



GEELONG MARKET SQUARE

Urban Renewal Options Evaluation

Prepared For

City of Greater Geelong

MGS Architects

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About This Report

The approval of the Central Geelong Framework Plan in March 2023, coupled with the ongoing demographic and economic transformation of Greater Geelong, establishes the pre-conditions for the renewal of major redevelopment sites in Central Geelong including Market Square.

Property investment is driven by confidence that regulatory, economic, household and price factors justify property development. Market Square is one of the most significant renewal sites in Central Geelong with the potential to catalyse land uses and investment in the heart of the City.

About this study:

The following provides a property market assessment which:

Part 1: Profiles the emerging property market dynamics of Central Geelong

Part 2: Assesses the commercial attractiveness of Market Square renewal options taking into account the findings of part 1.

Instructions:

| | |
|-------------------|---------------------------------------|
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Executive Summary

Market Context

- The conditions for major renewal of Geelong's central city are rapidly emerging.
- The combination of infrastructure investment, population growth, the ongoing clustering of knowledge economy uses and the continued growth and diversification of Greater Geelong's visitor economy establish the underlying economic conditions for the renewal of Geelong's Central City.
- Geelong's Central City is now subject to an extensive pipeline of major renewal projects totaling \$1.2 billion in value that in general incorporate mixed use development schemes combining accommodation, hospitality, residential and commercial uses.
- The combined delivery of private and public investment is set to transform the role and function of Geelong's Central City into a Live Play Work environment where the activities of increasing numbers of residents, workers and visitors converge in a vibrant environment.

Key factors that will transform Greater Geelong's Central City are detailed as follows:

| Driver | Status | Central City Impact |
|----------------|--|---|
| Infrastructure | \$6 billion pipeline of public infrastructure investment including transport, health, cultural and recreational investment. | <ul style="list-style-type: none"> • Geelong Fast Rail: Expands City Centre employment accessibility to broaden and deepen employer access to workers including workers in Melbourne's west. • Geelong Convention Centre, Arts Precinct and art gallery: Diversifies and expands Central City visitor destinations and helps achieve an all year round visitor economy. • Barwon Women's and Children's Hospital: Further cements the role of the City Centre in regional health provision attracting ancillary health providers and visitation. |
| Population | <p>At 2021, Greater Geelong's population was 270,000 residents having grown by 31,000 residents over the 2016 to 2021 period.</p> <p>Greater Geelong's population is projected to grow by a further 125,000 residents to 2041.</p> <p>Greater Geelong is projected to add significant numbers of young adults in prime home builder and family forming stages.</p> | <ul style="list-style-type: none"> • A growing population will require an additional 57,000 dwellings to 2041 along with accompanying health and education services. • The Central City is positioned to deliver diverse housing options for key workers, students, retirees and young adults. • There is currently 14 apartment projects either proposed or mooted within the Central City with the potential to deliver over 850 apartments. • Residential prices, rents and vacancy rates establish favourable market conditions for apartment investment. |
| Economy | <p>Greater Geelong's economy is growing. At 2021, the City's Gross Regional Product was over \$15 billion up by \$2.5 billion since 2016 [NIEIR]. White collar jobs and related businesses are growing. The City's white collar workforce has nearly doubled since 2011.</p> <p>Over the past decade Greater Geelong has added over 62,000 sqms of high quality large format office space.</p> | <ul style="list-style-type: none"> • The clustering of major insurance, health and education uses in Geelong Central City is driving economic activity and transforming the historic focus of Geelong's economy from manufacturing to knowledge work. • If the Central City maintains its current share of municipal jobs the Central City is projected to grow its employment base to 38,500 jobs to 2050 (from 22,000 jobs at 2020). • The Central City is positioned to continue to agglomerate insurance, health and education investment and jobs driving ongoing demand for commercial office floor space. |

| Driver | Status | Central City Impact |
|-------------------|---|--|
| Visitor | Greater Geelong's visitor economy is rebounding following the adverse impacts of Covid isolation. | <ul style="list-style-type: none"> The new gallery, convention centre and arts Precinct create overlapping and complimentary visitor destinations that will drive accommodation demand and expenditure. Demand for between 16,000 and 41,000 sqms of new accommodation space is projected in the Central City to 2050 (SGS). |
| Land Use Settings | Approval of the Central Geelong Framework Plan in March 2023 | <ul style="list-style-type: none"> Central City land use settings now support the comprehensive renewal of the City Centre and the expansion of floor space to deliver a new mixed use Live Work and Play economy. |

Market Square Renewal Evaluation

MGS has developed 3 distinct renewal visions for Market Square. Each vision incorporates a range of urban interventions and preferred land uses that further integrate Market Square with surrounding uses and destinations and stimulate new destinations within the site:

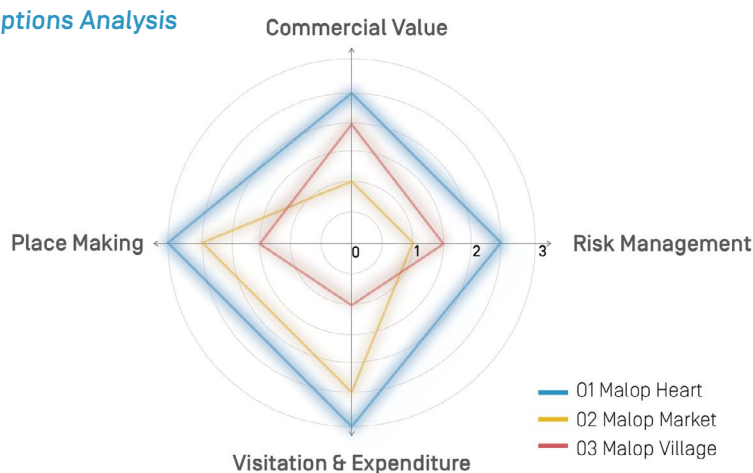
Option 1 Malop Heart: Envisages a balance between commercial, accommodation, residential and retail uses including a new eat street while emphasising activation and the creation of opportunities for public gathering.

Option 2 Malop Market: Envisages the re-creation of historic uses and connections including the recreation of a fresh food market. The option re-imagines Market Square as the City's central office node with over 50,000 sqms of new commercial office space signalling the growth and solidification of the City's knowledge economy.

Option 3 Malop Village: Envisages substantial new residential floor space in the heart of Central Geelong and a resulting new residential community of over 900 residents. The option includes extensive passive recreation space and amenity for the new community and visitors.

- The analysis identifies **Option 1 Malop Heart** as the preferred commercial option. The scheme most closely meets market dynamics while minimising development risk.
- The Malop Heart vision identifies a dense mixed use location that supports the convergence of uses and activity in line with the *Central Geelong Framework Plan 2023*. The option similarly aligns with trends in the redevelopment of self contained shopping centres into dense mixed use facilities that promote economic development through attractive and curated Live Work Play environments.

Renewed Options Analysis



PART 1: GEELONG PROPERTY MARKET OVERVIEW

1.1 A Changing City of Greater Geelong

Converging demographic growth and change, economic expansion, infrastructure investment and supportive land settings set the conditions for the transformation of the City of Geelong and its Central City.

This section overviews the infrastructure, demographic, visitor, economic and land use drivers set to transform Central Geelong over the next two decades. Insights and data detailed in this section establish the property market context and metrics for the evaluation of Market Square renewal options in part 2 of this report.

Figure 1: Historical Population and Employment Growth

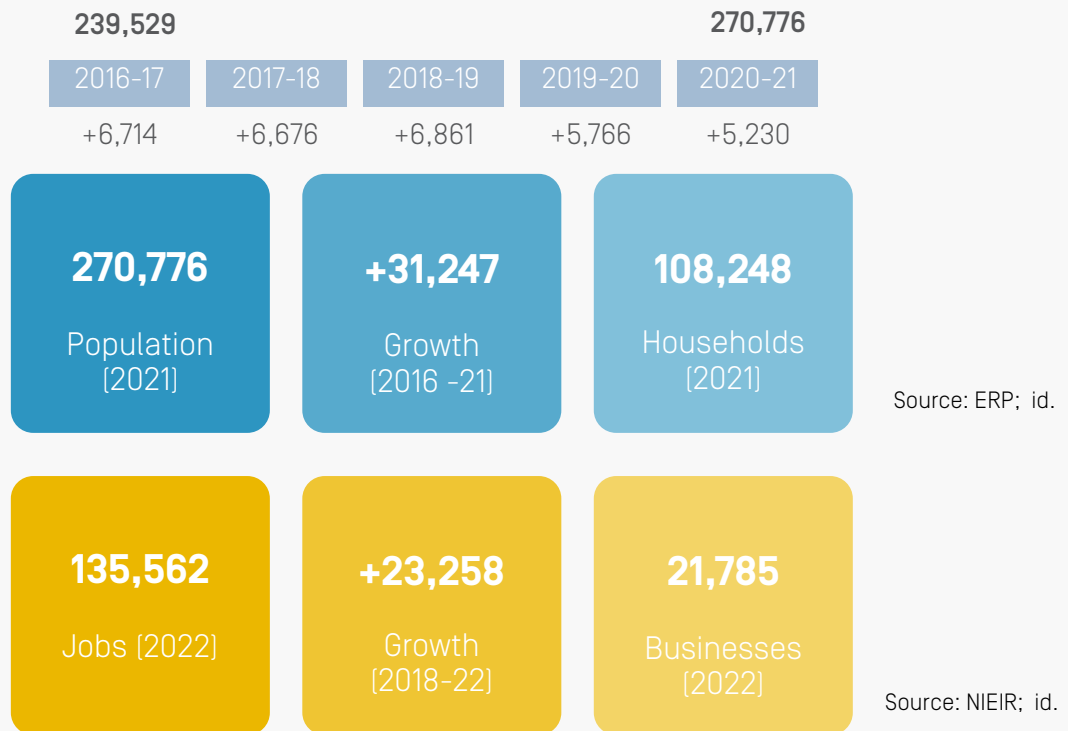


Figure 2: Data Areas



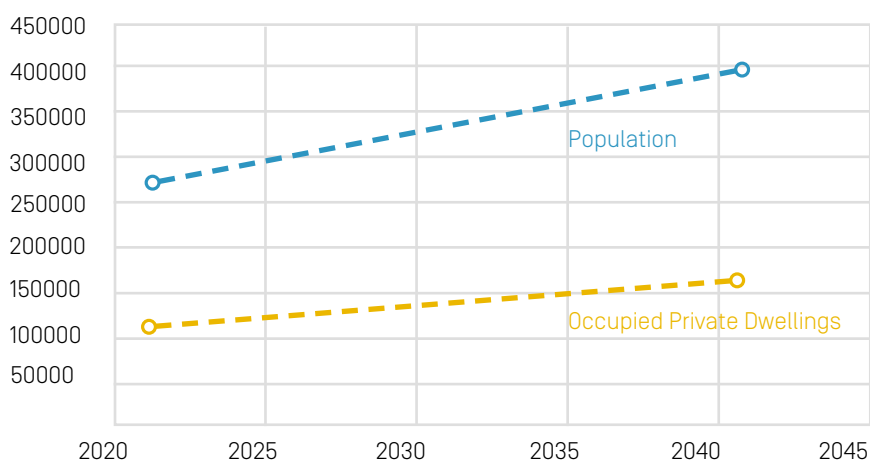
A Growing Population

From a population point of view, the City of Greater Geelong is Victoria's largest regional municipality. In 2021, the City's population was 270,776.

Since 2015, Greater Geelong has added an average of 6,130 residents per annum and is expected to add a further 125,000 residents by 2041 spurring demand for a further 57,000 dwellings (Forecast ID). By 2041, the City's population is expected to reach 396,000.

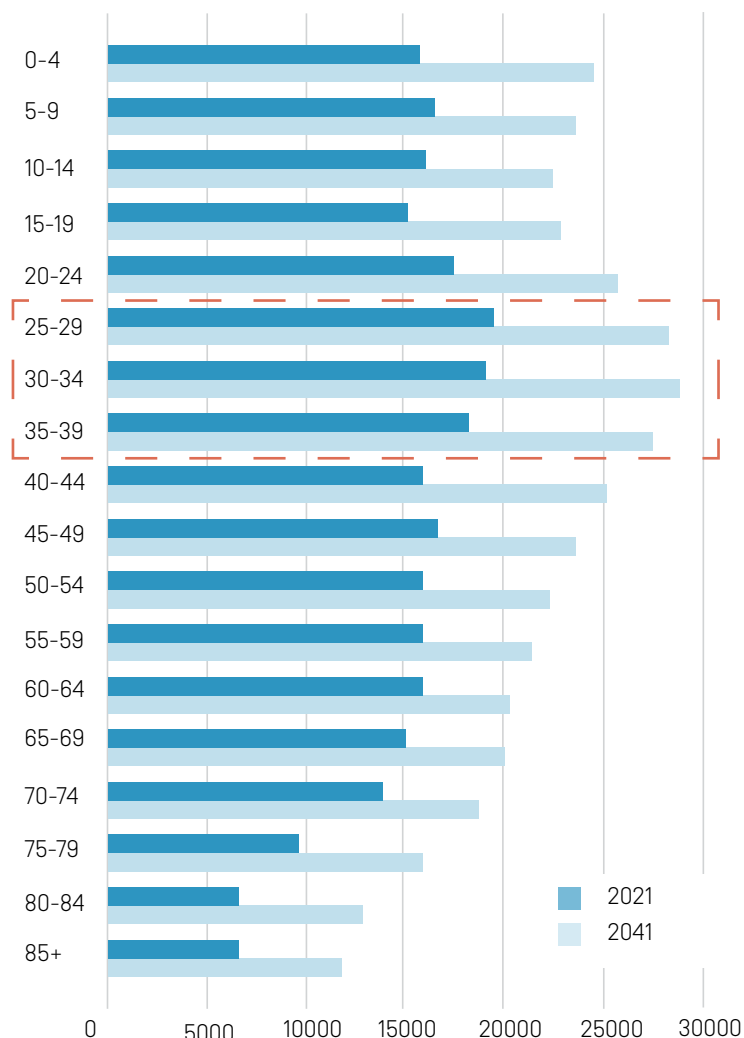
To 2041, Greater Geelong is expected to support increasing numbers of young workers and parent/homebuilder cohorts (25-39 year olds). Older age cohorts will also increase as the City continues to attract migrants to its coastal locations.

Figure 3: Forecast Population and Dwelling Growth



Source: Charter Keck Cramer; id.

Figure 4: Forecast Age Structure 5 Year Age Groups 2021-2041



Source: Charter Keck Cramer; id.

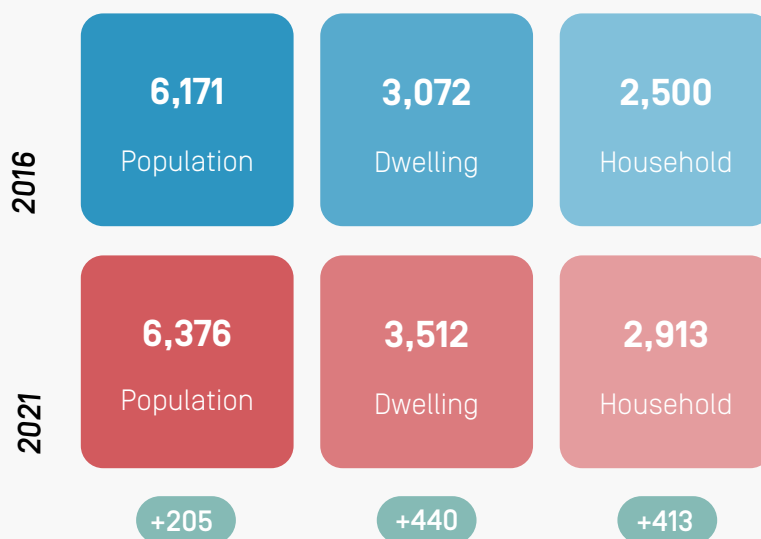
1.2 A Changing City of Central Geelong

Geelong's City Centre is Victoria's second largest city and largest regional city. The Central City is the municipality's services, entertainment, education, health, and cultural heart.

