

NAB CONSUMER INSIGHT REPORT

IMPACT OF COVID-19 ON AUSTRALIA'S CBD'S & WHAT WOULD ENCOURAGE US TO VISIT MORE OFTEN?



NAB Behavioural & Industry Economics

April 2021

Australia is one of the most urbanised countries in the world with our main central business districts (CBDs) at the heart of economic, political, recreational, cultural and innovation activity. The influx of CBD-based workers, visitors and new residents, have been key in maintaining their role as centres for activity and employment. However, since COVID-19 there has been a profound shift in purchasing and visitation behaviours of Australians. Our CBD's have borne the brunt of social distancing requirements, trading restrictions, job losses and large numbers of office-based workers working from home, with most CBD workers and shoppers typically travelling from middle and outer suburbs. NAB data shows that spending in our CBD's is recovering with Perth having the strongest rebound. Melbourne continues to be most impacted (particularly, accommodation and cafes & restaurants), but most other capitals are also still feeling the effects of COVID in some sectors. In contrast, the suburbs have grown in importance as hubs for retail and recreational activity in metropolitan Australia. Revitalising CBDs is vital for the livelihoods of the many CBD businesses, particularly small businesses, who rely on foot traffic. Cities cannot remain economically sound without the businesses that typically make urban centres their home base. While converting some office space into residential is an option, commercial space supports ground level retail and hospitality businesses. Vibrancy requires a mix of commercial, residential, government and cultural buildings with small and bigger businesses co-existing together.

In this **NAB Consumer Insight Report**, we explore the extent to which consumers have changed visitation to their capital city CBD and if so, why are they visiting less often, what (outside of returning to work) would encourage them to return, and the importance to Australians of having thriving and vibrant CBD's. Large numbers of Australians have either stopped visiting their CBD altogether or are visiting much less often. In the absence of having to go into the city to work, many consumers see no reason to visit, although younger people remain much more engaged with their CBD's. Inducements such as free or subsidised car parking and public transport, dining/shopping vouchers, along with better safety and cleanliness, fewer cars and more green spaces, "pocket parks", festivals, events, entertainment and attractions, would help. But, with many Australians hoping to continue to work at least partly from home in the future, the legacy impacts of COVID are likely to endure. Many people have also made greater use of their local areas since COVID and these behaviours have become ingrained and may require a broader reimagining of city centres and public spaces to re-engage consumers. The report is based on survey responses from around 2,000 Australians and conducted over the period between March 10-23.

Highlights:

- Around 6 in 10 Australians have either stopped visiting their CBD or are visiting less - almost 1 in 5 have stopped visiting altogether (even higher for the over 50s);
- Melbourne has been most impacted (over 7 in 10 people have stopped or are visiting less), followed by Sydney. Darwin is the least impacted but 29% are still visiting less. Hobart and Perth also down (44% overall);
- Top reasons Australians have stopped visiting/or visiting less often: 1 in 2 have no reason to do so (particularly the over 50s); 1 in 3 due to social distancing/fear of COVID, prefer to shop/eat locally; 1 in 4 expensive parking, not wanting to use public transport; and 1 in 5 too many closed shops/cafes/restaurants, working from home, lack of life/vibrancy.
- What would encourage us to visit our CBD more often (other than work)?: free/subsidised car parking (30% - ranging from 51% in the ACT to 26% in NSW) or public transport (21%), more security/better safety (13%); more major festivals (13%), dining/shopping vouchers (13%), more open green spaces/pedestrian walkways/fewer cars (12%), more COVID-safe alfresco dining options (11%), cleaner public spaces/streets (11%), more live music/entertainment (10%) and major theatrical events and attractions (10%).
- But, over 1 in 4 (26%) consumers said nothing would encourage them to visit the CBD more often (highest in QLD 31% & SA 30%; lowest in the ACT 17%). Almost 1 in 2 (46%) consumers over 65 said nothing would make them visit more frequently, compared to just 12% in the 18-29 and 17% in the 30-49 group.
- Overall, a thriving/vibrant CBD is moderately important to Australian consumers: 63.1 pts out of a possible 100, but very important for 1 in 5 (19%) consumers (i.e. scored 90 pts or higher).
- By state, it's most important in TAS (38.2 pts) and the ACT (67.8 pts) and least important in WA (57.7 pts). By age it is highest in the 18-29 group (67.2 pts & very important for 1 in 4 or 23%), lowest for over 65s (58.6 pts).

