

# YARRA OFFICE DEMAND STUDY

FINAL REPORT V4.0

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CITY OF YARRA

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# EXECUTIVE SUMMARY

Urban Enterprise has been engaged by the City of Yarra to undertake an assessment of the nature and strength of demand for office floorspace and the implications for future planning for office floorspace in the municipality.

## OFFICE DEMAND DRIVERS

The City of Yarra is currently experiencing a significant increase in office related planning permit activity. There are currently over 24 active planning permits which are under assessment with a total of 193,000sqm of office floorspace, and an additional 65,000sqm of office floorspace which has been approved since 2016. Given that over the past seven years, the City of Yarra averaged approximately 20,000sqm of office floorspace approved per annum, the current level of development interest is unprecedented in the City of Yarra. This has resulted from the combination of a number of factors:

- Historic undersupply of the inner-city office market, leading to increased tenant demand, record low vacancy rates, and strong rental growth;
- A softening in the residential apartment market which has shifted investor focus to the commercial property sector;
- A significant spike in employment in Melbourne, driven by population growth, as well as a number of other factors;
- Strong growth in key knowledge-based and creative industries typically aligned with inner city areas;
- The competitive advantages of Yarra's employment and activity precincts which uniquely position the municipality to cater to the needs of contemporary businesses and workers. This includes:
  - A favourable zoning and development profile (particularly the availability of land in the Commercial 2 Zone);
  - Industrial heritage and opportunities for re-use and adaptation of heritage buildings;
  - Strategic location – proximity to CBD and eastern suburbs;
  - Transport connectivity;
  - Public transport and excellent cycling infrastructure;
  - Strong lifestyle attributes and vibrant precincts; and
  - Recognition and brand equity for creative and tech-based enterprise.

These strengths have supported a growing business base, particularly small and medium enterprise.

However, in recent years there has been increasing interest from larger businesses and regional headquarters.

A key driver of increased demand in Yarra has been the increased competition between companies to attract and retain talented workers (particularly in the creative and technology sectors). For younger workers in these industries, Yarra's office precincts provide lifestyle benefits which appeal to these workers more than areas perceived as being 'sterile' or 'bland' environments of traditional office precincts in the CBD and Docklands.

These factors combine to underpin strong demand for office space in Yarra at present and indicate a competitive advantage in relation to attracting businesses seeking a young, creative, and skilled workforce.

## OFFICE FLOORSPACE PROJECTIONS

Analysis of the latest economic and property data demonstrates that Melbourne has experienced a significant employment surge in the last two years, and is further strengthening as a professional services location. Strong growth in demand has shifted the local property conditions resulting in a significant short term increase in office development proposals.

Consultation with planning permit applicants identified that a number of proposed major developments which have reportedly secured a major tenant commitment, and confirmed that the development economics are favourable for office development at present. It is considered likely that the majority of current development proposals will be delivered in the short-medium term.

Overall, the analysis indicates that local commercial employment growth and demand for office floorspace in the short to medium term is likely to exceed historical growth rates.

A floorspace demand projection has been prepared at an indicative level which allows for a short-term increase in office floorspace. Over the next five years, there is expected to be demand for an additional 25,000 – 33,000sqm of office floorspace per annum.

Relatively conservative assumptions have been adopted for this indicative projection. It is recommended that Council plan for the upper range of this projection, and closely monitor the scale of approvals and office construction in order to revise the projection over time as necessary.

# 1. BACKGROUND

## 1.1. STUDY PURPOSE

A significant increase in the number and scale planning permit applications for new office developments has triggered the need to better understand demand for office floorspace in Yarra.

The purpose of this study is to confirm the nature and strength of demand for office floorspace and the implications for future planning for office floorspace in the municipality. The study includes the following broad tasks:

- An assessment of the existing property market conditions relating to office development;
- Analysis of the quantity and nature of the recent increase in office related planning permit activity;
- Determination of the likelihood of the proposed office floorspace being developed and tenanted in the short term;
- Identification of the enduring advantages of Yarra which position the municipality for long-term office growth.

## 1.2. METHODOLOGY

Data and information to support this study has been drawn from a number of economic and property sources, as well as specific property value input provided by Westlink Consulting (Westlink). Westlink provide valuation services to the City of Yarra and have a detailed understanding of the existing property context in the municipality.

In addition to the data analysis undertaken, consultation was undertaken with a broad cross-section of stakeholders and participants in the Yarra office development industry, including one-on-one and semi-structured interviews with developers, planning permit applicants (including planning consultants), local businesses and Council's Statutory Planning officers to understand the nature and drivers of office demand in Yarra. Detailed notes from these interviews are provided (on a confidential basis) in Appendix B.

The assessment has been prepared through the following steps:

1. A high-level assessment of employment trends impacting office demand in Yarra, including:
  - ABS Labour Force Survey, August 2017;
  - ABS Census 2016; and
  - Australia Department of Employment, Labour Market Information Portal 2017.
2. Assessment of existing and expected property conditions influencing office development, including:
  - Knight Frank Melbourne Suburban and CBD Office Market Overview, February & March 2017;
  - Colliers Metro Melbourne Office Market H2 2017, October 2017;
  - Data, advice and commentary prepared by Westlink for this study; and
  - Consultation with developers and agents (summarised on a confidential basis in Appendix B);
3. Analysis of office related development activity in the City of Yarra, using planning permit data provided by Council; and
4. A discussion of the local factors which position Yarra as an attractive office location based on consultation interviews with planning permit applicants, businesses, and developers and Urban Enterprise's appreciation of the competitive advantages derived from preparation of the City of Yarra Economic Development Strategy.

The findings of this assessment are then used to form a view on the likely scale and trends of office floorspace demand in the City of Yarra.

## 2. OFFICE DEMAND DRIVERS

### 2.1. INTRODUCTION

This section outlines the research findings of the study and the drivers impacting demand for office development in Yarra.

### 2.2. ECONOMIC AND PROPERTY DRIVERS

#### 2.2.1. EMPLOYMENT

Melbourne is currently experiencing a significant employment surge. Between May 2016 and May 2017, an additional 85,100 jobs were added to the Melbourne economy, and 112,200 jobs state-wide, significantly higher than the next highest state (NSW with an additional 29,500 jobs). Melbourne's employment growth was higher than the rest of the country combined.

**TABLE 1** EMPLOYMENT BY STATE 2016-2017 (YEAR ENDING MAY)

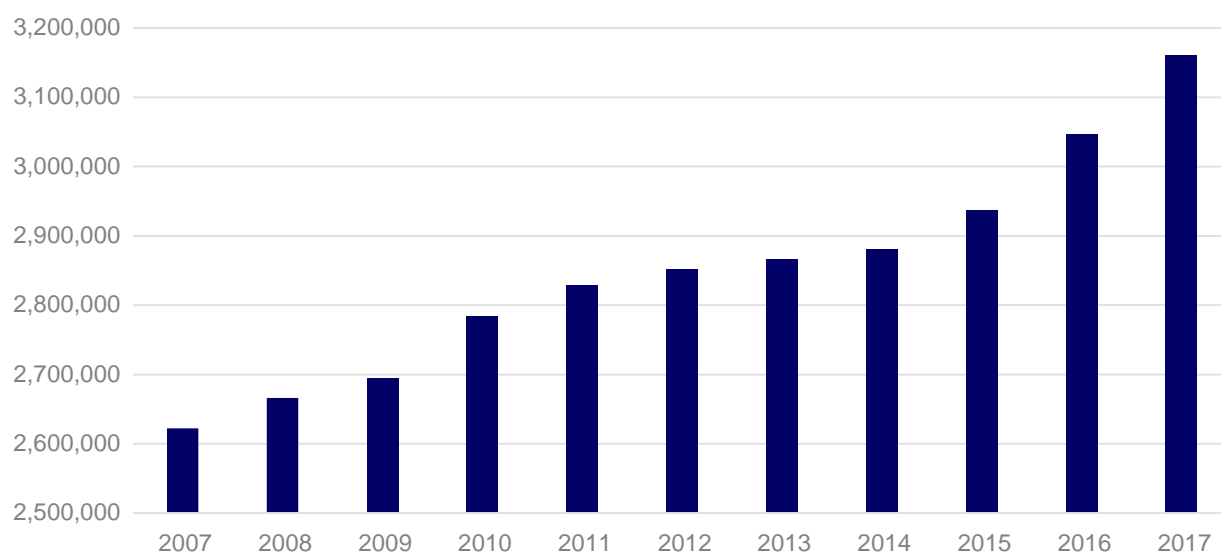
STATE/TERRITORY	2016	2017	12 MONTH GROWTH
VIC	2,993,300	3,105,500	+112,200
<i>Melbourne</i>	<i>2,327,000</i>	<i>2,412,100</i>	<i>+85,100</i>
<i>Regional Victoria</i>	<i>666,300</i>	<i>693,400</i>	<i>+27,100</i>
NSW	3,445,000	3,474,500	+29,500
<i>Sydney</i>	<i>2,534,300</i>	<i>2,564,300</i>	<i>+30,000</i>
<i>Regional NSW</i>	<i>910,700</i>	<i>910,200</i>	<i>-500</i>
NSW/ACT	319,500	322,200	+2,700
NT	82,900	81,300	-1,600
QLD	2,325,800	2,327,500	+1,700
SA	680,000	691,400	+11,400
TAS	239,500	240,500	+1,000
WA	1,214,900	1,200,200	-14,700
Total Australia	11,300,900	11,443,100	+142,200

Source: ABS Labour Force Survey, August 2017

Figure 1 shows Victoria's employment growth between 2000-2017. Between 2007 and 2015, employment growth averaged approximately 42,000 per annum. However, in the past two years, the Victorian economy has added over 100,000 jobs per annum, more than double the historical average.

Much of the employment growth is related to Victoria's population growth which continues to be Australia's fastest growing state. Over the 12 months to March 2017 Victoria added an additional 149,000 residents, a growth rate of 2.4% per annum. This scale and rate of growth was significantly higher than any other State, with the next highest rate in NSW at 1.6% per annum.

**FIGURE 1** VICTORIA EMPLOYMENT, 2000-2017



Source: ABS Labour Force Survey, September 2017.