The ongoing transformation of Greater Geelong's economy into a services and visitor economy, combined with the need to diversify the municipality's housing options underpin a major pipeline of public and private plans to revitalise and renew the City into a dense mixed-use environment.

The Central City incorporates a range of aged and underutilised commercial and industrial sites that are now subject to highly transformative development plans that cumulatively will see the emergence of a fundamentally different Central City.

Figure 5: Population, Dwelling and Household Change 2016-2021



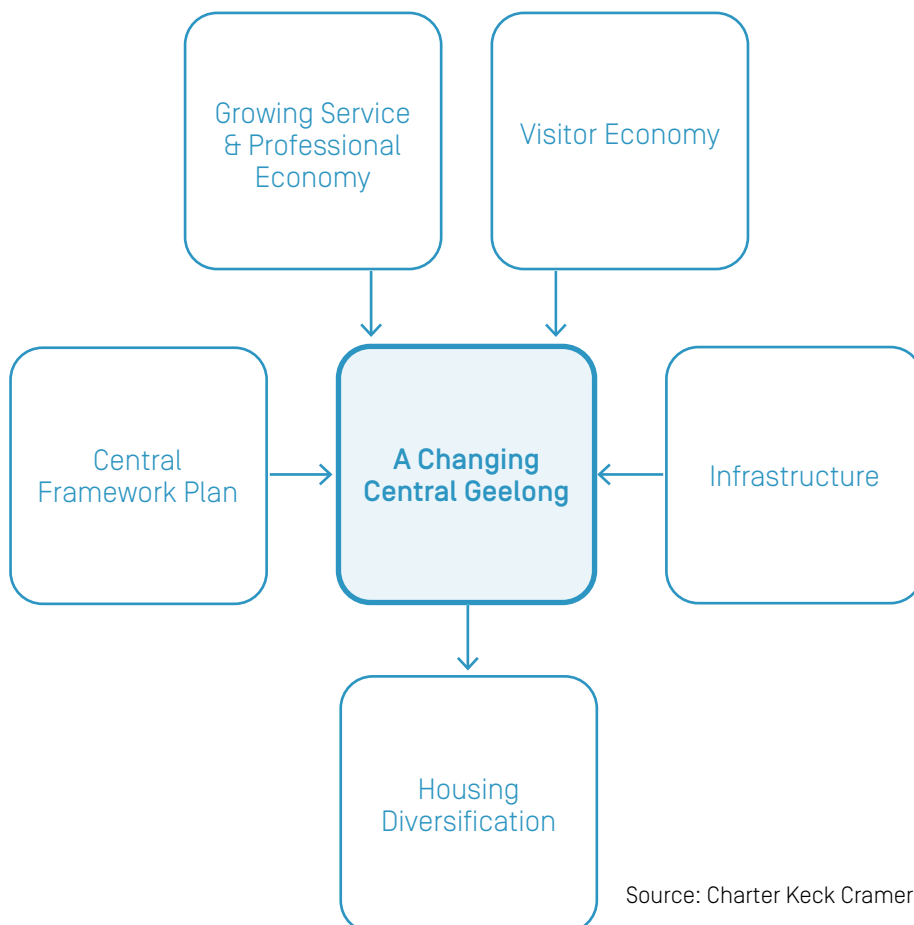
Source: .id , Charter Keck Cramer

1.3 Catalysts for Change

The convergence of favourable regulatory, economic and housing factors are set to catalyse change in the heart of Geelong. These include:

- a supportive land use framework that provides for comprehensive renewal and change;
- a growing services economy in tune with a 21st century knowledge economy and workforce;
- a diverse visitor economy that is able to attract visitors throughout the year;
- diversification of the centre's housing.

Figure 6: Population, Dwelling and Household Change 2016-2021



Source: Charter Keck Cramer

1.4 Central Geelong Framework Plan

The approval of the *Central Geelong Framework Plan* in March 2023 is an important milestone in the evolution of the City, establishing the land use settings for comprehensive change and growth.

The Plan delineates 9 precincts that by 2050 aims to encompass 1.67 million sqm of new floorspace supporting 16,000 residents and 60,000 jobs. The vision states:

Figure 7: Central Geelong Framework Plan Vision

"By 2050, Central Geelong is home to 16,000 people and 60,000 jobs. It is the heart of Djilang [Geelong], Victoria's second largest city, with strengths in health, services, education and events. People are connected to its waterfront, high amenity lifestyle and clever and creative culture."

Source: Department of Transport and Planning, Central Geelong Framework Plan

The Plan recognises Market Square's role as a site with 'great potential' given its geographic centrality, as well as its historical importance as Geelong's central marketplace. The Plan creates the land use settings and clear strategic intent for the renewal of Market Square enabling the site to more than double its gross floor area. The opportunity to renew Market Square is, moreover, seen to provide new options to boost pedestrian accessibility and embed a 'thriving laneway culture' into the heart of Central Geelong.

The Plan envisages a renewed public realm in which residential, commercial, health, education and tourism overlap and interact to create a vibrant core. Given its geographic advantages, Market Square is ideally positioned to both catalyse and leverage from this change.

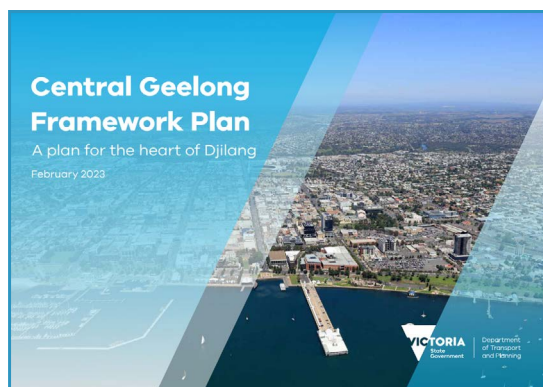
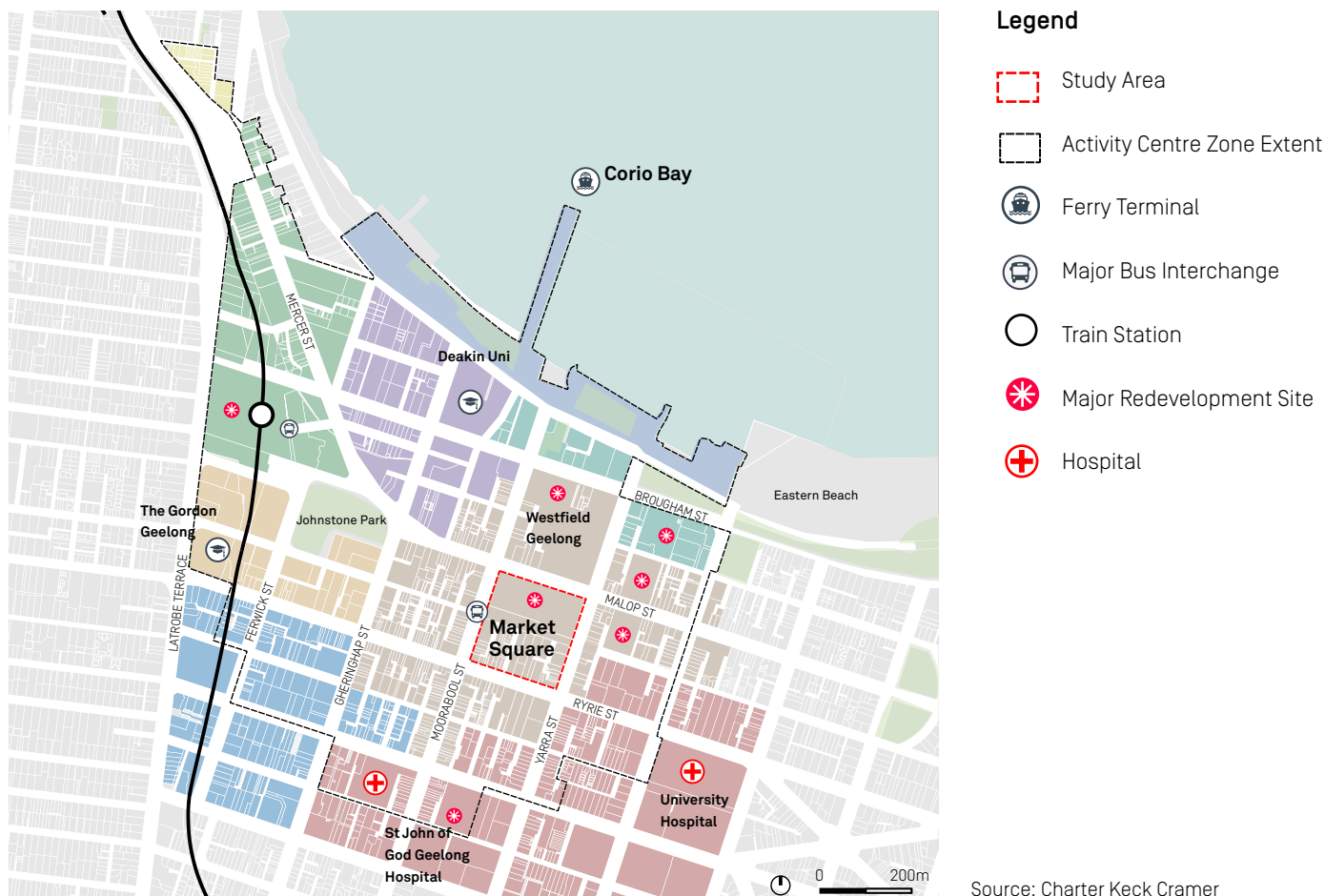


Figure 8: Central Framework Plan



Health

A designated health precinct anchored by University Hospital and St John of God Private Hospital. The Precinct is expected to support ancillary consulting suites, short-term accommodation and key worker housing.

Station

The upgraded train station Precinct is expected to support high-density apartments, mixed-use buildings and short-stay accommodation. A new active station Precinct is intended to provide a mix of retail, hospitality and other complementary commercial uses.

Waterfront

This is a premier tourist and visitor destination supported by upgrades to local infrastructure and amenity.

West Village

This is primarily a residential Precinct with a diverse range of living options, including affordable housing, build-to-rent and home offices.

Knowledge and Enterprise

Envisaged as the business heart of Geelong, the Precinct is intended to support the development of land for commercial offices for the City's growing knowledge and service economy. The Precinct is already home to a major cluster of institutional head office facilities including Work Safe Victoria, the Transport Accident Commission, and the National Disability Insurance Agency. The Precinct is expected to leverage creatives and innovation through proximity to the future Geelong Convention and Exhibition Centre and Deakin University.

Bayview Village

This is a key visitor destination along the Geelong Waterfront, that will incorporate short-stay accommodation, restaurant, bars and hotels.

Retail Core

The retail core is envisaged to become a more accessible and mixed use Precinct that combines traditional fine grain shops with self contained shopping centres, offices and housing. This area includes Market Square.

Cultural

Creative arts, public gardens, town hall events and activities. Johnstone park is intended to function as the green sanctuary for the central city.

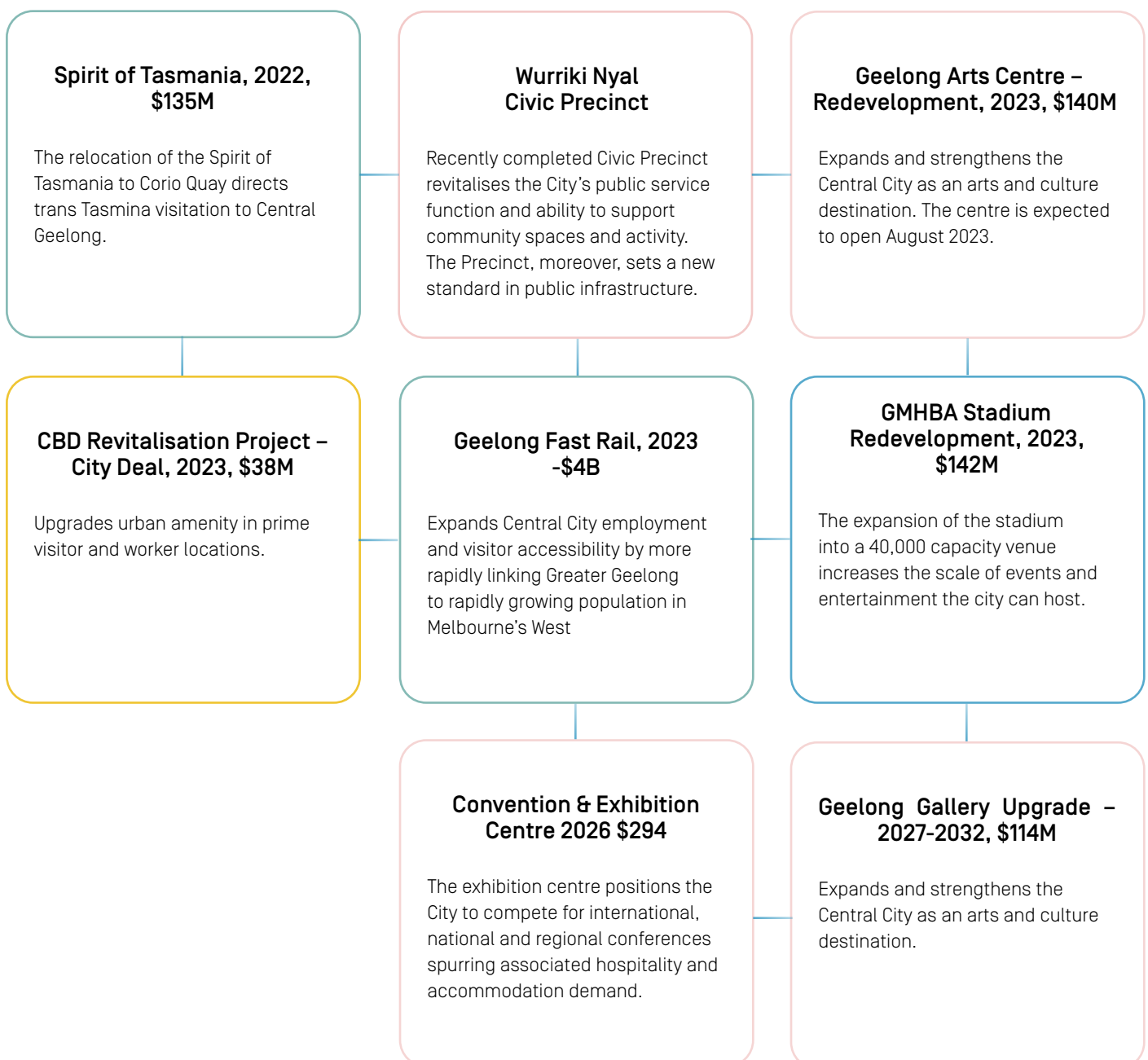
1.5 Infrastructure Pipeline

The City of Geelong is currently subject to an extensive [\$6 Billion] pipeline of infrastructure projects that collectively promise to reshape the City's accessibility, visitor economy and institutional capacity.

