Inner Melbourne Action Plan

Briefing Paper

Action 7.4

Regional Economic Development Statement

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Background

1.   Strategy 7 of IMAP is to "promote the Inner Melbourne Region as an investment location for knowledge rich business sectors". An action supporting this strategy is to "adopt a Regional Economic Development Statement to position the region for investment and growth in key sectors". The objective of developing such a Statement is to: "*develop a coherent and realistic statement that maps out a course of action for the next 3-5 years in a simple and clear document."*

2.   The working group has broadened the scope of this Action by engaging MacroPlan to undertake research of the IMAP Region.

Specific Progress to Date

3.   Development of a Project Brief to engage consultants to investigate the opportunities.

4.   Development of a Draft Report (undertaken by MacroPlan) that includes:
   o   Description of driving forces and predicted trends in the local economy
   o   Economic and competitive positioning nationally and globally
   o   Provide a vision for economic development in the Inner Melbourne Region
   o   Consider barriers to change and how collaboration between IMAP partners can lead / influence change opportunities
   o   Identify key economic implications of not having 'key workers' living in the region
   o   Provide clarity regarding the economic role of Inner Melbourne Region and the direction it should take to position the region to encourage investment
   o   Provide alignment within State and Federal Government initiatives

Next Steps

5.   Obtain feedback from the IMAP Implementation Committee to enable MacroPlan to complete Report

6.   IMAP Working Group to develop Economic Vision and Action Plan

Key outcomes

7.   Final Report will facilitate a shared vision for the IMAP Region and direction for working group members to provide a strong collaborative base and regional framework for capitalising on existing and future investment and development opportunities across IMAP Region.

8.   Final Report will provide a useful forum for dialogue between local government, state and federal government representatives and business partners within the IMAP region.

Recommendation

9.   That the IMAP Implementation Committee resolves to:

   (a)   **Note** the background report for the DRAFT Regional Economic Development Statement; and

   (b)   **Support** the development of a DRAFT Regional Economic Development Statement for further consideration.

Inner Melbourne Action Plan Regional Economic Development Statement

Prepared for IMAP

MacroPlan Australia Pty Ltd

25 Feburary 2007

Draft Report

Project Director

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Signed*

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DATE: …………………………2007

* This document is for **discussion purposes only** unless signed and dated by the persons identified. This document has been reviewed by
the Project Director.

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1 Executive Summary

[DN: To insert]

2 Introduction

2.1 Purpose

MacroPlan has been commissioned by the Inner Melbourne Action Plan to develop a Regional Economic Development Statement for the Cities of Melbourne, Port Phillip, Stonnington and Yarra.

The objectives of the project are to:

- Describe the driving forces and trends in the local economy
- Provide a vision for economic development in the Inner Melbourne Region (IMR)
- Consider the 'barriers' to change/advancement on key economic issues
- Identify economic implications of not having 'key workers' living in the inner region
- Provide clarity regarding the economic role of the IMAP and directions it should take to assist the position of the region to encourage investment
- Provide alignment with State and Federal Government policies.

MacroPlan have identified a number of challenges in relation to economic development throughout the inner Melbourne Region and has provided possible alternatives solutions going forward.

2.2 Scope + Structure of this report

This report contains X chapters outlining MacroPlan's independent assessment of the inner Melbourne Region.

The structure of the report is as follows:

- Chapter 3 provides a snapshot of the regional economic context including a review of the IMR economic context, international benchmark analysis and IMR SWOT analysis
- Chapter 4 identifies the challenges of affordable housing in the IMR for the key worker
- Chapter 5 summaries the key opportunities which the IMR has in influencing economic development going forward
- Chapter 6 provides the IMR regional economic vision

2.3 Limitations

There are a number of limitations that exists within this report. They relate to:

- Information and data sources
- Uncertainties
- Assumptions in models

Changes in any one or all these factors may affect MacroPlan's results and analysis.

Information and Data Source

We have used as far as possible information and data that is either publicly available or has been sourced from the IMAP group (Cities of Melbourne, Port Phillip, Stonnington and Yarra). No field verification has been undertaken. Other data sources include:

- Australian Bureau of Statistics

- Victorian Government

- Commonwealth Government

- MacroPlan's internal database

The recommendations and analysis from this exercise has relied on the information available to MacroPlan from public sources or available government agency, and therefore the accuracy of the result is highly dependent on the accuracy of that data. No independent field verification has been undertaken by MacroPlan. If assets have been omitted from the sourced data or if assets no longer exist or in operation, then the analysis will be directly affected.

Uncertainties

What happens in the future is uncertain. MacroPlan's analysis is based on the latest available data. Our projections and assumptions about the future may change as a result of changing political, social or economical factors.

Assumptions

Where ever possible MacroPlan has adopted assumptions based reliable industry benchmarks. Where benchmarks are not available MacroPlan has used anecdotal evidence and our expert opinion to form a view about various assumptions in our models.

3 Inner Melbourne Region Economic Context

This Chapter provides the regional economic context of how Inner Melbourne was and how it is it today. It also provides a SWOT analysis for the Inner Melbourne Region.

3.1 Inner Melbourne Region Economic Context – Background

Population

Population in the Inner Melbourne Region (IMR) increased on average by 2.35 per cent per annum (ABS: 2003.0) from 353,318 to 314,628 person over the 2001 to 2006 period. The City of Melbourne saw the greatest increase, registering 6.7% increase per annum per year over the same time. In contrast, the cities of Yarra and Stonnington recorded below average growth when compared to the overall Metropolitan Melbourne Region. 9.1 per cent of residents in the City of Melbourne are overseas visitors.

TABLE 3.1 – Population

Local Government Area	1996 census	2001 census	2006 census	% change (01-06) per annum
City of Melbourne	48,560	67,784	93,746	6.7% per annum
City of Port Phillip	73,092	80,157	86,882	1.62% per annum
City of Stonnington	84,300	87,412	90,156	0.62% per annum
City of Yarra	65,148	68,018	70,177	0.63% per annum
Inner Melbourne Region	276,737	314,628	353,318	2.35% per annum
Metropolitan Melbourne	3,592,766	3,366,542	3,138,147	1.31% per annum

Source: ABS Census 2006

Median Age

Overall there appears to be an increase in the median age of the resident population in the Inner Melbourne Region. Port Phillip, Yarra and Stonnington all recorded increases in the median age from 1996 to 2006. Meanwhile, there was a slight decrease in the median age in the City of Melbourne. The median population of residence in the City of Stonnington and Port Phillip was higher than those in the City of Melbourne and Yarra.

TABLE 3.2 – Median Age

Local Government Area	1996 Census	2001 Census	2006 Census
City of Melbourne	30	30	29
City of Port Phillip	34	34	35
City of Stonnington	34	35	36
City of Yarra	32	32	33
Metropolitan Melbourne	33	35	36

Source: ABS Census 2006

Key Population Driver Identification

MacroPlan has identified a number of key drivers which have influenced population trends in the Inner Melbourne Region. They include:

- Increasing number of international students living within the region – this is primarily influenced by the location of the educational institutions (close proximity to the University of Melbourne and RMIT), ease of access to other Metropolitan locations (allow students with no cars access to most Metropolitan Melbourne areas) and favourable mix of residential & retail accommodation (high proportion of apartments, retail shops and restaurants). This has driven both the population growth in the inner Melbourne Region, but has also contributed to the lower median age.

