Plan for Victoria
Towards a new model

Macroplan
6th September 2024

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Submission to Department of Transport & Planning on Plan Victoria
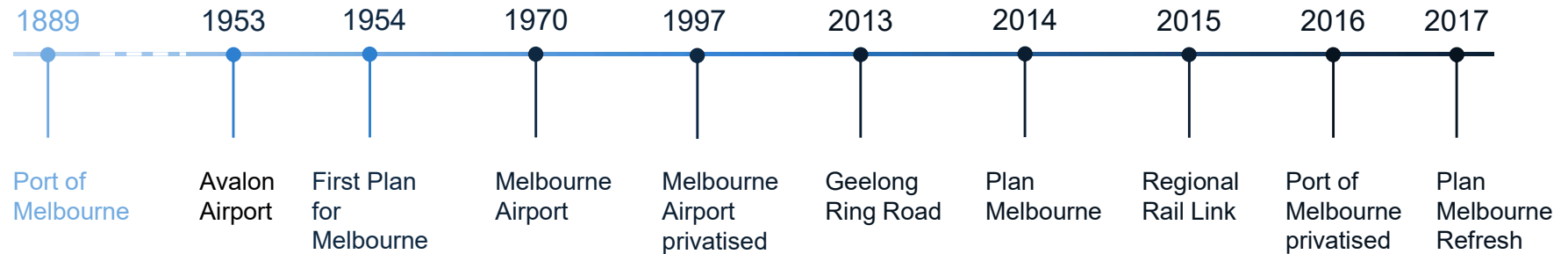
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1_
A Recent History of Planning and Infrastructure

1_A Recent History of Planning and Infrastructure

- A new plan for the State – Plan for Victoria – is on the horizon. This submission suggests a new way of accommodating growth in Victoria that is affordable, aligns with Melburnian's housing choices and reflects the distinctiveness of Melbourne.

- We need to review the past to look at the future.

- We understand that State Government thinking will likely evolve from recent scenario modelling undertaken by SGS, CIE and interpreted by Infrastructure Victoria, but this is deeply flawed.

- Key reports around the concept of "Choosing Victoria's Future" were released in October of last year but have not been widely discussed.

- These reports estimate the cost differentials and impacts of pursuing different city models including state-wide options.

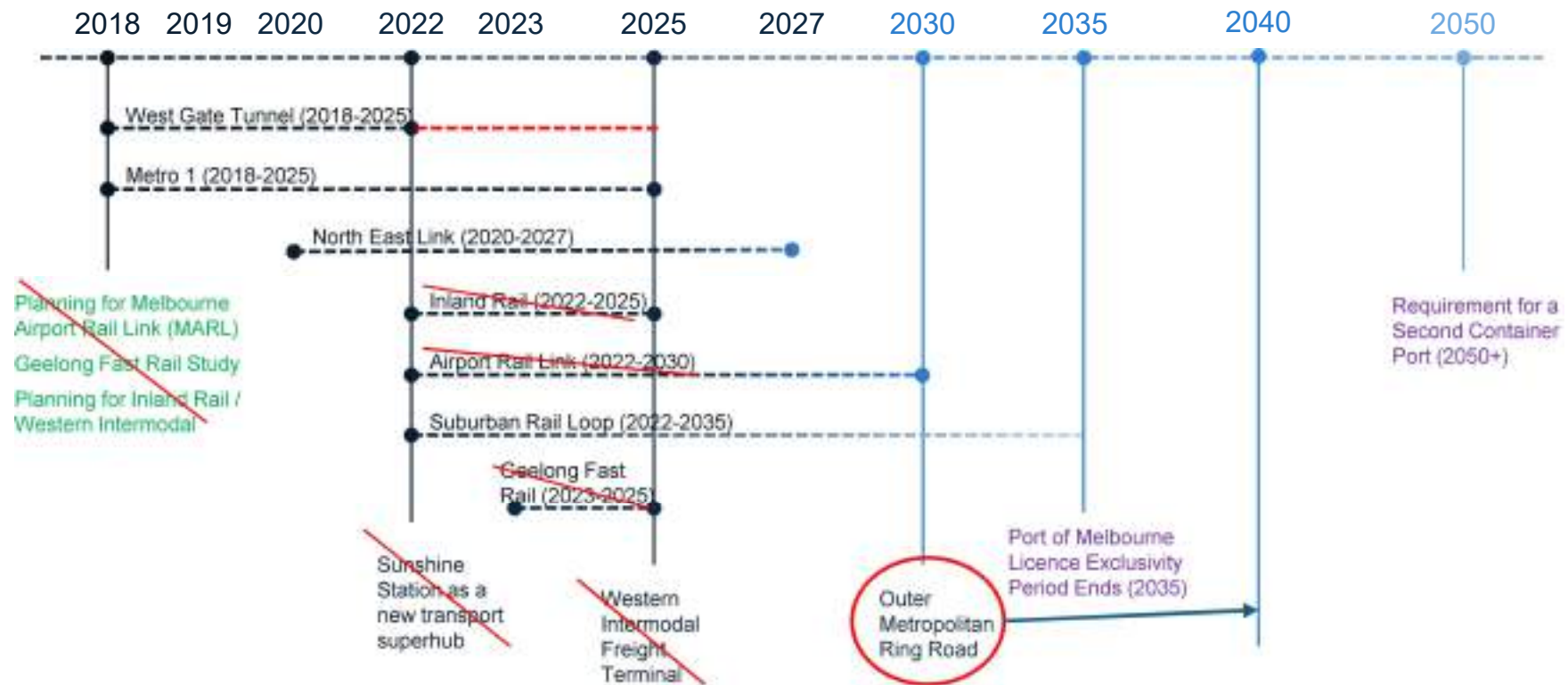- The majority of major infrastructure will move to the west and north as shown in the maps in this section.

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1_A Recent History of Planning and Infrastructure

Melbourne's Planning Timeline - Historic

1889	1953	1954	1970	1997	2013	2014	2015	2016	2017
Port of Melbourne	Avalon Airport	First Plan for Melbourne	Melbourne Airport	Melbourne Airport privatised	Geelong Ring Road	Plan Melbourne	Regional Rail Link	Port of Melbourne privatised	Plan Melbourne Refresh

Source: Various, MacroPlan

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1_A Recent History of Planning and Infrastructure

Infrastructure: Plan Melbourne Vs. Today

Source: Various, Macroplan

1_A Recent History of Planning and Infrastructure
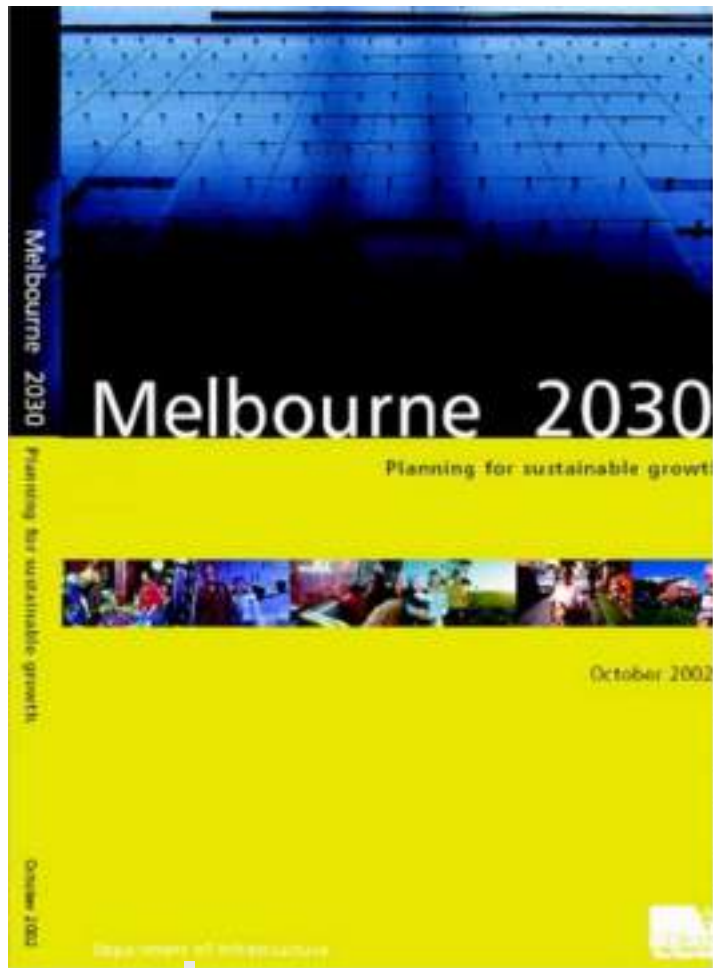
Melbourne 2030

Vision

In the next 30 years, Melbourne will grow by up to one million people and will consolidate its reputation as one of the most liveable, attractive and prosperous areas in the world for residents, business and visitors.

On Census Night 7th August 2001, **3,338,704** people were counted in Melbourne

ViF 2023: Melbourne will have 6 Million people by 2031 i.e. **2.6 million more than forecast in Melbourne 2030.**

We are at 5.2 million now, by 2056 we will likely be at 8.6 million. i.e. 3,400,000 more.

That is the equivalent of adding an entire 2001 Melbourne to existing Melbourne.

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1_A Recent History of Planning and Infrastructure

Melbourne Airport
Opened in 1970

Melbourne

Geelong

Legend:
- 1883
- 1927
- 1954
- 1971
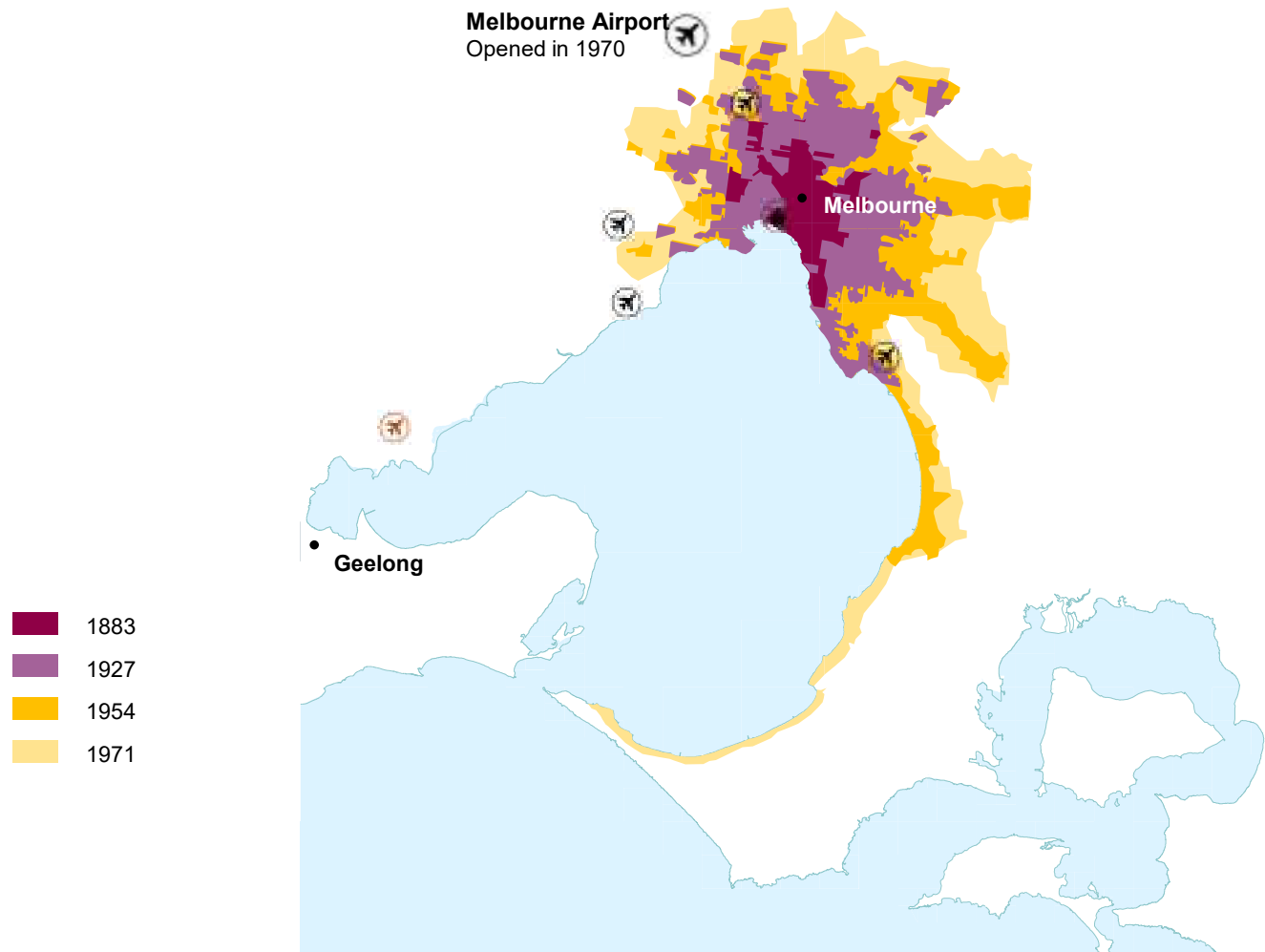
Planning Policies for the Melbourne Metropolitan Region (1971)
Melbourne and Metropolitan Board of Works

Population of Melbourne as at 1971

2,480,300

Source: Plan Melbourne 2017, DELWP

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1_A Recent History of Planning and Infrastructure

Melbourne's Urban Growth | 1990s-2000s
Fast population growth | Suburbanisation

Melbourne to Sydney is the second most travelled passenger air path in the world

Melbourne Airport
Privatised in 1997

Melbourne

Avalon Airport
Privatised in 1995

Geelong

1883	
1927	
1954	
1971	
2001	
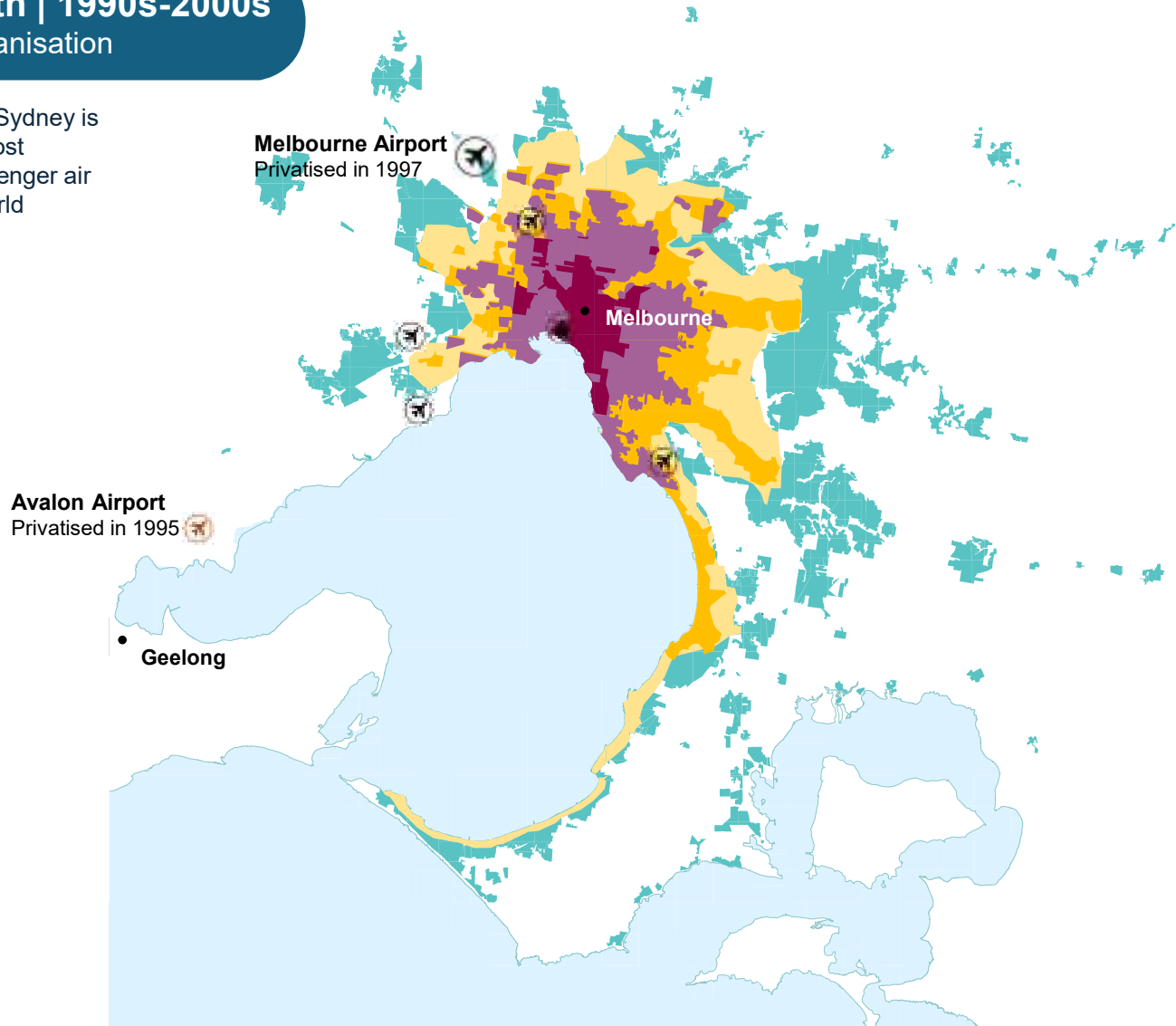
Melbourne 2030 - Planning for Sustainable Growth (2002)

