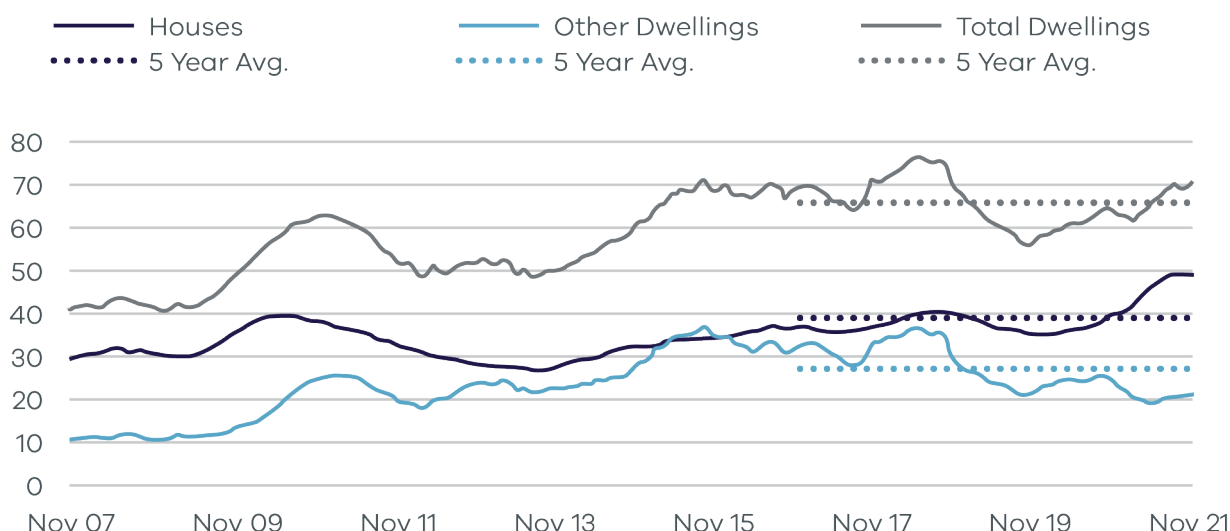


## MARKET OVERVIEW

- 1 Economic growth in Victoria remains subdued, but forecasters predict a strong recovery
  - The state's economy contracted -0.4% in 2020-21 – making it the only state to record an annual decline in real terms.
  - Employment figures were more positive as people returned to work post-lockdown. There was a notable improvement in the unemployment rate to 4.7% (-0.9% points from October).
  - Gross State Product (GSP) is forecast to increase by 1.2% in 2021-22, followed by a stronger recovery of 7.0% in 2022-23. [source: Deloitte Access Economics]
- 2 Population growth is expected to remain weak in the near term.
  - The COVID-19 pandemic continues to negatively impact population growth in Victoria. The recorded decline of -0.7% 2020-21 was the lowest annual growth recorded by the state in more than 100 years.
  - Population growth is forecast to remain weak in the near term at 0.2 per cent in 2021-22. [source: Victoria State Budget]
- 3 Housing demand remains strong despite population decline
  - Melbourne house prices rose by more than 15% in 2021, the largest rise in new dwelling prices since September 2000 when the GST was introduced.
  - There were signs of a cooling housing market in December when Melbourne recorded a -0.1% decrease, the first monthly fall in housing values since October 2020.
  - More than 70,400 new residential building approvals were recorded for the year ending Nov. '21, the first time annual approvals have surpassed 70,000 since 2018.
- 4 Greenfield lot demand is at peak levels, challenging land supply
  - Housing demand has remained at frantic levels with prices remaining elevated.
  - Strong demand for new housing has emerged, coupled with high levels of building construction activity, shortages of materials and supply disruptions.
- 5 Detached dwellings continue to surge, high density developments stabilizing
  - Building approvals data demonstrated greater confidence and demand from the private sector in 2021. The effects of Omicron may impact this trend in the coming months.

