SECTION 96A OF THE PLANNING AND ENVIRONMENT ACT 1987

Appendix E Land Supply Assessment

PREPARED FOR 108 & 110 PARR STREET PTY LTD

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SPOT PLANNING

ETHOS URBAN

Leongatha Residential Assessment

77 Gibson Street

and

108 and 110 Parr Street

Rural Subdivision Specialists

April 2022 | 3220031

Authorship

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Introduction

Rural Subdivision Specialist have engaged Ethos Urban to prepare a Residential Assessment for Leongatha. The report references two parcels of land proposed for subdivision, namely:

- Land owned by Rural Subdivision Specialists located at 108 and 110 Parr Street
- Land owned by Shamrock Springs Pty Ltd located at 77 Gibson Street.

Rural Subdivision Specialists control land at 108 and 110 Parr Street on the south-western side of the established Leongatha township and is referred to as ‘PSL’ (Parr Street Land) in this report. Intentions are to rezone the land from Farm Zone (FZ) to General Residential Zone (GRZ) to accommodation a subdivision with approximately 160 lots.

Shamrock Springs Pty Ltd own land at 77 Gibson Street, on the north-eastern fringe of Leongatha and is referred to as ‘GSL’ (Gibson Street Land) in this report. Beverage Williams are assisting Shamrock Springs with a proposal to rezone the land from the Farm Zone (FZ) to the General Residential (GRZ) to enable the development of a residential subdivision.

GSL and land immediately surrounding to the south and north-east are covered by Development Plan Overlay - Schedule 9 (Western Leongatha Residential Growth Area). The residential portion of the Development Plan is outlined to accommodate only standard density lots. Further, a permit has been issued for the subdivision of the Land to the north-east of the GSL.

In order to progress the proposal, Council has requested a residential demand and supply assessment be completed for the Leongatha. This report provides an assessment of the demand and supply of residential land in Leongatha.

This report contains the following chapters:

Chapter 1: **Context Analysis**: provides an overview of the locational and strategic planning context relevant to the proposed rezoning of the GSL and PSL.

Chapter 2: **Residential Land Supply Analysis**: provides analysis of the residential land supply situation in Leongatha.

Chapter 3: **Residential Demand Analysis**: assesses recent trends such as population, residential land sales and development as input to forecasts of land demand in Leongatha.

Chapter 4: **Conclusion - Adequacy of Current Land Supply**: assesses the adequacy of existing and planned residential land supply having regard for forecasts in residential land demand.

1 Context Analysis

This chapter provides an overview of the locational context of the GSL and the PSL, and the state and local policy relevant to the proposed rezonings.

1.1 Regional Location

Leongatha is the largest urban settlement in South Gippsland Shire. The township is located approximately a 1-hour and 50-minute drive (approximately 110km) south-east of the Melbourne CBD via the South Gippsland Highway.

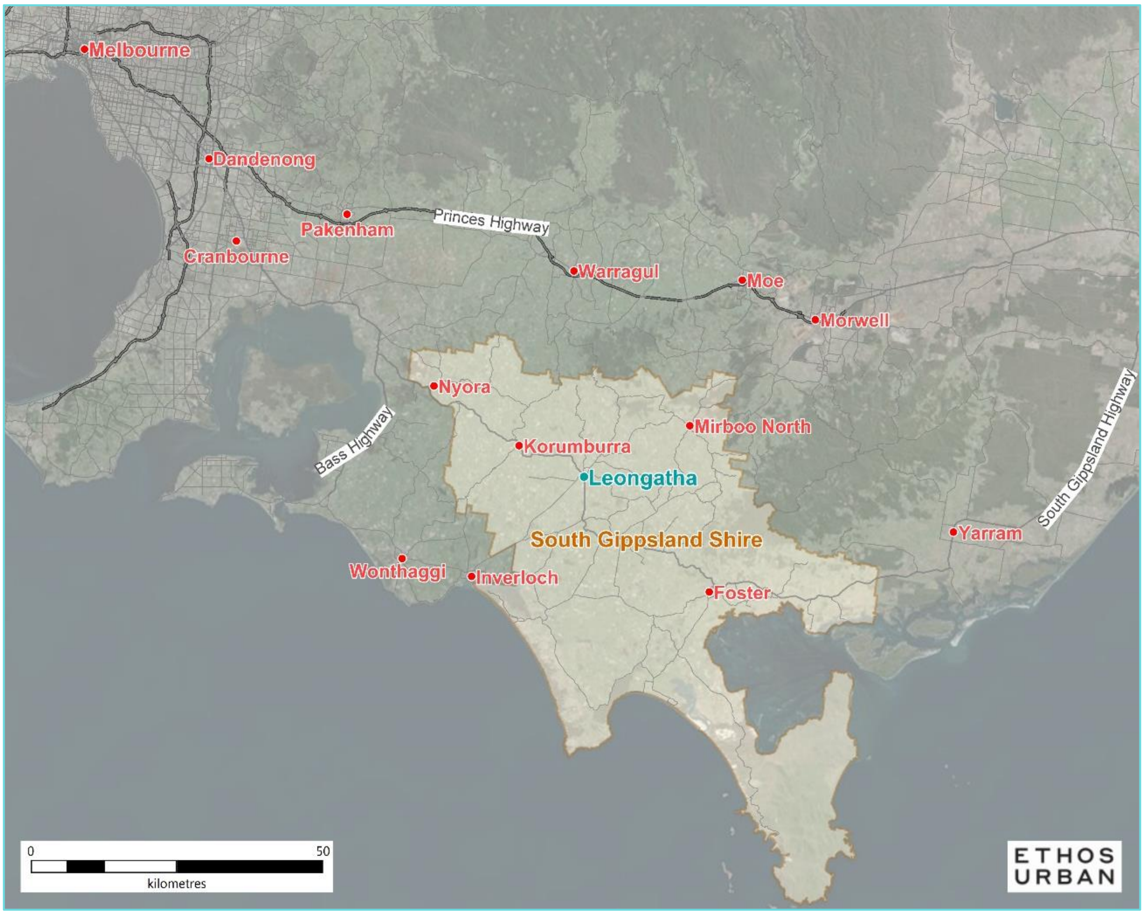
Suburban areas in Melbourne's south-east such as Pakenham and Cranbourne are approximately a 1-hour drive from Leongatha, making Leongatha a potential location for people seeking a 'tree change' while still having access to employment and services provided in Melbourne's south-eastern suburbs.

Leongatha is the retail and commercial hub for the municipality, which also includes a number of towns and settlements including Korumburra, Venus Bay, Loch and Foster. South Gippsland Shire's population in 2021 is estimated at approximately 30,460 persons, of which 5,850 persons reside in Leongatha.

As the main regional centre, Leongatha is well serviced by a range of schools, community and health facilities which add to the attraction of Leongatha as a place to live.

Leongatha's regional context is highlighted in Figure 1.1.

Figure 1.1 Regional Context



Source: Ethos Urban, Mapinfo, Open Street Maps, Bingmaps

1.2 108 and 110 Parr Street (PSL) - Proposed Development

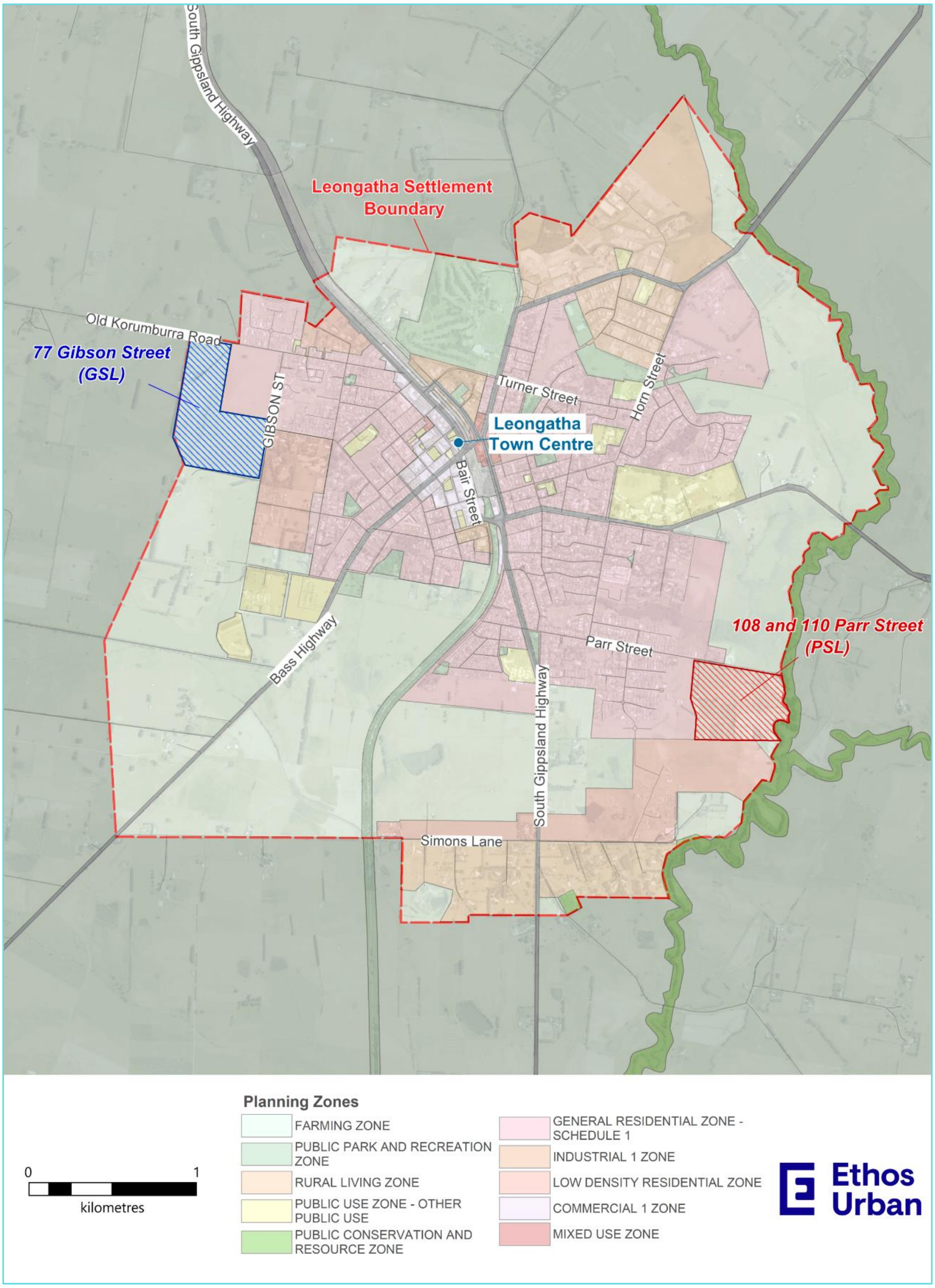
PSL comprises 20.5 hectares of land in the Farming Zone (FZ) and is located on the south-eastern fringe of the Leongatha township. Rural Subdivision Specialists are proposing to subdivide the two parcels of land into approximately 160 lots with lot sizes generally between 680m² and 1,000m². The PSL is bound by:

- To the north, Parr Street which will connect the proposed development to the Leongatha town centre and existing urban area.
- To the east, is the Coalition Creek which provide future residents with desirable views.
- To the south, is the developing Springs Estate with civil works for the final stages to begin mid-2023.
- To the west, Panorama Estate which has experienced strong level of pre-sales.

