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# RESIDENTIAL LAND SUPPLY & DEMAND ASSESSMENT Maffra

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## EXECUTIVE SUMMARY

The following report provides a historic, current and future assessment of residential land supply and demand across for the Maffra Study Area.

### Historic Population and Dwelling Growth

#### Population Growth

The resident population as at 2019 for the Wellington Shire was approximately 44,380, an increase of approximately 380 persons or 0.8% from the previous year.

Population growth across the municipal area of Wellington has been both modest and consistent when measured over time, typically increasing over the last ten years at 0.7% per annum.

The Wellington Shire is located within the Gippsland Region, which is comprised of the municipalities of Baw Baw, Bass Coast, Latrobe, East Gippsland and South Gippsland. The Gippsland Region has seen relatively strong population growth at around 1.3% per annum over the last ten years. As measured from 2009 to 2019, the resident population growth has increased by:

- South Gippsland – 1.1% or 301 persons pa.
- Latrobe – 0.4% or 326 persons pa;
- East Gippsland – 1.2% or 541 persons pa;
- Bass Coast – 2.4% or 776 persons pa; and
- Baw Baw – 2.8% or 1,288 persons pa;

The recent the population growth in the Shire of Wellington represents 9% of the regional population growth.

It is estimated that the current resident population within the Maffra Study Area is approximately 5,422. As measured from 2011 to 2019, population growth is estimated at 0.7% per annum or 42 persons per annum.

### Residential Development Activity

#### Residential Building Approvals

Although the Wellington Shire had a peak in 2009/10 of 373 residential dwellings approved, residential building approval activity has been relatively consistent since 2011/12 at around 240 dwellings per annum. There has been a significant decline when compared to approval activity from 2003/04 to 2010/11, where approval activity was typically 326 per annum.

An examination of ABS SA2 dwelling approvals data from 2011/12 to 2018/19 reveals most of these building approvals have been located in Maffra (32%) and Sale (34%). This trend is consistent over time.

Typically, residential dwelling approval averaged around 80 per annum within the Maffra SA2.

#### Residential Lot Construction

From 2009 to February 2020 residential lot construction activity has averaged 27 per annum. Dwelling construction over the same period has averaged 22. Measured over time, residential lot construction has been relatively consistent.

Of the lot construction activity measured since 2009:

- 13% was rural residential (4 lots per annum);
- 19% was dispersed/minor infill (5 lots per annum); and
- 67% was broadhectare (18 lots per annum).



### Minor Infill Lot Construction

Since 2009, 40% of all minor infill development activity was sized less than 500 sqm and a further 18% was sized between 500 to 600 sqm.

Nearly 35% of minor infill lot construction resulted in lots sized greater than 700 sqm.

Of particular strategic importance is the significant volume of dispersed infill projects sourced from parent lots sized from 800 to 1,200 sqm. Approximately 52% of all dispersed infill projects were sourced from parent lots sized from 800 to 1,200 sqm.

This reliance on moderately sized parent lot sizes illustrates the significant latent supply potential. There is not a significant reliance on 'larger' sized parent lots as a supply source for dispersed infill residential development within Maffra.

### Broadhectare/Major Infill Lot Construction

Of the broadhectare lot construction activity in the last five years:

- 1% were compact (sized less than 300 sqm);
- 14% were suburban (sized 300 to 500 sqm);
- 77% were large suburban (500 to 1,000 sqm); and
- 8% low density suburban (over 1,000 sqm).

While consumer preference across the Maffra Study Area has historically been for larger broadhectare lots, price pressures and changing consumer preferences have driven the recent expressed demand for smaller allotments (i.e. sized below 500 sqm). However, the dominance of demand for larger lots (typically sized from 700 to 800 sqm) is likely to continue in the foreseeable future.

## Residential Land Supply

### Broadhectare & Major Infill Land Stocks

As at February 2020, there was a residential lot capacity within zoned broadhectare sites of approximately 424, equating to a gross residential area of 59 hectares (7.2 dwellings per hectare).

However, the above is somewhat misleading given the development propensity analysis outcomes of this identified land stocks.

Of the lot/dwelling potential of 424:

- 27 hectares of this potential land supply source with an estimated potential lot/dwelling yield of 198 has a **low development propensity**. Spatial Economics considers that this potential land supply should be excluded from the analysis, as it is very unlikely that any significant volumes of development activity will be secured from these land parcels;
- 11 hectares of this potential land supply source with an estimated potential lot/dwelling yield of 80 has a **medium development propensity**. Spatial Economics considers that this potential land supply is unlikely to fully yield its' lot/dwelling potential in the medium to longer term; and
- 20 hectares of this potential land supply source with an estimated potential lot/dwelling yield of 146 has a **high development propensity**. Spatial Economics considers that this potential land supply is likely to fully yield its' lot/dwelling potential in the medium to longer term. However, this is highly dependent on the owners' development intentions – there are seven separate allotments in this land supply category.

Of the 59 hectares of potential greenfield land stocks only 5 hectares of this land is vacant i.e. does not have an existing residential dwelling .



## Rural Residential

As at February 2020 across the Maffra Study Area there was a total stock of 157 rural residential allotments. Of this stock, only 13 lots (8%) were vacant. Of this vacant lot stock, two are zoned Low Density and 11 are zoned Rural Living. Vacant rural residential lots as a supply source is comparatively low across the Maffra Study Area when compared to other regional centers across Victoria.

## Projected Housing Demand

Spatial Economics have developed a number of projected demand scenarios based on the most recently available evidence. These demand scenarios are outlined below.

**Scenario One:** Recent Trend – based on actual recent trend growth over the last ten years continuing to 2036 and being constant. Dwelling requirements from 2021 to 2036 at 22 per annum or 0.9% per annum growth rate would result.

**Scenario Two:** VIF2019 – current State Government dwelling projections growth rates for the Heyfield-Maffra SA2 are applied to the Maffra Study Area. Dwelling requirements from 2021 to 2036 at 24 per annum or 1.0% per annum growth rate.

**Scenario Three:** Regional Growth – assumes Maffra captures the rate of dwelling growth that the Gippsland Region experiences. Dwelling requirements from 2021 to 2036 at 32 per annum or 1.3% per annum growth rate would result.

## Adequacy of Land Stocks

### Years Supply – Broadhectare & Major Infill

In terms of **zoned** broadhectare residential land stocks, it is estimated based on the identified supply and projected demand scenarios, there are sufficient land stocks to satisfy between **7 to 10 years** of demand across the Maffra Study Area. This is based on broadhectare land stocks that has a high propensity for development from a land development perspective.

However, broadhectare land parcels that have been identified with a high propensity for development (from a land development perspective) are characterised with no development intentions in the foreseeable future. This in effect, creates a highly constrained residential broadhectare supply market in Maffra.

Spatial Economics opinion is that in the fullness of time, in the longer term, these land stocks will be fully developed. Representing a supply potential to satisfy between 7 to 10 years demand. However, due to a lack of active development intentions of these land parcels there is effectively no undeveloped residential broadhectare land stocks in Maffra.

Compounding the above, broadhectare land that has been identified with a low to moderate propensity for development (from a land development perspective) is highly unlikely to be developed over a planning horizon of the next fifteen years. These land parcels are:

- highly fragmented and relatively small in size;
- many have significant existing capital uses/value;
- require significant infrastructure works to allow subdivision (drainage works); and
- typically, the landowners lack the desire/intention of land development.

Spatial Economics consider that the total stock of zoned broadhectare residential land is insufficient to meet both short and long-term requirements. Spatial Economics recommend that the stock of zoned residential broadhectare land is increased in the short-term to maintain both a) a competitive land supply market; and b) meeting underlying dwelling requirements.



## 1.0 Introduction

### 1.1 Context

The following report is a residential land supply and demand assessment for the urban centre of Maffra and its immediate surrounds.

The assessment includes:

- the identification of historical and current residential lot construction activity by supply type and location;
- identification of all zoned broadhectare residential land supply stocks including estimates of lot yields on a project by project basis;
- examination of the quantum and composition of future residential demand;
- presentation of potential future demand scenarios; and
- estimation of the years of supply of undeveloped broadhectare residential land stocks.

The assessment provides a robust and transparent assessment of the supply and demand for residential land for Maffra. Where appropriate, comparisons to other regional Victorian municipalities/urban centres are provided to further inform the relative 'state of play'. The assessment will facilitate informed decision making in terms of the existing and future broadhectare residential land supply requirements.

In addition, the information will be of assistance to other related planning processes such as structure plans, infrastructure and service planning.

### 1.2 Purpose

The monitoring of land supply is a key tool to assist in the management and development of growth in Maffra. The primary purpose of monitoring residential land supply is to improve the management of urban growth by ensuring that council, public utilities, government and the development industry have access to up-to-date and accurate information on residential land availability, development trends, new growth fronts, and their implications for planning and infrastructure investment.

The following report provides accurate, consistent and updated intelligence on residential land supply, demand and consumption. This in turn assists decision-makers in:

- maintaining an adequate supply of residential land for future housing purposes;
- providing information to underpin strategic planning in urban centres;
- linking land use with infrastructure and service planning and provision;
- taking early action to address potential land supply shortfalls and infrastructure constraints; and
- contributing to the containment of public sector costs by the planned, coordinated provision of infrastructure to service the staged release of land for urban development.

## 2.0 Approach & Scope

The following provides a brief outline of the major methodologies and approach in the assessment of recent residential lot construction, residential land supply areas, dwelling demand scenarios and determination of assessing adequacy of residential land stocks.