**Chart 1** New Dwelling Approvals, Rolling Annual ('000), Victoria

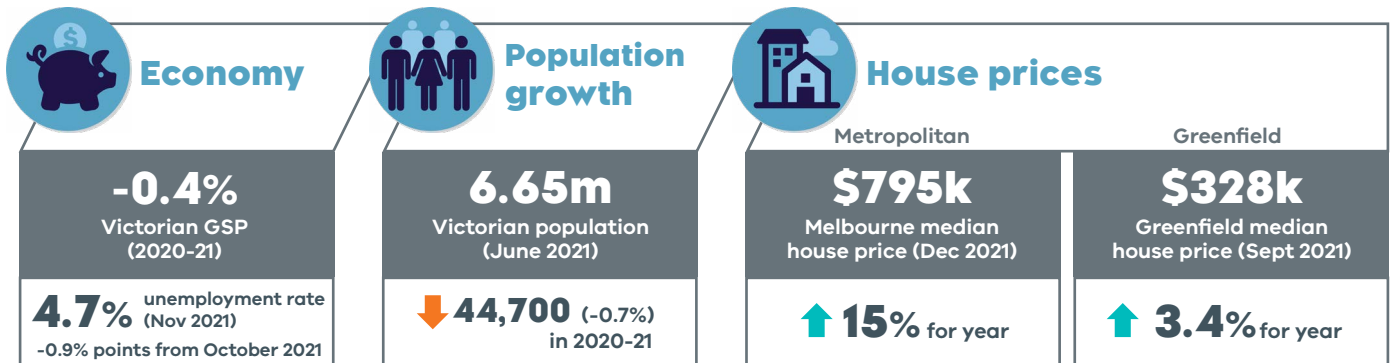
Source: ABS Building Approvals, Nov 21



## KEY OUTTAKES

- Despite a sluggish economy and population decline, demand for dwellings and land continues at peak levels placing pressure on some markets for land supply.
- There are early signs of a cooling housing market, which would be further influenced by any interest rate movements. However, if inflation remains at reasonable levels, there is unlikely to be pressure for a rise in rates in the near term.

## KEY INDICATORS - VICTORIA



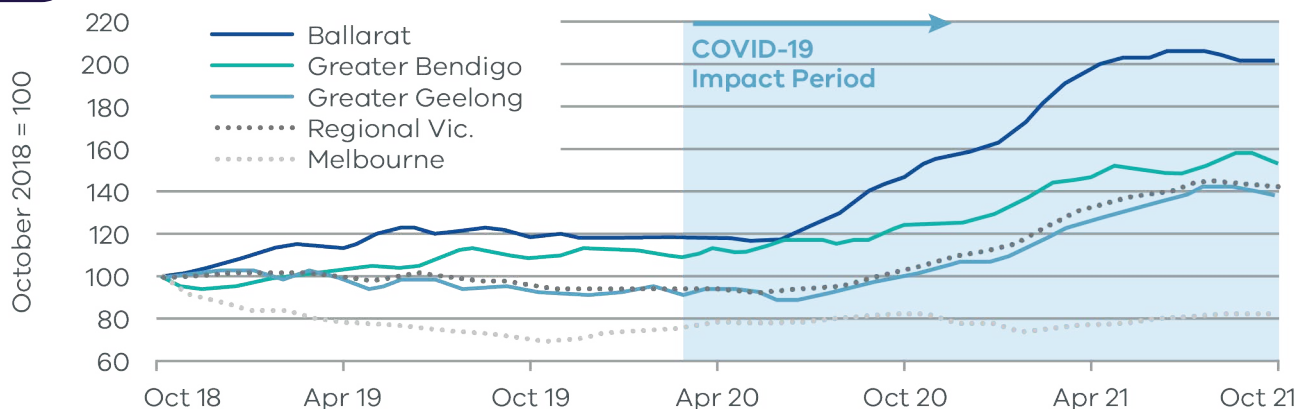
## KEY ISSUES – REGIONAL LAND SUPPLY

Regional Victoria is observing some greenfield land supply challenges.