### 2.2.2. YARRA EMPLOYMENT PROFILE

The ABS Census 2016 employment data was analysed to understand Yarra's employment profile, and trends since 2011. Detailed data tables are provided in Appendix D.

Table 2 shows the total employment by industry in the City of Yarra in 2011 and 2016. Employment in Yarra grew by 13,472 workers in this period (20% growth). Professional, Technical and Scientific Services experienced the largest growth over this period with an additional 3,118 workers reflecting Yarra's growing role as a professional services hub. Retail Trade and Accommodation and Food Services grew strongly, likely due to population growth and increased apartment development. Healthcare and Social Assistance and Education and Training also grew strongly linked to expansion of major institutions (i.e. St Vincent's Hospital, Epworth Richmond, Australian Catholic University).

Table 3 shows employment growth across the IMAP region. All IMAP Councils experienced employment growth, with the largest increase occurring in Yarra (other than the City of Melbourne). Table 14 (Appendix B) shows detailed employment growth in IMAP by industry. The rise in employment was fuelled by the service industries, namely Accommodation and Food Services; Professional, Scientific and Technical Services; Education and Training and Health Care and Social Assistance. Finance and Insurance Services decreased across Yarra, Port Phillip and Stonnington, but increased strongly in the City of Melbourne, indicating a greater concentration of finance in the Melbourne CBD (reflecting the popularity of Docklands for major banks).

**TABLE 2 EMPLOYMENT BY INDUSTRY, CITY OF YARRA, 2011-2016**

	2011	2016	CHANGE	% GROWTH
Agriculture, Forestry and Fishing	67	142	75	112%
Mining	30	39	9	30%
Manufacturing	4,323	3,391	-932	-22%
Electricity, Gas, Water and Waste Services	712	898	186	26%
Construction	3,503	4,241	738	21%
Wholesale Trade	4,329	3,031	-1,298	-30%
Retail Trade	8,015	9,827	1,812	23%
Accommodation and Food Services	4,566	6,737	2,171	48%
Transport, Postal and Warehousing	1,463	2,790	1,327	91%
Information Media and Telecommunications	2,200	2,321	121	6%
Financial and Insurance Services	4,191	3,154	-1,037	-25%
Rental, Hiring and Real Estate Services	1,400	1,561	161	12%
Professional, Scientific and Technical Services	9,304	12,422	3,118	34%
Administrative and Support Services	2,342	2,154	-188	-8%
Public Administration and Safety	1,862	2,291	429	23%
Education and Training	2,939	4,041	1,102	37%
Health Care and Social Assistance	12,153	14,300	2,147	18%
Arts and Recreation Services	1,069	1,502	433	41%
Other Services	2,319	2,478	159	7%
inadequately described/not stated	834	3,773	2,939	352%
Total	67,621	81,093	13,472	20%

Source: ABS Census, Place of work, 2011 & 2016

**TABLE 3** IMAP EMPLOYMENT GROWTH 2011-2016

	2011	2016	GROWTH
Yarra (C)	67,621	81,093	+13,472
Stonnington (C)	45,495	54,961	+9,466
Port Phillip (C)	63,937	75,924	+11,987
Maribyrnong (C)	30,130	37,254	+7,124
Melbourne (C)	360,084	436,751	+76,667
Total IMAP	567,267	685,983	+118,716

Source: ABS Census, Place of work, 2011 & 2016

## CREATIVE EMPLOYMENT

An assessment of employment within Creative Industries was undertaken following the same methodology in the Yarra Economic Development Strategy 2015-2022, and using the industry classifications outlined in Valuing Australia's Creative Industries (SGS, 2013).

Table 5 (overleaf) shows creative employment across the IMAP region. Each IMAP council experienced growth in the creative services sector, with Yarra City Council growing the largest at 40% in the 5 years to 2016. This was led by a large growth in the Software and Interactive Content; Advertising and Marketing and Architecture, Design and Visual Arts.

## EMPLOYMENT BY PRECINCT

Yarra's major employment precincts were matched to the corresponding ABS Destination Zones (a map of each precinct is provided in Appendix A). It is important to note that this is not intended as a detailed employment assessment at the precinct level - Destination Zones do not align seamlessly with employment planning zones, and there can be accuracy issues with employment data at the Destination Zone level. However, it provides a high-level assessment of the major spatial employment trends in Yarra.

Each precinct grew strongly, with Cremorne growing by an additional 4,000 workers between 2011 – 2016 (approximately 30% of total employment growth in Yarra). Collingwood also grew strongly by an additional 3,315 workers. These two precincts account for over 50% of employment growth in Yarra.

A breakdown of the employment growth by industry for each major employment precinct in Yarra can be seen in Table 16 of Appendix D. The growth in Cremorne was driven by a large increase in Professional, Scientific and Technical Services, Electricity, Gas, Water and Waste Services (likely linked to the introduction of Red Energy), Retail Trade, and Transport, Postal and Warehouse (this is likely to reflect Uber and Tesla's presence in Cremorne).

**TABLE 4** EMPLOYMENT IN EACH PRECINCT, YARRA CITY COUNCIL, 2011-2016

	2011	2016	CHANGE	% GROWTH
Cremorne	6,592	10,592	+4,000	61%
Abbotsford	4,191	5,164	+973	23%
Botannica, Richmond	2,207	2,397	+190	9%
Bridge Road Precinct	8,017	9,896	+1,879	23%
Swan St Precinct	2,572	3,549	+977	38%
Collingwood	8,225	11,540	+3,315	40%
Fitzroy	11,285	14,235	+2,950	26%

Source: ABS Census, Place of work, 2011 & 2016

**TABLE 5** CREATIVE INDUSTRIES, IMAP COUNCILS, 2011-2016

	YARRA (C)			STONNINGTON (C)			PORT PHILLIP (C)			MARIBYRNONG (C)			MELBOURNE (C)		
Industry	2011	2016	%Growth	2011	2016	%Growth	2011	2016	%Growth	2011	2016	%Growth	2011	2016	%Growth
Advertising and Marketing	1,172	1,786	52%	532	879	65%	1,788	2,019	13%	27	50	85%	1,637	2,168	32%
Architecture, Design and Visual Arts	2,173	2,956	36%	1,161	1,365	18%	1,434	1,608	12%	214	358	67%	4,069	4,893	20%
Film, Television, and Radio	651	800	23%	527	614	17%	913	1,052	15%	138	52	-62%	2,073	2,278	10%
Music and Performing Arts	554	727	31%	287	331	15%	695	734	6%	150	94	-37%	1,722	2,133	24%
Software and Interactive Content	2,084	3,253	56%	1,151	1,215	6%	4,013	5,001	25%	146	453	210%	17,573	22,999	31%
Writing, Publishing and Print Media	552	561	2%	247	184	-26%	610	558	-9%	331	45	-86%	3,029	2,321	-23%
Total	7,186	10,083	40%	3,905	4,588	17%	9,453	10,972	16%	1,006	1,052	5%	30,103	36,792	22%

Source: ABS Census, Place of work, 2011 & 2016

## REGIONAL EMPLOYMENT PROJECTIONS

Employment projections for the Inner Melbourne Region<sup>3</sup> to 2020 are shown in Table 6.

Strong employment growth is projected to continue in Inner Melbourne with an additional 48,431 jobs to 2020 projected at an annual growth rate of 2.63%. Professional, Scientific and Technical Services is expected to be the key growth industry, reflecting the continued growth in services and knowledge based industries, and underpinning future demand for office space in the region.

**TABLE 6 INNER MELBOURNE REGION (SA4) EMPLOYMENT PROJECTIONS 2015-2020**

INDUSTRY	2015	2020	2015-2020 GROWTH
Professional, Scientific and Technical Services	67,711	85,952	+18,241
Health Care and Social Assistance	37,245	43,085	+5,840
Education and Training	31,464	36,662	+5,198
Accommodation and Food Services	27,584	31,330	+3,745
Retail Trade	25,631	28,730	+3,099
Financial and Insurance Services	20,642	22,388	+1,746
Public Administration and Safety	18,030	20,428	+2,398
Administrative and Support Services	14,637	17,387	+2,749
Manufacturing	16,642	15,810	-832
Construction	13,119	14,609	+1,491
Information Media and Telecommunications	12,825	13,240	+415
Arts and Recreation Services	11,468	12,921	+1,452
Wholesale Trade	11,174	11,439	+265
Transport, Postal and Warehousing	9,664	10,742	+1,077
Other Services	9,040	9,430	+390
Rental, Hiring and Real Estate Services	6,593	7,594	+1,001
Electricity, Gas, Water and Waste Services	2,862	3,148	+287
Mining	1,368	1,208	-161
Agriculture, Forestry and Fishing	853	883	+29
Total	349,075	397,506	+48,431

Source: Australia Department of Employment, Labour Market Information Portal 2017

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<sup>3</sup> Inner Melbourne includes the Cities of Melbourne, Yarra and Port Phillip, and parts of the Cities of Stonnington, Darebin, Moreland and Moonee Valley. See Appendix A for boundaries.

### 2.2.3. PROPERTY MARKET CONDITIONS

The City of Yarra is generally considered as part of the 'Suburban Office Market' and within the 'City Fringe' area.<sup>4</sup> Discussion within this section reflects the general office market commentary and outlook, based on industry sources, specifically:

- Knight Frank Melbourne Suburban and CBD Office Market Overview, February & March 2017;
- Colliers Metro Melbourne Office Market H2 2017, October 2017;
- Input and commentary provided by Westlink Valuations.