The methodology that Spatial Economics has employed for this project is based on the simple premise of matching the supply type with demand. This methodology assesses recent construction



and future supply using the same criteria with the supply type definitions based on outcomes and on a lot by lot basis rather than administrative boundaries.

The methodology used by Spatial Economics is consistent with other State Government methodologies around Australia, including the Victorian State Governments Regional Urban Development Program. The criteria used to define the supply types are explained below.

### **Future Dwelling Requirements**

The Victorian State Government population and household projections undertaken by the Department of Environment, Land, Water & Planning (VIF2019) provide a sound basis for potential dwelling growth requirement projections as they are developed in the context of State population growth.

In addition, alternative dwelling demand scenarios are presented based on actual recent growth trends and the scenario of capturing a greater share of the regional population change.

### **Land Supply Type Definitions**

1. **Broadhectare** is defined as residential development on greenfield sites (sites that have not been used previously for urban development purposes or previously subdivided for normal/urban density development) and typically located on/or near the urban fringe.
2. **Dispersed Infill** is from a lot/dwelling construction perspective, residential development occurring within the established urban area (not on broadhectare sites) that yield less than 10 dwellings per individual construction project. Typically, it entails 'backyard' style subdivision projects.
3. **Rural Residential** is from a dwelling construction perspective, all activity on land zoned Rural Residential and Low Density Residential.



The images below illustrate the supply types.

**Image 1: Broadhectare Supply and Lot Construction**



**Image 2: Dispersed Infill Supply and Construction**



**Image 3: Rural Residential Supply and Construction**

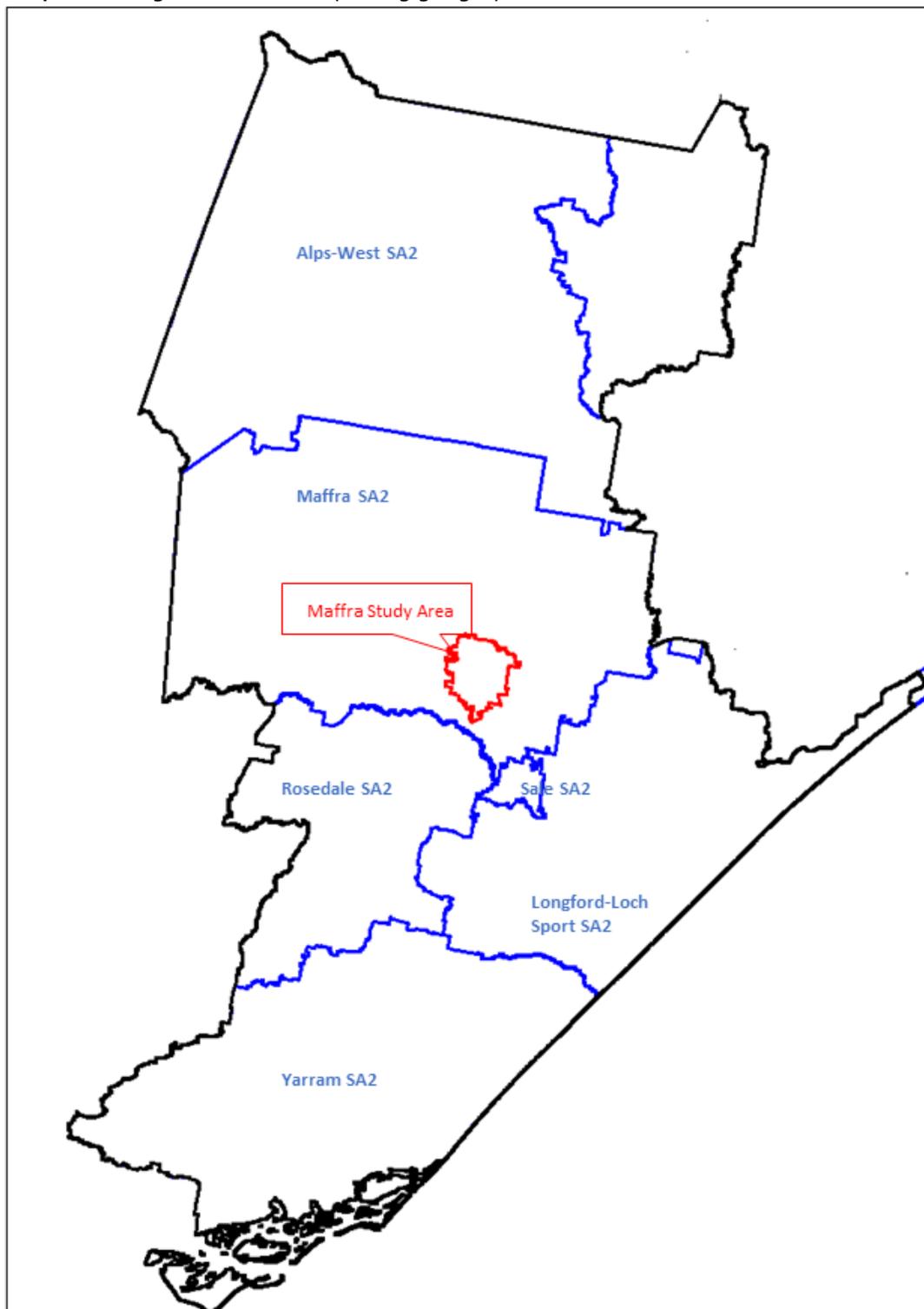


### **Geography**

The following geographic areas are utilised for the land supply assessment and demographic analysis.



**Map 1:** Wellington Shire and reporting geographies



### **Residential Lot Construction**

Residential lot construction has been determined via the assessment of the residential cadastre and the application of this cadastre to the land supply types identified above.

A constructed lot is defined by the year of construction and the finalisation of certificate of title.

Lot construction is only captured if it is for residential purposes.

Construction activity has been assessed on an annual financial year basis from 2009 to February 2020.



Lot construction has been undertaken for the following supply types:

- Rural Residential;
- Dispersed Infill; and
- Broadhectare.

### **Lot Yields**

Lot yields on a site basis has been undertaken for only broadhectare residential supply sites.

In establishing the lot yield for each individual land parcel, the following information was used: incidence and location of native vegetation, zoning, natural features such as creeks, escarpments, floodways, localised current/recent market yields, ability to be sewerred, existing studies such as structure plans.

In addition to site specific issues, 'standard' land development take-outs are employed, including local and regional. The amount/proportion of such take-outs are dependent on the land parcel i.e. a 1ha site will have less take-outs than say a 50ha site.

### **Years of Supply**

With the amount of supply and demand estimated, adequacy is described in years of supply. For example, it can be stated that there are X years of supply based on projected demand within a given geographic area.

In assessing the number of years of broadhectare residential land supply, only a component of the total projected demand is apportioned to estimate future demand. The remainder is apportioned for future demand of other forms of residential supply such as dispersed infill and rural residential.



## 3.0 Population and Dwelling Growth

### Key Findings

Population growth has been modest across the Wellington Shire, growing at an annualised rate of 0.7% over the last ten years. The resident population of the Wellington Shire is relatively widely distributed. However, the majority (66%) of the population reside in two SA2's, namely Maffra at 32% of the total population or 14,335 persons and Sale at 34% of the population or 15,135 persons as at 2019.

As measured over the last five years the Maffra SA2 has illustrated the strongest quantum of population growth, averaging 106 person per annum compared to 81 persons in the Sale SA2 and 53 in the Longford-Loch Sport SA2. This represents an average annual increase of 0.8% per annum for Maffra compared to 0.5% for Sale.

The Maffra Study Area is considerably smaller than the Maffra SA2. Spatial Economics have estimated the growth of, and stock of the resident population utilising information contained in the Australian Bureau of Statistics Population and Housing Census and actual dwelling construction sourced from Spatial Economics internal analysis.

It is estimated that the current resident population within the Maffra Study Area is approximately 5,422. As measured from 2011 to 2019, population growth is estimated at 0.7% per annum or 42 persons per annum.

The following section of the report details actual population and dwelling growth for the Wellington Shire, composite SA2 areas and estimates for the Maffra Study Area. In addition, where appropriate, comparison to other Victorian municipalities is undertaken.

### 3.1 Historical Population Growth

#### Historical Population – Wellington Shire

The resident population as at 2019 for the Wellington Shire was approximately 44,380, an increase of 380 persons or 0.8% from the previous year.

Population growth across the municipal area of Wellington has been both modest and consistent when measured over time, typically increasing over the last ten years at 0.7% per annum.