Within the Central City regionally significant health, education, transport and cultural investment will further strengthen the role of the City's inner core in the provision of services, knowledge work and visitor attraction. Geelong Fast Rail will, for instance, support workers and students to commute to and from Melbourne's west, while the delivery of the Geelong Convention Centre combined with the redevelopment of the Geelong Arts Centre will stimulate an all year round visitor economy. Likewise, the delivery of the Barwon Women's and Children's Hospital will anchor and attract complimentary health uses.

Public infrastructure investment establishes the conditions for complimentary private sector investment. The Central City vision and associated public investment is increasingly matched by a range of approved, proposed and, in some instances, recently completed private sector development projects that at present represent approximately \$1.23 billion of investment.

Figure 9: Infrastructure Pipeline Projects



1.6 Visitor Economy

The City of Geelong is a major tourist destination which attracted 8.9M domestic and international visitors in 2019, contributing over \$859M in direct expenditure into the City's accommodation, food services and tourism operations (Tourism Research Australia, 2019).

Since the return to normal settings following the end of the Covid-19 isolation period in 2021, the City's visitation rebounded to 6M visitors in the 2021-22 financial year. According to the City's *Sustainable Destination Management Plan* the cumulative impact of new accessibility and infrastructure within the City is projected to see visitation double by 2032 under a baseline scenario. Accordingly, direct visitor spending is expected to grow to \$1.6 billion in a baseline scenario and \$2 billion in a high growth scenario over the same period.

After two decades of dormant investment, visitor economy growth has triggered the interest and investment of major national and international hotel chains resulting in a series of accommodation proposals in the Central City including proposals by Quest, Novotel, and the InterContinental Group.

Figure 10: Major Hotel Pipeline Developments



Holiday Inn - Intercontinental Group - 40 Ryrie St



Quest Geelong Central



Cunningham Place - 35 Corio Street

1.7 Property Market Snapshots

Property market dynamics determine the feasibility of redevelopment options. In reimagining Market Square as a renewed location with a renewed role in a changing Central City, it is critical that floor space decisions are guided by market factors.

The following provides a market snapshot that establishes the market context for reimagining Market Square as a more dense and diverse location.

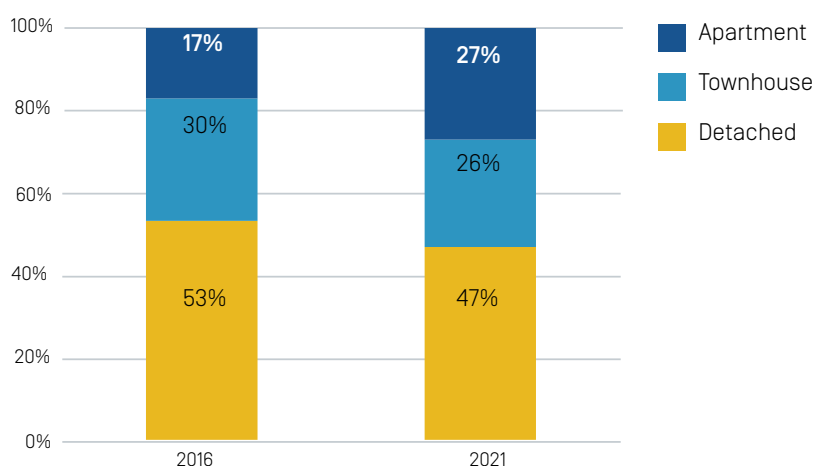
1.7.1 Residential Market Overview

Greater Geelong's housing market is both growing and diversifying in response to household growth, student and worker housing demand and the ongoing attractiveness of the City as a migration destination.

The popularity of Greater Geelong and the broader region is fuelling significant housing demand and market growth which since 2010 has resulted in increasing property values, sales volumes and rents. The City's natural amenity, services, jobs growth and relative housing affordability is helping to both attract new residents and retain residents that in the past may have migrated elsewhere to pursue education and careers. The Covid period, in particular, resulted in significant price appreciation brought on by insatiable coastal demand combined with growing acceptance of remote work.

While separate detached housing in Greater Geelong's growth areas and coastal regions continues to dominate housing production and demand, a new urbanised community of residents is also emerging in Geelong's Central City. Within the suburb of Geelong apartments represent an increasing share of Central City housing growing by just under 400 apartments in the 2016 to 2021 period.

Figure 11: Dwelling Composition Suburb of Geelong 2016 and 2021



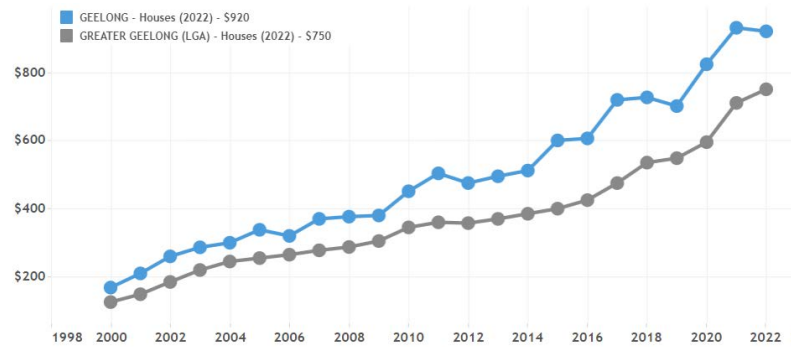
Source: ABS, Charter Keck Cramer

The Central City is currently subject to 15 approved or proposed apartment projects that are mooted to deliver approximately 850 new apartments many in mixed use settings in which retail, hospitality and accommodation uses are combined with residential living. The recently completed Mercer apartment development at 53 Mercer Street Geelong exemplifies what might be considered the City's first wave of apartment development. The development provides extensive views over Corio Bay as well as high standards of internal amenity.

Median House Price

The pre-conditions for viable apartment development are established in relation to the local median single detached house price which at 2023 had grown to \$750k for Greater Geelong and \$920k in the suburb of Geelong. For the 2013 to 2023 period, Central Geelong experienced average annual house price growth of 6.8% while Greater Geelong experienced annual growth of 7.7%.

Figure 12: Median House Price 2022

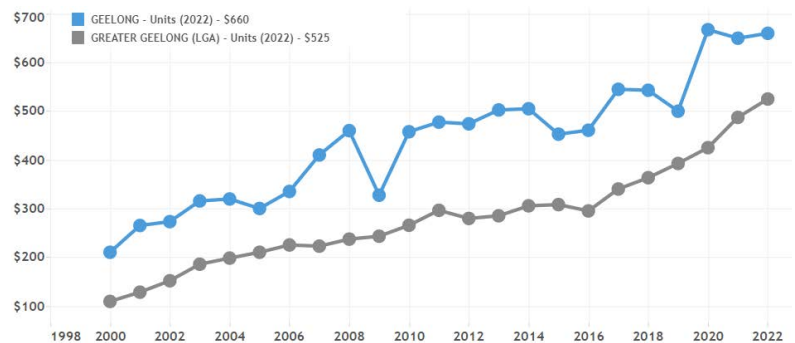


Source: Pricefinder, Charter Keck Cramer

Median Unit Prices

Unit prices, which combine prices for townhouses and apartments, have also seen sustained growth increasing by 9.7% in the suburb of Geelong and 10.2% in the Greater Geelong region over the 2019 to 2023 period.

Figure 13: Median Unit Price 2022

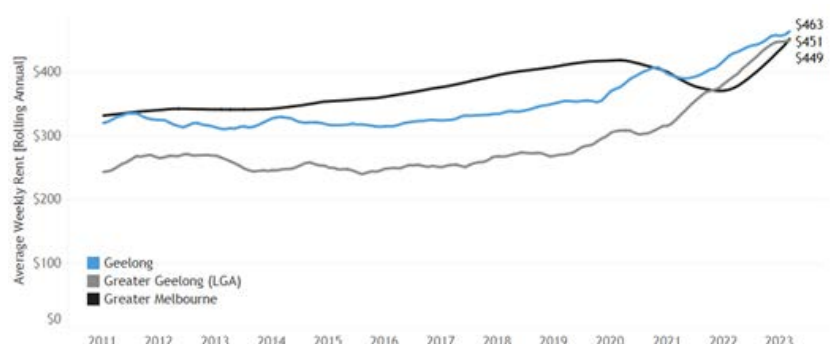


Source: Pricefinder, Charter Keck Cramer

Unit Rents

For existing and new residents seeking to rent dwellings, vacant dwellings are now very limited and rents are rising. Within Greater Geelong, rental prices for units have grown at an annual rate of 10.8% over the past 5 years (and 13.4% over the last 3 years). Similarly, in the suburb of Geelong, unit rental prices grew at 6.5% annually over the past five years and 7.3% annually in the past 3 years. Unit rents across Greater Melbourne, Greater Geelong and the suburb of Geelong are now highly comparable.

Figure 14: Median Unit Rent 2023, Average Annual Rolling

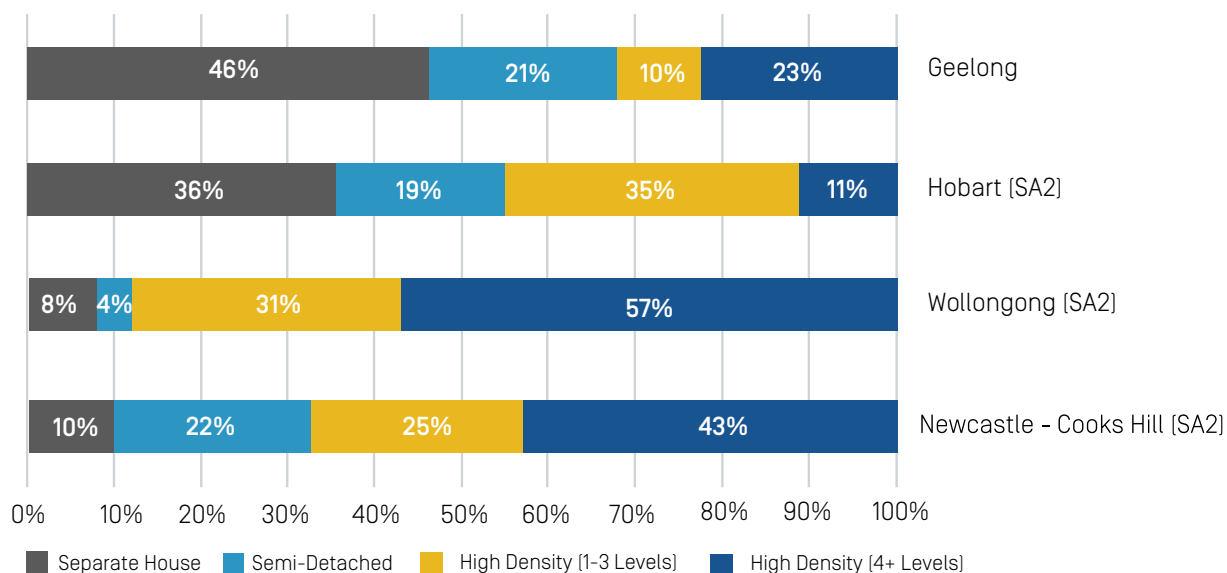


Source: SQM, Charter Keck Cramer

Dwelling Composition

Geelong's apartment market when compared with other major regional centres such as Newcastle and Wollongong can be considered at an incipient stage of evolution. The central areas of Newcastle and Wollongong are home to significant resident populations and significant numbers of apartments that at 2021 comprised over 75% of dwelling stock. Over time, the residential structure of Central Geelong will more closely resemble those of Newcastle and Wollongong in which the city centre is a more intense mixed use recreation, residential and commercial location. The price, rental and vacancy fundamentals to support apartment development are discussed as follows.

Figure 15: Dwelling Composition Comparison, Geelong, Hobart, Wollongong, Newcastle - Cooks Hill

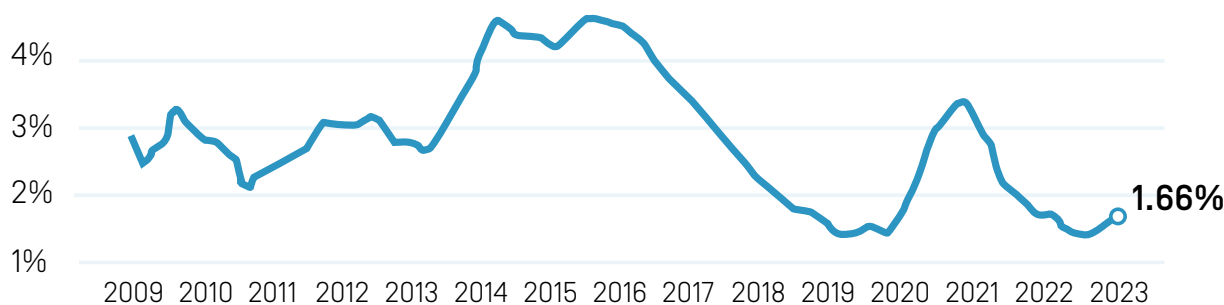


Source: ABS, Charter Keck Cramer

Rental Vacancies

At 2023, the suburb of Geelong recorded a vacancy rate of 1.6% which is well below what is considered market equilibrium of 3%. Fundamentally, the Central City's existing rental stock is likely to face significant challenges in accommodating further increases in demand be it from workers, students and existing residents without new housing supply.

Figure 16: Vacancy Rates, Rolling Average



Source: SQM, Charter Keck Cramer

Residential Pipeline

Extremely tight vacancy, rising prices, supportive land use conditions and a changing Central City has seeded the conditions for Central City apartment growth.

Over the past 3 years the City has seen the ongoing sale of existing apartments and off the plan apartments within the Central City at values ranging between \$480k to \$ 3 million.

Table 1: Median apartment prices Geelong 2021 to 2023

| Type | Median | Rate (\$/sqm) | Size |
|-----------------------|--------------|---------------|------|
| 1 Bed + 1 Bath | \$ 476,000 | \$ 9,954 | 60 |
| 2 Bed + 1 Bath | \$ 570,000 | \$ 8,198 | 64 |
| 2 Bed + 2 Bath | \$ 740,000 | \$8,589 | 88 |
| 3 Beds | \$ 1,215,000 | \$ 9,192 | 121 |

Relatively high square metre value rates have created favourable conditions for apartment development as is evident in the City's existing pipeline of apartment supply. The Central City residential development pipeline now incorporates approximately 850 proposed and approved apartments in 15 projects. The steady delivery of these projects will ultimately further establish apartment living in Central Geelong while spurring hospitality and service demand.