The PSL is considered a natural extension of Leongatha's urban area due to the proximity to established and developing residential areas to the south-west and west. With regard to the development occurring surrounding the PSL, future planning for Leongatha (refer Section 1.4) identifies the PSL as 'Urban Residential Expansion Area' within the settlement boundary at the south-western portion of the township.

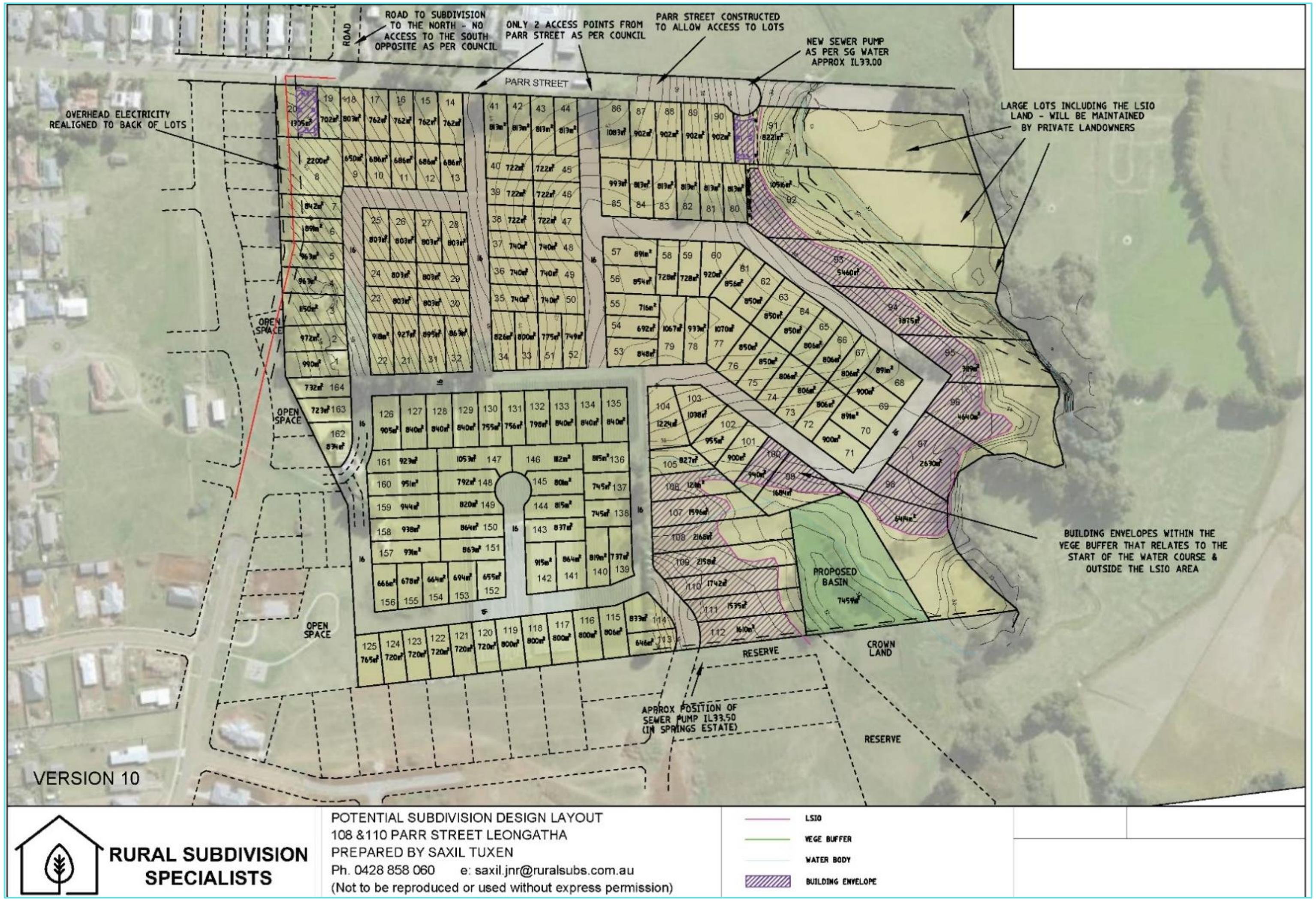
The location of the PSL in the context of Leongatha is shown in Figure 1.2, while Figure 1.3 shows a preliminary concept plan.

Figure 1.2: GSL and PSL Locations



Source: Ethos Urban, Mapinfo, Open Street Maps, Bingmaps

Figure 1.3: PSL Proposed Concept Plan



Source: Rural Subdivison Specialists

1.3 77 Gibson Street (GSL) - Proposed Development

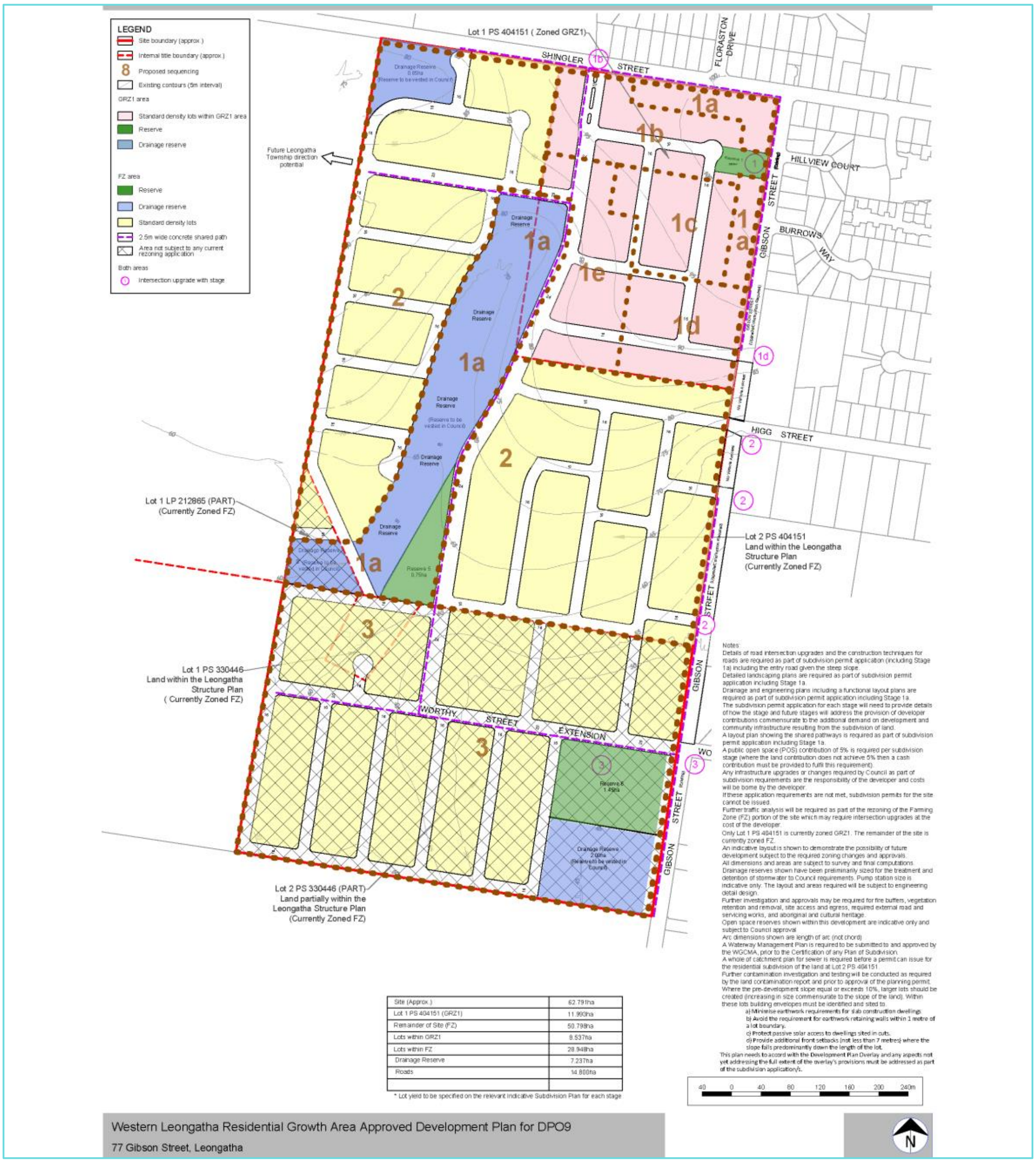
The GSL comprises approximately 20.8ha of land in the Farm Zone (FZ) and is located on the north-western fringe of the township or approximately 1km from the Leongatha town centre. Old Korumburra Road represents the northern border of the site in addition to the first stage of the Shamrock Springs estate. While the eastern border is Gibson Street and established housing. FZ land surrounds the GSL to the south and west.

Planning framework for Leongatha (refer Section 1.4) recognises the GSL as ‘Urban Residential Expansion Area’ on the north-western boundary of the township, with land to the south identified to accommodate future general residential housing.

The GSL is expected to deliver 270 lots with the total Shamrock Springs development expected to accommodate a total of 600 lots. Noting stage 1 of Shamrock Springs is currently zoned GRZ1 and is expected to deliver approximately 130 lots.

The location of the GSL in the context of Leongatha is shown in Figure 1.2, while Figure 1.4 shows the approved development plan.

Figure 1.3: GSL Approved Development Plan



Source: Ordinary Meeting of Council No. 441 - 18 December 2019

1.4 Land Use and Strategic Planning Context

A high-level overview of key strategic planning matters as relevant to residential land supply and demand in Leongatha is provided below. More detailed planning reviews are provided by the planning consultant.

