

Report to the Future Melbourne Committee

Agenda item 6.6

Shopfront vacancies and shopfront activation support

11 June 2024

Presenter: Andrew Wear, Director Economic Development and International

Purpose and background

1. The purpose of this report is to provide an update on the municipality's shopfront vacancy rate and City of Melbourne's (CoM) initiatives to drive greater occupancy of vacant shops.
2. Shopfront vacancy rates are important indicators of the municipality's economic prosperity, liveability, vitality, social cohesion, and safety. Busy, active streets contribute to the overall attractiveness of the city, leaving a positive impression on residents, workers, visitors, and students. It also reflects a thriving business landscape, where commercial spaces are actively utilized, fostering business confidence and economic vitality through revenue generation and job opportunities.
3. Activated shopfronts also serve as magnets for community gatherings, social interactions, and leisure activities, fostering a sense of community and belonging, as people come together to shop, dine, and socialise. This increased social activity acts as a deterrent to anti-social behaviour and vandalism, bolstering safety and security throughout the municipality.
4. In November 2021, shopfront vacancies peaked at 31 per cent following several COVID-19 lockdowns across metropolitan Melbourne. To support the reactivation of the municipality, CoM undertook a comprehensive program of events, activations, and capital works to ensure a strong post-crisis recovery that would present visitors returning to the municipality with a vibrant and exciting retail, hospitality, and entertainment experience. These included activations such as the Uptown Project, Urban Blooms, Music in the City, Find my Footy and Pop-up Libraries. The Vacant Shopfront Decal Program and Flash Forward together activated 71 vacant shopfronts with installations and artworks.
5. CoM also created and delivered the bespoke Shopfront Activation Program from September 2021 until March 2023 resulting in 67 shopfront activations.
6. On 18 April 2023, to reduce vacancy rates, Council agreed to: Streamline the Business Concierge Service in order to attract more retailers; develop and expand the Melbourne Economy Snapshot with greater insights and data on how the city is functioning; and explore the establishment of a grant program for 2023–24, providing direct support to businesses that operate at shopfront level. Council also requested management to report back with an update on shopfront vacancy initiatives and support.
7. Delivering initiatives to reduce the shopfront vacancy rate aligns with Major Initiative 1 in the Council Plan ('Continue to strengthen Melbourne's economic recovery').

Key issues

8. CoM's shopfront vacancy rate has improved dramatically, with vacancies in the central city's core retail district (which covers Queen to Russell Streets and La Trobe Street to the Yarra River) down from 13 per cent in April 2023 to 6.5 per cent in April 2024 (See Attachment 2 CoM Vacant Shopfront Audit Data Report). This reduction is a further sign of a renewed business confidence in the central city. **Attachment 2** contains further detail on this and the wider municipality's vacancy rates. The vacancy rate in the overall municipality rate is now down to 10.7 per cent, dropping approximately five percentage points over the last 12 months.
9. CoM's positive vacancy audit data aligns with CBRE's latest [Australian CBD Retail Vacancy Report](#) which noted that Melbourne's CBD is the best performing capital city CBD in the country. Similarly, Fitzroys' [Walk the CBD](#) report released in April highlights how the central city's vacancy rate has plunged over the last 12 months.
10. Other retail districts within the municipality are also seeing improvement. Several new and innovative hospitality venues are transforming Lygon Street, with the vacancy rate dropping to 8.3 per cent from a high of 17.2 per cent in November 2021. The vacancy rate in North Melbourne has dropped 10.4 percent (from a high of 16.4 per cent) and in Kensington it is 8.7 percent (from a high of 17.6 per cent).
11. There has also been a strong increase in the number of property renewals, with businesses fitting out newly occupied shopfronts and landlords/property owners making improvements and upgrades to their shopfront spaces. Seven per cent of shops were under construction in April 2024, up from just two per

cent in July 2022. This has been particularly evident in Southbank – as major construction and renewal works begin to reach completion, the vacancy rate is beginning to trend down and is currently at 9.5 per cent after a peak of 15 per cent in June 2022.

12. The positive trend in reduced shopfront vacancy across the municipality is reflective of the overall city economy which continues to remain the engine room for the state's economy, accounting for 22 per cent of the State's economic output. At the street level, City of Melbourne consumer spending data reveals that weekday spend throughout the municipality is broadly tracking similar to 2019 levels while weekend spend continues to exceed pre-COVID levels, highlighting how the central city has rejuvenated itself after the pandemic as a place for sport, culture, entertainment, shopping, and dining. Pedestrian and commuter data supports this trend, with activity growing every year since the pandemic.
13. These positive results are built on CoM's efforts to reduce the vacancy rate and ensure that the streets are activated and vibrant while businesses adapt to the city's new rhythm. Recent interventions have included:
 - 13.1. The Business Concierge Service, which so far in 2024-25 has had over 10,200 contacts with existing businesses. It has guided 74 new predominantly retail and hospitality businesses to start up in the municipality. This service has supported over \$22.8million investment in capital expenditure and the creation of 470 jobs.
 - 13.2. CoM has continued to develop the Melbourne Economy Snapshot which provides relevant insights and data by identifying trends that businesses can leverage such as increased activity during school holidays, night time opportunities, commuter patterns and major events such as New Years Eve, Australian Open and large scale music events such as the three Taylor Swift concerts attracting over 90,000 people each night. CoM has also made available, for free, the new [economy.id data platform](#) which – in combination with Census of Land Use and Employment data (CLUE) – a more robust and accurate picture of industries and jobs in the municipality.
 - 13.3. The Small Business Grants Program was refreshed for financial year 2023-2024 to include targeted support for businesses operating at street level. A new Shopfront Stream was developed to specifically support retail and hospitality businesses occupying vacant street level properties vacant for more than three months. Of 24 recipients funded through this round, nine have taken up leases on properties that had been vacant for more than six months and a further six recipients also occupy shopfront properties. The 2024-2025 grants program is an opportunity to explore further ways to reduce the shopfront vacancy rate, particularly within areas of most need where vacancy rates remain sticky such as Docklands and the eastern and western ends of the central city.
 - 13.4. To support the establishment of new businesses, CoM is adopting Commercial Property Lookup, a web platform providing business owners with detailed property reports with the key information needed prior to signing a lease. From early in the 2024-25 financial year, potential commercial tenants will also be able to search for advertised vacancies, providing even greater value to business owners looking for the most appropriate space to set up their business.
14. As the city experiences a surge of new businesses taking up previously vacant shopfronts, CoM is continuing to provide support and information through initiatives such as Mainstreaming Twilight Trade, which demonstrates the opportunities for retail businesses in remaining open later into the evening because of the changes to consumer behaviour since the pandemic. CoM will continue to communicate these opportunities for small businesses in this space through programs such as the Business Precinct Program.
15. The Creative Spaces program working in collaboration with CoM's Property team has also contributed to activating CoM owned shopfront properties to creative tenants. Examples include 54 Errol Street with a rotation of creatives on three-month, rent-free licenses and City Art, which has four retail spaces on Elizabeth Street, opposite the Queen Victoria Market (QVM), offering a 12-month license at 50% market rent. The success of this program has been illustrated by three First Nations businesses, Amber Days, Yarn Strong Sista and Wa-ring. After testing their business in a temporary space, Amber Days were able to secure a longer-term lease.
16. There has also been extensive engagement with the business community through two City Economy Summits in late 2023, a full events calendar, Business Precinct Program providing funding and support across 10 business precincts, extensive marketing, and promotion, in particular targeting city workers and an enhanced cleaning regime to maintain the amenity of the public realm.
17. Noting this positive outlook, challenges remain for certain precincts and neighbourhoods, where vacancy rates remain sticky, including:

