

CBD LIVING IN MELBOURNE

The Melbourne CBD has undergone significant transformation over the past decade, as strong growth in city living is encouraging a new wave of mixed-use development.

The Melbourne CBD has undergone significant transformation over the past decade, becoming a focal point for global occupiers and investment capital, and was ranked as one of the top 20 global destinations for cross border investment of property over the past year. Historically underpinned by standalone office buildings, with a number of hotels and supporting retail, recent strong growth in city living is encouraging a new wave of mixed-use development.

Internationally recognized as the world's most liveable city (EIU), population growth has been a key economic driver for Melbourne. Increasing at a rate of 1.8% per annum over the past decade and adding 91,600 people over the past year, Melbourne has become Australia's fastest growing capital city. This growth has been more pronounced in the CBD, with a push towards inner city living evolving in the early 1990's in response to Melbourne's postcode 3000 policy.

Meeting the demand for Melbourne's rapidly growing CBD population, the number of residential apartments has increased three-fold over the past decade. Nevertheless, the emergence of residential dwellings does not stand alone. Office stock in the Melbourne CBD has grown by one million square metres over the last decade and is now the second largest office market in Australia (behind Sydney), with CBD-based employees increasing by 24% over that time. In contrast, CBD retail supply has lagged residential and



employee growth, increasing by only 92,550 square metres since 2005.

Major mixed-use projects are a relatively new phenomenon for Melbourne. One of the earliest mixed-use projects, the QV Complex, was completed in 2005 and comprises high density residential, retail and office. A decade later, rapid growth in the resident and workforce population combined with a change in social behaviours, is transforming the ways in

which people want to live and work with new opportunities for mixed-use development emerging.

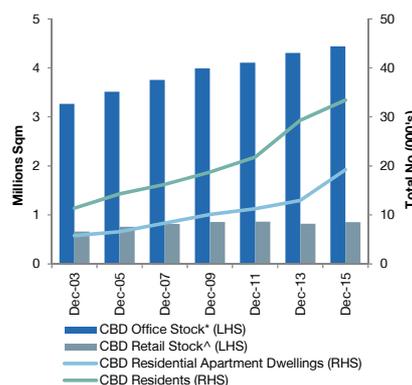
Recent planning approval was obtained at 447 Collins Street, where Cbus Property has proposed a high rise mixed-use scheme adding 400 residential dwellings, 50,000 square metres of commercial office space, 3,000 square metres of retail floor space and a further 250 hotel rooms.



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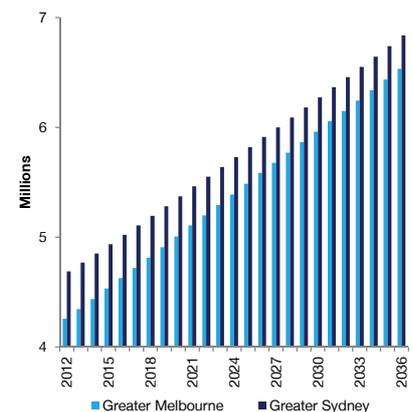
FIGURE 1
Growth in CBD Living
Melbourne CBD office & retail stock vs residents & dwellings



* Includes street frontage, arcades & shopping centres
^ Office stock figure as at July 2016

Source: ABS, City of Melbourne, Knight Frank Research

FIGURE 2
Population Growth
Greater Melbourne vs Greater Sydney population growth



Figures as at June

Source: NSW Government (dpe), Victoria Government (delwp), Knight Frank Research



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Outlook

Looking ahead, Melbourne's population is projected to increase at an average of 1.9% per annum over the next decade. With most new residents residing within inner city suburbs, combined with a distinct trend of occupiers migrating from the suburbs to the Melbourne CBD, there is a growing opportunity for mixed use development within the CBD and the city fringe in precincts such as Port Melbourne, Southbank and Richmond.

The 30 year urban renewal project at the Fisherman's Bend precinct covering 450 hectares in Port Melbourne will include new high and

medium density mixed commercial and residential development for up to 80,000 residents and a working population of 60,000 by 2046. Adding to this is the iconic Richmond Malt site located three kilometres from the Melbourne CBD mooted to incorporate a mixture of commercial office, retail and residential, regenerating a historical industrial location. The emergence of mixed use projects offering investment opportunities of scale and diversification is likely to maintain Melbourne's high position as a global destination of foreign and institutional capital.

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