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# BAYSIDE BUSINESS MONITOR **2018**

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SEPTEMBER 2018

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## EXECUTIVE SUMMARY

### E1 Overview

The City of Bayside, south-east of the Melbourne central business, has 47 retail and commercial centres with 720 retail and over 2,000 other commercial businesses employing around 9,500 people. Of these businesses, about 30% are located in four Major Activity Centres; All traditional strip, or ribbon, commercial precincts. The Major Activity Centres are focal points for future commercial and residential development. Remaining commercial centres in Bayside are Neighbourhood Activity Centres which serve mainly the day to day convenience needs of surrounding residents.

Bayside City Council (BCC) has conducted a Business Monitor project on 6 occasions, in 1995, 1998, 2002, 2005, 2011 and 2018. These Monitors document, update and compare physical and economic characteristics and changes at Bayside's commercial precincts. The 2018 Business Monitor focused entirely on the four Major Activity Centres (MACs) in Bayside: Church Street, Hampton Street, Bay Street and Sandringham.

### E2 Major Findings

- Available jobs in Bayside have been growing at an average annual rate of 1.52% over the past 15 years. The rate of growth of jobs in sectors that are available at Bayside's commercial centres and MACs has been similar, in total, to jobs across all sectors. Among the individual sectors, food and beverage services and health services recorded the greatest rate of growth between 2001 and 2016, while lifestyle services have been the rapid growth sector in the five years 2011 – 2016. Traditional retailing decreased over the fifteen years, although rebounded during 2011-2016.
- There have been some not so subtle recent changes in Bayside's demographic trends. A decade ago, the City was relatively stable and considered well-established and largely 'developed' with respect to residential areas. Population growth was small, averaging 0.8% per annum and expected to remain in between 85,000 and 95,000 for the first quarter of the twenty-first century. Bayside's rate of growth has recently jumped to 1.3% per annum and it had an estimated resident population of 104,030 in June 2017. Commensurate with the new rate of population growth has been an acceleration in the level of residential building approvals. Several of the medium density residential developments are within or near Bayside's MACs.
- Bayside's four MACs are all public transport hubs. Each one is located around one of the Melbourne metropolitan railway stations on the Sandringham line. However, only Hampton and Sandringham are linked by name to their respective MAC. The railway stations are all central to the MAC shopping strips but only Sandringham has a complementary and relatively attractive link to the commercial area.
- Estimates suggest that 11.03% of Bayside businesses are located in the 4 MACs and they account for around 10.06% of total business turnover, or \$407.731 million. Comparing household expenditure estimates with those for business turnover in sectors relevant to the commercial centres reveals that the MAC businesses are capturing the equivalent 79.67% of relevant annual household expenditure by Bayside residents.

- The transition of Bayside's MACs from 'product retailing' shopping precincts to commercial service-oriented hubs is well advanced, and the pace of change has accelerated significantly in the past seven years. Even businesses which continue to have a retail focus have, in many cases, adopted a 'product with service' offer or some other form of value adding to their product. The growth in online retail, social media marketing and information diffusion has contributed to, and even forced, these trends.
- Between 2011 and 2018 there has been a large turnover in tenancies through:
  - Establishment of entirely new businesses.
  - Businesses changing their names (usually reflecting either a re-positioning of the business or a change and diversification in the product or service offer).
  - Changing location to a new address in order to increase floorspace or exposure, or to be in a more desirable business 'micro-neighbourhood' (ie with like businesses as neighbours, or neighbours with a comparable image/style).
  - Sites being taken out of the commercial stock; some redeveloped for new commercial uses but, more often, sites redeveloped for residential accommodation.
- Apart from visits to supermarkets, the MACs are more likely to be destinations for specific health, wellbeing and lifestyle appointments and/or cafés and restaurants, than destinations for traditional retailing. There has been huge growth in health and wellbeing businesses in all of the MACs. Food service, lifestyle, health and wellbeing sectors now make up 50% of all business enterprises. Traditional retailing has reduced to 30% and professional and business services have also decreased to 18% of all businesses.
- Features of individual MACs:
  - Bay Street  
Health and lifestyle and food service businesses have been the growth sectors in Bay Street over recent years, and the vacancy rate of available premises has also increased considerably, from 4.3% in 2011 to 10.1% in 2018. Bay Street is more disjointed than other Bayside MACs, somewhat a result of the larger proportion of finance, property and professional services businesses among the tenancies. Even though this sector is reducing across the Bayside MACs, it is largest in Bay Street; 25.4% of businesses in Bay Street MAC compared with 17.9% across all four MACs.
  - Sandringham  
In contrast to other Bayside MACs, Sandringham has strengthened its role as a centre for finance, property and professional services, which have become 21.17% of all businesses and increased at an average annual rate of 8.08%. Health and lifestyle and food service businesses have also grown strongly over recent years. Sandringham MAC is well integrated. Although it spans a few streets, making it less of a shopping strip and more of a shopping village, the businesses and transport hub around the station are well linked. Sandringham MAC had both an increase in business numbers and a reduction in the vacancy rate between 2011 and 2018.

- Hampton Street  
The presence of food services and lifestyle services has increased in the Hampton Street MAC over the past seven years at the expense of all other commercial functional categories, with both increasing at 7.2% per annum on average. Hampton Street has a high commercial vacancy rate, coupled with the fact that it has the greatest number of sites removed from the commercial stock, giving way to new residential development.
  
- Church Street  
Food services, health and lifestyle services have all increased rapidly in Church Street MAC over the past seven years, with food service outstripping other sectors at 7.4% per annum growth on average. Core retailing remains stronger in Church Street than any of the other Bayside MACs (despite having decreased by 2.95% per annum over the past seven years), with clothing retail outlets continuing as the largest retailing sub-sector. Church Street has a low commercial vacancy rate, and only one site currently removed from the commercial stock for new residential development.

## 1. INTRODUCTION

### 1.1 BACKGROUND

Bayside is located to the south-east of the Melbourne central business district with a substantial boundary along the shore of Port Phillip Bay. The City of Bayside has a large proportion of residents in relatively high socio-economic quartiles. Residential, commercial and other land values are high, unemployment is low, and the workforce is highly skilled.

At June 2017 Bayside had an estimated resident population of 104,030<sup>1</sup>, having grown at an average annual rate of 0.9% over the preceding 7 years, somewhat below the average for Melbourne and Victoria.

Bayside has 47 retail and commercial centres with 720 retail and over 2,000 other commercial businesses employing around 9,500 people. Of these businesses, about 30% are located in four key commercial precincts (or Major Activity Centres) that are all traditional strip, or ribbon, commercial precincts. All Major Activity Centres have a retail base, expanding food service range (cafés, bars and restaurants), health and lifestyle services, and professional, property and financial service businesses. They have district retail catchments, with the food service and lifestyle businesses also attracting non-local visitor/tourist trade. Retail functions in these centres is often anchored by national brand full service supermarkets.

Bayside does not have a commercial precinct which performs a regional role; Southland Centre (in Cheltenham) is the regional commercial centre servicing Bayside's population.

Bayside City Council (BCC) has conducted a Business Monitor project on 6 occasions, in 1995, 1998, 2002, 2005, 2011 and 2018. These Monitors document, update and compare physical and economic characteristics and changes at Bayside's commercial precincts. In early years this included nine retail/commercial precincts and the commercial/industrial area Bayside Business District (formerly known as the Bayside Business Employment Area).

Bayside's four Major Activity Centres are:

- Bay Street Commercial Centre
- Church Street Commercial Street
- Hampton Street Commercial Centre
- Sandringham Commercial Centre.

The four Major Activity Centres (MACs) are focal points for future commercial and residential development. Remaining commercial centres in Bayside are Neighbourhood Activity Centres which serve mainly the day to day convenience needs of surrounding residents.

### 1.2 SCOPE

Past Business Monitor projects for Bayside have concentrated on updating databases, built around site surveys and a wide range of interviews with business owners and shoppers on their characteristics and perceptions, and then analysing the resultant trends and using them to identify strategies and recommendations.

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<sup>1</sup> Australian Bureau of Statistics, Regional Population Growth Australia, 2017 (released April 2018)

The 2018 Business Monitor continues Council's commitment to keeping abreast of commercial development activities, but at a substantially reduced scale and with fewer objectives. Rationale for the new scope of the project includes several important factors:

- In 2015, Council undertook a Bayside Retail, Commercial and Employment Strategy (RCES) project. This strategy included a land audit of the Bayside Business Employment Area as well as extensive analysis on the strategic positioning of the precinct. Recommendations from this work have directionally informed the Planning Scheme Amendment C150. As such, Council already has an up to date understanding of the current business state and preferred policy directions for the BBEA (to be renamed the Bayside Business District). So the BBEA is not included in the 2018 Bayside Business Monitor.
- The 2012 Bayside Business Monitor concluded that no centre in Bayside currently plays a Regional Centre or Sub Regional centre role. The four Major Activity Centres differ from the smaller centres in that they attract trade from beyond their core catchment, particularly the hospitality and major retail brand offer in Church Street, and Sandringham's proximity to the beach. Floorspace summaries in the RCES indicate these four centres represent 75% of the current retail floorspace in Bayside and 68% of the commercial space (excluding the BBEA & small neighbourhood scale centres). Since future retail floorspace demand is forecast in the RCES to be similarly dominated by these four centres (with commercial space demand shared with the BBEA/BBD), the 2018 Business Monitor concentrates on the four centres and associated trends and implications.
- At an individual business and customer level, new technologies and industry innovations have dramatically increased the information available down to the micro (individual business) level. The technology now exists for businesses to capitalise, at low cost, on widespread smartphone and tablet technologies and receive individualised customer feedback and satisfaction ratings. Point of sale touchscreen feedback, social media analytics, and post-transaction follow up e-marketing are now inexpensive and accessible. As these techniques are now practical for small businesses to adopt, the need for Council to commission bespoke surveying through initiatives such as the Business Monitor is mitigated.

This report presents outcomes of the 2018 Business Monitor which focused entirely on the four Major Activity Centres in Bayside: Church Street, Hampton Street, Bay Street and Sandringham.



## 2. BAYSIDE'S COMMERCIAL MAJOR ACTIVITY CENTRES

### 2.1 SOCIO-ECONOMIC CHARACTERISTICS

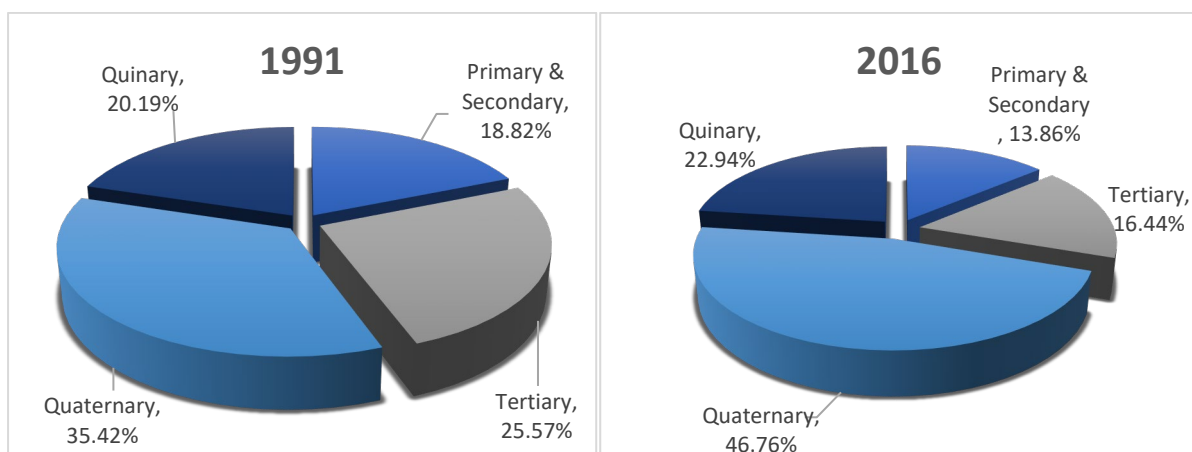
The City of Bayside is Victoria's 29<sup>th</sup> largest municipality in terms of resident population, with 104,030 people<sup>2</sup>, and the 6<sup>th</sup> smallest in area (37.2 square kilometres).

At the 2016 Census City of Bayside had:

- A relatively old age structure. The average age of Bayside residents in 2016 was 44 years compared with the Australian average of 38 years.
- A relatively low rate of unemployment (4.6% compared with the Australian average of 6.9%).
- A higher proportion of persons in the labour force working part time (34.1% compared with 30.4% for Australia).
- A far greater proportion of workers employed in the skilled occupations of Professionals and Managers (56.1% compared with 35.2% nationally).
- Significantly higher median incomes:
  - Median individual income of \$897 per week (compared with the Australian median of \$662).
  - Median household income of \$2,139 per week (compared with the Australian median of \$1,734).