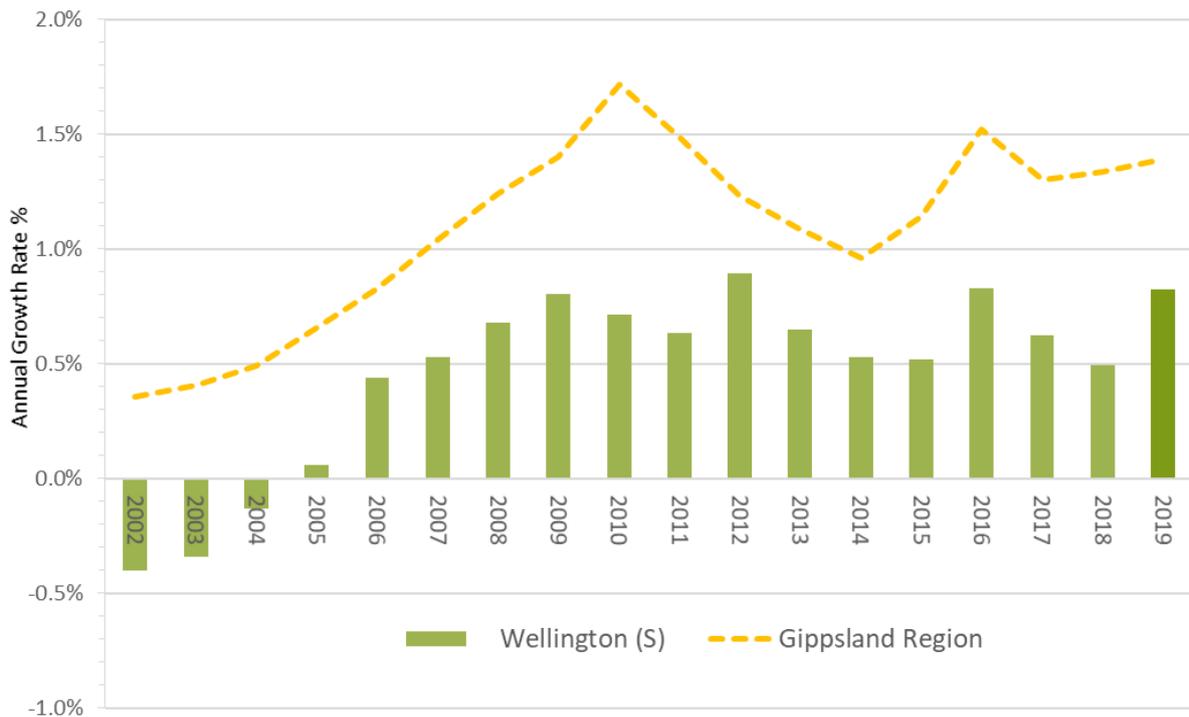
The Wellington Shire is located within the Gippsland Region, which is comprised of the municipalities of Baw Baw, Bass Coast, Latrobe, East Gippsland and South Gippsland. The Gippsland Region has seen relatively strong population growth at around 1.3% per annum over the last ten years. As measured from 2009 to 2019, the resident population growth has increased by:

- South Gippsland – 1.1% or 301 persons pa.
- Latrobe – 0.4% or 326 persons pa;
- East Gippsland – 1.2% or 541 persons pa;
- Bass Coast – 2.4% or 776 persons pa; and
- Baw Baw – 2.8% or 1,288 persons pa;

The recent the population growth in the Shire of Wellington represents 9% of the regional population growth.



**Graph 1:** Estimated Resident Population Annual Growth Rate, 2001 to 2019 (%) – Wellington Shire, and the Gippsland Region



Source: Australian Bureau of Statistics. Estimated Resident Population

**Wellington Shire – Composite Population**

The Australian Bureau of Statistics measures the Estimated Resident Population at a statistical geography known as SA2’s. Within the Wellington Shire, there are six composite SA2’s.

The resident population of the Wellington Shire is relatively widely distributed, however, the majority (66%) of the population reside in two SA2’s, namely Maffra at 32% of the total population or 14,335 persons and Sale at 34% of the population or 15,135 persons as at 2019.

As measured over-time, the proportional share of the total resident population within the Shire by SA2 has remained constant. However, there has been disparate rates of growth.

As measured over the last five years the Maffra SA2 has illustrated the strongest quantum of population growth, averaging 106 person per annum compared to 81 persons in the Sale SA2 and 53 in the Longford-Loch Sport SA2. This represents an average annual increase of 0.8% per annum for Maffra compared to 0.5% for Sale.

From 2018 to 2019 for the Maffra SA2, the resident population increased by 138 persons, a growth rate of 1%.



**Graph 2: Estimated Resident Population Change, 2014 to 2019 (%) – Wellington Shire SA2s**



Source: Australian Bureau of Statistics. Estimated Resident Population

**Population Estimates – Maffra Study Area**

The Maffra Study Area is considerably smaller than the Maffra SA2. Spatial Economics have estimated the growth of, and stock of the resident population utilising information contained in the Australian Bureau of Statistics Population and Housing Census and actual dwelling construction sourced from Spatial Economics internal analysis.

It is estimated that the current resident population within the Maffra Study Area is approximately 5,422. As measured from 2011 to 2019, population growth is estimated at 0.7% per annum or 42 persons per annum.

**Key Issues**

Whilst the Wellington Shire experienced moderate growth in the last decade, it is Maffra and Sale that continues to experience the strongest quantum of population and housing growth.

There is significant opportunity for Maffra to ‘capture’ a proportion of the strong population growth in the wider region. This will be dependent on a) consumer preferences; b) relative affordability; c) employment opportunities and d) the provision of diverse and suitable land/housing products.



## 4.0 Recent Residential Development Activity

### Key Findings

Although the Wellington Shire had a peak in 2009/10 of 373 residential dwellings approved, residential building approval activity has been relatively consistent since 2011/12 at around 240 dwellings per annum. There has been a significant decline when compared to approval activity from 2003/04 to 2010/11, where approval activity was typically 326 per annum.

An examination of ABS SA2 dwelling approvals data from 2011/12 to 2018/19 reveals most of these building approvals have been located in Maffra (32%) and Sale (34%). This trend is consistent over time.

Within the Maffra Study Area, from 2009 to February 2020 residential lot construction activity has averaged 27 per annum. Dwelling construction over the same period has averaged 22. Measured over time, residential lot construction has been relatively consistent.

Of the lot construction activity measured since 2009: 13% was rural residential (4 lots per annum); 19% was dispersed/minor infill (5 lots per annum); and 67% was broadacre (18 lots per annum).

Section 4.0 of this report details the recent activity of residential lot construction and dwelling approvals in the Wellington Shire, composite SA2 areas and for the Maffra Study Area. Residential lot construction activity is detailed from 2009 to February 2020.

This section of the report details residential lot construction by supply type, achieved densities and project size/yield.

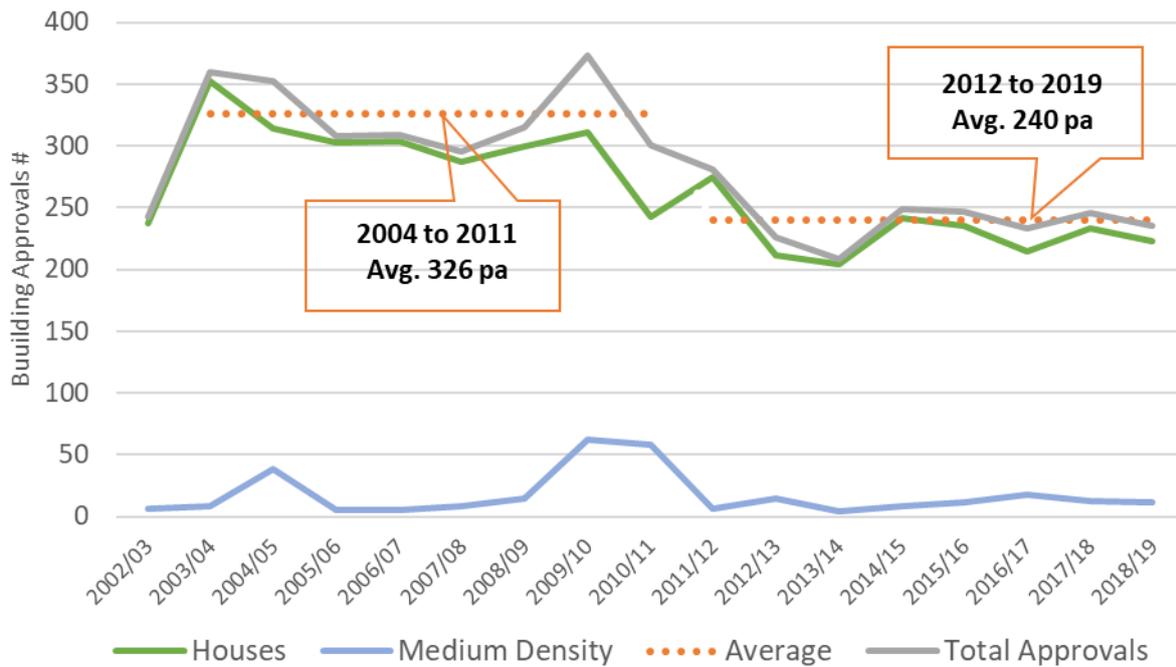
### 4.1 Residential Building Approvals

Although the Wellington Shire had a peak in 2009/10 of 373 residential dwellings approved, residential building approval activity has been relatively consistent since 2011/12 at around 240 dwellings per annum. There has been a significant decline when compared to approval activity from 2003/04 to 2010/11, where approval activity was typically 326 per annum.

The vast majority of building approvals (94%) since 2002/03 have been for separate houses with the residual being semi-detached dwellings/units/apartments.