Gippsland Regional Growth Plan

The Gippsland Regional Growth Plan (2014) provides broad direction for land use and development for the wider Gippsland region, which includes South Gippsland Shire. Leongatha is identified as a ‘Regional Centre’ along the Warragul/Drouin and Wonthaggi. These centres are intended to provide a high level of amenity, affordable housing and growing employment opportunities. The Regional Growth Plan notes that Leongatha (along with Warragul/Drouin and Wonthaggi) is a peri-urban town with potential to attract housing and population growth out of Melbourne. It is also acknowledged that the imposition of a permanent growth boundary around Melbourne will accelerate population growth in identified peri-urban towns, including Leongatha.

South Gippsland Planning Scheme

Clause 11.02-1S of the State Planning Policy Framework includes under ‘Strategies’ the need to:

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

Contrary to the above, **Clause 11.01-1L-02 Leongatha** seeks to “*support residential and highway frontage commercial development in the Southern Leongatha Growth Area*”. Under the settlement policy guidelines for Leongatha it includes the following:

> *“Encouraging the rezoning of areas identified in the Leongatha framework plan to maintain a 15 year residential land supply”.*

Both the PSL and the GSL are identified as ‘urban residential expansion areas’ in the Leongatha Framework Plan, which is shown in Figure 1.5. On this basis, support is provided for the rezoning of both parcels should they contribute to maintaining a 15-year residential land supply in Leongatha.

Leongatha Structure Plan (2008)

The Leongatha Structure Plan was prepared in 2008 and provides the strategic framework for the future development of Leongatha and is noted as a reference document in the Planning Scheme. The Structure Plan considers the demand and supply of residential land noting that “major opportunities for future broad scale urban density residential development, beyond the currently urban zoned areas of Leongatha.

Key objectives and strategies relating to residential land supply identified in the Structure Plan include the following:

Objectives

- To ensure that there is sufficient amount of appropriately located and zoned land to meet the expectations of current and future residents of Leongatha including those who wish to live close to the Town Centre.

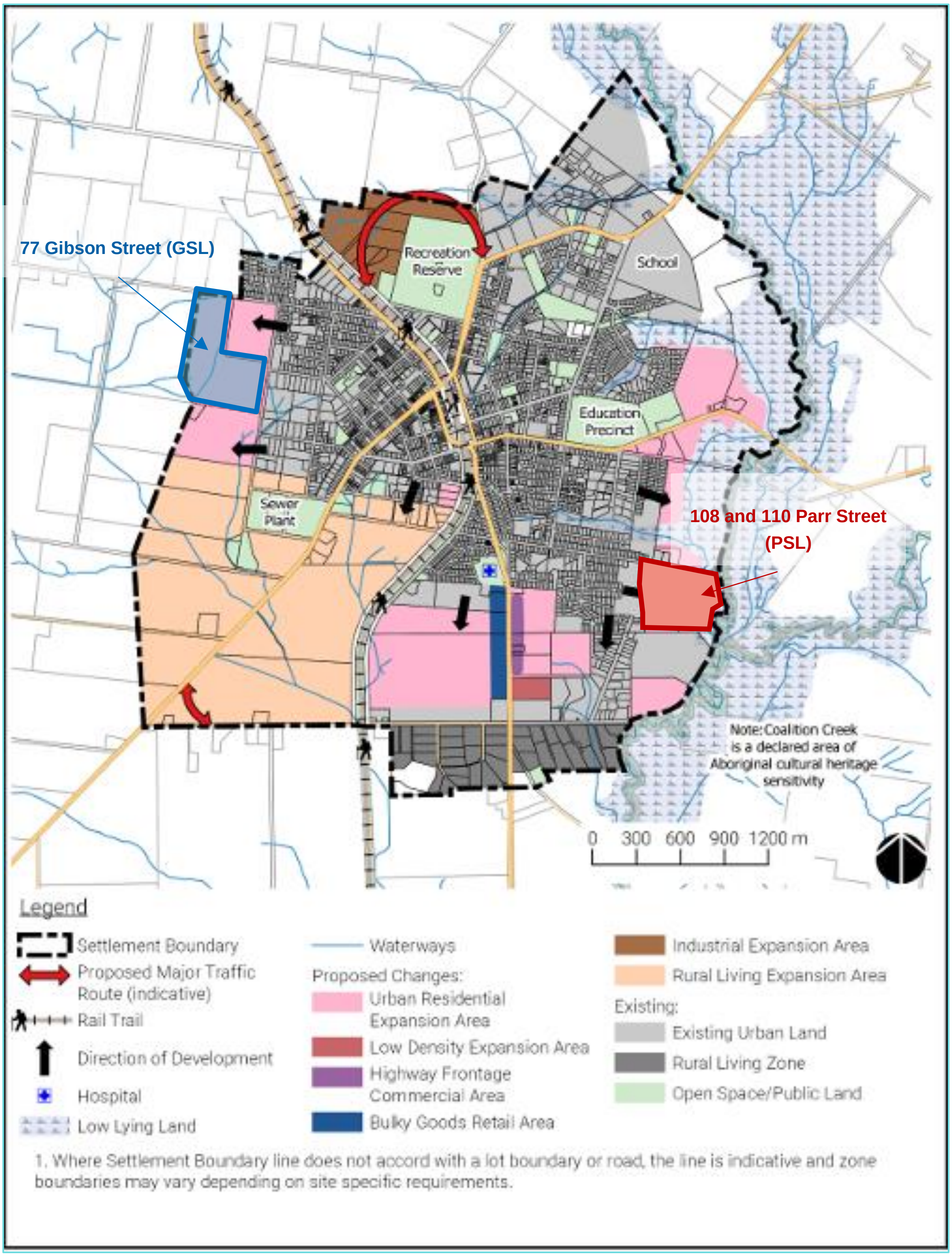
- To ensure that all future residential development is well connected to existing residential areas, the Town Centre and other key facilities and services in the town.

Strategies

- Monitor the availability and development of residential land, and rezone appropriate areas identified in the Structure Plan to maintain a supply to meet 10 years of anticipated residential demand, catering both for residents seeking urban or sustainable rural residential lifestyles.
- Ensure that residential subdivision occurs in a logical and contiguous fashion with clear linkages to existing residential areas, road infrastructure, services, pedestrian and cycle access ways.

Amendment C124 which sought to rezone 6A Warralong Court, Leongatha from Public Park and Recreation Zone to General Residential Zone (Schedule 1) has been adopted by Council and approved by the Minister in March 2022.

Figure 1.5: Leongatha Framework Plan



Source: South Gippsland Planning Scheme, Clause 11.01-1L-02

GSL Specific Planning Context

The GSL and land immediately surrounding to the south and north-east are covered by Development Plan Overlay - Schedule 9 (Western Leongatha Residential Growth Area). The residential portion of the Development Plan is outlined to accommodate only standard density lots. Further, a permit has been issued for the subdivision of the Land to the north-east of the GSL (stage 1 of Shamrock Springs) for 131 lots.

Development plan explanatory note:

The residential development of the land in DPO9 is anticipated to occur over an extended period of time. Accordingly, flexibility is beneficial for the timing of when highly specific development plan information is required to be provided. However to achieve integrated, coordinated development across the entire area it is important that a 'Whole of site development plan' be approved to establish key development principles before any smaller stage of the development plan is approved. This process will ensure that each stage has appropriate regard to the complete development of the DPO9 land.

PSL Specific Planning Context

The Leongatha Framework Plan identifies the PSL as 'Future Urban Residential' with the Structure Plan outlining that vacant land located between existing residential areas and the floodplains of the Coalition Creek. Urban development should commence from the west integrated with existing residential areas off Parr Street. Development of the land to the west of the PSL known as Panorama Estate has been approved with 30 lots to be constructed, of which 15 of the 30 lots have been reserved by prospective purchasers.

Having regard for the above, rezoning of the GSL and PSL are supported by strategic land use policy.

2 Residential Land Supply Analysis

This chapter provides an assessment of the residential land supply situation in Leongatha and the surrounding area.

2.1 Leongatha Township Residential Land Supply

An assessment of residential land supply has been undertaken based on analysis of aerial photography and a field visit conducted by Ray White Leongatha on 2 March 2022. The analysis estimates the total potential supply of actual and future residential allotments capable of accommodating dwellings (see Table 2.1 and Figure 2.1).

The supply analysis presented in this report also takes into consideration a residential supply analysis undertaken by Council in 2018 and which is provided as an Appendix A to this report. Council's analysis identifies various 'development areas' which are shown in Figure 2.1 and represent residential growth fronts on the fringes of the Leongatha urban area. Potential residential yields are also estimated by Council for these 'development areas' which have been considered in this report, and updated where information for yields for given estates are available.

For the purposes of this assessment, a residential lot is considered vacant if no habitable dwelling is evident on the lot, and the land is not being used for other purposes. The assessment has been undertaken for land in all residential areas of Leongatha comprising land in the following zones:

- General Residential Zone (GRZ)
- Low Density Residential Zone (LDRZ).

Vacant land has been grouped into the following three supply categories:

- **Vacant Lots:** Established single residential lots throughout the township of Leongatha with no signs of residential development.
- **Large Subdividable Lots**: Larger parcels of residential land that have the potential to be subdivided. Where subdivision yields were not known or accessible from masterplans or local real estate agents, Council's estimates of residential yield for these larger lots have been taken into account.
- **Future Residential Supply**: Larger vacant parcels of land identified as being future urban residential. Residential yields estimated by Council have been adopted.

It should be noted, the assessment of potential land supply invariably establishes a theoretical land supply position and does not reflect the extent of land available for purchase. For example, landowner intentions, particularly in regard to individual vacant lots and small developable parcels of land within the established urban area, are unknown. In some cases, vacant lots may be held for long term purposes or not be available for dwelling construction at all.

An assessment of the available residential lot supply in active greenfield estates is provided in Section 2.2, which takes into account the available of lots for purchase and subsequent development, and provides a live snapshot of the residential market taking into consideration current market conditions.

Existing Total Residential Land Supply

In total, zoned residential supply in Leongatha has the potential to accommodate dwellings on approximately 490 residential lots (rounded). This supply comprises:

- Approximately 180 single vacant residential lots (rounded) – the majority of lots are located within the identified 'development' areas.
- A potential supply of approximately 320 lots (rounded) on large subdividable sites. The majority of this lot potential is located in the identified 'development' areas.

