



Reviving Melbourne

A plan to boost jobs, economic growth
and revitalise the CBD

*"Melbourne's CBD is the
epicentre of Victoria's
economy"*



Introduction

The Property Council of Australia is the leading advocate for Australia's property industry and Victoria's biggest industry and employer, contributing \$58.8 billion to Gross State Product (13.8 per cent), employing more than 390,000 people and accounting for 59 per cent or \$17.9 billion of Victoria's tax revenue.

On behalf of the property industry, we welcome the Victorian Government's accelerated delivery of the Roadmap that saw Melbourne's final lockdown end on 11.59pm on Thursday 21 October, as we reached the next vaccination milestone of 70 per cent double dose coverage with further restrictions eased at 80 per cent on Friday October 29.

With the end of lockdown, and as Victorians get back to doing the things they love, it is the right time to focus on the implementation of plans and strategies that will bring our central city and Melbourne's CBD, our most crucial economic and creative hub, back to life again.

The Property Council acknowledges the Government's ongoing commitment to financially support businesses who have been affected by lockdowns as result of COVID-19 since March 2020. The Property Council specifically acknowledges the significant funding commitment of \$200 million through both the Melbourne City Revitalisation Fund and the Melbourne City Recovery Fund. As Victoria reopens, it continues to be vitally important that business can partner with the Government and City of Melbourne on a range of initiatives to revitalise the CBD.

Melbourne's CBD is the epicentre of Victoria's economy, accounting for some 500,000 jobs and producing about 7 per cent of Australia's GDP and 25 per cent of Victoria's GSP at peak. Deloitte Access Economics' analysis for the City of Melbourne in its Medium-Term Economic Outlook released in July – prior to the three most recent lockdowns – found that the city's Gross Regional Product declined by 53 per cent in 2020, with a full recovery not expected until 2024. This is almost directly tied to the number of workers in the city, which also declined by 53 per cent.¹

The CBD been disproportionately hurt by lockdowns and the loss of city workers, domestic and international tourists, and students. Melbourne's iconic retail and hospitality sectors have been forced to temporarily close their doors and many small businesses have permanently closed. It is estimated that Melbourne's economy activity will not reach pre-pandemic levels until 2025.²

To support the State Government's incredibly important work to revive Melbourne and bring our CBD back to life, the Property Council of Australia has identified nine key areas that will supercharge the city and fast track Victoria's economic recovery.



Danni Hunter
Executive Director, Victoria
Property Council of Australia



Sam Tarascio
Division President, Victoria
Property Council of Australia
Managing Director
Salta Properties

1. Deloitte Access Economics, *City of Melbourne Medium Term Economic Outlook: July 2021*, (2021).

2. *Ibid.*



CBD Revitalisation Initiatives

Since the pandemic started, the State Government and the City of Melbourne have announced a number of initiatives to help revitalise the CBD. These include:

- The Melbourne City Revitalisation Fund and the Melbourne City Recovery Fund - \$200 million
- City of Melbourne Economic Recovery Strategy
- FOMO Melbourne
- Melbourne Money
- Live in Melbourne campaign



1. COVID-proof the CBD

As Victoria continues to deal with ongoing COVID cases, it is essential that vaccination hubs and rapid antigen testing sites be established across Melbourne's CBD as people return to the city. Vaccination infrastructure will be critical to achieving desired inoculation rates, especially as we move into the phase of booster requirements to ensure ongoing full vaccination.

Medical logistics experts have noted that sites capable of facilitating the large-scale administration of vaccines must be maximally utilised. Office buildings – many of which are occupied by large businesses with established relationships – are highly suitable locations.³

The Property Council applauds the State Government's recent pre-emptive acquisition of 2.2 million rapid antigen tests. We note that the Therapeutic Goods Administration has now approved these testing kits for general use.⁴

The Property Council strongly encourages the State Government to add CBD office buildings to the list of hospitals, schools, and childcare centres at which these tests will be made available and we would be keen to facilitate discussions between Government and Property Council members.

