AN ANALYSIS OF FUTURE DIRECTIONS FOR VICTORIAN COASTAL RESIDENTIAL PROPERTY – EXPLORING THE MYTHS

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ABSTRACT

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This research provides an analysis of the disparate notions and ideas, to form an overview of the possible trends in residential property for the Victorian coastal areas of the Surf Coast and the Bellarine Peninsula. It examines the interaction of the consumers, space producers and infrastructure providers as they are influenced by the three key determinants of the market, the demographic factors, economic conditions and regulatory factors. While examining the patterns of urban development on coastal Victoria over the next 20 years, the research also investigates the validity of myths that have emerged concerning the Sea Change experience, the investment market in coastal areas and the adequacy of the relevant infrastructure.

The qualitative data used in this research comes from both primary and secondary sources. The primary qualitative and quantitative data was developed on the basis of the responses to a mail out questionnaire to residents from seven towns on the Bellarine Peninsula and the Surf Coast and from a number of interviews with local property experts from these areas. The secondary qualitative and quantitative data came from the results of surveys and the census, undertaken by various government departments and from interviews on television and in the press.

The main thrust of this research is to answer the question “why people live where they do?” and specifically, why do they live in coastal Victoria? The residential property market is not the only reason people live where they do. The state of the property market is a major determinant, but people choose their location for a myriad of other reasons as well. They may also consider personal economic reasons, their expectations about the future in general
and the housing market in particular, climatic or geographic reasons, psychological reasons, emotional reasons, technological reasons, all or a combination of these factors. Lifestyle changes were found to be the major reason why people chose to live on the Bellarine Peninsula or the Surf Coast, as expressed in the surveys, interviews and relevant data. The survey results also raised questions about the future of coastal Victorian residential development especially with reference to the fragile coastal environment. Myths are created over time and are fuelled by media attention and local discussion. Sometimes the evidence finds them to be true, sometimes they are disproved. The three myths introduced in this research are separately discussed with regard to residential development on the Surf Coast and the Bellarine Peninsula. There is no doubt that people will continue to move to coastal Victoria and probably in increasing numbers, but there is serious doubt that the infrastructure will be ready for them. The coastal communities and the coastal environment are at serious risk from the increased growth on both population and tourism. It is only with the support of all three tiers of government that the future requirements of coastal communities will be met. There needs to be a policy framework of sustainable growth and a funding approach to enable the local councils, not only on the Bellarine Peninsula and the Surf Coast, but on all Australian coastal areas, to embark on an extensive program to provide the necessary services and infrastructure for these changing environments.
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CHAPTER ONE - INTRODUCTION

The Significance of Residential Property in Coastal Victoria

This research explores the “sea change” effects and in particular the influence of the retiring “baby boomers” over the next 20 years. The research will suggest, based on evidence, experience and first hand accounts, the possible patterns of urban development that may emerge over that period for Victoria and in particular coastal areas in the Geelong region. The two coastal areas chosen to study are the Bellarine Peninsula and the Surf Coast. There are 17 towns in these two coastal areas and they are listed with their approximate populations in Appendix one.

It is demographic, economic and environmental factors that determine where people live in the broader sense (Newman, 2005; Gurran et al, 2006, p.4). However, it is the particular mix of these three influences in any given geographic area, combined with individual emotional influences that set the scene for future development. Unlike metropolitan areas in Australia, coastal areas have not been planned with the objective of accommodating high population growth. Coastal councils on the whole have not been prepared for the large inflow of new residents. They have not had the resources to meet the increase in demand for infrastructure, such as roads, water supply, sewerage and power, nor sufficient health, transport, education and emergency services for continuing population growth (Gurran et al, 2005, p. 7). Many towns on the Bellarine Peninsula and the Surf coast have development up to the boundaries of their current residential zone. Increased demand and the attempts to provide the answering supply have put pressure on the existing infrastructure and services in these areas. Regardless of how many people move to coastal Victoria, it will probably be
the sustainability issues that will be the challenge for the future residential development of coastal Victoria.

Moving to coastal areas (taking a “Sea Change”) has traditionally been seen as a lifestyle change, where one exchanges the high pressure, high income scenario, for a more relaxed and less expensive way to live. One of the savings was always expected to be cheaper housing (this usually meant lower mortgage payments) for people in the workforce. It also enabled retirees to sell the more valuable city residence and purchase on the coast, with plenty over to invest. This traditional downsizing may now be under threat as Coastal residential property values rise (Department of Sustainability and Environment, 2005, p.97).

Housing affordability and suburban sprawl have become major problems for Australia. Many country centres, particularly on the coast, have also experienced large increases in housing prices as many of these country towns become dormitory suburbs of Melbourne or Geelong. This has meant that many coastal towns, particularly those within commuting distance of a major city now have very unaffordable housing and the small town, community driven, relaxed lifestyle, is now under pressure (Harty, 2005). As consumers become more knowledgeable and governments more efficient at using fiscal and monetary policy, the future direction of housing has become harder to predict. The image of Australian has long been one of sandy beaches and large tracts of Australian bush. Victoria has large areas of both of these terrains, but the beach areas are becoming more settled. The current population of Victoria is approximately five million people and the state has 2,000 kilometres of coast, stretching from west of Portland, to beyond Mallacoota in the east. The coast line is further increased by two major bays, Port Phillip and Western Port.
Living on the coast is a dream for many people: it is a feasible lifestyle change for Victorians, if they really want to take it. Every week the media seem to discuss the importance of the “Sea Change” phenomena in our society (Mac Dermott, 2004; Salt, 2006; Brown, 2006). This research provides an analysis of the disparate notions and ideas, to form an overview of the possible trends in residential property for the Victorian coastal areas of the Surf Coast and the Bellarine Peninsula.

The residential sector of the property market is controlled by the interaction of three groups:

- A consumer group
- The space producer and

These three groups in turn are influenced by the three key determinants of the market, the demographic factors, economic conditions and environmental influences. Demand for housing comes from the consumer group and there is definitely increased demand for residential property in Victorian coastal areas. Most of the towns on the Bellarine Peninsula and the Surf Coast have growth rates above the national average of 1.2%. For example Clifton Springs at 6.12%, Leopold 4.26% and Torquay at 5.24% (Department of Sustainability and Environment, 2005, p.100).

Supply on the other hand emanates from the other two groups in the equation, the producers of the space and the government of infrastructure group.

The consumer group for residential property is composed of homeowners, property investors and the government/charitable housing groups, here called subsidised housing.
Figure One: The Real Estate Process

Source: Jarchow, 1991, p.56
• In 1970 Australia had the highest percentage of home ownership in the World. 75% of Australians owned or were purchasing their own homes. At the same time the figures for other parts of the world were usually lower. By 2002 this had fallen to 66% and the fall in home ownership percentages was mainly in the age group 25-35 years. (Yates, 2002) The population of Melbourne is approximately 3.6 million, with the expectation of this expanding to five million by 2030 (The Victorian Government, 2005). The total population estimate for 2006 on the Bellarine Peninsula is approximately 38,700 people and for the Surf Coast approximately 22,500 (The City of Greater Geelong, 2005). As Melbourne continues to spread outward and the traffic problems mount, it is very probable that more people will opt for a different lifestyle, a Sea Change. As coastal towns grow they can support more and varied employment. At the moment the major employment group is tourism.

• Until the late 1990s the investment market had represented between 10-15% of the residential property market (HILDA, 2002). By 2003 this figure had increased to 30% (ABS, 2004a). The financial institutions have been encouraging people to use the investment in their homes to fund the purchase of investments. For many this has amounted to the purchase of one, two, three or more residential investment properties. These are usually structured on a negative gearing basis for taxation purposes and with the expectation of future capital gain. Many of these properties are on the Victorian coast and are available for holiday and weekend lets.
• In various parts of Victoria there are substantial pockets of subsidised housing provided by charitable organisations, but mainly provided by the Department of Housing.

• In the 1950s and 60s people went to coastal towns mainly in the summer holidays. In 1950 car ownership was 112.5 cars per 1,000 people and by 2004 this figure had increased to 680 cars per 1,000 people (State Government of Victoria, 2006). By the 1980s Australians had become extremely mobile. Motor vehicles were relatively cheaper and faster. Many people opted for weekends away or even to commute to work on a weekly or daily basis. By 2000 air travel within Australia became very affordable and the road network had been improved. Coastal Victoria is now more accessible than ever. Despite the ever increasing fuel cost, most people do not seem to have cut their motor vehicle travel.

The space provider group is represented by the property/construction industry. A large proportion of residential property in Australian cities is new construction and renovation. The residential construction industry contributes approximately 6% of Gross Domestic Product (GDP) annually. Residential construction is the 12th largest of 109 industrial classifications and generates over 700,000 jobs (ABS, 2004a). It is evident that residential property is of enormous importance to the welfare of Australians. Not only does it represent the most basic need of shelter, but for a large proportion of the population it represents their entire future wealth and income expectation. Accurate assessments of directions in residential property are an essential component of this industry, government and individual’s plans for the future. As new housing developments push west around Laverton
and Werribee a similar trend is happening in a number of towns on the Bellarine Peninsula and the Surf Coast.

Within Victoria, public infrastructure is provided jointly by the three levels of government\(^1\). Each level has a direct effect on residential property. The Federal government, through the national taxation system control capital gains tax, negative gearing and a current first home buyer’s grant. The State government controls broad planning issues, such as Melbourne 2030, the coastal strategy plan, stamp duty on land purchase, titles and land tax and public housing issues. At the local level are the individual planning decisions, community laws and rates and taxes on property ownership and the provision and maintenance of the specific infrastructure needs for the immediate community in their specific area. Both geographic areas studied in this research fall within the Geelong region. The Bellarine Peninsula comes under the jurisdiction of the City of Greater Geelong (except Queenscliff which has its own anomalous borough) and the Surf Coast is under the jurisdiction of the Surf Coast Shire. Geelong and the Surf Coast councils are both represented on the Sea Change Task Force, commissioned by the Commonwealth Government to monitor development on Australia’s fragile coastal areas.

**Analytical Justification**

Australia has been seen by many to be a “Lucky Country” (Horne, 1966) for a number of reasons, but predominantly for the perceived land availability and hence affordability. This may fast becoming a myth, as the coastal capital cities continue to attract most of the population in Australia. Although Australia has an abundance of land, *per se*, it is not the case in the areas where most of the population wishes to live. Over the time that Australia

\(^1\) The Australian Government system is three tiered, federal, state and local governments.
was settled, all six capital cities were located on the coast, as access in those times was mainly by ship. Likewise the coast was chosen for the available water was more assured on the coastal fringes.

The major cities of Australia may become too large to sustain a healthy and happy lifestyle for many of the inhabitants. This research explores the relationship between the parties involved in the residential property market in coastal Victoria and the major factors that contribute to changes in this market. The research will cover the macro-environmental effects on this market and will concentrate on Victorian coastal areas of the Bellarine Peninsula and the Surf Coast, as they are typical Australian coastal areas, high in tourism and between 1-1½ hours drive from a capital city, Melbourne. They are also within a 30 minute drive from the large regional city of Geelong. It will specifically examine possible changes that may emerge over the next 20 years due to the effects of the “baby boomer” generation and the overall increased urbanisation in Australia and specifically in Victoria. Salt (2003, p.59) maintains that one of the overwhelming trends in the residential property market for the future is the increasing movement of people to Australian coastal areas.

The Major Determinants of the Residential Property Market in Victoria

Although all states and territories of Australia have certain similarities, with regard to the residential property market, the differences are significant. This means that any research undertaken needs to be on a state by state basis. Similarities include federal taxation regulations, such as capital gains and negative gearing, common building regulations and standards and income distribution. Differences include, cultural mix, population, climate, geography and state and local taxes and regulations. This research examines the residential property market in coastal Victoria and specifically that of the Bellarine Peninsula and the
Surf Coast. The Victorian market is dominated by one major urban area (Melbourne, population approximately 3.6 million) and the four smaller urban centres of Wodonga, Geelong, Bendigo and Ballarat. These are supported by a system of smaller regional cities and towns, with an overall Victorian population of over five million people and a population for rural coastal Victoria of approximately one million, this only leaves less than 500,000 people living in the remaining bulk of the state (ABS, 2006).

To examine the residential property market in coastal Victoria, first this requires an examination of what determines the general residential property market. Like any other market, the residential property market (housing) begins with reference to the forces of demand and supply. The demand and supply for residential property is primarily affected by:

- demographic factors
- economic conditions and
- regulatory factors (Newman, 2005; Gurran et al, 2006, p.4)

Within each of these influences there are subgroups. (See Figure Two) The demographic section covers the broad areas of population, lifestyle, income and culture (Rix and Stanton, 2004, p.133). Economic factors range from the effects of business cycles, market expectations, interest rates, production and trade, housing affordability etc. The environment sector covers the influences at all three levels of government on residential property, including the overreaching areas of planning, the physical environment and appropriate infrastructure support.
Figure Two: Determinants of the Residential Property Market

Source: Derived by the author, from various sources
**Demographic Factors**

By far the most influential factor for predicting housing trends are the demographic components of any society. Salt (2003, p.12) and Boyd (2004) categorise them under four main headings and then various subgroups under these. The main headings are:-

- Population - Birth rate/death rate
  - Immigration/migration
- Income
- Lifestyle - Sea Change/Tree Change
  - Household structures
  - Groups (eg 65+, Baby Boomers, Generation’s X and Y)
- Culture

Since the 1960s the housing formation rate (the rate new households are formed) has continued to increase at a rate above the rate of the population growth in Australia. For example in 1996 the household growth rate was 3.3%, whereas the population only increased by 1.68% for the same period. The average household size is 2.5 persons and expected to fall over the next 20 years. This means more, and possibly smaller homes are needed to support this trend. The first home buyers group are in decline, due to the almost zero population growth of the 25-34 year old age group, contrasting to the empty nester group, aged 50-65, which is growing at a rate of 3% per annum. Both of these statistics support the theory of a requirement for more compact housing. Developers have reacted to these statistics by offering different dwelling and lot sizes for the changing lifestyles and household sizes (ABS, 2004b).
Population

By 2042, the Australian population is predicted to be over 25 million, with most of this increase being in the capital cities. Future immigration is set to continue to be approximately 90,000 people per year (Costello, 2002). This offsets a long term decline in the birth rate and increased longevity, the other key population drivers. In 2001-02 there were 246,300 births and 130,500 deaths in Australia. This contributed 115,900 people through natural increase. Due to the large proportion of the population in the 50-65 year age group, it is expected that natural growth will become negative sometime between 2040 and 2070 (ABS, 2004a).

Foran (2003) developed three possible immigration scenarios and this of course is the problem for housing forecasting. The long term outlook for immigration is less clear despite Costello’s prediction. Foran used three scenarios. The first, called “The Policy Scenario” used an average annual immigration figure of 70,000 people. The second called “Deep Green Scenario”, examined a situation of zero immigration and the third, the “Business Scenario”, projected immigration of 0.67% of the total population. Projecting to 2050, the first would yield a population of 25 million, the second a static population of 20 million and the third 32 million. The question for government is which one should be the model?

Internal migration also impacts on Victorian demography. Since 1970, nearly 500,000 people have left Melbourne for less populated areas in Victoria. There are two geographic types of shift. The first type affects housing requirements for Melbourne, as the move is geographically close to a metropolitan area (commuting distance) and may one day fall within the city boundary. If more remote, it is classified as a Tree Change or Sea Change move (Burnley and Murphy, 2004, p.3). It is highly likely that as Melbourne expands, a
section of the population will make the second type of move and this will most likely be the current baby boomer group.

**Income**

Australians currently enjoy a reasonably high level of personal income. Between 1998 and 2003 average weekly earnings rose by 21.4% this coupled with low inflation between 2-3% and high employment levels, has led to high spending within the community (ABS, 2006). Although wage rates have not kept pace with housing price increases, the general improvement in the employment rate and the lower mortgage interest rates have slightly compensated for this. A worry, however, is the increase in part-time and casual contracts which offer a lot less long term security than full time work (Wood et al, 2004). This increase in consultancy and flexi-type employment has encouraged some people to relocate away from the city, but in many cases they travel to their existing workplaces and become commuters rather than sea changers.

**Lifestyle**

The major lifestyle changes that have occurred over recent years are household size and type and the emergence of lifestyle groups and lifestyle trends. At this time in Australia the four major lifestyle groups that will affect the current and future direction of housing are:

- The Frugals (1916-1931)
- Pre-Boomers (1932-1945)
- the baby boomers (1946-61)
- Generation X (1962-1975) and

The needs of each group are different and each group will impact on the future housing needs of Australians. Evidence already indicates that the needs of each of these groups are
different. This is already evidenced by smaller household sizes and the new demand for more living spaces within a residence, rather than outdoor or garden space. Both the baby boomers (empty-nesters) and the high proportion of singles or couples in the generation X category are demanding this type of residence. By 2021 it is estimated that 18% of the population will be aged 65 years or over and aged singles or couples will make up 40% of households. The number of Australians aged 55 and over is expected to increase by 113%, to almost 11 million by 2045 (AHURI, 2004).

Culture

Australia is a multicultural country, with people living here from more than 90 countries. Different cultures bring different lifestyles and housing needs. Only time will indicate these differences. Although encouragement is given to immigrants to locate in rural and regional areas, most of them prefer to remain in the capital cities, where they have support groups and anonymity. To this stage, although many of the ethnic groups locate in similar areas, their choice of housing styles and types remains distinctly Australian. 21% of seniors aged 65 and over, come from overseas countries (ABS, 2004). At 30 June 2005 almost one quarter of the Australian population was born overseas. The number of overseas born people increased by 1.4% per year between 1996 and 2005 while the Australian born population only grew by 1.1% over the same period (ABS, 2006).

Summary of Demographic Indicators

Immigrants from different cultures tend to choose areas to live in that remind them of their home country. Traditionally this has been in the major cities, however immigrants are being encouraged to relocate in country areas and the federal government offers incentives and financial assistance for those who choose to do so. There is no doubt that if the population
of Australia reaches the highest figure predicted for 2050 all urban areas will grow in size, but there is no guarantee that this figure will be reached, making population a very difficult area to predict. Likewise income, which is tied so heavily with the economic condition of the country, is difficult to predict. Since 2000 the employment figures have continued to rise and the take home income of most people is higher than it has been since the introduction of GST. With the low interest rates and high disposable income many people are choosing to buy holiday houses and this has an effect on land prices in coastal Victoria. If people lose their income through an increase in unemployment then this situation could change, but once again this is speculation. Finally lifestyle, in many ways this is the easiest to predict because large groups of people with similar expectations will continue to live the way that they have planned. The only thing that may change is the timing of these events.

**Economic Effects**

Having been buffeted by the Asian crisis in the late 1990s, Australia embraced the 2000s by starting with the Olympic Games and did not look back. Economic indicators for the housing industry are both the macro and micro economic effects. The macro factors are income levels, the cash rate for borrowing (interest rate), the unemployment rate, Gross Domestic Product (GDP), the Balance of Payments and the rate of inflation.