**Graph 3: Residential Building Approvals by Type – Wellington Shire**



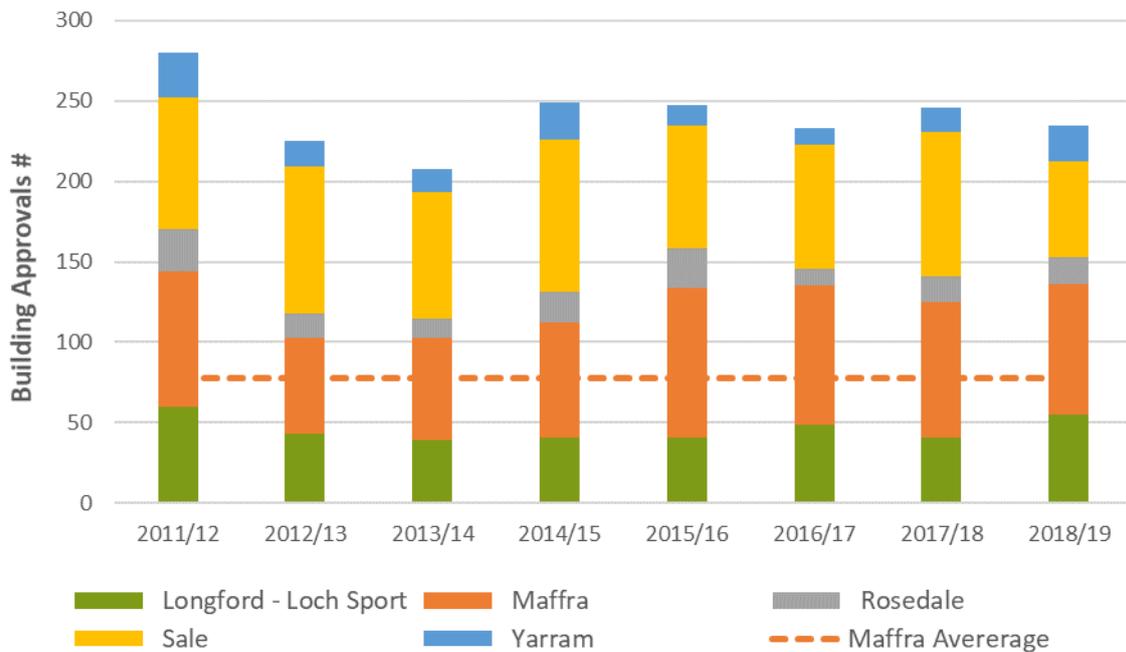
Source: Australian Bureau of Statistics

An examination of ABS SA2 dwelling approvals data from 2011/12 to 2018/19 reveals most of these building approvals have been located in Maffra (32%) and Sale (34%). This trend is consistent over time.

Typically, residential dwelling approval averaged around 80 per annum within the Maffra SA2.

Graph 4 illustrates building approval activity by SA2 in the Wellington Shire.

**Graph 4: Residential Building Approvals by ABS SA2s - 2011 to 2019**



Source: Australian Bureau of Statistics



## 4.2 Residential Lot Construction

Analysis has been undertaken to determine, on a lot by lot basis, the location and amount of residential lot construction across the Maffra Study Area by financial year from 2009 to February 2020. Lot construction activity has been classified into distinct supply types.

Residential lot construction compared to building approval activity is markedly more cyclical.

From 2009 to February 2020 residential lot construction activity has averaged 27 per annum. Dwelling construction over the same period has averaged 22. Measured over time, residential lot construction has been relatively consistent.

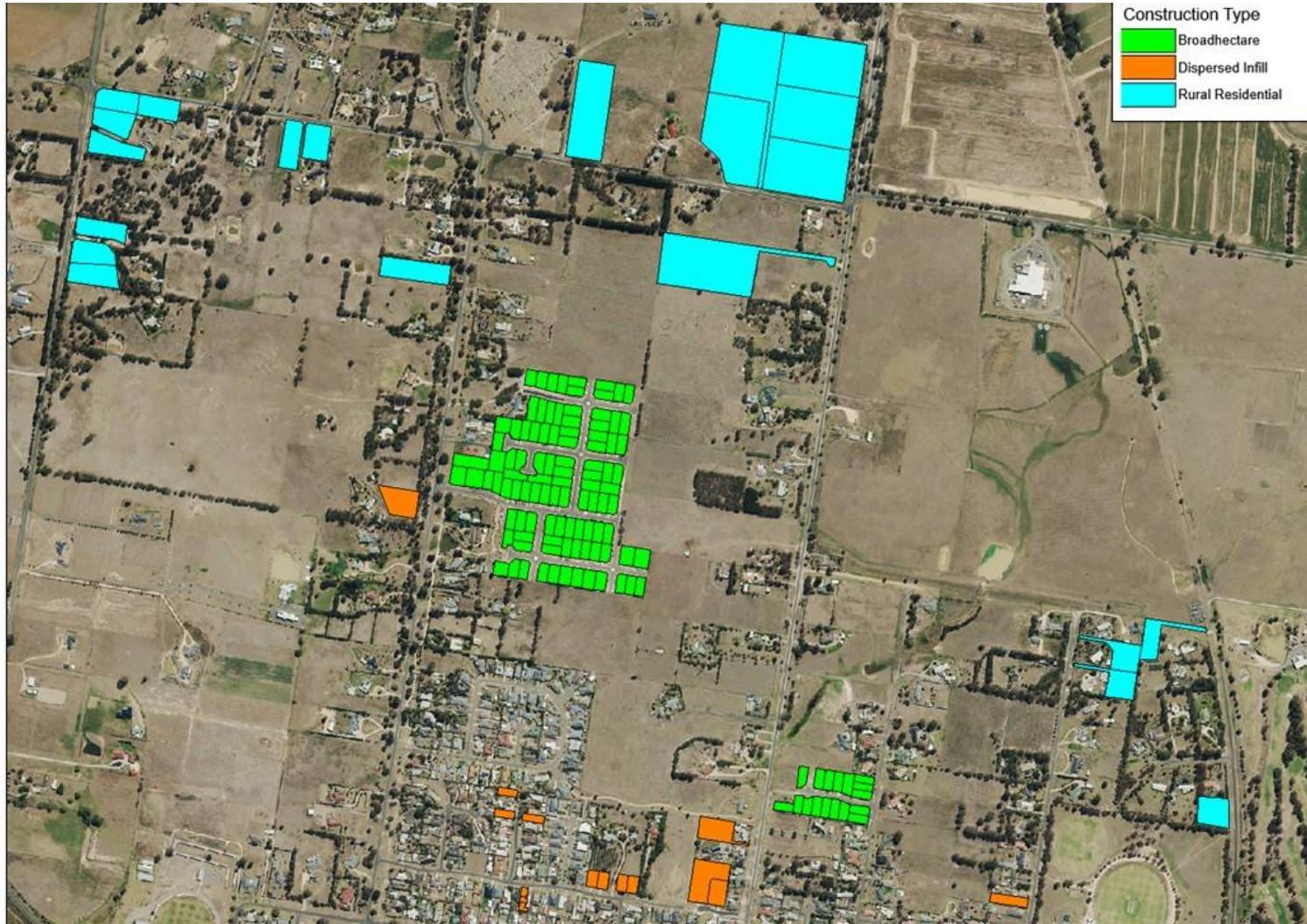
Of the lot construction activity measured since 2009:

- 13% was rural residential (4 lots per annum);
- 19% was dispersed/minor infill (5 lots per annum); and
- 67% was broadhectare (18 lots per annum).

Image 4 below highlights the location of residential development activity across the Maffra Study Area from 2009 to February 2020.



Image 4: Residential Lot Construction Activity, Maffra North – 2009 to 2020



**Image 5:** Residential Lot Construction Activity, Maffra South – 2009 to 2020



### 4.3 Lot Construction by Supply Type

Broadhectare residential lot construction has been and is currently the dominant form of residential development activity. Since 2009, this form of development activity has averaged 67% of the total. However, in the last three years, broadhectare lot construction activity has decreased to around 50% of the total residential construction activity. This change in the composition could indicate:

- A broadhectare land supply restriction;
- Changing consumer preference; or
- A short term statistical anomaly, primarily due to the relative small volumes of development activity.

Dispersed infill development has consistently delivered approximately 20% of all lot construction activity. This is an important supply source, as will be detailed later it provides:

- a wide range of residential land products;
- distributed widely across the Study Area; and
- contributes to urban containment/development of under-utilised land parcels.

In addition, dispersed infill development within the Maffra Study Area is not simply developing 'low hanging fruit'. Infill development is characterised by a wide range of yields, densities and project sizes. Dispersed infill development is currently a valuable and strategically important supply source, this as a supply source will become increasingly important over-time.

The contribution of rural residential lot construction activity is more sporadic, however is still significant – at around 13% of lot construction activity.

#### **4.4 Dispersed/Minor Infill Lot Construction**

The following provides an overview of the development outcomes of dispersed infill development activity across the Maffra Study Area. Dispersed infill activity is a significant supply source across, accounting for 19% of lot construction activity since 2009. It is important to understand the characteristics of dispersed infill development, so land use planning policy can further enhance development outcomes and optimize this as a supply source in the future.

##### **4.4.1 Dispersed/Minor Infill Supply – Achieved Densities**

Dispersed infill lot construction activity across the Maffra Study Area is achieving both 1) a wide range of densities and 2) a high proportion of medium density land products.

The experience across other regional urban centres suggests that as the supply of larger parent lots decreases, and land prices continue to rise in the established urban area, the development industry will find it profitable to re-subdivide smaller parent lots.

The size distribution of newly constructed minor infill lots is shown in the graph below.

