



REIMAGINING OUR ECONOMIC POWERHOUSES:

How to turn CBDs into central
experience districts

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FOREWORD

Our central business districts (CBDs) are big engine rooms of Australia's economy.¹ The CBDs of Sydney and Melbourne alone are home to around 20 per cent of our national economy. Fifteen per cent of Australian jobs are generated in the hearts of our cities.²

CBDs have been central to national productivity, innovation and investment. Reimagining our CBDs will be critical to Australia's economic recovery.

Our CBDs are also cultural connectors and tourism magnets that attract diverse and dynamic mixes of people and activities in concentrated spaces.

The COVID-19 pandemic temporarily knocked these powerful economic, social and cultural forces off their axes. While the degree of disruption varies from city to city, the underlying outcome is the same - CBDs have changed over the past year and some of this change looks set to last. The key will be to frame this change with intent and purpose.

There has been much discussion and debate about the future of our CBDs. In late 2020, the Property Council commissioned EY to take a deep dive into the issue. We surveyed more than 600 CBD users and interviewed 26 big thinkers with local and international perspectives.

We ran focus groups with CBD users, hosted roundtables with Property Council members and investigated emerging trends. We scoured the globe for best practice case studies that could hint at future possibilities. This report - which refers to close to 100 academic papers and international insights - is a curation of the big issues and best ideas out there.

The findings are encouraging and offer insights into how CBDs can continue to be powerful forces into the future, and how they can be better than pre-pandemic. Australians have missed the vibrancy, amenity and cultural buzz that are intrinsic characteristics of the CBD, and most remain confident that their CBD will play a central role in city life in the years ahead.

Australia is now in the position to write the playbook for CBD revival, given we are among the first in the world to emerge from the pandemic.

As we leverage our strong position, we can take the lessons we learn from CBD reactivation and export our skills to the world. By working together, we can supercharge our CBDs as more competitive, more productive and more vibrant powerhouses than ever before.



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1. Ludlow, M. and Durkin, P., *Why big city CBDs are the key to Australia's economic recovery*, Australian Financial Review, May 2020.
2. Grattan Institute, *Remarkably adaptive Australian cities in a time of growth*, 2018.

EXECUTIVE SUMMARY

Australia's major cities generate around 80 per cent of our gross domestic product, and our central business districts are the engine rooms of this activity.³

The economics of agglomeration - essentially the innovation benefit gained from companies and workers clustering together - has been the traditional productivity driver of CBDs. Since the earliest days of commerce, as people gathered to trade in ancient market squares, big benefits have been extracted when infrastructure costs, talent pools, knowledge and ideas are shared.

Agglomeration in numbers

80% the value of all goods and services produced in Australia generated on just 0.2% of the nation's land mass.⁴

15% of Australian economic activity generated in our four biggest CBDs of Sydney, Melbourne, Brisbane and Perth - more than any single industry.⁵

\$2,500 a week the median income of people who work in Sydney's CBD - about \$1,000 a week more than the median income of a full-time worker across all of Sydney.⁶

The pulse of our CBDs is quickened not just by business. Our CBDs also embody the spirit of our cities - the dynamic shopping and dining experiences, the buzzing bars and laneways, the museums, galleries and pocket parks that bring us together and enrich our lives.

Our CBDs were, however, facing challenges before COVID-19.⁷ In *Creating Great Australian Cities*, commissioned by the Property Council in 2018, Professor Greg Clark argued that Australian cities were underperforming in important areas like provision of cultural amenities and knowledge sector mix.

COVID-19 has now subdued key strengths and emphasised existing weaknesses.

Since the COVID-19 shutdowns, almost half of the Australian working population has spent time working from home. This has driven a potential structural shift, in addition to the cyclical 'shut down' shift, in the way we work and by extension how we interact with our workplaces.

At the same time, an acceleration of online commerce is changing the way people shop. And advanced technology has also made it even easier for people to socialise virtually.

EY Sweeney's research of more than 600 CBD users reveals:

70% of CBD workers want to continue working flexibly at least some of the week, post-pandemic.

3.3 days in the office is the average preference, with Thursday the most popular day, and Monday and Friday the least.

51% believe the CBD will not be as busy following COVID-19.

82% expressed confidence that their CBD will continue to evolve to meet the needs of people who live, work and visit.⁸

3. Grattan Institute, *Mapping Australia's economy: Cities as engines of prosperity*, 2014.

4. Grattan Institute, 2014.

5. Grattan Institute, 2014.

6. Terrill, M., *Why it's time for congestion charging*, Grattan Institute, October 2019.

7. Clark, G. and Moonen, T., *Creating Great Australian Cities*, produced for the Property Council of Australia, May 2018.

8. EY Sweeney, 2021.

Full-time remote working is not a permanent preference, but people are looking for more flexibility in their working week. A new 'hybrid' work model - one which brings together both remote and in-person work as the norm - is emerging around the world.

EY Sweeney's research identified social interaction, collaboration opportunities and the separation of work and home life as the three most valuable aspects of their office.

EY Sweeney also found that, promisingly, there is a sense of confidence that CBDs will continue to evolve and will regain their energy and vibrancy. Among the features to lure people back to the CBD are:

- Tourism** 82% say a vibrant CBD attracts tourists
- Hospitality** 67% say some of the best restaurants and bars are in the CBD
- Socialising** 65% say the CBD will be a great place to meet up with people for memorable experiences
- Retail** 65% think the CBD is the best place to shop for fashion
- Culture** 63% say the CBD is the best place for entertainment and events.⁹

Solutions

So, what should our CBDs do to reclaim their roles as vibrancy hubs, talent magnets and economic powerhouses?

This report assessed the EY Sweeney survey respondents, big thinker interviews and engagement with industry leaders to propose six distinct solutions. The responsibility for these solutions lies with governments and business.

Six solutions to reimagine our economic powerhouses:

- 1** Create central experience districts
- 2** Reimagine the workplace
- 3** Redefine quality
- 4** Green it up
- 5** Accelerate the move to future transport
- 6** Amplify Brand Australia to restart and reimagine our CBDs.

As we get our city hearts pumping once more, we have an unmissable opportunity to make our CBDs even better - more vibrant, diverse, inspiring, cultural, healthy, green and connected. By working together, we can write a new playbook for central experience districts.



THE POWER OF THE CBD

Australia's major cities generate around 80 per cent of our gross domestic product, and our central business districts are the engine rooms of this activity.¹⁰

Sydney's CBD alone represented seven per cent of Australia's economy and generated around \$130 billion in economic activity in 2018-19.¹¹ The Melbourne CBD economy was worth almost \$105 billion¹², the Perth and Brisbane CBDs accounted for almost \$45 billion each, and Adelaide's CBD was worth around \$20 billion.¹³ Together, our CBDs also account for around 15 per cent of Australian jobs.¹⁴

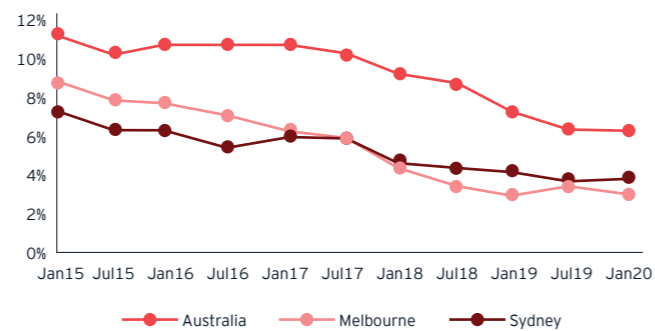
Table 1 | The CBD's share of our workforce¹⁵

| City | CBD's share of entire workforce (%) | Annual growth of CBD workforce (%) | Annual growth of entire city's workforce (%) |
|-----------|-------------------------------------|------------------------------------|--|
| Melbourne | 15.5 | 3.2 | 2.3 |
| Sydney | 14.5 | 3.3 | 2.0 |
| Brisbane | 11.8 | -0.4 | 1.2 |
| Perth | 16.2 | -1.0 | 1.2 |
| Canberra | 15.6 | 0.4 | 1.1 |
| Adelaide | 19.2 | -0.1 | 0.1 |

While there are no clear boundaries that define a city's CBD, the hallmarks are obvious to all: tall towers, bright lights, lively streets and packed pavements of people engaging in diverse activity from commerce to culture, education to entertainment, retail to residential.

Our CBDs are the beating hearts of our economies, which is why they sit on our most valuable real estate. Office vacancy rates in Australia's capital city CBDs were on a steady decline for several years prior to the pandemic, with the two biggest markets of Sydney and Melbourne at extremely tight levels at the onset of COVID-19. The graph below illustrates the strong demand for CBD office space in the lead up to the pandemic (although the total CBD office vacancy has now jumped to 11.1 per cent).¹⁶

Figure 1 | Total CBD office vacancy as a percentage of total stock¹⁷



The economics of agglomeration - essentially the innovation benefit gained from companies clustering together - has been the traditional productivity driver of CBDs.¹⁸ Since the earliest days of commerce, as people gathered to trade in ancient market squares, big benefits have been extracted when infrastructure costs, talent pools, knowledge and ideas are shared.¹⁹

The shift from a manufacturing and mining economy to one based on knowledge, technology and services has also fuelled the growth of our CBDs. Knowledge workers and businesses - professional services, finance, technology, marketing, advertising and more - like CBDs.

As Nobel prize winning economist Paul Romer says: "There is tremendous economic value in interacting with people and sharing ideas. There's still a lot to be gained from interaction in close physical proximity... for the rest of my life, cities are going to continue to be where the action is."²⁰

The pulse of our CBDs is quickened not just by business. Our CBDs also embody the spirit of our cities - the dynamic shopping and dining experiences, the buzzing bars and laneways, the museums, galleries and pocket parks that bring us together and enrich our lives.

Agglomeration in numbers

80% the value of all goods and services produced in Australia generated on just 0.2% of the nation's land mass.²¹

15% of Australian economic activity generated in our four biggest CBDs of Sydney, Melbourne, Brisbane and Perth - more than any single industry.²²

\$2,500 a week the median income of people who work in Sydney's CBD - about \$1,000 a week more than the median income of a full-time worker across all of Sydney.²³

Labour productivity - economic activity per hours worked - is higher in CBDs than in other parts of Australian cities.

Table 2 | Economic activity per working hour²⁴

| | |
|--|------------------------|
| \$100 Sydney CBD | \$61 Greater Sydney |
| \$87 Melbourne CBD (including Docklands and Southbank) | \$53 Greater Melbourne |
| \$82 Brisbane CBD | \$56 Greater Brisbane |
| \$124 Perth CBD | \$76 Greater Perth |

Our cities may have been thriving prior to the global pandemic, but that doesn't mean they were perfect. In *Creating Great Australian Cities*, a landmark report commissioned by the Property Council in 2018, Professor Greg Clark sounded a clear warning. After decades of trading on Australia's brand, Australian cities were underperforming in important areas.²⁵

Our CBDs are microcosms of their broader metropolitan areas. Traditionally, Clark said, Australia's five biggest cities benchmarked above average in areas such as population growth and higher education demand, and below average in provision of cultural amenities and knowledge sector mix.

Clark argued that Australian cities were held back by "fragmented" local governments and "not yet equipped with the governing institutions at the metropolitan scale to manage growth". Our cities were "caught in a clash" between a low public-investment model of urbanisation and a new alternative of "high vibrancy and high amenity". Ultimately, our cities were "increasingly likely to be exposed to international scrutiny with consequences for investment, tourism, talent retention and wider appeal".

10. Grattan Institute, *Mapping Australia's economy: Cities as engines of prosperity*, 2014.
 11. Duke, J. et al, *Sydney CBD needs to 'swing hard' to recover from double-digit economic hit*, Sydney Morning Herald, May 2020.
 12. Burton, T et al, *Plan to rebuild \$104b Melbourne CBD economy*, Australian Financial Review, August 2020.
 13. SGS Economics & Planning, *Economic performance of Australia's cities and regions, 2018-2019*.
 14. Grattan Institute, 2018.
 15. Grattan Institute, 2018. Growth figures are compound annual growth rates from 2011 to 2016.
 16. Property Council of Australia Data Room.
 17. Property Council of Australia, *Office Market Report*, January 2021.
 18. Giuliano, G., et al, *Agglomeration economies and evolving urban form*, 2019.
 19. Glaeser, E., *The wealth of cities: Agglomeration economies and spatial equilibrium in the United States*, 2009.