3. Tom McIlroy, CBD, Supermarkets to be Enlisted for Vaccination Push, Australian Financial Review, published July 7 2021 via: <https://www.afr.com/politics/federal/cbd-offices-and-supermarkets-to-be-enlisted-for-covid-jabs-20210707-p587ih>

4. Therapeutic Goods Administration, COVID-19 Test Kits Included in the ARTG for Legal Supply in Australia, published October 19 2021 via: <https://www.tga.gov.au/covid-19-test-kits-included-artg-legal-supply-australia>





2. Return to the Office

According to the Property Council's most recent office occupancy survey in October 2021, Melbourne's CBD office buildings are at just four per cent of their pre-pandemic levels, the lowest since the survey started in July 2020. Melbourne's post-COVID office occupancy peaked at just 45 per cent in April and May this year, demonstrating the long road back to the office after numerous extended lockdowns.

The Economist estimates that a single city-based office job supports up to five jobs in ancillary service sectors such as retail, hospitality, and personal care.⁵ A slow return to office will severely constrict the city's recovery – and that of Victoria.

The Property Council supports the greater adoption of flexible working arrangements and acknowledges that the hybrid working model is here to stay. We also note the wide-ranging benefits of working in the office including increased collaboration and fostering and sharing knowledge and ideas.

The Property Council welcomes the Government's announcement to allow workers to return to office at 80 per cent double dose vaccination and the lifting of the requirement to wear masks indoors with the exception of high-risk settings at 90 per cent.

We strongly advocate a proactive return to office of employees across the private and public sector. We see an important leadership role for the Victorian Government to play and advocate a minimum three-day a week return to office for Victorian public sector workers once we reach 90 per cent double dose vaccination.

Our members are deeply invested in making office workplaces COVID-safe and are ready for workers to return. Commercial property owners and investors have been the economy's heaviest lifters during the pandemic, with national support to tenants rising to a potential \$14.9 billion to March this year through rent relief schemes, and they are deeply committed to the revitalisation of Melbourne's CBD.

5. The Economist, "The New Economics of Global Cities", published September 11 2021
via: <https://www.economist.com/finance-and-economics/the-new-economics-of-global-cities/21804271>



3. “Back to Melbourne” Campaign

Revitalising Melbourne’s iconic precincts will require more than the gradual easing of restrictions and density quotients. It will require decisive action to get people out of their homes and back into our CBD’s once-thriving cultural, dining, and entertainment hubs.

This strategy should include both incentives and proactive marketing campaigns, as described below:

Campaigns

- 3.1 Launch a reinvigorated attraction campaign similar to the Property Council and City of Melbourne’s ‘FOMO Fridays’ campaign, to encourage office workers to return to the city and re-engage with CBD-based businesses covering hospitality, retail and services. This would involve coordinating activations and activities by all major office owners and CBD tenants who would stage subsidised and free events and social activities targeted at attracting workers back into CBD offices;
- 3.2 Develop a multi-platformed marketing and communication campaigns celebrating and promoting Melbourne as the Events Capital, including the City of Melbourne’s Christmas campaign, the Boxing Day sales, the Boxing Day Ashes Test, New Year’s Eve, the Australian Open, Melbourne Comedy Festival and Australian Grand Prix.
- 3.3 Amplify the “What’s on in Melbourne” platform, providing organisers and patrons with enhanced scope for event marketing and engagement, including return to office activations and events.





