

Housing Supply Analysis

Maroondah City Council

Prepared for
Maroondah City Council

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Executive Summary

Charter Keck Cramer (Charter) has been engaged by Maroondah City Council to provide Council with a comprehensive evidence base that will inform the development of a new Housing Strategy for the municipality. This analysis is focused on understanding the dynamics of new housing production and how new housing enters the local market.

In order to distil key elements of the report Charter has provided a short summary of key themes that have emerged and that will assist in the formulation of Council's overall Housing Strategy.

Evidence Based Analysis.

- The data analysed within this report is derived from Charter's proprietary *National Urban Housing Monitor* (NUHM) and *National Apartment Database*.
- Every new housing project (containing more than one dwelling) in Maroondah, completed across the two year period 2013-14 has been analysed.
- An evidence base of this type derived from Charter's proprietary databases, includes details on project and unit level data and enables policy makers to understand the spatial, diversity and affordability dynamics of the housing market.
- Understanding of these dynamics enables meaningful evidence based policy development to be undertaken.
- The depth and breadth of this analysis enables Council to understand the drivers of development from the perspective of the private market and accordingly potentially incentivise development in strategic locations.

Future Growth Challenge and Housing Objectives.

- Notwithstanding the creation of a robust evidence base, Melbourne as a city and indeed Maroondah LGA faces major population challenges in accommodating expected growth and changing residential profiles.
- Population projections completed by both the State Government (VIF 2014) and ID Consulting highlight that Maroondah will experience ongoing growth in housing demand with the structural demographic change towards an ageing population having implications for the type of housing required.
- Although Council must consider a broad range of community objectives contained in both the MSS and Maroondah 2040, there is no doubting that the housing market must provide for an ageing population into the future.
- Based on Charter's analysis, there are very few new townhouses designed to accommodate the needs of residents who wish to downsize and age in place.

The Importance of Small Project Development.

- The housing options available to purchasers in Maroondah (including older residents) are heavily influenced by the large number of small dispersed housing projects and increasingly larger apartment projects.
- Consistent with other established area Councils, the vast majority of new housing production is in the form of townhouses (77% of net additional dwellings) that are opportunistic and widely dispersed across the LGA.
- Although many of these small projects contain only one or two additional dwellings they constitute the bulk of new housing options available to both current and future Maroondah residents.
- Small projects provide a baseline of new housing production year in and year out, without which the Maroondah housing market would have significantly less affordable and diverse housing.

Incentivising Development.

- Urban consolidation in strategic areas with access to amenities and community services is most effective when planning policy can align with and leverage from the development industry's investment in and buyers' expressed preferences for selected locations.
 - Analysis of recent development patterns reveals that a number of small areas have experienced considerable new housing production. These areas are close to existing small shopping centres where facilitative planning controls may have aided the delivery of well-located higher density housing.
 - Importantly, facilitating an increasing number of small projects to more efficient development sites potential will, over time, aid in de-risking the market for larger townhouse or apartment type projects in recognised strategic locations (such as Ringwood or Croydon).
-

De-Risking the Market.

- The process of development is inherently risk laden and subject to significant forces beyond the influence or control of Council or the developer.
- Successful property development projects that lead to the production of new housing for a growing population relies on the availability and procurement of finance from a bank or lender. Without development finance, projects and new housing projects cannot occur.
- Smaller scale projects, have a very different financing requirement when compared to the larger scale projects Maroondah will require to meet housing growth into the future.
- Financiers will lend to developers for increasingly larger projects when they can observe sufficient evidence of market demand at required price points (pre-sales) or a clear transition in the broader market to acceptance of higher density projects.
- Across many established areas of Melbourne that transition has been made over decades from larger conventional townhouse development, to smaller higher density townhouses (both two and three level) and finally to apartment development.
- Charter refers to this process as the de-risking of the property market and once this process occurs apartment development becomes more sustainable (although still subject to the cyclicity) of market conditions.
- Charter considers that there is an opportunity to promote a network of development opportunities across a larger number of Maroondah's centres to help accelerate the process of de-risking the local market.

A Network of Centres.

- Allied to the process of market de-risking is an increase in the scale of townhouse and apartment opportunities for developers across Maroondah.
- Focussing policy support for higher density development on a small number of centres with a limited radius of transport nodes may have the effect of limiting available development opportunities, as well as increasing vendor expectations and some passive landowners attempt to capitalise on scarcity value by withholding sites from being sold to developers.

Housing Diversity and Planning Controls.

- As part of this analysis Charter has considered the nature of new supply and it's diversity.
- Charter has been unable to find a definition of housing diversity as it relates to actual housing product. There are many empirical definitions in relation to purchaser capacity and housing affordability, but no such definition related to diversity.
- Consideration of the new housing supply data indicates that housing diversity logically relates to the form of housing required or sought by both current and future purchasers, when compared to the form of housing produced by the market.
- For example, a dominance of larger three bedroom product in particular sub-markets may inhibit the ability for entry-level buyers to make an initial purchase into the housing market.
- Statutory planning standards are heavily influenced by the State Government VPP's with and Council's own policies having little influence.
- There are particular planning controls, such as variations in open space requirements or mandatory heights which will impact on both the feasibility of development and also the type of housing product produced in the market.
- There is a need to consider the relative balance between planning policies that deliver stated community objectives and policies that may be varied to promote or incentivise required new housing production in order for broader community benefits to be achieved.

Affordable Housing within the Established Market.

- As opposed to the generic and largely undefined notion of housing diversity, Charter has been able to develop a significant evidence base in relation to affordability.
- Housing affordability for new product is relative to the housing choices and existing price structure of the established housing market. Charter has considered both the new and established housing markets as part of this analysis.
- Charter found that 78% of all new sales were at prices below the prevailing median established house price for the suburb in which the transaction occurred.
- This is a significant finding and demonstrates how important the provision of new product is to the overall affordability of the local housing market.
- In addition, the rate of house price escalation was only 5% year on year for new product in Ringwood, as compared to 20% year on year growth in established prices.
- The provision of new housing supply into the lowest price quartiles of the market will maximise opportunities for entry-level purchasers and put downward pressure on prices.

Housing Supply Analysis.

Contents.

1.	Introduction.	1
1.1	Project Scope.....	1
1.2	National Urban Housing Monitor (NUHM).	1
1.3	Definitions and Glossary.	1
1.4	Report Structure.	2
2.	Housing Market Analysis.	3
2.1	New Housing Overview.	3
2.2	New Dwellings.	4
2.3	Project Attributes.....	9
2.4	Site Attributes.....	14
2.5	Product Analysis.	16
2.6	Planning Controls.....	19
2.7	Price.	23
2.8	Major Projects.....	29
2.9	Purchaser Origin.	31
2.10	Apartment Market Context.	34
2.11	Urban Activity Precincts.....	37
3.	Industry Production Forecast.	39
4.	Key Themes.....	44
5.	Future Considerations for Council.	46
6.	Appendix 1 - Literature Review	47
7.	Appendix 2 - Stakeholder Consultation.....	54

Instructions.

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1. Introduction.

1.1 Project Scope.

Charter Keck Cramer (Charter) has been engaged by Maroondah City Council to prepare a Housing Market Analysis using proprietary housing data sources, in order to provide Council with a comprehensive body of knowledge and evidence base that will inform the development of a new Housing Strategy for the municipality.

In particular, Charter has focussed on the following objectives:

- Quantify new housing production activity within the Maroondah LGA between 2013 and 2014;
- Identify the spatial distribution of new housing supply across Maroondah LGA;
- Identify the types of housing product contained within new housing projects;
- Quantify the pricing dynamics for new housing production and the relationship to the existing housing market;
- Understand the profile of purchasers within the overall housing market;
- Quantify the time taken to deliver new housing projects from approval; and
- Understand apartment market dynamics and future drivers of development.

This report provides Council with a comprehensive body of knowledge of both market dynamics within the private market and implications for future strategic planning policy. Without accurate and timely housing market intelligence it is difficult for policy makers to fully understand how future urban policy will impact on housing diversity, housing affordability and industry production.

There also needs to be recognition that Council is only one stakeholder in the broader production of new housing. Council has limited control and influence over housing production given State Government Planning Controls (ResCode) and the fact it is not a direct property development entity. Furthermore, Council planning policy must balance housing objectives with many other competing community objectives.

This report identifies that the Maroondah LGA not only has a number of different housing sub-markets, but also different industries ranging from individual landowners constructing a single dwelling to the rear of their home to professional developers completing apartment projects.

1.2 National Urban Housing Monitor (NUHM).

Simply understanding that a new housing project has occurred does not represent a sufficient evidence base to inform housing policy. Charter's *National Urban Housing Monitor* (NUHM) provides policy makers with independent and comprehensive evidence (project and unit level information) upon which housing policy can be developed.

Over the last 12 months Charter has developed the *National Urban Housing Monitor* to monitor new smaller scale housing development (less than 10 dwellings) across Melbourne. The database tracks and identifies new housing supply projects but also includes:

- Lot characterises – lot size, frontage, zoning, and overlays;
- Project characteristics – number of net additional dwellings, project size, and the original land use (e.g. number of existing dwellings);
- Dwelling characteristics – number of bedrooms, bathrooms and car spaces, building area and dwelling typology;
- Pricing characteristics – sale price, sale date, rental price, rental date and rental yield estimates;
- Project Status – identification of project stage (yet to commence, under construction or completed).

The methodology used by Charter in the *National Urban Housing Database* for the Maroondah LGA is as follows:

- The analysis has been taken for the period 1 January 2013 through to and including 31 December 2014.
- The analysis is current as at January 2015.
- "One for one" replacements have been excluded.
- Data has been disaggregated into project level data and also unit level data.
- Major projects have been separately identified and reported separately.
-

1.3 Definitions and Glossary.

There are several definitions that have been used in this report and which are outlined below:

- **Housing Production** – is the quantum or rate of new housing delivered to the market on an annual basis. Land notionally available for development (i.e. the concept of supply) is only relevant when considered against a rate of production. There are areas across Melbourne with significant notional supply and large amounts of residentially

zoned land but without a strong real market and rate of production. In these circumstances supply considered in isolation is of limited relevance.

- **Apartment** - a form of high density housing over multi levels that have been strata titled and does not include any land component.
- **Completed** - a project where a sale or rental event has occurred during the study period and where the dwelling structure appears to be physically complete.
- **Demolition and Construction** - the existing dwelling was demolished and new dwellings were constructed on the site, maximising the size of the site.
- **Dwelling** - housing which includes both an apartment and a townhouse.
- **Dwelling Site Ratio (DSR)** - the ratio between the parent site area and number of Dwellings at Project Completion.
- **National Urban Housing Monitor** - refer to section 1.2 for a detailed explanation.
- **Net Additional Dwellings** - the number of dwellings added to total housing stock as new supply.
- **Number of Original Dwellings** - the number of existing dwellings prior to development of the site.
- **Number of Dwellings Demolished** - the number of existing dwellings on the site demolished as part of the development project.
- **Number of Dwellings at Project Completion** - number of dwellings on the site at the completion of the project.
- **Rear of Existing** - the existing dwelling(s) were maintained and the new dwelling(s) constructed at the rear of the site.
- **Side by Side** - the existing dwelling was demolished and the new dwellings were constructed side by side to one another, both utilising the same street frontage.
- **Subdivision** - the site was either vacant land to begin with, or the original site was carved off and then subdivided to allow for the new dwellings to be constructed.
- **Townhouse** - a form of medium density housing that includes a titled land component.
- **Under Construction** - a project where a sale or rental event has occurred and where the dwelling structure has commenced but has not yet been completed.
- **Urban Activity Precincts** - areas where Charter has identified levels of market activity and new housing production, within 400m of small scale retail precincts.
- **Yet to commence** - a project where a sale or rental event has occurred and where construction works has yet to commence (off the plan sales).

1.4 Report Structure.

The majority of housing data and analysis is contained in Section Two-**(Housing Supply Analysis)**. This section represents the empirical evidence base and housing analysis that informs subsequent chapters.

Section Three of the report is Charter's **Industry Production Forecast Model** that assumes a number of housing market scenarios into the future, based on both empirical analysis of previous market activity and assumptions around future market change.

Finally, **Key Themes** are acknowledged that will inform the continued development of Council's Housing Strategy. In addition, Charter has also identified a number of further work items that may add value to future policy development.

2. Housing Market Analysis.

2.1 New Housing Overview.

Charter's comprehensive NUHM data allows for analysis of the location, project and dwelling characteristics across the Maroondah housing market. This analysis is drawn from new housing projects only for the period 2013-2014.

2.1.1 Project Activity by Development Status.

Over the period 2013-2014 Charter identified 294 new housing projects in the Maroondah LGA that have resulted in at least one net additional dwelling entering the local housing market. In order to provide a comprehensive understanding of total market activity Charter has identified both project and unit characteristics for all new housing projects. Characteristics of units can differ even within the same project; three new townhouses may all be of varying size and scale and enter the market at different price points. For policy makers this makes unit level data just as important as project level data.

Each of the 294 new housing projects identified within the study period have been given a current status (as at January 2015) to reflect the dimension of time, a critical element of private sector development activity. The definitions of each status are defined in the Definitions and Glossary section (section 1.3) of this research paper.

Total project activity for the Maroondah LGA (by Status) is reflected in figure 1 below.

Figure 1: New Housing Supply Projects by Suburb, 2013-2014 (as at Jan 2015).

Suburb	Completed	Under Construction	Yet to Commence*	Total
Bayswater North	17	4	0	21
Croydon*	65	10	3	78
Croydon Hills	2	0	0	2
Croydon North	18	5	0	23
Croydon South	18	2	0	20
Heathmont	14	4	1	19
Ringwood	56	14	4	74
Ringwood East	29	12	1	42
Ringwood North	7	3	1	11
Vermont (part)	2	0	0	2
Warranwood	1	1	0	2
Kilsyth South	0	0	0	0
Wonga Park (part)	0	0	0	0
Total	229	55	10	294

SOURCE - Charter Keck Cramer.

* *The Range* project in Croydon is excluded from all the analysis and is evaluated separately under 'Major Projects.'

- The suburbs of Croydon (27%), Ringwood (25%), and Ringwood East (14%) experienced the most significant levels of project activity within the Maroondah LGA.
- This spatial disparity reinforces that housing markets are not uniform and development relies on a number of particular conditions being met, including proximity to transport, amenities and sufficient lot area.
- The vast majority of projects within the Maroondah LGA housing market were defined as Completed (78%), with a further 19% Under Construction, reinforcing the role of off the plan sales. Only 3% of projects had not yet commenced as of January 2015.
- The suburbs of Kilsyth South and Wonga Park recorded no development activity, and so for the rest of the analysis contained in this report, have only been included as appropriate.

2.2 New Dwellings.

In order to understand Net Additional housing projects (total housing production per project less any existing dwellings), Charter has analysed each project and summarised at a suburb level.

2.2.1 Key Findings - New Dwellings

MARKET DYNAMICS

- Although there are a select number of development nodes, new housing supply is widely dispersed across the local market, indicating opportunistic development taking advantage of supply side opportunities.
- Although off the plan sales are increasing, sales of completed units (78%) remains the dominant form of market activity.

PLANNING POLICY CONSIDERATIONS

- Planning controls have been successful in limiting development in areas that have broader community value (e.g. Ridgelines).
- Housing market activity not only occurs in locations supported by planning policy but also happens opportunistically throughout the municipality in areas not explicitly supported for new development.
- Enabling housing supply where there is expressed demand will maximise opportunities for housing diversity and affordability.

2.2.2 New Dwellings by Suburb – All Projects (2013-2014).

Charter has identified that there are almost 1,000 Net New Additional Dwellings that have been produced between 2013-14. Whilst some currently 'marketed' projects may not reach project completion these projects have been included in this analysis.

Figure 2: Dwelling Supply by Suburb- All Projects (2013-2014).

Suburb	No. of Original Dw.	No. of Dw. Demolished	No. of Dw. at Project Completion	Net Additional Dw.
Bayswater North	25	14	85	60
Croydon	72	49	366	294
Croydon Hills	2	1	4	2
Croydon North	30	9	106	76
Croydon South	20	2	44	24
Heathmont	16	12	92	76
Ringwood	76	55	367	291
Ringwood East	42	25	121	79
Ringwood North	10	9	78	68
Vermont	2	2	5	3
Warranwood	2	1	11	9
Total	297	179	1,279	982

SOURCE - Charter Keck Cramer.

Figure 2 illustrates that Ringwood and Croydon have experienced the most intense levels of market activity, resulting in a combined 59% of all new dwellings across Maroondah.

2.2.3 New Dwellings by Suburb – Completed Projects Only.

Over the study period 589 new dwellings (annual average of 295 dwellings) have been completed in Maroondah, with both Croydon (33%) and Ringwood (26%) remaining as the major focus of market activity.

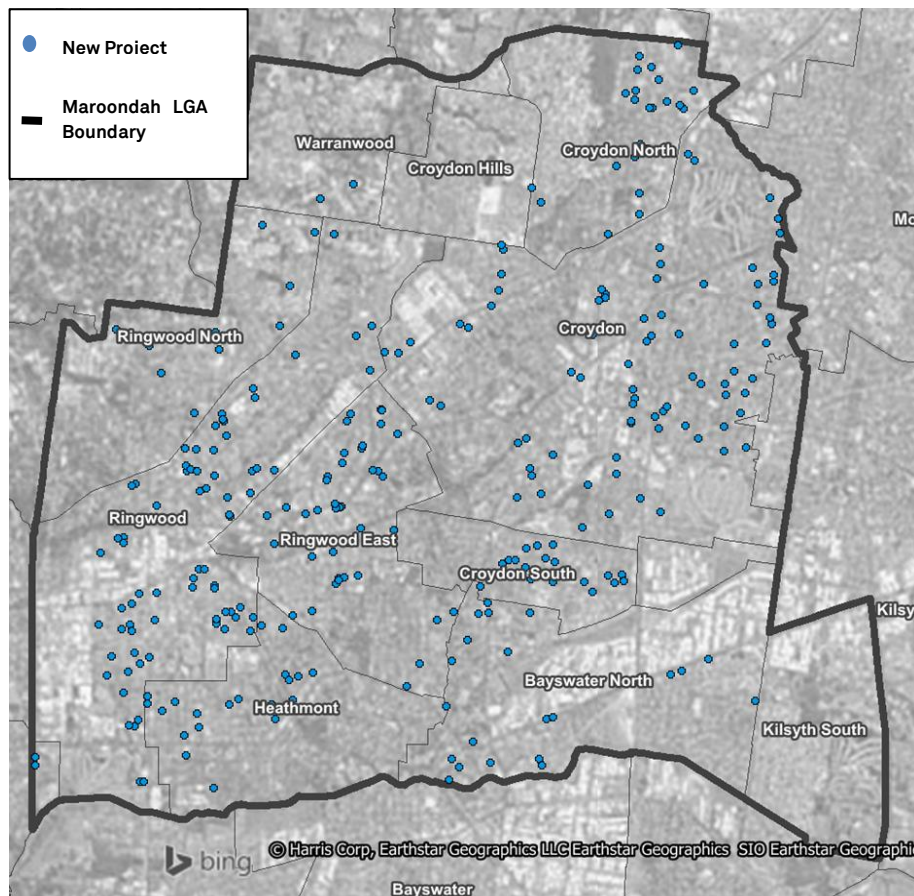
Figure 3: Dwelling Supply by Suburb – Completed Projects only (2013-2014).

Suburb	No. of Original Dw.	No. of Dw. Demolished	No. of Dw. at Project Completion	Net Additional Dw.
Bayswater North	21	11	69	48
Croydon	61	38	256	195
Croydon Hills	2	1	4	2
Croydon North	21	7	78	57
Croydon South	18	2	40	22
Heathmont	12	9	39	27
Ringwood	55	37	206	151
Ringwood East	29	16	76	47
Ringwood North	6	5	41	35
Vermont	2	2	5	3
Warranwood	1	0	3	2
Total	228	128	817	589

SOURCE - Charter Keck Cramer.

These findings are broadly consistent with the project activity outlined in figure 2 above. For the purposes of illustration, Charter has plotted on the map below, in figure 4, all the projects identified in the NUHM for 2013-2014.

Figure 4: All New Housing Projects (294 projects in total) – Maroondah LGA (2013-14).



SOURCE - Charter Keck Cramer.

2.2.4 Development Intensity.

Understanding the distribution and intensity of new housing projects across the Maroondah LGA is a key objective of this project. Spatial analysis of key areas of market activity allows Council to consider how statutory and strategic controls (within Council's influence) can be tailored to incentivise development activity (measures that Council can take to promote facilitate private sector development), while also balancing Council's competing objectives.

Charter has represented spatial intensity (refer to figure 5 below) by considering the origin of new projects and relative distance to other projects. The highest intensity areas (darker red) are markets that have experienced the highest cumulative spatial concentration of projects by project count.

While planning schemes describe areas of higher density (Residential Growth Zone), moderate density (General Residential Zone) and low density (Neighbourhood Residential Zone), development intensity maps highlight the market's behaviour and are proxy of highly desirable areas for development.