20. Marron Institute of Urban Management, *Will our economy die from coronavirus?*, March 2020.
 21. Grattan Institute, 2014.
 22. Grattan Institute, 2014.
 23. Terrill, M., *Why it's time for congestion charging*, Grattan Institute, October 2019.
 24. Grattan Institute, 2014.
 25. Clark, G. and Moonen, T., *Creating Great Australian Cities*, produced for the Property Council of Australia, May 2018.

COVID-19 has now subdued key strengths and emphasised existing weaknesses. *Creating Great Australian Cities* showed us, pre-COVID, that we had some challenges to address and made important recommendations as to how this could be done. While this analysis related to the metropolitan scale, there were important lessons for our CBDs from this research. Stepping up to act on these recommendations is now even more important.

Figure 2 | Collective performance of Australia's big five cities²⁶

Collective performance of Australia's big five cities versus aggregate scores of benchmark countries



*Performance assessed using an ELO algorithm. Average performance ranked based on a scale in which the maximum (minimum) score possible was the maximum (minimum) score achieved by any national set of five cities across all 14 categories measured.

RECOMMENDATIONS FROM CREATING GREAT AUSTRALIAN CITIES

Build momentum to expand and deepen promising current developments

- ▶ Build the evidence base and make a business case for cities and infrastructure
- ▶ Make City Deals permanent
- ▶ Provide metropolitan leadership, governance and planning tools
- ▶ Create integrated transport authorities
- ▶ Strike infrastructure and growth compacts
- ▶ Establish precinct partnerships and management.

Foster new innovation and tools

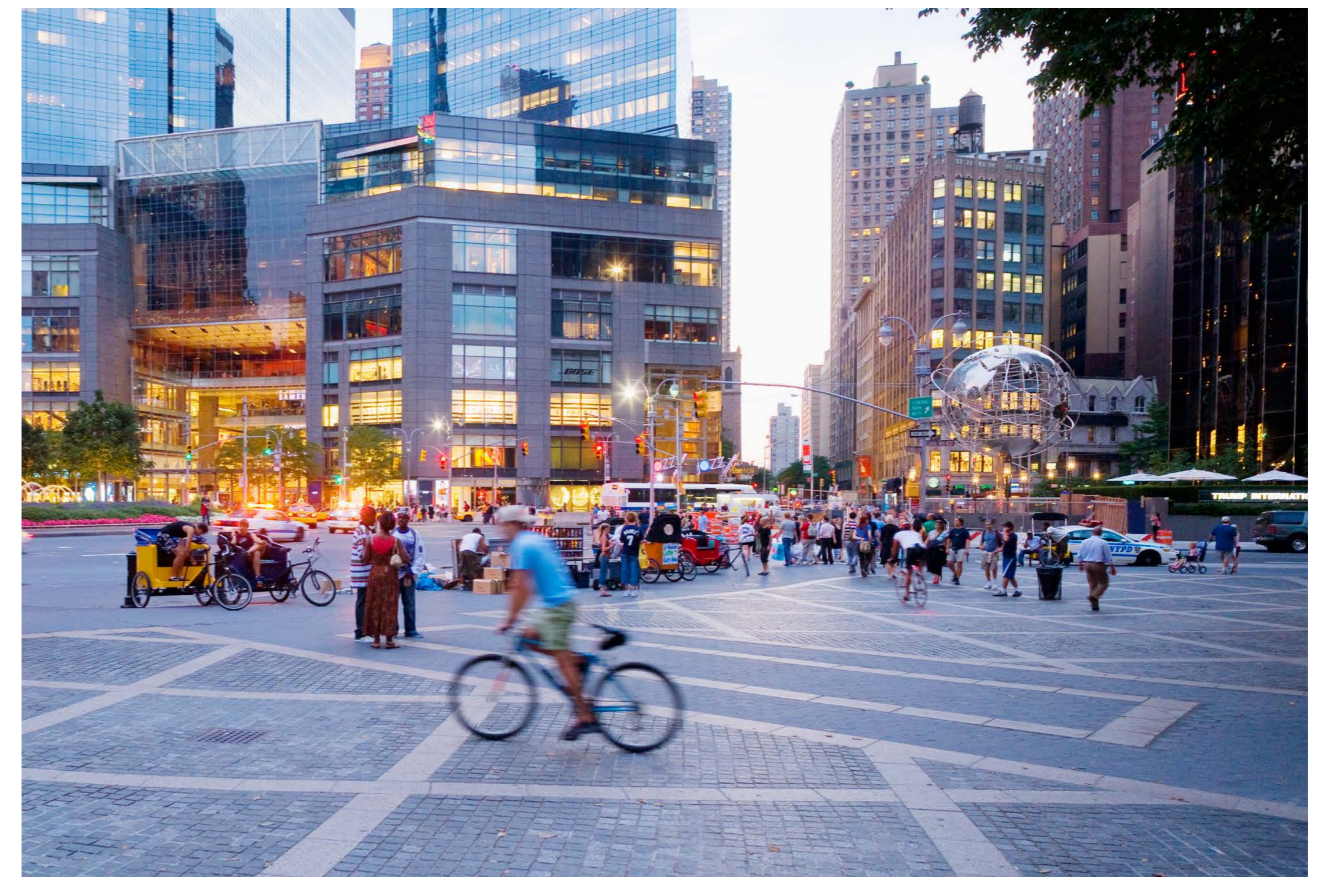
- ▶ Bring together local government combinations
- ▶ Undertake reforms in the housing market
- ▶ Enhance infrastructure funding and finance
- ▶ Drive the metropolitan and innovation economy
- ▶ Foster compelling public leadership, wider civic engagement and a proactive business community
- ▶ Connect Australia's powerhouses.

Why do businesses choose to locate in the CBD?

- ▶ A magnet for top talent
- ▶ A central point, supported by good transport links
- ▶ A symbol and tool to shape corporate culture
- ▶ A base to support client contact, win new clients and enhance relationships with existing ones
- ▶ A hub of innovation, co-creation, collaboration and teamwork
- ▶ A facilitator of employee engagement
- ▶ A driver for digital infrastructure, leading to integration of new technologies
- ▶ A productivity powerhouse that drives business growth.

And why are people attracted to working in the CBD?

- ▶ A place of community, belonging and rich social networks
- ▶ A place to collaborate with colleagues
- ▶ A place that provides separation between work and home life
- ▶ Access to managers, business leaders or decision makers
- ▶ Access to better technology and a more appropriate working environment
- ▶ A site of both purposeful and incidental interaction that sparks new ideas
- ▶ A source of formal and informal learning, mentoring and career growth
- ▶ At the centre of culture, retail, dining and entertainment options outside of work hours.



2.



COVID-19'S DISRUPTIVE CHALLENGE

CBDs have been the lifeblood of our economy, but they are facing new challenges. Remote working and online retail – trends that already existed – have surged in response to the COVID-19 pandemic, driving down daily foot-traffic in our CBDs.

Since the COVID-19 shutdowns, almost half of the Australian working population has spent time working from home.²⁷ This has driven a potential structural shift, in addition to a cyclical 'shut down' shift, in the way we work and by extension how we interact with our workplaces.

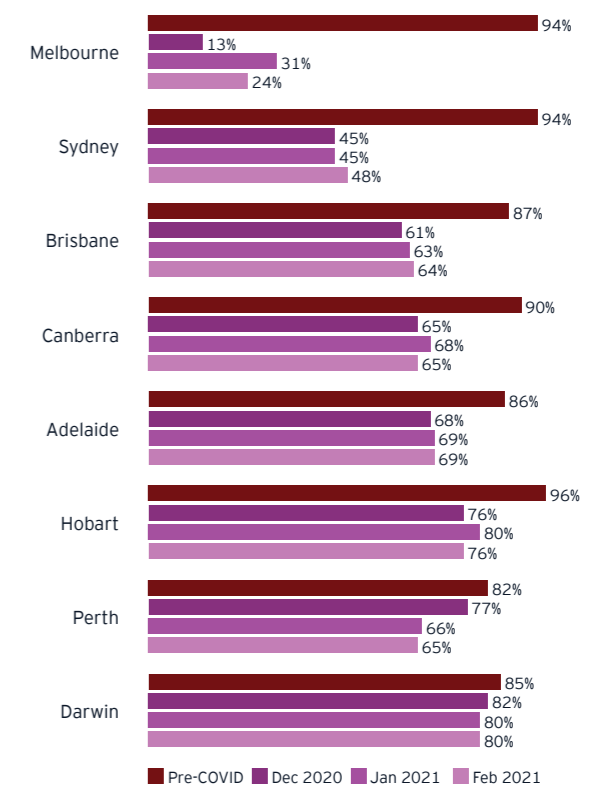
At the same time, an acceleration of online commerce is changing the way people shop. November 2020 was the biggest month in Australian online shopping history, rising 20.8 per cent from the 2019 pre-Christmas peak. Australia Post delivered a record 52 million parcels in December 2020.²⁸

Advanced technology has also made it even easier for people to socialise virtually.

While the pandemic is far from over, the acute disruption of forced shutdowns is temporary and CBDs are beginning to regain their position as powerhouses of economic and cultural life. Property Council data from February 2021 shows that office tower occupancy in our CBDs is beginning to bounce back as people revalue the role of the office in innovative collaboration and co-creation. There is, however, still a long way to go to get back to pre-pandemic levels in most cities.

These significant global disruptive forces will drive structural shifts that will demand a rethink of our CBDs. Our opportunity is to recast the roles of workplaces, retail and culture, and to reimagine our CBDs for the long-term. We must ask ourselves: How do we lean into the disruption to ensure our CBDs emerge stronger and better than they were before COVID?

Table 3 | Office occupancy by CBD³⁰



27. Australian Bureau of Statistics, *Household Impacts of COVID-19 Survey*, January 2021.

28. Australia Post, *Inside Australian online shopping update*, December 2020.

29. Blake, D., *Australia Post delivers record 52 million parcels in December*, Inside Retail, January 2021.

30. Property Council of Australia, *Lockdowns slow progress towards CBD reactivation*, March 2021. Figures are based on responses from Property Council members who own or manage CBD office buildings and cover occupancy for the period from 22 to 28 February 2021.

3.

INSIGHTS FROM CBD USERS

EY's integrated in-house research team EY Sweeney surveyed more than 600 CBD users, held two discussion forums and six deep-dive interviews to understand the long-term trends. Here's what some of these respondents said at the end of 2020 ...

"I feel a strong connection to the CBD as I was born in Melbourne and it's part of my DNA. I'll definitely be back in the CBD once things get back to some normality and I'm back at work."

Melbourne, Male, 59 years

"COVID has made me a little nervous... I still enjoy spending time in CBD but I feel it's not the same. I haven't been catching up with friends as much or workmates. The atmosphere has changed."

Melbourne, Female, 22 years

"I want it to get back to being bustling and hustling like it was. How it's going to look I don't know, but I pray that the CBD will become the centre of Sydney again."

Sydney, Male, 39 years

"I can't wait to get back to the CBD. Going to work every day would be really good for me and have a positive impact on my life. Even on the weekends when I am not working, I loved going to the city for the restaurants and bars."

Melbourne, Female, 25 years

"I want to spend more time in the CBD like I used to. I want to be spontaneous again instead of having to book everywhere and follow COVID-Safe protocols. I can't wait for normality and the vibe and atmosphere in the CBD to be restored."

Sydney, Male, 43 years

Our CBDs are where hundreds of thousands of Australians work, learn, grow and live. They have the best public transport links, cultural institutions, performance venues and retail outlets - all the elements needed to draw people back. For knowledge workers, transport access and agglomeration make CBDs the best place to connect with the maximum number of people.

EY Sweeney's research, illustrated overleaf, asked people what drew them to the CBD prior to COVID-19 and what would lure them back.