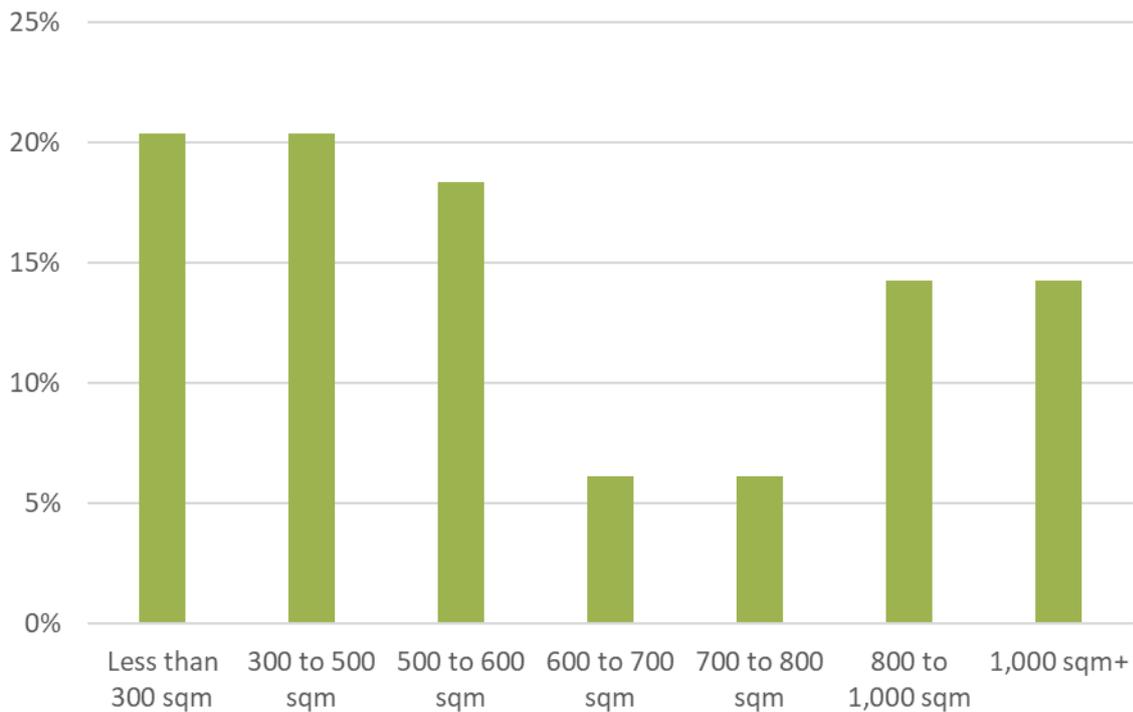
Since 2009, 40% of all minor infill development activity was sized less than 500 sqm and a further 18% was sized between 500 to 600 sqm.

Nearly 35% of minor infill lot construction resulted in lots sized greater than 700 sqm.

The graph below illustrates the lot size range for constructed dispersed infill lots across the Maffra Study Area.



**Graph 5:** Dispersed Infill - Achieved Lot Size Cohorts, 2009 to 2020



Source: Spatial Economics Pty Ltd

In summary dispersed infill lot construction in Maffra is characterised by medium density outcomes and a diverse range of larger lot sizes.

#### **4.5.2 Dispersed/Minor Infill Supply - Parent Lot Size**

Dispersed residential infill development in Maffra is primarily sourced from both moderately to larger sized 'parent' lots, whether vacant or with an existing dwelling. The graph below illustrates the 'parent' lot size distribution for dispersed infill development.

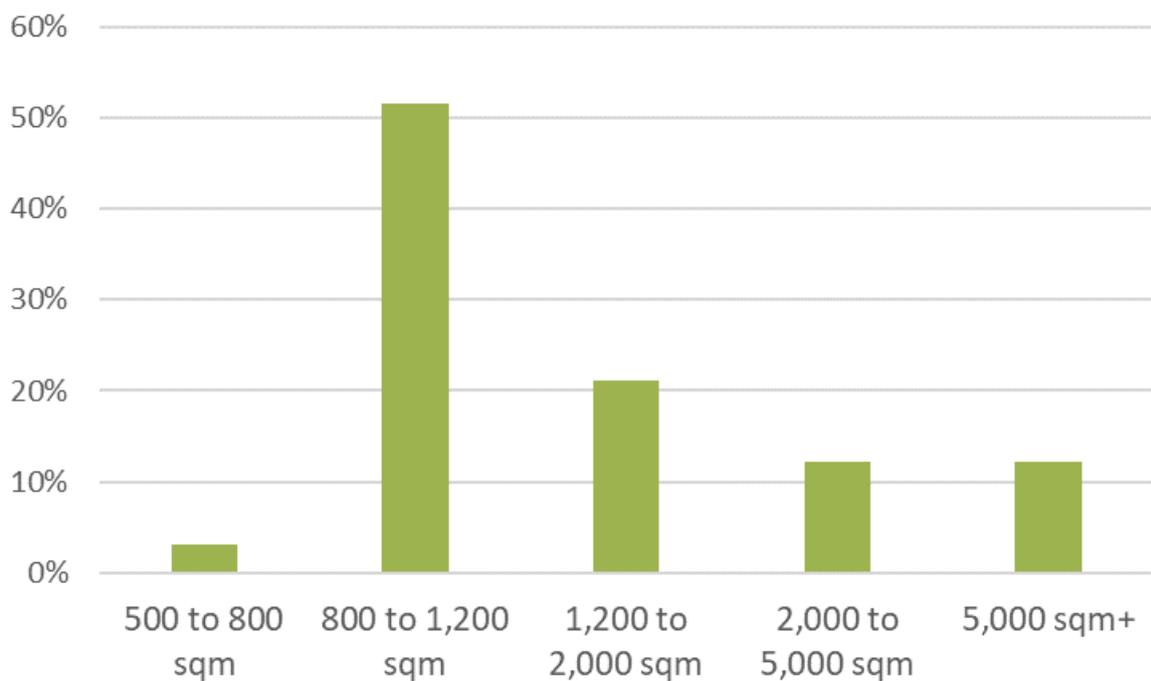
Of particular strategic importance is the significant volume of dispersed infill projects sourced from parent lots sized from 800 to 1,200 sqm. Approximately 52% of all dispersed infill projects were sourced from parent lots sized from 800 to 1,200 sqm.

This reliance on moderately sized parent lot sizes illustrates the significant latent supply potential. There is not a significant reliance on 'larger' sized parent lots as a supply source for dispersed infill residential development within Maffra.

Note: - parent lot size refers to the size of the allotment prior to subdivision.



**Graph 6: Parent Lot Size of Dispersed Infill Projects (Maffra), 2009 to 2020**



Source: Spatial Economics Pty Ltd

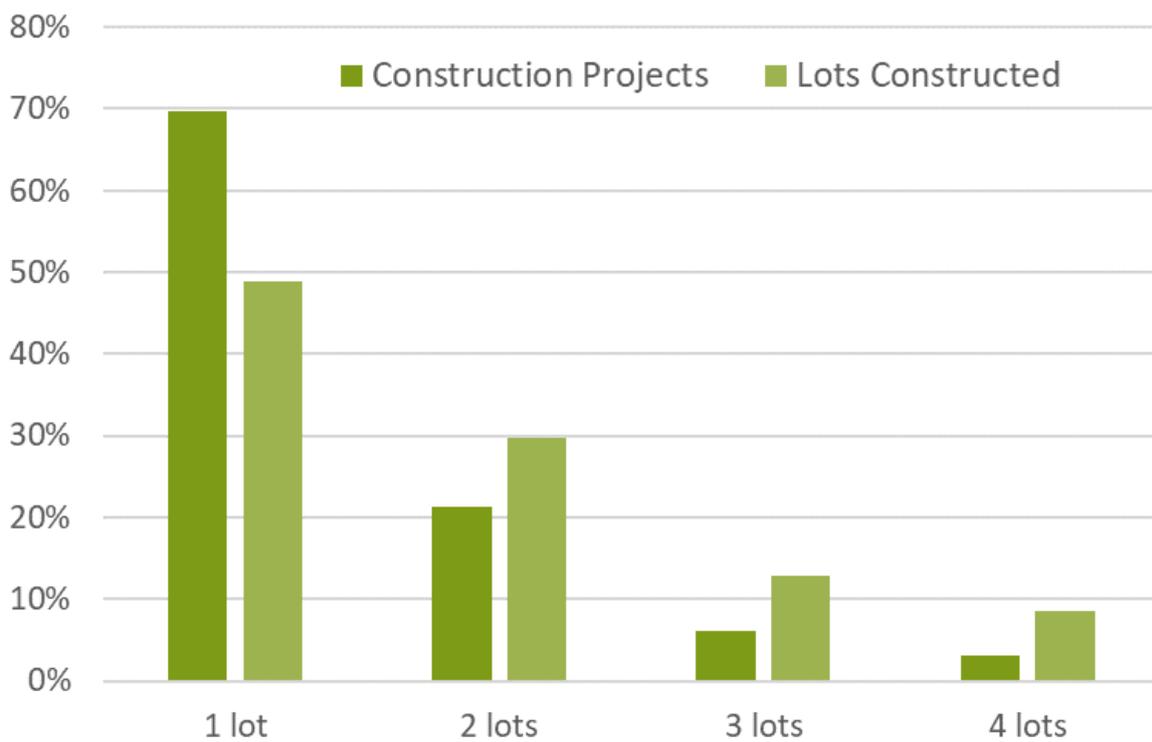
#### **4.5.3 Dispersed/Minor Infill Supply – Project Size and Yield**

In addition to the 1) diverse lot sizes delivered and 2) significant proportion of medium density lot size outcomes from dispersed infill development – dispersed infill development projects have relatively 'significant' **net** lot yields (in the context of a municipality with the dominant form of land supply sourced from broadhectare land). This form of development can be categorised as typically suburban backyard subdivision projects undertaken by the cottage building industry.

Of the dispersed infill lots constructed 51% yielded two or more net lots/dwellings.