HOW HAS VISITATION TO CBD'S CHANGED?

There has been a very significant and profound shift in the visitation behaviours of Australian consumers to CBD areas in their capital cities.

Across the country, almost 1 in 5 (18%) consumers said they had stopped visiting the CBD altogether since the COVID pandemic. In addition, another 4 in 10 were visiting less often - 23% 'much less often' and 17% 'less often'. This means overall around 6 in 10 (58%) consumers have either stopped visiting the CBD completely or are visiting less frequently. Just 1 in 33 consumers (3%) overall said they were frequenting the CBD more often.

Some cities have however been hit harder than others.

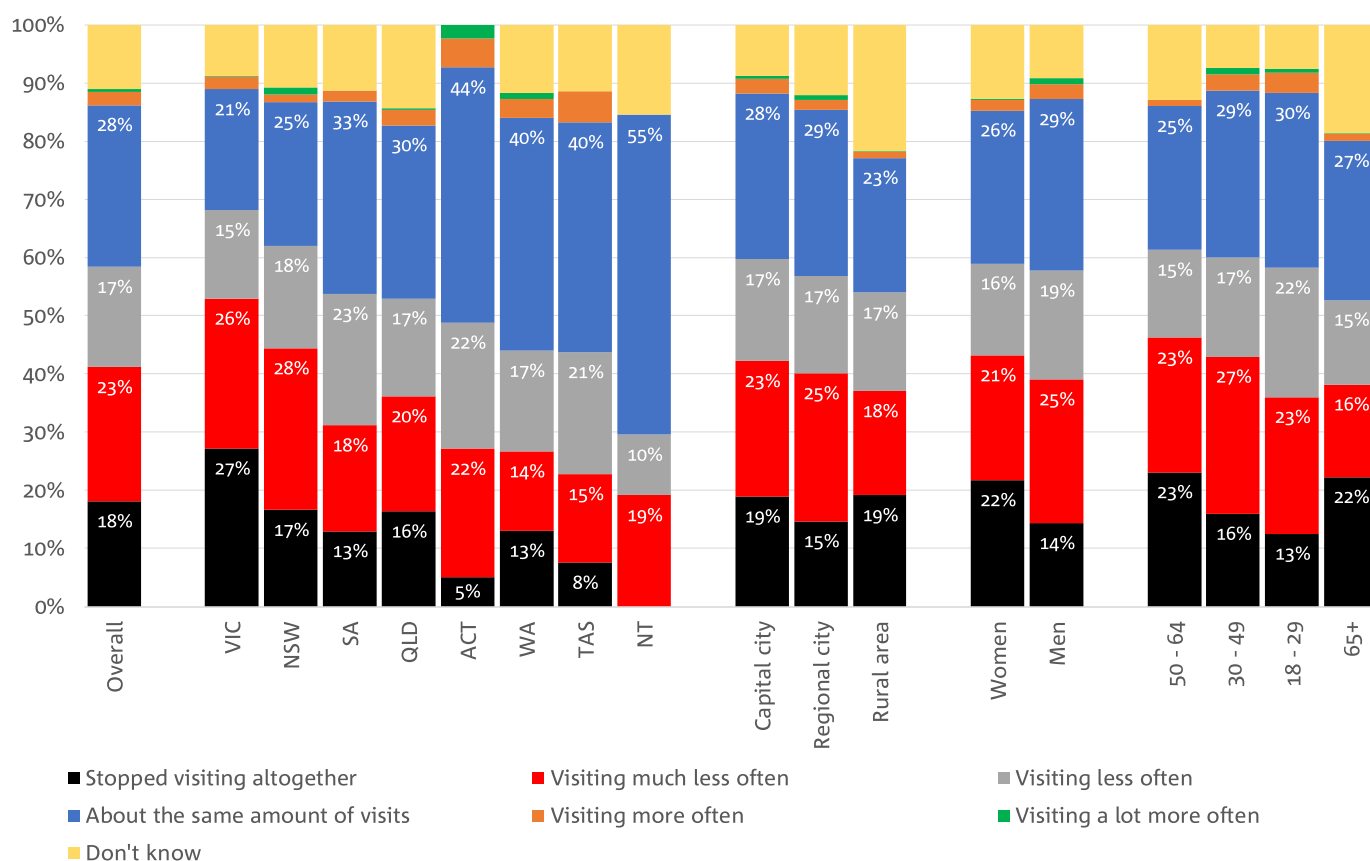
In Melbourne (where the impact of COVID, lockdown and restrictions has been the most severe of all major cities), almost 3 in 10 (27%) consumers have stopped frequenting the CBD altogether, and a further 41% visiting less frequently. Sydney has been next most impacted, with 17% not visiting at all and 46% less often. The COVID impact has been least severe (albeit still quite significant) in Darwin CBD (where 29% are visiting less) and in the CBDs of Hobart and Perth (down 44% overall).

