

The residentialisation of St Kilda Road

Q2 2025

St Kilda Road has transformed into a mixed-use precinct, seamlessly integrating office, medical, and residential sectors. While some areas are transitioning towards residential use, Knight Frank anticipates improving future performance for offices but only in select locations.

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- Office stock on St Kilda Road has declined since 1992
- Anzac Station is expected to revitalise the surrounding offices
- Rental benchmarks suggest that residential may be more viable
- Build-to-Rent/Sell is proving a popular alternative along the strip

ST KILDA ROAD IS UNDERGOING TRANSFORMATION...

St Kilda Road's development as an office precinct was initially driven by Melbourne's need to accommodate an overflow from the CBD. However, in recent years, St Kilda Road has experienced significant transformation, driven partly by the rise of high-density residential. Additionally, the emergence of alternative, more attractive office locations in the City Fringe and wider-CBD such as the Docklands (which prior to 2003 had no office stock) are now squeezing out demand for certain parts of the precinct.

The benefits of locating your office on St Kilda Road have become limited over time, with only two areas still offering clear agglomeration benefits. The first is proximity to the newly built Anzac Station which will connect part of the precinct to the CBD via train. The second is proximity to The Alfred Hospital which has created a health-hub amongst the neighbouring office buildings. St Kilda Road generally does still offer affordable offices, close to some of Melbourne's most affluent suburbs and lifestyle amenities but outside of the specific areas above, the raison d'être of the precinct has weakened considerably.

... WITH RESI OFTEN THE FIRST CHOICE

This has led many investors to divest certain office assets along St Kilda Road or change their usage. Consequently, total office stock in the precinct has declined by 27% since 1992 and currently sits at 631,974sqm, driven by high vacancy (29%) and an exodus of several large tenants given the issues above. Further contraction is anticipated as residential conversions gain momentum in certain parts of the precinct. For secondary offices in need of major reinvestment, residential has become the highest and best use for the land. Unsurprisingly, the dwelling count has surged from 1,243 in 1992 to 8,929 in 2025. In just the past three years, residential dwellings have increased by 29% with more apartments currently under construction.

A divergence in rental performance has accelerated this shift. Prime effective office rents declined 6.5% over the past three years. In contrast, amid a constrained housing market and an improvement in the quality of dwellings, residential rents have risen 75.0%.

36 conversions

Number of office to residential conversions on St Kilda Road since 1995

-26.5% decline

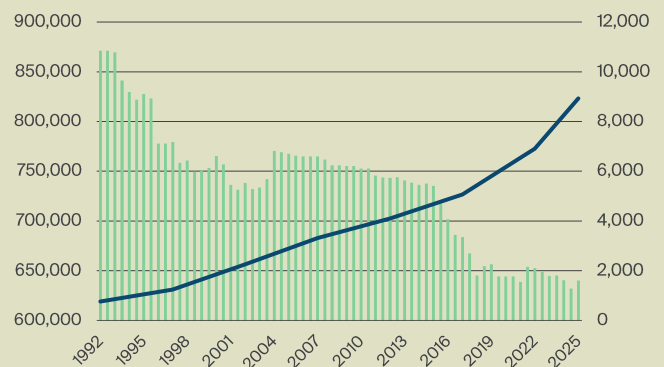
Fall in office stock on St Kilda Road from its peak level in 1992

8,929 dwellings

The number of dwellings now located within PCA's boundary of St Kilda Road

Dwellings rise whilst office stock falls

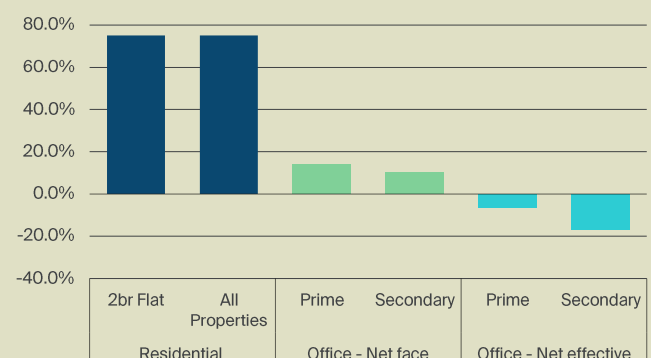
total office stock in sqm (LHS), and no. of dwellings (RHS)



