

Chapter 15

Housing and Construction

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Construction site

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OVERVIEW

Building activity makes a significant contribution to the Victorian economy, both directly and indirectly. New dwelling approvals in particular are recognised as a leading economic indicator.

This chapter presents information on the Victorian construction industry; value of building, residential and non-residential data, engineering construction and housing loans.

Construction

In 1995–96 the construction industry sector contributed 6% of Gross State Product (GSP) at factor cost. Victoria's percentage share of the national GSP at factor cost for the construction industry sector was 22%.

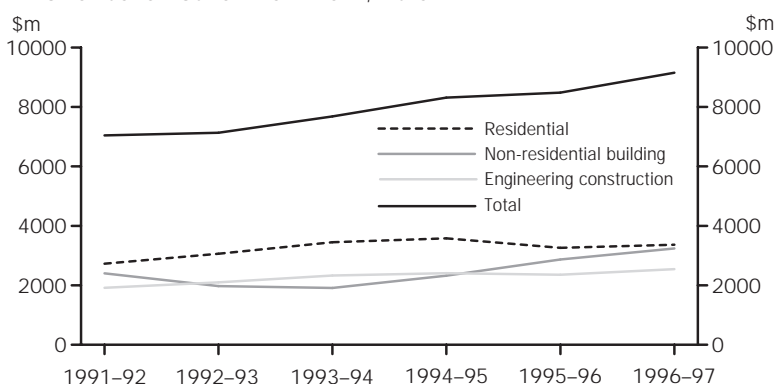
At current prices the value of construction work in Victoria during 1996–97 was \$9,078.6 million. This represented a 7% increase over the previous financial year.

15.1 VALUE OF CONSTRUCTION WORK DONE, CLASSIFIED BY TYPE, VICTORIA

Type of construction	1991–92 \$m	1992–93 \$m	1993–94 \$m	1994–95 \$m	1995–96 \$m	1996–97 \$m
Residential building	2 724.7	3 062.5	3 450.1	3 581.5	3 261.2	3 366.4
Non-residential building	2 404.2	1 970.7	1 902.2	2 322.0	2 870.0	3 240.0
Engineering construction	1 915.7	2 098.2	2 329.1	2 409.1	2 352.6	2 472.2
Total	7 044.6	7 131.4	7 681.4	8 312.6	8 483.8	9 078.6

Source: *Building Activity, Victoria* (Cat. no. 8752.2) and *Engineering Construction Activity, Australia* (Cat. no. 8762.0).

VALUE OF CONSTRUCTION WORK DONE, VICTORIA



Source: *Building Activity, Victoria* (Cat. no. 8752.2), *Engineering Construction Activity, Australia* (Cat. no. 8762.0).

Residential building

Residential building (including alterations and additions) to the value of \$3,366 million accounted for 37% of the value of all construction work done during 1996–97. New houses accounted for 59% of residential building while new 'other residential building' and 'alterations and additions' accounted for 18% and 23% respectively.

Between 1995–96 and 1996–97 the value of work on new houses decreased by 6%. Over the same period, the value of other residential building work increased by 34% while the value of alteration and addition work increased by 11%.

15.2 VALUE OF RESIDENTIAL BUILDING WORK DONE, CLASSIFIED BY TYPE, VICTORIA

Type of building	1991-92 \$m	1992-93 \$m	1993-94 \$m	1994-95 \$m	1995-96 \$m	1996-97 \$m
Residential						
Houses	1 993.4	2 286.7	2 520.8	2 573.9	2 111.1	1 983.8
Other residential buildings	181.0	196.3	278.4	300.0	452.0	607.7
Alterations & additions to residential buildings	550.3	579.5	651.0	707.5	698.1	775.0
Total	2 724.7	3 062.5	3 450.1	3 581.5	3 261.2	3 366.4

Source: *Building Activity, Victoria (Cat. no. 8752.2).*

New dwelling units

The number of new dwelling units approved during 1996-97 increased by 18% over the previous year. Of the 27,869 approvals, approximately 71% were houses. Private sector activity accounted for about 93% of the number of new dwelling units completed and conversions about 4%.