- 17.1. Docklands, which continues to experience the highest vacancy rate (18 per cent) and therefore remains a priority area for Council intervention. There has been a significant reduction in vacancies since the Docklands Summit in late 2022, when 28 per cent of shops were vacant. Engagement with key stakeholders to facilitate stronger connections in the precinct and build on the momentum of the Docklands Summit in late 2022 is a key focus for Council.
- 17.2. The eastern and western ends of the central city, as of April 2024 have a vacancy rate of 13 per cent, although both have improved markedly from early 2022 peaks of 21 per cent (central city west) and 22 per cent (central city east). The slow return of workers after the pandemic has significantly impacted the hospitality and retail businesses that largely occupy shopfronts in these two predominantly office building areas.
18. Overall, there is strong cause for optimism with the completion of key city shaping developments on the horizon increasing occupancy and traffic to the city. Metro Tunnel is expected to open in early 2025 and will transform key parts of the city, bringing new life to areas that have been shut down for several years. The major redevelopment of the former David Jones store at 299 Bourke Street will also introduce further positive activity to the heart of the central city with new anchor tenants including Mecca (flagship store), Rodd & Gunn (concept store) and marketing giant Clemenger with its 900 staff arriving soon. Along with the continued influx of international students and continuously strong calendar of events throughout the municipality it is expected shopfront occupancies will continue to improve as the overall city economy also continues to go from strength to strength.
19. **Recommendation from management**
20. That the Future Melbourne Committee:
 - 20.1. Resolves to use the Small Business Grant Program 2024-2025 round to explore ways to reduce shopfront vacancy in retail districts requiring the most need.
 - 20.2. Resolves to support the launch of Commercial Property Lookup.
 - 20.3. Requests that management continue conducting shopfront audits every six months and explore ways to publish the data alongside other economic insights enabling businesses to make better informed decisions.

Attachments:

- 1.Supporting attachment (Page 4 of 14)
- 2.Vacant Shopfront Audit Data Report (Page 5 of 14)

Supporting Attachment

Legal

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

Finance

2. The program of work proposed in this report, in particular the grants program and launching of the web portal, are subject to budget approval processes. The estimated cost of delivering these is \$550,000.
3. Other associated initiatives are expected to be absorbed from existing budget allocation. It is expected most of those approaches can be delivered within existing branch resources and in collaboration with other work areas.

Conflict of interest

4. 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

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

Stakeholder consultation

6. Consultation was undertaken over the past year since the Shopfront Activation Program closed.
7. Management continues to maintain the close relationships with key stakeholders built through the program of work on shopfronts over the past three years to address vacancies across the municipality.
8. External stakeholder including real estate agencies such as CBRE, Zelman Ainsworth and Fitzroy's along with the three agencies contracted for the Shopfront Activation Program – Renew Australia, Ginnane & Associates and The Place Agency.

Relation to Council policy

9. 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

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

Vacant Shopfront Audit Data Report

April 2024



Introduction

The Vacant Shopfront Audit (VSA) commenced in November 2021, in the midst of the COVID-19 pandemic, to help determine the occupancy status of ground-level, street facing properties or 'shopfronts', across the City of Melbourne (CoM).

As the pandemic brought about multiple city-wide lockdowns and varying degrees of health restrictions between early 2020 to mid-2022, it had a heavy toll on countless businesses across the municipality. Many shut their doors temporarily as their operations were too impeded, or worse for others who were forced to close permanently due to the scale of impact being so severe.

The past two and a half years the VSA team conducted a monthly survey of, on average, 6,700 properties, across the municipality's 11 neighbourhoods, including major retail shopping strips and shopping centres. The data collected provided occupancy and vacancy rates to better understand where the pandemic was having the greatest impact and guide Council's initiatives and business support where it would be most required.

Key Insights

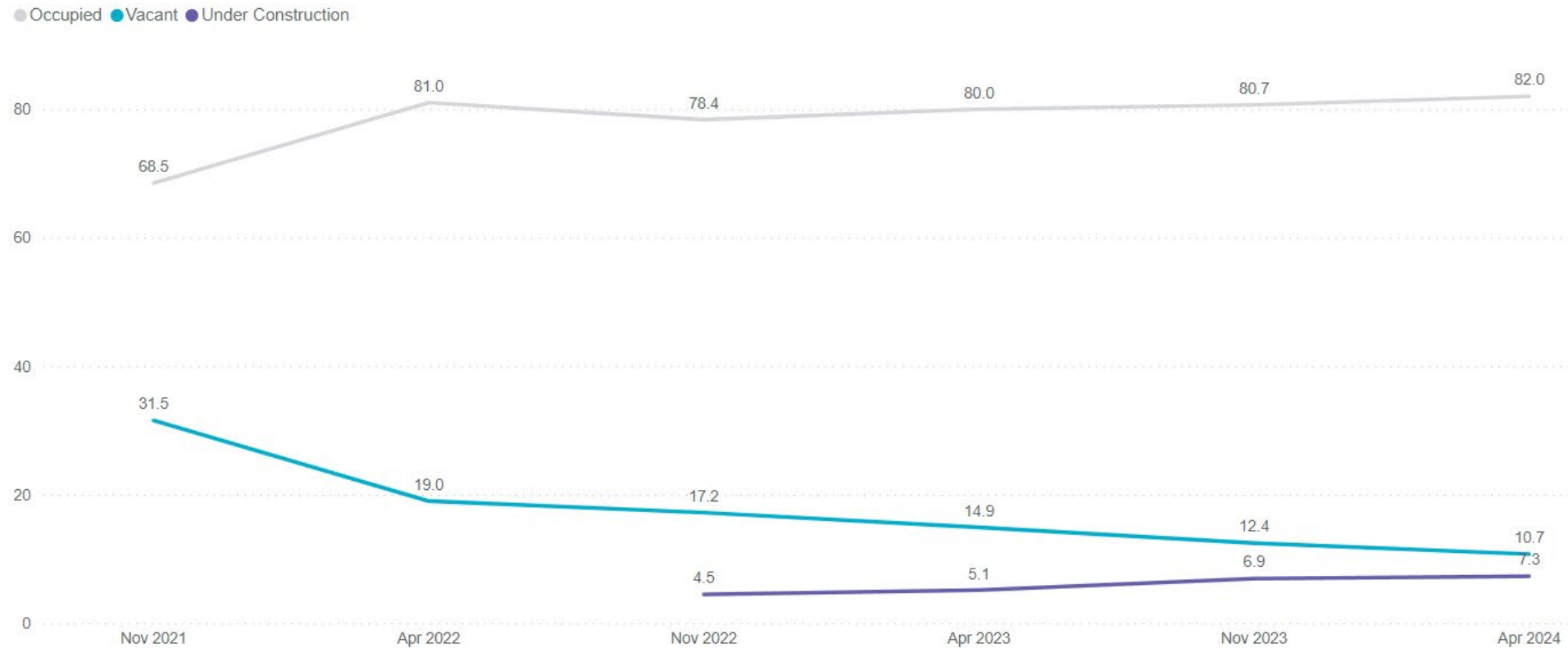
- The municipal-wide vacancy rate improved from 31 per cent in November 2021 to 10.7 per cent in April 2024
- The number of shopfronts under construction increased from 2 per cent in July 2022 to 7.3 per cent in April 2024
- Post-lockdowns, the majority of CoM's neighbourhoods, particularly those with over 200 shopfronts, all experienced improvements in vacancy rates over the last year...
 - Melbourne's Central Business District (CBD) retail core area vacancy peaked at 16.7 per cent in April 2022 and has improved to 6.7 per cent in April 2024
 - Carlton's vacancy peaked at 17.8 per cent in March 2022 and has improved to 11.1 per cent in April 2024
 - Docklands, historically a high vacancy neighbourhood, rose to 38.7 per cent in late 2021 and has improved to 18.0 per cent in April 2024

