

Post-COVID City: Driving Economic Recovery and Growth

Foundation research report prepared for the Capital City Committee

May 2021

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- Adelaide Economic Development Authority
- Adelaide West End Association
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- Department for Trade and Investment
- Department of Treasury and Finance
- East End Coordination Group
- Festivals Adelaide
- Gouger Street Traders Association
- Hutt Street Traders Association
- Property Council of Australia (SA Division)
- Restaurant and Catering Australia
- South Australian Tourism Commission
- Study Adelaide

List of acronyms

Acronym	Full term
A\$	Australian dollars
CBD	Central business district
CED	Central entertainment district
CoA	City of Adelaide
DPC	Department of the Premier and Cabinet
ELICOS	English Language Intensive Courses for Overseas Students
FY	Financial year
FYTD	Financial year to date
GDP	Gross domestic product
GRP	Gross regional product
GSP	Gross state product
GVA	Gross value added
IMF	International Monetary Fund
MaaS	Mobility as a Service
NER	Net effective rent
RevPAR	Revenue per available room
WHO	World Health Organisation
UK	United Kingdom
UNWTO	United Nations World Tourism Organisation
US	United States
VET	Vocational education and training
Y.o.Y	Year on year

Key facts and figures

18.2%

Adelaide City Centre's share of GSP

Contribution of Adelaide City Centre's \$20.2 billion economy to South Australia's gross state product in (financial year) 2019-20 as measured by the National Institute for Economic and Industry Research.

Source: NIEIR

-1.6%

South Australian GSP in 2020

Contraction in South Australia's gross state product in the (calendar) year to December 2020, covering the substantive period of the pandemic in which social distancing measures in force.

Source: Deloitte Access Economics

+4.6 %

Forecast growth in South Australian GSP in 2021

Forecast growth in South Australia's gross state product in the (calendar) year to December 2021, as the state's economy continues its recovery from COVID-19.

Source: Deloitte Access Economics

+0.8%

Adelaide City Centre GRP growth in 2019-20

Growth in gross regional product in the Adelaide City Centre regional economy in (financial year) 2019-20, which has outperformed the state as a whole.

Source: NIEIR

-8.2%

Decline in detections in the March quarter between 2020 and 2021

Reduction in unique devices detected within the device detection network located throughout the Adelaide City Centre between the March quarter in 2020 (before stay-at-home requirements came into force) and same period in 2021.

Source: CoA

-78%

Decline in international visitation in 2020

Decline in the number of international visitors to South Australia in 2020, compared with 2019

Source: Tourism Australia

-33.4%

Decline in international student commencements

Decline in the number of international student commencements (year-to-date) in South Australia between March 2020 and March 2021.

Source: Department of Education, Skills and Employment.

71%

Occupancy rate

Occupancy rate (inclusive of vacancies and under-utilised leased properties) for office buildings in the Adelaide CBD as at March 2021, **versus a long-term average of 86 per cent.**

Source: Property Council of Australia

Executive summary

The COVID-19 pandemic has reshaped Adelaide. It has caused **disruption** by inhibiting **movement** between places and preventing shared **experiences** within the city.

The changes made in response to these circumstances have been difficult and have resulted in tough times for many businesses, especially those which rely on in-person interaction, such as hospitality and retail. However, after the pandemic, it is likely that many of these changes will be with us for the long term – and the parts of the current times that we choose to keep will be those which make people’s lives better or easier, or which are better for business.

This longer term shift is expected to have a greater impact on those areas of the Adelaide City Centre that rely more heavily on footfall driven by visitors (from outside the state and outside the city), necessitating a greater level of adjustment.

Future planning around how to integrate the lessons from COVID-19 with lasting changes in behaviour requires understandings of **disruption**, **movement** and **experiences** to enable people to continue working with greater flexibility while also giving them reasons and experiences that will encourage them to choose to spend time in the city.

Activities to support activation and improve experiences will become increasingly important in this regard, with people choosing between a broader range of options in terms of how to work/consume/experience needing to be convinced that these offerings are compelling.

The spread of the SARS-CoV-2 virus and subsequent **COVID-19 pandemic has wrought disruption and damage** on communities and economies in a way unparalleled in almost a century. The harrowing human costs and severe economic damage are intrinsically linked, and so far, nations which have done better at controlling the virus have performed stronger in economic terms.

South Australia has done remarkably well in managing the COVID-19 pandemic, with the number of infections kept relatively low to date at 741 cases (to 12 May 2021)¹, and the economy forecast to grow strongly at 4.6 per cent in (calendar year) 2021.²

Efforts to contain the pandemic have involved public authorities **keeping people physically distant** to prevent the spread of the virus between people, households, workplaces, communities and cities through public health measures including stay-at-home requirements and social distancing measures.

The impact of the pandemic has been particularly acute on cities, where the concentration of people from different places is higher, meaning they are more susceptible these types of social distancing measures.

This translates into the reduction in movement in the Adelaide City Centre area (measured through unique device detections), with detections declining by 59 per cent in the month of April 2020 compared with April 2019.³ This reduced visitation and footfall has continued in 2021, with total unique detections for the first quarter of 2021 (to March) down 8.2 per cent compared with 2020.

¹ Government of South Australia, *COVID-19 dashboard*, Wednesday 12 May 2021, SA Health, accessed 13 May 2021 <<https://www.sahealth.sa.gov.au/wps/wcm/connect/public+content/sa+health+internet/conditions/infectious+diseases/covid-19/about+covid-19/latest+updates/covid-19+dashboard>>

² Deloitte Access Economics, *Business Outlook, March 2021*, subscription publication

³ Based on analysis of device detection network data provided by the City of Adelaide

These effects have been more evident in those parts of the Adelaide City Centre **where activity relies on visitors** to the Adelaide City Centre from outside the state (i.e. international and interstate visitors) and outside the area (i.e. city workers), with Hindley Street, O’Connell Street and the Market Precinct all recording significant falls in visitation during 2020, and slower recoveries through 2021.

The consequence of this has been that **people have been unable to physically come together to share experiences and ideas** in ways that foster collaboration, community and shared experiences. This has prevented people from working and consuming in the ways they have previously, creating challenging trading conditions for businesses in the Adelaide City Centre area.

These challenging trading conditions have included:

- Accommodation occupancy in the rates **declining 47 per cent** in the year ending December 2020, compared with the previous year.⁴
- Expenditure on dining, entertainment and travel **falling by 66 per cent** in the period March – April 2020 compared with the same period in 2019.⁵ Expenditure on dining and entertainment has subsequently (largely) recovered, with expenditure in January 2021 exceeding that recorded in January 2019. Travel expenditure continues to struggle, with expenditure in January 2021 being 28 per cent lower than January 2019.
- Expenditure in department and clothing stores within the Adelaide City Centre **declining 39.7 per cent** in April 2020, compared to the monthly average in 2019.⁶
 - Conversely, expenditure in the same categories across South Australia rose 14.3 per cent over the same period.⁷
- Expenditure in the Adelaide City Centre area, modelled by Spenmapp.com.au across all categories, was **6 per cent higher in January 2021 than January 2019**.⁸
- Commencements by international students **declining 33.4** comparing year-to-date figures for March 2021 and March 2020 with further declines expected in 2021 as continuing students conclude their studies and fewer enrolling students commence their degrees.⁹
- Occupancy levels in commercial (office) buildings sitting at 71 per cent in March 2021, compared to the long-term average of 86 per cent.¹⁰

Going forward, trading conditions are steadily improving in most sectors while continuing to struggle in others. Consultation with stakeholders for this project revealed the following examples:

- Domestic tourism is rebounding strongly, spurred by government stimulus and re-opened domestic borders.
- Closed international borders mean that onshore international education commencements are expected to continue to fall well into 2021, and that would likely have a lasting effect on enrolments for several years.
- Uncertainty regarding borders continues to present issues and a drain on confidence for event promoters and hospitality businesses, leading to a reluctance by some to stage events and increase trading capacity.

⁴ South Australian Tourism Commission, *South Australian Accommodation*, 2020, accessed <<https://tourism.sa.gov.au/insights/accommodation-statistics>>.

⁵ Spenmapp.com.au, Modelled expenditure data series, City of Adelaide, provided by the City of Adelaide, unpublished

⁶ Ibid.

⁷ Australian Bureau of Statistics, Retail Trade, Australia, February 2021, accessed <<https://www.abs.gov.au/statistics/industry/retail-and-wholesale-trade/retail-trade-australia/latest-release>>

⁸ Spenmapp.com.au, Modelled expenditure data series, City of Adelaide, provided by the City of Adelaide, unpublished

⁹ Department of Education, Skills and Employment, International Student Data 2021, accessed <https://internationaleducation.gov.au/research/international-student-data/Pages/InternationalStudentData2021.aspx#Pivot_Table>

¹⁰ Property Council of Australia (2021) Office Market Report, March 2021

- Activation events targeting increased footfall are proving useful for main street organising functions and property managers to support hospitality businesses in precincts around the Adelaide City Centre area.
- Live music venues continue to struggle with reduced capacity and the COVID-19 public health requirements; stakeholders did note that recent support measures provided by governments had been highly beneficial.

Some sectors have done well during the pandemic, with financial and insurance services, professional, scientific and technical services, public administration and safety and health and biomedical sectors all growing in terms of their industry value added. Growth across these sectors that were largely able to continue (even grow) during the pandemic was sufficiently strong enough to support marginal **growth of 0.8 per cent in the Adelaide City Centre economy in 2019-20** (this being the latest data publicly available for gross regional product).¹¹

Although this figure is encouraging, it is important to note the timing of figure captures the initial period of stay-at-home requirements only, and may not be representative of the full impact of the pandemic on the economy of the Adelaide City Centre. Reduced footfall and visitation remained a drag on the economy through 2020 and into the first quarter of 2021.

The currency of publicly available modelling of the Adelaide City Centre's gross regional product (to which the 0.8 per cent figure refers) needs to be considered in this context, as does the currency of the information considered elsewhere throughout this report.

The lived experience of many (but not **all**) people during the pandemic in terms of greater flexible work means that some of this separation is likely to continue after the public health measures implemented in response to COVID-19 are eased and the immediate threat to health and safety (hopefully) fades. This is particularly true for those service sectors that did comparatively well during 2020.

The most likely future is one that may be characterised as a post-COVID pandemic one, rather than a post-COVID one. Infections are likely to continue, in different places and rates, going forwards, with the rest of the world coming to manage this fact through different changes and situations going forwards.

Many individuals, businesses and communities have been able to respond to the changing situation during COVID-19 by innovating and changing in ways that have allowed them to make the best of the circumstances. Many of these changes will support more **robust, flexible and innovative** practices going forwards.

Greater use of flexible work (where tasks can be performed effectively remotely), **adoption of e-commerce platforms**, efforts to **drive visitation through activation**, and changes in operating models to allow for **greater flexibility** have all been common occurrences in business which have been able to effectively manage the disruption caused by the pandemic.

These changes – which are expected to become embedded in successful business models going forwards – are reflective of broader trends affecting cities beyond COVID-19, as new technology and shifts in consumer preferences continue to drive broader change in the way cities are used and function.

These trends include:

- **Remote work will remain at levels higher than before the pandemic** in those sectors, business and occupations where tasks can be performed effectively remotely. This appears to be stabilising at a level where hybrid work – a few days in the office, a couple at home – is a common model. This shift is likely to be particularly pronounced in the high-

¹¹ National Institute of Economic and Industry Research (NIEIR), *City of Adelaide economic profile*, 2021, accessed <<http://economy.id.com.au/adelaide>>

value white-collar services sectors, which have grown faster than the economy generally and becoming more central to CBD (and national) economies.

- **Businesses shifting towards omni-channel commerce**, with greater use of e-commerce platforms such as delivery services, video streaming services and online support.
- **Experiences becoming central** to consumers' and workers' decision-making regarding how and what they purchase, and where they base themselves for work, with the quality of experiences becoming pivotal in motivating people to attend in cities rather than staying online, at home or in the suburbs.
- **Changes in the way people move in, out and within cities**, driven by emerging technology, shifts in consumer preferences and the need to respond to growing challenges in the environmental and social impacts of transport decisions.
- **Broader considerations for where people choose to live**, with the COVID-19 pandemic creating opportunities for people to reconsider their longer-term preferences, without necessarily shifting the fundamentals for how they make these decisions.
- **Redefining public space outdoors**, as precincts around the Adelaide City Centre implement place-based events by expanding out into the streets to try and attract visitors back to those precincts.

In considering these future trends, it is important context to understand where the Adelaide City Centre is positioned in the progression of the pandemic (in May 2021 when this report was written). In the language of Deloitte's COVID-19 framework, the Adelaide City Centre is considered to be in the 'recovery' phase of the 'Response, Recovery, Thrive' pandemic cycle, with developments globally, nationally and locally requiring a watching brief in terms of the immediate responses required to respond to circumstances that continue to change.

This positioning is critical in understanding the impact of the pandemic on the Adelaide City Centre observed to date, and in considering the recovery planning efforts underway. Various stakeholder groups are undertaking a range of activities to support their members and other stakeholders in responding the immediate challenges of COVID-19 while also considering how to prepare for the recovery phase. Much of this activity have been focused on the immediate challenge in responding to and managing the disruption caused by the pandemic and subsequent public health measures adopted.

Stakeholder groups will need support to shift their activities towards assisting members and sectors to for the recovery phase, including how to respond and take advantage of these longer-term trends in order to secure economic growth which is cognisant of longer term change, and responsive to short-term challenges.

Greater visibility and communication of activation efforts will be crucial to ensure efforts can be coordinated effectively (reinforcing one another rather than competing or duplicating effort), alongside consideration of how physical environments within the Adelaide City Centre need to change to encourage people to spend time in the area.

1 Introduction

The scale of disruption and cost imposed by COVID-19 is unparalleled in modern times, affecting societies and economies across the globe in different ways and degrees. The disruption caused by the pandemic will have ongoing ramifications for confidence, mobility, investment, and humanity.

South Australia has had considerable success in managing the pandemic, achieving enviably low rates of infections and deaths. This success has saved lives and allowed the South Australian economy to reopen faster than in most places around the world.

Activity across the South Australian economy is strengthening, with growth forecast to return (calendar year) 2021 at 4.6 per cent. The pace of recovery has quickened since December 2020 but remains variable across sectors.

Despite preventative health measures being less far less costly than an uncontrolled pandemic, physical distancing has still created significant costs, with lockdowns and other public health measures affecting confidence, consumption, exports and investment.

The rate at which the global economy recovers and grows after the most severe effects of the pandemic will be affected by the effectiveness and speed of vaccination programs but will not move in lock-step. Countries will continue to evaluate the trade-offs between rates of infection and economic growth, changing public health measures and border closures accordingly.

Key statistics

18.2%
*Adelaide City
Centre's share
of GSP*

Contribution of Adelaide City Centre's \$20.2 billion economy to South Australia's gross state product in (financial year) 2019-20 as measured by the National Institute for Economic and Industry Research.

Source: NIEIR

-1.6%
*South
Australian GSP
in 2020*

Contraction in South Australia's gross state product in the (calendar) year to December 2020, covering the substantive period of the pandemic in which social distancing measures in force.

Source: Deloitte Access Economics

+4.6 %
*Forecast
growth in South
Australian GSP
in 2021*

Forecast growth in South Australia's gross state product in the (calendar) year to December 2021, as the state's economy continues its recovery from COVID-19.

Source: Deloitte Access Economics

Key areas for further research

- Understanding conditions and confidence in South Australia's key trading partners, particularly attitudes towards travel, will influence South Australia's economic performance. Continued market intelligence will be important to enable local businesses to respond to emerging opportunities and changes.

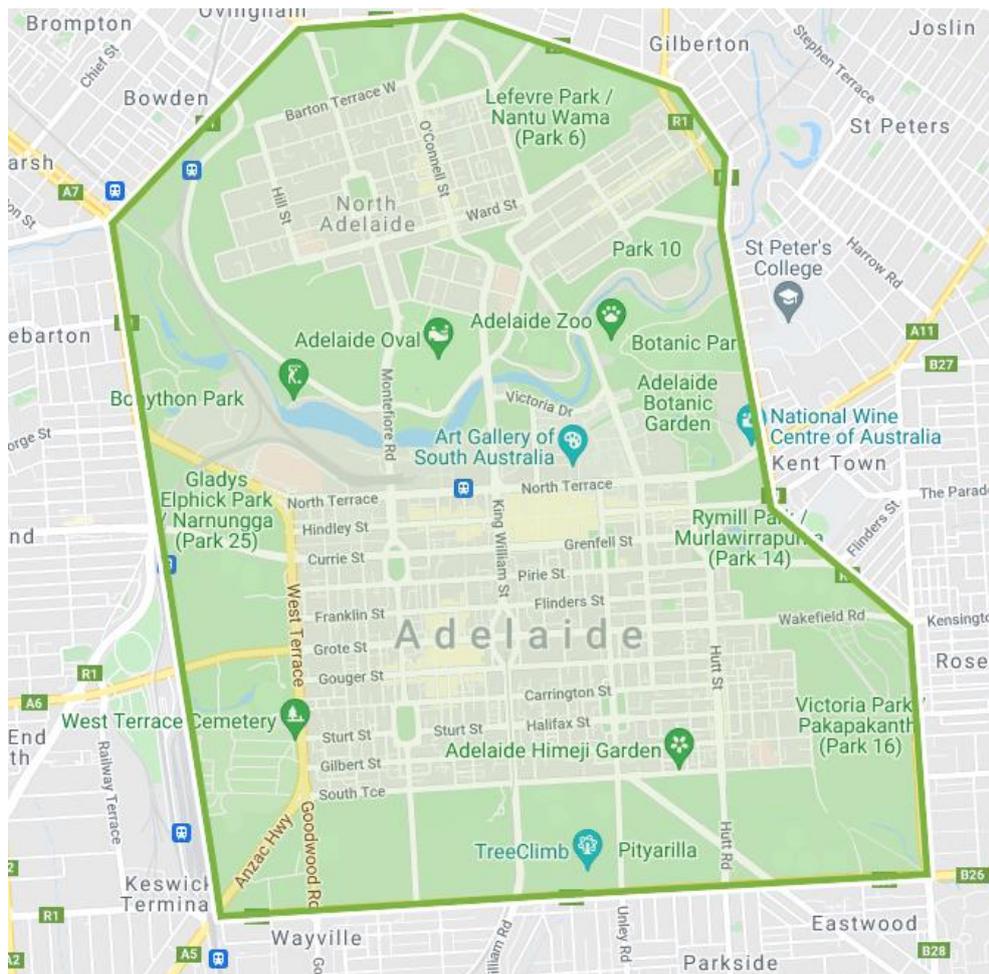
- Contemporary quantitative and qualitative research is also required to understand how experiences during COVID-19 have affected people's considerations on where to live and work.

The COVID-19 pandemic was central to almost everything in 2020. The scale and severity of the virus required an unprecedented response from governments to keep communities safe. But the public health measures taken to contain and manage the pandemic had a significant impact on society, with subsequent economic challenges. These challenges have been particularly pronounced in places that rely on people coming together in greater densities, and have consequentially hit cities hard.

The reason cities have been hit harder than societies generally is the same reason people are attracted to cities in the first place. Modern economies provide the impetus and settings for people to come together to share ideas, knowledge and experiences. As knowledge and experiences become increasingly specialised, the importance of cities is expected to grow as they provide deeper markets for specialised services, and drawcards for talented people looking for unique experiences and opportunities.

The Adelaide City Centre (defined for the purpose of this research as the geographic area comprising the Adelaide central business district (CBD) and North Adelaide), has not been immune to these challenges. The Adelaide City Centre area in question for the focus report is highlighted in Figure 1.1.

Figure 1.1: Adelaide City Centre (Adelaide CBD and North Adelaide)



Source: CoA, Google

While stay-at-home requirements limited the ability of workers and tourists to spend time in the city in 2020, COVID-19 is likely to have an ongoing impact on the Adelaide City Centre economy. Increasing take-up of remote work, as well as continued hard international and uncertain state borders, is expected to continue affecting the level of visitation (and hence activity) in the Adelaide City Centre for some time. The extent to which these changes affect worker and visitor foot traffic may lead to longer-lasting impacts on some service sectors.

The significance of this change relates to the role of the Adelaide City Centre in hosting a significant proportion of South Australia's services economy, as well as a range of activities and attractions that drive economic growth for the state as a whole.

The latest modelling of the Adelaide City Centre regional economy by the National Institute of Economic and Industry Research (NIEIR) estimated the Adelaide City Centre's gross regional product (GRP) at \$20.16 billion in 2019-20, equal to 18.2 per cent of South Australia's gross state product (GSP).¹²

1.1 Purpose of this report

Even as governments, businesses and individuals emerge from the immediate aftermath of COVID-19, the pandemic – and its impacts – remain at our doorstep. However, the reprieve afforded by the sacrifices of 2020 provide an opportunity to consider these impacts and their implications into the future.

The impact on cities around the world has been especially pronounced in comparison to other areas as people have been encouraged or required to stay away from what are typically areas with highly dense people movements. In the context of Adelaide City Centre, it is a hub for industries such as financial and insurance services, public administration and safety, and professional, scientific and technical services. City of Adelaide LGA also makes the largest contribution to gross state product of any LGA in South Australia.¹³

In this context, the Department of the Premier and Cabinet (DPC) (on behalf of the Capital City Committee) engaged Deloitte Access Economics to develop and collate evidence and insights on the following:

- the impact of COVID-19 on the economy of the Adelaide City Centre
- the trends impacting cities internationally, particularly as a result of the COVID-19 pandemic, and implications for Adelaide City Centre.
- existing and emerging best practice for responding to medium and longer-term change for the Adelaide City Centre.
- a stocktake of COVID-19 recovery plans across key industry sub-sectors and seven main streets.

This analysis will inform recovery planning and activity to deliver stronger growth in the Adelaide City Centre economy, while contributing to other strategic objectives. The report is intended to inform planning, recovery and growth efforts for the Adelaide City Centre economy, taking into consideration current activity and planning by the city's business community and the immediate impact of COVID-19, as well as broader trends affecting cities globally.

The Capital City Committee (CCC) is a partnership between the South Australian Government and City of Adelaide (CoA), providing strategic leadership and coordination in support of activities driving the growth and development of the Adelaide City Centre area. The Committee and its activities are funded jointly by the South Australian Government and the CoA.

¹² National Institute of Economic and Industry Research (NIEIR), *City of Adelaide economic profile*, 2021, accessed <<http://economy.id.com.au/adelaide>>.

¹³ Ibid.

1.2 COVID-19 in the context of the economy

The restrictions put in place led to a significant contraction in the global economy – estimated to be 3.5 per cent smaller in 2020 compared to the prior year.¹⁴

(Greater detail on the impact of the COVID-19 pandemic on Australia’s key trading partners, and their governments’ responses, are included at Appendix 1.)

Changes in economic and trading conditions for key trading partners have affected Australia and South Australia’s economy performance during the pandemic. These in-market conditions will continue to have important implications for domestic economic activity, with changes in disposable income, confidence and mobility restrictions all affecting consumers’ ability to buy exports.

Table 1.1 details Deloitte Access Economics’ current economic forecasts for Australia. Actual figures for (calendar year) 2020 show the economic damage inflicted during the midst of the worst of the pandemic, with unemployment rising to 6.4 per cent and consumption and investment falling sharply. Higher rates of household savings and pent up demand (for both consumption and investment) are subsequently expected to drive a strong rebound sooner than many parts of the globe where lockdowns have lingered longer.