The main microeconomic factors are demand and supply. This is not a chicken and egg question. Strong macroeconomic indicators usually lead to a buoyant local market. High levels of income, low unemployment and ease of borrowings, have a very positive effect on consumer confidence. The housing market has been experiencing unprecedented growth since 1998, partly fuelled by the increase in the residential property investment growth and partially new demand out stripping supply. Between 2003-2006 the building and real estate
market have been booming and even now that the Victorian market has slowed, growth is still occurring in a number of pockets and at the very least the residential property market is steady. Demand for new homes is still strong and the construction industry is still able to meet that demand. However, high petrol prices have been one of a number of upward pressures on the Consumer Price Index for the quarter ended June 2006 and the Reserve Bank has felt it necessary to raise interest rates by a further 0.25%, in order to curb inflation (Mac Dermott, January 13th 2006). This inflationary trend has continuing into the first quarter of 2008.

**Demand and Supply**

The demand for housing is a function mainly of the individual income level, the rate of interest, availability of finance, consumer confidence and the general lifestyle type and stage of members of the community. Supply on the other hand is essentially demand driven and will be a function of population, existing house prices, income levels and the availability of the industry to deliver new stock (Waxman, 2004, p. 100). The demand for housing is the combination of three parties, owner occupiers and the private and government rental sectors. These sectors are affected by:

- The price of housing (both new and existing)
- Income and expectation of change in the employment market
- The cost of borrowing and expectation of changes in this cost
- Any taxation or financial gains that can be made in the market
- Government regulations and incentives
- Demographic factors and
• The price of the associated goods and services, such as stamp duty etc (Waxman, 2004, p.39).

From 2004-2007 the demand for housing was higher than supply for properties in inner and eastern Melbourne and this is keeping the median residential property market price high. Predicting what will happen to demand and supply is difficult in this market where so much relies on the interaction of the above seven factors (REIV, 2006).

The rental market

25% of all households rent their homes. Only 5% of the rental stock is government housing. By 2001 there were almost 14 million private owners listed as renting residential property for taxation purposes and over 60,000 of these were first time landlords (ABS, 2003). It is expected that the number of households choosing to rent rather than buy, will continue to increase with the current national average of 70% home ownership falling to 60% by 2030, due to the increasing lack of housing affordability (Berry et al, 1999). Although this does not really change the housing stocks it can contribute to upward price pressures as investors are often able to have access to higher borrowing than many prospective home buyers. In addition, as most investment properties are negatively geared, finding a well located property is more important than finding the cheapest price.

Business Cycles

The construction industry, as is retailing, is closely aligned with economic business cycles. Since 1980 there have been four discernable business cycles. These have been documented as slumps in 1982-3, 1987-8, 1991-2 and 1996-7. During these periods dwelling commencement slowed and house prices either fell, or stopped increasing (Waxman, p.442, 2004). It is possible that clever fiscal and monetary policy by the Federal government may
be managing the economy in such a way as to avoid the severe recessions and depressions that had been active in the past. It is probably the shortness in duration of these slumps that has contributed to the high price rises we have seen in the property market since the mid 1980s. There is no doubt that business cycles will reoccur, what we cannot predict is how severe they will be. Economic prediction is subject to global activity and we also have to factor in acts of terrorism and natural disasters. The property market has traditionally been tied to the economic business cycle. There are danger signs here for investors if this is still the case. Many experts argue that the housing market has cooled down and current high prices are here to stay. Others argue that Australia’s current low yield from residential rental properties will place severe hardships on ordinary Australians, who may have mortgaged their family home to buy one or more investment property, if the economy slides into downturn.

**Housing affordability**

Historically the residential property market was fairly sluggish in the period 1990-1996. However, after that date property prices in general began to rise. The demand for residential property is a function of income, economic indicators, government influences, expectations about the economy and changing demographics (Waxman, 2000, p. 408). All of these indicators were good in the late 1990s and given a shortage of housing supplies due to the previous market retraction, the residential property market was very buoyant. The rapid increase in housing prices, which is still continuing in the more popular suburbs, has forced many first home buyers to move further out, or purchase an apartment, as they watch the price of houses continue to grow outside their limits. 25% of all households rent their homes. Only 5% of this stock is government housing. By 2001 there were almost 14 million
private owners listed as renting residential property for taxation purposes and over 60,000 of these were first time landlords (ABS, 2003). It is expected that the number of households choosing to rent rather than buy, will continue to increase with the current national average of 70% home ownership falling to 60% by 2030, due to the increasing lack of housing affordability (Berry et al., 1999).

**Property Investment**

Most of the six Australian capital cities are currently emerging from a five year period of unprecedented residential property price increases, not seen since the boom years of the 1970s. These price increases have taken Sydney, Perth and Melbourne into the top 20 for most unaffordable housing in the World, along with Los Angeles, San Diego and London. The other capital cities are not far behind (Keenan, 26th August, 2005). The Australian property market has steadily become the favoured place for many investors to grow their future funds. The birth of listed Property Trusts over the last fifteen years and the growth of property investment overall, has seen property catch and then pass, the more traditional investment avenues of bonds and the stock market.

Historically property has not performed well as an investment return. In the ten years to 1998 property returned 5% after tax, equities 7.8%, fixed interest 7.3% and cash 3.9% (Australian Stock Exchange, 1999). However, after that date, low interest rates did not make property appear so disadvantaged. Many investors looked at the negative gearing benefits, the opportunities for high capital gains (even though these could be present in other investment forms) and the demand for residential property investment started to increase. Negative gearing appeared to be a very effective tax minimisation tool for high income earners as the investor received a 47% tax break and only paid tax on 50% of the capital
gain on the appreciated asset, when sold. In contrast to the property market, the stock market was experiencing very low, or no growth, even falls, during the 1990s. This caused many investors to switch to property investment. These measures set the scene for new interest in the residential property investment market in Australia. It also helped fuel increasing property prices, an oversupply of some forms of rental properties and substantially lower yields (Waxman, 2000, p. 432). The pendulum has swung a little the other way with Federal government measures, making superannuation contributions more attractive for the baby boomer generation especially.

**Regulatory Factors**

The environment that we live in is very heavily controlled by the three levels of government within Australia. They each have jurisdiction over different areas, but when it comes to planning issues there appears to be several areas of overlap and a lack of continuity between many of the different acts of parliament that control, in particular, coastal areas. The Federal Government attempts to control income levels through taxation and awards and this is fiscal policy. They use monetary policy to try and curb inflation. The State Government is responsible for land use through zoning and overall planning for the state and local government controls the day to day running of community activities. They are all involved in the provision of infrastructure at various levels. Coastal councils are now recognising that they have problems coping with the increased numbers of people who are migrating to the coast all over Australia. They have sought the support and cooperation of the State and Federal Governments in an attempt to identify viable solutions to the challenge of sea change growth. The National Sea Change Taskforce was initiated in February 2004, with 27 councils being represented. There are now 60 coastal councils participating in the
Taskforce. Once the Taskforce has decided on effective strategies they will be lobbying both State and Federal Governments for the means to initiate these proposals (Gurran et al, 2005, p.1).

**Research Problem and Research Questions**

This research will examine the trends in residential property for coastal Victoria and the flow on and influence, on the demand for permanently occupied homes. The research concentrates on two of the six coastal regions of Victoria, as statistics show that these two regions are similar in all aspects to the Victorian coastal regions overall (ABS, 2004b). The two areas covered by the research are the Bellarine Peninsula and the Surf Coast.

Two key questions being considered are:

**What are the key drivers of the residential property market?**

**How applicable are they to the residential property market in coastal Victoria?**

These then give rise to specific research questions as follows:

1. What are the major determinants for the residential property market?

2. How are these determinants different in coastal Victoria?

3. What patterns of urban development are likely to emerge in coastal Victoria by 2030?

4. What will be the likely incidence of “Sea Change” during the next 20 years?

5. What infrastructure is required to support the changes and can it be provided?
These research questions relate directly to a number of myths that have emerged concerning the residential property market. Examining the truth or fallacy of these myths links directly to the research:

- “Development is occurring on the Bellarine Peninsula and other coastal regions, at a pace that is outstripping the required infrastructure.” (Mac Dermott, January 13th, 2006)

- “Sea Change is happening in Victoria at an accelerated pace.” (Salt, 2006, p.26)

- “The investment market and economic conditions have contributed significantly to the inflated housing market in coastal Victoria.” (Waxman, 2004, p.419)

**Rationale**

The residential property market is the same as any other property market, that is, an interaction between three parties - consumers, producers and the infrastructure providers. They are in turn influenced in their decisions, by the key determinants of the property market, the demographic and economic and environment factors. On an individual basis however, people choose to live where they do based on three related, but slightly different criteria:

- What they can afford;
- What they want; and,
- What is available?

What they can afford is a function of their income and expenditure, current interest rates, demand and supply in the housing market, prices and trends, market expectations, state of the economy and cost of living. What they want is dependent on their background and
culture, their taste and lifestyle and their personality and finally, what is available, is a function of the existing stock of housing, rate and cost of new housing construction, land availability and affordability and competition from the residential property investment market. The components are the same, but they are seen from an individual perspective, rather than a global one. With regard to Victorian coastal residential property, the above is still true, but in addition, the components must be related to the demographic, economic and environment influences that are peculiar to those geographical regions.

**Methodology**

In order to provide possible answers to the questions posed this research will use:

- Qualitative data in the form of interviews, secondary research and experience
- Quantitative data in the form of published tables and census statistics
- Both primary and secondary data sources, with appropriate analysis
- Deductive strategies to reach tentative conclusions.

**Qualitative Data**

The qualitative data used in this research comes from both primary and secondary sources. The primary qualitative data was developed on the basis of the responses to a mail out questionnaire to residents from seven towns on the Bellarine Peninsula and the Surf Coast and from a number of interviews with local property experts from these areas. A copy of the survey instrument is attached at Appendix two. Discussion and analysis is found in Chapters three and four. The secondary qualitative data came from the results of surveys undertaken by various government departments and from interviews on television and in the press.
Quantitative Data

The quantitative data used in this research also came from both primary and secondary sources. The primary quantitative data was developed on the basis of the responses to a mail out questionnaire to the residents of seven towns on the Bellarine Peninsula and the Surf Coast (as above) and the secondary quantitative data came mainly from Australian Bureau of Statistics published data and other organisations such as the Reserve Bank, BIS Schrapnel, the two relevant councils etc.

Sampling Method

The questionnaire (Appendix Two) contained 17 questions ranging from age group, years in a town through to questions on Sea Change, Infrastructure and motives for living in coastal Victoria. Seven towns were chosen on the basis of being coastal towns from the two regions being investigated. 500 surveys were distributed to residents in these towns. Streets were chosen at random from the street directory and then street numbers were chosen, using PRISM (Land Victoria’s data base) to ensure that the properties actually existed. An initial 70 surveys were distributed in this manner in Anglesea and Torquay, through the mail, with enclosed self-addressed envelopes for their return. The response rate was very poor, with only one response within two weeks and only 20 over the next few weeks. The remaining 430 surveys were hand delivered in streets also chosen at random, but with the researcher attempting to avoid holiday homes and concentrating delivering to homes with an obvious presence. Addresses were assessed on the basis of evidence of a vehicle, rubbish bins out, open blinds and/or empty letterboxes. This method, although time consuming, yielded a response rate of 45% on the Bellarine Peninsula and only four of those responses were from holiday home owners. All responses from the Surf Coast were from permanent residents.
Only an additional 60 questionnaires were hand delivered to the Surf Coast towns after the initial mail out of 70. Even though the number of questionnaires returned from this area was low, it still returned a 30% response rate from the overall total of 130 questionnaires. The seven towns chosen were, Port Arlington, Queenscliff, Point Lonsdale, Ocean Grove and Barwon Heads on the Bellarine Peninsula and Torquay/Jan Juc and Anglesea on the Surf Coast. A list of the streets where the surveys were delivered is in Appendix Three.

**Limitations to the Research**

There is no single approach or strategy to gain knowledge of the social world. All approaches and strategies involve assumptions, compromises and decisions. Arriving at the “truth” has dogged researchers for centuries. Perhaps there is no truth, or perhaps everything is truth, from one extreme to the other. Blaikie (1993, p.131) maintains that we may never know when a theory is true, but only when it is false. If it is truth, it is only true at the time of the research and for the people and area included in the research. Further, any truth discovered, is relative to time and space and cannot be applied to another geographical area, or period of time. With these statements in place, this research is positioned to give a cameo of one small geographical area, at one specific period of time. It encapsulates a situation that could be applied to similar geographic, economic and demographic areas across Victoria and possibly across Australia. There is no argument that the census figures are accurate. The movements of people stated are correct. What can be questioned are the results of the survey. In a geographic area that contains over 60,000 people a survey of 500 people with a response rate of approximately 40% is not significant. The survey does not purport to set definitive measures, but is a mainly qualitative analysis of why people live on the Bellarine Peninsula and the Surf Coast. The reasons the respondents have given in the
survey are valid across this area and represent reasons consistent with similar surveys, conducted on much larger groups (ABS, 2006; Burnley and Murphy, 2004, p.133; Salt, 2003, p.5; Gurran et al, 2006, p. 24). The high response rate of 30/45% for a mail survey is an indication of the passion the residents feel for the towns they live in and the concerns that they have about future development and the loss of their quiet lifestyle.

**Conclusion**

This chapter introduced the key drivers of residential property for coastal Victoria and set the parameters for discussion of the literature to follow in Chapter Two. It also introduced the methodology that was adopted in answering the research questions posed in this introductory chapter.
CHAPTER TWO - LITERATURE REVIEW

The residential property market in Victoria covers a large range of housing, both old and new, including apartments, houses and town houses, in different locations, either owner occupied or rented (Hillebrandt, 2004). This research focuses on the determinants of this market (the demographic factors, economic indicators and environment influence) and how they interact to provide an overview of the residential property market in general and then specific to coastal/country areas. The application of these concepts on coastal areas of Victoria will be discussed in later chapters. As the Australian population continues to expand it has become increasingly more difficult to predict where people will chose to live. One of the reasons given for the decline in the importance of planning in many major cities is the difficulty of gauging some of the major shifts in population and location that are occurring within a large urban area and in particular the revival of the inner suburbs and the expansion of the outer suburbs (Daly, 2000). This applies even more so to areas on the perimeters of the major cities, such as coastal and rural areas. Planning schemes exist, but continuing demand places pressure on the zoning boundaries for further housing expansion. This expansion of development in urban areas in Australia is part of a world-wide trend. Hall (1993) describes the modern forces that affect geographic space in the developed nations as being a mixture of globalisation and trade, the effects of information and transport technology and the impact of demographic and social change. Champion (1992) describes future change to urban areas as falling largely into two types:

- Trends in the composition of population and the
- Spatial redistribution of population.
The first covers the changes in population structure, such as ageing, household type and structure, socio-economic status and culture and the second is the general migration of people in and out of different urban areas for a myriad of reasons and as such, is much more difficult to predict. Gurran et al (2005, p.2) identified the key social (demographic), economic and environment issues facing coastal sea change communities in Australia and examined best practice to address these issues in their later report released in 2006. They identified five key themes in their study and have suggested strategies to respond to these challenges. The five areas are:

- Governance – which should be aimed at integrating the social, economic and environmental issues and provide for cross collaboration between the three levels of government and across administrative boundaries to establish a strategic framework for coastal management and protection.
- Environment – this section requires recognition of fundamental ecological limits for coastal areas and minimising potential land use conflict between conservation, tourism, residential and the various industry uses.
- Community Wellbeing – Social cohesion needs to be developed to merge new residents into the community and the unique character of coastal and hinterland settlements need to be maintained.
- Economy and Tourism – There is a need to adopt a regional approach to overall development for all coastal areas. Collaboration between the relevant councils and State Governments needs to takes place to develop strategies with regard to industry and tourism in these areas.
• Infrastructure – All levels of government involved in infrastructure provision must collaboratively plan for future needs and infrastructure investment decisions should prioritise the essential areas of protecting the environment, social equality and sustainable patterns of resource use and management. They stipulated that infrastructure charges and development levies should reflect the real cost of this provision and not be the adhoc process it currently is (Gurran et al, 2006, p.36).

**Demographic Factors**

Although all of the demographic factors discussed in chapter one are determinants of residential property, the one that specifically affects coastal development is that of lifestyle changes. Not everyone wants to live in a city. There are many lifestyle reasons why people move from an urban area. The most common is retirement or stress related (Newman, 2005). Personal debt (excluding mortgages) increased four fold from 1996-2004. In an attempt to pay off this debt many are working very long hours. Australians now have the highest working hours per capita in the world. This work-spend cycle takes a toll on health and relationships. There is a growing movement of people intent on living a less stressful life (Brown, 2005). Many of these people will seek a life away from the capital cities. (Santoro, 2006) The lifestyle groups (frugals, baby boomers, generation X and Y) will have different effects on residential property as they move through the different stages. All of the groups are currently represented in the residential property market. Almost half of the “baby boomer” population of 5.5 million live in a dwelling that they fully own. They are a more affluent generation than their parents and have a high desire to live independently in their old age. It is expected that they will follow lifestyle choices when they retire and this will certainly involve a percentage of sea change opportunities (Quine
and Carter, 2006). Gurran, Squires and Blakely (2005, p.3) maintain that almost 80% of new residents in coastal areas of Australia are younger than 50 years, compared to approximately 70% in Australia overall. But they expected the number of over 60s moving to the coast to increase over the next ten years, as they begin to retire.

**Lifestyle Trends**

The growing number of people migrating for lifestyle reasons, rather than to improve their financial circumstances, has begun to challenge traditional migration theories that economic considerations such as employment, underpin the majority of migration decisions (Casado-Diaz, 1999). It is this type of lifestyle relocation that has been described as “amenity migration” in the United States and Europe. Amenity migrants are those whose primary reason to relocate is based on lifestyle considerations and the perceived attraction of their new destination. They tend to include those retiring or nearing retirement, wealthy business people and those employed in the new information or service industries (Stewart, 2000).

Population data from the USA show Pittsburgh, Greater New York, Chicago, Cleveland and Boston all registering negative population growth of between -0.3 to -0.5% for the 12 months to June 2005. The population data indicates that people are shifting to the coastal regions of Florida, Arizona, Texas and California at an annual rate of up to 3.3% (Salt, 2006).

In Australia, migration for lifestyle reasons has traditionally focused on coastal areas. As coastal areas also attract many tourists, managing growth and development in these areas becomes very complex. The needs of the local residents and the demands of the influx of tourists can create conflict and usually put pressure on the already fragile infrastructure system (Gurran *et al*, 2006, p.34). However there has been a considerable increase in the
number of people moving to regional centres across Australia, such as Orange, Wagga Wagga, Albury/Wodonga and Shepparton, injecting considerable economic impetus into these country regions (Burnley and Murphy, 2004, p.233).

Sea Change/Tree Change/Key Change activity and growth in cities at the expense of the rural areas are the major lifestyle trends in Australia. Hugo, (2003) believes that there are three major population groupings in Australia. They are:

   Metropolitan versus non-metropolitan population
   Inner city versus outer city population and
   Country coastal areas versus the interior

He stated that less than 1% of the population lives on 70% of the land mass. He further noted that 2% of the population lives in the far north of the country, with 52% of the water resources, whereas 82% of the population has only 27% of available water resources. Changing weather patterns and global warming may have a determining affect on where future generations of Australians will live and this currently does not look good for inland Australia.

**Sea Changers/Tree Changers**

The study of the movement of people from metropolitan areas to country areas has been a topic of research since the 1970s. International researchers (Beale, 1975; Berry, 1976) talk about a sustained trend in the 1970s dubbed “counter urbanisation”. A number of researchers believe that for many western countries, especially the USA, Canada, Britain and Australia this trend died in the 1980s, which was a period of renewed urbanisation, and re-emerged in the ‘90s (Fuguit and Beale, 1996; Glasgow, 1991; Burnley and Murphy, p.65, 2004). Not all Western societies have this pattern however; Swedish demographics
suggest a polarisation, with young people moving to the cities, the middle-aged to the country and the retired to country centres (large regional towns) (Westlund, 2002).