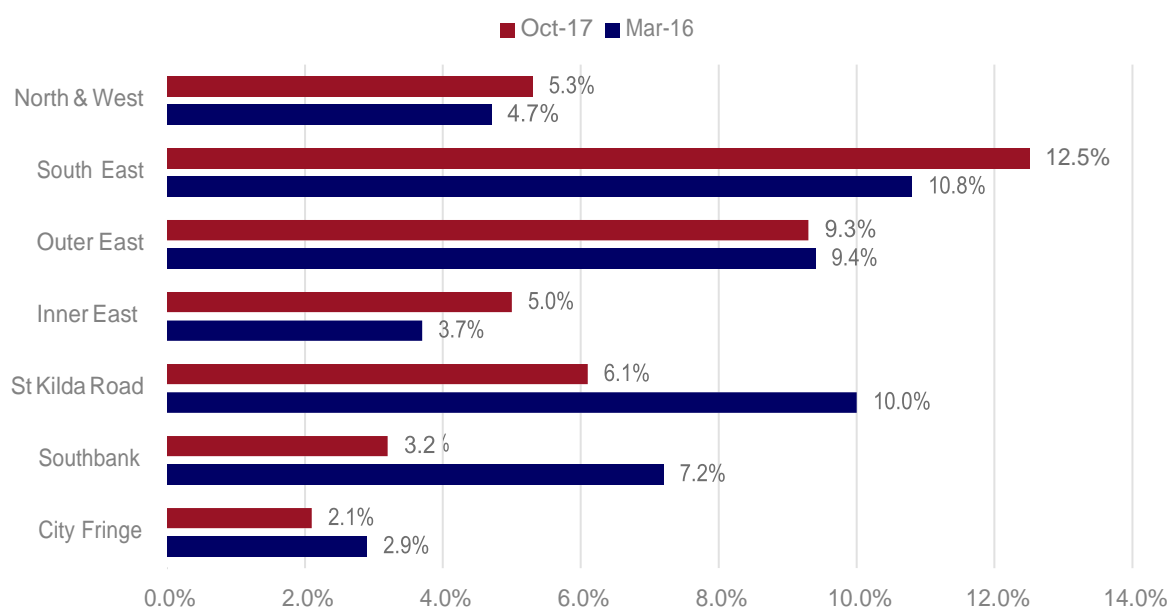
### OFFICE VACANCY RATES AND TENANT DEMAND

In October 2017, the City Fringe Market declined to 2.1% vacancy, the lowest ever recorded for the City Fringe Market. This is the outcome of strong demand and low levels of supply. The City Fringe vacancy rate is also significantly lower than the Melbourne CBD vacancy rate of 6.5%, and other suburban regions as shown in Figure 2.

A recent surge in tenant demand has coincided with a historical undersupply of office floorspace in the City Fringe. Apart from the CBD, approximately 80% of office accommodation developed over the past two years has been in the middle south-eastern suburbs – particularly from Mulgrave, Chadstone, and Moorabbin. By comparison, growth within the office market in the City of Yarra has been at a lower rate, primarily due to competition from the residential sector and removal of many older commercial buildings – most of which have been redeveloped for residential uses.

In addition, there appears to be significant tenant 'churn' at present, where companies who currently occupy dated space, seek to relocate into upgraded or larger buildings.

**FIGURE 2 AVERAGE OFFICE VACANCY RATES**



Source: Colliers Metro Melbourne Office Market H2 2017, October 2017

<sup>4</sup> The 'City Fringe' Market generally refers to the inner-city areas of City of Yarra, City of Stonnington (west), City of Port Phillip

## RENTS AND YIELDS

Strong demand levels, low vacancy rates, and reduced options for tenants in the City Fringe has given rise to strong rental growth – both face and effective.<sup>5</sup> Effective rents grew a record 23.9% in the year to October 2017. It is expected that over the remainder of 2017 and into 2018, rents will continue their rise with strong tenant demand and low vacancy rates. Incentives are now less common in Yarra/ City Fringe areas indicating strong demand conditions.

Prime office space is particularly sought after as shown by strong rental growth in A grade office space (Figure 3).<sup>6</sup> Discussions with local agents identified that some rents for prime office space in popular precincts such as Cremorne have grown to between \$500-600/sqm per annum, which is comparable to CBD office rents (as discussed in the Market Sounding section).

In addition to increased demand levels, there has also been a broader reduction in workspace ratios (number of employees per built office floorspace) as 'hot desking' has become more popular, and new building designs and layouts are efficiently meeting the needs of contemporary businesses. This allows for a higher return per square metre to be derived by the lessee – which partially reverts to the lessor by way of increased rent.

**TABLE 7 MELBOURNE OFFICE MARKET – KEY PROPERTY INDICATORS, 2017**

	Total Office Stock (sqm)	Average Prime Net Face Rent (\$)	Average Secondary Net Face Rent (%)	Average Prime Core Market Yield (%)	Average Secondary Core Market Yield (%)
Melbourne CBD	4,526,062	490-580	310-440	4.75 – 6.00	5.75 – 6.50
City Fringe	1,033,539	400-425	325-375	5.75 - 6.25	7.00 – 7.50
Inner East	555,749	360-380	280-300	5.75 - 6.50	6.75 – 7.25
Outer East	868,046	290-340	200-250	6.25 - 7.25	7.25 – 7.75
South East	338,773	250-280	185-220	6.50 – 7.50	7.25 – 7.75
North & West	238,189	300-340	180-240	6.50 -7.50	7.50 – 8.00
Total Suburban Market*	3,034,296	354	277	6.42	7.34

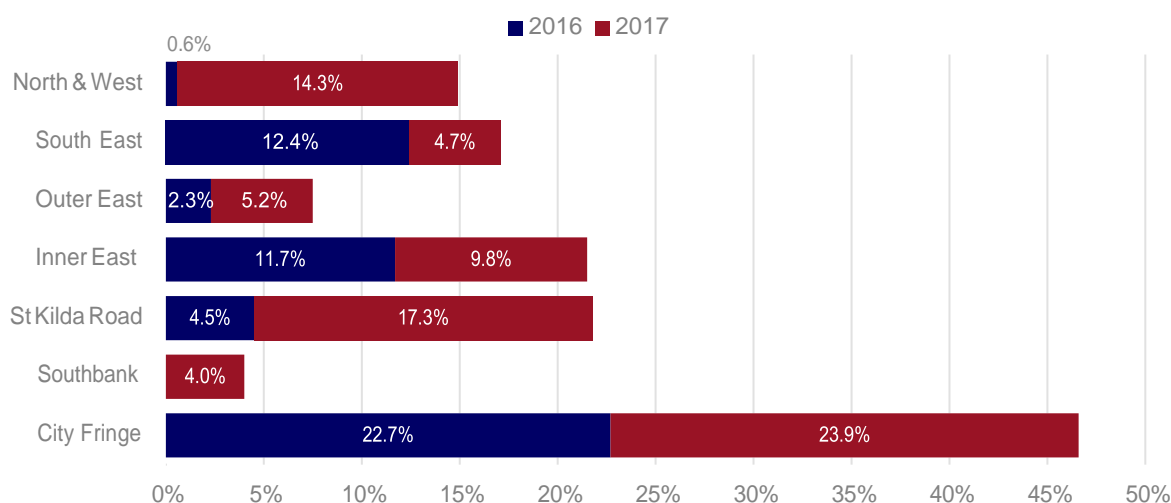
\*Weighted by stock area

Source: Knight Frank Research, Melbourne Suburban Office Market Overview 2017, Melbourne CBD Office Market Overview 2017

<sup>5</sup> Face Rent is quoted rent before taking into account incentives or increases, Effective Rent is the rental averaged out over the term of the lease including consideration of rent-free periods or up-front incentives.

<sup>6</sup> Office building quality is defined by 'A Guide to Office Building Quality', Property Council of Australia 2012

**FIGURE 3 NET GROWTH IN OFFICE RENT (A GRADE OFFICE)**



Source: Colliers Metro Melbourne Office Market H2 2017, October 2017

## INVESTMENT LEVELS

The combination of low vacancy rates, attractive yields, and historical undersupply, are increasing developer interest in commercial office development. These conditions are expected to stimulate the next supply cycle over the next couple of years.

The limited availability of space within recently completed suburban offices has led to an increase in speculative development. Of the new supply that is under construction in the City Fringe, only 30% is pre-committed. Speculative suburban office development is forecast to reach its highest level in 2017 since 2008 (Knight Frank 2017). However, consultation undertaken for this study (as outlined later in the report) indicate high levels of tenant commitments for current large office development proposals in Yarra (based on interviews undertaken).

By 2020 a significant level of new supply is expected to be constructed, both in the City Fringe and CBD markets. In 2019 alone, it is projected that an additional 377,000sqm of new floorspace will be added in the CBD.

## PROPERTY VALUATIONS

Data and advice was provided by Westlink Valuations based on the land value profile of Yarra and changes to the development context in recent years.

Table 8 shows base site values (per square metre) used for City of Yarra valuations in 2016 across the commercial zones by suburb. From a value perspective, Commercial 1 Zone (C1Z) and Mixed Use Zone (MUZ) are broadly comparable, given the predominant development profile is residential use with smaller amounts of retail and commercial space.

The Commercial 2 Zone (C2Z) does not permit residential uses, and therefore has a different value structure. As residential development has historically provided a greater rate of investment return, C2Z land has a lower base rating level than C1Z or MUZ. However, the upper ranges of C2Z values in Collingwood and Richmond are comparable to the C1Z rating levels, reflecting their attractiveness for office development in these locations.

Advice and analysis provided by Westlink demonstrates that the return on investment for office development has strengthened in recent years, and at the same time, uncertainty and softening in the residential apartment market has increased the risk and reduced returns for some residential developers.

The supply of new residential units has been very strong in recent years, however the pace of development is expected to slow in the coming years. A potential decline in apartment demand, and changes in the approach of major banks to funding off-shore purchasers and residential developers is resulting in the combined effect of increasing the respective equity requirements and costs, thereby restricting the pace of residential apartment

development. This has contributed to investors seeking other opportunities such as office, hotels, and serviced apartments.

At the same time, the positive demand indicators for office development (as described earlier) and lower risk, holding costs, and upfront fit-out costs (relative to residential apartment construction) has attracted the attention of developers, institutional investors and financiers. Foreign investment levels into commercial office development has increased in recent years (not necessarily in Yarra but the broader office metropolitan office market).

**TABLE 8 AVERAGE BASE VALUE RATING LEVELS 2016 (\$/SQM)**

	C2Z	MUZ	C1Z
Abbotsford	2000 - 2200	4000 – 4250	3100
Clifton Hill	1650 - 1750	3000 - 3200	3300 - 4200
Collingwood	2750 - 2850	4250 - 4500	3300 - 4200
Fitzroy	2800	4800 - 5300	4000 - 4200
North Fitzroy	2650	3000 - 3700	2600 - 2800
Richmond	1950 - 3650	4000 - 4800	2800 - 3400

Source: Westlink Valuations, City of Yarra 2016. Note: these rates are a snapshot in time (2016) and may not necessarily reflect current (i.e. late 2017) base values.