Shopfront vacancy decreases and occupancy stabilises around 82 per cent, while construction rate continues to rise

The municipality's vacancy rate has steadily improved from 31.5 per cent in November 2021 to 10.7 per cent by April 2024. The occupancy rate improved post-lockdown from 68.5 per cent in November 2021 to 81.2 per cent in March 2022. For the last five months the occupancy rate has stabilised around 82 per cent.

In July 2022 the audit began to track shopfronts 'Under Construction/Refurbishment' (construction rate). The shopfront construction rate has continued to increase from 2.2 per cent in July 2022 to 7.3 per cent in April 2024. With the renewal of shopfronts across the municipality it is anticipated occupancy will rise as these properties upgrades are completed and new tenants occupy them.

Municipal trends in occupancy, vacancy and construction rates



Shopfront vacancy rates continue to improve or stabilise across CoM's neighbourhood's over the last year.

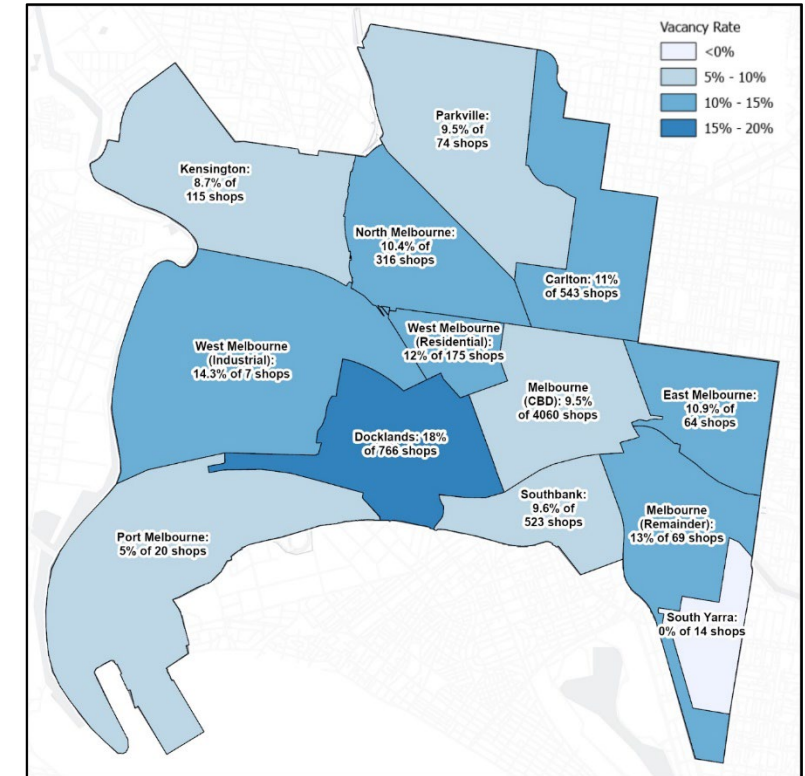
Large shopfront neighbourhoods (over 200 shopfronts) have experienced improvements in vacancy rates over the last year.

- **Melbourne CBD's** vacancy rate has steadily declined over the last year, with April 2024 recording **9.5 per cent** (of 4,060 shopfronts)
- **Carlton's** vacancy rate remained steady over the last year, with April 2024 recording **11.1 per cent** (of 543 shopfronts)
- **Docklands** vacancy rate, while still the highest neighbourhood vacancy rate, has experienced a significant improvement from 24.7 per cent in April 2023 to **18.0 per cent** (of 766 shopfronts) in April 2024.
- **Southbank's** vacancy rate has improved from 13.7 per cent in April 2023 to **9.6 per cent** (of 523 shopfronts) in April 2024.
- **North Melbourne's** vacancy rate has improved from 12.4 per cent in April 2023 to **10.4 per cent** (of 316 shopfronts) in April 2024.

Small shopfront neighbourhoods (under 200 shopfronts) have experienced more fluctuations in vacancy rates over the last year.

- **South Yarra** had no shopfronts vacancies in April 2024 (of 14 shopfronts)
- **Port Melbourne** had the lowest vacancy rate with **5 per cent** (of 20 shopfronts)
- **Parkville's** vacancy rate has remained steady over the last year, with April 2024 recording **9.5 per cent** (of 74 shopfronts)
- **East Melbourne's** vacancy rate has risen since last year, from 8.5 per cent in April 2023 to **10.9 per cent** (of 64 shopfronts) in April 2024.
- **Melbourne (Remainder)** has had an increase in vacancy, from 7.81 per cent in March, July and August 2022, to **13.04 per cent** (of 138 shopfronts) in April 2024
- **West Melbourne (Industrial)** has been floating at a **15 per cent** vacancy across the audit period
- **Kensington's** vacancy rate has improved from 10.5 per cent in April 2023 to **8.7 per cent** (of 115 shopfronts) in April 2024.
- **West Melbourne's (Residential)** vacancy rate has improved from 19.7 per cent in April 2023 to **12 per cent** (of 175 shopfronts) in April 2024

Neighbourhood Vacancy Rates – April 2024



Shopfront vacancy in Melbourne CBD's Retail Core halved in the last year, while construction continues to rise

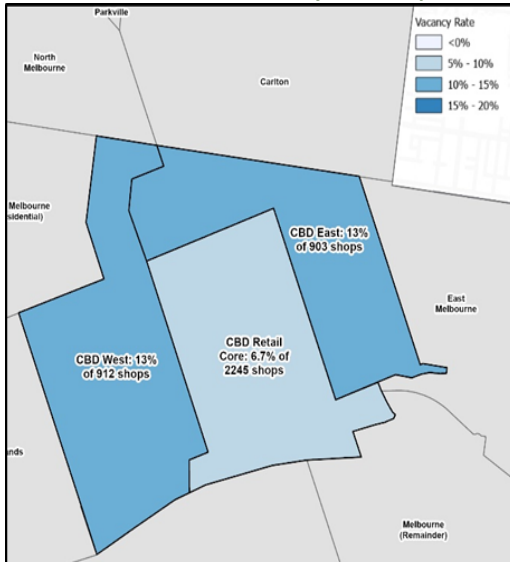
Over the past year, vacancy rates within the **Melbourne CBD's three areas** have all improved, while shopfront construction rates have been steadily rising.