15.3 NUMBER OF NEW DWELLING UNITS APPROVED BY TYPE AND OWNERSHIP BY STATISTICAL DIVISION, VICTORIA, 1996-97

Statistical division	Private sector			Public sector			Conversions etc.	Total
	Houses	Other	Total	Houses	Other	Total		
Melbourne	13 725	5 942	19 667	136	311	447	1 189	21 303
Barwon	1 212	162	1 374	—	—	—	21	1 395
Western District	303	20	323	6	—	6	5	334
Central Highlands	605	79	684	3	20	23	9	716
Wimmera	157	9	166	—	—	—	1	167
Mallee	292	7	299	3	2	5	1	305
Loddon	869	21	890	8	6	14	6	910
Goulburn	867	44	911	10	—	10	4	925
Ovens-Murray	437	44	481	30	17	47	1	529
East Gippsland	459	48	507	7	—	7	1	515
Gippsland	684	47	731	9	28	37	2	770
Total Victoria	19 610	6 423	26 033	212	384	596	1 240	27 869

Source: *Building Approvals, Victoria (Cat. no. 8731.2).*

Photo:

Housing

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15.4 NUMBER OF NEW DWELLING UNITS APPROVED BY TYPE AND OWNERSHIP, VICTORIA

Year	Private sector			Public sector			Conversions etc.	Total
	Houses	Other	Total	Houses	Other	Total		
1991-92	22 358	1 932	24 290	707	1 016	1 723	33	26 046
1992-93	25 969	2 186	28 155	1 189	227	1 416	12	29 583
1993-94	27 227	3 109	30 336	830	584	1 414	1 167	32 917
1994-95	25 284	3 225	28 509	601	808	1 409	1 347	31 265
1995-96r	18 425	3 218	21 643	464	937	1 401	663	23 707
1996-97	19 610	6 423	26 033	212	384	596	1 240	27 869

Source: *Building Approvals, Victoria* (Cat. no. 8731.2).

NUMBER OF NEW DWELLING UNITS APPROVED, VICTORIA



Source: *Building Approvals, Victoria* (Cat. no. 8731.2).

The average value of new houses approved during 1996-97 was \$109,665, an increase of 10% over the previous year and 28.0% over 1991-92, while the average floor area (214 sq.m.) increased by 8% and 22% over the same two periods. Of the 14,013 new houses that were approved during 1996-97, with materials of construction recorded, 82% had brick veneer external walls, 7% had timber external walls and 2% had fibre cement external walls; the remaining 9% were constructed of other materials.

15.5 NUMBER OF NEW HOUSES APPROVED BY MATERIAL OF OUTER WALLS, AVERAGE FLOOR AREA AND AVERAGE VALUE, VICTORIA

Year	Brick veneer	Timber	Fibre cement	Other	Not stated	Total	Average floor area	Average value
							sq.m.	\$
1991-92	13 940	1 546	219	627	6 733	23 065	175	85 668
1992-93	15 197	1 396	331	1 475	8 759	27 158	178	85 935
1993-94	15 758	1 264	352	890	9 793	28 057	182	89 959
1994-95	15 662	1 181	263	911	7 868	25 885	184	93 694
1995-96	10 604	665	221	844	6 555	18 889	198	99 920
1996-97	11 446	1 041	222	1 304	5 809	19 822	214	109 665

Source: *Unpublished ABS data from the collection: Building Approvals, Victoria*.

Housing loans

At current prices the value of new housing loan commitments during 1996–97 was \$11,346 million, a 12% increase over the 1995–96 level. In 1996–97, 88% of all housing loan commitments were made to banks, 2% to permanent building societies and 10% to other lenders.

