Economic Assessment for the

Lorne Structure Plan

July 2018

Prepared by Tim Nott

for Surf Coast Council

Report Data

Version	Date	Approved By	Sent to
Draft	1 June 2018	TN	Jorgen Peeters and James Hamilton, Surf Coast Council
Draft	5 june 2018	TN	Jorgen Peeters and James Hamilton, Surf Coast Council
Report	19 July 2018	TN	Jorgen Peeters and James Hamilton, Surf Coast Council

Prepared by:

Tim Nott
economic analysis + strategy
ABN: 29 590 304 665

20 Scotia Street
West Preston
Victoria 3072
Australia

Tel: 0401 993 451
Email: tim@timnott.com.au
Web: www.timnott.com.au

TABLE OF CONTENTS

Executive Summary i
1 Introduction 1
1.1 Planning for Lorne 1
1.2 This Report 1
1.3 A Note on Geography 1
2 Commercial Development in Lorne 3
2.1 Existing Commercial Activity 3
2.2 Planning for Commercial Activity 4
3 Population and Housing growth 6
3.1 Recent Population and Housing Growth 6
3.2 Forecast Population and Housing Growth 9
4 Visitors 11
4.1 Current Visitation 11
4.1.1 Peak Visitation 11
4.1.2 Total Visitation and Spending 11
4.2 Future Visitation 12
5 Retail 14
5.1 Retail sales 14
5.2 Retail Trade Area 14
5.3 Trade Area Retail Spending 15
5.4 Balance of Supply and Demand 16
5.5 Future Demand for Retail Space 17
5.6 A Note on Employment 19
6 Other Town Centre Activities 21
6.1 Estimated Growth in Non-Retail Activities 21
6.2 Commercial Accommodation 22
7 Planning for Development 23
7.1 Summary of Demand 23
7.2 Development Options 23
8 Industrial 25
8.1 Industrial Land 25
8.2 Recent and Future Industrial Development 26
9 References 28

EXECUTIVE SUMMARY

This report provides an economic assessment for a review of the Lorne Structure Plan being conducted by Surf Coast Shire Council. Its main purpose is to identify the demand for retail, commercial and industrial space in Lorne over the period to 2036 in order to inform the structure planning process. Nothing is certain about the future demand for space and so the report provides a set of scenarios based on data about available trends, and some variation on those trends. The key findings for the structure planning process are:

1. The forested sea-side setting that is so attractive to residents and visitors makes Lorne one of Victoria's best-loved tourist towns, and a key destination on the Great Ocean Road. The current role of the Lorne town centre is to provide convenience retailing for residents and visitors as well as an extensive array of mainly visitor services, especially food services, accommodation, "holiday shopping" and entertainment.

2. Retail and commercial development in the town – mainly in the Commercial Zone of the town centre – occupies building floorspace of 15,700 square metres (excluding commercial accommodation). Retail space is approximately 10,000 square metres of this. Growth in retail space over the last seven years has been almost entirely in food services serving visitors, with no significant growth in the provision of local resident services such as food and groceries.

3. The population of Lorne and immediate surrounds is approximately 1,200 in 2017. Council's population forecasters have detected a turnaround in the population of Lorne, with modest growth now projected following a long period of slow decline. The population of Lorne's retail trade area is approximately 1,500 people (2017) and is projected in this report to grow by 0.8% per year over the period to 2036 to reach 1,750. In order to explore demand for services, an alternative scenario that envisages no population growth – continuing trends over the last fifteen years - is also tested.

4. The Lorne economy relies mainly on the spending of visitors. This report estimates that Lorne receives 414,000 visitors (2017) and accommodates 841,000 visitor nights, with annual visitor spending of $116 million. Tourism Research Australia has forecast that overnight visitation to destinations in Country Victoria will grow at 2.7% per year over the next decade. This rate of growth has been applied to Lorne, along with growth in day-visitors at the same rate as that forecast for the Victorian population as a whole, in order to create a scenario for visitation. This scenario envisages an additional 47,000 day visitors and 555,000 visitor nights, with annual visitor spending rising to $190 million in 2036. As an alternative scenario, the impacts of a 1% per year growth in visitor spending are also modelled.

5. Current retail sales in Lorne are estimated here at $51 million per year. $43 million (84%) of that is from visitors (including part-time residents); and $8 million comes from residents. This comprises around 35% of total retail spending by residents, who travel to larger centres such as Colac, Torquay, Geelong and Melbourne for major grocery shopping and most non-food goods. The spending of visitors in Lorne supports a much higher level of retail provision than would normally be viable in a centre with a residential catchment of only 1,500 people.

6. Non-retail elements of the town centre, excluding commercial accommodation and dwellings, occupy 5,700 square metres of building floorspace. These activities include banks, professional offices, real estate agents, cinema and pubs. For the purposes of this report, it has been assumed that these types of activities will continue to grow and will account for 25% of total additional floorspace.

7. Using the scenarios for population and visitor growth and a set of conservative assumptions about the wider trends affecting retailing and commercial development, the following scenarios for retail and commercial demand have been prepared for this report:

    A high growth scenario, based on growth in visitor spending of 2.6% per year and population growth of 0.8% per year, that envisages demand for the following additions to commercial development in Lorne over the period to 2036:

    - 5,750 square metres of retail space
    - 1,900 square metres of non-retail space
    - 1,100 new hotel rooms or holiday houses/apartments to accommodate visitors

    A more ***modest growth scenario***, based on growth in visitor spending of 1% per year and no population growth, envisages demand for:

    - 1,800 square metres of additional retail space
    - 600 square metres of non-retail space
    - 300 new hotel rooms or holiday houses/apartments to accommodate visitors

8. There is no imperative that Lorne has to accommodate growth. However, the consequences of not accommodating some development in a situation of growing demand are higher costs to businesses and residents, rising social inequity and poorer sustainability outcomes as displaced workers must travel from elsewhere. The consequence of growing demand in a situation of limited supply can already be seen in property prices. Higher prices have, in part, caused a long term decline in population as residents are out-bid for houses by affluent holiday home owners.

9. If there is to be some growth then,
    - There is a need to preserve the attractive features of the town – a bustling seaside town centre, beautiful secluded bush setting, accessible beaches and foreshore reserve, high quality building development – to ensure the continuing loyalty of existing visitors and residents and to attract new visitors
    - A single commercial centre will maximise the scale and diversity of the goods and services offered; multiple centres will simply ensure the replication of lower level services, although it is necessary to provide some services at key visitor nodes such as Point Grey

10. In the short term, the growth options for town centre services include:
    - Filling vacant shop fronts, although there are only 3-4 of these presently
    - Redeveloping the Point Grey precinct as planned to replace the existing visitor facilities
    - Extending the opening hours of existing shops

11. In the longer term, potential options for expanding the town centre would be to:
    a) Extend the Core Retail precinct to include the Commercial and Tourism Mixed Use precinct (that is, doing away with the latter precinct) allowing for more intensive retail, commercial and accommodation development in this area
    b) Rezone all or part of the adjacent Tourism Accommodation precinct (see section 2.2) to Commercial 1 Zone and to change some of the landscaping requirements. This would enable an expansion of ground floor retail and commercial development with dwellings and hotels above. It is possible to envisage, for example, pedestrian connections from Mountjoy Parade to appropriate open spaces behind the main street surrounded by 4 storey mixed use buildings. This kind of solution would create some secondary commercial space, away from the prime retail strip of Mountjoy Parade. This could provide opportunities for better levels of non-tourist retail and commercial development.

12. The small industrial precinct at Beaurepaire Drive on the outskirts of town accommodates around 11 businesses, including tradespeople and automotive services. The precinct has approximately 10,000 square metres of vacant land, although some of this is on a sloping block that would need pose development constraints.

13. Over the past nine years, around 1,200 square metres of industrial building floorspace has been developed in Lorne. The demand for industrial land is likely to continue to accommodate new tradespeople, warehousing and storage. If the demand continues at the recent rate, then approximately 4,000 square metres of land will be required to accommodate it.

14. It appears that there is more than sufficient supply to accommodate demand for industrial land, at least over the period to 2036. However, this does require development of a hard to develop lot. Should further land be required, it would be most appropriate in a location contiguous with the existing industrial precinct to minimise amenity impacts. Any such expansion of the precinct would require land to be rezoned and would necessitate some tree clearing. Alternatively, further industrial development could be directed to locations in the larger industrial precincts of Anglesea or Torquay.

1 INTRODUCTION

1.1 Planning for Lorne

Lorne is one of Victoria's best-loved tourist towns, and a key destination on the Great Ocean Road. The forested sea-side setting that is so attractive to residents and visitors provides a set of environmental constraints on further development and the town has long been a place where little or no urban expansion is expected. Nonetheless, pressure for urban change and development continues along with growth in visitor numbers. The existing land-use plan for the town is now at least 14 years old and may no longer be fully fit for purpose given economic, social and environmental changes that have occurred over the last decade and a half. Surf Coast Shire Council has determined to develop a new structure plan that will guide development in the town and surrounds over the next period. As part of the planning process Council has commissioned a review of the economic drivers of Lorne and how these are likely to affect the demand for land, particularly in the commercial and industrial areas of the town. This report provides that economic review.

