

# City of Yarra

housing.id

Analysis of Housing Demand and Affordability

October 2018

**prepared by .id**

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# Contents

Geography notes.....	7
Overview .....	8
Executive Summary .....	9
1. Introduction.....	11
1.1 Objective.....	12
1.2 Context .....	12
1.3 Approach .....	13
2. How is the population changing? .....	14
2.1 Population change .....	15
2.2 How has the age structure changed?.....	16
2.3 Components of population change.....	18
2.4 How will the age structure change in the future?.....	19
2.5 Who is leaving and who is arriving? .....	22
3. How are households changing? .....	27
3.1 Household change .....	28
3.2 Households and suburban lifecycles .....	28
3.3 Current households.....	30
3.4 Emerging households .....	32
3.5 Larger (family) households.....	33
3.6 Smaller households .....	34
3.7 How will households change in the future? .....	36
4. How is the dwelling stock changing? .....	38
4.1 Dwelling change .....	39
5. Where is residential development occurring in Yarra?.....	42
5.1 Location of residential development.....	43
6. What dwellings do households live in? .....	46
6.1 Household types .....	47
6.2 Couples with young children .....	47
6.3 Young couples without children.....	52
6.4 Young lone person households.....	56
6.5 Older lone person households .....	58

7.	Who is in housing stress in Yarra and where are they located? .....	62
7.1	Housing stress .....	63
7.2	Housing need.....	68
7.3	Housing affordability .....	70
8.	Is housing affordable for key workers? .....	73
8.1	Key worker definition.....	74
8.2	Key worker housing affordability background .....	75
8.3	Key worker housing affordability implications .....	81
9.	Conclusion .....	82
10.	Glossary .....	83

## Figures

Figure 1: Estimated Resident Population – 2001-2016.....	15
Figure 2: Age structure, Yarra, IMAP and Greater Melbourne – 2016 .....	17
Figure 3: Change in age structure, Yarra – 2006-2016.....	18
Figure 4: Forecast age structure, Yarra – 2016-2036 .....	20
Figure 5: Forecast change in age structure, Yarra – 2016-2036.....	20
Figure 6: Forecast change in population, Yarra forecast small areas – 2016-2036 .....	21
Figure 7: Major net migration flows, Yarra – 2011-2016.....	23
Figure 8: Net migration flows from major capital cities, Yarra – 2011-2016 .....	23
Figure 9: Age specific net migration, City of Yarra – 2011-2016.....	24
Figure 10: Net migration by age to/from selected LGAs to/from Yarra – 2011-2016.....	25
Figure 11: Net migration between Yarra SA2s – 2011-2016.....	26
Figure 12: Traditional household pathway – a framework .....	29
Figure 13: The suburban lifecycle – a framework .....	30
Figure 14: Household types, Yarra – 2006-2016 .....	31
Figure 15: Share of household types, Yarra, IMAP and Greater Melbourne – 2016 .....	32
Figure 16: Share of family household types by age, Yarra – 2016 .....	33
Figure 17: Net change in family households by age – 2006-2016 .....	34
Figure 18: Share of ‘smaller’ household types by age, Yarra – 2016.....	35
Figure 19: Net change in ‘smaller’ households by age, Yarra – 2006-2016 .....	36
Figure 20: Households by type, Yarra – 2016-2036 .....	37
Figure 21: Dwellings by type, Yarra – 2006-2016.....	39
Figure 22: Share of dwelling type, Yarra and Greater Melbourne – 2016 .....	40
Figure 23: Net change in dwelling stock by type, Yarra, 2006-2016 .....	41
Figure 24: Net change in share of dwelling stock by type, Yarra and Greater Melbourne, 2006-2016.....	41
Figure 25: Residential development by dwelling yield, 2005-2016 .....	44
Figure 26: Couples with young children, by dwelling type – 2006-2016.....	48
Figure 27: Couples with young children by dwelling type (%) – 2016 .....	49
Figure 28: Net change in couples with young children, by dwelling type – 2006-2016.....	50
Figure 29: Couples with children households in high density dwellings – 2016 .....	51
Figure 30: Couples with children households in apartments of four or more storeys - 2016	52
Figure 31: Young couples without children households, by dwelling type – 2006-2016.....	53
Figure 32: Young couples without children by dwelling type (%) – 2016 .....	54
Figure 33: Couples without children households in high density dwellings – 2016 .....	55

Figure 34: Young lone person households, by dwelling type – 2006-2016 .....	56
Figure 35: Young lone person households, by dwelling type (%) – 2016.....	57
Figure 36: Net change in young lone person households, by dwelling type – 2006-2016 ....	57
Figure 37: Older lone person households, by dwelling type – 2006-2016.....	58
Figure 38: Older lone person households, by dwelling type (%) – 2016 .....	59
Figure 39: Net change in older lone person households, by dwelling type – 2006-2016.....	59
Figure 40: Lone person households in high density dwellings – 2016 .....	60
Figure 41: Lone person households in separate houses – 2016 .....	61
Figure 42: Change in the proportion of households in housing stress by SA1 – 2011-2016	65
Figure 43: Number of households in mortgage stress by household type – 2016.....	67
Figure 44: Number of households in rental stress by household type – 2016.....	68
Figure 45: Total unmet affordable housing need – 2016 .....	70
Figure 46: Purchase costs – Houses.....	70
Figure 47: Purchase costs – Units.....	71
Figure 48: Income growth and housing cost growth - % change 2006-2016, City of Yarra ..	72

## Tables

Table 1: Estimated Resident Population – 2006-2017 by SA2 .....	16
Table 2: Forecast age structure, Yarra – 2016-2036 .....	19
Table 3: Average household size, Yarra– 2016-2036.....	37
Table 4: Residential development by dwelling yield, 2005-2016.....	45
Table 5: Completed dwellings (net) by suburb and year, 2005-2016 .....	45
Table 6: Households in housing stress – 2016 .....	63
Table 7: Households with a mortgage in housing stress – 2016 (based on ABS State suburbs).....	64
Table 8: Households renting in housing stress – 2016 .....	64
Table 9: Yarra and Greater Melbourne households spending more than 30% of income on housing by income group – 2016 .....	66
Table 10: Yarra households spending more than 30% of income on housing by income group – 2016.....	66
Table 11: Incomes of key worker group occupations located in Yarra, 2017 .....	77
Table 12: Income required for accessing private market housing in the lower quartile (purchase and rental) – 2012 and 2017 .....	77
Table 13: Number and proportion of affordable dwellings for Yarra key worker groups, 2017 .....	79
Table 14: Number of Yarra key worker occupations, jobs located in Yarra and jobs held by Yarra residents 2006, 2011 and 2016 .....	80

## Geography notes

This report presents information for the City of Yarra Local Government Area (LGA) and various geographies at a sub municipal level and regional level. The City of Yarra is made up of the suburbs of Carlton North, Princes Hill, Fitzroy, Fitzroy North (majority), Collingwood, Clifton Hill, Abbotsford, Richmond, Burnley, Cremorne and parts of the suburbs of Fairfield and Alphington.

The following benchmark areas are used in this report – *Greater Melbourne* (the Australian Bureau of Statistics Greater Capital City Statistical Area), *IMAP* (the Inner Melbourne Action Plan area, comprising the LGAs of Melbourne, Yarra, Port Phillip, Stonnington and Maribyrnong).

Much of the census data in this report is presented at Statistical Area 2 (SA2) level. This is an Australian Bureau of Statistics (ABS) geographic definition and forms part of the Australian Statistical Geography Standard (ASGS). The City of Yarra includes the SA2s of Abbotsford, Carlton North - Princes Hill, Collingwood, Fitzroy, Fitzroy North, Richmond (Vic.) and Yarra – North. The Richmond (Vic.) SA2 comprises the suburbs of Richmond, Burnley and Cremorne. The Yarra – North SA2 includes the suburb of Clifton Hill, as well as the sections of the suburbs of Fairfield and Alphington that are contained in the City of Yarra. One table on mortgage stress has been presented at ABS State Suburb geography, this has been done to avoid aggregating small randomised numbers from SA1 level.

Forecast information in this report has been prepared at a small area geography developed in conjunction with the City of Yarra. These are similar to the SA2 structure except for the separation of Clifton Hill from Fairfield-Alphington and the split of the Richmond area into North Richmond, Central Richmond and Cremorne and Burnley – Richmond South.

## Overview

This report includes the most up to date Census and population forecast information to provide insight on how the consumption and supply of housing is changing in Yarra. In order to frame policy around housing an understanding of these changes and what is forecast is critical.

In order to provide this understanding a number of questions are explored. These include:

- ▣ 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 type of household and dwelling?
- ▣ where is residential development occurring in Yarra?
- ▣ who is in housing stress in Yarra and where are they located?
- ▣ is housing affordable for key workers?

The first section of the report examines historical data to understand how the population is changing and how it is consuming housing. The supply of dwellings to meet this need is also reviewed. The report then focuses on issues of affordability. This includes an analysis of housing stress being experienced by current Yarra residents as well as the ability of key workers to access local housing.



## Executive Summary

In recent years, Greater Melbourne has grown at a rapid rate, driven by increased volumes of net 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. The City of Yarra has been at the forefront of these trends due to its inner-city location.

Population growth in Yarra has been driven by the construction of apartments (+7,300, 2006-2016), capitalising on Yarra's proximity to the CBD and access to public transport.

All age groups recorded an increase in the number of persons from 2006-2016. Those aged 25-34 years (+6,800) saw large increases, attracted to new medium and high-density developments. However, the number of middle aged persons (40-64 years, +4,700) also increased noticeably.

Yarra also attracts large inflows of migrants. A large proportion of those come from overseas, but many also come from the middle ring suburbs of south eastern Melbourne, due to Yarra's proximity to the CBD and education precincts. Yarra also attracts large numbers of people from interstate.

Between 2006 and 2016, there was a significant increase (33%) in the number of couples with young children household types. The largest increases were in Richmond and Abbotsford where the numbers almost doubled. Yarra North SA2 also experienced a large increase. This is significant due to the service demands of families with children.

In terms of dwelling type, couples with young children were most likely to be living in medium or high density dwellings with three or more bedrooms, with a significant increase over the ten years between 2006 and 2016.

Young couples without children have increased by almost 2,000 between 2006 and 2016. This increase has been confined almost entirely to one and two bedroom medium and high density dwellings.

There has been a large increase in young lone person households in one bedroom medium and high density dwellings (+1,000) with a decline of this household type in small separate houses (-170). This may be a result of the large numbers of new apartments providing more appropriate and affordable housing for this group. By contrast, older lone persons are

increasing (+570) in larger format medium and high density. Much of this may relate to ageing in place, particularly in social housing.

Large increases of medium and high density dwellings have occurred over the period (2006-2016). Some decline in smaller separate houses has occurred due to ABS reclassification of dwellings, demolition and renovation. Richmond added around 4,500 high and medium density dwellings over the 2006-2016 period, with Abbotsford adding over 2,000. Fitzroy and Collingwood have also provided large numbers of new dwellings focussing on the Smith Street corridor.

Overall 9.7% of Yarra households were in housing stress in 2016 according to the NATSEM definition (low income households – bottom 40% - spending more than 30% of their income on housing). However, 17.5 % of renting households were in housing stress compared with only 4.6% of households with a mortgage. Housing stress was generally highest in areas with the highest levels of social housing such as Collingwood, Fitzroy and North Richmond.

While a quarter of all households that rent or have a mortgage in Yarra spend more than 30% of their income on housing, the figure for renters is 27.8% while for those with a mortgage it is 18.3%. However, by comparison Yarra had lower proportions of households paying more than 30% of their income on housing compared to Greater Melbourne, particularly renters.

The affordability of dwellings priced in the lowest quartile has improved slightly from 2012 to 2017 (51% down to 49% unable to afford). This however masks significant affordability changes by tenure and dwelling type. In 2012, 65% of households found a house priced in the lowest quartile unaffordable for purchase. By 2017 this had increased to 84%. By contrast renting has become more affordable, with 35% finding private rent unaffordable in 2017 compared to 40% in 2012. What these trends seem to show is that the large numbers of new higher density dwellings being constructed are having a positive impact on affordability. The supply of houses, which is generally stagnant, has experienced a dramatic decline in affordability.

For key worker jobs located in Yarra, 84% of key worker households would be unable to afford a house purchase in 2017 and 39% unable to afford a unit. This unaffordability for workers in key local jobs has implications for local industry and the government sector in relation to attracting workers.

# 1. Introduction



## 1.1 Objective

Significant shifts in housing consumption patterns and revealed housing preferences are occurring as a result of demographic and social change within the City of Yarra.

Governments (both state and local) are working on responding to these shifts in a way that creates opportunities for new dwellings to meet the new demands within established urban areas.

The Yarra City Council requires information on the status of housing and how demand for housing is changing. This work is expected to inform policy and planning that influences the following:

- meeting critical local needs of changing household types and increasing local housing choice for residents
- addressing affordability by increasing supply
- sustaining Council's facilities and services base in response to changing age structures and housing consumption patterns
- protecting valued areas and neighbourhoods from inappropriate development
- providing an evidence base incorporating data from the 2016 Census
- providing the appropriate tools and information required to achieve planning outcomes

## 1.2 Context

In recent years, Greater Melbourne has grown at a rapid rate, driven by increased volumes of net 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. The City of Yarra has been at the forefront of these trends due to its inner-city location.

In early 2017 the Victorian State Government released an update to the Melbourne metropolitan strategy – *Plan Melbourne 2017-2050* – which aims to guide the growth of the Melbourne to 2050. Like most contemporary metropolitan strategies in Australia, the Plan aims to direct more growth into established urban areas in order to reduce urban sprawl and specifies a target of at least 65% of new housing in established areas of Melbourne. Dwelling targets of 215,000 (based on VIF 2016) and 230,000 (aspirational) have been specified for the Inner Metro region. 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

### 1.3 Approach

This report will address 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 type of household and dwelling?
- ▣ where is residential development occurring in Yarra?
- ▣ who is in housing stress in Yarra and where are they located?
- ▣ is housing affordable for key workers?



## 2. How is the population changing?



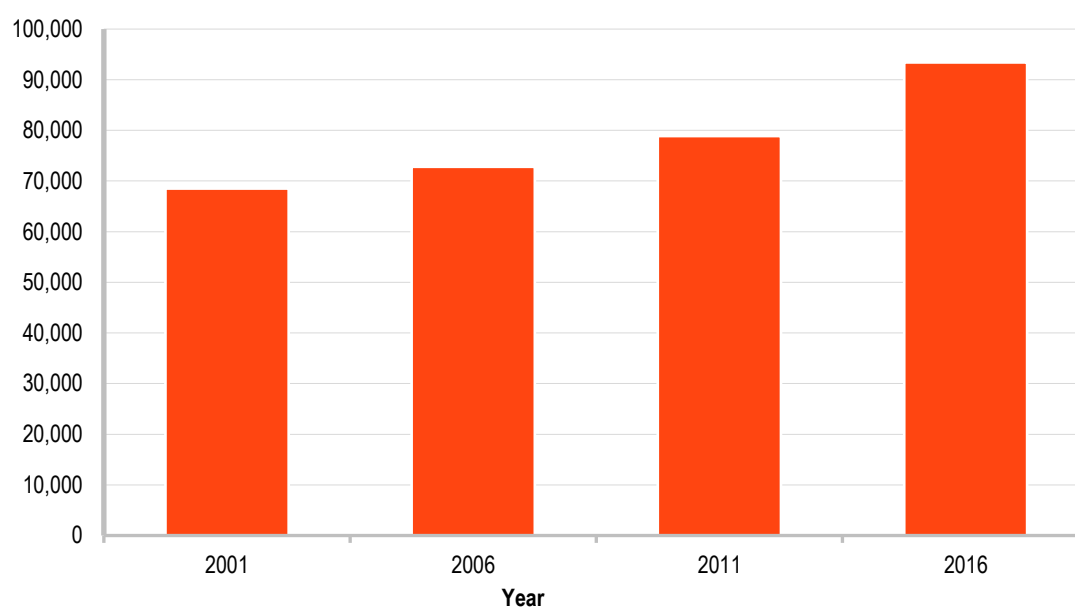
## 2.1 Population change

At 30 June 2017, the population of Yarra was estimated to be 96,368, an increase of 3.2% over the past year. This increase is significantly higher than the figure of 2.7% for Greater Melbourne, but slightly lower than the 3.9% growth in the IMAP Councils over the same period.

The growth rate of Yarra has increased significantly since 2006. Population growth has been driven by the construction of apartments, capitalising on Yarra's proximity to the CBD and access to public transport.

While all SA2s in Yarra have increased in population since 2006, the most significant growth has occurred in Richmond, Abbotsford and Collingwood.

*Figure 1: Estimated Resident Population – 2001-2016*



Source: ABS, Estimated Resident Population (2016).

Table 1: Estimated Resident Population – 2006-2017 by SA2

SA2	2006	2011	2016	2017
Abbotsford	4,537	5,213	8,842	9,502
Carlton North - Princes Hill	8,586	8,786	9,020	9,073
Collingwood	5,761	6,867	9,144	9,726
Fitzroy	9,241	10,214	11,464	11,673
Fitzroy North*	11,606	12,143	13,211	13,422
Richmond (Vic.)	25,883	27,841	32,848	33,814
Yarra - North	8,034	8,621	9,705	9,822
<b>City of Yarra</b>	<b>72,808</b>	<b>78,903</b>	<b>93,380</b>	<b>96,368</b>

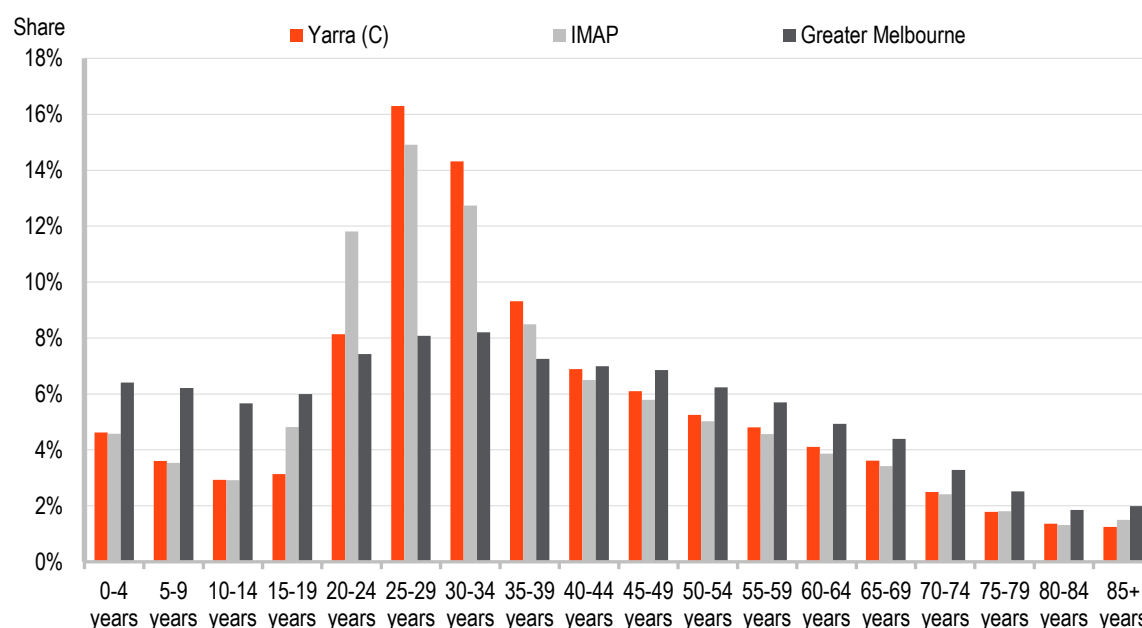
Source: ABS, Estimated Resident Population (2017), \* - part of Fitzroy North in City of Moreland.

## 2.2 How has the age structure changed?

In 2016, the age structure of Yarra was very different to that of Greater Melbourne (Figure 2). There was a significantly higher proportion of young adults (25-39 years) in Yarra – 40% of the population were in this age group, compared to 24% for Greater Melbourne. The age structure of Yarra was similar to the IMAP Councils in many age groups although the IMAP area had a higher proportion of 20-24 year olds, a result of the high student population particularly in the City of Melbourne. Abbotsford had the highest share of its population as 25-29 year olds in 2016 at 21%. This was notably higher than areas such as Fitzroy North and Yarra North SA2s at 13% and 11% respectively.



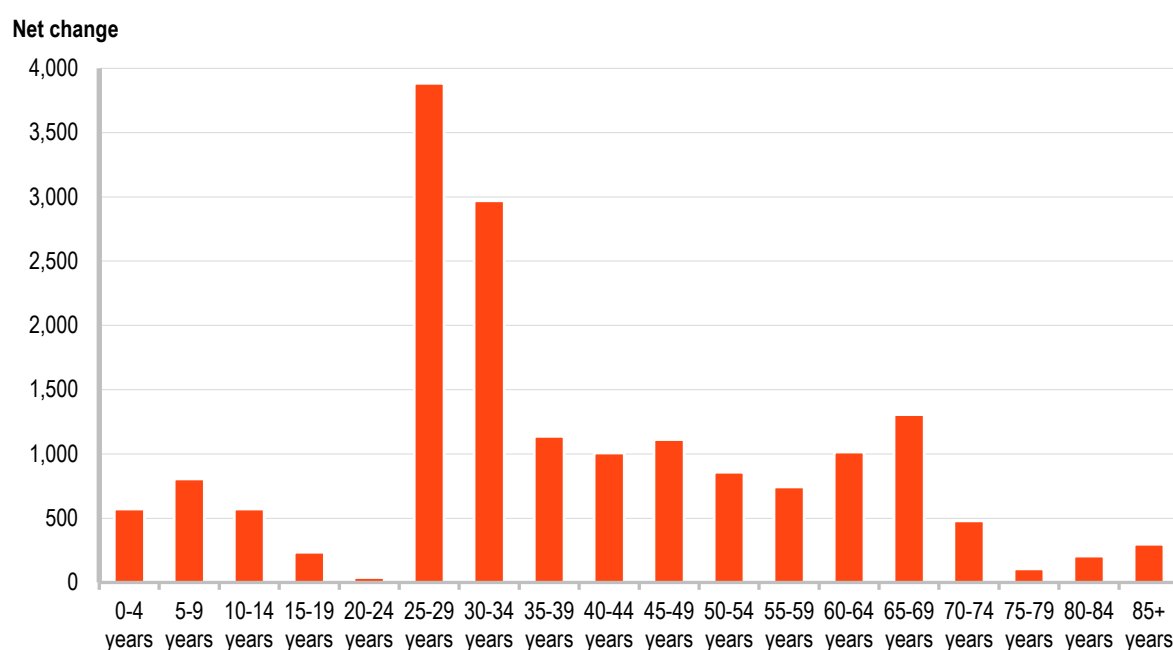
Figure 2: Age structure, Yarra, IMAP and Greater Melbourne – 2016



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

Between 2006 and 2016, there was a significant increase in overall population in Yarra (Figure 3). All cohorts recorded an increase in the number of persons, due to the significant population growth in the area. Those aged 25-34 years saw large increases, attracted to new medium and high-density developments. However, the number of middle aged persons (40-64 years) also increased. The increases in 25-34 year olds were predominantly in Richmond and Abbotsford. Carlton North – Princes Hill SA2 by contrast experienced almost no growth in these age groups.

