

Greater Bendigo Residential Assessment

FINAL

UDIA Bendigo Chapter



Prepared by Ethos Urban
Submitted for UDIA Bendigo
Chapter

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Ethos Urban acknowledges the Traditional Custodians of Country throughout Australia and recognises their continuing connection to land, waters and culture.

We acknowledge the Wurundjeri Woi Wurrung people, of the Kulin Nation, the Traditional Custodians of the land where this document was prepared, and all peoples and nations from lands affected.

We pay our respects to their Elders past, present and emerging.

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'Dagura Buumari'

Liz Belanjee Cameron

'Dagura Buumari' – translates to Cold Brown Country. Representing Victoria.

The river system illustrated in this visual image is bound in greens and golds to acknowledge the warmth often felt in a colder climate. The rich earth hues of green, reds and browns reflect the local landscapes of this state while the extensive use of rhythmic patterning captures the unique landscapes of flat and mountainous areas. The use of earth colours imparts a sense of strength and serenity while contrasting greens throughout the image reminds us of the lushness of the natural world, where animals and humans once lived in harmony – it reminds us of the

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Executive Summary

Purpose of Report

- 1 This report has been prepared for the Bendigo Chapter of the Urban Development Institute of Australia (Victoria).
- 2 The purpose of the report is to provide an independent assessment of the supply of, and demand for, residential land in Bendigo. Ensuring an adequate pipeline of residential land is available to meet forecast demand, is important in minimising the risk of price spikes and an adverse impact on housing affordability. It is also noted that the residential construction industry represents a major source of employment in Bendigo.

Regional Growth Context

- 3 Bendigo is Regional Victoria's third largest urban area and plays an increasingly important role as a residential market.
- 4 Assessing Bendigo's residential market represents one of the more complex residential markets in regional Australia. The city's gold mining history, along with the area's topography and physical landscape, saw a development pattern emerge where significant land areas within or adjacent to established urban areas remained undeveloped or underdeveloped.
- 5 With a surge in Bendigo's growth since the mid 1990's, a significant amount of urban development has occurred within these undeveloped or underdeveloped areas, including Epsom, Jackass Flat and Kangaroo Flat. Much of that development has provided additional detached housing and, in many cases, the form of development resembles that of greenfields development. The surge in growth has resulted in residential development breaking clear of Bendigo's traditional forested urban area, with significant new developments occurring in Strathfieldsaye, Huntly, Maiden Gully and Marong.

Residential Demand Analysis

- 6 The implications of the COVID-19 pandemic have resulted in major shifts in how people work and their desire for regional and lifestyle living. Driven by digital connectivity, enhanced work flexibility and shifting lifestyle preferences, long-term historical trends in migration patterns appear to have altered, perhaps permanently.
- 7 Between 2016 and 2021, the population of the Bendigo Urban Area increased by +7,500 persons, from 97,160 persons to 104,660 persons, with growth remaining resilient over the period of the COVID-19 pandemic.
- 8 Official projections with an adjustment factor for COVID-19 impacts, anticipate a resident population in the Bendigo Urban Area of 134,380 by 2036, representing an increase of +29,720 persons from 2021. This equates to average growth of approximately +950 dwellings pa from 2021 to 2036.
- 9 Bendigo's new residential building approvals and vacant residential lot sales represents an active market, with building approvals averaging 830 pa and vacant lot sales averaging 740 sales pa over the period 2016 to 2021 (year ending December). However, the last 6-months of data to June 2022 indicates a significant drop-off in new residential building approvals, reflecting wider market trends in the first six months of 2022.
- 10 Vacant residential land median prices remained flat between Q1 2016 to Q2 2020 and have since accelerated rising to \$345,000 in Q2 2022 from \$152,000 in Q2 2020. Since Q2 2020, quarterly price growth has averaged +10.8% (or equivalently, +50.7% pa).
- 11 Three growth scenarios have been adopted to represent the demand for detached housing in the Bendigo Urban Area. These include:
 - **Scenario 1:** 744 dwelling per year to 2036
 - **Scenario 2:** 884 dwellings per year to 2036
 - **Scenario 3:** 1,000 dwelling per year to 2036

Residential Land Supply Analysis

- 12 The supply assessment undertaken in this report provides a measure of land supply from the perspective of a potential buyer of land. In this regard, it provides a 'live' snapshot of the residential land market, and therefore accounts for current market conditions.
- 13 The assessment breaks supply into several specific categories that allow a clear differentiation between short-term supply and future supply that, although identified for development, may be more difficult to deliver. Supply categories include:
- Active: refers to active residential estates with land available for sales
 - Zoned – Future: Land zoned for residential development that is considered likely
 - Zoned – Potential: Land zoned for residential development with potential for future development
 - Zoned – Unlikely: Land zoned for residential development, although due to identified constraints is unlikely to be developed
 - Potential – Rezoning Required: Land that is currently zoned in the RLZ or LDRZ with potential for additional supply if rezoned to a conventional residential zone.
 - Unzoned – Likely: Land that is not yet zoned for residential development, although development is considered likely in the future
 - Unzoned – Potential: Land that is not yet zoned for residential development, although has potential for future residential development
 - Unzoned – Unlikely: Land that is not yet zoned for residential development and is not considered developable due to constraints.
 - Special Purpose Residential: includes sites that are identified for example aged care/retirement accommodation
- 14 The assessment further breaks supply into two zone classifications, including:
- Conventional Density: development is conventional density (meaning lots are typically 450m² to 1,000m² in area) in nature and includes GRZ, RGZ, NRZ and CDZ, or is expected to accommodate these zones in the future.
 - Rural Residential: Rural residential land that includes LDRZ and RLZ or is expected to accommodate these zones in the future.
- 15 There are currently 16 active estates in the Bendigo Urban Area, with an estimated remaining supply of 2,220 lots. The majority (63.5%) of remaining active supply is located in Huntly (1,410 lots), with Strathfieldsaye (570 lots) also providing a significant source of supply. Remaining active supply (240 lots) is spread between Jackass Flat/Epsom, Maiden Gully, Marong and other established areas.
- 16 It should be noted this does not mean 2,220 lots are constructed and readily available for the construction of the dwelling. Rather, it means that as they are part of an actively trading estate, there is a reasonable expectation they can be provided to the market within a relatively short timeframe.
- 17 Total supply in the Bendigo Urban Area is estimated at 11,110 lots, including 6,180 lots located in zoned residential land (including active estates). A further opportunity exists for additional supply if (or when) LDRZ or RLZ land is rezoned in the future, with an additional 1,280 lots available if rezoning occurs. In terms of land not yet in a residential zone that is likely to, or has the potential to, be rezoned, an additional 3,290 lots are estimated.
- 18 It is estimated that in the Bendigo Urban Area, the majority of future supply will be conventional density (10,830 lots), with the remainder (180 lots) classified as rural residential.
- 19 The supply of land capable of accommodating detached dwelling in the Bendigo Urban Area is tested against the three demand scenarios for detached dwellings; Scenario 1 (744 lots pa), Scenario 2 (884 lots pa) and Scenario 3 (1,000 lots pa).
- 20 Under the three demand scenarios, the estimated remaining supply in active residential estates is adequate for a period ranging between 2.2 years and 3.0 years.
- 21 If zoned future supply is added to active residential estates, supply is adequate for a period of between 5.2 years and 7.0 years. This would require the full delivery of approximately 1,700 lots at Maiden Gully on land that is

already in the General Residential Zone. If zoned supply that has been classified as potential is further added, supply is adequate for a period of between 6.2 years to 8.3 years.

- 22 If land that is presently unzoned but is considered likely to be zoned in the future is added (this includes all land identified as future residential in the Marong Township Structure Plan Area), supply is adequate for a period of between 7.8 to 10.5 years. If land that is presently unzoned and is classified as potential is added (this includes land in the Maiden Gully Structure Plan Area), supply is adequate for a period of between 9.5 to 12.7 years.
- 23 If all other land (i.e., land in the LDRZ or RLZ that could be rezoned in the future, along with special purpose residential areas) is added, supply is adequate for a period of between 11.1 and 14.9 years.

Implications and Findings

- 24 Although the peak COVID-19 period now appears to have passed and some degree of normalisation appears to be occurring, there remains a view that a structural realignment of some sort has occurred in which regional living (on a permanent or shared basis) is likely to increase in the medium and long term.
- 25 From a local market perspective, this demand and supply assessment has identified the following key implications and findings:
- The full extent of Bendigo's established area (or infill) supply is challenging to measure, and the extent to which established area supply can be brought to market is unknown due to the wide range of constraints and development challenges involved in the development of many of these remnant areas of undeveloped or underutilised land.
 - Established area supply will ultimately be exhausted, with most established area supply opportunities not of significant scale. Ultimately, each established area opportunity will require significant effort for what may be a relatively limited addition to Bendigo's overall supply of residential supply.
 - There is a requirement for an efficient supply pipeline with estates of significant scale.
 - Bendigo's supply framework can be considered fragile. The amount of supply that can be described as certain to be available to the market within five to seven years appears to be relatively limited for an urban area of Bendigo's size.
 - There will be a need to ensure future growth areas are identified and advanced through the planning process. Importantly, future growth areas should be considered having regard for the need for different market needs.
- 26 The key outcome of a constrained residential land market, whether the constraint is caused by a surge in demand or limited supply (or both), is upward pressure on land prices.
- 27 The Bendigo market has already experienced a significant decline in affordability, with housing stress an increasingly prominent issue in Bendigo as a result of strong price growth over the last decade. The median house price relative to median household incomes has grown from 526% in 2016 to 745% in 2022 in the Bendigo Urban Area. Similarly, median vacant land prices relative to median household income have increased from 238% in 2016 to 390% in 2022.
- 28 With the Bendigo market becoming relatively less affordable, it is critical that a competitive land supply framework is maintained.

Introduction

Background

Greater Bendigo has experienced strong population growth over the past 20 years and growth is expected to continue in the future. Like many regional cities and towns, the city's growth during and since the COVID-19 pandemic, has further surged with residential lot sales and dwelling approvals particularly strong. The advent of 'working-from-home' practices in many workplaces appears likely to make regional living, particularly in a well-connected urban area like Bendigo, increasingly popular and realisable in the future.

In response to the city's ongoing growth, Greater Bendigo City Council (Council) is developing a new residential growth framework for the city. The Managed Growth Strategy is expected to provide guidance and direction for future growth over the next 30 years.

As part of its representations to Council and, potentially, as part of a formal submission to Council, UDIA Victoria's Bendigo Chapter has engaged Ethos Urban to undertake an independent residential land supply and demand assessment.

This Report

This report contains the following chapters:

- Chapter 1:** Local and Economic Planning Context
- Chapter 2:** Stakeholder Engagement Summary
- Chapter 3:** Residential Demand Assessment
- Chapter 4:** Residential Land Supply Assessment
- Chapter 5:** Other Relevant Matters
- Chapter 6:** Implications and Recommendations

1.0 Local, Planning and Economic Context

This Chapter provides an overview of Bendigo's location and urban history, the planning context around which future urban growth is likely to occur, and the city's socio-demographic profile.

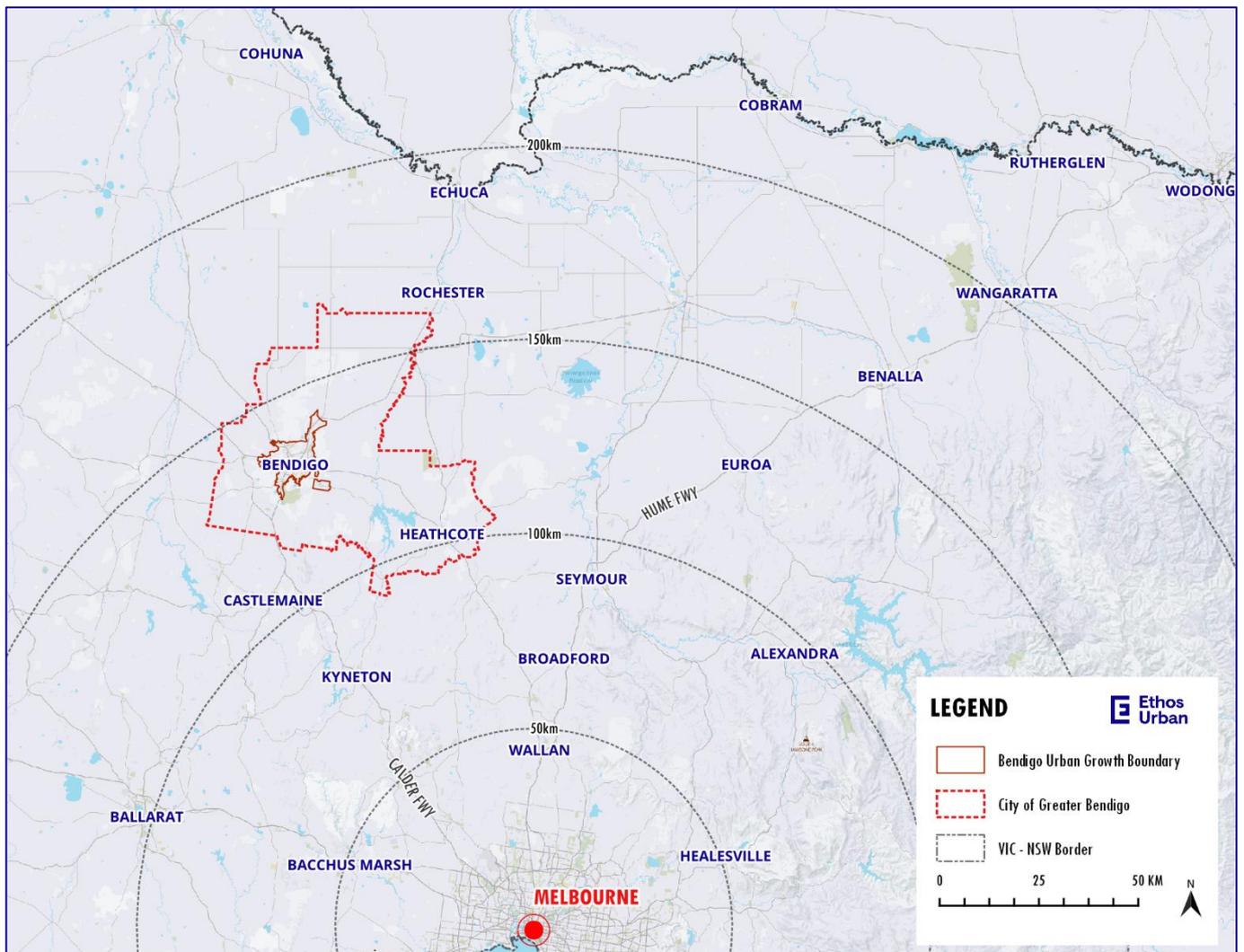
1.1 Bendigo Regional Growth Context

Bendigo is Victoria's fourth largest urban centre, after Greater Melbourne, Geelong and Ballarat. The Bendigo urban area is located within the City of Greater Bendigo, which incorporates a rural area and towns such as Elmore, Goornong and Heathcote. The City of Greater Bendigo and the urban area of Bendigo as defined by the city's Urban Growth Boundary is identified in Figure 1.1.