Table 1.1: Key macroeconomic forecasts, Australia, March 2021

Economic variable	Actual		Forecast			
	2019	2020	2021(f)	2022(f)	2023(f)	2024(f)
GDP (% change)	1.9	-2.4	4.9	3.3	3.1	2.4
Unemployment rate (%)	5.1	6.4	5.7	5.3	5.2	5
Private consumption (% change)	1.2	-5.8	5.8	1.5	3.4	3.6
Saving – household (ratio to income %)	4.9	15.2	6.8	6	5.3	4.7
General gov’t consumption (% change)	5.8	7.3	1.9	1.2	-1.2	0.4
General gov’t fixed investment (% change)	5.9	1.4	41.9	-2.2	-2.9	-3
Private business fixed investment (% change)	-1.4	-4.9	6	13.3	9	5.4

Source: Deloitte Access Economics.

1.2.1 Economic outlook for South Australia during the COVID-19 pandemic

Just as South Australia avoided the worst of the COVID-19 outbreak, it has been able to start its re-opening and recovery sooner. Notwithstanding this (relatively) early opening, South Australia has still borne the economic cost of the pandemic, with GSP contracting 1.6 per cent in year to December 2020.¹⁵

Business confidence had been significantly affected by the uncertainties and disruption caused by COVID-19, with the ANZ/Property Council Survey confidence index (where 100 indicates a neutral level of confidence) falling to 60 in in March 2020.¹⁶

The ability to remove stay-at-home requirements and relax COVID-control measures relatively early in 2020 (compared with other states) has since supported significant improvements in confidence, the same index improving to a net score of 142 in March 2021.

¹⁴ International Monetary Fund, *World Economic Outlook, January 2021*

<<https://www.imf.org/en/Publications/WEO/Issues/2021/01/26/2021-world-economic-outlook-update>>.

¹⁵ Deloitte Access Economics, Op. cite.

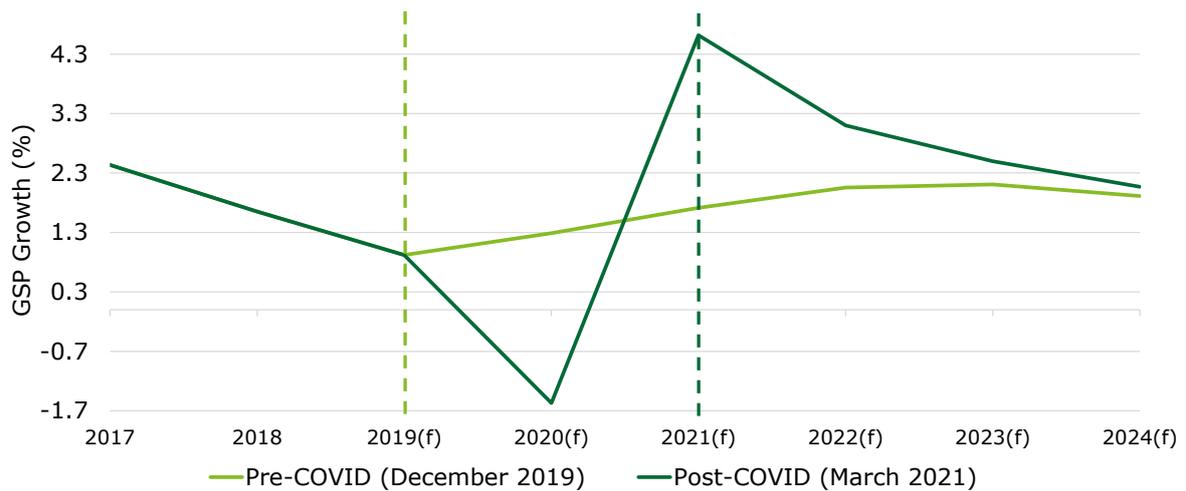
¹⁶ Property Council of Australia, *ANZ/Property Council Survey 2021 Chartbook, March 2021, 2021*, provided by Property Council of Australia

This improvement in business confidence has been critical in supporting increases in the level of economic activity across the Adelaide City Centre, with many sectors trending towards pre-COVID levels of activity.

Deloitte Access Economics is forecasting the South Australian economy to grow by 4.6 per cent in year to December 2021, following the 1.6 per cent contraction the previous (calendar) year.

From 2020-21 to 2023-24, South Australia’s GSP is forecast to grow at an average of 2.8 per cent per annum, which is well above the historical average over the last two decades (Chart 1.1).¹⁷

Chart 1.1: Pre-COVID and current COVID forecasts of South Australian gross state product



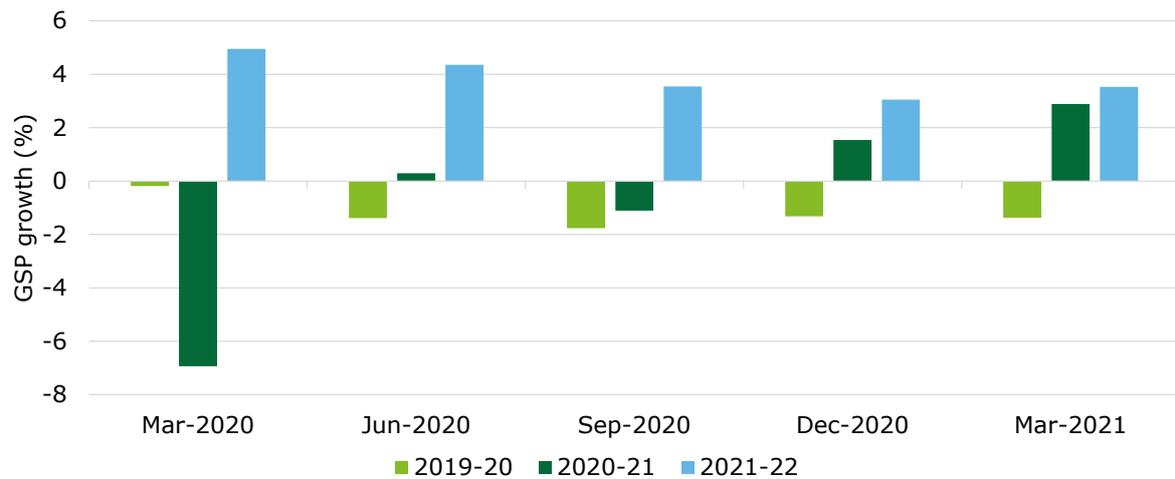
Source: Deloitte Access Economics.

Commonwealth, state and local governments have acted quickly and decisively in responding to flagging demand during the pandemic, injecting billions in direct and indirect stimulus. The effect of these programs is evident in the improvement in forecasts for economic growth.

Chart 1.2 plots Deloitte Access Economics’ forecasts for South Australian GSP growth for 2019-20, 2020-21 and 2021-22. These forecasts have strengthened since September 2020, reflecting the growing evidence that the various COVID-19 support measures have been increasingly effective in supporting growth in the South Australian economy.

¹⁷ Deloitte Access Economics, *Business Outlook, March 2021*, accessed <<https://www2.deloitte.com/au/en/pages/media-releases/articles/business-outlook.html>>

Chart 1.2: Forecast South Australian GSP growth, 2020 –2021



Source: Deloitte Access Economics

The aggregate effect of the unwinding of these programs (outside the continuing effects from committed stimulus that is still washing through the economy) is evident in these forecasts, which predict demand will continue to strengthen as mobility, investment and confidence continue to recover.

It is important to note that this aggregate effect will not be representative of the experience in every sector, with those more heavily reliant on JobKeeper at April 2021 likely to experience greater disruption. For reference, there were 17,987 applications lodged for JobKeeper by organisations in South Australia in January 2021, with 1,413 applications lodged by organisations reporting postcodes in the Adelaide CBD and North Adelaide.¹⁸

These 1,413 organisations (accounting for 7.9 per cent of total organisations lodging applications in the state) are expected to be concentrated in the hospitality sector (on food and beverage and travel components) given the expenditure patterns and feedback from stakeholders which is discussed in the next chapter.

¹⁸ Australian Tax Office, *JobKeeper postcode data, 2021*, accessed <<https://treasury.gov.au/coronavirus/jobkeeper/data>>

2 The impact of COVID-19 on the Adelaide City Centre

The Adelaide City Centre, like all CBDs, has been hit hard by COVID-19, with service sectors that rely heavily on in-person interactions being affected by the reduction in footfall and visitation driven by stay-at-home requirements, increasing use of remote work and border restrictions.

High-end white-collar services sectors (particular those servicing other businesses) have performed better than others due to their ability to their greater ability to continue working remotely and smaller exposure to parts of the economy that have suffered from reduced footfall.

Considerable efforts are being made to drive visitation through activation events. These efforts have had positive impacts, and will continue to be important given increased use of flexible work arrangements and continuing challenges with borders.

Following the same pattern as the broader Greater Adelaide metropolitan area as a whole, areas within the Adelaide City Centre that have higher concentrations of residential activity have experienced less volatility, while those relying more heavily on workers, visitors and students have been impacted more severely.

Businesses that have responded to change flexibly have performed better during the pandemic than those that did not. Businesses that have changed operating models and product offerings to suit circumstances and consumer behaviour are better positioned for growth going forwards.

In considering these future paths, it is important context to understand where the Adelaide City Centre is currently positioned in the progression of the pandemic (in May 2021 when this report was written). In the language of Deloitte's COVID-19 framework, the Adelaide City Centre is considered to be the '**recovery**' phase of '**Response, Recovery, Thrive**' pandemic cycle, with developments globally, nationally and locally requiring a watching brief in terms of the immediate responses required to respond to circumstances that continue to change.

This positioning is critical in understanding the impact of the pandemic on the Adelaide City Centre observed to date, and in considering the future trends and current recovery efforts discussed in chapters 3 and 4.

Key statistics

+0.8%
*Adelaide City Centre
GRP growth in 2019-
20*

Growth in gross regional product in the Adelaide City Centre regional economy in (financial year) 2019-20, which has outperformed the state as a whole.

Source: NIEIR

-8.2%

Decline in detections in the March quarter between 2020 and 2021

Reduction in unique devices detected within the device detection network located throughout the Adelaide City Centre between the March quarter in 2020 (before stay-at-home requirements came into force) and same period in 2021.

Source: CoA

-78%

Decline in international visitation in 2020

Decline in the number of international visitors to South Australia in 2020, compared with 2019.

Source: Tourism Australia

-33.4%

Decline in international student commencements

Decline in the number of international student commencements (year-to-date) in South Australia between March 2020 and March 2021.

Source: Department of Education, Skills and Employment.

71%

Occupancy rate

Occupancy rate (inclusive of vacancies and under-utilised leased properties) for office buildings in the Adelaide CBD as at March 2021, **versus a long-term average of 86 per cent.**

Source: Property Council of Australia

Key areas for further research

- Published data available at the time this report was prepared provides useful insights into the impact of the pandemic during the midst of the pandemic and the beginning of the recovery. Further data needs to be captured on an ongoing basis to understand how the pace of recovery differs between sectors and places.
- Understanding the influences on remote workers' decision to work remotely and centrally will enable efforts to drive visitation by targeting the factors which motivate people to travel to the city.
- The reduction in the level of construction activity may be explained by a range of factors, with further research required to inform a more detailed understanding of what has driven this change.

2.1 The headline impacts of COVID-19

The composition of the Adelaide City Centre economy meant that the extent of impacts of the pandemic differed between sectors. The relatively high concentration of service sectors (e.g. health care, public administration, and professional services) provided ballast to the regional economy, as much of their activities could continue (some remotely, some in-person) during periods of lockdown and uncertainty.

This continuity, coupled with the increase in public spending in responding to and managing the pandemic, actually drove economic growth in the Adelaide City Centre economy during the initial phase of the pandemic, with the regional economy growing 0.8 per cent in (financial year) 2019-20.¹⁹

¹⁹ National Institute of Economic and Industry Research, National Economics (NIEIR) Modelled series, *City of Adelaide*, 2021, accessed <http://economy.id.com.au/adelaide/industry-sector-analysis?IndkeyNieir=23402&sEndYear=2019>

Table 2.1 shows the relative performance of different industries in the Adelaide City Centre economic in terms of industry value added (IVA) during the financial year 2019-20 (this being the latest data available based on modelling that has been publicly released by the NIEIR).

This illustrates the different experiences had by industries. Those industries where demand for services in responding to and managing the pandemic grew, with public administration and healthcare and social assistance growing significantly.

Conversely, the sectors that relied on people physically being in the city struggled with reduced visitation, with accommodation and food services, transport and arts and recreation services all falling significantly. While employment in the retail sector fell, the size of the retail sector grew, which is likely an indication of the changing behaviour of consumers.

Table 2.1: Industry value added by industry in the Adelaide City Centre, 2019-20

Industry	Industry Value Added 2019-20		Y.o.Y change (2018-19 to 2019-20)
	(% total)	(\$m)	(%)
Construction	3.2	615.5	-25.3
Transport, Postal and Warehousing	1.7	325.9	-13.7
Accommodation and Food Services	2.8	544.1	-10.1
Arts and Recreation Services	1.3	255.8	-9.5
Administrative and Support Services	3.8	733.1	-2.4
Other Services	1.1	207.5	-1.8
Electricity, Gas, Water and Waste Services	5.8	1,130.90	-0.9
Wholesale Trade	2.0	395.3	-0.9
Manufacturing	0.6	120.1	-0.2
Retail Trade	2.6	497.3	0.7
Financial and Insurance Services	20.8	4,034.60	1.1
Information Media and Telecommunications	5.4	1,046.00	1.6
Professional, Scientific and Technical Services	11.6	2,250.70	2.4
Education and Training	7.6	1,480.40	2.4
Agriculture, Forestry and Fishing	0.1	14.3	2.9
Mining	2.5	483.9	4.7
Rental, Hiring and Real Estate Services	3.4	666.8	6.6
Health Care and Social Assistance	10.8	2,085.90	6.9
Public Administration and Safety	12.8	2,486.30	9.3
Total	100.0	19,374.40	0.9

Source: NIEIR

It should be noted that aggregated industry value added (IVA) will not be equal to the total level of GRP as indirect taxes will not be captured by the IVA data.

Sub-sectors considered in this report

The original scope of this report considered nine sub-sectors reflecting different industries within the Adelaide City Centre. This scope was subsequently refined to focus on the six sub-sectors most significantly affected by changes resulting from the pandemic

The alignment between these sub-sectors and the categorisation of activities in various data sources analysed for this report is summarised in Appendix 2 for reference.

The six sub-sectors focused on in this analysis include:

- **Tourism and hospitality** –broadly comprising restaurants, bars, pubs, cafes, accommodation, travel agents, tour operators and related travel services.
- **Retail and personal services** –grocery, clothing, departmental stores, convenience retail, pharmacies, hairdressing, beauty, massage, and other retail businesses.
- **Creative industries** –art, film, music, performance, theatre, advertising, design, architecture, game development, TV and radio production and other craft and related niche services.
- **Education** – tertiary education, high school and primary school, TAFE, private training providers servicing both domestic and international students.
- **Property** – comprising the commercial and residential property sectors.
- **Finance, insurance and professional services** – which incorporates banks, businesses in the finance industry, insurance companies, professional advisory services and related services.

In addition to these six sub-sectors of focus, **Health and Medical, Technology and Mining and Energy** were also included in the original scope of research. Differences in the nature of the activities undertaken within the Adelaide City Centre by these sub-sectors and the manner in which data for these sectors is captured does not support comparable analysis with the other sub-sectors of focus in this study.

The experiences of these other sub-sectors in the Adelaide City Centre during the COVID-19 pandemic are considered at a higher level at the end of this chapter.

Changes in employment showed similar patterns to industry value added, with a marginal reduction in total employment of 0.5 per cent in 2019-20 reflecting a weaker labour market as businesses consolidated costs.²⁰

Table 2.2 shows how employment in the same sectors exposed to declines in visitation has fallen, particularly in the arts and recreation, accommodation and food service and transport sectors. Employment in financial and insurance services also fell, with some consolidation of bank branches identified as a contributing factor during consultations.

²⁰ Ibid

Table 2.2: Employment by industry in the Adelaide City Centre, 2019-20

Industry	Employment 2019-20		Y.o.Y change 2019-20
	(% total)	(no.)	(%)
Construction	4.3	6,083	-16.9
Arts and Recreation Services	2.4	3,377	-11.4
Accommodation and Food Services	7.0	9,924	-8.3
Transport, Postal and Warehousing	2.1	2,989	-7.3
Other Services	1.9	2,698	-4.9
Electricity, Gas, Water and Waste Services	1.9	2,739	-4.0
Financial and Insurance Services	7.9	11,281	-3.9
Retail Trade	4.9	6,979	-3.2
Public Administration and Safety	16.6	23,644	0.0
Agriculture, Forestry and Fishing	0.1	130	0.0
Health Care and Social Assistance	14.0	19,922	1.0
Manufacturing	1.0	1,433	3.7
Professional, Scientific and Technical Services	14.6	20,802	5.1
Administrative and Support Services	3.7	5,287	5.1
Rental, Hiring and Real Estate Services	1.6	2,256	5.6
Information Media and Telecommunications	4.6	6,544	6.5
Education and Training	8.9	12,643	6.8
Wholesale Trade	1.4	2,007	6.8
Mining	1.4	1,986	7.2
Total	100.0	142,724	-0.5

Source: NIER

Construction stands out as having experienced a particularly sharp contraction in both employment and IVA in 2019-20, with heavy and civil engineering construction showing larger declines than the other segments of the industry. Engagement with industry and government stakeholders have indicated this contraction is attributable to the timing of committed projects concluding, and not specifically caused by COVID-19.

However, ongoing research is required to understand whether this is the case, and whether the COVID-19 pandemic continues to affect investment decisions impacting the construction sector.

Currency of published data and developments since June 2020

Published data on GRP and GSP figures were available through to June 2020 at the time this report was written, informing useful insights into the initial impacts of the pandemic during the first period under lockdowns.

Caution needs to be exercised in relying on data for the 2019-20 financial year due to:

- The timing of the period obscuring the severity of the initial phase of lockdowns (off the back of the pre-COVID period July – December 2019).
- Circumstances evolving since June 2020 as different parts of the economy have opened at different times, supporting activity, investment and confidence at different rates.

GSP forecasts for South Australia provide an instructive example, with measured GSP (from the ABS) contracting 1.4 per cent in the year to June 2020, compared with forecast GSP (by Deloitte Access Economics) contracting 1.6 per cent in the year to December 2020.

Data on expenditure and movement within the Adelaide City area has been used to complement published data to provide insights into how the Adelaide City economy has performed since June 2020, as well as richer detail on the experiences of sub-sectors and areas within the city.

2.2 Shifts in movement during COVID-19

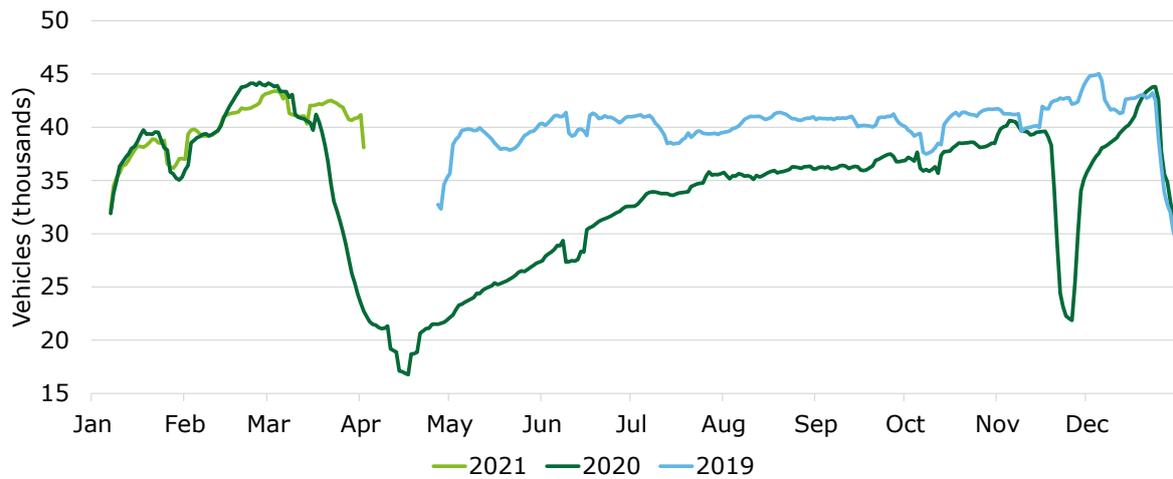
Public health measures enforced to enable social distancing have driven significant changes in where, how, and how often people move around the Adelaide City Centre area, resulting in significant reductions in footfall through the areas.

Public transport patronage data produced by the Department of Infrastructure and Transport indicates a similar trend in reduced mobility within the Adelaide CBD through 2020. Validations within the Adelaide CBD declined by an estimated 62 per cent between the March and June quarter in 2020, and remain down on the corresponding quarter for the previous year (2019) for the September and December quarters in 2020. Data on public transport validations within the Adelaide CBD was not available for 2021 at the time this report was written.

In considering this analysis of public patronage data, it is important to note that other factors may have contributed to the changes observed, such as increased private vehicle use. More work needs to be done to understand the full set of changes occurring regarding public transport use in the Adelaide City Centre (and more broadly).

Similar trends in movement through the Adelaide City Centre are observed in data tracking the daily number of vehicle Bluetooth detections through the intersection of King William, Grenfell and Currie streets, averaged a rolling seven-day period. Chart 2.1 shows how detections in the Adelaide City Centre (captured via this intersection as a proxy) fell dramatically in March 2020 before tracking up again at a similar trajectory as (personal) device detection data produced by the CoA.

Chart 2.1: Weekly vehicle detections, intersection of King William, Grenfell and Currie streets



Source: Department for Infrastructure and Transport

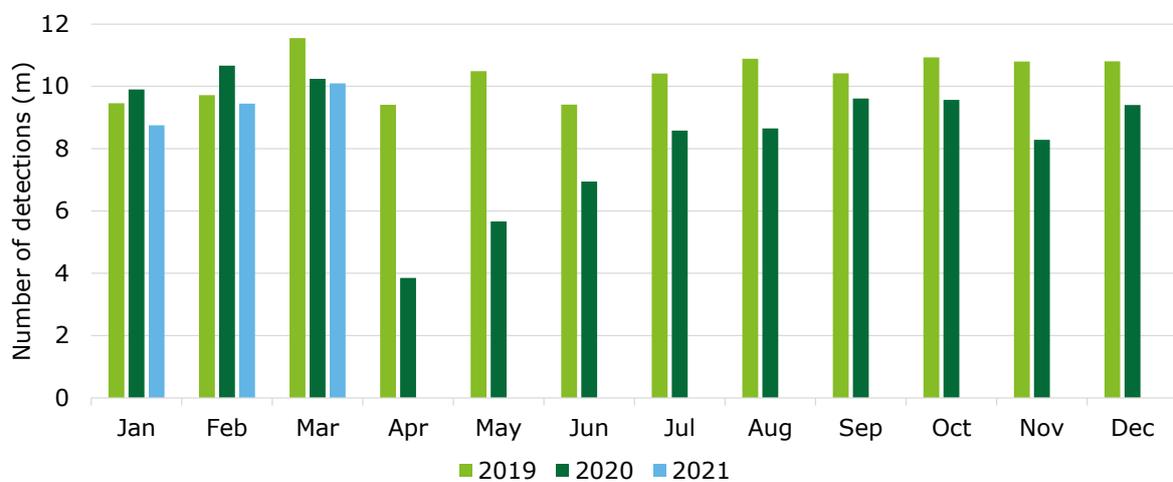
2.3 Shifts in movement within main street areas during COVID-19

The level of movement throughout the area can be measured using mobile phone detection sensors located throughout the Adelaide City area. The unique devices referred to in this dataset describe mobile devices counted once per day within a detection zone. Unique devices refers to the number of devices counted within a precinct. Movement between precincts may result in a device being counted multiple times in the total count across all sensors. Detections within a precinct should translate directly to one person’s movement being detected.

