



The rise of Victoria

Victoria's population
boom and changing
urban landscape

1971 to 2036

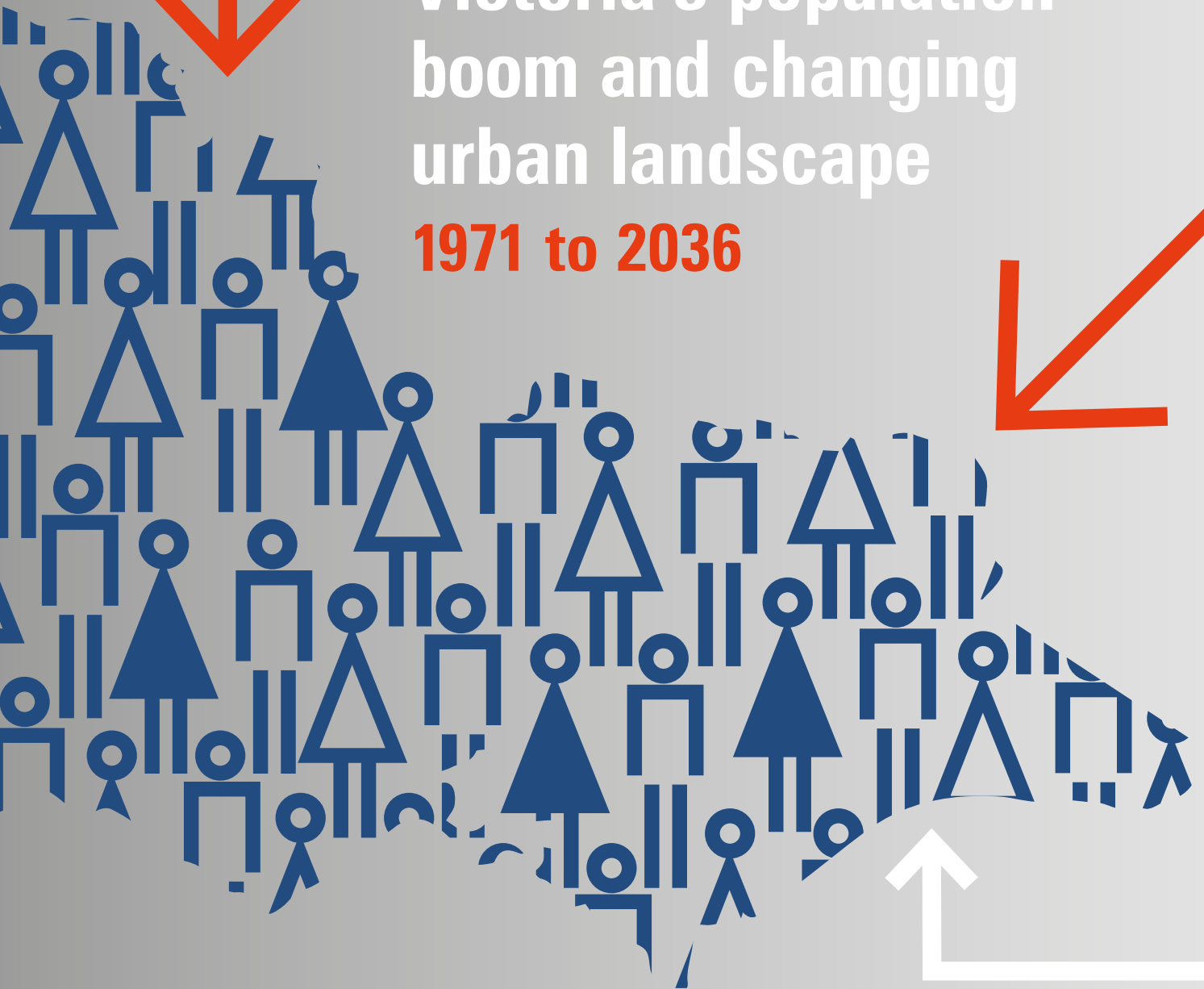




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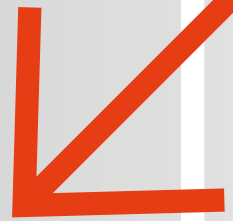
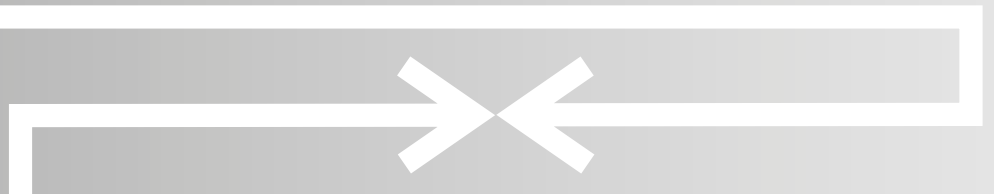




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Reimagining Victoria

The revitalisation of Victoria's population and urban landscape

The Victorian population is booming. We have to go back to the period that immediately followed World War II – that famous moment in history that gave us the baby-boomers – to find anything of similar magnitude. Importantly, this growth is being held up by younger cohorts, bringing balance to Victoria's population profile as the baby boomers enter retirement in the years ahead.

The rejuvenation of Victoria's population is in part being driven by Australia-wide trends, such as a recent surge in fertility rates, and a sustained increase in overseas immigration. However, there are also factors specific to Victoria – such as a reversal of interstate migration flows in Victoria's favour.

In turn these dynamics are reshaping the regional balance of Victoria and Melbourne's urban landscape. For the first time in Melbourne's history, housing development in existing areas now outweighs developments in greenfield areas and we forecast that it will continue to do so.

This paper outlines the emergence of these trends, and explores their consequences. We present analysis from each level of .id's forecast – from state-wide to intra-suburban data. As the analysis shows, data becomes more powerful the more refined and detailed it is, and the more useful it is then to the planning and decision-making processes.

This is where .id's Small Area Forecasts (SAFi) methodology comes into its own, as a powerful way to develop high-definition, granular pictures of population growth across Victoria. Some of these SAFi results are also presented here for interest.

The paper is divided into two parts:

PART I – New currents in Victorian population growth

This section places the current boom in Victoria's population in historical context, and outlines the key drivers of growth – fertility, immigration, and inter-state migration.

PART II – Locating Victoria's high growth regions

In this section we refine our focus to explore how growth will be distributed across the Victorian state. The shift to urban infill development in Melbourne is given particular attention.

Part I: new current in Victorian population growth

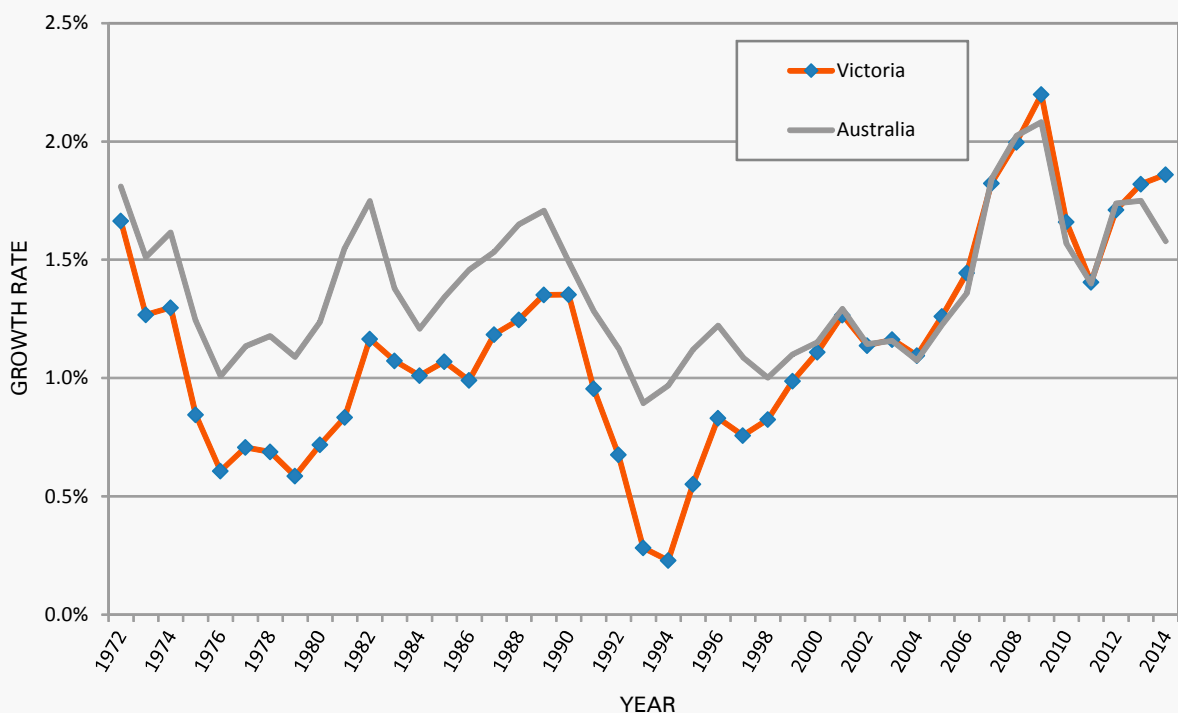
The fastest growth in 40 years

The Victorian population is booming.

Population growth is currently tracking at just under 2 percent per annum – one of the fastest growth rates in the past 40 years (Chart 1). Strong growth rates recorded in the early 1970s and late mid to late 1980s were somewhat comparable, but less enduring.

Population growth has remained at or above 1.5 percent per annum for 9 years in a row now, heralding the most prolonged population boom in Victoria since the strong period of growth that followed World War II – the period that gave Australia its baby boomers.