15.6 HOUSING LOAN COMMITMENTS BY TYPE OF LENDER, VICTORIA

Year	All banks \$m	Permanent building societies \$m	Other lenders \$m	Total \$m
1991–92	5 632	440	510	6 582
1992–93	7 957	263	244	8 464
1993–94	10 382	488	139	11 009
1994–95	9 127	377	168	9 672
1995–96	9 162	179	811	10 152
1996–97	9 993	214	1 138	11 346

Source: PC Ausstats.

15.7 HOUSING LOAN COMMITMENTS BY PURPOSE, VICTORIA

Year	New dwellings(a)		Established dwellings(b)		Alterations and additions \$m	Total \$m
	Number of dwellings	Value \$m	Number of dwellings	Value \$m		
1991–92	17 840	1 231	67 898	5 093	258	6 582
1992–93	21 958	1 586	82 621	6 608	271	8 464
1993–94	24 574	1 932	105 761	8 437	640	11 009
1994–95	21 484	1 844	81 604	6 959	869	9 672
1995–96	16 848	1 577	89 902	7 829	747	10 152
1996–97	20 849	2 038	92 640	8 615	693	11 346

(a) Includes construction of new dwellings and purchases of newly erected dwellings. (b) Includes purchase of established dwellings and refinancing of existing housing loans.

Source: PC Ausstats.

VALUE OF HOUSING LOAN COMMITMENTS, VICTORIA



Source: PC Ausstats.

Non-residential building

Non-residential building accounted for 35% of the value of all construction work during 1996–97. The commercial sector of non-residential building (i.e. hotels, shops, factories, offices, and other business premises) accounted for 60% of the value of all non residential building work in Victoria during 1996–97, with office construction being the largest component. Building for community purposes accounted for the remaining 40%, with the largest component being building for entertainment and recreational purposes.

In the commercial sector, the value of hotel building work increased by 58% between 1995–96 and 1996–97 and the value of factory building work increased by 51%. Shop building work decreased by 10% from a six year high of \$487.0 million in 1995–96.

In the community sector, the 1996–97 value of work on buildings for miscellaneous purposes increased by 61% over the previous year and the value of work for health increased by 46%. The value of work for educational purposes decreased by 13%.

15.8 VALUE OF NON-RESIDENTIAL BUILDING WORK DONE, CLASSIFIED BY TYPE, VICTORIA

Type of building	1991–92 \$m	1992–93 \$m	1993–94 \$m	1994–95 \$m	1995–96 \$m	1996–97 \$m
Commercial						
Hotels, guest houses, etc.	102.1	33.6	38.7	51.8	158.2	250.1
Shops	177.2	207.3	330.7	464	487	437.7
Factories	450.4	317.3	247.4	245.4	240.4	362.1
Offices	942.9	617.3	335.7	393.1	456.4	467.7
Other business premises	133.7	196.5	198.4	354.9	383.8	418.6
Community						
Education	210.6	192.4	193.4	263.2	341.3	296.7
Religious	18.6	20.3	16.5	16.3	11.2	12.5
Health	113.3	178.1	272.1	209.5	138.2	201.1
Entertainment & recreation	151.7	92.4	157.6	219.7	515.2	570.9
Miscellaneous	103.7	115.4	111.7	104.2	138.2	222.5
Total	2 404.2	1 970.7	1 902.2	2 322.0	2 870.0	3 240.0

Source: *Building Activity, Victoria* (Cat. no. 8752.2).

Engineering construction

Engineering construction accounted for 27% of the value of all construction work during 1996–97. The value of engineering construction work in Victoria was \$2,472.2 million, of which 37% was undertaken by the public sector. Construction of roads, highways, and subdivisions accounted for 33% of the value of work, whilst telecommunications accounted for 29%.

