



ESSENTIAL ECONOMICS

63 Yarragon-Leongatha Road Yarragon

Residential Assessment

Prepared for
Millar Merrigan

By
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INTRODUCTION

Background

Miller Merrigan act for the owner of land located directly east of the established urban area of Yarragon (the subject land). The subject land is located mostly within the Yarragon township boundary and is identified as a future residential development area within the Baw Baw Planning Scheme.

The landowner seeks to rezone the subject land from the Farming Zone to an appropriate residential zone to facilitate the development of the land as a residential estate.

This report assesses the residential supply and demand situation in Yarragon for consideration in any future rezoning request.

This Report

This report contains the following chapters:

- 1 Regional Context and Subject Land
- 2 Policy and Strategic Planning Context
- 3 Residential Market Assessment
- 4 Summary of Main Findings

1 REGIONAL CONTEXT AND SUBJECT LAND

This Chapter provides an overview of the subject land and its location, and the proposed development of the site.

1.1 Regional Context

Yarragon is a small town in Baw Baw Shire of with a current urban population of around 1,650 residents.

The town is located approximately mid-way between the larger urban centres of Warragul and Moe. Traditionally, Yarragon is a service centre for the surrounding agricultural district. More recently, the town has experienced residential growth as a result of the attractive rural amenity, its proximity to major employment areas in Melbourne's outer east and the Latrobe Valley and the release of several residential estates.

Yarragon has a primary school and a well-established retail centre. As one of the few remaining townships on the Princes Highway which has not been bypassed, Yarragon's retail strip is heavily weighted towards takeaway food, cafes, restaurants and convenience retail facilities.

Yarragon has a train station that is serviced by the main Gippsland rail line. At present Yarragon is served by 13 services to Melbourne each weekday.

At a higher level, Yarragon represents one element in a relatively unique linear hierarchy of urban centres centred on the Princes Highway, east of Greater Melbourne.

East of Pakenham (the easternmost extent of the Melbourne's metropolitan area), a series of small township such as Garfield, Bunyip and Longwarry are centred on the main Gippsland rail line, south of the Princes Highway/Freeway. Thirty kilometres east of Pakenham, Drouin and Warragul (a further 8 kilometres east) represent more significant urban centres with a combined population approaching 30,000 persons. Sufficiently close to Greater Melbourne, Warragul and Drouin are expected to experience significant population growth in the future.

Yarragon is 12 kilometres further east of Warragul.

Seven kilometres further east of Yarragon is Trafalgar, another traditional, albeit larger, service centre of some 3,500 residents. Like Yarragon, Trafalgar has experienced significant population growth over the past 20 years.

A further 10 kilometres east, and in the neighbouring City of Latrobe, is the more significant urban centre of Moe (15,000 persons), followed by Morwell (14,000 persons) and Traralgon (25,000 persons).

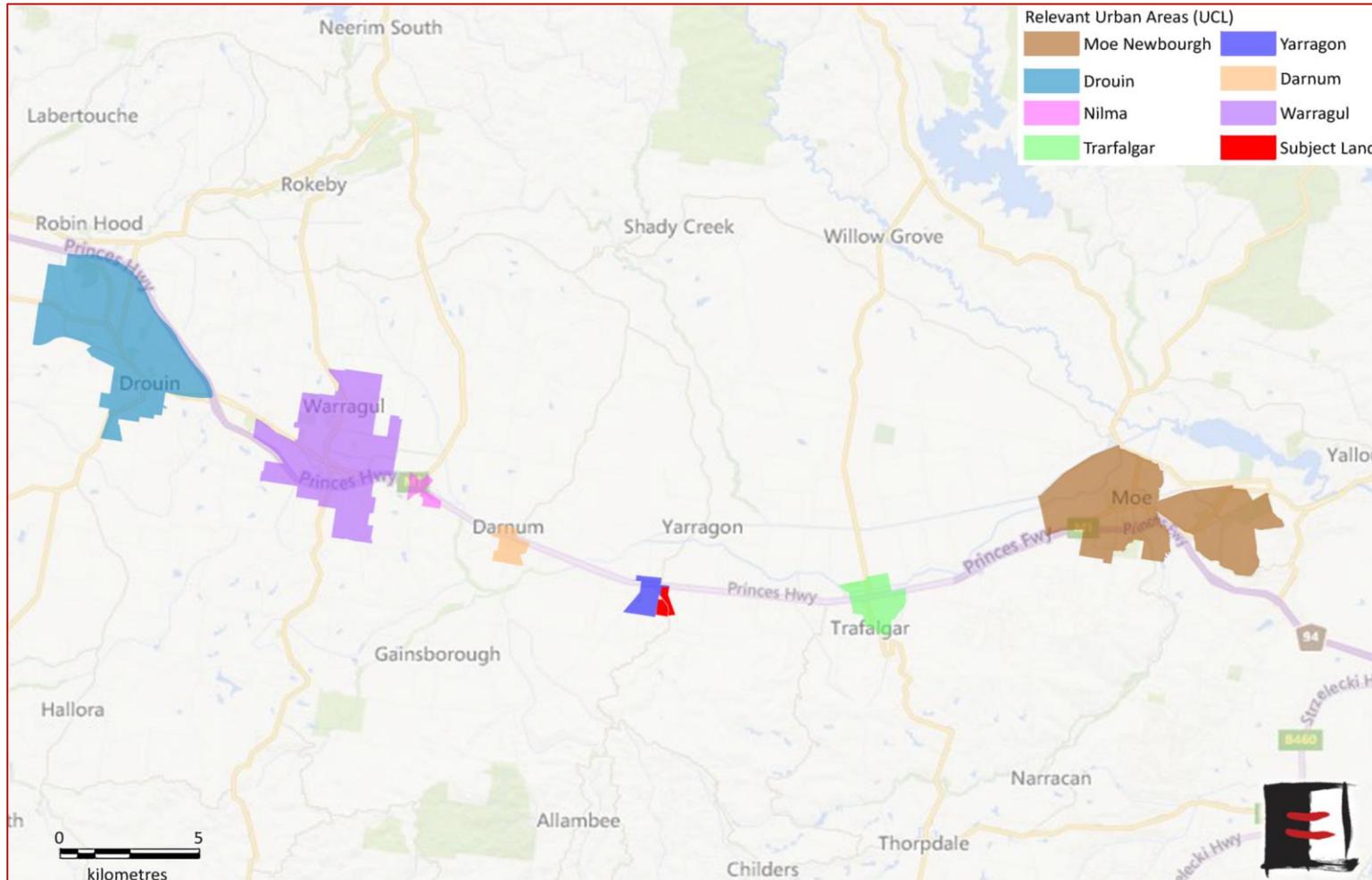
The result is a series of urban centres organised in linear form along the Princes Highway and Gippsland rail corridor. The corridor itself is quite unique in a Victorian context due to the

proximity of one urban centre to the next, and the way in which the economies of the urban centres rely on each other. For example, it is probable that as centres such as Warragul and Drouin have experienced a surge in population growth, there has been a subsequent increase in growth in centres such as Yarragon and Trafalgar with the latter centres representing an affordable and/or 'lifestyle' residential option compared to the larger centres.

