

Residential Development Review

A monitor of housing development,
land supply and transport infrastructure

Melbourne Edition

January–June 2019

Directors' Highlight



This Residential Development Review aims to provide key statistics and growth trends in Victoria over the past five years, and compares these to recent dwelling approval data, future population growth, land supply and infrastructure delivery across Greater Melbourne's central, middle and greenfield growth areas.

Melbourne is currently the fastest growing city in Australia, adding approximately 100,000 people per annum on average, with the majority of that growth coming from overseas migration. Over the past five years, the majority of detached dwelling approvals and growth has been in the greenfield growth areas in the southeastern, northern and western regions. The first half of 2019 reveals that apart from Melbourne, Maribyrnong and Monash, all other LGAs experienced a decline in approvals compared with the previous six month period. And only three Councils; Melton, Maribyrnong and Monash approved more than their five year average. However, the sharp decline in apartment approvals in the Central Region has been marginally arrested over this past six months.

State investment in transport infrastructure works has continued across the metropolitan area. Major projects including Melbourne Metro and Level Crossing Removal, West Gate Tunnel and CityLink Tulla Widening are all under construction and expected to be delivered by 2025. Future projects in planning, such as the Airport Rail Link and Suburban Rail Loop are city-shaping projects that will have a substantial impact on the efficiency of the city.

We trust that this publication is of interest and provides insight into the growth trends across Melbourne and is helpful when considering future development in Victoria. Should further detail be sought, please contact our office and we would be happy to discuss.

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Contents

04

Recent Dwelling Approvals

Planning approvals of dwellings per local government area across metropolitan Melbourne over the first half year of 2019

06

Dwelling Approval Trends

Planning approvals of dwellings across metropolitan Melbourne over the past five years total

08

Growth Area Development Capacity

The status of Precinct Structure Plans and development capacity in Melbourne's urban growth areas (in the Urban Growth Zone).

10

Infrastructure pipeline

An overview of the current transport infrastructure projects under planning or construction in Melbourne's metropolitan area

About Mecone

Mecone is a leading urban planning, policy and development advisory consultancy with offices in Sydney, Western Sydney, Brisbane and Melbourne. Favouring balance between human needs and the natural environment, Mecone provides practical, economically viable and sustainable advice and development services to private sector and government clients.

Mecone is highly experienced in the provision of statutory and strategic planning services, policy advice, urban graphics and mapping in New South Wales, Victoria and Queensland. Mecone is a leader in Urban Analytics and Policy, having worked on some of the largest and highest profile projects in Australia.

Our highly skilled team provide urban planning services across numerous sectors in the property development industry including residential, retail, and mixed use, industrial and commercial, transport and infrastructure, tourism and recreation.

Mecone's Mosaic mapping tool for property and planning info is available for free at mecone.com.au/mosaic.

For more information on Mecone, visit mecone.com.au or contact info@mecone.com.au.

About the Urban Land Institute

The Urban Land Institute is a non-profit education and research institute supported by its members. Its mission is to provide leadership in the responsible use of land and in creating and sustaining thriving communities worldwide.

Established in 1936, the institute has more than 45,000 members worldwide representing all aspects of land use and development disciplines, including more than 2,300 in the Asia Pacific Region.

A multidisciplinary real estate forum, ULI facilitates an open exchange of ideas, information and experience among industry leaders and policy makers dedicated to creating better places.

ULI Australia operates District Councils in Sydney, Brisbane and Melbourne, delivers regular content-rich events, forums and study tours (including two international study tours), participates in and contributes to global advisory panels and summits, and delivers the internationally recognised Urban Innovation Ideas Competition.

For more information on ULI, visit australia.uli.org or contact australia@uli.org.

Growth Outlook

Melbourne to 2031

From 2015 to 2031, the population of Victoria is projected to grow by 1.8 million, from 5.9 million to 7.7 million, at a rate of 1.7% per annum. Most of this growth is to occur within the Greater Melbourne Capital City Area, which is projected to reach a population of 5.1 million by 2021, growing to 6 million by 2031.