Figure 3: Change in age structure, Yarra – 2006-2016



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

## 2.3 Components of population change

The table overleaf shows how each component has contributed to population change in Yarra between 2006 and 2016. The number of births and deaths has remained relatively stable in the two intercensal periods (2006-2011 and 2011-2016). Migration trends, both internal (from other parts of Australia) and overseas have changed considerably. Yarra has gone from net loss to a large net gain through internal migration. Net overseas migration has however become by far the most important driver of population growth.

Table 2: Forecast age structure, Yarra – 2016-2036

Component	2006	2011	2016
<b>ERP Start</b>	<b>72,808</b>	<b>78,903</b>	<b>93,380</b>
Births	5,379	5,435	
Deaths	-1,677	-1,726	
Net Internal migration	-1,443	3,012	
Net overseas migration (inferred)	3,837	7,756	
<b>ERP End</b>	<b>78,903</b>	<b>93,380</b>	
<b>Change over period</b>	<b>6,095 (+8.40%)</b>	<b>14,477 (+18.30%)</b>	

Source ABS, .id

## 2.4 How will the age structure change in the future?

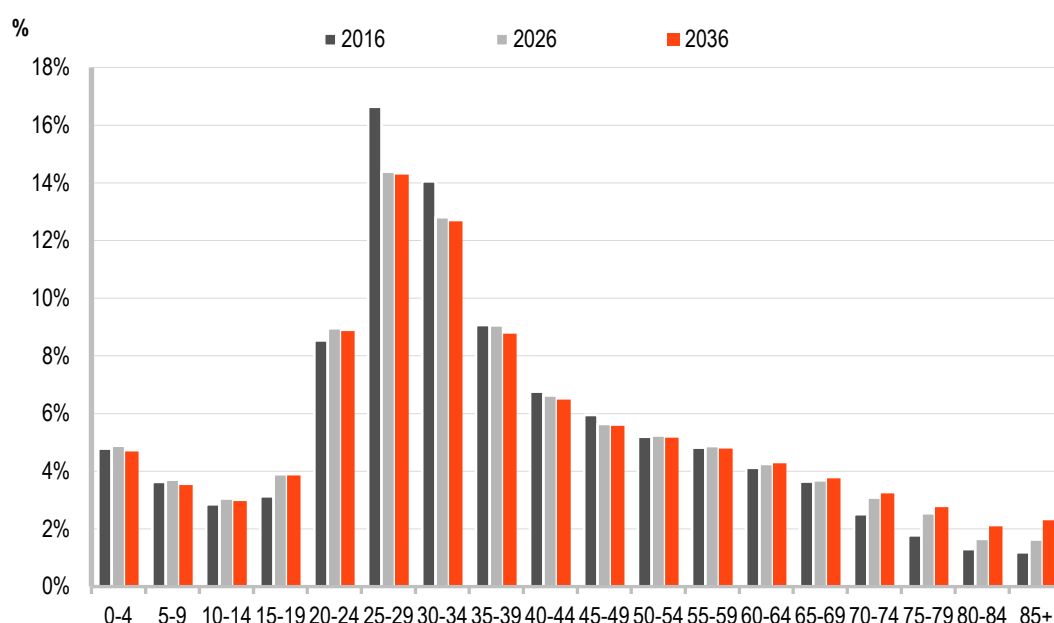
An examination of future changes in the age structure is important for service planning, as many services are age dependent, for example child care and aged care. In 2018, .id undertook population forecasts for Yarra, taking into account the results of the 2016 Census and more recent demographic trends. These forecasts indicate significant growth for Yarra over the period 2016-2036, with the population estimated to increase from 93,350 to 144,600. This translates to an annual average growth rate of 2.2%.

Figure 4 shows the forecast age structure of Yarra at 2016, 2026 and 2036. Growth is assumed to occur in most age cohorts, with a slightly higher rate of growth for middle aged and older adults. These are likely to be people ageing in place.

Figure 5 shows the forecast change in age structure. Persons aged 25-34 years are forecast to record the highest amount of growth particularly in the 2026 to 2036 period. These young adults are seeking housing opportunities with good access to the CBD, employment and education. Increases in the middle ages also suggest that some residents are ageing in place.

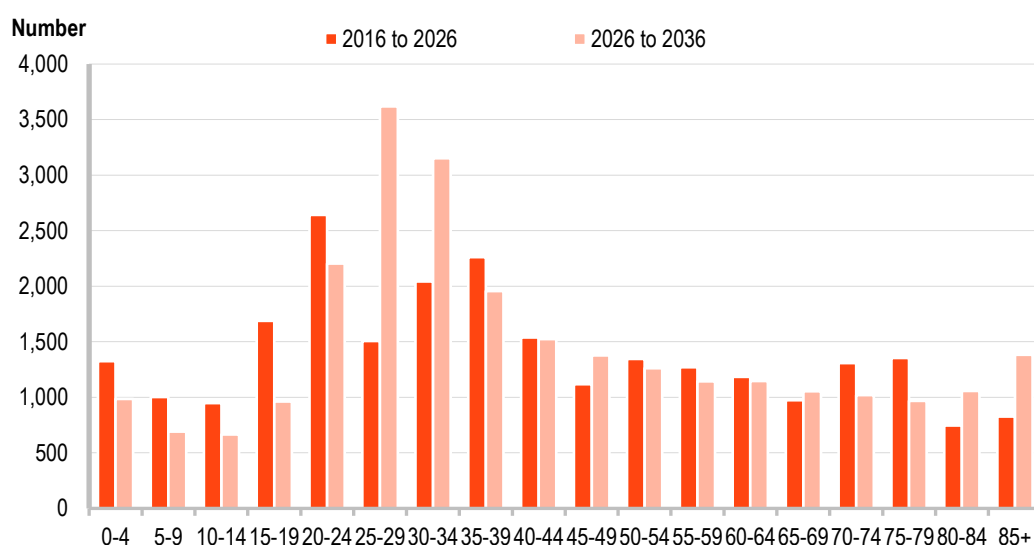
In the early stages of the forecast period (2016-2026) significant increases in the number of children are expected. This has implications for the types of new dwelling stock that is being added to Yarra and its suitability for families. In the later years of the forecast (2026-2036), increases in young adults, middle aged and elderly are notable. In particular, increases in elderly population will pose significant service provision challenges.

Figure 4: Forecast age structure, Yarra – 2016-2036



Source: forecast.id (2018)

Figure 5: Forecast change in age structure, Yarra – 2016-2036

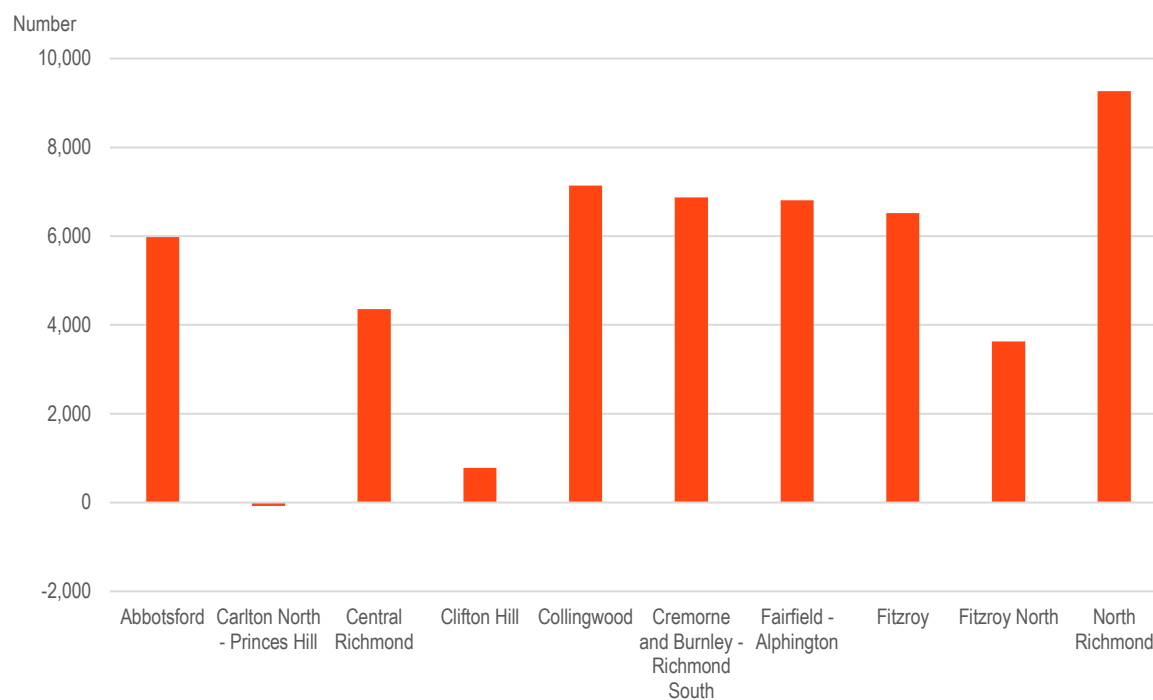


Source: forecast.id (2018)

Forecast population growth is expected in most areas throughout the City. The notable exceptions are Carlton North – Princes Hill and Clifton Hill where few former industrial sites and heritage constraints limit development potential. The North Richmond area is expected to experience the greatest increase in population to 2036, driven by apartment development in activity centres along Victoria Street and Bridge Road, as well as development on former industrial sites closer to Victoria Gardens.

Former industrial and commercial sites are also the major impetus behind dwelling opportunities in other areas of Richmond as well as Fitzroy and Collingwood. The development of the former Amcor site in Alphington is the major driver behind population growth in this area.

Figure 6: Forecast change in population, Yarra forecast small areas – 2016-2036



Source: forecast.id (2018)

## 2.5 Who is leaving and who is arriving?

Of all the components of population change, migration to Australia and between areas is the most volatile, as it varies considerably over time and space. An examination of migration patterns is critical to understanding how populations grow and change. Characteristics of migration in Australian cities include:

- ▣ A high proportion of local moves, i.e. within the same suburb or municipality;
- ▣ The dominance of outward moves in a sectoral direction i.e. from inner east to outer east; and
- ▣ Strong links between life cycle events and age. Young adults i.e. 18-34 year olds, are the most mobile age group. Thereafter migration tends to decline with age, although there is a slight increase in the oldest age groups which is probably related to health issues.

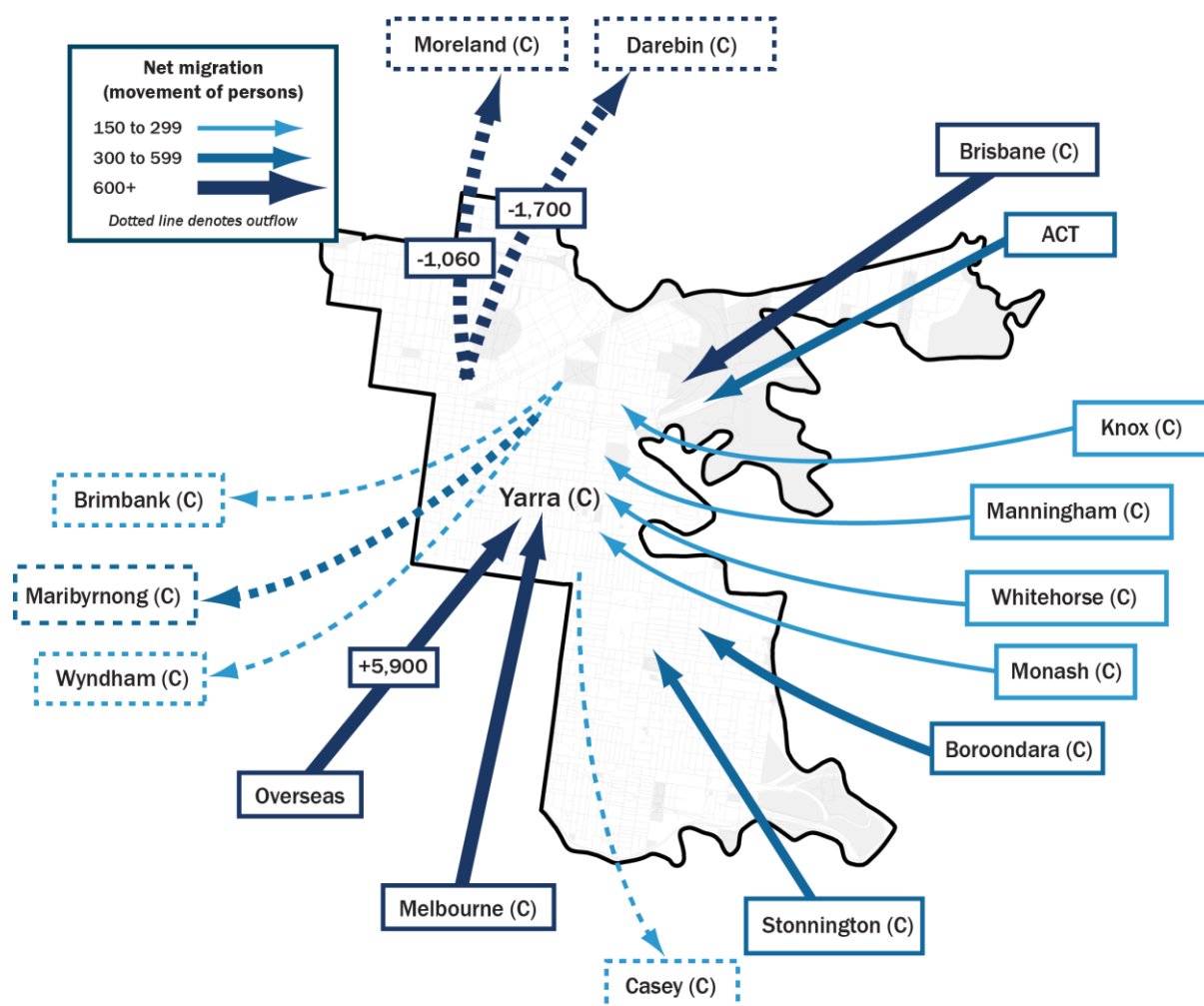
Figure 7 shows the major migration flows to and from the City of Yarra between 2011 and 2016.

Sectoral outward movement i.e. from Yarra to areas immediately to the north, is evident from the net outflow to Moreland and Darebin. There were also smaller out flows to the western suburbs, which are also experiencing significant dwelling growth which is more affordable than Yarra.

Yarra also attracts large inflows of migrants. A large proportion of those come from overseas, but many also come from the middle ring suburbs of south eastern Melbourne, due to its proximity to the CBD and education precincts. Yarra also attracts large numbers of people from interstate. As shown in Figure 8, as an inner suburban area with iconic suburbs and access to employment, education and entertainment, Yarra attracts large net numbers of migrants from all four large capital cities.

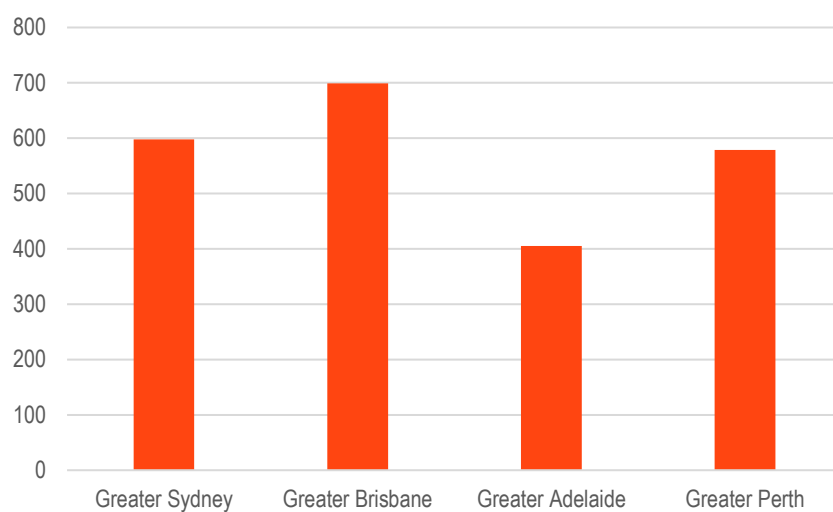
By way of context, it should of course be noted that overseas migration is a far bigger contributor to population change in Yarra than migration from within Australia.

Figure 7: Major net migration flows, Yarra – 2011-2016



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

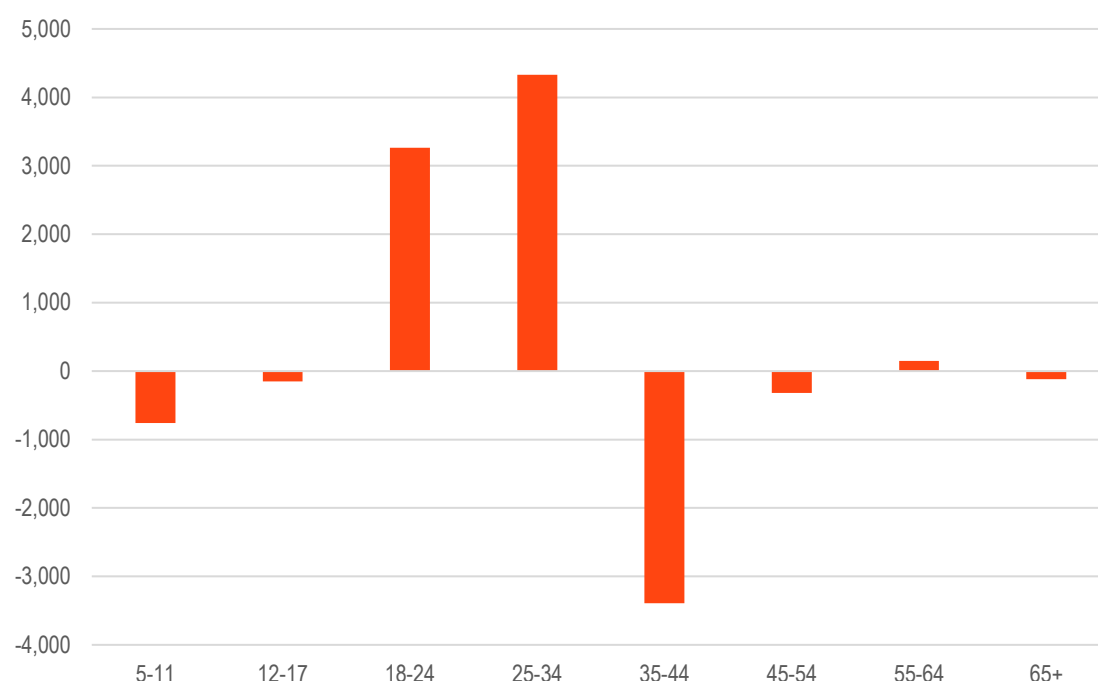
Figure 8: Net migration flows from major capital cities, Yarra – 2011-2016



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

The strong links between life cycle events and age are reflected in Figure 9, which shows age specific migration patterns in Yarra over the period 2011 to 2016. The City of Yarra has a very stable role and function. It attracts young adults in net terms and loses young families and older adults. This is a similar pattern to inner city areas across Australia. Many young adults who move to Yarra in their 20s are often looking for more affordable and often larger dwellings which are more accessible in areas further out once they are in their 30s. This often corresponds with child rearing.

*Figure 9: Age specific net migration, City of Yarra – 2011-2016*



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

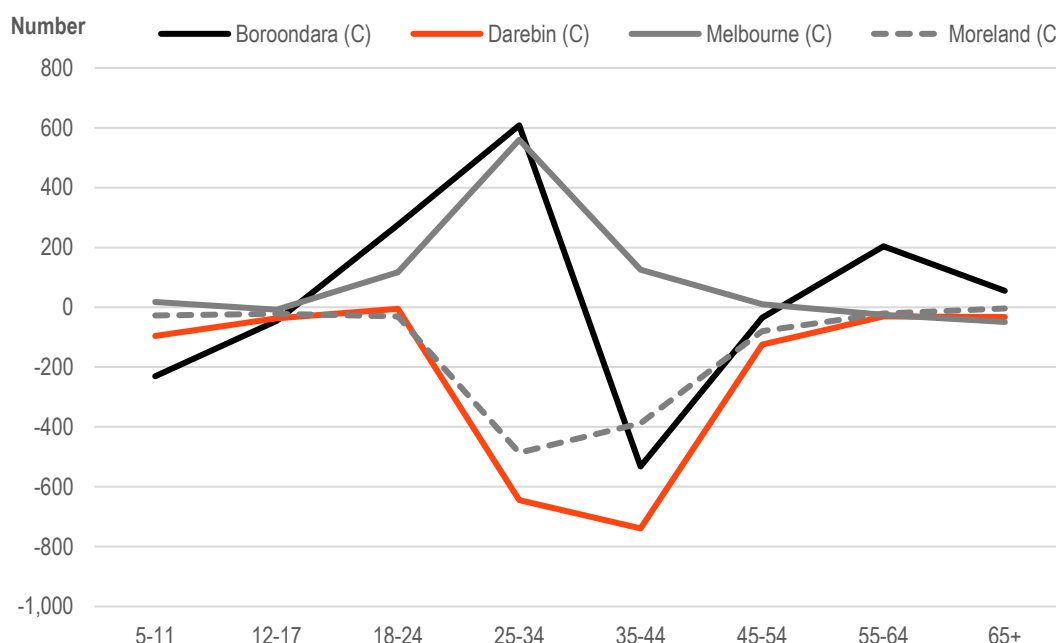
Behind the overall Yarra migration numbers and general trends there are a number of important elements taking place. Figure 10 shows the net migration trends by age for four neighbouring LGAs. These LGAs have the highest amount of net movement between themselves and Yarra.

