RESIDENTIAL LAND SUPPLY & DEMAND ASSESSMENT

Surf Coast Shire Council

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Spatial Economics

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EXECUTIVE SUMMARY

Surf Coast Shire engaged Spatial Economics to review the adequacy of the Shire's supply of residential land as an input to the Shire's Urban Futures Strategy.

This assessment details the residential land supply, demand and associated residential land requirements for the municipality going forward. The assessment includes:

- the identification of historical and current residential lot construction activity by supply type and location;
- identification of all zoned and unzoned urban and rural residential greenfield residential land supply stocks including estimates of lot yields on a project by project basis;
- assessment of the stock of rural residential lands;
- examination of the quantum and composition of future residential demand;
- presentation of potential future demand scenarios; and
- estimation of the years of supply of undeveloped greenfield residential land stocks.

Historical Population Growth

Surf Coast Shire's population growth has been strong since the establishment of the Shire in the early-1990s. Throughout the last thirty years, Surf Coast's growth rate has been higher than Greater Geelong's, Greater Melbourne's, Victoria's or Australia's.

Population growth as measured from 2016 to 2022 has increased by 4.1% on an average annualised basis, or 1,368 persons per annum. In the most recent year (2022), the rate of population growth decreased to 2.7% or 1,024 persons.

Residential Development Activity

Residential Building Approvals

As measured over the last ten years, residential building approvals in Surf Coast averaged 472 per annum. Of which, 90% were for separate dwellings whilst 10% were for medium density housing. This is a typical outcome for regional Victoria.

Residential building approval activity increased from 2017 to 2020 – averaging 610 approvals per annum over this period. The peak level of approval activity was in 2018/19 at 727. This steadily declined over the subsequent years to a historic low of just 261 approvals in 2022/23.

Residential Lot Construction

Over the last 10.75 years, residential lot construction has averaged 380 per annum. In 2015/16 peak level of residential lot construction was achieved at 723. In 2022/23 there was a total of just 64 residential lots constructed. In the first nine months of 2023/24, a total of 287 residential lots were constructed.

Of the lot construction activity measured since 2013:

- 3% was major infill (10 lots per annum);
- 9% was rural residential (35 lots per annum);
- 16% was dispersed/minor infill (60 lots per annum); and
- 72% was urban greenfield (275 lots per annum).

Residential lot construction activity as measured over the last 10.75 financial years was primarily concentrated within Torquay/Jan-Juc which accounted for 78% of residential lot construction across Surf Coast – or around 300 lots per annum.

The remaining significant lot construction activity was located at:

- Winchelsea - with 40 lots constructed per annum;
- Bellbrae - 16 lots constructed per annum;
- Anglesea - 9 lots constructed per annum; and
- Moriac - 6 lots constructed per annum.

Recent urban residential greenfield subdivision activity in Torquay has been significantly subdued relative to historical levels. This trend appears likely to continue in the short term based on current levels of subdivision approvals (Torquay).

Comparatively vacant residential land pricing in Surf Coast is relatively unaffordable. In 2022, the median sales price of a vacant residential allotment was $665,000. The median sales price of other select Victorian jurisdictions in 2022 include:

- $250,000 in Golden Plains;
- $330,000 in Wyndham;
- $398,500 in Greater Geelong; and
- $367,000 across metropolitan Melbourne.

Measured at a municipal level, vacant residential land is not affordable. However, at a township level Winchelsea has provided, both historically and currently, more affordable housing lots. This illustrates the importance of maintaining suitable stocks of zoned urban greenfield lands in Winchelsea. Doing so is essential to ensure there remains a relatively affordable housing option in Surf Coast.

Residential Land Stocks
Urban Greenfield
As at March 2024, there was a residential lot capacity within zoned urban greenfield and major infill sites of approximately 1,700 across the municipal area of Surf Coast.

The zoned stock (measured in lots) of greenfield/major infill lands is primarily concentrated within Torquay/Jan-Juc with nearly 1,500 lots. The lot stock capacity for other locations include:

- Winchelsea - 181 lots/dwellings;
- Deans Marsh - 26 lots/dwellings;
- Lorne – 13 lots/dwellings;
- Bellbrae - 12 lots/dwellings; and
- Aireys Inlet - 8 lots/dwellings.

There is limited stock of zoned urban residential greenfield lands in both Torquay and Winchelsea. The Shire's comparatively low supply (measured in lots) of zoned residential greenfield land is likely to impact the volume of land subdivided and result in upward pressure on pricing.

This issue is compounded in Torquay given that 37% of its zoned urban residential greenfield land stocks (lot potential) is significantly fragmented – which will impact both development timing and the (increased) cost of land development.

There are approximately 124 hectares of land (with an estimated yield of approximately 1,600 dwellings) identified for potential future urban greenfield residential development across the municipal area.

Future urban greenfield lands are located in both Torquay and Winchelsea – with an estimated lot/dwelling yield of 1,166 and 435 respectively.

Rural Residential

Across Surf Coast there was a total stock of 1,425 rural residential allotments. Of this stock, only 119 lots (8%) were vacant. Vacant rural residential lots as a supply type in Surf Coast are low compared to other regional municipalities in Victoria.

There are two sites identified for future rural residential use/zoning. Currently, this land is zoned Farming (FZ).and not zoned to support rural residential development.

The total of 62 hectares of land identified for future Low Density Residential (LDRZ) zoning – with an estimated net lot/dwelling yield of 110, are in Moriac and Torquay.

Rural residential land stocks within Surf Coast are effectively depleted. There are currently only two sites identified for future rural residential zoning/development – yielding approximately 110 lots/dwellings. The depletion of greenfield type rural residential lands will likely result in a number of impacts. This includes:

- intensification/re-subdivision of suitably sized existing rural residential lots;
- transfer of demand outside of the municipality to locations where rural residential products are available; and
- transfer of demand to either urban greenfield lands and/or the established urban area across the municipality.

Projected Housing Demand

Spatial Economics have presented three projected dwelling demand scenarios based on the most recently available evidence. These demand scenarios are outlined below.

1. **Scenario 1:VIF2023**- the Victorian Government's official population projections *'Victoria in Future 2023' (VIF2023*). This publication sets out population, household and dwelling growth projections to 2036 for all regions and local government areas in Victoria.
2. **Scenario 2:- Moderate Long Term Growth**. The key difference to Scenario 1 is that assumes greater rates of population growth over the 15 years from 2021 in both Torquay and Winchelsea and lower rates of population growth in Lorne-Anglesea.
3. **Scenario 3**:- **Stronger Long-Term Growth**. The key difference to Scenario 2 is that it assumes greater rates of population growth over the 15 years from 2036 in Winchelsea. The total population growth from 2036 to 2051 in Scenario 2 is 7,691 compared to 15,953 in Scenario 3.

In Spatial Economics opinion, all three growth scenarios are highly plausible – the key message is the need to plan for the inevitable environment of uncertainly in the context of likely continued future strong rates of population growth at a wider regional level.

The single most important factor driving the demand for housing in the Surf Coast Shire over the next thirty years will continue to be the growth of the population in Geelong and Melbourne. Greater Geelong already has seven times the population of Surf Coast Shire while Greater Melbourne has twenty times the population of Greater Geelong. The last twenty years have shown that when Melbourne's population growth is fast, more people migrate out of Melbourne into regional Victoria. Among the prime 'targets' of that outmigration is the Geelong – Surf Coast region. VIF 2023 projects Greater Melbourne to grow by over 3 million between 2021 and 2051, to reach 8 million people.

It is Spatial Economics' opinion that there is no clear reason why recent population growth trends in Surf Coast will not continue, particularly if suitable housing products continue to be supplied.

Adequacy of Land Stocks

In terms of zoned urban greenfield/major infill residential land stocks, it is estimated based on the identified supply and projected demand scenarios, there are sufficient land stocks to satisfy between just over 5 to nearly 6 years of demand across the Surf Coast municipal area.

There is a total potential supply (zoned and unzoned) of urban greenfield/major infill residential land to meet forecast demand of between 11 and 13 years.

As a result, there is an immediate need to increase the stocks of urban greenfield lands.

There is a particular need to increase the stock of zoned urban residential greenfield lands in Winchelsea - current zoned stocks are significantly limited.

In addition to increasing the stocks of zoned urban greenfield lands, further land stocks will need to be identified, particularly in Winchelsea to meet anticipated medium to longer terms housing needs.

1.0 Introduction

1.1 Context

The following report is a residential land supply and demand assessment for the municipal area of Surf Coast.

The assessment includes:

- the identification of historical and current residential lot construction activity by supply type and location;
- identification of all zoned and unzoned urban and rural residential greenfield residential land supply stocks including estimates of lot yields on a project by project basis;
- assessment of the stock of rural residential lands;
- examination of the quantum and composition of future residential demand;
- presentation of potential future demand scenarios; and
- estimation of the years of supply of undeveloped greenfield residential land stocks.

The assessment provides a robust and transparent assessment of the supply and demand for residential land across Surf Coast. The assessment will facilitate informed decision making in terms of the existing and future greenfield residential land supply requirements.

In addition, the information will be of assistance to other related planning processes such as the Urban Futures Strategy and related infrastructure and service planning.

1.2 Purpose

The monitoring of land supply is a key tool to assist in the management and development of growth across the municipal area of Surf Coast. The primary purpose of monitoring residential land supply is to improve the management of urban growth by ensuring that council, public utilities, government and the development industry have access to up-to-date and accurate information on residential land availability, development trends, new growth fronts, and their implications for planning and infrastructure investment. Importantly, the availability of a sufficient supply of residential land helps to minimise unnecessary declines in housing affordability.

The following report provides accurate, consistent and updated intelligence on residential land supply, demand and consumption. This in turn assists decision-makers in:

- maintaining an adequate supply of residential land for future housing purposes;
- providing information to underpin strategic planning in urban centres;
- linking land use with infrastructure and service planning and provision;
- taking early action to address potential land supply shortfalls and infrastructure constraints; and
- contributing to the containment of public sector costs by the planned, coordinated provision of infrastructure to service the staged release of land for urban development.

2.0 Approach & Scope

The following provides a brief outline of the major methodologies and approach in the assessment of recent residential lot construction, residential land supply areas, dwelling demand scenarios and determination of assessing adequacy of residential land stocks.

The methodology that Spatial Economics has employed for this project is based on the simple premise of matching the supply type with demand. This methodology assesses recent construction and potential future supply using the same criteria with the supply type definitions based on outcomes and on a lot by lot basis rather than administrative boundaries.

The methodology used by Spatial Economics is consistent with State Government methodologies around Australia, including the Victorian State Governments Regional Urban Development Program.

Future Dwelling Requirements

The following are utilised in estimating future dwelling requirements :

The Victorian State Government population and dwelling projections undertaken by the Department of Transport & Planning (VIF2023) – for **Scenario 1**.

Two alternative growth projections developed by Spatial Economics were utilised, specifically:

- **Scenario 2:- Moderate Long Term Growth**. The key difference to Scenario 1 is that it assumes greater rates of population growth over the 15 years from 2021 in both Torquay and Winchelsea and lower rates of population growth in Lorne-Anglesea.
- **Scenario 3**:- **Stronger Long-Term Growth**. The key difference to Scenario 2 is that it assumes greater rates of population growth over the 15 years from 2036 in Winchelsea. The total population growth from 2036 to 2051 is 15,953 in Scenario 3 compared to 7,691 in Scenario 2.

The criteria used to define the supply types are explained below.

Land Supply Type Definitions

1. ***Greenfield (urban)*** is defined as residential development on greenfield sites (sites that have not been used previously for urban development purposes or previously subdivided for normal/urban density development) and typically located on or near the urban fringe.
2. ***Major Infill*** is defined as development within the established urban area with a capacity greater than 10 lots/dwellings per site. There can be debate and "shades of grey" to the difference between major infill and urban greenfield. Major infill may be remanent greenfield i.e. greenfield land left undeveloped as urban development subsequently surrounded the site. Major infill sites are also characterised by having had no previous urban use/activity.
3. ***Dispersed Infill*** is from a lot/dwelling construction perspective, residential development occurring within the established urban area (not on greenfield or major infill sites) that yield less than 10 dwellings per individual construction project. Typically, it entails 'backyard' style re-subdivision projects.
4. ***Rural Residential*** is from a dwelling construction perspective, all activity on land zoned Rural Living and Low Density Residential.

The images below illustrate the supply types.

Image 1: Residential Land Supply Types

Greenfield (urban)

Major Infill

Dispersed Infill

Rural Residential

Geography

The following geographic areas are utilised for the land supply assessment and demographic analysis.

Localities: Locality boundaries are sourced from the Victorian State Government These boundaries represent the urban centre/township/locality geographic extent.

2021 ABS SA2: Australian Bureau of Statistics geographic definition that are a general-purpose medium sized area built from whole SA1s. Their aim is to represent a community that interacts together socially and economically.

Surf Coast Shire is comprised of three SA2 areas – Torquay; Winchelsea and Lorne - Anglesea.

Residential Lot Construction

Residential lot construction has been determined via assessment of changes to the residential cadastre and the application of this cadastre to the land supply types identified above.

A constructed lot is defined by the year of construction and the finalisation of the certificate of title.

Lot construction is only captured if it is for residential purposes.

Lot construction will largely result in one net additional dwelling per lot. It is noted, where new lot construction occurs (typically within mixed use type zones) and one lot results in multiple dwellings, the actual dwelling count is collected.

Construction activity has been assessed on an annual financial year basis from July 2007 to March 2024.

Lot construction have been undertaken for the following supply types:

- Rural Residential;
- Dispersed Infill;
- Major Infill; and
- Greenfield.

Lot Yields

Lot yields on a site basis has been assessed for undeveloped urban greenfield, major infill lands and rural residential greenfield.

In establishing the likely lot yield for each individual land parcel, the following information was used: incidence and location of native vegetation, zoning, natural features such as creeks, escarpments, floodways, localised current/recent market yields, ability to be sewered. Existing studies such as structure plans have also been considered.

In addition to site specific issues, 'standard' land development take-outs are employed, including local and regional. The amount/proportion of such take-outs are dependent on the land parcel i.e. a 1ha site will have less take-outs than say a 50ha site. In addition to relying upon industry standards regarding the extent of such take-outs, advice has been sourced from the local land development industry and Council officers.

Years of Supply

With the amount of supply and demand estimated, adequacy is described in years of supply. For example, it can be stated that there are X years of supply based on projected demand within a given geographic area.

In assessing the number of years of urban greenfield/major infill land supply, only a component of the total projected demand is apportioned to estimate future demand. The remainder is apportioned for future demand of other forms of residential supply such as dispersed infill.

3.0 Population, Household and Dwelling Growth

Key Findings

Surf Coast Shire's population growth has been strong since the establishment of the Shire in the early-1990s. Throughout the last thirty years, Surf Coast's growth rate has been higher than Greater Geelong's, Greater Melbourne's, Victoria's or Australia's.

Population growth as measured from 2016 to 2022 has increased by 4.1 % on an average annualised basis, or 1,368 persons per annum. In the most recent year (2022), the rate of population growth decreased to 2.7% or 1,024 persons.

Population growth across Surf Coast has largely occurred in the Torquay SA2, 83% of the Shire's population growth as measured from 2011 to 2022 has occurred in this location.

From 2017 to 2022, population growth across Surf Coast has been comprised of:

16% via natural increase (births minus deaths);

73% from migration within Australia; and

11% from net overseas migration.

The main source of new residents to Surf Coast were typically from inner/middle metropolitan Melbourne - such as Port Phillip, Yarra and Boroondara. The major locations of losses of population from Surf Coast) were to neighbouring municipalities such as Geelong and Colac-Otway.

Three housing demand scenarios are presented to assess the adequacy of residential land stocks for the municipal area of Surf Coast, these include:

Scenario 1:VIF2023- the Victorian Government's official population projections *'Victoria in Future 2023' (VIF2023*). This publication sets out population, household and dwelling growth projections to 2036 for all regions and local government areas in Victoria.

Scenario 2:- Moderate Long Term Growth. The key difference to Scenario 1 is that this scenario assumes greater rates of population growth over the 15 years from 2021 in both Torquay and Winchelsea and lower rates of population growth in Lorne-Anglesea.

Scenario 3:- Stronger Long-Term Growth. The key difference to Scenario 2 is that this scenario assumes greater rates of population growth over the 15 years from 2036 in Winchelsea.

Total population growth from 2036 to 2051 in Scenario 2 is 7,691 compared to 15,953 in Scenario 3.

Population growth is the main contributor to the underlying demand for housing. The demand for housing in Surf Coast is determined by factors being played out beyond its borders. Victoria accounts for about 30% of national growth. At least 80% of that growth is in Melbourne. But the pressure that puts on Melbourne generates an increased exodus of people out of Melbourne, mostly to nearby parts of Victoria.

There is now an unfolding series of events that are placing development pressure on residential land in Surf Coast:

- Population growth is running at near record levels in Victoria and Australia, due to a surge in net overseas migration.
- Greater Melbourne is the most popular destination for overseas migrants. Both Commonwealth and State Governments project Greater Melbourne growing by over 100,00 people per year. Where are all these extra people going to live in the next 15years and the next 30-40 years?
- Population growth of this scale puts pressure on Melbourne's housing, infrastructure and services.

- Population growth coupled with supply constraints in the development and building industry, is one (of the many) factors contributing to the growing unaffordability of housing in Melbourne and in nearby areas such as Surf Coast.
- Pressure on Melbourne's housing supply/affordability results in more people leaving Melbourne seeking cheaper or better alternatives. This raises demand for housing in Geelong and Surf Coast.
- As Melbourne's supply of greenfield land dwindles (assuming the Urban Growth Boundary is not extended) the out-flow of people into neighbouring parts of Regional Victoria will most likely increase.
- Increased working-from-home reflects the desire to establish a different and more flexible work lifestyle balance. Places, exemplified by Surf Coast, that can satisfy that balance (high amenity but accessible to Melbourne and Geelong) are at a premium.
- Most of Victoria's coastline that is accessible from Melbourne cannot be developed owing to a range of major constraints. Where development has been possible, such as Torquay, the pace of change has been very fast.
- This raises the question whether housing supply should be increased and, if so, how can this be done.
- The greatest issue for the Surf Coast Urban Futures strategy is the long term. According to projections, regional and state population growth will remain strong beyond the next fifteen years but the housing supply options in Surf Coast are becoming more limited. Municipal projections undertaken by the State Government only extend to 2036, but planning is needed now to address growth that will happen beyond 2036.

The purpose of this section of the report is to look at past trends and future prospects for population growth that influence the demand for housing in the Surf Coast Shire. It will therefore:

- analyse population trends in both the Shire and in other jurisdictions that influence the Surf Coast's population growth, past and future;
- assess the factors driving the amount of population growth;
- examine the outlook for future population growth, citing and critically assessing the most recently published population, household and dwelling projections. In doing so it is important to consider the long term – beyond the timeframe of the VIF projections that only extend to 2036 – only 12-13 years from now;
- discuss the, not-always linear, links between population growth and housing;
- review State Government published population and dwelling projections relevant to Surf Coast's future; and
- discuss future uncertainty and its implications for planning.

3.1 Population Growth Trends

Surf Coast Shire's population growth has been strong since the establishment of the Shire in the early-1990s. The most recently published Local Government Area data, for 30th June 2022, shows that population growth continues:

Table 1: Estimated Resident Population, Surf Coast Shire, 1991-2022

Year	Population
1991	15,560
2001	20,556
2011	26,666
2016	30,465
2021	37,648
2022	38,672

Source: ABS Population Estimates

Putting this in context, how does this compare with other jurisdictions?

Table 2: Annual Population Growth Rates, 1991-2022

	Surf Coast	Greater Geelong	Greater Melbourne	Victoria	Australia
1991-2001	2.8%	0.6%	0.9%	0.8%	1.1%
2001-2011	2.6%	1.2%	1.8%	1.5%	1.5%
2011-2016	2.7%	2.1%	2.5%	2.2%	1.6%
2016-2019	3.9%	2.7%	2.0%	1.9%	1.6%
2019-2020	4.7%	2.3%	1.1%	1.2%	1.2%
2020-2021	5.1%	1.8%	-1.7%	-1.0%	0.1%
2021-2022	2.7%	2.1%	1.3%	1.3%	1.3%

Source: ABS Population Estimates

- Throughout the last thirty years, Surf Coast's growth rate has been higher than Greater Geelong's, Greater Melbourne's, Victoria's or Australia's
- Population growth rates - and amounts of growth - have been generally increasing. However, the pandemic affected population growth for the last 15 months of the 2016-2021 period, having mixed impacts.
- During the pandemic Victoria's and Australia's growth were negatively affected through international border closures.
- Surf Coast's growth, however, picked up. Clearly frequent lockdowns in Melbourne during the pandemic encouraged people to escape to places along the coast.
- The 2022 population estimates show that Australia's and Victoria's growth is rapidly picking up again following the easing of border restrictions.

Population change within Surf Coast

The ABS publishes annual population estimates for SA2s which are sub-LGA areas defined by the ABS to assist with local planning and service delivery. There are three SA2s in Surf Coast. Their external boundaries are very slightly different to the LGA boundary of Surf Coast.

The ABS's population estimates also show in which SA2s population growth in Surf Coast Shire has been occurring:

Table 3: Estimated Resident Population and Population growth in the Surf Coast's SA2s

	Winchelsea	Lorne – Anglesea	Torquay
2001	5,418	4,748	10,225
2006	5,508	4,799	11,758
2011	5,788	5,151	15,497
2016	5,824	5,261	19,131
2021	6,585	6,192	24,636
2022	6,675	6,273	25,466
2001-2022	**1,257**	**1,525**	**15,241**

Source: ABS Population Estimates,

Torquay has been the focus of population growth – 85% of population growth over the last twenty years has occurred in this part of the Shire.

Table 4: Population Growth within Surf Coast: Average Annual Growth Rates

SA2/LGA	2001-06	2006-11	2011-16	2016-22
Winchelsea	0.3%	1.0%	0.1%	2.3%
Lorne - Anglesea	0.2%	1.4%	0.4%	3.0%
Torquay	2.8%	5.7%	4.3%	4.9%
Surf Coast	**1.7%**	**3.6%**	**2.7%**	**4.1%**

Source: ABS.net (Beta)

Table 5: Population Growth within Surf Coast: Average Annual Population Growth

SA2/LGA	2001-06	2006-11	2011-16	2016-22
Winchelsea	18	56	7	142
Lorne - Anglesea	10	70	22	169
Torquay	307	748	727	1,056
Surf Coast	**355**	**867**	**760**	**1,368**

Source: ABS.net (Beta)

3.2 Sources of Population Growth

For several decades, overseas migration gains to Victoria have been heavily biased towards Melbourne.

Pre Covid, 92% of overseas arrivals to Victoria settled in Melbourne. Closed international borders cut those gains and are therefore the main reason why Melbourne's population has declined for the first time in living memory. Longer lockdowns in Victoria compared to other states has led to Victoria losing population to other states, a reversal of trends of the last 25 years. But Melbourne's long lockdowns and changed work regimes also led to a greater flight of people from Melbourne to regional Victoria.

Table 6: Internal Migration, Regional Victoria, 2006-2021

Year to March qtr	Net Intrastate Migration	Net Interstate Migration	Net Internal Migration
2006-2011	5,049	-1,340	3,709
2011-2016	5,585	-22	5,563
2016-2017	8,873	1,805	10,678
2017-2018	13,824	875	14,699
2018-2019	14,211	229	14,440
2019-2020	11,186	-828	10,358
2020-2021	19,678	-5,666	14,012

Source: Provisional Regional Migration Estimates, ABS, August 2021

Since 2016, the ABS has published annual estimates of the components of population growth for Local Government Areas. The following table shows the balance sheets of population gains and losses for Surf Coast.

Since 2017, 73% of the population growth was sourced from internal migration within Australia, 16% was from natural increase and 11% from overseas migration.

Table 4 highlights the dominance of internal migration as a source of population growth – that is persons moving to Surf Coast from elsewhere in Australia.

Table 7: Components of population change, Surf Coast 2017-22

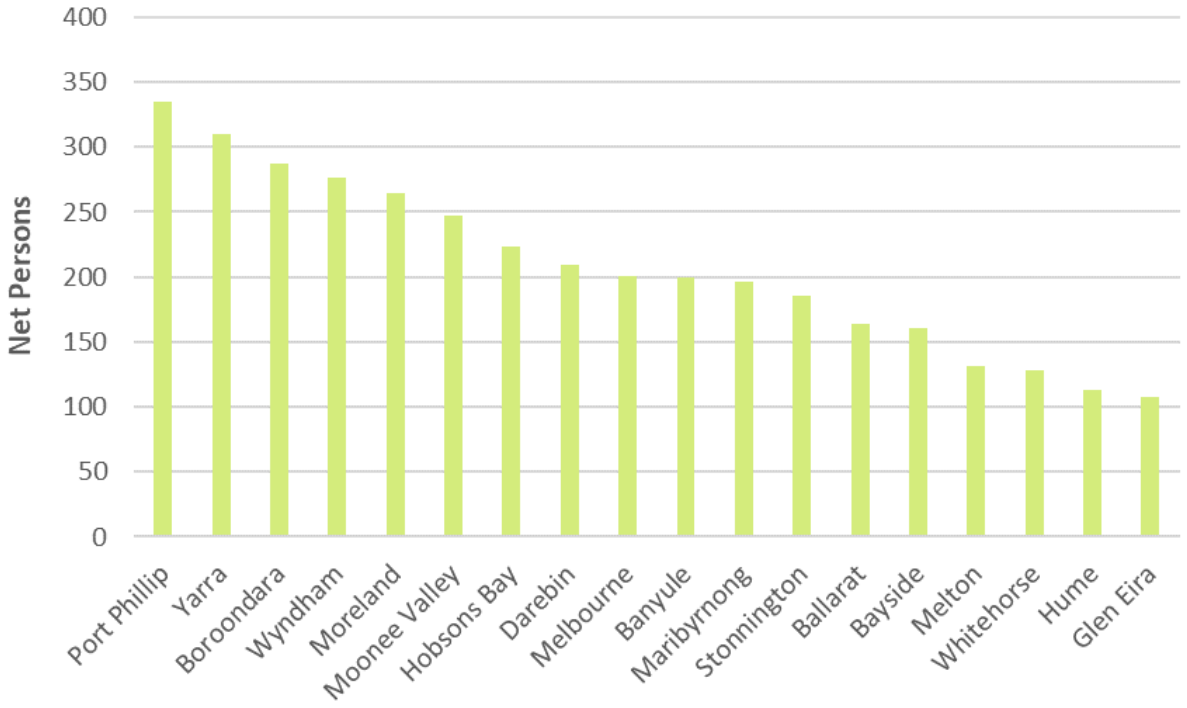
	Natural Increase	Net migration within Australia	Net overseas migration
2017	157	557	168
2018	204	527	174
2019	167	860	178
2020	154	1024	126
2021	221	1364	-68
2022	218	630	176

Source: ABS Components of population change,

Graph 1 highlights the main locations (by LGA) of where Surf Coast residents were residing from over the five years from 2016 to 2021 prior to migrating to Surf Coast from within Australia.

As illustrated the main source of new residents to Surf Coast were typically from inner/middle metropolitan Melbourne - such as Port Phillip, Yarra and Boroondara. The major locations of losses of population from Surf Coast (Table 8) were to neighbouring municipalities such as Geelong and Colac-Otway.

Graph 1: Main sources of people (net) moving to Surf Coast (2016-2021)



Source: ABS, 2021 Population and Housing Census

Table 8: Main Net Losses from Surf Coast, 2016-2021

	To Surf Coast	From Surf Coast	Net Loss
Greater Geelong	2,341	2,457	**-116**
Colac Otway	131	245	**-114**

Source: 2021 census, ABS

The key points to note about the above tables are:

- The high level of movement between Surf Coast Shire and the City of Greater Geelong. This reflects their proximity and how closely their economies and their housing markets are linked. Surf Coast gains by far more people from Greater Geelong than any other LGA. Similarly, Surf Coast loses more of its out-migrants to Greater Geelong than anywhere else. Together the moves each way almost cancel each other out. But it's clear that the fortunes and futures of Geelong and Surf Coast are closely tied.
- Most of Surf Coast's net gains come from affluent inner suburbs of Melbourne.

3.3 Covid and Post-Covid Impacts on Growth

Owing to international border closures and varied length of lockdowns in different parts of Australia, Covid has disrupted regular sources of population change. As noted above, Covid lockdowns primarily impacted Melbourne rather than Victoria's regional centres.