Figure 17: Residential Development Pipeline

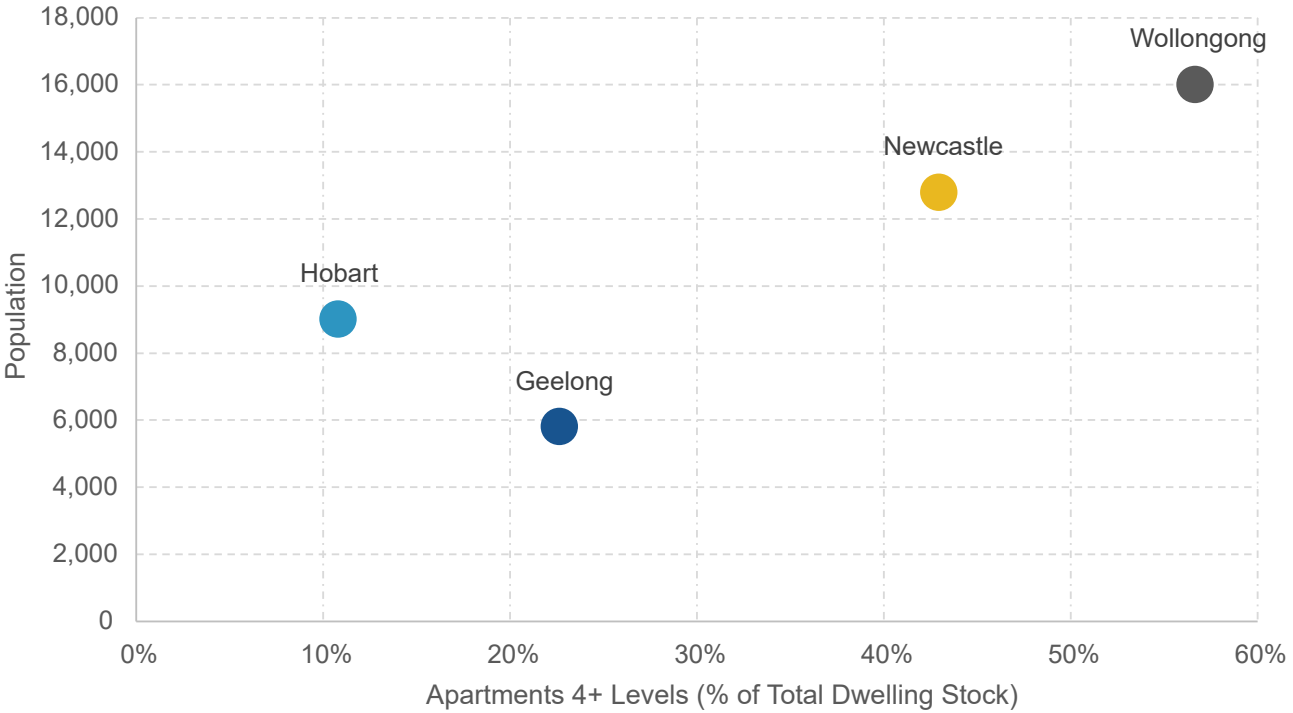


Source: Charter Keck Cramer

Over the long term as the City of Geelong and its Central City grows, the number of households living in apartments will grow in accordance with comparable cities. The Central Geelong Land Use and Market Assessment (SGS Planning and Economics) provides housing and population projection scenarios for the Central City. According to the market assessment, under base case assumptions the Central City is projected to experience demand for a further 2040 dwellings to 2050 and approximately 4200 dwellings under high growth assumptions. Base case projections equate to average annual dwelling growth of 93 dwellings per annum while high growth assumptions equate to 140 dwellings per annum. A high proportion of these dwelling will be delivered as apartments.

A key risk for residential demand is competition provided by nearby Northern and Western Growth Areas which as single detached housing markets are able to compete for households based on space and price. House price, population, student and employment growth in Greater Geelong, however, establish the conditions for a more diverse housing market that includes a variety of detached, semi-detached and apartment dwellings for a range of households as has occurred in equivalent regional cities such as Wollongong and Newcastle.

Figure 18: Apartment maturity



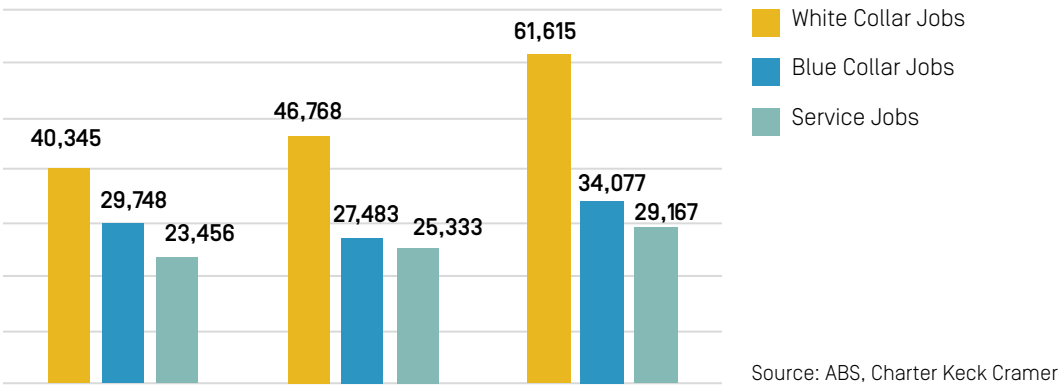
1.7.2 Commercial Market Overview

Greater Geelong is home to a growing health, public service, construction, insurance and advanced manufacturing sectors which for workers and young families elevates the City’s attractiveness as a location to prosper. A decade after the decline of the City’s heavy industry sector following the closure of Ford’s manufacturing facility in 2013 and Alcoa in 2014, the City’s economy has adapted via the agglomeration of new social service and insurance industries and the growth of population focused services and construction.

Greater Geelong’s growing knowledge and service economy is exemplified by local white collar jobs growth which over the last decade has led the City’s employment growth. At 2021 there were near on 61,500 white collar jobs across the City up by 32% since 2016 and 53% since 2011.

White collar jobs growth has been propelled by the attraction and growth of major institutions in and around Central Geelong which is now home to Deakin University, Barwon Health, and the head office operations of the Traffic Accident Commission (TAC), Worksafe, the National Disability Insurance Authority (NDIA), and GMHBA. The clustering of insurance activities in Greater Geelong is helping attract a range of ancillary professional and social service providers to establish services in the city. For the 2017 to 2021 period, the number of professional service businesses in the City grew by over 360 businesses to 2,317 businesses.

Figure 18: Employment by Sector 2011-2021



It follows that the expansion of the City’s professional sector has been concurrently supported by the expansion of the City’s commercial office sector which over the past decade has added over 62,000 sqms of A-Grade office space primarily for state and federal government tenancies.

Figure 19: Government Head Precincts in Geelong



NDIS - 15,000 sqm [2019]



Worksafe - 15,000 sqm [2017]



TAC-10,000 sqm [2019]



GMHBA - 10,000 sqm [2022]

To date, government investment has spurred Central City office investment and associated employment growth. A key risk and opportunity for the growth of office market demand is the attraction of private sector tenancies which may require smaller floor plates than public sector tenancies and greater market incentives. The current pipeline of proposed office development generally focuses on mixed use development that includes smaller commercial floor areas. It is also important to note that as part of the growth of the Central City, substantial demand for health and education floor space is projected some of which will inevitably require dedicated office space underpinning Central City office demand.

At present, the Central City is subject to 9 proposed or approved development proposals that include the addition of commercial office floor space. Many of these proposals are within mixed use settings in which office, retail and a range of other uses including community, childcare, accommodation and residential uses are proposed.

Figure 20: Office Supply Pipeline



Source: Charter Keck Cramer

Future Outlook

According to The *Central Geelong Land Use and Market Assessment* (SGS) at 2020 Central Geelong supported 22,900 jobs representing 19% of jobs across the municipality. The market assessment projects employment growth for the Central City under both base case and upside conditions to 2050. Under base case conditions the assessment anticipates that the Central City maintains its share of municipal employment into the future which results in Central City employment growing to 38,500 jobs to 2050. The high growth scenario anticipates that the Central City will grow its share of employment to approximately 20% of municipal jobs resulting in Central City employment growing to 49,000 jobs by 2050. The base case projection to 2050 entails average annual jobs growth of 520 jobs per annum while the upside scenario entails growth of approximately 870 jobs per annum.

In all scenarios the projections anticipate an increase in the absolute number of health care, finance and insurance, public sector and education jobs in the Central City which aligns with the Central City's existing employment mix and recent jobs growth trends.

The Central Geelong Land Use and Market Assessment (SGS) translates projected jobs growth into floor space demand for a broad range of asset classes including retail, accommodation and office. Under the base case scenario, demand for an additional 47,000 sqm of office floor space is projected in the Central City to 2050 while under high growth assumptions demand for an additional 139,000 sqm of office space is anticipated. The Central City currently supports over 268,000 sqms of floor space for office uses.

Table 1: Office Floorspace Projections

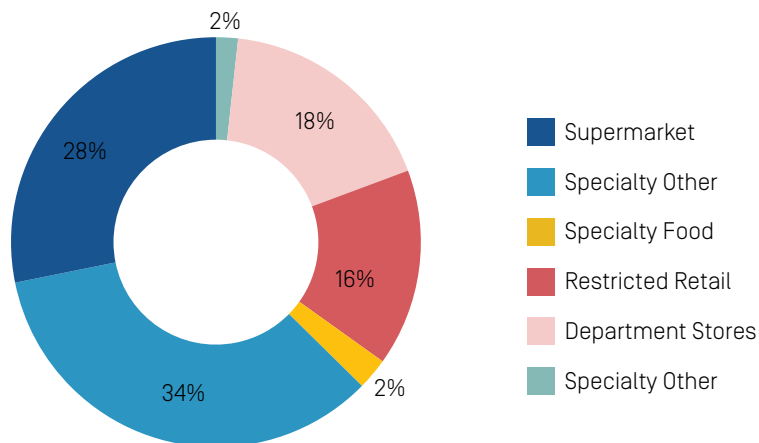
| Projections | Total Floorspace (2020) | Base Case (2050) | Upside (2050) | Optimistic (2050) |
|-------------|-------------------------|------------------|---------------|-------------------|
| Office | 53,280 | +92,180 | +139,432 | +160,129 |

Source: SGS Economics and Planning, Central Geelong Land Use and Market Assessment

1.7.3 Retail Market Overview

Retail Floorspace

Figure 21



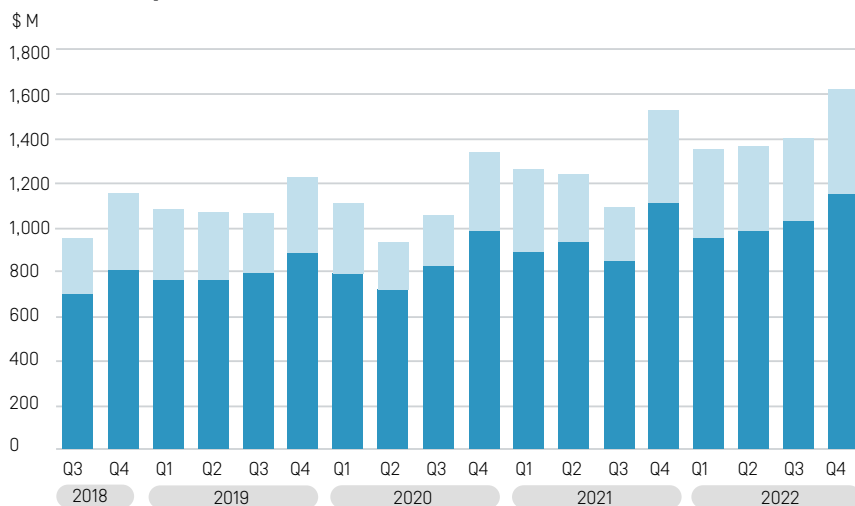
Source: City of Greater Geelong Retail Strategy

The Central City has traditionally functioned as the City's core retail Precinct. Changes in household expenditure patterns and competition from other potentially more convenient locations however has seen the retail role of the Central City undergo significant change.

At 2018 the Central City supported approximately 187,000 sqm of retail floor space of which 14% (25,985 sqms) was vacant.

Retail Expenditure Growth

Figure 22



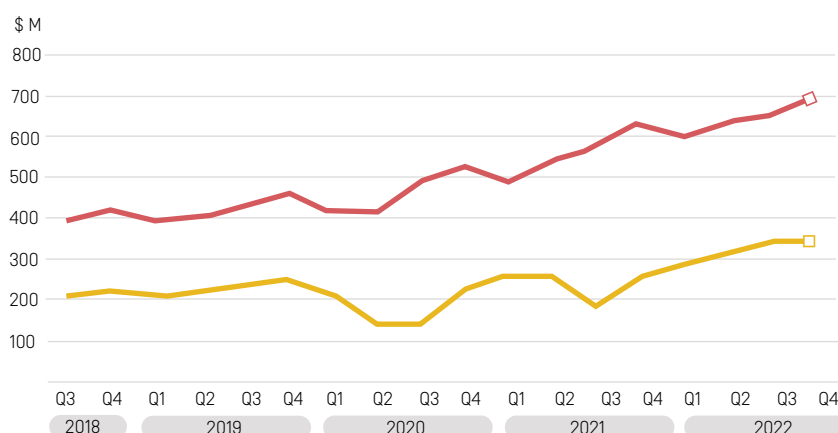
Source: Stats Centre – Expenditure Data City of Greater Geelong; Spendmapp by Geografia

The City recorded a total of \$1.6 Billion retail expenditure in December 2022 an increase of 5.9% compared with 2021. Residents contributed 70% of expenditure within the municipality, whereas visitation contributed 30%.

Overall, the trendline indicates a growing expenditure market, as population and employment continues to grow, the expenditure pool will grow simultaneously attracting new businesses, housing and employment.

Online Disruption

Figure 23



Source: Stats Centre – Expenditure Data City of Greater Geelong; Spendmapp by Geografia

Residents spent \$697.9 million online in the December 2022 period, resulting in an annual increase of 10.7 percent.

As online retailing continues to expand, physical retailing must personalise and create an interactive and immersive experience for in-person shopping. This means placing emphasis on urban design, streetscape amenity and in-store experiences to attract physical presence. Destination appeal will be key in attracting in-store visitation.

Experience Retail

The growth of online shopping and big box retail centres is disrupting the historic role of city centres and self contained shopping centres. Shopping precincts and centres such as Geelong's City Centre need to change in order to provide a compelling reason to attract visitors and local consumers.

Globally and nationally, major retail locations are focused on integrated mixed use development as a means of creating retail environments that incorporate multi-layered experiences for a range of budgets. In practical terms, the development of mixed use precincts generally entails the incorporation of office, dining, residential, meeting, recreation, entertainment and service uses in an environment in which the sensation of consumption is emphasised over physical possession.

For retailers responding to the impact of online and out of centre retailing, careful curation of mixed use locations in a vibrant LIVE WORK PLAY environment aims to deliver economic benefits by:

- **Increasing the frequency and length of stay:** Diversifying attractions and uses aims to encourage longer and more frequent visitation contributing to overall expenditure growth. Diversity may also enable greater night and weekend trading.
- **Broadening markets:** Multi-layered environments enable consumers to fulfill multiple needs in the same location in the same visit. Additionally, more diversity encourages more diverse consumers and thereby spending across a greater range of retail and service categories at different budgets.
- **Facilitating a positive trading atmosphere:** By curating a more immersive and multi-dimensional experience through well designed spaces and events, mixed use environments can facilitate a positive atmosphere that entices consumers to spend more and return more often while also boosting the number of future visits to a location.

For major retail landlords and investors the creation of vibrant Live Play Work environments in previously single dimension shopping precincts is increasingly an overarching aim. Notably, the shopping centre group Vicinity currently allocates 85% of its development capital to the development of major mixed-use opportunities exemplified by the recent completion of the Social precinct in the Chadstone shopping centre. The Social Precinct is a new dining and entertainment precinct that further diversifies Chadstone shopping centre which now incorporates hotel and commercial office uses and may ultimately include residential uses. Other examples of new mixed use precincts include Elizabeth Quay in Perth, Bowen Hills Regeneration Project in Brisbane and Canberra's Majura Park, Quay Precinct Towers in Sydney.

Future Outlook

The Central City currently supports a significant agglomeration of national and international retailers. Nonetheless, there is potential for expansion as the City, at present, does not include a number of major retailers including David Jones, H&M, Uniqlo, and electronic providers such as Apple and Samsung.

The Central Geelong Land Use and Market Assessment (SGS) anticipates ongoing retail growth within the Central City as detailed in the table below.