Figure 3 | Activities taking people to the CBD pre COVID-19³¹

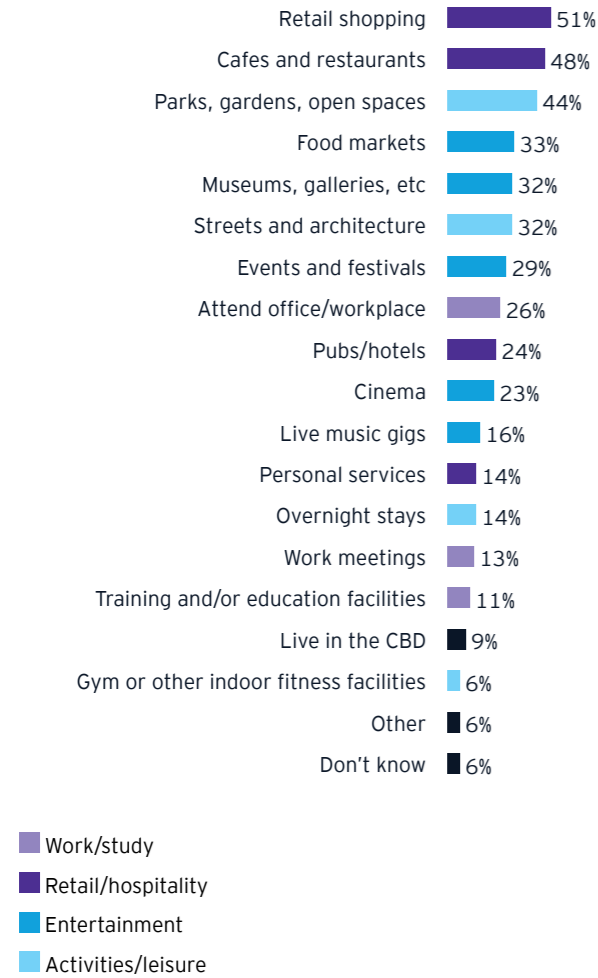
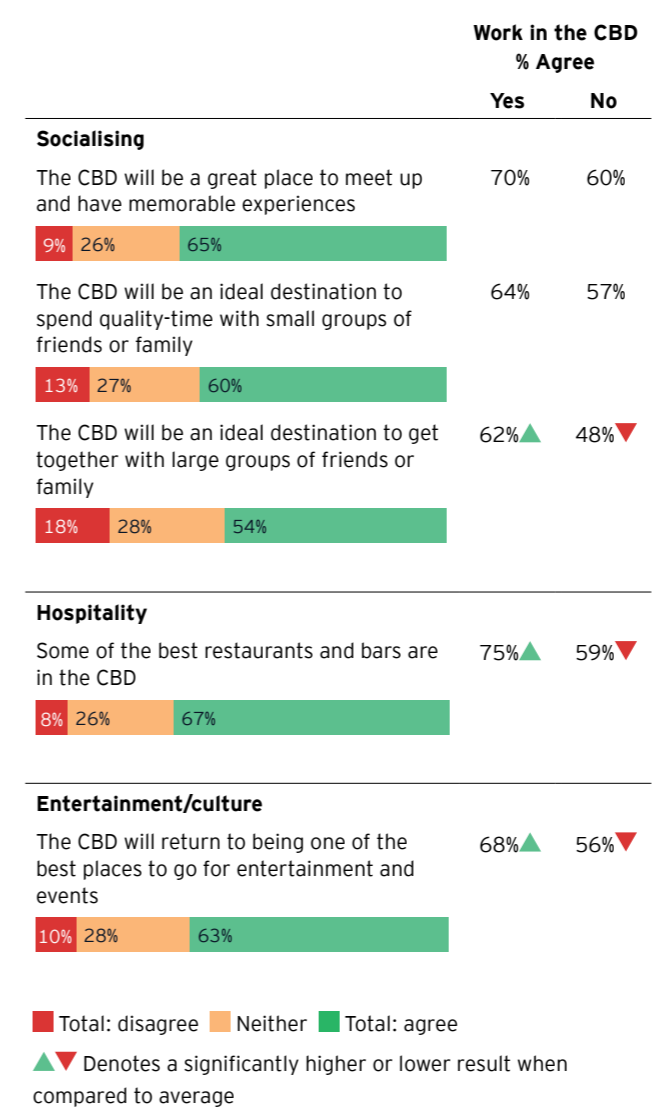
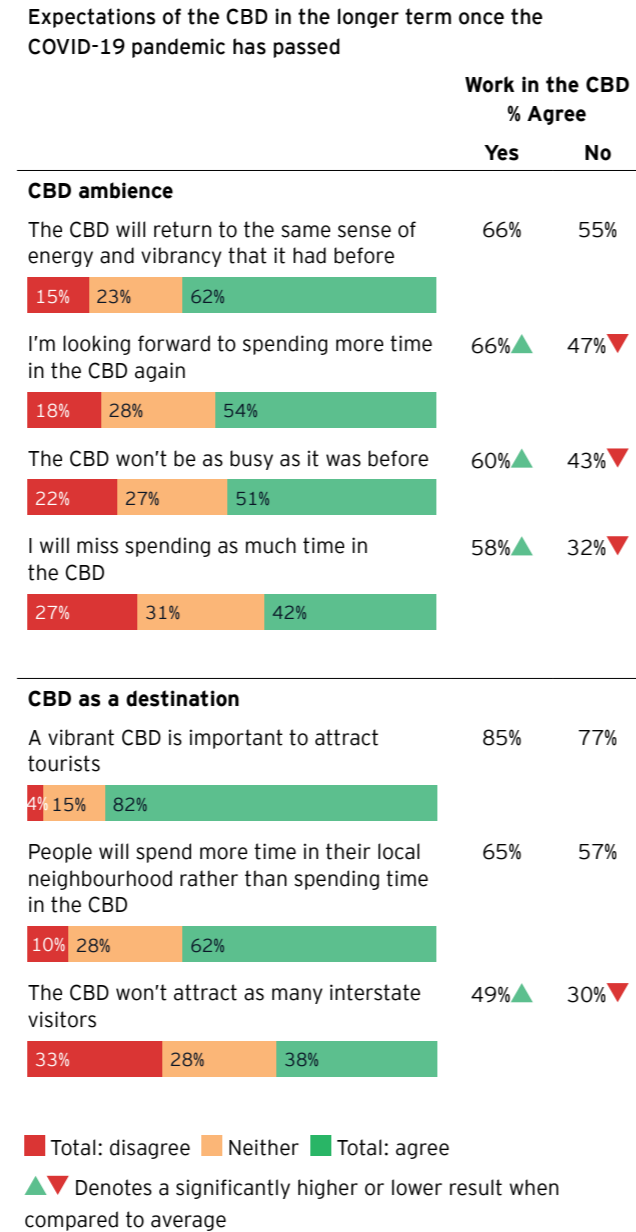


Figure 4 | Expectations of the CBD post-pandemic³²



31. EY Sweeney, Post COVID cities: Key findings report, March 2021.
32. EY Sweeney, 2021.

4.

A NEW ERA OF FLEX

City centres have withstood countless pandemics and economic crises, wars and natural disasters over many centuries, and they have bounced back stronger.

London's role as the world's financial centre continued to expand despite its deadly cholera epidemics of the nineteenth century. In the decade after the Spanish Flu swept through New York, the Big Apple's population swelled from 4.8 to 6.9 million.³⁵ A flight to the suburbs following Sydney's 1900 bubonic plague outbreak was offset by burgeoning population growth in reimagined waterfront precincts like The Rocks and Millers Point.³⁵

In these examples - and many more - the economic power of cities was enough to counterbalance the impact of the disruption. But there is one underlying difference between this pandemic and those of the past - and that is the ability for large numbers of workers to remain productively employed from their homes, thanks to collaborative technology.

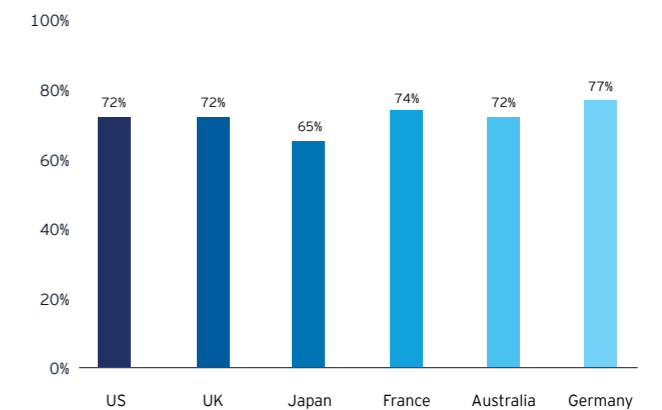
While the return to the workplace is incomplete, EY Sweeney research reveals:

- 70%** of CBD workers want to continue working flexibly at least some of the week, post-pandemic.
- 3.3 days** in the office is the average preference, with Thursday the most popular day, and Monday and Friday the least.
- 51%** believe the CBD will not be as busy following COVID-19.
- 82%** expressed confidence that their CBD will continue to evolve to meet the needs of people who live, work and visit.³⁵

These statistics illustrate the complexity of the challenge ahead. Full-time remote working is not a permanent preference, but people are looking for more flexibility in their working week.

A new 'hybrid' work model - one which brings together both remote and in-person work as the norm - is emerging around the world. Software company Slack's survey of workers who identify as 'skilled office workers' in the US, the UK, France, Germany, Japan and Australia found the 'hybrid' model of home and office was preferred across all countries.³⁶

Figure 5 | Slack survey: Percentage of workers who prefer a hybrid working model³⁷



This new hybrid model will have implications for business, asset owners and the shape of our CBDs. This model comes with the challenges of coordinating the working week across teams and nurturing corporate culture when people are working everywhere. Landlords and tenants will need to invest in creative solutions to reconfigure space, embrace smart building technology and create places where people want to be.

What are the obstacles and opportunities ahead for this new 'hybrid' work model? Let's look through three different lenses: the individual worker, the business and the economy.

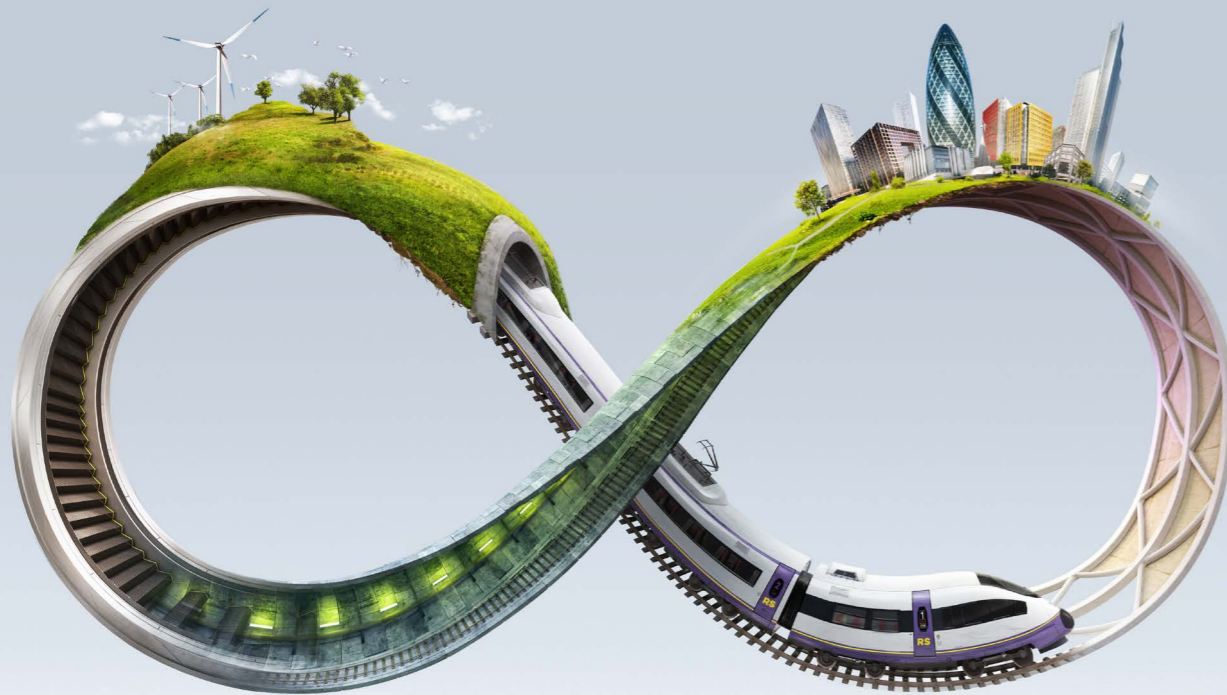
33. Florida, R., *This is not the end of cities*, Bloomberg City Lab, June 2020.

34. McNally, G., *Bubonic plague Sydney: How a city survived the black death in 1900*, The Daily Telegraph, September 2015.

35. EY Sweeney, 2021.

36. Hensher, D. et al, *What might the changing incidence of working from home (WFH) tell us about future transport and land use agendas*, December 2020.

37. Hensher, D. et al, 2020.



THE UPS AND DOWNS OF REMOTE WORK

“Working from home has benefits of not having to commute, to spending more time with your loved ones and being able to do the little things like school pick or drop off... The negatives are the social isolation of being at home and not being able to talk about things off the cuff...”

Melbourne, Male, 38 years

“Initially I did miss the team when at home five days a week, but feel it’s critical to have an equal balance of the two. I feel a lot of older generations are against the work-from-home model as they feel there is a major lack of productivity, but my generation begs to differ...”