Initiatives

- 3.4 Establish an additional separate \$50 million CBD Revitalisation Program similar to that recently announced in NSW with funding open to councils, industry associations and cultural institutions to help encourage people back to the CBD. Funding would support a range of hospitality, retail, cultural, workplace and other activities to be activated in early 2022;
- 3.5 Provide free public transport for a period of three months after Victoria reaches its targeted 90 per cent double-dose vaccination rate. This should be accompanied by a state-wide campaign highlighting COVID-Safety on public transport to further assist in rebuilding confidence in the state's public transport system and encourage people back into the CBD. Following this three-month period, off-peak fares should be reintroduced for travel across Melbourne and free public transport included in the pre-purchase of tickets for major events for example, the Australian Open.
- 3.6 Support and promote the City of Melbourne's initiative to engage with car park operators to provide discounted parking offers at times and locations which optimise the accessibility of city precincts during periods of peak demand and introduce a 12 month freeze on the car park levy for those operators who reduce their pricing;
- 3.7 Expand the City of Melbourne's "Melbourne Money" voucher scheme with additional funding, to reactivate engagement with Melbourne's world-class dining and entertainment precincts. The first scheme demonstrated considerable return on investment and strong take up by visitors and patrons;
- 3.8 Support engaging and activity-based events to incentivise engagement with the city's open spaces, such as Yoga in the Park, the return of the Night Noodle Markets or similar initiatives; and
- 3.9 Deliver a dedicated grant funding program for building owners to activate office buildings and corporate precincts with funding to go toward free breakfasts and other initiatives to reconnect office workers with their city spaces, and increase business activity for Melbourne's hospitality venues.





4. Boost Population Growth

According to the ABS, Victoria is now home to 43,000 fewer people than at the start of the pandemic, making it the only state in the nation to record a drop in population. Prior to COVID, interstate and international travellers contributed more than \$2.5 billion to the Victorian economy through their attendance at major events.⁶

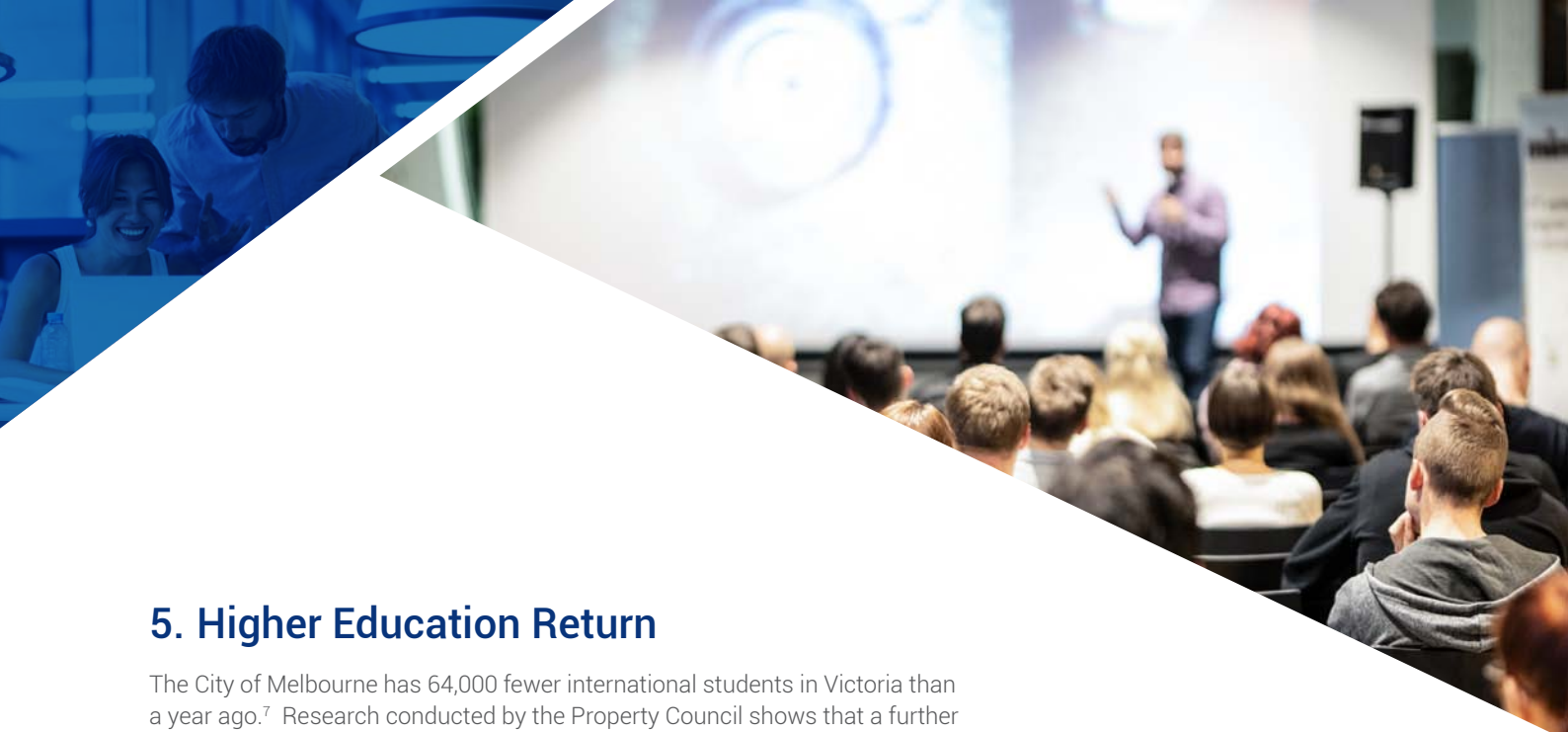
International visitors and migrants contribute the skills and expertise that we need today to build the homes, precincts, and workplaces of tomorrow. Before the pandemic, more than a quarter of all skilled migrants coming to Australia chose to settle in Victoria.