- Significant release of land/building approvals – the successful release of premium land sites in and around the Dockland's area has resulted in higher dwelling capacity in and around the CBD. Strong dwelling approvals in the Inner Melbourne Region as also facilitated development within the area. From 2005-06 to 2006-07 dwelling approvals in the IMR increased from 18,740 to 32,516.[1].

- Product diversity/mix – The IMR has maintained strong housing product mix and diversity. By offering product diversity, the IMR is able to both retain its existing resident population and also attract greater residential growth. Currently a great number of Metropolitan suburbs are unable to offer a diverse mix of housing products at affordable prices. This creates substantial constraints for people who want to relocate as people are unable to find products which closely align with their needs.

Suggested implications

The implications for a high population growth rate (as compared to Metropolitan Melbourne) and lower than average median ages include:

Higher population growth

- Greater labour force – The higher population growth within the region brings with it a significant increase in the labour force (despite the fact that a significant proportion of them are from overseas), especially in pink and white collar professions. This has greater benefits both in term of economic output and expenditure – both of which improve the revenue base for the IMR Councils.

- Increase in skilled labour – As much of the growth in population is due to overseas students, the labour force overtime will be evolve to become increasingly more skilled. This creates positive outcomes for the region by increasing the number of high value add employment and thus expenditure in the region.

- Capacity constraints – The higher population growth will also result in greater use of key community and common infrastructure. Services such as public transport and community facilities (hospitals, libraries, parks, pools etc) are reaching full capacity.

- Demand for open space and greenfield sites – the demand for land and space will also increase inline to reflect the higher than average population growth. Asset prices in this area will also continue to increase reflecting the higher demand for housing products. This may be significant wealth implications both for home owners and renters.

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[1] Australian Bureau of Statistics, Dwelling approves by Local Government Areas (2007)

Lower median age (as compared to the Metropolitan Median)

- The low median age results in a more flexible and able labour force. A more able and flexible labour force creates greater opportunities for finding suitable employment (a younger labour force coupled with a more skilled labour force has greater opportunities for employment), a broader taxation base (the increase in employment creates greater spend and a greater ability to pay for rates and levies) and higher productivity growth (a younger labour force is more able to adapt to change and innovation, this will increase productivity over time).

- Low median age also means that there is less reliance on government support. This is due to the savings in terms of health and social welfare associated with a younger population.

- There will also be greater demand for maternal and childcare services. This creates benefits and risks for the IMR. The benefits include the employment and economic generation with risks relating to social and family cohesion.

- A Lower age population also has higher demand for active recreation, community and sporting events and spaces. This is both beneficial socially and economically.

Employment by location

Due to the location and nature of employment, there are more workers working in the IMR than there are resident workers. This is evident in the Cities of Melbourne, Port Phillip and Yarra. Within the City of Stonington, the resident working population is greater than those employed within the Local Government Area (LGA).

TABLE 3.3 – Employment

Local Government Area	Resident Worker	Workers Employed	Difference
City of Melbourne	29,208	277,205	247,997
City of Port Phillip	43,991	64,391	20,400
City of Stonnington	45,446	42,737	-2,709
City of Yarra	36,079	55,290	19,211
Inner Melbourne Region	154,724	439,623	284,899

Source: ABS Census 2001

[DN: the newest working profile data is going to be released on the 29 of Feb, will update the table as soon as it comes out]

Table X.X shows that an estimated 285,000 employees are required to travel from other regions into the IMR to work. This has major benefits and costs to the IMR; these will be explored in more detail below.

Employment by industry

The IMR is dominated by high value add industries such as property, businesses services, finance and insurance. The property and business services industry employs some 101,350 workers. This out numbers the finance and insurance industry with 50,376 and retail with 40,784 workers respectively. Other major industries by employment include:

- Health and community services – 38,593 persons

- Manufacturing – 33,373 persons

- Accommodation, Cafes and Restaurants – 26,237 persons

- Education – 21,803

TABLE 3.4 – Employment by industry sectors (2001)

Industry sectors	Resident Worker	Workers Employed	Ranking by number employed
Agriculture, Forestry and Fishing	713	914	19
Mining	489	1,524	17
Manufacturing	11,570	33,373	5
Electricity, Gas and Water Supply	776	2,685	15
Construction	4,333	12,880	14
Wholesale Trade	7,692	18,477	9
Retail Trade	14,068	40,784	3
Accommodation, Cafes and Restaurants	11,943	26,237	6
Transport and Storage	4,272	16,849	12
Communication Services	8,478	19,329	8
Finance and Insurance	10,707	50,376	2
Property and Business Services	3,132	101,350	1
Government Administration and Defence	25,348	18,362	10
Education	6,938	21,803	7
Health and Community Services	15,094	38,593	4
Cultural and Recreational Services	4,050	18,157	11
Personal and Other Services	4,298	14,671	13
Non-classifiable economic units	2,784	2,011	16
Not stated	-	1,248	18
Total	154,724	439,623	-

Source: ABS Census 2001

Classifications for resident works and workers employed by industries varies for the following groups: education, health and community services, cultural and recreational services, personal and other services, non-classifiable economic units, not stated.

[DN: the newest working profile data is going to be released on the 29 of Feb, will update the table as soon as it comes out]

Employment by Types & Hours

There are significantly higher numbers of full time employees in the Inner Melbourne Region. Roughly, for every three full – time employees we have one part time employee (439,623 – fulltime: 154,724 part time). The City of Melbourne has the highest full time to part time worker ratio. This reflects the high proportion of full time employees in high value add

industries in property, business services, finance and insurance. Conversely, the City of Stonnington has a relatively lower proportion of full time – part time ratio. This can be explained by the higher than average portion of retail and hospitality related employees.

TABLE 3.5 – Employment Type - Resident

Inner Melbourne Region	1996	2001	% change (96-01)	2006	% change (01-06)
Full time	94,353	107,934	2.7	122,450	2.6
Part time	33,016	38,011	2.9	44,662	3.3
Unemployed	14,835	10,875	-6.0	9,377	-2.9
Labour Force	142,204	156,820	2.0	176,489	2.3
Unemployment Rate	10.4	6.9	-	5.3	-

Source: ABS Census 2006, 2001, 1996

TABLE 3.6 – Employment Type – Place of employment (2001)

Inner Melbourne Region	Melbourne	Port Phillip	Stonnington	Yarra	Inner Melbourne Region
Full time	211,126	48,016	25,593	38,764	397,933
Part time	62,305	15,441	16,392	15,594	138,953
Total Employed	273,431	63,457	41,985	54,358	433,231

Source: ABS Census: 2001

One concerning statistic which exists in the Inner Melbourne Region is the relatively higher number of hours worked per employee. Over 57 per cent of employees reported that they had work 40 or more hours during the time of the 2001 census. The higher than average share of working above 40 hours reflects the challenging and sometimes stressful environment which is associated with many of the high skill industries which are prevalent in the IMR. This will have significant implications for the various facets associated with employment within the region. These factors are discussed in more detail below.