It is in this context, that the proposed rezoning should be considered.

The chain of urban centres most relevant to Yarragon – Drouin through to Moe – is shown at Figure 1.1.

Figure 1.1: Regional Overview



Produced by Essential Economics using MapInfo and BingMap

1.2 Subject Land

The subject land is in the order of 45ha in area and is located directly east of the established Yarragon township (Figure 1.2). The subject land is bisected by the Yarragon-Leongatha Road (Image 1.1).

Yarragon's town centre is situated on the south side of the Princes Highway, approximately one kilometre north-east of the subject land. Access to the centre is available for traffic travelling in either an easterly or westerly direction along the Princess Highway.

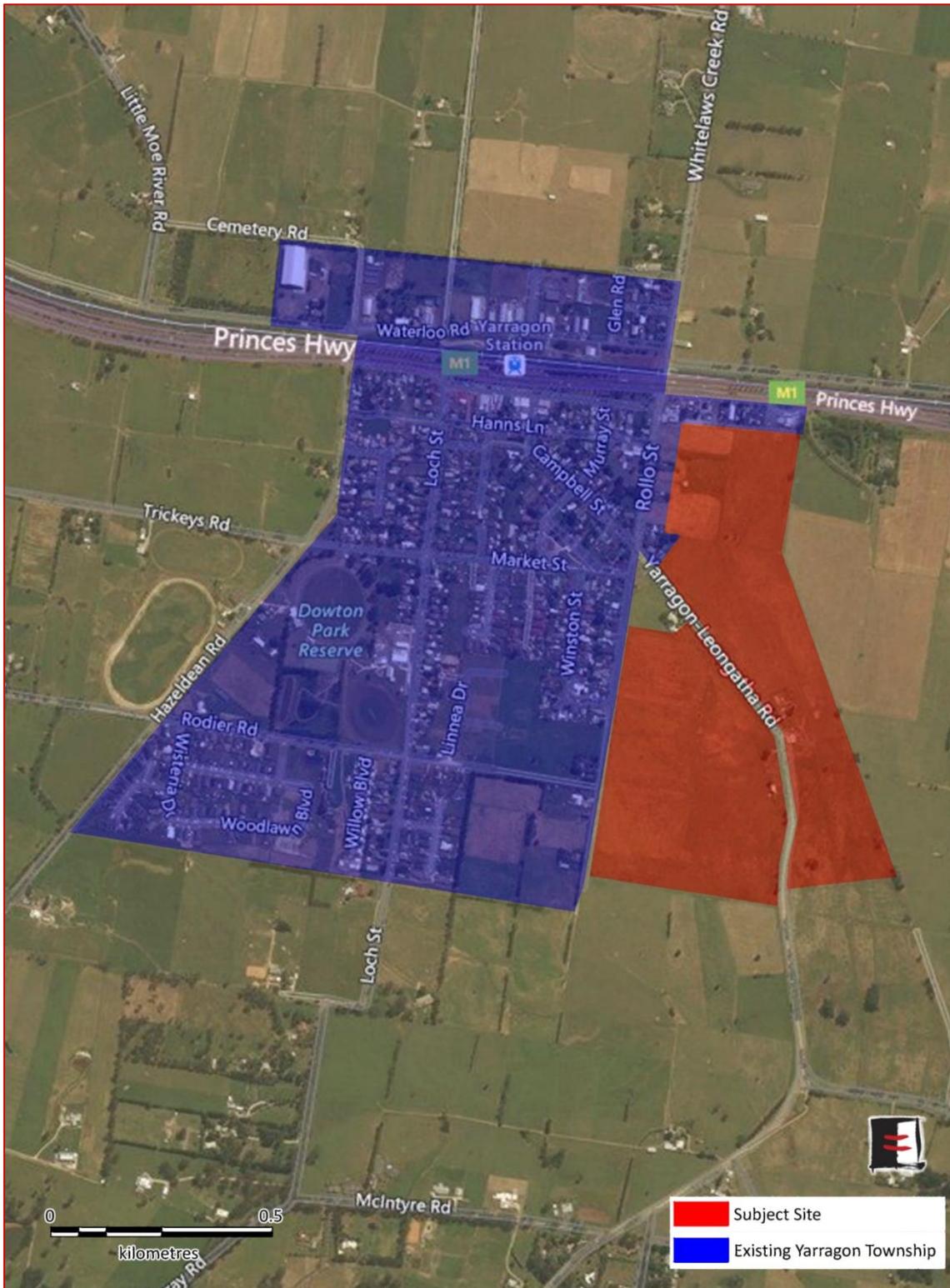
Aside from a number of industrial and commercial buildings (and several residences), the majority of Yarragon's urban area is located to the south of the Princes Highway. An older residential area surrounds the town centre. More recent residential development is located south of the town centre, to the east and south of Yarragon Primary School and Dowton Park Reserve.

Image 1.1: Subject Land (looking south-east along Yarragon-Leongatha Road)



Source: Essential Economics

Figure 1.2: Existing Yarragon Town Limit and Subject Land



Produced by Essential Economics using MapInfo and BingMaps

1.3 Proposed Rezoning

The proponent proposes to rezone the subject land from the Farm Zone (FZ) to an appropriate residential zone (assumed to be the General Residential Zone) to facilitate residential development of the land.

Figure 1.3 illustrates the layout of the proposed development, which includes:

- An aged care or lifestyle village development at the northern end of the subject land
- The use of Yarragon-Leongatha Road as a key connector road within the development
- Several areas of open space including a linear area of open space on a north-south alignment which appears to follow an existing water course
- Conventional residential density across much of the subject land, similar to that of other recent residential development in Yarragon.

