INNER REGIONAL HOUSING STATEMENT

November 2005

This document has been prepared by the Inner Regional Housing Working Group which includes representatives from the municipalities of Melbourne, Port Phillip, Stonnington and Yarra, the Department of Sustainability and Environment and the Department of Human Services (Office of Housing).

Contents

Executive Summary

The Inner Regional Housing Working Group is one of five Regional Housing Working Groups established across metropolitan Melbourne to identify and address regional housing issues. It comprises representatives from the municipalities of Melbourne, Port Phillip, Yarra, Stonnington, the Department of Sustainability and Environment and the Department of Human Services (Office of Housing).

The Inner Regional Housing Working Group has prepared this Inner Regional Housing Statement to provide a regional strategic framework to plan for the housing needs of present and future households in the Inner Region of metropolitan Melbourne to 2031. The Inner Region includes the municipalities of Melbourne, Port Phillip, Yarra and Stonnington (west of Kooyong Road only).

The Inner Regional Housing Statement is intended to provide guidance and direction for Councils in the development and review of strategic planning work and to Local and State Government in coordinating future infrastructure and services with population growth.

This Statement covers the period up to 2031 and its emphasis is on actions that are achievable within the next five years, after which time a full review of the Statement will take place.

The inner metropolitan Councils have developed Making Melbourne More Liveable -Inner Melbourne Action Plan (IMAP) in parallel with the development of this Statement. IMAP is a 5-10 year action plan to build on the Inner Region's unique assets and attributes. IMAP sets out 11 regional strategies and 57 actions to address one simple objective: to make the Inner Region more liveable.

This Statement is to be read as a companion document to IMAP.

The Inner Regional Housing Statement provides a snapshot of regional features relevant to housing, outlines the policy context for housing in the Inner Region, and identifies household and population changes, housing affordability issues, housing market drivers, and future trends and projections. It also provides a vision for the future provision of housing, discusses factors influencing housing opportunities and identifies objectives, strategies and actions to manage the provision of future housing and related services and infrastructure in the region.

Regional Snapshot

The Inner Region is one of contrasts with an active central business district, thriving retail and commercial strips, established residential areas, older industrial precincts and emerging high-tech business clusters.

This diversity is reflected in the range of housing types within the region which include higher density apartments, medium density infill development in established residential areas, and intact residential areas, some of which are protected for their heritage character. It is also relatively well serviced by public transport.

After a period of declining population, the population of the Inner Region started to rise in the mid 1980s as people sought homes that were closer to public transport, work and recreation opportunities.

As a result, the Inner Region has experienced significant residential development over the last 15 years, including major urban renewal developments such as Southbank, Docklands and Beacon Cove.

The Inner Region is the most demographically diverse region within metropolitan Melbourne. In comparison to metropolitan Melbourne as a whole, the Inner Region exhibits; a younger age profile; smaller than average household sizes; a dominance of attached and semi-detached dwellings; smaller sized dwellings; a lower proportion of housing stock that is owned or being purchased; and the highest concentration of public housing in metropolitan Melbourne.

The Inner Region also has a diverse and changing economy, which is becoming services based rather than manufacturing based.

Employment in the region increased by 14% between 1991 and 2001 and income levels are one of the highest in metropolitan Melbourne. In addition, the majority of residents also work in the Inner Region and there are many residential pockets with a high concentration of tertiary trained workers. There are also pockets of high social disadvantage.

Policy Context

Commonwealth and State housing policies generally focus on the provision and maintenance of housing units (public or community housing) and housing support measures for low income households.

There is currently no comprehensive or integrated national housing policy. However, the Framework for National Action on Affordable Housing sets out a 3 year program to achieve a strategic, integrated and long term vision for affordable housing and a plan to deliver this vision with commitment from all jurisdictions. The Framework is proposed to be achieved through affordable housing delivery and management and parallel policy parameters.

At the State Government level, housing support is administered through the Office of Housing. It focuses on the management and provision of social housing assistance to low income or special needs groups, including crisis and emergency housing.

Direct delivery of affordable housing at the State level is currently provided through not-for-profit housing organisations funded through the State Housing Innovations Project and other funding. Six non-government housing providers have also been identified as prospective Housing Associations eligible for capital assistance from State Government. A number of the selected Housing Associations have been registered and are investigating development opportunities.

The State Planning Policy Framework (SPPF), contained within the Victoria Planning Provisions includes; a statement of general principles for land use and development planning, and specific policies relating to settlement, environment, housing, economic development, infrastructure, and particular uses and development. These state planning policies are included in local planning schemes and must be considered in planning decision making within each municipality.

Melbourne 2030 is the Victorian Government's 30 year strategic plan to manage growth and change across metropolitan Melbourne in a sustainable manner. It provides an integrated set of policies and initiatives aimed at reducing urban sprawl, consolidating urban development around transport nodes to make efficient use of existing infrastructure and improve access to services and infrastructure.

A Fairer Victoria, Creating Opportunity and Addressing Disadvantage, includes a Strategy which aims to boost access to affordable housing.

The Metropolitan Transport Plan has been developed to ensure that population and employment growth will be supported by adequate transport networks, and that accessibility and liveability is maintained across metropolitan Melbourne.

The regional policy context identifies existing policy areas that are important to housing across the Inner Region as a whole, and is based on numerous local Council policies relevant to the region including Municipal Strategic Statements, Municipal Health Plans and Council Plans. This Inner Regional Housing Statement is generally consistent with the existing policy context of the Inner Region local Councils.

Population and Housing Trends and Projections

In the period 2001 to 2031 the population of the Inner Region is expected to increase from 245,274 people to approximately 405,100 people at an average annual growth rate of 1.7%.

Migration into the Inner Region is anticipated to account for a large proportion of the population increase over the next three decades. A total of 102,000 people are expected to move into the Inner Region mostly from other parts of Melbourne and adjacent regions.

The number of households in the region is also expected to increase from 117,947 in 2001 to 207,500 in 2031, with average household size projected to decline from 2.08 in 2001 to 1.95 persons by 2031.

Other key trends include an almost doubling of lone person households, a significant increase in couples without children and a doubling of single parent households. The dominant age profile for the region will continue to be young adults aged 25–34 years.

Housing prices are significantly higher in the Inner Region than for the rest of metropolitan Melbourne and the cost of rental accommodation has risen sharply in the last few years.

There is also evidence that as people reach the age of purchasing a house or having children they are experiencing difficulty finding appropriate and affordable housing in the Inner Region. Significant levels of housing stress are evident in the Inner Region. By a standard measure, 17% of all households in the region live in housing stress and a large proportion of Victoria's homeless seek crisis accommodation and other support services in the Inner Region.

Many new dwellings expected to be built during the 2002–2016 period in the Inner Region will be one or two bedroom apartments. Changes in housing supply are likely to shape the Inner Region's future population.

Housing Vision and Opportunities

Due to its complexity, the Inner Region requires careful management in order to provide for change while retaining the region's valued character and liveability.

The Inner Regional Housing Working Group has developed the following vision to manage housing growth and change in the Inner Region.

Vision for the Inner Region

The Inner Region will proactively manage the process of urban change in order to:

- *Maintain and enhance the liveability and amenity of the Inner Region as a place to live, work and pursue a lifestyle of choice.*
- *Facilitate sustainable forms of development with consideration to the built, natural, economic and social impacts of change.*
- *Retain the fine-grain, mixed patterns of land use and development, which characterise the region's eclectic urban fabric and contribute to its vitality and heritage attributes.*
- *Support the social and cultural diversity that makes the Inner Region an inclusive and vibrant place.*
- *Maintain and develop communities that have a strong sense of local connection and social cohesion.*
- *Ensure the identity of the region evolves with respect and acknowledgement of the past and a sense of aspiration for the future.*
- *Facilitate access to a diverse range of housing, including affordable housing, that will meet the needs of current and future residents.*

Considerable opportunities exist in the region to accommodate additional housing growth but a range of planning issues must be acknowledged and sensitively addressed to realise them. These issues have been ordered under the following themes:

Theme 1 – Maintaining the liveability and economic capacity of the region whilst providing for housing growth

Analysis undertaken while preparing this Statement indicates that the Inner Region will be able to accommodate projected population and household growth over the coming 30 years.

In line with the policies of Melbourne 2030, an increased proportion of new housing will be encouraged to locate in major redevelopment sites and precincts.

Major redevelopment sites and precincts include locations in the CAD, in and around activity centres, and close to the Principal Public Transport Network. Such sites may range from the redevelopment of public housing estates to the redevelopment of former industrial land and buildings. Many such sites are located within Mixed Use Zones which are also important locations for business.

Planning challenges include:
- the need to address land use mix
- the heritage value of many buildings and streetscapes
- the need to ensure reasonable on-site amenity
- the limited capacity to accommodate additional vehicle parking and movement
- ageing infrastructure, and
- the importance of the public domain with new development contributing positively to walking and cycling networks, landscaping and urban design improvements.

Analysis undertaken during the preparation of this Statement shows housing growth and urban consolidation can be achieved in the Inner Region while retaining heritage values, economic and cultural vibrancy and enhancing local urban character and amenity. Due to the complex fabric of the Inner Region, the categories used in Melbourne 2030 have been further defined by the Inner Region into sub-categories as follows:

- **The Central Activities District (CAD)** can accommodate around **35,800** net new dwellings over the next 30 years, including an estimated 12,000 dwellings in Docklands, and an additional 6,000 dwellings in Southbank. This represents about **38.5%** of the total projected household growth for the Inner Region.

- **Major redevelopment sites or precincts** could accommodate around **44,200** net new dwellings over the next 30 years. This represents around **47.5%** of the total projected household growth across the Inner Region.

- **Retail and commercial strips** might accommodate around **6,800** new dwellings over the period 2001–2031. This represents about **7.5%** of the total projected household growth across the Inner Region.

- **Established residential locations** may accommodate around **6,200** additional households over the next 30 years. This represents about **6.7%** of the total projected household growth across the Inner Region.

Theme 2 – Supporting diverse, sustainable communities through meeting a wide range of housing needs, now and into the future

Social and cultural diversity are essential elements of innovative, competitive economies and sustainable communities. Housing plays an important role in enabling diverse and sustainable communities to establish and thrive.

While one of the perceived strengths of the Inner Region is its rich social and cultural diversity, this aspect of the region's population is undergoing change. Maintaining social and cultural diversity means achieving a diversity of household types, income levels and housing tenures as well as age and ethnicity. The needs of poorly represented household types (such as those on low incomes, older persons, those who need crisis housing, people from non-English speaking backgrounds and those living with a disability) need to be acknowledged and addressed.

Four important housing issues emerge in relation to this theme:

- The need to provide a range of dwelling types and sizes to meet the needs of a diverse community.
- The provision of housing and social infrastructure that facilitates social interaction and participation.
- The provision of housing that is affordable and appropriate for low income households (in terms of housing cost, size, standards, and access to services and facilities).
- Ensuring housing and infrastructure are designed to achieve environmental, social and economic sustainability.

Many opportunities exist for local Councils of the Inner Region and the Victorian Government to work collaboratively on facilitating well located, diverse, affordable, accessible and environmentally sustainable housing options.

Theme 3 – Managing infrastructure needs of a growing population

Managing overall development in a coordinated way is essential to ensure quality outcomes for the Inner Region. Additional housing in the region will need to be supported by timely, coordinated and adequate provision of infrastructure.

Population and household growth projected for the Inner Region will demand careful infrastructure planning and delivery. Opportunities exist for the Victorian Government and local Councils to work at a regional level to plan and provide services and infrastructure for the Inner Region to meet the current and future needs of a rapidly growing population including:

- The importance of providing basic community facilities and social infrastructure in order to attract and retain a diversity of households.