Source: Knight Frank Research, PCA, ABS, GapMaps

Rental growth divergence on St Kilda Road

3yr avg rental growth by asset type, grade and market, %



Source: Knight Frank Research, DoFFH

St Kilda Road vacancy is 29.3% but its not equally spread

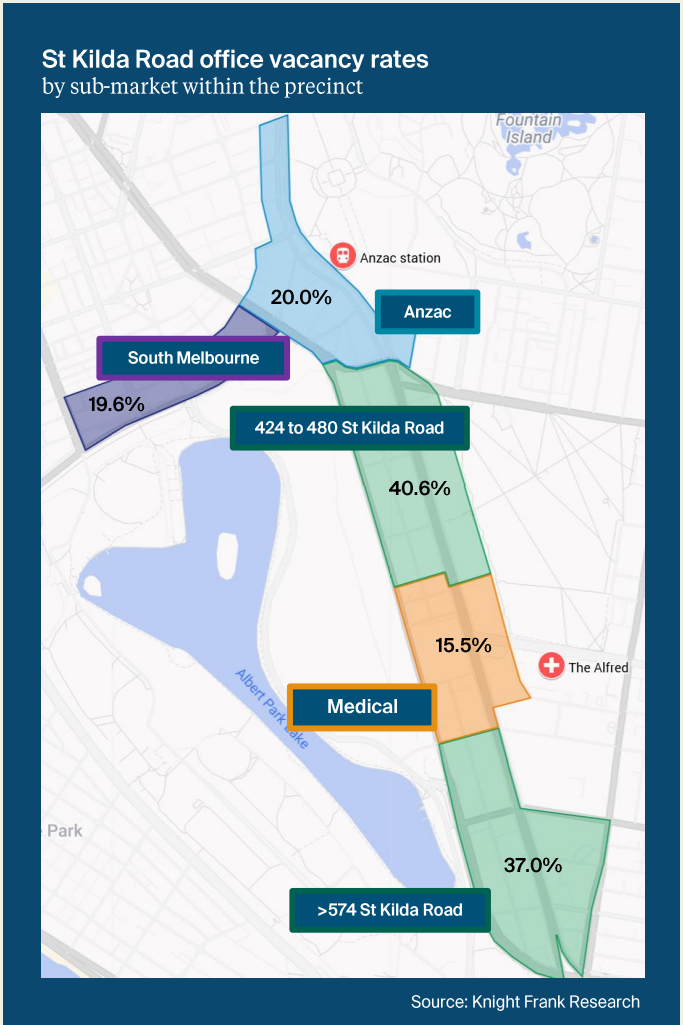
SUBMARKETS ARE DIVERGING ON ST KILDA ROAD

Market conditions have remained challenging across most sub-markets along St Kilda Road. However, opportunities persist—particularly for buildings within close proximity to the soon-to-be-completed Anzac Station. This major infrastructure addition is expected to revitalise the surrounding office sub-market, referred to by Knight Frank as the “Anzac” precinct. The new station will provide workers and residents with a two-minute commute to Melbourne’s CBD.

Whilst the Anzac precinct currently records a vacancy rate of 20.0% (only marginally higher than the CBD’s 18.0%), it encompasses 181,575 sqm of office stock—home to the strip’s highest-quality assets—positioning it as a key office hub. South Melbourne records a slightly lower vacancy rate of 19.6%, though it comprises just 51,944sqm of office stock. With only one building exceeding 5,000 sqm, this area is dominated by smaller owner-occupier and strata-titled buildings, several of which may face future conversion risk.