In this report, the local government area is referred to as Greater Bendigo or the City of Greater Bendigo, while the urban area is referred to as Bendigo or the Bendigo urban area.

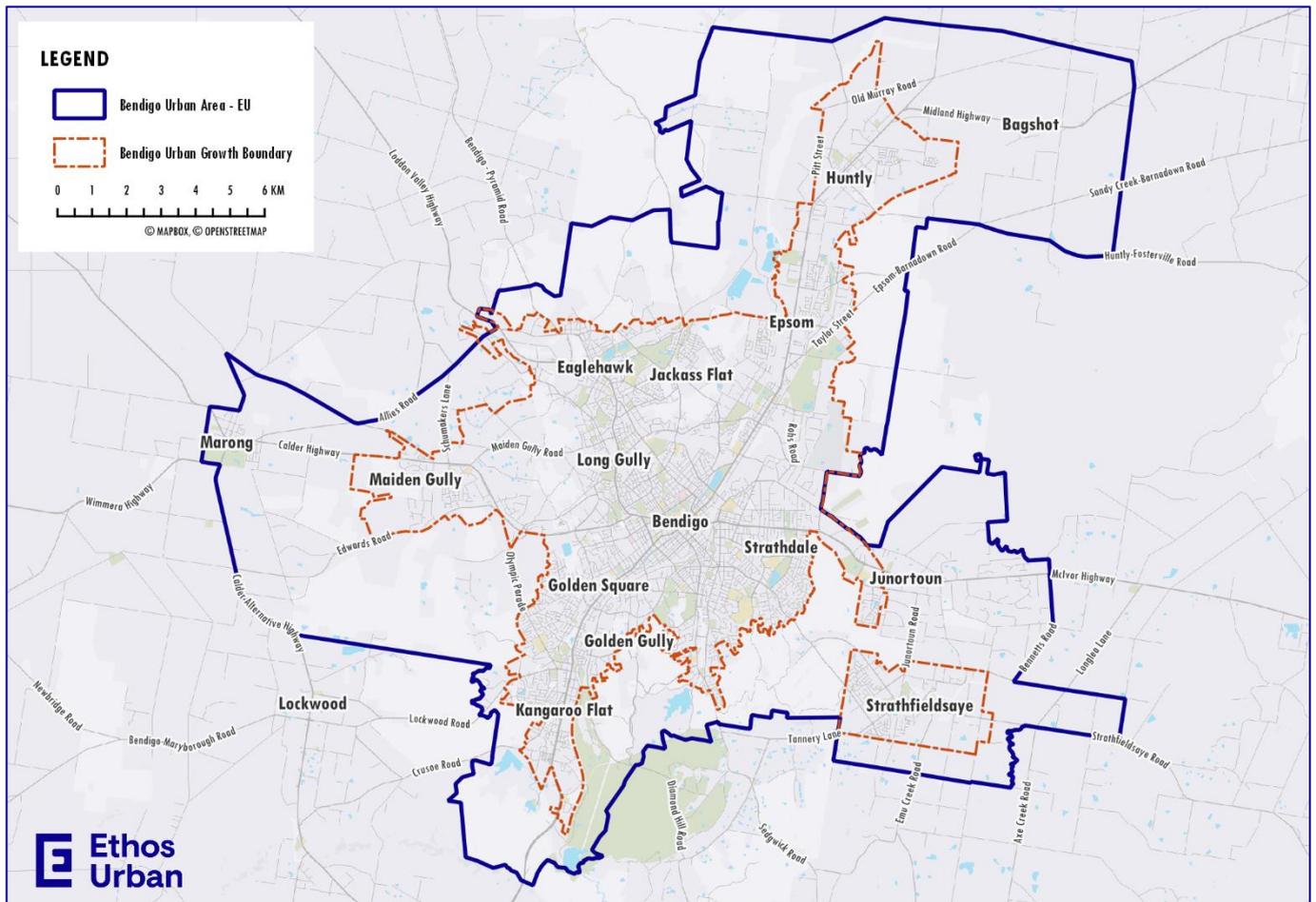
For the purposes of collecting data, including population and dwelling related statistics, as well as indicators such as building approvals, dwelling completions and lot sales, this report considers an area that is slightly larger than the area inside the Urban Growth Boundary. The data collection area is based on the aggregation of a number of SA2 statistical areas (as defined by the Australian Bureau of Statistics) and is identified at Figure 1.2. In general terms, the data collection area aligns with the Urban Growth Boundary but includes the satellite town of Marong, west of Bendigo.

Figure 1.1 Regional Context



Source: Ethos Urban

Figure 1.2 Local Context



Source: Ethos Urban

The modern history of Bendigo began in 1851 with the discovery of gold. There followed a period of extraordinary growth in which Bendigo became one of the most prominent cities in the Australian colonies. At the conclusion of the gold rush and the beginning of the 20th century, Bendigo entered a period of relatively modest growth.

Towards the end of the 20th century however, the city began to experience a new period of population growth and, in the period since, population and urban growth has surged. The reasons for Bendigo's resurgence since the mid-1990's include:

- Improved transport connections between Melbourne and Bendigo with the duplication of the Calder Highway to freeway standard, and improvements in rail services with increased frequency of services and improved travel times.
- At 152km distance by road from Melbourne, the city is considered sufficiently close to Melbourne to enable easy movement.
- Improved broadband and Wifi allowing a greater number of people to work remotely.
- Improved health infrastructure with significant investment in Bendigo Health's main Bendigo campus.
- A greater appreciation of Bendigo's historic built form legacy, which has attracted many people from a lifestyle perspective.
- The city's growing reputation as a centre for gourmet food and wine, including the region around Bendigo.
- Appreciation of the city's physical and natural landscapes.
- The city's emerging reputation as a centre for the arts.
- A growing and diverse economic base.

In some respects, a key reason for the city's strong growth over the past 25 years is simply that the city has reached a critical mass in term of population and supporting infrastructure such that it is now able to provide many of the institutional assets associated with a larger city, while retaining a medium-sized city persona. Also, Bendigo's distinctive

character which is largely generated through its outstanding 19th century architecture cannot be understated as a key reason for the city's recent and future growth prospects.

An assessment of Bendigo's residential market represents one of the more challenging supply assessments anywhere in regional Australia. The city's gold mining history, along with the area's topography and physical landscape, saw a development pattern emerge where significant land areas within or adjacent to established urban areas remained undeveloped or underdeveloped. Many of these areas appear to represent redevelopment opportunities, though many also face constraints or challenges to development that are likely to defer development for many years due to the costs involved in remediation, vegetation removal or other challenges. Similarly, challenges exist in potential growth areas due to vegetation and bushfire concerns.

Even so, with a surge in Bendigo's growth since the mid 1990's, a significant amount of urban development has occurred in these undeveloped or underdeveloped areas, including at Epsom, Jackass Flat and Kangaroo Flat. Much of that development has provided additional detached housing and, in most cases, the form of development resembles that of greenfields development. At the same time, significant new development has occurred in Bendigo's outer growth areas, including at Strathfieldsaye, Huntly, Maiden Gully and Marong.

1.2 Planning Context

Greater Bendigo City Council (Council) is presently working towards a new strategic policy framework for the city. The Managed Growth Strategy will provide a framework to guide the future growth of Greater Bendigo. A number of principles are set out to guide the development of the Managed Growth Strategy, including:

- Future housing must be in an area of low bushfire risk
- A range of different types of housing, including affordable housing, in well-serviced locations
- Environmentally Sustainable Design
- Future Development areas need to have access to utilities
- Development prioritised in areas that can be supported with cost effective utility connections and integrated water principles
- Access to shops and employment opportunities
- Avoid loss of habitat and native vegetation
- Buffer between industry and residential housing
- Any contaminated land remediated prior to use
- Water ways protected from residential impacts
- Recognition and Settlement Agreements that are in place with Traditional Owners need to be considered
- Levies, such as Development Contributions, need to be considered

The Managed Growth Strategy (MGS) is intended to provide a residential framework plan for growth over the next 30 years. This MGS will consider opportunities for growth within the existing urban area of Bendigo, as well as if and where the Urban Growth boundary should be changed. Upon its finalisation, the MGS will replace the City's existing Residential Strategy which is now six years old.

As part of the MGS consultation process, Council released a Draft Issues and Opportunities Paper (DIOP) in early 2022. The DIOP includes, at Chapter 5, information relating to recent and future population and dwelling growth. In relation to future population growth and dwelling requirements to meet that growth, a number of scenarios are explored including the Victoria In Future 2019 projections, id forecasts (undertaken for Council), along with population growth scenarios of 1.2% per annum, 1.6% per annum, 2.0% per annum and 2.4% per annum.

Each scenario is based on a municipal growth outcome (ie the City of Greater Bendigo) and provides an annual dwelling requirement as follows:

- VIF2019: 1,071 dwellings per annum between 2021 and 2036
- Id forecasts: 880 dwellings per annum between 2021 and 2036
- 1.2% population growth rate: 607 dwellings per annum between 2021 and 2051
- 1.6% population growth rate: 1,062 dwellings per annum between 2021 and 2051

- 2.0% population growth rate: 1,431 dwellings per annum between 2021 and 2051
- 2.4% population growth rate: 1,835 dwellings per annum between 2021 and 2051

The DIOP notes that (page 24):

Maintaining a balanced level of land supply for competing land uses in the appropriate locations is a key challenge. Not enough land will place upward pressure on land prices. Having too many growth fronts presents challenges in terms of infrastructure and service provision.

Since 2004, an Urban Growth Boundary (UGB) and the following residential growth framework has shaped residential development in Greater Bendigo:

1. *Urban Containment – making use of undeveloped (zoned) land*
2. *Core Development – increased densities in and around the City Centre, Hospital Precinct and University*
3. *Transit Oriented Development – increased densities along transit corridors*
4. *Greenfield – the staged release of land at Jackass Flat, Huntly, Strathfieldsaye and Maiden Gully*
5. *Satellite township – growth in Marong*

This has been implemented over time through the development of local structure plans. Housing outside of the Urban Growth Boundary has been actively discouraged since 2004 apart from in townships such as Marong.

The DIOP provides data in relation to dwelling construction (page 25) noting that “over the five years from 2015 to 2020, greenfield development accounted for 45% of all new housing (including in Marong) and infill development accounted for 39%, with the remainder in small towns and rural communities”.

In relation to demographic change, and the supply and demand of residential land, the DIOP provides a summary of key Issues and Implications (page 27). These include:

- *An increase in smaller households over time, as well as an increase in dwelling sizes.*
- *An increase in the proportion of older residents will likely impact on the services and facilities needed, particularly in certain areas.*
- *Growth has predominantly been driven in the past by residents moving to Greater Bendigo from surrounding shires due to the services and facilities on offer, but more recently there has been an increase in Melbourne residents migrating to the municipality.*
- *There are many factors which may impact on population growth over the longer term which is why a variety of growth scenarios have been outlined in this paper. While the rate of growth may change, we do need to plan for continued growth and better understand what the implications of this will be on infrastructure, the environment, the economy and the community.*

The DIOP concludes that Greater Bendigo will need at least 900 dwellings to be constructed each year to keep up with current demand.

1.3 Urban Development Program (2021)

The Victorian Government’s Urban Development Program (UDP), which measures the supply and demand of residential and industrial land in Greater Melbourne and select regional centres, provided an update of residential supply and demand for Bendigo (urban area) at 30 June 2021. The key findings include:

- There are between 16 and 19 years of zoned greenfield supply in Bendigo. With the addition of land identified to be rezoned, there are between 26 and 30 years of total land supply.
- These estimates of the number of years of supply are based on the average rate of lots released over a longer-term time period (between January 2018 and June 2021) and a shorter-term time period (between January 2020 and June 2021).
- Greenfield land is made up larger lots commonly referred to as englobo land supply. It is classified as either:
 - Unzoned future residential land; or;
 - Zoned future residential land.

At end of June 2021 there were an estimated 6,650 retail lots of unzoned and zoned englobo greenfield land. There were also enough potential major residential infill sites for an estimated 1,394 retail lots. Major infill is not included in the greenfield years of supply calculation.

The UDP provides an estimate of greenfields lot supply by key growth area (Table 1.1).

Table 1.1: Estimated Retail Lot Supply, Urban Development Program (Bendigo – June 2021)

| Town/Area | Development Type | Unzoned | Zoned | Proposed | Total Supply |
|-------------------------|------------------|--------------|--------------|------------|---------------|
| Huntly/Bagshot | Greenfield | 477 | 1,737 | 176 | 2,390 |
| Maiden Gully | Greenfield | 1,200 | 1,936 | 0 | 3,136 |
| Marong | Greenfield | 1,948 | 211 | 49 | 2,208 |
| Strathfieldsaye | Greenfield | 534 | 1,286 | 156 | 1,976 |
| Remainder | Greenfield | 0 | 875 | 224 | 1,099 |
| Greenfield Total | | 4,159 | 6,045 | 605 | 10,809 |
| All | Major Infill | 0 | 1,218 | 176 | 1,394 |
| Total | | 4,159 | 7,263 | 781 | 12,203 |

Source: Urban Development Program, 2021 (Department of Environment, Land, Water and Planning)

Based on the UDP analysis, the supply of zoned greenfield land is adequate for between 16 and 19 years, while total supply (zoned and unzoned land) is sufficient for between 26 and 30 years. This implies that the demand for greenfield land is in the order of 380 and 450 lots per annum (if the supply figure excludes the major infill supply) or 410 to 470 lots per annum (if the supply figure includes the major infill supply).

It is the position of this assessment, that the approach taken in the UDP underestimates underlying strength of greenfield demand and, therefore, overstates the adequacy of greenfield land stocks. The demand assumptions and approach adopted in this report are set out in subsequent sections.

1.4 Socio-demographic Profile

A summary of socio-demographic characteristics for Bendigo is set out in Table 1.2 and Figure 1.3. Bendigo is defined as the area that extends to Huntly in the north, Strathfieldsaye in the east, Big Hill in the south and Marong in the west and captures all major residential growth areas.