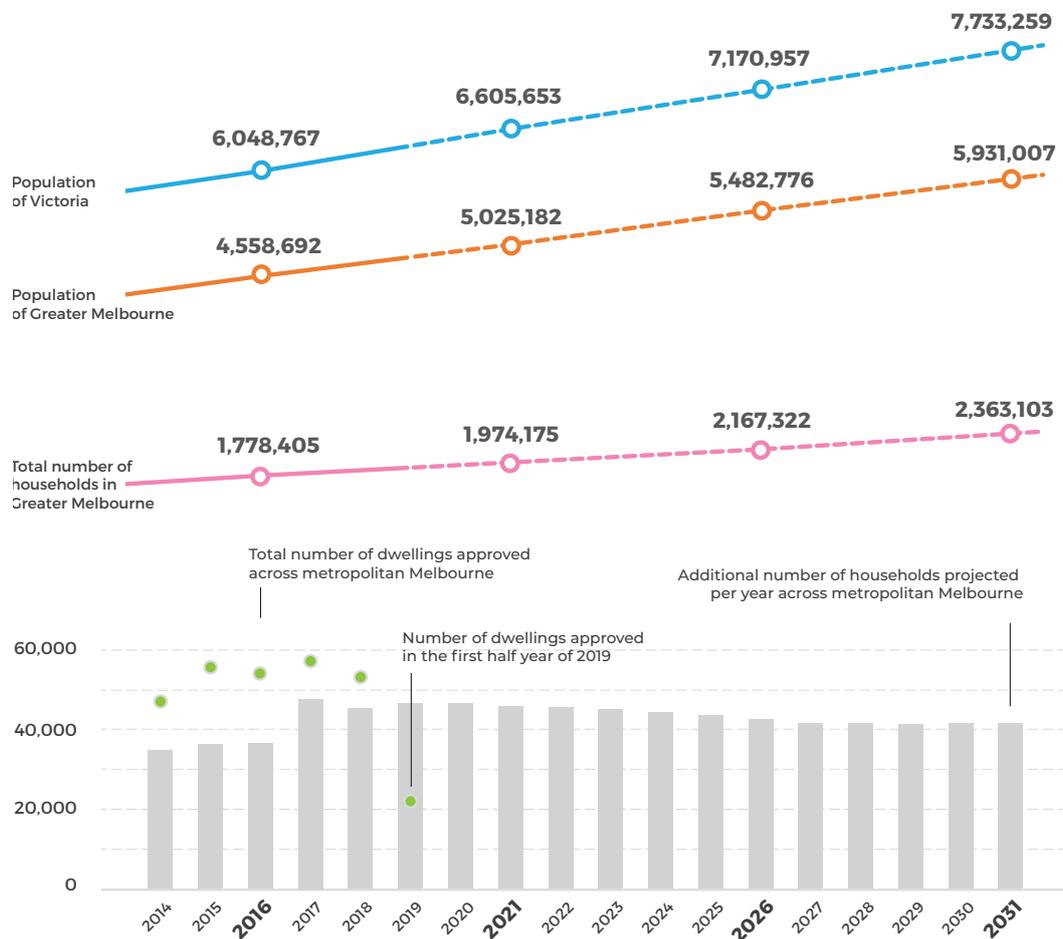
The key drivers of this population growth are primarily from net migration and natural increase. Net overseas migration accounts for between 52% and 60% of annual population growth over the projection period. Net interstate migration makes a relatively small contribution to Victoria's population change but has added as much as 13,000 to Victoria's growth in recent years. The second highest driver of population change is fertility rates over the period, accounting for approximately 32% and 40% of annual population growth.

Household formation is related to the age structure of the population, partnering trends, the age at which children leave home and a range of other factors. The older age structure projected for the future contributes to an increased proportion of one and two person households in Victoria. Changes to household formation and aging of the population will create demand for a wider variety of housing types and additional

housing to cater for the increasing population together with increasing need for one and two person housing types, retirement living and aged accommodation.

Victoria is expected to add approximately 850,000 additional dwellings to Greater Melbourne and approximately 210,000 additional dwellings to regional Victoria to 2031 to accommodate an additional 1.8 million people. The rate of growth is approximately 100,000 people per annum on average. This makes Melbourne the fastest growing city in Australia.

Past and projected dwelling approvals data confirms that dwelling approvals in Greater Melbourne have kept up with household formation in recent years, with more approvals generated than households formed, with projections for this trend to continue. However, over the past six months the number of dwellings approved has been below the five year average across almost all LGAs. While dwelling approvals remain higher than household formation each year, these do not all translate to construction commencements and there can also be a lag of up to two years between approval and completion of development.