Population of Melbourne as at 2001

3,500,249
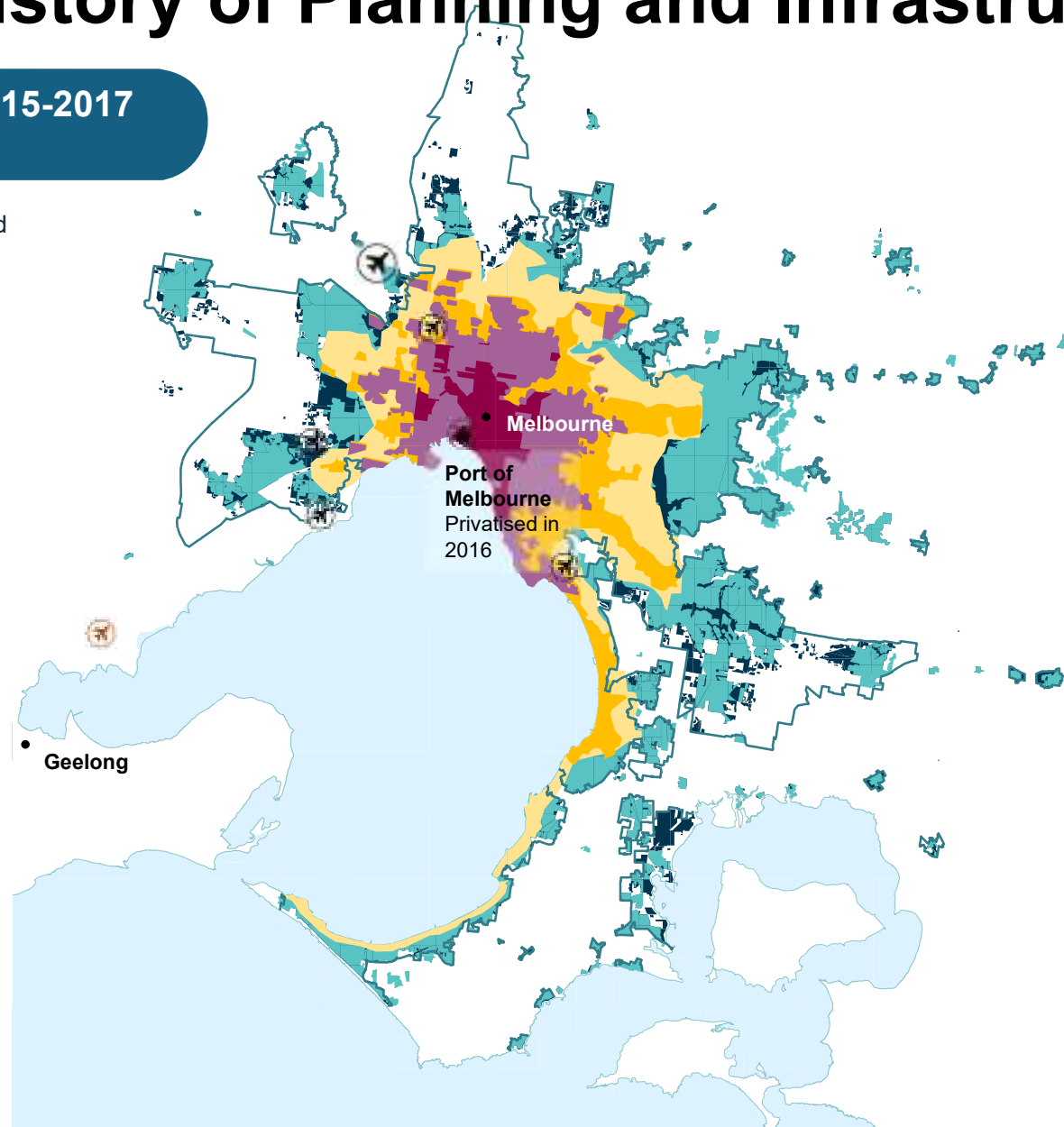
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Source: Plan Melbourne 2017, DELWP, ABS

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Melbourne's Urban Growth | 2015-2017

80% of future greenfield growth occurs in the north and west of Melbourne

Melbourne

Port of Melbourne
Privatised in 2016

Geelong

Legend:
- 1883
- 1927
- 1954
- 1971
- 2001
- 2015
- 2016 Urban Growth Boundary (UGB)

PLAN MELBOURNE
METROPOLITAN PLANNING STRATEGY

Plan Melbourne (2014)

PLAN MELBOURNE

Plan Melbourne Fresh (2017)

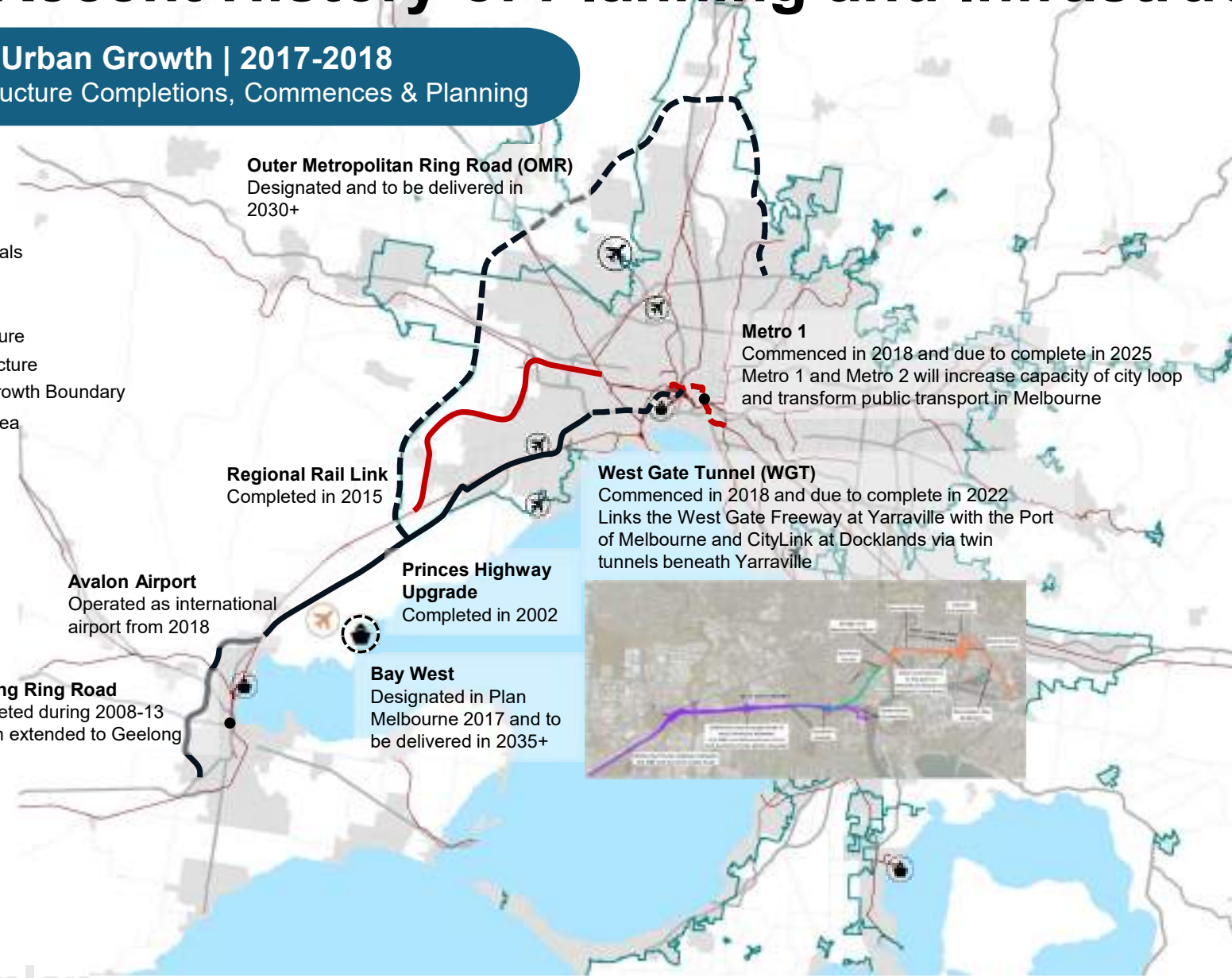**Population of Melbourne** as at 2017

4,843,781

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1_A Recent History of Planning and Infrastructure

Melbourne's Urban Growth | 2017-2018
Current | Infrastructure Completions, Commences & Planning

Legend:
- ✈ Airports
- ⚓ Seaports
- 🚚 Freight Terminals
- ── Railways
- ── Major Roads
- ── Rail Infrastructure
- ─ ─ Road Infrastructure
- ▭ 2016 Urban Growth Boundary
- ▨ 2017 Urban Area

Outer Metropolitan Ring Road (OMR)
Designated and to be delivered in 2030+

Metro 1
Commenced in 2018 and due to complete in 2025
Metro 1 and Metro 2 will increase capacity of city loop and transform public transport in Melbourne

Regional Rail Link
Completed in 2015

West Gate Tunnel (WGT)
Commenced in 2018 and due to complete in 2022
Links the West Gate Freeway at Yarraville with the Port of Melbourne and CityLink at Docklands via twin tunnels beneath Yarraville

Avalon Airport
Operated as international airport from 2018

Princes Highway Upgrade
Completed in 2002

Geelong Ring Road
Completed during 2008-13
Growth extended to Geelong

Bay West
Designated in Plan Melbourne 2017 and to be delivered in 2035+

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Note: Indicative only
Source: Plan Melbourne 2017, UDP 2017, etc., Macroplan Dimasi

1_A Recent History of Planning and Infrastructure

Plan Melbourne Addendum 2019

- The Plan Melbourne 2017-2050 Addendum 2019 introduced:
  - Melbourne Airport Rail (MAR)
  - North-East Link
  - Suburban Rail Loop

- It also acknowledges the early investigation of the elements of the Western Rail Plan beyond completion of MAR.

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1_A Recent History of Planning and Infrastructure

Melbourne's Urban Growth | 2030
Future

By 2030, land supply in the South and East exhausts and growth in the North and West reaches 100%

✈ Airports
⚓ Seaports
🚛 Freight Terminals
── Railways
── Major Roads
── Rail Infrastructure
── Road Infrastructure
▢ 2016 Urban Growth Boundary
▨ 2017 Urban Area
▨ 2019
▨ 2022
▨ 2028+
▨ Future

Inland Rail
Completes in 2025

Outer Metropolitan Ring Road (OMR)
To be delivered in 2030+

Melbourne Airport
Passenger number forecasts at **50+ million by 2030**

North East Link (NEL)
Completes in 2029

Melbourne Airport Rail Link (MARL)
Completes in 2030+

Western Intermodal Freight Terminal (WIFT)
completes in 2025

Metro 1
Completes in 2025

West Gate Tunnel (WGT)
Completes in 2022

Port of Melbourne
Pre-planning

Suburban Rail Loop (SRL)
Commences in 2022

Geelong Fast Rail
Completes in 2025
Fast growth between Geelong and Wyndham

Port Link Road
To be planned and connected to MOR

Bay West
Pre-planning

Forecast Population of Melbourne in 2031
6.0M

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Note: Indicative only
Source: Plan Melbourne 2017, UDP 2017, ABS, Victoria in Future (2016)etc., Macroplan Dimasi

1_A Recent History of Planning and Infrastructure

In framing a new Plan for Victoria, the Victorian Government has considered **five scenarios in '**Choosing Victoria's Future' – but proposes a **Compact City** model for Melbourne.

1_A Recent History of Planning and Infrastructure

Scenario 1: Compact City

High population growth

Moderate population growth

Incremental population growth

High employment growth

Moderate employment growth

Incremental employment growth
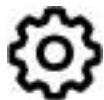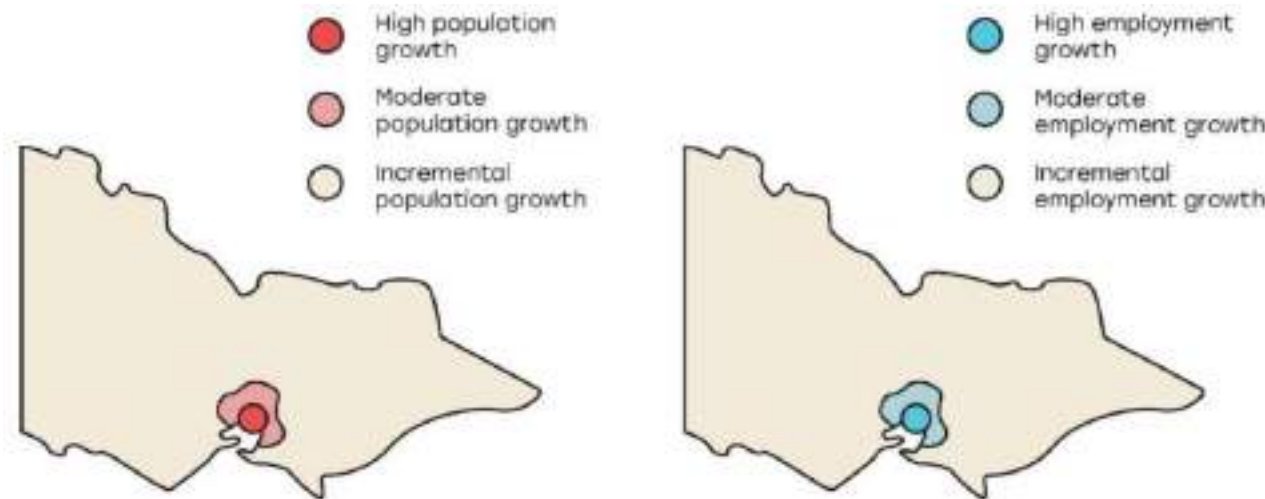
⚙ The highest growth is in inner Melbourne and around transport corridors.

⚙ Inner areas have many more high-density homes with most new homes built around the central city.

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Source: The CIE, Economic, social and environmental impacts of alternative urban development scenarios for Victoria, Prepared for Infrastructure Victoria, Sept 2023

1_A Recent History of Planning and Infrastructure

Scenario 2: Consolidated City

High population growth

Moderate population growth

Incremental population growth

High employment growth

Moderate employment growth

Incremental employment growth
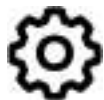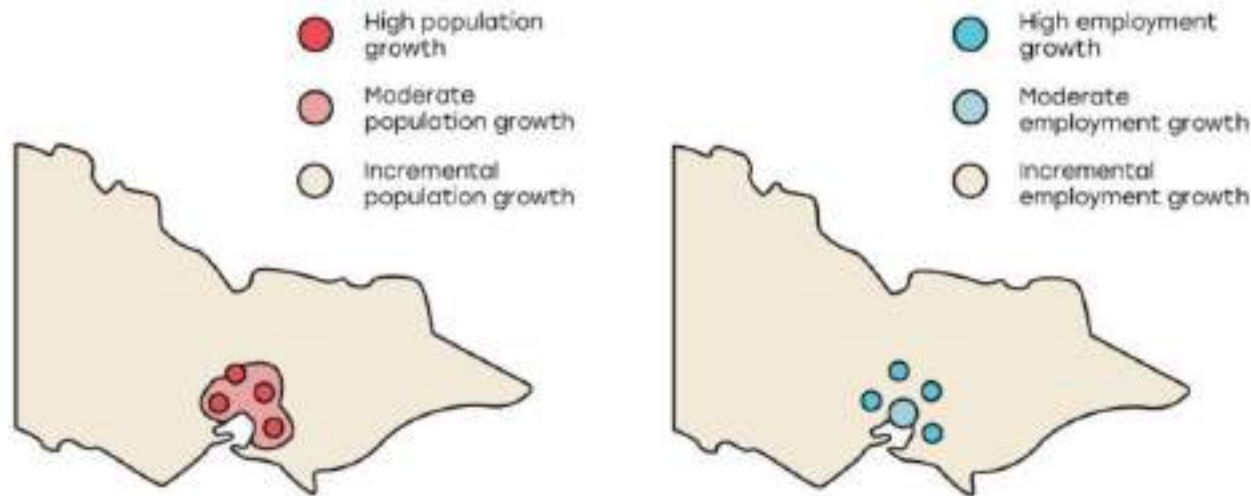
Inner and middle areas have many more medium-density homes.