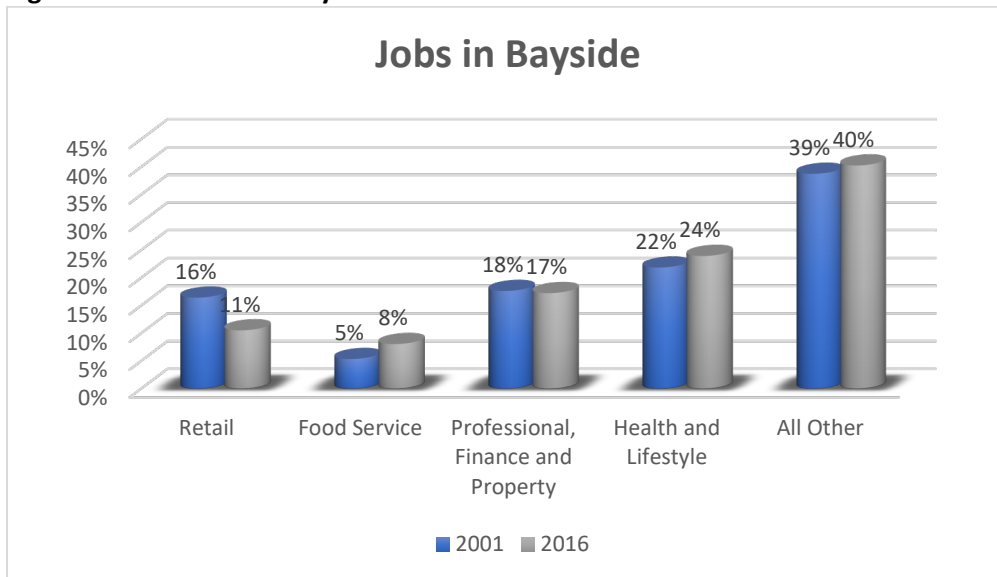
The City of Bayside is an advanced service economy, where more than 85% of the workforce are employed by services industries. Figure 2.1 shows that the quaternary (primarily delivering services to businesses and groups) and quinary (primarily delivering services to individuals; health and lifestyle services) sectors are the major components of the Bayside economy, sectors in which about 70% of all Bayside residents now work. Tertiary services (delivering products to consumers) is the services sector which is decreasing, down to 16% of residents in 2016. Figure 2.2 indicates that the trend in locally available jobs is similar for tertiary and quinary jobs, while the proportion of local quaternary jobs in Bayside is lower than for Bayside residents (ie professional, finance and property workers are more likely to commute outside the municipality for work). These trends are reflected in the changing business mix at Bayside's four Major Activity Centres.

**Figure 2.1: Employment by Major Industry Sector, Bayside Residents 1991-2016**



<sup>2</sup> Australian Bureau of Statistics Resident Population by LGA, June 2017 (released April 2018)



**Figure 2.2: Jobs in Bayside: Commercial Centre Sectors 2001-2016**

Available jobs in Bayside have been growing at an average annual rate of 1.52% over the past 15 years and at the accelerated rate of 3.66% per annum in the past 5 years. Table 2.1 reveals that the rate of growth of jobs in sectors that are available at Bayside's commercial centres and MACs has been similar, in total, to jobs across all sectors. Among the individual sectors, food and beverage services and health services recorded the greatest rate of growth between 2001 and 2016, while lifestyle services have been the rapid growth sector in the five years 2011 – 2016. Traditional retailing decreased over the fifteen years, although rebounded during 2011-2016.

**Table 2.1 Jobs in Bayside 2001-2016**

	2001	%	2011	%	2016	\$	% pa 01-16	% pa 11-16
Food Retail	1,460	6.20%	915	3.71%	1,168	3.95%	-1.48%	5.00%
All Other Retail	2,409	10.23%	1,778	7.21%	1,939	6.56%	-1.44%	1.75%
<b>Total Retail</b>	<b>3,869</b>	<b>16.42%</b>	<b>2,693</b>	<b>10.91%</b>	<b>3,107</b>	<b>10.52%</b>	<b>-1.45%</b>	<b>2.90%</b>
Food and Beverage Services	1,259	5.34%	1,985	8.05%	2,376	8.04%	4.32%	3.66%
Professional, Finance and Property Services	4,152	17.62%	4,253	17.24%	5,091	17.24%	1.37%	3.66%
Lifestyle Services	1,748	7.42%	1,545	6.26%	1,971	6.67%	0.80%	4.99%
Health Services	3,399	14.43%	4,311	17.47%	5,099	17.26%	2.74%	3.41%
<b>Total Relevant Sectors</b>	<b>14,427</b>	<b>61.74%</b>	<b>14,787</b>	<b>59.93%</b>	<b>17,644</b>	<b>59.74%</b>	<b>1.35%</b>	<b>3.60%</b>
<b>Total All Industries</b>	<b>23,559</b>	<b>100.00%</b>	<b>24,673</b>	<b>100.00%</b>	<b>29,537</b>	<b>100.00%</b>	<b>1.52%</b>	<b>3.66%</b>

Bayside's suburbs all have high levels of socio-economic advantage. The Australian Bureau of Statistics uses data from its Censuses of Population and Housing to calculate SEIFA Indices (Socio-Economic Indices for Areas). These indices provide an overview or summary measure of Census data, rather than identifying individual items. The indices rank geographic areas across Australia in terms of their relative socio-economic advantage and disadvantage. For each index, every geographic area in Australia is given a SEIFA score which measures how relatively 'advantaged' or 'disadvantaged' that area is compared with other areas in Australia.

Table 2.2 shows all Bayside suburbs, except Cheltenham (partly in Bayside and partly in the City of Kingston) and Hampton East, rank within the top decile of Victoria's 2,672 recorded 'suburbs' for socio-economic advantage over disadvantage. Cheltenham and Hampton East rank in the 9<sup>th</sup> and 8<sup>th</sup> decile, respectively. Brighton ranks highest of the Bayside suburbs, at 10<sup>th</sup> in Victoria. The top five 'advantaged' suburbs in Victoria in 2016 were South Wharf, Cremorne, East Melbourne, Kooyong and Canterbury.

**Table 2.2: SEIFA Indices<sup>3</sup> for City of Bayside Suburbs, 2016**

	Usual Resident Population	SEIFA Score	Ranking within Victoria			Minimum score for SA1s in area <sup>4</sup>	Maximum score for SA1s in area
			Rank	Decile	Percentile		
Sandringham	10,241	1129	25	10	100	950	1175
Beaumaris	13,349	1137	16	10	100	1108	1169
Brighton	23,253	1144	10	10	100	937	1189
Brighton East	15,998	1123	35	10	99	883	1183
Cheltenham	22,291	1054	408	9	85	975	1141
Black Rock	6,159	1133	21	10	100	1097	1167
Hampton	13,391	1128	27	10	99	950	1187
Hampton East	4,689	1041	602	8	78	857	1113
Highbett	10,454	1070	261	10	91	953	1164

Note: The SEIFA Index used in this table relates to Socio-Economic Advantage and Disadvantage, 2016.

The Australian Bureau of Statistics broadly defines relative socioeconomic advantage and disadvantage in terms of people's *access to material and social resources, and their ability to participate in society*. There were 2,672 state suburbs in Victoria. A score of 1,000 or above tends to indicate an area which is relatively advantaged, and a score below 1,000 is an area which is relatively disadvantaged. In any of the Bayside suburbs there are likely to be pockets which are relatively more advantaged and disadvantaged than the suburb as a whole. The minimum and maximum scores for these smaller pockets (shown as SA1s, Statistical Area 1s) are presented in the final two columns of the table.

## 2.2 GROWTH AND DEVELOPMENT IN BAYSIDE

There have been some not so subtle recent changes to Bayside's demographic trends. A decade ago, the City was relatively stable and considered well-established and largely 'developed' with respect to residential areas. Population growth was small, averaging 0.8% per annum and expected to remain in between 85,000 and 95,000 for the first quarter of the twenty-first century. However, the Bayside's rate of growth has jumped to 1.3% per annum and it had an estimated resident population of 104,030 in June 2017.

Council's new population forecast for 2036 suggests the population will grow to 118,650 (an increase of 13.39%). During that same period the total number of dwellings to accommodate the population in Bayside is expected to grow by 16%, to a total of 49,564 dwellings<sup>5</sup>. This projection implies a return to the growth rate of 0.7% per annum, which would be a return to the rate experienced in the early 2000s and appears to be conservative.

Nationally, Australia's population growth is approximately two-thirds net migration and one-third natural increase. If this was the same in Bayside the annual population growth would be just 0.4% per annum (about the same as during the 1990s and 2000s). The population has most recently been growing at 1.3% per annum; after years of out-migration from Bayside, the City has experienced net in-migration since 2014 and has become a residential destination for new international migrants.

<sup>3</sup> SEIFA indices are calculated by the Australian Bureau of Statistics using a range of variables on income, employment, housing, etc.

<sup>4</sup> SA1s are Statistical Areas Level 1 – a 'neighbourhood' scale of geography.

<sup>5</sup> Bayside Planning Scheme Amendment C151, Panel Report, June 2017

Components of population growth in the latest year (2016-2017) were:

- Natural increase 11.1%
- Net-domestic/internal migration 13.9%
- Net-international migration 75.0%.

As a result, the percentage of overseas born residents in Bayside has increased from 28.3% in 2006 to 31.0% by 2016 (close to the national average of 33.3%).

Commensurate with the new rate of population growth, there has been an acceleration in the level of residential building approvals. For example, in 2010 there were 710 dwellings approved in the City at a value of \$461.5 million, while in the last year (2017-18) there were 1,269 dwellings approved of which 993, or 78% were medium density dwellings (apartments, units, etc) for a total value of \$793.4 million. Several of the medium density residential developments are within or near Bayside's Major Activity Centres.

In many Australian cities higher density housing is becoming more accepted. Several Victorian councils, including Bayside have eased previous height restrictions to create new opportunities for commercial land and residential apartment development. Some strips are seeing multiple developments within walking distance of each other housing 41-96 apartments<sup>6</sup>. With new housing development seeing house block sizes shrink from 700 square metres to less than 300 square metres it is unsurprising that higher density hubs are also part of the dwelling options. These hubs deliver easy living through low maintenance and high convenience environments. As living density grows this will likely become the norm and reduce the need to travel to shopping centres. The Hampton Street MAC, around the railway station is developing into a residential hub. There is also residential development (especially 'above ground') and aged care residential development in the other Bayside MACs.

Most residential areas around the four Bayside MACs are classified in the relatively new (since June 2014) 'General Residential Zone' or 'Residential Growth Zone'. These zones allow for multi-unit and small-scale apartment development, which must also take into account neighbourhood character considerations. The Residential Growth zoning applies to land identified for increased housing growth and density and includes provisions for buildings up to 13.5 metres, or four storeys in height.

**Photo: New Residential Development within Bay Street Brighton MAC**



<sup>6</sup> 'Inside Retail' Is the future of the store in shopping centres or shopping strips?



Businesses that target potential residential customers who are within walking distance, are already appearing in the Bayside MACs. Other Melbourne examples of this new trend are:

- M-City in Monash includes 460 dwellings, 189 serviced apartments, 225 hotel rooms, 10 floors, an office tower, pool, sporting, gardens with play areas, childcare and retail along with anchor tenants Woolworths and K Mart; all within walking distance to the train station and university.
- Moonee Ponds' Puckle Street, Armadale's High Street and South Yarra's Chapel Street are all earmarked for residential apartment projects.

*“While vacancy rates are up and foot traffic down for many strips, there is still a diverse offering in these spaces with many businesses bucking the trend and achieving great results. From process to technology, service to niche and single to multi-site operators – innovation is already in play in these spaces and gradually spreading.... Shopping strips with high density living at their doorstep with a touch of innovation and ingenuity can be so much more than those who came before them. Forget Uber Eats, having 3x40+ apartments within walking distance changes your delivery model all together. While higher density living will re-invent and re-invigorate shopping strips, due to their layout and distance between stores, strip stores will likely still face the challenge of cross promoting and capturing foot traffic awareness and business from potential customers visiting other stores, selecting what and where they buy.”<sup>7</sup>.*

**Photo: New Residential Development in Hampton Street**



<sup>7</sup> Paul Sideridis (2018), in 'Inside Retail Australia'

Investors are showing faith in the future of retail strips across Melbourne, with sales achieving benchmark figures and yields of about 4% or below. For example, recent sales in Hampton Street include the Commonwealth Bank building at 414 Hampton Street at 3.2% yield, and the Devola fruit and vegetable shop at 616 Hampton Street for \$3.385 million at sub-3.5%.

Bayside's four MACs are all public transport hubs. Each one is located around one of the Melbourne metropolitan railway stations on the Sandringham line. However, only Hampton and Sandringham are linked by name to their respective MAC. The Bay Street MAC is around North Brighton railway station and Church St MAC is adjacent to Middle Brighton railway station. The railway stations are all central to the MAC shopping strips but only Sandringham has a complementary and relatively attractive link to the commercial area. Each centre has regular bus services, with several stops along the MACs.

There are no tram services along the roads forming the MACs' shopping strips, but tram services commencing at Elsternwick can be reached from all the MACs by rail. The nearest tram terminus is at Hawthorn Road in Brighton East, which is a walk of 17 minutes from Bay Street MAC and 24 minutes from Church Street MAC.

Railway level crossings are an issue at Bayside's MACs and need to be removed as part of the metropolitan-wide program, although they are not among the 50 priority crossings currently scheduled for removal.

**Photo: Residential Development in the Hampton Street MAC Precinct**



## 2.3 HOUSEHOLD EXPENDITURE AND BUSINESS TURNOVER

Estimates of household expenditure by Bayside residents have been derived from the measures of socio-economic advantage and household incomes from the 2016 Census of Population and Housing combined with the 2016 Australian Bureau of Statistics Household Expenditure Survey. The majority of Bayside households are in the upper income quintile, while only 9.1% are in the lowest quintile. Table 2.3 suggests that the total estimated annual household expenditure by Bayside residents in 2018 is \$1.368 billion. Of this expenditure, \$417.055 million would be spent on products and services most of which are available at Bayside's major activity centres.