The result is that Regional Victoria's population growth been little affected by Covid – lower overseas gains and higher interstate losses have been cancelled out by greater net movements of people from Melbourne to Regional Victoria.

In the case of Surf Coast, the 2020-2022 covid lockdowns in Melbourne seem to have resulted in significant numbers of Melbourne households who owned holiday homes in Surf Coast moving to the Shire to avoid the lockdowns. This clearly impacted population numbers in Lorne-Anglesea and to a relatively lesser degree Torquay-Jan-Juc.

When the census was undertaken in August 2021, Melbourne was in a Covid-19 lockdown. It is known that many holiday homes in Surf Coast are owned by people living in Melbourne's most affluent suburbs (see Council rate records) and who worked in occupations in which working remotely was possible. While the number of people escaping Melbourne lockdowns to Surf Coast holiday homes or rentals is unknown, there is widespread anecdotal evidence it would have been significant, thereby affecting population estimates and census migration data. In 2016 unoccupied dwellings made up 42% of Surf Coast's housing stock. By 2021 the percentage of unoccupied dwellings was down to 32%. While some of that drop may be explained by the permanently occupied dwellings built in Torquay between 2016 and 2021, some of the drop would be attributable to the higher occupation of holiday homes and rentals.

3.4 The drivers of population change

To understand the Shire's demographic outlook, it is necessary to look at the broad context of population change and its drivers. Australia's population growth has and will continue to trickle down and influence the demand for land and housing in Surf Coast.

- Most of Australia's population growth comes from net gains in overseas migration. That migration is very volatile, particularly in the last twenty years with the growth of temporary migration and then the pandemic.
- Up to a third of overseas migration comes to Victoria with the overwhelming share of that coming to Melbourne.
- The faster Melbourne grows the more migration there is out of Melbourne into (a) nearby local government areas and (b) the coast. Surf Coast falls within both those categories and has therefore been experiencing some of the fastest rates of population growth in Victoria.
- Nearly 75% of the Shire's population increase is coming from other parts of Australia – principally Melbourne. So, one has to look at what is happening in these places that causes people to move to Surf Coast.

The subsequent analysis will explore population growth dynamics in more detail.

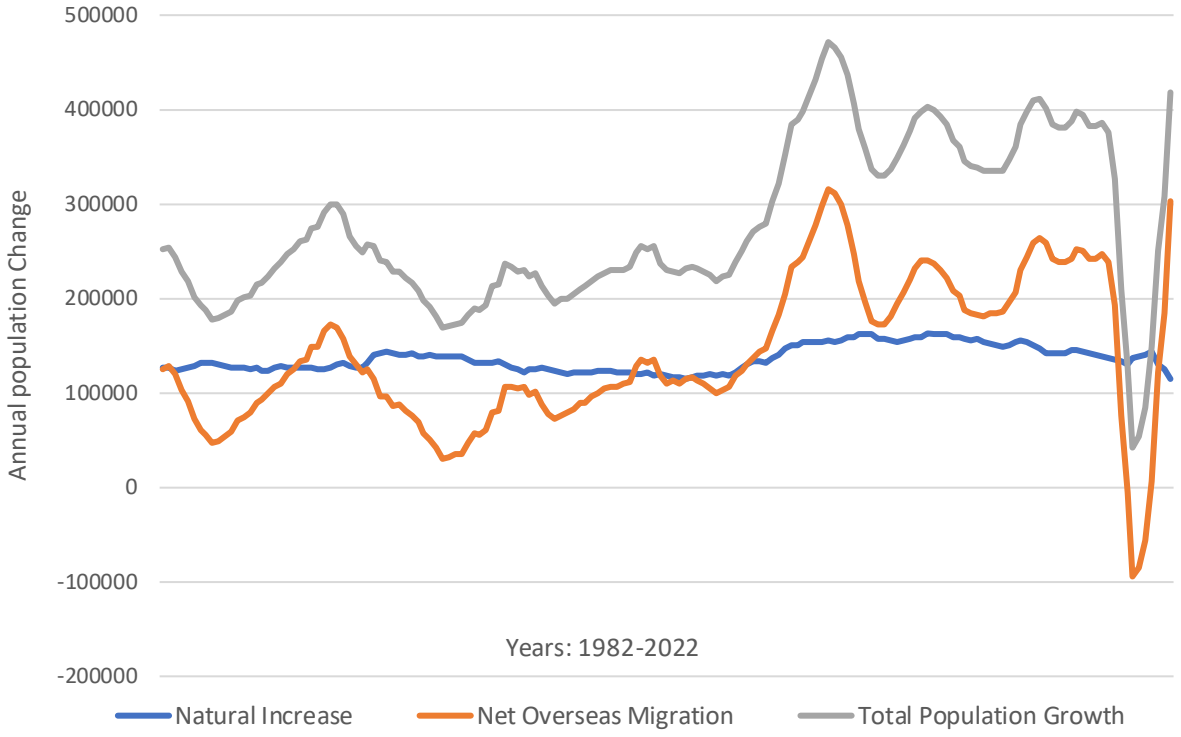
- How might population growth pressures change in the future?
- What are the prospects for the future growth of Australia, Victoria, Melbourne and Geelong?

Long term population changes

Australia

The graph below shows the ups and downs of Australia's population growth since the early 1980s and the two components of population change: natural increase and net overseas migration.

Graph 2: Components of Population Growth, Australia, 1982-2022



Source: Australian Bureau of Statistics

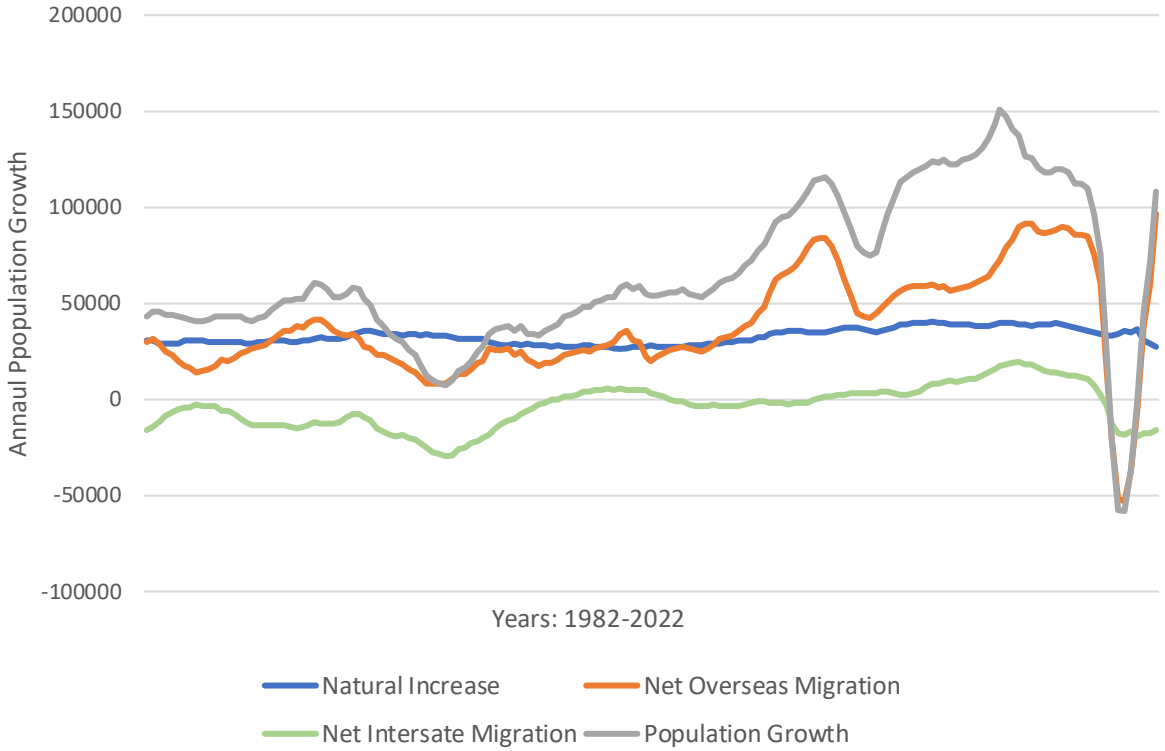
The key points of this graph show:

- Australia's population growth is volatile from year to year, mainly due to the variability in net overseas migration;
- in contrast, natural increase (births minus deaths) is a relatively stable contributor to Australia's population growth;
- national population growth increased significantly from the mid -2000's onwards. This was spurred by changes in Commonwealth Government immigration policies which led to increased temporary migration – mainly backpackers and students. Many of those temporary migrants became permanent residents once living in Australia;
- Covid-19 impacted significantly on national population growth. The closure of international borders cut off Australia's main source of population growth. In 2018-2019 Australia's population grew by 374,000 whereas in 2020-2021 it grew by only 33,000; and
- with the lifting of international movement restrictions in late 2021, national population growth is quickly reverting to pre-pandemic levels.

Victoria

Many of the features of Australia's population growth and its components are evident in Victoria, but with some subtle differences:

Graph 3: Components of Population Growth, Victoria, 1982-2022



Source: Australian Bureau of Statistics

The key points of the above graph show:

- Victoria's population growth, like Australia's has been volatile, with overseas migration being the main source of growth;
- however, over the last 10-15 years Victoria's share of overseas migration has generally been above its long-term average. This reflects Victoria's restructured and improved economy and likely also its relatively greater housing affordability when compared to Sydney;
- Victoria, for a long time a net loser of migrants to other states, has been a net gainer of interstate migrants for the last twenty years as its economy and attractiveness to people from other states has improved;
- following the outbreak of Covid-19, Victoria's population declined for the first time in a hundred years. In 2018-2019 Victoria's population grew by 113,000 whereas in 2020-2021 it shrank by 58,000; and
- like Australia, Victoria's growth is now recovering to, and at least temporarily going above, pre-pandemic levels, driven by a surge in net overseas migration.

Greater Melbourne

Greater Melbourne's growth has been relentless. As its population growth and its urban area spreads out, it has had an increasing impact on the central part of Regional Victoria, including Surf Coast.

In the years prior to Covid-19, Greater Melbourne's population growth was very high. Since the turn of the century over 1.5 million people had been added to its population. Its primacy in Victoria increased: 85% of Victoria's growth between 2000 and 2019 was in Melbourne.

Why did this happen? The simple demographic explanation points to Melbourne's attraction to overseas migrants. The more complex reason is that big cities such as Melbourne and Sydney were favoured by the structural changes in the economy. The transition to high order businesses and high-

income employment favoured big cities. Overseas migrants are drawn to the diverse cultures and to the job and education opportunities in large cities.

Thanks to Melbourne's revival, Victoria reversed its long-term losses of population interstate and increased its share of overseas migration.

But Melbourne's rapid growth put pressure on the city's infrastructure, services and housing. Transport often creaked under the weight of demand, services could not expand fast enough to keep pace and real house prices rose as increases in housing supply lagged increases in demand.

With the outbreak of Covid-19 and the closure of international borders, it was inevitable that Victoria and Melbourne would suffer the greatest impacts. Not only was the main source of population growth – new overseas migrants – cut off, but the many temporary migrants in Australia were encouraged by the Commonwealth Government to 'go home' and some did.

Melbourne's long hard lockdowns have also affected migration within Victoria and Australia. Melbourne's lockdowns led to Victoria experiencing net interstate migration losses, mainly to Queensland. Evidently few people wanted to move to lock-downed Melbourne while many other capitalised on any opportunity to escape lockdowns.

Meanwhile Regional Victoria experienced shorter and less severe lockdowns than Melbourne. Regional Victoria offered an escape hatch for many Melbournians. Throughout the last 50 years Regional Victoria has been a net gainer of people from Melbourne, mainly young families and retirees. Since the outbreak of Covid-19 Regional Victoria's population losses interstate have been largely offset by greater gains from Melbourne. Not only were more people escaping Melbourne, but fewer school leavers and young adults left for Melbourne. Normally these groups would be attracted to Melbourne's tertiary education and employment / career opportunities or just the bright lights of urban lifestyles. With Covid-19 lockdowns, however, universities stopped face to face teaching, new employment opportunities were scarce and the bright lights were turned off as urban lifestyles retreated behind closed doors.

In 2018-2019 Greater Melbourne's population grew by 88,000 whereas in 2020-2021 it shrank by 77,000. Within Australia, Victoria bore the brunt of Covid-19 and, within Victoria, Greater Melbourne bore the brunt.

Greater Geelong

As noted above there is considerable interaction between Geelong and Surf Coast which will continue and intensify as both grow.

The transformation of Geelong's economy and its consequent population growth over the last thirty years has been nothing short of remarkable. Part of this has come on the back of the Victoria's recovery, with restructuring of the economy away from traditional manufacturing industries to a more diverse service economy. Geelong, however, has epitomised this restructuring more than most other areas. Greater Geelong's five yearly population growth has been continuously increasing over the last thirty years, even weathering the worst consequences of the pandemic. Greater Geelong started to exceed Melbourne's growth rate in the three years prior to Covid-19 restrictions. In the future the ongoing growth of Melbourne and Geelong will exert a greater influence on Surf Coast, not just to live in, but also to holiday in and visit.

Table 9: Comparison of Geelong's and Melbourne's growth since 1991

	Greater Geelong's population growth	Greater Geelong – average annual population growth rate	Greater Melbourne – average annual population growth rate
1991-1996	2,268	0.2%	0.7%
1996-2001	7,989	0.9%	1.2%
2001-2006	9,961	1.0%	1.4%
2006-2011	14,342	1.4%	1.8%
2011-2016	23,692	2.1%	2.2%
2016-2021	31,403	2.5%	1.2%

Source: ABS Population Estimates

National and State outlook:

Covid -19, recent population growth fluctuations and a short term and unexpected surge in population growth

Recently published ABS data have surprised analysts by the size and pace of recent population change of Australia and Victoria. It's greater than that assumed in projections, such as those used in the two most recent Commonwealth Government budgets.

The ABS estimates are for Australia and States /Territories for 24th September 2023. This series of quarterly population estimates go back over 40 years and include the components of population change (ie migration and natural increase). The September estimates show that:

- Australia's population grew by 563,000 or 2.2% in the year up to 30/9/22, This demonstrated the impact of the lifting of border restrictions in late 2021. Australia's population growth was the highest since 2008.
- Victoria has participated in this rapid recovery. Up to 31/3/2023 Victoria's population increased by 162,000 or 2.4%, the fastest since 2016.

Table 10: Annual population growth rates, Victoria and Australia (December – Sept quarters)

Year to March	Victoria	Australia
2017-18	1.9%	1.5%
2018-19	1.9%	1.5%
2019-20	1.5%	1.4%
2020-21	-0.9%	0.1%
2021-22	0.8%	1.0%
2022-23	2.4%	2.2%

Source: ABS Population Estimates

Population Growth Outlook - Australia

The Commonwealth Government's Centre for Population (part of the Treasury) now provides annually updated population projections for Australia, States, Capital Cities and Rest of States. The last projections were published in January 2023. However, they only extend out for 11 years. National population growth is projected to be almost four million over the next eleven years. Victoria's share of that growth is 32%. Greater Melbourne is projected to grow by another million people.

The problem with recent projections at all levels is how to make assumptions about net overseas migration, given the turbulence of population before during and since Covid restrictions.

The Commonwealth Treasury has made the following assumptions:

Table 11: Net Overseas Migration Forecasts, Australia

Year	Net Overseas Migration Forecasts
2021-2022	184,000
2022-2023	400,000
2023-2024	315,000
2024-2025	260,000
2025-2026	260,000
2026-2027	260,000

Source: Budget Paper No. 3, Appendix A, Page 113

This has led to the following projections for Victoria and Greater Melbourne"

Table 12: Projected population growth for Australia, Victoria and Greater Melbourne, 2022-2033

	Australia	Victoria	Greater Melbourne
Growth, 2022-2033	3,959,500	1,268,100	1,078,000
Average Annual growth Rate, 2022-2033	1.3%	1.6%	1.8%

Source: Centre for Population, January 2023

Since these projections were published, quarterly ABS population growth show that there is a surge in net overseas migration. National projections were revised four months later for the May 2023 budget. Appendix A shows the latest report on Australia's population prospects.

The current national population growth outlook is that there will very high levels of growth (higher than pre Covid-19) for two years before a return to pre-Covid levels. The main reason for this – widely overlooked – is that there has been a significant fall in the number of people leaving Australia.

Appendix B contains the May 2023 Commonwealth Government Budget statement and an analysis of recent overseas migration trends by Prof Peter McDonald, a demography expert at Melbourne University.

3.5 Household and Dwelling Change

The 2016 and 2021 Australian Bureau of Statistics Population and Housing Census data was analysed for the municipal area and SA2s of Surf Coast to ascertain both the change in the number of households and residential dwellings.

Households

In 2021, it is estimated that there were 13,270 households across the municipal area of Surf Coast. This represents an average annual growth in households from 2016 of **621,** or an average annual increase of **5.5%** as measured.

Residential Dwellings

In 2021, it is estimated that there were 19,525 private residential dwellings across the municipal area of Surf Coast. From 2016 this represents an average annual growth in dwellings of **406,** or an average annual increase of **2.2% .**

Dwelling stock and change by SA2 from 2016 to 2021 includes:

- Winchelsea – a residential dwelling stock estimated at 2,588 in 2021, increasing by 50 dwellings per annum (2.0%) on an average annual basis from 2016;
- Lorne-Anglesea - a residential dwelling stock estimated at 6,208 in 2021, declining by 32 dwellings per annum (- 0.5%) on an average annual basis from 2016; and
- Torquay - a residential dwelling stock estimated at 10,642 in 2021, increasing by 388 dwellings per annum (4.1%) on an average annual basis from 2016.

There are significant stocks of unoccupied residential dwellings across the Shire. In 2021 there was an estimated stock of 6,255 unoccupied residential dwellings – a dwelling vacancy rate of 32%. This represents a substantial decrease in unoccupied dwellings as measured from 2016 – when there were 7,332 unoccupied dwellings or 42% of dwellings were unoccupied.

The stock of unoccupied residential dwellings across Surf Coast in 2021 varies significantly spatially, ranging from:

- 249 dwellings within the Winchelsea SA2 (10% vacancy rate);
- 2,218 dwellings within the Torquay SA2 (21% vacancy rate); and
- 3,781 dwellings within the Lorne-Anglesea SA2 (61% vacancy rate).

There has been a significantly greater growth of households compared to dwellings as measured from 2016 to 2021. To accommodate the additional household growth the existing stock of unoccupied dwellings was utilised.

3.6 State Government Projections – Victoria in Future 2023

3.6.1 Population and Dwellings

The Department of Transport and Planning prepares projections (*Victoria in Future*) for use across the Victorian Government. These projections are for population, the age structure of populations, households, household types and dwellings. They generally extend for 40 years for regions and for 15 years for smaller areas such as Local Government Areas and some smaller 'geographies' such as the ABS's SA2s.

The latest Victoria in Future projections show population, household and dwellings projections out to 2036 for Surf Coast Shire and other Local Government Areas and to 2051 for Victoria, Metropolitan Melbourne, Regional Victoria and regions. Surf Coast is in the Barwon Region which also encompasses Greater Geelong, Queenscliff and Colac-Otway.

Regional Growth

The six tables below show projected long-term growth, including for the Barwon Region.

Table 13: Projected Populations, 2021 - 2051

	2021	2036	2051
Barwon Region	334,125	443,169	547,469
Regional Victoria	1,634,770	1,960,428	2,284,592
Metro Melbourne	4,913,052	6,466,652	8,043,745
Victoria	**6,547,822**	**8,427,080**	**10,328,337**

Source: Victoria In Future, September 2023, Dept of Transport and Planning

Table 14: Projected Population Increases, 2021 - 2051

	2021-2036	2036-2051	2021-2051
Barwon Region	109,044	104,300	213,344
Regional Victoria	325,658	324,164	649,822
Metro Melbourne	1,553,600	1,577,093	3,130,693
Victoria	**1,879,258**	**1,901,257**	**3,780,515**

Source: Victoria In Future, September 2023, Dept of Transport and Planning

Table 15 : Projected Average Annual Population growth rates 2021 –2051

	2021-2036	2036-2051	2021-2051
Barwon Region	1.9%	1.4%	1.7%
Regional Victoria	1.2%	1.0%	1.1%
Metro Melbourne	1.8%	1.5%	1.7%
Victoria	**1.7%**	**1.4%**	**1.5%**

Source: Victoria In Future, September 2023, Dept of Transport and Planning

Table 16: Projected Dwelling Stock, 2021 - 2051

	2021	2036	2051
Barwon Region	156,863	211,442	262,587
Regional Victoria	774,471	960,166	1,141,227
Metro Melbourne	2,036,319	2,697,648	3,430,236
Victoria	**2,810,790**	**3,657,814**	**4,571,463**

Source: Victoria In Future, September 2023, Dept of Transport and Planning

Table 17: Projected Dwelling Increases, 2021 –2051

	2021-2036	2036-2051	2021-2051
Barwon Region	54,579	51,146	105,724
Regional Victoria	185,695	181,061	366,756
Metro Melbourne	661,329	732,588	1,393,917
Victoria	**847,024**	**913,649**	**1,760,673**

Source: Victoria In Future, September 2023, Dept of Transport and Planning

Table 18 : Projected Average Annual Growth in dwellings 2021 –2051

	2021-2036	2036-2051	2021-2051
Barwon Region	3,639	3,410	3,524
Regional Victoria	12,380	12,071	12,225
Metro Melbourne	44,089	48,839	46,464
Victoria	**56,468**	**60,910**	**58,689**

Source: Victoria In Future, September 2023, Dept of Transport and Planning

There are several things to note about these tables:

1. The large volume of dwelling growth that is projected to occur until mid-century …. 1.76 million additional dwellings by 2051. It represents a major planning challenge (dwelling construction, supporting infrastructure and services provision etc.) for most of Victoria.
2. Despite this, population growth rates are projected to slow over time. This is partly due to the ageing of the population which slows natural increase (births minus deaths) but mainly due to an assumption that net overseas migration will be a constant number (which implies a slower growth rate) over time.
3. Both short term (2021-2036) and long term (2021-2051) growth rates are lower, for all the areas listed above, than they were in the 10-30 years prior to the pandemic.

Consequently, the projections may be conservative. Victoria in Future only makes one set of projections using one set of assumptions.

Victoria in Future has a history of under-projecting growth. This has mainly been due to the fact that since these projections were first made back in the 1990s, Victoria has been on a continuous upward growth curve. Consequently, projections based on past trends have under-projected future growth. The problem has also bedevilled national projections (eg ABS and Commonwealth Treasury population projections).

Surf Coast- Population

The VIF projected population and dwelling growth for Surf Coast are as follows:

Table 19: Projected Population, Surf Coast, 2021-2036

SA2/LGA	2021	2026	2031	2036
Torquay	24,636	28,147	30,644	32,275
Winchelsea	6,585	7,014	7,570	8,077
Lorne - Anglesea	6,192	6,586	6,976	7,340
Surf Coast (S)	**37,648**	**42,070**	**45,510**	**48,010**

Source: Victoria In Future, September 2023, Dept of Transport and Planning

The projected annual population growth of the Surf Coast Shire between 2021 and 2036 is 1.6%. This is much slower than at any time since the Shire was established in the early 1990s. From 2016 to 2021, the actual population growth rate for Surf Coast was 4.3% per annum (1,437 persons per year), this compares to the projected population growth rate over the five years from 2021 at 2.2% per annum (or 884 persons per annum). – a significant forecast short-term decline in population growth.

Overall, Surf Coast is projected to grow its population by nearly 10,400 people or on average 690 person per annum from 2021 to 2036.

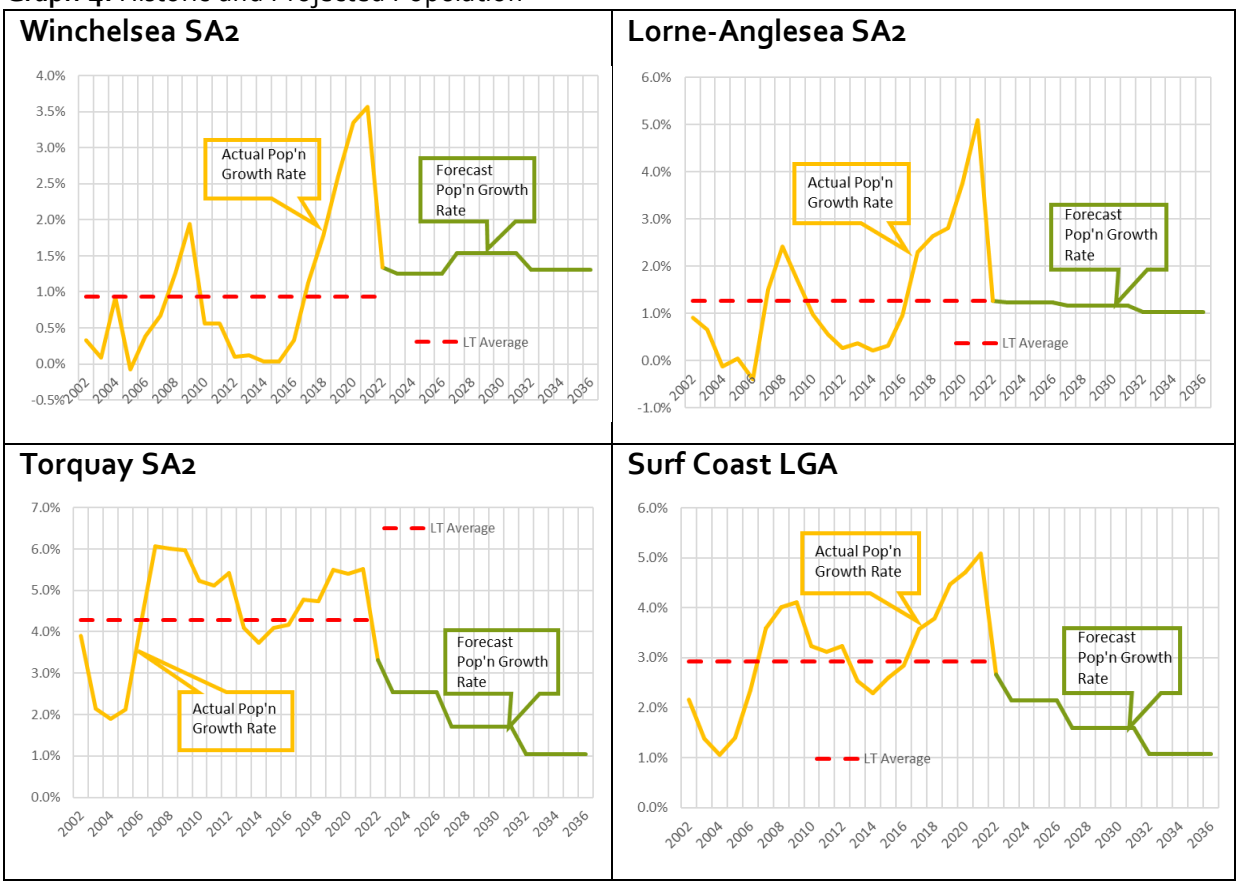
Forecast population growth varies across Surf Coast, by SA2 from 2021 to 2036:

- Winchelsea – a 1.4% average annual population growth rate or 99 persons per annum. This compares to an annual growth of 152 persons per annum from 2016 to 2021;
- Lorne-Anglesea - a 1.1% average annual population growth rate or 77 persons per annum. This compares to an annual growth of 186 persons per annum from 2016 to 2021; and
- Torquay - a 1.8% average annual population growth rate or 509 persons per annum. This compares to an annual growth of 1,100 persons per annum from 2016 to 2021.

It is not clear what assumptions underpin these VIF growth forecasts.

Graph 4 below summarises historic and forecast (VIF2023) population for Surf Coast and its' composite SA2's.

Graph 4: Historic and Projected Population



Source: Victoria In Future, September 2023, Dept of Transport and Planning

Surf Coast- Dwellings

Dwelling forecasts contained in VIF2023 largely follow the rate of growth of the population forecasts at an LGA and SA2 level. The notable exception is for the Winchelsea SA2 – from 2021 to 2036 it is forecast that the population growth rate will be 1.4% per annum compared to the dwelling growth rate of 2.4%.

From 2021 to 2036, it is forecast there will be an additional 5,200 dwellings or 346 dwellings per annum) across the Shire. Forecast increases in the residential dwelling stock by SA2 is summarised below:

- Winchelsea – an additional dwelling requirement of 1,142 or 76 dwellings per annum;
- Lorne-Anglesea - an additional dwelling requirement of 935 or 62 dwellings per annum; and
- Torquay - an additional dwelling requirement of 3,050 or 203 dwellings per annum.