The Property Council strongly recommends that the State Government take actions to secure and boost Victoria's once-stable population growth and visitation rates by:

- 4.1 Launching targeted campaigns to attract domestic and interstate visitors to Melbourne-based events;
- 4.2 Remaining firm in the Government's commitment to waiving quarantine-on-arrival requirements for foreign visitors who can produce proof of vaccination with an Australian-approved or recognised vaccination (as announced on Friday 22 October and publicly welcomed by the Property Council of Australia); and
- 4.3 Actively increasing Victoria's Skilled Migration Program targeted at sectors with the potential to help revitalise economic activity within the Melbourne CBD.

⁶ Ernst & Young, *The Eventful Year: 2018, (2019)*.





5. Higher Education Return

The City of Melbourne has 64,000 fewer international students in Victoria than a year ago.⁷ Research conducted by the Property Council shows that a further year of border closures will see the number of international students in Australia remain 50 per cent below pre-COVID levels until at least 2024.⁸

Almost a third of Australia's international students live, work and study in Melbourne and contribute around \$11.25 billion to Victoria's broader economy.⁹ Victorian rental vacancies created by absent international students are most concentrated in the Melbourne CBD; up 338 per cent on pre-COVID levels. International education itself was Victoria's largest pre-pandemic export, generating \$13.7 billion in export revenue for the state in 2019;¹⁰ the same year the University of Melbourne was awarded Victorian Exporter of the Year at the 2019 Governor of Victoria Export Awards.

A significant proportion of the CBD workforce was comprised of international students pre-pandemic, with employers noting difficulties in filling key roles in the retail and hospitality sectors with the near evaporation of international education as a result of closed borders.

The benefits of our international student community extend beyond economic considerations. The presence of a diverse community of international students from all corners of the world helped to power the cultural development of the CBD and suburbs surrounding higher education institutions such as in Parkville and Carlton. The charm and vibrancy of Melbourne is enhanced by this community, helping the city maintain its position as Australia's cultural capital.

The Property Council applauds the State Government's recent announcement of the International Students Arrival Plan as a positive step toward Victoria's re-engagement with an economically critical cohort.

