

# Capital Canberra: The rise of the office market



GRAY PUKSAND





As the capital of Australia, Canberra's office market is unique, and has proven exceptionally resilient following the COVID-19 pandemic.

Canberra has also had a significantly high rate of workers returning to the office in comparison to other Australian capital cities, in part due to the large amount of government offices. In April 2021, office occupancy in Canberra CBD was 63 per cent, on par with that of Brisbane and above both Sydney and Melbourne, according to data from Property Council of Australia.

This white paper will explore the office market in Canberra, its stability, what makes it unique and the architectural and interior considerations for any savvy asset manager, landlord or investor.

# Current State of the Market

With the current market conditions and strong demand for office space in the short-term, those premises that have fitouts are increasingly popular. Landlords with space that has a complete fit-out are reaping the rewards, meeting the needs of the market and providing functionality to available space sooner.

“Occupancy hasn’t changed in Canberra pre and post-COVID-19 in terms of leased space so that means it is not a heavily fluctuating market to hold property,” says Dr Donna Wheatley, partner at Gray Puksand.

Canberra is a stable market for commercial property investment — largely due to the government’s tendency to take on lengthy leases in addition to the reliable tenant mix of professional services firms.

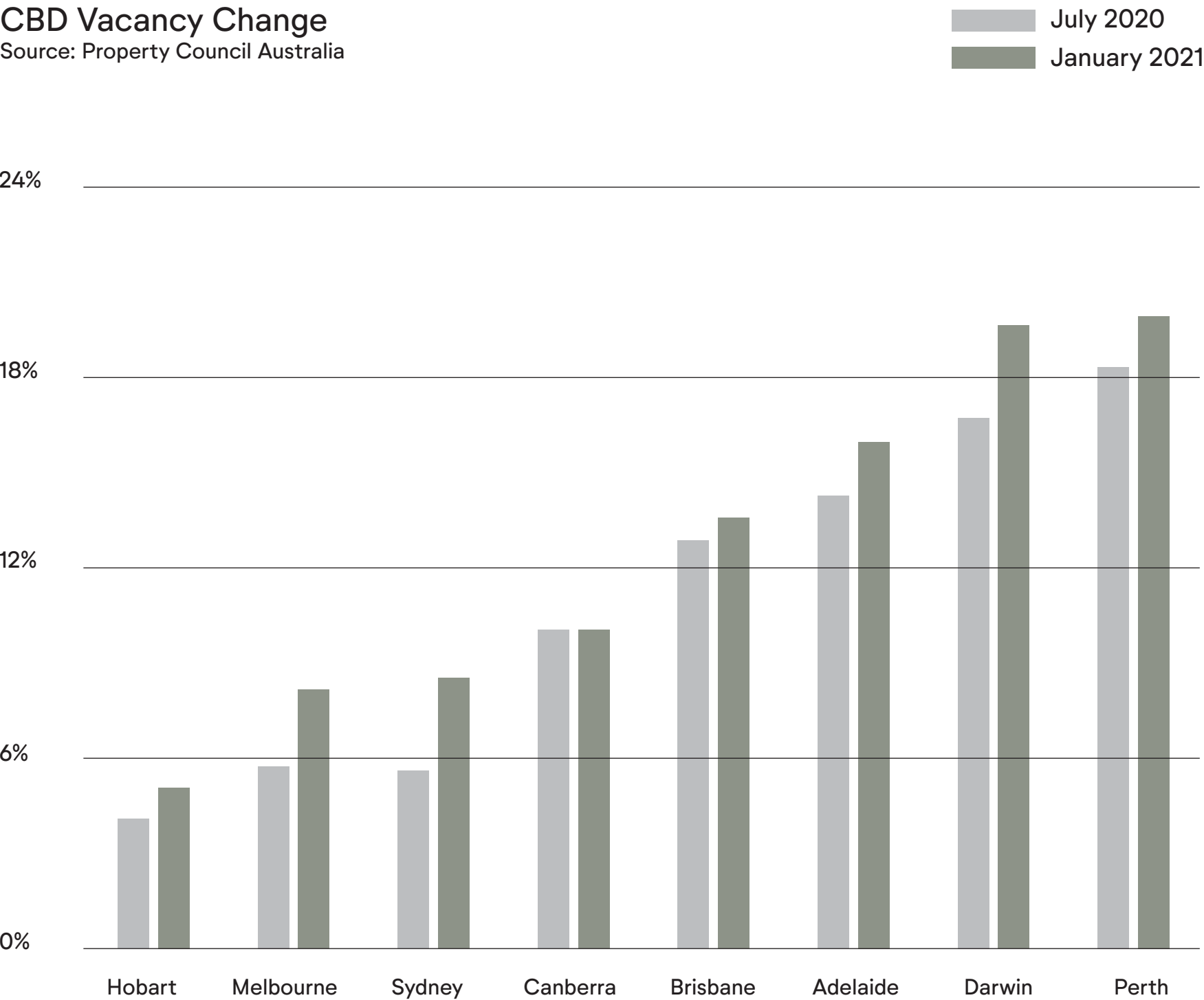
In the past two years, there has been more private office (new and refurbished) space delivered to Canberra than in the previous decade. High-quality buildings are being delivered at a rate not previously found in Canberra and the focus has shifted toward the tenant experience in what is considered a competitive market for landlords.