Key Driver Identification

MacroPlan has identified a number of key drivers which may have influenced the employment trends in the Inner Melbourne Region. They include:

- Docklands – Docklands has played a significant part in shaping the employment landscape for the IMR. The construction of many multi-million dollar developments has increased construction related jobs with the region. In addition it provides a place for major tenants to relocate. Companies such as AXA, ANZ and NAB have all moved their corporate head offices to the Docklands precinct.

- Clustering – Like any mature city, high value industries tends to cluster in and around key business districts. This clustering effect is usually driven by the need for convenient accessibility and close proximity to other services. However with increasingly technology advances, higher costs (rental) and capacity constraints there may be a shift towards a more decentralised system of organisation

formation. This may involve relocating headquarters or high value add services to locations outside the CBD. This trend was evident prior to the development of Docklands.

- Accessibility – The IMR is, when compared to the rest of the Metropolitan Melbourne region, very accessible by both public and private transport. The IMR has been transformed to become a transport hub. The however has major implications for the public transport system; this will be discussed below.

- Release of new land – the recent release of the Docklands precinct has seen an increasing number of companies moving headquarters from the CBD grid to the waterfronts in Docklands. This trend is expected to continue, which means that there will be a vacuum of vacant office blocks (in the short term) within the IMR. This trend has been observed within the CBD in recent years. As a result of the relocation, office owners are forced to upgrade their office blocks through renovations. In the short term, the demand for office space will be relatively lower than what it was meaning that tenants are able to move to higher grade office blocks without comparable increases in rent.

Suggested implications

The implications for the employment mix within the IMR include:

- Access to highly skilled labour force – The approximately 285,000 workforce which migrates into the IMR region provides the IMR with significant resources for economic output. This in turn will generate income and expenditure within the IMR for other businesses within the IMR, nationally and abroad.

- Transport congestion – The challenge to move a 285,000 workforce everyday through public and private transport creates major challenges both in terms of capacity and congestion. According to the Department of Infrastructure (Victoria), the average car occupancy rate is 1.2 persons per vehicle. Even with very small assumptions about the number of workers travelling to the city by car, this will add somewhere from 70,000 to 100,000 cars in the IMR everyday alone. This represents major challenges for the IMR councils both in terms of managing traffic flow but also car parking.

- Public transport – The remaining 185,000 to 225,000 workers will be required to travel into the IMR via public transport. Coupled with the increasing cost of private transportation and greater patronage, MacroPlan expects this number to grow till capacity. Melbourne public transport infrastructure will be vital to the continued economic prosperity of the IMR.

- High work load and stress – the longer than usual hours worked by most of the working population in the IMR region may bring with it considerable work and health related challenges. Despite the significant emphasis on work place balance within the last few years, there appears to be a shift in recent years towards increasing the number of hours worked by the employee. This trend may also create demand for greater health and entertainment related services.

3.2 International Comparisons & Benchmark Analysis

Melbourne

Melbourne has, over the years, become known for being one of the world's most liveable city. The Economist and Mercer indicators rank 150 cities around the world and in the past decade Melbourne has consistently scored in the top 20 in the world. The liveability indicator is great tool in that it can help Melbourne attract:

- More tourists/potential residents which all help drive the economy
- Greater capital investment
- More significant international events and conventions

These ultimately lead to greater social and economic prosperity for the residence of Melbourne. However to ensure Melbourne sustains this mantle, MacroPlan will, in this section, provide case studies analysis of other similar cities which will provide a basis to help the city improve. The analysis will also inform the SWOT analysis in section 3.3.

TABLE 3.7 – Key statistics

Key KPIs	Melbourne
Population	3,744,373 (2006)
Density	407 persons per km
Liveability index*	1.8%* (2nd in the world)
Cost of Living ^	82.5 (60th in the world)
Housing Affordability~	205 (severely unaffordable)

* Based on the Economist Intelligence Unit (December 2006); 0% = exceptional quality, 100%=intolerable

^ Based on the Mercer cost of living ranking (2007), Base city: New York (100.0), the higher the ranking the higher the cost of living

~ Based on the 4th annual Demographia International Housing Affordability Survey. This study measures the ratio between median house prices and median income. The countries this study covers include: Australia, Canada, Republic of Ireland New Zealand, United Kingdom and the United States. The worst ranking is 227.

Source: Wikipedia, The Economist Intelligence Unit, Australian Bureau of Statistics

Sydney, Australia

Sydney is a global city. The city was defined by Globalization and World Cities Study Group and Network2 as being a major world city, along side with San Francisco, Zurich and Toronto. Sydney has a population of approximately 4.28 million[3] (2006). The city's many appealing attributes include:

- Significant landmarks – Opera House & Harbour Bridge
- Key financial Hub – Australia's largest financial centre
- Major sporting events – 2000 Olympics
- Key travel destination – the Kingsford Smith International Airport is the busiest in Oceania.

The city has however had its challenges, namely:

- High cost of living/Housing affordability
- Congestion relative to other Australian cities
- Safety/violence – relative to Melbourne

Key learning from Sydney include:

- Sydney recognised as a global city, Melbourne recognised as a minor world city
- Sydney is the financial capital of Australia with a high proportion of high value-add industries
- Sydney does have significant planning and congestion issues especially around the inner Metropolitan region
- Sydney has a relatively high cost of living as compared to other capital cities of Australia.

TABLE 3.8 – Key statistics (Sydney)

Key KPIs	Sydney	Melbourne
Population	4,284,379 (2006)	3,744,373 (2006)
Density	346 persons per km	407 persons per km
Liveability index *	3.2%* (7th in the world)	1.8%* (2nd in the world)
Cost of living ^	94.9 (21st in the world)	82.5 (60th in the world)
Housing Affordability~	216 (severely unaffordable)	205 (severely unaffordable)

* Based on the Economist Intelligence Unit (December 2006); 0% = exceptional quality, 100%=intolerable

^ Based on the Mercer cost of living ranking (2007), Base city: New York (100.0), the higher the ranking the higher the cost of living

~ Based on the 4th annual Demographia International Housing Affordability Survey. This study measures the ratio between median house prices and median income. The countries this study covers include: Australia, Canada, Republic of Ireland New Zealand, United Kingdom and the United States. The worst ranking is 227.

Source: Wikipedia, The Economist Intelligence Unit, Australian Bureau of Statistics

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Zurich, Switzerland

Zurich is Switzerland's main commercial and cultural centre. It is the largest city in Switzerland with a population of just some 1.3 million people inhabitants, of which 372,000 (March 2007) are within the inner metropolitan region. Despite having a lower aggregate population than Melbourne, Zurich is like Sydney registered as a major world city (GaWC 1999). The city has a high population density of 4,046 persons per square meter resulting is an efficient public transport network. The city however has very high costs of living with Mercer ranking it the 9th most expensive city in the World in 2007.

