



Melbourne office growth benefits from rise in population and pricing

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PROPERTY

Property giant Mirvac has offered a bullish outlook for new office projects in Melbourne based on its strong population growth and relatively affordable housing.

Office tenants have been drawn from inner suburbs to the Melbourne CBD, which is only slightly more expensive, unlike Sydney where a move to the city can involve hefty imposts.

Technology companies had been setting up shop in the inner city as the war for talent heats up, Mirvac head of office and industrial Campbell Hanan said.

The group yesterday launched its Olderfleet office development at 477 Collins Street in Melbourne, where construction began in May and completion is set for 2020.

The Grimshaw Architects-designed tower will have Deloitte as its anchor tenant, taking 22,000sq m of office space in a building of about 55,000sq m.

The building is about 50 per cent committed, and, as previously flagged by *The Australian*, law firm Norton Rose Fulbright is understood to have agreed terms.

Tenants have been moving from the inner suburbs to the CBD as the good public transport access made it easier to attract talent, Mr Hanan said.

It costs \$180 per square metre more on average to rent office space in the Melbourne CBD than in the suburbs. But in Sydney the spread between Parramatta and CBD rents is a much more significant \$690 per square metre.

“A lot of (Melbourne) tenants

will move and pay more rent because they’ll be going to more efficient buildings,” Mr Hanan said. “You can take less space and the occupancy cost will be the same.”

The group is “very interested” in finding its next office development opportunities in Melbourne but is finding it “competitive” as land values rise.

Mr Hanan backed the city’s strong population growth, net migration from interstate and off-shore inbound tourism, deep employment base and more affordable housing and cheaper office rents than Sydney.

Technology companies were also likely to be a good fit for the group’s office projects as the industry takes up more space in major cities around the world.

Melbourne’s office market has been tight but the western end of Collins Street is a hive of activity. Mirvac is on track to complete another office tower at No. 664 in the first quarter of next year, while Cbus Property’s Collins Arch project is at No 433 and Lendlease’s Melbourne Quarter is at No 699.



477 Collins Street, where Mirvac is building an office tower