



Monash Initiatives for Housing Choice and Affordability in New Residential Development

FINAL REPORT

March 2008

PREPARED FOR CITY OF MONASH

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Executive Summary

MacroPlan was commissioned by the City of Monash to carry out an assessment in relation to issues of housing affordability within the municipality. Specially, the City of Monash sought to address the following issues:

- Is there a potential housing crisis in the City of Monash due to decreasing levels of affordability? and,
- Is the City of Monash planning requirements inhibiting the delivery of diverse housing stock?

For the purpose of this report, MacroPlan has responded to the above two issues separately.

Chapter 1 of the report examines issues relating to housing affordability in the City of Monash, whilst Chapter 2 examines the issue of housing diversity in the City of Monash and any impacts that this has on housing choice and affordability in the City.

The City of Monash at 2008

The City of Monash is one of Melbourne's most populous municipalities, with almost 162,000 residents. It is located 20km south east of the CBD in Melbourne's fastest growing population corridor.

Monash is a cosmopolitan city with 37% of its residents coming from more than 30 countries. There is a high level of diversity within the City that includes an aging population and a high student population that surrounds higher education opportunities such as Monash University and Holmesglen TAFE. Its residents also enjoy a level of home ownership that is considerably higher than the Melbourne average.

Monash has some of Melbourne's best known landmarks within its 82 square kilometres, including the Monash Medical Centre, the Victoria Police Academy and Jells Park. Monash has also developed a reputation as a 'high tech' centre for industry with the headquarters of a number of major companies based in the area, including Philips, Adidas and Toyota. The 11,500 business establishments in the City provide around 90,000 jobs predominantly for residents in the municipality and Melbourne's South East Region.

In addition to being a technology precinct, Monash houses a number of significant activity centres such as 'The Glen' Glen Waverley Shopping Centre, Oakleigh Central Shopping Centre, Clayton Shopping Strip and has Chadstone Shopping Centre located close to the municipal boundary, in the City of Stonnington.

There is both the Glen Waverley and Cranbourne/Pakenham train lines, and the Monash Freeway and Princess Highway running through the municipality, making it highly accessible via a variety of transport modes.

A Potential Housing Crisis

The combination of a highly accessible City that offers a variety of major activity centres and excellent local employment opportunities make Monash a very attractive and livable city. Although the City enjoys a reputation as a great place to live and work, it has reached a time of consolidation, and Council faces challenges posed by changes in demographics, housing types, community aspirations and diversity, business investment and social issues.



A recent Council Report (February 2007) highlighted the fact that the City of Monash was facing a potential housing problem, in that the majority of new housing being provided in the market place does not appear to be satisfying the municipality's current and future demographic needs. The Department of Sustainability and Environment (now Department of Planning and Community Development- DCPD) estimates that between 2000 and 2021 the City of Monash will require 9000 new households. This demand will be primarily created by a trend towards smaller household sizes and a rapidly ageing population.

Furthermore, the development market and the current housing regulatory environment was increasingly producing larger, more costly 'higher end' housing stock. Property prices in Monash have also increased significantly with house prices almost doubling between 1996 and 2001, compared to 43% for metropolitan Melbourne over the same period.

Housing affordability in Melbourne has continued to progressively decline since December 1998. As outlined in the Council Report, housing affordability is determined by the ratio of average household disposable income to the income required to meet payments on a typical property in a specific area.

Housing affordability also relates to the cost of access to housing, which includes the rental market. As house prices increase, property investors must increase the rental price to cover the initial purchase cost, therefore rents increase and forces out those on lower incomes in the private rental market.

The high level of population diversity within Monash versus the homogenous housing supply is an issue that has been encountered throughout Melbourne, but appears to be particularly more problematic in Monash. This has become a significant issue throughout the course of this study and has influenced the key findings and strategies.

The Melbourne 2030 strategy's vision for a more compact, affordable and less car-dominated cities is attempting to address these issues through directing higher density housing development to established suburbs, especially activity centres around public transport and in creating a diverse range of future housing options.

Housing affordability and lack of access to appropriate forms of housing poses a long term threat to the cohesion of the broader community. It can lead to the polarisation in the community with visible differences between areas. Some sectors of the community are excluded from wealth creation and the capital gains created through property ownership. It also impacts on people's ability to access basic necessities such as food and clothing and can lead to family breakdown, poor health, exclusion from community events and services, and poor access to education, employment and leisure opportunities.

Furthermore, as people move through the lifecycle, they are often 'locked out' of purchasing or trading down in their own area. In turn, this has an impact of the turnover of stock, and is a major issue for many people who wish to stay close to friend and family network, quality health care, schools and the church, for example.

This issue is even more concerning for those entering retirement (as the population rapidly ages), who are often unable to trade down to a smaller and more affordable residence to preserve lifestyle and remain in the local area.

Housing Policy

This issue has its origins almost two decades ago. In a move to create affordable housing options, the 'As of Right' Dual occupancy policy was established in the City of Monash (and across Melbourne) in 1985. This allowed certain dual occupancy developments to proceed without requiring a permit. One of the basic principles of this Policy was to create affordable and diverse housing.



Since then Monash has seen significant residential growth, both in new and infill developments. But largely, due to inconsistencies in the design criteria, and the ease of process, this lead to developers circumventing standards and building unsuitable larger dwellings on smaller lots. As a result, these provisions remained in Planning Schemes until March 1995 when they were abandoned.

In the context of the current planning and policy framework, the Council of Monash has sought to understand the issue of housing affordability in greater detail and what actions are available as a means of addressing the affordability issue.

However, it is this key point that the City of Monash has sought greater information. Is there in fact a need in Monash for affordable housing and indeed different forms of housing into the future?

The Project

In an attempt to address these issues, the City of Monash engaged MacroPlan Australia in July 2007 to conduct a review of the Monash LGA including a situation analysis, demographic research, and market research (that included 600 random household phone surveys across the municipality) to ensure a greater understanding of the community's future dwelling demand / types and buyer preferences.

Furthermore, a comparative analysis was also undertaken to benchmark Monash against Kingston City Council and Manningham City Council due to their close proximity, urban development patterns, similar demographic characteristics and distance from the Melbourne CBD. Where relevant the Melbourne metropolitan average was also used for comparative analysis.

The key issue that have arisen from the assessment has been centred on affordability across the lifespan for Monash residents. Pertinent to this, is the issue of diversity of housing stock in the City of Monash.

Separate dwellings currently make up 89.44% of total dwellings in the City of Monash. Trends suggest that demand for separate dwellings are declining throughout Metropolitan Melbourne, as land become scarce. However, this trend has not been reflected in the City of Monash, as the proportion of separate dwellings has increased. In 2006, separate dwellings made up 93.3% of all residential building approvals.

Therefore, MacroPlan's assessment suggest that the current housing market in the City of Monash is homogenous and fails to accommodate for the diverse needs of its residents in terms of age and income.

Given the lack of housing diversity, the long term goal (5-10 years) for the City of Monash should be to consider a number of mechanism that could deliver a variety of housing options to attract different household types and structures to the municipality.

MacroPlan's assessment has also identified housing affordability as an issue for the City of Monash. A number of key critical factors have been outlined below which will have an influence on housing affordability in the City of Monash for the next 5-10 years and this will have to be taken into consideration when formulating a strategic Council wide response to housing affordability.

The key critical factors are:

Demand

- Analysis of economic factors such as advantage / disadvantage, economic resources, education and occupation show that there is a high level of diversity in age, culture and income across the City.

- Current population projections indicate that the 75+ age group will account for 42.95% of the population in 2031
- One in five (20%) of households in the City of Monash earn under \$500 per week, and a further 24% earn under the national average weekly household income of \$1000 per week. This is 44% of households in the City of Monash at high risk of 'housing stress', or priced out of the market, especially as 20% of which are already in the severe disadvantage category
- Those households in the highest income category appear to be earning far more than this amount to skew the average weekly household income for the City of Monash (\$69,290) to calculate above the Metropolitan average (\$67,305), as the individual weekly income for Monash is 6.7% below the metropolitan average
- The number of households are expected to increase 16.4% by 2031.

Supply

- House prices in Monash are increasing at a much greater rate than Metropolitan Melbourne. In 1996 Monash house prices were 7% above the Metropolitan average, whereas in 2006, house prices recorded 24% above the metropolitan average
- Unit Prices have also been increasing at a greater rate in the City of Monash than Metropolitan Melbourne. In 1996 Monash unit prices were 8% above the Metropolitan Average, whereas in 2006 they were 14% above the metropolitan average
- The current provision of the housing market is predominantly separate housing (89.44%).
- There is a high concentration of low density separate housing in Monash, of the 14 suburbs, 10 had more than 70% of sales in the house category. Three of the suburbs had greater than 80% of sales in this category with Wheelers Hill having 95% of sales as separate houses.
- Prices vary across the LGA, however all of suburbs have a median house price greater than the metropolitan Melbourne average of \$342,000.

Market Research

- One in three (32%) residents surveyed expect to pay under \$450,000 for their next home, which is below the median house price for the City of Monash; \$462,000
- Respondents to the survey indicated the most important reason for living in the City of Monash is knowledge of and attraction to the area (17%) and a further 17% cited affordability as the essential factor.
- Nearly half (43%) of residents surveyed would consider down sizing their next home.
- Over one in five residents surveyed (23%) had the capacity to and would consider subdividing their property, with 47% wanting to "trade down" and purchase a smaller dwelling.

Interviews with Developers

- Generally, the developers consulted were not interested in providing affordable housing due to the current planning environment.



- Developers cited that onerous planning standards/requirements (eg. Front setback, private open space & car parking), length of processing time and the availability of land as being the main obstacle they faced in delivering affordable products in the City of Monash.
- From MacroPlan's discussion with key developers, it appears that the current Monash planning requirements are a major barrier for developers to provide more affordable products. More importantly,
- MacroPlan considers that the currently planning requirements restricts the ability of developers to provide higher density development or more diverse products and this is reflected through the homogenous housing stock within the City of Monash with 89% being separate dwellings.
- Given declining trends for separate dwellings throughout Metropolitan Melbourne, 93% of all residential building approvals in the City of Monash in 2006 were for separate dwellings. Therefore it is considered that the City of Monash should consider a review of their current planning requirements to achieve more diverse housing outcomes.

Comparative Analysis

- The Monash LGA has the highest increase (44%) in the total value of residential building approvals, compared to Manningham (28%) and Kingston (9%) between 2000-2006, thus indicating that the cost of development properties in the City of Monash is increasing at a significantly higher rate than the benchmark regions
- The average value of residential building approvals has increased proportionally by 60% from approximately \$125,000 to \$200,000 for 2000-2006, and has increased by approximately twice as much as Manningham (30%) and Kingston (33%) which are both in turn significantly higher than the Melbourne metro (19%). This is driven mainly by the 63% increase in average value of separate house building approvals from \$108,000 to \$176,000 for 2000-2006.
- The City of Monash is experiencing consistent increasing trends in value of building approvals for all dwelling types, compared to the fluctuating trends of the comparative LGA's between 2000-2006

Conclusion

From the assessment undertaken by MacroPlan, it has become clear that not only is there an issue of housing affordability in the City of Monash, a more significant issue is in respect to housing diversity i.e. Housing that meets the economic needs of the community.

Whilst separate houses are still important for a large proportion of the Monash community, there is latent demand for more diverse housing options, which is not being met by the current provision of the housing market. This is particularly the case for those groups that are facing a mismatch in supply meeting their future requirements.

Predicted changes in several characteristics such as:

- population composition (ageing)
- household size and
- dwelling type,



Coupled with significantly higher increases in:

- residential building approvals, and
- house and unit prices,
- along with the diversity of demographic characteristics within the City of Monash

Indicate that there are requirements for different housing solutions throughout the area.

The trends in household structure have significantly lagged behind the needs of the changing demographic within both the Melbourne metro area and the City of Monash. Results of this can be seen within the City of Monash through the inability of a number population having a decreasing representation in the City's make up.

The following groups are likely to have difficulty affording housing within the City and are exhibiting declining trends within the overall population:

- Lone Person households, a key component of an aging and student population, have decreased by -7.4% within the City of Monash from 1996 to 2006. This is likely to be a result of inadequate supply of housing at the appropriate price, forcing people further out to the fringe.
- One parent Families, are increasing within the City of Monash at a much slower rate than comparative LGA's, indicating that these household types could be 'locked out' due to affordability issues.
- Couple Families with Children (-3.9%) have decreased, whilst Couple Families with No Children have increased (3.3%) from 1996- 2006.

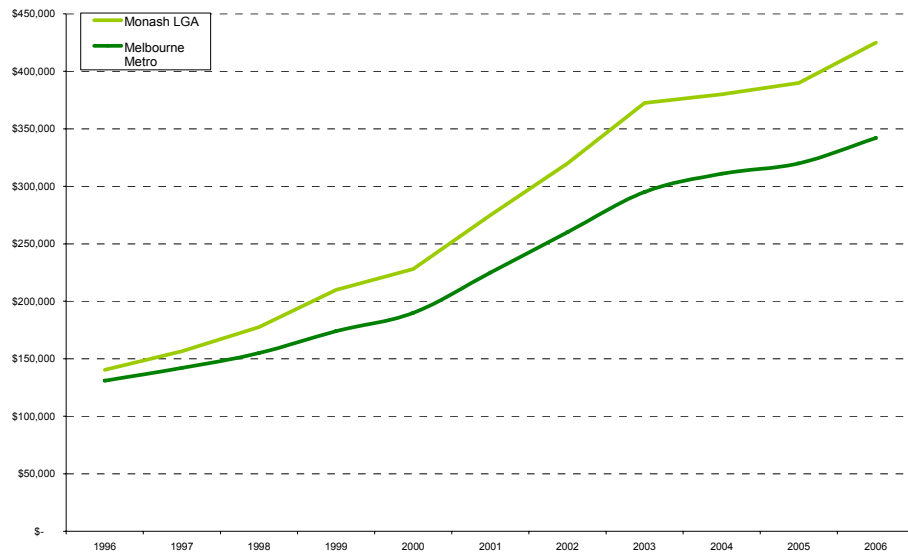
Without affordable housing options and housing diversity these trends will continue. As the population ages and is looking to "trade down" there will not be the diversity of housing options to cater for the demand.

In order to address this, the City of Monash needs to take a long term (5-10 years) approach to influencing the delivery of more "economic housing".

In almost all cases, median prices recorded in the City of Monash have been above the metropolitan average, given the diversity of the areas population it is likely that some residents will be either priced out of the housing market or put under significant housing stress.

Residential growth, both the volume and type, has resulted in significant increases in the price of dwellings within the area. In turn, this is consistent with trends occurring elsewhere in metropolitan Melbourne and the major capital cities throughout Australia.

Although the issue of housing affordability is both a national and state wide, the City of Monash is experiencing the issue to a higher level as demonstrated through average value of residential building approvals being triple the Melbourne metropolitan average and the widening gap between median sales prices in Melbourne metropolitan compared to Monash as can be seen in the below table.



The suburbs within the municipal boundaries of Monash have traditionally accommodated working families on moderate to average income. However, as a result of current trends and market forces, the areas considered to be most affordable to families are declining, with LGA having a median house price of \$462,000.

Two key issues that are driving the lack of economic housing in the City of Monash are:

- A) Planning mechanism – The City of Monash’s planning standards and guidelines are currently delivering homogenous housing stock with 90% of developments involving 3 or less dwellings on a lot.
- B) Addressing different market segment demand for different housing stock eg. Single storey & smaller dwellings for retirees and apartments for students etc.

Therefore, the analysis conducted by MacroPlan confirms that the City of Monash is experiencing both the housing affordability and housing diversity crisis affecting metropolitan Melbourne. The housing affordability issue is largely driven by a number of interrelated macro-economic issues, some of which are beyond the scope of Local Government’s sphere of influence.

To remain an attractive and viable place to live, work and play in the years to come, the City of Monash needs to deliver more economic housing. Therefore, the City of Monash’s key priority should be in delivering economic housing that ensures diversity and this could be influenced by the following broad strategies (as examples of interventions that could influence future housing mix):

Long Term

1. As of Right

It is suggested that the concept of the “As-of-Right” provision could potentially be modified to ensure more stringent wording and more consistent design standards were required, which could ensure developers would not be able to circumvent the process. It is considered that a more stringent “As-of-Right” provision could simplify the planning and decision making process and potentially deliver more affordable housing. Based on MacroPlan’s research there would be some market acceptance of this approach from development community.



MacroPlan also suggests working with the State Government initiatives such as 'Cutting Red Tape' (Victorian State Government, August 2006) and 'Making Policy Stronger' (Report of the Ministerial Working Group on Local Planning Policy, June 2007) to develop a new 'As of Right' style strategy that will allow preferred dwelling types to be developed without planning permits.

2. Review Council's Planning Standards

It is suggested that the City of Monash carry out a review of the planning standards currently used to assess planning applications. Standards such as front street setback, private open space and car parking (but not limited to) should be reviewed.

This could also be linked to the land audit and identify specific zoned areas that the reviewed standards could apply to. Thereby, creating definable areas where certain types (medium/high density) of residential developments would be acceptable and encouraged. By creating these definable areas with specific standards, developments that seek to foster Council's broader objectives of delivering more diverse and affordable housing would be encouraged and subsequently approved and those developments that seek to compromise these objectives would be discouraged and subsequently refused.

It is acknowledged by MacroPlan Australia that these planning standards help to maintain the character of residential neighbourhoods in the City of Monash but vice versa these planning standards could also inhibit the delivery of more diverse and affordable housing within the municipality through its onerous requirements.

There needs to be some form of practical compromise in the planning standards and a more flexible planning approach from the City of Monash when trying to encourage the development of more diverse and affordable housing.

3. Land Audit

It is suggested that the City of Monash could carry out a land audit to identify areas adjacent to or within designated activity centres which are considered appropriate for change. The land audit could identify areas appropriate for rezoning to accommodate medium to high density housing developments. The land audit could also involve the identification of specific sites that could deliver affordable housing.

4. The use of Residential 2 Zone

The use of the Residential 2 Zone (Browns Road redevelopment) is seen as a positive action in the potential delivery of affordable housing. The Residential 2 Zone seeks to encourage residential development at medium or higher densities to make optimum use of the facilities and services available. It is acknowledged that the Residential 2 Zone in its current format is not suitable for the City of Monash. Nevertheless, it is considered that the principles of the Zone could help achieve with the delivery of affordable and diverse housing.

5. Lobby State Government to provide further guidance/direction on the issue of affordability

MacroPlan suggests initiating discussions with the State Government to provide further guidance/direction on the issues of affordable housing. Discussions with the State Government should be conducted with the Minister for Housing and the Minister for Planning. Discussion topics could include:

- The way forward - how to tackle the issue of housing affordability at a local government level,
- The potential formation of an affordable housing think tank, lead by the City of Monash,

- The potential formation of a focus group (other Local Government Authorities and key stakeholders E.g. PIA, UDIA, HIA, MAV, Property Council of Australia, VPLEA and State Government) to get an industry perspective/response,
- Potential pilot case study.

MacroPlan recognise that the City of Monash cannot tackle the issue of housing affordability on its own, but will require broader assistance from the State Government, other Local Government Authorities and key stakeholders involved in the housing industry.

Short Term

6. Investigate Different Models, which could deliver affordable housing

It is suggested that the City of Monash investigate different models that could encourage development of affordable / community housing, such as:

- **Public/Private Partnership:** this involves Council land being developed by an investor/developer according to council specifications. The investor/developer covers building costs, and the Council maintain continual tenancy of the property, which is used in order to pay back building costs. An example of the public/private partnership has been proposed by the City of Moreland, who has launched a search for a developer to buy 12 hectares of prime council land around Sydney Road and Coburg Station. Under the plan, the developer would build 1500 houses and apartments, with at least 20% of them 'affordable'. This means they can be bought or rented for 30% or less of the average household's income
- **Community Co-op Housing:** Community housing is similar to public housing except that it is managed by a community organisation and can be initiated, planned, part funded, developed and owned by community organisations including local government, rather than a State run (DHS) initiative. This would be subject to land availability and further feasibility however. An excellent example is the City of Port Phillip's Community Housing Program, which is the largest local government housing program in Australia. The Program is a partnership between Council and the Port Phillip Housing Association. The council has been a direct provider of community housing since 1985 with the Association being the property and tenancy manager since 1986 and itself a direct provider since 1998. Key achievements of the program include:
 - Projects have ranged from 6 to 56 units. In addition, the council entered into a 245 unit joint venture with a private developer involving mixed private and social housing called Inkerman Oasis.
 - Entering into joint ventures or partnerships with private developers with two projects, 'The Regal' rooming house (property packaging and partnership) and 'Inkerman Oasis' (developer provided community housing mixed with private housing on the former St Kilda Depot site).
 - Since 1985, the program has attracted over \$26.9million of joint venture funding from the Commonwealth and State governments and contributed \$17million in cash contributions and \$5.2 million in land (St Kilda Depot site).

7. Review Previous Planning Applications

It is suggested that the City of Monash conduct a review of previous planning applications to determine whether Council were refusing applications which potentially propose housing which could assist in meeting demand. This will allow Council to identify policy weakness that can be amended to help with the delivery of affordable housing.



8. Planning Guidance Notes

MacroPlan suggests developing planning guidance notes outlining how the City of Monash intends to achieve more diverse and affordable housing within the municipality. The planning guidance notes could assist and provide directions to residents and developers who maybe interested in developing more diverse and affordable housing. As longer term initiatives are implemented, information can be incorporated to keep developers and the communities aware of how the City of Monash is dealing with the issue of affordable housing.