#### 2.2.4. KEY FINDINGS

- Melbourne is currently experiencing a strong surge in employment growth. Over the past 12 months, employment in Melbourne increased by 85,000 jobs, more than the combined growth of the rest of Australia. Growth has been strong within services and knowledge based industries which are typically aligned with inner Melbourne locations, and drive demand for office space;
- Over the last Census period, employment in Yarra grew by over 13,000 workers, the most of any IMAP Council (other than the City of Melbourne). The Professional, Scientific and Technical industry experienced the largest growth with an additional 3,118 workers. The employment precincts of Cremorne and Collingwood experienced the largest growth and together account for more than 50% of Yarra's employment growth between 2011 and 2016.
- Expected economic conditions and employment projections indicate that office related employment will be likely to continue to increase strongly over the short and medium term in inner Melbourne. Growth is expected to be underpinned by ongoing strong population growth and Melbourne's position as a services and knowledge hub;
- Strong tenant demand and a historic undersupply has led to record low vacancy rates (2.1%), compressed yields, and strong rental growth in the City Fringe market. With a significant number of developments approved and mooted for the next couple of years, a significant influx new office floorspace is expected to come to market by 2020 to ease vacancy rates and rental growth;
- Attractive commercial development conditions and potential returns are increasing developer interest in the City Fringe office market, and are expected to stimulate the next supply cycle over the coming years. Relative uncertainty in the residential apartment market is also pushing investors into the commercial office market.
- The current favourable property market conditions, and projections for strong population and employment growth, are likely to result in an increase in the rate of floorspace supply to respond to demand conditions.

## 2.3. OFFICE DEVELOPMENT ACTIVITY

This section provides an assessment of office development activity in Yarra. Planning permit data for office related development was provided by Council from 2011 to September 2017, including approved permits and developments which are currently under assessment.<sup>7</sup> Floorspace data refers to the proposed amount of office floorspace (per sqm) within the initial planning permit application lodged with Council and not necessarily the approved level of floorspace. It is important to note that there are also a number of proposals in pre-planning which are not reflected in this data.

Table 9 shows planning permits by year, including permits approved and currently under assessment. Over the last seven years, the City of Yarra averaged approximately 20,000sqm of office space approved per annum. However, there is currently a number of planning permits under assessment for large developments totalling 193,704sqm of office floorspace. There is currently more office floorspace under assessment than has been approved in the last six years combined.

Permit applications also indicate a new appetite for larger floorspace office development. The average size of office developments approved between 2011 and 2017 was approximately 1,200sqm, and the average size of office proposals currently under assessment is approximately 8,000sqm. Council is currently assessing a number of applications with greater than 10,000sqm (and up to 27,000sqm) of office floorspace in single development proposals. This reflects the positioning of Yarra (particularly Cremorne and Collingwood) as an increasingly attractive location for larger headquarters (as discussed in the following sections).

Not all permits which are currently under assessment will necessarily be approved - in some cases applications may be refused and/or proceed through mediation to an outcome of lower building heights. In addition, not all planning permit approvals result in construction and delivery. In some cases, there is a significant time lag between applications and construction and/or changes to plans. Section 2.3.2 provides an assessment of constructed office developments following planning approval.

**TABLE 9 CITY OF YARRA OFFICE PLANNING PERMITS 2011-2017**

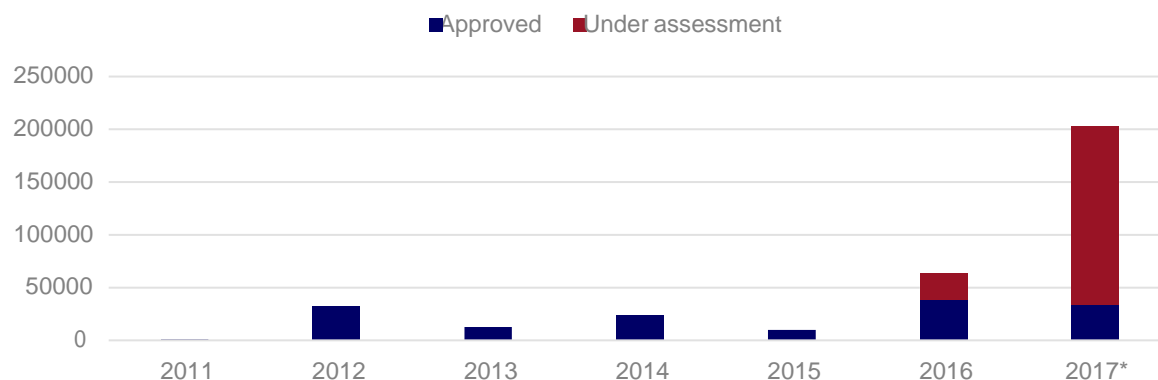
Year Lodged	APPROVED		UNDER ASSESSMENT		TOTAL		
	Office Floorspace (sqm)**	Number of Permits	Office Floorspace (sqm)**	Number of Permits	Office Floorspace (sqm)	Number of Permits	Avg. size of Permit (sqm)
2011	774	1			774	1	774
2012	31,961	22			31,961	22	1,453
2013	12,777	20			12,777	20	639
2014	23,756	26			23,756	26	914
2015	9,932	15			9,932	15	662
2016	38,347	20	25,174	3	63,521	23	2,762
2017*	33,838	12	168,530	21	202,368	33	6,132
Total	151,385	116	193,704	24	345,089	140	-

\*Year to September. \*\*Based on the initial planning permit.

Source: City of Yarra

<sup>7</sup> The data also includes a proposed development in Botanicca Business Park including 6,126sqm of office floorspace which has been approved by Planning Minister as the Responsible Authority in September 2017. Council did not approve the permit.

**FIGURE 4** TOTAL OFFICE FLOORSPACE APPROVED AND UNDER ASSESSMENT 2011-2017

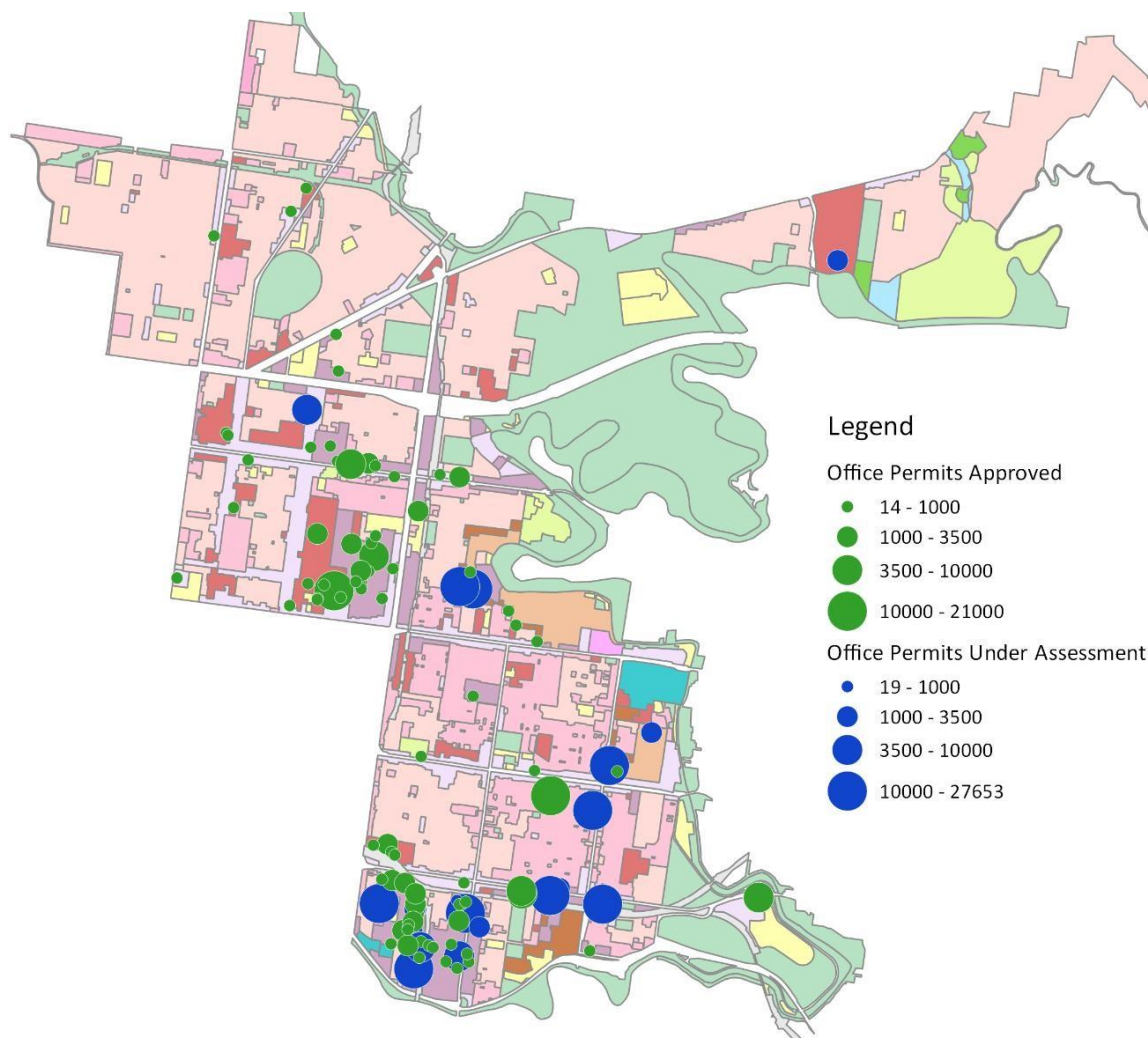


\*Year to September Source: City of Yarra

### 2.3.1. LOCATION OF PERMITS

Figure 5 shows the location of office planning permits for both approved and permits which are currently under assessment.

**FIGURE 5** CITY OF YARRA OFFICE PLANNING PERMITS BY FLOORSPACE (SQM)



Source: City of Yarra 2017, prepared by Urban Enterprise

Three suburbs account for 89% of total office floorspace approved: Collingwood (57,494sqm), Richmond (48,384sqm) and Cremorne (28,353sqm).