- The projected age profile of the Inner Region anticipates a significant increase in the 0–14 year old age group. This increase will require new services in the areas of maternal and child health, childcare and education.

- A projected increase in the number of older people living in the Inner Region over the next 30 years will also require the provision of new or additional infrastructure and services including home and community care programs and healthy ageing activities to help keep older people well, active and socially integrated.

Objectives, Strategies and Actions

A number of objectives, strategies and actions are proposed to ensure the provision of future housing and related services in the Inner Region addresses issues and opportunities identified in this Statement.

Key objectives

Key objectives have been developed for each theme with a number of detailed strategies and actions. These are summarised as follows:

Theme 1 – Maintaining the liveability and economic capacity of the region whilst providing for housing growth

<u>Residential Growth and Liveability</u>

- To achieve housing growth in locations that have the capacity and propensity for change, and which will maximise economic, social, cultural and environmental sustainability.
- To protect the heritage assets, neighbourhood character and amenity of established residential areas which are fundamental to the liveability of the Inner Region.
- To achieve a shift in the location of residential development away from established residential locations, to the CAD and identified major redevelopment sites and precincts.

<u>Economic Capacity</u>

- To ensure residential growth occurs where it will not compromise the overall economic capacity of the Inner Region, and the primary commercial and cultural role of activity centres.
- To ensure appropriate housing is available to accommodate key worker groups of the Inner Region.

Theme 2 – Supporting diverse, sustainable communities through meeting a wide range of housing needs, now and into the future

Housing Diversity and Adaptability

- To achieve and value social and cultural diversity as the fundamental basis for a sustainable, inclusive and innovative Inner Region community.
- To increase the diversity and adaptability of the region's housing stock to better meet increasingly diverse household structures, lifestyle and cultural needs, income levels and life cycle stages.

Housing Affordability

- To reduce the current high levels of housing stress experienced across the Inner Region.
- To increase the supply of well located affordable housing opportunities in the region for low income households, across all tenures (as a proportion of the total housing stock).
- To increase the supply of appropriate (well located, relevant, quality) social (public and community) housing for low income residents and those with special needs.
- To progressively increase the long-term supply of affordable housing within the region.

Socially and Environmentally Responsible Housing Development

- To support and maximise local connections and social interaction in the public and private realm through good design of residential development.
- To plan for and achieve housing that is environmentally sustainable.

Theme 3 – Managing infrastructure needs of a growing population

Infrastructure Planning and Provision

- To achieve the timely provision of social and physical infrastructure to support population change and housing growth.
- To provide responsive and flexible social and physical infrastructure that supports different life stage and life cycle needs.

Implementation, monitoring and review

The first stage of implementation is to develop an implementation plan which will explore opportunities for implementing the Inner Regional Housing Statement in conjunction with the implementation of other projects and strategies including IMAP.

An annual program will be developed to monitor the housing indicators used to prepare the Inner Regional Housing Statement and to monitor the performance of the Inner Regional Housing Statement in achieving the objectives, strategies and actions outlined in Chapter 6.

Monitoring housing indicators will involve use of existing data sources and data gathered as part of the Urban Development Program and will also involve developing new monitoring systems to gather new data.

It is anticipated that the Inner Regional Housing Statement will be reviewed every five years or earlier if circumstances require. The Inner Regional Housing Working Group will determine the scope of the review. The first review of the Inner Regional Housing Statement is anticipated to commence in 2010.

1 Introduction

This chapter outlines the role of the Inner Regional Housing Working Group and the purpose, content and intended use of the Inner Regional Housing Statement.

The Inner Regional Housing Working Group

As part of Melbourne 2030, the Victorian Government's 30 year plan to manage growth and change in metropolitan Melbourne, five Regional Housing Working Groups were established across metropolitan Melbourne by the Minister for Planning.

The Inner Regional Housing Working Group covers the municipalities of Melbourne, Port Phillip, Yarra and Stonnington (west of Kooyong Road) and the Docklands area of Melbourne.[1]

Established as a forum to identify housing issues and challenges and determine innovative and sustainable approaches to address these issues across the region, the Inner Regional Housing Working Group includes Councillor and officer representatives from the cities of Melbourne, Port Phillip, Stonnington and Yarra as well as representatives of the Department of Sustainability and Environment and the Department of Human Services (Office of Housing).

In accordance with their Terms of Reference, key outcomes for the Inner Regional Housing Working Group are:

- Implementation of the housing policies within Melbourne 2030 at a regional level through the development of a Regional Housing Statement.
- Facilitation of the implementation of housing policies within Melbourne 2030 at a local level through the development of local housing strategies.
- Support to Councils undertaking planning and policy development in the area of housing.

The Inner Regional Housing Working Group will have an ongoing role in the implementation, monitoring and review of the objectives, strategies and actions outlined within this Statement.

What is the purpose of the Inner Regional Housing Statement and how has it been developed?

The purpose of the Statement is to provide a regional strategic framework to assist in planning and managing the housing needs of present and future households in the Inner Region of metropolitan Melbourne to 2031.

[1] The Docklands is currently administered by VicUrban and will be included in the City of Melbourne in 2007. Land use planning for the Docklands is currently administered through the Melbourne Planning Scheme and the Minister for Planning is the responsible authority for all planning permits within the Docklands area.

This Statement has been prepared by a Technical Working Group of local Council and Victorian Government officers under the direction of the Inner Regional Housing Working Group. This Statement has been released for public consultation and the comments received have been incorporated into the final document, where relevant.

The inner metropolitan Councils have developed Making Melbourne More Liveable - Inner Melbourne Action Plan (IMAP) in parallel with the development of this Statement.

IMAP is 5-10 year action plan to build on the Inner Melbourne Region's unique assets and attributes. IMAP sets out 11 regional strategies and 57 actions to address one simple objective: to make Inner Region more liveable.

This Statement is referred to in action 5.1 at Strategy 5 of IMAP and is to be read as a companion document to IMAP.

How will the Inner Regional Housing Statement be used?

The Statement is intended to provide guidance and direction for Councils in the development and review of strategic planning work and to Local and State Government in coordinating future infrastructure and services with population growth. The Inner Regional Housing Statement will not be formally incorporated into the Victoria Planning Provisions or Municipal Planning Schemes.

The Statement details how the broad level housing directions set by Melbourne 2030 will be implemented at the regional level. Due to the Statement's regional focus, it does not identify specific local sites or their capacity to accommodate future growth at a local level. Therefore, it is not appropriate that it be used to determine individual planning applications by local Councils or the Victorian Civil and Administrative Tribunal (VCAT).

What is included in the Inner Regional Housing Statement?

This Statement is the result of work undertaken by the Inner Regional Housing Working Group in identifying housing issues and needs across the Inner Region.

While the Statement covers the period up to 2031, it focuses predominantly on actions which are achievable within the next five years. After this period, a full review of the Statement will take place and new or modified actions will be outlined.

The Statement includes the following sections.

Regional Snapshot – provides an overview of the Inner Region's key features, including a profile on people and housing and regional economic influences.

Policy Context – outlines the existing policy framework in the Inner Region in relation to housing.

Population and Housing Trends and Projections – outlines key demographic trends, an overview of housing affordability and costs, and an outline of drivers of the Inner Region housing market.

Housing Vision and Opportunities– identifies some of the opportunities for achieving policy outcomes across the Inner Region.

Objectives, Strategies and Actions – outlines key principles for the Inner Region and outlines objectives, strategies and actions based on three key themes.

Implementation, Monitoring and Review – provides an outline of how the Inner Regional Housing Statement will be implemented, monitored and reviewed.

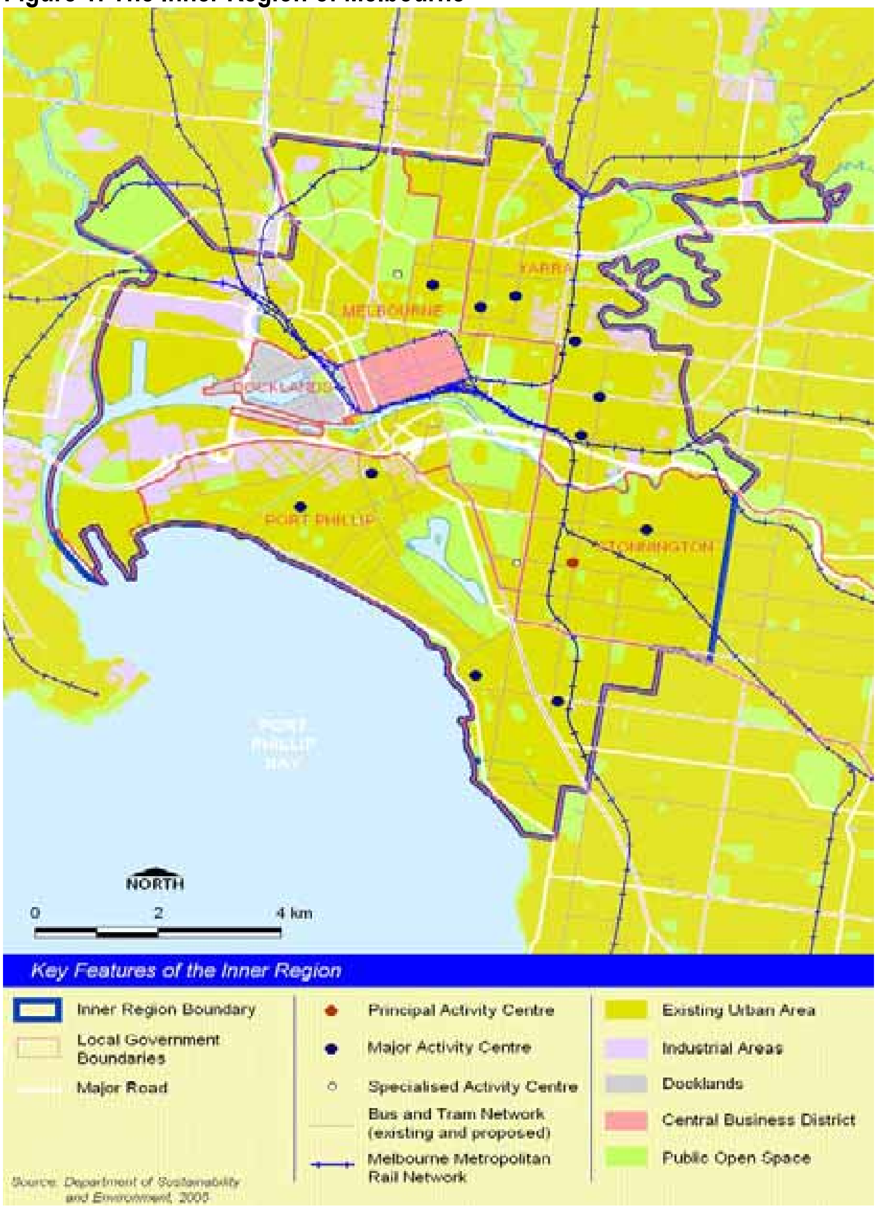
2 Regional Snapshot

This chapter provides an overview of the Inner Region's key features, a profile on people and housing, and regional economic influences.

The Inner Region

The Inner Region of metropolitan Melbourne covers the municipalities of Melbourne, Port Phillip, Yarra and Stonnington (west of Kooyong Road) as well as the Melbourne Docklands area. The region encompasses key geographical features and a range of highly valued Victorian assets including Melbourne's Central Business District, the foreshore areas of Port Phillip Bay, the Yarra River and public spaces such as the internationally renowned Royal Botanical Gardens. These features make the Inner Region an area of significant public value.

