

# A Home in Merri-bek

The housing we need now and in the future

Prepared for Merri-bek City Council

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prepared by .id

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# 1. Executive summary

*A Home in Merri-bek* is a narrative about housing in Merri-bek now and in the future. It identifies how our need for housing is changing and examines how housing is adjusting in response to this change. It provides insight into how growth and change will influence the housing we need in the future.

## **Merri-bek is diverse and growing**

Merri-bek is home to a wide range of cultures, household types, tenures, incomes, skills and occupations. This diverse population is supported by suburbs that play complementary housing roles, allowing households to stay living in their local area when circumstances change.

The combined effect of more births and overseas migration in Merri-bek is contributing to strong population growth. The population of Merri-bek is estimated to be 176,589 in 2017, an increase of 2.6% over the past year, slightly below the metropolitan average increase of 2.7%. In addition, there is a strong desire to remain in Merri-bek. Between 2011 and 2016, 50% of locals in Merri-bek did not change address, while a further 11% of people moved within Merri-bek.

## **Population and households are changing**

Not only is the population growing, but the way we form households is changing, with an increasing tendency for people in Merri-bek to live alone or as a couple without children. This is the result of a combination of factors such as an ageing population, changing circumstances and lifestyle choices. In Merri-bek, there is a strong shift towards smaller households.

## **Growth and change is forecast to continue**

Demographic, social and economic drivers all point to continued growth and change in Merri-bek. The shift towards smaller households is expected to continue. By 2036, lone person households are forecast to replace couples with children as the dominant household type.

## **Growth and change will influence the housing we need in the future**

There has been a shift in preference towards medium and high density housing from all household types. Today a high proportion of couples without children, lone person and group households are living in medium and high density houses.



There is also a relatively high share of family households living in medium and high density housing.

There has been a strong shift in the proportion of households trading off the traditional large home with a backyard, for a townhouse or apartment close to jobs and amenities. Many households are choosing to stay inner and middle ring areas and an increasing number are living in medium and high density housing. When faced with real world trade-offs between housing type and size, price and location, a significant number of households are choosing medium and high density dwellings in Merri-bek.

More Merri-bek family households are living in medium and high density housing than ever before. This is not just a temporary situation for families with pre-school aged children. A significant number of families with school aged children are also living in these housing types.

Over the past ten years, there has been a significant increase in households renting in Merri-bek. Renting is not confined to young groups, with the share of people renting increasing across all age groups.

This increase in households renting is driven by declining affordability and other factors such as lifestyle and locational advantage. Good access to employment and public transport in Merri-bek is contributing to changing preferences and making trading off home ownership for renting more attractive.

Strong forecast growth in smaller households, combined with affordability pressure and Merri-bek's strategic location to employment, education and public transport, suggests that more and more households, including families, will rent and live in medium and high density housing.

### **Housing is changing to meet the needs of residents**

Merri-bek's housing has changed significantly over the past 25 years. Today 55% of dwellings are separate houses, down from 74% in 1991. Medium density dwellings have increased from 22% in 1991 to 35% today. High density dwellings today make up around 9% of dwellings.

The share of housing built in well serviced locations has increased. This means many new households can live close to public transport, local services and access a wide range of employment opportunities.

Despite the growth in smaller households much of the housing stock in Merri-bek is still geared towards the needs of larger households.

### **The cost of housing affects all household types**

House price escalation in Merri-bek effects the continuum of households, incomes and tenures. For many households, affordable housing is the only option outside of homelessness. Homelessness in Merri-bek remains higher than the metropolitan average and many lower income households are in rental stress. Areas with high levels of rental stress include Brunswick, Coburg, Brunswick West, Glenroy and Brunswick East.

Other groups vulnerable to rising housing costs in Merri-bek are people with a disability, elderly renters, lone person households and single parent families.

Merri-bek's strategic location, which is driving strong demand for housing, means that housing need is likely to grow strongly over the next twenty years with many lower income households excluded from affordable rentals without intervention.

Around 3,850 households were estimated to have unmet need for affordable housing in 2016. This would take around 20 years to meet this need if 10% of all dwelling completions in Merri-bek were affordable housing. By 2036, affordable housing need in Merri-bek is forecast to exceed 7,000 households. To meet total future housing need by 2036 (existing need plus growth), then 18% of new dwellings would need to be affordable.

With the delivery of new affordable housing, that is adaptable and in well serviced locations, many households will be able to live independently and remain living locally.

### **The cost of housing in Merri-bek is rising**

Once an affordable location, Merri-bek has now become an aspirational location, where only high income households who have significant deposit can afford to buy a house. This is reflected in the increase in the share of households on high incomes at the expense of lower household income groups.

Rapid house price growth, well above income growth, means that home ownership in Merri-bek is beyond the reach of most very low and low income households. Even families on a moderate income face challenges buying a house, with houses considerably more expensive than what they can afford.

For many households, renting is an affordable alternative to home ownership and this affordability helps explain the strong growth in rental households over the past decade. Renting is generally affordable to couples and families on low to moderate incomes, but is generally not affordable for low to moderate income lone person households, and all households on a very low income.

Merri-bek's strength in diversity will be challenged by rising house prices, with many very low to moderate income households seeking alternative housing locations or go into housing stress. Housing stress is a major concern, particularly for lower income households. Almost 10,000 households on very low to moderate incomes in Merri-bek are in housing stress. Rental stress is the dominant cause of housing stress in Merri-bek, with more than 70% of households in stress renting. Escalating house prices appear to be pushing many households to more affordable locations like Hume and Whittlesea with the rate of out-migration increasing between 2006 and 2016.

Higher housing costs are creating a range of social inequality issues including declining home ownership, reduced wealth potential, income inequality and homelessness. Those who move to outer areas have poorer access to public transport, employment and services, which further limits the ability to participate in the labour force.

### **Achieving a diverse future Merri-bek**

*A Home in Merri-bek* provides an insight into the type of housing we will want and need in the future. Responding to the findings of this research is a complex and multi-faceted exercise that will involve multiple stakeholders and levels of government. The following items will be a necessary consideration:

- Recognising that diversity is a traditional strength for Merri-bek. Diverse communities are more sustainable, equitable and healthy in the long term as they foster social cohesion and are able to maintain a range of services and facilities useful to all age groups.
- Housing choice, provided across the wide spectrum of income levels, will help meet the changing needs of households which is being driven by demographic, economic and lifestyle factors.
- Well located housing that is well serviced by public transport contributes to sustainable housing outcomes, and housing closer to amenities.

- House price escalation impacts on households right across the continuum of incomes and tenures.

*A Home in Merri-bek* provides a thorough analysis of housing in Merri-bek now and into the future, and will ensure that an informed, evidence based response to the trends and challenges for housing in Merri-bek can be prepared.

*This document was updated on 29 December 2023 to reflect the City's and Organisation's name change from 'Moreland' to 'Merri-bek' on 26 September 2022. No other changes have been made to the content of this document.*

## 2. Introduction

### 2.1 Study objective

*A Home in Merri-bek* presents a demographic analysis about housing implications for Merri-bek's changing population, with a focus on diversity and affordability.

### 2.2 Background

#### **Demographic, social and economic shifts**

Significant shifts in housing consumption patterns and housing preferences are occurring because of demographic, social and economic change within Merri-bek. Governments (both state and local) are working on responding to these shifts in ways that create opportunities for new dwellings to meet the new demands within established urban areas and through diversity to support sustainable, equitable and healthy communities.

#### **Unprecedented demand for housing**

In recent years, Greater Melbourne has grown at a rapid rate, driven by increased overseas migration and a slight increase in the fertility rate. This growth has been particularly rapid on the urban fringe and in parts of the inner city. Merri-bek has not been immune to these trends due to its inner to middle ring location.

#### **Strategic plan for housing growth**

In 2017 the Victorian State Government released an update to the Melbourne metropolitan planning strategy – Plan Melbourne 2017-2050 – which aims to guide the growth of the Melbourne to 2050. Like most contemporary metropolitan strategies in Australia, Plan Melbourne 2017-2050 aims to direct more growth into established urban areas in order to reduce urban sprawl and specifies a target of at 70% of new housing in established areas of Melbourne. Dwelling targets of 355,000 (based on *Victoria in the Future 2016*) have been specified for the Northern Region of Melbourne with 175,000 dwellings within the established areas. Merri-bek will play an important role in accommodating a share of this need.

The Plan contains nine principles and seven outcomes. Of these – Outcome 2 – Melbourne provides housing choice in locations close to jobs and services – is most relevant to housing and contains the following directions:

- ▣ Manage the supply of new housing in the right locations to meet population growth and create a sustainable city
- ▣ Deliver more housing closer to jobs and public transport
- ▣ Increase the supply of social and affordable public housing
- ▣ Facilitate decision making processes for housing in the right locations
- ▣ Provide greater choice and diversity of housing.

## 2.3 Approach

To understand this objective, this report presents a housing story about Merri-bek, which discusses the following questions:

- ▣ How is the population changing?
- ▣ How is age structure changing?
- ▣ Who is leaving and why?
- ▣ Who is attracted to the area?
- ▣ How are households changing?
- ▣ How has the dwelling stock changed?
- ▣ Who is living in what types of household and dwelling?

## 2.4 Report structure

The following chapters describe Merri-bek's housing story, what issues are emerging and who needs housing.

- ▣ Chapter 2 shows the diversity of Merri-bek
- ▣ Chapter 3 builds on the population diversity explores the important roles being played by different suburbs in Merri-bek
- ▣ Chapter 4 analyses how the population is changing with a focus on the shift to smaller household types
- ▣ Chapter 5 presents population forecasts for Merri-bek and what is driving demand
- ▣ Chapter 6 shows that all sorts of households live in all sorts of housing. The shift to medium and high density living is highlighted

- ▣ Chapter 7 analyses changes to housing supply and highlights that housing is changing to meet the needs of residents
- ▣ Chapter 8 estimates the affordable housing need gap in Merri-bek
- ▣ Chapter 9 considers the impact of housing affordability on households in Merri-bek, including housing stress, forced moves and how many households are unable to participate in the private housing market
- ▣ Chapter 10 highlights considerations in responding the evidence in this report.

## 2.5 Sources and definitions

### 2.5.1 Main data sources

The report uses data and information from both published and unpublished documents. These include:

- ▣ ABS Census of Population and Housing – 1996, 2001, 2006, 2011, 2016
- ▣ Population and household forecasts, 2011 to 2036, prepared by .id in June 2017
- ▣ Hometrack – house price data.

### 2.5.2 Household category definitions

The household type evidence in this report is presented initially in broad categories, and then in detailed age groups as follows:

#### **Households without children at home:**

- ▣ Young = 15-44 years
- ▣ Middle = 45-64 years
- ▣ Older = 65 years and over.

#### **Households with children at home:**

- ▣ Young families = parents of any age with children only under 15 years
- ▣ Mature families = parents with a mix of children under and over 15 years
- ▣ Older families = parents with children exclusively over 15 years.

### 2.5.3 Dwelling type definitions

#### Separate house

Includes all free-standing dwellings separated from neighbouring dwellings by a gap of at least half a metre.

#### Medium density

Includes all semi-detached, row, terrace, townhouses and villa units, plus flats and apartments in buildings of 1 or 2 storeys, and flats attached to houses.

#### High density

Includes flats and apartments in buildings of 3 or more storeys.

### 2.5.4 Affordable housing definition

Within this report, affordable housing has the same meaning given in the *Planning and Environment Act 1987*. Affordable housing is housing, including social housing that is appropriate for the housing needs of very low, low, and moderate income households.

### 2.5.5 Income definitions

Where possible, this report presents household income using the ranges defined by the Victorian *Planning and Environment Act 1987*. This defines 'very low income' households as those on less than 50% of median household income; 'low income' households as those on 50-80% of median household income, and 'moderate income' households as those on 80-120% of median household income for Greater Melbourne. The income ranges estimated for each income group is presented in the table below.

Figure 1. Income ranges based on lower income households

	Very low income	Low income	Moderate income
Single adult	\$25,220	\$25,221-\$40,340	\$40,341-\$60,510
Couple with no children	\$37,820	\$37,821-\$60,520	\$60,521-\$90,770
Family (including one/two parent)	\$38,590	\$38,591-\$61,750	\$61,751-\$92,610
All households <sup>(1)</sup>	\$41,288	\$41,288-\$66,040	\$66,041-\$99,164

(1) As group households are not included, we have estimated the breakdown for all households



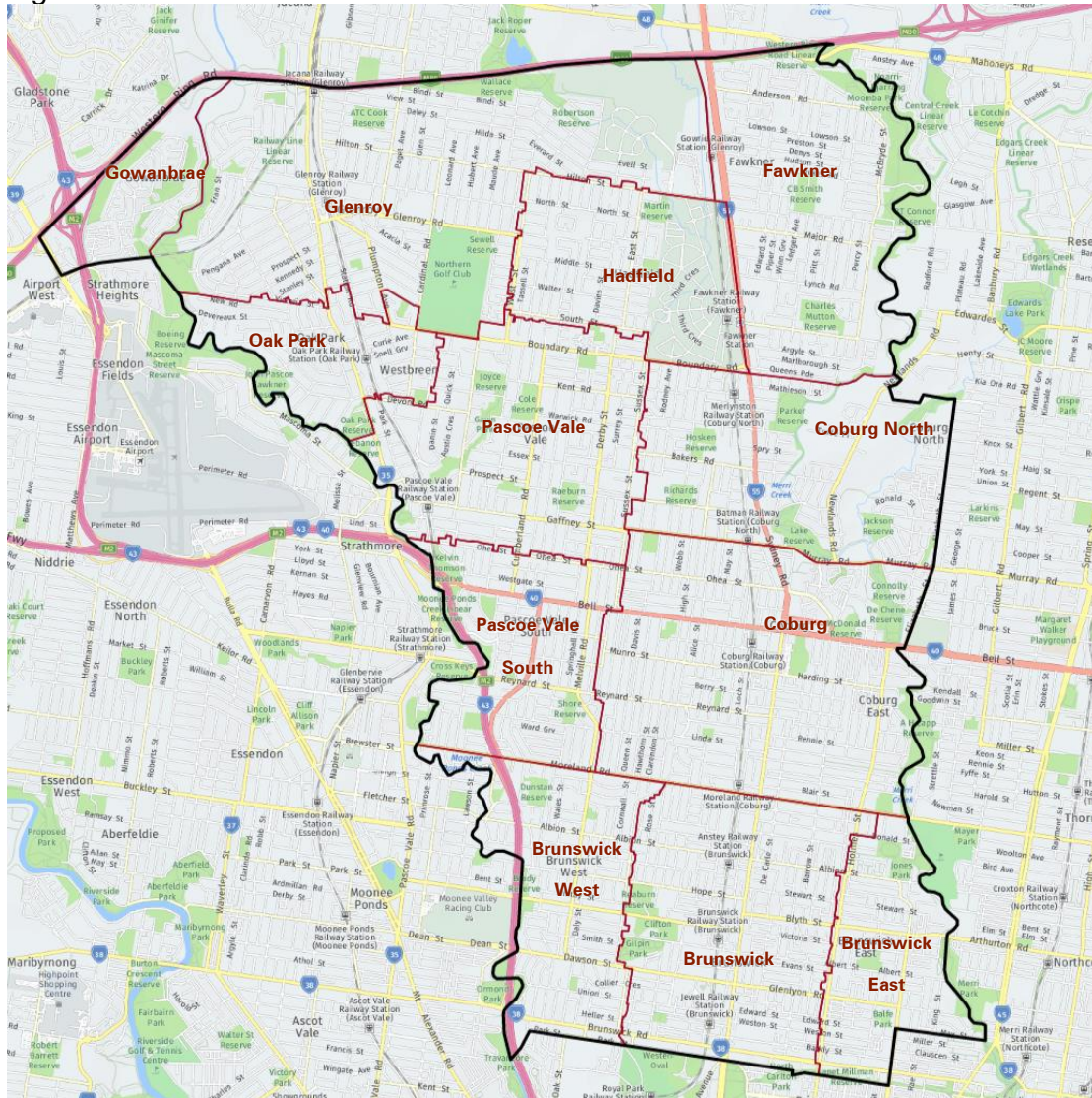
Source: Department of Planning

In some cases, income quartiles are also used. Income quartiles are used instead of the *Planning & Environment Act 1987* income definition as quartiles show changing trends without the influence of economic change and inflation.

### **2.5.6 Geographic definitions**

Merri-bek includes the suburbs of Brunswick, Brunswick East (includes part of North Fitzroy), Brunswick West, Coburg, Coburg North, Fawkner, Glenroy, Gowanbrae (includes part of Tullamarine), Hadfield, Oak Park, Pascoe Vale and Pascoe Vale South.

Figure 2. Small areas



Source: .id

Note: Brunswick East small area includes the suburb of Brunswick East and the Merri-bek part of the suburb of Fitzroy North. Gowanbrae small area encompasses the suburb of Gowanbrae and the small section of the suburb of Tullamarine within Merri-bek.

### 3. Merri-bek is diverse and growing

#### Key points

- ▣ Merri-bek is home to a **diverse population**, with a wide range of cultures and household types. Over 36% of households rent their homes and 45% live in medium and high density dwellings.
- ▣ Merri-bek's diversity today was built on a **rich history of demographic change**. In the immediate post war era, the area played a significant role in settling large numbers of post war migrants from Europe. This role continues today. One in three Merri-bek residents was born overseas in more than 100 different countries.
- ▣ While many people move to Merri-bek, there is also a **strong desire to remain in Merri-bek**. Between 2011 and 2016, 50% of locals in Merri-bek did not change address, while a further 11% of people moved within Merri-bek.
- ▣ This **traditional strength in diversity will be challenged** by rising house prices and the gradual gentrification of Merri-bek. This gentrification is reflected in an increase in high income households, at the expense of lower income households. The gentrification of parts of Merri-bek and rising house prices puts pressure on very low to moderate income earners and their ability to continue to live in the area (Source: Merri-bek Affordable Housing Profile 2013)
- ▣ **Escalating house and rental prices have the potential to reduce diversity** in Merri-bek. Maintaining this strength is important as diverse communities are more sustainable, equitable and healthy in the long term

### 3.1 Diverse history

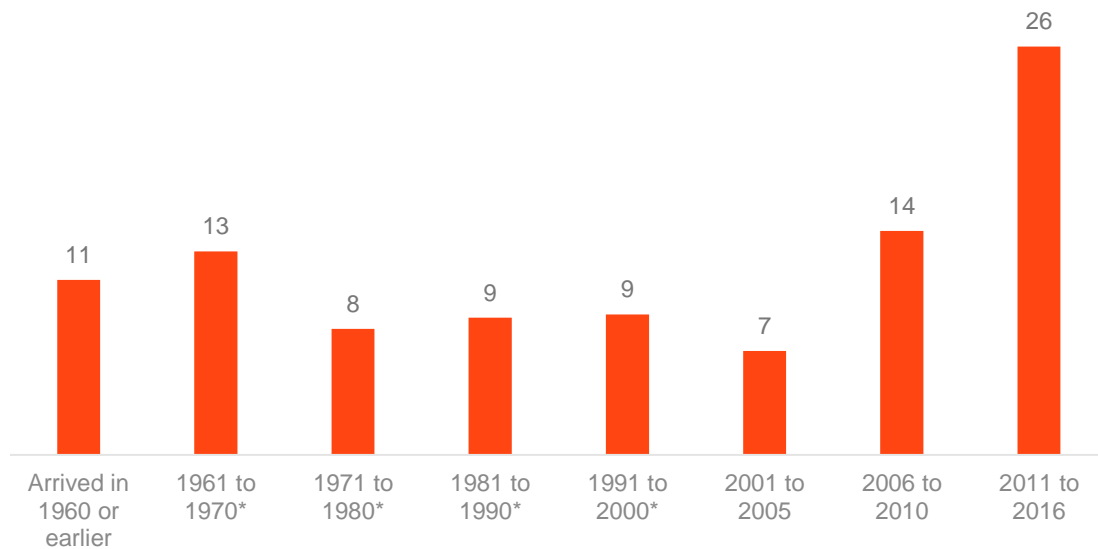
Urban development in Merri-bek dates back to the nineteenth century, with new housing development in Brunswick and in Coburg. Yet it was not until the early twentieth century that significant urban expansion occurred, with growth centred on the southern parts of Merri-bek and along transport spines. By the post-war period, suburb growth was focused on areas such as Fawkner, Hadfield and Glenroy.

In the immediate post-war era, Merri-bek played a significant role in settling large numbers of post war migrants from Europe. By 1961, 14% of the Brunswick, Brunswick East and Brunswick West population was born in Italy, and a further 4% in Greece. Many of those new migrants worked locally in industries such as textiles, clothing and footwear as well as quarrying and brick making. In the 1960s and 1970s, many post war migrants had made secondary moves further north, to the newly establishing areas of Glenroy, Hadfield and Fawkner. These areas offered space and affordability at a time when many jobs in manufacturing were being established in suburban locations such as Broadmeadows, Campbellfield and Thomastown.

Economic reforms in the 1980s had a profound impact on local employment in Merri-bek. Tariff reductions exposed local industry to international competition. The decline of industry has seen a transformation both in the employment characteristics of the population as well as the urban form of the southern parts of Merri-bek. The 23% of workers from Brunswick, Brunswick East and Brunswick West that worked in manufacturing in 1986 had declined to 3.8% by 2016. Many of the former manufacturing areas in the south of Merri-bek now house a very different type of worker; one more likely to be university educated and commuting to the CBD and inner suburbs for employment.

Overseas migration has continued to be a major part of the Merri-bek story. In modern times, younger adults have dominated migration movements.

**Figure 3. Overseas arrivals to Merri-bek by year of arrival**  
 % of persons born overseas



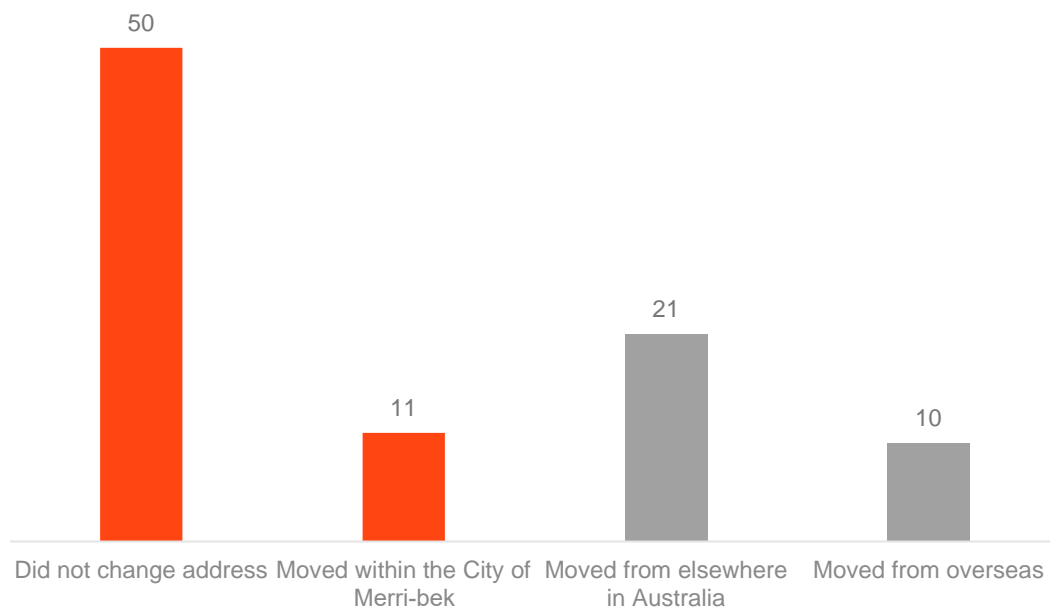
Source: ABS Census of Population and Housing (2016)

The data are displayed in a combination of 5 year groupings for the more recent years, and 10 year groupings prior to 1991. Note that for Year of Arrival, the year '2016' relates only to the period up to August 9th 2016, when the Census was conducted.

Today, Merri-bek continues to be home to a diverse population – with a wide range of cultures, household types, tenures, incomes, skills and occupations. Over 36% of households rent their homes and 45% live in medium and high density dwellings. One in three Merri-bek residents was born overseas in more than 100 different countries.

While many people move to Merri-bek, there is also a strong desire to remain in Merri-bek. Between 2011 and 2016, 50% of locals in Merri-bek did not change address, while a further 11% of people moved within Merri-bek. The proportion who did not change address was much higher than many inner city local government areas, but more in line with middle ring municipalities like Darebin and Moonee Valley. So not only is Merri-bek welcoming new groups of migrants, but also holding on to its traditional diversity.

**Figure 4.** *Migration summary, Merri-bek 2011-2016*  
% of 2016 population



Source: ABS Census of Population and Housing (2016)

Merri-bek is increasingly coming under pressure for change not only due to population growth but also by the different ways we are occupying our dwellings. All types of households, from family households to lone persons, are living in a wide range of homes, including separate houses, townhouses, units and apartments. These are being influenced by demographic shifts; changing needs with respect to access to employment, education and services; and affordability.



## 3.2 The Forever House

***'According to the family story that tree was planted by Matt's Irish grandmother. Apparently she was given it as a seedling at her citizenship ceremony.'***

When Matty, short for Matteo, bought the house in Brunswick West for \$330,000 twelve years ago, it seemed a weird thing to do. He was just 23 years old, recently graduated and in his first 'real' job, and his friends were spending their money partying or going on big overseas trips. Yet here was Matty, tying himself down with a big mortgage on a rundown weatherboard surrounded by a garden of solid concrete. The property had already been on the market and failed to sell.

But this was not any old house. This was the first Melbourne home of his Nonna and Pop, who had migrated from Italy in the 1930s. Matty's Pop, also called Matteo, was just 16 when he came to live with his uncle in Lindenow in rural Gippsland. His uncle drowned



in a river a few months after he arrived, and the fresh-off-the-boat teenager had to forge his way alone in a new land, moving from sugar beet harvesting to lumber cutting and then to vegetable wholesaling. Matty's Nonna, Archangela, migrated a couple of years later from the same small southern Italian town, San Marco in Lamis. As their marriage and their vegetable wholesaling business prospered, they found that they needed a Melbourne base, and in 1954 they bought the place in Brunswick West. It was brand new house — a spec-build on recently subdivided agricultural land. Initially they cooked on an open fire because there was no electricity, and, as was common for new suburbs in postwar Australia, there was no sewage connected in the early years either. Matty's Pop and Nonna lived in the house for twenty-four years with Nonna's father Raphael, raising five children including Matty's Dad. In 1978 they moved to a bigger house nearby and rented out the original family home to tenants. It remained a rental for another thirty years, until Pop Matteo died, and Matty succumbed to family pressure to buy the house from his Nonna Archangela.

The strong emotional attachment to the grandparents' old home reaches into Matty's mother's side of the family too. She emigrated from Ireland in the mid-1960s and, as a fifteen-year old, moved in next door, in what was then the newly constructed public housing estate of Gronn Place. *'My parents literally met over the back fence,'* says Matty. *'Dad could tell whether Mum was home or not by looking out the window to see if her bedroom light was on.'* Sitting in the kitchen with his wife Pippa and their baby (another Matteo), Matty can point out the first floor window where his father looked for the sign that his sweetheart was around. There is now an elegant, mature gum tree stretching its branches in between.

*'According to the family story that tree was planted by Matty's Irish grandmother Tilly,' says Pippa, 'Apparently she was given it as a seedling at her citizenship ceremony.' Fifty years on, it's recognised as a tree of significance.*



Having bought the house in 2006, Matty moved in with a bunch of mates, who jokingly called him the 'slum lord' because of the decrepit condition of the house and his desire to rent every space, including the asbestos bungalow in the backyard. *'It was the typical party house,'* he says with touch of nostalgia. Then he and Pippa moved into a place in Carlton together and he rented the house out. In 2009, Pippa drew up plan to demolish the old house and build three townhouses; but then they got engaged, adopted a dog and started thinking more seriously about family and the future. They realised that a two bedroom townhouse was not going to be suitable long term, plus they loved the area and wanted to stay. They gave the Brunswick West place a new roof and a lick of paint and moved in themselves. Its next phase

was a DINK house—dual income, no-kids —Matty studying for his Masters in professional communication and Pippa completing her PhD in architecture. Her thesis was on indoor environment quality—light, acoustics, air flow, heating and cooling and her expertise has guided the house into its current open plan and highly energy



efficient state, via a nine month renovation. *'It was more of a rebuild than a renovation'* says Pippa as they only retained the bones of the old house; the original hard-wood framing, some of which is exposed and now become a feature that helps them to share the story about where Matty's aunts and uncles used to sleep. For the builders, who have the same family history of emigration from San Marco in Lamis, a complete rebuild would have been easier (and cheaper) to achieve, but Pippa and Matty wanted to conserve history and avoid waste. *'The house is built for longevity and aging in place'*, she says, and this goes beyond the quality of materials and workmanship to design. They've added additional living spaces with views onto a central courtyard to the original three bedroom house, in a design intended to serve different phases of their life. For the moment it is one house, but it has two distinct entries and the location of essential services means that it can be easily converted into two smaller dwellings. The rooms are



sized according to their spatial requirements, rather than market trends. Pippa explains that the existing nursery and study can be combined when they need a larger bedroom for a teenager. *'This allows us, for the moment, to retain a guest room for family who live interstate,'* she says. The large master bedroom is currently a parents' retreat but could serve one day as a bedsit if they need to accommodate an elderly parent. *'Multi-generational living is part of the Italian culture,'* says Matty. It seems a long way off, but one day the separate space could also provide housing for a grown-up baby Matteo or a future sibling.

Pippa and Matty affectionately call their home 'Pavone Eterno', meaning the everlasting peacock, which pays tribute to the name of their street and Italian heritage. *'This is our forever home,'* says Pippa. She and Matty are grateful that the family encouraged him to buy it when he did. *'Our friends are getting out of rental accommodation, but they can't afford what we've got,'* says Matty. *'The best they can afford is townhouses and they have some regrets that they did not invest earlier.'*

Matty and Pippa live in the area they want to live in, but ironically, they are losing neighbourhood connections as friends and acquaintances are forced to move further out from the city. *'Some friends have just bought off the plan in Pascoe Vale South,'* says Pippa. *'But they haven't bought a forever home. They see the townhouse as a stepping stone into a more family oriented property in the future.'*



Over the fence, the Gronn Place estate, where Matty's mother lived as a teenager, is also about to get a major makeover. As part of Victoria's Public Housing Renewal Program, the existing 81 units of social housing will be demolished and replaced with 91 new ones. The redevelopment will be funded by selling the land to private developers, who will build an additional 177 new apartments for private sale.

Pippa and Matt support the idea of redeveloping the estate, and of creating much more social housing in the neighbourhood beyond the 10 per cent increase proposed. They are not NIMBYs, but still, Pippa and Matt are going to keep a close eye on the progress of the plans and the building work, and they are going to make sure nothing happens to the beautiful gum tree that is part of their family story.

### 3.3 Strength in diversity

There is considerable strength in diversity. Diverse communities are more sustainable, equitable and healthy in the long term. Council's vision in its Affordable Housing Strategy 2014-2018, recognises the importance of housing diversity for a city that:

- ▣ Is lively, proud, celebrates its diversity and cares for and respects all of its citizens
- ▣ Is a sustainable and just city, a proud city, a healthy and educated community
- ▣ Addresses housing stress, homelessness and broader consequences for health and well-being
- ▣ Addresses the likely impact of gentrification and rising rents, mortgages and development costs.

## 4. Diversity of locations is an advantage

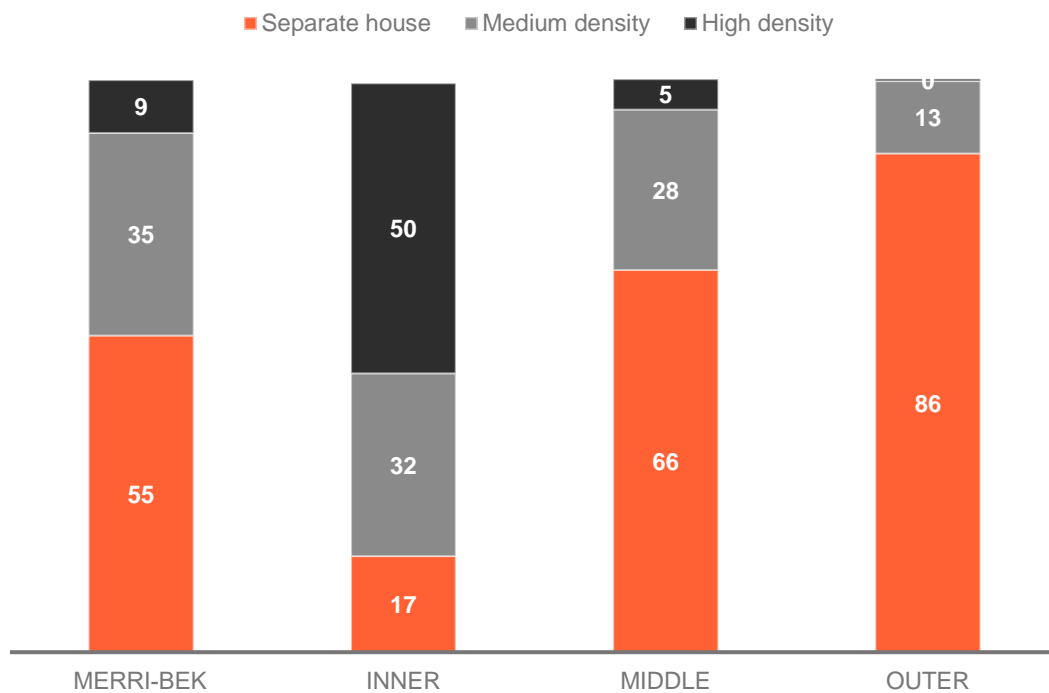
### Key points

- ▣ Merri-bek **plays a middle ring role and function**. The mix of household types, tenure and dwelling types are like many middle ring municipalities such as Darebin, Moonee Valley, Glen Eira and Maribyrnong.
- ▣ But there is a **significant contrast between areas** closest to the Melbourne CBD such as Brunswick East with higher densities and far greater proportions of renters and younger households than the areas in the north. Areas in the north also tend to have the highest proportions of residents born overseas.
- ▣ There are generally **three roles performed by different parts** in Moreland, with many areas playing multiple roles:
  - Young adults and tertiary students (e.g. the Brunswicks).
  - Established and mature families and older households (e.g. many northern suburbs such as Gowanbrae, Fawkner, Pascoe Vale South and Hadfield).
  - Young to mature adults and families in conjunction with young adults (e.g. Coburg, Pascoe Vale, Glenroy, Oak Park and Coburg North).
- ▣ This **location diversity is important** as it means suburbs can perform different roles and functions, allowing individuals and households to move locally as their housing needs change.
- ▣ The migration analysis shows a tendency to stay in the Sydney Road / Pascoe Vale Road corridor, again highlighting the **importance of public transport driving housing location decisions** in Merri-bek.
- ▣ In the northern suburbs of Melbourne house prices generally decrease with distance from the CBD. This stepped house price **enables households to move locally** within Merri-bek in order to gain more house and/or land size and greater affordability. This is reflected by the number of Merri-bek residents who moved within Merri-bek between 2011 and 2016 (11%).
- ▣ However, **rising house prices** across Merri-bek are limiting the ability to move locally.