The overall objective of these broad strategies is to over time influence and shift the balance from delivering larger dwellings to delivering more diverse range of housing types and price points to meet the market e.g. Emerging demand from retirees, students, young families, mature families, young professionals and empty nesters/baby boomers.

This needs to be a long term commitment by all stakeholders (the City of Monash, State Government & development community) in delivering housing for the community to affect the current delivery of homogenous stock to bring about greater levels of diversity.



1

Introduction

The City of Monash is one of Melbourne's most populous municipalities, with almost 162,000 residents. It is located 20km south east of the CBD in Melbourne's fastest growing population corridor. Monash is a cosmopolitan city with 37% of its residents coming from more than 30 countries.

The City has a highly skilled and well-educated workforce, with 13% having a degree or higher education. Its residents also enjoy a level of home ownership that is considerably higher than the Melbourne average. There is also a high level of diversity that includes an aging population and a high student population that surrounds higher education opportunities such as Monash University and Holmesglen TAFE.

Monash has some of Melbourne's best known landmarks within its 82 square kilometres, including the Monash Medical Centre, the Victoria Police Academy and Jells Park. The City is also home to Melbourne's most substantial innovation cluster, with notable features including Monash University's Science Technology Research and Innovation Precinct and Technology Park and the Australian Synchrotron. Monash has also developed a reputation as a 'high tech' centre for industry with the headquarters of a number of major companies based in the area, including Philips, Adidas and Toyota.

In addition to being a technology precinct, Monash houses a number of significant activity centres such as 'The Glen' Glen Waverley Shopping Centre, Oakleigh Central Shopping Centre, Clayton Shopping Strip and has Chadstone Shopping Centre located on the municipal boundary. There are also two train lines, Monash Freeway and Princess Highway running through the municipality making it highly accessible via a variety of transport modes.

Monash is continuing to experience significant commercial development and this will further strengthen its position as the centre for economic activity in Melbourne's South East. The 11,500 business establishments in the City provide around 90,000 jobs predominantly for residents in the municipality and Melbourne's South East Region. This represents over 17% of the jobs in Melbourne's South East Region and about 6% of jobs in the entire metropolitan area.

The combination of a highly accessible City that offers a variety of major activity centres and excellent local employment opportunities make Monash a very attractive and liveable city. Although the City enjoys a reputation as a great place to live and work, it has reached a time of consolidation, and Council faces challenges posed by changes in demographics, housing types, community aspirations and diversity, business investment and social issues.

A recent Council Report (February 2007) highlighted the fact that the City of Monash is facing a potential housing problem, in that the majority of new housing being provided in the market place does not appear to be satisfying the municipality's current and future demographic needs. The Department of Sustainability and Environment (DSE) estimates that between 2000 and 2021 the City of Monash will require 9000 new households. This demand will be primarily created by a trend towards smaller household sizes and a rapidly ageing population.

The development market and the current housing regulatory environment is increasingly producing larger, more costly 'higher end' housing stock. Property prices in Monash have also increased significantly with house prices almost doubling between 1996 and 2001, compared to 43% for metropolitan Melbourne over the same period.



Housing affordability in Melbourne has more or less continued to progressively decline since December 1998. As outlined in the Council Report, housing affordability is determined by the ratio of average household disposable income to the income required to meet payments on a typical property in a specific area.

The high level of population diversity within Monash versus the homogenous housing supply is an issue that has been encountered throughout Melbourne. The Melbourne 2030 strategy's vision of a more compact, affordable and less car-dominated city is attempting to address these issues through directing higher density housing development to established suburbs, especially activity centres around public transport.

A previous attempt to deal with this lack of housing diversity and affordability issue was the "As-of-Right" dual occupancy provisions created in 1985, that allowed dual occupancy developments to be approved without a planning permit.

The provisions initially provided more affordable housing because the standards required dwellings to be of a modest size, and single storey at the rear of the site. Initially the social outcomes for the disadvantaged appeared to be achieved. However, the "As-of-Right" provisions also created significant problems from a regulatory perspective. There were inconsistencies between the design criteria for "As-of-Right" dual occupancy development and dual occupancies which required Planning Permit approval. This added to confusion and community concern.

Loose wording in the "As-of-Right" provisions created an opportunity for developers to circumvent a majority of the standards resulting in larger, inappropriate dwellings, having significant adverse affect on adjoining properties. These provisions remained in Planning Schemes until March 1995 when they were abandoned.

The concept of the "As-of-Right" provision could potentially be modified to ensure more stringent wording and more consistent design standards were required, which could ensure developers would not be able to circumvent the process. Although, it is considered that a more stringent "As-of-Right" provision could simplify the planning and decision making process and potentially deliver more affordable housing. That said, it is also important to consider that in the current planning context, it is considered unlikely that the State Government would support such a provision given the potential backlash from the public. However, given strong stated interest in delivering affordable housing solutions within Melbourne's current Urban Growth Boundary, there is a need to consider innovative leading edge solutions to address the issue.

Housing affordability and lack of access to appropriate housing poses a threat to the cohesion of the broader community. It can lead to the polarisation in the community with visible differences between areas. Some sectors of the community are excluded from wealth creation and the capital gains created through property ownership. It also impacts on people's ability to access basic necessities such as food and clothing and can lead to family breakdown, poor health, exclusion from community events and services, and poor access to education, employment and leisure opportunities.

In an attempt to address these concerns, the City of Monash engaged MacroPlan Australia in July 2007 to conduct a review of the Monash LGA including a situation analysis and market research that included 600 random household phone surveys across the municipality ensuring a strong understanding of the community's future dwelling demand / types and buyer preferences.

This report will attempt to identify and confirm some of the key drivers affecting housing affordability such as high levels of larger more costly 'high end' homogenous housing stock, significant land value uplift, population growth and diversity. The report will then make recommendations to address these issues such as the creation of diversified housing stock, provision of affordable housing options and realist strategies to achieve these outcomes.



All Local Governments have an interest in ensuring that there is adequate supply and range of housing to cater for the needs of all residents.

“There is a dominant view that Local Government’s role in housing outcomes begins and ends with its statutory responsibilities for land use planning, development control, building approval and infrastructure provision. However, beyond that, there are a wide range of additional roles which individual Councils can (and do) adopt, depending on their capacity and resources, and the needs and priorities of the local community.

The extent of involvement and selection of appropriate roles for Local Government in contributing to achieving housing outcomes can thus be viewed as lying within a continuum of options... The continuum ranges from awareness that Council’s traditional planning and infrastructure responsibilities have an impact of local housing outcome at one end, to direct provision and management at the other. Individual Councils are currently undertaking various roles in all areas of the continuum.¹”

¹ National Local Government Housing Policy, Australian Local Government Association, November 2005.



2 Chapter 1 – Housing Affordability

Chapter 1 of the report has examined the issue of housing affordability within the City of Monash and from a broader context of Melbourne. Chapter 1 covers a range of topics, including:

- Housing affordability from a Melbourne 2030 and City of Monash perspective,
- Provides a residential market overview to determine key demand/supply drivers for the City of Monash,
- Provides the result of MacroPlan's primary market research,
- Provides a comparative affordability assessment with surrounding municipalities, and
- Apply the findings of the research into hypothetical case studies to demonstrate the impact of reduced housing affordability on the various market segments within the City of Monash.



3 The Issue of Housing Affordability

Access to affordable housing is a key issue for households and forms an integral part of the Victorian State Government's Melbourne 2030 planning policies.

Housing affordability is an issue nationally, with an increasing proportion of the nation's population under housing stress. As well as social effects, housing affordability plays a significant role in the economic prosperity of the nation.

Housing affordability issues persist due to a number of economic demand and supply pressures. That is; the greater number of households experiencing 'household stress', the greater the impact on propensity to spend. Anecdotally this leads to a greater reliance on credit for household spending.

The major pressures include population growth, declining household size and a subsequent increase in the number of households, the increase of real housing costs over time and the fall in supply of housing stock. Exacerbating the overall shortage is the lack of availability of both social housing and housing at the low-cost end of the private rental market.

'After Housing Financial Stress' is generally defined as the amount of income remaining, after payment for accommodation, being too little to afford to pay for other necessities such as food, clothing and utilities. Given that rents and mortgage payments are on average x times the annual average income, the number of households experiencing after housing financial stress is increasing. A typical benchmark for measuring affordability from the perspective of after housing financial stress is when more than 30% of a household's weekly income is allocated to the cost of housing.

As a compounding factor in the affordability issue, Melbourne has experienced substantial population growth during the period 2001- 2006, which has changed and increased consumer demand, and contributed to the increased price of median detached housing during the period. A number of new development trends have also emerged during this period, such as lifestyle focused development and the growth of apartment and higher density housing outside of the CBD.

A number of factors have contributed to exponential growth in demand for housing. These are:

- Increasing population: more need for housing
- Deregulation of finance industry which has made access to finance easier for many people and families either to buy their own home or invest
- Sustained low interest rates which has increased consumer and lender confidence
- Aging population: leads to decrease in household sizes, therefore more households required
- Increased wealth: aging population, homeowners asset value increase, superannuation is realised
- Increase in property prices



According to a recent UDIA report on housing affordability in Australia (An industry Report into affordable Home Ownership in Australia, 2007), Victorians in general feel relatively comfortable with their present home affordability position in the state, despite the increase in house prices over the past few years. This is due to Melbourne's relatively affordable cost of living compared with other major cities such as Sydney, Canberra and Perth. However, this has the potential to change given the increases in residential population and demographic change forecast for the metropolitan Melbourne region.

3.1 **Melbourne 2030 Policy Impact on Housing Affordability in the City of Monash**

Melbourne 2030 is a strategic plan prepared to manage growth and change across Melbourne and the surrounding region. Melbourne is estimated to grow by up to one million people during the period to 2030 and this strategy aims to strategically deliver liveable, attractive and prosperous areas within the growing metropolitan region.

The policy has been developed by the Victorian State Government Department of Planning and Community Development (Formerly Department of Sustainability and Environment) and is a tool that introduces a range of policy directions to provide for a more compact city, minimise speculation on the fringe, and retain open land close to most development areas.

Specifically, Melbourne 2030 sets out nine Policies and Initiatives in order to achieve its goals. Particularly relevant to the housing affordability issue are the Directions relating to:

- A More Compact City
- Better Management of Metropolitan Growth
- A Fairer City
- Better Planning Decisions, Careful Management

A More Compact City

The first of these policies "A More Compact City" refers to the one of the key aspirations of Melbourne 2030: to create Activity Centres to contain growth and stimulate economies in the fringes by focusing development and investment in identified activity centres near current infrastructure, in areas best able to cope with that change, whilst meeting the objective of sustainable development.

Metropolitan Melbourne's activity centres are classified into five types:

- Central Activities District
- Principal Activity Centres
- Major Activity Centres
- Specialised Activity Centres
- Neighbourhood Activity Centres.

The classification defines the role and function of centres, including preferred uses, scale of development and links to the public transport system.

The City of Monash has a number of activity centres in locations such as Glen Waverley, Clayton, Karingal, Mount Waverley and Oakleigh. The are also includes Monash University / Health Research Precinct in Clayton, which is classified as a Specialised Activity Centre.

Activity Centres are envisaged as appropriate locations for achieving greater housing density and diversity.

Better Management of Metropolitan Growth

Better Management of metropolitan growth deals with the supply of housing on the metropolitan fringe. Through the policy directions of Direction 2, Melbourne 2030 seeks to create a sustainable supply of housing to meet the demand generated by the forecast increase in population.

The recent establishment of Growth Areas Authorities will potentially lead to increased availability of housing stock across metropolitan Melbourne. It follows that as supply increases this will provide some relief in the demand for housing in the existing established areas of middle and outer Melbourne.

A Fairer City

As a policy statement, Melbourne 2030 seeks to address the issue of housing affordability directly via direction number 6; “A Fairer City” which refers explicitly to the need to increase the supply of well-located affordable housing. Specifically, Melbourne 2030 states:

“A significant proportion of new development, including new development at activity centres and strategic redevelopment sites, must be affordable for households on low to moderate incomes, especially those that are experiencing housing stress but are unlikely to gain access to public or social housing. Ways of achieving this will be explored.”

This direction works in conjunction with other directions such as Number 1; ‘A More Compact City’ and Number 4; ‘A More Prosperous City’.

Melbourne 2030 envisages that a number of agencies will work closely together to maximise every opportunity to increase the supply of affordable housing and meet household needs.

From a broader strategic direction Melbourne 2030 establishes the basis for encouraging greater densities around activity centres and the policy basis for Council to identify area around the designated activity centres which are appropriate for change.

Direction Six sets seven key initiatives, which are:

- 6.1.1** Monitor supply and demand in affordable housing at local and regional levels and publicise examples of best practice in the provision of well-designed affordable housing
- 6.1.2** Increase the supply of affordable housing through joint programs with the Urban and Regional Land Corporation, the Office of Housing, local councils and the not-for-profit sector
- 6.1.3** Continue the redevelopment and renewal of public housing stock to better meet the needs of existing and future clients
- 6.1.4** Address areas of particular disadvantage, especially where high concentrations of public housing exist, through the Office of Housing’s Neighbourhood Renewal Strategy

- 6.1.5 Develop and implement initiatives to increase the supply of appropriately located affordable housing throughout the metropolitan area
- 6.1.6 Work with all stakeholders, including the Office of Housing and the private sector, to identify opportunities and develop techniques and solutions to facilitate a mix of private, affordable and social housing in Transit Cities projects
- 6.1.7 Change the policy that governs the disposal of government land and buildings to reflect the best use rather than the highest price achievable, and base the policy on new socially responsible criteria

A number of these initiatives are currently under way as programs under various government departments. Importantly for Monash, a number of the initiatives can be adopted as council actions as an overall response to achieving more affordable housing options. These include:

- 6.1.4 Address areas of particular disadvantage, especially where high concentrations of public housing exist, through the Office of Housing's Neighbourhood Renewal Strategy
- 6.1.5 Develop and implement initiatives to increase the supply of appropriately located affordable housing throughout the metropolitan area
- 6.1.6 Work with all stakeholders, including the Office of Housing and the private sector, to identify opportunities and develop techniques and solutions to facilitate a mix of private, affordable and social housing in Transit Cities projects

Better Planning Decisions, Careful Management

In addition, Melbourne 2030 also identifies the need to improve the decision making process in regard to use and development applications. The Strategy states the following, from Direction 9: 'Better Planning Decisions, Careful Management':

"Melbourne 2030 includes commitments to improve planning outcomes through initiatives such as clear identification of roles and responsibilities, clearer planning rules, improvements to planning processes and better guidelines for decision-makers (such as guidelines for structure planning around activity centres and the adoption of Neighbourhood Principles)"

Given that a contributing factor to the housing affordability issue is a shortage of housing stock, in general, it follows that an ability to make faster decisions in relation to developments which result in the delivery of more housing would contribute to an overall increase in housing supply in areas which do not have broad hectare land supply.

These objectives are consistent with the framework outlined in 'Reducing Red Tape in the APS' report, written by the Management Advisory Committee, and released on 28th February 2007. The framework involves the application of three high-level principles in designing and reviewing requirements. The principles are that requirements:

- Effectively address the issue of concern
- Are the most efficient option
- Have benefits that substantially exceed their costs.

Direction 9 establishes a clear strategic directions which warrant and guide improvement to assess and process. While steps have been taken at State level to improve the administration of the Planning Scheme and decision making, the principles of continuous improvement can be applied at a local level.



3.2 The issue of housing affordability in Monash

Consistent with what has occurred elsewhere around Australia, housing affordability in Monash has continued to decrease, with house prices following trends similar to those experienced in the wider metropolitan region. However, a number of characteristics associated with Monash have led to concerns that the situation is more acute in the municipality. With its proximity to the CBD and accessibility to technology/education precincts and activity centres. Monash has continued to experience commercial development that has contributed to the high value housing stock currently supplied in the municipality.

This has resulted in (as highlighted in February's Council Report), an inadequate supply of housing stock which is increasingly more expensive to purchase or rent.

This report intends to explore these concerns through an assessment of demand and supply of current housing stock in the municipality.

3.3 Defining and measuring levels of household affordability

Household affordability measures the financial outcome for a household given they are renting or purchasing the dwelling they wish to occupy.

Although there is no nationally recognised standard for identifying households with housing affordability problems, one of the more often used benchmarks has been adopted. This is households with lower incomes (those in the bottom 40% of the income distribution) and with housing costs above 30% of their disposable income. It should be noted that many higher income households also pay more than 30% of their income on housing costs. These have been excluded from the group identified as having affordability problems because such households often have the discretion to reduce their housing costs by reducing their mortgage repayments or moving to a place with lower costs.

3.4 Housing market typographies

There are 14 different suburbs within the City of Monash; these suburbs all have different price points and different market conditions. Table 1 below highlights the price brackets considered affordable, median and premium in each suburb of the Monash municipality, given the current housing currently supplied in each suburb.

There is a high concentration of low density separate housing in Monash. Of the 14 suburbs, 10 had more than 70% of sales in the house category. Three of the suburbs had greater than 80% of sales in this category with Wheelers Hill having 95% of sales as separate houses.

Prices vary across the LGA; however all of suburbs have a median house price greater than the metropolitan Melbourne average of \$342,000.



Table 1. Monash Sales Data - House

	No of Sales	House		
		Affordable	Median	Premium
Ashwood	74	\$390,250	\$471,000	\$624,000
Burwood	205	\$387,000	\$507,000	\$646,470
Chadstone	126	\$361,700	\$425,000	\$585,000
Clayton	122	\$280,000	\$385,000	\$475,000
Glen Waverley	435	\$385,000	\$490,250	\$687,500
Hughesdale	51	\$444,000	\$550,000	\$652,000
Huntingdale	25	\$352,750	\$414,500	\$511,500
Mount Waverley	376	\$400,000	\$503,800	\$691,444
Mulgrave	219	\$300,000	\$365,000	\$505,000
Notting Hill	13	\$272,000	\$347,750	\$360,000
Oakleigh	124	\$380,000	\$500,000	\$669,500
Oakleigh East	124	\$380,000	\$500,000	\$669,500
Oakleigh South	98	\$355,000	\$423,500	\$487,500
Wheelers Hill	205	\$363,750	\$460,000	\$630,500

Note: prices in suburbs with less than 10 sales are statistically unreliable and indicative only.

Source: Australian Property Monitors (2007), MacroPlan Australia (2007).

Table 2. Monash Housing Market Typographies

	Housing Requirements	Typical Dwelling Sizing	Affordable	Median	Premium
Students	Medium to high density dwellings, less likely to have cars, therefore walking distance to public transport, close or in activity centres/amenities, such as supermarkets, 1-2/study bedrooms, small or no yard	50sqm - 100sqm	\$200,000 - \$300,000	\$300,000 - \$400,000	\$450,000+
Young Professional	low-medium density, close to amenities and activity centres, 1 + study-2 bedrooms, small or no yard	75sqm - 125sqm	\$250,000 - \$350,000	\$350,000 - \$450,000	\$500,000+
Young Families	low density, close to amenities, 3+ bedrooms, medium+ size yard	150sqm - 250sqm	\$300,000 - \$400,000	\$500,000 - \$600,000	\$650,000+
Mature Families	low density, close to amenities, 3+ bedrooms, small-medium yard	150sqm - 250sqm	\$300,000 - \$400,000	\$450,000 - \$550,000	\$650,000+
Empty Nesters / Baby Boomers	low-medium density, close to amenities and activity centres, 1 + study-3 bedrooms, small or no yard	100sqm - 200sqm	\$250,000 - \$350,000	\$400,000 - \$500,000	\$600,000+
Retirees	low-medium density, close to amenities, such as supermarket and public transport 1+ study, possibly 2 bedrooms, small or no yard	75sqm - 150sqm	\$200,000 - \$300,000	\$350,000 - \$450,000	\$550,000+

Source: Australian Property Monitors, MacroPlan Australia (2007).

3.4.1 Borrowing Capacity of Households

MacroPlan has conducted a high level analysis identifying the average amount banks and financial institutions are willing to lend, based on various household incomes. In calculating these values, the following assumptions were made;

- Households have no major current debt (eg. credit card)
- Households have no motor vehicle or other considerable loans
- Income Streams are constant and stable
- Households have 2 dependants

The figure below indicates that 70% of households in Monash earn less than \$53,577 (net) per annum which equates to under \$4,465 per month.

According to the loan calculations, 26% of households have the ability to borrow \$338,040. A Further 24% of households are eligible to borrow \$135,940 whilst another 20% can only borrow \$10,000.

Given that the median house price in Monash LGA for 2006 was \$425,000, 70% of households are unable to borrow enough funds to service the associated mortgage repayments, based on the assumptions used.

Furthermore, many other households who have obtained loans are finding significant difficulties in stretching their budgets to meet current mortgage repayments.

Figure 1. Loan availability per household Income

Income Per Week	Average	No of Households	%	Gross/Yr	Net/Yr	Income/m	Loan Banks Will Lend	Net Loans Available (After Adjustment for Stamp duty)
0-499	\$250.00	10,170	20%	13,000	\$11,800	\$983	\$10,000	\$9,860.00
500-999	\$750.00	12,032	24%	39,000	\$32,205	\$2,684	\$140,000	\$135,940.00
1000-1699	\$1,350.00	13,257	26%	70,200	\$53,577	\$4,465	\$355,000	\$338,040.00
1700-2499	\$2,100.00	7,806	15%	109,200	\$80,292	\$6,691	\$620,000	\$587,140.00
2500+	\$3,000.00	7373	15%	156,000	\$108,240	\$9,020	\$895,000	\$845,775.00

Source: ABS (2007), MacroPlan Australia (2007)



4 Market Overview

This section comprises an overview of the current residential market (i.e. key drivers - interest rates, population growth, affordability, etc.) of the City of Monash (LGA) for medium and high-density dwellings.

