Urban Development Program

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Metropolitan Melbourne 2016

Planning Division

Department of Environment, Land, Water & Planning

State Government of Victoria

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Summary of findings

The past five years have seen historically high housing growth throughout Melbourne's growth areas and established areas, with dwelling approvals averaging approximately 48,000 dwellings per annum. Data on lot construction in growth areas and development intentions in established areas collected in this years UDP suggests that high numbers of new dwellings will continue to be developed throughout Melbourne.

**Major Residential Redevelopment**

* As at July 2016, there were 247,000 dwellings identified for future development in major residential redevelopment projects (sites yielding 10 dwellings or more). This is the highest number of dwellings planned for major redevelopment projects since comparable data became available in 2002-03.
* The vast majority (84%) of dwellings proposed for major redevelopment sites are expected to be built in buildings of 4 or more storeys. Melbourne’s inner suburbs as well as the inner north and east are expected to see the greatest redevelopment activity.
* The number of dwellings proposed in major residential redevelopment projects within activity centre boundaries continues to grow; from 45% in 2004-05, to 62% in 2015-16.
* A record 55,000 dwellings were approved for construction in Metropolitan Melbourne in 2015-16 (37% apartments, 18% townhouses and units and 55% detached dwellings).

**Broadhectare Residential Development**

* There is a potential supply of 372,400 lots for future residential broadhectare development. Nearly all of these lots are in Melbourne’s growth areas.
* Based on identified land supply and Victoria in Future 2016 input data, as at July 2016, Melbourne's growth areas collectively have an estimated 25 years or more of total broadhectare residential land supply with the exception of Casey-Cardinia (23-24 years) and Whittlesea (16-17 years). This includes both land with an approved precinct structure plan as well as broadhectare land the still requires approval.
* Of this supply, 203,000 lots (12-13 years supply) is 'development ready' (i.e. either zoned for residential use, or having an approved precinct structure plan).
* During 2015-16, nearly 19,000 broadhectare lots were constructed in Melbourne's growth area municipalities. This is the highest level of broadhectare lot construction recorded since comparable data became available in 2002-03. There were an additional 15,000 lots identified as 'under construction' as at July 2016, indicating continued high levels of lot construction in 2016-17.
* The size of new residential lots continues to decrease with three quarters of all lots constructed in Melbourne's growth areas in 2015-16 below 500 square metres.
* While there is a significant supply of development ready broadhectare lots across metropolitan Melbourne, Whittlesea has around 4-5 years of approved lot supply. With the pending approval of further precinct structure plans this will increase.

**Industrial Land**

* There are 25,860 hectares of industrially zoned land across metropolitan Melbourne of which 6,870 hectares is vacant. Two thirds of the vacant industrial land (4,520 hectares) is located within State Significant Industrial Precincts (SSIP).
* In 2015-16, consumption of industrial land in metropolitan Melbourne reached 298 hectares. This is the first time since the Global Financial Crisis (GFC) that industrial land consumption has reached the same levels (averaging 300 hectares per year) experienced prior to the GFC.
* The West SSIP has the highest annual average rate of industrial land consumption at approximately 80 hectares per annum, followed by the South SSIP with an annual average level of consumption of 45 hectares per year.
* The South SSIP has the smallest amount of vacant land of the SSIPs with 674 hectares. In comparison the West SSIP has 1,857 hectares.

1 Introduction

The 2016 Urban Development Program Report provides an updated analysis of supply and demand for residential and industrial land across metropolitan Melbourne.

This is the thirteenth annual edition of the Urban Development Program. The program aims to ensure ongoing provision of residential and industrial land and supporting infrastructure. Information and feedback is drawn from across State and Local Government.

The information included within the Urban Development Program is updated annually, and during 2015-16, there were revisions to the associated databases in order to provide more accurate and up-to-date information.

This report outlines the main findings of the 2016 program. Comprehensive data and maps are also available from the planning portal, at [www.planning.vic.gov.au](http://www.planning.vic.gov.au)

The Urban Development Program consists of three components:

***Major*** ***residential redevelopment projects -*** information on residential projects of 10 or more dwellings on non-broadhectare land that is either planned or mooted to commence construction over the next ten years. Note that small scale infill redevelopment projects of less than 10 dwellings are not currently included in the Urban Development Program. These types of dwellings make up approximately half of dwellings added to the housing stock in the established areas of metropolitan Melbourne each year. They are not included in the Urban Development Program report because small scale redevelopment is more difficult to identify using the existing method

***Broadhectare residential land -*** information on the supply and construction of broadhectare land across metropolitan Melbourne, including estimated lot yields. This includes land which is either zoned or has an approved precinct structure plan, as well as land that has been identified for residential development where an approved precinct structure plan is required to commence development.

