Long run patterns of house prices in Melbourne: The changing distribution of lower cost houses

Research by the Spatial Analysis and Research (SAR) branch is throwing new light on the changing spatial patterns of house prices in Melbourne.

The research uses Valuer General unit-record data to look at patterns of spatial distribution and concentration relative to overall changes in house prices. These patterns are often masked when using aggregate or median data. In particular the research looks at how the location of lower cost houses has changed since 1976.

Moving pictures
The maps shown below indicate the proportions of house sales in each suburb that were in the lowest quartile (that is, lowest quarter of prices or cheaper houses) of Melbourne sales in 1976 and 2009 respectively. The darkest shade represents suburbs where over 60 per cent of house sales were in the lowest Melbourne price quartile. The lightest shade of blue represents suburbs where very few if any sales – less than 5 per cent of sales in the suburb – were in the lowest price quartile for that year.

In Figure 1 (the 1976 map), a noticeable pattern is that many inner and middle suburbs to the north and west of Melbourne had high concentrations of lower cost housing, with over 60 per cent of their sales in the lowest Melbourne quartile. Footscray, Brunswick and Northcote were all in this category.

In the eastern suburbs, from Ivanhoe through to Brighton, many suburbs had few sales in the lowest price quartile in 1976.

By contrast, Figure 2 shows the distribution of lowest quartile house sales in 2009. There are dramatic points of difference to the 1976 map. By 2009 nearly all inner and middle suburbs of Melbourne had only negligible proportions – less than 5 per cent – of house sales in the lowest price quartile. There were very few opportunities to buy houses in the lowest Melbourne price quartile within a region extending about 10 kilometres from the city to the west and north, and up to 20 kilometres to the east.

Overall, the proportion of house sales in the inner region of Melbourne in the lowest price quartile dropped from 36 per cent in 1976 to just two per cent in 2009.

Gentrification
Many of Melbourne’s lower priced suburbs have historically been in the inner western and northern suburbs. Most of these suburbs have, however,
experienced waves of gentrification.

Some suburbs, including Carlton, Fitzroy and Port Melbourne, were already gentrifying in 1976. In other areas, such as Brunswick and Northcote, gentrification became noticeable in the late 1980s and was particularly clear in the 1990s. In the west, suburbs like Footscray saw decreases in lower cost housing in the 1990s, but with much sharper patterns from 2001 onwards. In all cases, a steep drop in the proportion of sales in the lowest quartile is seen. Changes in the inner northern suburb of Brunswick are illustrated at Figure 3.

Increasing scarcity

Melbourne’s higher cost suburbs have historically been in the inner and middle eastern suburbs. However, while once there was some relatively cheaper housing sold in these suburbs, this has changed. Sales in these suburbs have become increasingly concentrated only in the top Melbourne price quartile. In 1976, 36 per cent of house sales in Sandringham were in the highest Melbourne quartile. This increased to 71 per cent by 1991 and to 96 per cent in 2009. The corresponding trend has been a disappearance of sales in the second and third price quartiles.

The opposite trend

Some suburbs have become relatively cheaper. This does not mean that prices have decreased – it indicates that these suburbs have increasing proportions of their sales in the lower price quartiles, relative to the rest of Melbourne. Many of these suburbs were developed through the late 1970s and was particularly clear in the 1990s. For example, Hampton Park was developed through the late 1970s and early 1980s. It began as a mixed price suburb but, over time, the proportion of sales in the lowest quartile increased. By 2009, 77 per cent of house sales in Hampton Park were in the lowest Melbourne price quartile, compared to 18 per cent of house sales in 1976.

Where is lower cost housing located now?

In 2010, Melbourne’s lowest cost housing tends to be increasingly located in three main types of location, all in outer areas:

• Fringe subdivisions, mainly from the 1980s and 1990s
• More established fringe locations (for example, Doveton and Werribee)
• Peri-urban areas.

This pattern is the opposite to the location of sales in the highest price quartile, which now account for the majority of sales in inner and middle Melbourne. An increasing segregation in Melbourne's housing market is apparent. This will be covered in a future edition of Research Matters.

Another topic for a future edition will be the role of units and apartments. The lowest cost dwellings are predominantly houses in the outer suburbs. However, units and apartments are generally lower in cost than are houses. This becomes more important in higher cost sub-markets. In inner Melbourne suburbs, 20 per cent of units and apartments were in the lowest quartile of sales in 2009, compared to only two per cent of houses.
Spatial Analysis and Research (SAR) recently compiled a database on Melbourne shopping centres using information from the Property Council of Australia’s (PCA) Shopping Centre Directories from 1983 to 2009. The database focuses on the physical extent of the centres and their changes over time, including the size of land, retail space, office space and the total shopping centre area. It was created to analyse the composition of each shopping centre, to determine changes over time, and to understand the underlying factors influencing these changes.

The PCA’s Shopping Centre Directories data does not measure all retail space; it is for enclosed shopping centres only. It covers large free-standing centres, such as Chadstone, down to smaller enclosed centres that are part of wider shopping precincts, such as Metro West which is part of the larger retail area of Footscray.

