

Boulevard in full bloom

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THE return of residential developments along St Kilda Rd's leafy boulevard has led to the tightening of office vacancy rates, according to research.

JLL leasing director Ian Treloar said despite the movement of Salmat and Infosys from the trendy boulevard, the vacancy rate had declined to 6.4 per cent from 6.8 per cent.

Mr Treloar said the vacancy rate in St Kilda Rd was tighter than at any time since 2001 when the expansion of several IT and telecommunication companies triggered a decline in rates.

The vacancy rate peaked at 13.2 per cent or 100,000sq m in mid 2004.

The current vacancy rate of 6.4 per cent represented 49,000sq m of vacant space, he said.

Research from LandMark White backed up JLL's findings.

"Overall, there are strong positive results for St Kilda Rd stemming from steady demand by new and existing businesses, and no new supply," LMW's recent report stated.

"This market, being unique, is more likely to lose office buildings to residential conversion, making space at a premium and keeping vacancy levels falling," the LMW report said.

Mr Treloar said JLL research indicated net absorption totalled approximately 22,700sq m in the 12 months to March 2008.

"St Kilda Rd has some of the most loyal tenants in Melbourne and over the past 12 months we witnessed the expansion of Oracle, Computer As-



Road to riches: St Kilda Rd remains one of Melbourne's most desirable boulevards.

sociates, Harris Scarfe and MAB within the precinct," Mr Treloar said.

"The underlying strength of the precinct continues to surprise me.

"There are a number of active leasing requirements in the marketplace and St Kilda Rd is clearly on the tenants' radar."

Mr Treloar said he expected space vacated by Salmat at 420 St Kilda Rd and Infosys at 484 St Kilda Rd to be leased quickly, providing further evidence of the strength of the market.

Major deals in St Kilda Road over the past six months included Flight Centre (4324sq m) to become an owner occupier at 436 St Kilda Rd; Healthscope (4800sq m) at 312 St Kilda Rd and BJS Insurance (1100sq m) at 499 St Kilda Rd.

Jones Lang LaSalle Victorian research manager Andrew Ballantyne said current positive fundamentals had resulted in double digit rental growth over the past 12 months.

"Prime gross effective rents in-

creased by 10.1 per cent in the past 12 months to \$304 a sq m a year," he said.

"Meanwhile, secondary rents achieved growth of 13 per cent over the same time period to \$270 a sq m a year," he said.

With no new commercial development projects in the precinct, the expectation is for further vacancy declines, he said.

Mr Ballantyne projected firm rental growth over the balance of 2008.