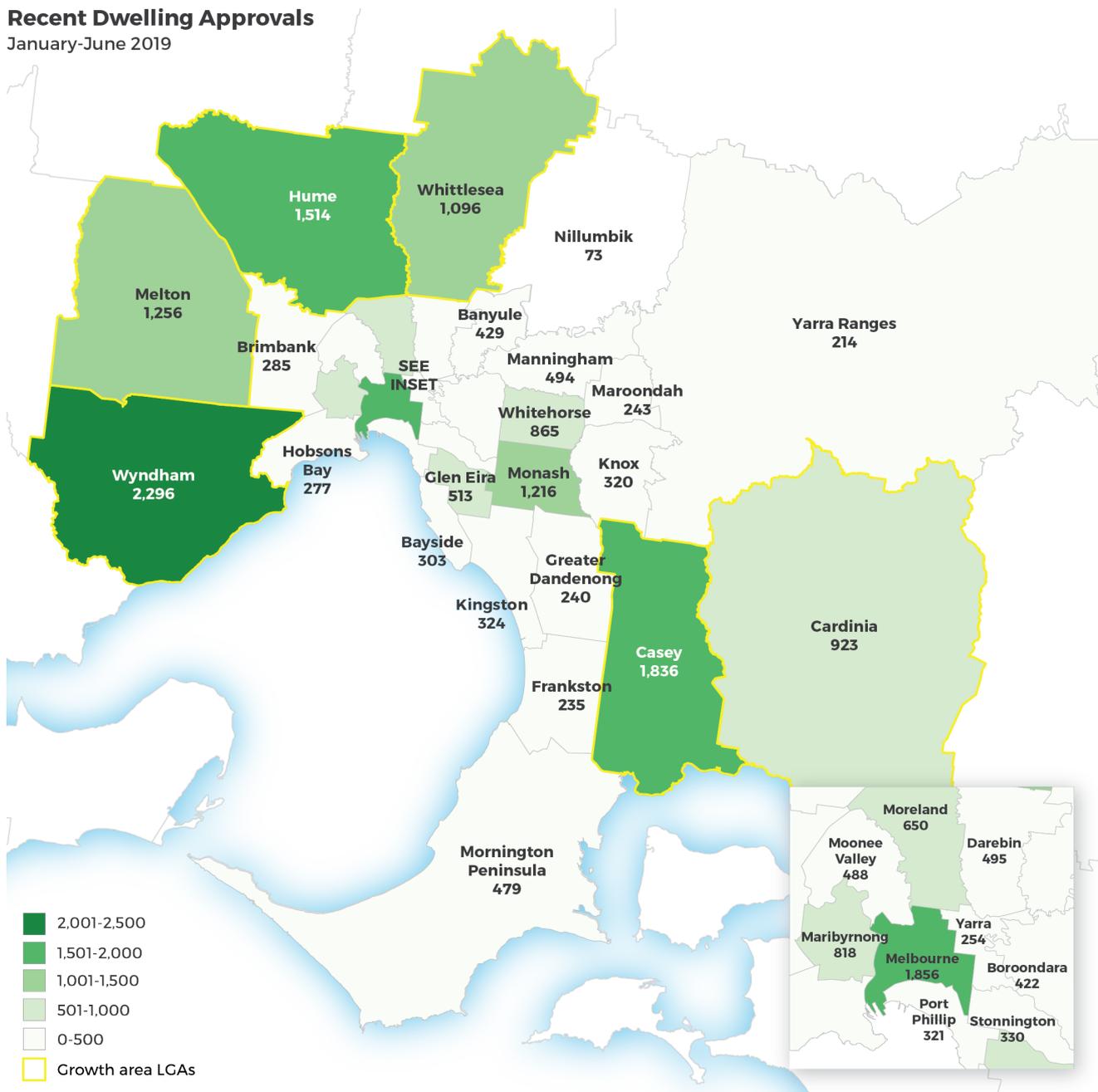
Source: ABS Household and Family Projections (3236.0), 2011 to 2036 and 2016 to 2041. State Government of Victoria, Victoria in Future 2016

Recent Dwelling Approvals

Planning approvals of dwellings per local government area across metropolitan Melbourne over the first half year of 2019

Source: ABS Building Approvals (8731.0), June 2019

Recent Dwelling Approvals January-June 2019



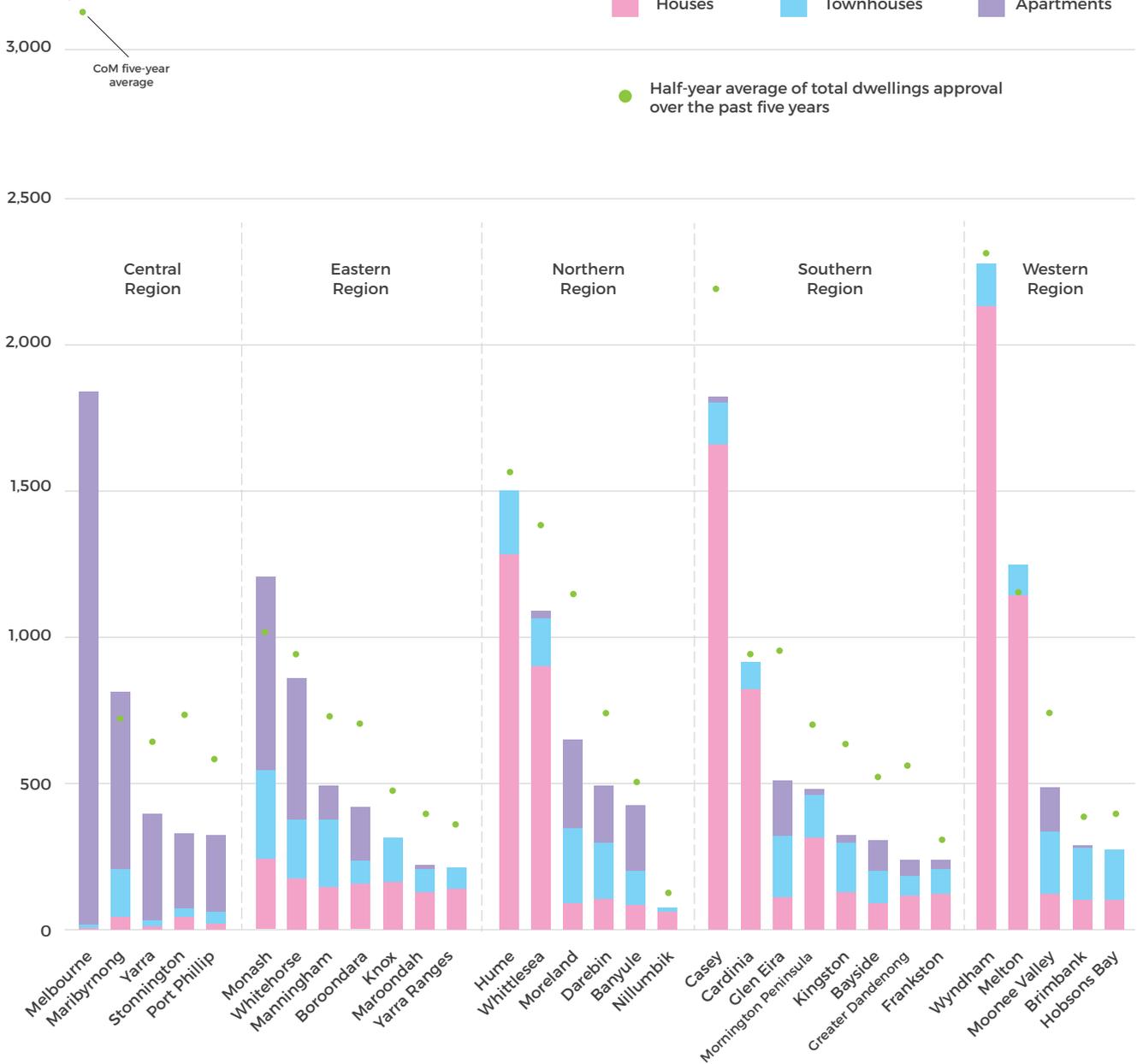
For the first half of 2019, growth areas continue to dominate dwelling approvals, while the City of Melbourne saw an increase from the previous period. In the first half of 2019, the three highest dwelling approvals were Wyndham, followed by Melbourne and then Casey. Compared to the previous six months, while the growth areas remained strong, they all saw a dip in their approvals. Most notably, Whittlesea that dropped by 26% down to 1,096, Wyndham down 20% to 2,296 and Casey down 18% to 1,836. Although there were substantial drops, Wyndham and Casey still led the way for approvals and much of this represented by detached housing.