Chart 2.2 shows how the trends in total unique detections in the Adelaide City Centre over the year between the pre and pandemic periods, with detections remaining subdued in 2021 relative to 2019 and 2020. As would be expected, the sharpest decline in detections was most notable once stay-at-home requirements came into effect in April 2020, with monthly detections falling 59 per cent compared to April 2019.

This trend in unique detections had improved early 2021 but remained subdued, with the number of detections in the first quarter of 2021 (to March) down 8.2 per cent compared with the same period in 2020 (before public health measures and social distancing requirements came into force).

Chart 2.2: Monthly detections within the Adelaide LGA, January 2019 – March 2021, all sensors



Source: CoA

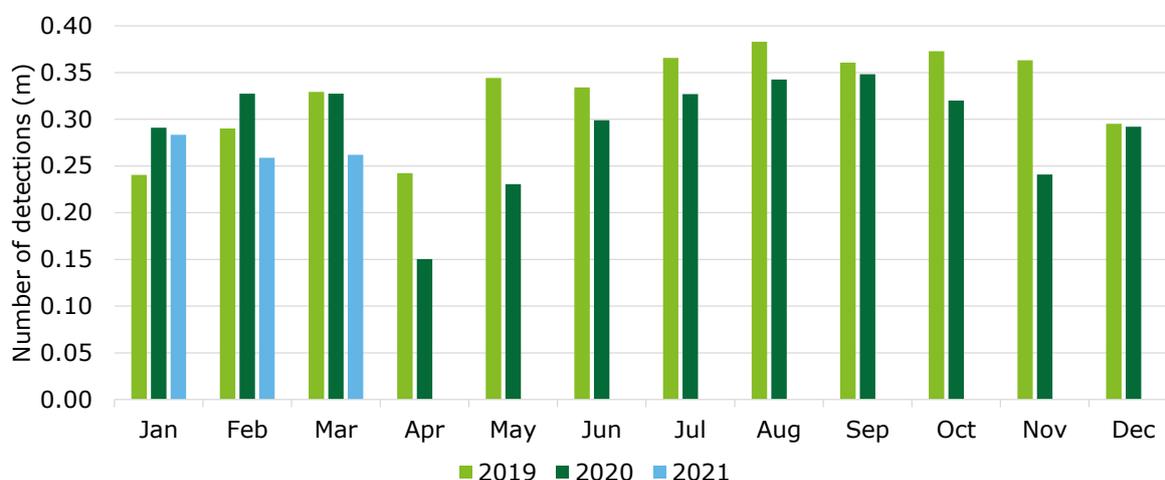
For comparison, detections in the March quarter of 2021 was 7.9 per cent lower than in the same period in 2019, indicating the extent of the change in behaviour (and visitation) following stay-at-home requirements and border restrictions coming into force.

Some precincts have recovered, even performed better, than prior to the pandemic, while others still lag. This fits with observations made by stakeholders that the recovery has been non-uniform. Detection zones covering or close to residential areas exhibited less volatility than the city overall, with residents (rather than visitors) accounting for a larger proportion of footfall. For example, Hutt Street saw a smaller drop in visitors, compared with Hindley Street and the East End, which rely more heavily on visitor traffic, as they are largely hospitality based.

Hutt Street

Chart 2.3 shows detections through the Hutt Street area. Hutt Street is one of the more residential precincts in the Adelaide City Centre and sees far less movement than other precincts. As such, while Hutt Street saw a significant drop in movement, it was one of the less affected areas within the Adelaide City Centre. Detections through the zone in March 2021 are 20 per cent lower than movement in March 2019.

Chart 2.3: Monthly unique device detections, Hutt Street zone, January 2019 – March 2021

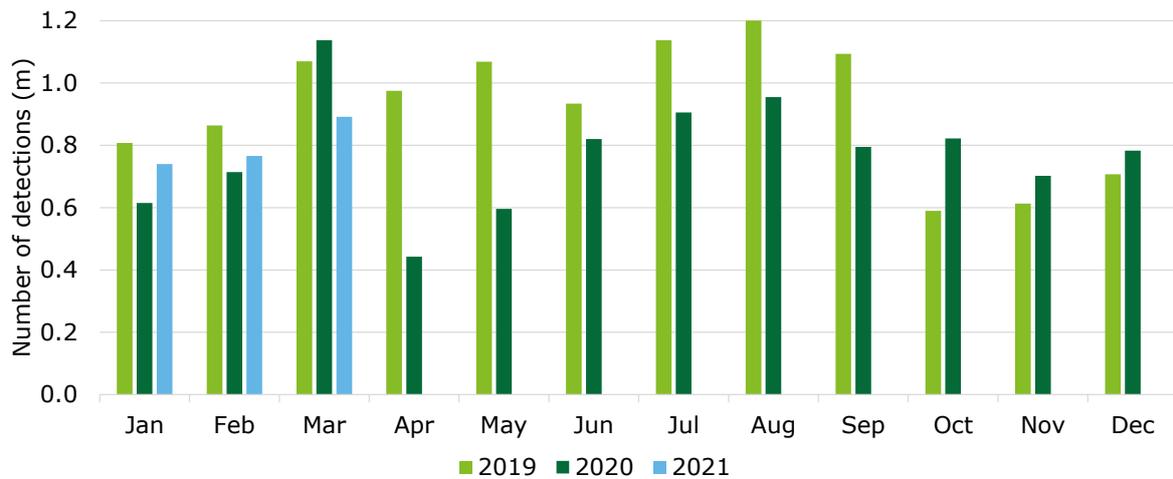


Source: CoA

Hindley Street

Chart 2.4 shows detections in the Hindley Street zone. Hindley Street was another significantly impacted area due to its concentration of hospitality businesses, and its proximity to the West End (and footfall driven by the universities) and the Adelaide Railway Station (impacted by reduced public transport patronage). Detections through the precinct in March 2021 are 17 per cent lower than movement in March 2019.

Chart 2.4: Monthly unique device detections, Hindley Street zone, January 2019 – March 2021



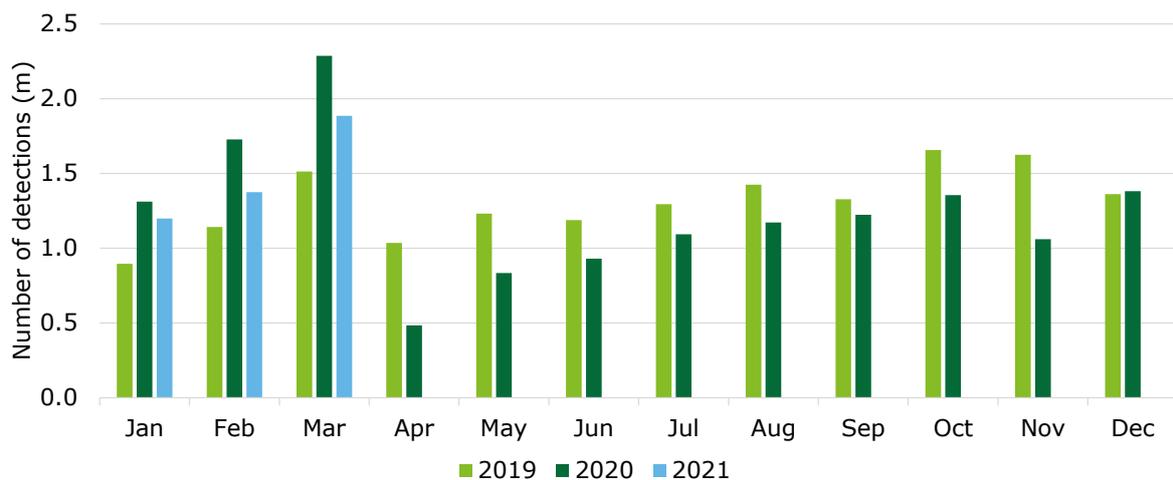
Source: CoA

As Hindley Street includes a significant concentration of late night trading night-time detections provide an instructive view of the impact of the pandemic on trading conditions. Across the whole week, night-time detections are at 85 per cent of 2019 levels for both 2020 and 2021 in the March quarter. Importantly, Saturday night detections are down significantly from 2019 levels. Movement through the area on Saturday nights for the March quarter were equal to 79 per cent of the levels observed for the corresponding period in 2019.²¹

East End

Chart 2.5 shows detections through the East End precinct, which fell 53 per cent from April 2019 to 2020, reflecting the concentration of hospitality and retail businesses affected by lockdowns. However, analysing the most recent data available for 2021, detections through the zone in March 2021 are 25 per cent higher than movement in March 2019, the only precinct to experience an increase in movement over this period.

Chart 2.5: Monthly unique device detections within the East End zone, January 2019 – March 2021



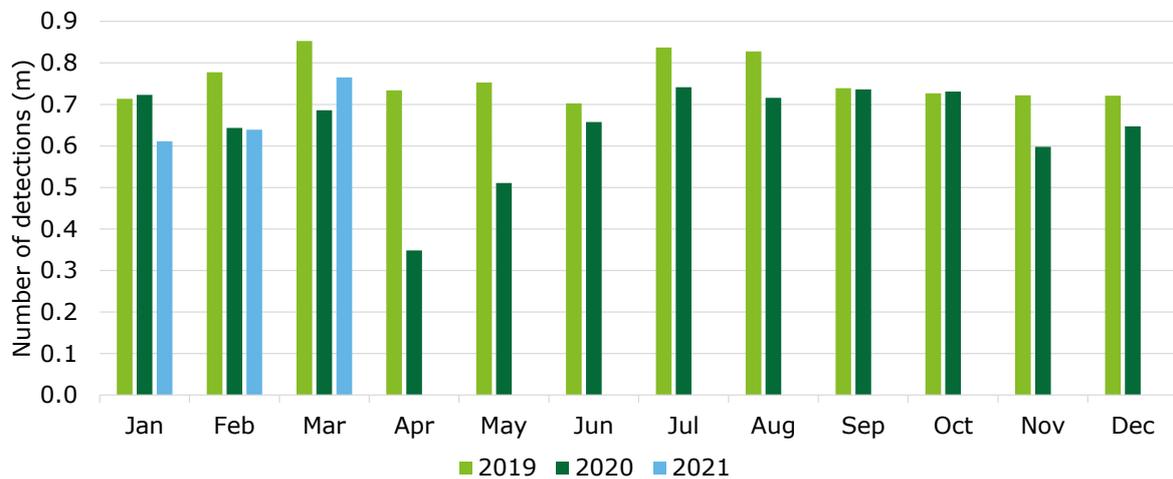
Source: CoA

²¹ City of Adelaide, *Device counters analysis* (April 2021)

Market District

Chart 2.6 shows detections through the Market District. The Market District has a high concentration of casual dining businesses, with a significant proportion of visitation to the area coming from international students. Reductions in both of these segments have contributed to the 10 per cent reduction in detections between March 2019 and March 2021.

Chart 2.6: Monthly unique device detections, Market District zone, January 2019 – March 2021

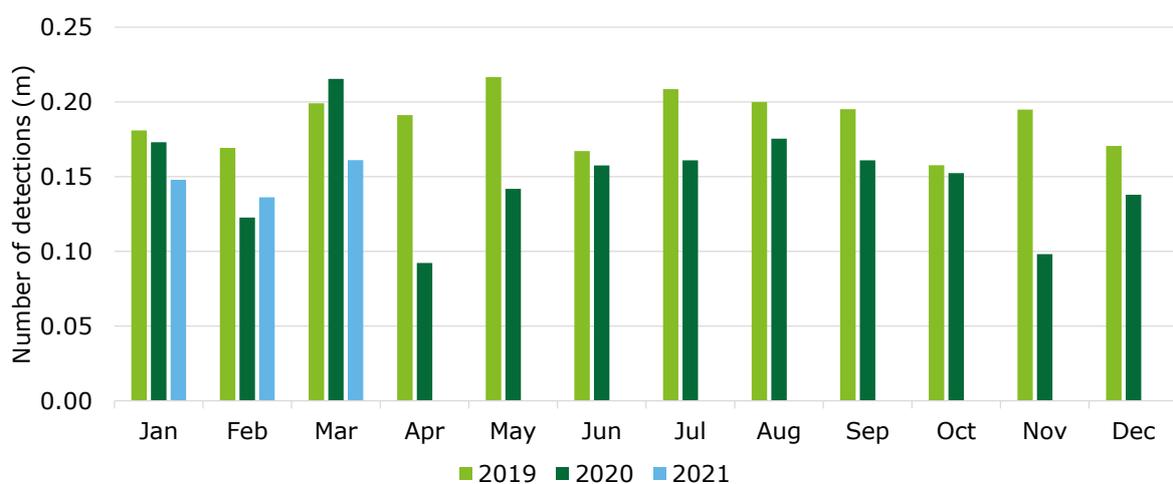


Source: CoA

O’Connell Street

Chart 2.7 shows detections through the O’Connell Street zone. O’Connell Street has a significant hospitality offering servicing a residential and visitor economy, with less variability in detections compared with other zones. The reduced number and capacity of crowds attending AFL matches at Adelaide Oval is expected to have contributed to the fall in detections observed through 2020, in addition to the immediate effect of the public health measures brought in after March 2020. Detections through O’Connell Street in April 2020 was 52 per cent lower than detections in April 2019. Detections through the zone in March 2021 are 19 per cent lower than in March 2019.

Chart 2.7: Monthly unique device detections, O’Connell Street zone, January 2019 – March 2021



Source: CoA

2.4 Impacts on sub-sectors within the Adelaide City Centre economy

The impacts of COVID were felt differently by different sub-sectors within the Adelaide City Centre. Some discretionary spending was curtailed, while businesses which rely on footfall from CBD office workers experienced a reduction in revenue as some retail activity moved online or to suburbs. Using expenditure data modelled by Spendmapp (using aggregated EFTPOS terminal data) and shared with Deloitte by the City of Adelaide, changes in spending by sub-sector within the Adelaide City Centre has been analysed.

For reference, the alignment of the expenditure categories defined in the Spendmapp data, against the sub-sectors of focus in the study, is summarised at Appendix 2.

Spending in most retail categories took a sharp dip in April 2020 during the initial peak of COVID locally. Total expenditure in April 2020 was \$79.0 million, representing a 72 per cent drop compared to the same period in 2019 (Chart 2.8).

Total expenditure in the Adelaide City Centre was \$2.9 billion in 2020, \$650 million lower than 2019. The hardest hit sectors were travel (down 51.5 per cent) dining and entertainment (down 24.0 per cent) and department stores and clothing (-20.5 per cent), as shown in Table 2.3.

Table 2.3: Expenditure in the Adelaide City Centre before and during COVID-19

Category	Year to Dec 2019 (\$m)		Year to Dec 2020 (\$m)		Y.o.Y difference
	Average (monthly)	Total	Average (monthly)	Total	(%)
Bulky goods	1.3	15.5	1.0	12.5	-19.1
Department stores and clothing	30.3	363.4	24.1	288.9	-20.5
Dining and entertainment	118.7	1,423.8	90.1	1,081.7	-24.0
Furniture and other household goods	3.9	46.9	3.7	44.5	-5.3
Grocery stores and supermarkets	9.2	110.4	8.7	104.3	-5.5
Light industry	0.5	6.4	1.7	20.0	211.5
Other	4.7	56.2	1.6	19.4	-65.5
Personal services	7.3	87.2	6.4	76.4	-12.3
Professional services	34.8	417.9	31.1	372.7	-10.8
Specialised food retailing	13.7	164.8	15.1	181.0	9.8
Specialised and luxury goods	39.2	470.5	38.0	455.7	-3.1
Trades and contractors	0.3	3.0	0.2	2.8	-9.0
Transport	15.1	181.2	12.5	149.9	-17.3
Travel	17.8	213.1	8.6	103.3	-51.5
Total	296.7	3,560.5	242.8	2,913.1	-18.2

Source: Spendmapp.com.au

Deviations in spending within the Adelaide City Centre economy over time appear to be linked with movement requirements enforced under public health measures, with significant deviations observed in April, May, June and November 2020 (coinciding with lockdowns). Spending in 2020 was below 2019 levels from March to November, and slightly higher in December (Chart 2.8).

Chart 2.8: Expenditure in the Adelaide City Centre area, yearly comparison

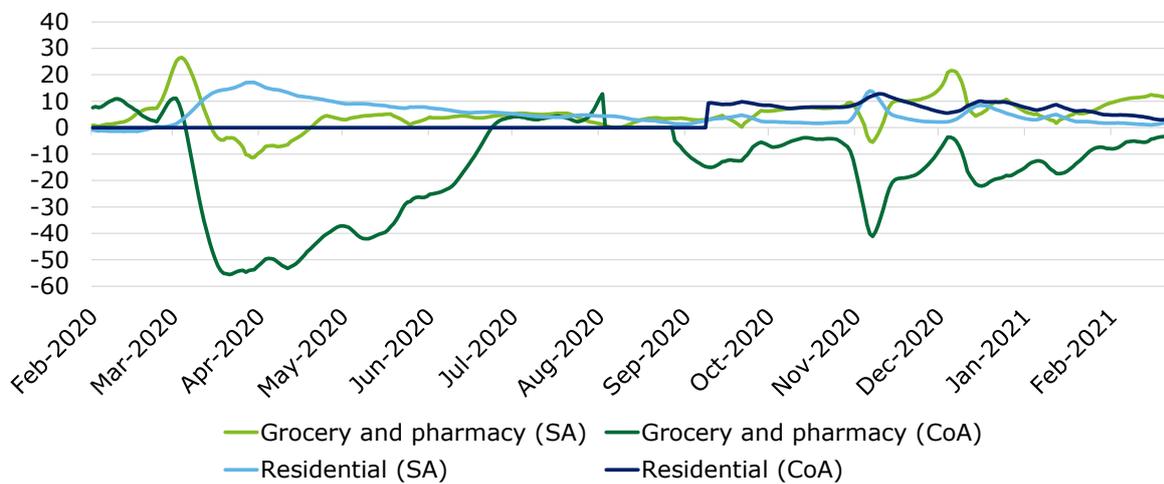


Source: Spendmapp.com.au

Google Mobility data (compiling location data from devices detected in the Adelaide City Centre) demonstrates that movement around the city and the state reduced during the most severe requirements imposed in response to COVID-19, before approaching pre-COVID levels (indicated by index values greater than zero) while remaining slightly down in the Adelaide City Centre area.

Movement in residential areas was slightly higher as people spent their time at home while observing stay-at-home requirements during the lockdown (Chart 2.9). This affect also contributed to a shift in grocery and pharmacy visitation, with people matching their household consumption spending patterns with their movement patterns.

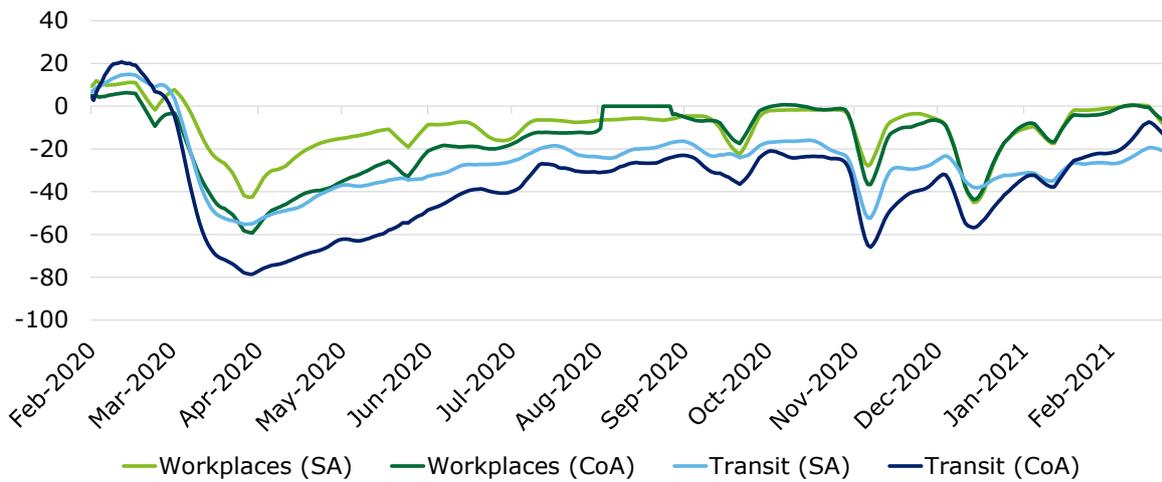
Chart 2.9: Mobility trends, grocery and pharmacy and residential, 2020-2021



Source: Google

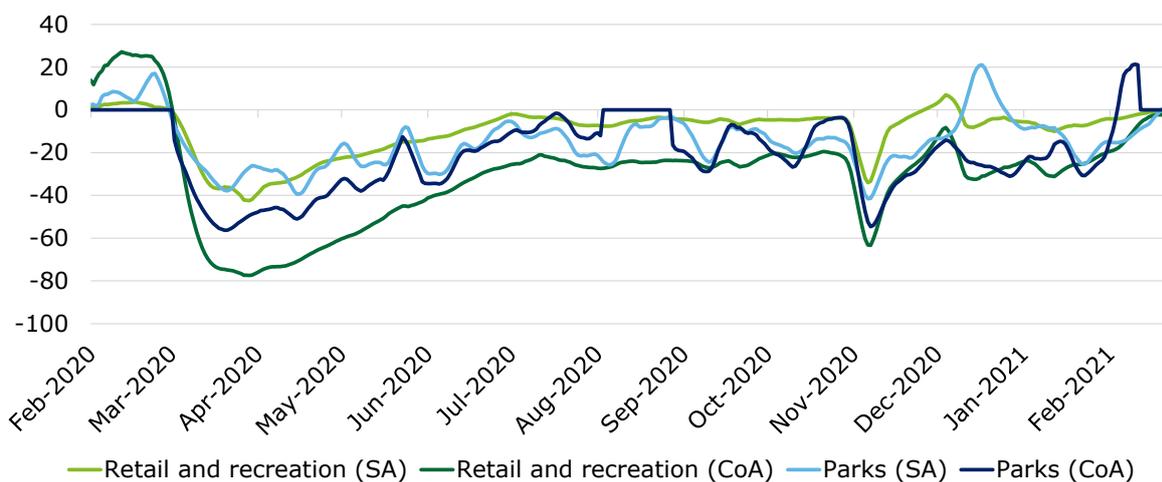
Similar effects were observed in terms of reductions in movement through transit and workplace (Chart 2.10) and recreation and parks (Chart 2.11) locations, which were larger in the Adelaide City Centre area than the state as a whole.