Table 2: Retail Floorspace Projections

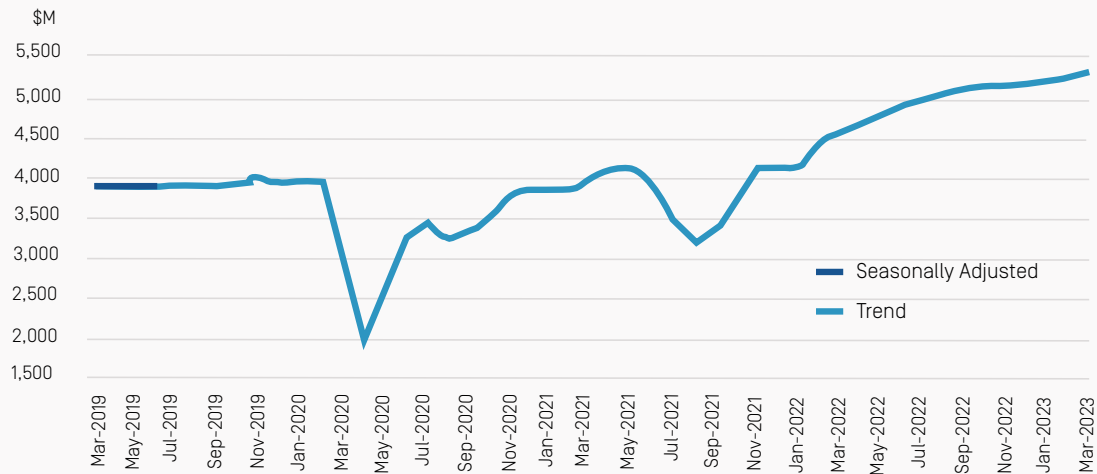
| | Total Floorspace [2020] | Base Case [2050] | Upside [2050] | Optimistic [2050] |
|---------------|-------------------------|------------------|---------------|-------------------|
| Retail [sqms] | 161,231 | +34,170 | +78,200 | +83,200 |

Source: SGS Economics and Planning Central Geelong Land Use and Market Assessment

The Food Economy

A critical anchor of emerging mixed use shopping precincts is the focus on food as both an essential but also leisure consumption activity. While consumption in other retail categories have flat lined or declined in the post Covid era hospitality expenditure has continued to grow as a seemingly ingrained component of national consumer culture.

Figure 24: Cafe, food and takeaway services



Source: ABS, Retail Trade, March 2023

The development of Live Play Work environments seek to replicate the format and atmosphere of leading eat streets and destinations such as Degraes Street and Centre Place in Melbourne's CBD, Vardon Avenue in Adelaide's CBD and Riverside Market in Christchurch, each of which are leading consumer and visitor experience destinations. The Quay Precinct Tower redevelopment in inner Sydney, for instance, will introduce new laneways to support fine grain retail and hospitality uses activating the ground plane of a comprehensive mixed use development.

As the City's visitor economy and population grows the depth of consumer demand for hospitality uses will inevitably grow creating the expenditure drivers to expand the City Centre's growing eat street culture that has already taken root along Little Malop Street. After food and grocery, restaurant/café/takeaway expenditure is the second largest retail expenditure category in Greater Geelong with an estimated per capita spend of \$1,708 in 2016. According to *The City Of Greater Geelong Adopted Retail Strategy (2020)* resident restaurant/café/takeaway is projected to grow to \$2,188 by 2036. As a result, restaurant, cafe and take away expenditure is expected to grow by over \$360 million per annum to 2036.

Food and grocery consumption, like hospitality expenditure, is proving resilient in changing economic conditions. Food and grocery expenditure is Greater Geelong's largest retail category which was estimated at \$3,415 per person in 2016 and is expected to grow to \$4,164 per person by 2036. As the Central City evolves the expenditure pool for food and groceries by the City Centre's in situ population, visitors, students and workers is also projected to expand, underpinning potential fresh and packaged food focused floor space expansion in the Central City. According to the retail strategy current food and grocery expenditure will grow to \$1.46 billion per annum in 2036 from \$810 million in 2016. Notably, a high proportion (38%) of projected retail expenditure is projected to occur in Central Geelong equating to \$554 million spent on food and groceries in the City Centre by 2036.

Developing a Food and Hospitality Precinct

The growth of food and hospitality culture and associated projected pre capita expenditure growth mean that food and hospitality is increasingly the anchor point of contemporary shopping centres.

Successful food precincts curate an eat, shop and explore environment that attracts a high density of people day and night. The essence of successful precinct entails:

- Placemaking: successful food experiences need exceptional placemaking which includes a visually appealing location that invites repeat visitation
- Hospitality mix: the mix of restaurants and cafés needs to be curated to ensure night and day activation and an offering that is compelling and on trend for consumers
- Sustainable floor space: the developer needs to define a sustainable volume of food and hospitality floor space to ensure high levels of occupancy and activation (and conversely limited vacancy).

A fresh food market might be part of the overall mix of a future food and hospitality precinct. The Queen Elizabeth, South Melbourne, and Adelaide Markets have each been trading for over 100 years. These markets are both tourist destinations and, for a cohort of local residents, an essential weekly food shopping destination. Over time these markets have reinvigorated and expanded the market concept to include a curated blend of fresh food, produce, dining offers, cooking classes and programmed events.

As will be seen shortly, Market Square redevelopment option 2 includes the recreation of Market Square's historic role as a fresh food market. This option anchors the renewal of Market Square in the food and hospitality economy where, as discussed above, food is central to urban lifestyles. Within the option, the merger of events space, dining and fresh food provides for overlapping experiences of night markets, holiday events and seasonal promotions for visitors and residents to drive the local economy.

The concept of reintroducing a fresh food market, however, entails both risks and benefits as detailed below.

| Challenges | Benefits |
|--|---|
| <ul style="list-style-type: none">• Establishing a new network of diverse market stallholders and suppliers that appeals to residents and visitors will take time and significant curation and management.• The market will need to be of sufficient scale to support a diverse mix of traders to appeal to a breadth of customers while not so big as to result in numerous vacant stalls.• The initial phase of the market is likely to be challenging as the market builds credibility in the eyes of stallholders and customers.• Experienced, committed and long term management will be required to carefully curate stallholders and programme experiences and ensure high standards of visual presentation. | <ul style="list-style-type: none">• Over time the market will attract highly committed regular customers as is evident in other markets.• The successful delivery of a market enables the potential to overlap events, dining and fresh food experiences.• A new market would, moreover, establish a new visitor destination in the city comparable to the function of other major markets. |

1.7.4 Hotel Market Overview

Prior to the COVID-19 pandemic, visitation to Greater Geelong was increasing at an annual average rate of 5%. Lockdown isolation measures disrupted the City's visitor market. In the 2021/22 financial year, there were 2.6 million domestic day trips, 3.3 million domestic overnight stays and 93,000 international visitors.

Following the elimination of restrictions visitation numbers have begun to rebound. Over the next two decades, supported by the City's unprecedented private and public infrastructure pipeline, the City is forecast to double visitation spurring hotel and short stay demand. Notably, the City's *Sustainable Destination Master Plan 2022* identifies a lack of quality 4-5 star accommodation as a key impediment to tourism growth as well as the capacity of the City to attract and house key workers in its tourism sector.

The *Central Geelong Land Use and Market Assessment (SGS)* provides a projection of accommodation demand. At 2020 the study identifies approximately 29,300 sqms of accommodation space in the Central City. Under base case assumptions demand for an additional 16,000 sqm of accommodation space is projected in the Central City to 2050 (approximately 260 rooms) while under high growth assumptions a further 41,500 sqms of accommodation space is projected (approximately 675 rooms).

In the recent past 2 new accommodation facilities were delivered in the Central City adding approximately 300 new hotel rooms which are said to represent the first new accommodation facilities within the Central City in over 20 years [Accommodation News 4 May 2017]. At present there are 4 proposals in the Central City that include proposed high quality hotel accommodation that have the potential to provide in excess of 300 new hotel rooms. This suggests demand has exceeded existing projections.

Figure 25: Greater Geelong Visitation

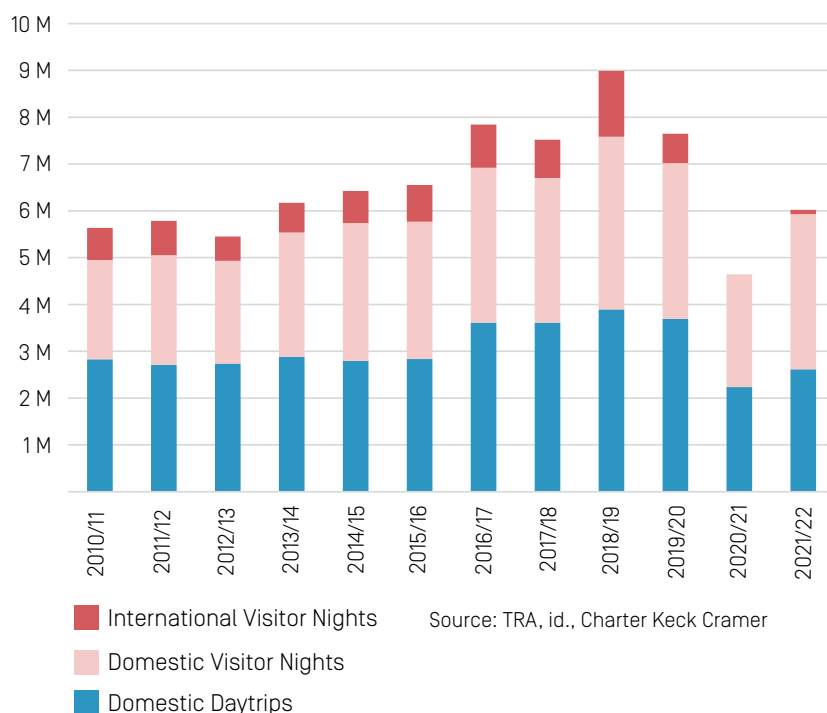


Figure 26: Hotel Supply Pipeline



Table 2: Hotel Supply Pipeline Central Geelong

| Name | Address | Status | Description |
|-----------------------|---------------------------------|--|--|
| Holiday Inn | 38-44 Ryrie Street | Completed | Development of a multi storey (52 metre) building comprising of basement car parking, retail, 109 apartment dwellings and residential hotel. Hotel to be operated by the Holiday Inn group and will incorporate 180 rooms, as well as sky lobby, pool, gym, restaurant, bar café |
| R Hotel Geelong | 10 Bellarine Street Geelong | Completed | Self-contained dwellings and hotel experience with a total of 128 rooms and apartments. It has a 4 1/2 star rating. |
| Quest Geelong Central | 71-77 Gheringhap Street Geelong | Under Construction | Development of a 14-storey building plus 3-level basement, comprising ground level retail, 46 serviced apartments and 63 dwellings and reduction in car parking requirements. |
| Unknown | 20-22 Bellarine Street, Geelong | Approved Permit [Works not commenced] | Development of a multi-storey building with serviced apartments [number not specified]. |
| Novotel Geelong | 10 Eastern beach Road, Geelong | Approved Permit [Works not commenced] | Existing 109 hotel rooms will be upgraded with an extra floor extension of 22 rooms. |
| Cunningham Place | 35 Corio Street, Geelong | Approved Permit [Works not commenced] | Construction of a 19 storey building to be used for 46 dwellings, 168 hotel rooms, office, childcare centre, medical centre, place of worship, supermarket and retail. |

Source: Charter Keck Cramer

PART 2: MARKET SQUARE RENEWAL ASSESSMENT

2.1 Market Square Central Geelong's Most Significant Opportunity Area

The approval of the Central Geelong Framework Plan in March 2023, coupled with the ongoing demographic and economic transformation of Geelong City establishes the pre-conditions for the renewal of major redevelopment sites in Central Geelong.

Market Square is one of the most significant renewal sites in Central Geelong with the potential to catalyse land uses and investment in the heart of Geelong City. MGS has developed a series of renewal options for Market Square that demonstrate the urban uplift and transformation potential of Market Square under newly introduced land use planning controls and the broader vision for Central Geelong as articulated in the Central Geelong Framework Plan.

The following assessment evaluates the underlying commercial merit of the MGS Market Square renewal options. The analysis focuses exclusively on the subject area indicated in the map below.

The 1.7 hectares Market Square site might be considered to be Central Geelong's most significant redevelopment site in its scale, location and its potential to leverage and catalyse change and growth in the heart of Geelong.

The approval of the *Central Geelong Framework Plan* on March 2023 establishes the planning framework to renew the central city as a vibrant mixed use residential, service, recreation and visitor destination in accordance with the ongoing growth of Geelong City as one of Australia's leading regional cities and Victoria's second largest city.

Figure 28: Subject Site



Source: Charter Keck Cramer

The Framework establishes the land use planning conditions and built form settings for Market Square to be re-imagined as a more active and diverse location in tune with the Central City's growing commercial office, residential, tourism, health and education uses. A re-imagined Market Square has the potential to include:

- Land mark buildings – that create visual prominence, honour the site's built heritage and represent a high standard of design in a changing urban context.
- Institutional and innovation uses - the site has the potential to support high quality large format commercial floor plates that have the potential to attract new institutional uses to the heart of Geelong supported by transport accessibility.
- A new residential community – the site incorporates the scale and amenity to diversify the City's housing choice, particularly for its burgeoning younger households, key workers and aging households. Market Square encompasses the scale of redevelopment land to deliver a unique high amenity, high density community.
- A visitor destination – an intensive mixed use community encompassing a large in situ residential community, a commercial office workforce, high quality hospitality infrastructure and enterprises and hotel accommodation has the potential to become a new node in the City's visitor economy.

The following explores how the above have been translated into a series of Market Square renewal options.

Market Square Redevelopment Options

The underpinning cultural, environmental and physical history of Market Square and its potential to support the reinvigoration of Central Geelong through its physical transformation into a retail, visitor, service and residential destination has been depicted in three distinct renewal options guided by an overarching renewal vision:

Market Square Quarter will be the thriving heart of Geelong as it grows into the future, with Malop Central reinvigorated as an accessible, vibrant urban square that celebrates Wadawurrung culture where all residents and visitors feel welcome and safe.

The renewal options share a number of underlying similarities and key differences. Specifically, each option comprehensively reimagines Market Square as a transformed location with a greatly increased gross floor area that supports a far wider variety of land uses than is currently the case. Each option, nonetheless, provides a different reimagining of public space, economic and residential land uses, cultural heritage, physical connections, and pedestrian priority.

Urban Design Outcomes

Each renewal option envisages a vastly improved public realm that to varying degrees incorporate built form outcomes that:

- Introduce new north south accessibility via new lane way connections
- further activate Little Malop Street as a public place of gathering and activity
- prioritise pedestrian mobility
- enhances light penetration
- pacify vehicle movements
- create a more permeable location that leverages the gravitational north south pull of major retail assets to the site's north and public infrastructure to the site's south and west.

01 Malop Heart



The option is distinguished by its relative balance of commercial, residential and retail uses and its emphasis in activating the western portion of the site through a new lane way connection, the introduction of an eat street and the introduction of public realm infrastructure to support public gatherings and performance.

Union Street is extended to Malop Street via the delivery of a new north-south connection between Little Malop and Malop Streets resulting in a continuous north-south connection between Ryrie and Malop Streets.

The new north-south laneway connection is identified as a food and hospitality street (Eat Street) at the foot of new accommodation, residential and office uses.