A summary of the residential lot supply in Leongatha is shown in Table 2.1, while Figure 2.1 shows the location of vacant and developable residential areas in Leongatha.

Table 2.1: Leongatha Zoned Residential Land Supply, 2022

Locality	Vacant Lots	Subdividable Lot Yield	Total Residential Lot Supply
Leongatha Established Urban Area	84	40	124
Development Area			
Area A	0	131	131
Area B	36	0	36
Area C	19	30	49
Area D	0	20	20
Area E	28	19	47
Area F	9	1	10
Area G	0	75	75
Sub-Total	*92*	*276*	*368*
Total Residential Lot Supply	**176 (180)**	**316 (320)**	**492 (490)**
Residential Lot Supply excluding vacant lots in established urban area and land proposed for Lifestyle Village	**92 (90)**	**241 (240)**	**333 (330)**

Source: Ethos Urban; Ray White; Leongatha Residential Supply Assessment, 2018

It should be noted that while the potential residential lot supply is estimated at approximately 490 lots, not all of these lots will be available for development at any one time – some lots may never become available for development. For example:

- Uncertainty exists around the future availability of the 84 vacant lots in the established urban area of Leongatha. The availability of these lots for sale and/or development will depend on the intentions of the landowner.
- An Over 55 Lifestyle Village is proposed in Area G. While not approved yet, it would reduce the overall supply of lots available for conventional housing by approximately 75 lots.

Excluding the above, the supply of residential lots in Leongatha likely to be available for development is estimated at approximately 330 lots.

An alternative land supply assessment that takes into consideration land believed to be not available for development or purchase is provided in Section 2.2.

A review of currently listed vacant lots in Leongatha on www.realestate.com.au (23 March 2022) shows that 4 vacant lots are currently for sale. This provides a broad indication of the current supply of land available to the market for immediate development and includes lots in the identified 'development areas' where stages of residential estates will continually be released to the market over time. This limited supply of land currently available to the market reflects a constrained residential land market in Leongatha.

Future Land Supply

In addition to the current residential supply in Leongatha, a further seven future residential areas have been identified. These areas are not currently zoned for residential development but have been identified in Council's residential supply analysis (2018) as having potential for future residential development. In total, potential for an estimated 1,465 residential lots has been identified.

Two significant areas (Area H or the GSL and Area K) are identified to the west and the south of the township. These future development areas are estimated by Council to have a development yield of 400 lots each with the next largest future development area (Area N) accommodating a yield of 250 lots.

The PSL represents a proportion of land in Area I and is identified in the Leongatha Framework Plan (refer Figure 1.5) as a residential expansion area. Council's residential supply analysis (2018) estimates a residential supply of approximately 95 lots, although the area does not include 108 Parr Street. Preliminary plans for 108 and 110 Parr Street reflect a yield of approximately 160 lots. Therefore, future land supply can be considered to be in the order of 1,530 lots with the regard to the greater yield at the PSL.

The development yield of the future residential areas is outlined in Table 2.2 below.

Table 2.2: Leongatha Future Residential Area Lot Supply

Locality	Council Identified Potential Lots
Future Residential Area	
Area H (General Residential Zone) – Includes 77 Gibson Street	**400**
Area I (General Residential Zone) – Includes 108 and 110 Parr Street	**95 (160)**
*Area J (General Residential Zone) **	150
Area K (General Residential Zone)	400
Area L (Rural Living Zone)	100
Area M (Rural Living Zone)	70
Area N (General Residential Zone)	250
Total	**1,465 (1,530)**

Source: Ethos Urban, Leongatha Residential Supply Assessment, 2018

Note: * Yeild for Area J based on information provided by Council; () reflects yeild of GSL and PSL

2.2 Active Greenfield Estate Lot Supply

The approach to measuring land supply in Section 2.1 is based on a count of the potential residential lots on which a dwelling may be constructed. Supply is measured in terms of actual and future residential lots that are vacant (ie. contain no habitable dwelling).

This approach is useful to understand the total long-term residential land supply situation. However, in addition to understanding the long-term land supply situation, it is equally important to understand the supply of greenfield land that can be purchased at any one time. Maintaining a supply of lots in active residential estates provides two key benefits:

- Avoids a 'constrained' land supply situation where purchasers have limited choice in housing within a particular town and are forced to look elsewhere. This situation limits population growth and directs investment and jobs to other locations.
- Supports the supply of affordable residential lots.

As indicated earlier, only four vacant residential lots are currently available for purchase through www.realesate.com and many lots within existing estates have been purchased or reserved. This indicates Leongatha's residential land market is currently operating under a constrained residential land supply situation.

Therefore, it is reasonable to consider the residential lot supply in active greenfield estates in Leongatha. This assessment takes a different approach to that identified in Section 2.1 and provides a measure of unsold lot supply. It does not count lots (constructed or not) that have been sold or reserved. The supply assessment provides a measure of land supply in Leongatha from the perspective of a potential buyer of land who, presumably, will subsequently progress towards construction of a dwelling. In this regard, it provides an almost 'live' snapshot of the residential land market, and therefore accounts for current market conditions.

The assessment takes into account active greenfield estates in Leongatha and counts lots that can be reasonably expected to be provided to the market.

In total, four active residential estates are actively marketing and selling residential lots in Leongatha. The location of these estates is shown in Figure 2.2.

In total, these four estates account for a total supply of 354 lots of which 237 (or 68%) have been sold or reserved.

Within these estates, only 117 residential lots remaining available for sale. Having regard for the average of approximately 50 vacant land sales in Leongatha between 2017 and 2021 (refer Section 3.3), this represents a very limited supply (around two years), residential lots available to the market and illustrates that Leongatha's residential land market is currently constrained.

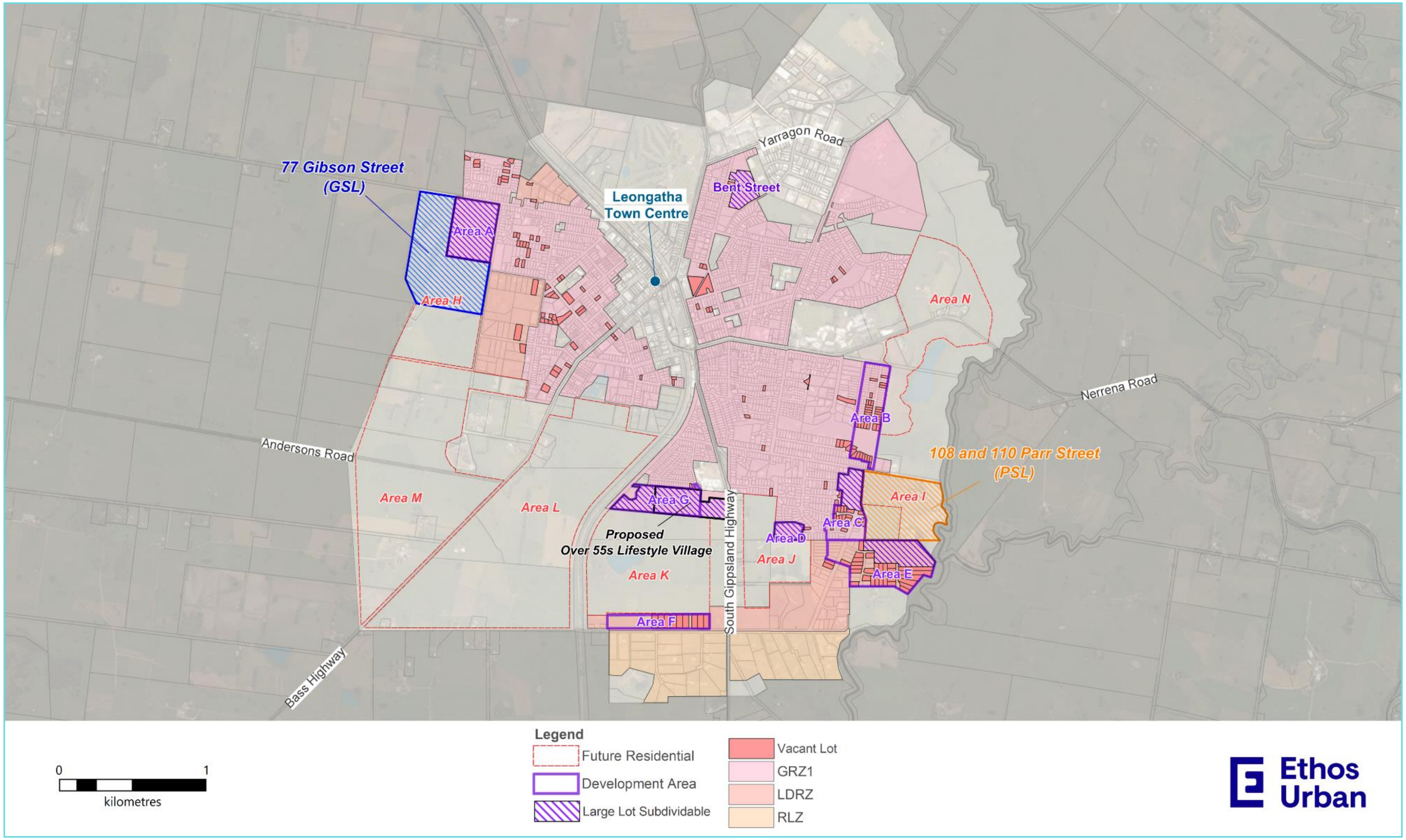
The supply of residential lots within active greenfield estates in Leongatha is summarised in Table 2.3.

