



City Centre Vitality Dashboard

Prepared on behalf of:
The Committee for Brisbane

Prepared by:
Kerrienne Meulman, Director

October 2018

Job NO. 18079

www.urbanecomomics.com.au

Warranty

This report has been based upon the most up to date readily available information at this point in time, as documented in this report. Urban Economics has applied due professional care and diligence in accordance with generally accepted standards of professional practice in undertaking the analysis contained in this report from these information sources. Urban Economics shall not be liable for damages arising from any errors or omissions which may be contained within these information sources.

As this report involves future market projections which can be affected by a number of unforeseen variables, they represent our best possible estimates at this point in time and no warranty is given that this particular set of projections will in fact eventuate.

Urban Economics
Level 10, 87 Wickham Tce
Spring Hill QLD 4000
(ph) 07 3839 1400
mail@urbanecomomics.com.au

TABLE OF CONTENTS

1.0	INTRODUCTION	1
2.0	THE COMMERCIAL OFFICE MARKET	4
3.0	THE RESIDENTIAL MARKET	6
4.0	THE TOURIST SECTOR	9
5.0	THE RETAIL MARKET	10
6.0	THE EDUCATION SECTOR	12
7.0	POPULATION & MOBILITY	13
8.0	THE FUTURE OF THE CBD	17

1.0 INTRODUCTION

A central business district is generally defined as the business heart or centre of a city, often synonymous with financial and administrative functions. By their very name, CBD's connote a business orientation, facilitated and recognised through measures of vitality such office vacancy rates. This analysis measures the level of success or vitality of the Brisbane CBD through the exploration of three themes: human activity, economic activity and city image, meshing together a range of published and unpublished data sets, measuring their changes over time and calibrating an Index of CBD Vitality.



The Brisbane Pilot Study explores key elements of the three themes for the Brisbane City Centre/Inner City area including:

- City centre office market measures
- City centre retail performance measures
- City centre housing performance measures
- City centre tourism/hotel performance measures
- City centre pedestrian and public transport patronage measures
- City centre food & hospitality (restaurant and catering) performance measures

We have applied the Statistical Area 2 (SA2) of Brisbane City as the geographic collector from which the analyses and benchmarking data have been explored as illustrated in the following FIGURE 1.1

FIGURE 1.1: The Brisbane City SA2



The CBD is generally performing strongly, with stand out performances in the education sector, whilst the office market continues to represent a significant and dominant component of the CBD overall. Employing more than 122,000 workers the CBD is the dominant employment and business destination within South East Queensland. Of note, the health care sector is almost absent within the CBD proper, and supported more in the frame including Spring Hill areas.

The retail sector is absorbing new stock with the opening of the Brisbane Quarter retail and dining precinct and the other major shopping centres in the CBD are demonstrating particularly low vacancy rates (<2%), whilst poorer located, secondary and ground floor office building space is challenging. The CBD residential market appears to be outperforming the remainder of the Inner City residential market with strong interest in premium products and in student investor stock.

An empirical rating has been applied to each of the key sectors within the CBD based on employment and day time populations, occupancy rates, business growth and level of activity in 2017/2018, and total employment levels, as summarised below on a scale of 1 to 10, with 1 being the lowest or underperforming and 10 the highest.

1	2	3	4	5	6	7	8	9	10

<i>Residential Market</i>	6
<i>Office Market</i>	5
<i>Retail Market</i>	6
<i>Tourism Industry</i>	6
<i>Education Industry</i>	8
<i>Overall Rating</i>	6

