



COMMITTEE
FOR BRISBANE

- SINCE 1958 -

INNER CITY VITALITY REPORT 2019

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PREPARED BY

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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.

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01. 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, CBDs connote a business orientation, facilitated and recognised through measures of vitality such as office vacancy rates. This analysis measures the level of success or vitality of the Brisbane CBD as well as SA2s surrounding it including South Brisbane and Fortitude Valley; 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of three themes: human activity, economic activity and city image, meshing together a range of published and unpublished data sets, measuring their changes over time and calibrating an Index of their Vitality.

A range of themes and data sources for the Inner-City precincts have been explored including:

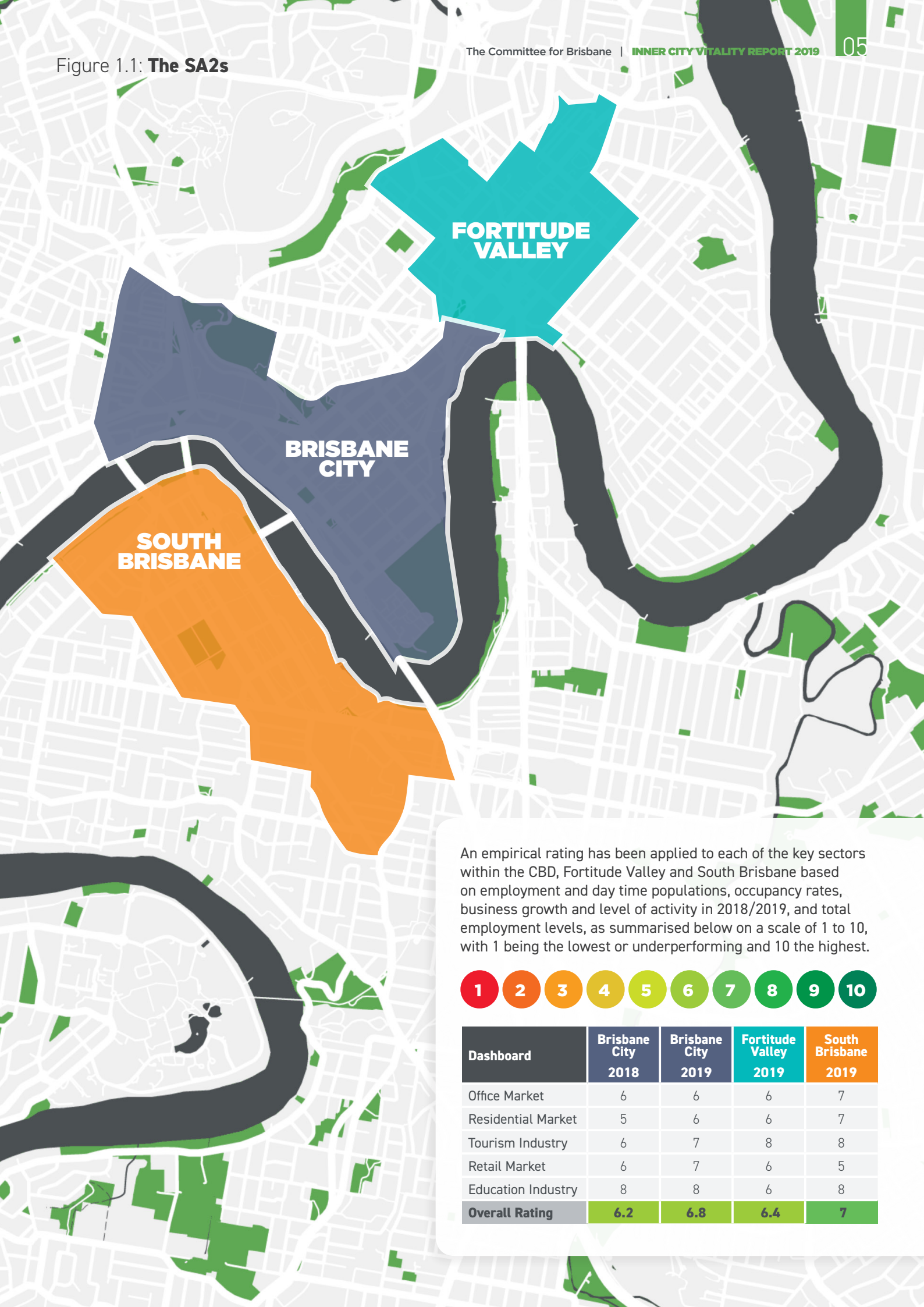
- office market measures;
- retail performance measures;
- housing performance measures;
- tourism and hospitality performance measures;
- active and public transport patronage measures; and
- cultural performance measures.

We have applied the Statistical Area 2 (SA2s) of Brisbane City, Fortitude Valley and South Brisbane as the geographic collectors from which the analyses and benchmarking data have been explored as illustrated in Figure 1.1 on the opposite page.

These areas have allowed for a focused analysis on the key precincts, which can be consistently measured against ABS data; succinct from broader boundaries such as the 'Urban Renewal' or 'Fringe' areas of Brisbane.



Figure 1.1: The SA2s



An empirical rating has been applied to each of the key sectors within the CBD, Fortitude Valley and South Brisbane based on employment and day time populations, occupancy rates, business growth and level of activity in 2018/2019, 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.



Dashboard	Brisbane City 2018	Brisbane City 2019	Fortitude Valley 2019	South Brisbane 2019
Office Market	6	6	6	7
Residential Market	5	6	6	7
Tourism Industry	6	7	8	8
Retail Market	6	7	6	5
Education Industry	8	8	6	8
Overall Rating	6.2	6.8	6.4	7



02. Brisbane City

This chapter measures the level of success or vitality of the Brisbane CBD by exploring the relative performance of the key sectors in the CBD benchmarked against the outcomes and key performance measures identified in 2018.

2.1 The Commercial Office Market

	Previous (Jul '18)	Latest (Jul '19)
Floor Space m ²	2,243,323m ²	2,211,600m ²
Vacancy %	14.60%	11.9%
Net Face Rents/m ² (A-Grade)	\$550/m ²	\$550/m ²
New Supply	Brisbane Quarter (under construction) + number mooted & awaiting precommitments	162,800 m ²
Rating	5/10 Improving	6/10 Signs of Life

Sources: PCA Office Market Report, various agents, ABS

CBDs 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 July 2019 Office Market Report demonstrated declining vacancy rates within the Brisbane CBD office market and the lowest rates since July 2013. Declining vacancy rates signal the return of employment and business activities to the CBD coupled with above average withdrawals during 2018/19. Much of the take-up of space has been attributed to large requirements from the co-working sector.
- There were 11,505 businesses registered within the CBD during 2018; slightly higher than the 2017 levels (11,121). During both 2017 and 2018, the number of 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 54% of all businesses registered within the CBD in 2018. 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%, however 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, the key growth sectors in jobs in the CBD by industry are anticipated within the public administration and safety workers, professional, scientific and technical workers, generating ongoing demand for commercial office space to accommodate these workers. (Brisbane City Council Employment Projection Model). Other key growth sectors include computer system design workers doubling in real numbers between 2016 and 2041.
- Brisbane City Council projects that more than 90,000 additional workers will be employed within the Brisbane CBD by 2041; increasing from some 122,480 workers in 2016 to more than 218,000 workers by 2041.

New office supply underway includes:

- Mirvac's 32-storey commercial tower is under construction at 62-80 Ann Street, comprising some 75,339 m² of commercial office space and is the most significant committed commercial office development currently within the CBD. Suncorp has committed to over 39,500m² of the space for its new HQ.
- As part of the ongoing redevelopment at 163 Charlotte Street, an additional 6,214 m² of office space will be added across 6 levels.
- Of note are two ongoing commercial office towers under construction at 300 George Street and 12 Creek Street (The Annex). They will deliver 58,209m² and 8,000m² of office space, respectively.