- **CBD Retail Core's** vacancy experienced a **significant improvement**, halving over the last year, from **13.2 per cent** in April 2023 to **6.7 per cent** in April 2024.

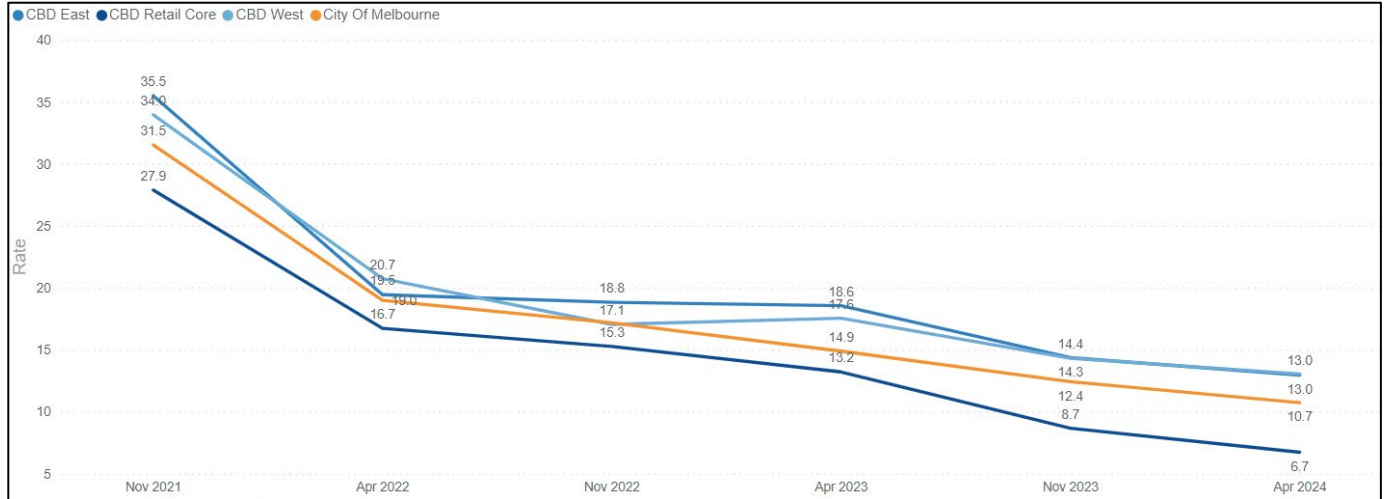
CBD East and **CBD West** experienced similar improvements in vacancy and construction rates over the last year.

- **CBD East's** vacancy rate **improved**, falling from **18.6 per cent** in April 2023 to **13.0 per cent** in April 2024. **Construction rates** in the CBD East **increased to 8.0 per cent** in April 2024.
- **CBD West's** vacancy rate **improved**, falling from **17.6 per cent** in April 2023 to **13.1 per cent** in April 2024. **Construction rates** in the CBD West **increased to 8 per cent** in April 2024.

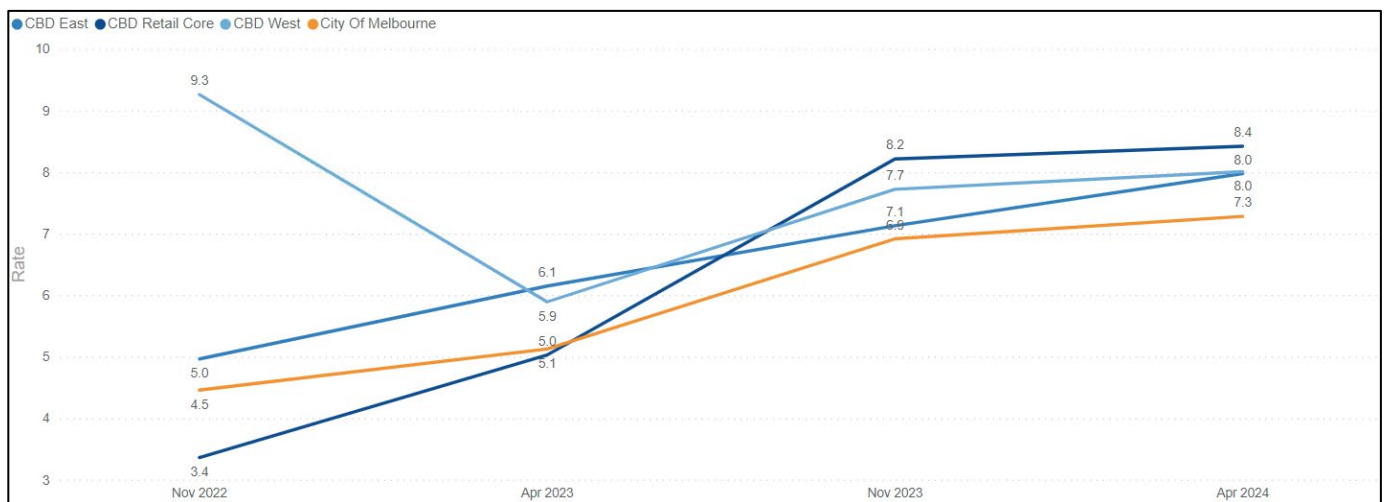
Melbourne's CBD area vacancy rates – April 2024



Vacancy rates – Nov 2021 to April 2024



Construction rates – Nov 2022 to April 2024



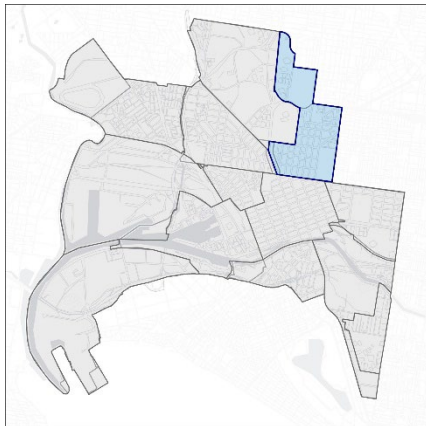
On average, there were **3729 shopfronts** audited in Melbourne's CBD each month with **2059** of those in the main retail zone, referred to as CBD Retail Core. The rest was evenly split across CBD East (**835**) and CBD West (**834**).