Extending the usage of data from the Australian Bureau of Statistics and IBISWorld industry reports<sup>8</sup>, Table 2.4 presents estimates of business turnover at the major activity centres. These estimates indicate that 11.03% of Bayside businesses are located in the 4 MACs and they account for around 10.06% of total business turnover, or \$407.731 million.

Comparing the household expenditure estimates with those for business turnover in sectors relevant to the commercial centres reveals that the MAC businesses are capturing the equivalent 79.67% of relevant annual household expenditure by Bayside residents<sup>9</sup>. Of course, customers at the MACs include a significant number of visitors to the area<sup>10</sup> as well as corporate and community organisation customers, so this comparison is not a reliable measure of net-household expenditure capture or leakage.

**Table 2.3 Estimated Bayside Household Expenditure 2018 on Retail, Food Service and Lifestyle Products/Services**

	1st Quintile	2nd Quintile	3rd Quintile	4th Quintile	5th Quintile	Bayside Estimate for 2018 (weekly)	Bayside Estimate for 2018 (annual)
Food and non-alcoholic beverages	144.40	200.36	242.51	277.38	339.32	2,468,786	128,376,849
Alcoholic beverages	12.08	22.92	33.49	39.13	57.34	382,745	19,902,738
Tobacco products	11.04	13.56	15.93	13.65	10.57	101,418	5,273,727
Clothing and footwear	19.55	30.81	41.68	55.60	74.60	505,427	26,282,180
Household furnishings and equipment	29.94	43.24	52.69	62.71	108.12	705,449	36,683,371
Household services and operation	22.71	32.82	48.37	48.54	75.99	514,319	26,744,605
Medical care and health expenses	45.84	68.33	78.03	92.33	135.72	930,075	48,363,908
Recreation	69.54	121.12	163.66	204.73	317.55	2,083,758	108,355,424
Personal care	14.06	21.85	26.55	35.86	48.07	328,311	17,072,163
<b>Total Relevant Expenditure Categories</b>	<b>369.16</b>	<b>555.01</b>	<b>702.91</b>	<b>829.93</b>	<b>1,167.28</b>	<b>8,020,288</b>	<b>417,054,966</b>
Total all Household Expenditure <sup>11</sup>	889.51	1,333.57	1,851.48	2,438.40	4,115.51	26,309,545	1,368,096,320
Estimated Number of Households	743	831	850	1,087	4,676		
% of Households	9.1%	10.2%	10.4%	13.3%	57.1%		

<sup>8</sup> ABS Business Register 2018 and selected IBISWorld industry reports for Australia

<sup>9</sup> Total estimated turnover at MACs less expenditure on finance, property and professional services.

<sup>10</sup> Bayside is part of the Melbourne Tourism region which has 26.73 million tourist visitors per annum (Tourism Research Australia, 2015) including 15.99 million domestic day visitors and 10.74 million overnight visitors staying 74.54 million visit nights.

<sup>11</sup> Including taxation, superannuation and capital expenditures



**Table 2.4 Estimated Percentage of Businesses and Business Turnover at the MACs, 2018**

	MAC Businesses	% of Total Bayside Businesses	Estimated Turnover at the MACs	% of Bayside Turnover
Retail	245	34.03%	\$153,402,826	22.77%
Financial, Property and Professional Services	148	3.13%	\$75,460,236	5.03%
Health and Lifestyle Services	271	16.63%	\$82,896,301	10.07%
Food Services	164	38.32%	\$95,971,703	29.14%
<b>Total</b>	<b>828</b>	<b>11.03%</b>	<b>\$407,731,066</b>	<b>10.06%</b>

**2.4 MAJOR ACTIVITY CENTRE BUSINESSES**

**2.4.1 Business Sites**

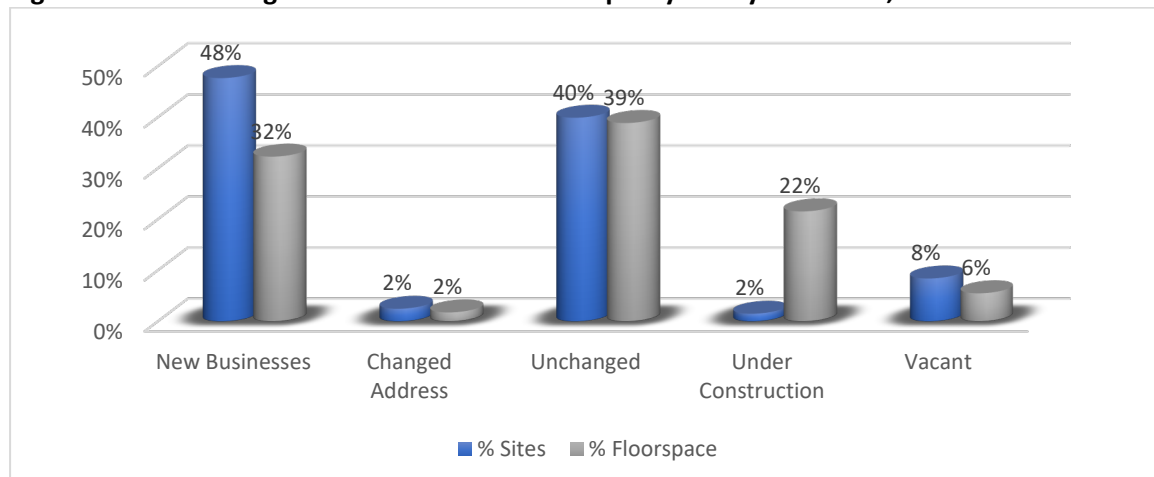
The 2018 updates of site occupancy and businesses at Bayside’s four major activity centres were undertaken in July and August 2018.

The transition of Bayside’s MACs from ‘product retailing’ shopping precincts to commercial service-oriented hubs is well advanced, and the pace of change has accelerated significantly in the past seven years. Even businesses which continue to have a retail focus have, in many cases, adopted a ‘product with service’ offer or some other form of value adding to their product. The growth in online retail, social media marketing and information diffusion, and the casualisation of some business sectors (as distinct from workforce casualisation) have all contributed to, and even forced, these trends.

Between 2011 and 2018 there has been a large turnover in tenancies through, as presented in Figure 2.3:

- Entirely new businesses.
- Businesses changing their names (usually reflecting either a re-positioning of the business or a change and diversification in the product or service offer).
- Changing location to a new address in order to increase floorspace or exposure, or to be in a more desirable business ‘micro-neighbourhood’ (ie with like businesses as neighbours, or neighbours with a comparable image/style).
- Sites being taken out of the commercial stock; some redeveloped for new commercial uses but, more often, sites redeveloped for residential accommodation (especially above ground floor level).

**Figure 2.3 Changes in Commercial Site Occupancy at Bayside MACs, 2011 to 2018**





Over the past seven years, there has been a significantly greater level of clustering of businesses within the same industry sub-sectors. Many cafés and restaurants, clothing retailers, business and professional service firms, and lifestyle and wellbeing businesses have been the main business types congregating in Bayside's Major Activity Centres over the past seven years. The clustering has been achieved by some businesses relocating from elsewhere in the same commercial centre, businesses diversifying from their original activities, and entirely new tenants establishing. For example, there are:

- 23 property, finance and other professional services businesses within 181-197 Bay Street
- 20 restaurants, cafés, bars and takeaway food outlets within 285-368 (and this extends to 30 businesses over the address range 228-423) Bay Street.
- 23 beauty and wellbeing businesses within 511 to 595 Hampton Street
- 28 women's clothing and shoe retailers between 15 – 50 Church Street, with another 4 beauty and fashion accessories (leather goods and cosmetics) businesses in the same address range.

With the exception of visits to supermarkets, the MACs are more likely to be destinations for specific health, wellbeing and lifestyle appointments and/or cafés and restaurants, rather than being destinations for comprehensive retail needs. There has been huge growth in health and wellbeing businesses in all of the MACs.

There is a need for additional classification of business types than is currently available from the Australian and New Zealand Standard Industrial Classification (ANZSIC) system, which was last updated in 2006<sup>12</sup> and is becoming inadequate in reflecting the emerging types of businesses in lifestyle, wellbeing and new technology services. Although, discrete ANZSIC codes are becoming more and more difficult since so many contemporary businesses have multi-functions and multiple customer segments, none of which are necessarily the 'main activity' of the business.

There have been many unusual product and/or service diversification developments among MAC businesses in recent years, making their single business classification difficult and less relevant. Examples include:

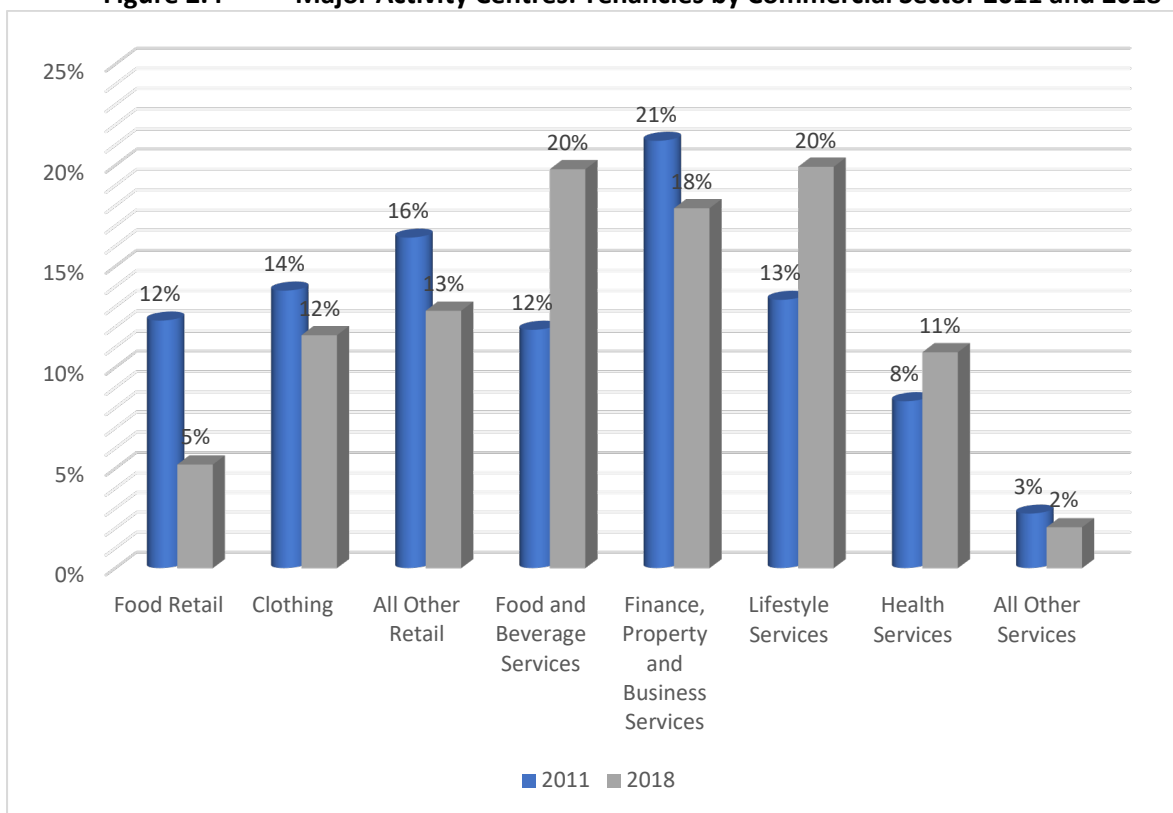
- Beauty Medix in Bay Street, offering "ethical skin, health and lifestyle clinic with injectables and plastic surgery".
- Rokabye in Bay Street, retailing babies and children's wear, with a lifestyle service 'party room' offering hosted and themed parties and events for special occasions.
- The Fifth Element Alliance in Bay Street, featuring services encompassing accountants, lawyers and advisors, consultants, coaches and advisory boards, human resources, education and training, sales and integrated marketing, and property and financial services.
- Hampton Dry and Teahouse in Hampton Street, providing hairdressing, nail care, and a café/teahouse
- Steakout Meatworks and Cellar in Church Street, a retail butchery and retail liquor store with a range of food service functions (including café, barbecue and deli).

<sup>12</sup> Australian Bureau of Statistics and Statistics New Zealand, Australian and New Zealand Standard Industrial Classification 2006.



Figure 2.4 reveals core retailing activities have declined at Bayside Major Activity Centres over the past seven years and now make up 30% of all business enterprises in the commercial activity centres. Professional and business services have also decreased over the period, to 18% of all businesses. The food service, lifestyle, health and wellbeing sectors have grown considerably, now making up 50% of all business enterprises.

**Figure 2.4 Major Activity Centres: Tenancies by Commercial Sector 2011 and 2018**



The total number of operating businesses at the MACs has decreased by 49 between 2011 and 2018, at an average annual rate of -0.82%, while total available business sites decreased by 28 (at an average annual rate of -0.43%, as shown in Table 2.5. The reduction in available sites has been a result of sites and buildings being taken out of commercial stock (primarily for residential development) and several businesses expanding or diversifying and, in doing so, taking occupancy of multiple sites. There was a reduction in occupied and total business sites at two of the four MACs; Sandringham and Bay Street had an increase while available and occupied sites reduced at Hampton Street and Church Street.

Notably:

- The percentage of vacant sites increased from 7.1% of available stock in 2011 to 9.6% of available stock in 2018.
- Retail businesses decreased by 5.83% per annum on average.
- Food service business increased at an average annual rate of 6.72%.
- Lifestyle services increased by 5.03% per annum on average.
- Health services increased by 2.87% per annum on average.