Sydney, Male, 25 years

“The negatives are definitely the isolation, and that it puts a lot of pressure on your home environment.”

Sydney, Female, 27 years

“My optimal mix would be 50/50 because some of my work needs to be collaborative while some individual tasks can be done by myself more productively at home.”

Sydney, Female, 22 years

“I struggled to adjust at first, but like most things, it’s become the new normal. I love getting up early and going for a coastal walk ... [but] I miss my work colleagues and the human interaction ... also the after work social side, drinks, dinners etc.”

Sydney, Female, 33 years

“I would love to be able to work a day or two at home to have the freedom of being home earlier and time to spend with my partner and save on travel, but then have the three days in the office to nurture relationships at work.”

Melbourne, Female, 22 years

“People like working from home for convenience. They get to spend time with their kids or not commute for hours each day, or pay for childcare. What do I get out of flexible working? Nothing. I live in the CBD, I don’t have kids, so for me, I want to go back to the old way.”

Sydney, Male, 43 years

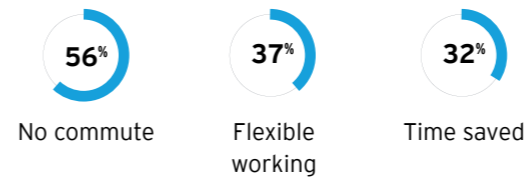
“A lot of younger people love going back to work and being in nice office buildings. Older people with families may enjoy being at home, but younger people really love the lifestyle, the interactions with others and enjoying the bars and restaurants in the CBD. I can’t wait to return to my office.”

Melbournian, Female, 25 years³⁵

Australians have experienced both the up and downsides of working from home, and at least 30 per cent of Australians would like to continue working from home post-pandemic.³⁹

Many Australians have loved the flexibility, the extra hours gained from avoiding the commute and the ability to concentrate on quiet tasks. Our workplaces have been democratised and humanised, as virtual meetings dissolve ‘head of the table’ dynamics and show people in their home settings.

TOP THREE THINGS PEOPLE LIKE ABOUT WORKING FROM HOME



Survey of 1,200-plus Australian employees by Employment Hero.⁴⁰

On the downside, one in every five Australians also reported suffering from loneliness during 2020.⁴¹ The hours spent on unpaid work since COVID has increased, and the consumption of alcohol has risen significantly.⁴²

The work-from-home experience has taken a particular toll on young people. The Australian Bureau of Statistics has found 23.9 per cent of those aged 18-to-34 years feel in worse physical health and 28.8 per cent say their mental health is worse since the pandemic.⁴³

The Australian Housing and Urban Research Institute has found that working from home has exacerbated existing vulnerabilities and, for some, the COVID experience has been characterised by “spending additional time in cold, uninsulated or poorly heated homes”.⁴⁴

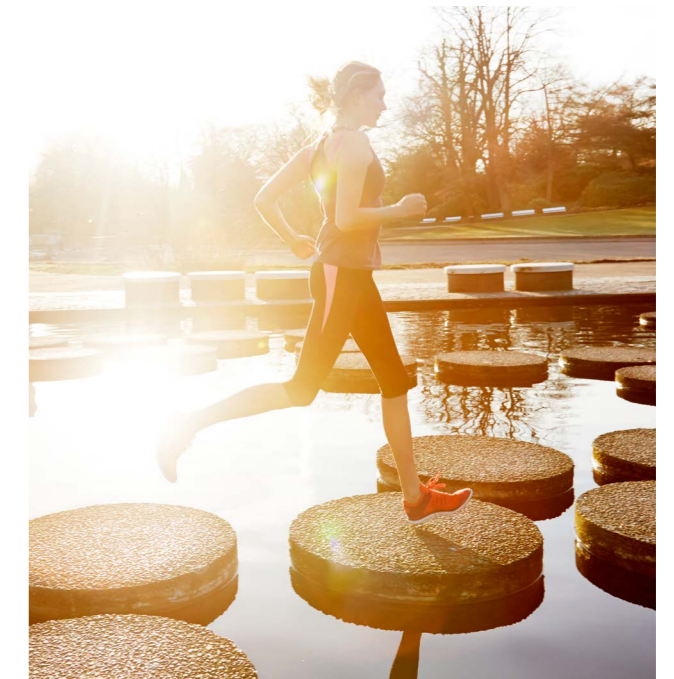
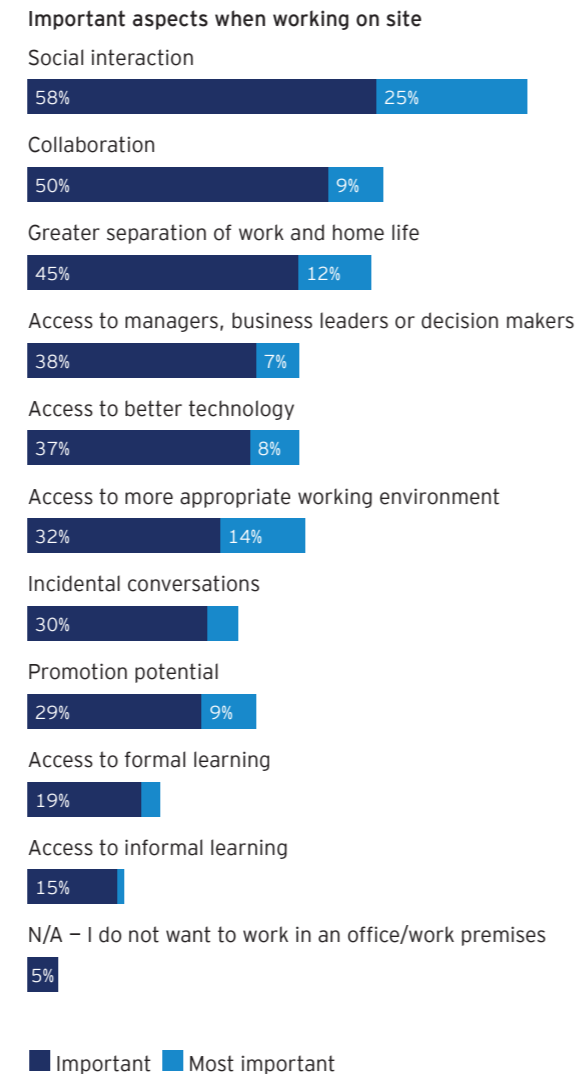


Table 4 | Serious issues reported by workers in work-from-home-setups (in %)⁴⁵

| Issue | Total | Female | Male |
|---|-------|--------|------|
| Mental health issues, such as stress or anxiety | 15.5 | 3.2 | 2.3 |
| Problem achieving a healthy separation between work and home life | 14.5 | 3.3 | 2.0 |
| Concern about contracting or passing COVID-19 | 11.8 | -0.4 | 1.2 |
| Lack of workstation and/or equipment | 16.2 | -1.0 | 1.2 |
| Increased workload | 15.6 | 0.4 | 1.1 |
| Longer hours of work | 19.2 | -0.1 | 0.1 |
| Juggling increased caring responsibility for children/elderly parents | 19.2 | -0.1 | 0.1 |
| Lack of support from colleagues/manager | 19.2 | -0.1 | 0.1 |
| Trying to balance home schooling with work from home | 19.2 | -0.1 | 0.1 |
| Changed duties | 19.2 | -0.1 | 0.1 |
| Financial stress due to reduced income | 19.2 | -0.1 | 0.1 |
| Exposure to online bullying | 19.2 | -0.1 | 0.1 |
| Exposure to family or domestic violence at home | 19.2 | -0.1 | 0.1 |

EY Sweeney's survey, illustrated in Figure 6, identified social interaction, collaboration opportunities and the separation of work and home life as the three most valuable aspects of their office - and these are the three areas to emphasise as employers are enticing their people back.

Figure 6 | Important aspects when working on site⁴⁶



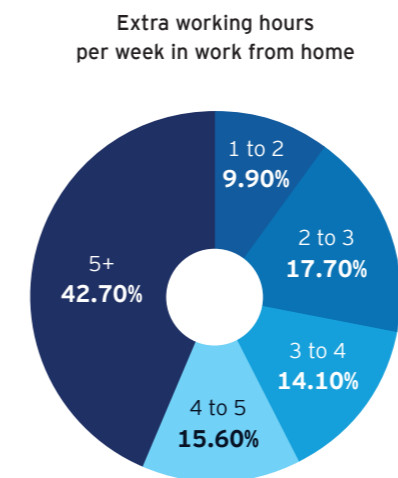
Businesses have found the 'new normal' has delivered some productivity bonuses and made some tasks more difficult. The ACTU Working from Home Survey suggests that improvements in productivity have already materialised with almost half (47.7%) of home workers reporting they felt more productive - although this does not necessarily mean they were more productive, nor that their employers reaped the rewards.⁴⁷

Some studies suggest this is "panic productivity," ascribing the perception of increased productivity early in the pandemic to the adrenaline boost people gained from the sudden shifts in the nature and location of their work.⁴⁸

Another study found that people could be more productive when undertaking routine or repetitive work, but less when the work was complex, urgent or required problem solving.⁴⁹

And the ACTU's survey also suggested that employees are working longer hours as compared to normal working hours. In fact, 42.7 per cent of respondents are working an additional five hours a week or more, while close to 60 per cent are working an additional four hours or more each week.⁵⁰

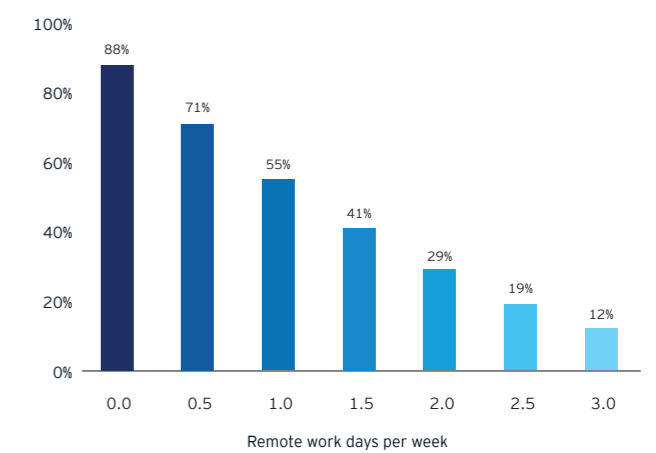
Figure 7 | ACTU Working from Home Survey: Extra working hours per week⁵¹



Employers are also weighing up the difference between individual and organisational productivity. While some work may be made easier or enhanced by expending individual effort, organisations exist because they bring together a value chain of tasks and talent.

Flexible working requires active management, and without that remote work can "decimate" face-to-face interactions. Figure 8, below, depicts the dramatic drop in connection opportunities as the number of remote workdays increases.

Figure 8 | Chance of employee A and B both being in the office⁵²



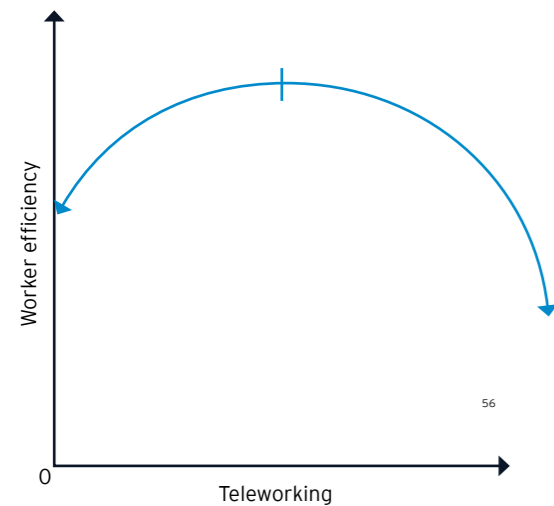
45. Australian Unions, *Working from home survey*, November 2020.
46. EY Sweeney, 2021.

47. Australian Unions, November 2020.
48. Brower, T., *Think productivity with work from home is improving?*, Forbes, January 2021.
49. Künn, S., Seel, C., and Zegners, D., *Cognitive performance in the home office - What professional chess can tell us*, IZA World of Labor, August 2020.
50. Brower, T., *Think productivity with work from home is improving?*, Forbes, January 2021.
51. ACTU Working from Home Survey, 2020.
52. Cushman & Wakefield, *Workplace ecosystems of the future*, October 2020.