City smarts – Public Transport

The city is well known for its highly efficient public transport system. The *Zurich Transport Policy* is an outstanding example of a sustainable approach to transport directions within an international city. Since the introduction of an integrated transport system, with rail, buses, trams and ferries, Zurich has been able to reduce private car usage to approximately 30% whilst increasing public transport usage to 39%. Over 30% of residence in Zurich also regularly travels by foot or on the bicycle to and from work (European Academy of the Urban Environment). The transport system also connects onto the key transport hubs such as the Zurich International Airport. The airport is only 12 minutes by train from Zurich station at 10 to 15 minute intervals.

The relatively high population density within the city of Zurich allows it to efficiently promote strong public transport use. When compared to Melbourne, accessibility and mobility is better in Zurich, especially with the relatively high number of public transport users. This coupled with the high use of foot and bicycle transport results in a small geological footprint per capita.

TABLE 3.9 – Key statistics (Zurich)

Key KPIs	Zurich	Melbourne
Population	371,767 - Metropolitan (2007)	3,744,373 (2006)
Density	4,046 persons per km	407 persons per km
Liveability index*	3.9%* (10th in the world)	1.8%* (2nd in the world)
Cost of living ^	107.6 (9th in the world)	82.5 (60th in the world)

* Based on the Economist Intelligence Unit (December 2006); 0% = exceptional quality, 100%=intolerable

^ Based on the Mercer cost of living ranking (2007), Base city: New York (100.0), the higher the ranking the higher the cost of living

Source: Wikipedia, The Economist Intelligence Unit, Australian Bureau of Statistics

Vancouver, Canada

Vancouver consistency competes with Melbourne for the top ranking as the world's most liveable city. The population of the city numbers around of 611,869 (2007)[4], while 2,249,725 are living in greater Vancouver. It has the highest density of any city in the Canada at 5,335 persons per kilometre. This is behind only to New York City, San Francisco and Mexico City in the North American continent.

Similar to much of Australia, Vancouver has traditionally been a natural resource provider. The main sectors in the economy include: forestry, mining, fishing agriculture. It has evolved to become a tourism destination and also an important IT, biotech and media hub within Canada. Vancouver does however face many issues going forward such as:

- growing gap in wages

- youth employment

- diversification of economic base

- housing affordability

- access to quality and relevance of education.

TABLE 3.10 – Key statistics (Greater Vancouver)

Key KPIs	Vancouver (incl Greater Vancouver)	Melbourne
Population	2,249,725 (2007)	3,744,373 (2006)
Density	5,335 persons per km	407 persons per km
Liveability index *	1.3%* (1st in the world)	1.8%* (2nd in the world)
Cost of living ^	76.5 (89th in the world)	82.5 (60th in the world)
Housing Affordability ~	213 (severely unaffordable)	205 (severely unaffordable)

* Based on the Economist Intelligence Unit (December 2006); 0% = exceptional quality, 100%=intolerable

^ Based on the Mercer cost of living ranking (2007), Base city: New York (100.0), the higher the ranking the higher the cost of living

~ Based on the 4th annual Demographia International Housing Affordability Survey. This study measures the ratio between median house prices and median income. The countries this study covers include: Australia, Canada, Republic of Ireland New Zealand, United Kingdom and the United States. The worst ranking is 227.

Source: Wikipedia, The Economist Intelligence Unit, Australian Bureau of Statistics

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[4] Municipal Population Estimates, December 2007, Province of British Columbia

3.3 Inner Melbourne Region SWOT Analysis

Justification of Economic Development

MacroPlan has chosen the following areas for investigation in our SWOT analysis:

- Community Infrastructure
- Retail Mix & Competitiveness
- Arts & Culture,
- Tourism & Major Events
- Employment & Skills Mix
- Infrastructure & Connectivity
- Parking
- Childcare
- Healthcare
- Education Institutions

The areas of focus have been chosen to reflect the, the priorities of the councils and their ability to influence outcomes. The area chosen above are relevant as:

- they can directly effect local economic outcomes
- they are relevant to the local policy context
- they can influenced by local government
- they create significant risks and opportunities to the local economy.

A summary of the SWOT analysis is presented in section 3.4. MacroPlan will use the outputs of this analysis to identify areas for further improvement. This process will also help formulate strategic solutions and directions in section 5.X.

Community infrastructure

Community infrastructure refers to publically available goods and services which are often provided by Local and State Governments. They include:

- Libraries
- Public open space
- Recreational facilities
- Community services.
- Art centres
- Health precincts

TABLE 3.11 – SWOT Analysis: Community infrastructure & safety

Strength	Weaknesses
- High usage/repeat visitations - Iconic locations/precincts including: - Parks - Beaches - Sporting facilities - Zoo/Aquarium - Strong cultural/arts and community focus - Major hospital and key research facilities	- Poor product consistency – i.e. walk ways/public access areas in city of Melbourne is consistent (signage, design, facilities), but different to other municipalities. Residence with language challenges may also find this challenging. - Aging facilities (many facilities such as libraries, pools, community facilities were built in 50s and 60s) - Public transport close to capacity (city loop is close to full capacity, without more trains access is limited) - Safety & Parking (safety in Inner Melbourne Region is questionable especially at night for women) - Higher cost of living/affordable housing
Opportunities	Threats
- Improving consistency across the 4 LGAs without losing uniqueness - Increasing public transport capacity - Easing Congestion	- Difficult to get greater State Government Funding support - Safety within IMR especially at night - Congestion - Losing iconic sporting events - Losing cultural diversity and integration - Potential targets to terrorism

Source: MacroPlan Australia (2008)

Key implications

The IMR houses some of Melbourne's most iconic and impressive structures, landmarks and locations. This provides an anchor and attraction point for visitors locally and abroad. In addition, many local residents of the IMR are able to enjoy the benefits provided by the community infrastructure.

The IMR are facing significant challenges and threats to the community infrastructure which is currently in place. They range from poor product consistency, aging facilities, poor public transport capacity, high costs of living and safety.

Retail Mix & Competitiveness

This section examines the importance of selecting an appropriate retail mix across the IMR. Subjects under investigation would include:

- Density
- Location
- Distance
- Mix of product offerings
- Accessibility
- Competition from other sources (such as other shopping centres or online shopping)

TABLE 3.12 – SWOT Analysis: Retail Mix & Competitiveness

Strength	Weaknesses
- Strong "That's Melbourne" marketing campaign - Diverse range of boutique retail mix - Key iconic locations – Bridge Rd, Bourke St, Chapel St. - High usage and density - Wide product selection and range - Close proximity - Newest & best in retail product offering - Highly competitive economy - Able to retain greater expenditure in the inner Melbourne Region - Attractive to women work force - Unique culture, hospitality and event experience. - International fashion events	- Very few nationally iconic locations (Only Bourke St and Chapel St) to attract international and national tourists. Brunswick, Bridge Rd, Acland St can be improved to increase attraction and appeal - Poor vehicle accessibility - Almost no product offering in Docklands
Opportunities	**Threats**
- Improve number of iconic locations in addition to Burke and Chapel Street → more attractive suburbs → higher house prices → higher rates and wealth creation for both council and residents - Improve Melbourne's international competitiveness - Attract greater spending into the inner Melbourne Region → greater employment → higher wealth creation for workers in the region	- Online shopping - Chadstone and other close proximity regional shopping centres (i.e Doncaster, High Point, DFO, Brandsmart, Westfield) - Other major international complexes in Sydney and Brisbane (Top Ryde)

Source: MacroPlan Australia (2008)

Key implications

The IMR provides its residence and visitors an abundant array of products tailored to a broad spectrum of cultures, tastes and economic profiles. Key iconic locations such as Burke Street, Melbourne Central and Chapel Street are excellent national and international drawcards to tourists. However competition from major shopping centres within regional centres and other Australian cities are significant threats to the retail trade within the IMR; online shopping also posses a significant threat to retail within the IMR.