Ballarat has seen a strong increase in building approvals throughout the COVID period, while Bendigo and Geelong have grown more in line with the Regional Victoria trend.

Chart 2 Building Approvals Index

Source: ABS Building Approvals, Nov 21



Pressure on the housing market is evident in Ballarat, where there is not adequate land supply. Other markets are observing considerable pressure on short term supply levels, with planning activities underway to unlock more supply.

Table 1 Regional UDP summary

Regional UDP	Zoned (Years)	Unzoned (Years)	Total (Years)	Comments
Ballarat	7 to 9	N/A	7 to 9	Significant supply challenges, no additional unzoned supply identified.
Bendigo	16 to 20	10 to 12	26 to 33	Zoned supply tends to be small scale, and in fragmented holdings. Biodiversity and environmental challenges also emerging.
Geelong	7 to 9	16 to 20	24 to 30	Observing short term supply challenges, with timeliness of future PSP completion now becoming critical

Source: DELWP Urban Development Program 2021. <https://www.planning.vic.gov.au/land-use-and-population-research/urban-development-program/regionaludp>

## KEY OUTTAKES

- Some regional cities are observing concerning low levels of land supply.
- The 'planning toolkit' in Regional areas differs from metropolitan Melbourne, distorting some markets that are closely linked.
- Infrastructure funding and co-ordination is increasingly becoming a challenge given increases in demand for regional areas.

## POLICY CONSIDERATIONS

### Melbourne's Future Planning Framework

- In early 2022 the Victorian Government will update Land Use Framework Plans based on feedback from public consultation. Once approved by the Minister for Planning, the Plans will be translated into the Victorian Planning Provisions and implementation will be supported via five-year action plans.

### Planning reform

- New criteria were introduced January 2022 to speed up assessment and determination of projects in identified priority sectors to deliver investment into the Victorian economy, keep people in jobs and provide a substantial public benefit.
- The Victorian Government update state planning policy in December 2021 to support a more integrated transport system and to make policy simpler and more certain for decision-makers, infrastructure providers and the community

### Tax revenue and relief initiatives

- The Windfall Gains Tax and State Taxation and Other Acts Further Amendment Act 2021 passed through the Victorian parliament in November 2021. This Act sets the legal framework for initiatives announced as part of the 2020-21 and 2021-22 Victorian budgets, including:
  - Introduction of a new windfall gains tax from 1 July 2023
  - Build-to-rent land tax concession from 2022 land tax year.

### Plan Melbourne

- *Plan Melbourne* and its Implementation Plan will be formally reviewed in 2022 as part of the five-year review process.

## VPA PRIORITIES IN 2022

The VPA aims to play a leadership role in planning areas of state and regional significance. To plan for prosperous, sustainable and liveable communities, we will focus on:



### 1 Doing density better

provide more diverse and better-designed dwelling options



### 2 Growing suburban and regional jobs

enable more workplaces to be developed closer to where people live to keep pace with the changed direction of economic activity



### 3 Coordinating infrastructure with development

help growing communities to get the services they need when they need them



### 4 Unlocking our regions

make it possible for more people to move to and work in our regional cities and peri-urban towns by ensuring supply of zoned land

