Population and Housing in Regional Victoria
Trends and Policy Implications

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Acknowledgment
We acknowledge and respect Victorian Traditional Owners as the original custodians of Victoria’s land and waters, their unique ability to care for Country and deep spiritual connection to it. We honour Elders past and present whose knowledge and wisdom has ensured the continuation of culture and traditional practices.

We are committed to genuinely partner, and meaningfully engage, with Victoria’s Traditional Owners and Aboriginal communities to support the protection of Country, the maintenance of spiritual and cultural practices and their broader aspirations in the 21st century and beyond.

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1 Introduction

This report provides an evidence-based discussion of population and housing trends in regional Victoria.

Population and housing are intrinsically linked. Change in the size or characteristics of a given population will affect the demand for housing. Housing markets may respond to this change by providing a supply of adequate and suitable supply. However, in some cases, there may be market failure.

It is important for government decision makers to have an understanding of both population change and the subsequent response of housing markets. This report provides an evidence base from which such an understanding may be developed. It outlines some of the key trends affecting Victoria’s population and housing markets, with a focus on non-metropolitan (regional) Victoria. This focus has been chosen for two main reasons.

First, much attention and research focus has been on metropolitan areas. While regional populations may represent a smaller number of people, their demographic characteristics and the functioning of their housing markets are distinct from Melbourne. In fact, there is great variation between regional areas and this is important to understand before developing housing or population policies.

Second, there are examples of market failure in regional Victoria which need to be better understood. Whether a local area is experiencing strong population growth or not, there are housing issues in some locations which need to be addressed as they may create inefficiencies for regional economies and negative impact on community wellbeing. Some regions have little building activity, yet still experience different demands for housing which may be difficult to supply.

Victoria has experienced record levels of population growth during the 2010s. Much of this growth is concentrated in metropolitan Melbourne. Non-metropolitan (regional) areas of Victoria present a more varied picture of population change and distribution. Regional cities like Geelong, Ballarat and Bendigo are growing strongly, while other regional centres and their rural hinterlands have slower population growth or even a decline in total numbers of people.

The reasons for the varied patterns of population change in regional Victoria are driven by demographic and economic factors. While some of these factors are relatively recent, others have been playing out for more than half a century. This is important for policy makers seeking to change population distribution or growth patterns – where long term factors are at play, then longer term strategies may be required rather than short term responses.

This report provides an input into several policy initiatives. It directly informs the Victoria in Future (VIF) population projections, and provides an information resource to inform the Plan Melbourne Implementation Plan, specifically Outcome 7: “Regional Victoria is productive, sustainable and supports jobs and economic growth.”

Because the Population and Housing report provides a range of information across themes of population and housing, it can also be used as a contextual evidence base to inform inter-agency collaboration for policy making on topics such as: housing affordability; regional economic development, and population growth.

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1. DELWP 2017, Plan Melbourne 2017-2050 Five-year Implementation Plan, p. 33
2 Population

2.1 Why population matters

Government agencies have an interest in understanding population characteristics and trends. The provision of public infrastructure and services is perhaps the clearest reason why government agencies need to understand population. The location and type of services will reflect population characteristics – areas with a growing number of young children will need schools while areas with a growing number of elderly people will need aged care services.

Population is not static and, hence, any understanding of it requires a knowledge of its:

• characteristics (size, age structure, composition);
• components (births, deaths, migration patterns);
• location; and,
• change over time (growth, decline, ageing)

This chapter provides an overview of population distribution and growth over time in Victoria. It then examines key components of population change to show how divergent trends can occur in different locations across Victoria.

2.2 Population distribution

At 30 June 2018, the population of Victoria was estimated to be 6.5 million with 4.9 million people in Melbourne and 1.6 million in non-metropolitan areas of the State (ABS cat. 3218.0).

Beyond the metropolitan area, the regional cities of Geelong, Ballarat, Bendigo and Latrobe form a ring of cities within 1 to 2 hours of Melbourne. Another group of regional cities are located beyond this – these perform important service roles within large rural hinterlands. The largest of the regional cities, Geelong, has a population of around 250,000, 5 percent of Melbourne’s size (ABS cat. 3218.0).

Although Victoria is the most densely settled state in Australia it has, by world standards, a low population density. Three-quarters of its population is concentrated in a single city, Melbourne. This primacy is also common in other parts of Australia where capital cities dominate their respective states. Together with large land areas, the result is a very low density of population across non-metropolitan areas (figure 1). This has the potential to create challenges for state and local governments. On the one hand, the metropolitan area is dominant and attracts both people and the private and public services they require. There are economies of scale in providing infrastructure and services although there may also be higher levels of congestion and longer commuting times than in regional areas.

However, the lower population density of regional areas can create difficulties for infrastructure and service provision. Longer distances and fewer people may lead to higher per capita costs of service provision or excess capacity in existing infrastructure.

Some commentators see these differences as problematic – if metropolitan areas are congested and regional areas have a desire for more population growth then policies of decentralisation seem logical. However, such policies need to consider the evidence of population change over time and the reasons why we have the settlement system we have.
2.2 Historical population growth

Longer term growth trends provide an important context for current population characteristics. Current patterns of settlement, for example, can be traced back to the role of particular towns and cities in the nineteenth and twentieth centuries. Changes in age structure can be generational, and patterns such as the net loss of young adults from small towns can be long-standing, reflecting factors such as the location of jobs and educational opportunities. For this reason, historical population change in regional Victoria is relevant for current day policy makers to understand.

At the beginning of the twentieth century, regional Victoria and Melbourne had similar population levels. The gold rush of the 1850s had led to the establishment and rapid growth of many regional centres such as Ballarat and Bendigo and a myriad of towns in the central goldfields and northeast of the state. Geelong became a significant port, initially for agricultural goods and the arrival of many settlers. Over time, the port also became significant for importing and exporting manufactured goods. Much of the wealth generated by the gold rush and agricultural development flowed into and through Melbourne where, by the 1880s, a major boom was occurring in banking and land development. Melbourne continued to grow from overseas arrivals as well as from people moving from former goldfields into the larger urban labour market. These population flows led to Melbourne’s population becoming larger than the rest of the state by 1921 (figure 2).