“The sentiment in Canberra at the moment is certainly expansionary in the office environment and there's a lot of new developments being proposed,” says Paul Powderly, Colliers state chief executive of Canberra.

“There is a lot of activity which would drive further growth of the Canberra office market which is different to other jurisdictions where there is a lot of sublease space and firms are contracting from being unsure about their future office space needs. Canberra is much more positive and in a growth mode,” he adds.

Another key trend is the rise of the private sector in Canberra, with its role in the business world gaining traction far beyond the focus on government.

— Canberra was the only capital city to NOT record a vacancy increase over this six month period.





# The Rise of the Precinct



— NEXUS CORPORATE PARK A commercial precinct that addresses the needs of the 21st century worker by putting the human experience front and centre. An offering with truly holistic consideration.

Canberra is a well-planned and healthy city with a large geographic land area, open space and steady population growth.

Despite the positives associated with a large amount of space, it has meant that amenity is often separated from the hub of business activity.

While popular in other cities for some time, Canberra is experiencing the rise of the office precinct. The building’s surrounds, in addition to the building itself, are becoming more prominent in the decision-making process for tenants, and subsequently commercial asset investors.

“There is a dimension to work that goes far beyond being at the desk,” says Robert Puksand, founder at Gray Puksand. “This experience starts from the minute people commence their commute to when they go home at night and is being recognised in Canberra now more than it has before.”

Hospitality offerings, gyms and grocers, whether in or near a building, will create a positive precinct experience for workers adding layers of both convenience and lifestyle to the more traditional working concept.

Today, many employers are looking to locate themselves near one of the light rail stops, which aligns with the greater focus on location and amenity and simultaneously removes the need for some people to own a car.

Outside of Canberra’s city centre, there is an abundance of office parks surrounded by a carpark which don’t match the demands of office workers today.

“Traditionally, a five-minute walk from your office in Canberra wouldn’t offer very much. Workers would require a car to get there as well as to reach amenity. The new development in the city is addressing this and focuses more on lifestyle,” says Puksand.

New development is taking place in the city, in areas such as Deakin and Braddon, as a way to incorporate access to public transport as well as dining, fitness centres and entertainment.

Pedestrian-oriented environments are becoming a priority, a stark shift away from the focus on catering to cars. This is something that will develop and become more commonplace in Canberra, bringing it in line with other cities both in Australia and worldwide.



# Spotlight on Government Buildings

Government has long held a dominant position when it comes to Canberra’s office market.

“The Commonwealth government is leading by example in terms of spending and implementing programs,” says Powderly.

“We’re seeing a lot of project space being taken up by the government. At the same time, there have been a lot of external contracts being let by the government which means the private sector is also growing in Canberra.”