The Property Council strongly encourages the State Government to expand the nominated quota of 120 international student arrivals per week, uncapping international student arrivals once 90 per cent of Victoria's population is double-vaccinated so we can welcome international and domestic students back to campus in 2022. The recent announcement by New South Wales that fully vaccinated international arrivals will not have to quarantine sends a clear message to international students around the world that NSW will be open for the start of the 2022 academic year.

With seven Melbourne-based universities, and with 51 campuses across the whole state, the Victorian education sector needs to be able to present itself as similarly placed to open by early next year to international students. Victoria needs to do what is required quickly and proactively to reclaim our title as the Education State.



7. City of Melbourne

8. AEC, *Economic Impact of Delaying the Opening of Australia's Border*, (2021).

9. Mitchell Institute, *Coronavirus and International Students*, (2020).

10. Department of Jobs, Precincts, and Regions, *International Education*, published 9 June 2020 via: [International education | Priority industries and sectors | Jobs, Precincts and Regions \(djpr.vic.gov.au\)](https://www.djpr.vic.gov.au/priority-industries-and-sectors/jobs-precincts-and-regions)

6. Increase Development Activity in the CBD and Promote Melbourne to Residents

Greater Melbourne and Regional Victoria's housing prices have continued to increase throughout the pandemic and the state is facing acute pressures on housing supply. The CBD has a role to play in providing affordable and diverse housing options in areas that are very well serviced by infrastructure and services, in one of the world's most liveable cities.

The combination of Government income supplements, low interest rates, and an increase in the proportion of income saved (due to successive lockdowns), has led to demand for housing outstripping supply, resulting in property price growth between December 2019 and December 2023 that exceeds pre-COVID projections by 25 per cent.¹¹

Despite a strong increase in demand, 25,000 fewer dwellings are expected to come to market between now and December 2023 compared with pre-Covid projections.¹² The housing supply crisis is state-wide and presents significant short-term opportunities and long-term challenges for CBD housing.

Melbourne's CBD apartment market is facing exacerbated medium-term pressures both in terms of demand side fundamentals and a limited supply pipeline.

The Property Council welcomed the Government's decision to remove stamp duty charges on off-the-plan purchases of up to \$1 million within the City of Melbourne Local Government Area. This is an effective measure apropos addressing short term oversupply of apartment stock, making way for new projects to commence. Public awareness and understanding of this important initiative will be substantially enhanced by the Melbourne City Council's 'Live in Melbourne' campaign.

To ensure strong and sustained take-up of these incentives, the Property Council strongly encourages the State Government to further engage in collaborative promotional activity with the City of Melbourne, and to expand or create additional platforms through which prospective apartment purchasers and developer-vendors can be connected to one another, including but not limited to a dedicated page or forum within the 'Live in Melbourne' website.