The following highlights the main findings for Bendigo in 2021 are as follows:

- **Higher median household incomes.** Median household incomes in Bendigo (\$76,050) are higher than Regional Victoria (\$72,730), although income remains significantly lower than households in Greater Melbourne (\$100,020). The same trend applies for median individual income.
- **Younger age structure.** Bendigo (38.9 years) median age is below Regional Victoria (42.8 years), although it remains higher than Greater Melbourne. Persons aged 20-34 years comprise a higher share of the population in Bendigo (19.9%) compared to Regional Victoria (16.9%). Bendigo also has a higher share of individuals aged between 0-19 than Regional Victoria.
- **Predominately Australian Born.** Residents born in Australia comprise 90.8% of Bendigo's population, compared to 88.2% in Regional Victoria. The main countries of origin for overseas-born residents in Bendigo are India (1.2%), Myanmar (0.8%), Thailand (0.7%) and Philippines (0.6%).
- **Varied household composition.** Bendigo's household composition broadly aligns with that of Regional Victoria. Couple families with no children (26.3%) and with children (26.9%) comprise over half of all households in Bendigo, with other major types including one parent families (12.9%) and lone person households (29.5%).
- **Detached housing forms the majority of housing stock.** Approximately 90.8% of all private occupied dwellings are detached houses in Bendigo, broadly consistent with trends for Regional Victoria (90.2%).
- **Higher levels of renters.** Bendigo has a high share of households renting (29.8%) relative to Regional Victoria (23.6%). Households that are owners, are slightly more likely to have a mortgage (35.5%) than own outright (33.7%) in Bendigo.

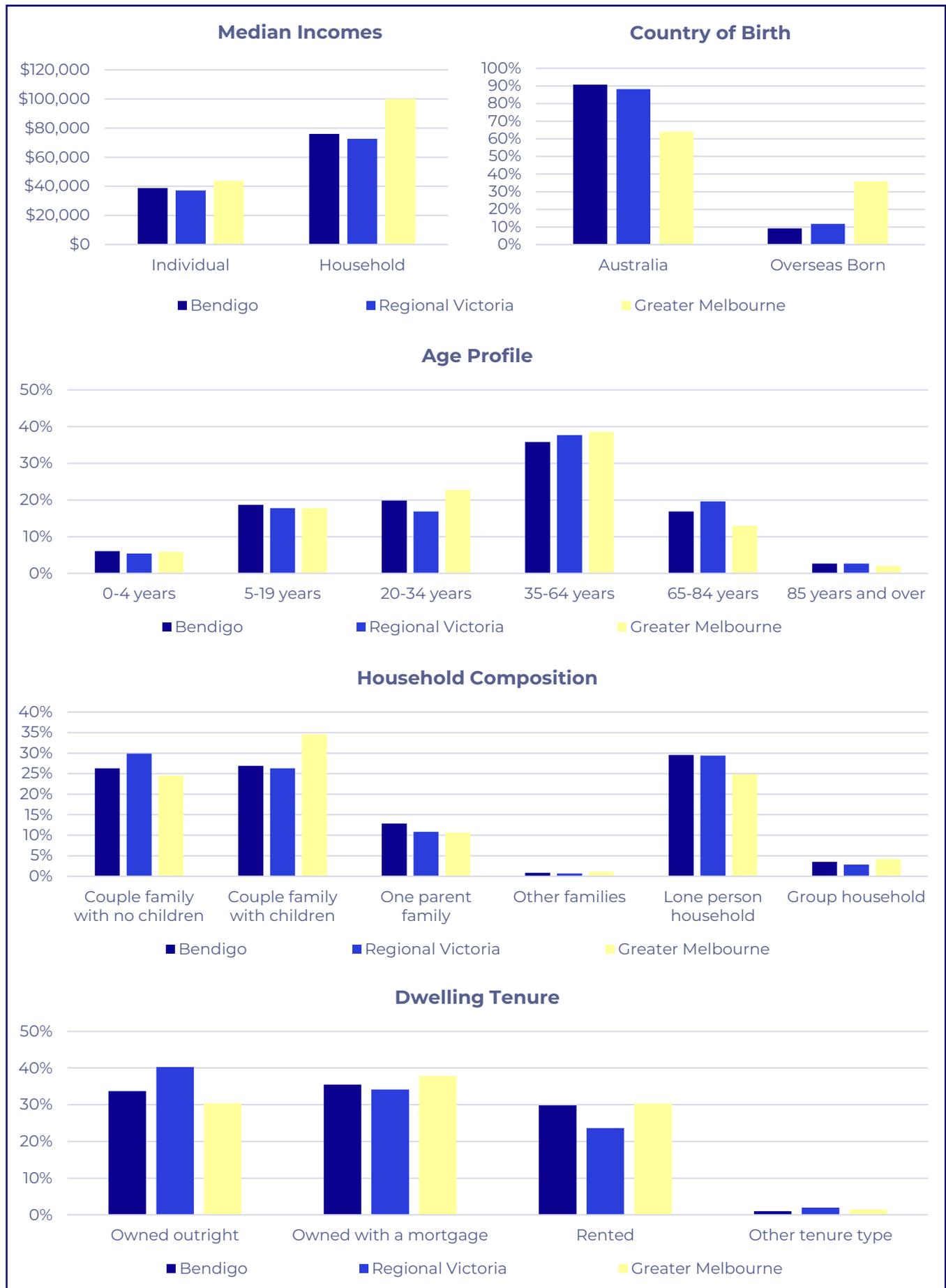
Table 1.2 Socio-demographic Profile, 2021

| Category | Bendigo | Regional Victoria | Greater Melbourne |
|---|----------------|--------------------------|--------------------------|
| <u>Income</u> | | | |
| Median individual income (annual) | \$38,880 | \$37,160 | \$43,800 |
| <i>Variation from Greater Melbourne median</i> | -11.2% | -15.2% | n.a. |
| Median household income (annual) | \$76,050 | \$72,730 | \$100,020 |
| <i>Variation from Greater Melbourne median</i> | -24.0% | -27.3% | n.a. |
| <u>Age Structure</u> | | | |
| 0-4 years | 6.1% | 5.4% | 5.9% |
| 5-19 years | 18.7% | 17.8% | 17.8% |
| 20-34 years | 19.9% | 16.9% | 22.7% |
| 35-64 years | 35.8% | 37.7% | 38.5% |
| 65-84 years | 16.8% | 19.6% | 13.0% |
| 85 years and over | 2.7% | 2.7% | 2.0% |
| Median Age (years) | 38.9 | 42.8 | 37.1 |
| <u>Country of Birth</u> | | | |
| Australia | 90.8% | 88.2% | 64.1% |
| Other Major English Speaking Countries | 3.0% | 4.9% | 6.4% |
| Other Overseas Born | 6.3% | 6.9% | 29.5% |
| <i>% speak English only at home</i> | 93.0% | 93.0% | 64.7% |
| <u>Household Composition</u> | | | |
| <i>Couple family with no children</i> | 26.3% | 29.9% | 24.5% |
| <u><i>Couple family with children</i></u> | <u>26.9%</u> | <u>26.3%</u> | <u>34.6%</u> |
| Couple family - Total | 53.2% | 56.2% | 59.2% |
| One parent family | 12.9% | 10.8% | 10.6% |
| Other families | 0.9% | 0.7% | 1.1% |
| Family households - Total | 66.9% | 67.7% | 70.9% |
| Lone person household | 29.5% | 29.4% | 24.8% |
| Group household | 3.5% | 2.9% | 4.2% |
| <u>Dwelling Structure (Occupied Private Dwellings)</u> | | | |
| Separate house | 90.8% | 90.2% | 68.0% |
| Semi-detached, row or terrace house, townhouse etc. | 8.0% | 7.2% | 16.2% |
| Flat, unit or apartment | 1.0% | 1.9% | 15.6% |
| Other dwelling | 0.2% | 0.7% | 0.3% |
| <i>Occupancy rate</i> | 93.1% | 86.0% | 90.0% |
| Average household size | 2.4 | 2.4 | 2.6 |
| <u>Tenure Type (Occupied Private Dwellings)</u> | | | |
| Owned outright | 33.7% | 40.3% | 30.4% |
| Owned with a mortgage | 35.5% | 34.1% | 37.8% |
| Rented | 29.8% | 23.6% | 30.3% |
| Other tenure type | 1.0% | 2.0% | 1.5% |
| <u>Housing Costs</u> | | | |
| Median monthly mortgage repayment | \$1,429 | \$1,443 | \$2,046 |
| <i>Variation from Greater Melbourne median</i> | -30.1% | -29.5% | n.a. |
| Median mortgage as a share of median household income | 22.6% | 23.8% | 24.5% |
| Median weekly rents | \$298 | \$289 | \$400 |
| <i>Variation from Greater Melbourne median</i> | -25.4% | -27.6% | n.a. |
| Median rent as a share of median household income | 20.4% | 20.7% | 20.8% |

Source: ABS Census of Population and Housing, 2021; Ethos Urban

Note: Interpretation of small area data from the 2021 ABS Census should consider potential outcomes from the COVID-19 pandemic

Figure 1.3 Socio-demographic Profile, 2021



Source: ABS Census of Population and Housing, 2021; Ethos Urban

2.0 Residential Demand Assessment

This chapter considers the demand for residential dwellings in Bendigo. It provides an overview of the current market context, and particularly the impact of the COVID-19 pandemic, before reviewing existing forecasts and projections of Bendigo population growth and dwelling requirements. Finally, current indicators, including residential building approvals and recent lot sales, are considered.

In this chapter, Bendigo is defined as the area that extends to Huntly in the north, Strathfieldsaye in the east, Big Hill in the south and Marong in the west, capturing all major residential growth fronts in the region and extends beyond the defined Bendigo urban growth boundary.

2.1 Market Context

COVID-19 Impacts

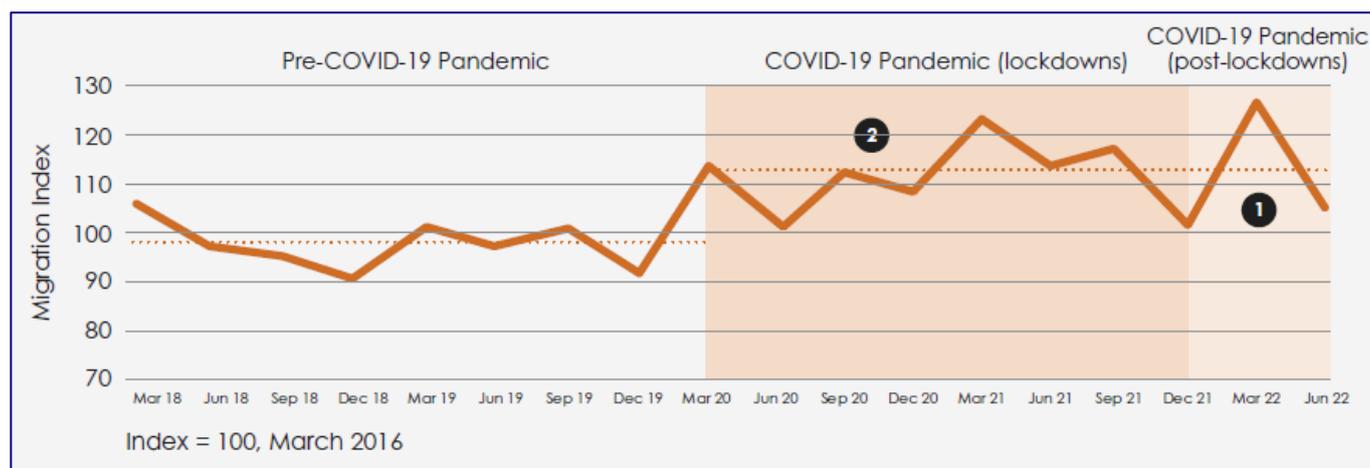
The COVID-19 pandemic had a significant impact on the Australian economy and more specifically the residential property market. After an initial general decline in dwelling prices in early 2020, the market saw a boom in certain segments, contrary to initial expectations. Inner-city markets saw declines in prices, rents, and population, while city-fringe and regional areas saw prices rise sharply.

Underpinning this movement is the new working from home paradigm. A shift in the balance of utility has emerged, with higher value placed on space, green amenities, and affordability, while the value of proximity to the workplace and lower commute times has fallen. A 2022 international survey found Australian workers were working an average 1.97 days a week from home.

The investments in infrastructure made by businesses to accommodate working from home, and worker's strong preference for flexibility are expected to preserve the new working from home paradigm to some extent as a structural change to the economy. Accordingly, in general terms, demand for city-fringe and regional living is expected continue to exceed historical averages.

Recent research released by the Commonwealth Bank, which tracks the movement of its customers from Australia's cities to regional areas, illustrates the net impact of the pandemic on regional areas, as shown in Figure 3.1.

Figure 2.1 Regional Movers Index – Population Flows from Cities to Regional Areas



Source: CBA, Regional Movers Index, June 2022

Economic Context and Interest Rate Outlook

Across the national economy recessionary pressures are building on both the supply and demand components of economic activity. In the residential market context, the purchasing power of home buyers and investors across Australia is declining, as a result of:

- Rising inflation driven by:

- Global economy supply shocks in the energy, fuel, manufacturing and food markets, geo-political tensions and the Russia-Ukraine conflict.
- Domestic supply shocks as a result of natural disasters (flooding in NSW and QLD).
- Wage growth that has not kept pace with inflation.
- Responding to rising inflation, the Reserve Bank of Australia (RBA) has lifted the target cash rate from a record low of 0.10% in March 2022 to 2.35% as at September 2022, with further increases expected over the next 12-months.

For Bendigo, these impacts are likely to be mitigated to some extent by:

- Increased household savings over the COVID-19 period.
- Shift in housing preferences as a result of COVID-19 and working from home.
- Federal Government commitment to resuming international migration.

2.2 Recent Population Growth

In 2021, Bendigo had a resident population of approximately 105,110 persons. From 2006 to 2021, the population increased by +23,560 persons, representing an average growth of approximately +1,570 persons per annum (pa) or +1.7% pa.

Over the same period, the City of Greater Bendigo grew a total of +26,640 persons to 121,220 persons in 2021. The growth of the urban area of Bendigo accounted for 88.4% of total population growth in the municipality.

The COVID-19 pandemic has played a transformational role in cities and regions across Australia, where long-term historical trends in migration patterns appear to have altered, perhaps permanently. Buoyed by strong levels of internal migration, particularly from Greater Melbourne, population growth in Regional Victoria was more consistent with historic trends, while Greater Melbourne suffered the largest population decline in Australia (refer Figure 3.1).