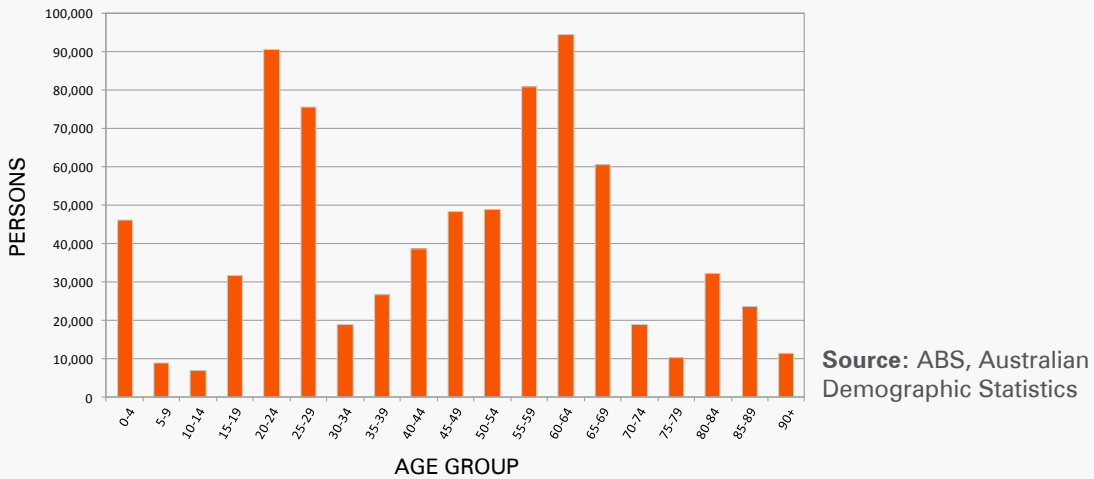
Chart 1: Population growth rate, Victoria, 1972-2014



Source: ABS, Australian Demographic Statistics

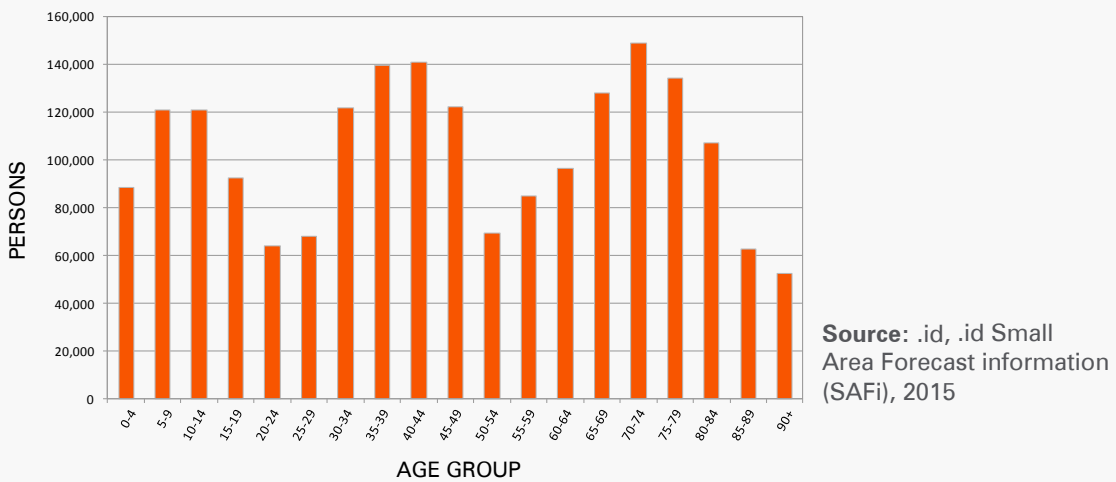
Importantly, a large share of this growth has been driven by an influx of children and young adults over the past ten years (Chart 2).

Chart 2: Population growth by age, Victoria 2001-2011



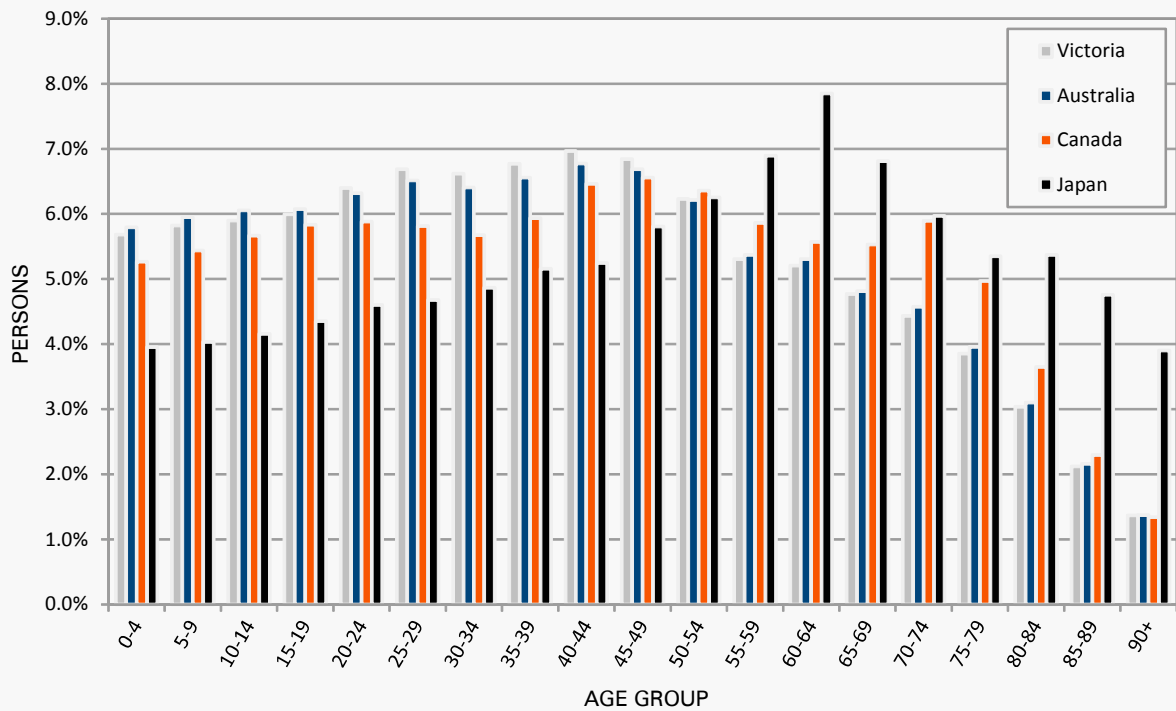
The resurgence of younger cohorts helps balance out the baby-boomer bulge in our population projections (Chart 3). There is still strong growth in the baby-boomer cohort out to 2031, but this is now tempered by two further population spikes moving through the profile – young and mature families aged 30-49 years, and children.

Chart 3: Population growth by age, Victoria 2011-2031



In a world where population ageing and greying societies are an almost universal challenge, this leaves Victoria relatively well-placed. Chart 4 compares Victoria's situation with Australia more broadly, as well as with Canada and Japan.

Chart 4: Age structure comparison, selected states and countries, 2035



Source: .id, .id Small Area Forecast information (SAFi), 2015; UN Population Division, World Population Prospects: The 2012 Revision: Medium Fertility Series

Japan’s situation is particularly tense. Low fertility rates (well below replacement for the past 25 years) have combined with superior diet, health care and longevity to create a starkly unbalanced demographic profile in the years ahead.

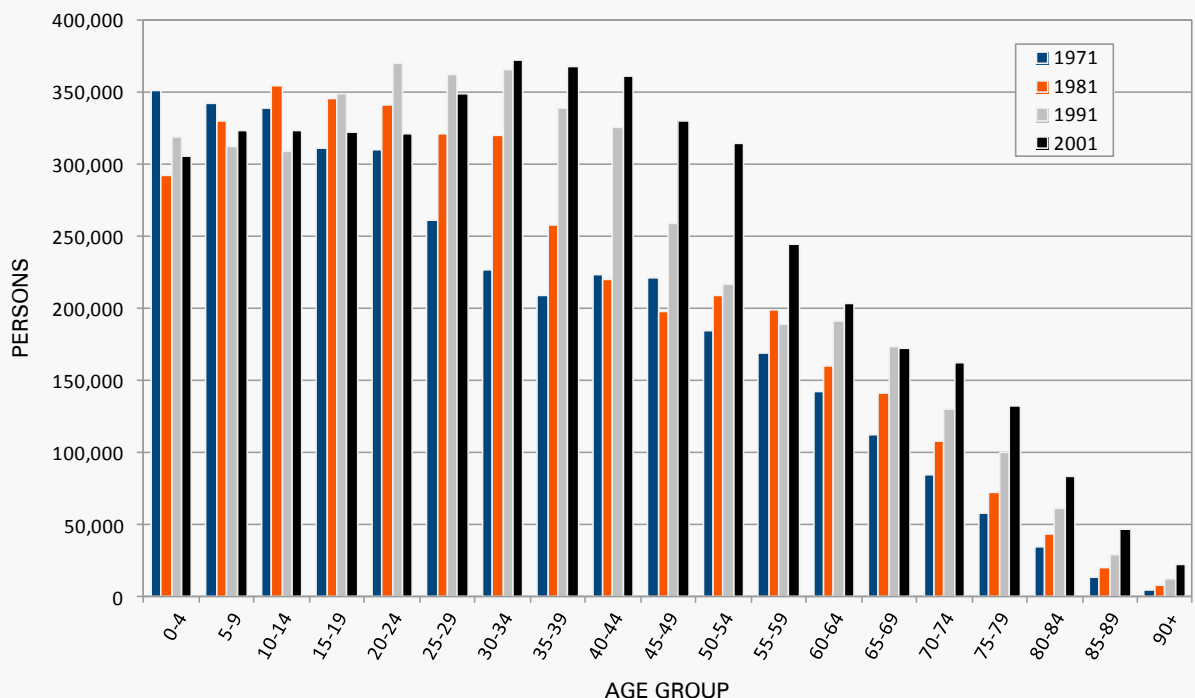
Australia seems on track to avoid that fate, at least in the next twenty to forty years. This may come as a relief to some, though there are still many challenges ahead. But the truth of it is that current population projections paint a much rosier picture than the ones being presented just a few years ago.

1971 - 2001: the declining years

In the latter decades of the 20th Century, Australia's demographic challenges seemed more stark. Victoria in particular was characterised as a 'mature state', with an exodus of younger people exacerbating a steadily ageing population.

Chart 5 follows Victoria's population through the period of 1971-2001. At the start of this period (represented by the blue bars), the Victorian population was weighted towards the younger generations, following high rates of post-war migration, high birth rates and a lower life expectancy.

Chart 5: Population by five year age group, Victoria, 1971-2001

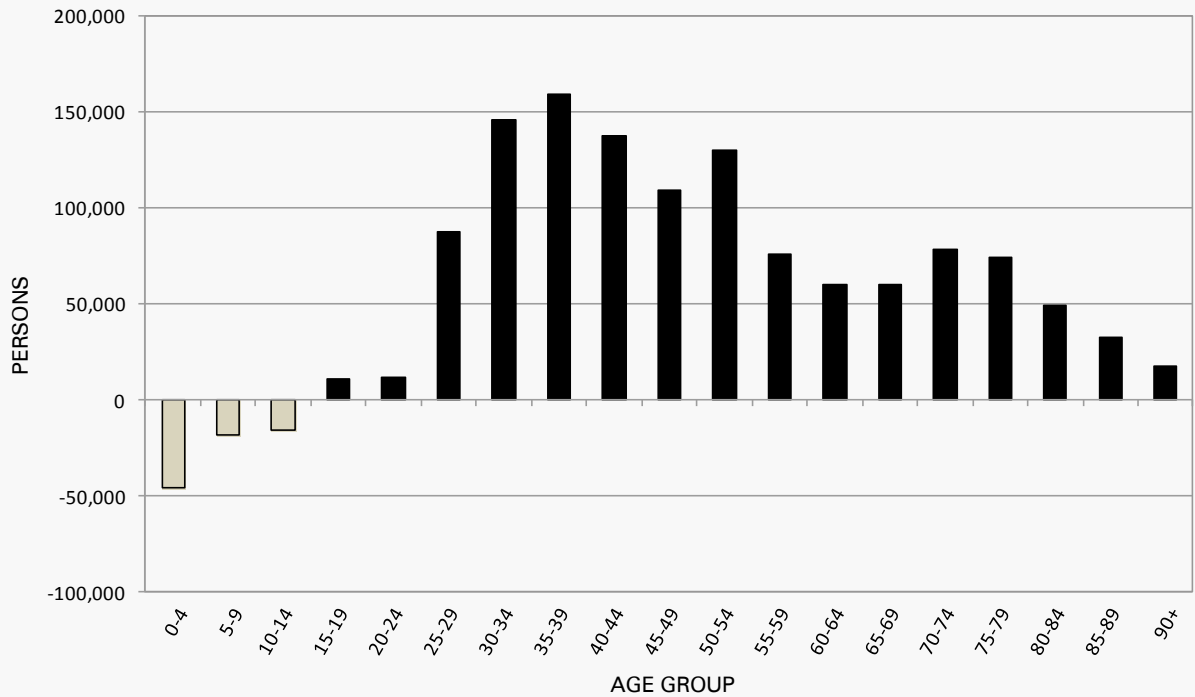


Source: ABS, Australian Demographic Statistics

However, moving through the orange, light grey and black bars, we can see the baby boomers (who were in their mid-twenties in 1971) moving through the population profile, and the population becoming centred around a higher average age. This was largely due to further falls in fertility rates during the 1970s and the arrival of overseas migrants.