The following two decades saw the respective populations of Melbourne and regional Victoria growing at a steady rate. Government investment in irrigation schemes and soldier settlement programs enabled some parts of regional Victoria to grow, although such programs varied in their long-term success. Despite these efforts, a strong divergence in population growth rates began following the Second World War.
In the immediate post-war period (late 1940s), regional Victoria grew relatively strongly (figure 3). However, important changes were emerging in agriculture. Labour shortages hastened the increasing use of capital-intensive approaches, especially in agriculture. Machinery began to replace many labouring jobs while increasing productivity. Figure 3 shows how population growth in the 1960s was patchy across regional areas as this economic restructuring played out.

Importantly, these broad economic changes were occurring at a time of increasing personal mobility. Car ownership and improvements in road quality were to play a major factor in changing population distribution in regional areas. Small towns which had previously offered a range of basic services could now be bypassed as people could access a wider geographical area. This favoured larger centres in which businesses gained access to a wider market while businesses in small towns saw a contraction in demand for their goods and services.

The 1970s and early 1980s brought some population gain for non-metropolitan locations as trends of counterurbanisation emerged. However, the trend mainly favoured areas close to Melbourne or regional cities. Other, more remote, parts of Victoria fell into a cycle of population decline in which population loss led to business and service loss which then encouraged further population decline.
Figure 3: Population growth rates, Victoria 1951 to 2016
Source: DELWP unpublished data based on ABS Census

1991 Statistical Local Area (SLA) boundaries are used to present data for the period 1951 to 2001. Areas of ‘insufficient data’ in earlier years are generally due to some earlier boundaries not matching the 1991 pattern. 2011 Statistical Area Level 2 (SA2) boundaries are used to present data for the period 2001-16.
The early 1990s brought recession in Australia as well as important changes in public and private sector policy approaches. Both factors had impacts on regional Victoria. However, they were not occurring in isolation; industry was restructuring and becoming more global, agriculture was continuing to move to large-scale capital-intensive efficiencies, and individuals were maintaining high levels of mobility. A sophisticated global economy required a more highly skilled workforce and more people were seeking tertiary education as a result. Computer technology and the internet were changing the nature of work and increasing the demand for skilled, highly educated workers. For young adults living in regional Victoria, moving to a city like Melbourne could provide a wide choice of higher education and employment opportunities.

In some ways, the 1990s presented regional Victoria with a ‘perfect storm’ of factors: rationalisation of services, concentration of activity into larger centres, and a period of recession. Cities like Geelong, Ballarat and Latrobe were hard hit by the recession at this time. Figure 3 shows the overall pattern of population change during the decade with Melbourne and its immediate hinterland becoming dominant in terms of growth. Melbourne was reflecting a global pattern of urbanisation and concentration of economic activity and population.

The contribution of primary and secondary industry to the Victorian economy fell, in relative terms, against the rising sectors of population services and business services (figure 4). Agriculture is necessarily a rural activity, thus a relative decline in the sector affects regional areas. Population services generally reflect the spread of population, but business services gain greater benefit from agglomeration and this favours growth in Melbourne. The 2000s showed a continuing pattern of metropolitan growth.

The final map in figure 3 shows a more complex picture of growth in regional Victoria. While the central areas of the state still have the strongest population growth (particularly Geelong and Melbourne), there is growth over a broader area than in the previous two decades.

* NOTE: Primary Industry includes: agriculture, forestry & fishing; mining. Secondary Industry includes: manufacturing; electricity, gas, water & waste services; construction; wholesale trade. People Services includes: retail trade, accommodation & food services, arts & recreation services. Business Services includes: transport postal & warehousing; information media & telecommunications; finance & insurance services; rental, hiring & real estate services; professional scientific & technical services; administrative & support services. Government Health, Education includes: public administration & safety; education & training; health care & social assistance.

Figure 4: Industry share of gross value added, Victoria, June 1990 to June 2018
Source: ABS Australian National Accounts: State Accounts, cat. no. 5220.0
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NOTE: Population is usual resident population as measured by the 2016 Census. Population growth is the average annual growth rate for the period 2011 to 2016.

Figure 5: Victoria’s largest regional cities, 2016
Sources: ABS Census 2016; DELWP 2018, Towns in Time

2.3 Population change in regional cities and towns

The 10 largest regional city municipalities in Victoria are shown in figure 5. They are the municipalities of: Ballarat, Bendigo, Geelong, Horsham, Latrobe, Mildura, Shepparton, Wangaratta, Warrnambool and Wodonga. In the period 2011 to 2016, all of these municipalities experienced population growth, ranging from an annual growth rate of more than 2 percent in Greater Geelong and Wodonga to a growth rate of less than 0.5% in Latrobe and Horsham.

Some of these local government areas include rural populations outside the main centre (e.g. Greater Bendigo, Greater Shepparton, Wangaratta), while others contain a number of centres within their boundaries (e.g. Greater Geelong, Latrobe). It is therefore useful to consider discrete urban centres when analysing regional settlement patterns. The 2016 Census shows that there were 24 cities in regional Victoria with populations of more than 10,000 persons (table 1). Three of these (Geelong, Ballarat and Bendigo) each have populations of more than 50,000.