Carlton's vacancy significantly improved post-lockdown, with occupancy stabilising at 84 per cent over the past two years

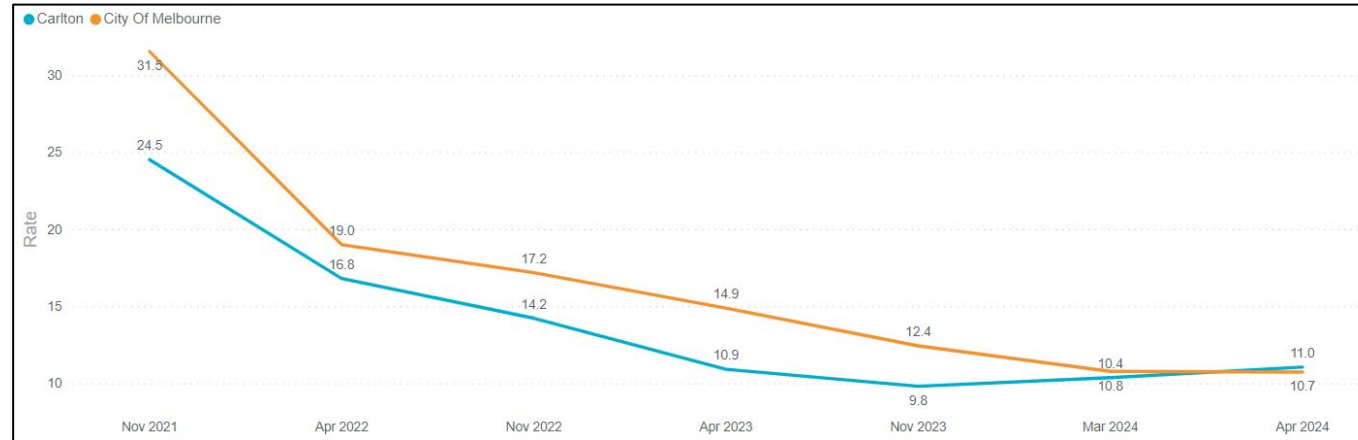
Vacancy rates in Carlton have slightly **increased** over the past year, shifting from **10.9 per cent** in April 2023 to **11.0 per cent** in April 2024.

Post-lockdown, **Carlton** experienced a **sharp increase in occupancy rate**, rising from **75.4 per cent** in November 2021 to **83.2 per cent** in April 2022. **Occupancy rates** in Carlton exceed the City of Melbourne's occupancy rate. Occupancy in Carlton appears to have **stabilised** at around **84 per cent** over the last two years.

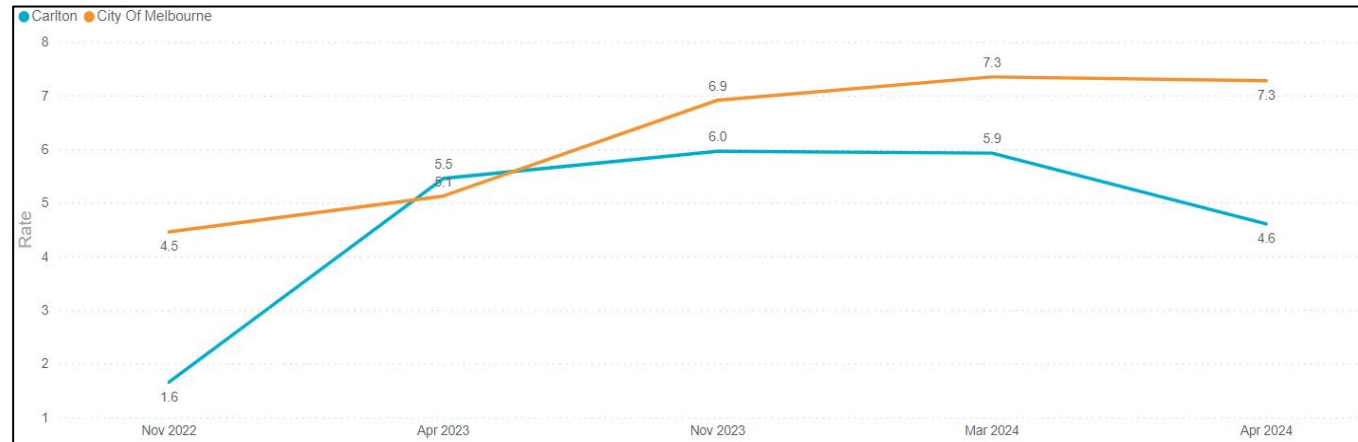
Construction rates in Carlton **peaked** in February 2023 with **7.2 per cent** and since then have been floating around 5 per cent. Over the past year, the **construction rate** in Carlton has **fallen** slightly, from **5.5 per cent** in April 2023 to **4.6 per cent** in April 2024.



Vacancy rates – Nov 2021 to April 2024



Construction rates – Nov 2022 to April 2024



Lygon Street Retail District

Over the last year, the vacancy rate for the **Lygon Street Retail District** has increased from **6.2 per cent** in April 2023 to **8.3 per cent** in April 2024.

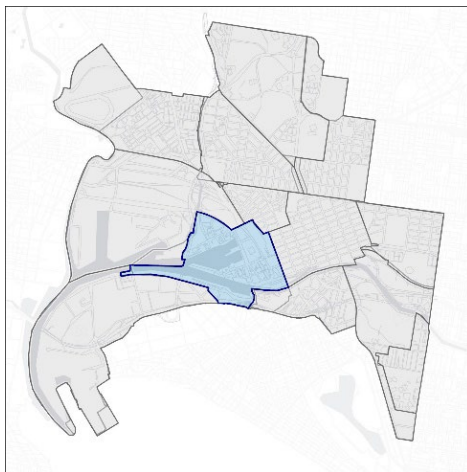
A map of the Lygon Street Retail District in Carlton, Melbourne. The map highlights Lygon Street in a darker blue, indicating a vacancy rate of 8.3% for 264 shops. A legend indicates vacancy rate ranges: < 5%, 5% - 10%, 10% - 15%, 15% - 20%, and > 20%.

Docklands vacancy rate rebounded from COVID lows, improving from 39 per cent in November 2021 to 18 per cent in April 2024

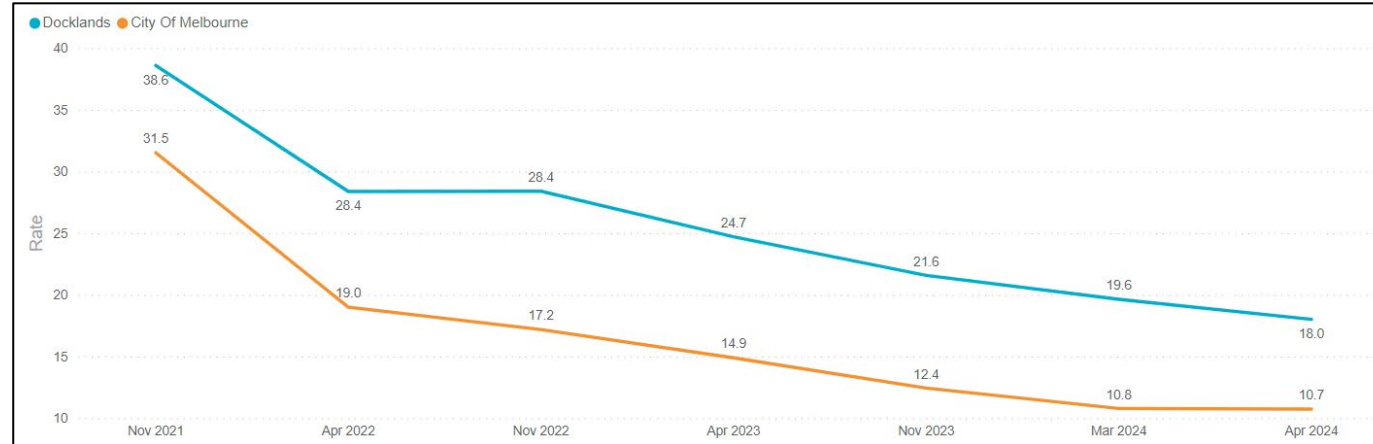
Docklands remains the neighbourhood with the **highest vacancy rate**, with April 2024 recording **18.0 per cent**. Over the last year, the vacancy rate has **slowly improved** from **24.7 per cent** in April 2023 to **18.0 per cent** in April 2024.

