Council intervention can be used to stimulate investment and development in an underinvested region of the city.
- Provides an opportunity to analyse various development and financing structures between Council and the private sector.
- The commercial office development required a full pre-commitment from State Government in order for the project to be viable.

We note that there was limited interest in the retail project (currently to be offered by Knight Frank) due to the financial viability of the project. It is also understood that the initial land costs as purchased by Council were high, and this has affected financial feasibility.

## 17.3 Moreton Bay Regional Council

Moreton Bay Regional Council, through their Economic Development Unit, is working closely with Regional Development Australia Moreton Bay Inc. to drive the Business Advantage Program (BAP) to assist with the development of business investment within the region. Moreton Bay Region Council has identified that around 57% of its population leave the region for work, and it has actively targeted a program to capture a larger proportion of the workforce in employment within the region.

### Resourcing

The Economic Development Unit is fully funded by the Regional Council as set out in the Economic Development Strategy Report in 2010.

Regional Development Australia Moreton Bay Inc. is a partnership between the Australian, state and local governments to develop and strengthen the regional communities of Australia.

### Partner Relationships

The Moreton Bay Regional Council has stated that they will play a central role in facilitating business development, however, will leverage of a number of business partners including;

- Queensland Department of State Development, Infrastructure and Planning;
- Invest Queensland;
- Trade Queensland;
- TAFE;
- Regional Development Australia;
- Existing Businesses;
- AusTrade and AusIndustry

### Strategic Goals and Targets

The Moreton Bay Regional Council has identified the following key growth sectors

- Building Product Manufacturing
- Machinery and Equipment Manufacturing
- Food and Beverage Manufacturing
- Professional Services
- Transport and Logistics

### Role of the Private Sector

Key stakeholders consulted to provide direction in the development of the strategic framework for the Economic Development Strategy.

### Highlights

- Budget Direct North Lakes established its call centre within North Lakes and now employs more than 240 staff.
- The Miendale Construction Queensland Group currently employ 80 personnel within the Moreton Bay region with this number expected to growth to approximately 120 people by 2015.

## Investment Attraction

Our investigations have revealed that substantial planning and strategy work done by the Moreton Bay Regional Council to date has provided Council with a number of key opportunities which it has explored in terms of catalyst sites and projects, as well as investment attraction programs. An understanding of the relative successes of these initiatives is not known.

### Key Case Study – Strathpine Gateway Project

	Key Facts
Type	Part of the Signature Projects Initiative- Private Enterprise Development as Part of Masterplan
Site Area	14.7Ha
Owner/Developer	Moreton bay Regional Council
Site Redevelopment	Community Use, Commercial
Surrounding Land Uses	Council's Strathpine Office, Commercial and Retail

## Overview:

Strathpine was selected by Council as the location for one of three Signature Projects to be undertaken by the Moreton Bay Regional Council. The program is currently underway, with Urbis recently completing the master plan outlining intended development and constraints within the site.

The objectives of the project are;

- Leverage the current Council landholdings in proximity to transit to deliver an iconic development which can drive investment in the centre;
- Capture opportunities to accommodate and consolidate civic and public uses in a single quality facility;
- Offer an attractive development partnership proposition to the market;
- Be deliverable as soon as possible;
- Facilitate measurable economic growth; and
- Develop a vision that is able to build investment interest in the project and wider centre.

## Location:

Strathpine is located around 18km north of Brisbane. The subject site is located along Gympie Road, adjacent to the Westfield Strathpine Shopping Centre.

## Economic Drivers

The Strathpine SA3 population, under a medium growth scenario, is expected to increase by 1% to 2% p.a over the next 20 years, which will see the population increase by around 20% over this period. While this is not particularly high population growth within the immediate region, the site is located at the heart of the Pine Rivers region which includes significant population growth areas such as North Lakes.

The sites position along the railway, a key arterial road, and its position within close proximity to a major shopping centre means that it is both accessible to a very broad catchment region.

## Local Government Levers

The local government has implemented a precinct master plan, which outlines key desired outcomes for each part of the precinct. This was developed under a broader Moreton Bay Region plan.

The precinct masterplan outlines a significant number of catalyst projects, which are generally intended to be developed in conjunction with other parties, such as DTMR, Queensland Rail and Westfield.

### **Implications for Cleveland CBD**

This demonstrates the successful utilisation of a masterplan process, particularly through targeting key catalyst developments as part of a larger regional plan.