Between 1971 and 2001, the number of children in Victoria actually fell, on the back of falling fertility (Chart 6). At the same time, increasing life expectancy drove growth in older cohorts.

Chart 6: Population change by five year age group, Victoria, 1971-2001



Source: ABS, Australian Demographic Statistics

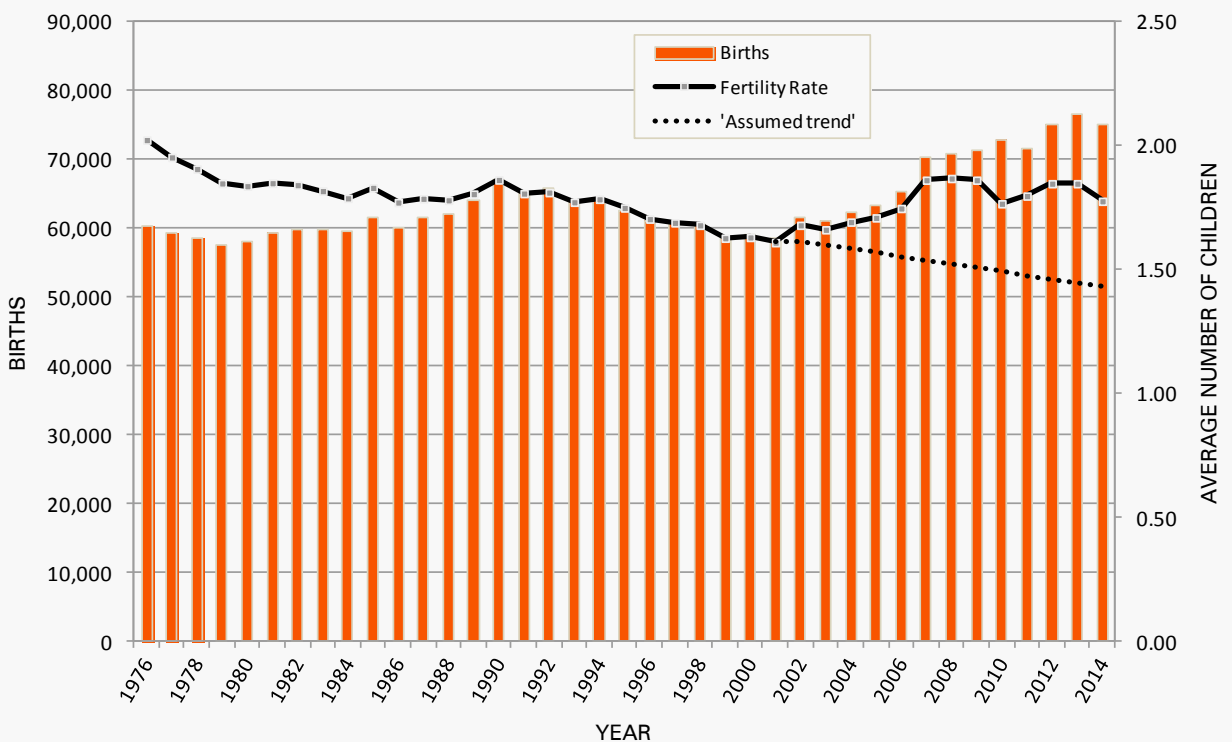
This population profile was cause for growing concern. However in the first decade of the new millennium, Victoria's fortunes began to change. Across Australia, improvements in fertility and overseas migration rejuvenated younger cohorts in the population profile, while in Victoria in particular, interstate migration flows reversed, and started being a net contributor to growth.

2001 - 2011: changing fortunes

Rising Fertility

There was a sustained slow decline in fertility in the years leading up to 2000 (Chart 7), and there was a clear expectation around the turn of the century that the fertility rate in Australia and Victoria would continue to decline (the dotted line). However, the fertility rate actually jumped back up to about 1.9 children per woman.

Chart 7: Fertility rates and number of births, Victoria, 1976-2014



Source: ABS, Australian Historical Population Statistics, 2008 ABS, Australian Demographic Statistics

As a result, the number of children born each year in Victoria has increased to a level between 10,000 and 15,000 children over and above the averages of the 1980s and 1990s. Effectively, in just 8 years, Victoria has added more than an extra 100,000 children to the population, over and above the “business as usual” scenario.

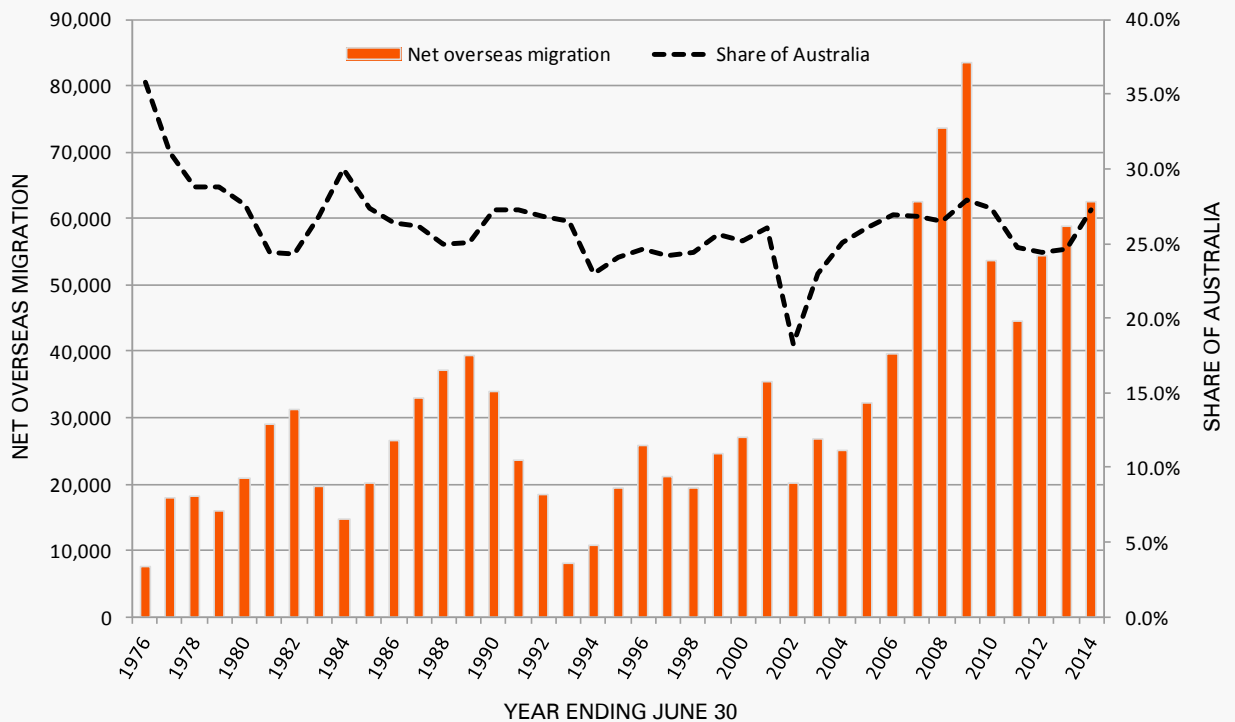
For a fuller analysis of Australian fertility trends, see our recent ebook:

Three Growth Markets in Australia. [DOWNLOAD HERE](#)

Increases in net overseas migration

There was also a pick-up in net overseas migration in the first decade of the new millennium across Australia, and Victoria was one of the main beneficiaries.

Chart 8: Net overseas migration, Victoria, 1976-2014



Source: ABS, Australian Demographic Statistics

Through the thirty-year period between 1976 and 2006, overseas migration to Victoria has ebbed and flowed broadly in line with the economic cycle (Chart 8). There were periods of very low migration coinciding with the recessions of the late 1970s, mid 1980s and early 1990s. Even at its peak, migration never exceeded 40,000 persons a year.

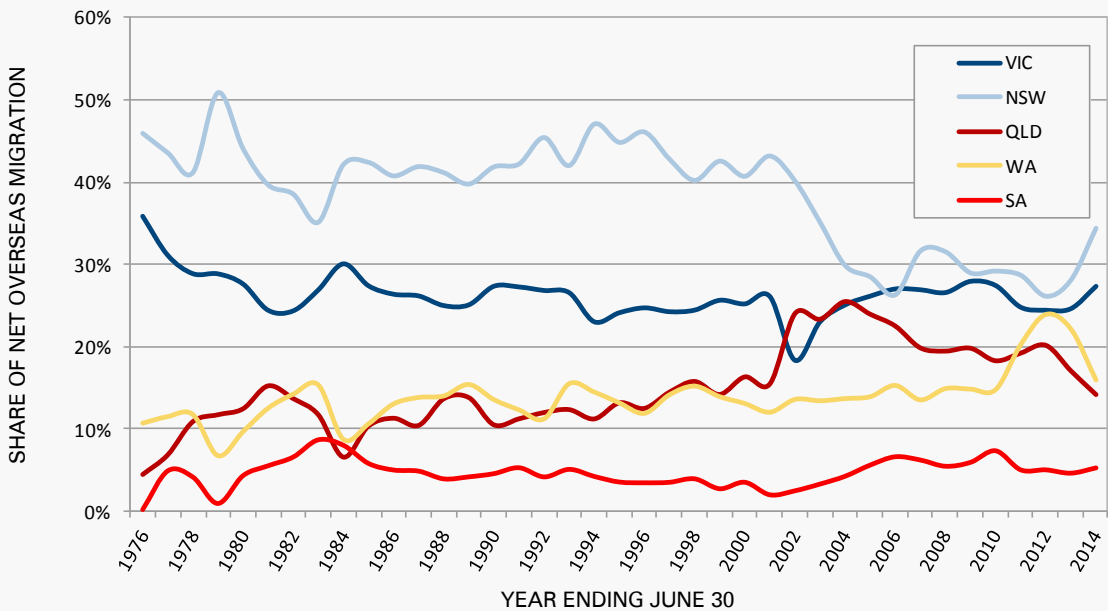
However, net overseas migration increased strongly in 2006, and has held consistently above 40,000 people for the better part of a decade, peaking around 80,000 people in 2009.

This story played out across most of the mainland states. The Global Financial Crisis had made Australia an extremely attractive place to relocate. Australia had a range of identified labour shortages in a number of industries, which were easily filled by skilled overseas migrants. Superior prospects at home compared to abroad also encouraged many Australian's to repatriate. Victoria also became a major tertiary education exporter through this period.