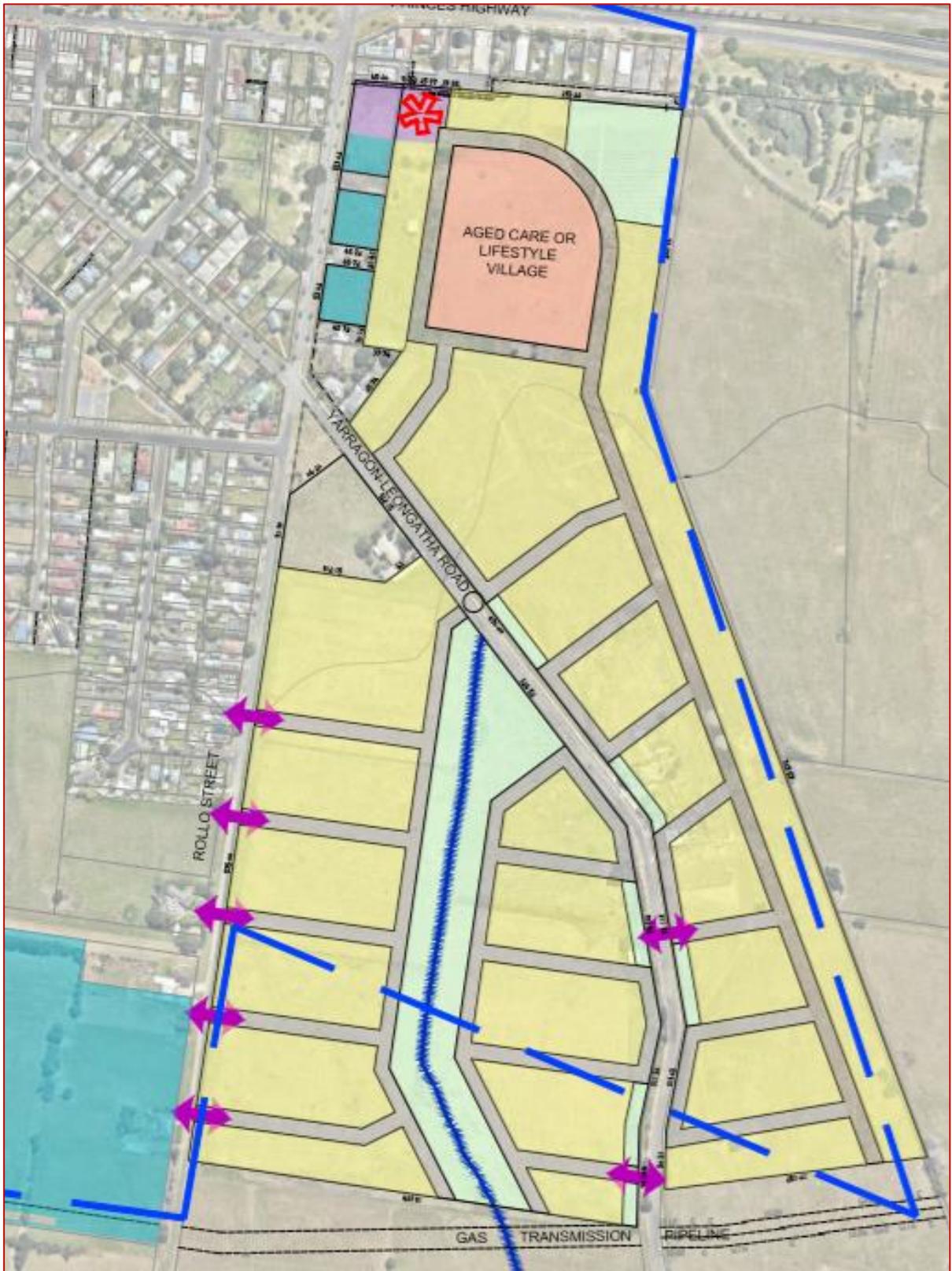
1.4 Summary

The subject land is located adjacent to the eastern edge of the existing Yarragon urban area. Yarragon itself is a small service centre town located 12km east of the Warragul town centre. The town has experienced significant residential growth in recent decades and is well connected to other centres by road (the Princes Highway/Freeway) and rail (with 13 services to Melbourne on an average weekday).

Yarragon is part of a relatively unique pattern of regional cities and towns, closely settled in a linear arrangement along the Princes Highway and Gippsland rail corridor. In this regard, the economics and movement patterns of many of these urban areas are closely entwined.

The landowner wishes to rezone the subject land from the Farm Zone to a residential zone to enable residential development to occur.

Figure 1.2: Proposed Development Plan



Source: Millar & Merrigan

2 POLICY AND STRATEGIC PLANNING CONTEXT

This Chapter summarises relevant policy and strategic planning considerations for the subject land, from an economic perspective.

2.1 State Planning Policy

Recent Amendment VC148 has implemented changes to the Victoria Planning Provisions (VPP) and planning schemes. As noted in Planning Advisory Note 71 (Department of Environment, Land, Water and Planning):

“The Amendment introduces the first stage of the new Planning Policy Framework (PPF) which replaces the existing State Planning Policy Framework (SPPF). In future the PPF will, in conjunction with the new Municipal Planning Strategy, also replace the Local Policy Framework (LPPF). The PPF enables all policy content in planning schemes to be merged into a single source.” (p1)

Effectively, the PPF and MPS are intended to work together to form the strategic basis of each municipality’s planning scheme. The discussion of State and Local Policy in this report has been undertaken in view of the changes to the Baw Baw Planning Scheme as a result of Amendment VC148. It is noted that Baw Baw Shire Council is yet to translate its Local Planning Policy Framework into the new MPS and PPF format. As such, the objectives of Council’s present planning scheme remain relevant.

Clause 11.02 of State Policy related to Managing Growth, and Clause 11.02-1S relates specifically to the Supply of Urban Land with an Objective to *“ensure a sufficient supply of land is available for residential, commercial, retail, industrial, recreational, institutional and other community uses”*.

A key strategy aimed at meeting this objective is to:

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

The following observations in relation to Clause 11.02 are made as follows:

- State Policy refers to the consideration of land supply at a municipal level rather than on a town by town basis. In our experience this is often impractical when considering a development proposal in a specific urban area or town. Where a town or city is identified as having some capacity for future urban growth it is common practice to undertake a demand and supply assessment of specific towns or urban areas to understand the nature of the residential market in the particular location. The need for discrete assessments on a more localised basis is particularly relevant in regional and rural areas where the demand and supply context may vary significantly between urban centres. It is important to consider local residential markets as the characteristics of

individual towns differ. These characteristics need to be understood as they contribute to greater diversity in housing throughout the municipality.

- In the case of the linear urban framework from, say Drouin to Moe, it is considered appropriate to assess the adequacy of residential demand and supply in each township to 'test' each situation.
- The strategy calls for **at least** a 15-year supply of land to meet expected demand. That the '15-year benchmark' is cited as a minimum is often overlooked. The supply benchmark is not supposed to be breached but rather maintained at least at the benchmark level.

2.2 Local Planning Policy

Clause 21.03 of the Baw Baw Planning Scheme deals with Settlement with Clause 21.03-2 establishing an urban hierarchy within the municipality. In this section, the primary urban roles of Warragul and Drouin are acknowledged and promoted. Other established townships including Longwarry, Trafalgar, Yarragon and Neerim South are acknowledged as medium-sized towns with strong local service roles. Although Warragul and Drouin are expected to absorb the majority of future urban growth, the medium-sized towns are identified as being capable of strategically planned incremental expansion.