Figure 1: The Inner Region of Melbourne



(Source: Unpublished data, DSE 2005)

The land use composition of the Inner Region reflects its role and history in Melbourne's urban development. The area has traditionally supported, and continues to support, a range of important economic activities and employment hubs as well as extensive residential areas. It is also relatively well serviced by public transport.

The Inner Region is also one of contrasts. Older industrial areas co-exist with emerging high-tech business clusters, the Central Business District (CBD) contrasts with vibrant inner city shopping streets, and bayside suburbs and established residential areas are set against new developments such as the Docklands. This diversity is also reflected in the range of housing types within the region which include higher density apartments, medium density infill housing within established residential areas, and intact residential areas, many of which are protected for their heritage character.

Housing in the Region – An Historical Context

The population of the Inner Region fell sharply in the decade after the Second World War, and after a period of stability in the 1960s, fell again through the 1970s and early 1980s. These trends were initially the product of major dwelling stock losses in the Inner Region, and subsequently were a result of demographic changes, increased mobility and access to more attractive housing elsewhere. Even when the Inner Region experienced increases in dwelling numbers in the late 1960s, the region's population continued to decline as a product of the significant decrease in average household sizes which occurred over the same period.

From the mid 1980s onwards, the Inner Region experienced strong in-migration from what can be termed lifestyle migrants moving to the area to be closer to employment and entertainment. State and Local Government policy initiatives have both responded to and reinforced such trends, seeking to increase the number and range of dwellings within the Inner Region. These policies were supported by:

- various changes to zones and regulations (most notably the increased application of mixed use zones enabling residential use)
- demonstration renewal projects
- recycling and reuse of buildings for residential occupancy
- redevelopment of former industrial and commercial sites, infill developments and multi-unit developments.

High profile housing programs such as Postcode 3000 and the Better Cities projects of the early 1990s (eg. renewal of the Hotham Housing Estate and redevelopment of the Newmarket Sales Yards) generated strong developer and community interest in inner city living. The Victorian Government led renewal of Southbank as a mixed entertainment, arts, commercial and residential precinct also began in the 1980s, with the area attracting significant high density residential development projects within the last 20 years. Redevelopment of the former refinery site in Port Melbourne to create Beacon Cove and the Como site in South Yarra are other examples of large scale residential renewal projects occurring at this time.

These housing programs coincided with a significant shift in the inner Melbourne property market, triggered by the oversupply of office floor-space during the late 1980s recession. Property market trends and public policy were strongly reinforced by the change in consumer preferences with smaller households wanting smaller homes closer to public transport, work, recreation and entertainment.

As a consequence, the Inner Region has experienced significant residential development over the past 15 years. During this period, the region has experienced growth rates comparable to some of the fastest growth areas in Australia. For the first time in many decades the population of the Inner Region started to rise again, with an additional 25,000 dwellings constructed and an additional 32,680 people living in the region between 1991 and 2001 (ABS, 2001a). Forecasts indicate continuing strong growth in the Inner Region's population and housing stock.

People and Housing – A Current Profile

The Inner Region is the most diverse region within metropolitan Melbourne, both in terms of its demographic composition and in the mix of dwelling types and sizes. Its characteristics are quite distinctive from metropolitan averages and other parts of Melbourne.

People in the Inner Region

The region is currently home to a diverse range of people, including residents from a wide range of ethnic backgrounds, socio-economic groups and household types. In 2001 the Inner Region made up 5.1% of metropolitan Melbourne's population with a total of 245,274 people (ABS, 2001a). This figure is expected to grow to approximately 405,100 people by the year 2031 (DSE, 2004b).

The Inner Region has a characteristically younger age profile than the rest of metropolitan Melbourne, with the dominant age group being young adults between the ages of 20-39 years (ABS, 2001a). There is a strong lifestyle trend for people to live, work or study within the Inner Region, which impacts on its age structure. This trend reflects the range of key educational facilities located in the Inner Region and the economic diversity of the area, which creates a variety of employment opportunities.

Approximately 63% of people in the Inner Region speak English only. This compares to almost 70% across metropolitan Melbourne. However, there are differences within the region. In the City of Melbourne approximately 52% of people speak English only, whereas in the Cities of Port Phillip and Stonnington approximately 69% of people speak English only which is more consistent with the metropolitan average. In the City of Yarra approximately 65% of people speak English only (ABS, 2001a).

Major countries of origin, after Australia, for residents in the Inner Region include the United Kingdom, New Zealand, Greece, Vietnam and Malaysia. Immigration from a range of countries has contributed significantly to the richness and diversity of the Inner Region and helped shape many of its cultural and entertainment precincts. The role of the Inner Region as a point of arrival for many overseas migrants has been driven and supported by the location of public housing stock in the region.

Average household size is smaller in the Inner Region than for metropolitan Melbourne in general. This reflects the dominant household types in the region, being lone person households (39.0%), followed by couples without children (24.0 %). Group households are similarly more common than the metropolitan average (13.0% compared to 4.2%) whilst the proportion of family households – couples with children (predominantly young families) and single parent families – are well below the metropolitan average (20.7% compared to 47.5%) (ABS, 2001a).

Table 1: Household types for the Inner Region compared to metropolitan Melbourne, 1991–2001

Households by type	1991			1996			2001		
	Inner Region		MSD[2]	Inner Region		MSD	Inner Region		MSD
	No.	%	%	No.	%	%	No.	%	%
Couples with children	15,697	17.8	42.9	14,347	15.2	38.8	14,208	13.7	36.8
Single parent families	7,629	8.7	9.2	7,440	7.9	10.2	7,273	7.0	10.7
Couples without children	16,454	18.7	21.9	18,986	20.1	22.5	24,820	24.0	23.5
Lone person households	33,329	37.8	19.4	38,040	40.3	22.6	40,324	39.0	23.2
Group households	12,881	14.6	4.9	12,653	13.4	4.4	13,482	13.0	4.2
Other families	2,117	2.4	1.6	2,901	3.1	1.6	3,374	3.3	1.6
Total	**88,107**	**100.0**	**100.0**	**94,367**	**100.0**	**100.0**	**103,481**	**100.0**	**100.0**

(Source: Unpublished data derived from ABS 1991, ABS 1996 and ABS 2001a)

The fastest growing household types in the Inner Region in the 1991-2001 period were couples without children (net increase of approximately 8,350 households) and lone person households (net increase of approximately 7,000 households) (ABS, 2001a).

It is important to note that major urban renewal developments such as Southbank, Docklands and Beacon Cove, in conjunction with incremental development across the region, have resulted in significant demographic shifts leading into and post the 2001 Census.

Housing in the Inner Region

A number of key features characterise the housing stock of the Inner Region.

The region's (occupied private) housing stock is dominated by attached and semi-detached dwellings at 80.7%, compared to only 23.7% as the metropolitan Melbourne average. Conversely, the proportion of

[2] The MSD is the Melbourne Statistical Division which includes the metropolitan Melbourne area.

separate houses (17.2%) is much lower than the metropolitan average (75.0%) (ABS, 2001a).

Dwelling sizes, in terms of number of bedrooms, are generally smaller in the Inner Region, with the most common being two bedroom semi-detached and attached homes (39% compared to 12.8% for metropolitan Melbourne overall). Semi-detached and attached one bedroom dwellings are also more common in the region than for metropolitan Melbourne overall (19.9% compared to 4.4%) (ABS, 2001a).

The proportion of housing stock owned or being purchased is significantly lower in the Inner Region than for metropolitan Melbourne (42.9% compared to 72.3%). The most common type of housing tenure in the Inner Region is private rental (45%), significantly higher than for metropolitan Melbourne (20.2%) (DSE, unpublished data).

The Inner Region is characterised by increasingly high purchase prices and high rental costs for both houses and apartments, and as a result, the supply of private affordable housing has rapidly declined.

Whilst the region continues to have the highest concentration of public and community housing in the metropolitan area, a reduction in the proportionate supply of government rental housing has occurred in recent years (10.3% of stock in 1991 to 7.7% in 2001) (Office of Housing, DHS, 2003-2004).

Regional Economic Influences

Business and Employment Profile

The Inner Region comprises a diverse and changing economy, experiencing an historic shift from a manufacturing based to a services based economy.

Past and current planning policies have consistently supported the Inner Region’s role as the primary business, retail, sport and entertainment hub for the metropolitan area. Over the period 1991-2001, along with significant growth in population and housing, the region also experienced strong growth in employment and visitation. Employment in the Inner Region increased from 348,453 jobs in 1991 to 396,880 jobs in 2001 (i.e. a 13.9 % increase or almost 48,500 additional jobs) (ABS, 2001a).

The most significant job increases occurred in the communications, finance, property and business services, recreation and personal services sectors.

Employment in all other sectors declined over the period with manufacturing, transport and storage, and public administration and defence exhibiting a decline.

Table 2: Employment Growth in the Inner Region (excluding Prahran SLA), 1991–2001

Sector	1991	2001	Change
Manufacturing	36,626	30,930	-15.55%
Trade	50,581	48,116	-4.87%
Transport and Storage	25,215	16,120	-36.07%
Communication	13,129	18,712	42.52%
Finance, Property and Business Services	83,975	142,609	69.82%
Public Administration and Defence	33,696	17,907	-46.86%
Community Services	60,535	51,671	-14.64%
Recreation and Personal Services	24,900	52,258	109.87%
Other	19,796	18,557	-6.26%
Total	**348,453**	**396,880**	**13.90%**

(Source: Unpublished data, City of Melbourne, derived from ABS 1991 and ABS 2001a)

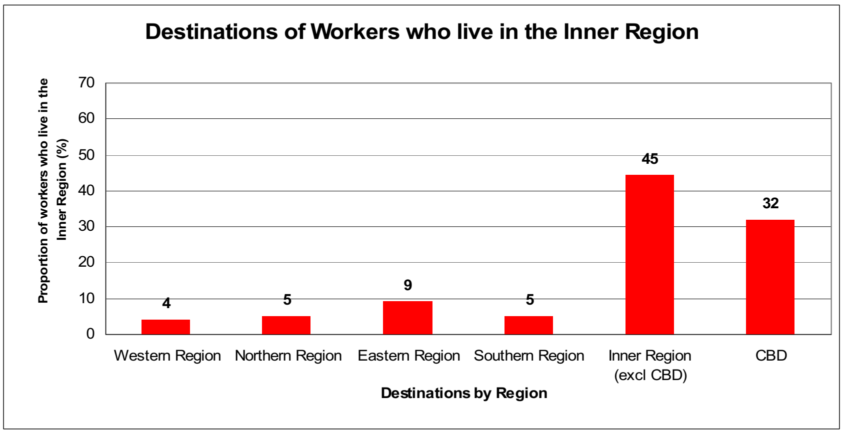
Housing development has emerged as a strong and sometimes dominant player in the Inner Region's property market over the last decade. Managing housing growth in a manner which complements rather than undermines the Inner Region's traditional economic strengths is a significant challenge.

Resident Employment and Economic Profile

Business sectoral changes bring with them new labour markets and new resident groups, with accompanying changes in income and expenditure patterns.

Figure 2 below identifies the workplace destination of people who live in the Inner Region, highlighting that the majority (77%) of residents also work in the Inner Region (ABS, 2001a).