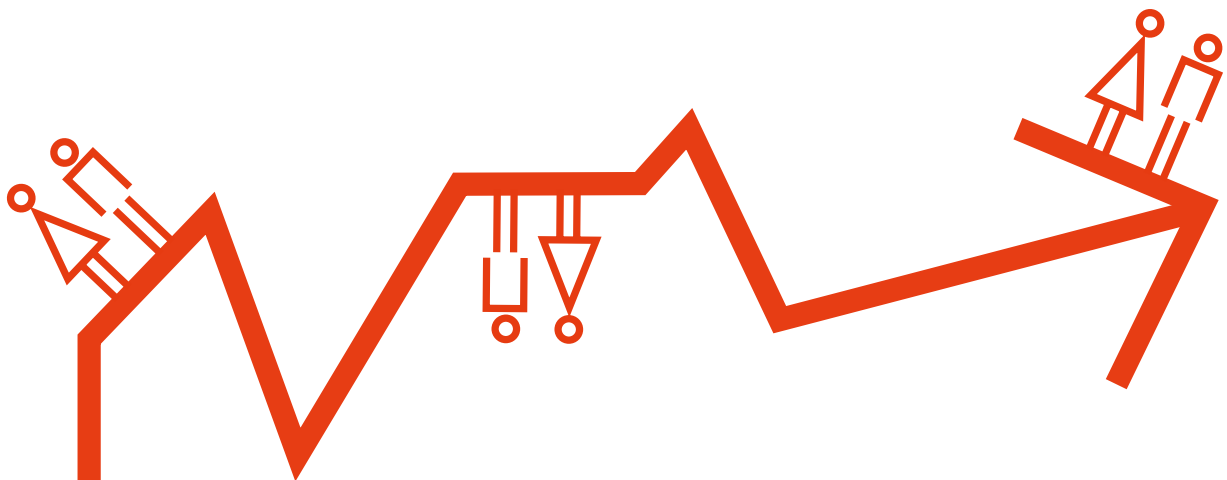
We expect overseas migration to moderate somewhat as the influence of the mining booms fades and the global economy continues to recover. However, it does appear that there has been a step shift in migration levels, and we expect net overseas migration to continue to drive strong population growth in Victoria.

Interestingly, Victoria has maintained its share of overseas migration even during the mining boom. The mining boom saw spikes in migration to Queensland, and then Western Australia. However, this was mostly at the expense of New South Wales (Chart 9).

Chart 9: Share of net overseas migration, Major States, 1976-2014

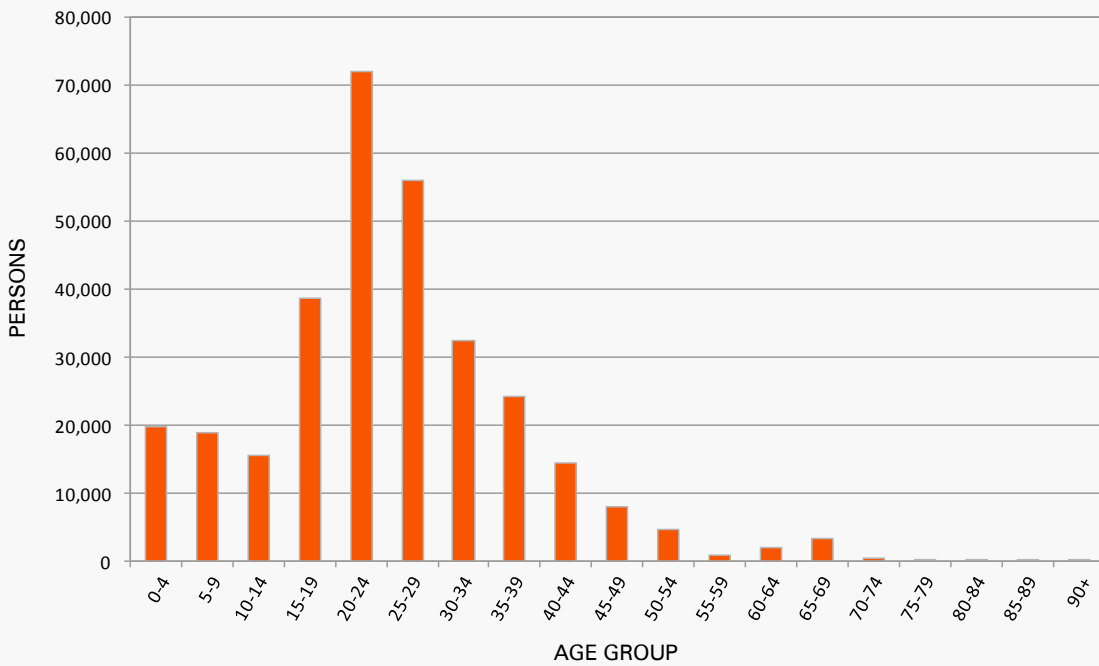


Source: ABS, Australian Demographic Statistics

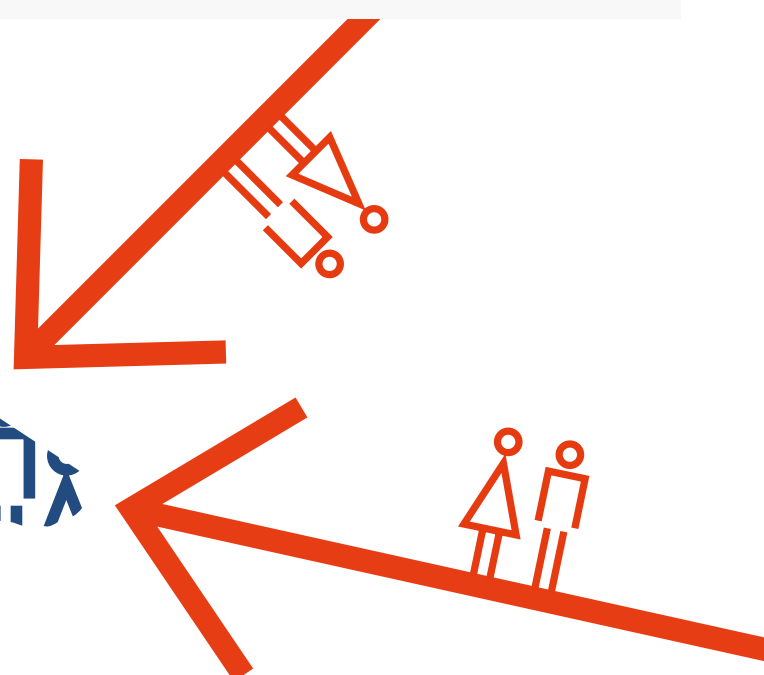
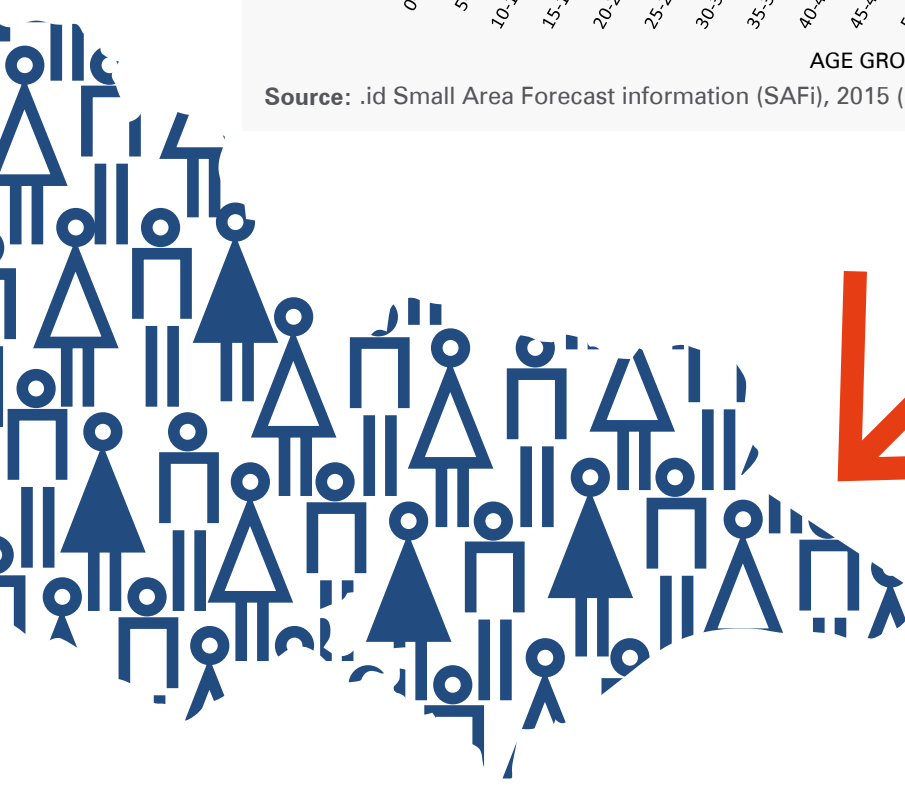


One of the important aspects of overseas migration to Victoria is the fact that the overwhelming proportion immigrants are young (Chart 10). There is a strong concentration of young adults (18-24 years) much of which is associated with tertiary education opportunities in Melbourne. Other young adults and family age groups are drawn to Melbourne by its impressive employment prospects and cosmopolitan, international lifestyle.

Chart 10: Net overseas migration by age, Victoria, 2006-2011



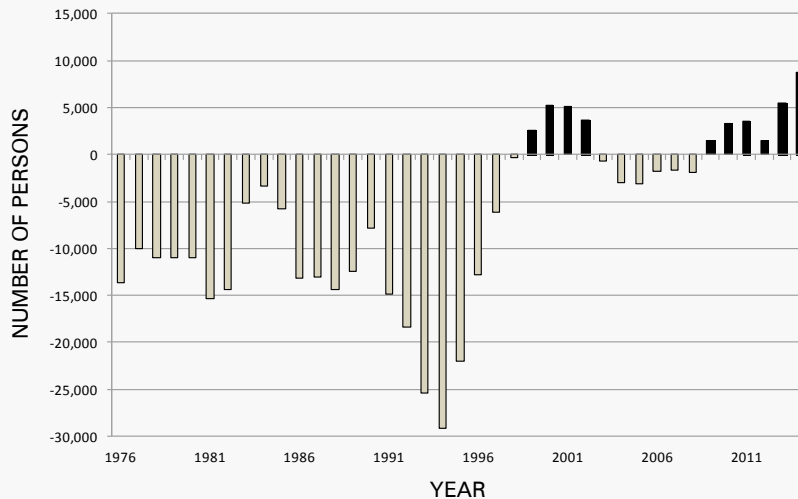
Source: .id Small Area Forecast information (SAFi), 2015 (historical population reconciliation)



Reversal of net interstate migration fortunes

Until very late in the last century, Victoria consistently lost population to other states. Following a peak outflow of close to 30,000 in 1994, Victoria has since steadily stemmed and stabilised population outflows, and has even become a net recipient of population in recent years (Chart 11).