Several high-density job precincts in middle suburbs, surrounded by townhouses and low-rise apartments.

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Source: The CIE, Economic, social and environmental impacts of alternative urban development scenarios for Victoria, Prepared for Infrastructure Victoria, Sept 2023

1_A Recent History of Planning and Infrastructure

Scenario 3: Dispersed City

High population growth

Moderate population growth

Incremental population growth

High employment growth

Moderate employment growth

Incremental employment growth
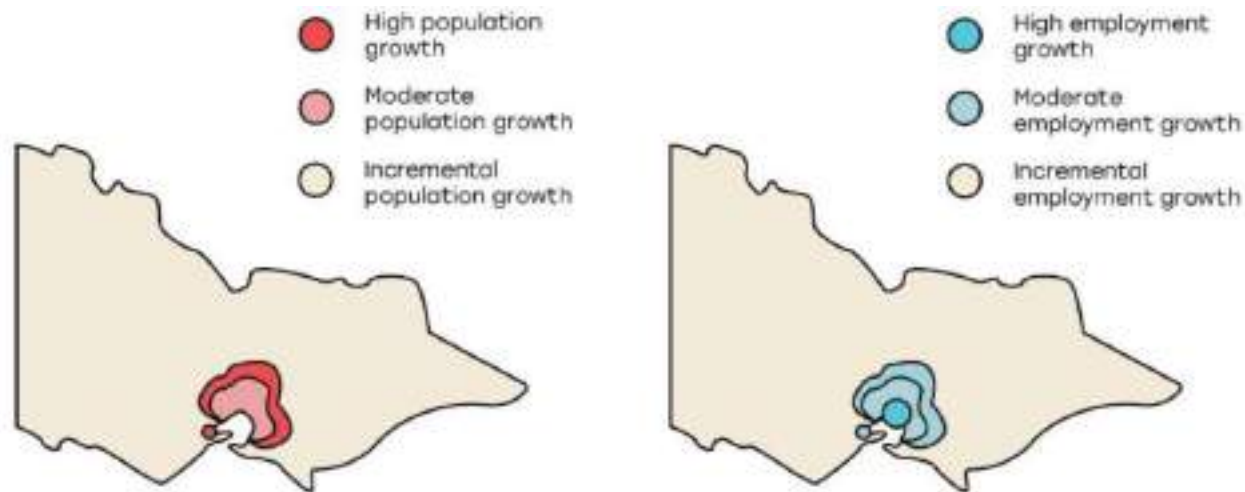
⚙ Large detached homes on the outskirts of Melbourne, with most new homes built in the urban fringe

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Source: The CIE, Economic, social and environmental impacts of alternative urban development scenarios for Victoria, Prepared for Infrastructure Victoria, Sept 2023

1_A Recent History of Planning and Infrastructure

Scenario 4: Network of Cities
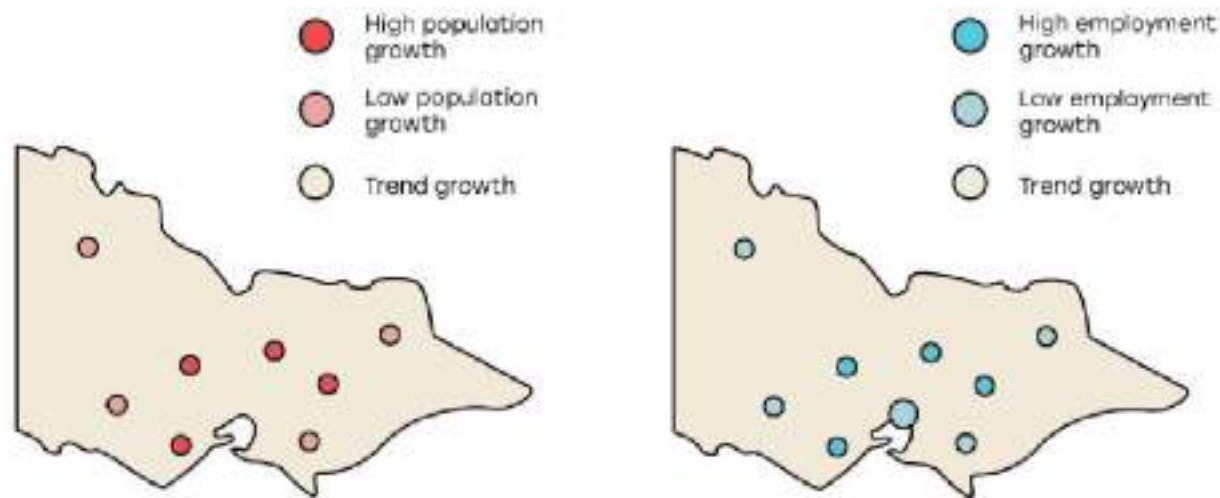
Regional centres have many more homes with regional cities accommodating more than a third of Victoria's population growth.

Includes Ballarat, Bendigo and Geelong.

Source: The CIE, Economic, social and environmental impacts of alternative urban development scenarios for Victoria, Prepared for Infrastructure Victoria, Sept 2023

1_A Recent History of Planning and Infrastructure

Scenario 5: Distributed State
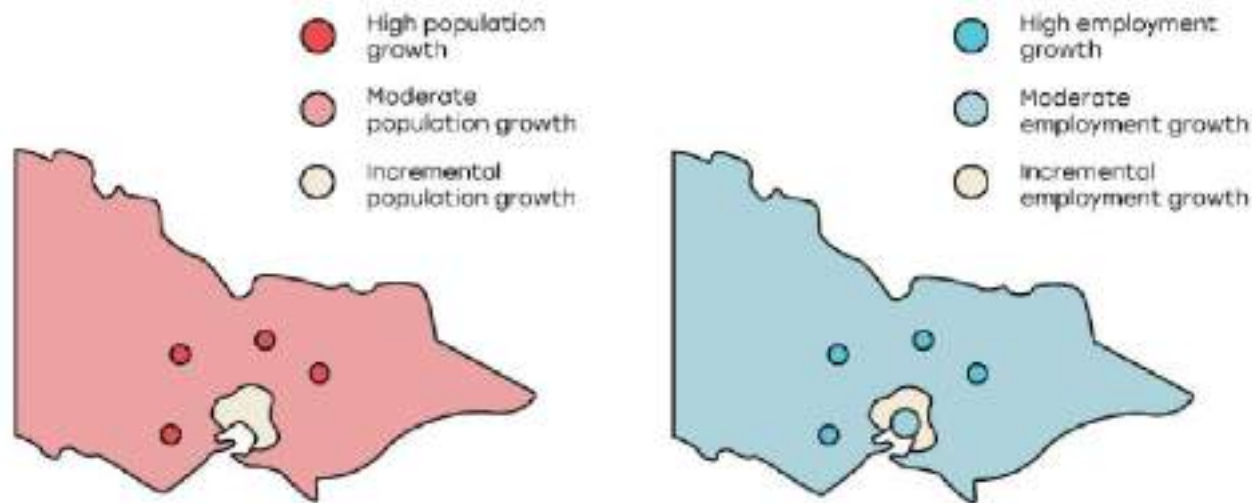
Victoria's rural population grows rapidly with regional towns and rural areas having many more homes.

More people work remotely in larger homes and access open spaces.

Source: The CIE, Economic, social and environmental impacts of alternative urban development scenarios for Victoria, Prepared for Infrastructure Victoria, Sept 2023

1_A Recent History of Planning and Infrastructure

The Infrastructure Victoria assessment is clearly biased towards a **Compact City** model with a monocentric design…

Assessment by IV is Melbourne-centric i.e. there is no assessment of the cultural and social benefits or costs of living in smaller communities, etc.

Assumes professional, scientific and technical people cluster around universities, hospitals and quality food and beverage. (To be serviced by renters living in high-rise apartments - small)

Most people do not want to live in a Compact City model as shown below.

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1_A Recent History of Planning and Infrastructure

What are housing preferences in Victoria?

Grattan Institute Survey (2011)

"...most residents in Sydney and Melbourne actually want more density if it means being able to live in a better-located suburb. Denser dwellings – townhouses, apartments, etc – made up 44 per cent of Sydney's Housing in 2016, and 33 per cent of Melbourne's. Yet a Grattan Institute survey showed that residents say they actually want those numbers to be 59 per cent in Sydney and 52 per cent in Melbourne."

Source: Grattan Institute The Housing We'd Choose, June 2011

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CIE Survey 2022

68% of people want to live in detached dwellings.

73.1% want to live in regional, outer or growth areas – but that was in 2022.

HOUSING PREFERENCES CLEARLY CHANGED WITH WORK FROM HOME

Source: The CIE, Economic, social and environmental impacts of alternative urban development scenarios for Victoria, Prepared for Infrastructure Victoria, Sept 2023

1_A Recent History of Planning and Infrastructure

Table 1: The homes people would choose if they had to move in Melbourne, Geelong or Ballarat at prevailing prices, % total

	Inner	Middle	Outer	Growth	Regional	TOTAL
House (1-2 bed)	0.1%	1.0%	2.1%	1.2%	1.4%	5.8%
House (3+ bed)	0.9%	5.1%	20.1%	24.2%	11.8%	62.2%
Townhouse (1-2 bed)	0.3%	2.0%	3.2%	1.1%	1.2%	7.7%
Townhouse (3+ bed)	0.5%	2.0%	1.9%	1.9%	0.5%	6.7%
Apartment (1-2 bed)	8.5%	5.6%	1.6%	0.3%	0.2%	16.2%
Apartment (3+ bed)	0.5%	0.4%	0.3%	0.1%	0.0%	1.3%
TOTAL	10.8%	16.1%	29.3%	28.7%	15.1%	100.0%

The Centre for International Economics, *Demand for housing in Victoria: stated preference research*, 2022

Source: The CIE, Economic, social and environmental impacts of alternative urban development scenarios for Victoria, Prepared for Infrastructure Victoria, Sept 2023

1_A Recent History of Planning and Infrastructure

What about relative infrastructure costs?

4.5 Cost per new dwelling across scenarios to 2056 – absolute total cost ($ '000)

Sector	Sc1 Compact City	Sc2 Consolidated City	Sc3 Dispersed City	Sc4 Network of Cities	Sc5 Distributed State
	$ '000, real	$ '000, real	$ '000, real	$ '000, real	$ '000, real
Local infrastructure	74	82	89	87	90
Education	31	24	24	23	20
Open space	14	9	8	7	6
Community facilities	14	11	10	10	8
Electricity	45	47	50	50	49
Gas	7	7	7	7	7
Water and Wastewater	20	21	22	24	26
Transport	224	240	242	237	235
Total	429	442	452	446	441
Difference to Dispersed City scenario	-23	-10	0	-6	-11

Note: Figures are denoted in real 2022/23 dollars. Cost includes cumulative operating cost until 2056. Note: Figures are denoted in real 2022/23 dollars. Cost includes cumulative operating cost until 2056. Figures may not add up due to rounding.

Data source: CIE.

Our estimate of open space costs for a urban functional areas could be between $96,000 and $144,000 per dwelling referencing SGS 2024 report (below)

Public open space contributions in Victoria: A preferred approach

Source: The CIE, Economic, social and environmental impacts of alternative urban development scenarios for Victoria, Prepared for Infrastructure Victoria, Sept 2023; Macroplan 2024
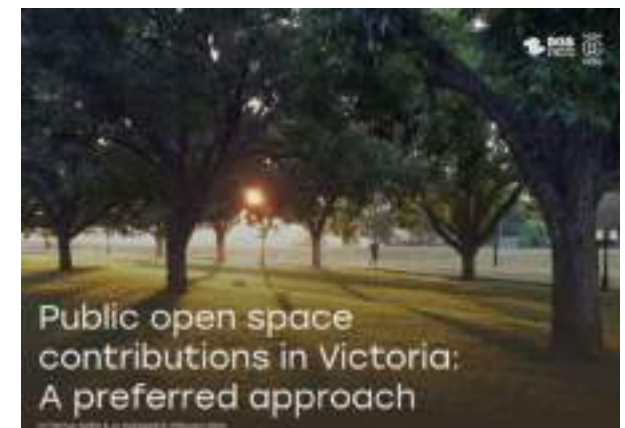
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1_A Recent History of Planning and Infrastructure

Our estimates of open space infrastructure costs

10sqm Green Space/pp

Item	Estimate
Area allocation per person (sqm)	10
Average hh size (no.)	2.4
Allocation per household	24
Number households	**2,000,000**
Assumed no. residents (no)	3,000,000
Total open space reqt (sqm)	48,000,000
Total open space reqt (ha)	4,800
Av. cost/sqm	$2,000
Total cost	$96,000,000,000
Average cost/ha	$9,600,000
Average cost/household*	**$48,000**

Note: Excludes cumulative operational costs

20sqm/pp

Item	Estimate
Area allocation per person (sqm)	20
Average hh size (no.)	2.4
Allocation per household	48
Number households	**2,000,000**
Assumed no. residents (no)	3,000,000
Total open space reqt (sqm)	96,000,000
Total open space reqt (ha)	9,600
Av. cost/sqm	$2,000
Total cost	$192,000,000,000
Average cost/ha	$19,200,000
Average cost/household*	**$96,000**

Note: Excludes cumulative operational costs

30sqm/pp

Item	Estimate
Area allocation per person (sqm)	30
Average hh size (no.)	2.4
Allocation per household	72
Number households	**2,000,000**
Assumed no. residents (no)	3,000,000
Total open space reqt (sqm)	144,000,000
Total open space reqt (ha)	14,400
Av. cost/sqm	$2,000
Total cost	$288,000,000,000
Average cost/ha	$28,800,000
Average cost/household*	**$144,000**

Note: Excludes cumulative operational costs

Source: Macroplan 2024, SGS 2024

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1_A Recent History of Planning and Infrastructure

Our views on Infrastructure Victoria's estimates

Source: Infrastructure Victoria, Choosing Victoria's Future, October 2023

1_A Recent History of Planning and Infrastructure

What does this mean?

There is an **insignificant difference** between the Compact, Consolidated and Dispersed city models.

Our view is the Infrastructure Victoria cost estimates are **misleading**.

Based on the IV data (including its supplementary reports), all these 'city-based' models result in **higher house prices,** higher **environmental impacts** from transport and overall emissions

The Company City Model is the least affordable and least desired by the Community.

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1_A Recent History of Planning and Infrastructure

The Market is Unable to Respond to the Compact City Model

- The report did not assess the market's ability to deliver each scenario.

- To meet the targets in the Compact City model, Victoria would need to build 56,000 apartments every year at a minimum (based on 80,000 dwellings per annum as per the Government target of 80,000 dwellings).

- This is 3-4 times more than the 15,000 per annum that were being constructed at the height of the apartment boom in the mid 2010s (we are currently constructing 7,500 per annum).

- Victoria simply does not have the building capacity to reach this level of construction consistently, nor catch up by the later segments of the forecast on current trends.

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1_A Recent History of Planning and Infrastructure

Home Ownership

We are currently tearing up our way of life. In the next 15 to 20 years less then half of Australia will own their own home.