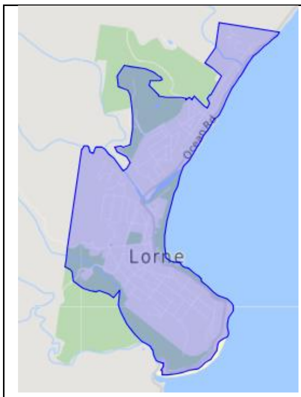
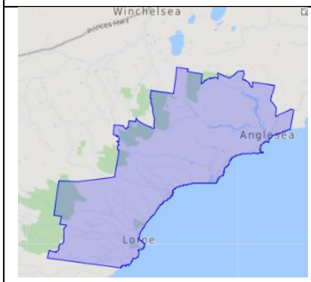
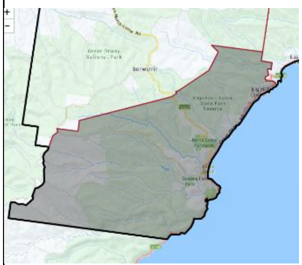
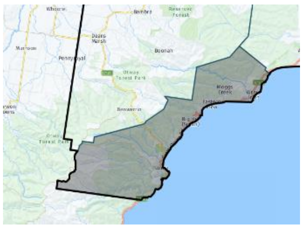
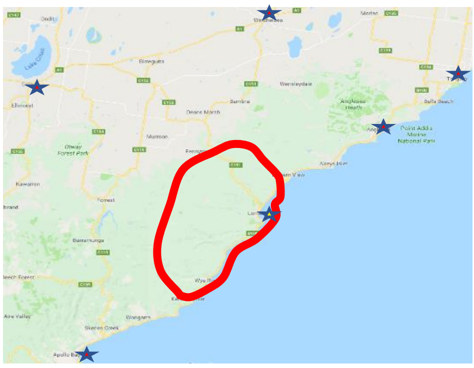
1.2 This Report

The report is set out in chapters as follows:

- Chapter 2 looks at the existing commercial development in Lorne and the planning for the town centre
- Chapter 3 examines the recent population and housing growth trends and forecasts for the town
- Chapter 4 examines trends and forecasts in visitor numbers and spending
- Chapter 5 provides a retail supply and demand assessment to understand the likely demand for new shops
- Chapter 6 looks at potential demand for other commercial activities
- Chapter 7 reviews the development options for retail and commercial activities
- Chapter 8 looks at the demand for industrial land

1.3 A Note on Geography

"Lorne" has a variety of geographic definitions, several of which are used in this report in order to make relevant forecasts. These various descriptors of Lorne have different boundaries and slightly different population totals. The report makes clear which definition is being used but to minimise confusion, the various definitions are outlined here.

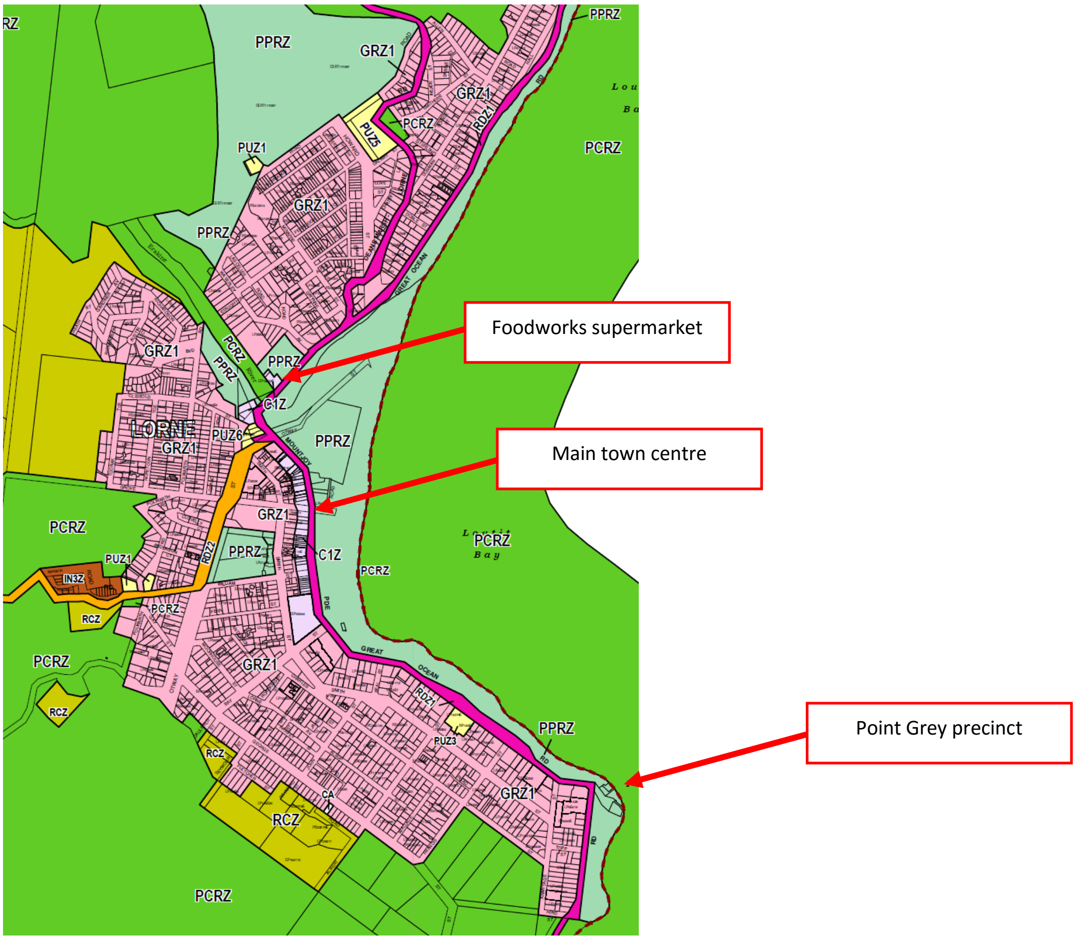
	Lorne Urban Centre – defined by the ABS and comprising the Statistical Area 1s that contain the Lorne urban area
	Lorne – Anglesea Statistical Area 2 – defined by the ABS and the smallest area for which many economic statistics are readily available. This area includes the townships of Aireys Inlet, Anglesea and Lorne as well as the Otway Range hinterland.
	Lorne profile area – defined by .id for Council and includes Big Hill, Lorne and immediate hinterland within Surf Coast Shire.
	Lorne – Aireys Inlet forecast area – defined by .id for Council. Includes Aireys Inlet, Eastern View, Fairhaven and Lorne and immediate hinterland
	Lorne Retail trade area – defined for this report as being the residents for whom Lorne provides the nearest supermarket shopping (using travel time as the measure of distance). See section 5.2.

2 COMMERCIAL DEVELOPMENT IN LORNE

2.1 Existing Commercial Activity

The Commercially Zoned areas of Lorne are noted in the land-use zoning map below. Most of the activity is located in the main town centre. A Foodworks supermarket is located slightly to the north of the town centre; a separate commercial node comprising a hotel and a restaurant is located to the south at the Point Grey precinct (although this is not presently zoned Commercial).

Figure 1: Lorne land-use zoning plan and commercial precincts



Source: Surf Coast Planning Scheme

There is some commercial activity on the foreshore reserve (the Public Park and Recreation Zone) in the form of hotels, restaurants and cafés.

The table below provides a summary of the activity in Lorne's commercial precincts.

Table 1: Commercial activity, Lorne Commercial Areas, 2018

Activity	Premises no.	Floor area, 2018 sqm	
Food retailing	5	1,479	15%
Non-food retail	34	3,487	35%
Food catering	29	4,976	50%
Retail services	2	77	1%
Total retail	70	10,019	100%
Retail	70	10,019	64%
Non-retail	10	5,450	35%
Vacant	3	240	2%
Grand Total	114	15,709	100%

Source: unpublished Council records from a survey in February 2018; Tim Nott
Note: total excludes dwellings and accommodation

Lorne has approximately 10,000 square metres of retail space which constitutes 64% of all space in the Commercially Zoned areas, excluding dwellings and accommodation. This can be compared with the results of a survey conducted in 2011 (Nott, 2011) which showed a total of 7,800 square metres of retail space. The growth in retail floorspace over the period appears to be due entirely to the growth in food service establishments – restaurants, cafés, and take-away food premises. The floorspace in other categories appears to have stagnated or even declined. This change has been brought about by two trends:

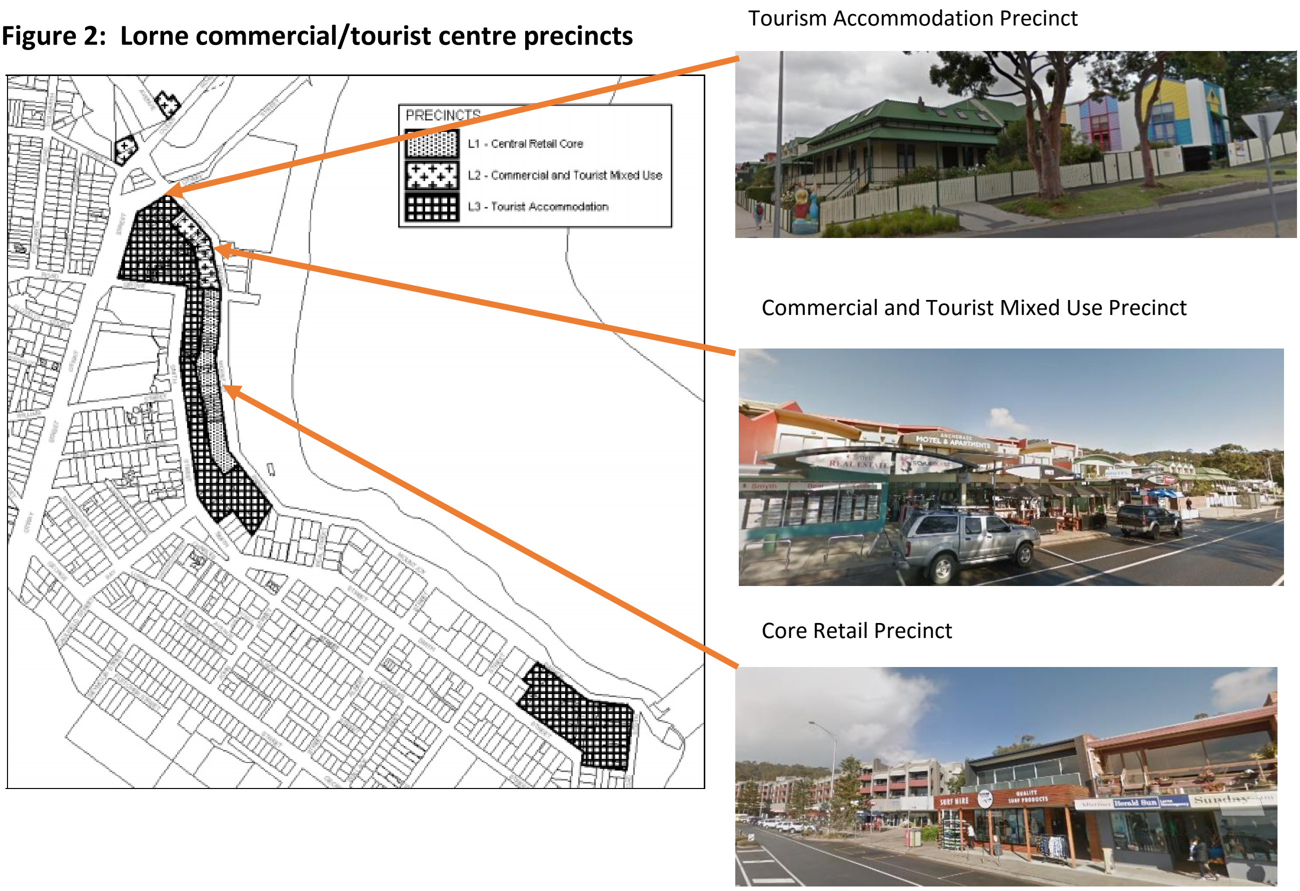
- There has been a general stagnation in retail goods retailing in activity centres as a result of the internet and other factors and the resulting space has been filled to some extent by food service
- Services for local residents – food, groceries, hair-dressing etc – are being "pushed out" by services for visitors, with visitor numbers growing faster than residents

The current role of the Lorne commercial centre is to provide convenience retailing and to service the large number of visitors for clothes, dining, accommodation and entertainment. The principal convenience retail outlet is the Foodworks supermarket. For a larger supermarket and a wider variety of everyday goods, residents must travel to larger centres such as Colac, Torquay and Geelong. Nevertheless, because of the scale of visitation, residents have local access to a variety of dining options, comparison goods (especially clothes) and entertainment (cinema) that would not normally be provided in a town of Lorne's size.

2.2 Planning for Commercial Activity

The Surf Coast Planning Scheme (Surf Coast Shire, 2018) provides for several different precincts within the town centre. Each has different planning prescriptions with regards to the design, height and density of development, and are in two different Zones. This is undertaken through a Design and Development Overlay (DDO4). The precincts are shown in the following diagram.

Figure 2: Lorne commercial/tourist centre precincts



Source: Surf Coast Shire, 2018

The Commercial Zone (see Figure 1) is split into:

- Central Retail Core Precinct – the preferred location for new retail development and to consolidate retail and other commercial activities, with accommodation above
- Commercial and Tourism Mixed Use Precinct – encouraging "a mix of commercial, entertainment, recreational, leisure uses and tourism development which could complement the foreshore location and the primary retail function of the Central Retail Core"

DDO4 envisages that both these precincts will continue to have low rise and non-continuous building forms on Mountjoy Parade, facing the foreshore.

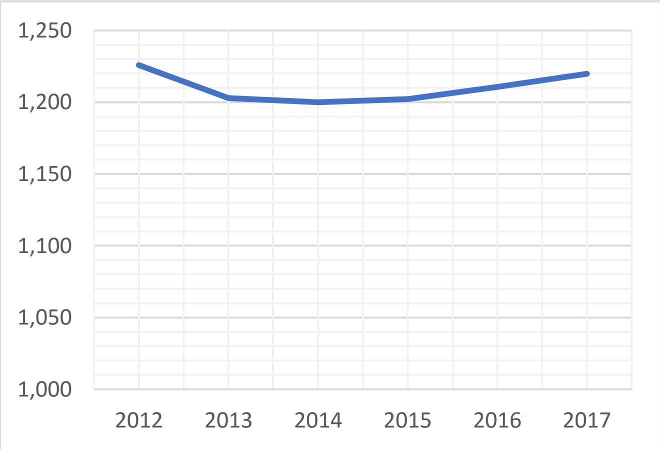
The Tourism Accommodation Precinct is adjacent to the town centre and at Point Grey. The precinct covers existing accommodation places and is more or less fully developed, although there are some allotments with single residences or large areas of garden/landscaping. The building height limit in this precinct is somewhat higher than the other precincts because of its location behind the main commercial strip. However, DDO4 recommends that significant areas of landscaping be retained in order to preserve the character of the township and the visitor experience of the town centre as a seaside centre set amidst the bush.

3 POPULATION AND HOUSING GROWTH

3.1 Recent Population and Housing Growth

Recent population growth for Lorne (profile area) is shown below.

Figure 3: Lorne (profile area) estimated resident population, 2012 to 2017



Source: .id profile, 2017

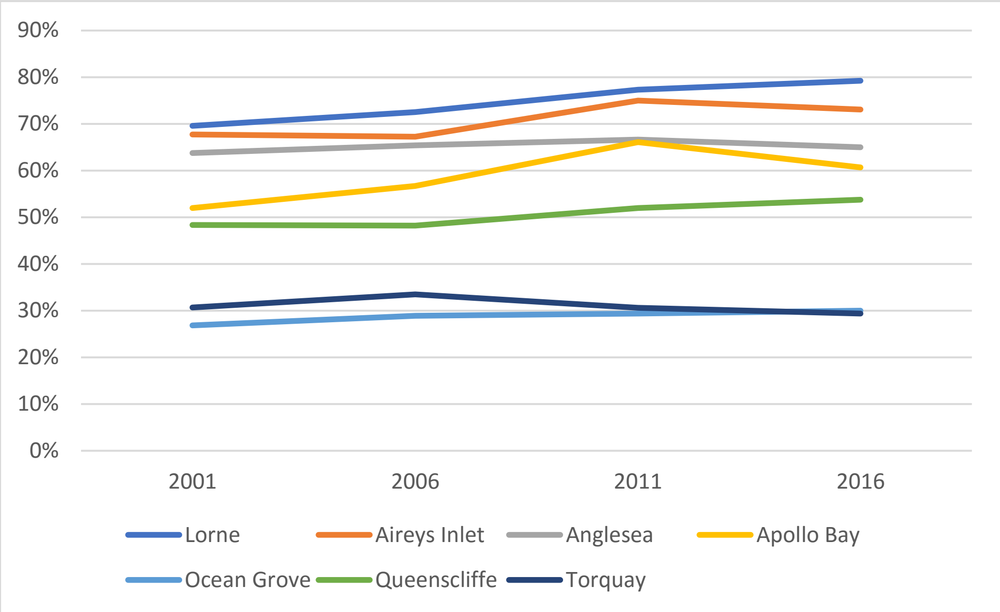
The population in June 2017 is estimated by .id at 1,220. The population of the area has remained broadly stable between 2012 and 2017 but is estimated to be on the rise following a period of slight decline.

Understanding likely future population change in Lorne is particularly difficult because of the high level of part-time and holiday homes in the town. The Census records occupied and unoccupied dwellings. The unoccupied dwellings could be:

- Dwellings in the process of being sold or which are between rental occupants
- Dwellings that are used as holiday homes and which may also be rented out to others for holiday purposes
- Dwellings that are permanently rented out on short term lets to holiday-makers
- Dwellings that are used by households that split their time between different locations. In Lorne this arrangement would be most commonly found amongst people who spend weekends at Lorne and weekdays in Melbourne or Geelong so that they can attend work. This arrangement is sometimes seen as a progressive move to retirement
- Dwellings that are used for part of the year by people who are retired or who work overseas or in other parts of the country

In the past, there has been an expectation amongst forecasters that the share of unoccupied dwellings in most holiday towns would decline over time as people who once holidayed in the town move there permanently, and that as services improve, more permanent residents will move in. This trend can be observed in Torquay because of the extensive suburban development, for example. In Lorne and other holiday towns without major urban development, however, this trend has not been strongly evident over the past 15 years. The following chart shows the share of unoccupied dwellings in the main towns on the coast of Victoria's Barwon region.