Key implications of this would include:

- A loss of retail expenditure within the IMR
- A shift of resources away from the IMR – this has significant implications in term of employment investment
- A loss of tourism and international appeal – this is especially the case if Sydney/Brisbane/Gold Coast continues to build multi-million dollar complex retail precincts

Arts & Culture

Melbourne is well known as the art and culture capital of Australia. This section explores the importance of that arts and culture plays within the IMR.

TABLE 3.13 – SWOT Analysis: Retail Mix & Competitiveness

Strength	Weaknesses
▪ Strong cultural diversity ▪ Iconic arts/cultural centres (Arts centre, State Theatre, Hamer Hall, NGV, Federation Square, Ian Potter) ▪ Victorian College of the Arts ▪ Strong diversity of culture in city of Yarra ▪ Balanced mix (balance between various art forms from classical to contemporary)	▪ Cost of providing world class arts and cultural events ▪ Difficult to capture and measure value add from art and cultural festivals – this may create difficulties to justify greater expenditure in the future ▪ Few international events
Opportunities	**Threats**
▪ Continued support for grassroots art and culture organisations ▪ Encourage greater awareness and appreciation from younger generation	▪ Lost of diversity and mix ▪ Lost of grassroot art and cultural bodies ▪ Funding shortfalls ▪ Growing competition from other States and Cities

Source: MacroPlan Australia (2008)

Key implications

Melbourne has the best diversity and breath of arts and culture exhibitions and talent in Australia. This has created and attracted talents across Australia and across the World to Melbourne's arts and cultural industries. The threat to Melbourne's competitive edge in this space includes:

- A loss of diversity and mix
- A loss of grassroot bodies and organisations
- Funding shortfalls
- Growing competition from other States and Cities

Implications for the city of Melbourne are fairly profound. They may result in

- Falling employment (noting that in 2001 over 18,000 employees were employed within this industry)
- Lost of international appeal which will reduce tourists, investment and expenditure.
- Falling interest from younger generations and the overall general public in arts and cultural activities.

Tourism & Major Events

Tourism and major events assesses Melbourne's ability to host international events and to attract external spending (national or international tourists).

TABLE 3.14 – SWOT Analysis: Tourism & Major Events

Strength	Weaknesses
- Truly sporting capital of Australia - Significant number of major events - Diversity in product offer - Able to leverage key attractions around regional Victoria - Establishment of Key bodies such as the Victorian Major Events Company, the Melbourne Convention and Visitors Bureau as well as Melbourne Visitor centres located around the IMR.	- Once off, once a year events - Little spend – as compared to Gold Coast we do not have activities which can promote strong spend over the year (i.e. Movie World, Wet & Wide etc) - High cost – major events are very expensive for the consumer - Financial viability – major events are also very costly for State Govt/inner Melbourne Regional Cities. - Access to major events – poor public transport means access to major events may be poor, also major events disrupt use of facilities for local residence
Opportunities	**Threats**
- Promote increased stay → greater spend → greater employment - Promote more consistent all year events as compared to once off events - Promote consistency in marketing (see promoting Korea Campaign) – 1 booklet for the whole of the country	- Financial viability – Recent reports into Formula 1 GP suggest the state loses over $50m per year - Competition from international cities for our international events - Competition from other cities in Australia - Too many international events – the quality of the events may be jeopardised. There may also be significant disruptions to locals whose - Environmental sustainability from 'over tourism' and use

Source: MacroPlan Australia (2008)

Key implications

Melbourne is well known for the diverse array of international major events. Melbourne has successfully hosted many national and international events such as:

- the Commonwealth Games
- Formula 1 Grand Prix
- Australian Open
- International Cricket/Soccer
- AFL

In addition, Melbourne is able to leverage off Victoria's many tourist attractions both within Metropolitan Melbourne and Regional Victoria.

Despite the wide array of international sporting and tourism events there are inherent risks and challenges which need to be addressed. They include:

- Financial viability
- Disruptions to local communities
- Competition from international and Australian cities
- Environmental sustainability

A balanced approach is required to tackle these risks. The IMR should carefully assess the importance of keeping Melbourne has an international tourist destination whilst balancing the needs of the community and the environment. In addition, there needs to be a balance between potential short term gain (through greater tourism and event) as compared to long term sustainability (environmental and liveability for locals)

Employment Mix

This section considers the conditions within the current employment environment. This includes a commentary on the:

- The current labour market conditions
- The diversity, mix and depth of the labour market
- Threats to future economic growth within the IMR

TABLE 3.15 – SWOT Analysis: Employment Mix

Strength	Weaknesses
- Strong value add service sector - Attractive to highly skilled labour force - Strong growth in female employment → greater retail spend → higher employment multiplier - Diversity - culture and languages - Release of Docklands as a prime office location - Location of significant number of Superannuation and Pension funds - Easy accessibility to labour force - Younger median population age	- Shortage of labour - Transport access – public transport and parking - High cost of living especially for pink collar service workers - expenditure exported back to suburbs where labour force lives - Staff are required to travel significant distances to work
Opportunities	**Threats**
- Safety/Childcare access/retail mix → encourage greater female spend - Promoting inner City as a place to live work and play - Affordable housing options	- High cost of living for pink collar workers and housing forcing lower income workers to move further out from inner Melbourne - Shift of firms into suburbs and Business Parks (such as Norwest) - Sydney as the financial and professional centre for Australia

Source: MacroPlan Australia (2008)

Key implications

The IMR houses some 450,000 employed workers from across a number of key high value industries. The IMR is able to attract a significant number of skilled labour force workers into high value industries such as property, business, financial and insurance services (together they account for over 30 per cent of the employment).

There are significant threats which require attention in the immediate and short term horizon. They include:

- The higher cost of living with the relatively high house prices within the IMR
- Relocation of firms into suburbs and businesses parks
- Competition from major financial hubs in Sydney and cities within the South East Asian region.
- The ability of IMR to house female workers and service industry workers

The importance of a strong labour force with diverse and flexible skills creates an environment with robust economic growth and high income generation potential. The erosion of key factors such as cost of living, competition and the need for key service workers creates significant strain on the labour force population. The implication is that there may be a reduction on the available labour force diversity and depth. This shortage within an already constrained labour market can create significant impediments to economic growth and prosperity.

Infrastructure & Connectivity

This section studies the mobility and connectivity of the city through its various infrastructure networks and public transport systems.