	Australia	Canada	France	Germany	Japan	United Kingdom	United States
Home ownership rate (per cent)[a]	63.0	69.2	61.7	43.8	61.2	67.3	65.5

Source: Australian Government, Barriers to Institutional Investment, Finance and Innovation in Housing Report July

1_A Recent History of Planning and Infrastructure

Transitions into home ownership

This suggests we are headed for less than 50% home ownership, which is why the BTR suppliers are lining up

The key problem is long term

either we plug the gap in home

ownership via a **new policy mix**

or we take the risk of letting

corporates dominate the rental

sector / housing market.

Birth Cohort	1950–54	1955–59	1960–64	1965–69	1970–74	1975–79	1980–84	1985–89
Home ownership rate (%)	63	65	59	57	54	50	46	45
Mean national house price (2016 $)	202,772	215,683	260,013	295,329	465,328	532,538	539,079	717,031
Mean household income (2016 $)	78,149	75,841	74,831	82,505	97,598	71,025	76,577	128,595
Married (%)	78	71	71	67	63	66	72	72
Born overseas (%)	24	22	28	24	23	29	35	40
Have dependent child (%)	72	68	64	60	51	51	52	50
Post-sec. educ. or more (%)	-	-	55	58	67	68	79	85

Source: Authors' own calculations using SIH and HES data, various years.

Source: AHURI – Transitions into home ownership: a quantitative assessment, Final Report No.404 - Page 26

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2_
What do the Housing targets mean?

2_What do the targets mean?

What is Victoria's housing target?

2.46M

new dwellings in Victoria by 2051

This equates to around **91,000** new dwellings p.a.

This is almost **double** the number of dwelling completions p.a. today.

Is this realistic and achievable?

Source: Victorian Government June 2024

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2_What do the targets mean?

Our discussions with DTP so far…

The targets reflect a **capacity assessment** being undertaken by DTP.

To be **included in Planning Schemes** but not enforced.

The targets are **aspirational** and not intended to represent dwelling approvals.

The targets are **net** of demolitions and other factors.

The targets **differ** from Victoria in Future (VIF2023) and do not represent population forecasts.

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2_What do the targets mean?

How is Victoria's housing target allocated?

There are 79 municipalities in Victoria. Metropolitan Councils account for 55% of the target while Growth Areas and Peri-Urban Councils account for around 35% of the target.

Region	No.	Total	Annual	Share (%)
Growth Areas	7	645,000	23,889	26.2%
Metropolitan & outer Metro	25	1,356,000	50,222	55.1%
Peri Urban	5	208,000	7,704	8.5%
Rest of Vic	42	252,200	9,341	10.2%
	79	**2,461,200**	**91,156**	**100%**

Source: Victorian Government June 2024

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2_What do the targets mean?

Who does it impact the most?

The top five municipalities account for one quarter (25%) of Victoria's future housing target, whilst twenty Councils account for two-thirds (67%) of Victoria's future housing target.
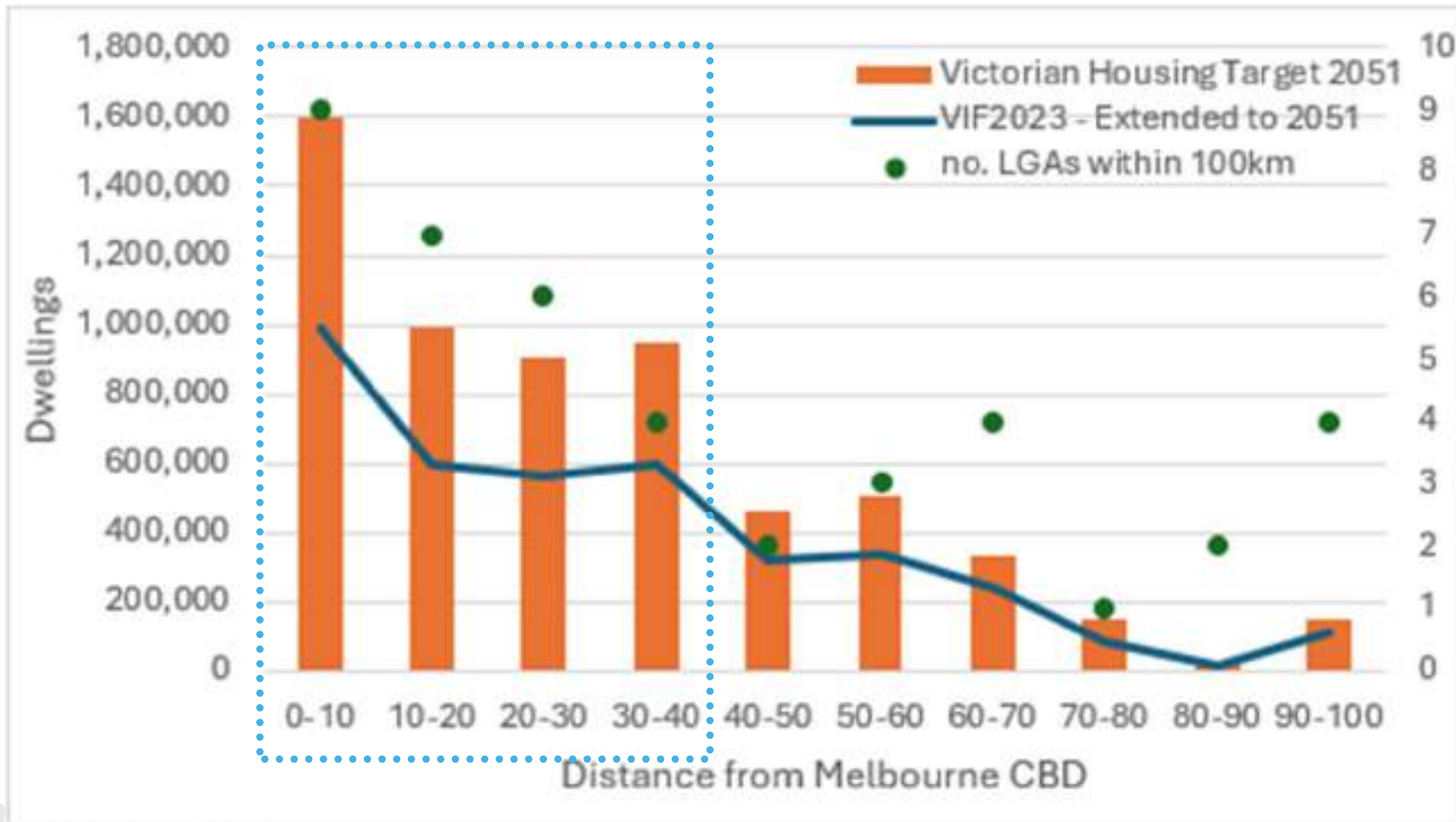
#	LGA	Total target 2051	Share %
1	**Greater Geelong**	**139,800**	**5.68%**
2	**Melbourne**	**134,000**	**5.44%**
3	**Melton**	**132,000**	**5.36%**
4	Wyndham	120,000	4.88%
5	Casey	104,000	4.23%
6	Hume	98,000	3.98%
7	Whittlesea	87,000	3.53%
8	Whitehorse	79,000	3.21%
9	Darebin	72,000	2.93%
10	Merri-bek	72,000	2.93%
11	Monash	72,000	2.93%
12	Brimbank	72,000	2.93%
13	Mitchell	68,000	2.76%
14	Boroondara	67,000	2.72%
15	Glen Eira	65,000	2.64%
16	Kingston (VIC.)	59,000	2.40%
17	Moonee Valley	57,000	2.32%
18	Greater Dandenong	57,000	2.32%
19	Port Phillip	56,000	2.28%
20	Stonnington	51,000	2.07%

1.66M

Top 20 Councils' share of Victoria's Housing Target

Source: Victorian Government June 2024

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2_What do the targets mean?

How is Victoria's housing target allocated?

Source: Victorian Government June 2024, Macroplan 2024

2_What do the targets mean?

Growth area targets…

LGA	Total target 2051	Annual	Share of total %
Melton	132,000	4,889	5.4%
Wyndham	120,000	4,444	4.9%
Casey	104,000	3,852	4.2%
Hume	98,000	3,630	4.0%
Whittlesea	87,000	3,222	3.5%
Mitchell	68,000	2,519	2.8%
Cardinia	36,000	1,333	1.5%
Total	**645,000**	**23,889**	**26.2%**
Greater Geelong	**139,800**		**5.68%**

According to the Urban Development Program, there are around **235,539 zoned** residential lots (including proposed lots and englobo zoned supply) and **138,725 unprogrammed** lots (i.e. unzoned) within Melbourne's urban growth areas.

This equates to 374,264 lots (total) OR around **15 years** total available supply assuming annual consumption at 24,000 lots p.a. i.e. 30% of 80,000 lots

Melbourne will require <u>more</u> zoned greenfield land than is currently available to accommodate a growing resident population to maintain a rolling 15-year land supply pipeline. If as we suggest apartments are not preferred because of price and working from home then there will be around a 10 year land supply pipeline.

Source: UDP, Victorian Government June 2024

2_What do the targets mean?

(?)

What does this mean?

It means local Government effectively needs to plan for the next **25 years** of population growth and community infrastructure provision **today**.

Councils will come under enormous **pressure for approvals** when the next property cycle commences from 2026.

New infrastructure plans will be required and rate levies will have to be required to accommodate growth.

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3_
Spatial analysis & Community infrastructure

- The current focus on transit oriented development has not accounted for open space requirements. This is crucially important in Melbourne because open space is currently under provided in many locations and Melbourne's look and feel depend on parkland. As indicated previously this open space will be very expensive to provide.

3_Spatial analysis & community infrastructure

VPA Priority precincts

Activity Centres				^
Preston (High Street) Activity Centre	City of Darebin	Prepare draft new rules	In Progress	April 29, 2024
Niddrie (Keilor Road) & North Essendon Activity Centres	City of Moonee Valley	Prepare draft new rules	In Progress	April 29, 2024
Moorabbin Activity Centre	City of Kingston, City of Bayside, City of Glen Eira	Prepare draft new rules	In Progress	April 29, 2024
Frankston Activity Centre	Frankston City Council	Prepare draft new rules	In Progress	April 29, 2024
Epping Activity Centre	City of Whittlesea	Prepare draft new rules	In Progress	April 29, 2024
Ringwood Activity Centre	City of Maroondah	Prepare draft new rules	In Progress	April 29, 2024
Chadstone Activity Centre	City of Stonnington, City of Monash, City of Glen Eira	Prepare draft new rules	In Progress	April 29, 2024
Camberwell Junction Activity Centre	City of Boroondara	Prepare draft new rules	In Progress	April 29, 2024
Broadmeadows Activity Centre	City of Hume	Prepare draft new rules	In Progress	April 29, 2024

Source: VPA 2024

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3_Spatial analysis & community infrastructure

VPA Priority precincts

Source: Macroplan, Cox Architects 2024

3_Spatial analysis & community infrastructure

Open space doesn't match TOD locations – this means either significantly more open space around TODS must be purchased or a rethink of models/scenarios underlying urban structure
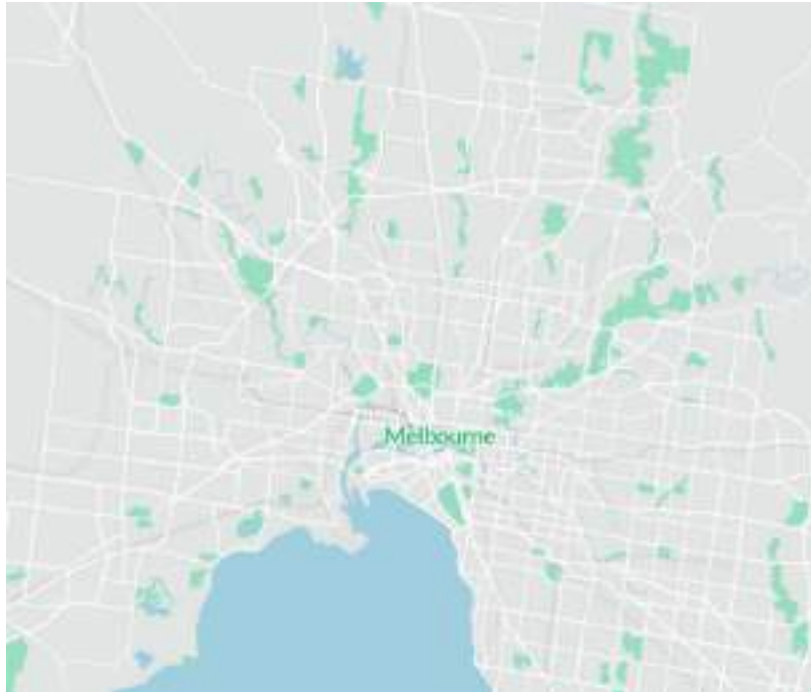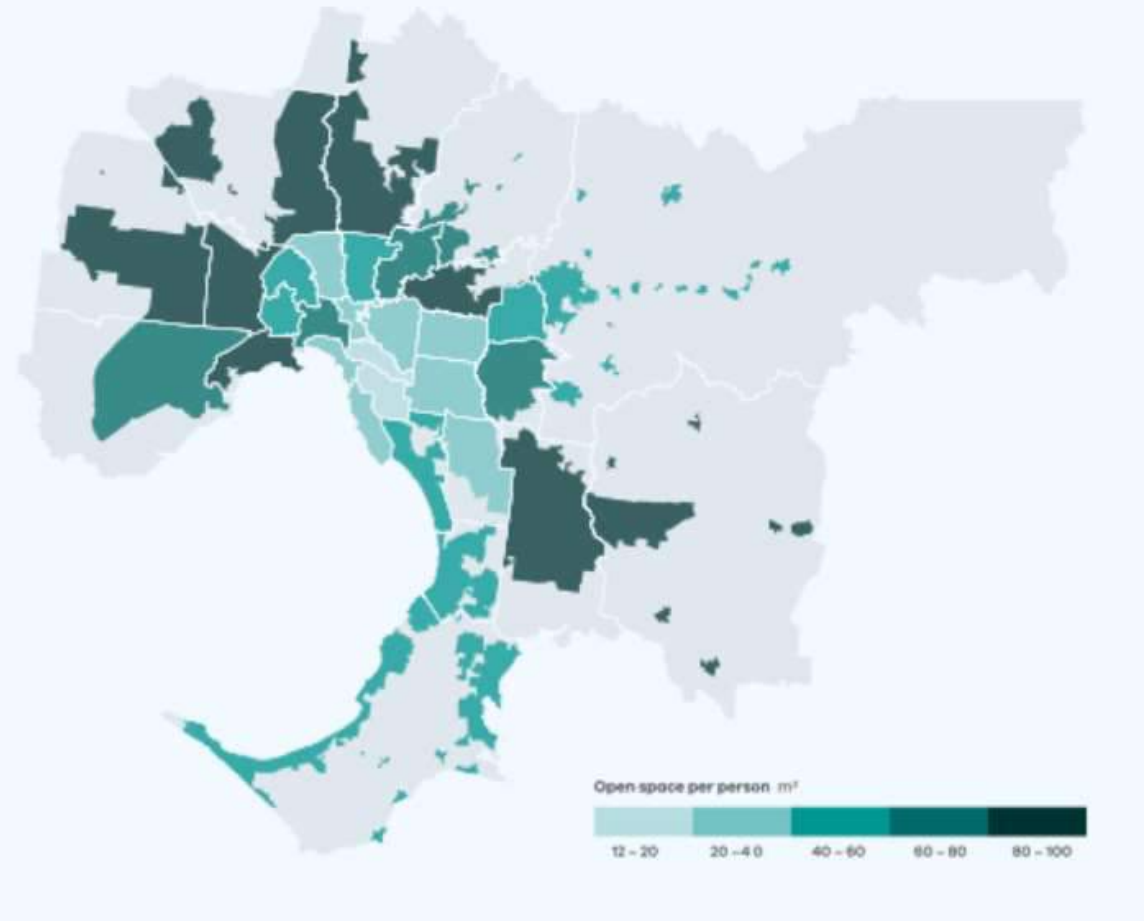

Source: Open Space Strategy for Metropolitan Melbourne, 2021

FIGURE 2   Open space per person, by local government area, 2016

Open space per person m²

12 – 20   20 – 40   40 – 60   60 – 80   80 – 100

3_Spatial analysis & community infrastructure

**Open space availability in suburban
areas and around TODs…**

Source: Open Space Strategy for Metropolitan Melbourne, 2021

3_Spatial analysis & community infrastructure

Lower dwelling densities prevail across suburban areas and many priority areas / TODs…