2.0 THE COMMERCIAL OFFICE MARKET

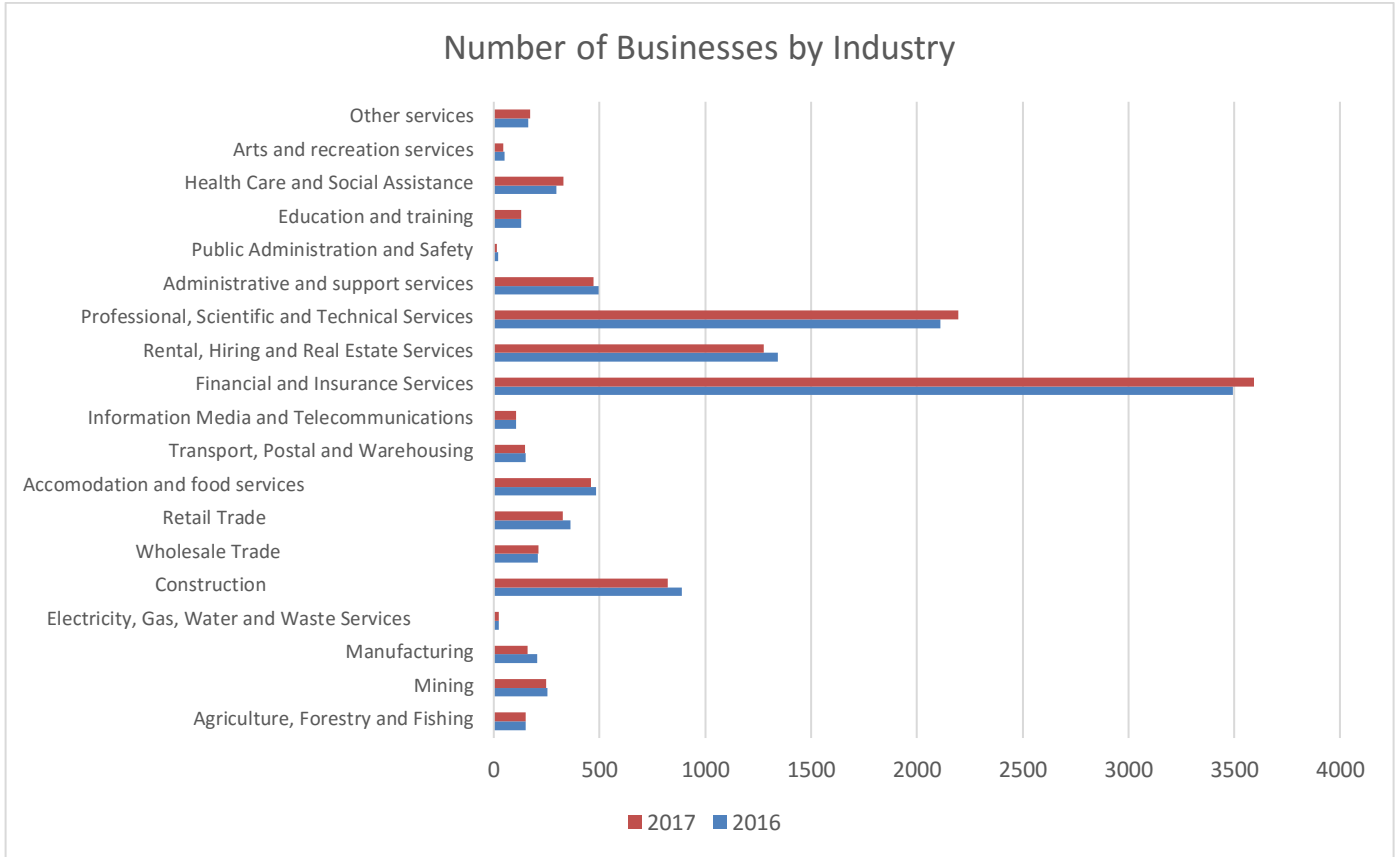
	Latest (Jul '18)	Previous (Jan '18)
Floor Space m ²	2,243,323m ²	2,255,386m ²
Vacancy %	14.60%	15.70%
Rents/m ² (Premium /A-Grade)	\$750/m ² (2018)	\$730/m ² (2017)
New Supply	Brisbane Quarter (under construction) + number mooted & awaiting precommitments	Brisbane Quarter (under construction)
Rating	5/10 Improving	

Sources: PCA Office Market Report, various agents, ABS

CBD's are traditionally recognised as the heart and principal administrative and commercial office market; the business district if you will. With more than 2.2million square metres of floorspace, the commercial office market in the Brisbane CBD continues to dominate the employment profile of the CBD, but the composition and nature of the office market is changing.

- The Property Council of Australia's Office Market Report continues to portray high vacancy rates within the Brisbane CBD office market, but declining vacancy rates are signalling that employment and business activity is returning to the CBD. Between July 2017 and January 2018, the PCA reported increasing vacancy rates in the CBD increasing from 15.7% (July 2017) to 16.2% in January 2018. However, due to improving economic activity and new leasing deals, the vacancy rate declined to 14.6% in July 2018 as the market starts to absorb new stock.
- In particular, there were 11,073 businesses registered within the CBD during 2017, comparable to 2016 levels, however, during both 2016 and 2017, business entries to the CBD outnumbered exits, reversing 2015 trends where the CBD experienced a net loss of businesses.
- Financial and insurance services and professional scientific and technical services clearly dominate the industry landscape within the CBD, together comprising more than 52% of all businesses registered within the CBD in 2017. Ongoing growth in professional occupations will continue to drive demand for additional commercial office space in the CBD. Significantly, the professional and scientific industry employs 20% of the CBD labour force, public administration and safety workers 20%, and finance and insurance services 12%, but all three sectors demonstrated declining numbers of workers between 2011 and 2016 placing downward pressure on the space requirements of commercial office tenants.
- Between 2016 and 2041, a further 12,000 additional public administration and safety workers and 11,500 additional professional, scientific and technical workers are projected to be working within the CBD, generating ongoing demand for commercial office space to accommodate these workers. (NIEIR).