Yarra loses significant numbers of residents in net terms to the LGAs to its north (Moreland and Darebin). This loss is dominated by 25 to 44-year olds. Interestingly there is relatively little out movement after the age of 45. This is an expected trend based on the relatively larger and more affordable dwellings available in these areas. The relationship with Boroondara is quite different however. Yarra attracts significant numbers of young adults aged 18-34 from Boroondara, this is a trend it shares with Melbourne, it however loses



significant numbers of 35-44 year olds, similar to the outflows to Moreland and Darebin. Another interesting submarket are older adults and early retirees (55-64 year olds) moving to Yarra from Boroondara. Indeed, the net flows in this age groups to Yarra are almost all from the eastern suburbs perhaps a reflection of much of the new apartment product on offer in areas like Richmond and Abbotsford.

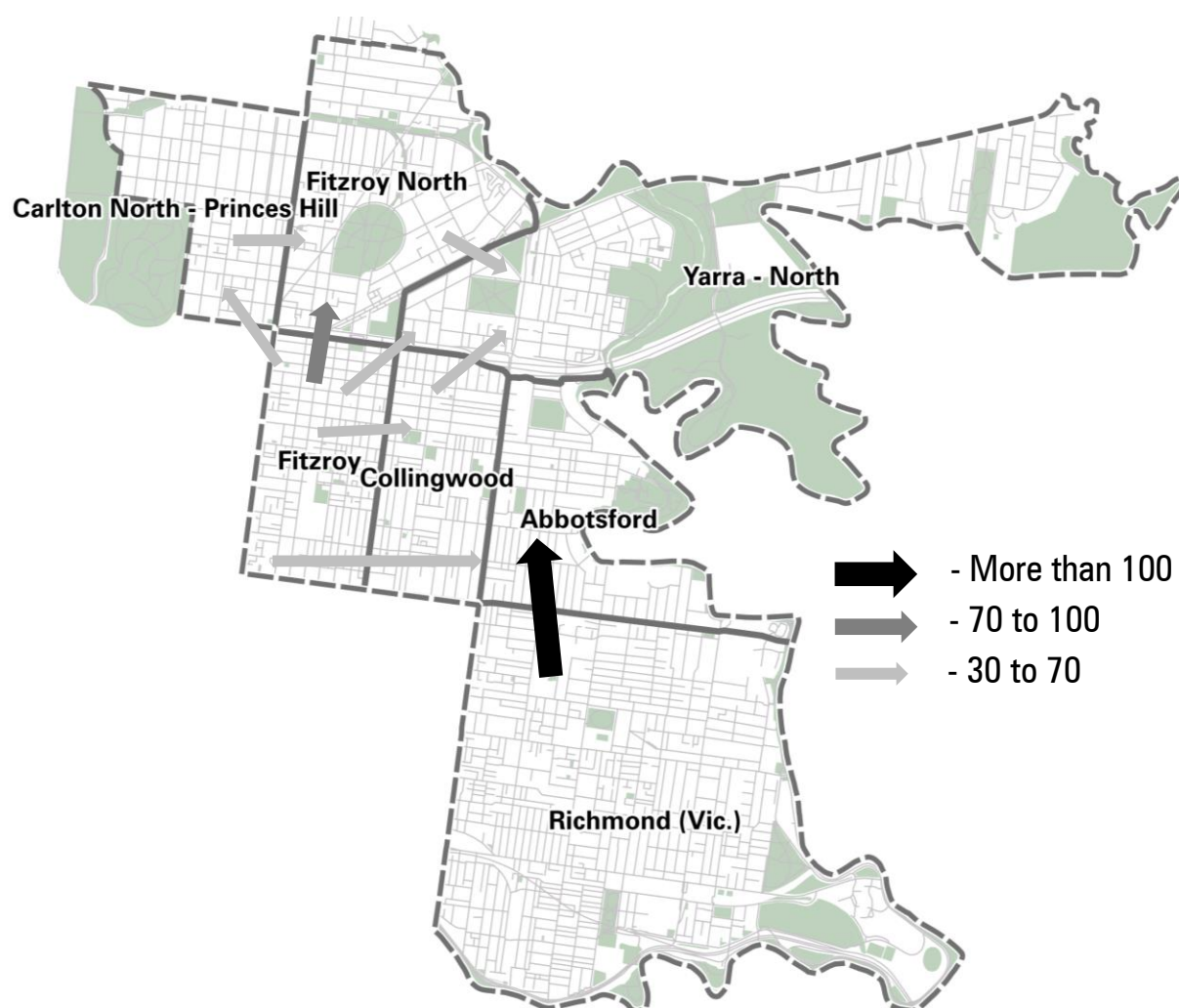
Figure 10: Net migration by age to/from selected LGAs to/from Yarra – 2011-2016



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

Within Yarra, there are strong relationships both within and outside the LGA. Richmond tends to have a strong relationship with Abbotsford with a large net movement into the area. Other than Abbotsford, most of Richmond's major migration movements are outside Yarra. Fitzroy and Collingwood tend to have a far stronger relationship with Yarra suburbs with large amounts of movements to adjacent Yarra SA2s. That said, the largest out flows from Fitzroy are still to Brunswick and Northcote.

Figure 11: Net migration between Yarra SA2s – 2011-2016



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

### 3. How are households changing?



### 3.1 Household change

The most prevalent household types in Australian cities are typically families – couples with children and single parent households. However, social and demographic changes have combined to change the household mix. These include ageing of the population, family breakdown and fewer children per family. In many areas, family households are declining in number, while smaller households (couples without children and lone person households) are increasing. From a housing perspective, the result is lower average household size i.e. fewer people per dwelling. It is important to recognise that declining household size tends to increase the demand for dwellings, even if the population is stable.

Until 2006, the result of these trends was declining average household size, however the results of the 2011 and 2016 Censuses revealed that at the national level this decline had slowed and in many areas average household size increased slightly. However, this was not the case in the City of Yarra where the average household size declined to 2.10 in 2016 from 2.15 in 2011. This is partly driven by the large increases in smaller dwellings.

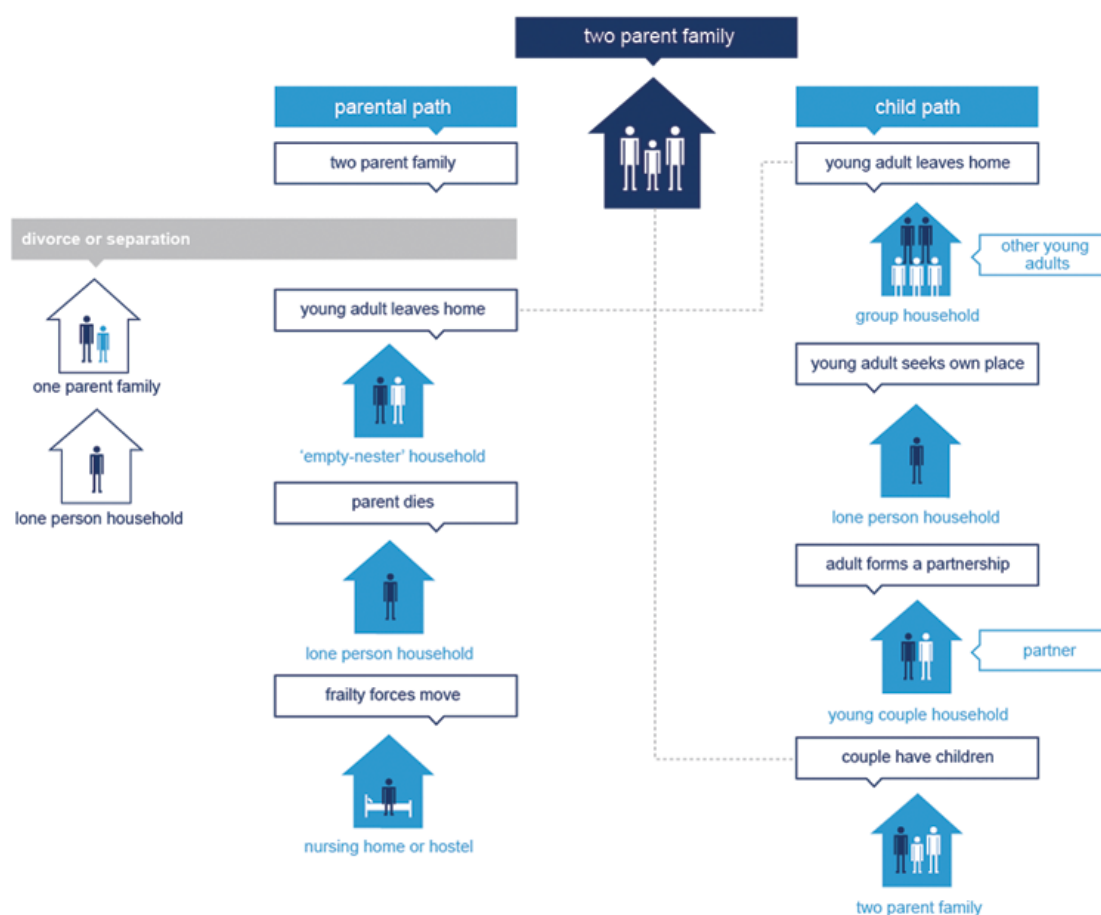
### 3.2 Households and suburban lifecycles

Urban areas are constantly evolving primarily due to changing household needs and preferences reflecting population and age structure changes. Figure 12 provides a framework for traditional household pathways and identifies points at which needs may change.

Starting as a child in a family household, a person may move into a group or lone person household as a young adult, and then often becomes part of a couple relationship. The adult years may feature movement between family, single parent and lone person household needs. Child rearing is followed by an ‘empty-nester’ period (older couples without children) and ultimately becomes an elderly lone person, as partners die or separate.

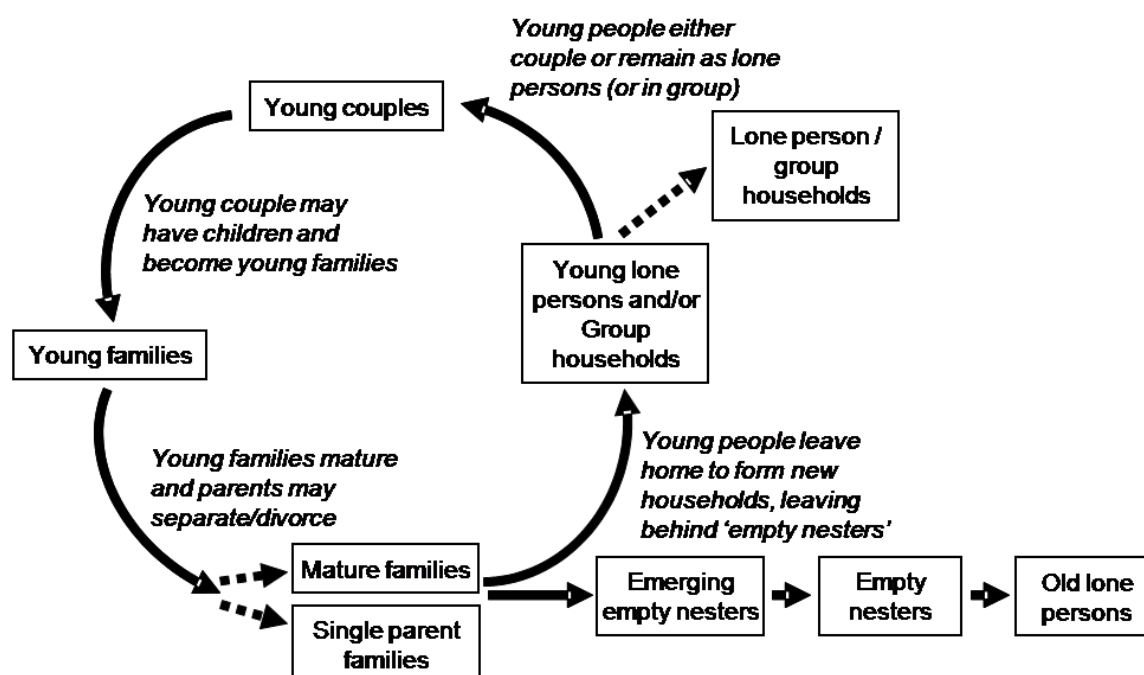
There is an increasing tendency for people around Australia to live alone or as a couple without children. This is the result of a combination of factors, such as an ageing population, resulting in growth of empty nester and elderly lone person households, couples choosing a child-free lifestyle, as well as the emergence of smaller households resulting from divorce and partner separations.

Figure 12: Traditional household pathway – a framework



The suburban lifecycle framework (Figure 13) provides an illustration of how suburbs may change over time. Yarra is an interesting municipality to analyse with reference to the suburban lifecycle framework as its development has spanned several decades, hence encompassing a wide range of household types which are regenerating at different times.

Figure 13: The suburban lifecycle – a framework

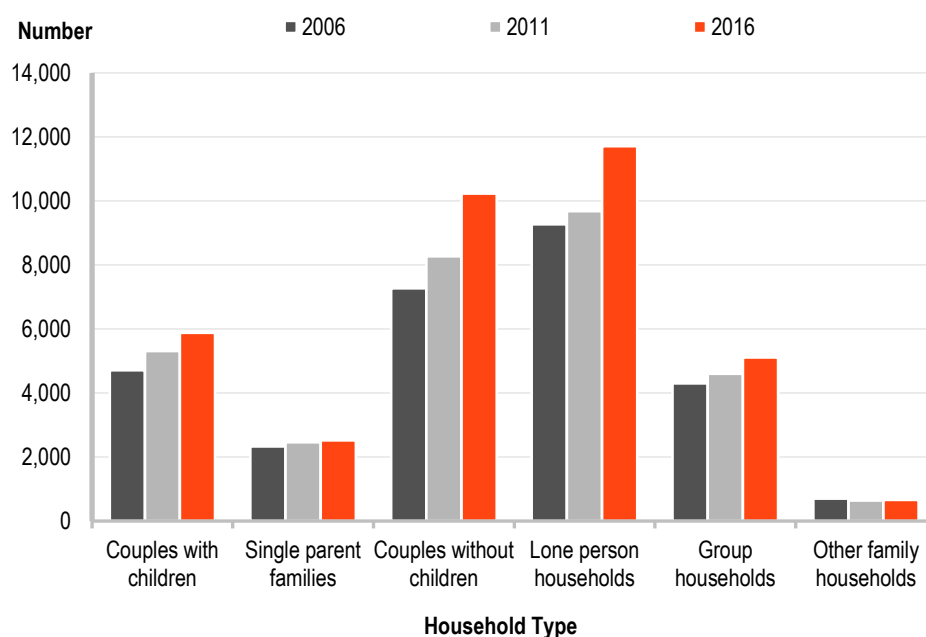


### 3.3 Current households

The 2016 ABS Census identified that the dominant household type in Yarra is lone person households, totalling 11,303 households and comprising about one-third of the total (Figures 14 and 15). The number of lone person households increased by 21.9% (over 2,000 households) between 2006 and 2016.

Couples without children were the next most common, comprising around 29% of all households. This household type has also been increasing in the area.

Figure 14: Household types, Yarra – 2006-2016



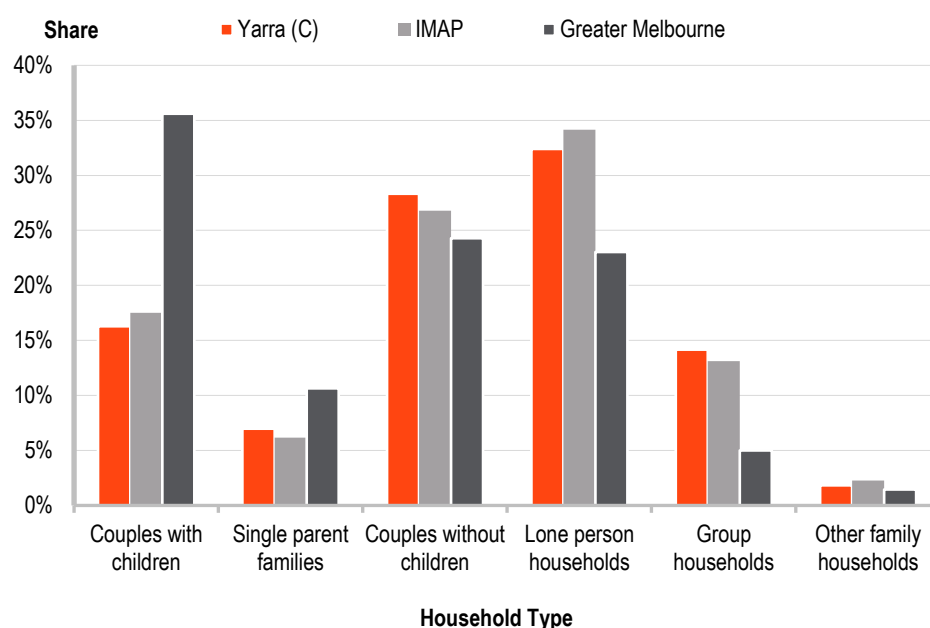
Source: ABS, Census of Population and Housing (2006, 2011, 2016)

There are distinct differences between the household type mix in Yarra compared with the Greater Melbourne area (Figure 15). Yarra's household structure is typical of inner suburban areas with close proximity to employment, education and entertainment. Melbourne had a greater proportion of family households (couples with children and single parent families). Yarra had a very similar household structure to that of the IMAP Councils.

Within Yarra, both the Abbotsford and Richmond SA2s had the highest increase in couple without children households (647 and 595 respectively) between 2011 and 2016. Abbotsford had the highest proportion of couple without children households at 2016 with 30%. All areas except Carlton North – Princes Hill and Yarra North had around 30% of their households as lone persons in 2016.



Figure 15: Share of household types, Yarra, IMAP and Greater Melbourne – 2016



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

### 3.4 Emerging households

Emerging households are those that are increasing in number. They provide some insights into the types of community services that may be needed in future. Service providers, policy makers and the housing industry understand the different housing consumption patterns and servicing needs of ‘young’ and ‘old’ lone person households; similarly, couples with young children households are likely to have quite different needs to older couples without children (“empty nesters”).

In the case of Yarra, there has been continued growth of smaller household types such as lone person households and couples without children. This phenomenon has been in place at least since the early 1990s as the population has aged. These households have continued to increase most significantly in number between 2006 and 2016. While the increase in couple with children households between 2006 and 2016 (around 1,100) is not as significant numerically as the smaller household types, it is noteworthy as it reverses the trend of decline in these household types between 1991 and 2001. These household types, particularly those with young children have specific service provision implications for local government. It is for this reason that they are considered an emerging household type and worthy of further analysis.

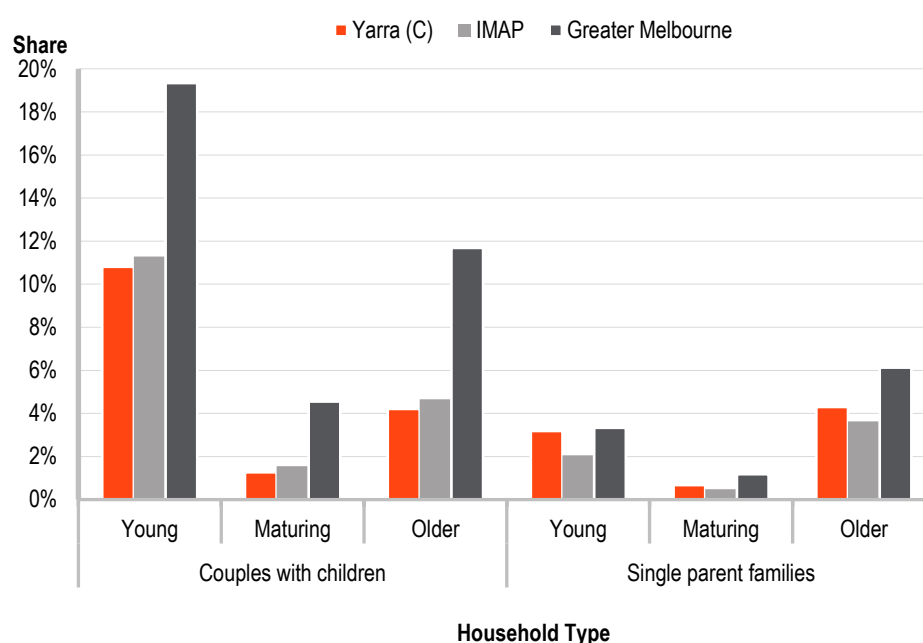


Due to the significant number of household types when combined with the age of the household, information is presented for the larger (family) household types separately to the smaller household types.

### 3.5 Larger (family) households

The share of family households in Yarra is shown below in Figure 16. Couples with children have not been a typical household type in Yarra. Within family households, couples with young children (all under 15 years) are most prevalent (11% of all households). Compared to the Greater Melbourne average, the share of couples with children was significantly lower in Yarra, however it was similar to the proportion seen across the IMAP Councils.

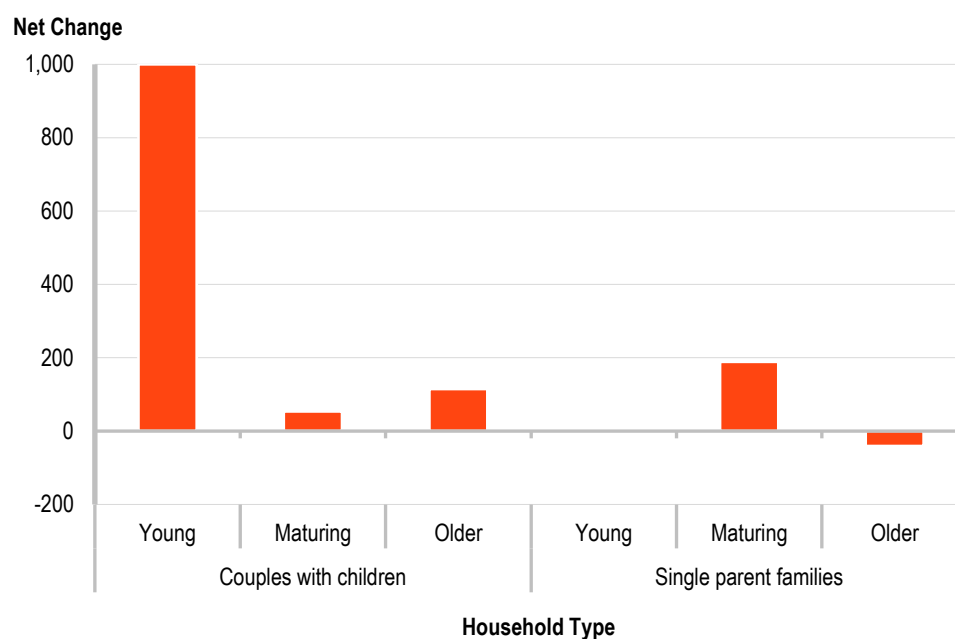
Figure 16: Share of family household types by age, Yarra – 2016



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

Between 2006 and 2016, there was significant change (33%) in the number of couples with young children household types (Figure 17). The largest increases were in Richmond and Abbotsford where the numbers almost doubled. Yarra North SA2 also experienced a large increase.

