31 May 2024

[redacted]
City of Ballarat
PO Box 655
BALLARAT 3353

via email: [redacted]

Dear [redacted]

Ballarat Growth Areas Framework Plan

The Urban Development Institute of Australia, Victoria (UDIA Victoria) welcomes the opportunity to write to City of Ballarat (the City), regarding the Ballarat Growth Areas Framework Plan (the Framework).

About UDIA Victoria

The Urban Development Institute of Australia, Victoria (UDIA Victoria) is a not-for-profit research, advocacy and educational organisation supported by a membership of land use and property development entities, across the private sector and Victoria's public service.

UDIA Victoria is a signatory to the State Government's Affordability Partnership, whose focus is on meeting the objectives of Victoria's Housing Statement: building 800,000 new homes by 2034 – 80,000 homes per year, over the next decade.

UDIA Victoria is focused on establishing the right policy and regulatory settings to enable the development industry to continue building diverse, high-quality and sustainable housing during unprecedented population growth.

UDIA Victoria represents several organisations that are active across Victoria's regions, including Ballarat. We are proud of our role in supporting the continued growth of our State's major regional centres.

Background

Late-2023 saw the release of the eagerly anticipated Victorian Government's *Housing Statement*, which proposes to deliver up to 800,000 new homes before the next decade – 80,000 homes per year to 2034. This follows National Cabinet's commitment to deliver 1.2 million new homes over the next 5 years, to July 2029.

UDIA Victoria is encouraged by both the renewed local, state and federal government focus on increasing supply. Though, the industry is also experiencing some of the most challenging conditions many in the sector have ever seen.

Compared to the State's record population growth, residential construction is now at its lowest ebb since the recession of the early-1990s. 2024 is expected to see the delivery of fewer houses than previous years.

A lack of availability of zoned land in the regions and Melbourne's growth areas (a result of long-term strategic and statutory planning issues) will continue to impact supply of dwellings and drive up the cost of housing. Research shows underlying demand far outstrips incoming supply in many of Victoria's regional cities, including Ballarat.

Context

Our submission is prepared within the context of a nationwide housing affordability crisis. UDIA Victoria works with local, state and federal government to develop solutions to address land supply shortages, deteriorating borrowing capacity, increasing dwelling costs and housing our growing population.

The City of Ballarat is experiencing the fastest growth of any inland city across the state, with an anticipated 55,000 new residents by 2041. The advent of 'working-from-home' practices in many workplaces, affordability pressures and lifestyle offerings have contributed to the growing trend towards regional living, particularly in a well-connected area like Ballarat.

With current projections highlighting Ballarat's potential growth, which is expected to exceed 170,000 residents within the next two decades – it is clear, Ballarat will play a vital role in meeting future housing demand.

To support the region's rapid growth and ensure it remains an attractive place to live, work and invest, it is critical that housing, amenity, and infrastructure continues to match the region's growing needs.

The Framework

We are encouraged by the City's focus on housing supply and commend the preparation of an overarching strategic framework to guide the long-term development of the region's Western and North Wester Growth Areas. This is an important step in managing Ballarat's growth and providing certainty and clarity to the development industry.

Feedback from our members indicates that lot prices have increased by approximately $100,000 in Ballarat over the last 24-months and house prices have increased by close to 30 per cent (City of Ballarat, 2023, p. 11). This can be attributed to increased demand for regional properties and a relatively limited amount of supply.

1 in 5 workers based in Ballarat is defined as a key worker. Approximately one-quarter of key workers cannot afford rental housing in the municipality, equating to a shortfall of affordable housing for key workers in the order of 1,300 – 1,700 dwellings.

A survey conducted by Federation University Australia for Commerce Ballarat and the City of Ballarat canvassed the views of businesses in the Ballarat area on a range of matters. A key challenge identified by respondents was 'affordable housing', noting that "businesses find it difficult to attract qualified staff to Ballarat because of shortage of affordable housing in the

[1] (City of Ballarat, 2024, p. 5)

region,"[2]. The report notes that "the immediate need for the region is to attract more people to the region and improve the infrastructure (including the availability of affordable housing) to accommodate population growth,"[3].

There is an urgent need for immediate development opportunities that can contribute meaningfully to supply and create downward pressure on dwelling prices to ensure all Ballarat residents can access the market.

A lack of availability of zoned land in the regions and Melbourne's growth areas (a result of long-term strategic and statutory planning issues) will continue to impact supply of dwellings and prop up house prices. Research shows underlying demand far outstrips incoming supply.

Housing Strategy

Last year, the City released its Housing Strategy which identified a highly aspirational target of delivering 50 per cent of new development in established areas and 50 per cent in Ballarat's growth areas. Realising this objective would require a total of 14,500 dwellings to be built in both the established areas and growth corridors by 2041.

This would require an unprecedented shift from the existing targets of 70 per cent of development in growth areas and 30 per cent in established areas, especially considering that the current 30 per cent target of infill development is not being achieved.

Forecast dwellings

Growth Area as defined in the Framework	Forecast number of dwellings in exhibited draft Housing Strategy	Forecast number of dwellings in committee version of draft Framework
Ballarat West PSP	9,500	10,068
Alfredton West PSP (Lucas)	1,300	1,006
Northern Growth Area (Core Area)	17,800	6,600
Northern Growth Area (Expanded Area)	No forecast provided	2,600
Western Growth Area	14,000	17,203
North Western Growth Area	7,000	10,800
Total	**49,600**	**48,277**

The table above illustrates the difference between the forecast number of dwellings identified in the 2023 draft Housing Strategy and those in the Framework.

