

Population & Housing Forecast Scenarios

UNDERSTANDING THE LOCAL
IMPACTS OF COVID-19 ON
POPULATION AND HOUSING IN
MORELAND – Executive Summary

Prepared for
City of Moreland

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1. Executive summary

Moreland's post COVID-19 future population is still uncertain and scenario-based thinking is required for future planning

The overarching objective of this study was to develop a preliminary estimate of the impacts of COVID-19 on population change in Moreland and its suburbs, to assist long-term planning of services.

There remains significant uncertainty around the timing of the eventual reopening of Australia's international borders, as well the pace of return of net overseas migration given different rates of infection and immunisation rollouts across the world. There has also been an impact on fertility rates and therefore the number of births. Consequently, a scenario-based approach is taken to understand the potential impacts around different potential circumstances of the key population drivers.

Three post COVID-19 population forecast scenarios have been developed using different assumptions, primarily differences in net overseas migration and internal migration, and the timing relating to these:

- The **'Moderate Recovery' scenario** represents an optimistic scenario where population drivers are largely expected to revert to pre COVID-19 levels in a timely manner by 2025.
- The **'Long Term Recovery' scenario** acknowledges that the COVID-19 impact on population growth could be prolonged, with an extended period of recovery in key population drivers.
- The **'COVID-19 Shift' scenario** assumes that population drivers re-settle a little below the extremely elevated levels of the mid-to-late-2010s, and there is a permanent reduction in net overseas migration.

The post COVID-19 scenarios developed by Charter have also been compared to Moreland City Council's pre COVID-19 forecasts developed by forecast.id (consultants) in 2020, as a proxy pre COVID-19 baseline¹.

Overseas migration has been the primary driver of growth in Moreland and has been significantly impacted by COVID-19

Net overseas migration has been a key component of Moreland's population growth, accounting for over half of the municipality's increase in population in recent years. However, the outlook for net overseas migration remains unclear. There remains continued uncertainty around the timing of the eventual reopening of Australia's international borders, as well the pace of return of net overseas migration .

¹ Hereon referred to as 'forecast.id, 2020'

The overseas migration outlook will also influence residential market supply and demand, and flow on effects to internal migration. Moreland will be more influenced than most other municipalities by the uncertainty around net overseas migration. It is unlikely Victoria and Moreland will experience the factors that drove record population growth through the 2010s.

1.1. Moreland's post COVID-19 population forecast

There will be fewer people living in Moreland than previously forecast, with very slow growth up to 2026.

Moreland's annual average population growth rate will not return to what was forecast pre-COVID-19 and will likely be around 10,000 lower than that forecast pre COVID-19 for 2036 (245,200). In a long term COVID-19 recovery scenario, Moreland's 2036 population may end up nearly 15,000 lower than that previously forecast.

Based on the 'COVID-19 shift' scenario forecast, over the 2020–2026 period Moreland's population is forecast to grow at an average rate of 1.1% p.a., which is below the 2.1% p.a. forecast pre COVID-19 (forecast.id, 2020). Over this time period, Moreland's population is forecast to grow by 13,200 residents, well below the 25,500 previously forecast pre COVID-19. By 2036, Moreland's population is forecast to be 235,200, some 10,000 persons below the pre COVID-19 forecast of 245,200

While net overseas migration inflows are expected to resume in 2022, they are not expected to return to the levels seen recently until at least 2024 onwards. On this basis, Moreland is expected to effectively lose three years of population growth.

Births in Moreland are forecast to decline in the short term and then recover

Births rates in Moreland (as well as in Victoria and nationally) have declined in recent years. The COVID-19 pandemic is expected to result in a sharper short term decline in birth rates as households delay having children as a result of the uncertainty caused by the COVID-19 pandemic. This is expected to be followed by a recovery in the immediate subsequent years, although in the context of a continuation of the overall trend decline in birth rates expected through to 2029.

In all scenarios, births across Moreland are forecast to fall over the 2020–2022 period. This decline in births is expected to bottom out in 2022 at a forecast 2,350 births per year in Moreland.

A recovery in births is anticipated over the 2022–2024 period with a steady rise expected from around 2,650 births per annum in 2024 to 3,100 births per annum by 2036, reflecting the growing population within the municipality.

There will likely be fewer children under 15 years old than previously forecast

The adult population age profile of Moreland will likely remain similar, being most concentrated in the 20-44 year-old age cohorts. However, the population of children 0-14 years, as a proportion, will likely be smaller than pre COVID-19 forecasts.

Lower birth rates than those expected in the pre COVID-19 scenario (forecast.id, 2020) are reflected in a smaller expected population of 0-14 year-olds by 2036 across all post-COVID-19 scenarios.

Household growth will be slower than previously forecast

Population growth is expected to be reflected in the household forecasts, and the COVID-19 pandemic will see household growth across Moreland fall short of pre COVID-19 forecasts.

Over the 2020–2036 period the total number of households in Moreland is forecast to grow at an average rate of 1.5% per annum, which is below the 1.7% per annum forecast pre-COVID.

