ESSENTIAL ECONOMICS

Latrobe City Council

Residential and Rural Residential Land Assessment

Assessment of Future Residential and Rural Residential Land

Requirements for Selected Precincts in Latrobe

SUMMARY REPORT

Prepared for

Latrobe City Council

by

Essential Economics Pty Ltd

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1 INTRODUCTION AND METHODOLOGY

Introduction

This Summary Report presents the main findings and recommendations of the *Latrobe City Council Residential and Rural Residential Land Assessment,* prepared by Essential Economics for Latrobe City Council in February 2009.

The study assesses the demand and supply of residential and rural residential land in the City of Latrobe, and more specifically for 11 identified precincts which contain town centres of varying sizes (Traralgon, Morwell, Moe/Newborough, Churchill, Toongabbie, Glengarry, Tyers, Yallourn North, Yinnar, Boolarra, and Traralgon South). An assessment of the supply and demand for rural residential land has also been undertaken for the rural living precincts of Hazelwood North and Yinnar South.

The findings of this assessment are intended to provide input to the preparation of revised Small Town Structure Plans and future strategic work resulting from the review of the Latrobe Municipal Strategic Statement.

Note: A broad summary of the main findings and recommendations of the study is provided in this document. For more detailed discussion and analysis, refer to the main report - *Latrobe City Council Residential and Rural Residential Land Assessment*.

Methodology

The existing and potential supply of residential and rural residential land in each precinct has been identified through aerial photographs and then confirmed by field visits.

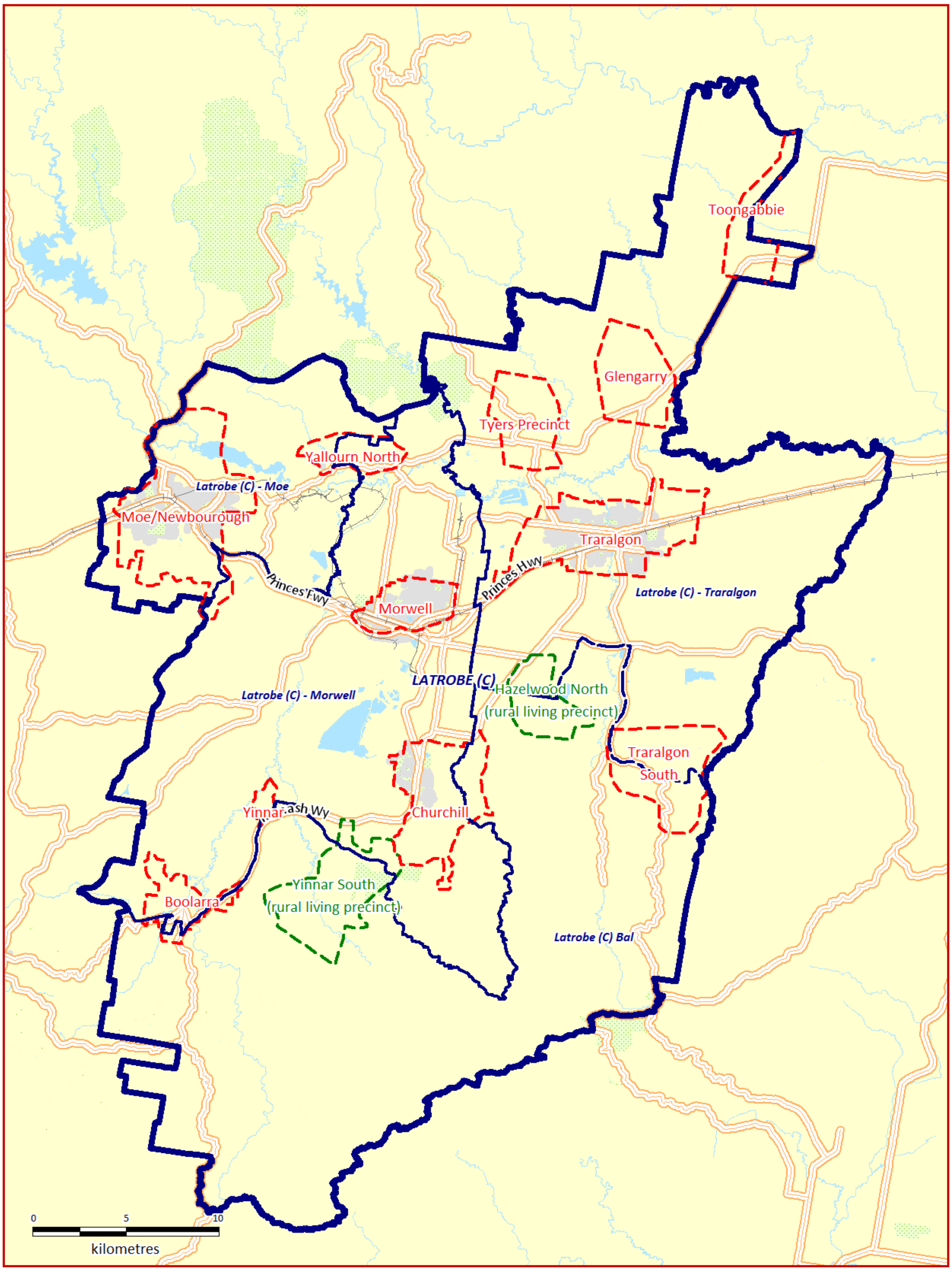
Residential and rural residential land supply is categorised as follows:

- Lots Available for Development: Vacant land that could be developed in the near future, including vacant lots and lots in approved subdivisions.
- Total Vacant Lot Potential: An estimate of the total lot potential on land which is currently vacant and which has the potential to be developed in the near future. This category includes Lots Available for Development in addition to vacant land with subdivision potential.
- Additional Lot Potential on Occupied Lots: Land which is currently occupied by a dwelling (in most cases), or is occupied by a business but located on residential zoned land, and where there is potential for the land to accommodate additional residential development in the future. The extent to which this land will become available for residential development is unknown.

The study adopts a broad-based assessment and does not take into account environmental constraints or infrastructure requirements.

In assessing future demand for residential land by zone type a top-down methodology is used to forecast land requirements by precinct and by zone. These forecasts are based on dwelling demand at a municipal and Statistical Local Area (SLA) level, and then distributed to each precinct with reference to market conditions. The potential dwelling demand for each zone type is based on assumptions for each precinct which have regard for recent and forecast development trends.

Latrobe Residential and Rural Residential Precincts



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2 CONTEXT

Economic Context

Latrobe City is currently going through a period of economic recovery after the significant economic shock that occurred during the 1990s as a result of economic restructure and general recession in the Victorian and national economies. The poor performance of the local and regional economy during this period is illustrated by population decline, loss of employment, and lack of investment in housing and other building projects.

Whereas other regional centres rebounded strongly during the late 1990s and into the 21st century, Latrobe City has continued to experience relatively low population growth. To the extent that population growth has occurred in more recent years, this has been mainly due to strong growth in Traralgon.

There are various reasons which explain why economic conditions in Latrobe have improved, but a fundamental factor is the re-emergence of major investment in the energy industry and other sectors of the economy. Significant investment has been committed for the short-term in sectors including energy, agriculture, manufacturing, residential development and the public sector, with other major development projects in the pipeline. A number of government policies at the local, regional and state level highlight the importance of attracting new residents to the region who can bring skills that are in demand and which can support industry development.

Population Trends

Latrobe experienced population decline for much of the 1990s. However in recent years Latrobe has experienced a recovery in terms of population growth, with the municipality's population increasing by 0.4% pa between 2001 and 2006. In 2006, Latrobe had a resident population of approximately 72,900 persons.

Over the last 15 or more years, the Traralgon SLA has been the only SLA in Latrobe which has experienced any significant population growth. Between 1996 and 2001, the Traralgon SLA increased from approximately 25,540 residents to approximately 26,200 residents; a growth rate of +0.5% pa during a time when all other SLAs in Latrobe experienced population decline. More recently, Traralgon SLA's population has increased at a rate of 1.5% pa between 2001 and 2006 when both the Moe SLA and Morwell SLA continued to experience a declining population. Population levels are relatively stable in the Balance SLA.

Population Growth Forecasts

Three population forecasts have been prepared which present differing levels of economy-driven population growth. According to these three scenarios, population growth in Latrobe over the period 2008 to 2023 is forecast as follows:

- Low growth scenario: Growth of approximately 3,970 residents between 2008 and 2023 at an average of approximately 270 residents per annum (or 0.4% pa).
- Moderate growth scenario: Growth of approximately 8,560 residents between 2008 and 2023 at an average of approximately 570 residents per annum (or 0.7% pa).
- High growth scenario: Growth of approximately 11,630 residents between 2008 and 2023 at an average of approximately 780 residents per annum (or 1.0% pa).