Table 2.3: Residential Lot Supply in Active Greenfield Estates, 2022

Estate	Estimated Total Lots	Lots Sold or Reserved	Lots Available to the Market
Springs Estate	92	73	19
Mitchells Rise	101	101	0
Panorama (Area C)	64	60	4
Shamrock Springs	131	37	94
Total Active Estates	**354**	**237**	**117**

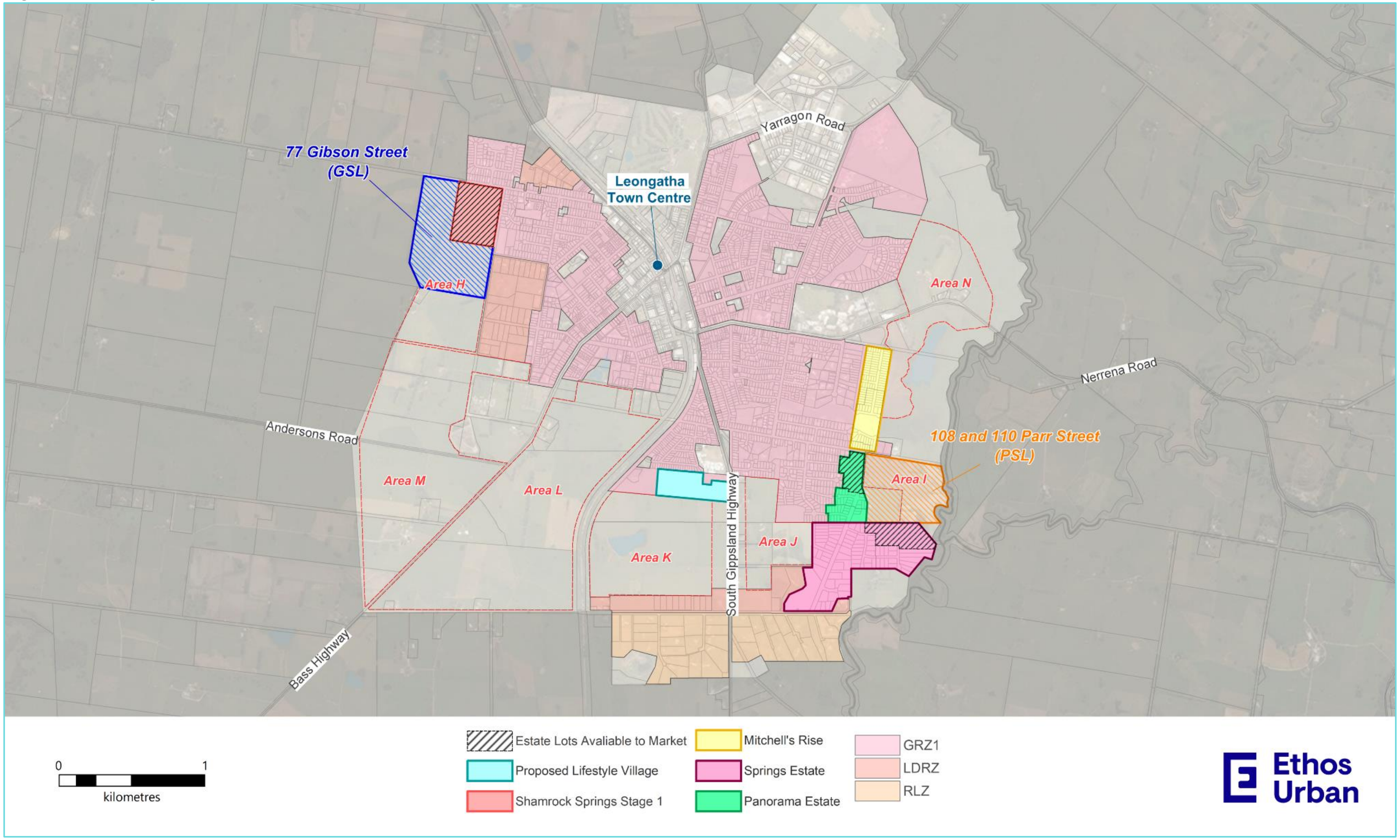
Source: Ray White Leongatha

Figure 2.1 Leongatha Residential Land Supply, 2022



Source: Ethos Urban,2022; RayWhite Field Visit March 2022; Leongatha Residential Supply Assessment, 2018; Near Map

Figure 2.2: Leongatha Estate Context



Source: Ethos Urban; Ray White

3 Residential Demand Assessment

This chapter provides an assessment of the demand for residential land in Leongatha.

3.1 Population and Dwelling Growth Trends

Population Growth Trends

Leongatha's population is currently 5,850 persons having increased from 4,980 persons in 2006. According to ABS population estimates, population growth in Leongatha has slowed in recent years. Average population growth was 1.7% per annum between 2006 and 2011, 1.1% per annum between 2011 and 2016, and more recently 0.5% per annum between 2016 and 2021. It should be noted that ABS population estimates for 2021 are preliminary and will be finalised after the results of the 2021 ABS Census are released later in 2022. Having regard for the level of residential development that has occurred recently in Leongatha (refer Section 3.5), it is expected that population growth in the coming years will accelerate above recent trends.

South Gippsland Shire currently has a population of approximately 30,460 persons, with Leongatha being the largest township accounting for almost 20% of the population. Between 2006 and 2021, South Gippsland's population increased by a total of approximately 4,330 persons with Leongatha contributing growth of 870 persons, or 20% of total growth.

Table 3.1: Population Growth Trends, 2006-2021

	2006	2011	2016	2019	2021p
Population					
Leongatha SSC	4,980	5,410	5,720	5,820	5,850
South Gippsland LGA	26,130	27,510	29,120	29,910	30,460
Av. Annual Growth					
Leongatha SSC		90	60	30	20
South Gippsland LGA		280	320	260	280
Av. Annual Growth Rate					
Leongatha SSC		1.7%	1.1%	0.6%	0.3%
South Gippsland LGA		1.0%	1.1%	0.9%	0.9%
Regional Victoria		*1.0%*	*1.3%*	*1.3%*	*1.1%*

Source: Ethos Urban, ABS Regional Growth Cat.3218.0, ABS ERP by SA1

Note: p denotes preliminary.

Population Forecasts

The level and rate of population growth in larger regional centres can change rapidly based on demand factors (such as market trends), supply factors (such as new residential estates being brought to market, or by competing townships being constrained in terms of new residential supply) and consumer preferences (such as the 'sea or tree change' phenomenon). Accordingly, caution must be applied in relying on past trends to predict future trends. Recent changes in consumer preferences associated with the COVID-19 pandemic and its positive impacts on demand for residential property in regional areas is a case-in-point.

Victoria in Future 2019 (VIF2019), the official state government projections, do not provide projections at the township level for Leongatha. However, they do provide projections at a broader level referred to as the Leongatha SA2 which includes the urban area of Leongatha; the townships of Koonwarra and Mirboo North; and the surrounding rural areas.

On the basis of the above, population forecasts for Leongatha SA2 are shown in Table 3.2 which project Leongatha and surrounds population to reach approximately 13,280 persons by 2036, representing an increase of some +1,650 persons above the 2021 estimate of 11,630 persons. This represents average annual growth of +110 persons, or +0.9% per annum for the 15-year period to 2036. Having regard for the development patterns in Leongatha, Koonwarra and Mirboo North it would be expected that the township of Leongatha will account for the largest proportion of this growth.

Table 3.2: Leongatha & District Population Projection – Based on Victoria in Future, 2019

Leongatha SA2	2021	2026	2031	2036
Population	11,630	12,180	12,750	13,280
Average Annual Growth		110	114	106
Average Annual Growth Rate		0.9%	0.9%	0.8%
South Gippsland Shire AAGR		0.8%	0.8%	0.7%
Regional Victoria AAGR		1.3%	1.3%	1.2%

Source: Victoria in Future 2019; Ethos Urban

Note: AAGR = Average Annual Growth Rate

Forecast Id. also prepare population and dwelling forecasts for South Gippsland Shire Council, including the township of Leongatha. The most recent forecasts were prepared in 2017 and are summarised in Table 3.3.

These forecasts anticipate a 2036 population in Leongatha of approximately 8,040 persons, with this figure some +1,690 persons above the id estimate for 2021 of approximately 6,350 persons. The forecast growth rates between 2021 and 2036 are notably higher compared to the VIF2019-derived projections shown in Table 3.2. Forecast Id. forecast an average annual growth rate of +1.6% per annum, or approximately +110 persons a year over the 15-year period.

Table 3.3: Leongatha Population Forecast – Forecast Id.

Leongatha Forecast Id. Area	2021	2026	2031	2036
Population	6,350	6,890	7,480	8,040
Average Annual Growth		108	118	112
Average Annual Growth Rate		1.6%	1.7%	1.5%
South Gippsland Shire AAGR		1.1%	1.2%	1.1%
Regional Victoria AAGR		1.3%	1.3%	1.2%

Source: Forecast Id. Leongatha Area, South Gippsland Shire (2017), Victoria in Future 2019 (Regional Victoria)

Note: Figure Rounds, AAG = Average Annual Growth, AAGR = Average Annual Growth Rate

Dwelling Forecasts

As noted above, Forecast Id. also prepare dwelling forecasts for South Gippsland Shire Council, including forecasts at the Leongatha township level. In general terms, dwelling growth in Leongatha is forecast to average between approximately 50 and 55 dwellings per annum, comprising the following:

- 2021 – 2026: average of 53 dwellings a year
- 2026 – 2031: average of 53 dwellings a year
- 2031 – 2036: average of 56 dwellings a year.

3.2 Impact of COVID-19 on Regional Housing Markets

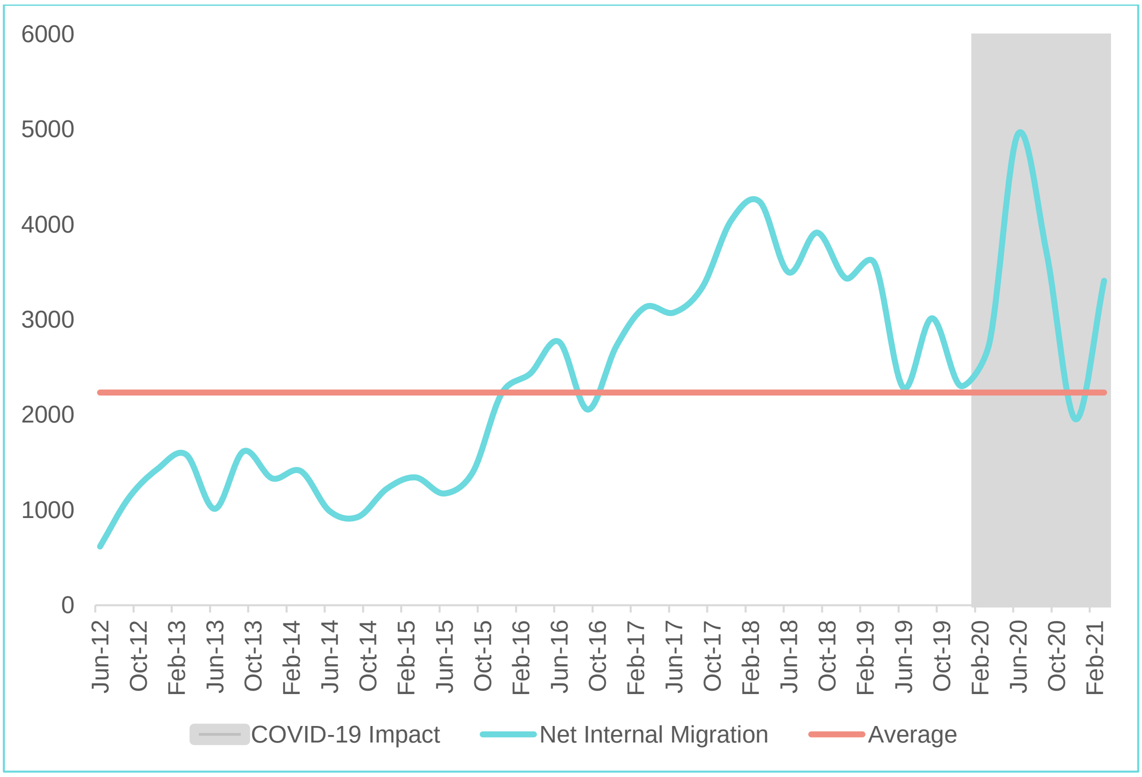
Regional Victorian Housing Markets

The COVID-19 pandemic has had a significant impact on Regional Victoria with the new working-from-home paradigm allowing workers to re-assess their need to live close to the workplace, and many are now electing to live in regional areas commuting to, for example, Melbourne when and if required, or permanently working from home.