One of the key findings is that shopping centres have expanded in both size and number over the years. Figure 1 shows the growth of the area of shopping centres identified by the PCA from a total of 833,269 square metres in 1983, to 3,953,693 square metres in 2009. This represents nearly a five fold increase in shopping centre space over this time. However, one of the limitations of the data is that fewer shopping centres existed in 1983, so it is not possible to undertake a one-to-one comparison. Also, some shopping centres which may have existed in 1983 may not have been included in the publication, thereby causing an underestimate for the 1983 figure.

Another finding is that the distribution of shopping centres across Melbourne is not even, nor is the growth. Figure 2 illustrates the change in the area of shopping centres for metropolitan local government areas (LGA). While the total area of shopping centres increased in most LGAs from 1983 to 2009, Boroondara’s decreased. Municipalities with significant residential growth over the last 20 years, such as Brimbank and Casey, also had large increases in shopping centre area.

This is the tip of the iceberg in terms of understanding what is happening with Melbourne’s shopping centres. Comparing it with other data sources such as population and demographic change, planning policies or economic impacts over the years will assist the Department in creating a better understanding of the complex factors that impact on the change of shopping centres over time.

Figure 1: Total area of shopping centres, metropolitan Melbourne, 1983 to 2009

Source: Property Council of Australia

Figure 2: Change in total shopping centre area by local government area, 1983 to 2009

Build it and they will come: Growth and change of metropolitan Melbourne’s shopping centres 1983 to 2009
Revisiting ‘the Spike and the Shift’

In Research Matters 52, December 2009, we drew attention to short- and long-term trends in overseas migration to Australia. At the time, the Australian Bureau of Statistic’s (ABS) population estimates were showing a doubling of population growth over the previous five years, with growth reaching over 400,000 in both 2006 and 2009. The ‘baby bounce’ contributed 50,000 more births per year in 2009 compared to 2004. However, overseas migration, particularly temporary migration, was the main contributor to population growth.

The ‘Spike and the Shift’ view was that there was both a short-term unsustainable up-cycle and a longer-term structural shift of population growth. The latest evidence suggests that this concept still holds. Overseas migration estimates record how people have migrated over the previous 16 months. Consequently, published data always lags the events. However, overseas arrivals and departures data published by the ABS, record people’s stated intentions as they arrive in and leave Australia. The data may lack the ‘facts’ of people’s actual long-term moves and may also contain some people arriving and departing multiple times, but the data has the benefit of being more current. It provides a good early warning of overseas migration trends. The latest arrivals and departures data are shown below:

<table>
<thead>
<tr>
<th>Year</th>
<th>Permanent settler arrivals</th>
<th>Permanent departures</th>
<th>Long-term residents returning</th>
<th>Long-term residents departing</th>
<th>Long-term visitors arriving</th>
<th>Long-term visitors departing</th>
<th>Net movements</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007/08</td>
<td>149,370</td>
<td>76,920</td>
<td>110,840</td>
<td>102,070</td>
<td>321,840</td>
<td>124,020</td>
<td>279,040</td>
</tr>
<tr>
<td>2008/09</td>
<td>158,030</td>
<td>81,000</td>
<td>115,000</td>
<td>84,810</td>
<td>389,320</td>
<td>160,350</td>
<td>336,190</td>
</tr>
<tr>
<td>2009/10</td>
<td>140,610</td>
<td>86,290</td>
<td>115,360</td>
<td>81,580</td>
<td>349,200</td>
<td>194,210</td>
<td>243,090</td>
</tr>
</tbody>
</table>

The data show how overseas movements are changing:

- Annual permanent and long-term net movements (right hand column) dropped by over 90,000 in 2009/10 compared to 2008/09.
- Temporary movements of long-term visitors such as students and business people were far more common type of movement. The drop in overall net movements is mainly due to 40,000 fewer temporary visitor arrivals and 34,000 more departures.
- The Commonwealth Government has tightened immigration controls by removing the ability to use temporary migration as a back-door entry to permanent migration. The impact has been both decreasing numbers of arrivals and greater numbers of departures of long-term visitors.
- Other factors such as the increasing value of the Australian dollar and Australia’s tarnished image in India may have also contributed to the drop in temporary migration.

Will overseas migration return to the lower levels experienced 10 years ago? This seems unlikely as events in Australia have changed. The baby boomers are retiring in hordes, adding to an already tight labour market. Traditionally labour market shortages in Australia have eased through migration (see RM44). If Australia’s economy is to grow, overseas migration is likely to remain a source for the labour and skills Australia will need in the future.

The ‘Spike and the Shift’ concept therefore still holds. There is clearly a downturn in overseas migration. The ABS’s medium-level long-term overseas migration assumption of 180,000, used by both the Council of Australian Governments and the Commonwealth Treasury in the Intergenerational Report, is still valid. The ABS has no plans to undertake new projections until 2013. The Department of Planning and Community Development therefore does not intend to revise this assumption in any update of the Victoria in Future 2008 population projections.

For further information on articles in Research Matters, please contact spatialanalysis.research@dpcd.vic.gov.au or visit www.dpcd.vic.gov.au/research/urbanandregional