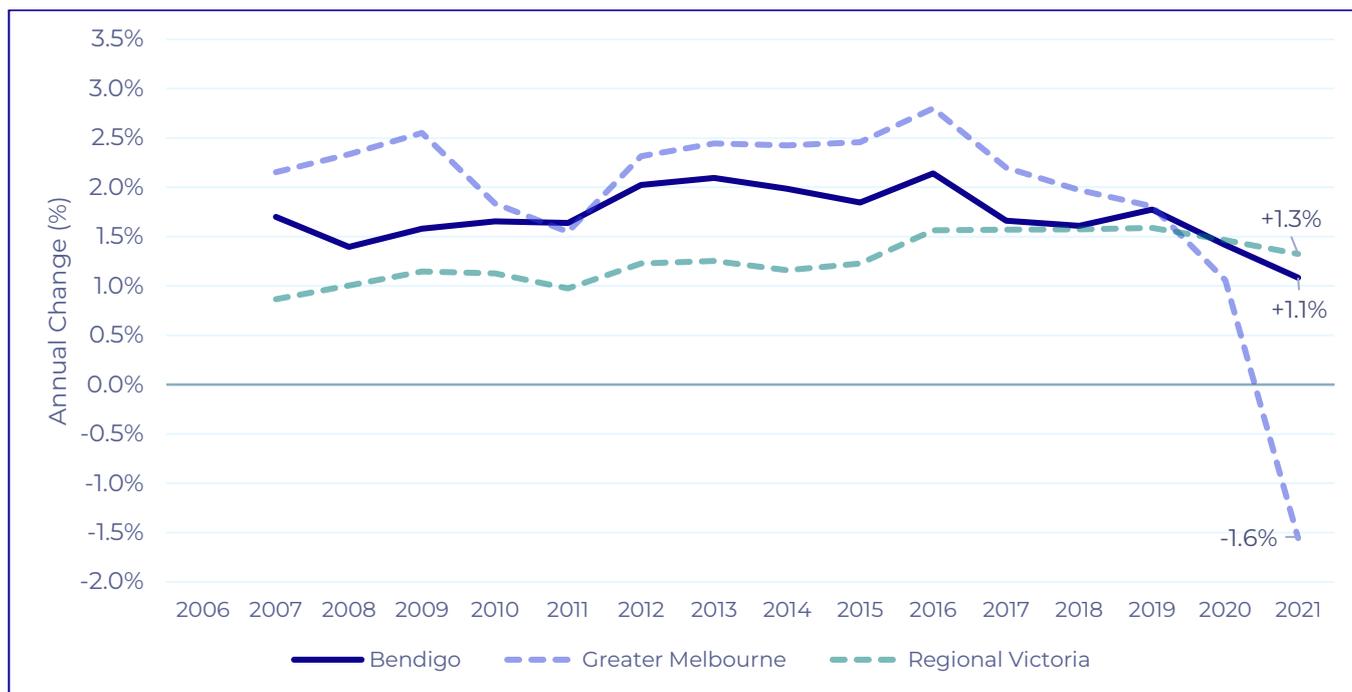
Population growth in Bendigo followed a similar pattern to Regional Victoria. Between July 2020 and June 2021, Bendigo's population increased by +1,130 persons, or +1.1%, which is lower than previous growth rates since 2016, but very strong in the context of national growth in an environment where immigration was virtually zero. In the same period, Regional Victoria's annual growth was +1.3%, down from +1.5% between 2016 and 2020.

Table 2.1 *Historic Population Growth, Bendigo*

| Category | 2006 | 2011 | 2016 | 2020 | 2021 | 2006 - 2021 |
|----------------------------|--------|---------|---------|---------|---------|-------------|
| Population (no.) | | | | | | |
| Bendigo | 81,550 | 87,960 | 97,160 | 103,550 | 104,660 | +23,110 |
| Greater Bendigo | 94,580 | 102,000 | 112,270 | 119,750 | 121,220 | +26,640 |
| Annual Growth (no.) | | | | | | |
| Bendigo | | +1,280 | +1,840 | +1,600 | +1,110 | +1,540 |
| Greater Bendigo | | +1,480 | +2,050 | +1,870 | +1,470 | +1,780 |
| Annual Growth (%) | | | | | | |
| Bendigo | | +1.5% | +2.0% | +1.6% | +1.1% | +1.7% |
| Greater Bendigo | | +1.5% | +1.9% | +1.6% | +1.2% | +1.7% |
| <i>Regional Victoria</i> | | +1.0% | +1.3% | +1.5% | +1.3% | +1.3% |
| <i>Greater Melbourne</i> | | +2.1% | +2.5% | +1.8% | -1.6% | +1.9% |

Source: ABS Estimated Residential Population; Ethos Urban

Figure 2.2 Annual Population Growth Rate (%)



Source: ABS Estimated Residential Population; Ethos Urban

2.3 Projected Population and Dwelling Growth

Population

Population forecasts to 2036 use a range of sources including ABS data, Victoria in Future (VIF) 2019 projections, .id consulting projections (year) and other investigations undertaken by the consultant.

The Victorian Budget 2022/23 assumes that the flow of migrants to Victoria will increase gradually over the course of 2022 and reach pre-pandemic levels by 2023-24. Accordingly, by around 2023/24 it is expected that Victoria's population growth will normalise. Adjustments based on the latest Centre for Population forecasts for Regional Victoria have been applied to allow for the short-term impacts on population growth of the COVID-19 pandemic.

On this basis, it has been assumed that population growth in Bendigo will normalise by 2024, and at that time reflect the growth rate previously envisaged in Victoria in Future 2019 (VIF2019). These assumptions have also been applied to the City of Greater Bendigo. .id Consulting forecasts have only been applied to the City of Greater Bendigo for the purposes of comparability.

The above assumptions therefore anticipate a resident population in Bendigo of 134,380 persons by 2036, representing an increase of +29,720 persons from 2021. This equates to average growth of +1,980 persons pa or +1.7% pa from 2021 to 2036.

Over the same period, the City of Greater Bendigo is projected to increase by an average of +2,110 persons pa, or +1.6% under VIF2019 assumptions. Comparatively, projections from .id Consulting suggests that the municipality will support a higher population by 2036, by +470 persons, growing at +2,140 persons pa.

Under the VIF2019 scenario, Bendigo is estimated to account for 93.8% of total population growth in the municipality.

Dwellings

In terms of the number of dwellings required to support projected/forecast population growth, the rebased VIF2019 projections (Table 3.2) estimated that, on average, +950 dwellings per year will be required to accommodate population growth in the Bendigo Urban Area over the 2021 to 2036 period.

Implied dwelling demand for the City of Greater Bendigo ranges from approximately +800 dwellings pa (.id) to +990 dwellings pa (VIF2019) over the 15 years to 2036. Differences in household size assumptions between VIF2019 and .id is the main factor driving the variation in dwelling forecasts.

The VIF2019 projections represent the official projections of future population and dwelling growth but were undertaken prior to the COVID19 pandemic. It is therefore also appropriate to consider more recent growth indicators that reflect growth during the past 2-3 years to ensure that the potential post-COVID19 environment is taken into consideration.

Table 2.2 Projected and Forecast Population and Dwelling Growth, 2021 to 2036

| Category | 2021 | 2026 | 2031 | 2036 | 2021 - 2036 |
|-------------------------------|---------|---------|---------|---------|-------------|
| Population | | | | | |
| Bendigo Urban Area | 104,660 | 114,860 | 124,760 | 134,380 | +29,720 |
| City of Greater Bendigo - VIF | 121,220 | 132,140 | 142,680 | 152,920 | +31,700 |
| City of Greater Bendigo - .id | 121,220 | 132,260 | 142,860 | 153,390 | +32,170 |
| Annual Growth | | | | | |
| Bendigo Urban Area | | +2,040 | +1,980 | +1,920 | +1,980 |
| City of Greater Bendigo - VIF | | +2,180 | +2,110 | +2,050 | +2,110 |
| City of Greater Bendigo - .id | | +2,210 | +2,120 | +2,110 | +2,140 |
| Dwelling Forecast | | | | | |
| Bendigo Urban Area | 46,760 | 51,430 | 56,200 | 61,020 | +14,260 |
| City of Greater Bendigo - VIF | 54,550 | 59,060 | 64,250 | 69,380 | +14,830 |
| City of Greater Bendigo - .id | 54,550 | 57,870 | 62,210 | 66,590 | +12,040 |
| Annual Growth | | | | | |
| Bendigo Urban Area | | +934 | +954 | +964 | +950 |
| City of Greater Bendigo - VIF | | +902 | +1,038 | +1,026 | +990 |
| City of Greater Bendigo - .id | | +664 | +868 | +876 | +800 |

Source: Ethos Urban; ABS Estimated Resident Population; VIF2019; .id Consulting

2.4 Future Growth Indicators

Although recent population growth can provide a useful guide as to what may occur in the future, a range of factors drive future growth and the impacts can often result in future growth being significantly different to what has occurred in the past, including the recent past. Similarly, previously prepared forecasts and projections can often be overtaken by events. Factors that can influence demand trends include:

- The overall state of the economy;
- The scale and focus of net overseas migration;
- Changes and trends in net interstate and intrastate migration;
- The extent to which a specific area represents a popular or emerging market;
- The competitiveness of a residential market compared to alternative markets; and
- The availability of adequate greenfield residential land supply or urban consolidation opportunities to satisfy the demand for housing.

The final point is critical. If a city, town, or a specific growth front is experiencing strong demand, that demand can only be satisfied provided an adequate supply pipeline is available to accommodate additional dwellings.

If sufficient supply is not available, significant upward pressure on prices is likely to occur and, in time, the city, town or growth front, may lose its competitiveness as the market seeks alternative locations.

In considering the immediate outlook for future population and dwelling growth in Bendigo, it is appropriate to look at leading indicators including lot sales, building approvals, price trends, and recent development trends.

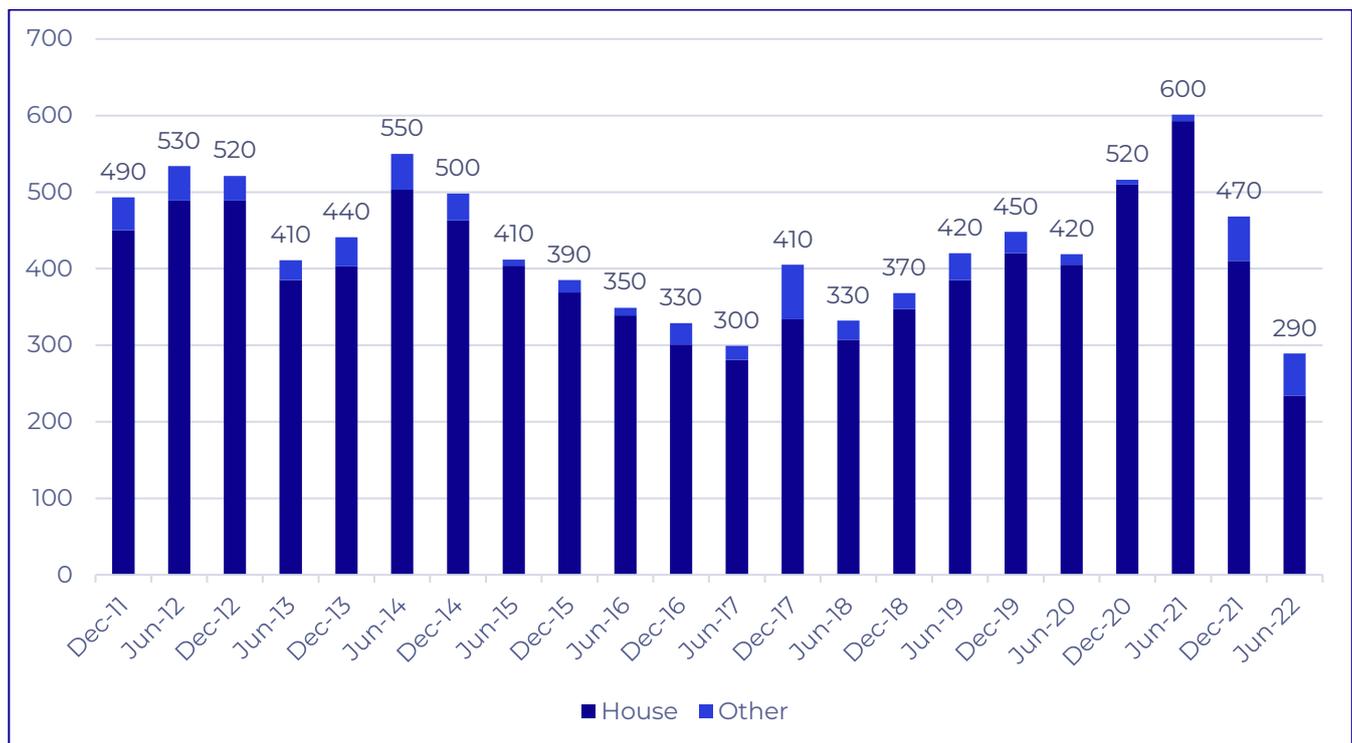
2.4.1 Building approvals

New dwelling approvals provide an indication of the level of demand and supply of housing in an area, although it is important to note that not all approvals transition through to completion. The trends in approval data, however, provide a broad understanding of the scale and cycle of the market (Figure 3.3).

From 2011 to 2022 (year ending June), Bendigo averaged 870 new residential building approvals pa, of which, 93.0% were houses and 7.0% were 'other residential buildings' (eg. townhouse/apartments).

Bendigo experienced a strong period of demand between Dec-11 to Dec-14, averaging 490 dwellings every six-months, before dropping to a low of 300 dwellings in Jun-17. In the period since, residential building approvals have trended upwards peaking at 600 dwellings in the six months to Jun-21. However, the last 6-months of data to June 2022 indicates a significant drop-off in new residential building approvals, reflecting wider market trends in the first six months of 2022.