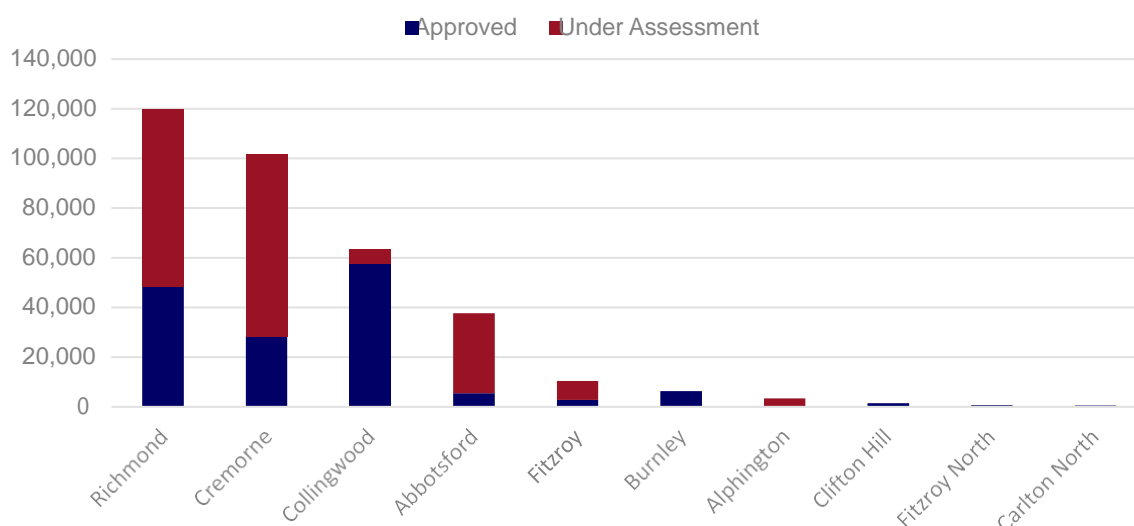
For office permits which are still under assessment, these are largely concentrated in Cremorne (73,596sqm) and Richmond (71,176sqm). Many of the larger development proposals are located on the main corridors of Church Street and Swan Street.

Abbotsford has also emerged as a popular location for proposed office development with two permits totalling 32,261sqm.

Figure 6 shows office related planning permits by zone with detail data tables provided in Appendix C. 68% of approved office floorspace is located in the Commercial 2 Zone, along with 80% of office floorspace which is currently under assessment.

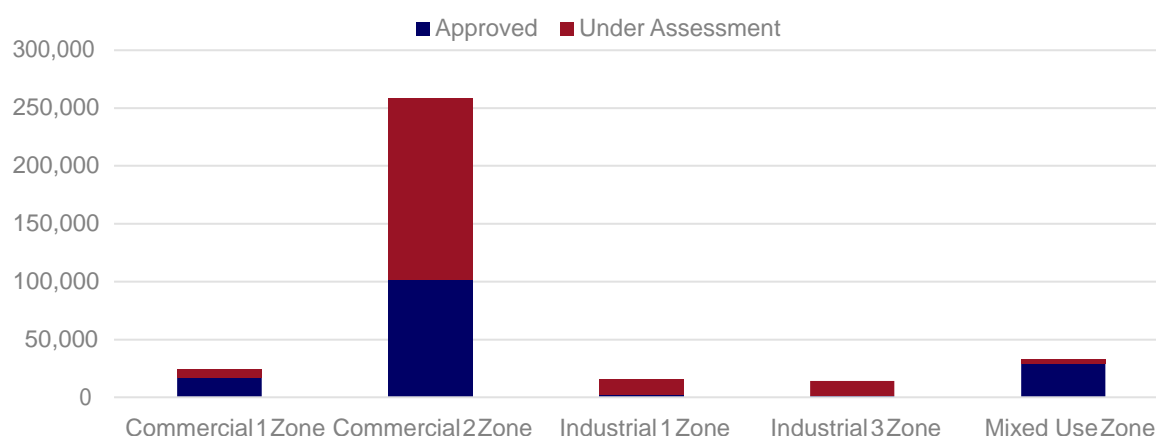
As residential uses are not permitted in the Commercial 2 Zone, office is often the highest value use. The Mixed-Use Zone and Commercial 1 Zone have also attracted office floorspace permits, however these are commonly at lower levels of mixed use development which are predominately residential.

**FIGURE 6 OFFICE PLANNING PERMITS BY SUBURB 2011-2017 (SQM OFFICE FLOORSPACE)**



Source: City of Yarra

**FIGURE 7 OFFICE PLANNING PERMITS BY ZONE 2011-2017 (SQM OFFICE FLOORSPACE)**



Source: City of Yarra

### 2.3.2. OFFICE CONSTRUCTION

Council completed an audit of approved office planning permits between 2011 and 2017 to ascertain which developments have progressed to construction to date. Of the 104 approved permits which had been assessed by Council, approximately 50 have since been constructed, consisting of approximately 50,000sqm of office floorspace. A further 13 permits were either under construction, granted a building permit, or appointed a building surveyor, consisting of approximately 16,000sqm of office floorspace. This translates to 56% of approved office floorspace being either constructed, or progressed to likely construction over the period, as shown in Table 10.

**TABLE 10 YARRA OFFICE PERMITS CONSTRUCTED 2012-2017**

	2012 - 2017	
	Approved Office Permits	Approved Office Floorspace (sqm)
Not Constructed	41	51,282**
Constructed	50	49,661
Progressed*	13	15,519**
Total	104	116,463
% Constructed & Progressed	61%	56%

\* relates to developments which are under construction, granted a building permit, or appointed a building surveyor

\*\* Approved Office Floorspace refers to the level of floorspace (sqm) within the initial planning permit

Source: City of Yarra, Urban Enterprise 2017

It is important to consider that a lag time of 12 to 18 months from planning permit approval can be common for large developments, and it is likely that there are planning permit approvals from the past two years which will progress to construction in the coming years. Therefore, to gain a further understanding of the 'conversion rate' of planning permits to construction, office completions were assessed between 2012 and 2015 (Table 10). During this period, 75% of approved office floorspace has subsequently been constructed or progressed to the construction phase.

**TABLE 11 YARRA OFFICE PERMITS CONSTRUCTED 2012-2015**

	2012 – 2015	
	Approved Office Permits	Approved Office Floorspace (sqm)
Not Constructed	24	17,193**
Constructed	45	47,261
Progressed*	6	4,359**
Total	75	68,814
% Constructed & Progressed	68%	75%

\* relates to developments which are under construction, granted a building permits, or appointed a building surveyor

\*\* Approved Office Floorspace refers to the level of floorspace (sqm) within the initial planning permit

Source: City of Yarra, Urban Enterprise 2017

### 2.3.3. OFFICE DEVELOPMENT KEY FINDINGS

- The City of Yarra is currently experiencing a significant surge in planning applications relating to office development, with a number of large office development proposals currently under planning permit assessment with a total of over 190,000sqm of office floorspace. This is in addition to 27,000sqm of office floorspace which has been approved in since the start of 2017 (as of September).
- There is a clear trend in larger office developments (in terms of floorspace). The average size of office developments approved between 2011 and 2017 was approximately 1,200sqm, and the average size of office proposals currently under assessment is approximately 8,000sqm.
- The majority of development interest has been concentrated in Richmond, Cremorne, and Collingwood. Abbotsford has also emerged as a popular location with a number of permits currently under assessment.
- The Commercial 2 Zone has attracted the majority of development interest. As residential uses are not permitted in the C2Z, office is often the highest value use.
- The extent to which existing applications will be converted to floorspace is unknown, however office development conditions are currently very strong, and a number of major developments have secured a long term tenant commitment (as discussed in the next section), indicating that it is highly likely that many of the developments will be constructed. An audit of office planning permits between 2012 and 2015 undertaken by Council found that 75% of approved office floorspace had been constructed or had progressed to construction as at November 2017.<sup>8</sup>

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<sup>8</sup> Progressed to construction relates to developments which are under construction, granted a building permit, or appointed a building surveyor

## 2.4. MARKET SOUNDING

Market sounding was undertaken with key developers, planning permit applicants (planning consultants), local businesses, and Council Statutory Planners to understand the nature and drivers of office demand in Yarra. The key discussion points included:

- Strengths and competitive advantages of Yarra as an office location;
- The nature of demand for office uses (which industries and business types are driving demand);
- The current status of individual developments (e.g. has a tenant been secured?); and
- The influence of planning and zoning on office development.

Detailed notes from these interviews are provided in Appendix B on a confidential basis (i.e. not for public release). The key findings from the interviews process are summarised below.

### PROPERTY AND DEVELOPMENT CONTEXT

Key findings related to Yarra's office market conditions are outlined below.

- In addition to the development proposals which are currently under assessment, there are a number of large proposals which are in pre-planning and have had pre-application meetings with Council's Statutory Planners.
- The significant uplift in developer interest has resulted from a historic undersupply of office development in the inner city, and strong property market fundamentals (low vacancy rates, high tenant interest, rising rents, and improving yields).
- The City of Yarra is benefiting from broader trends in the employment market including increased competition between companies to attract and retain talent. This is particularly prevalent in the tech-based and creative industries which are increasingly locating to the City of Yarra for its lifestyle advantages;
- Much of the recent increase in demand is being driven by larger floorplate office users (company and regional headquarters). For example, Aesop, REA, Seek, and large architectural firms have recently occupied major office space in Yarra. However, this does not extend to the traditional professional service types which are still more suited to CBD location (finance, insurance etc). The type of businesses are still viewed as 'progressive' brands and creative industries.
- Larger companies are looking for bespoke and purpose-built offices which reflect their brand and organisational values (e.g. sustainable design). These opportunities are scarce in Melbourne. Height controls limit major developments in some of Yarra's precincts to smaller and more 'boutique' developments compared with the CBD and St Kilda Rd. This also appeals to the owner-occupier market.
- Premium office rents in popular precincts (Cremorne) are now similar to the Melbourne CBD (\$500-\$600 per sqm), and investor return for commercial development is now comparable with residential development in some cases.
- Larger commercial office developments will generally need to secure a major tenant to a commitment for lease in order to gain finance. Finance may be granted for speculative development, dependant on the track record and reputation of the individual developer. Smaller developments are more likely to gain finance prior to securing a tenant, particularly in the current property context (low vacancies, high demand). Based on interviews undertaken, no major shift in the approach of major banks in financing office developments was identified.
- Based on discussions with permit applicants, there is significant tenant interest for office developments, and a number of proposals have already secured a long-term tenant. This includes a mixture of single occupants, anchor tenants (which plan to take over 50% of built floorspace), and developments targeting smaller and co-share tenants.
- Business preferences for office fit-outs are changing. More businesses are seeking flexible space to enable growth and contraction as required (as opposed to the traditional partitioned office), greater space for collaboration, less fixed working spaces, and greater hot desking. Sustainable design and energy efficiency is also a key desire for tenants – this is moving away from the traditional energy efficiency certification, but incorporating the needs of the building users (e.g. comfort, exercise, natural light and ventilation, mental health).