Concentrating on other English speaking countries (Britain, USA, and Canada) where the pattern is similar to Australia, the term used to describe the out-migration from cities in the ‘90s is “downshifting” (Hilpern, September 18th, 2004; Nicholson, 2004; Burnley and Murphy, 2004, p.96).

“Sea Change/ Tree Change” is the Australian version of “downshifting”. Both are terms that refer to lifestyle changes. We call these population shifts Sea Changes², not because of the television show, but because historically this is where most of the out-migration from Australian cities has occurred (Haratsis, 2004; Kaplan, 2003; Burnley and Murphy, 2002; Salt, 2003, p.78; Walmsley, Epps and Duncan, 1998).

The technical term for these changes is population turnabout and is used to describe the last 35 years of demographic change in most western countries, where non-metropolitan areas have achieved higher national population growth than cities. Since 1970, nearly 500,000 people have left Melbourne for less populated areas in Victoria (Burnley and Murphy, 2004, p.66). It is estimated that 200,000 British workers will downshift in 2004 and the trend is common in Canada (Hilpern, 2004; Paquette and Domon, 2001). Research has found that people have always been seeking to change their lifestyle and have been doing this in large numbers since at least the 1970s (Gleeson, 2004; Hugo, 2004; Burnley an Murphy, 2004, p.27; Anderson, 2004; Hurrell, 2001).

² The term Sea Change is first thought to have been coined by Shakespeare in “The Tempest”, in a poem by Ariel, verse 350. (Appendix Four) The Oxford Dictionary (2006) describe it as “a fundamental and profound change; a transformation”.
Burnley and Murphy (2004, p.3) describe two geographic types of shift:

- If the move is geographically close to a metropolitan area (commuting distance), then they call this peri-metropolitan.
- If more remote, they call it a high amenity growth area or population turnabout.

The University of Sydney report (Meeting the Sea Change Challenge) released in 2005 identified five broad types of Sea Change communities. They also looked at these groups from a geographical perspective and the descriptions fit the two areas under research:

- **Coastal Commuters**: These are suburbanised satellite communities on the edge of a capital or regional city and with regard to the two geographical areas being studied in this research would be mainly the towns of Ocean Grove, Leopold, Drysdale and Clifton Springs on the Bellarine Peninsula and Torquay/Jan Juc on the Surf Coast. Lifestyle factors, such as taking a Sea Change feature very heavily with development in this type of town (Gurran et al, 2005, p.4).

- **Coastal Getaways**: Areas within three hours drive of a capital city. This type of description could be used for Lorne, Anglesea and Airey’s Inlet on the Surf Coast and further on to Apollo Bay. On the Bellarine Peninsula the towns that fit this description are Barwon Heads, Point Lonsdale and Port Arlington. Getaway towns make up some of the fastest growing towns in the country and this is true for the above towns on the Bellarine Peninsula and the Surf Coast. They attract growing numbers of “telecommuters” who can work from home and a high proportion of retirees. Many property owners in these towns are absentee landlords who let their properties for holiday letting and also occasionally use them themselves (Ibid).
• **Coastal Cities**: These are substantial urban centres with populations of over 100,000 and relates to Geelong which is the nearest major shopping destination for all the towns on the Bellarine Peninsula and the Surf Coast. Retail is usually the largest single employer in the coastal city and the City of Greater Geelong have higher employment figures for manufacturing and education, with retail third (City of Greater Geelong, 2005).

• **Coastal Lifestyle Destinations**: Towns with a tourism and leisure focus, within three hours of a capital city. The major towns in this category are Lorne on the Surf Coast because of the Great Ocean Road and Queenscliff on the Bellarine Peninsula (Gurran et al, 2005, p.5).

• **Coastal Hamlets**: Small remote communities, often surrounded by protected environmental forest areas. The remaining towns in the two areas fit into this category. St. Leonards and Indented Heads on the Bellarine Peninsula and Moriac and Winchelsea on the Surf Coast (*Ibid*).

As well as geographically defining the areas of population turnabout in Australia, Burnley and Murphy (2004, p.34-40) also developed definitions to describe the demographics of the Sea Changer. They maintain that out-migration from Australian cities to rural, or coastal areas, have been largely made up of three groups of people:

• Free Agents

• Forced Relocators

• Periodic populations
*Free Agents* - are those who choose to seek a “change”. They may have passive or high incomes, or may simply wish to downshift for a lifestyle change. This group is made up of two socio-economic types:

- **Retirees** – This group generally sells their large family home in the suburbs and move to allocation of their choice to enjoy their twilight years. They may only represent a small proportion of a city’s aging population, but they present a large proportion of many Sea/Tree Change locations.

- **Alternative Life stylers** – This group is ever expanding, are still in the workforce and are aided by flexible working hours, increased ability to work from home and the increase of home based businesses, improved telecommunications and extensive use of the internet. They are also attracted by the increasing need for additional services in these areas due to the large numbers of retirees and the effects of tourism. These include; vineyards, restaurants, B&B’s and Art Galleries. This group represents 70% of the Free Agents who move to rural or coastal areas of Australia (Burnley and Murphy, 2002).

*Forced Locators* - are those groups on low-incomes who move to peri-metropolitan or turnabout areas in search of affordable housing a cheaper cost of living. They are often people on some form of income support. The unemployment rate of many of these areas is three times the National average and single parent household represent 6% of the population, as against 4% for Australia as a whole (ABS, 2004a).

*Periodic Population* - is the term used to denote the group who own or rent homes in these areas that they visit at weekends and during holidays. This term can also be applied to people whose life style allows them to live in two places. A term the Labor Party candidate
for Corangamite, Peter McMullin, used to describe himself and others of this ilk, is the “three/fours” or the “four/threes” (Legge, September 6\textsuperscript{th}, 2004).

The problem with identifying the type of resident living in many of Victoria’s coastal areas is compounded by the relative proximity to Melbourne and Geelong. This introduces a fourth group of people who live in the coastal or rural areas.

Commuter - is the term chosen to represent the large proportion of the population, from the Bellarine Peninsula, commuting to Melbourne, three to five days a week for work. Salt (2006), states that this migration of people to the coast has been happening on the Gold Coast in Queensland for 30 years and is part of a cultural transition from the country to the suburbs and from the suburbs to the beach. He compares what has been happening in Australia to the United States where the migration of people to lifestyle locations has occurred at a far faster rate than it has happened in Australia. For example Phoenix, Arizona has added 150,000 people to their population over the year to 2005 and Los Angeles has grown by 77,000 people, compared to the Gold Coast adding 13,000. It would seem that we can expect increased development in lifestyle, or “amenity migration” to not only continue, but to increase (Ibid).

**Economic Indicators**

Over the last 20 years there have been two major residential housing price booms. The first was in the late 1980s and the second in the late 1990s (Wood \textit{et al}, 2004). The difference between the two booms was that the earlier boom was preceded by a prolonged price slump in the early 1980s. This price slump was not as noticeable in the 1990s and this has made the recent boom seem even larger because it is coming from a fairly high base start (Waxman, 2000, p. 258). In the latest boom the national house price doubled and house
prices are now relatively higher compared to household incomes, than ever before in Australian history (National Housing Alliance, 2007).

The key economic indicators of coastal residential property market are:

- The general strength of the economy, both locally and internationally.
- Housing affordability, which includes income levels, unemployment, the rate of interest and the degree of competition from the residential investment market.
- Business cycles
- Market confidence and expectations
- Demand and Supply for housing, including investment opportunities and new housing.
- Cashed up wealthy retirees heading for a new, more relaxed lifestyle.

It is these diverse and complicated factors and how they relate and interrelate, that make predicting a future for coastal residential property so difficult.

**International Housing Affordability**

Although Australians may be concerned about the increasing lack of dwelling affordability, the problem is not only an Australian problem, but one that is affecting most of the other developed nations. These housing challenges become more difficult to rectify when they are global situations and the flow on effect is already being felt in some of the coastal towns on the Surf Coast and Bellarine Peninsula. Data from the USA indicated a similar, if even worse situation. Los Angeles has a 2005 median house price of U$430,000 and San Diego U$455,000. Residents require an annual income of U$136,000 and U$144,000, respectively to service their loans and this is beyond many families, including those who have two incomes. On the other hand the rental market is a lot flatter than in Australia and a two
bedroom home in Los Angeles would have a monthly rental of approximately US$1,124, or
less than US$260 a week. In the larger cities of the USA a much higher percentage of the
population rent, because they cannot afford to buy. This may soon become an increasing
trend in Australian eastern seaboard cities (National Housing Conference, 2005).
Unlike in Australia, where interest rates started low and have been increasing slowly since
2003, interest rates in the USA have been falling since 2000 and as at 2003 were down to
approximately 5.8% from 8.18% in 2000 and were further reduced in October 2007. An
examination of property in Virginia indicates that the residential property prices are still
rising and as they are experiencing falling interest rates, this trend could continue (Koebel
and Paulson, 2004).
A comparison of Australian dwelling prices with 12 other developed nations showed that
Australia, UK and the Netherlands have had the highest increase in real house prices
compared to the other nine nations. The mean change for the twelve countries was a 42%
increase over the seven years to 2002, with Australia’s increase being 53%. Real house
prices rose by 70% between 1996 and 2003. By 1990, 70% of households in Australia
owned or were purchasing their homes. Since that time the percentage has not changed and
it may even fall as the younger age-brackets become unable to enter the market (Powall and
Withers, 2004). As indicated earlier, one of the keys to understanding the locational shift to
the coastal Australia is in the comparative difference in prices for houses in the cities,
compared to some parts of the coast. Particularly those within commuting distance from
major centres. This would indicate that the situation in each country is different. We can no
longer look to other countries to seek a pattern for development in Australia. It is internal
management and microeconomic factors that mainly contribute to the residential property
Housing affordability is not just a problem in Australia. The OECD Economic Outlook No., 78 (2006) found that there are a number of elements in the current economic climate of many of the OECD countries that are unusual. They are; the size and duration of housing price increases as an international trend and the disconnection of this phenomena from any business cycle. They link Australia with the USA, the UK and Northern Europe as having the highest ever recorded increases in housing prices over the longest period (10 years). They note that the last upturn was 1986-90, followed by a downturn until 1996, the traditional 10 year business cycle. This current situation has been rising for an unprecedented ten year period across the western world. It has currently reached a plateau in Australia, but prices are still increasing in most of the other western countries. Spain, Australia, Canada and the UK now have price to income ratios of 200%, 180%, 165% and 160% respectively. In 1992 the Australian mortgage debt was an average 53% of income by 2000 this had risen to 83% and by 2003 to 120% of income. As at 2004 Australia and New Zealand had the highest interest rates of any OECD country with 7.1% and 8% respectively. The USA was 5.8% and the UK 6.1%. Since 1970 Australia has had six periods of large price increases in housing and five downturns, whereas the average of all OECD countries is 2.6, for both up and downward movements. The average price increase for those upturns in Australia was 31.6% with the largest increase being the most recent, of 85% (Ibid).

However you look at it, housing is now very expensive in Australia, especially in the major cities. Increased demand from the over 25+ year olds entering the market and from the residential investment market, have fuelled a price escalation that appeared affordable to many, due to the low interest rates and the low rate of inflation. In Victoria the investment property market has risen from 15% of all mortgage borrowing in 1992 to 35% by 2004 and
although this has flowed on to some of the towns in coastal Victoria, there are still some towns where housing prices are more affordable than others (BIS Shrapnel, 2003).

**Interest Rates**

Housing mortgage interest fell from approximately 18% in the late 1980s to approximately 5% in 2004, then up to 7.1% in 2007. However the effective rate has remained much the same as inflation is also lower. The lower interest rates aided housing affordability in the short run, but by 2003, Melbourne housing prices had risen steeply to offset this advantage. This sustained period of relatively low mortgage interest rates has resulted in a much higher average housing debt than ever before (Reserve Bank of Australia, February, 2004). When the public consistently see property prices increasing they believe that buying today, even with a large debt, is better than delaying the purchase and having to pay a considerably higher price. Small consistent increases by the Reserve Bank in the cash rate (0.0025%) are not seen as a threat to prospective purchasers. While employment remains high and incomes buoyant, the expectation of consumers will continue to be one of confidence in the Australian property market.

**Investment Effects**

The official definition of a residential investment property is a residence that is not the primary home and reportedly receives rental income. The official figure for ownership of residential property investments from HILDA (2002) (Households, Income and Labour Dynamics in Australia) was recorded as 10.3% of all households. This however does not tell you how many investment properties each household owns. The actual number of residential properties is much higher than this figure, as many of these 10.3% own more
than one investment property. Local residents are not the only parties to invest in residential property. The overseas investor also plays a large part in this growing type of investment. What are the factors that make property and in particular, residential property in Melbourne and Sydney, so popular with investors? The investment effect is a very important one for residential property in Australia, where many people prefer this type of investment. It is also important for coastal Australia, as it allows investors to have a property to rent out seasonally, often negatively geared, yet also use themselves for weekend and holiday purposes.

Balchin, Isaac and Chen (2000, p.343) define an investment property as one that is either rented, or available for rental. The application of funds to property will vary according to how competitive it is seen to be compared to other forms of investment such as stocks, shares, currency, bullion etc. Property investment is extremely important to an economy as either a corporate asset, a provider of space for economic activity or as an investment in its own right. They summarised property markets as fragmented, secretive and generally difficult to extract information from and with no central agency or physical focal point such as a Stock Exchange.

Finding suitable properties can be a time consuming exercise that many investors cannot afford. But this no longer appears to be the barrier to entry that it used to be. With improved transportation and communication linkages, comes much greater knowledge and community mobility. The wide use of the internet makes it much easier for people to access properties for sale.

The history leading up to the expansion in the Australian residential property investment market from 1999 to 2003, can be understood more clearly by first examining the situation
in the 1980s. Residential property prices in Melbourne and Sydney fell in the early 1980s and then again in the early 1990s (Waxman, 2000, p. 127). During this ten year period, property was seen by many as an unstable investment product. This affected investment confidence. In late 1985 the Federal Government introduced a Capital Gains Tax and withdrew the extremely popular negative gearing clause for investments. Add to this, the fact that by the mid to late 1980s, the interest rate was 17% and inflation was still high. Despite the fact that negative gearing was reintroduced in 1987, when property prices fell by 10-20% in the early 1990s, consumer confidence was shaken (BIS Shrapnel, 1999). But by 1997 this trend had turned around and housing prices started to increase again. The increase was fuelled by a shortage of supply, coupled with the lowest interest rate for twenty years. The demand for residential property is a function of income, government influences, expectations about the economy, changing demographics (Waxman, 2004, p.40). All of these indicators were good in the late 1990s and given a shortage of housing supplies due to the previous market retraction, the residential property market was very buoyant. The unprecedented increase in residential property prices from 1998-2003 was 131.6% for Australian capital cities and even higher for Sydney and Melbourne (HIA/CBA, 2003). It was one of those freaks of timing where all the necessary components of the equation came together:

- Low interest rates
- Easy access to borrowing
- A healthy expanding economy
- Willing and able investors
- High consumer expectations
• A supportive taxation system and
• Real growth in income (the highest since 1960s)  (Eslake,2003)

On the one hand we have this phenomenal increase in property prices from 1998-2003, but we must also remember that from 1990 the residential property market was low in Sydney and Melbourne until 1991 and remained stagnant until after the taxation changes to Capital Gains tax rulings in 1997. This high rate of growth in the market needs to be seen over the entire 15 year period, with most of it occurring in the years 2000-2003.

Economically Australia is considered to be one of the most successfully managed countries in the world. The International Monetary Fund has endorsed the possible new work plan arrangements and the increasing Australian exchange rate is evidence of this. The Reserve Bank announced small increases to the cash rate during 2003 and 2004, but being still under 7%, this is considered to be reasonable. The inflation rate is between 2-3%, despite high fuel prices and real wages have risen with unemployment still less than 6%. In 2002 Federal Government debt was down to 4% of the total Gross Domestic Product (GDP), compared to 23% in 1996. The OECD average for 2002 was 43% and this comparison reflects well on the Australian economy (Costello, 2002).

**Other Investments**

Share popularity fell by 30%, in the years 2001-2003 and investors looked for other ways to grow their wealth (Reserve Bank of Australia, 2004). With low interest rates, any type of bond, fixed term or cash management would barely cover inflation after taxation. Listed Property Trusts were also offering high returns, but they did not have the element of personal ownership and control that individual property ownership offered. Listed Property Trusts (LPTs) are investments in a portfolio of investment grade commercial real estate to
generate high yielding returns for investors. They are viewed as a substitute for direct property investment, with high liquidity. From less than $5 billion in 1990 they have grown to have a market share in Australia of well over $55 billion (Property Council of Australia, 2005). Although there has been high growth in this market, it is mainly corporate investors. Individual investors traditionally prefer to be able to identify their bricks and mortar investments. People saw the value of residential property continuing to increase and the financial institutions were begging people to borrow, especially if they owned considerable equity in their own home. It is no wonder that investment in property suddenly seemed more attractive than it had previously. This trend flowed on the residential property market in coastal Australia. By purchasing an investment property in a coastal area they can then dream of being able to eventually retire to a Sea Change lifestyle.

**Summary of Economic Effects**

The state of the economy has a major effect on where people live. Australia is heavily dependent upon the export of minerals and agriculture to balance the terms of trade. With the current weather patterns the rural exports will suffer and as trade brings higher prices, fresh food prices will escalate. This will put pressure on the rate of inflation and this will cause a further increase in the rate of interest. This is a realistic expectation and is destined to slow the Australian economy. It is likely that in the short-term people will dig in and not many changes in urban patterns will occur. However, the pendulum swings and the business cycle will eventually change for the better and the residential property market will again be on the move. Where that move will be, will depend heavily on the last sector to be discussed in this chapter and that is the regulatory factors affecting urban development, which is largely controlled by government.


**Regulatory Factors**

The third influence suggested by Gurran, Squires and Blakely (2006, p.15) relates to regulatory factors. International trends suggest that the rapid population growth experienced by many of Australia’s coastal towns is not unique. It is very common for this type of development to bring with it environmental problems, such as water degradation, loss of native fauna and flora habitat, conversion of rural land and other unsettling changes. Couple this with situations where existing planning frameworks are not designed to handle these changes and you have a very common scenario for coastal Australia. Local governments are at the “coal face” for these challenges. They are responsible for the daily management of these areas, but they have no influence on the broader population pressures that determine the increased migration and limited financial capacity to support any infrastructure improvements (*Ibid*, p.10).

**Government Regulations and Laws**

The Federal, State and Local Governments have major influences on the residential property industry in Victoria. Whilst the Federal Government controls fiscal and monetary policy, all three are influential in the field of taxing, planning and environmental issues.