15.9 VALUE OF ENGINEERING CONSTRUCTION WORK DONE BY TYPE, VICTORIA

Type of construction	1991–92 \$m	1992–93 \$m	1993–94 \$m	1994–95 \$m	1995–96 \$m	1996–97 \$m
Roads, highways, & subdivisions	378.1	594.4	670.5	754.7	770.9	831.6
Bridges	68.9	54.5	40.5	38.2	31.2	24.8
Railways	66.8	64.9	105.9	130.4	86.1	87.8
Harbours	6.2	8.3	2.3	0.9	3.5	31.4
Water storage & supply	81.1	100.2	112.7	142.2	59.0	86.2
Sewerage & drainage	142.1	161.6	120.1	157.7	98.5	78.1
Electricity generation, transmission, & distribution	400.7	419.2	490.2	359.4	295.6	270.5
Pipelines	36.3	31.1	97.9	86.6	88.0	39.2
Recreation	34.3	56.1	70.6	74.9	82.8	119.8
Telecommunications	446.5	421.2	359.9	514.9	656.4	707.2
Heavy industry	237.1	176.3	252.6	148.6	178.9	179.5
Other	17.7	10.5	5.8	0.6	1.7	15.2
Total of all construction						
By private sector	837.5	955.5	1 255.3	1 148.4	1 242.0	1 551.3
By public sector	1 078.1	1 142.7	1 073.8	1 260.7	1 110.6	920.9
Total	1 915.7	2 098.2	2 329.1	2 409.1	2 352.6	2 472.2

Source: *Engineering Construction Activity, Australia* (Cat. no. 8762.0).

The value of telecommunication construction work done increased by 8% between 1995–96 and 1996–97 and the values of construction work done for roads, highways and subdivisions and for recreation increased by 8% and 45% respectively. The 1996–97 value of construction work done for electricity works decreased by 9% from the previous year.

CITY LIVING IN MELBOURNE

A small number of people have always chosen to live in the Central Business District (CBD) but an on-going significant increase in the population and housing stock of the CBD is a comparatively new phenomenon in Melbourne. The empirical evidence supporting this view comes from the City of Melbourne's Floorspace and Employment Survey (FLEMP) now known as The Census of Land-use and Employment (CLUE). The CLUE Survey is a longitudinal study of Melbourne's CBD land use and employment patterns, conducted once every five years since 1962.

**CBD
Residential
Floorspace
1982 to 1992**

According to the 1987 CLUE Survey, in the period 1982 to 1987 residential uses comprised only a relatively small proportion of total floor-space use, 4% in 1987. In the same period, the total amount of CBD floor-space rose 7% from 6,753,700m² in 1982 to 7,242,000m² in 1987. In 1987, commercial uses (including office and professional services) dominated the total amount of floor-space (27%) in Melbourne's CBD. The next biggest users of floor-space were government & community services (23%) and then retailing (11%).

In the period 1982 to 1992 the total amount of CBD residential floor-space, rose 66% from 207,351.63m² in 1982 to 345,909.9m² in 1992. An analysis, however, of the residential floor-space data for the period shows hotels/motels accounted for the largest proportion of residential floor-space use in the CBD (75%). The increase in residential floor-space use for permanent occupation is better reflected in the floor-space use for House and Flat/Apartment/Unit that show a significant, but more modest increase in floorspace amounts.

15.10 RESIDENTIAL FLOOR-SPACE USE, 1982 TO 1992

Type of residence	1982 m ²	1987 m ²	1992 m ²	Change, 1982 to 1992 %
House	765	1 370	1 789	133.8
Flat/apartment/unit	44 112	50 529	62 314	41.3
Hotel/motel	129 424	171 782	258 594	99.8
Hostel/backpackers	10 179	2 010	2 980	-70.7
Private hotel/boardings house	16 191	19 069	15 805	-2.4
Institutional accommodation	6 679	2 012	4 428	-33.7
Total	207 352	246 771	345 910	+66.0

Source: 1992 CLUE Database, City of Melbourne.