The change in visitation behaviours are however broadly similar by region. Around 60% of consumers in capital cities have stopped visiting the CBD completely or are going less often, marginally ahead of those in regional cities (57%) and rural areas (54%).

By gender, a similar number of men (59%) and women (58%) had either stopped visiting the CBD completely or were going less often. Interestingly however, where over 1 in 5 (22%) men had stopped visiting completely, that number fell to just 14% for women, who were more likely to have visited 'much less often' (25% women; 21% men) or 'less often' (19% women; 16% men).

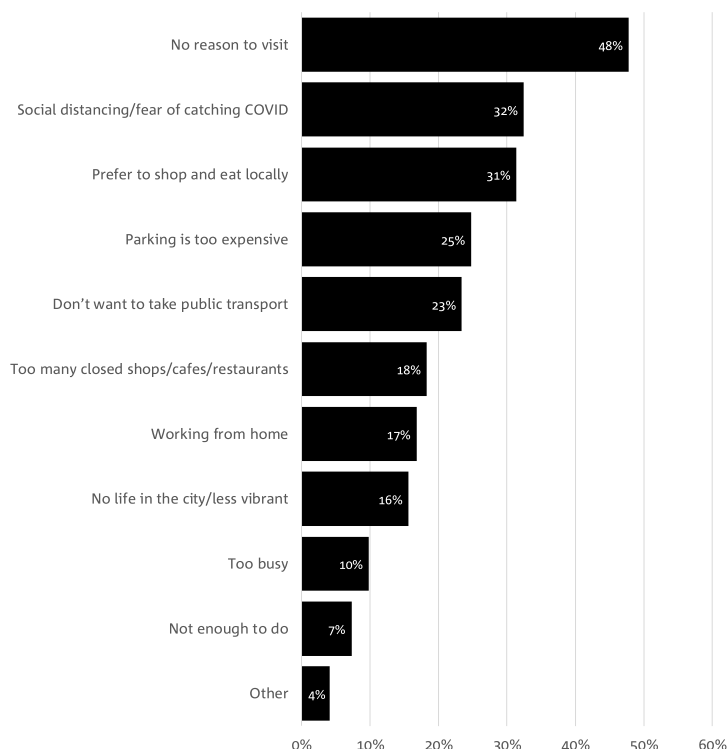
By age, significantly more consumers over the age of 50 stopped visiting the CBD altogether (23% in the 50-64 group and 22% in the 65+ group). In contrast only 13% in the 18-29 group and 16% in the 30-49 stopped visiting completely. However, the number of consumers who were visiting less often was highest in the 18-29 group (46%) and lowest in the 65+ age group (30%).

EXTENT YOU HAVE CHANGED VISITS TO CBD IN YOUR CAPITAL CITY



WHY HAS VISITATION TO CBD'S CHANGED?

WHY ARE YOU VISITING CBD IN YOUR CAPITAL CITY LESS OFTEN?



Consumers who stopped visiting the CBD or were visiting less often were asked to select their top 3 reasons why.

Almost 1 in 2 (48%) overall said they had no reason to do so, while around 1 in 3 said it was because of social distancing or fear of catching COVID (32%) or preferred to shop and eat locally (31%).