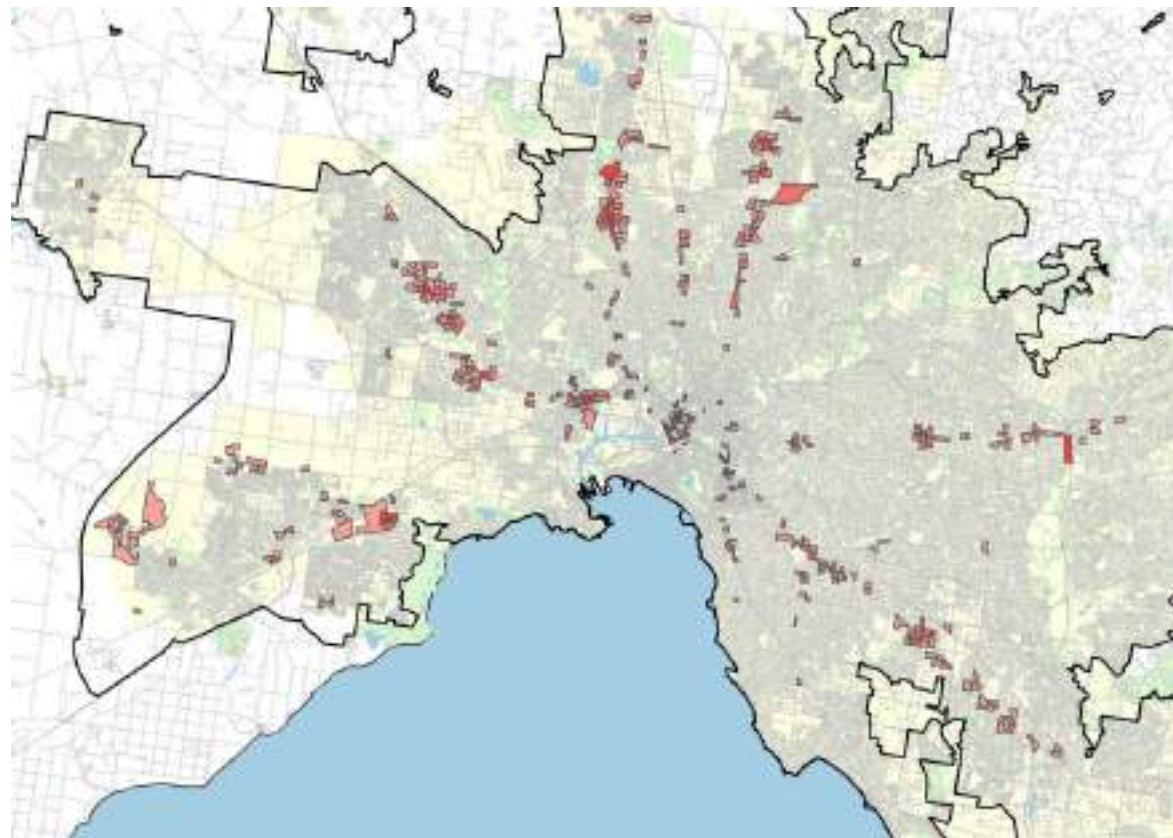| Location	Detached				All Other Dwellings				Total Dwellings			
	2016		2021		2016		2021		2016		2021	
	No.	% Share of dwellings	No.	% Share of dwellings	No.	% Share of dwellings	No.	% Share of dwellings	No.	% Share of dwellings	No.	% Share of dwellings
Inner Melbourne	91,594	24%	94,092	21%	293,535	76%	351,757	79%	385,129	100%	445,849	100%
Middle Melbourne	406,075	66%	417,642	63%	205,657	34%	240,768	37%	611,732	100%	658,410	100%
Outer Melbourne	598,593	84%	640,684	85%	114,283	16%	116,141	15%	712,876	100%	756,825	100%
Melbourne's new growth areas	33,415	89%	101,641	94%	4,040	11%	6,947	6%	37,455	100%	108,588	100%
Regional cities	61,548	82%	70,049	82%	13,958	18%	15,067	18%	75,506	100%	85,116	100%
Total	**1.19m**	**65%**	**1.32m**	**64%**	**631,473**	**35%**	**730,680**	**36%**	**1.82m**	**100%**	**2.05m**	**100%**

Source: ABS Census 2016, 2021

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3_Spatial analysis & community infrastructure

The focus on density will have to change. Travel to work by Train remains low. In the future, automated vehicles will be more important than rail in terms of modal share in the journey to work equation.

This suggests a radically different model to the compact city and would retain the distinctiveness of Melbourne i.e. parks and gardens, boulevards and culture

Source: ABS Census 2021

Legend

Urban Area

% Workers Travelling by Train (2021)

☐ <10% (not shown)

10 - 15%

15 - 20%

>20%

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3_Spatial analysis & community infrastructure

Travel to work by Train remains low to 2056 in the IV forecasts as well

Figure 33 Public transport mode share by year and time period

■ AM ■ IP ■ PM ■ OP

↑ Public Transport Mode Share
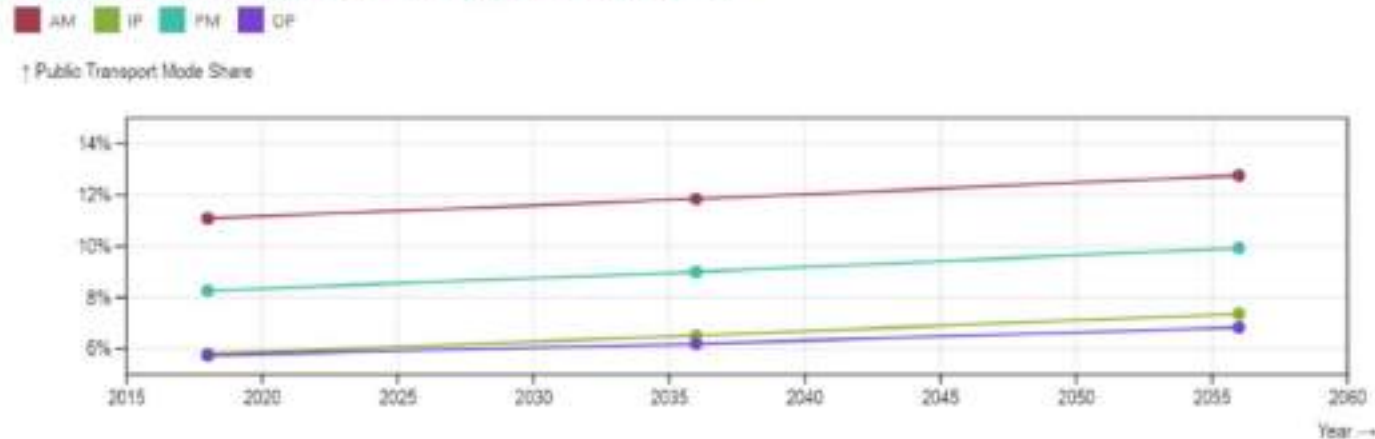
Table 17 State-wide trip and mode share including active transport for 2056

Metric	Compact City	Consolidated City	Dispersed City	Network of Cities	Distributed State
			Absolute Values		
Private Vehicle Trips	29,651,000	30,820,000	31,576,000	31,355,000	31,713,000
Public Transport Trips	3,493,000	3,097,000	2,757,000	2,758,000	2,577,000
Active Transport Trips	6,491,000	5,830,000	5,450,000	5,622,000	5,452,000
			Proportions		
Private Vehicle Trips	74.8%	77.5%	79.4%	78.9%	79.8%
Public Transport Trips	8.8%	7.8%	6.9%	6.9%	6.5%
Active Transport Trips	16.4%	14.7%	13.7%	14.1%	13.7%

4_
Implications for Community Infrastructure

4_Implications for Community Infrastructure

What are the implications for Local Government?

This suggests a planning and infrastructure funding 'revolution' NOT 'evolution' for Local Government in Victoria…

Massive increase in local infrastructure requirements.

New activity centres / retail & employment hierarchies.

A need for new planning systems, schemes & tools.

New community infrastructure funding & delivery mechanisms.

Municipal rate caps – new municipal ratings & cost-recovery mechanisms.

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4_Implications for Community Infrastructure

Local Government has been saying this for many years…

⚙️ Lack of open space and infrastructure for growing communities including families and older residents.

⚙️ Lack of space for new housing, retail shops, employment centres and infrastructure.

⚙️ Ageing existing infrastructure and high replacement costs.

⚙️ Limited funding and/or land availability in metropolitan Councils for community infrastructure.

⚙️ Municipal rate capping & constraints to cost recovery via ICPs/DCPs.

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4_Implications for Community Infrastructure

The housing targets do not account for…

300
New full-line supermarkets
(or equivalent floorspace)

14.4
Thousand
Hectares of new open space required to
accommodate 700,000 new dwellings in
the inner city as outlined in the IV
compact city scenario

3.54k
New GP clinics

3.57k
New childcare
centres

New libraries

New aquatic
centres

New sports fields
and recreational
areas

Source: Macroplan 2024

50

5_
The Current Housing Situation

5_The Current Housing Situation

- The current situation is not only cyclical – it is structural due to the pandemic.

- This means the policy levers must be different, and the planning levers must be different.

- The following graphs show this to be the case.

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5_The Current Housing Situation

Melbourne / Sydney House Prices - The Long View

Sydney and Melbourne House Prices Real Terms ($2023) 1880-2023
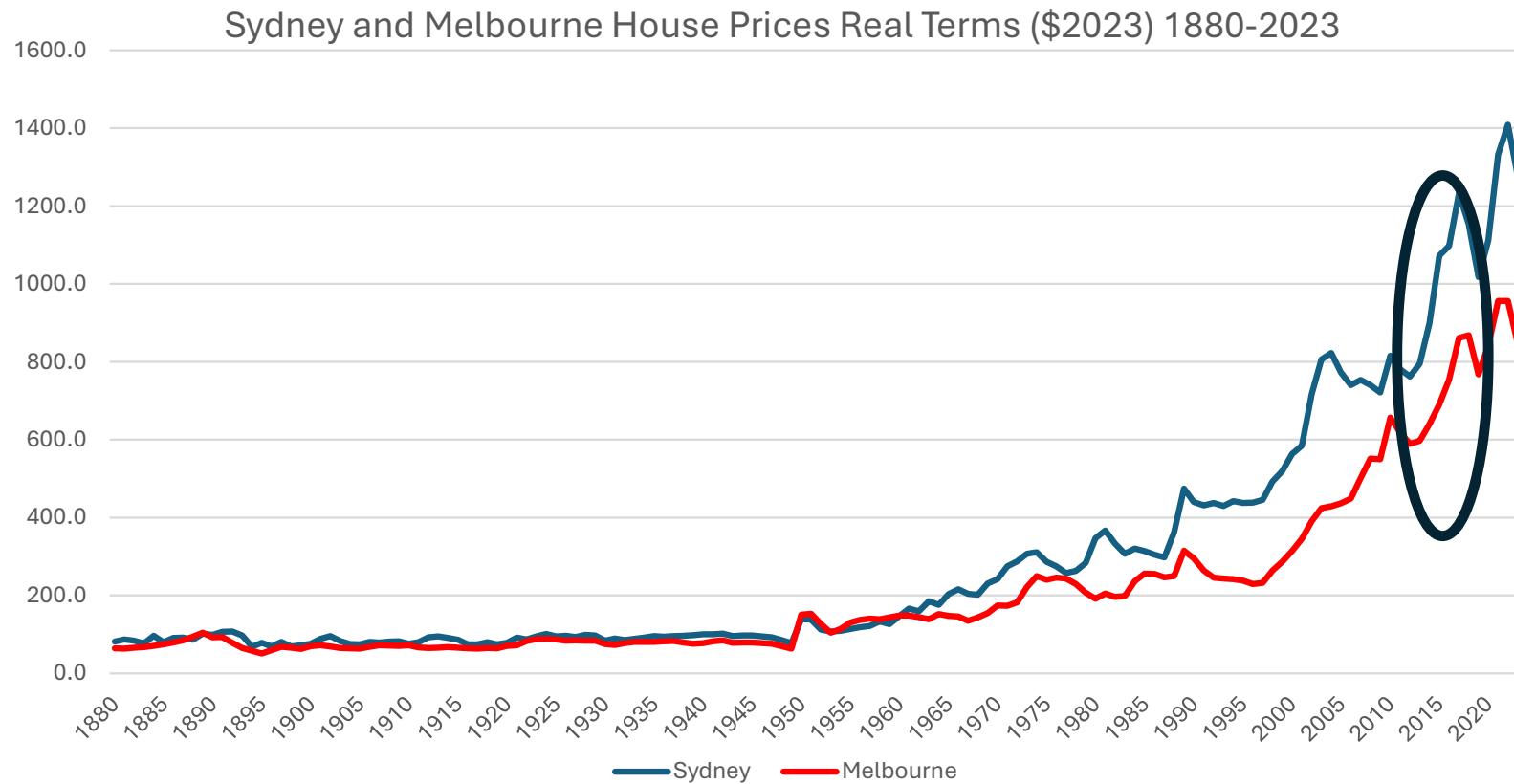
5_The Current Housing Situation

1. Cost reduced after GFC

2. This time it is different because of significant spending on infrastructure projects

3. We would need a significant recession to reduce prices

New Construction Costs, Australia ($ current)
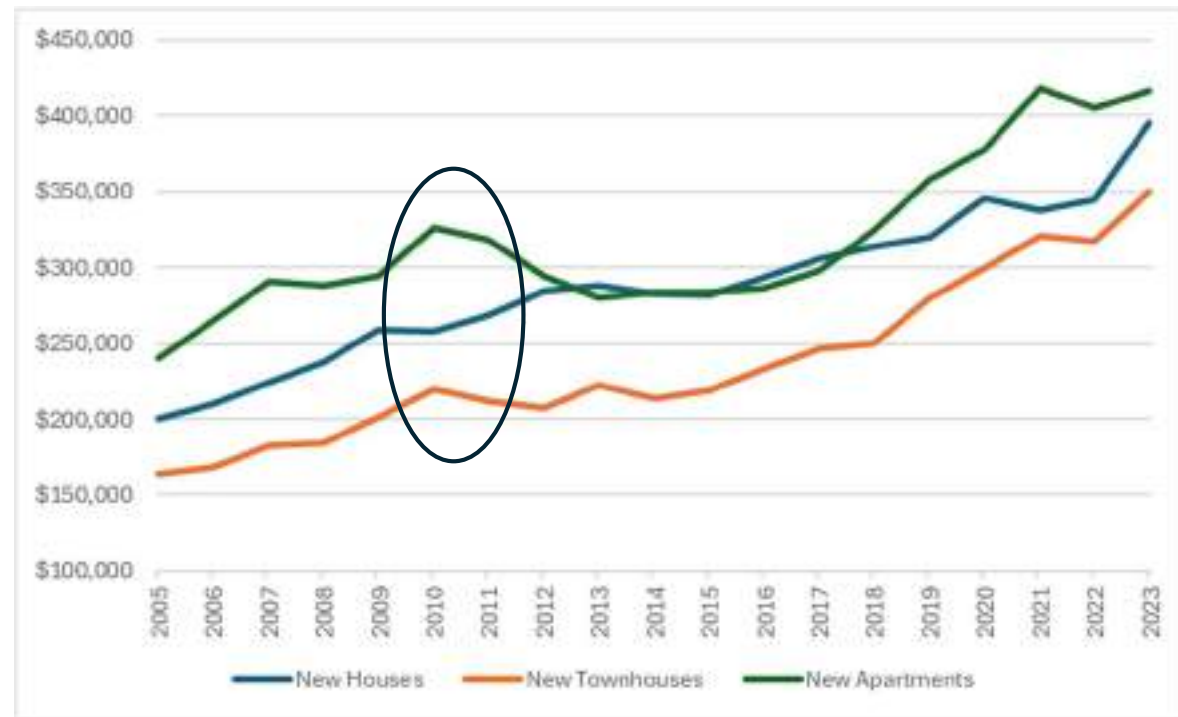
Source: ABS Building Activity

