



# **INDUSTRIAL LAND**

## **DEMAND IN THE ACT 2011 - 2026**

A REPORT PREPARED FOR

ACTPLA



# INDUSTRIAL LAND DEMAND IN THE ACT 2011 - 2026

ACTPLA

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# 1 INTRODUCTION

## 1.1 Purpose

The purpose of this study is the provision of advice to the ACT Planning and Land Authority on trends in the industrial and commercial markets that should be considered in the planning of Canberra's industrial areas.

## 1.2 Background

There are three main existing industrial areas within the ACT. These are at Fyshwick-Symonston, Hume and Mitchell. In addition there is the broadacre area at Beard that allows industrial uses, the Canberra International Airport that can provide for non-aeronautical uses and two industrial areas in Queanbeyan. These areas are identified in Figure 1 on the following page.

At December 2010 there was an estimated 90ha of unleased land in Hume with industrial zoning, 39ha in Fyshwick, 32ha in Symonston and 2ha in Mitchell. The industrial area of Beard has a supply of 30ha<sup>1</sup>. This equates to 193 ha of undeveloped industrial zoned land.

Over the last 25 years an average of approximately 8ha per year of industrial land has been released to meet demand. At this rate, there is an apparent 24 years supply of industrial zoned land within the Territory.

In addition a proposed rezoning in South Jerrabomberra, NSW has the potential to provide an additional 130 ha of 'employment' land, that would compete directly with available industrial land within the ACT<sup>2</sup>.

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<sup>1</sup> ACTPLA, April 2011, Industrial Land Demand in the ACT 2011 - 2026. Project Brief.

<sup>2</sup> NSW Government, Department of Planning. Queanbeyan City Council Residential and Economic Strategy 2031. Addendum Report December 2008.







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The zoned and proposed land may not represent a suitable supply because:

- it is concentrated at Hume, potentially not providing an efficient spread of opportunities;
- some of the land may be subject to environmental constraints that were not identified at the time of zoning (or that have arisen since it was zoned), that may prevent some of it from being developed;
- some of the land is subject to flooding risk; and
- it is predominantly zoned IZ1 (General Industry), raising the question of whether there will be sufficient IZ2 (Mixed Use Industrial) zoned land available.

In addition to the provision of undeveloped land to meet demand, there is also potential for existing industrial sites to be redeveloped. This increases the uncertainty in the demand for new land.

As the only holder of undeveloped land within the Territory, the ACT Government has historically had majority control over the regional supply of industrial land, but with some of the earliest sites now being ready for redevelopment, some of the larger sites being subdivided by private developers, and cross-border developments being proposed, the ACT Government's level of control is being diluted.

## 1.3 Scope

The objectives of this study are to:

- Review trends in the demand for land in industrial estates in Australia
- Based on the review of such trends, estimate the likely future demand for industrial land in Canberra by type of use between 2011 and 2026
- Identify implications for the IZ1 and IZ2 land use policy areas in the Territory Plan.
- Suggest appropriate locations for the accommodation of such demands in the ACT.

The scope includes the consideration of industrial land supply and demand in Queanbeyan and the region.



## 2 NATIONAL TRENDS

### 2.1 Evolution of Australian Industry

Industry in Australia has changed over time and is trending away from primary and secondary manufacturing as the economy develops towards a tertiary focus. The change in focus results in a change in demand for land. The Australian Bureau of Statistics presents the following brief history in its year book.

*"Australia's economic development has been one of contrast and change. In the early years of European settlement, between 1788 and 1820, there was little scope for industrial or commercial enterprises. The government, as both main producer and main consumer, established workshops to produce the basic necessities of life - flour, salt, bread, candles, leather and leather articles, blacksmith's products, tools and domestic items.*

*Between 1820 and 1850 the pastoral industry led Australia's economic development, and by 1850 it was supplying well over half of the British market for imported wool. The growth in the wool industry brought great advances in the rest of the economy, with local manufacturing industries being established in response to new market opportunities. Gold surpassed wool as Australia's major export earner throughout the 1850s and 1860s, resulting in a rapid expansion of banking and commerce. Increased public works activity during the 1870s played an important role in encouraging expansion in manufacturing. By 1901 this expansion had resulted in an economy where agriculture, manufacturing, mining, construction and the service industries all provided significant contributions to Australia's wealth.*

*From 1901 to 1930 manufacturing expanded further, with impetus from Federation and the elimination of customs barriers between states, and from World War I. With the onset of World War II, the Australian manufacturing sector was sufficiently developed and diversified to respond to the demand for war materials and equipment. Key industries expanded and new ones developed rapidly to produce munitions, ships, aircraft, new kinds of equipment and machinery, chemicals, textiles and so on. After the war all sectors of the economy experienced growth. The manufacturing sector's contribution to the economy peaked at just under 30% of gross domestic product (GDP) in the late-1950s and early-1960s.*



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*The onset of the oil price rises in the early-1970s led the world into recession. Inflation, coupled with slower growth in Australia's GDP, affected all sectors of the economy. The modest employment growth in the 1970s was dominated by the service industries.*

*The 1980s and 1990s saw a decline in the relative contribution to GDP from goods-producing industries and a rise in the contribution from service industries. The falling contribution from goods-producing industries was largely the result of a decline in manufacturing's share of GDP. The mining, manufacturing, and electricity, gas and water supply industries experienced declining employment, along with outsourcing of some activities, particularly support services.*

*The early-2000s saw a continuing decline in the relative contribution to GDP from goods-producing industries, and a continuing rise in the contribution from service industries. While manufacturing remains a significant industry, its share of GDP continues to be the primary driver for the falling contribution from goods-producing industries. While the finance and insurance industry provided the largest increase in service industries, the property and business services now had the highest relative contribution to GDP<sup>3</sup>.*

## 2.2 Contribution to GDP & Employment

Data from the ABS allows the comparison of GDP and employment share between industry sectors over the 10 year period of 1997/8 to 2007/8. This is the most recent 10 year comparison data available and it should be noted that some of the relative shares may have changed as a consequence of the global financial crisis in 2008/09 and the ongoing strength of Australia's mining sector.

Property and business services contributed the largest share to GDP (12%) in 2007-08, followed by Manufacturing (10%) and Mining (8%).

Between 1997-98 and 2007-08, the largest increase in industry share of GDP was for Construction (up 1.4%), followed by Property and business services (1.2%). The largest fall

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<sup>3</sup> ABS 1301.0 - Year Book Australia, 2009-10, Industry structure and performance, Evolution of Australian Industry.



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in industry share of GDP was for Manufacturing (down 2.1%), followed by Mining (down 0.8%)<sup>4</sup>.

In 2008-09, 11 million people were employed in Australia. From an industry perspective, Retail trade employed the greatest number of people (11% of total employment). Health care and social assistance employed just under 11%, followed by Manufacturing and Construction (both 9%), Education and Professional, scientific and technical services (both 7%).

These industries were also the main employing industries in 1998-99, although Retail trade has displaced Manufacturing as the largest employer. Between 1998-99 and 2008-09, the Construction industry share of total employment increased by 2%. Conversely, Manufacturing's share of total employment declined by 3% over the period.<sup>5</sup>

These trends show that, as a proportion of our national economy and employment, manufacturing is in decline. As a result the demand for industrial land to support manufacturing industries will not be growing at the same rate as our national economy.

## 2.3 Recent National Market Trends

CB Richard Ellis Global Research and Consulting group produce regular market segment overviews. The most recent Asia Pacific Industrial & Logistics overview (Q1, 2011) is presented in Appendix I.

Compared to the national trends, warehouse rents in Canberra have fallen by 10 per cent (year on year), compared to the other capital cities that have grown by 1.2 to 6.6 per cent. This suggests that while nationally rents are growing with the economy, Canberra has been subject to localised factors that have led it to move independently of the national trend.

In relation to serviced industrial land values in Australia, the data shows that values have remained virtually static (quarter on quarter) in all capital cities except Perth, where values have risen by 4.8 per cent.

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<sup>4</sup> ABS 1301.0 - Year Book Australia, 2009-10, Industry structure and performance, Value of goods and services produced by Australian industry.

<sup>5</sup> ABS 1301.0 - Year Book Australia, 2009-10, Industry structure and performance, Employment in Australian industry.

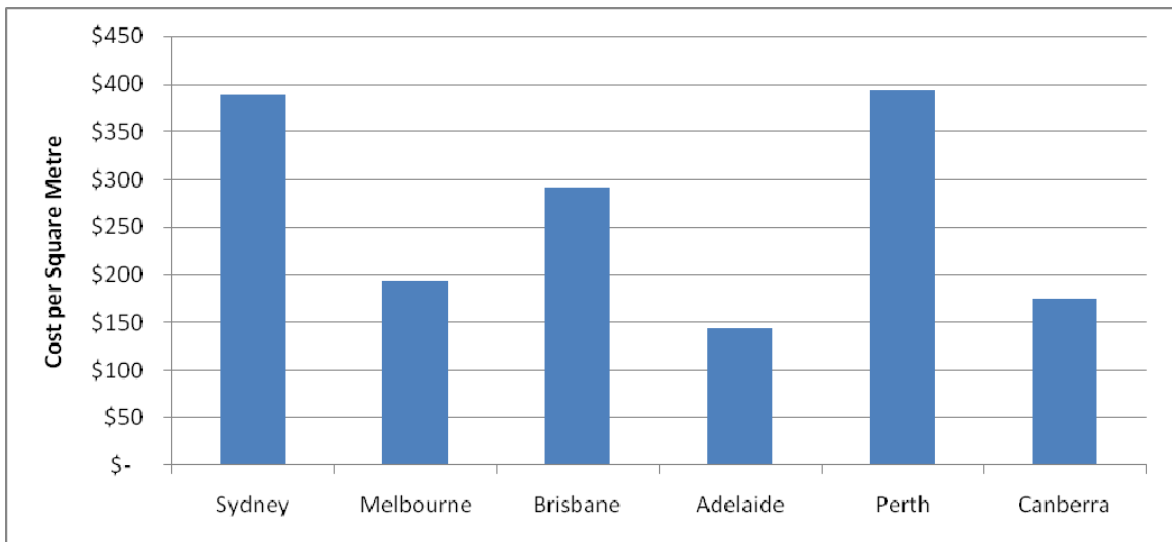


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This report also provides relative values for industrial land in Australian Capital Cities as illustrated in Figure 2 below. Significantly, this graph suggests that industrial land values in Canberra are higher than Adelaide and almost as much as to Melbourne. The implications of these relative costs are discussed in Section 6.5

Figure 2 - Indicative Serviced Industrial Land Values





## 3 TRENDS IN THE ACT

### 3.1 ACT & Queanbeyan Employment Data

Interrogation of ABS Census employment data for the ACT and Queanbeyan allows trends in the local economy to be investigated.

Table 1 below lists employment by industry within the Canberra-Queanbeyan statistical division in the years 1996 and 2006. The relative share of employment provided by each industry has been calculated. The share of employment provided by each industry is important to consider as, while the total number of jobs grew by approximately 20 percent, employment in some industries declined. The table has been sorted by the change in relative share over the 10 year period.

The table demonstrates that employment opportunities in wholesale trade, services, transport, storage and communications industries now provide for a lower percentage of employment than they did 10 years ago. These uses, along with Manufacturing which also lost share, are typical occupiers of industrial land.

The majority of employment growth was in public administration, professional services, construction and health care. These industries are not typically occupiers of industrial land.

Table 1 also lists the share of employment by industry at a national scale and shows the difference between the national data and the Canberra - Queanbeyan data. This demonstrates that employment in the Canberra - Queanbeyan area is focused on public administration (29% of the workforce compared to a 7% national average). Manufacturing is notably lower in the Canberra - Queanbeyan area compared to the national average.

This comparison of local and national data is important because it suggests that the Canberra - Queanbeyan economy may not be driven by the same elements that effect the national economy. Accordingly national trends in industrial land supply and demand may not necessarily translate to the Canberra - Queanbeyan region.



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Table 1 - Employment Data by Industry 1996 - 2006<sup>6</sup>

Industry	Canberra - Queanbeyan					National Share 2006	ACT vs National Share <sup>7</sup>
	1996 Census		2006 Census		Change in Share		
	Persons	Share	Persons	Share			
Wholesale trade	4,293	3%	3,224	2%	-1.0%	4%	-2.7%
Other services	7,191	4%	6,926	3%	-0.9%	4%	-0.3%
Transport, postal & warehousing	5,766	3%	5,264	3%	-0.8%	5%	-2.1%
Information media & telecommunications	4,850	3%	4,293	2%	-0.8%	2%	0.2%
Financial & insurance services	4,210	3%	3,948	2%	-0.6%	4%	-1.9%
Accommodation & food services	10,552	6%	11,621	6%	-0.6%	6%	-0.5%
Education & training	14,811	9%	17,333	9%	-0.3%	8%	1.0%
Manufacturing	5,482	3%	6,295	3%	-0.2%	10%	-7.3%
Agriculture, forestry & fishing	836	1%	756	0%	-0.1%	3%	-2.7%
Arts & recreation services	3,003	2%	3,503	2%	-0.1%	1%	0.3%
Mining	149	0%	104	0%	0.0%	1%	-1.1%
Rental, hiring & real estate services	2,147	1%	2,748	1%	0.1%	2%	-0.3%
Retail trade	14,330	9%	17,630	9%	0.2%	11%	-2.6%
Administrative & support services	3,940	2%	5,164	3%	0.2%	3%	-0.6%
Electricity, gas, water & waste services	685	0%	1,523	1%	0.3%	1%	-0.2%
Health care & social assistance	12,825	8%	17,454	9%	1.0%	11%	-1.8%
Construction	8,105	5%	11,962	6%	1.1%	8%	-1.8%
Professional, scientific & technical services	12,069	7%	18,553	9%	2.0%	7%	2.6%
Public administration & safety	43,502	26%	58,453	29%	3.0%	7%	22.5%
Inadequately described/Not stated	7,473	4%	3,842	2%	-2.6%	3%	-0.7%
<b>Total</b>	<b>166,219</b>	<b>100%</b>	<b>200,596</b>	<b>100%</b>		<b>100%</b>	

<sup>6</sup> ABS, 2006 Census Community Profile Series, Time Series Profile. Canberra-Queanbeyan. Catalogue 2003.0.

<sup>7</sup> This column presents the difference between the share of employment per industry in Canberra-Queanbeyan (Column 5 in the table) and the National Share (Column 6).



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Table 2 below presents a similar analysis of employment by occupation. During the 10 years from 1996 to 2006 employment opportunities for blue collar workers (operators, sales, technicians) reduced their relative share of the workforce in favour of white collar workers (professionals, personal service workers and managers). Blue collar jobs imply demand for industrial land, whereas white collar jobs imply demand for office accommodation.

Table 2 also demonstrates that there is a greater share of professionals and administrative workers in the Canberra - Queanbeyan area compared to the national average, and fewer labourers and machinery operators.

**Table 2 - Employment Data by Occupation 1996 - 2006<sup>8</sup>**

Occupation	Canberra - Queanbeyan			National Share 2006	ACT vs National Share		
	1996 Census Persons	1996 Census Share	2006 Census Persons			2006 Census Share	Change in Share
Machinery operators and drivers	6,736	4%	5,744	3%	-1.2%	7%	-4%
Sales workers	13,576	8%	15,123	8%	-0.6%	10%	-2%
Technicians and trades workers	19,490	12%	22,262	11%	-0.6%	14%	-3%
Clerical and administrative workers	32,140	19%	37,917	19%	-0.4%	15%	4%
Labourers	9,314	6%	11,243	6%	0.0%	10%	-5%
Managers	24,477	15%	30,906	15%	0.7%	13%	2%
Community and personal service workers	13,451	8%	18,101	9%	0.9%	9%	0%
Professionals	40,651	24%	56,325	28%	3.6%	20%	8%
Inadequately described/Not stated	6,384	4%	2,976	1%	-2%	2%	0%
<b>Total</b>	<b>166,219</b>	<b>100%</b>	<b>200,597</b>	<b>100%</b>	<b>0%</b>	<b>100%</b>	

This analysis suggests that, if the last 10 years are indicative of future trends, growth in the demand for industrial land uses in the ACT will be at a lower rate than the growth rate of the local population/employment base.

<sup>8</sup> *ibid*



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## 3.2 ACT Sales Data 2001 - 2010

Research figures held by CB Richard Ellis indicate that there were 99 sales of undeveloped industrial land in the ACT between 2001 and mid 2011. The total land area was just in excess of 68 ha.

Table 3 - Industrial Land Sales Data

Year	Fyshwick		Mitchell		Hume	
	Area	No. Sales	Area	No. Sales	Area	No. Sales
2001	10,606	2	5,300	2	62,627	7
2002	9,377	3	1,300	1	3,000	1
2003	8,200	3	7,700	2	0	0
2004	2,000	1	11,400	3	0	0
2005	89,052	8	14,325	5	0	0
2006	0	0	33,570	6	5,751	2
2007	17,483	3	17,569	3	61,914	5
2008	25,539	6	3,557	1	0	0
2009	15,953	6	3,433	1	37,046	4
2010	80,416	15	6,020	2	136,122	2
2011	10,886	5	0	0	0	0
Average PA	24,501	4.7	4,007	2	14,593	2
<b>Totals</b>	<b>269,512</b>	<b>52</b>	<b>104,174</b>	<b>26</b>	<b>306,460</b>	<b>21</b>

The majority of the sales have been in Fyshwick with 52 of the 99 sales being recorded in the original industrial suburb. Since 2009 the majority of Fyshwick sales have been concentrated in the EPI Centre estate. Other sales have been recorded in Sections 88, 89 and 90 in Gladstone Street opposite Paragon Mall. There has been an average of 4.7 sales per annum in Fyshwick however we note that early in the decade there were as few as 1 to 3 sales per annum.

Mitchell is considered Canberra’s second industrial area and though there has been only half the number of sales as Fyshwick they have tended to be on a more consistent basis, particularly until 2007.

There were seven sales in Hume in 2001 and five in 2007. For five years in the reporting period there were no sales of vacant land.



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The averages are skewed by the inclusion of two sales, one in Fyshwick and one in Hume. In 2005 the sale of the DFO site of 6.9 ha is included and in 2010 the Data Centre site in Hume of 12 ha is also included.

While the majority of sales have been conducted by the ACT Government through the LDA, private estates (generally subdivisions of previously developed larger leases) are beginning to become more prevalent. Privately developed estates include:

- Part Section 34, Fyshwick in 2005;
- Brickworks Estate, Mitchell in 2006;
- Monaro Industrial Park, Hume in 2009 – present
- Beard, 2009 - present

Of these three sites, two, Hume and Mitchell were redevelopments of previous industrial facilities, a brickworks in Mitchell and a sawmill in Hume. Further to this the suburb of Beard, adjacent to Queanbeyan was formally the Canberra Abattoirs. We understand that the Koppers Log site in Hume will eventually be subdivided for development once possible contamination issues have been settled. Other large potential sites include the Rocla site in Fyshwick and the ACT Government property in Sandford Street, Mitchell.

We note that the ACT Government in its budget for 2011/2012 has identified industrial land releases in Fyshwick, Hume and Symonston for the next four years.

The release of 10 ha in Hume in 2011/12, in competition with available land at Monaro Industrial Park, is considered optimistic and is expected to put downward pressure on the industrial market. We understand that after initial sales in 2009 and early 2010 sales in the Monaro Industrial Park have been considered “slow” over the last 12 months.

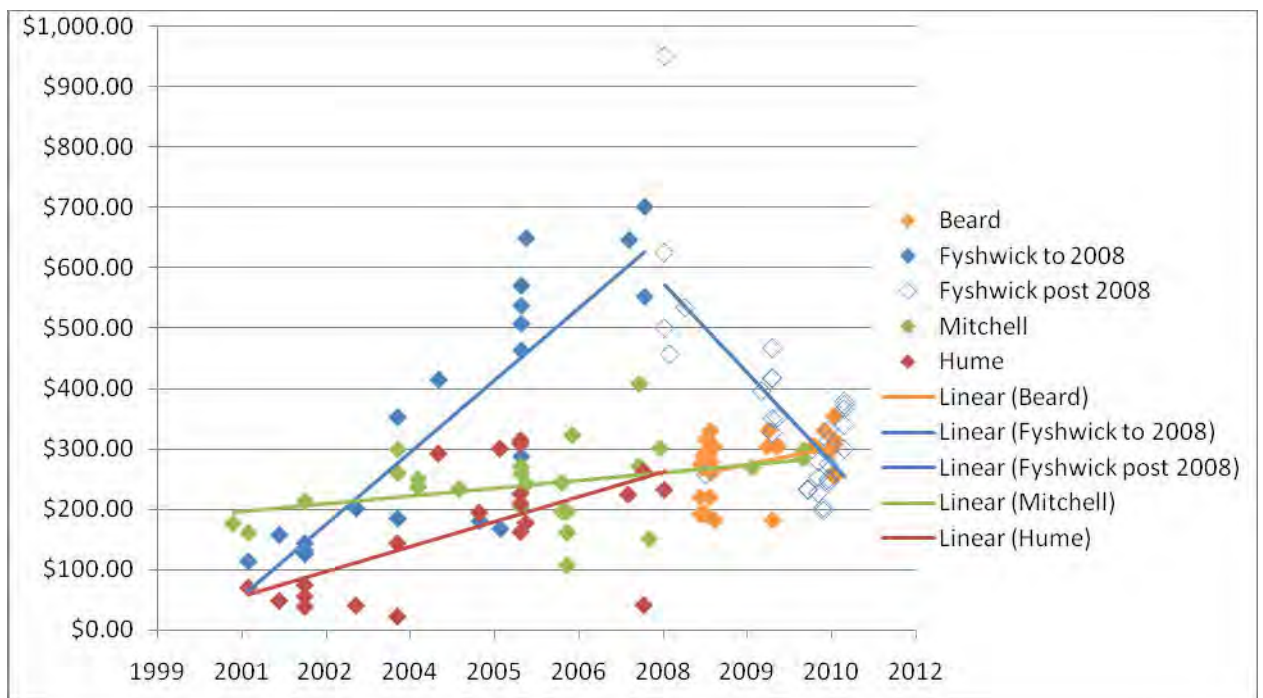


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Figure 3 below presents the value per square metre of land sales (vacant industrial) over the 10 year period. The linear trend lines suggest that values in Mitchell and Hume have been rising relatively consistently over the period, but that values in Fyshwick were unusually high between 2005 and 2009. The recent values in Fyshwick appear to have returned to a more 'normal' level, possibly due to the introduction in 2009 of increased supply in Fyshwick itself plus competition from nearby Beard.

Figure 3 - Land Sales Data, sale price per square metre of land area.





## 4 LAND USE POLICIES

### 4.1 Land Use Planning

A discussion of statutory planning and land use zone objectives is presented in Appendix II.

Table 6 in Appendix II lists all of the uses that are identified in either the Industrial, Commercial or Broadacre development tables.

Many of the uses identified in the Development Tables for the Industrial Zones are permissible in the Commercial Zones or the Broadacre Zone, allowing for a substitution of uses if supply of any particular zone is limited or excessive.

The following observations can be made about the two industrial zones.

The General Industrial Zone (IZ1) allows the following uses that are prohibited in the Mixed Use Industrial Zone (IZ2):

- Hazardous Industry
- Hazardous Waste Facility
- Incineration Facility
- Offensive Industry
- Railway Use

All of these uses are also prohibited in the Commercial and Broadacre zones, meaning that the General Industry Zone is the only place where these uses can occur (unless subject to a site specific exception).

Conversely, the Mixed Use Industrial Zone (IZ2) allows the following uses that are prohibited in the General Industry Zone (IZ1).

- Club
- Drink Establishment
- Funeral Parlour
- Indoor entertainment facility
- NON-RETAIL COMMERCIAL USE
- Outdoor recreation Facility
- Restaurant
- SHOP (with limitations on food retailing)



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- Vehicle Sales
- Veterinary Hospital

All of these uses are also allowed within the CZ3 Commercial Services Zone and in several of the other commercial zones, allowing for considerable flexibility of location for these uses.

When further comparing the IZ2 and CZ3 zones the following can be observed:

The uses that are allowed in IZ2 that are prohibited in CZ3 are:

- Bulk Landscape supplies
- Defence Installation
- General Industry
- Liquid fuel depot
- MAJOR UTILITY INSTALLATION
- Recycling facility
- Scientific Research Establishment
- Waste transfer station

The uses that CZ3 allows that are prohibited in IZ2 are:

- Civic administration
- COMMERCIAL ACCOMMODATION USE
- Home Business
- RESIDENTIAL USE
- Produce Market
- Tourist Facility

On this basis, in an ultimately finite land supply situation where all land is developed to its highest and best use (and without any additional intervention) all CZ3 land will be developed for Residential and Commercial uses, all IZ2 for Shop and Commercial uses, leaving only IZ1 for industrial land uses.



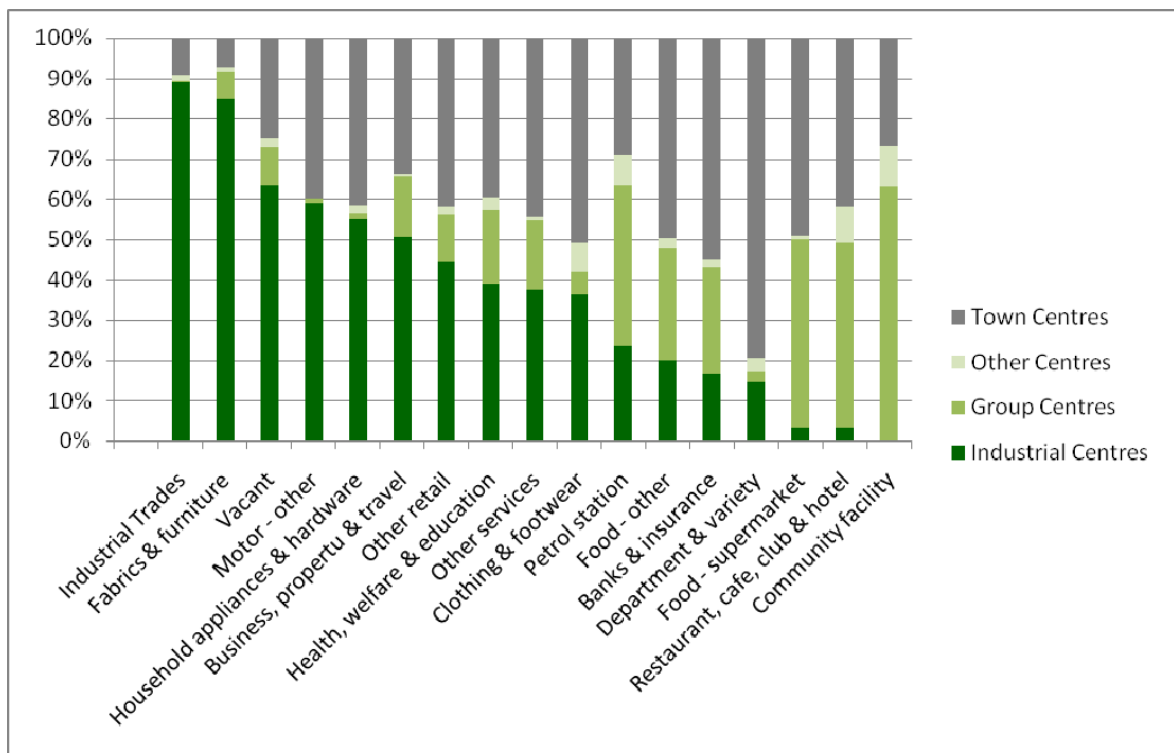
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## 4.2 Share of Uses

The Commercial Centres and Industrial Areas Floorspace Summary Report<sup>9</sup>, and the underlying data provides an insight into the sharing of uses between zones.

Figure 4 - Share of Floorspace Graph



It is evident that the industrial centres provide the majority of opportunities for Industrial Trades Uses and Fabrics and Furniture retailing (DELP 25 & 5)<sup>10</sup>. This reflects the intention of the provision of industrial zones, providing a location for uses that may be incompatible with more sensitive uses. There are 610,000 m<sup>2</sup> of Industrial Trades floorspace and 110,000 m<sup>2</sup> of fabric and furniture retailing in the Industrial Centres.

The provision of motor vehicles sales and repair, and the retail sale of household appliances/hardware (DELP 21 & 6) occurs predominantly in the industrial centres, but with

<sup>9</sup> iSG, Commercial Centres and Industrial Areas Floorspace, Summary Report, April 2010 for ACTPLA

<sup>10</sup> The details of the uses that make up these categories are presented in Appendix II.



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40% of the floor space occurring in Town Centres (generally in the service trades areas) it demonstrates that there is considerable opportunity to share uses between zones. Within the Town Centre service trades areas (generally zoned CZ3) many of the existing buildings are approaching the end of their serviceable life. Since the Commercial Services zone allows for residential development and other higher order uses, it is likely that without intervention some of the lower value uses such as motor vehicle repairs will be priced out as redevelopment occurs (this has substantially occurred in the CZ3 zones of Braddon and Dickson). This will increase the demand for space for these uses within the industrial areas. There are 90,000 m<sup>2</sup> of Motor vehicle services and 75,000 m<sup>2</sup> of household appliances/hardware currently in the Town Centres. At a plot ratio of 0.25<sup>11</sup> this implies a potential land demand of 66 ha.

The provision of:

- Services - Business, property, travel, health, welfare and education and other services (DELP 13, 12 & 15), and
- Retail - clothing and footwear and other retail (DELP 7 & 4)

are shared approximately 40% in the Industrial areas, 40% in the Town Centres and 20% in the group centres. Collectively these uses account for 785,000m<sup>2</sup> of floorspace, or 27% of the total floorspace in Industrial, Town and Group centres. These uses are readily transferable between zones. Consequently if there is a shortage of supply of Town and Group centre space, then demand for industrial land will increase. Conversely, if there is a softening in demand for these uses, or an over supply of Town and Group centre retail space, then the apparent demand for industrial land will be reduced. As these uses are generally compatible with mixed use redevelopments and are generally higher value than the 'trades' uses, they are less likely to be priced out of the town and group centres upon redevelopment.

The provision of petrol stations is shared relatively equally between Town, Group and Industrial centres. Their total floorspace and land take is relatively small.

The remaining floorspace uses are predominantly provided in the Town and Group centres. They are generally higher value uses that are less likely to be priced out by redevelopment.

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<sup>11</sup> Fyshwick and Mitchell have plot ratios of 0.25 and 0.23 comparing GFA (from the Commercial Centres and Industrial Floorspace report) and zoned industrial land (from the Territory Plan)



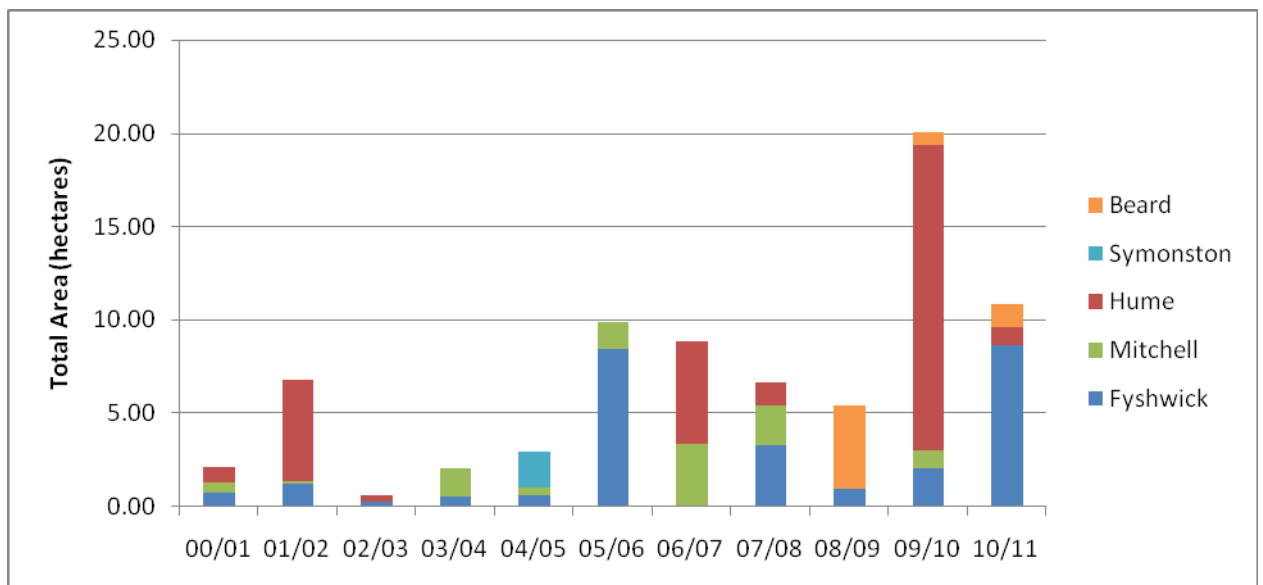
## 5 INDUSTRIAL LAND SUPPLY

### 5.1 Historic Supply

Historic demand for industrial land in the ACT has been approximately 8 ha per year for the last 25 years<sup>12</sup>. At various times over the past 25 years however, there were periods of limited land availability, hence this long term average may not be reflective of the underlying demand.

CBRE has compiled sales data of vacant 'industrial' land for the last 10 years to produce Figure 5 below. This data includes private land sales such as from the recently subdivided sites in Hume and Beard. It also includes the major sites released and sold to DFO (7 ha) in Fyshwick in 2005, and the data centre proposal (12 ha) in Hume in 2010.

Figure 5 - Vacant Industrial Land Sales (hectares), financial year, by location



Over the last 10 years the total vacant industrial land sales have varied from 0.6 ha in 2002/03 to 20 ha in 2009/10. The average has been 7 ha per year. Figure 6 below indicates the variability that has occurred.

<sup>12</sup> ACTPLA, project brief.

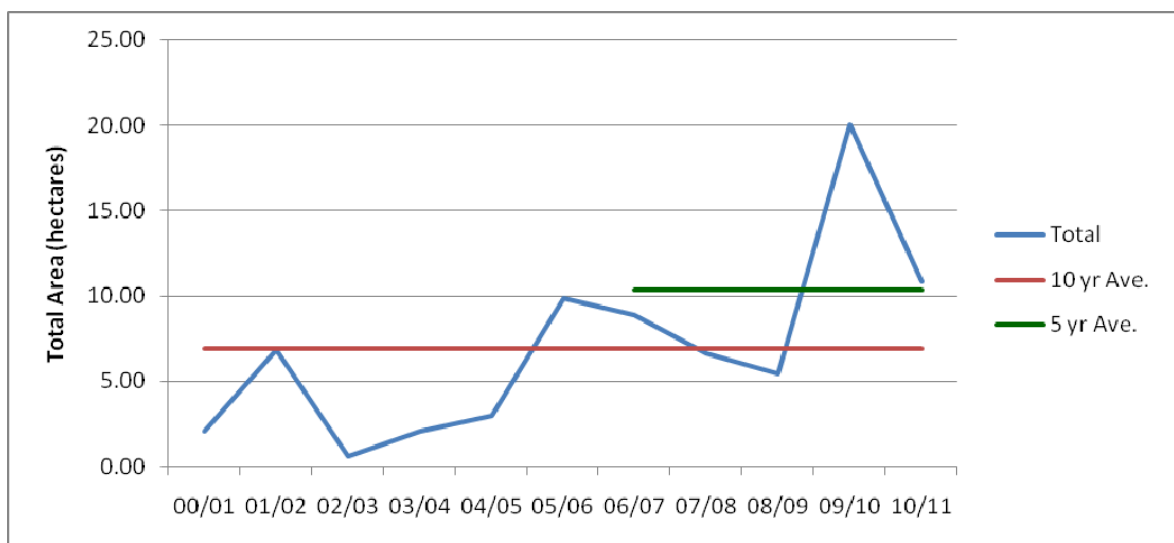


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Over the last 5 years, there has been an average of 10 ha of vacant industrial land sold each year. During this period there has been a generous supply of land available to the market, so it is reasonable to adopt 10 ha per year as the underlying demand in an unconstrained supply situation.

Figure 6 - Vacant Industrial Land Sales, total and average areas.



## 5.2 Current Supply

Industrial land supply comes from both the ACT Government through its land release strategy and through the private delivery of land to the market through redevelopment or subdivision.

### Fyshwick

Several blocks remain available in the Epi-Centre estate. Development is very slow in this area with only one site under construction. Some sites sold between 2008 and 2010 are still waiting for construction to commence. Both owner occupiers and investors/developers purchased the land.

The last sales in Sections 89 and 90 opposite Paragon Mall are due in June. Servicing works on site are not scheduled to finish until August 2011.



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## Hume

Seventeen blocks ranging from 5,000sqm to 7,000sqm (approximately 10 ha) are available in the Monaro Industrial Park (ex sawmill site). The land is fully serviced and available for immediate occupation.



The ACT Government introduced 7 blocks from 6,317sqm to 11,557sqm for sale in June 2011. Servicing is yet to commence on these sites and occupation will not be available until 2012. These sites are part of the new West Industry Park, located on both sides of Tralee Street. There is to be a total of 32 blocks in the Estate to be developed over 5 years.

There are also blocks that could be provided in Hume recycling estate on the western side of the Monaro Highway. Roads and servicing would need to be completed in this area.



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## Beard

Beard Stage 1 and 2A were subdivided and sold prior to servicing being completed. Approximately 6 ha of land remains on the market.

The Beard site also contains a further 15 ha of land that is approved for development but has not yet been serviced. We understand that it is available for englobo purchase.

## Mitchell

There are currently no sites available for sale in Mitchell.

## Queanbeyan

There is a small area of vacant land (approximately 2.4 ha) available in the Queanbeyan East industrial area, plus a number of incidental vacant blocks through out the Queanbeyan industrial areas.



## 5.3 Status of Land Supply

The ACT Government's land release strategy provides for the release of 10 ha of industrial land per year over the next 4 years. This land is primarily in the Hume (New West) subdivision (23 ha), plus Fyshwick (10 ha) and Symonston (6 ha).

In the 2010/11 year vacant industrial land sales totalled 10.8ha (8.65 in Fyshwick, 0.95 in Hume and 1.2 in Beard). There remains land for sale at the Walker Site (10ha), Beard (6ha) and Hume New West (6.4ha). Overall, there was about 10 ha sold and about 22 ha remain available to the market, leading to the conclusion that there was an oversupply of approximately 22 ha for the year 2010/11.

The definition of serviced land available to the market is made difficult to assess by the LDA's recent trend of offering land for sale before it is serviced, with a commitment to service the land prior to settlement of the sale. It is further complicated by the private sector's trend to sell options over land on subdivided sites, presumably to avoid calling for leases and triggering the commencement of development covenant timeframes.

This position of oversupply is a relatively unusual situation for industrial land in the ACT region in recent years, which has tended to be constrained by the government's land release program.

This situation has arisen due to the following factors:

- demand for land was evident in 2004/05 after a period of very limited ACT Government land releases and strong population and economic growth.
- this demand led the ACT Government to embark upon the New West estate in Hume and to continue sales in the Epi-Centre at Fyshwick.
- in parallel, private developers responded to the demand through the redevelopment and delivery of Beard and Monaro Industrial Park to the market.

From a business development point of view this is a positive situation with the backlog of demand cleared, and land immediately available for people wishing to establish businesses in the ACT.



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## 5.4 Potential Future Industrial Land supply

In addition to the current supply, there are several areas of land that have been identified as having potential to meet demand for industrial land releases into the future.

Table 4 - Undeveloped Land Availability (ha)

Location	Serviced	Zoned	Possible Rezoning
Mitchell	4		
Fyshwick (East)	3.6		42.5
Hume	30	20	
Canberra Airport		Refer master plan.	
South Jerrabomberra			130
West Belconnen			50

The table above does not include the areas identified in the Eastern Broadacre Study (see discussion below), all of which will rely upon rezoning.

### Mitchell

There are two sites in Mitchell that could be considered for release by the ACT Government;

- a 2 ha site in Section 47, and
- a portion of the ACT Government's land holdings along Sandford street. There is approximately 2 ha of under utilised land with street frontage - the existing car parking could be replicated at the rear of the land holdings.

Given ongoing displacement of service trades uses from Braddon and Dickson and other factors, CBRE has identified strong demand for industrial land in Mitchell despite the oversupply in the ACT as a whole. Accordingly, we recommend that the ACT Government investigate the possibility of substituting some of the planned land releases in Hume for some in Mitchell over the next few years.

### Fyshwick

Previous planning studies have identified approximately 45 ha of land around the north and eastern fringe of Fyshwick that could be developed for Industrial Land release. Some of this land is included in the current land release program.



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## Hume

Approximately 30 ha of land in the New West industrial estate in Hume is scheduled for servicing and release by the LDA over the next 3 years.

The Koppers Logs site is identified as a likely site for redevelopment in the longer term. This site provides an additional 20 ha potential in Hume.

## Canberra Airport

The Airport master plan provides for land supply to meet the predicted demand for an air-freight terminal for the next 20 years. This suggests that while the potential exists for significant air-freight business development, the ACT Government would not be required to plan for land releases to cater for airport related demand for another 10-15 years.

## South Jerrabomberra, NSW

The proposed rezoning of rural land at South Jerrabomberra (NSW) for residential and employment land purposes has the potential to deliver an additional 130 ha of industrial land to the regional supply. If this rezoning occurs, this site could deliver more than 10 years worth of supply (or meet 50% of demand for 20 years) and bring substantial competition to the ACT Government's industrial land release strategy.

As the provision of this land to the market remains uncertain the ACT Government needs to ensure sufficient supply can be delivered without relying on supply from cross-border developments. If it does come to the market however the ACT Government needs to be cognisant of the competition it will bring.

## West Belconnen

Some areas of broadacre land to the west of Belconnen (previously identified for residential development in the Canberra Spatial Plan) could provide for future industrial or service trades uses to cater for the population to the west of Canberra and balance the eastern bias of the supply of industrial land. Due to its relative isolation from major transport opportunities, this land may be well suited to service trades and employment uses that service the local population (i.e. a combination of CZ3, IZ1 and IZ2 zoning). This will be especially important if decisions are not made to protect the existing service and trades use areas within Belconnen (see discussion in Section 6.13).



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## Eastern Broadacre

The Eastern Broadacre Study<sup>13</sup> identified the following areas of urban capable land with potential for development as industrial or employment (business park) uses.

- Majura Valley (North) - 183 ha
- Majura Valley (South) - 147 ha
- Harman - 46 ha
- Symonston - 141 ha
- Mugga Precinct - 80 ha
- Quarry - 20 ha
- Hume - 98 ha

In total, this provides in excess of 700 ha of potential industrial or employment land supply in the ACT. The challenge for the medium to long term future will not be the identification of more land, rather the protection of this land from higher order uses.

Of the potentially capable land identified in the Eastern Broadacre Study, it would be appropriate to focus attention in the first instance on those areas close to the airport, existing heavy rail and arterial road corridors. The areas to the east of Fyshwick are an obvious first choice for additional IZ1 General Industry land due to their location and to replace the land in Fyshwick that has recently been taken up by retail uses.

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<sup>13</sup> MacroPlan Australia, ACT Eastern Broadacre Economic and Strategic Planning Direction Study, March 2009, prepared for ACTPLA.



## 6 INDUSTRIAL LAND DEMAND

### 6.1 Projected Demand

The most logical starting point for projecting the demand is to continue the trend of 8 ha per year has been apparent over the last 25 years. This however is unlikely to match the future demand for a number of reasons which are elaborated below.

There are some factors that suggest an increase in demand, and others that suggest a slow down, taking into account the likely net result, and the need to plan beyond a 15 year horizon we have made recommendations on the generous side as it is much easier to hold back on supply than to rapidly meet an unanticipated high demand. Similarly it is much easier to rezone industrial land for higher order uses if it is proven surplus to requirements than it is to rezone higher order land for lower value uses such as industrial.

### 6.2 Artificially Constrained Market

During the 25 years over which the average 8 ha/year is quoted, there have been periods of limited land release, possibly artificially constraining demand. Further, the population has grown significantly over the period meaning that lower demand in earlier years may skew such a simple average. Over the past 5 years, during a period of generous supply, the take-up rate has averaged 10 ha, accordingly this is the starting point that CBRE has adopted for demand in the Canberra/Queanbeyan region in order to avoid a constrained supply situation.

### 6.3 Per Capita Demand

An alternative way to predict demand for industrial zoned land is to consider the per capita demand. There are currently 1000 ha of IZ1, IZ2 and CZ3 zoned land in the ACT, approximately 160 ha of which remains undeveloped. On a population base of 350,000 this equates to approximately 24 m<sup>2</sup> of developed industrial and service trades land per person. A 1 per cent growth in population would therefore lead to a demand of 8.4 hectares of additional land to maintain the current per capita ratio. This supports the adoption of 10 ha per year as a planning intention to avoid a constrained supply.



## 6.4 Non-linear Growth

The often quoted 8 ha per year is a linear supply of land whereas the population of the ACT is growing at a rate of 0.5 to 1% which is an exponential curve. While this curve will ultimately flatten out in the longer term, it is a reasonable approximation for the period being considered in this report.

It would be appropriate to link the future demand for land to a population or economic growth rate. For the purpose of this report, CBRE has adopted a 1% growth in demand.

## 6.5 Capacity to Attract Major industry

There is some suggestion that, if sufficient land is made available then substantial industry sectors could be attracted to the Territory, however, the cost of land is only a minor consideration in the establishment of an industrial operation. Of greater importance is the proximity to markets, transport and available labour.

Compared to other Australian cities, the ACT is not proximate to major markets or supply chains. It is not at a major transport hub, except possibly for air freight, we have no port and are on a minor branch line on the national rail network. Even Canberra's connection to major rural markets (such as Wagga Wagga enjoys) is not strong.

Further, unemployment is low, wages are relatively high and the cost of housing is high, leading to a very limited supply of industrial sector workers.

Schemes that provide subsidised industrial land releases with the intention of attracting employment opportunities are unlikely to be successful unless they address the other, more significant considerations.

Taking into account these factors, plus the general trend away from manufacturing in Australia, CBRE does not expect major industries to establish in the ACT within the timeframe for this study.