Around 1 in 4 attributed it to expensive parking (25%) or not wanting to use public transport (23%).

Other reasons included too many closed shops, cafes and restaurants (18%), because they were working from home (17%), and a lack of city life or vibrancy (16%).

Less popular reasons included being too busy (10%), not enough to do there (7%) or 'other' reasons (4%).

Having no reason to visit the CBD was the main reason given by consumers in TAS (72%), VIC (49%), QLD (49%), NSW (48%) and SA (43%). In the ACT however, it was social distancing or fear of catching COVID (40%) and expensive parking (40%), in WA because they preferred to shop and eat locally (46%), and in the NT because the city was lifeless and had no vibrancy (67%) - see table below.

By region, we noted a significantly higher number in rural areas citing no reason to visit (57%), social distancing and fear of catching COVID (46%) and preferring to shop and eat locally (38%) as reasons, and noticeably more consumers in capital cities pointing to expensive parking (28%), not wanting to take public transport (26%), working from home (20%) and a lifeless and less vibrant city (18%).

By gender, the main differences related to working from home (21% men; 13% women), lifeless and less vibrant city (18% men; 13% women), not wanting to catch public transport (26% women; 21% men) and not enough to do (10% men; 4% women).

Not having a reason to visit the city was also the main reason in all age groups, but a much bigger issue for the over 50s, especially when compared to the 18-29 group. Consumers in the over 65 group were also much more likely to have visited the CBD less frequently because they preferred to shop and eat locally (47%) and not wanting to use public transport (31%), the 50-64 group because of expensive parking (35%), and consumers under the age of 50 because they were working from home, thought the city was too busy or there was nothing to do.

Moreover, in the NAB Q4 2020 Commercial Property Survey, property professionals estimated only 3 in 4 (77%) white collar workers would return to CBD offices post-COVID, and that firms would only require 80% of their existing CBD office footprint. Employers and state premiers have begun to urge workers to return to offices in a bid to boost foot traffic and economic activity within major city centres. In Melbourne one of the remaining restrictions - a cap of 75% staff on site - has been lifted, meaning businesses can have all their staff return to the office. Public servants have also been asked to return to the office at least three days a week, with flexibility if their circumstances have changed substantially during the pandemic, such as taking on carer responsibilities, suffering injuries, or moving further from their work site.

WHY ARE YOU VISITING CBD IN YOUR CAPITAL CITY LESS OFTEN: STATE, REGION, GENDER & AGE?

	No reason to visit	Social distancing/fear of catching COVID	Prefer to shop and eat locally	Parking is too expensive	Don't want to take public transport	Too many closed shops, cafes, restaurants	Working from home	No life in the city/less vibrant	Too busy	Not enough to do	Other
Overall	48%	32%	31%	25%	23%	18%	17%	16%	10%	7%	4%
NSW	48%	36%	24%	16%	25%	16%	23%	15%	10%	10%	5%
VIC	49%	30%	32%	24%	26%	21%	17%	18%	9%	6%	6%
SA	43%	30%	41%	33%	30%	12%	12%	13%	13%	1%	3%
ACT	36%	40%	34%	40%	25%	15%	14%	15%	10%	10%	5%
WA	41%	20%	46%	44%	21%	22%	7%	19%	7%	8%	3%
TAS	72%	27%	12%	43%	0%	30%	15%	31%	14%	17%	0%
NT	34%	17%	34%	16%	34%	34%	16%	67%	0%	16%	0%
QLD	49%	37%	36%	29%	16%	16%	11%	11%	10%	5%	2%
Capital city	47%	29%	30%	28%	26%	19%	20%	18%	9%	9%	4%
Regional city	47%	38%	32%	19%	17%	20%	12%	12%	11%	5%	4%
Rural area	57%	46%	38%	19%	18%	10%	6%	9%	11%	3%	6%
Men	46%	31%	30%	24%	21%	19%	21%	18%	10%	10%	3%
Women	49%	33%	33%	25%	26%	18%	13%	13%	10%	4%	5%
18 - 29	37%	27%	24%	16%	22%	18%	25%	14%	13%	9%	2%
30 - 49	46%	34%	23%	24%	20%	18%	22%	16%	15%	10%	4%
50 - 64	54%	34%	39%	35%	23%	18%	13%	17%	5%	4%	5%
65+	56%	33%	47%	24%	31%	19%	3%	14%	3%	4%	5%