## 4.1 Overall housing role and function

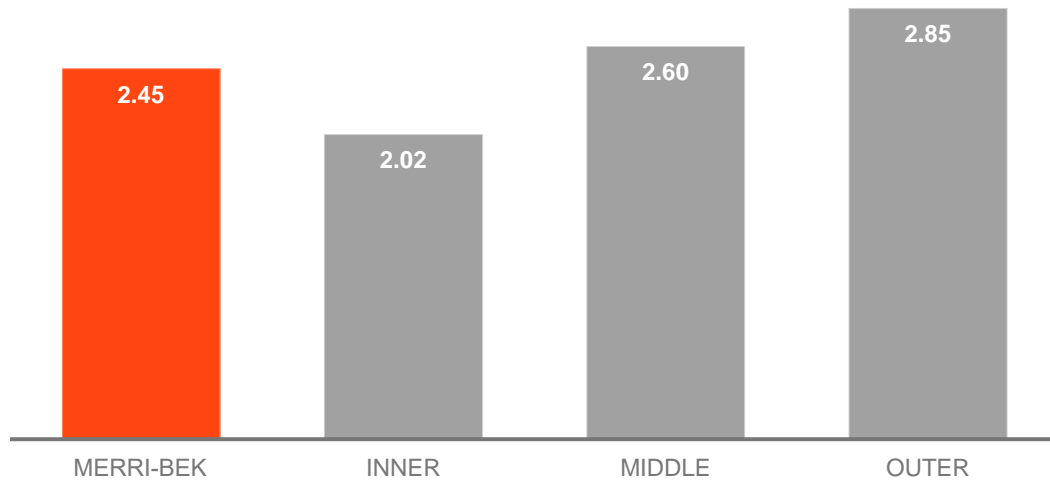
Compared to other municipalities in Melbourne, Merri-bek plays an inner and middle ring housing role and function. In terms of medium and high density dwellings, Merri-bek has similar proportions to middle ring areas like Kingston, Darebin, Moonee Valley and Boroondara. Average household sizes and renting are on par with many middle ring municipalities.

**Figure 5.** *Share of medium and high density dwellings, 2016*  
% of total occupied dwellings



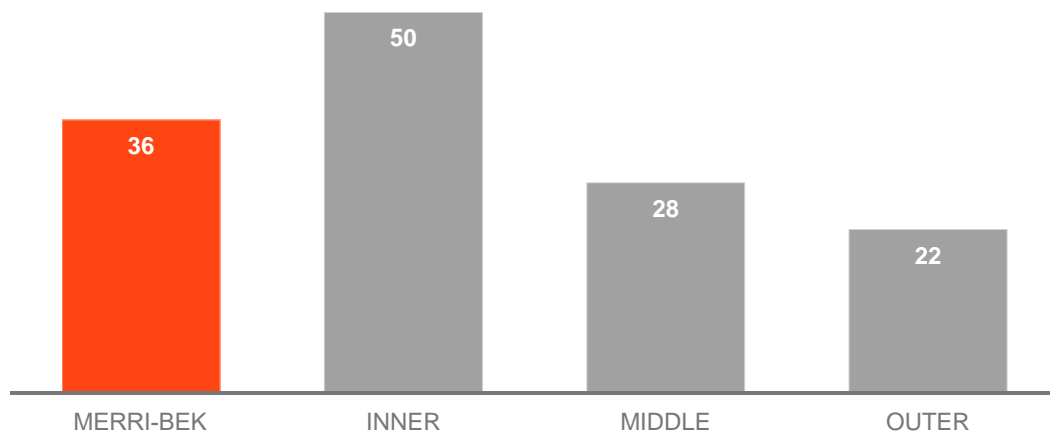
Source: ABS Census of Population and Housing (2016)

**Figure 6.** *Average household size, 2016*  
Persons per occupied dwelling



Source: ABS Census of Population and Housing (2016)

**Figure 7.** *Share of households renting, 2016*  
% of total households



Source: ABS Census of Population and Housing (2016)

As shown in Figure 8, there is considerable population diversity within Merri-bek. There is a significant contrast between areas closest to the Melbourne CBD such as Brunswick East with higher densities and far greater proportions of renters and younger households than the areas in the north. Areas in the north also tend to have the highest proportions of residents born overseas.

**Figure 8.** *Merri-bek's strength in diversity – selected indicators for selected suburbs*

	<b>Brunswick East</b>	<b>Coburg</b>	<b>Pascoe Vale South</b>	<b>Fawkner</b>	<b>Glenroy</b>
Population aged 65+	10%	13%	14%	17%	16%
Medium and high density housing	71%	36%	16%	15%	38%
Households renting	51%	33%	20%	27%	34%
Families with children	24%	41%	51%	50%	43%
University attendance	12%	9%	6%	5%	6%
University qualification	49%	36%	30%	20%	22%
Median household income	\$1,747	\$1,605	\$1,859	\$1,080	\$1,258
Born overseas	30%	30%	20%	46%	42%
Socio-Economic Indexes for Areas (SEIFA)	1066	1024	1057	916	949

Source: ABS Census of Population and Housing (2016)

## 4.2 Suburbs perform a different role and function

With the residential development of Merri-bek over more than a century and the large size of the municipality, areas have developed different roles within the housing market, with many places playing multiple roles. These roles generally fall under three categories:

1. Young adults and tertiary students
2. Established and mature families and older households
3. Young to mature adults and families in conjunction with young adults.

The first pattern affects most areas of the municipality, but most notably in the Brunswicks, due to the proximity to public transport and the connections it enables to a wealth of employment and education opportunities in the City of

Melbourne. While all suburbs have many families, the second pattern is predominant in Pascoe Vale South and many of the northern suburbs, such as Gowanbrae, Fawkner and Hadfield. The third pattern is noteworthy in suburbs such as Coburg, Pascoe Vale, Glenroy, Oak Park and Coburg North - and reflects the continued availability of larger homes as well as their proximity to public transport.

This difference in function and role of the suburbs in Merri-bek means that the population differs significantly across the municipality.

### 4.3 This allows Merri-bek residents to move locally

As shown in Figure 9, there is substantial location diversity within Merri-bek. This supports the population diversity illustrated in Figure 8. Areas like Brunswick East are relatively expensive but provide a much higher share of medium and high density housing. While other locations like Glenroy provide a broader mix of housing but at a lower price.

Figure 9. Merri-bek's location diversity – selected indicators for selected suburbs

	Brunswick East	Coburg	Pascoe Vale South	Fawkner	Glenroy
Separate house	29	64	84	85	62
Medium density (2016)	40	29	16	15	37
High density (2016)	31	7	0	0	1
Median house price (2017)	\$1,187,500	\$812,000	\$853,000	\$633,000	\$612,000

Source: ABS Census of Population and Housing and Valuer-General Victoria 2016

This difference in function and role of the suburbs means that Merri-bek residents can move locally as their housing needs change. This established diversity in locations means that Merri-bek can be home to a wide range of groups, and supports its strength in population diversity.

The importance of location diversity is reflected by trends of movement by Merri-bek residents, with many residents moving locally (Figure 10). In the northern suburbs of Melbourne house prices generally decrease with distance from the CBD. This stepped house price enables households to move locally

within Merri-bek in order to gain more house and/or land size and greater affordability.

In Merri-bek, around 50% of households did not change address over the past five years, while 16,504 people (11%) moved within Merri-bek. The rate of internal moves<sup>1</sup> in Merri-bek is the same as the middle ring average, but above the rate for inner ring municipalities (9%). Interestingly, the rate of internal moves in Merri-bek increased from 9% in 2011.

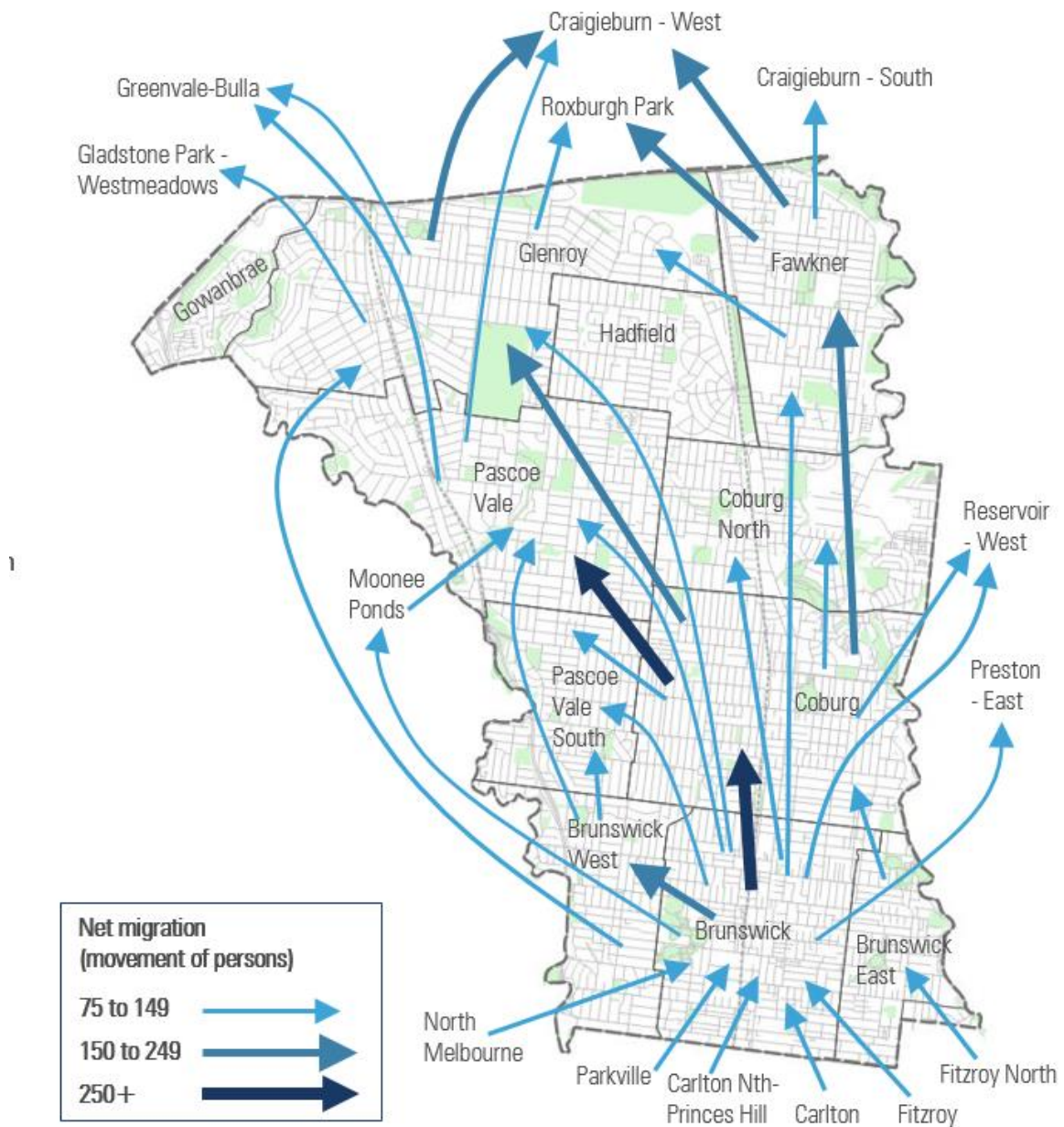
The largest net moves are from Brunswick to Coburg and Coburg to Pascoe Vale. There is a tendency to stay in the Sydney Road / Pascoe Vale Road corridor. This provides opportunities for residents to move houses within Merri-bek but still keep their good public transport access to employment and educational opportunities.

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<sup>1</sup> Moved within the same municipality



Figure 10. Major net migration flows by SA2, 2011-2016



Source: .id based on ABS Census of Population and Housing (2011 and 2016)

## 4.4 Merri-bek is our homeland

**'The commute is easy and that leaves more time for family and friends.'**

Irfan has lived in many parts of the world, but these days, together with his wife and two young children, he's happy to call Fawkner home.

Originally from Lahore in Pakistan, the electrical engineer and telecom systems designer worked in the Middle East and South Africa before migrating to Australia in 2011. Irfan arrived as a bachelor, and apart from his first two months in Australia, has always lived in Merri-bek, renting houses with friends in Fawkner, Coburg and Pascoe Vale, before getting married and buying his own home.

Access to his job in Melbourne's CBD was a prime consideration in choosing where to live.

*'That's what I liked about Merri-bek from day one,'* he says. *'The commute is easy and that leaves more time for family and friends.'* Irfan cycles to work, generally riding along the Upfield bike path: *'It's really convenient.*



*You get a work out and it's enjoyable.'* He has tried catching the train but found the Upfield line too unreliable: *'Trains often run behind schedule, resulting in work life stress.'*

As a father, Irfan now has additional reasons to choosing to live in Fawkner apart from proximity to work—access to good schools. Even though his son is not yet three and his daughter is still a baby, Irfan and his wife are thinking ahead about their children's education. Fawkner Primary and Strathmore Secondary are both close by, and there are number of reasonable private schools in the vicinity, so Irfan feels that there are plenty of options for his children to maximise their learning, make friends and advance their long term career prospects.

When he got married, Irfan went looking for the archetypal Australian dream—a nice-looking, sturdy, free-standing home on a bigger block. *'With a growing family you need open space for kids to roam around,'* he says. They bought their house close to the Merri Creek in 2015. *'We are next to a park with soccer fields and tennis courts, the sort of thing you expect in a posh suburb,'* says Irfan.

For the same price, they could have got a larger, newer house in an emerging suburb. But Irfan says that would have been a false economy. *'Everywhere is expensive,'* he says. *'And in outer municipalities you feel isolated and it's not feasible to commute.'* A number of his friends and family currently live in the same area. *Merri-bek is our homeland,'* he says. Yet he knows that some of his friends and relations may soon have to move away because of the rising cost of local housing

*'It's really challenging and getting harder day by day for families to find houses,'* he says. He is particularly concerned about migrants who cannot afford rising rents. *'It's mostly migrants who rent, and rents are soaring,'* he says. *'On the other hand, they can't afford to buy.'* He also sees tenants being pushed out as houses are sold off to developers: *'The trend is to units and that means houses are getting very expensive.'* When people are forced to leave Merri-bek, they either have to disrupt their children's education by switching schools or struggle across suburbs through crush of peak hour traffic to maintain continuity.

Some people blame migrants like Irfan and his wife for rising house prices and increased congestion. *'People can say whatever they like,'* he responds, *'but a significant percentage of migrants to Australia are skilled.'* He points out that skilled migrants contribute to sectors in demand, including IT and medicine. *'If you want to block new migrants then you are blocking skilled people,'* he says, adding that a number of the world's big technology firms are managed by skilled migrants: *'It is the private sector that drives growth and skilled migrants have input across the whole economy.'*

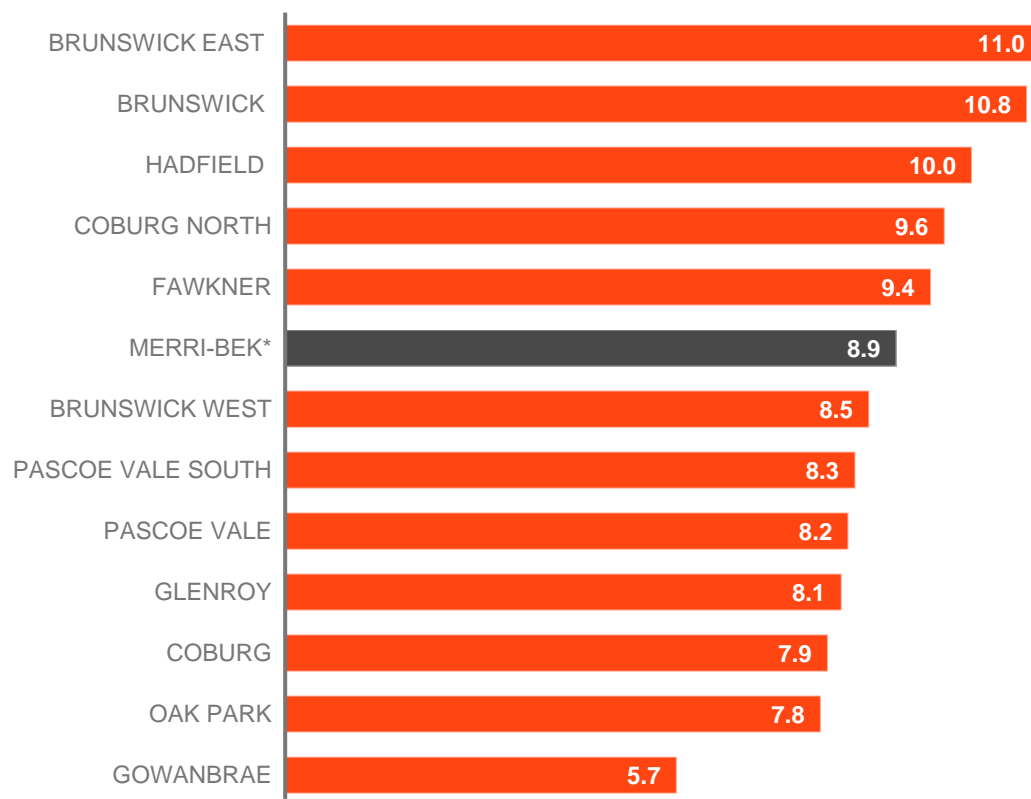
Irfan says his own experience is that people are generally decent and welcoming, but he thinks government and policy makers should take a stronger lead in explaining the benefits of migration, as well as investing more in infrastructure to cope with population growth. He says the challenge for the state government and the City of Merri-bek, is to come up with alternative options: *'Improve the underlying infrastructure, that is the key.'*

## 4.5 House price growth is limiting the ability to move locally

However, rising house prices across Merri-bek are limiting the ability to move locally (Figure 11). Put simply, house prices in Merri-bek have grown much faster than household incomes (Figure 71). This is impacting on housing stress,

housing choices and home ownership. This is reflected by the rate of out-migration<sup>2</sup> per resident to metropolitan Melbourne increasing from 16% to 18% between 2006 and 2016, with many of these moves to more affordable locations such as Whittlesea and Hume (Figure 80).

*Figure 11. House price growth by small area, 2006-2016*  
Average annual price growth %



Source: Valuer-General Victoria 2016

<sup>2</sup> Out-migration share of previous period population

## 5. Population and households are changing

### Key points

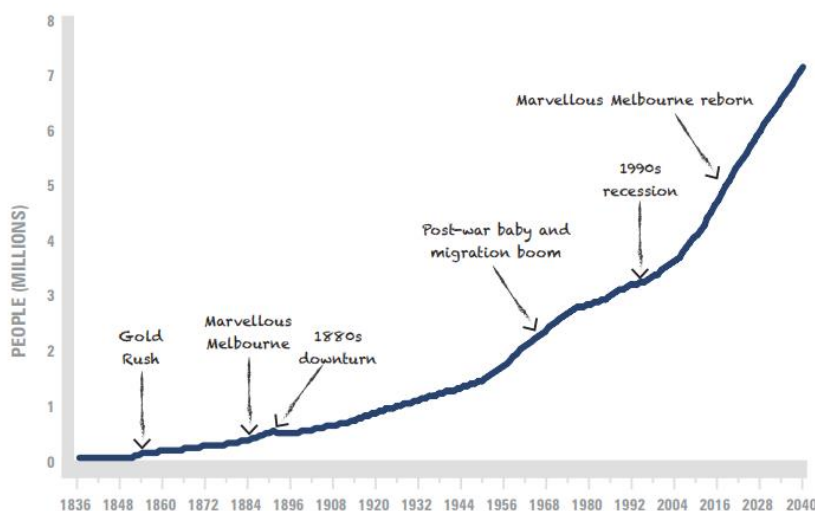
- ▾ The combined effect of **more births and overseas migration** in Merri-bek is contributing to strong population growth. The loss from internal migration has also fallen which has also contributed to the overall population growth rate.
- ▾ This level of **population growth is not unique to Merri-bek**, with all areas of Melbourne affected.
- ▾ At 30 June 2017, the population of Merri-bek was estimated to be 176,589, an **increase of 2.6% over the past year**, slightly below the metropolitan average of 2.7%.
- ▾ Merri-bek has continued to enhance its role as a **major location for movers** from within Australia and from overseas.
- ▾ Between 2006 and 2016, there were some significant changes to the age structure of Merri-bek. The **young adult generation** is evident in the growth of 25 to 34 year olds, and this has also corresponded with strong growth in the infant population. The number of **middle aged persons** and **baby boomers** has also increased, highlighting that many residents are ageing in place.
- ▾ Like most places in Australia, at present the most prevalent household type in Merri-bek is couples with children, totalling 17,508 households and comprising 27.1% of the total households.
- ▾ But the **way we form households is changing**, with an increasing tendency for people around Australia to live alone or as a couple without children. Between 2006 and 2016, the total number of smaller households (lone person and couples without children) grew by 4,533 households compared to 2,637 couple with children households.
- ▾ This is the result of a combination of factors, such as an ageing population, changing circumstances (e.g. divorce) and lifestyle drivers.
- ▾ A simple way to understand household change is to look at the key household types in an area. The **major household types likely to drive housing change** in Merri-bek are:
  - (1) Couples with young children
  - (2) Young couples without children
  - (3) Older lone person households.

## 5.1 Unprecedented population growth

Merri-bek's population has changed over its lifetime, influenced by economic rises and falls and periods of cultural growth and change. While the population has ebbed and flowed over the years, one of the most remarkable eras of change is happening right now.

The economic collapse of the 1890s temporarily slowed Melbourne's growth but the population picked up during the post-World War II baby and migration boom of the 1950s. The recession 'we had to have' in the 1990s slowed population growth for a time as Victorians sought opportunities elsewhere. Merri-bek's industrial past made it highly exposed to this downturn with unemployment reaching 15.1% in 1991 with population growth then declining for the next decade.

Figure 12. Population of Melbourne 1836-2041



Source: ABS and .id

Fast forwarding to 2018, Melbourne and Merri-bek are now in the midst of unprecedented population growth reminiscent of the period when Marvellous Melbourne first emerged, reaching more than 4.86 million people in 2017.

In Merri-bek, after a period of relative stability, the growth rate has increased significantly since 2006. At 30 June 2017, the population of Merri-bek was estimated to be 176,589, an increase of 2.6% over the past year. This is slightly

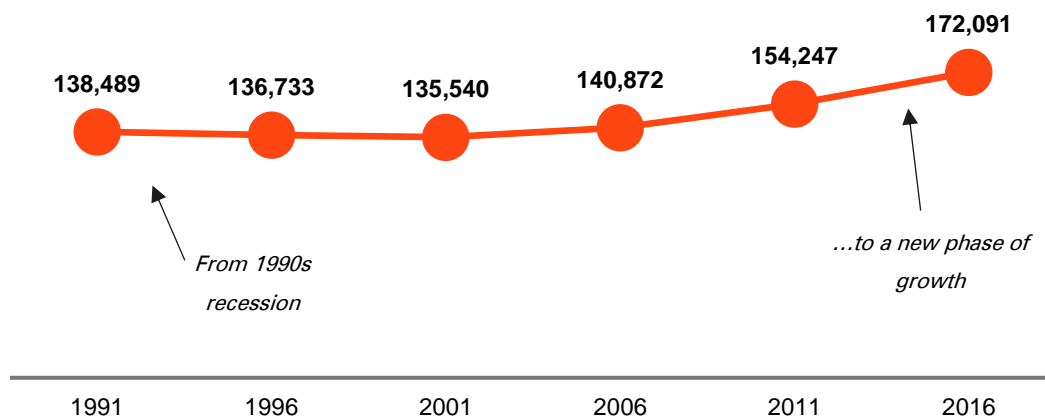


below the estimate of 2.7% for Greater Melbourne. This is not unique to Merri-bek, with all areas of Melbourne affected (Figure 14).

In Merri-bek, population growth has been driven by Merri-bek's attractive location to CBD, universities and access to public transport and supported by the supply of medium and high density housing.

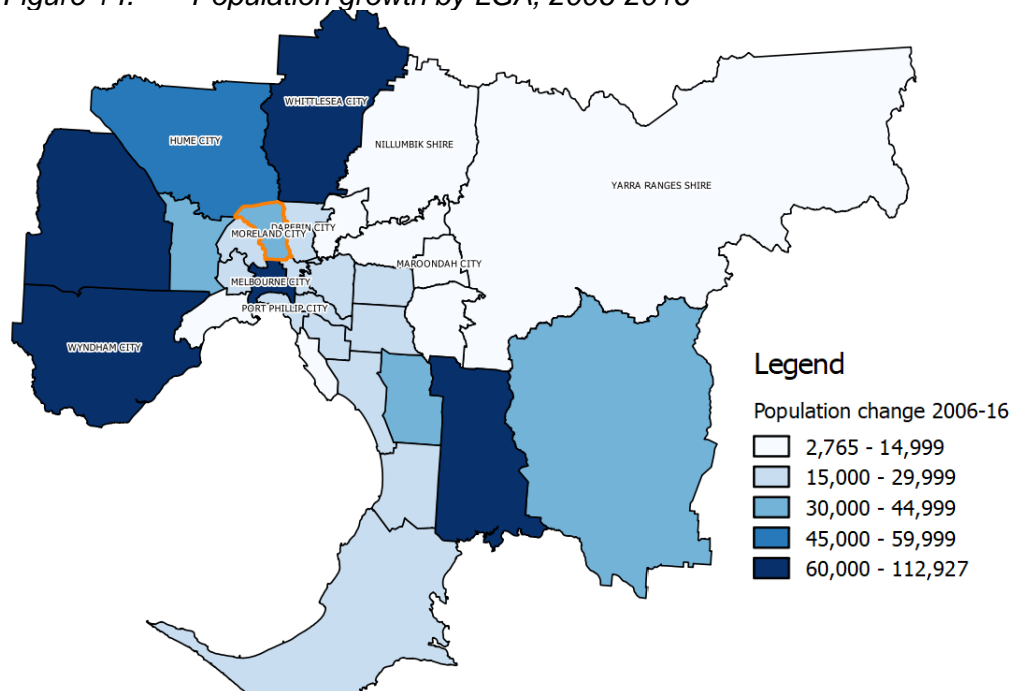
**Figure 13.** *Historical population growth*

Estimated Resident Population, Merri-bek – 1991-2016 (Number of persons)



Source: ABS Estimated Resident Population, Cat. 3218.0, 2001, 2006, 2011 and 2016

**Figure 14.** *Population growth by LGA, 2006-2016*

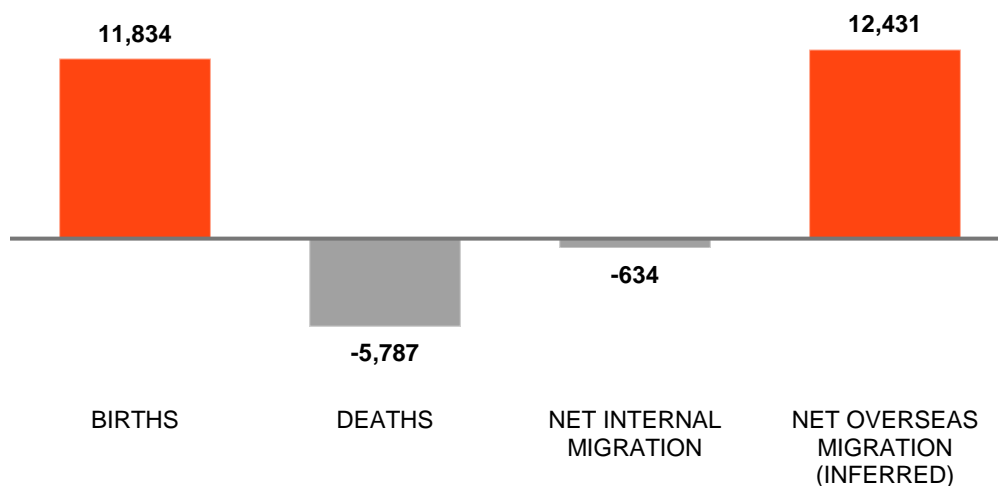


Source: ABS Estimated Resident Population, Cat. 3218.

## 5.2 Fertility and migration driving growth

Like Melbourne, the combined effect of more births, along with increases in life expectancy and net internal migration and net overseas migration is contributing to strong population growth (Figure 15). The loss from internal migration has also fallen (1,779 between 2006 and 2011), which has also contributed to the overall population growth rate.

Figure 15. Components of population change, Merri-bek – 2006-2016  
Number of persons



Source ABS, .id

The number for overseas migration is inferred, based on Estimated Resident Population and other components of population change.

Between 2011 and 2016, Merri-bek continued to enhance its role as a major migration destination from all places within Australia. As the population of Merri-bek has increased, the number of arrivals and departures has grown. Merri-bek's strategic location adjacent to employment and education opportunities in the inner city, in combination with increased housing options and excellent public transport make it an attractive destination, notably in the 'Brunswicks'.

Hence, Merri-bek acts an important destination for 'external' migrants. These include overseas migration, but also migrants from within Australia. From 2011-2016, Merri-bek gained from all States and Territories, with the largest gains from NSW and Queensland.



Although Merri-bek lost population to regional Victoria between 2011 and 2016, it tends to gain younger regional Victorians and lose families and older people to regional areas. Merri-bek also lost population to other parts of metropolitan Melbourne between 2011 and 2016. However, despite the extra growth in population between 2011 and 2016, there was only a minor increase in net loss to other parts of Melbourne. The rate of out migration per resident to metropolitan Melbourne increased from 16% between 2006-2011 to 18% between 2011 and 2026. Increasing housing costs may partly explain the growth in out migration, but it also explains growth in in migration from more expensive parts of Melbourne.

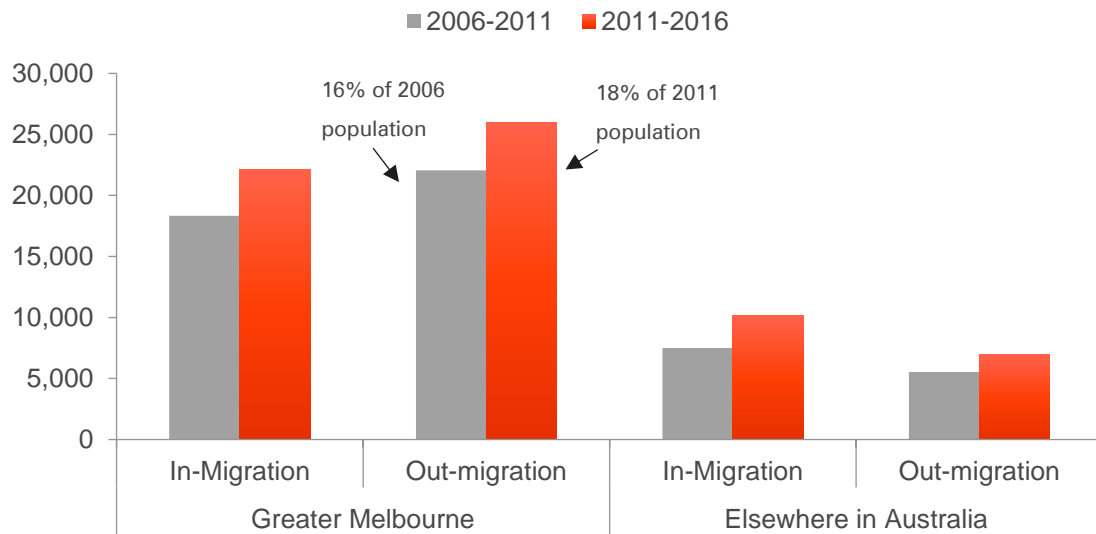
These patterns in Merri-bek are similar to other inner / middle ring parts of Melbourne. They reflect strong levels of population growth and an active housing market, with many new housing opportunities available.