Figure 2: Destination of Workers who live in the Inner Region

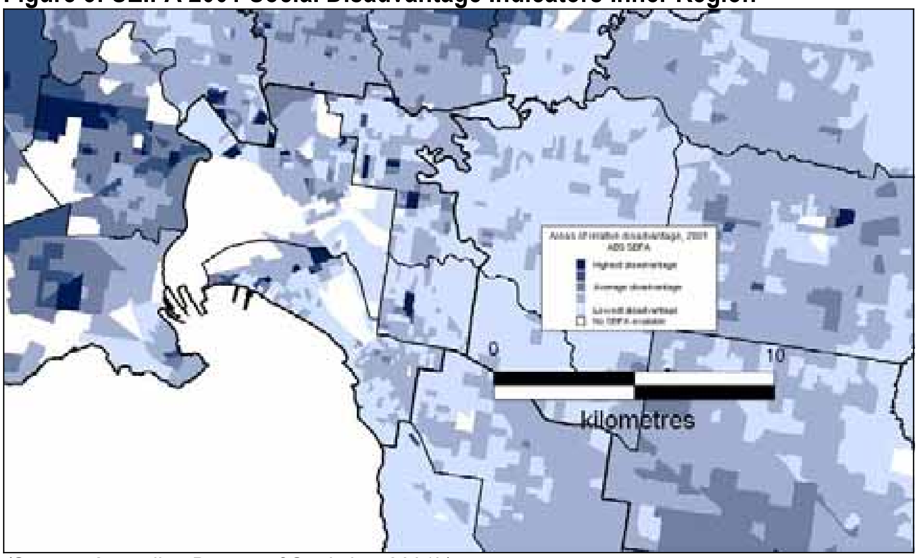


(Source: ABS, Unpublished tables, Census of Population and Housing 2001)

The median gross weekly income for the Inner Region in 2003 was $1,058, one of the highest in metropolitan Melbourne (DSE, 2003b). Pockets of the Inner Region also have a high concentration of tertiary qualified workers who contribute to the growth of new employment in industry sectors such as information technology and in the wider growth of commercial and professional services.

Despite high median incomes, there are also significant levels of disadvantage in the Inner Region. One measure of social disadvantage, the SEIFA index, is based on levels of income, education, unemployment and motor vehicle ownership. This measure (see Figure 3 below) indicates that there are key pockets of the highest disadvantage in the Inner Region. Most of the region, however, has low levels of disadvantage. Polarisation of income groups within the Inner Region is of increasing concern and will be further reinforced by rising property prices, unless the region's public housing stock is significantly augmented by an increase in other affordable housing.

Figure 3: SEIFA 2001 Social Disadvantage Indicators Inner Region



(Source: Australian Bureau of Statistics, 2001b)

3 Policy Context

This chapter summarises the existing housing policy context affecting the Inner Region with a focus on the various roles of Commonwealth, State and Local Government.

Commonwealth and State Housing Policy Context

Commonwealth and State housing policies have generally focused on the provision and maintenance of housing units (public or community housing) or housing support measures for low income households.

A number of direct and indirect fiscal and assistance measures administered by the Commonwealth affect the type, affordability, and location of housing in the region. Direct measures include; the Commonwealth State Housing Agreement (which provides funding for the acquisition of public housing units); the Commonwealth Rental Assistance program (available to eligible individuals in private rental units); the First Home Owner Grant scheme to offset the introduction of GST; and the Supported Accommodation Assistance program for Homelessness Support (providing assistance to people who are homeless or at risk of homelessness).

Indirect measures include; fiscal measures such as the tax treatment of primary residence investments, monetary measures such as interest rates and inflation, industry policy such as regional development policies, and urban policies aimed at equalising housing costs.

Over recent years, Commonwealth funding for social housing acquisition has been declining in real terms and rent assistance has received greater emphasis.

There is currently no comprehensive or integrated national housing policy. However, work is being undertaken at the national level on affordable housing. The Framework for National Action on Affordable Housing was endorsed on 4 August 2005 by a joint national meeting of Housing, Local Government and Planning Ministers. The Framework sets out a 3 year program to achieve a strategic, integrated and long term vision for affordable housing and a plan to deliver this vision with commitment from all jurisdictions.

Key initiatives of the Framework include:

- Creating a development plan to build the capacity of not-for-profit housing providers.
- Adopting a national approach to defining and analysing affordable housing need.
- A detailed work plan to deliver increased affordable home ownership and rental opportunities.
- Preparation of a package of policy reform options to diversify the afffordable housing delivery sector, expand special programs for target groups, developing incentives to attract private finance,

aligning taxation policy and land use planning and land supply mechanisms.

The Framework is proposed to be achieved through affordable housing delivery and management and parallel policy parameters.

At the State Government level, housing support is administered through the Office of Housing. It focuses on the management and provision of social housing assistance to low income or special needs groups, including crisis and emergency housing. The Office of Housing provides direct housing assistance to more than 60,000 households through general rental stock. In the period June 2003 to March 2004, more than 25,000 households were also assisted through the Office of Housing Bond Loan Scheme and the Housing Establishment Fund, which assist low income Victorians to access the private rental market (Office of Housing, DHS, Unpublished data).

Victoria is facing a potential decline in social housing stock due to reduced Commonwealth funding. A number of programs have been established by the State Government to redevelop, maintain and increase the supply of low income rental housing and to support low income households access to housing. These include the establishment of several not-for-profit Housing Associations, the Victorian Homelessness Strategy, Neighbourhood Renewal Program and the Disability Housing Trust.

Direct delivery of affordable housing at the State level is currently provided through not-for-profit housing organisations funded through the State Housing Innovations Project and other funding. Six non-government housing providers have also been identified as prospective Housing Associations eligible for capital assistance from State Government. Legislation enabling a regulatory structure for the operation of Housing Associations was passed in mid 2005. A number of the selected Housing Associations have been registered and are investigating development opportunities.

State and Metropolitan Planning Policy Context

State Planning Policy Framework
The State Planning Policy Framework (SPPF), contained within the Victoria Planning Provisions includes; a statement of general principles for land use and development planning, and specific policies relating to settlement, environment, housing, economic development, infrastructure, and particular uses and development. These state planning policies are included in local planning schemes and must be considered in planning decision making within each municipality.

Melbourne 2030
Melbourne 2030 is the Victorian Government's 30 year strategic plan to manage growth and change across metropolitan Melbourne in a sustainable manner. It provides an integrated set of policies and initiatives aimed at reducing urban sprawl, consolidating urban development around transport nodes to make efficient use of existing infrastructure and improve access to services and infrastructure.

Of particular relevance to the Inner Regional Housing Statement are directions and policies that seek to:

- Encourage a greater proportion of housing to locate at strategic redevelopment sites (including activity centres) (Direction 1).
- Build up activity centres as important locations for a range of mixed uses including housing (Direction 1).
- Set clear limits on outward development to protect areas of important conservation, rural and agricultural values and limit fringe development to identified growth areas (Direction 2).
- Protect and support industries and functions important to maintaining an ongoing competitive economy (Direction 4).
- Promote development that is appropriately designed for its context and improves liveability (Direction 5).
- Ensure that housing matches changing and future demographic profiles and provides opportunities to increase the supply of affordable housing are taken (Direction 6).
- Manage the urban system in a way that minimises its impact on the environment (Direction 7).
- Ensure that housing is more accessible to a range of services with good access to public transport (Direction 8).

A Fairer Victoria

A Fairer Victoria, Creating Opportunity and Addressing Disadvantage, which was released in April 2005 sets out 14 major strategies and 85 actions the State Government will take to address disadvantage over the next 5-10 years. Strategy 7 of a Fairer Victoria aims to boost access to affordable housing. Key actions to achieve this Strategy include:

- Expand the supply of social housing.
- Lead the market through VicUrban to increase the supply of affordable housing.
- Accelerate Implementation of affordable housing actions within Melbourne 2030.
- Ensure Victoria's planning system supports affordable housing objectives.
- Increase home ownership among low income Victorians.
- Deliver better services and support for homeless Victorians.

Ongoing monitoring is proposed to evaluate the progress and outcomes of a Fairer Victoria.

Metropolitan Transport Plan

The Metropolitan Transport Plan has been developed to ensure that population and employment growth will be supported by adequate transport networks, and that accessibility and liveability is maintained across metropolitan Melbourne. The key principles of the Plan are to:

- Provide better access to activity centres and job opportunities via alternative transport modes.
- Make better use of existing road and public transport assets.

- Improve access for freight and commercial traffic throughout metropolitan Melbourne with effective links to port precincts and regional Victoria.
- Recognise the importance of non-motorised transport modes.
- Promote greater use of public transport and develop better public transport options.
- Improve safety for users of all transport modes.
- Provide information to enable better travel choices to be made.

Regional policy context

The regional policy context identifies existing policy areas that are important to housing across the Inner Region as a whole, and is based on numerous local Council policies relevant to the region including Municipal Strategic Statements, Municipal Health Plans and Council Plans.

This Inner Regional Housing Statement is generally consistent with the existing policy context of the Inner Region local Councils.

Diversity

Inner Region Councils aim to encourage and support a community that is socially diverse. Each Council's Municipal Strategic Statement highlights the complexity of this objective and encourages housing and other strategies that support social diversity.

Protection of heritage, local character and amenity

All Councils in the Inner Region have policies requiring new development to: respect the scale and character of surrounding development; maintain access to daylight and sunlight for neighbouring properties; minimise overlooking built structures; ensure high on-site amenity for future occupants; and consider the potential future built form and land use on adjoining sites.

All local Councils seek to retain the low-rise scale of established residential areas and have policies in place to ensure new development is appropriate in design and layout to its neighbourhood character.

The Inner Region has extensive heritage areas and policies to protect heritage places and the streetscape characteristics of established areas. Several Councils have specific policies to retain street trees and mature trees on private properties.

Councils also acknowledge the challenge of trying to minimise amenity conflicts between residential and non-residential uses, including the need for acoustic attenuation measures and design and management techniques to minimise operational impacts.

Affordability

Councils within the Inner Region acknowledge, through their local policies, the need for affordable housing to support social diversity.

However, each of the Councils defines and addresses issues of affordability in different ways. Some local Councils undertake an advocacy role with State or private agencies whereas others are direct providers of support services.

The link between affordable housing and broader economic viability is also acknowledged, such as the impact of construction costs on building completion or the need for retail services to support residents from a variety of economic backgrounds.

Community Building

All Inner Region Councils acknowledge the need to create spaces and meeting places that encourage social interaction.

Many policies support opportunities for residents to engage in activities offered by inner city life. There are a number of strategies and policies that seek to reduce social isolation and encourage active participation in public life. These include built form requirements such as active street frontages in retail buildings and acknowledgement of the importance of local information to encourage social networks and participation in community life.

Inner Region local Councils also recognise the barriers that make community participation difficult, such as unsafe areas, low income, language, employment status and mobility. Each Council addresses these issues in different ways through initiatives such as multicultural policies and community safety plans.

Employment Opportunities

Inner Region Councils have all identified the need to balance residential, employment and recreational opportunities and acknowledge the importance of maintaining a diverse economic base including local industry, retail outlets and small businesses.

Some parts of the Inner Region have incentives aimed at encouraging business to locate in the region while other areas monitor housing supply to ensure it matches the needs of workers. Initiatives include affordable housing for younger people working in the CAD and affordable housing for service workers in areas of new residential development, such as the Docklands.

Infrastructure

Local planning policies for the Inner Region acknowledge the challenge of providing services and facilities that support an increased, demographically complex residential population.

All Inner Region Councils have policies to encourage improved provision of physical infrastructure (including transport and utility services) so that new development is located within an appropriate traffic and transport network with adequate service capacity. Some Councils have specific policies requiring new residential developments to contribute to social and physical infrastructure.