FIGURE 2.1



Source: ABS

3.0 THE RESIDENTIAL MARKET

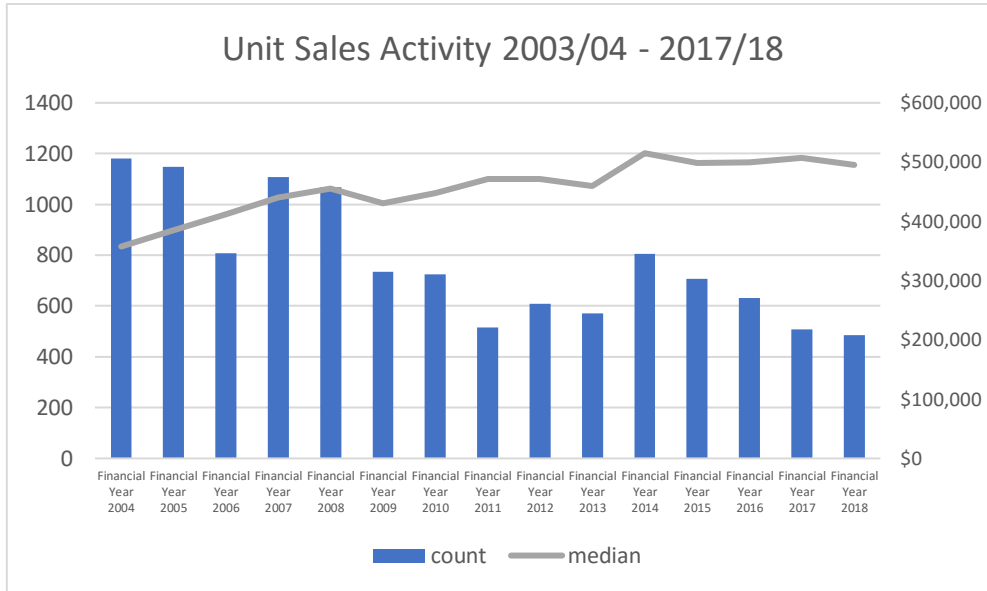
	Latest (Jun '18)	Previous (Jun '17)
Residents	11,700	11,400
Total # units	5,280	5,210
# under construction	1,540	
Median Price	\$495,000	\$506,900
Median Rental	\$530	\$520
Vacancy	5.30%	5.50%
Rating	6/10 Surprising Stability	

Sources: RTA, Pricerfinder, ABS, SQM Research, REIQ, various agents

The CBD residential market appears to be outperforming the remainder of the inner-city residential market, with low vacancy rates, and an active rental market, but is exhibiting some signs of softening in part related to the availability and type of new stock. The residential market of the CBD has the advantage of appealing to a range of market sectors including premium buyers, students and investors.

- The CBD residential market reflects both premium apartment stock and smaller, studio and student housing stock targeted at investors, compressing median sales prices. Median sales prices for residential units have been relatively flat since 2014/15 and declined 2.4% from \$506,900 for the 2016/17 financial year to \$495,000 for the 2017/18 financial year, influenced in part by a number of student accommodation/investor stock sales. 485-unit sales were recorded in the 2017/18 financial year, compared with 509 in the 2016/17 financial year.
- As a result of the two residential markets in the Brisbane CBD, there is also considerable diversity in price points, the highest sale price recorded in the CBD during 2018 to date was \$4.15million, with a median unit price of \$469,710 influenced by a number of sales of student apartments and studio units.

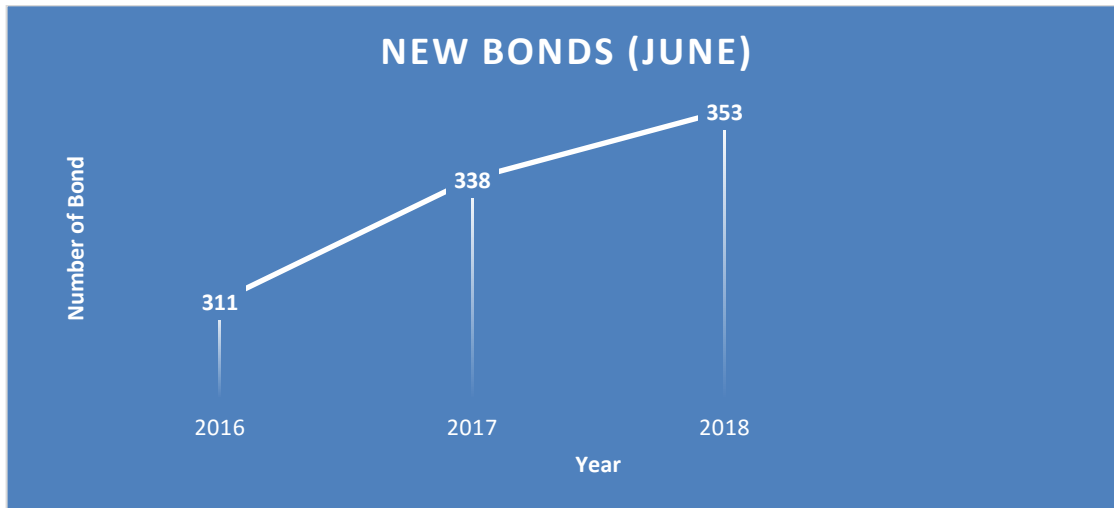
FIGURE 3.1:



Source: Pricefinder

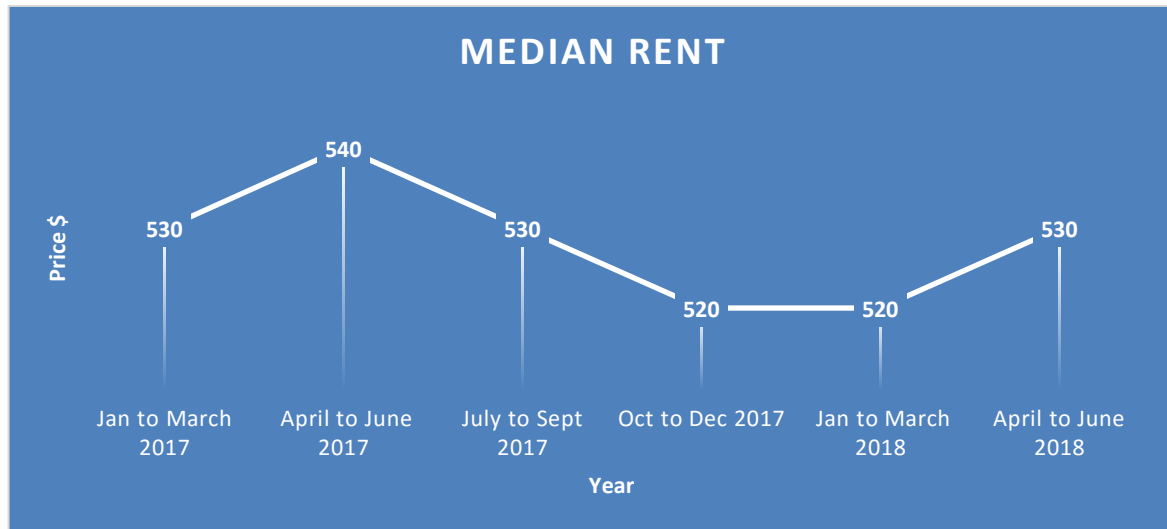
- According to the Australia Bureau of Statistics (ABS), only 3 residential approvals were granted in 2017/18 in the CBD, while in 2016/17, 266 dwelling units worth over \$745 million were approved, suggesting limited new supply of stock coming to market in the medium term.
- The rental market in the Brisbane CBD is strengthening with declining vacancy rates, gross yields holding firm, an increasing number of rental commitments and median rental rates returning to levels recorded in the September Quarter 2017. SQM Research reported a decrease in vacancy rates from 5.5% in July 2017 to 5.3% in July 2018, whilst the number of new rental bonds recorded by the RTA for the June Quarter has been increasing since 2016, indicative of a strengthening market.

FIGURE 3.2:



Source: RTA

FIGURE 3.3:



SOURCE: RTA

4.0 THE TOURIST SECTOR

	Latest (Jul '18)	Previous (Jan '18)
Total # rooms	7,391	6,859
# under construction	299	758
Room rates	\$140	\$150
Occupancy	80%	86%
Rating	6/10 Consolidating	

Source: STR, TRA, TEQld, Urban Economics

More than 1,120 new hotel rooms, including Brisbane's first five-star hotel in almost 20 years, have been added to the Brisbane CBD between 2016 and 2018, investing in much needed infrastructure for Brisbane's tourist and visitor markets. Demand for hotel accommodation is strengthening even in light of the number of new rooms added to the market, with more than 3.2million overnight visitors staying in accommodation in the CBD.