Interestingly, for the other municipalities closer to the city, some had very little variation and others experienced major increases or decrease. For those that increased, particularly, City of Melbourne increased by five times to 1,856, Maribyrnong increasing by almost double to 818; those that decreased were; Stonnington by 69% down to 330, Greater Dandenong by 69% down to 240, Manningham down by 58% to 494 and Nillumbik down by 53% to 73.

The major increase in the City of Melbourne is expected, but the timing is not always predictable; the latest figuring much more closely aligned with the five year average. Such

Recent Dwelling Approvals

January-June 2019



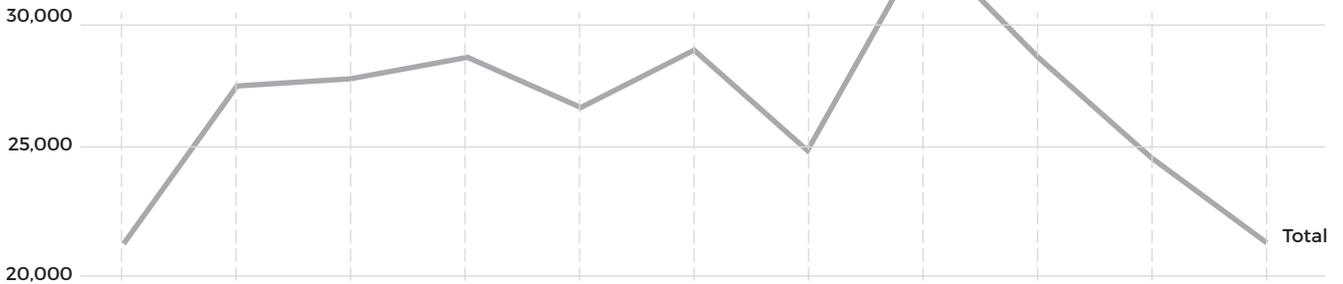
dramatic variation could be due to the density and scale of development being much greater than any other municipality and the ratio of dwellings per planning permit naturally being much higher than its counterparts. Outside the City of Melbourne, it would be fair to assume that another factor affecting approvals was driven by the general slowing of the development industry to changing interest rates, decline in land values (albeit marginal) and infrastructure projects that affect the feasibility of land in nearby affected areas.

When breaking down the actual type of dwellings being approved, Wyndham shows steady approvals similar to its

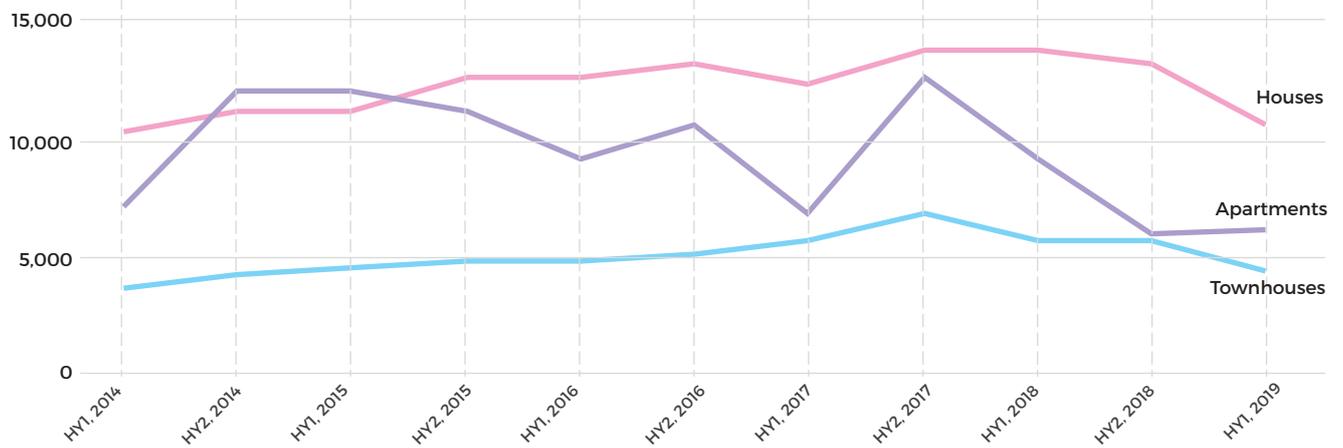
five-year average and being predominantly houses, much like the remainder of the Western region. The southern region shows all approvals being well below the five-year average and the mix of houses and townhouses being consistent with the previous period. Interestingly in the Northern region, there has been a spike in the number of apartment developments and this trend has continued onto the Eastern region. As expected, as one gets close to the city, the central region continues to be apartment developments, which is encouraging when considering the aspirations of *Plan Melbourne 2017-2050*.