**Fiscal and Monetary Policy**

The Federal Government's medium term fiscal target is to achieve "budget balance, on average, over the course of the economic cycle" (*Australian Government Budget, 2007*). The aim is to maintain budget surpluses for as long as economic growth prospects remain sound, ensuring no increase in the overall tax burden from 1996-97 levels, and improving the Commonwealth's net worth (its assets less its liabilities) over the medium to longer term.
Monetary policy, of course, is run not by the Government but by the Reserve Bank. The Reserve Bank's conduct of policy is guided by its inflation target: to keep consumer price inflation between 2 and 3 per cent, on average, over the cycle. A tight control on the cash rate keeps the economy from slipping into the inflationary difficulties experienced in the late 1980s, when the rate of interest reached 17% (Gittins, October 11th, 2003). There were small increases in the official cash rate during 2006 in order to counter underlying inflationary pressures and this action is threatened and has been actioned in 2007 when deemed necessary.

**Taxation influences**

Both the Federal and State Governments are constantly reviewing their policies in the light of the housing situation. An enormous amount of research is being gathered on the housing affordability issue in Australian capital cities. A summary of the current situation is as follows:

- **Income Tax and Home Owners** – no taxation of the imputed income stream, no deductions for home ownership costs, e.g. mortgage interest and no taxation on capital gains
- **Income Taxes and Investment properties** – negative gearing on rental properties, depreciation allowances on new buildings, state taxes deductible and concessionary capital gains tax of 50%.
- **Goods and Services Tax (GST)** – input taxing of rents, GST on new homes and renovations.
- **State and Local Government Taxes for Victoria** – a progressive sliding scale on stamp Duty on purchase, progressive land tax, council rates.
Grants and Subsidies – Federal Government First Home BuyersGrant of $7,000 and a State subsidy on Stamp Duty of $5,000 for all properties valued less than $500,000 (Powall and Withers, 2004).

*Homeowner’s Grant*

July 2000 saw the Australian Government introduce a $14,000 First Home Owner’s grant, in an attempt to offset the GST increases to the construction industry. This is for new homes and $7,000 for the purchase of existing homes.

*Negative Gearing*

Another influential change was the introduction of the 15% superannuation surcharge in 1996. This surcharge increased the marginal tax rate of higher income households. This is often offset by negatively geared property.

*Capital Gains Tax*

In 1999 changes were made to Capital Gains Taxation whereby most investors in property would in fact pay lower capital gains taxation (Wood et al., 2004).

*Government policy and strategies*

The Victorian State government has various programs to assist those suffering temporary difficulties, first home buyers and long term disadvantage. These are not relevant to the investment market. It is in the taxation field that most of the benefits are available for investors. Many argue that negative gearing, capital gains tax exemptions on the family home and the building depreciation allowance contribute to the high housing prices. This may be the case and many investors quote negative gearing as one reason why they purchase
property as an investment (Waxman, 2004, p. 339). However the Reserve bank of Australia, in their submission to the Productivity Commission (2003) felt that these regulations should remain for the stability of the industry and the economy. At present the Victorian State government has a $5,000 reduction in stamp duty for first home buyers on houses costing less than $500,000.

**Planning Issues**

In 2002, the Victorian Government announced the Melbourne 2030 plan. The future development for the city for the next 25 years was initially set out in this 192 page document (Victorian Government, 2006, p.1.6). The theme is “cleaner and greener”. The initiatives come under nine headings, including management of growth, better transport links, a more compact city and networks with Victoria’s regional cities of Geelong, Ballarat, Bendigo, Wodonga, Wangaratta, Benalla and Shepparton. The inclusion of Geelong has specific implications for housing development on the Surf Coast and the Bellarine Peninsula, where there already exist a number of dormer towns within 15 to 20 minutes drive from Geelong. The plan expects Melbourne to grow by an additional one million people by 2030, taking the population to approximately four million. The expected housing requirement is an additional 620,000 households. On the one hand you have this huge increase in the number of dwelling for Melbourne and on the other, the plan aims for a more “compact city”, with limited sprawl. There are five designated growth corridors and even at this early stage within the time frame, the development along these corridors has been extensive. The areas are: Casey/Cardinia to the East, Hume to the North, Wyndham to the West, Melton/Caroline Springs to the North/West and Whittlesea to the North/east (Victorian Government, 2008).
While construction companies offered project homes for $250,000 and no deposit, property developers in Melbourne’s established suburbs and the Central Business District (CBD) have taken advantage of the “more compact” concept by massive site redevelopment for high density apartments or dual occupancy town houses. As Melbourne continues to expand in area there has been a “spill over” effect into the regional cities and in particular to the Geelong region. Although there is an attempt at planning for Melbourne there is a failure to integrate social and economic objectives with coastal policies and the land use plans applying to coastal areas, are not articulated or integrated within coastal policy and planning frameworks (Gurran *et al*, 2005, p.6).

**Availability of land**

Melbourne is sited around a bay and although the major advantage for Melbourne is the availability of developable land on the city fringes, most of it is zoned rural and starting to become such a distance from the CBD as to make commuting a problem (Perinotto, May 12th, 2003a). However there are many existing large residential sites that could still be dual occupancy or multi-storey apartments and the potential for Melbourne to continue to grow is still possible. During the years 1991-2002, over 174,000 new housing sites were sold for development within Melbourne (*Victorian Department of Sustainability and Environment*, 2003). The median price of land in outer Melbourne in 2002 was $86,500 compared to $348,000 in Sydney (*Land Victoria*, 2006). A further innovative initiative is the concept of “airspace”. Airspace above railway stations sells for less money than traditional development sites and they are all government owned. Controversy has flared over the release of plans to build over the existing classified station at Camberwell and other projects are expected to follow (Perinotto, July 29th, 2003b). But this potentially huge city will not
appeal to everyone and it is highly likely as land becomes more difficult to acquire in Melbourne, developers will start to look elsewhere. There are already development plans being fought by local residents in many towns on the Surf Coast and Bellarine Peninsula.

**Linkage and Infrastructure Influences**

*Transport*

The Victorian Government has come under severe criticism for what has been seen as community neglect in their lack of foresight in transport planning. Despite possessing one of the world’s largest tram/light-rail networks and an electrified rail system with a modern fleet of trains the size of the London underground, the Melbourne public transport system continues to dissatisfy customers (Mees, 2005). The Melbourne of the 2030 plan is to be one heavily dependent upon the car and this is true for regional Victoria as well (Goodman and Moloney, 2004). The plans for regional Victoria have also come under strong criticism, arguing high prices and poor and unreliable service across most of Victoria and in particular the commuting areas of Geelong, Bendigo, Ballarat and Gippsland (Mees, 2005).

*Community Infrastructure*

Effective regional planning is thought by sea change communities to be critical to the management of growth in these coastal areas. Most of these communities report that existing regional plans lack foresight and consistency in their application. All councils report infrastructure shortfalls and a lack of funds, despite developer contributions to provide services to a standard that is acceptable to residents. Gaps exist in the physical infrastructure areas of roads, sewerage, water and public transport. In addition smaller towns have a shortage of social, professional, education and health services. There appears
to be very little forward planning and this is of concern with the ever increasing number of tourists to these areas in the holiday seasons (Gurran et al., 2005, p.8).

**Environmental Issues**

The major environmental concern facing Australia at present is the alarming shortage of water resources. As the population is increasing, available water supplies are dwindling. In the north of Australia, with 52% of the country’s water supply it only supports 2% of the population, compared to 82% of the population having 27% of the available water resources (Hugo, 2003). The coastal zone in Australia is subjected to many pressures both natural and man made. The natural ones include erosion, rising sea levels and natural hazards and the human pressures include exploitation and increased migration and tourism. Space, water and natural beauty have acted as magnets to draw different groups of people to the coast (Charlier and Charlier, 1995).

All property development should have five main goals that the construction industry will deliver, if an economy wishes to move towards a sustainable future. They are:

- **Resource conservation** – in an attempt to ensure supplies for the future.
- **Built development** – all development should be in harmony with the natural environment.
- **Environmental quality** – all construction should protect and regenerate eco-systems and enhance human health and the quality of life.
- **Social equality** – development should reduce social inequality
- **Political participation** – development should promote and enhance participation in the process by all members of the community (Hesse, 1995).
It is important that all towns and cities in Australia look to managing their natural resources in a manner that will protect those resources. Coastal towns throughout Australia have come under enormous environmental stress and this is one of the reasons that the Sea Change Task Force was established. Management of resources, infrastructure and planning issues are central to their agenda. Coastal environments are under major pressure with habitat loss and fragmentation, loss and degradation of coastal wetlands, changes in ecosystems and marine habitats, the introduction of exotic species and erosion. The distinctive rural character of coastal areas is threatened by the increased demand for urban development and increased tourism (Gurran et al, 2005, p.9). Dr. Green (2004) warns of a loss of character occurring as the environmental features that have traditionally defined a town is replaced with unsympathetic development. Nearly all the towns covered by the research have been affected in some way by this type of development and the distinctive character of these towns is slowly being transformed in a global uniformity. In response to this type of development, many towns on the Surf Coast and the Bellarine Peninsula now have very active community groups who have lost faith with their local councils and have become experienced in lobbying to organisations such as the Victorian Civil and Administrative tribunal (VCAT).

**Summary of Regulatory Factors**

There is a high level of influence extended by the three arms of government in Australia on the residential property market. Between them they decide where development can occur, the amount and type of development and what encouragements or deterrents will be given for such development. While the residential property market was booming in Victoria the only people complaining were the unlucky first home buyers as they had to buy into a
market that had grown by on average median price by 25% in the period 1996–2003 (REIV, 2005). Soaring property prices are seen as an indicator of a prosperous nation. While we have high employment and steady incomes people are reluctant to “rock the applecart”. If that situation was to change, then government would change and so to would policies with regard to planning and development. Victoria has a Labor State Government until 2010. The Liberal Federal Government faces elections in 2007. It is the State Government that has the most influence on future urban development through their planning decisions. Although the Federal counterpart has a profound affect on supply and demand through taxation policy and indirectly through monetary policy.

**Conclusions**

Many people have speculated that the Melbourne housing market during the years 1999-2003 was in a “bubble”. The concept of a property bubble is where prices climb far higher than expected by demographic and economic factors (Eslake, 2003). However the expected housing price burst has not occurred and may not occur. There was instead a levelling of prices and some Melbourne suburbs have even continued to increase in price, but at a lower rate than before. This holding of price, is to due to high levels of demand and low supply in existing housing stock. Evidence points to the high increase in residential property in these years, as a function of high demand from consumers with increasing income, access to high levels of borrowing, low rates of interest and a buoyant economy instilling high consumer confidence. Rather than a bubble which will burst, as it did in 1981 and 1989, this market shows no sign of waning and although growth is now slower, economic indicators are strong. Short of some major calamity these high prices will probably hold. Melbourne is rated fourth least affordable city in the world, after Los Angeles, San Diego and Sydney by
Demographia, (US research group) and the issue of affordability is very real (Keenan, August 26th, 2005). The Melbourne housing market is a dichotomy. Just like all large cities, different suburbs have different pricing structures. The Melbourne apartment market was very small until the mid to late 1990s. The growth in this section of the housing market has been extensive, as has the new housing market on Melbourne fringes. Much of these two markets, plus many of the established outer suburbs are still affordable. It is Melbourne’s established inner and south-eastern suburbs that have borne the brunt of the excessive price increases and hence affected the median house price. See price differentiation by suburb and over time in Appendix Five and Appendix Six.

This chapter reviewed the literature on the driving forces behind residential property decisions in general and addressed the first research question posed in Chapter One. What are the key drivers of the residential property market? The research in this chapter discussed the mixture of demographic, economic and environmental influences that exist in any market place at any given time, without application to any specific area. The next chapter continues the examination of these specific indicators on residential property and concentrates specifically on the reason why people choose to live where they do?
CHAPTER THREE - WHY PEOPLE LIVE WHERE THEY DO?

The residential property market is not the only reason people live where they do. The state of the property market is a major determinant, but people choose their location for a myriad of other reasons as well. They may also consider:

- Personal economic reasons, such as income, employment and business opportunities;
- Consumer expectations about the future in general and the housing market in particular;
- Climatic/geographic reasons, such as a preference for warm weather or mountain terrain;
- Psychological reasons, such as personality types, wants and needs;
- Emotional reasons, such as being close to family, close ties with an area;
- Technological reasons, such as being able to work partly from home, due to improved communication links and flexibility in work places; or
- A mix of some, or all of these factors.

Statistics indicate that most people do not move far from where they grew up (ABS, 2006). For people to move great distances, there usually needs to be a catalyst to set this in motion. The catalyst can take many forms. It could be a job offer, a romance, not able to afford a property in the area they prefer, or a host of other reasons. It is these individual decisions that people make that are difficult to predict. Literature and statistical data can show you possible trends, but it is only by speaking to people that you can start to understand why people make the decisions that they do. The surveys and interviews that form part of this research are an attempt to emulate why people live in coastal Victoria and whether this trend will escalate; but only a census could give the true picture of what drives peoples’ decisions.
The survey of respondents from the Bellarine Peninsula and the Surf Coast is discussed in chapter four. (Appendix Two)

The population demographic is one that will be very significant in this analysis of possible lifestyle changes to coastal Victoria. By 2042, the Australian population is predicted to grow to over 25 million, with most of this increase in the capital cities. Most of these estimates rely heavily on current birth rates and immigration. If either of these change, the figures could look a lot worse, or may improve, by being less skewed towards an aging population. Future immigration is set to continue to be approximately 90,000 people per year. Government experts (Costello, 2002; ABS, 2003) predict Australia’s estimated population to grow to between 23 million and 31.4 million in 2051 and to be between 18.9 million and 37.7 million in 2101, depending upon the growth in birth/death rates and net overseas migration. At this stage this is pure speculation as no one can predict how long Australia will stay as a desired country to emigrate to.

If the population of Melbourne continues to expand to the expected five million by 2030, many more than the current 1.2% may choose to leave (Victorian Government, 2006, p.1.2). However, if the birth-rate does not increase and we remain dependent upon immigration for population growth, then this shift of population may not occur. Historically immigrants have preferred to remain in the larger cities to be near other immigrants and where the lifestyle maybe similar to their home country. On the other hand, as the “baby boomers’ retire, many may choose to make the lifestyle change to coastal Victoria. The Australian population was just over 20 million in 2004. At this time, 12.6 million lived in the capital cities which left 7.5 million in the rest of the continent. Research shows that 5.6 million people lived in rural coastal Australia at that time and fewer than 2 million people lived in
the rest of the rural areas of Australia. This 5.6 million people represents 75% of all Australians living outside capital cities (ABS, 2004b). It is a fact that the capital cities are getting larger and it is a fact that coastal regions are the second major growth trend. Both of these trends are at the expense of inland development. Whether global warming is a fact or not, there is no denying that the lack of rainfall in inland Australia over the last ten years has changed the agricultural opportunities and dreams of many country people. It is difficult for planners to discourage people from moving to the larger cities when it is obvious that rural country towns are under stress.

**Economic Snapshot**

Economically Australia is considered to be one of the most successfully managed countries in the world. The International Monetary Fund has endorsed the possible new work plan arrangements and the strong Australian exchange rate is evidence of this (International Monetary Fund, 2005). While the economy remains strong, while all the economic indicators are moderate, consumer confidence will hold and the residential property market will remain stable, but should unemployment start to rise, along with the already increasing interest rate, then demand for housing could pull back and the situation could become unstable. In this situation the coastal areas of Victoria will suffer, as will other country areas, because one of the first things people cut back on is leisure and tourism. In 2006 petrol prices reached new high levels ($1.45 per litre) and this has a flow on effect to coastal areas. People cut back their travel and they may even decide not to relocate in a coastal area and commute, based simply on the high cost of transport. This is supported by the continued increases in inner Melbourne housing prices, despite falls or static growth in suburbs further away from the CBD (REIV, 2006). Since 2002 Australia’s currency has
steadily increased against a sluggish US dollar. The Reserve Bank announced small increases to the cash rate during 2003 and 2004, but it is still around 7% and this is considered to be reasonable. GDP has been growing at an annual rate of 2-4%, the inflation rate has remained below 3%, despite petrol price increases and real wages have risen, with unemployment still less than 6%. In 2002 Federal Government debt was down to 4% of the total Gross Domestic Product (GDP), compared to 23% in 1996. The OECD average for 2002 was 43% and this comparison reflects well on the Australian economy (Costello, 2002).

**Contributing factors from Residential Investment Property**

The residential investment property market has had a very important influence on the coastal market. There has been a higher than average turnover of coastal property since 2000 and around 70% of these sales have been to absentee owners (Potts, 2006). Buying a coastal property that can be leased out seasonally, but still be used by the owner when empty is a very attractive investment decision. All expenses on the property can be claimed and the property is then eligible for negative gearing on other income. After examining the many different influences on the residential property market, the author believes that the major influences are summarised below:

- In the years 1996-2003, residential property prices have increased by up to 140% in both Sydney and Melbourne and in many towns on the Bellarine Peninsula and the Surf Coast (Waxman, 2004, p. 182).
- Shares have been unstable and or flat over the same period and you need to be very knowledgeable to be able to read the market.
Many people believe they understand the housing market. They feel very comfortable with a “bricks and mortar” type of investment. It is an added bonus if they also get to occasionally use the property.

Most homeowners have seen the market value of their own home increase dramatically over the last 10 years and expect that the investment property will do the same in the future.

Many have been able to use this increased equity in their homes to launch their residential property investment.

Thanks to such things as Property Expos, free seminars and wide press coverage, many people understand the benefit of the tax concessions through negative gearing.

The low interest rates and expected high capital gains make up for the low yields.

Access to finding property is now easier with the widespread use of the internet\(^3\). A whole world of possibilities is available at the touch of a keyboard.

Investment properties is a growth area that has not been a factor in the residential property market to this importance ever before. The high proportion of investment properties in Australia has led to a competitive rental market and correspondingly low yields. It has also seen a higher than usual vacancy rate for residential property than ever before. If the investor’s aim is to achieve high negative gearing and eventual capital gains, then a higher vacancy rate, say 10-20% is not important in the overall investment plan. It does however, squeeze many first homebuyers out of the residential market in the more popular suburbs and could contribute to a trend away from the city altogether.

**Market confidence and expectation**

\(^3\) Using either [www.realestate.com.au](http://www.realestate.com.au), or [www.domain.com.au](http://www.domain.com.au), or other similar sites
Consumer confidence is extremely important to all sectors of the economy, but especially to the retail and the property/construction sectors. The Australian Bureau of Statistics noted that consumer confidence reached a 9.5 high in January 2004 (ABS, 2004b) and household consumption had grown by 4.4% in the twelve months to September 2003 (Reserve Bank of Australia, 2004). However, by 2004, property purchases had dropped to the lowest amount in three years, but there was still no indication of a slump in the residential property market, such as occurred in the late 1980s. The residential property market has been in a plateau position since 2004 for most of Victoria, with the upper end of the housing market continuing to increase in price. The .0025% increase in interest rates in May 2006 and again in October 2006 and early 2007 may have slowed down part of the market but it has still not lead to a fall in the residential property market overall. The shortage of existing housing stock has been cited as the main reason that the housing market has remained firm (Domain, 2007). The pattern of house prices in Melbourne is historically one of sharp price rises at regular intervals, followed by a period of flat prices, rather than a gradual annual increase. The unusual example of the past decade is that the 110% increase in Australian residential property prices, mainly occurred between the years 1998-2003 (Bond, 2003). With regard to Melbourne, the strongest price increases were in the inner city fringes, the Eastern suburbs and the beach suburbs. The house prices for these suburbs averaged 174% growth over the ten years to 2003. An example of current prices and an indication that this particular group of suburbs are still increasing in price can be seen in Appendix Five and Appendix Six (REIV, 2005). The high median house price for Melbourne and Geelong is one of the reasons given by the media for the supposed increase in coastal relocation. As can be seen from the median price of houses in towns on the Bellarine Peninsula and the
Surf Coast (Table 2), the price differential is not that large. If people are relocating to coastal Victoria it is more likely to be for a lifestyle change, rather than for cheaper housing. Hopper’s Crossing, Laverton and Werribee all offer cheaper house and land packages than any Victorian coastal town, only 40 minutes from the Central Business District (CBD) of Melbourne.