MacroPlan Australia has undertaken this analysis in order to understand the current and historical housing market trends for the City of Monash and Metropolitan Melbourne. This analysis will provide the basis for, and highlight key factors in, any housing affordability issues currently being faced within the area.

4.1 Housing Market Trends in the City of Monash and Melbourne

4.1.1 Residential Market Overview

Key economic indicators for Monash suggest the region has been growing steadily, however an aging population has become apparent. Forecasts predict that 42.95% of the population increase in the City of Monash will consist of people aged 75 plus. Smaller dwellings are needed to house aging populations due to forecast decreasing household size, and the propensity for older people to live on their own. In Accordance with the Australian Housing and Urban Research Institute ("AHURI") "population ageing is one of the main drivers of the increased number of smaller household." The following passage was taken directly from the AHURI Research and Policy Bulletin.²

Contrary to widely held assumptions that aging, low birth rates and low immigration will combine to reduce demand for housing in the future, recent AHURI research (McDonald 2003) has shown that the shift to single person households across all age groups is driving demand for additional and more diverse types of housing in Australia. A continuing and rapid rise in the number of single person households, particularly in major capital cities, is projected for the next two decades.³

Median House Prices:

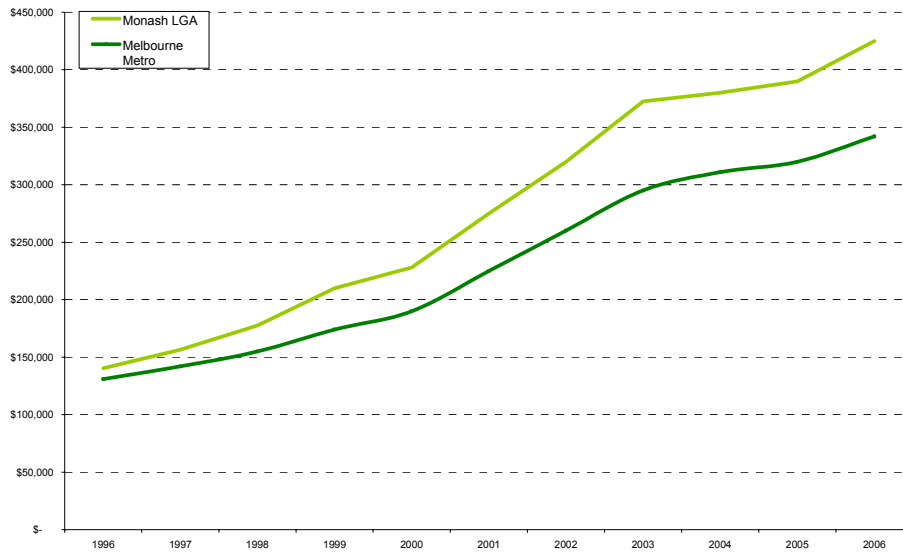
The median house prices rose across all South Eastern Melbourne suburbs including Monash which was one of the better performers. The above average growth in the real estate market (of Monash) is based on a variety of amenities including close proximity to; quality schools, hospitals, retail, parks and transportation. These elements will be explored in further detail later on in this report.

² Issue 43 May 2004, AHURI Research and Policy Bulletin

³ Issue 43 May 2004, AHURI Research and Policy Bulletin, Housing Futures in an ageing Australia

The median house price in Monash grew from \$228,000 in 2000 to \$425,000 by the end of 2006. Over the past 10 years the median house price of this region had grown by 95.94% from 1996-2001 and 32.81% during 2001-2006. During the same periods the average median house price growth of Metropolitan Melbourne was 71.76% and 31.54% respectively. Figure 1 below indicates the gap between Melbourne's average median house prices with that of Monash is widening. This demand can be attributed to the natural and economic richness of the region.

Figure 2. Median Sales Prices – Melbourne V. Monash (LGA)

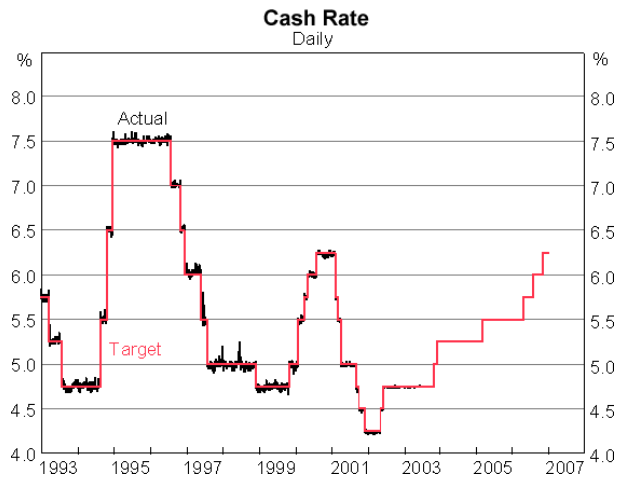


Rising interest rate environment and general decrease in housing affordability:

The official cash rate has been historically low over the last decade, stimulating demand for residential properties. However, four rate increases since March 2005 have pushed the current rate of 6.5% to its highest level since December 1996 and constricted household affordability. Most recently economists have been predicting another interest rate rise to be implemented later this year or in early 2008.

The hikes in interest rates coupled with above CPI increases in necessities such as petrol and food serve to decrease the amount of disposable income to mortgagees and potential buyers. This significantly impacts the ability for the abovementioned groups to service property loans or purchase them in the first place.

Figure 3. Daily Cash Rate



Source: Reserve Bank of Australia (2007)

As the national interest rates have risen, first time potential home buyers (young couples/families etc) are finding it more difficult to free enough disposable income to purchase property. Instead, they are forced to rent or relocate to a cheaper municipality away from friends and family. Conversely, wealthier individuals who are not as drastically affected by interest rate hikes provide increasing demand for these properties. As such property prices continue to rise, regardless of the Reserve Banks 'constraining' monetary policy.⁴

⁴ Reserve Bank of Australia (2007)

Minimum Housing Diversity:

The target area has an array of amenities including a 'group of eight' university, the Monash Medical Centre and several parks and attractive landscapes. In accordance with the local planning scheme, the Monash City Council seeks to preserve the leafy suburbs and "Garden city" nature of the region, whilst encouraging higher density developments around key activity centres.

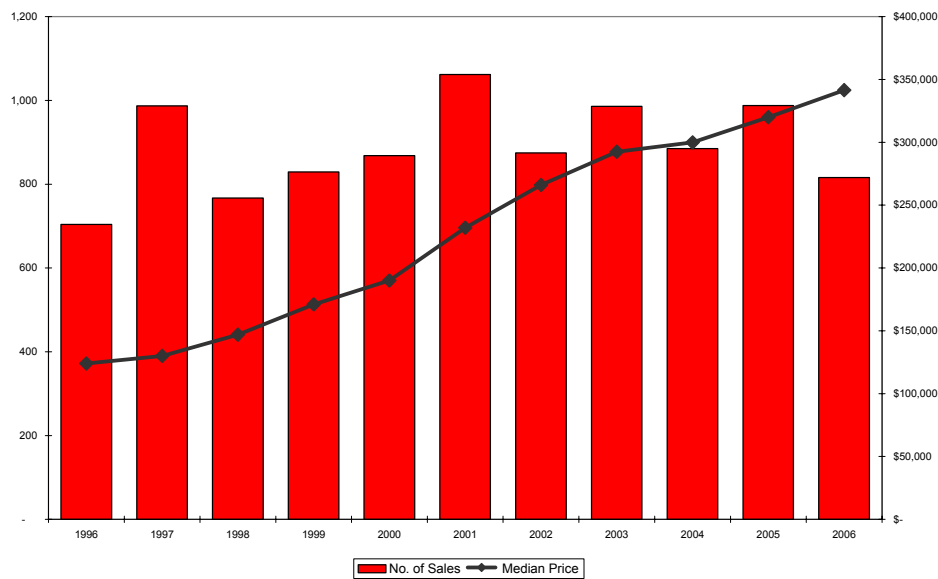
Along with future planning provisions, it is expected the next two decades will see many more Melbournian's living in high density dwellings which are situated in close range of public transport and amenities (Melbourne 2030).

The Monash (LGA) is fortunate in that it has high levels of integrated transport infrastructure and natural activity centres precincts.

Currently the trend for developers is to subdivide single block and develop large multi story dual occupancy townhouses. Unfortunately, the prices of these developments have become unaffordable to the aging population, whilst too expensive to attract younger families. There is a certain need to strongly encourage high density developments around the activities centres, whilst limiting the amount of dual occupancy approvals released. This will work to ensure, more housing is made available and affordable for younger and older residents alike.

As indicated by the figure below there has be a steady demand increase in the number of sales of units and apartments in Monash LGA. The median price has been growing at an even greater rate than that of median house prices in the area. This analysis suggests that there is strong demand for higher density developments within the area, however at current time the lack of supply ensures prices keep growing.

Figure 4. Median Unit Sales Prices in Monash (LGA)



Source: Property Valuer-General Report 2006

4.1.2 Rental and Mortgage Overview

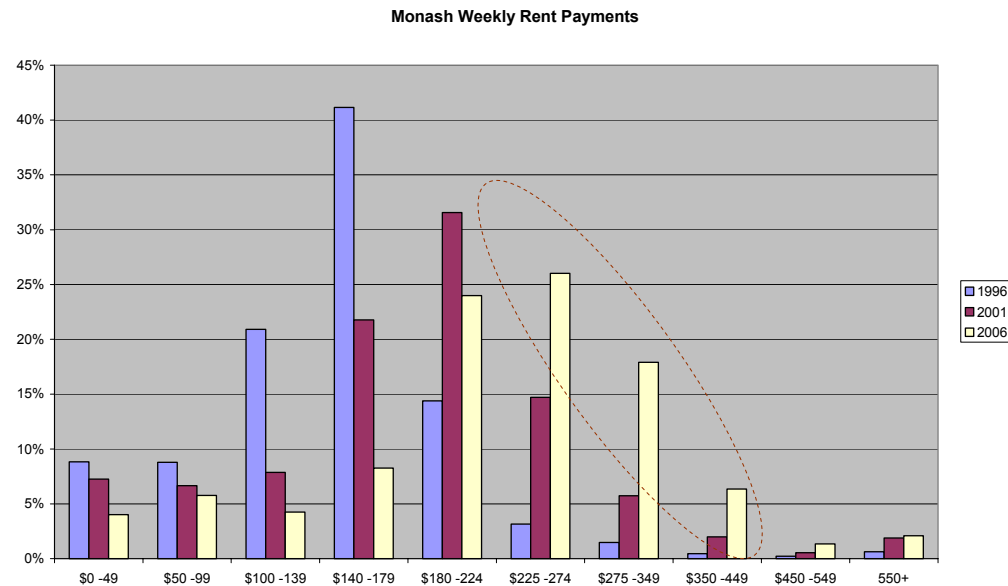
Rental Prices

As with Metropolitan Melbourne, the trend for Monash residents to rent instead of buy is increasing. This trend is contributed to by a series of documented factors most notably the significant increase in property prices. The increased demand in rental properties coupled with the inflated purchase prices has flowed on to inflate the average rent (in Monash) far beyond the CPI.

As indicated in the figure below in 1996, 94% of the rental properties in the City of Monash cost under \$180 for weekly rent. By 2001, 75% of weekly rent was under \$180, then most recently in 2006 only 46%.

The graph indicates the proportion of higher end rental accommodation products available in Monash has been increasing over the 10 year period. Furthermore, it alludes to the fact that there is a diminishing proportion of rental properties available in the lower to medium-end markets.

Figure 5. Weekly Rent in Monash 1996, 2001 and 2006



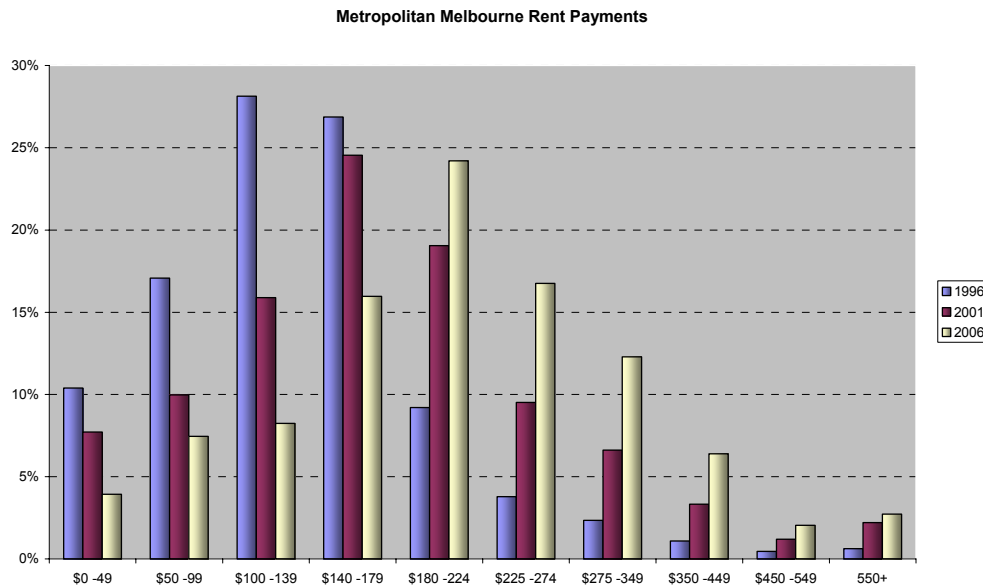
Source: ABS 2007 Community Profile

A similar trend is illustrated by the Metropolitan Weekly Rental Average as illustrated below. In 1996 Monash has a similar proportion of 'low rent groups' and a lower proportion of 'high rent groups' comparatively to the metropolitan average. Comparatively to Metropolitan Melbourne, in 1996 Monash had a greater proportion affordable accommodation available for budget renters.

By 2006 Monash has a lower proportion of 'low rent groups' and higher proportion of 'higher rent groups.' This is illustrated by the fact that in 2006 over 54% of renters in the City of Monash paid \$225 per week or more to service loans. During the same year, the Metropolitan average indicates 40% of renters paid \$225 or more per week.

The pressures on rental accommodations are continuing to mount in Metropolitan Melbourne. This is particularly important within the City of Monash. Analysis of the past 10 years indicates that relative to the Metropolitan average, Monash has departed from a relatively affordable place to rent to an above average wealthier location. Several factors are impacting on the demand for rental properties in the area including but not limited to; its liveability, high student population and inflated housing prices. More importantly, there is currently a lack of housing diversity and rental properties in the region which will ensure rent costs will continue to rise. This will be discussed in further detail later in the report.

Figure 6. Weekly Rent in Metropolitan Melbourne 1996, 2001 and 2006



Source: ABS 2007 Community Profile

Mortgage Repayments

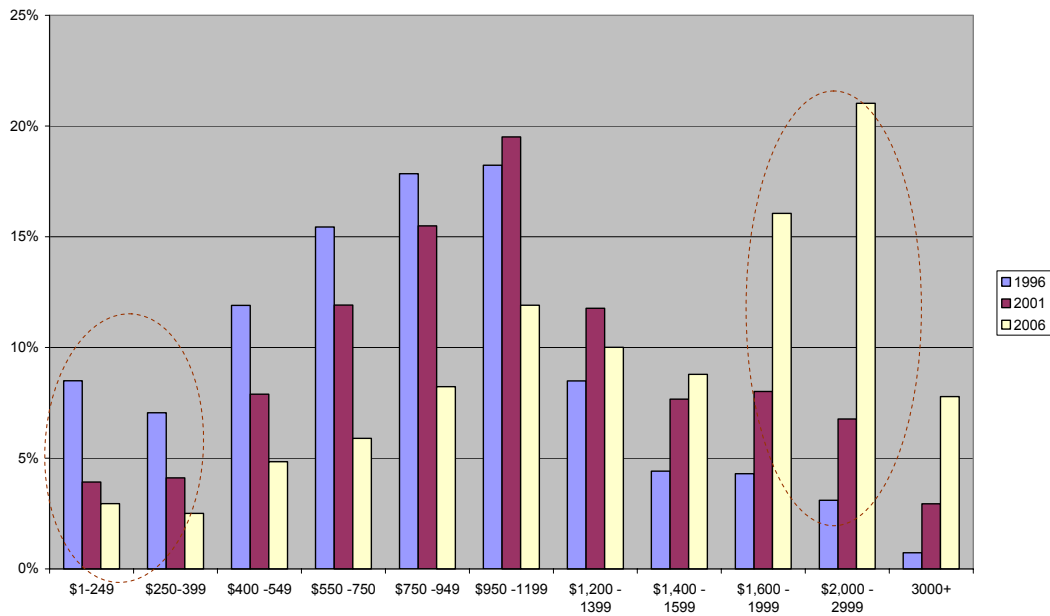
Inflated house property prices across Melbourne and specifically in the City of Monash have forced home buyers to borrow significantly larger amounts of money. This trend specifically affects first home buyers and young families as the higher mortgage repayments require a greater amount of disposable income. The general trend in all parts of Melbourne over the last 10 years has indicated inflated housing prices are significantly diminishing the abilities of residents to purchase land. Comparatively to the Metropolitan average, the City of Monash is one of the most severely effected municipalities.

The figure below details the change in weekly mortgage repayments from 1996 to 2006 in the City of Monash and Metropolitan Melbourne. The following conclusions can be drawn from these graphs.

- In 1996 Monash has a higher proportion of 'low mortgage repayments' and a lower proportion of 'high mortgage repayments' comparatively to the metropolitan average. Comparatively to Metropolitan Melbourne, in 1996 Monash had a greater proportion affordable accommodation available for budget buyers. This is illustrated by the fact that 27% of mortgagees paid \$549 or less in Monash comparatively to 25% for Melbourne Metropolitan.

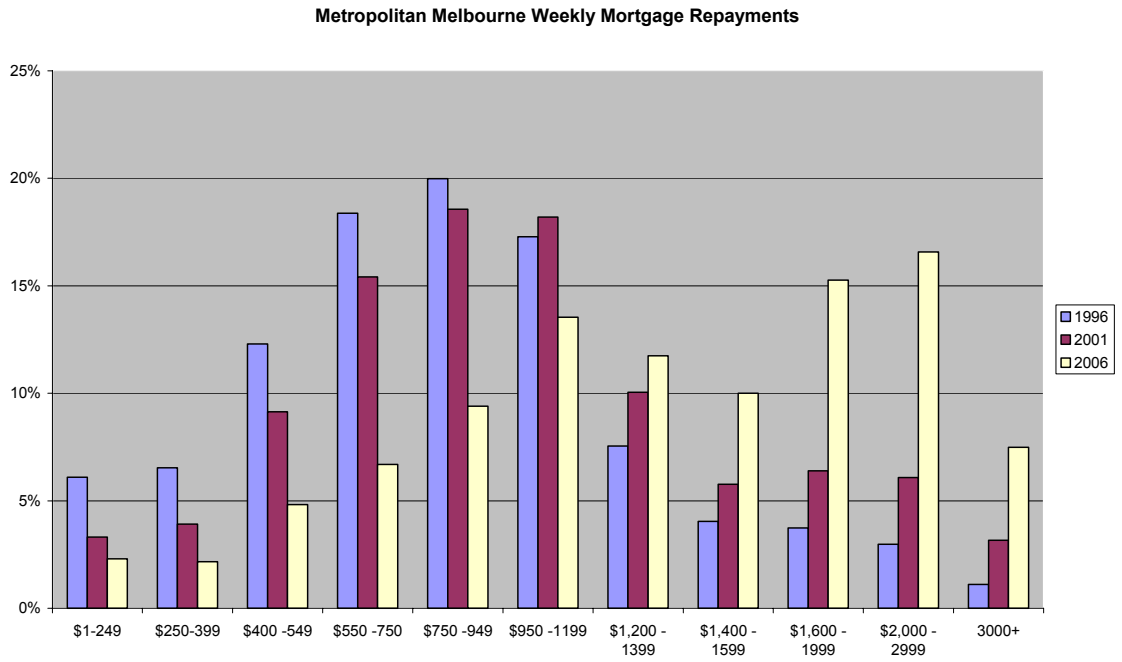
- By 2006 Monash has a lower proportion of 'low mortgage repayments' and higher proportion of 'high mortgage repayments.' This is illustrated by the fact that in 2006 over 45% homeowners in the City of Monash paid \$1600 per week or more to service loans. During the same year, the Metropolitan average indicates 39% of residents paid \$1600 or more per week.
- There has been a more exaggerated increase in median house prices in Monash than Metropolitan Melbourne. These effects have flowed on to the end consumer in the form of higher mortgage repayments. The City of Monash has grown from a relatively affordable area in 1996, to an above average higher end location in the space of 10 years.

Figure 7. Weekly Mortgage Repayments in Monash 1996, 2001 and 2006



Source: ABS 2007 Community Profile

Figure 8. Weekly Mortgage Repayments in Metropolitan 1996, 2001 and 2006





5 Demand Drivers

MacroPlan have undertaken an assessment of the factors influencing demand for housing type and price in Monash. This will be achieved through an analysis of the demographics characterising the City of Monash and comparative LGAs of Manningham and Kingston. This analysis was conducted to further understand the composition of the population for these areas, and what implications this has in regards to housing affordability. Manningham and Kingston were chosen as comparators due to their current housing mix, the similarities between these Councils and their location relative to the CBD.