**Table 2.5 Businesses by Functional Classification: Bayside MACs 2011-2018**

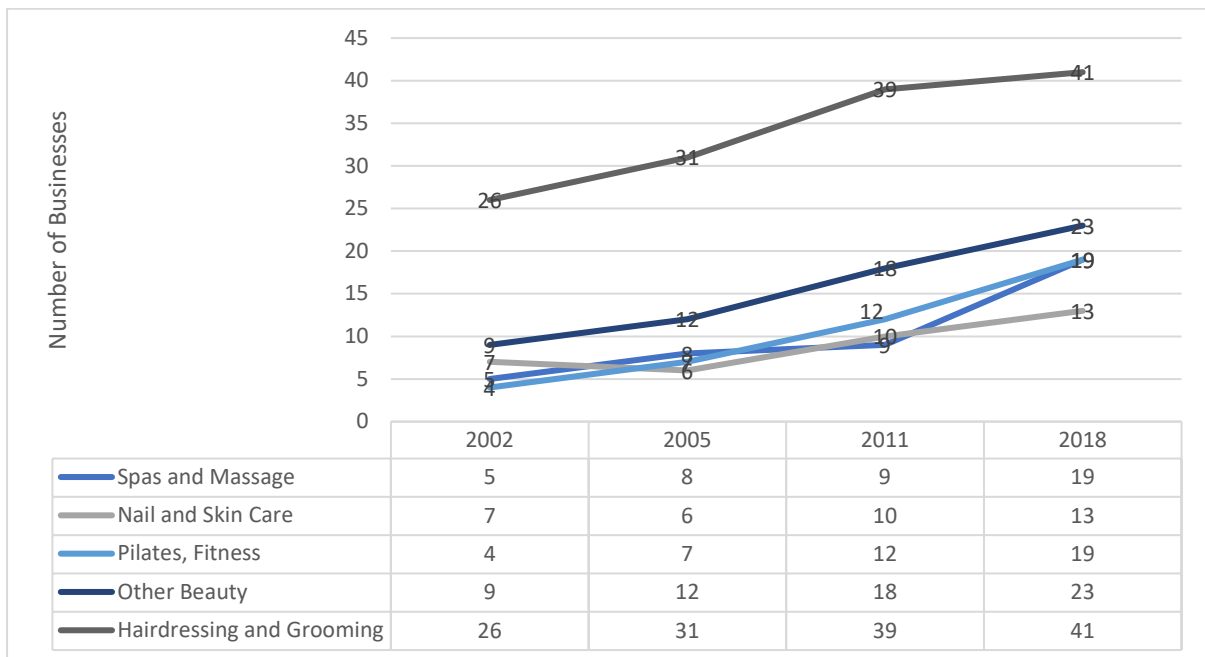
	2018	%	2011	%	% p.a. 2011-18
Food Retail	43	5.19%	108	12.31%	-12.33%
Clothing	96	11.59%	121	13.80%	-3.25%
Housewares	45	5.43%	144	16.42%	-4.28%
All Other Retail	61	7.37%			
<b>Total Retail Businesses</b>	<b>245</b>	<b>29.59%</b>	<b>373</b>	<b>42.53%</b>	<b>-5.83%</b>
Food and Beverage Services	164	19.81%	104	11.86%	6.72%
Finance, Property and Business Services	148	17.87%	186	21.21%	-3.21%
Lifestyle Services	165	19.93%	117	13.34%	5.03%
Health Services	89	10.75%	73	8.32%	2.87%
All Other Services	17	2.05%	24	2.74%	-4.81%
<b>Total Businesses</b>	<b>828</b>	<b>100.00%</b>	<b>877</b>	<b>100.00%</b>	<b>-0.82%</b>
Occupied	828	90.39%	877	92.90%	-0.82%
Vacant	88	9.61%	67	7.10%	3.97%
<b>TOTAL</b>	<b>916</b>	<b>100.00%</b>	<b>944</b>	<b>100.00%</b>	<b>-0.43%</b>

Among the 'growth sectors' of food service and lifestyle businesses, Table 2.6 and Figures 2.5 and 2.6 identify the sub-groupings of 'spas and massage', 'fitness' and 'bars' as the most rapidly increasing tenancy types. Online sales and home delivery options (such as Uber Eats and Deliveroo) are now ubiquitous in Bayside.

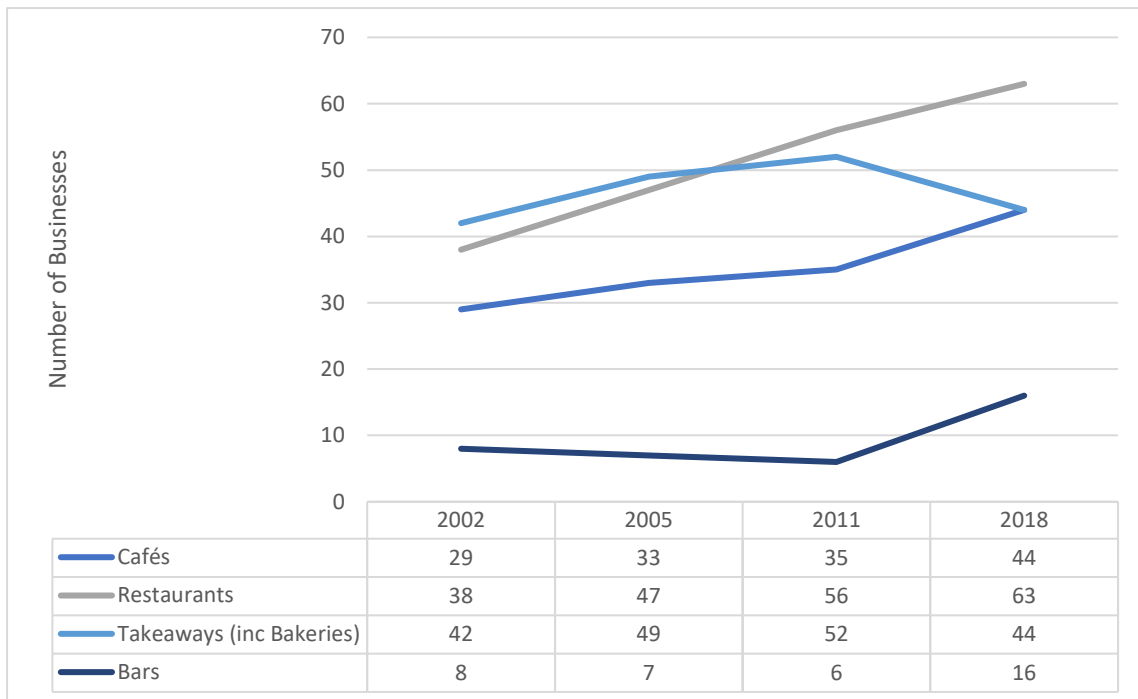
**Table 2.6 Increase in Lifestyle and Food Service Businesses at Bayside MACs 2002-18**

	% pa 2002-18	% pa 2011-18
Spas and Massage	8.70%	11.27%
Nail and Skin Care	3.94%	3.82%
Pilates, Fitness	10.23%	6.79%
Other Beauty	6.04%	3.56%
Hairdressing and Grooming	2.89%	0.72%
<b>Total Lifestyle Businesses</b>	<b>5.21%</b>	<b>3.90%</b>
Cafés	2.34%	2.64%
Restaurants	3.11%	1.46%
Takeaways (including Bakeries)	0.29%	-2.36%
Bars	4.43%	15.04%
<b>Total Food Service Businesses</b>	<b>2.13%</b>	<b>1.38%</b>
<b>TOTAL Lifestyle and Food Services</b>	<b>3.22%</b>	<b>2.36%</b>

**Figure 2.5 Trends in Lifestyle Businesses at Bayside MACs 2002-18**



**Figure 2.6 Trends in Food Service Businesses at Bayside MACs 2002-18**



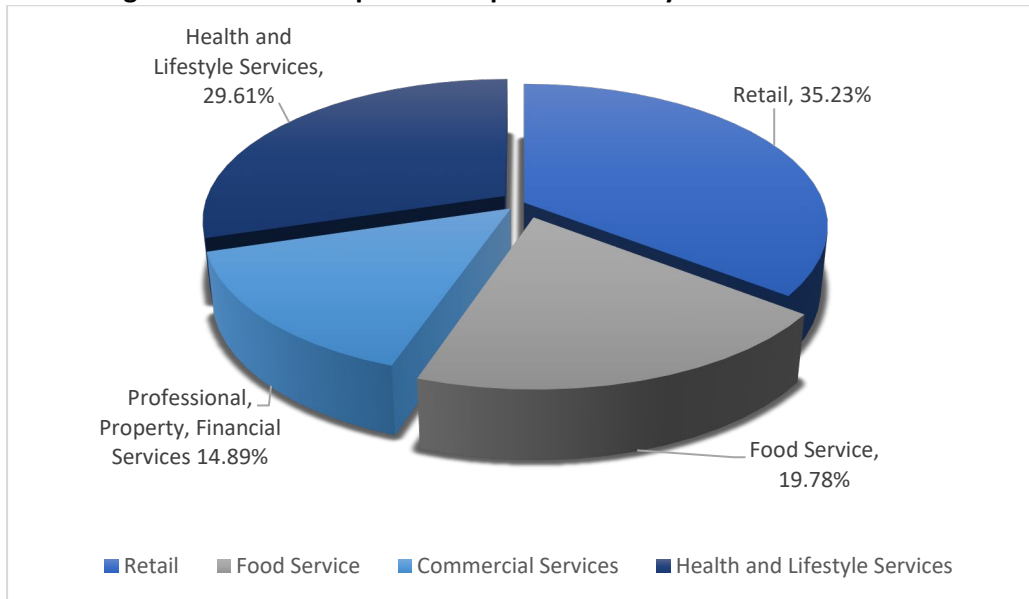
**Photo: Health and Lifestyle Cluster of Businesses**



### 2.4.2 Commercial Floorspace

Figure 2.7 shows the occupied floorspace at the MACs in 2018 by major functional classifications, with core retailing only occupying 35.2% of the total, despite the fact that grocery retailing/supermarkets tend to occupy the greatest floorspace of all individual businesses. Floorspace occupied by health and lifestyle businesses is approaching the level of retail businesses. Professional, property and financial service businesses tend to occupy smaller floorspace premises and are now often co-located with personal services businesses.

**Figure 2.7 Occupied Floorspace at the Bayside MACs 2018**



Greater detail on floorspace by business classification is presented in Table 2.7.

**Table 2.7 Functional Floorspace: Bayside MACs 2018**

Business Type	2018	%
Food Retail	13,770	13.90%
Clothing	8,092	8.17%
Housewares	5,810	5.86%
All Other	7,232	7.30%
<b>Total Retail</b>	<b>34,904</b>	<b>35.23%</b>
Food and Beverage Services	19,591	19.78%
Finance, Property and Professional Services	14,751	14.89%
Lifestyle Services	15,435	15.58%
Health Services	13,191	13.32%
All Other	705	0.71%
Unallocated	490	0.49%
<b>Total Occupied</b>	<b>99,067</b>	<b>100.00%</b>
Occupied	99,067	91.12%
Vacant	9,650	8.88%
<b>Total Available Floorspace</b>	<b>108,717</b>	<b>100.00%</b>



### 3. BAY STREET MAJOR ACTIVITY CENTRE

#### 3.1 OVERVIEW

Bay Street is located in North Brighton. The retail precinct extends for around 800 metres along Bay Street with limited commercial development on side streets. North Brighton rail station is centrally located about half way along the strip.

Bay Street precinct is the third largest of Bayside's major retail precincts in terms of numbers of businesses. It is around 900 metres south of the Martin Street neighbourhood centre and 1,200 metres from Church Street, a Major Activity Centre with a more extensive commercial area.

#### 3.2 SOCIO-ECONOMIC CHARACTERISTICS

Bay Street is located within Brighton Statistical Area 2 (SA2), a statistical boundary developed by the Australian Bureau of Statistics. Brighton is relatively affluent even by Bayside standards which, in turn, is relatively affluent by Australian standards. At the time of the 2016 Census it had:

- A resident population of 22,695 with a relatively older aged structure. The average age of Brighton residents in 2016 was 45 years compared with the Australian average of 38 years.
- A relatively low rate of unemployment (4.4% compared with the Australian average of 6.9%).
- A higher proportion of persons in the labour force working part time (33.9% compared with 30.4% for Australia).
- A far greater proportion of workers employed in the more highly skilled occupations of Professionals and Managers (61.9% compared with 35.2% nationally).
- Significantly higher median incomes:
  - Median individual income of \$1,051 per week (compared with the Australian median of \$662).
  - Median household income of \$2,397 per week (compared with the Australian median of \$1,734).

Bayside's suburbs all have high levels of socio-economic advantage. All Bayside suburbs, except Cheltenham (partly in Bayside and partly in the City of Kingston) and Hampton East, rank within the top decile of Victoria's 2,672 recorded 'suburbs' for socio-economic advantage over disadvantage. Brighton ranks highest of the Bayside suburbs, at 10<sup>th</sup> in Victoria.

#### 3.3 BAY STREET LANDUSE AND TENANCIES

The 2018 Business Monitor update identified 228 business sites in Bay Street, including vacant buildings and lots. This represents an increase of 6.1% on the number of business sites identified in the 2011 Monitor. Of the total business sites, 23 (or 10.1%) were vacant; an increase on the 4.2% vacancy rate recorded in 2011.