Chart 2.10: Mobility trends, workplaces and transit, 2020-2021



Source: Google

Chart 2.11: Mobility trends, retail and recreation and parks, 2020-2021



Source: Google

Tourism and hospitality

The COVID-19 crisis had a significant impact on the tourism and hospitality sector, particularly the hotel and accommodation sector. As Australian borders were quickly shut, international visitation to South Australia declined a staggering 78 per cent in calendar year 2020, reflecting the fact that there were very few international arrivals after the international border closure on 20 March 2020.²² Domestic visitation to South Australia also declined 32 per cent for the same period as a result of interstate border closures for much of the year.²³

From a broader economic perspective, regional South Australia was less affected by the pandemic and only saw a six per cent decline in calendar year 2020, compared to the previous year.²⁴

²² Tourism Research Australia, International Visitor Survey Results Year ended December 2020

²³ Tourism Research Australia, National Visitor Survey Results Year ended December 2020

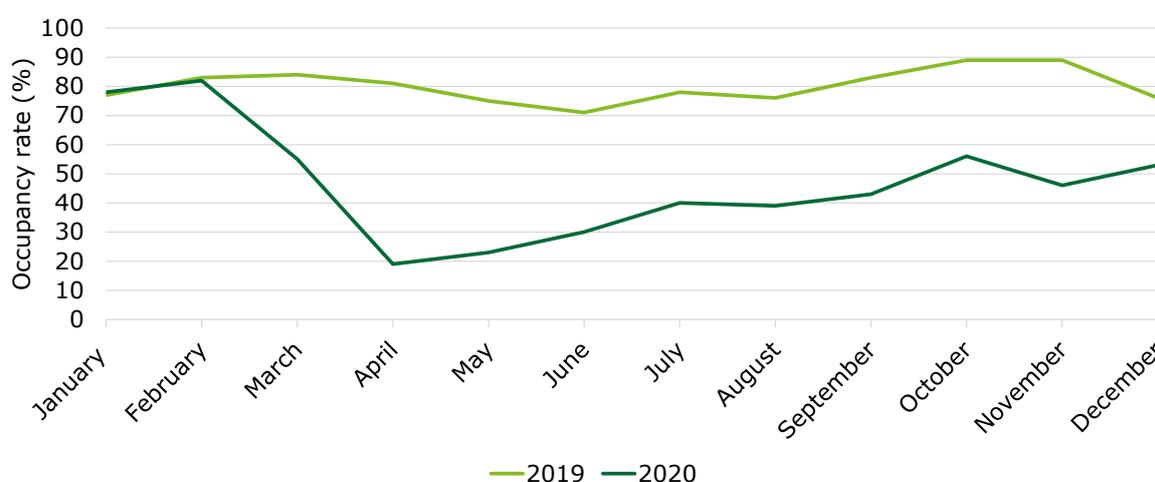
²⁴ Ibid

The latest publicly available data for Greater Adelaide was for the year ending September 2020, which showed a 43 per cent reduction in domestic visitation.²⁵

Declines in visitation closely mirrored declines in occupancy in Greater Adelaide’s accommodation sector. Average occupancy rates (inclusive of people accommodated in hotel quarantine) declined to 47 per cent in the year to December 2020, compared to 80 per cent for the previous year.²⁶ Occupancy rates fell to their lowest levels in April and May 2020, reaching 19 per cent and 23 per cent respectively, with this trend illustrated in Chart 2.12.

It is important to note that this data from the South Australian Tourism Commission on the tourism in the Adelaide region is for metropolitan Adelaide, and not Adelaide City Centre specifically. As such, this data should be viewed as a representation of the trend in tourism more broadly.

Chart 2.12: Accommodation occupancy rates for the year end December 2020, Greater Adelaide



Source: South Australian Tourism Commission²⁷

The most recent data cited by the South Australian Tourism Commission indicates that occupancy has improved in Greater Adelaide since December 2020, with occupancy rates often exceeding 70 per cent between December 2020 and March 2021.²⁸ The return in domestic tourism is the result of reopened interstate borders, as well as state and Commonwealth measures aimed at stimulating demand, saw CBD hotel occupancy reaching 72 per cent in in March 2021, among some of the strongest seen around the world during the pandemic.²⁹

Revenue per available room (RevPAR) and average daily room rate (ADR) have also been significantly impacted, indicating declines in profitability and revenue driven by the significant falls in demand, as outlined in Table 2.4 below.³⁰

²⁵ Ibid

²⁶ South Australian Tourism Commission, *South Australian Accommodation, 2020*, accessed <<https://tourism.sa.gov.au/insights/accommodation-statistics>>.

²⁷ Ibid.

²⁸ Information provided by South Australian Tourism Commission, citing STR Global, which was not available for publication.

²⁹ Government of South Australia, *Book a room to break records this winter*, press release issued 26 April 2021, accessed <<https://tourism.sa.gov.au/news-articles/book-a-room-to-break-records-this-winter>>

³⁰ Ibid.

Table 2.4: Accommodation performance indicators (annual averages), Greater Adelaide³¹

Year	Occupancy (%)	ADR (A\$)	RevPAR (A\$)
2019	80	153	124
2020	47	129	65
Change	-42	-15%	-47%

Source: South Australian Tourism Commission

With the significant declines in visitation to Greater Adelaide and South Australia from international and interstate visitors, expenditure declined across the state.³² Across South Australia, interstate overnight spend in South Australia saw a decline of 41 per cent in the month of December 2020, compared to the same month the previous year. On the other hand, the closure of borders nudged South Australians to travel within their state, as the relative resilience of South Australian destinations outside of Greater Adelaide described above suggests. Intrastate visitor nights increased eight per cent and expenditure 25 per cent in the year ending December 2020, compared to the previous year. With accommodation density in the Adelaide City Centre being high in comparison to the other parts of South Australia, the impact of this trend was highly concentrated for the Adelaide City Centre.

Beyond the tourism sector, dining and entertainment fell to well below pre-COVID levels between April and June 2020. Dining and entertainment had mostly recovered by August 2020, while expenditure on 'travel' services (as defined by Spendmapp) was approximately half of pre-COVID levels at January 2021.

The decline in the average monthly expenditure on dining and entertainment across the Adelaide City Centre for the March-May period between 2019 and 2020 levels was 66 per cent, as illustrated in Chart 2.13. This chart also illustrates how expenditure across dining and entertainment, and travel has responded to seasonal activity as well as exhibiting significant volatility around lockdown periods. Comparing monthly results between 2019 and 2020, expenditure on dining and entertainment declined 84.9 per cent in April and 73.7 per cent in May. As of January 2021 (the most recent data available), dining expenditure was 13 per cent above, and travel 28 per cent below, January 2019 levels.

Chart 2.13: Monthly expenditure in the hospitality sector, Adelaide City Centre



Source: Spendmapp.com.au

³¹ Ibid.

³² Tourism Research Australia, National Visitor Survey Results Year ended December 2020

Insights from stakeholders

Deloitte Access Economics undertook consultation with a number of key stakeholders and interest groups within the hospitality sector to inform this analysis, including Festivals Adelaide, Restaurant and Catering Australia, the South Australian Tourism Commission, as well as a range of other stakeholders.

Key insights emerging from these consultations included:

- Uncertainty regarding the status of borders (i.e. whether visitors are able to travel or not) and the processes for changes to status have a major consequence for travellers' confidence and willingness to travel.
 - Stakeholders identified this uncertainty as a key driver for visitors' preference for travelling intrastate rather than interstate, and hence the relative performance between segments of the hospitality sector in regional areas and the CBD.
 - Key source markets for interstate visitors travelling from Melbourne, Sydney and Brisbane are particularly sensitive to this
 - Further research would be helpful to provide insights into what influences people's decisions to travel and attitudes towards risks (to health and mobility under lockdowns). This is considered crucial in attracting visitation during period of uncertainty around borders.
- The reduction in business and event travel had a profound effect on the CBD, and particularly on accommodation providers.
 - International and event travel expected to have the longest 'tail' in terms of reduced visitation, with many providers targeting intrastate leisure visitors in an attempt to bridge this gap in demand.
 - Events have an important role to play in addressing the shortfall in this market segment, as they create a reason for visitors to travel.
 - The South Australian Tourism Commission has been working closely with Tourism Australia in driving efforts to support business and other event tourism in South Australia.
- Many dining and food businesses have shifted their operating model or product segments in response to the challenges presented by COVID-19, with key examples including:
 - Adjusting trading hours and reducing staffing to control costs, given reduced capacity through social distancing requirements.
 - Targeting functions and branded products to shift product segments to create revenue and target margins.
 - Adopting e-commerce and digital platforms to access casual diners ordering takeaway meals.
- Some of the changes to operating and business models made in response to COVID-19 have the potential to become more permanent, with key examples including:
 - Flexible booking and cancellation policies becoming more common as a 'default' offering to accommodate consumers' preferences for flexibility.
 - Trends towards the personalisation of services, with examples including assigned wait staff within premises and curation of service offerings by businesses assisting in booking experiences and services.
 - Changes in operating models, particularly with regard to alfresco dining and use of e-commerce platforms. g

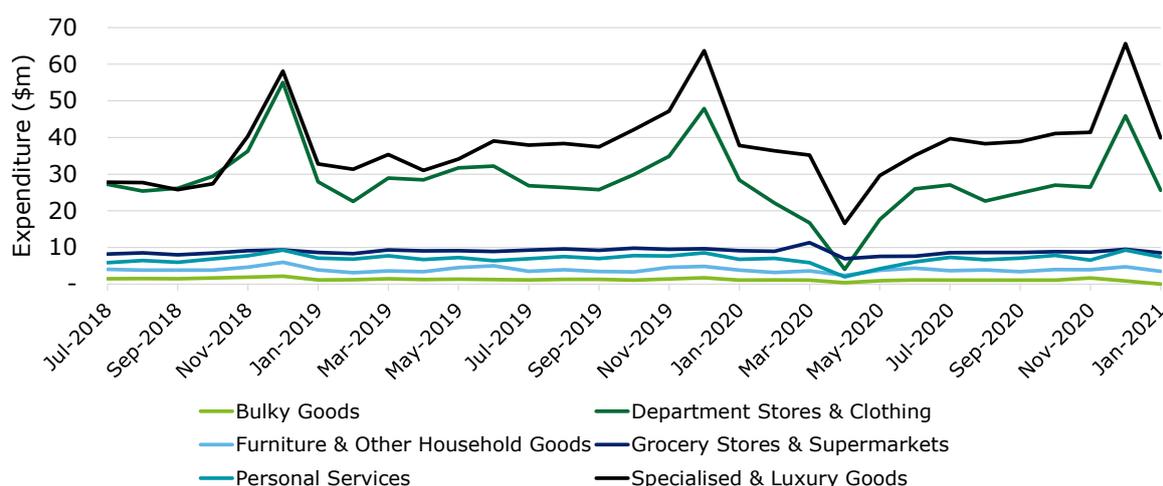
- Restaurant and Catering Australia’s *2020 Benchmarking Report* found businesses in the sector had mixed expectations about the immediate future of their business: ³³
 - 95.7 per cent expect to be operating in 12 months’ time
 - One in four expect sales to drop
 - More than half expect profitability to decrease or remain the same
 - Two in three businesses expect their staffing levels to stay the same, or drop.
- The COVID-19 pandemic has forced hospitality businesses to transition more rapidly to e-commerce ways of doing business. Some of the takeaway statistics from this transition to more technology based service delivery are: ³⁴
 - Payment platforms like Apple Pay have increased five-fold in the last 12 months
 - Cash accounting for 1.5 per cent of all spending
 - More than 40 per cent of businesses now offer delivery through a third-party platform, such as UberEats or Menulog.

Retail and personal services

Turnover for most categories of expenditure had recovered to pre-COVID levels by July 2020 (Chart 2.14). Spending at grocery stores fell less than other categories, due to it being an essential store. Spending on bulky goods and at department stores however remained subdued until the Christmas peak period. Aside from the impact of the lockdowns in April and November, expenditure in 2020 roughly followed the trend of previous years, as well as growing slightly on previous years. As of the latest data available in January 2021, in comparison to January 2019, expenditure in the ‘Department Stores & Clothing’ category was down 9 per cent, ‘Furniture & Other Household Goods’ 10.6 per cent, and ‘Grocery Stores & Supermarkets’ 1.3 per cent.

Conversely, ‘Personal Services’ was up 4.7 per cent and ‘Specialised & Luxury Goods’ was up 17.9 per cent, consistent with stakeholders’ observations that consumers have continued to shop with ‘purpose’ in making deliberate purchasing decisions when shopping in the Adelaide CBD in particular.

Chart 2.14: Monthly expenditure in retail categories, Adelaide City Centre



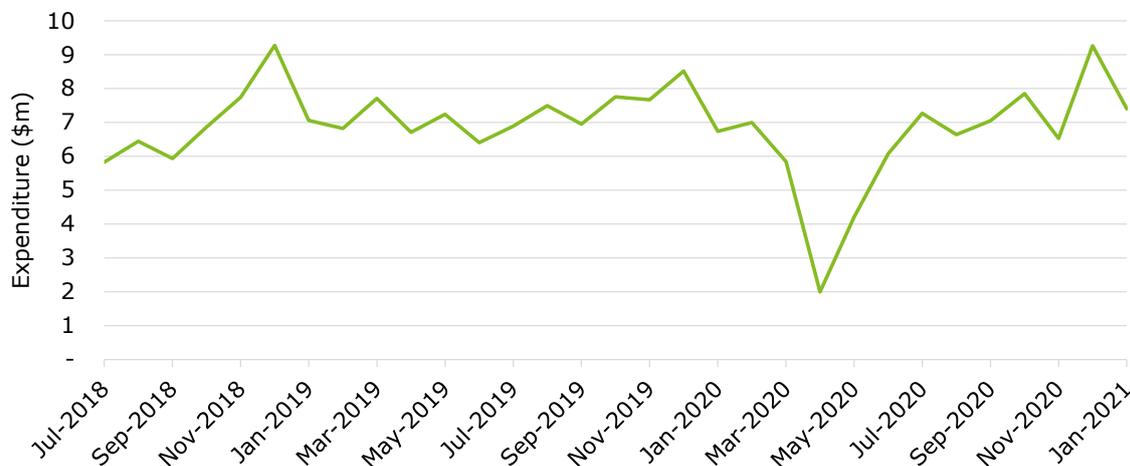
Source: Spendmapp.com.au

³³ Restaurant and Catering Association, *2020 Industry Benchmarking Report* (2019-2020 financial year).

³⁴ Ibid.

Expenditure in the 'Services' and 'Other' sectors followed a similar "V" shaped pattern, falling around 50% in April 2020 before mostly recovering to pre-COVID levels by June 2020 (Chart 2.15). Expenditure remained strong after June, except for a small drop in November, likely attributable to the lockdown associated with the Parafield cluster.

Chart 2.15: Monthly expenditure in the personal services sector, Adelaide City Centre

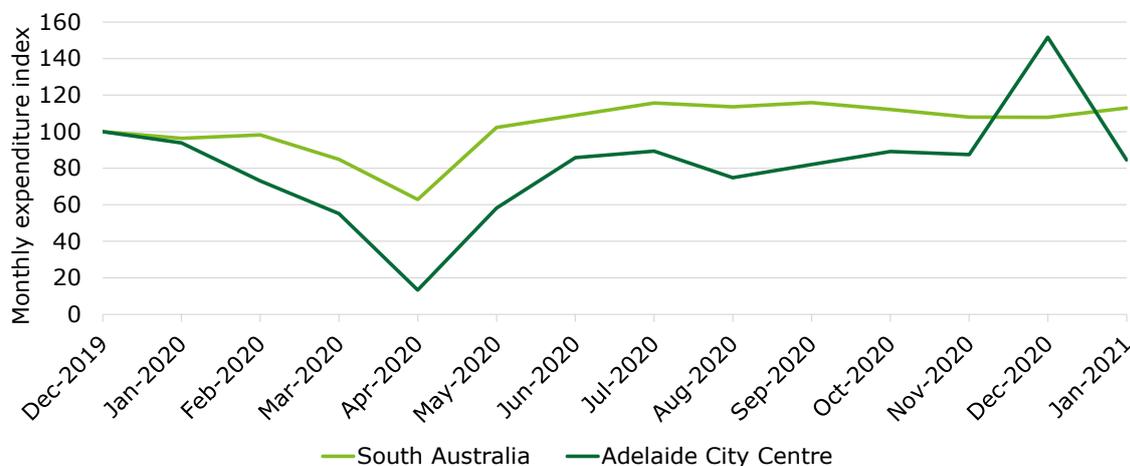


Source: Spendmapp.com.au

Comparisons between changes in the level of spending for specific categories of retail within the Adelaide City Centre and for South Australia a whole provide some insights into the extent to which retail activity is moving spatially. Chart 2.16 and Chart 2.17 compare changes in monthly spending in the Adelaide City Centre and South Australia across different categories of retail against the monthly average in 2019. Figures exceeding 100 imply expenditure greater than the 2019 monthly average.

Chart 2.16 illustrates how spending in department and clothing stores has grown across the state but fallen in the Adelaide City Centre, suggesting a degree of substitution away from city-based retailers. In April 2020, spending in these categories across South Australia rose 14.3 per cent (compared to the monthly average in 2019), whereas it fell by 39.7 per cent in the Adelaide City Centre. Expenditure in January 2021 is 13 percent higher than the monthly average in 2019 across South Australia, and 15 per cent lower in Adelaide City Centre over this same period.

Chart 2.16: Change in monthly expenditure in department and clothing stores (2019 = 100)



Source: Deloitte Access Economics, ABS, Spendmapp.com.au

Chart 2.17 illustrates how relative changes in grocery spending between the Adelaide City Centre area and state have been smaller, with average monthly spending in the Adelaide City Centre area remaining subdued relative to average in 2019.

Chart 2.17: Change in monthly expenditure on grocery items (2019 = 100)



Source: Deloitte Access Economics, ABS, Spendmapp.com.au

Insights from stakeholders

Deloitte Access Economics undertook consultation with a number of key stakeholders and interest groups within the retail and personal services sector to inform this analysis, including Business SA, AEDA and a number of main street organising bodies.

Key insights emerging from consultation with stakeholders in the retail sector included:

- 'Incidental' retail activity has been significantly impacted by COVID-19, with reduced foot traffic (particularly among those CBD users moving around the City for specific purposes) leading to considerable reductions in turnover for convenience stores and hospitality outlets servicing service economy workers in the CBD.
 - Conversely, 'deliberate' retail purchasing is considered to have continued relatively strongly outside of lockdown periods, with retailers noting a shift in behaviour towards click-and-collect purchasing and consumers having planned purchases ahead of physically attending outlets.
- Omni-channel retailers have observed greater levels of success in maintaining access to consumers during lockdown periods, as well as accommodating broader shifts in consumer preferences towards e-commerce.
- Ground-floor retail is considered to have been more significantly impacted by the reduction in foot traffic, with retailers based in malls and off-ground typically relying more heavily on consumers making 'deliberate' decisions to attend stores rather than by chance.

Creative industries

Creative industries globally have been negatively affected by the COVID-19 pandemic as restrictions have been placed on large gatherings and events. The effect felt across the industry has been uneven, as venue-based sectors have been the most affected. The OECD estimates that cultural and creative industries are among the most affected sectors, with an estimate of jobs at risk across the OECD region ranging from 0.8 to 5.5 per cent of employment.³⁵

South Australia has been fortunate through the pandemic as the major festival seasons in early 2020 and 2021 were able to go ahead. Although the 2021 festival season proceeded at a reduced capacity to adhere to density requirements,³⁶ it was still a large event that had a significant positive economic impact on the state. Some of the figures for ticket sales coming from the 2021 festival season are outlined in Table 2.5.

Table 2.5: Change in ticket sales pre-COVID and post-COVID for Adelaide’s major festivals

Festival	Tickets sold		Difference (%)
	2020	2021	
Adelaide Fringe	853,419	632,667	-25.9
Adelaide Festival	81,446	60,958	-25.2

Source: Deloitte Access Economics: Festivals Adelaide

While both major festivals suffered a roughly 25 per cent decline in ticket sales, the size of the events at the time in a national or global context was large. Some of the other key figures coming from Adelaide’s festival season include \$16.4 million spent at the Adelaide Fringe box office and \$3.7 million at the box office of the Adelaide Festival. Of the tickets sold at the 2021 Adelaide Fringe, 73,710 were tourists visiting South Australia. The Adelaide Film Festival saw a 20 per cent increase at the box office in 2020. Attendee count at WOMAdelaide was down 80 per cent across the four nights, due to capacity restrictions.³⁷

Insights from stakeholders

Deloitte Access Economics undertook consultation with a number of key stakeholders and interest groups within the creative sector to inform this analysis, including the Arts Industry Council of South Australia and Festivals Adelaide, as well as a main street organising bodies.

Key insights emerging from consultation with stakeholders in the property sector included:

- Different segments of the creative sector has been impacted by COVID-19 in different ways depending on the scale and timing of events.
 - Most of the largest festivals and events (those which drive the greatest amount of visitation in the Adelaide City Centre economy) have largely been able to continue, with significant modification involving reduced patronage and a considerable shift towards intrastate visitation.
 - Five small-to-medium sized events could not be staged during 2020, owing to the timing of stay-at-home requirements as well as the format of being suitable to change; these primarily impacted the Adelaide Festival Centre.

³⁵ OECD, *Culture shock: COVID-19 and the cultural and creative sectors* (7 September 2020) <<https://www.oecd.org/coronavirus/policy-responses/culture-shock-covid-19-and-the-cultural-and-creative-sectors-08da9e0e/>>.

³⁶ ABC News, *Adelaide Fringe 2021 set to open as organisers ‘pivot’ to manage COVID-19 woes* (18 February 2021) <<https://www.abc.net.au/news/2021-02-18/adelaide-fringe-2021-to-kick-off-despite-covid-19/13165396>>.

³⁷ Festivals Adelaide

- Live music was hit particularly hard, with restrictions on capacity, dancing and access to touring acts also contributing to considerable reductions in activity.
- The staging of events is significantly affected by lockdowns, or the possibility of lockdowns, impacting the viability of events (in terms of attracting crowds large enough to cover fixed cost components) or accessibility of events (through late changes to travel arrangements).
 - Promoters and organisers are grappling with the financial risks in staging events, with the risk of not recovering significant upfront costs due to sudden cancellations border restrictions preventing patrons from attending the events.
- Similarly, some suppliers are reportedly looking to withdraw from the market due to uncertainty over the pipeline of events needed to support sustainable business; examples cited included larger marquee providers and audio-visual technicians and equipment suppliers.
- Border closures (and uncertainty regarding borders) continue to impact the creative sector significantly.
 - Outbound creatives have been unable to stage exhibitions and performances in other markets. These closures are also delaying subsequent opportunities even after the pandemic subsides, with delays in residences and development opportunities.
 - Inbound visitation has fallen, with fewer people travelling to attend exhibitions, festivals, performances and events. Intrastate patronage has substituted for some of this, however this interstate and international segment has been sorely missed.
 - Inbound creatives from international markets have not been able to travel to South Australia, closing out this segment of the market (for performers, rather than pieces). It remains unclear whether the loss of this segment will impact attendances in the short-term. Conversely, this has afforded local creatives have had access to new opportunities.
 - Sudden border closures impact those staging exhibitions or tours through lost revenue opportunities and through sunk costs that incurred in preparing for their events and exhibitions.
- Activities and segments of the creative sector that have been able to provide online offerings (and stay connected with audiences) are considered to have done better than those which have not.
 - Those activities which have engaged online have not able to monetise all of their performances, but are benefiting from continued engagement
- Consumer behaviour has changed during the pandemic, with more people booking early to secure tickets. Consumers are considered to be motivated by both scarcity and a desire to support artists.

Education

Prior to COVID-19, 45,288 overseas students were enrolled in courses in South Australian universities in 2020, including 21,082 commencements.³⁸ While enrolments (by international students) actually increased 2.3 per cent, commencements fell 11.3 per cent in 2020, from a record high of 23,787 in 2019.³⁹

Stakeholders including Study Adelaide suggested that enrolments and commencements were expected to fall again in 2021. Initial figures for the 2021 academic year (year to March 2021) showed a 11.9 per cent reduction in enrolments by international students in 2021 (compared with the same period in 2020), and a 33.4 per cent reduction in commencements.⁴⁰

The significance of this reduction (especially for onshore commencements) relates to the considerable economic contribution made by these international students, with average expenditure per enrolment previously estimated at more than \$42,000, translating into about \$36,600 in gross value added per enrolment in 2017-18.⁴¹

Expenditure by these international students on goods and services in addition to their fees accounted for 57 per cent of their total expenditure⁴², suggesting that the reduction in onshore enrolments is expected to have a significant impact on the Adelaide City Centre economy where the majority of international students study and many (around 25 per cent by Study Adelaide's estimate) live.⁴³

Comprehensive data on occupancy rates for student accommodation, primarily accommodating international students, is not readily available. However, Study Adelaide cited estimates by some accommodation providers of their occupancy rates have fallen to between 40-45 per cent, compared to 85-90 per cent at the end of 2019.⁴⁴

Accommodation providers expect this trend to accelerate as international students continuing their enrolment shift into other accommodation (generally self-contained accommodation in inner-suburban areas) as they progress through their courses. This may lead to further reductions in footfall and economic activity associated with these users of the Adelaide City Centre.