These forecasts are the basis for analysing future residential dwelling demand.

Residential Land Trends

Residential property and land prices in Latrobe have historically been below the medians for regional Victoria and neighbouring municipalities.

Compared with the other precincts examined in this study, Traralgon has been the focus for the majority of recent residential development. Over the period March 2006 to April 2008, Traralgon accounted for approximately 70% of total residential development that occurred in the eleven precincts examined in this study (based on a field survey conducted by Essential Economics). Over this period Traralgon had an annual development rate estimated at 246 dwellings pa, with the next most active precinct over this period being Morwell with a significantly lower development rate of 44 dwellings per annum (or 12% of all dwellings developed in the subject precincts).

Local real estate agents are generally optimistic about the future of residential markets in Latrobe, particularly in the larger towns of Traralgon, Churchill, Morwell and Moe. Agents consider the very recent slow-down in activity to be related to external factors such as interest rates and increases in cost of living. A number of agents are anticipating new residential estates in these townships to come onto the market in the near future and are expecting this to stimulate demand.

Residential Dwelling Demand

For each of the three different population scenarios, it is estimated that the following levels of residential dwelling demand will occur in Latrobe over the next 15 years:

- Low Growth Scenario: forecast demand for approximately 5,370 additional dwellings, at a rate of approximately 360 dwellings per annum.

- Moderate Growth Scenario: forecast demand for approximately 7,760 additional dwellings, at a rate of approximately 520 dwellings per annum.

- High Growth Scenario: Represents an aspirational scenario where forecast residential demand for additional dwellings over the next 15 years (between 2008 and 2023) will amount to approximately 9,310, at a rate of approximately 620 dwellings per annum.

Supply of Total Vacant lot Potential in Identified Precincts (including Rural Living Precincts)

Total vacant lot potential in the study precincts is estimated at approximately:

- 4,500 lots on Residential 1 Zone (R1Z) land;

- 40 lots on Township Zone (TZ) land;

- 240 lots on Low Density Residential Zone (LDRZ) land; and

- 320 lots on Rural Living Zone (RLZ).

A share of these lots may not be able to be developed due to environment constraints, infrastructure constraints, development cost constraints and the preferences and choice of land owner.

3 TRARALGON PRECINCT

Residential Property Trends

Traralgon has been the main location for residential development in the Latrobe residential market.

Median house prices are significantly above the median for Latrobe (2007 data) and have experienced steady growth in recent years. The development of a number of estates on the periphery of Traralgon is contributing to strong residential demand.

Median house price (2007): $217,000

Socio-economic Trends

Traralgon has experienced strong population growth in recent years. Median incomes, housing costs, the share of couple families with children, and the share of households being purchased are all above regional benchmarks.

Estimated 2006 population: 23,140
Average annual growth, 2001-2006: 410 person pa (1.9% pa)

Demand for Residential and Rural Residential Land

Recent Trends

New dwelling building permits, 2003-2007: 257 pa
Recent development rate (March 06-April 08): 246 pa

Forecast Dwelling Demand

Additional dwelling requirement, 2008-2023:

Low Scenario:	3,500 (230 pa approx.)
Moderate Scenario:	4,100 (270 pa approx.)
High Scenario:	4,700 (310 pa approx.)

Residential and Rural Residential Land Supply, April 2008

	R1Z	LDRZ	RLZ
Lots			
Lots Available for Dev.	900	36	20
Total Vacant Lot Potential	1,534	57	42
Structure Plan 2007 (*Future Residential)*	4,900-5,900		
Years Supply (Total Vacant Lot Potential)			
Low Scenario:	7 yrs	24 yrs	18 yrs
Moderate Scenario:	6 yrs	21 yrs	15 yrs
High Scenario:	5 yrs	16 yrs	14 yrs