Figure 2.3 Half Yearly New Residential Building Approvals, Bendigo



Source: ABS, Building Approvals; Ethos Urban

2.4.2 Lot sales

Vacant residential lot sales are not a direct representation of dwelling demand for the following reasons:

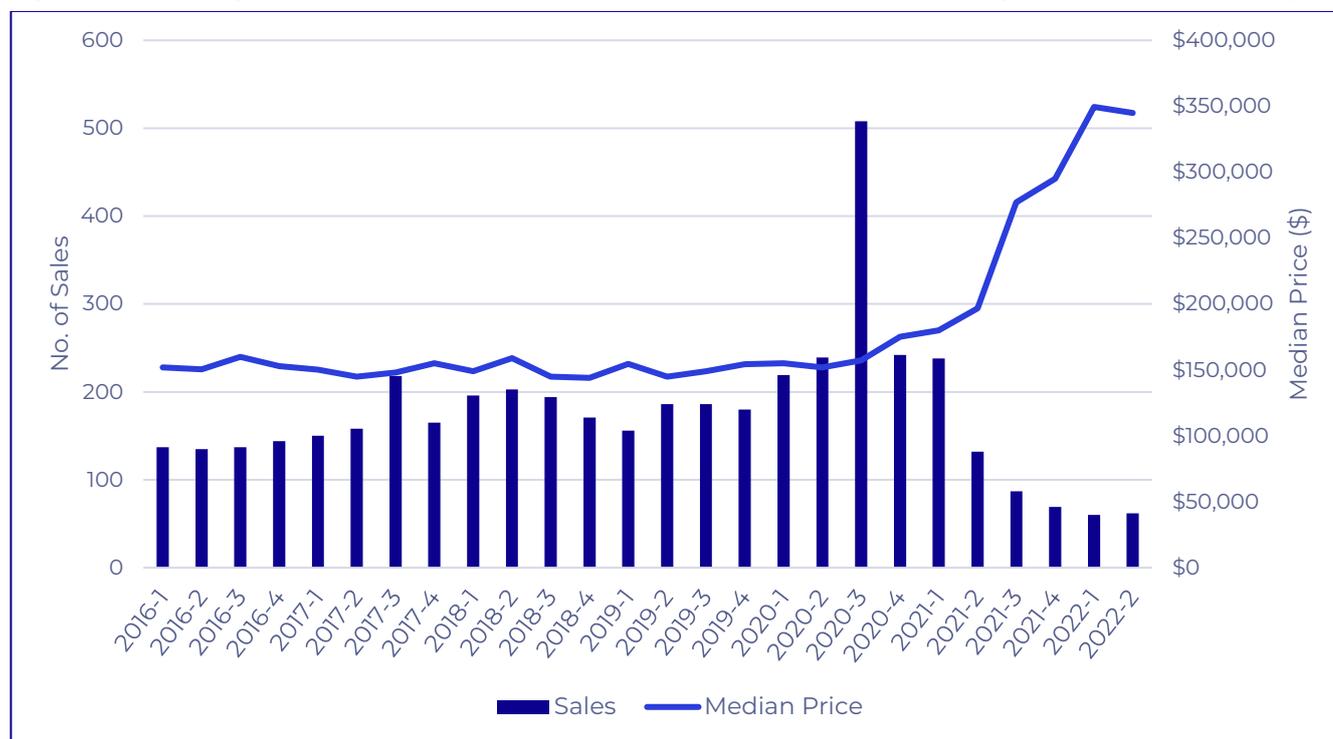
- Not all sales are the first sale of a lot
- Not all sales will lead to the immediate construction of a dwelling
- Sales data for the most recent 12 to 24 months can be inaccurate.
- Sales data is generally sourced from the State's Valuer-General's Office, which records sales at settlement. Settlement of new vacant residential lots can be up to 12 to 24 months after the sale date, once construction of the lot is completed and title has been released).

Notwithstanding these limitations, vacant lot sales provide an indication of activity levels in the residential land market and a broad, indicative understanding of new dwelling demand in an area.

Bendigo's vacant residential lot sales represents an active market averaging 780 sales pa over the period 2016 to 2020. Since 2021 lot sales appear to have fallen significantly, averaging 80 sales since the start of Q2 2021, although it is difficult to interpret this trend.

Vacant residential land median prices trended upwards between Q1 2016 to Q2 2020 but have since accelerated rising to \$345,000 in Q2 2022 from \$152,000 in Q2 2020. Since Q2 2020, quarterly price growth has averaged +10.8% (or equivalently, +50.7% pa).

Figure 2.4 Bendigo Residential Vacant Lot Sales and Median Price, 2016 to 2021 (by Calendar Year Quarter)



Source: Pricerfinder; Ethos Urban

2.4.3 Building completions

Small area building completions data is only available from the ABS for the years 2016 to 2019. The data represents actual completions and a real measure of new dwelling demand.

Between 2016 and 2019, Bendigo averaged 720 new dwelling completions pa, peaking in 2019 with 790 dwellings completed.

Bendigo's new dwelling market is dominated by detached dwellings (houses), representing 92.6% of completions over the 2016 to 2019 period with the balance for semi-detached and apartments 7.1% and 0.3%, respectively.

Table 2.3 Bendigo, Dwelling Completions, 2016 to 2019

| Category | 2016 | 2017 | 2018 | 2019 |
|--|------------|------------|------------|------------|
| Houses | 718 | 609 | 605 | 732 |
| Semi-detached, row or terrace houses, townhouses | 32 | 55 | 55 | 62 |
| Flats units or apartments | 3 | 5 | 2 | 0 |
| Total | 752 | 670 | 662 | 794 |

Source: ABS, Building Activity

2.5 Forecast Housing Demand

Three growth scenarios have been adopted to represent the demand for detached housing in the Bendigo Urban Area, and to test the implications of varying the influence of the different factors impacting the residential market.

- **Scenario 1: 744 dwelling per year to 2036**
- **Scenario 2: 884 dwellings per year to 2036**
- **Scenario 3: 1,000 dwelling per year to 2036**

The scenarios have regard for official forecasts and projections (ie. id forecast and VIF2019) but also factor in indicators such as building approvals and lot sales.

Scenario 1 (744 dwellings per year) is based on an annual dwelling required of 800 dwellings in the Bendigo Urban Area. A further discount of 7% has been applied representing higher density dwelling such as apartments and townhouses. Scenario 1 equates to a municipal dwelling requirement of 833 dwellings per annum, and, in that regard, sits between the VIF and id municipal-wide dwelling growth scenarios set out at page 23 of the DIOP.

Scenario 2 (884 dwellings per year) is based on an annual dwelling requirement of 950 dwelling in the Bendigo Urban Area. A further discount of 7% has been applied representing higher density dwelling such as apartments and townhouses. Scenario 2 equates to a municipal dwelling requirement of 990 dwellings per annum, and, in that regard, sits between the 1.6% population growth and the VIF scenarios set out at page 23 of the DIOP.

Scenario 3 (1,000 dwellings per year) is based on a requirement for 1,000 detached dwellings per year in the Bendigo Urban Area. This equates to a municipal wide dwelling requirement of 1,120 dwellings per year. Scenario 3 sits between the VIF scenario and the 2.0% population growth scenario set out at page 23 of the DIOP.

It is important to emphasise that the demand scenarios used in this report represent demand for detached dwellings in the Bendigo Urban Area. Detached dwellings may be accommodated in growth area locations such as Huntly, Strathfieldsaye and elsewhere, or they may be accommodated in established areas such as Kangaroo Flat, Epsom or elsewhere.

3.0 Residential Land Supply Assessment

This chapter considers the availability of residential land supply in Bendigo, focussing on the greenfield residential market.

3.1 Approach to Residential Supply Assessment

In many assessments of residential land supply, the approach to measuring supply is based on a count of the potential residential lots on which a dwelling may be constructed. Supply is measured in terms of actual and future residential lots. Actual lots refer to residential lots on which a dwelling could be constructed in the short term. Future supply is based on calculating the potential lot yield likely to be derived from a yet to be developed parcel of land.

This assessment takes a different approach and provides a measure of unsold lot supply. It does not count lots (constructed or not) that have been sold. The supply assessment provides a measure of land supply in Bendigo from the perspective of a potential buyer of land who, presumably, will subsequently progress towards the construction of a dwelling. In this regard, it provides an almost 'live' snapshot of the residential land market and therefore accounts for current market conditions.

The assessment breaks supply into several specific categories that allow a clear differentiation between short-term supply and future supply that, although identified for development, may be more difficult to deliver. Supply categories are defined in table 3.1.

The assessment considers all land inside the Urban Growth Boundary, as well as land in the Marong Township Structure Plan area. The identification of land parcels and their categorisation has been undertaken by the consultation, in conjunction with a selection of Bendigo-based UDIA members who provided direct knowledge of many sites.

3.2 Qualifications and Assumptions

The following assumptions and qualifications are relevant in terms of the supply assessment:

- The assessment of potential yield is based on stakeholder input (UDIA members), publicly available development plans. Where no direct knowledge of landowner intentions was available, assumptions relating to potential constraints were made and a calculation of the number of potential lots was made based on typical lot sizes in recent developments in the surrounding area.
- The supply assessment does not represent a capacity assessment in relation to potential inner-city development. No assessment of the long-term potential for higher density development in the city centre or key activity centres has been undertaken.
- Rather, the key focus has been to identify sites capable of accommodating additional detached housing, or sites that may be able to accommodate a mix of detached and semi-detached housing.
- It is acknowledged that the Bendigo Urban Area contains a vast number of sites (potentially in the hundreds) in the established areas of Bendigo that could potentially accommodate additional dwellings. Effort has been made to identify key sites, and sites on which some knowledge was available (from, for example, UDIA members) but the volume of sites that are theoretically capable of accommodating new or additional dwellings is significant. This issue is discussed further in Chapter 4 of this report.
- Due to constraints such as land fragmentation, bushfire hazards, land contamination, planning buffers, mine shafts and tailings, along with costs associated with cultural heritage and native vegetation, many sites that may look suitable for residential development are unserviceable or considered undevelopable. Where it has been determined that this is the case, such sites have been identified as unlikely (whether they are zoned or unzoned) and no future yield has been recorded against these sites.
- In the report, some future supply in the Jackass Flat/Epsom area has been categorised as growth area development (see Figure 4.2). This is because these areas have determined to exhibit strong growth area characteristics and there is a critical mass of estates that have either been recently completed or are in active development.

Table 3.1 Supply Classification Table

| Status Classification | Definition |
|--------------------------------|---|
| Status Classification | |
| Active | Active residential estates with land available for sale |
| Zoned - Future | Zoned for residential development - Development considered likely in the future (Including where part of land parcel is considered developable) |
| Zoned - Potential | Zoned for residential development – Potential for development in the future (Including where part of land parcel is considered developable) |
| Zoned - Unlikely | Zoned for residential development – Development considered unlikely due to constraints, difficulty of development or other factors |
| Potential - Rezoning Required | Currently in RLZ or LDRZ with potential for additional supply if rezoned to a conventional residential zone |
| Unzoned - Likely | Not yet zoned for residential development – Development considered likely in the future (Including where part of land parcel is considered developable) |
| Unzoned - Potential | Not yet zoned for residential development – Potential for development in the future (Including where part of land parcel is considered developable) |
| Unzoned - Unlikely | Not yet zoned for residential development - Development considered unlikely due to constraints, difficulty of development or other factors |
| Special Purpose Residential | Includes (for example) aged care/retirement accommodation |
| Location Classification | |
| Huntly | Includes the 2021 Huntly and Bagshot Suburbs and Localities SAL statistical boundaries |
| Jackass Flat / Epsom | Includes the 2021 Ascot, Epsom and Jackass Flat SAL statistical boundaries |
| Maiden Gully | Includes the 2021 Maiden Gully SAL statistical boundaries |
| Marong | Includes the 2021 Marong SAL statistical boundaries |
| Strathfieldsaye | Includes the 2021 Strathfieldsaye SAL statistical boundaries |
| Established Areas | Refers to the 2021 SAL statistical boundaries that reflect established urban areas in Bendigo |
| Location Type | |
| Growth Area | Located in identifiable growth area and/or where greenfields-type development is of some scale and represents the primary development type |
| Established Area | Located in an established urban area where development could be detached housing or medium/higher density housing |
| Zone Classification | |
| Conventional Density | Development is conventional density in nature and includes GRZ, RGZ, NRZ and CDZ, or is expected to accommodate these zones in the future |
| Rural Residential | Rural residential land that includes LDRZ and RLZ, or is expected to accommodate these zones in the future |

Source: Ethos Urban

3.3 Residential Land Supply Framework

Active Greenfield Estates

There are currently 16 active estates in the Bendigo Urban Area, including four in Huntly, three in Jackass Flat/Epsom, three in Strathfieldsaye, two in Maiden Gully, two in Marong and two in the Established Areas. The following analysis examines the remaining capacity in these active estates.

The 16 active estates have a total capacity of approximately 4,500 lots (Table 3.2), of which 2,290 lots have been sold, and 2,220 lots remain available. It should be noted that this does not indicate that 2,220 lots are constructed and readily available for the construction of the dwelling. Rather, it means that as they are part of an actively trading estate, there is a reasonable expectation they can be provided to the market within a relatively short-term timeframe.

The majority (63.5%) of remaining active supply is located in Huntly (1,410 lots), with Strathfieldsaye (570 lots) also providing a significant source of supply. Remaining active supply (240 lots) is spread between Jackass Flat/Epsom, Maiden Gully, Marong and other established areas.

Table 3.2 Active Greenfield Estates, Bendigo Urban Area, as at July 2022

| Location | Estimated Total Lot Capacity | Estimated No. of Lots Sold | No. of Lots Remaining | Capacity Remaining |
|--------------------------|------------------------------|----------------------------|-----------------------|--------------------|
| Huntly | 2,680 | 1,270 | 1,410 | 52.6% |
| Jackass Flat / Epsom | 320 | 210 | 120 | 37.5% |
| Maiden Gully | 40 | 20 | 20 | 50.0% |
| Marong | 310 | 260 | 50 | 16.1% |
| Strathfieldsaye | 1,050 | 480 | 570 | 54.3% |
| <u>Established Areas</u> | <u>100</u> | <u>50</u> | <u>50</u> | <u>50.0%</u> |
| Total | 4,500 | 2,290 | 2,220 | 49.3% |

Source: Ethos Urban

Total Residential Land Supply

Total supply in the Bendigo Urban Area is estimated at 11,110 lots (Table 3.3), including 6,180 (or 56.1%) lots located in zoned residential land (including Active estates). Over half of the zoned supply is in Huntly (2,110 lots) and Maiden Gully (1,700 lots), while Strathfieldsaye (1,020 lots), Established Areas (870 lots), Jackass Flat/Epsom (350 lots) and Marong (130 lots) contribute to the remainder.

A further opportunity exists for additional supply if (or when) LDRZ or RLZ land is rezoned in the future. It is estimated that an additional 1,280 lots could be provided if rezoning occurs, with the majority of lots in Strathfieldsaye (570 lots) and Huntly (490 lots).

In terms of land not yet in a residential zone that is likely to, or has the potential to, be rezoned, approximately 95.7% is located in Maiden Gully and Marong. Future residential areas identified in the Marong Township Structure Plan are estimated to support approximately 1,650 lots, while the area within the Maiden Gully Structure Plan Area that is not already in the General Residential Zone, is estimated to support approximately 1,500 lots. This estimate is based on consultation with UDIA and is informed by an understanding of the complexities involved in the development of the area, including potential landscape and bushfire constraints along with fragmented ownership patterns. It is considered possible that this yield may be lower still, and the development timeframe is considered uncertain.

Special Purpose Residential includes aged care and retirement living that are currently active has an estimated supply of 350 lots.

It is estimated that in the Bendigo Urban Area, the majority of future supply will be conventional density (10,920 lots), with the remainder (180 lots) classified as rural residential (Figure 3.4).