**Graph 7: Dispersed Infill Development – Lot Yield & Project Size Distribution, 2009 to 2020**



Source: Spatial Economics Pty Ltd

**Image 6: Dispersed Infill Lot Construction – Maffra**



## 4.6 Broadhectare Lot Construction

As previously outlined, broadhectare lot construction activity has averaged 18 lots per annum since 2009. Over the last three years, broadhectare lot construction has decreased substantially to an average of 11 per annum.

### 4.6.1 Broadhectare Lot Construction – Diversity

Lots constructed from broadhectare supply sources have produced a wide diversity of lot sizes. Graph 8 below illustrates the diversity of lot construction.

Of the broadhectare lot construction activity in the last five years:

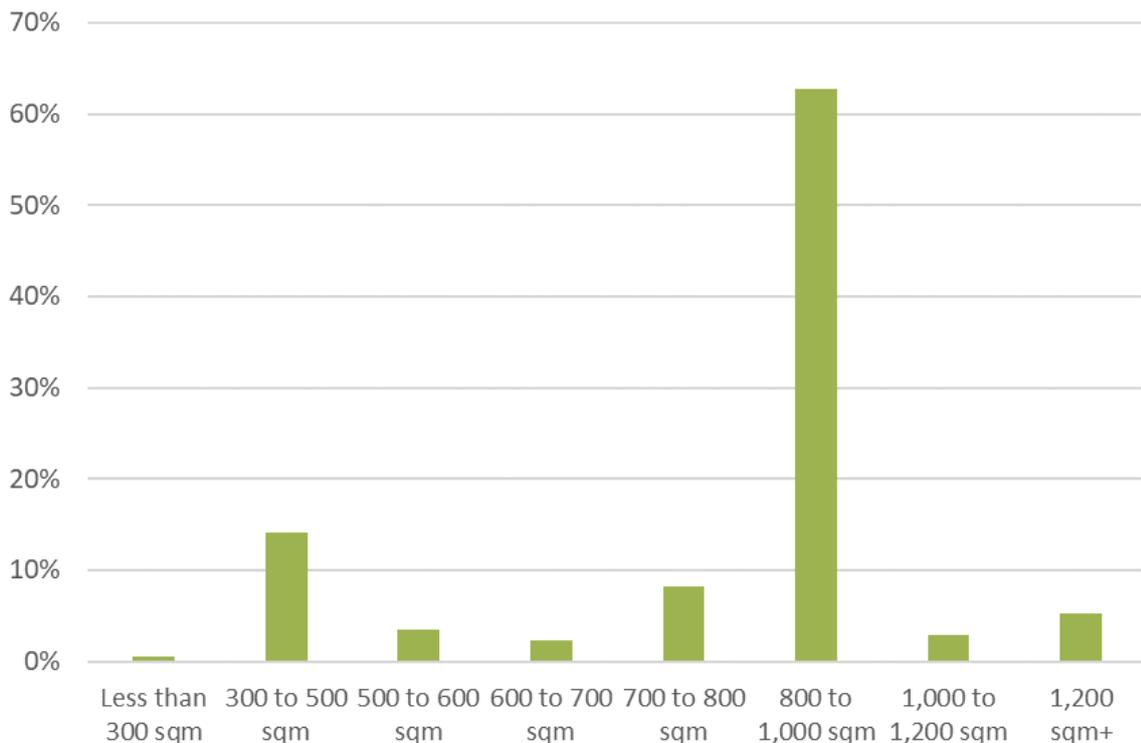
- 1% were compact (sized less than 300 sqm);
- 14% were suburban (sized 300 to 500 sqm);
- 77% were large suburban (500 to 1,000 sqm); and
- 8% low density suburban (over 1,000 sqm).

While consumer preference across the Maffra Study Area has historically been for larger broadhectare lots, price pressures and changing consumer preferences have driven the recent expressed demand for smaller allotments (i.e. sized below 500 sqm).

The vast majority of broadhectare lot construction activity within the Maffra Study Area was sized from 800 to 1,000 sqm, compared to 19% sized below 600 sqm and 8% above 1,000 sqm.

It is clear that the dominant consumer preference is for 'larger' broadhectare lots in Maffra. However, there is evidence of demand for relatively smaller lots.

**Graph 8: Broadhectare Lot Construction Size Distribution – Maffra Study Area**



Source: Spatial Economics Pty Ltd



## 4.7 Rural Residential Lot Construction

Rural residential lot construction activity since 2009 has represented 13% of all lot construction activity across the Maffra Study Area – or 4 lots per annum

Nearly 60% of rural residential lot construction was zoned Rural Living (RLZ), the remainder Low Density (LDRZ). The typical constructed lot size was around 4,000 sqm for LDRZ and 2 hectares for RLZ.

### Key Issues

As measured through building approval activity, in the last seven years there has been a sustained shift in decreased demand levels for housing across the Wellington Shire. This illustrates the need to plan for differing growth scenarios. Projecting future growth is an extremely difficult task.

To deal with this kind of uncertainty it is best to 'lean' on the side of assuming stronger growth overall and in any given market segment. That is to ensure that (within reason) there is scope to meet any unexpected upturn in demand. Secondly, to plan for a diversity of supply types and locations. Planning that locks in controls based on one set of demand projections is likely to make it very difficult for the market to adjust supply to cater for unexpected changes in housing demand.

Recent lot construction reveals the dominance of broadhectare lot construction compared to dispersed infill. There is ample latent supply that would readily support an increased share of dispersed infill development activity.



## 5.0 Residential Land Supply

### **Key Findings**

Undeveloped broadhectare land stocks are limited within the Maffra Study Area. Spatial Economics assessed all zoned residential land parcels sized 5,000 sqm and above, that were either a) vacant; or b) under-utilised. A further assessment was undertaken to approximate the likely propensity of greenfield style subdivision/development.

As at February 2020, there was a residential lot capacity within zoned broadhectare sites of approximately 424, equating to a gross residential area of 59 hectares (7.2 dwellings per hectare).

However, the above is somewhat misleading given the development propensity analysis outcomes of the identified land stocks.

Of the lot/dwelling potential of 424:

- 27 hectares of this potential land supply source with an estimated potential lot/dwelling yield of 198 has a **low development propensity**. Spatial Economics considers that this potential land supply should be excluded from the analysis, as it is very unlikely that any significant volumes of development activity will be secured from these land parcels;
- 11 hectares of this potential land supply source with an estimated potential lot/dwelling yield of 80 has a **medium development propensity**. Spatial Economics considers that this potential land supply is unlikely to fully yield its' lot/dwelling potential in the medium to longer term; and
- 20 hectares of this potential land supply source with an estimated potential lot/dwelling yield of 146 has a **high development propensity**. Spatial Economics considers that this potential land supply is likely to fully yield its' lot/dwelling potential in the medium to longer term. However, this is highly dependent on the owners' development intentions – there are seven separate allotments in this land supply category.

Of the 59 hectares of potential greenfield land stocks only 5 hectares of this land is vacant i.e. does not have an existing residential dwelling .

As at February 2020 across the Maffra Study Area there was a total stock of 157 rural residential allotments. Of this stock, only 13 lots (8%) were vacant. Of this vacant lot stock, two are zoned Low Density and 11 are zoned Rural Living. Vacant rural residential lots as a supply source is comparatively low across the Maffra Study Area when compared to other regional centers across Victoria.

Section 5.0 of the report details the stock (measured in lots) of broadhectare residential land supply across the Maffra Study Area as at February 2020.

Undeveloped broadhectare land stocks are limited within the Maffra Study Area. Spatial Economics assessed all zoned residential land parcels sized 5,000 sqm and above, that were either a) vacant; or b) under-utilised. A further assessment was undertaken to approximate the likely propensity of greenfield style subdivision/development. The development propensity assessment considered factors including:

- The proportion of estimated net developable area relative to the total lot area;
- Land development constraints;
- Size of the allotment;
- Estimated capital value of the exiting use;



- Relative requirements of land development dependent infrastructure provision, such as drainage works;
- Estimated age of the dwelling; and
- Whether the allotment was vacant or occupied by an existing dwelling.

The resultant propensity development assessment resulted in a score of either Low, Medium or High - propensity for future/likely greenfield subdivision. The propensity analysis is based purely from a land development perspective, it does not consider current owner development intentions.

In addition, the likely lot/dwelling yield is established on a lot by lot basis.

An overview of current rural residential land stocks is provided.

## 5.1 Stock of Zoned Broadhectare Land Stocks

As at February 2020, there was a residential lot capacity within zoned broadhectare sites of approximately 424, equating to a gross residential area of 59 hectares (7.2 dwellings per hectare).

However, the above is somewhat misleading given the development propensity analysis outcomes of this identified land stocks.

Of the lot/dwelling potential of 424:

- 27 hectares of this potential land supply source with an estimated potential lot/dwelling yield of 198 has a **low development propensity**. Spatial Economics considers that this potential land supply should be excluded from the analysis, as it is very unlikely that any significant volumes of development activity will be secured from these land parcels;
- 11 hectares of this potential land supply source with an estimated potential lot/dwelling yield of 80 has a **medium development propensity**. Spatial Economics considers that this potential land supply is unlikely to fully yield its' lot/dwelling potential in the medium to longer term; and
- 20 hectares of this potential land supply source with an estimated potential lot/dwelling yield of 146 has a **high development propensity**. Spatial Economics considers that this potential land supply is likely to fully yield its' lot/dwelling potential in the medium to longer term. However, this is highly dependent on the owners' development intentions – there are seven separate allotments in this land supply category.