Overall, household structure across Moreland is expected to remain, with some changes in suburbs

Under the COVID-Shift scenario, Moreland is expected to maintain a relatively even split between couples with no children, couples with children and single person households. Despite changes in the household structure occurring at the suburb level, the impacts are expected to balance out across Moreland overall, with the split of households by household type expected to still be largely the same in 2036.

1.2. Moreland's post COVID-19 housing forecast

Future demand and supply for townhouses (infill) is likely to remain the same as pre COVID-19 forecast in the short to medium term

The level of infill development is expected to be largely the same post COVID-19, and is expected to diminish over time as the availability of sites diminishes.

Signs of scarcity are beginning to emerge, with an average of just over 1,000 infill dwellings produced annually over 2013 to 2018, compared to an average of 773 per annum over 2019-2020. Under both the COVID-19 Shift and Moderate scenarios infill development is expected to diminish from around 800 dwellings per year in the short term to just over 400 dwellings per year by 2036. By comparison, under the Long Term Recovery scenario, infill development is expected to be slightly lower in the short to medium term due to lower household growth.

Generally undertaken by small to medium sized builders, townhouses are far less speculative than high density apartment projects, are attractive to a much wider segment of the population, are increasingly available in a range of configurations, and remain relatively affordable compared to traditional detached dwellings.

Apartment (high density) development is expected to decline significantly in response to an oversupply

New apartment completions are on track to remain high in 2021 and 2022 as projects currently under construction are progressively completed. However, in the 2023–2026 period, high density dwelling supply is expected to be less than half pre COVID-19 annual averages. This expectation is based on current market conditions including a short-term oversupply of apartments across metropolitan Melbourne, a notable increase in vacancies observed in high-density locations with significant student populations, challenging development conditions, and the potential for changing housing preferences.

From around 2026 high density dwelling supply is then expected to increase over time through to 2036, as population and household growth returns to absorb excess stock and options for infill development being to diminish. However, supply is expected to not quite return to recent pre COVID-19 average levels. This recovery is expected to be different under different scenarios and overall result in high density supply rate of between 600–1,200 dwellings per year for the period 2029-2036. The level of high density supply in each scenario will reflect the differences in household growth expected.

1.3. Suburb-level post COVID-19 population and housing forecasts

Moreland’s Southern suburbs of Brunswick, Brunswick East, Brunswick West, Coburg and Pascoe Vale South are expected to experience the greatest impacts from COVID-19 in terms of having fewer people, and in most cases fewer households, than previously forecast.

In particular, Coburg is forecast to have significantly less new housing supply and demand and therefore lower household growth. New dwelling supply within the Coburg Activity Centre zone is expected to be limited through the next cycle while there is still sufficient land for large-scale apartment development further south in higher-demand, and comparatively priced, apartment locations such as Brunswick, Brunswick East and Brunswick West. While some level of apartment development is likely to continue in Coburg in the medium term, supply is only expected to significantly pick up toward the turn of the decade when the most easily accessed apartment sites in the southern suburbs of Moreland are expected to be absorbed (See Section 5.8). Coburg North and Hadfield are also both forecast to have notably fewer people by 2036, albeit to a lesser extent.

Glenroy and Oak Park are forecast to experience a greater increase in population and households by 2036 compared to Council's pre COVID-19 forecast (forecast.id, 2020)

For the foreseeable future, recent volumes of new dwelling activity in Glenroy and Oak Park are expected to continue, albeit slightly reduced in the medium term. In the lead up to 2036, the availability of land for residential infill is expected to become increasingly scarce. It is however assumed that apartment development will accelerate in Glenroy, where there more land zoned for higher density development, beyond the next market cycle, although this is likely to initially be in smaller (up to 30 or so dwellings) projects.

Pascoe Vale, Fawkner and Gowanbrae are expected to very have very minimal change, with little difference between Council's pre COVID-19 and Charter's post COVID-19 forecasts.

1.4. Population and Housing models and monitoring performance

There are suburb-level differences between Council's pre COVID-19 forecast (forecast.id, 2020) and Charter's post COVID-19 forecast, that extend beyond the impacts of COVID-19

Charter developed forecast scenarios for Moreland based on a standard Cohort Component Method, and then brought in its expertise to also build in key assumptions around expected housing market conditions, residential property market cycles, and constraints to population growth, such as in available land supply for residential development. While all models have unique assumptions and limitations, there are some differences in Moreland's pre and post COVID-19 forecasts that are likely the result of a change in modelling methodology, in addition to the forecast impacts of COVID-19.

Ongoing monitoring of key population and housing indicators are fundamental to understand ongoing impacts from COVID-19

Monitoring of key population and housing indicators going forward will be crucial, both for monitoring model performance and to inform future forecasts as the impacts of COVID-19 on population and housing become clearer. This study provides recommendations on key population and housing datasets and indicators for Moreland to monitor (Section 7).

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