Insights from stakeholders

Deloitte Access Economics undertook consultations with a number of key stakeholders and interest groups within the education sector to inform this analysis, including Study Adelaide and the Department for Trade and Investment, as well as a number of businesses and main street organising bodies.

Key insights emerging from these consultations included:

- While enrolments have performed reasonably well in 2020 following a strong start, commencements (particularly onshore commencements by international students) are expected to fall sharply in 2021.
 - Although enrolments (for international students) rose by 2.2 per cent in 2020, commencements fell by 11.3 per cent (a more favourable result than that observed nationally).

³⁸ Department of Education, Skills and Employment, International Student Data 2021, <https://internationaleducation.gov.au/research/international-student-data/Pages/InternationalStudentData2021.aspx#Pivot_Table> accessed 18 May 2021

³⁹ Ibid

⁴⁰ Ibid

⁴¹ Deloitte Access Economics (2018), *International Education in South Australia*, report prepared for the Department for Trade, Tourism and Investment.

⁴² Ibid

⁴³ Consultation with Study Adelaide, interview conducted 26 March 2021

⁴⁴ Ibid

- However, this reduction in commencements is expected to accelerate in 2021 as international students will not have been able to commence onshore prior border shutdowns as they were able to in 2020.
- This reduction in onshore commencements has particularly severe implications for accommodation and English-language course (ELICOS) providers in particular, as many arriving students engage these services in their first year(s) of studying.
 - Study Adelaide cites one accommodation providers' occupancy falling from approximately 85 – 90 per cent in 2019 to approximately 40 – 45 per cent in 2021; this type of trend is expected to accelerate as students with continuing enrolments shift into other accommodation as they progress through their course.
- Stakeholders told Deloitte Access Economics that Australia's 'hard' border policy created the risk of lingering reputational effects, as students in source markets consider options for starting onshore enrolments in other countries such as Canada, the United Kingdom and the United States.
- Education agents play a critical role in securing international students' enrolments with South Australian institutions; Study Adelaide estimates that 75 per cent of enrolments are secured via agents.
 - Much of the industry's efforts in protecting market share has been focused on engagement with education agents to communicate South Australia's relative success in achieving better health outcomes and continuing attractiveness as a destination for international students.
 - However, naturally agents will pivot their own businesses to markets which remain open to new onshore commencements. Rebuilding these relationships after borders reopen will be an important part of recovery.

Property

Commercial

The impact of COVID is also reflected in the demand for office space. The Property Council of Australia's January 2021 Office Market Report notes that office vacancy around Australia rose from 8.0 per cent at January 2020, to 11.7 per cent in January 2021. Adelaide CBD sits above the national average at 16.0 per cent, having increased from 14.3 per cent in July 2020.

Vacancy rates in the city fringe decreased from 14.4 per cent to 11.6 per cent over the 6 months to January 2021, indicating different dynamics affecting the city core and city fringe areas.⁴⁵

Vacancy in the city increased across all four office market grades, and B Grade and C Grade offices have the highest vacancy rates (see Table 2.6). Vacancies are up overall on pre-COVID levels, driven by increases in all grade categories.

Table 2.6: Adelaide CBD office vacancy rates by grade

Grade	January 2020 (%)	July 2020 (%)	January 2021 (%)
A Grade	11.3	10.8	13.0
B Grade	14.8	17.0	18.1
C Grade	19.3	19.2	20.8
D Grade	13.9	12.7	13.9
Total market	14.0	14.3	16.0

⁴⁵ Property Council of Australia, Office Market Report, January 2021

Source: Property Council of Australia

Taking a broader measure, the Property Council of Australia found the occupancy rate of office buildings across the Adelaide CBD at 71 per cent in March 2021, down from the long-term average of 86 per cent.⁴⁶ This occupancy rate refers to a consensus estimate of average utilised office space (inclusive of vacancies and under-utilised leased spaces) calculated through surveys and interviews with major landlords and property managers.

CBD sublease vacancy has also been increasing across Australia, rising from 0.5 per cent pre-COVID (July 2019) to 1.2 per cent in January 2021. Adelaide's CBD sublease vacancy area in January 2021 was roughly double the historical average, and slightly higher than July 2020.⁴⁷

Demand for office space has decreased further despite a recovery in most other areas of the economy. Cities should consider how to respond and fill this office space if this continues into the future.

This reduction in demand for commercial property is likely driven by the reduction in traffic and economic activity in the city. This is corroborated by a November 2020 survey of Adelaide City Centre business owners. Two-thirds of respondents think that attracting more people into the city is a short-term and long-term priority for council support, the most of any priority.⁴⁸

Landlords are offering higher rates of incentives (e.g. fit-out contributions, rent-free periods, rent abatements) in reflection of these softer leasing conditions. Some real estate groups reported that their average incentive rose from 17 per cent in the June 2020 half to 22 per cent in the December 2020 half.⁴⁹ These types of incentives have driven net effective rents (NER) –rent that includes all incentives but excludes outgoings paid by tenants – down in all capital cities except Canberra in 2020. This effect has been more limited in Adelaide City Centre, with NER dropping an estimated 2 per cent in 2020, compared to drops of 20 per cent in Sydney and 7 per cent in Brisbane.⁵⁰

Net face rents in inner metropolitan Adelaide remained unchanged from the second half of 2019 to the second half of 2020 at \$290 per square metre per annum, while average incentives also remained constant at 20 per cent.⁵¹

Adelaide's commercial office market is also expected to be significantly altered by a further 80,946m² in capacity coming online in 2022, leading to further shifts in supply and demand dynamics.⁵² Over recent years, the value of non-residential building approvals has exhibited considerable variation, with the value of building approvals value since (financial year) 2017-18. Chart 2.18 shows this trend over recent years.

⁴⁶ Property Council of Australia (2021) Office Market Report, March 2021

⁴⁷ Property Council of Australia (2021) Office Market Report, January 2021

⁴⁸ City of Adelaide (2020) Business Survey October-November 2020

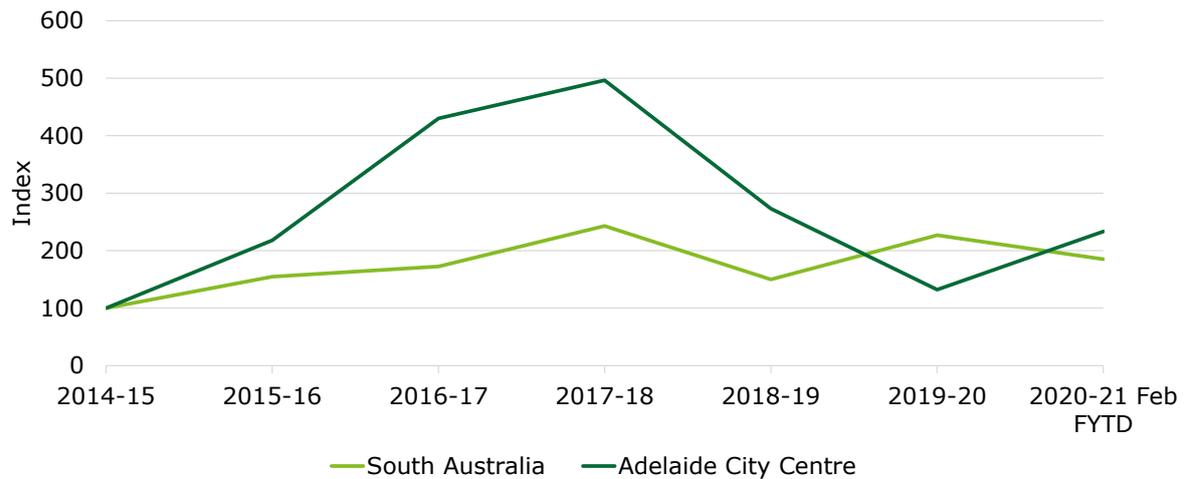
⁴⁹ Dexus (2021) Half year results

⁵⁰ CBRE (2021) Office Market Outlook, Australia

⁵¹ Colliers International, Metro Office, Second Half 2019 / Second Half 2020 <<https://www.colliers.com.au/en-au/research/metro-office-h2-2019-rfr>> <<https://www.colliers.com.au/en-au/research/metro-office-rfr-h2-2020>>

⁵² Property Council of Australia Office Market Report: Office Market Insights, Adelaide CBD, January 2021, accessed <https://f.hubspotusercontent40.net/hubfs/2095495/Research%20Team/Office%20Market%20Insights/211/PCA_OMRinsight_AdelJan21.pdf>

Chart 2.18: Index of the value of non-residential building approvals (2014-15=100)



Source: Australian Bureau of Statistics⁵³

Residential

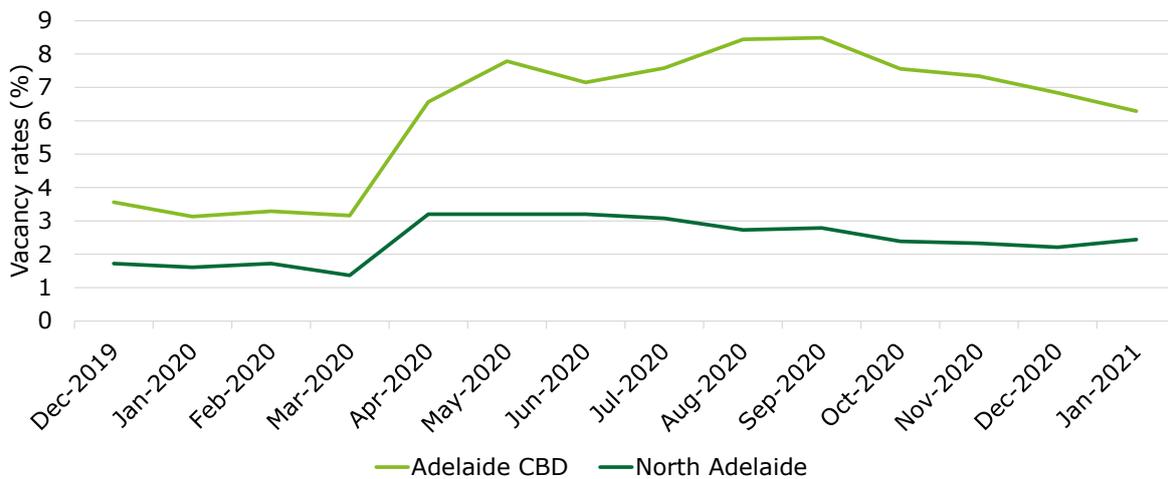
Residential vacancies in the city were low coming into COVID, exhibiting a short but sharp rise during the pandemic in 2020 before dropping in late 2020 (as illustrated in Chart 2.19). This is likely to have been driven by a combination of factors including a reduction in international students living in the Adelaide City Centre (notwithstanding anecdotal evidence suggesting that some international students have elected to continue leases) and changes in household composition with young people choosing to stay at home longer.

The effects of changes to housing stock and ongoing dynamics should be the subject of further research to understand the ongoing effect of population change on rental markets. To highlight this changing dynamic in the rental market, rent payments in the Adelaide City Centre area have been decreasing, with a 2.7 per cent drop in rental payments over the past 12 months for all houses, and a drop of 0.6 per cent for all units.⁵⁴ Again, a key factor to consider in what might be driving this decline could be the reduction in international students residing in the Adelaide City Centre area.

⁵³ Australian Bureau of Statistics, *Building Approvals, Australia, catalogue number 8731.0*, compiled and presented in *economy.id* (February 2021) <<https://economy.id.com.au/adelaide/value-of-building-approvals>>.

⁵⁴ SQM Research, *Weekly Rents, Region: Adelaide City* (May 2021) <<https://sqmresearch.com.au/weekly-rents.php?sfx=®ion=sa%3A%3AAdelaide+City&t=1>>.

Chart 2.19: Residential vacancy rate, Adelaide CBD and North Adelaide



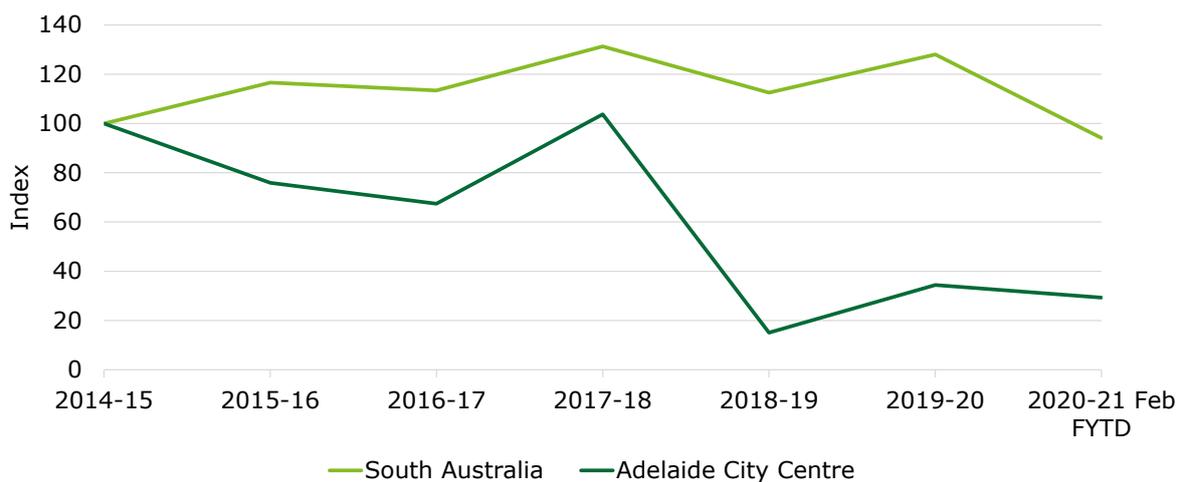
Source: SQM Research

Residential house prices in Greater Adelaide have grown more consistently than other capital cities during COVID. Prices have grown in every month after February 2020, except for June 2020, and dwelling values in March 2021 are up 7.3 per cent over the past year.⁵⁵

Clearance rates have also been on the rise in Greater Adelaide, rising from 57.4 per cent in December 2019 to 67.1 per cent in the December 2020 quarter and 74.0 per cent in March 2021.⁵⁶ It should be noted that this data covers Greater Adelaide and should be used purely as a representation of broader market trends.

Value of residential building approvals in the Adelaide City Centre area have been declining over recent years. However, from FY 2018-19 to 2019-20, building approval values have increased marginally, indicating a slight rebound. This trend in residential building approval value over recent years can be seen in Chart 2.20.

Chart 2.20: Residential building approval value index (2014-15=100)



⁵⁵ CoreLogic, Housing Market Update Report, March 2021

⁵⁶ CoreLogic, Auction Market Review

Source: Australian Bureau of Statistics⁵⁷

Insights from stakeholders

Deloitte Access Economics undertook consultations with a number of key stakeholders and interest groups within the property sector to inform this analysis, including the Property Council of Australia and Business SA, as well as a number of businesses and main street organising bodies.

Key insights emerging from consultation with stakeholders in the property sector included:

- The Property Council of Australia's March 2021 office market survey asked property owners and managers a range of questions, including which factors were influencing current levels of occupancy in CBD buildings.

Among these respondents:

- 49 per cent cited preferences for greater flexibility including working from home (the most prominent influencing factor)
- 18 per cent cited public transport capacity of safety concerns
- 13 per cent cited government or public health restrictions or lockdowns.
- Respondents to the same survey indicated the majority expected 'material' increases in occupancy levels to occur within three months or longer; this is consistent with the relatively flat shifts in occupancy rates, spending and pedestrian movements (outside the seasonal peak in December 2020) observed following the brief November 2020 lockdown.
- Hotels and accommodation have been the most significantly impacted segment of the property sector, with considerable falls in visitation leading to strong declines in occupancy (which are not reflected in the aforementioned March 2021 office market survey).
 - Stakeholders were uncertain of the impact of new supply coming online from 2022 in these segments, but noted the importance of securing visitation where possible to stimulate demand and occupancy.
- Residential property has performed strongly across the board, with considerable price rises and improved clearance rates for detached housing and apartments in the Adelaide City Centre economy. Anecdotal evidence cited examples where price rises significantly exceeded the median/mean prices quoted above, pointing to potential for more extreme price movements (and volatility) at different ends of the market.
- Some stakeholders noted that some stock may be tenanted but left unoccupied as expats have continued their leases in Adelaide City Centre despite not being able to return due to hard borders. This may point to some upside potential in supply, but there is insufficient data to inform a detailed understanding.
- Business SA's December 2020 *Survey of Business Expectations* noted a shift among its' members revenues the lifting of restrictions, with the survey reporting:⁵⁸
 - 45.7 per cent have said that revenue was normal, or higher than last year
 - 15.1 per cent of businesses say their revenue was down 50 per cent or more.
- The Commercial Leasing Code has had an important role in setting the framework for negotiations between landlords and tenants during the pandemic. The consensus emerging from consultation is that it was useful during the initial phases of stay-at-home requirements, with divergent views emerging on its suitability going forwards.

⁵⁷ Australian Bureau of Statistics, *Building Approvals, Australia, catalogue number 8731.0*, compiled and presented in economy.id (February 2021) <<https://economy.id.com.au/adelaide/value-of-building-approvals>>.

⁵⁸ Business SA, *Business Now, Business SA Survey of Business Expectations* (December Quarter 2020).

Finance, insurance and professional services

Financial, insurance services and professional services have respectively exhibited positive results and resilience, recording growth of 1.4 per cent and 2.4 per cent respectively in IVA in 2019-20.⁵⁹ Results have been more mixed however with regard to employment, falling 3.9 per cent in financial and insurance services, and growing by 5.1 per cent in professional services.⁶⁰

Consolidation of bank branches provide one possible explanation for the reduction in employment in the financial and insurance services, with three such examples being noted as having an impact on footfall and traffic in the Hutt Street area during consultations with stakeholders.

Data produced by Spendmapp for expenditure on professional services indicates activity in the sector was adversely impacted during the initial lockdown period (Chart 2.21); however, it is important to note that the categorisation of activities in this sector differ between Australian Bureau of Statistics and Spendmapp, with the former describing professional services (e.g. accountants, lawyers) and the latter describing these professional services as well as personal services (e.g. optometrists, hairdressers).

Chart 2.21: Expenditure in the professional services sub-sector, Adelaide City Centre



Source: Spendmapp.com.au

Insights from stakeholders

As a professional services provider involved in virtually every sector of the South Australian (and Adelaide City Centre) economy, Deloitte Access Economics has ongoing engagement with stakeholders across these sectors.

Key themes emerging from these ongoing conversations include:

- Financial and insurance businesses have been significantly impacted by changes in regulatory settings imposed in response to COVID-19, particularly with regard to temporary changes in loan repayment deferrals, insolvency actions and related matters. These changes have caused significant disruption to normal operating practices.
- Larger businesses in the professional services sector have largely been able to continue their operations without significant complications caused COVID-19, notwithstanding the uncertainty and hit to general economic confidence during the early stages of stay-at-home requirements in April and May 2020.

⁵⁹ National Institute for Economic and Industry Research, Op cite.

⁶⁰ Ibid.

- Many businesses experienced increased volatility during the March – June 2020 period, with trading conditions largely returning to normal from September 2020.
- Professional services (as designated in the spendmapp.com.au data) engaged in business-to-consumer (B2C) services have experienced greater disruption in some instances than the larger service providers as their ability to engage with clients has been inhibited through social distancing requirements.

Health and medical, mining and energy and technology subsectors

Differences in the nature of activities undertaken within these sectors in the Adelaide City Centre, as well as differences in the way data is captured for these sub-sectors, inhibits comparable analysis of these sub-sectors alongside the six sub-sectors of focus discussed previously.

Industry value added modelling published by NIEIR for 2019-20 suggests the health and medical and mining and energy industries both grew during the 2019-20 financial year, likely supported by an increase in public health activity and broader market dynamics in the resources sector.

AIHW data provides some insights into the changing volumes of procedures performed, however the currency this data has not provided a detailed understanding of the change in profile in elective surgeries. It is noted that these were rescheduled for a period of time, impacting some private hospitals (as well as the types of activities in the public health system) in the Adelaide City Centre. This change in procedures is expected to have contributed to changing footfall and expenditure patterns in the West End in particular, but is difficult to isolate through the data that was available at the time this report was written.

Consultation with the mining sector indicate that many businesses spent considerable time and effort in reviewing business continuity planning and management procedures, which may have contributed to an increase in activity in the sector in the Adelaide City Centre. Again, more detailed data was not available to understand the specific nature of factors driving the changes in IVA and employment observed through the NIEIR data.

Visibility over how the technology sub-sector has been affected during the pandemic is inhibited by differences in the way industry structures are defined across data sets (with some activities being sitting in the professional and scientific services industry category and others sitting in the information, media and telecommunications industry). Demand for technology services and platforms is certainly expected to have grown with increased use of remote work platforms and digital services; however, this growth has not been measured as part of this analysis due to limitations in the data and timing available in preparing this report.

One evidence point worth noting is the NIEIR modelling of employment by industry in the Adelaide City Centre, which estimated a 6.5 per cent increase in employment in the information, media and telecommunications industry in 2019-20 compared with the previous (financial) year.⁶¹

2.5 Potential responses in addressing the observed impacts of the pandemic

This analysis informs an understanding of the impact of the pandemic on the Adelaide City Centre economy to May 2021, when this report was written; the intent is that this analysis will support subsequent efforts in coordinating and planning recovery and growth efforts.

Prescriptive recommendations on which policy responses are best suited to responding to subsequent developments impacting the Adelaide City Centre are beyond the scope of this report. However, general principles for potential responses based on the observed impact to date are summarised below for consideration.

⁶¹ NIEIR, Op. cite.

In considering these potential responses, it is important to note that these responses are broadly consistent with many of the activities being undertaken or planned by various stakeholders, as discussed in Chapter 4.

Ensuring clear and effective communication

An important aspect of the ongoing response to managing (and planning recovery out of) the pandemic needs to involve clear and effective communication to ensure stakeholders understand the public health measures and related arrangements that apply at any given point in time, and a clear understanding of the processes to be engaged in (insofar as they are known) when circumstances change. These understandings will enable stakeholders to plan and prepare themselves for different scenarios, meaning they can respond to change effectively and in a timely fashion.

Supporting activation to drive visitation

Facilitating and supporting activation of specific places in the Adelaide City Centre would provide an important impetus for consumers to spend time in the area, driving footfall and encouraging (or inducing) consumer spending in areas where reduced visitation continues to impact trading conditions for businesses.

In doing so, the greatest impact could be achieved by focusing on areas and activities that are significantly exposed to reductions in visitation caused by border restrictions (i.e. areas relying on international students, and events visitation).

Given current and planned activities being progressed by different stakeholders (as summarised in brief in Chapter 4), this facilitation may be effectively leveraged by coordinating planned activities by assisting with scheduling, supporting (and extending) communication of activations to reach targeted consumers, and working with event organisers to address specific requirements, rather than developing an entirely new program of activations which may compete with planned activities.

Enhancing the user experience in the Adelaide City Centre

The reductions in footfall being observed are being driven in-part by increased use of flexible work arrangements, meaning visitors to the Adelaide City Centre are increasingly seeing their time spent in the area as discretionary.

Visitors can be encouraged to choose to spend time in the Adelaide City Centre by maintaining a focus on the quality of experiences supported within the area.

Public policy factors contributing to the quality of these experiences include:

- Allowing public spaces and streetscapes to be used to deliver positive user experiences (particularly in retail and hospitality settings), while also providing businesses with flexibility in managing public health requirements (i.e. social distancing).
- Enhancing the quality of public spaces through amenity and infrastructure improvements (e.g. lighting, facilities management regimes, access to power).