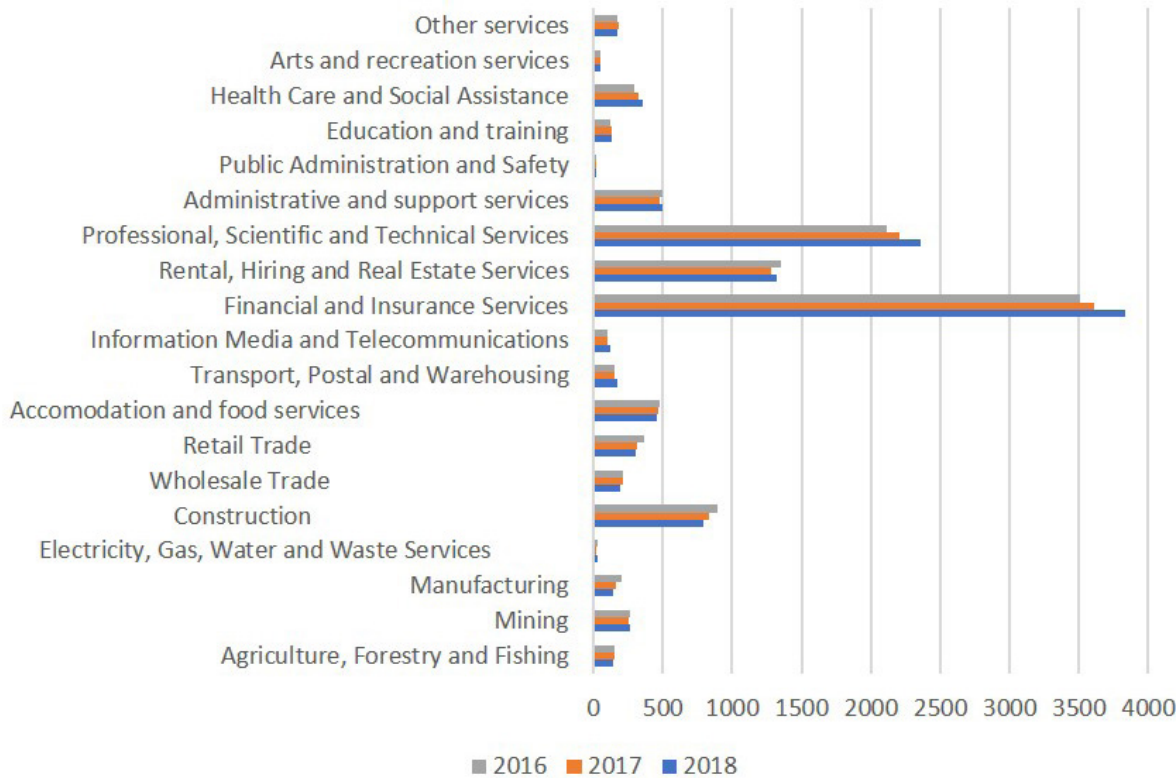


Figure 2.1: CBD Number of Businesses by Industry
Source: ABS

2.2 The Residential Market

	Previous (Jun '18)	Latest (Jun '19)
Residents	11,809	12,110
Total # units	5,210	5,906
# under construction	-	+2,246
Median Price	\$506,900	\$516,250
Median Rental	\$530	\$545
Vacancy	5.50%	3.60%
Rating	6/10 Surprising Stability	6/10 Absorbing

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

The residential market of the CBD has the advantage of appealing to a range of market sectors including premium buyers, students and investors and has continued to demonstrate signs of improvement with growth in median prices, declining vacancy rates and increasing median rental rates.

- 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 increased 1.2% from \$510,900 for the 2017/18 financial year to \$516,250 for the 2018/19 financial year. 533-unit sales were recorded in the 2017/18 financial year, compared with 158 in the 2018/19 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 2019 to date was \$2.5million, with a median unit price of \$516,250, influenced by a number of sales of student apartments and studio units.

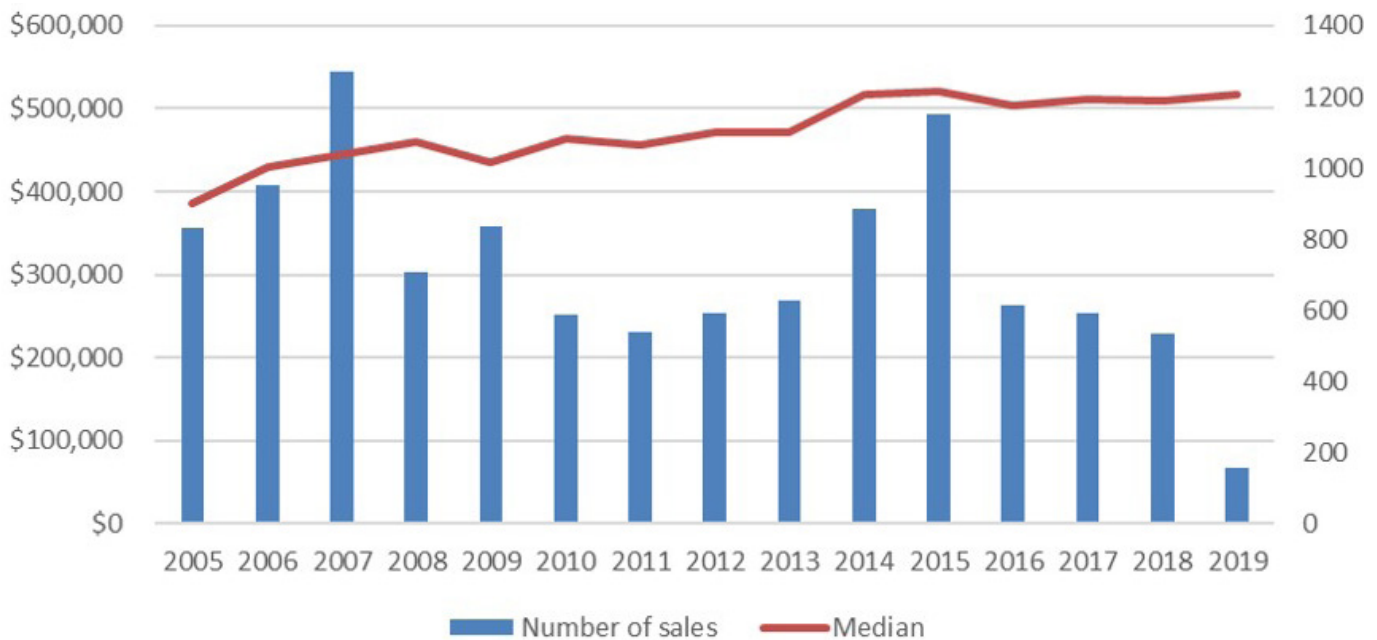


Figure 2.2: CBD Unit Sales Activity

Source: Pricefinder

- According to the Australia Bureau of Statistics (ABS), only 3 residential approvals were granted in 2017/18 in the CBD, while in 2018/19, 13 dwelling units worth over \$1billion 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, only a modest decline in the number of rental commitments and an increasing median rental rate with median rental rates having remained flat throughout 2018. SQM Research reported a decrease in vacancy rates from 5.3% in July 2018 to 3.6% in July 2019, whilst the number of new rental bonds recorded by the RTA for the June Quarter has been increasing since 2016 but experienced an insignificant 0.6% decline in 2019.
- The One residential tower is under construction at 300 George Street, which will ultimately comprise 428 units, whilst some 2,000 additional residential units will be delivered within the Queen's Wharf development.
- Cbus Property is currently building a residential development at 443 Queen Street comprising 264 apartments, 1,330m² of office space and 355m² retail space. Over 65% of the apartments have been sold; with two penthouses in the luxurious development sold off the plan for over \$6 million, making it one of the most expensive apartment developments ever sold in Brisbane.