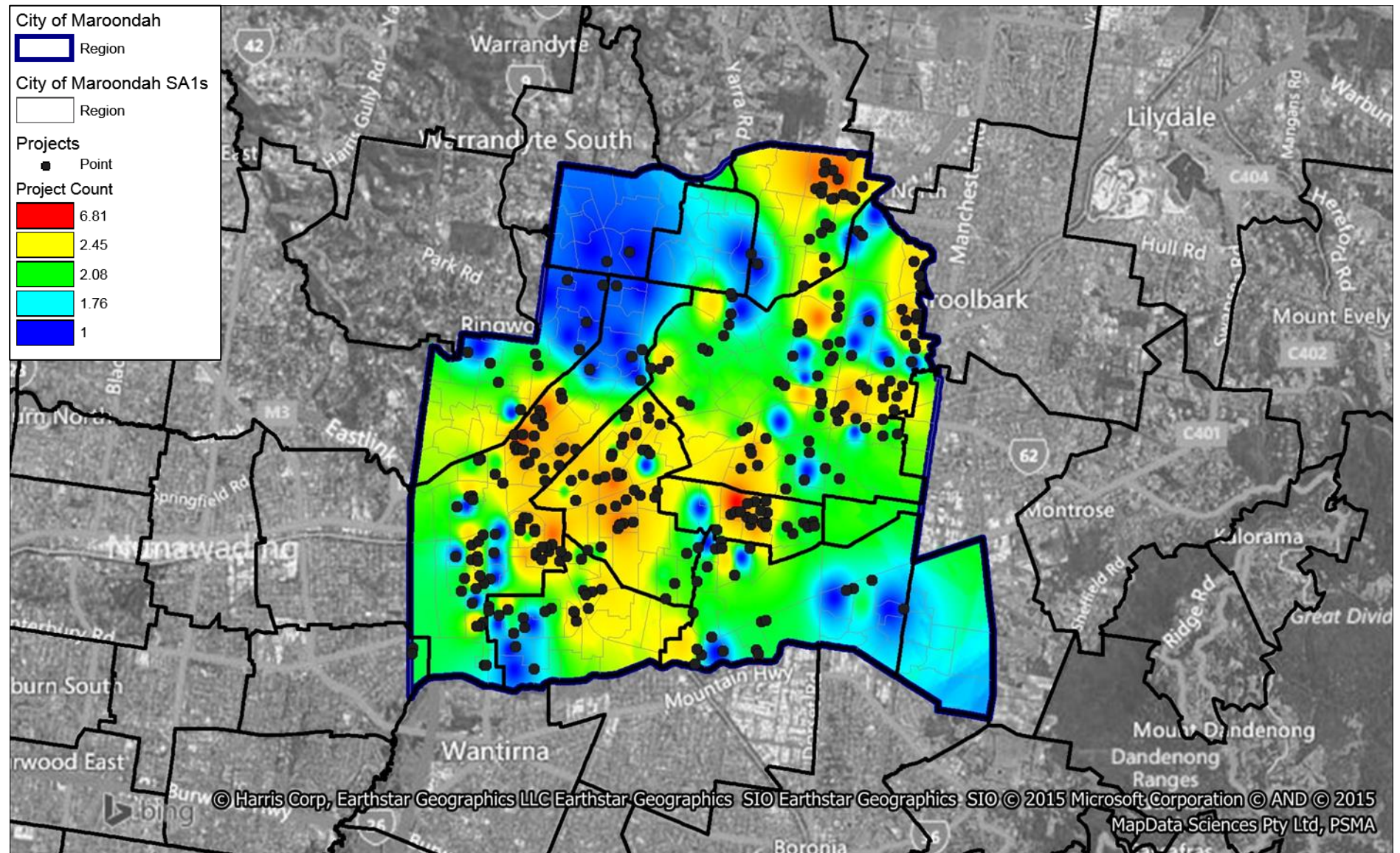
Notwithstanding the undoubted legacy of supply side planning policies on the distribution of activity, the intensity of development provides valuable insights into the attributes that the market considers when selecting a location and site for development.

The intensity map (figure 5) reinforces both the role of Ridgeline protection areas (covered by DDO1 and DDO2) as a major community asset and the policy objective of increased housing development around both Ringwood Metropolitan Activity Centre and Croydon Major Activity Centre. The areas that represent a spatial focus of development intensity are also areas where the market capitalises significant value into land (and development site) purchases.

In summary, the development intensity map (figure 5) highlights:

- The dispersed nature of housing activity across the LGA (which Charter considers to be reflective of the small-scale and opportunistic form of development, often initiated by landowners rather than developers);
 - The ability for planning controls to provide for and limit development activity in areas of environment and community importance such as Waranwood and along the Ridgelines; and
 - The presence of a number of key local development nodes that may not be currently identified as places of strategic importance in the Maroondah planning scheme. These development nodes have been outlined in figure 6.
-

Figure 5: Intensity of New Housing Projects – Maroondah LGA (2013-14).



SOURCE - Charter Keck Cramer.

Figure 6: Development Nodes in the Maroondah LGA identified from the Intensity Map

Development Node	Residential Zone (Amendment C93)
Ringwood (Warrandyte Rd, Mullum Mullum Rd, Wonga Rd & Oban Rd. Near Mullum Reserve and Mullum Trail) (Great Ryrie St, Heathmont Rd, Station St)	Neighbourhood Residential Zone 3
Ringwood East (Mt Dandenong Rd, Dublin Rd, Railway Ave. Close to Ringwood East Train Station)	General Residential Zone 1
Croydon North (Humber Rd, Exeter Rd and Holloway Rd)	Part General Residential Zone 1 & part Neighbourhood Residential Zone 3
Croydon South (Eastfield Rd, Dorset Rd, Belmont Roads East & West, Canterbury Rd)	Part General Residential Zone 1 & part Neighbourhood Residential Zone 3
Croydon (Norman Rd, Lincoln Rd & Croydon Rd)	General Residential Zone 1

SOURCE - Charter Keck Cramer

The key development nodes mentioned above (and listed in figure 6) identify concentrations of medium density development activity, primarily townhouses, that have occurred. The defining characteristic of each node is that they generally contain lots of a size that are sufficient to accommodate projects of three dwellings or more. Each is relatively well located in relation to nearby centres, and/or public transport, albeit to varying degrees. This highlights the propensity for the market to recognise locational advantage irrespective of whether these areas that are explicitly supported by planning policy to accommodate growth.

Residential land within each of the nodes that is now zoned General Residential Zone 1, could be expected to continue to accommodate residential development similar to that which has already occurred. Residential land that is now zoned Neighbourhood Residential Zone 3 is likely to experience a decrease in development activity due to the two dwelling maximum now imposed and the related feasibility constraints.

Finally, as illustrated in Figure 5 above, there are a number of areas in the Maroondah LGA that have experienced comparatively lower levels of development. The largest of these areas include:

- the existing industrial / employment areas in the north of Kilsyth South, the east of Croydon South, and in Bayswater North;
- the area towards the northern boundary of Croydon (where there is an existing industrial / employment area in Chirnside Park);
- the Green Wedge areas in the east of Kilsyth South and the north of Warranwood; and
- the General Residential Zone 1 areas in the South of Warranwood, and the north of Ringwood North and Ringwood.

2.3 Project Attributes.

The following analysis identifies the project characteristics of new housing activity in the Maroondah LGA for the period 2013-2014.

2.3.1 Key Findings - Project Attributes

MARKET DYNAMICS

- High levels of market activity have not translated to increasing DSR (dwelling site ratio).
- Despite considerable variation in median house price, the DSR does not largely differ, indicating barriers on the supply side.
- Lower scale development (resulting in one or two net additional dwellings) constitutes the bulk of overall project activity.
- The prevalence of small project development and development at the rear of existing dwelling typologies suggests that landowners (ratepayers) represent a significant portion of the local development industry.

PLANNING POLICY CONSIDERATIONS

- Uniform planning controls and design standards across Melbourne limit the ability to deliver diverse and affordable housing.
- Providing policy support that supports further densification will contribute to the provision of future housing supply.
- The 80 sq.m private open space requirement may be impacting on the market's ability innovate and more diverse housing production.

2.3.2 Dwelling Site Ratio.

The ratio between the parent site area (development site) and the number of dwellings at project completion, referred to as the Dwelling Site Ratio (DSR) in this report, is an important indicator of the nature of new housing activity. Higher density development makes the most efficient use of development sites. DSR rates do change over time and across Melbourne dwelling ratios continue to fall as markets progressively de-risk. Lower DSR's typically define the most mature, market-ready and high density housing markets.

Figure 7: Dwelling Site Ratio – by Suburb (2013-2014).

Suburb	Total No. of Projects	No. of Dw. at Project Completion	Median No. of Dw. per Project	Median Lot Size of Parent Site (m ²)	Dwelling Site Ratio (m ²)	2014 Median House Price
Bayswater North	21	85	3.0	1,023	372	\$480,000
Croydon	78	366	3.0	1,098	371	\$517,400
Croydon Hills	2	4	2.0	1,104	552	\$575,000
Croydon North	23	106	4.0	1,366	368	\$580,000
Croydon South	20	44	2.0	905	433	\$515,000
Heathmont	19	92	2.0	933	357	\$630,000
Ringwood	74	367	3.0	912	355	\$650,000
Ringwood East	42	121	3.0	980	374	\$600,000
Ringwood North	11	78	5.0	3,300	471	\$660,750
Vermont	2	5	2.5	786	322	\$700,650
Warrenwood	2	11	5.5	2,890	569	\$693,250
Maroondah LGA	294	1,279	3.0	999	373	\$595,000

SOURCE - Charter Keck Cramer.

Typically, lower DSR regions align with areas of highest development activity. With the benefit of a historic time series it would be possible to consider any relative change over time. As illustrated in figure 7 above, in Maroondah DSR is comparable between suburbs with very different levels of market activity. For instance the DSR for Bayswater North (372 sq.m) is almost identical to Croydon (371 sq.m) despite Croydon (366 completed dwellings) experiencing a much higher level of market activity.

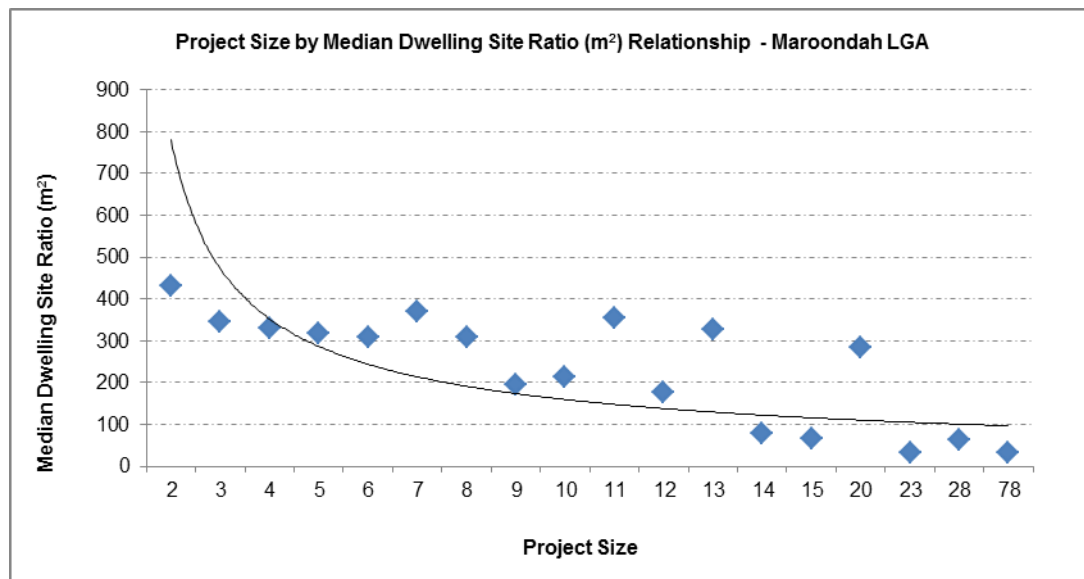
The similarity of DSR in Maroondah, despite strong market demand differences between suburbs is probably reflective of the impact that universal Planning controls such as (Rescode) can have on housing production. The 80 sq.m private open space requirement (to allow for canopy trees) in the Neighbourhood and General Residential Zones may also be

impacting on the ability for the market to innovate and deliver increasing housing density, due to the increased land take required for private open space which minimises net developable area.

2.3.3 Project Size by DSR Relationship.

Charter has also considered the relationship between the DSR and project size (figure 8). DSR has been calculated for all projects within the Maroondah LGA, with the median DSR for each project compared to project size.

Figure 8: Project Size by DSR Relationship – Maroondah LGA (2013-2014).



SOURCE - Charter Keck Cramer.

The median DSR for projects of one additional dwelling (two dwellings in total) was 430 sq.m, compared to the median DSR for projects of three additional dwellings which falls to 330 sq.m. The NUHM data demonstrates that the market will produce increasing amounts of new housing supply from the same number of projects if median project size can be progressively increased.

NUHM data also confirms that 69% of all projects are small scale, resulting in either one or two net additional dwellings. These small projects represent the vast majority of all new housing activity and are likely to be delivered by either small developers or landowners (ratepayers) who may already substantially own their own property.

Despite the high levels of project activity, small scale projects account for only 29% of all net additional dwellings between 2013-14. An increasing number of larger scale residential projects in Maroondah would therefore have a disproportionately higher impact on overall housing production in Maroondah.

While the market has been delivering increasingly larger projects (3.3% of all new projects contain 15 or more dwellings) predominately in targeted areas within Ringwood and Croydon, they account for 28% of net new dwellings and a very low DSR. Incentivising the market to progressively de-risk over time and ensuring a strategic allocation of land for larger projects should be considered into the future.

2.3.4 Croydon Project Analysis.

Analysis of NUHM data illustrates the importance of Ringwood and Croydon in the production of new housing within Maroondah. Charter has therefore conducted more detailed analysis of both markets (figures 9 and 10). For the purpose of this detailed analysis *The Range* project in Croydon has been excluded. An increased focus on Ringwood and Croydon is also warranted given that both areas are acknowledged in clause 21.06 of the MSS as major commercial areas that have shaped the way the entire municipality has developed.¹

Figure 9: Project Size by DSR Relationship - Croydon (2013-2014).

Project Size (Dw. at Completion)	Suburb Projects		Suburb Net Add Dwellings		Suburb Dwelling Mix		Median Lot Size of Parent Site (Gross m ²)	Median Dwelling Site Ratio (m ²)
	Number	%	Number	%	Townhouse (%)	Apartment (%)		
2	25	32%	26	9%	100%	-	875	438
3	21	27%	42	14%	100%	-	1,085	362
4	15	19%	46	16%	100%	-	1,420	355
5	5	6%	21	7%	100%	-	1,520	304
6	1	13%	5	2%	100%	-	1,580	263
9	1	13%	8	3%	100%	-	3,000	333
10	2	3%	18	6%	50%	50%	2,348	235
11	1	13%	10	3%	100%	-	3,900	355
12	1	13%	11	4%	-	100%	950	79
13	1	13%	13	4%	100%	-	4,235	326
14	1	13%	13	4%	-	100%	1,100	79
15	1	13%	14	5%	-	100%	1,000	67
20	2	3%	39	13%	50%	50%	5,665	283
28	1	13%	28	10%	100%	-	12,460	445
Total	78	100%	294	100%				

SOURCE - Charter Keck Cramer.

Although the Croydon market has delivered a number of larger projects, 59% of project activity is still within small scale (one or two additional dwellings).

While the efficiency of these small projects is comparatively low, delivering only 23% of net additional dwellings, these projects play a crucial role in establishing the pre-conditions for investment and de-risking the market for increasingly larger projects. Without these smaller projects providing a baseline of new housing future purchasers would have increasingly less housing choice, especially those who seek townhouse type product.

¹ Built Form and Urban Design overview – 21.06-1 Maroondah MSS.

2.3.5 Ringwood Project Analysis.

Ringwood Activities Area is a major strategic focus for Council within the planning scheme and has experienced increasingly larger apartment development in recent years, consistent with its designation as a focus of higher density in the *Maroondah Housing Strategy 1997* and its status as a highly accessible transport location.

Figure 10: Project Size by DSR Relationship – Ringwood (2013 – 2014).

Project Size (Dw. at Completion)	Suburb Projects		Suburb Net Add Dwellings		Suburb Dwelling Mix		Median Lot Size of Parent Site (Gross m ²)	Median Dwelling Site Ratio (m ²)
	Number	%	Number	%	Townhouse (%)	Apartment (%)		
2	32	43%	32	11%	100%	-	819	410
3	19	26%	38	13%	100%	-	999	339
4	10	14%	31	11%	100%	-	1,228	331
5	4	5%	17	6%	75%	25%	1,417	283
6	2	3%	12	4%	100%	-	1,851	359
9	2	3%	16	5%	50%	50%	1,763	316
10	2	3%	18	6%	50%	50%	1,959	213
23	1	1.4%	21	7%	-	100%	739	32
35	1	1.4%	31	11%	-	100%	3,138	90
78	1	1.4%	75	26%	-	100%	2,463	32
Total	74	100%	291	100%				

SOURCE - Charter Keck Cramer.

Consistent with Croydon, 69% of project activity has been within one and two additional dwellings indicating a predominately small scale development scale. Although representative of a small number of projects, the influence that apartment development has had on overall housing production is evident in Ringwood. The efficiency of apartment development in maximising new housing from available land is best illustrated when the DSR for a 6 townhouse project (359 sq.m) is contrasted to the DSR for a 78 dwelling apartment project (32 sq.m).

In order to provide a diverse range of housing options a balance of apartment and townhouse production is required, however based on NUHM and Charter's National Apartment Database there is increasing apartment market activity within the Ringwood Metropolitan Activity Area. Apartment market activity within the Ringwood Metropolitan Activity Centre needs to continue.

2.3.6 Project Typology.

The product typology of an individual housing project is also a strong indicator of market maturity and developer profile. In order to better understand the most significant new housing typologies across the municipality Charter has analysed project typology for each suburb (refer to figure 11 below).

Figure 11: Maroondah LGA Project Typology – % of all New Dwellings (2013 – 2014).

Suburb	Demolition & Construction	Rear of Existing	Side by Side	Subdivision
Bayswater North	3%	3%	0.3%	
Croydon	18%	7%		1.4%
Croydon Hills	0.3%	0.3%		
Croydon North	4%	3%		0.7%
Croydon South	0.7%	6%		0.3%
Heathmont	4%	10%		1.4%
Ringwood	16%	6%	0.7%	3.1%
Ringwood East	9%	6%		
Ringwood North	0.3%	0.3%		3.1%
Vermont	0.3%		0.3%	
Warranwood		0.3%		0.3%
Maroondah LGA Total	55%	34%	1.4%	10%

SOURCE - Charter Keck Cramer.

Suburbs with the highest levels of demolition activity are the areas of most significant new housing activity, Croydon and Ringwood. Projects that retain the existing dwelling and result in new dwellings constructed to the rear (34% of all projects across Maroondah) probably highlight the presence of small builder/developers or landowners undertaking development. The financial motivation of these small scale projects may vary, but existing landowners are predominately taking advantage of surplus land and a high proportion of equity in the property.

2.4 Site Attributes.

This section of the report focuses on the attributes of each development site that has produced new housing over the study period (2013-2014). The attributes of development sites are important in understanding the delivery of new housing, because without diversity of development sites it is difficult to produce a diversity of new housing stock.

2.4.1 Key Findings - Site Attributes

MARKET DYNAMICS

- Developers have targeted specific locations because of the market's acceptance of new supply in these areas and the site's capacity to accommodate housing supply.
- The largest apartment projects (higher density living) have occurred within an Activity Centre.

PLANNING POLICY CONSIDERATIONS

- New housing development primarily occurs on existing residential sites.
- 54% of the major residential projects identified by Charter have occurred within Activity Centres (Ringwood Metropolitan Activity Centre and Croydon Major Activity Centre) which is a positive reflection of Council's policy objectives.

2.4.2 Project Activity by Street/Road.

Within the NUHM data Charter observed that there were several major streets and roads that appeared to be a focus of development across Maroondah LGA (refer to figure 12 below).

Figure 12: Project Activity by Street/Road (2013-2014).

Project Street	Suburb	No. of Projects	Total Projects (%)	No. of Units	Total Units (%)
Bayswater Road	Bayswater North	7	2.4%	24	1.9%
Belmont Road (W & E)	Croydon South	7	2.4%	13	1.0%
Canterbury Road	Baywater North	6	2.0%	34	3%
Maroondah Highway	Croydon South	6	2.0%	21	1.6%
Mt Dandenong Road	Ringwood East	6	2.0%	35	3%
Humber Road	Croydon North	5	1.7%	25	2.0%
Faraday Road	Croydon South	4	1.4%	10	0.8%
Great Ryrie Street	Ringwood	4	1.4%	9	0.7%
Maidstone Street	Ringwood	4	1.4%	11	0.9%
Mullum Road	Ringwood	4	1.4%	13	1.0%
Wantima Road	Ringwood	4	1.4%	13	1.0%
Total		294	19.4%	1279	16.3%

SOURCE - Charter Keck Cramer.

Development sites within these identified major streets and roads share common attributes including significant land size, zoning and main road frontage, all characteristics that support more intensive development.

2.4.3 Major Projects.

Using the NUHM data Charter identified the largest new housing projects within the Maroondah LGA (excluding *The Range*). These projects have been ranked from largest to smallest based on the total number of dwellings, and are set out in figure 13 below.

Figure 13: Major Residential Projects – Maroondah LGA (2013-2014).