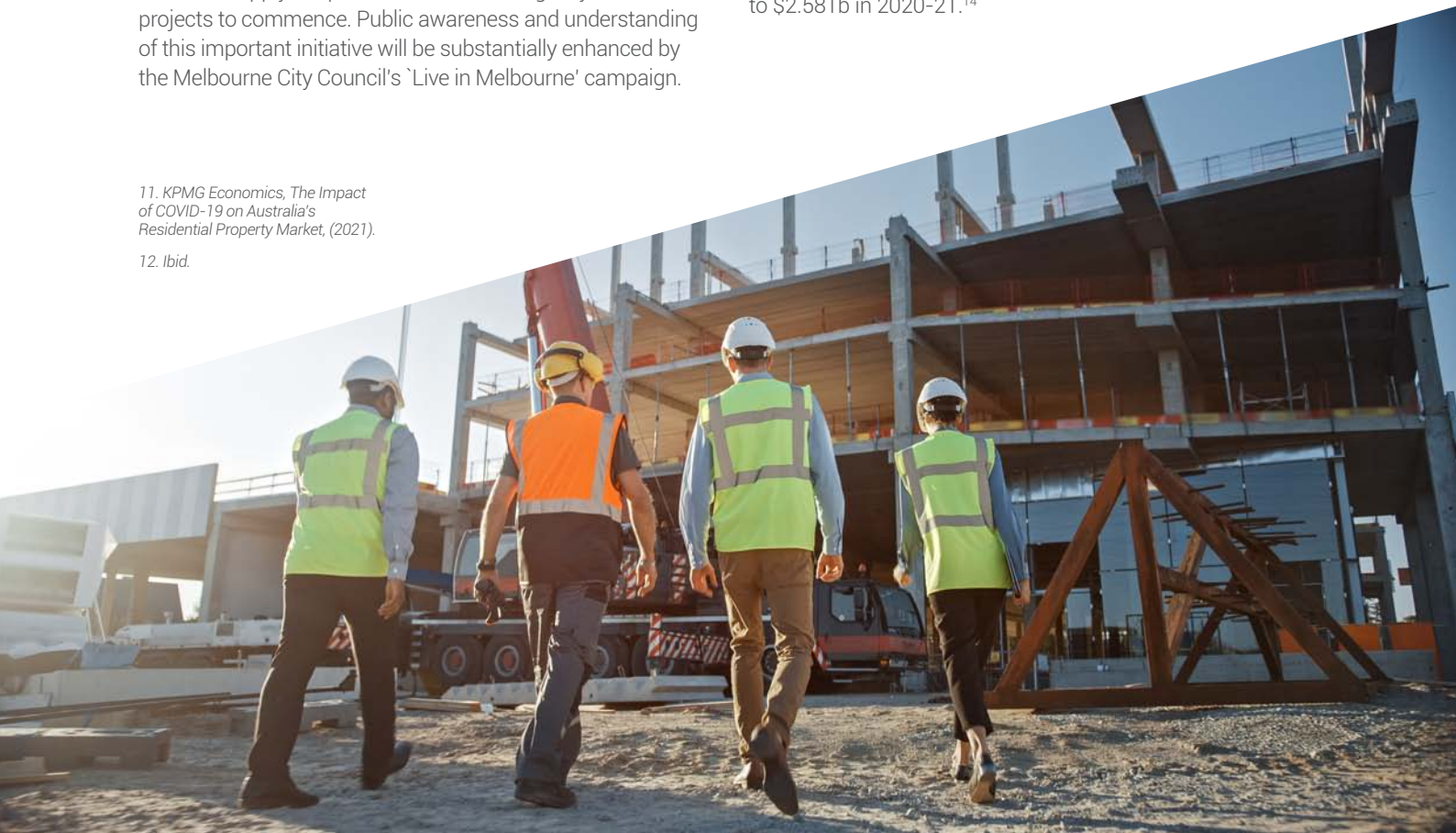
While short-term incentives will assist in stimulating demand for existing apartment stock, the medium-term supply shortage will be exacerbated by Victoria's status as the Australian state with the largest number of property taxes.¹³ This will also be further compounded by the impending introduction of the Windfall Gains Tax on rezoned parcels of land.

The Property Council strongly encourages the State Government to reduce the rate and total number of taxes levied against property in Melbourne and scrap its proposed Windfall Gains Tax as a stimulus measure.

Looking to the medium-term, the building approval pipeline in the City of Melbourne remains subdued, with a 54 per cent decline in the month between July and August 2021. This follows a 59% decline in the total value of building approvals in the City of Melbourne from \$6.359b in 2019-20 to \$2.581b in 2020-21.¹⁴

11. KPMG Economics, *The Impact of COVID-19 on Australia's Residential Property Market*, (2021).

12. *Ibid.*





Research conducted by the Property Council further indicates that without changes in Government policy, the apartment building industry will shed 30,000 direct jobs and produce \$5.9 billion less in dwelling assets over the next four years.¹⁴ This has a disproportionate impact on Melbourne's CBD and surrounding areas – where the stability of the property market heavily depends on the apartment construction sector.