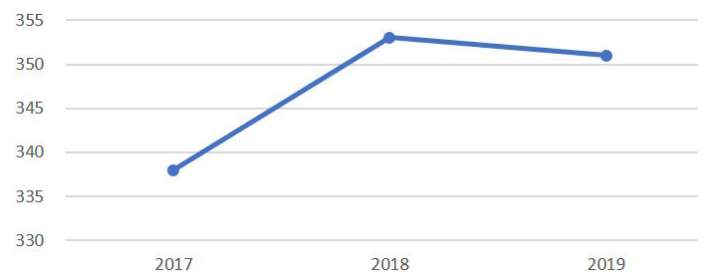


Figure 2.3: CBD New Bonds

Source: RTA

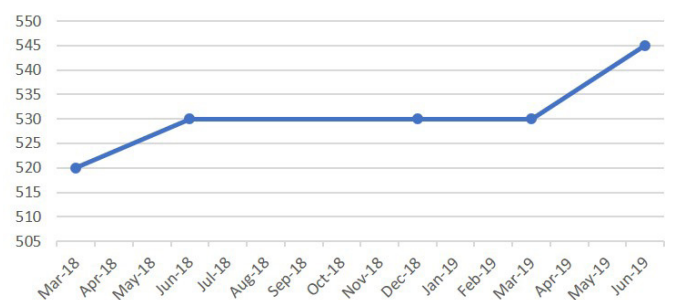


Figure 2.4: CBD Median Rents

Source: RTA

2.3 Tourist Sector

	Previous (Jul '18)	Latest (Jul '19)
Total # rooms	7,391	7,585
# under construction	299	1,100
REVPAR	\$169	\$164
Occupancy	81.7%	83.3%
Rating	6/10 Consolidating	7/10 Business End of the Market

Sources: STR, TRA, TEQId, Urban Economics

More than 1,580 new hotel rooms, including Brisbane's first five-star hotel in almost 20 years, have been added to the Brisbane CBD between 2016 and 2019, investing in much needed infrastructure for Brisbane's tourist and visitor markets, with 194 new rooms added since July 2018.

- According to Tourism Research Australia, there were some 11,560,000 international overnight visitors staying in accommodation in Brisbane, whilst some 7,106,000 domestic overnight visitors also stayed in accommodation in Brisbane.
- Some 3,907,000 domestic day-trippers visited Brisbane city in the year ending December 2018 or approximately an average of 10,700 day-trippers per day.
- With the opening of the Westin Brisbane in November 2018, there are now 7,585 short term accommodation rooms within the CBD (July 2019), a growth of some 194 rooms since July 2018.
- Three more hotels are under construction as part of the Queen's Wharf redevelopment, which will deliver some 1,100 additional rooms including the six-star Ritz-Carlton and five-star Rosewood and Dorsett Hotels
- Occupancy rates for hotels within the CBD for the 12 months ending July 2019 tightened over the previous 12 month period, even with the addition of new room stock to the market, suggesting that demand for short term accommodation in the CBD continues to increase, particularly in light of the range of quality new stock available to the market.
- 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 61% of all short-term accommodation rooms within the BTR and attracting 94% of all visitor nights spent in Brisbane City, Fortitude Valley and South Brisbane.

- Revenue per Available Room rate (RevPAR) for short term accommodation across the CBD has demonstrated a decline from 2013 to 2019 with the exception of 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.

2.4 The Retail Market

	2018	2019
Floor Space m ² (major centres)	178,000m ²	181,000m ²
Vacancy %	8%	5%
Gross Rents \$/m ²	\$4,175/m ²	\$4,250/m ²
• Well located Mall	\$6,500-7,000m ²	\$4,250/m ²
• Well located specialty	\$3,000-4,000m ²	
Under construction	Brisbane Quarter 4,209m ²	Mirvac 1,098m ² Queen's Wharf 40,000m ²
Rating	6/10 Absorbing Tale of Two Markets	7/10 Strengthening Vitality

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

- There has been a measurable and clear takeup of vacancies in ground floor office buildings and in arcades or older strip stock; vacancy rates less than 5% are now estimated across the CBD.
- 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 181,000m² of retail space, with a September 2019 vacancy rate of less than 1%.
- The Mirvac commercial tower under construction will add a further 1,098m² of retail space, whilst some 40,000m² of retail space is anticipated within the Queen's Wharf precinct, together with 50 new bars, cafes and restaurants throughout the precinct.
- A range of proposals has been lodged to refurbish existing commercial buildings into mixed-use towers that include retail on the ground floor and offices in upper levels. E.g. A proposal has been lodged to reposition 288 Edward St office building and to refurbish the ground floor level to include enhanced retail 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 future Queen's Wharf precinct continues to shift the retail focus north and beyond the traditional Queen Street Mall core of the CBD and will contribute to the diversity of shopping experiences within the CBD.
- More than 550 cafes and restaurants are in the CBD, from coffee kiosks to internationally recognised fine dining establishments. Iconic new dining venues that entered Brisbane's dining scene in 2019 included Phoenix, Polpetta, Jumbo Thai, Massimo Restaurant & Bar, and Greca, whilst rooftop bars such as Fiume Bar, 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.

2.5 The Education Sector

	Previous (2018)	Latest (2019)
# Counts*	129	129
Workforce	6,265 (2016)	6,265 (2016)
University Students	>34,000	>34,000
VET Students	5,400 (2017)	4,730 (2018)
Primary and Secondary Students	102 (2017)	104
Student beds	2,309 (2018)	3,244 (2019)
Rating	8/10 Unsung Hero	8/10 Unsung Hero

*Universities, English schools, Executive and workplace training institutions
Sources: ABS, QUT, Echild

The education sector is the CBD's "Unsung Hero", accelerating employment growth in the CBD, propping up commercial office take-up 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 2014 and 2018, the number of educational and training institutions increased by 19 new businesses registered in the CBD, remaining stable in 2019.

- 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.
- We estimate an enrolment of some 34,000 students in 2018 across the QUT campus, James Cook campus and CQUniversity Brisbane
- Between 2011 and 2016, the number of student residents in 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.
- Albert Park Flexible Learning centre located within the Brisbane City had some 104 students enrolled in 2018, increasing from some 102 students in 2017.
- Six student accommodation residences providing some 3,224 beds in the CBD are currently operating within the CBD. 901 additional student accommodation beds were opened in 2019.
- There were 9 childcare centres within the CBD offering some 807 licensed places for young children in 2018; reducing to 8 childcare centres offering some licensed 731 places in 2019.

2.6 Population & Mobility

	Previous	Latest
Workers	116,132 (2011)	122,486 (2016)
Residents	11,809 (2018)	12,110 (2019)
Public transport %	45% (2011)	43% (2016)
Walking/cycle %	7.0% (2011)	7.8% (2016)
City Cycle (total network trips)	747,300 (2017/18)	736,400 (2018/19)
Private Car	23.5% (2011)	24.5% (2016)
Rating	7/10 Young Hip and Mobile	7/10 Steady as She Goes

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

There are more than 160,000 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 2018 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 31,500 university students and 51,140 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 1% of the total Brisbane City Local Government Area (LGA) population in 2018, the share of the City’s population calling the CBD home has increased by 27% since 2008, and by June 2019 it is estimated that there were 12,110 persons living within the Brisbane CBD, a growth of some 300 persons from June 2018.
- The Brisbane CBD has experienced a continuous increase in population over the last 10 years (FIGURE 2.5), with an additional 3,442 persons moving to the Brisbane CBD between 2008 and 2019. Significantly, between 2006 and 2018, the CBD recorded the 10th largest increase in total population by SA2 throughout the City of Brisbane.

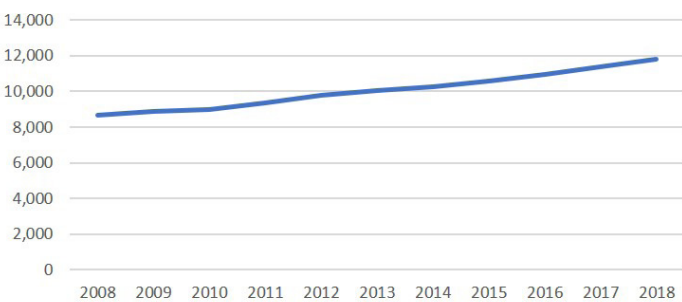


Figure 2.5: CBD Population Trend
Source: ABS

- The State projections anticipated that a further 8,720 additional residents will move to the Brisbane CBD between 2018 and 2041, requiring at least 3,900 additional dwellings to accommodate them.