Docklands occupancy rate mirrors similar trends to the City of Melbourne. In April 2024 Docklands reached a **new high for occupancy**, with **almost three quarters (73.9 per cent)** of shopfronts in the Docklands neighbourhood occupied.

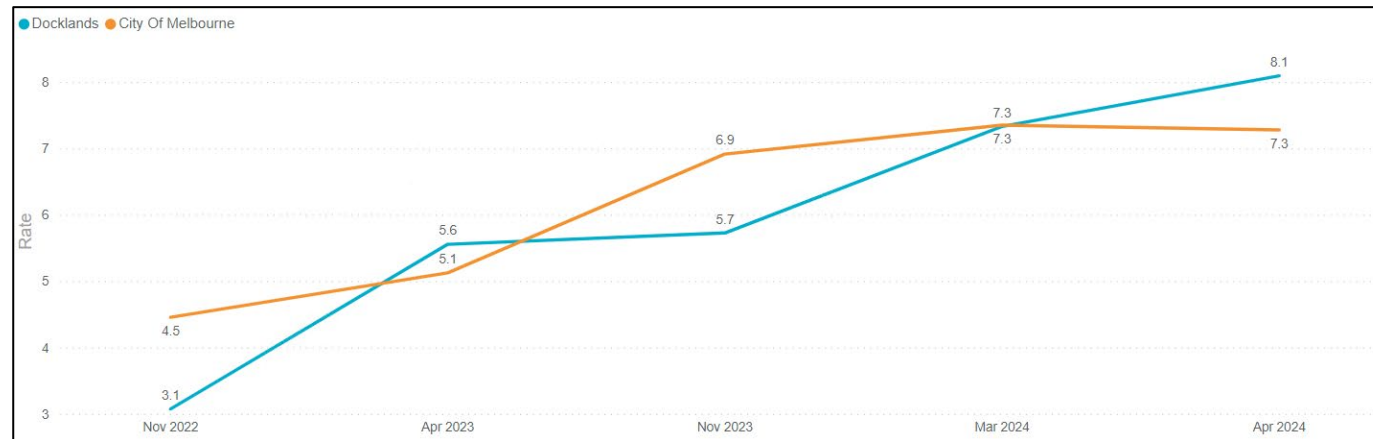
Docklands shopfront **construction rate** has also been on the **rise** over the last year, **exceeding City of Melbourne's construction rate** and **increasing** from **5.6 per cent** in April 2023 to **8.1 per cent** in April 2024.



Vacancy rates – Nov 2021 to April 2024

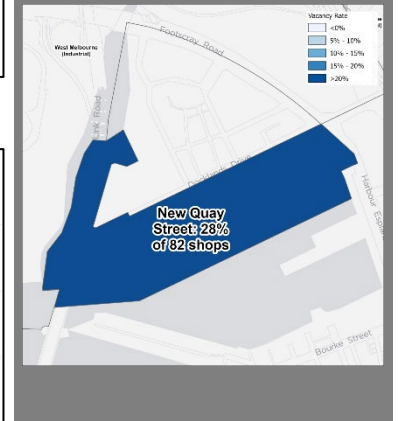


Construction rates – Nov 2022 to April 2024



New Quay Retail District

Over the last year, the vacancy rate for the **New Quay Retail District** has **improved** from **31.9 per cent** in April 2023 to **28.0 per cent** in April 2024.

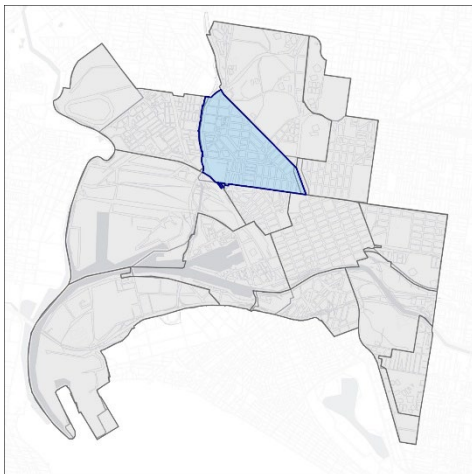


North Melbourne's vacancy rate significantly improved, dropping to 10.7 per cent in April 2024

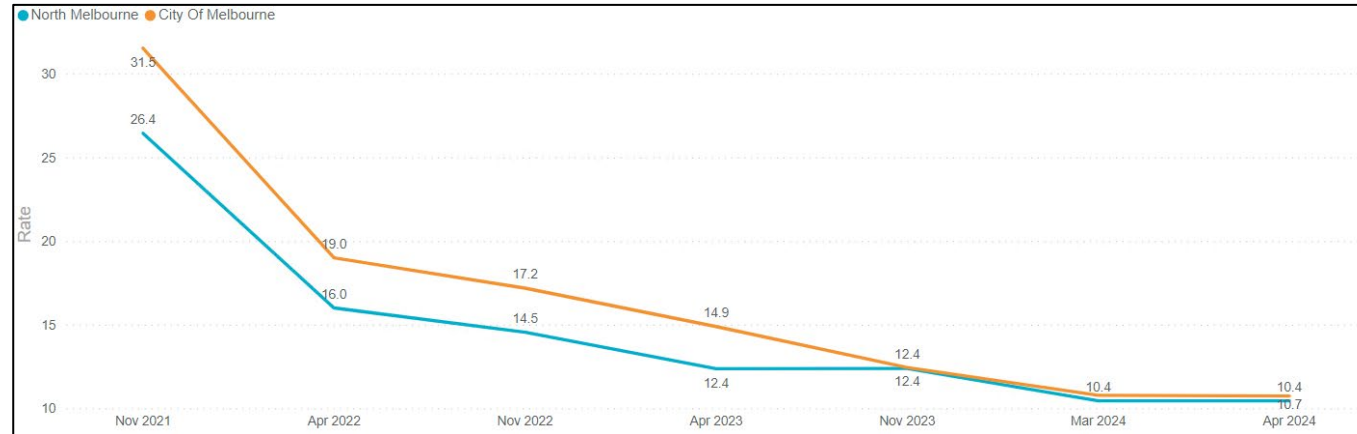
North Melbourne's vacancy rate mirrors similar patterns to the City of Melbourne, with a **significant improvement post-lockdown** from **26.4 per cent** in November 2021 to **16.0 per cent** in April 2022. Over the last year, the **vacancy rate has improved** from **12.4 per cent** in April 2023 to **10.4 per cent** in April 2024.

Occupancy in North Melbourne has experienced **minor fluctuations** over the last few years, with the **occupancy rate declining** slightly over the last year from **84.4 per cent** in April 2023 to **83.9 per cent** in April 2024.