3 Trends impacting cities

Knowledge intensive services sectors will continue to account for larger shares of economies. Workers in these sectors are better suited for working remotely than those in other parts of the economy. However, service workers will continue to be anchored in cities and CBDs, even as they work with greater flexibility in where they base themselves day-to-day.

Businesses that have previously relied on these service workers basing themselves in CBDs five days a week will need to reach consumers via new channels and through new (and improved) experiences.

These experiences will play a more prominent role in driving visitation to CBDs. Events, environments, physical and digital infrastructure and coordination will be required to deliver these experiences.

Places within a city, rather than the city, are becoming more important as destinations. Better connectivity between places will be critical in moving people between places and in providing areas to stage events and host experiences.

Modes and technologies enabling mobility in and around cities will evolve. Personal mobility and active transport will become more common within cities, with other modes of transport delivered via connected, autonomous, shared and electric (CASE) technologies.

Key areas for further research

- Work needs to be done to understand Adelaide's level of preparedness to respond to these trends to take advantage of the opportunities offered and avoid unintended consequences.
 - This is pressing in the current environment where global competition for talent is rising.
- Contemporary insights into the factors influencing people's decisions on where to live, and why decisions to move are taken, will be invaluable to support efforts to attract population growth.
 - Intra-regional migration data to be made available during 2021 (and 2022 with the Census results) will be critical in informing data-driven insights.

Cities matter because of their ability to attract the talent (people), capital (finance) and ideas (innovation) that enable the productivity growth needed to support prosperity of societies more broadly. The ability of cities to do this relies in-person interactions, driven by practical as well as cultural factors that will endure beyond COVID-19.⁶²

The most likely future is one that may be characterised as a post-COVID pandemic one, rather than a post-COVID one. Infections are likely to continue, in different places and rates, going forwards, with the rest of the world coming to manage this fact through different changes and situations going forwards.

The need for people, firms and capital to come together will continue to drive agglomeration effects within cities, even as some of the interactions shift online, or into other locations. This need will become stronger with growth in non-routine, knowledge-based jobs that are primarily anchored in CBDs.⁶³

⁶² Glaeser, E, Agglomeration Economics (The University of Chicago Press, 2010)

⁶³ Deloitte, Building the Lucky Country #7, Why the future of work is human (2019)

Workers may not visit CBDs as often as they often as previously, but they will remain anchored in places where pools of talent, capital and ideas are deep. The agglomeration of these activities will continue to draw on businesses which service the service economy – the retail, hospitality and personal services consumed by service economy workers.⁶⁴

Notwithstanding the continued importance of these agglomeration effects, there are a range of factors which shape how cities are used and function. Firms, investors, governments and policy makers will need to consider these longer-term trends if effective decisions are to be taken today in responding to the immediate effects of COVID-19 while planning for the longer term.

The following sections unpack some of the key themes drawn from these trends to explain what is changing and the implications of this change for Adelaide City Centre.

3.1 The ways people use cities

3.1.1 Flexibility in terms of working remotely

Many workplaces have been exploring and implementing remote work and 'work from anywhere' (WFA) models since before COVID-19 hit, with the number of workers working remotely rapidly accelerating since. Before COVID-19, typical estimates of the proportion of workforces regulatory working from home sat around five to seven per cent of the workforce.^{65,66}

Since COVID-19, considerable work has been done to understand the extent to which workers are likely to work from home. Distinctions need to be drawn between those who can practicably work from home with those who cannot, with estimates by McKinsey ranging between 26 and 46 per cent of the total workforce.⁶⁷

However, city workers are more concentrated in sectors where tasks can be more readily performed remotely. Among those service-intensive sectors of the economy which congregate in CBDs, the same research by McKinsey found the range of remote work potential to be between 32 and 86 per cent.

Among the workforce based in cities, estimates of the numbers of workers working remotely at least some of the time before COVID-19 appear to settle around 43-44 per cent, with the number of workers who are able to work remotely intending to continue to at least some extent after COVID-19 exceeding 75 per cent.⁶⁸

McKinsey found that 20 per cent of the workforce could work remotely three to five days per week, concentrated amongst workers in highly-skilled, highly educated roles which did not rely significantly on physical interaction (largely in the finance and insurance, and management, business and information technology sectors).⁶⁹

⁶⁴ PwC, *Changing Places: how hybrid working is reinventing the Australian CBD* (2021)

⁶⁵ Greater Sydney Commission, *City Shaping Impact of COVID-19*, 2020, accessed <<https://www.greater.sydney/city-shaping-impacts-of-covid-19>>

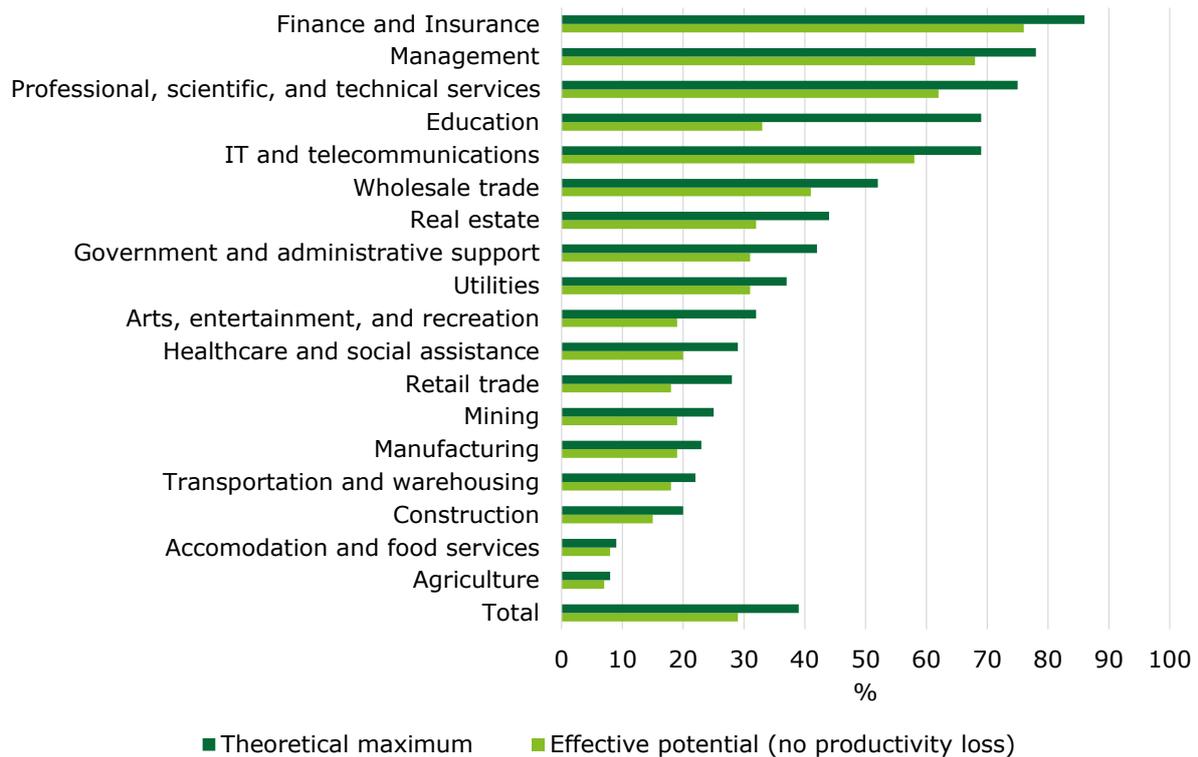
⁶⁶ McKinsey, *What's next for remote work: An analysis of 2,000 tasks, 800 jobs, and nine countries*, accessed <<https://www.mckinsey.com/featured-insights/future-of-work/whats-next-for-remote-work-an-analysis-of-2000-tasks-800-jobs-and-nine-countries>>

⁶⁷ Ibid

⁶⁸ EY, *Why remote working is the way forward* (2021), accessed https://www.ey.com/en_au/alliances/why-remote-working-is-the-way-forward>

⁶⁹ Ibid

Chart 3.1: McKinsey analysis of remote working effectiveness by industry



Source: McKinsey

Another recent study conducted by Deloitte Access Economics into the Illawarra region found that 85 per cent of commuters (defined as those travelling from outside the Sydney Metropolitan Area for work) wanted to work from home for between three and five days per week on average, with non-commuters (remaining outside the Sydney Metropolitan Area for work) wanting two to three days per week on average.⁷⁰ Noting the average commuter times differ significantly between Sydney and Adelaide, these results remain instructive given the patterns being observed locally.

Regardless of the specific mix of sectors and occupations, it is clear that CBD workers will continue to work more flexibly going forwards. The extent to which individuals, firms and sectors embrace this flexibility differing based on a number of factors.

These factors include:

- the nature of work being performed, down to the level of individual tasks being performed on any given day
- personal preference, influenced by recent experience, demographics and circumstances
- employers' arrangements, policies and attitudes towards flexible and remote work
- commuter distances and the time savings to be realised in not having to travel to work
- access to technology and facilities to enable remote work.

⁷⁰ Deloitte Access Economics, *The decentralisation of work and the Illawarra*, report prepared for Business Illawarra, April 2021

Implications for the Adelaide City Centre

The findings of these studies are reflective of recent trends observed in the Adelaide City Centre in terms of occupancy levels, pedestrian movement (captured via device detection) and spending patterns (captured by EFTPOS spending data).

This dispels any notion that the majority of workers will entirely abandon city offices, and instead points to an emerging trend where most city workers spend most of their time working in the city (likely averaging somewhere between 3.5 and 4.5 days per week), with greater flexibility than previously.

Particular occupations are likely to differ depending on the type of work being performed from offices, with higher rates of remote working expected among finance, insurance and professional services workers and lower rates among health and medical and public administration and safety workers.

The critical implication of this is the need to consider **why workers choose to work in the CBD** when they choose to do so, and **what they do when in the CBD**, and **when they spend time in the CBD**. This implication is picked up and explained, in part, in the discussion of experiences and how cities look and feel, included in the following sections.

Emerging best practice examples include:

- Efforts are being made (where social distancing guidance can practicably be followed) to create reasons for workers to travel to CBDs through events and social activities. These events (these reasons **why** workers should be in a CBD) have the effect of driving visitation through hospitality and retail precincts during periods to offset trading periods which may have otherwise fallen away.
- The timing when workers come together in-person has important implications, as alignment of these trips supports greater collaboration when people are in the office together (as opposed to sporadically being in the office) and may influence broader purchasing decisions. Workplaces targeting specific days for teams to come together may enjoy productivity benefits from having people together (rather than in the office sporadically) as well as positive externalities for those who benefit from incidental purchases (particularly the hospitality sector).

3.1.2 The rise of e-commerce and digital

Uptake of e-commerce and digital platforms has progressively increased in recent years, with the share of online retail sales more than doubling in the five years to 2019.⁷¹ However, lockdown measures, shifts in consumer consumption behaviour and general sentiment towards congregating in public spaces have converged to contribute a rapid increase in e-commerce during COVID-19, with the value of online purchases growing 44 per cent in the year to February 2021⁷²

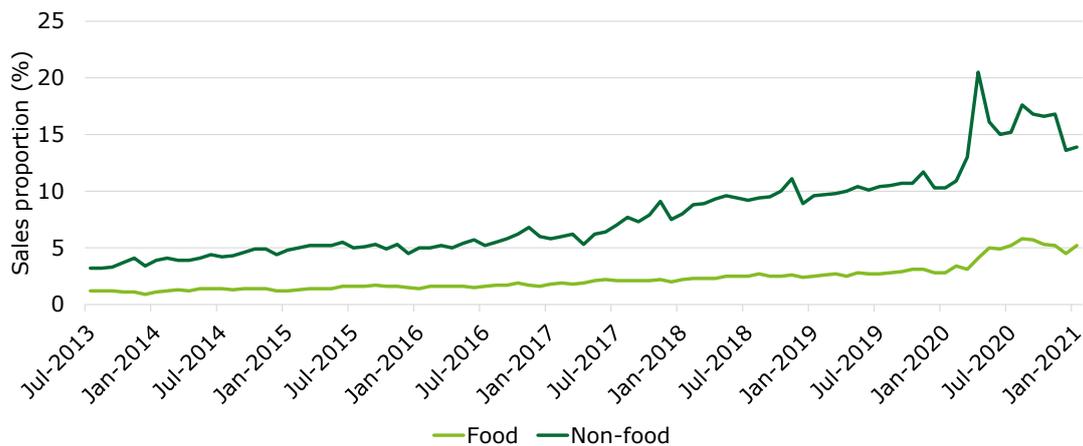
This trend is better established in non-food retail, where the national proportion of total (non-food) sales online peaked at 20.5 per cent (of total non-food sales) in April 2020 and remain elevated at 14.2 per cent in February 2021. Proportionally, the share of online food sales has grown even more significantly since the pandemic, more than doubling to 5.4 per cent in February 2021.⁷³ This growth is evident in the relative shares of total sales of both these groups illustrated in Chart 3.2

⁷¹ Australia Post, *Inside Australian Online Shopping*, February 2021, accessed <<https://auspost.com.au/business/marketing-and-communications/access-data-and-insights/ecommerce-trends>>

⁷² Ibid

⁷³ Australian Bureau of Statistics, Retail Trade, Australia (Catalogue number 8501.0.23)

Chart 3.2: Online sales as a proportion of total, Australia, February 2018 to February 2021



Source: ABS

Growth in sales via e-commerce has undoubtedly been boosted during COVID-19, but this merely accentuates a shift that has been gradually occurring in recent years as retailers’ e-commerce platforms and digital natives account for a greater proportion of total retail sales.

Similarly, COVID-19 has reinforced a change in the way many consumers make purchasing decisions, creating time (and space) to browse and research purchasing decisions online while people have been kept away from physical storefronts.

These trends have been exaggerated by COVID-19 and may moderate as consumers’ access to physical storefronts improves (and household savings and disposal incomes remain favourable following the uncertainty experienced during the worst of the pandemic). However, these shifts in consumer behaviour in terms of how make and execute their purchases will continue drift towards e-commerce, though this may not necessarily come at the expense of in-store retailing.

Examples of the common factors identified as contributing to this trend include: ⁷⁴⁷⁵⁷⁶⁷⁷

- **Brand and product discovery** – as consumers become more immersed in connected devices, they become increasingly reliant in online information for discovering new information, including brands and products.
- **Omni-channel retailing** - consumers increasingly expect multiple (and more accessible) channels to access the product they wish to purchase, even as if they only execute their transaction via a single channel. These channels allow consumers to compare products, prices and attributes to make a more informed choice, relying on information collected through different channels to make a purchasing decision.
- **Search for value and availability** – consumer preferences may be expanding to include e-commerce as an option for purchasing, but certain basic influences over purchasing decisions are not expected to change. Value and availability remain important to consumers, with real-time inventory and price comparability at point-of-sale being key advantages when using e-commerce platforms.

⁷⁴ KPMG, *The truth about online consumers, 2017 Global Online Consumer Report, 2017*, accessed <<https://assets.kpmg/content/dam/kpmg/xx/pdf/2017/01/the-truth-about-online-consumers.pdf>>

⁷⁵ Deloitte, *Getting fitter faster through eCommerce, 2020* accessed <<https://www2.deloitte.com/au/en/blog/consumer-blog/2020/getting-fitter-faster-through-ecommerce.html>>

⁷⁶ McKinsey, *The great consumer shift: Ten charts that show how US shopping behaviour is changing.*

⁷⁷ Sandler, E., *Is experiential retail another Covid-19 casualty*, 2020 Endgames media editorial package, published 30 December 2020, accessed <<https://www.glossy.co/beauty/is-experiential-retail-another-covid-19-casualty/>>

- **Experiences and events** – whether online or in-person, experiences and events are increasingly being used to drive traffic to retailers’ digital and in-person platforms. While the latter has obviously proven more difficult during COVID-19, consumers are expected to continue exhibiting similar behaviour around purchase decisions being influenced by deliberate research or learning activities and incidental purchases made during deliberate attendances participation in events or experiences which draw consumers to platforms.

COVID-19 has also demonstrated the efficacy of other digital service platforms, supporting further (and sustained) adoption of such platforms. This adoption of digital platforms is perhaps most evident in the increased use of ICT platforms and collaboration tools to support remote work, but also in greater use of telehealth and telemedicine.

In the United States, the number of Medicare beneficiaries receiving telehealth services each week increased by a factor of 130 at the peak of the pandemic.⁷⁸ Similar shifts have been observed in the United Kingdom, where the proportion of remote consultations (with general practitioners) rose from 30 per cent in April 2019 to 80 per cent in April 2020.⁷⁹

In Australia, more than 274 new items were added to the Medicare Benefits Scheme in the first four months of 2020 (to April) to enable greater use of telehealth and telemedicine, expanding the range of these services subsidised by the Australian Government.⁸⁰

Implications for the Adelaide City Centre

Although consumers behaviours, and that of retailers, around e-commerce is not typically influenced by place (outside of rural/urban divides), the concentration of retail (particularly food, department stores and specialty retail) means these trends will be particularly important for the Adelaide City Centre economy. These trends emerging are reflecting in some of the expenditure patterns lingering post-pandemic, as referred to in Chapter 4.

The trend towards increased flexibility and remote working also means that e-commerce presents an important opportunity for Adelaide City Centre retailers to access consumers and influence their purchasing decisions both online and in-person.

To enable these dual channels, certain businesses and places may need to consider the need to reconfigure or perhaps augment fit outs and access points to (and perhaps more importantly from) stores where there is greater reliance on delivery services, and hence changes to traffic flows.

Retailers making greater use of e-commerce platforms may also consider how to support the logistics functions required, and whether the use of existing space is appropriate for performing these logistical functions (i.e. whether retailing remains the focus in the city and fulfilment activities are consolidated elsewhere).

Emerging best practice examples include:

- Businesses (particularly those in the hospitality and retail sectors, but also health and medical professionals where consults can be performed via telehealth) that shifted their operating model to make use of e-commerce platforms have performed better than those which have not. Continued support for businesses to shift to digital channels will be important to drive their growth.

⁷⁸ Seema Verma, Early Impact of CMS Expansion Of Medicare Telehealth During COVID-19, Health Affairs (July 15 2020) < <https://www.healthaffairs.org/doi/10.1377/hblog20200715.454789/full/>>

⁷⁹ Anthony Gold, The rise in remote consultations and telemedicine, Lexology (8 December 2020) < <https://www.lexology.com/library/detail.aspx?q=12dad946-e15d-419a-ade8-44f68afa5138>>

⁸⁰ Department of Health, *Australians embrace telehealth to save lives during COVID-19*, press release by the Hon. Minister Greg Hunt, 20 April 2020, accessed <<https://www.health.gov.au/ministers/the-hon-greg-hunt-mp/media/australians-embrace-telehealth-to-save-lives-during-covid-19#:~:text=More%20than%204.3%20million%20health,for%20the%20COVID%2D19%20pandemic>>.

- Online bookings and reservations are increasingly becoming seen as standard operating procedures, with more flexibility in bookings policies becoming increasingly important (and perhaps expected) to consumers in making their purchasing decisions given the inherent uncertainty imposed by COVID-19. These shifts in expectations are likely to remain beyond the pandemic.
- Platform businesses (those licensing technologies or providing services via digital platforms) have done exceptionally well during COVID-19 as businesses have sought platform applications to support remote working. Businesses who are able to develop platform delivery models have been able to leverage their assets and achieve higher growth. This type of product innovation can support significant growth digitally.
- Similarly, segments of the creative sector that are making content available via streaming and video-on-demand services are growing their audience and reach beyond immediate markets and existing capacities. Although successes in monetising this growth have been modest, the use of these platforms will continue to become increasingly important over time.

3.1.3 Growing importance of experiences

The ability of cities (and places within cities) to support the critical mass of participants and consumers required to attract different kinds specialised services, events and experiences is one of the most important features of cities generally.

Conversely, the ability of cities to draw these kinds of specialised services, events and experiences is becoming increasingly important, as the costs for hosting these activities rise, competition to attract them grows, and ability to offset some of the diffusion of activities away from CBDs observed through COVID-19 becomes more important.

Visitation to CBDs also creates positive externalities through the sense of vibrancy experienced within a particular place, which reinforces people's willingness to congregate in particular places and shapes their consumption behaviour. Evidence of this is provided in a recent study by EY Sweeney, which found that 82 per cent of respondents said that a vibrant CBD was important for attracting tourists.⁸¹

The attraction of unique experiences and events are becoming increasingly important in influencing consumers' decisions as they look to distinguish between the range of products (and places) available to them in terms of what they buy, where they live and where they work.

In a physical setting where some of the historical consumption attached to regular traffic is expected to dissipate through increased levels of remote work, experiences and events have a critical role to play in drawing people back to CBDs by creating or reinforcing reasons to visit CBDs and places within CBDs to generate the footfall that benefits other sectors within CBDs and the density required to sustain specialised activities. This is evidenced by the findings of the same (national) survey by EY Sweeney, which included:

- 67 per cent of respondents agreeing with the statement 'Some of the best restaurants and bars are in the CBD'.
- 65 per cent of respondents agreeing that with the statement 'The CBD will be a great place to meet up and have memorable experiences'.
- 65 per cent of respondents agreeing that with the statement 'The CBD will be a great place for things that can't be found in local retail centres'.
- 63 per cent of respondents agreeing that with the statement 'The CBD will return to being one of the best places to for entertainment and events'.

⁸¹ EY Sweeney, *Reimagining our Economic Powerhouses*, 2021, accessed <<https://f.hubspotusercontent40.net/hubfs/2095495/Communications/CBD%202021/Reimagining%20our%20Economic%20powerhouses%20LR%20interactive.pdf>>

The opportunities offered by, and attitudes towards, CBDs in supporting a unique range of experiences and events are critical to supporting CBD economies as they way people use CBDs change over time.

However, there is an inherent challenge in attracting people to engage with these experiences and events, with the same EY Sweeney survey finding that 62 per cent of respondents intended to spend more time in their local neighbourhood than in the CBD.

Implications for the Adelaide City Centre

The use of events and experiences to drive footfall is not a new concept in Adelaide, with the various main street organising functions, CoA and South Australian Government all maintaining existing rosters of successful events. However, the immediate shifts in the patterns of visitation (towards intrastate visitors, and over fewer workdays centring around Tuesdays, Wednesday and Thursdays) provide scope for targeted efforts to drive visitation outside these groups and periods.

Stakeholders indicated that such efforts were being made at the time this report was written. These efforts can be supported through the city's well-established brand and organisational architecture for staging festivals events, abundance of laneways, squares and arcades, planned layout and (typically) accommodating climate

The layout of the city is important as it provided for a series of discrete places to stage events, creating an atmosphere and vibrancy which drives visitation, without creating significant obstacles impeding movement around the city.

Emerging best practice examples include:

- Branding and communication of offerings, events and experiences is critical for building awareness and engagement. Making people aware of the experiences available is critical for influencing their decisions to engage, and consequently securing purchasing decisions.
 - This engagement needs to be timely, relevant and interesting to be effective, and may require multiple channels to reach target consumers effectively. Personalised engagement will also be beneficial where done well.
- Events and attractions are increasingly being hosted either outdoors or interfacing with streetscapes, providing important drawcards to drive visitation into places and streets while also enabling proponents to maximise patronage under social distancing requirements.
 - Street closures and similar measures (facilitated by appropriate traffic and pedestrian management) play an important role in expanding capacity (defraying sunk costs) and creating a vibrant atmosphere (further driving visitation).
 - Retailers, hospitality businesses and services workers adopting flexible trading or work hours to maximise exposure during these events is an important factor in lifting the patronage of these types of events.
- Staging of events to coincide with periods of under-utilisation (as was intended with the staging of the Illuminate Festival, which coincided with the preparation of this report), or on the shoulders of events drawing interstate (and eventually international) visitation.