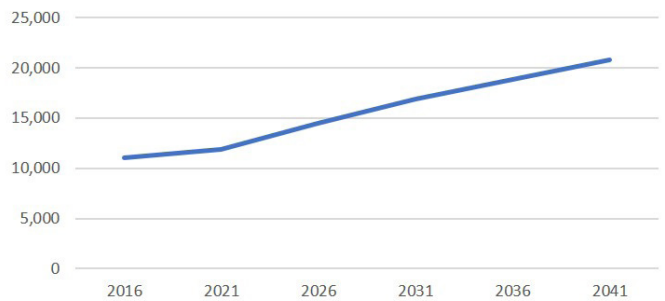


Figure 2.6: CBD Population Projection
Source: QGSO

- 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.

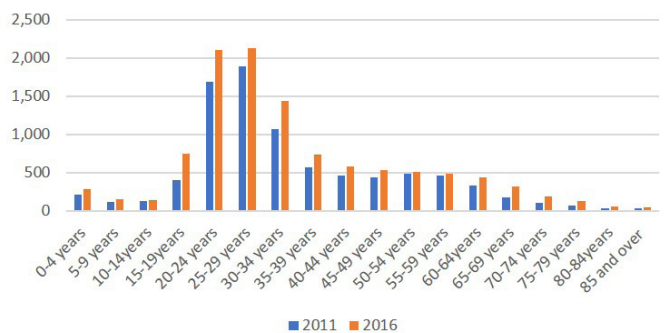


Figure 2.7: Population by Age
Source: ABS

- According to the Small Area Labour Market data, the rate of unemployment for those living within the CBD increased from 4.1% in the March Quarter 2018 to 4.4% for the March Quarter 2019, remaining well below the Brisbane City average of 6.2% for the March Quarter 2019. The City also recorded a slight

increase in unemployment rates from 6.0% in the March Quarter 2018, 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 2.05 persons per household in 2018, 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 reduced 1% across the network, (the CBD and beyond) for the 2018/19 FY compared with the 2017/18 FY due to the inclusion of Lime Scooters to the transport network. More than 736,400 City Cycle trips were recorded over the 2018/19 Financial Year.

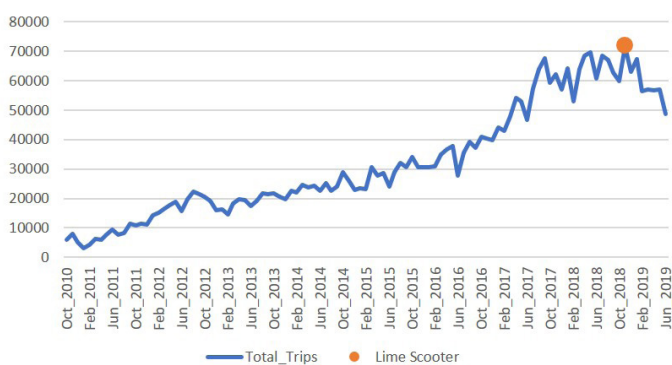


Figure 2.8: City Cycle Trips
Source: Brisbane City Council

2.7 The Future of the CBD

Growth Areas	Projected Growth
Population Growth	+ 8,720 to 2041
Dwelling Units Needed	+ 3,900 to 2041
Employment Growth	+ 90,000 to 2041
Office Space	>500,000m ² to 2041
New Hotel Beds Under Construction	+1,100
Rating	Onwards & Upwards

Sources: 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 15 cranes active on projects within the Brisbane CBD, representing 25% of all cranes reported by RLB's Crane Index within the Brisbane CBD and Surrounds 1st Quarter 2019. More than \$10 billion of major project activity is currently underway in the CBD including:

Major Committed projects in Brisbane CBD	\$
Queen's Wharf	3.6-4 billion
Central Station redevelopment	67 million
Queen's Wharf pedestrian bridge	70 million
Cross River Rail	5.4 billion

Significant future public and private sector investment in the Brisbane Metro, Eagle Street Pier, Brisbane Live, proposed new bridges, 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.

Brisbane City Council employment forecast for the CBD anticipate more 14,800 additional public administrative and safety workers and 19,870 professional and scientific workers in the CBD between 2016 and 2041. At just 15m² per worker, these additional workers would support at least 520,000m² 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.



03. South Brisbane & Fortitude Valley

This chapter measures and compares the level of success or vitality of Fortitude Valley and South Brisbane by exploring the performance of their key sectors.

3.1 The Commercial Office Market

	Fortitude Valley	South Brisbane
Number of Workers (2016)	22,088	27,493
Registered Businesses (2018)	2,398	1,551
Employment Projections (2041)	+8,000	+12,000
Floor Space m²	270,000m ²	200,000m ²
Vacancy %	12%	7.0%
Net Face Rents/m² (A-Grade)	\$500/m ²	\$500/m ²
New Supply (short term)	+60,000m ²	+17,000m ²
Rating	6/10 Professional Services Homes	7/10 Strength of the Fringe

Sources: PCA Office Market Report, various agents, ABS, JLL, Urban Economics

- The health and social assistance sector clearly dominates employment within South Brisbane, (34%) of all workers, and represented a growth of some 2,930 workers between 2011 and 2016, reflective of the opening of the Queensland Children’s Hospital in November 2014.
- Almost one quarter of the workers in Fortitude Valley were employed in the professional, scientific and technical sector, although demonstrating a decline of approximately 550 workers between 2011 and 2016.
- Projected growth in professional and scientific industry will continue to drive demand for additional commercial office space in both SA2’s. Between 2016 and 2041, a further 4,800 additional professional, scientific and technical workers are projected to be working within South Brisbane and 2,150 projected for Fortitude Valley;

generating ongoing demand for commercial office space to accommodate these workers. (Brisbane City Council Employment Projection Model).

- A total of 3,949 businesses were registered in Fortitude Valley and South Brisbane in 2018; with Fortitude Valley accommodating approximately 61% of all businesses registered within both SA2’s.
- In 2018, 51% of all businesses registered in South Brisbane were in the professional scientific and technical service industry, health care and social service industry as well as the rental, hiring and real estate industry.
- Professional scientific and technical services, rental, hiring and real estate services also dominate the industry landscape within Fortitude Valley, together comprising 37% of all businesses registered within Fortitude Valley in 2018.

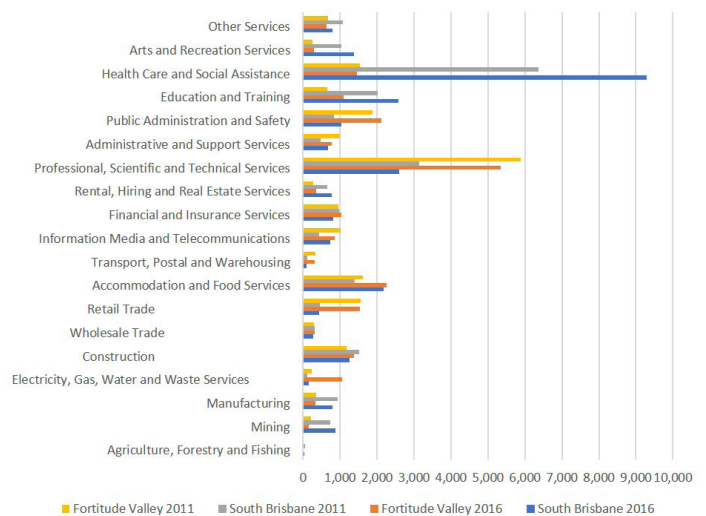


Figure 3.1: Number of Employment by Industry
Source: ABS

- As at January 2019, the Knight Frank Brisbane Fringe overview portrayed high vacancy rates (14.2%) within the Urban Renewal Precinct (includes Fortitude Valley, Bowen Hills, Newstead, Teneriffe and New Farm) office market because of pre-committed new supply. After being the focus of new supply during 2018, including some 33,400m² of additions, the Urban Renewal precinct has had by far the strongest net absorption of the Fringe precincts at 27,604m² for 2018. This has continued into 2019 with take-up in excess of 10,000m² in H1 and this is expected to be consolidated with the mooted lease of two floors to WeWork in 25 King St.
- A vacancy rate for the Valley of 12% is therefore estimated, and a tighter 7% vacancy rate estimated within South Brisbane.