Project Address	Suburb	Product	No. of Units	Total Units (%)	Dwelling Site Ratio (m ²)	Within Activity Centre
48- 52 Bond Street	Ringwood	Apartment	75	4%	32	YES
Marden Place	Heathmont	Townhouse	35	2%	1029	NO
14- 21 Reynolds Ave	Ringwood	Apartment	35	2%	90	YES
407 Dorset Road	Croydon	Townhouse	28	2%	62	NO
9 Browns Ave	Ringwood	Apartment	23	1%	32	YES
39- 41 Lincoln Road	Croydon	Townhouse	20	1%	498	NO
291 Mt Dandenong Rd	Croydon	Apartment	20	1%	69	YES
171 Wonga Road	Ringwood North	Townhouse	18	1%	667	NO
Ellamatta Rise	Ringwood	Townhouse	18	1%	1,000	NO
17 Landale Ave	Croydon	Apartment	14	1%	79	YES
10 Alfrick Road	Croydon	Apartment	14	1%	67	YES
Total			1279	17%		

SOURCE - Charter Keck Cramer.

Unsurprisingly the largest new residential projects focus on the Ringwood and Croydon housing markets. The fact that 54% of the largest new housing projects have occurred within Activity Centres endorses the work historically completed by Council in Ringwood and Croydon.

2.4.4 Previous Use of Project Site.

Typically in established areas of Melbourne, residential land is the major source of new housing supply projects. This same trend is apparent in the Maroondah LGA, as illustrated in figure 14 below.

Figure 14: Site Use Prior to Development by Suburb (2013-2014).

Suburb	Church	Commercial	Residential	Vacant	Total
Bayswater North	-	-	100%	-	100%
Croydon	-	13%	92%	6%	100%
Croydon Hills	-	-	100%	-	100%
Croydon North	-	-	96%	4%	100%
Croydon South	-	-	100%	-	100%
Heathmont	-	-	84%	16%	100%
Ringwood	-	-	93%	7%	100%
Ringwood East	-	-	100%	-	100%
Ringwood North	9%	-	91%	-	100%
Vermont	-	-	100%	-	100%
Warranwood	-	-	100%	-	100%
Projects in LGA (%)	0.3%	0.3%	94.6%	5%	100%

SOURCE - Charter Keck Cramer.

The overwhelming majority of development in the Maroondah LGA originated from the redevelopment of existing residential dwellings. This is no doubt heavily influenced by the fact that the vast majority of land in Maroondah is already zoned for residential purposes.

Into the future there may be opportunities for Council to investigate the potential of re-zoning non-residential land to incentivise residential development however this analysis would also need to take into account the opportunity cost of future employment.

2.5 Product Analysis.

Distinct from existing housing data, Charter's NUHM considers new housing product within each new project. Without consideration of housing product it is difficult to fully understand the type of housing being delivered within the Maroondah housing market.

2.5.1 Key Findings - Product Analysis

MARKET DYNAMICS

- Three bedroom double story townhouses are the most common form of new housing supply.
- Higher density development (apartments) in Ringwood has seen an increase in smaller one and two bedroom product, when compared to the broader LGA.

PLANNING POLICY CONSIDERATIONS

- The level of apartment activity in Ringwood is increasing the level of housing diversity and affordability within the local market.
- The dominance of double storey townhouses is providing a generic medium density housing type. Greater diversity in dwelling type is required to meet the needs of Maroondah's population, including the aged cohort.

2.5.2 Unit Activity by Bedroom.

Charter has been able to capture 50% of all new dwellings contained in projects across Maroondah for the period 2013-2014, and this is considered to be an appropriate representative sample with which to undertake the following analysis.

Product analysis is a crucial component of understanding how new housing supply enters the housing market, especially in comparison to choices available in the established housing market. Without profiling the characteristics of new housing product it is impossible to truly understand the role of new supply in established residential markets.

NUHM data for every identified unit within a new supply project has been analysed to reflect the number of bedrooms.

Figure 15: Unit Activity by Bedroom- Maroondah LGA (2013-2014).

No. of Bedrooms	No. of Dwellings	Total (%)
1	10	1.6 %
2	196	32 %
3	353	58 %
4	48	8 %
5	4	0.7 %
Total	611	100 %

SOURCE - Charter Keck Cramer.

Three bedroom dwellings (58%) constitute the majority of new housing supply entering the Maroondah LGA housing market. The impact of apartments and smaller townhouses is also clear with approximately only one-third (32%) of new dwellings containing 2 bedrooms

2.5.3 Number of bedrooms by product type.

The profile of new supply product at a unit level has also been considered for both townhouse and apartment projects.

Figure 16: Number of Bedrooms by Product Type – Maroondah LGA (2013-2014).

Type	Number of Bedrooms					Total
	1	2	3	4	5	
Apartment	9	58	1	0	0	11%
Townhouse	1	138	352	49	4	89%
Total (%)	2%	32%	58%	8%	1%	100 %

SOURCE - Charter Keck Cramer.

Three bedroom townhouses remain the dominant source of overall supply, however there are also 138 two bedroom townhouses indicating willingness for purchasers to reside in increasingly higher density product. The vast majority of apartment product is two bedroom, with only 15% of apartments comprising one bedroom.

2.5.4 Project Activity by Bedroom [Croydon & Ringwood].

Considering the significance of Croydon and Ringwood in the production of new housing supply, Charter has provided the following more detailed analysis (figures 17 and 18).

Figure 17: Unit Activity by Bedroom - Croydon (2013-2014).

Croydon		
Bedrooms	No. of Units	Total Units (%)
1	3	1%
2	60	29%
3	134	65%
4	10	5%
Total	207	100%

SOURCE - Charter Keck Cramer.

Figure 18: Unit Activity by Bedroom - Ringwood (2013-2014).

Ringwood		
No. of Bedrooms	No. of Units	Total Units (%)
1	5	3%
2	56	37%
3	81	54%
4	7	5%
5	1	1%
Total	150	100%

SOURCE - Charter Keck Cramer.

Despite increasing densities, especially in Ringwood, both suburbs still broadly reflect the broader market with three bedroom housing most common.

Ringwood does have a higher percentage (40%) of one and two bedroom product when compared to Croydon (30%). This is evidence of an emerging market in Ringwood to deliver higher density housing, reflective of the success of longer-term strategic planning strategy.

2.5.5 Car park by bedroom.

The ratio of car park provision for new housing supply product was also reviewed for the period 2013-2014. The car park ratio reflects planning scheme requirements in the Maroondah Planning Scheme.

Only the Suburb of Ringwood (1 car space produced for a 3 bedroom dwelling) was the exception to this trend. When it comes to Ringwood this is likely a reflection of higher density development gaining greater acceptance from Council.

2.5.6 Building Height.

The built form height of individual new housing projects was also considered as part of this analysis. One level designation indicates a single level dwelling with two levels indicating a double storey dwelling.

Figure 19: Building Height – by Project (2013-2014).

Suburb	Projects with Basement Level (%)	1 Level	2 Levels	3+ Levels
Bayswater North	-	3%	4%	-
Croydon	1%	14%	11%	1%
Croydon Hills	-	1%	-	-
Croydon North	-	4%	4%	-
Croydon South	-	4%	3%	-
Heathmont	-	3%	3%	-
Ringwood	1%	5%	18%	1%
Ringwood East	-	5%	9%	-
Ringwood North	-	-	3%	-
Vermont	-	-	1%	-
Warrenwood	-	1%	-	-
Maroondah LGA	2%	40%	56%	2%

SOURCE - Charter Keck Cramer.

Figure 19 illustrates that double storey residential dwellings (56%) represent the most common building height across Maroondah LGA.

This finding reflects the desire of the developer to maximise Net Saleable Area (NSA) within the overall development site. If the housing market continues to produce the majority of new dwelling supply as double storey, there will be implications for downsizers and an ageing population given that Charter was unable to find any double storey + townhouse projects that included a lift.

2.6 Planning Controls.

The spatial impact of planning controls is also a relevant consideration, especially in understanding the relationship between market activity and statutory planning controls. As recognised elsewhere in the report Council balances a broad number of strategic planning objectives, many of which are contained within the MSS. These varied policy objectives, including protection of the Ridgelines, transport accessibility, heritage, open space and retail strategies need to balance with housing diversity and affordability imperatives. The current application of residential zones reflects these many and varied policy objectives.

2.6.1 Key Findings - Planning Controls

MARKET DYNAMICS

- The full impact on the market of the New Residential Zones is not yet known.
- Almost a quarter of new residential production was located in now NRZ areas. The market response will be important to monitor, particularly in those areas now affected by NRZ3 and NRZ4 which now have a 2 dwelling maximum.

PLANNING POLICY CONSIDERATIONS

- GRZ (1) and SLO (4) land is a major source of housing supply.
- NRZ (3) and SLO (3) land should potentially be reviewed considering it accounts for over 26% of all new supply project activity.
- It is clear the controls protecting the Ridgelines have been successful, with limited levels of housing production.
- Increasing levels of activity in RGZ may continue to deliver increasing housing supply (in the form of apartments). However these markets are cyclical and subject to change and only represent a small percentage of new dwellings.

2.6.2 Development Activity by Zone and Overlay.

Understanding the influence of statutory controls on housing production is an objective of this report. The impacts of the New Residential Zones (adopted by Council in June 2014) on housing supply have not yet been reflected in the NUHM data given the development lag between applications for planning permits and the eventual completion of the project.

Development applications made post June 2014 are likely to enter the market as new supply from late 2015 onwards, reinforcing the need for ongoing monitoring to either understand the relationship and feedback between planning policy and property development.

In accordance with the *Ministers Direction No: 16 – Residential Zones (June 2014)*, planning authorities must evaluate and monitor the implications of the application of the new residential zones within two years of their gazettal. Specifically, this requires planning authorities to assess the effect of the residential zone(s) on housing supply, including housing prices. This analysis may inform any future strategic planning analysis.

Figure 20: Housing Supply by Planning Control Matrix – Maroondah LGA (2013-4).

Zone	Overlay	No. of Projects	Total New Projects (%)	Net New Dwellings	Net New Dwellings (%)
GRZ (1)	SLO (4) DDO (10)	5	1.7%	66	7%
	SLO (4) DDO (3)	1	0.3%	21	2%
	SLO (4) DDO (9)	1	0.3%	2	0.2%
	SLO (4) DPO (4)	1	0.3%	35	4%
	SLO (4) SBO	1	0.3%	10	10%
	SLO (4)	196	67%	503	51%
	No Overlay	6	2.0%	17	1.7%
NRZ (1)	SLO (3)	1	0.3%	1	0.1%
NRZ (3)	SLO (3) DPO (4)	1	0.3%	17	1.7%
	SLO (3)	77	26%	216	22%
RGZ (1)	SLO (4) DDO (3)	2	0.7%	84	9%
	SLO (4)	2	0.7%	10	1.0%
Total		294	100%	982	100%

SOURCE - Charter Keck Cramer and Planning Maps Online.

As illustrated in figure 20, despite the various zone and overlay combinations, land within the General Residential Zone (GRZ) and Significant Landscape Overlay (SLO 4) account for over 51% of all net new dwellings within Maroondah LGA. Interestingly, land now within the Neighbourhood Residential Zone (3) and SLO 3 accounted for 22% of net new dwellings, despite the NRZ objectives limiting development and contiguous canopy cover.

2.6.3 Total Development Activity by Residential Zone.

Market activity has also been recorded by zone across the Maroondah LGA for the period 2013-2014 (refer to figure 21 below). Zoning controls are current as of January 2015.

Figure 21: Total Development Activity by Residential Zone – Maroondah LGA (2013-2014).

All Projects				
Zone	No. of Projects	Total Projects (%)	No. Net New Dwellings	Total Net New Dwellings (%)
GRZ	211	71.8%	654	66.6%
NRZ	79	26.9%	234	23.8%
RGZ	4	1.4%	94	9.6%
Total	294	100%	982	100%

SOURCE - Charter Keck Cramer.

- The majority of net additional housing supply has been produced from land within the General Residential Zone (67%).
- These rates of development are broadly consistent with the amount of zoned land.
- Almost one quarter of new housing supply (2013-2014) was located in NRZ areas. Of those projects, the average net additional dwellings by project was 3 net additional dwellings. Considered another way, of the 234 Net Additional Dwellings produced in the NRZ zones, 156 (67%) of those were produced through projects with 3 or more net additional dwellings.

Figure 22: Completed Projects Development Activity by Residential Zone – Maroondah LGA (2013-2014).

Completed Projects				
Zone	No. of Projects	Total Projects (%)	No. Net New Dwellings	Total Net New Dwellings (%)
GRZ	161	70%	389	66%
NRZ	66	29%	189	32%
RGZ	2	1%	11	2%
Total	229	100%	589	100%

SOURCE - Charter Keck Cramer.

When net new dwelling supply in completed projects (figure 22 above) is compared to active future projects (marketed, under construction and marketed), which is set out in figure 23 below, there is a stark difference in the proportion of dwellings in the RGZ land.

Figure 23: Active Future Projects Development Activity by Residential Zone – Maroondah LGA (2013-2014).

Future Supply				
Zone	No. of Projects	Total Projects (%)	No. Net New Dwellings	Total Net New Dwellings (%)
GRZ	50	77%	265	67%
NRZ	13	20%	45	11%
RGZ	2	3%	83	21%
Total	65	100%	393	100%

SOURCE - Charter Keck Cramer.

- The increase in RGZ net new dwellings to 21% from 2% is due to a number of apartment projects in Ringwood.

- There will be an ongoing need to monitor these projects in order to confirm that sales rates enable the developer to reach financial close and commence construction.

2.6.4 Highest Density Projects by Planning Zone.

The projects listed in figure 24 below represent the most intensive form of development on a DSR basis by planning zone. Projects have been ranked from highest to lowest DSR.

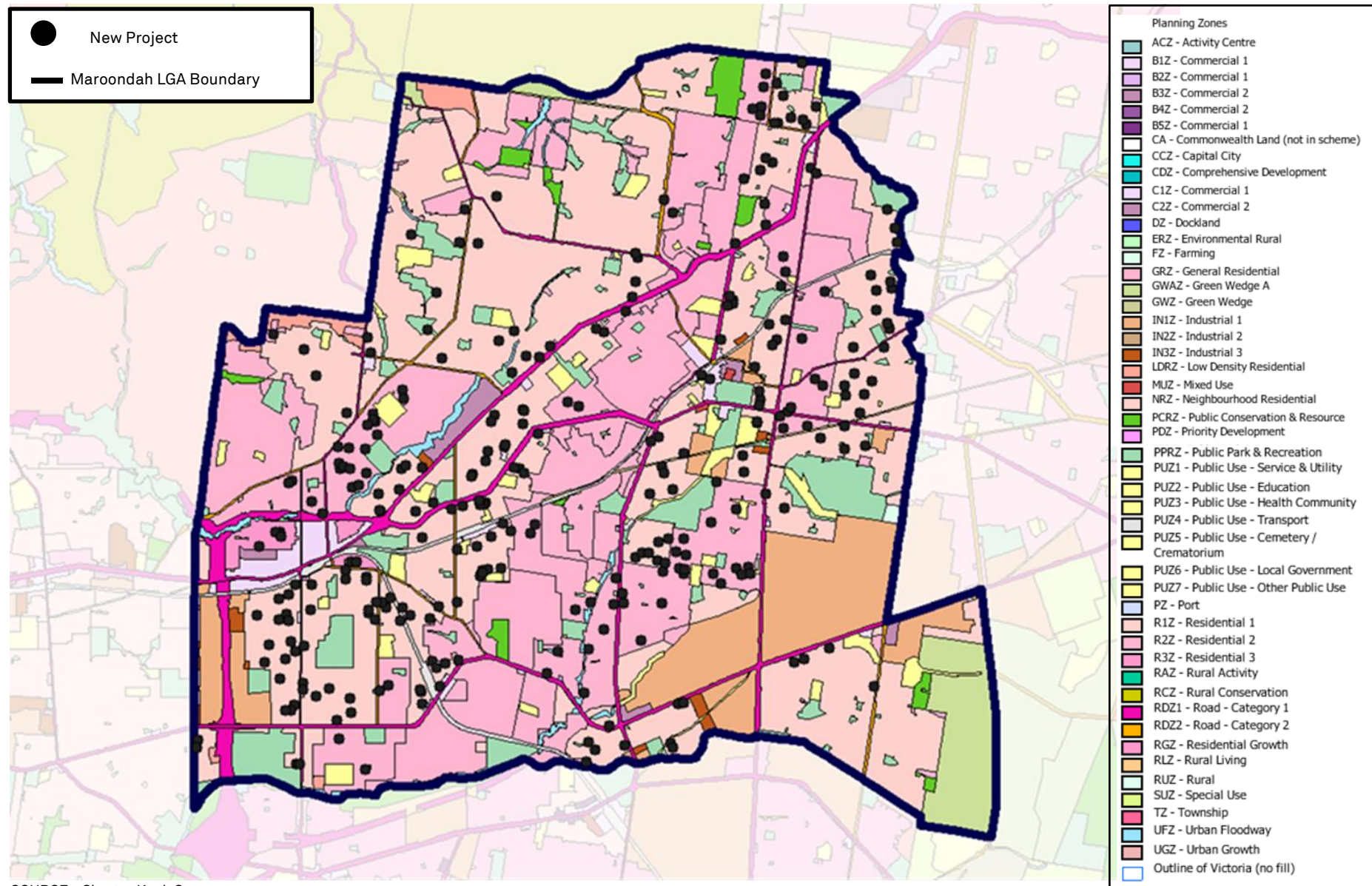
Figure 24: Highest DSR Projects by Planning Zone (2013-2014).

Project Address	Suburb	Type	No. of Units	Dwelling Site Ratio (m ²)	Zone	Overlay
48- 52 Bond Street	Ringwood	Apartment	78	32	RGZ(1)	SLO(4) DDO(3)
9 Browns Avenue	Ringwood	Apartment	23	32	RGZ(1)	SLO(4) DDO(3)
407 Dorset Road	Croydon	Townhouse	28	62	GRZ(1)	SLO(4)
10 Alfrick Road	Croydon	Apartment	14	67	GRZ(1)	SLO(4) DDO(10)
4 Humber Road	Croydon North	Townhouse	8	67	NRZ(3)	SLO(3)
291Mt Dandenong Rd	Croydon	Apartment	14	69	GRZ(1)	SLO(4) DDO(10)
4 Browns Avenue	Ringwood	Apartment	10	78	RGZ(1)	SLO(4) DDO(3)
17 Landale Avenue	Croydon	Apartment	14	79	GRZ(1)	SLO(4) DDO(10)
12 Alfrick Road	Croydon	Apartment	12	79	GRZ(1)	SLO(4) DDO(10)
9 Wenwood Street	Ringwood East	Apartment	9	85	GRZ(1)	SLO(4)

SOURCE - Charter Keck Cramer, Planning Maps Online.

Apartments are the predominant form of higher density development and are occurring in Ringwood and Croydon within both GRZ and RGZ zones. There are a number of apartment projects within GRZ which depending on height controls may be impacted under the translation to Amendment C93 into the future. Set out in figure 25 below is a map of the Maroondah LGA showing the location of the projects identified by Charter in the NUHM and their respective zones

Figure 25: New Residential Development by Zoning (2013-2014).



SOURCE - Charter Keck Cramer

2.7 Price.

Without data that tracks prices from new projects, it is difficult to understand the role that new projects play in overall market activity without accurate and ongoing pricing data. All pricing data in this section relates to the period 2013-2014.

2.7.1 Key Findings - Price

MARKET DYNAMICS

- New supply is entering the market at the lowest quartile - 78% of all new supply is less than the established median house price for 2014. This highlights the importance of new supply in providing more affordable housing across the Maroondah LGA.

PLANNING POLICY CONSIDERATIONS

- Planning policy directly impacts new housing supply and affordability.

2.7.2 New Supply [Median Price vs Established Supply Median Price].

Housing supply is inextricably linked to price which is both a reflection of the developer's need to offset development risks associated with producing housing and consumers who trade-off the purchase of new housing supply against choices within the established market.

The NUHM collects price data for new housing supply, which in turn enables a study of local market conditions for the development (financial feasibility) and policy makers (impact on housing affordability). It is not possible to properly understand housing affordability impacts without first establishing an evidence base to measure new supply against the established market. To reflect the role of new housing supply the NUHM includes a new supply median price, which can easily be compared to the more traditional median price by established housing by suburb (refer to figure 26 below).

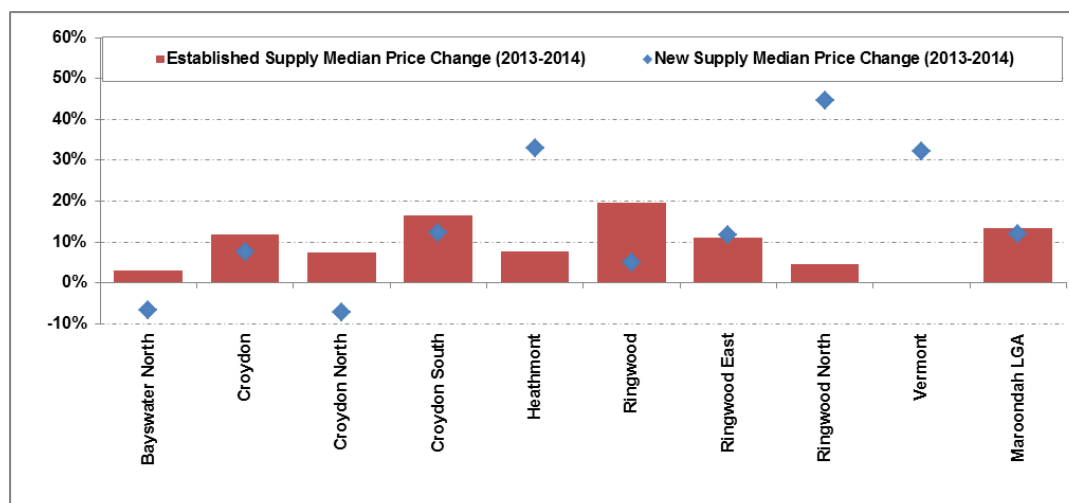
Figure 26: New Supply Median Price vs Established Supply Median Price – by Suburb (2013-2014).