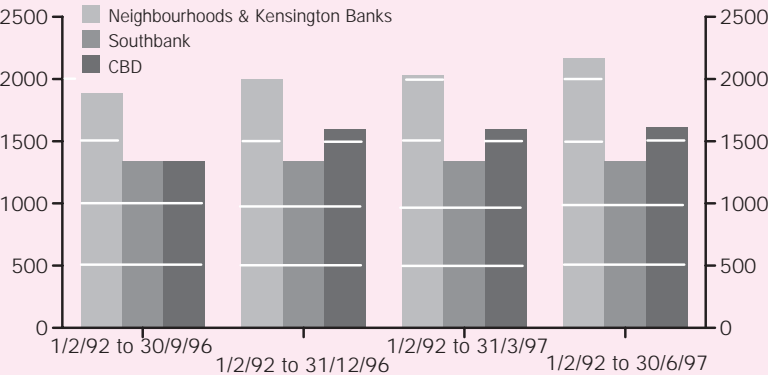
**The Present
Day: Postcode
3000**

The recent growth in CBD residential development is the result of a convergence of many social and economic factors. Economic factors include lower interest rates and the availability of suitable sites for residential development, and social factors including the change in the type and location of housing preferred by Australians. Changes have also occurred due to a reduction in average household size, fewer births and an ageing population.

A rational consideration of the above factors led to the introduction of the Postcode 3000 program, a joint policy initiative of the State Government and the City of Melbourne aimed at encouraging greater levels of residential development in the municipality. It consists of a program of statutory and financial incentives designed to facilitate residential development in the City of Melbourne and in particular the CBD.

The success of Postcode 3000 has exceeded the Council's expectations with some 5,124 new dwellings constructed in the municipality since 1 February 1992. According to the Council's Housing Monitor (June 1997), of the 5,124 dwelling constructed since 1 February 1992, a total of 1,615 (32%) were constructed in the CBD. A further 1,378 dwelling units are under construction in the CBD, representing 70% of all units under construction within the municipality.

ESTIMATED NUMBER OF UNITS COMPLETED IN THE MUNICIPALITY BY SUB-REGION: 1 FEBRUARY 1992 TO 30 JUNE 1997



Source: City of Melbourne, Housing Monitor (#11), June 1997.

Total Housing Stock in the Municipality

The 1991 Population and Housing Census figures showed that the estimated total number of dwellings in the City of Melbourne (inner and remainder based on the current municipal boundary) was 14,103. By Census Night (6 August 1996), the total number of dwellings in the municipality had risen by 4,316 to 18,419, a 31% increase since the 1991 Census.

Photo:
City dwellings
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According to the Council's Housing Monitor (June 1997), the number of dwelling units in the municipality (neighbourhood areas, CBD & Southbank based on the current municipal boundary) rose by 5,124 from 14,521 to 19,645, a 35% increase since monitoring began on 1 February 1992. As at 30 June 1997, another 1,925 new units were under construction in the municipality.

Total housing stock in the CBD

In 1991, the Census figures showed that there were 694 dwellings in the CBD. By Census Night (6 August 1996), there were 1,182 dwellings in the CBD, a 71% increase since 1991. According to the Council's Housing Monitor (June 1997), CBD housing stock levels continued to increase in the first & second quarters of 1997. By 30 June 1997, the number of dwelling units in the CBD had risen by 1,615 from 653 in 1992 to 2,268 in 1996, a 247% increase since monitoring began.

CBD Occupancy Rates

A constructed dwelling is not necessarily an occupied one. Occupancy must be considered before drawing conclusions about population increase. The occupancy rate for the CBD grid for private dwellings was 74% in 1996, down from 81% in 1991, according to the 1996 Census.

Future Residential Development Trends

An analysis of Council development records (planning and building applications) suggests that some 15–20% of all proposed residential developments fail to proceed beyond the building approval stage. On this basis, assuming that only 85% of all developments proceed to completion, there will be approximately 5,023 dwellings in the CBD, 2,425 dwellings in Southbank and 15,752 dwellings in the rest of the municipality (excluding the Docklands Area) by the year 2000. The Docklands Authority estimates a further 2,450 new dwellings could be completed in the Docklands area by the year 2005.

