

The challenge of building the housing Melbourne needs

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The purpose of Melbourne's new Metropolitan Planning Strategy is to manage growth and change over the next 30-40 years. If the strategy is to succeed, then it needs to create the framework for residents of the city to have difficult but essential conversations about what happens in their local neighbourhoods.

Melbourne's population is expected to grow by about 50 per cent in the next four decades – from around 4 million to around 6 million people. That means the city will need a lot more housing.

Currently, the dominant response to demand for new housing is to spread the footprint of greater Melbourne into 'greenfield' sites, which are overwhelmingly filled with detached, family-size homes. Suburban development of this type will no doubt continue: large parcels of land have already been set aside for future housing in growth areas to the west, north and south-east of Melbourne.

There is also provision for 'brownfield' development closer to the city centre – the conversion of existing industrial precincts like Fisherman's Bend into mixed-use areas with a high proportion of residential buildings, many of which are likely to be apartments, town-houses or terraces.

Neither 'greenfield' nor 'brownfield' building however, will be enough to accommodate a growing population with changing needs and preferences. This will also require 'greyfield' development – that is, the construction of more dwellings of diverse types in established middle-ring suburbs.

The challenge is not just to provide sufficient shelter to ensure that everyone has a place to live; it is also to build dwellings in locations that increase residents' access to opportunities.

The Australian economy is becoming more knowledge-intensive, service-based and internationally oriented. This, in turn, is driving changes in the location of businesses and jobs. Highly paid, high-knowledge jobs are increasingly clustered around the centre of the city, as firms take advantage of the economics of agglomeration – the productivity benefits that flow from being located close together.

This clustering also generates lower-skilled jobs to service the high-knowledge sector – think restaurant and café staff, cleaners, receptionists, security guards and so on.

If all lower-cost housing in Melbourne is located on the urban fringe, then it becomes more difficult to access the opportunities that the restructuring of the Australian economy generates.

Hence the need to increase the supply of diverse, affordable housing in established suburbs that are already relatively well endowed with services like schools, shops and public transport.

This will be contentious. Many residents are reluctant to see apartment blocks or townhouses being built in streets that previously only had detached homes. There is a widespread view that living in a free-standing house is an essential part of the Australian way of life, and that any other type of accommodation is an unacceptable compromise.

When we make dwelling choices however, there are many more factors at play than whether you can walk all the way around the house or the number of bedrooms it has. Price is an obvious influence on decisions, but so too is location.

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When we rent or buy a place to live, we trade off these different attributes according to our particular needs – a couple with young children for example, or a lover of large dogs, may put a premium on having a backyard, whereas an older person living alone may prefer a smaller place that requires less maintenance and is within walking distance of transport, parks and shops.

It is important to remember that fewer than half of all Australian households have children living in them – in fact about a quarter of all households consist of people living alone and roughly another quarter are couple-only households. We are a diverse society, so it is not surprising that our housing preferences are diverse too.

Research by the Grattan Institute for our report, *The housing we'd choose*, found that, given a choice, many Australians would choose to live in an apartment or townhouse, rather than a free-standing house, if it was within their price range and well located.

If Melbourne's new metropolitan strategy is to facilitate well-designed, high-quality 'greyfield' development over the next three to four decades, then it also needs to be sensitive to the needs of existing residents in established suburbs.

That means creating the conditions for residents to negotiate change in their own neighbourhoods, through concrete discussions about the trade-offs that are involved. If the population of a suburb is going to increase, then what new services will be provided? Will there be additional transport, schools and parks? Equally, what are the implications of resisting change – could it mean that the suburb actually declines as the housing stock and the population ages?

In our report, *Cities: who decides?* the Grattan Institute studied the record of cities overseas that have managed major change, while also managing to significantly improve their ability to meet residents' needs. Our findings were that one key pre-requisite of success is a consistent strategic direction across political cycles, which is what the Melbourne's new strategic plan is supposed to provide.

Equally important, however, was to have residents involved in decision making and that requires genuine, sophisticated and deep public engagement of an order of magnitude different to what happens in Australia today.

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