**Figure 16. Broad internal migration flows – Merri-bek**  
Number of persons (excludes overseas)

2011-2016	In-Migration	Out-migration	Net Gain
Melbourne Metro	22,127	25,997	-3,870
Regional Victoria	2,544	2,768	-224
New South Wales	2,533	1,384	1,149
Queensland	1,830	1,082	748
South Australia	781	380	401
Western Australia	1,054	547	507
Elsewhere in Australia	1,191	738	453
Undefined etc.	246	44	202
Total	32,306	32,940	-634

Source: ABS Census of Population and Housing, 2006, 2011 and 2016

**Figure 17. Broad internal migration flows – Merri-bek**  
Number of persons (excludes overseas)

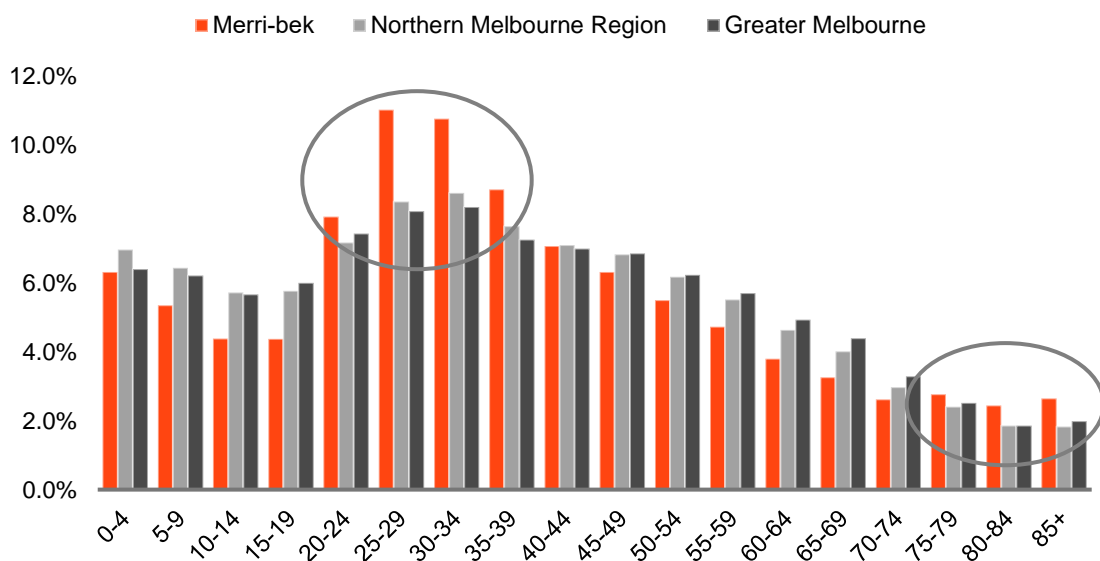


Source: ABS Census of Population and Housing, 2006, 2011 and 2016

### 5.3 Diverse age groups

In 2016, the age structure of Merri-bek was very different to that of Greater Melbourne (Figure 18) and the Northern Melbourne Region. Merri-bek is home to a higher proportion of young adults aged 20-39 years, and at the other end of the age spectrum, there is a higher share of 75+ year olds.

**Figure 18. Age structure – 2016**  
% of total population

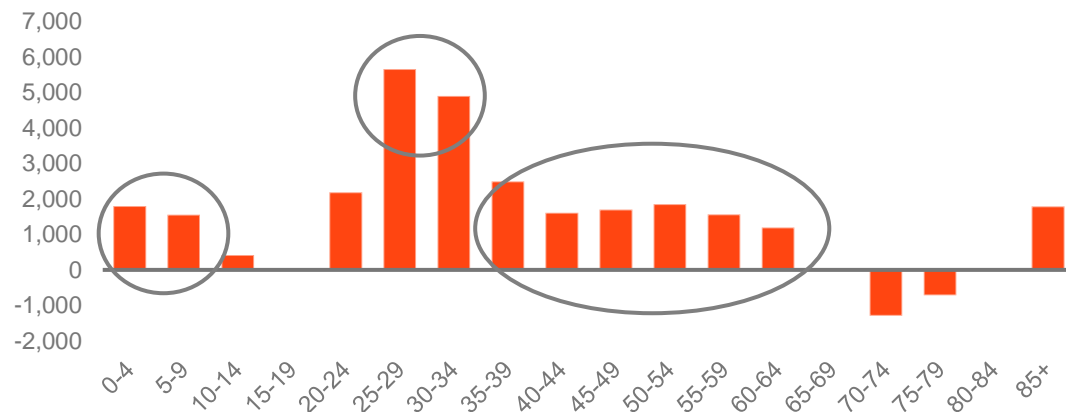


Source: ABS, Census of Population and Housing (2016). Data based on place of usual residence.

Between 2006 and 2016, there were significant changes to the age structure of Merri-bek. The young adult generation is evident in the growth of 25 to 34 year olds, and this has also corresponded with strong growth in the infant population. The number of middle aged persons and baby boomers has also increased, highlighting that many residents are ageing in place.

**Figure 19.** *Change in age structure, Merri-bek – 2006-2016*

Number of persons



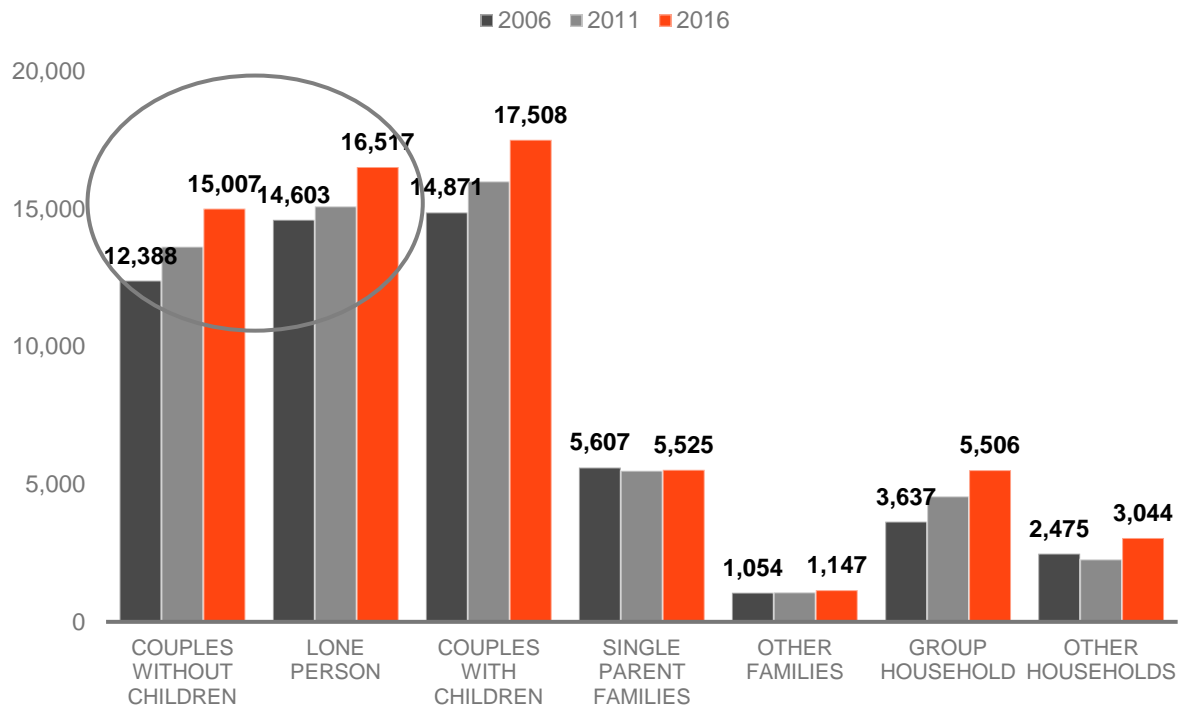
Source: ABS, Census of Population and Housing (2006, 2011 and 2016). Data based on place of usual residence.

So in terms of population growth, changes in fertility and migration over the past decade have contributed to further diversifying the age profile in Merri-bek.

## 5.4 Shift towards smaller households

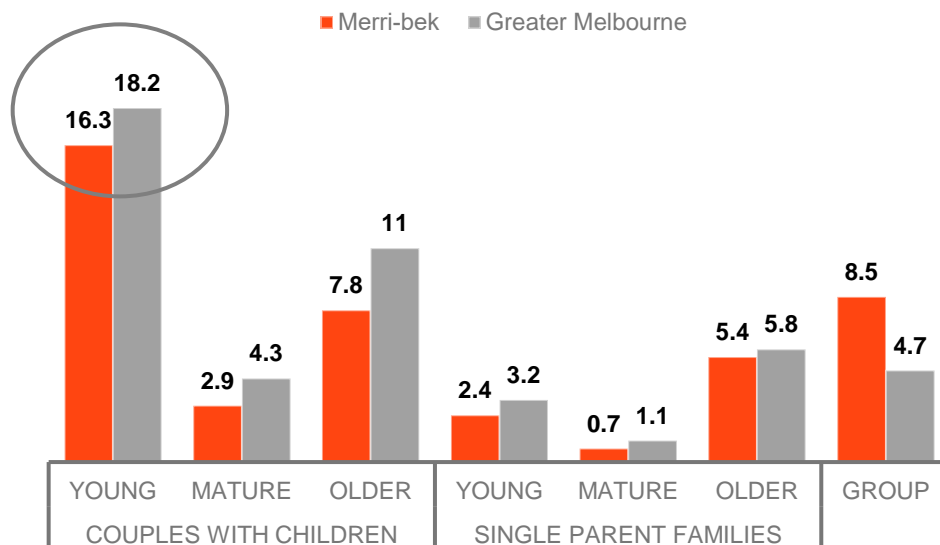
Like most places in Australia, the most prevalent household type in Merri-bek is couples with children, totalling 17,508 households and comprising 27.1% of the total households. Lone person households were the next most common, comprising around 25.5% of all households. Compared to Greater Melbourne, Merri-bek has a lower share of family households, and a much higher share of lone person and group households.

**Figure 20.** Household types, Merri-bek – 2006-2016  
Number of households



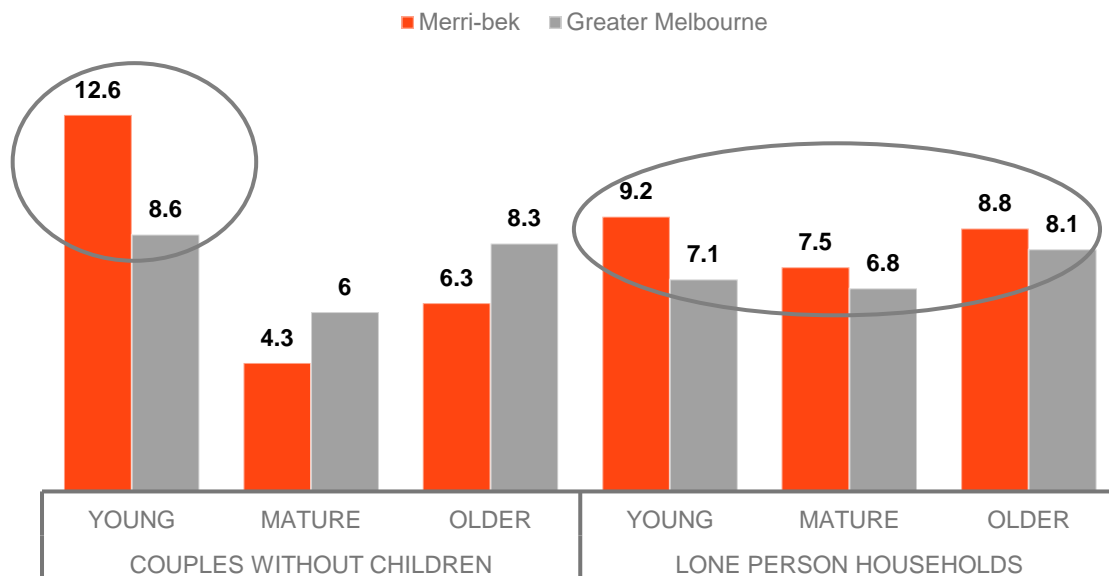
Source: ABS, Census of Population and Housing (2016)

**Figure 21.** Share of family and group household types by age, Merri-bek – 2016  
% of total households



Source: ABS, Census of Population and Housing (2016)

**Figure 22.** Share of 'smaller' household types by age, Merri-bek – 2016  
% of total households



Source: ABS, Census of Population and Housing (2016)

However, urban areas are constantly evolving primarily due to changing household needs and preferences reflecting population and age structure changes. There are increasing numbers of people around Australia living alone or as a couple without children. This is the result of a combination of factors, such as an ageing population, resulting in growth of empty nester and elderly lone person households, couples choosing a child free lifestyle, as well as the emergence of smaller households resulting from divorce and partner separations.

In Merri-bek, there is a clear shift towards smaller households. Taken together the total number of smaller households (lone person or couples) grew by 4,533 households between 2006 and 2016, considerably more than the number of larger, couple with children households (+2,637). The largest increase was in young couples without children which increased by an additional 2,923 households. Lone person households grew at a much smaller rate. The impact of separations is evident in Merri-bek with many middle aged lone persons households saying they were divorced or separated (1,889 or 36% of middle aged lone person households in 2016).

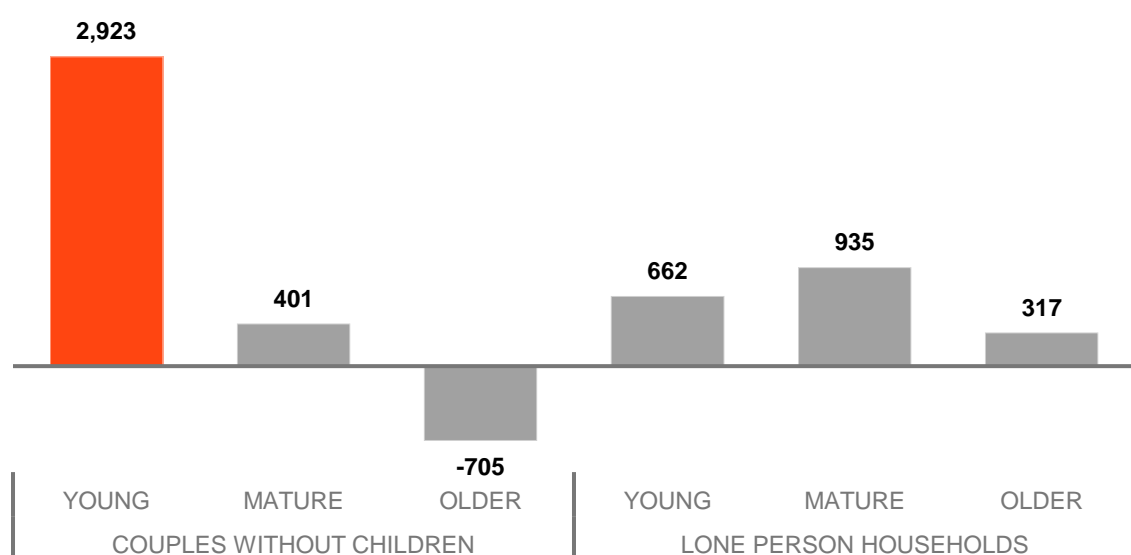
Looking within Merri-bek, Brunswick and Brunswick East are attracting a large share of young couples without children, accommodating around 40% of

Merri-bek's growth in this household type. The number of young couples without children living in Brunswick East doubled between 2006 and 2016. Glenroy and Pascoe Vale also attracted many couples without children. Combined, this suggests that the rail corridor, and the accessibility advantages this provides, is playing an important role in locational decisions of smaller households within Merri-bek.

But the growth in small households is not the only story, with strong growth in the number of couples with young children. The areas with the largest increase in couples with young children over the past 10 years were Glenroy (+514), Pascoe Vale (+407) and Coburg (+235).

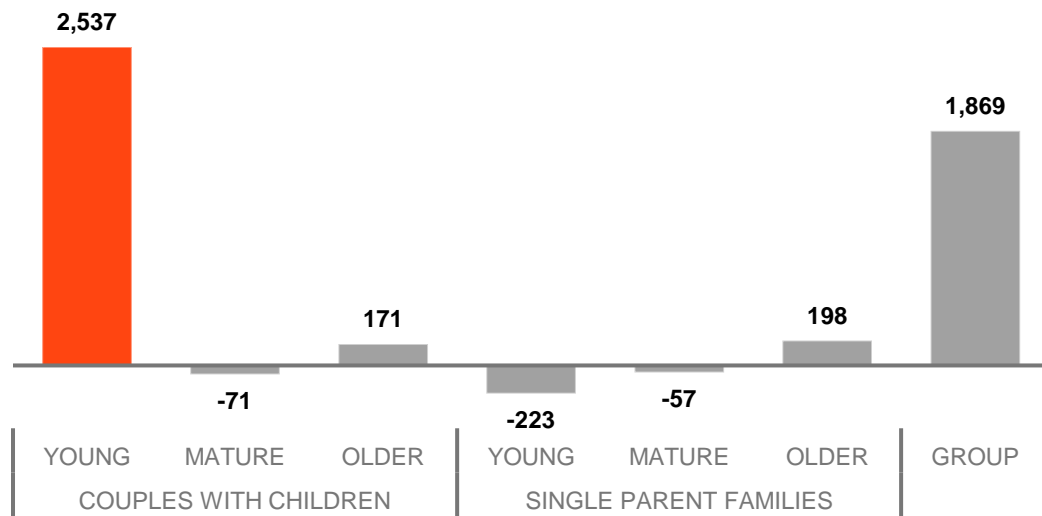
Group households are also an emerging household type in Merri-bek, comprising 8.5% of households, well above the Greater Melbourne average of 4.7%. In Merri-bek, group households are typically younger, with 60% of persons in group household aged 20-29 years old. They experienced a strong increase between 2006 and 2016, of almost 1,900 households. There was a large shift in the proportion of group households with three people, increasing from 20% of all group households in 2006 to 26% in 2016, while two person group households fell from 64% to 56%. This suggests that group housing is increasing to keep up with rising housing costs.

**Figure 23.** Net change in 'smaller' households by age, Merri-bek – 2006 - 2016  
Number of households



Source: ABS, Census of Population and Housing (2006 and 2016)

**Figure 24.** Net change in 'larger' households by age – Merri-bek - 2006-2016  
Number of households



Source: ABS, Census of Population and Housing (2006 and 2016)

## 6. Growth is forecast to continue

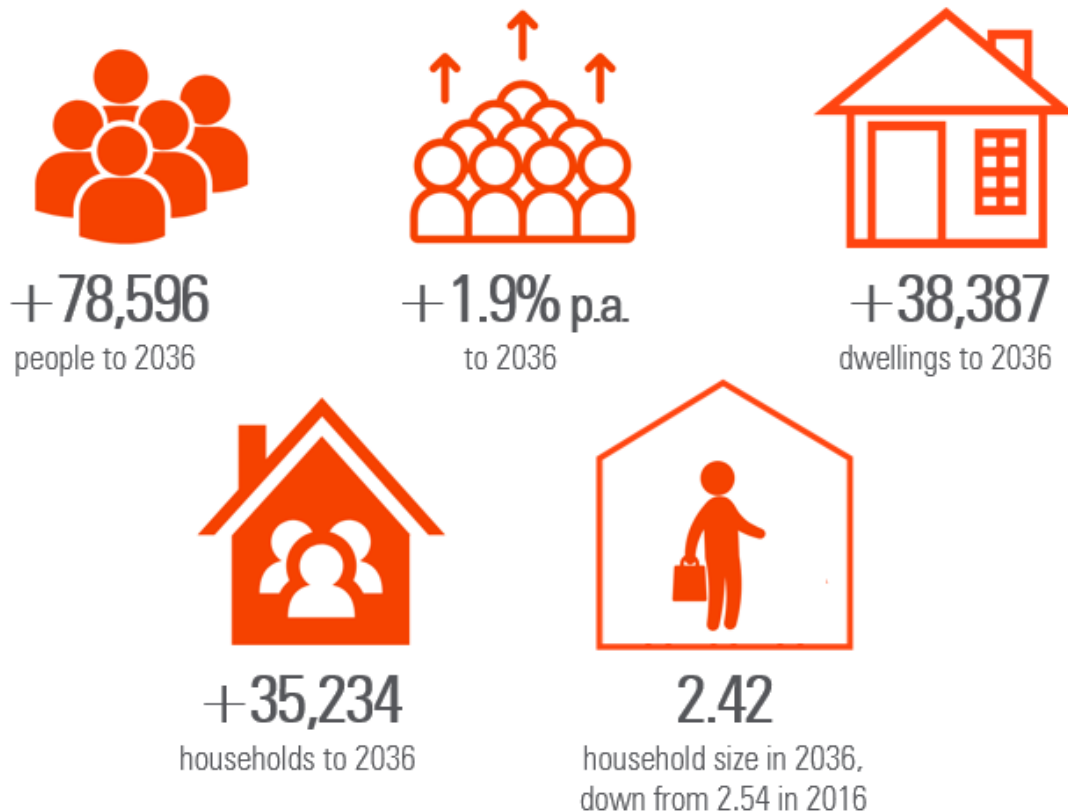
- ▢ **Demographic, social and economic drivers** all point to continued growth and change in Merri-bek. The transition of Melbourne's economy to knowledge-intensive jobs means that places like Merri-bek will increasingly be sought after by higher income professionals and lower income service workers seeking housing close to employment opportunities.
- ▢ The population in Merri-bek is forecast to grow by 78,600 people over the next two decades. It is estimated that **the number of new households which need to be accommodated in Merri-bek over the next 20 years is 35,200 households**. This means that around 38,400 additional dwellings are required, which is around 1,920 per year.
- ▢ The **shift towards smaller households is expected to continue**, with the average household size falling from 2.54 in 2016 to 2.42 in 2036. By 2036, lone person households are forecast to replace couples with children as the dominant household type in Merri-bek. Families with children are also forecast to increase to 2036, growing by around 9,744 households.
- ▢ Forecasts by age show that many groups will continue to seek housing in Merri-bek with growth across all age groups between 2016 and 2036.
- ▢ This forecast **growth across all ages**, combined with smaller households has **major implications for the types of new dwelling stock** that is being added to Merri-bek, and the ongoing need for a diverse range of dwelling types including medium and high density housing.
- ▢ However, Merri-bek's strategic location which is driving demand for housing means that its **price advantage is likely to diminish**. This is likely to increase demand for smaller dwellings and rental housing, but also put increasing pressure on the ability of lower income households to remain in Merri-bek.



## 6.1 Forecast summary

The population of Merri-bek is forecast to grow by 78,600 people over the next two decades<sup>3</sup>. It is estimated that the number of new households which need to be accommodated in Merri-bek over the next 20 years is 35,200 households. This means that around 38,400 additional dwellings are required (occupied and unoccupied), which is around 1,920 per year.

Figure 25. Forecast summary – Merri-bek



Source: .id SAFi

Because there are no greenfield and limited brownfields areas to do this, new housing will primarily occur through urban consolidation in the form of apartments, townhouses and units.

A large proportion of future growth is expected to be accommodated in Brunswick, Brunswick East and Coburg. This corridor accounts for 53% of future

<sup>3</sup> At the time of this report, forecast.id results for Merri-bek were under development. For this reason we have used our SAFi forecasts as the latest available population forecasts for Merri-bek.

population growth in Merri-bek between 2016 and 2036. This forecast highlights the importance of the Brunswick and Coburg Activity Centres in accommodating growth in proximity to public transport and services.

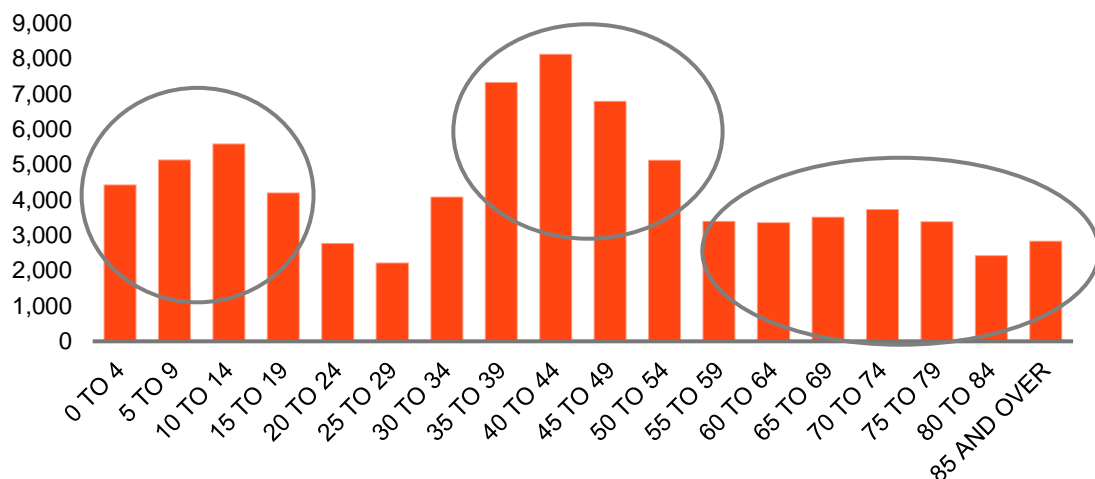
## 6.2 Forecast growth across all age groups

It is forecast that there will continue to be diversity in the age profile for Merri-bek, with growth across all age groups between 2016 and 2036; with a 55% increase in population under working age (0-14); a 39% increase in population of working age (15-64) and a 69% increase in population of retirement age (65+).

In 2016, the largest age cohorts in Merri-bek were 25 to 34 year olds. A large share of this group is forecast to age in place and this is highlighted by the strong growth in 45-54 year olds shown in Figure 26.

The population increase across the older age groups (65+) contrasts with the historical trend observed in Figure 19. Future growth in this cohort is being driven by ageing in place (i.e. middle aged persons and baby boomers today) and life expectancy increases.

**Figure 26.** Forecast change in age structure, Merri-bek – 2016-2036  
Change in number of persons

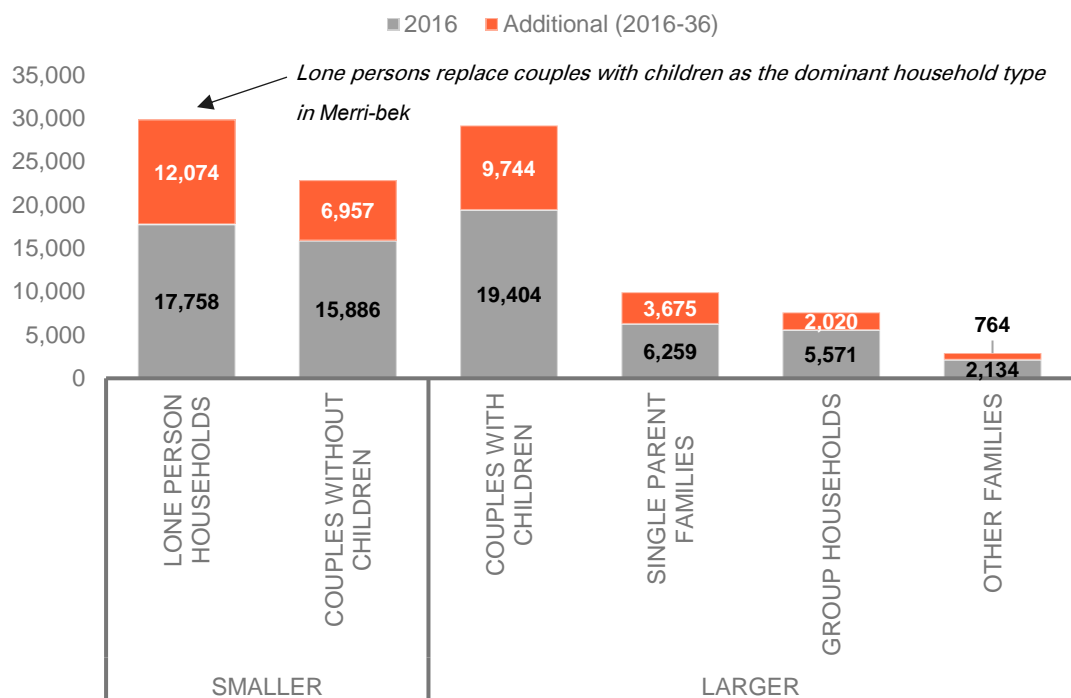


Source: .id SAFi

### 6.3 Smaller households set to become the dominant household type

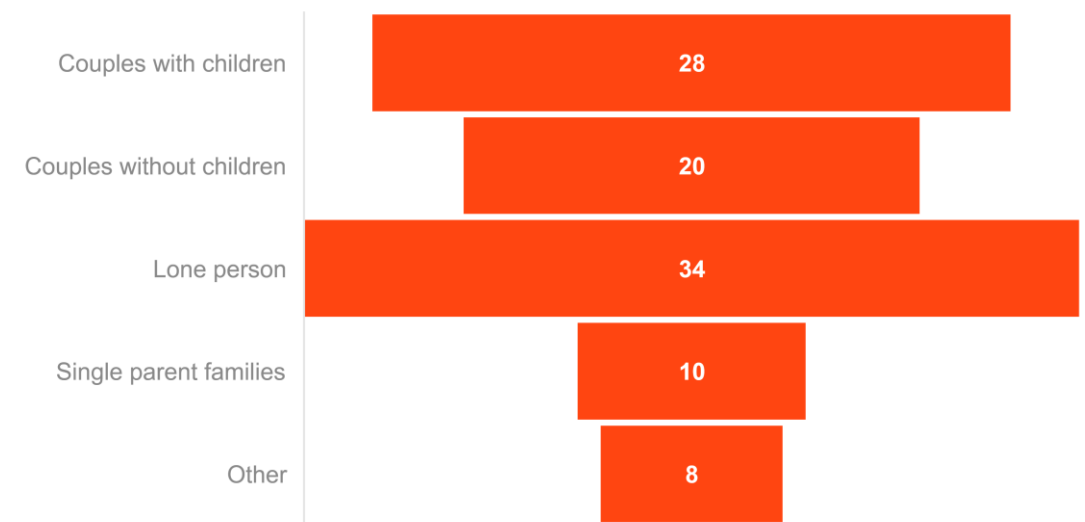
The shift towards smaller households is expected to continue, with smaller households growing by 19,000 households between 2016 and 2036. By 2036, lone person households are forecast to replace couples with children as the dominant household type in Merri-bek. The shift towards smaller households will see the average household size falling from 2.54 in 2016 to 2.42 in 2036.

**Figure 27.** Forecast changes in household types, Merri-bek, 2016 – 2036  
Change in households



Source: .id SAFi

Given the diversity of smaller household types and age groups observed in Figure 26 and Figure 27, it is expected that this growth will occur across the age spectrum. This has major implications for the types of new dwelling stock that is being added to Merri-bek, and the need for a diverse range of dwelling types including medium and high density housing.

**Figure 28.** Share of additional households (2016-2036)

Source: .id SAFi

## 6.4 Strategically located for growth

The shift in Australia's economy to service and knowledge-intensive jobs is being concentrated in the CBDs and inner areas of capital cities. This concentration of jobs is increasing demand for housing in inner areas, with more and more workers looking to live closer to where the job growth is located.

This transition has led to locations like Merri-bek becoming more popular with higher income professionals and lower income service and casual workers. In 2016, over a third of Merri-bek's employed residents worked in the City of Melbourne. Of them, around 70% were employed in office based<sup>4</sup> jobs.

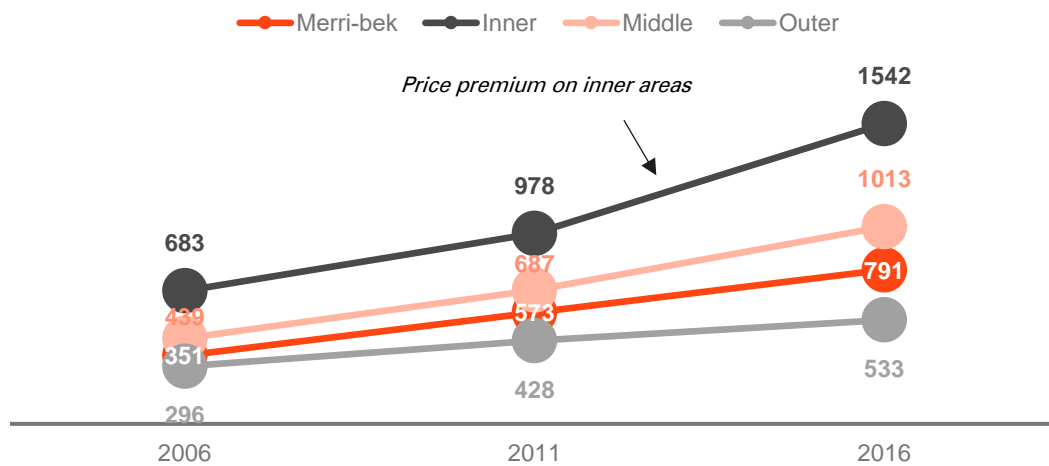
Merri-bek's price advantage compared to Melbourne, Yarra, Stonington and Port Phillip combined with its availability of residential supply makes it a highly attractive housing location to access these higher income jobs.