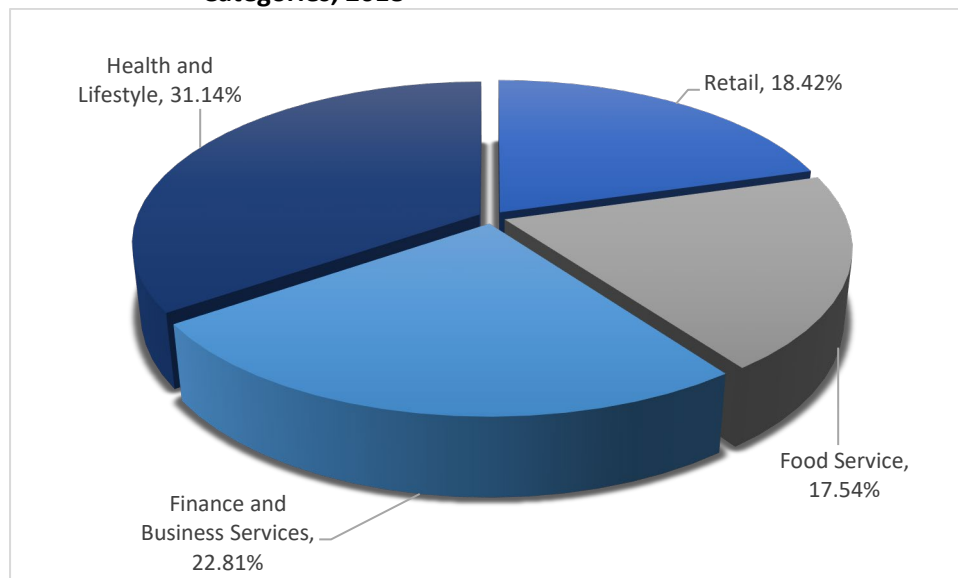
Table 3.1 and Figure 3.1 summarise the number of businesses by relevant industry categorisation in 2018, Table 3.2 compares the 2018 business numbers with those of 2011, and Table 3.3 presents the number of businesses by detailed industry classification. Health and lifestyle and food service businesses have been the growth sectors in Bay Street over recent years, and the vacancy rate of available premises has also increased considerably, from 4.3% in 2011 to 10.1% in 2018. Bay Street is more disjointed than other Bayside MACs, somewhat a result of the larger proportion of finance, property and professional services businesses among the tenancies. Even though this sector is reducing across the Bayside MACs, it is largest in Bay Street; 25.4% of businesses in Bay Street MAC compared with 17.9% across all four MACs.



**Table 3.1 Number of Business Sites in Bay Street Major Activity Centre, 2018**

	Number of Businesses	%	Estimated Floorspace (²m)	%	Average Floorspace per Business
<b>Retail</b>					
Food Retail	9	4.39%	2,365	9.25%	263
Clothing	12	5.85%	1,160	4.54%	97
Housewares	8	3.90%	1,205	4.71%	151
All Other Product Retailing	13	6.34%	1,535	5.72%	118
<b>Total Retail</b>	<b>42</b>	<b>20.49%</b>	<b>6,265</b>	<b>23.33%</b>	<b>149</b>
<b>Food and Beverage Services</b>	<b>40</b>	<b>19.51%</b>	<b>4,321</b>	<b>16.09%</b>	<b>108</b>
<b>Finance, Property and Professional Services</b>	<b>52</b>	<b>25.37%</b>	<b>4,991</b>	<b>18.59%</b>	<b>96</b>
<b>Health and Lifestyle Services</b>					
Lifestyle Services	35	17.07%	5,126	19.09%	110
Health Services	25	12.20%	3,147	11.72%	126
Other Personal Services	11	5.37%	1,280	4.77%	116
<b>Total Health and Lifestyle</b>	<b>71</b>	<b>34.63%</b>	<b>9,553</b>	<b>35.58%</b>	<b>135</b>
Total Occupied Sites	205	89.91%	24,340	90.64%	119
Vacant Sites	23	10.09%	2,513	9.36%	109
<b>Total Commercial Sites</b>	<b>228</b>	<b>100.00%</b>	<b>26,853</b>	<b>100.00%</b>	<b>118</b>

**Figure 3.1 Percentage of Operating Businesses Sites in Bay Street: Selected Industry Categories, 2018**



**Table 3.2 Bay Street Businesses 2011 and 2018**

	2018		2011		% p.a.
Food Retail	9	4.39%	19	9.41%	-10.12%
Clothing	12	5.85%	20	9.90%	-7.04%
Housewares	8	3.90%			
All Other Retail	13	6.34%	24	11.88%	-1.89%
<b>Total Retail</b>	<b>42</b>	<b>20.49%</b>	<b>63</b>	<b>31.19%</b>	<b>-5.63%</b>
Food and Beverage Services	40	19.51%	27	13.37%	5.78%
Finance, Property and Business Services	52	25.37%	56	27.72%	-1.05%
Lifestyle Services	35	17.07%	29	14.36%	2.72%
Health Services	25	12.20%	19	9.41%	4.00%
All Other Services	11	5.37%	8	3.96%	4.65%
<b>Total Occupied</b>	<b>205</b>	<b>100.00%</b>	<b>202</b>	<b>100.00%</b>	<b>0.21%</b>
Occupied	205	89.91%	202	95.73%	
Vacant	23	10.09%	9	4.27%	14.34%
<b>Total Available</b>	<b>228</b>		<b>211</b>	<b>100.00%</b>	<b>1.11%</b>
Under Construction, Removed from Stock, Residential	2				

**Table 3.3 Bay Street Major Activity Centre: Businesses by Detailed Classification, 2018**  
**BAY STREET**

	<b>Businesses</b>	<b>% Occupied Sites</b>
Bakeries	4	1.95%
Construction Services	8	3.90%
Supermarket and Groceries	3	1.46%
Specialised Food	6	2.93%
Housewares	8	3.90%
Clothing	12	5.85%
Newsagencies and Books	1	0.49%
Pharmacies and Cosmetics	3	1.46%
Antiques and Used Goods (including Opportunity Shops)	2	0.98%
Florists	2	0.98%
Other Store Based Retail (Art Galleries, Crafts, Computer Consumables, Musical Instruments, Pet and Pet Accessories, Tobacco Products)	5	2.44%
Cafés and Restaurants	25	12.20%
Takeaway Foods	7	3.41%
Pubs, Taverns, Bars	4	1.95%
Transport and Postal Services	3	1.46%
Financial Planning and Investing	11	5.37%
Real Estate Agencies	10	4.88%
Architectural, Engineering and Technical Services	4	1.95%
Legal Services	11	5.37%
Accounting and Management Services	16	7.80%
Travel Agencies and Event Management	6	2.93%
Security Services	1	0.49%
Education and Training	2	0.98%
General and Specialist Medical Services	5	2.44%
Dental Services	5	2.44%
Optometry	3	1.46%
Chiropractic and Osteopathic	1	0.49%
Allied Health Services	9	4.39%
Aged Care	2	0.98%
Fitness Centres and Clubs	8	3.90%
Hairdressing and Beauty Services	15	7.32%
Laundry and Dry Cleaning and Other Personal Services	3	1.46%
Vacant	23	
Under Construction, Removed from Stock, or Converted to Residential	2	
<b>TOTAL</b>	<b>230</b>	



Rapid growth in food service and selected lifestyle businesses is quantified in Tables 3.4 and 3.5.

**Table 3.4 Bay Street: Selected Lifestyle Business Trends**

	2002	2005	2011	2018	% pa 2002-18
Spas and Massage	1	3	3	5	10.58%
Nail and Skin Care	1	1	1	5	10.58%
Pilates, Fitness	3	3	8	6	4.43%
Other Beauty	1	2	5	4	9.05%
Hairdressing and Grooming	5	1	6	7	2.13%
<b>TOTAL</b>	<b>11</b>	<b>10</b>	<b>23</b>	<b>27</b>	<b>5.77%</b>

**Table 3.5 Bay Street: Food Service Business Trends**

	2002	2005	2011	2018	% pa 2002-18
Cafés	3	5	4	6	4.43%
Restaurants	11	11	16	19	3.47%
Takeaways (including Bakeries)	5	7	12	11	5.05%
Bars and Pubs	3	2	2	4	1.81%
<b>TOTAL</b>	<b>22</b>	<b>25</b>	<b>34</b>	<b>40</b>	<b>3.81%</b>

Estimated floorspace utilisation by commercial businesses in 2018 was 25,493 square metres (excluding sites removed from the commercial stock) as shown in Table 3.6. Retail and lifestyle businesses tend to occupy relatively more floorspace, while food service and professional, finance and property services occupy relatively less floorspace.

**Table 3.6 Bay Street MAC Estimated Floorspace Utilisation 2018**

Functional Classification		
	<b>2018</b>	<b>%</b>
Food Retail	2,365	10.52%
Clothing	1,160	5.16%
Housewares	1,205	5.36%
All Other	1,535	6.83%
<b>Total Retail</b>	<b>6,265</b>	<b>27.86%</b>
Food and Beverage Services	4,241	18.86%
Finance, Property and Business Services	4,991	22.19%
Lifestyle Services	3,846	17.10%
Health Services	3,147	13.99%
<b>Total Occupied</b>	<b>22,490</b>	
Occupied	22,980	90.14%
Vacant	2,513	9.86%
<b>Total Available</b>	<b>25,493</b>	<b>100.00%</b>



## 4. SANDRINGHAM MAJOR ACTIVITY CENTRE

### 4.1 OVERVIEW

The Sandringham retail precinct, known as Sandy Village, is located within the suburb of Sandringham in the centre of the City of Bayside. It is one of the few retail precincts in Bayside where development does not extend in a strip along one major street. Sandringham's precinct is spread over 4 streets and extends for around 300 metres along Station Street, 200 metres along Waltham Street, 150 metres along Melrose Street and 300 metres along Bay Road. There is also some development in Abbott Street, Chalmers Avenue and Beach Road. Sandringham railway station is centrally located within the precinct.



Sandringham precinct is approximately 1,500 metres south of the Hampton Street precinct, 3,300 metres east of Highett and 3,000 metres north of the Beaumaris precinct. It is also about 4 kilometres north west of Westfield Southland, a major regional shopping centre. Sandringham performs the role of a district centre.

### 4.2 SOCIO-ECONOMIC CHARACTERISTICS

The Sandringham MAC is located within the Sandringham-Black Rock Statistical Area 2 (SA2). At the time of the 2016 Census Sandringham had:

- Resident population of 16,506 and grew at the rate of 1.6% on average per annum over the five years 2011-2016 (compared with 1.1% for the City of Bayside as a whole).
- A slightly older age structure than Bayside as a whole, with a median age of 45 years (compared with the Australian average of 38 years).
- An unemployment rate of 4.0% (compared with the Australian average of 6.9%).
- A higher proportion of persons in the labour force working part time (33.9% compared with 30.4% for Australia).
- A far greater proportion of workers employed in the more highly skilled occupations of Professionals and Managers (56.5% compared with 35.2% nationally).
- Significantly higher median incomes:
  - Median individual income of \$927 per week (compared with the Australian median of \$662).
  - Median household income of \$2,102 per week (compared with the Australian median of \$1,734).

Bayside's suburbs all have high levels of socio-economic advantage. All Bayside suburbs, except Cheltenham (partly in Bayside and partly in the City of Kingston) and Hampton East, rank within the top decile of Victoria's 2,672 recorded 'suburbs' for socio-economic advantage over disadvantage. Sandringham, with a ranking of 25<sup>th</sup> is in the top decile.

### 4.3 SANDRINGHAM LANDUSE AND TENANCIES

The 2018 Business Monitor update identified 150 business sites in Sandringham, including vacant buildings and lots. This represents an increase of 1.2% on the number of business sites identified in the 2011 Monitor. Of the total business sites, 13 (or 8.7%) were vacant; a decrease on the 15.9% vacancy rate recorded in 2011; the only Bayside MAC to have a reduced vacancy rate.

Table 4.1 summarises the number of businesses by relevant industry categorisation in 2018 compared with those of 2011, and Table 4.2 presents the number of businesses by detailed industry classification. In contrast to other Bayside MACs, Sandringham has strengthened its role as a centre for finance, property and professional services, which have become 21.17% of all businesses and increased at an average annual rate of 8.08%. Health and lifestyle and food service businesses have also grown strongly over recent years.

Sandringham MAC is well integrated. Although it spans a few streets, making it less of a shopping strip and more of a shopping village, the businesses and transport hub around the station are well linked. Sandringham MAC had both an increase in business numbers and a reduction in the vacancy rate between 2011 and 2018.