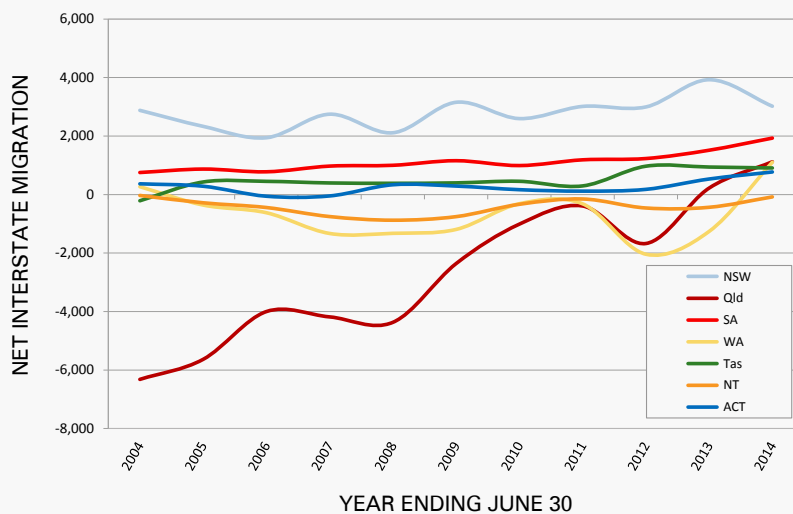
Chart 11: Net interstate migration, Victoria, 1976-2013



Source: ABS, Australian Demographic Statistics

This largely reflects Victoria's changing relationship with Queensland, which has traditionally been the main destination for population exports. In recent years though Queensland has actually become a source of population inflows (Chart 12).

Chart 12: Net interstate migration, Victoria from and to other States, 2004-2014

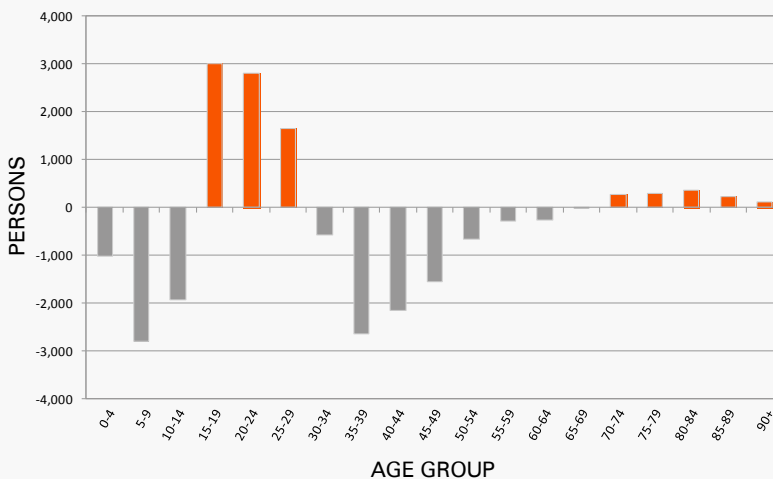


Source: ABS, Australian Demographic Statistics

Victoria has also tended to export population to Western Australia, with losses increasing significantly during the peak of the mining boom, 2011-2013. However, this trend has also reversed in recent years. Since gains from New South Wales, South Australia and Tasmania have been quite consistent over the last decade, Victoria has now become a beneficiary of population inflows.

Net interstate migration also has an interesting age dimension. If we consider the period 2006-2011 (Chart 13), we can see that Victoria gained a significant number of young adults (15-29 years) as well as elderly persons (70+ years). The young people are most likely people attracted to the education, employment and entertainment opportunities offered by Melbourne, whereas the older people may be relocating for family reasons (following children or going back to their former home). It also probably reflects the fact that the major centres along the Murray River (excluding Albury) are all on the Victorian side (such as Corryong, Yarrawonga, Cobram, Echuca, Robinvale, Swan Hill and Mildura).

Chart 13: Net interstate migration by age, Victoria, 2006-2011



Source: ABS, Australian Demographic Statistics

By contrast, people in the family age groups constitute the major losses from Victoria, many of whom would be going for employment or lifestyle reasons. However, since the period doesn't cover the flow reversals associated with the end of the mining boom, this trend may also be reversed in the next Census count.

The main conclusion to draw from all of this is that Victoria's attractiveness, relative to other states, is strong.

Part II: locating Victoria's high-growth regions

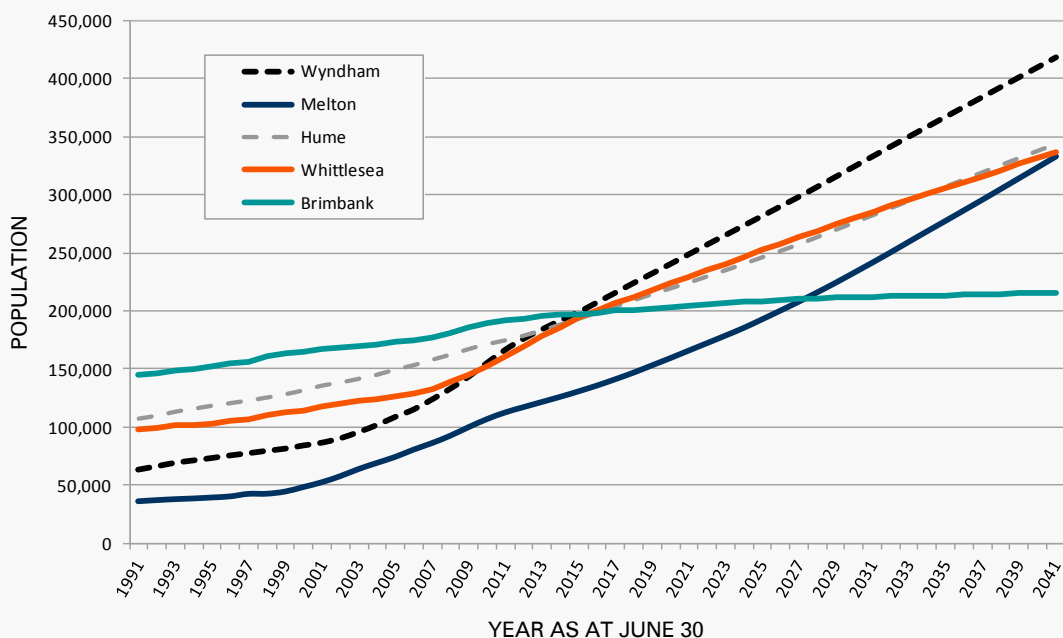
It is one thing to understand the broader state-wide trends in population growth, but this must be forged with an understanding of how growth will be distributed to specific regions and localities to be truly useful.

At .id we combine a 'top down' with a 'bottom up' approach to develop high-definition pictures of where growth is actually occurring. With this foundation we can explore how Victoria and Melbourne are likely to change in the years ahead.

Key growth regions

The first stage in drilling down is to consider the Local Government Area (LGA) level. In the key north and western LGAs, there is substantial growth forecast (Chart 14). While Brimbank was the largest LGA in 2011, it will be dwarfed by Wyndham, Melton, Whittlesea and Hume by 2041. More growth is expected in Melton in the next ten years as more land supply is brought on.

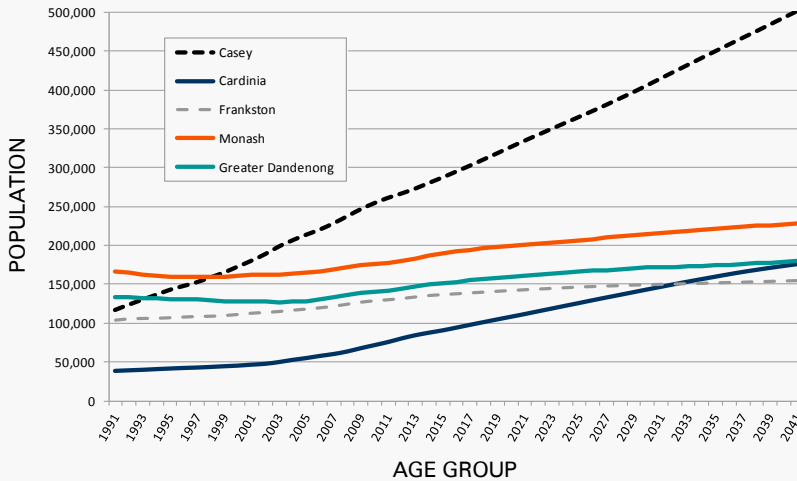
Chart 14: Key Western and Northern LGAs, 1991-2041



Source: .id, .id Small Area Forecast information (SAFi), 2015; ABS, Regional Population Growth

In the east and the south (Chart 15), Casey is set to become as large as Newcastle with the population topping more than 500,000 by 2041. Cardinia is also set to grow substantially but from a lower base. Monash and Greater Dandenong are expected to have moderate growth, while Frankston is likely to have minimal population growth.

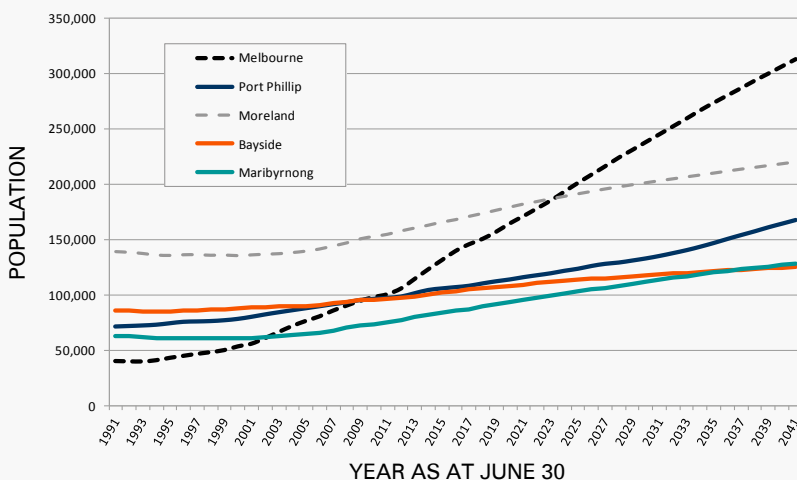
Chart 15: Key Eastern and Southern LGAs, 1991-2041



Source: .id, .id Small Area Forecast information (SAFi), 2015; ABS, Regional Population Growth

In the inner and middle areas, Melbourne is set to grow substantially based on a large expansion of apartment buildings in the CBD, Southbank and Carlton. In addition, a range of residential precincts have been identified including E-Gate and Fishermans Bend (mainly in Port Phillip LGA). Bayside is likely to be one of the most stable population areas in the middle suburbs, however more development areas have been identified in the last few years, boosting population growth in the future.