**New dwelling commencements and future development**

Over the ten years to 2001, the number of dwellings in Australian capital cities grew by 20%. On census night in 2001 there were 7,790,079 dwellings in Australia, 717,877 of these were vacant (ABS, 2003). The average annual addition of new stock of dwellings in Australia, reached almost 148,000 in the ten years to 2003 (BIS Shrapnel, 2003). When the price of existing dwellings increases, this generally produces an increase in demand for new houses, as they are now more affordable. The opposite may be true if low prices are a reflection of an oversupply in the housing market (Waxman, 2004, p.172). Over the three year period 2000-2002, an average of almost 10,000 dwellings a year were constructed in Melbourne (Victorian Department of Sustainability and Environment, 2003). The building industry is directly related to the overriding state of the economy and as such is usually very cyclical. As property prices rise for existing stocks of houses it makes new dwellings relatively more affordable. Housing construction has become very streamlined and in the outlying suburbs of Melbourne or in housing estates on the inland areas of the Bellarine Peninsula and the Surf Coast, house and land packages can be purchased for around $300,000, often on no deposit. The reason that the Bellarine Peninsula and the Surf Coast have towns that have had population growth of over 6% per annum may be because of the diversity of properties offered in these regions. Chapter four and Appendix Seven, offer a
description of each of the 17 towns in these two regions and they are listed in Appendix One. Both regions have inland towns and coastal towns and both regions have towns with new subdivisions, whilst still offering a number of low density holiday towns. The towns with the new subdivisions are seen as commuter towns for workers in Geelong, or Melbourne.

**Climatic/Geographic Considerations**

Statistics indicate that many people who choose to take a Sea Change also decide to do so where the weather is warmer than it is on the southern Victorian coast. Queensland and Western Australia have been the geographic areas that have attracted the most in-migration from other states (ABS, 2004b). However as we continue to experience climatic changes this could be different in the future. It has been predicted that Victoria will become more tropical and the north of Australia may become more temperate (Whetton *et al*, 2002). This may make a difference in the long term, but not probably over the next twenty years. The shortage of water is a bigger consideration and even parts of Queensland, where they have massive rainfalls, have water shortages. As of December 2006, the Bellarine Peninsula and the Surf Coast are on the most severe water restrictions (no outside watering at all) and high fire alert. This was due to unprecedented low spring rainfall across the country and the worst drought in the history of record keeping.

**Psychological reasons**

This factor is more difficult to track because the psychological condition is a very individual one and can change at any time. There is no way of predicting how people will react to situations in the future. As stress levels in cities rise due to employment and transportation pressure we may predict that many people might decide to take a lifestyle change. On the
other hand there is the “Fear Factor”. Fear of the future, fear of change, fear of financial ruin, fear of feeling isolated, fear of failure or simply fear of the unknown. This may be bigger for people of the future than at present, for any number of reasons such as, high personal debt, job security, relationship uncertainty etc. If these fears are high, people are more likely to stay where they are and attempt to cope with their current situation, rather than make a possibly scary lifestyle change.

**Emotional reasons**

Emotional reason have always been at the forefront of individual lifestyle changes and probably the only difference in this field is that due to technological reasons, more people are now able to make decisions based on friends and family situations, than they were before.

**Technological reasons**

There is no doubt that changes in technology over the last ten years have made it possible for people to live a greater distance from their workplace. Transport has improved so that people can now travel greater distances to work. Mobile phones, faxes, email, broadband, the internet etc, have all made it possible for people who work in many fields to be a great distance from the physical workplace, but to be in constant and immediate access through the electronic medium of the keyboard or the telephone connection.

These are the major determinants of why people live where they do and hence are indirectly driving residential property decisions. This sector of the research concentrates on the individual consumer decisions, rather than the collective interaction of the three groups in the residential property market and it discusses the items that determine individual consumer reasoning about where to live, rather than concentrating on the direct drivers of the housing
market, as discussed in Chapters One and Two. But how do these individual components contribute to future trends in the Victorian housing market and how is this likely to impact on coastal Victoria?

**Contributing factors for future trends in Victoria’s housing market**

This research examines the many different influences on the residential property market and the author believes that the major factors are summarised below:

- Real residential property prices have increased by up to 140% in Melbourne and Victorian coastal towns, since 1996 and this has seriously affected housing affordability. First home buyers are being pushed out into the outlying suburbs, or commuter towns, heavily dependent upon the motor vehicle, or into apartments (Waxman, 2004, p. 206).

- The available virgin land designated by the five growth corridors in the Melbourne 2030 plan is in short supply. The current push is to grow Melbourne to five million people quickly. But if we have no further land to use, where will their children live? In a report released by the Urban Development Institute of Australia (2006) the shortage of available land for most of Australia’s capital cities was riddled with inefficiencies and regulations, which were constraining both the availability of land and the related infrastructure.

- As residential property prices increase, the gap between the rich and the rest of the community becomes even wider. There are still pockets of affordable housing in Melbourne but they are mainly the newer housing developments, or satellite settlements that doom the owners to commute for between one to two hours both ways, every day.
• These outlying suburbs of Melbourne create nightmares for the people who live in them. The workers spend hours in cars or trains and those left at home can only access facilities if they own a car. Public transport infrastructure has not been provided to these areas as there has been little demand from new housing estates in the past. Australians rely on their car and this does not seem to be changing. Roads are where the money is being spent, not public transport. By the time people protest because the roads are clogged, it will be too late. When faced with this scenario, a coastal commuter town may start to become a viable option.

• Melbourne is losing many of its beautiful suburban houses to developers who answer the planning call for a more compact city; high rise apartments were constructed in the 1960s and we have regretted it ever since. But this is where a lot of Melbourne’s new development is occurring.

• History has shown that business cycles are inevitable. When they come the property industry is always a strong indicator of every stage of the cycle. The last time the Australian economy was in a slump was 1990-1994. Many believe that we are overdue for a downturn, but economically there is only evidence of a slowdown.

• Many Melbourne house prices are holding and in some cases even increasing, but this is due to a shortage of supply of existing housing stock and not through any excessive demand. The demand for residential property at the moment appears to be mainly home owners and small developers (Domain, 2007).

• On the economic front, consumer confidence is cautious. The interest rate increases did not initially dampen the market, but the threat of further increases is of concern for purchasers. Household debt continues to remain high, with an unprecedented
high credit card debt. New dwelling starts and retail sales have fallen and unemployment had risen slightly for the December quarter of 2005. These three factors are seen as indications of a slow down in the economy. The residential property market is fragmented, with some areas stagnant and others still increasing (The Westpac – Melbourne Institute index for 2006).

- The residential property investment market is currently a market that is hard to read, because Australia has been given a glowing economic report from the International Monetary Fund, unemployment and inflation are low and real income for both individuals and businesses is increasing. It is likely that investors will sit where they are and consolidate their holdings. It is probably not likely that housing markets will plummet, as predicted by BIS Shrapnel in 2003 and large amounts of residential property will not be dumped on the market. We may never see the residential property investment market expand as it did from 1998-2003, but on the other hand neither will it collapse. The market will stabilise, rationalise and continue to grow, but a more moderate rate. It is likely, given the high entry cost of increased stamp duty for residential property, that much of the new investment dollars will be siphoned into LPTs. It is predicted that property market growth will shift to the commercial and industrial sectors. If this is the case LPTs will continue to grow. It is also likely that we will see the commencement of residential components in LPTs, as they do overseas. When all the factors contributing to the increase in residential property investments are examined, it is not difficult to believe that this type of investment will remain. However, investment opportunities are cyclical and ever
changing and while everybody wants strawberry ice-cream today, it may be blueberry they want tomorrow.

- Finally the demographic situation. The population dilemma; this is where the Australian Government needs to concentrate. Focused increases in population can lead to clever production and employment strategies. Our immigration policies are aimed at achieving this. Educated, younger than 30 year olds, are being promoted. This is seen as giving Australia a buffer against the high proportion of the population in the baby boomer generation, who are soon to retire. It is an excellent strategy, but is the price we pay too high? Melbourne may become too large for many of the residents to have the quality of life that a few years ago made Melbourne the most liveable city in the world. When this happens, more people will become disenchanted with spending large portions of their money on a mortgage and increasing amounts of time commuting to work and may opt for a change in lifestyle. Moving to coastal Victoria is one of these options. Whether they may decide to move to the Bellarine Peninsula or the Surf Coast will largely be determined by housing affordability and job opportunities.

**Summary of why people live where they do?**

To a certain degree you can track economic indictors and hence the corresponding flow on to particular markets, in this case housing, likewise planning and transport linkages, but the demographic factors and future government influences are less easy to predict.

On the economic front, consumer confidence is cautious. The interest rate increases did not initially dampen the market, but the threat of further increases is felt to be a possibility. Household debt continues to remain high, with unprecedented credit card debt and new
dwelling starts and retail sales have fallen. Both of these factors are seen as indications of a slow down in the economy. The residential property market is fragmented, with some areas stagnant and others holding and this is further complicated by vacancies in some areas of the residential rental market, particularly apartments and a shortage of rental properties in inner eastern areas (Domain, 2007). It is definitely a market that is currently hard to read, but Australia has been given a glowing economic report from the International Monetary Fund; unemployment and inflation are low and real income for both individuals and businesses is increasing. The Australian government appears to be managing the economy in a way that continues to encourage growth.

To sum up, economically the economy is strong and holding. Business cycles will come and go. As a nation we have survived a severe drought, but compared to most other countries we have been lucky. Consumer confidence is holding and housing demand and supply are still growing. Planning is in place to provide for housing demand until at least 2030. One of the major problems facing Melbourne however, is transportation. The State government is reactionary; rather that visionary and they have swept the problem of public transport under the carpet. This is one of the factors that may come back to haunt Melbourne in the future. This is why residential property on bike paths, walking tracks and established train and tram routes, is continuing to increase in price. People know what is important; they are the daily commuters, even if their government has their head in the sand. Times are always changing; the thing that is not changing is transport. We may be able to forecast where housing development will be and even who will live in them, but how they will commute, is a problem for the next generation. Australian cities are not what they used to be. But does it matter? Reality changes; people now work longer hours. They have no
time to garden and even if they had a lawn; it would be mowed by “Jim”. People’s needs change with the times and with more people come wider choices. Moving to the coast is one of those choices.

**Why People move to the Coast?**

People move for a variety of reasons and the Australian Bureau of Statistics has conducted a number of satisfaction surveys in Sea Change areas. They found that people move for many reasons and no one household is ever the same; however, many of the critical determinants of people choosing to move to the coastal or rural areas are contained in the following reasons:

- Housing affordability and excellent transport access. The City of Greater Geelong has many new subdivisions 75 minutes by car from Melbourne and reasonable infrastructure to support this, such as good access roads, public transport, schools, shopping centres and even a Hospital. This makes it an attractive alternative for many people.

- Many of the towns offer the opportunity for lifestyle changes, but still are close enough to Melbourne and Geelong for shopping, work and social activities.

- A number of retired people have always taken a Sea Change, but the numbers doing this since 2000 has increased. It may simply be that there are now more people in this age bracket, or it may have become more popular to do this. Whatever the reason a number of city retirees have been able to sell their city property for high prices and downsize to coastal Victoria, often with money over to invest for superannuation (Burnley and Murphy, 2004, p.234).
• Many people move for personal reasons, such as divorce, death, job and career dissatisfaction, environmental reasons and the search for sense of community. The electoral role sample survey of Sea Change areas (2000) found that 15% moved for work related reasons, 11% retirement, 8% housing, 45% environmental, 5% for changed situation and 16% not stated. The survey also found that 50% of the population in these towns were involved in community groups and 60% involved in sporting groups. 72% of respondents said they were better off after the move and 41% felt that they were much better off. The lowest indicators of satisfaction were for transportation, shopping and restaurants. All of which are readily available for much of Victorian coastal regions (ABS, 2004a).

• Another hypothesis concerning downshifting has been the group who rely on some form of Welfare payment. It is alleged that this group often move out of the metropolitan areas in search of cheaper housing and warmer climates. A survey by the Commonwealth Department of Family and Community Services (2001) found that although out-migration of welfare recipients from Melbourne occurred (over 15,000), less than 2,500 relocated elsewhere in Victoria. The majority of these out-migrants were chasing the sun in Western Australia or the northern states. The 2001 Census shows that the official unemployment figure for the Bellarine Peninsula was 5.4% and for the Surf Coast 4.3%, while Victoria was 6.3% and Geelong 8%, which does not support this reason for “downshifting” to coastal areas in Victoria. This hypothesis may be more applicable to Queensland and northern NSW coastal regions, where the weather is warm all year round (ABS, 2004b).
Conclusions

The emphasis in this chapter has been to concentrate analysis on why people chose to live where they do and in particular, why they chose coastal areas. This chapter discussed a number of the issues that could lead to a decision to move to the Surf Coast and the Bellarine Peninsula. They ranged from poor infrastructure near available development; to increasing property values and a lower quality of life in Melbourne. This chapter continues the discussion concerning the second major research question, (How applicable are the key drivers to the residential property market in coastal Victoria?) and chapter four to follow, addresses these issues by analysing the surveys (Appendix Two) returned by residents of these two areas. The next chapter will examine development specific to the Surf Coast and the Bellarine Peninsula and give a snapshot view of the residential property market in these two similar, but different regions. As an important part of the analysis this next chapter will analyse the survey material undertaken by the author in these two regions.

CHAPTER FOUR - A CASE STUDY OF THE BELARINE PENINSULA AND THE SURF COAST
The determinants for the residential housing market and the impact they will have on future development in Coastal Victoria are a central focus. As a result of this analysis, the research maintains that these changing issues within urban development are likely to emerge in coastal Victoria by 2030. One area of expanding urban development over the next 20 years will be an increase in the incidence of Sea Change, in all demographic groups, but most especially by the retiring baby boomers (Salt, 2006; Gurran et al, 2006, p.28). Along with population growth there will be an expanding need for additional and different infrastructures, to support these possible changes. This research examines these questions by concentrating the research in the Victorian coastal areas of the Bellarine Peninsula and the Surf Coast. This is one geographical area that includes all the towns within a 30 minute drive from Geelong and 1½ hours drive from Melbourne. This area is recognised as a representative sample of coastal Victoria, having very similar characteristics to the areas of Western Port and the Mornington Peninsula, to the Southeast of Melbourne. Australian Bureau of Statistics (ABS, 2004) data indicates that coastal area of the Bellarine Peninsula and the Surf Coast, along with the Bass Coast have experienced higher than the Australian average growth of 1.2% between 1996 and 2001 (Appendix One). Of the people who moved to these areas, 30% came from a capital city, 43% from a regional centre and 27% from a country area. 80% of them had moved within their own state. The data also indicated that 80% of this increase was aged less than 50 years, leaving only 20% in the over 30 age group.

The Bellarine Peninsula
Geelong is Victoria’s second largest city and is located on the shores of Corio Bay approximately 75 kilometres south-west of Melbourne. The Bellarine Peninsula and the Surf Coast fall within the City of Greater Geelong, immediately East of Geelong, to the Port Phillip Heads. The City of Greater Geelong is Victoria’s largest regional City, with a population of greater than 200,000 people and covering 1.240 square kilometres (City of Greater Geelong, 2005). The City of Greater Geelong has a number of growth strategies in place and three of them are for areas on the Bellarine Peninsula. In every case they are consulting extensively with the local residents to ensure that growth can occur in a sympathetic manner with the environment (Wright, 2004).

The Bellarine Peninsula had a population of approximately 38,000 permanent people on the night of the 2001 Census and approximately 47,140 on the night of the 2006 Census, which is approximately 20% of the total population of the City of Greater Geelong. The lure of the Bellarine Peninsula is in its variety. Every town is different and between them they offer something for everyone (ABS, 2008). See Figure three for a map of the two districts.

**Drysdale:** Lies 20 kilometres East of Geelong on the road to Port Arlington, overlooking Corio Bay and has a population of approximately 6,000 people. Drysdale is the last stop for the Queenscliff steam train and is the shopping centre for Clifton Springs, Port Arlington, St Leonards, Indented Heads and the surrounding rural properties. Drysdale is essentially a rural town, where most of the residents service the other towns on the Peninsula, or work in Geelong. (ABS, 2008)
**Figure Three: Map of the Bellarine Peninsula and part of Surf Coast**

*Source: Melways, 2006*

**Clifton Springs**: Is home to over 7,500 people and is experiencing very fast growth at the moment, probably due to the proximity to Geelong, land affordability and availability and the large probability of Corio Bay views. This could be a Sea Change destination because houses are affordable in Clifton Springs. The houses are substantial and suburban, many with glimpses of the water, which would appeal to many retirees (ABS, 2008). Clifton Springs was the fastest growing town in Victoria in the period to 2001, growing at an average of 6.12% per year (Victorian Government, 2006).
Port Arlington: The town has a number of restaurants and a very extensive and attractive caravan park on the foreshore. Port Arlington is the closest point to Melbourne, being only approximately 30 kilometres across the Bay. Last summer a passenger ferry commenced daily trips for commuters, but demand was insufficient at that stage. The population is approximately 3,800 and growing at just over 2% per annum; it is a Sea Change location (ABS, 2008).

St Leonards/Indented Heads: Is a pretty coastal backwater. It is the furthest town on the Peninsula from Geelong and lies midway between Port Arlington and Queenscliff, on Swan Bay. Many of the older homes are overlooking the water and it is a strange mix of 1920’s houses and modern suburban brick homes. The population at the 2006 Census was 2,560, with a growth rate of 1.8%. St Leonards is one of three strategic design centres on the Bellarine Peninsula (ABS, 2008; City of Greater Geelong, 2004b)

Leopold: This is the second inland town and is seen as a suburb of Geelong. Most shopping services are only available in Geelong, which is approximately 5 kilometres away. Leopold is also a town which forms one of the Urban Strategy areas. The population of Leopold at the 2001 Census was 6,800, living in 2557 dwellings and over 8,700 by the 2006 Census (ABS, 2004a; ABS, 2008; City of Greater Geelong, 2004b).

Queenscliff: A town of 2,000 people (2006 Census) and no extra land for development. This town is heritage listed and many buildings are covered by a very strict building code. It is a tourist town of great historical significance and is the ferry port for the Sorrento to Queenscliff ferry (ABS, 2008).

Point Lonsdale: Is the surf beach town for Queenscliff. With only just over 1,490 people (2006 Census) it is the smallest town on the Peninsula and has a few essential stores and
restaurants, but no hotel. This makes it very attractive for older people and young families. Like St Leonards/Indented Heads, Queenscliff/Point Lonsdale is the same centre and most of the two towns make up the separate Borough of Queenscliffe (ABS, 2008).