The Inner Region also supports planning for social infrastructure that meets age specific needs (i.e. elderly, young people, families) and the need to design and use the public realm so that it meets the needs of people living, working and visiting the Inner Region. All Inner Region Councils are moving toward the concept of community hubs or the co-location of complementary services and facilities. Implementation of these sorts of initiatives is at different stages but all local Councils acknowledge this as the way forward, particularity for family and children's services.

The Municipal Strategic Statements of the Inner Region Councils encourage new models for provision of social infrastructure (in light of increased population densities) and workable mixed use areas.

All Councils are committed to improving public transport, pedestrian and bike networks and support environments that offer a number of transport options, not only private car use. Some Councils give dispensation from car parking requirements for residential development that is located close to the public transport network.

4 Population and Housing Trends and Projections

This chapter looks at past and current population and housing trends and considers their implications for the way the Inner Region plans for and addresses housing needs in the future.

Demographic change and diversity

Population Growth

Between 1991 and 2001, the estimated resident population of the Inner Region grew by 32,680 to a total of 245,274 persons, a growth rate of 15.4% (ABS, 2001a). This population increase is forecast to continue with growth rates for the Inner Region (to the year 2031) projected to exceed the rate of growth for metropolitan Melbourne as a whole.

It is projected that the Inner Region will increase by about 159,800 people during the period 2001–2031, taking the total population for the region to approximately 405,100 persons by the year 2031. This equates to an average annual growth rate of 1.7% between 2001 and 2031, declining from 2.3% between 2001 and 2006 to 1.4% between 2021 and 2031. Most of this overall population growth will occur within the City of Melbourne (35.8%) and the City of Port Phillip (27.9%) (DSE, 2004b).

Table 3: Projected Population Inner Region of Melbourne, 2001–2031, by Local Government Area

Local Government Area	2001 Census	Total Projected Population 2031	Distribution of 2031 Total Projected Population (%)
Melbourne	50,673	145,138	35.8
Port Phillip	80,552	112,897	27.9
Stonnington (Prahran)	45,102	57,173	14.1
Yarra	68,947	89,898	22.2
Inner Region Total	245,274	405,106	100.0

(Source: Data derived from ABS, 2001a and DSE, 2004b)

Household Size and Formation

The number of households in the Inner Region is expected to increase from 117,947 in 2001 to approximately 207,500 in 2031. This represents an increase of around 90,000 households (DSE, 2004b). Most of this anticipated population growth is expected to come from changes in household size and new household formation.

While average household size is declining in all areas of Australia, the average household size for the Inner Region is significantly lower than for other regions of Melbourne. Projections indicate that in the Inner Region average household size will continue to decline from 2.08 persons in 2001 to 1.95 persons by 2031 (DSE, 2004b).

Table 4 below indicates the anticipated distribution of these new households across Inner Region municipalities. The expected distribution of new households within the Inner Region varies, with the Cities of Melbourne and Port Phillip expected to accommodate the largest percentage shares of 55% and 21.9% respectively.

Table 4: Projected additional households for the Inner Region, 2001–2031

	Projected household growth	Percentage of Inner Region
City of Melbourne	49,215	55%
City of Port Phillip	19,624	21.9%
City of Stonnington (Prahran SLA only)	7,922	8.8%
City of Yarra	12,791	14.3%
Inner Region	**89,552**	**100%**

(Source: Data derived from DSE, 2004b)

Household Types

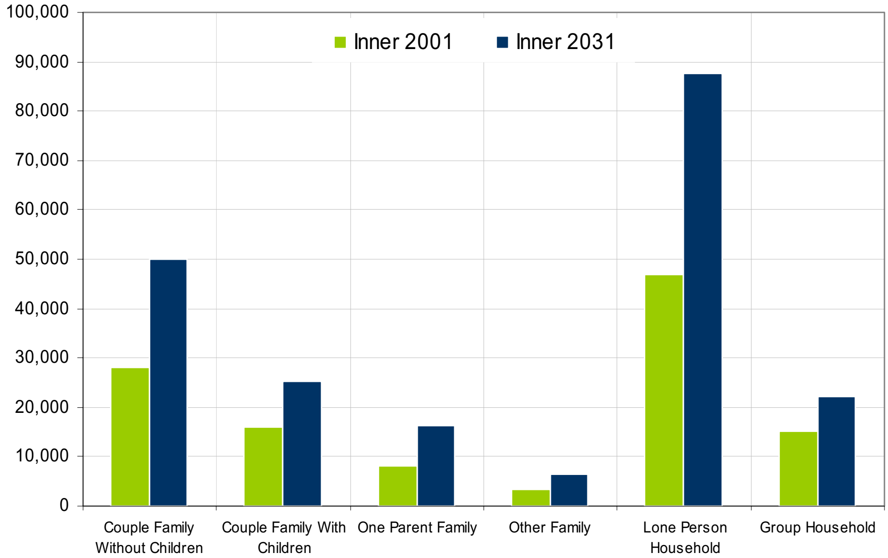
Figure 4 below highlights the changing composition of household types projected for the Inner Region from 2001–2031. Lone person and couples without children are currently, and will continue to be, the dominant household types in the Inner Region. Of particular note are the following projections for changes in household types:

- An almost doubling of lone person households, to 87,600 households by 2031. This equates to 42% of all households in the Inner Region (DSE, 2004b).
- A significant increase in couples without children households to 50,100 households by 2031. This equates to almost 24% of all households in the Inner Region (DSE, 2004b).
- The proportion of households comprising couples with children has declined in the period from 1991–2001 and is significantly lower in the Inner Region than across metropolitan Melbourne, reflecting the out migration trends discussed later in this chapter. The proportion of single parent households has remained fairly constant over the 1991–2001 period and is expected to double between 2001 and 2031 from 8,200 to 16,200. This equates to almost 8% of all households in the Inner Region (ABS, 2001a).

Moderate increases are anticipated in the number of couples with children in the Inner Region to 2031. Recent data suggests that some households with dependants may be moving into the area, including mature households with older children and professional couples with young children. These trends are reflected by a projected increase in the 0–14 year old age group discussed earlier. The emergence of these additional households suggests that the nexus between household type and housing stock is becoming less obvious in the Inner Region. Some households have reported that access to educational and employment facilities, proximity to parklands and cultural venues and convenient public transport override the decision about housing type and that households are now choosing a range of housing types.

There is also a significantly higher proportion of group households (13%) in the Inner Region compared with the metropolitan area (4%), although this figure has declined slightly from 14.6% in 1991 (ABS, 1996 and ABS 2001a). This could be accounted for by high numbers of students in the Inner Region and young workers generally on lower incomes.

Figure 4: Projected Change in household type, 2001–2031

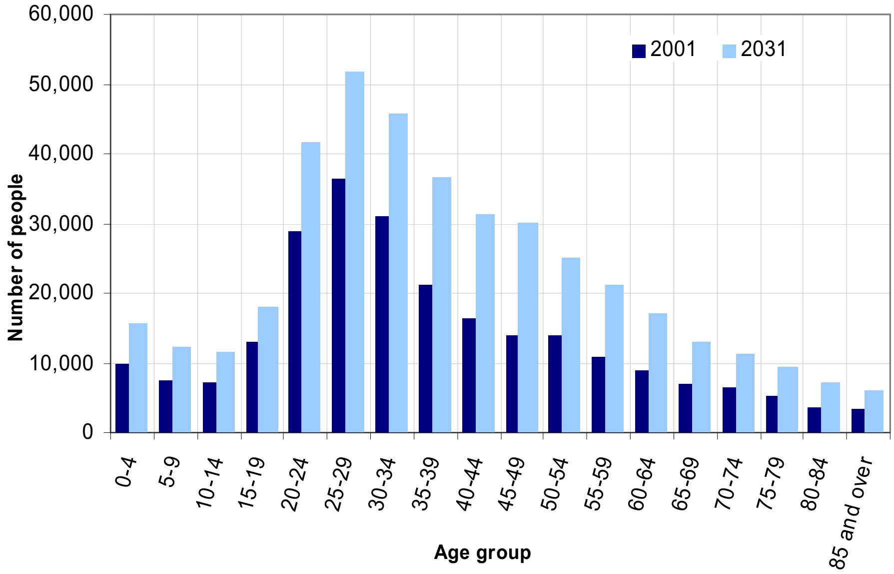


(Source: DSE, Unpublished, Changing Housing Consumptions Inner Region)

Age Structure

The dominant age profile of the Inner Region is, and will continue to be, young adults between the ages of 25 and 39, with the largest cohorts being the 25–29 and 30–34 year age groups. By 2031, it is projected that the Inner Region will accommodate 97,606 persons in the dominant 25–34 age group, almost one quarter of the total population of the region (DSE, 2004b).

Figure 5: Projected Inner Region population by 5 year age group, 2001 and 2031



(Source: Data derived from ABS, 2001a and DSE, 2004b)

Figure 5 demonstrates that, whilst an increased population size is projected for all age groups in the Inner Region by 2031, the most significant proportional increases by the year 2031 are projected in the 35–49 and 50–69 age groups. Key projections include:

- 35–49 years: 51,463 people in 2001 and 98,116 in 2031 – up 90.7%
- 50–69 years: 40,715 people in 2001 and 76,178 people 2031 – up 87%

(DSE, 2004b).

In actual numbers these age groups remain less significant than the dominant 25–34 (young adult) age group.

Significant increases are also projected for children under 15 years and for those aged 85 and older. However, these groups will remain a relatively small proportion of the overall population through to 2031. Key projections include:

- 0–14 years: 24,699 people in 2001 and 39,497 people in 2031 – up 60%
- 85+ years: 3,467 people in 2001 and 6,107 people in 2031 – up 76%

(DSE, 2004b).

The projected increase in population numbers for various age groups raises significant issues for future infrastructure and service requirements such as family and early childhood services, whole-of-life education opportunities, diversity of open space and health care. The housing and social service requirements of an ageing population, in particular, need to be anticipated, provided and monitored.

Migration and Mobility

Migration into the Inner Region is anticipated to be a significant contributor to the estimated increased population in the Inner Region by 2031. Between 2001 and 2031 natural increase (births minus deaths) are anticipated to account for an approximate increase of 57,800 persons. Net migration is likely to account for an approximate increase of 102,000 persons, with most of this migration occurring from within metropolitan Melbourne, and from adjacent regions (DSE, 2004b).

In recent years the Inner Region has gained young people in the 15–19 through to the 30–34 age bracket, lost people in the 30–34 through to 50–54 age bracket and then gained people in the 50–54 through to 65–69 age bracket. This data supports anecdotal evidence that when households move into new life cycles or life stages, such as having children, they experience increased difficulties in finding appropriate and affordable housing in the Inner Region. For the first time since 1976, there was an increase (although very minimal) in migration into the Inner Region in the 10–14 through to 15–19 age bracket which also supports anecdotal evidence that some people with children are moving into the region (DSE, 2004b).