Office developments approved and under construction within Fortitude Valley including:

- More than 110,200m² has been approved within Fortitude Valley; reflecting significant entry of new supply in the medium term.
- An office tower consisting of 32,067m² is under construction as part of the Valley Metro redevelopment.
- Another office tower consisting of 4,564m² is currently under construction at 89-91 McLachlan Street.

Office supply underway in South Brisbane includes:

- The Mobo comprising 17,000m² of commercial space across 11 levels is currently underway at 74, 78 and 80 Tribune Street and 134 and 138 Merivale Street South Brisbane.

3.2 The Residential Market

	Fortitude Valley	South Brisbane
Residents (2019)	9,150	9,880
Total # units (2019)	4,920	4,576
# Building Approvals 2018/19	207	366
# under construction	767	216
Median Unit Price 2019	\$427,500	\$510,000
# Number of Unit Sales 2018/19	121	165
Median Rental 2019	\$480	\$520
Vacancy 2019	4.0%	3.3%
Rating	6/10 Absorbing Supply	7/10 Absorbingly Active Market

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

- The highest sale price recorded in South Brisbane during 2019 to date was \$3million, with a median unit price of \$510,000, whilst in Fortitude Valley a \$2million was recorded, with a median unit price of \$427,500.
- Median sales prices for residential units in Fortitude Valley have been declining since 2014/15 with an influx of new stock, however, a 4.5% increase from \$408,050 for the 2017/18 financial year to \$427,500 for the 2018/19 financial year reflects some growth in the market. 258-unit sales were recorded in the 2017/18 financial year, compared with 121 in the 2018/19 financial year.
- Median sales prices for residential units in South Brisbane have been declining since 2016/17, reporting a median sales price of \$510,000 for the 2018/19 financial year. 453 sales were recorded in the 2017/18 financial year, compared with 165 in the 2018/19 financial year.

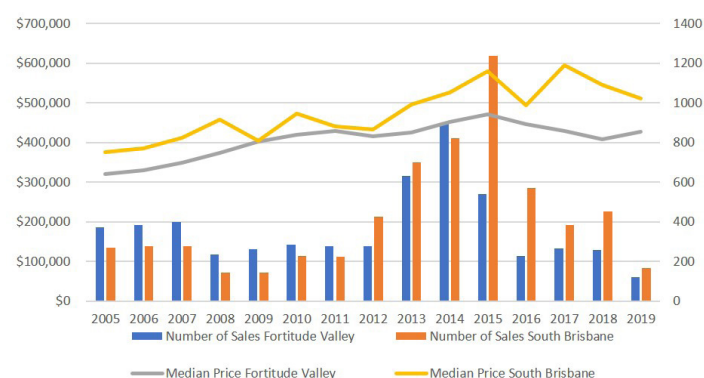


Figure 3.2: Unit Sales

Sources: Pricefinder

- According to the Australian Bureau of Statistics, both SA2s experienced a decrease in the number of residential approvals between 2017/18 to 2018/19 financial year as these markets continue to absorb stock and development activity. Whilst Fortitude Valley reduced from 587 approvals in 2017/18 to 207 approvals in 2018/19 worth \$230,205,000; South Brisbane reduced from 658 approvals to 366 approvals worth about \$140,600,000 during the same period.
- As reported by SQM Research, vacancy rates in both markets declined from 6.0% in July 2018 to 4.0% in July 2019 in Fortitude Valley and from 5.3% to 3.3% over the same period in South Brisbane, indicative of tightening market conditions.
- Median rents for both markets increased between the June Quarter 2018 and June Quarter 2019 across both markets.

- In South Brisbane, the number of new rental bonds recorded by the RTA for the June Quarter highlights a 5% decline in 2019 from 454 new bonds in 2018 to 430 new bonds in 2019, whilst for Fortitude Valley, the number of new rental bonds recorded by the RTA for the June Quarter highlights an 8.8% decline in 2019 from 570 new bonds in 2018 to 524 new bonds in 2019. We note that 2018 recorded the highest number of new bonds seen in Fortitude Valley in the last decade, followed by 2019 which recorded 524 new bonds.

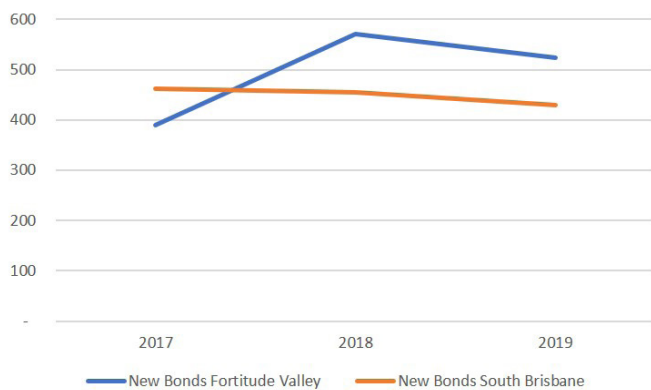


Figure 3.3: New Rental Bonds
Sources: RTA

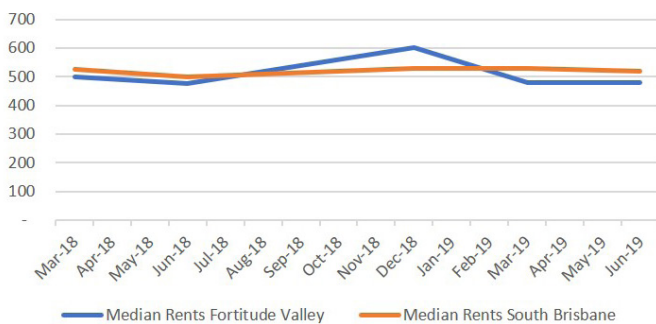


Figure 3.4: Median Rents (2 -bedroom unit)
Sources: RTA

New Residential supply in South Brisbane:

- A 33-level residential tower is underway consisting of some 216 high density residential units and four commercial tenancies at 75, 77 and 79 Hope Street 7 Lane street, South Brisbane.
- An application for 128 units was lodged in June 2019 together with retail at Hope Street, South Brisbane.
- Another proposal by DBI design has been lodged for 189 high density units within a residential tower containing

two retail tenancies at Merivale Street, South Brisbane

- Over the coming years, Kurilpa will emerge as a vibrant new riverside community welcoming some 11,000 residents. The Kurilpa Master Plan has been released, outlining the vision and strategies for the Kurilpa precinct to be delivered through a range of projects commencing in the next 5 to 10 years.

Residential supply underway in Fortitude Valley includes:

- A 27-floor residential tower called The Coterie is currently under construction at 365 St Pauls Terrace, Fortitude Valley. The tower will provide some 249 dwellings.
- As part of the Valley Metro redevelopment, a residential tower consisting of 207 apartments is under construction.
- A residential tower called Utopia consisting of 300 apartments is currently under construction at 275 Wickham Street

3.3 The Tourist Sector

Fortitude Valley is home to Brisbane’s music and late-night entertainment scene, including the recently opened Fortitude Music Hall and supports Australia’s largest adult entertainment precinct as well as Brisbane’s burgeoning boutique hotel market. South Brisbane, in contrast, is Brisbane’s cultural heart housing South Bank, the Convention Centre, QPAC, GOMA, the Museum and State Library.

	Fortitude Valley	South Brisbane
Total # rooms	967	1,741
# under construction	140	-
Overnight Visitors	387,000	856,000
Rating	8/10 Boutique Hub	8/10 Event Heart

Source: STR, TRA, TEQld, Urban Economics

Two hotels providing 197 new hotel rooms opened in South Brisbane between 2018 and 2019 and two new hotels with some 341 hotel rooms opened in the Fortitude Valley market during the same period. Demand for hotel accommodation is strengthening even considering the number of new rooms added to the market, with more than 856,000 overnight visitors staying in accommodation in South Brisbane during the year ending December 2018 and 387,000 overnight visitors staying in Fortitude Valley during the same period; increasing from 565,000 and 328,000 overnight visitors respectively during the year ending December 2017.