Ocean Grove: Is situated 11 kilometres west of Point Lonsdale, on the surf coast east of the Barwon River. It is a commuter town for Geelong (being less than 20 minutes by car) and a holiday destination. It is expanding at a very fast rate and transport links from Geelong are excellent and land is cheap and plentiful. Ocean Grove is the largest town on the Bellarine Peninsula, with approximately 11,000 people (Hedditch, 2004; ABS, 2008).

Barwon Heads: This is the last town on the Bellarine Peninsula travelling via the Port Arlington Road, or the first if you travel via the Great Ocean Road. It is a town of approximately 3,000 people, (2006 Census) with population growth of over 4%. Barwon Heads is the site of the ABC “Sea Change” series, on the north side of the mouth of the Barwon River and the famous bridge links it to Ocean Grove to the south (ABS, 2008; The City of Greater Geelong, 2004b).

The Surf Coast

The Surf Coast is the name given to the coastal area from Torquay, South West around to Lorne. Approximately 24,000 people live in the area and many of the towns are within the 1.5 hour commuter drive to Melbourne or 30 minutes to Geelong (City of Greater Geelong, 2005). It covers and area of 1562 square kilometres and has 55 kilometres of coastline. The towns on the Surf Coast hug the ocean and often have very little distance between. The exception is the area between Torquay (closest to Geelong) and Anglesea, where there are large tracts of bush in a designated National Park. This is the area of surf internationally know as Bell’s Beach. There are seven major towns in the area and only Winchelsea and
Moriac are not on the coast. These towns mark the start of the scenic Great Ocean Road (Surf Coast Shire, 2006).

**Torquay:** Fifteen minutes drive from Geelong, along a four lane highway, Torquay is the largest town on the Surf Coast, with a population of almost 6,000 people. It is renowned for its commuting distance from Melbourne and the proximity to Bell’s Beach, where the international surfing championships are held (ABS, 2008; Surf Coast Shire, 2006)

**Jan Juc:** This area is one of the ten fastest growing settlements in Victoria, growing at over 5.24% per annum. Torquay/Jan Juc has the second fastest growth rate in Victoria, behind Clifton Springs (Victorian Government, 2006).

**Anglesea:** Although Torquay denotes the start of the Great Ocean Road, it is not until Anglesea that the rugged coast becomes visible to the traveller as the road from Torquay to Anglesea is mainly inland. Anglesea is only 30 minutes drive from Geelong and could also be viewed as a commuter town for Melbourne and Geelong, but on a smaller scale than Torquay.

**Moriac:** North of the Otway Ranges is the rural community of Moriac. With a population of approximately 1,000, the township has grown at greater than the national average, but still retains its rural village environment.

**Aireys Inlet:** A town of spectacular beauty overlooking the southern stretches of the Great Ocean road. This area encompasses the communities of Fairhaven and Mogg’s Creek.

**Lorne:** The final town in the Surf Coast shire and a township perched on a hill, with sweeping views of the ocean for most of the inhabitants. Lorne has the most expensive residential housing prices on the entire Victorian southern coast and is predominantly a holiday town. *(Table Two)*
Winchelsea: Another inland rural township, larger and with more services than Moriac and further south west.

**Why the Bellarine Peninsula and the Surf Coast?**

Aside from lifestyle reasons for choosing to live on the Bellarine peninsula or the Surf Coast, there are a number of other valid reasons, such as:

- Lower unemployment rate
- A higher proportion of Health Care and Community workers and
- A higher home ownership rate than the Victorian average (**Table 1**).

**Table 1 – Statistical Comparisons**

<table>
<thead>
<tr>
<th></th>
<th>Surf Coast</th>
<th>Bellarine Peninsula</th>
<th>Victoria</th>
</tr>
</thead>
<tbody>
<tr>
<td>Home Ownership</td>
<td>75%</td>
<td>72.5%</td>
<td>70%</td>
</tr>
<tr>
<td>Post Graduate &amp;</td>
<td>2.1%</td>
<td>2.3%</td>
<td>3.6%</td>
</tr>
<tr>
<td>Undergraduates</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health &amp; Community</td>
<td>10.5%</td>
<td>11.5%</td>
<td>10%</td>
</tr>
<tr>
<td>Industry Workforce</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufacturing</td>
<td>19%</td>
<td>17%</td>
<td>15.3%</td>
</tr>
<tr>
<td>Workforce</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trades People</td>
<td>17%</td>
<td>15%</td>
<td>12%</td>
</tr>
<tr>
<td>Population 70+</td>
<td>7.5%</td>
<td>10%</td>
<td>8%</td>
</tr>
<tr>
<td>Total Population</td>
<td>22,500</td>
<td>42,000</td>
<td>4,645,000</td>
</tr>
<tr>
<td>Unemployment Rate</td>
<td>4.3%</td>
<td>5.4%</td>
<td>6.3%</td>
</tr>
<tr>
<td>Single Person</td>
<td>25%</td>
<td>23-32%</td>
<td>23%</td>
</tr>
<tr>
<td>Households</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Median Weekly Income</td>
<td>$345</td>
<td>$340</td>
<td>$380</td>
</tr>
</tbody>
</table>

The Bellarine Peninsula Basic Statistics as complied from 2001 Census Data, compared with Victoria as a whole. (ABS, 2004b)
• The City of Greater Geelong appears to have some strategies in place to sympathetically develop the areas and yet still retain the unique identities (The City of Greater Geelong, 2004b).

• They are close to two metropolitan areas, Melbourne and Geelong (one and a half hours by car, two hours by bus and train) with reasonable transport infrastructures, good community and health resources in the towns and a hospital less than 30 minutes away.

• Recreational activities are excellent, with sixteen sand belt golf courses and every activity from football to Kick Boxing.

• The area has a moderate climate and is warmer than Melbourne in the winter and cooler in the summer.

• The Bellarine Peninsula and the Surf Coast have a range of different towns to choose from, representing different socio-economic groups and differing house types and prices. In other words, lots of choice. With the exception of Queenscliff, Point Lonsdale and Lorne, housing prices are affordable by Melbourne and Geelong standards and would be attractive to first home buyers. A comparison of house prices for the Bellarine Peninsula and the Surf Coast is found in Table 2.
Table 2 – Median Housing Price Comparison

<table>
<thead>
<tr>
<th>Towns on the Bellarine Peninsula And Surf Coast</th>
<th>1995 $</th>
<th>2005 $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drysdale</td>
<td>110,000</td>
<td>250,000</td>
</tr>
<tr>
<td>Clifton Springs</td>
<td>100,000</td>
<td>240,000</td>
</tr>
<tr>
<td>Port Arlington</td>
<td>130,000</td>
<td>290,000</td>
</tr>
<tr>
<td>St Leonards</td>
<td>95,000</td>
<td>235,000</td>
</tr>
<tr>
<td>Indented Heads</td>
<td>85,000</td>
<td>277,000</td>
</tr>
<tr>
<td>Queenscliff</td>
<td>200,000</td>
<td>464,000</td>
</tr>
<tr>
<td>Point Lonsdale</td>
<td>180,000</td>
<td>450,000</td>
</tr>
<tr>
<td>Ocean Grove</td>
<td>125,000</td>
<td>320,000</td>
</tr>
<tr>
<td>Barwon Heads</td>
<td>140,000</td>
<td>340,000</td>
</tr>
<tr>
<td>Leopold</td>
<td>120,000</td>
<td>265,000</td>
</tr>
<tr>
<td>Anglesea</td>
<td>190,000</td>
<td>390,000</td>
</tr>
<tr>
<td>Lorne</td>
<td>300,000</td>
<td>680,000</td>
</tr>
<tr>
<td>Aireys Inlet</td>
<td>170,000</td>
<td>411,000</td>
</tr>
<tr>
<td>Torquay/Jan Juc</td>
<td>160,000</td>
<td>365,000</td>
</tr>
<tr>
<td>Melbourne</td>
<td>220,000</td>
<td>370,000</td>
</tr>
<tr>
<td>Victoria</td>
<td>120,000</td>
<td>250,000</td>
</tr>
</tbody>
</table>

Housing Prices as compiled from Land Victoria, 2006.

- The Bellarine Peninsula and the Surf Coast offer the chance to “downshift” or retire, but still be close enough to family and friends in the Melbourne, without having to buy a city residence.
• Each town is different and therefore attracts different demographics. Development in these two coastal areas is polarized and this is more likely to be the picture of future world development. The comfort of living close to people who are more like yourself.

The residential property market in coastal Victoria may be in a lull now, but as housing prices remain high in Melbourne and as the Baby Boomers face retirement (25% of the Victorian population), the Bellarine Peninsula and Surfcoast area of coastal Victoria will probably become one of the most sought after places to live by 2030. This is when the State government predicts that Melbourne will have grown by, 1,000,000 people. How many of them will want to take a Sea Change to a place as beautiful as coastal Victoria (ABS, 2004b)?

The City of Greater Geelong is in the process of implementing and updating plans for the coastal areas of the Bellarine Peninsula. Three very contentious areas are Ocean Grove, Barwon Heads and Point Lonsdale/Queenscliff.

**Case Study on Ocean Grove**

In October 2006, the City of Greater Geelong released its plan for the future development of Ocean Grove (City of Greater Geelong, 2006). The plan covers urban growth, infrastructure, settlement and housing, natural environment, economic development and employment and rural areas. The current development boundaries for Ocean Grove have the capacity to more than double the current area under housing. The plan is projected to 2020 and in that time they expect the population to grow from between 2-4% per annum, from the current approximate population of 11,000 people to 17-21,000 by 2020. The plan proposes that between 2,000 to 4,500 new dwellings will be required to house the additional
population between now and 2020. The flexibility is because of the uncertainty about household size. The land required to do this is approximately 450 hectares and is land immediately to the north of the existing settlement and bounded by the Bellarine Highway, Grubb Road and Banks Road. The infrastructure component of the plan discusses, roads, bike paths, sport grounds and storm water drains, child care and old peoples homes, but makes no mention of the most critical issue facing the towns on the Bellarine Peninsula and that is lack of water resources. The survey that the author undertook on the Bellarine Peninsula and the Surf Coast included residents of Ocean Grove and the findings from that survey are discussed in the following section.

Case Study on Barwon Heads
There is very little available land for residential development in the current township of Barwon Heads. The residential boundary currently forms the Eastern boundary of an approximately 60 hectare property owned by the Macafee family at 1920 Geelong Road, Barwon Heads. The Western boundary of this property forms the natural locality boundary of Barwon heads and abuts the existing drainage channel. The family purchased this property for personal use 13 years ago, but approximately 7 years ago they approached the City of Greater Geelong planning department about the possibility of a residential development for this site. The existing plan that the family is proposing has been developed in cooperation with the planning department over this time frame.

The proposal gifts approximately 35 hectares of peripheral land to the community for walking and bike paths, an existing nine hole golf course, a wetland lagoon and other outdoor activities; along with the 8,000 trees that have been planted over the 13 years of
ownership. It is then proposed that the remaining approximately 25 hectares, in the centre of the site, be developed into 240 prime residential lots, over a ten to twelve year period. Although the plan has been received with enthusiasm by many members of the community, for some reason it is not to be included in the Barwon Heads initial structure plan and could end up before a planning panel. Another proposal that is to be heard by a planning panel is the very unpopular proposed Stockland development in Point Lonsdale.

**Case Study on Point Lonsdale/Queenscliff**

Point Lonsdale’s community group are currently challenging two proposed developments. One is the proposed Stockland development in Point Lonsdale and the second is a proposal by the Borough of Queenscliffe to develop a seven hectare site on Murray Road also in Point Lonsdale. The Stockland proposal is for approximately 600 residential sites, with associated age care facilities on the fringes of a wetlands area on the Western boundary of Point Lonsdale. The Minister for Planning has referred this proposal to a joint Panel and Inquiry, to be held during May and a report to be lodged during July 2008.

**Analysis of Data from the Questionnaire for the Bellarine Peninsula**

Of the 370 questionnaires distributed in five of the coastal towns on the Bellarine Peninsula, 168 were returned and all but four were from local residents. These four were from holiday home owners and they have been discarded. This left 164 questionnaires in the survey for the Bellarine Peninsula. The age grouping of the respondents is shown in Figure Four and the distribution is heavily skewed towards the older age groups, with 54% of the respondents being over 60 years in age. Although the numbers of respondents from the younger age groups were low, all age groups were represented in the survey. It is also
possible that older respondents may have had more time and perhaps incentive to reply and this may have also biased the result. It must be noted however that the 2006 Census data lists the median age of Pont Lonsdale/Queenscliff as 51 years and Ocean Grove as 41 years. Both of these figures are well above the Australian average (ABS, 2008).

Figure Four – Age groups on the Bellarine Peninsula
Figure Five – Length of time in the specific town

Figure Five indicates the length of time the respondents have lived in the respective towns and the median length of time was found to be 10 years or longer, with the next largest group being 5 to 9 years. This indicates that there has been no marked increase in the numbers of people moving to the Bellarine Peninsula, but this is difficult to determine with such a small sample. The geographic area chosen to sample may not have been areas where young people choose to live, or the younger people surveyed may have chosen not to return the questionnaire. However in Figure Six we see the breakdown of the Sea Changers versus permanent residents. Over 70% of the respondents indicated that they had taken a Sea Change and this was across all ages and across all the different periods of time people had lived in the towns. Sea Change has always been happening and it does not appear to any more frequent on the Bellarine Peninsula than it ever has.
Figure Six – People taking a Sea Change

Figure Seven indicates the number and proportion of respondents who own or are purchasing their homes. Almost 93% are in this category, which leaves only 7% who are renting. The majority of these own businesses in the area and could not afford to invest in both.
Although high, these figures are supported by 2006 Census data that lists home ownership in the area as 77% which is well above the Australian average (ABS, 2008).

With one exception, all of the respondents said that the change had lived up to expectations and that they loved the beach lifestyle. It may be, however, that only satisfied coastal dwellers felt motivated to return the questionnaire. The reasons for relocating were varied and are listed below, in order of frequency:

**Reasons for Change of lifestyle**

- Friends or family recommended it
- Transferred for work or bought a business
- Came for a holiday and loved it
- Commuted to Melbourne for many years, needed to be part of the community
- Liked the idea of living in a small town and children walking to school
- Fresh air and a less frantic pace
- Health reasons
- Family lives here
- Always wanted to live by the sea
- Wanted a change
- Had a holiday house here first
- Born in the area and moved back
- Able to work from home
- Moved for a relationship
These fourteen reasons given for moving by the respondents make a very comprehensive list of why people might relocate. The three which occurred most frequently were, recommended by friends or family, moved for work or bought a business and had a holiday home here first. Of the respondents who had said they had taken a Sea Change, over half indicated that there had been a catalyst and the reasons given are listed below in order of frequency:

**Catalyst for taking a Sea Change**

- Retirement
- Children moved out
- Moved for work/business
- Relationship reasons - death/divorce
- Could not afford to buy in Melbourne
- Children starting school
- For the children
- Health scare/illness
- Burnt out in 1985 bush fires

The fact that retirement was given as the most frequent reason for taking a Sea Change fits with the median age of the respondents being in the over 60 age group. In fact 90 of the 164 surveys returned from the Bellarine Peninsula were from people aged over 60 years. Given that the baby boomers are just starting to turn 60, this representation can be expected to grow over the next 20 years. Sea Change on the Bellarine Peninsula will most probably become more popular over that period, but not from disillusioned 35+ year olds, as the media indicates, but from retiring baby boomers. The City of Greater Geelong (2005) shows
the proportion of the population who are currently over 60 as between 25-30%. This proportion will only continue to grow based on current indicators.

**Figure Eight – Should new development occur?**

When asked whether new housing development should be allowed on the Bellarine Peninsula, the responses are shown in **Figure Eight**. Approximately 31% said yes, but all of these respondents had reservations and restrictions. 61% said emphatically no, most with reasons and 8% were undecided. Many of those who said yes were older residents and all of those who are renting houses. Strangely enough, whether the respondents said yes or no, their reservations were similar and can be summarised by the following list:

- The current infrastructure is inadequate, especially the water supply
- The open spaces are shrinking and the coastline is very fragile
- Any new development needs to be done sensitively
• Higher density housing within the existing boundaries
• Like the area to be natural and undeveloped
• More National Parks around the towns to promote native growth
• The native Flora and Fauna are already under threat
• Would become a “coastal suburbia”
• Do not want it to become like the NSW coastline
• There are currently many blocks and houses for sale in the existing towns
• Keep our communities small, but have more caravan parks for visitors
• The new residents are destroying the very things that attracted them here in the first place
• Wetlands not Stockland!

**Analysis of Data from the Questionnaire for the Surf Coast**

A slightly different demographic emerged from the Surf Coast survey. Due to the original mail out to this area having only one response and six questionnaires returned unopened, the remaining 80 questionnaires were hand delivered, as for the Bellarine Peninsula material. Of the 80 remaining questionnaires distributed in Anglesea, Torquay and Jan Juc, 36 were returned and all were from local residents. The age grouping of the respondents is shown in **Figure Nine** and although the 60-69 group was the largest groups, the median age is younger than the Bellarine Peninsula, being 45-50 years. The second largest age group represented was 30–39, which would support the statistic that this is one of the fastest growing areas in Australia, with over 6% annual population growth (City of Greater Geelong, 2005).
Figure Nine – Age groups on the Surf Coast

Figure Ten - Years in the respective towns

Figure Ten indicates the time the respondents have lived in the respective towns and unlike the Bellarine Peninsula, where being a resident for over ten years, accounted for more than half of the respondents, in Anglesea and Torquay/Jan Juc, it was a shorter period of time, with more than 50% who had been in the respective towns 5-9 years.
With regard to taking a Sea Change, 95% stated that they had moved to this area for a lifestyle change (Figure Eleven), which is a lot higher than the 70% on the Bellarine Peninsula.

**Merged Analysis of Data for both Coastal Regions**

As you would expect from a survey where the median age is over 60 for one group and over 50 for the other, over half the respondents (52%) were not in the workforce. The remainder were made up of 30% who worked locally, 15% owned a local business and 3% commuted elsewhere. Once again the figures appear to support the supposition that on the whole only local residents bothered to complete the questionnaire and those that did had an interest in expressing their opinion concerning the future development of the area.

With regard to the local services the respondents made use of, by far the most popular was the library, closely followed by the Health and Medical centres and sporting clubs. Not surprising, where more than half the respondents are over 60 years old, schools and child care rated quite low. The big surprise was only 50 people used public transport and many
who indicated that public transport needed to be improved, did not indicate that they used it at all. Perhaps if the service was more frequent they might use it, but this sort of commitment is not going to bring about an increase in a service that is already underused.

Local services that were added to the survey list were churches, Senior Citizens club, the Neighbourhood House, local theatre groups, the RSL and the day program for people with a disability.