Table 1: Largest urban centres in regional Victoria in 2016
Source: DELWP 2018, Towns in Time

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Geelong</td>
<td>155,880</td>
<td>1.3</td>
</tr>
<tr>
<td>Ballarat</td>
<td>92,725</td>
<td>2.0</td>
</tr>
<tr>
<td>Bendigo</td>
<td>91,567</td>
<td>2.2</td>
</tr>
<tr>
<td>Shepparton - Mooroopna</td>
<td>96,008</td>
<td>2.5</td>
</tr>
<tr>
<td>Wodonga</td>
<td>34,723</td>
<td>1.6</td>
</tr>
<tr>
<td>Mildura</td>
<td>34,188</td>
<td>1.1</td>
</tr>
<tr>
<td>Warrnambool</td>
<td>30,384</td>
<td>0.8</td>
</tr>
<tr>
<td>Traralgon</td>
<td>25,155</td>
<td>1.6</td>
</tr>
<tr>
<td>Wangaratta</td>
<td>18,300</td>
<td>0.9</td>
</tr>
<tr>
<td>Ocean Grove - Barwon Heads</td>
<td>17,444</td>
<td>2.5</td>
</tr>
<tr>
<td>Bacchus Marsh</td>
<td>17,101</td>
<td>2.7</td>
</tr>
<tr>
<td>Torquay - Jan Juc</td>
<td>16,530</td>
<td>5.7</td>
</tr>
<tr>
<td>Horsham</td>
<td>15,300</td>
<td>1.4</td>
</tr>
<tr>
<td>Moe</td>
<td>14,746</td>
<td>0.3</td>
</tr>
<tr>
<td>Warragul</td>
<td>13,907</td>
<td>2.1</td>
</tr>
<tr>
<td>Morwell</td>
<td>13,435</td>
<td>0.2</td>
</tr>
<tr>
<td>Sale</td>
<td>13,969</td>
<td>0.2</td>
</tr>
<tr>
<td>Lara</td>
<td>12,987</td>
<td>2.3</td>
</tr>
<tr>
<td>Echuca</td>
<td>12,682</td>
<td>0.4</td>
</tr>
<tr>
<td>Bainsdale</td>
<td>12,703</td>
<td>1.4</td>
</tr>
<tr>
<td>Drouin</td>
<td>11,602</td>
<td>5.7</td>
</tr>
<tr>
<td>Colac</td>
<td>11,574</td>
<td>0.9</td>
</tr>
<tr>
<td>Leopold</td>
<td>11,548</td>
<td>3.8</td>
</tr>
<tr>
<td>Swan Hill</td>
<td>10,621</td>
<td>0.9</td>
</tr>
</tbody>
</table>
Generally, the regional cities of Victoria have experienced population growth over the past three decades, although the rate of growth was dampened in the early 1990s due to the economic challenges presented by recession. Exceptions to this ‘dampening’ of growth were found in a number of coastal areas south of Geelong (Torquay Jan Juc; Ocean Grove; Leopold) and settlements close to Melbourne (Bacchus Marsh; Lara) (figure 6).

Wodonga, too, seemed little affected by the downturn, at least in terms of total population growth. In the decade after 1996, population decline was seen in fewer centres and by the decade 2006-16, only one of the larger regional cities (Moe) was still experiencing population loss. However, some of this loss may have been inter-regional movement, as nearby Traralgon was growing at an average annual rate of 1.6 percent during the period. The LGA of Latrobe, containing the cities of Moe, Morwell and Traralgon, grew by nearly 4,000 persons over the 2006-16 period.

Another way of visualising the population data is by indexing the change since 1981 (figure 7). With the selected centres starting at a value of 100, the five-yearly census change can be shown comparatively. Wodonga and Mildura show the strongest growth among those shown on the graph. If Torquay-Jan Juc were included, the graph would need to show an index value of 560, however, this was growing from a smaller base population (population of 3,000 in 1981).

Figure 6: Average annual population change (%) for cities that had 10,000+ population in 2016, 10-year intercensal periods, 1986 to 2016

Source: DELWP 2018, Towns in Time
Regional cities are not the only types of settlements that are increasing in population. In fact, the size of a settlement does not determine the likelihood of growth or decline. More important are geographical factors such as the proximity of a settlement to a larger centre or its locational amenity. Table 2 shows the total population in different sized towns over the period 1981 to 2016.

<table>
<thead>
<tr>
<th>Year</th>
<th>Small towns (200 to 1,000)</th>
<th>Medium towns (2,000 to 4,000)</th>
<th>Large towns (5,000 to 9,999)</th>
<th>Regional cities &gt;10,000*1</th>
</tr>
</thead>
<tbody>
<tr>
<td>1986</td>
<td>215</td>
<td>43</td>
<td>17</td>
<td>17</td>
</tr>
<tr>
<td>1996</td>
<td>220</td>
<td>41</td>
<td>22</td>
<td>18</td>
</tr>
<tr>
<td>2006</td>
<td>261</td>
<td>45</td>
<td>22</td>
<td>20</td>
</tr>
<tr>
<td>2016</td>
<td>242</td>
<td>49</td>
<td>25</td>
<td></td>
</tr>
</tbody>
</table>

Table 2: Total population by settlement size, regional Victoria, 1986 to 2016
Source: DELWP 2018, Towns in Time

The analysis so far has focused on total population change. However, this change is influenced by different components. Population growth can be due to people having more children, or people living longer. It may be caused by people choosing to move into an area or people choosing to stay in an area. All regions – metropolitan or regional, will have a mixture of these components: births, deaths and migration. The following section considers these factors.

2.4 Components of population change

Population change is commonly presented as a change in the total number of persons in a given geographical area. However, this change is affected by three key demographic components – births, deaths and migration. A simple equation of total population change involves a base population to which the number of births and in-migrants are added, and deaths and out-migrants are subtracted for a given period of time (figure 8).

Adding to the complexity of demographic analysis is the fact that each of these components is affected by other factors. All are affected by age structure. If a population has a high proportion of elderly residents compared to young adults, then the number of deaths is likely to be high, irrespective of life expectancy and mortality rates. Likewise, a population with a large proportion of people in the 20 to 39 year age group is likely to have a higher number of births, even if total fertility rates (average number of births per woman) is low. This type of analysis is important to government because age-specific services are reliant upon knowing the expected demand, be it for aged care, maternity wards or schools.
Levels of migration are generally less predictable than births and deaths. Migration flows occur in multiple directions and over various distances. Population is affected by: flows within Victoria (e.g. between metropolitan and non-metropolitan regions); interstate flows and overseas flows. The difference between inflows and outflows provides the net effect of such movement, whether positive (net migration gain) or negative (net migration loss). These net effects, as well as the underlying flows from which they are determined, vary by age. This means that age structure can be a determinant of levels of mobility (more young adults in the population will mean a higher level) as well as an outcome of age-specific mobility within a regional population.