Table 20: Projected Dwelling Stock, Surf Coast, 2021-2036

SA2/LGA	2021	2026	2031	2036
Torquay	11,096	12,596	13,496	14,146
Winchelsea	2,731	3,073	3,473	3,873
Lorne - Anglesea	6,760	7,060	7,385	7,695
Surf Coast (S)	**20,678**	**22,880**	**24,506**	**25,867**

Source: Victoria In Future, September 2023, Dept of Transport and Planning

Of the dwelling stock across Surf Coast there has historically and currently been a substantial stock of unoccupied residential dwellings – typically these dwellings are used as holiday houses and for short-term rentals. VIF2023 forecasts suggests that over-time the dwelling vacancy rate is likely to decline.

For the Torquay SA2 the dwelling vacancy rate as estimated by VIF2023 at 17% in 2021, over the years to 2036 this is expected to 'normalise' to the regional Victorian average of 12%. This is significant in that a component of the expected population growth is assumed to not be associated with corresponding new dwelling construction.

The dwelling vacancy rate in the Lorne-Anglesea SA2 is expected to maintain over the forecast period at nearly 60% of all dwellings.

3.6.2 Household Types

Households, equivalent to Occupied Private Dwellings (OPDs), generally grow directly in line with population, with the main variation over time being due to changes to average household size. Historically household sizes have been declining with small families and more single person or couple only households (due to ageing and social changes).

Total households in Surf Coast are forecast to grow from 2021 to 2036 by 4,654 at an average annual rate of 1.8%. This is greater than the projected population growth rate (1.6% per annum).

Household Type Composition

Projections by household type are contained in the VIF2023 forecasts for the period of 2021 to 2036 for Surf Coast. Household type projections provide useful insights to potential changes to the composition of future housing demand drivers.

The type of households that people live in and changing preferences over time affects the way in which a population changes. As people grow from children to adults and into old age, they change the type of households that they live in. The traditional path has been to start as a child in a family household, move into a group or lone person household as a youth, becoming a part of a couple relationship within 5-10 years. Rearing of children is followed by an 'empty-nester' period and ultimately being a lone person, as partners die.

Households at different ages are likely to have differing economic positions and needs. Young people are often more concerned with location than space, middle aged lone person household may be looking for more space for part-time care of children, older lone person households are likely to want to retain space for visiting family, but perhaps lower maintenance.

The implication is that the demand for these different types of housing may be met somewhat by the existing housing stock. However, over time it will require new and different approaches to planning and land development to enable this more diverse housing to be made available in the future.

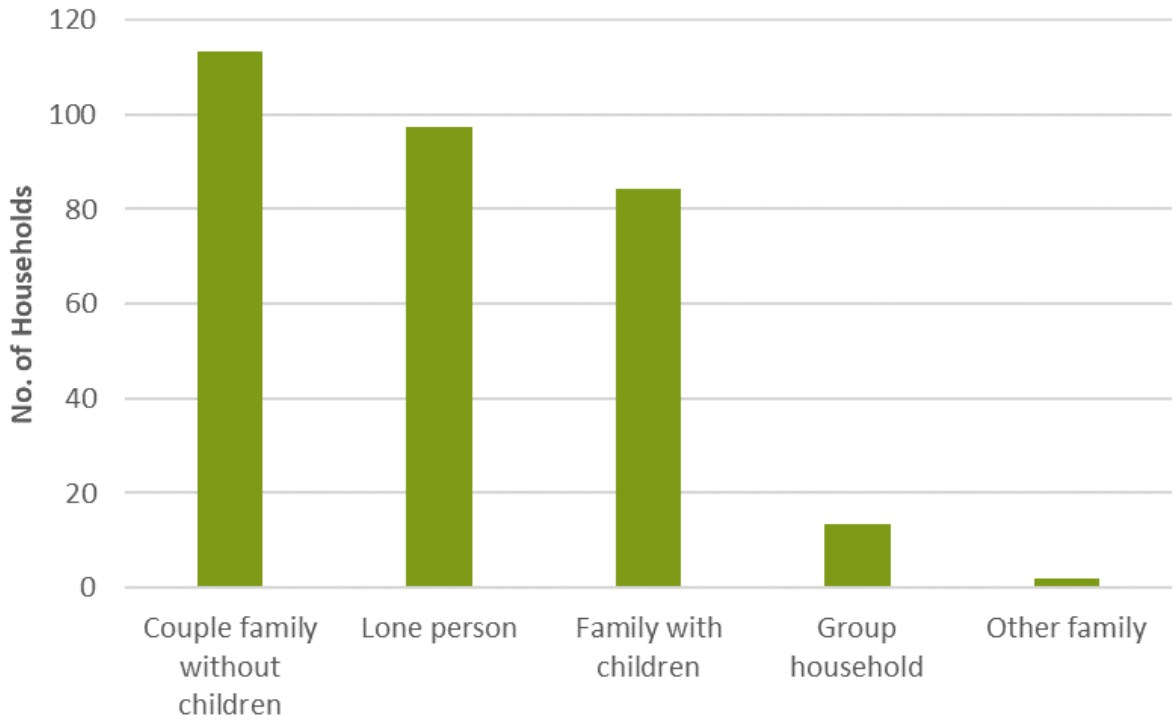
Understanding the changes that people make at different ages in their life, and the different types of housing they are likely to consume at those life stages is therefore an important factor in forecasting future population and household types.

While the forecast net growth in all households from 2021 to 2036 (4,654 at an average annual rate of 1.8 %), there are significant variations in the types of households over this period. It is however highlighted that the broad proportional distribution of the differing household types as measured over-time will largely be the same – although, over the fifteen years from 2021 various household types will increase at disparate rates.

The smaller one and two person households (Couple Only and Lone Person households) grow by the largest amounts (1,699 and 1,460 respectively) and at the fastest rates – 2.5% per annum for Lone Person and 2.1% per annum for Couple Only households from 2021 to 2036. This increase in the smaller households is usually connected with ageing – i.e. a higher proportion of empty nester, retiree and elderly households which are one and two persons only. Additionally, there is a social trend toward smaller households – more lone persons and smaller families. These two household types are forecast to represent 68% of the household growth in Surf Coast.

Households with children (comprised of couples with children and one parent families) are forecast to increase by 1,263 households – representing 27% of the increase in households to 2036.

Graph 5: Forecast average annual change by household type, Surf Coast – 2021 to 2036



Source: Victorian State Government – VIF2023

It is important to understand that these are **net change** figures only and are not representative of the many changes in households that will occur to 2036 across Surf Coast. This is sometime referred to as 'household churn'. People are constantly changing and rearranging their household situation over the course of their lives. For example:

- a young adult may live with their parent/s while studying or beginning work (Couple with Children household or Single Parent household);
- they may then move out of home and in with friends (Group household);
- then they can afford their own place (lone person household);
- then they move in with a partner (Couple only household); and
- then have children (Couple with Children household).

Looking at the growth in smaller household types from a demand composition perspective, there could potentially be demand for provision of diversification of dwelling stock, particularly the provision of more medium density dwellings. As outlined previously, this will cater not just for new residents but offer opportunities for existing households to change dwelling types as household characteristics change.

3.6.3 Age Structure

Looking a little deeper into the VIF2023 forecasts, we can see that the overall age structure of Surf Coast is projected to move in line with the broader social trend of an ageing population. This trend is more so evident in Surf Coast when compared to the rest of Victoria.

In 2021, approximately 19% of the population is described as either of retirement age and/or elderly compared to 16% across Victoria. In 2036 it is forecast that this population cohort will increase to 25% of the population across Surf Coast compared to 18% across Victoria.

While all of the age groups will grow, the highest proportional growth will be in the elderly (aged 80+ which more than double from 1,458 in 2021 to 3,706 people in 2036). This will be due to continuing increasing life expectancy and ageing in place – i.e. most of these 80+ year old's in 2036 are already living in Surf Coast (and are in 70's now). Population growth across Surf Coast is anticipated to increase by 1.8% per annum until 2036, people aged over 80 are anticipated to increase by 6.4% per annum.

Children (under the age of 19) are anticipated to remain relatively constant in absolute terms – increasing in total by 665 children from 2021 to 2036 – an average annual growth rate of just 0.4%

Graph 6: Forecast population age structure, Surf Coast LGA – 2021 to 2036

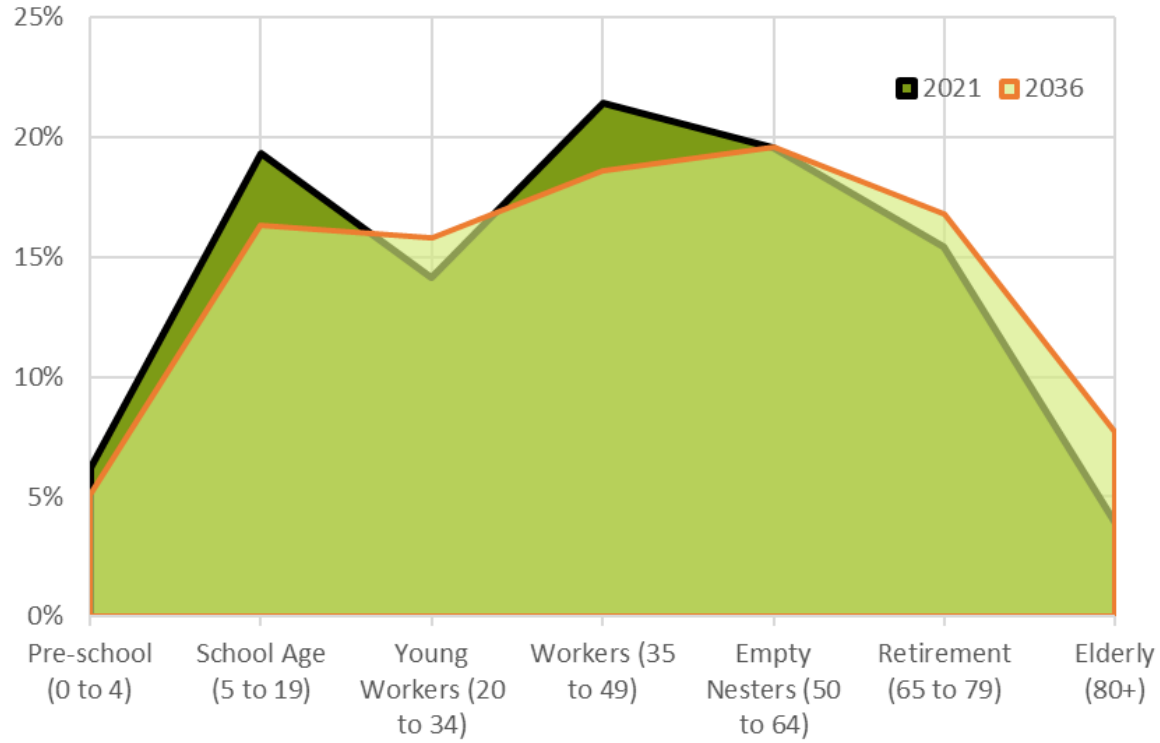
Source: Victorian State Government – VIF2023

It is often highlighted with various strategic planning exercises the issue of the ageing of the population and its various impacts on service provision and changing housing and accommodation needs. However, Graph 7 illustrates the proportional distribution of the population by age structure at 2021 and 2036.

It illustrates the age structure will largely be the same during this period, with exception to a higher proportion in the older age groups and children. Specifically, in 2021, 4% of the population of Surf Coast is estimated to be aged 80+, increasing to 8% of the population by 2036. In comparison, children (persons aged under 19) are anticipated to represent 21% of the population in 2036 declining from 26% in 2021.

The key message is that there will be strong growth rates of elderly people in the future although the age structure will still be relatively like the current situation.

Graph 7: Proportional population distribution by age cohort – Surf Coast, 2021 and 2036



Source: Victorian State Government – VIF2023

There is not an available projection for dwellings by type for Surf Coast. However, it is likely that, while there is a remaining greenfield land supply in Torquay, most of the demand will continue to be for separate houses, rather than medium or higher density dwellings. However, looking at the growth in smaller and ageing households, there may be some demand for provision of smaller dwellings (even if they are smaller separate houses). This is currently being evidenced by the strong recent lot/housing construction of 'lifestyle' or retirement villages in regional municipalities (including Surf Coast).

3.7 Should a single growth forecast be relied upon for longer term strategic planning?

VIF2023 demographic projections are undertaken and approved by the State Government and are prepared using a well-established and accepted methodology and incorporate generally sound assumptions.

However, it is reasonable to question whether a single set of growth forecasts should be used in assessing medium to longer-term adequacy of residential land stocks given the inherent uncertainty surrounding future growth.

Spatial Economics believes that current best practice is to utilise a realistic range of growth scenarios when preparing medium and longer-term strategic plans. This has the advantage of recognising the inherent uncertainty involved in any medium to longer-term forecast. It also allows the strategy to be 'stress tested' and helps ensure that land use and infrastructure plans have the flexibility to cope with unexpected changes in growth rates.

The inherent uncertainty associated with any medium to longer-term forecast of population growth is widely accepted. As stated within the VIF2023 publication:

> *"VIF2023 is not an exact prediction or forecast of the future. Uncertainty about the future increases over longer projection horizons and with smaller disaggregations, geographic or sectoral. Different policy settings and changes in the economy could result in changes to the expected size, distribution and characteristics of the population."*

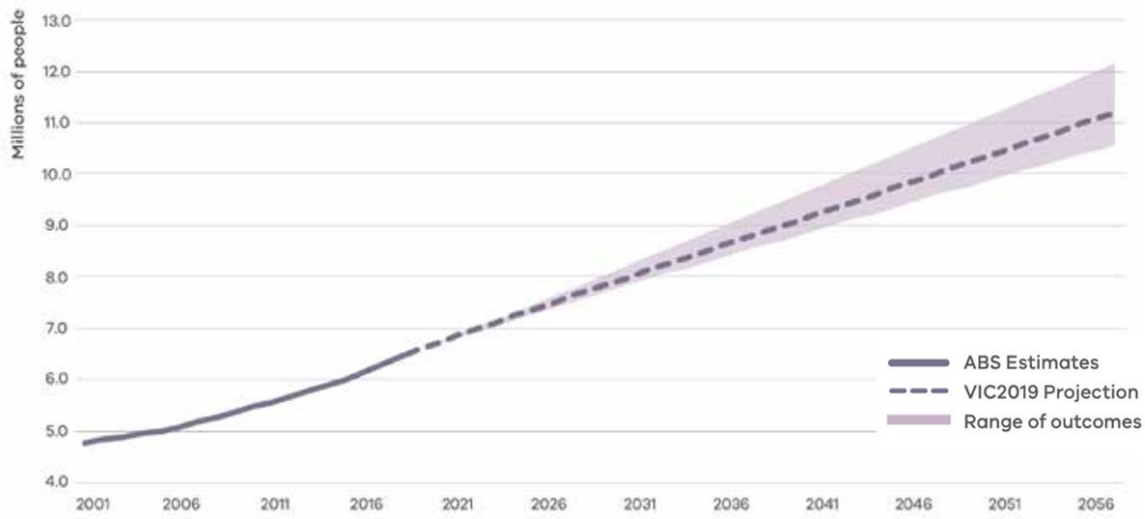
For example, VIF2019 presented a range of growth forecasts for Victoria and, in its introduction says:

> *"Population projections are estimates of the future size, distribution and characteristics of the population. They are developed by applying mathematical models and expert knowledge of the likely population trends to the base population.*
>
> *Projections provide information about population change over space and time but they are not predictions of the future. They are not targets nor do they reflect the expected effects of current and future policies.*
>
> *The projections give an idea of what is likely to happen if current trends continue. They may indicate a need to manage change to achieve preferred outcomes or to mitigate the impacts of no-preferred outcomes"*

In relation to growth projections for Victoria as a whole VIF2019 says:

> *"Under the VIF2019 assumptions Victoria is projected to add 4.7 million people from 2018 to 2056, reaching a population of 11.2 million. This represents annual average growth of 125,000 people, at a rate of 1.5% per annum.*
>
> *Conditions and trends may change in the future, however, and if other assumptions were used, different growth levels would result. Migration levels are more sensitive to changes in policy or economic conditions than births or deaths. Graph 8* (see below) *shows population growth outcomes with different migration assumptions, illustrating average annual growth in each scenario, not the volatility of growth in individual years."*

Graph 8: Projected population, Victoria" range of outcomes



The unavoidable uncertainly associated especially with assumptions regarding the rate of net overseas migration is very clearly illustrated by the recent experience with the impact of the Covid19 pandemic on migration and population growth.

VIF2023 does not present multiple growth scenarios for individual regions or municipal areas. This presumably reflects a judgement that to do so would be likely to lead to confusion and could result in 'projection shopping' by those seeking to advance particular points of view either in favour of or expressing concern regarding future growth.

However, the decision to present only a single set of projections in VIF2023 does not remove the

uncertainty associated with regional and municipal projections. Instead, it avoids addressing the issue. Indeed, the smaller the forecast area (e.g. region as against State, LGA as against region, SA2 as against LGA) the greater the uncertainty that is unavoidably associated with any medium or longer-term growth projection.

The question must still be addressed - how robust can we expect population projections for a regional municipality the size of Surf Coast to be?

Demographer Tom Wilson of Charles Darwin University has reviewed state government prepared population projections for sub-state regions and municipalities in Australia. He has done so with both the benefit of hindsight and with local and regional population estimates that the ABS has published since the projections were prepared. His conclusions were as follows:

- Five year projections were better than ten year projections;
- Large area projections were a lot better than small area projections;
- While small area projections have large errors, for places of more than 100,000 people most projections were within 5% for a ten year period;
- For areas under 10,000 people, projections were highly error prone.
- For places over 25,000 people, the correct direction of change (i.e. gain or loss) was projected in 90% of cases;
- For places under 2,000 people, 60% of projections did not project the correct direction of population change.

These findings correspond with similar research undertaken in the UK. This led Wilson to suggest a realistic 'shelf life' for projections.

Table 21: Shelf life of population projections

Place size (pop'n)	Shelf life of population projections (years)
<2,500	3
2,500 – 10,000	7
10,000 – 50,000	12
50,000 – 100,000	14
>100,000	15

Source: Tom Wilson, Paper presented to Australian Population Association conference, 2016

For the current purpose the key point is that longer term projections are inherently problematic and this needs to be taken into account in sound strategic planning.

Responding to uncertainty in small area projections

Two ways of dealing with this uncertainty are to:

Firstly, always consider a range of possible future growth scenarios. We can use a projection as a base-scenario and then consider lower and higher growth scenarios, so that when planning for the future we are not putting 'all our eggs in one basket'. Rather, it is desirable to plan for a range of possible outcomes, and adjust those plans over time. The five-yearly Census cycle is a useful time period in which to review and re-project population and dwelling demand.

Secondly, projections should always be thought of as being as much about 'when' as 'how much'. It is common to focus on the number provided for a specific time (e.g. 1,319 more people by 2041) but it is

likely to be more useful to focus on issues such as 'how long is it likely to take to see growth of another 1,500 (or whatever) people in this location'.

In terms of which way to 'lean' – towards assuming higher or lower growth, it is advisable to over-plan (plan for faster growth) than under-plan. If we plan for faster growth and it does not materialise, we can simply slow down the implementation of the plan, whereas if growth is faster than we planned for, planning and service agencies can be caught short, and need to scramble to catch up resulting in inadequate housing supplies, increasing affordability problems and communities facing years waiting for adequate facilities and services.

Spatial Economics has therefore chosen to utilise a range of growth forecasts in assessing the adequacy of residential land supplies in Surf Coast.

3.7.1 Dwelling Demand Scenarios – Surf Coast

Spatial Economics have developed a series of alternative population and dwelling projections for Surf Coast Shire and its four parts: Lorne – Anglesea, Torquay – Jan Juc, Winchelsea and the rural hinterland. These scenarios will be developed against a background of strong demand for housing in Surf Coast Shire, given the volume of population growth that is projected by the Commonwealth and Victorian Governments to occur on Surf Coast's doorstep: Greater Melbourne and Geelong.

These projections are contained in a report titled: Growth Projections: for the Urban Futures Strategy: Surf Coast Shire Council, 2024.

In summary two alternative growth projections at a municipal level are included in our demand scenarios, in addition to VIF2023 in estimating the years of supply for current residential land supply stocks.

The three demand scenarios presented to assess the adequacy of residential land stocks for the municipal area of Surf Coast include:

4. **Scenario 1:VIF2023**- the Victorian Government's official population projections *'Victoria in Future 2023' (VIF2023*). This publication sets out population, household and dwelling growth projections to 2036 for all regions and local government areas in Victoria.
5. **Scenario 2:- Moderate Long Term Growth**. The key difference to Scenario 1 is that assumes greater rates of population growth over the 15 years from 2021 in both Torquay and Winchelsea and lower rates of population growth in Lorne-Anglesea.
6. **Scenario 3**:- **Stronger Long-Term Growth**. The key difference to Scenario 2 is that it assumes greater rates of population growth over the 15 years from 2036 in Winchelsea. The total population growth from 2036 to 2051 in Scenario 2 is 7,691 compared to 15,953 in Scenario 3.

In Spatial Economics opinion, all three growth scenarios are highly plausible – the key message is the need to plan for the inevitable environment of uncertainly in the context of likely continued future strong rates of population growth at a wider regional level.

In summary the results of the three growth scenarios from 2021 to 2036 are:

Scenario 1

- Total population growth of 10,362 or 691 persons per annum (1.6% growth rate)
- Total dwelling growth of 5,189 or 346 dwellings per annum (1.5% growth rate)

Scenario 2

- Total population growth of 11,380 or 759 persons per annum (1.8% growth rate)
- Total dwelling growth of 5,756 or 384 dwellings per annum (1.7% growth rate)

Scenario 3

- Total population growth of 11,555 or 770 persons per annum (1.8% growth rate)
- Total dwelling growth of 5,783 or 386 dwellings per annum (1.7% growth rate)

It is highlighted that there is minimal difference in Scenarios 2 and 3 for the first 15 years of the projections. However, there is a significant difference in growth rates in the 15 years from 2036, specifically:

Scenario 2

- Total population growth of 7,691 or 513 persons per annum (1.0% growth rate)
- Total dwelling growth of 3,789 or 253 dwellings per annum (0.9% growth rate)

Scenario 3

- Total population growth of 15,953 or 1,064 persons per annum (1.9% growth rate)
- Total dwelling growth of 6,968 or 465 dwellings per annum (1.6% growth rate)

ViF2023 does not contain demographic projections post 2036 at an LGA or SA2 level.

Key Issues

The Victorian State government produce regular population projections known as 'Victoria in Future' (VIF). The latest data available is for 2023.

VIF2023 projections for Surf Coast illustrate population growth from 2021 to 2026 will likely grow on an average annual basis by 2.2%. Historical population growth for Surf Coast as measured from 2016 to 2022 was 4.1% per annum.

Surf Coast's main source of population growth has been from internal migration, particularly from inner Melbourne LGAs which: a) have substantial existing population bases; and b) have historic and projected strong rates of population growth. Compounding the potential ongoing demand for housing demand in Surf Coast is the close linkages to the neighboring LGA of Geelong – which is also expected to continue to experience strong population growth into the foreseeable future.

The single most important factor driving the demand for housing in the Surf Coast Shire over the next thirty years will continue to be the growth of the population in Geelong and Melbourne. Greater Geelong already has seven times the population of Surf Coast Shire while Greater Melbourne has twenty times the population of Greater Geelong. The last twenty years have shown that when Melbourne's population growth is fast, more people migrate out of Melbourne into regional Victoria. Among the prime 'targets' of that outmigration is the Geelong – Surf Coast region. VIF 2023 projects Greater Melbourne to grow by over 3 million between 2021 and 2051, to reach 8 million people.

It is Spatial Economics' opinion that there is no clear reason why recent population growth trends in Surf Coast will not continue, particularly if suitable housing products continue to be supplied.

This illustrates the importance of regular monitoring of a variety of demand indicators and of planning for a range of growth scenarios given the inherent uncertainty of any housing demand projection.

4.0 Recent Residential Development Activity

Key Findings

As measured over the last ten years, residential building approvals in Surf Coast averaged 472 per annum. Of which, 90% were for separate dwellings whilst 10% were for medium density housing. This is a typical outcome for regional Victoria.

Residential building approval activity increased from 2017 to 2020 – averaging 610 approvals per annum over this period. The peak level of approval activity was in 2018/19 at 727. This steadily declined over the subsequent years to a historic low of just 261 approvals in 2022/23.

Over the last 10.75 years, residential lot construction has averaged 380 per annum. In 2015/16 peak level of residential lot construction was achieved at 723. In 2022/23 there was a total of just 64 residential lots constructed. In the first nine months of 2023/24, a total of 287 residential lots were constructed.

Of the lot construction activity measured since 2013:

- 3% was major infill (10 lots per annum);
- 9% was rural residential (35 lots per annum);
- 16% was dispersed/minor infill (60 lots per annum); and
- 72% was urban greenfield (275 lots per annum).

Residential lot construction activity as measured over the last ten financial years was primarily concentrated within Torquay/Jan-Juc which accounted for 78% of residential lot construction across Surf Coast – or around 300 lots per annum.

The remaining significant lot construction activity was located at:

- Winchelsea - with 40 lots constructed per annum;
- Bellbrae - 16 lots constructed per annum;
- Anglesea - 9 lots constructed per annum; and
- Moriac - 6 lots constructed per annum.

Vacant Residential Lot Sales Activity

Comparatively vacant residential land pricing in Surf Coast is relatively unaffordable. In 2022, the median sales price of a vacant residential allotment was $665,000. The median sales price of other select Victorian jurisdictions in 2022 include:

- $250,000 in Golden Plains;
- $330,000 in Wyndham;
- $398,500 in Greater Geelong; and
- $367,000 across metropolitan Melbourne.

Section 4.0 of this report details the recent activity of residential lot construction and dwelling approvals across the municipal area of Surf Coast. Residential lot construction activity is detailed from July 2007 to March 2024.

This section of the report details residential lot construction by location, supply type, achieved densities, project size/yield and sales pricing of constructed residential lots.

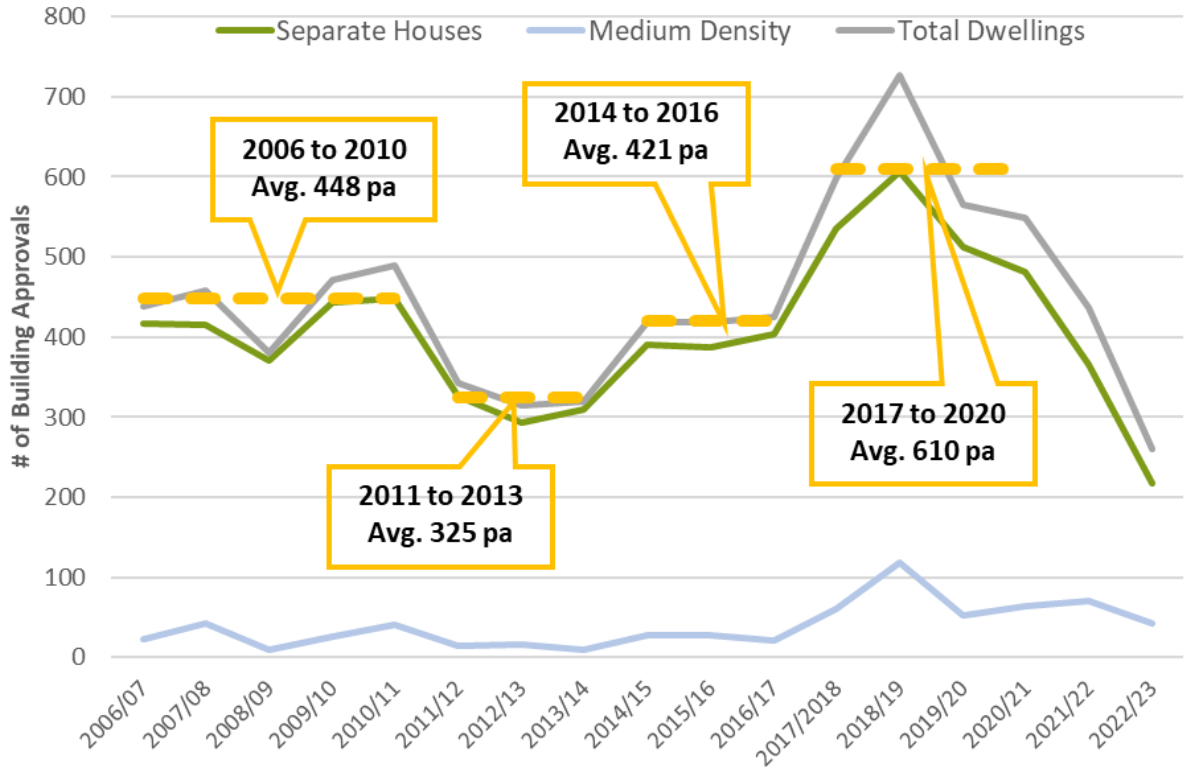
Where appropriate, comparisons to other regional Victorian jurisdictions are included.