Five-Year Total Dwelling Approvals

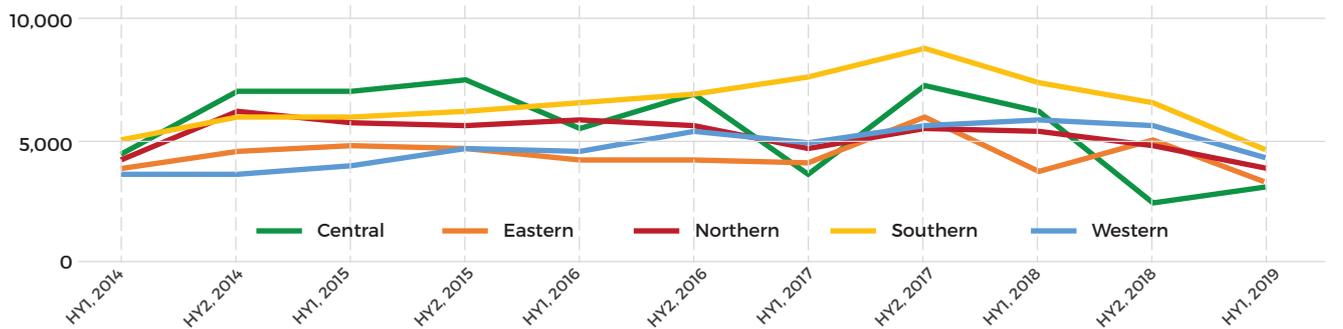
July 2014 – June 2019



By Type



By Region



existing planning policy and council processes, demonstrating a sense of predictability in certain suburbs where minimal or incremental change is expected and allowing for this nominal but consistent change to occur. By region, the number of dwellings being approved was evenly spread amongst the five regions and by 2019, nothing has changed, where the total for all regions ranges between 4,000 to 5,000. This shows the even growth to all regions and the natural and organic spread of housing across metropolitan Melbourne.

