Last year, Melbourne saw the greatest population growth of Australia’s cities, adding 98,600 residents. Also, Victoria has overtaken Western Australia to become the country’s fastest growing state. Over the same period, Victoria also recorded the highest net interstate migration figure, with a net 9,340 new arrivals from interstate, supporting economic growth, the housing market and the office market.

White collar employment growth in the Melbourne CBD has outpaced all other Australian cities over the past decade, with net growth of over 60,000 employees, more than four times the growth recorded in Sydney CBD, and even outpacing the combined growth in the resource boom cities of Brisbane and Perth.

The Melbourne CBD is the second largest office market in Australia (behind Sydney), currently comprising 47.4 million sq ft of office space. Over the past decade, it has grown by 28%, and is now the largest Grade A office market in Australia. The Melbourne Docklands precinct has been the engine room of this growth, expanding from a stock of zero to 8.2 million sq ft over the past 12 years. Like London’s Canary Wharf precinct, the regeneration of the former docks, on low cost industrial land, into new commercial districts, has been critical to satisfying the demand from financial and business services tenants over this period.

Melbourne’s appeal as a commercial hub has grown significantly over the past decade, as it is an affordable location for national or global occupiers, with a relatively good public transport system. The emergence of the Docklands precinct, providing low cost, campus-style options, has also assisted this growth. Based on comparable occupancy costs in other CBD office markets, many office tenants have chosen to grow their white collar employment base within Melbourne. This is demonstrated by Melbourne CBD absorbing a total of 9.4 million sq ft over the past 10 years, compared to 5.6 million sq ft in Sydney and 2.1 million sq ft in Brisbane. This result has been boosted by strong migration into the CBD by fringe and suburban tenants. Including 2015 projections, 37% of Melbourne’s absorption over the past decade has resulted from incoming tenants, with this trend also underpinning major developments. A total of 56 tenants, occupying 3.4 million sq ft have migrated, adding directly to net absorption.

By industry sector, the space absorbed by migrating tenants was evenly spread between government, technology and business services occupiers, each making up around 16% of total absorption.

The year 2015 will set a record level for migrating tenants, with 11 tenants totalling 930,000 sq ft relocating into the CBD, which alone is around 50% higher than the long-term annual average net absorption of the market.