Suburb	New Supply Median Price (2014)	Established Supply Median Price (2014)	% variance between New Supply and Established Supply	New Supply Median Price (2013)	Established Supply Median Price (2013)	% variance between New Supply and Established Supply
Bayswater North	\$430,000	\$480,000	- 10%	\$460,000	\$465,500	- 1%
Croydon	\$495,000	\$517,400	- 4%	\$460,000	\$463,000	- 1%
Croydon Hills	-	\$575,000	-	-	\$571,375	-
Croydon North	\$418,175	\$580,000	- 28%	\$450,000	\$539,250	- 17%
Croydon South	\$494,000	\$515,000	- 4%	\$440,000	\$442,000	0%
Heathmont	\$625,000	\$630,000	- 1%	\$470,000	\$585,000	- 20%
Ringwood	\$578,000	\$650,000	- 11%	\$551,000	\$543,000	1%
Ringwood East	\$550,000	\$600,000	- 8%	\$492,500	\$540,000	- 9%
Ringwood North	\$708,750	\$660,750	7%	\$490,000	\$632,000	- 22%
Vermont	\$721,000	\$700,650	3%	\$545,000	\$700,650	- 22%
Warrenwood*	\$492,000	\$693,250	- 29%	-	\$605,250	-
Maroondah LGA	\$515,000	\$595,000	- 13%	\$460,000	\$525,000	- 12%
* 1Project						

SOURCE - Charter Keck Cramer and PriceFinder.

Consistent with the broader metropolitan market, suburb prices can change year on year depending on the volume of transactions, impact of new supply projects and macro-economic conditions. In figure 27 below, Charter has examined the change in median prices (in relative terms) between the established housing stock in Maroondah LGA and new housing supply between 2013 and 2014.

Figure 27: Change in Median Price New Supply vs Established Market – by Suburb (2013-2014).



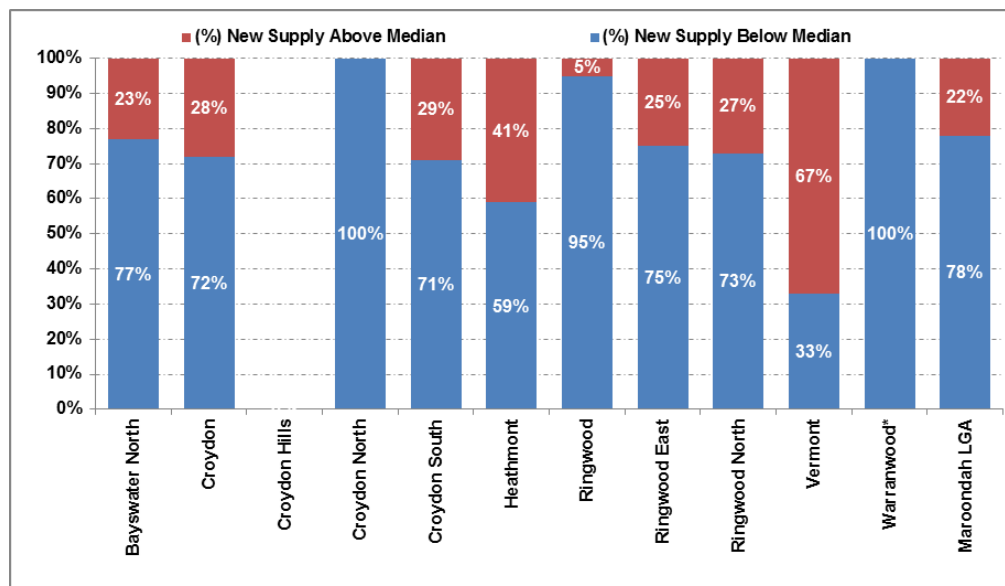
SOURCE - Charter Keck Cramer.

The impact of new housing supply on housing affordability is empirically demonstrated through the NUHM in Ringwood. The overall established Ringwood market had a median house price of \$650,000 in 2014, a year on year growth of 20%. New residential projects in Ringwood over the same period only experienced median growth of 5%, which represents a major housing affordability gain.

Conversely, Heathmont has seen new supply prices grow at a much faster rate than established prices, and has experienced lower levels of development activity. In terms of aiding housing affordability for future purchasers, the provision of new housing maximises entry level purchase opportunities. The relationship between the Number of Dwellings at Project Completion and the % variance between New and Established House prices has also been explored to determine any identifiable trends.

To further reinforce the relationship between new supply medians and established housing medians, Charter has compared (by suburb) the percentage of new housing sales that were below the suburb median in 2014 (figure 28 below). This analysis is empirical NUHM evidence of the impact new housing has on housing affordability across the Maroondah market. Across the LGA in 2014 78% of all new sales were below the prevailing median house price of the suburb, which is again a significant driver of affordable housing.

Figure 28: Percentage of New Supply Sales below the Established Housing Suburb Median (2014).



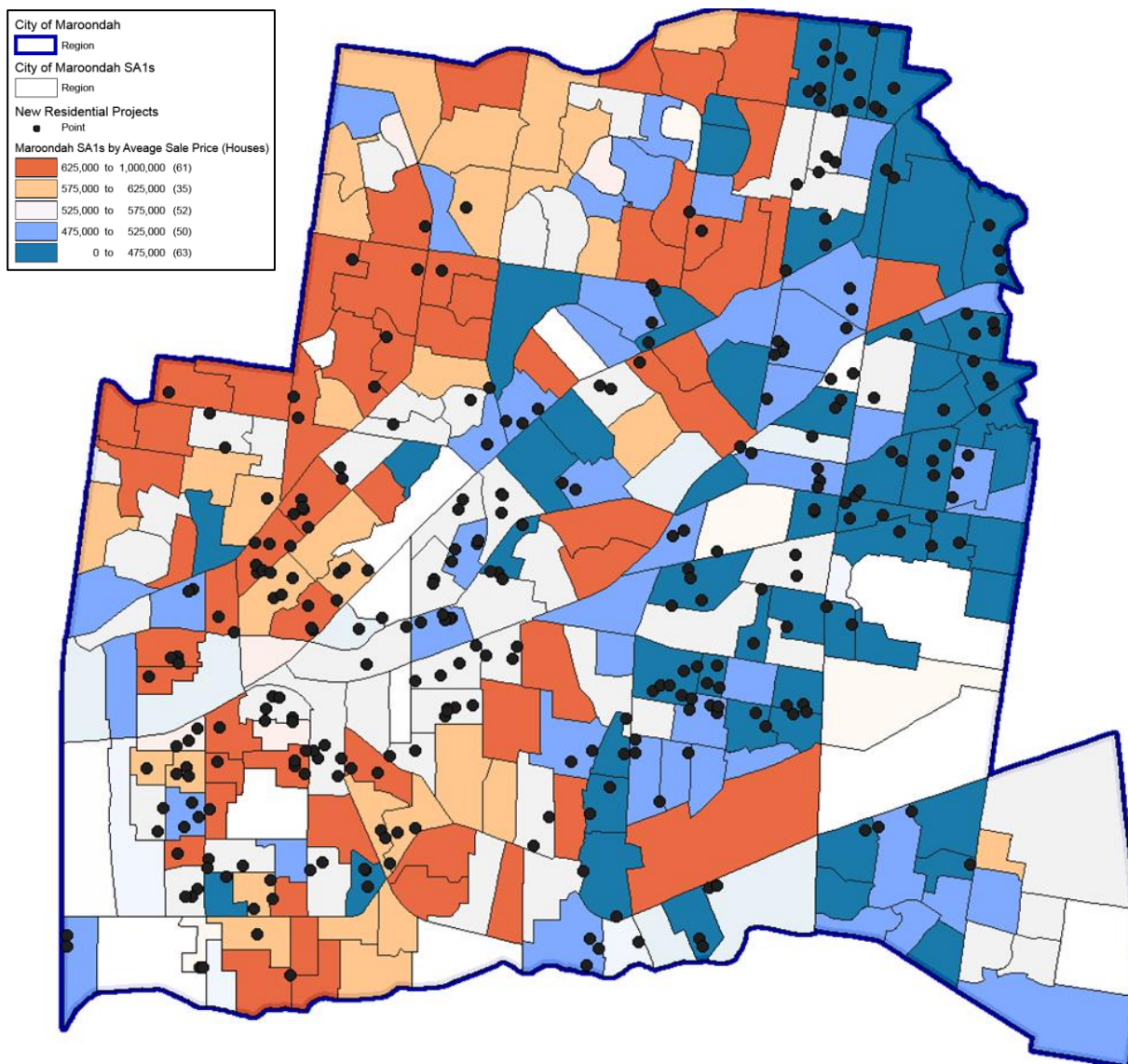
SOURCE - Charter Keck Cramer.

New housing enters the market at the most affordable entry-level price segments, which places continued downward pressure on prices. The ability for new projects to target the lowest price quartiles of the market assists in the provision of diverse housing choice at an affordable price point. Without new projects injecting dwellings into the most affordable

price segments the housing affordability landscape in Maroondah would most likely worsen. NUHM data allows Charter to measure and empirically demonstrate the importance of new housing projects within the established market context.

Set out in figure 29 below is a map of the Maroondah LGA showing the new projects identified over 2013-2014 and their average sale prices. The map reflects the areas and price points within the Maroondah LGA that new product is entering the market.

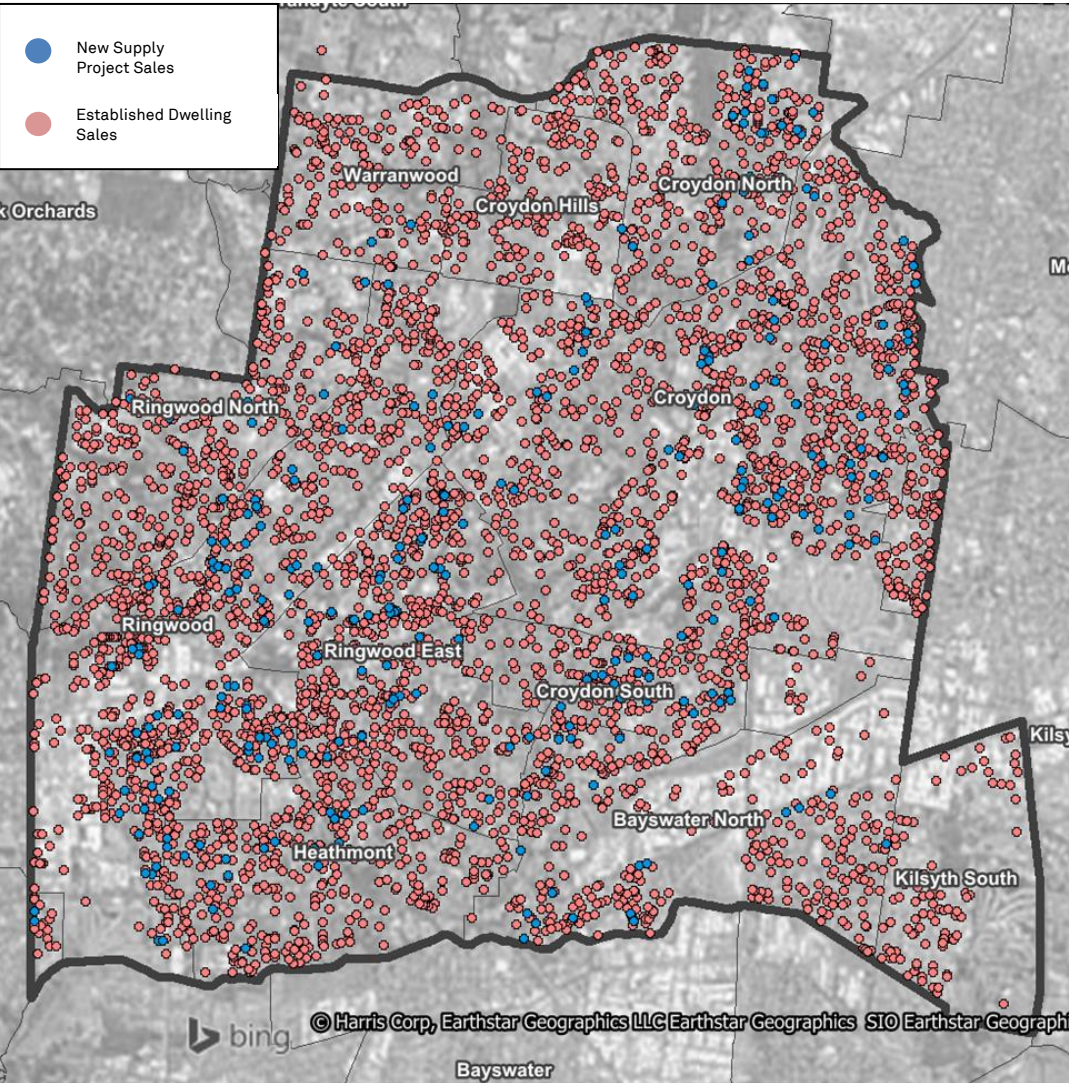
Figure 29: Supply of New Projects and Average Sale Price - Maroondah LGA (2013-2014).



SOURCE - Charter Keck Cramer

For the purposes of illustrating total sales activity for the Maroondah LGA for 2013-2014 Charter has set out in figure 30 the sales of new projects as well as sales of established dwellings.

Figure 30: New Supply Project Sales vs Established Dwelling Sales - Maroondah LGA (2013-2014)



SOURCE - Charter Keck Cramer

2.7.3 New Project Median Price by Bedroom.

Figure 31 illustrates that there is considerable variance in the median price per bedroom across the suburbs in Maroondah LGA. From a developer's perspective it is important to understand that location and net saleable area are critical for a feasible project.

Figure 31: New Project Median Price by Bedroom – by Suburb (2013-2014).

Suburb	New Supply Median Price by Suburb	Median Bedrooms	Median Price Per Bedroom	Net New Dwellings (%)
Croydon South	\$399,200	3.0	\$127,500	2%
Warrenwood*	\$390,105	3.0	\$130,035	0.9%
Croydon Hills*	\$447,500	3.0	\$149,167	0.2%
Croydon North	\$519,500	3.0	\$150,000	8%
Bayswater North	\$437,000	3.0	\$163,000	6%
Ringwood North	\$442,500	3.0	\$163,333	7%
Croydon	\$460,000	3.0	\$170,000	30%
Ringwood East	\$550,000	3.0	\$206,000	8%
Heathmont	\$540,000	3.0	\$207,000	8%
Ringwood	\$543,000	3.0	\$213,333	30%
Vermont	\$721,000	3.0	\$360,500	0.3%
Maroondah LGA	\$457,000	3.0	\$130,000	100.0%
* 1Project				

SOURCE - Charter Keck Cramer.

Figure 32 shows that variance in established median prices translates to considerable differences in price per bedroom rates, but is also responsive to supply. Considered another way the construction cost per bedroom for a single level townhouse is unlikely to vary, yet there is considerable difference in resale rates.

Figure 32: New Project Median Price by Number of Bedrooms –Maroondah LGA (2013-2014).

No. of Bedrooms	New Supply Median Price	Median Price per Bedroom
1	\$340,000	\$320,000
2	\$435,000	\$197,500
3	\$496,500	\$166,333
4	\$502,000	\$135,000
5*	\$445,000	\$89,000
* 1project		

SOURCE - Charter Keck Cramer.

Figure 32 shows, as expected, that when projects increase in size (number of bedrooms) the price per bedroom reduces (reflective of an economy of scale). In the last two years three bedroom houses has been the main source of supply, however the established Maroondah housing market includes a large number of existing two bedroom dwellings.

2.7.4 New Project Median Weekly Rent.

Charter also considered the importance of the rental market in the context of the overall housing market for the period 2013-2014. Ultimately, new housing also enters the rental market especially in relation to investors who are an increasingly active market participant in recent times.

The median weekly rent of new supply was compared against the median bedrooms and a median price per bedroom determined (figure 33).

Figure 33: New Project Median Weekly Rent – by Suburb (2013-2014).

Suburb	New Supply Median Weekly Rent	Median Bedrooms	Median Price Per Bedroom	% Net New Dwellings
Bayswater North	\$410	3.0	\$150	6%
Croydon	\$410	3.0	\$147	30%
Croydon Hills*	\$450	3.0	\$150	0.2%
Croydon North	\$420	3.0	\$147	8%
Croydon South	\$413	3.0	\$138	2%
Heathmont	\$480	3.0	\$183	8%
Ringwood	\$435	3.0	\$180	30%
Ringwood East	\$430	3.0	\$143	8%
Ringwood North	\$540	3.0	\$182	7%
Vermont	N/A	3.0	N/A	0.3%
Warrenwood**	N/A	3.0	N/A	0.9%
Maroondah LGA	\$423	3.0	\$158	100.0%
* 1Project ** No Project				

SOURCE - Charter Keck Cramer.

Much like the private purchaser market, additional rental stock within areas such as Ringwood will place downward pressure on rental prices due to greater levels of supply.

2.7.5 New Project Median Weekly Rent by Bedroom.

Analysis of the median weekly rental price per bedroom for new supply does indicate the market is performing as expected, with the rental price per bedroom decreasing with an increase in the number of bedrooms in a project.

Figure 34: New Supply Median Weekly Rent by Bedroom – Maroondah LGA (2013-2014).

Number of Bedrooms	New Supply Median Rent	Median Rent per Bedroom
1	\$330	\$330
2	\$370	\$185
3	\$450	\$150
4	\$508	\$127
5	\$540	\$108

SOURCE - Charter Keck Cramer.

2.8 Major Projects.

2.8.1 The Range [Croydon].

The Range is a master planned community in Croydon. This development has been underway for several years, and is due for completion (according to the developer, Australand) in 2015. Once completed there will be 573 units on this site, and home to an estimated 1500 residents. The developer has been selling off both 'Land' and 'House and Land' packages respectively. The site covers 46.96 ha and was formerly a golf course. The current zoning is NRZ(3) and there are 2 overlays – an SLO(3) and VPO(1).

Due to the size of the development, Charter has classified the development as a major project and analysed it separately to the rest of both Croydon and the Maroondah LGA. Charter has also separated this development into Land (Land) and House and Land (House) for consistency in analysis. This analysis is set out below.

2.8.2 Median Sale Price - House and Land.

House and land sales have been broken down into the sale years (2013 and 2014 respectively) with the median sales prices determined. Land increased by less than Houses over this period and this may be a reflection of the types and sizes of the house and improvements constructed in this development.

Figure 35: Median Sale Price - House and Land (2013-2014).

Type	Sale Year	No. of Sales	Total Sales (%)	Median Sale Price	Increase (%)
Land	2013	103	69%	\$309,000	8%
	2014	25	17%	\$334,500	
House	2013	11	7%	\$550,000	13%
	2014	10	7%	\$619,500	
Total		149	100.0%		

SOURCE - Charter Keck Cramer and PriceFinder.

2.8.3 Price per m² - House and Land.

Charter calculated the price per square metre for both Land and House sales in this major project. There is a marked difference in the increases in the price per square metre rates for the Houses between 2013 and 2014 and this again may be a result of the type of product being constructed on the land.

Figure 36: Price per m² - House and Land (2013-2014).

Type	Sale Year	Median Price	Median Size (m ²)	Price/m ²	Increase
Land	2013	\$309,000	389	\$803.82	2%
	2014	\$334,500	381	\$820.01	
House	2013	\$550,000	551	\$1,139.00	23%
	2014	\$619,500	498	\$1,399.63	

SOURCE - Charter Keck Cramer and PriceFinder

2.8.4 Net Additional Dwellings.

There will be 573 net additional dwellings added to the Maroondah LGA from this project, which is over a third of the total supply (via all projects status) for the Maroondah LGA.

Figure 37: Net Additional Dwellings.

Suburb	Total No. of Projects	Total No. of Projects (% of LGA Total)	Net Additional Dwellings	Net Additional Dwellings (% of LGA)
The Ranges	1	0.3%	573	37%

SOURCE - Charter Keck Cramer.

2.8.5 Development Density.

Original Parent Lot Size = 469,600m²

Original Parent Lot Size – 25% (Open Space, Wetlands etc) = 352,000m² of Land & Housing Developments

Figure 38: Development Density.

Project Size (Dw. at Completion)	No. of Projects	Total Projects (%)	No. of Net Additional Dwellings	Net Additional Dw. (%)	Townhouse (%)	Apartment (%)	Median Lot Size (m²)	Dev Density (m²)
573	1	0.3%	573	37%	100%	-	352,200	615

SOURCE - Charter Keck Cramer.

2.9 Purchaser Origin.

It is relevant to consider the origin of purchasers who are buying into the Maroondah LGA for the period 2013-2014. Figures 39 and 40 discuss the origin of purchasers (from outside as well as inside the LGA) and figure 41 combines the data from figures 39 and 40 to illustrate the purchaser trends.

2.9.1 Key Findings - Purchaser Origin

MARKET DYNAMICS

- If housing is unaffordable and there is a lack of diversity of housing, residents in the Maroondah LGA will be priced out of the market.
- Potential purchasers/residents will be forced to find cheaper housing outside the Maroondah LGA, or they will remain in their existing dwellings.