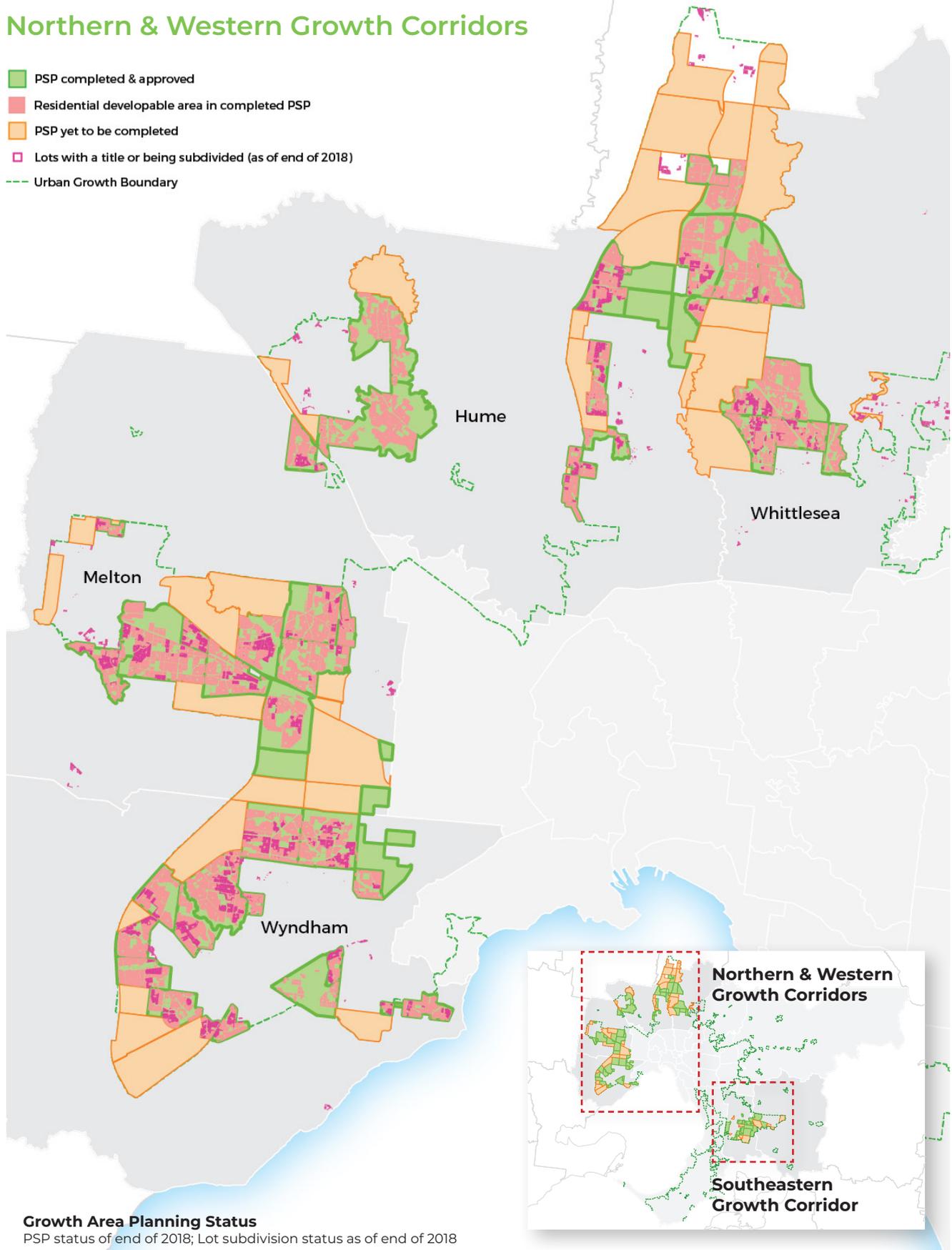
Growth Area Development Capacity

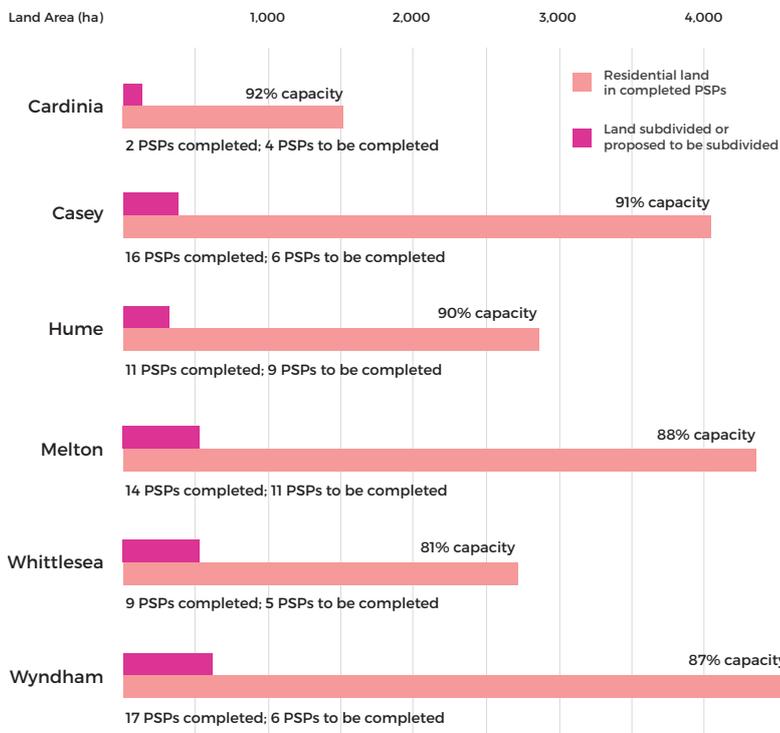
The status of Precinct Structure Plans and development capacity in Melbourne's urban growth areas (in the Urban Growth Zone)

Source: PSP status from Victorian Planning Authority, Precinct Structure Plans (February 2019); Lot subdivision from Department of Environment, Land, Water and Planning, Urban Development Program 2018

Northern & Western Growth Corridors

- PSP completed & approved
- Residential developable area in completed PSP
- PSP yet to be completed
- Lots with a title or being subdivided (as of end of 2018)
- Urban Growth Boundary





Melbourne’s growth areas are expected to accommodate 30% to 35% of Melbourne’s new housing (Plan Melbourne) and has delivered approximately 22,000 new lots annually over the past few years. Recently, Wyndham and Hume have been Victoria’s leading growth areas experiencing the highest growth in housing. Detached housing within the growth area municipalities continues to grow, representing relatively affordable housing within the Melbourne residential market. This trend and allocation of detached housing is consistent with conversion of detached housing to apartments in inner municipalities.