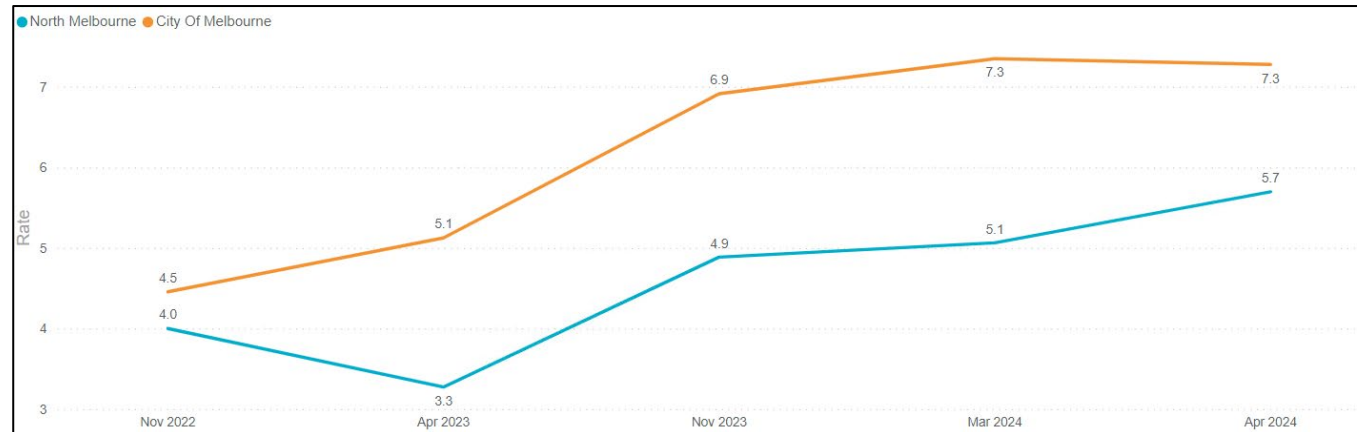
North Melbourne's shopfront **construction rate** has **increased** over the last year from **3.3 per cent** in April 2023 to **5.7 per cent** in April 2024.



Vacancy rates – Nov 2021 to April 2024

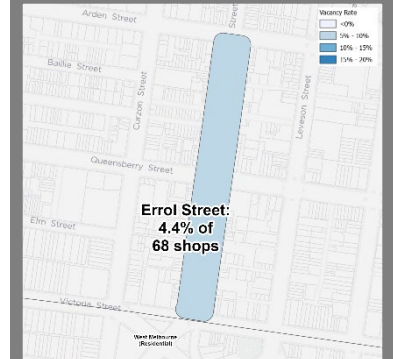


Construction rates – Nov 2022 to April 2024



Errol Street Shopping Strip

Over the last year, the vacancy rate for the Errol Street Shopping Strip has improved from **6.3 per cent** in April 2023 to **4.4 per cent** in April 2024.



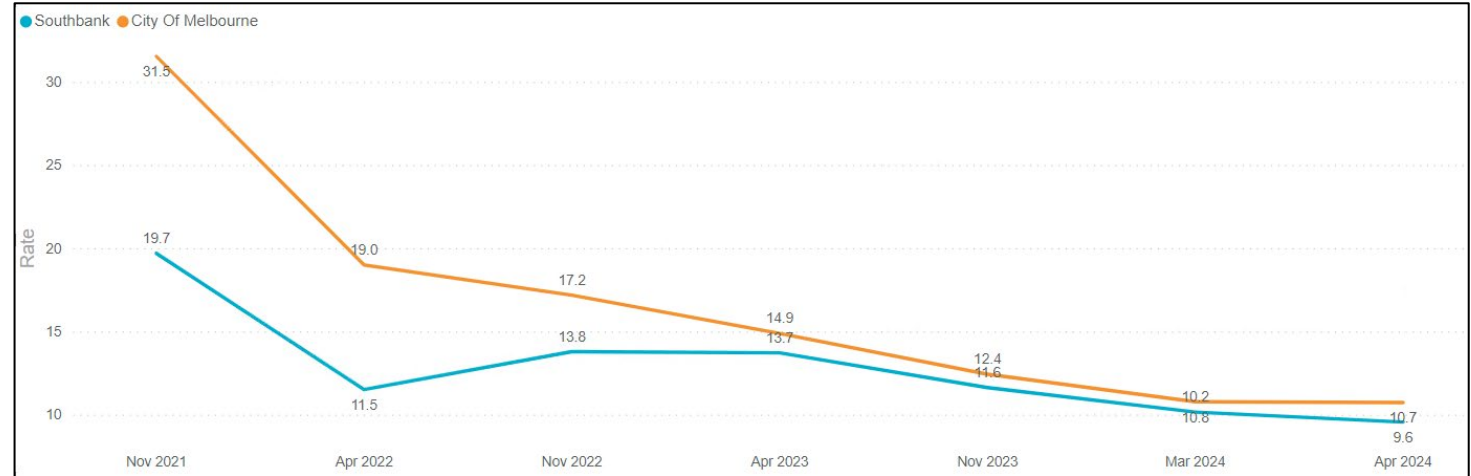
Southbank’s vacancy rate improved to a new record, under 10 per cent by April 2024. Occupancy rose to 87 per cent over the past year.

Southbank's **vacancy rate significantly improved post-lockdown**, falling from 19.7 per cent in November 2021 to 11.5 per cent in April 2022. Over the last two years, the **vacancy rate** in Southbank continues to **remain below the City of Melbourne's** vacancy rate. **April 2024** recorded the **lowest vacancy rate** for Southbank with **9.6 per cent**.