PLANNING POLICY CONSIDERATIONS

- Housing affordability and diversity will enable the needs of the current and future population to be met.

2.9.2 Purchaser Origin Outside of Maroondah LGA.

As set out in figure 39, Charter established the origin of purchasers buying into the Maroondah LGA (from outside the LGA) by reviewing sales data for all dwellings purchased in the Maroondah LGA between 2013-14. This analysis allows Charter to establish the spatial pattern of purchasers entering the housing market. Overwhelming number of purchasers were from the local catchment.

Purchaser data or suburb of origin has been ranked below for all suburbs beyond Maroondah LGA. The median house price of these suburbs has also been included in order to consider whether purchasers are trading up or purchasing from a suburb with substantially higher values. Median house prices that were greater than the new supply median house price for the Maroondah LGA for 2013-2014 were shaded in pink.

Figure 39: Purchaser Origin Outside of Maroondah LGA (2013-2014).

Rank	Suburb of Origin	LGA of Origin	Total of Purchasers (%)	Median House Price (2013-2014)
1	MITCHAM VIC 3132	City of Whitehorse	4.8%	\$672,000
2	DONCASTER EAST VIC 3109	City of Manningham	4.2%	\$828,550
3	MOOROOLBARK VIC 3138	Shire of Yarra Ranges	3.1%	\$828,550
4	BAYSWATER VIC 3153	City of Knox	3.0%	\$480,000
5	KILSYTH VIC 3137	Shire of Yarra Ranges	2.7%	\$440,000
6	NUNAWADING VIC 3131	City of Whitehorse	2.4%	\$661,000
7	DONVALE VIC 3111	City of Manningham	2.4%	\$795,000
8	BOX HILL VIC 3128	City of Whitehorse	2.3%	\$859,800
9	BORONIA VIC 3155	City of Knox	2.2%	\$470,000
10	DONCASTER VIC 3108	City of Manningham	2.2%	\$900,000

SOURCE - Charter Keck Cramer and PriceFinder.

*Median new supply house price for 2013-2014 is \$475,000

Charter suggests that purchasers coming from the higher priced areas are likely first time home buyers, who have purchased in the Maroondah LGA because they have been priced out of those respective markets. Downsizers, may be defined as purchasers who are buying into a lower value area and crystallising some of their equity to use for their retirement, while buyers coming from lower priced areas may be defined as upgraders.

2.9.3 Purchaser Origin Inside of Maroondah LGA.

As set out in figure 40, Charter also observed the purchaser origin within the Maroondah LGA for 2013-2014. This was done using the following analysis:

- The greatest number of purchasers buying into each suburb was established;
- As the results indicated that in every suburb, the largest amount of purchasers came from within the suburb, this figure was not included in the tables below and the second largest amount of purchasers was recorded;
- The median house prices of the purchaser destination and purchaser origin established; and
- Pink shaded cells are where the purchaser origin median prices were higher than the purchaser destination median prices.

Figure 40: Purchaser Origin Inside of Maroondah LGA (2013-2014).

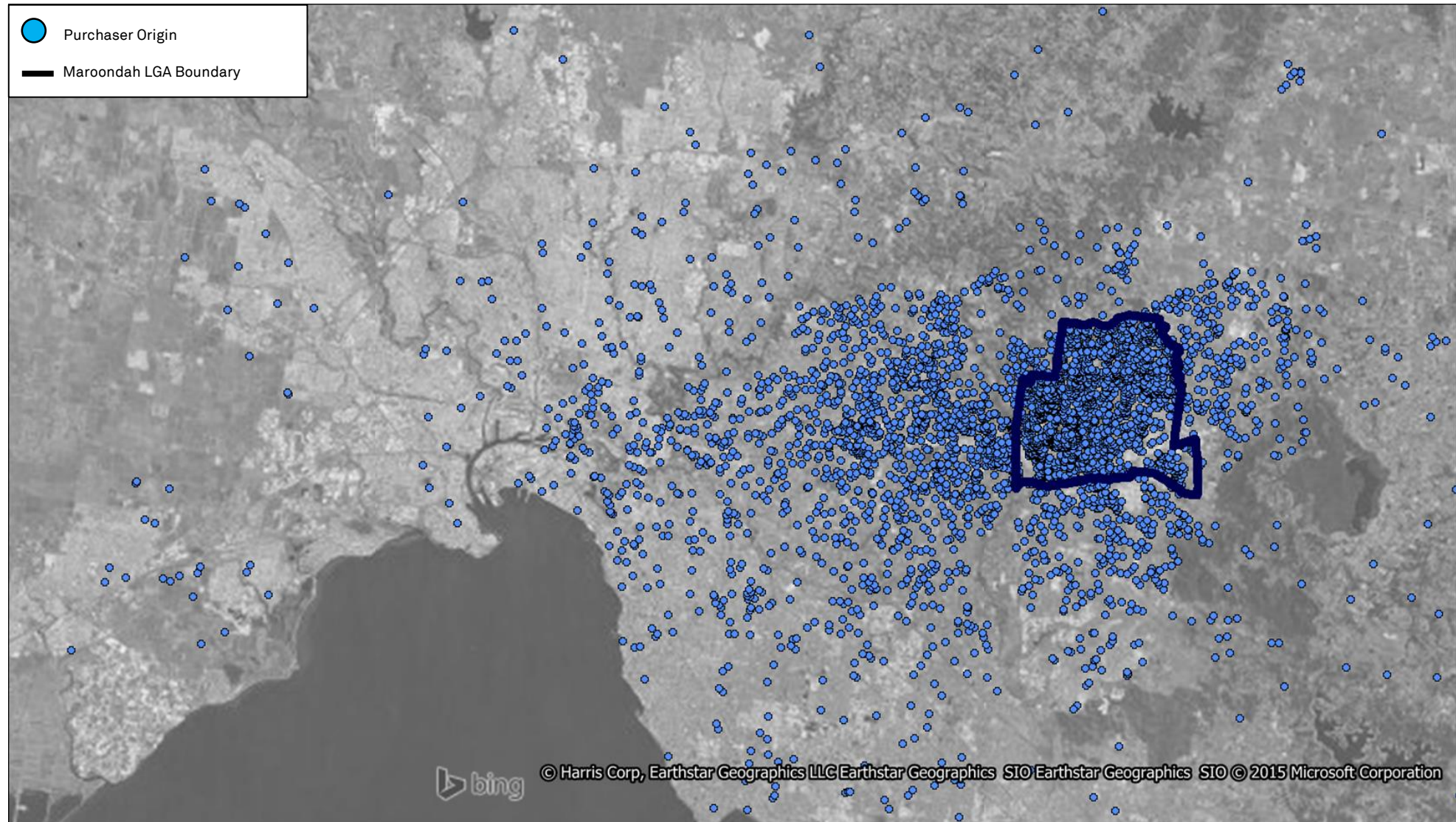
Purchaser Destination		Purchaser Origin	
Suburb	Median House Price (2013 - 2014)	Suburb	Median House Price (2013 - 2014)
Bayswater North	\$474,900	Ringwood	\$603,450
Croydon	\$494,000	Ringwood	\$603,450
Croydon Hills	\$580,000	Croydon	\$494,000
Croydon North	\$553,000	Croydon	\$494,000
Croydon South	\$483,500	Croydon	\$494,000
Heathmont	\$605,000	Ringwood	\$603,450
Kilsyth South	\$571,500	Ringwood	\$603,450
Ringwood	\$603,450	Ringwood North	\$651,000
Ringwood East	\$570,000	Ringwood	\$603,450
Ringwood North	\$651,000	Ringwood	\$603,450
Vermont	\$650,000	Croydon Hills	\$580,000
Warranwood	\$641,500	Ringwood	\$603,450
Wonga Park	\$676,000	Croydon	\$494,000

* Greatest number of purchasers are from within the same suburb and so this figure was excluded from this table

SOURCE - Charter Keck Cramer and PriceFinder.

- The suburbs where the purchaser origin median prices were higher than the purchaser destination median prices indicate that the likely purchasers are first time home buyers or downsizers.
- The suburbs where the purchaser origin median prices are lower than the purchaser destination median prices indicate that the purchasers are older residents downgrading and releasing equity in their existing properties.

Figure 41: Purchaser Origin for Maroondah LGA (2013-2014).



SOURCE - Charter Keck Cramer

2.10 Apartment Market Context.

This section considers the level of apartment activity in the Maroondah LGA.

2.10.1 Key Findings - Apartment Market Context

MARKET DYNAMICS

- The suburbs of Croydon, Ringwood, Ringwood East and Heathmont have all been identified by the market as attractive locations for higher density living containing apartment stock. This is due to the locational advantages offered, including transport links and social and physical infrastructure.
- The uptake of apartment development in Maroondah is slower than surrounding regions.
- Over the last two years, 50% of new stock in Ringwood has been apartments.

PLANNING POLICY CONSIDERATIONS

- Height restrictions directly impact yield and therefore project feasibility.

2.10.2 Apartments Project level data.

Charter was interested to determine the level of apartment development in the Maroondah LGA to determine the level of higher density development. As set out in figure 42, Charter observed that there were 12 apartment projects (4%) for the Maroondah LGA over the period 2013-2014.

Figure 42: Apartments Project level data – by Suburb (2013-2014).

Suburb	Projects (Townhouses)	Projects (Apartments)	Townhouse (%)	Apartment (%)	Total
Bayswater North	21	-	100%	-	21
Croydon	73	5	94%	6%	78
Croydon Hills	2	-	100%	-	2
Croydon North	23	-	100%	-	23
Croydon South	20	-	100%	-	20
Heathmont	19	-	100%	-	19
Ringwood	68	6	92%	8%	74
Ringwood East	41	1	98%	2%	42
Ringwood North	11	-	100%	-	11
Vermont	2	-	100%	-	2
Warranwood	2	-	100%	-	2
Maroondah LGA	282	12	96%	4%	294

SOURCE - Charter Keck Cramer.

Apartment development is occurring in the Suburbs of Croydon, Ringwood and Ringwood East, but only really in Ringwood at any substantial level. The drivers for apartment development, such as transport links, infrastructure, established housing prices and amenity are all well served in Croydon and Ringwood.

2.10.3 Apartments Unit level data.

Charter also observed the quantity of apartments entering the Maroondah LGA at a unit level (figure 43).

Figure 43: Apartments Unit level data – by Suburbs (2013-2014).

Suburb	Units (Townhouses)	Units (Apartments)	Townhouse (%)	Apartment (%)	Total
Bayswater North	60	-	100%	-	60
Croydon	228	66	78%	22%	294
Croydon Hills	2	-	100%	-	2
Croydon North	76	-	100%	-	76
Croydon South	24	-	100%	-	24
Heathmont	76	-	100%	-	76
Ringwood	143	148	49%	51%	291
Ringwood East	71	8	90%	10%	79
Ringwood North	68	-	100%	-	68
Vermont	3	-	100%	-	3
Warrenwood	9	-	100%	-	9
Maroondah LGA	760	222	77%	23%	982

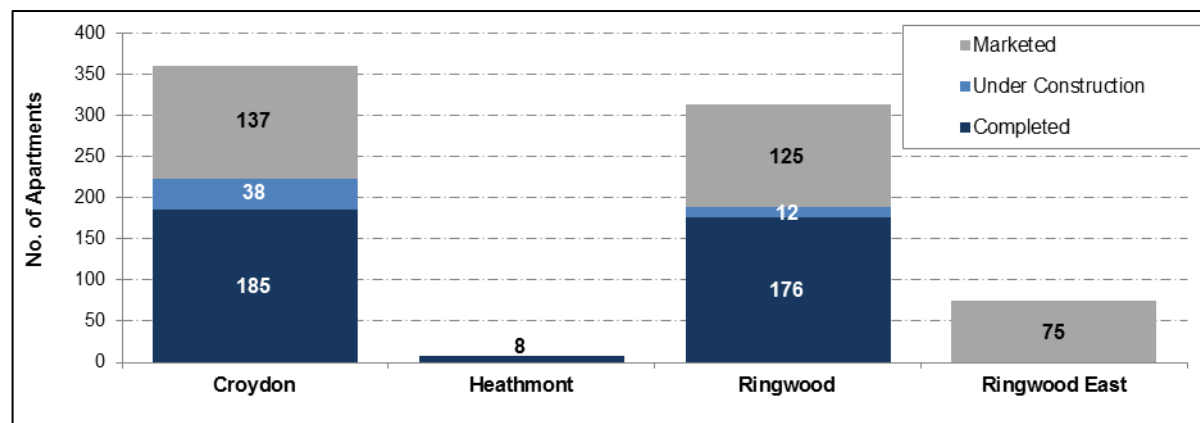
SOURCE - Charter Keck Cramer.

Figure 43 illustrates that apartment activity has only really occurred in Ringwood at any reasonable level with 50% of new supply in this suburb being apartment stock. The activity centres within the suburbs of Croydon and Ringwood East, which were also earmarked for higher density development are not producing the level of stock to support higher density living.

2.10.4 Regional Apartment Market Analysis.

For a greater understanding of the apartment dynamics in the Maroondah LGA, Charter has drawn in its *Melbourne Apartment Database* to identify the apartment activity for the Maroondah LGA from 1990 (figure 44).

Figure 44: Apartments in Projects – Maroondah LGA (1990-2015).



SOURCE - Charter Keck Cramer.

- Only 4 suburbs in the whole of the Maroondah LGA have produced apartments in projects since 1990.
- Croydon is the largest market in the Maroondah LGA, however Ringwood has produced a greater amount of stock in the last few years.
- The impact of the zones, and in particular the height restrictions in the NRZ will effect apartment development in these suburbs, due to the potential impact on overall project yield and in turn project feasibility.

2.10.5 Development Inside vs Outside Activity Centres.

Charter also observed the level of development activity both inside and outside the Activity Centres in the Maroondah LGA for the period 2013-2014. Charter also observed the product type being built in the Activity Centres for the Maroondah LGA, which is set out in figure 45 below.

Figure 45: Development Activity Inside and Outside the Activity Centres (2013-2014).

	Inside Activity Centres	Outside Activity Centres	Total
Total Projects	11%	89%	100%
Net Additional Dwellings	27%	73%	100%

SOURCE - Charter Keck Cramer.

Apartments are the predominant product type being built within the Activity Centres in the Maroondah LGA (68% of all new supply). This is particularly the case with Ringwood, where 98% of new supply in the Ringwood Metropolitan Activity Centre was apartments.

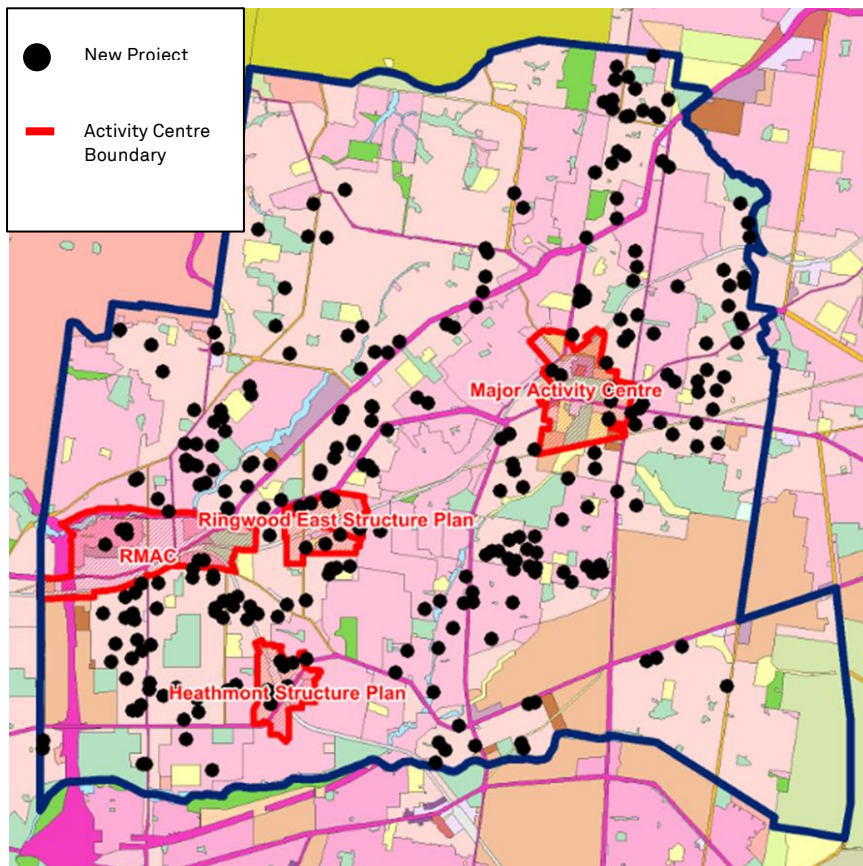
Figure 46: Product Type within Activity Centres (2013-2014).

Activity Centre	Apartments	Townhouses	Total
Croydon (Major Activity Centre)	72%	28%	100%
Heathmont (Structure Plan)	0%	100%	100%
Ringwood (Metropolitan Activity Centre)	98%	2%	100%
Ringwood East (Structure Plan)	32%	68%	100%
Activity Centre Total	68%	32%	100%

SOURCE - Charter Keck Cramer.

To illustrate figures 45 and 46, Charter has plotted all 294 new projects identified over 2013-2014 in the Maroondah LGA against the Activity Centres in the Maroondah LGA (figure 47).

Figure 47: All Projects by Activity Centre – Maroondah LGA (2013-2014).



SOURCE - Charter Keck Cramer

2.11 Urban Activity Precincts.

As distinct from the New Project Intensity Map (figure 5), which identifies patterns of development over 2013-4, the identification of potential Urban Activity Precincts is with a view to creating future strategic centres of housing development.

2.11.1 Key Findings - Urban Activity Precincts

MARKET DYNAMICS

- Continued demand for new housing across the Maroondah LGA is expected into the foreseeable future, particularly that which is well located.

PLANNING POLICY IMPLICATIONS

- Establishing a policy framework that is based on the identification of Urban Activity Precincts (see Figure 48) and which explicitly supports new housing will enable Council to deliver new housing that is diverse, more affordable and well located.

2.11.2 Strategic Context.

Maroondah has a strong and well established policy position in relation to future growth, reflected in planning scheme controls, the MSS and also *Maroondah 2040*. This policy position can be broadly described as containing three key elements:

- The Ridgelines and associated high amenity areas;
- Designated Activity Centres; and
- General Infill

This policy position is well defined and the NUHM data illustrates the role both Ridgeline and Activity Centre objectives have played in shaping housing market activity. NUHM data also empirically demonstrates the importance of general infill or small scale housing. Although dispersed across the Maroondah LGA this housing form can create opportunities for Council to designate smaller Urban Activity Precincts (UAP) that can facilitate higher density development.

In order to provide a source of reference for potential UAPs Charter has considered both development intensity maps (contained in section 2.2) and the location of smaller retail centres, outside those currently designated in the MSS and other policy documents.

2.11.3 Existing Policy Context.

Both *Maroondah 2040* and the MSS contain objectives (among many others) relating to accessibility to retail centres and services, in particular to promote a connected community with an emphasis on accessibility between neighbourhoods and Activity Centres².

Furthermore Clause 21.03 Transport and Accessibility seeks to promote design and development that promotes increased levels of pedestrian activity.³ The concept of increased development density within proximity to existing retail and community centres is also a major directive of *Plan Melbourne*, which introduces the concepts of a 20 minute city and 5 minute local neighbourhoods.