Figure 17: Net change in family households by age – 2006-2016

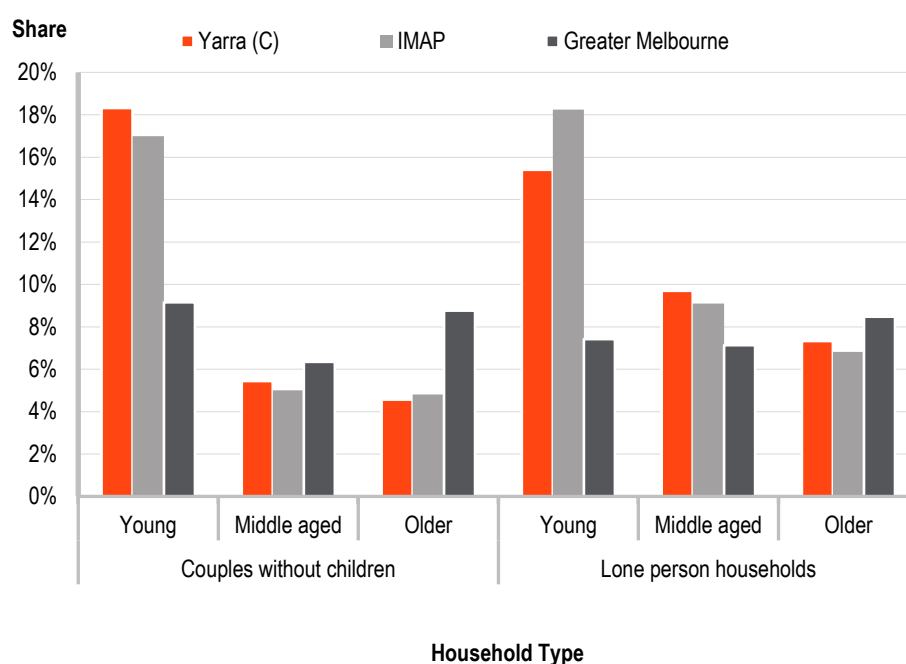


Source: ABS, Census of Population and Housing (2006 and 2016)

### 3.6 Smaller households

Smaller households in Yarra are generally young, as shown by Figure 18, with young couples without children accounting for approximately one in five households. Lone person households are more likely to be middle aged or older in comparison to couple households. The dominance of smaller households in Yarra makes it very different to the household structure seen across Greater Melbourne.

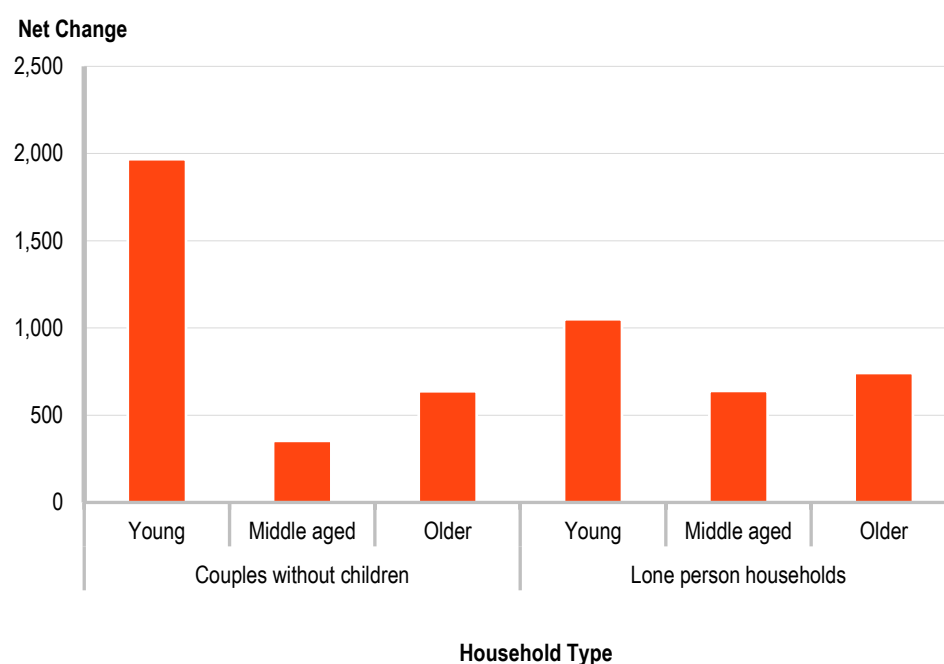
Figure 18: Share of 'smaller' household types by age, Yarra – 2016



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

The densification of housing in Yarra is reflected in the change in the household types over the period 2006-2016 (Figure 19). The number of young couples without children increased over this period, by almost an additional 2,000 households. Lone person households grew at a much smaller rate. There were small increases for middle aged and older lone persons, a result of ageing in place. Young lone persons declined in Carlton North – Princes Hill, Fitzroy North and Yarra North SA2s.

Figure 19: Net change in 'smaller' households by age, Yarra – 2006-2016



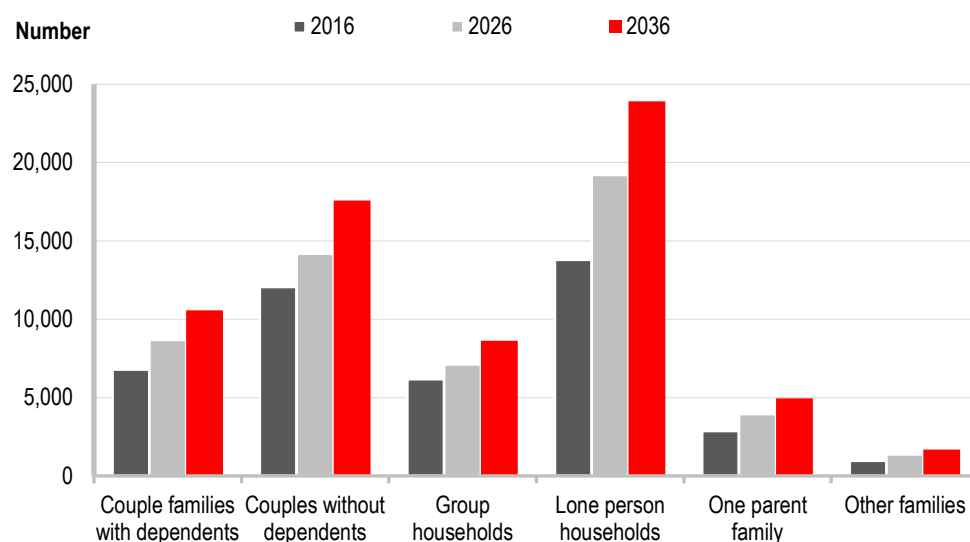
Source: ABS, Census of Population and Housing (2006 and 2016)

### 3.7 How will households change in the future?

Population and dwelling forecasts prepared by .id in 2018 indicate that all household types are forecast to experience growth in numbers over the next twenty years. These changes are based on both ageing of existing households and change over time, as well as immigration of new households driven by the development of significant numbers of new dwellings.

Lone person households are forecast to record the most growth, recording around 60% growth over the period 2016-36. Though these households tend to be associated with ageing populations, they can occur across the age spectrum – lone persons can include younger people yet to have children. Families with children are also forecast to increase to 2036, but with a slower rate of growth. The largest increase in lone person households to 2036 is expected in Richmond, with large increases also expected in Fitzroy, Collingwood and Yarra North SA2s.

Figure 20: Households by type, Yarra – 2016-2036



Source: .id (2018)

The growth in smaller households will also result in a decline in average household size (Table 3). In 2016, the forecast average household size in Yarra was 2.15 persons, but it is forecast to remain relatively stable between 2016 and 2021 before declining slightly to 2.11 by 2036. This is related to the ageing of the population, a large supply of smaller dwelling stock, as well as social changes which will result in smaller households e.g. family breakdown.

Table 3: Average household size, Yarra– 2016-2036

Year	Average household size
2016	2.15
2021	2.15
2026	2.13
2031	2.12
2036	2.11

Source: .id (2018)

## 4. How is the dwelling stock changing?

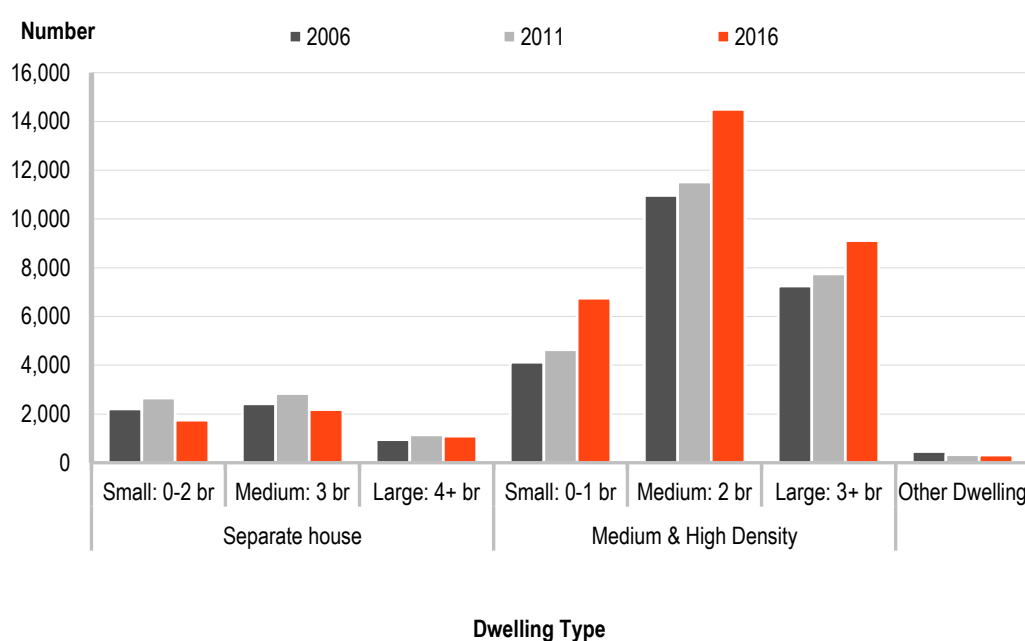


## 4.1 Dwelling change

A highly visible change to dwelling stock in recent years, particularly in the central cities and inner suburbs, is the increase in apartments. Yarra, 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 Collingwood, Abbotsford, Fitzroy and Richmond. This section examines how Yarra 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 43,946 private dwellings in Yarra. Over 80% of these were medium or high-density dwellings (Figure 21). Based on number of bedrooms, medium density dwellings with two bedrooms are the most common (19.7%), followed by medium density with three bedrooms (18.9%) and high-density dwellings with two bedrooms (16.7%). Over the period 2006-2016, there was a small decline in the number of separate houses in Yarra, and strong growth in medium and high-density dwellings. Much 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. It also important to note that terrace and row housing is classified as medium density, which is the major reason for the low numbers of separate houses in Yarra.

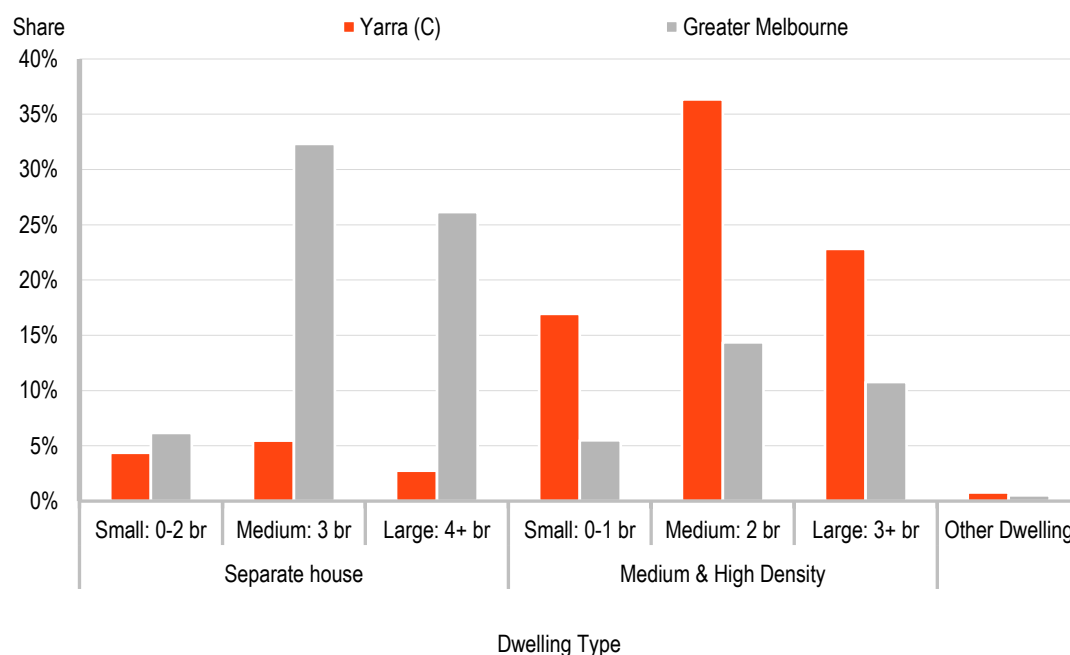
Figure 21: Dwellings by type, Yarra – 2006-2016



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

The dwelling profile for Yarra shows distinct variations to that of Greater Melbourne (Figure 22). Yarra has much higher proportions of medium and high-density housing than the Greater Melbourne average. Yarra's role as an inner-city Council is very different to those of suburban Councils that make up the majority of the Greater Melbourne area. Within Yarra, Carlton North – Princes Hill had the lowest proportion of separate houses in 2016 (9%) with Yarra North SA2 the highest (27%).

Figure 22: Share of dwelling type, Yarra and Greater Melbourne – 2016

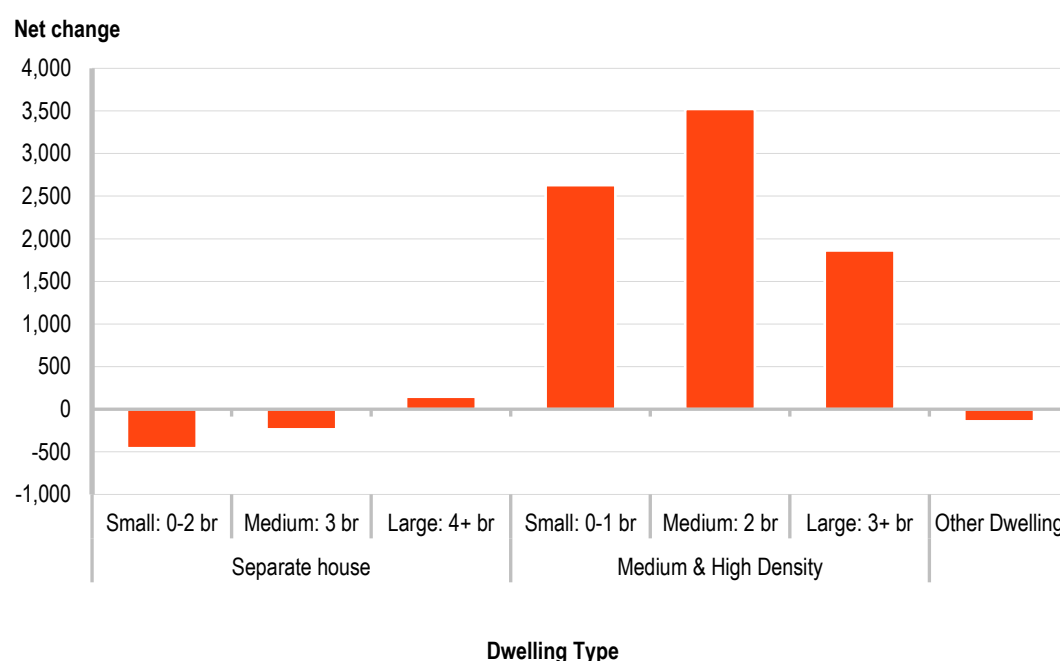


Source: ABS, Census of Population and Housing (2016)

Figure 23 shows the net change in dwelling stock in Yarra between 2006 and 2016. Large increases of medium and high density dwellings have occurred over the period. Some decline in smaller separate houses has occurred due to reclassification, demolition and renovation. Richmond added around 4,500 high and medium density dwellings over the 2006-2016 period, with Abbotsford adding over 2,000.

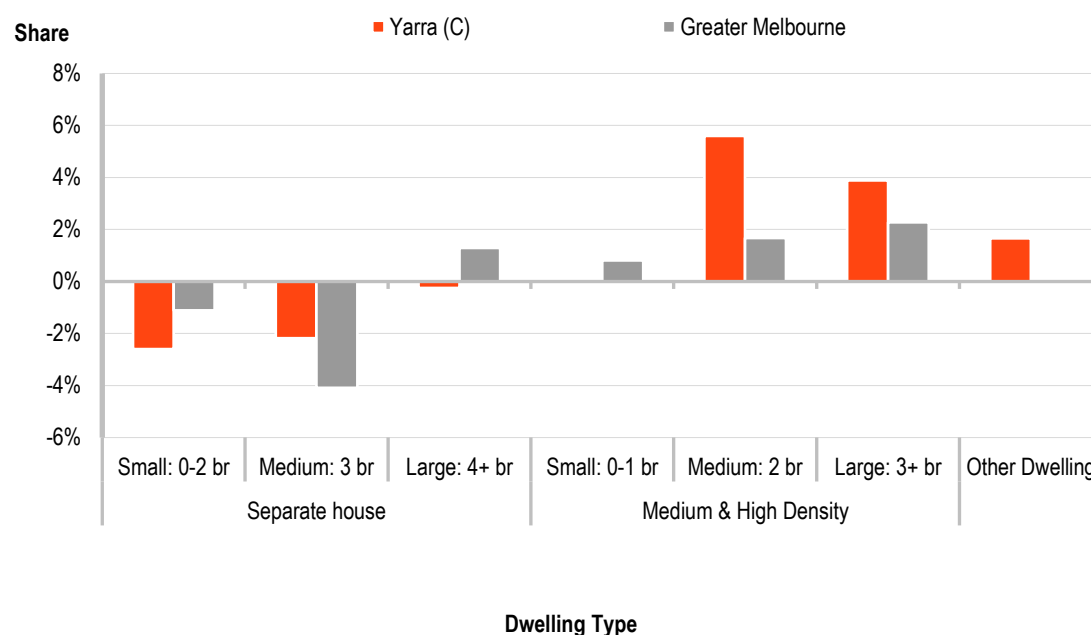


Figure 23: Net change in dwelling stock by type, Yarra, 2006-2016



Similar to Greater Melbourne, Yarra's share of dwellings that are separate houses has declined at the expense of two and three bedroom medium and high density dwellings (Figure 24).

Figure 24: Net change in share of dwelling stock by type, Yarra and Greater Melbourne, 2006-2016



## 5. Where is residential development occurring in Yarra?



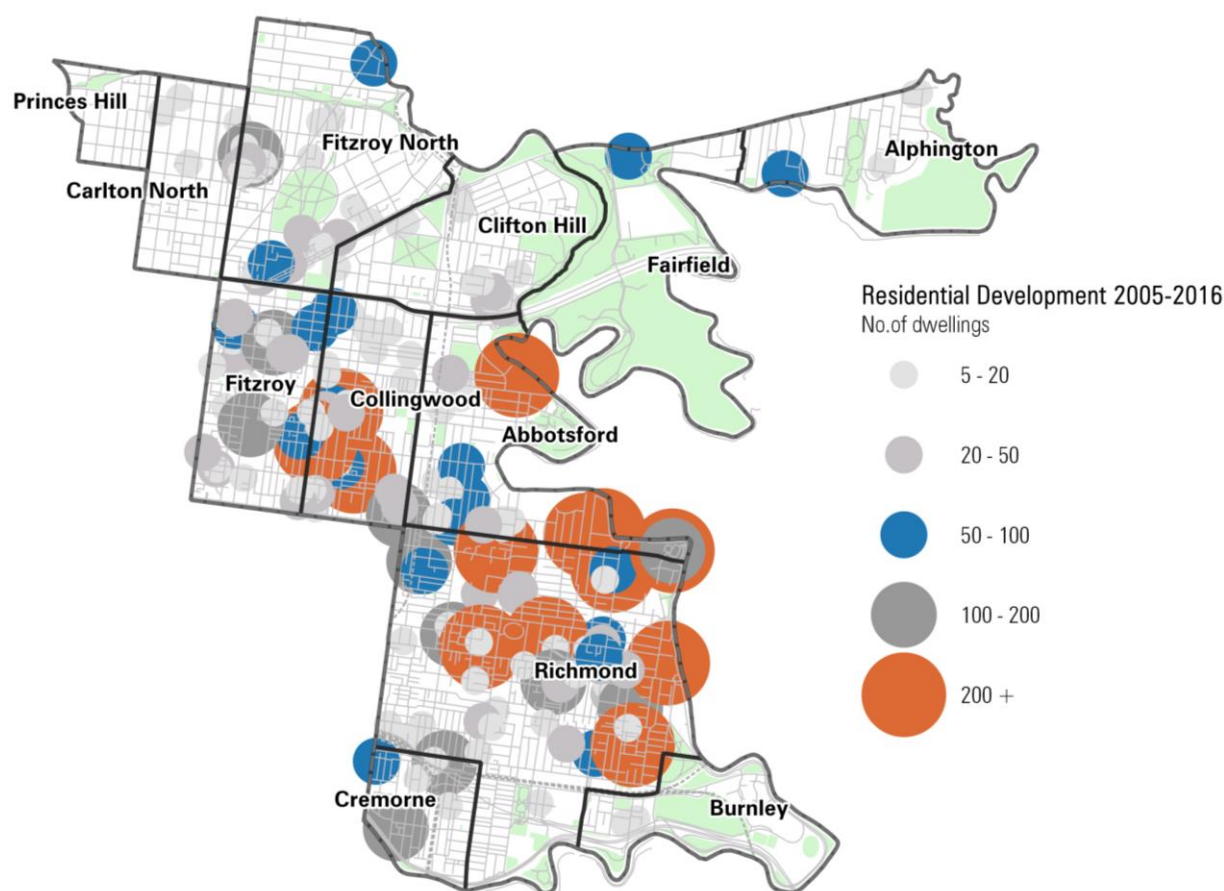
## 5.1 Location of residential development

The map at figure 25 shows the location and extent of residential development completed between 2005 and 2016. This information, sourced from the Housing Development Database available from the Department of Environment, Land, Water and Planning, shows developments grouped by number of dwellings delivered. Projects delivering fewer than five dwellings in net terms have not been included.