While major volume manufacturing is not a likely prospect for Canberra, there is an opportunity for high value, high technology manufacturing that is linked to our research and technology centres. This opportunity is discussed below.



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## 6.6 Policy to Diversify the Economy

The ACT Government has long had an ambition to diversify the economic and employment base of the Territory. As stated above, the Territory is considered unlikely to attract major manufacturing industry, but other opportunities are available.

Possible opportunities for success are the proposed freight hub at the airport (discussed below) or the proliferation of business parks (consulting groups, lobbyists or technology centres) taking advantage of the accessibility to the Commonwealth Government decision makers and agencies.

The latter is more likely to demand office and business park development than substantial areas of industrial land. This land would preferably be linked with existing office, education and research centres. The competitive advantages of Canberra are its capital city status, large public sector budget and high education levels. General industrial development is not a good fit with these advantages.

## 6.7 Changes in Retail Models

An increase in internet shopping has the potential to change supply chains and the demand for retail space.

Between 2005 and 2010, online retailers doubled their domestic market share from 2.1 to 4 per cent. In addition Australians made \$5 billion worth of overseas purchases in 2010, equivalent to a further 2 per cent of the total domestic retail sales<sup>14</sup>. The market share of internet sales is relatively small, but it is rising rapidly and is predicted to continue to grow. The National Retail Association has made predictions that infer an assumption that the market share will double again to 8% over the next 5 years.

The leading products being purchased online are DVD's, music and books, followed by electrical and electronic goods. Clothes and shoes, sports and leisure goods and cosmetics follow in popularity. It is assumed that this is because the later products are harder to appraise without seeing or trying them first.

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<sup>14</sup> The Australia Institute, May 2011, The rise and rise of online retail. Technical Brief No.8. ISSN 1836-9014.



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A study by the Australia Institute identified the following reasons why online shopping has been slow to challenge conventional retail in Australia:

- concerns over safety of giving financial details to unknown web sites
- inability to see or hold items before buying them
- unfavourable exchange rates (until recently)
- risk of slow returns of exchange process if goods are faulty or unsuitable
- limited domestic online shopping opportunities due to slow investment by the Australian retail sector

While these barriers exist, solutions are available. The Australia Institute also identified the key benefits that online shopping provides compared to 'bricks and mortar' retail, these include:

- lower prices
- convenience and time saving
- wider range of products and choices
- research tools for consumer information in the form of professional or user generated product reviews and price comparisons

Increasingly, Australians are finding that the benefits outweigh the perceived risks.

Of the people surveyed by the Australia institute, 85% rated saving money as a reason for online shopping and 65% rated the ability to compare products and prices. The ability to buy things that are not available in stores is motivation for almost two thirds of online shoppers.

The propensity for internet shopping increases with salary and education level, but decreases with age.

In terms of predicting future trends, the Australia Institute reminds us that bricks and mortar retail remains the social norm and is the default choice for most customers. However, as more people shop online and share their experiences, social norms can change. The likely growth trajectory of online shopping should be considered in the same way as other consumer technologies such as CD's, DVD's, portable music players, smart phones etc. On this basis, the trajectory could well be exponential rather than linear.

If the demand for retail space drops then, as retail uses make up a substantial proportion of the utilisation of the ACT's industrial land, the demand for new land will also soften.



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If however the supply chain and warehousing requirements grow, there may be more demand for that type of use within our industrial areas rather than the continued growth in demand for retail floorspace.

In modelling the demand for land, we have assumed that internet retailing will reduce the demand for retail floorspace by 10% over the next 15 years, with a consequent reduction in land demand.

### 6.8 Canberra Airport

One of the possible opportunities the ACT has to diversify its economy comes through the increased utilisation of Canberra Airport as a freight hub. The basis for this concept is described in the 2009 Airport master plan which sets a 20 year timeline for development.

Key elements of the airport's vision include:

- creation of opportunities — to make Canberra Airport and its environs the centre of a business, retail, transport and freight hub to respond to the needs of users, providing economic impetus for office parks and other commercial developments;
- maximise business opportunities — to maximise total on-Airport employment and business growth in response to increasing business demands to be located on-Airport, without compromising on aviation operations

The non aircraft related elements of these vision statements are generally outside the intentions of the commercial centres hierarchy established for the ACT. Due to the commonwealth planning controls that apply to the Airport, the ACT Government can do little to limit development at the airport, even if it is contrary to the structured planning of Canberra.

The Master Plan predicts on airport jobs growth from 8,000 in 2009 to 25,000 in 2030. This prediction is however speculative and the extent to which it will occur, or occur as a consequence of growth being transferred to the airport from elsewhere in Canberra (as has so far occurred at the Brindabella Office park) is not known. With approximately 50,000 square metres of vacant office space in the business park and the recent closure of the BrandDepot retail centre it may be that the predictions in the Master Plan were overly optimistic.

In terms of freight operations, Canberra Airport hosts a range of overnight airfreight operations catering to the existing needs of Canberra and the region. The ongoing curfew



restrictions on Sydney Airport may deliver further opportunities for airfreight at Canberra Airport. This would however lead to an increase in night flights at Canberra which may in turn lead to calls for a curfew at Canberra, especially in light of the extremely low level of night time noise across metropolitan Canberra.

The Airport Master Plan outlines the expected development of an overnight express freight hub at Canberra Airport in response to the needs of the express freight industry. It also foreshadows the commencement of dedicated international airfreight services to Canberra Airport.

Figure 7 (Figure 6.5 in the Master Plan) shows the current and possible future freight operations predicted by the authors of the Master Plan. The orange areas show the short term (5 year) possibilities, with the longer term (20 year) possibilities shown in dark red.

The master plan predicts that the freight hub will have implications for land use in areas around the Airport. They predict that demand for warehousing, freight-forwarding and similar facilities in the vicinity of the Airport will increase as airfreight operations increase. They identify existing facilities at Fyshwick and Hume as being suitably located and well suited to this land use; but suggest that additional land will be required.

Figure 7 suggests that in the first instance the development of freight and related services will remain within the Airport site and will not substantially affect the demand for industrial land outside the airport. CBRE recommends that some land near the airport continues to be reserved for these uses should the need arise in the longer term future, but that the predictions of the Airport's Master Plan be treated cautiously. We also note that, as the land at the airport is already privately owned, it can be developed quickly and with no additional land cost component, making it difficult for surrounding land developments to compete directly.



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Figure 7 – Canberra Airport Master Plan – freight operations plan





## 6.9 Regional Competition

When considering the potential to attract diversified employment to the ACT, it is important to consider the strengths and weaknesses that the ACT has compared to alternative locations in the region.

Goulburn, for example, has an ample supply of land which is being offered for approximately \$100/m<sup>2</sup> compared to the \$200 - 300/m<sup>2</sup> asking price in the Territory. Further, Goulburn lies on the Hume Highway and the national rail networks, placing it on the main land transport corridor between Melbourne and Sydney. This makes it ideally placed for a significant land (heavy and non-time critical goods) transport hub. This will limit the freight hub potential of Canberra to air freight. It is noted that Canberra is well serviced by main roads, but we lie nearly an hour by road from the main land freight corridor, and our existing railway connection is a minor branch line from the national network.

Relatively inexpensive land is also available in Yass, Queanbeyan and Palerang council areas. With the proposed rezoning of South Jerrabomberra likely to bring 130 ha of employment land onto the market in the mid term future, regional competition is likely to be strong. These locations also provide cheaper housing and lower average wages, providing a better potential source of blue collar workforce.

## 6.10 Eastern Broadacre Study

In March 2009, MacroPlan Australia delivered the ACT Eastern Broadacre Economic and Strategic Planning Direction Study to ACTPLA.

In identifying demand for industrial and employment land over the next 40 years they identify three possible scenarios. The first is based upon an ABS moderate population growth profile and results in a predicted demand of 400 ha. The second uses the ABS high growth scenario and results in a demand of 1000 ha. Both of these scenarios (like the modelling that CBRE has done for this report) are based on an underlying assumption that industrial land serves the local community and hence demand grows with the population. This is valid in general cases, but there is also the potential for industrial development to drive population growth if the conditions are right. The most simplistic example of this is the establishment of mining towns proximate to mineral resources. MacroPlan's third scenario is driven by this concept and predicts a demand of 2500 ha over 40 years, primarily based upon the opportunities the Canberra Airport offers along with the proposed High Speed Rail and the continued importance of Canberra as the National Capital.



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In reviewing the analysis, CBRE notes that they assume that 70% of blue collar workers are based in industrial areas. Table 16 (page 80 of the MacroPlan report) equates this to 30,000 jobs in industrial land in 2006. At the time however ABS Census data indicates that there were about 18,000 jobs in Fyshwick, Mitchell, Hume and Symonston. This suggests that the 70% used by MacroPlan is too high. By reverse calculation, it is evident that 50% would have given a more accurate starting point for their extrapolation.

Following from this, MacroPlan use an employment density of 20 jobs/ha to calculate land demand from worker numbers. Again using ABS Census employment data and the land areas (excluding unleased land) in Table 2 of the report, it can be calculated that Fyshwick, Mitchell and Hume had employment densities in 2006 of 39, 24 and 12 respectively, the weighted average being 27 jobs/ha. This suggests that if future industrial land use is similar in nature to the existing uses, the 20 jobs/ha is too low and perhaps 25 would be more representative.

Applying these modified starting condition assumptions (50% of blue collar jobs on industrial land, and 25 jobs/ha) to the MacroPlan scenarios results in a moderate growth scenario with 250 ha demand over 40 years (instead of 400 ha), a high growth scenario of 580 ha (instead of 1000 ha) and, at the same ratio as MacroPlan used, a third scenario of 1500 ha demand.

Using these modified assumptions, the high growth demand aligns closely with CBRE's modelled demand which is described in section 6.15.



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### **6.11 Rezoning**

West Fyshwick is likely to be substantially changed as a result of the Eastlake Proposal. We have assumed that over the next 15 years 18 ha of industrial land uses in west Fyshwick will be displaced.

While this rezoning is supported due to this area's proximity to urban Canberra, the Monaro Highway provides a good line of demarcation beyond which urbanisation should be avoided. The heavy rail alignments in the broader Fyshwick area provide a potential future transport option that could prove to be highly valued. Land use decisions in proximity to these railway alignments should not be allowed to rule out future intensive use of the railway for freight or passenger use.

### **6.12 Displacement of Service Trades**

As discussed in Section 4.2 there is potential demand for 66 ha of industrial land that could arise from the displacement of services and trades uses from the town centre CZ3 zones. In Section 6.13 we recommend measures to prevent some of this displacement to ensure convenient access to these uses by all Canberrans. In modelling demand for industrial land we have assumed a demand of 33 ha will be created over the next 15 years due to displacement of uses in commercial zones.

### **6.13 Spatial Considerations**

Canberra exists as a series of towns, with the intention of providing the necessary services for the residents within each town and providing two way peak hour traffic flow between centres as people travel to employment opportunities. Historically, industrial zones were established outside the urban areas to allow industry that was not compatible with urban uses to operate. Importantly the prevention of residential and other high value uses protects the industrial land from being redeveloped to higher order uses. Over time, as retail models have changed and larger format stores (particularly hardware and domestic appliances) have become the norm, more and more retail has taken place in Canberra's industrial areas. At the same time, café streets have displaced service trades uses to the industrial areas. This now means that the industrial areas, rather than being an employment area, are now also an important part of our community's service and retail amenity. On this basis, it would be expected that industrial or service trades land would be provided in convenient proximity to each town centre. This is currently the case with Belconnen, Woden and Tuggeranong serviced by their respective CZ3 areas. Gungahlin is serviced by Mitchell and South Canberra is serviced by Fyshwick. North Canberra is the notable exception, with the CZ3 zones of Braddon and Dickson having been largely



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redeveloped and lost to service trades uses. The total loss of these uses is not a good outcome for the residents of inner north Canberra.

In the future as more CZ3 areas are redeveloped:

- Gungahlin will continue to be serviced by Mitchell
- South Canberra will continue to be serviced by Fyshwick
- Tuggeranong will be serviced by Hume to some extent (assuming some IZ2 land in Hume is provided in accordance with the discussion at section 6.14), and
- Woden and Belconnen will no longer have local access to these service uses.

A consideration therefore should be the protection of some of the CZ3 land in Woden, Belconnen and possibly Tuggeranong from redevelopment to maintain this convenient access. Options could include:

- Removing the Residential and Commercial Accommodation uses from all CZ3 zones, but rezoning some of the CZ3 to CZ5 to allow appropriate redevelopment, or
- Rezone some of the CZ3 areas to IZ2

We recommend additional study to determine the need for this action and the most appropriate approach.

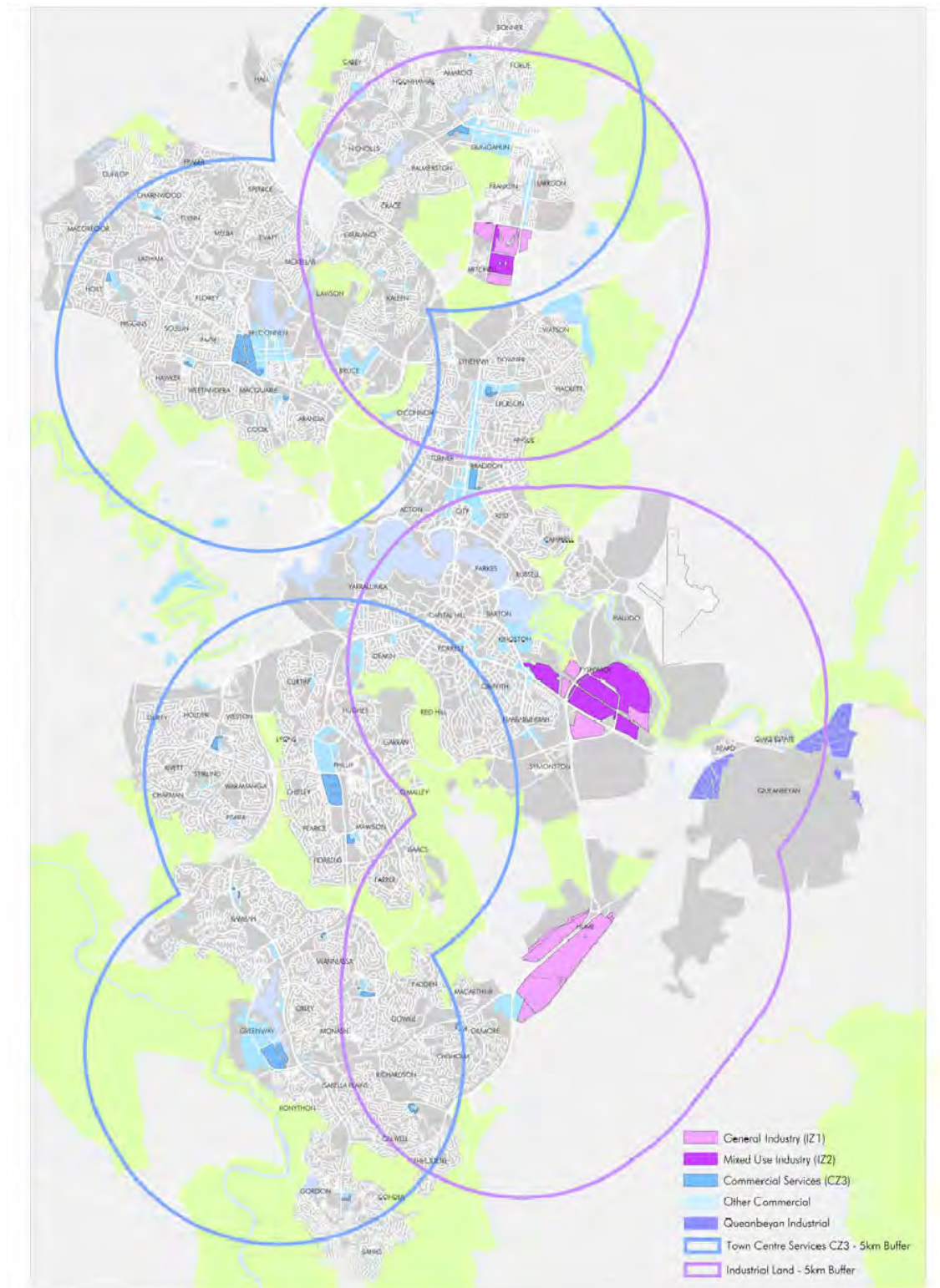
Figure 8 illustrates a 5 kilometre radius around the industrial areas and the main commercial services (CZ3) areas. This highlights the importance of these areas in providing light industrial services in proximity to the western suburbs of Canberra.



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Figure 8 – Location of industrial and commercial services centres.





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## 6.14 Relative Provision of Uses

Table 5 provides a summary of zoned areas (hectares) for the industrial areas, town centres and group centres (with more than 5 ha of CZ3 land).

Table 5 - Land Zone Areas by centre.

Industrial Areas	CZ1	CZ2	CZ3	CZ5	IZ1	IZ2
FYSHWICK	-	0.8	-	-	50.5	304.1
SYMONSTON	-	-	-	-	47.2	-
MITCHELL	-	-	-	-	99.2	44.9
HUME	-	-	-	-	334.9	-
<b>Total</b>	-	0.8	-	-	531.7	349.0

Town Centres	CZ1	CZ2	CZ3	CZ5	IZ1	IZ2
GUNGAHLIN	17.6	28.7	9.1	20.3	-	-
BELCONNEN	12.9	41.6	48.3	-	-	-
PHILLIP	15.9	39.3	36.5	-	-	-
GREENWAY	16.9	43.4	34.4	-	-	-
<b>Total</b>	63.2	153.0	128.3	20.3	-	-

Group Centres	CZ1	CZ2	CZ3	CZ5	IZ1	IZ2
BRADDON	-	7.7	11.7	8.4	-	-
DICKSON	4.1	3.9	5.5	11.4	-	-
WANNIASSA	5.4	1.6	5.2	-	-	-
WESTON	4.2	-	5.1	-	-	-
<b>Total</b>	13.7	13.1	27.4	19.8	-	-

It is evident that Fyshwick is overwhelmingly zoned IZ2 and has consequently become a primarily retail precinct rather than an Industrial area. Future land releases around Fyshwick should therefore focus on replacing the IZ1 opportunities that have been progressively displaced.

Hume however provides no IZ2 opportunities. A portion of IZ2 land would be appropriate in Hume in the mid term (like the 45 ha provided in Mitchell), to provide for the service and retail trades uses that are likely to be displaced from CZ3 land in Greenway. A rezoning of this nature would also help Hume to compete with adjacent cross border development should it occur. An investigation into the appropriate scale and timing for rezoning of a portion of Hume from IZ1 to IZ2 is recommended.



## 6.15 Summary of Supply and Demand

CBRE has modelled the demand for industrial land based upon the following assumptions:

- the current demand is 10 ha per year
- growth in demand will be 1% per year
- over the next 15 years, 50% of the service and trades uses will be displaced from CZ3 zoned land leading to an increase in demand of 33 ha.
- over the same time period 50% of industrial uses in West Fyshwick will be displaced leading to an increase in demand of 18 ha.
- over the next 15 years internet shopping will reduce the demand for retail floorspace by 10% of which three quarters of the reduction will be in Industrial areas (it is assumed that retail uses will continue to prefer group and town centre locations)

On this basis, it is predicted that 190 ha of industrial land will be taken up over the next 15 years (this extends to 523 ha over the next 40 years).

Figure 9 below illustrates the resultant demand over 15 years and Figure 10 extends the graph to a 40 year horizon.

These assumptions tend to be conservative and lead to a generous prediction of demand for industrial land. This is appropriate as it is much easier to delay supply than speed it up, or rezone to higher order uses at a later date if necessary.

A high growth scenario is presented that models a 2% growth in demand, 100% displacement of service trades uses, 100% displacement of West Fyshwick and no reduction in retail floorspace demand due to the internet. This scenario results in a predicted demand of 265 ha over the next 15 years and 720 ha over 40 years.

A low growth scenario is also presented that models a starting demand of 8 ha per year, no compounding growth, full protection of displacement of service and trades uses and a 30% reduction in retail space demand due to the internet. This scenario results in a predicted demand of 80 ha over the next 15 years and 280 ha over 40 years.

The significant difference between the high and low demand scenarios demonstrates that the prediction of demand is by no means a certainty. It is therefore very important that the rate of delivery of land to the market remains flexible, is continually monitored and is adjusted to match emerging trends.



## INDUSTRIAL LAND DEMAND IN THE ACT 2011 - 2026

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CBRE has also compiled an assumed supply of industrial land based upon the following assumptions:

- 31 ha have been sold or are currently on the market in the 2010/11 year. This is considerably more than the baseline demand.
- The next stage of Beard (15 ha) is available as soon as demand arises.
- The 40 ha in the ACT Government Land release strategy (2011 to 2015) will be spread out over 7 years in response to the current over supply.
- 4 ha of land will be released in Mitchell within the next 5 years to meet localised demand.
- The areas of north and east Fyshwick (45 ha) will be developed in accordance with the planning studies that have been recently completed. Releases are assumed to begin in 2016 and average 5 ha per year.
- Similarly the Broadacre areas at West Belconnen (50 ha) could provide land releases in the order of 4 ha per year from 2018 onwards, providing for more trades and industrial uses to service the western side of Canberra.
- The Canberra International Airport has sufficient developable land identified in the master plan to cater for the predicted development of a freight hub and air-essential uses in the next 20 years, hence there is no 'step change' required in the release of land to cater for air-essential freight hub development.
- Beyond year 10 demand for industrial land could be met through releases in Harman, Symonston, Majura Valley (South) and Hume (areas identified as capable by MacroPlan). We estimate demand for approximately 340 ha of land from within these areas over the 40 year horizon. MacroPlan identified 430 ha of capable land within these areas plus an additional 280 ha at Majura Valley (North) and the Mugga and Quarry precincts. This additional land provides a useful buffer of potential land should some of the land in other precincts prove to be constrained for development.
- Rezoning of South Jerrabomberra (130 ha) is expected to allow supply from that area to enter the market from approximately year 10 onwards, providing competition to land releases within the ACT. We have not included any land from South Jerrabomberra in the supply curve as the ACT Government cannot rely on delivery of this land as it is outside its control. Should this land enter the market, the ACT Government will be in direct competition and may need to adjust its release strategy accordingly.

These land supply assumptions match the predicted demand curve, maintaining a 10 ha buffer of land available at all times.



## **INDUSTRIAL LAND DEMAND IN THE ACT 2011 - 2026**

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Figure 9 below illustrates the resultant supply and demand over 15 years.

Figure 10 extends the graph to a 40 year horizon.

The land zoning decisions required to facilitate this supply include:

- continuation of the rezoning of East Fyshwick
- protecting a portion of the existing lower value uses in the CZ3 zones in town and group centres
- identifying land for rezoning at West Belconnen by year 8 to 10
- facilitating development in the Harman and Symonston areas commencing around year 10
- protection of at least 340 ha of urban capable land in areas identified by MacroPlan to ensure a suitable long term supply of industrial and employment land.



# INDUSTRIAL LAND DEMAND IN THE ACT 2011 - 2026

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Figure 9 – 15 year Industrial Land supply and demand graph.

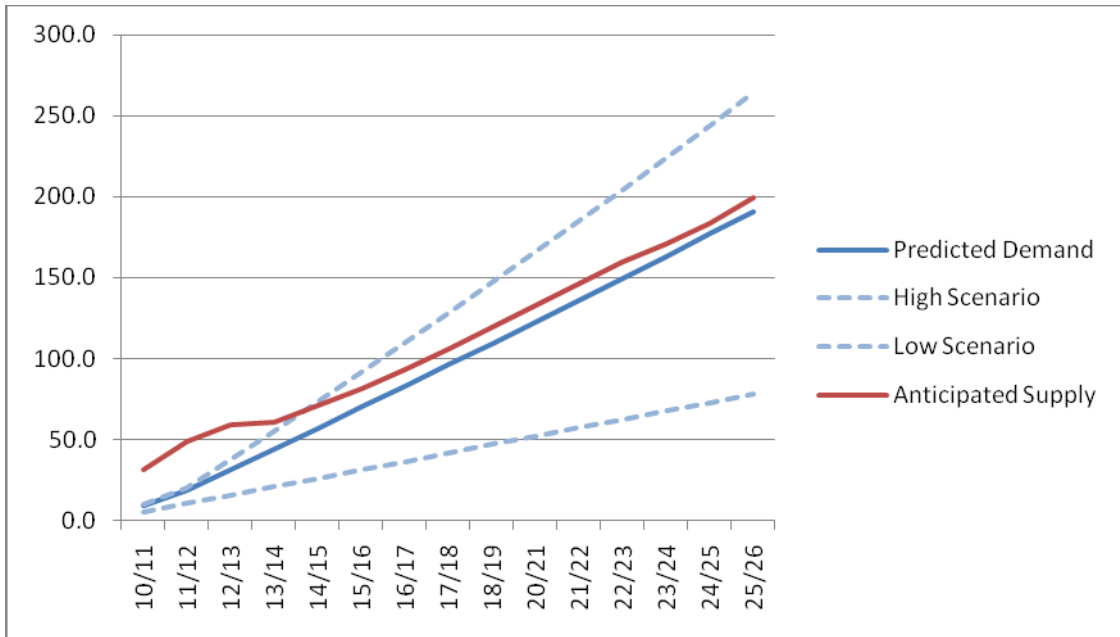
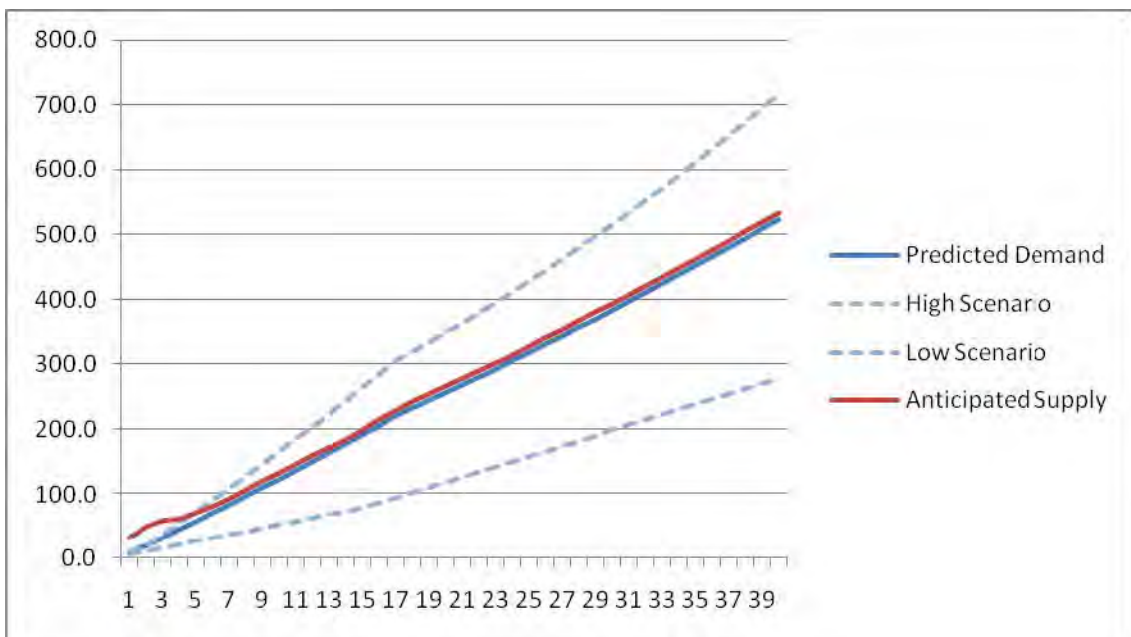


Figure 10 – 40 year Industrial Land supply and demand graph.





## 7 CONCLUSIONS AND RECOMMENDATIONS

Based upon the research undertaken to compile this report, we make the following conclusions and recommendations.

### 7.1 Conclusions

1. As a proportion of our national economy, employment in manufacturing is declining. As a result the demand for industrial land to support manufacturing industries will not be growing at the same rate as our national economy.
2. Local employment opportunities in wholesale trade, services, transport, storage and communications industries now provide for a lower percentage of employment than they did 10 years ago. These uses, along with Manufacturing which also lost share, are typical occupiers of industrial land.
3. If the last 10 years are indicative of future trends, growth in the demand for industrial land uses in the ACT will be at a lower rate than the growth rate of the local population/employment base.
4. Employment in the Canberra - Queanbeyan area is focused on public administration (29% of the workforce compared to a 7% national average). Manufacturing is notably lower in the Canberra - Queanbeyan area compared to the national average. This suggests that the Canberra - Queanbeyan economy is not being driven by the same elements that effect the national economy. Accordingly national trends in industrial land supply and demand may not necessarily translate to the Canberra - Queanbeyan region.
5. One of the main factors affecting the industrial land market is the "boom or bust" approach to land sales over the past 10 years. ACT Government land releases ranged between 0.6 and 20 hectares per year.
6. Industrial land in the region is currently in oversupply. While the extent of oversupply may be excessive (there is currently approximately 3 years supply available), the provision of an unconstrained supply of land is considered a positive situation in terms of facilitating business development and opportunities.
7. Over the last 5 years, there has been an average of 10 ha of vacant industrial land sold. Given the amount of land that is currently available for sale, it appears that the recent supply of land to the market has exceeded the demand. This suggests



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that the current demand is in the order of 10 ha per year (the take up rate in an unconstrained supply).

8. Due to the significant sharing of uses, consideration of the industrial land supply, particularly IZ2, cannot occur in isolation of the commercial CZ3 land supply.
9. Given the current land uses permissible in the Territory Plan, in the event that all land is ultimately developed to its highest and best use all of the CZ3 land in the Territory will be redeveloped for Residential and Commercial uses, all IZ2 for Shop and Commercial uses, leaving only IZ1 land for Industrial and Light Industrial uses.
10. In planning for industrial land it is better to err on the generous side, as it is relatively easy to rezone to higher audit uses later, than to reclaim developed land for relatively low value uses.
11. As the only holder of undeveloped land within the Territory, the ACT Government has historically had majority control over the regional supply of industrial land, but with some of the earliest sites now being ready for redevelopment, some of the larger sites being subdivided by private developers, and cross-border developments being proposed, the ACT Government's level of control is being diluted.

## 7.2 Recommendations

12. The findings of this study should be used to inform the current commercial land zoning review that is being undertaken by ACTPLA. In particular in relation to the redevelopment of CZ3 areas and the consequent displacement of service and trades uses.
13. The findings should also be used to inform refinement of the ACT Government's industrial land release strategy.
14. We recommend that the ACT Government investigate the possibility of substituting some of the planned land releases in Hume for some in Mitchell over the next few years.
15. To provide certainty to the industrial land market it would be preferable to have a consistent supply of land coming on to the market annually in order to satisfy ongoing demand. The ACT Government should aim to keep ahead of demand.
16. We believe that to attain some consistency in the market, fully serviced blocks need to be available "off the shelf" as required to meet demand as it occurs. A



## **INDUSTRIAL LAND DEMAND IN THE ACT 2011 - 2026**

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reasonable target would be 1 - 2 years supply, ready to cater for fluctuations in demand.

17. In addition, it would be appropriate to maintain a 10 year buffer of appropriately zoned land to ensure the certainty of supply. This should always contain some large sites to cater for one-off opportunities (i.e. the Data Centre site in Hume). This buffer may be affected by NSW planning decisions, but it is a reasonable target.
18. The demand for industrial and employment land over the next 15 years is predicted to be 190 ha. This can be met through ongoing releases in Fyshwick, Hume and Beard in the short term. In addition we recommend the release of available land in Mitchell. In the longer term we recommend the release of land at West Belconnen to satisfy local demand. We also support the progressive development of urban capable land identified in the Eastern Broadacre Study beginning in Harman and Symonston areas.
19. It should be recognised that a considerable proportion of the demand may to be met through the proposed rezoning at South Jerrabomberra (NSW) and possibly other private redevelopments (such as the Koppers Logs site in Hume). The strategy for land development needs to recognise this possibility, but not be reliant upon it.
20. The demand for industrial and employment land over the next 40 years is predicted to be in the order of 550 ha. Demand of this scale can be met through appropriate development of capable lands in Hume, Symonston and Majura Valley (South) as identified in the Eastern Broadacre Study.
21. While it may be too early to make strong predictions, the ACT Government should monitor the effect that internet shopping is having on the demand for retail floor space and factor any emerging trends into future planning decisions.
22. Land in the Majura Valley that is close to the Canberra Airport should be reserved for future uses that complement the ambition to create a significant freight hub and related industries. Should the freight hub proposal eventuate, it would be appropriate for the ACT Government to have land available adjacent to the airport for these uses. This would provide competition in the land market, with an option for establishing businesses to locate adjacent to but not within the Airport should they choose to. The broadacre zoning alone may not afford sufficient protection so the preparation of a structure plan is recommended.
23. The heavy rail alignments in the broader Fyshwick area provide a potential future transport option that could prove to be highly valued. Land use decisions in



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proximity to these railway alignments should not be allowed to rule our future intensive use of the railway for freight or passenger use. Any planning study looking at the Pialligo, Fyshwick, Harman areas should seek to (re)establish rail corridor links between the existing heavy rail line and the Airport precinct (within environmental and heritage constraints). These links could in future be used to provide interconnection between heavy rail and air-freight. They could also provide interconnection for passenger air services, a fast train or local light rail network. The Pialligo area could be the best place for such an interchange.

24. In the short to medium term the ACT Government should not pursue substantial development adjacent to the Airport, as the Airport has considerable land reserves that can be developed with an effective zero land cost, against which the ACT Government would struggle to compete. Also, the demand for the freight hub is yet to be proven, so it would be appropriate to allow the Airport to take the investment risk and prove the concept first. The ACT Government should focus on providing opportunities for other businesses in the first instance.
25. Some of the CZ3 land in Belconnen, Phillip and Greenway should be protected from redevelopment to higher order uses to ensure service trades uses remain accessible to the local community. We recommend that more detailed analysis be undertaken on the best mechanism to achieve this aim.
26. An area of IZ2 land would be appropriate in Hume in the mid term (like the 45 ha provided in Mitchell), to provide for the service and retail trades uses that are likely to be displaced from CZ3 land in Greenway. A rezoning of this nature would also help Hume to compete with adjacent cross border development should it occur. An investigation into the appropriate scale and timing for rezoning of a portion of Hume from IZ1 to IZ2 is recommended.



# **INDUSTRIAL LAND DEMAND IN THE ACT 2011 - 2026**

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## APPENDIX I - INDUSTRIAL MARKET VIEW

Market View Q1, 2011

Asia Pacific Industrial & Logistics



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## Asia Pacific Industrial &amp; Logistics

www.cbre.com/research

Q1 2011

## Quick Stats

	Change from	
	Q4 10	Q1 11
Rent	↑	↑

## Economic Update, Q1 2011

Asia Pacific	Y-o-y change Q1 11
GDP growth	4.9%
Growth in industrial production	6.5%
Export growth	2.1%

Source: IHS Global Insights

## Hot Topics

- The disruption of production in Japan, particularly within the automotive and electronic sectors, will have a short-term impact on industrial output in countries which rely on components from Japan
- Manufacturers have resumed their expansion plans that were previously shelved after the global financial crisis, spurring strong demand for ready-built factories and serviced industrial land
- The continued appreciation of rents, capital values and land prices has encouraged owner-occupiers' acquisition of industrial facilities or pre-commitment to new development schemes in several markets

## OVERVIEW

- Exports remain strong but industrial production looks set to fall**

Export growth across Asia Pacific remained brisk in the first quarter of 2011 on the back of strong intra-regional trade. China continued to provide crucial support to regional trade along with the growth of its domestic consumption. The Great East Japan earthquake is set to dampen industrial production although the impact is not expected to persist for long.

- Rental growth picks up pace, recovery in the Pacific gathers momentum**

The CB Richard Ellis Asia Pacific Logistics Rental Index increased 2.5% q-o-q, well up on the 1.3% q-o-q recorded in Q4 2010. Asia continued to see rents appreciate, led by Greater China, whilst the rental recovery in the Pacific gained momentum, particularly in all the metropolitan industrial markets.

- Capital values continue to strengthen, land prices hold steady**

The CB Richard Ellis Logistics Capital Value Index increased 2.8% q-o-q during the first quarter, primarily driven by Hong Kong and Singapore. Capital value growth in the Pacific largely remained steady as yields tightened. Industrial land values in Beijing and Shanghai enjoyed double-digit growth while the Pacific also recorded an upward increment in land values in several cities. Land prices in Southeast Asia largely held steady with some serviced industrial parks in prime locations reporting minor upward adjustments.

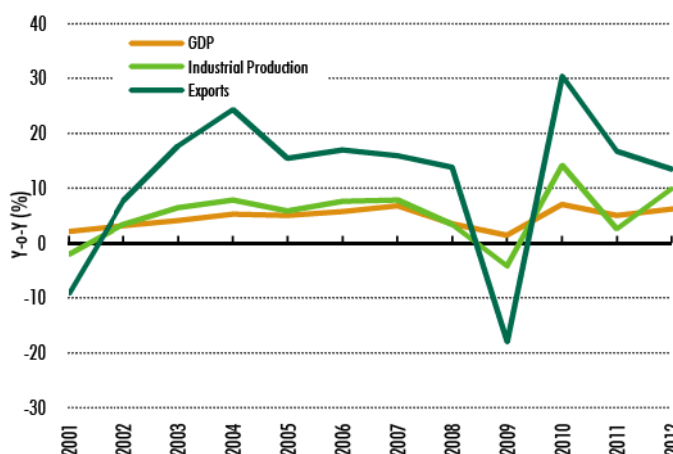
- Retailers and logistics operators expand amidst strong domestic consumption**

Expansionary activity by branded retailers and logistics operators drove demand for logistics space while online retailers consolidated their operations in new distribution centres. Manufacturers, particularly those in the electronics and high-tech sectors, retained a strong appetite for ready-built factories and industrial land sites.

- New supply set to come on stream in Greater China and the Pacific**

Several new logistics facilities will complete this year in Greater China although the overall supply of modern logistics stock will remain tight. Landlords are therefore likely to remain in a strong position to raise rents. The Pacific is also witnessing a resurgence in new completions due to the return of demand for pre-commitment agreements.

## Key Economic Indicators, Asia Pacific, 2001 - 2012



Source: IHS Global Insights

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## ECONOMIC UPDATE

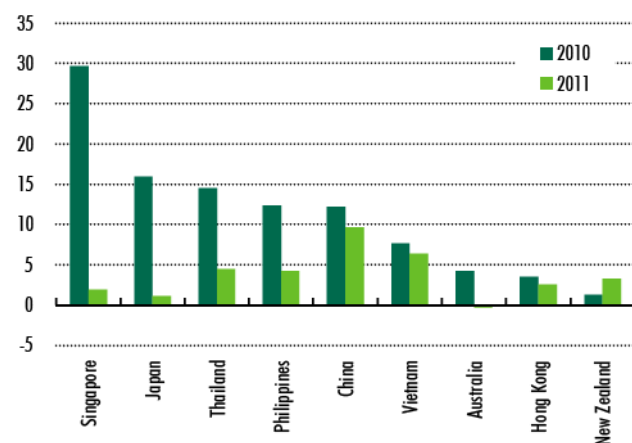
Asia Pacific was hit by a series of natural disasters in the first quarter of 2011 including the Christchurch earthquake and the Queensland floods, followed by the Japan earthquake and tsunami and subsequent radiation leaks. Despite these devastating events, robust export demand and domestic consumption continued to fuel regional economic growth during the period. However, growth is expected to moderate to a certain extent in future quarters as the full impact of these disasters begins to filter through to the regional economy.

Intra-regional trade continued to fuel export growth across the region on the back of strong domestic consumption. The growth in Chinese imports provided support to regional trade as the country attempts to rebalance its export oriented economy in favour of domestic consumption. The increase in trade within the region will act to offset part of the negative impact of the possible easing in demand from the west. Export growth is likely to remain robust in the second half of the year, partly driven by the resurgence of demand from Japan for reconstruction, along with inventory buildup elsewhere around the world after supply chains in Japan revert to normal.

Industrial production was strong across the region before the Japan quake. However, this is set to fall due to the disruption of production in Japan, particularly within the automotive and electronic sectors. Indeed, a number of Asia Pacific countries, namely China, South Korea, Philippines, Taiwan and Thailand, as well as markets in Australia, rely on automotive and electronic parts from Japan. The slowdown in production is not likely to be prolonged, however, and therefore should not significantly affect industrial markets across the region. Companies are sourcing alternative suppliers to rehabilitate supply chains, a trend which will benefit suppliers in neighboring countries. The stimulating effect of rebuilding on the Japanese economy in the second half of the year is likely to offset any initial negative impact caused by the easing of production.

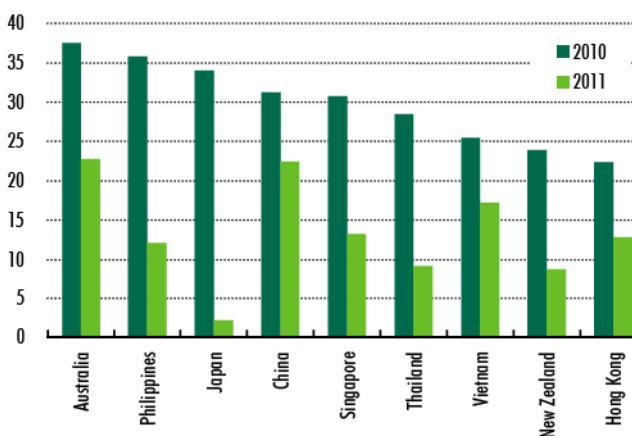
The key challenge facing Asia Pacific at present is rising inflation and currency appreciation. Higher production costs from soaring raw material and energy prices, rising wage levels as well as strong Asia Pacific currencies will exert higher pressure on manufacturers' profit margins. Manufacturers which have anticipated such trends have already begun to formulate strategies to shift production to lower cost destinations such as inner China and Vietnam in South East Asia.

### Industrial production growth by country (% y-o-y)



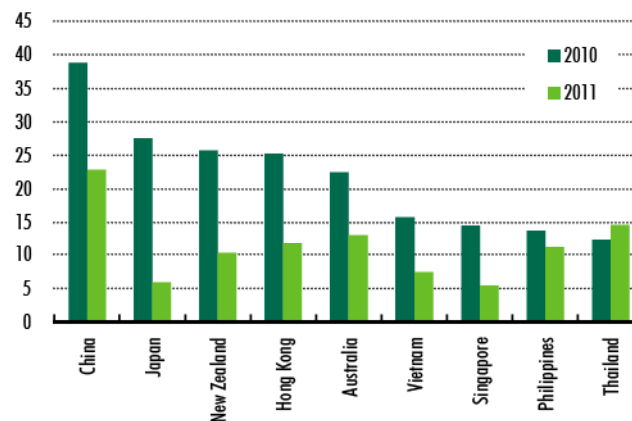
Source: Oxford Economics

### Export growth by country (% y-o-y)



Source: Oxford Economics

### Import growth by country (% y-o-y)



Source: Oxford Economics

## KEY INDICATORS

## Indicative Logistics Rents

Country	City	Type of space	Indicative logistics rent				
			Local measurement	Local	US\$ / sq sf / annum	Q-o-Q (%)	Y-o-Y (%)
China	Beijing	Logistics	RMB sq. ft. p.m.	2.7	5.0	2.2	10.8
	Shanghai	Logistics	RMB sq. ft. p.m.	2.7	5.0	5.0	9.5
	Guangzhou	Logistics	RMB sq. ft. p.m.	2.5	4.7	2.5	11.3
	Chengdu	Logistics	RMB sq. ft. p.m.	1.9	3.5	1.2	14.4
	Hong Kong	Warehouse	HK\$ sq. ft. p.m.	6.4	9.9	1.9	6.4
Singapore	Singapore	Warehouse	S\$ sq. ft. p.m.	1.4 – 1.7	12.9 – 15.7	2.5	10.0
Australia	Sydney	Warehouse	A\$ sq. m. p.a.	125.8	12.1	0.1	1.2
	Melbourne	Warehouse	A\$ sq. m. p.a.	81.5	7.8	1.8	6.6
	Brisbane	Warehouse	A\$ sq. m. p.a.	115.3	11.1	1.5	3.4
	Adelaide	Warehouse	A\$ sq. m. p.a.	86.0	8.3	1.7	1.7
	Perth	Warehouse	A\$ sq. m. p.a.	109.9	10.5	3.5	3.5
	Canberra	Warehouse	A\$ sq. m. p.a.	101.3	9.7	-1.6	-10.3
New Zealand	Auckland	Warehouse	NZ\$ sq. m. p.a.	119.9	8.5	0.2	-2.0
	Wellington	Warehouse	NZ\$ sq. m. p.a.	90.0	6.4	-6.1	-6.3

## Indicative Land Value

Country	City	Type of Property	Indicative Land Value			
			Local measurement	Local	US\$ / sq sf	Q-o-Q (%)
China	Beijing	Industrial Park	RMB sq. m.	1,671	23.7	14.7
	Shanghai	Industrial Park	RMB sq. m.	1,612	22.9	13.2
	Guangzhou	Industrial Park**	RMB sq. m.	467	6.6	0.3
	Chengdu	Industrial Park	RMB sq. m.	483	6.9	0.0
Singapore	Singapore	60-year leasehold land	S\$ sq. ft.	105	83.3	10.5
Thailand	Bangkok	Industrial Park	THB sq. ft.	262	8.7	2.5
Vietnam*	HCMC	Industrial Park	US\$ sq. ft.	5.6	5.6	0.0
	Hanoi	Industrial Park	US\$ sq. ft.	5.5	5.5	0.0
Australia	Sydney	1.6 ha land	A\$ sq. m.	388	37.3	1.0
	Melbourne	1.6 ha land	A\$ sq. m.	194	18.6	0.3
	Brisbane	1.6 ha land	A\$ sq. m.	291	27.9	0.0
	Adelaide	1.6 ha land	A\$ sq. m.	145	13.9	0.2
	Perth	1.6 ha land	A\$ sq. m.	394	37.8	4.8
	Canberra	1.6 ha land	A\$ sq. m.	175	16.8	0.0

\* Land sites under 35 – 50 years leases

\*\* The indicative land value for Guangzhou refers to factory land value in industrial park

## LOGISTICS RENTS

Logistics rents continued to trend upwards across the region in the first quarter. The CB Richard Ellis Asia Pacific Logistics Rent Index increased 2.5% q-o-q, a faster rate of growth than the 1.3% q-o-q recorded in the previous quarter. Asia continued to see rents appreciate while the recovery in all metropolitan industrial markets in the Pacific picked up speed.