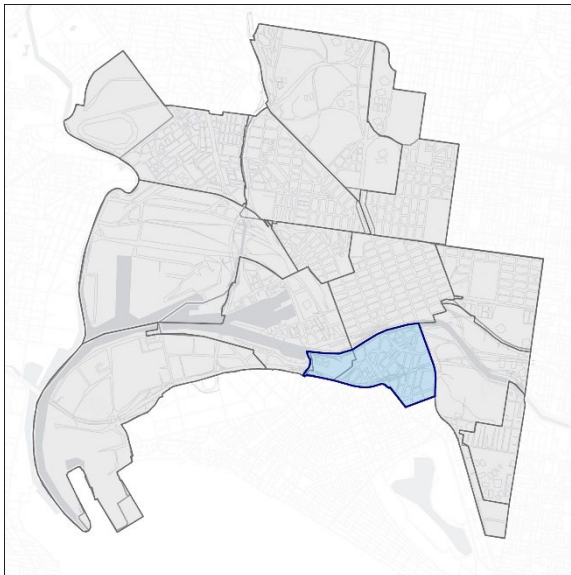
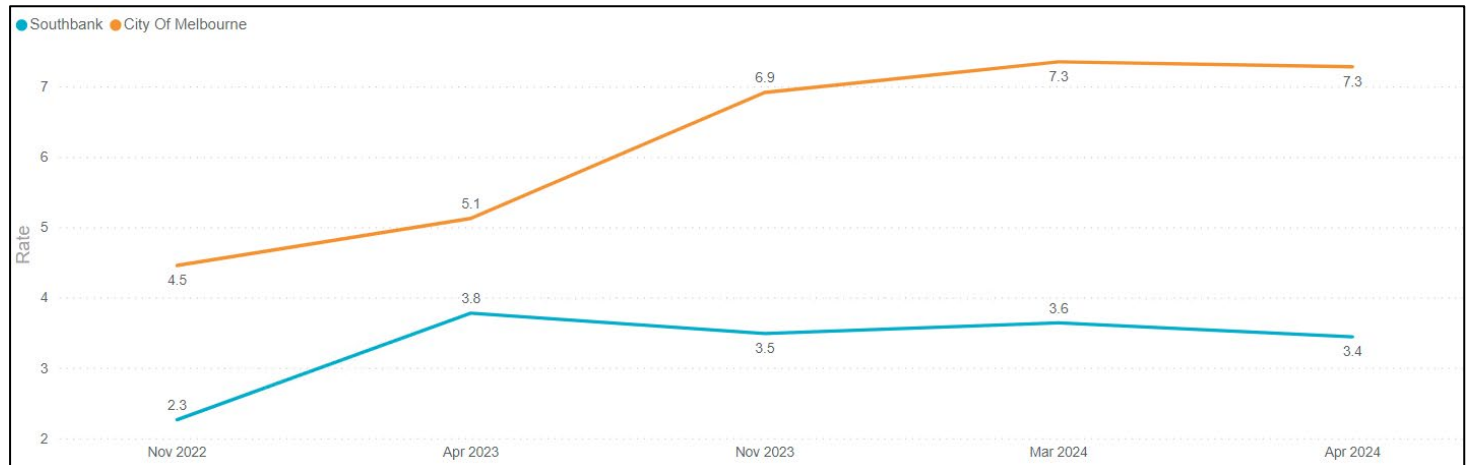
Occupancy rates in Southbank **rebounded post-lockdown**, from 80.3 per cent in November 2021 to 88.5 per cent in April 2022. Over the last two years, Southbank has experienced some fluctuations in the occupancy rate, with April 2024's **occupancy rate slightly lower** than April 2022, at **87.0 per cent**.

Southbank’s shopfront **construction rate is significantly lower** than the City of Melbourne’s construction rate. It has **remained around 3.5 per cent** for the last two years, with April 2024 recording a minor drop to **3.4 per cent**.

Vacancy rates – Nov 2021 to April 2024



Construction rates – Nov 2022 to April 2024



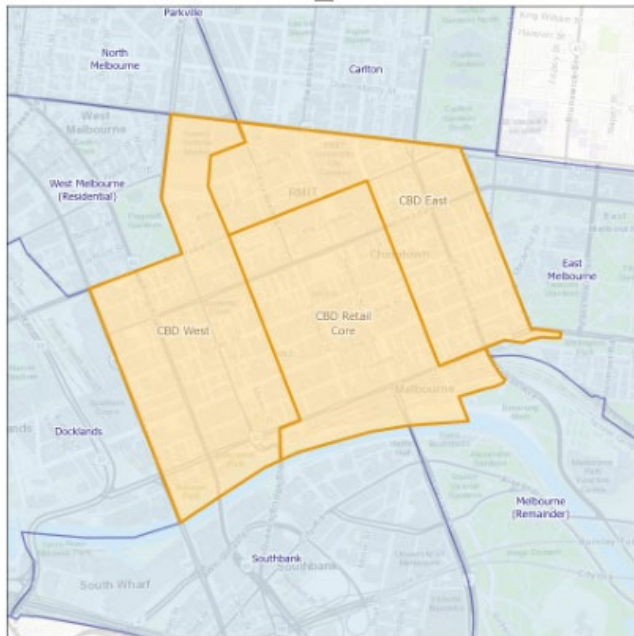
Appendix – City of Melbourne’s Neighbourhoods

City of Melbourne neighbourhoods correspond to CoM's 13 Census of Land Use and Employment (CLUE) small areas (see Map 1).

For the Central Business District (CBD) the CLUE small area was further subdivided into CBD East, CBD West and CBD Retail Core areas (see Map 2).

The number of shopfronts audited in each neighbourhood varies with the CBD having a monthly average of 3729, compared to West Melbourne, Port Melbourne and South Yarra all with a monthly average of less than 20 each.

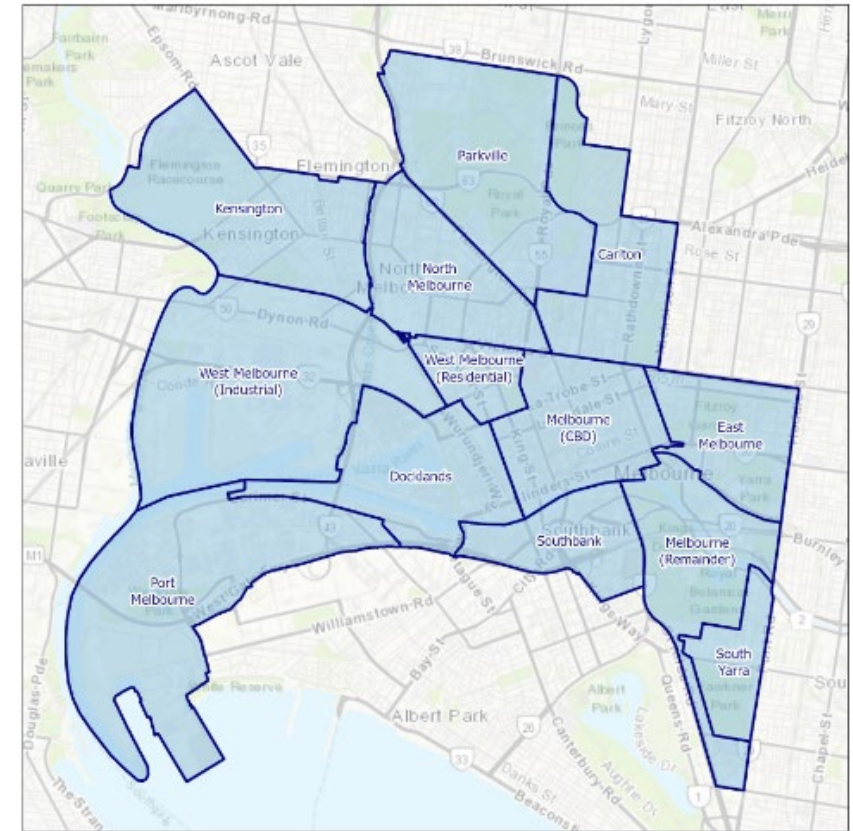
Note: the number of shopfronts audited each month has fluctuated throughout the audit period, dependent on property type, use and accessibility. The number for each neighbourhood stated in this report is calculated based on the average number audited each month from November 2021 to April 2024.



Map 2. CBD audit areas

CBD Areas:

- **CBD Retail Core:** from Queen to Russell streets and La Trobe Street to the Yarra River
- **CBD East:** from Russell to Spring streets and Victoria to Flinders streets along with the northern strip from Elizabeth to the south-western corner of the Carlton Gardens
- **CBD West:** from Spencer to Queen streets and La Trobe Street to the Yarra River. Also includes the block between William to Queen streets north of La Trobe Street and encompasses the Queen Victoria Market.



Map 1. CoM CLUE Small Areas