<sup>4</sup> Based on ABS Occupation groups Managers, Professionals and Clerical and Administrative Workers

## 6.5 This will put pressure on housing costs

However, this strategic location is resulting in households paying a premium to live in Merri-bek. Figure 29 below shows this by illustrating the price premium placed on locations closer to the CBD.

**Figure 29. Premium on inner ring living**  
Median house price \$'000



Source: A Guide to Property Values, Victorian Valuer-General

This is likely to increase demand for smaller dwellings and rental housing, but also put increasing pressure on the ability of lower income households to remain in Merri-bek.

## 7. Growth and change will influence the future housing we need

### Key points

- ▮ There has been a strong shift in the proportion of households **trading off the traditional large home** with a backyard, for an apartment or townhouse close to amenities. Many households are choosing to stay in inner areas and an increasing number living in medium and high density housing.
- ▮ A high proportion of couples without children (47%), lone person (57%) and group (60%) households were **living in medium and high density houses in 2016**.
- ▮ More family households are living in medium and high density housing than ever before, with the proportion increasing from 14.4% in 2011 to 25.2% in 2016. **One in four Merri-bek families with children live in medium density housing and apartments**. This is not just a temporary situation for young families; around **one in five 10-14 year olds** live in these types of homes.
- ▮ The Grattan Institute research report, *The Housing We'd Choose*, shows that households are prepared to **choose medium and high density dwellings when are faced with real world trade-offs** between housing and location.
- ▮ Overall the shift in preferences towards medium and high density dwellings, combined with strong forecast growth in smaller households types means there will be a **need for more townhouses and apartments, with many of these suitable for families**.
- ▮ Over the past ten years, there has been a **significant increase in households renting** in Merri-bek. There are almost equal shares of people fully owning their homes, people with a mortgage and those who are renting. In 2006, 38.4% of 30-34 year olds were renting, and 39.3% had a mortgage. But by 2016 over half were renting, and just 30% had a mortgage.
- ▮ The shift to **renting is not confined only to lower income households**. In 2006, around 21% of high income households were renting. By 2016, this proportion rose to 29%.
- ▮ The increase in households renting appears to be **driven by declining affordability, but also other factors** such as lifestyle and locational advantages such as changing preferences and access to employment and public transport that make trading off home ownership for renting more attractive.

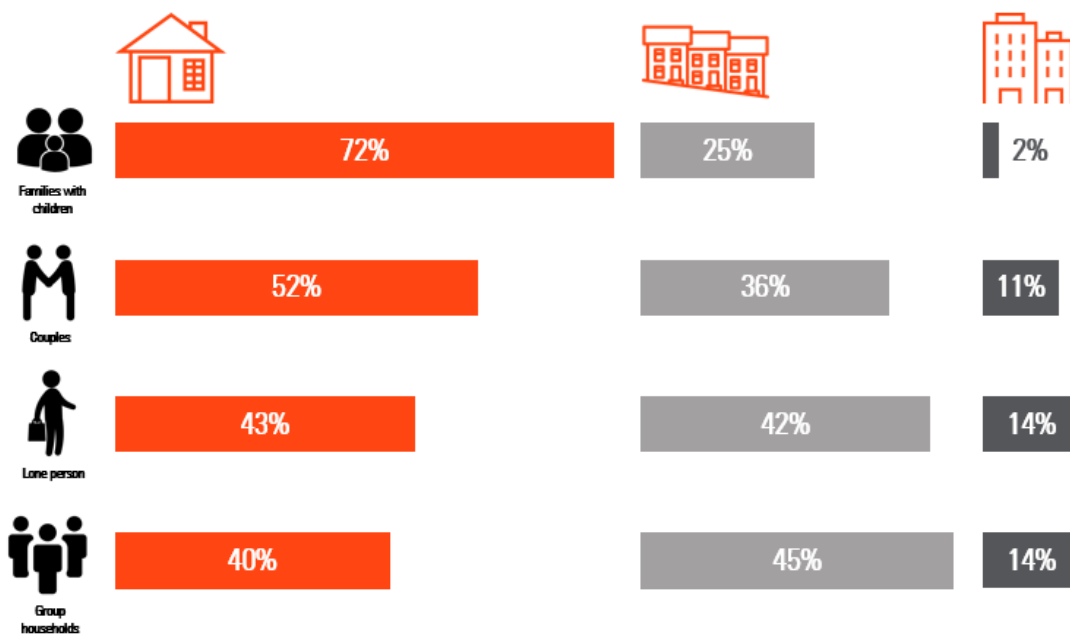
## 7.1 All households live in all sorts of dwellings

Household composition from the Census tells us how people live in dwellings, whether it's a family household with one or two parents, a lone person household, or a group household. What we find is that one size does not fit all.

As shown in Figure 30, many households, including families, are trading off the traditional large home with a backyard, for an apartment or townhouse close to amenities.

In 2016, a high proportion of couples without children (47%), lone person (56%) and group (59%) households were living in medium and high density houses. There was also a relatively high share of family households living in higher density housing (27%).

*Figure 30. Who lives in what type of housing – Merri-bek, 2016*  
% of households by type

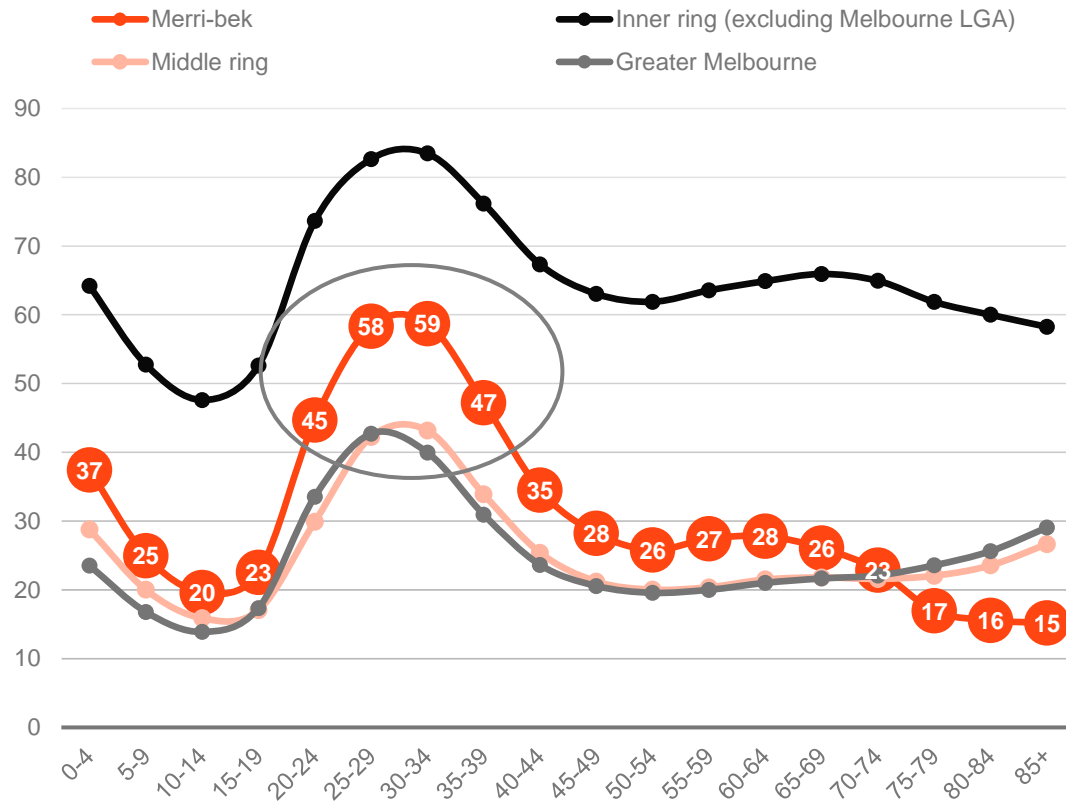


Source: ABS Census of Population and Housing 2016

The population of Merri-bek also has a higher likelihood of living in medium and high density housing than the Greater Melbourne average. Figure 31 below shows this, by age of resident. Almost 60% of residents aged 25-34 years old, and 47% of 35-39 year olds live in medium and high density homes. The propensity to live in medium and high density housing for this group is

considerably above the middle ring or Greater Melbourne average, highlighting the importance of this housing type in Merri-bek.

**Figure 31.** Proportion of age group living in medium or high density housing, 2016  
% of total population



Note: Inner and Middle suburbs excludes Melbourne LGA and outer areas

Source: ABS, Census of Population and Housing (2016)

Until the age of 70, residents in Merri-bek across all age groups occupy medium and high density dwellings in greater proportions than the metropolitan average and middle ring. This may be a revealed preference, with older residents preferring to remain in their larger, separate dwellings. This is particularly the case Merri-bek's Italian and Greek population aged 70 or more who have a much lower propensity to live in medium and high density housing (10%) compared to the average (18%). On the other hand, it may be that there are limited opportunities for older residents to downsize, due to affordability issues or possibly a lack of housing that meets their needs.

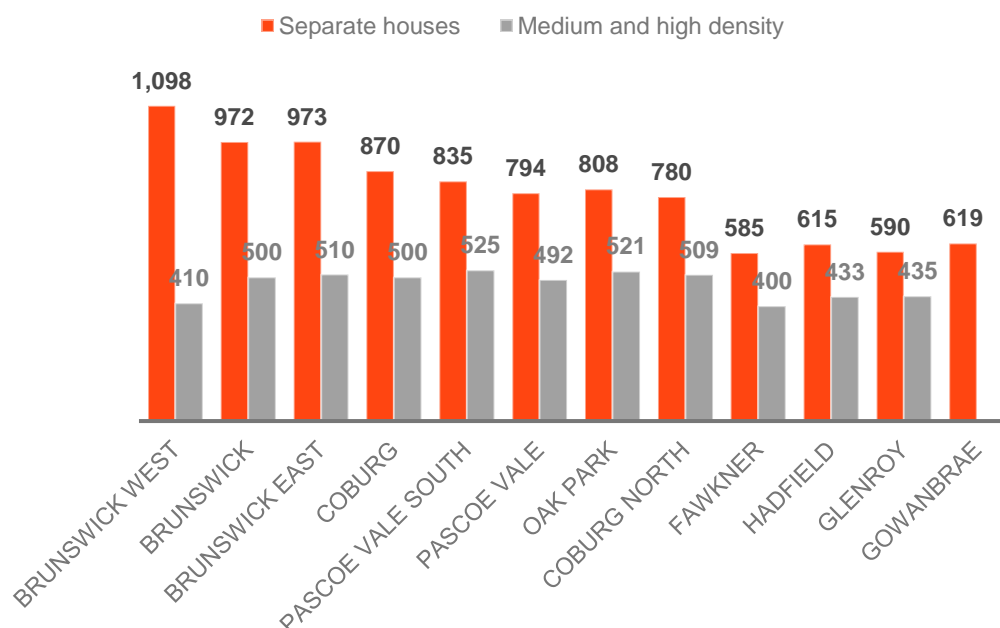
Another way at looking at housing gaps for older residents is the difference between house prices and medium and high density prices. This is presented in



the Figure 32 below. The highest differences between house and unit, townhouse and apartment prices are generally in areas in Merri-bek's southern areas such as Brunswick, Brunswick East and Brunswick West. In these areas, a household could get a strong financial return by selling their home for a smaller dwelling. Areas such as Fawkner, Glenroy, Hadfield and Coburg North have a significantly lower price difference between separate houses and medium and high density dwellings making it far less attractive for older residents to downsize locally.

Combined, this highlights that financial, cultural and housing stock plays an important role in the housing decisions of older households.

Figure 32. Median house price by suburb, 2016 (\$'000)



Source: Valuer-General Victoria 2016 and ABS Census of Population and Households

## 7.2 Downsizing to a tip top life

***‘Our daughters think we should be winding down and retiring and we’re almost doing the opposite.’***

Barbara and Kevin never planned to live in Melbourne, let alone in a one bedroom apartment. *‘When we came here six years ago for Kevin’s job we thought we’d only stay five minutes,’* explains Barbara. The couple of empty nesters left behind a large house in inner Brisbane that was surrounded by a secluded tropical garden. Expecting the move to be temporary, they rented a flat in Merri-bek, swapping the leafy peace and quiet of Toowong for the urban intensity of Brunswick. *‘It was a different pace and a different life,’* says Barbara. Professionals in their early sixties, they are both engaged in the arts—Barbara in painting and Kevin in improvisational performance. Their new neighbourhood was conducive to their creative pursuits, and against initial expectations, they soon fell in love with the area. *‘With access to so much film and theatre, we really got hooked on the culture,’* says Barbara chatting over coffee in one of her favourite Lygon Street haunts. *‘There’s a sense of community when you walk down the street. There’s good access to food and shops, and Merri-bek puts on a lot of events.’*

Before long Barbara and Kevin had put down roots — almost inadvertently. One day, while out for a walk, they passed a real estate agent and decided to stop in and take a look. The agent showed them through a brand new apartment in the re-developed Tip Top bakery site and they signed up on the spot. *‘We walked away thinking we were nuts,’* laughs Barbara. But they have not looked back. Their top floor, north facing apartment enjoys natural ventilation and has a small balcony where Kevin grows herbs and salad greens. They also have access to

plot in the shared edible garden. Despite being in the heart of one of Melbourne’s more closely settled suburbs, the apartment is quiet and secure. *‘It’s a nice little pad,’* says Barbara. While she once might have been very wary of living in such a high density development, Barbara has come to think



that in making a place good or bad to live in, the quality of project design and the quality of building management is far more influential than the number of residents: *‘Some apartment blocks are just square boxes, with nothing else. That’s not conducive to meeting people.’* The Tip Top development has plenty of well maintained public spaces and sitting areas that encourage interaction.

*'There's a whole range of people living here,' she says, 'including young people with children.'*

Barbara has also found apartment living very economical: *'We don't need much heating or air con, so our electricity bill is a fraction of what it was for our Brisbane house.'* They have a car, but with easy access to bus, train and tram they hardly ever use it. In Brisbane, Barbara had no choice but to drive for many daily activities, but in Brunswick she does most things locally and can generally get

wherever she wants to go on foot. Despite being relatively new to Merri-bek, this has helped her to establish strong community connections.

Alongside working, Barbara paints and volunteers at a nearby op shop, while Kevin is involved with local performance groups. *'Our daughters think we should be winding down and retiring and we're almost doing the opposite.'*

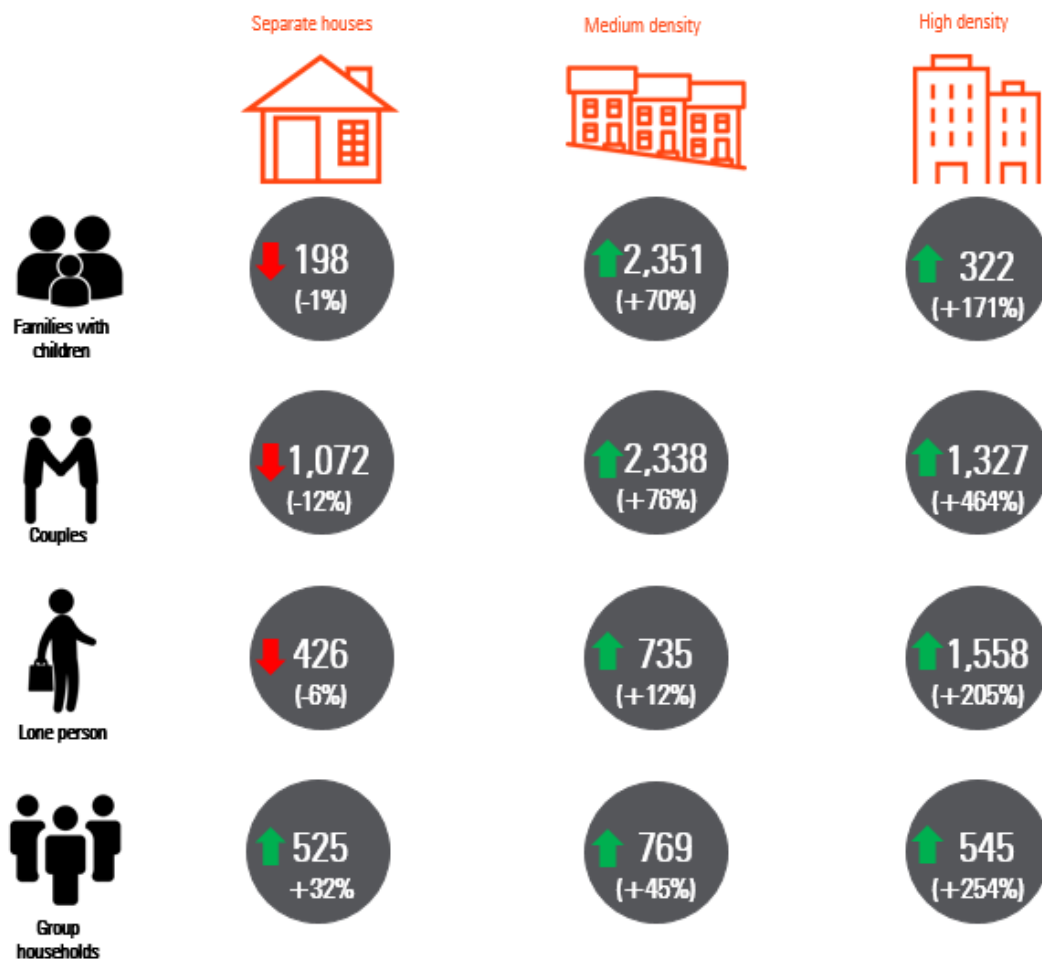


When they really do retire, Barbara and Kevin will have to decide — do they move back to their big house in Brisbane or do they continue their new down scaled apartment life in Brunswick? At the moment it seems like Brunswick might have the edge. After their daughters moved out, they became accustomed to living in large home with lots of spare rooms. At first, re-sizing to a one bedroom apartment was a big challenge, but it had unanticipated benefits. Barbara and Kevin learnt new ways to be respectful of one another and to give each other space, strengthening their relationship of 37 years. And volunteering in the op shop has made Barbara aware of how incredibly wasteful the Australian lifestyle tends to be, and how much more efficiently we could utilise resources: *'We've learnt to live in a minimalist way,'* she says. *'It's been a very good experience for us in terms of adapting to a small space. I think a lot of people could do what we're doing.'*

### 7.3 Shift towards higher density living

Not only is Merri-bek's population increasing, but the way we are occupying dwellings is changing. There has been a shift in preference towards medium and high density dwellings from all household types. Even families' housing choices are changing with an increasing number living in medium density dwellings. In 2006, around one in six Merri-bek families with children lived in medium density dwellings. This proportion rose to one in four by 2016. There are also increasing numbers of families living in high density dwellings. There was also a large increase in the number of couples (+1,327) and lone person (+1,558) households living in high density dwellings.

Figure 33. *Changing household consumption patterns - Merri-bek 2006-2016*  
Net change in households



Source: ABS, Census of Population and Housing (2016)

Overall the shift in revealed preferences of households for medium and high density dwellings in inner and middle ring areas means there will be likely be

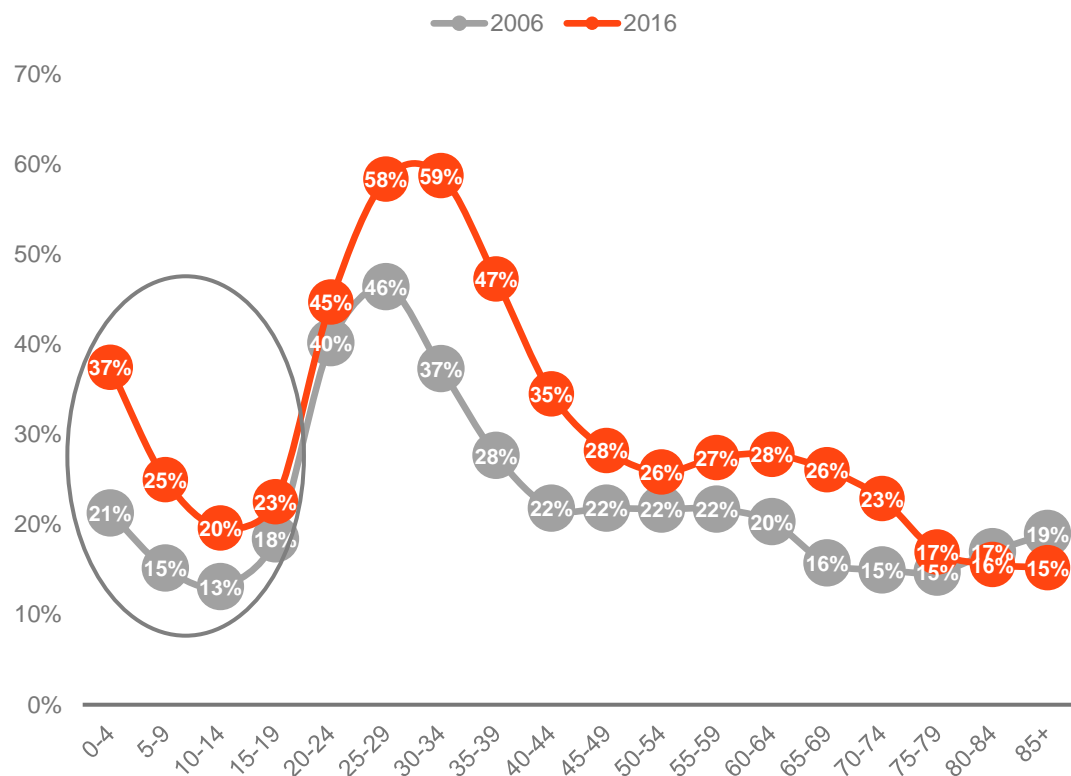
continued demand for more townhouses and apartments, which are suitable for all household types.

## 7.4 More families are living in high density housing

Figure 34 demonstrates that it is not just families with pre-school aged children living in medium and high density housing. Around 37% of 0-4 year olds lived in medium and high density housing in 2016, up from 21% in 2006. There was also a large increase in the proportion of older children aged 5-14 living in medium and high density housing. Figure 35 shows that most of these younger age groups were living in medium density as opposed to high density in 2016. This demonstrates that medium density housing is not a temporary situation for young families, but provides a genuine long term alternative to the 'traditional' family home.

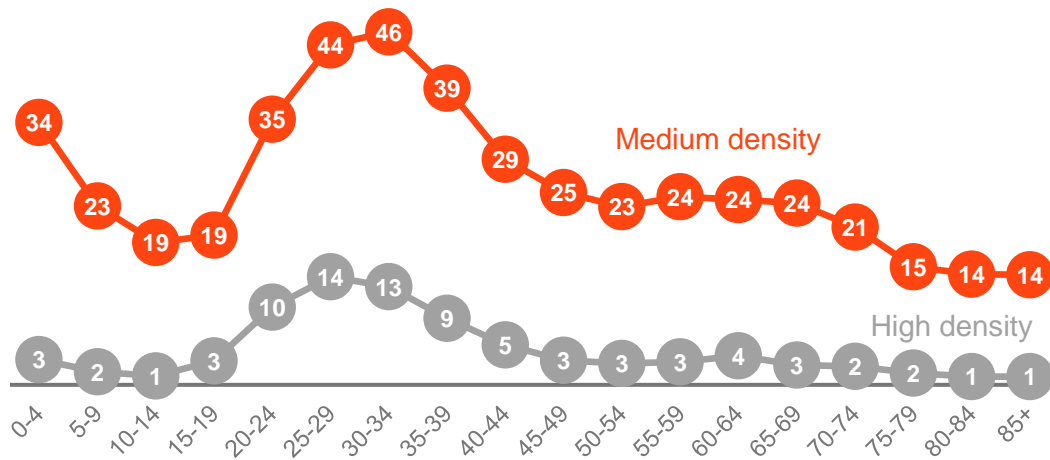
**Figure 34.** *Proportion of population by age living in medium or high density housing, Merri-bek*

% of total population



Source: ABS, Census of Population and Housing (2016)

Figure 35. Proportion of population by age living by selected dwelling type, 2016, Merri-bek



Source: ABS, Census of Population and Housing (2016)

## 7.5 Residential characteristics of recent developments in

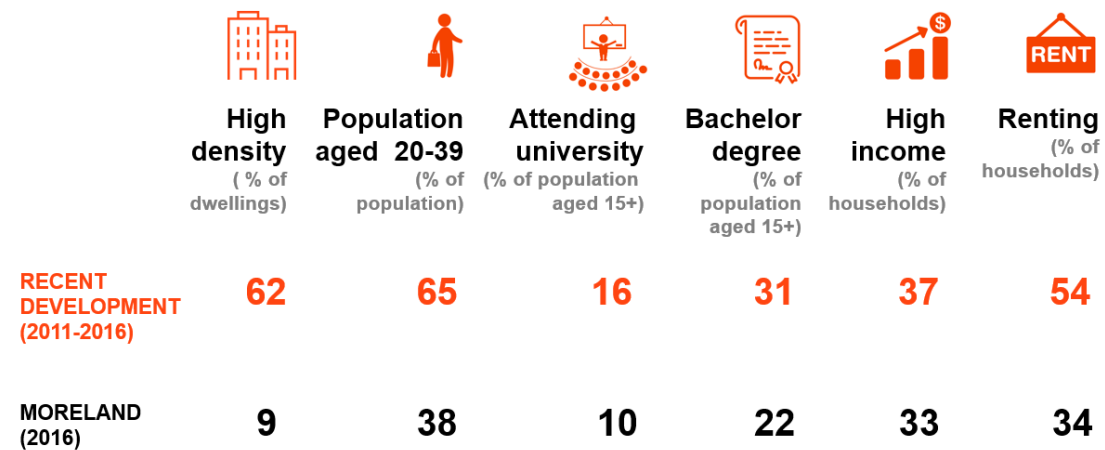
### Merri-bek

An analysis of recent medium and high density residential developments in Merri-bek provides further insight into the trends about who is living in what types of housing. While couples without children and lone person households are the dominant occupants, making up 33% and 39% of all dwellings respectively, new developments are also catering to families (11% of all dwellings).

The income profile of households living in recent medium and high density developments is much higher than the Merri-bek average with almost 60% of households with a moderate or high income compared to 52% across Merri-bek. The higher share of working age groups with higher qualifications underpins this higher income. Their higher incomes also make it possible to afford the higher rents in many of these locations.

Together with increased demand to live in these locations, this has the potential to squeeze many lower income households out of the most affordable housing available in Merri-bek, due to these households having the ability to pay for higher costs in these locations.

Figure 36. Selected characteristics of new developments in Merri-bek



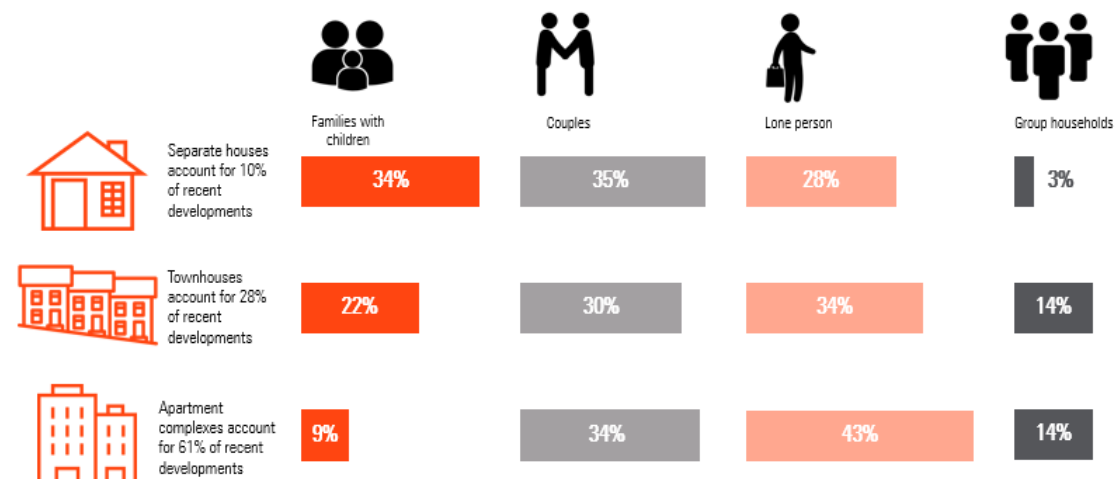
Based on recent developments between 2011 and 2016 using .id's Universal Development Layer

Source: ABS, Census of Population and Housing (2016)

The household types are further broken down by medium and high density dwellings. For medium density housing, around 34% of dwellings are occupied by people living alone. This increases to 43% in high density housing. In medium density housing, 22% of dwellings are occupied by families with children, well above the share currently found in high density dwellings (9%).

Figure 37. Who is living in recent developments – Merri-bek projects

% of total households by dwelling type



Based on recent developments between 2011 and 2016 using .id's Universal Development Layer

Source: ABS Census of Population and Housing (2016)



## 7.6 Housing consumption trends by selected household types

A simple way to understand household change is to look at the key household types by life stage in the area. This can provide detailed insight into the type of housing required in the future because it is these households types who will generate the largest need for additional housing in Merri-bek.

Three household types were selected based on:

- ▣ Size
- ▣ Relative size compared to Greater Melbourne
- ▣ Growth between 2016 and 2036
- ▣ Forecast growth.

Based on this, the following household types are analysed:

- ▣ Couples with young children (all children under 15 years of age)
- ▣ Young couples without children
- ▣ Older lone persons.



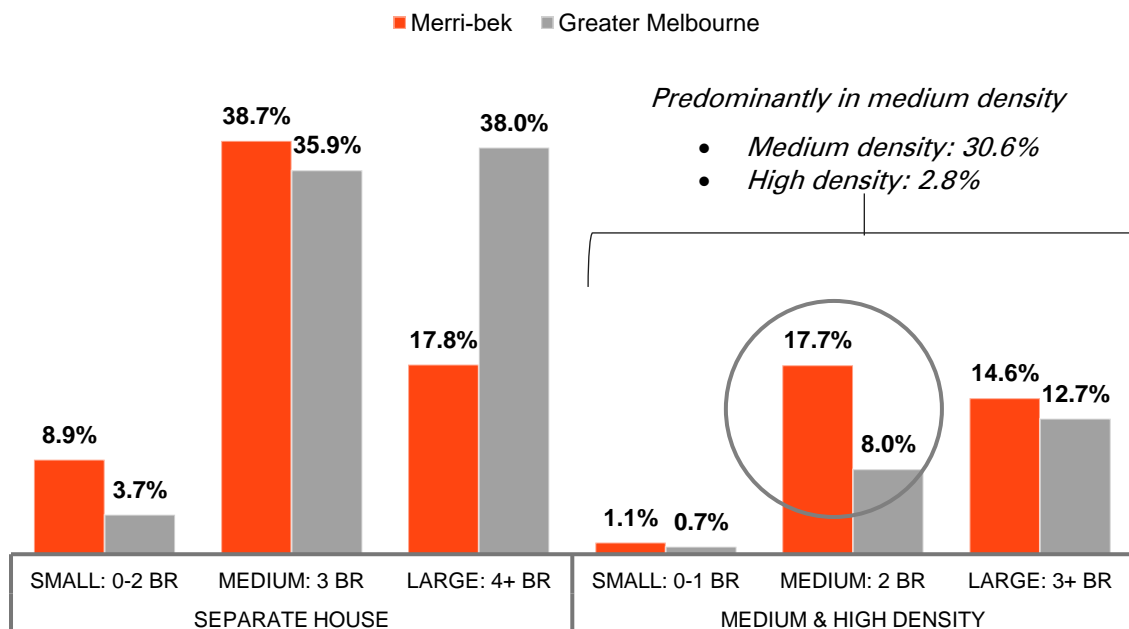
### 7.6.1 Couples with young children

There are 10,551 couples with young children (all children aged under 15) in Merri-bek in 2016, comprising 16.3% of households. This makes them the largest household by life stage group in Merri-bek. Coburg, Glenroy and Pascoe Vale had the largest number of couple families with young children in Merri-bek.

In 2016, around 39% of couples with young children (all children aged under 15) lived in separate houses with three bedrooms, while 18% lived in separate houses with four or more bedrooms. A further 18% live in medium and high density two bedroom dwellings and 15% live in three bedroom medium and high density dwellings, and as shown in Figure 38, this is predominantly in medium density dwellings. The propensity to live in this medium density housing was significantly above the metropolitan average.

In Merri-bek, couples with young children are much more likely to live in smaller 1 or 2 bedroom dwellings, than the metropolitan average. This is the case for both separate houses and medium and high density dwellings.