Table 3.3 Total Residential Supply, by Status Classification and Region

| Location | Active | Zoned - Future | Zoned - Potential | Unzoned - Likely | Unzoned - Potential | Potential - Rezoning Required | Special Purpose Residential | Total |
|--------------------------|--------------|----------------|-------------------|------------------|---------------------|-------------------------------|-----------------------------|---------------|
| Huntly | 1,410 | 540 | 160 | 0 | 0 | 490 | 0 | 2,600 |
| Jackass Flat / Epsom | 120 | 170 | 70 | 0 | 30 | 0 | 150 | 540 |
| Maiden Gully | 20 | 1,670 | 0 | 0 | 1,500 | 0 | 0 | 3,190 |
| Marong | 50 | 0 | 80 | 1,650 | 0 | 60 | 0 | 1,840 |
| Strathfieldsaye | 570 | 420 | 30 | 0 | 0 | 570 | 210 | 1,800 |
| <u>Established Areas</u> | <u>50</u> | <u>180</u> | <u>640</u> | <u>0</u> | <u>110</u> | <u>160</u> | <u>0</u> | <u>1,140</u> |
| Total | 2,220 | 2,980 | 980 | 1,650 | 1,640 | 1,280 | 350 | 11,110 |

Source: Ethos Urban

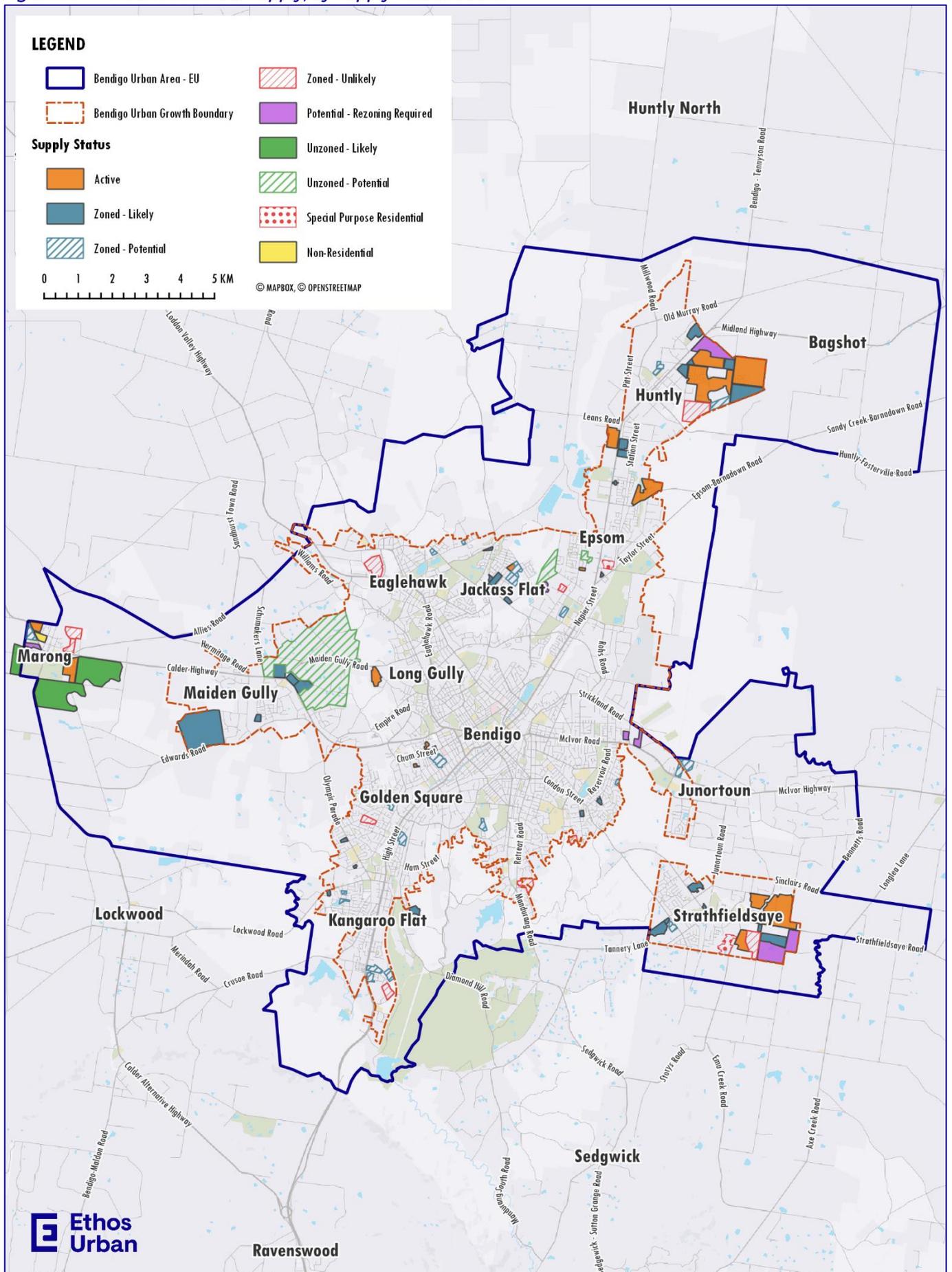
Table 3.4 Total Residential Supply, by Zone Classification and Region

| Location | Conventional Residential | Rural Residential | Total |
|--------------------------|--------------------------|-------------------|---------------|
| Huntly | 2,520 | 80 | 2,600 |
| Jackass Flat / Epsom | 510 | 20 | 530 |
| Maiden Gully | 3,180 | 10 | 3,200 |
| Marong | 1,830 | 0 | 1,830 |
| Strathfieldsaye | 1,800 | 0 | 1,800 |
| <u>Established Areas</u> | <u>1,080</u> | <u>70</u> | <u>1,060</u> |
| Total | 10,920 | 180 | 11,100 |

Source: Ethos Urban

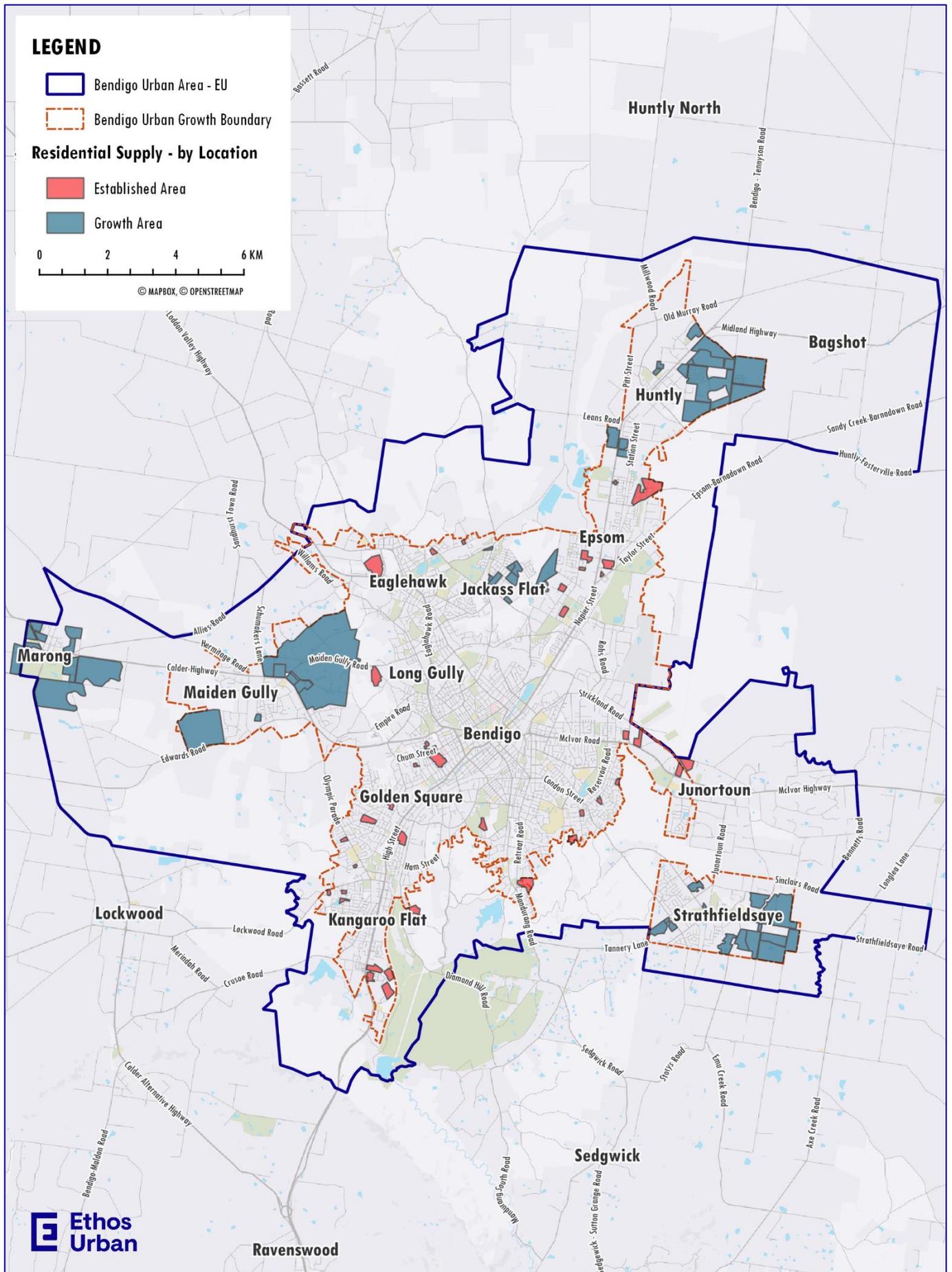
Note: Established Area yields are based on the subdivisional pattern of recent development in the surrounding area. Where the surrounding area includes smaller lot subdivision, these densities have been adopted.

Figure 3.1 Total Residential Supply, by Supply Classification



Source: Ethos Urban

Figure 3.2 Total Residential Supply, by Location Type



Source: Ethos Urban

3.4 Adequacy of Residential Land Supply

The adequacy of land supply is calculated by dividing supply by forecast average annual. The result is expressed in terms of the years of supply.

The supply of land capable of accommodating detached dwelling in the Bendigo Urban Area is tested against the three demand scenarios for detached dwellings outlined in Section 2.5 of this report; Scenario 1 (744 lots pa), Scenario 2 (884 lots pa) and Scenario 3 (1,000 lots pa).

The results are outlined in Table 5.5 and can be summarised as follows:

- Under the three demand scenarios, the estimated remaining supply in active residential estates is adequate for a period ranging between 2.2 years and 3.0 years (Table 3.5).
- If zoned future supply is added to active residential estates, supply is adequate for a period of between 5.2 years and 7.0 years. This would require the full delivery of approximately 1,700 lots at Maiden Gully on land that is already in the General Residential Zone.
- If zoned supply that has been classified as potential is further added, supply is adequate for a period of between 6.2 years to 8.3 years.
- If land that is presently unzoned but is considered likely to be zoned in the future is added (this includes all land identified as future residential in the Marong Township Structure Plan Area), supply is adequate for a period of between 7.8 to 10.5 years.
- If land that is presently unzoned and is classified as potential is added (this includes land in the Maiden Gully Structure Plan Area), supply is adequate for a period of between 9.5 to 12.7 years.
- If all other land (ie. land in the LDRZ or RLZ that could be rezoned in the future, along with special purpose residential areas) is added, supply is adequate for a period of between 11.1 and 14.9 years.

The timeline at which unsold land in active estates is fully consumed is illustrated in Figure 3.3. Supply in active estates is fully consumed by July 2025 under Scenario 1, February 2025 under Scenario 2, and October 2024 under Scenario 3.

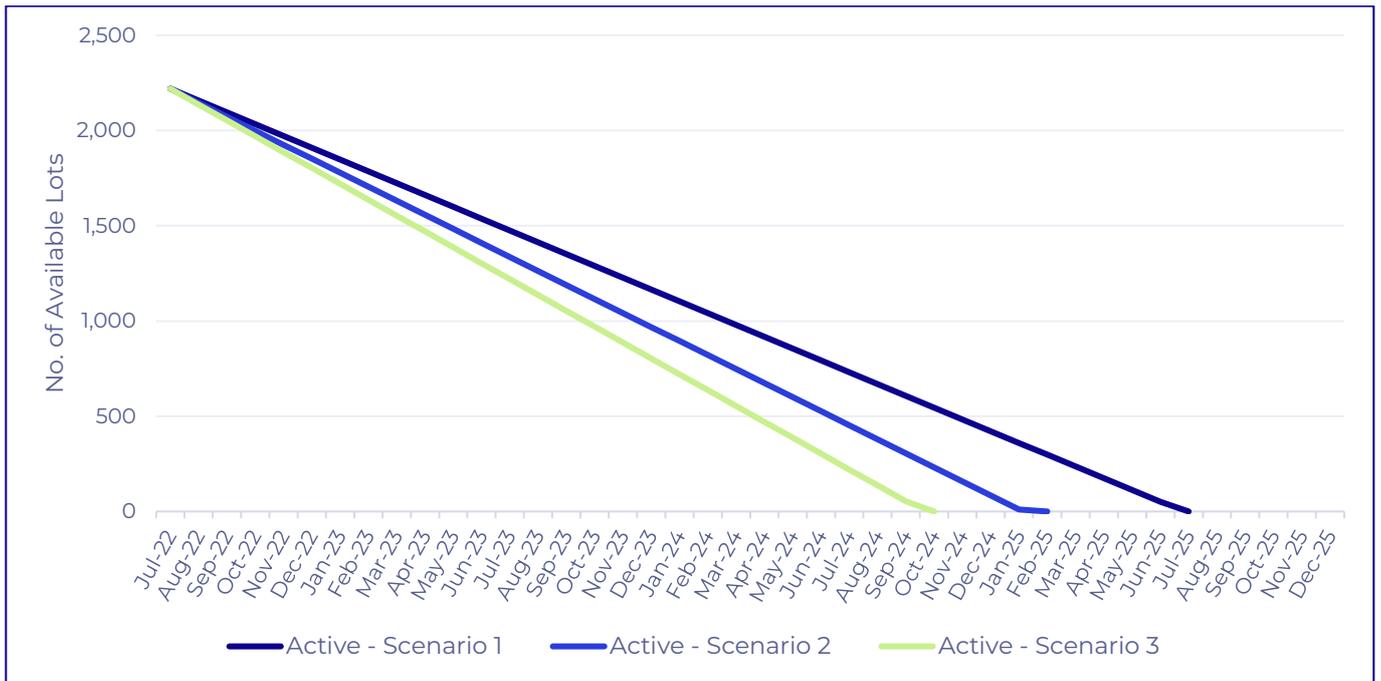
Figures 3.4 to 3.7 illustrate the exhaustion rates for other supply layers as set out in Table 3.5.