Of the 59 hectares of potential greenfield land stocks only 5 hectares of this land is vacant i.e. does not have an existing residential dwelling .

Broadhectare land parcels that that have been identified with a high propensity for development (from a land development perspective) are characterised with no active development intentions in the foreseeable future. This in effect, creates a highly constrained residential broadhectare supply market in Maffra.

Based purely on the quantum and composition of the identified greenfield land supply stocks, Spatial Economics considered there is a significant deficiency of undeveloped greenfield land to support the underlying demand levels and to be conducive to a competitive land supply market.

## 5.4 Rural Residential Land Stocks

The stock of both occupied and vacant rural residential allotments have been determined on a lot by lot basis as at February 2020. Occupied is defined as having evidence of a 'habitable' dwelling, commercial use, or other significant capital intensive land use. Vacant is defined as having no evidence of a significant capital intensive use (as verified via the interpretation of aerial imagery).

As at February 2020 across the Maffra Study Area there was a total stock of 157 rural residential allotments. Of this stock, only 13 lots (8%) were vacant. Of this vacant lot stock, two are zoned Low

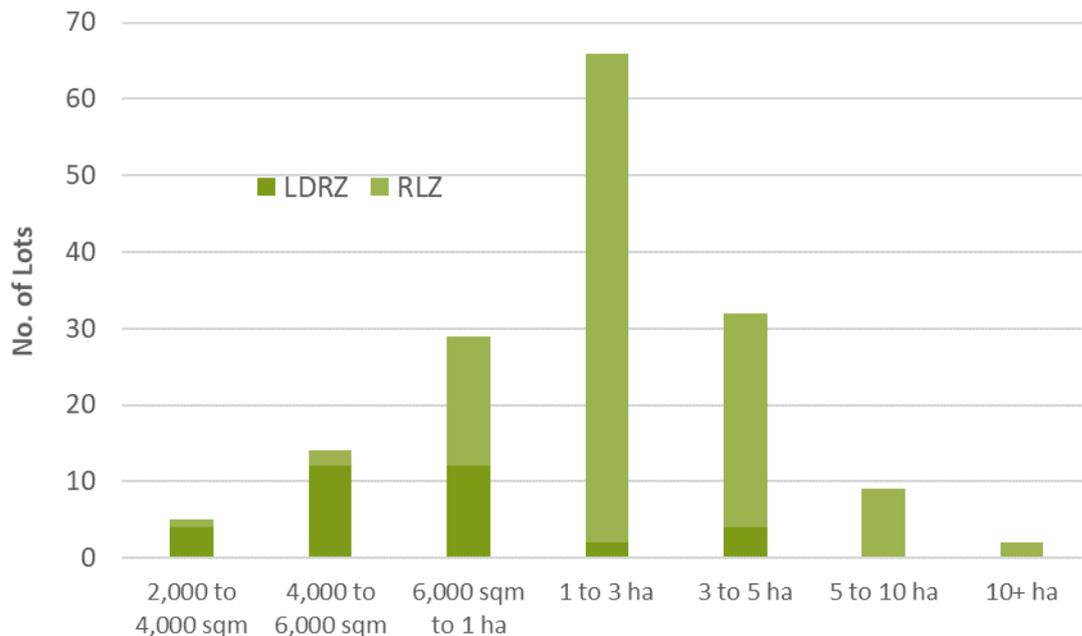


Density and 11 are zoned Rural Living. Vacant rural residential lots as a supply source is comparatively low across the Maffra Study Area when compared to other regional centers across Victoria.

There is approximately 73 hectares of vacant rural residential land across the Maffra Study Area. Of this vacant lot stock, 1 hectare is zoned Low Density Residential (LDRZ), the remaining 72 hectares is zoned Rural Living (RLZ).

Graph 9 illustrates the size distribution of all existing rural residential allotments (occupied and vacant) by zone type.

**Graph 9: Stock of Rural Residential' Allotments by Lot Size Cohort, 2020**



Source: Spatial Economics Pty Ltd

Approximately 31% of the rural residential lot stock (both occupied and vacant) is less than one hectare in size. Comparatively 27% of the rural residential lot stock (or 43 lots) is sized greater than three hectares. The high proportion of larger rural residential allotments results in a feasible opportunity for future re-subdivision.

**Key Issues**

The estimated lot/dwelling capacity of existing zoned broadhectare land supply sites are essentially based on recent trends, planning permits and short to medium terms market expectations.

Over the last ten years, the median size of broadhectare lots constructed has dramatically declined across metropolitan and regional Victoria.

However, caution is highlighted that this trend is not applicable across all regional urban centres. A key consideration to lot size diversity is consumer preferences.

It is clear that within the Maffra Study Area, that the sustained consumer preference is for 'larger' residential lots.

Although not assessed within this study, it is observed (through considerable experience), there is a high capacity for dispersed infill redevelopment in Maffra. This means that there are readily alternative residential land supply stocks outside of undeveloped broadhectare estates - therefore a feasible opportunity to decrease the reliance on broadhectare land.



Map 2: Potential Broadacre development Sites, Maffra - 2020



## 6.0 Projected Housing Demand

### Key Findings

Spatial Economics has developed a number of projected demand scenarios based on the most recently available evidence available. These demand scenarios are outlined below:

**Scenario One:** Recent Trend – based on actual recent trend growth over the last ten years continuing to 2036 and being constant. Dwelling requirements from 2021 to 2036 at 22 per annum or 0.9% per annum growth rate would result.

**Scenario Two:** VIF2019 – current State Government dwelling projections growth rates for the Heyfield-Maffra SA2 are applied to the Maffra Study Area. Dwelling requirements from 2021 to 2036 at 24 per annum or 1.0% per annum growth rate.

**Scenario Three:** Regional Growth – assumes Maffra captures the rate of dwelling growth that the Gippsland Region experiences. Dwelling requirements from 2021 to 2036 at 32 per annum or 1.3% per annum growth rate would result.

The Victorian State Government has modified the FHOG to increase the FHOG to \$20,000 for eligible first-home buyers who buy or build their new home valued up to \$750,000 in regional Victoria. Maffra is defined as a regional area for the purpose of the FHOG.

In addition, from the 4 June 2020 to 31 December, the Federal Government has introduced the HomeBuilder program. This program provides eligible owner -occupiers (not just first home-buyers) with a grant of \$25,000 to build new homes. This grant is in addition to any existing grant for new dwelling construction.

This will result in increased levels of expressed housing demand across the Maffra Study Area. This assessment has not attempted to quantify 1) the level of brought forward demand; and 2) the potential transferred demand to Maffra.

This assessment incorporates the most recently available demand figures to project dwelling requirements and future adequacy of residential land. These figures use current Victoria in Future 2019 (VIF2019): Population and Household Projections, undertaken by the Department of Environment, Land, Water and Planning .

VIF2019 details state-wide, regional and metropolitan areas as well as local government area population, household and dwelling projections. When produced they encompassed the latest available trends such as changes to levels of immigration or economic conditions, or changes to policy affecting population growth locations and levels, and subsequent demand for housing.

The dwelling growth rates of the Heyfield-Maffra VIFSA2 sourced from VIF2019 have been applied to the dwelling stock as at 2020.

Projected dwelling growth rates for the Maffra Study Area sourced from VIF2019 indicate that from 2021 to 2036 there will be a total requirement for **356** additional dwellings (average annual growth of **24** dwellings or 1%). For specific time cohorts, average annual dwelling requirements include:

- 2021 to 2026 – 23;
- 2021 to 2026 – 24; and
- 2026 to 2031 – 25.

Two alternative demand scenarios are presented: 1) a trend based scenario; and b) a regional growth scenario.

## 6.1 Housing Demand Scenarios

Up front, Spatial Economics acknowledges that all projections are 'wrong'. That is to say, they will almost never exactly match the actual amount and timing of population growth. However, when they point us in the right *direction* then they are doing what they are intended for. In this context it is often most sensible to use a number of scenarios with various growth rates. This can help decision makers to better understand the range of uncertainty and to plan in a way that minimises the adverse effects of underestimating or overestimating growth.

Another factor influencing the accuracy/achievement of projected growth numbers is the availability and composition of residential land supply. If the land supply is restricted this will prevent the underlying demand for housing being realised.

So then what is the best course of action? In planning terms, we really need to be prepared for a range of possible futures of population and dwelling growth – this means considering a range of realistic growth forecasts and supply options.

Spatial Economics have developed a number of projected demand scenarios based on the most recently available evidence. These demand scenarios are outlined below.

**Scenario One:** Recent Trend – based on actual recent trend growth over the last ten years continuing to 2036 and being constant. Dwelling requirements from 2021 to 2036 at 22 per annum or 0.9% per annum growth rate would result.

**Scenario Two:** VIF2019 – current State Government dwelling projections growth rates for the Heyfield-Maffra SA2 are applied to the Maffra Study Area. Dwelling requirements from 2021 to 2036 at 24 per annum or 1.0% per annum growth rate.

**Scenario Three:** Regional Growth – assumes Maffra captures the rate of dwelling growth of the Gippsland Region experiences. Dwelling requirements from 2021 to 2036 at 32 per annum or 1.3% per annum growth rate would result.

### First Home Owners Grant (FHOG)

The Victorian State Government has modified the FHOG to increase the FHOG to \$20,000 for eligible first-home buyers who buy or build their new home valued up to \$750,000 in regional Victoria. The Maffra Study Area is defined as a regional area for the purpose of the FHOG.