Cities in Greater China led rental growth thanks to growing demand and a shortage of prime logistics space. Shanghai witnessed its largest quarterly growth in logistics rents since the global financial crisis while landlords in Singapore steadily raised asking rents. The high Australian dollar led to an increase in activity in a number of Pacific markets by retailers taking advantage of lower import costs to replenish their warehouses after a previously lean stock strategy. The increased level of activity in all markets coupled with the low level of supply in some prime markets resulted in a 0.85% q-o-q increase in overall prime warehouse rents across the Pacific. Perth was a particularly strong driver of rental growth due to the re-emergence of demand from the mining and resources sector as well as an increase in expansion space leased over the quarter.

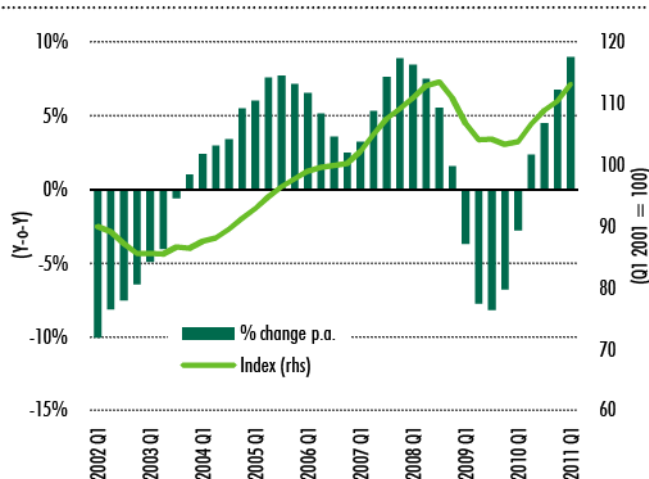
## CAPITAL VALUES AND LAND VALUES

The CB Richard Ellis Asia Pacific Logistics Capital Value Index increased 2.8% q-o-q in Q1 2011. Hong Kong and Singapore drove the appreciation of capital values as investors who have been priced out of the residential sector shifted their attention to other sectors including industrial and logistics. Capital value growth in the Pacific largely remained steady as yields tightened in most locations and the lack of product being brought to the market persisted as investors retained their existing industrial portfolios.

Industrial land value performance was mixed across the region in the first quarter. In China manufacturers in the auto and electronics sectors became more active in acquiring industrial land for future expansion on the back of stronger domestic consumption. Sites in Beijing Tongzhou Logistics Park were sold at prices three times higher than similar transactions two years ago. However, the abundant land supply across Southeast Asia ensured industrial land values largely held steady. Several serviced industrial parks in comparatively better locations and with better supporting infrastructure reported upward increments in prices during the period.

In the Pacific, the return of tenant demand drove the pre-commitment market across Australia. It also stimulated interest in industrial land purchases in markets such as Melbourne and Perth, where lending restrictions are being eased, resulting in positive land value growth. However, land values in Brisbane and Canberra remained steady as lending institutions are still wary of financing industrial construction.

## Asia Pacific Logistics Rental Index



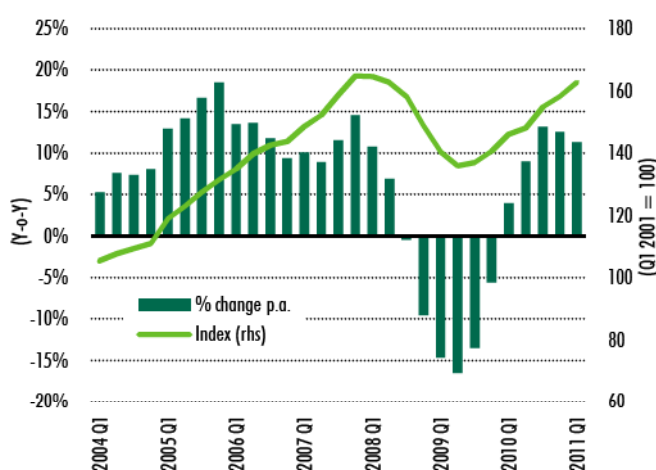
Source: CB Richard Ellis

## Asia Pacific rental movement

	Q1 2011		Q4 2010	
	q-o-q	y-o-y	q-o-q	y-o-y
Asia	3.1%	11.2%	1.7%	8.6%
Pacific	0.9%	2.4%	-	1.3%
<b>Asia Pacific</b>	<b>2.5%</b>	<b>9.0%</b>	<b>1.3%</b>	<b>6.8%</b>

Source: CB Richard Ellis

## Asia Pacific Logistics Capital Value Index



Source: CB Richard Ellis

## Major industrial leasing transactions, Q1 2011

Market	Property	Approx. Size (SF)	Tenant
Melbourne	Dohertys Road, Truganina	753,470	Coles
Shanghai	AMB	333,680	No.1 Shop
Greater Tokyo	Yokohama Logistics Park	290,600	Nitori
Guangzhou	A warehouse in Guangzhou Development Zone	215,280	Vandl
Perth	99 Quill Way, Henderson	173,300	Leighton Holdings
Perth	310 Spearwood Avenue, Bibra Lake	163,580	CTI Logistics
Beijing	Boustead (Beijing) Great Enterprise Logistics	150,700	Suning

Source: CB Richard Ellis

## Manufacturer movement, Q1 2011

Market	Location	Company	Activity
Chengdu	Chengdu	Volvo	Developing its first assembly factory in China
Hanoi	VSIP Bac Ninh	Nokia	Developing its first factory in Southeast Asia
Singapore	Solaris	MediaTek	Opening its new regional headquarters and R&D centre

Source: CB Richard Ellis

## Key Logistics Facilities Developments ('000 sq. ft.)

Market	Location	Approx. Size	Developer
<b>2011</b>			
Shanghai	Goodman Pudong International Airport Logistics Park, Pudong Airport	2,077	Goodman
Greater Tokyo	Prologis Parc Kawajima, Saitama Prefecture	1,794	Prologis
Guangzhou	GLP Park Xintang Phase I, Guangzhou East Auto Industry Area	1,227	GLP
Shanghai	GLP Huali Park	1,042	GLP
Beijing	GLP Park Daxing	1,023	GLP
Melbourne	Kmart Distribution Centre, Leakes Road, Truganina	840	Goodman
Sydney	Kmart Distribution Centre, Wonderland, Blacktown	555	Australand
<b>2012</b>			
Hong Kong	Interlink, Tsing Yi	2,400	Goodman
Shanghai	Watson Pudong Airport Logistics Centre, Pudong Airport	2,368	Watson
Shanghai	Mingjiang Logistics Park, Songjiang Hi-tech Park	1,209	Blogis
Greater Tokyo	ProLogis Parc Narashino IV, Narashino City, Chiba Prefecture	1,162	Prologis
Sydney	Stage A Reconciliation Drive, Central West	1,110	Dexus
Singapore	Jurong Pier Road project	1,017	Yang Kee Holdings

Source: CB Richard Ellis

## INDUSTRIAL OCCUPIER ACTIVITY

Expansionary activity from logistics operators and retailers comprised the major driver of demand in the region in the first quarter. The strong growth of domestic consumption spurred demand for logistics space in Greater China during the period with the vacancy rate in that market remaining low due to the time lag in the construction of modern warehouse facilities and brisk demand growth.

The consolidation of distribution operations into efficient central facilities was another noticeable trend in the first quarter. Encouraged by growing sales, Chinese online retailers consolidated their distribution networks by setting up new logistics centres across the country in order to achieve higher operating efficiency. At the same time, occupiers in a number of Pacific markets sought to take advantage of cost savings and efficiency from consolidation in Melbourne and Auckland. Leasing activity was brisk in Greater Tokyo, driven by demand resulting from the emergency evacuation following the destruction of facilities in North Japan. As a result the overall average vacancy rate fell significantly from 11.5% in the fourth quarter to 6.2% in the first quarter of 2011

In Southeast Asia, electronics companies continued to look for ready-built factories and industrial sites for built-to-suit facilities, primarily in industrial parks with good supporting infrastructure. While many occupiers adopted a wait-and-see approach after the Japan earthquake, Singapore saw a number of electronics companies open R&D centres. In Hanoi, Nokia announced plans to build a new manufacturing center, which is planned to open in 2012.

## NEW DEVELOPMENT

Several new modern logistics facilities are scheduled to come on stream in Greater China over the course of 2011. In spite of the new supply, landlords will continue to raise rents as demand remains strong from retailers, logistics operators and manufacturers, which all continue to expand their business in China. In Hong Kong, a number of modern logistics facilities scheduled to launch over the next three years report a significant amount of space being pre-committed by international retailers and 3PL operators.

After the industrial development pipeline in the Pacific reached the trough in 2010, this year will see a resurgence in the quantum of industrial stock under construction due to the return of demand for pre-commitment agreements. Over 80% of the stock due to come on stream in Auckland and Wellington has been pre-committed, while in Brisbane, Melbourne and Sydney, Kmart is particularly active in the pre-commitment field accounting for over 1.9 million sq. ft. of stock due to complete in 2011 alone.

This year will also see a number of new industrial parks come on stream in Southeast Asia. The new stock should provide sufficient supply to accommodate the expansionary demand from manufacturing sector.

## MARKET SUMMARIES



The **Beijing** industrial property sector continued to see rapid rental growth and buoyant occupier activity. Rents for factory space grew at a rapid pace as tenants used space for offices. While logistics leasing demand from the manufacturing and retailing sectors has been

growing, no new sites have been released to accommodate such facilities in major logistics parks in the past two years. The new supply of logistics facilities is therefore quite limited this year. Authorities have started to release more sites, with five sites in Tongzhou Logistics Park sold during Q1 at prices three times those recorded two years ago.

**Shanghai** recorded its biggest quarterly rise in logistics rents since the global financial crisis, driven by growing demand from a wide spectrum of industries. Auto and electronics manufacturers resumed expansion plans on the back of the improved economy. Many became active in acquiring industrial land to develop factories to accommodate higher production capacity. Land prices consequently reported the biggest quarterly growth in over a decade. 2011 will see a substantial amount of new logistics space completed and it is expected that logistics rental growth will ease although demand will remain strong.

The average rent for logistics facilities in **Guangzhou** increased at a faster rate thanks to increasing demand for quality warehouse space, primarily from domestic retailers. Strong demand from retailers and manufacturers will continue to drive rental growth in the short term although growth momentum is expected to slow as the year progresses as a large amount of new supply is slated to come on stream.

Leasing demand for logistics facilities remained resilient in **Chengdu** as retailers and logistics operators expanded their network to western China, while auto companies secured warehouse space to migrate their assembly and supply chains to southwestern areas of the country. Landlords turned more bullish due to the limited stock of prime quality warehouse space in the market. Most existing projects were fully occupied while most new completions in the coming six months have been pre-leased. This has driven developers to invest and develop new projects in the city.

**Hong Kong** is another market in Greater China to benefit from the strong domestic consumption and international trade flows. Average rents for warehouse facilities rose 1.9% q-o-q. After having almost no new supply of warehouse space in the past decade, the city is expecting the launch of several modern logistics facilities in the coming three years with most of the space being pre-committed. Landlords of these facilities are thus confident in raising asking rents. Buying demand for industrial premises was strong among investors for the higher

redevelopment/ conversion value as well as among owner occupiers who wish to mitigate the risk of paying higher rentals.



There was a sharp spike in demand for warehouse and other industrial facilities in the greater **Tokyo** area, with some companies leasing space due to the destruction of their original facilities in Northeastern Japan after the **Great East Japan** earthquake. Most of the demand came from short

term contracts while some came from manufacturers expanding space for storing long held inventory. This shift firmed up the previous softening trend in industrial rents. If repairs to damaged facilities are delayed, companies may commit to long-term leases in the area. However, even if such short-term demand fades out, the market will likely hold steady as the new supply of large good quality facilities remains low in the coming two years.



Landlords raised asking rents for logistics facilities in **Singapore** at a steady rate. Lease renewal activity dominated. The market saw limited expansion activity and occupiers adopted a wait-and see approach after the Japan earthquake. Capital values for industrial

properties grew at a faster pace than rental values. Some investors who have been priced out of the residential sector invested in industrial properties instead. Production in the electronics sector was slightly slow as manufacturers encountered difficulties in sourcing electronic parts from Japan after the earthquake. However, the overall outlook remains healthy and the steady growth of logistics rents is anticipated.

**Bangkok** witnessed strong demand for ready-built factories and Serviced Industrial Land Plots (SILPs) as the auto-parts and electronics sectors committed to expand their production. The completion of new factories largely kept up with demand growth and factory rents held steady. Land values in SILPs remained stable overall with one industrial parks increasing their asking levels under the better land market conditions. Such trends are expected to continue as several new industrial estates will be completed to accommodate expansionary demand in the manufacturing sector.

Industrial rents were largely unchanged in metro **Manila** with a substantial amount of space kept vacant. Some landlords leased out garment factory space for warehousing purposes as demand from the garment industry is not expected to recover in the foreseeable future. This contrasts to the situation in the Clark Freeport Zone where rentals rose 15% q-o-q as a result of strong growth in the electronics and automotive industries due to the better infrastructure and facilities available.

Demand for industrial space in **Ho Chi Minh City** was strong in the first quarter of 2011, primarily from high-tech companies, and domestic and multinational logistics operators in the FMCG and F&B sectors. However, the rise in demand on industrial properties has not yet lifted rents as supply is abundant in peripheral areas. Two industrial parks are scheduled to complete in mid-2012 and will provide 1,000 hectares and 1,500 hectares in Long An Province and Dong Nai Province respectively.

Demand for industrial space in **Hanoi** is being channeled to peripheral areas due to tight supply within the city similar to HCMC. There is presently a shortage of well developed high-tech parks and logistics facilities in the city. Inflationary pressure, devaluation of the Dong and surging energy prices added further uncertainty to the market. Industrial rents therefore remained stable during the first quarter. However, some industrial parks in Bac Ninh Province continued to record solid leasing demand. Notable transactions included Nokia acquiring a site to establish its new mobile phone manufacturing facility in VSIP Bac Ninh Industrial Park. 2011 will see Mapletree's new logistics development in VSIP Bac Ninh come on stream, which will improve the supply of logistic facilities in the city.



Prime Grade A warehouse rents remained stable across **Sydney** as manufacturers continued to cope with the slow retail market resulting from cautious consumer spending. The logistics and distribution sector remained strong, however, as the level of imported goods

continued to rise and demand for accommodation in the south sub-region increased. Confidence is slowly returning to the market at a time when vacant accommodation is drying up with limited speculative development on the horizon.

With resurging tenant interest, and retailers replenishing their warehouses after a previous lean stock strategy, regular new pre-commitment deals have been occurring in **Melbourne** to further strengthen rental levels and facilitate the beginning of a return to speculative development. Demand is being generated from national retailers for large scale distribution centres, and in the size bracket beneath this, logistics operators are busy and soaking up warehouse space. Current estimates identify around 750,000 sq m of industrial space to be completed in 2011. However, this number is steadily moving upwards and may get closer to the million mark by the time the year has run its course.

Despite the challenging environment, Grade A warehouse rents continued to grow across **Brisbane** for the fourth consecutive quarter, led in particular by areas around the Gateway and the emerging North sub regions. Enquiries have strengthened for prime high grade stock, particularly from expansionary companies which had previously put such plans on hold. This stable resumption of activity has yet to ignite the land market as finance institutions remain wary of such speculative development, although a change

could be on the horizon. Some 600,000 sq m of industrial stock is scheduled to complete this year with the majority already pre-leased to tenants.

Demand for industrial accommodation in **Canberra** continued to weaken as Grade A warehouse rents fell by 1.6% over the quarter. This decline has brought rents in this top tier of the market to the lowest they have been since 2006, as enquiries instead focus on smaller industrial units of less than 200 sq m in size. Against this backdrop there has been little land or investment activity over the quarter, although not yet reflected in land values, which remain steady.

There has been limited activity in the **Adelaide** industrial market as the high AUD continued to affect this manufacturing dominated market. There remains limited demand for prime quality stock however, resulting in a slight increase in Grade A warehouse rent. Amid a lack of decision making by occupiers and a general wait-and-see stance, development and investment levels remained stagnant in Q1, suggesting rents should be buoyed by the lack of significant new development options coming on line in 2011.

Rental growth was positive again in the **Perth** industrial market in prime grade A warehouses over the quarter. This growth was primarily led by the pre-leasing market while a re-emergence in enquires from the mining, resources and related industry groups should see the level of vacant existing stock absorbed shortly. Large industrial facilities are faring particularly well in the current market as many companies are looking for expansion space at a time when there is a lack of options of facilities over 5,000 sq m in size. The tight controls on financing of land development are slowly being loosened, which has resulted in renewed market activity, driving land values upwards by 5.3% over the quarter.

Leasing activity in **Auckland** picked up over Q1, resulting in Grade A vacancy levels dropping to 2.7%. Demand has come from a broad range of companies looking to take advantage of lower rental rates. The central South Auckland area has been the main hotspot of new leasing activity due to attractive rents and the availability of space which is in short supply in other industrial areas. Industrial development is picking up, however, with 105,000 sq m of accommodation currently under construction compared to 87,000 sq m in October 2010.

Prime industrial rents in **Wellington** eased 6.1% over Q1 following four consecutive quarters of no rental movement. Cost control has become a major priority for tenants with most seemingly prepared to compromise building quality over cost. Landlords have been increasingly willing to drop rents to secure new tenants or retain existing ones, as some businesses have relocated away from Wellington as they consolidate their operations elsewhere to save costs.

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### Notes and Definitions

The CBRE Asia Pacific Weighted Average Industrial/ Logistics Rental index track the performance of 14 industrial markets throughout Asia Pacific.

The CBRE Asia Pacific Weighted Average Industrial/ Logistics Capital Value index track the performance of 11 industrial markets throughout Asia Pacific.



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## APPENDIX II - LAND USE TABLES

### Statutory Planning and Land Uses



## Land Use Planning

All land within the ACT is subject to two planning schemes, the National Capital Plan which represents the Commonwealth's interest in the planning of the National Capital, and the Territory Plan which addresses more localised matters.

The existing industrial areas within Canberra lie within areas identified as 'Urban Areas' in Figure 1 of the National Capital Plan<sup>15</sup>.

The National Capital Plan states that the range and nature of uses permitted in Urban Areas includes those uses generally compatible with residential, commercial, community, cultural, recreational and industrial activity.

Specifically, the National Capital Plan identifies areas at Fyshwick, Mitchell, Hume, Bruce and the area immediately west of Oakes Estate (Beard) as Industrial areas. It also identifies the Broadacre Areas as offering long term options for industry, transport, defence or other uses that require large sites. The National Capital Plan notes that the location of industry within estates, the placement of these estates where they contribute to overall transport efficiency, and the avoidance of haphazard industrial location throughout the Urban Areas, have contributed to the structure and character of Canberra's development. It notes that the established industrial estates have limited capacity to accommodate additional development and that the National Capital Authority supports the development of further industrial estates as a means of increasing the industrial base of Canberra's economy, and to provide a greater diversity of employment opportunities.

Within the Urban Areas however, the National Capital Plan leaves the detailed allocation of land uses to the ACT Government and the Territory Plan.

The object of the Territory Plan is "to ensure, in a manner not inconsistent with the National Capital Plan, the planning and development of the Territory to provide the people of the Territory with an attractive, safe and efficient environment in which to live and work and have their recreation."

The Territory Plan consists of:

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<sup>15</sup> National Capital Authority, National Capital Plan (as amended), Figure 1.



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- a statement of strategic directions that set out a framework for the policy content of the Territory Plan
- a series of Maps that allocate land use zones to all areas of the Territory.
- a series of development tables that set out uses that may be developed within different zones; and
- a series of development codes that provide the rules and criteria against which developments will be assessed.

There are two industrial zones identified within the Territory Plan, the General Industrial Zone (IZ1) and the Mixed Use Industrial Zone (IZ2).

The objectives of the of the General Industrial Zone (IZ1) include:

- Support the diversification and expansion of the ACT's industrial base and employment growth
- Facilitate investment in a wide range of industrial and related activities, with efficient land utilisation and provision of infrastructure
- Provide convenient access for ACT and regional residents to industrial goods, services and employment opportunities
- Make provision for transport-related businesses in locations accessible to major road, rail and air links
- Encourage the clustering of industrial activities according to the principles of industrial ecology
- Ensure that industrial development achieves high environmental standards of cleaner production, waste disposal, noise and air quality
- Encourage the design and construction of industrial and commercial buildings that are energy efficient, functional and flexible
- Ensure that development along major approach routes and major roads meets appropriate standards of urban design
- Make provision for manufacturing, warehouse and transport land uses requiring large land areas accessible to main interstate road and rail connections
- Ensure that the use of the land for predominantly industrial purposes is not jeopardised by the uncontrolled development of higher rent commercial uses such as retailing and offices
- Provide small-scale services to meet the needs of the local workforce

The objectives of the Mixed Use Industrial Zone (IZ2) include:



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- Support the diversification and expansion of the ACT's industrial base and employment growth
- Facilitate investment in a wide range of industrial and related activities, with efficient land utilisation and provision of infrastructure
- Provide convenient access for ACT and regional residents to industrial goods, services and employment opportunities
- Ensure that industrial development achieves high environmental standards of cleaner production, waste disposal, noise and air quality
- Ensure that development along major approach routes and major roads meets appropriate standards of urban design
- Accommodate industry-associated retailing, services and other commercial uses without jeopardising an adequate supply of industrial land
- Provide for a range of commercial and service activities at a scale that will protect the planned hierarchy of commercial centres and the Territory's preferred locations for office development
- Meet the need for a mix of lower rent bulky goods retailing, specialised industrial, commercial and service activities alongside general industry
- Preserve and promote viable industries that can coexist with more commercially oriented uses
- Make provision for small-scale services that support surrounding industrial activities, or which meet the needs of the local workforce

In addition, the Territory Plan provides for areas of "Commercial Services" CZ3 land in major centres. The objectives of this zone include:

- Provide for a range of conveniently located services and lower rent commercial activities
- Ensure that commercial development supports but does not undermine the function of the CZ1 Core Zone and the CZ2 Business Zone
- Accommodate retail uses or entertainment facilities requiring larger sites
- Encourage a mix of land uses which contribute to an active and diverse character
- Maintain and enhance environmental amenity and encourage a standard of urban design consistent with the function of the Zone

For each zone the Territory Plan provides a Development Table which specifies the uses for which development applications can be made or for which development applications are prohibited.



## Substitution of Uses

Many of the uses identified in the Development Tables for the Industrial Zones are also permissible in the Commercial Zones or the Broadacre Zone, allowing for a substitution of uses if supply of any particular zone is limited or excessive.

Table 6 below lists all of the uses that are identified in either the Industrial, Commercial or Broadacre development tables. A Green Tick indicates that the use will be subject to merit track development assessment as a minimum. A blank space indicates that the use is not specifically permissible, and hence will be subject to an impact track development assessment. A Red Cross indicates that the use is prohibited and a development application cannot be lodged. It should be noted that there are location specific exceptions to the development tables that are not specified here.

*Notes on Table 6:*

*Uses in capital letters are umbrella terms. The relevant subordinate uses are listed in italics below them.*

*In order to reduce the size of the table, uses that relate to statutory processes such as Ancillary Use, Consolidation, Demolition, Subdivision etc, which are approvable in all zones, have been excluded from the table.*

*Uses that are prohibited in all of the zones have also been excluded from the table. These include Airport, Landfill Site, Mining Industry, Mobile Home Park, Plantation Forestry, Sand and Gravel extraction and Stock and Sale yards.*



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Table 6 - Summary of Development Tables for Industrial and Commercial Zones

	IZ1	IZ2	NUZ1	CZ1	CZ2	CZ3	CZ5	CZ6
Agriculture	x	x	✓	x	x	x	x	x
Animal care facility	x	x	✓	x	x	x	x	x
Animal husbandry	x	x	✓	x	x	x	x	x
Aquatic recreation facility	x	x	x	x	x	x	x	✓
Boarding house	x	x	x	x	x	x	✓	x
Bulk landscape supplies	✓	✓	x	x	x	x	x	x
Car park	✓	✓	x	✓	✓	✓	✓	✓
Caravan park/camping ground	x	x	✓	x	x	x	x	✓
Cemetery	x	x	✓	x	x	x	x	x
Civic administration	x	x	x	✓	✓	✓	x	x
Club	x	✓	x	✓	✓	✓	x	✓
COMMERCIAL ACCOMMODATION USE	x	x		✓	✓	✓		✓
Commercial accommodation unit			x					
Guest house			x				✓	
Hotel			x				✓	
Motel			x				✓	
Serviced apartment	x	x					✓	
Tourist resort			x				x	
Communications facility	✓	✓	✓	✓	✓	✓	✓	x
COMMUNITY USE	✓	✓		✓	✓	✓	✓	✓
Child care centre			x					
Community activity centre			✓					
Community theatre			x					
Cultural facility			x					
Educational establishment			✓					
Health facility			✓					
Hospital			x					
Place of worship			✓					
Religious associated use			x					
Corrections facility	x	x		x	x	x	x	x
Craft workshop	✓	✓	x	✓	✓	✓	x	✓
Defence installation	✓	✓	✓	x	x	x	x	x
Drink establishment	x	✓	x	✓	✓	✓	x	✓
Drive-in cinema	x	x	x	x	x	x	x	✓
Emergency services facility	✓	✓	✓	✓	✓	✓	✓	x
Farm tourism	x	x	✓	x	x	x	x	x
Freight transport facility	✓	✓	x	x	x	✓	x	x
Funeral parlour	x	✓	x	x	x	✓	x	x
General industry	✓	✓	x	x	x	x	x	x
Group or organised camp	x	x	x	x	x	x	x	✓
Habitable suite	x	x	x					
Hazardous industry	✓	x	x	x	x	x	x	x
Hazardous waste facility	✓	x	x	x	x	x	x	x
Home business	x	x	x	✓	✓	✓	✓	x
Incineration facility	✓	x	x	x	x	x	x	x
Indoor entertainment facility	x	✓	x	✓	✓	✓	x	✓
Indoor recreation facility	✓	✓	x	✓	✓	✓	✓	✓
Industrial trades	✓	✓	x	x	x	✓	x	x



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	IZ1	IZ2	NUZ1	CZ1	CZ2	CZ3	CZ5	CZ6
Land management facility	x	x	✓	x	x	x	x	x
Light industry	✓	✓	x	✓	x	✓	x	x
Liquid fuel depot	✓	✓	x	x	x	x	x	x
MAJOR UTILITY INSTALLATION	✓	✓	✓	x	x	x	x	x
Municipal depot	✓	✓	✓	x	x	✓	x	x
Nature conservation area	x	x	✓	x	x	x	x	x
NON-RETAIL COMMERCIAL USE	x	✓		✓	✓	✓	✓	
<i>Business agency</i>			x					x
<i>Financial establishment</i>			x					x
<i>Office</i>			x					x
<i>Public agency</i>		x	x					✓
Offensive industry	✓	x	x	x	x	x	x	x
Outdoor recreation facility	x	✓	✓	✓	✓	✓	✓	✓
Overnight camping area	x	x	x	x	x	x	x	✓
Pedestrian plaza	✓	✓	x	✓	✓	✓	✓	✓
Place of assembly	x	x	x	✓	✓	✓	✓	✓
Plant and equipment hire establishment	✓	✓	x	x	x	✓	x	x
Playing field	x	x		x	x	x		
Produce market	x	x	x	x	x	✓	x	x
Public transport facility	✓	✓	x	✓	✓	✓	✓	✓
Railway use	✓	x	x	x	x	x	x	x
Recyclable materials collection	✓	✓	x	✓	✓	✓	x	x
Recycling facility	✓	✓	x	x	x	x	x	x
Relocatable unit							✓	
RESIDENTIAL USE				✓	✓	✓	✓	x
<i>Caretaker's residence</i>	✓	✓	x					x
<i>Special dwelling</i>	x	x						
<i>Multi-unit housing</i>	x	x	x				✓	
<i>Residential care accommodation</i>	x	x	✓					
<i>Retirement complex</i>	x	x						
<i>Single dwelling housing</i>	x	x						
<i>Relocatable unit</i>	x	x	x					
<i>Supportive housing</i>	x	x	x					
Restaurant	x	✓	x	✓	✓	✓	✓	✓
Road	x	x	✓	x	x	x	x	x
Scientific research establishment	✓	✓	✓	x	x	x	x	x
Service station	✓	✓	✓	✓	x	✓	x	x
SHOP	x	✓	x	✓	✓	✓	✓	✓
<i>Bulky goods retailing</i>	x	✓						x
Store	✓	✓	x	x	x	✓	x	x
Tourist facility	x	x	✓	✓	✓	✓	x	✓
Transport depot	✓	✓	✓	x	x	✓	x	x
Vehicle sales	x	✓	x	x	x	✓	x	x
Veterinary hospital	x	✓	✓	x	x	✓	x	x
Warehouse	✓	✓	x	x	x	✓	x	x
Waste transfer station	✓	✓	x	x	x	x	x	x
Woodlot	x	x	✓	x	x	x	x	x
Zoological facility	x	x	x	x	x	x	x	✓



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## APPENDIX III - DELP CLASSIFICATIONS

The table below presents the floorspace classifications used in Figure 1. They are taken from the Commercial Centres and Industrial Areas Floorspace report, but sorted in the order they appear on Figure 1.

DELP	ASIC Classification
25. Other (Industrial Trades)	2642. Printing & Publishing 2500. Wood Products - Furniture 2870. Cement, Concrete Products Undefined 2872. Ready-mixed Concrete 3100. Fabricated Metal Products Undefined. 3164. Metal Coating Finishing 3600. Electricity & Gas Undefined 3700. Water, Sewerage Drainage Undefined 4110. Building Construction Undefined 4121. Road, Bridge Construction 4200. Special Trade construction 4242. Plumbing 4243. Electrical Work 4244. Heating Air-conditioning 4248. Earth moving, Dredging. 5000. Transport Storage Undefined 5700. Services to Transport Undefined
Retail - 5. Fabrics & Furniture	4847. Fabrics, Household textile 4848. Floor Coverings 4849. Furniture Stores
21. Motor: Other	4861. New Motor Vehicles 4862. Used Motor Vehicles 4865. Smash Repairs 4864. Automotive Repair 4866. Motor Cycle Dealers 4867. Boat & Caravan Dealers 4868. Tyre & Battery Retailers
Retail - 6. Household Appliances & Hardware Stores	4850. Household Appliances & hardware 4853. Domestic Hardware 4854. Jewellers 4855. Music Stores 4856. Household Appliance 4857. Electrical Appliance
Services -	510. Travel



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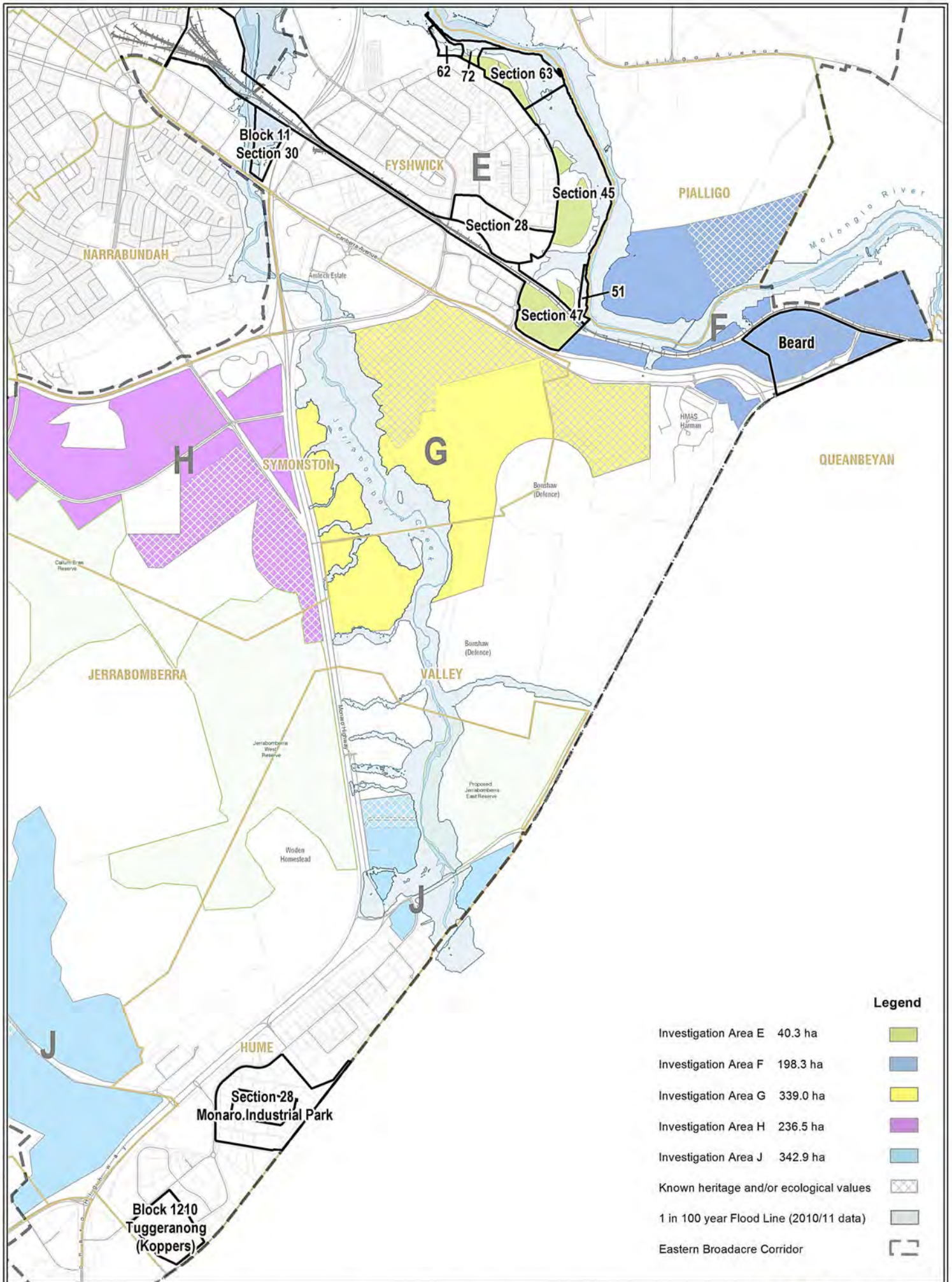
<p>13. Business Property &amp; Travel</p>	<p>630. Property Services          631. Real Estate          6322. Property developers          633. Technical services undefined          637. Accounting Services          638. Data Processing, Advertising &amp; Marketing          639. Plant Hire, Leasing</p>
<p>Retail -          7. Other: Retail</p>	<p>3342. Photographic Film Processing          4846. Shoe Repairers          4861. Auto Parts          4881. Tobacconist          4884. Liquor Stores          4891. Pharmacies          4892. Photographic equipment          4893. Sports, Toy Stores          4895. Second Hand Goods Dealers          4894. Newsagents, Stationers, Booksellers          4896. Nurserymen, Florists          4897. Retailing NEC</p>
<p>Services -          12. Health Welfare &amp; Education</p>	<p>810. Health          8151. Medicine          8152. Dentistry          8154. Optometry          8156. Community Health centres          8160. Veterinary services.          8200. Education          8250. Libraries          8300. Welfare, Religious Institutions.          8400. Other community Services          8470. Business &amp; Labour Associations.          8491. Employment Services.          8492. Police          8494. Fire Brigades          8495. Sanitary Services.</p>
<p>Services -          15. Other Services</p>	<p>4853. Engraving          4844. Tailor          4846. Shoe Repairs          4856. Key Cutting          4857. Electrical Repairs          4890. Other Retailers Undefined          590. Postal &amp; Telecommunications          6384. Typing, copying, Mailing Services          913. Entertainment          914. Sport &amp; Recreation          930. Personal Services</p>



# INDUSTRIAL LAND DEMAND IN THE ACT 2011 - 2026

ACTPLA

	934. Laundry, dry-cleaning 935. Hairdressers 936. Other Personal Services 940. Domestic Help
Retail - 4. Clothing & Footwear	4843. Men's Boy's Wear 4844. Women's Girl's Wear 4845. Footwear
20. Petrol Stations	4864. Service Stations
Retail - 3. Food: Other	4882. Butchers 4883. Fruit, Vegetable Stores 4885. Bread Cake Stores 4886. Fish Shop, Take Away Food
Services - 10. Banks & Insurance	614. Banking 615. Non-Bank Finance 616. Investment 623. Insurance
Retail - 1. Department & Variety	4814. Department & Variety Stores
Retail - 2. Food: Supermarket	4881. Grocers, Confectioners
Services - 11. Restaurants, Cafes, Clubs & Hotels	920. Cafes, Restaurants 921. Hotels & Accommodation 924. Licensed Clubs
22. Community Facilities	8306. Religious Institutions 9144. Sport & Recreation NEC



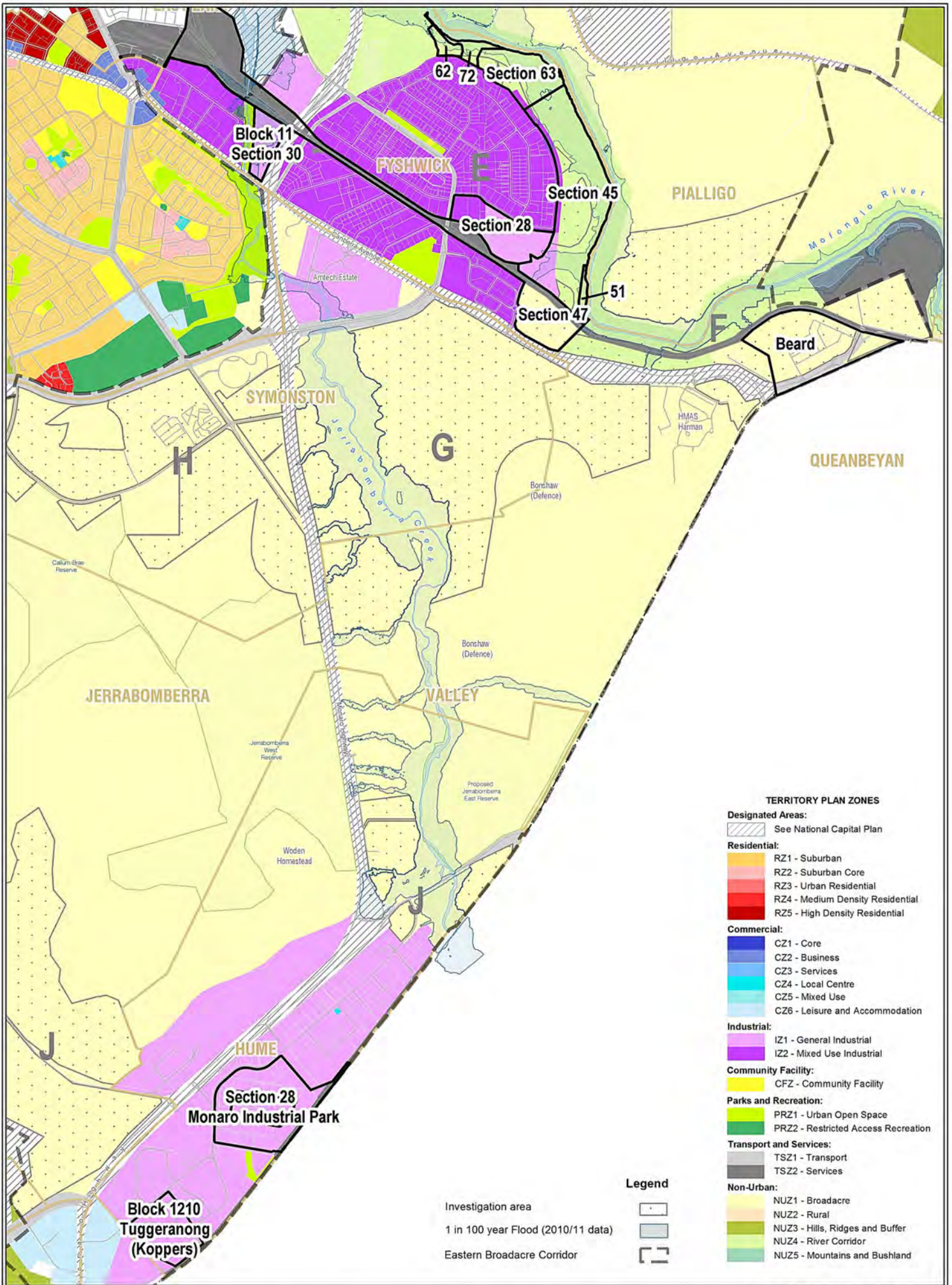
**Legend**

- Investigation Area E 40.3 ha
- Investigation Area F 198.3 ha
- Investigation Area G 339.0 ha
- Investigation Area H 236.5 ha
- Investigation Area J 342.9 ha
- Known heritage and/or ecological values
- 1 in 100 year Flood Line (2010/11 data)
- Eastern Broadacre Corridor



# Eastern Broadacre and Industrial Land Supply





- TERRITORY PLAN ZONES**
- Designated Areas:**
- See National Capital Plan
- Residential:**
- RZ1 - Suburban
  - RZ2 - Suburban Core
  - RZ3 - Urban Residential
  - RZ4 - Medium Density Residential
  - RZ5 - High Density Residential
- Commercial:**
- CZ1 - Core
  - CZ2 - Business
  - CZ3 - Services
  - CZ4 - Local Centre
  - CZ5 - Mixed Use
  - CZ6 - Leisure and Accommodation
- Industrial:**
- IZ1 - General Industrial
  - IZ2 - Mixed Use Industrial
- Community Facility:**
- CFZ - Community Facility
- Parks and Recreation:**
- PRZ1 - Urban Open Space
  - PRZ2 - Restricted Access Recreation
- Transport and Services:**
- TSZ1 - Transport
  - TSZ2 - Services
- Non-Urban:**
- NUZ1 - Broadacre
  - NUZ2 - Rural
  - NUZ3 - Hills, Ridges and Buffer
  - NUZ4 - River Corridor
  - NUZ5 - Mountains and Bushland

**Legend**

- Investigation area
- 1 in 100 year Flood (2010/11 data)
- Eastern Broadacre Corridor



**Eastern Broadacre and Industrial Land Supply**

Scale: 1:28,000 (A3) Date: 26/09/2011



ACT Government  
Environment and Sustainable Development  
Ref: D110926  
Industrial land.gvs



**ACT**  
Government

Environment and  
Sustainable Development

A6737467  
Objective ID: A6708959

BRIEF

**SUBJECT: Industrial Land Supply in the ACT- CBRE Report**

DIRECTOR-GENERAL *[Signature]* 21.10.11

DEPUTY DIRECTOR-GENERAL *[Signature]* 11.10.2011

EXECUTIVE DIRECTOR *[Signature]* 5.10.11

**PURPOSE**

To brief you on issues associated with industrial land supply in the ACT.

**BACKGROUND**

At December 2010, there was an estimated 160 ha of unleased land in the ACT with industrial zoning. Of this supply, 90 ha was in Hume, 39 ha at Fyshwick, 32 ha in Symonston and 2 ha at Mitchell.

Land demand has averaged about 8 ha per year over the last 25 years, suggesting that the existing industrial estates at Fyshwick, Hume and Symonston have theoretically sufficient "zoning ready" land to accommodate expected aggregate demand for twenty years. However, the overall industrial supply is not as adequate as the overall estimate would indicate as:

- the supply is concentrated in Hume;
- uncertainty over the industrial land supply at Symonston. Some 31 ha of the 32ha is subject to environmental assessment and statutory processes;
- of the 39ha of land at Fyshwick, 13 ha is in sections 45 and 63 - a strip of land running along the northern and eastern edge of Fyshwick with a further 10 ha is Section 30 Block 11 which is currently subject to flooding (**Map at Attachment A**); and
- the supply is overwhelmingly IZ1 zoning with only 9ha having an IZ2 policy (Mixed use industrial land that caters for low rent commercial, retailing and services space for activities generally serving the metropolitan area).

The industrial land demand is also being met by the redevelopment of leased sites at the Monaro Industrial Park (Section 28 - 30 ha), the former abattoir site in Beard (30 ha), sites at the former Mitchell brickworks, the redevelopment of the former Koppers Log site in Hume, Block 1210 Tuggeranong (20 ha). The demand for industrial land is also met by industrial areas in Queanbeyan.

Given the lack of industrial land with policy in place other than in Hume, additional supply options are being investigated at Fyshwick (Sections 47 – approx 10 ha) and Fyshwick North and East (Sections 28, 45, 51, 62, 63 and 72 – 30 ha approx).

Amendments to the National Capital Plan and variation to the Territory Plan would be required to enable the development of the land in Fyshwick as identified above (**Attachment B**). These sites are zoned as either General Industrial (IZ1) or Non Urban (NUZ4) River Corridor Zone.

To assist policy development, CBRE was commissioned to advise the former ACT Planning and Land Authority, on trends in industrial and commercial markets that should be considered in the planning of Canberra's industrial areas. The CBRE report is at **Attachment C**.

### **ISSUES**

To address the shortage of IZ2 land in the Territory, discussions have been held with EDD about the possibility of providing additional IZ2 supply in south Hume. The land currently has IZ1 zoning and consequently a Territory Plan variation would be required.

The CBRE report suggests that an annual demand of 10 ha should be utilised for longer term planning. This is a reasonable basis for planning of the industrial areas. To address longer term industrial land requirements the Eastern Broadacre study, identified Harman (Area F), Symonston (Area G), Mugga (Area H) and Hume (Area J) as possible future locations for industrial uses. The Government has approved funding for 2011/12 for Employment Land Planning and Implementation. Further investigations are subject to Cabinet's agreement and funding approval for following years from 2012/13.