4.1. Residential Building Approvals

As measured over the last ten years, residential building approvals in Surf Coast averaged 472 per annum. Of which, 90% were for separate dwellings whilst 10% were for medium density housing, which is a typical outcome for regional Victoria.

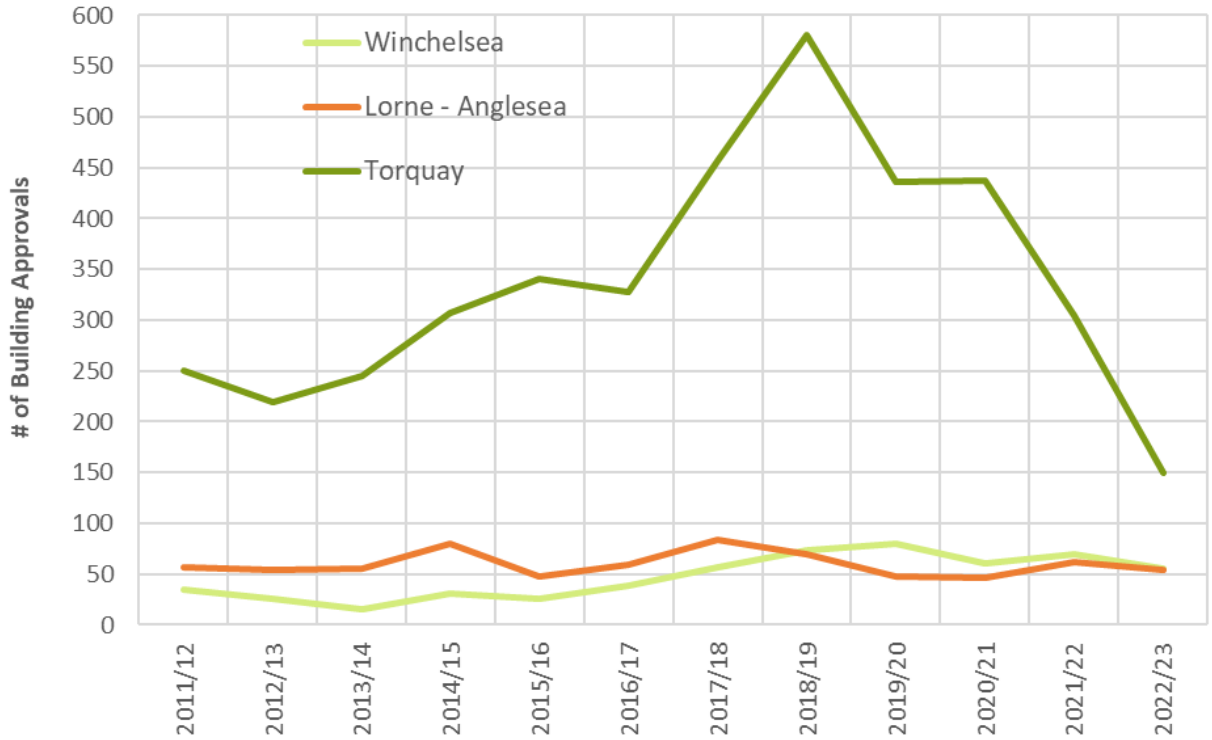
Residential building approval activity illustrated increasing trends from 2017 to 2020 – averaging over this period 610 approvals per annum. Peak levels of approval activity were in 2018/19 at 727 steadily declining over the proceeding years to a historic low of just 261 approvals in 2022/23.

Graph 9: Residential Building Approvals by Type – Surf Coast, 2007 to 2023



Source: Australian Bureau of Statistics

Graph 10: Residential Building Approvals by SA2 – Surf Coast, 2012 to 2023



Source: Australian Bureau of Statistics

Residential building approvals have been disparate across Surf Coast, the majority or 76% of building approval activity was located in the Torquay SA2. Over the last ten years, residential building approval has averaged:

- 51 in the Winchelsea SA2;
- 60 in the Lorne-Anglesea SA2; and
- 359 on the Torquay SA2.

The significant decline in residential building approval activity across Surf Coast over the last two years is solely attributable to the decline in activity within the Torquay SA2 – this correlate (outlined below) with the decline in residential lot production in the Torquay SA2.

Building approval activity within the Winchelsea and Lorne-Anglesea Sa2's has been relatively consistent over-time.

4.2 Residential Lot Construction

Analysis has been undertaken to determine, on a lot by lot basis, the location, supply type and quantum of residential lot construction across the municipal area of Surf Coast by financial year from 2007 to March 2024. Lot construction activity has been classified into distinct supply types and/or supply locations.

Over the last 10.75 years, residential lot construction has averaged 380 per annum. In 2022/23 there was a total of just 64 residential lots constructed. In the first nine months of 2023/24 a total of 287 residential lots were constructed. In 2015/16 peak level of residential lot construction was achieved at 723.

Lot construction activity, measured on an annual basis, is significantly more cyclical compared to building approval activity.

Of the lot construction activity measured since 2013:

- 3% was major infill (10 lots per annum);
- 9% was rural residential (35 lots per annum);
- 16% was dispersed/minor infill (60 lots per annum); and
- 72% was urban greenfield (275 lots per annum).

4.3 Location of Residential Development Activity

Residential lot construction activity as measured over the last 10.75 financial years was primarily concentrated within the locality of Torquay/Jan-Juc, this was the location of 78% of residential lot construction across Surf Coast – or around 300 lots per annum.

The remaining significant lot construction activity was located at:

- Winchelsea - with 40 lots constructed per annum;
- Bellbrae - 16 lots constructed per annum;
- Anglesea - 9 lots constructed per annum; and
- Moriac - 6 lots constructed per annum.

4.4 Lot Construction by Supply Type

Urban greenfield residential lot construction has been and is currently the dominant form of residential lot construction activity. Since 2013, as noted above, this form of lot construction has averaged 72% of the total activity.

It is not expected that the reliance of greenfield lot construction activity will change in the short to medium term.

Dispersed infill development has consistently delivered approximately 16% of all lot construction activity or around 60 net lots per annum. This is an important supply source. As will be detailed later it:

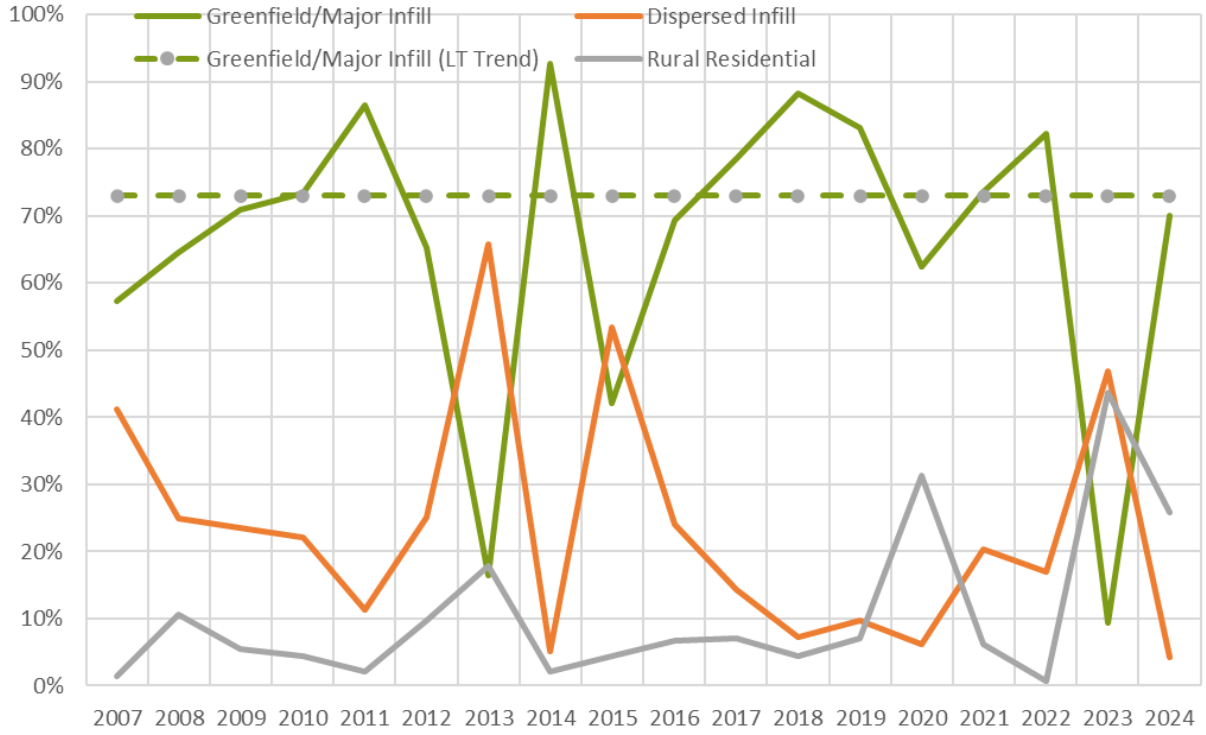
- provides a wide range of residential products;
- a significant land supply source within the smaller townships;
- is distributed widely across the established urban areas; and
- contributes to urban containment/development of under-utilised land parcels.

Dispersed infill development across the Surf Coast municipality is not simply developing '*low hanging fruit*'. Infill development is characterised by a wide range of yields, densities and project sizes. Dispersed infill development is currently a valuable and strategically important supply source, which will become increasingly important over-time.

The contribution of rural residential lot construction activity has also been significant, equating to 9% of all lot construction. It is nearly solely constructed on land zoned Low Density Residential (LDRZ). Rural residential lot construction is expected to significantly decline in the short-term due to a lack of zoned and future identified supply opportunities.

Graph 11 below illustrates the continued dominance of urban greenfield lot construction activity.

Graph 11: Share of Residential Development Activity by Supply Type – Surf Coast Shire



Source: Spatial Economics Pty Ltd
Note 2024 refer to 9 months of activity to March 2024

4.5 Dispersed/Minor Infill Lot Construction

The following provides an overview of the development outcomes of dispersed infill development activity across the municipal area of Surf Coast. Dispersed infill activity is a significant supply source across the municipality, accounting for 16% of lot construction activity over the last 10.75 years.

It is important to understand the characteristics of dispersed infill development, so land use planning policy can further enhance development outcomes and optimize this as a supply source in the future.

Approximately 57% of all dispersed infill lot construction over the last 10.75 years has been located within Torquay/Jan-Juc (363 net lots). There has also been significant activity in Winchelsea (108 lots), Aireys Inlet (58 lots), Anglesea (56 lots) and Lorne (35 lots).

4.5.1 Dispersed/Minor Infill Supply – Achieved Densities

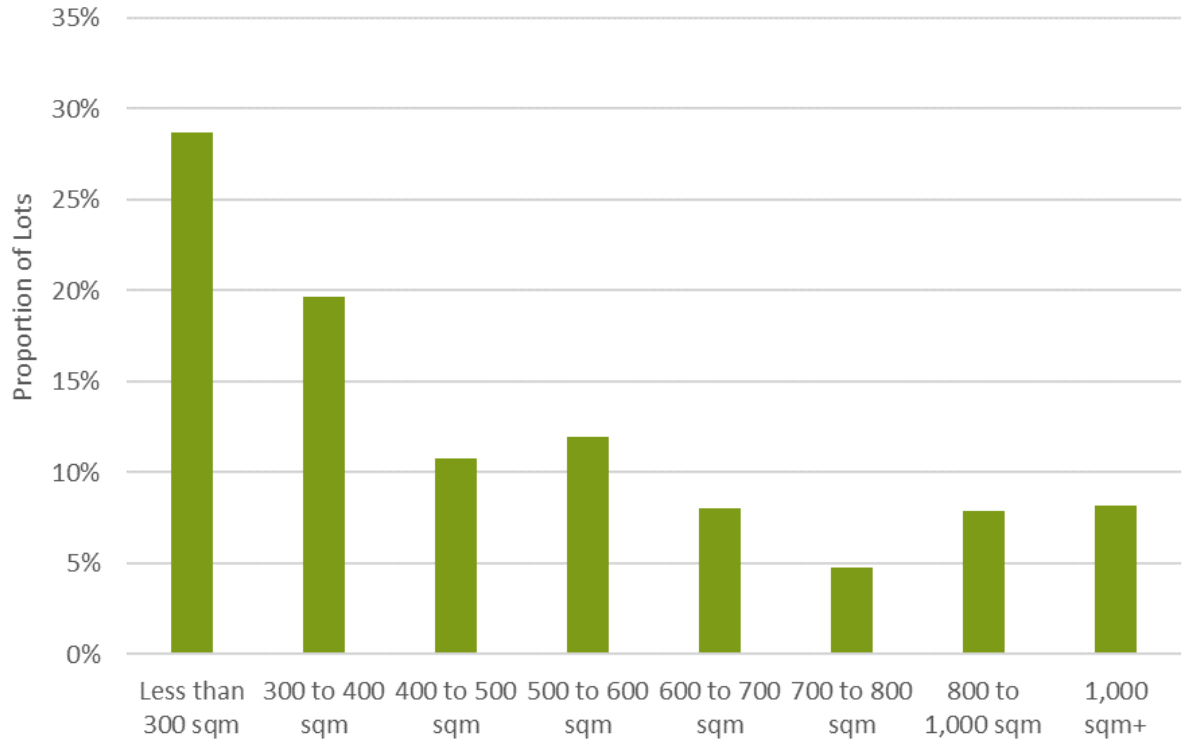
Dispersed infill lot construction activity across Surf Coast is achieving a wide range of lot densities, including a significant proportion of larger lots.

The size distribution of newly constructed minor infill lots is shown in the graph below.

Over the last 10.75 years, 59% of all dispersed infill subdivision activity resulted in lots sized less than 500 sqm. A significant proportion (16%) were larger sized lots i.e. over 800 sqm.

The graph below illustrates the lot size range for constructed dispersed infill lots across Surf Coast.

Graph 12: Dispersed Infill - Achieved Lot Size Cohorts, 2013 to 2024



Source: Spatial Economics Pty Ltd

The median size of a constructed dispersed infill lot since 2014 is approximately 411 sqm. This has decreased over-time.

In summary, dispersed infill lot construction across Surf Coast is characterised by a diverse range of lot sizes.

4.5.2 Dispersed/Minor Infill Supply – Parent Lot Size

Dispersed residential infill development across Surf Coast is primarily sourced from 'moderately' sized 'parent' lots, whether vacant or with an existing dwelling. The graph below illustrates the 'parent' lot size distribution for dispersed infill projects over the last 10.75 years.

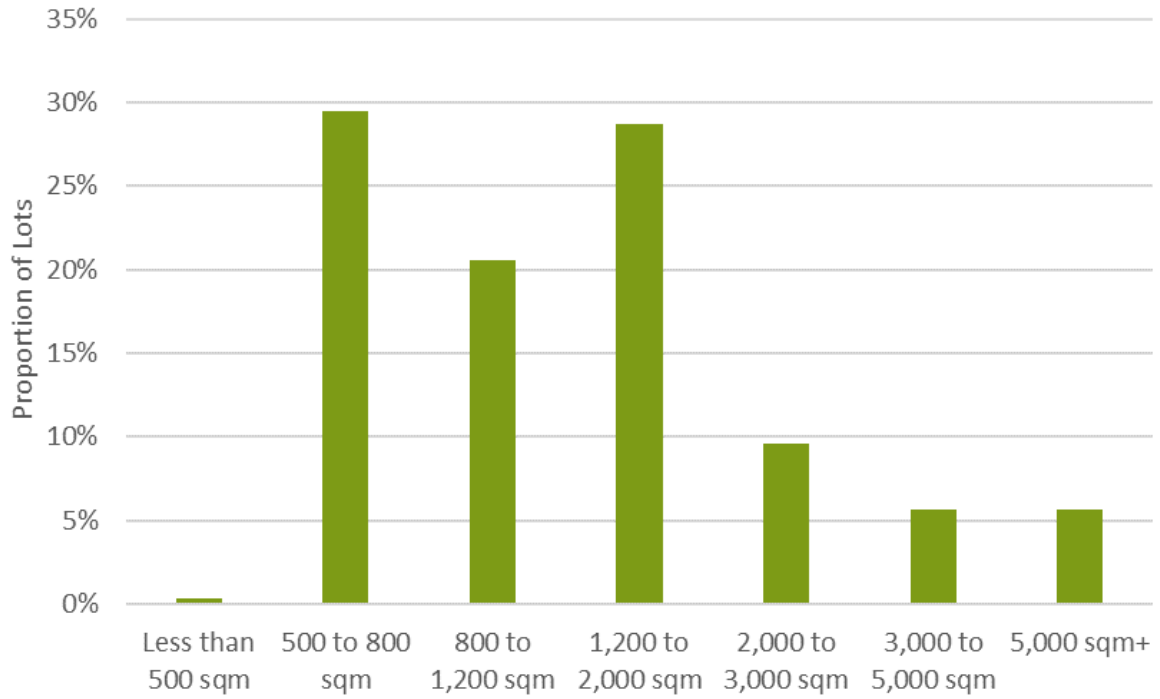
The experience from other regional LGAs suggests that as the supply of larger parent lots decreases, and land prices continue to rise in the established urban area, the development industry will find it profitable to re-subdivide smaller parent lots.

Of particular strategic importance is the significant volume of dispersed infill projects sourced from parent lots sized less than 2,000 sqm. Approximately 79% of all dispersed infill projects were sourced from parent lots sized less than 2,000 sqm and importantly nearly 30% from lots sized from 500 to 800 sqm.

This reliance on relatively moderate parent lot sizes (particularly within the established urban area of Torquay/Jan-Juc) illustrates the significant latent supply potential.

Note: - parent lot size refers to the size of the allotment prior to subdivision.

Graph 13: Parent Lot Size of Dispersed Infill Projects, 2013 to 2024



Source: Spatial Economics Pty Ltd

4.5.3 Dispersed/Minor Infill Supply – Project Size and Yield

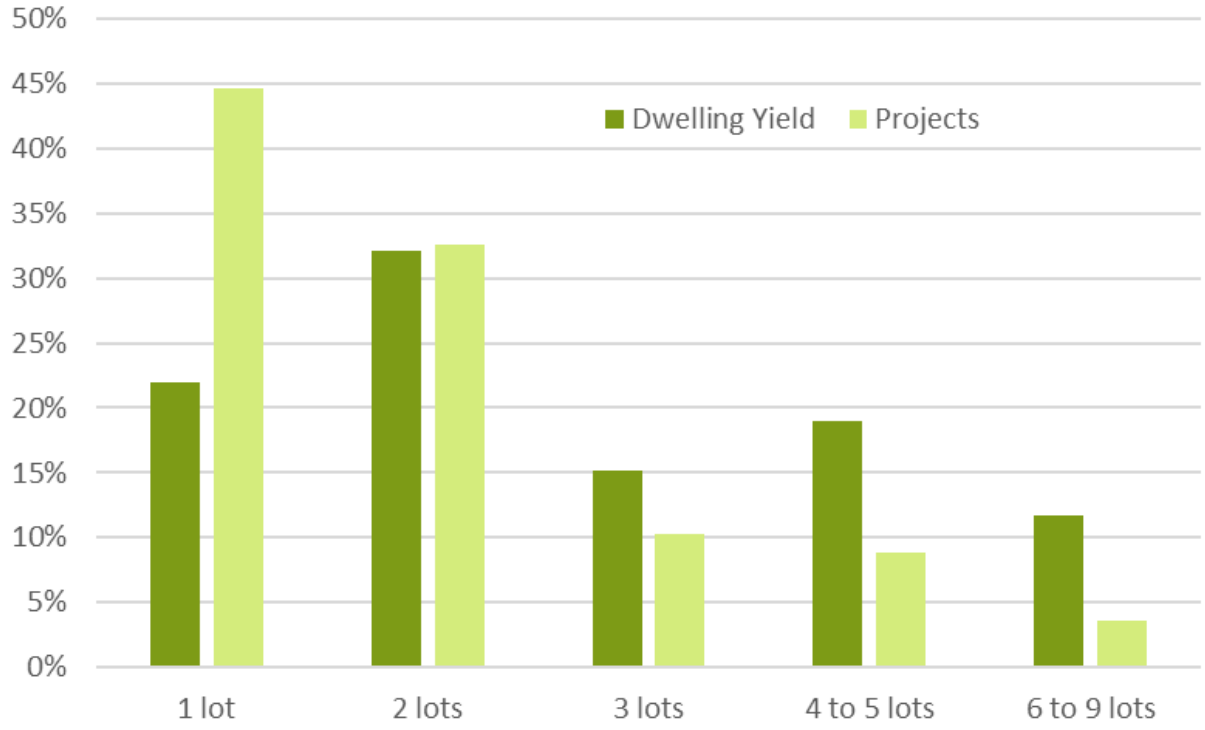
Dispersed infill development projects typically have relatively 'small' **net** lot yield across Surf Coast. As an average, measured over the last 10.75 years a typical infill project will yield two additional or net lots.

Of the dispersed infill lots constructed nearly 70% of the lot yield was from projects that had a yield of three or less net lots. In comparison, only 12% of the lot yield were from projects that had a dwelling yield of six to nine lots.

This form of development can be categorised as typically suburban backyard subdivision projects undertaken by the cottage building industry.

Based on the achieved lot densities and parent lot sizes, there is considerable scope to increase densities/yields within the established urban areas across Surf Coast.

Graph 14: Dispersed Infill Development – Lot Yield (net) & Project Size Distribution, 2013 to 2024



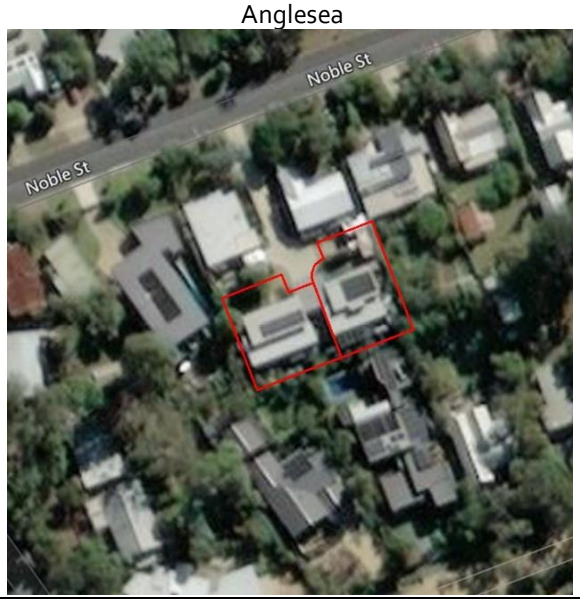
Source: Spatial Economics Pty Ltd

Image 2: Dispersed Infill Lot Construction Examples – Surf Coast

Torquay

Winchelsea

Anglesea



Lorne

4.6 Urban Greenfield Lot Construction

As previously outlined, greenfield lot construction activity has averaged 275 lots per annum over the previous 10.75 years. The peak volume of greenfield lot construction activity was achieved in 2017/18 and 2018/19, at 513 and 517 lots respectively. Since this period, greenfield lot construction is well below peak production and reflecting a downward trend in production.

Greenfield lot construction in Surf Coast historically, is characterised by 'lumpy' levels of production volumes.

Approximately 90% of all greenfield lot construction over the last 10.75 years has been located within Torquay (2,612 lots in total). There has also been significant activity in Winchelsea (238 lots) and some activity in Bellbrae (90 lots).

As outlined previously, greenfield lot construction represents approximately 72% of all residential lot construction activity across the municipality over the last 10.75 years. Based on 1) the existing composition of demand and 2) the existing and planned composition of residential land stocks,

Spatial Economics considers that the contribution of greenfield development will remain at these levels for the short to medium term.

4.6.1 Urban Greenfield Lot Construction – Diversity

Lots constructed from greenfield supply sources across Surf Coast are typically larger in size when compared to either Greater Geelong and Melbourne's greenfield growth areas. Graph 15 below illustrates the diversity of greenfield lot construction.

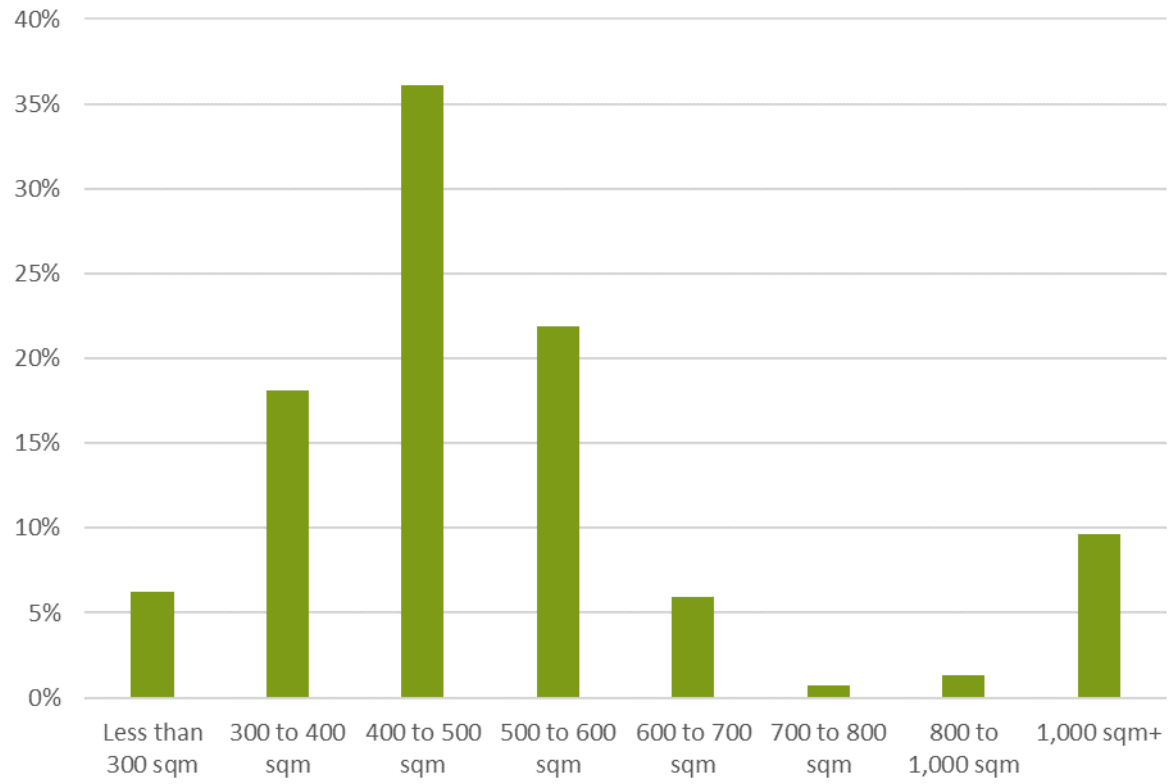
Of the greenfield lot construction activity over the last 10.75 years:

- 6% were compact (sized less than 300 sqm);
- 54% were suburban (sized 300 to 500 sqm);
- 30% were large suburban (500 to 1,000 sqm); and
- 10% were low density suburban (over 1,000 sqm).

The construction of relatively larger lots has been a response by the development industry to consumer preferences.