Under 'Directions for Growth' (Clause 21.0-3), it is noted that "*Trafalgar, Yarragon and Longwarry, which will accommodate a medium level of growth consistent with their more limited infrastructure*". In this section, Strategy 1.1 seeks to "*Guide population and development to settlements where land has already been zoned or committed (ie within a planning framework) for residential purposes and has ready access to existing infrastructure and services*".

It is therefore appropriate to consider the planning framework for Yarragon specifically. Clause 21.04 of the Baw Baw Planning Scheme (Main Towns) provides a planning framework for each of the municipality's principal towns, including Yarragon (at Clause 21.04-6).

A 'Context' for township, which includes general parameters for future development is provided as follows:

Yarragon is the fourth largest town in the Baw Baw Shire and is mostly residential, with a strong tourist-oriented shopping destination, recreation facilities, school, hall and industrial and commercial land. It is located amidst farmland, with the flood plain of the Moe River to the north and the north face of the Strzelecki Ranges to the south. Most buildings date from the 20th century, and while detached housing in established gardens is the predominant streetscape, buildings with heritage significance add character to the town.

The township boundary is to be retained in its current position in the short to medium term but expansion areas to the east, west and south of the town should be considered to provide residential land supply post 2026 (indicative timing).

The timing is provided to ensure existing drainage issues within the town are resolved through mitigation measures outlined in the Yarragon Drainage Strategy, 2013.

Further rezoning outside the existing urban areas will only be considered after mitigation works are in place to reduce the existing inundation issue and provided the proposed rezoning does not impose pressure on the drainage network.

All drainage works for the rezoned areas are to be investigated, designed, and constructed at the developers' cost.

Long term implications of all infrastructure provision (drainage, sewer and water) should be considered and planned for before expansion of the township boundary occurs.

The Yarragon Structure Plan 2010 provides important guidelines for development and urban design.

A Structure Plan map is provided at Clause 21.04-6 of the Baw Baw Planning Scheme and is reproduced at Figure 2.1 (on the following page).

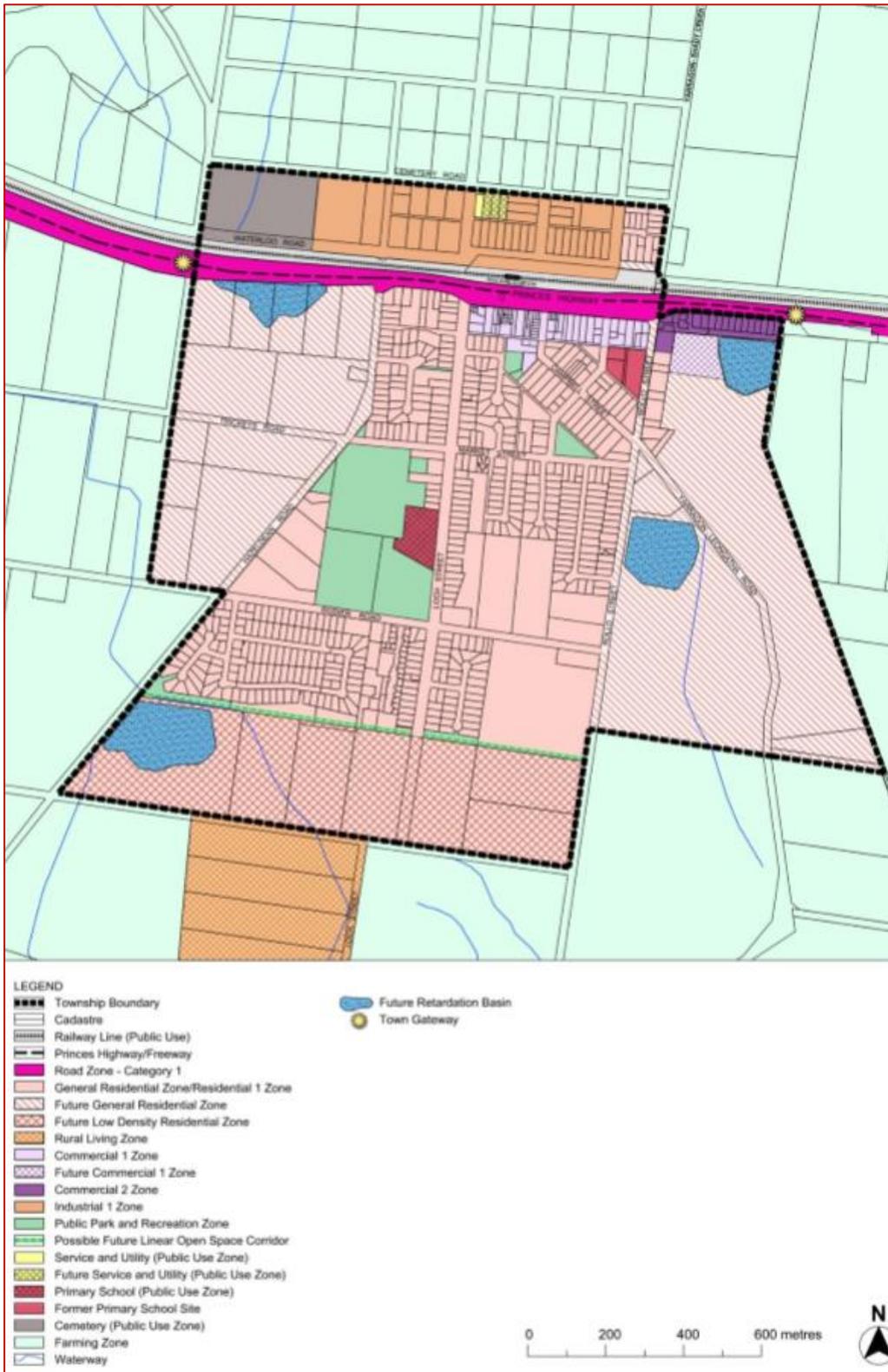
It should be noted the subject land is within the township boundary and identified as 'Future General Residential Zone'.

2.3 Conclusion

Yarragon is identified as a medium-sized township in the Baw Baw Planning Scheme, with potential for incremental future urban growth.

The subject land is located within the township boundary and is identified as 'Future General Residential Growth Zone'. The urban framework for Yarragon requires flood mitigation works to be carried out as a condition to rezoning and future urban growth. This report does not consider details relating to such works. Rather, the balance of this report considers the need for additional residential zoned land at Yarragon having regard for the supply of, and demand for, housing in the township, and the designation of the subject land as a 'future residential area'.

Figure 2.1: Yarragon Structure Plan



Source: Baw Baw Shire Planning Scheme

3 RESIDENTIAL MARKET ASSESSMENT

This Chapter provides an overview of the residential demand and supply situation in Yarragon and the wider area and discusses the implications for Yarragon.