On a more positive note, there is significant development activity underway or soon to be underway in the emerging Build-to-Rent (BTR) residential sector. According to EY, Victoria currently accounts for more than 60 per cent of the total number of current and planned BTR projects in the country.¹⁵ With the State Government providing the full details of its tax concessions for the sector (currently in Parliament at the time of finalising this submission), further BTR development is now primed to be unlocked – the central city is perfectly placed to be the base for this further investment and boost to quality housing supply, with long-term renters poised to live, work and play in the city for years to come.

To help kickstart the revitalisation of the property sector, increase development activity in the CBD and increase the supply of affordable and accessible housing options, the Property Council specifically recommends that the State Government:

- 6.1 Reduce the overall tax burden on new housing;
- 6.2 Extend existing approved planning permits to account for lost months during the pandemic to 30 June 2023;
- 6.3 Fast-track planning approvals for significant projects in the City of Melbourne;
- 6.4 Implement density bonus schemes and relief from restrictive size standards – especially in the apartment construction sector;
- 6.5 Extend off-the-plan apartment stamp duty concessions as a key measure in the 2022 State Budget;
- 6.6 Fast track the approval of investment in Build to Rent projects in Melbourne's CBD.

13. Grant Thornton Australia, *Australia now has generally the highest State property taxes in Australia*, published 21 May 2021 via: <https://www.grantthornton.com.au/client-alerts/2021/victoria-now-has-generally-the-highest-state-property-taxes-in-australia/>

14. Australian Bureau of Statistics, *Building Approvals Australia*, via: <https://www.abs.gov.au/statistics/industry/building-and-construction/building-approvals-australia>

15. Ernst & Young, *Institutional Build to Rent: Unpacking the Business Model and Unravelling the Opportunities*, (2021).

7. Create High Quality Jobs and Investment

There are 75,000 fewer jobs based in Melbourne than there were prior to the onset of COVID.¹⁶ Without concerted action, employment within Melbourne-based organisations will remain below 2019 levels for until 2025.¹⁷ Immediate actions to stimulate demand for and interest in CBD-based office working spaces can be undertaken.

The Property Council proposes that the State Government, in the short term:

- 7.1 Delivers an overarching CBD Tenant Attraction Strategy wherethrough firms with no existing physical presence within the State of Victoria are incentivised to establish CBD-based operations through measures including but not limited to Land Tax and Pay Roll Tax relief. The granting of these incentives should be subject to a given firm meeting investment value thresholds – which should be jointly determined by the state Government, the City of Melbourne, and core industry stakeholders. incentivise and reward the relocation of corporate headquarters to Melbourne's premium office locations¹⁸; and