Figure 4: Share of dwellings that are unoccupied, selected coastal towns in the Barwon region, 2001 to 2016



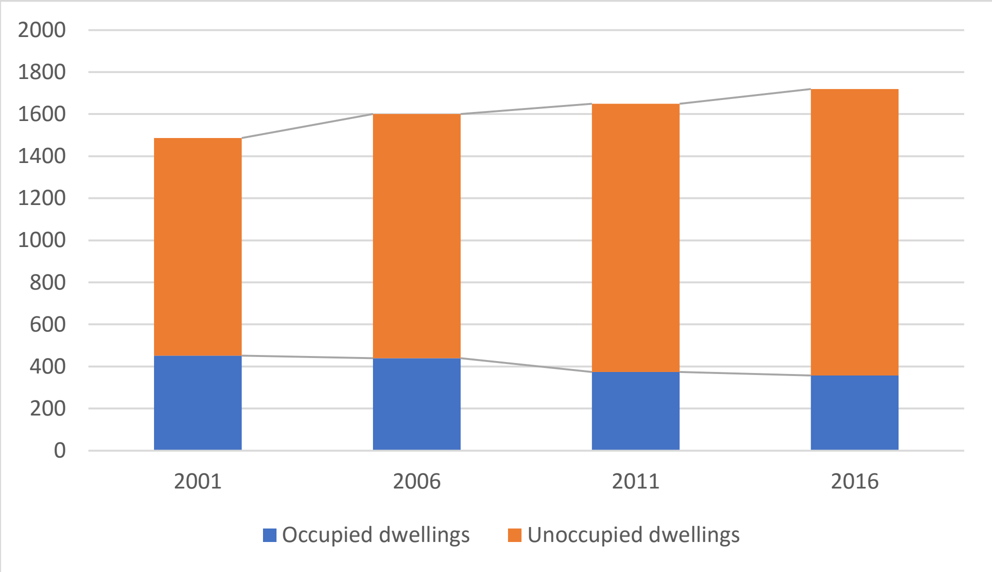
Source: ABS, Census of Population and Housing.

Note: Data is for relevant urban centres. Care should be taken in interpreting this data since, in some cases, the boundaries of the urban centres have changed over the period.

This shows that Lorne has the highest share of unoccupied dwellings of the main coastal towns in its region, and that the share of unoccupied dwellings has steadily risen over the period.

The following chart identifies the scale of unoccupied dwellings in Lorne over the past fifteen years. It shows that, whilst the overall number of dwellings has risen – by 1% per year over the period – the number of occupied dwellings has declined.

Figure 5: Occupied and unoccupied dwellings, Lorne Urban Centre, 2001 to 2016

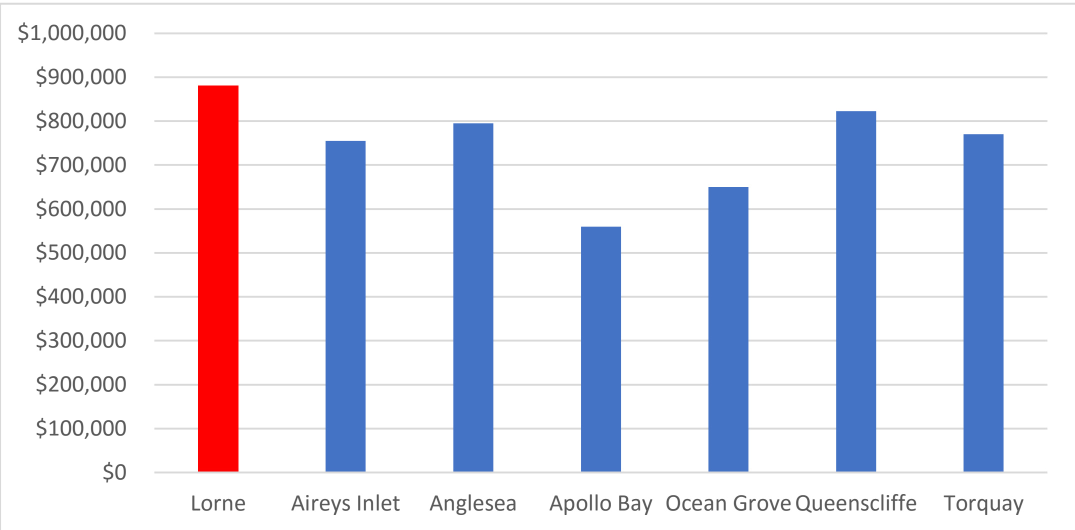


Source: ABS, Census of Population and Housing, various dates

This decline in occupied dwellings has coincided with a decline in the enumerated population in Lorne urban centre (that is, the population counted at Census time) from 1,186 in 2001 to 1,026 in 2016.

Lorne has become a premium holiday destination in which relatively affluent holiday-home buyers are out-bidding potential owner-occupiers. There is no doubt that demand for houses in Lorne is relatively high. The following chart shows the estimated median house price for the main towns along this stretch of the Victorian coast.

Figure 6: Median house price, selected towns, 2018



Source: realestate.com.au, 2018

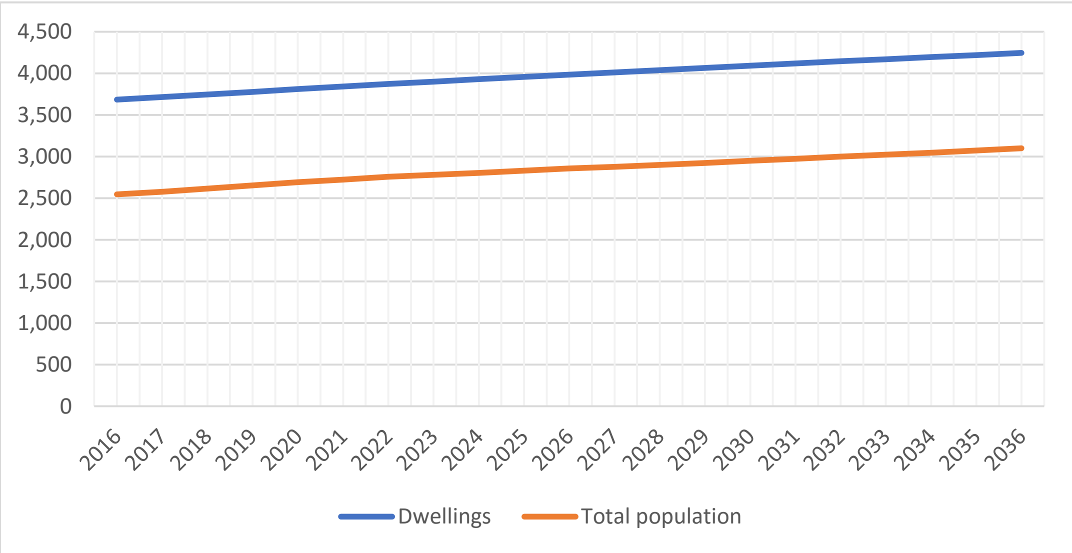
Lorne is clearly the most expensive of the main coastal towns in the region in which to buy a house.

It appears that the rapid population growth in Melbourne and regional cities such as Geelong and Ballarat, is ensuring that demand for holiday homes in the most accessible and attractive locations such as Lorne, remains high.

3.2 Forecast Population and Housing Growth

There is no existing forecast of population and housing specifically for Lorne. However, .id have prepared a forecast for an area that includes Lorne and Aireys Inlet (see section 1.3). This is reproduced in the following chart.

Figure 7: Population and housing forecasts, Lorne-Aireys Inlet, 2016 to 2036



Source: .id, 2017

Notwithstanding the recent trend towards a higher share of holiday and part-time housing in Lorne and Aireys Inlet, the forecasts are for very modest population growth over the period to 2036. This prediction is based on the last several years of estimated resident population from the ABS which has shown some growth in residents as well as the long-term growth in dwelling numbers. However, the reader should bear in mind that this forecast represents a change in a longer-term trend; monitoring of actual populations and subsequent forecasts should be undertaken.

Following discussions with the forecaster about the balance of growth between Lorne and Aireys Inlet, it seems reasonable for the purposes of this report to assume that Lorne (as defined by .id – see section 1.3) will grow broadly at the same rate as that predicted for the area as a whole. That is:

- Population growth will average 1% per year over the period from 2016 to 2036, growing from 1,211 in 2016 to 1,467 in 2036 – growth of around 260

- Growth in the number of dwellings will average 0.7% per year over the period, growing from 1,917 in 2016 to 2,210 – growth of around 290

Some stabilisation of the population or modest re-growth in Lorne will be important for community sustainability. Ongoing loss of year-round residents will threaten the viability of local services such as the P-12 school and the urgent care health services, as well as certain retail activities providing resident goods and services. Loss of residents can also make it difficult for the operation of local businesses (including tourism businesses) because the labour pool shrinks and workers become difficult to find. Discussion with local residents suggests that many of the people who might otherwise work locally are finding it difficult to find accessible housing in Lorne. They are being outbid for housing by holiday-makers and holiday home owners.

If the most recent population estimates and forecasts prove illusory, intervention may be required to generate affordable housing options. Such options might include State Government housing, housing associations, employer housing, or low cost development and ownership models such as Nightingale.