***Industrial land -*** information on the supply and consumption of industrial land across metropolitan Melbourne, as well as indicators on the zoning changes of industrial land.

The *Plan Melbourne* *Refresh* *Discussion Paper* indicates that Melbourne’s population is expected to increase from 4.4 million to 7.9 million by 2051, requiring an additional 1.5 million homes to accommodate this growth. It also seeks to promote housing supply in areas located close to workplaces, infrastructure, facilities, services and open space.

The Urban Development Program will continue to report on the location and stocks of land identified for residential development, both within the established areas of Melbourne as well as its growth areas. The program will also continue to monitor and report on the supply and consumption of industrial land. This will be complemented by further research on the State Significant Industrial Pecincts which will be published in early 2017.

Expansion of the Urban Development Program in future years will also address and report on a number of additional key issues outlined within the *Plan Melbourne* *Refresh.*

2 Major Residential Development

The Urban Development Program monitors and reports on major residential redevelopment projects across metropolitan Melbourne. Data is collected through analysis of aerial imagery and commercial data sources and is verified through consultations with councils. No information or limited information was available for 2016 from Bayside, Cardinia, Frankston, Greater Dandenong Hume, Mitchell and Whittlesea City Councils. Information for these municipalities is partially based on an update of data from industry and other sources.

## 2.1 The Pipeline Supply of Dwellings in Major Residential Redevelopments

As at July 2016, there were 247,000 dwellings in major residential redevelopment projects that were either under construction or anticipated to commence construction over the next ten years. This compares to 239,000 dwellings identified in last year’s report.

The pipeline of dwellings in major residential redevelopments has risen steadily from 2008-09 and is currently the highest on record. The vast majority (84%) of dwellings proposed for major redevelopment sites are expected to be built in buildings of 4 or more storeys.

## 2.2 Major Residential Redevelopment Pipeline by Region

While the middle ring municipalities have seen growth in the number of dwellings under construction or anticipated in the next ten years, the pipeline in inner Melbourne in particular has increased strongly, almost tripling from around 53,000 in 2009-10 to around 147,000 in 2015-16.

The majority of current and anticipated major redevelopment activity in inner and middle Melbourne are in projects of four storeys or greater.

The regions (or ‘rings’) used here are comprised of the following local government areas:

Inner: Maribyrnong, Melbourne, Port Phillip, Stonnington, and Yarra

Middle: Banyule, Bayside, Boroondara, Darebin, Glen Eira, Hobsons Bay, Kingston, Manningham, Monash, Moonee Valley, Moreland, and Whitehorse

Outer: Brimbank, Frankston, Greater Dandenong, Knox, Maroondah, Mornington Peninsula, Nillumbik, and Yarra Ranges

Growth Area: Casey, Cardinia, Hume, Melton, Mitchell (part, since 2010), Whittlesea and Wyndham

## 2.3 Major Residential Redevelopments in Activity Centres

The Urban Development Program also monitors and reports on major residential redevelopment in and around Melbourne’s activity centres. Anticipated dwellings in projects of four storeys or greater are largely concentrated inside activity centres (which includes the CBD), while those of less than four storeys tend to be outside activity areas.

Activity area boundaries are based on councils’ Structure Plans and other strategic plans where these exist. Where Council has not adopted an activity area boundary, DELWP has mapped a boundary based on land use zoning. Note that 2012 boundaries have been used throughout so that the area remains constant across the period, although some boundaries have changed over this time.

3 Broadhectare Residential Development

## 3.1 Supply of Development Ready Broadhectare Lots

As at July 2016, there were 202,900 development ready lots, as compared to 197,900 at the same time last year. These are lots within an approved precinct structure plan. While there were a record number of lots constructed (or subdivided) during 2015-16 (see 3.3), the approval of additional precinct structure plans, as well as an adjustment to projected lot yields to align with current development trends, has ensured high stock levels of land within approved precinct structure plans.

