



Sydney CBD – Differentiating its Economic Strengths

Prepared for

Greater Sydney Commission

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ADVISORY.
RESEARCH.
VALUATIONS.
PROJECTS.

Melbourne

Level 19/8 Exhibition Street
Melbourne VIC 3000
T +61 (0) 3 8102 8888

Sydney

Level 25/52 Martin Place
Sydney NSW 2000
T +61 (0) 2 8228 7888

Singapore

Level 24-01, CapitaGreen
138 Market Street, Singapore 048946
T +65 6679 6067

admin@charterkc.com.au
charterkc.com.au

Thomson Maloney
& Partners Pty Ltd
T/A Charter Keck Cramer
ABN 98 318 420 369

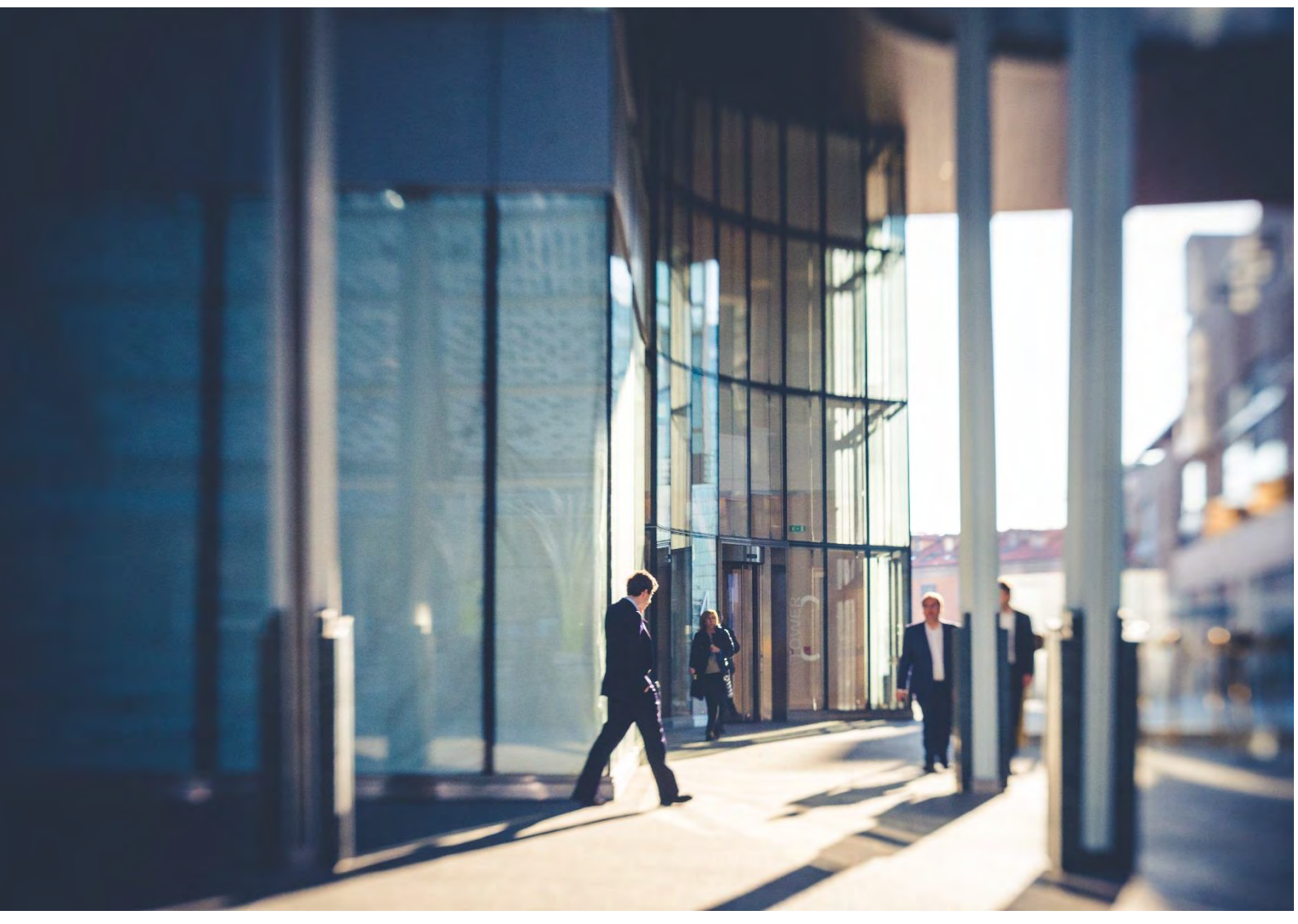
Charter Keck Cramer
(Sydney) Pty Ltd
T/A Charter Keck Cramer
ABN 21 601 785 326

Instructions.

Charter has been instructed by the Greater Sydney Commission (GSC) to consider the economic strength of the Sydney CBD relative to the Melbourne and Brisbane CBDs.