A Cabinet Submission on the outcomes of the consultation on Eastern Broadacre Discussion Paper will be considered by Cabinet in October 2011. This Submission seeks direction from the Government on the priority for planning of the above investigation areas. LDA is currently undertaking due diligence on planning for Section 47 Fyshwick; which has been identified in the Indicative Land Release Program for 2012-13, 2013-14 and 2014-15.

The CBRE report highlighted the need in any assessment of industrial land supply to consider the supply of CZ3 Services land, primarily found at town centres. CZ3 land functions include the provision of a range of conveniently located services and lower rent commercial activities and the accommodation of retail uses or entertainment facilities requiring larger sites. The concern is CZ3 land at Belconnen, Phillip and Greenway could be developed for residential and commercial uses and that IZ2. The report suggests some of CZ3 land in be protected from redevelopment to ensure "service trades" uses remain accessible to the local community.

The report also indicates that there is currently an oversupply of released industrial land equivalent to three years demand. The oversupply includes land released near the Epicentre that has not progressed to development. An implication is that the Industrial land release program should reconsider the level of industrial releases being proposed and the proposed timing.

The issues identified in the CBRE report have been raised with EDD at the Demand Analysis and Monitoring Working Group. The findings will be considered in the preparation of the 2012-13 Industrial Land Release program.

**POTENTIAL MEDIA IMPLICATIONS**

NA

**BUDGET IMPLICATIONS**

NA

**CONSULTATION STRATEGY**

NA

**CRITICAL DATE**

NA

**RECOMMENDATIONS**

That you:

- note the above;
- note the Report on Industrial Land Demand 2011-2026 at **Attachment C**; and
- note that the Eastern Broadacre planning needs to progress to make adequate IZ2 zoned land available for industrial uses in the long term.

Gay Williamson  
Senior Manager  
Strategic City Planning and Design

Date: 22 September 2011

**AGREED/NOT AGREED/NOTED/PLEASE DISCUSS**

**DIRECTOR-GENERAL**

Date: 21.10.11

Contact Officer: Mike Quirk  
Position: Senior Planner  
Team: Urban Research and Analysis  
Phone: 71635

Date: 22 September 2011

## Industrial Land Research

March 2014

On behalf of  
Land Development Agency

Knight Frank Valuations Canberra  
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## Appendices

- Letter of Instruction

DRAFT 20 MAY

## 1 Introduction

Under current planning regulations Canberra has a finite supply of industrial land zoned, both IZ1 General Industrial and IZ2 Mixed Use Industrial.

This brief will look at the historical take-up of industrial land across the ACT for the previous 10 years and then assess the potential demand for industrial land for the next 5 to 7 years with particular emphasis on what may be required within the ACT.

In preparing this advice Knight Frank Valuations Canberra (KFVC) will research industrial land sales in the established ACT suburbs of Fyshwick, Mitchell and Hume. Other regional areas that have influence on the ACT, Queanbeyan, Goulburn and to a lesser extent Yass and Cooma will also be investigated.

From this research we will report/establish on the relationships between the demand for land with restricted uses when compared to sites with a wider range of uses available.

Taking into account the historical research and possible future demand drivers, we will endeavour to ascertain the level of demand for similar IZ1 General Industrial and IZ2 Mixed Use Industrial sites over the coming five (5) years.

DRAFT 20 MAR 2014

## 2 Current Situation

Currently industrial land in the ACT is zoned into two (2) categories, IZ1 is utilised for general industrial land, while IZ2 is the designation for mixed use industrial land. While there are a number of similarities in the two designations there are some major differences.

The zone objectives and permitted uses are set out below:

### 2.1 Zone Objectives

#### *IZ1 General Industrial Zone*

- a) Support the diversification and expansion of the ACT's industrial base and employment growth
- b) Facilitate investment in a wide range of industrial and related activities, with efficient land utilisation and provision of infrastructure
- c) Provide convenient access for ACT and regional residents to industrial goods, services and employment opportunities
- d) Make provision for transport-related businesses in locations accessible to major road, rail and air links
- e) Encourage the clustering of industrial activities according to the principles of industrial ecology
- f) Ensure that industrial development achieves high environmental standards of cleaner production, waste disposal, noise and air quality
- g) Encourage the design and construction of industrial and commercial buildings that are energy efficient, functional and flexible
- h) Ensure that development along major approach routes and major roads meets appropriate standards of urban design
- i) Make provision for manufacturing, warehouse and transport land uses requiring large land areas accessible to main interstate road and rail connections
- j) Ensure that the use of the land for predominantly industrial purposes is not jeopardised by the uncontrolled development of higher rent commercial uses such as retailing and offices
- k) Provide small-scale services to meet the needs of the local workforce

## **IZ2 Industrial Mixed Use Zone**

- a) Support the diversification and expansion of the ACT's industrial base and employment growth
- b) Facilitate investment in a wide range of industrial and related activities, with efficient land utilisation and provision of infrastructure
- c) Provide convenient access for ACT and regional residents to industrial goods, services and employment opportunities
- d) Ensure that industrial development achieves high environmental standards of cleaner production, waste disposal, noise and air quality
- e) Encourage the design and construction of industrial and commercial buildings that are energy efficient, functional and flexible
- f) Ensure that development along major approach routes and major roads meets appropriate standards of urban design
- g) Accommodate industry-associated retailing, services and other commercial uses without jeopardising an adequate supply of industrial land
- h) Provide for a range of commercial and service activities at a scale that will protect the planned hierarchy of commercial centres and the Territory's preferred locations for office development
- i) Meet the need for a mix of lower rent bulky goods retailing, specialised industrial, commercial and service activities alongside general industry
- j) Preserve and promote viable industries that can coexist with more commercially oriented uses
- k) Make provision for small-scale services that support surrounding industrial activities, or which meet the needs of the local workforce
- l) The following Zone Objectives apply specifically to West Fyshwick:
  - (i) Encourage Canberra's regional role for food processing, wholesaling, distribution and marketing
  - (ii) Cluster uses which are compatible with and complementary to existing facilities, particularly with regard to food processing and warehousing and the markets, including some small scale food retailing
  - (iii) Protect the safety and amenity of food related enterprises
- iv) Promote buildings along Canberra Avenue that maintain and enhance a character appropriate for a major approach road to the Central National Area

## 2.2 Permitted Uses

Set out below are the permitted uses for each of the IZ1 and IZ2 zones. Where a particular use is permitted in one zone but not the other, it has been left vacant.

<i>IZ1 – General Industrial Zone</i>	<i>IZ2: - Mixed Use Zone</i>
ancillary use	ancillary use
bulk landscape supplies	bulk landscape supplies
	bulky good retailing
car park	car park
caretaker’s residence	caretaker’s residence
	club
communities facility	communities facility
community use	community use
consolidation	consolidation
craft workshop	craft workshop
defence installation	defence installation
demolition	demolition
development in a location and of a type identified in a precinct map as additional merit track development	development in a location and of a type identified in a precinct map as additional merit track development
	drink establishment
emergency services facility	emergency services facility
freight transport facility	freight transport facility
	funeral parlour
general industry	general industry
hazardous industry	
hazardous waste facility	
incineration facility	
	indoor entertainment facility
indoor recreation facility	indoor recreation facility
industrial trades	industrial trades
light industry	light industry
liquid fuel depot	liquid fuel depot
major road	major road
major utility installation	major utility installation
minor road	minor road
minor use	minor use
municipal depot	municipal depot
	non retail commercial use
offensive industry	
	outdoor recreation facility
parkland	parkland
pedestrian plaza	pedestrian plaza
plant and equipment hire establishment	plant and equipment hire establishment
public transport facility	public transport facility

<i>IZ1 – General Industrial Zone</i>	<i>IZ2: - Mixed Use Zone</i>
railway use	
recyclable materials collection	recyclable materials collection
recycling facility	recycling facility
	restaurant
scientific research establishment	scientific research establishment
service station	service station
	shop
sign	sign
store	store
subdivision	subdivision
temporary use	temporary use
transport depot	transport depot
	vehicle sales
	veterinary hospital
warehouse	warehouse
waste transfer station	waste transfer station

The uses permitted in “IZ1 General Industrial Zone” and that are not permitted in the “IZ2 Mixed Use Zone” are genuine industrial uses, ie hazardous industry, hazardous waste facility, incineration facility, offensive industry and railway use.

The significant uses permitted in the “IZ2 Zone” that are not permitted in the “IZ1 Zone” include:

- Bulky goods retailing;
- Club;
- Drink establishment;
- Indoor entertainment facility
- Non retail commercial use;
- Restaurant;
- Shop;
- Vehicle sales; and
- Veterinary hospital

These are all considered “higher order” uses and consequently of more value. The major of development that has occurred in “IZ2 Zones” in the past several years has been based around these uses which would not be permitted in the “IZ1 General Industrial Zone”.

### 2.3 Zone Locations

Within the industrial suburbs there are areas designated both IZ1 General Industrial and IZ2 Mixed Use Industrial in most of the suburbs. The maps below demonstrate the zonings within each suburb.

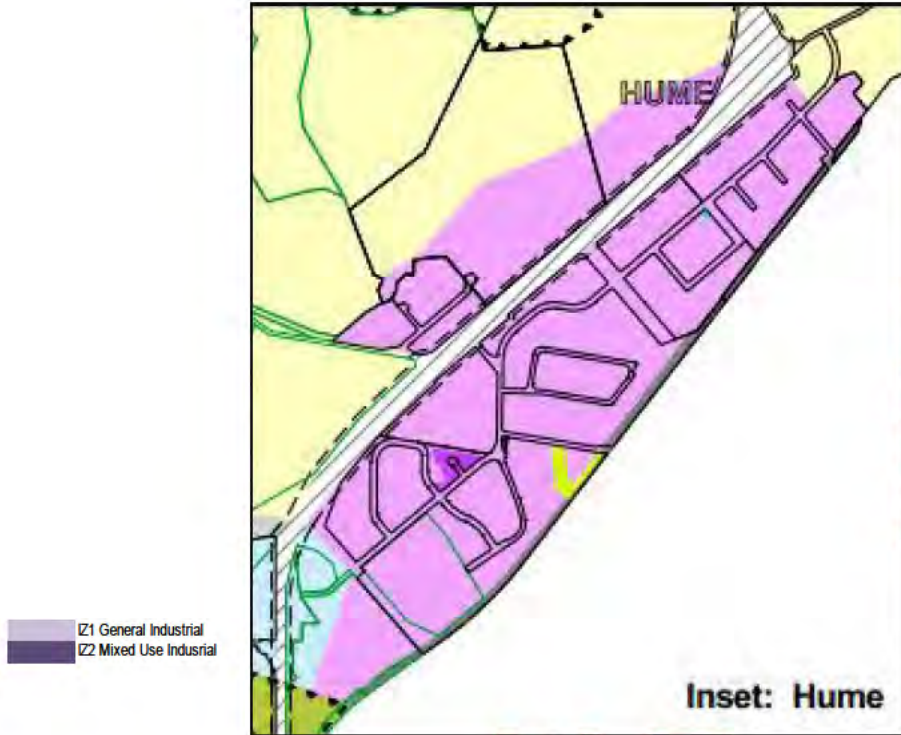


Fyshwick and Symonston

IZ1 General Industrial  
IZ2 Mixed Use Industrial



Mitchell



Hume



Beard

As is evident in the above maps the majority of Fyshwick and Mitchell is IZ2 Mixed Use with only limited IZ1 General Industrial Areas. Hume and Symonston is exclusively IZ1 General Industrial, while Beard has dual zonings, NUZ1 Broadacre and IZ1 General Industrial.

### 3 ACT Industrial Land Estates

The sale of vacant industrial land in the ACT has historically been tightly controlled by the ACT Government. With the exception of Part Section 34 Fyshwick, all industrial land was developed and sold by the ACT Government until three redevelopments of industrial sites in Mitchell, Hume and Beard in the mid 2000's.

The estate known as the Brickworks estate in Mitchell was purchased and redeveloped by a local developer in the mid to late 2000's. After what would be characterised as a slow beginning all blocks on the estate have been sold with a number of resales occurring. To date this would be seen as the most successful private development of industrial land in the ACT.

The Walker Group purchased the Integrated Forest site in Hume of 29Ha and proceeded to subdivide the parcel into 36 industrial sites generally in the range of 5,000m<sup>2</sup> to 20,000m<sup>2</sup> with most of these being toward the lower end of the scale.

Meanwhile, Canberra Investment Corporation purchased the Canberra Abattoirs, a 45Ha site and after several years demolished the improvements, remediated the residual contamination and subdivided the site into two parcels. One parcel of approximately 80 blocks has developed into a range of smaller industrial blocks from under 1,000m<sup>2</sup> to larger sites of 3,000m<sup>2</sup>. A number of undeveloped blocks in this stage remain for sale prior to any construction being commenced. The balance of land has the potential of being developed and sold as an industrial englobo site once the balance of the available sites have been sold. Alternatively, this may be further constructed by the current developer.

Over the past 10 years generally the ACT market has been through several cycles of supply and demand. In the early years of the 2000's the ACT Government via the Land Development Agency kept a control on the amount of blocks that were put to market. This is particularly so with the industrial suburb of Hume where the situation became either a drought or a flood, with no sales of vacant land occurring for several years followed by a number of sales in 2006 and 2007 at rates \$/m<sup>2</sup> that are still above current market rates. The situation in Hume has been exacerbated by the privately developed Monaro Industrial Park and at the same time the LDA's New West Industrial land in Hume, where a range of blocks ranging from 6,403m<sup>2</sup> to 12,863m<sup>2</sup> were available for direct sale. We note that these blocks were originally offered for sale by auction in mid-2011 and all but two blocks remain unsold.

The ACT Government has offered two other estates for sale over the previous 5 years. The Epi Centre estate at the eastern end of Fyshwick, which was anchored by the sale of the DFO site for \$39,000,000 in December 2005. The balance of the estate, approximately 20 sites of varying sizes, has had what could only be considered as "mixed success". Some blocks sold in 2007 are still to be developed after the owners were affected by the drop in market after the GFC and then were subject to payments under the "Commence and Complete" clause of their Crown Leases while waiting for tenants that could afford an economic rent. At the western end of Fyshwick, opposite Paragon Mall, the LDA sold sites ranging in size from 1,500m<sup>2</sup> to over 3,500m<sup>2</sup> in 2010 to a range of various purchasers, both owner-occupiers and developers.

Additionally, during the 1990's the Amtech Park estate in Symonston was developed. This estate was initially designed to become a "high tech hub" for design and manufacturing for technology firms. The estate struggled to gain acceptance in the market and has taken up to 15 years to accommodate users for the 13 blocks in the first stage. Stage 2 of the estate, on the eastern side toward Hindmarsh Drive, is yet to be commenced. Given the limited demand for this type of product, when combined with other available land of the same zoning, we believe it would not be keenly sought after by the market. We note that Fernhill Technology Park in Bruce was also established in the 1980's with similar principals. After initial take up of a member of blocks, development slowed and the balance of the estate was rezoned and subsequently sold as a range of residential products.

DRAFT 20 MAY

## 4 Industrial Land Sales

The supply of industrial land has until recently been tightly controlled by the ACT Government. The table below summarises vacant land sales reported in the ACT since 2008.

Please note that these are sales of vacant land as notified to statutory reporting authorities. It does not include transfers of land that have been made as part of design and construct packages to tenants or owner-occupiers. Further, several sites across all suburbs are resales of vacant blocks that have occurred for a number of purposes.

ACT Industrial Land Sales												
	Fyshwick			Mitchell			Hume			Beard		
	No.	Total Area	Average block size	No.	Total Area	Average block size	No.	Total Area	Average block size	No.	Total Area	Average block size
2004				1	4,234m <sup>2</sup>	4,234m <sup>2</sup>						
2005	1	68,643m <sup>2</sup>	68,643m <sup>2</sup>	5	14,874m <sup>2</sup>	2,975m <sup>2</sup>						
2006				8	38,833m <sup>2</sup>	4,854m <sup>2</sup>	2	5,753m <sup>2</sup>	2,877m <sup>2</sup>			
2007	2	21,144m <sup>2</sup>	10,572m <sup>2</sup>	7	23,364m <sup>2</sup>	3,338m <sup>2</sup>	3	17,044m <sup>2</sup>	5,681m <sup>2</sup>			
2008	5	23,176m <sup>2</sup>	4,635m <sup>2</sup>	2	6,581m <sup>2</sup>	3,291m <sup>2</sup>						
2009	3	6,067m <sup>2</sup>	2,022m <sup>2</sup>	1	3,434m <sup>2</sup>	3,434m <sup>2</sup>						
2010	14	74,042m <sup>2</sup>	5,289m <sup>2</sup>	1	3,720m <sup>2</sup>	3,720m <sup>2</sup>				12	19,626m <sup>2</sup>	1,636m <sup>2</sup>
2011	10	32,140m <sup>2</sup>	3,214m <sup>2</sup>	1	2,996m <sup>2</sup>	2,996m <sup>2</sup>				17	6,559m <sup>2</sup>	386m <sup>2</sup>
2012	2	15,938m <sup>2</sup>	7,969m <sup>2</sup>				4	18,043m <sup>2</sup>	4,511m <sup>2</sup>	12	15,841m <sup>2</sup>	1,320m <sup>2</sup>
2013	3	19,542m <sup>2</sup>	6,514m <sup>2</sup>				3	36,253m <sup>2</sup>	12,084m <sup>2</sup>	8	9,996m <sup>2</sup>	1,250m <sup>2</sup>
<b>Total</b>	<b>40</b>	<b>260,692m<sup>2</sup></b>	<b>4,924m<sup>2</sup></b>	<b>25</b>	<b>93,802m<sup>2</sup></b>	<b>3,752m<sup>2</sup></b>	<b>12</b>	<b>77,093m<sup>2</sup></b>	<b>6,424m<sup>2</sup></b>	<b>49</b>	<b>52,022m<sup>2</sup></b>	<b>1,062m<sup>2</sup></b>

The table indicates the sporadic nature of sites being sold. In 2010 and 2011 the increased number of sales in Fyshwick reflects sales of the Epi Centre and Paragon Mall precincts. In 2006 and 2007 the Brickworks Estate in Mitchell was selling and in 2012 and 2013 Monaro Industrial Park in Hume.

There have been no reported sales in Mitchell in 2012 and 2013. We are aware of two resales of sites in Flemington Road, but they are yet to settle.

Of interest is the zoning of the sites that have sold; primarily all of the Fyshwick sites are "RZ2 Mixed Use Industrial", while the balance of Hume and Beard with some in Mitchell, are all "IZ1 General Industrial".

The average block sizes largest in Hume and smallest in Beard, both designated "IZ1 General Industrial" suburbs. We note that Beard is geared toward owner-occupiers, while Hume sites are mainly for larger users. In Fyshwick where most of the new sites have been used for bulky goods purposes, the sites average just under 5,000m<sup>2</sup>. NB: This does not include the DFO site in Epi Centre which has been excluded from the calculation.

## 5 Industrial Land Availability

Based upon the current designated zonings for industrial land there appears to be adequate land available for development that is designated as IZ1 General Industrial. This land is located in Hume, Symonston, Beard and a small portion of Fyshwick. There is no area of any significance that has land designated IZ2 Mixed Use Industrial available. At this time we are unaware of land availability in Mitchell other than odd parcels which may come available for resale at various times.

The suburb of Hume is all zoned IZ1 General Industrial with exception of a small pocket in Section 30 based around Nick Ellis Place. Currently there are vacant blocks in the New West Estate and Monaro Industrial Park. Further, IZ1 General Industrial land is potentially available in the suburb to the south of the New West Estate on Block 1 Section 22, a site of 20Ha, though we understand that there may be some contamination issues associated with this site. There are also two sites further to the south zoned CZ6 Leisure and Accommodation that may also be available. To the north of Monaro Highway there are a number of sites available in the area of John Corey Road and further to the north in Section 17.

Nearly all of Fyshwick is IZ2 Mixed Use with the only two IZ1 General Industrial areas located on the south of Tennant Street and to the west of Monaro Highway to both north and south of the Canberra-Queanbeyan Railway line. Most of this land is already privately owned with the exception sites at the southern end of Tennant Street and the site to the south of the Canberra-Queanbeyan Railway line, though this land is low lying and most probably would not be suitable for development. Section 47 at the east of the Epi Centre estate is zoned IZ2 Industrial Mixed Use. NUZ1 Broadacre is the only land of that zoning that may possibly be available.

The northern suburb of Mitchell currently has no vacant land of IZ1 General Industrial or IZ2 Industrial Mixed Use sites available, though there are two sites to the east of Flemington Road that have dual zonings including IZ2 Industrial Mixed Use.

Symonston is all IZ1 General Industrial and we are of the understanding that there are no sites in the suburb currently available for sale. The area to the east of the current development has had some preliminary studies completed, though to date earthworks have not been commenced for any subdivision that may occur.

## 6 Alternate Industrial Land

### Queanbeyan

The immediate area surrounding the ACT has a range of industrial estates in both East and West Queanbeyan, proposed land in Jerrabomberra, Tralee and further afield in Goulburn. There are also industrial sites in Yass and Cooma, though these areas have a negligible effect on the market in the ACT.

Town Planning in Queanbeyan is contained within the Queanbeyan Local Environmental Plan (LEP) 2012. The two zonings in Queanbeyan for industrial land are nominated as IN1 General Industrial and IN2 Light Industrial. The permitted uses in each zone are as follows:

IN1 – General Industrial Zone	IN2: - Light Industrial Zone
animal boarding or training establishments	animal boarding or training establishments
boat building and repair facilities	
building identification signs	building identification signs
business identification signs	business identification signs
car parks	car parks
	child care centres
crematoria	
depots	depots
environmental protection works	environmental protection works
flood mitigation works	flood mitigation works
freight transport facilities	
funeral homes	funeral homes
garden centres	garden centres
general industries	
hardware and building supplies	hardware and building supplies
industrial retail outlets	industrial retail outlets
industrial training facilities	industrial training facilities
industries	
kiosks	kiosks
landscaping material supplies	landscaping material supplies
light industries	light industries
mortuaries	mortuaries
neighbourhood shops	neighbourhood shops
passenger transport facilities	
places of public worship	places of public worship
plant nurseries	plant nurseries
recreation areas	recreation areas
recreation facilities (indoor)	recreation facilities (indoor)
recreation facilities (outdoor)	recreation facilities (outdoor)
research stations	
	respite day care centres

IN1 – General Industrial Zone	IN2: - Light Industrial Zone
roads	roads
service stations	service stations
sex services premises	
storage premises	storage premises
take away food and drink premises	take away food and drink premises
timber yards	timber yards
transport depots	transport depots
truck depots	
vehicle body repair workshops	vehicle body repair workshops
vehicle repair stations	vehicle repair stations
vehicle sales or hire premises	vehicle sales or hire premises
veterinary hospitals	veterinary hospitals
warehouse or distribution centres	warehouse or distribution centres
	waste or resource management facilities

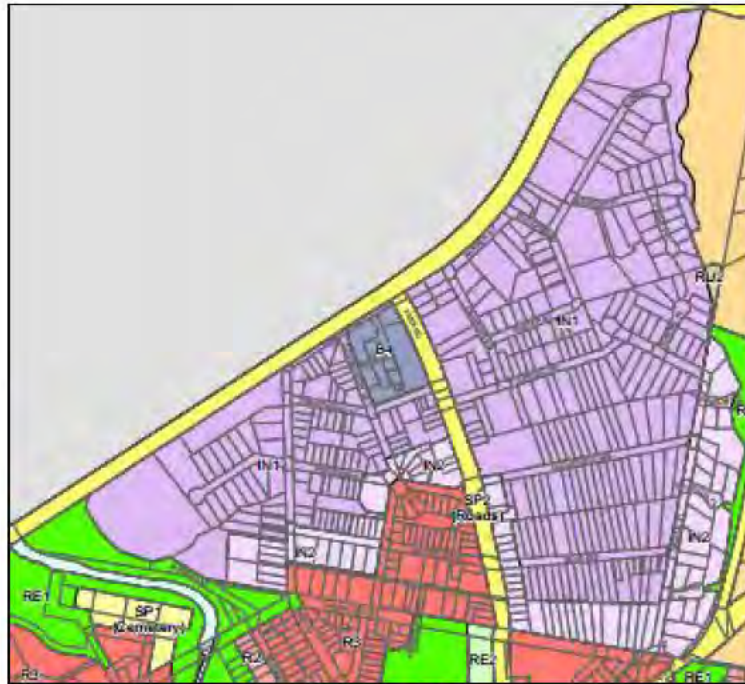
Prohibited Uses	
Retail premises (including bulky goods premises)	Retail premises (including bulky goods retailing)
Home occupations (sex services)	Home occupations (sex services)
Restricted premises	Restricted premises
	Sex service premises

From the two lists of permitted uses of industrial land in NSW it should be noted that in both IN1 General Industrial and IN2 Light Industrial, retail premises (including bulky goods retailing) is a prohibited use. This is in direct contrast to IZ2 Mixed Use Industrial within the ACT Territory Plan, which permits both bulky goods retailing and non-retail commercial (office) uses.

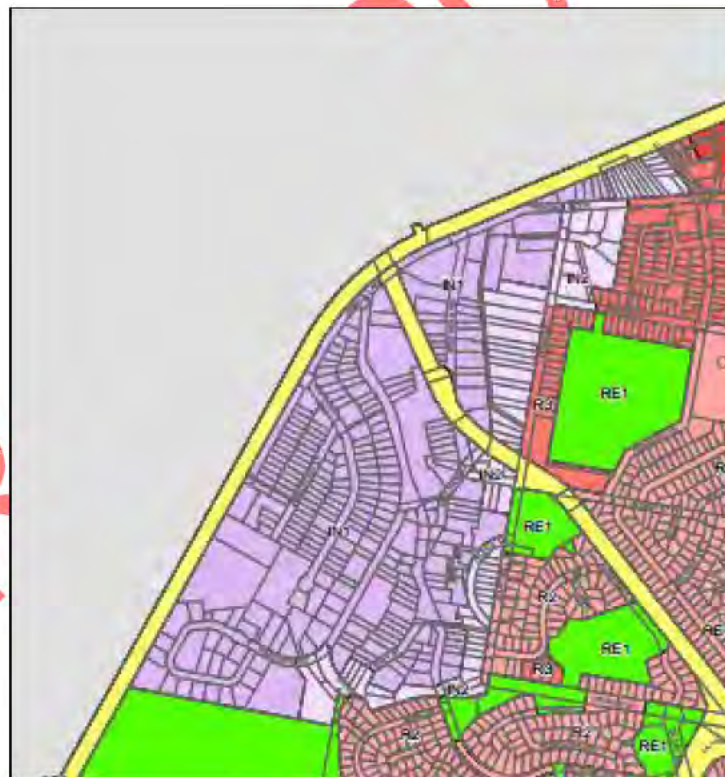
These two areas are more similar to the Territory Plan zoning of IZ1 General Industrial, which permits most of the uses allowed in the NSW zoning system for industrial properties.

Generally speaking most industrial land within the Queanbeyan City Council that falls within these zones has been previously sold and these are only intermittent blocks that may be available for sale.

The two maps overleaf display the industrial areas in Queanbeyan. It should be noted that the majority of these areas are IN1 General Industrial, which has the greater range of uses available.



East Queanbeyan



West Queanbeyan

**Service Trades Areas**

From the early development of Canberra service trades zones have formed an important part of development of the City. Originally Braddon then Dickson played an important role in the growth of the emerging City. During the 1970’s and 1980’s the service trades areas of Phillip and Belconnen, each adjacent to the relevant Town Centres, saw a range of light industrial, particularly based around automotive trades and lower order retail uses being established in these areas.

These areas are currently zoned CZ3 Services Zone which permit a range of uses over and above those in the industrial zones. Below is a list of possible uses in the zone.

CZ3 Service Trades	
ancillary use	NON RETAIL COMMERCIAL USE
car park	outdoor recreation facility
civic administration	parkland
club	pedestrian plaza
COMMERCIAL ACCOMMODATION USE	place of assembly
communications facility	plant and equipment hire establishment
COMMUNITY USE	produce market
consolidation	public transport facility
craft workshop	recyclable materials collection
demolition	RESIDENTIAL USE
development in a location and of a type identified in a precinct map as additional merit track development	restaurant
drink establishment	service station
emergency services facility	SHOP
freight transport facility	sign
funeral parlour	store
home business	subdivision
indoor entertainment facility	temporary use
indoor recreation facility	tourist facility
industrial trades	transport depot
light industry	vehicle sales
minor road	veterinary hospital
minor use	warehouse
municipal depot	

Though a number of the “cleaner” industrial uses are available in this zone, similar to IZ2 Mixed Use zone, the zone includes commercial accommodation and residential uses which are not available in the industrial zones. Though we are not aware of completed developments in this zone that have residential uses, we know of Development Applications that have applied for this use.

As the ACT grows the areas set aside for CZ3 Services Zone land is diminishing. Phillip and Belconnen had large areas covering numerous blocks and streets. Greenway saw a lessening of this area and in CZ3 Zone in Gungahlin, is based around O’Brien Place and the adjoining Crinigan Circle.

It is important to note that going forward nearly all land zoned CZ3 Services Zone in Group Centres is considered for residential uses above the ground floor and shop and retail uses on the ground level. This gentrification of these centres will most probably lead to greater pressure placed upon the IZ2 Mixed Use Zone sites into the future.

**Jerrabomberra - Populars Estate**

We note that land to the south of Queanbeyan adjoining South Jerrabomberra has been rezoned from Rural 1(a) to various greater value uses including B1 Neighbourhood Centre and B7 Business Park.

There are currently no B7 Business Park zones within the Queanbeyan LEP 2012 and we expect that an amendment to the LEP to be approved in 2014/2015. Following is a list of the permissible uses in the proposed B7 Business Park Zone.

B7 Business Park	
animal boarding or training establishments	mortuaries
building identification sign	neighbourhood shops
business identification sign	office premises
business premises	passenger transport facilities
car parks	place of public worship
child care centres	recreation areas
crematorium	recreation facilities (indoor)
depots	recreation facilities (outdoor)
environmental protection works	respite day care centres
flood mitigation works	restaurant or cafes
freight transport facilities	roads
funeral homes	self-storage units
industrial retail outlets	service stations
industrial training facilities	take-away food and drink premises
kiosks	timber yards
landscaping material supplies	transport depot, vehicle body repair workshops, vehicle repair stations, vehicle sales or hire premises, veterinary hospitals
light industries	warehouse or distribution centres
Prohibited Use	
Home occupations (sex services), restricted premises and sex services premises.	

We note that "Retail premises" is not a prohibited use in this zone which may allow a number of uses similar to IZ2 Mixed Industrial Zones in the ACT. Preliminary documentation indicates that as much as 37Ha will be available for these uses in this area. At this time we are not aware of any indicative block plans and sizes, though based upon experience of similar estates, particularly in the ACT, we estimate that as much as 20,000m<sup>2</sup> may be available in the future. This is equivalent to several years supply of IZ2 Mixed Use Industrial sites in the ACT.

This land is located on Tomsitt Drive which is adjacent to Jerrabomberra and will be a major traffic arteries to Tralee and Googong in the future from the southern ACT.

### ***Eastern Broadacre Study***

The Eastern Broadacre Study was completed in 2009 by MacroPlan Australia Pty Ltd to identify future demand for employment land in the ACT.

This study identified the area adjacent to Canberra Airport and what is now known as Majura Parkway (under construction), as a site suitable for further development. This location has been identified as being suitable for the incoming Ikea store. Though exact areas are yet to be identified for the site, our understanding is that it is to be approximately 7Ha.

Being directly opposite Costco, Masters Hardware and several other major retail outlets will draw other similar land use occupiers from other areas within the ACT that wish to be associated with what will be a major drawcard to the area. The ACT Government will need to identify sites in close proximity to this site in the immediate future to allow planning works to commence in time for development to occur concurrently.

### ***Goulburn***

Goulburn is one of the oldest regional cities in NSW. It has long been a major rail hub for both goods and passengers and from the 1950's to the 1980's was a major centre for rural industries including wool storage and sales for southern NSW. Changes in the use of rail and the duplication of the Hume Highway, has seen construction of a number of large distribution facilities to service not only the City of Goulburn but southern NSW.

We are aware of several industrial estates in Goulburn at various stages of development. Goulburn has been identified by major logistical organisations as an ideal hub for supply storage and subsequent dispersion of goods to Southern NSW. There are currently industrial sites of varying size for sale in several locations in Goulburn, which at current take up rates will encompass the need for industrial land for many years to come.

## 7 Conclusion

1. There is limited IZ2 land available for development. Fyshwick has blocks in Sections 45 and 47 that will cater for demand for 2 to 3 years, but there are no further sites in the suburb. There is no IZ2 land available in Mitchell. IZ2 land in Hume is not for traditional uses in this zone which is more generally suited to IZ1 uses.
2. IZ1 land is available in Hume in the Monaro Industrial Estate and Hume West Estates. Additional IZ1 land is available in Beard. These suburbs have sites available from under 1,000m<sup>2</sup> to over 20,000m<sup>2</sup> which will cater for all users.
3. Traditionally CZ3 land associated with Town Centres and Group Centres will soon be used for higher order uses, including residential purposes forcing lower order uses to the industrial areas, particularly IZ1 areas.
4. We are unaware of any CZ3 sites being potentially available in the upcoming Molonglo suburbs. This will place even greater pressure on Weston Group Centre, which is already seen to be trading at maximum capacity.
5. Planning associated with West Belconnen is centred around residential uses. To date there has been no indication of other uses in this new precinct.

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## 8 Recommendations

1. There is limited IZ2 land available. This will be developed and occupied over the next 2 to 3 years. If no further land is made available occupiers will seek options in NSW, particularly Populans Estate in South Jerrabomberra and potentially Tralee. A constant supply of land needs to be available to the market that will meet ongoing demand.
2. Future planning for Town Centres and Group Centres must take into account the need for CZ3 land requirements. The take up of these sites in Gungahlin has indicated the ongoing requirement of similar sites. Should residential uses continue to be prevalent in Group Centres, the pressure on sites in Town Centres will increase.
3. The new Ikea site in Majura Valley will attract numerous complementary users. Land must be made available for development of sites in close proximity to the precinct. If land is not made available, Canberra Airport will increase the size of their precinct resulting in the ACT Government not realising the maximum value from the area.
4. Some IZ1 land should be rezoned IZ2. This is particularly relevant to the area known as East Symonston. Current supply of IZ1 land in other estates is considered ample at this time and the rezoning of this land may ease supply pressures.
5. Land in Group Centres in emerging estates such as Molonglo and West Belconnen should be zoned CZ3 to encompass a wide range of users in the centres to promote diversity in these areas.

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LETTER OF INSTRUCTION

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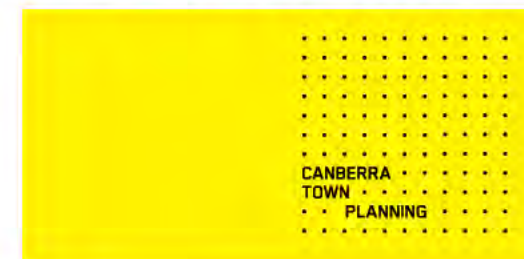
# Industrial (Employment) Land Demand in the ACT

## 2020 - 2035

Prepared for:

Environment, Planning and Sustainable Development  
Directorate

September 2020



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# 1

## Executive Summary

This report analyses the supply and demand for industrial and employment land in the ACT and surrounding NSW.

It establishes that adequate provision of these land use areas is critical to the efficient function of the city.

The objectives of the report are to estimate the likely demand for industrial and employment land in Canberra and suggest appropriate locations to accommodate that demand.

The current and potential future areas of industrial and employment land are mapped to illustrate the spatial distribution.

Factors that are likely to impact on the demand for industrial and employment land are discussed in the report. The key considerations are:

- The continuing national trend towards a serviced based economy.
- Increased density of development on the available land, reducing the effective land requirements.
- The ability of the ACT to attract industrial and employment uses.
- The relatively high vacancy rates within the industrial areas compared to historic levels.
- Land being made available at the Airport and in nearby NSW.
- The loss of existing industrial land through rezoning to higher order uses.
- The displacement of employment and services uses from town and group centres when infill development occurs.

- The need to provide appropriate spatial distribution of employment land to service the urban areas.
- Technology changes that are affecting the need for retail, office and logistics space.
- The ongoing effects of the COVID-19 pandemic.

The take-up of vacant industrial land in the ACT over the past 10 years is presented in Figure 1. The annual average area is slightly below the longer term average.

The level of uncertainty about future demand for greenfield industrial and employment land is increasing. While some factors suggest it should rise, others suggest it should fall. Overall, the long term average of 8 hectares per year is considered a reasonable quantity for planning purposes.

The supply opportunities are summarised in Table 1.

Based on the estimated demand of 8 hectares per year, the supply opportunities in the ACT are considered to be sufficient, but they are reliant on establishment of new employment areas (including industrial) arising from the ACT Planning Strategy's (2018) Eastern Broadacre investigations and subject to an environmental assessment process under the Commonwealth's *Environment, Protection and Biodiversity Conservation Act 1999*.

Conclusions, recommendations and key messages are summarised at the end of the report.

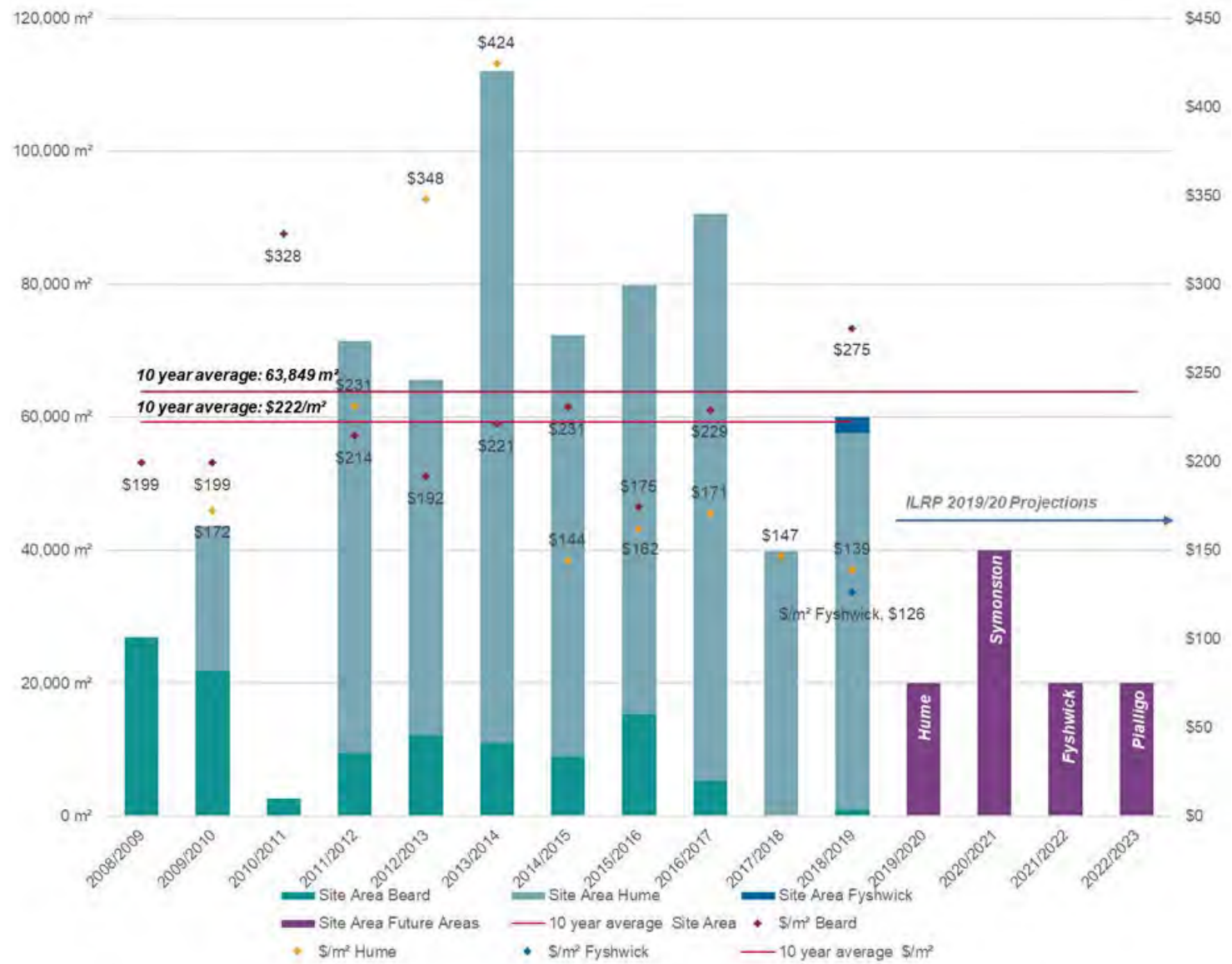


Figure 1 – Vacant Industrial Land Sales in the ACT

Table 1 – Industrial and Employment Land Supply Opportunities in the ACT

	Serviced	Zoned	Possible Rezoning	Future Opportunities	Commentary
Industrial Land	63.1	113.6	305.5	0.0	Refer to Table 9 on page 71 for details. These areas include land identified in the Eastern Broadacre area.
Employment	-2.2	51.2	437.6	100.0	Refer to Table 10 on page 72 for details. While the overall supply opportunity is generous, the location of much of the land in the Majura Valley is more appropriate for industrial rather than employment services land uses.
NSW	43.7	2350.0	127.3	0.0	Refer to Table 11 on page 75 for details. The zoned land includes very large areas at Woodlawn and Goulburn.
Totals	104.6	2514.8	870.4	100.0	

# 2

## Introduction

Industrial and employment land is a resource that enables our city to function.

It provides:

- Space for industrial activities that are not compatible with sensitive uses
- Locations for employment
- Opportunities for uses and services that facilitate the efficient operation of the city

Unlike residential or mixed use lands, the land value and immediately apparent economic return from industrial land is relatively low, but like waterways and green spaces it is essential to the operation of the city.

More than 20 years ago, an industry consultation program resulted in the following agreed goal for industrial land in Canberra.

“To achieve the flexible development of value adding, sustainable and innovative commercial enterprises, activities and employment in the Australian Capital Region”<sup>1</sup>.

This goal is considered to remain relevant today and it remains consistent with the Statement of Strategic Directions set out in the Territory Plan, that includes:

“1.12 - Planning policies will facilitate the widest possible range of commercial, retail, industrial, rural, tourism, and other forms of economic activity in order to promote new investment and a more diversified economy, to underpin employment growth, and to respond to changing economic opportunities”.

“1.14 - An adequate and diverse supply of industrial land will be maintained to facilitate both conventional and new forms of industry”.

“2.8 - Industrial areas will be in locations accessible to suitable freight services, and where industrial activity is unlikely to have a significant adverse effect on the environment or the amenity of residential areas”.

This report presents a summary of the current status of industrial land, makes predictions about the future supply and demand, and makes recommendations on the most appropriate way to manage the provision for industrial and employment lands into the future.

The timing of this report has coincided with the outbreak of COVID-19 and the subsequent global response. The data that has informed the valuation and market sentiment pre-dates the outbreak and hence does not take into account the potential impacts. At this time, the extent of the impacts are yet to be fully realised, so we are limited to speculative commentary.

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<sup>1</sup> Outcomes of industry consultation, the agreed goal for industrial land. 1998 ACT Industrial Land Study by Synectics.

## 2.1 Purpose

The Environment, Planning and Sustainable Development Directorate (EPSDD) engaged Canberra Town Planning in conjunction with Knight Frank Valuation and Advisory to undertake an industrial land demand study within the Australian Capital Territory (ACT) and adjoining areas of New South Wales (NSW).

This report is to support EPSDD with independent market insight, research and analysis on the existing and future supply of industrial land in the ACT. In particular, recommendations are provided with respect to current and forecast levels of demand for industrial land to assist the future release of industrial land and employment land in the ACT, but also the current state of the established industrial market within the ACT and surrounding NSW.

## 2.2 Objectives

The objectives of this study are to:

- Review trends in the demand for land in industrial estates in Australia
- Based on the review of such trends, estimate the likely future demand for industrial land in Canberra by type of use between 2020 and 2035
- Suggest appropriate locations for the accommodation of such demands in the ACT.

## 2.3 Background

The background to this report includes a review of previous reports and policies in relation to Industrial Land in the ACT.

In preparing this report, numerous background documents have been reviewed. Key documents include:

- ACT Industrial Land Policy Review: Discussion Paper 2000 (ACT Government Planning and Land Management) of which we have a copy of a draft from November 2000.
- ACT Eastern Broadacre, Economic and Strategic Planning Direction Study (MacroPlan Australia) March 2009
- Planning for Eastern Broadacre Area – a discussion paper (ACTPLA, 2010)
- Industrial Land, Demand in the ACT 2011 – 2026 (CBRE) 2011.
- Residential and Economic Strategy 2015-2031 (Queanbeyan City Council)
- A Metropolis that Works (Greater Sydney Commission), Thought Leadership Series: TLP 2018-1, October 2018
- ACT Planning Strategy (ACT Government) 2018
- Moving Canberra 2019-2045, Integrated Transport Strategy (TCCS) 2018
- Canberra Airport Master Plan 2020, Canberra Airport

These reports provide important background information that has been used to identify trends or ongoing themes to be addressed.

A full list of references is provided at Section 9.

The location of employment lands within the ACT is set by the National Capital Plan and the Territory Plan. The National Capital Plan sets the broad structure of the city with a hierarchy of centres and identifies key locations for employment and industrial land uses. A material departure from this structure would need to be supported by both the National Capital Authority and the ACT Planning Authority.

## **2.4 Definition of Industrial and Employment Land**

### **2.4.1 Industrial Land**

For the purposes of this report, industrial land within the ACT generally consists of land in the Industrial Zones. These are IZ1 General Industrial Zone and the IZ2 Mixed Use Industrial Zone.

Importantly however, it also considers other land where industrial uses are permitted, such as the recently established industrial precinct of Beard which is zoned Broadacre (NUZ1) but has additional uses permitted via the relevant precinct code, which is a departure from the normal planning arrangements.

In NSW industrial land is identified by various zone codes as defined in the LEP, but is typically described as Industry (General, Heavy, Light etc). In NSW light industrial land uses are also permissible in the B7 Business Park and B6 Enterprise Corridor zones, so light industrial uses tend to cross over into these business zones. This is similar to the ACT where light industrial uses are permissible within the Commercial CZ3 Services Zone.