5_The Current Housing Situation

Private Residential Building Approvals

- 3.2 million population in 2001

- 5.2 million population in 2024

- Housing approvals remain the same

Demand for new housing decreases
due to interest rates & prices…
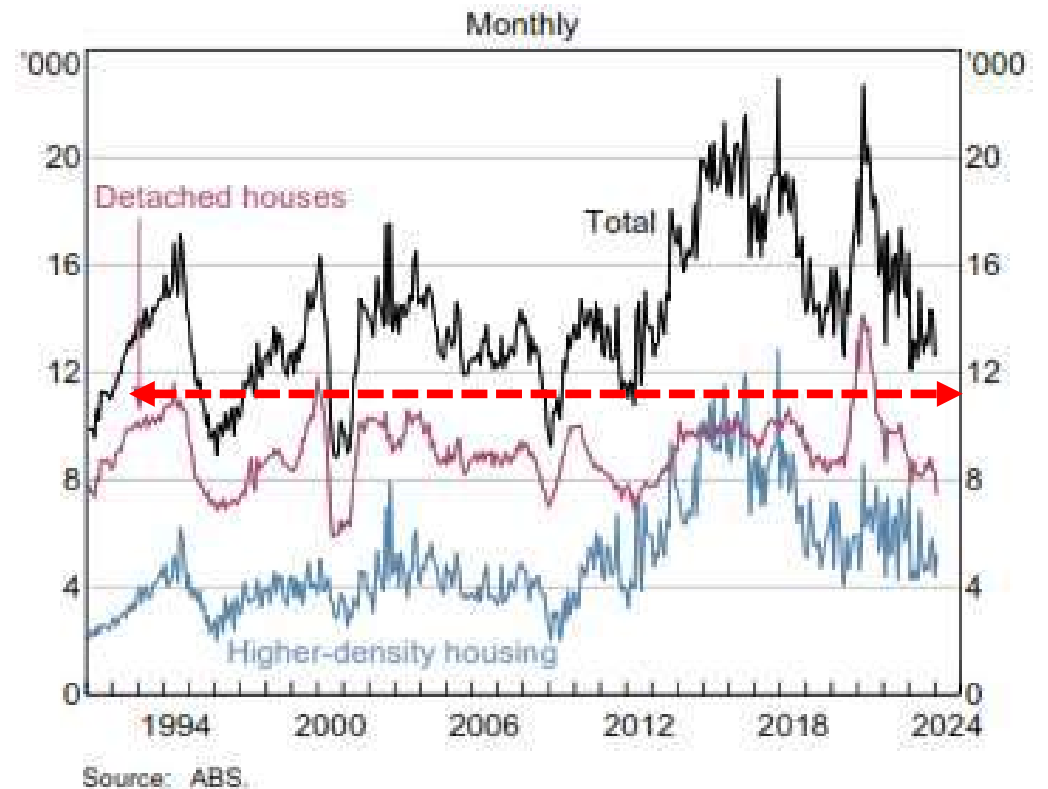
5_The Current Housing Situation

Rental Vacancy Rates

- Rental vacancies are at historic lows

- Household size is likely to be increasing
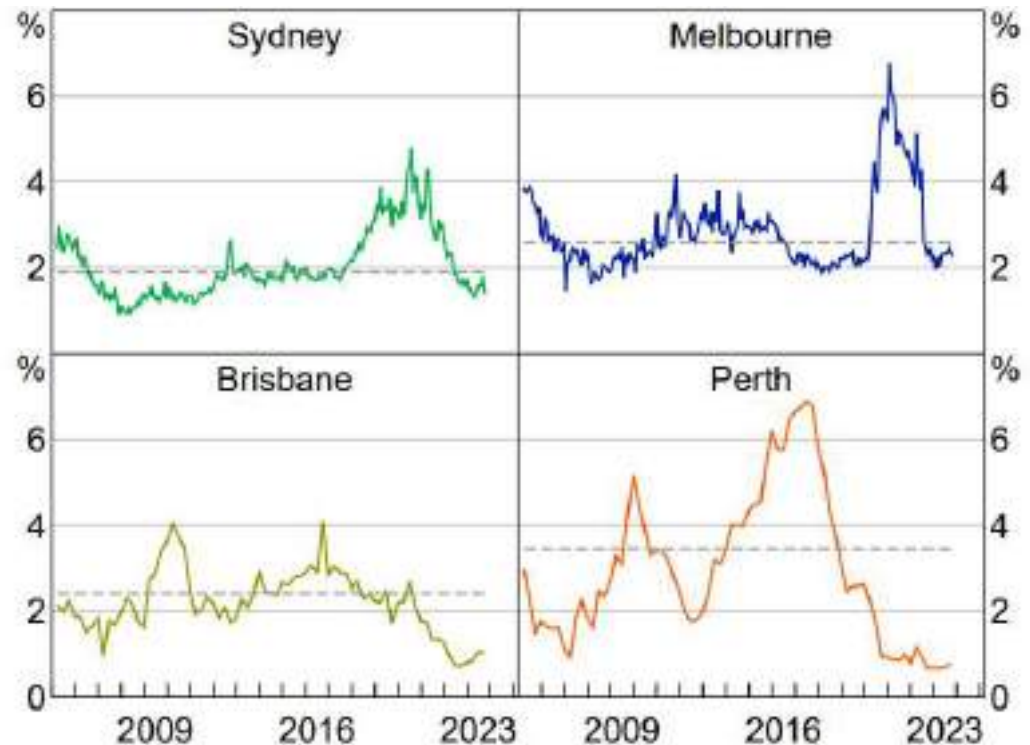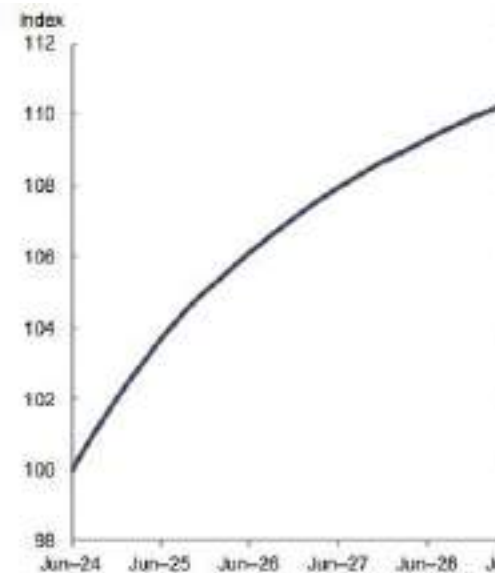

Source: RBA – Statement on Monetary Policy, February 2024 - Page 21

5_The Current Housing Situation

National Housing Supply
and Affordability Council –
Supply Forecasts

Rental price index

Note: Index 100 = Jun-24
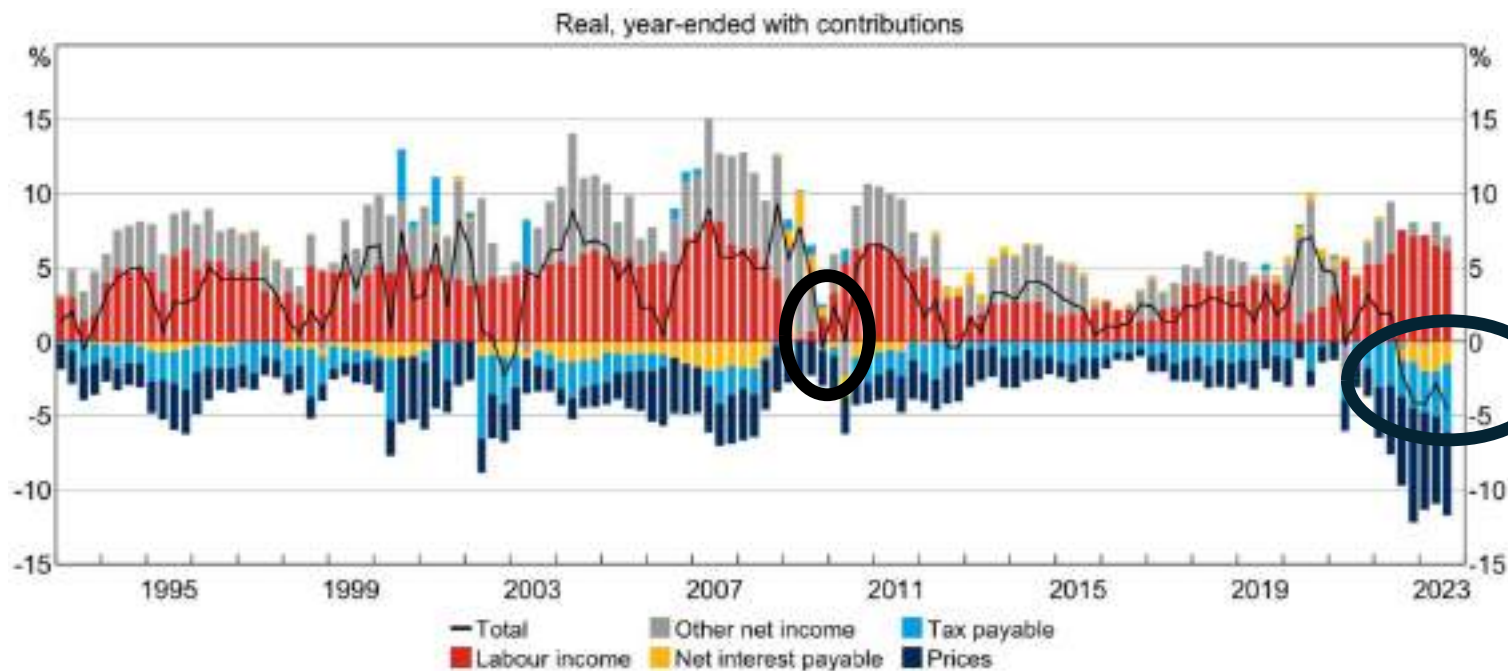Source: ABS Consumer Price Index 2023; NHSAC 2024.

Vacancy index

Source: REIA Quarterly Vacancy Rates 2023; NHSAC 2024.

- Rental increases more than 10% over 5 years in real terms
- In current terms this suggests an increase of **25-30%**

Source: National Housing Supply and Affordability Council, Page 89

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5_The Current Housing Situation

Household Disposable Income – 5% Lower in 2023

Real, year-ended with contributions

Legend: — Total | Other net income | Tax payable | Labour income | Net interest payable | Prices
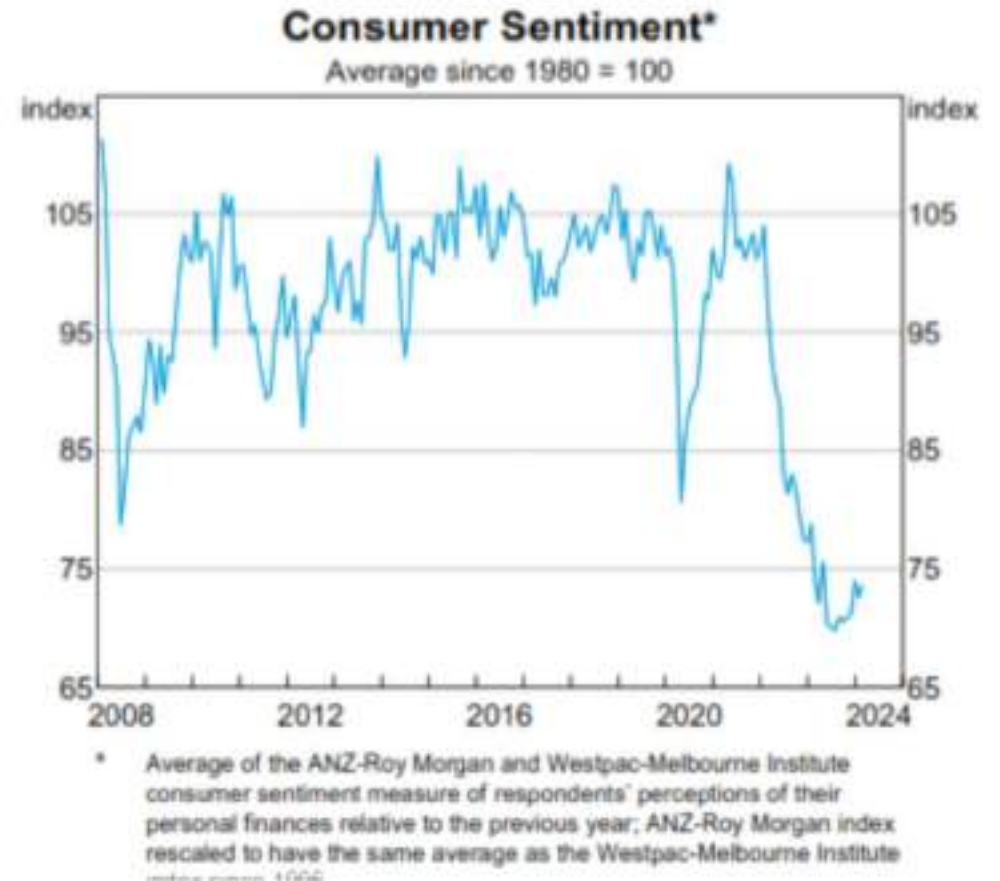
Sources: ABS; RBA.

- Much worse than post GFC
- Impact of inflation

*House prices increase in the late 90's coinciding with steep increase in household disposable income

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5_The Current Housing Situation

- Confidence lower than post GFC

- Confidence continues to show no

  signs of recovery

Consumer Sentiment*
Average since 1980 = 100

* Average of the ANZ-Roy Morgan and Westpac-Melbourne Institute consumer sentiment measure of respondents' perceptions of their personal finances relative to the previous year; ANZ-Roy Morgan index rescaled to have the same average as the Westpac-Melbourne Institute

Source: RBA Consumer Sentiment Surveys

5_The Current Housing Situation

Research from the Jarden

Group suggests that

land sales have troughed but

remain around record lows.

'000s (quarterly)   **Land lot sales**   '000s (quarterly)

■ NSW   ■ Vic   ■ QLD   ■ Other   — Total
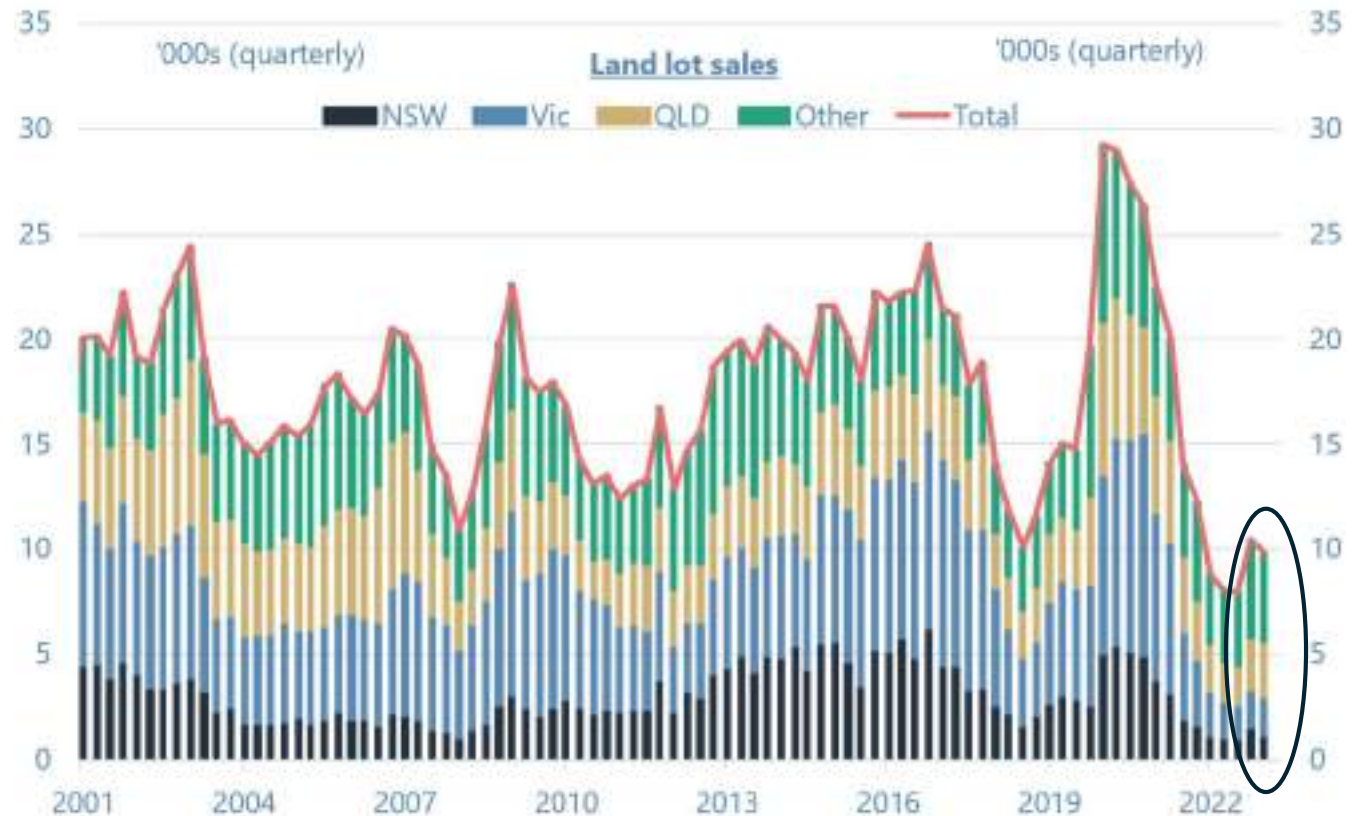
Source: Jarden