TABLE 3.16 – SWOT Analysis: Infrastructure & Connectivity

Strength	Weaknesses
▪ Robust road networks 　o Monash FWY 　o Eastern FWY 　o Western Ring Road 　o Cross city access ▪ Bus, train and tram consistency – One ticket access to all services ▪ Growing patronage ▪ Grid City Road network ▪ Arterial extensions (EastLink, Deer Park Bypass)	▪ Aging Infrastructure (i.e. City Loop signalling is more than 30 years old) ▪ Over utilisation and capacity issues ▪ Signage and directions ▪ Congestion – this may be exacerbated by the Port of Melbourne and the volume of freight moving through this port. ▪ Very low population density ▪ Very low persons per car count (1.2 persons per car on average)
Opportunities	**Threats**
▪ Increase capacity on public transport → reduce congestion → great access ▪ Improve service quantity and quality → encourage greater public transport use ▪ Park and Ride options ▪ Flexible work hours	▪ Deterioration of public transport products (aging, quality) ▪ Cost blow out ▪ Controlled by state govt ▪ Peak hour access

Source: MacroPlan Australia (2008)

Key implications

There is a very strong correlation between mobility access and the liveability and wellbeing. The ability for people to move in and around the IMR has always been a challenge for policy makers at all levels of Government. Melbourne has very low population density outside the IMR. This creates significant transport and public access challenges especially if large proportions of population are required to move great distances throughout the day. There are significant issues surrounding congestion, quality of service, deterioration of product which requires immediate attention.

Implications of not having an efficient public roads network and transport system includes:

▪ Poor mobility for those without access to private transport – this may create significant employment, social and liveability challenges for the city.

▪ Major congestion on public roads creating significant delays to business and the general public – this reduces the efficiency of a city's economy, geographical expansion capacity and population growth

▪ Safety and environmental concerns – overcrowded public transport system, congestion and poor accessibility results can all contribute to this.

Parking

This section examines the parking situation within the IMR.

TABLE 3.17 – SWOT Analysis: Parking & Private vehicle transport

Strength	Weaknesses
- Relatively low cost - Relatively high availability and accessibility - Strong revenue base	- Encourages excess car usage - Cost of building car parks - Cost of monitoring and enforcement - High cost of land value - Land site shortages - Difficult to recover costs
Opportunities	**Threats**
- Opportunity to reduce congestion through higher parking costs, which discourages people to drive - Levies - Transport Orientated Development	- Who pays? - Lack of diversity - lack of short term parking - Developer cost recovery – difficult to recover costs → not very attractive investment

Source: MacroPlan Australia (2008)

Key implications

Parking within the IMR has attracted much debate throughout the years from with Local Government. It is an essential service which needs to be provided to the public, but it creates very inefficient use of high value land and contributes to congestion by promoting greater car use.

There are a number of threats which exists within the IMR in relation to parking and they include:

- The lack of diversity and availability especially in short term parking
- The ability of the private sector to cost recover parking developments
- The inefficient use of council land
- The ability to create more congestion

There needs to be a well planned integrated approach to solve the challenges around the use of land for parking purposes. The provision of the 'right' amount and mix of parking spaces can create incentives to change behaviour which can ease congestion and improve mobility. The implications of not getting a balance between the supply and mix of parking would include:

- Mobility challenges for those who cannot pay or access affordable parking
- Encourages greater private vehicle use and therefore congestion if prices were not prices at appropriate levels
- The ability of IMR access to various groups including day trippers, employees and tourists

Childcare

This section reports on the current provision of childcare services within the IMR.

TABLE 3.18 – SWOT Analysis: Childcare

Strength	Weaknesses
▪ Growing demand for Childcare services ▪ Services professionals with significant income earning capacity ▪ Retain women in the labour force ▪ Retain skills in the labour force ▪ Generate greater spending within the IMR ▪ Major children hospitals and facilities located with the IMR	▪ Long waiting list ▪ Lack of places ▪ Land availability ▪ Cost of land and space ▪ Very few located in CBD and surrounds, forces parents to travel out of CBD to access childcare services ▪ Lack of secondary support networks in close proximity (parents, friends)
Opportunities	**Threats**
▪ IMR is prime location for childcare services as it is able to capture not just local demand but significant demand from parents working in the IMR ▪ Growing demand will likely drive prices & profits higher ▪ Able to retain greater local spend if children are housed within IMR	▪ Access via public transport and cars may be poor ▪ Escalating capital and human labour costs ▪ Regulation controls

Source: MacroPlan Australia (2008)

Key implications

The need to childcare services has drastically increased in recent years. This has been driven by the need for both parents to work with the labour force. There are major challenges within the childcare space in the IMR. They include:

- Land availability in and closely around the IMR region
- Lack of childcare places with the current childcare centres
- Lack of choice and diversity of childcare services
- Transport access to IMR for parents

The lack of childcare places means that:

- Fewer women are able to return to the labour force – creating and exacerbating the labour shortages
- Lost of expenditure within the IMR
- Lost of employment from within the childcare industry

Healthcare

This section investigates the current health industry within the IMR. The health industry is a significant employer and community service

TABLE 3.19 – SWOT Analysis: Healthcare

Strength	Weaknesses
- High employment generation - High product offering - High degree of specialisation - Dense cluster of economic institutions - Close to educational and training facilities (i.e. Melbourne University) - Location of large non-profit research institutes	- High clustering lack of access in regional and rural areas - High cost of access for families from regional/rural areas - Significant shortages in regional areas. This forces doctors to move into regional and rural areas for service
Opportunities	**Threats**
- Able to promote Melbourne has an international location for Health research and development - Great environment to foster a greater number of professionals within this service - Able attract significant investment and research capital into the city	- Major shortages in nurses and doctors - Significant waiting lists and pressure on the public health care system - Pressure as more regional and rural hospitals reduce product services and offering – meaning that specialist care will be diverted to IMR hospitals - Funding gaps and shortages

Source: MacroPlan Australia (2008)

Key implications

The IMR houses some of Melbourne biggest hospitals and health care institutions. They include major organisations such as:

- Royal Melbourne
- Royal Children
- Royal Women's
- Alfred
- St. Vincent
- Non-profit research organisations (Peter Mac, Cancer Institute)

The employment generation within these institutions are significant. Health and community services are the fourth largest employer by industry types within the IMR. There are major challenges to the current health system including both skill and funding shortages. These challenges create implications including:

- Longer waiting lists
- Community wellbeing and reduction in life expectancy
- Ability to handle emergencies and crisis
- Safety net for lower social economic demographic population groups

Educational Institutions

The IMR accommodates some of Melbourne most prestigious and internationally well known educational institutions. The main campuses of University of Melbourne, RMIT and Victoria University together with various sub regional campuses of Australian universities are located with the IMR. This section examines the importance of having a strong mix of well respected international education al institutions.