There are a number of new Commonwealth office accommodation briefs in the market such as the Department of Employment, Science and Education (DESE) and the Australian Taxation Office (ATO), who are each seeking large amounts of space.

“Those larger requirements are about Departments consolidating into the buildings of the future, or what I like to call ‘headquarters’ buildings. For some Departments, the buildings post-COVID are about considering consolidation, sometimes from four buildings into one, being more efficient and delivering productivity savings,” adds Powderly.



A consequence is that these older buildings become available either for refurbishment, or if a fit-out is already complete, are made available for short-term project use by the government, ultimately giving the market a lot more choice.

The process of working with government departments for their workplace design has focused heavily on guidelines, however, now there is an increasing importance to engage with staff.

“There needs to be a balance between flexibility and meeting specific requirements of the government departments moving in,” says Dr Wheatley.

As a result, Wheatley believes the mindset in government that office space is ‘owned’ by individuals needs to be set aside. Workers are less likely to be assigned their own space or single work point going forward.

— 412 ST KILDA ROAD A former police station, the design principal was to enhance the existing strengths and detailing throughout the project to bring the building into a modern interpretation.

“Government departments are increasingly aiming to be agile and are slowly introducing this. There is less of a formula and more options in the way that people work. We are only at the start of departments undergoing this review,” she says.

The result is greater options available and spaces that reflect specific tasks and a far more dynamic work environment. An example is the introduction of private spaces available for use to a large number of people for video or phone calls, rather than private offices assigned to individuals.



# Interior Design of Canberra Offices

Interior design in Canberra has differed in comparison to other capital cities. A key difference is the lack of focus on organisational brand where functionality has traditionally prevailed.

Organisational brand relates to a company’s ability to align its team with its vision, values, personality and points of distinction which can be done through interior design and office fitouts.

“In Canberra, we have rarely seen organisational brand shine through. Instead, there is a general approach to the workplace. If organisations and government show who they are and what they do through their design and workplace offering, the results show that you get better productivity, efficiency and loyalty,” says Dr Wheatley.

A solution Wheatley proposes is to consider creating more memorable experiences when staff are in the office.

“It is much more engaging for teams to create the right framework for a positive mindset that connects staff to the organisation in both the private and public sectors,” she says.

While many companies may not want to be faced with the short-term costs associated with conveying organisational brand, and creating opportunities for employees to engage with it, it is vital in the bigger picture of workplace design.

“When you think about the benefits, it’s also good business sense,” says Dr Wheatley.

Touchless technology, while available before the pandemic, is becoming more mainstream in Canberra’s offices to give people confidence that it is safe to return. From selecting your floor for the elevator with your mobile phone to auto sliding doors in the bathrooms, technology is being rolled out faster than before, and Canberra is catching up to other cities.

While NABERS ratings are still important, wellness, which is more difficult to measure and compare between buildings, is now considered of equal, if not higher, value to building users.

Commonwealth office leases have a number of energy requirements, including Green Star, and cannot operate in buildings that don’t meet this. In addition, Commonwealth buildings are now mandating wellness ratings, taking into account factors such as fresh air, amenities and access to retail and transport. These factors are playing a huge role in the selection of government offices.

In a competitive labour market in Canberra, any government initiatives toward wellness will likely be followed by the private sector to ensure they can attract and retain top talent also.