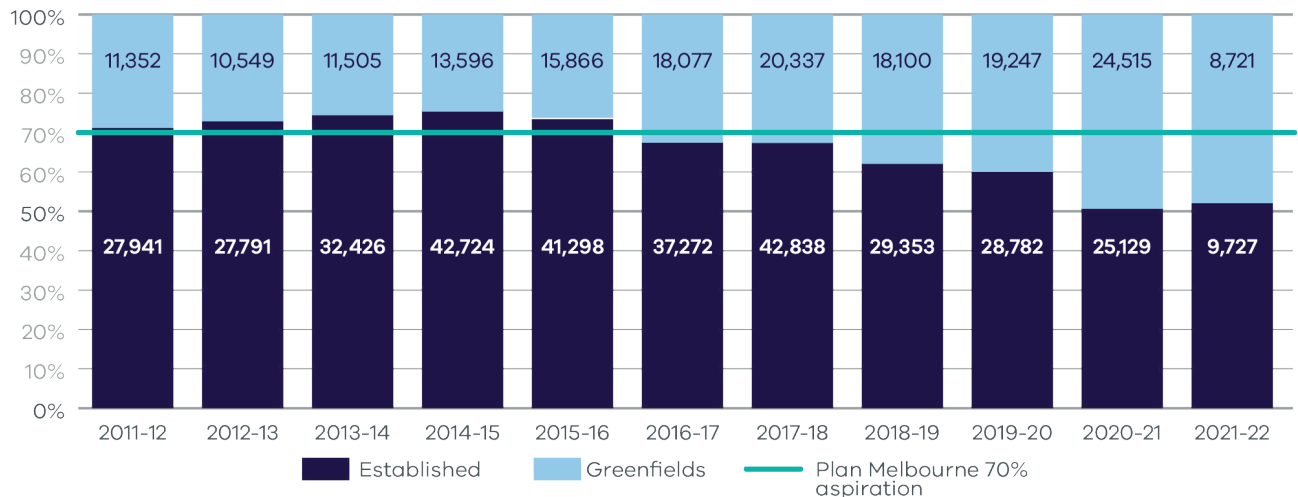
### Across all of our work we will also:

- Implement the fundamentals of the 20-minute neighbourhood – in established Melbourne and in key regional cities
- Bring land to market quickly – accelerate supply in VPA-led growth areas across the state
- Support better infrastructure decisions – continue to provide advice to government and advocate for new infrastructure coordination models.

Creating a compact Melbourne – getting to 70% - is even more of a challenge now than it was pre-COVID

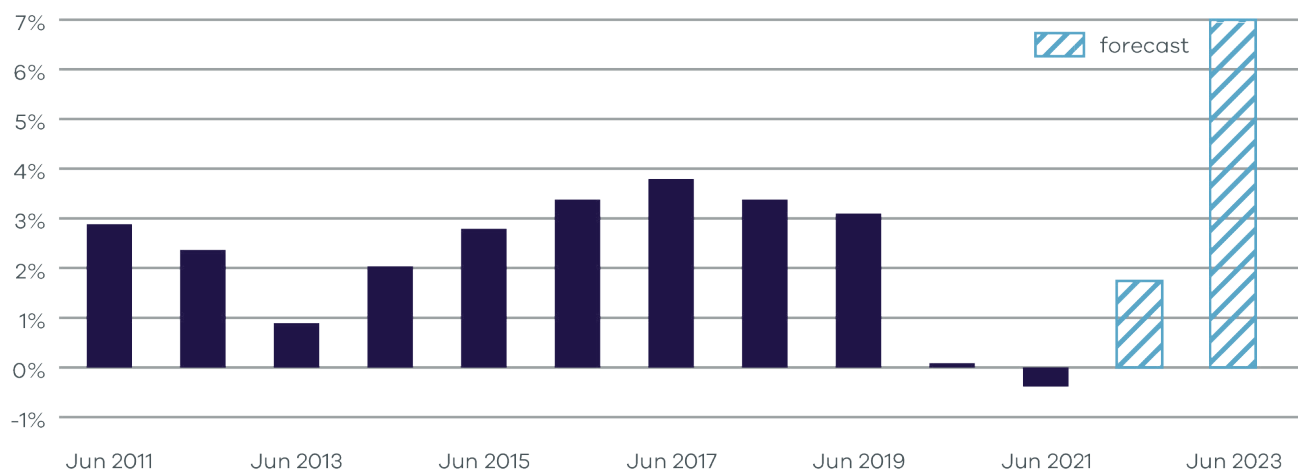
**Chart 3** Annual New Dwelling Approvals, index

Source: ABS Building Approvals, Nov 21



**Chart 4** Gross State Product (GSP), Victoria

Source: ABS State Accounts, DTF



**Chart 5** Population Growth, Rolling Annual ('000), Victoria

Source: ABS, Victorian Budget 2021/22, VIF 2019