The final and perhaps the most important result from the survey was the response to the question of what additional services would be needed over the next 20 years. The first five (in bold) were listed by many of the respondents and the remainder only occasionally (but that does not indicate a degree of unimportance as only covered 500 people were surveyed and 201 replied):

- More age care facilities – retirement villages
- An upgrading of the water supply
- More frequent public transport
- Additional child care facilities/after school care
- A heated swimming pool
- Better town planning policies and guidelines
- Better tourism infrastructure
- Better traffic management
- 24 hour manned police stations
- Aged care support for those at home
- More General Practitioners
- Ferry service to Melbourne
- A hospital or medical clinic specialising in the elderly
- More skate parks and other entertainment for the youth
- A cinema complex
- A community nursery/centre
The remaining suggestions were town specific and consisted of a number of requests for a petrol station and better shopping facilities in Port Arlington. An additional bridge across the Barwon River for through traffic and a by-pass was also requested for Ocean Grove and this is currently under investigation by the City of Greater Geelong. There was a request for a doctor in Queenscliff and a cemetery in Ocean Grove. Finally a number of people highlighted that the final stages of the access roads to both Port Arlington and 100% of the Sea Changers said they would stay here for the rest of their life and 60% of the other residents. People have always moved to coastal Victoria and mainly for a lifestyle change, but they are still outnumbered by the weekenders. Campbell Potts (2006), an Ocean Grove real estate agent, stated that 70% of all sales were to people from outside the area and most of these were being used as holiday homes and made available for holiday letting, thereby classifying them as investment properties for taxation purposes. In the 2001 census, unoccupied homes on the Bellarine Peninsula and the Surf Coast give a good indication as to the areas that are Geelong dormitory town and those that are predominantly holiday destinations. Ocean Grove only had a 24% vacancy, Torquay 31%, whereas Lorne registered 70%, Anglesea 64% and Point Lonsdale 51% (Department of Sustainability and Environment, 2005, p.98).

**Summary of Survey Data**

Although the response rate for the Surf Coast was not as high as for the Bellarine Peninsula, the data collected corroborated that published by the ABS, which indicates that the two areas have slightly different demographics. This different demographic focus is also supported by the Surf Coast Shire population forecast (2006) where they noted that children aged between one year and 11 years had increased by 6-10% over the last five years and
were expected to continue increasing within their prediction period of 2001-2021. The focus for development has been and will continue to be the Torquay/Jan Juc area which has seen a large increase in population for the 30-40 age groups, with young children. They expect the growth of this type of household to show an increase of between 35-40% over the next 10 years. The Torquay/Jan Juc area is suited to “Greenfield” housing development due to the excellent access to Geelong via the Surf Coast Highway and the lack of physical restraints, such as terrain and native bush. They also expect an increase in the numbers of retired baby boomers over the next 10 years as well (The Surf Coast Shire forecasts, 2006).

**Conclusions**

Although statistics appears to show a slowing down of increased out-migration in NSW (Burnley and Murphy, p.130, 2004), this does not appear to be the case on the Bellarine Peninsula and other areas of the Geelong region, such as Jan Juc (growth of over 7%), Torquay (over 5%), on the Surf Coast, Waurn Ponds (over 6%) and Ceres (almost 13%). Since the completion of the upgraded Melbourne to Geelong Freeway in 2003, housing estates are continued to expand in the Werribee/Laverton area, Waurn Ponds, Ocean Grove and Leopold. But these are commuter areas, the first for Melbourne and the last three for both Melbourne and Geelong. With the Geelong ring road to be completed in 2009, this trend will probably increase (City of Greater Geelong, 2005). It would appear that the second home market and retiree market on the Bellarine Peninsula and Surf Coast may have temporarily slowed down. People are investing in the coastal Victoria, but for future development, not necessarily for now. There could be a number of reasons for this:

- Retirees can downsize within the metropolitan area of Melbourne in a high/rise, or similar high density site.
• The property market uncertainty may have dampened the desire to expand borrowing for a second home.

• Many people are not retiring early as it was expected, for any number of reasons, including job satisfaction, fear of superannuation shortfalls, the high cost of living etc (Burnley and Murphy, 2004, p.236).

Even if we accept that expansion at the moment is limited to the new housing market for the commuting and first home buyer groups on the Bellarine Peninsula and Surf Coast, the fact is that the Baby Boomers (now in their 50s and early 60s), will start retiring over the next ten years. The question is, will they seek a Sea Change, and if so, will it be in coastal Victoria? If so, what services are available to them when they are looking to make this decision? Clearly Greater Geelong is targeted as a growth area. A new Geelong bypass has received Commonwealth funding and is currently out to tender, a 660 housing site development and retirement village, is being proposed for Point Lonsdale, a new shopping centre has been constructed on the outskirts of Ocean Grove, only ten minutes from Point Lonsdale and another has commenced construction on the Geelong side of Leopold. A 95 unit retirement village has been approved for Port Arlington as has a 240 unit retirement village at Ocean Grove (City of Greater Geelong, 2005). These are just a few of the new projects. Growth will happen and it may even be that in some areas the City of Greater Geelong will be ready for it. They are currently implementing coastal strategies in many of the Bellarine towns. The Bass Coast Shire, in Gippsland on the South East coast of Victoria, commissioned a report from the National Institute of Economic and Industry Research (2006) to establish target strategies to promote growth in a number of key areas such as education, health, tourism, an improved sense of community and an efficient
infrastructure system. This type of report could be very worthwhile for the communities of the Bellarine Peninsula and the Surf Coast.

This chapter teased out the major reasons why people choose to live on the Bellarine Peninsula or the Surf Coast as expressed in the surveys, interviews and relevant data. The survey results also raised questions about the future of coastal Victorian residential development that lead into the next chapter in this research. Myths are created over time and are fuelled by media attention and local discussion. Sometimes the evidence finds them to be true, sometimes they are disproved. Chapter five examines the three myths introduced in chapter one and discusses the situation of each one with regard to residential development on the Surf Coast and the Bellarine Peninsula.
CHAPTER FIVE - ARE THE MYTHS TRUE OR FALSE?

There is inadequate infrastructure for the level of coastal development

Alan Stokes, Executive Director of the National Sea Change Taskforce (2006) maintains that some tough decisions will need to be made in 2007, the least of which was the formation of a national planning framework for all coastal regions in Australia. The problems are compounded by the dual situation of a growing permanent population and then the massive population influx during holiday periods. Stokes went on to say that at present it was permanent residents who financed all services in coastal areas and this could not continue at the present rate. He recommends some type of growth tax to support the relevant local governments. For example, Byron Bay in NSW has a permanent population of approximately 6,000, which expands to 12,000 in the summer holiday period. In Victoria, the situation is even worse. On the Bellarine Peninsula for example the population of Port Arlington grows from 2,933 permanent residents to 14,485 in the summer holidays. This is an expansion of over 350%. All the other towns on the peninsula experience similar expansion over the summer period. Moving further south down the Surf Coast, the increases become even larger. Anglesea grows from a permanent population of 2,385 to 16,785, a seven fold expansion and Lorne from 1,335 permanent residents to 12,975. These huge seasonal increases play havoc with facilities such as retailing, libraries, health care, policing etc, because it is impossible to predict demand (ABS, 2006). Even in the summer period Queenscliff and Point Lonsdale have no police on duty after hours. The nearest after-hours police station is Ocean Grove, almost 30 minutes away (Wright, 2006). Santoro (2006) stated that people who pay taxes all their lives are entitled to expect that essential services will be available to them where ever they settle. The problem is that it is a much
more efficient use of resources to invest in infrastructure for large communities, rather than small ones. Many aging Sea Changers will have physical and mental limitations and forward planning is addressing the expected increase necessary in aged care, but not really considering the extended medical and hospital requirements (Santoro, 2006). Coastal councils are attempting to keep pace with increasing growth with limitations that range from, poor regional planning, to lack of flexibility in State and Federal rulings with regard to these areas (Gurran et al, 2005, p.6). The coastal communities do not have the resources to keep pace with the increased demand for infrastructure and services and these issues need to be addressed at a level above that of local councils (ibid).

When the population growth of coastal areas in Australia is examined we find that Victorian coastal areas only indicate a 1.2% population increase, compared to Queensland of over 2% and Western Australia and the Northern Territory over 3% (ABS, 2005). There are a number of reasons for this disproportional trend and the main one is probably climate, but it is inevitable, that coastal Victoria will eventually see a larger rate of population growth. At the moment the growth is occurring at a slower rate than in other states, due perhaps to the cooler climate and available development land on Melbourne’s fringe.

In 2004 the National Sea Change Task Force was formed, representing over 60 Australian coastal councils. The task force was set up in an attempt to plan for expanded coastal growth across Australia (Brodie, 2006). The task force is addressing items which include: water, sewerage and its treatment, community sporting and health facilities, education and aged care. The National Sea Change Task Force found that evidence showed two major groups of people moving to coastal areas. The more affluent Sea Changers are those who realize high capital gains from city housing prices and downsize to retire at the coast.
second group, are young families who like the coastal lifestyle and have been priced out of much of the capital city property markets. Towns in coastal areas have a flow on effect. As one coastal town becomes expensive, demand moves to another, much like the ripple effect in the suburbs of large cities. The problem is how to protect these communities and their facilities, yet still accommodate development (Ibid). There is an urgent need to support local governments:

- To develop the expertise to manage the complex challenges associated with the ever expanding coastal growth.
- To create appropriate strategies for essential infrastructure provision linked with future settlement patterns, rather than the ad hoc process that currently exists.
- To connect economic and social strategies with planning processes and decisions and for cooperation between the different levels of government for their implementation (Gurran et al, 2005, p.9).

This is further supported by the Department of Sustainability and Environment’s (2004, p.1) Coastal Action Strategy, for coastal Victoria. Since the announcement of this strategy a number of coastal areas have deferred to this strategy and the coastal town of Point Lonsdale used these guidelines to defeat a change to zoning boundaries sought by a major developer in 2006. Robert Hulls, Minister for Planning overruled the decision by the City of Greater Geelong to allow the development of housing sites on current rurally zoned land. The overall strategy aims to not only maintain what is already in place, but also to improve and restore Victorian coastal areas. They have indicated that the important sectors are:

- Maintaining cultural heritage, particularly Indigenous communities
• Promoting and supporting partnership to encourage land managers and volunteer
groups in their ongoing works and projects along the coast. There are currently
20,000 volunteers in more than 350 coastal community groups, along the 2,000
kilometres of Victorian coastline (Ibid).

In 2006 (Department of Sustainability and Environment, 2006, p.19) this issue was
revisited and various recommendations were proposed in a report titled “Coastal Spaces
Recommendations”, April 2006. Within the report was the indication the Greater Geelong
coastal area would increase in population by approximately 70,000 people by 2030 and
many of these are expected to be retiring baby boomers.

It was reported that of the 87 settlements along the Victorian coast, 60% had a detailed
Settlement Plan, but only 18% had implemented them into a local planning scheme. A
further 32% had commenced a detailed Settlement Plan and the remaining 8% had made no
progress in this area. It is only by implementing the settlement plans into local planning
schemes that the necessary statutory weight and direction can be gained to support the
proposals. This lack implementation into planning schemes is the same problem that the
National Sea Change Taskforce found for the whole of coastal Australia (Gurran et al,
2006, p.8).

The report aims to establish robust settlement boundaries, as research has shown that to
date there has been little consistency in the way these have been implemented. Within the
report was the initiative of instigating a Coastal Spaces Landscape Assessment Study to
continue the work undertaken on the Great Ocean Road Region Strategy Landscape
Assessment Study, 2004, to ensure that non-urban coastal areas are protected. The report
also targeted infrastructure improvements in relation to the provision of water, sewerage
and storm water facilities, in particular for the Bass Coast and Surf Coast Shires and the City of Greater Geelong, because of the increased pressure on facilities due to their proximity to Melbourne and high and continuing population growth.

**Sea Change is happening in Victoria at an accelerated pace**

Salt, (2006) stated that “the sea-change phenomenon of people shifting from cities to sleepy coastal enclaves has become well and truly entrenched in our national culture after a mere five years and will roll on for another two or three decades. Sea change is almost like a religion; people want to believe in it.” They may want to believe in the concept of a stress free lifestyle change, but the reality is that many may buy a beach house, but only the truly brave take a Sea Change. People have always taken Sea Changes, people always will, but not necessarily in accelerated numbers as the media would have us believe. The survey undertaken for this research, on the Bellarine Peninsula and the Surf Coast indicated that between 70% and 95% of the respondents respectively had taken a Sea Change and most of them had done this over ten years ago.

The demographics do not support Salt’s assertions. One indicator of expansion is new dwelling commencements. Figures for the Bellarine Peninsula show approximately 20,000 dwellings in the area in 2001 and this had only expanded to approximately 22,400 four years later. During the same period the housing stock on the Surf Coast moved from approximately 12,800 dwellings in 2001 to 14,700 approximate dwellings in 2005. Over a four year period this is between 2-3% per annum. The population figures are similar with overall population growth for the City of Greater Geelong of 1.3% for the period 2003-2004. Population on the Bellarine Peninsula grew at 1.7% for the same period and this included the Borough of Queenscliffe’s grow rate which was -0.4%. Population growth for
the Surf Coast over the same period was also 1.7% (City of Greater Geelong, 2005). These figures are above the coastal average of 1.2%. However, they have mainly occurred in the commuter towns of Ocean Grove/Clifton Springs on the Bellarine Peninsula and Torquay/Jan Juc on the Surf Coast. Regional growth figures for 2004/5 show that in Victoria the percentage change in population in beach areas was 1.2% and NSW was even lower at 0.8%. On the other hand Western Australia was 3.7% and Queensland 2.4% (ABS, 2006). Growth is positive, but it certainly is not occurring at an accelerated pace. BIS Schrapnel analyst, Jason Anderson, when interviewed by journalist Murdoch (December 5th, 2005) noted that the affordability of many coastal areas had lessened and that there was very little difference between the house prices of popular coastal destinations and the capital cities. This is supported by sales evidence in Table Two and Appendix Five and Six. On the other hand the inland regional areas of Shepparton, Ballarat, Bendigo, Traralgon etc, have also shown a steady rise in residential construction and existing property purchases. Many people are choosing to take a Tree Change, rather than a Sea Change as there is often more chance of employment and cheaper housing, but still offering a less stressful lifestyle (ABS, 2004b).

**The investment market and economic conditions have contributed significantly to the inflated housing market in coastal Victoria**

Since 1990 loans to purchase residential property have grown annually by 13.5% for home owners, but by over 20% for investors. This brought the share of the investment component of the residential property market to almost 38% by 2002 (Reserve Bank of Australia, 2002). The investment market is a very important component of the residential property market, but any further growth in this sector is likely to be small for the foreseeable future.
When investors buy property they tend to hold it for at least five to ten years. The setup costs are high and the taxation benefits advantageous, so there is no incentive to sell on a flat market, unless forced to. Property investors are motivated by profit, unlike the home owner, who although concerned with value, essentially makes an emotional purchase that they wish to use to achieve a certain lifestyle. For this reason an investor can often find a property to purchase almost as quickly as purchasing shares. Victorian coastal property can often fall into this category, with absentee owners purchasing a potential holiday house, but then making it available for lease for a large portion of the year. As a second home the property is subject to Victorian Land Tax and potential Capital Gains Tax if sold, but in the meantime, if leased, the expenses of the property can be negatively gearing on the owners’ income. As coastal properties are often only leased during school holiday periods, the taxation savings can be attractive.

It is difficult to address this issue without access to vacancy data. The census that will provide this information has only recently occurred and it will be a further year before this information is available. Real estate experts from the Bellarine Peninsula and the Surf Coast indicate that the demand for an investment property that can eventually become a holiday home, form a large proportion of the coastal residential property market. There is also an element of a flow on effect from the housing market in Melbourne and Geelong (Potts, 2006; Hedditch, 2004). As housing prices increase in these cities and the suburbs spread further away, a number of people will choose to locate in an attractive coastal town, slightly further away, but with a more relaxing lifestyle. This in turn puts pressure on existing housing stock in these coastal areas and pushes the market price up.
Judith Yates, (2002) found that over 90% of Victoria’s residential property investors were part-time investors and all had an average income exceeding that of the general public. There are three major types of property investors and it is this group that has grown the most since 1999:

- Those predominantly seeking security for retirement, or small business people using this as superannuation. They usually own 1-4 properties and only add to their total in a conservative manner. A coastal property can often fit into this category.
- The second group also wants an ultimate capital gain, but in the short term they seek to reduce their tax burden through negative gearing. They usually have high incomes and a low equity in the properties they purchase. This group is also attracted to coastal property.
- Thirdly, there is the emerging renovator/decorator investor, who purchases residential property, holds it long enough to give it a makeover and then sells and moves on to the next property (Waxman, 2004, p. 411).

In the Reserve Bank Report (2003) individual residential property investors stated that they were attracted to the tax-effectiveness of property investment through negative gearing. They saw this, coupled with low interest rates, ease of gaining finance and rising property prices, as being the major reasons for preferring residential property as an investment (Beer, 2001). These factors are also true for much of Victoria’s coastal areas also. The property prices in towns on the Bellarine Peninsula and the Surf Coast have also risen and they can be leased for negative gearing, either permanently, or seasonally.
Conclusions

The above discussion concerning the three myths introduced in chapter one concluded that the myth, “There is inadequate infrastructure for the level of coastal development” to be true. The myth concerning Sea Change occurring at an accelerated pace was not proven for the Surf Coast and the Bellarine Peninsula and the final myth proposed, “The investment market and economic conditions have contributed significantly to the inflated housing market in coastal Victoria”, remains inconclusive. It may be partially true, it may not be. This research has tickled the surface of discussion concerning the residential investment market, but as questions concerning this issue were not asked in the questionnaire it is difficult to draw conclusions about this matter as the 2006 Census results will not be available fully until some time in 2008. This question could form the basis of further research. The final chapter in this thesis looks at recommendations and conclusions concerning residential property in coastal Victoria, specifically for the Surf Coast and the Bellarine peninsula and concludes the discussion of the research questions proposed in chapter one.
CHAPTER SIX - RECOMMENDATIONS AND CONCLUSIONS

Major determinants for housing and patterns of urban development

Forecasting is an integral component of any plans for predicting future housing trends. The problem is isolating how accurate your prediction is. Is it based on all the available knowledge at the time, or are they forecasts based on past performance? Housing prediction is a function of many factors. The problem of housing forecasting is exasperated by the fact that many of these factors are not static, nor are the scientific (Mills et al, 2003). Many of them are based on emotions and rumour and this makes it impossible to be absolute with prediction. On the other hand a serious examination of all the facts will yield a general indication of where future housing may occur and give a rough idea of how much will be needed. The housing market of any area is a function of many variables, many are common to all urban areas, but others are unique to the specific area. The factors that play the most important role in this complex market are listed below:

- Planning issues
- Economic indicators
- Demographic indicators
- Government influences
- Housing affordability
- Residential property investment
- Availability of land and construction costs
- Transport linkages

It is the interaction of these broad factors and their related sub-factors which determine the housing market for any urban area at any given time. This is not a static market; it changes
from day to day. A property professional may understand the industry they work in today, but suddenly the Reserve Bank announces an increase in the prime cash rate and suddenly the situation changes. It is only by looking at the above factors closely and how they interrelate, that we can have any possibility of predicting future trends.

Although the figures do not support a massive shift of population to Victorian coastal areas at the moment, they do indicate a higher than average increase in population. Further, indicators in other countries, especially the USA, show very large shifts of population away from the traditional Eastern board cities, such as New York and Chicago, to warmer states with more relaxed lifestyles. Australian trends usually follow those of other western countries and this move to warmer climates and coastal areas will probably not be an exception. As the capital cities grow larger, due to immigrants of approximately 90,000 per year, there will be a spill over to rural urban centres and coastal Victoria. There is no doubt that coastal Victoria will continue to experience high population growth.

**Determinants for development in coastal Victoria by 2030**

People move to the coast for a myriad of reasons including; housing affordability, lifestyle changes, work commitments, personal reasons such as health, searching for a sense of community etc and retirement. There is no doubt that people will continue to move to coastal Victoria and probably in increasing numbers. Whatever the reason, people have been taking a “Sea Change” for ever; it has now become more noticeable because the population is a lot larger in Australia than 30 years ago and much more mobile, thanks to faster transport and telecommunications.