## YARRA'S COMPETITIVE ADVANTAGES

Consultation with developers, businesses, and planning permit applicants identified the City of Yarra as being uniquely positioned to attract office development, and cater to the needs of contemporary businesses to attract and retain workers. The competitive advantages of Yarra over the CBD office market, and other inner Melbourne locations are outlined below.

- Planning zones. The City of Yarra has a significant amount of land in the C2Z, more than any other inner-city municipalities other than Maribyrnong (as shown in Figure 8). The C2Z does not permit residential use, and therefore limits competition and speculation from residential developers. Office use is generally considered the highest value use in the C2Z (subject to specific site attributes). The C2Z in Yarra has accommodated over 70% of approved office floorspace over the last decade, and accounts for over 80% of floorspace for proposed office developments which are currently under planning assessment.

The South Melbourne Precinct around Clarendon Street (City of Port Phillip) within the C2Z is the only other competing precinct which offers similar attributes and proximity to the CBD. Based on consultation with planning consultants, this area is also seeing increased demand.

Planning consultants also perceived Yarra as having more flexible planning requirements (compared with other inner-city municipalities such as Stonnington and Port Phillip) in relation to car parking concessions, and less fixed height controls. However, a number of large proposals are still under planning assessment, and their approval is considered the critical test for Council's appetite to accommodate larger office development.

**FIGURE 8** COMMERCIAL 2 ZONE LAND IN INNER MELBOURNE



Source: Landchecker 2017

- Supply. Yarra's main office precincts (Cremorne, Collingwood, Richmond) have a good supply of larger sites and older stock which are well positioned for redevelopment. There are also site-specific opportunities for the development of more boutique and purpose built office developments, which are not available in the CBD or other competing precincts.

- **Industrial Heritage.** Yarra's major office precincts (Collingwood, Cremorne, Richmond, and Abbotsford) have strong industrial heritage which is considered a strength, particularly in building the area's brand for design and architecture businesses. Businesses cited the opportunity to return precincts to their industrial heritage, but utilising digital and new technologies.

The heritage building stock in Yarra's office precincts also offers opportunities for conversion for office uses. Developers of new buildings also leveraged industrial design elements and fitouts within new buildings to match with the surrounding environment, a popular design aesthetic currently.

This is an important competitive strength for Yarra as other inner-city municipalities generally have less legacy industrial precincts (Stonnington, Port Phillip).

- **Transport Connectivity.** The City of Yarra is strategically located at the fringe of the Melbourne CBD, with easy access to the eastern suburbs and skilled inner-city population. The major office precincts are located within close proximity to major travel routes including the Eastern Freeway, Monash Freeway, and Punt Road/Hoddle Street.
- **Public Transport.** Yarra has excellent access to public transport infrastructure. All rail services from the east of Melbourne are funnelled through Richmond Station which anecdotally receives 120 services during the morning peak.
- **Cycling Network.** Yarra's working population has amongst the highest cycling commuter rates in Australia. The City of Yarra is advantaged by quality cycling infrastructure and the availability of a number of key off-road cycling routes. Cycling access is considered to be significantly more convenient and safer than other key locations (Melbourne CBD, Stonnington, Port Phillip). Cycling has become increasingly popular among younger workers, particularly in the creative and IT sectors.

- **Access to Workforce.** Yarra's strategic location, transport connectivity, and excellent public and active transport infrastructure (as discussed above) allows business access workforce from a large region. In particular, access to a white-collar workforce in Melbourne's eastern and inner-northern suburbs.

Growth in the residential apartments in Yarra was also considered a benefit to local businesses, as new residents are generally of a younger and educated demographic, aligned with the creative and knowledge-driven nature of local businesses.

- **Lifestyle and Vibrancy.** Yarra's liveability, and rich cultural vibrancy is a key strength in attracting creative businesses and workers. Businesses and workers are attracted to Yarra by the vibrant street life, range of cultural activities that can be found in Yarra's retail precincts, obscure venues, galleries, and strong food and café scene. Access to open space, parklands, and the Yarra River is another important strength for Yarra.

As competition for talented workers increases, particularly in the technology and creative sectors, Yarra's lifestyle appeal provides the key competitive advantage, compared with more 'sterile' and formal working environments in the CBD and St Kilda Road. This is considered a key factor for younger workers (25-40) which make up large proportion of the workforce in the creative industries.

- **Parking and Car Share.** Compared with the CBD, parking availability is seen as an advantage for off-street visitor parking (for visiting clients). Yarra is also seen as more likely to approve car parking reductions than other municipalities which reduces development cost and increases attractiveness for commercial developers.

In addition, the precincts are well supplied with car share operators which are utilised by businesses.

- **Supportive Council.** Yarra is seen as a progressive Council which is generally supportive of economic and business growth, particularly for high value employment uses. This is outlined in Council's Economic Development Strategy, and stakeholders cited positive relationships with Council's Economic Development Unit.
- **Brand Equity.** Yarra's key office precincts (Collingwood, Richmond, Cremorne, Abbotsford) have built strong reputations as progressive suburbs and hubs for creative enterprise. Businesses consulted through this study, and the Yarra Economic Development Strategy 2015, cited a certain level of 'cache' associated with their address which was important within their industry and customer base. Cremorne has emerged as major tech precinct of national significance, accommodating a number of the major companies in Australia (MYOB, Tesla, REA, Carsales, Uber, Seek *future*).

Collingwood and Abbotsford have a strong design focus (e.g. architecture, industrial design) which draw on the precincts' industrial heritage.

- **Agglomeration Benefits.** The concentration of industries provides greater benefit beyond branding, with agglomeration advantages associated with increased opportunities for collaboration, ideas sharing, networking, and 'cross-pollination' between firms. Cremorne accommodates a number of the largest tech companies in Australia which invest in and acquire other digital businesses, supporting a wider eco-system of start-ups and entrepreneurs.

## 3. CONCLUSIONS

### 3.1. INTRODUCTION

This section summarises the main findings of the research and consultation and discusses implications for future office demand projections in Yarra.

### 3.2. OFFICE DEMAND SUMMARY

The City of Yarra is currently experiencing a significant increase in office related planning permit activity. There are currently over 24 active planning permits which are under assessment with a total of 193,000sqm of office floorspace, and additional 27,000sqm of office floorspace which has been approved in 2017 (to September). Given that over the past seven years, the City of Yarra averaged approximately 20,000sqm of office space approved per annum, the current level of development interest is unprecedented in the City of Yarra. This has resulted from the combination of a number of factors:

- Historic undersupply of the inner-city office market, leading to increased tenant demand, record low vacancy rates, and strong rental growth;
- A softening in the residential apartment market which has shifted investor focus to the commercial property sector;
- A spike in employment driven by strong employment growth, as well as a number of other factors. Over the past two years, the Victorian economy added over 100,000 jobs, double the average of the past decade. Key knowledge-based and professional industries typically aligned with inner city locations have grown strongly;
- The competitive advantages of Yarra's employment and activity precincts which uniquely position the municipality to cater to the needs of contemporary businesses and workers. This includes:
  - A favourable zoning and development profile (particularly the availability of C2Z land);
  - Industrial heritage and opportunities for re-use and adaptation of heritage buildings;
  - Strategic location – proximity to CBD and eastern suburbs;
  - Transport connectivity;
  - Public transport and cycling infrastructure;
  - Strong lifestyle attributes and vibrant precincts; and
  - Recognition and brand equity for creative and tech-based enterprise.

These strengths have supported a growing business base, particularly small and medium enterprise. However, in recent years there has been increasing interest from larger businesses and regional headquarters as reflected in the increasing size in planning permit applications.

Further, increased competition between companies to attract and retain talented workers is occurring across the economy (particularly in the creative and technology sectors). For younger workers in these industries, the separation of work and personal life is becoming increasingly blurred. Therefore, workers are seeking a working environment and office location which reflects their lifestyle (e.g. cafes, cycling network, public transport), identity (e.g. aesthetic and bespoke office fitouts), and values (e.g. sustainable credentials and 'progressive' neighbourhoods), rather than the areas perceived as being more 'sterile' and 'bland' environments of traditional office precincts in the CBD and Docklands.

These factors combine to underpin strong demand for office space in Yarra at present and indicate a competitive advantage in relation to attracting businesses seeking a young, creative, and skilled workforce.

### 3.3. OFFICE GROWTH SCENARIOS

Analysis of the latest economic and property data demonstrates that Melbourne has experienced a significant employment surge in the last two years, and is further strengthening as a professional services location. Strong growth in demand has shifted the local development economic conditions resulting in a significant short term increase in office development proposals.