This master plan highlights the targeting of land uses within a precinct to complement the surrounding land uses, and to target a development with significant benefits for the community. The Strathpine Project will include a library and other community uses, which will allow the Council to consolidate these civic uses into a single and easily accessible site.

It is not clear that there is a vehicle in place to implement the masterplan, which is a consistent finding across a number of local governments. We consider this the largest factor for the lack of progress with implementation of such masterplans (including financial business plans to drive investment).

### **17.4 Sunshine Coast Regional Council**

The Sunshine Coast Regional Council has developed a key economic strategy around investment within the region. The strategy will be driven by the Sunshine Coast Council's Economic Development Branch, which seeks to provide the following support services;

- A single entry point within Council for all businesses seeking to invest or reinvest in the region.
- Business case development, providing a tailored package of comparative information on the Sunshine Coast to assist in reaching your investment decision.
- Site selection assistance, including preliminary analysis of potential site options, facilitation of site visits and contacts with key commercial agents.
- Introductions and access to networks with other related industry groups and professionals, potential suppliers, supply chain contacts and education and training providers.
- Access to trade and investment delegations and opportunities to access international connections through Council's Sister City relationships and the work of its International Relations Panel.
- Potential financial assistance through the Sunshine Coast Investment Incentive Scheme. The Incentive Scheme has been established by Council to secure targeted and suitable investment in the regional economy to create a platform for sustained economic growth and employment generation in the region. Incentives available to eligible applicants may involve cash grants, deferral of rates and/or deferral of infrastructure charges to help offset various relocation/establishment costs.
- Development incentives to encourage construction of new developments on the Sunshine Coast that meet specified selection and completion criteria.

### **Resourcing**

The Sunshine Coast Council's Economic Development Branch will be fully funded by the Council. The priorities and strategy will be determined by the council.

### **Partner Relationship**

The Economic Development Branch will partner with a number of institutions including;

- Chamber of Commerce and Industry Queensland
- Cleantech Industries Sunshine Coast
- Innovation Centre Sunshine Coast
- Noosa Biosphere
- Sunshine Coast Business Council
- Sunshine Coast Destination Limited

## Strategic Goals and Targets

To address the development of the local economic and business environment, five emerging priorities were established by the Sunshine Coast Regional Council.

- A broad economic base - diversification of the economic to create a wider job base of economic sectors
- Support for local business – training and development of small to medium enterprises
- Infrastructure for economic growth – targeted development of land to ensure growth and improvements in soft infrastructure
- A sustainable tourism industry – continue to growth the volume and value of the tourism industry
- Strong rural sector – retention of productive capacity

## Highlights

- Innovation Centre Sunshine Coast was established in 2002 and now houses 30 start-up companies in addition to, developing 55 companies and 350 local jobs.
- Sea English Academy was established in 2003 and now employs a global team of 60 people.

## Financial Incentives

The Sunshine Coast Regional Council has introduced a number of incentives including;

- Development incentives
  1. Development Incentives – targeted incentives offer up to 50% discount of infrastructure charges. The council is also offering reductions in charges imposed for missing networks for DA extensions and triggered by building approvals. targeted incentives (up to 50% discount on council infrastructure contributions/charges for targeted developments)
  2. Reductions in council infrastructure charges imposed for missing networks for DA extensions
  3. Reductions in council infrastructure charges imposed for missing networks triggered by building approvals
  4. Additional infrastructure charge discount for defined existing 'Use Areas'.
- Dedicated investment and business support services – site selection assessment, introduction and access to relevant networks, potential suppliers and single entry point within council.
- Eligibility for assistance under the Sunshine Coast Investment Incentive Scheme. Eligibility is conditional on a number of key criteria including the proposed activity, type of business, viability, economic and social value-add potential. Assistance is based on aiding the relocation of businesses to the region through an offset of relocation costs.

### *Key Case Study – Oceanside Kawana Health and Education Hub*

	Key Facts
Type	Health and Education
Site Area	20 Hectares (The master plan is 100 hectares)
Owner/Developer	Queensland Government, Ramsey Health and Stockland
Site Redevelopment	Health, Education, Residential and Commercial
Surrounding Land Uses	Industrial, Commercial, Residential

The Central Kawana region is undergoing extensive development following the introduction of the 100 hectare, \$5 billion Oceanside Kawana Precinct, to be developed by Stockland. The master plan development contains residential, a health precinct, learning and transit hub, town centre and conservation parks. The entire masterplan is detailed below;



Source: Stockland Kawana

The case study will focus on the Oceanside Health Hub as it provides a good example of introducing significant infrastructure that can target a demographic within the region. In addition, it illustrates how greenfield development sites can be utilised to provide essential services.