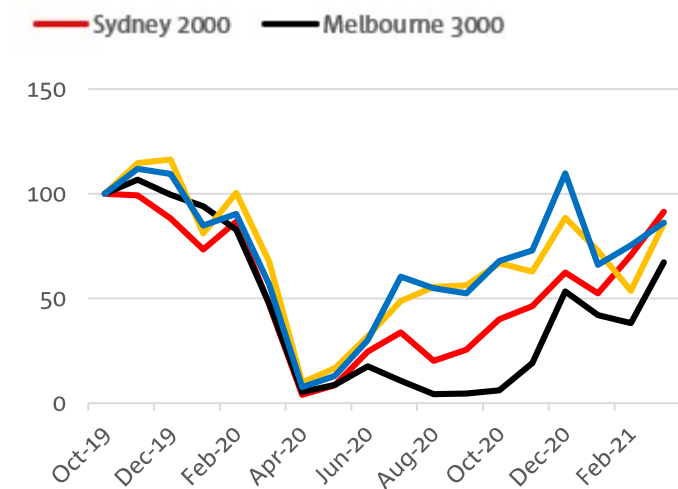
WHAT HAS BEEN THE IMPACT OF THESE CHANGES ON SPENDING IN CBD'S?

Another way to look at the impact of COVID on Australia's CBD's is through NAB's own data. By examining around 2.7 million daily transactions, we can see how much Australian consumers are spending and where this spending is taking place by industry. Given the size of NAB's customer base, this data provides a good indication of national and regional trends. The charts below focus on key CBD sectors and shows a monthly index of spending in the four largest capital city CBDs (as defined by postcode boundary) - Sydney, Melbourne, Brisbane & Perth.

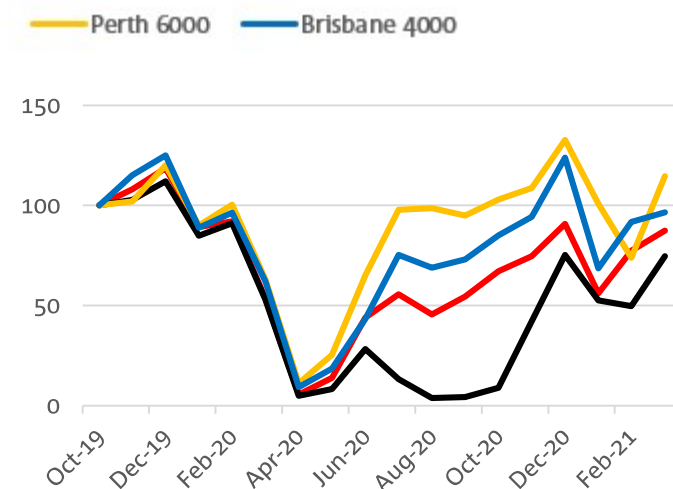
Accommodation, cafés and restaurants, clothing retailing and pubs & bars continued to recover in Australia's four largest cities in March 2021 (latest), but activity remains below pre-pandemic levels in some sectors and cities. The lingering impact of COVID on Melbourne is clear with CBD accommodation and cafes & restaurants continuing to track below other capitals. More encouraging, pub and bar spending in Melbourne appears to have now caught up to Sydney and Brisbane. Meanwhile, clothing retailing has caught up to essentially pre-pandemic level spending in all four of the largest capitals (see charts on next page).