2.11.4 Alignment of Market Activity and Planning Policy.

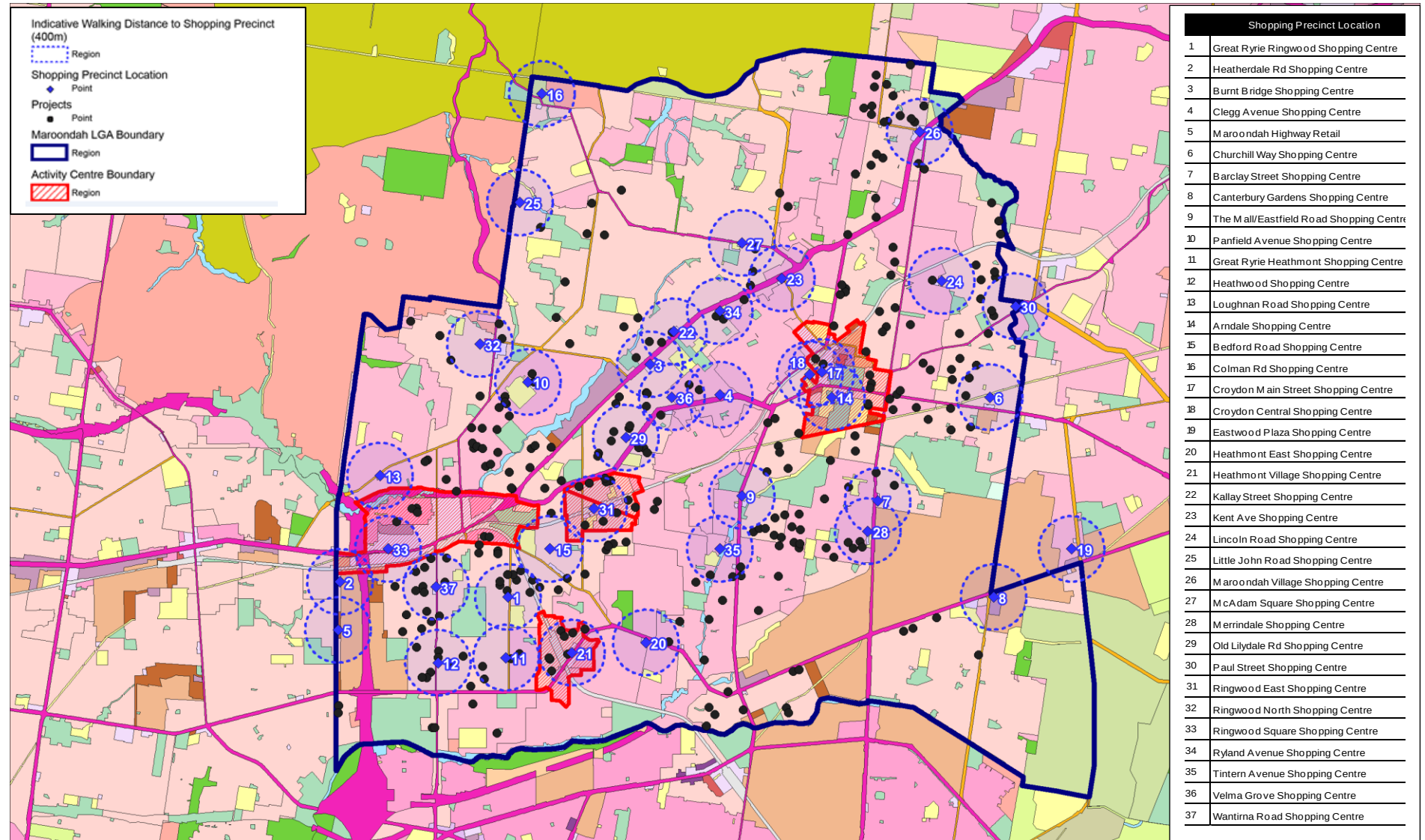
Incentivising development in established areas is most effective when there is close alignment between existing market activity and planning policy. Drawing upon the NUHM Charter has, in figure 48 below, highlighted small areas of small-scale housing activity, overlayed with 37 shopping precincts with a 400m walkable catchment in Maroondah (some of which are already designated as Activity Centre).

Following a high-level review, the walkable catchment Wantirna Road, Heathwood, Great Ryrie, Old Lilydale, Velma Grove and Merrindale shopping centres all seem to align with market activity. A review of the ability of these smaller retail strips to incentivise development may be warranted into the future.

² Maroondah 2040 – “A connected community, an accessible and connected community and an attractive thriving and well built community”.

³ Maroondah MSS Clause 21.03 objective 2

Figure 48: Development Projects and Identified Local Shopping Precincts (2013-2014).



SOURCE - Charter Keck Cramer

3. Industry Production Forecast.

3.1.1 Introduction.

Charter has undertaken a projection of new supply housing production in the Maroondah market in order to understand the ability of the industry to deliver housing targets outlined in VIF 2014 and the impact of the new residential zones. This model has been developed based on average rates of new housing production from the National Urban Housing Monitor and Housing Development Data extrapolated into the future.

Housing market data has been used across the following time periods.

- Housing Development Data (2005-11);
- National Urban Housing Monitor (2013-14).

Charter derived a trend average in order to create a 2012 annual production number.

3.1.2 Annual Rates of New Housing Production.

Projecting rates of future housing production well into the future involves high levels of uncertainty and should be used to establish the relativity between scenarios. Housing markets are subject to a large number of variables that can impact on industry production and consumer demand. This fact is illustrated by the significant changes that have occurred across Melbourne's apartment market over the last decade.

Charter has generated an annual average production estimate (new production) based on NUHM and HDD, in addition to assumed demand estimates from VIF 2014 and ID Consulting. The relativity between these annual average production estimates is important, with historic production levels not matching forecast housing demand.

Figure 49: Annual New Housing Production in Maroondah.

Data Source	Time Period	An Av. Dw	% Diff to VIF
Housing Development Data	2005-07	363	-27%
NUHM + HDD	2005-14	395	-20%
National Urban Housing Monitor	2013-14	491	-1%
VIF	2011-31	497	0%

SOURCE: Charter Keck Cramer, VIF and HDD.

NOTE:HDD data excludes all 1:1 replacements and includes only new housing supply

Figure 49 illustrates that Victoria in Future (VIF 2014) assumes that Maroondah will produce 497 additional units of housing per annum until 2031 in order to meet aggregate demand. Based on the 10 year housing production average (NUHM+HDD) market activity has been 20% below the required level in order to meet VIF 2014 new housing supply requirements.

Between (2013-14) annual new production has almost matched VIF 2014, however this is only over a two year period. A longer term projection will more accurately demonstrate the variation between production and demand.

3.1.3 Scenario Assumptions.

In order to understand the impact of the New Residential Zones on housing production, Charter has analysed data from the NUHM to understand how restrictions in Neighbourhood Residential Zones (NRZ) would impact on new housing supply into the future. The schedule to the NRZ limits development to a maximum of two dwellings on a lot or one net additional dwelling. Therefore any NRZ area that has historically generated two or more net additional dwellings will have future housing production limited to one net new dwelling.

In addition to statutory changes there is also a financial feasibility dynamic that needs to be considered. If the maximum allowable development is limited to one additional dwelling then it does not guarantee that new projects will even commence at the same rate in the future. To model the potential impact of a lower development outcome, Charter has notionally assumed that 50% of projects in NRZ will not proceed into the future. Importantly, the NRZ reduction only takes place in NRZ(3) and NRZ(4) zone areas, as existing controls already limit development in other NRZ schedules.

The combined impact of statutory changes and feasibility assumptions result in a 15% per annum reduction in overall supply relative to the base case.

For the purposes of comparison the following scenarios have been developed.

- Base Case (Scenario 1). This scenario extrapolates the 2004-2014 housing production trends until 2031 and does not assume the application of the New Residential Zones. Considering the application of the New Residential Zones this scenario is no longer practical in Maroondah.
- Base Case plus Apartment Market Growth (Scenario 2). The base case scenario, but including an assumption regarding increased apartment development. Charter assumed that average apartment project sizes increase to 40 apartments (previously 18) with 16 apartment projects per annum (previously 8). These apartment market assumptions are based on recent activity in neighbouring Manningham (especially around Doncaster).
- Amendment C93 (Scenario 3). Includes the 15% reduction in per annum supply arising from the application of the NRZ.
- Amendment C93 plus Apartment Market Growth (Scenario 4). Assumes the Amendment C93 scenario and an increase in apartment activity to satisfy local demand, albeit at an increased scale than previously seen in Maroondah.

3.1.4 Variations in Housing Projections.

To understand housing production rates into the future there first needs to be consistency in relation to the current number of dwellings (2016 is the first projection year) in Maroondah. To illustrate the challenge associated with established total dwelling stock Charter has compared VIF, ID and ABS estimates for the number of dwellings in Maroondah as at 2011 (figure 50).

Figure 50: Existing Dwelling Stock Comparison (2011).

Data Source	2011	Definition
VIF 2014	44,102	Structural Private Dwellings
ID Consulting	42,381	Maroondah Pop/Demo Report
ABS 2011	41,840	2011 Census

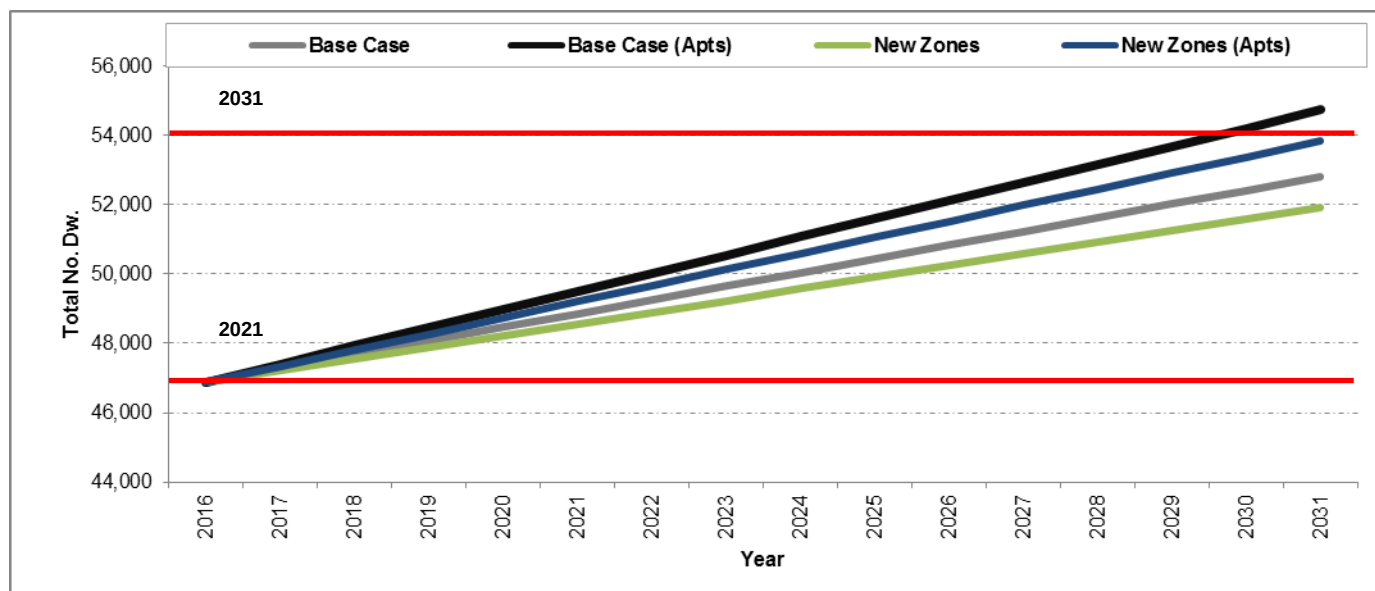
SOURCE: VIF, ID and ABS.

This variation is significant as over a 20+ year projection a higher point of commencement (VIF 2014) at the same rate of production will lead to very different projections for 2021 and 2031. Considering the variance between both VIF and ID, Charter has completed production projections for both.

3.1.5 VIF Production Projections.

Based on VIF 2014 projections there is a limited amount of additional production required by 2021, however by 2031 VIF assumes that housing production will increase at a much higher rate in order to accommodate population growth.

Figure 51: VIF 2014 Forecast Annual Production (2015-2031).



SOURCE: Charter Keck Cramer and VIF.

NOTE: VIF projections are based on Structural Private Dwelling (SPD) numbers.

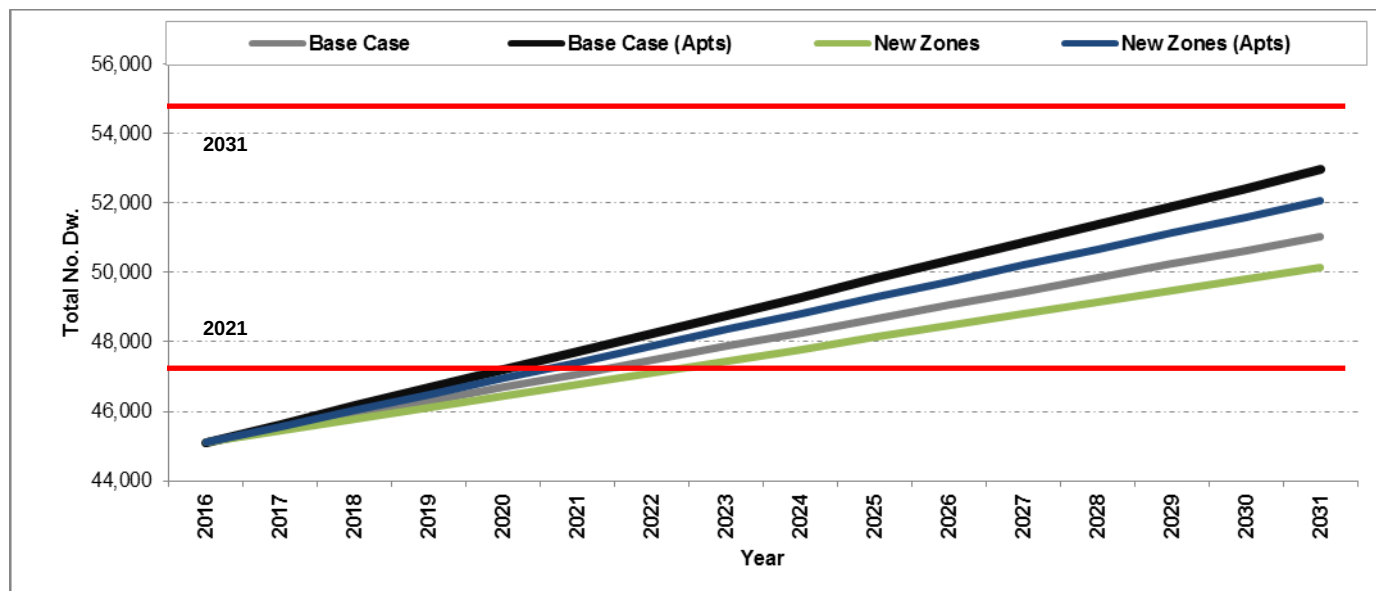
Figure 51 illustrates that on the base case projection Maroondah would be below the required rate of production to meet VIF. The impact of the new residential zones further reduces production with the Maroondah LGA being 2,000 dwellings below required levels by 2031 based on historic trends.

3.1.6 ID Production Projections.

Consistent with the VIF 2014 scenarios, using ID consulting estimates production forecasts appear to broadly meet dwelling requirements at 2021, however the requirement between 2021 and 2031 is significant, with none of the scenarios tested likely to increase production to a sufficient level.

The Amendment C93 (Apartment) scenario, which represents the most significant production scenario still available to Maroondah is approximately 2,800 dwellings below the assumed 2031 dwelling target.

Figure 52: ID 2014 Forecast Annual Production (2015-2031).



SOURCE: Charter Keck Cramer and ID.

The projected variance in production between scenario 3 and 4 is due to Charter's assumption of significantly increased apartment activity to offset the loss of townhouse supply within NRZ areas.

Within the 2013-14 NUHM data there were approximately 90 apartments completed or 23% of net additional dwellings. Scenarios 2 and 4 assume that annual apartment completions increase 219 apartments per annum or 5 buildings of 40 apartments every year. This assumption also belies the cyclical nature of apartment markets, in which annual apartment completions fluctuate significantly with market cycles.

Even with this very substantial increase in apartment activity under Scenario 4 new housing production does not meet required levels under VIF 2014. However, the relativity of these scenarios illustrates that without a change in policy to facilitate higher density townhouse or significantly more apartment development, the new residential zones will reduce new supply production leading to affordability and diversity impacts.

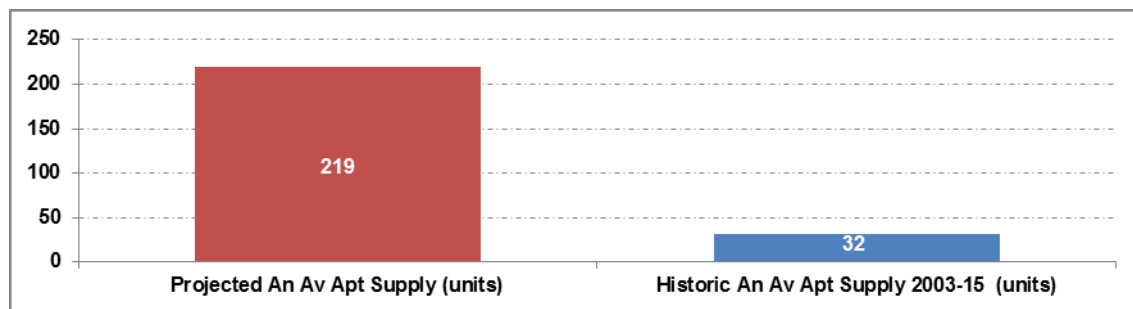
3.1.7 Reality of Apartment Assumptions.

Implicit in the Base Case (Apartment) and Amendment C93 (Apartment) scenarios are very significant rates of apartment production that need to be fully understood. Assuming that market conditions continue to support increased levels of apartment production into the future Charter has made the following assumptions for the period 2015-2031:

- The annual rate of apartment completions will increase from a historic level of 8 per annum to 16 projects per annum; and
- The average project size will increase from a historic level of 18 to 40 apartments.

These assumptions are based on Maroondah becoming a more established and sustainable apartment market into the future, much like the rate of development experienced in Manningham LGA. Once these assumptions have been adopted that annual apartment rate of production increases to **219 apartments** per annum until 2031. Between 2003-15 the Maroondah apartment market has absorbed on average of **32 apartments per annum**.

Figure 53: Annual Apartment Production Comparison.

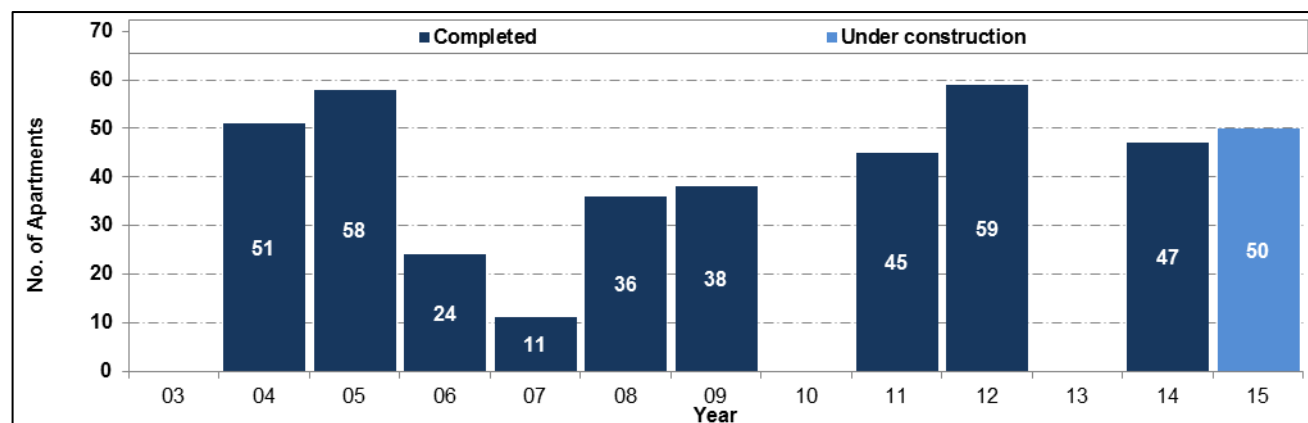


SOURCE: Charter Keck Cramer

A rate of production of 219 apartments per annum would represent a major increase in industry capacity considering the cyclical nature of apartment markets, where development does not occur on a linear trajectory, but rather in a highly variable manner. This cyclical development pattern has already been observed in Maroondah since 2003.

It should also be noted that Maroondah has never exceeded annual apartment completions above 59 apartments per annum.

Figure 54: Apartment Production Timeline (Maroondah).



SOURCE: Charter Keck Cramer

To provide some context, the Maroondah market would need to produce nine equivalent developments similar to 9-11 Browns Avenue, Ringwood every year for the next 15 years. It is noted that this project is located within the Ringwood MAC, where higher density development and living is promoted.

Figure 55: 9-11 Browns Avenue, Ringwood Case Study.



Source: Realestate.com.au.

To provide a broader perspective, Charter has considered other suburbs in Metropolitan Melbourne that have absorbed approximately 3200 contemporary apartments since 1990 (i.e. the equivalent of 219 apartments each year for the next 15 years).

Figure 56: Suburbs in Metropolitan Melbourne with approximately 3200 completed contemporary apartments.

Suburb	Number of Apartments Completed
Carlton	3319
Richmond	3253
St Kilda	3119

SOURCE - Charter Keck Cramer.

These apartment markets are more mature than the markets in the Maroondah LGA and have taken time (and gone through several cycles) to reach this level of absorption.

3.1.8 Future Housing Implications.

The housing production modelling outlined in this chapter highlights that in order to meet housing requirements by 2031 for either VIF or ID then major increases in apartment activity are needed to occur, assuming that townhouse rates of production also continue unabated.

The projections also highlight how overall rates of new supply production are reduced by the impact of New Residential Zones.

4. Key Themes.

The following key themes have been identified as part of the production of this report.

Evidence Based Analysis.

Theme 1 – An evidence-base should inform current and future Council policy and decisions.

Council is in a unique position in that whilst Amendment C93 has been implemented, its effect will only truly be seen in the next 18 months. Council needs a strong evidence-base to understand the true impacts of Amendment C93 on the Maroondah housing market and also to use it to inform strategic policy and planning decisions into the future.

Future Growth Challenge and Housing Objectives.

Theme 2 - Housing production in the Maroondah LGA needs to accommodate an aging population.

There are very few new townhouses being built in the Maroondah LGA that are designed to accommodate the needs of residents who wish to downsize and age in place. It is evident that the Maroondah LGA has an ageing population and it is necessary for new housing production to also accommodate the needs of this segment of the population.

The Importance of Small Project Development.

Theme 3 –Housing production in the Maroondah LGA is largely opportunistic and dispersed.

The vast majority of housing production in the Maroondah LGA is small scale and largely opportunistic and does not accord with traditional models of urban consolidation or activity centre policy. This presents unique challenges for planning policy in the Maroondah LGA and how to incentivise market activity.

Council needs to acknowledge this form of production as a critical component of the housing market and not simply apply Amendment C93 on the presumption that the market will develop in accordance with a traditional model of urban consolidation.

Incentivising Development.