4 VISITORS

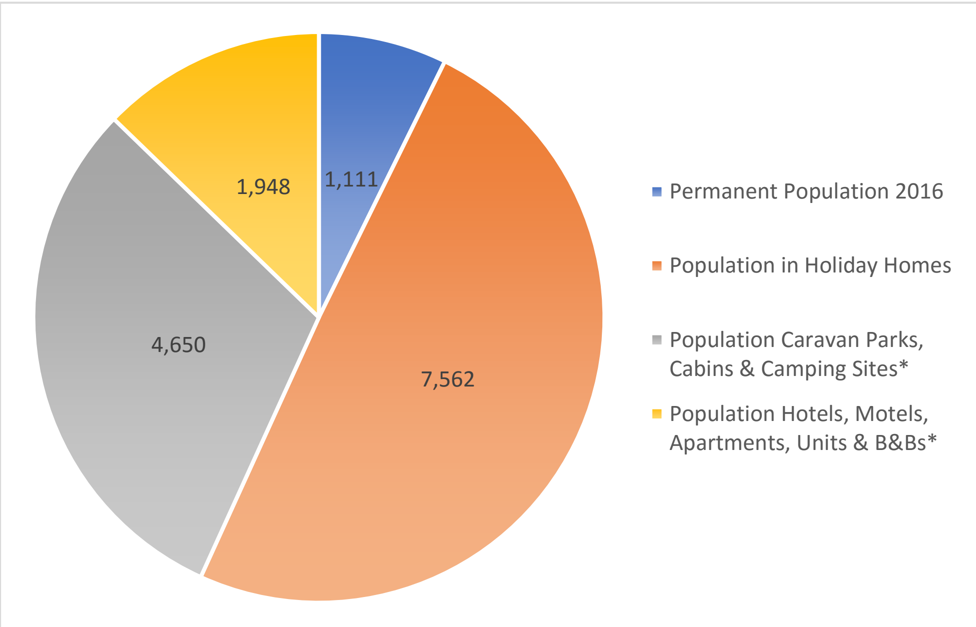
Visitors account for a substantial share of total spending in the shops and businesses of Lorne. It is therefore important to understand the scale of visitation to the town and the likely trends in visitor numbers.

4.1 Current Visitation

4.1.1 Peak Visitation

The City of Greater Geelong have undertaken research on peak visitation to many of the holiday towns in the region. Peak visitation for Lorne is shown in the chart below.

Figure 8: Peak population, Lorne, December 2016-January 2017



Source: City of Greater Geelong, 2017

The total peak population in the summer holidays of 2016-2017 was 15,300 of which only 7% were residents. The population in holiday homes was 50% of the total. This peak population is likely to be close to the population capacity of the town. However, visitation to Lorne and the Great Ocean Road region is highly seasonal, with peaks in the Summer holidays and again at Easter, with much lower levels during the cooler months.

4.1.2 Total Visitation and Spending

There are no current estimates of visitation and spending just for Lorne. However, based on estimates provided by Great Ocean Road Regional Tourism Limited (2014) for larger areas and recent research on Surf Coast Shire as a whole by Tourism Research Australia (2017), the following table provides an estimate of visitor numbers and spending in Lorne in 2017.

Table 2: Estimated visitation and visitor spending, Lorne, 2017

	Visitors	Average stay (nights)	Visitor nights	Spending per night/visit	Spending
Domestic overnight visitors	253,619	2.9	730,696	$127	$93,042,854
International visitors	28,607	3.9	110,725	$111	$12,321,359
Day visitors	132,045			$84	$11,126,317
Total visitors	414,272		841,422		$116,490,530

Source: Tim Nott

The table estimates that in 2017 Lorne had:

- 414,000 visitors
- 841,000 visitor nights
- Visitor spending of $116 million

Based on data in the National Visitors Survey, approximately 35%-45% of visitor spending (broadly $40 to $50 million per year) would be on retail goods and services, including dining.

4.2 Future Visitation

The number of visitors and their spending will continue to strongly influence the demand for retailing and other services in the Lorne town centre. There is no existing forecast of visitor numbers specifically for Lorne. For this report, initial assumptions have been made that visitation to Lorne will grow at the average for Country Victoria or the State as a whole:

- Overnight visitors are assumed to grow by 2.7% per year, in line with visitor forecasts for non-metropolitan Victoria by Tourism Research Australia (TRA, 2017) up until 2027 and then projected forward to 2036
- Day visitors are assumed to grow by 1.5% per year, in line with Victorian population growth forecasts by DEWLP (2016) up until 2031 and projected forward to 2036. (This assumes that day visitors to Lorne will grow at the same rate as the Victorian population, since most day visits are by intrastate visitors)

The chart below provides a scenario for visitor spending in Lorne over the period to 2036 and assumes that spending per person remains the same as at present; that is:

- $125 per visitor night (averaging domestic and international visitors)
- $84 per day visitor

This provides a conservatively low estimate of future spending but this is prudent given the uncertainties around discretionary leisure spending.

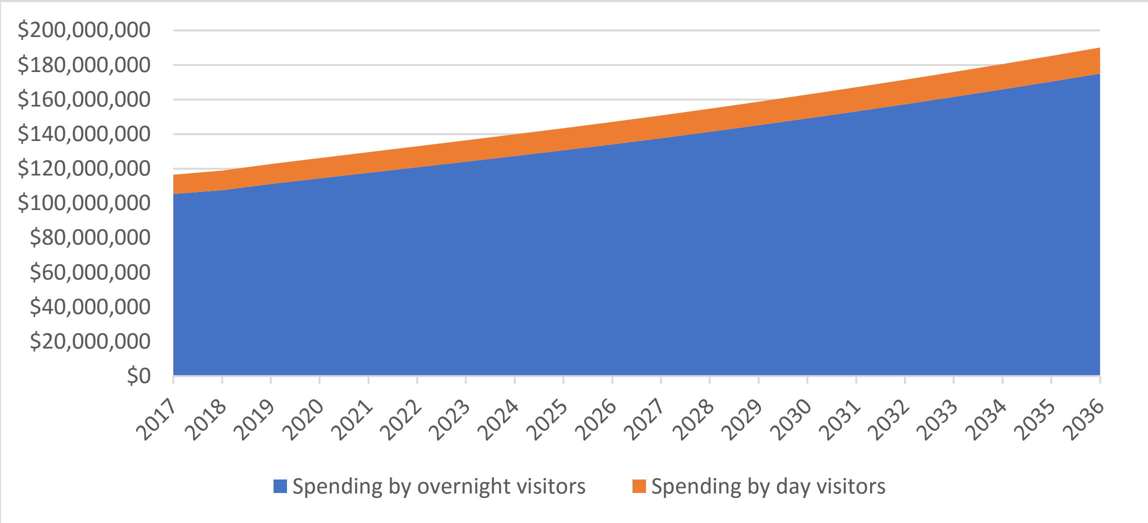


Figure 9: Scenario for visitor spending, Lorne, 2017 to 2036 ($2017)

Source: Tim Nott

In this scenario, visitor spending will rise from $116 million in 2017 to $190 million in 2036, in real terms (that is, without estimating inflation) at an annual average rate of 2.6% per year. The retail component of visitor spending would rise from $40-$50 million to $65-$85 million by the end of the period, although this will depend on the availability of retail goods and services.

Note

This scenario relies on Lorne being able to accommodate the projected level of growth in visitor numbers:

- An additional 47,000 day visitors each year
- An additional 555,000 visitor nights, which would likely require very approximately 1,100 new hotel rooms or dwellings. This is over a period in which the number of new dwellings is forecast to be broadly 300 (see section 3.2)

It remains to be seen whether the Lorne community can sustain this level of growth. As an ***alternative scenario***, if overnight visitor numbers were to grow by only 1% per year, that would equate to an additional 175,000 visitor nights and demand for around 300 additional hotel rooms or holiday homes.

5 RETAIL

Retailing, including food service, is the largest and most dynamic of the activities in the town centre. Changes in this sector will likely have the largest influence on the future shape of the town centre. This section looks at the supply and demand for shops in Lorne, providing a demand forecast to indicate whether, and how much, new retail space would be required. The analysis looks at:

- The existing supply of retail space and retail sales in the centre
- The resident trade area of the centre
- Population trends for the trade area
- Retail spending patterns
- Current balance of supply and demand, including visitor spending
- The influences on future retail demand and supply
- Forecast for future retail demand

5.1 Retail sales

The estimated retail sales in Lorne are shown in the following table.

Table 3: Retail sales estimate, Lorne, 2017

Retail activity	Floorspace sqm	Retail Turnover Density $/sqm	Sales $m
Food retailing	1,479	$8,800	$13.0
Non-food retail	3,487	$4,500	$15.7
Food catering	4,976	$4,500	$22.4
Retail services	77	$3,500	$0.3
Total retail	10,019	$5,127	$51.4

Source: Tim Nott

Note: Retail turnover density (RTD) has been estimated from a wide variety of industry sources and with reference to the type of shops in Lorne and the seasonal nature of the offering.