3.1 Population Trends and Forecasts

Population Trends

Table 3.1 summarises population growth between 2007 and 2017 for townships from Drouin and Warragul in the west, to Trafalgar and Moe-Newborough in the east. Together, these urban areas (Drouin, Warragul, Yarragon, Trafalgar and Moe-Newborough) are referred to in this report as the Drouin-Moe Corridor.

Yarragon currently has an estimated urban population of approximately 1,160 persons based on ABS estimates for 2017. Over the past decade, the population of the urban area has increased, on average, by approximately +36 persons per annum (or +7.7% each year), a growth rate that, in regional terms, can be described as high (albeit from a low base).

At a municipal level, Baw Baw Shire has an estimated resident population of 50,690 persons (2017) with growth averaging +5.7% per annum over 10-year period to 2017 (refer Table 3.1). The majority of the Shire's population growth has occurred in the major centres of Warragul (+3.9% per annum) and Drouin (+10.7% per annum). Even so, in terms of its rate of growth, Yarragon has experienced average annual growth above the municipal average.

East of Yarragon, Trafalgar has experienced a similar annual rate of growth to Yarragon (+7.7%), increasing by +110 persons per annum.

In contrast, Moe-Newborough, eighteen kilometres east of Yarragon and in the neighbouring City of Latrobe, experienced a decline in population of -350 persons between 2007 and 2017.

Table 3.1: Population Trends, 2007-17

Location	2007	2012	2017	Average Annual Growth 2007-17 %	Average Annual Growth 2007-17 No.	Share of Baw Baw Shire Population Growth, 2007-17
Yarragon	800	1,030	1,160	7.7%	36	3.0%
Warragul	12,120	13,520	14,680	3.9%	256	21.0%
Trafalgar	2,450	3,140	3,550	7.7%	110	9.0%
Drouin	7,510	10,020	12,500	10.7%	499	40.9%
Moe-Newborough	15,570	15,480	15,220	-0.5%	-35	na
Drouin-Moe Corridor	38,460	43,190	47,100	4.1%	864	-
Baw Baw Shire	38,500	44,460	50,690	5.7%	1,219	100%
<i>Regional Victoria</i>	<i>1,311,760</i>	<i>1,384,590</i>	<i>1,472,870</i>	<i>1.2%</i>	<i>16,111</i>	<i>na</i>

Source: ABS Estimated Residential Population

Population Forecasts

Population projections for Baw Baw Shire have been prepared by the Department of Environment, Land, Water and Planning (DEWLP) and released as the *Victoria in Future 2016* (VIF2016) projections. These are provided at Table 3.2 in which town specific projections have been prepared based on each town continuing to experience growth consistent with its share of the municipality's growth between 2007 and 2017.

For instance, VIF2016 projects average population growth of approximately +1,410 persons a year (or 2.4% per annum) in Baw Baw Shire over the 2017 to 2031 period.

Based on the methodology described above, there is an expectation that Yarragon will experience ongoing population growth of approximately +30 persons per annum.

Forecasts of population growth in other nearby townships indicate relatively strong future growth, with the exception of Moe-Newborough where growth is expected to be modest, at best.

Table 3.2: Population Forecast, 2017-2031

Forecast / Location	2017	2021	2026	2031	Average Annual Growth (No.)			Average Annual Growth (%)		
					2017-21	2021-26	2026-31	2017-21	2021-26	2026-31
Yarragon	1,160	1,290	1,450	1,610	33	32	32	2.7%	2.4%	2.1%
Warragul	14,680	15,720	17,030	18,230	260	262	240	1.7%	1.6%	1.4%
Trafalgar	3,550	3,940	4,440	4,930	98	100	98	2.6%	2.4%	2.1%
Drouin	12,500	14,930	17,990	20,790	608	612	560	4.5%	3.8%	2.9%
Moe-Newborough	15,220	15,110	15,460	16,070	-28	70	122	-0.2%	0.5%	0.8%
Highway Corridor	47,100	51,000	56,380	61,620	975	1,076	1,048	2.0%	2.0%	1.8%
Baw Baw Shire	50,690	56,470	63,720	70,420	1,445	1,450	1,340	2.7%	2.4%	2.0%

Source: DEWLP, Victoria in Future 2016; Essential Economics

Note: Based on VIF2016, rebased and ERP of towns Urban Centre and Locality share of growth applied to VIF Areas

3.2 Socio-Demographic Overview

An overview of the demographic characteristics of residents in Yarragon, along with other selected towns and Baw Baw Shire is provided at Table 3.3. Data is sourced from the ABS 2016 Census of Population and Housing. Relevant characteristics include:

- Yarragon residents had a median individual income of \$30,060 per annum, which is generally consistent with other towns in Baw Baw Shire. It is noted that income levels in Moe-Newborough (\$24,720) are significantly lower than other selected towns.
- Yarragon, Drouin and Warragul, and Baw Baw Shire all had a younger population compared to the average for Regional Victoria, with the median age ranging from 39.8

years (Trafalgar) to 42.0 years (Warragul). The median age for Regional Victoria was 42.2 years.

- Yarragon had very few residents aged 85 years and older (0.9%) compared to Regional Victoria (2.7%) and other selected towns. This is likely to be influenced by the absence of an aged care facility in Yarragon.
- Yarragon has a marginally higher share of Couple families without children (32.3%) compared to the balance of Baw Baw Shire (31.0%) and Regional Victoria (29.1%).
- Yarragon has a higher share of dwellings owned with a mortgage (41.7%) than the average for Baw Baw Shire (38.9%). Notably, both are significantly higher than the average for Regional Victoria (34.4%). This characteristic is reflective recent residential development in Yarragon.

The information described above reflects the demographic characteristics of residents in Yarragon as of 2016.