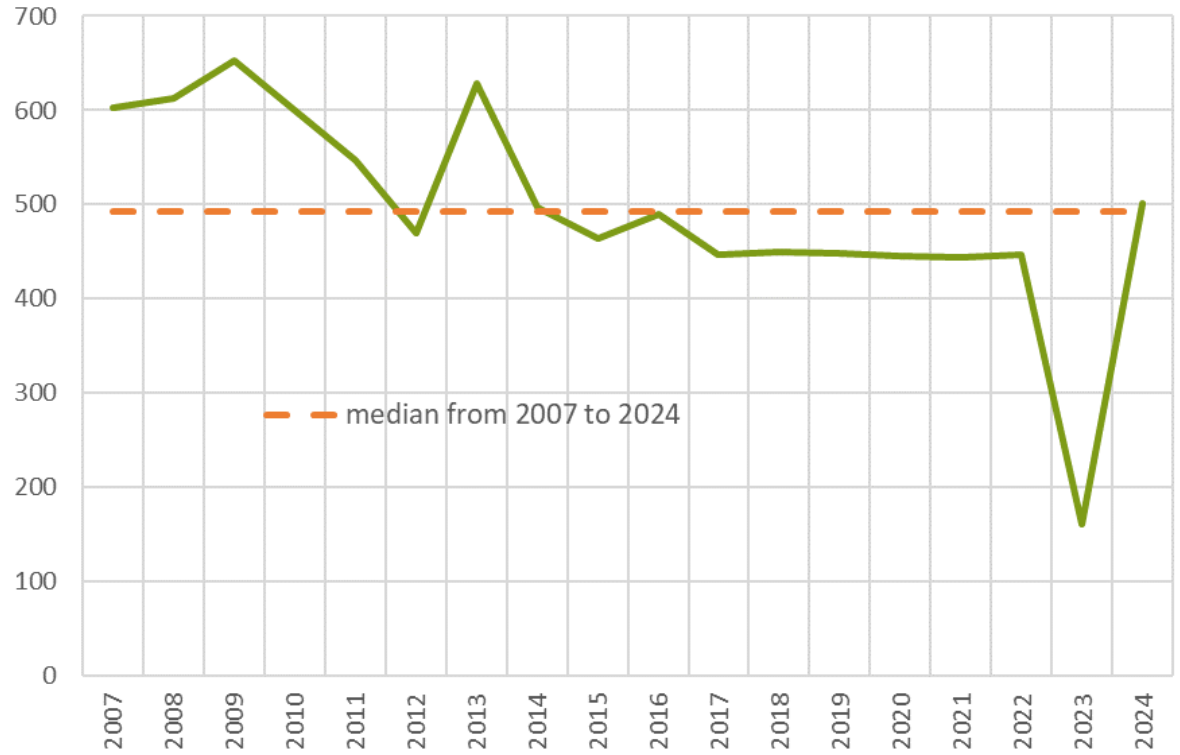
Graphs 15 and 16 below illustrate both the median size and diversity of greenfield residential lot construction. The median size of constructed greenfield lots has remained relatively consistent since 2017, typically around 450 sqm. The significant decline in the median lot size constructed in 2023 is due to a small volume of lots being constructed and the fact that those were of a compact size.

Graph 15: Greenfield Lot Construction Size Distribution – Surf Coast



Source: Spatial Economics Pty Ltd

Graph 16: Median Lot Size (sqm) – Greenfield Lot Construction, Surf Coast



Source: Spatial Economics Pty Ltd

4.7 Major infill

Major infill lot/dwelling construction across Surf Coast (primarily located in Torquay) can essentially be described, both historically and currently as largely comprising development of remnant parcels of greenfield land. It comprises development projects, within the established urban area, with a capacity greater than ten lots/dwellings. In Surf Coast this is rapidly depleting source of residential lots .

Over the last 10.75 years major infill projects have represented only 3% of all lot construction (10 lots per annum).

Historically, major infill projects produced lots of similar size to those in greenfield developments.

4.8 Rural Residential Lot Construction

Rural residential lot construction activity over the last 10.75 years has represented 9% of all lot construction activity across the municipal area – or 35 lots per annum.

Of the rural residential lot construction activity, 99% was zoned Low Density (LDRZ), the remaining zoned Rural Living (RLZ).

Over the last 10.75 years, the total production of rural residential lots by locality include:

- Torquay/Jan-Juc - 131 lots;
- Winchelsea - 89 lots;
- Bellbrae - 72 lots; and
- Moriac - 57 lots;

The typical constructed lot size was around 3,400 sqm for lots zoned LDRZ.

4.9 Vacant Residential Lot Sales Pricing

The sales value of vacant residential lots is a prime outcome indicator of the 'state of the land supply market'. It is a simple measure that captures both supply and demand dynamics.

As measured over the longer term - from 2010 to 2022 - the median sales price of a vacant residential lot in Surf Coast has increased at an average annual rate of 8.8%. This compared to 7.1% in Greater Geelong, 6.0% in Golden Plains, 5.6% in Greater Melbourne, and 4.7% in Wyndham.

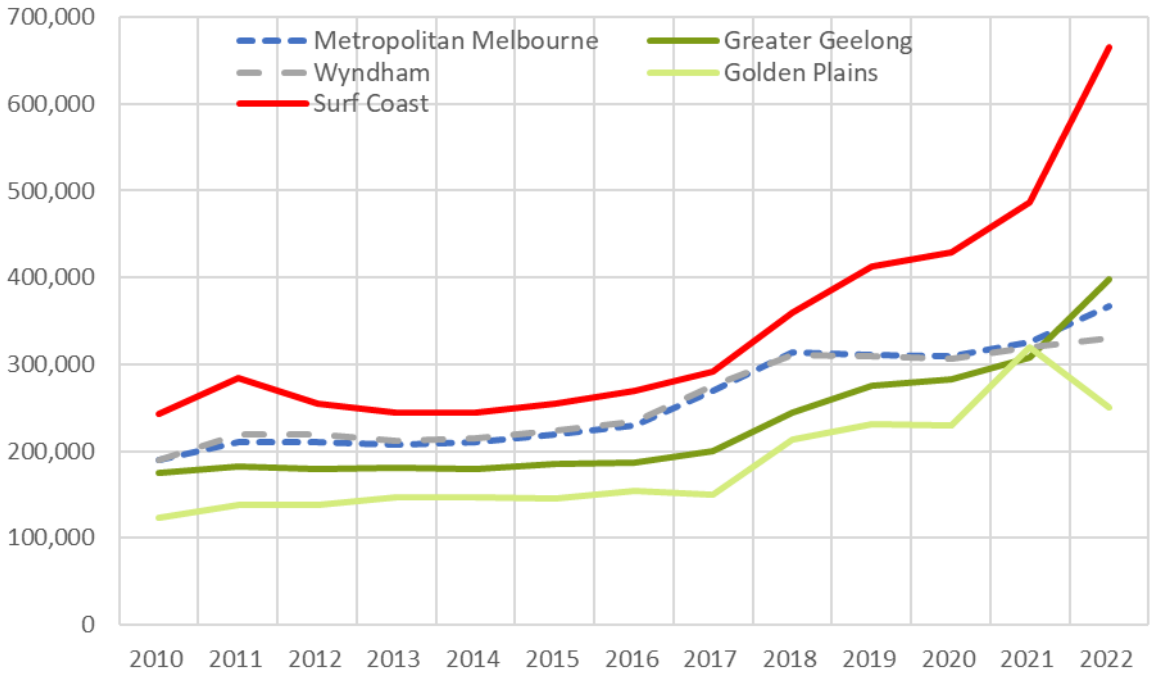
The greatest increase in the sales value of a vacant residential lot over this period in Surf Coast was from 2021 to 2022, when median sales prices increased from $486,000 to $665,000 – a 37% increase in just one year. This period correlates to both increased demand brought on by the Covid pandemic and decreased rates of greenfield residential lot production.

As measured from 2010, the median sales price of a vacant residential allotment in Surf Coast was at a price premium compared to that of Greater Geelong. However, over recent years the price disparity has significantly increased. Historically, the price premium across Surf Coast compared to Greater Geelong typically ranged from 35 to 45% - over the last four years, the price premium difference ranged from 50 to nearly 70%.

Vacant residential land pricing in Surf Coast is relatively unaffordable. In comparison with Surf Coast's 2022 median sales price of $665,000 the median sales price of other select Victorian jurisdictions in 2022 included:

- $250,000 in Golden Plains;
- $330,000 in Wyndham;
- $398,500 in Greater Geelong; and
- $367,000 across metropolitan Melbourne .

Graph 17: Median Sales Values – Vacant residential lots – Surf Coast & Selected Jurisdictions



Source: Valuer General Victoria

Graph 18 below, illustrates the median sales values of vacant residential land for select localities/suburbs in the local region (specifically, Torquay, Winchelsea, the growth area of Armstrong Creek in Greater Geelong and Ocean Grove). Sales price escalation was most rapid in Torquay compared to the other select localities in the region.

As at the June quarter 2023, preliminary sales value estimates for vacant residential land in Torquay was $707,500. This is a substantial price premium compared to:

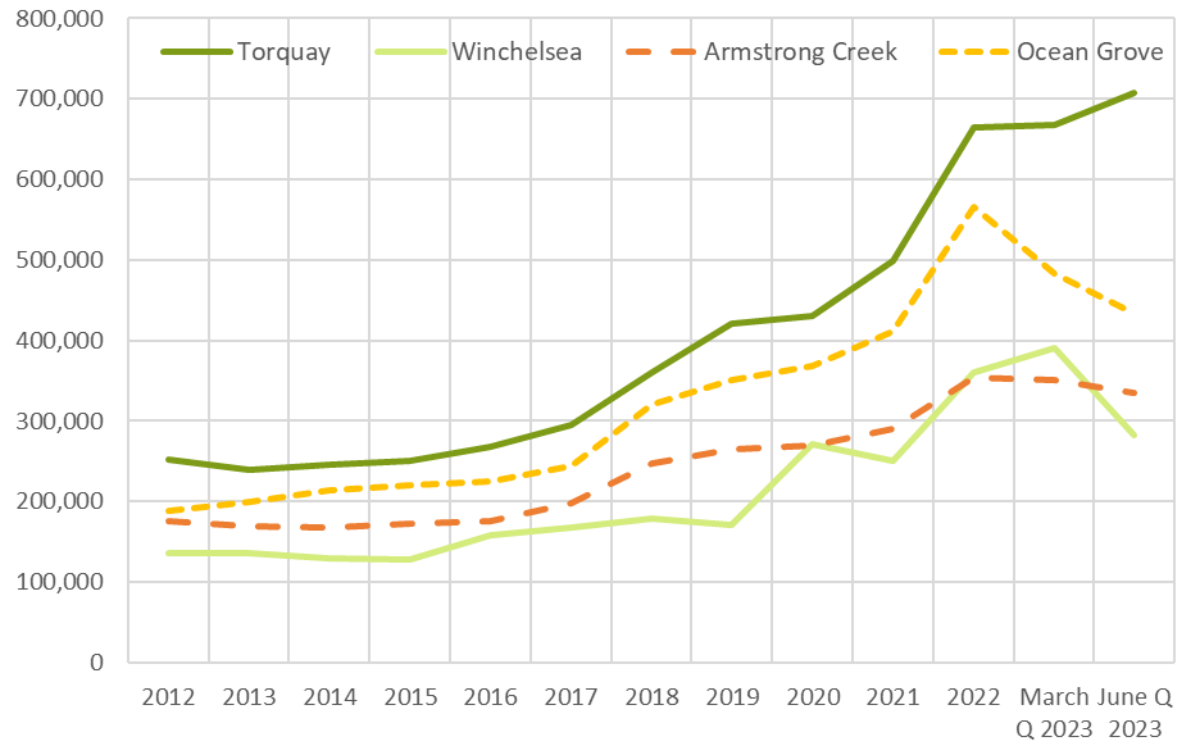
- Ocean Grove at $434,00; and
- Armstrong Creek at $335,000

The median sales value of vacant allotments in Winchelsea has historically: a) followed the broad regional price escalation and b) maintained a price discount ranging from 10 to 36% compared to Armstrong Creek. However, in recent years the price differential is minimal and at times Winchelsea prices have exceeded the median prices achieved in Armstrong Creek. It is understood that this is heavily influenced by the sales composition of residential lots in Winchelsea (having both larger and low-density residential lots) compared to Armstrong Creek.

The major conclusions from the residential sales data include:

- the residential land market in Torquay is characterised by premium pricing, pricing points are typically beyond what is affordable for first homebuyers and households with low to moderate incomes; and
- the pricing of residential land in Winchelsea is substantially more affordable and broadly comparable to that of Armstrong Creek. However, the size of land parcels in Winchelsea are typically larger compared to Armstrong Creek.

Graph 18: Median Sales Values – Vacant residential lots – Select Localities



Source: Valuer General Victoria

Key Issues

As measured through residential lot construction and building approval activity, over the last two financial years there has been a significant decrease in the expressed demand levels for housing across Surf Coast – this decline has solely been in Torquay. However, in previous years, residential development activity has been buoyant. This illustrates the need to plan for differing growth scenarios. Projecting future growth is an extremely difficult task.

To deal with this kind of uncertainty it is best to 'lean' on the side of assuming stronger growth

overall and in any given market segment. That is to ensure that (within reason) there is scope to meet any unexpected upturn in demand. Secondly it is important to plan for a diversity of supply types and locations. Planning that locks in controls based on one set of demand projections is likely to make it difficult for the market to adjust supply to cater for unexpected changes in housing demand.

Residential lot construction activity reveals a principal concentration on urban greenfield development. In comparison, just 19% of activity has been within established urban areas across Surf Coast. This is to be expected given the historical and current supply of undeveloped land stocks and the relatively limited supply opportunities within the established urban areas.

Based on urban greenfield lot creation outcomes since 2017, the typical constructed lot size is around 450 sqm in size, diversity of lot size creation within urban greenfield estates is 'narrowing 'over-time'. In Spatial Economics' opinion, it is critical that diverse lot size creation is maintained to meet the differing housing needs of existing /future household types and provision of housing outcomes at differing pricing points.

Measured at a municipal level, vacant residential land is not affordable. However, at a township level Winchelsea has provided, both historically and currently, more affordable housing lots. This illustrates the importance of maintaining suitable stocks of zoned urban greenfield lands in Winchelsea. Doing so is essential to ensure there remains a relatively affordable housing option in Surf Coast.

5.0 Residential Land Supply

Key Findings

As at March 2024, there was a residential lot capacity (zoned urban greenfield and major infill sites) of approximately 1,700 across the municipal area of Surf Coast.

In addition, there are approximately 124 hectares of land (with an estimated yield of approximately 1,600 dwellings) identified for potential future urban greenfield residential development across the municipal area.

Across Surf Coast there was a total stock of 1,425 rural residential allotments. Of this stock, 119 lots (8%) were vacant. There are approximately 160 hectares of vacant rural residential land across the municipality. Of this vacant lot stock, 112 hectares are zoned Low Density Residential (LDRZ), the remaining 48 hectares are zoned Rural Living (RLZ).

There are two sites identified for future rural residential use/zoning with an estimated net lot/dwelling yield of 110. these land stocks are located in: Moriac – 34 hectares; and Torquay – 28 hectares.

Section 5.0 of the report details the stock (measured in lots) of urban greenfield/major infill and rural residential land supply across the municipal area of Surf Coast as at March 2024.

In addition, it provides an overview of current rural residential land stocks.

5.1 Stock of Zoned Urban Greenfield/Major Infill Lands

As at March 2024, there was a residential lot capacity within zoned urban greenfield and major infill sites of approximately 1,700 across the municipal area of Surf Coast.

The zoned stock (measured in lots) of greenfield/major infill lands is primarily concentrated within Torquay/Jan-Juc with nearly 1,500 lots. The lot stock capacity for other locations include:

- Winchelsea - 181 lots/dwellings;
- Deans Marsh - 26 lots/dwellings;
- Lorne – 13 lots/dwellings;
- Bellbrae - 12 lots/dwellings; and
- Aireys Inlet - 8 lots/dwellings.

Maps 1 to 20 illustrates the location/distribution of undeveloped urban residential greenfield/major infill land stocks across the municipal area (zoned and unzoned).

Table 22 identifies the lot yield of zoned and unzoned urban residential greenfield/major infill land stocks by locality.

Table 22: Estimated Urban Greenfield/Major Infill Lot Capacity, 2024 (March)

Locality/LGA	Zoned Supply	Lot/Dwelling Capacity Potential Residential (unzoned)	Total Lots
Torquay/Jan Juc	1473	1166	**2639**
Winchelsea	181	435	**616**
Deans Marsh	26		**26**
Lorne	13		**13**
Bellbrae	12		**12**
Aireys Inlet	8		**8**
Surf Coast	**1713**	**1601**	**3314**

Source: Spatial Economics Pty Ltd

Short Term Development Activity Outlook

Recent residential development activity in Surf Coast has been subdued.

Based on land parcels with preliminary subdivision approval, levels of activity are likely to remain subdued, at least within the short term.

Currently, zoned urban greenfield/major infill lands with preliminary subdivision approval are at historic lows. As at March 2024, there were only 60 greenfield/major infill lots with preliminary subdivision approval and a further 68 net lots within the established urban area (dispersed infill).

Table 23: Urban Lots with Preliminary Subdivision Approval – March 2024

Locality/LGA	Urban Greenfield/ Major Infill	Dispersed Infill	Total Lots
Winchelsea	32	37	**69**
Torquay	20	16	**36**
Jan Juc	8	5	**13**
Anglesea		7	**7**
Aireys Inlet		3	**3**
Surf Coast	**60**	**68**	**128**

Source: Spatial Economics Pty Ltd

5.2 Stock of Un-Zoned Urban Greenfield Lands

Analysis has been undertaken in conjunction with Council planning officers to identify the location and expected lot yield of currently unzoned residential land stocks. Sites for future residential development are identified within various Council strategy planning documents. Structure planning, and rezoning processes are required before residential development can proceed on such sites.

There are approximately 124 hectares of land (with an estimated yield of approximately 1,600 dwellings) identified for potential future urban greenfield residential development across the municipal area.

Future urban greenfield lands are located in both Torquay and Winchelsea – with an estimated lot/dwelling yield of 1,166 and 435 respectively.

Of the significant unzoned potential future greenfield residential land release areas located in Torquay, there are:

- 950 lots located in Messmate Road Future Growth Area; and
- 200 lots in the Coombes Road precinct.

In Winchelsea there are three separate land parcels, all south/south-east of Batson Street, identified for future residential development. These sites combined will likely yield around 435 lots.

5.3 Land Fragmentation

There are two major land release areas located in Torquay (with a total lot/dwelling capacity of around 740) that are characterised by fragmented land holdings and significant existing low-density residential uses. These areas are illustrated in the image below.

The southern land release area (shaded in red – Briody Drive) is currently zoned for normal residential density development and has a lot/dwelling capacity of approximately 540. A Development Plan has been completed and envisions a diverse range of urban residential lot/dwelling outcomes including standard residential lots (350 to 900 sqm), higher density residential lots (250 to 325 sqm), multi-unit sites and a retirement village that includes independent retirement village units, residential aged care beds and assisted living apartments.

The Briody Drive land release area is 30 hectares in size and is comprised of 15 separate land parcels.

The northern land release area (shaded in blue – Briody Drive (north)) is currently zoned Low Density Residential (LDRZ) and is identified for future normal density residential development. It is anticipated that the eventual development of this land area will yield approximately 200 lots/dwellings.

The Briody Drive (north) land release area is 16 hectares in size and is comprised of 13 separate land parcels.

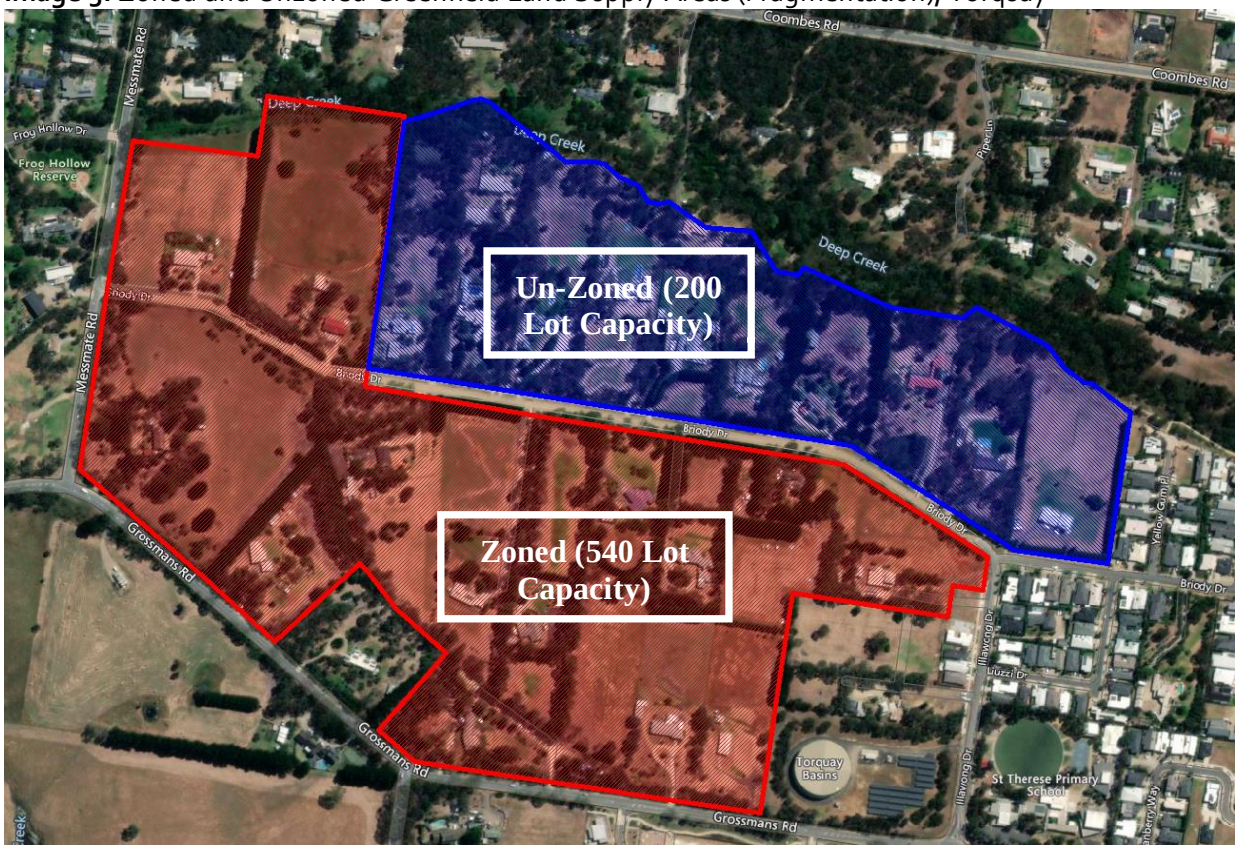
Given:

1. the existing significant residential uses;
2. the level of fragmentation/relatively small land parcel sizes; and
3. alternative greenfield land supply sources (that are larger in size with limited existing uses and levels of land fragmentation) –

Spatial Economics considers that Council can have no certainty as to the likely timing of development of these land release areas. We note that in other jurisdictions, similar sites often do get fully developed over the passage of time.

These two land release areas combined represent 22% of the urban greenfield residential land stocks across the municipal area.

Image 3: Zoned and Unzoned Greenfield Land Supply Areas (Fragmentation), Torquay



5.4 Rural Residential Land Stocks

The stock of both occupied and vacant rural residential allotments have been determined on a lot by lot basis as at April 2023 (based on the availability of small area aerial imagery). Occupied is defined as a lot having evidence of a 'habitable' dwelling, commercial use, or other significant capital-intensive land use. Vacant is defined as a lot having no evidence of a significant capital-intensive use (as verified via the interpretation of aerial imagery).

Across Surf Coast there was a total stock of 1,425 rural residential allotments. Of this stock, only 119 lots (8%) were vacant. Vacant rural residential lots as a supply type in Surf Coast are low compared to other regional municipalities in Victoria.

Rural residential lot stock is widely spread across the localities within the municipality. The total rural residential lot stock by locality includes:

- Torquay –443 lots, of which 32 are vacant (7% lot vacancy rate);
- Bellbrae – 240 lots, of which 11 are vacant (5% lot vacancy rate);
- Winchelsea – 169 lots, of which 34 are vacant (20% lot vacancy rate);
- Jan Juc – 156 lots, of which 9 are vacant (6% lot vacancy rate);
- Gherang – 102 lots, of which 9 are vacant (9% lot vacancy rate);
- Moriac – 98 lots, of which 10 are vacant (10% lot vacancy rate);
- Mount Duneed – 88 lots, of which 3 are vacant (3% lot vacancy rate);
- Connewarre – 69 lots, of which 6 are vacant (9% lot vacancy rate);
- Wensleydale – 34 lots, of which 4 are vacant (12% lot vacancy rate); and
- Fairhaven – 26 lots, of which 1 is vacant (4% lot vacancy rate).

Of the above rural residential land stocks a total of 16 hectares or 13 lots in Torquay is identified for future residential urban density development.

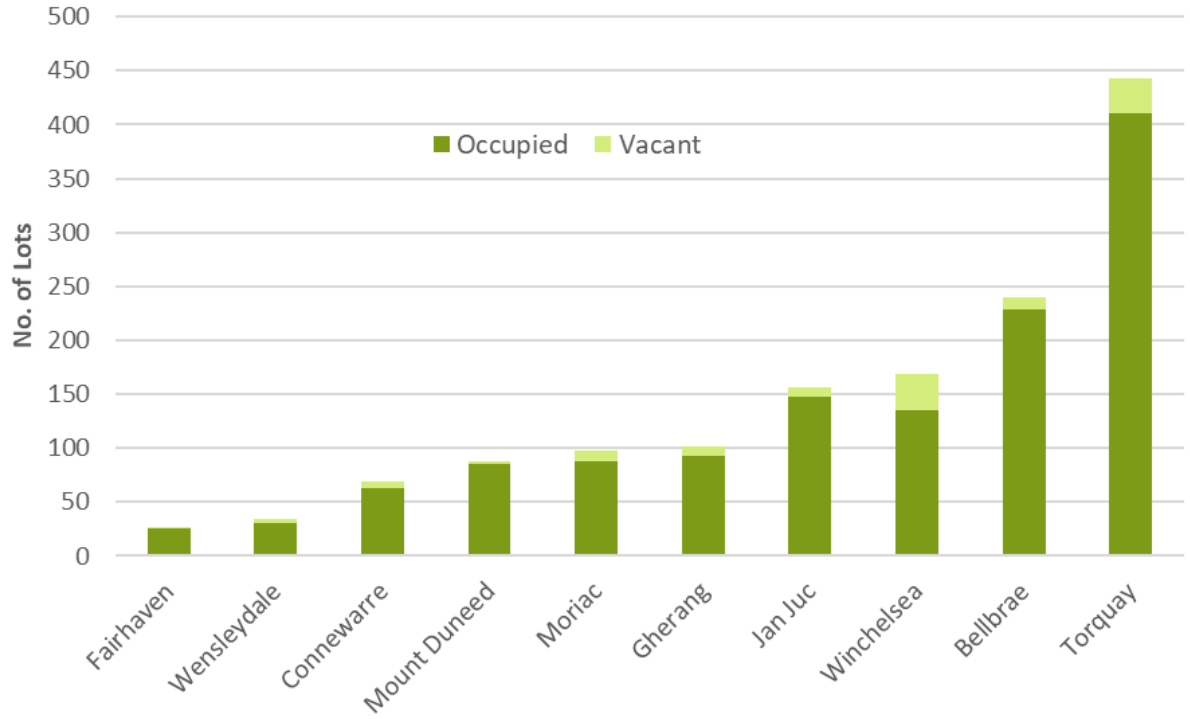
Graph 19 summarises the stock (lots) of both occupied and vacant rural residential allotments by locality.

There are approximately 160 hectares of vacant rural residential land across the municipality. Of this vacant lot stock, 112 hectares are zoned Low Density Residential (LDRZ), the remaining 48 hectares are zoned Rural Living (RLZ).

The stock of vacant Low Density Residential Lands (LDRZ) equates to a land area vacancy rate of 9% and 8% for Rural Living (RLZ) zoned lands.

