

Economic Development Strategy next steps (with a focus on return of office workers)

7 March 2023

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Purpose and background

1. At its meeting on 26 July 2022, Council considered a report from Management that outlined initiatives to increase the return of office workers to the central business district. Council requested that management report back on ongoing efforts to support the return of office-workers back to the city.
2. Additionally, on 8 November 2022, Future Melbourne Committee considered a management report on the implementation of the Economic Development Strategy (EDS) and agreed to a set of interim targets to guide the strategy's implementation. Targets for 30 June 2024 include: Gross Local Product (GLP) of \$120 billion; 525,000 jobs in the city; and GLP of \$229,000 per job. Additionally, council aspires to see less than 5 per cent of shops vacant by the end of 2023.
3. The purpose of this report is to seek endorsement from Council for the adoption of further short to medium term measures to support the return of office workers to the city whilst supporting economic growth through initiatives that deliver on actions in the EDS.

Key issues

4. There is a new rhythm emerging in the city. Attachment 2 provides an analysis of the city's new cadence.
 - 4.1. Melbourne's visitor economy has recovered strongly. Overall spending on both weekdays and weekends is now higher than before the pandemic, even after adjusting for inflation. Night time spending is up markedly and spending in December was the highest on record. Pedestrian numbers at night time and on Saturdays are meeting or exceeding pre-pandemic levels.
 - 4.2. Similarly, Melbourne's student population is rebounding strongly, with the number of international students studying in Victoria back to 83 per cent of pre-COVID levels. Recent developments in China mean a significant further increase in student numbers is likely.
 - 4.3. Office occupancy rate trajectories are trending upward and morning commuter levels are now 63 per cent of the pre-pandemic benchmark. At the end of 2022, weekday pedestrian numbers were back to 86 per cent of pre-pandemic levels at lunchtime and 83 per cent in the afternoon. In December, office hours spending (8am-6pm) was at 2019 levels, even after adjusting for inflation.
5. While there is an uncertain long-term outlook for central cities reliant on office workers undertaking knowledge-based work, it's clear that the presence of more office workers is associated with a stronger knowledge economy. The central city will benefit if office workers can be persuaded that their commute to the office is worthwhile.
6. The start of 2023 is a particularly important moment. The patterns of behaviour that are established now are likely to set the scene for the year to come. Accordingly, management has prioritised a number of measures to encourage visitation from workers with offices in the city:
 - 6.1. The summer phase of CoM's new destination marketing brand campaign commenced on 23 January and will run through to 31 March. It is promoting the breadth of events and experiences that can only be found in the City. Additionally, through targeted content delivered through the What's On ecosystem (1.1 million visitors per month) city workers are being enticed to increase their frequency and length of stay in the city.
 - 6.1.1. In addition to information about attractive social and leisure activities for workers, management is also considering how to best address the gap in information about the breadth of professional and business events in the city, which could also drive office workers' return.

- 6.2. Management has also been in discussion with major city-based companies, who have been provided with bespoke digital assets and a curated list of content to share through their own channels, such as internal newsletters and intranets. These discussions have also shed light on the factors inhibiting the widespread return of their workforces to the city, such as work-from-home “habits” formed during the pandemic, the cost of commuting and the perception that employees are equally productive when working from home.
7. While Melbourne’s positioning within the visitor market is relatively robust, there is potential to strengthen the city’s positioning as a vibrant place of business and innovation.
8. To embed the message that Melbourne provides a strong array of business and professional opportunities – particularly for knowledge workers (who comprise at least 45 per cent of all city workers), a consolidated and targeted effort that leverages the breadth of the city’s professional opportunities is being considered by management. This would enhance Melbourne’s positioning over the medium term for this cohort, which would be broadly analogous to the efforts pursued by CoM to enhance Melbourne’s positioning amongst visitor markets. Accompanying this, management will also work on a more immediate communications effort that promotes Melbourne’s economic vibrancy through case-studies of new commercial activity in the city.
9. While this initiative would need to be developed in a considered fashion (informed by baseline research, for example), its objectives would be to firmly cement Melbourne’s position as a vibrant place of business and innovation while generating confidence and ‘buzz’ about the scale and depth of business activity in Melbourne and could serve as an additional channel that encourages office-workers’ return.
10. In addition, it is appropriate that CoM intervene as far as possible to strengthen the city’s business environment by vigorously pursuing key medium-term actions in the Economic Development Strategy such as:
 - 10.1. Facilitation of investment (e.g. investment attraction, support for SMEs through Business Concierge, streamlining of business-facing processes).
 - 10.2. Support for Melbourne’s innovation and start-up ecosystem and technology sectors by enhancing Melbourne’s reputation through knowledge-exchange opportunities and connecting with start-ups.
 - 10.3. Development of innovation precincts in Fisherman’s Bend, City North and Arden and targeted international engagement to build international collaborations.
 - 10.4. Working with the property sector to encourage enhancing the attractiveness of office-space (particularly around sustainability) in an effort to retain and attract businesses in the CBD.