Table 3.3: Demographic Overview, 2016

Category	Yarragon	Warragul	Drouin	Moe- Newborough	Baw Baw Shire	Rest of Vic
Income						
Median individual income (p.a.)	\$30,060	\$30,400	\$28,990	\$24,720	\$30,480	\$29,980
Age Structure						
0-4 years	7.7%	5.7%	7.1%	5.4%	6.1%	5.8%
5-19 years	14.8%	19.0%	19.1%	16.7%	19.3%	18.4%
20-34 years	20.4%	16.9%	17.8%	18.3%	16.0%	16.5%
35-64 years	37.1%	36.5%	35.0%	37.0%	38.4%	38.9%
65-84 years	19.1%	19.1%	18.3%	19.2%	17.8%	17.7%
85 years and over	0.9%	2.8%	2.8%	3.5%	2.3%	2.7%
Total persons	1,120	14,260	11,880	15,080	48,480	1,433,630
Median Age (years)	41.3	42.0	40.0	43.4	41.9	42.2
Country of Birth						
Australia	90.1%	89.1%	88.0%	86.1%	88.2%	89.4%
Other Overseas Born	2.7%	5.1%	4.6%	7.8%	5.2%	5.7%
% speak English only at home	98.4%	94.6%	95.8%	93.5%	95.7%	93.5%
Household Composition						
<i>Couple family with no children</i>	32.3%	29.4%	29.6%	24.6%	31.0%	29.1%
<i>Couple family with children</i>	25.3%	26.8%	29.6%	20.1%	29.9%	27.3%
Couple family - Total	57.6%	56.2%	59.2%	44.7%	60.9%	56.4%
One parent family	10.4%	11.7%	11.6%	15.1%	10.7%	10.9%
Other families	0.0%	0.6%	0.8%	0.7%	0.8%	0.7%
Family Households - Total	68.0%	68.6%	71.5%	60.4%	72.4%	68.0%
Lone person household	30.2%	28.9%	26.0%	36.9%	25.4%	29.0%
Group Household	1.8%	2.5%	2.5%	2.7%	2.3%	3.0%
Average household size	2.36	2.40	2.50	2.17	2.50	2.39
Tenure Type (Occupied Private Dwellings)						
Owned outright	36.1%	39.9%	35.3%	37.6%	39.4%	39.1%
Owned with a mortgage	41.7%	34.5%	38.6%	29.0%	38.5%	34.4%
Rented	22.2%	24.6%	26.2%	32.7%	21.3%	25.9%
Housing Costs						
Median monthly mortgage repayment	\$1,260	\$1,380	\$1,490	\$1,040	\$1,290	\$1,350
Median weekly rents	\$280	\$250	\$270	\$180	\$250	\$230
Employment Status						
Unemployed/ looking for work	4.7%	5.6%	5.9%	13.1%	5.5%	5.9%
Labour force participation rate	59.5%	59.4%	58.1%	52.3%	61.7%	60.5%

Source: ABS, Census of Population and Housing, 2016

3.3 Residential Market Overview

ABS Census data for 2016 indicates that almost 58% of Yarragon' residents are aged between 20 and 64 years (the Shire average is 53%), suggesting that Yarragon is an attractive location for persons of working age.

Of the 497 private dwellings located in Yarragon (as at the 2016 Census), 90% were occupied, which is marginally higher than the balance of Baw Baw Shire (89%) and significantly higher than the Regional Victorian average (83%). This confirms that Yarragon, and Baw Baw Shire as a whole, is primarily a town in which people live on a permanent basis.

The majority of existing residential lots in Yarragon are in the order of 600m² to 1,000m² in area, and 95% of all dwellings take the form of a detached house. The balance, perhaps 20 dwellings in total, take the form of semi-detached and townhouses. In recent years, residential lots in new housing estates have been smaller than older lots in the township, ranging in size from approximately 570m² to 660m².

3.4 Dwelling Building Approval Trends and Dwelling Forecasts

New dwelling approvals in the Drouin-Moe Corridor have consistently been in the order of 700 to 800 dwelling per annum over the period 2012 to 2017 (Table 3.4).

Over the same period, new dwelling approvals in Yarragon has averaged 17 new dwelling per annum.

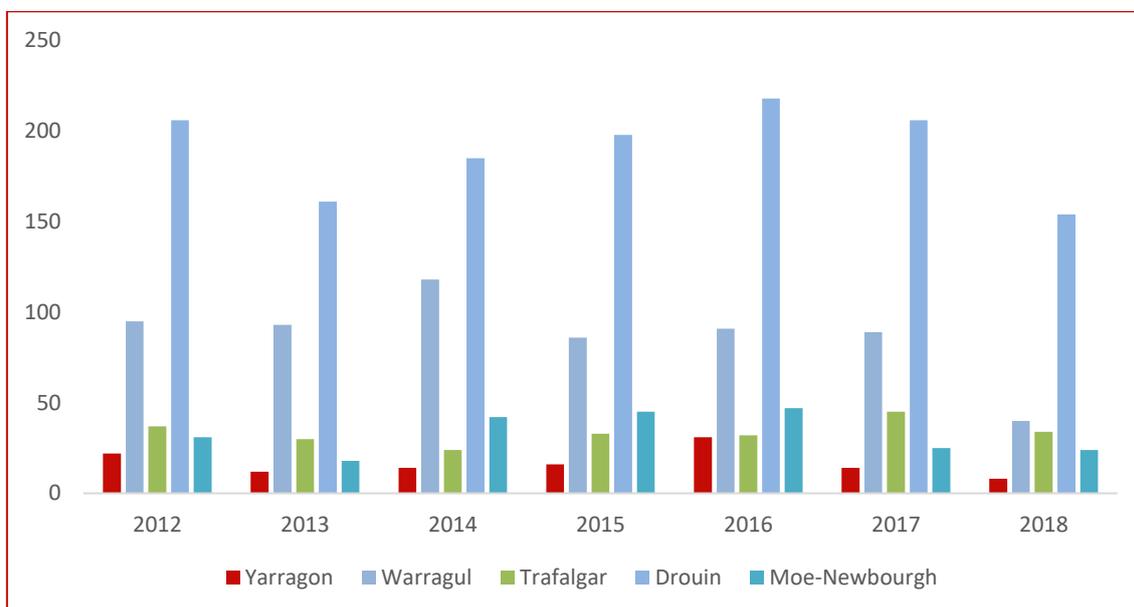
The highest level of new dwelling approvals occurred in Drouin which averaged around 190 new dwelling approvals per annum between 2012 and 2017.

Table 3.4: New Dwelling Building Approvals, 2012 to 2018 financial years (to February)

Location	2012	2013	2014	2015	2016	2017	2018 (to Feb 2018)	Total	Annual Average
Yarragon	22	12	14	16	31	14	8	117	17
Warragul	95	93	118	86	91	89	40	612	87
Trafalgar	37	30	24	33	32	45	34	235	34
Drouin	206	161	185	198	218	206	154	1,328	190
Moe-Newborough	31	18	42	45	47	25	24	232	33
Drouin-Moe Corridor	760	616	752	740	807	744	512	4,931	704
Baw Baw Shire	500	480	508	518	598	542	688	3,834	548

Source: ABS 8731.0 Building Approvals

Figure 3.1 illustrates recent trends in new dwelling approvals by location based on ABS data at the small area level (Statistical Area 1) and demonstrates that the rate of development along the Drouin-Moe Corridor has remained consistent in recent years. Year to date data for the 2018 financial year indicates this trend is likely to continue in the short term.

Figure 3.1: Yarragon and Towns of Interest New Dwelling Building Approvals, 2012-2018

Source: ABS 8731.0 Building Approvals

Note: 2018 represents year to date data only.

Forecasts of future levels of dwelling growth are prepared using the population forecasts provided in Table 3.2 (Noting the population forecasts are derived from the VIF2016 projections).

It is estimated that in 2017, Yarragon had 550 dwellings and are forecast to increase to 810 dwellings in 2031. Based on this level of population growth, it is estimated that 18 new dwellings will be required on an annual basis. This broadly reflects the recent rate of development that has occurred in Yarragon.