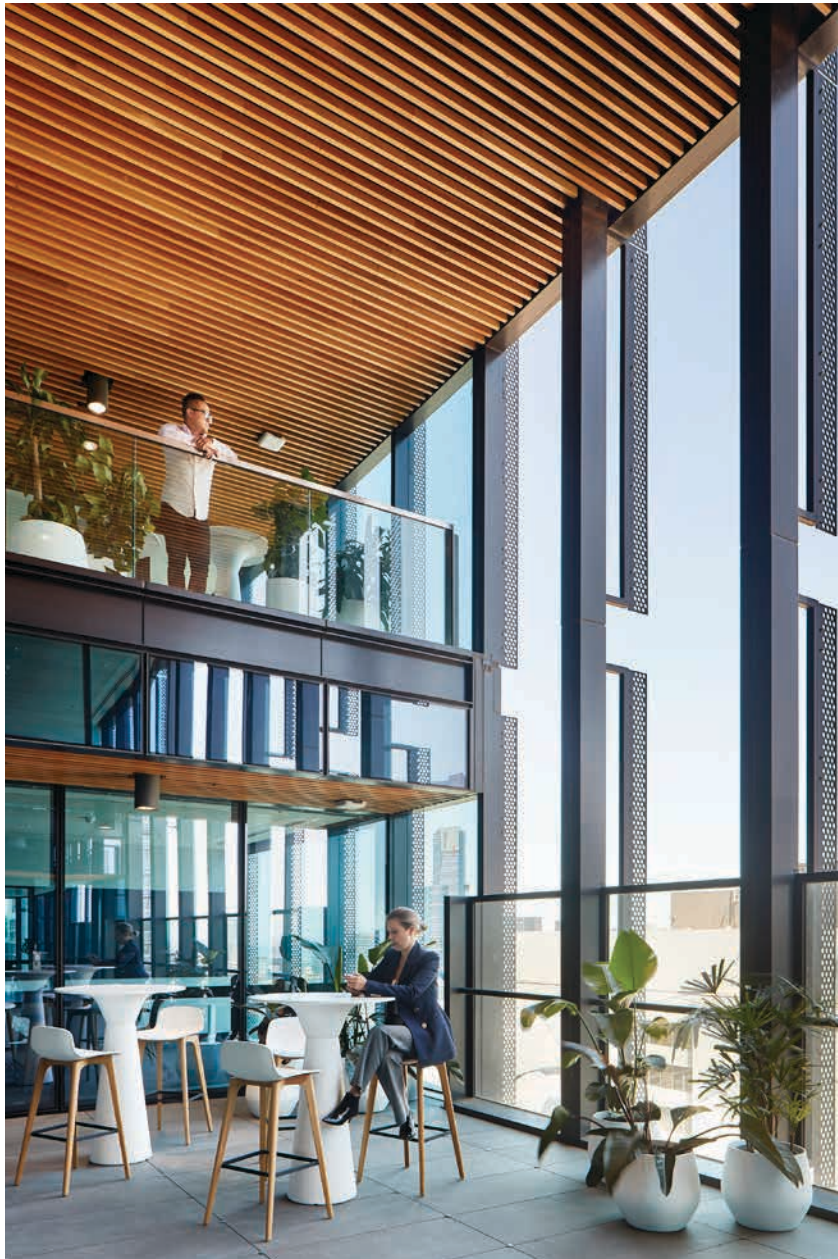
Two buildings have been delivered in the past 12 months for the private sector with leading end of trip facilities, with landlords aware that this is key to attract premium rental returns.

“In terms of interiors, there are objectives for both ACT state department and Commonwealth level to reduce floorplate density,” says Dr Wheatley

Even before the onset of COVID-19, the amount of space per person is reducing to 12–14 square metres per person. In comparison, the Federal occupant was previously allowed 16.1 square metres per person, making their need for large floorplates apparent.

“The new number is still achievable to adhere to social distancing requirements,” says Dr Wheatley. “There is the potential for departments to reduce floor areas, or alternatively, bring more staff in to their existing premises without requiring additional space.”

Companies and governments are heading toward the higher density thresholds without moving offices by changing desking from L-shape to bench-style and reducing single offices to free up the open plan area.



— AFCA An agile and modern workspace that places the health and wellbeing of employees front of mind.



# Canberra’s Commercial Architecture

With a lower population than major capital cities, the office buildings in Canberra are naturally at a lower scale and architecturally, are contemporary in style and appearance.

“As an architect, the lower rise buildings allow us to be more creative. The taller you go, the more constraints that you often face so it gives Canberra the opportunity to have more creative design outcomes,” says Puksand. “Responding and connecting to the landscape, as well as thinking more about the wellbeing of the building’s occupants is also starting to evolve more in Canberra’s commercial architecture.”