The number of precinct structure plans approved in recent years has ensured long term supply of potential lots on development ready land across each of the growth areas. The Western Growth Corridor, which includes the municipalities of Wyndham and Melton, has the largest number of development ready lots with 106,300 lots. The South-Eastern Corridor (which includes the municipalities of Casey and Cardinia) has around 51,700 development ready lots and the
Northern Growth Corridor (which includes the municipalities of Hume, Mitchell and Whittlesea) around 45,000.

## 3.2 Total Supply of Broadhectare Lots for Metropolitan Melbourne

As at July 2016 the total number of lots within the growth areas was around 372,400 lots compared to about 373,500 lots at the same time last year. This includes land within approved precinct structure plans, land subject to the Urban Growth Zone where a precinct plan is still required and land that has been identified as ‘potential residential’.

Note that the potential lots calculated on land which does not have an approved precinct structure plan, or land identified as ‘potential residential’ are estimates only. Once the precinct structure plan is approved, the number of potential lots based on the net developable area are applied to each land parcel. This in turn provides a more accurate indicator of lot yields for these areas.

When remnant broadhectare lots in Melbourne’s established areas are also included there are a total of 377,300 potential broadhectare lots across metropolitan Melbourne.

The Western Growth Corridor has the largest number of overall potential lots with a potential supply of 167,500 lots (this includes land that still requires an approved precinct structure plan). The Western Growth Corridor has 44% of all undeveloped residential broadhectare land across Melbourne’s growth areas. The Northern Growth Corridor has a total supply of 121,700 potential lots, which is 32% of all residential broadhectare land across Melbourne’s growth areas.

The South-Eastern Growth Corridor has a total supply of 88,000 potential lots.

## 3.3 Broadhectare Lot Construction

During 2015-16, nearly 18,900 broadhectare lots were constructed in Melbourne’s growth area municipalities, compared with around 10,600 in 2014-15. This is the highest number of lots constructed over a financial year and a 44% increase from the previous financial year.

Broadhectare lot construction during 2015-16 period was also well in excess of the long term average (over the last decade) of 11,900 lots per year. The last decade has seen significant variation in the annual number of lots constructed (or subdivided) in the growth areas.

The municipalities of Wyndham and Casey continue to produce the highest numbers of broadhectare residential lots, with around 4,950 and 4,300 lots constructed during 2015-16 respectively.

## 3.4 Lot Size Profile

The size of lots constructed across each of the growth areas has continued to decrease.

For the past few years, about three quarters of lots constructed in the growth areas have been below 500 square metres in area. This is a significant difference compared to 2006-07 when a third of lots were below 500 square metres. At the same time the share of larger lots (500 square metres or over) dropped from nearly two thirds of lots in 2006-07 to around a quarter in 2015-16.

Whittlesea has the smallest average lot size, with 85% of all broadhectare lots constructed during 2015-16 having an area of less than 500 square metres.

Since 2010, the proportion of lots below 300 square metres has steadily increased. For the 2015-16 period, 2,860 lots of below 300 square metres were constructed, as compared to 2,150 lots in 2014-15. Lots below 300 square metres are generally considered the most affordable growth area lots.

**4 Industrial Land**

The Urban Development Program for industrial land reports on:

* Changes in zoning of industrial land;
* Rezoning of industrial land to other uses;
* Supply of vacant industrial land;
* Net consumption of industrial land.

The use of industrial land is dynamic, with large developments occurring in the State Significant Industrial Precincts (SSIPs) on the fringe of the city, redevelopment for employment uses in some middle and inner suburbs, and the rezoning of land from industrial to a non-industrial zone which occurs across metropolitan Melbourne.

The definition of industrial land used in this report includes the following:

* Industrial 1, 2 and 3 Zones;
* Business 3 and 4 Zones;
* Commercial 2;
* Special Use 2, 3, 4, and 5 Zones in the City of Hobsons Bay, Special Use 1 Zone in the Shire of Mornington Peninsula and Special Use Zone 6 in the City of Monash;
* Comprehensive Development Zone 2 in the City of Hume and Comprehensive Development Zone 2 in the City of Whittlesea;
* Precincts with Activity Centre Zones that are industrial in character within the City of Casey, City of Moreland and the City of Whittlesea;
* Land within the Melbourne and Moorabbin Airport Business Parks; and;
* Urban Growth Zone land identified as industrial in the Truganina Employment Area Precinct Structure Plan, Cranbourne West Precinct Structure Plan, Cardinia Road Employment Precinct Structure Plan and areas within the East Werribee Employment Precinct and the Truganina Precinct Structure Plan that are industrial in character.