5.1 Key Demographic Indicators

In 2006, the population of Monash was characterised by:

- Higher weekly household income (\$69,290) compared to the Melbourne metropolitan average (\$67,305). However weekly individual incomes were lower in the City of Monash (\$32,305) compared to metropolitan Melbourne (\$34,623);
- Higher proportion (29%) of the population aged 55 years and over, compared to metropolitan Melbourne (23%), including 17% of the population who were aged over 65 years, compared to 13% in metropolitan Melbourne;
- Higher proportions of separate housing (80%) compared to metropolitan Melbourne (72%);
- Lower proportions of Australian born citizens (54%) compared to metropolitan Melbourne (64%).

An assessment of key demographic and socio-economic indicators has found that there is a diverse population in Monash in terms of age, income and birthplace.

Figure 9. Key Indicators Table: City of Monash & Benchmark LGA's

	Monash (LGA)	Manningham (LGA)	Kingston (LGA)	Melbourne Metropolitan
Headline Indicators (2006)				
Population and Households				
Persons	161,241	109,915	134,626	3,592,591
Households	56,849	37,445	50,718	1,283,301
Average Household Size	2.84	2.94	2.65	2.80
Socio-Economic Snapshot				
Income and Wealth				
Average Household Income	\$69,290	\$77,221	\$63,909	\$67,305
variation from metro average	2.9%	14.7%	-5.0%	0.0%
Average Income Per Capita	\$32,305	\$36,910	\$33,515	\$34,623
variation from metro average	-6.7%	6.6%	-3.2%	0.0%
Demographic Snapshot				
Age Distribution				
0-4 years	5%	5%	6%	6%
5-14 years	11%	12%	12%	13%
15-24 years	16%	14%	12%	14%
25-54 years	40%	39%	43%	44%
55-64 years	12%	13%	11%	10%
65 years and over	17%	17%	16%	13%
Family Types				
Couple family with children	36%	43%	34%	35%
Couple family without children	27%	28%	25%	25%
One parent family	10%	9%	11%	11%
Other family / Lone Households / Group Households	26%	20%	31%	29%
Tenure Type				
Owner/Purchaser	71%	81%	71%	68%
Renter	22%	14%	22%	24%
Other	7%	5%	7%	8%
Dwelling Type				
Separate House	80%	84%	69%	72%
Semi-detached	10%	10%	15%	11%
Flat, Unit, Apartment	11%	6%	16%	16%
Birthplace				
Australia	54%	61%	65%	64%
Overseas	46%	39%	35%	36%

Source: ABS 2006, MacroPlan Australia 2007



5.2 Population composition

An analysis of population composition has shown that the current population of the Monash LGA is 161,238. Of this, 45% are aged between 0 and 34, a further 27% are aged between 35 and 54, and the remaining 28% are aged 55 years and over.

Figure 10. Population (%) by Age & Sex- Monash LGA

	Males	Females	Total
0 - 19	11.7%	10.8%	22.6%
20 - 34	11.6%	10.6%	22.3%
35 - 44	6.8%	7.2%	14.0%
45 - 54	6.2%	6.8%	13.0%
55 - 64	5.5%	6.1%	11.6%
65 - 74	4.3%	4.6%	8.9%
75+	3.2%	4.5%	7.7%
Total	49.4%	50.6%	100.0%

Source: ABS 2006, MacroPlan Australia 2007

5.3 Population Projections

MacroPlan has compiled population projections data acquired from the Department of Sustainability: "Victoria in Future", for the City of Monash, and comparative LGAs of Manningham and Kingston. This provides insight into the requirements for property and infrastructure across both public and private markets, which are driven by population numbers and composition.

The City of Monash is forecast to grow from a current (2006) population of 161,745 to over 182,000 by 2031. While there is currently a substantial proportion of younger people (aged 35 years and younger) living in Monash, the forecasts highlight an ageing population. The population forecasts a 43% increase in the proportion of the population aged 75 years and over. In contrast, the number of people in the younger age groups (from 0-24 years) is expected to decline.

Similar trends are forecast to occur in both Kingston and Manningham. The older proportion of the population in the City of Kingston is expected to increase considerably, with those aged 75 and over accounting for 54% of the population increase. As has occurred in Monash, the younger age group of 0-19 year olds is also expected to decline significantly.

Figure 11. Population Forecast: Monash LGA

Total	2006	2011	2016	2021	2026	2031	Number Change 06 - 31	Percentage Change 06 - 31
0 - 19	35,414	35,089	34,581	34,046	34,292	34,759	-655	-3.15%
20 - 34	37,617	36,057	36,721	37,037	36,832	35,775	-1,842	-8.87%
35 - 44	22,548	25,488	25,188	25,383	26,103	26,860	4,312	20.75%
45 - 54	22,257	23,027	24,951	26,511	26,286	26,491	4,234	20.38%
55 - 64	19,170	18,825	18,771	19,873	21,785	23,304	4,134	19.90%
65 - 74	14,369	15,141	15,574	15,232	15,151	16,040	1,671	8.04%
75+	10,370	14,318	16,089	17,553	18,917	19,293	8,923	42.95%
Total	161,745	167,945	171,875	175,635	179,368	182,521	20,776	
Average Annual Growth		0.76%	0.46%	0.43%	0.42%	0.35%		

Source: DSE Vic in Future (2004), MacroPlan Australia 2007

The City of Manningham, although the largest in area (113km², compared to 81.5km² for Monash, and 91km² for Kingston), shows the lowest population with a current (2006) number of 115,756 to approximately 131,849 in 2031. Again, the population composition in Manningham is expected to follow trends towards an aging population. The percentage of the population under 55 by 2031 reduces to 65%, and there is a significant increase in the older age groups, with the 75+ age group predicted account for 60% of the population increase.

5.4 Household Projections

Using the Department of Sustainability's, "Victoria in Future" household projections data, MacroPlan Australia have compiled household projections for the City of Monash, and comparative LGA's of Manningham and Kingston. Household projections are based on population numbers and household size, and are a further and more specific indication of future property requirements.

The City of Monash is forecast to grow from a current (2006) household number of 61,904 to 74,005 in 2031, an increase of 16% over the 25 year period. The City of Kingston is forecast to grow from a current (2006) household number of 56,455 to 71,721 in 2031 (a 21% increase). Manningham is forecast to grow from a current (2006) household number of 41,512 to 53,409 in 2031 (a 22% increase).

Figure 12. Household Projections- Monash, Manningham & Kingston LGA's

	2006	2011	2016	2021	2026	2031
Monash (C)	61,904	64,471	67,246	69,922	72,146	74,005
Manningham (C)	41,512	43,781	46,393	48,990	51,318	53,409
Kingston (C)	56,455	59,517	62,605	65,892	68,925	71,721

Source: DSE Vic in Future (2004), MacroPlan Australia 2007

5.5 Household structure

MacroPlan Australia has undertaken an analysis of household structure over a ten year time period of 1996–2006, in the City of Monash, comparative LGAs, and metropolitan Melbourne. The analysis demonstrates the changes in household structure over time, and thus highlights the changing requirements of these populations.

Notably, couple families with children have decreased across all three LGA's and metropolitan Melbourne more broadly, whilst the proportion of couple families with no children has increased. This also indicates that couple families with children are moving out of the metropolitan area as a whole, which could suggest affordability in the inner and middle rings is a key issue for this sector of the population.

Although Manningham shows the highest increase in this demographic, this municipality is significantly higher in wealth and income, compared to both Monash and Kingston, and therefore may not be representative of the current housing affordability issues being faced by large portions of Melbourne's population.

Monash, (-7.4%) along with metropolitan Melbourne (-5.9%) has also seen a decline in the lone person households, whilst Kingston (9.5%) and Manningham (13.2%) have showed marked increases. There has also been an increase (7.5%) in other household types in Monash, whilst Manningham (-5.6%) and Kingston (-5.1%) have shown declines. The deviation from metro and benchmark trends could be indicative of the inability for Monash to cater for these household structures with its current housing supply.

There is a stabilisation of group households in Monash, compared to Manningham (-7.6%) and Kingston (-4.4%). This could be due to the high student population in Clayton, around Monash University, where students living together in a 'group/other household' is more common than Kingston or Manningham, where there is no major university campus.

Figure 13. Household Structure Change over Time 10 Years: 1996-2006, Monash, Manningham and Kingston LGA's

Change over 10 Years: 1996-2006	Monash	Kingston	Manningham	Metropolitan Melbourne
Family household:				
One family household:				
Couple family with no children	3.3%	2.1%	5.0%	2.9%
Couple family with children	-3.9%	-2.1%	-6.5%	-4.0%
One parent family	0.2%	0.6%	1.3%	1.2%
Other family	0.2%	-0.3%	-0.1%	-0.1%
Multiple family household				
	0.2%	0.0%	-0.6%	0.0%
Non family household:				
Lone person household	-7.4%	9.5%	13.2%	-5.9%
Group household	0.0%	-4.4%	-7.6%	-1.6%
Other household (d)	7.5%	-5.1%	-5.6%	7.6%

Source: ABS Census 2006, MacroPlan Australia 2007.

5.6 Socio-economic characteristics

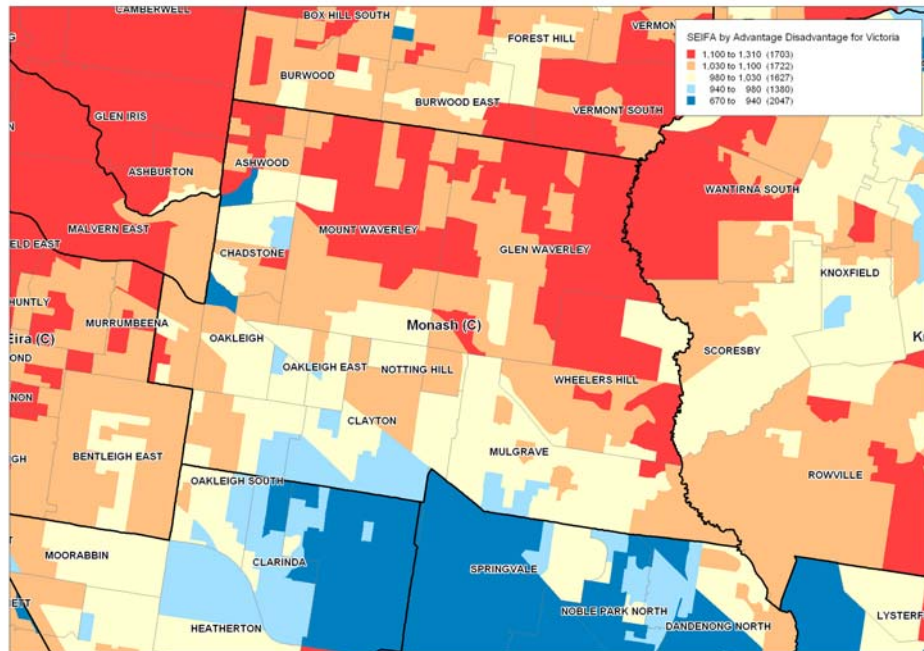
SEIFA is an acronym for Socio-Economic Index For Areas, a product developed by the Australian Bureau of Statistics (ABS). SEIFA is used to assess the welfare of Australian communities. The ABS has developed indexes to allow ranking of regions/areas, providing a method of determining the level of social and economic well-being in that region. These indexes are thematically mapped to show where the affluent (as opposed to just high income earning) live; where disadvantaged (as opposed to the unemployed) live; and where the highly skilled and educated (as opposed to the tertiary educated people) live.

SEIFA INDEX OF ECONOMIC ADVANTAGE/DISADVANTAGE

The SEIFA Index of Economic Advantage/Disadvantage gives an indication of the relative economic advantage for a given area. The index has a mean of 1,000 with a score above 1,000 indicating the area has a relatively high proportion of high incomes or a skilled labour force, whereas, a score below 1,000 indicates an area has a relatively high proportion of low incomes or unskilled labour.

The City of Monash has a diverse mix of advantaged and disadvantaged areas. Although the majority of the LGA registers at the higher end of the SEIFA scale, the LGA also has some disadvantaged areas dispersed throughout the south-western region. The suburbs of Glen Waverley, Mount Waverley and Wheelers Hill are characterised by high proportions of high incomes and/or skilled labour force, however further south and west, areas of Clayton, Mulgrave and Oakleigh East show lower SEIFA scores and therefore more disadvantage.

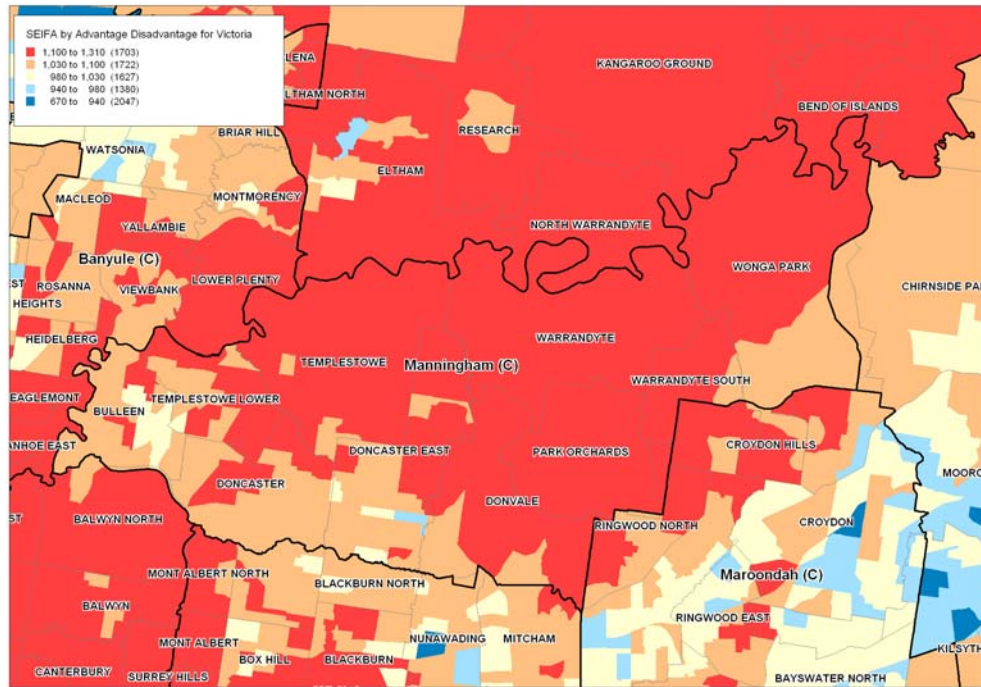
Figure 14. SEIFA Advantage / Disadvantage: Monash LGA



Source: ABS Census (2001), MapInfo (2007), MacroPlan Australia (2007).

This highlights the level of diversity across the municipality and the likely requirement for different housing solutions in different parts of Monash.

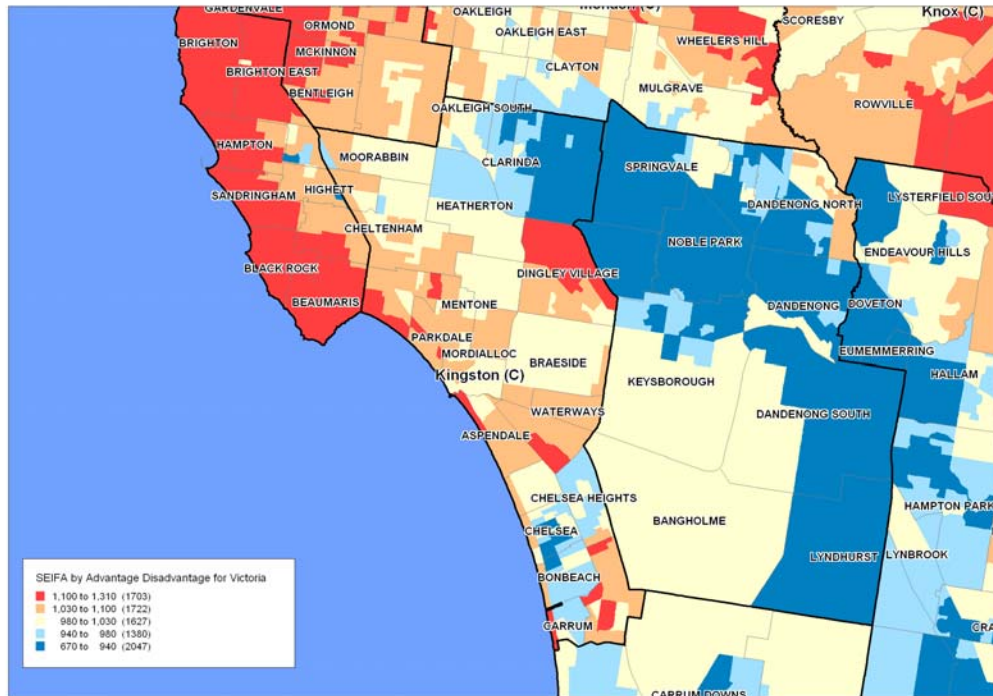
Figure 15. SEIFA Advantage / Disadvantage: Manningham LGA



Source: ABS Census (2001), MapInfo (2007), MacroPlan Australia (2007).

The majority of the Manningham LGA is characterised by high proportions of high incomes and/or skilled labour force. Some suburbs within the LGA, such as Bulleen, and areas south of Doncaster have lower scores compared to the rest of the LGA, however still rank well about average.

Figure 16. SEIFA Advantage / Disadvantage: Kingston LGA



Source: ABS Census (2001), MapInfo (2007), MacroPlan Australia (2007).

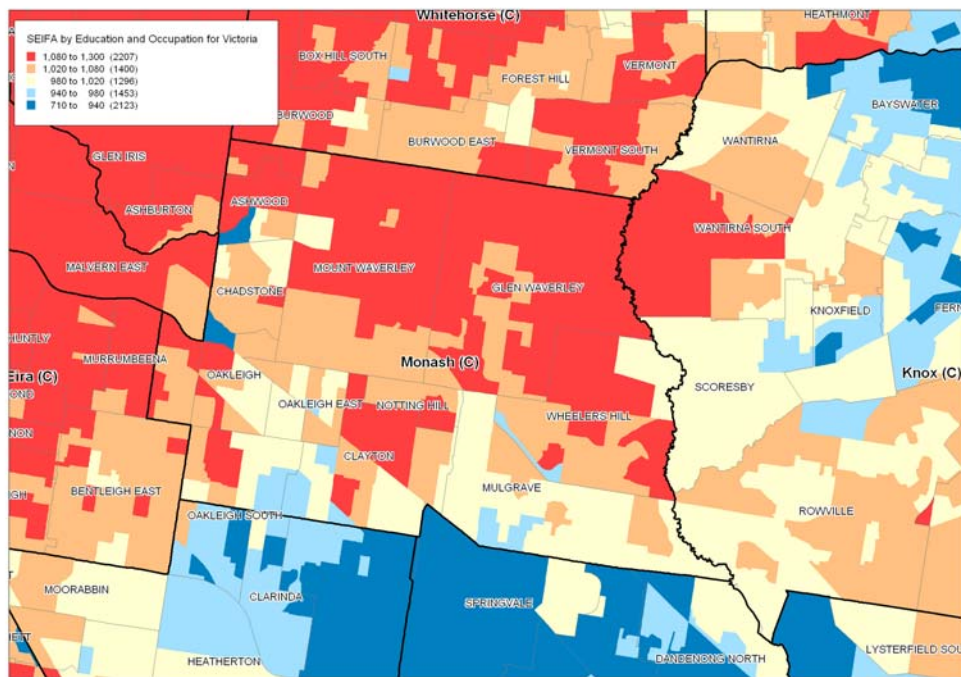
The LGA of Kingston also shows a diverse mix of advantaged and disadvantaged areas. The coastal suburbs such as Parkdale, Mordialloc, Aspendale, and suburbs further north-west, such as Cheltenham and Mentone are characterised by high proportions of high incomes and/or skilled labour force. However, in the north east of the LGA, areas of Heatherton, and Clarinda, and south around Chelsea Heights, Bonbeach and Carrum are all ranked low on the SEIFA scale, and show moderate to severe disadvantage.

The areas of advantage and disadvantage are dispersed throughout the Kingston LGA, unlike Manningham which is consistent throughout, and even more so than Monash which, whilst it contains diversity, shows a lower level of variation throughout its suburbs when compared to Kingston.

SEIFA INDEX OF EDUCATION AND OCCUPATION

The SEIFA Index of Education and Occupation is designed to reflect the educational and occupational structure of communities. The education variables in this Index show either the level of qualifications achieved or whether further education is being undertaken. An area with a high score on this Index would have a high concentration of people with higher education qualifications or who are undergoing further education with a high per cent of people employed in more skilled occupations. A low score indicates an area with concentrations of people either with low educational attainment, in unskilled occupations, or unemployed.

Figure 17. SEIFA Education & Occupation: Monash LGA



Source: ABS Census (2001), MapInfo (2007), MacroPlan Australia (2007).

The majority of the City of Monash shows high concentrations of people with higher education qualifications or who are undergoing further education with a high per cent of people employed in more skilled occupations.

Despite the areas to the south showing low economic resource, and advantage rankings, these areas, especially around Clayton show high scores on the Education and Occupation scale. This is most likely because Clayton is home to Monash University and a high student population. Higher scores in the north and north east of the LGA, consistent with high economic resource and advantage scores would be attributed to high incomes and wealth.