Each of the components of population change may be affected by non-demographic factors. Births, for example, have been affected over the past century by: technology (e.g. medical advances enhancing survival of mothers and babies; accessibility of oral contraception); economy (e.g. more women in the workforce affecting total fertility rates); socio-cultural factors (e.g. longer periods in education delaying the timing of children; and, changing mores regarding partnering and parenting).

2.5 Age structure

As noted in the previous section, age structure is an important factor in population change. There are important differences between age structures in rural areas and large urban areas. There is a continuum of change as town size increases (figure 9). Melbourne has a high proportion of its population in young adult age groups. At the other end of the spectrum is rural areas which have a relatively low proportion of people in these young adult age groups. In between these types of settlement are regional cities and towns. Regional cities have an age structure more like Melbourne whereas small towns have lower proportions of young adults which is more similar to the rural pattern. Net out-migration by this highly mobile group is a significant factor creating this pattern. This has important implications for the future as these young adult groups represent a large reproductive potential which is lost to rural, small- and medium-sized towns. In other words, there are fewer people in these regions to have children.

The attraction of regional cities reflects the broad range of economic and social opportunities which they can offer. Larger cities attract and retain more young adults, and this enables them to maintain higher levels of natural increase. And, hence, be self-sustaining in terms of population growth. Melbourne has an even higher proportion of young adults than regional cities because it attracts this age group from interstate and overseas as well as from regional Victoria.
2.6 Natural increase

Older age structures commonly found in regional Victoria can affect population growth rates. This is because populations with such age structures may have higher numbers of deaths than births. In such situations, population can only grow through net in-migration. Because less densely settled areas of the state tend not to attract large numbers of people, achieving such net migration gain can be difficult.

The difference between numbers of births and deaths is referred to by demographers as natural increase. The younger age profiles of regional cities and of Melbourne enable a higher level of natural increase to occur as there are larger numbers of people in child-bearing age groups (figure 10). This is one reason why large cities grow more rapidly – they have an inherent ability to generate population because there are more people in child-bearing age groups.

2.7 Migration

As indicated in section 2.5, one of the most consistent patterns of demographic change affecting regional Victoria is that of young adult net out-migration. Research points overwhelmingly to the role of education and employment as motivators of this out-movement. As higher education has become more important in securing a job and career, the draw of the city has become even stronger. Based on longitudinal data, it has been estimated that 29 percent of regional school leavers who move to a capital city, return to regional areas by the age of 23 (Hillman & Rothman 2007, p. 26; DELWP 2016, p. 9).

Migration levels may be estimated by examining population change and excluding the components of births and deaths from that change. The resulting imputed net migration represents the amount of population change during a given period that was not due to births or deaths.
The imputed migration data presented in figure 11 is for the age group of 20 to 39 years of age. This age group is important demographically (child bearing years) and economically (early- to mid-working age). The 5-year time periods cover the period 1976-1981 to 2011-2016 which provides a long perspective on patterns which occurred through the period of recession discussed earlier. Taking the example of Greater Geelong, the effect of the recession can be seen through a strong net loss of this working age group in the 1990s. The data also reveal the recovery towards positive net migration during the 2000s and particularly in the most recent intercensal period to 2016. Greater Bendigo and Ballarat show a similar pattern (albeit of smaller scale) of positive net migration of 20-39 year-olds. This may be due to fewer people leaving these cities or more people moving to them.

While regional Victoria experiences a net loss of young adults to Melbourne, it gains in other age groups. Across all age groups, regional Victoria had a net migration gain from Melbourne of 26,000 people.
between 2011 and 2016. However, the majority of these movements (78%) were simply 'boundary-hopping' to peri-urban areas within Melbourne’s immediate hinterland (figure 12). Meanwhile, Melbourne gained large numbers of interstate and overseas migrants, which regional Victoria did not. The end result of these demographic drivers is a pattern of concentrated population growth in Melbourne, with peri-urban areas and larger regional cities experiencing population growth.

Figure 12: Peri urban population gains from Melbourne 2011-16
Source: ABS Census 2016
2.8 IN FOCUS: structural ageing

Structural ageing of our population refers to a shift in the relative proportions of older people compared to the rest of the population. The trend of structural ageing has been occurring in Victoria over many decades because of changes in fertility and mortality. A century ago, Australia had higher levels of total fertility – the average number of children which a woman could expect to have over her child-bearing years (figure 13). Although fertility rates fell during the Great Depression, they rose strongly after the second world war to levels of 3.5. Since the early 1970s when oral contraception became more widely available, the total fertility rate has fallen and has remained below replacement level since the mid-1970s. Replacement level is an average of 2.1 children per woman and is the level needed to replace the population over time.

As well as changes in fertility rates, the twentieth century saw large changes in mortality rates. At the end of the nineteenth century, infant mortality was relatively high, and adults were at risk of many diseases and other causes of death. Less than 50 percent of people in Victoria at this time could expect to live beyond 60. By 2012, more than 90 percent of the population were living past age 60. The survival curves in figure 14 show the difference in the proportions surviving for these two time periods. Apart from improved child survival from the early twentieth century, medical improvements in middle aged health (heart disease, stroke and various cancers) during the late twentieth century also contributed to higher rates of survival. As a result of structural ageing, children now form a smaller proportion of our population than in the past while older people are greater in number and proportion (figures 15 and 16).