TABLE 3.20 – SWOT Analysis: Education

Strength	Weaknesses
- Growing demand for educational services from abroad both at a university and high school level - Home to 3 universities (Melbourne, RMIT, Victoria) and Tafes which are to cater for development need across a broad range of disciplines. - Well known universities such as Melbourne university attracts international recognition and investment - Able to attract significant spend from students travelling into the Metropolitan area. - Diverse array of extra-curricular activities and facilities	- Growing cost of education for younger residence within the IMAP area - Significant influx of international students are crowing out university places for local students - Aging facilities - Limited capacity to integrate modern technologies into current teaching environment (this has been improving) - Access to education for 'older' population (this has been improving)
Opportunities	Threats
- Provide greater access for 'older' population cohorts - Refurbishment and upgrade of aging facilities to integrate modern technologies - Support for IMAP students wanting to access education courses	- Loss of skilled labour as many return or move nationally and abroad - New Melbourne model whereby the student numbers will significantly be reduced

Source: MacroPlan Australia (2008)

Key implications

Having a well rounded educational experience in critical in developing the future labour force within the IMR. The majority of the IMR's workforce are employed in high value add industries with high specialised individuals. The education system plays a vital role in support the development of these this group within the labour force.

The implications of not having a strong education base within the IMR include:

- Lost of high skilled labour force
- Lost of international student spending
- Lost of local students to institutions abroad
- Lost of innovative and creative inventions and thinking
- Lost of significant student spend within the IMR

3.4   Summary

TABLE 3.21 – Summary Table

Melbourne	International exemplars	SWOT Analysis	Opportunities & Innovative Smarts
▪ Well known as one of world's best liveable cities ▪ Major Australian city with significant industries in financial, banking, insurance and health services ▪ Very diverse culture with many languages spoken by local residence ▪ Hosts some very significant international events ▪ 3.8 million population (2006) ▪ Density: 407 persons per kilometre ▪ Very high cost of living (60th in the World) ▪ Very poor housing affordability	Sydney ▪ Truly international city ▪ Financial capital of Australia ▪ Significant tourist attraction ▪ Higher costs of living ▪ Pop: 4.3 million (06) Zurich ▪ Largest commercial and culture centre in Switzerland ▪ Very high density in population ▪ Fantastic transport network ▪ Very high cost of living ▪ Pop: 1.3 million (07) Vancouver ▪ Ranked 1st in liveability ▪ Lower cost of living ▪ Very high density ▪ Pop: 2.2 million (07) ▪ Strong mineral industry	**Community Infrastructure** ▪ High usage ▪ Major iconic locations **Retail Mix & Competitiveness** ▪ Strong marketing campaign ▪ Close proximity/high density ▪ Highly competitive ▪ unique product offering **Arts & Culture** ▪ Strong cultural diversity ▪ Balanced mix of various art forms **Events & Tourism** ▪ Sporting capital of Australia ▪ Diversity in product offering ▪ Able to leverage key Victorian attractions ▪ Establishment of key bodies **Employment Mix** ▪ High skilled labour force ▪ Young age/diverse/Growth in females **Infrastructure & Connectivity** ▪ Aging infrastructure/signage/directions ▪ Very low pop density/low car count pp **Parking** ▪ Diversity of product/High cost ▪ Encourages greater car use **Childcare** ▪ Lack of location/places/availability ▪ Encourages women back to workforce/spend **Health** ▪ High number/employment//Investment in IMR ▪ Partner with Education institution **Education** ▪ Major institutions (Uni Melb, RMIT, Victoria) ▪ High international student spend	▪ Improving product consistency ▪ Safety & parking especially around night time ▪ Aging facilities of key community infrastructure ▪ Parking constraints ▪ Employing travellers to fill key service worker gaps ▪ Encourage greater retail spend within IMR vs exporting income back to where workers live ▪ Few international events ▪ High cost of providing international events ▪ Difficult to measure value add from art events ▪ Encourage greater participation from younger gen ▪ Need to consider balance between local resident needs and tourist attraction ▪ Encourage greater length of stay and spend ▪ Create consistent Melbourne and IMR marketing campaign ▪ Greater childcare/safety/retail mix for females ▪ Promoting IMR as place to live, work and play ▪ Affordable housing, high cost of living ▪ Discount for lower income/service workers ▪ Second city loop/addressing capacity constraints ▪ Impacts of Port Melbourne expansion ▪ Transport Orientated Development ▪ Park + Ride options ▪ opportunity to reduce congestion ▪ Growing demand/IMR to service demand ▪ Location advantage ▪ Generate greater local spend ▪ Skills shortages (esp in regional and rural areas) ▪ Creating synergies with education institutions ▪ Funding gaps and shortfalls ▪ ▪ Cost of education increasing for younger residence ▪ Aging facilities/limited capacity to integrate modern tech ▪ Place to drive research, innovation and creativity

Source: MacroPlan Australia (2008)

4 Housing Affordability Context

What is affordable Housing?

Housing affordability is often measured by the ratio of average household disposable income to the income required to meet payments on a typical property in a specific area.

Housing affordability relates to the cost of access to housing, which includes the rental market. As house prices increase, property investors must increase the rental price to cover the initial purchase cost, therefore rents increase and forces out those on lower incomes in the private rental market.

The importance of affordable housing

Housing affordability and lack of access to appropriate forms of housing poses a long term threat to the cohesion of the broader community. It can lead to the polarisation in the community with visible differences between areas. Some sectors of the community are excluded from wealth creation and the capital gains created through property ownership. It also impacts on people's ability to access basic services and necessities such as food and clothing and can lead to more adverse social outcomes such as family breakdown, poor health, exclusion from community events and services, and poor access to education, employment and leisure opportunities.

Furthermore, as people move through the lifecycle, they are often 'locked out' of purchasing or trading down in their own area. In turn, this has an impact of the turnover of stock, and is a major issue for many people who wish to stay close to friend and family network, quality health care, schools and the church, for example.

This issue is even more concerning for those entering retirement (as the population rapidly ages), who are often unable to trade down to a smaller and more affordable residence to preserve lifestyle and remain in the local area.

Victorian Policy Background

Access to affordable housing is a key issue for households and forms an integral part of the Victorian State Government's Melbourne 2030 planning policies.

The Melbourne 2030 strategy's vision for a more compact, affordable and less car-dominated cities is attempting to address these issues through directing higher density housing development to established suburbs, especially activity centres around public transport and in creating a diverse range of future housing options.

4.1 Definition of 'Key Worker'

MacroPlan has been commissioned to study the effects of affordability on 'key workers' within Metropolitan Melbourne.

For the purpose of this study, MacroPlan will define key workers as those who are employed within the following industries:

- Retail Trade
- Accommodation, Cafes and Restaurants
- Education
- Health and Community Services
- Cultural and Recreational Services
- Personal and Other Services

4.2   Importance of 'Key Workers' within the IMR

36.45% of all workers within the IMR have been identified as 'key workers'. The City of Melbourne and Port Phillip has a lower proportional share of key workers relative to the IMR average. However, the City of Melbourne has the highest aggregate number of key workers at 88,115. In the City of Stonnington over 58.46% of those employed are defined as key workers.