Diversity in dwelling stock

Dwelling Types and Sizes

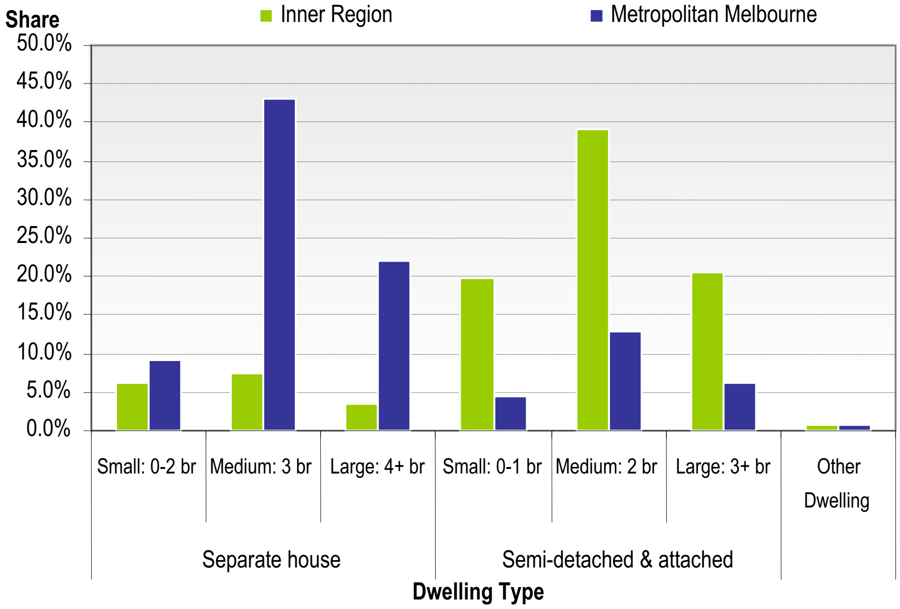
The Regional Profile (Chapter 2) highlighted the marked difference in the type and size (i.e. number of bedrooms) of the Inner Region's dwelling stock when compared to the metropolitan area as a whole. Key dwelling types, sizes and trends are summarised below:

- In 2001, the most common dwelling type in the Inner Region was the semi-detached and attached dwellings which constituted 80.7% of the total stock (compared to 23.7% for metropolitan Melbourne).
- The proportion of separate houses in the Inner Region was only 17.2% in 2001, significantly lower than for metropolitan Melbourne (75% of dwellings).
- Small dwellings continue to dominate the Inner Region's housing stock. In 2001, 65.0% of dwellings were one or two bedroom, which is significantly higher than the 26.3% for metropolitan Melbourne.

The dominance of semi-detached and attached dwellings in the Inner Region is increasing, up from 76.4 % in 1991 to 80.7% in 2001. Of these, two bedroom dwellings have remained the most common, increasing from 36.4% of the total stock in 1991, to 39.0% in 2001 (ABS, 2001a).

The development of smaller, attached dwelling types is evident in recent rapid growth in the construction of multi-level apartments within the region. This form of development has continued strongly in the post 2001 (Census) period and, whilst subject to market fluctuations, is likely to be ongoing.

Figure 6: Dwelling type by size in the Inner Region compared to metropolitan Melbourne, 2001



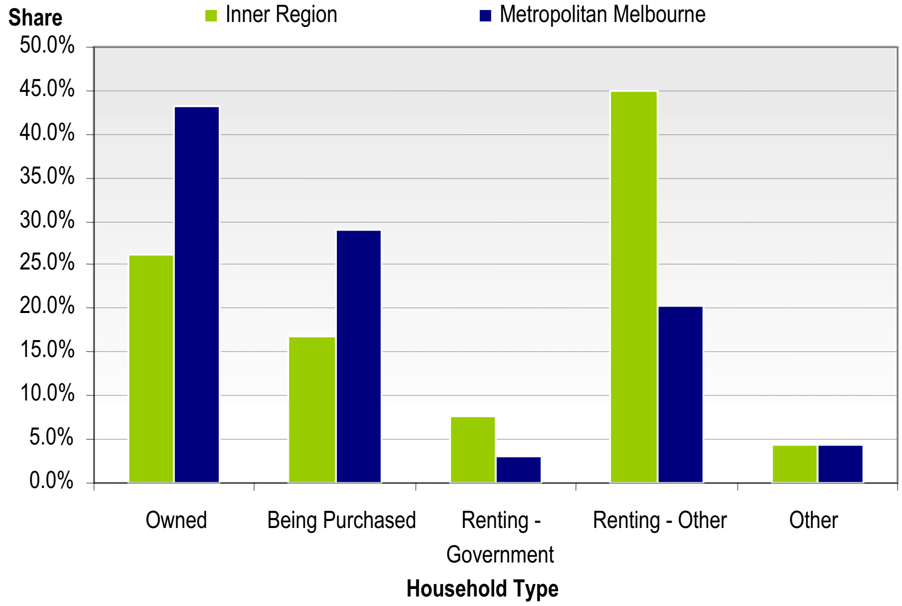
(Source: Data derived from ABS 2001a and DSE, Unpublished, Changing Housing Consumptions Inner Region)

Tenure

Housing tenure of the Inner Region is characterised by:

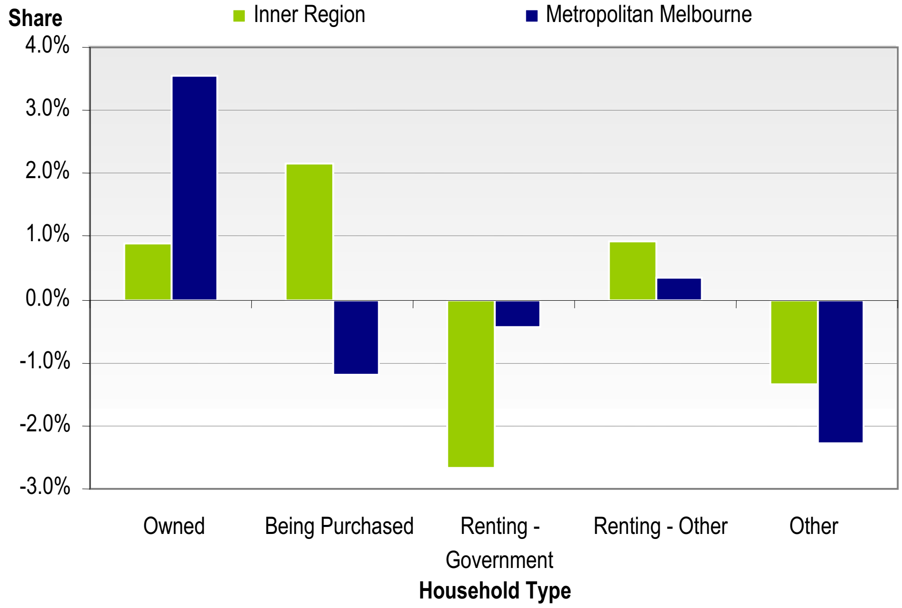
- A continuing high proportion of private rental dwellings. A total of 45% of household tenure in the Inner Region was private rental in 2001, compared to the metropolitan average area of only 20.2%. This figure shows a slight increase from 44.1% in 1991.
- A decline of 2 to 3% (as a proportion of total stock) in the supply of government rental housing over the 1991–2001 period. In 1991, 10.3 % of total stock was government rental stock and by 2001, only 7.7% of dwellings were government rental properties.
- A low proportion (42.9%) of the housing stock is either owned or purchased (2001). Whilst this is a significant proportion of the total housing stock in the Inner Region, this proportion is significantly lower than that for metropolitan Melbourne where 72.3% of housing stock is either owned or being purchased (DSE, Unpublished data).

Figure 7: Share of households by tenure type in the Inner Region compared to metropolitan Melbourne, 2001



(Source: Data derived from ABS 2001a and DSE, Unpublished, Changing Housing Consumptions Inner Region)

Figure 8: Change in share of households by tenure type in the Inner Region compared to metropolitan Melbourne, 1991-2001



(Source: Data derived from ABS 1991 and DSE, Unpublished, Changing Housing Consumptions Inner Region)

Current trends suggest that the future housing tenure of the Inner Region will continue to be dominated by private rental, whilst experiencing a relative decline in government rental stock as a proportion of all dwellings. Home ownership/purchase rates (whilst having experienced recent increases) will continue to be significantly lower than in other parts of metropolitan Melbourne.

Housing Affordability and Cost

Housing Affordability

Affordable housing is accommodation that meets the needs of low income households in terms of cost, size, quality, security of tenure, safety and accessibility to employment, services and facilities. Housing is only truly affordable if it is appropriate in relation to each of these factors. Affordable housing therefore has a broad scope. It is not solely a physical or financial characteristic of a dwelling and is not confined to households on statutory incomes who are eligible for social or emergency housing. It also includes the working poor and those on the margins of home ownership. Although housing affordability has a broad scope, the housing cost dimension is often focused on as it can be readily measured using housing stress data.

A common measure of housing stress used by housing researchers relates to the proportion of low income households (i.e. those in the bottom 40% of the national income quintiles) who are paying more than 30% of income on housing costs. The standard used to assess housing stress in Inner Region was 25% of household income on housing rental costs, or more than 30% on mortgage repayments. When this measure is applied to the Inner Region, significant levels of housing stress are evident across both the rental and home purchaser sectors. Of the 16,202 low income rental households in the Inner Region, 63% are suffering housing stress. This compares to the 69% of low income home purchaser households who are experiencing housing stress (i.e. 895 households out of the total 1305 low income home purchaser households). The overall picture is that 17% of all private rental and home purchaser households in the Inner Region live in housing stress (Office of Housing, DHS, 2004).

Whilst 10,143 low income rental households in the Inner Region live in housing stress, the impacts are different according to the type of low income household. The following household types experience housing stress:

- 81% of group rental households live in housing stress (1,706 households).
- 66% of lone person rental households live in housing stress (5,341 households).
- 51% of family rental households live in housing stress (3,096 households)

(Office of Housing, DHS, 2004).

The extent of housing stress experienced amongst low income home purchaser households also varies across household type. The following household types experience housing stress:

- 72% of all lone home purchaser households are living in housing stress (364 households).
- 67% of all family households purchasing a home are living in housing stress (494 households).
- 66% of all group households purchasing a home are living in housing stress (37 households)

(Office of Housing, DHS, 2004).

It should be noted that these figures provide a static picture of housing stress. It would be beneficial to undertake further analysis to determine which households are experiencing entrenched housing stress over the long-term.

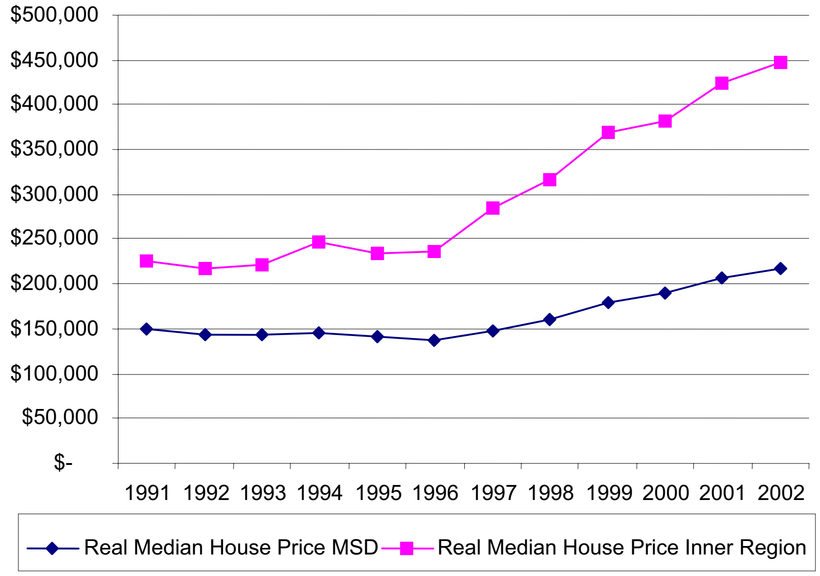
The incidence of homelessness in Victoria is increasing, and whilst the causes of this are complicated, housing stress may be a contributing factor. There were 20,300 homeless people in Victoria on Census night in 2001 compared to 17,800 persons in 1996 (ABS, 2001a). A significant proportion of Victoria's homeless people utilise crisis accommodation and other support services found within the Inner Region. However, there is an increasing unmet demand in the Inner Region for housing assistance relating to homelessness.