CBD INDEX (OCTOBER 2019 = 100)

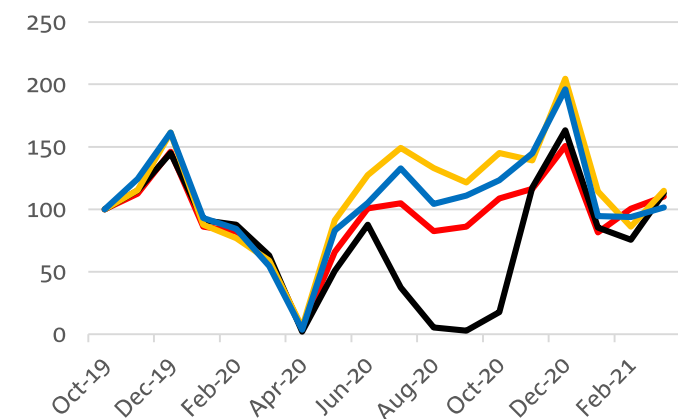
Accommodation



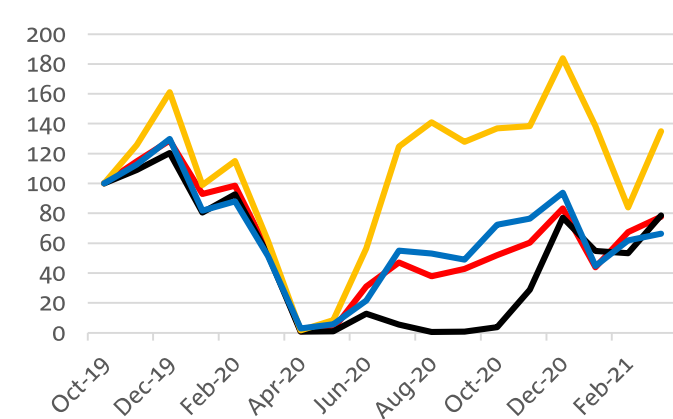
Cafes and restaurants



Clothing retailing

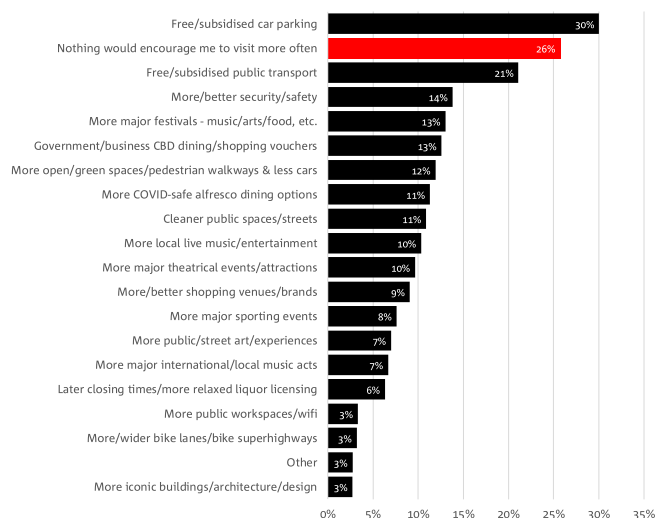


Pubs and bars



WHAT WOULD GET CONSUMERS BACK TO OUR CBD'S?

OUTSIDE OF WORK, WHAT WOULD ENCOURAGE YOU TO VISIT YOUR CBD IN YOUR CAPITAL CITY?



Employers and state premiers are urging workers to return to offices in a bid to boost foot traffic and economic activity within major city centres.

Outside of returning to work, consumers were also asked to select the top 3 things that would most encourage them to visit the CBD more often.

Nationally, the main drawcard was free or subsidised car parking according to 3 in 10 (30%) consumers. Other common drawcards included free or subsidised public transport (21%), more security and better safety (13%), more major festivals (13%), CBD dining and shopping vouchers from government and business (13%), more open green spaces, pedestrian walkways and fewer cars (12%), more COVID-safe alfresco dining options (11%), cleaner public spaces and streets (11%), more live music and entertainment (10%) and major theatrical events and attractions (10%).

But the survey also highlighted a major challenge for policy makers as they try to re-invigorate CBD areas, with over 1 in 4 (26%) consumers also signalling there is nothing that would encourage them to visit the CBD more often. Free or subsidised parking topped the list of things that would encourage consumers to return to the CBD in all states but ranged from 51% in the ACT to 26% in NSW. Among other key findings, more security and better safety (44%), major festivals (25%), local live music and entertainment (24%), major sporting events (21%) and later closing times and more relaxed liquor laws (19%) was identified by noticeably more consumers in the NT, dining and shopping vouchers in NSW (18%) and the ACT (17%), and more open green spaces, pedestrian walk ways and fewer cars (25%) and better shopping venues and brands (32%) in TAS - see table below. It was also quite clear a significant number of consumers in all states and territories were unlikely to visit the CBD more often for any reason, with that number ranging from 31% in QLD and 30% in SA to 17% in the ACT.