**Table 4.1 Number of Business Sites in Sandringham Major Activity Centre, 2018**

Functional Classification	2018	%	2011	%	% p.a 2011-18
Food Retail	11	8.03%	21	18.10%	-8.82%
Clothing	2	1.46%	6	5.17%	-14.52%
Housewares	5	3.65%	6	5.17%	-1.77%
All Other Retail	10	7.30%			
<b>Total Retail</b>	<b>28</b>	<b>20.44%</b>	<b>44</b>	<b>37.93%</b>	<b>-6.25%</b>
Food and Beverage Services	29	21.17%	19	16.38%	6.23%
Finance, Property and Professional Services	31	22.63%	18	15.52%	8.08%
Lifestyle Services	22	15.33%	17	14.66%	3.75%
Health Services	24	17.52%	12	10.34%	10.41%
All Other Services	3	2.92%	6	5.17%	-9.43%
<b>Total Occupied Sites</b>	<b>137</b>	<b>100.00%</b>	<b>116</b>	<b>100.00%</b>	<b>2.41%</b>
Occupied	137	91.33%	116	84.06%	2.41%
Vacant	13	8.67%	22	15.94%	-7.24%
<b>Total Available Sites</b>	<b>150</b>	<b>100.00%</b>	<b>138</b>	<b>100.00%</b>	<b>1.20%</b>
Under Construction, Removed from Stock, Residential	2				



**Table 4.2 Sandringham Major Activity Centre: Businesses by Detailed Classification, 2018**

<b>SANDRINGHAM</b>	<b>Businesses</b>	<b>% Occupied Sites</b>
Bakeries	3	2.19%
Supermarket and Groceries	1	0.73%
Specialised Food	10	7.30%
Housewares	5	3.65%
Clothing	2	1.46%
Newsagencies and Books	2	1.46%
Pharmacies and Cosmetics	1	0.73%
Antiques and Used Goods (including Opp Shops)	1	0.73%
Florists	1	0.73%
Other Store Based Retail (Art Galleries, Crafts, Computer Consumables, Musical Instruments, Pet and Pet Accessories, Tobacco Products)	5	3.65%
Cafés and Restaurants	18	13.14%
Takeaway Foods	6	4.38%
Pubs, Taverns, Bars	2	1.46%
Postal Services	1	0.73%
Libraries	1	0.73%
Banks	1	0.73%
Financial Planning and Investing	3	2.19%
Goods and Equipment Hire	1	0.73%
Real Estate Agencies	6	4.38%
Architectural, Engineering and Technical Services	9	6.57%
Legal Services	4	2.92%
Accounting and Management	7	5.11%
Travel Agencies	1	0.73%
Police and Security Services	1	0.73%
Education and Training	1	0.73%
General and Specialist Medical Services	2	1.46%
Dental Services	5	3.65%
Optometry	1	0.73%
Physiotherapy	1	0.73%
Chiropractic and Osteopathic	2	1.46%
Allied Health Services	11	8.03%
Aged Care	2	1.46%
Fitness Centres	1	0.73%
Clothing/Footwear and Other Repair	3	2.19%
Hairdressing and Beauty Services	12	8.76%
Laundry and Dry Cleaning	2	1.46%
Other Personal Services	2	1.46%
Vacant	13	
Under Construction, Removed from Stock, or Converted to Residential	2	
<b>TOTAL</b>	<b>152</b>	

Rapid growth in food service and selected lifestyle businesses is quantified in Table 4.3.

**Table 4.3 Sandringham: Selected Lifestyle and Food Service Business Trends**

	2005	2011	2018	% p.a.
<b>Selected Lifestyle Businesses</b>				
Spas and Massage	1	1	2	7.11%
Nail and Skin Care	1	0	1	0.00%
Pilates, Fitness	0	1	1	
Other Beauty	1	2	2	7.11%
Hairdressing and Grooming	6	8	8	0.97%
<b>Lifestyle Businesses</b>	<b>9</b>	<b>12</b>	<b>14</b>	<b>3.24%</b>
<b>Food Service</b>				
Cafés	5	6	6	3.74%
Restaurants	8	9	11	2.01%
Takeaways (including Bakeries)	6	7	9	1.81%
Bars	3	2	1	0.00%
<b>Food Service</b>	<b>22</b>	<b>24</b>	<b>27</b>	<b>2.17%</b>



Estimated floorspace utilisation by commercial businesses in Sandringham in 2018 was 21,150 square metres (excluding sites removed from the commercial stock) as shown in Table 4.4. Health service businesses occupy relatively more floorspace in Sandringham, while retail (other than food retail), food service and professional, finance and property services occupy relatively less floorspace.

**Table 4.4 Sandringham MAC Estimated Floorspace Utilisation 2018**

<b>2018</b>		
Food Retail	2,145	10.14%
Clothing	215	1.02%
Housewares	410	1.94%
All Other	990	4.68%
<b>Total Retail</b>	<b>3,760</b>	<b>17.78%</b>
Food and Beverage Services	4,145	19.60%
Finance, Property and Business Services	3,560	16.83%
Lifestyle Services	2,240	10.59%
Health Services	5,405	25.56%
All Other	130	0.61%
<b>Total Occupied Sites</b>	<b>7,775</b>	<b>36.76%</b>
Occupied	19,240	90.97%
Vacant	1,910	9.03%
<b>Total Available Sites</b>	<b>21,150</b>	<b>100.00%</b>
Sites Removed from Stock	1	
Under Construction	1	



## 5. HAMPTON STREET MAJOR ACTIVITY CENTRE

### 5.1 OVERVIEW

Hampton Street is the largest of Bayside's Major Activity Centres in terms of number of businesses and occupied floorspace. It extends for around 1.4 kilometres. Most commercial development is in a strip along Hampton Street, although there is also some minor development in cross streets.

Hampton rail station is located towards the southern end of the strip. It has a full-service supermarket with off street parking at the rear. Additional off-street parking is also available off Fewster Road and at the rail station.



Hampton Street is approximately 1,600 metres north of the Sandringham precinct, 2,200 metres south of the Church Street precinct and 3,000 metres south of the Bay Street precinct.

### 5.2 SOCIO-ECONOMIC CHARACTERISTICS

The Hampton Street commercial precinct is located within Hampton Statistical Area 2. At the time of the 2016 Census Hampton had:

- Resident population of 17,640 and grew at the rate of 0.9% on average per annum over the five years 2011-2016 (compared with 1.1% for the City of Bayside as a whole).
- A slightly younger age structure than Bayside as a whole, with a median age of 42 years (compared with the Australian average of 38 years).
- An unemployment rate of 4.9% (compared with the Australian average of 6.9%).
- A higher proportion of persons in the labour force working part time (34.0% compared with 30.4% for Australia).
- A far greater proportion of workers employed in the more highly skilled occupations of Professionals and Managers (55.0% compared with 35.2% nationally).
- Significantly higher median incomes:
  - Median individual income of \$819 per week (compared with the Australian median of \$662).
  - Median household income of \$2,028 per week (compared with the Australian median of \$1,734).

Bayside's suburbs all have high levels of socio-economic advantage. All Bayside suburbs, except Cheltenham (partly in Bayside and partly in the City of Kingston) and Hampton East, rank within the top decile of Victoria's 2,672 recorded 'suburbs' for socio-economic advantage over disadvantage. Hampton, with a ranking of 27<sup>th</sup> is in the top decile.

### 5.3 HAMPTON STREET LANDUSE AND TENANCIES

The 2018 Business Monitor update identified 324 business sites in Hampton Street, including vacant buildings and lots. This represents a decrease of -1.6% per annum on the number of business sites identified in the 2011 Monitor. Of the total business sites, 42 (or 12.96%) were vacant; a substantial increase on the 7.35% vacancy rate recorded in 2011. Another 9 sites have been removed from the commercial land stock.



Table 5.1 summarises the number of businesses by relevant industry categorisation in 2018 compared with those of 2011, and Table 5.2 presents the number of businesses by detailed industry classification. The presence of food services and lifestyle services has increased in Hampton MAC over the past seven years at the expense of all other commercial functional categories, with both increasing at 7.2% per annum on average. Hampton has a high commercial vacancy rate, coupled with the fact that it has the greatest number of sites removed from the commercial stock, giving way to new residential development.

**Table 5.1 Number of Business Sites in Hampton Major Activity Centre, 2018**

<b>HAMPTON STREET</b>					
<b>Functional Classification</b>					
	<b>2018</b>		<b>2011</b>		<b>% p.a.</b>
Food Retail	14	4.98%	43	13.65%	-14.81%
Clothing	25	8.90%	40	12.70%	-6.49%
Housewares	19	6.76%			
All Other Retail	27	9.61%	72	22.86%	-6.20%
<b>Total Retail</b>	<b>85</b>	<b>30.25%</b>	<b>155</b>	<b>49.21%</b>	<b>-8.22%</b>
Food and Beverage Services	62	22.06%	38	12.06%	7.24%
Finance, Property and Business Services	29	10.32%	41	13.02%	-4.83%
Lifestyle Services	80	28.47%	49	15.56%	7.25%
Health Services	23	8.19%	28	8.89%	-2.77%
All Other Services	2	0.71%	4	1.27%	-9.43%
<b>Total Occupied Sites</b>	<b>281</b>	<b>100.00%</b>	<b>315</b>	<b>100.00%</b>	<b>-1.62%</b>
Occupied	281	86.73%	315	92.65%	-1.62%
Vacant	43	13.27%	25	7.35%	8.06%
<b>Total Available Sites</b>	<b>324</b>		<b>340</b>		
Under Construction, Removed from Stock, Residential	9				

**Table 5.2 Hampton Major Activity Centre: Businesses by Detailed Classification, 2018**

<b>HAMPTON STREET</b>	<b>Businesses</b>	<b>% Occupied Sites</b>
Bakeries	5	1.78%
Construction Services	1	0.36%
Fuel	1	0.36%
Supermarket and Groceries	2	0.71%
Specialised Food	12	4.27%
Housewares	19	6.76%
Clothing	25	8.90%
Newsagencies and Books	5	1.78%
Pharmacies and Cosmetics	3	1.07%
Antiques and Used Goods (including Opp Shops)	5	1.78%
Florists	3	1.07%
Other Store Based Retailing	10	3.56%
Cafés and Restaurants	35	12.46%
Takeaway Foods	17	6.05%
Pubs, Taverns, Bars	5	1.78%
Postal Services	2	0.71%
Libraries	1	0.36%
Banks	5	1.78%
Financial Planning and Investing	3	1.07%
Goods and Equipment Hire	3	1.07%
Real Estate Agencies	1	0.36%
Architectural, Engineering and Technical Services	5	1.78%
Legal Services	4	1.42%
Accounting	5	1.78%
Travel Agencies	3	1.07%
Security Services	1	0.36%
Education and Training	6	2.14%
General and Specialist Medical Services	4	1.42%
Dental Services	10	3.56%
Optometry	2	0.71%
Physiotherapy	2	0.71%
Chiropractic and Osteopathic	4	1.42%
Allied Health Services	11	3.91%
Other Health Care	1	0.36%
Aged Care	0	0.00%
Fitness Centres	13	4.63%
Auto Repair and Maintenance	1	0.36%
Clothing/Footwear and Other Repair	3	1.07%
Hairdressing and Beauty Services	35	12.46%
Laundry and Dry Cleaning	3	1.07%
Other Personal Services	5	1.78%
Vacant	43	
<b>Total</b>	<b>281</b>	<b>100.00%</b>

Rapid growth in food service and selected lifestyle businesses is quantified in Table 5.3. Hampton has by far the largest number and proportion of lifestyle businesses among the Bayside MACs.

**Table 5.3 Hampton Street: Selected Lifestyle and Food Service Business Trends**

	2002	2005	2011	2018	% pa 2002-18	% pa 2011-18
<b>Selected Lifestyle</b>						
Spas and Massage	1	2	3	7	12.93%	12.87%
Nail and Skin Care	4	4	5	6	2.57%	2.64%
Pilates, Fitness	1	3	3	11	16.17%	20.40%
Other Beauty	6	6	10	12	4.43%	2.64%
Hairdressing and Grooming	12	16	16	17	2.20%	0.87%
<b>Total Lifestyle</b>	<b>24</b>	<b>31</b>	<b>37</b>	<b>53</b>	<b>5.08%</b>	<b>5.27%</b>
<b>Food Service</b>						
Cafés	15	15	16	17	0.79%	0.87%
Restaurants	12	18	20	21	3.56%	0.70%
Takeaways (including Bakeries)	21	26	21	18	-0.96%	-2.18%
Bars	1	1	1	7	12.93%	32.05%
<b>Total Food Service</b>	<b>49</b>	<b>60</b>	<b>58</b>	<b>63</b>	<b>1.58%</b>	<b>1.19%</b>

Estimated floorspace utilisation by commercial businesses in Hampton in 2018 was 37,465 square metres (excluding sites removed from the commercial stock) as shown in Table 5.4. Retailing and health service businesses occupy relatively more floorspace in Hampton, while all other functions occupy relatively less floorspace.

**Table 5.4 Hampton Street MAC Estimated Floorspace Utilisation 2018**

	2018	
Food Retail	3,510	10.56%
Clothing	2,390	7.19%
Housewares	3,015	9.07%
All Other	3,635	10.93%
<b>Total Retail</b>	<b>12,550</b>	<b>37.75%</b>
Food and Beverage Services	6,758	20.33%
Finance, Property and Business Services	3,790	11.40%
Lifestyle Services	6,417	19.30%
Health Services	3,275	9.85%
All Other	455	1.37%
<b>Total Occupied Sites</b>	<b>33,245</b>	<b>100.00%</b>
Occupied	33,245	88.74%
Vacant	4,220	11.26%
<b>Total Available Sites</b>	<b>37,465</b>	<b>100.00%</b>



## 6. CHURCH STREET MAJOR ACTIVITY CENTRE

### 6.1 OVERVIEW

Church Street is located in Middle Brighton. The major activity centre extends for around 600 metres along Church Street with some additional retail and commercial development on Carpenter Street, St Andrews Street, New Street, Wells Street and Male Street. Middle Brighton railway station is toward the southern end of the precinct.