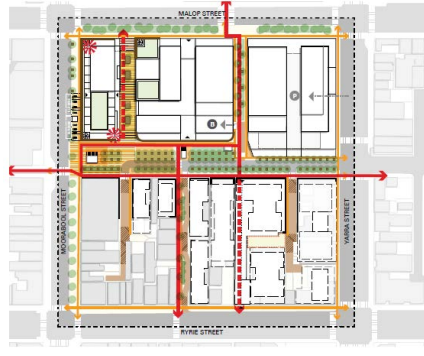
New performance space infrastructure is introduced at the intersection of Little Malop Street and the new north-south lane way.

New performance space and hospitality space concentrates activity and movement at the western end of the site.

A new forecourt is introduced at the intersection Malop Street, the new eat street lane way and the central pedestrian crossing.

Taller forms bookend the site at both its western and eastern edge while a mixture of buildings of different footprints and scales are proposed throughout the site's centre.

02 Malop Market



This option is distinguished by its focus on the recreation of historic uses and connections, and the delivery of an extensive office sector in the heart of Central Geelong.

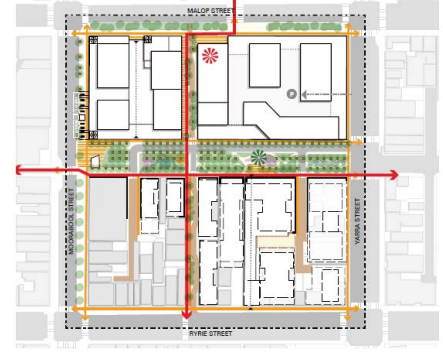
The option recreates the historic market role of Market Square to reintroduce a fresh food market into the heart of Geelong supported by high density commercial, residential and accommodation development.

The renewal includes two new north-south connections that restore historic north south streets. This includes a new connection at the western portion of the block that replicates the historic form of Jacobs Street and a connection towards the eastern portion of the site that revives the historic route of McCann Street. Option 2 is therefore the most permeable option at the ground plane.

The option includes the introduction of entertainment infrastructure along Little Malop Street along with renewed landscaping in the public realm.

Larger building footprints and greater mass are proposed to the east of the site while the west of the site achieves a lower rise fine grain outcome in and around the proposed fresh food market.

03 Malop Village



This option is distinguished by its introduction of a new and substantial residential community in the heart of Central Geelong while creating passive recreation space and amenity for the new community and visitors.

The option extends Union street to Malop street through the creation of a new north-south laneway link whilst also expanding the eastern portion of Little Malop Street resulting in a green corridor between Moorabool and Yarra streets.

The option creates sun filled passive leisure space in the centre of the site whilst creating new north south accessibility.

The option locates taller buildings toward Malop Street with height and massing stepping down toward Little Malop Street to facilitate high levels of light penetration.

As per option 1 this option introduces a forecourt along Malop Street in proximity to the intersection of the central pedestrian crossing and the new laneway.

The option includes two extensive podium structures limiting options for staging.

Land Uses Outcomes

The renewal options result in approximately the same gross floor area of 96,800 sqms. The role of future floor space in supporting commercial and residential uses differs by option. All options include a similar hotel accommodation floor space of approximately 11,000 sqms.

01 Malop Heart

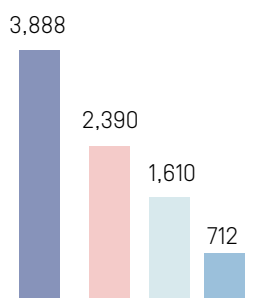
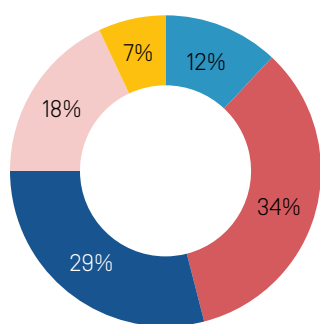


This option is distinguished by its relative balance between commercial, retail and residential floor space uses.

The mixture of buildings proposed for the western and central parts of the site are identified for residential and hotel / accommodation uses, helping to activate the new eat street laneway connection.

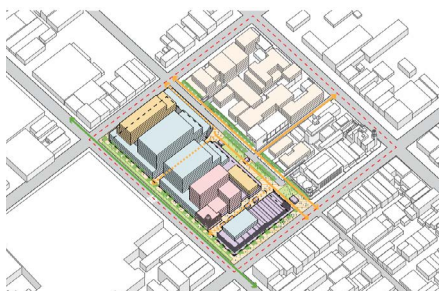
The large format buildings at the eastern edge of the site are nominated for commercial office uses enabling the creation of a new office precinct in the heart of Central Geelong.

Figure 29: Malop Heart Metrics



Laneways

02 Malop Market

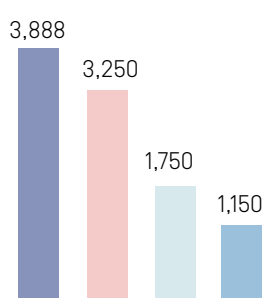
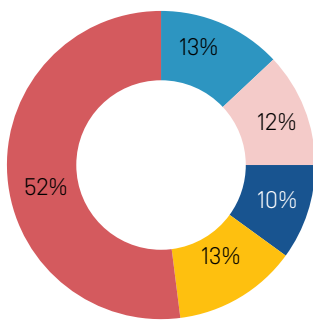


The option is distinguished by its focus on the revival of the site's former role as a fresh food market as well as its focus on the introduction of extensive commercial office uses within Market Square, which comprises over 50% of potential floor space.

The option establishes commercial office throughout the core of the precinct. Residential uses occupy the western edge of the site.

Heritage built form is retained to support hotel uses and Solomon's building at the corner of Malop and Moorabool Streets is retrofitted into a fresh-food market.

Figure 30: Malop Market Metrics



Public Open Space

Soft Landscaping

03 Malop Village

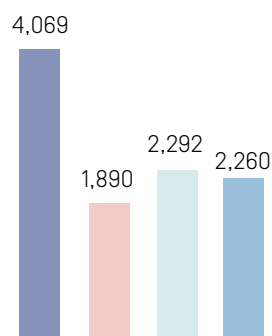
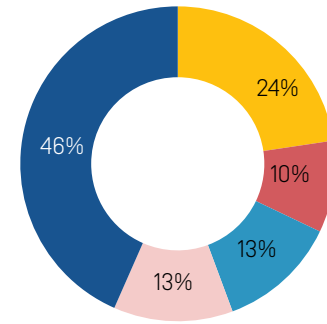


This option is distinguished by its focus on residential uses, which are anticipated to occupy approximately 46% of potential floor space.

Residential built form is anticipated throughout the site including supportive car parking. Extensive passive recreation space will support the site's new residential community.



Figure 30: Malop Village Metrics



Plaza Hardscape

2.2 Commercial Evaluation Methodology

The following outlines the methodology applied to evaluate the underlying commercial merit of the Market Square renewal options.

As discussed, the scale and location of redevelopable land within Market Square represents a unique renewal opportunity in the context of both the transformation of Geelong City and Central Geelong. The renewal options provide a physical and land use vision for the strategic re-emergence of Market Square as a municipal and regionally significant commercial, services, visitor economy and residential hub.

The commercial attractiveness of each option is determined by evaluating the scale, quality, timing and form of change outlined in each option and the resulting financial benefits that, in turn, might accrue to investors and landholders. To do so, the evaluation seeks to determine the extent to which redevelopment options engender outcomes that increase underlying financial value, frequency of visitation and expenditure and accord with the commercial direction of renewing self contained shopping centres.

For the development to succeed commercially, the developer needs to ensure that future floor space will be absorbed by the market in a timely manner as time is a key influence on financing and holding costs. For developers this typically entails structuring the development form to attract future tenants and purchasers as rapidly as possible. Tenant attraction, the potential absorption of floor space, revenues and financing costs are thus deeply intertwined. As such, in considering the commercial merit of the renewal options the evaluation considers the attractiveness of the renewal options in relation to the priorities of a future developer and the needs of future tenants, investors and owner occupiers.

In this evaluation each option is rated against a series of development objectives:

| | | | |
|------------------|---------------|----------------------------|--|
| Commercial Value | Managing Risk | Visitation and Expenditure | Place Making and Development Synergies |
|------------------|---------------|----------------------------|--|

Each option is rated against the above objectives. Ratings are indicated by a score of between 0 to 3 with 0 representing limited commercial merit and 3 representing a higher level of merit. The development objectives used to evaluate the options are described as follows:

Table 3: Commercial Evaluation Methodology

| Objective | Target | Criteria | Evaluation | Score |
|--|--|--|--|-------|
| Commercial Value | Developer and landholder | <p>Can the cost of developing the renewal option be funded by commercial returns within a reasonable time frame?</p> <p>Does the renewal option maximise commercial returns?</p> <p>Does the renewal option leverage the commercial uplift provided by the Central Geelong Framework Plan?</p> | <p>A high-level residual land value (RLV). A RLV is a land valuation method to assess the maximum price a developer is willing to pay to deliver a commercially viable development. This is used to provide an indication of commercial attractiveness.</p> <p>Commercial Scheme Review</p> <p>Review of comparable schemes in Central Geelong from the past two years</p> <p>Construction costs at 2022</p> | 0-3 |
| Managing Risk | Developer and landholder | <p>Can the floor space identified in the option be absorbed by the market within a commercial time frame?</p> <p>Does the option incorporate flexibility to enable management of financial and construction risks?</p> <p>Does the option rely on attracting a disproportionate market share?</p> | <p>Evaluation of historic commercial and residential floor space absorption</p> <p>Projected floor space demand as per the Central Geelong Land Use and Market Update (SGS) and implied annual absorption rates</p> | 0-3 |
| Visitation and Expenditure | Future commercial tenants, owner occupiers and investors | <p>Does the renewal option facilitate a new commercial identity and create a new urban destination that invites expenditure and visitation?</p> <p>Does the option support increasing volumes of activity and visitation?</p> <p>Does the renewal option integrate the site with surrounding destinations enabling the site to leverage from activity and events in nearby destinations and the broader evolution of Geelong's Central City ?</p> | <p>In situ resident, visitor and workforce projections</p> <p>Activation and destination creation initiatives</p> <p>Opportunities for multi-directional movement and urban linkages</p> | 0-3 |
| Place Making and Development Synergies | Future commercial tenants, owner occupiers and investors | <p>Does the renewed environment signal a new standard in high density living and amenity in Central Geelong?</p> <p>Does the renewal option support the workforce amenity and a new sense of address for a future workforce, industry and tenants?</p> <p>Does the renewal option support the diversification and clustering of new uses?</p> <p>Does the renewal option support capital and value growth for investors and future owner occupiers ?</p> | <p>Review of place making and amenity initiatives</p> <p>Review of proposed location and blend of uses</p> <p>Review of attributes that will support increased land and floor space values</p> | 0-3 |

Source: Charter Keck Cramer

2.3 Market Square Renewal Options - Commercial Evaluation

The following evaluates the commercial implications of each of the Market Square renewal options based on the above methodology.

Option 1: Malop Heart

Malop Heart is distinguished by its relative balance of commercial (31,000 sqm), residential (240 apartments) and retail uses and its emphasis on activation and the creation of opportunities for public gathering.

Table 4: Malop Heart Evaluation

| Objective | Criteria | Evaluation | Score |
|------------------|---|---|-------|
| Commercial Value | Can the cost of developing the renewal option be funded by commercial returns within a reasonable time frame? | The option is deemed to be the most commercially attractive due to its relatively lower construction costs (which is influenced by its car parking outcome) and its potential speed to market. | 2.5 |
| | Does the renewal option maximise commercial returns? | The option aligns with the form and structure of approved and constructed benchmark development. | |
| | Does the renewal option leverage the commercial uplift provided by the Central Geelong Framework Plan? | The option is the lowest cost development option. | |
| | | The option incorporates a mixture of floor space that, in most cases, does not overly rely on attracting disproportionate shares of future floor space demand. | |
| Risk Management | | Based on high level feasibility analysis the option is considered to be potentially feasible to develop. | 2.5 |
| | Can the floor space identified in the option be absorbed by the market within a commercial time frame? | The mix of uses proposed for the site is in keeping with approved redevelopment schemes. The mix of uses relies on a blend of absorption from different sectors without disproportionately drawing on projected demand for any one land use. The mix therefore is likely to enable the most timely delivery of development when compared with the other development options. | |
| | Does the option incorporate flexibility to enable management of financial and construction risks? | The office component represents a risk and relies on the site attracting a significant share (over 50%) of projected Central City Commercial Office demand. Notwithstanding this: as one of the City's most prominent sites, the site is well positioned to attract a major foundational tenant, the site is well positioned to attract education and health uses, the structure of employment floor space in the eastern portion of the site could support staged commercial office development. | |
| | Does the option rely on attracting a disproportionate market share? | The introduction of an eat street is relatively low risk initiative with demonstrated commercial viability in a wide variety of inner urban locations and settings within Australia and New Zealand. | |

| | | | |
|---|--|--|----------|
| Visitation and Expenditure | <p>Does the renewal option facilitate a new commercial identity and create a new urban destination that invites expenditure and visitation?</p> <p>Does the option support increased volumes of activity and visitation?</p> <p>Does the renewal option integrate the site with surrounding destinations enabling the site to leverage from activity and events in nearby destinations and the broader evolution of Geelong's Central City ?</p> | <p>The introduction of new dining, performance and gathering space along with the anticipated dense mixture of office, retail, residential and visitor establishes conditions for the convergence of uses and more frequent visitation and expenditure.</p> <p>The option creates an in situ worker force, resident community and visitor economy of greater than 2,200 people which in itself represents a major in situ market and expenditure pool to boost floor space investment, tenant attraction and day and night time expenditure.</p> <p>The eat street creates a potential day and night economy destination that can draw in visitation from before and after nearby major events and locations. Curated performance spaces likewise will attract visitation.</p> | <p>3</p> |
| Place Making and Development Synergies | <p>Does the renewed environment signal a new standard in high density living and amenity in Central Geelong?</p> <p>Does the renewal option support the workforce amenity and a new sense of address for a future workforce, industry and tenants?</p> <p>Does the renewal option support the diversification and clustering of new uses?</p> <p>Does the renewal option support capital and value growth for investors and future owner occupiers ?</p> | <p>The renewal option includes significant place making initiatives that will signal a more engaging and active economic and urban identity.</p> <p>The renewal option creates the greatest potential commercial appeal by creating a distinct office, hotel, retail and residential podiums in a dense cluster that are likely to invite focused institutional investment.</p> | <p>3</p> |

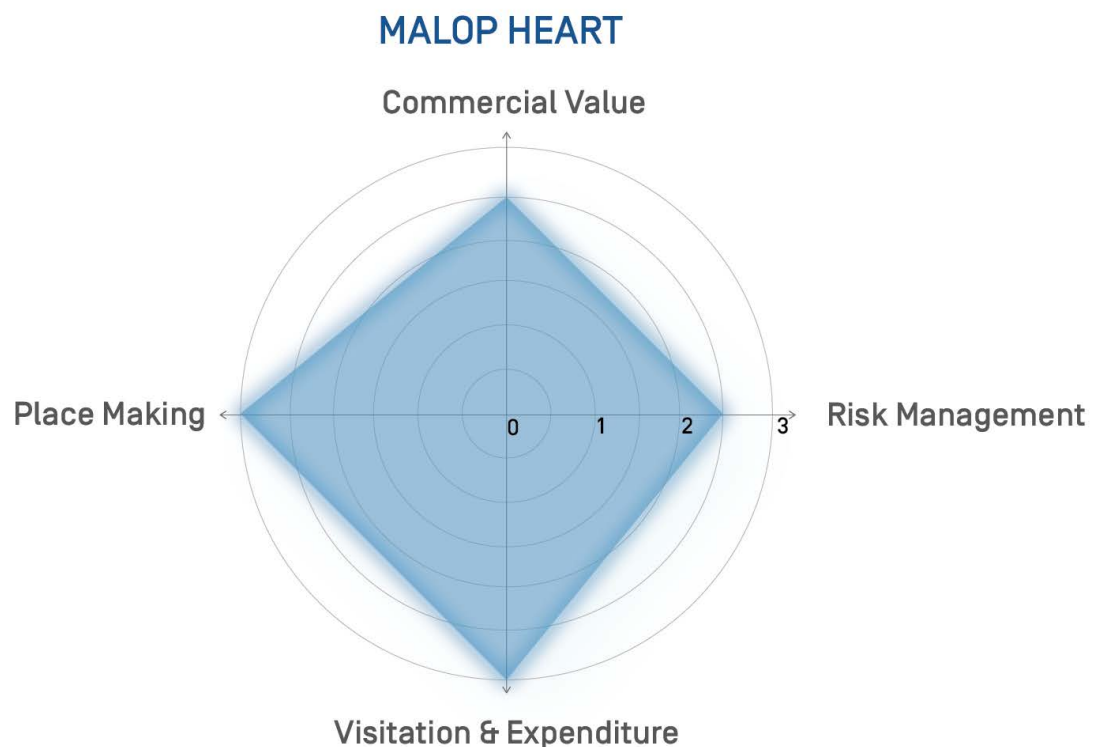
Evaluation Summary Option 1

The option focuses on activation via the introduction of hospitality uses, gathering spaces and the convergence of complimentary commercial land uses.