Due to the nature of the permitted uses, industrial land is normally set apart from sensitive land uses. The location is normally prioritised by the availability of large, relatively flat sites and access to transport opportunities.

Table 2 and Table 3 on the following pages identify the industrial and employment land areas in the ACT and in nearby NSW based on the land use zone areas.

### **2.4.2 Employment Services Land**

Employment Services land is predominantly land zoned Commercial CZ3 Services in the ACT. In NSW it may also be identified as a B7 Business Park, B6 Enterprise Corridor or Special Purpose zone.

Land zoned CZ3 provides for a wide range of light industrial and employment generating commercial opportunities where the critical consideration is the proximity to their markets. Unlike Industrial Land, Employment Land needs to be spread in suitable locations throughout the urban area.

### **2.4.3 Land in other Zones**

There is some elasticity in the definition of land use zones because some of the permissible uses may be shared cross zones. Within the ACT, some of the other zones (such as CZ5 – Mixed Use) provide opportunities for employment activities. The sharing of uses between zones makes it more difficult to provide firm predictions about supply and demand. In this context, the most critical land uses to consider are those that are only permissible in a narrow selection of zones. Industrial uses tend to fall into this category, whereas retail and other uses are permissible more broadly.

The issue of existing use rights is a relevant consideration for older areas where historical uses pre-date contemporary planning schemes. This is common in many older parts of Sydney but is less applicable in the ACT. It can result in areas of industrial and employment land occurring outside the planned and zoned areas.

The Canberra Airport also has the ability to cater for a wide range of employment and industrial uses providing an alternate location for these opportunities.

# 3

## Current Industrial and Employment Land Areas

Table 2 below summarises the currently zoned Industrial and Employment lands within the ACT. Table 3 summarises land in NSW within approximately 1 hour driving time.

Within the ACT the main Industrial Areas are at Fyshwick, Hume and Mitchell. These provide the majority of the IZ1 and IZ2 land use zones.

There are approximately 495 hectares of IZ1 General Industrial land in the ACT and 380 hectares of IZ2 Industrial Mixed use land.

Table 2 also includes divisions (suburbs) with more than 5 hectares of Services, Industrial and Broadacre land. This highlights the town and group centres with Commercial Services land, the Industrial Areas and the main Broadacre areas.

The Services areas are located at each of the town centres and at the larger group centres. There is approximately 160 hectares of CZ3 zoned land.

Given the current limits of industrial zoned land in the ACT, opportunities for future employment and industrial areas are primarily identified within the Broadacre land, particularly in the areas to the east of the urban area. These future areas are discussed in Section 7.1.

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<sup>2</sup> As at June 2020, 17564 Hume Highway Towrang (5 km north of Goulburn) is advertised for sale. This 102 hectare site of undeveloped Industrial Zoned land has access to the Hume Highway and adjoins the Railway. The asking price is \$5 million or \$5 m<sup>2</sup>.

In nearby NSW there are several areas of industrial and employment land that could be considered by businesses looking to establish in the region. These lands may have attributes that would make them attractive to particular businesses such as proximity to primary production, transport or the relatively low cost of land<sup>23</sup>.

Figure 2 maps the current industrial and employment land in the ACT and Queanbeyan. The map also illustrates the main road and rail transport opportunities and the areas affected by ANEF contours associated with the Canberra Airport. Notional buffers of 3 kilometres around employment land and 5 kilometres around industrial land provide a general indication of areas of the city that are served by these land use types. Some areas of the city at northern Gungahlin, western Belconnen and southern Tuggeranong lie outside these buffers.

Figure 3 maps the regional context. It highlights the localities with industrial and employment land that are within a radius of approximately 1 hour travel time. The large industrial zoned areas at Goulburn and Woodlawn are noteworthy.

<sup>3</sup> As at June 2020, 39a Ross Street Goulburn is advertised for sale. This is a serviced but vacant 3404 m<sup>2</sup> IN1 General Industrial Site in the Bradfordville Industrial Area. The asking price of \$459,000 (+GST) equates to \$135 m<sup>2</sup>.

Table 2 – Industrial & Employment Land areas in ACT (ha)

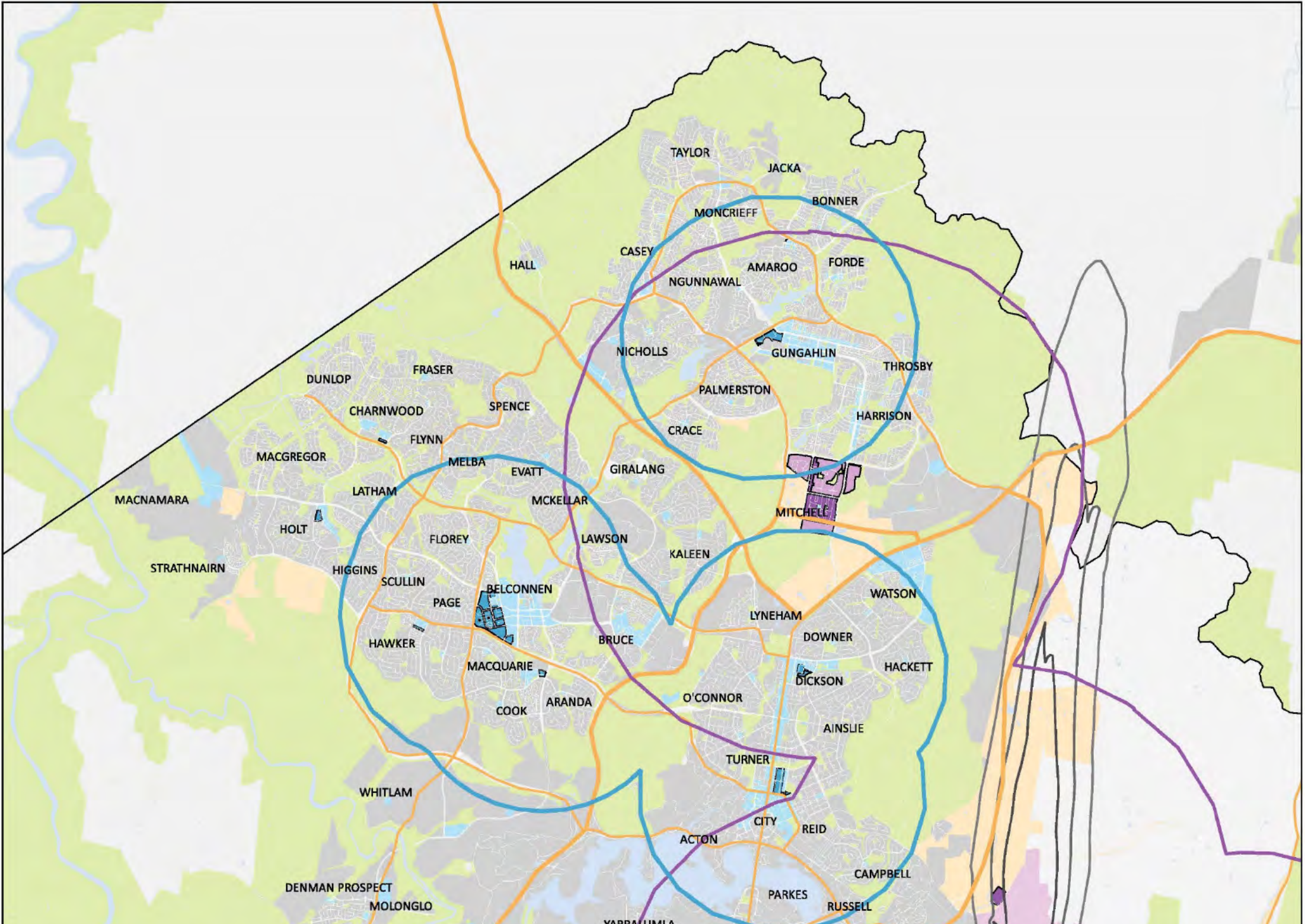
Suburb	Commercial Services CZ3	General Industrial IZ1	Mixed Use Industrial IZ2	Broadacre NUZ1	Grand Total hectares	Commentary
BEARD				38.0	38.0	Noting that the Industrial Area of Beard is in Broadacre Zone
BELCONNEN	43.7				43.7	Town Centre Service and Trades
BRADDON	11.7				11.7	Now substantially redeveloped for mixed uses including residential.
CANBERRA AIRPORT				4,698.5	4,698.5	The area of the Canberra Airport Lease <sup>4</sup>
CURTIN	0.5			44.2	44.6	The Broadacre area is the Curtin Horse Paddocks, recently identified for embassy and residential uses.
DICKSON	6.0				6.0	Group Centre Service and Trades
FYSHWICK		50.5	304.2	16.5	371.2	Predominantly zoned IZ2
GREENWAY	22.9				22.9	Town Centre Service and Trades
GUNGAHLIN	10.0				10.0	Town Centre Service and Trades
HUME		316.3	2.2	1,310.6	1,629.1	Predominantly zoned IZ1
LYNEHAM				130.8	130.8	Includes Thoroughbred Park
MITCHELL		84.9	44.9	55.3	185.1	
NARRABUNDAH				6.6	6.6	
PHILLIP	36.5				36.5	Phillip service and trades precinct.
PIALLIGO			9.2	694.9	704.1	
SYMONSTON		12.4	14.6	789.6	816.5	The industrial land includes the former AMTECH estate
WANNIASSA	5.4				5.4	Group Centre Service and Trades
WESTON	5.7				5.7	Coolleman Court
Non Urban		31.4		3,116.9	3,148.3	The IZ1 zone consists of 16 hectares at south Hume and 15 hectares east of Mitchell in Gungahlin District
Grand Total	159.9	495.5	378.7	10,906.9	11,940.8	

<sup>4</sup> Note that the Canberra Airport is subject to a separate planning process that is controlled by the Australian Government Department of Infrastructure, Transport, Regional Development and Communications.

Table 3 – Industrial & Employment Land areas in nearby NSW (ha)

<b>Locality</b>	<b>Business Park B7</b>	<b>General Industry IN1</b>	<b>Light Industry IN2</b>	<b>Heavy Industry IN3</b>	<b>Grand Total</b>	<b>Commentary</b>
BUNGENDORE			16.5		16.5	
COOMA		184.9			184.9	
CRESTWOOD		12.0	11.6		23.6	
GOULBURN		389.6	16.0		405.6	
JERRABOMBERRA	39.3				39.6	
MARULAN		469.7	193.2		662.9	
QUEANBEYAN EAST		109.9	24.5		134.4	
QUEANBEYAN WEST		57.8	7.6		65.4	
WOODLAWN				3934.1	3934.1	
YASS		139.2	25.1		164.3	
<b>Grand Total</b>	<b>39.3</b>	<b>1363.1</b>	<b>294.5</b>	<b>3934.1</b>	<b>5631.3</b>	

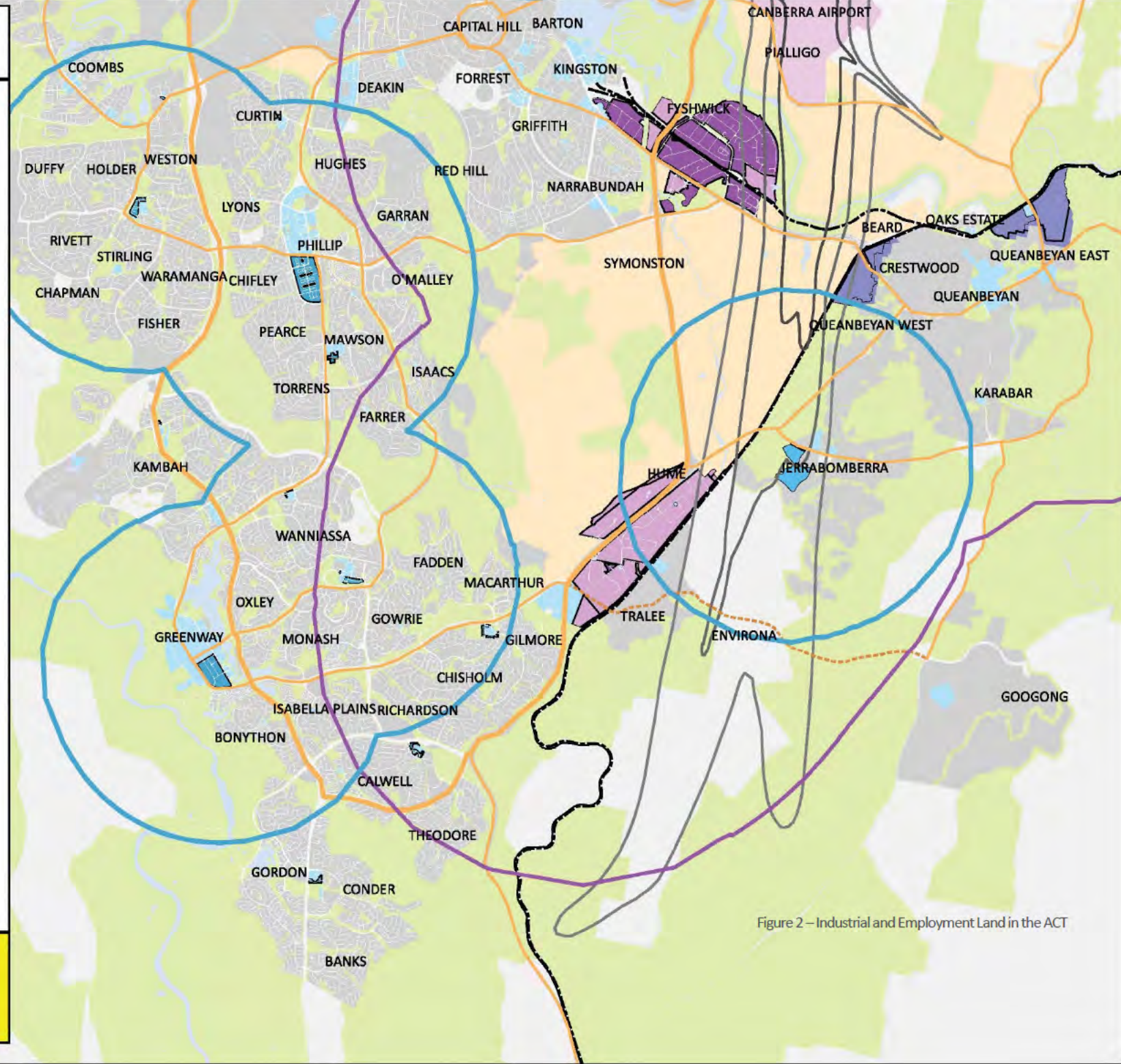
These areas are identified in Figure 2 and Figure 3.



# Current ACT and Queanbeyan Employment and Industrial Land

## Legend

-  ACT Border
- ANEF Contours
  -  20
  -  25
  -  30
- NSW Zoning
  -  Business Park
  -  Commercial Areas
  -  Environmental Zones
  -  Industrial Zones
  -  Residential Zones
- ACT Zones
  -  Commercial Zones
  -  Commercial Services
  -  General Industrial
  -  Mixed Use Industrial
  -  Broadacre
  -  Environmental Zones
  -  Residential & Urban Areas
- Roads
  -  Major Freight
  -  Regional Roads
  -  Proposed
  -  Employment Land - 3km Buffer
  -  Industrial Land - 5 km Buffer



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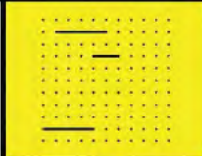
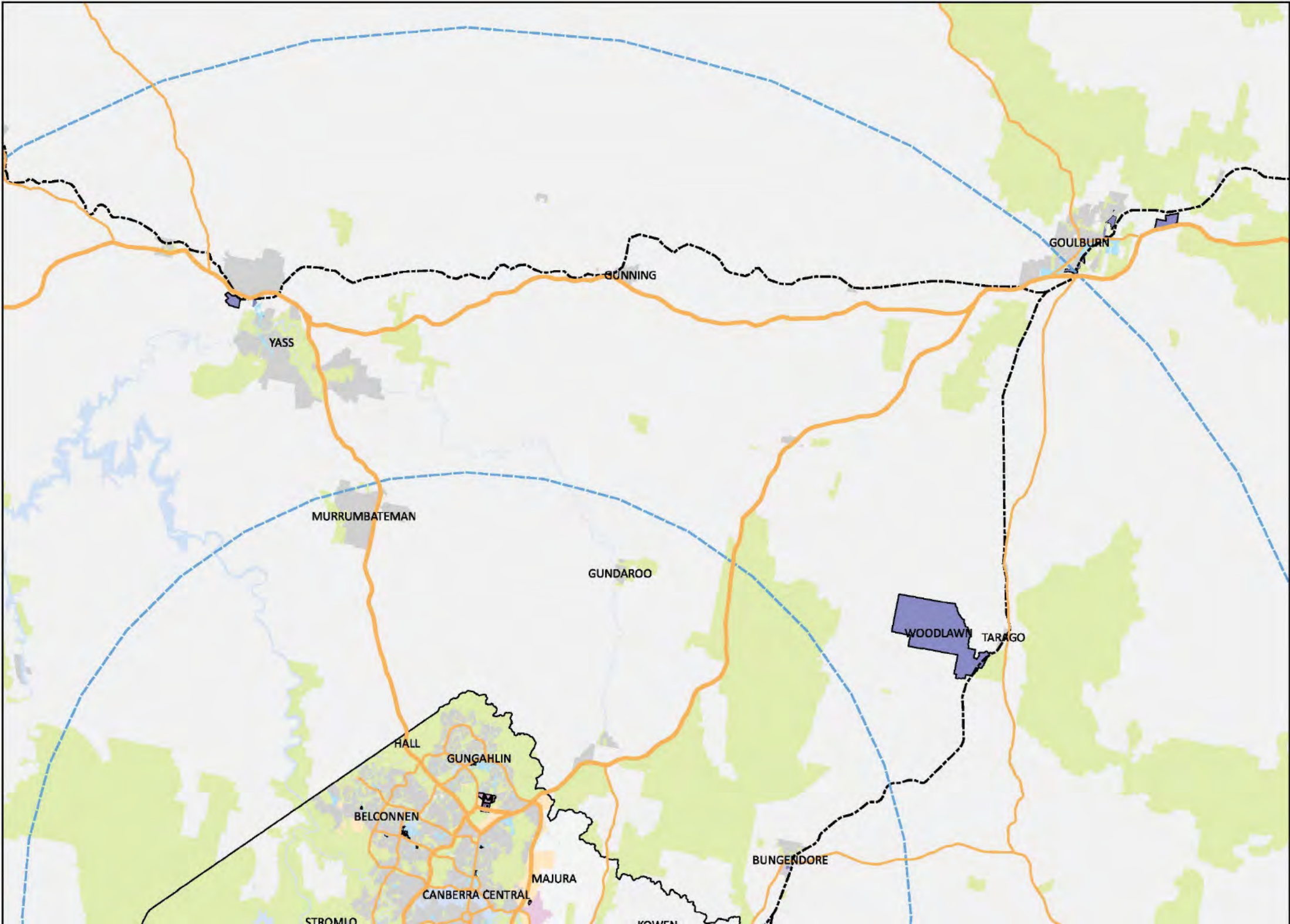




Figure 2 – Industrial and Employment Land in the ACT



### Current ACT and Region Commercial and Industrial Land

#### Legend

-  ACT Border
-  Approx 0.5 & 1 hour from Canberra

#### NSW Zoning

-  Business Park
-  Commercial Areas
-  Environmental Zones
-  Industrial Zones
-  Residential Zones

#### ACT Zones

-  Commercial Zones
-  Commercial Services
-  General Industrial
-  Mixed Use Industrial
-  Broadacre
-  Environmental Zones
-  Residential & Urban Areas

#### Roads

-  Major Freight
-  Regional Roads
-  Proposed
-  Rail Corridors

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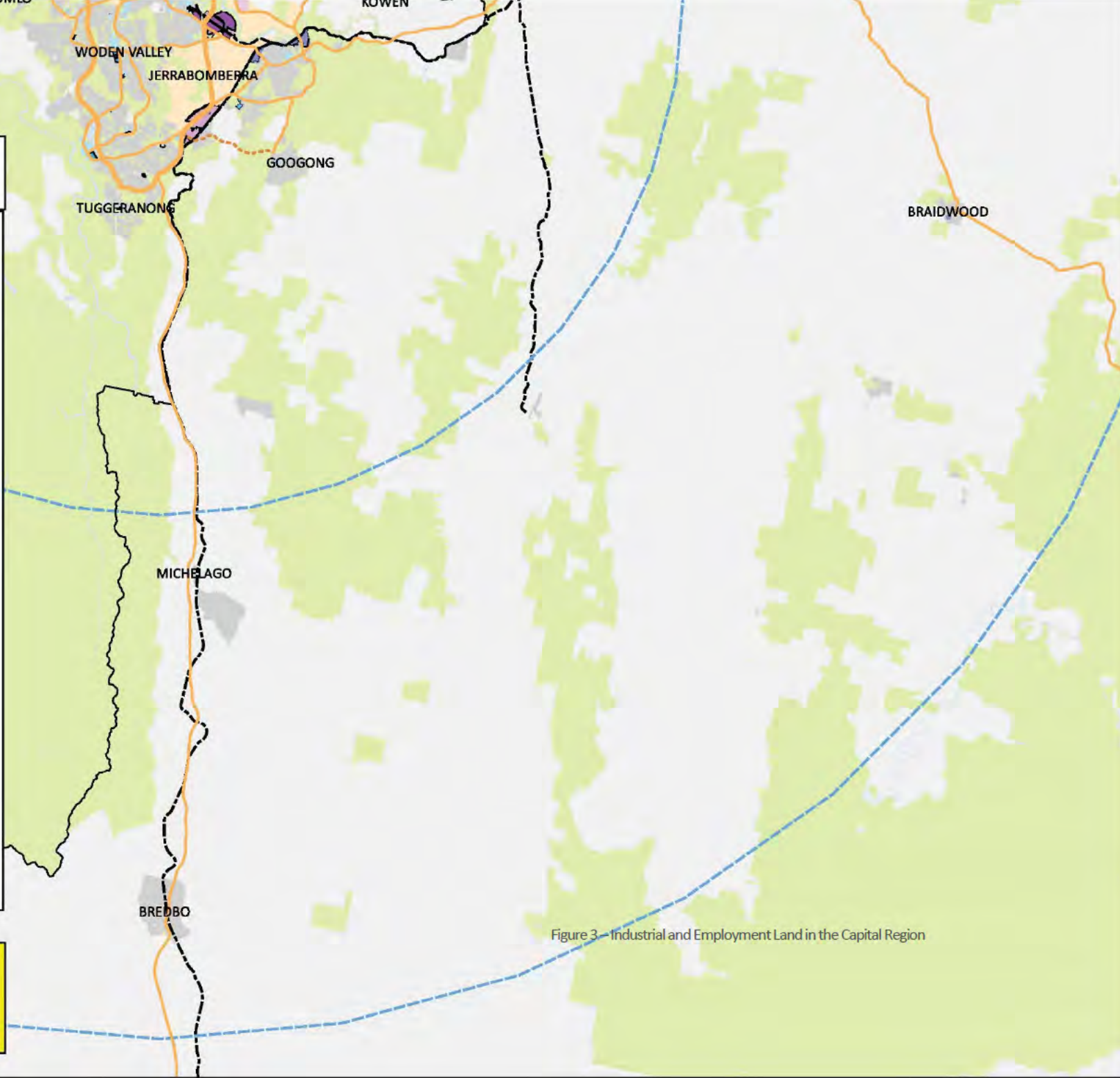
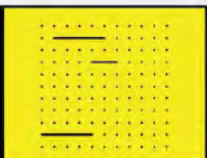


Figure 3 – Industrial and Employment Land in the Capital Region

# 4

## Policy Reviews

### 4.1 Policy Review 2000

In the year 2000, a discussion paper on Industrial Land was prepared by the ACT Government. The discussion paper identified issues for consultation prior to a proposed review of the Territory Plan Industrial Policies. It provided a summary of planning context at the time, identified past trends in supply and demand for industrial land and raised issues relevant to industrial land use in each of the industrial estates.

The following is a summary of relevant points.

#### 4.1.1 Planning Context

At the time of the policy review, the context of industrial land planning was considered in relation to the ACT Budget, the State of the Territory Report and the ACT and Sub-region Planning Strategy.

A number of policies and reviews were identified as being relevant as per the discussion below.

The ACT Government was keen to encourage private sector business and had specific strategies for business sectors including:

- The wine industry
- Information technology
- Call centres
- Environmental technology and
- Tourism development

There was also a business incentive scheme that aimed to create economic growth and new employment opportunities by providing incentives for the relocation and expansion of business activity.

The land release program was identified as aiming to maintain flexibility for a range of industrial activities.

The National Capital Plan then, as it does now, provided the overarching planning policy for the ACT. At the time, the plan identified the locations of industrial centres at Fyshwick, Mitchell, Hume and Bruce within the urban area. It also identified large areas of Broadacre land – a zoning used to identify land that may be used for higher order uses in the future.

The Territory plan was described as providing land use policies for activities in the three main industrial areas, Mitchell, Fyshwick and Hume. These areas were described as providing regional and metropolitan manufacturing, warehousing and storage and premises for the building and construction industry, hardware, household furnishings and motor vehicle sales and service.

In addition, mixed services areas [CZ3 Commercial Services zone] in district Town Centres were identified as having government depots, car sales and service, household hardware and small scale retailing. Some group centres also had, and continue to have, small mixed services areas.

There were three special industrial areas:

- **Symonston** for advanced technology manufacturing
- **Bruce** for office and high quality technology and business park development [since rezoned for mixed use], and
- **Harman** [now Beard] for hazardous and offensive industry

Planning policies for clearance zones were also established around Canberra Airport (ANEF 25), Mugga Quarry (1km) Parkwood eggs [near Belconnen landfill], Mugga and Belconnen Landfills and the Abattoir [at Beard] (500m). The details of the clearance zones have changed over time, but the principle remains established.

The Jerrabomberra Valley had been ruled out for urban settlement and substantial areas were identified for the protection of threatened species, but some areas were potentially identified for industrial, commercial or community uses [this is consistent with the ACT Planning Strategy's Eastern Broadacre investigations].

The Canberra Airport Master Plan dated 1999 identified a proposed 25 hectare freight hub to be developed over 5-10 years in the north west precinct.

The ANEF (Airport Noise Exposure Forecasts) contours around the Airport were identified as a constraint on urban development but an opportunity for industrial development in the Jerrabomberra Valley.

#### 4.1.2 Issues with Industrial Land Provision

The general issues raised in the 2000 review included:

"The development of a freight hub and business park at Canberra Airport with a range of permitted industrial and commercial uses will have impacts on industrial areas in both Queanbeyan and the ACT".

"... Releasing industrial land for a wide range of industrial purposes increases the land value above that affordable by some industrial uses".

"... Removing restrictions on retailing will result in higher rental values and need for more industrial land and infrastructure capital works".

"... Permitting more residential use in commercial centres will reduce opportunities for commercial and industrial activities".

".. Future planning for industrial areas needs to ensure that the road layout enables manoeuvrability for long vehicles. Bridge capacities need to be sufficient for heavy vehicles".

These general issues remain relevant in 2020.

In February 2000 there were 239 hectares of vacant land in the four ACT industrial estates [Fyshwick, Mitchell, Hume & Symonston]. This compares to 2020 wherein there is the equivalent of 190 hectares of vacant industrial zoned land in the ACT (refer to Table 10 on page 72)

Over the 20 years from 1980 to 1999, 167 hectares of land was developed and leased in the four Canberra industrial estates. The annual average uptake was 8.37 hectares.

Over the five years 1995 to 1999, 36 blocks with a total area of 21 hectares were leased: an annual average of 4.21 hectares. The distribution of block sizes was one-third under 3000m<sup>2</sup>, 15 between 3000m<sup>2</sup> and 6000m<sup>2</sup> and 10 between 7500m<sup>2</sup> and 15,000m<sup>2</sup>. A 3.2ha block was created via the amalgamation of two 1.5ha blocks after acquisition.

It was considered that there was sufficient land within existing industrial estates to meet aggregate demand over the next five years, provided this did not exceed the 20 year average. However, there was insufficient land with appropriate land use policy to meet locational preferences and large block sizes over 10 hectares.

It was recognised that the supply and demand balance would be affected by government policies regarding land release, direct sales, business incentives and land uses permitted in the Territory Plan. Marketing the ACT as an industrial location could increase demand for land and reduce the choice of suitable locations for particular industrial activities.

The key issues raised in relation to each area included:

- "In Fyshwick the key issues include the future of the Minor Industrial Area [the small lots north of Cessnock Street], links with the airport freight zone, implications of airport industrial development, level of warehouse vacancy, the scarcity of large blocks, demand for bulky goods retailing, development constraints and traffic and parking from increased commercial uses".
- "In Symonston the major issue is the best use of the Amtech estate and its future as an advanced technology park".
- "The major issues identified at Mitchell include its relationship with the Gungahlin Town Centre, the extent to which the expansion of retailing should be permitted, lease compliance, potential expansion and the scarcity of large sites".
- "At Hume issues include transport, water and sewer links to NSW, the outline planning for south Hume, demands for large land uses, the resource recovery estate, the native title claim and the gas powered power station".
- "At the Harman [now know as Beard] industrial area, key issues are the use of the abattoir site. The appropriateness of the location for offensive industries and a wider range of industrial uses, proximity to urban areas in Oaks Estate and Queanbeyan and impact on the future Queanbeyan bypass route".

Of these issues only the Hume native title claim and the gas power station proposal are no longer potential considerations.

#### 4.1.3 Summary

It is clear that many of the issues raised in relation to employment and industrial land in this review, 20 years ago, remain relevant considerations that have only changed subtly over time.

The intention of this report is to learn from previous discussions, and to make informed recommendations looking to the future.

New issues are becoming apparent that were not considered in the 2000 review, these include the introduction of sensitive uses within the industrial zones that are leading to land use conflicts, and the encroachment of residential development around Mitchell and potentially Fyshwick and even Hume (at Tralee). These considerations are discussed in Section 5.3.

## 4.2 Summary position in 2011

A report by CBRE in 2011<sup>5</sup> summarised the supply and demand for industrial land in the ACT at that time.

It was identified that there were approximately 193 hectares of undeveloped industrial land in the ACT.

Over the preceding 25 years there was an average take up rate of approximately 8 hectares per year. At this rate, the available land represented approximately 24 years' supply.

In addition, a proposed rezoning in South Jerrabomberra (NSW) had the potential to bring a further 130 hectares of employment land to the market and potentially compete with the ACT. It was recommended that this potential be acknowledged but as the rezoning was outside the control of the ACT, it should not be relied upon to meet regional demand.

The potential for redevelopment of existing employment land within the ACT was expected to bring some uncertainty to the supply and demand for new land releases, as were several other factors discussed in the report.

Many of these factors remain relevant today and are discussed in Section 6.1 of this report.

The demand for industrial land that was modelled at the time (2011) suggested that 190 hectares of new industrial and employment land would be required over the 15 years from 2011 to 2026.

This is equivalent to 12.6 hectares per year which was approximately 50 per cent more than the historical average of 8 hectares per year. The increased requirement was driven by population growth and the expectation that service and trades type uses would be displaced from the town centre services areas in the absence of planning policies to protect them, and that West Fyshwick would be rezoned for higher order uses.

High and low demand scenarios were modelled and they demonstrated that there was a relatively broad range of possibilities in terms of demand. This led to the conclusion that it is very important that the rate of delivery of land to the market remains flexible, is continually monitored and is adjusted to match emerging trends.

The conclusions and recommendations of the CBRE report were looking forward 15 to 40 years into the future. As we are only 10 years into this timeframe, they have been revisited and to some extent form the basis of updated conclusions and recommendations in this report. These are presented in Section 8.

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<sup>5</sup> Industrial Land Demand in the ACT (CBRE) 2011 - 2026

### 4.3 Strategic Planning 2018

In a very broad sense, the Planning Strategy divides Canberra into three areas.

- The existing urban area for infill urban development in a manner that is unlikely to support industrial land uses and where existing services areas will need to be protected or they will be lost. Almost all the existing CZ3 service and trades areas are within areas identified for Urban Intensification.
- The area to the east that is connected to major transport links, contains existing industrial areas, and is affected by aircraft noise, that is well suited to be the focus of industrial development.
- The area to the west that may be best suited to greenfield urban expansion to cater for a growing population. This will need to be accompanied by associated employment and services land to ensure that all urban areas can operate efficiently.

The informal division of Canberra into east, central and west as described above is an overlay on the established principle of districts and town centres. The logic of the town centres was to enable distributed employment and efficient use of transport infrastructure, avoiding tidal flow in a single city centre.

The planning strategy reaffirms that the ACT Government will “support continued diversification of the economy by ensuring the supply of future employment lands, protecting existing employment areas and strengthening the role of centres and activity nodes across the ACT.”

Strategic Direction 2.5 commits to:

“Plan for adequate employment land in the right location that supports a diverse range of uses including commercial and industrial land linked to supportive infrastructure, transport options and investment opportunities.”

This high level thinking about the layout of Canberra is also important in determining the appropriate location for land opportunities in the short, medium and longer term.

### 4.4 Sydney, A Metropolis that Works

The Greater Sydney Commission presented a Thought Leadership paper titled ‘A Metropolis that Works’ in October 2018.

While Sydney is a vastly different city to Canberra, there are issues associated with employment and industrial land that are shared. The following extracts from the report are considered relevant to consideration in Canberra.

“Amid Greater Sydney’s growth in the knowledge economy, the story and importance of our industrial and urban services activities get somewhat overlooked.”

“The value of industrial and urban services land should not be based only on the volume and types of jobs generated, but the operational role and function it plays throughout the city.”

“As well as transport intermodals and logistics hubs, these lands also play a key role in supporting local urban services,…”

“...industrial and urban services land is an integral component: relinquishing it in the face of shorter term imperatives is likely to be costly in the long term because once the land has moved to a higher value use, it is highly unlikely ever to be converted back.”

“...there is also a need for a long-term, spatial approach to providing employment areas in newly developing parts of the metropolis.”

“Far from advocating for the status quo, this Paper identifies this land as evolving and advancing to be at the forefront of helping our cities demonstrate resilience in adapting to automation, new format logistics and the need to stimulate employment activities that lead to a more equitable and efficient metropolis.”

“The nature and scope of industrial and urban services activity will dramatically change: we are currently seeing the power of disruptive technologies and service models to reorganise how things get done and the accompanying spatial impacts. However, the need for jobs that serve and are part of the community, will still very much exist – and as the population increases – will grow.”

“A global city metropolitan centre is not simply defined by gleaming office towers and shopping centres but underpinned by high levels of interdependency between our city centres and proximate education and health precincts, sports and recreation precincts and strategic industrial lands”

“Mixed-use certainly has an important contribution to make in terms of revitalising city neighbourhoods, but the risks of starting to allow residential development to infiltrate industrial lands are high. Although there may be fair compatibility between some urban services and higher density residential, this is not universal.”

“More significantly perhaps, introducing residential uses to the city’s ‘working spaces’ brings with it a change in land pricing signals which will undermine retention of employment uses over time.”

“We need spaces ‘in the tank’ – patient spaces – so that Greater Sydney is best placed to respond to those shifts.”

The issues that are raised in the Sydney context are equally relevant to the industrial and employment areas of Canberra. The key message is to value employment lands for their contribution to a functional city, not just the land value, and to ensure that these employment lands remain distributed throughout the urban areas to facilitate efficient living and working arrangements.

# 5

## Current Conditions

This section of the report discusses national trends and considers whether these translate to the local conditions.

It also looks at the supply and market conditions for industrial land in each of the main industrial areas of the ACT and local region.

An analysis of recent market activity presents a view of current preferences and trends.

Finally, the broader conditions are considered, including factors that are substantially outside the control of the ACT Government, such as development at the Canberra Airport and in surrounding NSW.

Disclaimer: the discussion of market conditions is based on the market immediately prior to the COVID-19 outbreak. While the outbreak has had a major effect on the global and local economy, there is an expectation that this is a temporary effect and over the timeframe that this report is considering, business will return to a more normal trajectory. The general expectation is for some step changes and a slow return to more normal circumstances. A discussion of the likely step changes is presented in Section 6.1.13.

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<sup>6</sup> ABS 1301.0 – Year Book Australia, 2012, Industry structure and performance, Evolution of Australian Industry.

### 5.1 National Economic Trends

This section of the report summarises historic and recent national trends that provide relevant background information to the future of industrial and employment land demand in Canberra and the region.

#### 5.1.1 Evolution of Australian Industry

The Australian economy has changed character over the time, from primary and secondary industries growing towards the tertiary industry that is now the dominant focus. The restructure of Australian industry has led to changes in demand for the industrial land market.

The Australian Bureau of Statistics provided a succinct summary of changes from the late 1700's all the way through to the early 2000's in the *Year Book Australia*<sup>6</sup>.

The full summary was quoted in the CBRE 2011 report on industrial land, but the key points are:

- From 1788 to 1820 focus was on producing the bare necessities of life.
- From 1820 to 1850 the pastoral industry led the economy, primarily wool, but this also led to growth in supporting industries.
- In the 1850's and 60's gold became the major export earner leading to an expansion in banking and commerce.
- Public works activity in the 1870's led to an expansion in manufacturing, so that by the 1900's the economy had a broad base in agriculture, manufacturing, mining, construction and service industries.
- Manufacturing was strong in the early 1900's and its strength helped with the efforts associated with the two world wars.
- After the second world war the economy grew strongly, and the manufacturing sector's contribution peaked at nearly 30% of GDP in the late 1950's and early 1960's.
- A global recession sparked by the oil crisis in the 1970's slowed growth in all sectors. Modest employment growth was mostly in the service industries.
- The 1980's and 1990's saw continued growth of service industries and a decline in the relative contribution to GDP by goods production, particularly manufacturing.
- This trend continued into the early 2000's. Manufacturing's share of GDP has continued to decline, and the service industries have continued to grow.

This brief summary of change illustrates that over the medium to long term the focus of the economy can change. With a change in focus, the need for different land uses will also change.

While the percent contribution to GDP of the traditional industries that would require industrial land may have been in decline, the population and the economy has grown continuously since the early 1990's, increasing the overall demand for all types of employment land.

### 5.1.2 Contribution to GDP & Employment

The Australian economy has changed dramatically over past 20 years. In 2018-2019, the Australian economy expanded by 1.9%, which was the 28<sup>th</sup> year of continual economic growth.

Mining contributed the largest share to GDP (10.2%), followed by Financial and Insurance Services (9.3%) and Construction (8.0%).

In 2018-2019, the largest increase in industry share of GDP was for Health Care and Social Assistance (7.4%) due to strong expenditure in the health industry, followed by Mining (6.1%) which is driven by oil and gas extraction. The largest fall in industry share of GDP was for the Construction Industry (down 3.4%).<sup>7</sup>

The Australian Bureau of Statistics (ABS) release employed people by Industry data. In November 2019, nearly 13 million people were employed in Australia.<sup>8</sup> This is consistent with the recent trend of overall job creation.

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7 ABS 5204.0 – Australian System of National Accounts, 2018-2019, Analysis of Results

8 ABS 6202.0 – Labour Force, Australia, November 2019

Data from 2018<sup>9</sup> also suggests that among various industrial categories:

- Mining and Construction grew strongly,
- Manufacturing grew but to a lesser degree
- Wholesale Trade was mixed across various metrics
- Agriculture, forestry and fishing decreased, partly due to drought
- Professional, scientific and technical services had the strongest employment growth of all industries
- Health care, social assistance and Administrative support also grew strongly.

These recent trends are consistent with a national economy that is evolving towards a technology and services base.

The current COVID-19 global pandemic is likely to have differing impacts on various sectors of the economy. It is likely to take some time before the medium term impacts are apparent in the ABS data.

### 5.1.3 Recent National Market Trends

In terms of the market for industrial property development, industrial development activity on the Eastern Seaboard has been increasing, with the pace of growth accelerated in Sydney and Melbourne on the back of an upturn in speculative development projects. An estimated 422,000m<sup>2</sup> of speculated stock (GFA) was completed across Sydney, Melbourne and Brisbane in 2018, with volumes (particularly in Sydney) almost 250% above the annual average. Speculative developments in 2019 were estimated at 560,000m<sup>2</sup>, with Melbourne's western corridor having the greatest expansion being almost double what was delivered in 2018. Similarly, development of new facilities in Adelaide over the past 24 months and sales activity over \$5 million exceeded \$450 million in 2019 well above the 10 year average of \$179 million.

In recent years the largest transformation of the industrial sector has been e-commerce. The evolution in internet-based business, i.e. the buying and selling of goods and services over the internet and the value transfer of goods is expected to reach \$27 trillion globally in 2020.

For industrial/logistics markets the major influence has been the transport and storage of goods, purchased or sold via the internet. This is a result of online shopping that has increased particularly over the past 3 years and is likely to continue to become the major driver of demand. There is early evidence that the COVID-19 pandemic has accelerated this trend<sup>10</sup>. Not surprisingly, take-up trends suggest that demand is being strongly driven by transport/logistics and retail growth, as well as some light manufacturing.

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<sup>9</sup> 8155.0 - Australian Industry, 2017-18

<sup>10</sup> Online reference. ABC News Retailers reconsider need to reopen all stores as COVID-19 disruption sends shoppers online. <https://www.abc.net.au/news/2020-05-20/coronavirus-sends-shoppers-online-retailers-reconsider-stores/12259808>

The top ten e-commerce websites in Australia<sup>11</sup> are summarised in Table 4.

Table 4 – Top 10 e-commerce websites in Australia

Rank	Company	Monthly site visits (million)
1	E-Bay	69.6
2	Amazon	22.5
3	Woolworths	20.4
4	JB Hi-Fi	13.3
5	Big W	11.9
6	Coles	10.7
7	Kogan	10.2
8	Officeworks	9.45
9	Chemist Warehouse	9.1
10	Catch	8.95

These businesses are a mix of retail chains that can supplement their existing supply chain logistics with delivery services, and online only stores that need their own warehousing.

The different business models drive demand for different types of spaces – logistics or warehousing. For example, Amazon has opened three warehouses in Australia as its market presence has grown. They are in Melbourne (24,000 m<sup>2</sup> in 2017), Sydney (43,000 m<sup>2</sup> in 2018) and Perth (in 2019). A fourth is planned for Brisbane in 2020.

This type of demand has buoyed developer confidence and development activity has increased significantly over recent years, with many speculative developments occurring particularly within Melbourne and Sydney, as opposed to Brisbane which appeared to peak in 2015/2016. Early in this cycle, especially for Sydney and Melbourne, the level of demand exceeded the ability of developers to complete projects. Demand for online shopping has led to large retailers building their own distribution centres and engaging in third party logistics for their delivery process.

The evolution of e-commerce combined with major infrastructure projects, particularly within NSW has seen demand increase which will continue over the coming decade.

Major projects, such as Badgerys Creek Airport which commenced in 2018 and is due for completion in 2026 will further transform this sector of the market. Pressure on land supply in key metropolitan markets is likely to see continued development of new logistic centres. This demand may create vacancies in older more centralised areas, which could in turn lead to future redevelopment of these areas for higher order uses.

The comparison of local and national trends are important because they suggests that the Canberra - Queanbeyan economy may not be driven by the same elements that effect the national economy. Accordingly, national trends in industrial land supply and demand may not necessarily translate to Canberra and surrounding NSW.

<sup>11</sup>Site visit statistics from April 2020 <https://disfold.com/top-e-commerce-sites-australia/>

## 5.2 Trends in the ACT

### 5.2.1 ACT & Queanbeyan Employment Data

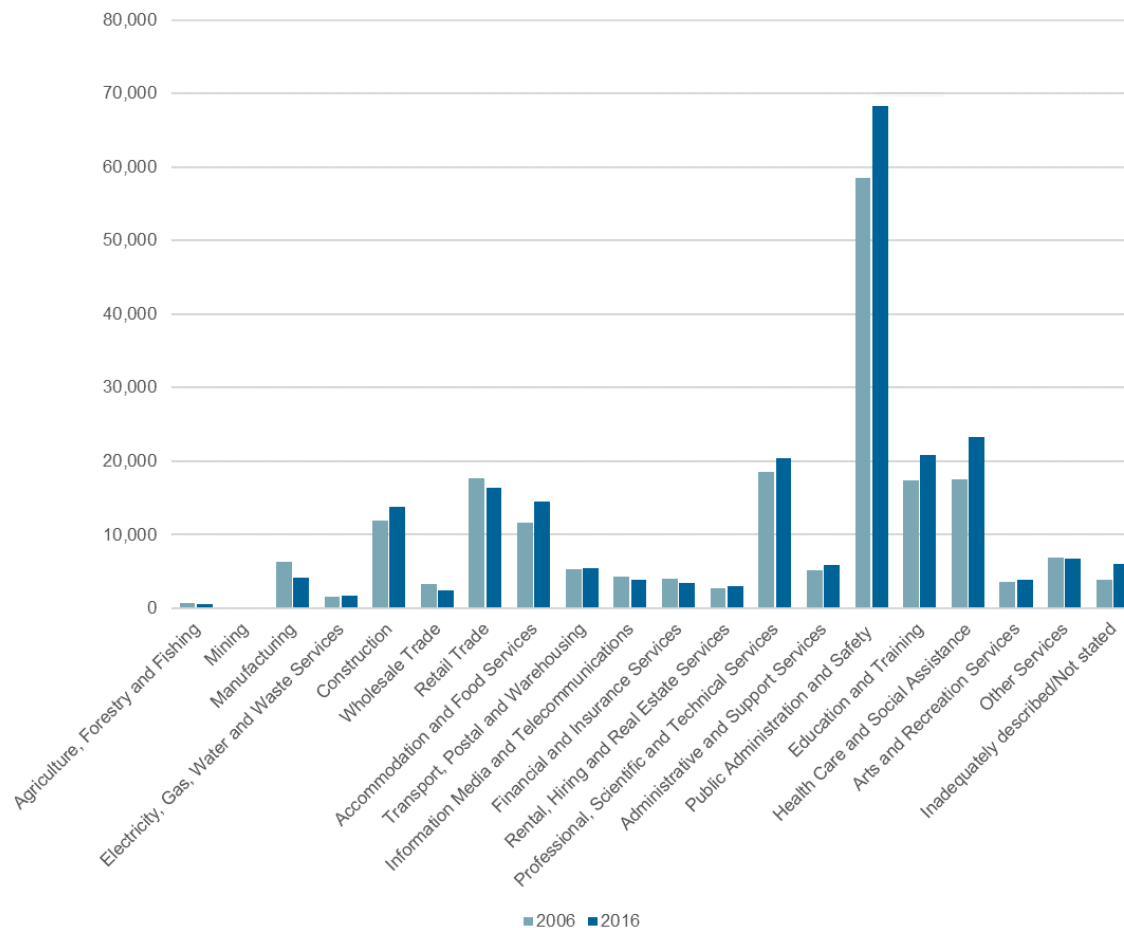


Figure 4 – Employment by Industry, 2006 and 2016

In analysing trends within the ACT and surrounds, we have researched the employment data of ACT & Queanbeyan as set out within the ABS Census. This analysis allows us to investigate the primary industries driving the ACT and provides an indicator for industrial floor space requirements within the region.