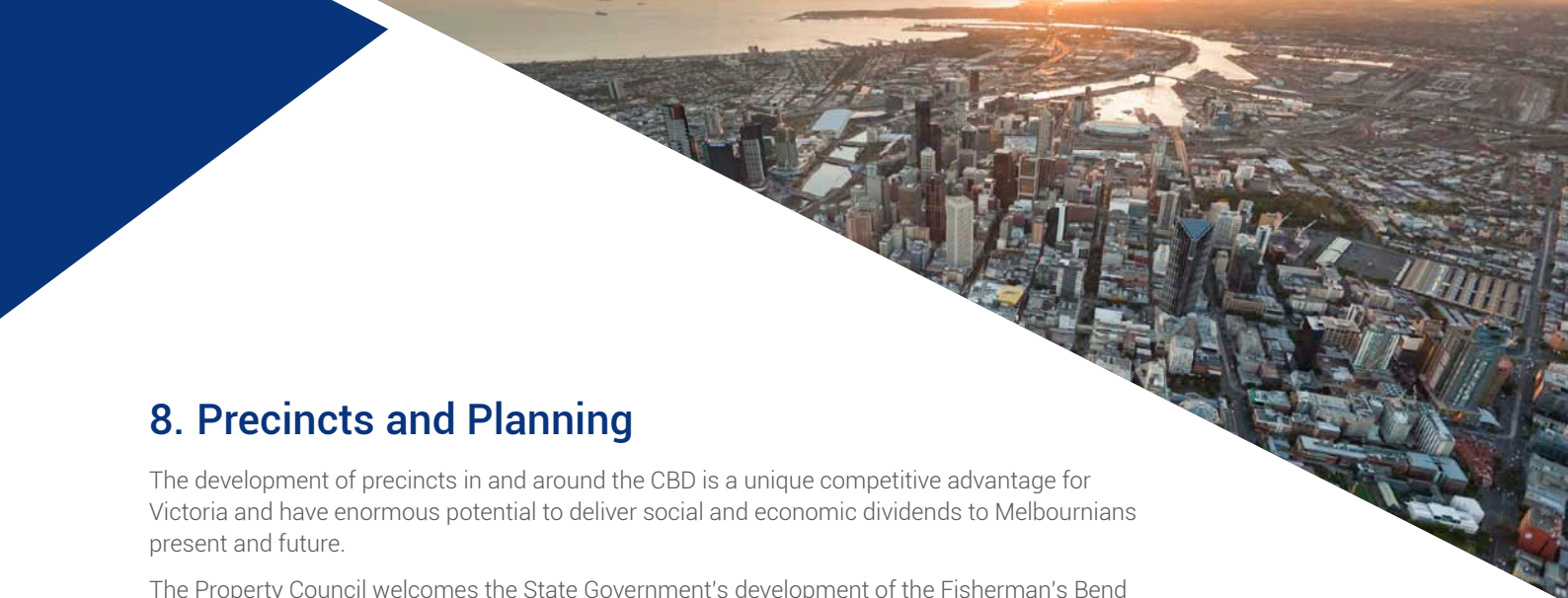
17. *Deloitte Access Economics, City of Melbourne Medium Term Economic Outlook: July 2021, (2021).*

18. *Property Council of Australia (Victoria Division), The Property Council of Australia (Victoria Division) 2021-2022 Victorian Pre-budget Submission, (2021).*

- 7.2 Provide interest-free loans to small businesses which establish themselves in the CBD.

Strong consideration must also be given to incentivising the established corporate leaders and emerging start-ups in Australia's burgeoning A.I. and fintech sectors to relocate to Melbourne's CBD, allowing our city to realise its potential as the 'Silicon Valley' of the Asia-Pacific.





8. Precincts and Planning

The development of precincts in and around the CBD is a unique competitive advantage for Victoria and have enormous potential to deliver social and economic dividends to Melburnians present and future.

The Property Council welcomes the State Government's development of the Fisherman's Bend Framework and the Arden Structure Plan. As well as encouraging the expedited development of these precincts, the Property Council encourages the Government to:

- 8.1 Expand and fast-track planning permit approvals for key urban renewal precincts in and around the City of Melbourne;
- 8.2 Deliver a scheme of planning incentives for Build-to-Rent projects – in addition to favourable tax settings welcomed by the Property Council;
- 8.3 Rapidly bring surplus land opportunities to market and identify a pipeline of government land that could be activated for development;
- 8.4 Classify the CBD as a Priority Precinct; and
- 8.5 Create a centralised Precincts Authority to oversee precinct planning and development.



9. Industry Partnership

Deliberate and urgent action to revitalise Melbourne's CBD is critical to the long-term success of the Victorian economy and property sector. We see a vital need to bring State Government, the City of Melbourne and the property industry together to work in partnership on reinvigorating the CBD and accelerating the return of workers, students, residents and visitors to our great city.

We propose that a **CBD Recovery and Revitalisation Industry Partnership Group** be established in collaboration with the City of Melbourne and the Property Council and other peak bodies. Members would be appointed to advise Government on the practical steps to revitalise the CBD. This working group should be supported by proactive government policy that provides further stimulus, removes red tape and is geared at increasing Melbourne's attractiveness to new jobs and future investment.






PROPERTY
COUNCIL
of Australia