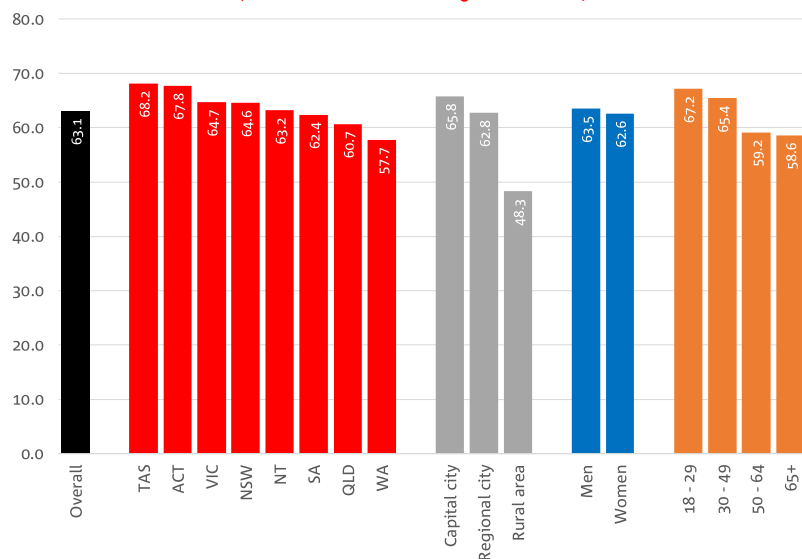
By region, free or subsidised car parking (21%) and public transport (24%) was seen as attractive by noticeably more consumers living in capital cities, but a much larger number of consumers living in rural areas (over 4 in 10 or 44%) said there was nothing that would encourage them to visit more. While men and women typically were in broad consensus across most factors, the main difference was in the much larger number of men would said they would be attracted to visit the CBD more often because of major sporting events (11% men; 4% women) and the higher number of women who indicated that nothing would encourage them to return (29% women; 23% men). By age, consumers in the 50-64 (35%) and 30-49 (33%) were much more likely to be attracted by free or subsidised car parking than the youngest and oldest age groups. Consumers in the 18-29 (17%) and 30-49 (17%) groups were however more likely to be lured back by more major festivals, with noticeably more consumers in the 18-29 group also citing later closing times and more relaxed liquor laws (12%), and better access for cyclists (7%), and the 30-49 age group by better shopping venues and brands (12%). Almost 1 in 2 (46%) consumers over the age of 65 however said nothing would make them visit more frequently, compared to just 12% in the 18-29 and 17% in the 30-49 group.