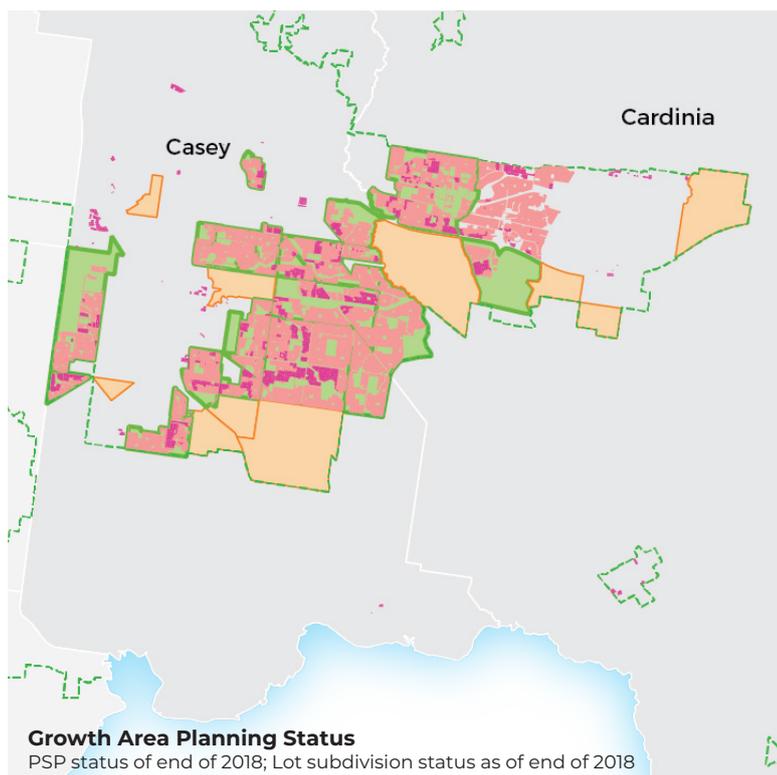
Compared to other growth area regions, the south-east growth area has less supply of Precinct Structure Plans (PSPs) either approved or yet to be approved. This is largely due to the more mature market in the south-east compared to the north and western regions. Cardinia and Casey Councils have only 10 PSPs that are yet to be approved.

The northern growth region, Hume and Whittlesea, have 14 PSPs yet to be approved and the western growth region, Melton and Wyndham, have combined 17 PSPs to be approved.

Within each of the growth areas, land that has already been approved and developed typically occurs adjacent to established townships and suburbs where infrastructure is available. The delivery of housing in the growth areas is dependent on infrastructure availability and civil construction, with typically a considerable lag between the pre-sales of lots and settlement of land.

Both sides of Parliament have indicated support to lock away Melbourne’s Urban Growth Boundary in perpetuity. This will place pressure on the timing and delivery of housing within the nominated growth areas. Interestingly when reviewing the graph, evidently each growth area still has a substantial amount of land that is yet to be subdivided. This indicates that the growth and development that has occurred should continue to occur over the next five year period as land is appropriately subdivided off to ensure growth areas reach capacity. Currently the growth areas have capacity of 81%-92%, meaning there is a vast amount of land to be potentially subdivided.

Southeastern Growth Corridor



Infrastructure Pipeline

An overview of the current transport infrastructure projects under planning or construction across metropolitan Melbourne

Source: Australian Government, Build Our Future. State Government of Victoria, Victoria's Big Build