- With the opening of the W Hotel in March 2018 and the Adina Apartments in the CBD in July 2018, there are now some 7,391 short term accommodation rooms within the CBD (July 2018), a growth of more than 450 rooms since July 2017. A further 299 rooms are under construction and due to open when Brisbane's first Westin Hotel opens in November 2108.
- The Queen's Wharf project will deliver some 1,100 additional hotel rooms, anticipated to include Brisbane's first six-star hotel project and the introduction of new operators to the CBD.
- Occupancy rates for hotels within the CBD for the 12months ending July 2018 remained comparable to the period ending July 2017, even with the addition of new room stock to the market, suggesting that demand for short term accommodation in the CBD is increasing.
- The Brisbane CBD dominates the Brisbane Tourism Region in terms of the depth and mix of short-term accommodation available to visitors, currently housing some 39% of all short term accommodation rooms within the BTR and attracting 50% of all visitor nights spent in the BTR.
- Revenue per Average Room rate (RevPAR) for short term accommodation across the CBD has demonstrated a decline from 2012 to 2018 within the exception of in 2015 and 2017, even in light of the entry of new premium and five-star stock in 2017 and 2018, which reflects both increasing competitiveness as well as the increased diversity of room choices available within the CBD.

5.0 THE RETAIL MARKET

	2018	2017
Floor Space m² (major centres)	143,000m ²	143,000m ²
Vacancy %	8%	5.50%
Gross Rents \$/m²	\$4,250/m ²	\$4,650/m ²
- Well located Mall	\$6,500-7,000m ²	
- Well located specialty	\$3,000-4,000m ²	
Under construction	Brisbane Quarter 4,209m ²	Elizabeth Arcade 1,000m ²
Rating	6/10 Absorbing – A Tale of Two Markets	

Source: ABS, various agents, centre owners, Urban Economics inspections

The Brisbane CBD's retail market presents as a "Tale of Two Markets"; low vacancy rates in the Queen Street Mall and major shopping centres, undermined by vacancies outside the core, in ground floor commercial office buildings, arcades and older stock. Declining gross rents, incentives in the order of 15% (higher than both Sydney and Melbourne markets) and an overall vacancy rate of 8% suggest a stable or falling market, tempered by the performance of the CBD's shopping centres and prime retail strip.

- According to Colliers Retail Report the retail vacancy rate in the second half of 2016 was 5.90% decreasing to 5.50% for the second half 2017. With opening of new space in the Brisbane Quarter, and vacancies in ground floor office buildings and in arcades or older strip stock, vacancy rates in the order of 8% are now estimated as the market absorbs new stock.
- There are 12 major shopping centres and arcades within the CBD, the largest of which, Vicinity's Myer Centre, attracts some 30million shoppers annually, whilst the Queen Street Mall attracts 70,000 visitors daily. Together these centres accommodate some 143,000m² of retail space, with a September 2018 vacancy rate of just 1.6%, clearly illustrating the difference in performance of prime versus secondary space.
- Some 4,800 workers are employed within the retail sector in the CBD, representing 10% of the growth in the total CBD workforce between 2011 and 2016.
- The opening of more than 4,000m² of retail and dining space in the Brisbane Quarter, the redeveloped Brisbane Arcade and the Queen's Wharf precinct will further shift the retail focus north and beyond the traditional Queen Street Mall core of the CBD and contribute to the diversity of shopping experiences within the CBD.
- More than 550 cafes and restaurants are located in the CBD, from coffee kiosks to internationally recognised fine dining establishments. Iconic new dining venues that entered Brisbane's dining scene in 2018 included Three Blue Ducks, Donna Chang and the Boom Boom Room, whilst rooftop bars such as Sixteen Antlers, Elixir and, Sazerac Bar Brisbane are embracing Brisbane's skyline.

- Between 2011 and 2016, the number of workers employed within the food and beverage sector increased by some 1,415 persons in the CBD, representing a significant 22% of the total employment growth in the CBD during the intercensal period. In 2016, there were 5,016 workers in the food and beverage sector working in the CBD.

6.0 THE EDUCATION SECTOR

	Latest (2017)	Previous (2016)
# Establishments	129	128
Workforce	6,265 (2016)	3,808 (2011)
Students	4,201 (2016)	3,683 (2011)
Student beds	2,309 (2018)	814 (2017)
Rating	8/10 <i>Unsung Hero</i>	

Source: ABS, QUT, Echid

The education sector is the CBD's "Unsung Hero", accelerating employment growth in the CBD, propping up commercial office takeup rates, and creating a new market for residential development in the CBD. More than 9,000 students are in the CBD daily, attending the 129 educational and training institutions across undergraduate, postgraduate, English language, executive and workplace training and learning courses. Between 2013 and 2017, the number of educational and training institutions increased by 27 new businesses registered in the CBD.