Figure 13: Total Fertility Rate, Australia, 1921 to 2015
Source: ABS 2019, Australian Historical Population Statistics, cat. 3105.0.65.001
Figure 14: Survival Curves, Victoria 1881-1890 and 2015-2017
Source: ABS 2019, Australian Historical Population Statistics 2016, cat. 3105.0.65.001

Figure 15: Number of persons in selected age categories, Victoria, 1954 to 2016
Source: ABS, 2019, Australian Historical Population Statistics 2016, cat. 3105.0.65.001

Figure 16: Proportion of persons in selected age categories, Victoria, 1954 to 2016
Source: ABS 2019, Australian Historical Population Statistics, 2016 cat. 3105.0.65.001
There are differences in the rate of structural ageing between regional Victoria and Melbourne. Migration patterns are the main cause of these differences. As noted earlier, many areas of regional Victoria, particularly rural areas have experienced a net loss of young adults over many decades. This group is important in demographic terms as it represents those at the start of their child bearing years. While regional areas have a net loss in this age group, they may attract older adults at the end of their working lives or for retirement. This adds to the number of older aged people and a stronger trend of structural ageing. Figures 17 and 18 highlight the geographical distribution of two selected age groups.

**Figure 17:** Proportion aged 15 to 29, Statistical Areas Level 2 (SA2s), Victoria, 2016
Source: ABS Census 2016

**Figure 18:** Proportion aged 65 to 79, Statistical Areas Level 2 (SA2s), Victoria, 2016
Source: ABS Census 2016
From a public policy perspective, an ageing population can mean a change in the types of services that may be required. While communities with large numbers of children will require schools and infant services, older populations may require various healthcare and aged care services. While individual older people may be healthy and active, the need for assistance at an aggregate level increases with age, as shown in figure 19. Although 144,180 Victorians aged 70 years and over reported needing assistance with core activities at the time of the 2016 Census, this represents only a quarter of the age group – 75% of those aged 70 plus do not require such assistance.

Figure 19: Need for assistance by age, Victoria 2016
Source: ABS Census 2016
2.9 IN FOCUS: mobile populations

Most population measures are based on where people usually live or work, yet people can be highly mobile. People may have more than one residence, for example, holiday homes, weekenders, and, for regional populations, a dwelling in the city.

Peak population measures are of interest for a range of service providers and planners. For emergency management authorities, bushfire is a key seasonal risk in Victoria and summer time population peaks occur in coastal and bushland areas where fire hazard is prevalent. The impacts of fire events will be much greater during periods of peak population as more people will be exposed to the hazard and evacuation procedures are likely to be more difficult due to congestion. Fire ignition risk may also be increased during times of high population levels. Safety education is an issue as many visitors are likely to be unfamiliar with local hazards, risk minimisation strategies or emergency procedures.

For local government, peak populations place demands upon infrastructure, services and facilities. Many of these are funded by local authorities through their rates revenue. For towns with large peaks, it is necessary to plan for the larger population to make sure that capacity is large enough to meet the maximum demand. However, this can place additional burdens on the local ratepayer base which may be much smaller than the peak. State Government also needs to take peak populations into account as they can place more concentrated stress on particular infrastructure or natural assets for which State Government is responsible.

Measuring mobile populations is inherently difficult, precisely because these people move. There are movements in and out of areas all the time. In a single location, the population may differ greatly between 10am and 10pm, between Monday and Saturday, or between April and December. One type of measure is peak population which looks at the highest population in an area. In coastal areas, where there are large numbers of holiday homes, one can estimate a population capacity by taking ABS census data on unoccupied dwellings. The census is undertaken in winter when many coastal homes are empty. These dwellings can be ‘filled’ to estimate a population capacity. Additionally, commercial accommodation can also be taken into account on the assumption that it will be filled during peak summer season. Using this method, figure 20 shows an estimated overnight population capacity which can be used as one measure of peak population.

![Figure 20: Peak population estimates for selected towns 2016](Sources: ABS Census 2016; AAA Tourist accommodation data 2012)
There are limitations to this method. First, it requires interpretation in some locations where unoccupied dwellings are likely to be abandoned homes rather than holiday homes. Some rural areas, for example, have experienced farm consolidation and declining populations over many decades, therefore peak population estimates in these locations need to be treated with caution. Second, it does not include day visitors which may form an important source of population especially in areas close to large regional cities or Melbourne.

In towns like Lorne or locations like Phillip Island peak populations will be much higher on days when specific events are occurring. Figure 21 shows the very large numbers which may be in these areas for specific events. In the case of Phillip Island, the absolute size of the peak (42,000 people) is very high, whereas in Lorne it is the proportional difference that is noteworthy. The additional 20,000 people it attracts for its major ocean swim in January represents a 20-fold increase on the resident population.

A different way to measure mobile populations is to consider non-resident ratepayers within local municipalities. Non-resident ratepayers include those who own land in a municipality but do not live there permanently. Second-homeowners form the majority of such populations. These non-resident ratepayers are able to vote in local Council elections. This requires Councils to have non-residents listed on voter lists, thus providing an alternative way to access non-resident data for the purpose of estimating the scale of part-time populations. The most recent post-election review by the Victorian Electoral Commission (VEC) provides data on non-resident electors for 2016 (VEC 2017). This has been used in figure 22.

Figure 21: Peak population estimates for Phillip Island and Lorne, 2016

Sources: ABS Census 2016; DEWLP unpublished peak population estimate; www.austadiums.com; The Age 11/01/14
The map indicates that some regions have a very high proportion of non-resident landowners. Most of these are within a 90-minute driving radius of Melbourne and include both inland areas like Mansfield and coastal areas like the Surf and Bass Coast regions. Table 3 lists the Council Wards with more than 50 percent of electors being non-resident.

Table 3: Council Wards with more than 40 percent non-resident electors 2016

This section has highlighted some of the groups who fall into the category of mobile populations – second home owners or tourist visitors. Another category is mobile workers who may be employed on a particular project (such as building wind turbines or road construction) or those who are employed on a seasonal basis, such as in horticulture during harvest periods. These types of mobile populations may have a particular impact on local housing markets. They are often large in number and seek local accommodation for the period of time they are employed in a region. Meeting this intermittent, but large demand can be very difficult especially when the supply of housing may be limited. The following section examines this and other issues of housing supply in regional Victoria.
3 Housing

3.1 Introduction

The previous section has shown that population characteristics and trends differ across Victoria. This has important consequences for housing demand. Communities with strong population growth will have a high demand for housing. Areas with a large transitory population may also have a high demand although it may be for rental, rather than permanent housing. And different types of households (families, couples, singles, elderly) may have requirements for specific types, sizes, or locations of homes.