Recommendation from management

11. That the Future Melbourne Committee requests that management:
 - 11.1 Continues to focus on short-term measures to promote the return of office workers to the city
 - 11.2 Delivers further interventions that align with actions in the Economic Development Strategy and support the achievement of the strategy’s targets
 - 11.3 Explores measures to better position Melbourne as a vibrant place of business and innovation
 - 11.4 Reports back by September 2023 to update the Future Melbourne Committee on the communications, marketing and medium-term initiatives designed to support sustained economic growth.

Attachments:

1. Supporting Attachment (Page 3 of 6)
2. Melbourne Economy Snapshot – November 2022 (Page 4 of 6)

Legal

1. There are no direct legal implications arising from this report.

Finance

2. There are no financial implications arising from this report.

Conflict of interest

3. No member of Council staff, or other person engaged under a contract, involved in advising on or preparing this report has declared a material or general conflict of interest in relation to the matter of the report.

Health and Safety

4. In developing this proposal, no Occupational Health and Safety issues or opportunities have been identified.

Stakeholder consultation

5. Management maintains close contact with key stakeholders regarding the return of office workers to the CBD.

Relation to Council policy

6. The contents of this report are consistent with both the 2021-25 Council Plan ('Economy of the Future' and its focus on economic recovery) and council's economic development strategy: Melbourne's Thriving Economic Future 2031.

Environmental sustainability

7. There is no significant impact on environmental sustainability arising from this report.

Attachment 2 - Melbourne Economy Snapshot – November 2022

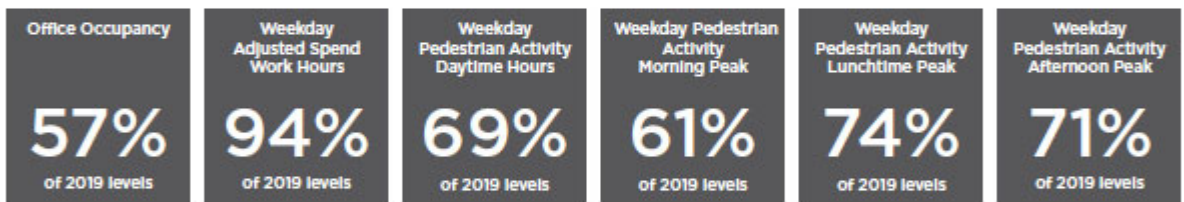
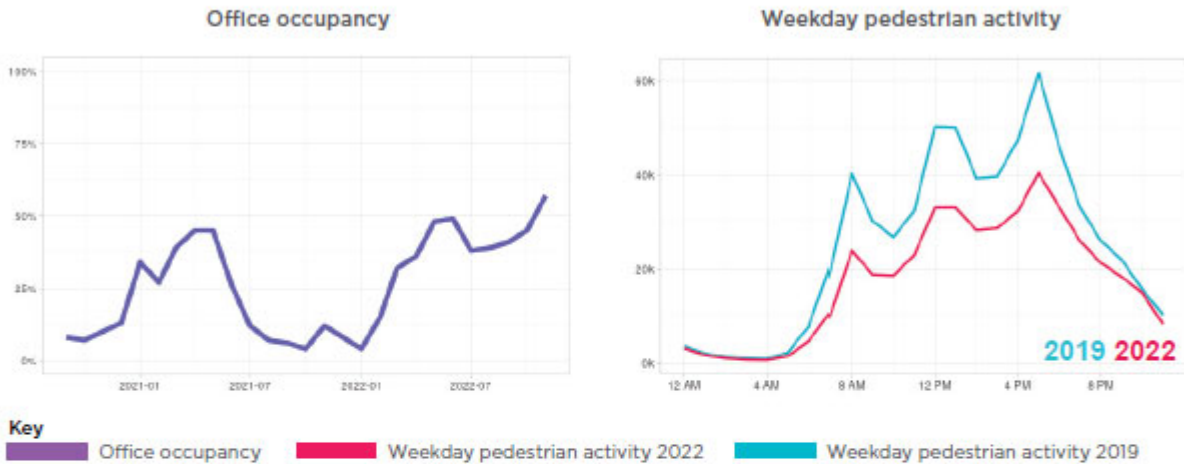
MELBOURNE ECONOMY SNAPSHOT