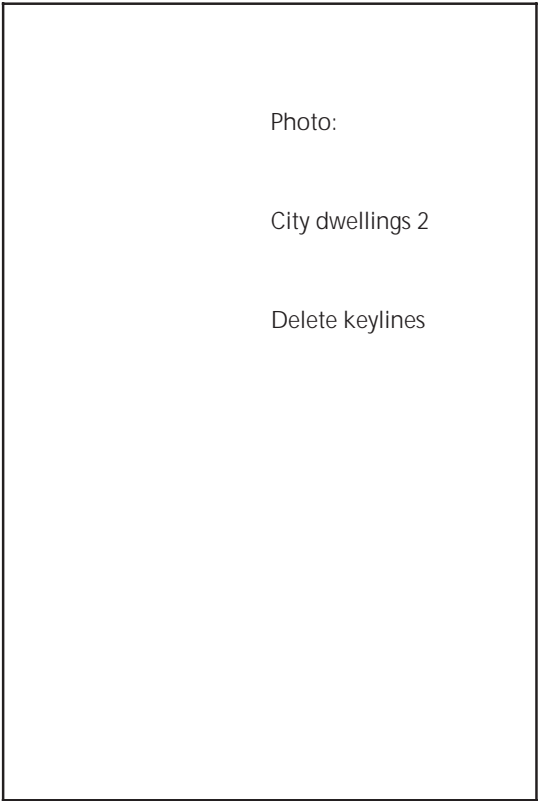
Future Plans and Prospects

In the future the City of Melbourne hopes to capitalise on the success of the Postcode 3000 program by promoting specialist niche markets in the housing field. The Council has already embarked on a campaign to coordinate investment in the student housing market and is identifying students' accommodation needs. The City of Melbourne will play an important role in monitoring the situation to determine whether such residential accommodation is adequately serviced.

The Council also acknowledges its responsibility to protect the city's low-income residents who have traditionally lived in the city's low cost hotels and boarding houses. Postcode 3000 has been extended to include an affordable housing program with partners such as Ecumenical Housing and Wintringham Hostels and the Community Housing Program. The Council has embarked on the development of 40 apartments for elderly low-income residents. Ebworth House at 540 Little Collins Street is already under conversion to 24 apartments as part of this project.

Source: Strategic Research Branch, City of Melbourne.

Disclaimer: The City of Melbourne has made every effort to verify the data contained in this report. It accepts no responsibility for any loss arising from the use of data in whole or part. The City of Melbourne reserves the right to revise previously published data without notice.



REFERENCES

Definitions	<p>Value of construction work done during the period represents the estimated value of work actually carried out during the quarter on construction jobs.</p> <p>Value of buildings approved represents the anticipated completion value at the time of permit application, based on the estimated market or contract price of building jobs excluding the value of land and landscaping. Site preparation costs are included.</p>
Data sources	<p>The Building Approvals collection is based on building permits issued by local government authorities and licensed private building surveyors, and contracts let by, or day labour work authorized by Commonwealth, State, semi-government, and local government authorities.</p> <p>The Building Activity Survey involves a sample survey of private sector house construction activity and a complete enumeration of building jobs other than private sector house construction.</p> <p>The Engineering Construction Survey is based on a sample of all construction enterprises operating in Australia, in both the private and public sectors.</p>

ABS sources

'Building in Victoria: A historical review', Victorian Year Book, 1994 (Cat. no. 1301.2)

Australian National Accounts, State Accounts (Cat. no. 5220.0)

Building Approvals, Victoria (Cat. no. 8731.2)

Building Activity, Victoria (Cat. no. 8752.2)

Building and Construction Activity, Australia (Cat. no. 8754.0)

Engineering Construction Activity, Australia (Cat. no. 8762.0)

Housing Finance Commitments, unpublished data