St Kilda Road’s Medical Hub, strategically located adjacent to The Alfred Hospital, has the lowest vacancy rate across all sub-markets at 13.4%. The presence of Monash University’s Preventative Medicine Campus at 553 St Kilda Road, L’Oreal at 564, AIA at 509 and the Alfred Health Clinic at 541 St Kilda Road emphasises the strength of this precinct. This outperformance reflects the healthcare sector’s relative insulation from weaker leasing conditions and its specific agglomeration benefit.

Conversely, vacancy rates remain significantly elevated in the 424–480 and >574 St Kilda Road segments, at 40.6% and 37.0%, respectively. These sub-markets contain the highest concentration of residential stock on the strip, with more on the way. Naturally, some of this space is vacant due to future developments, with 424, 437 and 464 equating to 6.5% of total stock. But this trend is expected to persist as secondary office assets in these sub-markets become increasingly unviable for refurbishment.



Precinct	VR (%)	NLA (sqm)	# Props
Anzac Station	20.0	181,575	24
South Melbourne	19.6	51,944	25
Medical Hub	15.5	114,940	12
424 to 480	40.6	164,841	18
>574 St Kilda Rd	37.0	107,546	12



A history of conversions and it's speeding up

BTR PAVES THE WAY FOR FURTHER CONVERSIONS

Office conversions have been a natural consequence of the changing dynamics on St Kilda Rd, there have been 36 on record with 18 taking place since 2010. Most office conversions in the last 15-years have occurred within the sub-markets of South Melbourne and 424–480 St Kilda Road. Due to it historically holding a series of vacant blocks and alternative assets, not many conversions have taken place on the lower part of St Kilda Road (>574). This is now changing, and expectations are that with high vacancy rates, the remaining office space will gradually convert over time.

Three BTR projects are already underway on St Kilda Road by Barings, Novus, and Home. These sites were formerly a car park, hotel, and a small residential block of units. Whilst not office conversions, their construction further highlights the precinct’s shift towards residential use on select sites and an increase in popularity of BTR as a preferred investment opportunity for developers. Amongst office conversions are two BTS projects (Orchard Piper’s, Carter Building and Sunnyland’s Park Quarter, which is over 90% sold already). Others, which will imminently begin construction are by Cbus Property and Gurner.

With a weak rental performance, particularly relative to residential assets, and a high vacancy rate for offices in 424–480 and >574 St Kilda Road, it is hard to make major refurbishments add up. Residential conversion does however, and there is already a pipeline of redevelopments (see table below). Further office conversions are imminent, including 464 and, in the lower section of the precinct, with 615 likely. Outside of the viable areas of St Kilda Road, the residentialisation of the office precinct continues apace. The perfect solution to redundant, obsolete offices that are not worth refurbishing both there and perhaps further afield.



Address	Type	Previous Use	Developer	Completion Year	Apartments	Office NLA Withdrawn (sqm)
50-52 Queens Road	BTR	Hotel	Barings / Aware	2026	369	n/a
472-474 St Kilda Rd	BTS / Hotel	Office	Sunnyland	2026	244	4,500
2 Bowen Crescent	BTR	Car-park	Novus	2026	214	n/a
6-9 Queens Rd	BTR	Hotel	Home	2027	571	n/a
424-426 St Kilda Rd	BTS	Office	Gurner	2028	200	12,659
437 St Kilda Road	BTS	Office	Cbus Property	2028	77	6,518
10 Queens Road	BTS	Office	Alta Property	2028	100	8,960*
448 St Kilda Road	BTS/Hotel	Office	Orchard Piper	2028	163	5,699*
464 St Kilda Road	BTS	Office	Wing Tai	2029	tbc	14,000*

*Included in PCA stock count as at Jan-25
^Sum of withdrawn Office NLA from 2023 to 2025

52,336 sqm^

We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.



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