Chart 16: Key Inner and Middle LGAs, 1991-2041



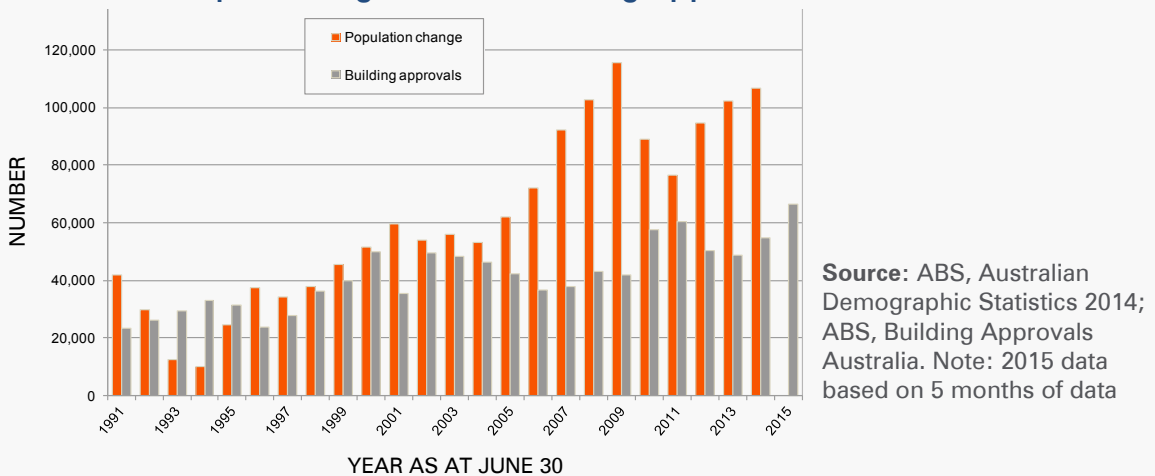
Source: .id, .id Small Area Forecast information (SAFi), 2015; ABS, Regional Population Growth

Melbourne: growing up, not out

If we narrow our focus, we can see that the rejuvenation of Victoria's demographic future is mirrored in (is perhaps even driving) a recasting of Melbourne's urban landscape.

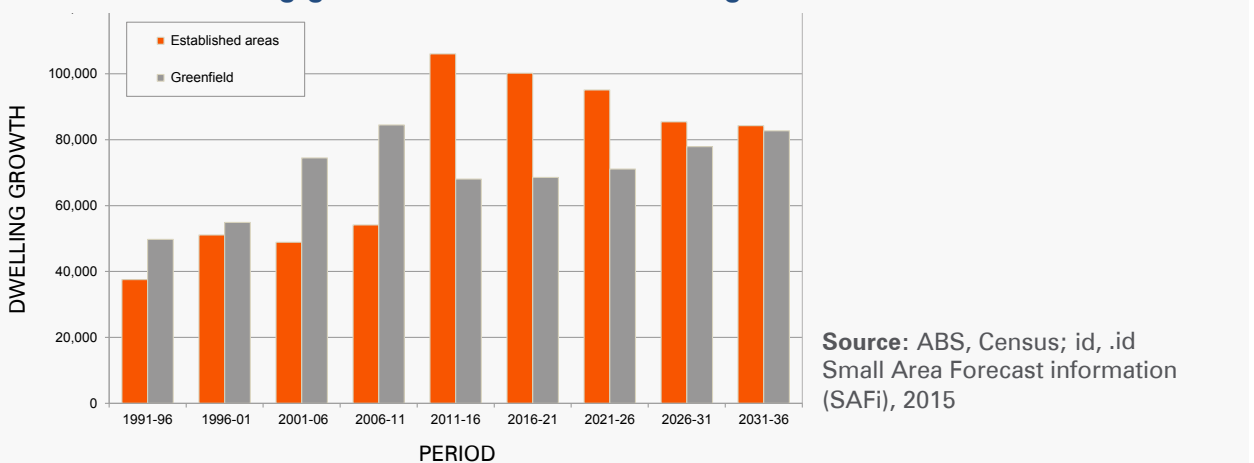
For some time there has been a mismatch between population growth and dwelling growth in Melbourne (Chart 17), reflecting tougher credit conditions, land-release bottlenecks on the fringes, and potential labour constraints imposed by the exodus of workers with construction skills to the mining states. The GFC also drove a downturn in housing activity in Australia, and there has been limited 'catch up' over the past 5-7 years.

Chart 17: Population growth & building approvals, Victoria, 1991-2015



This housing shortage seems to have been focused in established areas - greenfield development actually grew quite strongly in the first decade of the new millennium (Chart 18).

Chart 18: Dwelling growth, established versus greenfield, Melbourne, 1991-2036

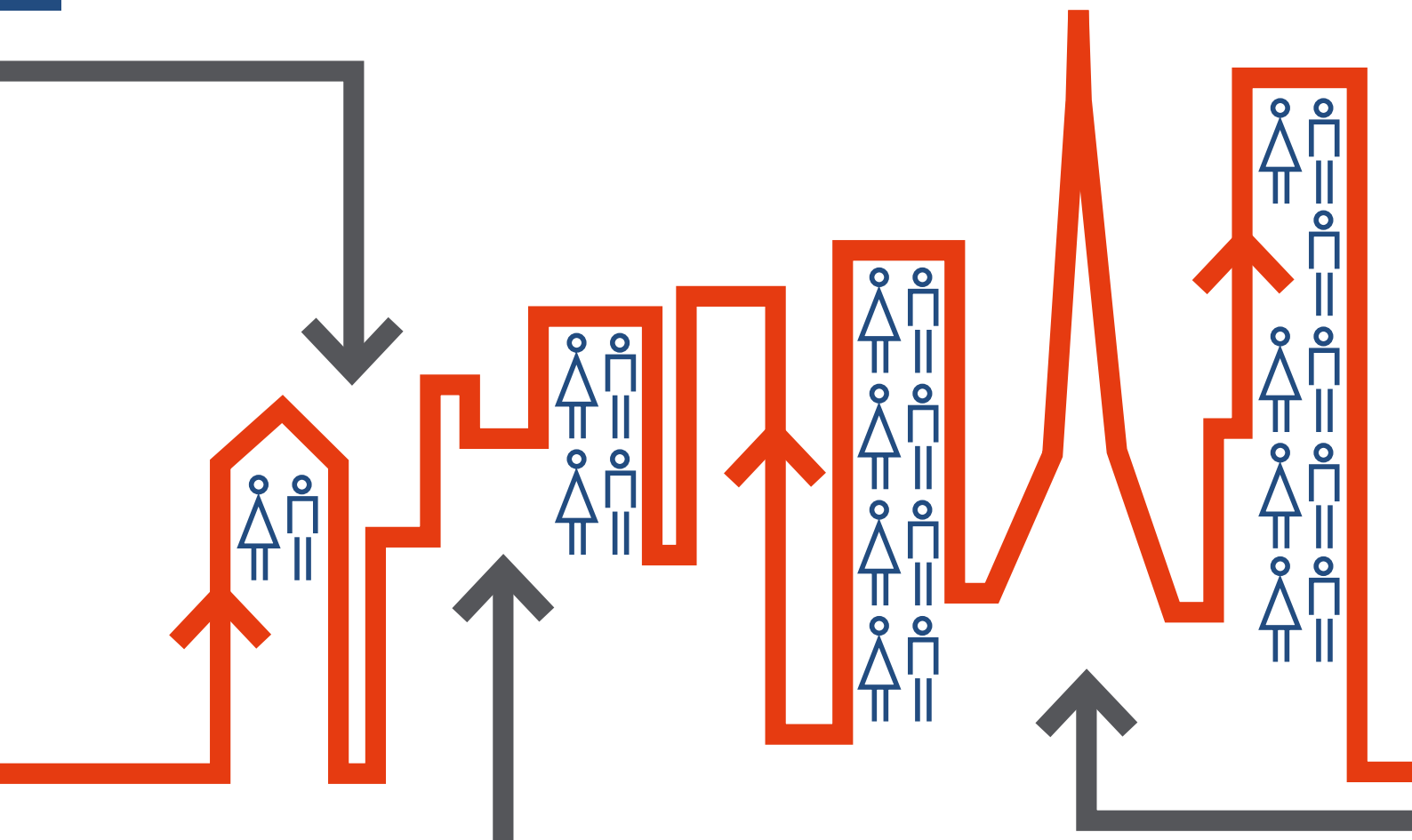


However, in future, there is likely to be much more focus on development in established areas. In part it is demand driven – by a growing inflow of younger people, who place greater value of living in the inner city, and are more disposed to lifestyles in higher-density environments. Education and employment opportunities are also perceived to be greater in the inner and middle suburbs. However, it also partly reflects supply side policies aimed at promoting urban consolidation.

As a result, the period from 2011 to 2016 will be the first in Melbourne’s history in which established areas outpace greenfield areas for residential development.

High-rise development in inner-Melbourne accounts for a large share of this growth, but the inner city growth pattern extends broadly from the CBD to the middle ring suburbs in areas like Maribyrnong and Moreland and Stonnington.

In fact, .id expects growth in all LGAs throughout metropolitan Melbourne – even in places like Boorondara, which are traditionally lower growth areas. This is driven by high-density unit development in the CBD, the intensification of existing residential areas, and changes in land use such as old industrial areas converted to flats and new mixed-use precincts.

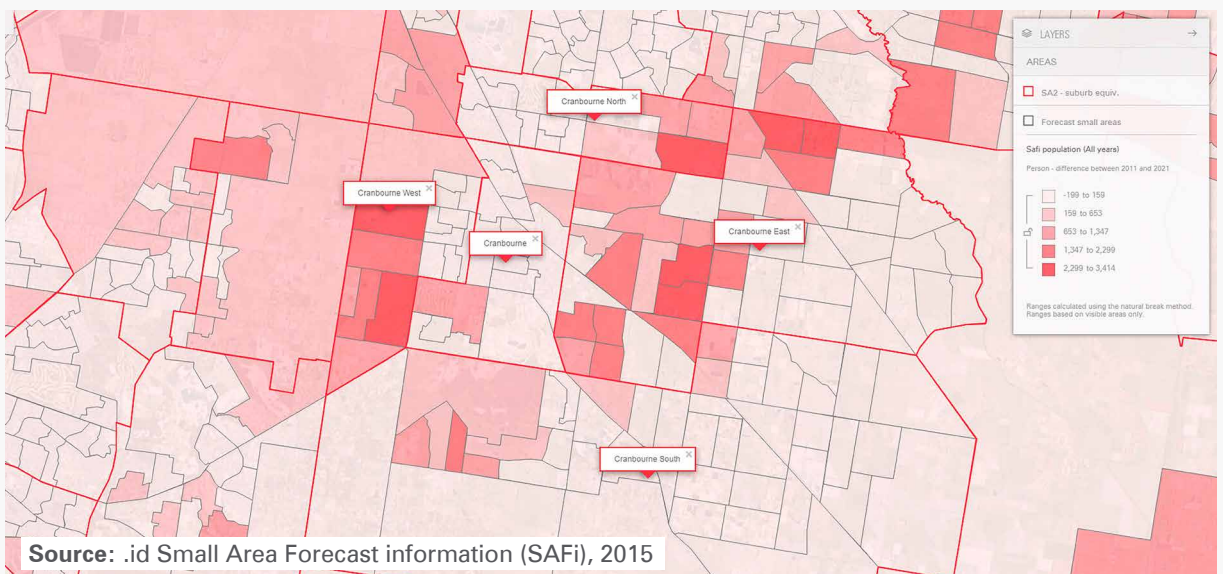
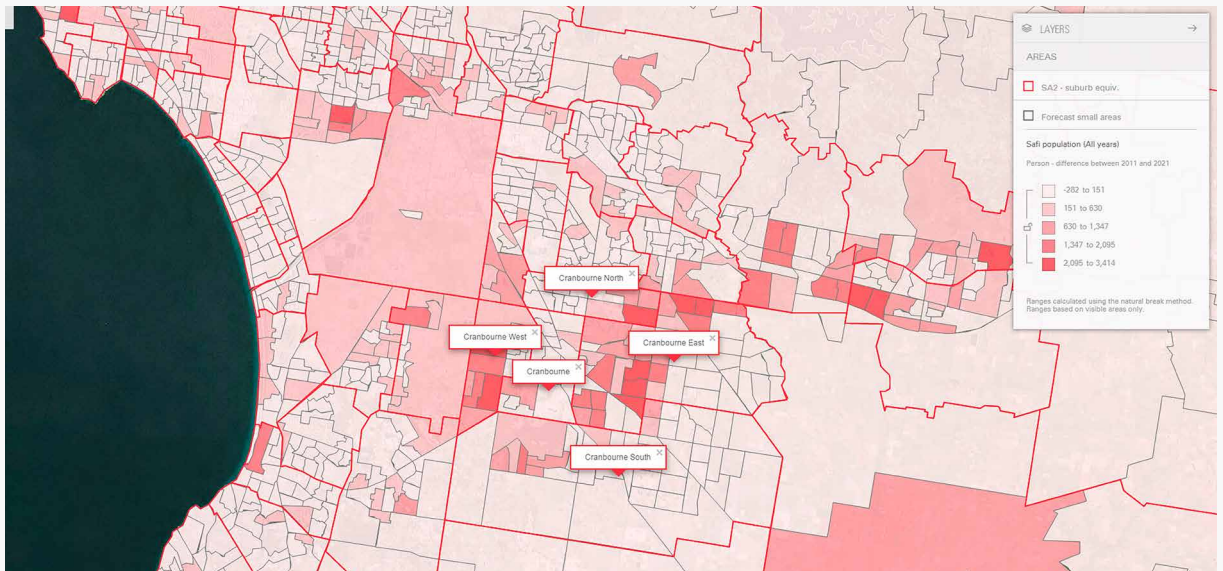