Table 3.5 Years of Remaining Available Supply, as at July 2022

| | Total Supply | Years of Remaining Supply | | |
|--|---------------|------------------------------------|------------------------------------|--------------------------------------|
| | | Demand Scenario 1 (744 Lots pa) | Demand Scenario 2 (884 Lots pa) | Demand Scenario 3 (1,000 Lots pa) |
| Active | 2,220 | 3.0 | 2.5 | 2.2 |
| Active + Zoned Future Supply | 5,200 | 7.0 | 5.9 | 5.2 |
| Active + Total Zoned Supply | 6,180 | 8.3 | 7.0 | 6.2 |
| Active + Total Zoned + Unzoned Likely | 7,830 | 10.5 | 8.9 | 7.8 |
| <u>Active + Total Zoned + Total Unzoned Supply</u> | <u>9,470</u> | <u>12.7</u> | <u>10.7</u> | <u>9.5</u> |
| Total Supply | 11,110 | 14.9 | 12.6 | 11.1 |

Source: Ethos Urban

Figure 3.3 Exhaustion Rates of Active Residential Supply



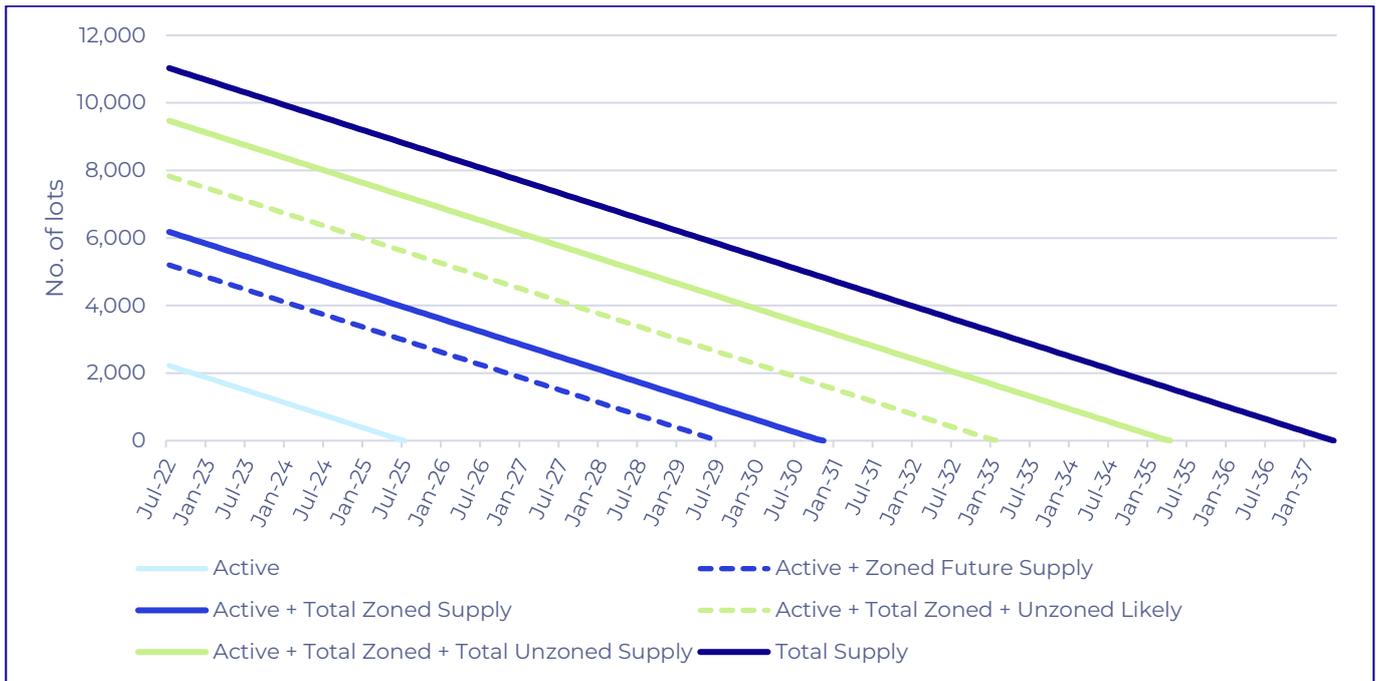
Source: Ethos Urban

Figure 3.4 Exhaustion Rates of Total Future Residential Supply



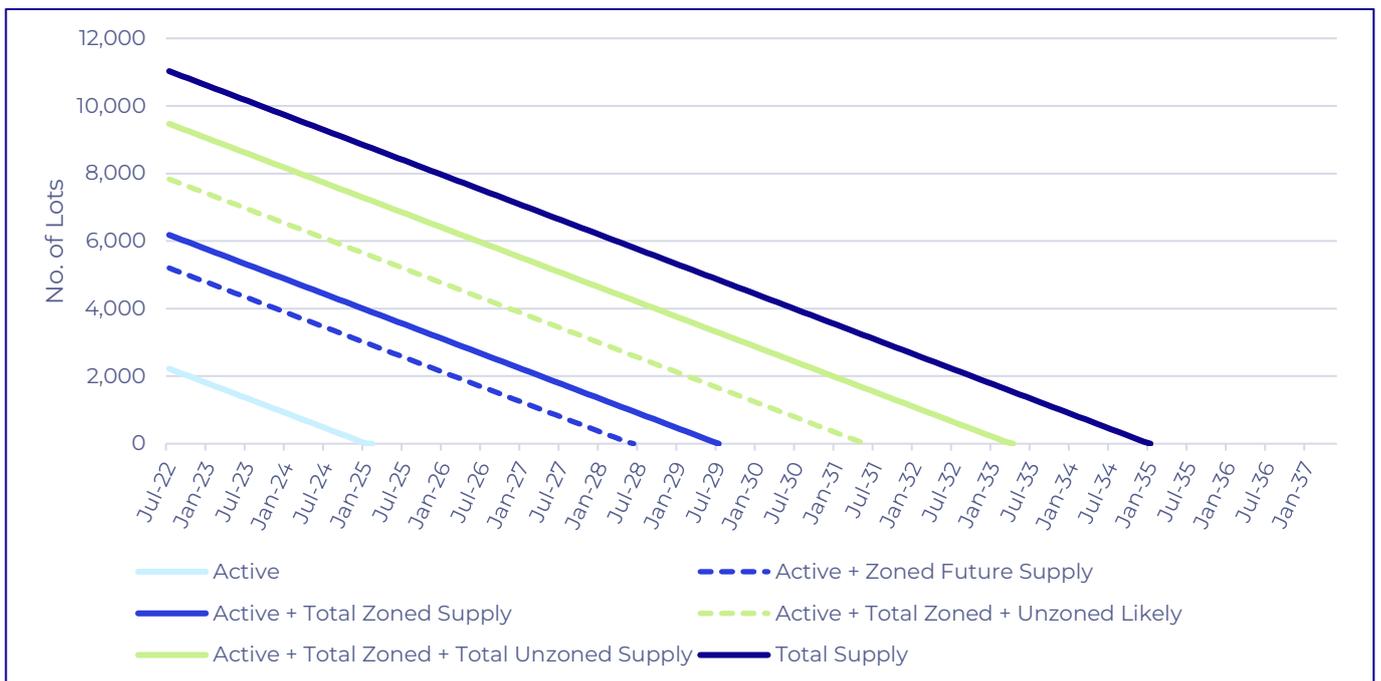
Source: Ethos Urban

Figure 3.5 Exhaustion Rates of Residential Land Supply, Scenario 1



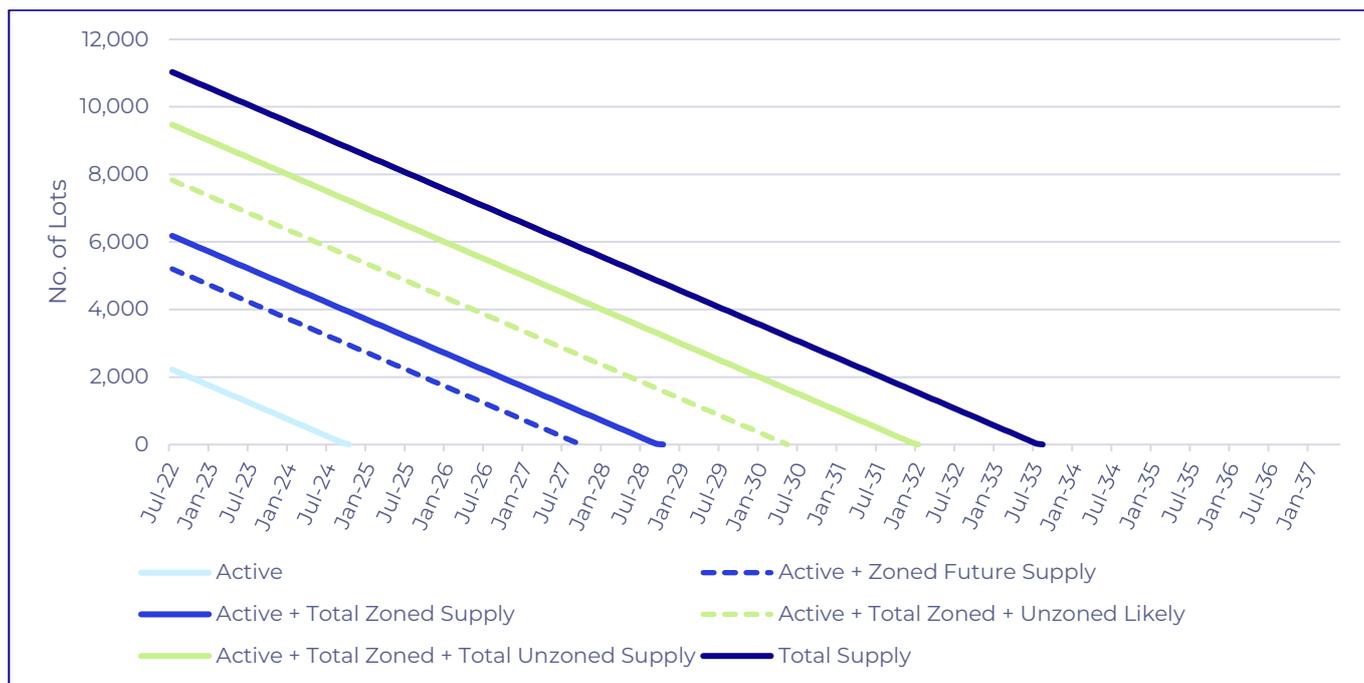
Source: Ethos Urban

Figure 3.6 Exhaustion Rates of Residential Land Supply, Scenario 2



Source: Ethos Urban

Figure 3.7 Exhaustion Rates of Residential Land Supply, Scenario 3



Source: Ethos Urban

3.5 Comparison with Other Regional Cities

A constrained land supply situation, particularly in the short term, is not unique to Bendigo. The two most comparable and relevant comparisons are Geelong and Ballarat.

Median prices for vacant land and houses are also provided for the municipalities of Greater Bendigo, Greater Geelong and Ballarat in figure 3.8.

Greater Geelong

An assessment of land supply in Greater Geelong was undertaken by Ethos Urban for the UDIA in 2021. The key findings included:

- Active greenfield estates numbered 29, including 10 in the Bellarine Peninsula area, 13 in Armstrong Creek, four in Lara, and two in Urban Geelong.
- In 2021, active greenfield estates provided a total of approximately 22,300 residential lots of which just 8,650 lots remained unsold. It was noted that this does not mean 8,650 lots were constructed and readily available for the construction of the dwelling. Rather, it meant that as they are part of an actively trading estate, there is a reasonable expectation they could be provided to the market within a relatively short timeframe.
- Estimated remaining supply in active greenfield estates was tested against two demand scenarios; Scenario 1 (3,050 lots per annum) and Scenario 2 (3,750 lots per annum).
- Based on Demand Scenario 1, the remaining supply in active greenfields estates would be exhausted in 2.8 years.
- Under Scenario 2, the remaining supply in active greenfields estates would be exhausted in 2.3 years.

It was concluded that short term supply of residential land in Greater Geelong was severely constrained.

A key difference in the Greater Geelong market and that of the Bendigo market relates to identified future growth areas. In Geelong, two major growth areas, the Western Geelong Growth Area and the Northern Geelong Growth Area, will provide for more than 40,000 lots. The growth areas represent major masterplanned greenfield opportunities where major residential estates will provide supply at a scale that can provide a significant element of the city's overall supply needs going forward.

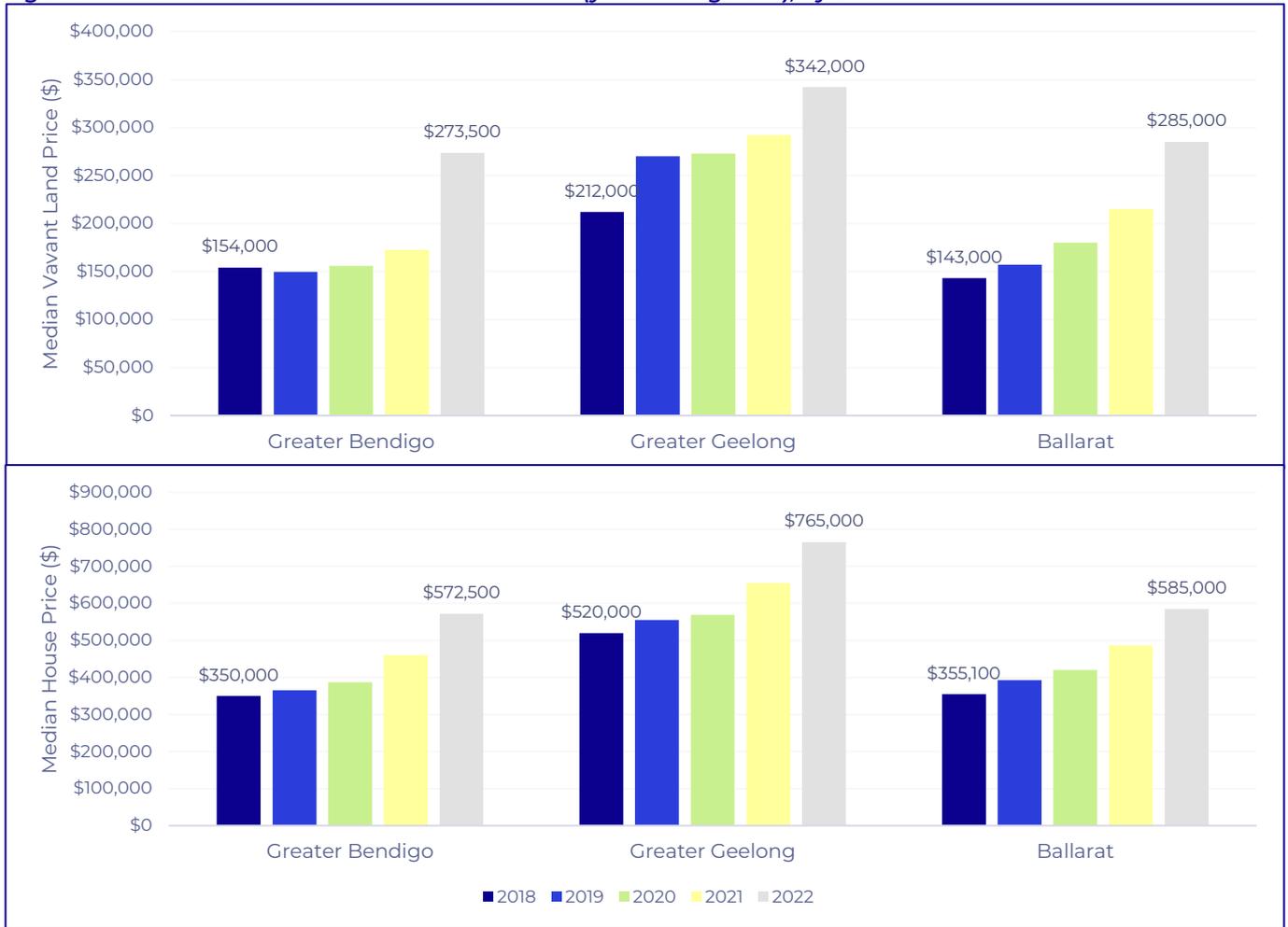
Ballarat

Ballarat has experienced strong growth over past 15 to 20 years, with growth surging over the past 3-4 years. Based on current growth expectations, Ballarat will require more than 1,000 additional dwellings each year.