To coincide with the need for commercial spaces that either incorporate amenity or have it within easy reach, precinct-honed development is also a trend. Individual buildings are responding to this with the inclusion of communal and breakout spaces for all tenants to enjoy in addition to end of trip facilities.

In a market where there are a large number of options for tenants, all sophisticated building owners are thinking about their point of difference. One way to achieve this is for lobby spaces to become more than a thoroughfare, instead serving and a recreational purpose for building users.

Being the nation’s capital, a lot of office accommodation is government-oriented, and the building design reflects this.

“For some government buildings, the architecture needs to consider a layer of security, so their buildings by nature won’t be the same as the private sector,” adds Puksand.

Buildings in Canberra, in line with other capital cities, are becoming more sustainable and this will be reflected in green initiatives and the use of greenery in architecture. Canberra is surrounded by natural landscape and locals value that connection to nature, with an expectation that the built environment takes this into consideration.

— RISE represents a new era of amenity and inclusiveness for end-of-trip and wellness facilities within a commercial building, through the adaptive reuse of underutilised basement carpark at 101 Collins Street.





# Private Sector Growth in Canberra

Rather than firms operating in Canberra without a physical presence, the trend now is to open offices that have personnel on the ground with local knowledge and expertise.

“Businesses want to be part of the Canberra community,” says Puksand. “The city is growing and there is a future for younger people to live and work here.”

The current coalition federal government outsources aspects rather than doing everything from within, giving greater opportunities to the private sector, however, a physical presence and evidence of contributing to the local economy is vital.

“Canberra is an essential location if you are in any way tapping into the Commonwealth as a business. If you want to deal with government and you're not here, it's going to be very hard,” says Powderly. “Large professional service and IT firms are expanding their presence because they understand that Canberra is the most powerful address in Australia.”



Dr Wheatley agrees, “Canberra has been overlooked as a place of business until relatively recently. For many, its role has remained within the political realm, but this view is transforming. As businesses continue to move there, the trend will only accelerate and more will want to follow suit.”

The result is that truly national firms will no longer only stick to office locations in the five states of Australia with a Canberra presence becoming vital in their geographic mix. This in turn supports local jobs while simultaneously boosting the office market.

— *BOTANICCA 3 A hospitable building. One that considers the surrounding landscape, the community and its inhabitants.*



# What's Next?



— GREENWAY VIEWS Australia's most advanced seniors' living residential village, where ageing in place and a genuine quality of life prevail.

With a strong government framework that is paving the way for the private sector, increased population growth, and new developments coming online, what's next for Canberra's office market?

As an essential place of business, the resilience shown through COVID-19 is that assets in the nation's capital can become an essential part of an investor's portfolio.

Future population growth coupled with the shift toward precincts will ultimately drive landlords to incorporate quality amenity and wellness options within buildings, which could spark a big drive toward upgrades to buildings. A further catalyst is the large volume of new commercial developments, putting pressure on older assets to remain competitive.

Upgrades typically required to Canberra's older stock involve the building services, more efficient lighting (such as LED and lighting controls) and end of trip facilities.

"Many existing buildings will be upgraded and remain as office buildings but there are instances where alternative uses may be considered," says Puksand.

There have been recent examples of office buildings being converted (for buildings not at an A-grade level) into different uses such as aged care and retirement living, residential apartments and even a hotel in Woden. A good mixture of responses to buildings is being considered.

Gray Puksand has previously converted former Department of Social Services buildings in Canberra into an aged care facility, Greenway Views, through an adaptive reuse process, as a way to give new life to old and underutilised assets.

"There could certainly be more types of this adaptive reuse that takes place, particularly on the fringes of the CBD, however, Canberra is the institutional engine house of Australia so there will continue to be growth in office needs," adds Puksand.

Powderly adds, "Canberra has a whole number of buildings that were built for the government and will always be suited for the government. There are other buildings though, that can be upgraded substantially and upgraded perfectly for A-grade office space for the private sector."

Furthermore, location and access to transport, being centrally located to lifestyle and entertainment options, will become essential to attract the next wave of private sector tenants.