- **Melbourne is varying worst of all**

5_The Current Housing Situation

First Home Buyer…
HEC's DEBTs

Reduced Housing Affordability

Potential effect of a HELP debt borrowing capacity* ($)

Pre-tax income	Annual HELP payment	Without HELP debt	With HELP debt	Difference
100,000	6000	503,700	445,100	-58,600
150,000	14,250	733,900	594,800	-139,100

*Based on a single person with no other debts and minimal expenses applying for a principal and interest loan with a 20% deposit at the average lowest big four bank rate. Assumes no dependents, no other debts and minimal expenses.
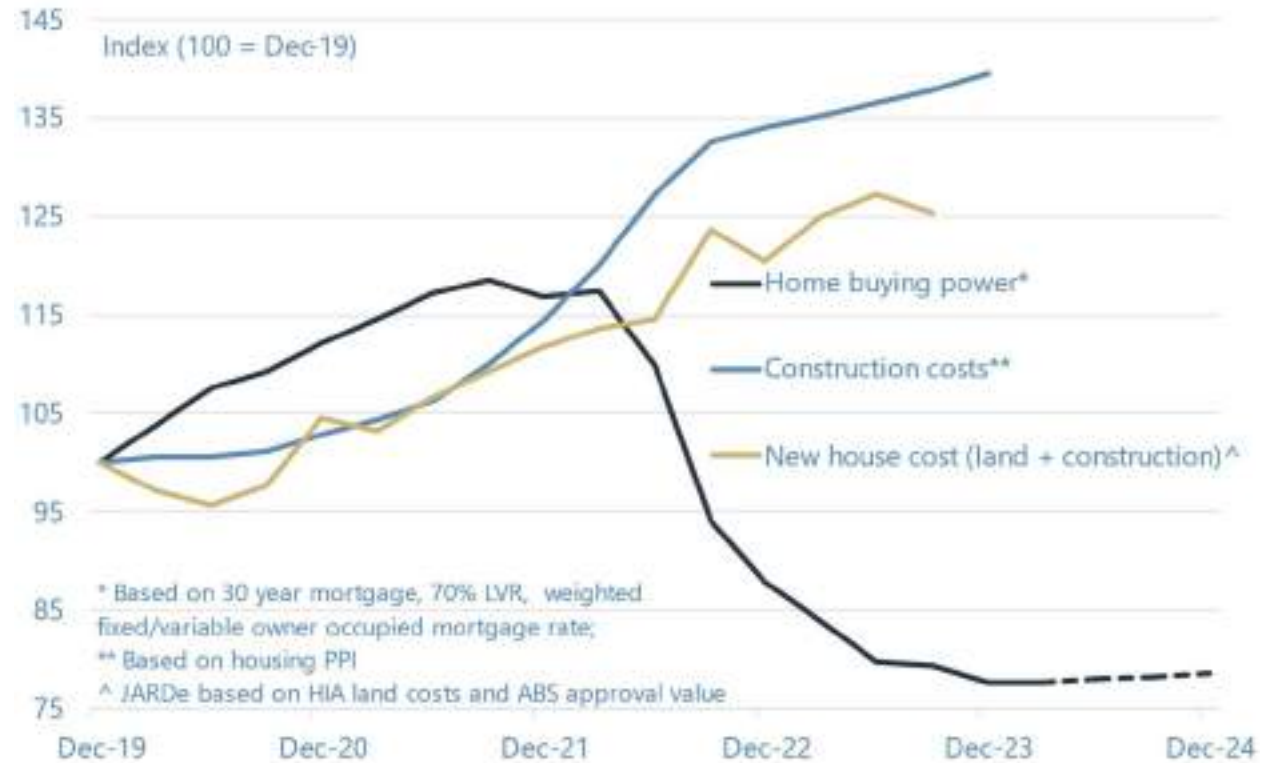
SOURCE: RATECITY

Source: 'Should I pay off my kids' HECS or help with a house deposit?' – AFR Article

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5_The Current Housing Situation

Buying power VS New House build costs

Further research undertaken by the Jarden Group shows that a **huge gap has opened between buying power and housing costs** which is unlikely to reduce until rates fall

Index (100 = Dec-19)

— Home buying power*
— Construction costs**
— New house cost (land + construction)^

* Based on 30 year mortgage, 70% LVR, weighted fixed/variable owner occupied mortgage rate;
** Based on housing PPI
^ JARDe based on HIA land costs and ABS approval value

Source: Jarden

- The huge gap between buying power and housing supply together with preferences for 3 bedroom, 2 bathroom dwellings combines to suggest that housing preferences will continue to be towards outer and new growth areas. We note that Infrastructure Victoria suggested a 20% increase in the costs of single family dwellings would be required in order to induce 700,000 dwellings into the inner areas. This will have to be in current terms 40%. This would mean in turn that Sydney prices for new dwellings on the fringe would have to prevail i.e. $850,000 – $950,000. Currently dwellings can be purchased on the urban fringe of Melbourne (3 bedroom, 2 bathroom) for $550,000 – $650,000.

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6_
Towards a New Model for Victoria

6_Towards a New Model for Victoria

Action 1: Open space planning & funding

New open space networks, funding strategy / utilization plans

e.g.

There is very limited (if any) open space in/around the 10 priority activity areas.
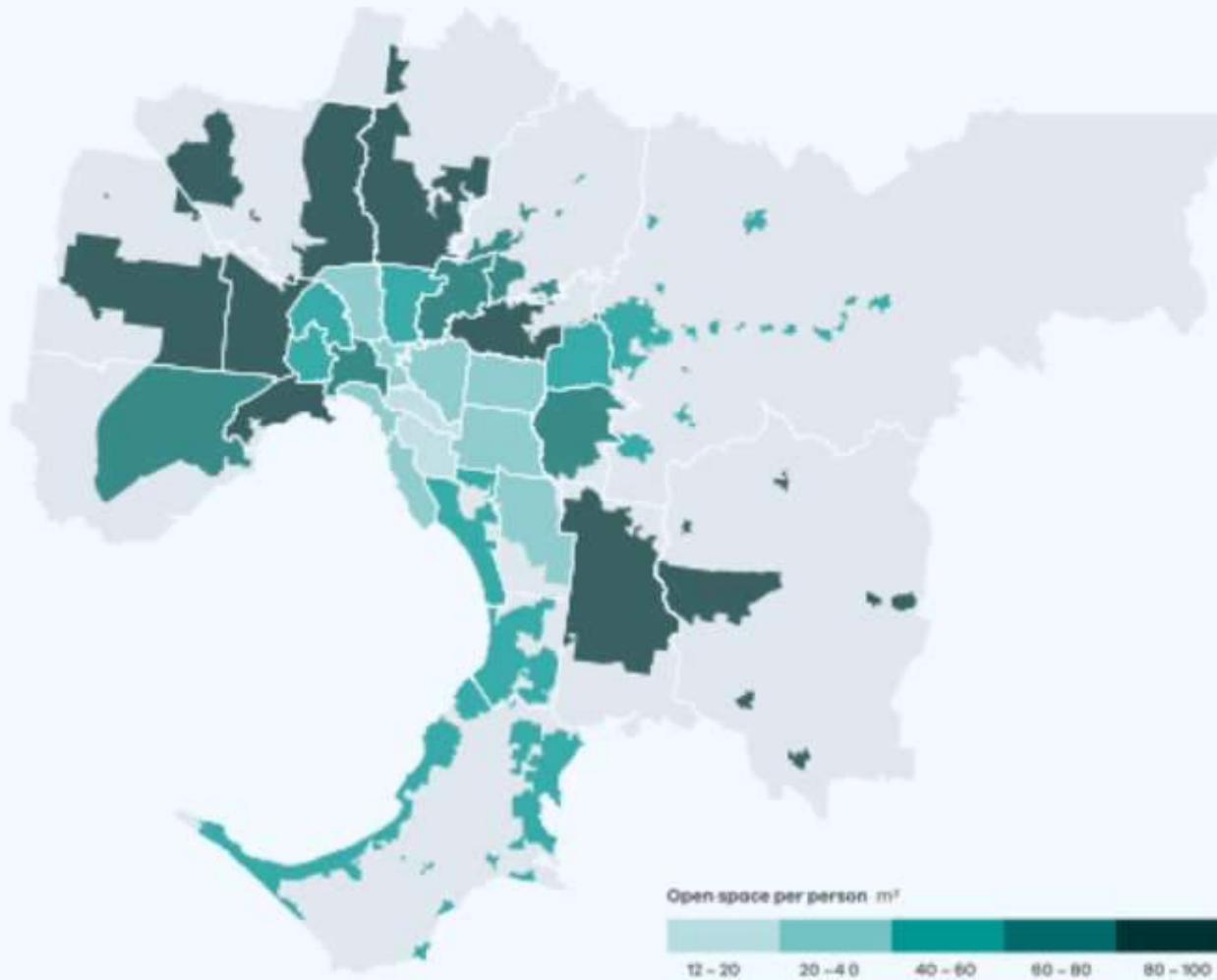
What are we thinking?

Use existing open spaces better.

i.e. Development around major open space / parks / community recreation areas

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6_Towards a New Model for Victoria

FIGURE 2 Open space per person, by local government area, 2016

Open space per person m²

12 – 20 | 20 – 40 | 40 – 60 | 60 – 80 | 80 – 100

Open space provision must be maintained or increased per capita to reflect the distinctiveness and culture of Melbourne
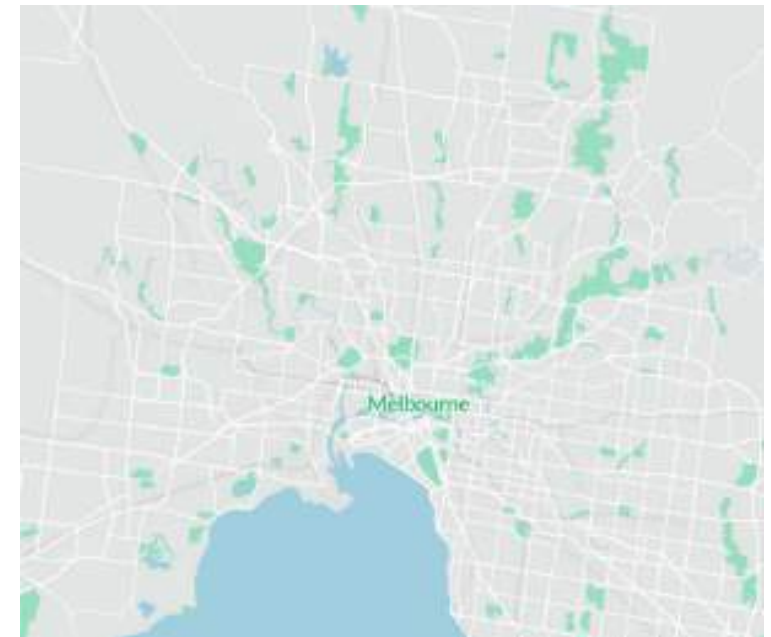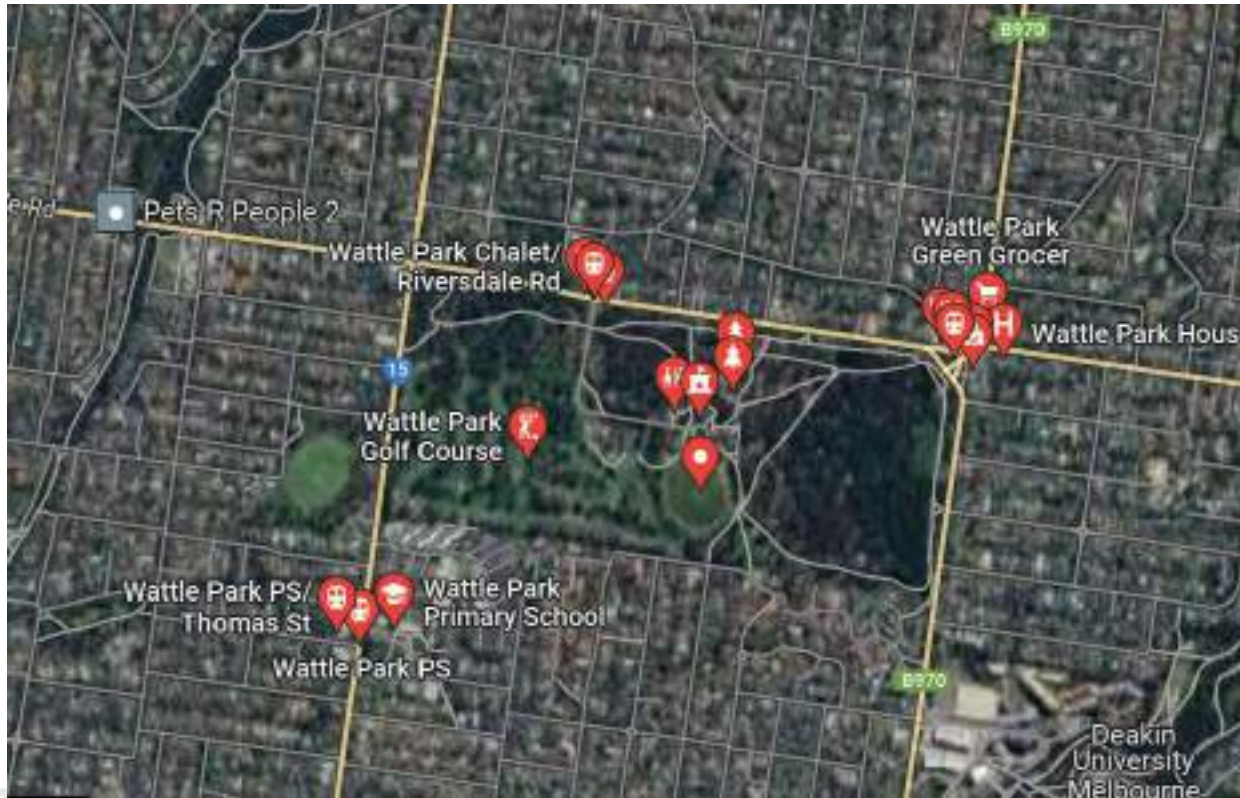

Source: Open Space Strategy for Metropolitan Melbourne, 2021

6_ Towards a New Model for Victoria

Why not utilise the open space we already have – i.e. build density around Melbourne's amazing parks (in this case, including trams and other public transport)

e.g. Wattle Park (55 hectares)

6_Towards a New Model for Victoria

Action 2: Height / Scale

e.g. Box Hill

Current Review of heights does not go far enough to enable sensible densification e.g. no height limits in activity centre zones

Source: The Age June 24, 2024

6_Towards a New Model for Victoria

Action 3: Extend the Urban Growth Boundary

- Apartments are already becoming unviable for the majority of families.

- Sale prices of $10,000-$12,000 per sqm for new stock is already baseline.

- Developable residential land supply will be less than 5–7 years in 2030 i.e. it is 10-15 years developable supply now. **This is critical now.**

Kensington

3 bedroom, 2 bathrooms

For those living a small footprint life with their bigger household, ranging from 112m^2 to 120m^2.