Looking at broader economic benefits, the OECD argues that the COVID-19 crisis could catalyse smarter adoption of efficient telework practices, raise worker wellbeing and efficiency and lower firms' costs.⁵³ Permanent teleworking could also improve diversity and reduce congestion and house costs in urban areas.⁵⁴

But the OECD also finds the overall impact of remote working is "ambiguous" and carries risks for innovation and worker satisfaction, which may improve with "low levels of telework" but may suffer from "excessive teleworking". This implies a "sweet spot", and the OECD recommends policymakers ensure that remote working remains a choice that is not "overdone".⁵⁵

Figure 9 | Telework and worker efficiency⁵⁶



Australia's Productivity Commission has also called out the risks of sustained reliance on remote work. "On the one hand, there may be an increase in leisure time ... and improved human capital as workers and firms adopt the technology required to work from home. On the other hand, remote work has risks - both to the productivity of businesses and the divide between work and leisure. A prolonged period of remote work may reduce the organic development of ideas, dampening potential productivity gains had these ideas come to fruition."⁵⁷



Insights from employers

"The office environment provides something that is hard to pinpoint, but which is really important to the health of an organisation. There are many positives in having people working together from a central location. The workplace is a place to foster a feeling of connectedness and collaboration, an environment in which to create and innovate, to coach and be coached, to celebrate success, and to develop a culture that defines the organisation."

Nick Deligiannis, Managing Director, Hays⁵⁸

"I'm not Robinson Crusoe in saying this - everyone is - but I really agree that it's just critical for our junior lawyers and grads that they be in and around the buzz [of the office] with its opportunities to learn directly and a little bit by osmosis from partners... It's having the opportunity to grab a junior or a grad and have them sit in a room and listen in on a client call - that's more difficult when it's virtual."

Simon Muys, Partner, Gilbert + Tobin⁵⁹

"We are in a new era of hybrid work. Where someone lives should no longer be a limitation to the work they undertake."

Andy Penn, Chief Executive Officer, Telstra⁶⁰

"With hybrid working the new norm, workplaces will remain a central place for connection and collaboration. While our context has changed, workplaces symbolise our purpose and provide the environment for our people to deliver customer-led innovation."

Jennifer Saiz, Executive General Manager, Group Corporate Services, Commonwealth Bank of Australia



"Connectivity, teaming and learning are an important part of corporate culture and are helped by more people being back in the office."

Tony Johnson, EY Oceania, Chief Executive Officer⁶¹

"Running a big company by zoom is inefficient. You have to schedule meetings every half hour but some may last five minutes and others 1.5 hours - so much time is lost."

Alberto Calderon, CEO, Orica⁶²

"We definitely don't want everyone to be a tele worker. It is a legitimate business model but we don't want to do that. The pandemic has shown the benefits of virtual - there were some invisible boundaries that were in people's minds about what could be done - but it has also shown the limitations."

Rodney Hanratty, Head of Human Resources ANZ, Swiss Re⁶³

53. OECD Policy Responses to Coronavirus (COVID-19), *Productivity gains from teleworking in the post COVID-19 era: How can public policies make it happen?*, September 2020.
54. OECD, 2020.
55. OECD, 2020.
56. OECD, 2020.
57. Productivity Commission, *Productivity Insights*, November 2020.

58. D'angelo Fisher, L., *Working from home becomes part of the permanent employment landscape*, Australian Financial Review, February 2021.
59. Wootton, H., *Lawyers expand, upgrade offices despite remote working push*, Australian Financial Review, March 2021.
60. Waters, C., *'We're in a new era of hybrid work': CEOs embrace COVID challenges*, Sydney Morning Herald, February 2021.
61. Durie, J., *Office vs home: CEOs tackle a testing issue*, The Australian, January 2021.
62. Durie, J., January 2021.
63. Trinca, H., *Coronavirus: There's no place like home when it comes to working*, The Australian, August 2020.

5.

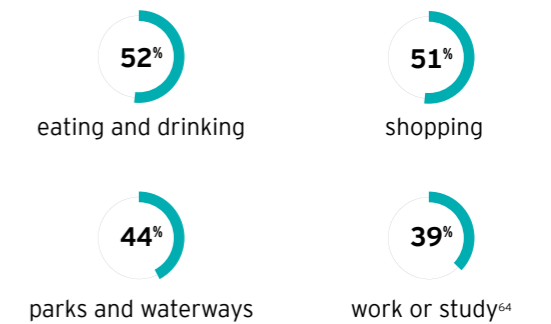
WHAT DO WE WANT FROM OUR FUTURE CBDs?

EY Sweeney's November 2020 survey of CBD users found that, promisingly, there is a sense of confidence that CBDs will continue to evolve and will regain their energy and vibrancy. Eighty-two per cent of survey respondents thought their CBD would continue to evolve to meet the needs of workers, residents and visitors.

Respondents identified several characteristics that they expect will endure, with the CBD remaining the best place for:

- 67% Bars and restaurants
- 65% Shopping for fashion
- 65% Memorable experiences
- 63% Events and entertainment.

WHAT WERE PRE-PANDEMIC DRAWCARDS OF OUR CBDs?



What will bring people back?

- Tourism** 82% say a vibrant CBD attracts tourists
- Hospitality** 67% say some of the best restaurants and bars are in the CBD
- Socialising** 65% say the CBD will be a great place to meet up with people for memorable experiences
- Retail** 65% think the CBD is the best place to shop for fashion
- Culture** 63% say the CBD is the best place for entertainment and events.⁶⁵

64. EY Sweeney, 2021.
65. EY Sweeney, 2021.

EY Sweeney survey respondents also identified a range of strategies to entice people back to the CBD:

- 85% want to maintain and improve green and open spaces
- 86% want to enhance the lighting and ambience of the CBD to create more boulevards and pedestrianised promenades and hospitality venues
- 82% want more flexible business opening hours to reduce the peak hour pressures
- 81% want to see local produce, chefs and other hospitality stars showcased in dedicated food and beverage precincts
- 77% want dedicated precincts for creativity, culture and the arts
- 76% want new high-tech, sustainable buildings with vertical and rooftop gardens, courtyards and other open air features
- 68% want more land dedicated to residential apartments with all amenities on the doorstep.⁶⁶

The message here is clear. People want their CBD to be a destination offering a variety of experiences - relaxation and dining, fashion and culture - that meet the essential human desire to connect with others face-to-face. To get people excited about returning to the CBD, we must create experiences that are better than staying at home, whether that's festivals, fashion parades or five o'clock drinks.

By working together, we can create better places for everyone - from individual office workers to entire industries, retailers and shoppers, students, tourists and residents. We can seize this moment to reignite and reimagine our CBDs. When we get this right, we will transform the hearts of our cities from places of business to central experience districts - from CBDs to CEDs.



6.



SIX IDEAS TO RESTART OUR CBDs

1 Create central experience districts

The challenge

Lockdowns, evolving work practices and social distancing requirements, falling commuter foot traffic and an increase in people working from home present new challenges for CBD retailers. Even with restrictions eased, not everything will be business as usual.

Localism is a long-term trend to watch. Sixty-two per cent of Australians surveyed by EY Sweeney in November 2020 expected to favour their local precincts rather than the CBD once the pandemic subsides.

Bricks and mortar retail in our CBDs has come back strongly - but the forces of change have accelerated. How do we create and curate experiences that encourage everyone to come and spend, play and stay?

LEADERS' PERSPECTIVES

"Without the guarantee of a five-day-a-week, 9-to-5 office crowd, business models must change."

Marion Fulker, Chief Executive Officer, Committee for Perth

"We have a unique opportunity to rethink why and how visitors use their central business districts. Given many of the world's great cultural institutions are located in or adjacent to CBDs, they will play a hugely important role in drawing people back to cities' centres. A more diverse calendar of events and longer opening hours are just of the two levers cultural institutions have at their disposal to help draw crowds back into our cities."

Michael Ullmer AO, Chairman, Melbourne Symphony Orchestra

"Revitalising CBDs is not about getting footfall, it's about getting the right mix of people."

Joanne Masters, EY Oceania Chief Economist

"Cultural institutions are not easily replicable in the broader metropolitan area, meaning they continue to hold cachet as a unique experience and drawcard destination."

Cultural leader, Sydney CBD

"Five-star destination eateries are a drawcard, but there are equal opportunities in making the CBD less, not more exclusive; more diverse, more people spending smaller amounts of money, younger people patronising cheaper bars and cheerful eateries."

John Fink, Creative Director, Fink

"Integrating First Nations language, culture, stories and organisations into the life of the CBD - whether that's through signage or creative arts, design thinking or through Indigenous innovation precincts - can transform people's perceptions and relationship to Indigenous issues, while also creating CBDs that inspire and have a unique sense of place and connection to country."

Joe Hedger, EY Oceania Indigenous Sector Practice Leader

IDEAS TO INSPIRE:

- ▶ **Energising experience:** Locali, a European-inspired food hall concept at Brookfield Place Sydney, is a new 'fresh food market' with everything from a continental delicatessen to a walk-in cheese room, sushi bar to liquor store where customers can try the wine before purchase. In-store experiences, like cooking and wine appreciation classes, promise to re-energise the Wynyard precinct.
- ▶ **Country comes to the city:** Kooperativet in Oslo connects farmers with consumers through a subscription service for organic produce that is delivered straight to the central Mathallen food hall twice a week.
- ▶ **Music is the magnet:** Sunset Piazza, a COVID-safe outdoor concert series, offered Sydneysiders the chance to immerse themselves in live performance and music over the summer. Over 32 nights, Sydneysiders could savour a cannoli or sip on a spritz while listening to Sydney's best music.
- ▶ **The city as a canvas:** Chicago allocates 1.33 per cent of its public-buildings budget to public art. 'Crown Fountain', an interactive video sculpture and water feature in Chicago's Millennium Park. Designed by Spanish artist Jaume Plensa, the artwork features a children's splash ground and is popular with Instagrammers.
- ▶ **Pool your resources:** Berlin's Badeschiff is a heated pool that floats in the river Spree. Open in summer for swimming and in winter as a sauna, the pool has created a popular place for people all year round.
- ▶ **Cutting edge, cut to size:** Walmart is scaling-up to online shopping, while also offering personalised pickup options, and delighting customers across US cities who prefer to walk down physical aisles with an experiential mobile 'store assistant' app.
- ▶ **Rolling rent-free space:** Not-for-profit Renew Adelaide supports cool ventures by offering rolling, 30-day rent-free spaces in the CBD. Renew Adelaide connects property owners wanting to activate their space with people looking for somewhere to trial their unique business concept.

KEY PLAYS

1. **PRIORITISE EXPERIENCE:** Create show-stopping retail store fronts to compete with the window designs of major shopping destinations in Paris and London. Build flagship experience stores, taking cues from the big tech brands, and makeup and beauty retailers.
2. **REIMAGINE UNUSED SPACE:** Work with governments to subsidise new independent retailers and creative industries to fill empty floor space with pop-ups that add vibrancy.
3. **CREATE 'HONEY TRAPS':** Consider big name chefs, live music venues, a bevy of buskers, monthly growers' markets that entice people into town for the day.
4. **SHARE OUR RICH INDIGENOUS STORY:** Understand our CBDs have a history that spans 60,000 years and look for creative ways to share the stories, language and songlines of First Australians.
5. **SUPPORT THE 24-HOUR CBD:** Create the conditions that encourage the late night economy and early morning trading, so there is something for everyone, at any time of day in the week.
6. **RETHINK RESTRICTIVE TAXES:** Temporary relaxation of taxes such as fringe benefit tax can be a short-term demand driver for CBD hospitality venues.
7. **WELCOME BACK INTERNATIONAL STUDENTS:** Young people want to be close to work, study, public transport and entertainment - and being close to the action means being in the CBD.

2

Reimagine the workplace

The challenge

Marble foyers and sweeping city views will not be enough to entice people back to the office. The idea of a workplace has moved from shiny headquarters in the city to any place - the kitchen table, cyberspace or a café on the corner.

This, of course, is not news. The office was “an activity long before it was a place,” says Gideon Haigh in *The Office: A Hardworking History*. But now the office needs to work harder than ever before - to be both safe and stimulating, both functional and experimental, and to balance both in-person and virtual experiences.

Creating healthy and productive spaces for hybrid work - Zoom rooms and quiet zones, clusters of couches for collaboration and socially-distanced meeting spaces - will require new skills, innovative design, a customer-centric mindset and smart technology.

HOW DO WE FLATTEN THE CURVE OF THE WORKING WEEK?

- ▶ Create unique branded experiences that generate FOMO
- ▶ Coordinate the approach to spread workforce attendance across the week
- ▶ Offer free travel on less popular days
- ▶ Make Friday ‘the’ social day of the week
- ▶ Hold cultural and community events
- ▶ Messaging on why the office is important for in-person collaboration and teaming.

LEADERS' PERSPECTIVES

“It is not about the address anymore; it is about the brand and the amenity. Commercial buildings need to be about more than work - they need to be a contributor to bring amenity and experience to both users and the wider community.”