- With the opening of the upscale Callie Hotel in September 2018 and the 166 room Fantauzzo Art Series Hotel which opened in November 2018, there are now some 967 short term accommodation rooms within Fortitude Valley (July 2019), a growth from 626 rooms in 2018, representing an additional 341 rooms. The 103 room The Ovolo also opened as a repositioning and redevelopment of the former Emporium Hotel, officially launched in November 2018.
- Similarly, the opening of upscale Atlas Apartments and luxury Emporium Hotel in September 2018 increased the total number of rooms in South Brisbane from 1,544 in July 2018 to some 1,741 short term accommodation rooms in July 2019, representing a growth of more than 190 rooms. There are some 14 hotels located within South Brisbane including chains such as the Swiss-Belhotel, Mantra, Novotel and Rydges, as well as motels proximate to the hospital precinct.
- The Intercontinental Hotel Group is delivering a 140-room boutique hotel Indigo in Fortitude Valley, anticipated by 2020, with the Valley evolving as Brisbane's boutique hotel hub, including Limes, the Sage, The Calile, Alex Perry, The Ovolo, the Fantauzzo, and Tryp.
- Fortitude Valley is also home to Australia's largest concentration of adult entertainment venues, surpassing even Sydney's famed Kings Cross with additional venues also proposed.
- As reported by South Bank Corporation, the Brisbane Convention and Exhibition Centre (BCEC) hosted a total of 1,020 events; 129 conventions including 26 international conferences, 58,235 delegates, and 47 exhibitions during the 2017/18 financial year. The economic benefit to Queensland for conventions booked during this period was an estimated \$225 million.
- According to Mr Bob O'Keeffe, the General Manager of (BCEC); 2019 has been the best year yet for the BCEC, surpassing the success of the 2014/2015 G20 year, describing March 2019 as a particularly busy month, with BCEC hosting some 121 events including 16 conferences and attracting over 85,000 visitors.
- South Bank Corporation describes South Bank as one of Queensland's major local and tourist destinations with the visitation rate estimated at 13.8 million for the 2016-17 financial year.
- Queensland Museum's annual report for 2017/18 reports a record visitation for the financial year; with more than 2.1 million people visiting its exhibitions, galleries and the World Science Festival Brisbane. The British Museum's Egyptian Mummies: Exploring Ancient Lives opened in March 2018 at the Queensland Museum and attracted

more than 87,000 local, interstate and international visitors during the first half of its season.

- The Queensland Performing Arts Centre (QPAC) 2017/18 annual report records more than 1,000 performances and 1.7million visitors; 35% of whom were from outside Brisbane.
- To increase programming flexibility across venues, QPAC has announced the construction of a new 1,500 seat theatre worth \$150million by 2022, aimed to establish QPAC as the most significant performing arts complex in Australia in terms of co-location of performance arts.

3.4 The Retail Market

	Valley Retail Precincts	South Bank Precinct
Floor Space m² (major precincts)	4,760m ²	
• Emporium	13,810 m ²	12,540m ²
• James Street	8,000m ²	
• Brunswick/Chinatown		
# Restaurants & Cafes	190	110
# Number of Workers	2,031 (2016)	1,821 (2016)
• Food & Beverage Sector	1,542 (2016)	428 (2016)
• Retail Sector		
Vacancy %	12%	
• Emporium	13%	8%
• James Street		
• Brunswick/Chinatown	<5%	
Gross Rents \$/m²	\$1,250/m ²	\$1,500/m ²
• Emporium	\$1,600/m ²	
• James Street		
Under construction	5,930 m ²	384 m ²
Rating	6/10 Eclectic	5/10 Controlled

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

- There are 3 major shopping precincts and strips within Fortitude Valley, the largest of which is the James Street precinct. Together these centres accommodate some 26,570m² of retail space, while the South Bank precinct accommodates an estimated 12,540m² retail space.
- As at September 2019, Urban Economic estimates a vacancy rate of <10% within the Valley retail precincts, with higher vacancies concentrated within the Emporium and James Street.
- Urban Economics also estimates a September 2019 vacancy rate of around 8% for the South Bank precinct.
- The Fortitude Valley and South Bank precincts accommodate around 190 and 110 cafes and restaurants respectively; including specialty restaurants, bars and cafes, alongside rotating food trucks.

- Between 2011 and 2016, the number of workers employed within the food and beverage sector increased by some 760 persons in South Brisbane, representing a significant 15% of the total employment growth in South Brisbane during the intercensal period. Within the same period, the number of workers employed within the food and beverage sector increased by some 639 persons in Fortitude Valley, representing a significant 32% of the total employment growth in Fortitude Valley.
- Some 1,542 workers were employed within the retail sector in Fortitude Valley, representing 7% of the workforce in 2016 while some 428 workers are employed within the retail sector in South Brisbane, representing 1.5% of the workforce in 2016.

New retail space underway in South Brisbane includes:

- A total of 384m2 retail tenancy is under construction as one of the components of the residential tower being developed on 75-79 Hope Street and Fish Lane South Brisbane.

New retail space underway in Fortitude Valley includes:

- As part of the Valley Metro redevelopment, the residential tower has two levels of retail totalling 380m2 under construction while the commercial tower will accommodate 1,560m2 of retail, food and drink.
- Ongoing construction of commercial space at 89-91 McLachlan Street includes 390m2 retail space. Also, of note is the FV Fortitude currently under construction, which will comprise some 3,600m2 of retail space.

3.5 The Education Sector

	Fortitude Valley	South Brisbane
# Establishments*	29	15
Workforce	1,095 (2016)	2,586 (2016)
University Students	N/A	3,900 (2018)
VET Students	3,750	1,900
Primary and Secondary Students	1,557	6,363
Student beds	0 (2019)	2,382 (2019)
#Child Care Places	607	469
Rating	6/10 Watch this Space	8/10 Learning Hub

*Universities, English schools, Executive and workplace training institutions
Sources: ABS, Griffith, Echid, NCVET

Whilst Fortitude Valley has more educational establishments (29) than South Brisbane (15), South Brisbane has more than 12,000 students attending educational establishments within

its SA2, while Fortitude Valley has around 5,300 students attending vocational and training institutions (VET), primary and secondary schools.

- Significantly, 22% of the total growth in employment in Fortitude Valley between 2011 and 2016 was within the education and training sector, with a growth of some 435 workers in Fortitude Valley.
- Conversely, 12% of the total growth in employment in South Brisbane between 2011 and 2016 was within the education and training sector, with a growth of some 562 workers in South Brisbane. In 2016, there were 2,586 workers employed in South Brisbane's education and training sector.
- Between 2011 and 2016, the number of student residents in South Brisbane and Fortitude Valley studying at TAFE, University or other (non-school) educational facility increased by 22% and 33% respectively, with some 3,063 resident students in South Brisbane in 2016 and some 2,414 students in Fortitude Valley in 2016.
- South Brisbane is home to Griffith University's South Bank campus including the Conservatorium of Music and the Griffith Film School, with other universities offering campuses and training in South Brisbane including the University of the Sunshine Coast campus. The Griffith University campus reported a student enrolment of 3,195 students in 2018, whilst the Sunshine Coast Campus reported a 2018 enrolment base of 705 students. Student enrolment numbers at Griffith's South Bank campus have remained relatively consistent over the last 5 years.
- Between 2014 to 2018, the number of students enrolled in the University of Sunshine Coast increased by some 640 students from 65 in 2014 to 705 in 2018. We note that a significant 35% of the growth occurred between 2017 and 2018; increasing from 483 students in 2017 to 705 students in 2018.
- South Brisbane is also home to some VET establishments including South Bank TAFE, with a total of 1,900 student VET enrolments in 2018. A number of prominent secondary colleges are also located within South Brisbane including the sought after Brisbane State High, St Laurence's College and Sommerville House. A total enrolment of some 6,363 primary and secondary students is estimated to be interacting in South Brisbane.
- Fortitude Valley is home to Torrens University's Fortitude Valley campus and it also includes the Australian Institute of Creative Design (fashion design). All VETs within the SA2 accounted for some 3,750 students in 2018.
- All Hallows within Fortitude Valley SA2 recorded some 1,557 students in 2018.

Student Accommodation

- There are currently three main student accommodation residences operating within South Brisbane providing some 2,382 beds. UniLodge South Bank has also received approval in March 2019 for the reconfiguration of the double bedrooms within the building to two single beds where required to meet student demands, increasing potential capacity.