House and Unit Purchase Prices

High levels of housing stress in the Inner Region reflect the recent and rapid increase in house and unit purchase costs. In 2003 the median house price for the region was $470,030. There has been a 151% increase in median house prices in the Inner Region over the period 1993–2003. The greatest increases in median house prices are in the cities of Port Phillip (175%) and Yarra (165%), with significant increases also experienced in the cities of Melbourne (135%) and Stonnington (129%) (DSE, 2003a).

The level of house price increases experienced in the Inner Region is significantly higher than for metropolitan Melbourne. This price differential is shown in the graph below.

Figure 9: Median House Prices, 1991–2001

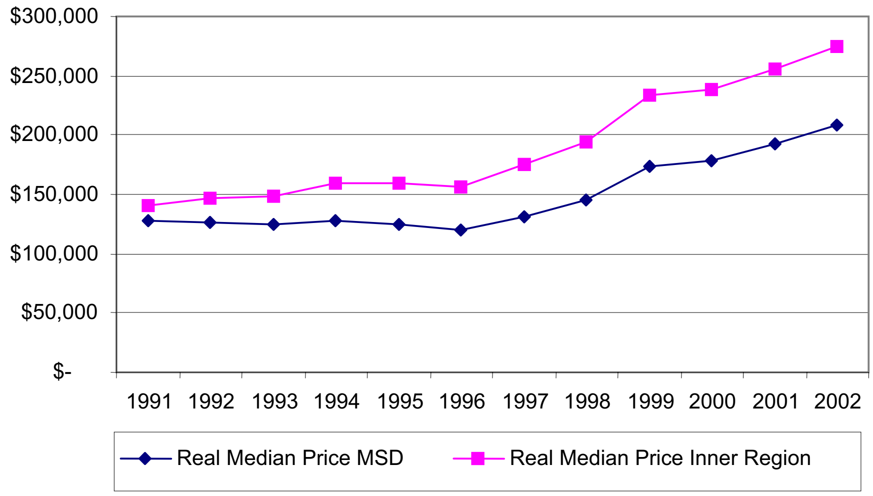


(Source: Burke and Neske, 2003)

The median purchase price of flats, units and apartments has also risen markedly in the 1993–2003 period with an average 148% price increase across the Inner Region. In 2003 the median apartment price for the Inner Region was $313,750. The increase in the median apartment price varies across the region with Yarra (182%), Port Phillip (180%) and Stonnington (152%) experiencing the highest increases followed by Melbourne (77%) (DSE, Unpublished data).

The increase in purchase price of flats, units and apartments is also greater for the Inner Region than for metropolitan Melbourne, although to a lesser extent than for houses.

Figure 10: Median Prices of flats, units or apartments, 1991–2001



(Source: Burke and Neske, 2003)

Rental Housing Costs/ Supply

Significant increases have also occurred in the cost of rental accommodation. The stock of private rental units available at rents equal to or less than 25% of the national 40th percentile household income halved between 1996 and 2001, falling from 14,328 to 7,336 dwellings. In 2001 affordable rental dwellings in the Inner Region accounted for 13% of all rental stock. This figure declined further to 4.6% in 2003 (Office of Housing, DHS, 2004).

Drivers of the Inner Region Housing Market

Current Market Influences

Changes in the housing market in the Inner Region have been driven by trends common across Australia. Generally low levels of inflation, low interest rates and escalating household incomes have prompted high levels of demand for housing amongst both owner-occupiers and investors. This high level of demand has contributed to escalating housing costs in the Inner Region.

Other key drivers of Inner Region's housing market include:

<u>In-migration</u> – including large numbers of permanent and temporary overseas migrants (many students), migrants from regional Victoria (the bulk of these being young people studying or moving to Melbourne for

lifestyle and/or employment reasons) and those from the middle suburbs (i.e. lifestyle migrants), all of which result in a net flow of migrants to the Inner Region.

State and Local Government policy initiatives – including projects initiated since the 1980s to reverse the earlier decline in the region's population and housing stock.

Increased property development – one of the most significant drivers of the Inner Region's housing market, which has led to a significant change in housing stock, most notably a growth in the number of high-rise and medium-rise apartments.

A number of key markets have been targeted by developers including:
- one bedroom apartments mainly aimed at the student market and largely owned by investors, and
- two and three bedroom apartments aimed at young urban professionals and empty nesters with some investor elements.

These developments are more focused on comparatively high double income households.

The majority of new dwellings that are expected to be built over the 2001–2016 period are apartments, many of which will be relatively small (one and two bedroom). Such changes in housing supply are likely to shape the Inner Region's future population. The apartment market has been dominated by young singles, couples and students (and some group households). Anecdotal information about empty nester demand is generally not supported by data analysis, although development within the Docklands may change this mix.

Future Market Trends

There is potential for significant volatility in the housing market of the Inner Region over the next 15 years, due to its dependence on a number of factors. These include:

- The investor market, which is reliant on a constant source of tenants (notably tertiary students), a stable interest rate environment, consideration of price points and continued support from financial institutions.

- Developer profit margins which help determine the willingness to continue residential construction. The capital intensive nature of property development means developers are dependent on financial institutions (and significant purchase pre-commitments) for support. With the commercial (office) sector predicted to see an upturn later this decade, commercial developments may offer better investment returns than the residential sector.

- International exposure/investment, including a change in international investor sentiment or a slow down in growth of the tertiary student market, which might occur due to changes in the exchange rate or more competitive costs from other Australian cities such as Brisbane or Adelaide.

- Flexibility of development, including the ability to change the mix of residential and commercial space to cater for differing market conditions.

- Maturation of the apartment market (as has occurred in Sydney) where there is less tolerance for poor quality development and demand for greater amenities (eg. open space, services, parks etc.).

In combination, these factors highlight the complexity and volatility of the Inner Region's property market and will impact significantly on both the level and composition of housing growth in the region to 2030.

Research undertaken by Charter Keck Cramer (2004) indicates that across the broader metropolitan area, residential construction activity is forecast to fall by 35% over the period to 2010, with similar trends anticipated for the Inner Region. Limited market demand (and remaining supply) for apartments over this period may see development activity focused more on medium density residential projects. A strengthening in market sentiment is expected to emerge in the period 2010–2014 during which the viability of new apartment development can be anticipated.

5 Housing Vision and Opportunities

This chapter outlines the housing vision for the Inner Region and identifies opportunities for achieving this vision.

Current trends indicate that by 2031 around 90,000 additional households will need to be accommodated in the Inner Region (DSE, 2004c).

Melbourne 2030 Aspirations

Melbourne 2030 supports a greater proportion of future development in those parts of the urban area with better access to services and facilities such as activities centres and other strategic sites. In addition Melbourne 2030 aims to reduce the pressure for inappropriate development in established areas with valued urban character and streetscapes.

The following table shows that between 2001 and 2031 89% of the projected additional households are proposed to locate in strategic redevelopment sites. Melbourne 2030 defines strategic redevelopment sites as: 'Areas within the built-up urban area designated for higher density residential development. These include activity centres and major redevelopment sites'.

Table 5: Melbourne 2030 proposed household distributions for the Inner Region, 2001–2031

	2001-06	*2006-11*	*2011-16*	*2016-31*	*Total*
Strategic redevelopment sites	10,400 (75%)	13,200 (82%)	14,600 (90%)	41,300 (95%)	79,500 (89%)
Dispersed residential areas	3,500 (25%)	2,900 (18%)	1,700 (10%)	2,000 (5%)	10,100 (11%)
Total	*13,900*	*16,100*	*16,300*	*43,300*	*89,600*

(Source: Unpublished data derived from DSE, 2004b and DOI 2002a)

Vision for the Inner Region

The Inner Region is highly complex in its makeup and this Inner Regional Housing Statement highlights the diversity, complexity and changing nature of the region's people, housing stock and overall land use.

The Statement has been developed in the context of the IMAP's11 regional strategies and forms the basis on which new population and household growth will be accommodated across the region to 2031 (refer to Strategy 5 of IMAP).

Providing for change, as well as retaining valued characteristics that contribute to the Inner Region's liveability, requires careful management. A key challenge for the Inner Region is managing change in a way that protects and enhances the assets and attributes which make the Region unique and highly valued.

The following vision has been developed to guide housing development across the Inner Region.

Vision for the Inner Region

The Inner Region will proactively manage the process of urban change in order to:

- *Maintain and enhance the liveability and amenity of the Inner Region as a place to live, work and pursue a lifestyle of choice.*
- *Facilitate sustainable forms of development with consideration of the built, natural, economic and social impacts of change.*
- *Retain the fine-grain, mixed patterns of land use and development, which characterise the region's eclectic urban fabric and contribute to its vitality and heritage attributes.*
- *Support the social and cultural diversity that makes the Inner Region an inclusive and vibrant place.*
- *Maintain and develop communities that have a strong sense of local connection and social cohesion.*
- *Ensure the identity of the region evolves with respect and acknowledgement of the past and a sense of aspiration for the future.*
- *Facilitate access to a diverse range of housing, including affordable housing that will meet the needs of current and future residents.*

Housing Opportunities in the Inner Region

Achieving this Vision for the Inner Region will require a range of significant planning issues to be acknowledged and sensitively addressed. These issues are discussed in greater detail under the following themes:

Theme 1	Maintaining the liveability and economic capacity of the region whilst providing for housing growth.
Theme 2	Supporting diverse, sustainable communities through meeting a wide range of housing needs, now and into the future.
Theme 3	Managing infrastructure needs of a growing population.

Theme 1 – Maintaining the liveability and economic capacity of the region whilst providing for housing growth

The Inner Region offers considerable opportunity for further housing growth, however such growth needs to occur in specific locations that have a demonstrated capacity to accommodate intensification. Likewise, great sensitivity is required in planning for intensification of residential development in these locations.

This Inner Regional Housing Statement identifies, in broad terms, locations most suited to accommodate projected household growth. In line with Melbourne 2030, an increased proportion of new housing development will be encouraged in areas that are close to activity centres and public transport. Conversely, reduced levels of growth will occur in established residential areas.

Considerations in Identifying Growth Opportunities

Residential growth within the Inner Region will be directed towards locations that are better able to accommodate redevelopment, without compromising other important planning considerations. This approach will protect and enhance the characteristics and attributes of local areas that make them highly attractive and liveable, whilst allowing for significant opportunities in some locations to be better utilised.

Key characteristics that impact on the ability of the Inner Region to accommodate future housing growth are:

- Retail and commercial strips in the Inner Region are at a mature stage of development with many of them subject to heritage controls. Limited space exists for new development.
- The retail and commercial strips of the Inner Region perform a complex range of activities and functions (both at local and regional levels). Detailed structure plans will be required to determine where, and how much, housing can be accommodated whilst ensuring the viability of economic functions.
- The Central Activities District (CAD), Docklands and other major redevelopment sites and precincts offer significant opportunities for residential development.
- Much of the established residential areas within the Inner Region have highly valued heritage and urban character, and offer limited opportunity for ongoing infill housing development.

These unique characteristics of the Inner Region require that a tailored solution to accommodate housing growth be developed. Whilst the solution differs slightly from that envisaged by Melbourne 2030 for broad application across metropolitan Melbourne, the strategic outcomes are consistent with the primary objective for new housing opportunities to be well located close to transport and activity centres.