Overall, Baw Baw Shire is expected to require in the order of 694 new dwellings annually to meet projected population growth. These forecasts are provided in Table 3.5 below.

Table 3.5: Dwelling Forecast Yarragon and Towns of Interest, 2017-31

	2017	2021	2026	2031	2017-2031	
					No.	AAG (No.)
Yarragon	550	620	720	810	260	18
Warragul	6,700	7,290	7,920	8,500	1,790	128
Trafalgar	1,550	1,760	2,020	2,270	720	51
Drouin	5,150	6,270	7,590	8,810	3,660	261
Moe-Newborough	7,580	50	8,190	8,610	1,030	74
Baw Baw Shire	22,670	25,680	29,160	32,380	9,710	694

Source: Essential Economics using VIF2016

3.5 Residential Property Price Trends

Over the past decade, Yarragon has become relatively more affordable when compared with Drouin, Warragul and Trafalgar. The median house price in Yarragon increased by 4.6% per annum between 2007 to 2017, a lower rate of price growth than in other key Baw Baw towns. Median house price growth in Moe-Newborough (was more subdued at 3.5% per annum).

In 2017, the median house price in Yarragon was \$310,000, which is 19.8% lower than the median house price for Baw Baw Shire (\$386,500) and significantly lower than Drouin (\$395,000) and Warragul (\$390,000).

Table 3.6: Median house Price Trends in Yarragon and Selected Areas, 2007 to 2017

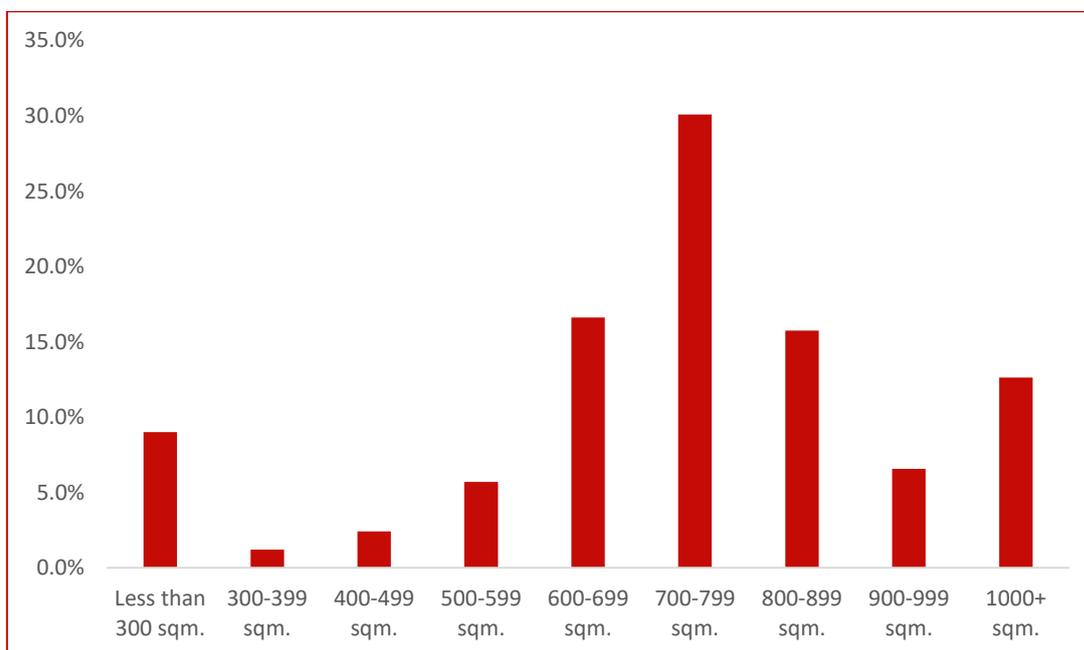
	House			Unit			Land		
	2007	2017	2007-17 Growth p.a. (%)	2007	2017	2007-17 Growth p.a. (%)	2007	2017	2007-17 Growth p.a. (%)
Yarragon	\$197,000	\$310,000	4.6%	NA	\$262,000	NA	\$73,500	\$150,000	7.4%
Warragul	\$238,350	\$390,000	5.0%	\$215,000	\$290,000	3.0%	\$94,500	\$162,500	5.6%
Trafalgar	\$191,500	\$331,500	5.6%	\$220,000	\$280,000	2.4%	\$77,501	\$147,000	6.6%
Drouin	\$205,000	\$395,000	6.8%	\$219,000	\$260,000	1.7%	\$90,550	\$158,500	5.8%
Moe-Newborough	\$138,000	\$195,000	3.5%	\$110,000	\$135,500	2.1%	\$81,725	\$119,000	3.8%
Baw Baw Shire	\$225,000	\$386,500	5.6%	\$219,000	\$285,000	2.7%	\$90,000	\$155,000	5.6%

Source: PriceFinder.com.au

In terms of vacant land prices (2017), the median price in Yarragon (\$150,000) is similar to that of Trafalgar (\$147,000), lower than Drouin (\$158,500) and Warragul (\$162,500) but higher than Moe-Newborough (\$119,000).

3.6 Analysis of Established Residential Area by Lot Size

A overview of existing residential lots by lot size in Yarragon is provided at Figure 3.2. In general terms, the majority of lots are in the order of 600-900m² in size with the most significant number provided between 700m² and 799m². Lots of this scale are typical of the more recent residential development that has occurred in the southern part of Yarragon. The older area of Yarragon to the north tends to include a number of larger lots of 800m² to 1,000m².

Figure 3.2: Overview of Yarragon Lot Sizes

Source: Essential Economics

3.7 Residential Land Supply

General Residential Zone (GRZ1)

The GRZ1 (General Residential Zone 1) is the principal residential zone applied in Yarragon. This GRZ1 aims to encourage development of a diversity of housing types that respect the character of an area and particularly offer good access to services and transport. The GRZ1 also allows for educational, recreational, religious and community uses to serve local community needs.

Residential Land Supply

An assessment of residential land supply is provided below and takes into consideration analysis of aerial imagery (Nearmap - 28 March 2018). For the purpose 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 total number of available lots and potential lots in Yarragon is estimated to be between approximately 195 and 215 lots. Table 3.6 summarises the residential supply analysis for Yarragon and includes the following categories of residential land supply:

- **Single Vacant Lots:** Single vacant lots refer to existing residential lots with no further subdivision potential. In total, there are between 20 single vacant lots in Yarragon, which, based on an annual demand of 18 lots, represents a one year supply.

- **Vacant Subdividable Lots:** This refers to larger lots that appear to have potential for relatively simple subdivision. For the purpose of this analysis it is assumed that 25% of land with subdivision potential is not used for residential uses (i.e. 20% is used for internal access roads, 5% is used for open space).
- **Development Parcels:** This refers to larger parcels of land that would be required to undergo more detailed planning, with a greater loss of land (assumed to be 30%) for the purpose of infrastructure, open space and road network requirements.