Marco Maldonado, EY Oceania Real Estate Advisory Services Partner

“No one knows how to get hybrid to work well. Does hybrid work well when everyone gets to choose their day and come in whenever they want? Or does hybrid work well when everyone comes in on Mondays and Wednesdays? And if they all come in on Mondays and Wednesdays what does that mean from a property perspective?”

Deanne Stewart, Chief Executive Officer, Aware Super

“The office will remain a core part of a business’s needs in the development of culture, collaboration and innovation. As businesses reimagine their workplace strategies, they will determine the products and services they need to support more flexible and productive workplaces.”

Darren Steinberg, Chief Executive Officer, Dexu

“It’s no longer enough to simply provide a desk and a chair and call it a workplace. Increasingly, employers will need to ‘earn the commute’ of their people. This means providing them compelling reasons to leave their homes and travel into the office including curated events, innovative office design and more visible leadership.”

Kylie Rampa, Chief Executive Officer, Property, Lendlease

IDEAS TO INSPIRE:

- ▶ **Wellness plus:** Cbus Property’s \$600 million office tower in Brisbane’s North Quarter precinct will feature a whole-floor wellness facility, 25-metre lap pool, and outdoor terraces on every level plus rooftop facilities.
- ▶ **Running wild:** Runners in Japan’s Osaka aren’t stuck on the treadmill. Instead, they can enjoy the 300-metre long AirTrack that hovers above a shopping centre. Sports enthusiasts are also enticed by the futsal courts, climbing wall, swimming pool and private fitness gym all within the one mall.
- ▶ **Home away from home:** Zoku’s self-sufficient and fully-furnished home-office hybrid apartments offer business travellers and other visitors to Amsterdam, Copenhagen and Vienna the comforts of home, the services of a hotel and the opportunity to live, work and socialise with like-minded people while getting wired into the city.
- ▶ **The power of the pilot:** Armstrong World Industries and Gensler have created a 10,000 square foot pilot workplace in Lancaster, Pennsylvania, to beta test new health-focused solutions and emerging innovations in workplace design. Four teams will occupy the space in alternate weeks, and Gensler will gather pilot participant feedback, measure workplace effectiveness, inform new product design, and identify transformational strategies.⁶⁷
- ▶ **Rethink and reimagine:** EY has reconfigured one floor at its 200 George Street headquarters in Sydney. There are quiet zones for concentrated work and social areas for people who don’t mind a bit of interruption. There is a learning space with large screens, and cocoon couches for small meetings. The design allows people to customise the place to their task.

KEY PLAYS

1. FLATTEN THE CURVE:

It isn’t practical to have the office heaving on Thursdays, and for Mondays and Fridays to be dead - whether that’s the traffic congestion, managing the flow through buildings or considering the impact on weekday retailers and cafés. Landlords, tenants, CBD businesses and city-level governments must work together to make it attractive to be in the city on Mondays and Fridays.

2. INTRODUCE FREE PUBLIC TRANSPORT AND PARKING:

Entice people back to the office on slow weekdays by putting money back in their pockets.

3. ELEVATE INDOOR ENVIRONMENT:

The focus on fresh air, natural light and clean workplaces is already well established in Green Star, WELL and NABERS. There is an opportunity for governments to further incentivise these ratings, and for landlords to integrate these into lease agreements and make-good clauses.

4. TURN UP THE TECH:

Tenants are now considering a broader spectrum of remote working policies, hub and spoke models and agile office strategies. Expect to land in a more multi-optioned world - one where technology plays a starring role.

5. REDESIGN FOR PRODUCTIVITY:

Quick and inexpensive design hacks - like quiet floors and larger collaboration zones - will allow offices to re-form to meet new requirements without the big capex budgets that most can’t afford. In the long-term, expect design to evolve in response to our great realisation that companies don’t want offices, they want productive workforces.

6. HIRE YOUR OWN CHIEF EXPERIENCE OFFICER:

The new-look CXO must be more than the executive responsible for products and services. They must also take charge of people (employees AND customers), place and culture. Real estate is an obvious but overlooked part of this.

7. CREATE OPPORTUNITIES FOR CONNECTION:

Whether it’s social networking drinks, free lunchtime yoga or regular ‘meet the leader lunches’, small-scale social events are cheap and easy ways to feed the human need for face-to-face connection.

⁶⁷ Duvall, C., The power of the pilot: A low-risk, high-reward real estate solution, Gensler, January 2021.

3 Redefine quality

The challenge

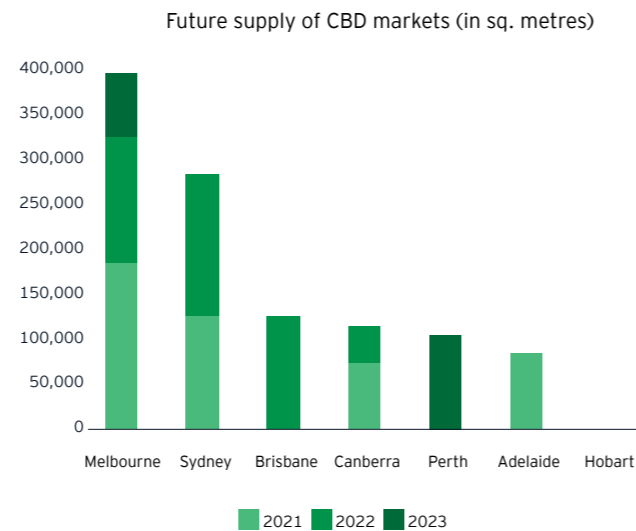
The ‘flight to quality’ is a natural response to financial downturns, as investors shift out of risky assets and companies seek to capitalise on the greater choice in the market by upgrading their tenancies.

But in this downturn, quality assets mean more than the building itself. Quality is also defined by the services - including the health, wellbeing and technology features - as well as sustainability ratings that underpin the building. As high-quality offerings become available over the next five years, expect more tenants to move from lower to higher grade assets.

Table 5 | CBD office market vacancy by grade⁶⁸

| % | Premium | A Grade | B Grade | C Grade | D Grade |
|---------------|---------|---------|---------|---------|---------|
| National | 6.8 | 10.1 | 14.1 | 14.0 | 11.7 |
| Sydney CBD | 6.2 | 9.7 | 8.9 | 9.4 | 9.2 |
| Melbourne CBD | 7.4 | 8.1 | 10.3 | 5.0 | 5.2 |
| Brisbane CBD | 6.8 | 13.3 | 16.0 | 15.7 | 27.1 |
| Perth CBD | 6.8 | 20.5 | 28.8 | 21.6 | 16.7 |
| Adelaide CBD | n/a | 13.0 | 18.1 | 20.8 | 13.9 |

Figure 10 | Future supply of CBD markets⁶⁹



Almost 1.1 million sqm of office space will be supplied to Australian CBDs over the next two years. Premium and A grade buildings will remain in demand, although the way tenants use their space will evolve. Tenants with long lease commitments may consider how they can repurpose their existing space to accommodate new working patterns. Companies may require less traditional office space, like workstations and cubicles, but more collaboration space. This may rebalance office requirements, leading to little significant impact.

Owners of lower tier stock can rebalance the scales by outperforming as quality landlords. Reduced demand for lower tier assets may make space more affordable for a diverse mix of organisations, such as creative enterprises or not-for-profits, or attract businesses from the suburbs.

But there will be a portion of stock that must be reimagined. This challenge brings with it a huge opportunity for CBDs to become market testbeds for innovative uses, floorplate design and leasing arrangements. This could include build-to-rent models, essential worker or affordable housing, medical and health services, high growth entrepreneurial organisations, arts communities or even vertical aged care facilities.

LEADERS' PERSPECTIVES

“In our portfolio, vacancy went up by four per cent, but it’s concentrated in five older buildings. There is very limited vacancy in other buildings and occupancy is going up as people feel safer. That suggests there is going to be a greater bifurcation between buildings that can respond to health, technology, sustainability needs and buildings that can’t. The chasm will open up.”

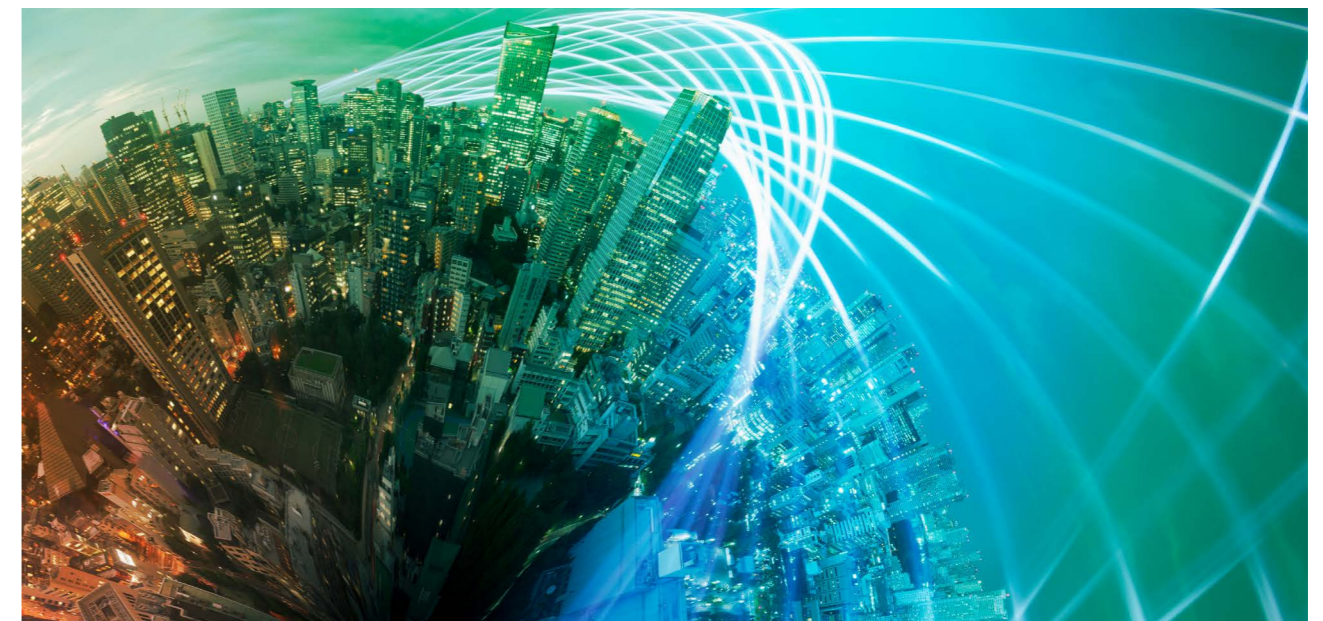
Susan Lloyd-Hurwitz, Chief Executive Officer and Managing Director, Mirvac

“How will our cities change in response to COVID-19? Our CBDs will become more experiential, more healthy, more cognitive, and more flexible.”

Andrea Chegut, Cofounder and Director, MIT Real Estate Innovation Lab

WHAT WILL QUALITY LOOK LIKE?

- ▶ Premium locations close to transport, parking, green space, food and beverage offerings
- ▶ Highly flexible floorplates and fit outs that offer seamless, hybrid collaborative and meeting spaces, and fewer traditional transactional spaces
- ▶ Focus on employee health and safety, wellness and experience
- ▶ Ground floor and precinct activation
- ▶ Smart technology and a strong digital fabric that delivers a frictionless workday and creates a connected, customised experience
- ▶ Landlords with a strong customer experience culture, dynamic service offerings (like hub and club)
- ▶ Flexibility in lease terms and models, where leases may not be tied to a single building, but a group of buildings
- ▶ Buildings with individual brands and personas to create a point of difference.



68. Property Council, January 2021.
69. Property Council, January 2021.

70. Zapari, Zapari makes its mark, 19 February 2020.

IDEAS TO INSPIRE:

- ▶ **Right reuse:** A multistorey carpark makeover in Copenhagen by Jaja Architects transformed the façade from down-at-heel into delightful and created a rooftop playground that became its crowning glory.
- ▶ **Magic makeovers:** Canberra developer Zapari converted the tired office building at 197 London Circuit into a 4.5 star hotel with 144 rooms over 10 floors. The high-calibre conversion achieved a record price for an adaptive re-use in the Canberra CBD in 2020.⁷⁰
- ▶ **Social climber:** In Rio de Janeiro, an old barrel factory was reimaged as a modern-day pleasure palace. A library in the factory's saw-tooth roof, a bubbling stream flowing through the concrete floor, a miniature city of makers workshops, sports courts and a swimming pool are all found in the one building in the heart of the city.
- ▶ **From grain to gain:** Historic grain towers in Cape Town's harbour are now Africa's answer to the Tate Modern. Since the Zeitz Museum of Contemporary Art Africa opened in 2017, it has become a hub for the arts scene, catalysing development in a neglected brownfield site.
- ▶ **Filling a gap:** Place activation can be small and simple. Christchurch's Gap Filler evolved from the earthquakes to reinvent small street spaces. From DIY dance parties coin-operated from ex-washing machines to mini stadiums for 30 people, Gap Filler's philosophy is to "think differently" about space.