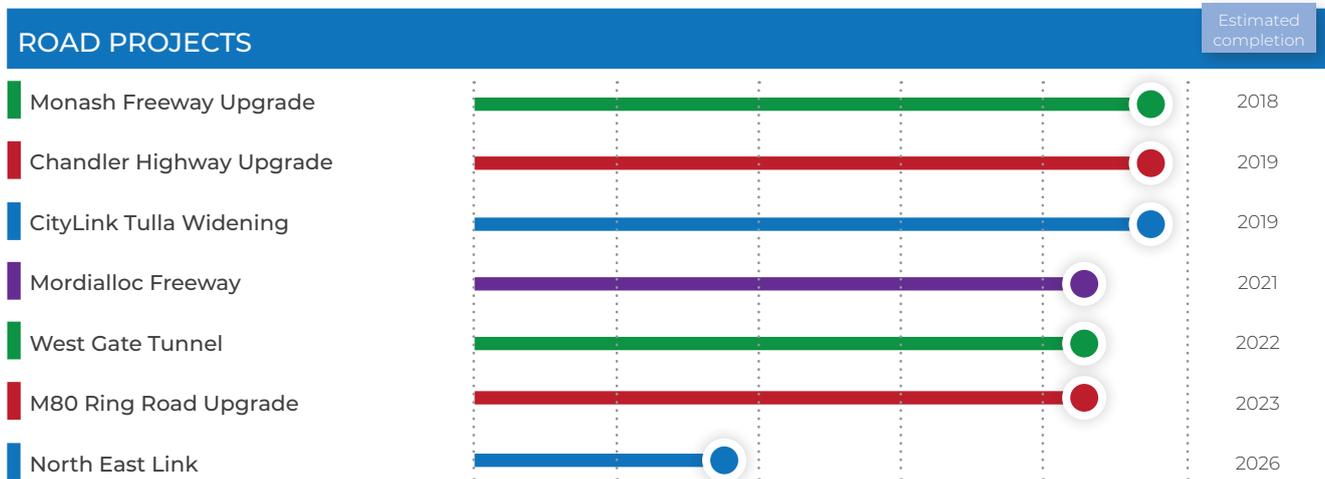
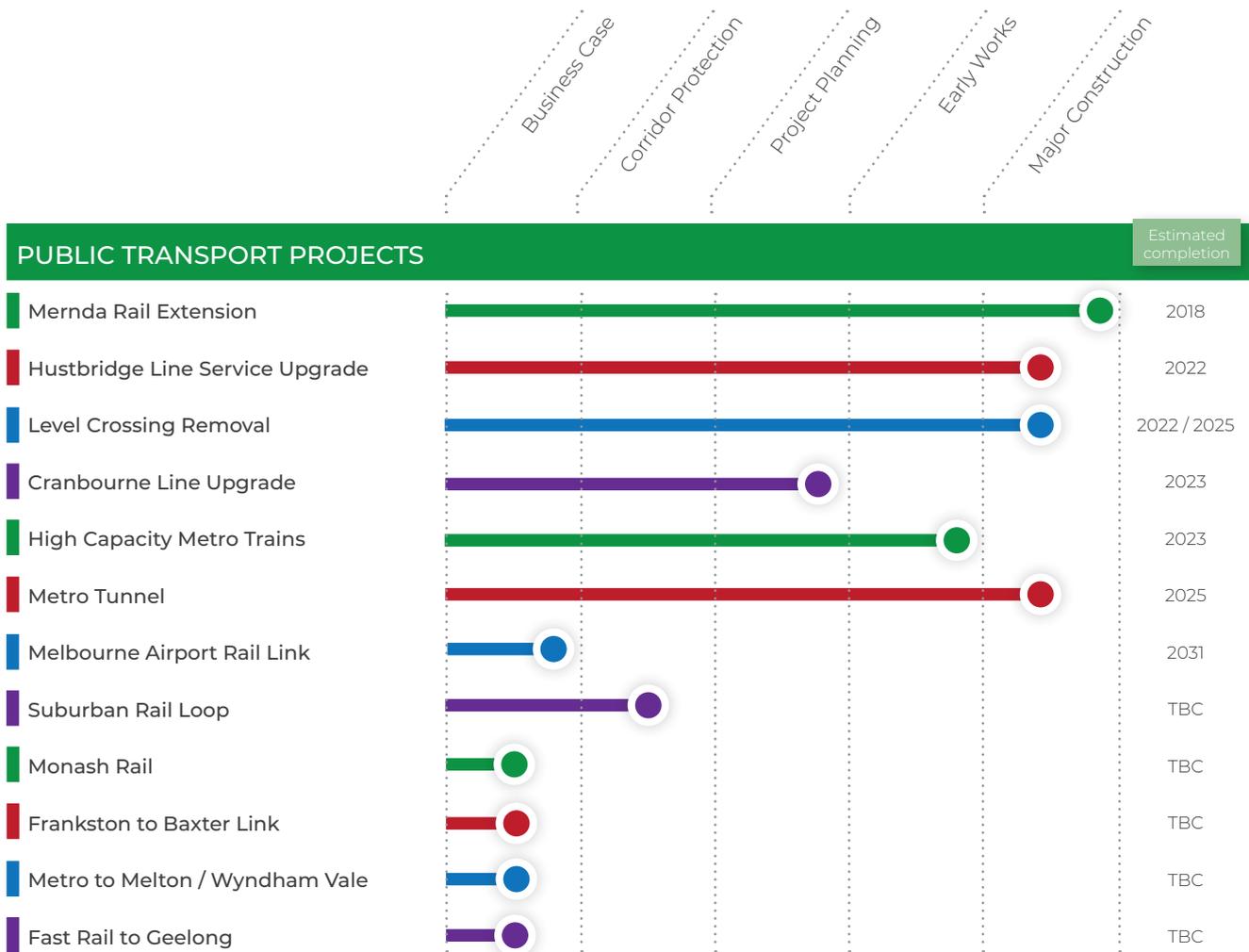


As the population grows, the transport network of metropolitan Melbourne and regional Victoria is experiencing unprecedented demand. Construction continues across Victoria to make way for \$70 billion worth of transport projects being delivered, including major projects like Melbourne Metro, Level Crossing Removal and the West Gate Tunnel.

Construction for the **Melbourne Metro** continues until 2025. Valued at over \$11 billion, the project will deliver a new metro tunnel between the west of the CBD to the south-east with five new underground stations at North Melbourne, Parkville, State Library, Town Hall and Domain.

Planning continues to be underway for a number of further major infrastructure projects with the Suburban Rail Loop, Melbourne Airport Rail Link progressing in the planning and business case stage.

The development of Business Case for the **Melbourne Airport Rail Link** continues. A preferred route linking the Melbourne CBD to Tullamarine Airport via Sunshine has been established. The Business Case is expected to be completed in 2020 which will identify station options and value capture opportunities. Construction will commence in 2022 and expected to be completed by 2031.



The **Suburban Rail Loop** as the Victoria's largest city-shaping infrastructure project is expected to commence construction in 2022. The project will include 16 new stations in Melbourne's middle suburbs with connection to the new Airport Link. The new Suburban Rail Loop Authority has been set up to oversee the delivery. The preferred alignment and station precincts have been identified for the first stage of the project between Cheltenham and Box Hill. Early site investigations have commenced for some station precincts.

The **Western Rail Plan** has identified a number of major projects to improve the connectivity in Melbourne's west and region. These include two new metro rail lines from Sunshine to Melton and from Sunshine to Wyndham Vale. A connection between Wyndham Vale and Werribee will be considered as part of the Suburban Rail Loop. Additional tracks between Sunshine and the CBD in an underground tunnel are being considered as part of the Melbourne Airport Rail Link. Fast rails from Sunshine to Ballarat and Geelong are also being explored.



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