There is a significant difference in both the North Western and Northern Growth Areas. Despite the Northern Growth Area (Core Area) and the Northern Growth Area (Expanded Area) being aggregated within the 2023 Housing Strategy document the overall differential now outlined in the Framework is significant – circa 8,600 lots.

We ask the City to account for this significant shift in forecasts and provide justification for the change in calculations.

[2] (Riaz & Khan, 2023, p. 40)
[3] (Riaz & Khan, 2023, p. 51)

Forecast zoned supply

Existing Zoned Greenfield Land Supply	Dwelling Capacity Assumption	50:50 Annual Rate Years of Supply	70:30 Annual Rate of Supply
Ballarat West PSP	10,068	13.9 years	9.9 years
Alfredton West PSP (Lucas)	1,300	1.3 years	0.9 years
Northern Growth Area (Core Area)	6,600	9 years	6.5 years
Total	**17,674**	**24.3 years**	**17.3 years**

The above data is from the Framework[4].

We are concerned that the City's assessment of land identified as available for development is not accurate. In particular, site-specific constraints that may make parcels inappropriate for development have not been adequately considered. Where these constraints exist, we assert that these parcels should not be considered developable land and not attributed to projected supply.

Advice from UDIA Victoria members is that the 17.3 years of supply listed above is closer to 11 years of available zoned land supply. We note that State planning policy and Planning Practise Note 90 calls for 15 years of effective supply.

Given this significant difference, our members are seeking to understand how this land has been assessed as zoned land supply within the Ballarat Western and Northern Growth Areas.

Growth areas assumptions

Ballarat West Growth Area

The *Housing Strategy* released by the City last year outlined that the Urban Development Program (UDP) identified 11,000 developable lots within the Ballarat West Growth Area, with a further 24,000 lots available on land planned for rezoning.

It is our understanding that the available rezoned lots within the south of the Ballarat West Growth Area will not be readily available to bring to market to meet future demand. Ownership of this land supply is disparate, with limited transactions occurring in recent years. Feedback from UDIA Victoria members operating in the region suggests that the supply identified in this growth area is unlikely to respond to future demand.

The fragmentation of land also makes consolidation of contiguous parcels for developments extremely difficult. The likelihood of these properties being developed in the short/medium terms is extremely low.

Ballarat North Growth Area

We understand that the City is seeking an increase in the dwelling per hectare ratio in the Ballarat North Growth Area from 15-16 to 20. There are developments underway in the Area that have delivered 15-16 dwellings per hectare. This precedent will make it challenging to achieve a 20 dwelling per hectare target and should be reflected in the overall output assumptions for the

[4] (City of Ballarat, 2024, p. 33)

area. It is also important to observe that this supply will not be brought to market until at least 2029, therefore it will not meet short-term demand.

Overarching growth area demand

The Framework proposes a 1,014 lots per year rate of demand, based on 2022 market data. We assert that 2022 does not provide an accurate or reliable baseline. The industry is experiencing significant economic headwinds. While there is strong underlying demand, the market is relatively depressed. The Reserve Bank of Australia (RBA) has also raised the official cash rate 13 times since 2022 – the steepest rise in decades. We believe that the Framework should adopt a demand rate based on a longer-term assessment to forecast demand more reliably.

We also note that artificially constraining supply will result in higher land prices and worsen housing affordability in Ballarat.

Buyer Capacity

Buyer capacity continues to decline as prices continue to rise. Recent UDIA Victoria research highlights that a regional Victorian couple with a moderate income, and no dependents, only has a borrowing capacity of $338,580 as of November 2023[5]. In comparison, just two years ago they had borrowing capacity of $415,470.

With the median house price in Ballarat of $616,000[6], and $407,500 for apartments[7] (as of May 2024), there is growing concern that housing affordability will worsen for the region in coming years. A substantial increase in supply across all markets will help to put downward pressure on housing prices and improve access to affordable housing for low to moderate income earners.

Conclusion

Ballarat has a critical role in addressing Victoria's housing affordability crisis. The objectives of the State Government's *Housing Statement* and the City's Housing Strategy and the Framework establish a bold vision for the region's long-term growth.

We urge that the Framework better reflects the economics and commercial considerations of development for growth area settings. If these considerations are irreconcilable with the Framework, Council will not meet its key objectives, or deliver on the vision of the Framework – housing supply will not improve and affordability will worsen.

We also implore Council to accelerate rezoning and the preparation of Precinct Structure Plans. Rezoning and the preparation of PSPs is an extremely time consuming process and it may be more than 7 years before housing can be brough to market in many areas. This means that supply will not be ready to meet demand and house prices will remain high.

Preserving a sustained pipeline of affordable housing for the region and preserving its long-term liveability is at the core of our submission. UDIA Victoria wants to ensure Ballarat can continue to grow and housing availability remains strong.

We are proud to support the development of Ballarat, and we would encourage the City of Ballarat to work closely with industry representatives to towards better community outcomes.

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[5] (Urban Development Institute of Australia, Victoria, 2024, p. 10)
[6] (Urban Development Institute of Australia, Victoria, 2024, p. 11)
[7] (Realestate.com.au, 2024)

The Framework is a critical blueprint for future development, and with close industry consultation, we can ensure Ballarat's remains one of Victoria's most attractive cities to live, work and invest.

We appreciate the opportunity to engage with City of Ballarat on this important issue and thank you for your consideration of this submission. We look forward to continuing to work with the City to address the concerns we have raised.

If you would like to discuss any of the matters raised in this submission, please don't hesitate to contact UDIA [redacted]

Regards,

[redacted]

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