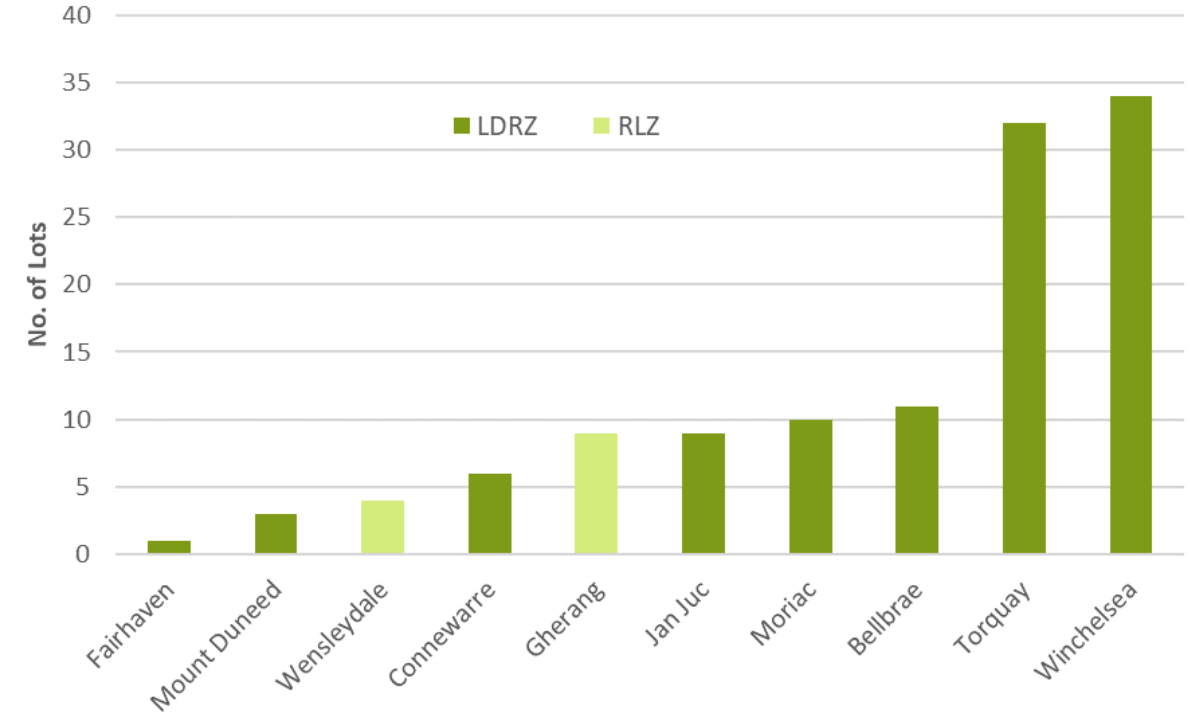
Graphs 21 and 22 illustrate the size distribution of all existing rural residential allotments (occupied and vacant) by zone type.

Graph 19: Stock of Rural Residential Allotments – by Status, 2023



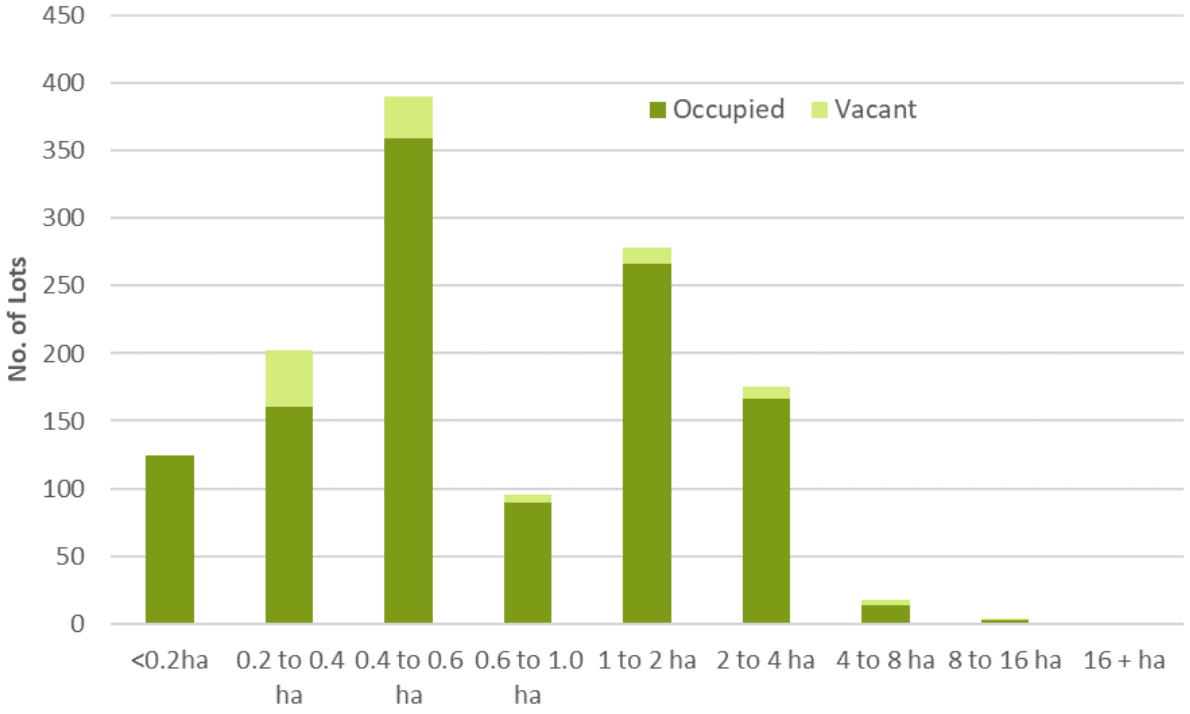
Source: Spatial Economics Pty Ltd

Graph 20: Stock of Vacant Rural Residential Allotments – by Zone Type, 2023



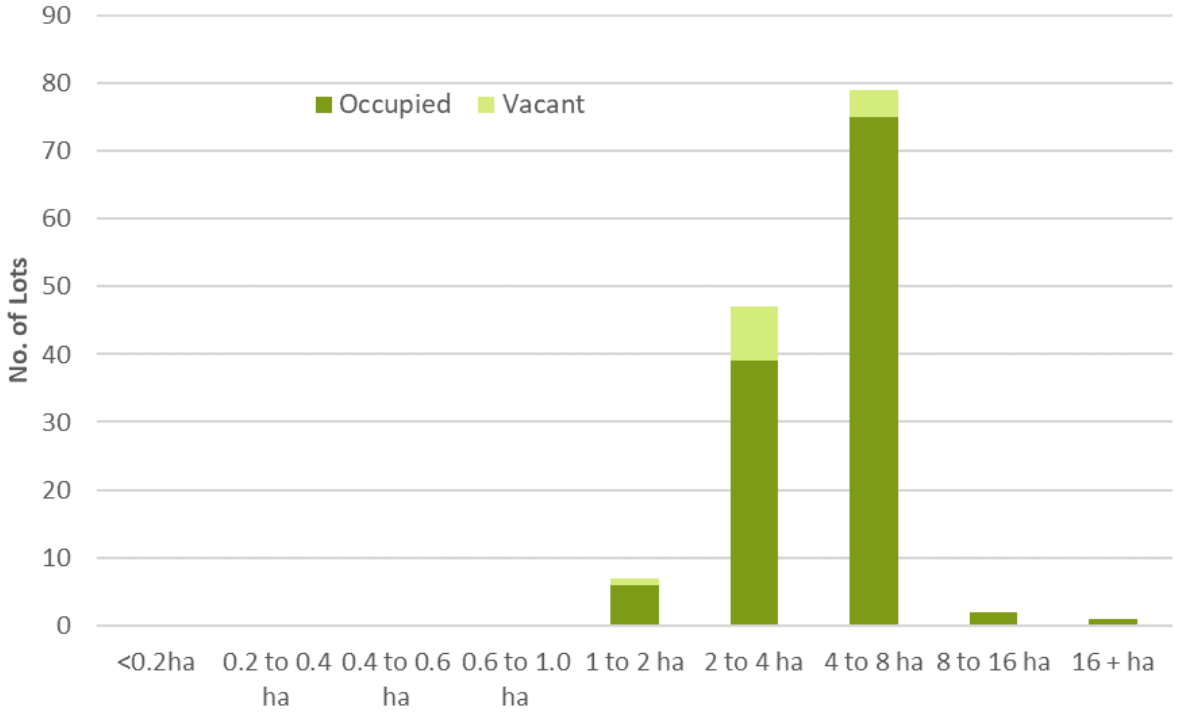
Source: Spatial Economics Pty Ltd

Graph 21: Stock of Low Density Residential Zoned Allotments by Size Cohort, 2023



Source: Spatial Economics Pty Ltd

Graph 22: Stock of Rural Living Zoned Allotments by Size Cohort, 2023



Source: Spatial Economics Pty Ltd

Low Density Residential Zoned (LDRZ) Lands – Lot Size Distribution
Approximately 63% of the zoned Low Density Residential lot stock (both occupied and vacant) is less than one hectare in size. Only 2% of the zoned Low Density Residential lot stock (or 23 lots) is sized greater than four hectares.

Rural Living Zoned (RLZ) Lands – Lot Size Distribution
Approximately 98% of the zoned Rural Living lot stock (both occupied and vacant) is less than eight hectares in size.

Less than 1% of the zoned Rural Living lot stock (or 1 lot) is sized greater than 16 hectares.

5.4.1 Future (Unzoned) Rural Residential Land Stocks

There are two sites identified for future rural residential use/zoning. Currently, this land is zoned Farming (FZ).and not zoned to support rural residential development.

The total of 62 hectares of land identified for future Low Density Residential (LDRZ) zoning – with an estimated net lot/dwelling yield of 110, are located in:

- Moriac – 34 hectares; and
- Torquay – 28 hectares.

These sites are identified in Maps 11, 13 and 16.

Key Issues
Recent urban residential greenfield subdivision activity in Torquay has been significantly subdued relative to historical levels of activity. This trend appears likely to continue in the short term based on current levels of subdivision approvals (Torquay). It is not fully understood why such low levels of subdivision activity are occurring.

There is limited stock of zoned urban residential greenfield lands in both Torquay and Winchelsea. The Shire's comparatively low supply (measured in lots) of zoned residential greenfield land is likely to impact the volume of land subdivided and result in upward pressure on pricing.

This issue is compounded in Torquay given that 37% of its zoned urban residential greenfield land stocks (lot potential) is significantly fragmented – which will impact both development timing and the (increased) cost of land development.

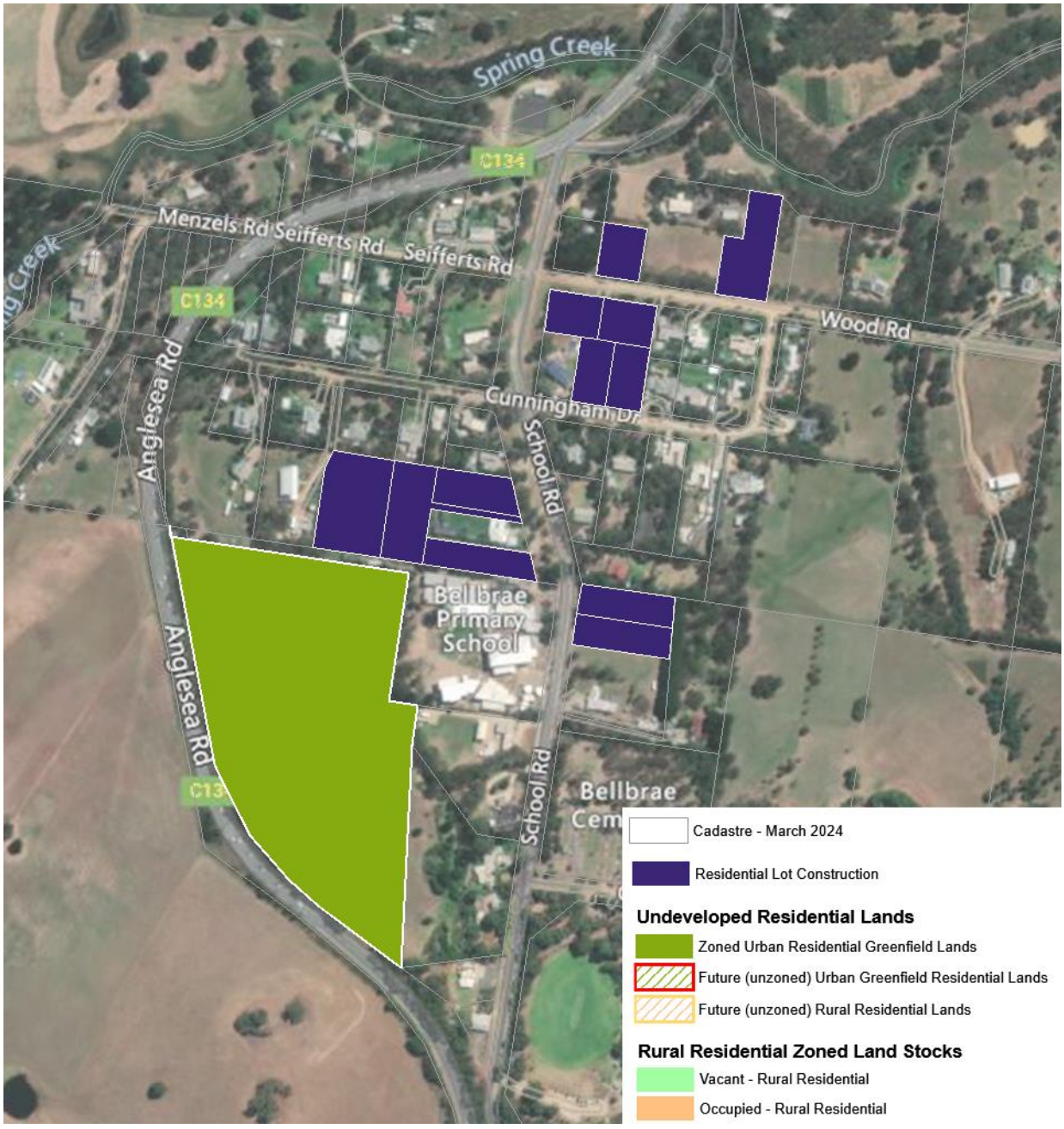
Rural residential land stocks within Surf Coast are effectively depleted. There are currently only two sites identified for future rural residential zoning/development – yielding approximately 110 lots/dwellings. The depletion of greenfield type rural residential lands will likely result in a number of impacts. This includes:

- intensification/re-subdivision of suitably sized existing rural residential lots;
- transfer of demand outside of the municipality to locations where rural residential products are available; and
- transfer of demand to either urban greenfield lands and/or the established urban area across the municipality.

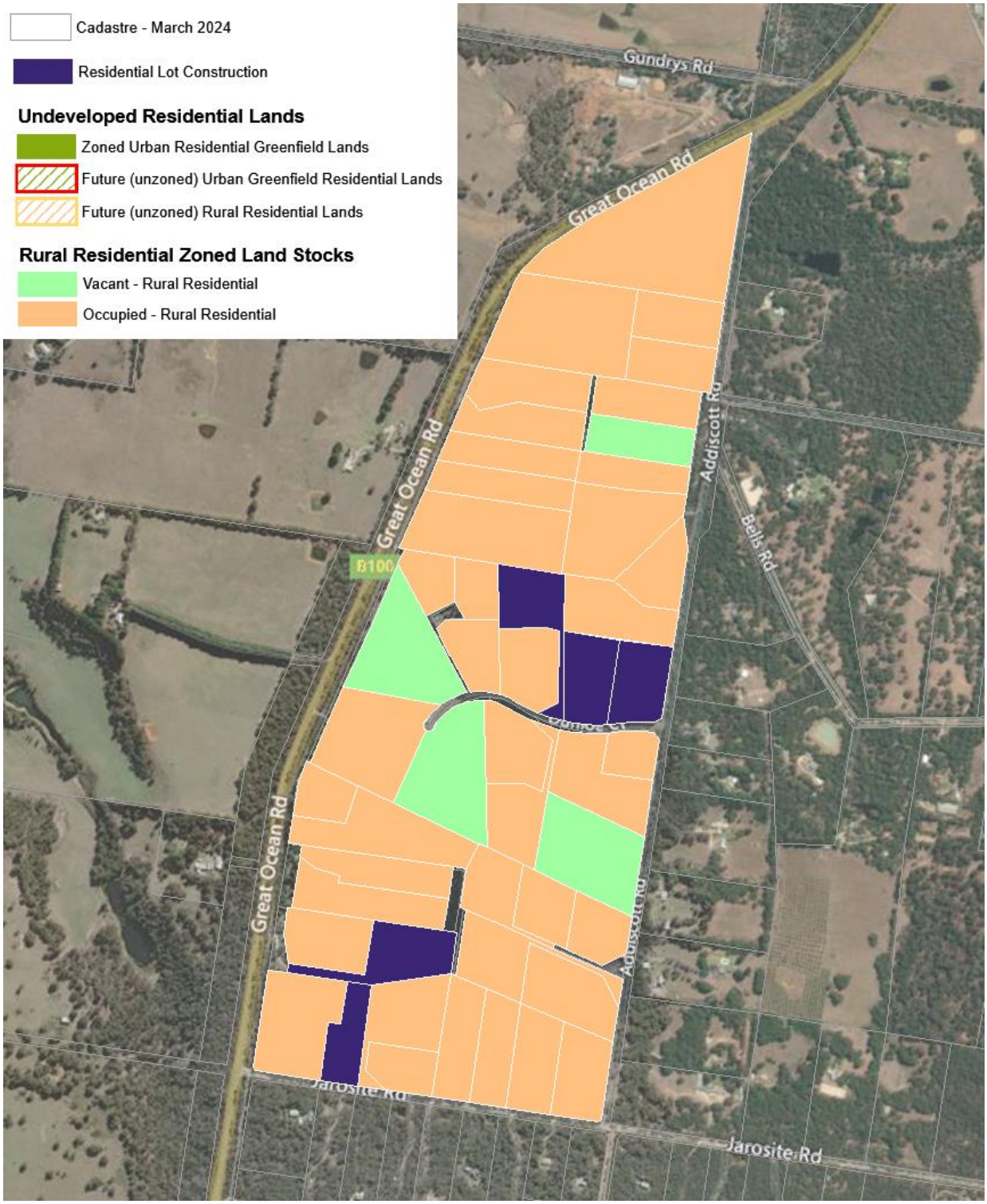
Map 1: Residential Land Supply– Aireys Inlet

Map 2: Residential Land Supply– Anglesea

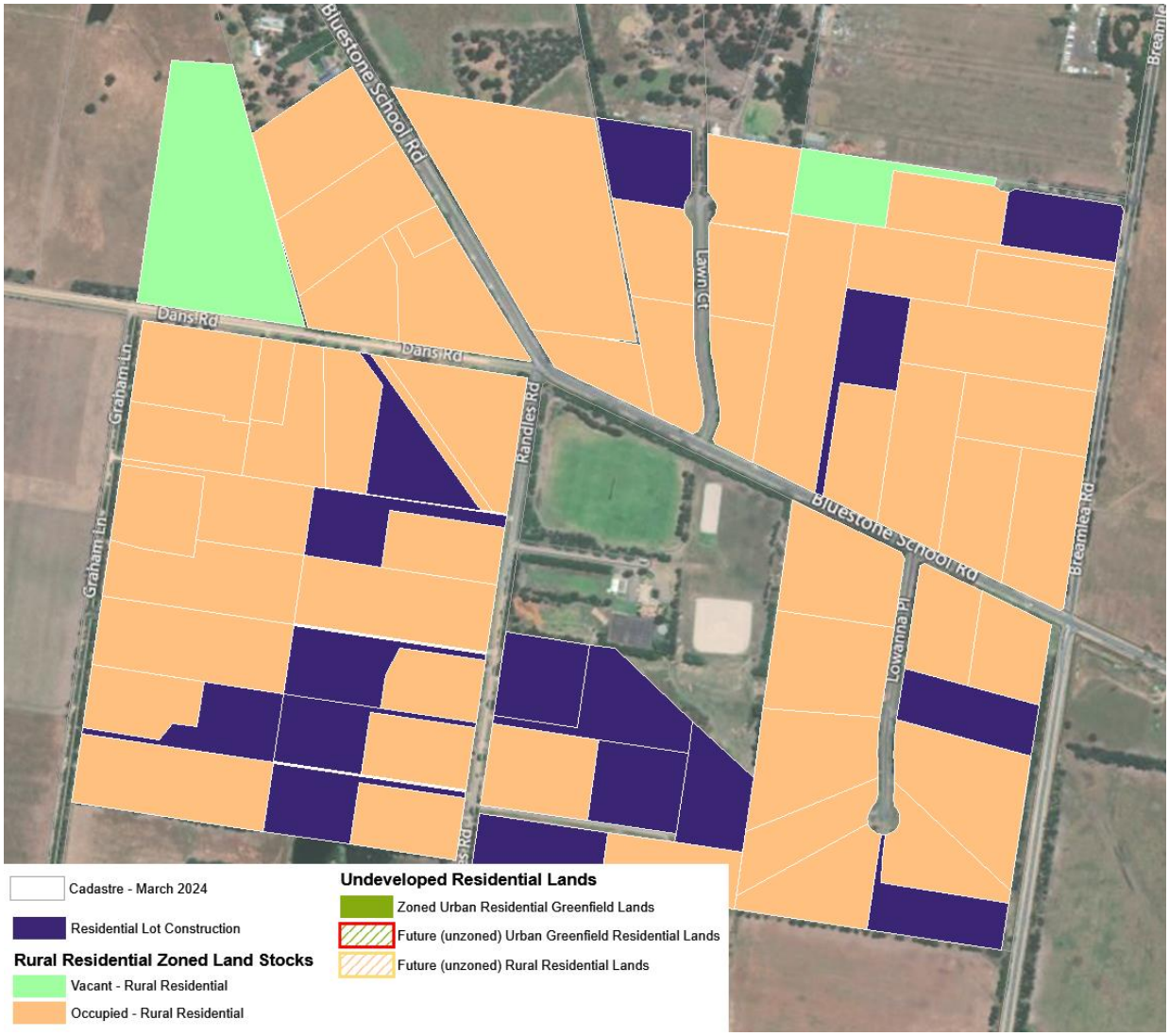
Map 3: Residential Land Supply– Bellbrae (urban)



Map 4: Residential Land Supply– Bellbrae (rural residential)

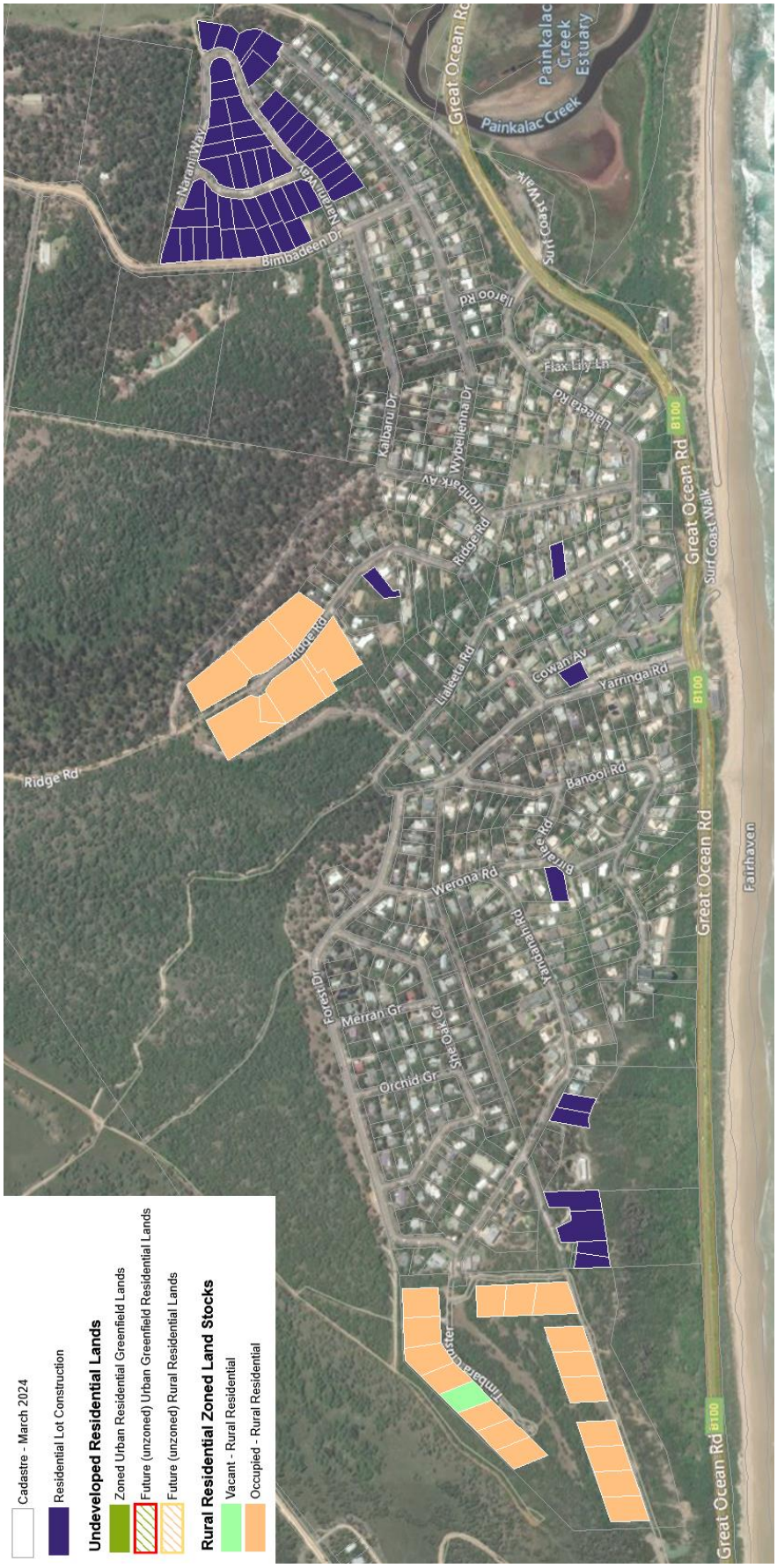


Map 5: Residential Land Supply– Connewarre

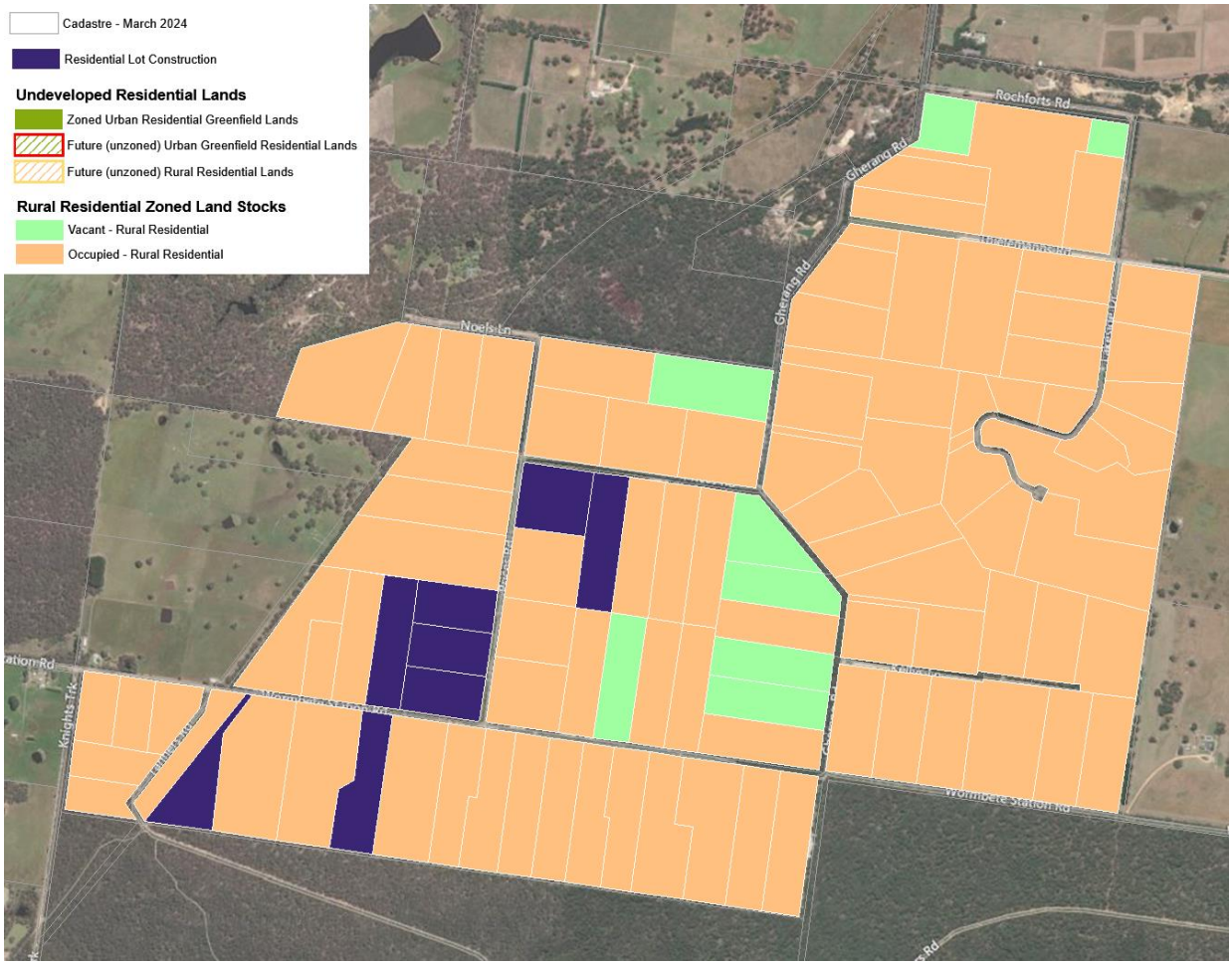


Map 6: Residential Land Supply– Deans Marsh

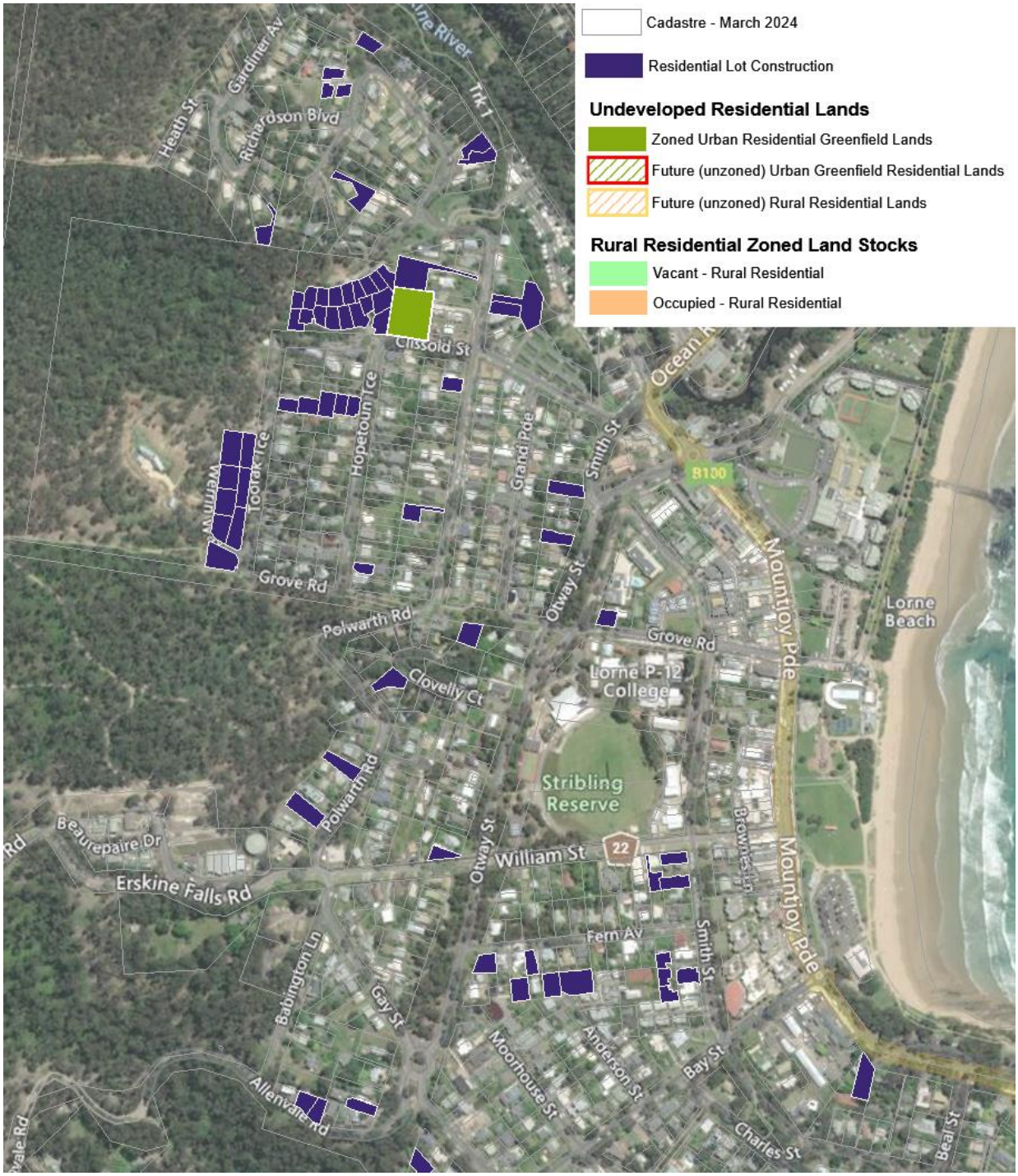
Map 7: Residential Land Supply– Fairhaven