The map shows a significant amount of development in a number of key areas in Yarra. Richmond has been a development hotspot in Yarra and contributed a third of Yarra's new residential stock between 2005 and 2016. Former industrial and commercial sites in Abbotsford have also provided significant numbers of dwellings particularly along the Victoria Street corridor.

Fitzroy and Collingwood have also provided large numbers of new dwellings focussing on the Smith Street corridor. Smaller pockets of development in North Fitzroy around Reid Street and in Cremorne are also prominent. Many areas of Yarra have experienced little to no dwelling growth in the 2005-2016 period, mostly constrained by heritage controls and a lack of former industrial sites. These areas include Carlton North, Princes Hill, Fairfield and Alphington.

Figure 25: Residential development by dwelling yield, 2005-2016



Source: Housing Development Data, DELWP (2016)

Table 4 shows project size by suburb. The majority of projects yielded fewer than twenty dwellings. Abbotsford, Collingwood and Richmond were the only suburbs with completed projects of more than 200 dwellings.

Table 5 shows the numbers of completed dwellings by year for each suburb. Richmond has been a consistent contributor of new dwellings. In the post 2012 period, Abbotsford in particular has produced large numbers of new dwellings.

Table 4: Residential development by dwelling yield, 2005-2016

Suburb/ Number of dwellings	5-20	20-50	50-100	200+	TOTAL
Abbotsford	11	3	4	5	23
Alphington	4	0	1	0	5
Burnley	2	0	0	0	2
Carlton North	4	0	0	0	4
Clifton Hill	15	3	0	0	18
Collingwood	16	6	5	3	30
Cremorne	4	1	1	0	6
Fairfield	0	0	1	0	1
Fitzroy	15	8	3	0	26
Fitzroy North	12	6	2	0	20
Princes Hill	0	0	0	0	0
Richmond	24	17	7	6	54
<b>CITY OF YARRA</b>	<b>107</b>	<b>44</b>	<b>24</b>	<b>14</b>	<b>189</b>

Source: Housing Development Data, DELWP (2016)

Table 5: Completed dwellings (net) by suburb and year, 2005-2016

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	TOTAL
Abbotsford	25	7	4	6	148	63	8	76	873	690	258	387	2,545
Alphington	0	-1	2	-1	1	9	0	101	-1	7	6	-3	120
Burnley	1	0	0	0	0	17	-1	2	-2	2	1	-1	19
Carlton North	4	3	7	1	-1	1	-1	0	-1	10	3	3	29
Clifton Hill	35	8	16	5	14	24	100	6	45	10	21	3	287
Collingwood	163	69	52	7	19	204	34	69	15	85	934	103	1,754
Cremorne	40	2	151	10	-1	4	-4	11	0	-11	177	44	423
Fairfield	0	0	-1	2	0	0	0	-1	55	0	-1	1	55
Fitzroy	18	57	22	20	61	201	129	181	49	13	210	49	1,010
Fitzroy North	85	51	3	51	19	-4	37	180	7	120	86	81	716
Princes Hill	1	2	2	0	2	0	0	2	2	-1	1	0	11
Richmond	337	35	287	109	102	97	440	720	415	358	288	389	3,577
<b>CITY OF YARRA</b>	<b>709</b>	<b>233</b>	<b>545</b>	<b>210</b>	<b>364</b>	<b>616</b>	<b>742</b>	<b>1,347</b>	<b>1,457</b>	<b>1,283</b>	<b>1,984</b>	<b>1,056</b>	<b>10,546</b>

Source: Housing Development Data, DELWP (2016)



## 6. What dwellings do households live in?



## 6.1 Household types

While there is little qualitative data on housing preference, Census data enables detailed analysis of dwelling consumption by household type to show preferences in the context of supply constraints. Revealed preferences are the types of dwellings that households actually live in, as indicated by Census data. Expressed preferences are those stated by individuals when surveyed as to what sort of housing they would like to live in. 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”.

This analysis uses Census data to identify the relationship between dominant and emerging household types and the dwellings they live in. The following household types are analysed:

- Couples with young children (emerging)
- Young couples without children (dominant and emerging)
- Young lone person households (dominant and emerging)
- Older lone person households (emerging)

## 6.2 Couples with young children

Couples with young children (all under 15 years of age) are not currently a dominant household type in the City of Yarra, comprising just 10.8% of the total. However, they experienced a significant increase between 2006 and 2016, of 1,000 households.

Typically, these households fall into two housing markets:

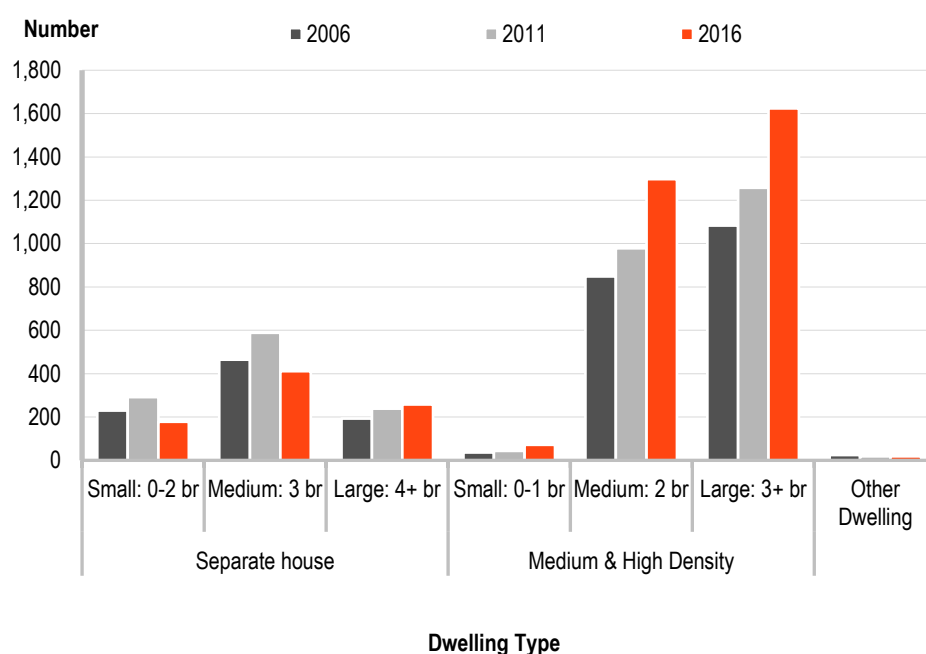
- Those early in housing career who are buying their first home and may be spending large proportions of their income on housing costs;
- Those living in higher density dwellings, both renters and buyers, who have just had their first child.

In terms of dwelling type, *couples with young children* were most likely to be living in medium or high density dwellings with three or more bedrooms, with a significant increase over the ten years between 2006 and 2016 (Figure 26). On the other hand, the numbers living in separate houses decreased slightly. There was also an increase in those living in medium

and high density dwellings with two bedrooms. Given the increase in the number of *couples with young children* this suggests that many young couples are choosing to stay in the area once they have started a family.

Increasing numbers of these households increase demand for children's services and diversify established areas. They also help maintain population levels, as their household size is more likely to grow in the short term. However, it is often difficult for inner urban areas to retain this household type due to the nature of the dwelling stock as many dwellings have only two bedrooms or have minimal private outdoor space. Generally, the birth of a second or third child triggers an outwards move to a larger home in the outer suburbs. In 2016, the northern parts of Yarra had the highest proportions of couple with young children households (Yarra North, Fitzroy North and Carlton North – Princes Hill SA2s). Collingwood and Fitzroy by contrast had the lowest shares of this household type.

Figure 26: Couples with young children, by dwelling type – 2006-2016



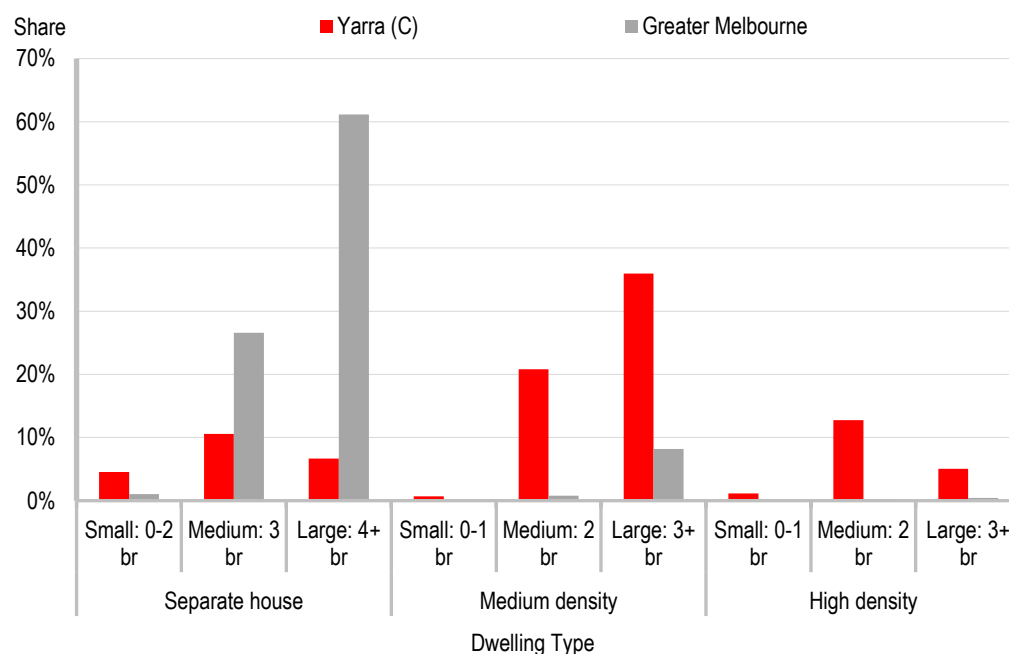
Source: ABS, Census of Population and Housing (2006, 2011 and 2016)

In 2016, just over a third (36%) of couples with young children lived in medium density homes with three or more bedrooms (Figure 27). This was significantly higher than the Greater Melbourne average of 8.2%. This largely reflects the differences in the dwelling stock – Yarra has a very high proportion of medium density dwellings (these include terrace and townhouses). Very few couples with young children live in separate houses in Yarra.



This is simply due to the range of housing choices available, particularly the greater proportion of medium and high density dwellings.

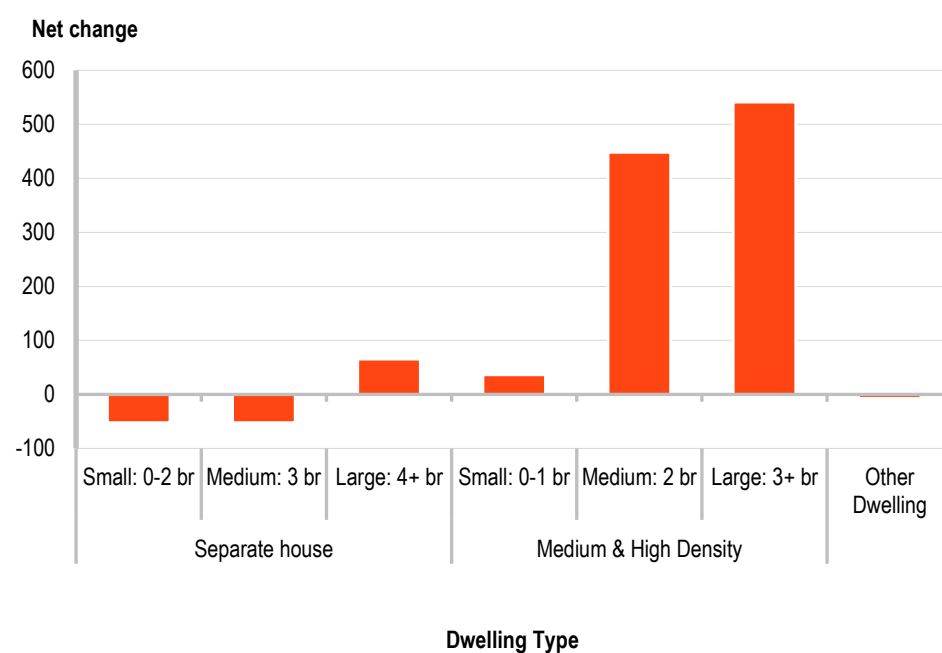
Figure 27: Couples with young children by dwelling type (%) – 2016



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

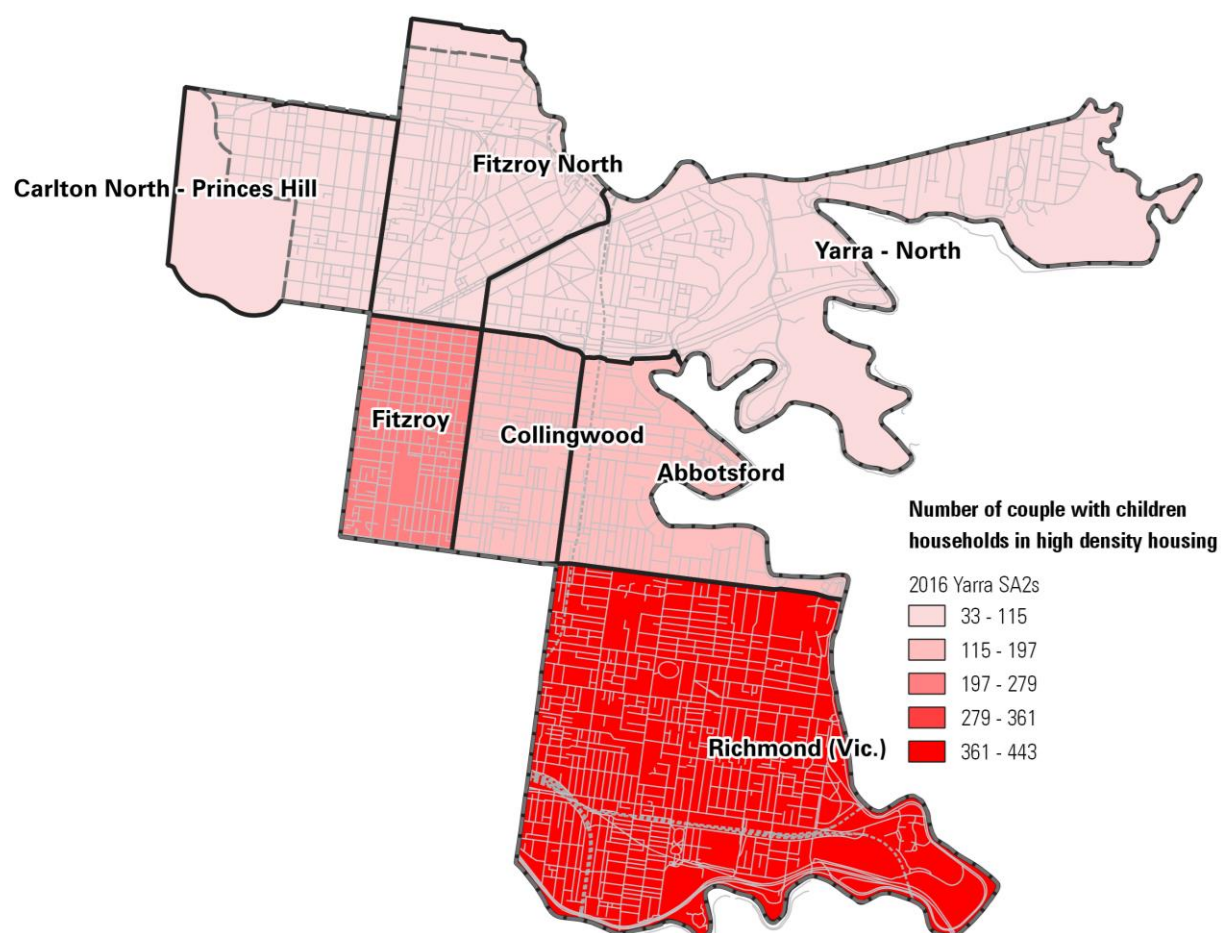
In terms of net change between 2006 and 2016 (Figure 28), larger increases were experienced in dwellings with greater number of bedrooms, regardless of whether it was a separate house or medium/high density. Larger dwellings are clearly more suitable for family households so where they are available and affordable, there is a preference for families to live in these types of dwellings.

Figure 28: Net change in couples with young children, by dwelling type – 2006-2016



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

Figure 29: Couples with children households in high density dwellings – 2016

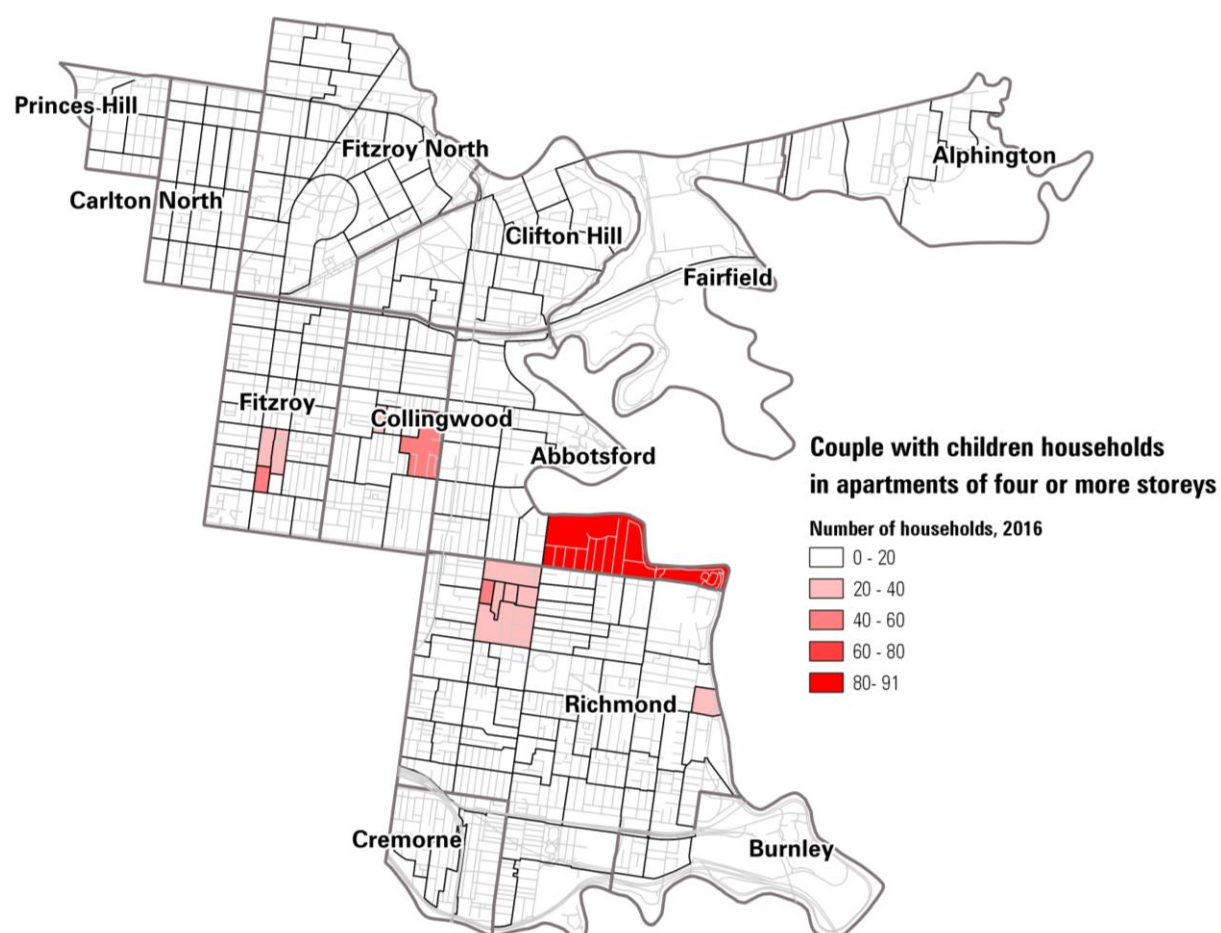


Source: ABS, Census of Population and Housing (2016)

The map above shows the number of couple with children households in the SA2s of Yarra at 2016. The Richmond SA2 had the highest number of couple with children households in high density with 443, more than double the number in Fitzroy. Many of these households are likely to be in the social housing high rise buildings. The Yarra – North SA2 has the lowest number at 33.

Figure 30 shows the number of couple with children households in higher density housing (four or more storeys) by SA1. The majority of these are found in the high rise social housing areas in Fitzroy, Richmond and Collingwood. The notable exception is the newer apartment area of Victoria Street Abbotsford.

Figure 30: Couples with children households in apartments of four or more storeys - 2016



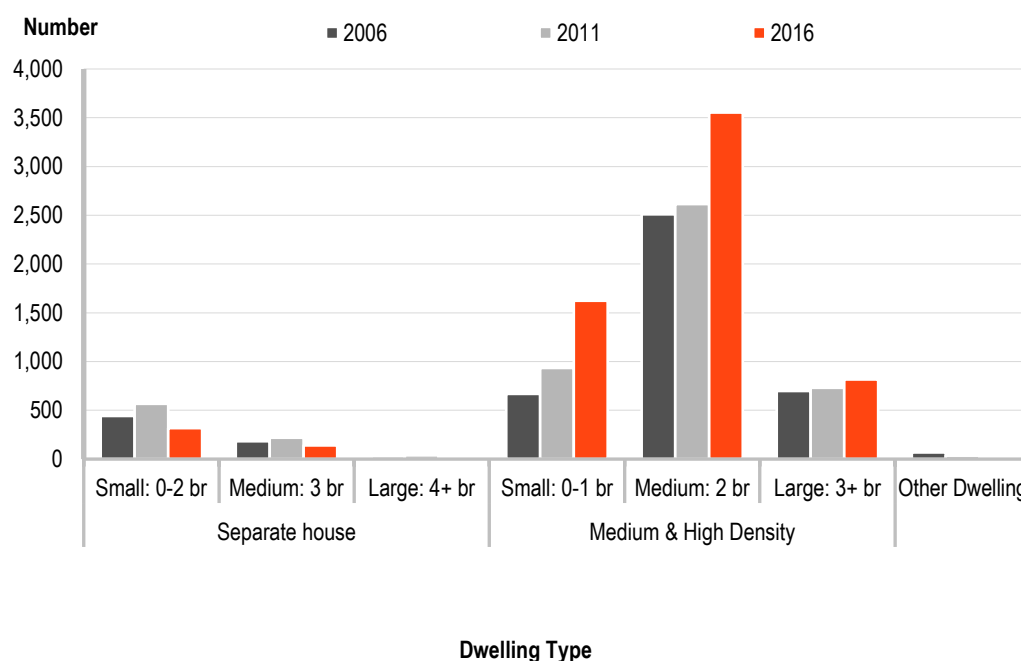
Source: ABS, Census of Population and Housing (2016)

### 6.3 Young couples without children

*Young couples without children* are early in their housing careers and 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 format of their dwelling to achieve affordability and desired location. They are an important group to attract, particularly for well-established areas, as they have a high propensity for having children, therefore providing demand for children's services in the future. Within Yarra, young couples without children tend to be concentrated in Abbotsford, Richmond and Collingwood. These areas all have good access to public transport, as well as relative proximity to the CBD and access to other services such as retail/education.