Opportunities for Housing Growth – Inner Region Approach

Analysis undertaken during the preparation of this Statement shows housing growth and urban consolidation can be achieved in the Inner Region while retaining heritage values, economic and cultural vibrancy and enhancing local urban character and amenity.

While it is not the intention of this Statement to identify specific sites for future growth, Councils within the Inner Region have started to analyse housing capacity across the region, taking into account the social, economic and environmental objectives of State and Local Government for the Inner Region.

Work undertaken by Councils to date has focused on known opportunities. Many of these opportunities are identified in locations such as the CAD, Docklands and other major redevelopment sites and areas, such as redundant industrial precincts with good access to a range of services and infrastructure.

Melbourne 2030 supports a greater proportion of new housing locating at strategic redevelopment sites. Strategic redevelopment sites include locations in and around activity centres, and major redevelopment sites located close to the Principal Public Transport Network. Due to the complex fabric of the Inner Region, the category of strategic redevelopment sites used in Melbourne 2030 has been further defined into sub-categories for the purpose of this Statement. The sub-categories include:

- **The Central Activities District (CAD)**
  Includes the CBD, Southbank (to the freeway), Docklands and the Knowledge Precinct in the Carlton/Parkville area.[3]

- **Major redevelopment sites or precincts**
  Includes areas and individual sites with redevelopment potential which are strategically located in proximity to activity centres and/or the Principal Public Transport Network (eg. mixed use zones which were formally industrial areas).

- **Retail and commercial strips**
  Land zoned specifically for business purposes, essentially comprising the major shopping strips within the region.

Melbourne 2030 supports a reduction in the overall incidence of dispersed residential development within established residential areas. This Statement refers to these areas as established residential locations. Established residential locations are categorised as follows:

- **Established residential locations**
  Existing residential areas where significant change is not desirable. In many instances these locations are identified as having

[3] Melbourne 2030 does not define the location of the Knowledge Precinct. Dwelling growth in the Carlton/Parkville areas have not been included in the figures cited for the CAD.

significant heritage value or an urban character so intact as to warrant additional planning controls.

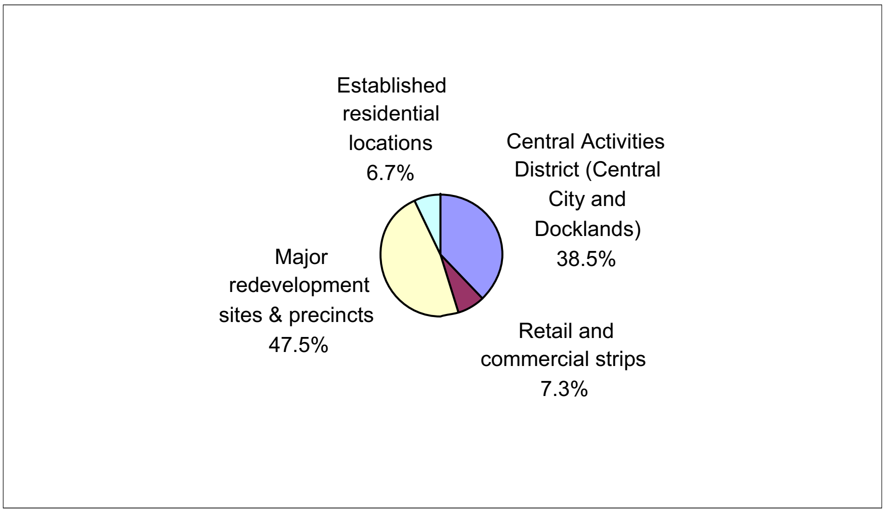
The key difference in approach for the Inner Region relates to the directions for existing residential areas that are proximate to activity centres. These areas have not been included as strategic redevelopment sites offering significant redevelopment potential. The Inner Regional Housing Working Group has determined that sufficient development opportunity exists within other strategically appropriate locations within the region to meet projected growth without the need to direct growth to, and potentially compromise, the heritage, character and amenity of these established areas.

Capacity for Housing Growth

Analysis undertaken during the preparation of this Statement indicates that the Inner Region can accommodate the projected growth of around 90,000 additional households by 2031, and that a greater (than current) proportion of this demand can be accommodated within strategic locations.

This conclusion is supported by the discussion outlined in this chapter under each of the four sub-categories of the Inner Region. However, further work will be undertaken by local Councils to develop specific local housing strategies, structure plans and subsequent planning scheme amendments.

Figure 11: Councils anticipated distribution of additional dwellings in the Inner Region, 2001– 2031



(Source: Unpublished data based on preliminary capacity work undertaken by Councils)

Figure 12: Councils anticipated distribution of dwelling capacity in the Inner Region, 2001–2031

(Source: DSE, Unpublished data derived from preliminary capacity work undertaken by Councils)

Table 6: Potential dwelling capacity and proposed distribution of housing within the Inner Region (based on preliminary Council work)

	2001–06	*2006–11*	*2011–16*	*2016–31*	*Total potential capacity*
Established residential locations					
Melbourne	850	150	50	100	1,150
Port Phillip	1,550	450	400	750	3,150
Stonnington	220	170	100	150	640
Yarra	840	160	150	150	1,300
Sub-total	***3,460***	***930***	***700***	***1,150***	***6,240***
Strategic redevelopment sites					
Central Activities District	13,250	6,050	5,300	11,250	35,850
Retail & Commercial strips[4]					
Melbourne	-	-	-	-	-
Port Phillip	300	300	350	900	1,850
Stonnington	500	400	840	2,500	4,240
Yarra	250	130	100	200	680
Major redevelopment sites or precincts					
Melbourne	8,750	6,010	2,320	2,850	19,930
Port Phillip	6,300	1,000	1,200	2,800	11,300
Stonnington	650	650	640	1,200	3,140
Yarra	2,500	1,100	2,450	3,750	9,800
Sub-total	***32,500***	***15,640***	***13,210***	***25,450***	***86,790***
Total	**35,960**	**16,570**	**13,910**	**26,600**	**93,030**[5]

(Source: Unpublished data)

The above table outlines overall potential dwelling capacity and proposed distribution for the Inner Region based on preliminary capacity work undertaken by Councils. While it does not necessarily follow that development will occur at these rates over the 30 year timeframe, what it does highlight is that, in line with Melbourne 2030 policies, over time there will be a gradual decline in the overall proportion of new housing locating in established residential areas and an increase in the overall proportion locating in and around strategic redevelopment sites.

In collating this information, Councils of the Inner Region have begun identifying known opportunities that have gained, or are in the process of gaining, planning approval. Due to market influences and fluctuations, developments identified – particularly in the short-term – may not necessarily commence until later in the planning cycle, if at all. For example, while the region has identified a potential for almost 36,000 dwellings during the period 2001–2006, this has been on the basis of known proposals. Some of these may not be developed until the 2006–2011 period or later if at all.

---

[4] Includes residential opportunities within Business Zones.

[5] The total potential capacity for households within the Inner Region to 2031 has been identified by Councils within the Inner Region. It is recognised that the number of dwellings constructed will be dependent on a series of factors (i.e. including the economy and property market) and this number of households may not necessarily be developed by 2031.

Over time, identified opportunities may change and new opportunities may be identified. The information in this table will be used to monitor and gauge development activity against identified opportunities across the region on a regular basis.

The Central Activities District (CAD)

The Central Activities District (CAD) [6] is defined by the City of Melbourne as including the Central City (which encompasses the Central Business District and Southbank) and Docklands (refer to Figure 12).

Of all the areas in the Inner Region, the CAD will accommodate the most significant housing growth for the next decade and beyond.

Analysis undertaken to date suggests that the CAD can accommodate around 35,850 net new dwellings over the next 30 years, including an estimated 12,000 dwellings in Docklands, and an additional 6,000 dwellings in Southbank. This represents about 38.5% of the total projected household growth for the Inner Region.

Residential development in the CAD will take on a variety of forms, as illustrated by the following images.

Residents will occupy both converted commercial buildings and new purpose-built apartment towers in the *CBD* and along *St Kilda Road*.

Docklands is taking hold as the newest residential and tourism precinct in Inner Region.

Southbank has been transformed from a largely industrial area in the 1980s to a mixed entertainment and residential precinct, accommodating around 5,000 residents. The resident population of this precinct will continue to grow over the next 10 to 15 years.

[6] Melbourne 2030 describes the Central Activities District as Metropolitan Melbourne's largest activity centre with the greatest variety of uses and functions, and the most intense concentration of development. It includes the Central Business District, Docklands, the Sport and Entertainment Precinct, the Knowledge Precinct, the Arts Precinct and Southbank.

Major redevelopment sites or precincts

Several major sites and precincts across the Inner Region offer considerable potential for increasing housing stock.

For the purposes of this Statement, major redevelopment sites or precincts are defined as sites or areas with redevelopment potential that are strategically located close to activity centres and/or the Principal Public Transport Network (PPTN).

In some instances, land adjacent to retail and commercial strips has been identified as a precinct with redevelopment potential.

Analysis undertaken by Councils to date suggests these sites could accommodate around 44,200 net new dwellings over the next 30 years. This represents around 47.5% of the total projected household growth across the Inner Region.

Major redevelopment sites and precincts range from the redevelopment of public housing estates, such as that being undertaken in Kensington, through to redevelopment of former industrial sites. Many former industrial areas are located close to public transport, employment, shops and other amenities. Careful redevelopment of these areas can make a positive contribution to the vitality and liveability of the Inner Region.

Many redevelopment opportunities in the Inner Region are within existing Mixed Uses Zones. Residential renewal of these areas has generally commenced (often replacing former business uses) but significant development capacity remains.

The land use transition of these locations however requires careful management.

West Melbourne Mixed Use Zone
Example of a precinct undergoing change.

Warehouse buildings in West Melbourne
Example of a Precinct undergoing change.

Public housing development, Kensington
There is opportunity for the renewal of many of the Inner Region's public housing estates.

The desire to create true mixed activity areas is challenged by rising land values that impact on business viability and by planning controls which prioritise residential use.

In addition, although many of the Inner Region's Mixed Use Zones are identified for change, the degree of change possible has not been clearly resolved for all locations.

While these areas are typically close to the PPTN and activity centres, there are limitations on their ability to accommodate significant intensification. Some of the factors influencing the ability of Mixed Use Zones to be redeveloped for housing are:

- Many of these areas represent an important part of metropolitan Melbourne's heritage with many buildings and streetscapes affected by heritage overlays and policies.
- The fine grained mix of residential and non-residential uses in these areas means greater care is needed to ensure reasonable on-site amenity is provided for both existing and future land uses.
- Historic subdivision patterns that mean local road networks have limited capacity to accommodate additional vehicle parking and movement.
- The existing infrastructure in these areas is often ageing and was not intended to cope with more intensive residential and/or commercial activity, and must be addressed.
- Intensification of these areas means the public domain becomes increasingly important and ensuring streets and other public spaces have a high amenity is an emerging priority. Walking and cycling networks, landscaping and urban design improvements are necessary to ensure these areas are functional and attractive for workers, residents and visitors. New development must positively contribute to these outcomes.

Beacon Cove, Port Melbourne

Some of the larger former industrial sites are now fully constructed while others have just begun.

Cambridge and Oxford Street, Collingwood

Many of the former industrial and warehouse buildings in Mixed Use Zones across the Inner Region have been converted or redeveloped for housing.

Sandridge Bay Tower - Old Starch Factory, Beach Street Port Melbourne

In the case of buildings with heritage significance, flexibility is often exercised regarding the provision of open space, parking and other design standards so as to ensure the building has a viable ongoing use.