**Figure 38.** *Couples with young children by dwelling type (%) – Merri-bek – 2016*  
% of total dwellings



Source: ABS, Census of Population and Housing (2006, 2011 and 2016)

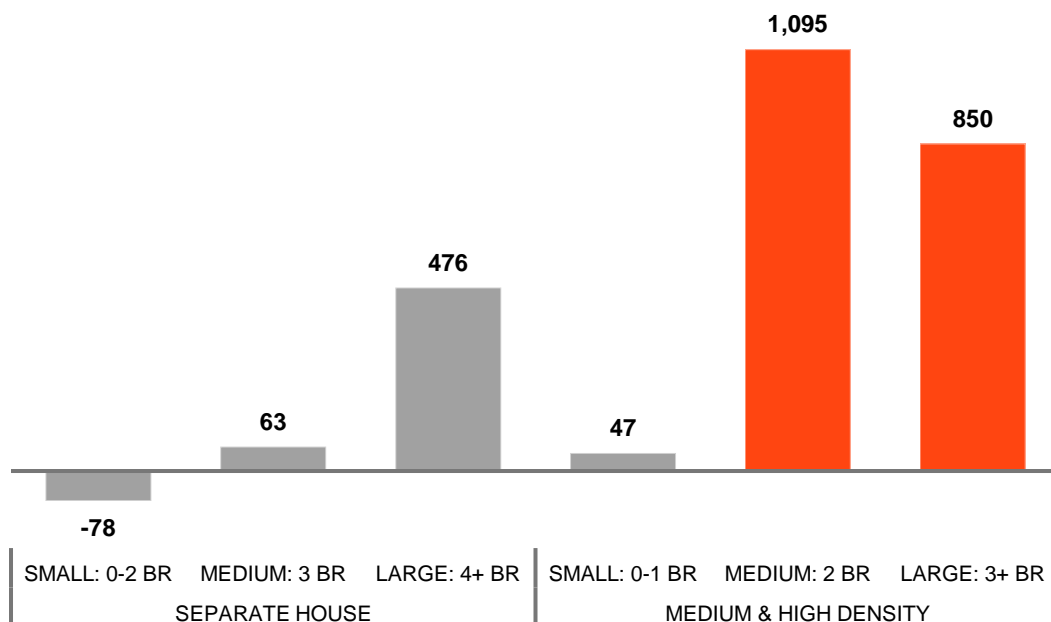
Since 2006, there has been a major shift in the number of couples with young children living in medium and high density housing. The largest increase was in

the number of couples with young children living in medium and high density dwellings with two bedrooms. As demonstrated by Figure 39, it is not just families with pre-school aged children driving this growth, with many more families with school aged children living in medium and high density dwellings.

With many moderate income families no longer able to afford separate housing in Merri-bek (Section 10.4), this suggests that many couples with young children, from pre-school to school age, are choosing to live in medium and high density housing in Merri-bek instead of moving to more affordable housing locations.

*Figure 39. Net change - couples with young children by dwelling type Merri-bek – 2006-2016*

Net dwelling change



Source: ABS, Census of Population and Housing (2006 and 2016)

### 7.6.2 Young couples without children

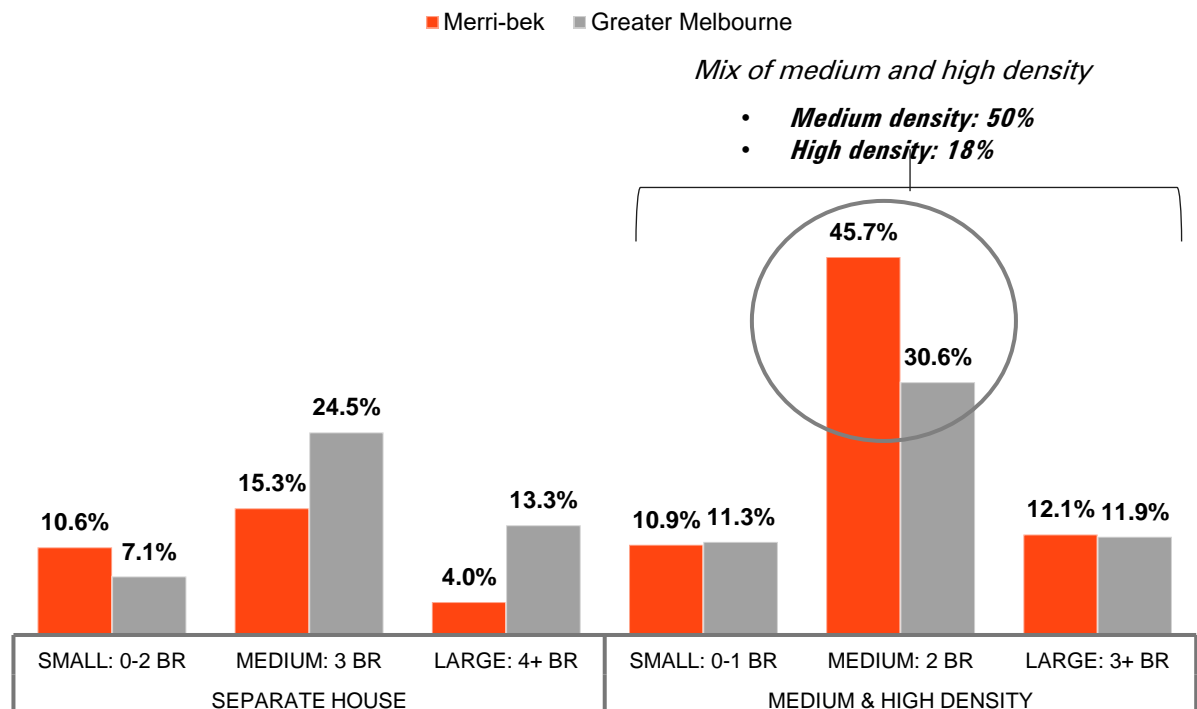
There are 8,162 young couples without children in Merri-bek in 2016, comprising 12.6% of households. They are the second largest household type by life stage group in Merri-bek. Brunswick, Coburg and Brunswick East had the largest number of couples without children in Merri-bek.

Young couples without children may be prepared to accept high levels of housing stress to enable them to enter the housing market. This household type is also prepared to compromise on the size of their dwelling to achieve affordability.

The most common housing type for young couples without children in 2016 was medium and high density two bedroom dwellings. Around 46% of young couples without children lived this type of dwelling, well above the Greater Melbourne average (31%). There was a relatively high share of young couples without children living in high density dwellings (18%). Almost 70% of Merri-bek's young couples without children live in medium and high density housing.

**Figure 40.** Young couples without children households, by dwelling type  
– Merri-bek - 2006-2016

% of total households

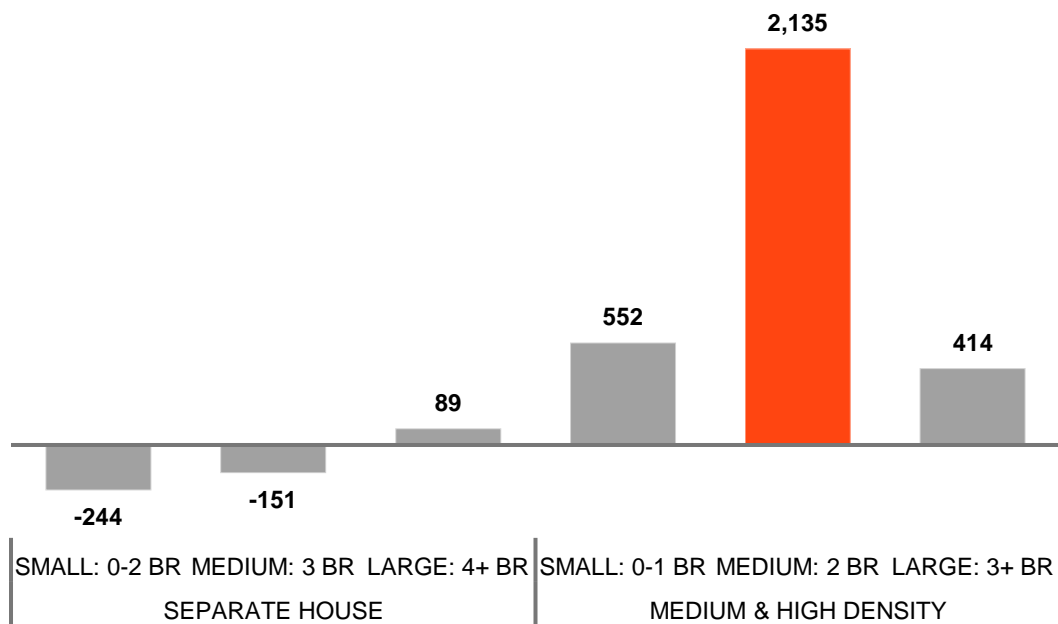


Source: ABS, Census of Population and Housing (2016)

There was a large increase in the number of young couples without children living in medium and high density dwellings between 2006 and 2016, particularly dwellings with two bedrooms (Figure 41).

**Figure 41.** Net change in young couples without children, by dwelling type Merri-bek – 2006-2016

Net dwelling change



Source: ABS, Census of Population and Housing (2016)

### 7.6.3 Older lone person households

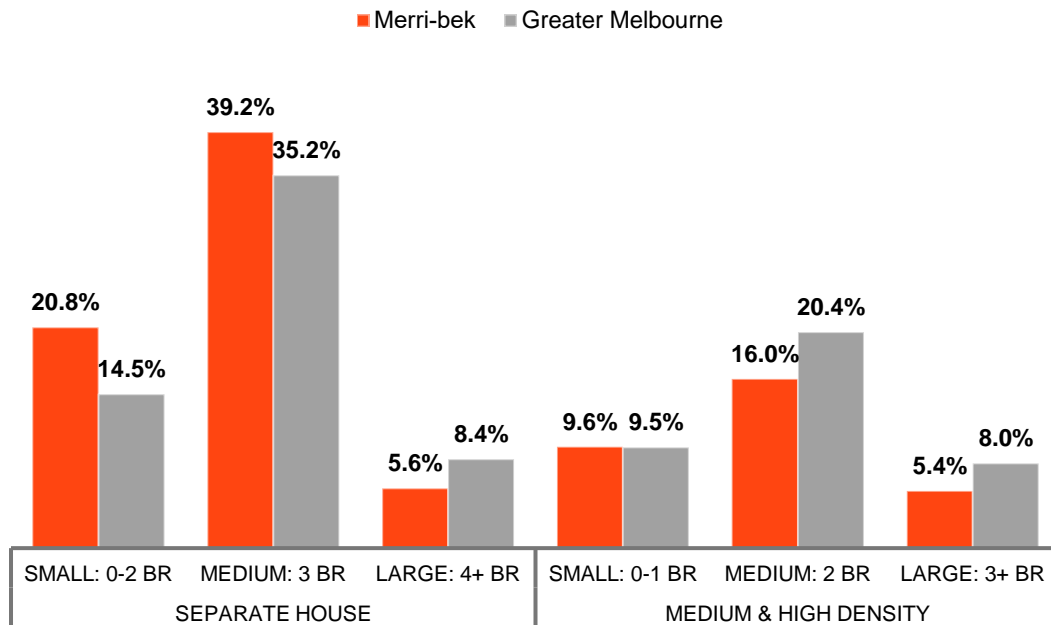
In Merri-bek, older lone persons are an important household type, comprising 9.2% of total households. Understanding the housing needs of this group is important given the future growth in people aged over 65 (Figure 26).

This household type is generally concentrated in Glenroy and Coburg, but is also highly represented in Fawkner, Gowanbrae and Hadfield. The provision of retirement villages in locations like Gowanbrae, Pascoe Vale and Glenroy supports the concentration of this age group.

These are generally households at the end of their housing careers who are often ageing in place and are faced with decisions on whether to move or not, given the death of (or divorce/separation from) their partner.

The housing profile for older lone person households shows a higher likelihood to live in separate dwellings, particularly small to medium sized housing, in comparison to all other household types in Merri-bek. There was an increase in older lone persons living in separate houses with 3 or 4 or more bedrooms, but a decline in these households living in separate houses with 0 to 2 bedrooms.

**Figure 42.** Older lone person households, by dwelling type (%) – 2016  
% of total dwellings



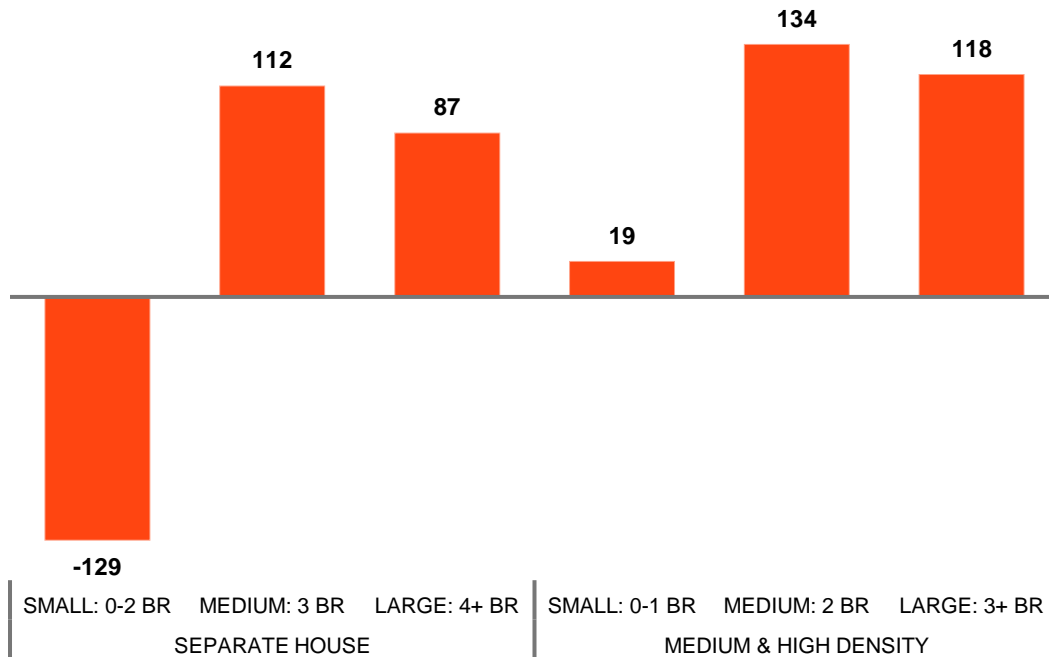
Source: ABS, Census of Population and Housing (2016)

There is a widespread perception that older households will downsize in line with their housing needs, and that if they age in the family home then they are overconsuming dwellings. However, downsizing takes many forms and can involve a move to a smaller dwelling, which may be a unit or townhouse rather than a separate house, or it may simply be a smaller home with fewer bedrooms. In many parts of Australian cities older households are bucking this perception.

Between 2006 and 2016, there was an increase in the number of older lone person households living in medium density dwellings, mainly as a result of ageing in place – these households were also choosing this type of dwelling as a middle aged lone person or couple with or without children.

**Figure 43.** Net change in older lone person households, by dwelling type – Merri-bek 2006-2016

Net dwelling change



Source: ABS, Census of Population and Housing (2006, 2011 and 2016)

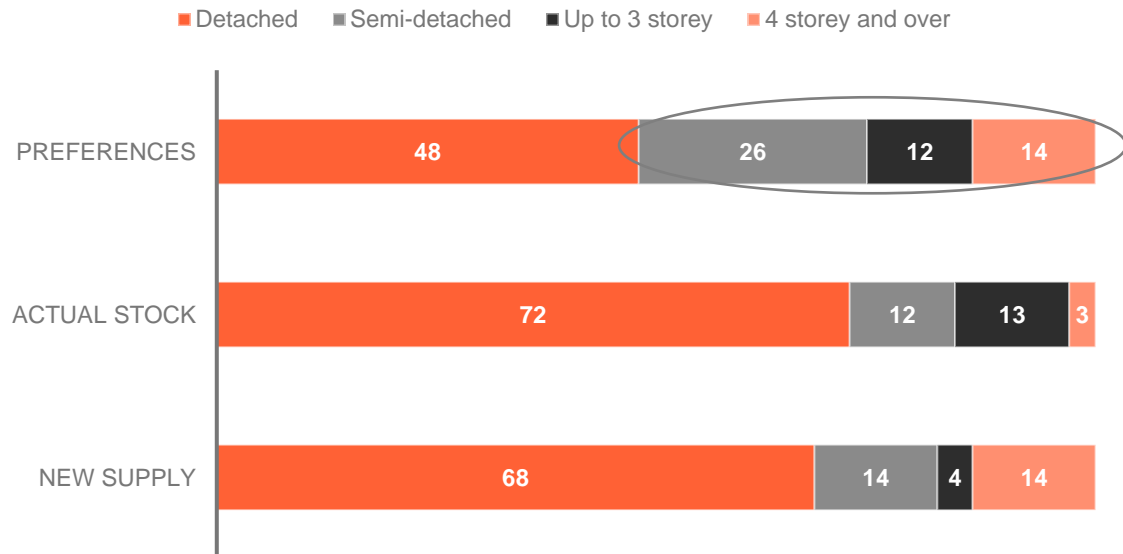
## 7.7 We want more housing choices than currently provided

The previous section presented housing consumption patterns using revealed preferences. Revealed preferences are the types of dwellings that households actually live in, as indicated by the Census and are perhaps the result of a housing choice based on the trade-offs. Expressed preferences are those stated by individuals when surveyed as to what sort of housing they would like to live in given no constraints such as limited stock or affordability. The latter is not part of the scope of this report, but there are examples of this type of research being undertaken in Australia, such as the Grattan Institute's 2011 report *The Housing We'd Choose*.

*The Housing We'd Choose*, shows that when households are faced with trade-offs between housing and location, we're prepared to compromise. The report highlights that contrary to popular belief, Australians want a mixture of housing choices, not just detached houses. It suggests the issue is that the market is not providing enough housing choice in the locations where Australians want them. This potentially means there is latent demand for medium and high density

dwellings and if given more choice, the shift to smaller dwellings in Merri-bek may be even more pronounced.

**Figure 44.** Comparison of preferences, stock and supply

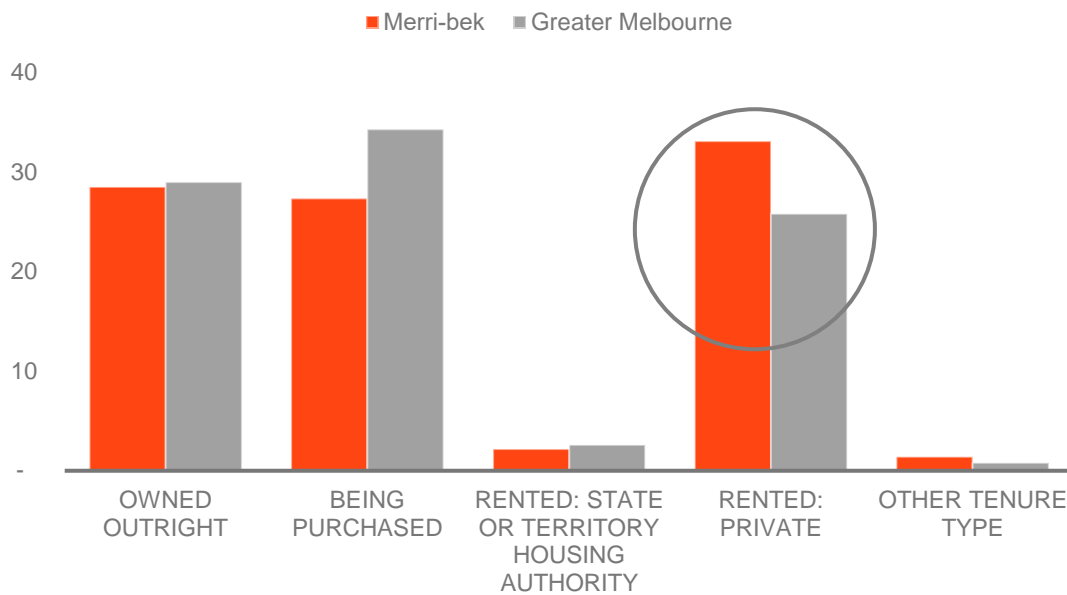


Source: Kelly, J.F., Weidmann, B., and Walsh, M., 2011, *The Housing We'd Choose*, Grattan Institute, Melbourne.

## 7.8 The rise of renters

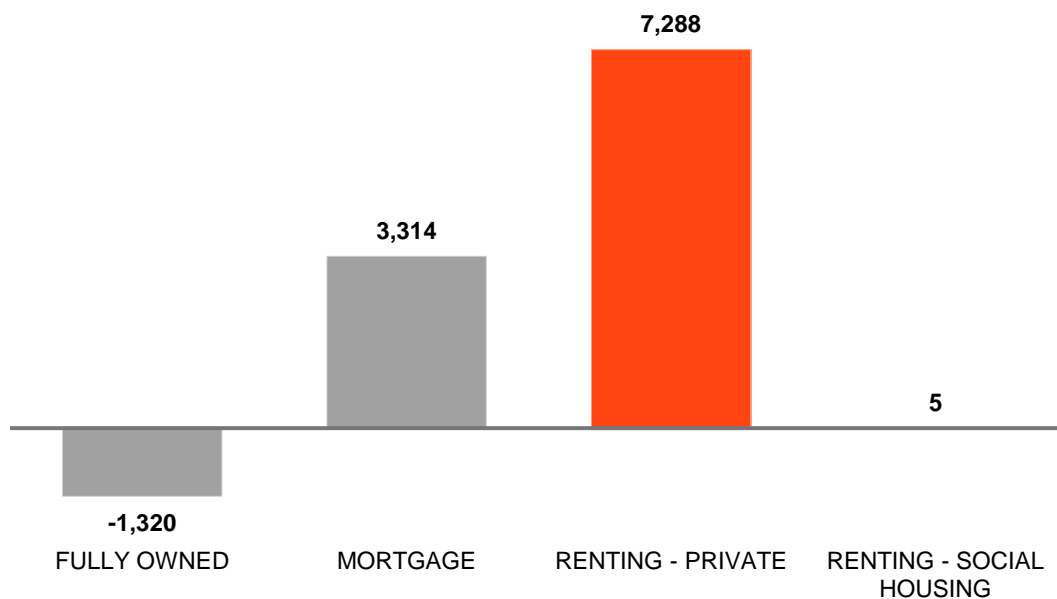
There is currently significant diversity in tenure types across Merri-bek, which assists in creating a sustainable community. There are almost equal shares of people fully owning their homes, people with a mortgage and those who are renting.

In comparison to Greater Melbourne, renting is far more common in Merri-bek. This is influenced by factors, including affordability and the numbers of younger residents, students and apartment dwellers, who are more likely to be renters.

**Figure 45. Tenure types, 2016**

Source: ABS, Census of Population and Housing (2016)

Over the past ten years, there has been a significant increase in households renting in Merri-bek. There was also a moderate increase in those with mortgages, but a decrease in fully owned homes. This is consistent with the trend across Greater Melbourne where renting has become more common.

**Figure 46. Change in selected tenure types, Merri-bek – 2006-2016**

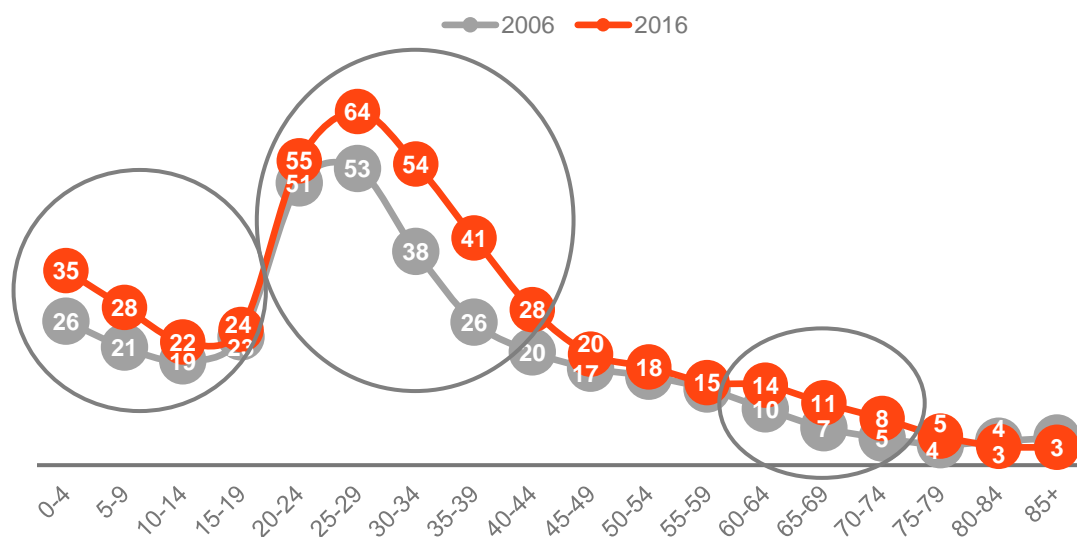
Source: ABS, Census of Population and Housing (2006 and 2016)



Home ownership by age in Merri-bek has changed significantly over the past decade, with a large change in the proportion of 25-39 year olds renting in Merri-bek. In 2006, 38.4% of 30-34 year olds were renting, and 39.3% had a mortgage. But by 2016 over half were renting, and just 30% had a mortgage. There was a large increase in 0-9 year old's living in rental housing, indicating that more and more families are renting in Merri-bek.

There is also a shift to renting, albeit smaller, by older residents. For those aged 60-64 years, 14.4% were renting in 2016, up from 10.1% in 2006.

**Figure 47.** % of persons renting by age, Merri-bek  
% of population



Source: ABS, Census of Population and Housing (2006 and 2016)

## 7.9 Home-ownership rates are falling

Growth in house prices has contributed to lower ownership rates among younger households. In Merri-bek, 56% of households were purchasing or fully owned their home in 2016, down from 62% in 2006. As illustrated in Figure 47 above, home ownership has also fallen for middle age households. The shift to renting is not confined only to lower income households. In 2006, around 21% of higher income households<sup>5</sup> were renting. By 2016, this proportion rose to 29%.

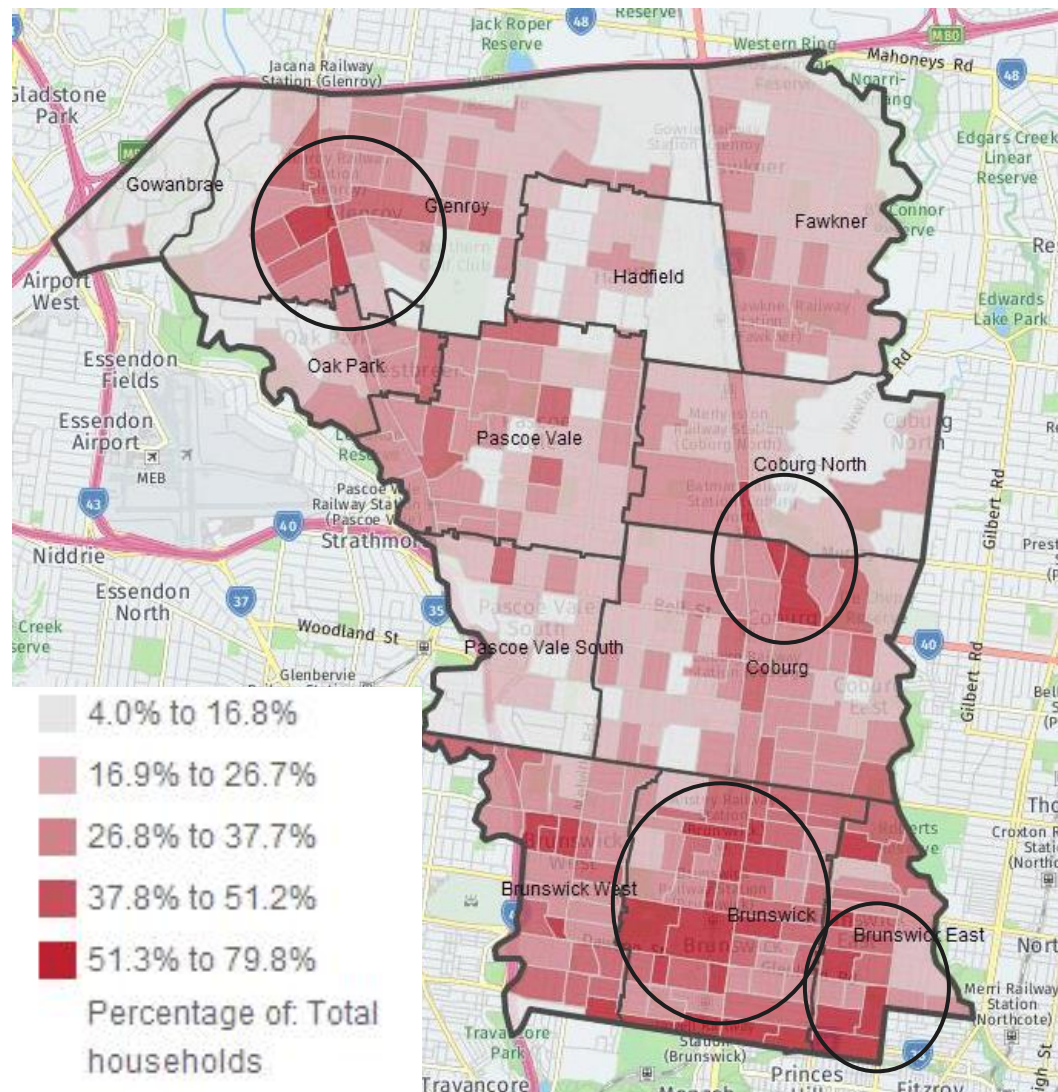
This suggests that house prices, not just preferences, are a leading cause of falling home ownership rates and the rise of renting. The housing affordability analysis (Section 10) provides further evidence, with many lower income households unable to purchase separate houses or units, townhouses and apartments at current prices.

In general high house prices in locations such as Brunswick and Brunswick East have a high share of renting households, while more affordable suburbs like Gowanbrae and Hadfield have a low share of renting households. This of course is also influenced by the role and function that the suburb plays and locational attributes that make renting more attractive including public transport, local services and access to employment opportunities. This is highlighted by the concentration of renters around Merri-bek's public transport rich locations such as Sydney Road, Lygon Street, Nicholson Street, Coburg and Glenroy.

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<sup>5</sup> Highest income quartile

**Figure 48. Households renting privately, 2016**  
% of households



Source: Australian Bureau of Statistics, Census of Population and Housing, 2016

This suggests that demand for rentals in Merri-bek will continue to grow with higher cost locations and higher amenity locations under the most pressure for rental properties.

## 8. Housing is changing to meet the needs of many residents

### Key points

- The **housing profile has changed significantly** over the past two decades. In 2011, 55% of all dwellings were separate houses, down from 74% in 1991. In contrast, medium density dwellings has increased from 22% in 1991 to 35% in 2016. High density dwellings have only just started to emerge and today make up around 9% of all dwellings.
- Over the period 2006-2016, there was a large decline in the number of small and medium sized separate houses in Merri-bek, and **strong growth in medium and high-density dwellings**. There was also growth in the large format separate houses (4+ bedrooms), presumably through extensions of existing separate house stock.
- The share of housing **developed in well serviced locations** has increased, with 50% of net new dwellings located within 400 metres of an Activity Centre. This means many new households can live close to public transport, local services and access a wide range of employment opportunities.
- Despite the growth in smaller households, **much of the housing stock in Merri-bek is geared towards the needs of larger households**. Separate houses comprise around 55% of dwelling stock, despite a slight decline in their numbers between 2006 and 2016.

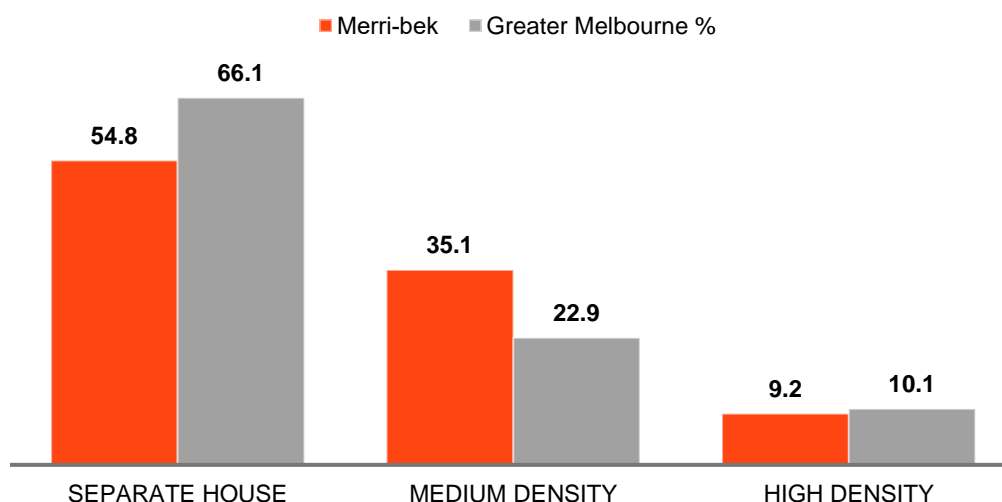
## 8.1 A mix of housing choices

Merri-bek, having developed over many decades, contains a range of housing types and densities, from separate houses on single blocks, to multi dwelling units, and an increasing number of higher density apartments around Brunswick and Brunswick East. This section examines how Merri-bek compares to Greater Melbourne, and how densities – as measured through the dwelling structure and number of bedrooms per dwelling – are changing.

In 2016, there were 70,639 private dwellings in Merri-bek. Of these, 64,688 were occupied. Around 8.4% of dwellings were unoccupied, slightly below the metropolitan average of 9.1%. Regardless of location, there will always be unoccupied dwellings, simply because there are many reasons why a dwelling might be unoccupied on Census night (e.g. absent on holidays/travelling for work, rental properties that are between tenants, vacant houses for sale, holiday homes, etc).

The following housing consumption analysis is based on these private occupied dwellings. The dwelling profile for Merri-bek shows distinct variations to that of the Melbourne metropolitan area (Figure 49). Households are much more likely in Merri-bek to live in medium density dwellings.