5.6.1 Weekly household income

MacroPlan conducted a time series analysis comparing the average weekly household incomes of Monash LGA with metropolitan Melbourne. The analysis has shown:

- There has been a larger increase in Monash relative to Melbourne over the past 10 years.
- Direct comparison to Melbourne (compare proportions)
- Low income brackets circled: (people have left from 1996–2006)
- They have been forced out due to no affordable housing etc
- Middle to high brackets circled: (people have migrated into area from 1996-2006)
- They have been attracted due to higher end products available.
- With respect to weekly household income across the City of Monash, 43.8% of households have a weekly household income of under \$1,000, 33.6% of households have a weekly income between \$1,000 and \$2,000 and 22.6% of households have a weekly income above \$2,000.

This is similar to the Melbourne metropolitan area, with 45.3% of households who have a weekly household income of under \$1,000, 34.1% of households with a weekly income between \$1,000 and \$2,000, and 20.7% have a weekly household income of greater than \$2,000.

Figure 18. 1996 Weekly Household Income- Monash LGA and metropolitan Melbourne

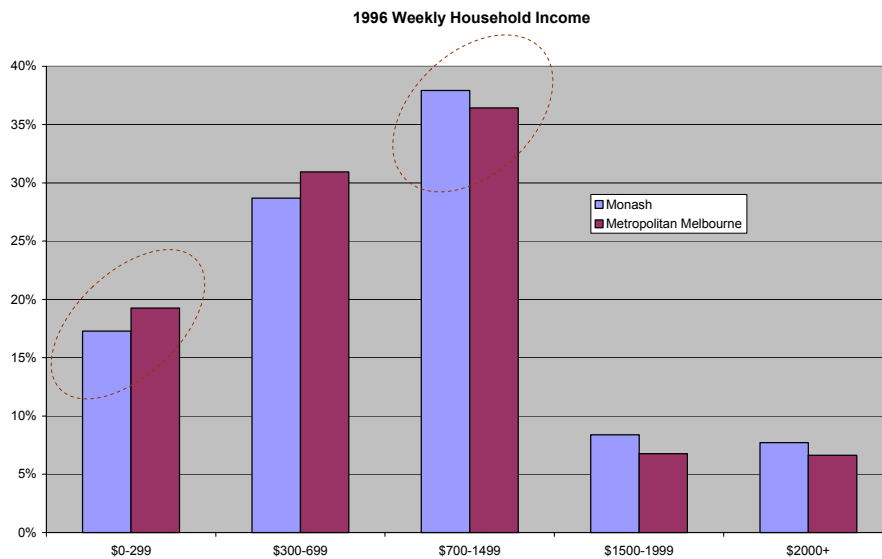
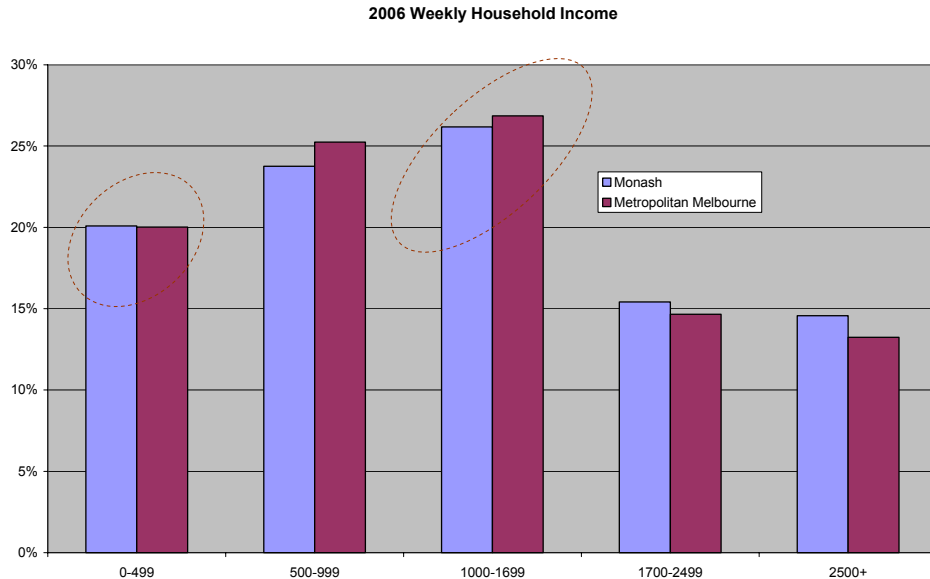


Figure 19. 2006 Weekly Household Income- Monash LGA and Metropolitan Melbourne



The income brackets have been split according to affordability. The graphs above indicate that, in 2006, one in five people (20%) in the City of Monash lived in households earning under \$500 per week. The City of Monash also has nearly one in four (24%) households earning \$500-\$1000 per week. This is 44% of households within the Monash LGA earning under \$1000, which is also the national average weekly household income per week.

Despite a lower percentage of the Monash population falling within the lower income groups, Monash actually records a lower median weekly individual income (\$32,305) when compared to Kingston (\$33,515) and Manningham (\$36,910). This is due to the smaller household sizes in Kingston (2.65) compared to Monash (2.84). Hence, Monash records a median weekly household income of \$69,290, compared to Kingston (\$63,909). Monash however, is above the Melbourne metropolitan average of \$67,305, whilst Kingston falls below this average.

Despite the fact that the Monash median weekly household income is above the Melbourne metropolitan average, with 44% of households within the LGA earning below \$1000 per week, this indicates that the 23% of households earning above \$2000 per week, must be earning much higher amounts (\$2000 + is the last category for income classification in the ABS census), and are therefore affecting the median household income to reflect a higher amount.

Although there are a lower percentage of those in the \$2000 per week bracket, these people must be earning a significant amount more than \$2000 per week to skew the average weekly income to calculate above the Metropolitan average. This means that there are extremes at both ends of the wealth scale, which highlights the diversity within the area, and therefore a requirement for diverse housing product.

Monash (44%) has nearly one in two households earning below \$1000 per week, which is below the Melbourne and Australian median weekly household income (\$1000-\$1199).

5.6.2 Income and Housing Affordability

Following the findings in the analysis of household structure that Couple Families with Children are decreasing over time in the areas of Monash, Manningham and Kingston, and Metropolitan Melbourne as a whole, whilst couple families with no children are increasing, an analysis of housing repayments across the areas has been undertaken.

Figure 22, below, shows the median housing loan repayments for couple families with and without dependent children.

Figure 20. Median Housing Loan Repayments 1996-2006 Monash, Manningham, Kingston & Metropolitan Melbourne: Couple Families

	1996		2001		2006	
	With no children	With children	With no children	With children	With no children	With children
Monash	\$750-\$949	\$750-\$949	\$750-\$949	\$950-\$1,199	\$1,400-\$1,599	\$1,400-\$1,599
Manningham	\$950-\$1,199	\$950-\$1,199	\$1,200-\$1,399	\$1,200-\$1,399	\$1,600-\$1,999	\$1,600-\$1,999
Kingston	\$750-\$949	\$750-\$949	\$950-\$1,199	\$950-\$1,199	\$1,400-\$1,599	\$1,400-\$1,599
Melbourne	\$750-\$949	\$750-\$949	\$950-\$1,199	\$950-\$1,199	\$1,400-\$1,599	\$1,400-\$1,599
AUSTRALIA	\$750-\$949	\$750-\$949	\$750-\$949	\$750-\$949	\$1,200-\$1,399	\$1,200-\$1,399

Source: ABS 2006, MacroPlan Australia 2007

The table above shows that housing loan repayments have increased, as expected, over the last ten years, from 1996 to 2006. The City of Monash reflects the increasing pattern that has occurred across Metropolitan Melbourne. Monash (and metropolitan Melbourne's) housing loan repayments have almost doubled over the ten year period.

The national figures have been included in the analysis as housing affordability is a nation wide issue. In comparison to Australia as a whole (\$1,200-\$1,399), the City of Monash now has higher housing loan repayments (\$1,400-\$1,599) in 2006. In 1996, ten years previously, Monash and Australia overall both had the same level of housing loan repayment (\$750-\$949).

Interestingly, the presence of children in a household had little effect on the amount of the housing loan repayments. Households with and without children, on the most part, are paying the same amount for housing loan repayments. This means that couple families with children are competing with couple families without children who have more disposable income able to be allocated to repayments (i.e.: no allocation of funds to child costs). Therefore, if both household types are paying the same amount of money, housing, at present, is less affordable for couple families with children.

Figure 21. Median Housing Loan Repayments 1996-2006 Monash, Manningham, Kingston & Metropolitan Melbourne: One Parent Families

	1996		2001		2006	
	With no children	With children	With no children	With children	With no children	With children
Monash	\$400-\$549	\$750-\$949	\$750-\$949	\$750-\$949	\$950-\$1,199	\$950-\$1,199
Manningham	\$550-\$749	\$550-\$749	\$750-\$949	\$750-\$949	\$1,200-\$1,399	\$1,200-\$1,399
Kingston	\$400-\$549	\$550-\$749	\$750-\$949	\$750-\$949	\$950-\$1,199	\$950-\$1,199
Melbourne	\$550-\$749	\$550-\$749	\$750-\$949	\$750-\$949	\$950-\$1,199	\$950-\$1,199
AUSTRALIA	\$550-\$749	\$550-\$749	\$550-\$749	\$550-\$749	\$950-\$1,199	\$950-\$1,199

Source: ABS 2006, MacroPlan Australia 2007



Figure 31 shows the median housing loan repayments for one parent families with and without dependent children. As expected all areas show an increase over the ten year period from 1996-2006, however, the amount of the repayments is less than for couple families.

Monash shows an increasing trend from 1996 (\$400-\$549) to 2006 (\$950-\$1,199), which has more than doubled over the ten year period. Housing loan repayments in Monash (\$950-\$1,199) are also equal to the Australian median in 2006, however ten years previously, in 1996, housing loan repayments in Monash were lower (\$400-\$549) than the Australian median (\$550-\$749).

Monash, similar to the trend for couple families, mirrors the Melbourne metropolitan trends over the ten year period 1996-2006.

Again, the presence of children had little effect on the amount of the housing loan repayments, presenting the same issue with affordability; that families with children and therefore less disposable income are competing in an increasingly expensive market with families who have no children and therefore more disposable income.

5.7 Key Issues

The three local government areas have been analysed and compared on several demographic factors. Whilst all areas are predicting rapidly ageing populations, and an increase in the number of households, there are some key differences highlighted, which leads to several issues in the context of the overall housing affordability issue.

Manningham is significantly wealthier than both Monash and Kingston. SEIFA analysis shows higher levels of advantage in the area. Both Monash and Kingston are less so, both in levels of SEIFA scores/rankings and homogeneity throughout.

However, whilst Kingston is more similar to Monash in terms of demographic characteristics and is likely to be facing similar affordability issues, the presence of Monash University changes the needs of the area and therefore the considerations taken into account when contemplating future housing requirements.

Monash has significant diversity in its demographic characteristics, as indicated by the variation of scores on the SEIFA scales of advantage / disadvantage and education and occupation. Whilst Monash consists of those at the very high ends of the scales, there are also areas that are significantly lower throughout the LGA.

Despite the area being dominated by higher levels of wealth (Glen Waverley, Mount Waverley, Wheelers Hill), one in five households in the City of Monash earn less than \$500 per week, placing them in the severe disadvantage category and most likely in 'housing stress'. This highlights a major affordability issue within the LGA. However it could be masked somewhat by the high levels of wealth in the area- although there is a lower proportion of the Monash population in the \$2000 plus per week bracket, these people must be earning a significant amount more than \$2000 per week to skew Monash's (\$69,290) average weekly income to calculate above the metropolitan average (\$67,305).

The analysis of household structure in Monash has shown a decreasing proportion of couple families with children, and inversely, there have been an increasing proportion of couple families without children. Other and group households are also increasing somewhat, however this could be reflecting the high student population within the LGA.

Further to this, household loan repayments have approximately doubled for couple families and more so for one parent families, however, according to the data, the presence of children has little effect on housing loan repayment value.



The combination of these two trends (change in household structure, and housing loan repayments) creates two main issues; firstly affordability:

- The amount of a housing loan repayment is the same for couple families regardless of whether or not they have children.
- This means that Couple Families with no children, who have more disposable income (i.e. no children to spend money on), are able to allocate more of their income towards housing loan repayments and still have enough left over for other living and leisure expenses.
- Further to this, Couple Families with Children, will allocate more of their money towards their family living expenses (more 'mouths to feed') and have less left over for allocation towards Housing Loan Repayments.
- This means that Couple Families with No Children are able to afford more expensive houses, or are able to bid more for houses in an auction scenario, thus 'forcing out' the Couple Families with Children.

This in turn highlights the second issue, which is that of housing diversity.

- Couple Families with Children are only 'forced out' of the market because there are currently no affordable alternatives for them; That is, currently there is no housing diversity in supply within the Monash area.
- The current housing market is homogenous and fails to accommodate the needs of its residents. The region needs to incorporate a variety of housing options thus to attract different household types and structures.
- Furthermore, if this trend continues, the demand is being driven by only one demographic cohort of the community which will prolong the issue of both affordability and lack of housing diversity.

6 Supply

The following section reviews the supply of residential dwellings in Monash to determine whether there is an adequate dwelling mix to meet the needs of current residents in the region.

In the following analysis of supply, MacroPlan have investigated the number and value of building approvals for residential dwelling types in Monash between 2001 and 2006. This data is then benchmarked against comparative local government areas and the wider metropolitan region to compare diversity in housing stock among the LGA's.

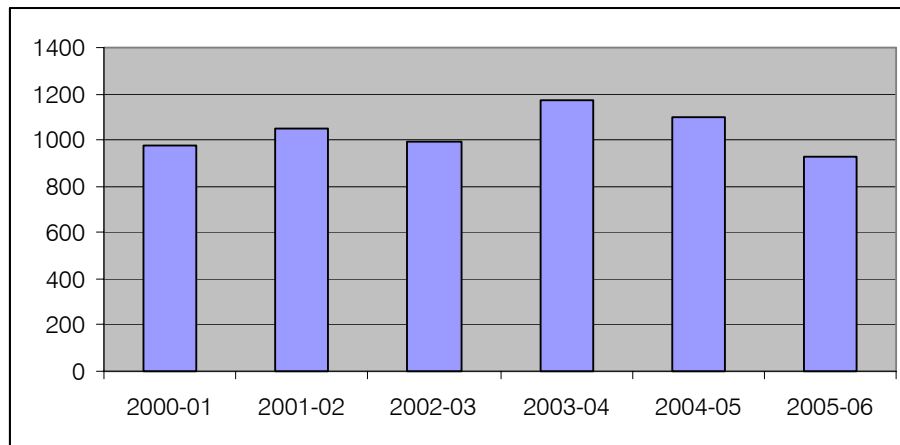
6.1 Building Approvals

Building approvals activity is a complementary measure that can provide additional insight into trends and shifts of building activity. While there are a proportion of building approvals that are never acted on, they do however, provide a reasonable basis for examining longer-term shifts in housing development across the City of Monash.

6.1.1 Separate Houses

Building approvals data indicates that in 2005/06 there were a total of approximately 928 separate house residential building approvals across Monash. This shows a slight decline from approximately 1051 approvals in 2001/02. Development between 2001 and 2006 however has been stronger than historic underlying trends (i.e. underlying demand levels according to annual dwelling requirements between 1991 and 2001).

Figure 22. Monash - Separate House Building Approvals, 2000/01–2005/06

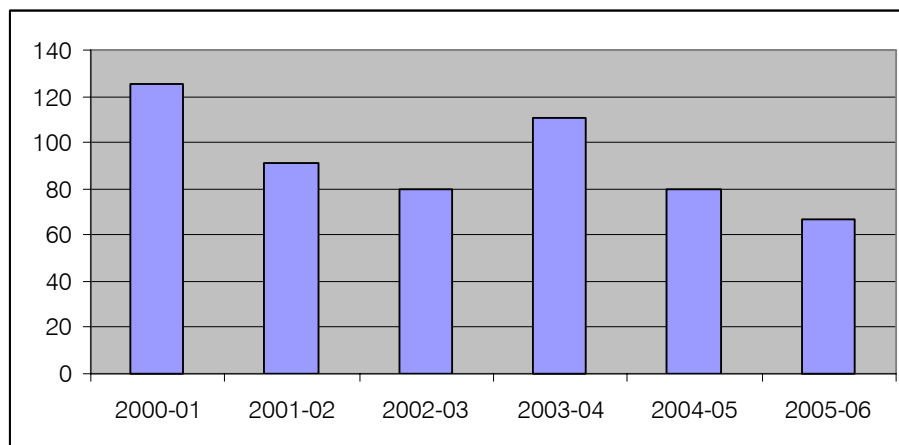


Source: ABS 8731.0 - Building Approvals

6.1.2 Semi-detached, flats, units and apartments

In 2005/06 there were a total of approximately 67 other residential building approvals across Monash, namely for semi-detached dwellings, flats, units or apartments. This shows a decline by 50% from approximately 125 approvals in 2001/02.

Figure 23. Monash – Other Residential Building Approvals



Source: ABS 8731.0 - Building Approvals

6.1.3 Average value of residential building approvals

As indicated by the table below, the average value of total residential building approvals in the Monash LGA provides a more informative guide as to the increasing value of building approvals over the period between 2000/01 and 2005/06.

Over this period, the average value of total residential building approvals increased by 60%, from approximately \$125,000 in 2000/01 to \$200,000 in 2005/06. The most notable trend has been the considerable increase in the average value of flats, units and apartments, from approximately \$160,000 in 2000 to over \$3 million in 2006. While these figures represent the overall building value (i.e. the construction of an entire apartment complex) rather than individual dwellings, they still indicate that construction of high value large-scale apartment complexes has occurred in this area in recent years.

Figure 24. Residential Building Approvals by Value- Monash LGA

Average Value of Residential Building Approvals - Monash LGA						
	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Separate Houses	\$ 107,834.15	\$ 124,933.88	\$ 127,605.51	\$ 155,892.60	\$ 152,329.82	\$ 175,720.61
Semi-detached	\$ 266,855.49	\$ 439,355.69	\$ 409,088.93	\$ 333,315.04	\$ 442,389.07	\$ 401,903.70
Flats, Units or Apartments	\$ 164,059.25	\$ 250,400.00	\$ 1,794,034.67	\$ 2,516,580.40	\$ 3,100,000.00	\$ 3,111,351.00
TOTAL RESIDENTIAL	\$ 124,662.62	\$ 149,182.44	\$ 164,217.31	\$ 179,695.26	\$ 181,052.38	\$ 199,120.22

Source: ABS Building Approvals

6.1.4 Residential building approvals by dwelling type

Since 2000/01, there has been an increase in the share of separate houses of total residential building approvals in Monash. In 2005/06, 93% of total residential approvals in Monash comprised of separate houses. This compares to 2000/01 where separate houses made up 87% of total residential, indicating a trend towards homogeneity in the housing type offered in Monash.



Table 3. Residential building approvals by type in Monash, 2000/01–2005/06

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Separate Houses	88.6%	92.0%	92.5%	91.4%	93.2%	93.3%
Semi-detached	10.2%	7.5%	6.4%	8.2%	6.5%	6.4%
Flats, Units or Apartments	1.1%	0.4%	1.1%	0.4%	0.3%	0.3%

Source: ABS Building Approvals

The dwelling mix in Kingston has remained relatively stable over the same period, with separate houses comprising 94% of total residential building approvals in 2005/06, compared to 2000/01 when this figure was at 93%.

6.2 Key Issues

MacroPlan has reviewed the total value of residential building approvals and the total number of residential approvals by dwelling type. This analysis has compared the average value of building approvals per dwelling.

This assessment has shown:

- Number of building approvals has fluctuated over the time period, with 1,105 approvals in 2000, and 995 in 2006, however there was a peak in 2003 of 1298 approvals.
- The value increased from \$137,752,193 in 2000 to \$198,124,614 in 2006, an increase of \$60,372,421
- The average value increased from \$124,663 in 2000 to \$199,120 in 2006

Monash is the only LGA which has experienced a successive increase in the average value of residential building approvals over the six year period.

Analysis has also shown that over 90% of all residential building approvals are for separate housing, and whilst this trend is present across all three areas, the diversity of population characteristics in Monash as shown in the demographic analysis highlights the lack of housing diversity to cater to this population.

Decreasing numbers of building approvals along with increasing value shows that affordability is decreasing. This highlights a serious issue for the City of Monash not only in housing affordability, but the continually high proportion of separate housing in an area of diverse population characteristics (especially university presence and student population) and future population ageing highlights issues for housing diversity.

6.3 Trends in property prices

While property prices have generally increased across all of metropolitan Melbourne, examination of the latest house price data by LGA (compiled by the Valuer General's Office) reveals that there has been a notable increase in Monash over the past decade. In 2006, the median price of a house in Monash was \$425,000, compared to 1996, when the median house price was \$140,352.

Property prices in Monash have continued to grow at increasingly higher rates than the metropolitan average since 1996. In 1996, prices of houses and units/apartments in Monash were just 7% and 8% higher than the metropolitan average respectively. This compares to 2006, when houses in Monash were 24% and units/apartments were 14% more expensive than metropolitan Melbourne. These trends have occurred despite demographics trends in this LGA suggesting that Monash has a diverse population and housing mix with a significant proportion of low income residents.

Furthermore, these trends are not parallel to those experienced in the benchmark areas. Deviation from the metropolitan average in both Manningham and Kingston has remained relatively stable over the past decade.