In high-definition...

While it's not possible to consider the impact on every Victorian suburb in this paper, .id's Small Area Forecast methodology allows us to drill down to look at the results in even greater detail.

Here we consider the Cranbourne area in Southeast Melbourne. A breakdown into SA1 and sub-SA1 based geography shows how granular the forecasts are, and just as importantly, how detailed the assumptions are that are driving the forecast results. At .id, we endeavour to understand what is driving change in each of these areas.

Chart 19: Cranbourne area | Forecast population change, 2011-2021

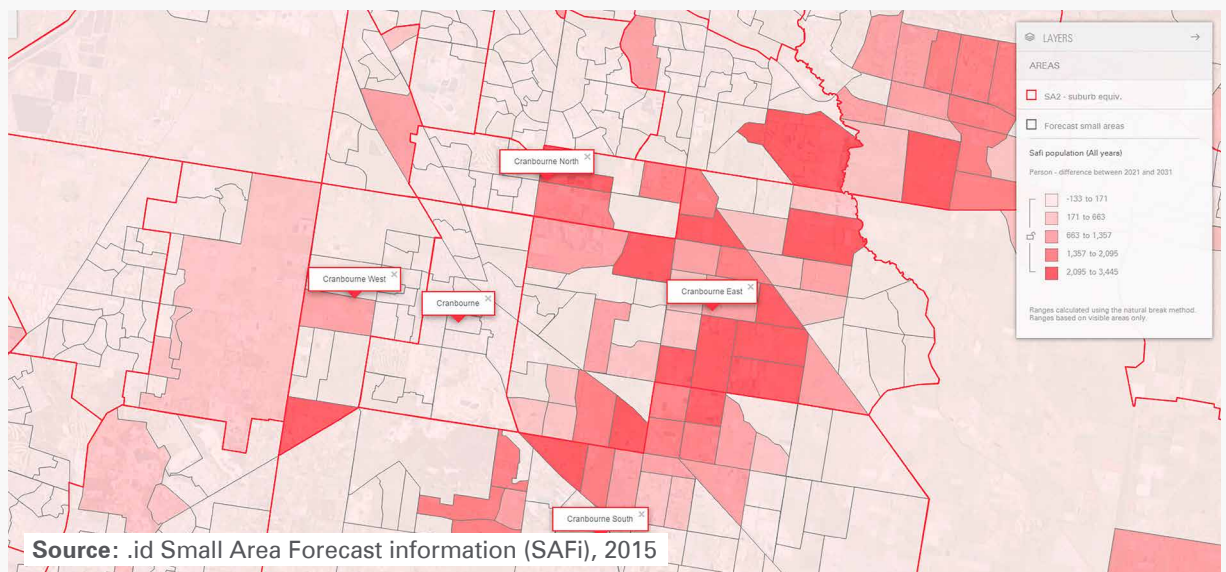
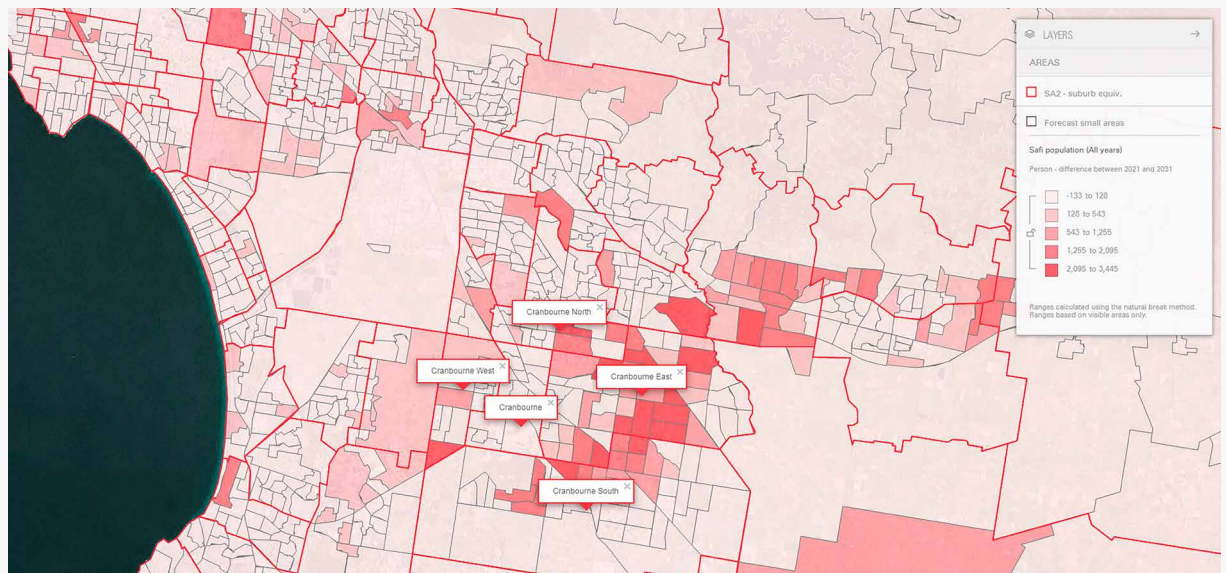


Source: .id Small Area Forecast information (SAFi), 2015

Cranbourne is a good example of a place that has experienced significant residential growth over the past 30 years. It is poised for further significant growth, although some areas such as Cranbourne West and Cranbourne East are running out of land and growth will transfer to other areas over time. The map shows strong increases in population in Cranbourne West, Cranbourne East, Botanic Ridge and Clyde North in the coming ten years.

But in the following decade, 2021-31, the growth phase is Cranbourne West and Cranbourne East has largely come to an end and much of the development in Clyde North has transferred south and growth in Botanic Ridge has transferred east (Chart 20).

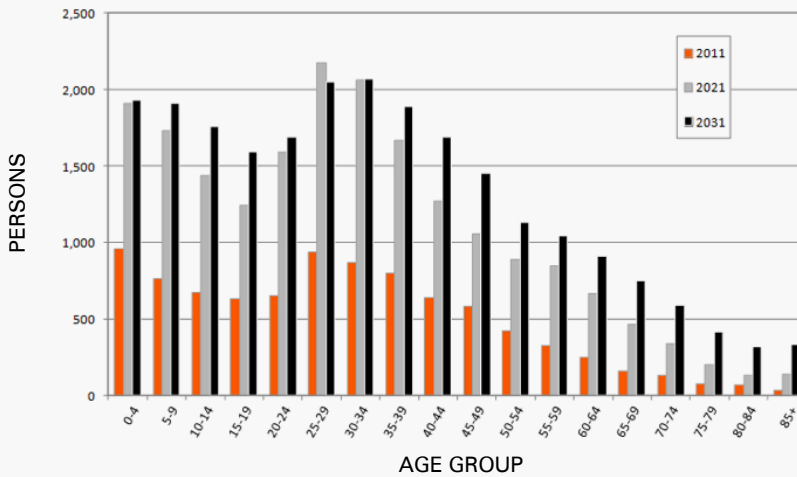
Chart 20: Cranbourne area | Forecast population change, 2021-2031



Source: .id Small Area Forecast information (SAFi), 2015

This next chart outlines how the age structure of Cranbourne West will change over time. There is a classic family based structure with large numbers of parent and child aged residents. The sheer magnitude of growth over the forecast period means all ages will increase over the forecast horizon.

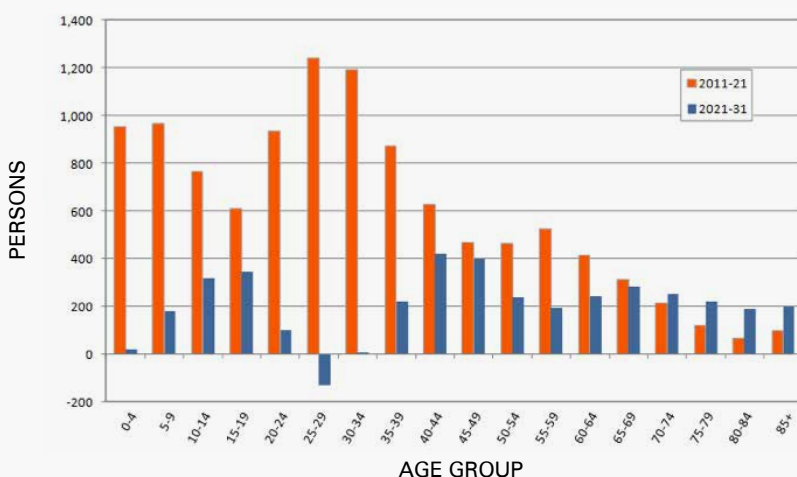
Chart 21: Population by five year age group, Cranbourne West SA2, 2011-2031



Source: .id Small Area Forecast information (SAFi), 2015

However a closer look shows that as growth slows in the latter period, there is actually some loss in 25-29 year olds, which was one of the major gains in the previous ten years (Chart 22). The beginning of an aging in place process is becoming apparent. This signals the beginning of a change in service mix requirements as the population structure begins to alter.