With their smaller household size, young couples without children display similar housing preferences to couples with young children, but with fewer bedrooms. The growth in young couples without children between 2006 and 2016 meant that all medium and high density dwelling types recorded increases over the ten years, particularly dwellings with two or fewer bedrooms (Figure 31). This largely reflects the relative affordability of the dwelling stock in the municipality.

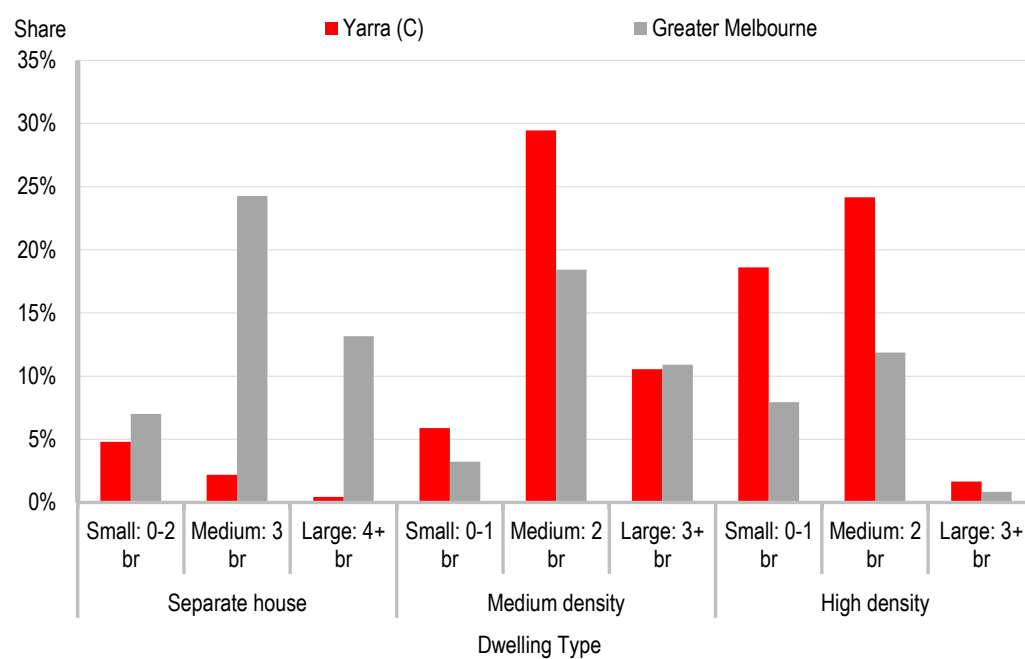
Figure 31: Young couples without children households, by dwelling type – 2006-2016



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

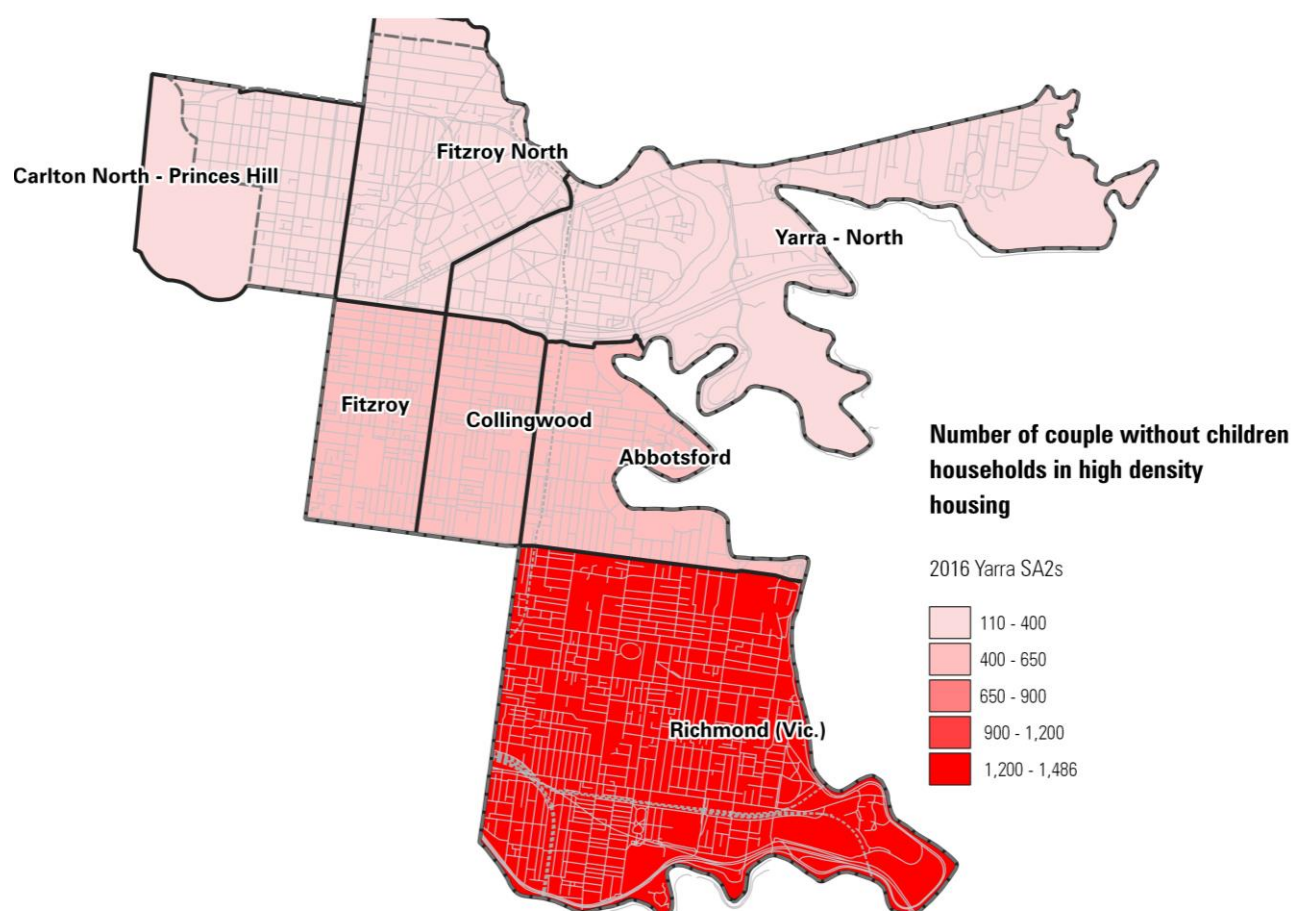
Figure 32 shows that compared to the Greater Melbourne, young couples without children have a far greater propensity to live in medium and high density dwellings (around 90.3% compared to 53.2%). The proportion of young couples living in separate dwellings is far lower.

Figure 32: Young couples without children by dwelling type (%) – 2016



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

Figure 33: Couples without children households in high density dwellings – 2016



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

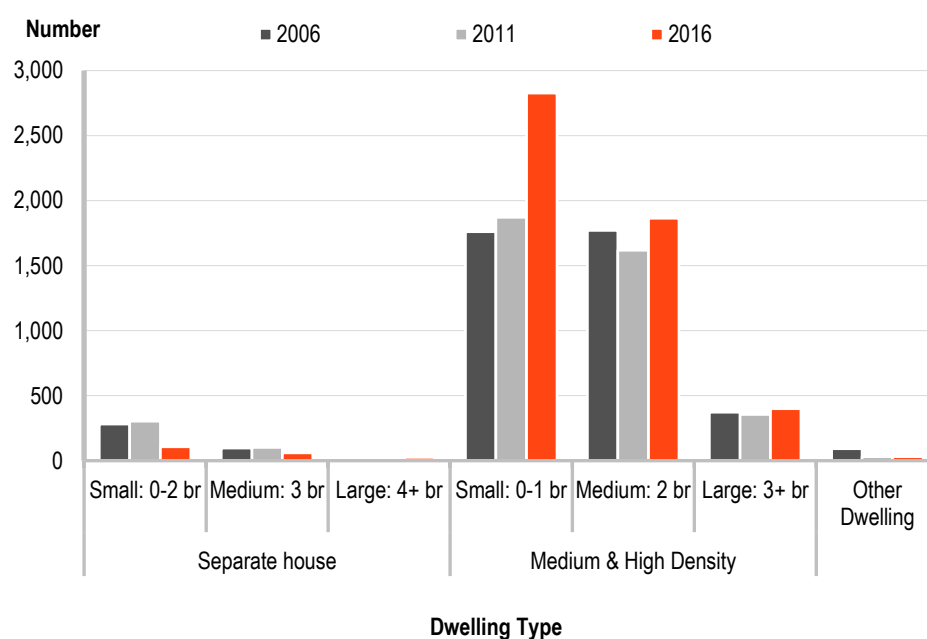
The map above shows the number of couples without children households in the SA2s of Yarra at 2016. The Richmond SA2 had the highest number of couples without children households in high density with 1,486, more than double the number in Abbotsford. Carlton North – Princes Hill and Yarra – North SA2 has the lowest numbers at 112 and 138 respectively.

## 6.4 Young lone person households

*Young lone person households* are often not analysed in detail in housing analysis, however, they recorded an increase in the City of Yarra between 2006 and 2016. This is quite uncommon, as the trend seen across Australia is for fewer lone person households. This group is often very mobile, and more exposed to affordability pressures.

Over the ten years between 2006 and 2016 *young lone person households* became more likely to live in smaller dwellings (Figure 34), with large increases in medium and high density dwellings with one or two bedrooms. Again, this reflects the available housing stock but may also reflect affordability of housing in the area. In 2016 there was a noticeable divide between areas north of Alexandra Parade/Princes Street which had lower proportions of young lone person households and areas to the south, again a reflection of the dwelling types available.

Figure 34: *Young lone person households, by dwelling type – 2006-2016*

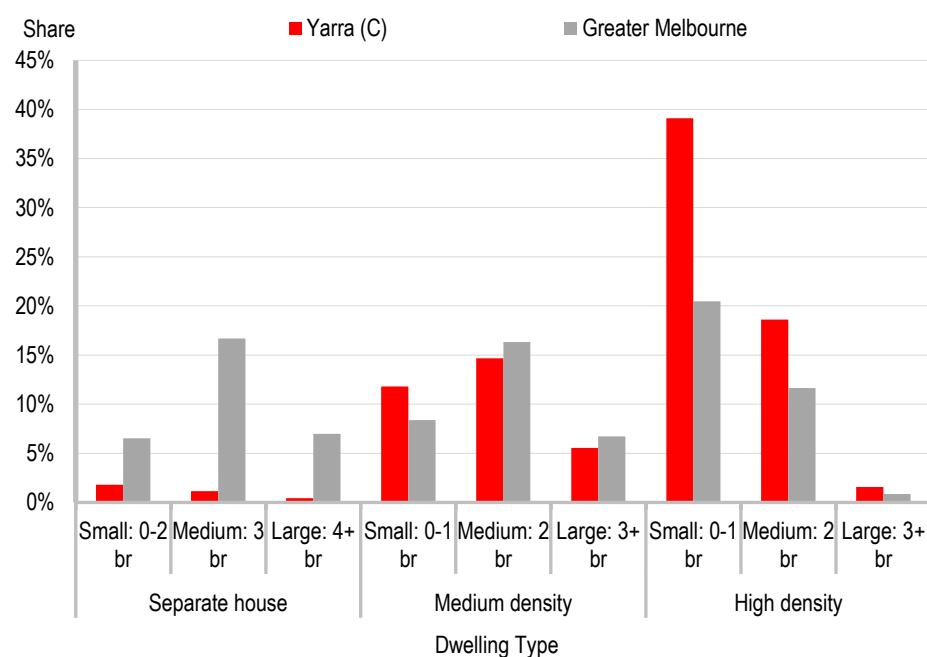


Source: ABS, *Census of Population and Housing* (2006, 2011 and 2016)

Compared to Greater Melbourne, young lone persons in the City of Yarra are far more likely to live in medium and high density dwellings (Figure 35). This is consistent with lower average density of dwellings across Greater Melbourne.



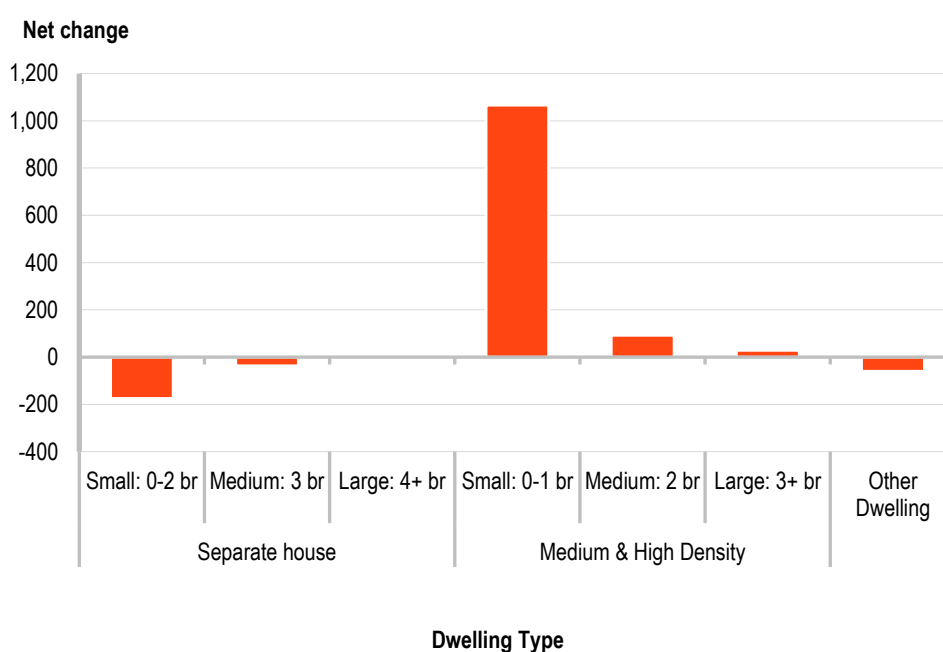
Figure 35: Young lone person households, by dwelling type (%) – 2016



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

As shown in Figure 36, between 2006 and 2016, the number of *young lone person households* was stable in almost all dwelling types. However, there was a significant increase in this household type living in one bedroom medium or high density dwellings.

Figure 36: Net change in young lone person households, by dwelling type – 2006-2016



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

## 6.5 Older lone person households

The number and proportion of persons aged 65 years and over in the City of Yarra increased between 2006 and 2016. Older lone persons are one of the emerging household types in Yarra, comprising 7.3% of total households. This household type is generally concentrated in Fitzroy North and Carlton North.

The housing profile for older lone person households shows a higher likelihood to live in separate dwellings in comparison to all other household types in Yarra (Figure 37). However, between 2006 and 2016 the largest increase for this household type was medium and high-density dwellings with two bedrooms.

Figure 37: Older lone person households, by dwelling type – 2006-2016

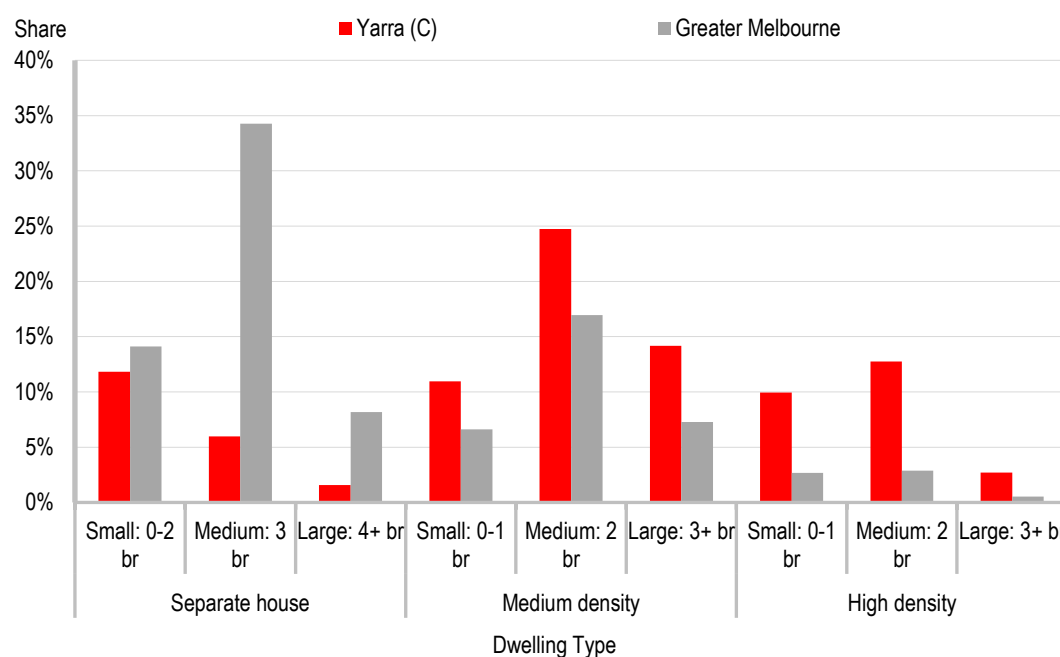


Source: ABS, Census of Population and Housing (2006, 2011 and 2016)

As shown in Figure 38, *older lone persons households* in the City of Yarra showed a far greater propensity to live in medium and higher density dwellings, compared to the Greater Melbourne average.

Additionally, the most common types of dwelling for *older lone person households* are two bedroom medium density dwellings (24.7%), closely followed by those with three bedrooms (14.2%). This trend was consistent throughout most of Yarra. Bucking this trend however, were Collingwood and Fitzroy North, both notable for their number of old lone persons in separate houses of 0-2 bedrooms.

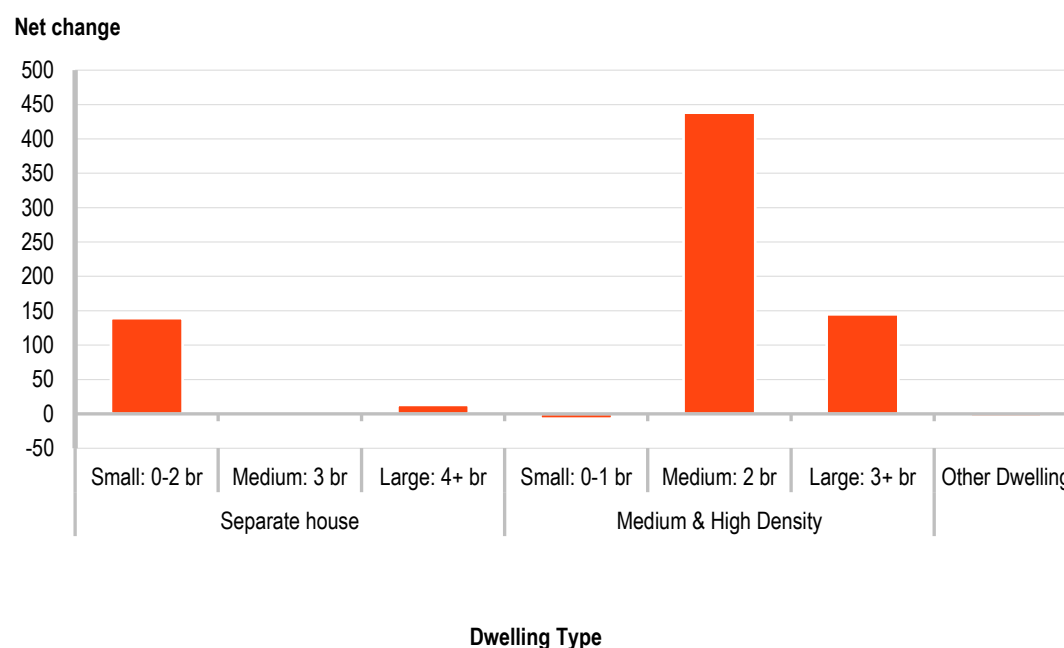
Figure 38: Older lone person households, by dwelling type (%) – 2016



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

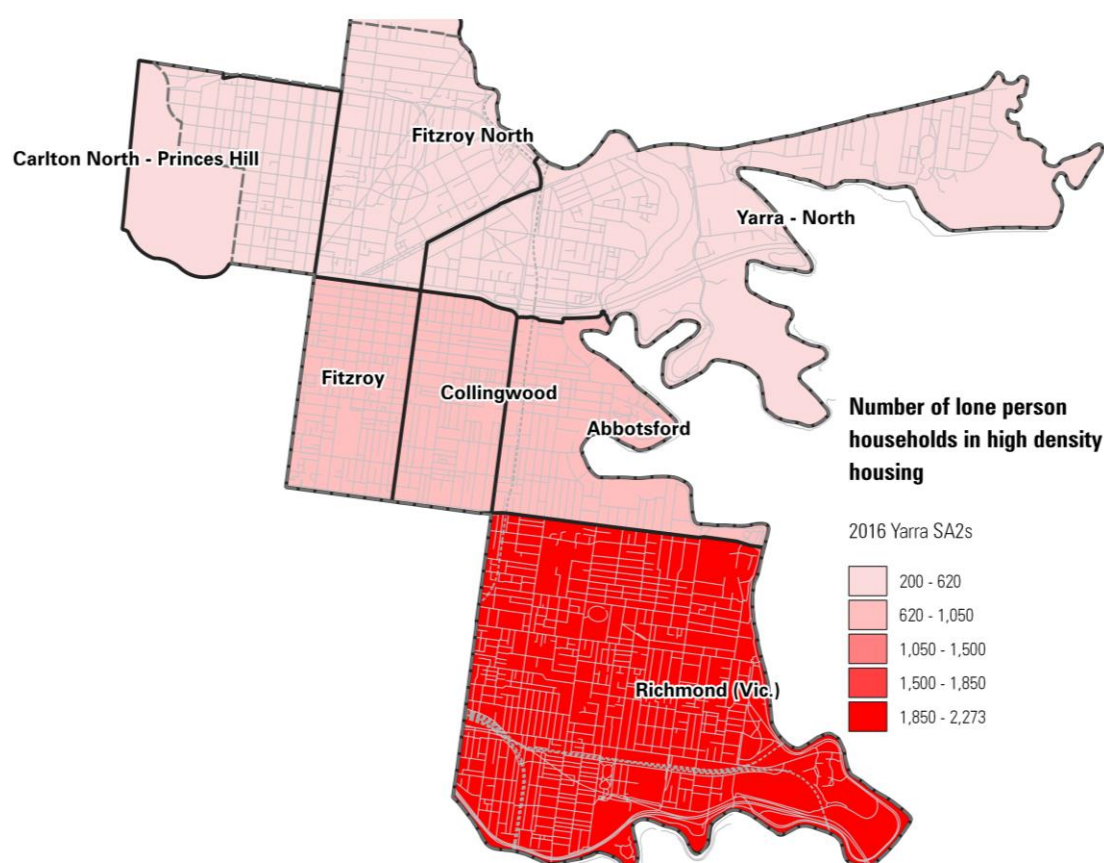
Between 2006 and 2016, there was an increase in the number of *older lone person households* living in medium and high density dwellings, mainly as a result of ageing in place – these households were also consuming this type of dwelling as a middle aged lone person or couple with or without children (Figure 39).