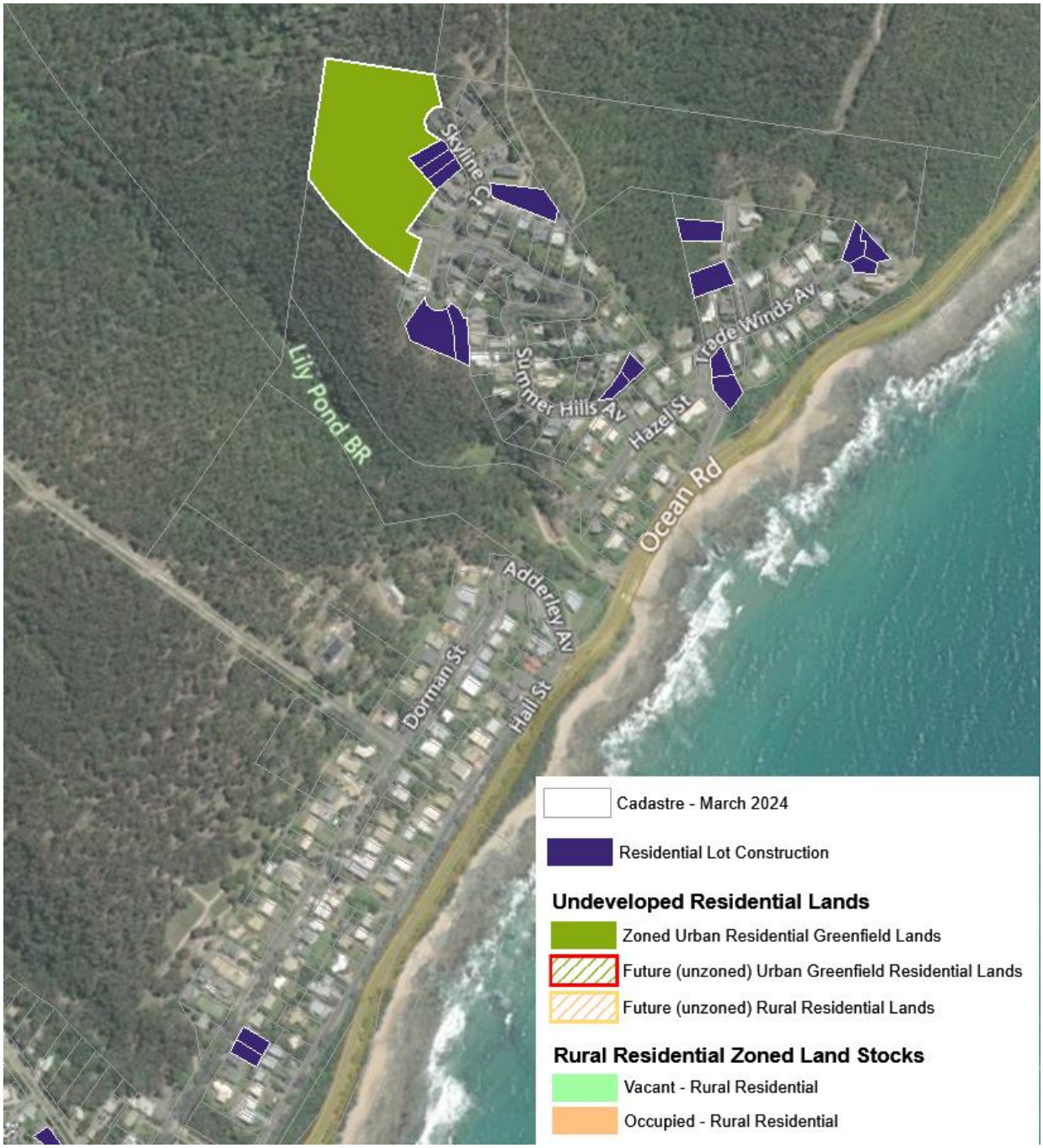
Map 8: Residential Land Supply– Gherang



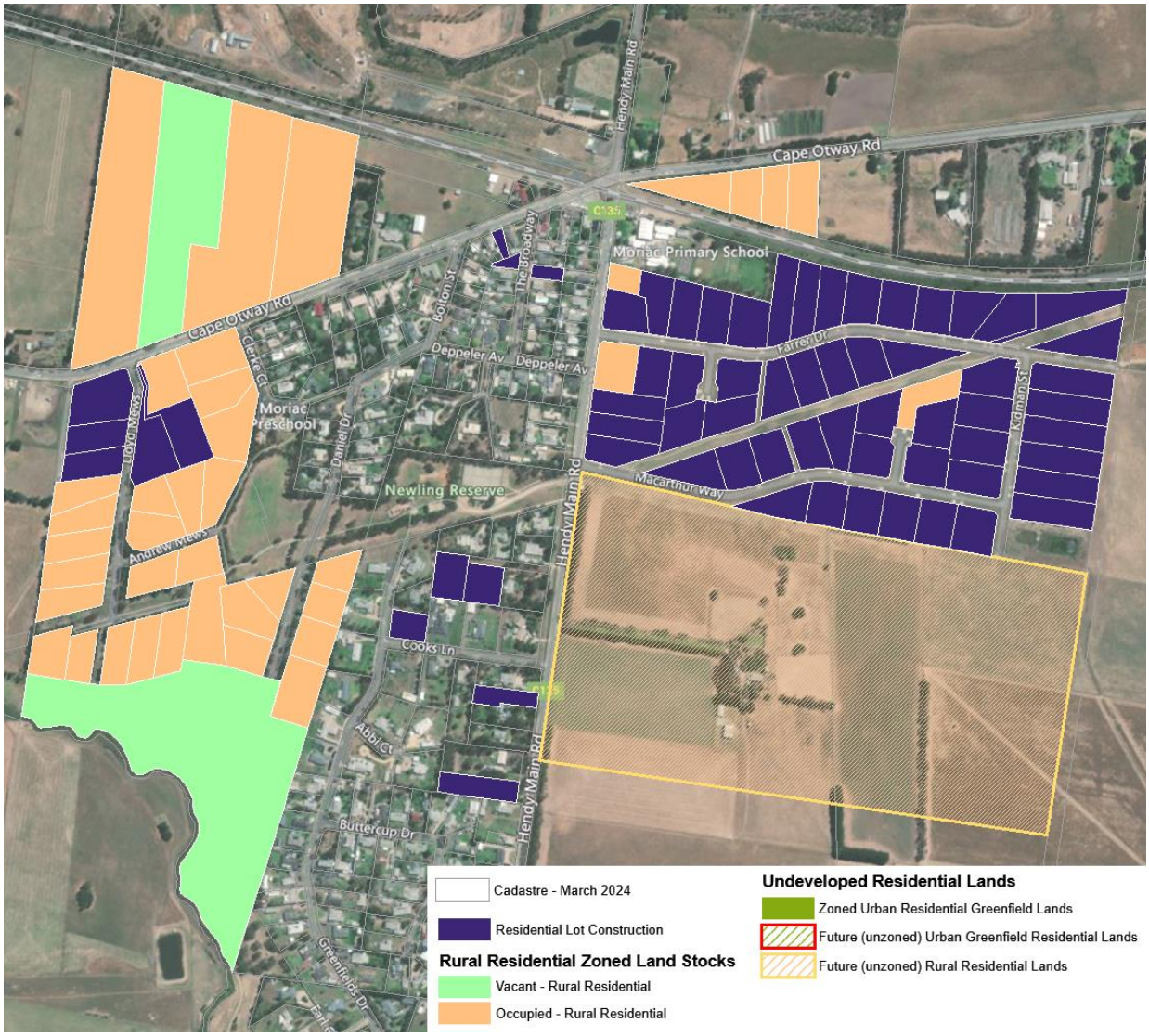
Map 9: Residential Land Supply– Lorne (central)



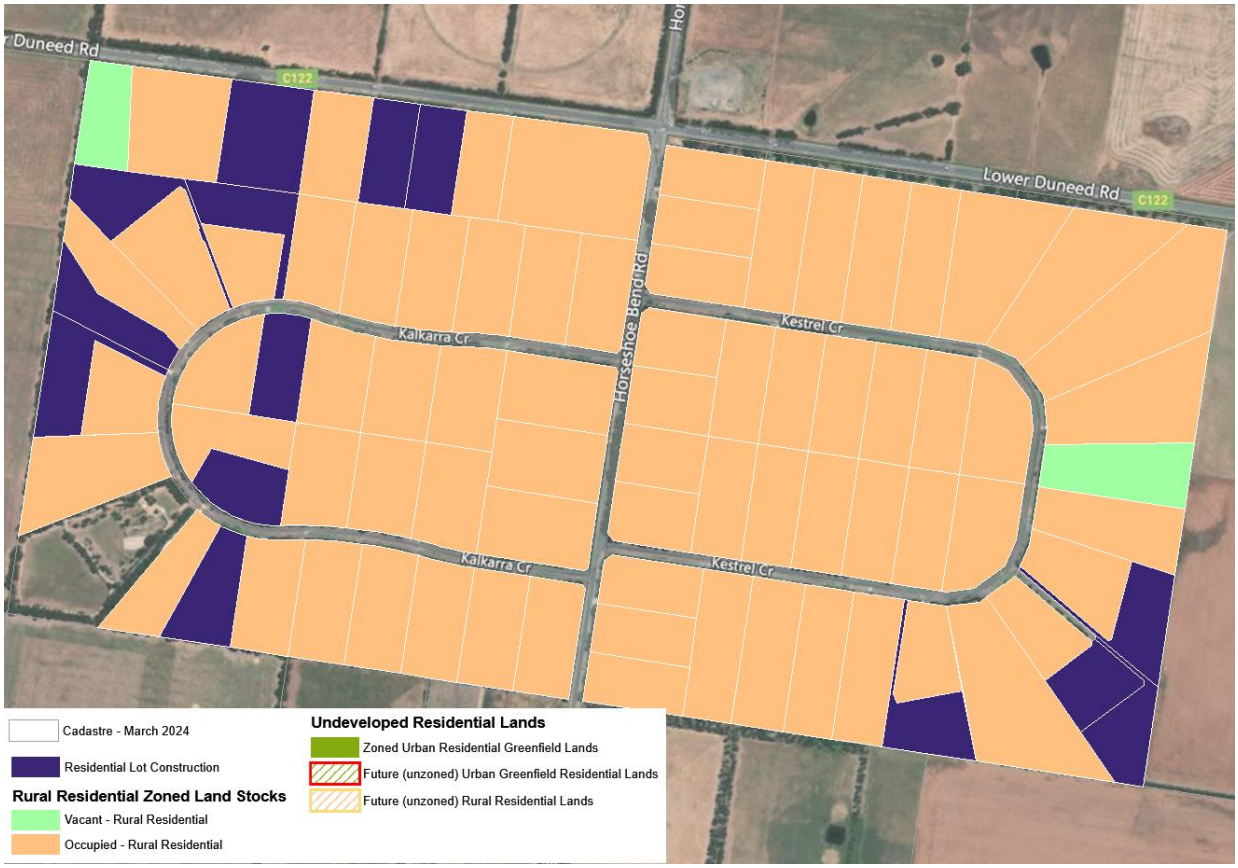
Map 10: Residential Land Supply– Lorne (north)



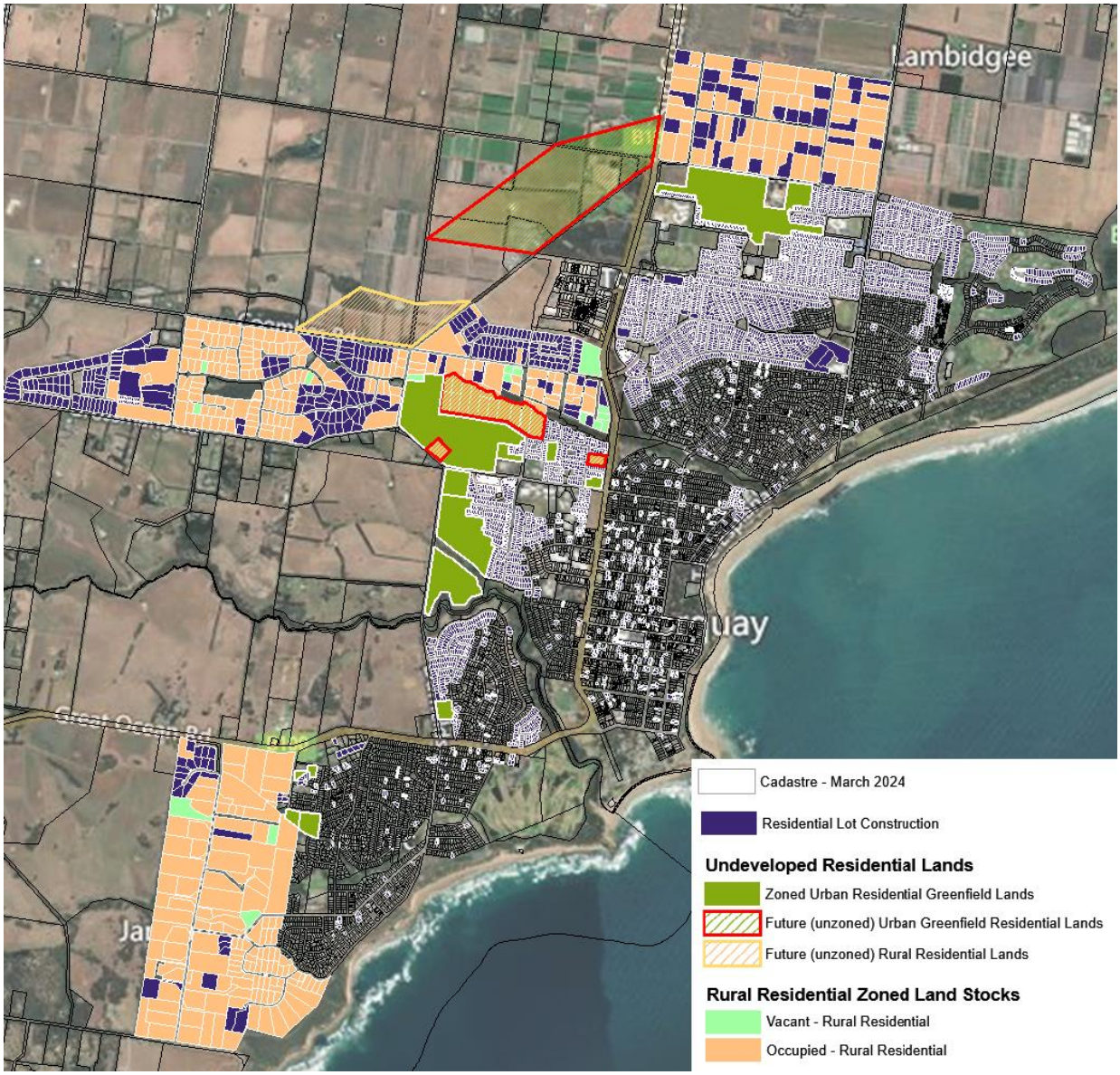
Map 11: Residential Land Supply– Moriac



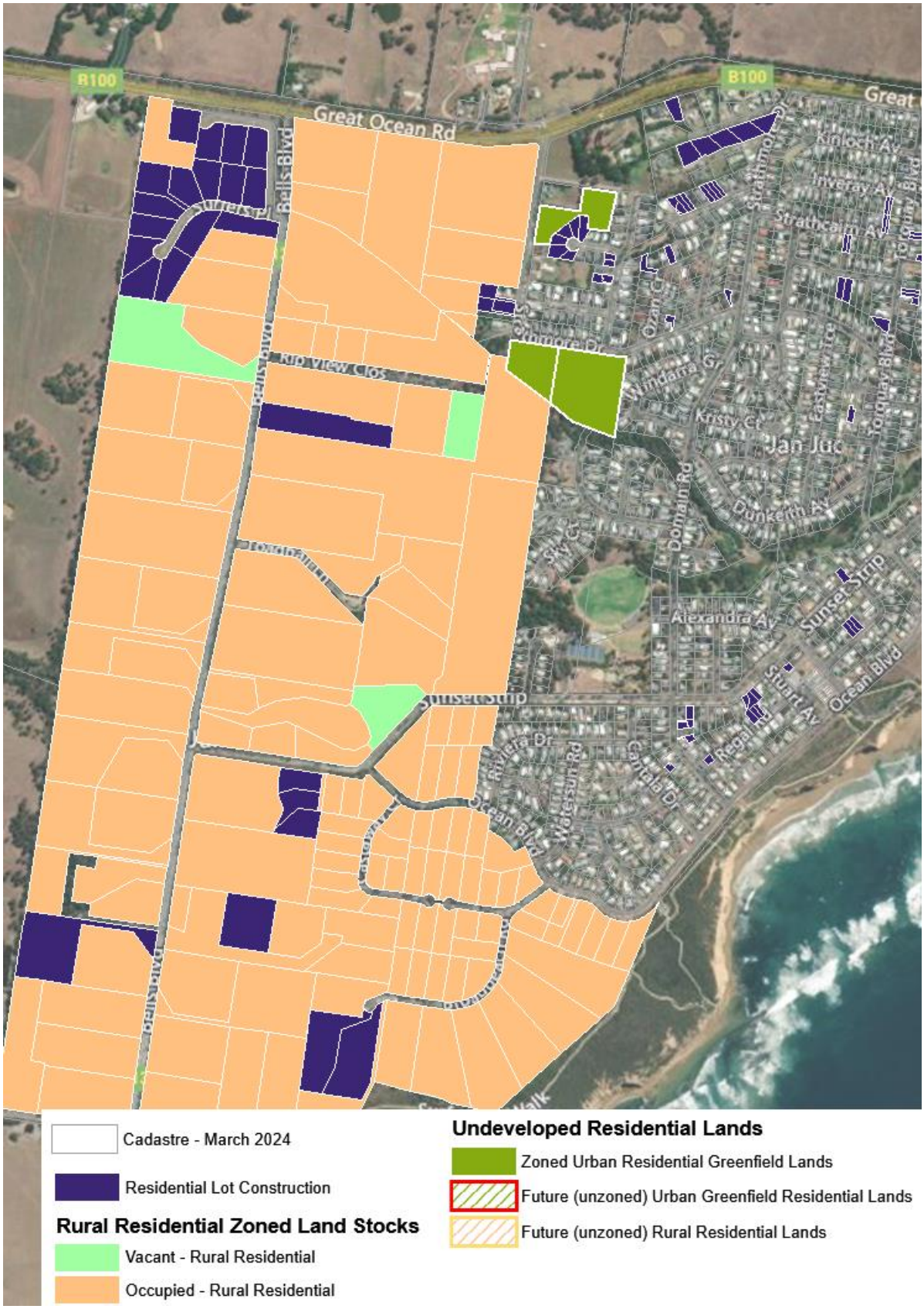
Map 12: Residential Land Supply– Mount Duneed



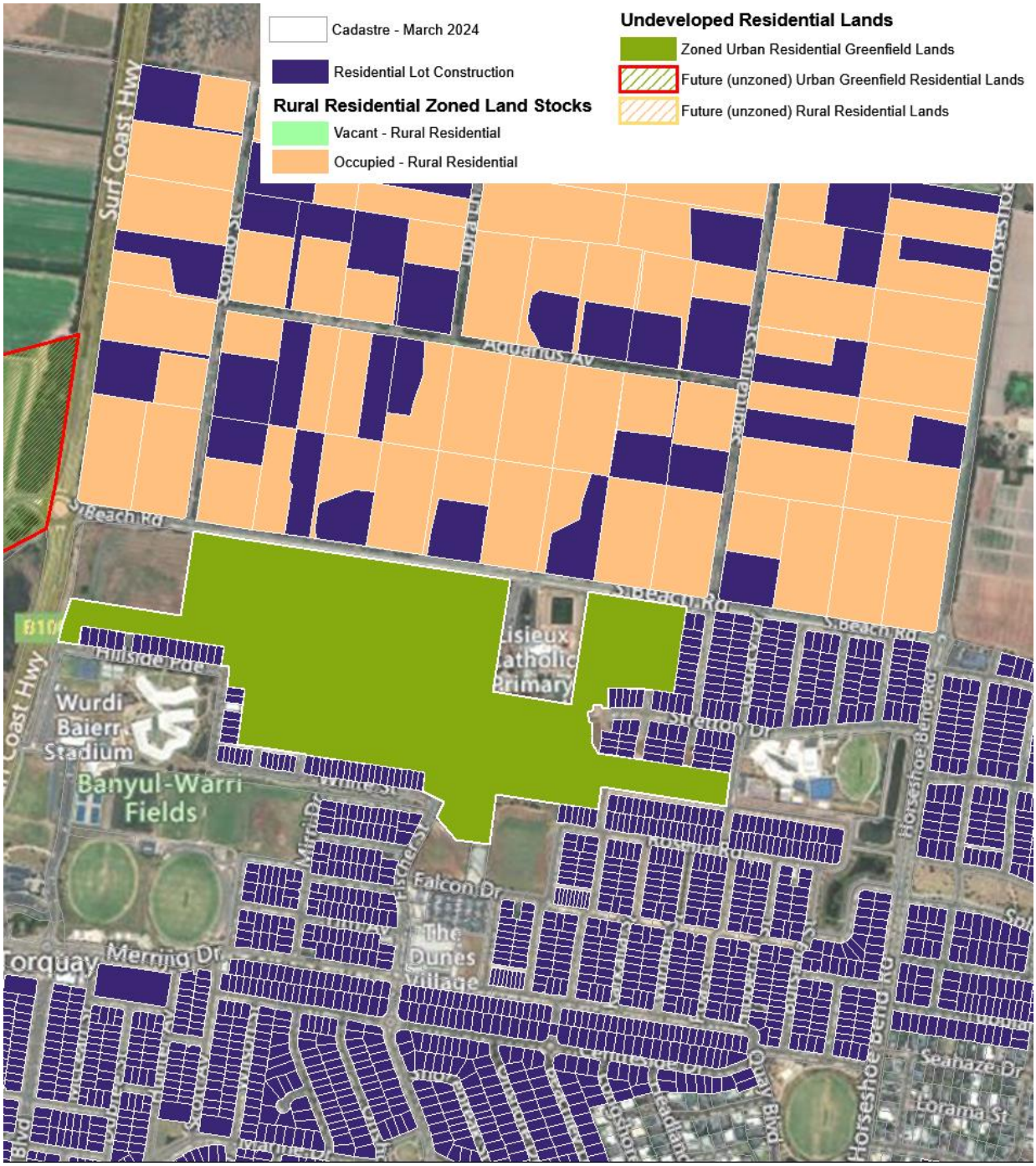
Map 13: Residential Land Supply– Torquay/Jan Juc



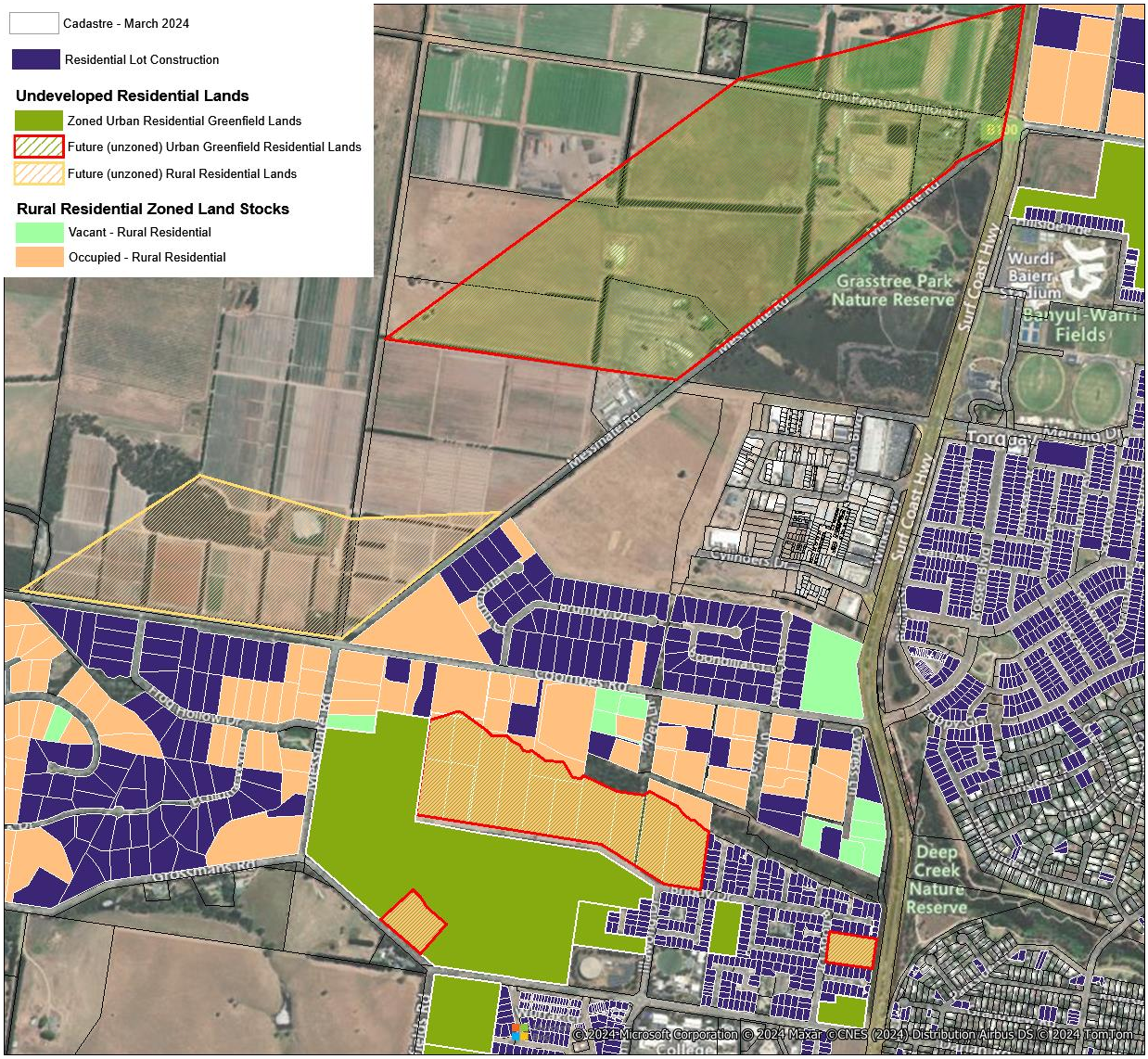
Map 14: Residential Land Supply– Jan Juc