Table 4. Median Prices of Houses and Units/Apartments by LGA 1996 – 2006

Median Price by LGA (\$)												
Houses												
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	Average 1996-2006
Monash	140,382	156,500	177,500	210,000	228,000	275,000	320,000	372,500	380,000	390,000	425,000	279,532
Benchmark areas												
Manningham	180,000	191,000	220,000	257,500	272,500	330,000	370,150	422,000	430,000	440,000	480,000	326,650
Kingston	132,000	147,000	165,000	192,500	222,000	255,000	305,000	352,000	360,000	370,000	400,000	263,682
Metro average	131,000	142,000	155,000	174,000	190,000	225,000	260,000	295,000	311,000	320,000	342,000	231,364
Unit/Apartment												
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	Average 1996-2006
Monash	124,000	130,000	147,000	171,000	190,000	232,000	266,000	292,500	300,000	320,000	341,500	228,545
Benchmark areas												
Manningham	140,000	152,625	157,750	199,990	205,000	255,000	307,500	340,000	325,000	353,000	355,000	253,715
Kingston	102,000	106,050	122,500	145,000	160,000	190,000	230,000	250,000	258,000	265,000	277,000	191,414
Metro average	115,000	127,000	140,000	170,000	186,000	230,000	260,000	272,500	275,000	282,500	300,000	214,364

Source: Valuer Generals Office, a Guide to Property Values (2006), MacroPlan Australia

Table 5. Median Property Prices, change from 1996 – 2006

Deviation from metropolitan average, 1996 and 2006 (%)				
	House		Unit/Apartment	
	1996	2006	1996	2006
Monash	7.14%	24.27%	7.83%	13.83%
Manningham	37.40%	40.35%	21.74%	18.33%
Kingston	0.76%	16.96%	-11.30%	-7.67%

Source: Valuer Generals Office, a Guide to Property Values (2006), MacroPlan Australia

6.4 Current Pricing Conditions

In order to identify the prevailing price conditions for residential housing in the localised area, MacroPlan have undertaken a detailed analysis of sales data collated from Australian Property Monitors (APM), publisher of the Home Price Guide (HPG) (see Appendix A for explanatory notes).

6.4.1 Sales Composition

In total 3140 sales were recorded, in the twelve month period September 2006 to September 2007 for the Monash Local Government Area. The suburbs included in the catchment were Ashburton, Ashwood, Burwood, Chadstone, Clayton, Glen Waverley, Hughesdale, Huntingdale, Mount Waverley, Mulgrave, Notting Hill, Oakleigh, Oakleigh East, Oakleigh South and Wheelers Hill. A significant majority of sales in the catchment were house sales 80% with land (2%) and unit sales (18%) comprising the remainder.

Figure 25. Sales Composition: Monash LGA

Type	Total Sales (Sep 06 - Sep 07)		Average Sales (per month)
	No.	%	
House	2518	80%	210
Land	57	2%	5
Unit	565	18%	47

Source: Australian Property Monitors (2007), MacroPlan Australia (2007).

6.4.2 Separate Housing

Separate house sales have been primarily targeted in the \$350,000 to \$640,000 price range with a median sales price of \$462,000

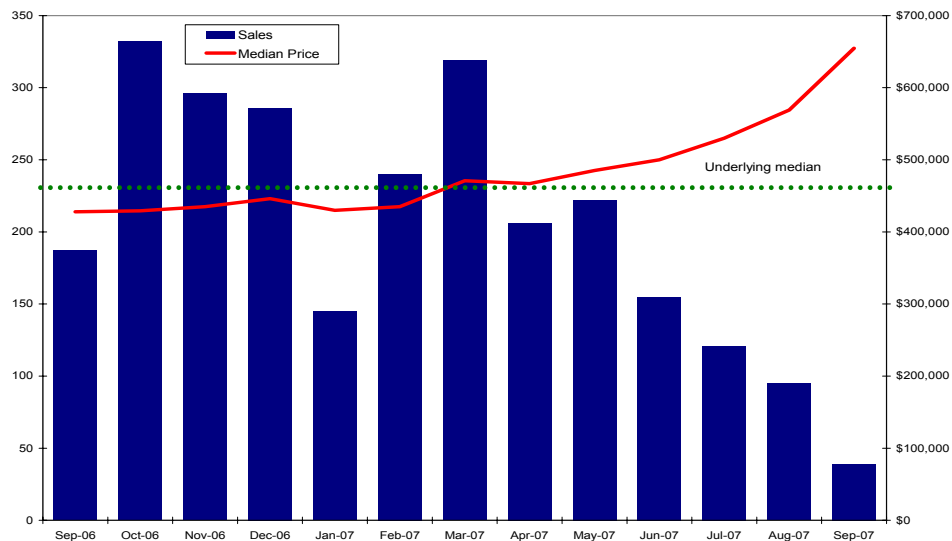
Figure 26. Separate Housing Price Benchmarks: Monash LGA

Pricing Benchmark	Indicator	Price
Market Standard	(Sample Median)	\$462,000
<i>Affordable Segment</i>	<i>(1st Quintile)</i>	<i>\$350,000</i>
<i>Premium Segment</i>	<i>(5th Quintile)</i>	<i>\$640,000</i>

Source: Australian Property Monitors (2007), MacroPlan Australia (2007).

Over the 12 month time period from September 2006 to September 2007, the median sales price showed some fluctuation with a high of \$654,000 in August 2007.

Figure 27. Separate Housing Monthly Sales and Prices: Monash LGA



Source: Australian Property Monitors (2007), MacroPlan Australia (2007).

6.4.3 Units

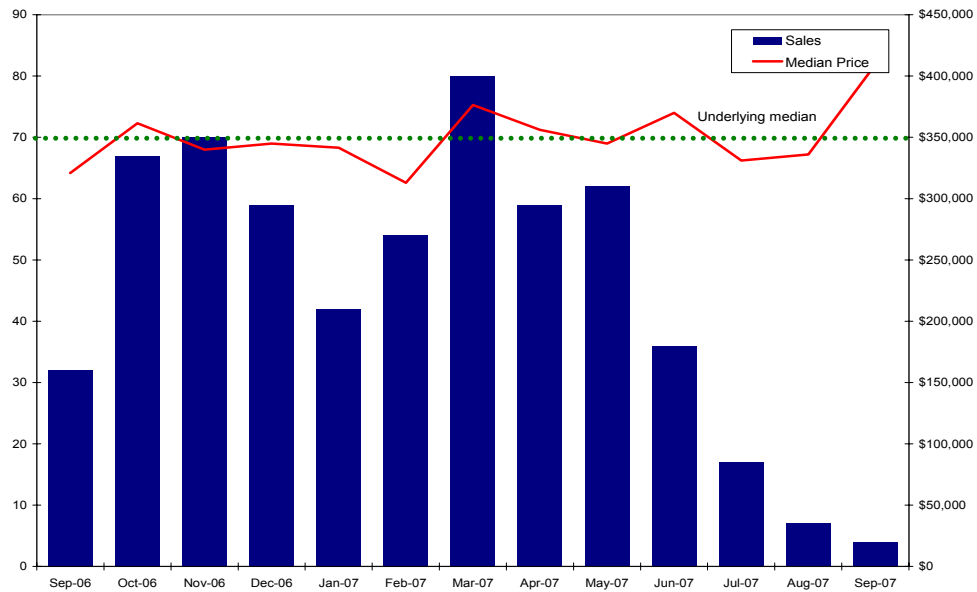
Unit sales have been primarily targeted in the \$250,000 to \$477,000 price range with a median sales price of \$350,000 between September 2006 and September 2007.

Figure 28. Unit Price Benchmarks: Monash LGA

Pricing Benchmark	Indicator	Price
Market Standard	(Sample Median)	\$350,750
<i>Affordable Segment</i>	<i>(1st Quintile)</i>	<i>\$250,000</i>
<i>Premium Segment</i>	<i>(5th Quintile)</i>	<i>\$477,000</i>

Source: Australian Property Monitors (2007), MacroPlan Australia (2007).

Figure 29. Unit Monthly Sales and Prices: Monash LGA



Source: Australian Property Monitors (2007), MacroPlan Australia (2007).

Over the time period from September 2006 to September 2007, the median sales price showed some fluctuation with a high of \$376,500 in March 2007.

6.4.4 Land

Unit sales have been primarily targeted in the \$196,000 to \$469,000 price range with a median sales price of \$280,000, for the 12 month time period from September 2006 and September 2007.

Figure 30. Land Price Benchmarks: Monash LGA

Pricing Benchmark	Indicator	Price
Market Standard	(Sample Median)	\$280,000
<i>Affordable Segment</i>	<i>(1st Quintile)</i>	<i>\$196,000</i>
<i>Premium Segment</i>	<i>(5th Quintile)</i>	<i>\$469,750</i>

Source: Australian Property Monitors (2007), MacroPlan Australia (2007).



7 Household Survey Results

In September 2007, MacroPlan surveyed 621 residents in Monash regarding their current housing situation and future residential intentions.

The survey was carried out to gain an understanding of what factors attract residents to the City of Monash, that is, why they like living in the area. The survey also aimed to reveal residents expectations in terms of dwelling type and price, and future intentions regarding their housing situation.

This information highlights important factors regarding the future demand of housing in the City of Monash.

7.1.1 Household Survey Summary

The survey has shown that the majority of residents are long term, with 58% having lived in the area for more than 10 years, followed by a further 19% having lived in the area for 6-10 years. Primarily this indicates that residents like the area and wish to remain in the City of Monash.

This is supported by the finding that 43% are in their first home- the majority of which have been there for a significant amount of time. This is also supported by the reasons of key importance for living in the City of Monash.

Residents reported that the most important reasons for living in the City of Monash was knowing or liking the area (17%), which was of equal importance to affordability. Social reasons ranked third with 14%, which links in to knowing or liking the area, and the majority of residents being long term- that is, if you know and like the area, and have lived there for a significant amount of time, it is also likely that you are socially integrated into the area, which is important. This will become more so in an ageing population.

Affordability is of key importance to the current residents of Monash. Further to this, whilst 22% of respondents believe that their next home will be more expensive than their current home, results showed that 32% of, or one in three, residents expected to pay less than \$450,000, for their next home.

The current median house price in the City of Monash is \$462,000. With the population composition reflecting significant diversity in all facets, especially wealth, this highlights a mismatch of housing demand and supply.

This mismatch is further highlighted by the 79% of respondents preferring 3 or more bedrooms in their next home, and 66% preferring a medium to large amount of open space/yard. This indicates that people prefer 'family' sized dwellings i.e.: separate housing. Whilst separate housing is somewhat catered for as it is dominating the market, the mismatch lies in the pricing.

Whilst there is considerable demand for separate housing, there is also demand for diversity, as 43% of respondents would consider downsizing their next home. The reasons for this were cited as changing lifestyle needs (28%), and a further 27% want to reduce the maintenance on their home. Again, this is indicative of an ageing (and possibly student) population.

The demand for diversity is supported by the findings that 47% of those who have the capacity to, and would consider subdividing their property, would buy a smaller dwelling. This consists of 27% who would buy a smaller single storey dwelling, and a further 20% who would buy a smaller double storey dwelling. However this demand is somewhat latent in that the product type is not currently on the market, or is not affordable, and therefore those with capacity to subdivide do not do so.

Consistent with the diverse characteristics of the population of the City of Monash uncovered in the secondary analysis, the primary research has also reflected this diversity. The survey results reflect a high level of diversity in demand from residents, and support the secondary analysis findings that these needs are currently not being catered for.

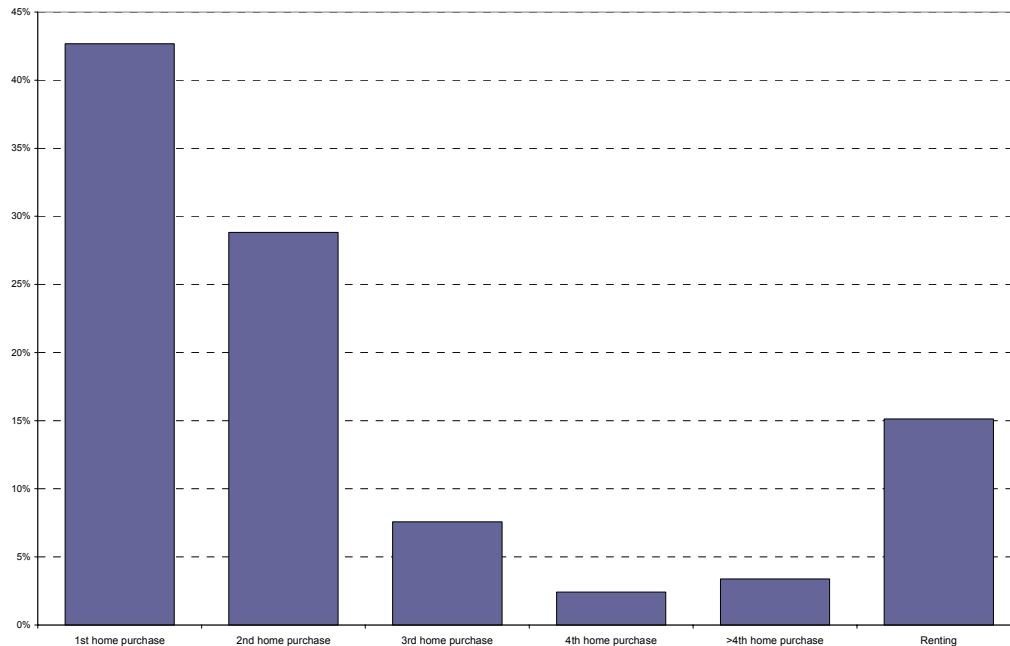
7.1.2 Existing Residential Location

Respondents were surveyed from a range of different suburbs within the City of Monash with almost one-fifth (18%) deriving from Oakleigh, Oakleigh East and Oakleigh South. In addition, a further 17% lived in Mulgrave and Mulgrave East while another 17% came from Clayton.

The majority of respondents (361 respondents, or 58%) were long term residents, having lived in the LGA for more than ten years. A further 121 respondents (19%) had also lived in the area for between six to ten years.

Most of the respondents (265 or 43%) were residing in their first home with a further 179 (29%) living in their second home. This is in contrast to the 94 (or 15%) of respondents who were renting.

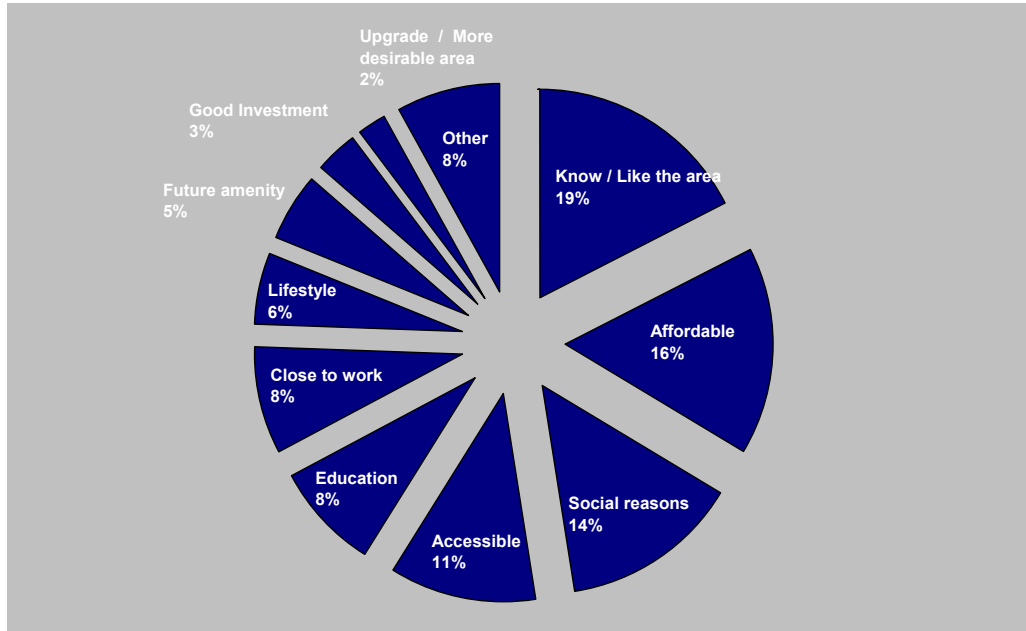
Figure 31. Current Housing Situation



Source: MacroPlan Australia (2007)

With regards to the reasons for living in Monash, 18% indicated that their knowledge of and attraction to the area was a motive while another 16% cited affordability as a reason. Moreover, 14% lived in the area for social reasons and a further 11% indicated accessibility as a main reason.

Figure 32. Reasons for Living in Monash



Source: MacroPlan Australia (2007)

When asked about which reason from the list below was the most important reason for living in Monash, 17% indicated knowledge of, and attraction to, the area as being of prime importance while a further 17% cited affordability as the essential factor.

Figure 33. Most Important Reasons for Living in Monash

Most Important Reasons	No.	%
Know / Like the area	109	17%
Affordable	107	17%
Social reasons	96	15%
Accessible	80	13%
Close to work	47	8%
Education	46	7%
Lifestyle	39	6%
Good Investment	28	4%
Future amenity	26	4%
Upgrade / More desirable area	11	2%
New residential estate	9	1%
Cash out / Retire	8	1%
Other	19	3%

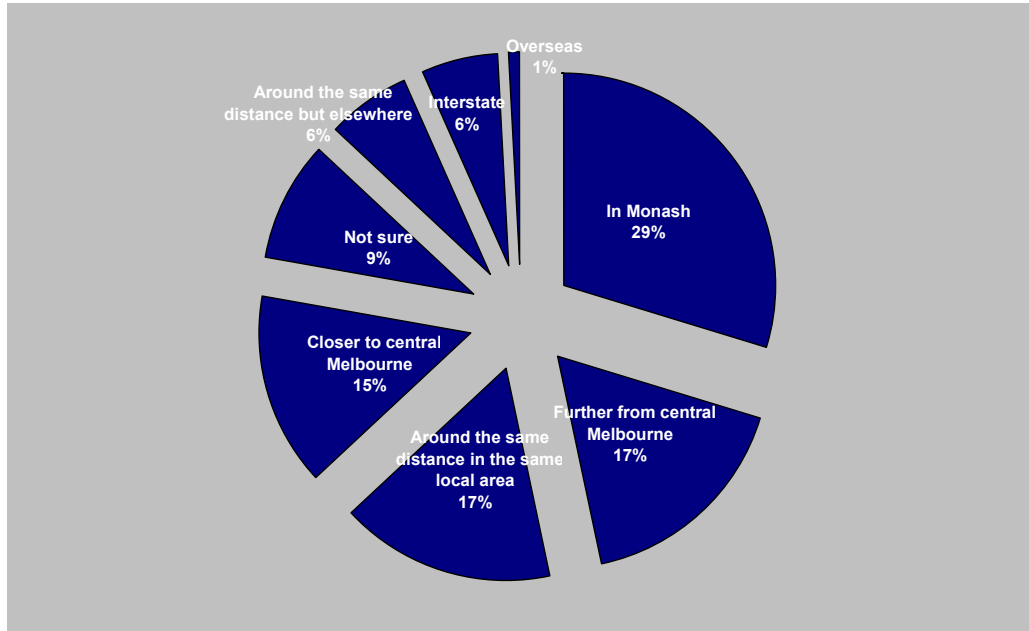
Source: MacroPlan Australia (2007)

7.1.3 Future Residential Location

Respondents indicated a clear preference for remaining in the local area, with 29% saying they would continue to live in Monash and a further 17% saying they would prefer to live in the same general region.



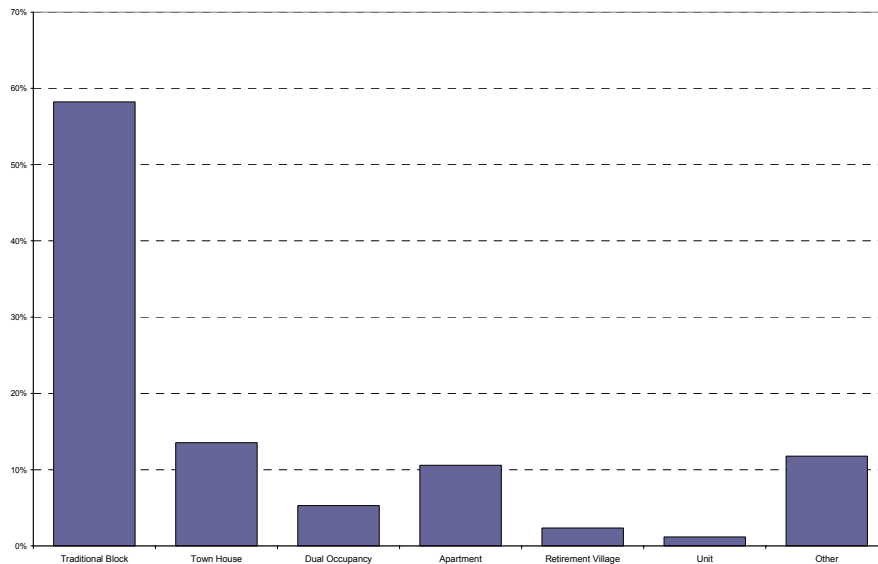
Figure 34. Preferred Location



Source: MacroPlan Australia (2007)

Of the respondents who considered moving in the future, 99 (or 58%) would prefer a traditional block size for their next home, 23 (or 14%) a townhouse and 18 (or 11%) an apartment-sized home.

Figure 35. Preferred Lot Size



Source: MacroPlan Australia (2007)

When thinking about their existing or future homes, the majority of respondents (293 or 48%) indicated a preference for a medium amount of open space while a further 155 (or 26%) said they desired a small amount of open space.