Figure 49. Dwelling structure, 2016

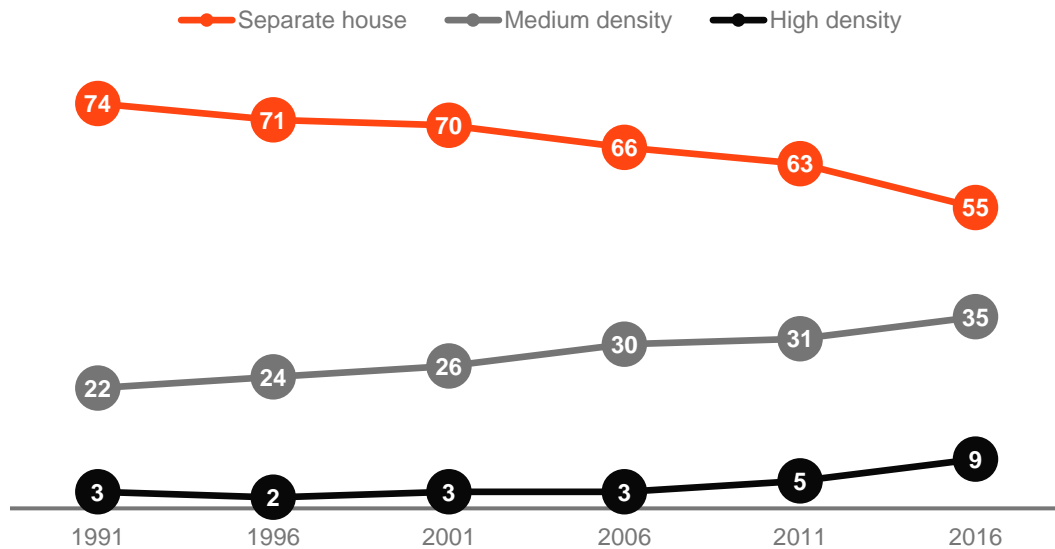


Source: ABS, Census of Population and Housing (2006 and 2016)

The dwelling profile has also changed significantly over the past two decades. In 2011, 55% of all dwellings were separate houses, down from 74% in 1991. In

contrast, medium density dwellings have increased from 22% in 1991 to 35% in 2016. High density dwellings have only just started to emerge and today make up around 9% of all dwellings.

**Figure 50. Dwelling structure, Merri-bek**  
% of total occupied dwellings



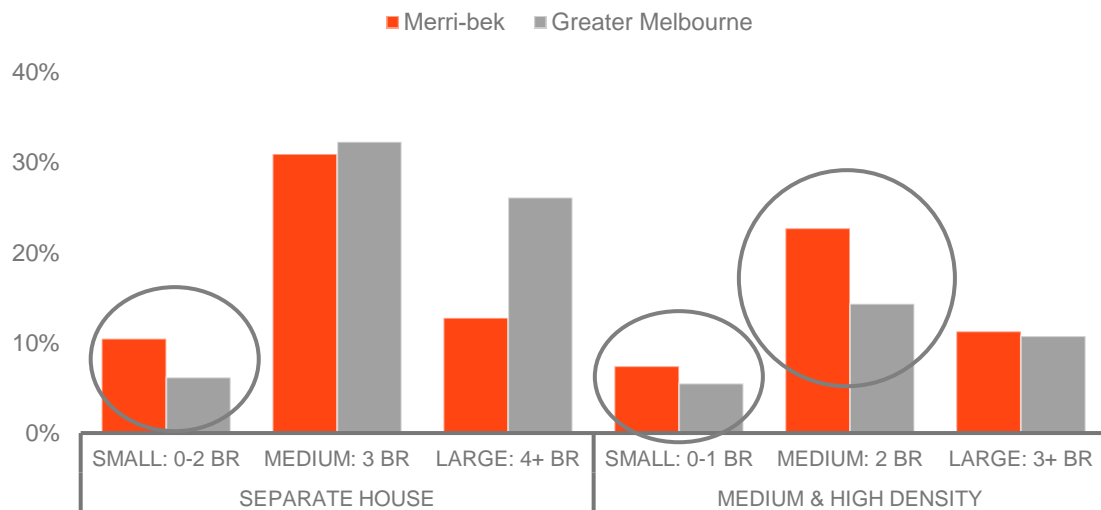
Source: ABS Census of Population and Housing (1991 to 2016)

### 8.1.1 Merri-bek has a higher proportion of smaller dwellings

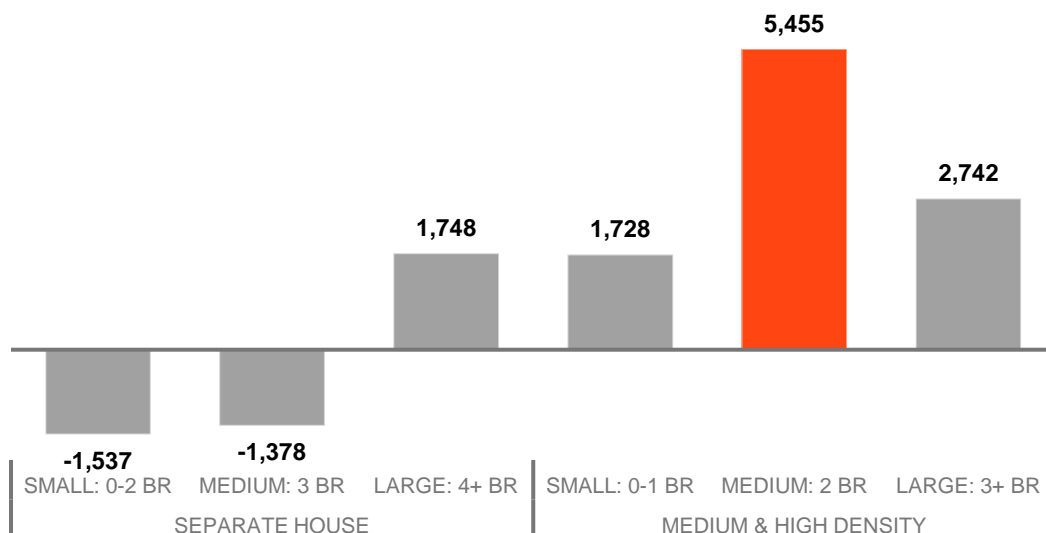
While separate houses with three bedrooms are the most common (31.0%), the size of dwellings in Merri-bek is much smaller than Greater Melbourne. Compared to Greater Melbourne, Merri-bek's has a much higher proportion of medium and high density with one or two bedrooms, and a higher share of separate houses with 2 bedrooms or less.

Over the period 2006-2016, there was a large decline in the number of small and medium sized separate houses in Merri-bek, and strong growth in medium and high density dwellings. There was also growth in the large separate houses (4+ bedrooms), presumably through extensions of existing separate house stock<sup>6</sup>.

<sup>6</sup> Some of this decline is possibly due to changes in the way the ABS classified dwellings between 2011 and 2016 rather than a physical dwelling loss. The HDD data also shows many replacement projects supporting the renewal of existing houses in Merri-bek.

**Figure 51. Dwellings by type, Merri-bek –2016**

Source: ABS, Census of Population and Housing (2016)

**Figure 52. Net change in dwellings by type, Merri-bek - 2006-16**

Source: ABS, Census of Population and Housing (2006 and 2016)

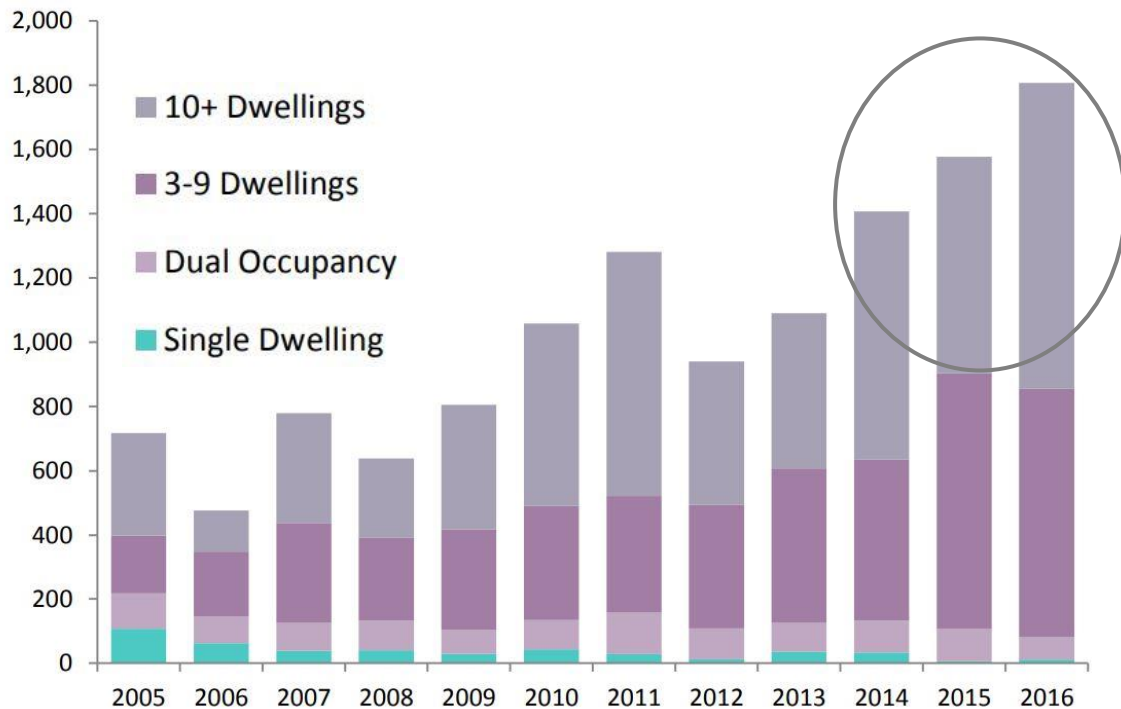
## 8.2 Where is residential development occurring in Merri-bek?

Figure 53 below shows the level and nature of residential development completed in Merri-bek. According to the Victorian State Government, the number of dwellings in Merri-bek increased by around 1,080 per year between 2005 and 2016, with the largest growth occurring in the three years from 2014 to 2016. Replacement of existing dwellings is also an important residential development type in Merri-bek. There were 867 projects (20%) yielding no additional dwellings.



That is, where a single dwelling was demolished and replaced by a new single dwelling. This may be contributing to the increase in the 4+ bed dwellings that seen in Figure 52.

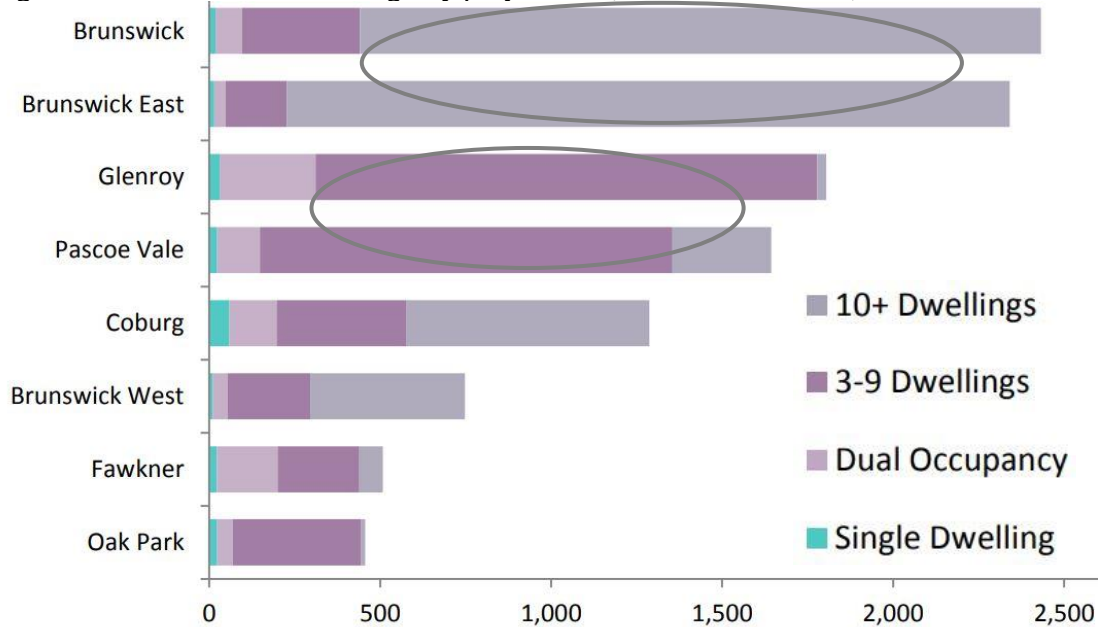
**Figure 53.** Annual net new dwellings by project outcome size, Merri-bek



Source: Housing development data, Victorian State Government

The vast majority of this development occurred in Brunswick and Brunswick East. Projects of 10+ dwellings were the dominant development type in these two suburbs. Smaller pockets of development in Brunswick West and Coburg are also prominent. In the north of Merri-bek, Glenroy and Pascoe Vale have also provided large number of dwellings, mostly in smaller scale developments yielding 3-9 dwellings.



**Figure 54.** *Net new dwellings by project size, selected suburbs, 2005-2016*

Source: Housing development data, Victorian State Government

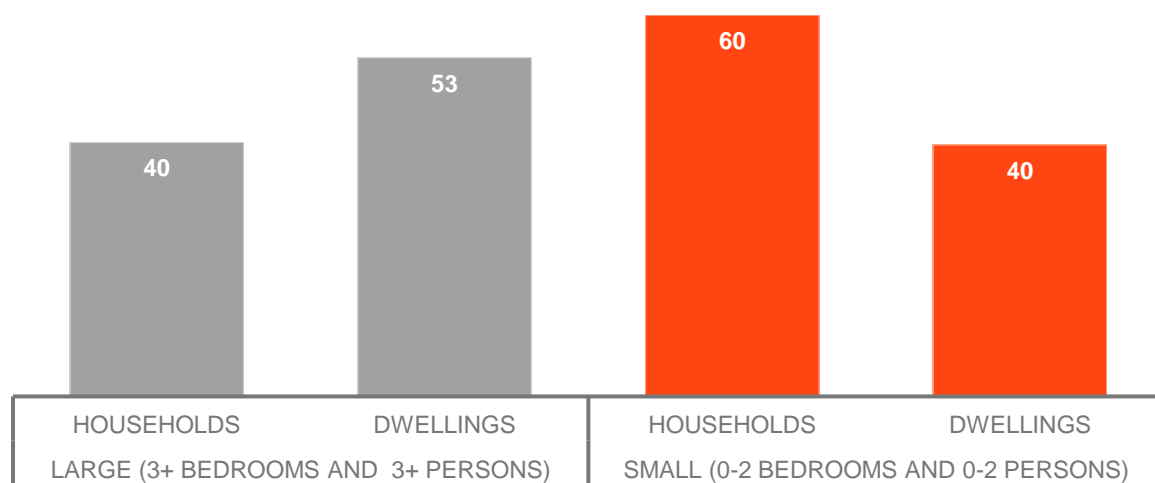
### 8.3 Housing is being delivered in well serviced

Importantly, much of this new housing is being delivered in well serviced locations across Merri-bek. According to the Victorian State Government, 50% of Merri-bek's net new dwellings are located within 400 metres of an Activity Centre. This means many new households can live close to public transport, local services and access a wide range of employment opportunities. By doing so this can raise disposable income by improving employment and earning prospects and decreasing living costs.

### 8.4 But housing stock is still geared towards larger households

Despite the growth in smaller households, much of the housing stock in Merri-bek is geared towards the needs of larger households. Separate houses comprise around 55% of dwelling stock, despite a slight decline in their numbers between 2006 and 2016.

Figure 55. *Housing stock compared to smaller households, Merri-bek 2016*



Source: ABS, Census of Population and Housing (2006 and 2016)

## 9. Affordable housing need in Moreland

### Key points

- In 2006, the **median house price** in Merri-bek was 7.5 times more than the median household income. By 2016, the **ratio rose to 10.6 times the median household income**.
- This house price escalation has effects across the continuum of households, incomes and tenures. For **many of these households, affordable housing is the only option outside of homelessness**. Homelessness in Merri-bek remains higher than the metropolitan average with around 94 persons homeless per 10,000 population in 2016 (homeless and marginal housing). According to VincentCare, the leading cause of homelessness is a lack of affordable housing.
- Around **3,850 households were estimated to have unmet need for affordable housing in 2016**. This represents around 6% of all households and would take around 20 years to meet this need if 10 per cent of all dwelling completions in Merri-bek were affordable housing.
- The group with the **largest unmet need are households in rental stress on very low incomes**. Areas with high levels of rental stress include Brunswick, Coburg, Brunswick West, Glenroy and Brunswick East.
- **By 2036, housing need in Merri-bek is forecast to exceed 7,000 households**, representing 6.9% of households. This is an increase of around 3,000 households between 2016 and 2036, including around 900 social housing units.
- Another group **vulnerable to rising housing costs in Merri-bek is people with disability**. In 2016, around 19,000 people (11%) in Moreland were likely to require some form of assistance with daily tasks due to disability. By 2036, this is forecast to reach almost 25,000 people (+30%). With the delivery of new affordable housing, that is adaptable and in well serviced locations, many people with disability will be able to live independently and at the same time reduce ongoing costs.
- **Elderly renters are also vulnerable to housing stress** as increasing rents may place them in financial stress or influence a move out of their long-term homes. In 2016, around three in five older lone person households (259) were in rental stress in Merri-bek. This level of stress was significantly higher than the Melbourne average for this group (50%). Similarly, for older

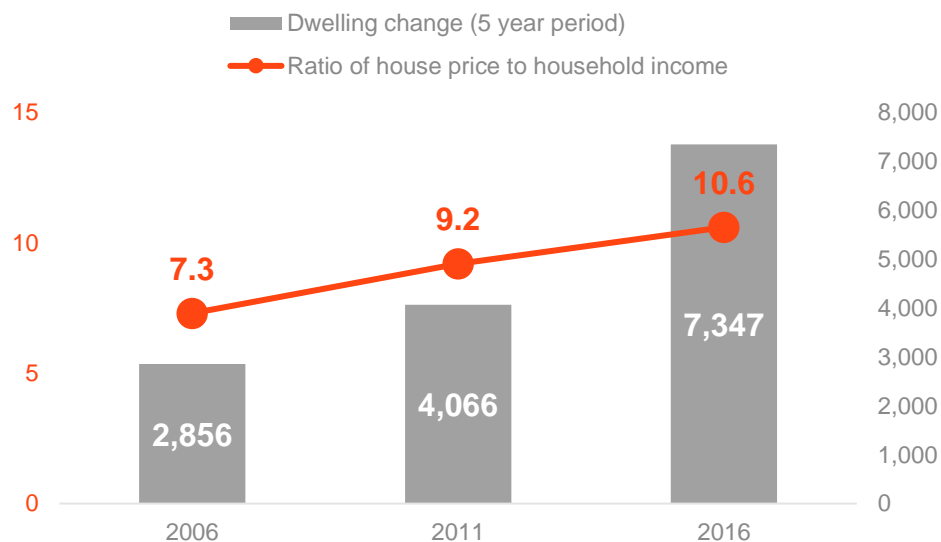
couples without children, 41% were in rental stress in 2016 in Merri-bek.

## 9.1 The cost of housing affects all household types

Housing affordability is a major issue in Merri-bek with many households unable to afford market housing or requiring financial assistance to support private rental costs.

In 2006, the median house price in Merri-bek was around \$350,000, about 7.5 times more than the median household income (\$48,300). By 2016, the median house price (\$825,000) in Merri-bek was 10.6 times the median household income (\$78,000).

Figure 56. Ratio of house price to household income, Merri-bek



Source: Valuer-General Victoria 2016 and ABS Census of Population and Households

This house price escalation has effects across the continuum of households, incomes and tenures (Figure 57), with many households unable to afford market housing or requiring housing assistance to pay private market rent.

**Figure 57. Housing supply continuum**  
Housing Supply Continuum



Source: Greater Sydney Commission 2016, adapted from City of Sydney Housing Issues Paper 2015

In Merri-bek around one in three households fall into the very low or low income groups, similar to the Greater Melbourne average. For many of these households, affordable housing is the only option outside of homelessness. These households are said to be in housing need.

**Figure 58. Household income by income group, Merri-bek, 2016**

	Households	%	Greater Melbourne %
Very low	14,935	21	20
Low	8,490	12	12
Moderate	10,970	16	15
High	21,121	30	31
Not stated	15,194	21	22
Total	70,710		

Source: ABS Census of Population and Housing (2016)

In this report affordable housing need is defined as:

*“the aggregate of households unable to access market provided housing or requiring some form of housing assistance in the private rental market to avoid a position of rental stress”* (AHURI, Modelling housing need in Australia to 2025)

Housing need is estimated for the following groups in Merri-bek:

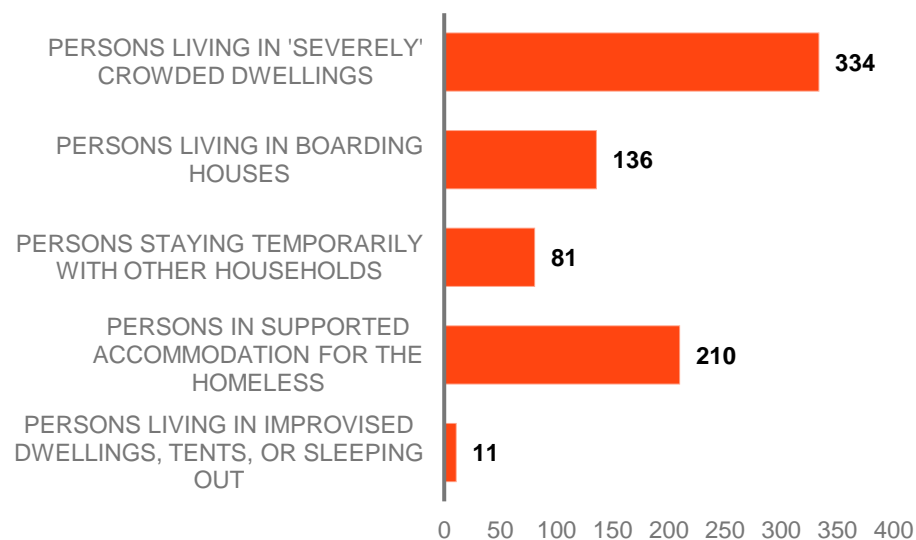
- ▣ Homeless
- ▣ Marginally housed
- ▣ Very low, low and moderate income households in rental stress
- ▣ Households in social housing.

## 9.2 Homeless remains high

The most severe form of housing stress is homelessness, which is the inability to maintain an adequate standard of shelter for day-to-day life. It is not just the visible homelessness of people sleeping rough, but includes people staying temporarily with friends and relatives, in shelters and refuges, as well as marginally housed people<sup>7</sup>.

In 2016, the ABS estimated a total of 772 homeless persons in Merri-bek, a decrease from 785 people in 2011. The largest homeless group in Merri-bek is persons living in severely crowded dwellings, followed by persons in supported accommodation. The primary reason for the decline is that less people are living in supported accommodation. There was however an increase in people living in boarding houses and persons living in severely crowded houses.

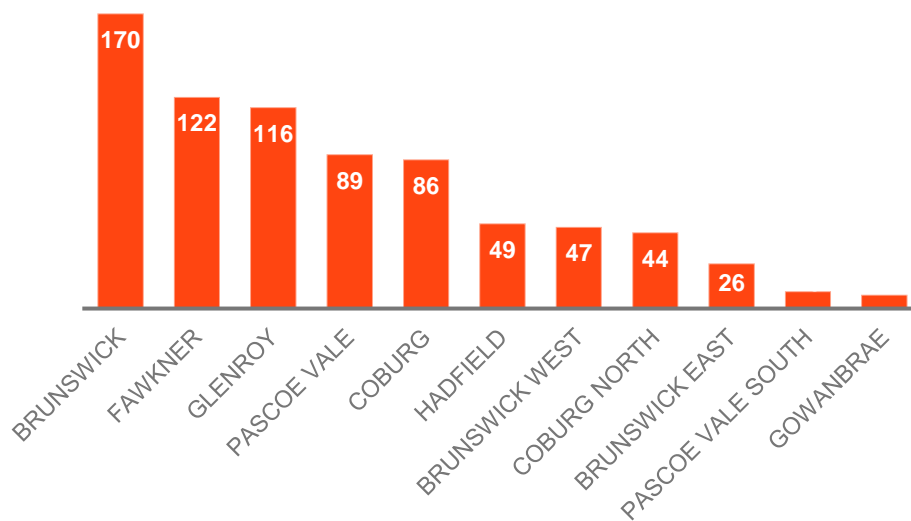
Figure 59. Homeless groups and marginal housing, Merri-bek 2016



Source: 2049.0 - Census of Population and Housing: Estimating homelessness, 2016

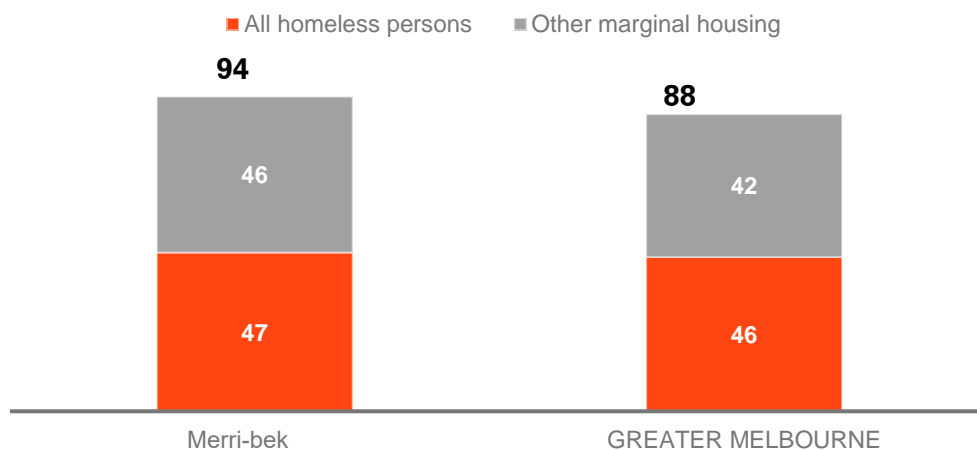
The areas with the largest number of homeless persons were Brunswick, Fawkner and Glenroy, followed by Pascoe Vale and Coburg.

<sup>7</sup> The ABS define this group as Persons living in other crowded dwellings; Persons in other improvised dwellings; and Persons who are marginally housed in caravan parks.

**Figure 60. Homeless by SA2, Merri-bek 2016**

Source: 2049.0 - Census of Population and Housing: Estimating homelessness, 2016

The homeless rate<sup>8</sup> was 94 persons per 10,000 of the population in 2016, up slightly from 93 in 2011. This rate is well above the metropolitan average of 88. As shown in Figure 61, Merri-bek has a much higher rate of other marginal housing than Greater Melbourne, due largely to persons living in other crowded dwellings.

**Figure 61. Homeless rate per 10,000 people**

Source: 2049.0 - Census of Population and Housing: Estimating homelessness, 2016

Approximately 7,000 households per year present at VincentCare Northern Community Hub in Glenroy (the homelessness access point for Merri-bek and

<sup>8</sup> Includes all homeless groups plus other marginal housing (e.g. living in other crowded dwellings)

Hume) for assistance with their housing. In 2016 – 2017, of the people presenting to the centre:

- ▣ 24% had slept rough in the previous month
- ▣ 39% were staying with friends or family or in short term/ crisis/emergency accommodation due to a lack of other options
- ▣ 36% were at risk of experiencing homelessness, this means their housing was at risk – in arrears, facing a notice to vacate or eviction.

According to VicentCare the leading cause of homelessness in Merri-bek is a lack of affordable housing. The second leading cause of homelessness is family violence. Many of the Royal Commission into Family Violence (Victoria) 2016 recommendations relate to better access to housing.



## 9.3 A place to call home

### *'Why isn't housing seen as a human right?'*

For the first time in many years Helen has a place to call home. *'I have a lounge room, a bedroom and a balcony,'* she says. *'I can invite people over. I can lie down and have a nap in the afternoon without noise or interference. I have privacy.'*



Six months ago, Helen moved into a new social housing development in Coburg, where her rent is fixed at an affordable 25 per cent of her income. A project of the Women's Property Initiatives and the Matrix Guild, the seven townhouses cater to a mix of older single women and single mothers with children. For Helen, having a sense of permanency, knowing that she is not going to have to move again unless she wants to, has been a profoundly positive experience after spending the preceding six years moving between various insecure living arrangements. *'At first I didn't classify myself as homeless,'* she says. Like many others, she thought the term only applied to people who were sleeping rough. Now she understands that rough sleeping is only one small part of homelessness, which takes couch surfing, rooming houses, living in a severely overcrowded accommodation, staying in motels and caravan parks, or spending the night in your car.

Helen has had many of these experiences, including walking around Flinders Street Station all night because she had nowhere else to go. She lived for three years in a single room in a low rent building with bedsits opening off a central corridor and never felt safe. *'People were always screaming and carrying on and sticking their noses in other people's business,'* she says. *'If you identified as anything other than straight, people would just gossip, and they could get aggressive.'* She thinks it's a mistake to crowd people together when they don't have the necessary skills for living closely with others.

Helen is proud that she's been sober now for more than six years. Yet she still describes herself as being *'in recovery'*. *'I had issues with alcohol,'* she says. *'I had learning difficulties and epilepsy and childhood trauma. I got my problems diagnosed and I got support. I've always been resourceful. That's one thing I've always had.'*

She says someone with a background of addiction or mental health issues, who hasn't been in stable housing for a long time will need support to maintain a tenancy: *'You can't just put them somewhere and leave them alone and say, "that's it". You might need to show them how to clean and maintain a property. Not everyone has the skills to budget. It's not just getting them a house. It's also*

*lining them up with medical appointments, helping them sort out where to get their medication and other social supports. You can't expect people to be independent until you give them the resources.'*

Coburg is a new suburb for Helen. She's never previously lived there and she found it strange at first. *'But I really like it now,'* she says. *'There's lots of places I can walk to.'* She's found a good doctor and a chemist and even started swimming at the Brunswick Baths. That was a big step. *'I wanted to go but I wasn't going,'* she explains. *'And I realised I was afraid. I needed someone to take me a couple of times until I felt confident to go on my own.'*

Helen thinks that peer support is the best way to help people overcome homelessness and maintain a tenancy, and she's doing her best to use her own knowledge to assist others and to spread understanding of the challenges people face when they don't have a place to live. She's involved with peer support through the Council to Homeless Persons and is a member of Launch Housing's Lived Experience Advisory Group.

Helen says the best thing to do to reduce homelessness is to provide more social housing that is connected to support services, especially peer support. But it should not be identifiable as social housing. And if it's newly built, then it should be designed to keep costs down. She's grateful that her own townhouse has solar hot water, but wishes it also had solar panels to cut her power bill further. She says if you are experiencing homelessness you tend to congregate where there are services, food and other people. She cites libraries as a prime example because they are warm and quiet, have toilets and provide free access to computers. *'Libraries should be made safe spaces,'* she says. *'Brunswick library do that really well and connect people up to services'.* She thinks a simple improvement would be to provide free phone re-charging lockers for homeless people. *'Little things like that can make a big difference.'*

Her simplest request is for people to be respectful of those experiencing homelessness. *'Don't make it even harder for them,'* she says. *'We don't have to treat them like second class citizens.'*

Helen also has some more ambitious ideas. *'Why are old schools and other buildings left empty for ages?'* she asks. *'They should be made temporarily available for homeless people to get out of the cold. They've got bathrooms they could use. There are men's sheds around with retired tradespeople who are happy to donate their labour. Bunnings could provide the materials for a building blitz. Vandalism would be reduced as a result. We have to think outside the normal way of doing things.'*

*'Why isn't housing seen as a human right?'* she asks. *'It can be done. Everyone deserves to be housed. Everyone deserves a second chance. Housing comes first. Once you've got a place to live, everything else can be sorted out.'*

## 9.4 Many people are living in overcrowded dwellings

The ABS also estimates the level of marginal housing. That is they are not homeless but are living in some form of marginal housing and may be at risk of homelessness. An example of people living in marginal housing is those living in a dwelling which is overcrowded. The number of people marginally housed in Merri-bek was 753 (46 per 10,000 people) in 2016, up from 575 (39 per 10,000 people) in 2011.

The rate of homeless remains higher in Merri-bek than the metropolitan average, with more than a 1,500 people who are either homeless or marginally housed. The obvious conclusion is that Merri-bek needs more social housing. Social housing is housing provided by government or community organisations where rent is fixed at 25 per cent of a tenant's income.

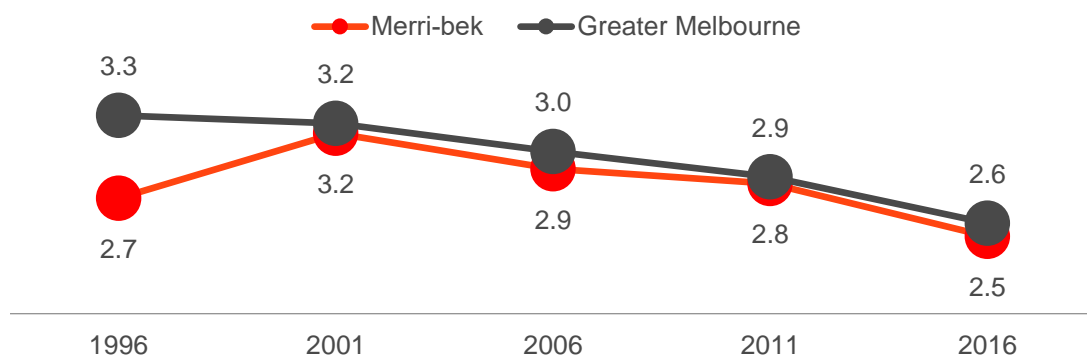
## 9.5 Social housing is not keeping up with dwelling growth

The social housing sector in Victoria consists of two main forms of housing:

- ▣ Public housing, which is owned and managed by the Office of Housing
- ▣ Community housing, which is owned and/or managed by registered housing agencies (RHAs).