Similarly and related, many people are electing to pursue lifestyle alternatives to city living. Figure 3.1 shows migration to Regional Victoria from Melbourne reaching record levels since early 2020.

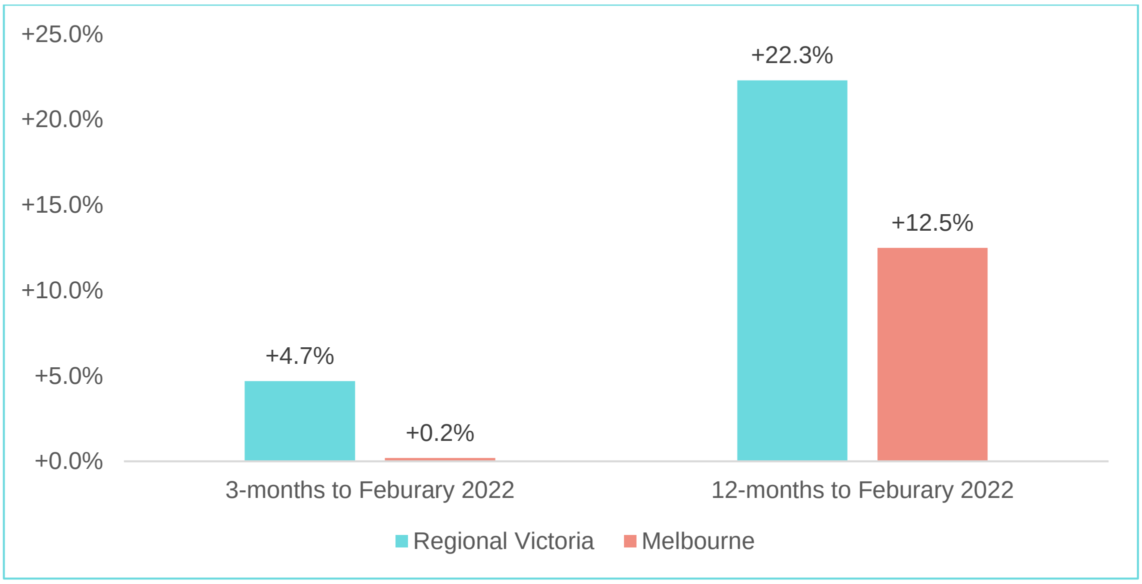
Data from CoreLogic (March 2022) further illustrates the strength of regional Victorian housing markets, where dwelling values have increased by +22.3% for the year to February 2022 compared to +12.5% in metropolitan Melbourne. Data for the last three months have shown price growth across Victoria easing, although Regional Victoria rose +4.7% in the three months to February 2022, while Melbourne rose +0.2% (refer Figure 3.2).

Figure 3.1: Regional Net Internal Migration, Regional Victoria



Source: ABS, Table 3. Internal migration (arrivals, departures, net), rest of state areas – intrastate, interstate and total

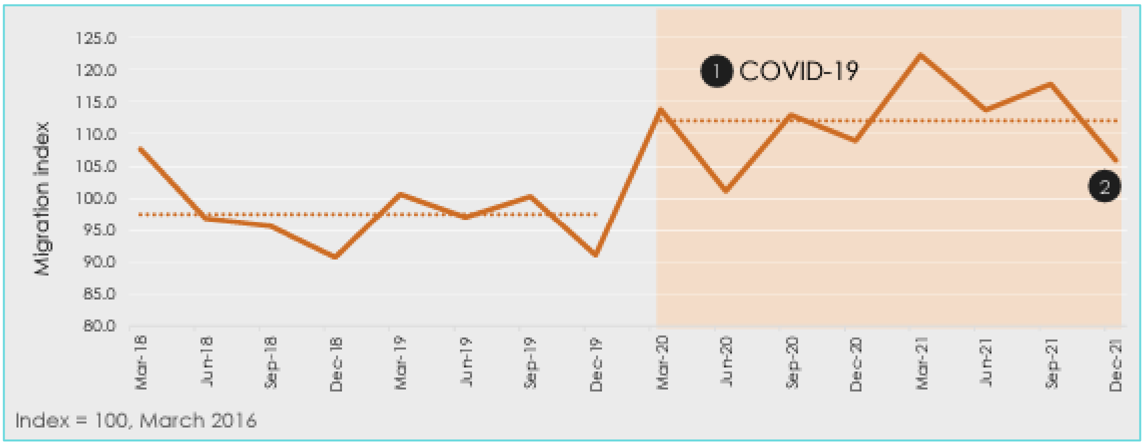
Figure 3.2: Increase in Dwelling Values, Melbourne vs Regional Victoria



Source: CoreLogic, Monthly Chart Pack March 2022

Recent research released by the Commonwealth Bank, which tracks the movement of its customers from Australia's cities to regional areas, illustrates the net impact of the pandemic on regional areas. Figure 3.3 shows the Regional Movers Index (December 2021) illustrating the impact COVID-19 has had on the flows of people from cities to regional areas.

Figure: 3.3: Regional Movers Index – Population Flows from Cites to Regional Areas



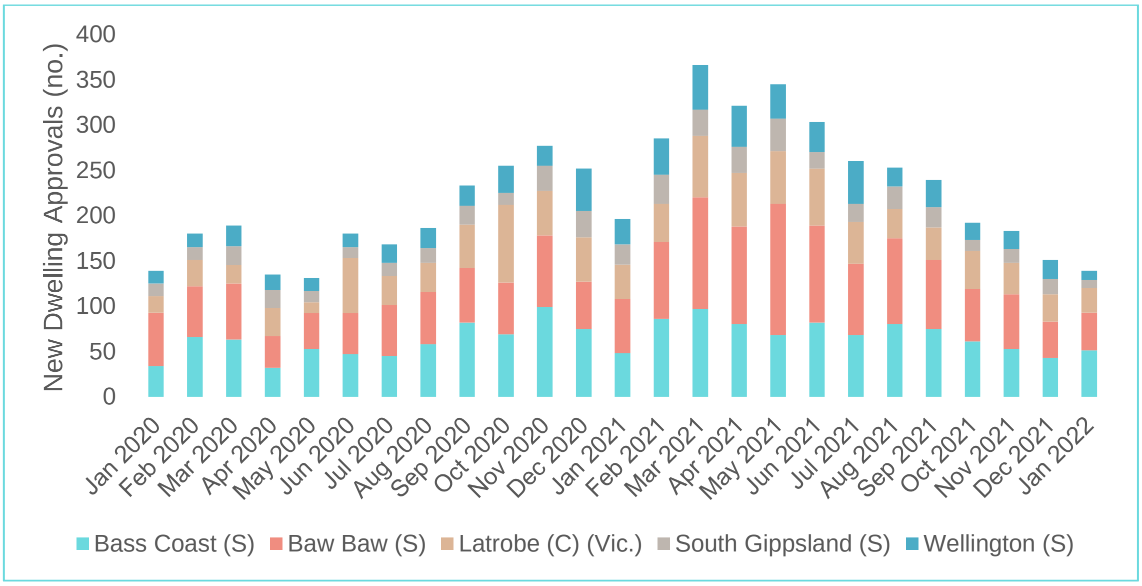
Source: CBA, Regional Movers Index, December 2021

Local Housing Market Commentary

Since Victoria's first major lockdown in 2020, dwelling approvals have progressively increased in many regional areas. Gippsland Shire is an example of a municipality which has experienced notable growth since early 2020. The municipality has observed a significant increase in the order of 55% from 2020 to 2021 or an additional 100 dwelling approvals.

Surrounding municipalities have also experienced a significant increase in new dwelling approvals between 2020 and 2021. Latrobe (+80%) and Wellington (+73%) both experienced the largest yearly increase, while Bass Coast (+66%) and Baw Baw (+53%) also increased substantially. In more recent months new dwelling approvals have slowed a little. Potential exists that a number of factors may have contributed to this recent slow down and which may include supply and labour shortages in the construction industry which has delayed the development of many housing estates, constrained local land supply situations which did not anticipate the surge in local demand occurring during the pandemic, a slight correction in the regional residential land market.

Figure 3.4: New Dwelling Approvals, Local LGAs, January 2020 to January 2022



Source: Ethos Urban, ABS Building Approvals

3.3 Residential Sales and Price Trends

Leongatha has generally been one of the more expensive localities in the South Gippsland Shire and recent median house price data suggests this continues to be the case, as shown in Table 3.4.

The median house price for Leongatha observed a total growth of +76.8% between 2015 and 2021, indicating relatively strong demand for residential property in the township. Korumburra and Loch observed higher rates of growth in median house price (+91.7% and +86.1%, respectively) and this largely reflects the position of these townships in the market in providing positive amenities and the presence of larger rural residential lifestyle properties, in comparison to Leongatha that in the main provides opportunities for smaller conventional residential lots.