Child Care Centres

- There are 6 childcare centres within Fortitude Valley offering some 607 licensed places for young children in 2019.
- There are 3 childcare centres within South Brisbane offering some 469 licensed places.

New supply in Fortitude Valley

- The Inner-City North State Secondary College is currently under construction and is anticipated to be open for enrolments at the start of the 2020 school year.
- Whilst there are currently no student accommodation residences operating within Fortitude Valley, a new \$180 million international university and 30 storey tower comprising student accommodation is mooted associated with Torrens University.

3.6 Population & Mobility Dashboard

	Fortitude Valley	South Brisbane
Workers	22,088 (2016)	27,493 (2016)
Residents	9,150 (2019)	9,880 (2019)
Public transport %	31% (2016)	27% (2016)
Walking/cycle %	11% (2016)	8% (2016)
Private Car	46% (2016)	46% (2016)
Rail Passengers	>5.4million (2018/19)	5 million (2018/19)
Rating	7/10 Busyness	7/10 Young at Heart

Sources: BCC, ABS, QGSO, QT, Urban Economics estimates

South Brisbane Demographics

- The share of the population calling South Brisbane home has increased by 45% between 2008 to 2018 and it is estimated that in June 2019, there were 9,880 persons living within South Brisbane, with an additional 4,186 persons moving to South Brisbane between 2008 and 2018.

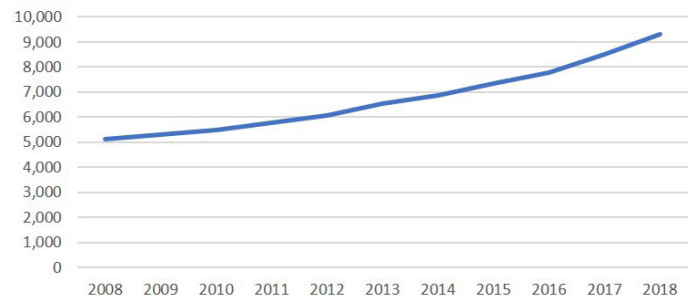


Figure 3.5: Population Growth
Sources: QGSO

- The State projections anticipate that a further 19,576 additional residents will move to South Brisbane between 2018 and 2036, requiring at least 9,790 additional dwellings to accommodate them, and supporting more than 31,000 residents and triple the area's current population base.

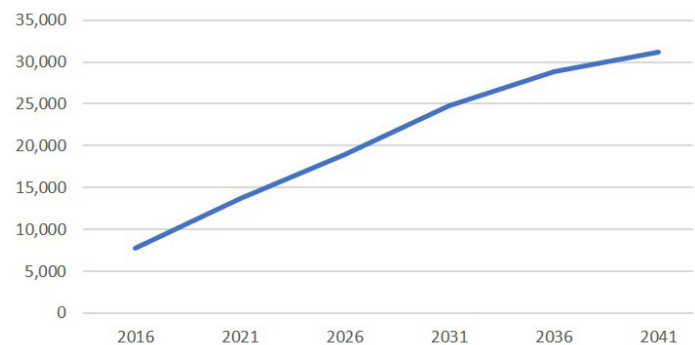


Figure 3.6: Population Projections
Sources: QGSO

- Average household sizes are on the increase in South Brisbane from 2.04 persons per household in 2011 to 2.15 persons per household in 2018, in part a reflection of the mix of younger residents moving to South Brisbane, with a significant 2,404 residents aged 20-29 years in 2016.
- South Brisbane is an ethnically diverse community; only 41% of the population was born in Australia in 2016, and a further 27% were born in Asian countries. A significant 28% of those born in Asian countries living in South Brisbane were Chinese and a further 13% were Korean, reflective of the important student population living within the area.

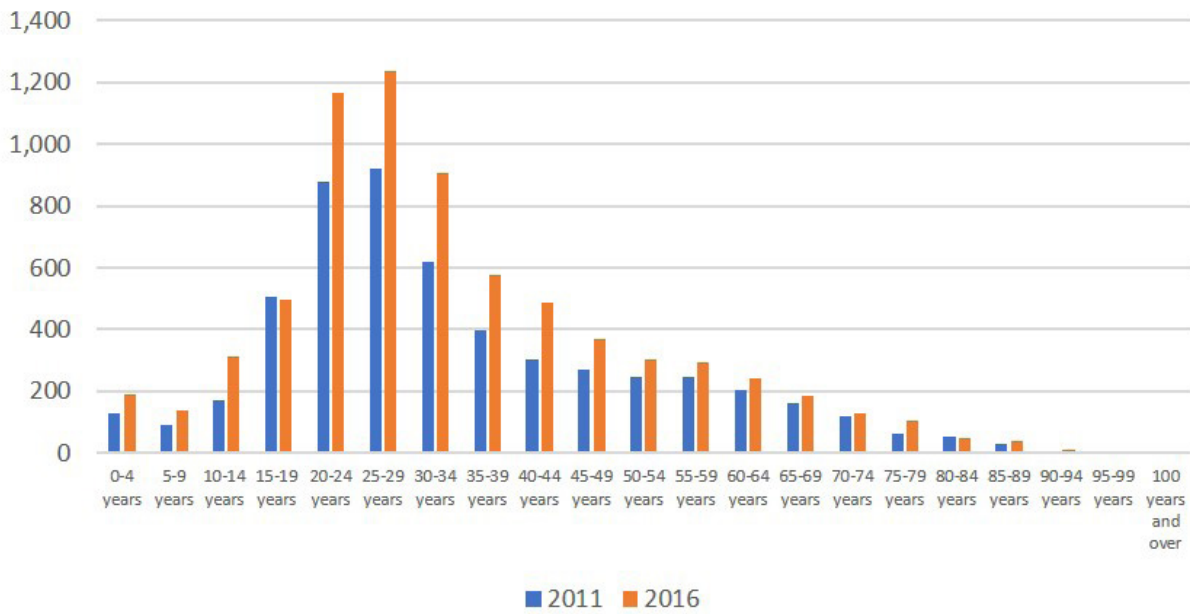


Figure 3.7: Population by Age

Sources: ABS

- On average, approximately 13,700 people travelled to and from South Brisbane daily using rail networks between May 2018 and April 2019 increasing from almost 12,780 people using the rail network in South Brisbane between May 2017 and April 2018. This reflects the upgrades and improvements to the South Bank rail station.
- Some 6,362 workers travelled to work in South Brisbane using public transport in 2011 and by 2016, this had increased to 7,499 a growth of 15%. In comparison, those working in South Brisbane increased 17% over this period. Significantly, approximately 28% of South Brisbane workers used public transport in 2011 and this remained the same in 2016.
- According to the Small Area Labour Market data, the rate of unemployment for those living within South Brisbane increased from 5.8% in the March Quarter 2018 to 6.7% for the March Quarter 2019, remaining slightly above the Brisbane average of 6.2% for the March Quarter 2019. The City also recorded a slight increase in unemployment rates from 6.0% in the March Quarter 2018, whilst the State similarly recorded a slight increase in unemployment rate during this period.

Fortitude Valley Demographics

- An additional 3,497 persons moved to Fortitude Valley between 2006 and 2018, representing a 4.5% increase. It recorded the 17th largest growth in population across the City of Brisbane between 2006 and 2018. By June 2019, it is projected that there were 9,150 persons living within Fortitude Valley. Significant growth post 2011 reflects the activity in new apartment construction within the area.

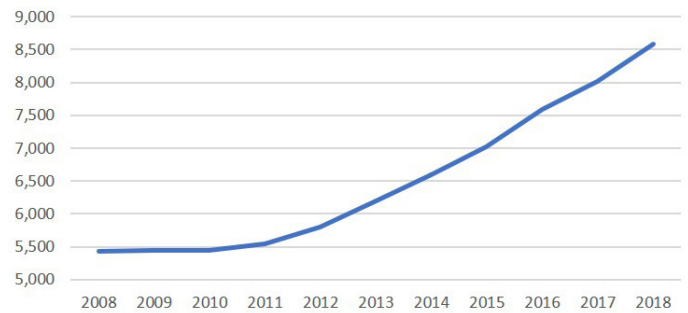


Figure 3.8: Population Growth (Fortitude Valley)

Sources: ABS

- The State projections anticipate that a further 11,500 additional residents will move to Fortitude Valley between 2018 and 2041, requiring at least 5,300 additional dwelling units.