According to the ABS Census of Population and Housing, 1,613 households were in social housing in 2016. This represents 2.5% of all households. Despite strong growth in dwelling supply, the level of social housing has declined from 3.2% of all households in 2001 to 2.5% in 2016. This fall mirrors the long term decline in the proportion of social housing in Greater Melbourne.

*Figure 62. Renting – social housing, Merri-bek 2016*  
% of total households



Source: ABS Census of Population and Housing

**Insights from social housing providers in Merri-bek**

Interviews with social housing providers were conducted to better understand some of the issues facing the delivery of new social housing in Merri-bek. The summary below draws from interviews with:

- ▣ Community Housing Ltd (CHL) who are a national and international housing provider with a portfolio of more than 9,000 properties under management in Australia.
- ▣ Housing Choices Australia (HCA) who provide transitional and community housing to any household on the Victorian Housing Register.
- ▣ Women's Property Initiatives (WPI) who provide community housing to female headed households.

**Optimism about new State and Federal Government Initiatives**

All organisations expressed optimism regarding the future of social housing in Merri-bek, in light of new legislation announced by the Victorian Government. However, there were concerns that the definition of affordable housing may be too broad, and the way in which developers can contribute to affordable housing is vague. It was suggested that more education was needed for property developers about social housing, and that this was an area in which local governments could play a major role.

One provider noted the potential opportunities associated with the National Disability Insurance Scheme (NDIS). The NDIS is a new way of providing support to people under the age of 65, who are living with a permanent and significant disability. However, many providers are facing challenges securing funding due to the complexity with the new system. It was also noted that there is some uncertainty with funding due to NDIS participants moving from one housing provider to another. CHL commented that these issues make it critically important to work closely with Council and community groups to understand demand and need to ensure there is a pool of prospective tenants. This also means that the housing needs to be adaptable and careful with design aspects so it meets the need of other cohorts.

**Funding is a stumbling block**

While there is optimism about the Victorian Government initiatives, interviews with social housing providers highlighted that there are concerns about the funding of new dwellings. Often, the discount offered by developers on property is not enough to make the purchase and management of the dwelling financially viable. One provider noted that social housing is not viable alone, and alternative options need to be used such as mixed tenure, alternative financing, and cheaper access to land.

It was suggested that the proposed initiatives by the Victorian Government will help respond to these challenges by providing low cost, long term loans to housing associations. CHL also noted that there are many philanthropy groups looking to finance social housing projects. CHL sees opportunities to partner with these groups and take advantage of the new government initiatives.

Providers also highlighted other costs that are often not considered in social housing – such as body corporate fees, which can be inhibitive, especially in new apartment developments.

**New developments**

In terms of new developments, providers highlighted the need for one and two bedroom dwellings, but also for larger dwellings suitable for larger families. Both HCA and WPI stated a clear preference for a 'salt and pepper' approach, with a number of social housing dwellings included within larger projects. WPI mentioned that for their clients in particular, this was very important as it meant they were less likely to be identified and provided better safety for those that have left domestic violence situations. It also helps those in social housing improve social interactions and a feeling of community connectedness.

**Merri-bek ticks all the boxes for new social housing**

One provider noted they would love to deliver more social housing in Merri-bek because it ticks all the boxes. Merri-bek's location which provides great access to jobs, services and public transport makes it an ideal location for new social housing. Merri-bek is also more affordable location compared to many other well located suburbs in the south and east which helps support the feasibility of projects.

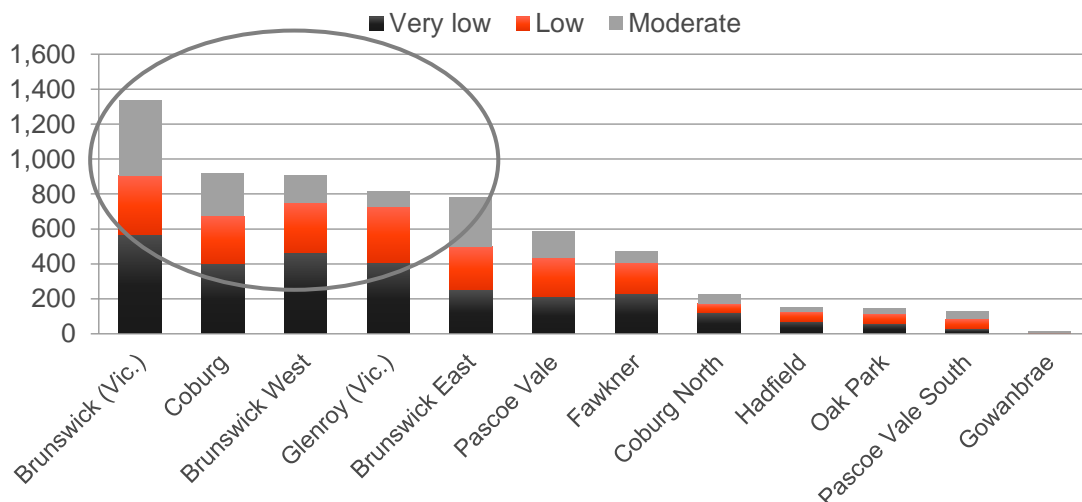
## 9.6 Rental stress affects many lower income households

Section 10 provides a detailed account of housing stress issues in Merri-bek. This section focuses solely on households in rental stress with very low, low or moderate incomes. This is because the element of choice is less at the lower end of the income scale and for renters who have already been priced out of the housing market. Using the Victorian Government affordable housing income ranges, around 7,200 households were in rental stress in Merri-bek in 2016. The groups experiencing the highest level of rental stress include:

- ▣ Lone person – very low income (1,410)
- ▣ Families with children – very low income (860)
- ▣ Families with children – low income (830)

Brunswick is experiencing the highest level of rental stress (1,335 households), with a large number of very low to moderate income households spending more than 30% of their income on housing<sup>9</sup>. Coburg, Brunswick West, Glenroy and Brunswick East also had relatively high levels of rental stress.

**Figure 63.** *Indicative rental stress by income group by suburb, 2016*  
Number of households



Source: .id using ABS Census of Population and Housing 2016

<sup>9</sup> Estimated based on the mid-point of household income groups and weekly spend on rent. This method is different to that used to estimate total housing stress by income group which was based on a custom ABS order that used unit reported incomes and rents (not ranges).

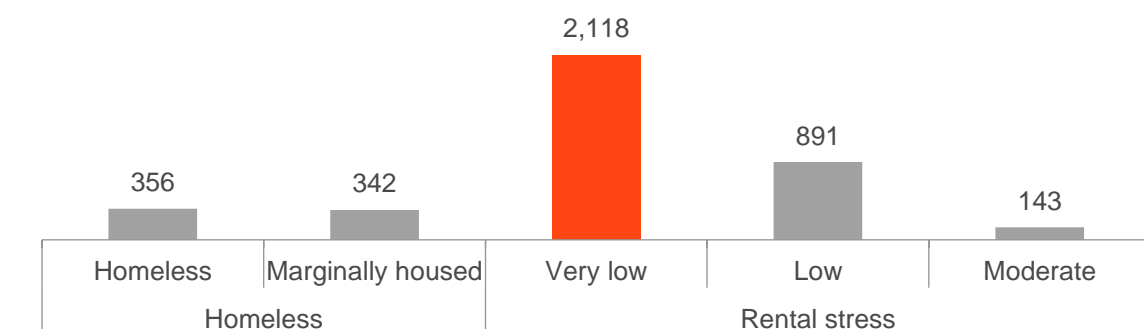
In some cases, rental stress is only a temporary state. For example, some households within housing stress may have temporarily lower incomes due to short-term unemployment or on parental leave or may be looking to move into a more affordable house after a break up or separation. Many of these households may exit housing stress once they return to work or move house. The latest HILDA report examined persistence of housing stress from one year to the next. The research found that in the 2013 to 2016 period, 49.2% of those in housing stress in year one were also in housing stress in the next year<sup>10</sup>.

To estimate housing need, it is assumed that 50% of rental stress is households in temporary stress. Based on these assumptions, it is estimated that around 3,152 households in rental stress needed affordable housing opportunities in 2016.

## 9.7 Affordable housing is the only option outside of homelessness

Based on this housing need model for 2016, it is estimated that around 3,850 households have an unmet need for affordable housing in Merri-bek in 2016. This represents around 6% of all households in Merri-bek. To put this gap into context, it would take around 20 years to meet this need if 10% of all dwelling completions in Merri-bek were affordable housing. The group with the largest unmet need are households in rental stress on very low incomes.

*Figure 64. Total unmet affordable housing need*  
Number of households in need



Source: .id

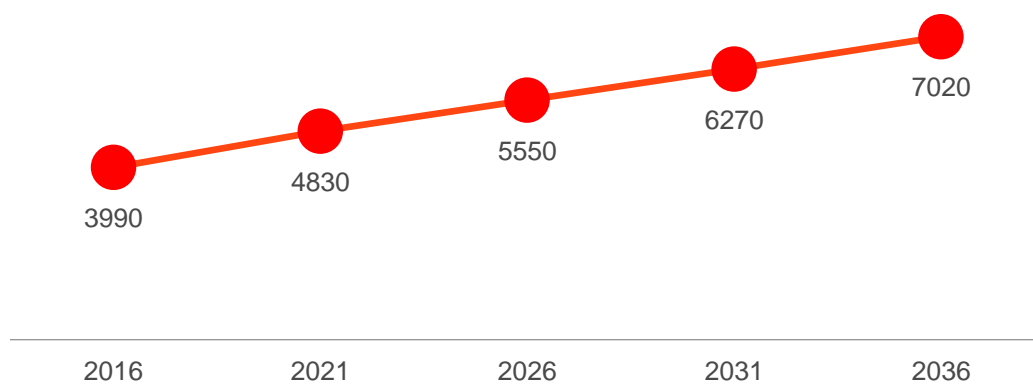
<sup>10</sup> Wilkins, Roger and Inga Lass (2018) The Household, Income and Labour Dynamics in Australia Survey: Selected Findings from Waves 1 to 16. Melbourne Institute: Applied Economic & Social Research, University of Melbourne.

## 9.8 Affordable housing need projected to grow

By 2036, housing need in Merri-bek is forecast to exceed 7,000 households, representing 6.9% of the population. This is an increase of around 3,000 households between 2016 and 2036, including around 900 social housing units. This assumes that the existing proportion of housing need remains constant throughout the forecast period.

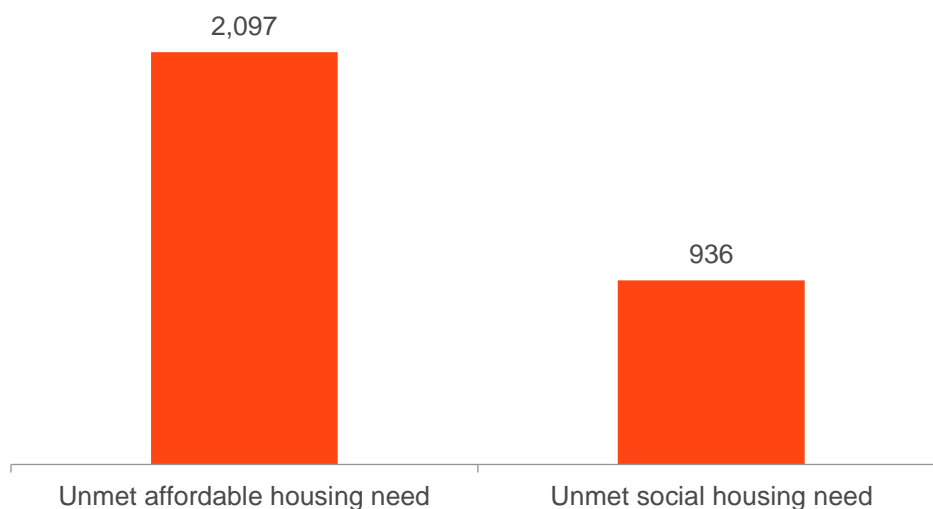
To meet total future housing need by 2036 (existing need plus growth), then 18% of new dwellings would need to be affordable.

Figure 65. Affordable housing need forecasts, Merri-bek



Source: .id, using SAFi forecasts

Figure 66. Affordable housing need change, 2016-2036

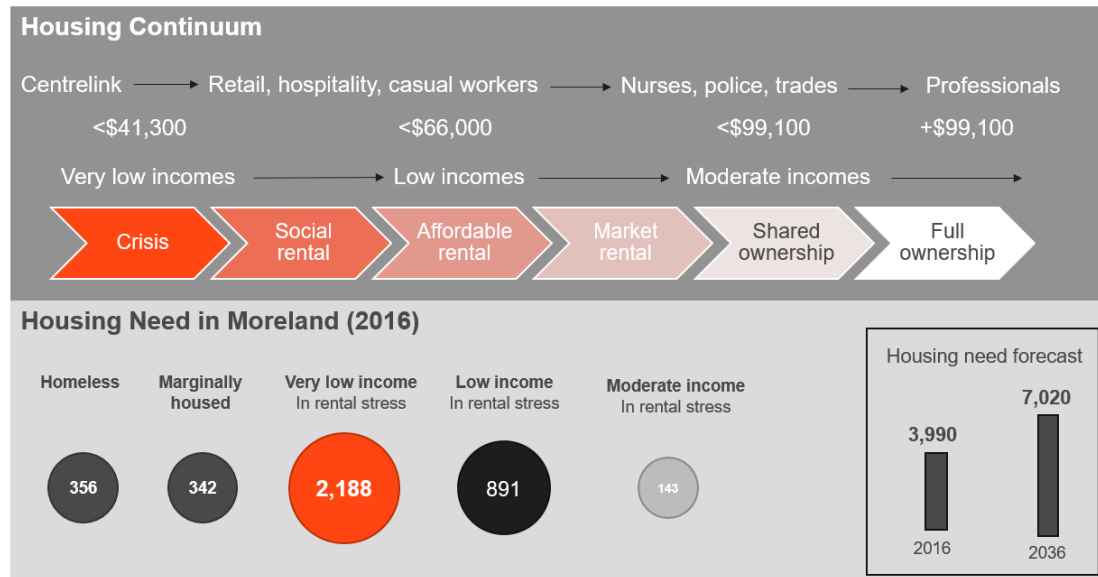


Source: .id using SAFi forecasts



Figure 67 below draws together the housing continuum and housing need in Merri-bek. This illustrates how house price escalation in Merri-bek has created a concerning situation across the continuum of households, incomes and tenures with the private housing market not meeting the needs of many lower and moderate income households.

Figure 67. *Housing continuum and housing need in Merri-bek*



Source: .id, adapted from AHURI

## 9.9 Who is most vulnerable to rising housing costs?

The previous section focussed on vulnerable groups such as those experiencing homelessness and very low to moderate income households in rental stress. Other groups vulnerable to rising housing costs in Merri-bek are people with disability, elderly renters, and people experiencing domestic and family violence (Rowley, S, et al). A brief summary of housing needs for people with disability and elderly renters is provided below.

### 9.9.1 People with a disability

Accessing housing is often difficult for people with disability. Many live with parents, in group homes or in institutional settings such as nursing homes. They are less likely to own their own home and more likely to experience housing stress or be homeless (Wiesel et al. 2015). Rising housing costs in Merri-bek is making it even more difficult for this group to access housing without financial assistance.

In 2016, around 19,000 people (11%) in Merri-bek have a profound or severe disability and require assistance with daily tasks. This proportion is below the Greater Melbourne average of 14.4%<sup>11</sup> and is largely due to the younger age structure of Merri-bek.

Although the proportion is relatively low, the demand for housing for people living with disability is expected to grow in Merri-bek as its population increases and as people grow older. By 2036, around 24,500 people are forecast to require assistance due to profound or severe disability, an increase of almost 30% (+6,000 people).

This highlights that the delivery of new affordable housing in Merri-bek needs to be designed to meet the needs of this important and growing group. With the delivery of new affordable housing, that is accessible and in well serviced locations, many people with disability will be able to live independently and at the same time reduce ongoing costs.

#### **Supported accommodation for persons with disability**

The Haven Foundation aims to provide people living with mental illness the opportunity to access housing which provides normality and stability. They also aim to provide a sense of permanency in housing and daily living support. They have 14 units in South Yarra, 20 in Frankston and a further 20 to be built in Geelong. Their accommodation is especially important for younger people living with mental illness with the average age being 38 in the South Yarra units and 40 in the Frankston units. Without supported accommodation, many of these younger people are homeless, living with ageing parents (some very old) or living in aged care.

The Haven Foundation also provides 24/7 on site services which includes qualified support workers providing non-clinical support – e.g. managing money, housekeeping, establishing recovery plans and creating goals. They also offer programs and lessons to help develop skills and support integration into the community.

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<sup>11</sup> Estimates for Merri-bek are modelled based on the age propensities by sex contained in the Survey of Disability, Ageing and Carers (SDAC) conducted by the ABS.

An evaluation of Haven South Yarra showed the significant benefits delivered by a collaborative partnership between a housing provider (Housing Choices Australia), a psychosocial disability and rehabilitation service (Pahran Mission) and overseen by the Haven Foundation. They found that Haven South Yarra has a positive impact on independence, social participation, self belief and illness stability. For example, it was found that one tenant had commenced tertiary education, one had been linked to Pahran Mission's JobSupply employment service and was working, and three other tenants reported they were interested in finding work in the next 6 months. A survey conducted 6 months after becoming a tenant found:

- ▣ 90% of participants agreed / strongly agreed that their living situation was safe and feels like a home
- ▣ 80% that they have at least one close mutual relationship
- ▣ 70% that they have goals they are working to achieve
- ▣ 90% that they have a sense of belonging
- ▣ 80% that they feel hopeful about their future
- ▣ 60% that their mental health issues are under control.

With respect to new developments in places like Merri-bek, the Haven Foundation noted that accessing land to buy or properties to rent is the major challenge in providing new supported accommodation for people with mental illness. While they have access to funding to build the units, accessing the land is difficult because land is expensive and most sites are not vacant and require demolition which adds to the overall costs. Finding opportunities to lease, like they have successfully done in South Yarra is also a challenge.

### 9.9.2 Elderly renters

Elderly renters are mostly long term residents of Merri-bek, given the low out migration of this group. This group is vulnerable to housing stress as increasing rents may place them in financial stress or influence a move out of their long term homes.

Renting can also present other disadvantages to the aged population. As many older people live on limited incomes (super or pension) renting can become

unaffordable. Many are in housing stress, spending more than 30% of their income on housing. Renting can also be unstable, with no long term security of tenure.

In 2016, around three in five older lone person households (259) were in rental stress in Merri-bek. This group had the highest incidence of rental stress in Merri-bek. This level of stress was significantly higher than the Melbourne average for this group (50%). Similarly, for older couples without children, 41% were in rental stress in 2016 in Merri-bek.

## 10. The cost of housing in Merri-bek is rising

### Key points

- ▮ Once an affordable location, **Merri-bek has now become an aspirational location**, causing significant increases in housing costs and difficulties for households to meet their repayments. Housing costs have grown much faster than incomes. Median house prices grew by 125% over the past 10 years, well above income growth of 62%.
- ▮ Home ownership is beyond the reach of most very low and low income households. **Even families on a moderate income face challenges buying a house**, with houses being 10% more expensive than what they could afford in 2016. For families on a moderate income, medium and high density dwellings become an affordable alternative. This highlights the shift observed in families living in medium and high density dwellings (Section 7.3).
- ▮ For many households, **renting is an affordable alternative** to home ownership in Merri-bek and this was illustrated in Section 7.8 which showed the rise of renters in Merri-bek. Renting is generally affordable to couples and families on low to moderate incomes. For example, a two bedroom house (\$430 per week) is below the affordable rental limit of a family with low income (\$489) and well below the limit for moderate income households (\$733). **Renting however, is generally not affordable for lone person households, and households on a very low income.**
- ▮ Merri-bek's **strength in diversity will be challenged by rising house prices**, with many very low to moderate income households seeking alternative housing locations or go into housing stress. Consequences of escalating house prices in Merri-bek include:
  - **Housing stress:** Almost 10,000 households in Merri-bek were in housing stress in 2016, representing 15.3% of households, similar to the Greater Melbourne average.
  - **Income inequality:** There has been a major increase in higher income households in Merri-bek, at the expense of lower income households.
  - **Moving further out:** Escalating house prices appear to be pushing many households to more affordable locations like Hume and Whittlesea with the rate of out migration increasing between 2006 and 2016. Those who move to outer areas have poorer access to public transport, employment and services, which further limits the ability to participate in the labour force.
- ▮ **This creates a range of social inequality issues** including declining home ownership, reduced wealth potential and homelessness. Those

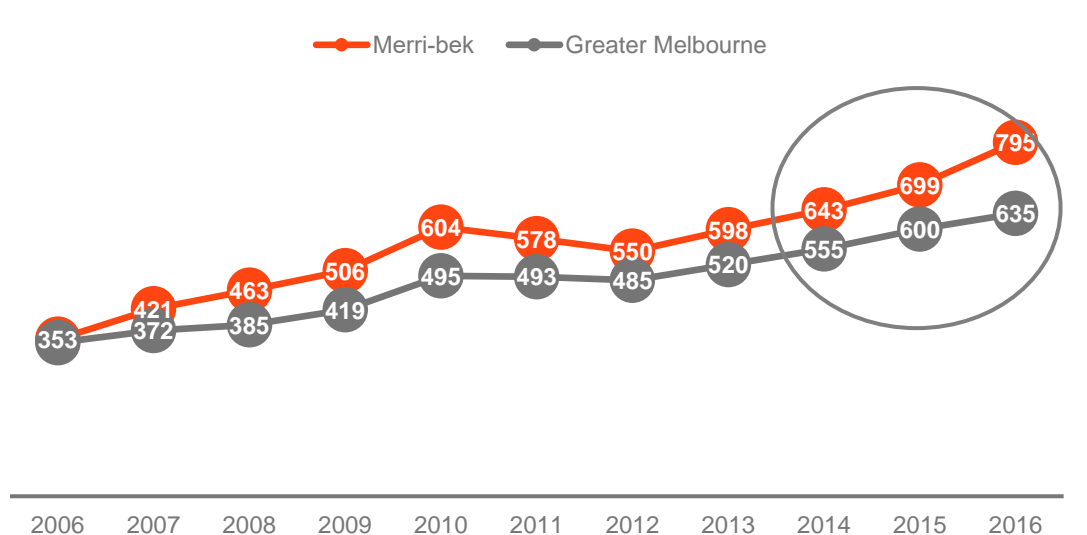
who move to outer areas have poorer access to public transport, employment and services, which further limits the ability to participate in the labour force.

## 10.1 Merri-bek housing costs are rising

Median house sale prices have risen sharply in Merri-bek over the past decade. In 2006, the cost of a house in Merri-bek was around \$350,000, about the same as the metropolitan median house price. In 2016, house prices were almost \$800,000; growing by 125% since 2006, and now cost \$250,000 more than the metropolitan median house price.

*Figure 68. Purchase costs – Houses, Merri-bek ('000)*

Based on the average of median house price by suburb

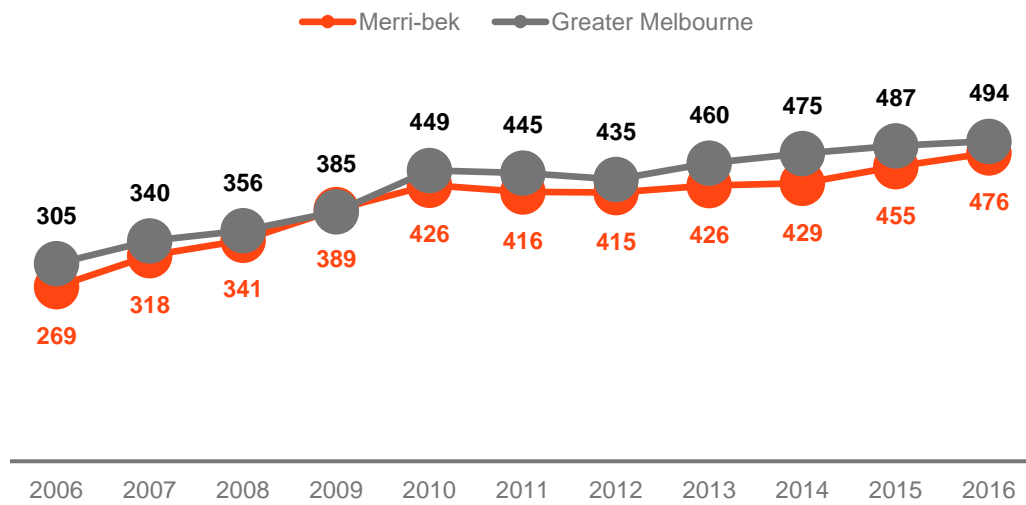


Source: Valuer-General Victoria 2016

The purchase price of medium and high density dwelling also experienced strong growth over the past decade, growing by 77% since 2006. The gap in prices between Merri-bek and Greater Melbourne has narrowed in recent times.

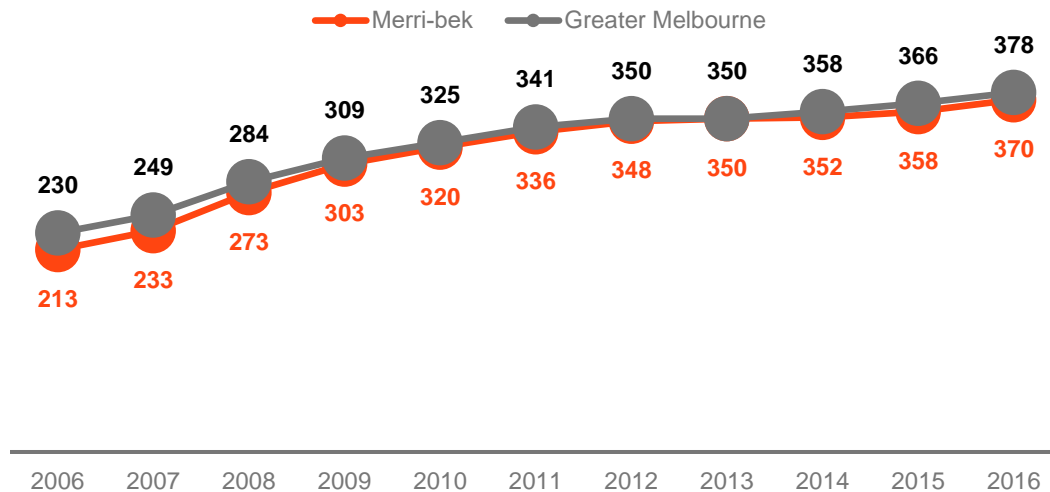
**Figure 69. Purchase costs – medium and high density, Merri-bek ('000)**

Based on the average of median house price by suburb



Source: Valuer-General Victoria 2016

Median rents in Merri-bek have gradually increased, growing by around 74% since 2006. In 2016, the median rent was \$370 per week, slightly below the metropolitan median of \$378.

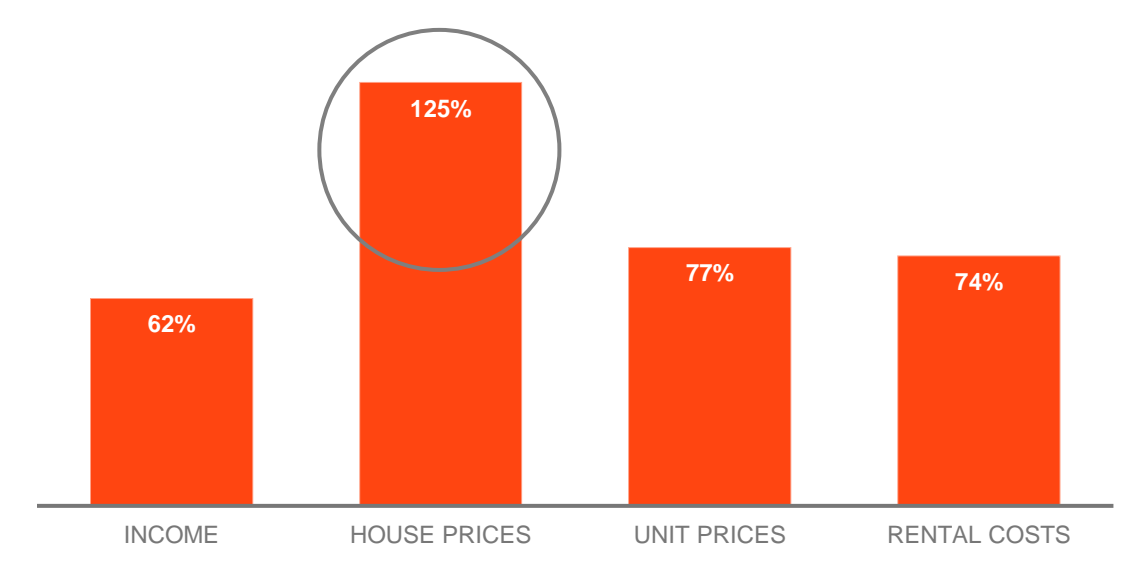
**Figure 70. Rental Costs – Median rent per week, Merri-bek**

Source: DHHS Quarterly median rents by local government area

## 10.2 Incomes are not keeping up with housing costs

Income levels in Merri-bek have not kept up with growth in house, unit or rental costs over the past decade. Figure 71 below highlights that housing affordability has emerged as a pressing issue in Merri-bek.

Figure 71. *Income growth and housing cost growth - % change 2006 to 2016 – Merri-bek*



Source: ABS, Valuer-General Victoria 2016, DHHS



### 10.3A white picket fence sort of dream

***'My mum would be happy to have us live with her forever, but that's not the most practical arrangement'***

Twin sisters Madi and Bec have just turned 20. They have lived in Merri-bek all their lives, attended local schools and both want to stay in the area — but finding affordable housing poses a huge challenge.

*'It sucks with the prices around here,'* says Madi. *'Even for the worst houses, it's still breaking the bank.'*

Madi is in her second year at Victoria University, where she's happily studying to be a teacher. She's always known it was the right career. Madi also works part-time as a lifeguard at the Fawkner leisure centre, volunteers running gigs and events at the local youth centre, plays basketball in Coburg and coaches three of the club's junior teams—the under 12s, the under 14s and the under 18s. *'My mum is president of the club,'* she laughs. *'All my life is in Coburg.'*

Bec is equally busy, but for different reasons: she has just given birth to a baby boy called Parker. Bec's husband Julian came to Australia from Malaysia as an overseas student. They met when Bec was 16, and for two years he lived at home with Bec and Madi's family. *'He slept the night for her birthday one year and never left,'* says Madi. With the baby on the way it was time to find a place of their own, and Bec and Julian have been lucky. They managed to secure a townhouse in Glenroy with a decent landlord. He's given them a two-year lease, with an option on a third and no rent increase. It is part of a quiet block of three, and in a good area for schools and local shops, but at \$450 a week, finding the rent is a tough ask, particularly on government benefits.



Bec was studying nursing with plans of becoming a midwife but deferred when she fell pregnant. She kept her job in a pizza shop until that became too strenuous and was then employed as a school crossing guard. Julian has been on a bridging visa with no work rights, but they are hoping that his immigration status will soon be sorted out so he can start earning. When Parker is old enough, Bec hopes to go back to university.

The most important thing about Bec and Julian's new place is that it is not far from family in Coburg. As twins, Madi and Bec are particularly close, and in her

spare time, Madi heads around to Glenroy to help out with baby Parker. *'Being nearby is a big thing,'* she says.

Now Madi too, is planning to leave home. Her partner Donald, a theatre lighting and sound technician, is moving down from Sydney later in the year. *'My mum would be happy to have us live with her forever, but that's not the most practical arrangement,'* she says. So far Madi's search for a place to rent has been dispiriting. She and Donald are budgeting on paying rent of up to \$350 per week between them. *'It's theoretically possible,'* says Madi, *'but you can't find a place that you could see yourself living in for years.'* She thinks that they will either have to opt for something substandard that they could put up with, or else share a larger place with other tenants.

Madi knows that they could find more affordable rent further afield—if they went west to Werribee or north to Mill Park, for example. But that's not an option she will even consider. *'My sister's just had a baby. It's a crucial time. I want to be close.'* Madi and Bec's mother is one of eleven siblings, so there is also a network of uncles, aunts and cousins scattered through Merri-bek. *'If there's a random knock on the door, it's family coming to visit,'* she says. *'I've got a cousin who's a cop in Brunswick and an uncle who's a cop in Fawkner. Honestly, my family is very close knit.'*

For both Madi and Bec, the longer-term dream is not renting in Merri-bek, but buying there: *'My optimist side tells me that renting is an interim thing and then you buy your own house,'* says Madi. *'But that small step is now a much larger step and takes much longer. I can imagine having to re-sign a lot of leases.'*

Madi knows that, whether buying or renting, a unit is generally a more affordable option than a house, but she can't imagine living in a flat. *'An apartment doesn't have the right sort of feel,'* she says. *'It feels more like a holiday destination.'* Having lived in the same place for twenty years, in a little court where she knows all the neighbours, Madi has a strong sense of home as house with a backyard and a dog: *'It's a white picket fence sort of dream,'* she says.