While population characteristics can reveal something about housing demand, housing supply is also critical to understanding whether such demand is being adequately met. Just as regional Victoria is varied in terms of population characteristics, it also has a diversity of housing supply. Thus, regional Victoria is more complex and nuanced than many commentaries might suggest. It is important for policy makers to understand the variations across regional areas as potential policy interventions may have very different results in different locations. Assumptions based on metropolitan models or experience may not be well suited to different locations.

3.2 Residential building activity

In the past four years, residential building activity in regional Victoria has been steadily increasing from 2,681 in the September quarter 2015, to 3,279 in the March quarter 2019 (figure 23). Over the same period, Melbourne’s residential building activity has been much more volatile with a peak in late 2017, followed by a decline. The scale of Melbourne’s building activity remains much higher than for regional Victoria due to the record levels of population growth experienced by the city in recent years.

Figure 26: Residential building approvals, regional Victoria and metropolitan Melbourne, quarterly, 2015 to 2019
Source: ABS Building Approvals, cat. 8731.0
In terms of the spatial distribution of residential building activity in regional Victoria, figure 24 shows that the areas of greatest activity are in Greater Geelong and Ballarat. The Calder corridor to Bendigo has seen relatively strong growth as have areas to the east of Melbourne like the Shire of Baw Baw, and in the coastal areas of Surf and Bass Coasts.

Large parts of regional Victoria have relatively low levels of building activity, for example, much of western Victoria. This may seem unsurprising given the low levels of population growth in such areas (refer earlier discussion on population change – page 9). Many regional locations have ‘thin markets’ with housing sales being relatively low. Housing construction is expensive, and economies of scale are usually sought, along with good returns. Hence developers have less incentive to develop in smaller centres or areas with low population growth. Slow sales would leave a development company holding expensive and ‘lumpy’ assets over time.

Most of the housing stock in regional Victoria is detached housing although more medium-density housing is found in larger regional centres. Building approvals for the 2018-19 period show that most of this medium-density development is in the form of semi-detached, terrace or townhouse style housing rather than flats and apartments. Table 4 shows the number of approvals for townhouse-style development, listing LGAs which had more than 10 such approvals over the year. Greater Geelong stands out as having the highest number (380), followed by Surf Coast (108). While these two LGAs also have the highest number of approvals for flats and apartment developments in regional Victoria, the numbers are smaller: 227 for Geelong and only 11 for Surf Coast. No other regional LGA had more than 10 approvals for flats during the year.

Figure 24: Residential building approvals, Local Government Areas in regional Victoria, financial year 2018 to 2019

Source: ABS Building Approvals, cat. 8731.0
3.3 Housing characteristics

The housing characteristics of regional Victoria display some differences to metropolitan Melbourne. In terms of dwelling type, separate houses are much more common in regional areas, accounting for more than 90 percent of dwellings in small town and rural areas (figure 25). In major urban centres, which includes Melbourne and Geelong, this falls to around 65 percent with various medium and high-density residential types being more common than in other areas of Victoria.

Despite the dominance of separate houses in regional Victoria, there are some locations which have seen increasing development of medium density-housing in recent years. Figure 26 shows relatively high growth rates in the number of medium or high density dwellings in Ballarat and Geelong.

Table 4: Residential building approvals for semi-detached, row or terrace houses and townhouses, financial year 2018-19

<table>
<thead>
<tr>
<th>Local Government Area</th>
<th>Number of approvals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greater Geelong</td>
<td>380</td>
</tr>
<tr>
<td>Surf Coast</td>
<td>108</td>
</tr>
<tr>
<td>Ballarat</td>
<td>79</td>
</tr>
<tr>
<td>Baw Baw</td>
<td>69</td>
</tr>
<tr>
<td>Greater Bendigo</td>
<td>56</td>
</tr>
<tr>
<td>Macedon Ranges</td>
<td>49</td>
</tr>
<tr>
<td>Greater Shepparton</td>
<td>48</td>
</tr>
<tr>
<td>Moorabool</td>
<td>19</td>
</tr>
<tr>
<td>Bass Coast</td>
<td>16</td>
</tr>
<tr>
<td>Latrobe</td>
<td>14</td>
</tr>
<tr>
<td>Alpine</td>
<td>13</td>
</tr>
<tr>
<td>Hepburn</td>
<td>13</td>
</tr>
<tr>
<td>South Gippsland</td>
<td>13</td>
</tr>
<tr>
<td>Benalla</td>
<td>12</td>
</tr>
<tr>
<td>Wellington</td>
<td>12</td>
</tr>
<tr>
<td>Mount Alexander</td>
<td>11</td>
</tr>
<tr>
<td>Warrnambool</td>
<td>10</td>
</tr>
</tbody>
</table>

* showing LGAs with 10 or more approvals during 2018-19

Source: ABS Building Approvals, cat. 8731.0

Figure 25: Dwelling structure by section of state

Source: ABS Census 2016
A finer level of detail is provided at the ABS Statistical Area Level 2 (SA2) which is a geographical area smaller than a Local Government Area. Table 5 lists regional SA2s which have more than 15 percent of their housing stock classified as medium density. This includes flats, apartments, semi-detached houses, terraces and row houses. While some flats and apartments could be regarded as high-density rather than medium-density, this is more common in metropolitan rather than regional areas, hence the term medium density is used. The higher density of Melbourne skews the state average of 27 percent of dwellings in the category. Only three regional SA2s are above this average: Geelong, Ballarat-South and Warrnambool-South. The regional average (10%) is around a third that of Melbourne (33%). Of the 19 areas listed, all but one is within a regional city. That exception is Bright-Mount Beauty which is attractive as a retirement location and contains many townhouses.