November 2022

ACTIVITY DURING THE WORK WEEK CONTINUES TO RECOVER, BUT SLOWLY

COVID lockdowns created a massive drop in office occupancy rates and daytime pedestrian activity in 2020 and 2021, as people switched to working from home. Some of that activity has returned to the city, with adjusted spending during work hours over 90% of 2019 levels. But office occupancy and weekday pedestrian activity and spend remain comparatively low.

Office occupancy is well below 2019 levels... weekday pedestrian activity remains below 2019 too



NIGHT TIME SPENDING ACTIVITY IS UP ACROSS THE CITY

Night time visitation to the city has rebounded more strongly than daytime visitation, although it is still about 15-20% lower than before the pandemic. However, night time spending has been at or above 2019 levels since April (even after adjusting for inflation), so it seems that night time visitors are prepared to spend more than they were before then pandemic.

Night time spending is exceeding 2019 levels while pedestrian activity lags behind 2019



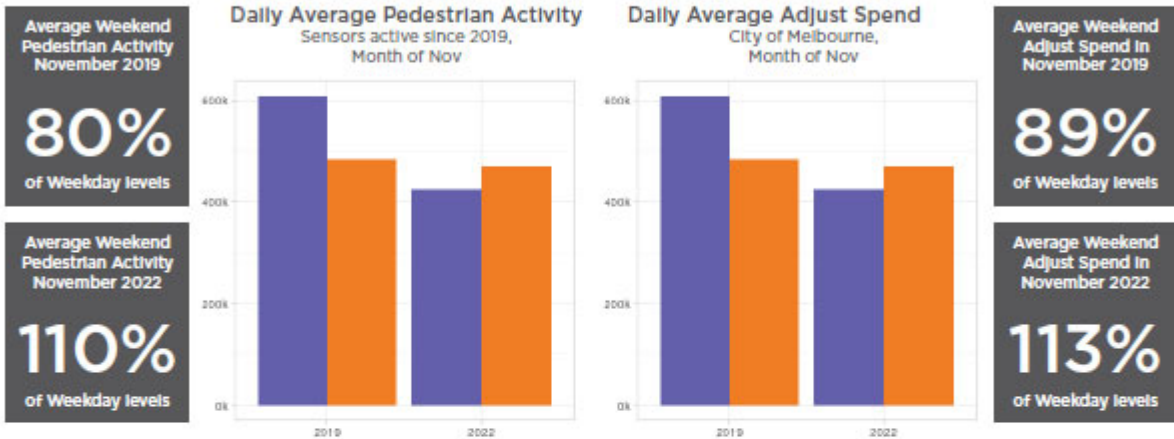
MELBOURNE ECONOMY SNAPSHOT

November 2022

WEEKENDS ARE NOW BUSIER THAN WEEKDAYS

Before the pandemic, weekdays were busier than weekends, but there are now more people in the city on weekends than on before the lockdowns of 2020 and 2021. Overall spending is now higher on weekends than weekdays, even after adjusting for inflation.