3.2 Changes in how cities look, feel and function

3.2.1 Rise of places and spaces

Individual places, precincts and streets within cities have unique identities that reflect the activities and communities centred on these spaces. These spaces play an important role in bringing together groups of activities to provide particular types of experiences which encourage visitation and create complementary spillover and agglomeration effects within a narrow spatial unit.⁸²

Mixed-use precincts are becoming increasingly important, with different activities occurring in close proximity while contributing to a particular atmosphere creating opportunities for well-utilised, vibrant places capable of supporting activities and drawing visitation across different usage profiles.⁸³

More conventionally, highstreets, main streets and commercial precincts continue to play an important role in servicing specialised offerings within close proximities, creating specific destinations for consumers with specific needs and preferences. Maintaining density (and conversely minimising vacancies) within these areas continues to be important, as this is required to sustain the critical mass needed to attract visitation to these areas for these specific purposes.

Rising rents, owing to competing demand for land, and the potential for more permanent (if subtle) shifts in consumer preferences towards less dense physical experiences may support smaller footprints within these main streets and highstreets, particularly where greater flexibility is available through outdoor settings and greater use of e-commerce platforms.⁸⁴ However, it is important to consider how the rate of this type of change may differ depending on the relative importance of these factors.

Brining these concepts together, the quality of and interactions enabled by streetscapes will become increasingly important in driving footfall, interactions with ground floor businesses through connectivity and experiences by providing the setting for staging things and enabling alfresco dining.

Implications for the Adelaide City Centre

Mixed use precincts are becoming increasingly common throughout both the Great Adelaide Metropolitan area and the Adelaide City Centre area (e.g. Lot Fourteen, various developments which were underway or that had recently completed at the time this report was written, and announcements regarding the Market Precinct).

These types of developments, as well as the city's established main streets, are typically well-served by green spaces, creating opportunities for activation in and around areas of denser commercial activity.

Connections between specific places and precincts should also be considered carefully, with opportunities to leverage activation efforts and encourage foot traffic supported by improvements to mobility (specifically walkability) between discrete precincts and places with Adelaide City Centre. Providing more reasons to visit at any given time will encourage more people into the area, which also adheres to placemaking principles.

Streetscapes offer important settings to provide city visitors with better experiences, adding to the portfolio of reasons why they should spend time in the Adelaide City Centre and increasing consumption in the area.

⁸² Sonia Torres, *Place-based Workforce Development Strategies Can Support an Equitable COVID-19 Recovery*, Urban Institute (19 January 2021)

⁸³ Hames Sharley, *The rise and rise of mixed-use developments in the post-COVID economy*, September 2020 < <https://www.hamessharley.com.au/knowledge/the-rise-of-mixed-use-developments> >

⁸⁴ Turner & Townsend, *What is the future of role of high streets and town centres*, 2020, accessed < <https://www.turnerandtowntsend.com/en/perspectives/what-is-the-future-role-of-high-streets-and-town-centres/> >

Emerging best practice examples include:

- Place-based promotion strategies that consider behavioural changes (in terms of COVID-19 as well broader shifts in consumer preferences), the unique character of the place and its specific needs and strengths are expected to deliver better outcomes in the long-term.
- Activation events driving visitation to particular places and precincts are becoming increasingly important in terms of creating experiences and atmosphere that is becoming more important in motivating people to choose in-person presentations (rather than online).
 - These types of localised activation events are particularly important in the short-term, as they may drive visitation to help offset reduced traffic during COVID-19, and (where conducted outside) provide business with greater capacity to manage social distancing requirements.
 - Smaller scale activation events can themselves be important for precincts in addition to larger scale events.
 - Localised, scaled events that are well-communicated ahead of time will be important for activating specific precincts, as well as the larger events calendar that exists currently.
 - Providing in-situ service connections to support the infrastructure required to stage these events can reduce the cost of staging events (to proponents). Montreal, Edinburgh and Melbourne provide examples where this works well.

3.2.2 How buildings are used and operated

Changes in the uses and operation of buildings may be influenced by factors such as remote work (particularly with regard to the level and mixes of uses), however the nature and composition of work being performed from buildings is expected to have a stronger influence.

Offices are expected to continue to be used to enable service delivery functions between businesses (or public service) providers and consumers, facilitate meetings between stakeholders, support collaboration within teams. Although some of the tasks associated with these functions may be performed remotely, these fundamental activities will continue to be primarily delivered from CBDs. Likewise, retail, hospitality and health medical businesses may rely more heavily on e-commerce and digital platforms, but will continue provide their services from the same premises.

While the uses of these buildings may not change significantly, the layouts, management and intensity of use will continue to change over time.

Flexible work patterns will necessitate digital ways of working from the office as well to support collaboration among teams working apart, meaning technology will be configured to support bump-in, bump-out workstations to ensure workers are not 'tethered' to physical offices.⁸⁵

Improved digital infrastructure and additional cyber security protections will be required to enable and secure this remote work, along with remote collaboration tools (such as AV equipment), enabled by ubiquitous connectivity, becoming the common standard required to support functional workplaces.⁸⁶

⁸⁵ Deloitte, *From survive to thrive: The future of work in a post-pandemic world*, 2021, accessed <https://www2.deloitte.com/au/en/pages/human-capital/articles/the-future-of-work-post-covid-19.html?id=au:2ps:3gl:4project_evolve_2020::6er:20211101:FOW_POST_COVID>

⁸⁶ CB Insights, *Reopening: The tech-enabled office in a post-COVID world*, 2020, accessed https://www.cbinsights.com/research-future-of-the-office?utm_term=future%20of%20the%20office&utm_campaign=marketing_future-office_2020-07&utm_source=adwords&utm_medium=ppc&utm_content=adwords-reports-APAC&hsa_tgt=kwd-

Shifts in expectations around hygiene standards, and people's expectations with regard to the level of physical interactions with the environment may also become more permanent, with contactless and low-touch interactions with technologies becoming more common in public spaces, and higher standards being maintained for hygiene and facilities management.⁸⁷ Better air ventilation and circulation is also likely to become a focus in managing common spaces.

Related to this trend is an emerging focus in human capital and property management studies regarding the importance of wellness being supported in the workplace, with greater emphasis being placed in ensuring the physical environment (in the office or home) is conducive to workers' health and wellbeing.⁸⁸

Implications for the Adelaide City Centre

Significant additional supply is expected to come online in the Adelaide CBD office market from 2022, leading to considerable changes in supply and demand dynamics for property. This creates both opportunity (where the configuration of supply and fit out can be adapted to suit recent changes), and challenges, for those tenancies and lease agreements which are ongoing.

Increasing stock of premium-grade office space is likely to lead to shifts in tenancy composition, creating space for redevelopment of older stock. There is a considerable amount of under-utilised commercial office space available in the Adelaide City Centre area, with much of this stock remaining vacant for extended periods of time. Stakeholders cited a range of factors contributing to the prolonging of these vacancies, including timing of supply of new stock and the (relative) costs in redeveloping properties under relevant building codes and heritage requirements.

Emerging best practice examples include:

- For stock that is being brought online or re-leased, efforts towards improving the flexibility of floorplates and office layouts to accommodate social distancing and other density requirements without compromising (or minimising the impact on) usable space within net lettable areas.
- Greater compliance with (and expectations towards) hygiene and facilities management standards to ensure workspaces, common areas and public spaces are cleaned frequently and managed appropriately, minimising the risk of transmissible infections.
- Augmentation of contact points to enable contactless interactions, with greater use of automation, sensors and design changes to minimise the need for people to physically touch things in public spaces.
- Noting the role of the Building Code of Australia in prescribing relevant standards, considerations are being had regarding the management of ventilation systems - particularly in common areas and access ways.

[568873949260&hsa_grp=109792882289&hsa_src=q&hsa_net=adwords&hsa_mt=e&hsa_ver=3&hsa_ad=457918069430&hsa_acc=5728918340&hsa_kw=future%20of%20the%20office&hsa_cam=270202443&qclid=Cj0K-CQjw9_mDBhCGARIsAN3PaFORCTqDkB5TBKA5L7xSeTtHs5iWoB3QcxxquTDY1SSApqBbIYXnKSQaAqR-EALw_wcB>](https://www.cushmanwakefield.com/en/insights/covid-19/the-future-of-the-office-space)

⁸⁷ Ibid

⁸⁸ Katsikakis, et. al., *Purpose of Place: History and future of the office*, jointly published by Cushman and Wakefield and the Centre for Real Estate and Urban Analysis, 2020, accessed <<https://www.cushmanwakefield.com/en/insights/covid-19/the-future-of-the-office-space>>

3.3 Changes in the ways people move about cities

3.3.1 Movement in and out of cities

Improving liveability of cities requires greater adoption of more efficient transport systems to deliver travel time savings, improve affordability and create positive experiences in travelling in cities, meaning cities need to become less vehicle-centric.⁸⁹ Alongside increased adoption of active transport, public transport will play an increasingly larger role in enabling mobility in and out of cities in the future.

The modes supporting these movements are progressively shift towards those involving connected, automated, shared and electric (CASE) technologies.⁹⁰ The rate of progress of these individual technologies will differ, but will all require new or augmented infrastructure (including charging infrastructure, remote sensors and related networks to support communication and functioning) and regulatory change to enable the rollout and uptake of these technologies.

What is moving will also change, with greater use of e-commerce, particularly involving delivery services provided by global tech platforms continuing to drive logistics activities and traffic between distribution and fulfilment centres, retail and hospitality precincts and residential areas. These platforms may enable improved efficiency in certain segments of supply chains (particularly mid-stream) movements, growing reliance on personal delivery services will contribute to more interactions between pedestrian and vehicle traffic.⁹¹

Implications for the Adelaide City Centre

Adelaide's consistently low levels of public transport utilisation and relatively low level of self-reliance in terms of residential (city) workers present a challenge in growing the city economy without increasing congestion. This challenge is likely to become harder in the short-term while commuters hold reservations about the safety of public transport during COVID-19.

Emerging best practice examples include:

- Improving public transport services in radial transport networks is a complicated problem involving a broad range of factors. However, Vancouver, Copenhagen, Stockholm and Barcelona have been identified as cities that have redesigned radial networks as hybrid networks, achieving efficiency and service improvements.⁹²

3.3.2 Mobility between places

Technology and consumer preferences continue to drive greater responsiveness in the availability and flexibility to enable mobility. Mobility-as-a-service (MaaS) platforms (i.e. personalised, on-demand services booked via e-commerce platforms) will continue to grow in importance in enabling mobility within cities, enabled by their density. Mobility enabled through MaaS platforms will create opportunities (through access) and potential challenges (including congestion, although conjecture exists whether the effect of MaaS on congestion is positive or negative).

Personal mobility (alternately referred to as micromobility) will also improve pedestrian mobility over short journeys via e-bikes, e-scooters and bicycle sharing program.⁹³ Adelaide City Centre is ahead on the maturity curve in adopting many of these technologies.

⁸⁹ Deloitte, The rise of mobility as a service, 2017

⁹⁰ Manders, T., et. al., *The ultimate smart mobility combination for sustainable transport? A case study on shared electric automated mobility initiatives in the Netherlands*, Transportation Research Interdisciplinary Perspectives, 2020(5), accessed <<https://www.sciencedirect.com/science/article/pii/S2590198220300403>>

⁹¹ DHL Trend Research, Sharing economy logistics: Rethinking logistics with access over ownership, 2017, accessed <https://www.dhl.com/content/dam/downloads/g0/about_us/logistics_insights/DHLTrend_Report_Sharing_Economy.pdf>

⁹² Badia, H., *Comparison of Bus Network Structures in Face of Urban Dispersion for a Ring-Radial City*, Networks and Spatial Economics, 2020, 20, pp. 233 – 271, accessed <<https://link.springer.com/content/pdf/10.1007/s11067-019-09474-5.pdf>>

⁹³ Deloitte, Small is beautiful: Making micromobility work for citizens, cities, and service providers, 2019, accessed <<https://www2.deloitte.com/us/en/insights/focus/future-of-mobility/micro-mobility-is-the-future-of-urban-transportation.html>>

Active transport (walking and cycling) will become more prominent as consumer preferences shift to reflect lifestyle values (fitness and minimising environmental impact), practicalities shift with increase inner urban density and multimodal travel becomes more prominent in public transport journeys.⁹⁴

Implications for the Adelaide City Centre

Key routes used in journeys into and within the Adelaide City Centre area require various improvements to encourage greater adoption of active transport modes. Improved lighting and safety features (publicly) and better end-of-trip facilities (privately) are important examples.

The slow pace of change experienced in shifting commuters between personal and public transport modes will most likely require a degree of shaping behaviours towards undertaking multimodal trips in public transport networks.

Emerging best practice examples include:

- Helsinki is aiming to become a leading jurisdiction in terms of negating the need for personal car ownership in favour of MaaS, public transport alternatives, with considerable success achieved to date.⁹⁵
- Amsterdam is considered to be an exemplar for active transport within a city, with significant cycling infrastructure to support personal mobility.
- Austin has commissioned the US Centres for Disease Control and Prevention to look into the health risks associated with personal mobility injury, providing lessons to inform public policymaking.

3.4 Shifting calculations in where people choose to live

Migration and population trends are impacted by broad range of complex geo-political and economic factors, ranging from bilateral relationships between nations and interpersonal relationships between leaders and relative wage gaps between jurisdictions and occupations, through to the perceptions and preferences held by individuals for their own future prospect.

The mobility of people across borders (international and internal) has been significantly curtailed and inhibited during COVID-19, with expectations on when international borders shifting depending on, among other things, the pace of vaccination programs.

These uncertainties have also affected people's internal migration cities, with current projections from the Centre for Population predicting net migration away from Australian capital cities towards regional areas in 2020-21.⁹⁶ This trend has been partially reflected in South Australia, with net interstate migration slowing considerably during COVID-19.

⁹⁴ Aurecon, Future transport 2035: understanding what Australians want, 2019, accessed

<<https://www.aurecongroup.com/markets/transport/future-of-transport/australia>>

⁹⁵ Melissa Hellmann, 'Finland's Capital Plans on Making Private-Car Ownership Obsolete in 10 years', Time (online, 14 July 2014)

<[⁹⁶ Centre for Population, *Migration between cities and regions: A quick guide to COVID-19 impacts*, Australian Government, 2020, accessed <<https://population.gov.au/docs/the-impacts-of-covid-on-migration-between-cities-and-regions.pdf>>](https://time.com/2974984/finland-helsinki-private-car-obsolete-environment-climate-change-transportation/#:~:text=Finland's%20Capital%20Plans%20on%20Making%20Private%20Car%20Ownership%20Obsolete%20in%2010%20Years,-HKL%20company's%20trams&text=Finland's%20capital%2C%20Helsinki%2C%20plans,private%20cars%20obsolete%20by%202025.></p></div><div data-bbox=)

However, cities will continue to draw people for the same historic reasons by providing opportunities for those seeking access to unique experiences and better economic opportunities (enabled through deeper and more specialised markets).⁹⁷

This will favour continued urbanisation, requiring investment to provide the services and characteristics of cities which improve their liveability.⁹⁸

Acknowledging this continued trend towards urbanisation, similar patterns are expected to continue with regard to different demographics making different decisions where to live at different times in their lives. The movement of middle-aged households from larger, denser urban cores towards suburban, or peri-urban areas will continue, with COVID-19 contributing to an acceleration in this trend (particularly in larger cities).

Where people choose to live within cities is exhibiting more rapid change, with greater outward movement from urban cores to suburban or peri-urban (or peripheral cities in larger cities) accelerating among middle-aged people. This trend is likely to be accelerated following COVID-19, with greater levels of remote working contributing to a shift in calculations on where people want to live.

Workers are not expected to become wholly detached from their physical workplaces (even as they spend less time in them), meaning physical connectivity to employment opportunities remains a critical factor in attracting and retaining population. However, the rise in flexibility in where work is done means that they may become more willing to relocate functions or aspects of their operations to where opportunities for cost arbitrage can be obtained, and where pools of specific talent are located.⁹⁹¹⁰⁰

The population of the Adelaide LGA has grown faster than the state as a whole in recent years, with growth of 27.5 per cent between 2010 and 2020 (to a total of 26,177) compared to 8.8 per cent for South Australia.¹⁰¹

Implications for the Adelaide City Centre

The Adelaide City Centre population is expected to continue growing faster than South Australia as a whole, reflecting the general trend towards urbanisation across cities generally and in South Australia specifically (noting this trend has reversed briefly during COVID-19).

Much (most) of this growth has been driven by international students in recent years, with policy (across various levels of government) continuing to target residential growth from a broad range of population segments. Hard borders being imposed internationally may slow this growth for a period, however broader trends towards densification in cities are expected to support continued growth in inner-city areas over the medium and longer term (particularly in smaller and medium-sized cities).

Patterns of movement and settlement between nations, cities and smaller communities differ based on demographics and relative rates of growth, with trends for net migration toward South Australia (and Adelaide) remaining favourable for those in the 45–64 age bracket, and improving in the 25–44 age bracket.

⁹⁷ Thomas, E. et. al., *Why do people live where they do?*, Centre for Cities, 2015, accessed <<https://www.centreforcities.org/wp-content/uploads/2015/11/15-11-02-Urban-Demographics.pdf>>

⁹⁸ Mercer, *People First: Driving Growth in Emerging Megacities*, 2018, <<https://www.mercer.com/content/dam/mercer/attachments/private/MG-People-First-Emerging-Megacities-Report-Final-Online-121818.pdf>>

⁹⁹ KPMG, *Cost priorities reimagined, new operating models emerging for banks in the new reality*, 2020, accessed <<https://home.kpmg/xx/en/home/insights/2020/07/cost-reimagined-new-operating-models-emerge-for-banks.html>>

¹⁰⁰ Hobsbawm, J., *The Nowhere office*, Demos, 2021, accessed <<https://demos.co.uk/wp-content/uploads/2021/03/The-Nowhere-Office.pdf>>

¹⁰¹ Australian Bureau of Statistics, *Regional population, 2019-20*, March 2021, accessed <<https://www.abs.gov.au/statistics/people/population/regional-population/latest-release>>

Increasingly, decisions by employers about where to situate are focused on the preference of employees and the availability of skills within markets. Of course, for the emerging and growing class of workers who can work from anywhere, these decisions are made for workers entirely alone.

One option would be for Adelaide City Centre to explore opportunities for interstate and international migration measures specifically targeted at knowledge economy workers who are able to 'work from anywhere', especially in the case of entrepreneurs and other businesspeople who might be able to create employment opportunities for South Australians.

Beyond migration levers, research by the Centre for Cities identifies these choice factors as including:

- Among the younger age bracket, these factors include quality of employment opportunities, affordability of housing in close proximity to workplaces and access to quality leisure and recreation opportunities.
- In the (relatively) older age bracket, these factors include affordability and configuration of housing stock (again in close proximity to workplaces), and those factors contributing to the quality of life.

4 Current recovery planning activities

The majority of activities being undertaken by industry associations and main street organising functions have concentrated on supporting members and stakeholders in managing COVID-19 requirements.

Advice on how to prepare and comply with COVID management requirements has been the most common type of advice sought from industry groups. Alongside this, activation efforts and event facilitation (often with support from CoA) have been focus areas for industry and main street organising functions to facilitate footfall to stimulate demand for stakeholders.

Relatively few groups have engaged in forward-looking planning activities. Where longer-term planning activities are occurring, these principally relate to:

- Identifying infrastructure improvements to support streetscapes and outdoor spaces.
- How to embed positive changes made in response to the pandemic to deliver longer-term benefits (principally around shifts in operating models to access consumers and improve profitability).
- Contemplating opportunities for leveraging South Australia's experience through COVID-19 to attract talent.

Key areas for further research

- Maintaining visibility over activation efforts will be important to leverage these activities (through effective communication ahead of events) and to support coordination to achieve better outcomes.
- Periodic engagement with stakeholders will be important to ensure governments are able to understand what actions/information/support will be helpful to support their recovering and planning activities going forwards. This engagement should be ongoing to ensure needs are understood as circumstances change.
 - Engagement with employers is particularly important to understand the considerations of the commuter segment of the Adelaide City Centre's visitor population.

4.1 Current and planned activities by industry associations and main street organising functions

Consultation undertaken with industry associations and main street organising functions revealed a number of important insights into the work currently being done to support recovery and longer-term planning efforts.

Three recurrent themes emerged in these consultations:

- The type of support being requested of these entities by stakeholders has shifted from where to go for information (during the initial stages of public health measures being implemented) towards how to comply with COVID management plans and similar control measures.
- Clear communication is critical to enable stakeholders to plan effectively and comply with requirements as they imposed and changed.

- Border restrictions, and uncertainty regarding changes to these restrictions, has led to disruption for many stakeholders, with ongoing uncertainty causing some challenges.

Overwhelmingly, activities have been centred on addressing short-term challenges in managing COVID requirements (i.e. how to comply with various requirements) and in addressing the gap(s) in demand driven by reduced footfall in the Adelaide City Centre.

This has involved assisting stakeholders to connect with information published by government agencies, as well as coordinating activities and events targeting softer trading periods to encourage (local) visitation to areas to drive footfall and purchasing activities.

The relatively near-term focus of these groups reflects the priorities of their members and stakeholders to date, and the limited capacity of many of these entities to undertake both tactical and strategic planning under prevailing conditions.

Relatively few associations and main street organising functions have begun to undertake forward-looking, longer-term planning activities. Those that have are principally focused on considerations of how to develop public spaces to create places where people enjoy being, and to enhance user experiences in using these spaces. Longer-term planning requires further work and support, as few groups are currently engaged in these types of planning activities.

Table 4.1 summarises activities being undertaken by various industry associations and main street organising functions in working with their members and stakeholders in responding to, and recovering from, the pandemic and in planning for subsequent growth.

The activities summarised here were identified during consultations with these groups in preparing this report; they are not presumed to be exhaustive.

Table 4.1: Activities being undertaken by industry associations and main street organising functions

	Accessing information	Activation	Advocacy	Business continuity	COVID-19 management plans	Engagement with government	Future planning	Networking/ collaboration	Surveys
Adelaide West End Association	↑	↑			↑	↑			
Adelaide Economic Development Authority		↑					↑		
Arts Industry Council of South Australia	↑		↑				↑	↑	↑
Business SA	↑		↑		↑		↑		↑
Committee for Adelaide			↑			↑	↑		↑
East End Coordination Group		↑						↑	
Festivals Adelaide		↑	↑		↑	↑	↑		
Gouger Street Traders Association		↑				↑		↑	
Hutt Street Traders Association		↑				↑		↑	
Property Council of Australia		↑	↑				↑		↑
Restaurant and Catering Australia	↑	↑	↑	↑	↑	↑			↑
Study Adelaide	↑		↑	↑		↑	↑		

4.2 Activities by state and local government

The activities currently being undertaken, or planned, by industry associations and main street organising functions have occurred in the context of various measures that have or are being implemented by the South Australian Government and City of Adelaide.

These measures are summarised here for context.

4.2.1 South Australian Government

The South Australian Government has implemented a range of measures targeting employment outcomes in response to the pandemic through the \$530 million *Business and Jobs Support Fund*, with these initiatives implemented at the **state level** rather than the Adelaide City Centre specifically (noting these initiatives impact the Adelaide City Centre).

Specific initiatives implemented under the Business and Jobs Support Fund include:¹⁰²

- \$10,000 emergency cash grants to small business and not-for-profit organisations
- COVID-19 payroll tax relief, including payroll tax exemptions for JobKeeper payments
- land tax relief of \$35 million to support landlords in providing rent relief for their residential and commercial tenants
- \$53.5 million for skills training, in conjunction with the Commonwealth JobTrainer package
- \$20 million to establish a Tourism Industry Development Fund grant program to stimulate private sector investment in regional accommodation and products.