Church Street MAC is the second largest Bayside MAC in both number of businesses and available floorspace. It is around 1,200 metres south of Bay Street and about 2,200 metres north of Hampton Street.

### 6.2 SOCIO-ECONOMIC CHARACTERISTICS

Church Street is located within Brighton Statistical Area 2 (SA2), a statistical boundary developed by the Australian Bureau of Statistics (as is the Bay Street MAC). Brighton is relatively affluent even by Bayside standards which, in turn, is relatively affluent by Australian standards. At the time of the 2016 Census it had:

- A resident population of 22,695 with a relatively older aged structure. The average age of Brighton residents in 2016 was 45 years compared with the Australian average of 38 years.
- A relatively low rate of unemployment (4.4% compared with the Australian average of 6.9%).
- A higher proportion of persons in the labour force working part time (33.9% compared with 30.4% for Australia).
- A far greater proportion of workers employed in the more highly skilled occupations of Professionals and Managers (61.9% compared with 35.2% nationally).
- Significantly higher median incomes:
  - Median individual income of \$1,051 per week (compared with the Australian median of \$662).
  - Median household income of \$2,397 per week (compared with the Australian median of \$1,734).

Bayside's suburbs all have high levels of socio-economic advantage. All Bayside suburbs, except Cheltenham (partly in Bayside and partly in the City of Kingston) and Hampton East, rank within the top decile of Victoria's 2,672 recorded 'suburbs' for socio-economic advantage over disadvantage. Brighton ranks highest of the Bayside suburbs, at 10<sup>th</sup> in Victoria.

### 6.3 CHURCH STREET LANDUSE AND TENANCIES

The 2018 Business Monitor update identified 215 business sites in Bay Street, including vacant buildings and lots. This represents a decrease of 1.35% per annum on the number of business sites identified in the 2011 Monitor. Of the total business sites, 10 (or 4.7%) were vacant; similar to the 11 vacancies and 4.3% vacancy rate recorded in 2011.

Table 6.1 summarises the number of businesses by relevant industry categorisation in 2018 compared with those of 2011, and Table 6.2 presents the number of businesses by detailed industry classification. Food services, health and lifestyle services have all increased rapidly in Church Street MAC over the past seven years, with food service outstripping other sectors at 7.4% per annum growth on average. Core retailing remains stronger in Church Street than any of the other Bayside MACs (despite having decreased by 2.95% per annum over the past seven years), with clothing retail outlets continuing as the largest retailing sub-sector.

Church Street has a low commercial vacancy rate, and only one site currently removed from the commercial stock for new residential development.

Council is currently seeking community feedback on potential redevelopment of two Council-owned car parks for the Church Street MAC. The proposed sites are located at 22-26 Black Street and 21-27 Well Street adjacent to the Church Street shopping strip. Redevelopment of these sites could deliver up to 436 additional, new public parking spaces. Currently, the Black Street car park has 93 public car spaces and Well Street has 107 public car spaces. A lack of parking in Bayside's shopping villages is one of the key concerns that community members have been raising with Council. In most locations this is challenging due to limitations on available land. Under the proposal the Well Street site, located behind the Woolworths, would be converted to a multi-storey carpark with the second site at Black Street redeveloped for a mixed residential/commercial development with possible public car parking.

**Table 6.1 Number of Business Sites in Church Street Major Activity Centre, 2011 and 2018**

	2018	%	2011	%	% p.a. 2011-18
Food Retail	9	4.39%	25	10.25%	-13.58%
Clothing	57	27.80%	55	22.54%	0.51%
Housewares	13	6.34%			
All Other Retail	11	5.37%	31	12.70%	-3.59%
<b>Total Retail</b>	<b>90</b>	<b>43.90%</b>	<b>111</b>	<b>45.49%</b>	<b>-2.95%</b>
Food and Beverage Services	33	16.10%	20	8.20%	7.42%
Finance, Property and Business Services	36	17.56%	71	29.10%	-9.25%
Lifestyle Services	28	13.66%	22	9.02%	3.51%
Health Services	17	8.29%	14	5.74%	2.81%
All Other Services	1	0.49%	6	2.46%	-22.58%
<b>Total Occupied Sites</b>	<b>205</b>	<b>100.00%</b>	<b>244</b>	<b>100.00%</b>	<b>-2.46%</b>
Occupied	205	95.35%	244	95.69%	-2.46%
Vacant	10	4.65%	11	4.31%	-1.35%
<b>Total Available Sites</b>	<b>215</b>	<b>100.00%</b>	<b>255</b>	<b>100.00%</b>	<b>-2.41%</b>
Under Construction, Removed from Stock, Residential	1				

**Table 6.2 Church Street Major Activity Centre: Businesses by Detailed Classification, 2018**

	<b>Businesses</b>	<b>% of Occupied Sites</b>
Bakeries	4	1.94%
Construction Services	1	0.49%
Supermarket and Groceries	1	0.49%
Specialised Food	8	3.88%
Housewares	13	6.31%
Clothing and Personal Accessories	57	27.67%
Newsagencies, Books and Stationery	4	1.94%
Pharmacies and Cosmetics	3	1.46%
Florists	2	0.97%
Other Store Based Retail (Art Galleries, Crafts, Computer Consumables, Musical Instruments, Pet and Pet Accessories, Tobacco Products)	3	1.46%
Cafés and Restaurants	25	12.14%
Takeaway Foods	3	1.46%
Pubs, Taverns, Bars	1	0.49%
Postal Services	1	0.49%
Banks	5	2.43%
Financial Planning and Investing	2	0.97%
Real Estate Agencies	10	4.85%
Architectural, Engineering and Technical Services	8	3.88%
Legal Services	3	1.46%
Accounting and Management	6	2.91%
Travel Agencies	3	1.46%
Police and Security Services	1	0.49%
Education and Training	2	0.97%
General and Specialist Medical Services	2	0.97%
Dental Services	3	1.46%
Optometry	4	1.94%
Allied Health Services	8	3.88%
Fitness Centres	1	0.49%
Auto Repair and Maintenance	0	0.00%
Clothing/Footwear and Other Repair	3	1.46%
Hairdressing and Beauty Services	16	7.77%
Laundry and Dry Cleaning	1	0.49%
Other Personal Services	1	0.97%
Vacant	10	
<b>Total Occupied Sites</b>	<b>205</b>	<b>100.00%</b>

Rapid growth in selected lifestyle businesses and, to a lesser extent, food service is quantified in Table 6.3.

**Table 6.3 Church Street: Selected Lifestyle and Food Service Business Trends**

	2002	2005	2011	2018	% pa 2002-18
<b>Selected Lifestyle</b>					
Spas and Massage	2	2	1	4	4.16%
Nail and Skin Care	1	1	3	1	0.00%
Pilates, Fitness	0	0	0	1	
Other Beauty	1	2	1	4	8.50%
Hairdressing and Grooming	3	6	9	10	7.34%
<b>Total Lifestyle</b>	<b>7</b>	<b>11</b>	<b>14</b>	<b>20</b>	<b>6.78%</b>
<b>Food Service</b>					
Cafés	6	7	9	12	4.16%
Restaurants	7	9	9	12	3.22%
Takeaways (inc Bakeries)	10	9	10	7	-2.08%
Bars	1	2	2	2	4.16%
<b>Total Food Service</b>	<b>24</b>	<b>27</b>	<b>30</b>	<b>33</b>	<b>1.89%</b>

Estimated floorspace utilisation by commercial businesses in Church Street in 2018 was 24,609 square metres (excluding sites removed from the commercial stock) as shown in Table 6.4. Retailing and health service businesses occupy relatively more floorspace in Hampton, while all other functions occupy relatively less floorspace.

**Table 6.4 Church Street MAC Estimated Floorspace Utilisation 2018**

	2018	
Food Retail	5,750	15.02%
Clothing	4,327	21.31%
Housewares	1,180	5.81%
All Other	1,072	5.28%
<b>Total Retail</b>	<b>12,329</b>	<b>47.43%</b>
Food and Beverage Services	4,447	18.95%
Finance, Property and Business Services	2,410	11.87%
Lifestyle Services	2,932	14.44%
Health Services	1,364	6.72%
All Other	120	0.59%
<b>Total Occupied Sites</b>	<b>23,602</b>	<b>100.00%</b>
Occupied	23,602	95.27%
Vacant	1,007	4.73%
<b>Total Available Sites</b>	<b>24,609</b>	<b>100.00%</b>

## 7. TRENDS IN STRIP SHOPPING CENTRES AND SELECTED BUSINESS SECTORS

This chapter presents trend and outlook perspectives on retail trends and commercial sectors relevant to Bayside's MACs from a selection of research, industry and media reports. Overwhelmingly, these perspectives point to a positive future for innovative strip centres, albeit with an ongoing changing commercial environment from technology, consumer demands, and competition. Commercial businesses in Bayside's MACs have clearly been proactive in responding to the changing environment over recent years. Intervention from Council or other government agencies would be valuable in helping to deliver supporting infrastructure and in encouraging businesses which complement the theming and branding initiatives of the businesses/traders.

### 7.1 STRIP SHOPPING TRENDS AND OUTLOOK

#### 7.1.1 Tips for Retailing in 2018 and Beyond<sup>13</sup>

Global accounting firm KPMG postulated 5 trends and issues that could make a big impact on retailing in the imminent future. The realisation of four of these trends is evident in Bayside's MACs in 2018.

- ❖ **The customer experience will be more important than ever.** Retailers will further strive to differentiate themselves in a challenging and crowded market. Consequently, 'experience' per square metre will be the new retail metric to measure success.
- ❖ **Artificial intelligence will gain more clout.** Some industry experts expect that 85% of all transactions will be AI based by 2020.
- ❖ **The rise of the conscious customer will continue.** Consumers will base buying decisions on many factors beyond price. These new consumers, led and influenced by millennials, are exerting influence on retailers and forcing them to respond.
- ❖ **The retail world we were promised is now here.** Technology has made it easier than ever for shoppers to consume information, find products or services and easily share their experiences. This has resulted in customer expectations that have created a new retail world.

#### 7.1.2 Changes in Tenancy Mix

Retail commentators in the United States of America (USA) note that *"vacancies across the nation have risen as big-box retailers and department stores announce closures and construction of new product simultaneously slowed. But experts agree that retail real estate's fundamentals remain strong. Mall operators continue to adapt to the changing landscape, and high-traffic, urban metro markets remain the best-performing in the sector. However, the performance of strip centres is holding up exceptionally well and is second to high street opportunities in performance. The tenant mix in strip centres is a healthy mix of internet-resistant retailers and service-oriented tenants."*<sup>14</sup>

<sup>13</sup> These trends have been identified and reported by KPMG in a paper titled Global Retail Trends 2018 (March 2018)

<sup>14</sup> Bisnow (October 2017) 'Strip Malls: The Least Glamorous Segment in Retail is Among the Sector's Strongest Performers'



It is understood that owners and managers of shopping strips which are anchored by supermarkets, are complementing the tenant mix with discount retailers, quick-service restaurant concepts, family entertainment options and smartphone shops. *“Strip malls are also benefiting from the decentralising of medical campuses. As more hospital groups re-enter neighbourhoods where patients live, outpatient clinics and specialised medical services such as physical therapy centres and imaging facilities have found homes in shopping strips: A concept in the USA dubbed as “Medtail”<sup>15</sup>.*

These directions in tenant mix are clearly also occurring, through market forces rather than recruitment by retail strip owners or developers, in the Bayside MACs.

Another North American observation is that strip shopping centres are increasingly popular with financial services firms, insurance companies and ‘fitness retailers’. Since there is a low level of new strip mall construction in progress, immediate demand from tenants has revitalised strip malls, especially those that were built 20 to 50 years ago. *“The populations around these centres have grown over that time, as well,”<sup>16</sup>* just as Bayside is currently experiencing. The observation extends to a belief that “strip malls have become e-commerce-resistant, and that has been proven by the growing presence of service-oriented retailers like barbershops, beauty shops and nail salons that cannot be replaced by an online retailer.

*“There is a transformation taking place and the majority of landlords and tenants are aware of consumer behaviour patterns. QSR restaurants are here to stay. Customers are more educated and health-conscious today, and the quality of food over the past decade has improved. More people are dining out more frequently these days, instead of cooking at home”<sup>17</sup>.*

It is anticipated that demand for strip mall space will increase as retail continues to transform. However, the number of players in clothing and soft furnishings will continue to contract and non-responsive shopping strips (those with poor locations, bad signage, and difficult accessibility), will be hard to sell to tenants. Traditional retail strips will also suffer from the contraction of hard goods retailers like electronics, sporting goods and appliance retailers. This will force operators to seek out better-located and better coordinated shopping strips, leaving large vacancies in others.

In many Australian shopping strips, spread across two sides of major thoroughfares, *“the retailers do not work together to promote the precinct; Council support can be inconsistent or non-existent; and the shopping experience is sullied by empty shops that are boarded-up eyesores. Marketing campaigns that encourage people to “shop small” and support local retailers, although well-meaning, are ineffective. It’s hard to support local retailers when it’s a struggle to park due to limited spaces or excessive clearway restrictions, store choice is poor, and the local shops have a depressing feel”<sup>18</sup>.*

Some strip centres in Melbourne have too many vacant stores or others which are occupied but have ‘for-lease’ signs. This is despite rampant population growth adding thousands of new residents each year. The best local strip malls do more than sell basic products and services. They connect communities in a way that no shopping centre can. They give residents a reason to meet, talk, support each other and they create a sense of belonging and social harmony.