Melbourne is a growing city and it is expected to reach five million by 2030 (Victorian Government, 2006, p.1.4). If immigration figures remain on target, this will place enormous
pressure on Melbourne infrastructure and push the Western, Eastern and Northern boundaries even further out. There will be a flow on effect to the Victorian coastal areas and with the completion of the Geelong ring road by-pass in 2010, it is the Surf Coast and Geelong’s Western suburbs that will probably see most of this increased housing growth.

As we reach the height of the worst drought ever recorded in Australia, the question must be asked. Can the existing infrastructure sustain such growth? The answer must be no! It is not sufficient now and current documentation cited in the research appears to have little forward planning on this issue. We are not alone with this problem; it is a worldwide situation. An estimate from Booz, Allen, Hamilton (Doshi, et al, 2007) comment that it will cost approximately $40 trillion to modernise and expand the water, power and transport infrastructures for the major cities of the world, by 2030.

The coastal communities and the coastal environment are at serious risk from the increased growth on both the population front and from tourism. It is only with the support of all three tiers of government that the future requirements of coastal communities will be met. There needs to be a policy framework of sustainable growth and a funding approach to enable the local councils, not only on the Bellarine Peninsula and the Surf Coast, but on all Australian coastal areas, to embark on an extensive program to provide the necessary services and infrastructure for these changing environments. The National Sea Change Taskforce examined the operations of all 60 coastal councils on the committee and made recommendations for best practices from a number of the local councils including the Surf Coast. Not one recommendation came from the City of Greater Geelong, who is responsible for not only the Bellarine Peninsula, but the coastline of Corio Bay, south of Werribee. Up until this point in time the City of Greater Geelong and the Surf Coast Shire have been
taking action with regard to housing development that very much resembles the boy with his finger in the Dyke. They have been reactive to development requests, partly to satisfy demand and partly perhaps to receive the developers’ fees. There needs to be a proactive organised plan of development for the Bellarine Peninsula and the Surf Coast or future Victorians will lose their coastal hideaways. Strangely enough it may be the new ring road around Geelong, to be completed in 2008, that may save the Bellarine Peninsula, as even after it is completed traffic will still pass through Geelong, to reach this destination. Traffic from Melbourne to the Surf Coast, will be able to bypass Geelong and it will cut 20/30 minutes off the travel time to Torquay, Anglesea, Lorne and Apollo Bay, perhaps making them more attractive destinations for relocation. It will be the Surf Coast that is more likely to be under pressure because of the easier access to the Great Ocean Road. There is no doubt that the Bellarine Peninsula will still continue to experience high population growth, especially in the Geelong dormitory towns of Leopold, Clifton Springs and Ocean Grove, but the once sleepy fishing villages of St Leonards, Indented Heads, Barwon Heads and Point Lonsdale may yet retain their small town community experience for the moment. The world wide problems of increased population, high levels of global warming and infrastructure concerns will have an effect on every section of the globe and the Bellarine Peninsula and the Surf Coast will need to make changes if they are to grow and develop in the future.
REFERENCE LIST


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Santoro, S. Senator, Minister for Aging (2006) Sea change brings opportunities as well as challenges, Press release, 4 April 2006


Whetton, P. H., Suppiah, R., McInnes, K. L., Hennessy, K. J. and Jones, R. N. (2002) Climate change in Victoria, State government Victoria, Department of Natural Resources and Environment, pp. 1-26


**Interviews**


Stokes, Alan (2006) Executive Director of the National Sea Change Taskforce, interviewed by telephone on 7th December, 2006

## APPENDIX ONE

**Towns on the Bellarine Peninsula and the Surf Coast**

<table>
<thead>
<tr>
<th>Bellarine Peninsula</th>
<th>Approximate population</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2001</td>
</tr>
<tr>
<td>Leopold</td>
<td>6,800</td>
</tr>
<tr>
<td>Drysdale</td>
<td>4,000</td>
</tr>
<tr>
<td>Clifton Springs</td>
<td>6,000</td>
</tr>
<tr>
<td>Port Arlington</td>
<td>3,000</td>
</tr>
<tr>
<td>St Leonards</td>
<td>1,500</td>
</tr>
<tr>
<td>Indented Head</td>
<td>750</td>
</tr>
<tr>
<td>Queenscliff</td>
<td>2,000</td>
</tr>
<tr>
<td>Point Lonsdale</td>
<td>1,100</td>
</tr>
<tr>
<td>Ocean Grove</td>
<td>10,000</td>
</tr>
<tr>
<td>Barwon Heads</td>
<td>3,100</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>38,250</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Surf Coast</th>
<th>2001</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Torquay/Jan Juc</td>
<td>9,200</td>
<td>11,243</td>
</tr>
<tr>
<td>Anglesea</td>
<td>2,400</td>
<td>2,847</td>
</tr>
<tr>
<td>Moriac</td>
<td>1,000</td>
<td>1,096</td>
</tr>
<tr>
<td>Aireys Inlet</td>
<td>1,200</td>
<td>1,324</td>
</tr>
<tr>
<td>Lorne</td>
<td>1,400</td>
<td>1,872</td>
</tr>
<tr>
<td>Winchelsea</td>
<td>1,200</td>
<td>1,225</td>
</tr>
<tr>
<td>Rural areas</td>
<td>5,000</td>
<td>5,238</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>22,500</strong></td>
<td><strong>24,845</strong></td>
</tr>
</tbody>
</table>

*Source: ABS, 2006; ABS, 2008*
APPENDIX TWO

Questionnaire – (An analysis of future directions for Victorian coastal residential property – exploding the myths?)
Having read the enclosed plain language statement the researcher would be grateful if you could take the time to answer the following questions and return them in the enclosed envelope. Please do not identify yourself anywhere on the questionnaire as this research is about demographic change, not about individuals.

1. Do you live locally on this coastal region, or are you visiting/holiday house?
   - [ ] Live locally
   - [ ] Visiting/holiday house

2. Which age group best reflects your current age?
   - [ ] 20 – 29 years
   - [ ] 30 – 39 years
   - [ ] 40 - 49 years
   - [ ] 50 – 59 years
   - [ ] 60 – 69 years
   - [ ] older than 70 years

3. How long have you lived in ……………………………………..? (Please include the town you live in.)
   - [ ] Less than one year
   - [ ] 1 – 4 years
   - [ ] 5 - 9 years
   - [ ] 10 or longer

4. Please circle the correct response.
   Do you rent own or are you purchasing your home?
   - [ ] Yes
   - [ ] No

5. If you are renting, would you consider buying in the area?
   - [ ] Yes
   - [ ] No
   - If No, why not?

6. Would you describe your move as a Sea Change? (This is where you have relocated residentially, business wise, socially etc. That is; complete lifestyle change.)
   - [ ] Yes
   - [ ] No
   - If No, would you describe yourself as a commuter (travelling to Melbourne for work)?
   - [ ] Yes
   - [ ] No
7. If you have lived here less than 10 years, what factors contributed to your change of lifestyle?

☐ Came here for a holiday and loved it
☐ Transferred for work, or bought a business
☐ Friends or family recommended it
☐ Other reasons ……………………………………………………………………

……………………………………………………………………………………

8. Are you in the work force?

☐ Yes  ☐ No  if Yes, which of the following best describes you:

☐ Own a business locally  work locally  ☐
☐ Own a business in Geelong  work in Geelong  ☐
☐ Own a business in Melbourne  work in Melbourne  ☐
☐ Not working at the moment

9. What amenities do you, or your family use in the local area?

☐ Library  ☐ Public transport
☐ Health centre  ☐ Schools
☐ Medical centre  ☐ Child Care
☐ Sports clubs  ☐ Other, give details ………………….

……………………………………………………………………………………

10. What other services do you think the area will need over the next 20 years?

……………………………………………………………………………………

……………………………………………………………………………………

11. Do you enjoy living here?  ☐ Yes  ☐ No
Reasons why/why not? .............................................................................................................................................
.................................................................................................................................................................

12. Has your move to this area lived up to your expectations?

☐ Yes  ☐ No

Give reasons for your answer .............................................................................................................................
.................................................................................................................................................................

13. How long did you plan this lifestyle change before you decided to relocate?

.................................................................................................................................................................

14. Was there a catalyst for you to change your lifestyle?

.................................................................................................................................................................
.................................................................................................................................................................

15. What research did you undertake before choosing your Sea Change location?

.................................................................................................................................................................

16. Do you believe that extra land should be made available for housing in Victorian coastal towns?

Yes ☐ No ☐ Give reasons for you answer

.................................................................................................................................................................
.................................................................................................................................................................

17. Can you see yourself remaining here for the rest of your life? Why/Why not?

.................................................................................................................................................................
.................................................................................................................................................................

Thank you for the time you have taken to answer my questions. Kathryn Robson
APPENDIX THREE

Towns and streets surveyed with questionnaires

Port Arlington:  Darryl Street  
Evandale Avenue  
Denver Drive  
Fenwick Street  
Smythe Street

Queenscliff:  Mercer Street  
Learmonth Street  
Stevens Street  
Hobson Street  
Richards Street

Point Lonsdale:  Hollywood Boulevard  
Santa Monica Boulevard  
California Boulevard  
Norman Crescent  
Emily Street  
Edwards Court  
Grimes Road  
Nelson Road

Ocean Grove:  Marlin Drive  
Madeley Street  
Wyatt Street  
Eggleston Street  
Presidents Avenue

Barwon Heads:  Jasper Street  
Punt Road  
Thorn Street  
Hitchcock Avenue

Anglesea:  Wray Street  
Camp Road  
Noble Street  
Manna Gum Close  
Elizabeth Street

Torquay/Jan Juc:  Anderson Street  
Strathmore Drive  
Ocean View Street  
Spring Valley Drive  
Strathcairn Avenue
Shakespeare

Ariel’s song in “The Tempest”, by William Shakespeare, verse 350

Full fathom five thy father lies:
Of his bones are coral made:
Those are pearls that were his eyes:
Nothing of him that doth fade
But doth suffer a sea-change
Into something rich and strange.
## APPENDIX FIVE

### Median house prices for Melbourne suburbs

<table>
<thead>
<tr>
<th>Suburb</th>
<th>Median 2003/4 $,000</th>
<th>Median 2004/5 $,000</th>
<th>%</th>
<th>Suburb</th>
<th>Median 2003/4 $,000</th>
<th>Median 2004/5 $,000</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prahran</td>
<td>525</td>
<td>540</td>
<td>3</td>
<td>Footscray</td>
<td>320</td>
<td>300</td>
<td>-6</td>
</tr>
<tr>
<td>Toorak</td>
<td>1.47m</td>
<td>1.74m</td>
<td>18</td>
<td>Preston</td>
<td>332</td>
<td>330</td>
<td>-0.5</td>
</tr>
<tr>
<td>Malvern</td>
<td>761</td>
<td>875</td>
<td>15</td>
<td>Altona</td>
<td>340</td>
<td>340</td>
<td>0</td>
</tr>
<tr>
<td>Brighton</td>
<td>950</td>
<td>1.03m</td>
<td>8.4</td>
<td>Braybrook</td>
<td>254</td>
<td>220</td>
<td>-13</td>
</tr>
<tr>
<td>Camberwell</td>
<td>696</td>
<td>721</td>
<td>3.6</td>
<td>Sunshine</td>
<td>252</td>
<td>245</td>
<td>-3</td>
</tr>
<tr>
<td>Kew</td>
<td>765</td>
<td>809</td>
<td>5.8</td>
<td>St Albans</td>
<td>225</td>
<td>220</td>
<td>-2.2</td>
</tr>
<tr>
<td>Carnegie</td>
<td>480</td>
<td>520</td>
<td>8.3</td>
<td>Keilor</td>
<td>415</td>
<td>350</td>
<td>-16</td>
</tr>
<tr>
<td>Highett</td>
<td>406</td>
<td>420</td>
<td>3.4</td>
<td>Werribee</td>
<td>205</td>
<td>224</td>
<td>9.3</td>
</tr>
</tbody>
</table>

Source: Real Estate Institute of Victoria, August, 2005
## APPENDIX SIX

### INNER SUBURBS

<table>
<thead>
<tr>
<th>Suburb</th>
<th>Median 2003/4 $,000</th>
<th>Median 2004/5 $,000</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Richmond</td>
<td>460</td>
<td>480</td>
<td>4</td>
</tr>
<tr>
<td>South Yarra</td>
<td>634</td>
<td>700</td>
<td>10.3</td>
</tr>
<tr>
<td>St Kilda</td>
<td>545</td>
<td>597</td>
<td>9.6</td>
</tr>
<tr>
<td>North Melbourne</td>
<td>455</td>
<td>450</td>
<td>-1.2</td>
</tr>
</tbody>
</table>

### OUTER SUBURBS

<table>
<thead>
<tr>
<th>Suburb</th>
<th>Median 2003/4 $,000</th>
<th>Median 2004/5 $,000</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Melton</td>
<td>177</td>
<td>183</td>
<td>3.4</td>
</tr>
<tr>
<td>Hoppers Crossing</td>
<td>228</td>
<td>230</td>
<td>1</td>
</tr>
<tr>
<td>Carrum Downs</td>
<td>212</td>
<td>225</td>
<td>6</td>
</tr>
<tr>
<td>Sunbury</td>
<td>240</td>
<td>243</td>
<td>1.3</td>
</tr>
</tbody>
</table>

Source: Real Estate Institute of Victoria, August, 2005
APPENDIX SEVEN

Additional notes on the towns on the Bellarine Peninsula and the Surf Coast

The Bellarine Peninsula

Drysdale: There are a number of small rural holdings of 4–30 hectares, due to much of it being old Crown Law allotments. These small rural properties support a number of vineyards, the most well known being Scotchman’s Hill and Spray Farm. These small allotments are much sort after and many of these rural holdings have been purchased by wealthy Melbourne “Baby Boomers”, seeking escape from the stress of high powered city careers. Rural land on the Bellarine Peninsula is currently reaching $30,000 a hectare, whereas elsewhere in the Geelong area it is more like $3,000 a hectare (Hedditch, 2004). The population continues to increase by over 3% per annum and it is a rural Sea Change location. It is not the subject of any City of Greater Geelong strategies.

Clifton Springs: One of the early failed developments of the 1960s, this town was to be the place where everyone wanted to move to. It did not, however, achieve the original developer’s aims and over 40 years later the settlement looks tired. The entrance gates have no water in the fountain and need repainting.

Port Arlington: An historical coastal town perched overlooking the Melbourne skyscrapers. Originally a holiday spot for Geelong residents, it is now becoming more of a tourist destination, due to events such as the annual Celtic Festival.

St Leonards: The overarching aim is to maintain St Leonards as a small coastal town, separate from adjoining towns. This is after extensive meetings with residents. It was agreed that the St Leonards area had sufficient vacant land for the foreseeable future. Building approvals were 42 in 2001, 40 in 2002 and 71 in 2003, with only one in the first quarter of 2004. There are currently almost 600 lots available for sale on three separate subdivisions (one even called Sea Change Estate) and the strategy recommends that there is no need for further rezoning. An interesting component of the St Leonards report is that they mention an Urban Growth Strategy where 24% of Greater Geelong’s housing stock is to be made up of high density construction (non-detached). They are a long way from this target and any proposals that support this aim would be encouraged. St Leonards is a Sea Change area, particularly for retirees.

Leopold: There are some interesting demographics in this town. It has a very high incident of tradesmen and clerical sales and services for women. 90% used a car to travel to work and the predominant resident type is young families. There are only 7% retirees, compared to 11% for the whole peninsula and single households represent 15% of residences compared to the regional average of 26%. The typical Leopold resident is married with 1-3 children under 15 years, works as a trade person, or in the retail service area in Geelong.
Leopold is growing at a rate of 4.32%, not as a Sea Change area, but as a commuter town for Geelong. The report states that by 2030, the population of Leopold is estimated to be more than double the 2001 census figure and under current zoning they have sufficient residential land for the next seven years.

**Queenscliff:** The large car and passenger ferry operates all year and runs every 30 minutes during peak times. This town is a major Sea Change location, with retirees, downshifters operating and working in the associated tourist venues and commuters from Geelong and Melbourne. Because of the inability for the number of dwellings to increase and the increase in the number of single households, Queenscliff is actually experiencing negative population growth of 1%. Queenscliff is surrounded by Swan Bay, a protected marine area and is a centre for marine research.

**Point Lonsdale:** Being located at the Port Phillip Heads, across from Point Nepean, Point Lonsdale has both Bay and Ocean beaches. It is a very popular holiday location for this reason, as it caters for all ages and needs. Point Lonsdale is predominantly a town of retirees and holiday homes for Melbourne and Western District families and downshifters. Although the population was only 1,000 on census night there are many more dwellings than this and vacant ownership could be as high as 60-70% (Hedditch, 2004). This is definitely a Sea Change location, with very few commuters. Two future residential sub-divisional plans have sparked local owners’ anger and that is a proposed redevelopment by the Lonsdale Golf Club and a proposed new subdivision of 1,000 blocks on the outskirts of the town.

**Ocean Grove:** In 2001, growth was listed at 2% and the population was 10,000, but since then new housing starts have continued to mushroom in the area closest to Point Lonsdale, called Collendina. There is also an almost completed large shopping complex, to service this end of Ocean Grove and Point Lonsdale/Queenscliff. Although not a Baby Boomers’ destination, the rural areas around Ocean Grove, through to Drysdale, are heavily sought after by this demographic. One such case is a restaurant/accommodation/vineyard on 70 hectares on the outskirts of Ocean Grove, purchased for a record price. The husband commutes three days a week to Melbourne to run a very successful business and the wife manages the daily running of the local business. There are many of these stories on the Bellarine Peninsula, as there are on the Mornington Peninsula.

**Barwon Heads:** It is a beautiful town and Diver Dan’s beach hut is now a successful restaurant. Barwon Heads is the third town in the City of Greater Geelong strategies for the Bellarine Peninsula. The steps in the process were to form a very representative steering committee of all stakeholders and a series of six meetings were held over a twelve month period during 2002-3. They also held a three month “Idea” exhibition over summer 2003 and questionnaires were undertaken. The town has been altered in line with the findings and is fast becoming a very attractive Seachange location. New development is being undertaken on the Geelong side of Barwon Heads. A second golf course has been constructed at 13th Beach and most of the subdivision backs onto and has free membership of the golf course.
The Surf Coast

**Torquay:** Torquay is regarded as the surfing capital of Australia and many of the surf-wear organisations have their headquarters here. This industry is now world recognised in this field and has grown enormously from the humble beginnings in the 1970s. Names such as Rip Curl, Billabong and Quicksilver are synonymous with Torquay. Torquay supports a large working population for its size, with over 700 being employed in surf related businesses that generate more than $18 million per year (Surfcoast Shire, 2006). Torquay is a Sea Change town because of the tourist trade. It is also a commuter town for both Melbourne and Geelong. The current population of Torquay is approximately 8,000 and this is expected to grow by over 100% by 2021 to almost 17,000.

**Jan Juc:** Is immediately after Torquay and is a town full of new housing development. The Surf Coast shire have been able to keep the township of Torquay reasonably free of development, with “Surf City” (the massive surfing goods retail centre) being located on the highway and all new development immediately south of Torquay, in Jan Juc.