- Significantly, 39% of the total growth in employment in the CBD between 2011 and 2016 was within the education and training sector, with a growth of some 2,457 workers in the CBD and the single most significant growth sector for employment across the CBD. In 2016, there were 6,265 workers employed in the CBD's education and training sector.
- Brisbane CBD is home to Queensland University of Technology's Garden point campus, with a student enrolment of some 31,500 in 2018.
- The University of Queensland opened its UQ Brisbane City campus in Queen Street in December 2017, with other universities offering campuses and executive training in the CBD including James Cook University Brisbane Campus, the CQUniversity Brisbane, Charles Sturt University Study Centres, ACU's Leadership Centre, and the Federation University Brisbane.
- Between 2011 and 2016, the number of student residents of the CBD studying at TAFE, University or other (non-school) educational facility increased by 20%, with some 3,834 resident students in the CBD in 2016.
- Four student accommodation residences providing some 2,309 beds in the CBD are currently operating within the CBD and Student One, comprising a further 919 student rooms, will open its Elizabeth Street facility in 2019. 1,595 additional student accommodation beds were opened in 2018.
- There are 9 child care centres within the CBD offering some 807 licensed places for young children.

7.0 POPULATION & MOBILITY

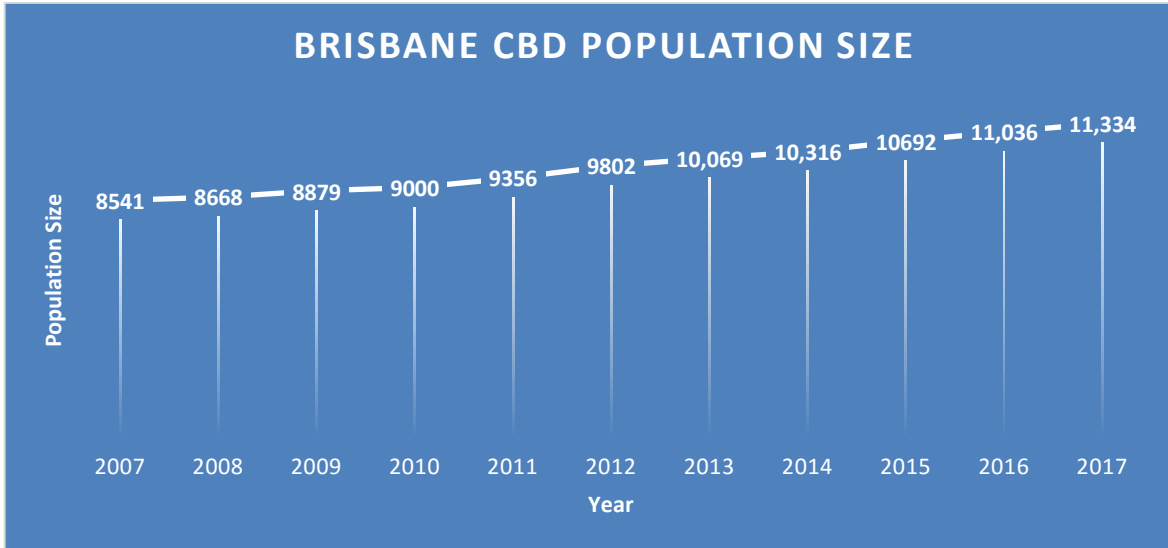
	Latest	Previous
Workers	122,486 (2016)	116,132 (2011)
Residents	11,700 (2018)	11,400 (2017)
Public transport %	43% (2016)	45% (2011)
Walking/cycle %	7.8% (2016)	7.0% (2011)
City Cycle (total network trips)	747,300 (2017/18)	522,388 (2016/17)
Private Car	24.5% (2016)	23.5% (2011)
Rating	7/10 Young, Hip and Mobile	

Source: BCC, ABS, QGSO, QT, Urban Economics estimates, Small Area Labour Markets

There are more than 150,000 people interacting within the CBD on a daily basis, 43% of whom access the CBD using public transport. The CBD is the largest single employing area within South East Queensland, it recorded the 10th largest growth in population across the City of Brisbane between 2006 and 2017, and is the 6th youngest area in the City behind university suburbs such as St Lucia, Indooroopilly and Kelvin Grove. “Young, hip and mobile!” There are also more than 9,000 students and 8,500 overnight visitors daily in the CBD, transitioning activity in the CBD from day to night.

- The Brisbane CBD is the largest single employing area within the Brisbane Metropolitan area, employing 122,486 workers in 2016, an increase of 6,354 workers or 5.5% from 116,132 in 2011.
- Although comprising less than 1% of the total Brisbane City Local Government Area (LGA) population in 2017, the share of the City’s population calling the CBD home has increased by 54% since 2001 and by June 2018. It is estimated that there were 11,700 persons living within the Brisbane CBD in June 2018, a growth of some 300 persons from June 2017.
- The Brisbane CBD has experienced a continuous increase in population over the last 10 years (FIGURE 7.1), with an additional 3,000 persons moving to the Brisbane CBD between 2008 and 2018. Significantly, between 2006 and 2017, the CBD recorded the 10th largest increase in total population by SA2 throughout the City of Brisbane.