Figure 39: Net change in older lone person households, by dwelling type – 2006-2016



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

Figure 40: Lone person households in high density dwellings – 2016

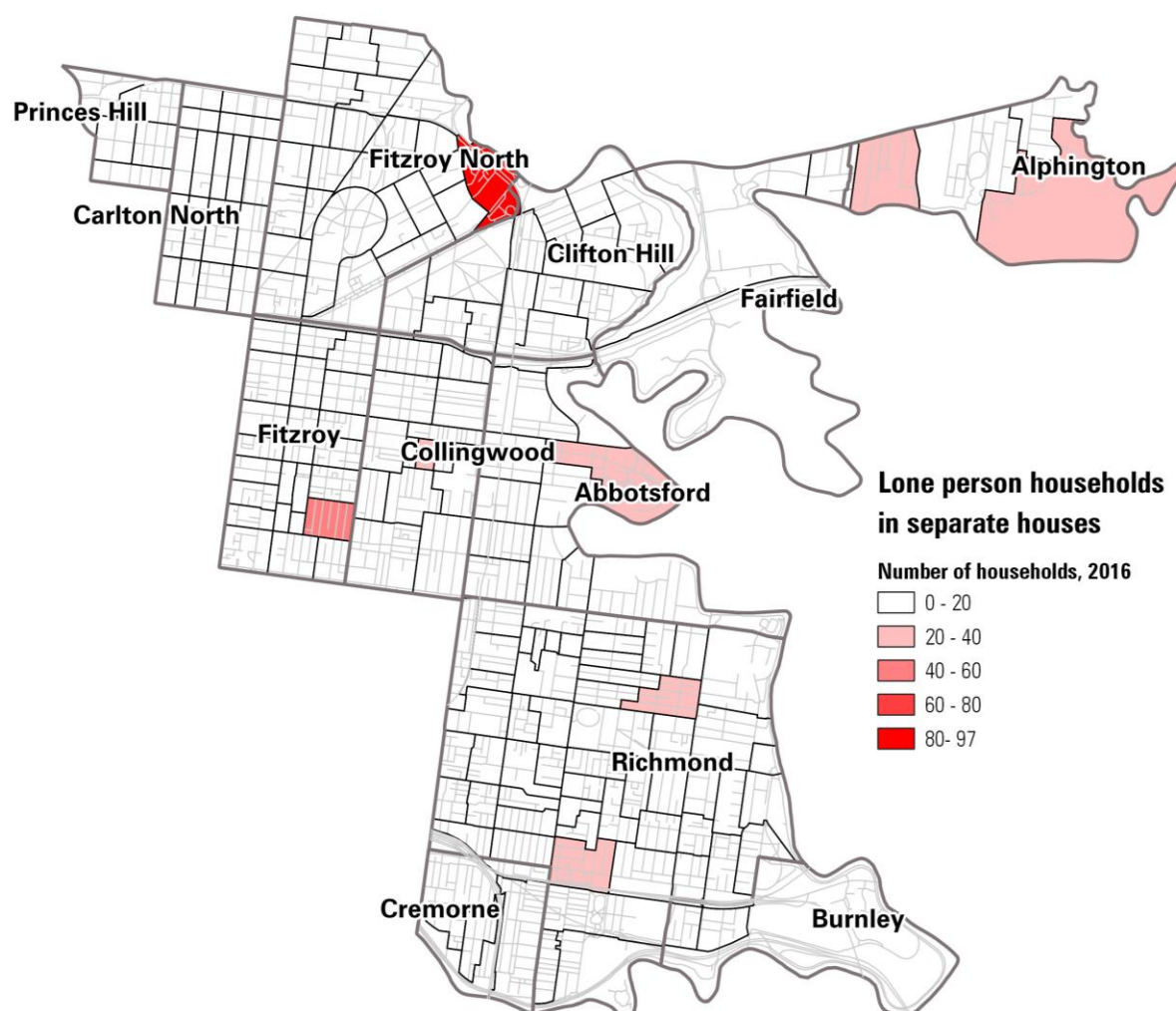


Source: ABS, Census of Population and Housing (2016)

The map above shows the number of lone person households in the SA2s of Yarra at 2016. The Richmond SA2 had the highest number of couple with children households in high density with 2,273, almost triple the number in Collingwood. Yarra – North SA2 had the lowest number at 207.

Figure 41 shows the number of lone person households in separate houses by SA1. The overwhelming majority of SA1s have fewer than 20 households in this category. The largest concentrations of lone person households in separate houses are found in a range of areas in Alphington, Richmond and Abbotsford. The largest numbers are in the Old Colonists' Association estate in Fitzroy North.

Figure 41: Lone person households in separate houses – 2016



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

## 7. Who is in housing stress in Yarra and where are they located?





## 7.1 Housing stress – NATSEM definition

This section of the report provides a brief overview of the levels of housing stress and marginal housing stress present in Yarra and Greater Melbourne at the 2016 Census.

The National Centre for Social and Economic Modelling (NATSEM) identifies housing stress as low income (bottom 40%) households spending over 30% of their income on housing costs (mortgage repayments or rental). Marginal housing stress is defined as middle income (40%-60%) households spending over 30% of their income on housing.

Tables 6, 7 and 8 show the number and percentage of households in housing stress, for total households, households with a mortgage and households that are renting.

Overall, 3,872 (9.7%) Yarra households were in housing stress in 2016 according to the NATSEM definition. This is an increase from 8.8% of households in 2011. However, 3,505 (17.5%) of renting households were in housing stress compared with only 371 (4.6%) of households with a mortgage. While rental stress increased from the 2011 rate of 15.9%, mortgage stress decreased from 4.9%.

Housing stress was generally highest in areas with the highest levels of social housing such as Collingwood, Fitzroy and North Richmond. It is difficult to draw many conclusions from the proportion of households with a mortgage in housing stress given the relatively low numbers. In terms of larger benchmark areas, Yarra had fewer households proportionally in housing stress than Greater Melbourne.

Table 6: Households in housing stress – 2016

Area	Number	Total households	Percent %
Abbotsford	381	3,952	9.6
Central Richmond	355	6,200	5.7
Clifton Hill	155	2,631	5.9
Collingwood	596	4,273	13.9
Cremorne and Burnley - Richmond South	114	2,143	5.3
Fairfield - Alphington	70	1,047	6.7
Fitzroy	611	4,729	12.9
Fitzroy North	440	5,177	8.5
Carlton North - Princes Hill	325	3,681	8.8
North Richmond	839	6,261	13.4
<b>City of Yarra</b>	<b>3,872</b>	<b>39,867</b>	<b>9.7</b>
Greater Melbourne	195,262	1,664,540	11.7

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

Table 7: Households with a mortgage in housing stress – 2016 (based on ABS State suburbs)

Area	Number	Total households with a mortgage	Percent %
Abbotsford (Vic.)	50	850	5.9
Burnley	3	88	3.4
Carlton North	15	464	3.2
Cremorne (Vic.)	13	258	5.0
Clifton Hill	25	728	3.4
Collingwood (Vic.)	37	747	5.0
Fitzroy (Vic.)	44	731	6.0
Fitzroy North	53	1,144	4.6
Princes Hill	10	135	7.4
Richmond (Vic.)	111	2,667	4.2
<b>City of Yarra</b>	<b>371</b>	<b>8,142</b>	<b>4.6</b>
Greater Melbourne	63,826	570,250	11.2

Source: ABS, Census of Population and Housing (2016) – based on ABS State Suburb geography due to randomisation at SA1

Table 8: Households renting in housing stress – 2016

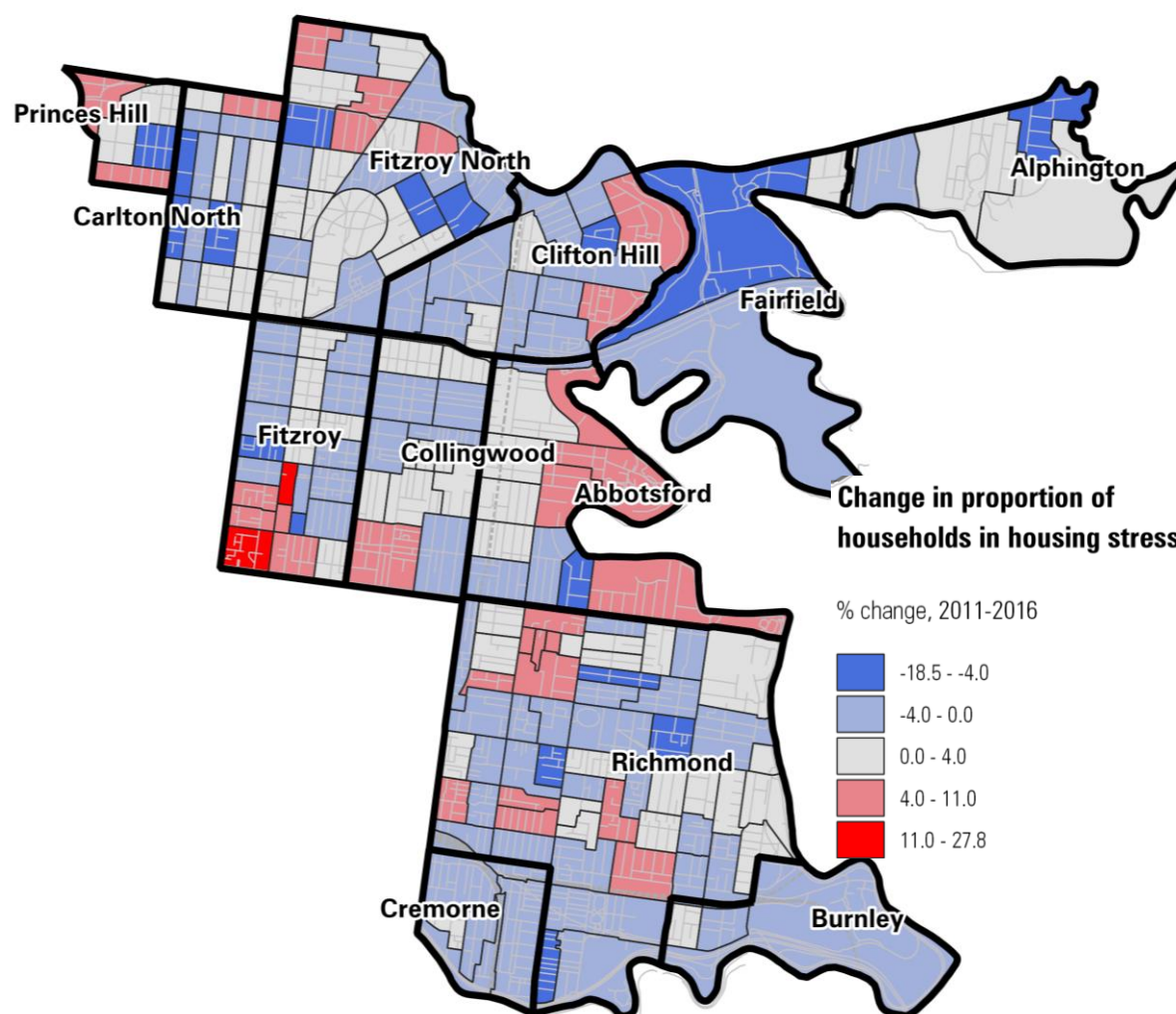
Area	Number	Total renting households	Percent %
Abbotsford	303	2,107	14.4
Central Richmond	279	2,894	9.6
Clifton Hill	105	959	10.9
Collingwood	530	2,499	21.2
Cremorne and Burnley - Richmond South	70	876	8.0
Fairfield - Alphington	56	366	15.3
Fitzroy	562	2,557	22.0
Fitzroy North	364	2,389	15.2
Carlton North - Princes Hill	285	1,706	16.7
North Richmond	723	3,657	19.8
<b>City of Yarra</b>	<b>3,505</b>	<b>20,042</b>	<b>17.5</b>
Greater Melbourne	131,431	479,160	27.4

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

In Figure 42, the change in the number of households in housing stress between 2011 and 2016 is shown at SA1 level. Many areas declined in the proportion of households in household stress, particularly in North Richmond, Clifton Hill and Carlton North. Increases in the proportion of households in housing stress were noticeable in a wide range of areas including the social housing areas of Fitzroy and North Richmond, and areas in Abbotsford that have added a significant number of new apartments in recent years.



Figure 42: Change in the proportion of households in housing stress by SA1 – 2011-2016



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

An alternative measure of housing affordability is that used by the Victorian State Government based on median income for capital city and regional section of state. This has four bands of household income – Very Low (less than 50% of median), Low (50-80% of median), Moderate (80-120% of median) and High (above 120% of median). The median in the case of Yarra are based on Greater Melbourne.

## 7.2 Housing stress – Victorian Government definition

Tables 9 and 10 show the proportion of households spending more than 30% of their income on housing by household income bands. In 2016, 15.2% of all households in Yarra spent more than 30% of their income on mortgage or rental costs. The figure for renters is 25.9% while for those with a mortgage it is 11.5%. In general, Yarra had lower proportions of households paying more than 30% of their income on housing compared to Greater Melbourne, particularly renters. However, households on moderate incomes in Yarra appeared to be experiencing greater financial hardship than Greater Melbourne overall.

Of the approximately 6,000 households paying more than 30% of income, 3,000 were renting households on very low income. This is a significant finding, suggesting that there is considerable unmet need for affordable housing in Yarra.

*Table 9: Yarra and Greater Melbourne households spending more than 30% of income on housing by income group – 2016*

Income level	Mortgage		Renting		Total	
	Yarra	Greater Melbourne	Yarra	Greater Melbourne	Yarra	Greater Melbourne
Very low	58.9%	67.3%	69.7%	82.7%	45.5%	37.7%
Low	52.4%	53.7%	58.1%	58.9%	39.8%	34.8%
Moderate	33.8%	28.2%	27.8%	15.1%	22.6%	16.0%
<b>Total</b>	<b>11.5%</b>	<b>17.3%</b>	<b>25.9%</b>	<b>34.5%</b>	<b>15.2%</b>	<b>17.2%</b>

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

*Table 10: Yarra households spending more than 30% of income on housing by income group – 2016*

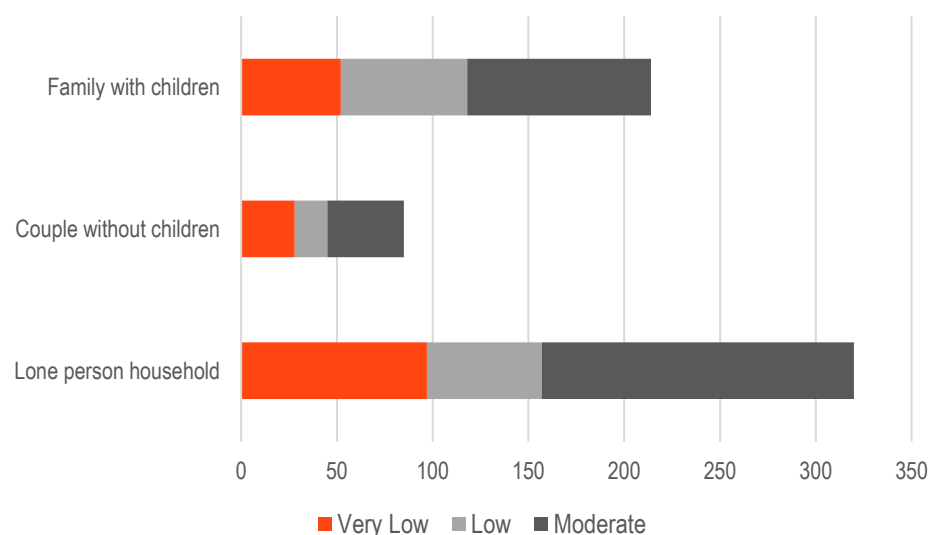
Income level	Mortgage	Renting	Total
Very low	272	3,024	<b>3,296</b>
Low	268	1,229	<b>1,497</b>
Moderate	400	872	<b>1,272</b>
<b>Total</b>	<b>940</b>	<b>5,125</b>	<b>6,065</b>

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

In Yarra, particular household types are more susceptible to housing stress. Lone person households in the area are more likely to be in housing stress, with 23.1% of this household type in stress. This is compared with 13.1% of family households, and 6.6% of couple only households.

When looking at households with a mortgage, the most prominent household type is lone persons, especially those on moderate incomes. This is generally due to the lower household incomes of lone person households. There is also a small number of family households in mortgage stress, again mainly in the moderate income band.

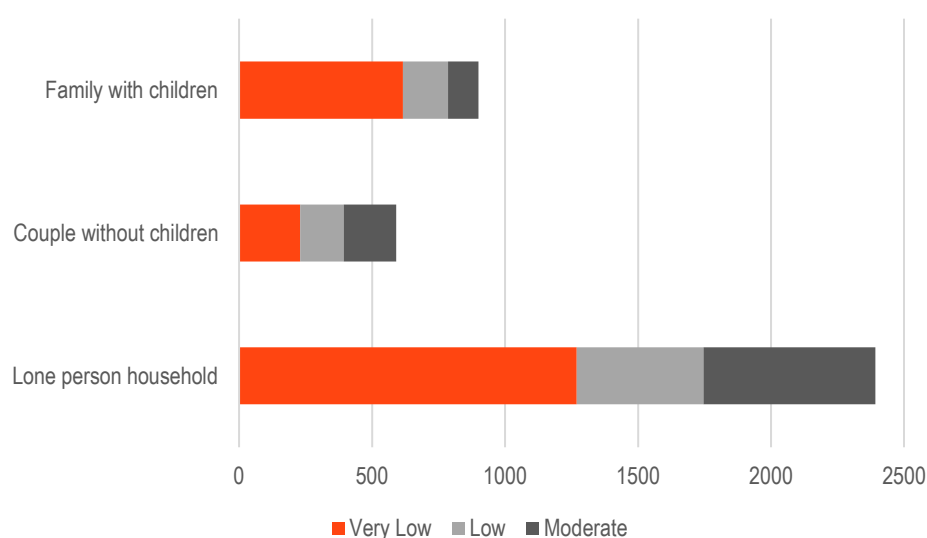
*Figure 43: Number of households in mortgage stress by household type – 2016*



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

As stated in the analysis above, a larger number of households are affected by rental stress in Yarra. The majority of these households are lone persons, especially those on very low incomes. A significant number of lone persons on low and moderate incomes also experience rental stress. For couple only and family households, rental stress is felt most by those with very low incomes.

Figure 44: Number of households in rental stress by household type – 2016



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

## 7.3 Housing need

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 Yarra:

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

Unmet need is based on the groups above, and excludes households in social housing as their need is met<sup>1</sup>.

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<sup>1</sup> Please note, while rental stress data does not include those who have reported their tenure as ‘social housing’, it may include some households that live in social housing, but incorrectly reported their tenure on Census night

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.

In 2016, the ABS estimated a total of 1,008 homeless or marginally housed persons in Yarra, a small decrease from 1,068 people in 2011. The largest homeless group in Yarra is persons living in over crowded dwellings, followed by persons in boarding houses.

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>2</sup>.

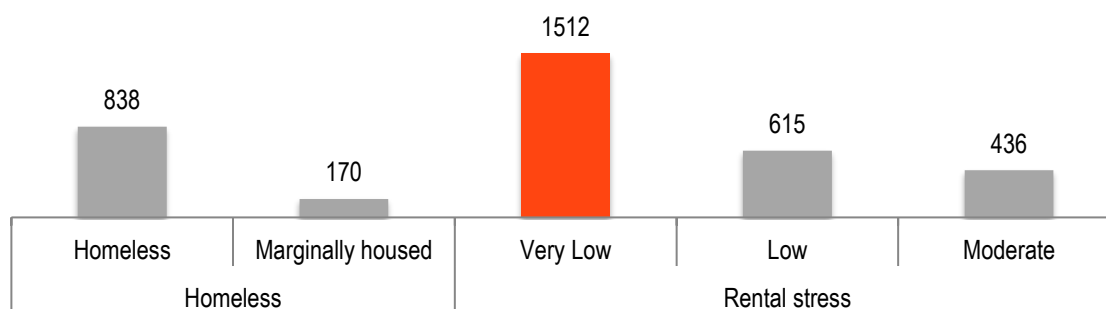
To estimate housing need, it is assumed that 50% of rental stress is households in temporary stress. Based on these assumptions, it is estimated that around 2,563 households in rental stress needed affordable housing opportunities in 2016.

Based on this housing need model for 2016, it is estimated that around 3,571 households have an unmet need for affordable housing in Yarra. This represents around 9% of all households. The group with the largest unmet need are households in rental stress on very low incomes.

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<sup>2</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.