### Overview

The Oceanside Health Hub is one of Australia’s largest single investments within health infrastructure. The precinct has been separated into two distinct regions; the Health Hub and Hospital Precinct (detailed in the masterplan below).



The Health Hub comprises 19 buildings spread over 17 hectares and has been purposely developed to accommodate a broad range of complementary business uses. The land uses for the buildings include; community facilities, residential low density, health services and mixed use. The intent of the region is to leverage the hospitals and drive the growth of complementary and innovative firms, which can asset in growing diverse business sectors within the Sunshine Coast. Key examples of services that could potentially reside within the health hub include;

- Short term accommodation of families of residents within the Hospitals
- Non-emergency medical facilities and specialists that are typically not found within a hospital.

- Complementary health services

The Hospital Precinct consists of two large hospitals, The Sunshine Coast University Hospital (SCUH) and the Sunshine Coast University Private Hospital (Ramsay Health Care).

	Sunshine Coast University Hospital	Sunshine Coast University Private Hospital
<b>Type</b>	Public Tertiary Teaching Hospital	Private Hospital
<b>Developer/Ownership</b>	Delivered through a Public Private Partnership (PPP) with Exemplar Health and a consortium comprising Lend Lease (builder), Spotless (facilities manager), Capella Capital (Financier) and Siemens (Financier)	Designed, built, owned and operated by Ramsay Health Care.  Between 2013 and 2018 the hospital will treat public patients under contract to the SCUH
<b>Key Stats</b>	Late 2016 SCUH open with 450 beds Late 2021 SCUH fully opens with 738 beds	Opening Late 2013 Initial capacity of 200 beds
<b>Other Buildings</b>	Skills, Academic and Research Centre - a planned collaboration between the University of Sunshine Coast, University of Queensland and Sunshine Coast Institute of TAFE	

### Economic Drivers

The development of the Kawana Health Precinct is crucial for the economic development and residential property market within the Sunshine Coast. The region was considerably affected by the GFC and subsequent economic uncertainty impacting ongoing investment in the region. A main factor in the Sunshine Coast's lack of resilience to the economic downturn was their ongoing narrow economic base with reliance on tourism and property sectors, both of which were heavily exposed to the economic downturn. The introduction of the health precinct provides the region with a more diverse economic base and increased opportunity for employment and population growth.

The economic benefits associated with the introduction of Kawana Health precinct include;

- Employment Generation – The introduction of the Kawana Health precinct could potentially accommodate a workforce of over 4,000 permanent positions. This workforce does not include the anticipated construction workforce that will be required to build the two hospitals and adjoining facilities.
- Residential Dwelling Demand – Stockland is delivering a significant residential component of the development, including house and land packages, town houses and low/medium density apartments. It is estimated that upon completion, the area will total around 4,500 dwellings.

### Property Market Considerations

The property market within the Sunshine Coast underwent a significant adjustment following the GFC and the subsequent economic and property market conditions.

The master planned development within Kawana will introduce a significant workforce, both construction and operational, to the region. The pressure that this workforce could potentially place on the surrounding residential property market through significantly increased demand for dwelling stock will be offset by Stockland introducing a considerable residential component within the master plan.

The introduction of new dwellings and employment as an outcome of the Kawana master plan will provide a number of significant benefits including;

- The growth in employment will continue to drive increased demand for residential dwellings within the region, and reduce the amount of vacant and discounted stock which flooded the market in the wake of the GFC.
- Discussions with development managers has indicated that there is some concern that the influx of the construction workforce could potentially place strain on the local rental market. The introduction of new dwellings as a result of the Kawana masterplan will increase residential capacity and offset this strain.

### **Local Government Levers**

The Sunshine Coast Regional Council worked closely with Stockland and the developers of the Sunshine Coast University Hospital to ensure that there were sufficient opportunities for local business to work and gain benefits from the project.