The analysis in this report indicates that local employment growth in the short to medium term is likely to exceed historical growth rates in employment and office development. A range of other factors support the need to consider higher demand scenarios, including:

- A number of the existing office development proposals have reportedly secured a major tenant commitment, and the development economics are favourable for office development. Therefore, it is considered likely that a number of the development proposals will be delivered in the short-medium term;
- In addition to the current office development proposals under planning assessment, there are a number in the pre-planning stage. Therefore, the scale of proposed floorspace goes beyond the 193,000sqm currently in the planning system;
- The influx of new supply in Yarra, and the expected supply increases in the CBD which are expected to come to market in 2019-2020, is likely to absorb a proportion of the substantial existing latent demand, and may slow the pace of new floorspace development in the medium term;
- Yarra's office market is yet to mature and consultation revealed a common view that key precincts such as Cremorne are still in their 'embryonic' stage and have significant scope for further growth and agglomeration. The construction of a number larger office developments proposals, may stimulate further development proposals and support long-term growth;
- Yarra's competitive advantages and unique positioning as a hub for creative and tech based businesses sets it apart from other major office markets (CBD, Docklands, St Kilda Road), and therefore, to some extent it is less impacted by the broader office supply cycle. Therefore, an expected influx of office supply in the CBD in 2019 and 2020, may impact underlying demand in Yarra less than in other areas.

#### SHORT TERM FLOORSPACE PROJECTIONS

A floorspace demand projection has been prepared at an indicative level which demonstrates a short-term increase in office floorspace.

The key components of this projection include:

- Over the short term (next five years), demand is likely to exceed existing projections. A number of the existing office development proposals have reportedly secured a major tenant commitment, and the development economics are favourable for office development;
- Over the medium-term (5 – 10 years), an influx in supply in Yarra and an expected influx into the CBD office market, is likely to absorb latent demand resulting in an increase in vacancies and a slowing in the pace of development. However, underlying demand is expected to remain strong;
- Over the longer term (10 -15 years) projecting future demand is uncertain due to potential macro-economic fluctuations. However, Yarra's fundamental competitive advantages and inner-city location position it for long-term growth and on-going enduring demand, with long-term growth settling to the expected average.

Over the next five years, there is expected to be demand for an additional 25,000 – 33,000sqm of office floorspace per annum.

Relatively conservative assumptions have been adopted for this indicative projection, including that only 50-75% of current planning permits under assessment, and permits approved in 2017 (total of 220,000sqm), will be constructed in the short-term. Further, the projection does not consider the number of proposals which are currently in pre-planning, and projections assume that the short-term influx of several major office developments in Yarra and the CBD will slow the pace of office floorspace growth in the medium term. It is therefore possible that actual floorspace growth may exceed the upper end of these projections, however it is difficult to project demand over a period of longer than 10 years.

It is noted that these indicative projections are dependent on land availability and property development economic conditions remaining comparable to current circumstances. Urban Enterprise has not undertaken analysis of land

supply and development capacity as part of this study, and projections are indicative based on the analysis outlined in this report.

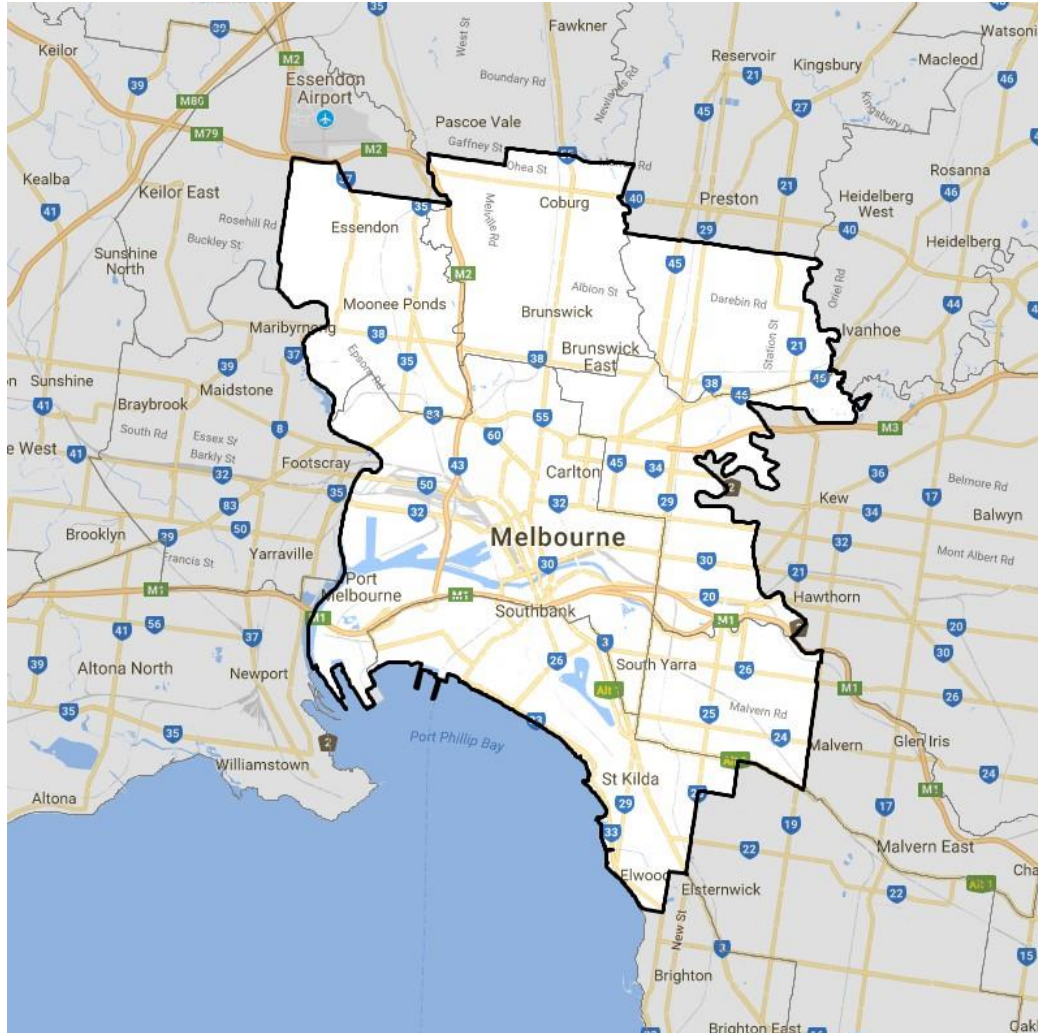
Based on the analysis presented in this report, it is expected that future demand for office floorspace in Yarra will be higher than historical growth rates. It is recommended that Council:

- ☐ Closely monitor the scale of approvals in order to revise projections over time as necessary; and
- ☐ Monitor economic and employment changes over time at the precinct level.

# APPENDICES

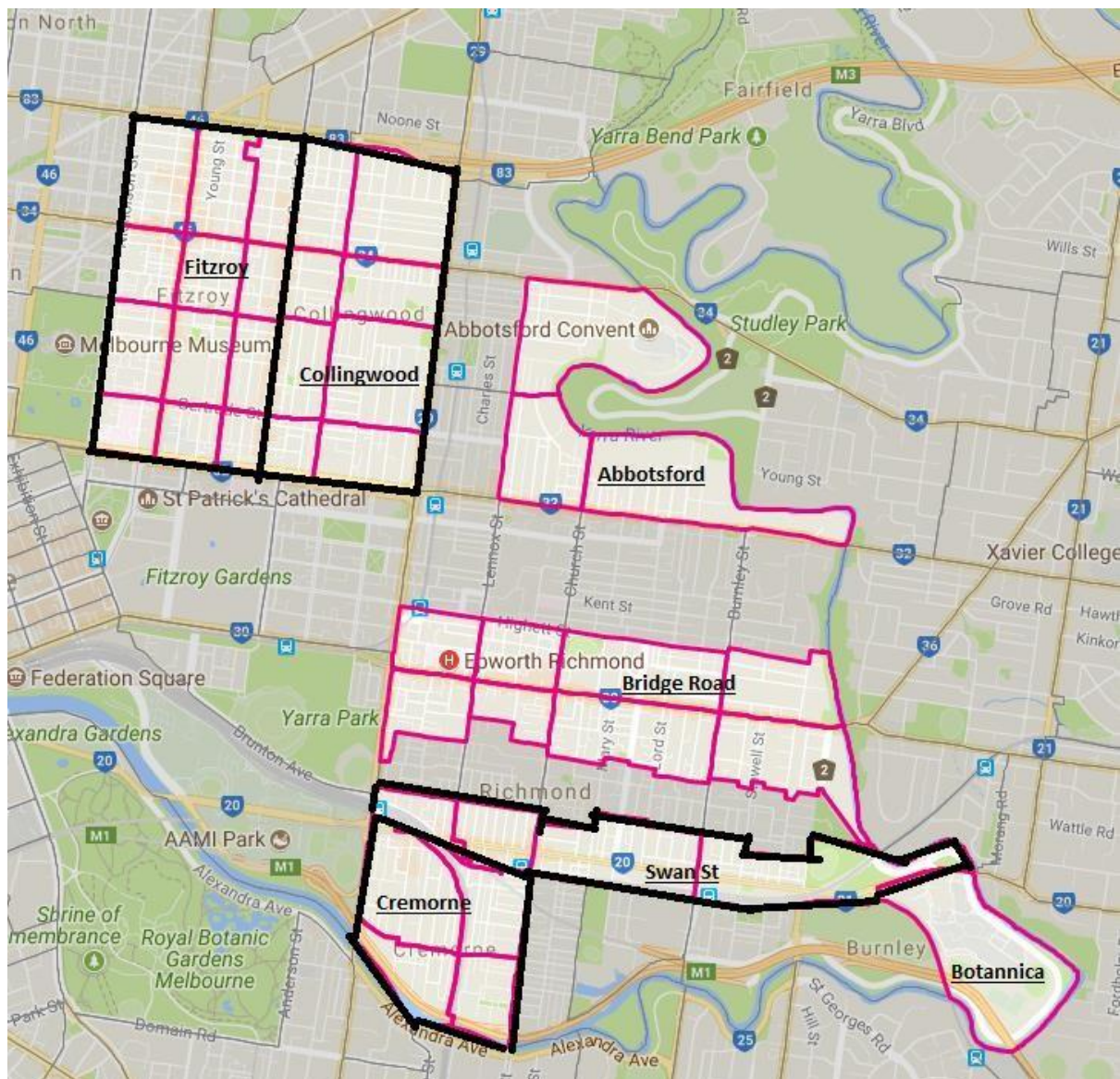
## APPENDIX A DATA AREA MAPS

FIGURE 9 INNER MELBOURNE SA4



Source: Remplan 2017

**FIGURE 10** EMPLOYMENT PRECINCTS IN CITY OF YARRA



Source: Remplan 2018

## APPENDIX B OFFICE PLANNING PERMIT ANALYSIS

**TABLE 12** CITY OF YARRA OFFICE PERMITS BY SUBURB 2011-2017\*

	APPROVED		UNDER ASSESSMENT		TOTAL		
Suburb	Office Floorspace (sqm)	Number of Permits	Office Floorspace (sqm)	Number of Permits	Office Floorspace (sqm)	Office Floorspace % of Total	Number of Permits
Richmond	48,384	21	71,176	8	119,560	35%	29
Cremorne	28,353	35	73,596	10	101,949	30%	45
Collingwood	57,494	34	5,719	2	63,213	18%	36
Abbotsford	5,435	8	32,261	2	37,696	11%	10
Fitzroy	2,752	8	7,540	1	10,292	3%	9
Burnley	6370	2	-	-	6,370	2%	2
Alphington	-	-	3,412	1	3,412	1%	1
Clifton Hill	1,369	4	-	-	1,369	0.4%	4
Fitzroy North	670	2	-	-	670	0.2%	2
Carlton North	558	2	-	-	558	0.2%	2
Total	151,385	116	193,704	24	345,089	100%	140