Table 3.4: Median Price Trends in Leongatha and Surrounding Areas, 2013 to 2021

	2013	2016	2019	2021	AAGR 2013 to 2021
House					
Leongatha	$285,000	$310,000	$385,000	$503,750	+7.4%
Korumburra	$241,250	$278,000	$345,000	$462,500	+8.5%
Loch	$360,000	$337,500	$460,000	$670,000	+8.1%
Mirboo North	$272,500	$315,000	$398,000	$456,500	+6.7%
Foster	$295,000	$365,000	$400,000	$455,000	+5.6%
Vacant Land					
Leongatha	$152,000	$125,000	$165,000	$210,000	+4.1%
Korumburra	$106,500	$123,000	$179,000	$209,950	+8.9%
Foster	$125,000	$133,500	$131,000	$140,000	+1.4%

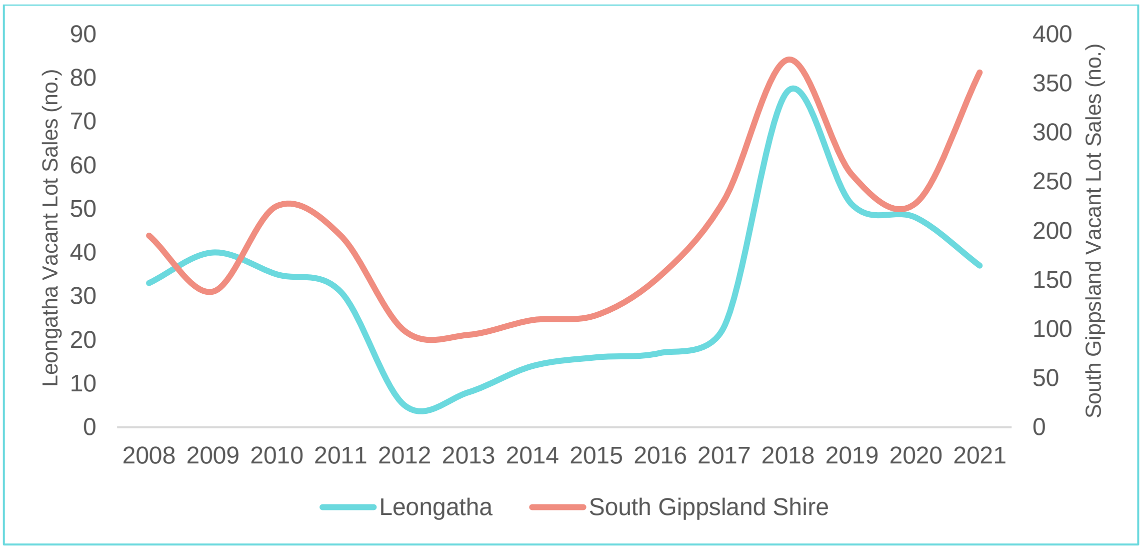
Source: PriceFinder.com.au
Note: Year ending June
AAGR = Average Annual Growth Rate

The number of vacant land sales have increased in recent years with the release of a number of new residential estates. An upward trend in the number of vacant land sales is evident from 2012 when there were only 5 vacant land sales to 2018 when there were 77 vacant land sales. Vacant land sales declined in 2019 and 2020, although still remaining relatively high at 51 and 48 respectively. An annual average of 50 vacant land sales have occurred in Leongatha since 2017.

Continued decline in vacant lot sales occurred in 2021, this is likely due to the constrained nature of the market as a result of the continued strong growth between 2018 to 2020. It is important to note that data sourced from the Victorian Valuer General only accounts for settled land sales. As a large amount of lots in Leongatha are still under construction, the sales figures for 2020 and 2021 are likely to increase once lots are settled and added to the Valuer General database. This is due to the time lag between purchase of the lot (deposit) and the settlement date (when the lot is titled) which is typically between 12-month and 24-months.

Thus, the vacant land sales figure represented in Figure 3.5 between in 2020 and 2021 can be regarded as a conservative representation of the greenfield market.

Figure 3.5: Vacant Land Sales, 2008 to 2021



Source: PriceFinder

Note: Year ending June

3.4 Residential Building Approvals Trends

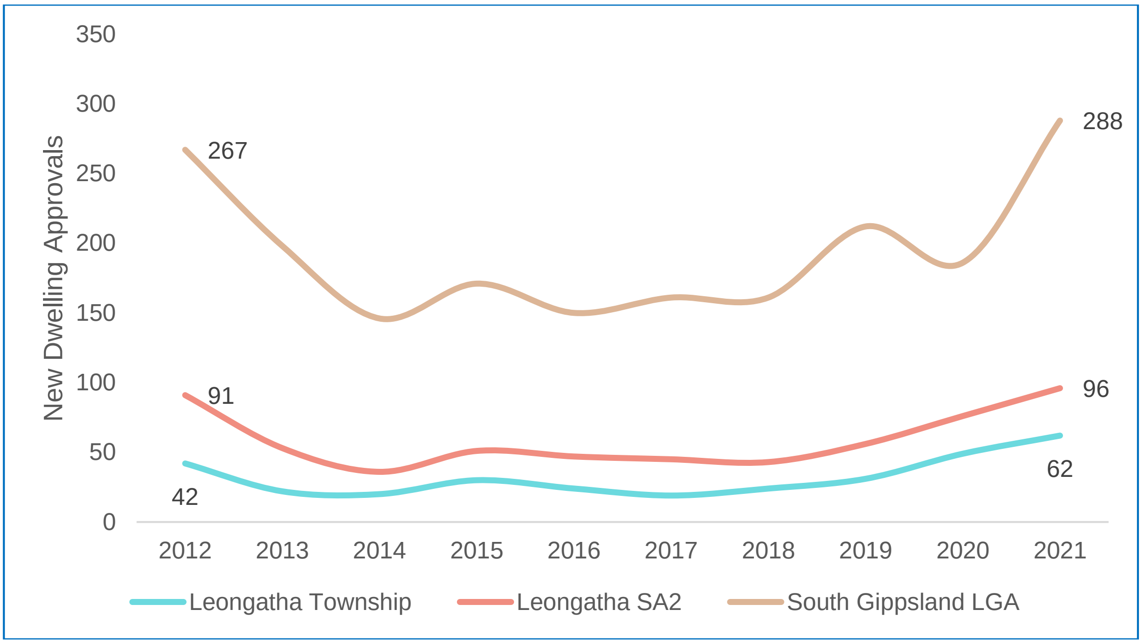
Over the past 10 years (2012 to 2021), Leongatha (SA2) has average approximately 60 new dwelling approvals a year; however, this has increased in recent years, corresponding with an overall increase in new dwelling building approvals throughout South Gippsland.

Over the past three years, since 2019, the Leongatha SA2 has averaged approximately 80 new dwelling approvals a year, with the Leongatha township accounting for an average of 50 over this period.

For the year ending June 2021, Leongatha township attracted 60 new dwelling building approvals.

According to more recent data, new dwelling approvals in Leongatha have slowed and this is likely to be a consequence of a relatively constrained land supply situation, for example, as noted in Chapter 2 only 6 vacant lots are currently advertised for sale on www.realestate.com

Figure 3.6: New Building Approvals, 2012 to 2021 (year to June)



Source: Ethos Urban; ABS, Building Approvals, Australia

Note: Year to June

3.5 Development Trends

Considerable residential development activity has occurred in recent years based on analysis of aerial photography (both Google Earth Pro and MetroMaps) and field surveys conducted in March 2022, particularly in new residential estates.

Between January 2019 and March 2022, 180 new dwellings were constructed in the urban area of Leongatha, including 157 in the GRZ and 23 in the LDRZ. Accounting for the approximate 3-year period, this represents an average annual rate of in the order of 60 dwellings.

3.6 Local Estate Context

Three of the development areas in Leongatha (B, C and E) as identified in the Figure 2.1 have experienced development in recent years. Additionally, area A and G are expected to experience development in the short term further reflecting the current underlying demand for housing in Leongatha. An overview of key residential estates in Leongatha is provided below.

Springs Estate

Springs Estate occupies development area E and has three stage remaining (stages 6,7 and 8). Civil work for stage 6 is nearing completion with all 16 lots sold and waiting for titles. All previous stages are sold out. The development of stages 7 and 8 will occur simultaneously with the market already showing interest in these final stages.

Mitchells Ridge

Located in development area B, all releases of Mitchells Ridge are entirely sold out with no further stages available to the market.

Panorama Estate (Area C)

Panorama Estate is positioned on the northern portion of Development Area C and is planned to deliver a further 30 lots. At present, 26 of the planned lots are reserved with the lots expected to title by mid-2023 – leaving only 4 available for purchase.

Shamrock Springs Estate - GSL

Stage 1 of Shamrock Springs neighbours the GSL with a planned yield of 131 lots. Currently there are 37 reservations for the first release of 45 lots, noting the total development is expected to officially be released to the market in mid-2022 with civil works anticipated to occur late-2022.

Over 55s Lifestyle Village

Harman Group have recently purchased of the majority land holding of development area G for purpose of developing an over 55s retirement village. The proposal is currently being considered by Council is for a 158-lot retirement village.

Over 100 lots have sold or are reserved in the above estates (excluding the lifestyle village) and are yet to be titled. These sales will not be recorded in the sales figures presented in Section 3.3 and illustrate the strong level of recent and current demand for residential land in Leongatha.

3.7 Future Dwelling Demand Scenarios

Having regard for the variables likely to impact on the future demand for housing in regional localities, two future dwelling demand scenarios for Leongatha have been prepared. The two scenarios consider the extent to which Leongatha's share of total dwelling demand may be driven by the implications of the COVID-19 pandemic. The scenarios are outlined below.

Scenario 1 (Base Case)

The base case scenario adopts the forecasts produced by Id. Consulting for South Gippsland Shire in 2017, and reflect an average of +55 dwellings per annum (refer to Section 3.1). This equates to a need for approximately +825 lots between 2022 and 2037.

Scenario 2 (Higher Growth)

The higher growth scenario is provided as a response to the recent surge in dwelling approvals, lot sales and underlying interest in Leongatha and wider South Gippsland Shire and is based on the assumption that a structural realignment is presently underway towards ongoing higher levels of regional demand. Furthermore, this scenario takes into consideration the likelihood Leongatha's residential market has been operating in a constrained supply situation where not all demand is currently being met by supply.

The higher growth scenario is based on additional growth occurring at a municipal level and a significant increase in the popularity of living regionally.

For the purposes of the assessment, it is assumed the demand for dwellings in Leongatha equates to approximately +70 dwellings per annum. This assumes an increase of around +27% on the base case scenario and reflects evidence of 'latent demand' which occurs when the market is constrained by supply, and the significant level of vacant land sales that have occurred in recent months not accounted for in official data sources.