Theme 4 – Opportunity to realign housing policy aspirations with existing market activity.

As this paper has established, there is a misalignment between housing policy aspirations and existing market activity (distribution and form). The NUHM data demonstrates that the vast majority of housing production takes place outside of currently designated activity centres (89% of projects and 73% of new supply) and townhouses (77% of new supply) and not apartments (23% of new supply) are the dominant form of new supply.

It is critical that Council does not ignore the patterns of housing production within the market, but rather examine ways to incentivise development around smaller activity nodes. Starting with smaller scale developments around these smaller activity nodes will allow the market to de-risk itself to a point where larger developments are able to occur.

De-Risking the Market.

Theme 5 – Council can encourage greater development, at the scales required to house Maroondah's population, by implementing steps within its control that will de-risk the market.

It is acknowledged that property development is risk laden and subject to significant forces beyond the influence or control of Council or the developer. As this paper has established, larger scale projects are required in the Maroondah LGA to produce the volume of housing required to accommodate the growing population.

From a lender's perspective, they will only lend to a developer for larger projects when they are satisfied that there is sufficient evidence of market demand at required price points (pre-sales) or there is a transition in the broader market to acceptance of higher density projects. This transition is still occurring in the Maroondah LGA, and typically occurs as a stepped change, from detached houses, to semi-detached townhouses to higher density apartments.

Council is in the position to accelerate this stepped change, by promoting a network of development opportunities across the Maroondah LGA. With these increased development opportunities the market will de-risk itself and lenders will likely respond by making increased funding available for larger projects.

A Network of Centres.

Theme 6 – A greater network of centres expands development opportunities (at all scales) which in turn de-risks the market and encourages development.

This paper has illustrated that 59% of all new dwellings across the Maroondah LGA have occurred in Croydon and Ringwood. Focussing policy support for higher density development on a small number of centres with a limited radius of transport nodes may have the effect of limiting available development opportunities outside of these centres. This in turn will have the effect of slowing down the de-risking of the market.

Housing Diversity and Planning Controls.

Theme 7 – Council should consider the impact statutory planning controls can have on shaping market activity and ultimately housing choices and affordability.

There is no definition of housing diversity as it relates to actual housing product. Housing diversity logically relates to the form of housing required or sought by both current and future purchasers, when compared to the form of housing produced by the market. The data in Section 2 of this report clearly illustrates that statutory planning controls have been shaping market activity in the Maroondah LGA. This in turn translates into the housing choices available to consumers.

There is a need to consider the relative balance between planning policies that deliver stated community objectives and policies that may be varied to promote or incentivise required new housing production. Council should consider how it can encourage a diversity of housing in the housing market and develop a framework or definition that can meet required future housing needs.

Affordable Housing within the Established Market.

Theme 8 – New housing improves housing affordability and diversity in the Maroondah LGA.

Using empirical evidence, this report demonstrates how new housing production enables more affordable housing choices for purchasers. This new supply enters the lowest quartile of the market and provides consumers with a diverse range of choices that otherwise would not exist.

The importance of new housing production in the local market will only increase over time as population pressures continue to escalate.

5. Future Considerations for Council.

Charter has also been asked by Council to list the issues that will need to be considered into the future. These are set out below:

Consideration 1

Council should develop an ongoing housing data monitoring tool.

Council needs ongoing data (both project and product) to track market change and activity over time. There are several sub-markets in the Maroondah LGA that operate in different cycles and are at different levels of housing maturity. Council needs to be aware of the trends and patterns for each market to ensure the Maroondah LGA develops as proposed and the role new supply plays in the overall market.

Consideration 2

Council should conduct economic and property analysis across smaller activity centres that have strategic merit as smaller scale infill precincts.

As the report has shown, smaller activity centres and shopping precincts have facilitated a large amount of small scale development in the Maroondah LGA. Council should conduct an economic and property analysis across these areas with a view to giving them more strategic importance.

Consideration 3

Council should consider the opportunity and broader economic costs of making use of any strategically located surplus council and state government land to incentivise and de-risk market activity.

Council may need to also consider its ownership of any strategically located land but that surplus could be sold to facilitate new housing supply. In addition, there may be opportunities for land that is currently zoned for employment purposes to be rezoned for residential use.

It is beyond the scope of this report to make any recommendations on rezoning land, however there are a range of broader economic issues that would need to be taken into account including the need for local employment opportunities, broader economic benefits to the local area and the role and function of employment land in the regional and metropolitan context.

Consideration 4

Consider the role that statutory controls (within the scope and influence of Council) may have on diversity of development sites and the type of housing produced by the market.

The report has shown that statutory controls are having an effect on both housing diversity and affordability. As part of incentivising development sites (which will de-risk the market) Council should consider how housing policy aspirations can be aligned with existing market activity.

Consideration 5

Further consider the key themes identified in this paper as part of the development of the overall housing strategy.

This report contains a substantial evidence base. Council should continue to refer to the key themes of this report, which are supported by the evidence base in section 2, to inform its housing strategy.

6. Appendix 1 - Literature Review

6.1.1 Introduction

Charter has undertaken background research to gain knowledge of Council's objectives and direction and has also considered a range of strategic drivers that will influence the Maroondah housing market into the future in terms of industry capacity, housing supply and housing products.

Charter's analysis has been drawn from a number of housing and population reports produced by various authors (including Council) and are relevant to this project:

- Draft Population and Demographic Change Background Paper - Maroondah City Council (2015)
- Maroondah 2040 – Maroondah City Council (2014)
- Housing Development Data Analysis – DTPLI (2013)
- Making the Numbers Stack Up – Property Council / Charter Keck Cramer (2012)
- The Housing We'd Choose – Grattan Institute (2011)
- Maroondah Housing Strategy - Maroondah City Council (1997)
- Maroondah Planning Scheme.

Rather than summarise each report individually, a number of key themes have been identified that are critical to an understanding of property market dynamics into the future.

The key themes have been summarised below.

- The Impact of an Ageing Population
- Household Size
- Apartment Development in Activity Centres
- Housing Diversity
- The role of the Maroondah Planning Scheme in delivering new housing
- The impact of the New Residential Zones

These identified key strategic themes are discussed below and are revisited as part of the housing market analysis.

6.1.2 The Impact of an Ageing Population

Demographic change brought about by an increase in the number of retirement age residents will become one of the major forces shaping the Maroondah LGA housing market. This key issue has been reinforced through a number of Maroondah Council documents and also acknowledged in work completed as part of the *Greening the Greyfields* project.

Between 2011 and 2026 there is projected to be a 44% increase in retirement aged persons residing in the Maroondah LGA, compared to only a 7% increase in the working age population⁴. Interestingly, this is predominantly occurring in Ringwood and Croydon where lone person households and couple families without dependants make up the majority of households.

This significant demographic change will over time reweight the needs of local residents for new housing supply. The impact that an ageing population will have on local purchaser demand was clearly articulated by Council in the previous *Maroondah Housing Strategy* (1997), which acknowledged that an increase in the number of persons over the age of 60 into the future would require the development of a more diverse range of housing opportunities⁵.

New housing supply is currently oriented toward First Home Buyers and Investors, with housing stock not suited to downsizers who into the future may want to divest existing assets and age in place. The dominance of double storey dwellings (without lifts) is an example of this misalignment.

A lack of new housing supply that at least provides an opportunity for those of retirement age to downsize (there are a number of issues surrounding the propensity to downsize) there are a number of unintended longer term issues, including the:

⁴ Draft Maroondah Housing Strategy Population and Demographic Change (2015) p6.

⁵ Maroondah Housing Strategy (1997) p2.

- Inability of those of retirement age to unlock equity to fund retirement from what is one of their major financial assets;
- Potential for owner occupiers (with low levels of debt on their home) to undertake small development and construct purpose built dwellings that allow for ageing in place; and
- Risk of owner occupiers undertaking this form of development, resulting in development sites which are not developed to maximum potential.

Council should consider how statutory controls and other potential mechanisms may influence decisions by developers and thereby produce a more diverse range of housing opportunities in the Maroondah LGA.

6.1.3 Household Size

Across Melbourne the nuclear family of the 1950-60s has been replaced with an increasingly more complex household structure. Between 2011 and 2026 in the Maroondah LGA 53.9% of new households are forecast to be couples without dependents or lone person households.

Figure 57: Forecast Household Types (2011-2026) City of Maroondah.

City of Maroondah	2011		2026		2031		Change between 2011 and 2031
	Type	Number	%	Number	%	Number	Number
	Couple families with dependents	13,878	33.6	14,795	30.9	15,289	+1,411
	Couples without dependents	11,994	29.0	14,938	31.2	15,651	+3,657
	Group households	1,267	3.1	1,454	3.0	1,530	+263
	Lone person households	8,950	21.7	10,880	22.7	11,506	+2,556
	One parent family	4,441	10.8	4,975	10.4	5,161	+720
	Other families	780	1.9	879	1.8	924	+144

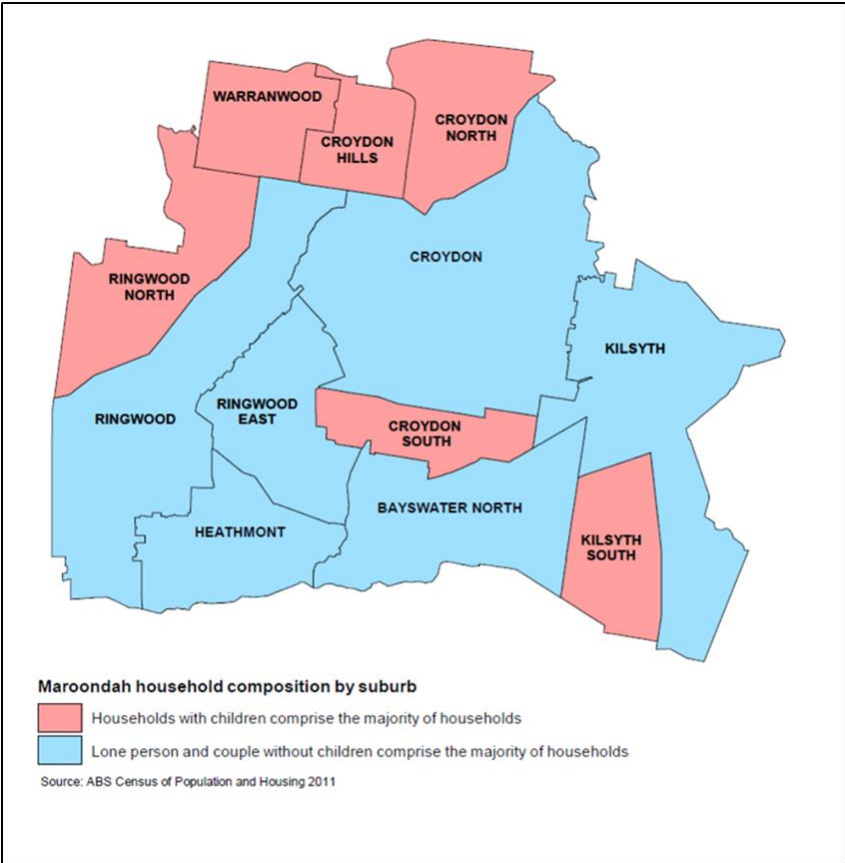
SOURCE: Population and Demographic Change Background Paper - Maroondah City Council

In terms of these demographic changes impacting housing supply into the future, consumers (renters and owner occupiers) may be far more willing to trade off dwelling size and reside in smaller more compact two bedroom dwellings.

Although 58% of new supply units in the Maroondah LGA (2013-2014) are three bedroom dwellings, Charter considers that into the future an increasing number of consumers will seek smaller more compact dwellings at a more affordable price point.

Research on population size and household size completed for the Maroondah LGA predicts that between 2011 and 2026 the population will increase by 13,400 people and the average household size will decrease from 2.55 to 2.48 persons.

Figure 58: Maroondah Household Structure by Suburb (2011).

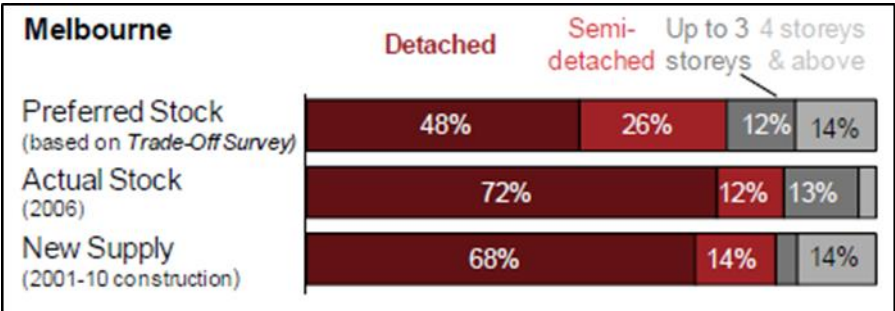


SOURCE: Housing Development Data Analysis – DTPLI

While a number of suburbs such as Warranwood and Croydon Hills have established residential amenity and planning controls that reinforce larger family households, the balance of the housing market is already orientated towards lone person households or couples without children. Planning policy needs to consider market demand and balance the interests and needs of all the age segments of the population of the Maroondah LGA against the other competing objectives.

This demographic analysis for the Maroondah LGA is also consistent with prevailing metropolitan housing trends. The Grattan Institute have made similar recommendations regarding the production of new housing and future household preferences.

Figure 59: Future Household Preferences (Melbourne).



SOURCE: The Housing We'd Choose – Grattan Institute

The *Housing We'd Choose* highlights preferences of consumers into the future are unlikely to align with new housing supply produced by the market. Semi-detached and multi-level apartment developments are still only a relatively small proportion of total housing stock, whereas there is a clear demand for these dwellings.

In order for the market to deliver the required quantum of new housing into the future, statutory planning incentives should be considered. If the status quo in terms of housing production was to continue unabated, the market would continue to produce larger dwellings for consumers seeking more compact and more affordable housing.

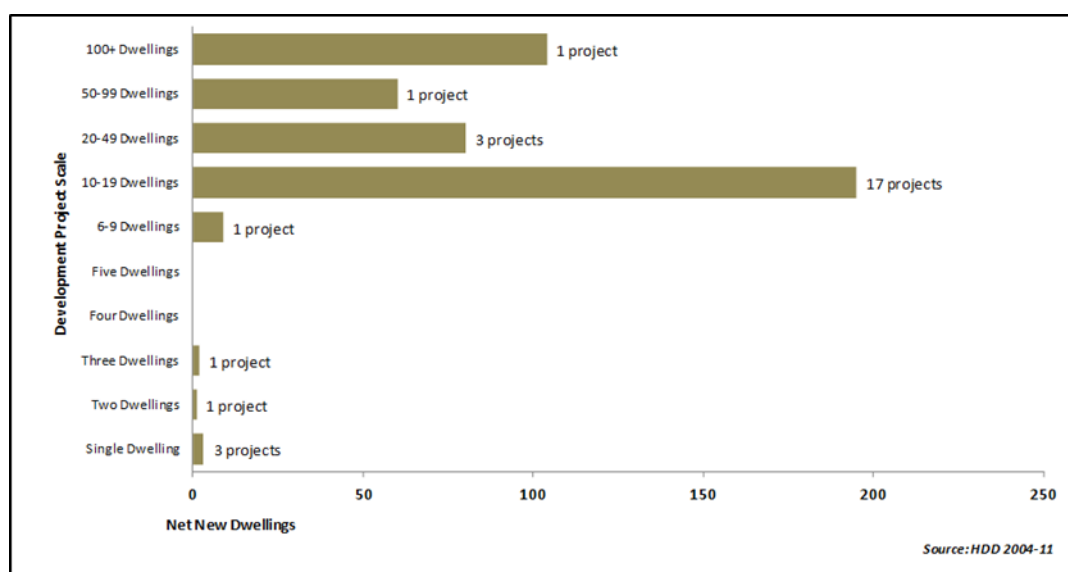
6.1.4 Apartment Development in Activity Centres

There are competing policy aims between the retention of leafy suburbs with lower housing densities⁶ and a housing market that meets the changing housing needs of its population by promoting opportunity for increased and more diverse housing⁷.

Through both previous housing strategies and the existing planning scheme, Council specifically nominates the Croydon Activity Centre and the Ringwood Metropolitan Activity Centre as the principal focus of high density housing into the future. The objective in both these major centres is for existing detached dwellings to transition to higher density townhouses and predominately apartments to meet future housing demand.

A comprehensive analysis of both the Croydon Major Activity Centre and Ringwood Metropolitan Activity Centre has previously been completed by the State Government in 2013.⁸ On average the analysis concluded that there were only 4 projects per annum completed within the Activity Centre boundaries.

Figure 60: New Supply Projects within Activity Centres (2004-2011).



SOURCE: DTPLI.

In order to put apartment development in perspective, using the *National Urban Housing Monitor* only 4% of new supply projects in the Maroondah LGA were apartments. Although there is a strong policy aspiration for an increase in new apartment development in the Maroondah LGA there are a number of factors that need to be considered to understand local housing market dynamics:

- There are only a small number of areas that would support feasible apartment development;
- Townhouses remain the dominant source of new housing supply; and
- The policy focus on apartment development in activity centres risks not fully considering the role planning controls can play in incentivising small development.

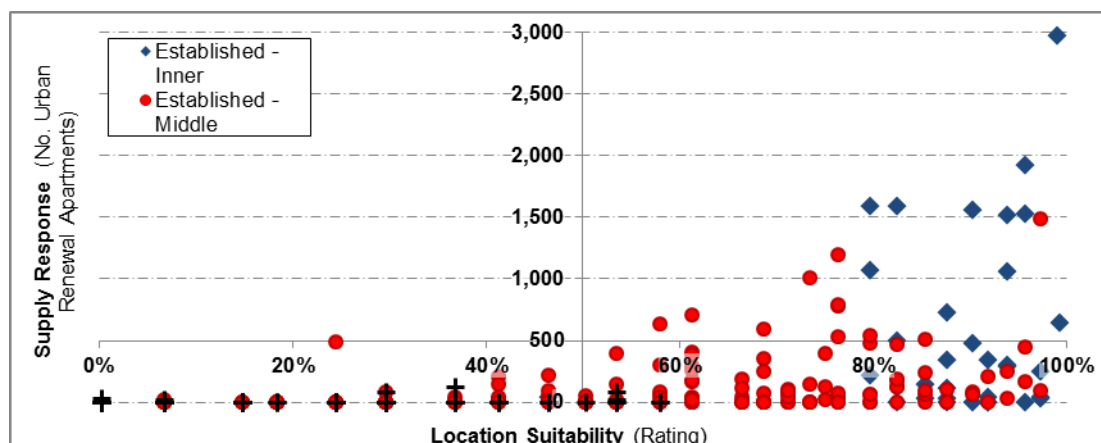
In 2012 Charter completed *Making the Numbers Stack Up* an analysis of urban renewal across Melbourne. In that study, Charter observed that there are several suburbs in Metropolitan Melbourne that have suitable market fundamentals for apartment development, but due to supply-side constraints apartment development at any scale has been limited. The suburbs of Croydon and Ringwood (Established – Middle) are examples of these types of suburbs.

⁶ Housing Strategy 1997 and Maroondah 2040 Community Vision.

⁷ City of Maroondah MSS Clause 21.08.

⁸ Housing Development Data Analysis – DTPLI.

Figure 61: Location suitability rating vs apartment supply – Metropolitan Melbourne



SOURCE: Charter Keck Cramer

6.1.5 Housing Diversity

Within all of the background documents relevant to the Maroondah LGA there is considerable policy discussion in relation to housing diversity. The *Maroondah Housing Strategy* (1997) aims to promote housing diversity and choice by “providing a range of housing opportunities to meet the diverse housing needs of the community and that the principles of choice and affordability are promoted”.⁹

While there are many references to diversity in the MSS, the Maroondah Housing Strategy (1997) strategy largely articulates the vision for the market to provide for local residents and is still entirely relevant today. Diversity of housing is effectively diversity of development sites. If the same type of standard development site is continued to be found in the Maroondah LGA leading to the same overall development yield, then the overall result will be a similar type of housing product.

In order for a diversity of housing product to enter the marketplace, Council needs to consider the following elements:

- Facilitate a diversity of development opportunities on a mix of lot sizes, not standard 1,000 sqm sites;
- Facilitate diversity of opportunities in a diversity of locations; and
- Enable a diversity of developers to enter the market (increasing industry capacity).

Linked to diversity of development sites is the age of building stock. The oldest suburbs in Maroondah (Croydon and Ringwood) where original settlement commenced have been the focus of the most intense development, as building stock progressively becomes obsolete.

Ultimately, in order to influence the production and diversity of housing in Maroondah there first has to be a diversity of lots made available for development in a diversity of locations. A diversity of development is required to enable forecast housing requirements to be met.

6.1.6 The role of the Maroondah Planning Scheme in delivering new housing

Charter has also reviewed the Maroondah Planning Scheme, so as to understand the strategic framework that that applies to the Maroondah LGA. It is clear that Maroondah Council’s involvement with, and influence upon the housing market primarily takes place via its Planning Scheme in the form of the State and Local Planning Policy Framework, and which provides the regulatory framework, including both prescriptive and performance based criteria, against which new development is assessed.

From a developer’s perspective, the extent of control and level of planning support that exists – either direct or indirect – for a potential development site is fundamental to the decision as to whether to proceed with the project or not. The suite of planning controls that therefore apply to any given subject site, are a key consideration in the initial assessment of a site’s ability to be developed.

⁹ Maroondah Housing Strategy 1997 (p7).