KEY PLAYS

- 1. GET FLEXIBLE:**
Expect CBD tenants to show a strong appetite for more flexible lease arrangements or packages that have core space offerings alongside supplementary flexible offerings – and respond accordingly.
- 2. DEVELOP SUPPORTIVE POLICY:**
Broaden the mix of potential uses to ensure policy can enable change, especially of stranded assets of significant heritage or architectural value that would otherwise be uneconomic to update.
- 3. ACTIVATE EXISTING ASSETS:**
It makes sense to maximise existing assets. Some older or lower quality buildings may warrant a conversion to other uses; others will not. In the meantime, let's work together to roll out COVID-safe events, from sporting matches to business conferences. Let's deliver smaller events to activate streets and precincts with new late night shopping days or night-time markets, especially on weeknights.
- 4. ACTIVATE THE PUBLIC REALM:**
Undertake strategic assessments of public realm across CBDs to identify opportunities for pop up retail, markets, artists' works and more. Work together to forge partnerships with retailers, restaurateurs and performers.

4

Green it up

The challenge

Well before COVID, cities around the world - from Seoul to Seattle to Sydney - were stepping up plans to make their places more sustainable, greener and healthier. We expect to see this accelerate as part of the recovery incentives. Australian cities have been investing in tree planting and encouraging energy-efficient buildings and renewable energy; some are trialling micro-mobility and electric vehicles.

After living under lockdown, people have a new perspective on the importance of their local environment. Australians converged on green space seeking exercise, connection and solace.⁷¹ They also gained deep insights into the difference between the level of comfort and amenity they experienced in their office and that found in their work-from-home setup.

Green space has always offered a multiplicity of benefits to mental and physical wellbeing, but now this seems like a critical lifeline for cities and their residents. EY Sweeney's qualitative research found one of the standout strategies to lure people to CBDs is more green and open spaces, which was prioritised by 86 per cent of respondents. Embedding greenery can counterbalance the grey and make our cityscapes even more alluring. But this means more than parks for picnics. Think healthy, sustainable workplaces, laneways peppered with pot plants, sky parks and rooftop bars that are garden oases.

Australia's property industry has also topped global indices for sustainability for more than a decade.⁷² The pandemic presents opportunities to accelerate these investments and efforts.

EVERY CBD BUILDING COUNTS

Our CBDs have the highest concentration of buildings in our cities. Enhancing the energy efficiency of these buildings can be a big economic booster. *Every Building Counts*, released by the Property Council and Green Building Council of Australia in 2019, finds an ambitious energy efficiency strategy for Australia's buildings could deliver:

- ▶ \$20 billion in energy bill savings for businesses and households
- ▶ 25% of Australia's emissions reduction target under the Paris Agreement
- ▶ 80,000 job-years of employment.⁷³

Australia's property leaders were already ahead of the workplace wellness curve pre-COVID, and now boast the greatest saturation of buildings rated under the global WELL Building Standard.⁷⁴ As we emerge from the pandemic, expect health, wellness and comfort to become common features of sustainable, energy efficient office buildings.

Our opportunity is to embrace a more holistic approach to sustainability and green thinking. We are poised at a point in time where we can accelerate the transition to net zero emissions and create climate resilient cities that are efficient, safe and appealing. If we succeed, we will challenge the current perceptions of the CBD, as Professor Greg Clark observed, from "city unhealthy, nature healthy" to "city healthy, nature preserved".

71. ABC News, *Massive boost to outdoor exercise in Sydney's green spaces during coronavirus*, June 2020.

72. GRESB, *Participation in the 2020 GRESB Real Estate Benchmark leaps 22%*, November 2020.

73. International Well Building Institute, *IWBI announces new governance council appointments*, November 2020.

74. Green Building Council of Australia and Property Council of Australia, *Every Building Counts*, 2019.

LEADERS' PERSPECTIVES

"People around the world are increasingly voting with their feet when workplaces don't commit to operating more sustainably. The flipside is the enormous opportunities that exist for companies willing to embrace new tech and digitisation to supercharge the environmental performance of their workplace. Expect to see more carbon neutral buildings and precincts which simultaneously provide people fresher air and greener, smarter surroundings in which to work."

Kylie Rampa, Chief Executive Officer, Property, Lendlease

"Australia is well positioned to take the lead on creating workplace environments which are full of energy, fuelled by purpose and enable teams and individuals to do their best work. Through flexible, user-centred and environmentally-friendly design, workplaces are a key tool to attract talent and proactively support wellbeing, social connection and belonging. With recent events exacerbating human isolation and loneliness, the Australian property industry has an important role to play in bringing people back together and driving our recovery on a number of levels."

David Harrison, Managing Director and Group CEO, Charter Hall

"Covid provided a unique opportunity to shift the dial on the future that we want - healthy, resilient and positive places. We genuinely believe that a green recovery has the opportunity to drive a recovery towards a Paris aligned future. We believe that highly efficient buildings powered by renewables is one of the critical ingredients for that future."

Davina Rooney, Chief Executive Officer, Green Building Council of Australia

"As cities have developed, we've replaced all the natural vegetation with bitumen and those hard surfaces really heat up and make cities hotter. But by introducing pocket parks, green roofs... business owners can treat them like food courts that provide a greater footprint outside and create great space for communities."

Claire Farrell, Senior Lecturer in Green Infrastructure, University of Melbourne

"The opportunity now is to firmly situate the concept of greenness as a key driver not just for creating climate resilient cities but for creating CBDs that are efficient, safe, and appealing for people to be in. If we succeed at this, we will challenge people's current perceptions of the CBD."

Professor Greg Clark, Co-founder, The Business of Cities

IDEAS TO INSPIRE:

- ▶ **Renovation wave:** The European Union launched a new strategy in October 2020 to green buildings, create jobs and improve lives by doubling the annual energy renovation rate in the next 10 years. These renovations will enhance quality of life, reduce Europe's emissions and create up to 160,000 additional green jobs in the construction sector.
- ▶ **Create urban oases:** Lush greenery and diverse plant life has transformed the roof of 1 Treasury Place in Melbourne's CBD. The rooftop serves as a demonstration and research site to investigate the design possibilities for green urban infrastructure in Melbourne.
- ▶ **Park in the sky:** Melbourne Quarter's Sky Park, an open-air park suspended above Collins Street, is a new green space for everyone. Numerous seating options create opportunities to linger longer while high speed public WiFi - as well as power outlets and USB charge points - mean people can stay connected. As cities grow and green space becomes limited, Sky Park shows how green space can be created where it never previously existed and give something of great value back to the community.
- ▶ **Boost your best assets:** The City of Melbourne has issued 1,500 permits to turn parking spaces into outdoor dining 'parklets' so restaurants can socially distance. Another project is transforming 40 of Melbourne's historic laneways through lighting and creative installations.
- ▶ **Pocket parks:** In New York, voluntary community groups such as the East Village Parks Conservatory are working to upgrade and expand tiny plots in lower Manhattan. These small patches of foliage give residents a sense of responsibility wherever they sprout.
- ▶ **Places for pooches:** Pet adoption isn't antithetical with the city. Many of New York's 140-off lead dog parks are more popular meet-up places than local cafés. The oldest, established by volunteers in 1990, features paddle pools, sandpits and water play to entice even the fussiest canine.
- ▶ **License to green:** Under Parisian mayor Anne Hidalgo's scheme to add 100 hectares of vegetation to the city streets, people can apply for a 'permit to vegetalise' which allows them to turn bases of trees into garden beds and install tubs and planters in public

spaces. Another \$390 million makeover aims to turn a two-kilometre stretch of the Champs-Élysées into an expansive garden by reducing space for vehicles, turning roads into pedestrian green areas, and creating tunnels of trees to improve air quality.

- ▶ **Breathable buildings:** Brisbane City Council's design guide, Buildings that Breathe, encourage development that opens up to cooling breezes, provides lush landscaping, shade and comfort. Just one example is Mirvac's 35-level tower at 80 Ann Street, which features breathable spaces that take advantage of the local climate.

KEY PLAYS

1. SUSTAINABLE WORKPLACES:

Australia is already leading the world in delivering sustainable workplaces and can extend this leadership. Governments can accelerate the transition to a net zero emissions and climate resilient future with incentives for net zero emissions buildings, with a focus on indoor environment quality and programs to support re-positioning of mid-tier buildings, for example.

2. ACCELERATE ROLL OUT OF URBAN GREENING STRATEGIES:

MIT's Real Estate Innovation Lab has found a transaction premium of up to 10.5% and a rent premium of up to 7.8% for offices with high street-level greenness.⁷⁸ Look for opportunities for governments and the property industry to work together to plan investment in the public realm, and support management of green spaces by private owners.

3. SIZE DOESN'T MATTER:

Strong evidence shows pocket parks with lower ground vegetation, grass, trees, flowering plants and water features have contributed most to health and mental wellbeing.⁷⁹

4. GREEN OUR ROOFS:

Green roofs can be planted sparsely with succulents and native grasses or lush with fruit trees and flowering perennials at just 10cm deep. The benefits are manifold: reduction in stormwater run-off, natural shading and cooling, lower energy costs and psychological benefits, including increased concentration and productivity.

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5

Accelerate the move to future transport

The challenge

Lockdowns led to a significant drop in the use of public transport in 2020, however walking and cycling have risen in popularity as a mode of transport.

Travelling on public transport is one of the biggest concerns of Australians, yet it is fundamentally hardwired into the structure of our cities.⁸⁰ EY Sweeney research found improvements to public transport would encourage people to spend more time in the CBD after the pandemic:

- ▶ 44% said more frequent, less crowded public transport was key to their return
- ▶ 39% said improved public transport cleanliness would encourage them to return to the CBD.

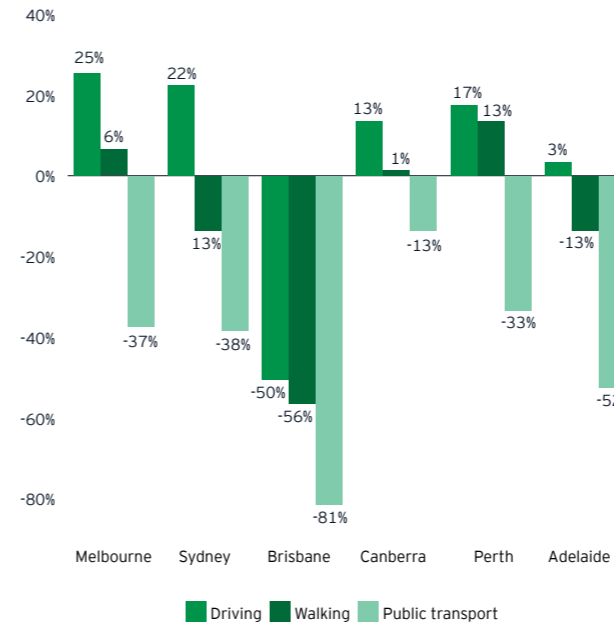
Public transport also underpins the future success of our CBDs. In *Creating Great Australian Cities*, Professor Greg Clark outlined the problems clearly. "Congestion in Australian cities, relative to their population size, is higher than in similar cities around the world, and has been rising steadily," Clark observed.

Australians were already heavily-reliant on their cars prior to the pandemic, as Figure 11 illustrates. We are now seeing COVID-19 has the potential to exacerbate this, with some media reports suggesting travel times would increase for drivers and public transport commuters alike, as a "perfect storm" of construction projects close roads and force more cars onto CBD corridors.⁸¹

Re-prioritising road space for active transport and encouraging future mobility options can increase Australians' sense of safety, deliver healthy and active transport, and support more vibrant street frontages.



Figure 11 | Changes in driving, walking and public transport use post-COVID⁸²



LEADERS' PERSPECTIVES

"Thinking about connected public space, how to use streets differently and active transport are really key."

Alex O'Mara, Group Deputy Secretary of Place, Design and Public Spaces, NSW Planning Industry and Environment

"Ensuring citizen confidence in an effective public transport system will remain a foundational element to thriving and productive CBDs. However, future success of CBDs will also be underpinned by how transport and mobility systems respond to the challenges and opportunities that COVID-19 has created."