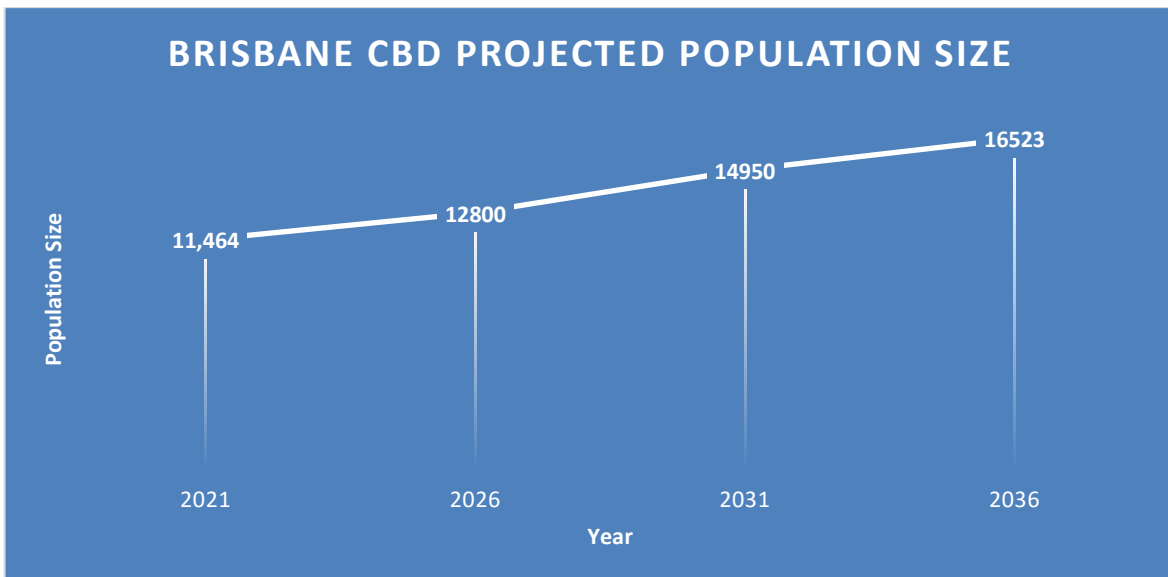
FIGURE 7.1



Source: ABS

- The rate of growth in the Brisbane CBD has surpassed that anticipated by the Queensland Government Statistician’s Office (QGSO) to 2021. The State projections anticipated that a further 5,000 additional residents will move to the Brisbane CBD between 2018 and 2036, requiring at least 2,300 additional dwellings to accommodate them.