Figure 36. Future Home Preference

Future Home Preference	No	%
Medium amount of open space / yard	293	48
Small amount of open space / yard	155	26
Large amount of open space / yard	107	18
Very large amount of open space / yard	33	5
No open space / yard	15	2
Other	2	0
Anything	1	0
Grazing land	1	0

Source: MacroPlan Australia (2007)

Of the 43% of respondents who considered downsizing their next home, 30 (or 28%) of respondents wanted to downsize to meet changing lifestyle needs while a further 29 (or 27%) wanted to downsize to reduce the level of maintenance required on their home.

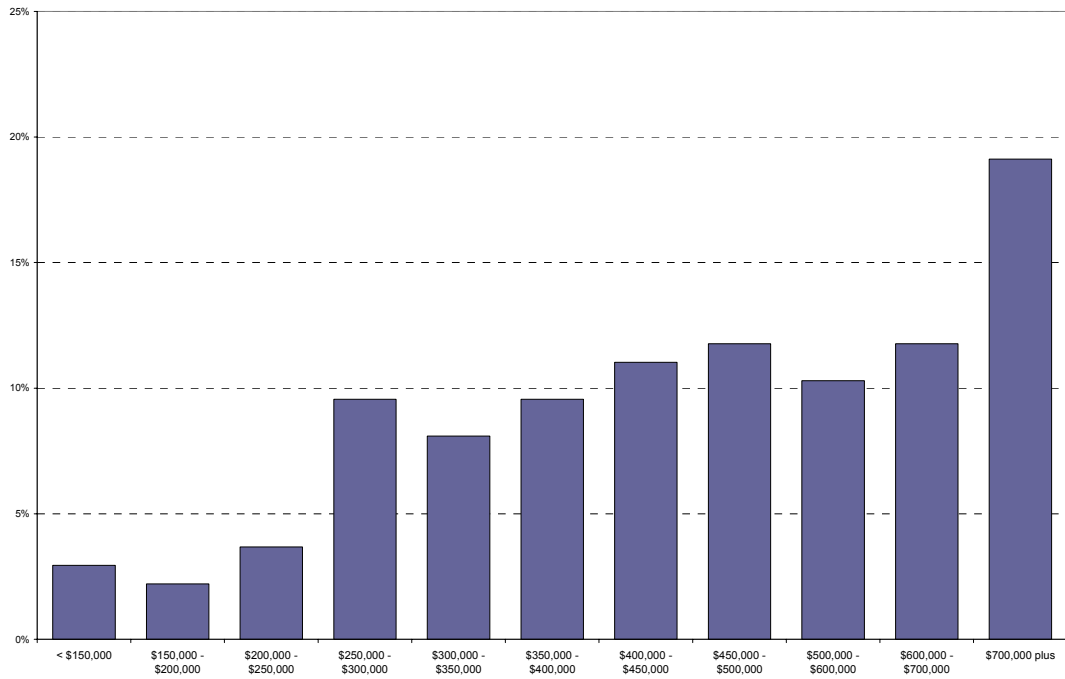
Figure 37. Reasons for Downsizing

Reasons for Downsizing	No	%
Meet changing family / lifestyle needs	30	28
Reduce maintenance – cleaning and gardening	29	27
Down size / trade down to a smaller home	20	19
Reduce operating costs - water and energy	11	10
Down size / trade down to a more affordable home	6	6
Reduce capital costs of the home	6	6
Stay close to family / friend networks	4	4

Source: MacroPlan Australia (2007)

The majority (53%) of respondents expected to pay a greater amount for their next home purchase. It is important to note that the current median sales price for a separate house in the Monash LGA is \$462,000.

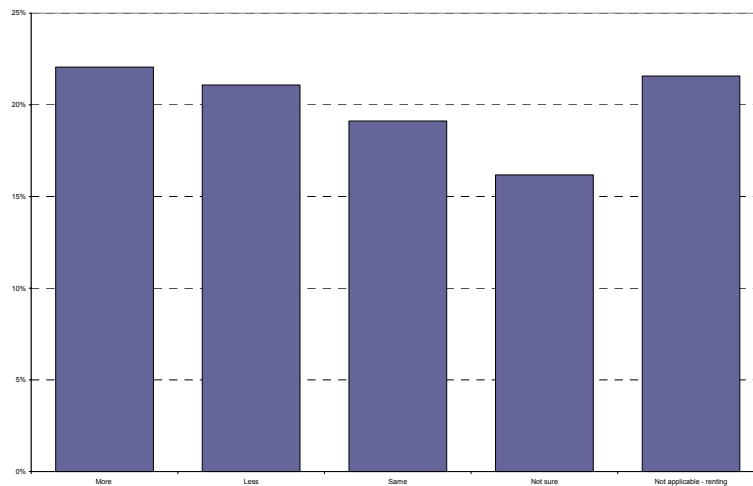
Figure 38. Expected Price Range of Next Home



Source: MacroPlan Australia (2007).

With regards to a price comparison, 22% of respondents believe their next home will be more expensive than their current home while a further 19% expect to pay the same as their current home.

Figure 39. Expected Price Range Comparison

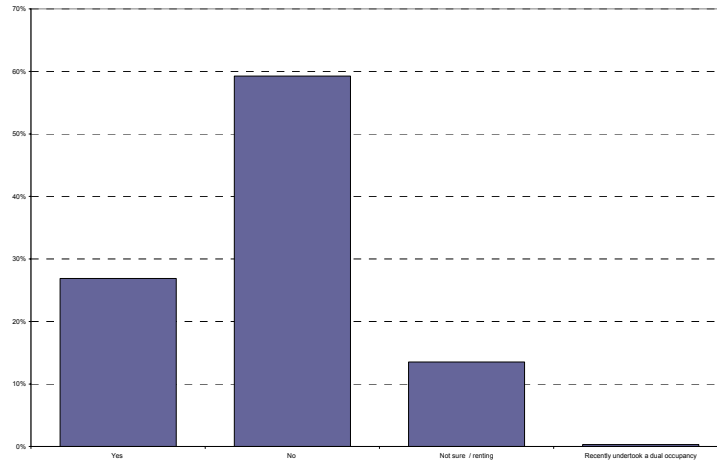


Source: MacroPlan Australia (2007).

When asked, 27% of respondents believe they have the capacity to subdivide their current property.



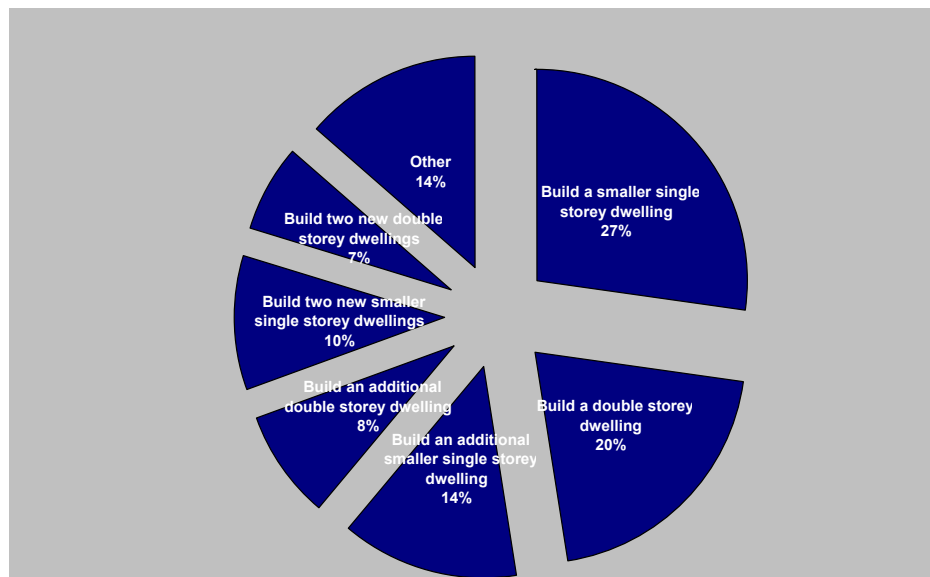
Figure 40. Capacity to Subdivide



Source: MacroPlan Australia (2007).

Of the respondents who have the capacity and would consider subdividing their property (59 respondents) 27% would build a smaller single storey dwelling and a further 20% would build a single smaller double storey dwelling.

Figure 41. Dual Occupancy Building Preferences



Source: MacroPlan Australia (2007).

7.1.4 Respondent Demographics

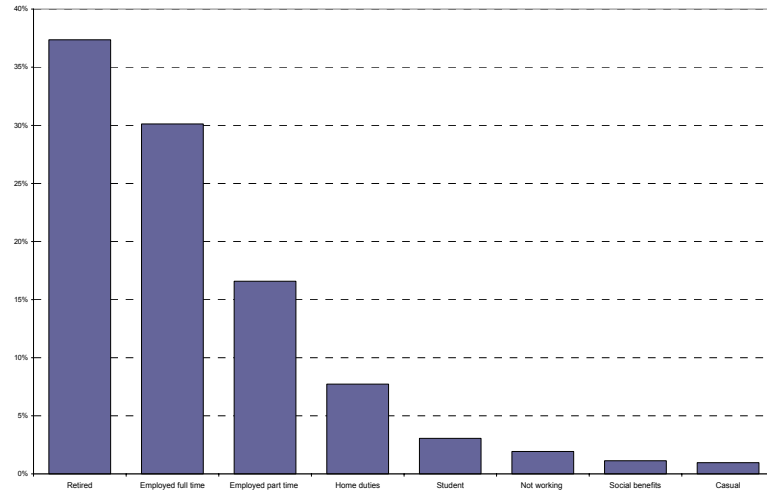
The respondents were predominantly female (63%) and a large proportion (40%) were aged 60 years and over with a further 29% aged between 36 and 50 years and 17% aged between 51 and 70 years.

A large proportion of respondents (222 or 36%) lived in a family household of a couple and children while a further 205 (or 33%) lived in a couple household.



Given the age of most respondents it is unsurprising that 37% of respondents were retired while 30% were working full time.

Figure 42. Employment Status

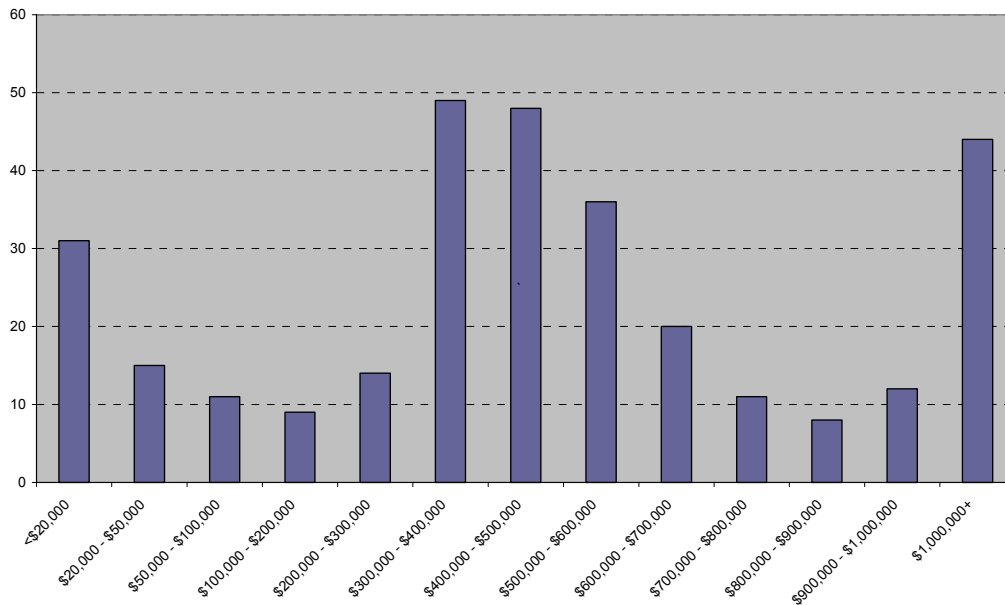


Source: MacroPlan Australia (2007).

Approximately 68%, or 422 respondents, reported having a superannuation fund. Of these, 38% reported having contributed to their fund for between 11 and 20 years. A further 110 respondents (or 29%) reported contributing to their superannuation fund for over 20 years. Approximately 35% (or 230 respondents) chose to estimate their current level of superannuation, with the majority (39%) indicating it was less than \$50,000.

Likewise, only 47% (or 308 respondents) chose to estimate the current value of their net assets, with 32% indicating it was between \$300,000 and \$500,000. A further 14% estimate their current net assets to be valued in excess of \$1 million.

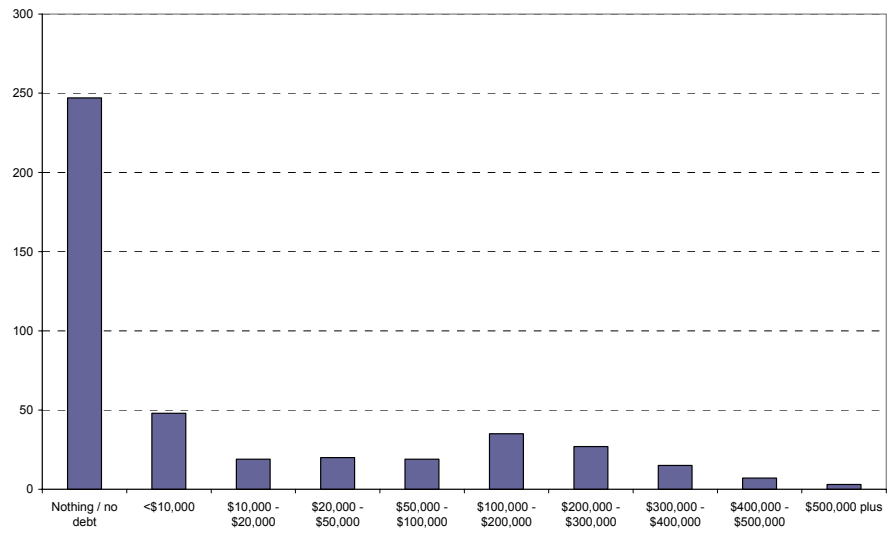
Figure 43. Estimated Value of Net Assets



Source: MacroPlan Australia (2007).

Of the 440 respondents who estimated their value of net debts, 56% (or 247) indicated they were debt free.

Figure 44. Estimated Value of Net Debts



Source: MacroPlan Australia (2007).



8 Conclusion – Chapter One

This report has aimed to assist Council in identifying key drivers affecting housing affordability in the City of Monash.

The assessment of demand and supply of current housing stock has found, as hypothesised, and suggested in February's Council Report, that the municipality is facing a housing affordability crisis.

In order to address the housing affordability issue, an understanding of population characteristics, housing demand, supply and future needs is crucial. Therefore, the following findings are essential for determining a future strategy:

Population Characteristics

The City of Monash has a high level degree of diversity in its demographic characteristics (age, culture, and income).

The population of Monash is predicted to age rapidly to 2031, with 42.95% of the population change being accounted for by the 75+ age group. This is one of the drivers in the increased number of households, as Monash is predicted to increase by 16.4% to 2031.

Further to this Monash shows a higher percentage (46%) of overseas born residents, and a vast range of income brackets, with 20% of households earning under \$500 per week, and 23% of households earning over \$2,000 per week. The presence of two tertiary education institutions, and major activity and technology centres also contribute to the population diversity.

These statistics indicate that future demand for housing will also need to be diverse, both in stock and price, to cater to a variety of different cohorts within the population.

Housing Demand

DIVERSITY

Currently, 89.44% of the housing stock in the City of Monash consists of separate housing. Despite declining trends for separate housing throughout metropolitan Melbourne as land becomes scarce and the majority of developments in the middle ring are infill, Monash's proportion of separate houses has increased in recent years. With 93.3% of all residential building approvals being for separate houses in 2006, this is only catering to a narrow and specific market within the area.

Primary research has uncovered latent demand for more diverse housing types, as nearly half (43%) of respondents would consider down sizing their next home, and over one in five (23%) of residents who have the capacity to subdivide and would consider doing so, also wishing to 'down size' to a smaller dwelling.

PRICING

Further to the dwelling type mismatch, there is also a pricing mismatch within the City of Monash's housing market. Property prices have doubled in the municipality between 1996 and 2001, and have increased at a much greater rate than Metropolitan Melbourne. Furthermore, all suburbs within the City of Monash have a median house price above the metropolitan average of \$342,000.

Again, primary research found that one in three (32%) of residents surveyed expected to pay less than \$450,000 for their next home, which is well below the median house price for the City of Monash; \$462,000.



This implies several issues for the population. Essentially, 32% of the population are indicating that they cannot afford to remain in Monash if they sold their property.

With the majority of new residential building being that of separate housing, affordability aside, there is no choice for those residents (potentially up to 43%) who do not wish to purchase an(other) house (i.e.: preference to downsize).

In both cases, (dwelling type and price) there is a demand and supply mismatch that needs to be addressed to avoid future issues.

Supply

HISTORICAL TRENDS AND IMPACT ON CURRENT SUPPLY

When compared to the LGA's of Manningham and Kingston, the City of Monash is the only LGA that has experienced a successive increase in the average value of residential building approvals from 2000-2006. The total value of residential building approvals increased 44% over this time period, and the average value of residential building approvals increased by 60%. Further to this, the number of building approvals is decreasing, whilst the value is increasing, which indicates that affordability is decreasing.

Whilst developers appear to have sought to maximise the yield per square metre, this has resulted in the building of homogenous dwelling type throughout the area, and has caused a significant increase in current house prices. In 2006 house prices in the City of Monash are 24% above the metropolitan average, and unit prices are 14% above the metropolitan average. This is a 13% and 5% increase respectively since 1996.

FUTURE SUPPLY

Further to this, an aging population dictates decreases in household size and therefore increases in number of households. Changes in future supply of housing types needs to occur to cater to these Retirees, combined with the other diverse cohorts of the populations: Students, Young Professionals, Young Families, Mature Families, and Empty Nesters/Baby Boomers, and the income/wealth brackets in which they can be categorised.

Therefore, the analysis conducted by MacroPlan confirms that the City of Monash is experiencing the housing affordability crisis affecting metropolitan Melbourne. The housing affordability issue is largely driven by a number of interrelated macro-economic issues, some of which are beyond the scope of Local Government's sphere of influence.

These generally include:

- The wider metropolitan supply shortage: the housing affordability crisis is a state and nation-wide issue, and not necessarily limited to the City of Monash.
- The housing market in Monash is not restricted by municipal boundaries: local planning policy is not equipped with the capacity to overtly influence housing prices within the municipality
- Market preference to maximise profit: any individual or organisation who is looking to redevelop a site, will always aim to gain the greatest return from their investment. This leads to a housing product which does not necessarily equate to an affordable housing product.
- The demand for investment property increases the purchaser competition and places upward pressure on housing affordability through increased rents to cover investment purchase costs.



9 Chapter 2 – Housing Diversity

Chapter 2 of the report examines the issue of housing diversity and whether the current Monash planning requirements are potentially prohibiting the delivery of more diverse housing stock.

This issue rose to prominence as a result of the research, particularly in the finding that affordability was not purely an issue for those seeking to enter the housing market, but was an issue across the lifespan for Monash residents, or those seeking to move into the area.

Chapter 2 covers a range of topics, including:

- A summary of MacroPlan’s discussion with developers,
- Actions undertaken by the City of Monash, and
- Recommendations of long and short term strategic actions that the City of Monash could adopt and carry out at a local level.



10 Housing Diversity

Currently, 89.44% of the housing stock in the City of Monash consists of separate housing. Despite declining trends for separate housing throughout metropolitan Melbourne as land becomes scarce and the majority of developments in the middle ring are infill, Monash's proportion of separate houses has increased in recent years. With 93.3% of all residential building approvals being for separate houses in 2006, this is only catering to a narrow and specific market within the area.

Therefore, the current housing market in the City of Monash is homogenous and fails to accommodate the diverse needs of its residents in terms of age and income. The City of Monash needs to incorporate a variety of housing options to attract different household types and structures to the municipality.

MacroPlan's primary research has uncovered latent demand for more diverse housing types, as nearly half (43%) of respondents would consider downsizing for their next home, and over one in five (23%) of residents who have the capacity to subdivide would consider doing so, and 'down size' to a smaller dwelling.

Therefore, could the lack of housing diversity in the City of Monash be attributed to the failure of planning or is it simply developers catering for demand.

Case Studies

This section of the report looks at hypothetical case studies to demonstrate the impact of reduced housing diversity and affordability on the various market segments within the City of Monash.

Earlier in the report, an analysis of the Monash Housing Market Typographies was undertaken (Table 2). The following hypothetical case studies have been undertaken for each group to demonstrate the current market conditions (information is only approximate and based on current market conditions).

Case Study 1 - Student

John is a student and is about to commence a university degree at Monash University. He is looking to move into the City of Monash for the duration of his studies.

Without a full time income, purchasing a property is not an option. He is looking for affordable renting options close to Monash University, Clayton train station and Clayton activity precinct.

Without financial assistance, rental options will be highly restricted due to both lack of housing diversity (few higher density dwellings) and increase rental prices.

Even shared accommodation between students is likely to become increasingly unaffordable with high demand for limited stock and housing prices increasing which flow on to the rental market.

The median price in Monash for accommodation that caters for student requirement is \$300,000 - \$400,000

John is likely to be adversely affected by the existing housing affordability situation and may not be able to find accommodation within the City of Monash. If these trends are not addressed, in the future students likely to be locked out form living in Monash.

Case Study 2 – Young Professional

Samantha is a young profession that recently gained employment in Clayton and is looking to purchase her first home in Monash to live close to work.

Although earning above the average income in Monash, she is new to the workforce and has not saved a significant deposit for the purchase. She is looking for a two bedroom home within easy distance to either Chadstone or Glen Waverley activity precincts.