Neal Johnston, EY Oceania Transport Leader



80. University of Western Australia, New research finds COVID-19 may change future of transport, July 2020.

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EY modelling, based on research from Sipe, N., Cars rule as coronavirus shakes up travel trends in our cities, University of Queensland, July 2020.

82. Courier Mail, Perfect storm: Crisis meetings as CBD gridlock to explode, February 2021.

Ideas to inspire:

- ▶ **Space for cyclists:** Dexus' re-imagining of the Eagle Street Pier and Waterfront Place precinct in Brisbane includes large public plazas opening on to the river and a wider walkway to allow cyclists and those on scooters ease of access to street level.
- ▶ **Building for bike-mania:** Copenhagen's SLA Architects looked to New York's High Line when planning an elevated public thoroughfare through the city. The design makes cycling a breeze and offers new perspectives on the city.
- ▶ **Legging it around London:** More than 1,300 signs around the city estimate walking time between landmarks. Each has the same look and feel, eliminating the 32 separate signage systems previously in place and encouraging people to take to the streets.
- ▶ **E-scooter subsidies:** City leaders in Portland, Oregon, have provided financial incentives to maintain e-scooter services. A partnership with one local e-scooter provider saw the cost of a ride fall by around 50 per cent.
- ▶ **Stagger the start:** Brisbane's Fortitude Valley State Secondary College has embraced later start times to ease pressure on local roads.

Key plays

- 1. DON'T TAKE FOOT OFF THE PEDAL:**
Population will continue to grow in the long term. Our temporary pause in migration is an opportunity to accelerate works on strategic public transport that move more people.
- 2. RAMP UP INTELLIGENT TRANSPORT SOLUTIONS:**
Integrated ticketing and payment, real-time passenger and end-to-end journey planning not only help authorities to manage physical distancing, contact tracing, contactless payment and modified timetables. They also make passengers feel more safe and secure in taking public transport.
- 3. OFFER MORE MICRO-MOBILITY CHOICES:**
Many commuters are choosing active transport like cycling, walking, e-bikes or scooters as alternatives during the pandemic. Make this revolution permanent and embrace micro-mobility.
- 4. CREATE NEW DEMAND LEVERS:**
Spreading peak demand, like later shopping hours or staggered office shifts and school hours, can make commuting easier and more efficient.
- 5. MOBILITY AS A SERVICE:**
Smart mobility or Mobility as a Service (MaaS) solutions support the shift away from personally-owned modes of transportation. We also need to remove legal barriers to the use of electric scooters and e-bikes.
- 6. LEARN THE LESSONS FROM PANDEMICS PAST:**
South East Asian countries saw a surge in car usage after SARS. Let's not make the same mistake here. The long-term play is better, more frequent public transport.

6 Amplify Brand Australia

The challenge

After decades of trading on their brands, Australia's cities were already facing stiff competition for global talent, visitors and investment before COVID-19 crashed on our shores.

As outlined in Section 1, Australia's five biggest cities benchmark above average in areas such as population growth and higher education demand, and below average in areas such as cultural amenities and knowledge sector mix.⁸⁵ COVID-19 has hindered what Australia does well and highlighted existing gaps in areas that will help us recover.

Australia posted a 99.1 per cent drop in international visitor arrivals last year.⁸⁶ But our relative success in handling the pandemic could make Brand Australia a magnet for tourism, and attract new knowledge workers and business capital.

Rebooting population growth by opening international borders to students and skilled migrants will help us dial up the 'experience' of our urban centres. Our opportunity is to attract more footloose global talent as work becomes more flexible.

LEADERS' PERSPECTIVES

"We have a window of opportunity to leverage NSW's global position as a safe and attractive place to do business to increase investment from overseas. We need to be intentional about creating precincts and places with a high level of amenity, connectivity and a mix of uses - which then become hubs of economic activity, employment, tourism and essential services, for the benefit of all citizens."

Amy Brown, Chief Executive Officer, Investment NSW

"I think there's a real opportunity for the bigger CBDs to reclaim our role as a key financial business centre in Asia. There's a lot going for us - health, lifestyle, quality of living are all arguably better in Australia. But there's a lot of things that aren't as good and regulation makes it harder to do business."

Senior business leader, Perth

"For every dollar spent on tuition by international students, over four dollars is spent in the Australian economy and supports jobs in the retail, hospitality, transport, property, and services sectors."

Richard Smith, Director, Iglu

"I'm optimistic about the potential velocity of the bounce back. You only have to see how Australia is performing generally in its management of the pandemic against key higher education competitor countries - like the US and UK."

Conal Newland, National Director for Student Accommodation, Savills

"The cost of zero migration to the economy is substantial. We run the danger of becoming a hermit nation."

Susan Lloyd-Hurwitz, Managing Director and Chief Executive Officer, Mirvac

⁸⁵ Clark, G., et al, 2018.

⁸⁶ Tourism Australia, *International market performance statistics*, 2021.

IDEAS TO INSPIRE:

- ▶ **Top marks for Top End:** Charles Darwin University, in collaboration with the Northern Territory and federal governments, began a pilot program in December 2020 which saw 63 international students return to Australia to continue their studies. The university estimates that these students will contribute more than \$40,000 to the local economy each year.⁸⁷
- ▶ **Dine and discover:** The lifeblood of The Rocks may be international tourists, but the City of Sydney's trial voucher program is offering \$100 to Sydneysiders to rediscover this historic precinct during the day and after dark. More than 30 businesses are involved, including the Museum of Contemporary Art, walking and ghost tours, and two five-star hotels.
- ▶ **NT eyes the prize:** The Northern Territory Government also has plans in place to kick-start a quick recovery strategy with key partners across aviation, trade, media and consumer direct channels when it is safe for people to once again travel.⁸⁸
- ▶ **Boosting business:** New Zealand ranks number one in the world for ease of doing business, according to the World Bank Doing Business Report 2020.⁸⁹ The ranking reflects a robust regulatory system that enables businesses and the New Zealand economy to grow. The report also ranks New Zealand top of the table for ease of starting a business for the twelfth year in a row. More than 54,000 companies were registered on the companies register and 693,000 employment agreements were built using business.govt.nz.
- ▶ **Student success story:** Melbourne has been voted among the world's best cities for students for its combination of world-leading universities, lifestyle and reputation for tolerance and inclusion.⁹⁰ Melbourne - and Australian cities in general - fare well on the ratio of students to general population or "student mix", employer activity, affordability, student voice, corruption and pollution.
- ▶ **Talent magnet:** Switzerland is the world's top country for attracting and retaining talent followed by Denmark, according to IMD World Talent Ranking 2020. Switzerland has retained its title for the fifth consecutive year though an investment in high-quality education, focus on apprenticeships, and ability to attract overseas professionals with its high living standards and remuneration.⁹¹

KEY PLAYS

- 1. SUPPORT SAFE REOPENING OF BORDERS:**
Leaders must actively encourage and support the restart of COVID-safe international travel and champion quarantine processes that will help boost our local population.
- 2. WELCOME BACK INTERNATIONAL STUDENTS:**
The average international student contributes about \$35,000 per year to the Australian economy.⁹² This critical demographic brings vitality by attending centrally-located universities or living in CBD accommodation. But 53 per cent of international students with applications for Australian universities are considering a switch to another destination if they can start on campus sooner. Let's find a way to bring them back.⁹³
- 3. KICK-START DOMESTIC TOURISM:**
The average international tourist spends nearly \$5,400 during their trip.⁹⁴ While this is a temporary loss to our economy, we have a captive market of grounded Australians who spend \$4,000 a year on overseas holidays.⁹⁵ With international tourism on hold, we can encourage Australians to rediscover their cities.
- 4. KEEP THE MIGRATION CONVERSATION GOING:**
Economic recovery will be much harder without the big engine of population growth. How we safely restart net overseas migration in what will continue to be a COVID world (even after vaccination roll outs) will be an ongoing conversation.
- 5. WORK TOGETHER:**
Creating Great Australian Cities recommends strengthening the federal government's City Deal framework, many of which prioritise CBD renewal. The report also recommends building strong CBD alliances of owners and operators who are willing to competitively position their CBD, to build its brand, visibility and create a sense of excitement. City governments will be key partners in this. These alliances should continually stimulate and refresh demand, provide incentives, create curiosity, surprise and excitement.



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92. Patty, A., and Wade, M., *It's total dead now: Overseas student exodus costs Sydney's economy \$2.5b*, Sydney Morning Herald, November 2020.

93. IDP Connect, *International student choices and motivations increasingly driven by the availability of face-to-face teaching*, November 2020.

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NEXT STEPS

The rollercoaster of 2020 may have slowed, but for Australia's CBDs the disruption and dislocation of COVID-19 will take some time to resolve.

There are, however, good reasons to feel optimistic. Ninety per cent of the jobs lost during the pandemic have been restored.⁹⁶ Wages have grown slightly over the last quarter, returning to pre-COVID levels.⁹⁷ And we stand on the cusp of the biggest vaccination rollout in human history, which will transform confidence.

Our CBDs are another massive economic lever. Two small spots in our two largest cities of Sydney and Melbourne represent 20 per cent of the national economy.⁹⁸ Kick-starting those CBDs would be enough to recharge our economy and bring the nation along.

As we get our city hearts pumping once more, we have an unmissable opportunity to make our CBDs even better - more vibrant, diverse, inspiring, cultural, healthy, green and connected. By working together we can write a new playbook for central experience districts.

⁹⁶ Government says 90% of jobs lost during COVID recovered (msn.com)

⁹⁷ Cockburn, G., *Australian wages rise as economy continues to recover from the coronavirus pandemic*, News.com.au, February 2021.

⁹⁸ Ludlow, M. et al, May 2020.

Vote of thanks

We would like to thank our 'big thinkers' for sharing their insights. While this report doesn't necessarily represent their point of view, their contributions helped shape our thinking on the future of our CBDs.

Heather Croall
Director and Chief Executive Officer, Adelaide Fringe

Andrea Kenafake
Divisional Manager City Planning and Sustainability, Brisbane City Council

Nicholas Playoust
Managing Director, AEH Retirement Living

Jennifer Saiz
Executive General Manager, Group Corporate Services, Commonwealth Bank of Australia

Professor Rob Adams AM
City Architect, City of Melbourne

Monica Barone
Chief Executive Officer, City of Sydney Council

David Lloyd
Vice-Chancellor & President, University of South Australia and Chair, Committee for Adelaide

Adrian Fini
Director, Hesperia

Marion Fulker
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John Fink
Creative Director, Fink Group

Stephanie Barker
Executive Director, City Planning Strategy, Greater Sydney Commission

Davina Rooney
Chief Executive Officer, Green Building Council of Australia

Kirsti Simpson
Principal and Global sector leader - Commercial and Workplace, Hassell

Luke Fraser
Chief Executive Officer, Howard Smith Wharves

Professor Greg Clark CBE FAcSS
Senior Advisor and Global Head of Future Cities and New Industries, HSBC Bank; Chair, Connected Places Catapult and Non-Executive Director, Transport for London

Michael Ullmer AO
Chairman, Lendlease Corporation and Melbourne Symphony Orchestra and Non-Executive Director, Woolworths Group

Steve Maras
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Dr Andrea Chegut
Director, MIT Real Estate Innovation Lab

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Neville Power
Chairman, National COVID-19 Commission (Advisory Board)

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Professor Ian Harper AO
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Stephen Kulmar
Founder and Director, Retail Oasis

Louise Herron AM
Chief Executive Officer, Sydney Opera House

Claire Farrell
Senior Lecturer in Green Infrastructure, The University of Melbourne

Rob Scott
Managing Director, Wesfarmers

THE PROPERTY COUNCIL WOULD ALSO LIKE TO THANK REPRESENTATIVES FROM THE FOLLOWING BUSINESSES FOR THEIR CONTRIBUTIONS TO THE DISCUSSION AT A WORKSHOP ON THE RESEARCH FINDINGS, AT PROPERTY COUNCIL OUTLOOK EVENTS AND IN OTHER PROPERTY COUNCIL FORA.

Aware Super
Brookfield Properties Australia Pty Ltd
Charter Hall Group
Colliers International
Cromwell Property Group
Dexus Holdings Pty Ltd
Integrus Pty Ltd
Investa Property Group
ISPT Pty Ltd
Iglu
JLL Australia Pty Ltd
Lendlease Corporation Limited
Mirvac Group
Pacific National Pty Ltd
RPS Group
Savills
Stockland Corporation Limited
The GPT Group
Urbis Pty Ltd
Vicinity Limited

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