If Leongatha's annual requirement for new dwellings equates to +70 lots per annum a total of +1,050 lots are required to be delivered over the 15-year period to 2037.

On the basis of the above, it is reasonable to forecast residential dwelling demand in Leongatha of around 55 to 70 dwellings per annum, or a total of 825 to 1,050 lots over the next 15 years.

3.8 Forecast Demand for Housing in Leongatha

Having regard for the analysis of the numerous measures that inform residential dwelling demand, it is reasonable to plan for a base case scenario annual dwelling demand in the order of at least 55 dwellings, although having regard for recent dwelling approvals data, vacant land sales and underlying demand this may be considered a conservative. Consequently, a high growth scenario estimate of 70 dwellings a year is possible and assumes residential land will continually be released to the market which in previously has occurred in a limited capacity.

Assuming dwelling demand of between 55 and 70 dwellings per annum in Leongatha, the estimated supply of 490 existing (or zoned) residential lots is sufficient to meet demand for the next 7 - 9 years. n this basis, it would be prudent to consider the rezoning of land identified for future residential, including both the PSL and GSL.

The potential for a further 1,465 lots has been identified for future residential development, noting although a higher yield at the PSL (future area I) will increase future development potential to 1,530 lots. This level of supply is sufficient to accommodate a further 21 - 27 years. Therefore, there is no requirement to consider land beyond the Leongatha township boundary at this stage.

Table 3.6 summarises the various residential demand measures identified in this Chapter.

Table 3.6: Summary of Demand Measures

Measure	Value
Forecast population growth, 2021-2036 (Id Consulting)	+1,690 persons
Forecast annual dwelling growth (ID Consulting):	
2021-2026	53 dwellings a year
2026-2031	53 dwellings a year
2031-2036	56 dwellings a year
New dwelling building approvals (Leongatha):	
2012 to 2021	30 new dwellings a year
2019 to 2021	50 dwellings
Average annual vacant land sales, 2017 to 2021	50 lots
Approximate Number of Lots Sold or Reserved but Not Titled	~100 lots
Base Case Growth Scenario	+55 Dwellings a year
High Growth Scenario	+70 Dwellings a year

Source: DELWP; ABS; Id Consulting; PriceFinder; Ethos Urban

4 Conclusion

Due to the COVID-19 pandemic, changes have occurred in terms of how and where people are seeking to live. The most significant impact has been a surge in demand for residential land in regional centres. As a result, demand for housing in Leongatha is expected to increase.

At present, Leongatha's supply of residential lots is constrained with an assessment of zoned residential land finding a supply 490 lots exists. However, this supply is reduced approximately 330 lots when lots that have considerable uncertainty associated with their future development are excluded (eg. vacant lots in established urban area and land associated with a proposal for a Lifestyle Village).

Based on development trends and dwelling forecasts, and the large amount of lots that are considered sold but not yet to be titled as presented in Chapter 3, future average residential lot demand in Leongatha is estimated to be between 55 lots (Base Case scenario) and 70 lots (High Growth scenario) per annum over the period 2022 to 2037. On this basis, total zoned residential supply is sufficient to accommodate between 7 and 9 years of residential demand. Excluding lots where considerable uncertainty exists regarding their future to support the development of conventional housing, the residential lot supply can support between 5 and 6 years.

Clause 11.01-1L-02 of the South Gippsland Planning Scheme encourages *"the rezoning of areas identified in the Leongatha framework plan to maintain a 15 year residential land supply".* On this basis, a need exists to rezone land identified as 'urban residential expansion' areas, which includes both the PSL and GSL. Both the PSL and GSL represent a sensible and logical extension of the established Leongatha township's urban area.

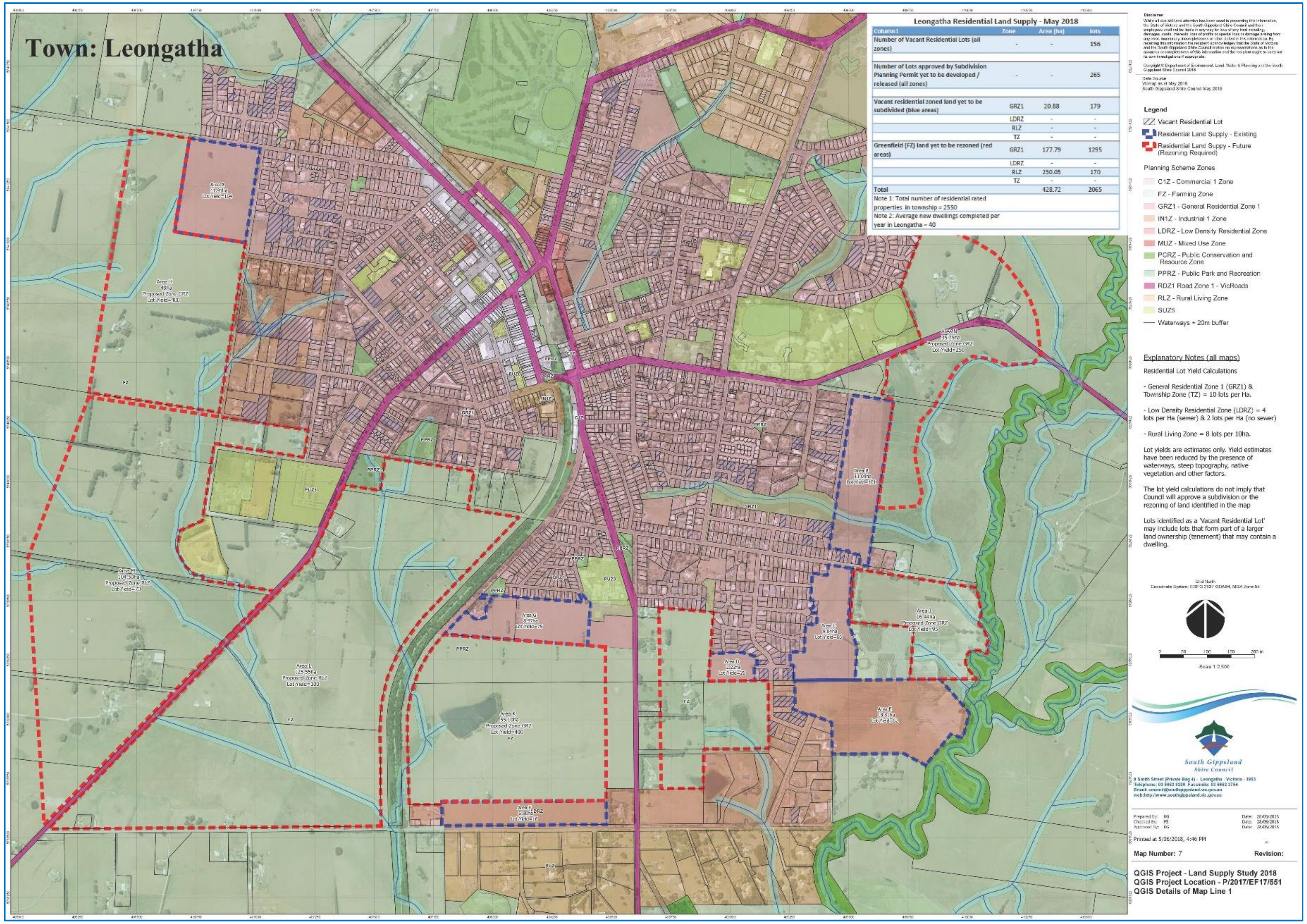
In addition to the above, it is also important to consider the availability of lots in active greenfield estates. Maintaining a supply of lots in active residential estates provides two key benefits:

- Avoids a 'constrained' land supply situation where purchasers have limited choice in housing within a particular town and are forced to look elsewhere. This situation limits population growth and directs investment and jobs to other locations.
- Supports the supply of affordable residential lots.

At present, only 117 lots exist within Leongatha's four main greenfield estates which are anticipated to accommodate the majority of residential demand in the coming years. Based on the forecast demand for 55 to 70 dwellings a year, these lots only account for around two years supply.

Having regard for the time it takes to rezone land and then construct and release lots to the market – a period of at least two years - it is considered that additional zoned residential supply is required to ensure the residential land market continues to operate efficiently and competitively. The rezoning process should be expedited sooner rather than later.

Appendix A – Leongatha Supply Demand Assessment, 2018


Town: Leongatha
Leongatha Residential Land Supply - May 2018
Column1 Zone Area (ha) lots
Number of Vacant Residential Lots (all zones) - - 156
Number of Lots approved by Subdivision Planning Permit yet to be developed / released (all zones) - - 265
Vacant residential zoned land yet to be subdivided (blue areas) GRZ1 20.88 179
LDRZ - -
RLZ - -
TZ - -
Greenfield (FZ) land yet to be rezoned (red areas) GRZ1 177.79 1295
LDRZ - -
RLZ 230.05 170
TZ - -
Total 428.72 2065
Note 1: Total number of residential rated properties in township = 2550
Note 2: Average new dwellings completed per year in Leongatha = 40
Legend
Vacant Residential Lot
Residential Land Supply - Existing
Residential Land Suppy - Future (Rezoning Required)
Planning Scheme Zones
C1Z - Commercial 1 Zone
FZ - Farming Zone
GRZ1 - General Residential Zone 1
IN1Z - Industrial 1 Zone
LDRZ - Low Density Residential Zone
MUZ - Mixed Use Zone
PCRZ - Public Conservation and Resource Zone
PPRZ - Public Park and Recreation
RDZ1 Road Zone 1 - VicRoads
RLZ - Rural Living Zone
SUZ5
Waterways + 20m buffer
Explanatory Notes (all maps)
Residential Lot Yield Calculations
- General Residential Zone 1 (GRZ1) & Township Zone (TZ) = 10 lots per Ha.
- Low Density Residential Zone (LDRZ) = 4 lots per Ha (sewer) & 2 lots per Ha (no sewer)
- Rural Living Zone = 8 lots per 10ha.
Lot yields are estimates only. Yield estimates have been reduced by the presence of waterways, steep topography, native vegetation and other factors.
The lot yield calculations do not imply that Council will approve a subdivision or the rezoning of land identified in the map
Lots identified as a 'Vacant Residential Lot' may include lots that form part of a larger land ownership (tenement) that may contain a dwelling.
South Gippsland Shire Council
Printed at 5/06/2018, 4:46 PM
Map Number: 7
Revision:
QGIS Project - Land Supply Study 2018
QGIS Project Location - P/2017/EF17/551
QGIS Details of Map Line 1