\*Year to September

Source: City of Yarra

**TABLE 13** CITY OF YARRA OFFICE PERMITS BY ZONE 2011-2017\*

	APPROVED		UNDER ASSESSMENT		TOTAL		
Zone	Office Floorspace (sqm)	Number of Permits	Office Floorspace (sqm)	Number of Permits	Office Floorspace (sqm)	Office Floorspace - % of Total	Number of Permits
Commercial 1 Zone	16,874	24	7,540	1	24,414	7%	25
Commercial 2 Zone	101,878	66	156,747	19	258,625	75%	85
Industrial 1 Zone	2,646	4	12,829	2	15,475	4%	6
Industrial 3 Zone	1,054	3	13,176	1	14,230	4%	4
Mixed Use Zone	28,933	19	3,412	1	32,345	9%	20
Total	151,385	116	193,704	24	345,089	100%	140

\*Year to September

Source: City of Yarra

## APPENDIX C CENSUS EMPLOYMENT ANALYSIS

**TABLE 14** IMAP EMPLOYMENT BY INDUSTRY 2011-2016

	YARRA (C)			STONNINGTON (C)			PORT PHILLIP (C)			MARIBYRNONG (C)			MELBOURNE (C)			TOTAL IMAP		
	2011	2016	%Growth	2011	2016	%Growth	2011	2016	%Growth	2011	2016	%Growth	2011	2016	%Growth	2011	2016	%Growth
Agriculture, Forestry and Fishing	67	142	112%	78	113	45%	104	222	113%	35	110	214%	466	642	38%	750	1,229	64%
Mining	30	39	30%	26	33	27%	328	382	16%	14	21	50%	1,642	1,565	-5%	2,040	2,040	0%
Manufacturing	4,323	3,391	-22%	1,274	968	-24%	3,112	3,146	1%	4,010	2,713	-32%	12,358	10,905	-12%	25,077	21,123	-16%
Electricity, Gas, Water and Waste Services	712	898	26%	131	102	-22%	239	243	2%	148	584	295%	6,269	8,678	38%	7,499	10,505	40%
Construction	3,503	4,241	21%	2,068	3,251	57%	4,266	5,091	19%	1,125	1,511	34%	8,285	13,436	62%	19,247	27,530	43%
Wholesale Trade	4,329	3,031	-30%	1,374	1,034	-25%	3,464	2,660	-23%	1,479	1,284	-13%	8,369	6,894	-18%	19,015	14,903	-22%
Retail Trade	8,015	9,827	23%	9,196	9,702	6%	4,548	5,544	22%	4,553	5,855	29%	14,857	19,184	29%	41,169	50,112	22%
Accommodation and Food Services	4,566	6,737	48%	4,464	5,920	33%	4,299	5,734	33%	1,484	2,548	72%	21,178	29,480	39%	35,991	50,419	40%
Transport, Postal and Warehousing	1,463	2,790	91%	618	537	-13%	2,402	3,283	37%	1,744	2,375	36%	13,273	16,412	24%	19,500	25,397	30%
Information Media and Telecommunications	2,200	2,321	6%	1,570	1,655	5%	2,559	2,818	10%	651	446	-31%	20,844	23,755	14%	27,824	30,995	11%
Financial and Insurance Services	4,191	3,154	-25%	1,537	1,504	-2%	5,261	5,209	-1%	432	633	47%	53,779	59,916	11%	65,200	70,416	8%
Rental, Hiring and Real Estate Services	1,400	1,561	12%	1,278	1,962	54%	1,652	2,465	49%	492	554	13%	5,438	7,976	47%	10,260	14,518	42%
Professional, Scientific and Technical Services	9,304	12,422	34%	5,523	6,646	20%	13,957	14,656	5%	1,105	1,555	41%	67,840	77,929	15%	97,729	113,208	16%
Administrative and Support Services	2,342	2,154	-8%	1,540	2,065	34%	3,382	3,786	12%	658	852	29%	15,375	17,503	14%	23,297	26,360	13%
Public Administration and Safety	1,862	2,291	23%	951	1,186	25%	2,115	2,012	-5%	1,345	1,716	28%	37,859	41,658	10%	44,132	48,863	11%
Education and Training	2,939	4,041	37%	3,471	4,047	17%	2,405	3,470	44%	3,368	3,912	16%	21,232	28,129	32%	33,415	43,599	30%
Health Care and Social Assistance	12,153	14,300	18%	7,168	8,660	21%	4,005	6,033	51%	5,217	6,209	19%	28,040	33,601	20%	56,583	68,803	22%
Arts and Recreation Services	1,069	1,502	41%	702	913	30%	2,161	2,493	15%	519	703	35%	12,579	16,070	28%	17,030	21,681	27%
Other Services	2,319	2,478	7%	1,927	2,332	21%	2,679	2,950	10%	1,443	1,665	15%	7,459	8,989	21%	15,827	18,414	16%
inadequately described/not stated	834	3,773	352%	599	2,331	289%	999	3,727	273%	308	2,008	552%	2,942	14,029	377%	5,682	25,868	355%
Total	67,621	81,093	20%	45,495	54,961	21%	63,937	75,924	19%	30,130	37,254	24%	360,084	436,751	21%	567,267	685,983	21%

Source: ABS Census, Place of work, 2011 & 2016

**TABLE 15 YARRA PRECINCT EMPLOYMENT BY INDUSTRY, 2011-2016**

	CREMORNE			ABBOTSFORD			BOTANNICA			SWAN ST PRECINCT			BRIDGE RD PRECINCT			COLLINGWOOD			FITZROY		
	2011	2016	%Growth	2011	2016	%Growth	2011	2016	%Growth	2011	2016	%Growth	2011	2016	%Growth	2011	2016	%Growth	2011	2016	%Growth
Agriculture,	3	19	533%	4	18	350%	0	3	*	0	4	*	25	4	-84%	0	3	*	3	28	833%
Mining	0	4	*	3	0	-100%	0	4	*	8	3	-63%	0	0	*	0	0	*	0	0	*
Manufacturing	267	383	43%	859	537	-37%	23	10	-57%	132	94	-29%	254	219	-14%	656	588	-10%	368	371	1%
Electricity, Gas, Water & Waste Services	97	507	423%	26	6	-77%	12	17	42%	27	4	-85%	11	10	-9%	26	75	188%	5	7	40%
Construction	452	757	67%	180	549	205%	98	150	53%	86	141	64%	239	363	52%	307	503	64%	159	212	33%
Wholesale Trade	426	497	17%	514	413	-20%	19	63	232%	213	109	-49%	482	301	-38%	931	639	-31%	364	190	-48%
Retail Trade	1,366	2,194	61%	444	632	42%	14	352	2414%	413	664	61%	952	1,037	9%	904	1,223	35%	996	1,167	17%
Accommodation & Food Services	259	446	72%	140	436	211%	23	28	22%	286	618	116%	473	736	56%	427	832	95%	884	1,640	86%
Transport, Postal and Warehousing	109	573	426%	224	268	20%	6	11	83%	106	90	-15%	142	53	-63%	244	1,154	373%	44	92	109%
Information Media	467	487	4%	108	132	22%	11	64	482%	110	147	34%	363	331	-9%	215	372	73%	175	259	48%
Financial and Insurance Services	572	168	-71%	107	153	43%	1,533	1,118	-27%	132	62	-53%	230	186	-19%	51	76	49%	112	93	-17%
Rental, Hiring and Real Estate Services	202	222	10%	33	62	88%	12	0	-100%	30	46	53%	148	282	91%	162	84	-48%	90	182	102%
Professional, Scientific and Technical Services	1,322	2,378	80%	629	656	4%	356	373	5%	493	793	61%	774	1,010	30%	1,476	2,330	58%	1,211	1,472	22%
Administrative and Support Services	400	307	-23%	237	100	-58%	21	45	114%	67	64	-4%	247	139	-44%	457	519	14%	277	329	19%
Public Administration and Safety	69	63	-9%	63	101	60%	12	10	-17%	10	21	110%	357	458	28%	183	255	39%	401	392	-2%
Education and Training	105	359	242%	100	155	55%	4	4	0%	79	79	0%	267	377	41%	350	465	33%	719	1,063	48%
Health Care and Social Assistance	174	279	60%	211	345	64%	7	19	171%	140	171	22%	2,642	3,613	37%	1,269	1,147	-10%	4,911	5,589	14%
Arts and Recreation Services	87	229	163%	42	78	86%	0	9	#DIV/0!	54	64	19%	76	117	54%	107	246	130%	176	245	39%
Other Services	126	157	25%	210	259	23%	40	17	-58%	131	161	23%	275	309	12%	318	371	17%	298	338	13%
Inadequately described	89	563	533%	57	264	363%	16	100	525%	55	214	289%	60	351	485%	142	658	363%	92	566	515%
Total	6,592	10,592	61%	4,191	5,164	23%	2,207	2,397	9%	2,572	3,549	38%	8,017	9,896	23%	8,225	11,540	40%	11,285	14,235	26%

Source: ABS Census, Place of work, 2011 & 2016

\* Cannot be computed

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