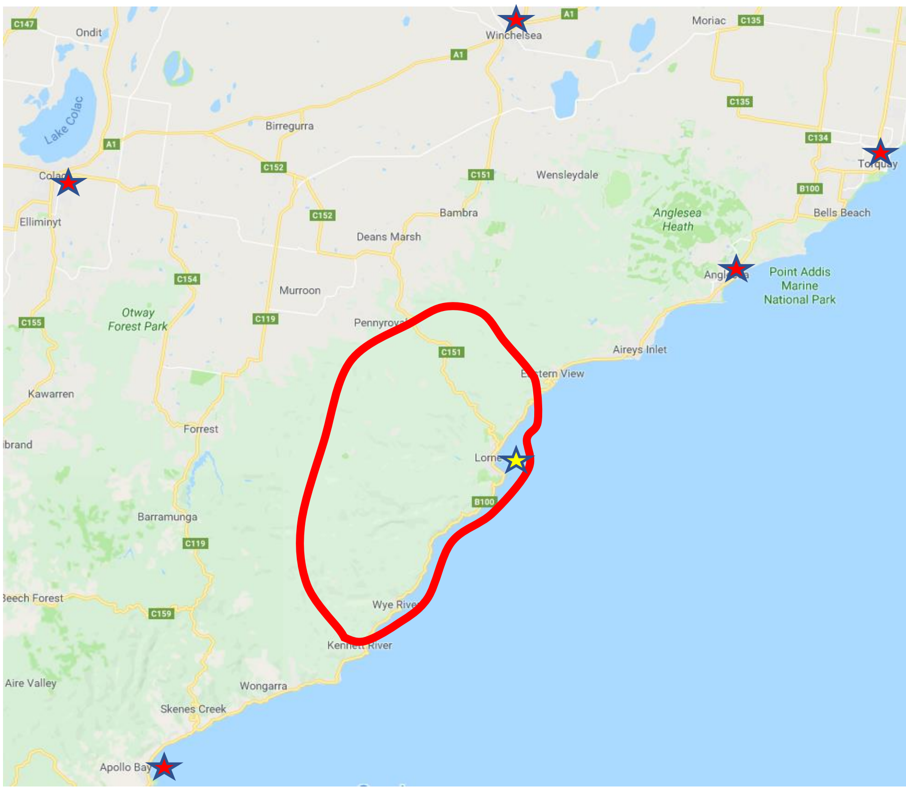
Total retail sales in Lorne are estimated at $51 million in 2017.

5.2 Retail Trade Area

The trade area of an activity centre is the area from which residents naturally visit the centre to obtain particular goods and services. At the boundary of the trade area, residents may choose from two or more centres that provide equivalent services. The extent of a trade area is influenced mainly by the location of competing centres and the travel patterns of residents.

In this case, the trade area has been set with reference to the location of surrounding centres that have supermarkets. The trade area is shown in the following diagram.

Figure 10: Lorne retail trade area and surrounding supermarket centres



Source: base map from Google maps

The boundaries of the Lorne trade area are set by the location of competing centres at Apollo Bay, Colac, Winchelsea and Anglesea, all of which provide, at least, medium-scale supermarkets and other convenience goods outlets.

The population of this area is estimated here at 1,500 in 2017, and includes small townships of Kennett River, Wye River and Big Hill as well as Lorne itself. Using the .id forecast for Lorne and making an allowance for surrounding areas, the population is forecast here to grow to 1,747 by 2036 at an average annual growth rate of 0.8%[1] (although see the caveats and discussion in section 3.2).

5.3 Trade Area Retail Spending

The following table uses figures of retail spending per person in Lorne that have been estimated from data for non-metropolitan Victoria from Market Info, a respected microsimulation model of retail spending, and adjusted to take account of the relatively high income per person in Lorne.

[1] This rate of growth assumes growth of 1% per year in the Lorne township area, as per the .id forecast, and static population in outlying settlements.

Table 4: Estimated retail spending, residents of the Lorne trade area, 2017

Retail activity	Retail spending per person		Total retail spending
	Regional Victoria	Lorne trade area	
	$	$	$m
Food, groceries and liquor	$5,940	$6,715	$10.1
Non-food	$6,240	$7,054	$10.6
Food catering	$960	$1,085	$1.6
Retail services	$430	$486	$0.7
Total retail spending	$13,570	$15,340	$23.0

Source: Tim Nott

Total retail spending by residents of the Lorne trade area in 2017 is estimated at $23 million.

5.4 Balance of Supply and Demand

The following table shows the balance between retail supply and demand in Lorne; that is, it provides an estimate of how much of the spending in Lorne is by residents and how much by visitors. It shows how successful Lorne is in retaining resident expenditure.

Table 5: Balance between retail supply and demand, Lorne, 2017

	Sales	Sales to visitors		Sales to TA residents	Total spending by residents	Spending retained
	$m	%	$m	$m	$m	%
Food, groceries and liquor	$13.0	60%	$7.8	$5.2	$10.1	52%
Non-food	$15.7	90%	$14.1	$1.6	$10.6	15%
Food catering	$22.4	95%	$21.3	$1.1	$1.6	69%
Retail services	$0.3	45%	$0.1	$0.1	$0.7	20%
Total retail	$51.4	84%	$43.3	$8.0	$23.0	35%

Source: Tim Nott

The table shows that an estimated 84% ($43.3 million) of retail spending in Lorne comes from visitors and that the town retains an estimated 35% ($8.0 million) of resident spending. The remaining 65% of resident spending is made mainly in the larger centres of Torquay (the nearest full-line supermarket), Geelong and Melbourne. Although 65% of resident spending escapes, the estimated 35% of retained spending is substantial for a town of this size. The spending of visitors supports a much higher level of retail provision than would normally be viable in a centre with a residential catchment of only 1,500 people.

5.5 Future Demand for Retail Space

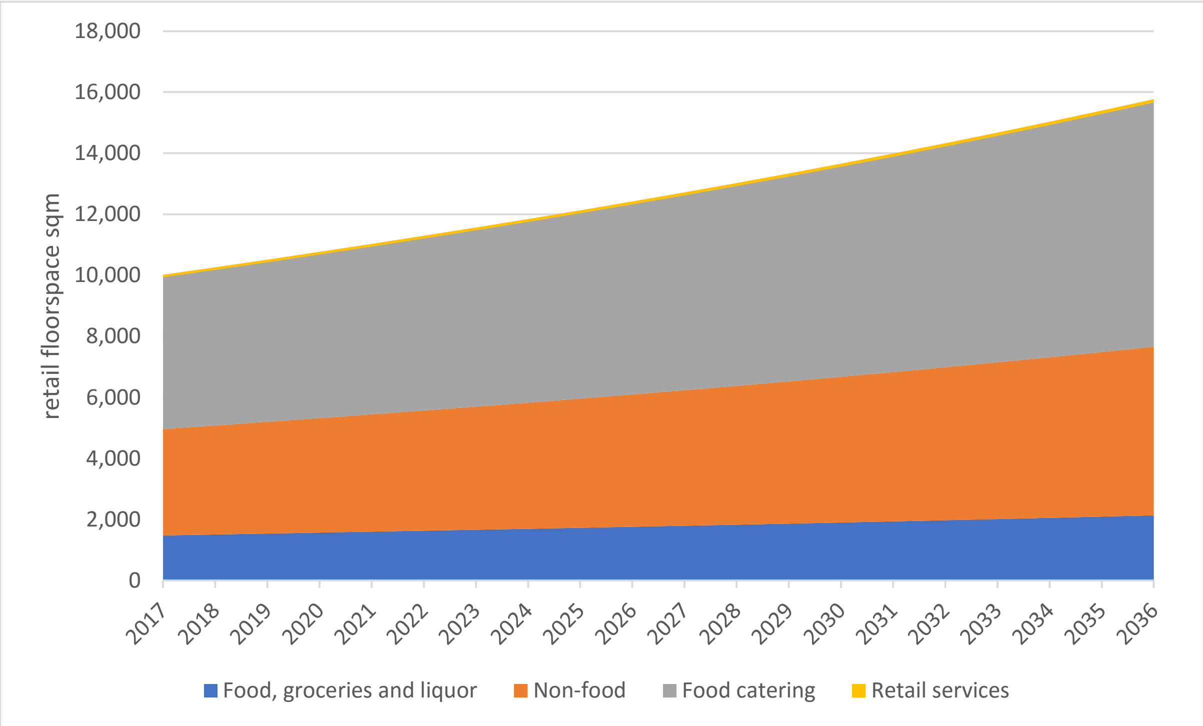
Forecasting future retail demand is difficult in the present circumstances, considering the accelerating pace of change in new technologies and spending patterns and the particular circumstances of Lorne which is so dependent on visitors. For the purposes of land-use planning for new space, an estimate is made here on the basis of a series of conservative assumptions (conservative in that current factors and trends are assumed to remain constant). The reader should bear in mind the potential for these factors to change over the course of the next 20 years in as yet unexpected ways.

The scenario presented here makes the following assumptions:

- Retail spending per person is assumed to remain the same in real terms as it is now. Whilst there may be growth in real spending – typically averaging around 1% per year - this is assumed to be spent in online retailers rather than in shops.
- Population numbers in the trade area are assumed to grow at 0.8% per year on average – 1% per year in Lorne and no growth in outlying settlements. Retail spending by trade area residents is assumed to grow in line with the population forecast at around 0.8% per year.
- The share of resident spending that is directed to shops in Lorne is expected to remain the same as at present – 35% in total.
- Spending by visitors to Lorne is assumed to grow at 2.6% per year in line with the estimates set out in section 4.2.
- The retail turnover density of the four main retail categories is assumed to remain constant over the period.