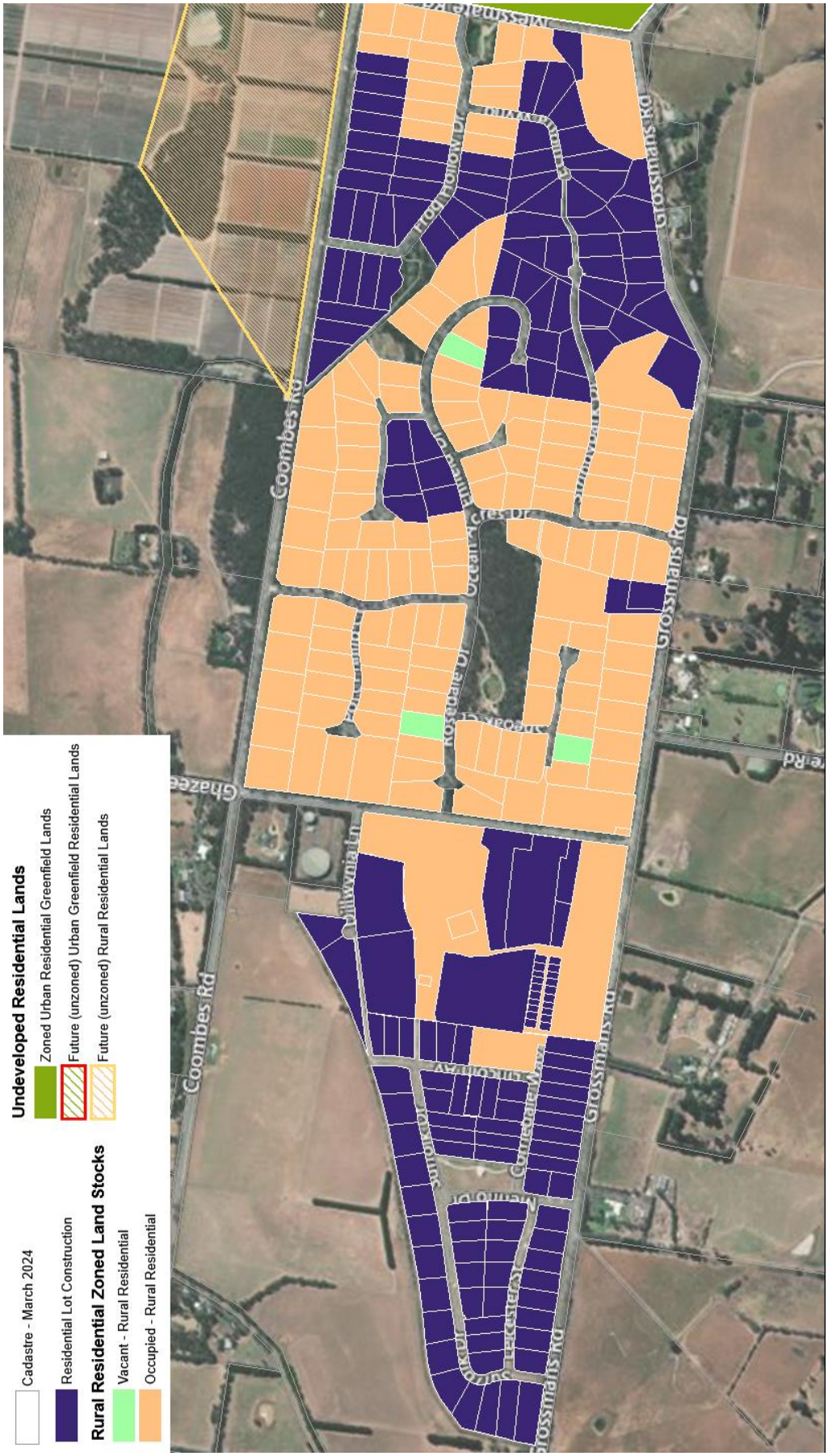
Map 15: Residential Land Supply– Torquay (north)



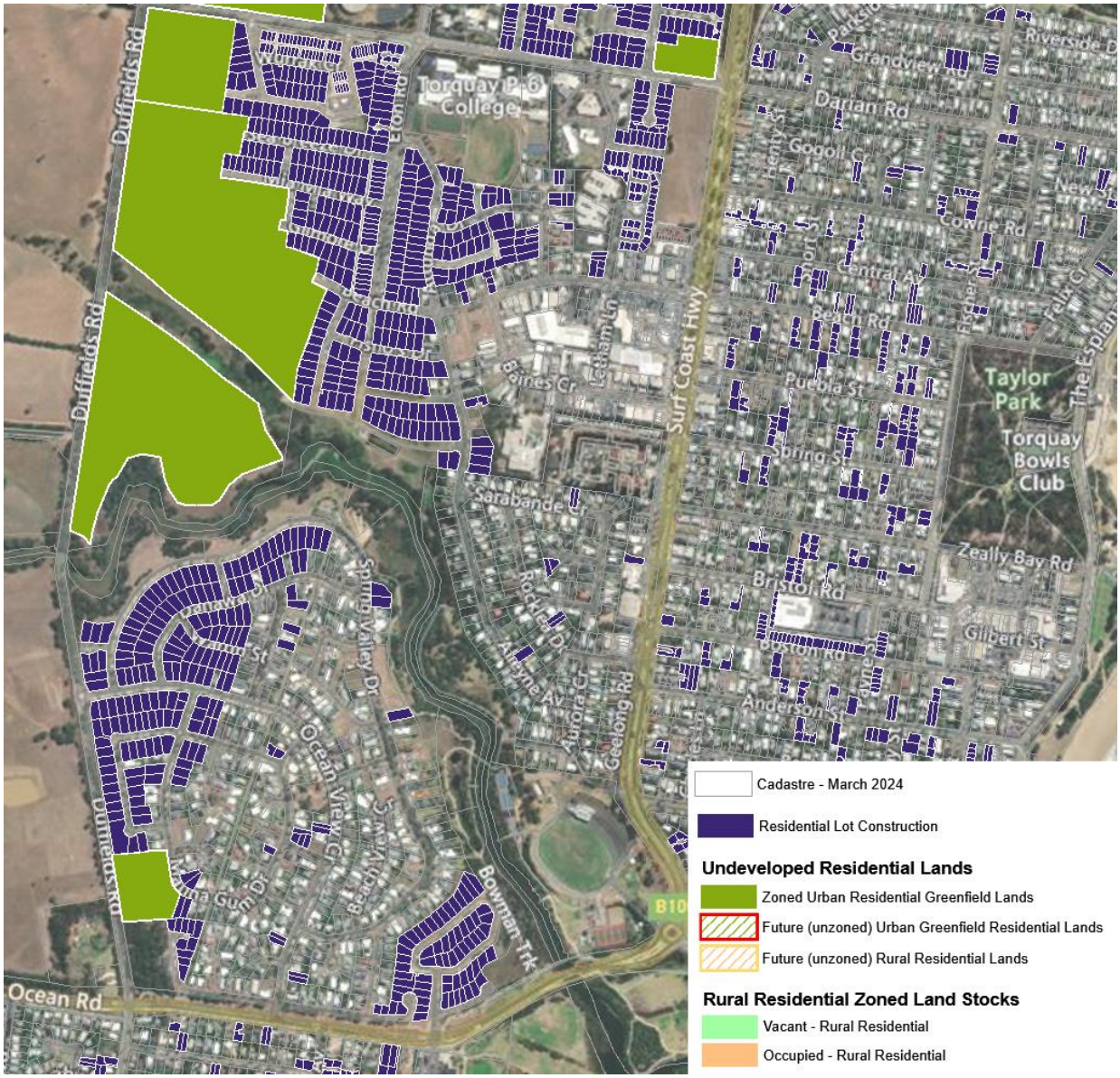
Map 16: Residential Land Supply– Torquay (west) - 1



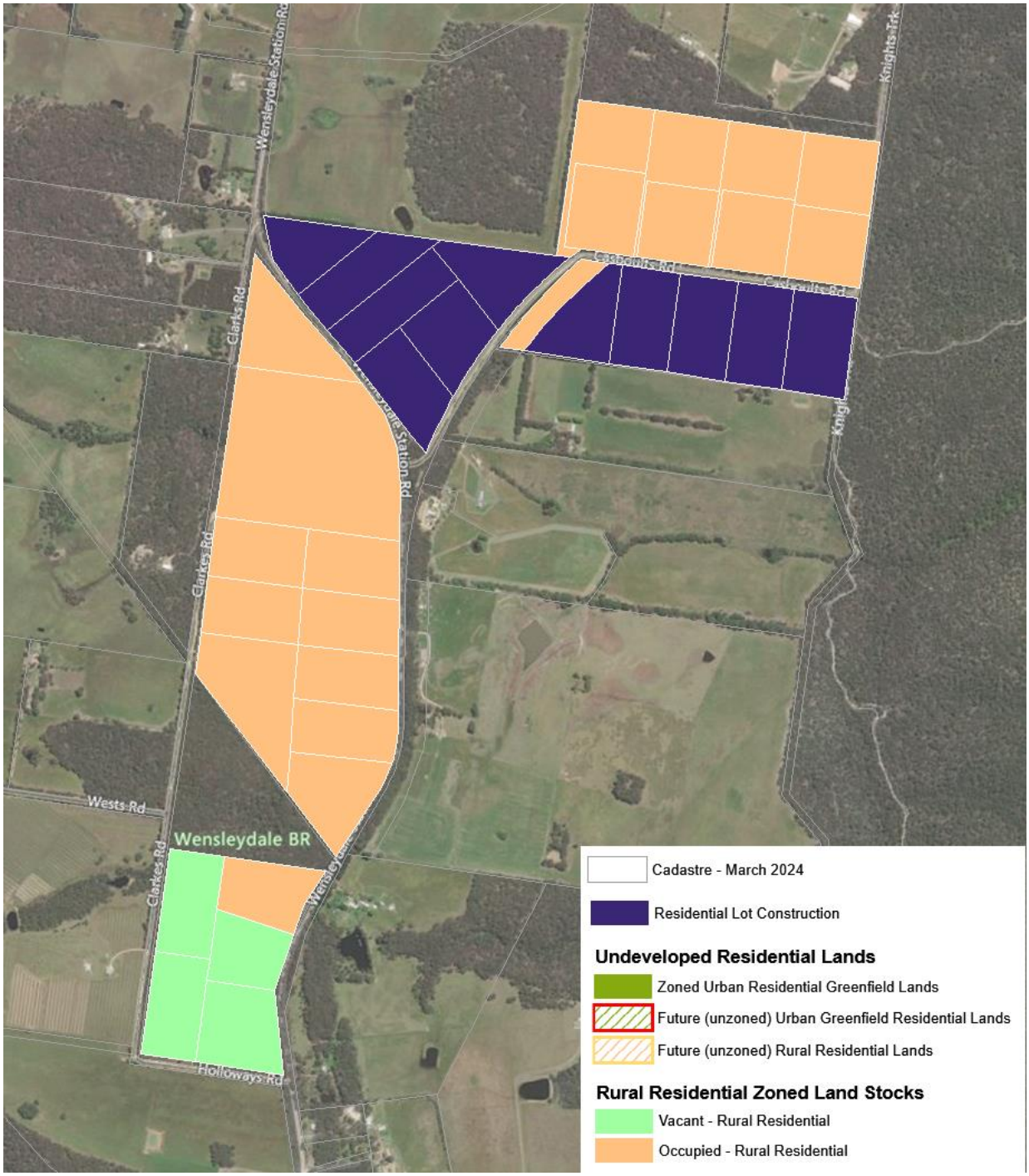
Map 17: Residential Land Supply– Torquay (west) - 2



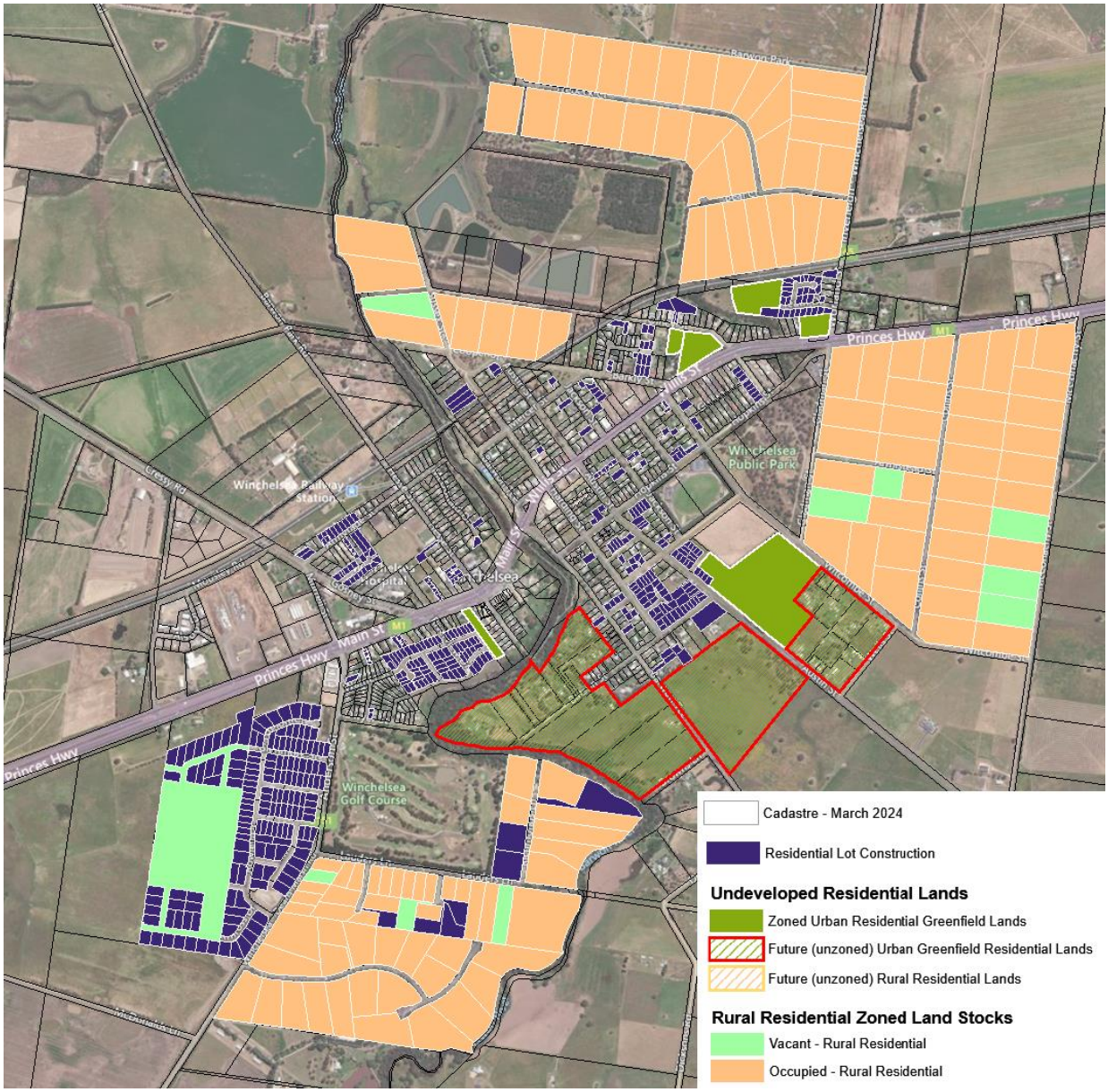
Map 18: Residential Land Supply– Torquay (central)



Map 19: Residential Land Supply– Wensleydale



Map 20: Residential Land Supply– Winchelsea



6.0 Adequacy of Land Stocks

Key Findings – Urban Greenfield Lands

In terms of zoned **urban** greenfield/major infill residential land stocks, it is estimated based on the identified supply and projected demand scenarios, there are sufficient land stocks to satisfy between just over **5 to 6 years** of demand across the Surf Coast municipal area.

There is a total potential supply (zoned and unzoned) of urban greenfield/major infill residential land to meet forecast demand of between **11 and 13 years**.

With the amount of supply and demand estimated, it is possible to describe the results in years of supply (a simple and understandable measure). For example, it can be stated that there are X years of supply based on projected demand within a given housing market and by supply type.

This succinct way of describing adequacy is standard across most State Governments in Australia and incorporates a wealth of information into a single figure. A series of adequacy numbers can be provided to reflect differing demand scenarios.

It is also possible to describe adequacy in a qualitative sense but with both the private and public sector familiar to this methodology, it seems appropriate to adopt the above approach.

Years of supply can also be linked to trigger points relating to the need for identification of additional land stocks and more importantly triggering specific strategic land use planning responses. The adequacy of greenfield/major infill residential land supply sources is calculated as a residual taking into account of the likely contribution of other supply types to meeting total housing demand.

Analysis has been undertaken to estimate the years of urban and rural residential greenfield residential land stocks for the municipal area of Surf Coast – this is outlined below. Further commentary is outlined in terms of urban residential greenfield land stocks for the urban centres of Torquay and Winchelsea.

Three future demand scenarios are assessed against the identified stock of undeveloped residential greenfield land. The demand scenarios are detailed in a previous section of the report.

Assessing the adequacy of years of residential land supply is not only dependent on the projected level of dwellings demand (i.e the alternative demand scenarios), and the share of total dwellings by supply type but also on the likelihood of timely realisation of the identified supply opportunities. Therefore, caution is highlighted in the interpretation of the years of greenfield land supply, as a major assumption is that the identified supply will be able to realised in a timely way.

6.1 Years of Supply – Urban Greenfield Lands

The share of future housing needs met by urban greenfield/major infill lot construction activity is assumed at 78%.

Table 24 summarise the estimated years of urban greenfield/major infill residential land supply by demand scenario as at 2024.

In terms of **zoned** urban greenfield residential land stocks, it is estimated based on the identified supply and projected demand scenarios, there are sufficient land stocks to satisfy **just over 5 to 6 years** of demand across the municipal area of Surf Coast.

In terms of zoned and unzoned (total) urban greenfield residential land stocks, there is approximately **11 to 13 years** of supply relative to the projected demand scenarios.

Table 24: Estimated Years of Urban Greenfield/Major Infill Residential Land Supply – Surf Coast, 2024

	Zoned	Total (zoned & unzoned)
Scenario 1 (VIF2023)	5.7	**12.7**
Scenario 2:- Moderate Long Term Growth	5.2	**10.8**
Scenario 3:- Stronger Long-Term Growth	6.0	**11.2**

Source: Spatial Economics Pty Ltd

6.1.1 Urban Greenfield Lands - Torquay/Jan-Juc

There is an estimated lot stock capacity of nearly 1,500 lots/dwellings within **zoned** urban greenfield lands in Torquay/Jan-Juc. In addition, there is an additional capacity for nearly 1,200 lot/dwelling potential identified, but currently **unzoned,** for future urban greenfield development.

Of this urban greenfield lot potential, nearly 30% (750 lots) is fragmented and has significant existing uses – which ultimately will impact on the likelihood, cost of and timing of land development.

Relative to historic demand levels, urban greenfield land stocks in Torquay/Jan-Juc are limited. The existing supply of urban residential greenfield lands is fixed and the development/release of this stock will be dependent on the land development industry's development intentions. In other words, choices made by developers may have the effect of significantly reducing the greenfield lot stocks available annually for purchase by Torquay/Jan Juc households.

Over the last 2.75 years, urban greenfield lot construction has averaged only 118 per annum – compared to historic peaks at around 380 per annum.

There are no options for further expansion of urban greenfield lands in Torquay/Jan-Juc. Increased residential development opportunities are limited to:

- increasing yield outcomes within the existing undeveloped urban greenfield land stocks;
- changing the compositional land use mix within the Messmate Road land release area (which currently contains a component of low density residential lands); and
- increasing housing supply from the existing established urban area. There is limited potential in terms of dispersed/minor infill development, however, there is significant potential in the form of medium to higher density housing products located within strategic sites/precincts.

6.1.2 Urban Greenfield Lands - Winchelsea Township

There are currently limited stocks of zoned urban residential greenfield lands in Winchelsea. As at March 2024 there was an estimated lot potential of 181 across the township. Of this potential, 32 lots have preliminary subdivision approval and are likely to be constructed within the 2024 calendar year. This leaves a balance of only around 150 lots.

Residential lot construction in Winchelsea over the last 3.75 years has averaged nearly 65 per annum.

There is effectively only one significant remaining active urban greenfield estate in Winchelsea which has an ultimate development capacity of 107 lots – as at March 2024, it had preliminary subdivision approval for 30 lots.

Given this very limited stock of zoned residential land there is an immediate need to rezone additional land in order to increase the stock of urban greenfield land available for development in Winchelsea.

There are currently approximately 435 lots identified, but currently unzoned, for future greenfield residential development in Winchelsea. Ultimately, additional urban greenfield lands need to be identified to provide for likely future demand levels.

From 2024 to 2036 it is anticipated that demand for residential dwellings in Winchelsea will range from 750 to nearly 1,500. Looking longer term from, 2036 to 2051 total demand for housing is likely to range from 2,260 to nearly 4,900.

Please refer to: Growth Projections: for the Urban Futures Strategy: Surf Coast Shire Council, 2024.

6.1.3 Future Sources of Housing Demand in Surf Coast

It is recognised that, given the finite supply of urban residential greenfield lands in Torquay/Jan-Juc, over-time housing demand will increasingly shift to Winchelsea as the only locality where there is more available supply. Winchelsea will likely be the Shire's only significant source of more affordable housing.

This locational shift in supply is likely to see the source of demand change. Traditionally, the bulk of housing demand was sourced from inner-city Melbourne. The future is likely to see demand sourced primarily from the Shire and the Geelong Region. Some demand is also likely from western Melbourne.

Key Issues

Clause 11.02-1S of the State Planning Policy Framework includes under 'Strategies' the need to:

"Plan to accommodate projected population growth over at least a 15 year period and provide clear direction on locations where growth should occur. Residential land supply will be considered on a municipal basis, rather than a town-by-town basis."

The urban greenfield residential supply assessment illustrates that there is just over 5 to 6 years zoned supply to meet anticipated demand. In terms of zoned and unzoned (total) urban greenfield residential land stocks, there is approximately 11 to 13 years of supply relative to the projected demand scenarios. This level of land supply does not satisfy the state policy requirement.

As a result, there is an immediate need to increase the stocks of urban greenfield lands.

There is a particular need to increase the stock of zoned urban residential greenfield lands in Winchelsea - current zoned stocks are significantly limited.

In addition to increasing the stocks of zoned urban greenfield lands, further land stocks will need to be identified, particularly in Winchelsea to meet anticipated medium to longer terms housing needs.

Appendix A: May 2023 Commonwealth Budget Statement

The following statement was included in Budget paper No.1 Economic Outlook in Box 2 (page 99):

The pandemic resulted in the first net outflow of overseas migration from Australia since World War II. The rebound in temporary migration following the reopening of Australia's international borders was initially slow but has recently started to recover at a faster rate. This has resulted in an upgrade in the forecast level of population, even though the total number of temporary migrants arriving in Australia is not expected to make up for the loss in migration during the pandemic for some time.

Population growth is now expected to be 2.0 per cent in 2022–23 and 1.7 per cent in 2023–24, upgraded from 1.4 per cent in those years in the October Budget. Net overseas migration is forecast to be 400,000 in 2022–23 and 315,000 in 2023–24, reflecting the one-off catch up from the pandemic. This strength in migration and population growth is expected to be temporary, with migration forecast to largely return to normal patterns from 2024–25.

Even with this stronger near-term outlook, total net overseas migration is not expected to catch up to the level forecast prior to the pandemic until 2029–30. By the time border restrictions were relaxed at the end of 2021, net overseas migration was cumulatively almost 500,000 lower than expected prior to the pandemic. On current forecasts, net overseas migration will still be cumulatively 315,000 lower than pre-pandemic forecasts by June 2023 and 215,000 lower by June 2024.

Notwithstanding the recovery in net overseas migration, the total population is still expected to be 750,000 people (2.5 per cent) smaller in June 2031 compared with pre-pandemic forecasts. This is attributable to a lower fertility assumption, which was updated in early 2020 to better reflect long-running trends.

The reopening of international borders has seen a rapid recovery in the stock of international students, skilled temporary visa holders and working holiday makers in 2022–23. Second and third-year students who were studying online during the pandemic have been returning, in addition to those arriving in Australia to begin their studies. At the same time, very low temporary migrant arrivals during the pandemic now means fewer departures – those who did not arrive cannot now leave. Strong labour market conditions and increased eligibility for temporary visas with work rights are also supporting higher levels of temporary migration.

From 2023–24, arrivals of temporary migrants are expected to return to normal levels. It will take more time for departures to return to normal because of the low arrivals during the pandemic. As such, the elevated forecast for net overseas migration in 2023–24 is largely driven by fewer temporary migrants departing Australia than usual, rather than a greater number of people arriving.

Once the temporary catch-up effect from the pandemic subsides, net overseas migration is expected to return to more normal levels, falling back towards historical trends of 235,000 per year, which is the assumed level into the medium term.

Appendix B: Comments by Professor Peter McDonald, Melbourne University, February 2023

Very little of the increase in net migration across these two years was due to the granting of permanent resident visas to people living offshore or to the movements of Australian and New Zealand citizens.

Rather, the increase is explained by changes in the movements of temporary residents, such as international students, working holidaymakers and other temporary or bridging visa holders.

The biggest reason for the higher number of migrant arrivals over migrant departures since 2021 is changes in the movements of international students and working holiday makers.

Many temporary residents would also normally have been expected to leave Australia by September 2022, but they did not do so.

This includes many people on bridging visas, which reached a record number of 369,000 in September 2022. A bridging visa is provided to people who are in Australia awaiting the outcome of another visa application.

This number included a huge backlog of applications for permanent skilled visas and many people (50,000 or more) who arrived by air on tourist visas and then applied for asylum in Australia. Almost all these asylum applications are rejected, but few have been deported.

Also, during the pandemic, the Morrison government extended eligibility for a temporary employment visa (visa subclass 408) to people in Australia whose temporary visas were due to expire. This enabled many people to remain in Australia when, otherwise, they would have left.

Finally, there has also been a longer-term increase in the number of people on graduate visas due to a policy change in 2011, as well as other recent changes made by the Albanese government.

A temporary surge, then return to normal

These data tell us that the recent increase in net-overseas migration has been due to policy changes that enabled people to remain in Australia rather than policy changes that enabled people to arrive.

This continued in February of this year with the Albanese government allocating extra resources to help clear the backlog of people on bridging visas. This has caused a significant decrease in the numbers of people on bridging visas, many of whom have been granted permanent residence.

The very unusual movements during the pandemic have produced a temporary surge in net migration, which we can expect to last for two or three years. After this, net migration should return to pre-pandemic levels as the number of migrant departures ticks upwards again.