Figure 45: Total unmet affordable housing need – 2016

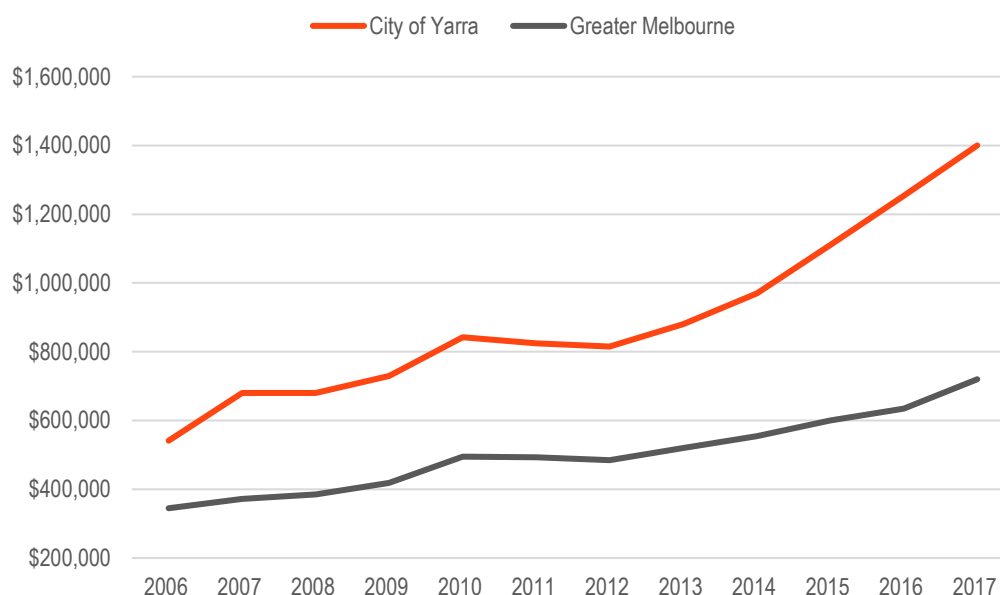


Source: ABS, Census of Population and Housing (2016)

## 7.4 Housing affordability

Housing costs in the City of Yarra are increasing. Median house sale prices have risen sharply over the past decade. In 2006, the cost of a house in Yarra was around \$540,000, considerably higher than the metropolitan median house price. In 2016, the median house price was \$1.25 million; growing by 130% since 2006, and now cost around double the metropolitan median house price (\$635,000 in 2016, \$345,000 in 2006).

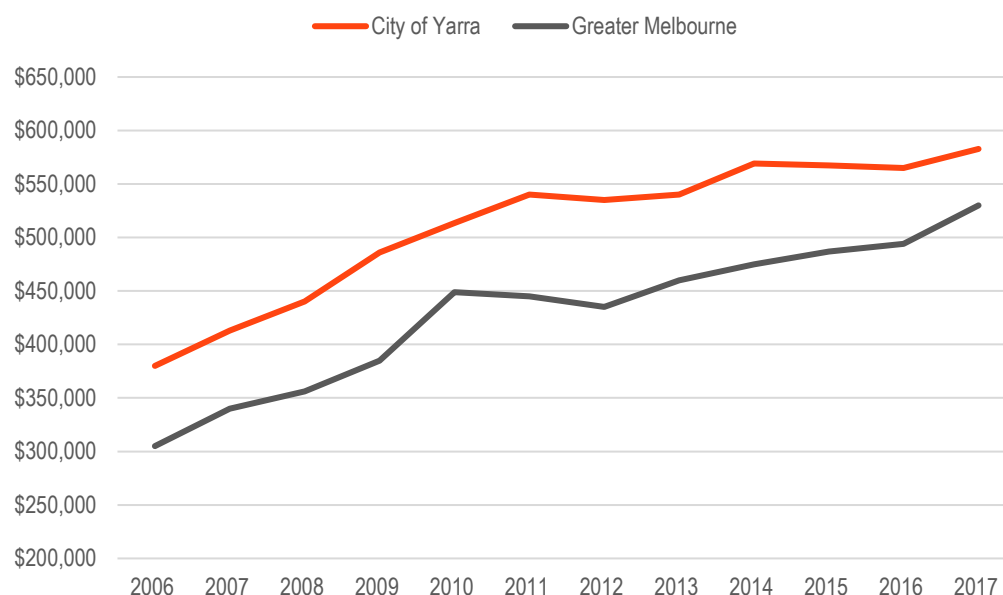
Figure 46: Purchase costs – Houses



Source: Victoria Valuer General (2018)

The purchase price of medium and high density dwellings also experienced strong growth over the past decade, increasing by 48% since 2006. The gap in prices between Yarra and Greater Melbourne has narrowed in recent times.

Figure 47: Purchase costs – Medium and high-density dwellings



Source: Victoria Valuer General (2018)

Income levels in Yarra have not kept up with growth in house costs over the past decade, however have grown faster than unit costs. Figure 48 below highlights that housing affordability has emerged as a pressing issue in Yarra. While income growth has outstripped that of unit prices, 63.0% compared with 48.7%, house prices have experienced a significantly greater change (131.6%). However, rising housing costs in Yarra have attracted higher income residents. When comparing the increase in housing costs in Yarra compared to the income growth across Greater Melbourne, it shows that the growth in housing costs, including units, has been more significant than that of incomes.

Figure 48: Income growth and housing cost growth - % change 2006-2016, City of Yarra





## 8. Is housing affordable for key workers?



## 8.1 Key worker definition

AHURI provide a useful definition to describe key workers:

***“Basically these are lower paid workers in occupations considered important to the proper functioning of the city, particularly those in lower paid service occupations, although not exclusively so, whose jobs are in areas of high housing costs.”*** (Yates, Randolph, Holloway, Murray (2005), *Housing affordability, occupation and location in Australian cities and regions*)

A Queensland Department of Housing report suggests:

***“The term broadly implies occupations necessary to the efficient functioning of a community particularly service industries.”*** (Queensland DoH, 2003)

BankWest’s *Key Worker Housing Affordability Report* defines key workers as Nurses, Teachers, Police Officers, Fire Fighters and Ambulance Offices.

For the purpose of this report, key workers have been defined based on traditional key worker occupations identified in BankWest as well as a selection of occupations specific to the role and function of the Yarra economy. The definition is based on the detailed occupation categories defined by the ABS (ANZSCO Major Group 3).

Traditional occupations defined as key workers:

- ▣ School Teachers
- ▣ Midwifery and Nursing Professionals
- ▣ Defence Force Members, Fire Fighters and Police
- ▣ Health and Welfare Support Workers (includes ambulance officers and paramedics)

Additional key worker occupations based on the role and function of the Yarra economy:

- ▣ Hospitality Workers (to support amenity required for business attraction)
- ▣ Child Carers (to support participation rates)
- ▣ Cleaners and Laundry Workers (to support operations of the hospital cluster)
- ▣ Automobile, Bus and Rail Drivers (to help access to jobs)

## 8.2 Key worker housing affordability background

This section will look at actual housing sale prices and advertised rentals, compared to median income for selected key worker types for jobs located in the City of Yarra. It assesses the proportion of dwelling stock which would be affordable (to buy or rent) based on classifications of household income. This will provide an assessment of how affordable housing in Yarra is for key workers whose jobs are located in Yarra.

To undertake this assessment dwelling sales and rental data for the City of Yarra was assessed for both 2012 and 2017. This information was compared with household income information for jobs in Yarra in 2016 as well as incomes by a selection of key worker occupations. It should be noted that there are complexities in comparing income as declared in the Census with dwelling prices. The major challenge is that the Census captures individual and household income in the week of the Census, but does not capture any information about household wealth. It is wealth in terms of assets, investments and for most households the value of the equity in their current property that determine their ability to afford a given dwelling. An assessment of affordability is most useful in showing affordability of first home buyers and their ability to enter the market.

Table 11 shows the calculation of incomes for key worker households whose key worker jobs are located in the City of Yarra. This table assumes that the key worker is earning 50% of their household's income. This proportion will vary depending on household type (more for lone persons, less for group and older family households) but 50% is used as a general guide. Incomes are indexed to 2017 levels to enable direct comparison with house and unit price data.

Table 13 reviews the proportion of key worker households that would be unable to afford a dwelling in the lower quartile of price for both purchase and rental of properties in Yarra. This information is shown for both 2012 and 2017 to enable change to be reviewed. Affordability in this sense is based on spending less than 30% of gross income on housing.

The ability to afford dwellings priced in the lower quartile has actually improved slightly from 2012 to 2017 (51% down to 49% unable to afford). This however masks significant affordability changes by tenure and dwelling type. In 2012, 65% of households found a house priced in the lowest quartile unaffordable. By 2017 this had ballooned to 84%. By contrast renting has become more affordable, with 35% finding private rent unaffordable in 2017 compared to 40% in 2012. These increases in rental affordability were higher in the

smaller 1 and 2 bedroom format. Of note also is the increase in affordability of units for purchase (44% to 39% unaffordable from 2012 to 2017). What these trends seem to show is that the large numbers of new higher density dwellings being constructed are having a positive impact on affordability. The supply of houses, which is generally stagnant, has experienced a dramatic decline in affordability.

Table 11: Incomes of key worker group occupations located in Yarra, 2017

Yarra jobs by category	Hospitality Workers	Cleaners and Laundry Workers	Child Carers	Clerical and Office Support Workers	Automobile, Bus and Rail Drivers	Health and Welfare Support Workers	School Teachers	Midwifery and Nursing Professionals	Defence Force Members, Fire Fighters and Police
2016 Median Weekly Income	\$482.02	\$617.89	\$673.68	\$731.75	\$809.26	\$1,008.00	\$1,164.32	\$1,226.74	\$1,732.76
Double Income	\$964.05	\$1,235.77	\$1,347.36	\$1,463.50	\$1,618.51	\$2,015.99	\$2,328.64	\$2,453.47	\$3,465.52
Double Income adjusted to 2017	\$988.15	\$1,266.66	\$1,381.04	\$1,500.09	\$1,658.97	\$2,066.39	\$2,386.85	\$2,514.81	\$3,552.16

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

Table 12: Income required for accessing private market housing in the lower quartile (purchase and rental) – 2012 and 2017

Income required to access private market housing										
	2012					2017				
	Lower quartile	Loan amount	Annual cost	Income required	% of households unable to afford	Lower quartile	Loan amount	Annual cost	Income required	% of households unable to afford
<b>Market purchase</b>	<b>\$495,000</b>	<b>\$415,816</b>	<b>\$27,794</b>	<b>\$92,646</b>	<b>51%</b>	<b>\$531,000</b>	<b>\$446,344</b>	<b>\$29,834</b>	<b>\$99,448</b>	<b>48%</b>
House	\$692,375	\$583,190	\$38,982	\$129,938	65%	\$1,116,250	\$942,636	\$63,008	\$210,025	84%
Unit	\$410,000	\$343,736	\$22,976	\$76,587	44%	\$430,000	\$360,696	\$24,110	\$80,365	39%
<b>Private rent</b>	<b>\$390</b>	<b>-</b>	<b>\$20,280</b>	<b>\$67,600</b>	<b>40%</b>	<b>\$410</b>	<b>-</b>	<b>\$21,320</b>	<b>\$71,067</b>	<b>35%</b>
1 bed	\$290	-	\$15,080	\$50,267	30%	\$330	-	\$17,160	\$57,200	28%
2 bed	\$430	-	\$22,360	\$74,533	43%	\$485	-	\$25,220	\$84,067	41%
3 bed	\$521	-	\$27,105	\$90,350	50%	\$624	-	\$32,448	\$108,160	51%
4+ bed	\$600	-	\$31,200	\$104,000	56%	\$680	-	\$35,360	\$117,867	54%

Source: Hometrack property sales and rental data 2012 and 2017; ABS, Census of Population and Housing (2016)

Of the key worker groups, hospitality workers receive the lowest income. This would be impacted by the casual and part time nature of jobs in this area. For these workers, only one house sale would have been affordable in 2017. There would have been 26 unit sales affordable. In general terms renting is more affordable, with 154 or 4.7% of rental unit listings affordable to hospitality workers. For cleaners and laundry workers, 22.8% of rental unit listings area are affordable. Defence force members, fire fighters and police earn the highest salaries. This occupation group can afford nearly all rentals – house and unit, as well as 14.59% of house sales.

For lone person households in key worker occupations, the results are stark. Only Defence force members, fire fighters and police could afford more than 1% of the houses and units on sale in 2017. For rentals the story is slightly better, with around 20% of rental units affordable to Midwifery and Nursing Professionals and over half affordable for lone person households working as Defence Force Members, Fire Fighters and Police in Yarra.

Table 13: Number and proportion of affordable dwellings for Yarra key worker groups, 2017

Yarra jobs by category	Hospitality Workers	Cleaners and Laundry Workers	Child Carers	Clerical and Office Support Workers	Automobile, Bus and Rail Drivers	Health and Welfare Support Workers	School Teachers	Midwifery and Nursing Professionals	Defence Force Members, Fire Fighters and Police
2016 Median Weekly Income	\$482.02	\$617.89	\$673.68	\$731.75	\$809.26	\$1,008.00	\$1,164.32	\$1,226.74	\$1,732.76
Double Income	\$964.05	\$1,235.77	\$1,347.36	\$1,463.50	\$1,618.51	\$2,015.99	\$2,328.64	\$2,453.47	\$3,465.52
Double Income adjusted to 2017	\$988.15	\$1,266.66	\$1,381.04	\$1,500.09	\$1,658.97	\$2,066.39	\$2,386.85	\$2,514.81	\$3,552.16
30% of income	\$296.45	\$380.00	\$414.31	\$450.03	\$497.69	\$619.92	\$716.06	\$754.44	\$1,065.65
No. of 2017 house sales affordable	1	3	4	5	10	13	19	25	117
% of 2017 house sales affordable	0.12%	0.37%	0.50%	0.62%	1.25%	1.62%	2.37%	3.12%	14.59%
No. of 2017 unit sales affordable	26	106	173	226	325	512	688	721	896
% of 2017 unit sales affordable	2.5%	10.2%	16.7%	21.8%	31.4%	49.5%	66.5%	69.7%	86.6%
No. of 2017 affordable rental house listings	5	14	40	99	197	765	1,247	1,394	1,803
% of 2017 affordable rental house listings	0.3%	0.7%	2.1%	5.2%	10.4%	40.3%	65.7%	73.4%	94.9%
No. of 2017 affordable rental unit listings	154	743	1,256	1,702	1,982	2,814	3,064	3,110	3,233
% of 2017 affordable rental unit listings	4.7%	22.8%	38.6%	52.2%	60.8%	86.4%	94.0%	95.5%	99.2%

Source: Hometrack property sales and rental data 2012 and 2017; ABS, Census of Population and Housing (2016)

By way of context, the table below shows both the number of key worker jobs located in Yarra for 2006, 2011 and 2016 as well as the number of Yarra residents employed in key worker jobs. A rough comparison of the two, shows that over time there are proportionally fewer Yarra residents working in many of these occupations compared to the number of jobs of these occupations available locally. For example in 2006 there were similar numbers of local workers and jobs in hospitality. By 2016, there were significantly fewer local workers than jobs in this occupation.

*Table 14: Number of Yarra key worker occupations, jobs located in Yarra and jobs held by Yarra residents 2006, 2011 and 2016*

<b>Jobs in Yarra/Yarra residents occupations</b>	<b>Hospitality Workers</b>	<b>Cleaners and Laundry Workers</b>	<b>Child Carers</b>	<b>Clerical and Office Support Workers</b>	<b>Automobile, Bus and Rail Drivers</b>	<b>Health and Welfare Support Workers</b>	<b>School Teachers</b>	<b>Midwifery and Nursing Professionals</b>	<b>Defence Force Members, Fire Fighters and Police</b>
Jobs of these occupations located in Yarra (2006)	1,293	729	377	599	318	568	830	2,661	267
Yarra residents working in these occupations (2006)	1,318	404	226	303	103	409	1,164	835	125
Jobs of these occupations located in Yarra (2011)	1,598	648	460	658	350	781	880	3,055	320
Yarra residents working in these occupations (2011)	1,478	401	287	265	88	395	1,283	877	132
Jobs of these occupations located in Yarra (2016)	2,502	1,021	685	650	682	981	1,291	3,403	279
Yarra residents working in these occupations (2016)	1,991	439	335	216	108	497	1,556	1,030	144

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



### 8.3 Key worker housing affordability implications

The recent growth in house prices may be seen as a warning sign for the Yarra economy. Escalating house and rental prices have the potential to push key workers further away. This risk is even greater for key workers who already have lower incomes and face lower income growth. Without an adequate level of key worker labour supply that can afford to live close to work:

- ▣ local industry will face additional costs and have impacts on competitiveness (e.g. job retention, recruitment costs, etc);
- ▣ workers will face additional costs in the form of transport or housing, resulting in a fall in disposable income; and
- ▣ workers may change their place of work to be closer to home, further reducing the labour force pool available.

The rise of urban infill development is being driven in part by the highly skilled economy. The concentration of highly skilled jobs in inner Melbourne has increased demand for local housing. But this changing employment and housing choice comes at a cost, with a premium now placed on housing near these large employment clusters.

Urban renewal will play an important role in creating the opportunity to work and live locally and maximise the potential benefits from economies of agglomeration (i.e. from increasing labour force catchments). More affordable housing through urban renewal will be critical in opening up opportunities for key workers to live closer to work.

Public transport connections will also play an important role in reducing overall living costs and increasing the labour force pool available.

## 9. Conclusion

The City of Yarra has experienced considerable population and dwelling growth in the period 2006 to 2016. This growth has been a feature of inner Melbourne, and has been particularly concentrated in areas with obsolete industrial and manufacturing precincts as well as the central city area. This growth has been driven by two major factors – the large increase in net overseas migration to Australia overall and to Victoria's share, and the increase in jobs in Melbourne's inner city. The impact of population growth in the form of congestion has added another impetus for the desire to live closer to work and study.

While population growth has been fastest in the young adult age groups of 25-39, there has also been notable growth in the older adult age groups. Yarra has attracted significant population from interstate as well as overseas, housing many arrivals seeking to be close to inner city jobs, education and entertainment. While lone person and couple without children households still dominate Yarra, there has been a noticeable increase in couples with young children. These trends are at odds with the predominance of smaller dwelling stock that has been added over the last ten years.

Housing affordability is an issue across metropolitan Australia. While overall affordability appears to have improved slightly in Yarra between 2012 and 2017, this masks the enormous increase in house prices and the consequent decrease in affordability of purchasing separate houses. In better news the large increases in new medium and higher density stock appear to have had a positive impact on affordability of purchasing these types of housing.

Demand for new housing in Yarra is expected to continue for the foreseeable future. If current trends continue, there will be challenges in ensuring new housing matches the key requirements for the emerging household types in an affordable manner. The ability to provide appropriate and affordable housing will have a key impact on social and economic outcomes for Yarra. Both state and local government will have a role to play in encouraging the provision of appropriate housing.

## 10. Glossary

**Apartment** – A dwelling, usually part of a multi storey building. These dwellings usually do not have private grounds and usually share a common entrance foyer or stairwell.

**Couple family without children** – A household consisting of a couple by marriage or defacto relationship (including same-sex) who have no children present in the household.

**Couple family with children** – A household consisting of a couple by marriage or defacto relationship (including same-sex) with children present in the household.

**Family** – Two or more people living in the same household, related by either a parent-child or couple relationship (either registered or defacto, and including same-sex couples). A family need not include children.

**Flat** – A dwelling, usually part of a multi storey building. These dwellings usually share a common entrance foyer or stairwell. Flats are similar to apartments but usually refer to buildings constructed between the 1930s and 1970s, generally between two and four storeys.

**High Density Dwellings (using Census data)** – Flats, units or apartments, generally without their own grounds, in a 3 or more storey block. Note that this definition is NOT based on the number of dwellings per hectare, as this is not available from Census. However high density housing is typically in the range of 50+ dwellings per hectare.

**Household** – A group of people living in the same dwelling, who generally make shared provision for food and other essentials.

**Lone person household** – A household with only one person usually resident.

**Infill development** – Dispersed housing redevelopment on existing sites in residential areas, usually currently containing older dwellings.

**IMAP Region** – the Inner Melbourne Action Plan area comprises the LGAs of Yarra, Melbourne, Port Phillip, Stonnington and Maribyrnong.

**Major sites** – Sites identified by Council or through the Urban Development Program as large redevelopment areas for future growth.

**Maturing couple family with children** – Couple family with children aged both under and over 15.

**Maturing couple family without children** – A couple family without children, where the household reference person is aged 45-64 inclusive.

**Maturing (or middle-aged) lone person household** – A household with only one person usually resident, who is aged between 45 and 64 inclusive.

**Melbourne Greater Capital City Statistical Area** – this is a spatial unit introduced by the ABS in 2011. It covers the Melbourne metropolitan area but also includes outlying towns such as Bacchus Marsh, Macedon, Lancefield, Wallan and Kinglake.

**Middle-aged lone person household** – See Maturing Lone Person Household.

**Medium Density Dwellings (using Census data)** – Semi-detached, terraces and villa units, with their own grounds but attached to another dwelling on at least one side, as well as flats or apartments without their own grounds, in 1 or 2 storey blocks. Note that this definition is NOT based on the number of dwellings per hectare, as this is not available from Census. However medium density housing is typically in the range of 25 to 50 dwellings per hectare.

**Net migration** – The difference between the number of people living in an area who lived elsewhere 5 years before, and the number who lived in the area 5 years before and now live elsewhere.

**Older couple family with children** – Couple family with children over 15 only.

**Older couple family without children** – A couple family without children, where the household reference person is aged 65+.

**Older lone person household** – A household with only one person usually resident, who is aged 65 or over.

**Separate Houses** – Houses on their own block, separated on all sides from other dwellings by at least 50cm. Commonly called detached dwellings.

**Townhouse** – An attached or semi-detached dwelling, usually of two storeys, with small amounts of private open space and a separate entrance. These dwellings often replace lower density single dwellings on larger suburban allotments.

**Units** – A dwelling, usually of one storey, with small amounts of private open space and a separate entrance. These dwellings often replace lower density single dwellings on larger suburban allotments. The term usually applies to dwellings constructed in the 1960s and 1970s.

**Young couple family with children** – Couple family with children under 15 only

**Young couple family without children** – A couple family without children, where the household reference person is aged 15-44 inclusive.

**Young lone person household** – A household with only one person usually resident, who is aged between 15 and 44 inclusive.