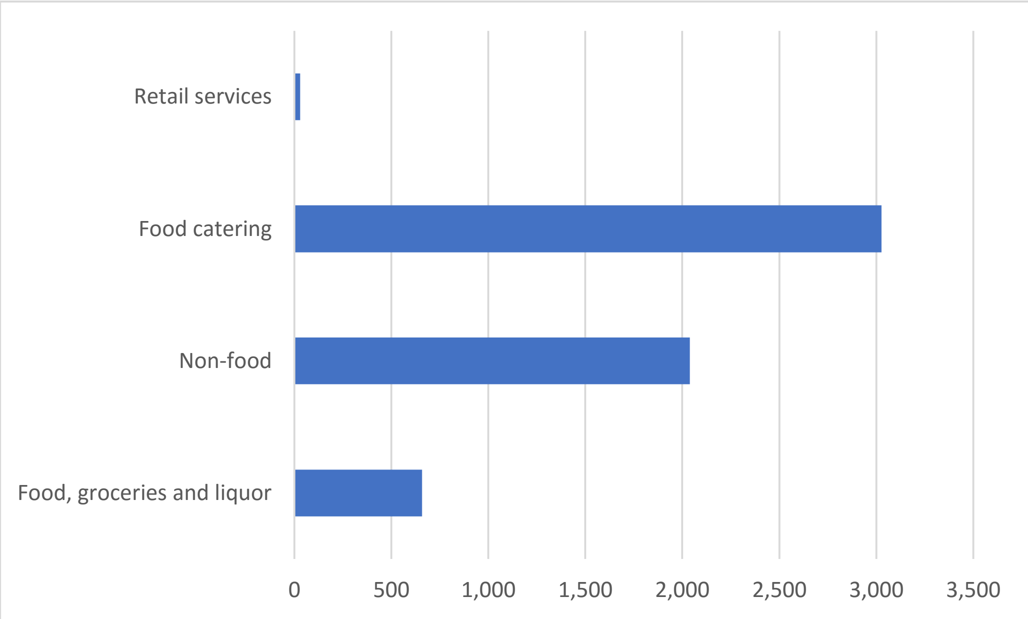
The results of these assumptions are shown in the following charts.

Figure 11: Scenario for growth in demand for retail floorspace, Lorne, 2017 to 2036



Source: Tim Nott

Figure 12: Scenario for total growth in demand for retail floorspace, Lorne, 2017 to 2036



Source: Tim Nott

The future retail scenario presented here shows demand for a further 5,750 square metres of retail floorspace over the period to 2036. A majority of this – 3,030 square metres - would be in food catering (cafés, restaurants and take-away food outlets).

Whether space could be found to accommodate such demand is a further question, addressed later in this report.

Alternative scenarios

There are many different retail demand scenarios that could be envisaged, several of which are noted here.

1. If the resident population does not grow as fast as presently forecast, the retail demand will be lower. This possibility is noted in section 3, and would be in keeping with trends over the last decade or more. If the population exhibited no growth over the period, the overall retail demand would only be 200 square metres lower than the scenario above over the whole period to 2036. This shows that the growth in demand envisaged in the main scenario is very largely demand associated with the growth in spending by visitors.
2. There is some volatility in the visitor market, with year-to-year changes affected by airfares, global security conditions, local accommodation prices and availability, and the responses of competing locations. This may lead to higher (possibly) or lower (more likely) growth in visitor numbers. There may be a change in the balance of visitors, with more day trippers associated with coach tours, for example, and fewer overnight visitors, with a consequent

change in the level of available spending. In addition, it may be that Lorne is unable to accommodate the scale of growth that has been envisaged here (see section 4.2 for the expected numbers of visitors). As an example, if visitor spending grew by only 1% per year on average, then the demand for additional retailing would fall from 5,750 square metres to 2,030 square metres.

3. A particular retailer may see an opportunity to introduce a new outlet that captures a higher level of available spending in its category. For example, the introduction of a new supermarket (should space be found) would likely reduce escape spending in the local food and groceries market.
4. A supermarket may be established at Aireys Inlet within the time-frame for this study. This would likely eat into the Lorne catchment at its eastern extremity, although the impact would likely be quite small given the small number of residents in this area.

On the balance of probabilities, it seems very likely that there will be demand for more retail space in Lorne over the period to 2036. A scenario based on existing trends above puts the level of demand at 5,750 square metres of additional floorspace. Given the risks to growth set out here, the range of likely outcomes is probably between 1,800[2] and 5,750 square metres in additional retail demand over the period. A majority of this demand will be in services to visitors (recognising that visitors range from almost-residents to day-trippers). However, it will be important for community sustainability that retailing for residents (including semi-permanent residents) – especially food and groceries – continues to thrive and expand where possible.

5.6 A Note on Employment

As a broad estimate, the Lorne commercial centre accommodates around 700 jobs presently. This is based on estimates of floorspace or hotel rooms per job and on the Census count of jobs in the Lorne-Anglesey SA2. The Census notes 1,919 jobs in this area in August 2016 although because the Census is conducted in Winter, the employment total is likely to be a significant under-estimate of the year-round situation.

The expansion of town centre and accommodation activities will require more workers. As a notional exercise, the following table provides a broad estimate of the number of additional workers that might be required under the two scenarios outlined above.

Table 6: Notional job requirements for additional development

Activity	Floorspace/ rooms per job	High growth		Modest growth	
	sqm/rooms	floorspace/ rooms	jobs	floorspace/ rooms	jobs
Retail	30	5,750	192	1,800	60
Other town centre activity	25	1,917	77	600	24
Accommodation	3	1,100	367	300	100
Total			635		184

Source: Tim Nott

[2] This is the outcome if there is no population growth and growth in visitor spending is only 1% per year, keeping other assumptions constant.

The scenarios for development indicate additional employment of between 184 and 635 jobs in Lorne town centre and commercial precincts over the period to 2036. With population growth of, at most, 260 forecast in the town, there is an implication that, under the high growth scenario at least, workers will be coming into Lorne from elsewhere.

Finding accommodation for workers is already a problem according to local sources. Anecdotal evidence suggests that even well-paid professional workers have difficulty in finding suitable accommodation in the town. It would likely be even more difficult for lower paid retail and hospitality workers trying to find somewhere to live during the busy months of the year.

Relying on workers to commute from elsewhere is a poor outcome for sustainability and will also lead to higher costs for local businesses. This is a further reason to investigate further housing options including those outlined in section 3.2.

6 OTHER TOWN CENTRE ACTIVITIES

6.1 Estimated Growth in Non-Retail Activities

Other activities in the town centre apart from retailing include:

- Health and community services
- Emergency services
- Commercial accommodation
- Dwellings
- Pubs and clubs
- Banks
- Professional services
- Real estate agents
- Cinema
- Recreational activities such as the swimming pool
- Religious activities
- Visitor information centre

Apart from dwellings and accommodation, the non-retail activities on commercially zoned land amount to 5,450 square metres. However, some non-retail activities that are in, or adjacent to the town centre are on land in Public Use Zones or Public Park and Recreation Zone. The school, Lorne community house, senior citizens centre, police station, fire station, visitor centre and swimming pool are all on land zoned for public purposes adjacent to the Commercial Zone. These activities occupy buildings with a further 4,000+ square metres. (There are other Public Use Zones in Lorne not connected to the town centre that host the hospital, water authority facilities and the cemetery.)

Each of these activities has its own demand factors, which makes forecasting growth for the group as a whole somewhat uncertain. One approach which is often taken in these kinds of assessments, and which is taken here, is to assume that growth in non-retail activity will be a fixed proportion of retail growth.

Presently, 35% of the buildings in the Commercial Zone are non-retail (leaving aside the dwellings and commercial accommodation). Over time, as the demand from residents and visitors grows and the town centre develops, this share may well decline slightly because the dynamic retail sector and the needs of visitors are likely to outbid other forms of development. Nevertheless, there is likely to be continuing demand for space to accommodate professional services, recreational activities (including tour operators, gyms, amusements etc) and health services (especially in a town with an ageing population). It seems very likely that any public sector development will continue to take place on publicly controlled land such as the foreshore reserve or the various Public Use or Public Park and Recreation Zones.

As a result of these factors, this report anticipates that 25% of the growth in total building floorspace will be required to accommodate non-retail activities (apart from commercial accommodation). With growth in demand for retail floorspace likely to be between 1,800 and 5,750 square metres, the demand for non-retail floorspace will be between 600 and 1,900 square metres. Total growth in floorspace is estimated to be between 2,400 and 7,700 square metres, excluding commercial accommodation.

6.2 Commercial Accommodation

Lorne boasts a wide variety of commercial accommodation from resort hotels with conference facilities to traditional old hotels, motels, bed & breakfast establishments, holiday cottages and apartments. This does not include the many ordinary dwellings that are operated as holiday lets on a more or less commercial basis.

The scenario in section 4.2 suggests that a further 1,100 rooms or dwellings might be required to accommodate the demand from overnight visitors over the period to 2036. This assumes growth at 2.7% per year on average, extrapolating the forecast by TRA for regional Victoria. This scale of development is substantial and compares, for example, with:

- Forecast growth of around 300 dwellings over the period 2016 to 2036
- around 260 rooms at the Mantra Lorne or 99 rooms at the Cumberland Resort – currently the two largest hotels in the district

This implies that significant additional commercial accommodation will be required in Lorne over and above the forecast growth in dwellings. Even if all new dwellings were used as holiday houses, 800 additional hotel rooms would still need to be found to cope with expected demand. A range of possible locations can be conceived, including:

- more intensive development of the commercial accommodation precinct in the town centre – higher buildings, higher plot ratio, displacement of dwellings etc
- conversion of large dwellings or redevelopment of dwellings for commercial accommodation in the residential zones of the town
- development of more extensive resort accommodation on the outskirts of town in the Rural Conservation Zones (although these areas are subject to significant environmental and bushfire risks)

There is a risk that such intensive development may change the character and reduce the amenity of the town. But there is also the potential to develop sustainable new accommodation that will enhance amenity.

There is no imperative for Lorne to accommodate growth in visitor numbers at the rate predicted for non-metropolitan Victoria as a whole. If the growth in visitor numbers were only 1% per year in Lorne as a result of the limiting factors outlined in section 5.5, a further 300 rooms/dwellings would be required over the period to 2036. This is still a significant number but could be more easily managed through a combination of holiday homes and apartments and more intensive development of the town centre.