The option:

- Is the most viable development option based on construction costs, limited car parking, potential revenues resulting from its mixture of uses and potential time to market.
- The option most closely aligns with benchmarked development specifically the mixture of uses align with delivered, approved and under development projects in Central Geelong.
- The project achieves high levels of activation and linkages that are likely to support tenant attraction and investment.
- The project provides a basis to manage risk by not drawing disproportionately on projected Central Geelong market demand.
- Identified office space presents a project risk as it relies on the attraction of a significant proportion of projected future office demand. Notwithstanding this, Geelong has now established a major commercial hub for government services and insurance uses. It is therefore conceivable that the site is well positioned to attract a prominent anchor office tenant given the site's centrality and accessibility.

Figure 31: Malop Heart Radar Diagram



Source: Charter Keck Cramer

Option 2: Malop Market

This option is distinguished by its focus on the re-creation of historic uses and connections including the re-creation of a fresh food market. The option re-imagines Market Square as the City's central office node with over 50,000 sqms of commercial office space signaling the growth and solidification of the City's knowledge economy. The option also includes the development of approximately 90 apartments.

Table 5: Malop Market Valuation

| Objective | Evaluation | Score |
|-------------------------|--|-------|
| Commercial Value | <p>Can the cost of developing the renewal option be funded by commercial returns within a reasonable time frame?</p> <p>Does the renewal option maximise commercial returns?</p> <p>Does the renewal option leverage the commercial uplift provided by the Central Geelong Framework Plan?</p> <p>This option entails the least attractive commercial outcome based on high construction costs, potential revenues and the potential timing entailed in delivery.</p> <p>The option is the most expensive option to deliver.</p> <p>The scheme is unproven in the context of Central Geelong and future floor space demand projections.</p> | 1 |
| Risk Management | <p>Can the floor space identified in the option be absorbed by the market within a commercial time frame?</p> <p>Does the option incorporate flexibility to enable management of financial and construction risks?</p> <p>Does the option rely on attracting a disproportionate market share?</p> <p>The option includes 50,000 sqms of commercial office space. <i>The Central Geelong Land Use And Market Assessment Update</i> identifies demand for 47,000 sqms of commercial office space to 2050. As such, the floorspace mix proposed in the option therefore entails significant development risk in relation to the timing and scale of office demand. The projected commercial floor space also greatly exceeds delivered benchmark office development including the new GMHBA office facility (10,000 sqms) and NDIS (13,000 sqms). We note that The Central Geelong Land Use And Market Assessment Update upside scenario identifies demand for 139,000 sqms of office floor space. Current office market sentiment is unlikely to support the scale of office expansion anticipated in the upside scenario.</p> <p>The establishment of a fresh food market entails commercial risk. As discussed, establishing a new network of diverse market stallholders that appeals to residents and visitors will take time and significant curation and management commitment. The market will need to be of sufficient scale to support a diverse mix of traders to appeal to a breadth of customers while avoiding high levels of vacancy. The initial phase of developing the market is likely to be challenging as the market builds credibility in the eyes of stallholders and customers.</p> | 1 |

| | | | |
|--|--|---|------------|
| <p>Visitation and Expenditure</p> | <p>Does the renewal option facilitate a new commercial identity and create a new urban destination that invites expenditure and visitation?</p> <p>Does the option support increased volumes of activity and visitation?</p> <p>Does the renewal option integrate the site with surrounding destinations enabling the site to leverage from activity and events in nearby destinations and the broader evolution of Geelong's Central City ?</p> | <p>The option creates an in situ worker force, resident community and visitor economy of greater than 2,450 people which in itself represents a major in situ market and expenditure pool to give confidence to floor space investment and retail tenant attraction.</p> <p>Given the emphasis on the commercial office sector the option is likely to improve day time activity and expenditure within the site. The option signals a new urban setting largely related to the office workforce. As such, much of the site is likely to be dormant on weekends and at night.</p> <p>The introduction of the fresh food market has the potential to activate the western portion of the site. The operation of the market might coincide with other events to generate convergence and more frequency of visitation and expenditure including a night time economy.</p> <p>This option provides greater accessibility and permeability than option 1. Unlike option 1 this option does not seek to concentrate pedestrian movement to facilitate gathering.</p> | <p>2.5</p> |
| <p>Place Making and Development Synergies</p> | <p>Does the renewed environment signal a new standard in high density living and amenity in Central Geelong?</p> <p>Does the renewal option support the workforce amenity and a new sense of address for a future workforce, industry and tenants?</p> <p>Does the renewal option support the diversification and clustering of new uses?</p> <p>Does the renewal option support capital and value growth for investors and future owner occupiers</p> | <p>The option creates a new urban identity that honors the past while signaling the creation of a major knowledge worker economy in Central Geelong.</p> <p>Long term commitment may see the emergence of a vibrant market sector and significant local and visitor destination.</p> | <p>2.5</p> |

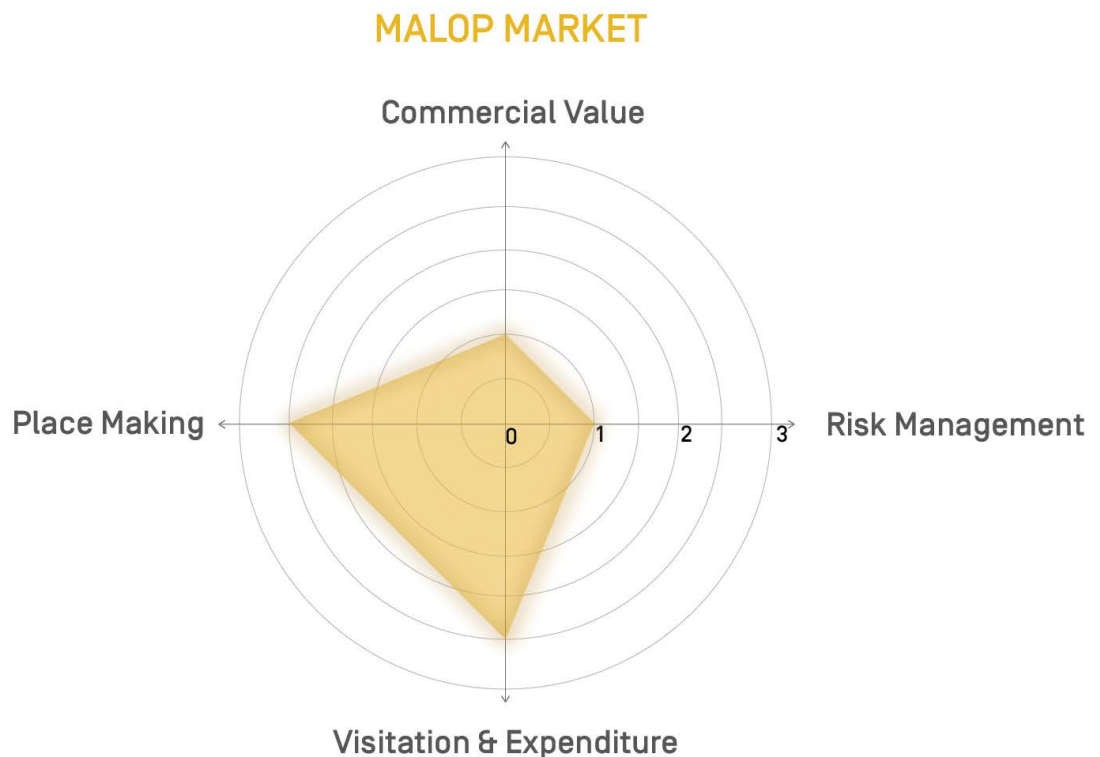
Evaluation Summary Option 2

The option creates a new urban identity that honours the past while signaling the creation of a major knowledge worker economy in Central Geelong.

The option:

- is the least viable development option based on construction costs, car parking provision, potential floor space revenues and potential time to market.
- the scale of commercial floor space anticipated in the option exceeds SGS base case forecast office demand. This creates potential investment risk and potential issues in relation to time to market.
- achieves high levels of activation and linkages that are likely to support retail tenant attraction and investment particularly via the introduction of a major in situ well paid knowledge worker workforce.
- the underlying scheme informing the option is unprecedented in Central Geelong when evaluated against recent approved and delivered development.
- seeks to reestablish Market Square as a major fresh food destination. The successful delivery of a market entails numerous benefits including the potential to overlap events, dining and fresh food experiences. A new market would establish a new visitor destination and over the long term cultivate a loyal and committed customer base. This however will entail long term management commitment to the curation and development of a successful market culture.

Figure 32: Malop Market Radar Diagram



Source: Charter Keck Cramer

Option 3: Malop Village

This option is distinguished by its introduction of substantial new residential floor space (approximately 380 apartments) into the heart of Central Geelong and a resulting new residential community of over 900 residents. The option includes extensive passive recreation space and amenity for the new community and visitors.

Table 6: Malop Market Valuation

| Objective | Evaluation | Score |
|-------------------------|--|------------|
| Commercial Value | <p>Can the cost of developing the renewal option be funded by commercial returns within a reasonable time frame?</p> <p>Does the renewal option maximise commercial returns?</p> <p>Does the renewal option leverage the commercial uplift provided by the Central Geelong Framework Plan?</p> <p>Malop Village generates the second highest economic return. Potential economic returns are limited by relatively high construction costs, substantive car parking and a potentially lengthy development time frame.</p> <p>A developer or build to rent investor that can hold and develop the site over a five to seven year period may be attracted to this option. The underlying economics of the option may also be improved via reduced car parking scheme.</p> <p>While the volume of apartments may be attractive to build to rent development, Geelong's Central City is yet to support large numbers of young high income professionals able to support above market rents typically needed to underpin build to rent investment. It is nonetheless possible that superannuation funds associated with Geelong's insurance and finance sector may be attracted to the site for key worker housing.</p> | <p>2</p> |
| Risk Management | <p>Can the floor space identified in the option be absorbed by the market within a commercial time frame?</p> <p>Does the option incorporate flexibility to enable management of financial and construction risks?</p> <p>Does the option rely on attracting a disproportionate market share?</p> <p>The mix of uses proposed for the site is weighted toward residential uses and the creation of a new in situ residential community. The quantity of apartments proposed in the mix significantly exceeds benchmark sites and may entail between 3 to 5 years of marketing to accrue sufficient presales to trigger development. This will therefore require the developer to hold the site for an extensive period. The option entails risk as this scale of apartment demand in Central Geelong is untested. Moreover, other nearby sites with views over Corio Bay are better positioned to attract residential demand.</p> <p>The remainder of the uses proposed in the option represent a relatively low commercial risk.</p> | <p>1.5</p> |

| | | | |
|--|--|---|------------|
| <p>Visitation and Expenditure</p> | <p>Does the renewal option facilitate a new commercial identity and create a new urban destination that invites expenditure and visitation?</p> <p>Does the option support increased volumes of activity and visitation?</p> <p>Does the renewal option integrate the site with surrounding destinations enabling the site to leverage from activity and events in nearby destinations and the broader evolution of Geelong's Central City ?</p> | <p>The option entails relatively less activation and destination outcomes than the other options.</p> <p>The option facilitates a new residential community. The option includes accompanying public open space to support passive recreation for the new local community.</p> <p>The option creates an in situ worker force, resident community and visitor economy of greater than 1,700 people which relative to the other options is the most limited in situ head count.</p> <p>The option does not incorporate major activation initiatives or potentially new places of interest or gathering. Comparably, the option therefore entails more limited uplift in visitor frequency. The new in situ community is, nonetheless, of a sufficient scale to support a local retail and night time economy.</p> <p>This option provides greater accessibility and permeability than option 1. Unlike option 1 this option does not seek to concentrate pedestrian movement to facilitate gathering.</p> | <p>1</p> |
| <p>Place Making and Development Synergies</p> | <p>Does the renewed environment signal a new standard in high density living and amenity in Central Geelong?</p> <p>Does the renewal option support the workforce amenity and a new sense of address for a future workforce, industry and tenants?</p> <p>Does the renewal option support the diversification and clustering of new uses?</p> <p>Does the renewal option support capital and value growth for investors and future owner occupiers ?</p> | <p>The renewal option represents a relatively homogeneous land use option and thereby an option with more limited opportunities for commercial convergence.</p> <p>The largely residential focus of the scheme will ultimately shift the role of the site and provide for greater commercial and retail activation related investment to support the new community.</p> | <p>1.5</p> |

Source: Charter Keck Cramer

Evaluation Summary Option 3

The option establishes a new residential community in the heart of Geelong with accompanying residential amenity along Little Malop Street.

The option:

- The option is potentially attractive to a developer that is able to hold the land for an extended period and negotiate more favourable car parking outcomes.
- The option includes 380 private market apartments which in the context of Central Geelong is likely to require a relatively lengthy sales and marketing period.
- The scheme may be attractive to a build to rent developer however the underlying metrics to support build to rent in Central Geelong are not yet evident which typically include a growing cohort of young high income professional households able to pay above market rents. This may, however, change as the Central City continues to emerge as a major employment and service centre. Alternatively, the local insurance industry may be attracted to the site for key worker housing.
- The option is unlikely to result in the same level of activation and destination creation as the other options.