Council expects that constraints within the city’s current major growth area (the Ballarat West Growth Area) including fragmented land ownership patterns, means that actual development land supply will be effectively exhausted by 2024-25.

Accordingly, Council is accelerating the planning and identification of new growth areas, capable of accommodating future dwelling demand. As in the case of Greater Geelong, new growth areas will be focussed on providing critical mass in terms of the scale of new residential estates, promoting development scale in a competitive environment.

Figure 3.8 Vacant Land and House Median Prices (year ending June), by LGA



Source: Ethos Urban; Pricerfinder

4.0 Implications and Findings

4.1 Overview

Bendigo represents an increasingly significant residential market in a Victorian context. The population growth rate between 2006 and 2021 averaged +1.7% pa, representing a consistent and strong level of growth for a major regional centre.

Detached housing represents the dominant dwelling type and typically represents around 93% of total dwellings.

Detached housing is accommodated in the Bendigo Urban Areas in two specific ways:

- In identified growth area locations
- In established areas, where undeveloped or underutilised land is subdivided. In these areas, subdivisions can be anywhere from 3-4 lots to several hundred.

In the detached housing market, residential estates of some scale are critically important due to their ability to provide volume to the market through major, or multiple stages, as demand requires. In this regard, larger estates act to moderate the impact of demand spikes by being more able to quickly increase the supply of land to the market.

Based on the demand scenarios considered in this report, active residential estates have sufficient supply to satisfy little more than 2.2 to 3.0 years demand for detached housing.

In reality, this measure would be mitigated by two factors; firstly, part of this market would be satisfied through ad hoc subdivisions within the established urban area and, secondly, new or expanded active estates would be brought to market.

Even so, the supply situation outlined in section 3.4 of this report, paints a picture of a major urban area where the supply framework is not geared to respond to surges in demand in the same way as comparable cities such as Geelong and Ballarat. Although both Geelong and Ballarat have had their own supply constraints in recent times, both cities have a strategic advantage over Bendigo in that they have large growth areas identified where relatively unconstrained greenfields supply will be available to the market in the medium to long term. The longer-term greenfield supply identified in both cities is in addition to opportunities that exist in the established urban areas for the provision of additional detached housing (and other) residential supply.

4.2 Issues and Implications

A major regional market such as Bendigo effectively running out of land to sell to potential homebuyers has major implications. As noted, Bendigo represents a significant residential market in a Victorian context.

Moreover, what appears to be a structural change in Victoria's urban and regional landscape as a result of the COVID-19 pandemic presents regional Victorian cities with growth opportunities that, until now, have been difficult to realise. The *Shaping Urban Victoria: VPA's Response to COVID-19* document (July 2021), produced by the Victorian Planning Authority, sets out the opportunity for regional cities:

Victoria has a competitive advantage of comparatively short distances and connectivity between Melbourne and key regional cities. In Victoria, growing demand in the regions during 2020 and 2021 is driving up house prices.

CoreLogic reported a 4.8 per cent increase in home values for the regions for the December 2020 quarter compared with 2.1 per cent in Melbourne.

Spurring the move now is a growing acceptance of working from home, at least a couple of days a week. Another driver is changing economic circumstances and lifestyle choices due to low interest rates, JobKeeper, tax cuts, early access to super and no overseas holidays to spend money on, combined with government incentives such as the HomeBuilder grant.

For the regions, investment that might create jobs and prosperity for the community is welcome, however it means property is becoming less affordable. Without good strategic planning, there is also the potential loss

of local character, liveability and sustainability. This challenge was evident around commutable regional towns and on the outskirts of major cities prior to COVID-19 but its importance will be highlighted by pandemic[1] driven regional growth

Ensuring regional Victoria can support a greater share of new residents is a key initiative in Plan Melbourne that will deliver productivity and social benefits to the whole state.

Although the peak COVID-19 period now appears to have passed and some degree of normalisation appears to be occurring, there remains a view that a structural realignment of some sort has occurred in which regional living (on a permanent or shared basis) is likely to increase in the medium and long term.

From a local market perspective, this demand and supply assessment has identified the following key issues:

The real extent of established area supply is difficult to measure

As noted earlier in this report, potential redevelopment sites or what appear to be underutilised sites are abundant in many established parts of the Bendigo Urban Area. In this report, key sites, particularly those where stakeholders had some knowledge of the site, were identified and the potential yield from such sites is included in the supply analysis.

In reality however, a significant number of additional sites could be identified that could add to the theoretical capacity in established areas. It is stressed however that many of these would represent a theoretical supply only.

Similarly, the extent to which future supply may be realised in Bendigo's CBD or other key activity areas has not been tested (it has already been noted that this report does not include a capacity assessment), it is however noted that, although a limited number of relatively low scale medium/high density developments have been realised in and around Bendigo's CBD, this market remains shallow at this point of time. It is understood that a number of planning permits have been issued for higher density projects of a more ambitious scale, but these have yet to be progressed to development. Realising high-density forms of the development in Bendigo's CBD is likely to remain challenging due to heritage constraints, high construction costs, lack of buyer appetite at the required sales price, infrastructure constraints and financing issues. These challenges are not uncommon in many regional cities and represent key reasons why infill strategies seeking to promote CBD-based densification have not, to date, been successful.

Extent to which established area supply can be brought to market is unknown

The extent to which established area supply can be brought to market is uncertain. A wide range of constraints and development challenges impact many parcels of land including flooding, bushfire management, cultural heritage, native vegetation, along with historic issues such as mineshafts and tailings.

In some cases, these sites are unlikely to ever represent sites that could be further subdivided. In other cases, some degree of subdivision may be possible.

Established area supply will ultimately be exhausted

Urban consolidation through the subdivision of undeveloped or underutilised land does not represent a long-term supply position. For more than 25 years, a significant proportion of Bendigo's demand has been satisfied through the development of land for detached housing in suburbs such as Epsom, Jackass Flat, Kangaroo Flat and Junortoun.

Many of the easier to develop sites, however, have now been developed with most providing detached housing in established area locations, many near to established services and activity centres. The extent to which this can continue in the future represents a key challenge in Bendigo's future planning for urban growth.

Most established area supply opportunities are not at a significant scale

Over the past 25 years, some of the established area residential developments that have been undertaken have been at a reasonable scale with some providing several hundred lots over the course of their development. Most of these developments have been based on the provision of detached housing and, in most respects, their appearance is consistent with that of growth areas-style residential estates.

Based on the assessment undertaken in this report, most of the future development opportunities in the established areas will be smaller in scale and typically of between, say, 5 and 100 lots. Although realisation of these opportunities will be an important element of Bendigo's future supply framework, it is important to note that each such development will require planning and engineering approvals, the developer will require financing for each development, and each will be marketed and sold as an individual estate. Moreover, each requires a willing landowner for the opportunity to be realised.

In short, each established area opportunity will require significant effort for what may be relatively limited addition to Bendigo's overall supply of residential land.

Need for an efficient supply pipeline with estates of significant scale

In a major regional market such as Bendigo, an efficient residential land market ideally has several major growth fronts with several major estates competing in each area. The benefit of residential estates with sufficient scale dispersed across multiple growth fronts is the ability to satisfy a significant component of annual demand through the release of, say, 50-100 lots per annum in major estates for 5-10 consecutive years. This provides far greater certainty to the market, and to infrastructure agencies, than relying on a wide range of smaller estates across the established urban area where estates can be fully sold and developed in a 12-month period.

Impact of Bushfire and Vegetation Protection Regulations

Changes in the bushfire and vegetation protection regulations since 2017 have resulted in a shrinking footprint of developable land within the urban growth boundary. This is particularly evident in Maiden Gully where Council planning originally contemplated a growth area of approximately 5,150 dwellings. Since 2017, the figure has now been reduced to approximately 1,760 dwellings.

Time required to bring greenfields land to market

The time required to identify new growth areas and then to complete framework plans or structure plans typically takes in excess of five years. Beyond that period, detailed planning and engineering approvals can take an additional 2-3 years.

Accordingly, a long-term approach to growth area planning is typically required to ensure a strong pipeline of future land is identified, planned and at a level where it can be delivered to the market if and as required.

Fragile supply framework

At present, Bendigo's supply framework can be described as fragile. With just 16 identifiable active residential estates, the market does not appear to be as competitive as other regional markets, such as Shepparton where there are presently 22 active residential estates.

This assessment identifies approximately 11,000 total lots available to accommodate Bendigo's detached housing demand. Importantly, it identifies that:

- Approximately 2,200 lots remaining lots are located in currently active residential estates
- Approximately 2,600 lots are classified as 'potential' in that there remains a degree of doubt as to the likelihood of development
- A further 1,200 lots are classified that required rezoning for their potential to be realised
- Significant uncertainty remains concerning the potential lot yield available and the timing of future development in the Maiden Gully Structure Plan Area.

In summary, the amount of supply that can be described as certain to be available to the market within, say, 5-7 years appears to be relatively limited for an urban area of Bendigo's size.

Need for multiple growth fronts that meet different market needs

The assessment concludes there will be a need to ensure future growth areas are identified and advanced through the planning process. Importantly, future growth areas should be considered having regard for the need for different market needs. For example:

- For some buyers price and affordability represents the primary consideration in the purchase of land (and/or housing)
- For some buyers, amenity (eg. attractive landscapes) represents a key consideration (these buyers may be more attracted to locations proximate to native vegetation)
- For some buyers, location and proximity to key infrastructure is a key driver
- For some buyers, connectedness to, for example, Melbourne, will be a key consideration (for example, buyers from Melbourne may be more attracted to locations on the south side of Bendigo)

Impact of Competition on Sales Prices

The key outcome of a constrained residential land market, whether the constraint is caused by a surge in demand or limited supply (or both), is upward pressure on land prices.

In Bendigo, the potential constraints may be defined by a decreasing number of actively trading residential estates, a diminution of available lots, and insufficient alternative supply able to be brought to the market in the short term.

Future supply, such as the Maiden Gully Structure Plan Area, may require significant additional time before they become available, and the market may be largely reliant on supply from smaller, fragmented supply opportunities to bridge the gap.

It has already been noted price escalation has been significant over the past 12-18 months (Figure 2.4) with median vacant lot prices increasing to approximately \$345,000 (Q2 2022). It is important to note that as trading supply is exhausted; price increases will emerge earlier as a competitive land market ceases.

A competitive land sales market acts to moderate price and also incentivises the land development industry to improve the quality of the offer in terms of estate differentiation and presentation. In contrast, a monopoly situation can be abused by incumbents limiting land release to maximise price.

The Bendigo market has already experienced a significant decline in affordability, with housing stress an increasingly prominent issue in Bendigo as a result of strong price growth over the last decade. According to the 2021 Census, 10.2% of households with mortgage repayments (1,690 households) and 30.8% of households renting (3,850 households) in Greater Bendigo were under housing stress, paying more than 30% of gross income on housing costs.

Over the last five years, housing price growth has surpassed income growth. Median household incomes in the Bendigo Urban Area were \$76,050 per annum in 2021, up from \$61,820 in 2016. Assuming that household income in the Bendigo Urban Area has grown in line with the Victorian benchmark between 2021 and 2022, at +2.5% pa, median household income is currently \$77,950. This represents an average annual growth rate of +3.9% pa between 2016 and 2022.

In contrast, house and land prices in the Bendigo Urban Area have grown +10.2% pa and 12.9% pa, respectively, over the same period. Table 4.1 highlights that the median house price relative to median household incomes has grown from 526% in 2016 to 745% in 2022 in the Bendigo Urban Area. Similarly, median vacant land prices relative to median household income have increased from 238% in 2016 to 390% in 2022.

Table 4.1 also shows the variation between key growth areas in the Bendigo Urban Area. In 2022, median house prices relative to median household income range between 728% and 969%.

With the Bendigo market becoming relatively less affordable, it is critical that a competitive land supply framework is maintained.

Table 4.1 Median House and Land Prices Relative to Bendigo Urban Area Household Incomes

| Category | 2016 | 2021 | 2022* |
|---------------------------------|-----------|-----------|-----------|
| Median Household Income | \$61,820 | \$76,050 | \$77,951 |
| Median House Price | \$325,000 | \$511,000 | \$581,000 |
| <i>Relative to HH Income</i> | 526% | 672% | 745% |
| Median Vacant Lot Price | \$147,000 | \$190,000 | \$303,750 |
| <i>Relative to HH Income</i> | 238% | 250% | 390% |
| Region Breakdown (House) | | | |
| Huntly | 531% | 638% | 728% |
| Jackass Flat / Epsom | 552% | 672% | 745% |
| Maiden Gully | 774% | 941% | 965% |
| Marong | 534% | 743% | 847% |
| Strathfieldsaye | 685% | 842% | 969% |
| Established Areas | 501% | 631% | 699% |

Source: ABS Census of Population and Housing, 2021; Pricerfinder; Ethos Urban

Note: *2022 income based on 2021-22 annual growth of the Wage Price Index for Victoria