Similarly, various measures have been implemented to support communities and social outcomes through the pandemic via the \$265 million *Community and Jobs Support Fund* (also at the state level rather than the Adelaide City Centre specifically), with specific initiatives including:¹⁰³

- \$100 million for the Local Government Infrastructure Partnership Program
- \$75 million for a housing construction stimulus package
- \$13.8 million for the international education sector for targeted support initiatives
- \$10.2 million for the creation of an Arts Recovery Fund.

Various other initiatives (at the state level) have also been implemented since March 2020 or have otherwise received additional funding since that time. Examples of these initiatives include:¹⁰⁴

- \$320 million loan facility for non-government schools to apply for loans for the construction of new or updated facilities
- \$210 million for road safety projects
- \$204 million for the Sport and Recreation Infrastructure Plan
- \$144.5 million to deliver infrastructure projects and urgent road safety
- \$58 million for road maintenance works on high priority roads in metropolitan areas
- \$32.9 million to support additional traineeship and apprenticeship places in government agencies and funded projects

These targeted measures have or are being implemented in conjunction with broader stimulus measures included as part of the State Budget, including additional funding for the *Economic and Business Growth Fund* and the South Australian Government's capital program over the forward estimates.

¹⁰² Government of South Australia, *State Budget 2020-21, Budget Paper 5: Budget Measures Statement*, accessed <https://www.statebudget.sa.gov.au/_data/assets/pdf_file/0005/358889/2020-21_bms.pdf>

¹⁰³ Ibid

¹⁰⁴ Ibid

4.2.2 City of Adelaide

The City of Adelaide has implemented a range of initiatives worth approximately \$11 million to support city businesses in recovering from the impact of the pandemic. Dedicated business support teams and services have been mobilised to support businesses in navigating the pandemic, and campaigns have been launched to draw people back to the city and connecting them with city businesses through promotion of their marketing.

Examples of specific initiatives implemented by the CoA include:¹⁰⁵

- The City Support Package, including rent free period for tenants of Council owned properties and flexible parking regulations, and waiving of outdoor dining permit fees.
- Access to businesses in obtaining advisory services, including:
 - a business advice hotline
 - access to accounting, statutory and compliance information
 - a tenants' landlord advisory service
 - digital capability coaching.
- UPark Plus touch free, \$8 all day parking
- Activation activities and support, including:
 - the *Recover + Reimagine* project, including live music in the streets, outdoor dining equipment distributed to city hospitality businesses, outdoor dining extensions and installation of festive lighting on key main streets
 - outdoor activation grants
 - the Event Funding infrastructure Scheme whereby one off grants of up to \$10,000 are provided to eligible event organisers to assist with the additional costs incurred to deliver activities in line with physical distancing requirements
 - \$225, 000 Christmas Incentive Scheme
 - #MyAdelaide campaign
 - Rundle Mall and Adelaide Central Market promotions campaigns.
- Wellbeing Dashboard 2021 including Wellbeing Wallet targeted to city residents and business and Work Well, a wellbeing program for small business owners and their staff.
- Energy Assessment Program for Small Business.
- Sustainability Incentives Scheme.
- Mainstreet Revitalisation and Improvement Grants.

¹⁰⁵ City of Adelaide, *Coronavirus (COVID-19) – latest information*, accessed <<https://www.cityofadelaide.com.au/blog/coronavirus-covid-19-latest-information/>>

Appendix 1 – Economic impact of COVID-19 more broadly

A1.1 Global economy

More than a year on from the initial outbreak of COVID-19 in China, there have been more than 124 million confirmed COVID-19 cases worldwide to March 2021.¹⁰⁶ The World Health Organisation (WHO) declared COVID-19 a pandemic on 11 March 2020. But governments across the world responded much earlier, with stay-at-home requirements and travel bans implemented to varying degrees. As such, the way people work, socialise and travel changed dramatically over a relatively short period of time. The United Nations' World Tourism Organisation (UNWTO) estimated that international tourist arrivals in 2020 decreased 74 per cent compared to the previous year, with the Asia Pacific the hardest hit region suffering an 84 per cent decline.¹⁰⁷

The restrictions put in place led to a significant contraction in the global economy – estimated to be 3.5 per cent smaller in 2020 compared to the prior year.¹⁰⁸ Many of Australia's key trading partners experienced a similar decline (see Table A1.1). Changes in economic and trading conditions for key trading partners have affected Australia and South Australia's economy performance during the pandemic. These in-market conditions will continue to have important implications for domestic economic activity, with changes in disposable income, confidence and mobility restrictions all affecting consumers' ability to buy exports.

Table A1.1: IMF economic growth forecasts for Australia's key trading partners, January 2021

Country	Actual (%)	Estimate (%)	Projections (%)	
	2019	2020	2021	2022
China	6.0	2.3	8.1	5.6
Japan	0.3	-5.1	3.1	2.4
United States	2.2	-3.4	5.1	2.5
India	4.2	-8.0	11.5	6.8
Malaysia	4.3	-5.8	7.0	6.0
United Kingdom	1.4	-10.0	4.5	5.0
Korea	2.0	-1.1	3.1	2.9

Source: International Monetary Fund.

Governments rapidly increased the size of their budgets to minimise the impact of COVID-19 lockdowns on their economies and societies. As shown in Chart A1., Australia's key trading partners reversed the declines seen in public expenditure in recent decades.¹⁰⁹

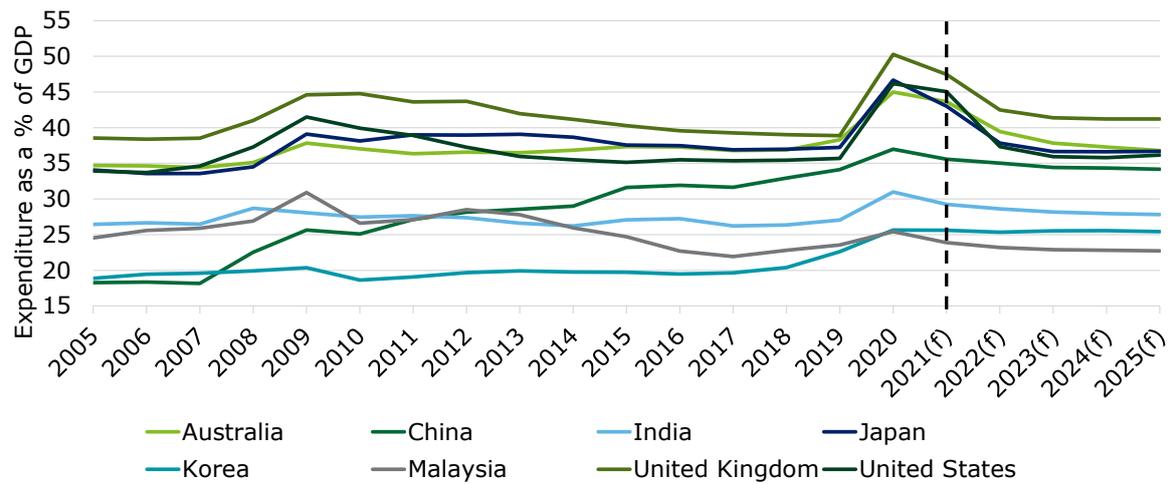
¹⁰⁶ International Monetary Fund, *World Economic Outlook, April 2021* <<https://www.imf.org/external/datamapper/datasets>>.

¹⁰⁹ Ibid.

¹⁰⁹ Ibid.

¹⁰⁹ Ibid.

Chart A1.1: General government expenditure, Australia and its major trading partners, 2005-2025



Source: International Monetary Fund.¹¹⁰

Note: Data to the right of the dashed line represents forecast expenditure. Data recorded on a yearly basis.

A1.2 National economy

Australia recorded its first case of COVID-19 on 25 January 2020, less than a month after the first cases were reported in China. The initial response led by the Commonwealth Government primarily focused on containing the external threat of the virus, and resulted in bans on foreign nationals entering Australia and, eventually, a widespread travel ban. Following WHO's declaration of a pandemic, a lockdown was implemented Australia-wide, and was lifted gradually at the discretion of state governments.

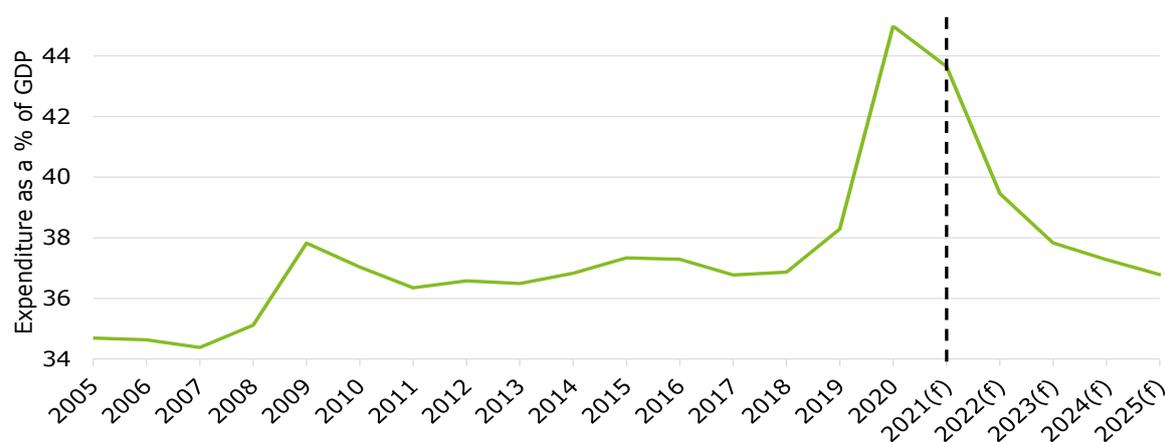
Australia's GDP contracted 2.4 per cent in 2019-20,¹¹¹ while the unemployment rate peaked at 7.5 per cent in July 2020, but has decreased to 5.6 per cent as at March 2021.¹¹² Commonwealth, state and territory governments also spent billions on stimulus throughout the pandemic, particularly when compared to the GFC (see Chart A1.2).

¹¹⁰ Ibid.

¹¹¹ Australian Bureau of Statistics, Australian National Accounts: National Income, Product and Expenditure, March 2021, accessed <<https://www.abs.gov.au/statistics/economy/national-accounts/australian-national-accounts-national-income-expenditure-and-product/latest-release>>.

¹¹² Australian Bureau of Statistics, *Labour Force, Australia* (February 2020) <<https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia/latest-release>>.

Chart A1.2: General Government expenditure (all levels) as a percentage of GDP, 2005-2025



Source: International Monetary Fund.¹¹³

Note: Data to the right of the dashed line represents forecasts. Data recorded on a yearly basis.

A1.3 South Australian economy

The first cases of COVID-19 in South Australia were detected on 2 February 2020.¹¹⁴ Various measures were implemented by the South Australian Government from 15 March 2020 to prevent the spread of COVID-19, including stay-at-home requirements, density and gathering restrictions, and closed borders. Restrictions were eased from June 2020 onwards, although the state re-entered lockdown in November 2020 due to the Parafield cluster. Restrictions continue to be eased in 2021 as SA Health and Commonwealth Department of Health deliver COVID-19 vaccinations across the state.

Just as South Australia avoided the worst of the COVID-19 outbreak, it has been able to start its re-opening and recovery sooner. Notwithstanding this (relatively) early opening, South Australia has still borne the economic cost of the pandemic, with GSP contracting 1.6 per cent in the (calendar) year to December 2020.¹¹⁵

Deloitte Access Economics is forecasting the South Australian economy to grow by 4.6 per cent in the (calendar) year to December 2021. From 2020-21 to 2023-24, South Australia’s GSP is forecast to grow at an average of 2.8 per cent per annum, which is well above the historical average over the last two decades.

A1.3.1 Employment and payrolls

As at March 2021, South Australia’s unemployment rate is at 6.3 per cent, compared to a national average of 5.6 per cent.¹¹⁶ Chart A1.3 highlights the spike in unemployment during the pandemic, and the subsequent settling of the rate near pre-COVID levels.

¹¹³ International Monetary Fund, *World Economic Outlook, April 2021*

<<https://www.imf.org/external/datamapper/datasets>>.

¹¹⁶ Labour Market Information Portal, *Unemployment Rates (15+) by State and Territory, January 2021 (%)* (January 2021) <https://lmip.gov.au/default.aspx?LMIP%2FLFR_SAFOUR%2FLFR_UnemploymentRate>

¹¹⁶ Labour Market Information Portal, *Unemployment Rates (15+) by State and Territory, January 2021 (%)* (January 2021) <https://lmip.gov.au/default.aspx?LMIP%2FLFR_SAFOUR%2FLFR_UnemploymentRate>

¹¹⁶ Labour Market Information Portal, *Unemployment Rates (15+) by State and Territory, January 2021 (%)* (January 2021) <https://lmip.gov.au/default.aspx?LMIP%2FLFR_SAFOUR%2FLFR_UnemploymentRate>

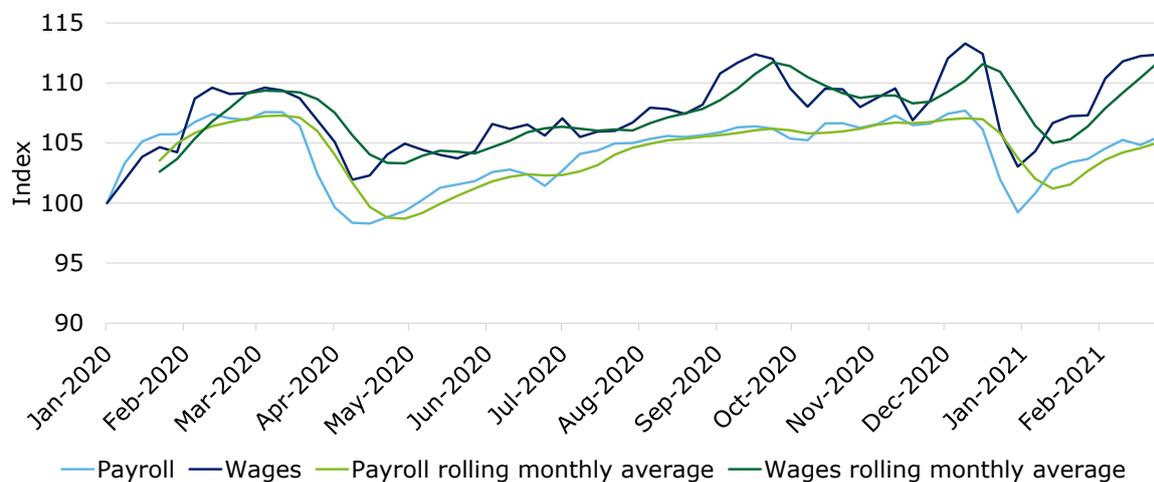
Chart A1.3: South Australian unemployment rate, seasonally adjusted



Source: ABS, Labour Force Australia (March 2021)

The pandemic also drove the development of new data sources, and the ABS has commenced releasing detailed information about changes in payroll and wages from the Commonwealth’s single-touch payroll system. Chart A1.4 tracks an index of changes in the value of (single-touch) payrolls compared with those recorded in January 2020.¹¹⁷ This shows that South Australia firms recorded an initial climb in wages and payrolls ahead of the first lockdown, followed by a significant decline as more severe restrictions were put in place through March, April and June, before improving above pre-COVID-19 levels.

Chart A1.4: Payroll jobs and total wages for South Australia¹¹⁸



Source: ABS

Note: Dates on horizontal axis represent the week ending on respective date. Indexed to the week ending 14 March 2020.

¹¹⁷ Australian Bureau of Statistics, *Weekly Payroll Jobs and Wages in Australia* (27 February 2021) <<https://www.abs.gov.au/statistics/labour/earnings-and-work-hours/weekly-payroll-jobs-and-wages-australia/latest-release#national>>.

¹¹⁸ Ibid

As can be seen in Chart A1.5, spending has been trending in a relatively stable manner across recent years. However, when COVID-19 hit there was significant instability in how and where people spent. In the first quarter of 2020 there was a large spike in retail turnover, likely due to panic buying at the start of the pandemic. Spending fell significantly through the second quarter of 2020, as COVID-19 restrictions were implemented. As South Australia was able to effectively manage the pandemic, significant portions of the economy reopened. Subsequently, spending rebounded sharply. Following this rebound, spending has stabilised at a level higher than pre-COVID.

Chart A1.5: South Australian retail spending (monthly), seasonally adjusted

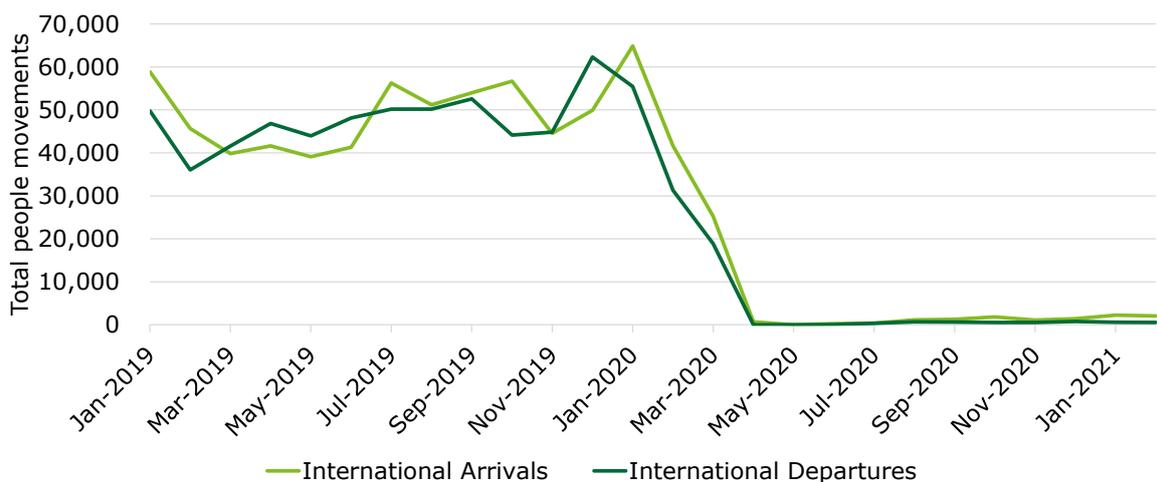


Source: Australian Bureau of Statistics, *Weekly Payroll Jobs and Wages in Australia* (27 February 2021)

A1.3.2 Visitation and migration

International travel through South Australia saw a significant decline, driving reductions in activity in the tourism and hospitality sectors. Chart A1.6 illustrates the extent of the reduction in international arrivals, collapsing from over 60,000 in January to close to zero in April 2020.¹¹⁹

Chart A1.6: International people movement through South Australia



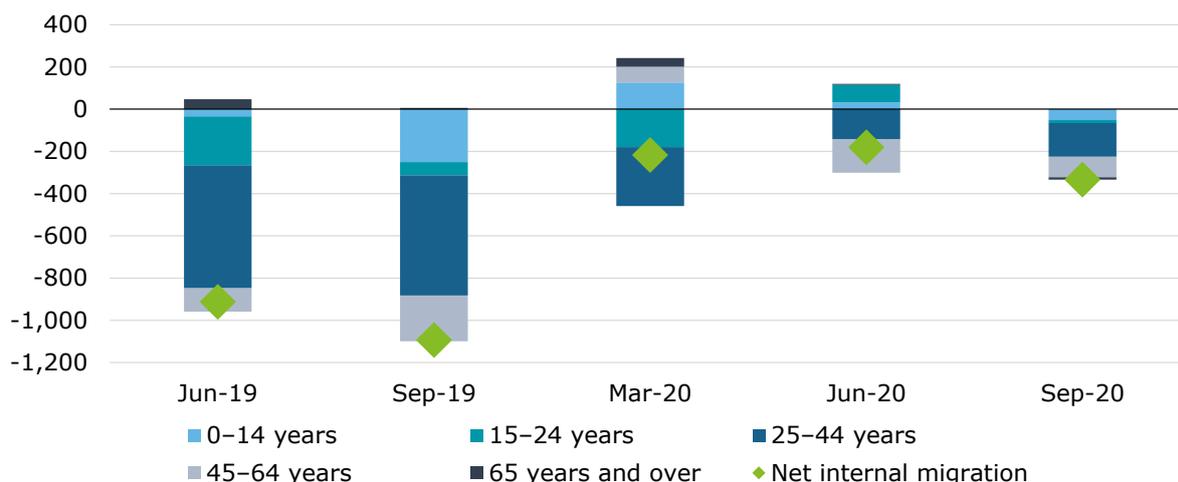
¹¹⁹ Australian Bureau of Statistics, *Overseas Arrivals and Departures, Australia, February 2021, 2021*, accessed <<https://www.abs.gov.au/statistics/industry/tourism-and-transport/overseas-arrivals-and-departures-australia/latest-release>>

Source: Australian Bureau of Statistics, *Overseas Travel Statistics, Provisional* (February 2021)

Movement restrictions and other impacts of COVID-19 have had an impact on the movement of residents within South Australia. Since the onset of the COVID-19 pandemic, South Australia reversing the trend of net losses and experienced a net gain of 80 people through internal migration, contrast this with a 990 person loss in the September 2019 quarter.¹²⁰

Conversely, the Greater Adelaide population experienced a net reduction of 330 people in the September quarter in 2020, with the majority of net movements (240) moving to other parts of South Australia, with the composition of these changes depicted in Chart A1.7.

Chart A1.7: Net inter-regional migration, Greater Adelaide, June 2019 - September 2020



Source: Australian Bureau of Statistics

Note: At the time of writing catalogue number 3412.0 has only been published twice. As a result of the data structure, data for December 2019 has not be publicly released.

Changes in net interstate (and international) migration are driven by a broad range of factors, and remain an area of policy focus for the South Australian Government. The experience during the pandemic, as well as broader changes regarding flexible work, presents an opportunity to better understand what motivates and influences people’s decisions on where to live and work. This would benefit from contemporary research considering experiences during the pandemic.

¹²⁰ Australian Bureau of Statistics, *Regional internal migration estimates, provisional, September 2020*, 2021, accessed <<https://www.abs.gov.au/statistics/people/population/regional-internal-migration-estimates-provisional/latest-release#south-australia>>

Appendix 2 – Alignment of sub-sectors

Various data sources analysed as part of this report adopt slightly different definitions in categorising different sets of activities, complicating comparisons between data sources in some instances.

Activities in some of these sub-sectors (i.e. tourism and creative industries) may be analysed through the construction of satellite accounts which consider economic activity (typically measured through consumption expenditure data) across a range of industry categories induced by, or otherwise attributable to, the sector of interest. The timing of these data sources prevents this type of more detailed analysis, but broad allocations against sub-subsectors provide an indicative understanding of how these activities are categorised by various data sources.

Table A2.1 summarises this alignment of these activities between sub-sectors to assist in interpreting and comparing analysis across data sources.

Table A2.1: Allocation of activities between sub-sectors across data sources

Sub-sector	NIEIR	Google Mobility	Spendmapp
Tourism and hospitality	Accommodation and Food Services	Parks	Dining & Entertainment; Travel
Retail and personal services	Retail Trade Other Services	Retail & Recreation Grocery & Pharmacy	Bulky Goods; Department Stores & Clothing; Furniture & Other Household Goods; Grocery Stores & Supermarkets; Personal Services; Specialised & Luxury Goods; Specialised Food Retailing;
Creative industries	Arts & Recreation Services	-	-
Education	Education and Training	-	-
Property	Rental, Hiring & Real Estate Services	-	-
Finance, insurance and professional services	Financial & Insurance Services; Professional, Scientific & Technical Services	-	Professional Services
Other	Health Care and Social Assistance; Information Media and Telecommunications; Mining		

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