OUTSIDE OF WORK, WHAT WOULD ENCOURAGE YOU TO VISIT THE CBD IN YOUR CAPITAL CITY: STATE, REGION, GENDER & AGE

	Overall	NSW	VIC	SA	ACT	WA	TAS	NT	QLD	Capital city	Regional city	Rural area	Men	Women	18 - 29	30 - 49	50 - 64	65+
Free/subsidised car parking	30%	26%	28%	35%	51%	40%	44%	29%	29%	33%	26%	21%	28%	32%	26%	33%	35%	25%
Nothing would encourage me to visit	26%	23%	25%	30%	17%	26%	22%	21%	31%	21%	29%	44%	23%	29%	12%	17%	33%	46%
Free/subsidised public transport	21%	23%	22%	20%	9%	22%	15%	5%	19%	24%	15%	15%	21%	21%	23%	23%	20%	16%
More/better security/safety	14%	11%	16%	14%	15%	20%	11%	44%	11%	15%	12%	11%	14%	14%	11%	14%	16%	14%
More major festivals	13%	11%	14%	12%	8%	18%	8%	25%	12%	15%	11%	8%	13%	13%	17%	17%	9%	6%
CBD dining/shopping vouchers	13%	18%	14%	11%	17%	5%	9%	11%	8%	14%	11%	8%	13%	12%	16%	12%	15%	7%
More open green spaces, walkways & less cars	12%	11%	13%	7%	12%	11%	25%	5%	13%	13%	12%	8%	13%	11%	13%	14%	10%	9%
More COVID-safe alfresco dining	11%	13%	13%	8%	20%	9%	8%	0%	10%	11%	12%	9%	11%	12%	12%	14%	9%	10%
Cleaner public spaces/streets	11%	12%	12%	10%	12%	9%	10%	15%	8%	11%	11%	8%	11%	10%	12%	12%	10%	10%
More local live music/entertainment	10%	11%	10%	8%	12%	8%	3%	24%	11%	11%	7%	11%	11%	10%	13%	14%	9%	3%
More major theatrical events/attractions	10%	11%	10%	9%	12%	8%	15%	0%	8%	11%	10%	3%	9%	11%	9%	9%	12%	9%
More/better shopping venues/brands	9%	10%	6%	7%	22%	12%	32%	20%	7%	9%	11%	7%	9%	9%	8%	12%	8%	7%
More major sporting events	8%	5%	11%	9%	10%	6%	5%	21%	7%	7%	9%	7%	11%	4%	10%	9%	7%	3%
More public/street art/experiences	7%	8%	6%	4%	5%	8%	5%	0%	8%	7%	7%	6%	7%	7%	8%	8%	5%	5%
More major international/local music acts	7%	8%	7%	6%	0%	6%	5%	10%	5%	8%	5%	3%	7%	7%	8%	9%	6%	2%
Later closing times/more relaxed liquor licensing	6%	9%	4%	3%	5%	6%	9%	19%	5%	6%	6%	6%	8%	5%	12%	8%	2%	2%
More public workspaces/WIFI	3%	4%	3%	2%	0%	3%	2%	0%	5%	4%	3%	1%	5%	2%	6%	4%	2%	0%
More bike lanes/bike superhighways	3%	3%	4%	1%	5%	2%	2%	0%	4%	4%	2%	2%	5%	2%	7%	3%	2%	1%
Other	3%	2%	4%	3%	2%	2%	0%	5%	3%	3%	3%	3%	2%	3%	2%	3%	3%	3%
More iconic buildings, architecture/design	3%	3%	3%	1%	5%	3%	4%	0%	3%	3%	2%	2%	4%	2%	6%	3%	1%	1%

HOW IMPORTANT ARE VIBRANT/THRIVING CBD'S TO CONSUMERS?

IMPORTANCE OF HAVING A THRIVING/VIBRANT CBD (0 = not at all; 100 = to a significant extent)



Thriving CBD's are critical to Australia's full economic recovery from the pandemic-led slow down. Aside from the many billions of dollars in broader economic activity generated in our CBDs, they are important for thousands of businesses and retailers who rely on visitor foot traffic and the millions of jobs they support.

But how important is a thriving and vibrant CBD to Australian consumers? We asked Australia consumers to score this question out of 100 (where 100 = to a significant extent).

On average they scored 63.1 pts, suggesting it is 'moderately' important. However, 1 in 5 (19%) consumers said it was 'very' important to them (i.e. they scored it 90 pts or higher).

By state, a thriving and vibrant CBD was most important in TAS (38.2 pts) and the ACT (67.8 pts) and least important in WA (57.7 pts), where only 14% also indicated it was 'very' important. By region, it was much more important in capital cities (65.8 pts) and not surprisingly least important in rural areas (48.3 pts).

Men (63.5 pts) and women (62.6 pts) shared a broadly similar opinion, although the number of men who said it was 'very' important (15%) was somewhat higher than women (11%).

There was a clear relationship with age, with the importance of thriving and vibrant CBDs highest for consumers in the 18-29 group (67.2 pts). This stepped down progressively to 65.4 pts in the 30-49 group, 59.2 pts in the 50-64 group and 58.6 pts in the 65+ group.

Nearly 1 in 4 (23%) consumers in the 18-29 age group also said it was 'very' important to them, compared to only 15% in the 65+ group. But more than twice as many consumers over the age of 65 (11%) said it was 'not at all important' (i.e. scored 0) than in the 18-29 group (4%).

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