

[Print this article](#)[Close this window](#)

## Bright outlook for Melbourne's office sector

Philip Hopkins

May 12, 2010 - 3:00AM

A BUOYANT outlook for the economy and white-collar jobs augurs well for Melbourne's office market.

The vacancy rate, which declined to 8.33 per cent last month, is expected to fall further over the next six months, according to Colliers International in its autumn Melbourne office report.

Colliers' research director, Nerida Conisbee, said recent restrictions on finance had delayed the next construction cycle. Only 25,000 square metres of new office space was being built compared with 95,000 sq m in the six months to September. Ms Conisbee said rents, which had risen in the past six months, were expected to increase slightly over the coming year. Rents in the city fringe and inner east had already grown by 4 per cent in the past six months, ranging between \$260-\$330 a sq m and \$280-\$330 a sq m respectively. There were similar rises in the inner-east and south-east regions.

"Yields have started to tighten over the last six months by about 25 basis points on average, confirming the Melbourne metropolitan market is well and truly past the bottom of the cycle and now heading for upswing," she said. Yields would tighten and capital values would improve over the next six months due to higher demand.

Ms Conisbee said the bright jobs outlook was underpinned by the Hudson employment expectations report, which showed that employment sentiment increased for the fourth consecutive quarter. Big government infrastructure projects in water, tunnels, rail and roads and an expected pick-up in residential construction had bolstered this sentiment. "Sentiment in the financial services industry continues to improve," she said.

Since October, Colliers noted that 12 sales of office buildings of more than \$5 million had been made. Major sales included \$20 million for 296 Bay Road, Cheltenham, with vacant possession; \$17.1 million for 50 Burwood Road, Hawthorn, with vacant possession; \$27 million for 289 Wellington Parade, East Melbourne, on a 8.5 per cent yield; and \$24.3 million for 883 Whitehorse Road, Box Hill, on an 8.15 per cent yield.

Ms Conisbee said owner-occupiers were generally paying about \$3250-\$4000 a sq m of capital value in the city-fringe and inner-east regions. Over the past six months, all regions experienced a fall in vacancy except the north and west region, where it rose from 3.1 per cent to 8 per cent due to an increase in supply.

*This story was found at: <http://www.theage.com.au/domain/bright-outlook-for-melbournes-office-sector-20100511-uuyh.html>*