FIGURE 7.2

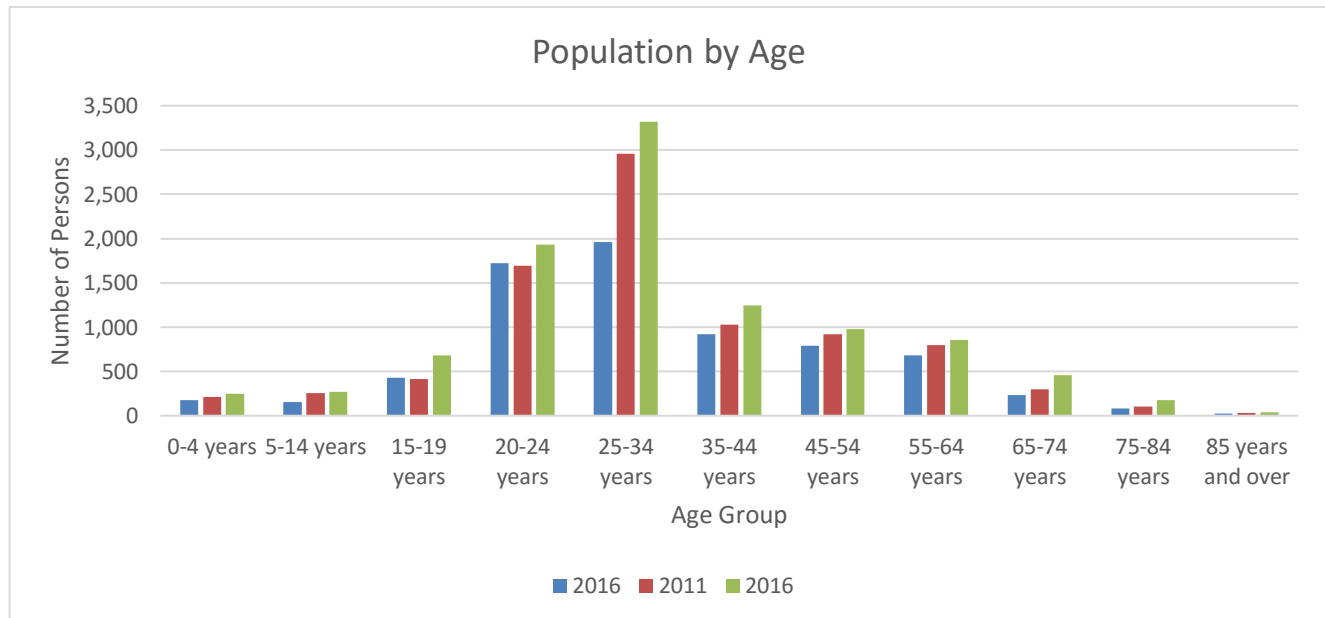


Source: QGSO

- The Brisbane CBD is one of the most ethnically diverse communities in South East Queensland; only 35% of the population of the CBD was born in Australia in 2016, and a further 31% was born in Asian countries. A significant 25% of those born in Asian countries living in the CBD were Chinese and a further 24% were Korean.

- With a median age of 29.8 years in 2016, the CBD is also one of the youngest communities in South East Queensland; the 6th youngest SA2 behind St Lucia, Kelvin Grove-Herston, Toowong, Indooroopilly and Taringa. In fact, “Twenty-somethings” love to call the CBD home, and their numbers continue to grow! A significant 38% of residents were aged 20-29 in 2016 and the share of those 20-29 living within the CBD has increased from 32% in 2011.

FIGURE 7.3



Source: ABS

- According to the Small Area Labour Market data, the rate of unemployment for those living within the CBD increased from 3.2% in the March Quarter 2017 to 4.1% for the March Quarter 2018, remaining well below the Brisbane City average of 6% for the March Quarter 2018. The City also recorded a slight increase in unemployment rates from 5.8% in the March Quarter 2017, whilst the State recorded a declining unemployment rate during this period, indicative of some employment growth in regional centres.
- Average household sizes are on the increase in the CBD from 1.98 persons per household in 2011 to 2.18 persons per household in 2017, in part a reflection of the age profile and ethnicity of the community, with younger residents moving to the CBD.
- Almost 64,000 people travelled to the CBD each day using public transport in July 2018.
- Some 51,720 workers travelled to work in the CBD using public transport in 2011 and by 2016, this had increased to 52,527, a growth of only 1.6%. In comparison, those working in the CBD increased 5.5% over this period. Significantly, approximately 45% of CBD workers used public transport in 2011 but this had decreased to 43% by 2016.

- In comparison, 7% of workers walked or cycled to work in 2016. Interestingly, the number of trips undertaken using the City Cycle system increased 43% across the network, (the CBD and beyond) for the 2017/18 FY compared with the 2016/17 FY. More than 747,300 City Cycle trips were recorded over the 2017/18 Financial Year.

8.0 THE FUTURE OF THE CBD

Growth Areas	Projected Growth
Population Growth	+ 5,000 to 2036
Units Needed	+ 2,300 to 2036
Employment Growth	+ 80,000 to 2036
Office Space	>350,000m ² to 2041
New Hotel Beds Under Construction	>1,400
Rating	Onwards & Upwards

Source: ABS, NIEIR, QGSO, RLB, Urban Economics

The Brisbane CBD is subject to significant investment and activity which will contribute to the continued diversity of the CBD as a vital, vibrant, 24-7 City Centre. Cranes are crossing the City skyline, with some 10 cranes active on projects within the Brisbane CBD, representing 23% of all cranes reported by RLB's Crane Index within the Brisbane CBD and Surrounds 3rd Quarter 2018. More than \$5 billion of construction activity is currently underway in the CBD including:

Major ongoing projects in Brisbane CBD	\$
Queen's Wharf	3.6-4 billion
Student One Elizabeth St	150 million
Brisbane Quarter	800 million
Central Station redevelopment	67 million
Queen's Wharf pedestrian bridge	70 million

And significant future public and private sector investment in the Cross-River Rail, Brisbane Live, Brisbane Metro, mooted major commercial office towers awaiting pre-commitments, and residential apartments, continues to signal ongoing commitment to the CBD, further diversifying the role of the Brisbane CBD as much more than a business district.

The NIEIR employment forecasts for the CBD anticipate more 12,000 additional public and administrative workers and 11,500 professional and scientific workers in the CBD between 2016 and 2041. At just 15m² per worker, these additional workers would support at least 350,000m² of additional commercial office space in the CBD. Other key employment growth sectors include computer systems and data workers, food and beverage and retail workers.