Figure 33: Malop Village Radar Diagram



Source: Charter Keck Cramer

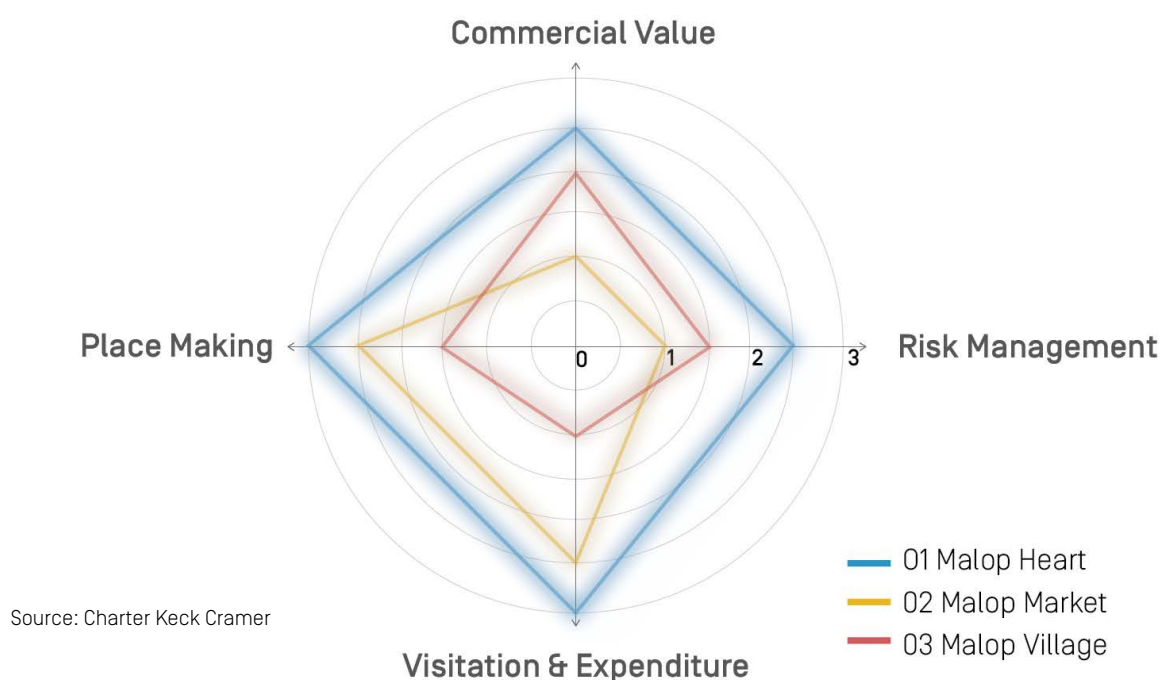
2.4. Evaluation Conclusion

Option 1 Malop Heart: Provides a mix of uses that combine with a range of activation and destination interventions that are likely to stimulate tenant demand and visitor interest. The option is deemed to be the most commercially attractive due to its relatively lower construction costs (which is influenced by its car parking outcome) and its potential speed to market. Apart from the office component, the option does not require disproportionate market support to succeed. As one of the City's most prominent commercial sites, it is conceivable that Market Square could successfully secure a commercial tenant to occupy the identified commercial floor space which might also attract health and education uses. The option most strongly aligns with the vision for Central Geelong as a dense mixed use location that supports the convergence of uses and activity. The option furthermore most closely aligns with the structure of approved and constructed development benchmarks and trends in the redevelopment of self contained shopping centres into dense mixed use facilities.

Option 2 Malop Market: Reimagines Market Square as the City's core office node and a fresh food centre. The scheme entails significant risk for a future developer in both time and cost. The option requires the support of a major institutional office tenants and a retail manager committed to facilitating a fresh food market sector. The successful delivery of a market entails numerous benefits including the potential to overlap events, dining and fresh food experiences. A new market would, moreover, establish a new visitor destination in the City comparable to the function of other major markets. Re-establishing a fresh food market will require a long term vision and commitment by a retail manager.

Option 3 Malop Village: Introduces a new residential community into the heart of Central Geelong and is potentially a highly lucrative option. The option however entails timing risk as the scale of apartments identified in the option is likely to require lengthy marketing and sales. The scheme is therefore suitable to a developer that is able to hold the site for an extended period. The scheme may also be attractive to a build to rent developer however the underlying metrics to support build to rent in Central Geelong are not yet evident which typically include a growing cohort of young high income professional households able to pay above market rents. The option may also attract a key worker superannuation investor particularly from surrounding insurance funds. The option is unlikely to result in the same level of activation and destination creation as the other options and thereby may not be as desirable from a strategic perspective.

Figure 34: Summary Radar Diagram



APPENDIX

Evaluation Assumptions

The project methodology follows a series of analytical steps to assess the commercial merit of each redevelopment option by applying assumptions in relation to yield, construction cost, use, activation, potential market demand and risk in relation to time and cost.

Guiding assumptions have been applied as follows:

- Each option is permitted under current planning controls.
- The analysis assumes that the developer will negotiate with Greater Geelong City Council to incorporate affordable housing within the residential component of the development scheme on a cost basis.
- There is a third party developer that is subject to standard financing and commercial development conditions.
- The site is under single ownership.
- The site will not require remediation.
- The current form of Market Square no longer represents the highest and best value of the site particularly following the uplift opportunity arising from the approval of the Central Geelong Framework Plan.
- Each option is developed by a third party developer.
- The developer requires an industry standard 20% profit margin to ensure return on risk.
- An expanded breadth of uses will stimulate activity, frequency of visitation.
- Commercial, retail and residential floor space demand in Central Geelong will grow in line with *Central Geelong Land Use and Market Update* (SGS Economics and Planning) and id population and dwelling forecasts
- The construction cost of identified floor space has been costed according to Rawlinsons 2022.
- Retail, commercial and residential floor space values are based on 2021 to 2022 floor space rates for Central Geelong .
- It is assumed 5% of the proposed residential floor area will be dedicated to social housing and sold to a community housing provider at cost.
- Costs have been developed for the purposes of this project and are indicative only. Ultimately, development costs will reflect an array of decisions in relation to building materials and built form quality that are beyond the scope of this project. The cost of site works and remediation has not been accounted for. Costs assume mid quality outcomes.
- Heritage facades are retained.
- Car parking outcomes are evaluated according to car parking outcomes specified in each option.
- Assumes 80% building efficiency across all asset classes.
- The current landholders were not consulted during the course of this evaluation and their intentions for the site are not currently known.

Worker and Resident Outcomes

As part of the assessment Charter has translated floor space outcomes specified in each into aggregate worker, visitor and resident outcomes. For all outcomes, the study assumes an 80% building efficiency. Guiding assumptions are detailed as follows.

The options incorporate high density residential development. In investigating residential development outcomes the commercial evaluation assumes the following dwelling mix.

| Bedrooms | Mix | Size [Sqm] | Option 1 | Option 2 | Option 3 |
|--|-----|------------|----------|----------|----------|
| 3 Bed | 25% | 110 | 47 | 18 | 76 |
| 2 Bed | 60% | 85 | 147 | 55 | 237 |
| 1 Bed | 15% | 65 | 52 | 19 | 84 |
| Total Apartments | | | 250 | 95 | 400 |
| Floor Space (sqm) | | | 26,112 | 9,722 | 42,000 |
| Total Social or Affordable Apartments (5%) | | | 13 | 5 | 20 |
| Private Market | | | 237 | 90 | 380 |

Source; Charter Keck Cramer

Accommodation Mix

Each option also includes hotel accommodation of which the following is assumed.

| Bedrooms | Mix | Size [Sqm] | Option 1 | Option 2 | Option 3 |
|-------------------|-----|------------|----------|----------|----------|
| 4 bed | 5% | 120 | 4 | 4 | 4 |
| 3 Bed | 10% | 90 | 24 | 26 | 26 |
| 2 Bed | 55% | 68 | 71 | 75 | 76 |
| 1 Bed | 25% | 40 | 22 | 23 | 24 |
| Studio | 5% | 20 | 22 | 23 | 24 |
| Total Hotel Rooms | | | 143 | 150 | 153 |
| Floor space | | | 10,956 | 11517 | 11752 |

Source; Charter Keck Cramer

Floor Space Assumptions

Each option anticipates the creation of a new in situ workforce. In calculating the resulting scale of the workforce the following industry standard assumptions are applied.

| Type | Floor Space per Sqm |
|----------------------------|---------------------|
| Retail worker per sqm | 40 |
| Commercial Office | 20 |
| Retail and Service Workers | 30 |

Source; Charter Keck Cramer

Resident, Workforce and Visitor Projections

In light of the above assumptions and analysis, Charter assumes the following in situ worker, visitor and resident totals for each option.

| Type | Floor Space Vacancy Assumption | Option 1 | Option 1 | Option 2 |
|---|--------------------------------|----------|----------|----------|
| Residential | 5% | 560 | 208 | 901 |
| Office | 15% | 1047 | 1716 | 322 |
| Retail and Service workers | 10% | 403 | 308 | 275 |
| Hotel Residents | 25% | 205 | 215 | 220 |
| Total in situ workers, visitors and residents | 2,215 | 2,448 | 1,718 | 23 |

Source; Charter Keck Cramer

Projected Office Demand to 2050

| Projection | Base Case 2020 to 2030 [sqms] | Floor Space per Sqm |
|--|-------------------------------|---------------------|
| Projected net additional office floor space demand | 47,300 | 139,400 |
| Implied annual net demand | 1,580 | 4,600 |

Source; Central Geelong Land use and Market Update

Absorption Assumptions

The timing of development is critical in assessing risk. Fundamentally, development that requires a lengthy time period to attract demand entails inherent financial risk. To understand time risks for the various options Charter has reviewed the size of the market from which Market Square will need to respond.

In relation to future commercial office uses, Charter has reviewed the Central Geelong Land Use and Market Update (SGS Economics and Planning) to identify projected floor space demand. This has in turn been translated into an implied annual net absorption of demand. Projected commercial office demand and absorption is specified below.

Projected years of office absorption

| Projection | Base Case 2020 to 2030 [sqms] | Floor Space per Sqm |
|--|-------------------------------|---------------------|
| Projected net additional office floor space demand | 47,300 | 139,400 |
| Implied annual net demand | 1,580 | 4,600 |

Source; Central Geelong Land use and Market Update

The net absorption of office space has been applied to the various options to identify the potential time entailed in achieving pre-development commitment. In doing so, Charter has assumed that as one of the most prominent redevelopment site's in Central Geelong Market Square is well positioned to attract 50% of annual office demand at its commencement and that 65% pre-commitment by future tenants would be required to trigger development.

Projected years of office absorption

| | Option 1 | Option 2 | Option 3 |
|--|----------|----------|----------|
| Projected commercial office floor space [sqms] | 30,790 | 50,474 | 9,468 |
| Years of theoretical absorption SGS Base Case | 25.3 | 41.5 | 7.8 |
| Years of theoretical absorption SGS Upside | 8.7 | 14.3 | 2.7 |

Source; Central Geelong Land use and Market Update

The Central Geelong Land Use and Market Update (SGS Economics and Planning) incorporates a range of projections for education and health uses which are consolidating in the Central City. It is likely that future commercial floor space is well positioned to attract health and education uses particularly that the Precinct already incorporates similar uses.

| Use | Base Case 2020 to 2030 [sqms] | Floor Space per Sqm |
|-----------|-------------------------------|---------------------|
| Education | 53,280 | 92,180 |
| Health | 246,180 | 258,190 |

Source: Central Geelong Land Use and Market Update [SGS Economics and Planning]

In relation to residential development, the evaluation considers the months needed for pre-sales to achieve a development trigger of 65% of identified floor space. Resulting time scales are detailed below.

| | Option 1 | Option 2 | Option 3 |
|--|----------|----------|----------|
| Private Market Dwellings | 237 | 90 | 380 |
| SGS Base Case to achieve required pre-sales [months] | 30.8 | 11.7 | 49.4 |
| SGS Upside to achieve required pre-sales [months] | 22 | 8.4 | 35 |

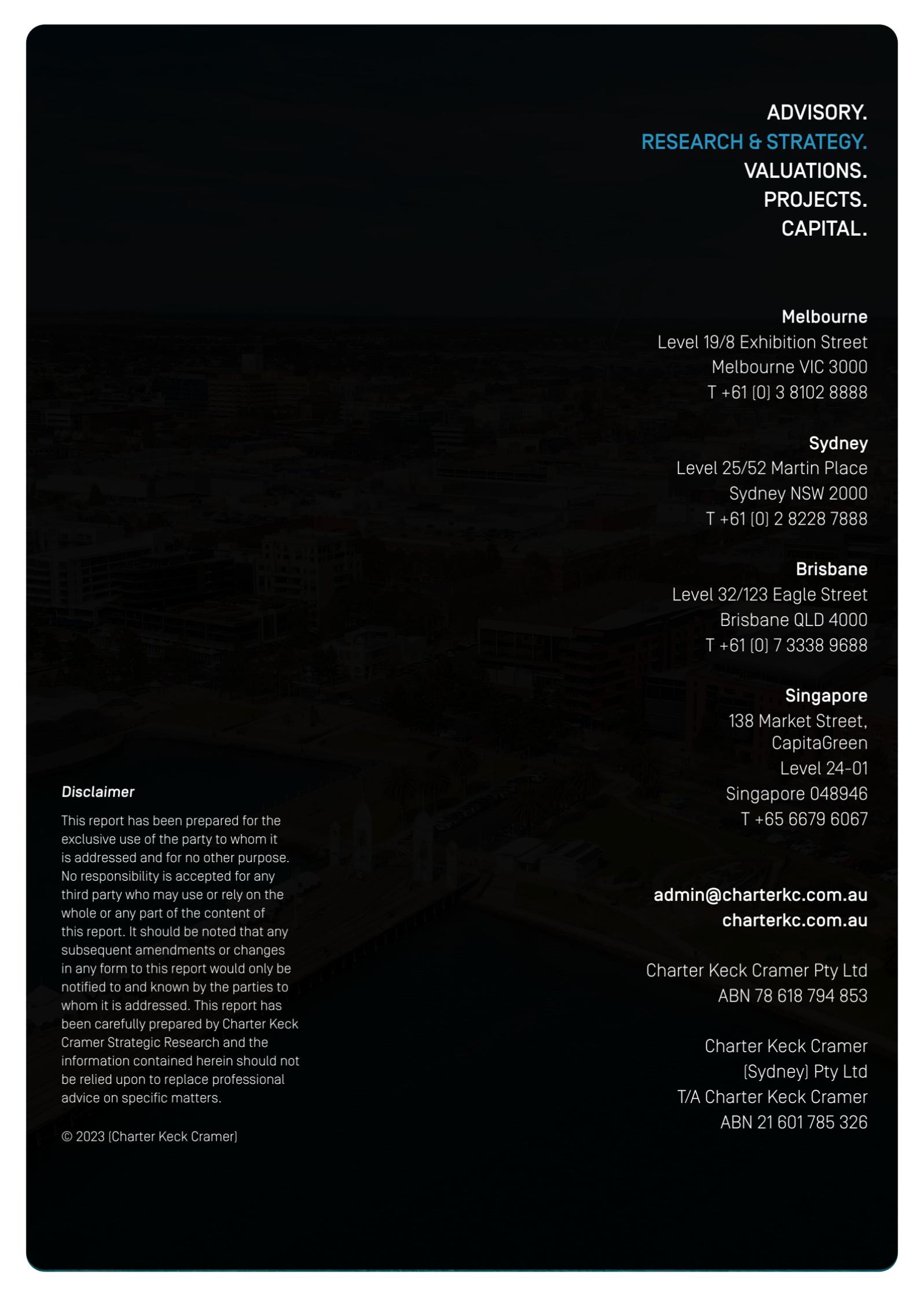
Source: Central Geelong Land Use and Market Update [SGS Economics and Planning]

Each of the options specify relatively similar quantities of new retail and accommodation floor space. Projected accommodation and retail demand is assumed to support the retail and accommodation outcomes identified in each option. In relation to retail floor space the study assumes a potential net reduction in retail floor space within Market Square.

Retail and Accommodation Floorspace Demand

| Use | Base Case 2020 to 2030 [sqms] | Floor Space per Sqm |
|---------------|-------------------------------|---------------------|
| Retail | 34,170 | 78,800 |
| Accommodation | 16,077 | 41,570 |

Source: Central Geelong Land Use and Market Update [SGS Economics and Planning]



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