Figure 4 indicates the ACT & Queanbeyan employment data by industry as at the 2006 and 2016 Census.

Overall, the job market has grown by 11.9% between 2006 and 2016 with the main industries driving the ACT remaining unchanged from 2006. The top four industries as at the 2016 Census is as follows:

- Public Administration and Safety (30.4%);
- Health Care and Social Assistance (10.4%);
- Education and Training (9.3%);
- Professional, Scientific and Technical Services (9.1%).

Collectively, these industries occupy 59.2% market share of the ACT employment market, each experiencing growths of circa 10% to 33% since 2016. Following these, the three industries occupying the next 19.9% of market share are Retail Trade (7.3%); Accommodation and Food Services (6.5%) and Construction (6.2%). The remaining 20.9% of the ACT job market comprise 12 industries ranging from Mining at 0.1% to Other Services at 3.0%.

The industries that would normally be associated with use of industrial and employment land have either not grown (Transport & Warehousing) or in some cases (manufacturing, wholesale and retail trade) reduced. Construction, Professional Scientific and Technical Services are two industries that have grown and could be associated with industrial and employment land use.

We have also analysed the changes in individual employment industries in Figure 5.

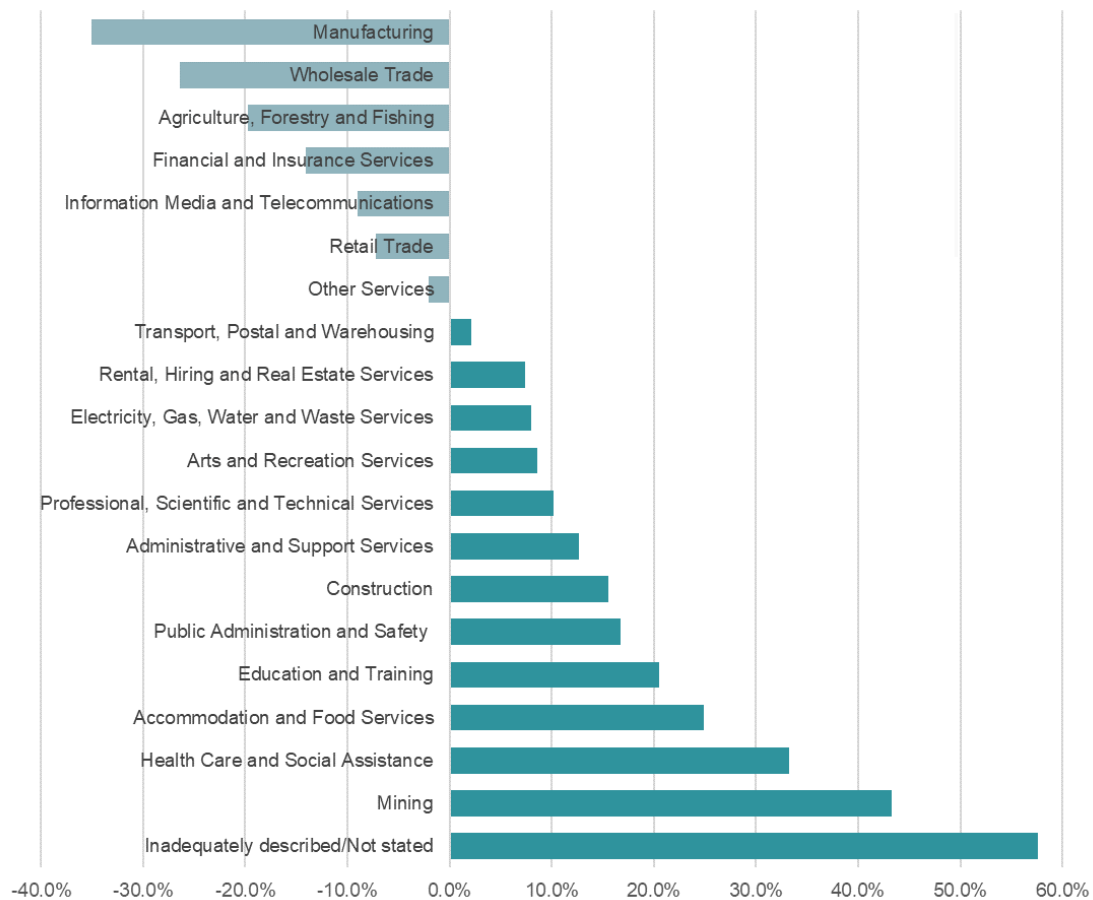


Figure 5 – Employment by Industry, % Change, 2006 and 2016

The two industries with the greatest growth rates represent a very small portion of the total employment, being Mining at 0.1%, and Inadequately described / Not stated at 2.7%. More substantive are increases in Health Care and Social Assistance of 33.2%, followed by Accommodation and Food Services (24.9%).

The greatest declines are shown by the Manufacturing and Wholesale Trade industries, reducing by 35.0% and 26.4% respectively between 2006 and 2016. Both these industries are large contributors to industrial floor space demand. Notwithstanding the shrinkage of these industries, other industries with potential industrial floor space needs such as Transport, Postal and Warehousing and Construction have grown, but not to the same extent.

Although the ‘Inadequately described’ represents a small portion of employment market, the significant growth of this segment suggests changes in employment trends leaning towards ‘the gig economy’. The gig economy refers to workers pursuing task-by-task engagements by various employers instead of the traditional 9-to-5 model. Typically, this work is represented by freelancers and entrepreneurs. This shift, if it persists, could mean a rising need for smaller shared office spaces which often crop up in industrial precincts with ancillary office uses available.

We have also analysed the employment data by occupation. Figure 6 indicates the ACT & Queanbeyan employment data by occupation as at the 2006 and 2016 Census.

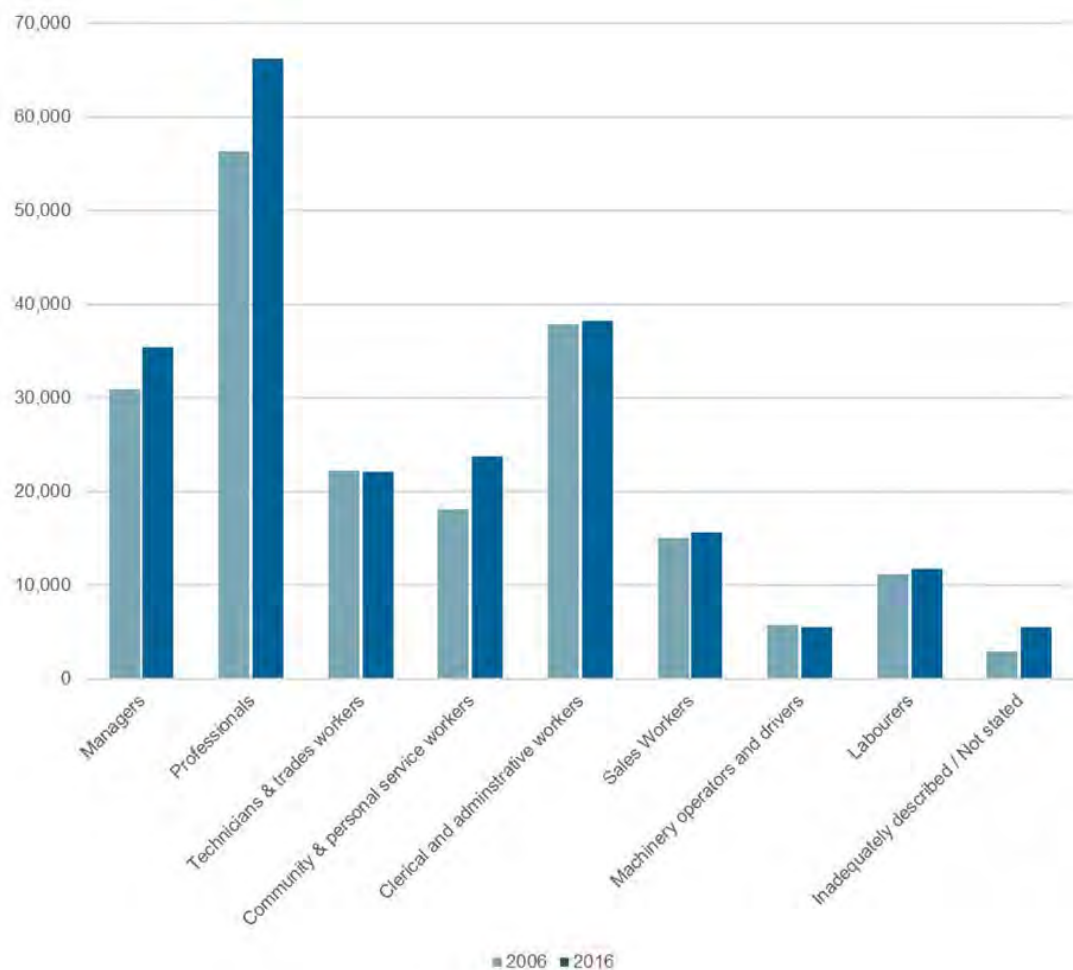


Figure 6 – Employment by Occupation, 2006 and 2016

The ACT region job market is predominantly white-collar, as evidenced by the data illustrated in Figure 6, with the following occupations being the top three held by ACT & Queanbeyan residents:

- Professionals (29.5%);
- Clerical and administrative workers (17.0%);
- Managers (15.8%).

Collectively, these occupations occupy 62.3% share of the employment market, showing an increase of 15% and 18% in Managers and Professionals respectively since 2016.

We have also analysed the changes in individual occupations in Figure 7. As can be seen from the data sets, the Canberra and surrounding region are serviced based industries as opposed to manufacturing, and with other sectors such as health and education expanding in the region this trend is set to continue.



Figure 7 – Employment by Occupation, % Change, 2006 and 2016

Since 2006, there has been a marginal reduction of Machinery operators and drivers, and Technicians & trades workers (by 1-2%). As with the analysis by industry, a significant increase is observed in occupations that are inadequately described / not stated, though overall this segment only represents 2.5% of total occupations within the ACT. Following this category, the occupations indicating the strongest growth are Community & personal service workers, leading at 31.4%; Professionals at 17.6% and Managers at 14.6%.

The data further evidences the continued strength of white-collar jobs within the ACT, with nominal manufacturing-related jobs for which industrial floor space is primarily used.

### 5.2.2 Statutory Charges and Rates

In 2012, the ACT Government commenced a 20-year tax reform program. Since then, general tax rates for commercial properties have risen substantially. The budget for the year 2019/20 indicated a further 6% growth to commercial rates. Given the unpredictable (based on land re-valuations) and significant rate increases, there is concern surrounding the ability to accurately predict rates payable at the end of the 20-year reform.

Property rental incomes have not grown at the same rate to recompense for the current statutory rates increases. Continued unaffordability for building owners will likely result in forced sales and impact negatively on business sentiment in the market. Additionally, this may encourage potential buyers to look beyond the border at options available in Queanbeyan, Goulburn and Yass amongst others.

The increases in rates and taxes by the ACT Government have tightened capitalisation rates that are being achieved, particularly for commercial and industrial unit titled properties. As rental income has not achieved the same growth, when capitalisation rates cannot be tightened, (in particular with significant rate increases), this has seen a decrease in the value of the asset being held.

The increased rates also demand that land owners seek a stronger return from their land that reflects the rates being charged. They can no-longer afford to allow under developed sites to return low rents and may be forced to either re-develop or sell. In either scenario the low-rent paying tenants will be displaced. If these low-rent tenants are providing a convenient and essential service in the community, then the policy implications of higher rates should be taken into consideration. Areas that are most likely to be affected by this are the Commercial Services zones that are already subject to potential redevelopment as Residential and other higher order uses are typically permissible. Almost all of the CZ3 Services zones in the ACT are within the Urban Intensification areas identified in the Planning Strategy 2018.

There has been some discussion within NSW of policies to abolish stamp duty and other inefficient taxes, but there is no fixed policy in place at this time.

## 5.3 ACT Industrial Land Supply

### 5.3.1 ACT Sales Data

Recent ACT Government vacant industrial land sales are presented in Table 5 below. The sales equate to 7.8 hectares in 2016/17 (7 blocks), 0.5 ha in 17/18 (1 block), 3.5 ha in 18/19 (5 blocks), 8.6 ha in 19/20 (7 blocks). Three blocks are 'release ready' for 2020/21 or later.

With the exception of one block in Fyshwick, all sites were in Hume.

The sale prices achieved represent values per square metre between \$100 for the larger sites and \$250 for the smaller sites. Most recent sales have been closer to \$150 per square metre.

In 2011 CBRE identified the typical value for serviced industrial land to be approximate \$275 per square metre. While this suggests that land values have dropped, it is important to consider that Hume, where the recent sales have occurred, is predominantly zoned IZ1 General Industrial. Hume has always been lower in value than the other industrial areas in the ACT that have a greater proportion of IZ2 land that allows for more retail and other higher value uses.

CBRE stated "The release of 10 ha in Hume in 2011/12, in competition with available land at Monaro Industrial Park [also in Hume], is considered optimistic and is expected to put downward pressure on the industrial market". This appears to have occurred but is not considered necessarily be a bad outcome.

Having competitively priced land available for sale over the counter is considered a benefit for the attraction of employment opportunities to the ACT and consistent with the government's policy to broaden the ACT's economic base.

Table 5 – Recent ACT Government Land Sales (note that 2019/20 prices are commercial in confidence)

FINANCIAL YEAR	BLOCK & SECTION	PRICE	AREA	SALES STATUS	\$/m <sup>2</sup>	
2016/17	B11 S21 Hume	\$3,419,350	24,868 m <sup>2</sup>	Settled	\$137.50	
	B10 S29 Hume	\$1,182,500	12,070 m <sup>2</sup>	Settled	\$97.97	
	B3 S29 Hume	\$1,232,000	7,683 m <sup>2</sup>	Settled	\$160.35	
	B4 S30 Hume	\$368,500	1,683 m <sup>2</sup>	Settled	\$218.95	
	B7 S30 Hume	\$434,500	1,974 m <sup>2</sup>	Settled	\$220.11	
	B11 S29 Hume	\$1,760,000	7,109 m <sup>2</sup>	Settled	\$247.57	
	B9 S21 Hume	\$3,080,000	22,671 m <sup>2</sup>	Settled	\$135.86	
	2017/18	B82 S22 Hume	\$885,500	5,032 m <sup>2</sup>	Settled	\$175.97
		2018/19	B84 S22 Hume	\$1,485,000	9,617 m <sup>2</sup>	Settled
B86 S22 Hume	\$968,000		6,079 m <sup>2</sup>	Settled	\$159.24	
B87 S22 Hume	\$1,309,000		9,190 m <sup>2</sup>	Settled	\$142.44	
B85 S22 Hume	\$1,281,500		8,312 m <sup>2</sup>	Settled	\$154.17	
B37 S37 Fyshwick	\$341,000		2,452 m <sup>2</sup>	Settled	\$139.07	
2019/20	B67 S22 Hume	\$1,300,000	9,269 m <sup>2</sup>	Settled	\$140.25	
	B10 S21 Hume		32,211 m <sup>2</sup>	Exchanged, Settlement due June 2021		
	B69 S22 Hume		7,713 m <sup>2</sup>	Under Offer, Exchange due November		
	B70 S22 Hume		5,190 m <sup>2</sup>	Exchanged, Settlement due October		
	B73 S22 Hume		8,413 m <sup>2</sup>	Under Offer, Exchange due November		
	B74 S22 Hume		9,855 m <sup>2</sup>	Under Offer, Exchange due November		
	B68 S22 Hume		13,660 m <sup>2</sup>	Under RFT process		
2020/21	B78 S22 Hume		18,538 m <sup>2</sup>	To be released in 2020-21		
	B83 S22 Hume		6,974 m <sup>2</sup>	To be re-released in 2020-21		
TBC	B75 S22 Hume		11,357 m <sup>2</sup>	Future release		

### 5.3.2 Current Supply

Industrial land supply comes from both the ACT Government through its land release strategy and through the private delivery of land to the market through redevelopment or subdivision.

The historical demand for industrial land within the Territory for the 25 years to 2010 was circa 8 hectares per annum, however this increased in certain years due to the development of major projects such as a 7 hectare site in Fyshwick for the DFO in 2005 and the proposed data centre in Hume in 2010 (which did not proceed). The take-up of vacant industrial land in the 5 years leading up to 2010 was in the order of 10 hectares but this followed a period of constrained supply. We have summarised the take-up of vacant industrial sites from the financial year (FY) of 2008/09 to date in Section 5.5.2. This coincides with the FY in which Beard as an estate was released. Overall, in the ten years from 2009/10 to 2018/19, an average of 63,849 m<sup>2</sup> per annum were sold across Hume and Beard. This represents a drop in supply and hence take-up in the ACT.

Hume has seen the greatest take up of industrial land over the past decade with estates such as Monaro Industrial Park (30 Ha) and various releases via Suburban Land Agency (SLA), or formerly Land Development Agency (LDA).

We describe the individual established estates of Fyshwick and Mitchell, followed by the emerging estates Hume and Beard in the sections that follow.

### 5.3.3 Fyshwick Market Overview

Fyshwick is historically regarded as Canberra's premier industrial precinct. The suburb was established originally to serve the industrial needs of the ACT and for many years was primarily utilised for such purposes. Its proximity to the CBD and relatively strong focus on higher order retail orientated uses sets it apart from other precincts such as Mitchell to the north and particularly Hume to the south.

The suburb accommodates a range of traditional workshop and warehouse style properties and strata units of various types. Over the past 15 years, the focus of accommodation in Fyshwick has shifted to retail orientated premises, with a strong concentration of showroom style accommodation. Fyshwick now provides for an established bulky goods market and features several established automotive dealerships.

The construction of the EPI Centre precinct which was anchored by the DFO bulky goods outlet (now Canberra Outlet Centre) in 2008 impacted the viability of the "traditional" bulky goods market in the area. Many Fyshwick retailers relocated upon its completion, creating somewhat of a void in the area and shifting the retail focus away from more established areas of the suburb. Non-prime assets and locations were particularly impacted, with extended vacancies evident in many properties.

The completion of IKEA, adjacent to Canberra Airport, represents the latest addition to the expanding bulky goods precinct at Majura, which has established itself as Canberra's major 'big box' hub in competition with the position that Fyshwick had traditionally held. Other occupants in the precinct include Costco and Woolworths, with numerous smaller outlets also occupied by national traders. Bunnings is now also operating, occupying the building previously tenanted by Masters. The emergence of Majura has impacted both the traditional Fyshwick retail market, and the Canberra Outlet Centre, resulting in a reduction in confidence and weak market sentiment generally from a retail perspective.

Consequently, tenant demand has softened in recent years with more sought-after assets and locations yielding steady levels of demand, though little demand is generally evident for secondary stock with an apparent lack of depth in the leasing market. Incentives of between 5% and 10% are typically the norm, however letting up periods can often extend beyond 12 months.

Soft leasing conditions contrast some positive transactional activity in 2017 and 2018; however a lack of market depth (number of buyers) is also clearly evident for secondary stock. Buyer demand for traditional freestanding industrial properties is currently characterised by significant levels of volatility.

Owner occupiers and private investors are active up to circa \$4 million, with relatively strong buyer demand in the sub \$2 million market. Buyer demand for smaller strata units is particularly dominated by owner occupiers and self-managed superannuation funds. This segment of the market has seen an increase in supply in recent years following the completion of several new developments, some of which have experienced very slow take up rates due to the comparatively high pricing required to achieve an economic return to the developer.

In 2016 and the beginning of 2017 there was a steady number of transactions, with a handful of assets between \$1 million and \$4 million selling to a mixture of owner occupier and investors. Well located vacant properties with functional improvements continue to be attractive to owner occupiers. Investors are generally seeking good lease covenants. 2018 saw a number of sales being a mix of owner occupiers and investors, with owner occupiers mainly being off market transactions.

Analysed yields for owner occupiers are showing comparatively strong results with properties below \$2 million achieving circa 6.00% to 7.50%. Sales to owner occupiers above \$2 million are resulting in yields pushing up to and above 8.50%. We consider the depth of the market to play a considerable role in the correlation between increasing yields and higher price points.

Yields for investment stock are more consistent with the investment return market, with most activity between circa 7.00% and 8.50%. Lower grade assets however can typically attract yields of 10% or more however, highlighting the two-tier nature of the market.

#### 5.3.4 Mitchell Market Overview

Mitchell is the only industrial precinct located on the northern side of Canberra, with Fyshwick and Hume servicing the southern suburbs of the ACT. It was originally developed to service the industrial needs of the northern suburbs of Belconnen and subsequently Gungahlin.

For many years Mitchell struggled to gain market share as most residents of Belconnen preferred the wider choice of goods and services available in Fyshwick. This was particularly evident with Mitchell's location being seen as remote prior to the development of Gungahlin in the 1990's. As Gungahlin has grown, direct road access has been established on both sides of Mitchell which has provided much needed exposure to passing trade. More retail orientated uses have emerged over the past ten years.

The light rail route connecting Canberra CBD to the Gungahlin Town Centre was completed in April 2019 with operations now commenced. During the construction of this project, businesses along Flemington Road were negatively affected, but the rail is expected to benefit and uplift surrounding localities, particularly Flemington Road now that it is operational.

In 2018, it was announced that an additional light rail stop will be constructed for Mitchell, although construction for the stop at Stanford Street is yet to commence.

The Mitchell industrial market is currently characterised by a lack of transactional activity. Most years see fewer than ten standalone buildings change hands with units being more popular due to the lower price point than whole blocks. Investment yields and sales rates are fairly consistent with those recorded in Fyshwick albeit on a smaller scale.

Owner occupiers tend to purchase at lower analysed yield rates in comparison to vacant properties. Generally, there is a higher level of owner occupier sales recorded for properties below \$2 million and particularly for units below \$500,000. Investment properties with strong lease covenants including WALE's<sup>12</sup> above 5 years have recorded comparatively low investment yields. We consider the depth of the market (number of buyers) to play a considerable role in the correlation between increasing yields and higher price points.

There is currently no vacant land in Mitchell suitable for release by the ACT Government. This may increase demand pressures for sites given the tightly held nature of the Mitchell market, with pent up demand for any vacant lots that do become available.

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<sup>12</sup> WALE (weighted average lease expiry)

### 5.3.5 Hume Market Overview

Hume is an established industrial suburb in Canberra's south. It was principally developed to support low order general industrial uses such as warehousing, distribution and manufacturing. The suburb is characterised by relatively large lots and a reduced concentration of strata units. Most land in the suburb is zoned IZ1 General Industrial which does not permit higher order uses, such as bulky goods, retail and non-retail commercial uses that are prominent in the IZ2 Zoned areas in Fyshwick and Mitchell.

The Majura Parkway, a major arterial road link on the eastern side of Canberra linking to the Monaro Highway, provides a major north-south arterial roadway that benefits the industrial distribution sector within Hume. This, combined with recently commenced (although currently on hold due to COVID-19) international flights into Canberra and the absence of curfew on flights, has enhanced Canberra's position as a logistical centre for the South East Region.

The majority of development in Hume occurred from the 1980's onwards, with this 'original' part of the suburb characterised by some relatively dated buildings lacking the amenity and functionality of newer industrial construction. These buildings provide for a range of workshop and warehouse accommodation, demand for which has traditionally been from both owner occupiers and private investors.

The redevelopment of a former timber mill site by Walker Corporation in 2009, known as the Monaro Industrial Park, enhanced the historically spasmodic land supply in Hume. The release saw the emergence of a number of new, purpose built warehouse and logistics facilities of a scale and standard not previously seen in the Canberra market.

New West Industrial Park, a competing industrial estate to the south of the suburb developed by the ACT Government through the Suburban Land Agency (SLA), previously known as the Land Development Agency (LDA), was met with greater resistance however, with the timing of this release coinciding with supply in the Monaro Industrial Park which was more advanced and able to accommodate immediate development.

The former Koppers Logs site in Hume is a 20 hectare lease that has been foreshadowed for subdivision and release by the private sector. The timing of this is not currently known, but is expected to be in the short term.

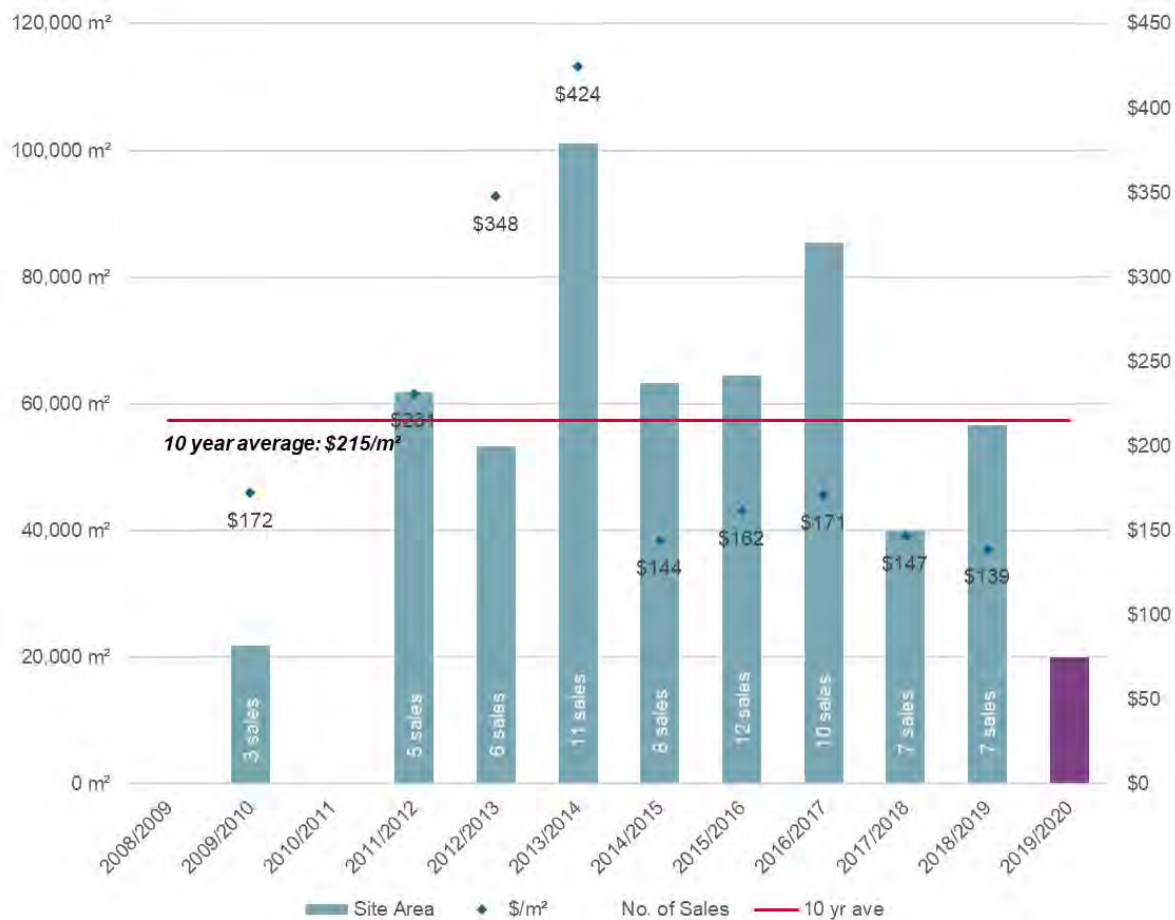


Figure 8 – Hume, Take-up rate by site area and \$ per m²

Since the financial year (FY) of 2011/12 Hume has seen unprecedented take up of land with an average of approximately 67,000m² per annum absorbed between FY2011/12 and FY 2017/18. With no land remaining within the Monaro Industrial Park, and only limited availability within the current release in New West Estate, supply remains tight; however we understand further staging is proposed by the ACT Government within Hume.

Figure 8 sets out the take-up of individual sites in Hume since 2008/09, indicating a significant drop in take-up in the financial year of 2017/18. Prior to this, land supply in Hume has historically seen only 2 to 4 blocks selling per year, with six financial years from FY 2000/01 recording no sales at all.

Industrial development has become much more sought after in recent years with the quality of buildings and lease covenants associated with newer assets yielding investor demand which had not previously been seen in the ACT.

The development of Monaro Industrial Park was underpinned by long term pre-commitments to national operators, with their subsequent disposal generating interest from institutional buyers which had not previously had a presence in the Canberra industrial market. Sales to date of such assets have demonstrated significantly stronger capitalisation rates relative to more dated stock with weaker lease covenants, and have resulted in somewhat of a 'two-tier' market within Hume.

Figure 8 indicates that take-up of land within the suburb appears to have plateaued over the past two years. The ACT Government has extended the New West Industrial Park toward the east. While there has been take-up of a number of sites, several remain available for sale at rates that have remained consistent over the past 3 to 4 years.

### 5.3.6 Beard Market Overview

Beard is Canberra's newest industrial suburb following the closure of an abattoir on the land in 1997. The suburb is located on the north western fringe of Queanbeyan, just within the ACT border and is being developed as the Eastern Industrial Estate by Peet Limited (formally CIC Australia) with the first lots released to the market in 2009.

Eastern Industrial Estate (Beard) is a 130 lot subdivision, which is proposed to be marketed over three stages with Sub Stage 2B2 and Stage 3 yet to be released.

Figure 9 depicts the completed and future stages, along with the individual blocks of the completed stages, within the Eastern Industrial Estate:



Figure 9 – Beard staging ([www.easternindustrialestate.com.au](http://www.easternindustrialestate.com.au))

The estate has sought to cater for demand for smaller industrial lots given nearby suburbs of Hume focussed on larger sites of 5,000 m<sup>2</sup> plus, and Fyshwick accommodating IZ2 zoned sites permitting higher order uses.

Lot sizes in Beard currently range from 427m<sup>2</sup> to 6,796m<sup>2</sup>, with lot sizes averaging circa 1,500m<sup>2</sup>. This is a product not widely offered in the ACT's industrial markets in recent years and has resulted in increased levels of demand from owner occupiers seeking to establish workshop, factory, industrial unit and storage accommodation.

Take up of the land has been slow, consistent with land sales in Hume which has been characterised by significant supply of larger sites over this period. Buyer demand for completed facilities is difficult to gauge given a lack of sales for such stock to date; however local agents confirm realistic pricing is critical in the current market, as is generally the case across the ACT, given supply levels in competing markets, which include Queanbeyan's industrial precincts.

There have been relatively consistent lot sales completed per year from the developer (excluding any resales). From 2012 to 2015 this was evidenced by 7 and 8 transactions occurring per annum.

2015/16 represents the largest site area sold since 2009/10 though indicating a reduced rate per square metre of \$175/m<sup>2</sup>. The most recent financial year indicates only a single lot sale of 963 m<sup>2</sup>, resulting in a rate per square metre of \$275/m<sup>2</sup>. We understand this is a reflection of low inventory and a transition between the current owner and purchasing party.

As evidenced by Figure 10 below, annual sales rates have remained reasonably consistent year on year, with the exception of the initial release across the financial year of 2008/09 and 2009/10.

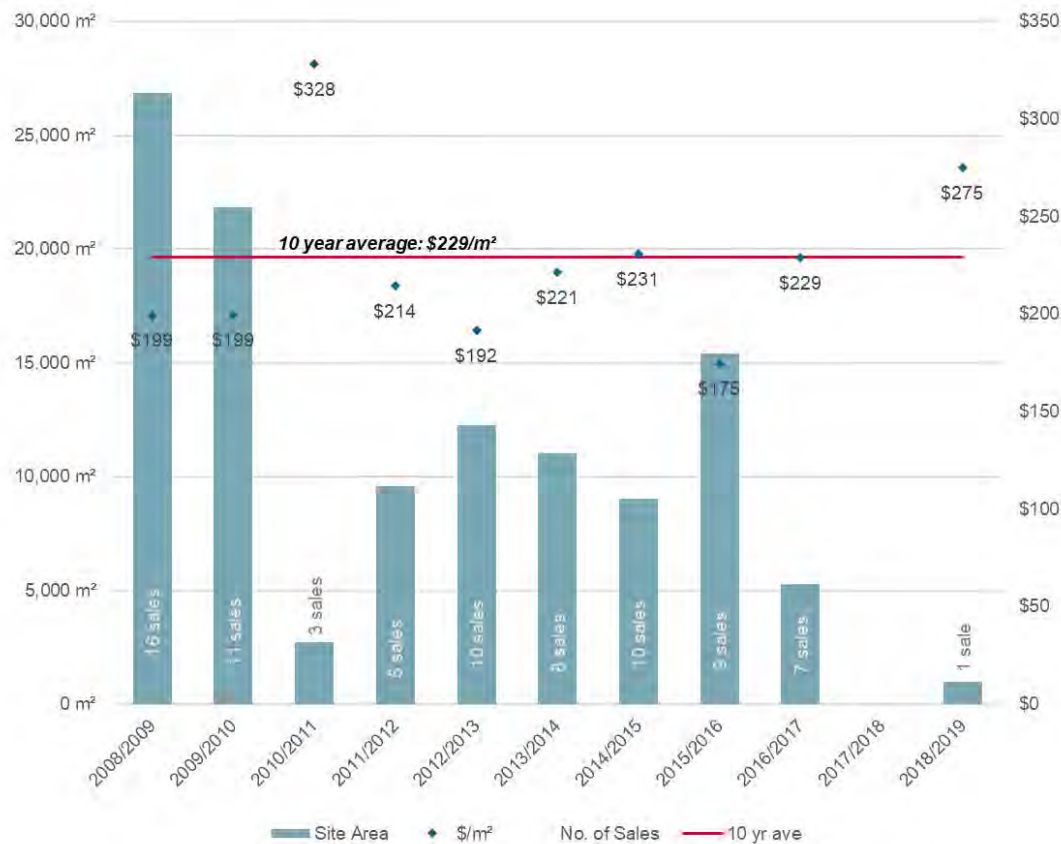
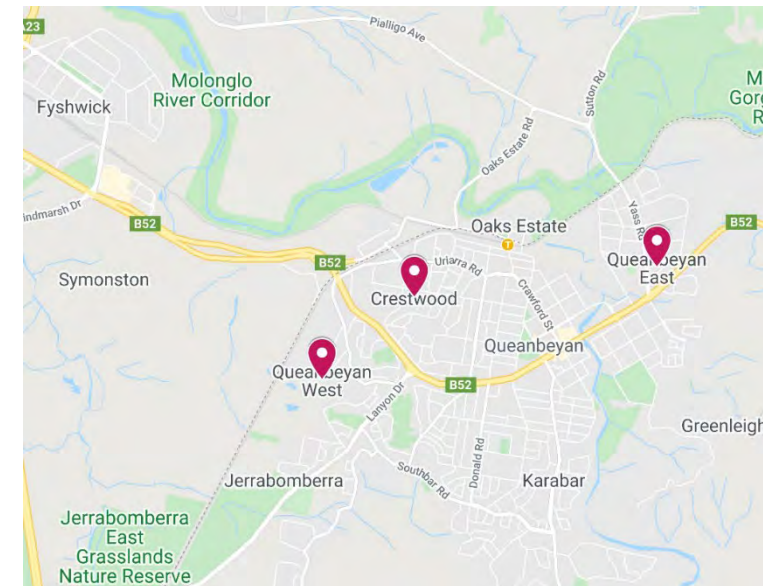


Figure 10 – Beard, Take-up rate by site area and \$ per m²

### 5.3.7 Queanbeyan Market Overview

There are three distinct industrial areas within the area of Queanbeyan – Queanbeyan West (located south of Canberra Avenue and west of Lanyon Drive), Crestwood (located north of Canberra Avenue and south of the railway line/ACT border) and Queanbeyan East (located north of Bungendore Road).



Queanbeyan industrial areas, generally border the ACT providing good access to arterial roads including Canberra Avenue and Yass Road, benefiting from proximity to established industrial areas of the ACT including Fyshwick and Hume, the newer industrial subdivision of Beard and the large format retail in Canberra Airport.

Queanbeyan has historically been regarded as ‘secondary’ to the industrial areas of Canberra, providing for generally older stock. Queanbeyan provides for traditional workshop and warehouse style property with limited strata units. Retail and showroom accommodation is typically limited to Yass and Bungendore roads which also include a number of motor vehicle dealerships.

Industrial tenancies in Queanbeyan generally achieve lower rents than Canberra, due to its stock quality and location perception. This reduced income is partly offset with significantly lower statutory outgoings than Canberra, with the ACT statutory charges reported by agents as being the major driver of owner occupiers’ inquiries in relocating to Queanbeyan.

Owner occupiers are active up to circa \$2 million. Analysed yields for owner occupiers are showing comparatively strong results with properties below \$2 million achieving circa 3.00% to 5.00%, with the main driver being a rate per square metre. Owner occupier buyer depth generally declines above this price point. Yields for investment stock are more consistent with the investment market return being higher, with most activity between circa 7.00% and 8.50%.

2018 saw a steady number of transactions, including several vacant sites. Whilst a number of properties were advertised on the market, a significant number of sales were off-market with the involvement of a local agent, which is typical of the Queanbeyan industrial market.

Industrial land supply in Queanbeyan is generally scarce, with a limited number of blocks in the established industrial areas that remain undeveloped, and capable of infill development. In addition, parts of South Jerrabomberra have been earmarked as ‘employment areas’ which may include traditional industrial uses, however there is no proposed release date, with the area requiring significant road and site works.

The Queanbeyan industrial market is expected to improve with increased connectivity by the Ellerton Drive extension (to be completed in 2020), providing a bypass of the Queanbeyan Town Centre. In addition, continual discussion of the increase in the ACT commercial rates, is expected to increase enquiries by owner occupiers.

### 5.3.8 Status of ACT Land Supply

The Indicative Land Release Program published by ACT Government indicates the land release strategy for the next four (4) years.

The current strategy is for the years 2020-21 to 2023-24. It indicates the intention to release 69,000 m<sup>2</sup> of industrial and employment land over the four year period. The release areas include land at Hume, Fyshwick, Williamsdale and Symonston.

Table 6 – ACT Government Indicative Land Release Program 2020

	Hume	Fyshwick	Williamsdale	Symonston
<b>2020-21</b>	18,000			
<b>2021-22</b>		6,037	5000	
<b>2022-23</b>				40,000
<b>2023-24</b>				
<b>Total</b>	69,037 m <sup>2</sup>			

This represented an average of just 1.7 hectares per year which is considerably lower than the long term average take-up rate in the region. This may however be considered reasonable in light of the current market and predicted future trends as discussed in section 6.1.

Beyond the land release program, the current status of industrial and employment land in the region can be summarised into four categories:

- Land that is serviced and available to sell
- Land that is zoned and available to develop
- Land that is suitable for zoning for industrial or employment uses.
- Longer term prospects

The future availability of land is discussed in Section 7.1

This supply of land also needs to be considered in the regional context as discussed below.

### 5.3.9 Regional Land Supply

Land is also available in other localities within a 1 hour drive of Canberra. This land could provide an option for businesses in the region depending on their individual circumstances.

These areas are identified in Figure 3 on Page 18

- Jerrabomberra 39.3 hectares (zoned) of Business Park. This land is between Hume and Jerrabomberra and is affected by Aircraft Noise so will not be available for sensitive uses. It is very close to Canberra, will be available as freehold land and will be subject to the NSW rates. Servicing of this land is due to commence in 2020 and marketing is underway. The marketing focus is on the defence, information, technology, research and high-tech manufacturing. Blocks are typically between 0.75 & 2 hectares. 3 blocks in the Stage 1 area are identified as 'under offer'.
- Bungendore 16 hectares of Light Industrial Land (IN2) that is partially developed.

- Yass offers 139 hectares of General Industrial Land (IN1), 22.7 hectares of Light Industrial (IN2) and 23.1 hectares of Business Development land (B5) all north of the town but south of the Hume Highway. This land remains substantially undeveloped.
- Goulburn/Marulan. While there are several sites available within the industrial areas of Goulburn itself, there are also larger opportunities nearby, for example there are 205 hectares of undeveloped General Industrial (IN1) land just north of Goulburn, just to the north of the Hume Highway. There is a further 550 hectares of substantially undeveloped industrial (IN1 & IN2) land just west of Marulan.
- Woodlawn 3,934.1 hectares of land zoned Heavy Industrial centred around the Woodlawn mining operations but diversifying into a waste management and renewable energy precinct. This land is on the Canberra to Sydney rail line and presents a potential opportunity as discussed below.

Overall, there is no shortage of zoned industrial land in the region. The key consideration will be the relative costs and benefits of particular sites to potential users.

### 5.3.10 Woodlawn Specific Information

The Woodlawn site is of particular interest due to its size, zoning and proximity to existing transport infrastructure. The area is comprised of multiple lots, scattered in no particular pattern. The majority of the area is occupied by Woodlawn Mines. The current activities on site include mining for copper, zinc and lead ore, processing and tailings management facilities, and a landfill bioreactor (waste to energy project).

Woodlawn is subject to the provisions of the Goulburn Mulwaree Local Environmental Plan 2009 (GMLEP), that identifies the site zoning as IN3, Heavy Industry. This zoning is an 'open zoning' where the range of permitted uses is greater than the list of permitted development specified, making it easier to understand what is prohibited, with all other uses potentially permissible.

The objectives of the IN3 zone include:

- To provide suitable areas for those industries that need to be separated from other land uses.
- To encourage employment opportunities.
- To minimise any adverse effect of heavy industry on other land uses.
- To support and protect industrial land for industrial uses.
- To recognise and provide for the diverse demands and implications of industry, warehousing, transport and servicing activities and ancillary land uses.

Uses that are permitted with consent include:

Depots; Freight transport facilities; General industries; Hazardous storage establishments; Heavy industries; Landscaping material supplies; Offensive storage establishments; Office premises; Plant nurseries; Rural supplies; Rural workers' dwellings; Tank-based aquaculture; Timber yards; Warehouse or distribution centres; Any other development not specified as [Permitted without Consent, or Prohibited].

Uses that are prohibited include:

Air transport facilities; Caravan parks; Commercial premises; Correctional centres; Crematoria; Educational establishments; Entertainment facilities; Highway service centres; Passenger transport facilities; Places of public worship; Residential accommodation; Service stations; Tourist and visitor accommodation; Veterinary hospitals; Wholesale supplies

State Environmental Planning Policy (SEPP) (Mining, Petroleum Production and Extractive Industries) 2007 would apply to the sites operation as a mine. The SEPP essentially promotes mining activities and outlines consideration for obtaining approval by a proponent. A review of the GMLEP indicates no additional specific provisions applicable to the site or the zone. A review of the GMDCP 2009 indicates section 2.5.4 Tarago outlines site specific requirements for Tarago. However no specific sections of the DCP deal with heavy industrial land uses.

The IN3 – Heavy industrial zone is not subject to minimum lot size under the GMLEP, therefore subdivision is understood to be possible.

## 5.4 Land Use Changes

### 5.4.1 Evolution of Land use Preferences

Figure 12 on page 48 presents a comparison of floorspace data sorted by DELP code, from 2009 and 2018.

Table 7 – DELP Codes and Descriptions

Code	Description
1	Department, variety & bulky goods
2	Food - supermarkets
3	Food - takeaway
4	Retail - Fashion
5	Home Décor
6	Home Appliances & Hardware
7	Other Retail
9	Vacant
10	Banks & Finance
11	Restaurant, café, club & hotel
12	Health, welfare & education
13	Business, property & travel
15	Other Services
20	Petrol station
21	Motor - other
22	Community Facility
24	Offices
25	Other - storage, workshops, warehouses

For each DELP Code the graph plots the share of floorspace located in the Local, Town, Group, Industrial or Other Centres. Note that the graph represents the relative share of the total, not the total area.

When looking at the whole graph, the columns are sorted from left to right in the order of uses that are most strongly represented in Industrial Centres. This provides an overview of the type of uses in the different centres.

For example, 92% of Industrial Trades floorspace in the ACT is found within the Industrial Areas. This has risen slightly from 89% in 2009, with approximately 3% of industrial trades floorspace moving from Town Centres to Industrial Centres.

When looking at the pairs of columns, the strong colours are from the most recent assessment undertaken in 2018. The lighter colours represent the equivalent data collected in 2009. This is intended to provide an illustration of the changes that have occurred over this period.

Figure 11 illustrates the retail fashion column pairs. It shows that the percentage of the retail fashion in industrial areas has grown substantially.

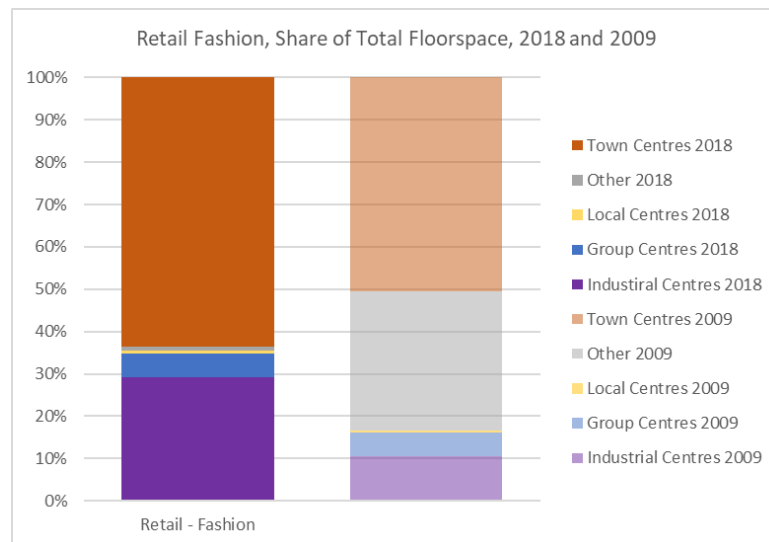


Figure 11 – Share of Total Floorspace, Fashion 2009 and 2018

Figure 12 also illustrates that Industrial Areas provide the majority of Fabrics and Furniture, Motor Vehicle and Other Services Retail as would be expected.