There are some 5,950 hectares of unzoned land that has been identified through the growth corridor plans and previous strategic plans which is not included as industrial land in the Urban Development Program. This land will be included in the Urban Development Program once structure planning has been undertaken and approved for these areas.

## 4.1 Net Change in Industrial Zoned Land

Over the 15 year period between 2000-01 and 2015-16, there was a net increase of 3,921 hectares of land zoned for industrial use across metropolitan Melbourne. Most of this was added to the State Significant Industrial Precincts (SSIPs): the West SSIP in Melton and Wyndham; the North SSIP in Hume and Whittlesea; the South SSIP in Greater Dandenong and the Officer/Pakenham SSIP in Cardinia.

## 4.2 Rezoning of Industrial Land for Other Uses

Compared to previous years the 2015-16 period saw relatively little rezoning of industrial land to other uses. Overall, a net 76 hectares of industrial land was rezoned to non-industrial uses. This included 21 hectares of rezoned land due to the implementation of the Activity Centre Zone in Sunshine (Brimbank).

For the 15 year period between 2000-01 and 2015-16, 1,801 hectares of industrial land was rezoned for other uses. Just under half of this land was rezoned for residential or mixed use purposes (Figure 12).

During this time, industrial land was also rezoned to provide land for transport infrastructure, particularly in the outer suburbs and growth areas. Industrial land has also been rezoned for conservation purposes, drainage reserves and other uses within the SSIPs.

Rezonings of land for industrial purposes are infrequent, however, when they do occur they usually involve very large land areas. This can be seen with major rezonings in the West, North, South and Officer/Pakenham SSIPs. Most of the land zoned to industrial between 2000-01 to 2015-16 was previously identified in strategic plans for industrial purposes.

Rezoning of industrial land for other non-industrial uses tend to be more frequent, however generally involves smaller parcels of land. Around 80 per cent of rezonings from industrial are between 100m2 and five hectares. An exception to this was the zoning of 215 hectares of industrial land to create the Fishermans Bend urban renewal area in Port Phillip and the City of Melbourne.

## 4.3 Vacant Industrial Land

There are 25,859 hectares of industrially zoned land across metropolitan Melbourne with 6,874 hectares of that being vacant. Two thirds of the vacant industrial land (4,520 hectares) is located within the SSIPs.

The remainder of the vacant land is located in a number of smaller industrial precincts across metropolitan Melbourne, particularly Maribyrnong in the west and the municipalities of Kingston, Knox, Frankston, Maroondah and Mornington Peninsula in the east and south east.

In addition to zoned industrial land, there are some 5,945 hectares of unzoned land that has been identified as proposed future industrial land through the growth corridor plans and previous strategic plans. Of this there are 1,900 hectares in Melton, 1,580 hectares in Whittlesea, 940 hectares in Cardinia, 680 hectares in Hume, 350 hectares in Wyndham, 245 hectares in Casey and 250 hectares identified in the growth area portion of Mitchell. These areas will undergo further planning processes before they are included as industrial land in the Urban Development Program.

## 4.4 Net Consumption of Industrial Land

Consumption occurs when land changes from being vacant to having some form of use on it, such as a building, storage area, carpark, etc.

Consumption for the 2015-16 period is the greatest since the Global Financial Crisis (GFC) with a net 298 hectares consumed in the last year.

Prior to the GFC, industrial land consumption across metropolitan Melbourne averaged around 300 hectares per year. Following the GFC consumption declined significantly, but began to increase from 2011-12.

## 4.5 Spatial Distribution of Industrial Land Consumption

The State Significant Industrial Precincts are where the vast majority of industrial land consumption occurs.

Pre-GFC and Post-GFC consumption activity in the SSIPs demonstrates a high degree of volatility. After the GFC, the West SSIP maintained relatively high levels of consumption with levels similar to those witnessed prior to the GFC. The other SSIPs exhibited significant declines in consumption which in the past two years began to change.

Since 2014 both the North and South SSIPs experienced significant increases in land consumption. In 2015–16, 73 hectares of land was consumed in the North SSIP. In the previous year a major boost in consumption was due to the development of phase 1 of the Department of Agriculture’s Post Entry Quarantine Facility in Mickleham. In contrast industrial consumption in the 2015-16 period was due to private investment.

The South SSIP also experienced an increase in consumption reaching its highest level since the GFC with 78 hectares being consumed.