In the context that the Planning Scheme includes a variety of mechanisms by which development decisions are made, that is, the State and Local Planning Policy Framework, Zones, Overlays, Particular and General Provisions, Maroondah Council can influence where, when and what type of residential development should and can occur.

For example, the introduction of the new residential zones – an inherently hierarchical regime – has given Maroondah Council the ability to identify the extent, and type of residential development it desires to be delivered in various locations throughout the municipality. Application of Amendment C93 and associated schedules are therefore a significant mechanism that can be used to promote or limit new housing supply.

Housing related planning policy must at least ensure that two market conditions are met. Firstly, that building new housing is a viable activity, and secondly, that there is an adequate supply of houses being delivered which people can afford. Together with an informed evidence-base of local housing market conditions, the mechanisms available within the Victorian Planning Provisions provide a powerful framework that when applied with this objective in mind, can ensure these conditions are met.

Supporting New Housing in the Maroondah LGA

In the context of Maroondah Council's role within the above-described framework, the measures by which it can stimulate new housing is through the creation of policies and controls that provide explicit support for new residential development. As an example this could include:

- Consideration of the extent to which, and what, residential zone (and associated schedule) is applied (eg broader application of the residential growth zone);
- The use of the local planning policy framework in explicitly promoting new housing;
- Preparing discreet variations to ResCode standards such as open space requirements relative to dwelling size, site coverage, setbacks, densities and building heights, and
- Providing explicit policy for site consolidation.

As opposed to the ambiguity that is often associated with the development application process, a planning framework that is clear and explicitly supportive of residential development, together with certainty in the timeframe to achieve approvals, is a significant factor in generating new housing supply. As the responsible authority, Maroondah Council has the opportunity to develop such a framework – beginning with a review of the existing range of controls as they relate to residential development as a means of identifying constraints to its delivery across the City of Maroondah.

In the context of the Maroondah Planning Scheme, there are a variety of changes that could be made to it if it is Council's intent is to deliver more housing that is both diverse, and more affordable. Beginning with the Municipal Strategic Statement, stronger support for the development of new housing, including that which is diverse and more affordable could be provided. Fundamental to this would be ensuring that the objectives and strategies are better aligned.

Similarly, the Local Planning Policy Framework provides policy direction in relation to the role that dispersed medium density housing (e.g. townhouses) plays in providing more affordable and diverse housing and identify areas where this is encouraged. The identification of new activity centres provides further opportunity in the policy context for Council to explicitly support new housing.

The application and extent to which the new residential zones are applied across the Maroondah LGA has a significant impact upon the ability to provide new housing. Likewise, the standards in Clause 54 and 55, and any variations to these can directly impact the type and amount of new housing that can be developed. It is therefore necessary that in the preparation and application of planning controls, Maroondah Council considers and understands the ramifications that these will have upon the ability to deliver the broader housing objectives it seeks.

In relation to the existing zoning regime as it applies across the Maroondah LGA, it is observed that there are numerous examples where Industrial 1 zoned land is located directly adjacent to residential zoned land. Though some of these are due to historic factors and contain viable businesses, there is merit in undertaking a strategic assessment of the role of industrial land in Maroondah with the view to informing what, if any opportunity there is for it to be rezoned for residential purposes.

6.1.7 Impact of New Residential Zones

A final key trend likely to influence the future of the Maroondah LGA housing market is the New Residential Zones which were introduced in June 2014. Statutory zoning controls have a very significant impact on the scale and type of new housing supply, as illustrated by the *National Urban Housing Monitor* developed by Charter.

Presently, Amendment C93 have been applied as follows:

- General Residential Zone (63%);
- Neighbourhood Residential Zone (30%); and

- Residential Growth Zone (7%)

Local housing market dynamics are critical in understanding the impact of the Amendment C93. In locations such as the Maroondah LGA where new housing supply is predominately townhouses, the impact of new zoning controls needs to be fully understood as they directly influence market activity.

7. Appendix 2 - Stakeholder Consultation

7.1.1 Introduction

This section provides a description of the views expressed by key stakeholders on the subject of current future housing supply issues in the Maroondah LGA. Each of the stakeholders interviewed are involved in the supply of housing, either directly or indirectly. These include Council officers, real estate agents and local builders, developers and investors.

A summary of the issues and observations identified by Charter in its *Value of Small Project Development* (April 2014) prepared and submitted on behalf of the Property Council of Australia in response to the new residential zones is also provided. Though not specific to the Maroondah LGA, a number of the issues and observations identified, are instructive in the context of broader housing supply considerations.

7.1.2 Stakeholder Interviews

Though conducted as informal discussions, the following questions were raised for discussion with each individual stakeholder. These are outlined as follows:

- What are the apparent housing trends occurring within the Maroondah LGA?
- Is there a discernible pattern and type of residential development occurring within different areas within the Maroondah LGA?
- What is the nature of the development industry operating within the Maroondah LGA and who are the developers? (eg: Local builders and developers, 'mum & dad investors', large scale development companies.)
- What are the existing constraints to delivering new housing in the Maroondah LGA?

Though many of the views expressed by stakeholders are based on their first-hand experience of their involvement in the residential development process, it should be noted that the views expressed are anecdotal.

The new residential zones were raised as a significant housing issue by stakeholders in the context of both promoting and limiting new development activity across the Maroondah LGA. The extent to which the new residential zones were raised by stakeholders is considered to, at least in part, be a reflection of their relatively recent introduction and the widespread attention given to them in the mainstream media. Though existing and/or previous housing related policies may be equally or more influential on the delivery of new housing in the Maroondah LGA, there was little reference made to these in the context of the questions raised.

Stakeholder opinions about Amendment C93 vary and in some cases it is apparent that these are not entirely accurate. Nevertheless, it was deemed important to include all comments as perceptions about the residential planning framework are considered to be relevant to understanding the views of those involved in local housing market.

It is important to note that the views obtained by stakeholders do not necessarily reflect the supply factors operating within the Maroondah LGA housing market and hence do not necessarily align with the detailed analysis and findings of the broader study.

7.1.3 What are the apparent housing trends occurring within the Maroondah LGA?

In responding to the question of apparent housing trends, a variety of views were expressed by the stakeholders. Some of these related specifically to the higher order Activity Centres - in particular the Ringwood Metropolitan Activity Centre and to a lesser extent the Croydon Major Activity Centre - while others referred to the suburban residential areas and the issues confronting conventional, townhouse builders and developers which for many years have represented the majority of new housing development in the Maroondah LGA.

Activity Centres

In relation to the Activity Centres, particularly the Ringwood Metropolitan Activity Centre, the changing nature of the housing market was broadly described as having undergone structural transformation in recent years following decade long policies to encourage apartment development.

Council's policy commitment to delivering apartment development was described as fundamental to achieving the type of residential development (apartments) now being delivered within the Ringwood Metropolitan Activity Centre and Croydon Major Activity Centres. At the same time, this policy context has served to protect the landscape and vegetative qualities across the rest of the Maroondah LGA.

Though the nature of residential development within the Ringwood Metropolitan Activity Centre and Croydon Major Activity Centres has undergone some change, apartments still represent a relatively niche dwelling type within Maroondah with the market still in a relatively immature phase.

In relation to apparent housing trends within the Maroondah LGA, stakeholders expressed the following key points:

Estate Agents

- Apartment development is beginning to take hold in Ringwood after struggling for many years.
- The resident breakdown in recent medium to higher density developments in Ringwood is split 50/50 between renters and owner-occupiers. The number of owner-occupiers has, and continues to increase in recent times. This is particularly the case for two bedroom+ dwellings.
- There is a continued increase in owner-occupiers who prefer the larger apartments on offer in Ringwood and which is seen to be a competitive advantage that Ringwood provides over other eastern region developments which are generally smaller and often in taller buildings with many more apartments.

Council Officers

- The number of residential projects (apartments) in the Ringwood Metropolitan Activity Centre and Croydon Major Activity Centre continue to increase - estimated to have gone from approximately 5% five years ago, to 15% to 20% today. The starting price for a new apartment (1 bedroom) in Ringwood is estimated to be \$300,000 with signs this is increasing.
- Due to Council policy, 3 to 4 level apartment style development has become common in both the Ringwood Metropolitan Activity Centre and Croydon Major Activity Centres in recent years.
- As a sign of the relative confidence in the Ringwood apartment market, Council has recently received an application for a 7 storey apartment building.
- An application for a 7 storey apartment development and the decreasing size of proposed apartment sizes, are seen to be positive signs for the future of high density living in the Activity Centres.
- There is developer interest in providing smaller apartment sizes (e.g. down to 30 sqm) but Council do not support these.

Builders & Developers

- As Ringwood becomes more attractive for apartment development the land values will increase. Many of the local builder/developers don't have the financial capacity to compete in this market nor the construction experience to build multi-level apartments.

Suburban Residential Areas

Suburban residential areas in the Maroondah LGA have historically performed a significant role in accommodating new medium density development. Generally, it has been characterised by a two storey, three bedroom, double garage development format. At the same time, there has been an apparent dearth of two bedroom, single storey, villa units developed. This was identified by some stakeholders as resulting in a potentially significant undersupply of accessible and affordable housing for a growing portion of the market.

Suburban residential areas are anticipated to continue to accommodate much of the Maroondah LGA's required new housing supply, though anecdotal evidence suggests that the extent to which this might occur may decrease due to feasibility constraints, land value impacts and restrictions resulting from changes to the planning framework.

Stakeholders made the following key comments in relation to housing trends occurring within the suburban residential areas of Maroondah:

Estate Agents

- Most new residential development projects in the suburban residential areas of Maroondah are three bedroom, two storey townhouses.
- Because land in the Residential Growth zone is now so expensive, and the Neighbourhood Residential zones either are shut out from development or are limited to a maximum dual occupancy density, land values within the General Residential zone have increased.

Council Officers

- Despite the significant amount of residential development that has, and is expected to continue within the suburban residential areas there is a need to ensure that the neighbourhood and landscape character qualities that define many of these areas are preserved. This is why people move there.
- Developers have expressed that Maroondah's 80 sqm private open space requirement impacts the feasibility of developing single storey two bedroom dwellings. Compared to two storey dwellings (which are typically three bedroom), single storey, two bedroom dwellings assume a greater development footprint and therefore limit yield.

Builders & Developers

- There is a real need for more affordable housing. Selling townhouses 'off the plan' is increasing in popularity as a means to obtaining project finance. Those purchasing 'off the plan' are generally highly price sensitive and are seeking to obtain the discount that comes with this form of purchase. These purchasers are generally first-home buyers or recent divorcees.
- Development costs make it difficult to provide townhouses at a price that is sufficiently lower than existing houses and to justify the trade-off.

7.1.4 Is there a discernible pattern and type of residential development occurring within different areas within the Maroondah LGA?

Medium density housing projects developed across the Maroondah LGA have traditionally been two storey townhouses and are geographically dispersed. These are developed across the entire municipality in an opportunistic manner regardless of locational attributes, rather than as a result of an 'explicit' and supportive policy position.

The delivery of housing diversity, in particular two bedroom dwellings, is limited despite the latent demand that exists for this product (due to affordability and diversity/demographic reasons). The development of single storey, two bedroom villa unit development would likely be common in many areas of the Maroondah LGA, particularly in those suburbs of lower value.

In recent years however, changes to the planning framework have had both a direct and indirect impact on the type and location of new residential projects being delivered. The development of high(er) density apartments in the Ringwood Metropolitan Activity Centre and Croydon Major Activity Centre are an obvious example of outcomes explicitly sought by planning policy. Conversely, the introduction of the new residential zones is having a variety of impacts including a reduction in development applications for medium density product in some areas now affected by the Neighbourhood Residential Zone.

Though not currently supported by Council planning policy, development pressure continues for apartment development in lower order Activity Centres such as Heathmont and Ringwood East. In some cases, these applications have been successful at VCAT and as a result have established a new built form character and typology around these Centres.

Stakeholders made the following key comments in relation to the type and location of residential development occurring within Maroondah.

Estate Agents

- There is a growing number of 'mum and dad' investors who are accessing the equity in their properties by either developing a townhouse at the rear of the existing dwelling or simply subdividing it and selling to one of the numerous small-scale residential development companies who then construct and sell the townhouse.
- Two storey townhouses, primarily three bedrooms predominate. There is a lack of single storey medium density development.
- Higher dwelling yields can be achieved with a two storey dwelling type because they assume a smaller development footprint than single storey dwellings.

Council Officers

- Ringwood Metropolitan Activity Centre and Croydon Major Activity Centres have experienced considerable three to four level apartment development over the last five years. This has largely been driven by Council who have actively promoted and supported development of this type.
- Pressure continues to grow for apartment development outside of Ringwood and Croydon Activity Centres.

Builders & Developers

- Across Maroondah, there is a distinct pattern of residential development with high density apartment development in Activity Centres and medium density townhouse development throughout residential areas.

7.1.5 What is the nature of the residential development industry operating within the Maroondah LGA?

The nature of the residential development industry within the Maroondah LGA is considered to have fundamentally changed in recent years. As the apartment market has evolved in the Ringwood Metropolitan Activity Centre and to a lesser extent Croydon Major Activity Centre, the type of developer involved in the delivery of projects has shifted from local builder/developers to more sophisticated and experienced development companies.

Council Officers

- In recent times, Asian investors have become increasingly active in the Ringwood Metropolitan Activity Centre market and have made some significant acquisitions.
- With the evolution of the Ringwood apartment market, the quality of development is considered to have improved and the involvement of high-profile architecture firms is increasingly evident.
- There are signs that local investors, builders, developers and speculators are focussing on the General Residential Zone areas. Only those who are 'cashed up', can now afford to acquire in the Residential Growth Zones.

Estate Agents

- Within the suburban residential area, there is continued and possibly growing interest by 'mum and dad' investors in developing their properties, often with one townhouse to the rear. This is a trend evident in recent development applications.
- 'Off the plan' purchases for townhouse product are occurring on some projects, typically where the developer is requiring finance to commence construction. There is undoubtedly a segment of the purchaser market who are motivated by the stamp duty savings. The majority of townhouse projects are however constructed prior to selling.

Builders & Developers

- Increasing land values are making it difficult for local builders and developers to acquire sites in the Maroondah LGA, especially in the Residential Growth zone. With the introduction of the Neighbourhood Residential Zone, the only developable areas left are those in the General Residential Zone. Increasing competition for sites in the General residential Zone can be expected to push values up which will then impact on price.

7.1.6 What are the perceived constraints to residential development?

In response to the question of what were considered to be the constraints to residential development in the Maroondah LGA, it is unsurprising that the views expressed generally reflected the interests and particular experiences of the stakeholders. However, planning controls, and the associated development application process – including the general uncertainty and lengthy timeframes – were broadly perceived, and understood by stakeholders, as a major constraint to residential development. Issues raised regarding the development application process were made as general comments about the development application process overall. They were not raised specifically in relation to the performance of the Maroondah LGA's planning department.

There was general acceptance by all stakeholders that the introduction of the new residential zones was likely to negatively impact the supply of new housing. Imposing the two dwelling maximum (via the Neighbourhood Residential Zone) in areas where multiple (more than two) dwellings were previously permitted is anticipated to have considerable negative impact. Anecdotally, there has been a noticeable reduction in development applications for multiple dwelling projects in such areas.

Following the introduction of the new residential zones, there is considerable uncertainty amongst local builders and developers about what is achievable from a development perspective in the suburban residential areas. In the Neighbourhood Residential Zone, the two dwelling maximum has impacted significantly upon the ability to achieve a reasonable profit margin (15 to 20%) which in many cases, could only be obtained in a project comprising a minimum of three dwellings. Early indications are that the number of projects historically undertaken by local builder and developers has decreased. The cumulative impact of developer-led townhouse projects not proceeding could be expected to limit much needed housing supply which in turn will result in price increases.

The extent to which stakeholder views diverged about the impact of planning policy and the development application process was highlighted by comments pertaining to both its perceived positive and negative impacts. Council officers generally perceived the evolution of the apartment market in both the Ringwood Metropolitan Activity Centre and Croydon as a direct result of Council policy that explicitly sought such an outcome, albeit it over a relatively long period of time. Conversely, the views of others were that Council's attempts to encourage development in Activity Centres, has come at the expense of residential development within suburban residential areas which is perceived to have been 'locked up'.

To varying degrees, stakeholders expressed support for the protection of Maroondah's neighbourhood and landscape qualities, where this could be justified.

Stakeholders made the following key comments in relation to perceived constraints to residential development:

Estate Agents

- The scarcity of land in the Residential Growth Zone together with Council's favourable policy position for high density development within it has had a dramatic upward effect on value. Residential lots within the Activity Centre boundary are highly sought after and are being consolidated with the view to developing larger scale apartment development.
- There is a shortage of suitable zoned development sites in areas of higher value. This is expected to result in an undersupply of townhouses in these areas as effect of Amendment C93 take hold.
- Most development projects are delivering three bedroom/two bathroom townhouse product. Latent demand for single storey two bedroom medium density product does exist, it is just not being met. This is in large part due to Council's private open space requirement which impacts achievable dwelling yield and as a result forces developers to build two storeys (this allows for a smaller footprint but invariably leads to a three bedroom dwelling outcome).
- There is an apparent reduction of values within the NRZ due to the limited development potential of this land. Vendor's expectations are yet to adjust to the fact that their properties are now worth less which is resulting in a reluctance to sell. The premium previously paid by developers for a site which could accommodate a multi-dwelling development has now disappeared.
- Developer's who previously undertook multiple dwelling /medium density development in the areas now zoned NRZ1 and NRZ2, have noticeably ceased pursuing projects in these areas. Though the number of local builders and developers in the Maroondah LGA has contracted, those who remain are those who are 'cashed-up' and which have become more aggressive in their pursuit of sites.
- Depending upon site characteristics, the 80 sqm private open space requirement can result in the potential loss of one or more dwellings (despite meeting all other planning scheme requirements). In the case where the application of this open space requirement would limit an otherwise three townhouse development to two, it is often the case that a developer would not proceed due to the insufficient margins to be gained from a two dwelling project. Instead, two-townhouse projects are often undertaken by 'mum and dad' landowners.
- The increasing risk and uncertainty associated with the planning process, particularly since the introduction of the new residential zones has resulted in an increase in the premium paid for those sites with plans and permits. The price of residential land zoned 'General' and 'Residential Growth' has increased since the introduction of Amendment C93, as it is recognised by the marketplace as having greater development potential.

Council Officers

- There continues to be interest by the local developer market in developing three to four storey apartment product in the Heathmont & East Ringwood Activity Centres. This indicates there is a market for this product outside of the Ringwood Metropolitan Activity Centre and Croydon Major Activity Centres. Council does not presently support such proposals and lacks policy support for this form of development. Some permits have however been issued at VCAT for this type of development based on the locational attributes of these centres - primarily train stations - but also the presence of local retail centres.
- Across the Maroondah LGA there has been no discernible change in the number of planning applications for residential development since the introduction of the new residential zones.
- There has however been an apparent decrease in applications in those areas which are now zoned Neighbourhood Residential Zone (NRZ). The application of the NRZ3 and NRZ4 imposes a two dwelling maximum in areas which previously permitted more than two dwelling developments. Prior to the introduction of the NRZ3 and NRZ4, built form, character and landscape within these areas was controlled primarily through the Significant Landscape Overlay – Schedule 3 (SLO3). There was however no density control, so as long as certain built form, landscape and excavation standards were met. Where multiple dwelling development was previously permissible, the two dwelling limit now applies.
- As a result of the above, there has been an increase in the number of applications for areas in the General Residential Zone (GRZ).

Builders and Developers

- The extent of 'planning' restriction, together with the increased number of zones (and schedules), has created confusion and uncertainty amongst local developers about what can be developed.
- Areas in the Neighbourhood Residential Zone which were previously attractive for townhouse development are no longer of interest.

7.1.7 The Value of Small Project Development

In addition to the stakeholder interviews undertaken, a summary of the issues identified by Charter in its submission to the new residential zones prepared on behalf of the Property Council of Australia is also provided.

With the primary purpose to establish, and identify the value of small project development, i.e. townhouses and villa units to the metropolitan housing market, the submission identified that the new residential zones would impact the following:

- Housing choices and consumer preferences;
- Aggregate housing supply;
- Project viability;
- Property values;
- Housing Diversity; and
- Housing Affordability.

Key observations identified for metropolitan Melbourne in the submission, but which are considered to be relevant to the Maroondah LGA are outlined as follows.

- While there is likely to be an increase in apartment activity as the city continues to grow, overwhelmingly local residents choose detached dwellings, townhouses or villa units to meet their housing preferences.
 - Apartment living does not suit the housing preferences of all consumers across all stages of their life. Housing markets should seek to respond with appropriate levels of supply for consumers across different market segments, including young families priced out of detached housing markets.
 - Current planning policy and zones appear to be seeking to promote apartment living as the primary source of new housing supply. This represents a significant departure from historic market activity, which has relied heavily on a continued supply of townhouses and lesser extent, villa units.
 - Planning policy advocating for higher density development within Activity Centres should acknowledge the role of townhouse development and villa units in establishing base line housing supply and de-risking higher density development.
 - There are very few suburbs in Melbourne, especially in lower value areas that simply transition from areas of predominately detached dwellings to high-density apartments. More commonly, large townhouse markets emerge that incrementally drive development densities over time towards apartment development.
 - Limiting townhouse development will remove this incremental step change and may ultimately make it more challenging to achieve significant apartment development in lower value areas.
-