7 PLANNING FOR DEVELOPMENT

7.1 Summary of Demand

This report identifies a ***high growth scenario*** that envisages the following additions to commercial development in Lorne over the period to 2036:

- 5,750 square metres of retail space
- 1,900 square metres of non-retail space
- 1,100 new hotel rooms or holiday houses/apartments to accommodate visitors

A more ***modest growth scenario*** for the town envisages:

- 1,800 square metres of additional retail space
- 600 square metres of non-retail space
- 300 new hotel rooms or holiday houses/apartments to accommodate visitors

And this is in addition to any new dwellings that may be required by a growing population.

Much of this growth would need to be incorporated into a town centre that is relatively constrained:

- The commercial centre already has two, three or four storey developments, with no vacant land.
- The planning scheme has height restrictions on the both the Commercially zoned land and adjacent Residentially zoned land intended for commercial accommodation to maintain the character of the town centre.

7.2 Development Options

Strategies to accommodate the growth could include:

- Redevelopment and intensification of activity in the existing Commercially zoned land
- Expansion of the Commercial Zone
- Commercial development in areas outside the town centre
- Redevelopment and intensification of the accommodation precinct
- Expansion of housing and commercial accommodation at the fringe of the town or in satellite centres, although there may be significant issues with the environmental assets and extreme bushfire risk in these areas

These strategies are likely to be examined further during the structure planning process. However, from an economic viewpoint (that is, from the viewpoint of maximising value for the community as a whole), the following principles should be taken into account:

- There is a need to preserve the attractive features of the town – a bustling seaside town centre, beautiful secluded bush setting, accessible beaches and foreshore reserve, high quality building development – to ensure the continuing loyalty of existing visitors and residents and to attract new visitors
- A single commercial centre will maximise the scale and diversity of the goods and services offered; multiple centres will simply ensure the replication of lower level services, although it is necessary to provide some services at key visitor nodes such as Point Grey
- In a situation of growing demand – for homes, shops and accommodation - if there is no growth in supply, prices will rise. This will add to business costs, disadvantage workers and

lead to poor social, economic and environmental sustainability outcomes as the level of commuting into Lorne increases and the local community continues to lose permanent residents

With clever and attractive design, it should be possible to accommodate at least some growth and to preserve the desirable features of the town centre.

Bearing the key principles in mind, in the short term, the growth options for town centre services include:

- Filling vacant shop fronts
- Redeveloping the Point Grey precinct as planned to replace the existing visitor facilities
- Extending the opening hours of existing shops

In the longer term, potential options for expanding the town centre would be to:

a) Extend the Core Retail precinct to include the Commercial and Tourism Mixed Use precinct (that is, doing away with the latter precinct) allowing for more intensive retail, commercial and accommodation development in this area
b) Rezone all or part of the adjacent Tourism Accommodation precinct (see section 2.2) to Commercial 1 Zone and to change some of the landscaping requirements. This would enable an expansion of ground floor retail and commercial development with dwellings and hotels above. It is possible to envisage, for example, pedestrian connections from Mountjoy Parade to appropriate open spaces behind the main street surrounded by 4 storey mixed use buildings. This kind of solution would create some secondary commercial space, away from the prime retail strip of Mountjoy Parade. This could provide opportunities for better levels of non-tourist retail and commercial development.

Whatever the solution, it is clear that, because of the fully developed nature of the present Commercial Zone, even to accommodate the modest growth scenario, some changes in the planning regime will be required.

8 INDUSTRIAL

8.1 Industrial Land

There is a small industrial precinct in Lorne on the outskirts of town at Beaurepaire Drive on the Lorne-Erskine Falls Road. The land is zoned IN3Z and accommodates approximately 15 small businesses and part of a water authority facility. The businesses include landscape construction and tree specialists, plumbers and other construction trades, and automotive services, all typical businesses in small light industrial precincts. The enterprises on the land are likely to employ between 25 and 45 people in total.

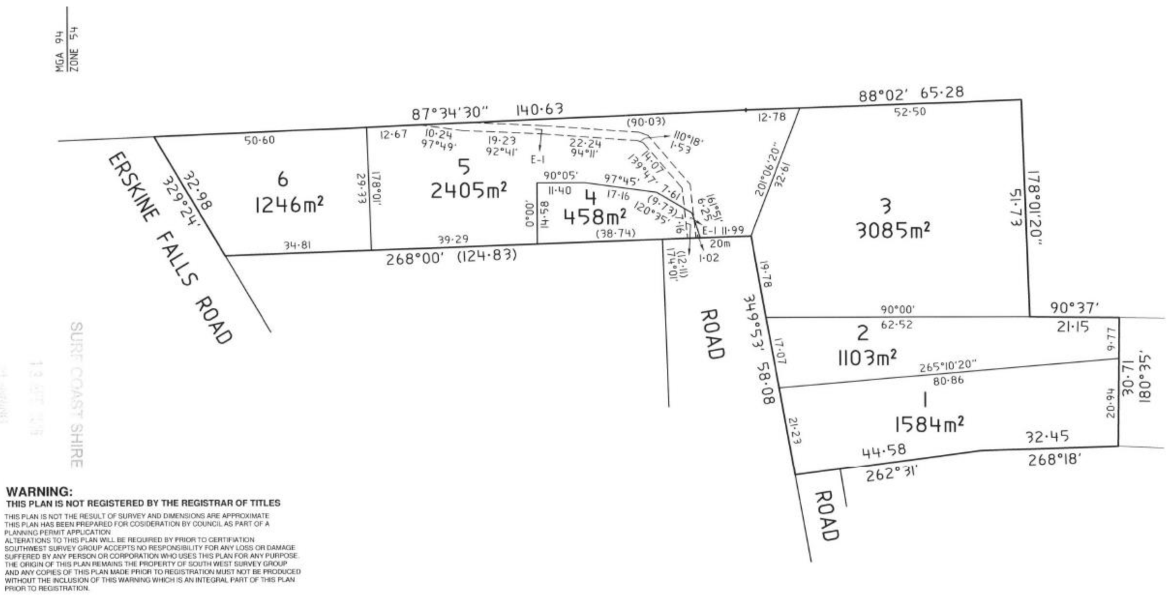
The precinct contains approximately 10,000 square metres of vacant land, although parts of the land have significant slopes and may be relatively expensive to develop.

Figure 13: Lorne Industrial Precinct

Source: Aerial photo from Council

The remaining industrial land has recently been subdivided into six allotments as shown on the plan of subdivision below.

Figure 14: Remaining industrial land - plan of subdivision



Source: AH & LJ Jeavons

Planning for the industrial precinct is controlled by Schedule 5 to the Design and Development Overlay in the Surf Coast Planning Scheme. This is common to all industrial precincts in the municipality and is mainly concerned with the environmental and visual impacts of new development, with controls on building materials, height and setbacks as well as landscaping.

8.2 Recent and Future Industrial Development

Analysis of data from the Victorian Building Authority (VBA, 2018) indicates that there has been 1,200 sqm of industrial building floorspace developed in Lorne over the nine year period from 2009 to 2017. If this rate of development were to continue (132 square metres per year), then over the period 2018 to 2036 a further 2,500 square metres of industrial building floorspace would be required. Allowing for 60% site coverage, the land required would be approximately 4,200 square metres. This is a little less than half the amount of vacant land remaining in the industrial precinct.

Demand for industrial land will very likely continue into the future, including demand from local tradespeople; warehousing for local businesses; and potentially to accommodate storage units for households.

There appears to be no immediate demand for further industrial land beyond the supply that already exists. However, the existing vacant land will be expensive to develop because of the slope. Should further land be required, the most appropriate location would be as an extension of the existing industrial precinct. This would minimise the amenity impacts of industrial development on Lorne's residential areas. Nevertheless, expansion of the precinct would require rezoning of Public Conservation and Resource Zone, to the north, or Rural Conservation Zone, to the south. Either option – north or south of the existing zone – would also require some clearing of native vegetation for development and to ensure fire safety.

If demand for industrial land does exceed supply, an alternative option would be to make the conscious decision to direct development to alternative locations such as the industrial precincts at Anglesea or Torquay. The risks associated with this are:

- The costs of doing business and accessing services for residents and enterprises in Lorne are likely to be higher than they would be if local services were available
- Lorne may be seen as an unviable location for tradespeople looking to establish a business
- Local tradespeople may establish home-based operations that could have adverse impacts on the amenity of their neighbours

The community may be willing to accept these risks in order to preserve the existing extent of bush around the outskirts of the urban area, and certainly that is a large part of the appeal of the township for visitors, who make up by far the largest part of the local economy.

9 REFERENCES

ABS, *Census of Population and Housing, 2016*, Canberra

City of Greater Geelong, 2017, *Peak Overnight Population, Barwon Region (December 2016 -January 2017)*, Geelong

Great Ocean Road Regional Tourism Limited, 2014, *Lorne Destination Action Plan 2015-17*, Warrnambool

Nott, 2011, *Torquay-Jan Juc Retail Strategy Review*, for Surf Coast Shire Council

Surf Coast Shire, 2018, *Surf Coast Planning Scheme*, Torquay

Tourism Research Australia, *Local Government Profiles, 2016 - Surf Coast*, Canberra

Tourism Research Australia, 2017, *State and Territory Tourism Forecasts*, Canberra