The industrial centres also provide significant portions of Business, Property & Travel, Home Appliances & Hardware and Fashion Retail spaces.

The graph also illustrates the relative importance of Town, Group and Local centres in the provision of various retail and services. Town Centres provide the majority of Department & variety shopping, Fashion, Home appliances & hardware.

By presenting the equivalent data from 2009 alongside the recent data, it is possible to identify the main changes over this period. In making the following conclusions, we have assumed that the data collection methodology and floorspace categorisation has not changed materially.

The biggest changes are:

- A significant drop in the “retail fashion” floorspace in the ‘other’ centres category. This is expected to be driven by the conversion of Brand Depot at the airport to other uses. The space was mostly replaced in the industrial centres and to a lesser extent town centres. The total floorspace in this category has fallen slightly (3%) over the 9 year period.
- The Food – Other category has shifted from the Town (and to a lesser extent Group) Centres to the Industrial Centres.
- “Other Services” have also shifted from the town and group centres to the industrial centres. This is consistent with the expectation that lower order uses will be displaced over time by higher value retail and residential uses.
- The share of Home appliances and hardware has shifted from the industrial centres back to town centres, but this category has also reduced in total area by 32% over the period, so this represents withdrawal of areas rather than relocation.
- There is a material increase in the Supermarket in the ‘other centres’ category and a corresponding reduction in share of supermarkets in town centres. This is presumed to be driven by the supermarkets at the Airport.
- Community Facility spaces such as Churches and Sporting Facilities have tended to move from Group and Local Centres to Industrial Areas and Town Centres. It is understood that where these uses have moved to Industrial Areas they have done so in search of lower land costs.

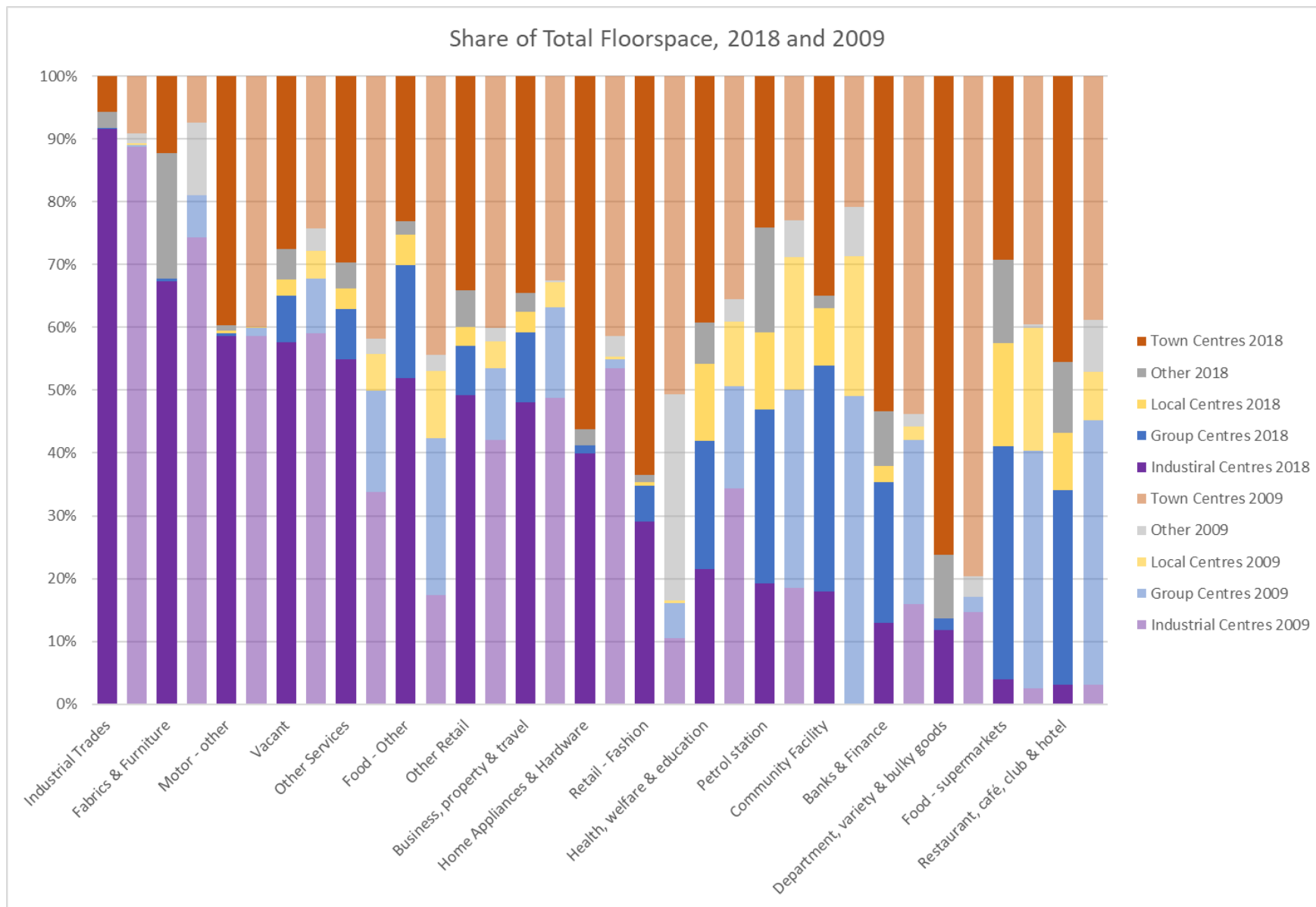


Figure 12 – Share of Floorspace Comparing 2009 and 2018 Data

The biggest changes in overall floor space across the ACT are:

- 126% increase in Other Services
- 81% increase in vacancy
- 55% increase in Restaurant, café, club & hotel
- 38% increase in supermarket floorspace
- 47% reduction in Community Facility space
- 32% reduction in Home Appliances and Hardware

Of the uses that are most strongly associated with industrial land demand, the growth in floorspace has been:

- Industrial trades 2%
- Fabrics and Furniture 12%
- Motor – other -1%
- Vacancy 81%
- Other Services 126% (from a relatively small base)
- Food – other 37%
- Other Retail 37%
- Business, property & travel -7%
- Home Appliances & hardware -32%
- Retail – Fashion -3%

With the exception of Other Services, these are not growth figures that indicate a likely strong demand for additional industrial land releases.

#### 5.4.2 Vacant Industrial Land Sizes

Throughout the years, take up of sites have varied in site area given the changing needs of the industrial market within the ACT. We have analysed transactions by site area located in Hume and Beard, occurring in the past 10 years which we summarise in Figure 13 and Figure 14 below.

As is observed in the figures, sites transacted across both suburbs have gradually reduced in size over the 10-year period between 2009/10 and 2018/19.

Generally, transactions of vacant sites in Hume fall within two tiers, under 5,000 m<sup>2</sup> or between 5,000 m<sup>2</sup> and 10,000 m<sup>2</sup>. In Hume, vacant site sales generally averaged circa 8,000 m<sup>2</sup> across the years, with the exception of 2011/12, which indicated an average of circa 12,000 m<sup>2</sup> and the financial years of 2015/16 and 2017/18 which averaged circa 5,500 m<sup>2</sup>. In the most recent financial year, all site sales transacted within Hume fall within the 5,000 m<sup>2</sup> to 10,000 m<sup>2</sup> range, indicating an average of 8,000 m<sup>2</sup>.

This is markedly different in Beard where vacant site sales are far smaller with most area sizes falling within the range of circa 750 m<sup>2</sup> to 1,500 m<sup>2</sup> and suitable for owner occupiers. Overall, the average area indicated is 1,438 m<sup>2</sup> though recent financial years ending 2017 and 2019, the average site area sold is under 1,000 m<sup>2</sup> at 755 m<sup>2</sup> and 963 m<sup>2</sup> respectively.

We note that Hume and Beard service different segments of the industrial market hence the varied block sizes indicated.

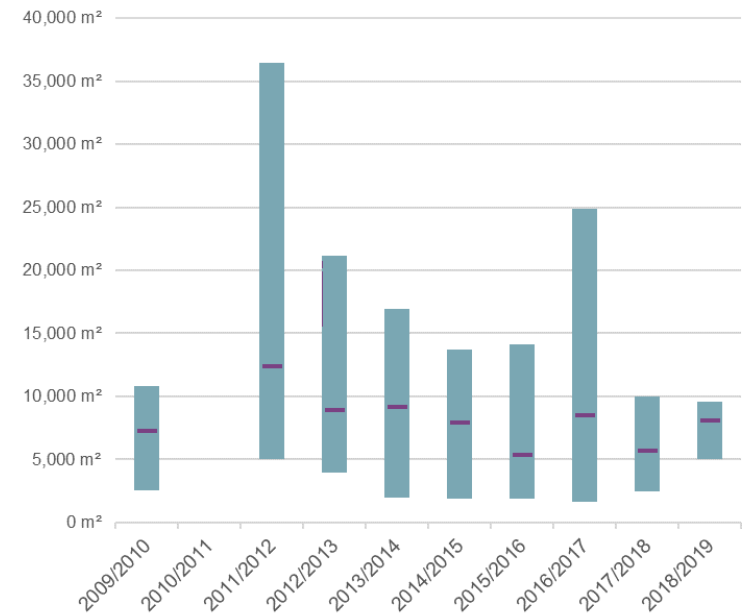
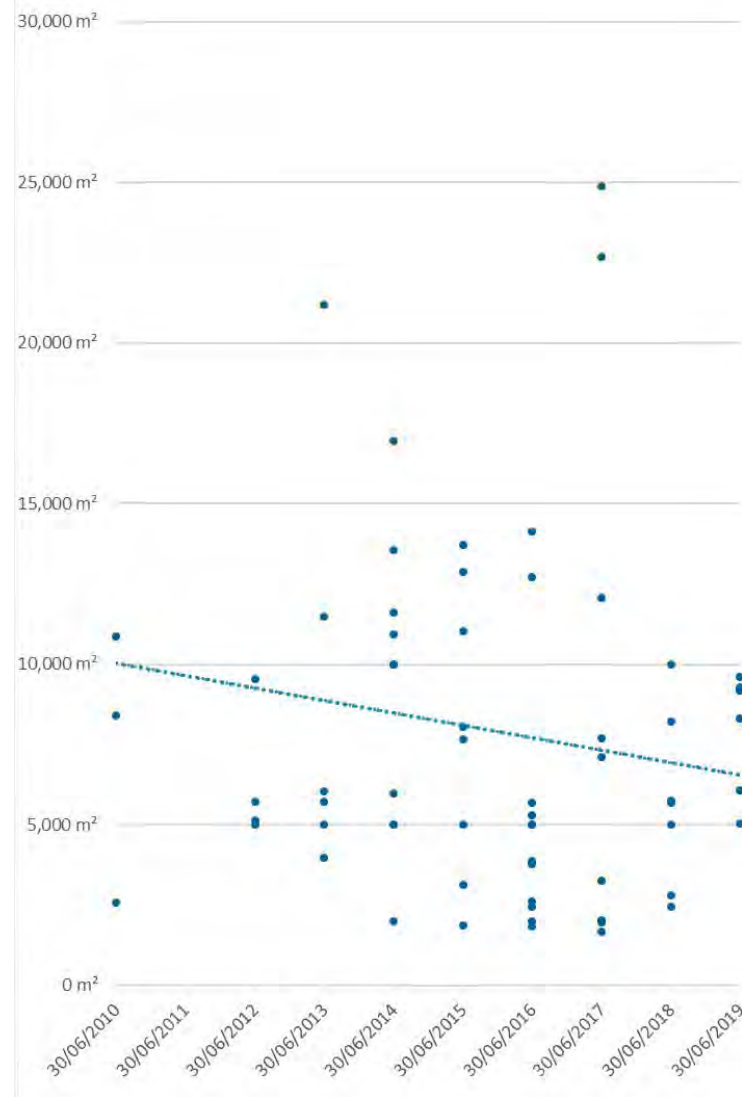


Figure 13 - Analysis of Site Area Sold by Financial Year, Hume

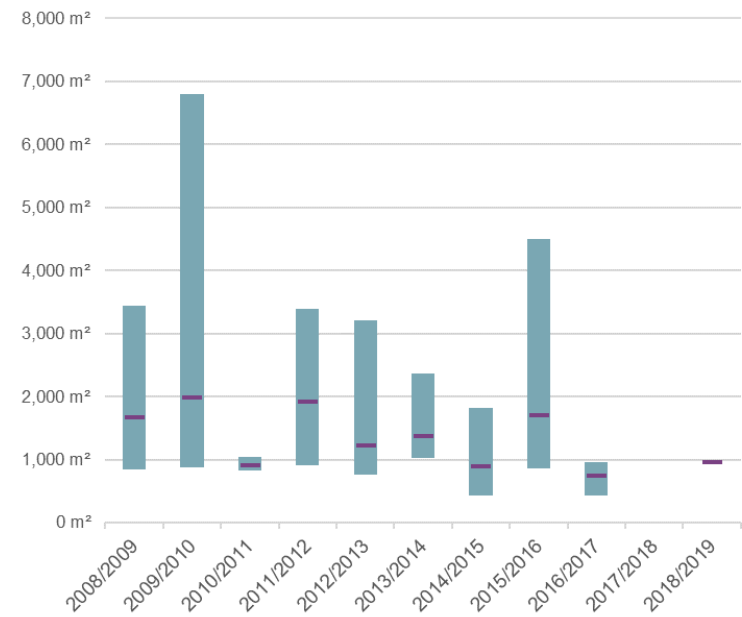
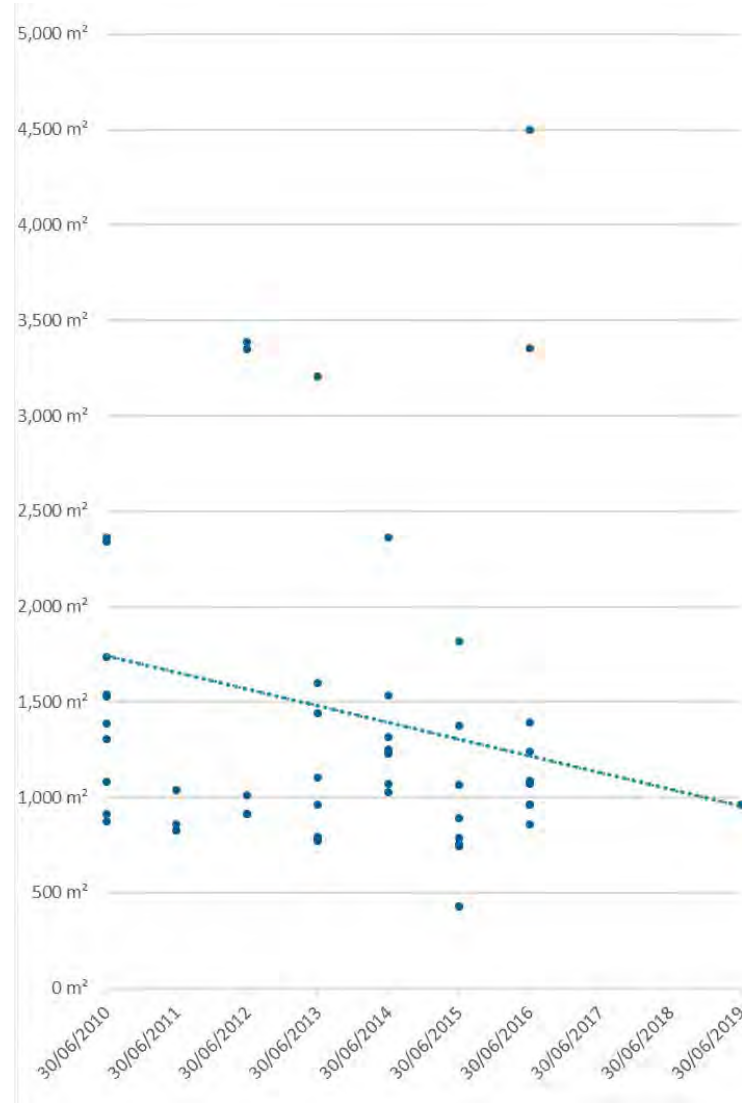
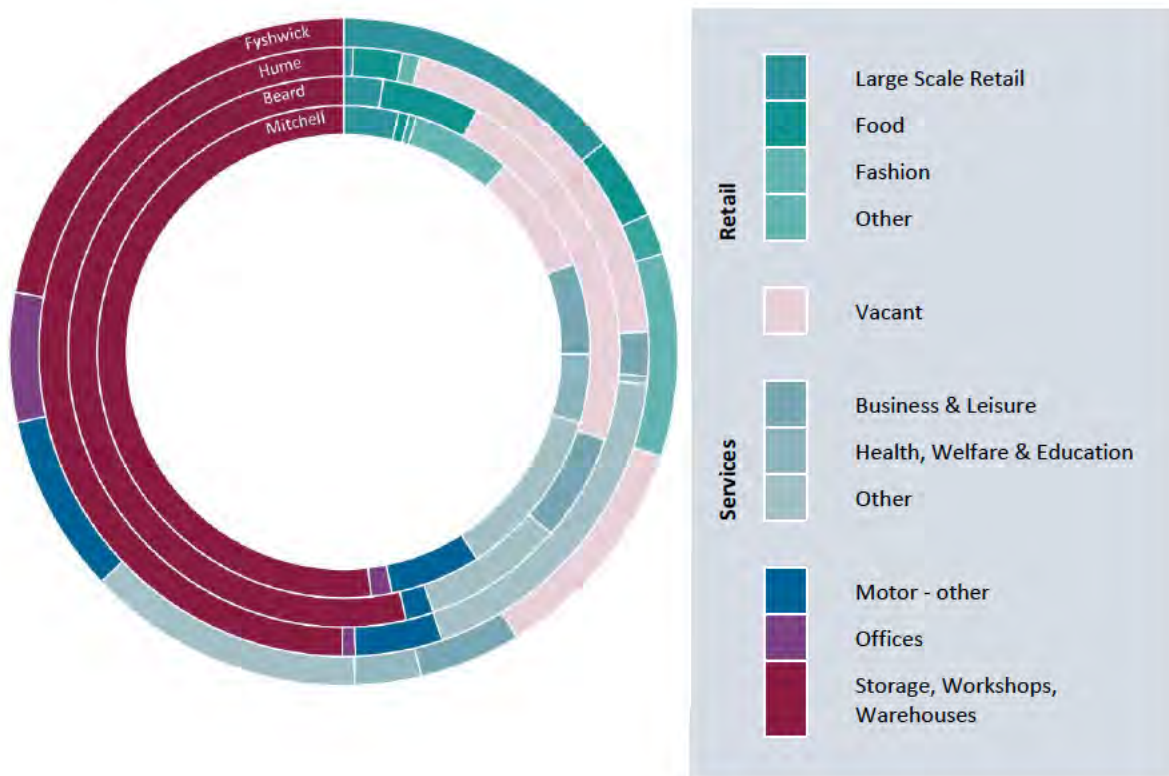


Figure 14 - Analysis of Site Area Sold by Financial Year, Beard

## 5.5 Commentary and Analysis

### 5.5.1 Leasing activity

We have been provided with current uses of built industrial floor spaces in Fyshwick, Hume, Beard and Mitchell. We have constructed a chart to visually represent this information as indicated below.



It is apparent that nearly half of the space in the industrial areas are used as storage and warehouses, with the exception of Fyshwick that has a lot more retail space. This is due to the increased proportion of the IZ2 Mixed Use Industrial zoning and Fyshwick's central location.

- In Hume, Beard and Mitchell, industrial floor spaces are primarily utilised for general industrial purposes under Storage, Workshops and Warehouses, each encompassing 50%, 54% and 52% of overall floor space respectively.
- Hume and Beard indicate the largest amount of vacancies at 20% and 22%, whilst Fyshwick and Mitchell reflect 11% and 8% of vacancy over total industrial floor areas.
- Based upon the data provided to us, offices comprise the least of overall uses at 1% to 6% in each suburb. However, we note that general industrial areas (storage, workshops, warehouses) generally incorporate ancillary office uses.
- Approximately 20% of industrial floor space in each suburb is utilised by businesses providing services, with the exception of Beard which indicates 14%.
- Retail uses appear to be burgeoning in Fyshwick in particular, occupying 30% of floor space. This is comprised of 14% of large scale retail, 10% of other retail uses and to a lesser extent food and fashion related uses at 6%.
- In other industrial suburbs, retail use consists only of 4% (Hume), 8% (Beard) and 12% (Mitchell). This is consistent with the relative proportions of IZ1 General and IZ2 Mixed Use industrial zones.

- Mitchell indicates the lowest vacancy amongst all the industrial suburbs at 8%, and like most of its counterparts is primarily used for general industrial (52%). 12% of industrial floor space in Mitchell is utilised for retail, and 21% is occupied by businesses providing services.
- Notably, Fyshwick primarily accommodates retail uses (30%) and services (22%), totalling 52% of its floor space. This indicates the gradual gentrification of Fyshwick into higher order uses which may lead to greater need for industrial floor space outside of Fyshwick.

### 5.5.2 Existing take-up rates

Vacant industrial land supply was primarily focussed in Hume and supported by Beard in the past 10 years. Only one vacant site was released in Fyshwick in the past 10 years, with no vacant sites sold in Mitchell.

As is observed in Figure 15, vacant industrial land sales were released in conservative amounts averaging approximately 40,000 m<sup>2</sup> per annum between 2008/09 and 2012/13. This created a pent-up demand which resulted in a peak in industrial land sales in 2013/14 where the highest volume of sales was recorded at 112,073 m<sup>2</sup>. The average rate per square metre derived from these sales are also the highest at \$424/m<sup>2</sup> (in Hume).

The years that follow, from 2014/15 to 2018/19 generally reflect relatively elevated levels of vacant land release at an average of 68,581 m<sup>2</sup> per annum. However, in 2017/2018, land release reduced to 40,000 m<sup>2</sup>, the lowest since 2011/12.

Overall, an average of 63,849 m<sup>2</sup> were released per annum in the ten years from 2009/10 to 2018/19.

Vacant land sales in the past 10 years reflect an average rate of \$222/m<sup>2</sup>, or \$229/m<sup>2</sup> amongst sales occurring in Beard and \$215/m<sup>2</sup> for sales occurring in Hume.

The Indicative Land Release Program 2020/24 (ILRP), provided by the Suburban Land Agency (SLA) proposes future land release from 2020/21 to 2023/24. The pipeline includes 18,000 m<sup>2</sup> set to be released in Hume in 2020/21, followed by 6037 m<sup>2</sup> in Fyshwick and 5000 m<sup>2</sup> in Williamsdale in 2021/22, then 40,000 m<sup>2</sup> in Symonston in 2022/23.

We note that these amounts appear to be conservative considering past take-up of industrial lands but may be appropriate given current conditions and other opportunities. These are discussed further in Section 6. Any difference between the land made available through the ILRP and the average long-term demand is expected to be met by redevelopment, opportunities in NSW or the airport, or reduced demand in the short term.

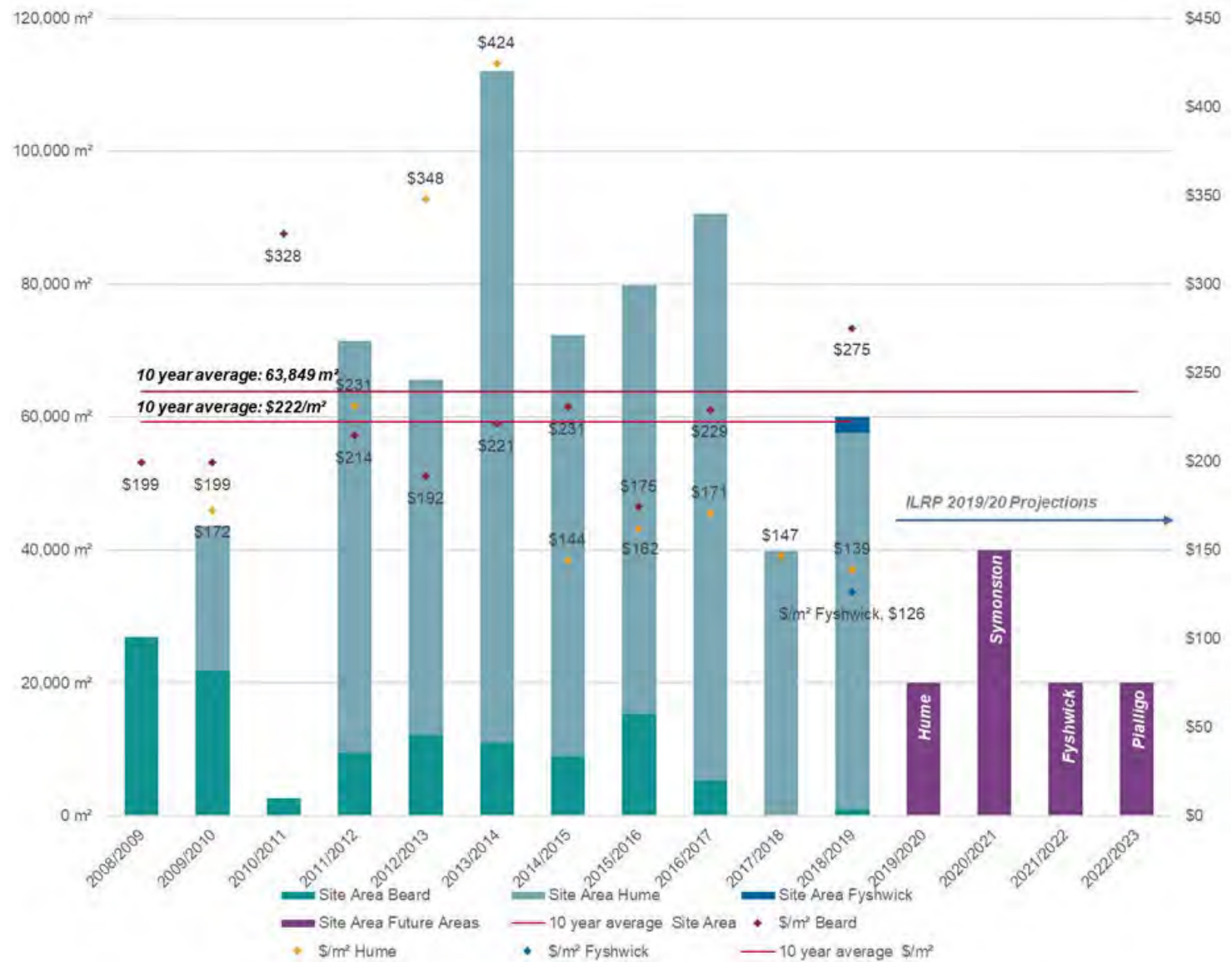


Figure 15 - Take-Up of Vacant Industrial Land, Site Area sold per annum & \$/m² Achieved by Suburb

### 5.5.3 Employment Opportunities

The importance of Industrial land as places for employment should not be underestimated. Figure 16 is reproduced from the ACT Planning Strategy. It identifies Fyshwick as the third largest employment location in the ACT, ahead of Woden Town Centre. It is understood that this data is from the 2016 census.

Figure 16 identifies 7,300 jobs at the Airport, however the 2020 Airport master plan states that there are currently 14,000 jobs on site (9,500 within Brindabella business park), with the expectation that this will grow to 20,000 by 2028. Without significant growth in employment in other centres, this would make the Airport the second largest employment location in the Territory, second only to the City centre.

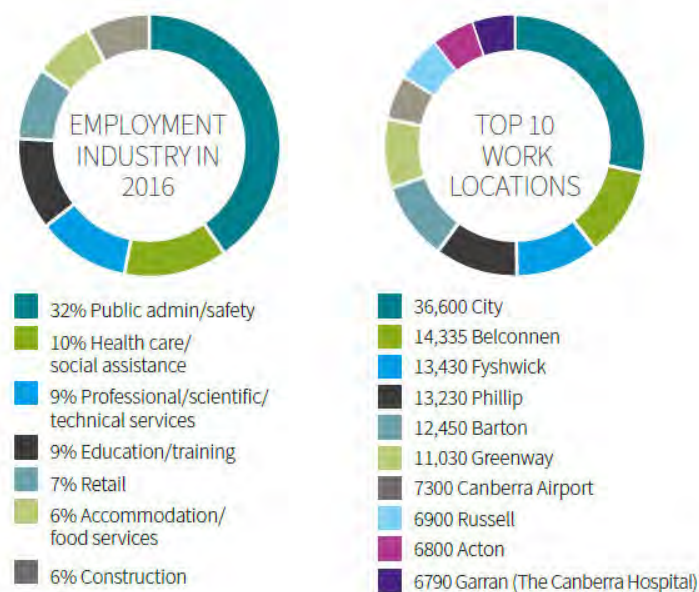


Figure 16 – Employment Locations (ACT Planning Strategy)

### 5.5.4 The role of the Airport

The Canberra Airport will play a significant role in the determination of demand for future employment and industrial land in the ACT and region. The ACT Planning Strategy recognises the airport as an important infrastructure asset for the Canberra Region.

The commencement of international flights to and from the airport, and the forecast for these to grow, provide opportunities for international freight and associated industrial development.

We note that the outbreak of COVID-19 has significantly reduced air travel and that some changes may result in step changes in behaviour, but it is reasonable to expect that the domestic travel market will substantially rebound in the short to medium term and international flights will return to Canberra in due course.

The Airport Master Plan notes that cutbacks in the public service over the past ten years have highlighted the need for the region to diversify and attract new businesses and industries, particularly those that reflect the strength of the region; smart offerings in education, tourism, IT and cyber security, defence and national security, transport, light manufacturing and niche agricultural export opportunities.

The Airport seeks to invest early in these opportunities and provide room for growth within its investments.

Investment by the Airport in retail and office facilities at Majura Park was, to some extent, the catalyst for the ACT Government creating a site for IKEA at Pialligo. This is a mutually beneficial arrangement and provides opportunities for further development in the area both within and adjacent to the airport. It is acknowledged that further opportunities for development in the Majura valley are intended to leverage off the planning, investment and risk undertaken by Canberra Airport.

The airport predicts that employment on the airport site will grow from 14,000 now to 20,000 by 2028 and 36,000 by 2040 in response to growing aviation activities as well as retail and office expansion.

The nature of employment at the airport is mixed but tends to be less like the traditional industrial uses with a focus on more higher value office and retail opportunities. There is also potential for significant growth in transport and logistics employment and the opportunity to secure a flight training facility that could be located at Fairbairn, where the other general aviation is to be relocated.

One of the big benefits that Canberra airport enjoys is its ability to operate without a curfew. This allows it to participate in an overnight freight network that services the east coast of Australia and fills the gap when Sydney airport is restricted or over capacity. The ongoing value of this advantage will be maintained at least until the Western Sydney Airport is commissioned (planned for 2026). This new Sydney airport will be a full service airport, operating curfew free, delivering international, domestic and freight services<sup>13</sup> potentially in direct competition with Canberra Airport.

Airfreight is becoming more important as global trade volumes increase, industries compress the timelines of their supply chains and retail occurs increasingly on-line. However, the recovery of freight volumes after the global financial crisis in 2008 was relatively slow, so the timing of the growth of a freight services at Canberra Airport remains uncertain and it is acknowledged that it will be driven by customer demand.

The noise associated with 24 hour flights means that sensitive uses cannot be proposed within the ANEF 20 contour around the Airport (at South Jerrabomberra a decision to use the ANEF 25 has been adopted).

While this reduces the opportunities for higher value land uses in parts of the Majura Valley, Jerrabomberra Valley and around Fyshwick, it also provides an opportunity to create an employment area that can cater for lower value uses and serve the city.

It is acknowledged that modern aircraft continue to reduce the noise emitted, however the conservative position taken by the airport is that the planning for noise should not be relaxed as the reduced noise from individual craft may be offset by the increased frequency and likely larger size of future aircraft.

A key element of the master plan is to make Canberra Airport and its environs the centre of a business, retail, transport and freight hub, providing impetus for office parks and other commercial developments. It also seeks to maximise total on-airport employment and business growth in response to demand to be located on the Airport site.

The master plan anticipates that warehouse and office infrastructure required to accommodate international freight services could initially be accommodated at Fairbairn and may require some new facilities to be built in the short to medium term. As the demand grows there is capacity for significant warehousing and office support functions to be housed on other land within the airport lease, but it is acknowledged that some development could occur on land surrounding the airport. This potential demand for land around the airport is acknowledged in the Eastern Broadacre investigations and was also discussed in the CBRE industrial land report.

The ultimate scale of development that is foreshadowed within the Airport Master plan includes, up to 60,000 square metres of retail GFA (excluding bulky goods) at Majura Park. As at 2019 there was approximately 21,000 square metres of retail, 31,500 square metres of bulky goods and 38,000 square metres of Office.

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<sup>13</sup> <https://www.westernsydneyairport.gov.au/>

There are 4 office buildings with a combined area of 85,000 square metres that have either been approved since July 2018 or are currently being assessed, that could also be built in the short to medium term.

Within specific precincts, the airport identifies the following opportunities for the next 8 years (commencing from 2020):

- Pialligo Precinct (approximately 8 hectares) to be developed to an NLA plot ratio of 0.6 (approximately twice the density of Fyshwick) for freight and other support services and possibly an airport park commercial frontage to Fairbairn Avenue.
- Brindabella Business Park to continue to grow with opportunities primarily for additional office buildings (3 buildings planned).
- Majura Park Precinct to continue to grow the retail and commercial opportunities. There is one office building of 25,000 square metres approved but not yet constructed. The master plan identifies approximately 7.5 hectares of land to be developed to a plot ratio of approximately 0.7.
- Fairbairn Precinct to be a diverse mixed use precinct ultimately achieving a plot ratio of approximately 0.65. The aspiration is to attract security, defence and public and private tenants. It may also include a flight school. Associated uses are likely to include tourism, retail, hotel and other commercial accommodation. There is also an opportunity for light industrial, maintenance, data centres and warehousing. The developable area identified consists of approximately 12.5 hectares within the next 8 years and a further 10 hectares within the 20 year master plan.
- Glenora Precinct provides an area for general aviation aprons hangars, taxiways. The areas available are approximately 4.5 hectares (8 years) and a further 6 hectares (20 years).

Taking into consideration the plot ratios targeted (being approximately twice the average plot ratios of Mitchell and Fyshwick) and the nature of land uses proposed, we have translated these aspirations into equivalent land areas of:

- Industrial land uses 20 hectares serviced plus 6 zoned
- Employment land 28 hectares serviced plus 10 hectares zoned.

The possibility of the airport lease to grow is also foreshadowed. If land is acquired and incorporated into the airport lease then the planning of that land is also ceded to the Australian Government and can be incorporated into the master plan by amendment.

The master plan also touches on the changes that have occurred in the aviation sector over the years, with airlines joining and leaving the market. Growth in passenger numbers in recent years has been driven by international visitors, supported at least in part by the growth in international students at Canberra's universities.

On average, passenger numbers have grown by 1 million approximately every 13 years<sup>14</sup>, however in predicting the future growth a compound figure of 4.3% is adopted resulting in growth of 1.8 million over the coming 10 years and a further 3.8 million over the following 10 years.

The Master Plan anticipates this to be primarily driven by growth in the domestic market including the restoration of flights on previously serviced regional routes as well as the commencement of services to new regional destinations.

The airport master plan is based on positive assumptions about the airline industry, but also tends to assume expansion and growth from a business as usual perspective. Possible disruptions to traditional airline business models and passenger numbers are discussed in Section 6.1

<sup>14</sup> Canberra Airport, 2020 Master Plan, Figure 5.1

### 5.5.5 The relationship with Queanbeyan

Consideration of employment and industrial land supply and demand in the ACT cannot be considered without an understanding of activities in Queanbeyan due to the proximity to the ACT border, the mobility of the workforce and the land release opportunities particularly in the Jerrabomberra & Tralee areas.

In 2011, 62% of working people from Queanbeyan were employed outside of Queanbeyan and 47% of employment opportunities in Queanbeyan were filled by people from outside Queanbeyan. In 2016 this had grown slightly such that 63% of employed people from Queanbeyan had their place of work in the ACT. Of the 14,673 people who had their place of work in Queanbeyan 32% live in the ACT.

The Queanbeyan City Council Residential and Economic Strategy 2015-2031 sets out the current policy position. The strategy is an update of a 2006 strategy that set out a 25 year framework for residential and employment land release in Queanbeyan. This included a review of the supply and demand for employment lands.

The existing employment lands within Queanbeyan are identified as being well established and with few vacant lots, but the lot sizes tend to be small and not suitable for businesses looking for larger sites.

The strategy confirms that the existing industrial lands will be retained and protected from residential or other higher order redevelopment. This is achieved by maintaining the industrial zoning that prevents residential development within the industrial areas.

The original strategy identified the retention of 130 hectares of employment land to meet the future employment needs of the City. This land is predominantly at Tralee and Environa within South Jerrabomberra. As it is within the ANEF 25 noise contour associated with Canberra Airport, a decision has been made to reserve this land for non-sensitive uses.

Development of this land, that is immediately adjacent to Hume, has the potential to create the largest industrial area in the region. The need for efficient cross border transport linkages is identified as important to ensure the benefits are maximised to both the ACT and Queanbeyan.

A reservation for the future construction of Dunns Creek Road is identified, but the timeline for construction is not specified. Dunns Creek Road will connect the new Googong township to Tralee, Hume and the Monaro Highway at Isabella Drive. It is likely to provide a strong link between Googong and south Canberra and create opportunities for the south Hume area.

The annual take up rate of employment land in Queanbeyan has been estimated to be between 1.5 and 3.5 hectares per year. This is based on estimates that range between 1 and 5 hectares depending on various regional factors and the availability of land. With land available at South Jerrabomberra, the take up rate is predicted to be at the higher end of the range.

The overall ACT regional take up rate is suggested to be between 6.7 and 7.8 hectares per year, which is consistent with other estimates considered in this report. Queanbeyan expects to account for up to half of this.

It is noted that the lower business (commercial land) rates add to the attraction of land in Queanbeyan.

In April 2020 the Queanbeyan-Palerang Regional Council released the new Draft Local Strategic Planning Statement "Towards 2040". While this document remains in draft form, it provides some additional details in relation to potential provision of employment and industrial land areas. A key element driving the planning is the expectation that the population will continue to grow at a relatively high rate. It is expected that the council area population will grow by 18,566 people (30%) between 2019 and 2036.

The elements of the vision that could have an impact on the industrial land areas in the ACT include by 2040 QPRC anticipate:

- A rail intermodal is developed in stages along the rail spur line between Queanbeyan and Hume (ACT) to transfer bulk, containerised and perishable product to rail, sea and air ports in the South East, supported by waste freight movements to Woodlawn.
- To optimise the availability and cost of development of employment and residential lands in QPRC, compared to the ACT.
- To leverage the ACT appetite for zero energy and waste, providing sites for renewable energy sources and waste recycling in the region.

Further it is anticipated that by 2040:

- The South Jerrabomberra Innovation Precinct will emerge as a 'silicon valley' of business technology precincts, linked to the ACT eastern broadacre, focussed on defence, space, energy and waste renewables technology and associated government enterprise.
- The road network will have expanded to include an east-west connection from Googong to the ACT.

The information within the Draft Local Strategic Planning Statement has been incorporated into the consideration of regional land availability in this report.

# 6

## Future Conditions

This section contemplates the factors that are likely to affect the future supply and demand for industrial and employment land.

It considers the key drivers for demand and the suitability of land that is potentially available.

### 6.1 Key Drivers Influencing Demand

The logical starting point for predicting future demand is to project the historic take up rate forwards, making adjustments for known factors that are likely to influence the demand.

The discussion below identifies factors that could possibly increase or decrease the demand for industrial and employment land into the future. Much of this discussion mirrors a similar discussion in the CBRE (2011) report as many of the factors remain relevant.

From a risk management perspective, it is considered sensible to assume a higher demand as it will be much easier to hold back excess supply than to rapidly meet an unanticipated high demand. It will also be much easier to rezone industrial land for higher order uses if it is proven to be surplus to requirements than to reclaim higher order land for lower value uses.

The ACT is in a unique position due the leasehold system where the lease variation charge allows the government to capture value uplift associated with zoning decisions that allow higher value uses, even after the land has been 'sold'.

In considering the likely future demand for employment and industrial land, a number of potentially influential factors are discussed below.

#### 6.1.1 Constrained Supply

In the past there have been periods where the ACT Government land releases have not kept up with demand and there have not been private sector or cross border alternatives available. This has led to periods of constrained supply, pent up demand and higher prices, followed by periods of high take up rates. Consideration of average take up rates over a short period need to consider whether they relate to a period of constrained supply, or the meeting of pent up demand.

With Hume West, Beard and South Jerrabomberra all currently offering land for sale, the supply is not considered to be constrained and hence the recent demand is likely to be indicative of future demand in this sense.

### 6.1.2 Per capita demand

There are currently approximately 871 hectares of developed Industrial and Services zoned land in the ACT. Based on a current population of 400,000 this equates to approximately 22 m<sup>2</sup> per person. The ACT Planning strategy anticipates population growth to be approximately 7000 people per year, so if demand for employment land is directly linked to population, this would equate to demand for up to 15.4 hectares per year.

The assumption that the demand is directly proportional to population may not be reliable however as the area per person has reduced from 24 m<sup>2</sup> per person when an equivalent calculation was made by CBRE in 2011. It may be affected by the relative density of development that is occurring within the available land or the elasticity of uses between land zonings. It is noted that CBRE calculated overall plot ratios for Fyshwick and Mitchell at 0.25 and 0.23 in 2011. Equivalent calculations are now 0.29 and 0.32 respectively suggesting the density of development is rising, reducing the demand for land.

### 6.1.3 Capacity to Attract Industry

The ACT Government has long had a policy to broaden the economic base of the territory by seeking to attract new industries to the region. Making affordable land available is one method that has been considered, however the cost of land is only a minor consideration in the establishment of a business venture. Factors such as proximity to markets, transport and the availability of affordable labour are also of great importance.

The Territory is considered unlikely to attract major industry because we are not close enough to major markets or existing supply chains, not close to ground or sea transport, our unemployment levels are low and our wages and cost of living is relatively high (so we have a limited ability to attract of industrial sector workers).

However, Canberra is potentially very well placed to attract high value boutique manufacturing or other industries that are aligned with our strengths related to our scientific, research and defence based industries. These industries will tend to have more compact land requirements and greater flexibility in location.

### 6.1.4 Vacancy Rates

The floorspace inventory identifies vacancy rates for each industrial area. These are identified in Table 8 below.

Virtually all the zoned land in Mitchell and Fyshwick is developed to some extent. At Hume there is approximately 100 hectares of industrial zoned land that has not been developed.

Taking into consideration the area of utilised zoned land in each area, and the total GFA within each area from the floorspace inventory, we can calculate the plot ratio of development.

Due to its location and ongoing demand for space in Mitchell, the 8% vacancy rate is considered to represent a typical vacancy rate associated with churn of space and normal business.

The higher vacancy rates in Fyshwick and Hume are expected to represent underutilised space and opportunities for redevelopment. These opportunities could be expected to provide some competition to vacant land sales.

If 8% vacancy represents full utilisation, then Fyshwick has 3% opportunity and Hume potentially has 12% opportunity. Based on the current plot ratios in those localities, and converting vacant GFA back to land areas, this suggests that there is the equivalent of 12 hectares of underutilised land within Fyshwick and 26 hectares in Hume.

Table 8 – Vacancy and equivalent land calculation

Locality	Area (ha)	GFA	Plot Ratio	Vacancy	Excess Vacancy	Excess Vacant GFA	Equivalent Land
Mitchell	129	411,000	32%	8%	-	-	-
Fyshwick	354	1,056,000	30%	11%	3%	35,700	12 ha
Hume	220	357,000	16%	20%	12%	43,000	26 ha

### 6.1.5 Regional Competition

Consideration of demand in the ACT region must take into account land that is available within a short distance of Canberra. As per the discussion at Section 5.3.9, there are considerable areas of zoned industrial land available in the region at relatively low capital value and with lower ongoing land rates than in the ACT.

The greatest competition is likely to be:

- Heavy industry – Woodlawn, refer to details at section 5.3.10
- Larger lot industrial land close to Canberra – South Jerrabomberra
- Large lot industrial land that needs to be well connected to ground transport – Goulburn/Marulan
- Business services and employment close to Canberra – the Poplars
- Smaller lot industrial land that is not location sensitive – Bungendore, Yass

As most of this land is privately owned and already zoned for industrial uses it could be released to the market in a relatively short timeframe.

Figure 2 on page 16 also illustrates some important differences in planning approaches for ACT and NSW. As a planned city the ACT has clearly defined industrial land areas and a retail hierarchy, uses are collocated and zonings are predictably located. Commercial services areas are located around town centres and commercial zones on the fringes of industrial estates.

In contrast, in Queanbeyan there is no strict retail or planning hierarchy. Although the Queanbeyan Central Business District (CBD) will always be considered the centre for retail and commercial activities, the Council’s recent strategic planning studies identify a number of industrial and employment lands on the border of the ACT. This is because it is proximate to the ACT, is lower value land which is affected by aircraft noise, is situated on transport corridors (rail and road) and the slope of the land is suitable. In NSW it is also common to have industrial zoned land closer to residential zoned land, as this has occurred historically and continues to work as can be seen in Queanbeyan.

Overall, the ACT has a more planned and rigid approach to new industrial and services land, while in NSW it is likely to be driven by land availability and opportunities rather than a hierarchy of where zonings should be placed. This makes the ACT Industrial and employment lands particularly vulnerable to the expansion and take up of NSW land zoned INZ and B6-7.