TABLE 4.X – Key worker definition (2001)

Industry	Melbourne	Port Phillip	Stonnington	Yarra	IMAP Region
Retail Trade	18,650	5,509	9,454	7,171	40,784
Accommodation, Cafes and Restaurants	15,913	4,082	3,152	3,090	26,237
Education	14,269	2,212	3,207	2,115	21,803
Health and Community Services	21,007	3,056	5,518	9,012	38,593
Cultural and Recreational Services	10,227	4,088	1,695	2,147	18,157
Personal and Other Services	8,049	2,763	1,960	1,903	14,675
Total	88,115	21,710	24,986	25,438	160,249
All Employed	277,208	64,396	42,738	55,274	439,616
% of workers	31.79	33.71	58.46	46.02	36.45

Source: MacroPlan Australia (2008)

From the data we can see that there is a high proportional share of key worker relative to the overall working population. Thus the effects of not having key workers are significant. The implications of not having key workers groups are explored in the following section.

4.3   Implications of not having key worker groups

[DN: to insert] – awaiting data

4.4   Housing Affordability in the Inner Melbourne Region

Housing Affordability in Melbourne is very poor. Housing Affordability in the IMR is very poor when compared to Metropolitan Melbourne. The Annual Demographia International Housing Affordability Survey[5] (2008) ranked Melbourne in the severely unaffordable group with a 205th placing out of 227. The December 2007 Quarter median house price for Metropolitan Melbourne was $485,000.

Due to the geographical location the IMR houses some of Melbourne most expensive suburbs. By house prices, Toorak, within the City of Stonnington has by far the highest median house prices in Melbourne at $2.77 million. Similarly, units in Toorak and Fitzroy rank among the most expensive in Melbourne at $627,500 and $538,000 respectively. The table overleaf shows the median price of the suburbs located in the IMR.

[5] Based on the 4th annual Demographia International Housing Affordability Survey. This study measures the ratio between median house prices and median income. The countries this study covers include: Australia, Canada, Republic of Ireland New Zealand, United Kingdom and the United States. The worst ranking is 227.

TABLE 4.X – Most expensive houses, by suburb, in Melbourne

Source: Real Estate Institute of Victoria (2008)

TABLE 4.X – Most expensive units in Melbourne
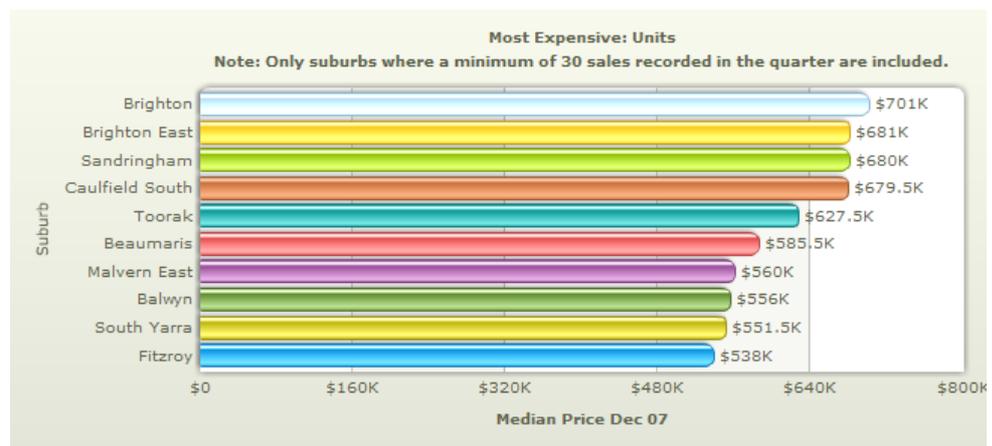
Source: Real Estate Institute of Victoria (2008)

TABLE 3.X – Median House Prices of selective suburbs within IMR

Suburbs	Dec 06 median	Dec 07 median	Annual Change %
Abbotsford	510,000	636,500	24.8%
Albert Park	842,500	1,100,000	30.6%
Brunswick	433,000	600,000	38.6%
Carlton*	615,000	952,200	54.8%
Carlton north	620,000	802,500	29.4%
Clifton Hill*	560,200	733,500	30.9%
Collingwood	487,000	606,000	24.4%
Fitzroy	622,500	732,000	17.6%
Fitzroy North	600,000	720,000	20.0%
East Melbourne*	1,275,000	1,562,500	22.5%
Port Melbourne	655,000	770,000	17.6%
Prahran	617,000	842,500	36.5%
Richmond	551,000	789,000	43.2%
South Melbourne	732,500	957,000	30.6%
St. Kilda*	663,500	795,000	19.8%
South Yarra	975,500	925,000	-5.2%
Toorak	2,470,000	2,770,000	12.1%
Metropolitan Melbourne	393,000	485,000	23.4%

Source: Real Estate Institute of Victoria (2008)

* Indicates less than 30 houses and 25 units sold per quarter

Observed Trends & Drivers

MacroPlan recognises the issue of surrounding affordable housing in the IMR. The results of our analysis have shown that every single suburb within the IMR has a median house value greater than the metropolitan average.

The high house prices have also meant that rental accommodation in Metropolitan Melbourne have increased substantially. Rental vacancies in Melbourne ranged from 1.2 per cent to 1.6 per cent in 2007. According to a recent report by the Australian Property Monitors, renters in Melbourne experienced a 16 per cent increase for houses to $330 in the September quarter.

The increase in house prices and rental prices has one of three effects on the behaviour of residence:
1. There is an out migrating trend towards the metropolitan fridges
2. There is an evolution from low density to medium and high density housing
3. There is a reduction in the amenities and services if residents wish to live in the same density of housing within the same area (i.e. access to pool, tennis courts, other service amnesties have been reduced to cover for the higher cost of housing)

This trend can be explained by:

- Significant Increase population – as housing supply is relatively inflexible any increases in demand (as a result of increases in population) will generate greater increases in price. The strong growth in population has resulted in significant capital appreciations in the last 5 years.

- Lack of dwelling supply when compared to demand – the lack of greenfield supply within the IMR has contributed to the significant increase in the price of housing within the IMR.

- Deregulation of finance industry – the deregulation of the financial industry has meant that more people are able to access finance easier to buy their own home or invest. This coupled with the relatively low interest rates in the last 10 years meant that demand for housing has increased significantly.

- Aging population – the aging population leads to decrease in household sizes, therefore more households required. This is especially the case for median and high density dwellings.

- Increased wealth – the has been an significant increase in the wealth of the population. This is especially the case for the 50+ age cohort as many are asset owners (houses, shares & superannuation).

- Significant influx of international investors – despite the lack of data surrounding international investment in properties in Melbourne, MacroPlan has observed that there have been significant increases in the volume of international investment into Australia. Investors have been attracted to the high rates of returns in Australia but also migration patterns have brought many international investors into the Australian market.

5 Risks & Challenges

5.1 Economic Challenges

DN to Draft –

5.2 Strategies for Addressing Challenges

Policy Alignment –
Planning Regulations –
Revenue Collection – Rates/Policy

6   Inner Melbourne Regional Economic Vision

6.1   Regional Economic Policy Position

6.2   Major Issues Identified

[cut from swot analysis]

6.3   Synergistic Relationships

[DN: to draft]

6.4   Regional Economic Vision

[DN: to draft]

6.5   Strategic Directions & Actions

[DN: to draft]