Another difference between regional and metropolitan housing relates to tenure. At an aggregate level, regional areas have a higher proportion of housing owned outright with smaller proportions under mortgage or being rented. Some of this difference may be attributed to age differences. Figure 27 shows high levels of home ownership in regions which have older populations. Those who have spent longer in the housing market are more likely to have paid off their mortgage. Areas of new development such as fringe areas of Melbourne and outer suburbs of regional cities provide new dwellings which are likely to have been purchased recently by first home buyers and hence are still under mortgage.

Rates of renting are generally higher in regional cities and Melbourne than in smaller centres or rural areas. This may be due to several factors: a younger population profile (more people having spent less time in the housing market); high prices in regional cities and particularly in Melbourne (many choosing or being forced to remain in rental markets); and, a larger supply of rental accommodation.

<table>
<thead>
<tr>
<th>Local Govt Area (LGA)</th>
<th>Statistical Area Level 2 (SA2)</th>
<th>% Medium Density Dwellings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Geelong</td>
<td>Geelong</td>
<td>31.9</td>
</tr>
<tr>
<td>Ballarat</td>
<td>Ballarat - South</td>
<td>28.3</td>
</tr>
<tr>
<td>Warrnambool</td>
<td>Warrnambool - South</td>
<td>27.4</td>
</tr>
<tr>
<td>Geelong</td>
<td>Newhaven</td>
<td>25.8</td>
</tr>
<tr>
<td>Geelong</td>
<td>Geelong West - Hamlyn Heights</td>
<td>24.7</td>
</tr>
<tr>
<td>Ballarat</td>
<td>Ballarat</td>
<td>23.0</td>
</tr>
<tr>
<td>Geelong</td>
<td>Belmont</td>
<td>21.1</td>
</tr>
<tr>
<td>Bendigo</td>
<td>Flora Hill - Spring Gully</td>
<td>19.6</td>
</tr>
<tr>
<td>Alpine</td>
<td>Bright - Mount Beauty</td>
<td>19.5</td>
</tr>
<tr>
<td>Mildura</td>
<td>Mildura - South</td>
<td>18.3</td>
</tr>
<tr>
<td>Shepparton</td>
<td>Shepparton - North</td>
<td>17.9</td>
</tr>
<tr>
<td>Bendigo</td>
<td>Bendigo</td>
<td>17.7</td>
</tr>
<tr>
<td>Latrobe</td>
<td>Moe - Newborough</td>
<td>17.7</td>
</tr>
<tr>
<td>Geelong</td>
<td>North Geelong - Bell Park</td>
<td>17.5</td>
</tr>
<tr>
<td>Ballarat</td>
<td>Wendouree - Miners Rest</td>
<td>17.3</td>
</tr>
<tr>
<td>Wangaratta</td>
<td>Wangaratta</td>
<td>17.0</td>
</tr>
<tr>
<td>Swan Hill</td>
<td>Swan Hill</td>
<td>16.5</td>
</tr>
<tr>
<td>Shepparton</td>
<td>Mooroodra</td>
<td>16.8</td>
</tr>
<tr>
<td>Latrobe</td>
<td>Moorooloo</td>
<td>15.7</td>
</tr>
</tbody>
</table>

* Medium density includes flats, apartments, terraces, etc.

Table 5: Regional Statistical Areas Level 2 (SA2s) with the highest proportions of medium density housing, 2016

Source: ABS Census 2016
Figure 27: Dwelling tenure, Statistical Area Level 2 (SA2), Victoria, 2016
Source: ABS Census 2016
3.4 House prices

House prices have seen substantial change in the past decade, both in regional Victoria and metropolitan Melbourne (figure 28). Rates of price increase have been higher in Melbourne, hence the relative difference between regional and metropolitan prices has widened.

In spatial terms, areas of highest median house prices outside of Melbourne are found along the Surf Coast, with Lorne, Connewarre and Fairhaven recording prices above $1 million in 2018 (figure 29). While many coastal areas have high prices, this is not the case for those in more remote locations such as Penshurst in western Victoria and Seaspray in eastern Victoria which recorded median house prices of $165,000 and $205,000 respectively.

For the major regional cities, median housing prices have increased over the past three decades (figure 30). Since the mid-2000s divergence in median prices has been apparent, especially in relation to Geelong which has experienced a strong increase. Geelong’s median house price in 2018 was $539,900 which was more than $160,000 higher than for Ballarat ($370K) or Wodonga ($350K).
3.3 Regional rental markets

On average, rents in Melbourne are significantly higher than in regional areas (table 6). Because of this, rental affordability measures show a greater level of affordability in regional areas overall (figure 31). Nevertheless, there has been a downward trend in affordability since 2013 and this is evident in both regional and metropolitan areas.

<table>
<thead>
<tr>
<th>Region</th>
<th>Median Rent ($)</th>
<th>% Annual Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metropolitan Melbourne</td>
<td>420</td>
<td>1.8</td>
</tr>
<tr>
<td>Regional Victoria</td>
<td>320</td>
<td>5.4</td>
</tr>
<tr>
<td>Barwon-South West</td>
<td>365</td>
<td>7.4</td>
</tr>
<tr>
<td>Gippsland</td>
<td>298</td>
<td>6.4</td>
</tr>
<tr>
<td>Goulburn-Ovens Murray</td>
<td>300</td>
<td>3.4</td>
</tr>
<tr>
<td>Loddon-Mallee</td>
<td>305</td>
<td>3.4</td>
</tr>
<tr>
<td>Central Highlands Wimmera</td>
<td>300</td>
<td>3.4</td>
</tr>
</tbody>
</table>

Table 6: Median rents for new lettings by Melbourne, regional Victoria and selected Statistical Areas, June 2019
Source: DHHS 2019, Rental Report

While table 6 shows averages for whole regions, it should be noted that there will be variation across space. For Barwon-South West, changes in the Geelong market is likely to have a disproportionate effect on the overall regional average due to the city’s strong growth and demand for property. Likewise, for Gippsland, the urban development occurring near Melbourne is likely to have a large effect on overall averages. Figure 32 highlights the variation in affordability across different parts of Victoria.
NOTE: Affordable rentals are based on a benchmark that no more than 30% of gross income is spent on rent by lower income households. Lower income households are defined as those receiving Centrelink incomes.