- Rent from $960 per week
- Purchase from $1,100,000 in 2024

Source: Assemble

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6_Towards a New Model for Victoria

Action 4: Retail / Supermarkets

Review of existing retail hierarchy / allow for supermarkets / express format in residential areas

Source: Macroplan 2024

300

New full-line supermarkets (or equivalent floorspace)

e.g. **3 million** new residents in Melbourne equates to 300 new full-line supermarkets (equivalent) along with associated retail.

That's around 11 new supermarkets p.a. for 27 years.

Where will new retail go?

6_Towards a New Model for Victoria

Action 5: New Infrastructure Charges / Rate Levies

Remove rate caps. Review of ICP/DCP provisions to allow further cost-recovery for local infrastructure similar to NSW

e.g. NSW EP&A Act Sections 7.11, 7.12, 7.4, 7.23

Figure 1: Types of infrastructure funded through the NSW infrastructure contributions system

Source: Department of Planning, Industry and Environment NSW infrastructure contributions Guide February 2021

6_Towards a New Model for Victoria

e.g. NSW EP&A Act Sections 7.11, 7.12, 7.4, 7.23

Table 1: Relationships between the EP&A Act and types of infrastructure funded through the infrastructure contributions system

Type of contribution	Collected under	Collected by	Purpose of the contribution
Contributions for local infrastructure based on scale of the development	EP&A Act Section 7.11	Councils	Fund local infrastructure to enable development
Contributions for local infrastructure based on development costs	EP&A Act Section 7.12	Councils	Fund local infrastructure to enable development
Contributions negotiated between a planning authority and a developer	EP&A Act Section 7.4	State Government and Councils	Fund innovative infrastructure solutions not funded by the other mechanisms
Contributions for state and regional infrastructure	EP&A Act Section 7.23	State Government	Fund state and regional infrastructure

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Source: Department of Planning, Industry and Environment NSW infrastructure contributions Guide February 2021

6_Towards a New Model for Victoria

Action 6: Increase affordable housing by unlocking land value

- Unlocking value in land can help fund affordable housing.

- This presentation also suggests **a range of new definitions** to be put into the planning scheme including:

  1. **Affordable Housing Estate (i.e. 30% affordable housing/10% social housing),**
  2. **Affordable Housing Building (i.e. 30% affordable units),**
  3. **Affordable Caravan Parks (30% affordable stock)**
  4. **Affordable Retirement Villages / Land Lease Communities. (30% affordable/10% social)**
  5. Etc.

- These categories will be varying in percentage of affordable housing and be as-of-right and permit required, but they will be able to locate in Residential Zones, Green Wedge Zones, Farm Zones and Special Use Zones.

- Corrections to the Urban Growth Boundary are essential because **there is less than 10 years supply of residential land.**

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6_Towards a New Model for Victoria

Action 7: Institute an affordable housing corporation to ensure affordability

Affordability can be increased through supply by unlocking land value

The presentation proposes an 'Affordable Housing Corporation' (co-funded by the private sector) that will be designed to count, monitor and issue permits for all 'affordable dwellings'. This would be set with a **target of 10% of all new dwellings** (i.e., currently approx. 6,000 dwellings per annum) or and would equate to an annual investment of around $3 billion worth of affordable dwellings.

UNLOCKING VALUE IN PROPERTY MARKETS – ADDRESSING AFFORDABLE HOUSING

Affordable Housing Estate* (30% Affordable) (10% Social)	- Minimum 2000 dwellings - Variety of densities - Locate in GWZ / Farm Zone / SUZ - Cannot locate in agriculturally significant areas - Permit required - CHP required
Affordable Housing Precinct* (30% Affordable) 10% Social)	- Min 500-2,000 dwellings - Variety of densities - Permit required - Locate in all residential zones GW2 / Farm Zone / SUZ - Cannot locate in agriculturally significant areas - CHP required
Affordable Housing Building* (30% Affordable)	- Max 4 story - As of right all residential zones / permit required in overlay areas - CHP required - Architect designed
All Residential Buildings	- As of right 2 storey dwelling and unlimited single storey dwellings - All residential zones / permit required in overlay areas
Crisis Accommodation / Temporary dwellings	- GWZ / Farm Zone / SUZ - Permit - CHP / Registered Group
Affordable Retirement Villages / Land Lease Communities* (30% Affordable)	- GWZ Zone / Farm Zone / SUZ - Cannot locate in agriculturally significant areas - Permit - CHP required
Lifestyle Caravan Parks*	- GWZ / Farm Zone / SUZ - Cannot locate in agriculturally significant areas - Farm Zone - CHP - Permit
Train / Tram Routes (within 200m)	- 10 storeys - By permit - Architect designed
Affordable Housing Corporation	- Count – existing + new social + affordable dwellings - Monitor – contracts / rental levels (enforcement) - Issue permits that complies with Affordable definition - Target 6,000 new dwellings per annum (10% new dwellings) i.e. $3 billion worth of Affordable dwellings - Monitor Investment Levels by Superannuation companies

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# 6_Towards a New Model for Victoria

Action 8: Choose a new model / scenario for Victoria

- Infrastructure Victoria has shown quite clearly that there is little difference in cost to the public sector between the Compact, Consolidated and Dispersed options.

- There is a substantial difference in the private costs/housing affordability between these three options, with the Compact city being the least affordable.

- Since the IV analysis was undertaken, population growth has exploded and construction costs have blown out.

- This will make inner city living even less affordable.

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6_Towards a New Model for Victoria

- "Planning and Environment Act"

  - "… To facilitate affordable housing…"

- The Compact City model results in higher prices, higher rents as can be seen in the graphs. This is clearly unacceptable.

- To achieve a Compact city, **Infrastructure Victoria has calculated that there would have to be a price shock of at least 20% for growth areas relative to inner areas** to achieve a preferential shift of around 700,000 dwellings.
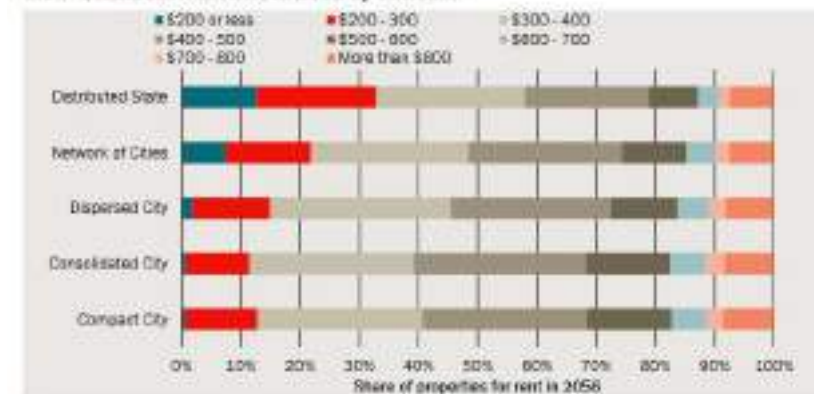

9.33 Distribution of sale prices in 2056 by scenario
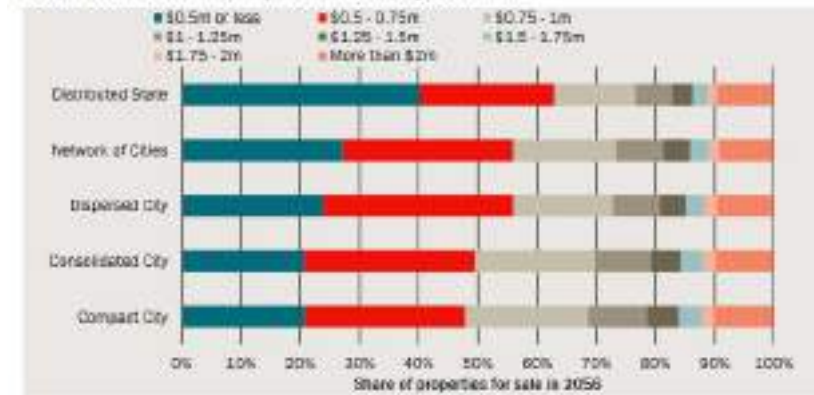
Note: Prices are current as at the September quarter of 2022.
Data source: PropTrack data, DIE housing model.

9.34 Distribution of rents in 2056 by scenario

Note: Prices are current as at the September quarter of 2022.
Data source: PropTrack data, DIE housing model.

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# 6_Towards a New Model for Victoria: True Polycentricity

- Sydney has a bold 2056 strategy.

- Including three cities:
  - the Western Parkland City
  - the Central River City
  - the Eastern Harbour City

- Melbourne has incremental thinking caused by lack of confidence (monocentric).

- Sydney built its airport rail link in the year 2000 (thinking of building another one and has almost built a second airport with a rail link).

- We must be bold with our thinking.

- In order to accommodate growth equivalent to doubling the size of Melbourne, we must retain the distinctiveness of Melbourne and strive to plan for a city that represents the values of its constituents i.e. home ownership, family life, local netball and football clubs, open space and localised communities.

- This can only be achieved with a truly polycentric city.

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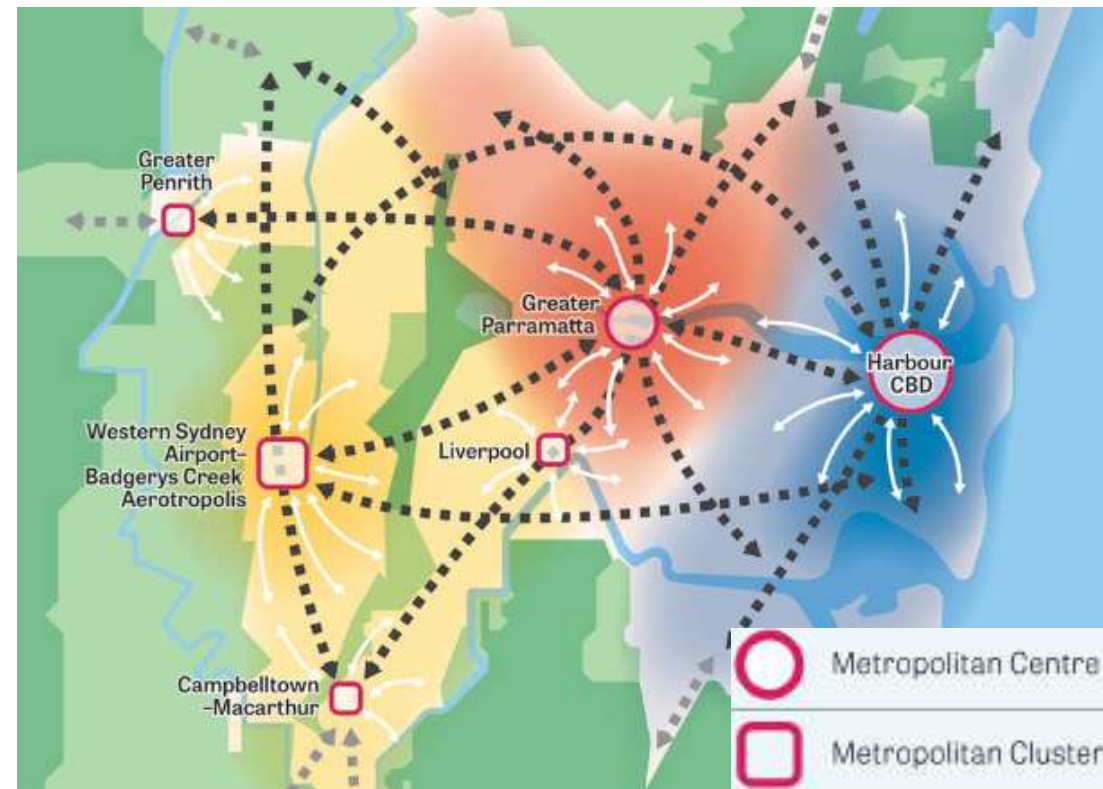
Major Urban Growth Corridors
(incl. industrial expansion areas)

● — Major Town Centres
(100,000+ Employees)

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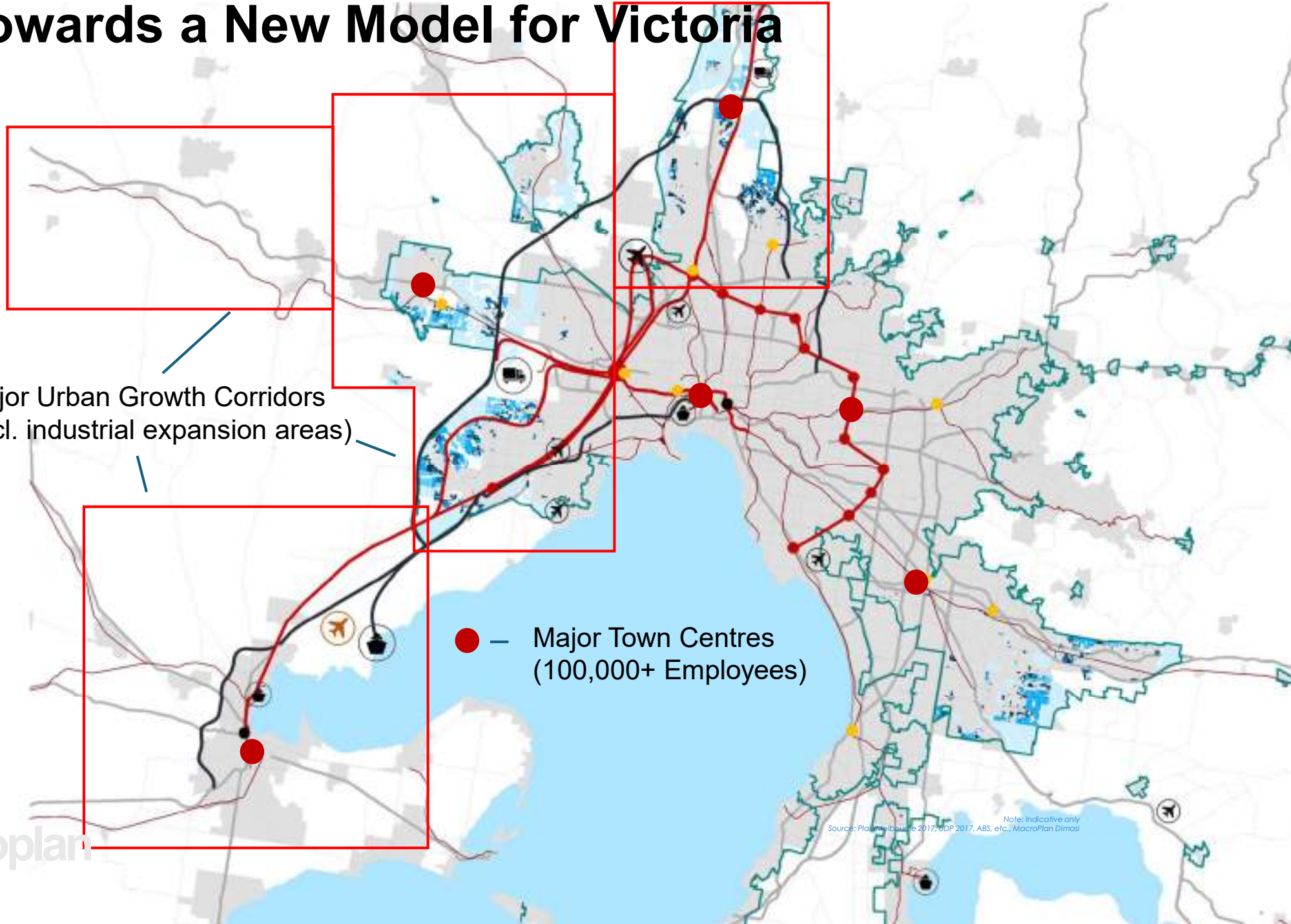
Conclusion

- To achieve **70/30** and build 80,000 dwellings pa i.e. **56,000 apartments/units** is not possible - @ peak with Chinese investment / low interest rates we achieved **15,000- currently doing 7,500**

- **Focus on 60,000 dwellings pa with 20,000 units/apartments pa 33/67** - even this will take an incredible effort - to keep pace with growth will require more radical policies like upzoning / corrections to the UGB - to minimise price increases

- Or face the consequences of **less than 50% homeownership** with the **BTR Corporates dictating higher rents** and smaller living areas

- The entire structure of the property market is at stake because if the wrong model is implemented it will result in Sydney median prices i.e.:

As of March 2024			
Houses		**Units**	
Sydney	$1.6 million	**Sydney**	$806,000
Melbourne	$1.0 million	**Melbourne**	$564,000

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