But Madi doesn't think that dream should necessarily have to last a lifetime. She has just witnessed her grandparents move from a big house into an apartment without looking back. They no longer have to deal with stairs, have on-site access to a swimming pool and a courtyard barbecue, and have started attending dance classes. While first time home-buyers with young families struggle to find an affordable place to live, Madi knows that there are plenty of older people living in large houses with three or four empty bedrooms. She wonders if there couldn't be a win-win solution here.

## 10.4 Home ownership is beyond the reach of most lower income households

Another way to look at housing affordability is to compare what is affordable to what is being provided in the private market. Figure 72 compares the affordable housing purchase price points for different households<sup>12</sup> with the median house price in Merri-bek.

Houses and medium and high density dwellings are largely unaffordable for most lower income households in Merri-bek. This is most acute for very low and low income households (single, couple and family) who would find it near impossible to enter the housing market. For example, the median medium and high density price is 2.8 times more expensive than what a low income lone person household could afford (\$228,657) in 2016.

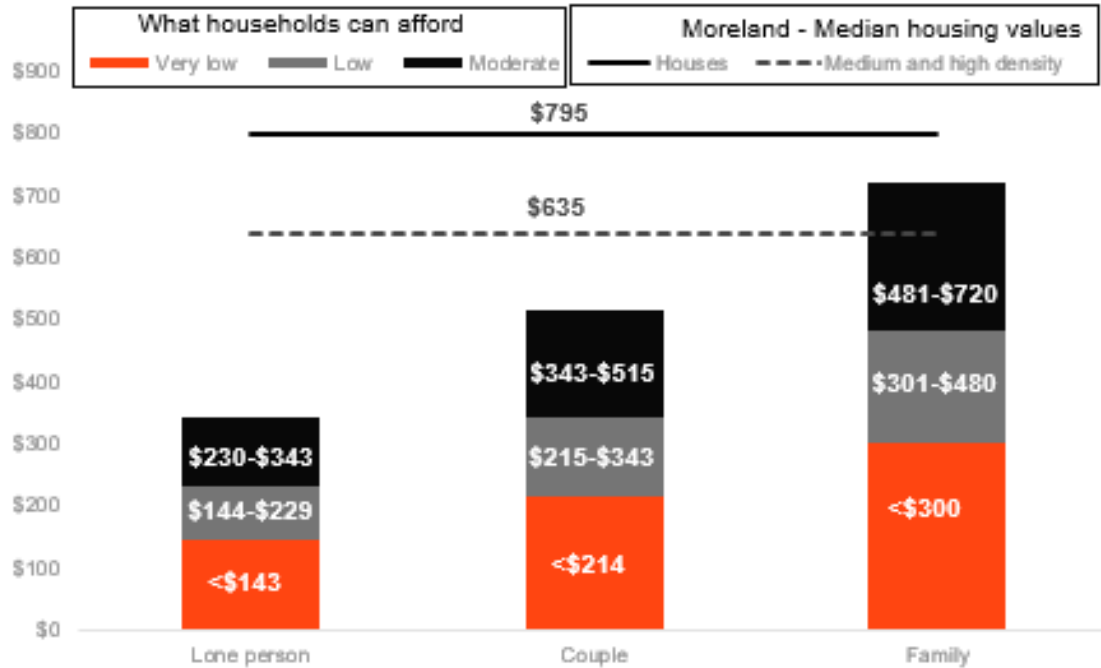
Even families on a moderate income face challenges buying a house, with houses being 10% more expensive than what they could afford (\$720,360) in 2016. For families on a moderate income, medium and high density dwellings become an affordable alternative.

This analysis of housing costs and what household can afford shows that high prices have become a barrier to homeownership in Merri-bek. In general, only high income households who have significant deposit can afford to buy a house in Merri-bek.

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<sup>12</sup> Refer to Appendix A for assumptions used to calculate affordable housing purchase price points.

Figure 72. Purchase affordability by selected household type, Merri-bek, 2016



Source: .id based on Valuer-General Victoria 2016 and ABS Census of Population and Housing

Figure 73 below shows that separate houses in Fawkner, Hadfield, Glenroy and Gowanbrae are affordable to families on a moderate income. Lone persons and couples are largely excluded from buying a separate house in all suburbs.

Figure 73. Affordable purchase by suburb - Separate house, 2016 (\$'000)

Difference between median price and affordable purchase by household type

	Very low income			Low income			Moderate income		
	Lone person	Couple	Family	Lone person	Couple	Family	Lone person	Couple	Family
Brunswick West	955	883	797	869	754	617	755	583	377
Brunswick	829	757	671	743	628	491	629	457	251
Brunswick East	830	759	673	744	630	493	630	458	253
Coburg	727	656	570	641	527	390	527	355	150
Pascoe Vale South	692	621	535	606	492	355	492	320	115
Pascoe Vale	651	579	493	565	450	313	451	279	73
Oak Park	665	593	507	579	464	327	465	293	87
Coburg North	637	566	480	551	437	300	437	265	60
Fawkner	442	371	285	356	242	105	242	70	-135
Hadfield	472	401	315	386	272	135	272	100	-105
Glenroy	447	376	290	361	247	110	247	75	-130
Gowanbrae	476	405	319	390	276	139	276	104	-101

Source: .id based on Valuer-General Victoria 2016 and ABS Census of Population and Housing

Except for Pascoe Vale South and Oak Park, medium and high density dwellings are affordable in all suburbs to a family or couple on a medium income. Families with a low income can afford to purchase a medium or high density dwelling in Brunswick West, Fawkner, Hadfield or Glenroy. All suburbs are unaffordable to a lone person on a moderate income.

**Figure 74. Affordable purchase by suburb – Medium and high density, 2016 (\$'000)**

Difference between median price and affordable purchase by household type

	● <-\$100			● \$0 to -\$100			● \$0 to \$100			● >\$100		
	Very low income			Low income			Moderate income					
	Lone person	Couple	Family	Lone person	Couple	Family	Lone person	Couple	Family			
Brunswick West	● 267	● 196	● 110	● 181	● 67	● -70	● 67	● -105	● -310			
Brunswick	● 357	● 286	● 200	● 271	● 157	● 20	● 157	● -15	● -220			
Brunswick East	● 367	● 296	● 210	● 281	● 167	● 30	● 167	● -5	● -210			
Coburg	● 357	● 286	● 200	● 271	● 157	● 20	● 157	● -15	● -220			
Pascoe Vale South	● 382	● 311	● 225	● 296	● 182	● 45	● 182	● 10	● -195			
Pascoe Vale	● 349	● 278	● 192	● 263	● 149	● 12	● 149	● -23	● -228			
Oak Park	● 378	● 307	● 221	● 292	● 178	● 41	● 178	● 6	● -199			
Coburg North	● 366	● 295	● 209	● 280	● 166	● 29	● 166	● -6	● -211			
Fawkner	● 257	● 186	● 100	● 171	● 57	● -80	● 57	● -115	● -320			
Hadfield	● 290	● 218	● 132	● 204	● 89	● -48	● 90	● -82	● -288			
Glenroy	● 292	● 221	● 135	● 206	● 92	● -45	● 92	● -80	● -285			
Gowanbrae	-	-	-	-	-	-	-	-	-			

Note: no data available for Gowanbrae

Source: .id based on Valuer-General Victoria 2016 and ABS Census of Population and Housing

## 10.5A helping hand

***'For people who already own, the housing boom is a great thing, 'For people who don't it's terrifying.'***

Luke and Kellie are professional actors in their early thirties, Kellie is also building her career as a director, but as anyone involved in creative pursuits knows, success in the arts rarely translates into a secure income. *'There are not many actors who own their own houses,'* says Kellie, *'Unless they have help from family.'*

Luke and Kellie are getting help from family too, though not to buy. They recently moved into a two-bedroom villa unit in Pascoe Vale, which they rent from Kellie's father. *'Dad had been talking about buying an investment property for a number of years,'* says Kellie, *'and we were looking for somewhere bigger to live.'* It is an ideal match, especially as the couple are expecting their first child in a couple of months.



*'This place is awesome,'* says Luke. *'We can be here as long as we want to be here and there are no stupid arguments with the landlord about whether we can put picture hooks in the walls.'* The unit also has a small backyard. *'That's a massive boon for us, just having a bit of outdoor space,'* says Luke.

Until a few months ago, Luke and Kellie were squeezed into a single-bedroom flat in Brunswick that cost them almost \$300 a week. *'It was a great location, but it was very small and expensive,'* says Kellie. *'And our window looked out onto the bin-yard.'*

Even that flat proved very hard to find in a tight rental market. After pursuing their creative dreams in London for two years, Luke and Kellie returned to Melbourne to confront a housing market out of control. *'We looked for quite a while and applied for a lot of places,'* says Luke. *'We were open to a broad scope of suburbs north of the river, everywhere from Heidelberg to Essendon. But there were very few one-bedroom places, and nothing within our price range.'* When they did identify something suitable, they kept missing out as other prospective tenants outbid them, offering to pay above the advertised rent. *'We ended up offering ten dollars a week more than what was advertised too,'* says Luke, *'because we were getting nowhere by applying normally.'*

They both feel that feels that real estate agents show tenants very little respect, rushing them through prospective properties in large groups during very brief open inspections.

*'The bond is also a huge issue,' adds Luke. 'We had to battle to get our bond back with disputes over the stupidest things and sometimes nothing at all.'* On one occasion the agent refused to return the bond because they said Luke and Kellie had left an old table in the backyard, but the table had been there when they first moved in. *'They seem to string out returning the bond for as long as possible,'* says Luke, *'but as a tenant you need to get your bond back in order to pay bond and rent in advance for a new place.'*

Repairs were another frustration. *'If we told them something needed fixing they'd never follow up,'* he adds. *'You end up doing stuff yourself.'*

Their villa unit is in a quiet court in a family-oriented neighbourhood. They have close friends living within walking distance and Luke has re-discovered his love of Aussie rules football after joining local club the Coburg Lions. They intend staying where they are for the next five years, and then reassess their housing situation. Luke says longer-term planning is difficult because of the uncertain nature of their work: *'Our jobs could take us anywhere in the world, or they could take us nowhere.'*

Ultimately, Luke and Kellie want a bigger place because they hope to have two children, but much as they love Pascoe Vale, they can't see themselves ever buying a house in Merri-bek. *'Of course, we could get that big break,'* says Luke, *'but realistically it will be short-term contract work and constantly looking around to find gigs.'* A place that meets their career needs is unlikely to also fit their budget. *'We're at the theatre a lot, going out to see shows in the evening, networking, staying up to date with the industry,'* says Luke. Both of them have also have bread-and butter jobs to fill the inevitable financial gaps between irregular work in film, theatre and television, and until recently, Kellie was also studying theatre direction full time. They frequently find themselves rushing between different jobs, racing across town to squeeze in lunch-time auditions, for example, or heading out for evening rehearsals and performances. This amounts to a double commute. For all these reasons they cannot contemplate living in a more distant but more affordable suburb. *'It's a trade-off between a bigger, nicer house and being close to the city,'* says Luke. *'For people who already own, the housing boom is a great thing, for people who don't it's terrifying.'*

Kellie says that all their friends involved in the arts are renting, and they're all being pushed further north as prices rise. The only friend they can think of whose managed to buy a house in the city is a crane driver who has had steady well-paid work since leaving school. Other friends have bought in Ballarat. If Kellie and Luke end up buying, they reckon it would be in a regional town too. They have their eye on Malmsbury, which is on the train line between Melbourne and Bendigo and not far from Daylesford where Kellie grew up. They like the idea of country living and having a little bit of land, but Luke sees one big problem: *'As creatives, most of the jobs are in the city.'*



## 10.6 Many lower income households can't afford to rent

In the same way as affordable purchases, many very low income households find it difficult to find affordable rental houses or units in Merri-bek. Very low income households are largely excluded from affordable rentals, and will continue to be excluded in the future without intervention.

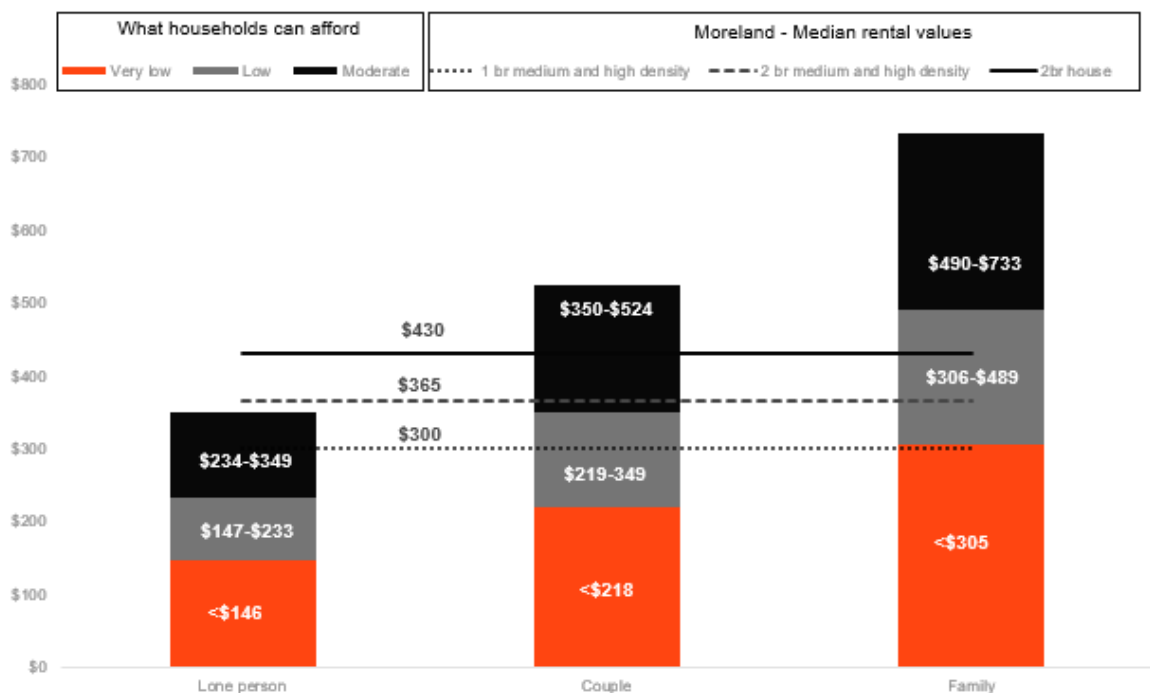
For lone person households on a low income, the price of a one bedroom medium and high density dwelling is around 30% more expensive than what a lone person household can afford. However, this type of dwelling becomes affordable for many lone person households on a moderate income.

Only a small share of low income couple households can afford a one bedroom medium and high density dwelling with the median value of \$300 falling in between the affordable rental range of \$218 to \$349. Most couples on a moderate income can afford a one bedroom medium and high density dwelling. A two bedroom house is affordable to some couple households on a moderate income.

Family households on low or moderate incomes can afford smaller size houses and medium and high density dwellings in Merri-bek. For example, a two bedroom house (\$430 per week) is below the affordable rental limit of a family on a low income (\$489) and well below the limit for moderate income households (\$733). The relative affordability of rental houses compared to house purchases helps explain the increase in renting observed for couples with young children renting (Figure 75) and highlights the trade-offs families are making between housing type and size, price and location.



Figure 75. Rental affordability by selected household type, Merri-bek, 2016



Source: .id based on DHHS Quarterly median rents by local government area and ABS Census of Population and Housing

Families and couples on a moderate income can afford to rent in all suburbs across Merri-bek. Brunswick West is the only suburb affordable to a couple on a low income looking to rent.

Figure 76. Affordable rents by suburb - 2016 (\$'000)

Difference between median rent and affordable purchase by household type

	Very low income			Low income			Moderate income		
	Lone person	Couple	Family	Lone person	Couple	Family	Lone person	Couple	Family
Brunswick West	● \$194	● \$122	● \$35	● \$107	● -\$9	● -\$149	● -\$9	● -\$184	● -\$393
Brunswick	● \$274	● \$202	● \$115	● \$187	● \$71	● -\$69	● \$71	● -\$104	● -\$313
Brunswick East	● \$274	● \$202	● \$115	● \$187	● \$71	● -\$69	● \$71	● -\$104	● -\$313
Coburg	● \$254	● \$182	● \$95	● \$167	● \$51	● -\$89	● \$51	● -\$124	● -\$333
Pascoe Vale South	● \$254	● \$182	● \$95	● \$167	● \$51	● -\$89	● \$51	● -\$124	● -\$333
Pascoe Vale	● \$219	● \$147	● \$60	● \$132	● \$16	● -\$124	● \$16	● -\$159	● -\$368
Oak Park	● \$204	● \$132	● \$45	● \$117	● \$1	● -\$139	● \$1	● -\$174	● -\$383
Coburg North	● \$219	● \$147	● \$60	● \$132	● \$16	● -\$124	● \$16	● -\$159	● -\$368
Fawkner	● \$204	● \$132	● \$45	● \$117	● \$1	● -\$139	● \$1	● -\$174	● -\$383
Glenroy	● \$204	● \$132	● \$45	● \$117	● \$1	● -\$139	● \$1	● -\$174	● -\$383

Source: .id based on DHHS Quarterly median rents by local government area and ABS Census of Population and Housing

## 10.7 Escalating house prices are a threat to diversity

Merri-bek's strength in diversity will be challenged by rising house prices. Some undesirable consequences of escalating house prices include:

- ▣ Rising income inequality
- ▣ Persistent housing stress
- ▣ Forced moves to more affordable locations
- ▣ Poor social outcomes.

Each of these issues is explored below.

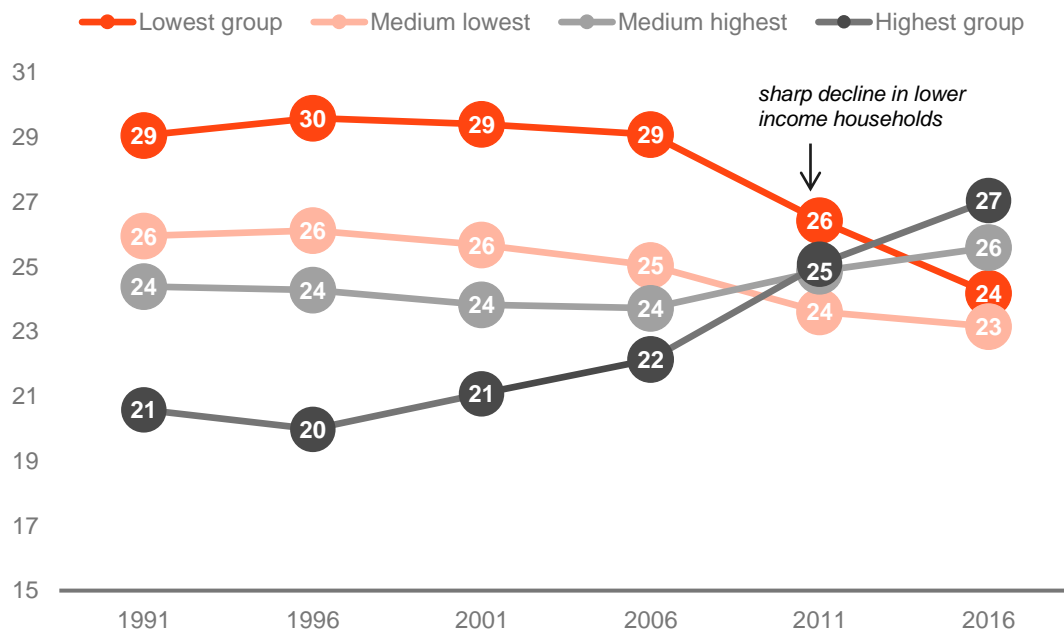
## 10.8 Rising income inequality

Once an affordable location, Merri-bek has now become an aspirational location where only high income households who have significant deposit can afford to buy a house.

This is reflected by the increase in the share of households in the highest income quartile<sup>13</sup> at the expense of both the lowest and medium lowest household income groups. In 2016, 24% of households were in the lowest group, down from 29% in 1991. In contrast, the proportion of households in the highest income group has increased, especially since 2006. This growth in high incomes, combined with rising house prices, is likely to push low income groups further north or lead to higher levels of stress.

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<sup>13</sup> Income quartiles are used instead of the P&E act income definition as quartiles show changing trends without the influence of economic change and inflation.

**Figure 77. Household income quartiles, Merri-bek**

Source: ABS Census of Population and Housing (1991, 1996, 2001, 2006, 2011 and 2016)

## 10.9 Many households are experiencing housing stress

Housing and income are inextricably linked, with household income influencing the type of dwelling occupied, and whether a household may be susceptible to housing affordability pressures.

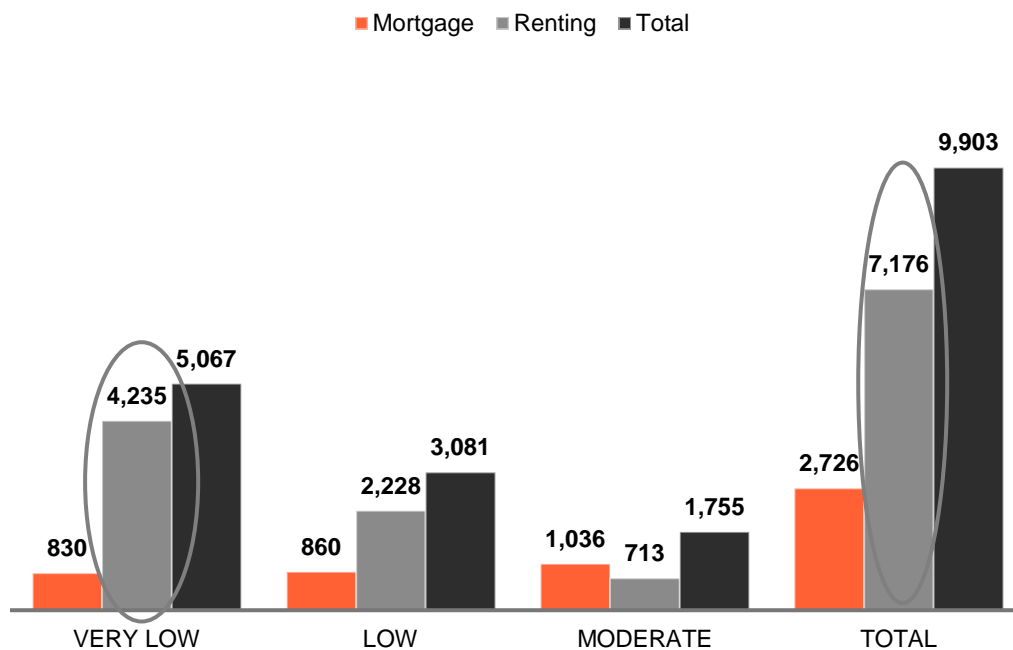
Rising house prices in Merri-bek has caused significant increases in housing costs and difficulties to in households meeting their repayments. This is particularly the case for those households whose incomes have grown slower than the average or those households whose circumstances have changed, such as through ill health, the birth of a child or breakdown of a relationship. This makes saving for a deposit difficult, and provides a barrier to entry to the housing market.

Housing stress is a serious structural and social issue affecting communities across Australia's capital cities. Housing stress is a specific term, which refers to households having trouble meeting their rent or mortgage payments. The general rule of thumb is that anything over 30% of income on housing costs is considered housing stress, or generally unaffordable.

Overall, 9,903 households in Merri-bek were in housing stress in 2016 according to the Victorian Government affordable housing income ranges<sup>14</sup>. The proportion of households in housing stress in Merri-bek (15.3%) is similar to Greater Melbourne (15.6%).

Rental stress is a more significant issue in Merri-bek with 7,176 of households in rental stress. Almost 60% of households in rental stress were on very low incomes.

**Figure 78.** *Housing stress by income group, Merri-bek 2016*  
Number of households

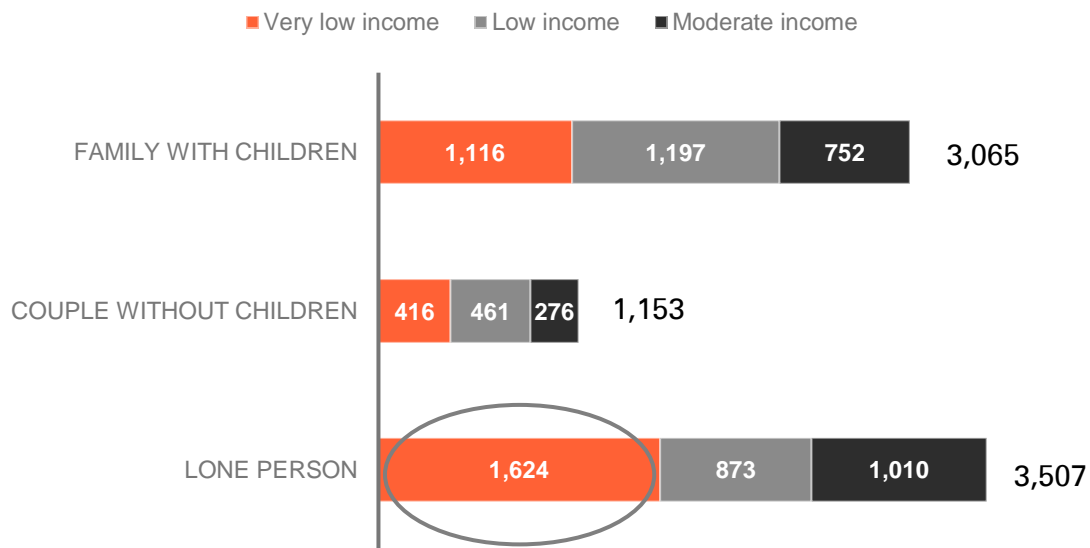


Based on all household income definition

Source: ABS custom data order

In 2016, around 3,500 lone person households were in housing stress, representing around 40% of lone person households with a mortgage or rent payments. Lone persons with a very low income were the largest group in housing stress. The next largest group were families with children on a very low income, following by lone person households on a moderate income.

<sup>14</sup> Insert limitations here.

**Figure 79. Housing stress by household type, Merri-bek 2016**

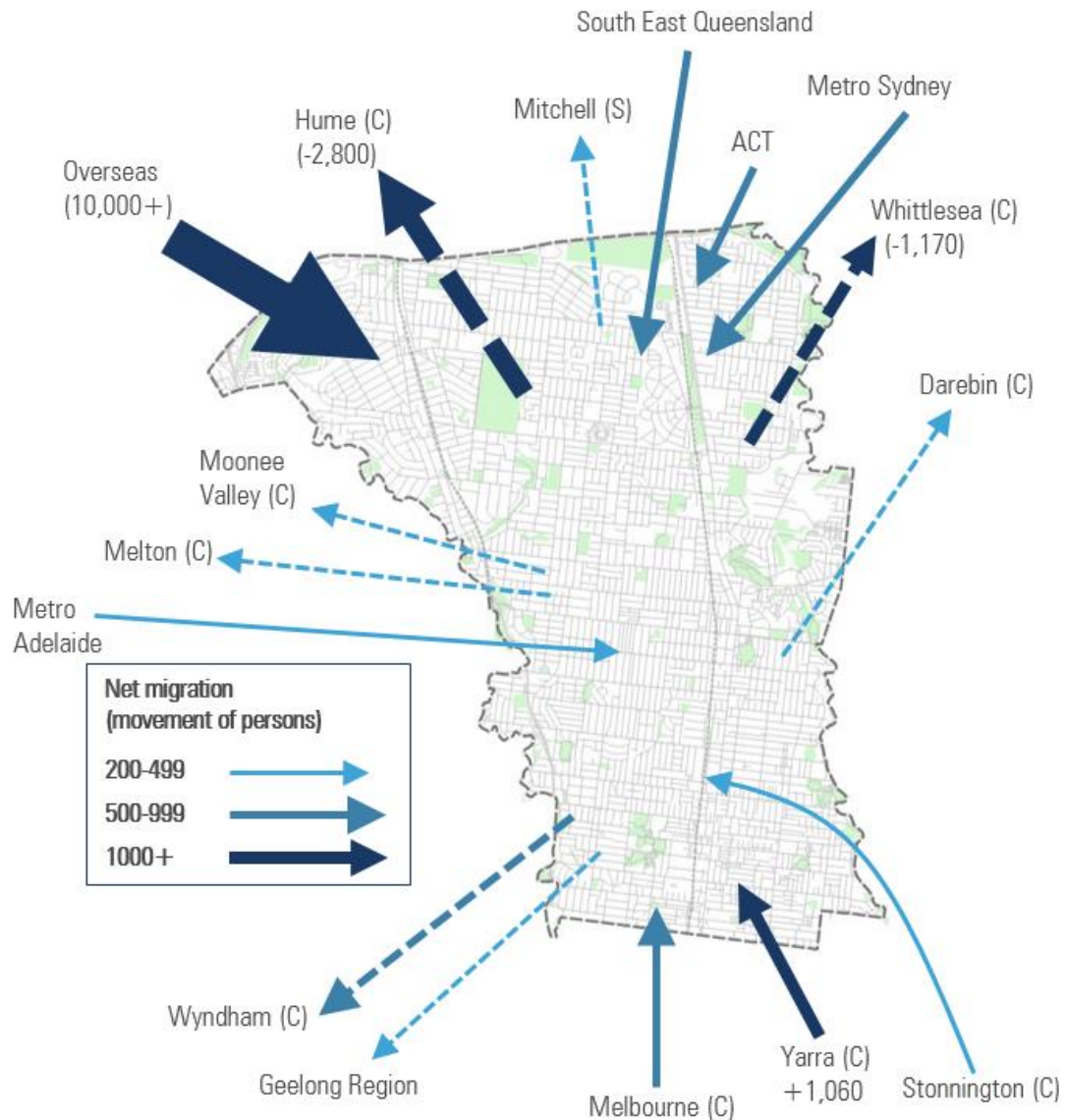
Excludes group households and not stated. Based on income breakdown for each household group. Estimates may differ from those estimated using the all household income definition.

Source: ABS custom data order

### 10.10 Many households are seeking more affordable locations

Many households in Merri-bek are moving to more affordable locations like Hume and Whittlesea (Figure 80). The rate of out-migration per resident to metropolitan Melbourne also increased from 16% per person between 2006-2011 to 18% between 2011-2016. This migration trend suggests that increasing house prices are causing residents to move to alternative, more affordable locations.

Figure 80. Major net migration flows, 2011-2016, Merri-bek



Source: .id based on ABS Census of Population and Housing (2011 and 2016)

### 10.11 Poor social outcomes

This affordability problem undermines the diversity and vibrancy that has been Merri-bek's traditional strength. Increasing rents and real estate prices in Merri-bek go hand-in-hand with increasing inequality. While this means Merri-bek is richer overall, it means that many households, even moderate income households, face added costs pressures and risk living in higher levels of stress or being pushed out of the municipality altogether. Housing stress limits the ability of residents to live a good life, because after covering their housing costs they don't have enough money left over to pay for other costs like food, power bills,

transport, and education. Over the long-term, living in housing stress can damage health, reduce educational attainments and limit life prospects.

Rising housing costs also threatens to remove opportunity, by pushing very low, low and moderate income households further away from job opportunities, services and access to public transport.

## 11. Achieving a diverse future Merri-bek

Responding to the findings of this research is a complex and multi-faceted exercise that will involve multiple stakeholders and levels of Government. The following items will be a necessary consideration:

- Recognising that diversity is a traditional strength for Merri-bek. Diverse communities are more sustainable, equitable and healthy in the long term as they foster social cohesion and are able to maintain a range of services and facilities useful to all age groups.
- Housing choice, provided across the wide spectrum of income levels, will help meet the changing needs of households which is being driven by demographic, economic and lifestyle factors.
- Well located housing that is well serviced by public transport contributes to sustainable housing outcomes, and housing closer to amenities.
- House price escalation impacts on households right across the continuum of households, incomes and tenures.

The research presented in this report provides a thorough analysis of housing in Merri-bek now and into the future, and will ensure that an informed, evidence based response to the trends and challenges for housing in Merri-bek can be prepared.



## 12. Appendix – Affordable housing benchmarks

The table below presents an estimate as to Affordable Housing Purchase Price Points for different households. These estimates are based on assumptions including interest rates, loan period, deposit requirement and stamp duty. It is also assumes that households are spending less than 30% of their income on housing costs, consistent with the definition of housing stress.

The following assumptions are made to estimate affordable housing purchase price points for different households:

- ▣ Interest rate: 5.24%
- ▣ Loan period: 30 years
- ▣ Deposit requirement: 20%
- ▣ Stamp duty: dutiable rates set by Victorian government.

The following table provides benchmarks that are used in this report to estimate 'affordable housing', in 2017 dollars. This methodology uses the income ranges defined in the Victorian *Planning and Environment Act 1987* for very low, low or moderate income households.

Figure 81. Affordable housing income and cost benchmarks

Household type	Very low (50% median)			Low (50% median)			Moderate (50% median)		
	Income limit	Affordable rent (weekly)	Affordable purchase	Income limit	Affordable rent (weekly)	Affordable purchase	Income limit	Affordable rent (weekly)	Affordable purchase
Single	\$25,220	\$146	\$142,953	\$40,340	\$233	\$228,657	\$60,510	\$349	\$342,985
Couple	\$37,820	\$218	\$214,373	\$60,520	\$349	\$343,042	\$90,770	\$524	\$514,506
Family	\$52,940	\$305	\$300,077	\$84,720	\$489	\$480,213	\$127,080	\$733	\$720,320

Source: .id