The Council has also introduced a number of programs to assist with local businesses tending for the jobs with the hospital including;

- Management Systems – Quality, Environment and OH&S Management Systems
- Business Partnering – advantages and disadvantages of joining with other businesses.
- Capability Statements – Creating a profile of showcasing the capabilities of the company
- Professional Tender Writing – Information of how to prepared a professional tender document

### **Implications for Cleveland CBD**

- Demonstrates that significant infrastructure can be effectively developed through public and private partnership (PPP);
- Provides a good indication of the effect of a large scale catalyst project can have on a region;
- Importance of providing infrastructure that supports the demographic of the region (ie. The introduction of a health orientated development within an older community)

## **17.5 Brisbane City Council**

Brisbane Marketing was established with the fundamental responsibility of driving long-term social and economic benefits to Brisbane, as well as, supporting the greater Brisbane region.

### **Resourcing**

Brisbane Marketing is a wholly-owned subsidiary of the Brisbane City Council

### **Structure**

Brisbane Marketing has a board of directors that is made up of all private sector members. The direction of Brisbane Marketing was established by the Brisbane City Council's Economic Development Plan and Vision for the City – Living in Brisbane 2026

### **Partner Relationship**

Brisbane Marketing works closely with a number of stakeholders across industry and government including, but not limited to:

- Brisbane City Council
- Department of Tourism, Major Events, Small Business & Commonwealth Games
- Department of State Development, Infrastructure and Planning
- Department of Treasury and Trade
- Austrade

- Tourism Australia
- Trade Invest Queensland
- Tourism & Events Queensland
- Property Council of Australia
- Tourism and Transport Forum

### **Strategic Goals and Targets**

The strategic goals and targets of Brisbane Marketing are to profile Brisbane both domestically and internationally as a leading destination for business investment, export, international students, conventions, tourism, major events, retail and film and television production.

### **Role of the Private Sector**

Brisbane Marketing collaborates with both private companies, industry groups and the community to attract investment and create economic and employment growth opportunities for Brisbane.

### **Recent Highlights**

- Mercedes Benz Fashion Festival
- GoMA Events
- Attraction of Major Conferences contributing over \$200M to Brisbane economy
- City recognised as a top 10 growth city, Asia (GPD, 2011)
- Trade Coast Partnership
- Brisbane International Tennis Tournament
- Beldisloe Cup

### **Financial Incentives**

Brisbane Marketing's Investment Attraction team provide;

- Business Case Development
- Facilitate Critical Introductions
- Talent and Labour Analysis
- Property Solutions
- Grants and Incentives- financial and also facilitating streamlined development application processes.

### ***Key Case Study – Hotel Development Attraction***

Brisbane City Council, through the city's economic development board- Brisbane Marketing, is working to attract and facilitate investment in new 'fully serviced and fully branded' hotel supply, as outlined in the Windows of Opportunity economic development strategy. Brisbane City Council has recognised the integral value new hotel supply will contribute to Brisbane's economic growth, hence to incentivise and focus on securing new hotel supply for Brisbane, the following has been adopted:

- Introduction of a moratorium on Council infrastructure charges for new four and five star hotel developments approved before 30 June 2014, with building work to commence within two years of approval
- Streamlined development approval process to increase certainty and reduce holding costs where possible
- Dedicated hotel investment attraction manager appointed to foster relationships and dialogue between industry and government
- Marketing programs and campaigns to continue attracting new events to build visitation on weekends, helping to generate greater demand for room nights.

A number of hotel projects in Brisbane have progressed to construction phase, of which some have directly or indirectly benefited from the above work. SilverNeedle's redevelopment of Lennon is a project that Brisbane Marketing has worked to facilitate a number of outcomes for the owners- specifically through fast tracking the DA process and by providing access to Burnett Lane.



JONES LANG  
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**Ben Koop**

Director  
Strategic Consulting  
L33, Central Plaza One  
345 Queen Street  
Brisbane QLD 4000  
+ 61(7) 3231 1373  
ben.koop@ap.jll.com

**David Snoswell**

Director  
Research & Consulting  
L22, Grenfell Centre  
25 Grenfell Street  
Adelaide SA 5000  
+ 61(8) 8233 8843  
david.snoswell@ap.jll.com

**Timothy Ogilvie**

Manager  
Research & Consulting  
L21, Bourke Place  
600 Bourke Street  
Melbourne VIC 3000  
+ 61(3) 9672 6538  
timothy.ogilvie@ap.jll.com

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