The median price for accommodation that caters for young professional requirements is \$350,000 - \$450,000. Here above average income enables her to borrow approximately \$300,000.

Samantha is likely to find it difficult to purchase a property within Monash. If these trends are not addressed, in the future young professionals are likely to find it increasingly difficult to purchase suitable homes.



Case Study 3 – Young Family

Terry and Sally are a young family that have recently had a baby and is planning a second child. Both have family in or around Monash. Terry works in the Melbourne CBD while Sally works at part time in Clayton. They are looking to purchase their family home comprising three to four bedroom close to a train station. They are earning the average household income for Monash and have saved a reasonable deposit (10%) for the purchase.

The median price for accommodation that caters for young families is \$450,000 - \$550,000. Even with a \$50,000 deposit and borrowing capacity of \$350,000, the couple will find it difficult to purchase a suitable home close to existing family within Monash.

Case Study 4 – Mature Family

Brad and Jennifer are a mature family with 3 children between the ages of 5 and 15 years old. They have been attracted to Monash for a number of reason such as accessibility, education and activity precincts. They have outgrown their first home and are looking for a large 4 bedroom home close to public transport and schools. They are earning above the average household income in Monash and are planning to sell their previous property to place a substantial deposit on the purchase.

The median house price for accommodation that caters for mature families is \$500,000 - \$600,000. With a \$100,000 and a borrowing capacity of \$450,000, this family is one of the few market segments that will be able to purchase a home within Monash.

Case Study 5 & 6 – Empty Nesters / Baby Boomers and Retirees

Sam and Cindy are empty nesters / baby boomers and own a 4 bedroom house on an average sized block in Monash and are looking to downsize

The median house price for accommodation that caters for empty nesters / baby boomers is \$400,000 - \$500,000

Sonia is a recently retired widow and owns a 4 bedroom house in Monash on an average sized block and is looking to downsize.

The median house price for accommodation that caters for retirees is \$350,000 - \$450,000

In both cases the residents outright own their homes, have lived in Monash for many years and are looking to remain close to local friends and networks. Although asset rich, they are cash poor and unlikely to be able to afford to purchase the smaller dwellings based on the proceeds from the sale of their existing property. Lack of housing diversity (limited supply and high demand) coupled with increased housing prices are likely to not allow either case study to be able to afford to stay within Monash and maintain the level of lifestyle they are accustomed.



12 Discussions with Developers

MacroPlan conducted telephone conversations with key developers identified by the City of Monash to ascertain whether these groups would be interested in the provision of affordable housing and whether they faced any difficulties in obtaining planning permissions.

Generally, the developers were not interested in providing affordable housing due to the current planning environment.

Developers cited that onerous planning standards/requirements (eg. Front setback, private open space & car parking), length of processing time and the availability of land as being the main obstacle they faced in delivering affordable products in the City of Monash.

The developers identified the review/relaxation of planning standards, the development of a new set of firmer planning guidelines (in respect to decision making) and conducting a land audit to identify areas suitable for the development of medium / high density and those areas suitable for affordable housing, as some of the initiatives that could be taken by the City of Monash to enable them to deliver a more affordable product.

The majority of the developers indicated that if the City of Monash were to adopt some or all of the above initiatives, they would potentially be interested in working with Council to deliver more affordable housing.

From MacroPlan's discussion with key developers, it appears that the current Monash planning requirements are a major barrier for developers to provide more affordable products. More importantly, MacroPlan considers that the currently planning requirements restricts the ability of developers to provide higher density development or more diverse products and this is reflected through the homogenous housing stock within the City of Monash with 89% being separate dwellings. Given declining trends for separate dwellings throughout Metropolitan Melbourne, 93% of all residential building approvals in the City of Monash in 2006 were for separate dwellings. Therefore it is considered that the City of Monash should consider a review of their current planning requirements to achieve more diverse housing outcomes.



13 Strategic Actions Undertaken

The following provides a brief outline of some of the actions that the City of Monash has already taken in order to deliver more housing diversity and streamlining of the planning and decision making process.

Draft Monash Housing Strategy

Council have completed a draft Monash Housing Strategy 2004, which has not yet been inserted into the Monash Planning Scheme. MacroPlan Australia understands that the Draft Housing Strategy will be inserted in the Monash Planning Scheme as a part of the Municipal Strategic Statement Review. The draft Housing Strategy provides a strategic basis for the future of housing development in the City of Monash. The Draft Housing Strategy outlines a series of objectives, strategies and implementation, recommendations in the key areas of housing diversity, neighbourhood character, environmentally sustainable development, activities centres, access and safety and greater affordability of housing. In respect to the issue of affordability and its implementation, the Draft Housing Strategy outlines the following three points:

- Monitor supply and demand in affordable housing and evaluate examples of best practice in the provision of well-designed affordable housing.
- Continue the redevelopment and renewal of public housing stock in Ashwood through participation in the Office of Housing's Neighbourhood Renewal Strategy.
- Investigate the need for a detailed strategy that will encourage the private sector to develop affordable housing and affordable supported aged care residential facilities for older people and people with disabilities.

Pre Planning Applications Discussion

Pre planning application discussions are offer to the community at a specific time and date on a weekly basis. Planning advice/comments are provided by officers to future applicants/developers in these sessions. The pre planning application sessions are designed to help with streamlining the planning approval process through the identification of issues and problems. This is to ensure that the future applicants/developers resolve the identified issues and problems prior to the submission of the planning application.

Planning Handouts and Guidance Notes

The City of Monash currently provides a variety of planning handouts and guidelines to assist those wishing to carry out residential development in the municipality. Some of these include:

- Application checklist for residential development
- Site description plan checklist
- Neighbourhood description guidance
- Stormwater management guidance
- Heritage and Landscape

14 Recommendations

Based on MacroPlan's assessment, it is suggested there are a number of approaches that may assist Council to meet its long term objective to address housing diversity and impact economic housing to meet demonstrated market need. It is envisaged that Council could adopt a long term approach to influence delivery of housing to facilitate greater diversity and hence affordability for residents and potential residents across the life span.

In doing so, Monash will continue to be a desirable place to live and work and have housing options for a diverse community with ranging social and economic needs.

The following approaches have been suggested for Council to influence future delivery of housing for the Monash community. It is recognised that strategies will need to be developed in partnership with a range of stakeholders including Council, The Victorian State Government, the development community and residents:

Longer Term Strategies

2. As of Right

It is suggested that the concept of the "As-of-Right" provision could potentially be modified to ensure more stringent wording and more consistent design standards were required, which could ensure developers would not be able to circumvent the process. It is considered that a more stringent "As-of-Right" provision could simplify the planning and decision making process and potentially deliver more affordable housing. Based on MacroPlan's research there would be some market acceptance of this approach from development community.

MacroPlan also suggests working with the State Government initiatives such as 'Cutting Red Tape' (Victorian State Government, August 2006) and 'Making Policy Stronger' (Report of the Ministerial Working Group on Local Planning Policy, June 2007) to develop a new 'As of Right' style strategy that will allow preferred dwelling types to be developed without planning permits.

2. Review Council's Planning Standards

It is suggested that the City of Monash carry out a review of the planning standards currently used to assess planning applications. Standards such as front street setback, private open space and car parking (but not limited to) should be reviewed.

This could also be linked to the land audit and identify specific zoned areas that the reviewed standards could apply to. Thereby, creating definable areas where certain types (medium/high density) of residential developments would be acceptable and encouraged. By creating these definable areas with specific standards, developments that seek to foster Council's broader objectives of delivering more diverse and affordable housing would be encouraged and subsequently approved and those developments that seek to compromise these objectives would be discouraged and subsequently refused.

It is acknowledged by MacroPlan Australia that these planning standards help to maintain the character of residential neighbourhoods in the City of Monash but vice versa these planning standards could also inhibit the delivery of more diverse and affordable housing within the municipality through its onerous requirements.

There needs to be some form of practical compromise in the planning standards and a more flexible planning approach from the City of Monash when trying to encourage the development of more diverse and affordable housing.



3. Land Audit

It is suggested that the City of Monash could carry out a land audit to identify areas adjacent to or within designated activity centres which are considered appropriate for change. The land audit could identify areas appropriate for rezoning to accommodate medium to high density housing developments. The land audit could also involve the identification of specific sites that could deliver affordable housing.

4. The use of Residential 2 Zone

The use of the Residential 2 Zone (Browns Road redevelopment) is seen as a positive action in the potential delivery of affordable housing. The Residential 2 Zone seeks to encourage residential development at medium or higher densities to make optimum use of the facilities and services available. It is acknowledged that the Residential 2 Zone in its current format is not suitable for the City of Monash. Nevertheless, it is considered that the principles of the Zone could help achieve with the delivery of affordable and diverse housing.

5. Lobby State Government to provide further guidance/direction on the issue of affordability

MacroPlan suggests initiating discussions with the State Government to provide further guidance/direction on the issues of affordable housing. Discussions with the State Government should be conducted with the Minister for Housing and the Minister for Planning. Discussion topics could include:

- The way forward - how to tackle the issue of housing affordability at a local government level,
- The potential formation of an affordable housing think tank, lead by the City of Monash,
- The potential formation of a focus group (other Local Government Authorities and key stakeholders E.g. PIA, UDIA, HIA, MAV, Property Council of Australia, VPLEA and State Government) to get an industry perspective/response,
- Potential pilot case study.

MacroPlan recognise that the City of Monash cannot tackle the issue of housing affordability on its own, but will require broader assistance from the State Government, other Local Government Authorities and key stakeholders involved in the housing industry.

Short Term Strategies

6. Investigate Different Models, which could deliver affordable housing

It is suggested that the City of Monash investigate different models that could encourage development of affordable / community housing, such as:

- Public/Private Partnership: this involves Council land being developed by an investor/developer according to Council specifications. The investor/developer covers building costs, and the Council maintain continual tenancy of the property, which is used in order to pay back building costs. An example of the public/private partnership has been proposed by the City of Moreland, who has launched a search for a developer to buy 12 hectares of prime council land around Sydney Road and Coburg Station. Under the plan, the developer would build 1500 houses and apartments, with at least 20% of them 'affordable'. This means they can be bought or rented for 30% or less of the average household's income



- Community Co-op Housing: Community housing is similar to public housing except that it is managed by a community organisation and can be initiated, planned, part funded, developed and owned by community organisations including local government, rather than a State run (DHS) initiative. This would be subject to land availability and further feasibility however. An excellent example is the City of Port Phillip's Community Housing Program, which is the largest local government housing program in Australia. The Program is a partnership between Council and the Port Phillip Housing Association. The council has been a direct provider of community housing since 1985 with the Association being the property and tenancy manager since 1986 and itself a direct provider since 1998. Key achievements of the program include:
 - Projects have ranged from 6 to 56 units. In addition, the council entered into a 245 unit joint venture with a private developer involving mixed private and social housing called Inkerman Oasis.
 - Entering into joint ventures or partnerships with private developers with two projects, 'The Regal' rooming house (property packaging and partnership) and 'Inkerman Oasis' (developer provided community housing mixed with private housing on the former St Kilda Depot site).
 - Since 1985, the program has attracted over \$26.9million of joint venture funding from the Commonwealth and State governments and contributed \$17million in cash contributions and \$5.2 million in land (St Kilda Depot site).

7. Review Previous Planning Applications

It is suggested that the City of Monash conduct a review of previous planning applications to determine whether Council were refusing applications which potentially propose housing which could assist in meeting demand. This will allow Council to identify policy weakness that can be amended to help with the delivery of affordable housing.

8. Planning Guidance Notes

MacroPlan suggests developing planning guidance notes outlining how the City of Monash intends to achieve more diverse and affordable housing within the municipality. The planning guidance notes could assist and provide directions to residents and developers who maybe interested in developing more diverse and affordable housing. As longer term initiatives are implemented, information can be incorporated to keep developers and the communities aware of how the City of Monash is dealing with the issue of affordable housing.



Appendix A – Methodology

Methodology

MacroPlan Australia proposed a four stage methodology to undertake the project as follows:

The first stage involved an assessment of demand and supply assessment conditions pertaining to current and future housing needs / requirements to determine the current situation and opportunities for future directions.

The second stage incorporated market research to understand community views regarding future housing needs.

The third stage included the preparation of reports and presentations for working group and ultimately Council.

The fourth stage is to include liaison with State Government to canvas issues / seek possible policy change etc.

Each stage was broken down into the following tasks:

Stage 1 – Demand & Supply Assessment

- Task 1 Situation Analysis
- Task 2 Trend Analysis
- Task 3 Undertake a detailed assessment of demand
- Task 4 Undertake a detailed assessment of Supply

Stage 2 – Market Research

- Task 5 Undertake Market Research

Stage 3 – Report and Presentation

- Task 6 Prepare draft Report and Presentation
- Task 7 Facilitate a workshop with working group /key stakeholders
- Task 8 Present findings to Council

Stage 4 – Liaise with State

- Task 9 Prepare paper for state government

Information Sources

- National Local Government Housing Policy, Australian Local Government Association, November 2005.
- Melbourne 2030 (2002)



- Issue 43 May 2004, AHURI Research and Policy Bulletin
- Issue 43 May 2004, AHURI Research and Policy Bulletin, Housing Futures in an ageing Australia
- Reserve Bank of Australia (2007)
- Property Valuer-General Report 2006
- ABS 2007 Community Profile
- DSE Vic in Future (2004)
- ABS Census 2006
- ABS Census (2001)
- MapInfo (2007),
- ABS - Building Approvals
- Valuer Generals Office, a Guide to Property Values (2006),
- Australian Property Monitors (2007),
- An industry Report into affordable Home Ownership in Australia, 2007
- Abbreviations
- LGA- Local Government Area
- SLA- Statistical Local Area
- AHURI- Australian Housing & Urban Research Institute

Report Limitations

This report is prepared on the instructions of the party to whom it is addressed and is thus not suitable for the use other than by that party. As the report involves future forecasts, it can be affected by a number of unforeseen variables. It represents for the party to whom or which it is addressed the best estimates of MacroPlan Australia Pty Ltd, but no assurance can be given by MacroPlan Australia Pty Ltd that the forecasts will be achieved.

Appendix B – Development Scenarios

The following scenarios explore options in more details for empty nesters / baby boomers and retirees as portrayed in case studies 5 & 6, and any others with the desire and or capacity to subdivide property in Monash to create multiple or dual occupancy dwellings.

Options

- Sell property and move out of Monash to more affordable LGA.
- Sell property and purchase smaller property within Monash. In most cases this scenario would require a compromise of lifestyle due to the expense of smaller dwellings within the Monash LGA.

A range of subdivisions for existing blocks as depicted in the following scenarios. These scenarios make the assumption that the unimproved value of the property is \$500,000.

CURRENT SCENARIO

Figure 45. Current Subdivision Scenario City of Monash

	Land Owner	Subdivision	Costings	
			Costs	Profits
CURRENT SCENARIO	Owner/Occupier	Block with existing house, subdivided to create second similar sized dwelling at rear. Market driven to sell both dwellings, maximising profit	new dwelling \$200,000	Sell other similar sized dwellings \$900,000 ((\$450,000 each)) PROFIT \$200,000 over selling existing property without subdivision
CURRENT SCENARIO	Developer	Block with existing house, subdivided to create second similar sized dwelling at rear. Market driven to sell both dwellings, maximising profit	Cost of existing property \$500,000 new dwelling \$150,000	Sell both similar sized dwellings \$450,000 \$450,000 PROFIT \$250,000

Source: MacroPlan Australia 2007

Analysis of the scenario has revealed the following:

Advantages:

- Ease and expedience of obtaining current planning permits,

- Current market demand
- Owner Occupier profit of \$200,000 more than if selling property without subdivision

Disadvantages

- Lack of housing diversity
- Lack of affordable housing options

SCENARIO 1

Figure 46. Owner Occupier downsizing scenario 1

	Land Owner	Subdivision	Costings	
			Costs	Profits
SCENARIO 1	Owner/Occupier	Block with existing house, subdivided to create second smaller sized dwelling at rear. Downsize into smaller dwelling, Sell existing larger dwelling	new dwelling \$150,000	Sell existing dwelling \$450,000 PROFIT \$300,000

Source: MacroPlan Australia 2007

Analysis of the scenario has revealed the following:

Advantages:

- No land holding or accommodation costs during construction
- Increased housing diversity
- Potential increase to affordable housing
- Ease and expedience of planning permits

Disadvantages

- Perceived and real fear and risk of responsibilities involved with construction:
 - finance,
 - time management,
 - associated skills,
 - Unforeseen circumstances.



Figure 47. Developer Scenario 1

	Land Owner	Subdivision	Costings	
			Costs	Profits
SCENARIO 1	Developer	Block with existing house, subdivided to create second smaller sized dwelling at rear. Downsize into smaller dwelling, Sell both dwellings	Cost of existing property \$500,000 new dwelling \$125,000	Sell both dwellings \$450,000 \$375,000 PROFIT \$200,000

Analysis of the scenario has revealed the following:

Advantages:

- Increased housing diversity
- Potential increase to affordable housing
- Ease and expedience of planning permits

Disadvantages

- Lower profit margin compared to current subdivision scenarios in Monash

SCENARIO 2

Figure 48. Owner Occupier Downsizing Scenario 2

	Land Owner	Subdivision	Costings	
			Costs	Profits
SCENARIO 2	Owner/Occupier	Block with existing house, subdivided to create two smaller sized dwellings at rear. Downsize into 1 smaller dwelling, Sell existing larger dwelling, and remaining smaller dwelling	new dwellings \$300,000 (\$150,000 each)	Sell existing dwelling \$450,000 Sell 1 smaller dwelling \$350,000 PROFIT \$500,000

Source: MacroPlan Australia 2007

Analysis of the scenario has revealed the following:

Advantages:

- No land holding or accommodation costs during construction
- Increased housing diversity
- Potential increase to affordable housing
- Significantly increased profit compared to current subdivision scenario

Disadvantages

- Difficulty in obtaining planning permits and potential negative backlash from local community
- Political intervention on behalf of community
- Perceived and real fear and risk of responsibilities involved with construction:
 - finance,
 - time management,
 - associated skills,
 - Unforeseen circumstances.

Figure 49. Developer Scenario 2

	Land Owner	Subdivision	Costings	
			Costs	Profits
SCENARIO 2	Developer	Block with existing house, subdivided to create two smaller sized dwellings at rear. Sell all three dwellings	Cost of existing property \$500,000 new dwellings \$250,000 (\$125,000 each)	Sell all dwellings \$450,000 \$700,000 (smaller dwellings \$350K each) PROFIT \$400,000

Source: MacroPlan Australia 2007

Analysis of the scenario has revealed the following:

Advantages:

- Increased housing diversity
- Potential increase to affordable housing
- Significantly increased profit compared to current subdivision scenario

Disadvantages

- Difficulty in obtaining planning permits
- Potential negative backlash from local community
- Political intervention on behalf of community

SCENARIO 3

Figure 50. Owner Occupier Downsizing Scenario 3

	Land Owner	Subdivision	Costings	
			Costs	Profits
SCENARIO 3	Owner/Occupier	Demolish existing dwelling, subdivide and build 4 smaller sized dwellings on the block. Downsize into one of the smaller dwellings, Sell remaining three.	new dwelling \$560,000 (\$140,000 each)	Sell existing dwellings \$1,050,000 (\$350,000 each) PROFIT \$490,000

Source: MacroPlan Australia 2007

Analysis of the scenario has revealed the following:

Advantages:

- No land holding fees
- Increased housing diversity
- Potential increase to affordable housing
- Significantly increased profit compared to current subdivision scenario, and other subdivision scenarios

Disadvantages

- Costs associated with temporary accommodation during construction
- Ability for individual to obtain finance for construction

- Difficulty in obtaining planning permits and potential negative backlash from local community
- Political intervention on behalf of community
- Perceived and real fear and risk of responsibilities involved with construction:
 - finance,
 - time management,
 - associated skills,
 - Unforeseen circumstances.

Figure 51. Developer Scenario 3

	Land Owner	Subdivision	Costings	
			Costs	Profits
SCENARIO 3	Developer	Demolish existing dwelling, subdivide and build 4 smaller sized dwellings on the block. Sell all four dwellings.	Cost of existing property \$500,000 new dwellings \$460,000 (\$115,000 each)	Sell all dwellings \$1,400,000 (\$350,000 each) PROFIT \$440,000

Source: MacroPlan Australia 2007

Analysis of the scenario has revealed the following:

Advantages:

- Increased housing diversity
- Potential increase to affordable housing
- Significantly increased profit compared to current subdivision scenario and other subdivision scenario options

Disadvantages

- Difficulty in obtaining planning permits
- Potential negative backlash from local community
- Political intervention on behalf of community



Appendix C - Home Price Guide Explanatory Notes

The HPG provides up-to-the-minute and detailed property sales data (i.e. house prices and unit prices) based upon information from Real Estate Agents, Auction Result Monitors and the Valuer Generals Department.

Once data for the area has been initially processed, the data sets are then taken individually, and determinations are made about outliers within the set and any irregular data. Outliers and irregular data may be either observed as excessively low or high price levels that are not confirmed by other sources or common understanding/ logic. Excessively low prices typically reflect data entry errors, family-to-family sales, houses primed for demolition, tax avoidance, etc. Excessively high prices (also observed) often reflect data entry errors and in some cases, particularly areas experiencing high levels of gentrification, significant sales to developers for the purposes of redevelopment.

Given the amount of data within each of the given sets, a benchmark measure has been applied to help make these determinations of irregular data. For the purposes of this assessment, the bottom 5% and top 5% have been excluded from our analysis.