Figure 31: Affordable rentals as percent of all rentals, regional Victoria and metropolitan Melbourne, quarterly, 2013 to 2018
Source: DHHS 2019, Rental Report

NOTE: Affordable rentals are based on a benchmark that no more than 30% of gross income is spent on rent by lower income households. Lower income households are defined as those receiving Centrelink incomes.

Figure 32: Proportion of new lettings that are affordable, June 2019
Source: DHHS 2019, Rental Report
3.4 IN FOCUS: Shortages of rental housing in regional Victoria

The statistical information presented in the previous section tends to hide the fact that many regional areas have a shortage of rental supply with some locations having almost no rental housing available. Reasons for this supply shortage vary, but a common reason is that housing investment is not economically attractive in many regional locations. There may be a relative difference in the rate of appreciation of assets, thus lessening the attractiveness for investing in non-metropolitan regions compared to larger cities.

In locations with a stock of rental accommodation, low vacancy rates may highlight shortages of rental supply. Regional Victoria currently has a lower average vacancy rate than Melbourne (figure 33). In the five years to December 2018, the rental vacancy rate in regional Victoria fell from 2.1 percent to 1.2 percent while in Melbourne it fell from 3 percent to 2.1 percent. Taking a longer time horizon, however, it can be seen that both metropolitan and regional vacancy rates vary over time. The 2010-11 period, for example, was also a period of low vacancy levels in regional Victoria.

One reason for volatility can be economic cycles and the impact of large construction projects. The latter can raise the demand for rental housing, often suddenly and to a large degree. Solar and wind energy developments in western Victoria are currently using hundreds of construction workers who require housing for the particular period that construction is underway. There are few if any small towns which have the rental property available for these temporary workforces. Rather than driving an increase in housing supply, these short- and medium-term demands are usually dealt with through commuting as a substitute for living locally. Because many workers will move to other locations once the construction phase is over, there is little incentive to purchase local housing, hence rental accommodation is preferred. Where projects are within commuting distance of a regional centre, there may be access to a wider rental housing market, although demand in these centres can also be affected if several projects are occurring within their hinterland.

Figure 33: Rental vacancy rate – Melbourne and regional Victoria, monthly, 2003 to 2019

Source: DHHS 2019, Rental Report
Some agricultural regions have seasonal demands for labour which can place pressure on local accommodation supply. Irrigation regions like Swan Hill, Robinvale and Mildura have a year-round demand for different types of agricultural labour and workers for associated secondary industries. Robinvale is an example of a region which has seen strong economic activity, but it relies on a largely transient workforce and the town itself is relatively small with pockets of socio-economic disadvantage. Thus, there is a high and nearly constant demand for accommodation, but a transient workforce. Attracting private housing investment has been a problem for more than a decade and issues of poor quality and overcrowded housing remain (Swan Hill Rural City Council 2019).

One response in the face of such shortages is for employers to provide accommodation for their own workers. Figure 34 shows regions with relatively high proportions of rental accommodation being offered by employers. The patterns tend to support the types of scenarios discussed above – large scale construction projects in the south west and west and irrigation areas along the Murray River. Shortages of housing may not just be a quantitative issue. Housing can vary in type and quality and there can be shortages in particular types. In the case of Robinvale outlined above, it is not only a shortage of housing for low income workers that causes issues, but also a lack of higher-quality accommodation for use by managers or other professionals in the town (Swan Hill Rural City Council 2019). Motels can be used as a substitute in some cases, but this type of accommodation is also used by tourists and a shortage of supply has implications for the attraction of visitors and the consequent economic benefits.

Figure 34: Proportion of rental households who are renting from their employer (excluding government employers), Statistical Area Level 2 (SA2), 2016
Source: ABS Census 2016
It is not only rental markets which can face this type of ‘gap’ between the supply and the nature of the demand. Because many regional towns are dominated by a particular housing type (the 3-4 bedroom traditional family-style home), the lack of diversity may limit adaptability if the nature of housing demand changes.

This can occur in areas which have minimal change in population numbers, but where a population is ageing in place. Often, the family home remains the preferred dwelling, even as a household shrinks in size. The types of three- or four-bedroom homes which predominate in regional areas can offer the flexibility of being able to house visiting family or friends. Nevertheless, we know very little about the housing preferences of this group. What we do know from the data is that there is very little diversity in housing stock in many regional areas (see earlier - figure 25) and that there are many communities in this region with very high proportions of older people living alone (figure 35).

Further research would be needed to determine if there is demand for greater housing diversity and if the costs of constructing such housing stock would be viable. The alternative – moving to another location to access suitable accommodation is likely to be costly both in a financial as well as social sense. The costs and benefits of these housing alternatives have yet to be tested but, given the structural ageing of the population (as outlined in section 2.8 of this report), further investigation of regional housing needs may be warranted.

Figure 35: Proportion (%) of total population who are living alone and aged 70 years and over, urban centres and localities, 2016
Source: ABS Census 2016
Regional Victoria is not homogenous. Communities vary by size, population characteristics, proximity to larger centres, and housing supply and demand.

This report has therefore highlighted differences between Melbourne and regional Victoria as well as within regional Victoria itself. It has shown that there are areas of rapid population growth as well as slow or no population growth. And it has shown how, even in areas of little growth, there may be changing needs as population grows older or changes in other characteristics.

Thus, regional Victoria is more complex and nuanced than many commentaries might suggest. It is important for policy makers to understand the variations across regional areas as potential policy interventions may have very different results in different geographical areas. Assumptions based on metropolitan models or experience may not be well suited to different locations.

Ultimately, this report provides an evidence base from which regional trends and prospects can be analysed and, where appropriate, policy responses formulated and implemented.
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