Chart 22: Population change by age, Cranbourne West SA2, 2011-2031

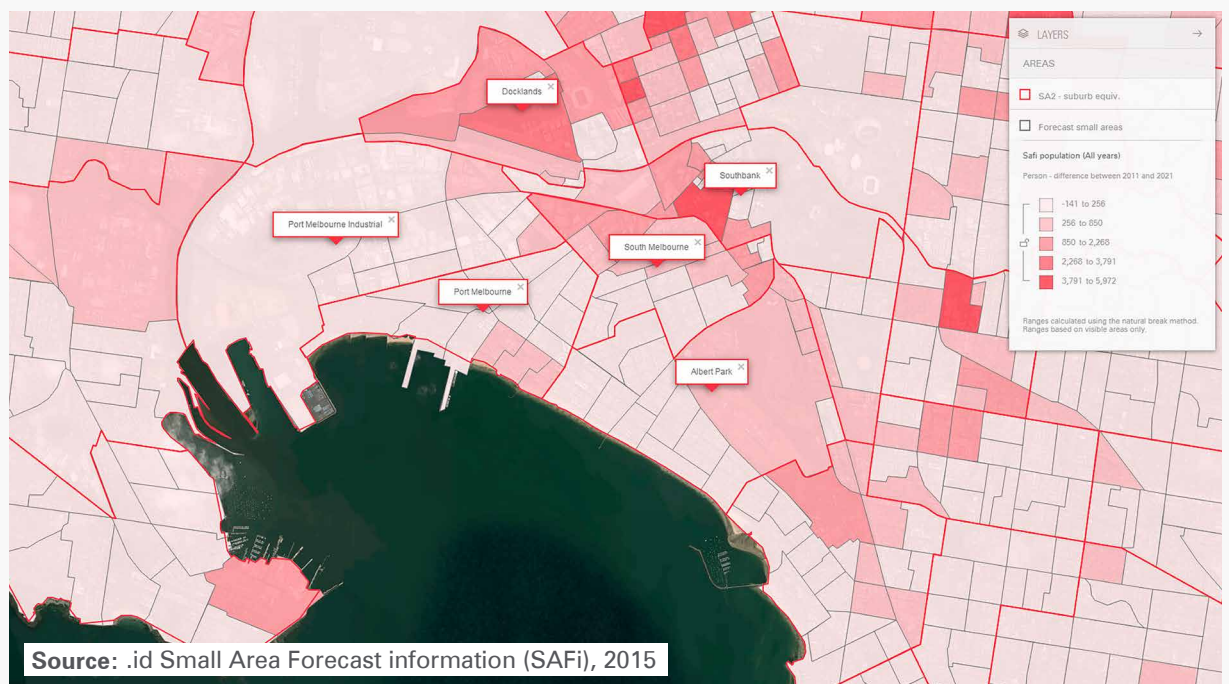


Source: .id Small Area Forecast information (SAFi), 2015

In the South Melbourne-Port Melbourne area, growth tends to be achieved through changes in land use. For example there have been significant dwelling increases in the Bay Street area of Port Melbourne as a result of conversion from industrial and warehousing uses to residential, although much of the growth has been completed by 2011.

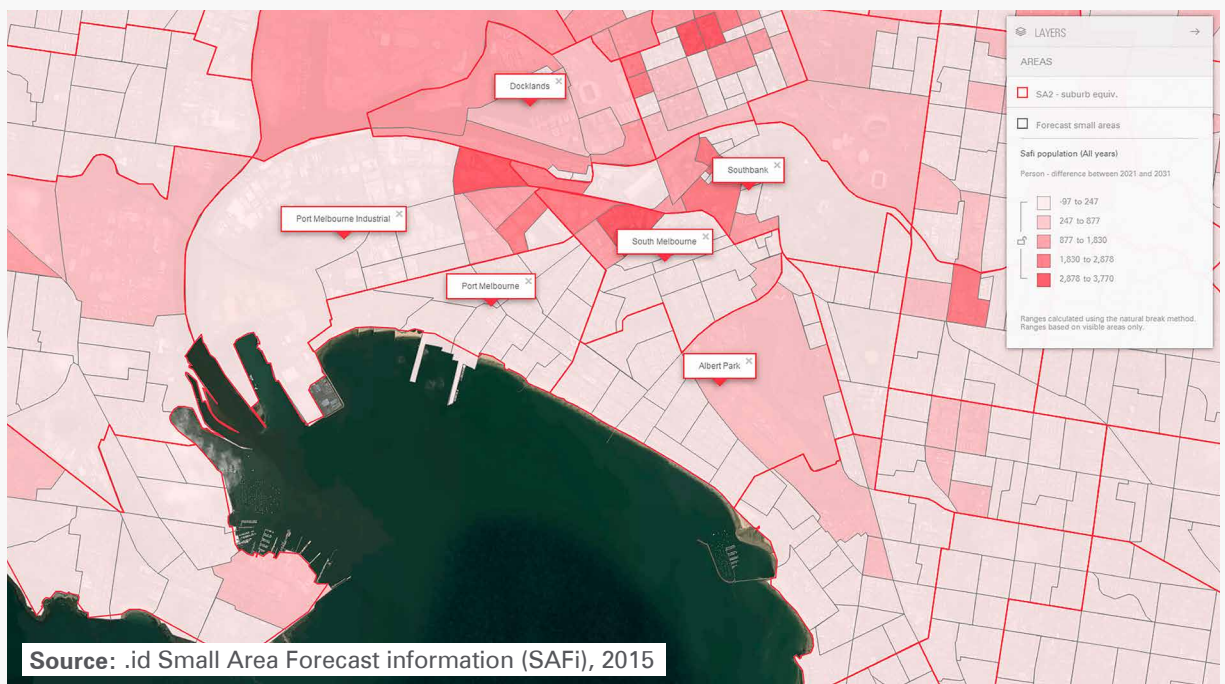
There is only relatively small amounts of population growth anticipated in South Melbourne and Port Melbourne between 2011 and 2021, with much of it concentrated in the industrial area to the south of the West Gate Freeway (Chart 23).

Chart 23: Southbank-Port Melbourne area | Forecast population change, 2011-2021



By 2021, rates of development are expected to increase in the area and spread further into the 'Fishermen's Bend' precinct. This will be linked to further land use changes with much of the industrial and warehousing functions replaced by high-density housing (Chart 24).

Chart 24: Southbank-Port Melbourne area | Forecast population change, 2021-2031



The value and application of such high-definition dwelling and population projections should hopefully be obvious. It is important to be able to accurately estimate the magnitude of population change across Melbourne and Victoria, but businesses and decision makers need to know exactly where that change will occur.

High definition forecasts such as these help businesses and policy maker prepare for the future with confidence.

The challenges of demography

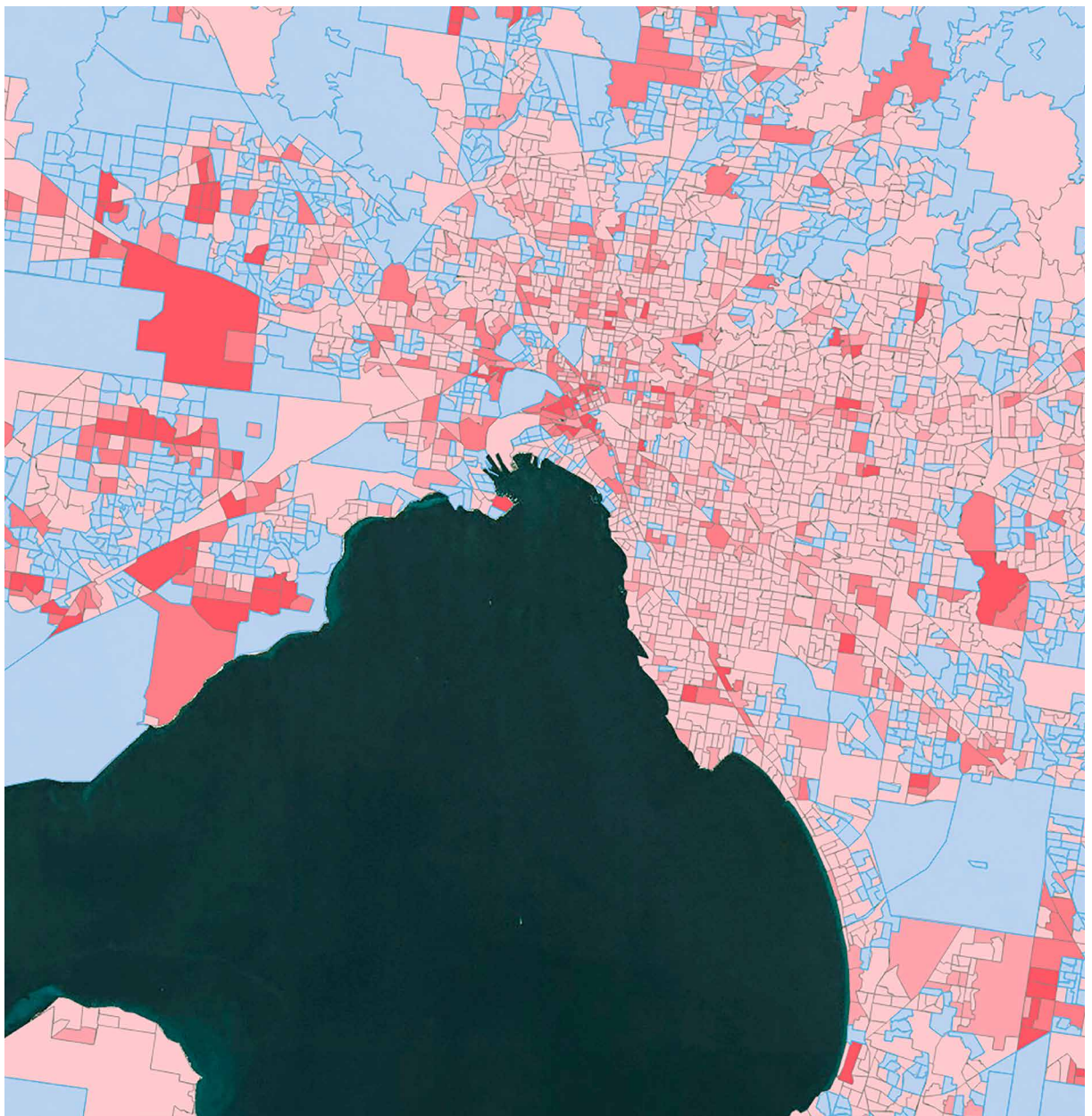
The first decade of the new millennium saw the emergence of new and powerful demographic trends that challenged our old assumptions and understanding of demographic relationships. Stronger than expected fertility, immigration and inter-state migration have successively led to upward revisions to Victoria's population projections each time they have been considered in recent years.

While this may excite demographers, there is little to comfort the elders of state charged with planning and preparing for Victoria's demographic future. However, forewarned is forearmed, and while new trends can assert themselves quickly, as has been shown, the full impact can take several generations to play out. There is always time to prepare.

These new trends have made demographic analysis particular tricky in recent years. Many of the old assumptions and relationships no longer hold. This is one of the reasons why .id always considers demographics from the top-down and the bottom-up. Our Small Area Forecast methodology gives us unique insight into how state-wide population flows will be distributed at the regional, suburban, even at the street-by-street level.

It is our ability to bring such high-definition to these broad macro trends that our clients value so highly.

.id - See the future in sharper details...





end.

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