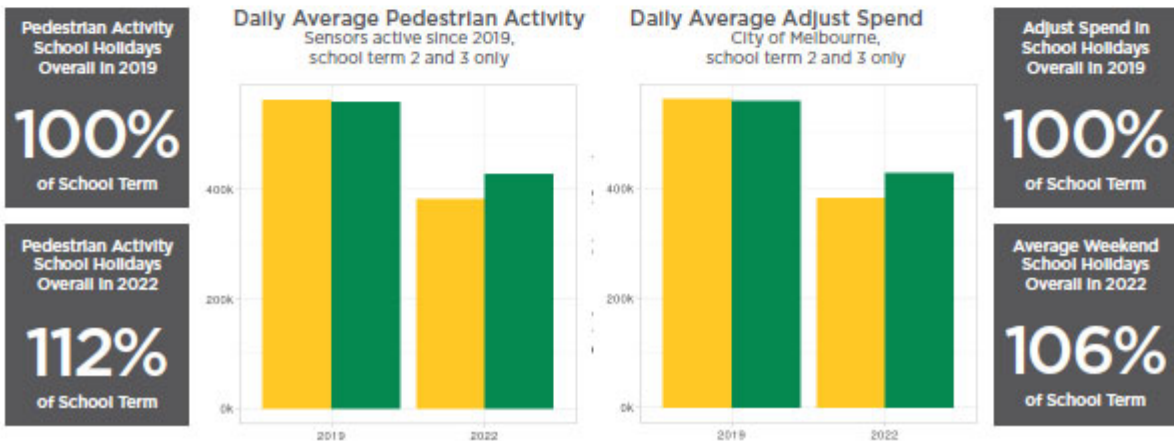
Weekends now see more pedestrian activity than weekdays ... and more adjusted spending overall as well.



SCHOOL HOLIDAYS HAVE EMERGED AS BUSY PERIODS FOR THE CITY

Before the pandemic, school holidays were no busier than school terms for pedestrian activity and spending. Now, school holidays are busier periods than school terms on both accounts. It seems likely that families are using school holidays to visit the city. Term 1 in 2022 was still affected by lockdowns and is therefore not included in the figures below.

Terms 2 and 3 school holidays saw more pedestrian and spending activity than during school term in 2022.



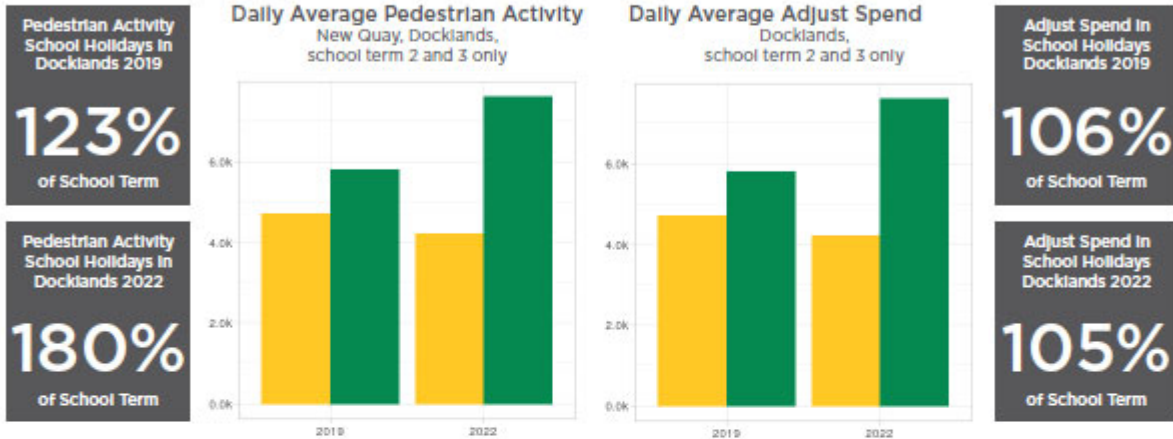
MELBOURNE ECONOMY SNAPSHOT

November 2022

SCHOOL HOLIDAYS IN DOCKLANDS ARE A MIXED STORY

Pedestrian activity in Docklands during the two most recent school holiday periods was much higher than school terms. The June July school holiday period drove much of the increase, with the 2022 Firelight Festival drawing people to the area on 1-3 July this year. Spending patterns look similar to 2019, with a small bump over the school holiday period in both years.

Pedestrian activity in Docklands saw a larger bump in 2022... but spending patterns remained very similar.



SPENDING HAS RECOVERED UNEVENLY ACROSS THE CITY

Overall spending levels have generally returned to 2019 levels, even after adjusting for inflation. But only a few areas have seen higher spending, led by the eastern part of the central business district (CBD). Most other areas, including other parts of the CBD and Southbank, continue to lag behind.

The CBD-East led all spending in Nov 2022 and was one few areas where spending was higher than 2019.