For sensitivity purposes, a lot yield is established based on an average lot size of 620m² and 720m². In total, potential exists for between approximately 170 and 190 residential lots to be created associated with the subdivision of these larger lots.

The land supply analysis shown in Table 3.7 is intended to be indicative and does not take into consideration potential constraints within each lot that may limit the ability to subdivide the land (e.g. environmental constraints, topography, planning, etc).

Table 3.7: Vacant Residential Land Supply by Zone in Yarragon, 2018

Zone	Lots	Vacant Subdividable Lots	Developable Parcels	Total
Existing				
Net Dev. Area (Ha.)	1.6	2.5	8.1	12
640m ² (No. Lots)	24	48	126	189
720m ² (No. Lots)	2,022	34	112	168

Source: Essential Economics

The majority of the potential vacant residential lots in Yarragon are located in the southern part of the township, with land to the north of the Princess Highway being zoned for industrial or agricultural purposes. Farming land. Figure 3.3 shows the location of available residential supply in Yarragon.

Figure 3.3: Vacant Residential Land in Yarragon



Produced by Essential Economics using Bingmaps and MapInfo.

Adequacy of Residential Land Supply

As indicated, Yarragon has averaged 17 new dwelling building approvals each year since 2011/12 with the number of approvals trending towards an increase in recent years. For the purposes of establishing a forecast of future dwelling demand, a figure of 18 dwellings per annum is adopted. It should be noted, this arguably represents a relatively conservative figure.

Based on this assumption, residential land supply is considered adequate for a period of 9.3 years (based on an estimated supply of 168 lots) and 10.5 years based on a supply of 189 lots.

A 25% increase in building activity (i.e. 23 lots a year) would reduce this supply down to 7.3 to 8.2 years of supply.

Typically, planning for a 15-year supply of residential land is considered appropriate. In this context, a requirement for additional residential land exists and the subject site provides an opportunity for additional residential land that is supported by existing planning policy.

The addition of the subject land as residential supply would provide a significant increase in Yarragon's residential supply, likely to be in the order of several hundred lots (or more than 15 years of additional supply).

Qualifications

It is important to note that this analysis is sensitive to the assumptions that underpin it. For example:

- Should population growth – and therefore dwelling demand – prove to be higher than anticipated, the adequacy of land supply would decrease. For example, should dwelling demand be 25 dwellings per annum, the adequacy of land supply would fall to between 6.7 years and 7.5 years. The potential for demand to be higher than anticipated is considered to be real prospect with ongoing strong growth at Warragul and Drouin potentially spilling to Yarragon, attracted by the comparably small-town lifestyle and more affordable housing options.
- The supply analysis assumes all vacant lots and all developable parcels of land are constraint free.
- The supply analysis assumes the owners of all vacant lots and all developable parcels of land are all willing to undertake development of their land or sell to a potential developer. Experience suggests some landowners are not willing developers or sellers of land. A reduction in available supply has a significant impact on the adequacy of supply. For example, a reduction in available supply to 150 lots would see the adequacy of supply fall to 8.3 years (at 18 dwellings per annum) or 6 years (at 25 dwellings per annum).
- Figure 3.3 identifies a component of supply that is dependent on the development of the subject land. In short, it is understood this area of land cannot be developed due to drainage issues, which in turn can only be addressed when drainage related works are undertaken on the subject land. The land in question can therefore be regarded as

theoretical supply only, as it cannot be developed without works occurring on the subject land. The land in question is 3.86 hectares in area. Based on the analysis undertaken in Table 3.7, the removal of this developable parcel from zoned supply would reduce total available supply to between 130 and 146 lots. This equates to a reduction in the adequacy of land supply to between 7.2 years and 8.1 years supply (based on demand of 18 dwellings per annum).

3.8 Conclusion

An estimated supply of between 168 and 189 residential lots currently exists in Yarragon. This level of supply is sufficient to accommodate approximately 9.3-10.5- years of demand based on recent trends in new dwelling building approvals and forecasts from the VIF2016 projections. This analysis is however highly sensitive to the assumptions that are applied.

The subject land would provide a significant increase in Yarragon's residential land supply. In reality, development of the subject land would occur in a way that reflects demand with delivery of new lots undertaken in a staged manner.

4 SUMMARY OF MAIN FINDINGS

A summary of the main findings presented in this report is provide below:

- 1 **Subject Land Overview:** The subject site is located directly east of the established Yarragon township and is bisected by the Yarragon-Leongatha Road. The subject land is approximately 45ha in area and the owner seeks a rezoning of the land to accommodate a residential development, including provision of an aged care facility.
- 2 **Strategic Policy Context:** The subject land is located within the township boundary and is identified for future residential development. Development of the subject land, and other identified development sites within the township boundary is contingent on the resolution of various drainage works. Yarragon is identified in the Baw Baw Planning Scheme as a medium-sized town capable of ongoing population growth. Accordingly, residential development of the subject land has strong strategic planning support.
- 3 **Demand for Residential Land:** Yarragon is part of a closely settled hierarchy of urban areas established in a linear pattern along the Princes Highway and Gippsland rail line. Yarragon appears to accommodate a degree of ‘spillover’ growth from the larger urban centres of Drouin and Warragul. Based on recent growth and having regard for Victorian Government population projections, Yarragon is expected to experience demand for 18 dwellings per annum.
- 4 **Supply of Residential Land:** An estimated supply of between approximately 200 and 220 residential lots currently exist in Yarragon, comprising existing vacant lots, as well as land that has the potential for subdivision or development.
- 5 **Adequacy of Supply:** Based on the demand and supply parameters outlined above, there is presently between 9.3 years and 10.5 years land supply available in Yarragon.

It is understood however, that a 3.9ha parcel of land presently zoned for residential development is unable to be developed until drainage issues are resolved. Moreover, it is understood this will require infrastructure works on the subject land which are unlikely to occur unless the subject land is development. On that basis the 3.9ha parcel of land can be regarded as theoretical supply only. The removal of this land from available zoned land stocks reduces land supply to between 7.2 years and 8.1 years.

- 6 **Qualifications:** Assumptions about the demand for residential land in Yarragon are considered to be conservative. For example, it is plausible that dwelling demand could reach higher levels in the future. Furthermore, it is also possible that some parcels of land determined to be developable in the analysis will not be available for development in the near to medium term. Should this prove to be the case, the adequacy of residential land supply will decrease further.
- 7 **Conclusion:** Having regard for the established benchmark of providing for a 15-year supply of residential land, it is apparent that additional residential land supply should be brought to market. Subject to the resolution of any development constraints that may apply to the subject land, the additional of a substantial new area of supply in a location adjacent to the existing urban area represents a sound economic outcome.