The ensuing summary of and observations draws from a compilation of background data about Australia's Capital City CBDs that has been provided to the GSC relating to the following factors:

- concentration of industries;
- location of key policy regulatory authorities;
- location of Australia's largest listed companies;
- concentration and composition of office floorspace;
- location of Australian headquarters of major global companies, global investment banks and professional services firms; and
- concentration and composition of hotel accommodation.



Key Findings.

1. Sydney has long been recognised as Australia's Global Gateway City to the international economy because of its role as a regional hub in the global financial markets.
2. It is the volume, nature and characteristics of economic activity within the Sydney CBD, rather than the metropolitan economy, that has facilitated and supported its function as a Global City.
3. The commercial, economic, political and cultural significance of Central Business Districts (CBDs) in Australian cities is disproportionately high relative to the metropolitan regions they service. The economic output and financial performance of companies located in Australian CBDs is also very high within the context of the overall metropolitan economy they are situated in.
4. Metropolitan Sydney's spatial economy is relatively more evenly distributed than observed in either Melbourne or Brisbane which underpins the Metropolitan Strategy direction of Sydney ultimately being comprised of three cities.
5. Research has confirmed and clearly highlighted the significance of the Financial Services industry to the Sydney CBD which has profound implications for the performance of the metropolitan economy and its role in the global economy.
6. The defining characteristic of the Sydney CBD relative to the CBDs of Melbourne and Brisbane, is its concentration of accommodation for large and globally-significant companies in the Financial Services industry. This sector services all other industries in the domestic, regional and global economies.
7. The central role of the Sydney CBD, to the Financial Services industry, and conversely this industry's importance to the Sydney CBD's function, is highlighted by the following observations
 - Headquarters of all of Australia's key monetary and finance policy makers and regulators (RBA, ASIC, APRA) are located in the Sydney CBD;
 - Australian Stock Exchange (ASX) is located in the Sydney CBD;
 - 38% of the ASX 100 companies (accounting for 42% of the ASX 100 market capitalisation) are headquartered in Sydney CBD. Melbourne and Brisbane accommodate 30% and 21% respectively of the ASX 100's market capitalisation.
 - Financial Services is the largest industry sector in the ASX 100's with 37% of market capitalisation accounted for by companies in this sector. The Sydney CBD is, by far, the predominant preference for this industry given it accommodates 63% of the ASX 100's Financial Services companies. This preference is more than double the observation concentration in Melbourne (31%);
 - there were 82,100 jobs in the Finance and Insurance Services industry located in the Sydney CBD (as at 2011¹) which accounted for the highest concentration of jobs (28%) in any sector. This level of employment compared to 48,200 in the Melbourne CBD (19%, ranked 2nd) and 15,000 in the Brisbane CBD (13%, ranked 4th);

¹ ABS 2011 Census Working Population Profile

- companies in the Finance sector accounted for 39% of occupied office floorspace across the Sydney CBD (almost 1.4 million sq.m. across Premium, A and B Grade classifications²). This quantum of floorspace is almost 3.5 times more significant than the level observed in Melbourne;
 - of the Top 20 Global Investment Banks (18 of which currently have an Australian presence), the Australian headquarters for 15 of these entities are in the Sydney CBD with 3 in Melbourne CBD. All of these investment banks are accommodated in landmark Premium office buildings.
8. The economic impacts and benefits of the Finance Services industry to the broader city include:
- support for a greater supply of the highest-order (Premium Grade) office floorspace which global companies express a strong preference for. There is 1.12 million sq.m. of Premium Grade offices in the Sydney CBD³. This quantum is 55% higher than in Melbourne CBD;
 - Premium Grade floorspace represents 22% of the total office floorspace inventory in the Sydney CBD as compared to much lower proportions in Melbourne's (17%) and Brisbane's (15%) CBD's;
 - support for advanced Professional and Business Services (legal, accounting, real estate, insurance). These associated industries occupy a further 33% of Sydney's office floorspace. In comparison, these sectors account for around 30% of Melbourne CBD's office floorspace;
 - the Top 10 Global Professional services firms, represented by the Big 6 Legal firms and Big 4 Accountants, are all accommodated in landmark Premium office buildings. The Australian headquarters of these firms are predominantly in Sydney's CBD with 7 of the Top 10 and only 1 of the Top 10 headquartered in the Melbourne CBD. Presently 2 of the Top 10 maintain full-service offerings in both Sydney and Melbourne;
 - support for the emergence of fintech (financial technology) companies which are clustering around, and being supported by, larger and established financial services companies within sponsored incubators and co-working spaces;
 - support for higher-quality hotel accommodation as indicated by the Sydney CBD accommodating 7,000 5-Star rooms which is 53% more than in the Melbourne CBD. The Sydney CBD hotel inventory contains 44% of its rooms in 5-Star graded accommodation as compared to 26% of Melbourne CBD's lower inventory of hotel rooms;
 - support for higher global connectivity with Sydney Airport (in 2016) providing 46 direct routes to international cities as compared to 29 from Melbourne Airport.

² Colliers International Australia Research

³ Property Council of Australia - Office Market Report



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