<sup>15</sup> CBRE Senior Vice President Christian Williams (in [www.forbes.com](http://www.forbes.com) 2018)

<sup>16</sup> CBRE Executive Vice President Richard Frolik (in [www.forbes.com](http://www.forbes.com) 2018)

<sup>17</sup> Quantum Real Estate Advisors President Chad Firsell (in [www.forbes.com](http://www.forbes.com) 2018)

<sup>18</sup> Featherstone, Tony “Local shopping precincts suffer as giant malls become the de-facto town centre” in Fairfax media 2017

### 7.1.3 Impact of Online Retailing and Social Media Advertising<sup>19, 20</sup>

Online supermarket shopping has been growing for over a decade, alongside fast food that is being transported by Uber and other couriers. Amazon, eBay and Alibaba have emerged as online department stores, joining specialist online retailers. Retailers located in strip shopping centres are expected to be losers from this trend. However, Melbourne's retail strips should continue to be an important presence in communities and are well-placed to handle the introduction of Amazon in Australia (according to real estate firm Fitzroys).

*"Strip centres have been adjusting and re-mixing to take into account online retailing over the last few years, and Amazon's impact will be limited as much of the change has already taken place. Strip centres have seen a growing proportion of shops being used for service uses, with the number of new cafes, bars and restaurants well-documented. In addition to this there are a huge number of personal care businesses such as hairdressers, beauticians, skin care clinics, masseurs and gyms opening in the strips".*

At this stage it is difficult for the online world to replicate the service offer of retail strips. Even with further change, and competition, innovative operators will continue to thrive, and well-located properties will be successful. attract strong demand.

*"Advertising spend on social media platforms continues to grow despite the recent scandals around transparency and brand safety, with revenues expected to top \$1.3 billion in Australia this year. In June, SMI reported agency bookings on social media was up 13% and by 2022 it is predicted there will be more than \$2.2 billion poured into social media advertisements".*

Marketers are able to track the effectiveness of social media spend if the consumer's path to purchase remains online, they often struggle in measuring its effectiveness once the customer moves from the online to offline world. That is, a consumer sees a social media advertisement, but instead of buying it online, decides to visit a bricks-and-mortar store to buy.

In an age where marketing accountability is paramount, there is a solution for marketers to find out the effectiveness of social media advertising. By using call tracking technology, advertisers that have a physical retail presence can effectively work out the value of their social media advertising in driving in-store sales.

Companies that require customers to provide a contact number such as travel agents, health insurers, banks or car dealerships at the time of in-store purchase are able track if their social media spend is working by linking the purchase back to the original call the customer made.

Essentially, marketers can establish if a call to the contact centre has originated from a social media ad through the use of call tracking software that captures the caller's phone number and the campaign that generated it, and then pushes this data into a CRM or point-of-sale platform.

When the caller then goes into a retail store makes a purchase and provides their contact number, that purchase/transaction can then be tracked or linked back to the specific social media ad they viewed through the data already stored in the CRM or POS platform, allowing the company to establish if social media spend is working or not.

<sup>19</sup> Derived from Delacon CEO Michael Center, in B&T Magazine, August 2018

<sup>20</sup> Inside Retail 'Melbourne's retail strips will survive online onslaught', 2018

For example, a retail-based finance company was concerned their social media spend was not delivering the returns they wanted and were planning to shift that money into channels which they could more effectively monitor and measure return on investment. As a consumer's phone number is required to be given when making a transaction, call tracking was used to track the customers who had made an initial call after clicking or viewing an ad for the finance company on social media and then completed the transaction at one of its retail locations. Far from being ineffective, social ads were found to be driving, on average, five per cent of in-store sales and, for the first time, were able to be measured.

Through call tracking technology, marketers can establish which social platforms are delivering the best results, and by using call tracking techniques, they can even work out which creative is more effective in driving sales.

With spending on social media advertising continuing to increase, marketers will always want to know how their online presence translates to the offline world when it comes to sales. With call tracking and a little data analysis, this question – which was once almost impossible to verify – can now be answered.

## **7.2 SELECTED SECTOR: WAXING AND NAIL SALONS<sup>21</sup>**

The expanded availability and affordability of do-it-yourself (DIY) grooming kits and personal grooming tutorials on social media and video-sharing platforms such as Facebook and YouTube have slowed the demand for waxing and nail salons in recent years, with more consumers opting to conduct their own waxing and nail-care at home. Businesses have achieved market growth by introducing services that cannot be easily replicated at home. Although the basic features of manicures and pedicures have remained the same, the products being used by nail salons have changed radically. Gel nails, shellac nail polish and nail art are examples of higher-value, specialised services that are now offered at a typical nail salon.

Waxing and nail salon operators have responded by adding these services to their businesses, as consumers have been willing to pay a premium for longer-lasting manicures. Businesses have also sustained consumer interest for their services by emphasising potential risks of waxing when not conducted by a professional. Burns from wax being too hot, ripping off skin with the strips, and infected ingrown hairs are all areas of concern for the amateur conducting waxing at home.

Demand for facial and body waxing has slightly weakened over the past few years, as new alternatives for hair removal have grown in popularity. Electrolysis and laser hair removal have attracted strong demand as technology has improved. Although these services are typically more expensive than traditional waxing, they represent a more permanent solution for unwanted facial, leg or body hair. Although females represent the target demographic for waxing salons, over the past five years the number of men using these services has significantly grown, due to body image becoming increasingly important for male consumers. As a result, the increasing uptake of waxing and nail-care services by men has boosted revenue via expansion of the industry's market size and higher prices, as men are generally charged a premium for industry services.

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<sup>21</sup> A large proportion of this section has been sourced from IBISWorld Industry Report "Personal Waxing and Nail Salons in Australia", February 2018.

There are no major industry corporates in the waxing and nail salons sector. The industry is made up of many owner-operated salons, and there is no single dominant player with a market share larger than 5.0%. However, some companies have established a large presence relative to other industry participants by franchising their operations, including:

- Hallas Trading Co Pty Ltd (market share, less than 2.0%) operating “Ella Bache”. The company was originally established in France in 1936 and operates in numerous beauty segments and manufactures cosmetics. Ella Bache has over 100 salons in Australia, including a salon in Bayside’s Hampton Street MAC, and provides a range of services including waxing, manicures and pedicures.
- Essential Beauty Australia Wide Pty Ltd (market share, less than 2.0%) an Australian company established in 1990 in Adelaide. The company has since grown its franchise to over 60 salons across the country (17 in the Melbourne metropolitan area, but none in Bayside). The company’s services include bikini waxing, leg waxing and eyebrow waxing.

### **7.3 SELECTED SECTOR: CLOTHING RETAIL<sup>22</sup>**

Clothing retailers have faced a changing operating environment in recent years. Many clothing retailers have found it difficult to adjust to the shift in consumer spending behaviour. Consumers have increasingly focused on saving and paying down debt, increasing the prevalence of bargain hunting. As retailers have discounted stock to boost sales, consumers have become accustomed to price reductions. They have also become increasingly comfortable using websites to compare prices and purchase the best-value items from both domestic and international retailers. These changes in consumer behaviour have put immense pressure on traditional bricks-and-mortar clothing retailers, which were once largely insulated from external competition.

Consumers are increasingly buying most of their clothes and accessories at a discount and complementing them with some high-end luxury pieces. Therefore, while consumers are looking for discounts and price comparing most of their wardrobe, they are also splurging out on designer items. In addition, upmarket retailers tend to target households with high disposable income and are therefore less sensitive to market conditions. For this reason, upmarket and luxury clothing retailers have generally outperformed most midmarket industry businesses.

Of the major corporates, only the Woolworths International group has a presence at Bayside MACs, with most focusing on integrated shopping plazas. The major corporates in the retail clothing industry include:

- Noni B Ltd (with a market share of 6.3%) and trading under the names: Millers, Katies, Crossroads, Autograph, Beme, Rivers, Noni B, Rockmans and W Lane.
- Woolworths International (market share of 5.4%) trading under the names: Country Road, Trenery, Witchery, Politix. This group has a solid presence at the Church Street MAC, with Witchery, Trenery and Country Road stores.
- Premier Investments Ltd (market share 4-5%) trading under the names Just Jeans, Peter Alexander, Jacqui E, Jay Jeans, Portmans and Dotti.
- Cotton on Clothing (market share 3-4%) with names Cotton on, Supre and Factorie.

### **7.4 SELECTED SECTOR: SPA AND MASSAGE BUSINESSES**

Spa and massage businesses are appearing at an increasing rate around Australia, and the Bayside MACs are among the locations experiencing this new boom. From 1997 - 2004 the number of spas doubled each year, and now there are an average of 2 new spas opening each month.

<sup>22</sup> IBISWorld Industry Report, Clothing Retail, 2018

Many consumers no longer see the spa as 'pampering' but as a requisite to stay healthy and look good. These consumers want simplicity in their spa experiences and 'traditional' spa products. Consumers' limited free time means they have less time available to spend at the spa, and the industry is designing its offerings around this trend by tailoring their treatments to suit a busy society. Some prominent trends include:

- The Eastern/Asian influence, impacting on spa products and services and the 'look and feel' of spa design.
- Medical products and services (ie using cosmeceutical products with active ingredients) and thermal treatments.
- Cosmeceuticals, or 'functional ingredients' are one of the fastest growing areas in beauty services. These products have an effect on the body; some are naturally derived, and some are synthetic. Cosmeceuticals will act as another growth driver in line with the increasing consumer focus on 'wellness'. Cosmeceuticals are expected to increasingly cross over into other areas (such as make-up and hair care) as both upstream prestige and mass manufacturers alike develop new multifunctional products containing various functional ingredients (especially anti-ageing ingredients such as hydroxyl acids, retinol and vitamins) to cash in on this new growth segment.
- Injectables are more popular than ever before; increasingly used in salons.
- Anti-ageing products with active ingredients can work as a solution and supplement for the generations fighting the signs of aging due to sun damage, smoking, toxins and day to day stress. The market for anti-ageing products is expected to enjoy particularly strong growth in the foreseeable future with an increasing array of appearance enhancing and health maintenance products.
- Customised/tailored treatments are becoming the norm, with consumers expecting the ultimate personal service. Demand for 'personal branding' and customised cosmetic/beauty products has also increased.
- Sleeping at the Spa. A trend has developed whereby sleep has been incorporated into spas. Ideal sleep environments have been created through minimal light and sound, with ultra-relaxing treatments to match.
- Detox at the Spa. Readily identifying 'toxins' has meant that many are turning to spas for a range of detox solutions. This includes a range of purifying and relaxing treatments, as well as use of the steam room or sauna.
- Environmental Awareness. Spas have become more 'green'. Consumers are paying more attention to 'organic' and 'holistic'. Many Day Spas, conscious of water restrictions have also adapted traditional treatments to protect this resource.

A range of new products are on offer at spa and massage lifestyle businesses, including:

- Ultra-niche products like botanical extracts, plant acids, enzymes, herbs, vitamins, proteins, and food ingredients including one of the latest trends, which incorporates chocolate.
- Youth products (the teen and tween boom), which is thought to account for about 20% of the overall cosmetics and toiletries market. It is believed that manufacturers and marketers may develop an increasing array of youth products that mimic their adult counterparts.
- Organic products. Health warnings, environmental concerns, ethical concerns, therapy awareness and organic attitudes have all contributed to the growth in popularity of natural-based personal care products. Natural/organic skincare, hair care and cosmetics sales will continue to grow strongly in the retail sector.





## 7.5 SELECTED SECTOR: CAFÉS AND COFFEE SHOPS<sup>23</sup>

Australia's speciality cafes and coffee shops have contributed to high industry competition, low barriers to entry and low industry concentration. An establishment's success is largely determined by customer service, price and quality of products, and the overall cafe experience. Coffee quality is crucial, with the coffee brand, texture, temperature, milk, and even 'crema' in an espresso becoming increasingly important to customers. Businesses able to understand and cater for specific characteristics of consumer demand are more likely to be successful. Strong demand for coffee has led to an influx of new operators, with many bakeries and patisseries establishing café operations over the past five years. More surprisingly, several types of non-food retailers have also established café operations within their premises (such as bookshops, florists, newsagents and even chemists) as well as health and wellbeing businesses (such as gyms, fitness centres and spas).

Coffee is generally considered an affordable luxury and a daily ritual. An emphasis on quality across the industry has led to independent coffee houses growing at a faster rate than coffee chains. Additionally, demand for quality coffee has boosted demand for rare blends, fair trade coffee and organic coffee. Operators can charge a premium price on all these products.

Australia's strong coffee culture has supported higher revenue, and sustained demand for cafes and coffee shops over recent years. As the industry has had few opportunities for organic growth, some coffee chains have been consolidating in an effort to grow. In 2014, Retail Food Group (RFG) purchased Gloria Jean's Coffees, consolidating RFG as the largest player in the industry. However, RFG has recently been widely criticised by many of its franchisees for poor system support, its share price has dropped, and many franchise stores have closed (including some at Bayside MACs, such as Brumby's Bakery stores). RFG operates in the café and coffee shop sector through Michel's Patisserie, bb's café, Esquires Coffee, and Gloria Jeans. Other major corporates are:

- Minor DKL Food Group, with the Coffee Club and Coffee Hit franchises.
- Emirates Leisure Retail, with the Hudsons Coffee franchises.
- Starbucks Coffee.

Cafés and coffee shops in the Bayside MACs are overwhelmingly run by independent owner-operators with a single establishment.

<sup>23</sup> Substantially derived from IBISWorld Industry Report Cafés and Coffee Shops 2018