A new home includes:

- A newly built home;
- An existing property which is being sold for the first time as a new residential premise;
- A land and building package, or
- Vacant land on which you will build a new home.

The \$20,000 FHOG will be applicable to:

- Contracts entered into from 1 July 2017 to 30 June 2021 for the purchase of a new home in regional Victoria;
- Comprehensive home building contracts entered into from 1 July 2017 to 30 June 2021 by the owner of land wholly in regional Victoria, or a person who on completion of the contract will be the owner of land wholly in regional Victoria, to have a home built on the land; and
- The building of a home wholly in regional Victoria if the building work commences between 1 July 2017 and 30 June 2021 inclusive.

Purchasers will not pay stamp duty on property under \$600,000, with discounted stamp duty apply on property between \$600,000 to \$750,000.



In addition, from the 4 June 2020 to 31 December, the Federal Government has introduced the HomeBuilder program. This program provides eligible owner -occupiers (not just first home-buyers) with a grant of \$25,000 to build new homes. This grant is in addition to any existing grant for new dwelling construction.

At a macro level, initiatives such as the FHOG (when there is no geographical differentiation) simply brings forward underlying housing demand. Overall housing demand decreases proportionally once the grant ends and/or underlying demand for housing is satisfied.

Expressed demand levels for housing will increase during the implementation of the newly structured FHOG and the HomeBuilder program across the Maffra Study Area. However, once this cease, the level of expressed housing demand will be normalised (based on natural increase, household formation and population migration levels i.e. underlying demand).

This assessment has not attempted to quantify 1) the level of brought forward demand; and 2) the potential/likely transferred demand to the Maffra Study Area.

#### **Key Issues**

Up front, Spatial Economics state the notion that all projections are 'wrong'. That is to say, they are almost never *exactly* going to match the actual amount and timing of population growth. However, when they point us in the right *direction*, in particular giving us a picture of what the future is likely to be (with various growth rates), then they are doing exactly what they are intended for.

So, then what is the best course of action? In planning terms, we really need to be prepared for the range of possible futures of population and dwelling growth – this means considering a range of realistic options.

When planning for future housing demand (housing need) there are two key approaches can help with this kind of uncertainty:

First, to 'lean' on the side of assuming stronger growth overall and in any given market segment. That is to ensure that (within reason) there is scope to meet any unexpected upturn in demand; and secondly, to plan for a diversity of supply types.

Planning that locks in controls based on one set of demand projections is likely to make it very difficult for the market to adjust supply to cater for unexpected changes in housing demand.

The current FHOG and HomeBuilder program, will bring forward underlying housing demand to the municipality.



## 7.0 Adequacy of Land Stocks

### Key Findings

In practical terms there is currently minimal to no undeveloped broadhectare land stocks that is likely to be developed in the short to medium term. The existing broadhectare land stocks in Maffra are characterised by: a) highly fragmented and small land parcels; b) significant existing capital uses/values; c) requirements of cost prohibitive land development dependent infrastructure; d) lack of land development industry competition and e) minimal development intentions of the land owners.

With the amount of supply and demand estimated, it is possible to describe the results in years of supply (a simple and understandable measure). For example, it can be stated that there are X years of supply based on projected demand within a given housing market and by supply type.

This succinct way of describing adequacy is standard across most State Governments in Australia and incorporates a wealth of information into a single figure. A series of adequacy numbers can be provided to reflect differing demand scenarios.

It is also possible to describe adequacy in a qualitative sense but with both the private and public sector familiar to this methodology, it seems appropriate to adopt the above approach. Years of supply can also be linked to trigger points relating to the need for additional land and more importantly triggering specific strategic land use planning responses. The adequacy of broadhectare residential land supply sources is calculated as a residual considering the state of the other supply types.

Analysis has been undertaken to estimate the years of broadhectare residential land stocks for the Maffra Study Area – this is outlined below.

### 7.1 Years of Supply

Three future demand scenarios are used and assessed against the identified stock of broadhectare land. The demand scenarios are detailed in the previous section of the report. In summary these include:

**Scenario One:** Recent Trend – based on actual recent trend growth over the last ten years continuing to 2036 and being constant. Dwelling requirements from 2021 to 2036 at 22 per annum or 0.9% per annum growth rate would result.

**Scenario Two:** VIF2019 – current State Government dwelling projections growth rates for the Heyfield-Maffra SA2 are applied to the Maffra Study Area. Dwelling requirements from 2021 to 2036 at 24 per annum or 1.0% per annum growth rate.

**Scenario Three:** Regional Growth – assumes Maffra captures the rate of dwelling growth that the Gippsland Region experiences. Dwelling requirements from 2021 to 2036 at 32 per annum or 1.3% per annum growth rate would result.

The share of broadhectare lot construction activity is assumed at 67%. This benchmark is assumed constant over-time and is seen as a conservative assumption. Only land that is identified with a “High Development Propensity” is considered.

In terms of **zoned** broadhectare residential land stocks, it is estimated based on the identified supply and projected demand scenarios, there are sufficient land stocks to satisfy between **7 to 10 years** of demand across the Maffra Study Area. This is based on broadhectare land stocks that has a high propensity for development from a land development perspective.

However, broadhectare land parcels that have been identified with a high propensity for development (from a land development perspective) are characterised with no development intentions for the foreseeable future. This in effect, creates a highly constrained residential broadhectare supply market in Maffra.



Spatial Economics opinion is that in the fullness of time, in the longer term, these land stocks will be fully developed. Representing a supply potential to satisfy between 7 to 10 years demand. However, due to a lack of active development intentions of these land parcels there is effectively no undeveloped residential broadhectare land stocks in Maffra.

Spatial Economics consider that the total stock of zoned broadhectare residential land is insufficient to meet both short and long-term requirements. Spatial Economics recommend that the stock of zoned residential broadhectare land is increased in the short-term to maintain both a) a competitive land supply market; and b) meeting underlying dwelling requirements.

The years of supply is not only dependent on the projected number of dwellings in total, the share of total dwellings within broadhectare supply areas but also the timely realisation of the identified supply opportunities. Further to this, the identified undeveloped broadhectare land stocks in Maffra is characterised by:

- Lack of known development intentions;
- Lack of industry competition;
- Small fragmented land holdings; and
- The need for additional land development dependent infrastructure provision (drainage infrastructure. This potential infrastructure cost is seen by the local development industry as cost prohibitive to feasible land development.

Therefore, caution is highlighted in the interpretation of the years of broadhectare land supply, as a major assumption is that the identified supply is realised in a development timing setting.

## 7.2 Interpretation of the 'Adequacy' Benchmarks

Clause 11.02 of the State Planning Policy Framework includes under 'Strategies' the need to:

*"Plan to accommodate projected population growth over at least a 15 year period and provide clear direction on locations where growth should occur. Residential land supply will be considered on a municipal basis, rather than a town-by-town basis."*

The State Planning Policy Framework states at Clause 11 that:

*"Planning is to anticipate and respond to the needs of existing and future communities through provision of zoned and serviced land for housing, employment, recreation and open space, commercial and community facilities and infrastructure."*

The relevant objective is at 11.02-1 Supply of urban land:

*"To ensure a sufficient supply of land is available for residential, commercial, retail, industrial, recreational, institutional and other community uses."*

It is important to highlight a number of potential interpretations and considerations of the above clauses within the State Planning Framework:

- The framework cites at least a 15-year supply of land to meet expected demand, this benchmark is a **minimum supply target**.

Although Clause 11.02 states that this benchmark is to be applied at a **municipal level**, it is appropriate for the Wellington Shire Council that this policy direction is applied at a **township basis**. Residential land supply and demand in for example Maffra, has little relevance to the supply and demand levels in Sale. The 15-year supply benchmark should be seen as a policy guide to maintain competitive housing market outcomes.

- The above benchmark was originally developed as a simple, relatively transparent indicator to ensure sufficient broadhectare land within the growth areas of metropolitan Melbourne –



representing three business cycles. Other factors were examined within the context of this benchmark, including, but not limited to - the level of industry competition, the composition of undeveloped land stocks and practicality/likelihood of identified supply being available for development to meet projected demand in the short, medium and longer term.

- The benchmark was seen as guide to decision making to determine the quantum, location and timing of the need to identify additional land stocks and start timely planning for additional supply.

The State Planning Framework identifies in the context of urban land supply the need to ensure a sufficient supply of residential land. The use of the 15-year minimum land supply benchmark is a guiding tool to measure the sufficiency of land supply.

The broadhectare residential supply assessment (the method employed replicates the current State Governments methodology), illustrates that there is between **7 to 10 years** zoned broadhectare residential land stocks in Maffra. However, as outlined previously, there is currently no active or likely development intentions in the foreseeable future for the identified undeveloped residential broadhectare land parcels. This effectively means there is currently no realisable undeveloped residential broadhectare land stocks in Maffra.

The 15-year supply benchmark is not a 'magical' target, which once supply levels are below this, perverse housing market outcomes result. However, it is a solid guide that indicates planning for additional land supply sources should be under-way or strategic planning initiatives are initiated.

It is noted that the Wellington Shire Council has and is currently undertaking major strategic planning initiatives and a pro-active approach in engaging local land holders that identifies additional supply sources and facilitating residential development projects.

#### **Key Issues**

Spatial Economics consider that the total stock of **zoned** broadhectare residential land is insufficient to meet both short and long-term requirements. Spatial Economics recommend that the stock of zoned residential broadhectare land is increased in the short-term to maintain both a) a competitive land supply market; and b) meeting underlying dwelling requirements.