### **6.1.6 Rezoning of existing Industrial Land**

The main area of industrial land that is subject to rezoning consideration is West Fyshwick, consisting of all the industrial land to the west of the Monaro Highway. This rezoning is consistent with the Planning Strategy and is expected to proceed in the short to medium term.

The result will be a displacement of some of the existing uses, driving the need for replacement industrial areas. It will also potentially bring sensitive uses closer to the industrial area and this will need to be managed very carefully.

Any other proposal to rezone industrial areas to allow higher order uses will need to be carefully considered as it would be a policy decision that is irreversible. The Greater Sydney Commission recommends “A ‘no regrets’ approach is required in any decisions affecting industrial and urban services land, with the ramifications of any displacement of activity fully understood and strategically managed.”

### **6.1.7 Displacement of Service and Trades**

In the 2011 report, CBRE identified the need to protect areas of CZ3 land from higher order uses to prevent the wholesale displacement of service and trades uses from the town centres.

Changes have been made in both Belconnen and Phillip to prevent residential uses in key areas to avoid such displacement occurring. There is still some risk that it will occur from Greenway and the CZ3 areas associated with the group centres across Canberra.

Analysis of Figure 12 suggest that this anticipated displacement has been occurring between 2009 and 2018, and it is likely to continue to some extent unless further protections are put in place.

The Planning Strategy acknowledges that the average distance between where Canberrans live and work has lengthened, despite significant new housing in town centres and along transport corridors. It is suspected that this increased housing has displaced employment opportunities.

There are a number of ways to avoid the displacement of service and trades uses. The most common is the prevention of higher order uses through restrictive zoning as has occurred in Belconnen and Phillip. More complex options could include limitations on ground floor uses introduced through precinct codes, or rates or lease variation charge discounts based on lease conditions that ensure lower rent ground floor uses.

### **6.1.8 Spatial Considerations**

Industrial and Employment land provides an increasingly important role in our city through the provision of employment opportunities and both services and retail space. The spread of these opportunities throughout the city is important for equitable access, a reduction in transport demand and the supporting of two way transport at peak times (a key design intent of the city as a series of towns). The spatial distribution of land will affect the apparent demand and there is no value in assuming that land releases in Hume can service all of the needs of Canberra.

While it is appropriate for the general industrial areas to be properly separated from the urban areas and away from sensitive uses, it is necessary for the mixed use industry or commercial services areas to be distributed throughout the city to provide equitable access.

To ensure that equity is maintained the following should be considered:

- Gungahlin is served by the Town Centre that is at risk of redevelopment, but is also served by Mitchell.

- With the likely redevelopment of Braddon and Dickson areas, the Inner North is not well serviced. Consideration of some protection of services uses in Dickson is warranted.
- The inner south is serviced by Fyshwick.
- Central Belconnen is serviced by the town centre that is subject to adequate protection.
- West Belconnen is not well serviced now, but the proposed development at Ginninderry will address this shortfall with approximately 33 hectares of mixed use and services land.
- Molonglo Valley is not currently serviced, but the range of proposed uses for the Molonglo Commercial Centre should address this, as long as they are protected from higher order uses.
- Weston Creek is serviced by Coleman Court that has some protections in place but they may need to be monitored for adequacy.
- Woden is serviced by the Phillip service and trades area. Some of this area is protected but the remainder will be redeveloped in the foreseeable future.
- Tuggeranong is serviced by Greenway, but the services and trades area in greenway is potentially subject to redevelopment pressure. Should displacement occur, Tuggeranong could be partially serviced by South Hume should it be developed as contemplated in Section 6.1.9.
- If development is proposed within the western broadacre study area, the development will need to include proposals for sufficient and adequately protected employment land areas.

These spatial considerations need to be considered in the planning of future urban areas, particularly the provision of employment opportunities that cannot be met by land that is not well located close to the urban environment that it is servicing. Distances to current and future land opportunities are illustrated in Figure 2 and Figure 17 respectively. These figures show that there is a shortage of access to employment lands in some parts of Canberra.

### **6.1.9 Relative Provision of Zoning**

Within the three main industrial areas, Mitchell provides a balance of both IZ1 (General Industrial) and IZ2 (Mixed Use Industrial) zoned land. The IZ2 land tends to provide for the retail and services type uses.

Fyshwick is heavily weighted towards the provision of IZ2 land and this is reflected in its role as a predominantly retail and services area.

Hume is almost entirely zoned IZ1. There is an opportunity for consideration at Hume for the provision of more IZ2 land to service the needs of Tuggeranong in the event that services uses are displaced from Greenway and Erindale (CZ3). The IZ1 land north of the highway is expected to remain IZ1 in association with the growing recycling estate.

At South Hume, there is already a large area of undeveloped CZ6 land (Leisure and Accommodation) which provides the opportunity for a highway based service centre adjacent to the Isabella Drive Roundabout. This intersection is also subject to preliminary design for grade separation that is understood to require a review of planning zones. Further, it is also the future connection to Dunns Creek Road, that would be an important link to cross border development.

Collectively these factors suggest that a regional planning study, focussed on opportunities for South Hume is warranted. The idea to strengthen Hume as an industrial employment location was included in the 2012 ACT Planning strategy.

The Eastern Broadacre area, as documented in the Planning for Eastern Broadacre Area – a discussion paper, identifies significant areas in Majura and Symonston that are potentially available for Industrial zoned land. Beyond this there are further opportunities along Pialligo Avenue and possibly Sutton Road that could be considered as longer term prospects.

#### 6.1.10 Emerging technologies

The availability of technology is leading to changes in many aspects of our cities. Many of the technologies that are relevant relate to the use of the internet to connect people and increasingly intelligent devices.

Key technologies include:

- Automation
- Electrification

Automation increasingly enables the manufacturing and delivery of products with reduced human labour inputs. In Australia, where labour costs are relatively high, this can open significant opportunities. A report into the opportunities associated with automation in Australia<sup>15</sup> suggests that machine learning, artificial intelligence and advanced robotics have already started to transform the Australian economy. They expect that:

- Automation has the potential to create better client and citizen outcomes, new business ventures and more efficient operations, and that between 25 and 46% of current work activities could be automated by 2030. This is expected to drive new productivity, income and economic growth.
- This would represent a major disruption to the current workforce with up to 5 million workers needing to change profession.
- Automation is most likely to take over the more routine, predictable and physical activities. Skills in technology and social and emotional skills will be increasingly important.
- Overall, automation is expected to add significantly to Australia's economy, but the disruption is going to need to be managed carefully to ensure equitable distribution of the benefits.

The changes that we are already seeing in Canberra include testing of autonomous vehicles and drone deliveries.

Low margin, labour intensive manufacturing that has moved away from Australia due to our higher labour costs could return with increased automation. This provides the opportunity for Australians to add value to the primary produce that we currently export.

The Canberra region is not a major primary producer, but we already have a large technology and education base associated with services to the federal government (particularly defence) and the universities.

Manufacturing in first world economies has gravitated towards low volume, high quality produce where the labour costs are a relatively small component of the overall cost of the product, but increased automation will also create further opportunities in this space. Canberra is well placed to benefit from these trends.

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<sup>15</sup> McKinsey & Company, Australia's Automation opportunity, March 2019

Electrification of transport (and other key energy consumers) is becoming increasingly practical and cost effective. This is primarily due to batteries that are higher in energy density, safer and cheaper to manufacture. While it is widely expected that cars and trucks will be electrified in the relatively near future, the implications of electric aircraft are only just being understood and probably have a greater prospect of disrupting the use of industrial land.

While Google is testing drone delivery in North Canberra, uber is planning to start testing an electric powered (potentially autonomous) aerial taxi service in Melbourne<sup>16</sup>. These trials are only possible due to recent advances in technology.

Small electric planes are becoming increasingly available commercially<sup>17</sup>. With much lower running costs and higher reliability than traditional small planes, they have the opportunity to open up a network of short hop passenger and freight delivery services in regional Australia. In terms of predicting future transport trends, there is a strong possibility that regional airports in location such as Goulburn, Albury and Wagga will experience a resurgence of traffic. This may reduce the business case for high speed rail connections as it would provide a much more flexible transport solution. The environmental concerns associated with traditional aviation would be greatly reduced as the aircraft could be fuelled by renewable energy. The Canberra Airport and the surrounding lands would be ideally placed to be a major hub in such a network.

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<sup>16</sup> <https://www.abc.net.au/news/2020-02-28/uber-air-plans-for-1000-strong-melbourne-helicopter-fleet/12007092>

### 6.1.11 Business models

Business models are moving away from traditional retail supply chains and moving towards direct factory to customer relationships, particularly via internet shopping. Even retail stores themselves are moving to a hybrid model of instore service and display, combined with online shopping and delivery.

In 2011, CBRE reported that between 2005 and 2011, online retailers had doubled their domestic market share from 2.1 to 4% of sales. In addition, Australians made \$5 billion worth of overseas purchases in 2010, equivalent to a further 2 percent of domestic retail sales. At the time the National Retail Association suggested that market share would double again to 8% by 2016. Actual data suggests that online shopping reached 9% share of traditional retail spend in 2018<sup>18</sup> and was growing strongly.

This results in three trends:

- Reduced overall demand for retail space
- Demand in industrial and employment land for integrated small businesses
- Traditional retail centres focusing on experienced based shopping and seeking to become a focus for community activity. The percentage of sales that are 'consumed on site' in traditional shopping centres is growing rapidly.

<sup>17</sup> For example, [https://en.wikipedia.org/wiki/Eviation\\_Alice](https://en.wikipedia.org/wiki/Eviation_Alice)

<sup>18</sup> Australia Post, Inside Australian Online Shopping, February 2019

### 6.1.12 The Rate of Change

In making predictions about future requirements, the rate of change needs to be considered.

Typically, population and economic growth are expected to occur exponentially, growing at a few percent each year. Obviously, in a finite world exponential growth cannot continue forever, but it is a reasonable model for the timeframes considered in this report. The same is true for information and technology, which is enjoying exponential growth due to global collaborative learning. This is substantially facilitated by the internet and increased globalisation.

The result is an increased rate of change with time.

Further to this, all industries are subject to potential disruption that typically comes from a step change in the available technology, or social expectations. The impact of digital photography on the photo processing industry is one of the most commonly cited examples. Smart phones have caused numerous disruptions over the past 10 years and there are many industries that are ripe for disruption based on currently emerging technologies.

Over the next 10 years we can expect to see continued increase in online shopping and increased artificial intelligence taking over routine tasks. Personal transport is considered one of the most inefficient systems that we currently utilise and it is ripe for disruption by autonomous vehicles that could substantially reduce the need for car ownership.

Based on these expectations for change, a review of historic demands for industrial land is not necessarily a reliable indicator of future demand. It makes the prediction of future demands even more difficult.

### 6.1.13 Future trends

At the time of writing this report most of the world is adjusting to new social norms relating to the COVID-19 outbreak. The outbreak requires reduced social interaction to avoid the spread of the virus. As a result, public gatherings and non-essential travel is restricted and people are being encouraged to stay home as much as possible.

While the situation is expected to be temporary, it is reasonable to expect that some step changes in behaviour will become the new normal. There have also been short term initiatives to stimulate the economy such as a focus on streamlining approvals processes for 'shovel ready' projects.

Step changes that are expected to continue and may affect the demand for industrial and employment lands include:

- Flexible working arrangements and working from home. This is most relevant to office workers so would have a relatively small impact on industrial land, but employment and services areas may find that demand for office space is reduced.
- Online meetings reduce the need to travel. While the technologies have been available for some time the take-up has been limited and people have not made themselves familiar with the systems. Now that people are practised in using the systems, the likelihood of people flying or driving to Sydney for a 2 hour meeting will be greatly reduced. This will affect the business model of some passenger transport businesses.
- Online shopping will take an even bigger market share, as people try to reduce their shopping trips they are encouraged to shop online. While this transition has been happening anyway, it is likely to accelerate. This will further accelerate the demand for freight and logistics land uses, but reduce the demand for retail space.

- Other trends that are also expected to accelerate include a movement towards working in the gig economy, the use of co-working spaces and makers spaces, that are all facilitated by the increased use of technology.

#### **6.1.14 Implications for demand for industrial land**

The expectations coming out of these factors that are likely to affect the demand for industrial and employment land include:

- Reduced demand for office and retail space.
- Increased demand for transport and logistics space close to key transport opportunities
- Increased demand for data centres and communications infrastructure due to increasing digital storage requirements.
- Increased opportunities for high value manufacturing, with associated direct shipment to customers
- Greater uncertainty in relation to predicted future demand, resulting in the need for increased flexibility of land availability.

## **6.2 Industrial Land Demand Forecast**

### **6.2.1 The suitability of industrial areas**

The demand for new land is expected to be slowed by the current global health pandemic, however this is anticipated to be a relatively short term situation, with demand returning to pre-pandemic levels within the medium term.

In this context, the current supply of serviced land is seen as inadequate with Fyshwick and Mitchell having limited areas for expansion. The Suburban Land Agency's land supply in Hume is now drawing to a close and the need to service additional land (via either the government or private sector) will be important to meet short term demand. We note the development of the former Koppers' site in Hume provides a 20 Ha parcel of land currently zoned IZ1 General Industry and is proposed to be developed into some 20 lots however it is currently caught up in a dispute about the lease variation charge. There are also opportunities to service zoned industrial land at Symonston (near Amtech) and Hume (north of the highway).

Redevelopment of vacant buildings within existing estates can meet some of the anticipated demand, but these tend to be on smaller, fragmented land parcels, so can only cater for a particular market segment.

Industrial uses tend to demand higher capacity service infrastructure, so areas within or proximate to existing industrial estates are likely to be favourable.

If demand is not adequately catered for, then it will drive opportunities for development towards land at South Jerrabomberra and the Airport.

### **6.2.2 Demand preference**

Demand for sites in a range of sizes and locations is always required however larger blocks are required to attract new entrants into the market, and smaller blocks are preferred for owner occupiers and local businesses.

The proposed reconfiguration of some blocks within Beard is evidence of the need to provide a range of block sizes to the market.

With the prospect that smaller block opportunities will be catered for through the redevelopment of existing vacant or underutilized sites, the opportunity for the ACT Government is more at the medium to larger end of the market.

As with previous recommendations, it is suggested that the Territory should always have one very large block circa 20 hectares potentially available and appropriately zoned (industrial), but not necessarily serviced. Should an opportunity arise a block of this size is unlikely to be able to be delivered by the private sector. If the land is zoned then it could be serviced and available for sale within a year which would match the typical timeframe for a major project that would require a block of this size. Without the zoning in place the lead time would be too long to potentially capture the opportunity. In the meantime, the land could remain part of an existing rural lease, or be managed as licensed land.

In addition to this, a rolling program to deliver a mix of small, medium and larger blocks to the market is required.

### **6.2.3 Demand Assumption**

For the purpose of planning, a prediction of annual demand is required. Based on historic take up rates and theoretical demand estimates, the range is likely to be between 5 and 15 hectares per year for the region. This is consistent with previous estimates and could be simplified at 8 hectares per year, but with a relatively wide margin of error.

# 7

## Planning Opportunities

### 7.1 The Future Availability of Industrial Land

The consideration of future land availability has been divided into Industrial Land and Employment Land. These are considered separately as, while there is a large opportunity for substitution of uses between the areas, they serve a distinct purpose.

- The industrial land is primarily for uses that are not compatible with sensitive uses. Industrial Land is best separated from urbanised areas and linked to key transport opportunities.
- Employment land is for lower value uses that provide essential services and employment opportunities to the population. Employment land needs to be spread throughout the urban areas but protected from redevelopment to higher order uses.

Table 9, Table 10 and Table 11 below identify:

- Industrial Land supply opportunities in the ACT
- Employment Land supply opportunities in the ACT
- Opportunities in the region

The land is described in the following categories:

- **Serviced.** Land that is appropriately zoned and serviced by roads and utility service infrastructure. It is either available immediately or it could be made available in the short term.
- **Zoned.** Land that is zoned but would require servicing. It is considered a medium term 1-5 year prospect. This includes land that is held by the private sector, such as the former Koppers Logs site in Hume (Block 1210, Tuggeranong)

- **Possible Rezoning.** Land that has been identified through projects such as the Planning for Eastern Broadacre Area – a discussion paper, and resulting from the Eastern Broadacre Strategic assessment as potential future industrial or employment lands. These lands are longer term prospects, likely to be more than 5 years from market.
- **Future Opportunities.** Land that has been identified in a very broad sense as being potentially available for future industrial or employment uses, or areas that are suggested for consideration for various reasons.

The purpose of these tables is to develop an understanding of the potential land available now and into the future. The commentary describes the details of some of the land areas and assumptions that have been made.

The areas referenced in Table 9 and Table 10 are illustrated in Figure 17 on page 78. The figure also uses buffer distances from Industrial and Employment land to highlight the importance of the spatial distribution of these zones. Suburbs that are outside the buffer zones are likely to be car dependent for many employment and services opportunities.

Table 9 – Industrial Land Supply Opportunities in the ACT

Industrial Locations	Serviced	Zoned	Possible Rezoning	Future Opportunities	Commentary
Beard	1.5	9.0	45.5	0.0	<p>There is approximately 9 hectares of land within Beard that is ready to be serviced and released, and 1.5 hectares that is serviced.</p> <p>The Eastern Broadacre investigation identifies approximately 45 hectares of land to the immediate east and west of Beard (partly in Jerrabomberra) as potential industrial land. Some of this land is already used for industrial uses under the current broadacre zoning, approximately 15 hectares is ACT Government horse paddock.</p>
Canberra Airport	20.0	6.0	0.0	0.0	<p>The 20 hectares relates to areas identified in Pialligo, Majura and Glenora precincts (8, 7.5 and 4.5 ha respectively) the 6 hectares relates to land identified at Glenora for development within 20 years.</p>
Fyshwick	12.0	0.0	50.0	0.0	<p>There is an estimated equivalent of 12 hectares of land within Fyshwick associated with the current vacancy rate.</p> <p>There is approximately 50 hectares around the East of Fyshwick identified as potential rezoning opportunities associated with the Eastern Broadacre investigations. Some of this land was identified in the 2019 land release program subject to rezoning.</p>
Fyshwick West	0.0	10.2	-66.0	0.0	<p>There is a 10 hectare parcel of land just west of the Monaro Highway that is zoned IZ1. It is assumed that in the medium term west Fyshwick will be rezoned for mixed use urban development.</p>
Hume	29.6	70.0	0.0	0.0	<p>There is an estimated equivalent of 26 hectares of land within Hume associated with the current vacancy rate. Further, there is approximately 3.6 hectares of serviced land available for sale by the SLA</p> <p>Industrial zoned land at Hume that is not yet serviced includes 20 hectares of leased land (the former Koppers Logs site), 16 hectares south of Hume, and approximately 50 hectares north of the Monaro Highway We have assumed that the 16 hectares south of Hume will be considered for rezoning for employment uses (CZ3) and is accounted for in Table 10.</p>
Majura Valley	0.0	0.0	280.0	0.0	<p>The area between Majura Road and Majura Parkway around IKEA and stretching north, as identified in the Eastern Broadacre investigations.</p>
Symonston	0.0	14.4	0.0	0.0	<p>There are approximately 14 hectares of industrial land adjacent to the Amtech estate that are identified in the Eastern Broadacre investigation. 4 ha of this land was identified in the 2019 land release program.</p>

Industrial Locations	Serviced	Zoned	Possible Rezoning	Future Opportunities	Commentary
Non-Urban	0.0	4.0	-4.0	0.0	There is a 4 hectare parcel of IZ1 zoned land within the Kenny FUA adjacent to Mitchell, but this land is understood to be subject to review and potentially proposed for rezoning.
Totals	63.1	113.6	305.5	0.0	

Table 10 – Employment Land Supply Opportunities in the ACT

Employment Locations	Serviced	Zoned	Possible Rezoning	Future Opportunities	Commentary
Belconnen	0.0	0.0	0.0	0.0	The Belconnen Services area (43.7 hectares) is protected from Residential development by the precinct code, so it is expected to continue to provide employment and services opportunities. There are no land release opportunities, but there may be some opportunities for redevelopment of older building stock.
Braddon	0.0	0.0	0.0	0.0	The 11.7 hectares of CZ3 land in Braddon has already been redeveloped for residential uses with ground floor retail and some non-retail commercial uses. With the exception of some small sites, it is not serving the purpose of employment land. This is unfortunate because the next nearest Services land is Dickson, which is also under pressure of redevelopment.
Canberra Airport	28.0	10.0	0.0	0.0	The 28 hectares relates to areas identified in Pialligo, Majura and Fairbarin precincts (8, 7.5 and 12.5 ha respectively) the 10 hectares relates to land identified at Fairbairn for development within 20 years. Some of the land is double counted in this report (also in the industrial land table) to account for the higher than normal plot ratio being targeted.
Dickson	-6.0	0.0	0.0	0.0	Dickson Group Centre includes 6 hectares of CZ3 zoned land plus some of the adjoining commercial zones allow for light industry or industrial trades. However all of the area allows for higher order uses such as Residential and Non-Retail Commercial uses, so the lower order uses are likely to be displaced over time.  The height controls in the precinct code generally allow for development up to 6 storeys making it potentially attractive for redevelopment proposals. This has already commenced in Section 34.  It would be reasonable to expect that the remaining land will be redeveloped within the timeframe of this report.

Employment Locations	Serviced	Zoned	Possible Rezoning	Future Opportunities	Commentary
Greenway	-4.3	0.0	0.0	0.0	Greenway (Tuggeranong) includes 22.9 hectares of CZ3 land. Area 'c' identified in the precinct code provides for a 20.5 metre height limit, making it potentially attractive for redevelopment. It is assumed that this area (4.3 hectares) will be redeveloped. The remaining CZ3 land is subject to the default 2 storey height limit (with criteria) making it considerably less attractive for redevelopment.
Gungahlin	-2.5	0.0	0.0	0.0	The CZ3 area at Gungahlin Town Centre is approximately 10 hectares and it is fully developed. This land could be redeveloped for residential uses. The precinct code provides a 14 metre height limit which would allow for 4 storeys. Given the relatively recent nature of construction in this area, this is unlikely to occur within the timeframe of this report, however it could commence and is considered in the recommendations. A notional area is identified as potentially being lost.
Phillip	-15.7	0.0	0.0	0.0	Phillip services and trades area is approximately 36.5 hectares. The Phillip precinct code prohibits residential use over approximately 20.8 hectares, but provides for redevelopment of up to 4 and 6 storeys in the remainder. As a result, this area is likely to be redeveloped for higher order uses.
Wanniassa	-1.7	0.0	0.0	0.0	Wanniassa (Erindale) includes 4.7 hectares of CZ3 land. The precinct code contains restrictions on the development of Residential Use within some of the CZ3 and other commercial land. In the areas where residential development is allowed, the height limit is 5 storeys, making it a potentially attractive proposition. This equates to the loss of approximately 1.7 hectares.
Weston	0.0	0.0	0.0	0.0	Weston (Coleman Court) includes 5.7 hectares of CZ3 land. The precinct code prohibits ground floor residential use in most of this area. Maximum heights are set at 3 storeys, except for one site which may go to 4. The likelihood of redevelopment is considered only moderate, however protection should be considered for the longer term.
Ginninderry	0.0	32.8	0.0	0.0	Recent planning for Ginninderry identifies approximately 32 hectares of employment, services and mixed use land around the commercial core area. This includes some land within the former Belconnen landfill site.
Molonglo Commercial Centre	0.0	8.4	0.0	0.0	The Molonglo Commercial Centre is notionally identified to be approximately 17.5 hectares. EPSDD have advised that employment and services type land uses that have been identified for the centre include an emergency services facility, major hardware store, indoor sports facility, club/tavern, Service station and potentially some other associated businesses. Collectively, these will require approximately 8.4 hectares of land. While the specific zoning is not identified, the CZ3 land use would be consistent with the concept plan and could be created as part of the estate planning.

Employment Locations	Serviced	Zoned	Possible Rezoning	Future Opportunities	Commentary
Western Broadacre	0.0	0.0	0.0	20.0	In conjunction with the Western Broadacre investigation, it is reasonable to assume that an area of employment and services land would be identified to provide for the convenient operation of any urban expansion to the west. A reasonably large area is assumed at this early stage.
Majura Valley	0.0	0.0	202.5	0.0	Area identified in the Eastern Broadacre investigations to the north of the potential industrial land, near the AFP and Defence sites.
Pialligo	0.0	0.0	19.2	0.0	Area identified in the Eastern Broadacre investigation near Duntroon and Fairbairn Avenue
Fairbairn	0.0	0.0	52.5	50.0	Possible Zoning area identified in the Eastern Broadacre investigation, south of Pialligo Avenue near the motorsports precinct. A further 50 hectares is identified as a future opportunity noting the rural land to the east and the possibilities within the motorsport precinct itself. Ultimately this could also extend further up Sutton Road.
Symonston	0.0	0.0	127.4	0.0	Areas identified in the Eastern Broadacre investigation on either side of the Monaro Highway
Hume	0.0	0.0	36.0	0.0	Area currently zoned IZ1 and CZ6 at South Hume that could be considered for a broader range of uses and in conjunction with proposed roadworks, and the possibility of making South Hume a Mitchell for the South. Note that we have not included the Southern Cemetery site as a consideration for employment land.
Non-Urban	0.0	0.0	0.0	30.0	The proposed duplication and connection of Morisset Road to the Federal Highway creates a new corridor for potential employment or industrial uses. This area is not well suited to sensitive uses due to the existing uses in the area. It is estimated that 30 hectares could be available in this area.
Totals	-2.2	51.2	437.6	100	

Table 11 – Employment & Industrial Land Supply Opportunities in the Region

Location	Serviced	Zoned	Possible Rezoning	Future Opportunities	Commentary
Queanbeyan	0.0	0.0	0.0	0.0	The employment and industrial land in Queanbeyan is generally considered to be fully utilised.
Jerrabomberra (Poplars)	39.3	0.0	0.0	0.0	This land is currently on the market and being serviced simultaneously.
Tralee North	0.0	0.0	107.3	0.0	Land identified in the Queanbeyan City Council Residential and Economic Strategy 2015-2031. It is likely to contain larger blocks. The QPRC Local Strategic Planning Statement also identifies an intermodal rail hub within this area.
Bungendore	8.0	0.0	20.0	0.0	Estimation that approximately half of the zoned land is available for development. A further 20 hectares is contemplated in the QPRC Local Strategic Planning Statement.
Yass	0.0	100.0	0.0	0.0	Based on an estimation that approximately two thirds of the zoned land is undeveloped.
Goulburn/Marulan	0.0	750.0	0.0	0.0	Approximate areas only.
Woodlawn	0.0	1500.0	0.0	0.0	Woodlawn is a huge area zoned for heavy industry and presents an opportunity for location of industries that would not be well sited close to the urban area. The estimate of land availability is approximate only.
Totals	47.3	2350	127.3	0.0	

Table 9 illustrates that:

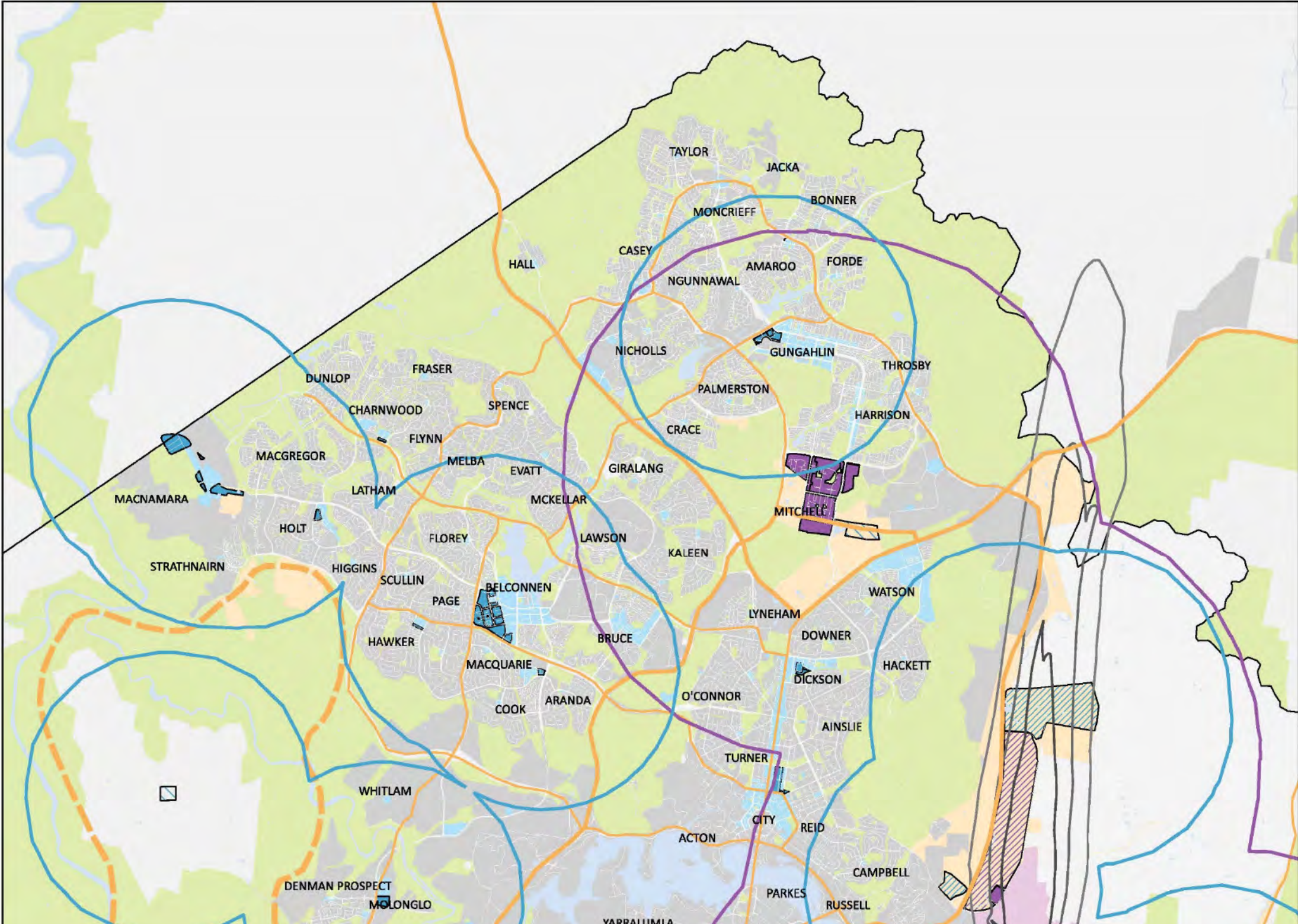
- The immediate supply of industrial land in the ACT appears to be adequate, but this is reliant on redevelopment opportunities, development at the airport, and take up of land in Hume.
- The medium term supply is still heavily weighted towards Hume, and some of this land is recommended for consideration for rezoning to IZ2.
- It is evident that the Territory will be reliant on the land earmarked for industrial rezoning in the Eastern Broadacre area as that will be required to provide longer term industrial land availability.

Table 10 illustrates that:

- Employment land uses are expected to continue to be displaced from the urban areas in the short term, with the Airport in a position to take up the opportunities.
- Ginninderry and the Molonglo Commercial centre are the only near term future new opportunities.
- The eastern broadacre investigations have identified significant future opportunities, but they are typically not well located to service the urban areas. This highlights the importance of maintaining the current uses in the CZ3 zones.

Table 11 illustrates that:

- There are areas close to the ACT Border that could easily substitute for demand within the ACT.
- There are very large areas further afield that could cater for industrial uses that are less reliant on being proximate to Canberra.



## Future ACT and Queanbeyan Employment and Industrial Land

### Legend

ACT Border

ANEF Contours

20

25

30

Roads

Major Freight

Regional Roads

Proposed

Western Broadacre Investigation

Employment Land - 3km Buffer

Industrial Land - 5km Buffer

Future Employment Lands

Zoned CZ3 & B7

Possible Rezoning

Future Opportunity

Future Industrial Lands

Zoned IZ1 & IZ2

Possible Rezoning

Future Opportunity

Version :: V04

Drawn :: KT

Date :: 10.09.2020

Scale :: 1:100,000 @ A3

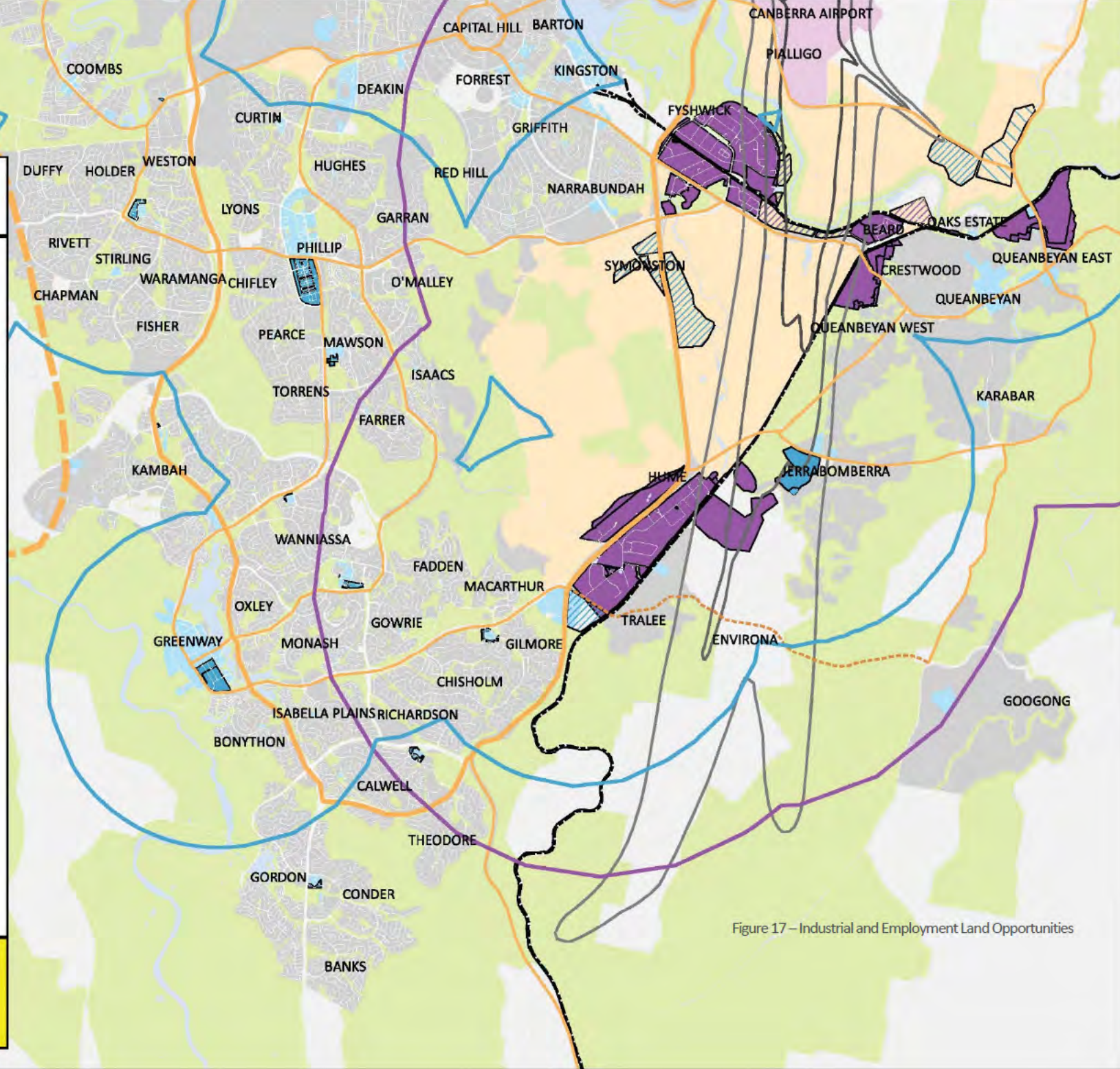


Figure 17 – Industrial and Employment Land Opportunities

# 8

## Conclusions and Recommendations

### 8.1 Conclusions

1. National trends in terms of employment have continued towards a serviced based economy.
2. In the ACT, the employment market continues to be dominated by Public Administration. It continues to move away from industrial type uses towards education, healthcare, administration and food services.
3. Based on floorspace data, the types of uses that are normally associated with demand for industrial land (with the exception of 'other services') are not growing and in some cases have diminished in floor area over the past 10 years.
4. The demand for retail space across the city is expected to continue to decline, but services space will continue to grow.
5. Industrial and employment land is, however, essential to the functionality of the city.
6. Commitments are made in the Territory Plan to provide an adequate and diverse supply of industrial land in suitable locations.
7. This report has been informed by a review of reports that look back as far as 20 years and to other planning jurisdictions. Many of the issues raised are relevant considerations for Canberra. The most common theme is the need to protect a spatially distributed supply of employment and industrial land from higher order uses.
8. This report differentiates Industrial and Employment land based on the nature of uses that are most likely to occur. Industrial land is best separated from sensitive uses and located close to transport opportunities. Employment land is best located close to the urban area that it serves.
9. The spatial distribution of employment land is a particularly important consideration in the planning of the city.
10. There is no point consolidating residential development in an activity node if this results in the majority of employment opportunities being displaced to another location.
11. Because land use zones allow for a broad range of uses, there is considerable elasticity between the supply and demand for land in different zones. For example, when retail and services uses are displaced from CZ3 Services zones, they can move to IZ2 Mixed Use industrial, making Mitchell and Fyshwick important service centres. This tends to displace light industrial uses from IZ2 to the IZ1 General Industrial zone, making Hume an important land resource for the Territory.
12. Cross border opportunities are more available now than they have been in the recent past, and they have a real chance of out competing the ACT Government's land release program.
13. One of the key considerations driving users to consider cross border opportunities in NSW is the difference in land rates when compared to the ACT.

14. The value of vacant industrial land in the ACT appears to have diminished over the past 10 years, although this could be partly due to the location of recent sales and the zoning (IZ1 rather than IZ2). It may also be a function of the latent demand for industrial land in the region being met after earlier years of constrained supply.
15. The recent increases in land rates also potentially drives lower value uses (service and trades) towards lower land value industrial areas, away from the urban areas that they serve. As rates increase, land owners must seek higher rental returns to protect their investment.
16. There is evidence that lower value land uses (services and trades) are being displaced from town and group centres towards industrial areas. These will potentially drive demand for new industrial land, but this trend could result in the urban areas not being efficiently provided with access to the services that they need.
17. As long as the City is growing, there will be a need for new industrial land to offer a range of block sizes in different locations. While the private sector is increasingly able to cater for smaller block opportunities through redevelopment, it is likely that only the ACT Government will be in a position to offer a very large block (10 to 20 hectares) should the need arise.
18. The airport has ambitious plans to develop an Aerotropolis that will include significantly more office, retail, commercial and services uses on the site over the next 20 years. This could cater for a significant portion of the demand for industrial and employment land.
19. The Western Sydney Airport will operate from 2026 without a curfew and will provide competition to the Canberra Airport's ambition to become an international freight hub.
20. Canberra is unlikely to become an industrial manufacturing or heavy industrial centre. There are other opportunities that are better matched to the existing focus of the city, such as high value boutique manufacturing, technology, scientific and research based industries.
21. Currently, the vacancy rates in the industrial areas are high and they present considerable opportunities for relocation or redevelopment. This is likely to subdue the demand for new land in the short to medium term.
22. Emerging technologies have the potential to disrupt industries and lead to step changes in the demand for different land uses. This makes the forecasting of demand more difficult and increases the need for adaptive planning.
23. The outbreak of COVID-19 has had a significant impact on the global community which is impacting on various aspects of the economy. While the immediate impacts are expected to be relatively short term there are likely to be some step changes in the way the city operates. These cannot yet be predicted, but with e-commerce rates rising and more people working from home, it is likely to result in reduced land demand for some time.
24. The long term average demand for industrial land in the region is 8-10 hectares per year. Recent sales in the ACT suggest that this may have reduced due to the availability of other land options (the airport, substitution for different zones, or redevelopment of existing sites) or reduced demand for particular land uses (i.e. home appliances and hardware).
25. The immediate supply of land is strongly focused on IZ1 land in Hume. This only caters for a narrow segment of the market demand, but redevelopment opportunities in other locations are expected to cater for other segments of the market.

26. The ACT Planning Strategy's Eastern Broadacre area and the earlier discussion paper notionally identified large areas of land that can be considered for rezoning for employment or industrial uses. Due to the location of the areas identified, they are generally better suited for industrial zoning rather than services zoning.

## 8.2 Recommendations

1. Due to various factors, the future demand for industrial and employment land in the region is particularly difficult to forecast at this time. A reasonable assumption is that planning should cater for the long term average of approximately 8 hectares per year.
  2. It is better to plan for an excessive supply and then hold back releases or have them available over the counter, than be caught in a situation where demand exceeds the supply of available land. Blocks should remain available 'off the shelf'.
  3. The target should be to have 1-2 years worth of land supply identified and serviced ready for release (8 to 16 hectares).
  4. A further 10 year's supply should be appropriately zoned ready for servicing.
  5. Within the 10 year's supply a 20 hectare area of industrial land should be identified and reserved should a use arise that needs a site of that size.
  6. If the ACT Government is not ready with sufficient land, the Poplars, South Jerrabomberra and the Airport are in a strong position to capture the market.
  7. While planning changes have been made protect the CZ3 zones in Phillip and Belconnen from higher value uses that displace the services and employment opportunities, more protection is needed in the other town and group centres to ensure equitable provision of services across the urban areas and to avoid the need for people to travel further for work.
  8. Priority CZ3 areas for greater protection are considered to be within Greenway, Dickson and Gungahlin.
  9. The strategic assessment associated with the Eastern Broadacre Study needs to be completed to create greater certainty in relation to the future supply of both industrial and employment land in the Territory.
  10. Generally, Industrial and employment land should be protected from higher value uses. The exception to this is west Fyshwick that has been identified as an urban intensification area since 2004 (Canberra Spatial Plan). Rezoning of this area would result in displacement of some of the existing uses. These could be accommodated within Fyshwick (through redevelopment) or in new land opportunities identified in the Eastern Broadacre area (Symonston, Pialligo or Majura) that are well located for these types of uses.
  11. There is also an opportunity to revisit the planning for South Hume to provide more IZ2 Mixed Use Industrial land, especially in the context of proposed intersection works and opportunities within adjoining CZ6 zoned land. A planning study should be undertaken to consider the proposed roadworks on the Monaro Highway, the opportunities for the CZ6 land, the likely future connection to Googong, and the possible displacement of CZ3 Services uses from Greenway and Erindale.
  12. The opportunity for additional employment land adjacent to the Morisset Road duplication should be pursued.
-

13. New employment land needs to be incorporated into the planning for greenfield development areas. This should be incorporated into the brief for the Western Broadacre study.
14. The ACT should focus on its strengths in the higher technology and science based fields, however it would be worthwhile continuing to cater for an unexpected opportunity by having land reserved for a broad range of possibilities. This is consistent with the Broadacre Land use policy and so some broadacre land should be maintained. The broadacre lands in the Majura Valley and along Pialligo Avenue are considered well suited to this opportunity. To ensure its availability should the demand arise, the management arrangements for the land need to reflect its status as a potential future industrial or employment land area.
15. As it is relatively remote from the urban areas, land in the Majura Valley (particularly towards the northern end) is better suited to Industrial type uses (IZ1) rather than Employment and Services (IZ2 or CZ3).
16. Land in the Majura Valley that is close to the Canberra Airport should be reserved for future uses that complement the ambition to create a significant freight hub and related industries. Should the freight hub proposal eventuate, it would be appropriate for the ACT Government to have land available adjacent to the airport for these uses. This would provide competition in the land market, with an option for businesses to locate adjacent to but not within the Airport.
17. In the short to medium term the ACT Government should not pursue substantial development adjacent to the Airport, as the Airport has considerable land reserves that can be developed with an effective zero land cost, against which the ACT Government would struggle to compete. Also, the demand for the freight hub is yet to be proven, so it would be appropriate to allow the Airport to take the investment risk and prove the concept first. The ACT Government should focus on providing opportunities for other businesses in the first instance, potentially those that are likely to be displaced from West Fyshwick.

### 8.3 Key Messages

#### Short Term 1-5 years:

- Demand for new industrial land is likely to be subdued due to changes associated with the COVID-19 pandemic, current vacancy rates and competition from NSW.
- Protections are needed for existing CZ3 Services land to ensure a geographically spread distribution. Mechanisms like those adopted in Philip and Belconnen should be considered for Greenway, Dickson and Gungahlin.
- There is the equivalent of 61.9 hectares of vacant serviced Industrial and Employment Land in the ACT. This exceeds the likely 5 year demand (approximately 40 hectares), but it includes assumed redevelopment within existing industrial areas and take-up of opportunities at the Airport. There is a further 39 hectares available in Jerrabomberra.

#### Medium Term 5-10 years:

- Roadworks and land zoning changes around Hume are likely to make it an increasingly important centre for both industrial and employment uses.
- The areas identified in the Eastern Broadacre investigations in Symonston, Pialligo and Majura Valley provide suitable replacement industrial land for West Fyshwick and South Hume.

- Ageing buildings in existing areas will increasingly provide for increased density redevelopment opportunities and contribute to the effective supply of land.
- There is the equivalent of 164.8 hectares of zoned industrial and employment land that can be serviced in the medium term. Approximately half of this is in Hume, but there are additional areas at Symonston, Beard, Molonglo, Ginninderry and the Airport that will provide opportunities in the medium term.
- There is an estimated 2350 hectares of industrial land in NSW within a 1 hour drive of Canberra. This includes large areas at Woodlawn and Goulburn/Marulan.

#### Long Term 10 years:

- Planning for the Western Broadacre Areas must include areas reserved for employment and services uses.
- The corridors along Majura Valley and Pialligo Avenue provide suitable long term options for industrial land uses.
- There is approximately 740 hectares of land identified for possible rezoning to meet the longer term demand. Even if half of this land is unavailable due to environmental or other constraints through the rezoning process, this represents approximately 50 years of potential supply at the long term average of 8 hectares per year.

# 9

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