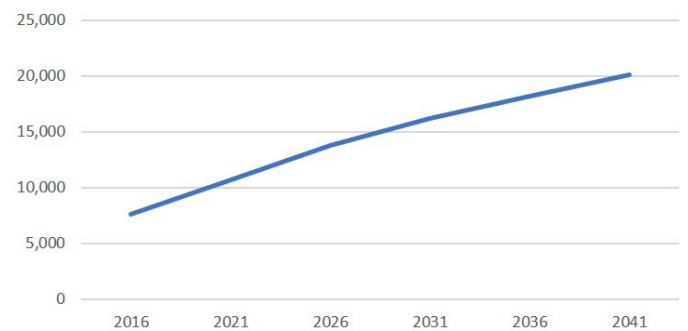


Figure 3.9: Population Projection (Fortitude Valley)

Sources: QGSO

- Only 47% of the population was born in Australia in 2016, and a further 17% was born in Asian countries. A significant 12% of those born in Asian countries living in Fortitude Valley were Chinese and a further 12% were Korean.
- A significant 2,687 of residents were aged 20-29 in 2016 and the population of those 20-29 living within Fortitude Valley has increased from 2,099 in 2011.

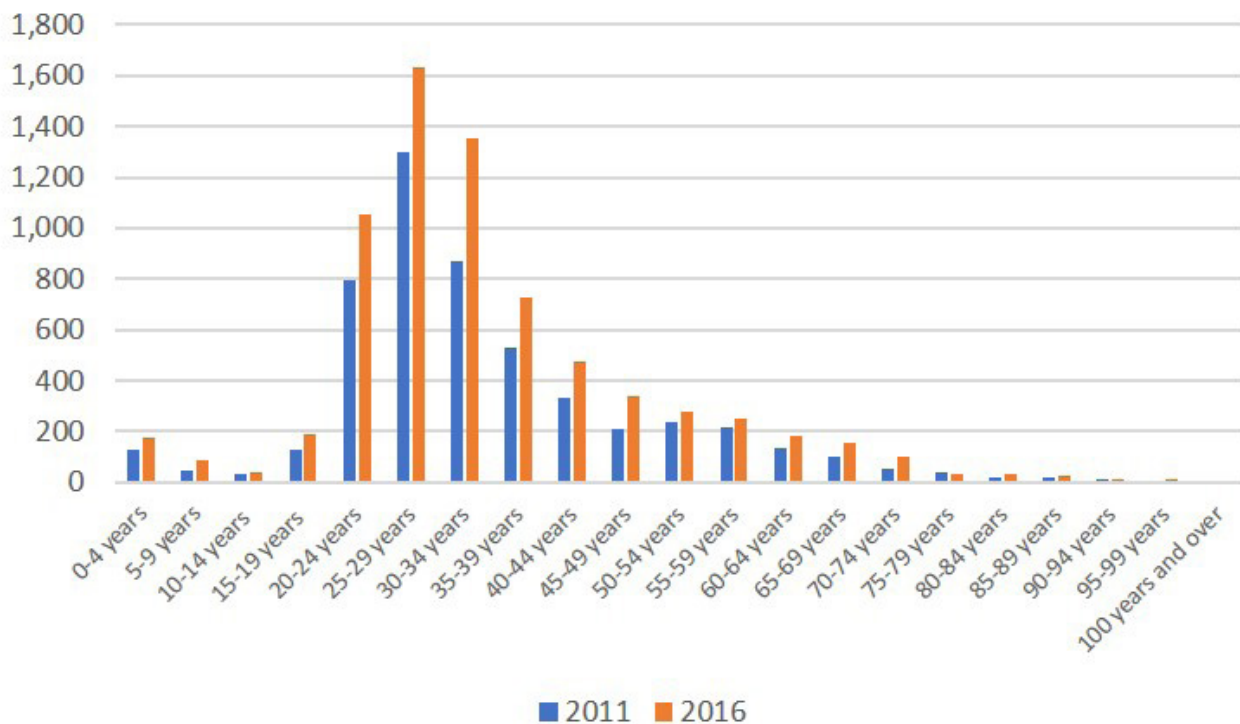


Figure 3.10: Population by Age (Fortitude Valley)

Sources: ABS

- Average household sizes remain one of the lowest of all SA2s in SEQLD, although an increase in the average household sizes has been estimated from 1.76 persons per household in 2011 to 1.86 persons per household in 2018.
- More than 14,800 people travelled to and from Fortitude Valley daily by train between May 2018 and April 2019; increasing from approximately 13,000 people using the rail network in Fortitude Valley daily between May 2017 and April 2018.
- Some 6,271 workers travelled to work in the CBD using public transport in 2011 and by 2016, this had increased to 6,866, a growth of 9%, comparable to the rate of growth of those working in Fortitude Valley over this period. Significantly, approximately 31% of Valley workers utilised public transport in their journey to work in 2016, demonstrating little to no change from 2011.
- According to the Small Area Labour Market data, the rate of unemployment for those living within Fortitude Valley increased from 7.1% in the March Quarter 2018 to 7.9% for the March Quarter 2019, remaining well above the Brisbane average of 6.2% for the March Quarter 2019.

3.7 The Future Of Fortitude Valley & South Brisbane

Growth Areas	Projected Growth in Fortitude Valley	Projected Growth in South Brisbane
Population Growth	+ 11,500 to 2041	+ 21,250 to 2041
Dwellings Needed	+ 5,200 to 2041	+ 9,500 to 2041
Employment Growth	+ 8,000 to 2041	+ 12,000 to 2041
New Hotel Beds Under Construction	+280	
Rating	Happening Place	Where the Action is

South Brisbane Future Growth

Moderate future public and private sector investment in residential apartments, office towers, mooted major commercial space and residential apartments awaiting pre-commitments, and continues to signal ongoing commitment to South Brisbane.

Projects in South Brisbane

35-39 Merivale Street	Proposed	Residential (189 units)
66 Hope street	Proposed	Residential (128 units)
Fish Lane Town Square	Proposed	Park & Retail
75-79 Hope Street	Approved	Residential (216)
Office Tower	Underway	Office (17,000m ²) Food & Drink (384m ²)
Kurilpa Master Plan	Proposed	11,000 new residents

Brisbane City Council employment forecasts for Fortitude Valley anticipate around 8,190 additional professional and scientific workers in Fortitude Valley between 2016 and 2041. Key employment growth sectors include the professional and scientific industry, accommodation and food services workers.

Brisbane City Council employment forecasts for South Brisbane anticipate around 12,860 additional workers in South Brisbane between 2016 and 2041. Key employment growth sectors include the professional and scientific industry, education and training industry as well as health care and social services.

Fortitude Valley Future Growth

A significant future public and private sector investment in residential apartments, school, office towers, commercial tower, mooted major commercial office towers, hotel and residential apartments awaiting pre-commitments, and continues to signal ongoing commitment to Fortitude Valley.

Major Projects in Fortitude Valley

New retail & office space within China Town	Approved	Commercial
Utopia Space 275 Wickham Street	Underway	Residential (300units)
Redevelopment of PCYC	Approved	
Inner North State Secondary College	Underway	Education
Torrens University Campus and Student Accommodation	Mooted	Education Residential
The Coterie - 365 St Pauls Terrace	Underway	Residential (249units)
237 Barry Parade	Underway	Residential (267units)
167 Alfred Street	Underway	Residential & Commercial
527 Gregory Terrace	Approved	Residential (641units)
458 Brunswick Street	Underway	Hotel (140rooms)
40-400 Barry Parade	Approved	Residential (556) units
90-91 Bridge Street	Approved	Commercial
The Valley Metro	Underway	Residential (207units) Office (32,067 m ²) Retail (1,940 m ²)
89 -91 McLachlan St	Underway	Office (4,564 m ²) Retail (390 m ²)
Entertainment Space 52 Costin St	Underway	Adult Entertainment



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