Recommendations

1. R1Z Land:

a. Where existing R1Z land can be released to the market, this should be encouraged, as there is only a 3.4 year supply of R1Z available for development (under the moderate growth scenario).
b. Under the moderate growth scenario there is an estimated supply of approximately 6 years of total vacant lot potential.
c. Approximately an additional 110 hectares of R1Z land should be identified in order to meet demand for such land over the next 10 years, and approximately 250 additional hectares should be identified in order to meet demand over the next 15 years (based on the moderate growth scenario).
d. Land identified in the Traralgon Structure Plan as *Future Residential* and which has the potential to be rezoned to R1Z, or to provide for residential development if already zoned R1Z, is sufficient to accommodate forecast demand for R1Z over the next 15 years and beyond based on the high growth scenario.
e. There may be opportunities to reduce the amount of R1Z land required in Traralgon and these should be encouraged by way of Council policy and may include:
- Increasing residential densities by encouraging smaller lot sizes in developing estates;
- Encouraging infill development; and
- Potential to rezone land to allow for residential development on land where existing uses are becoming redundant or inappropriate.

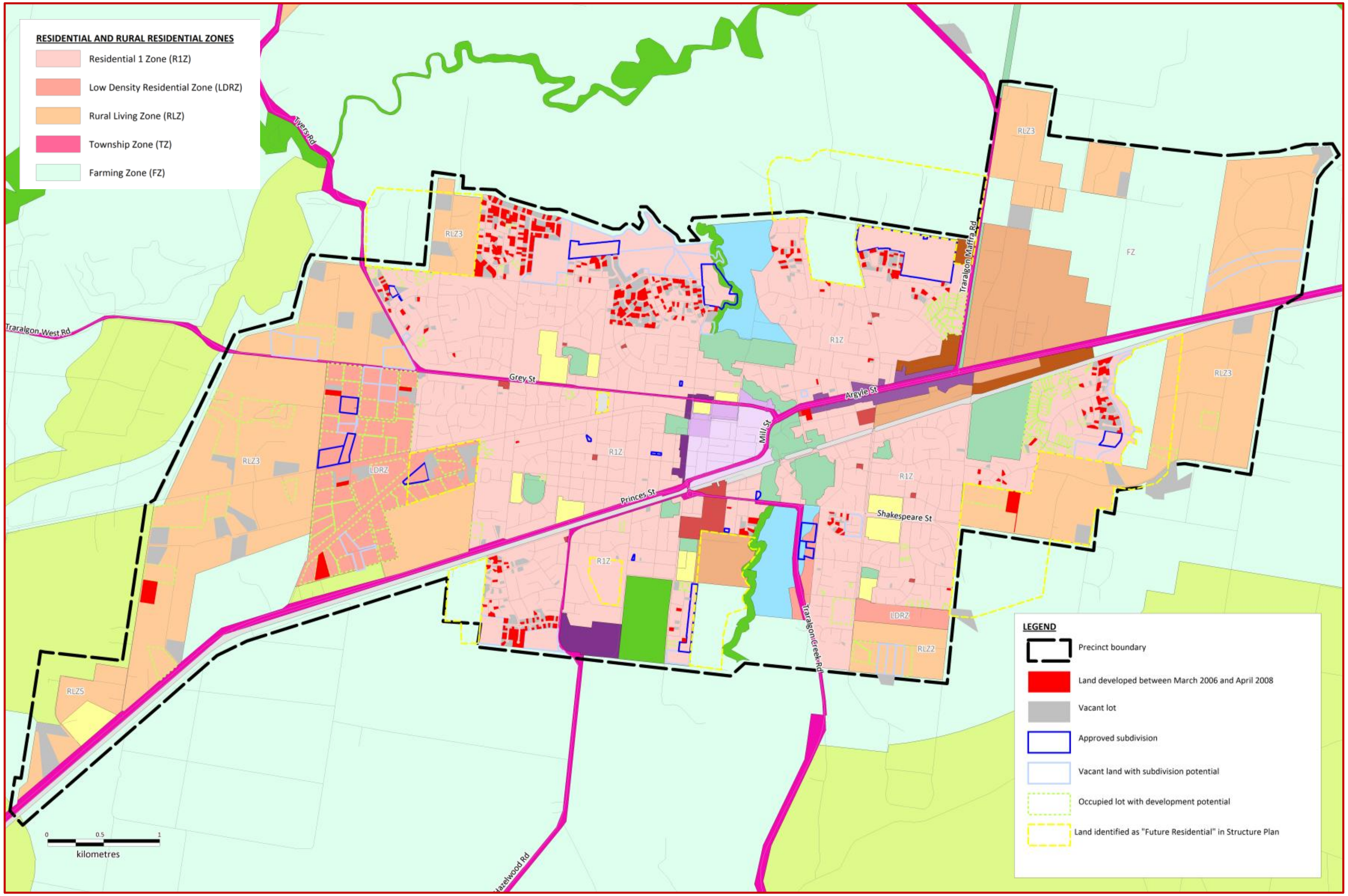
2. LDRZ Land:

a. There is a sufficient total vacant lot supply of LDRZ land in Traralgon, with an estimated supply of 21 years based on the moderate growth scenario. The supply of LDRZ lots available for development is estimated at 13 years; the release of LDRZ land to the market should be encouraged.

3. RLZ Land:

a. There is a sufficient total vacant lot supply of RLZ land in Traralgon with an estimated supply of 15 years based on the moderate growth scenario. The supply of RLZ lots available for development is estimated at 7 years; the release of RLZ land to the market should be encouraged.

Traralgon Land Supply and Recent Development (Zoning map), April 2008



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4 MOE/NEWBOROUGH PRECINCT

Residential Property Trends

According to local agents, sales of residential property in Moe/Newborough have experienced steady growth in recent years; however, it has plateaued in recent months. Affordable properties in the $90,000 to $150,000 range continue to sell well, with sales in the $150,000 to $200,000 range slowing and more expensive properties slowing even further.

Only a limited number of new subdivisions exist in Moe/Newborough and this situation is understood to have constrained demand.

Median house price (2007) - Moe: $132,500
Median house price (2007) - Newborough: $158,000

Demand for Residential and Rural Residential Land

Recent Trends

New dwelling building permits, 2003-2007: 62 pa
Recent development rate (March 06-April 08): 33 pa

Forecast Dwelling Demand

Additional dwelling requirement, 2008-2023:

Low Scenario:	760 (50 pa approx.)
Moderate Scenario:	1,490 (100 pa approx.)
High Scenario:	1,870 (125 pa approx.)

Socio-economic Trends

Moe/Newborough is characterised by a slightly older demographic with lower socio-economic characteristics such as income and property values compared with the balance of the municipality.

A high proportion of residents work in blue collar industries compared to the Latrobe average.

Estimated 2006 population: 17,070
Average annual growth, 2001-2006: -20 person pa (-0.1% pa)

Residential and Rural Residential Land Supply, April 2008

	R1Z	LDRZ	RLZ
Lots			
Lots Available for Dev.	328	na	27
Total Vacant Lot Potential	976	na	39
Structure Plan 2007 (*Future Residential*)	1,460-1,750		
Years Supply (Total Vacant Lot Potential)			
Low Scenario:	21 yrs	na	19 yrs
Moderate Scenario:	11 yrs	na	10 yrs
High Scenario:	9 yrs	na	8 yrs

Recommendations

1. R1Z Land:

a. Where existing R1Z land can be released to the market, this should be encouraged, as there is only a 4-year supply of R1Z available for development (based on the moderate growth scenario).

b. There is a large supply of R1Z land with the potential to be subdivided in the future, including both vacant and occupied parcels of land. The subdivision of these parcels of land should be encouraged.

c. Approximately an additional 40 hectares of R1Z land should be identified in order to meet demand for such land over the next 15 years based on the moderate growth scenario.

d. Land identified in the Moe and Newborough Structure Plan as *Future Residential* is sufficient to accommodate forecast demand for R1Z over the next 15 years and beyond based on the high growth scenario.

e. There may be opportunities to reduce the amount of R1Z land required in Moe/Newborough and these should be encouraged by way of Council policy and may include:
- Increasing residential densities by encouraging smaller lot sizes in developing estates;
- Encouraging infill residential development; and
- Potential to rezone land to allow for residential development on land where existing uses are becoming redundant or inappropriate.

2. LDRZ Land:

a. There is currently no LDRZ in Moe/Newborough. The provision of LDRZ will contribute to additional housing choice in the precinct.

b. Based on the moderate growth scenario, there is potential demand for up to approximately 30 ha of LDRZ over the next 15 years.

3. RLZ Land:

a. Approximately an additional 50 hectares of RLZ land should be identified in order to meet demand for such land over the next 15 years, based on the moderate growth scenario and additional land being RL3Z land.

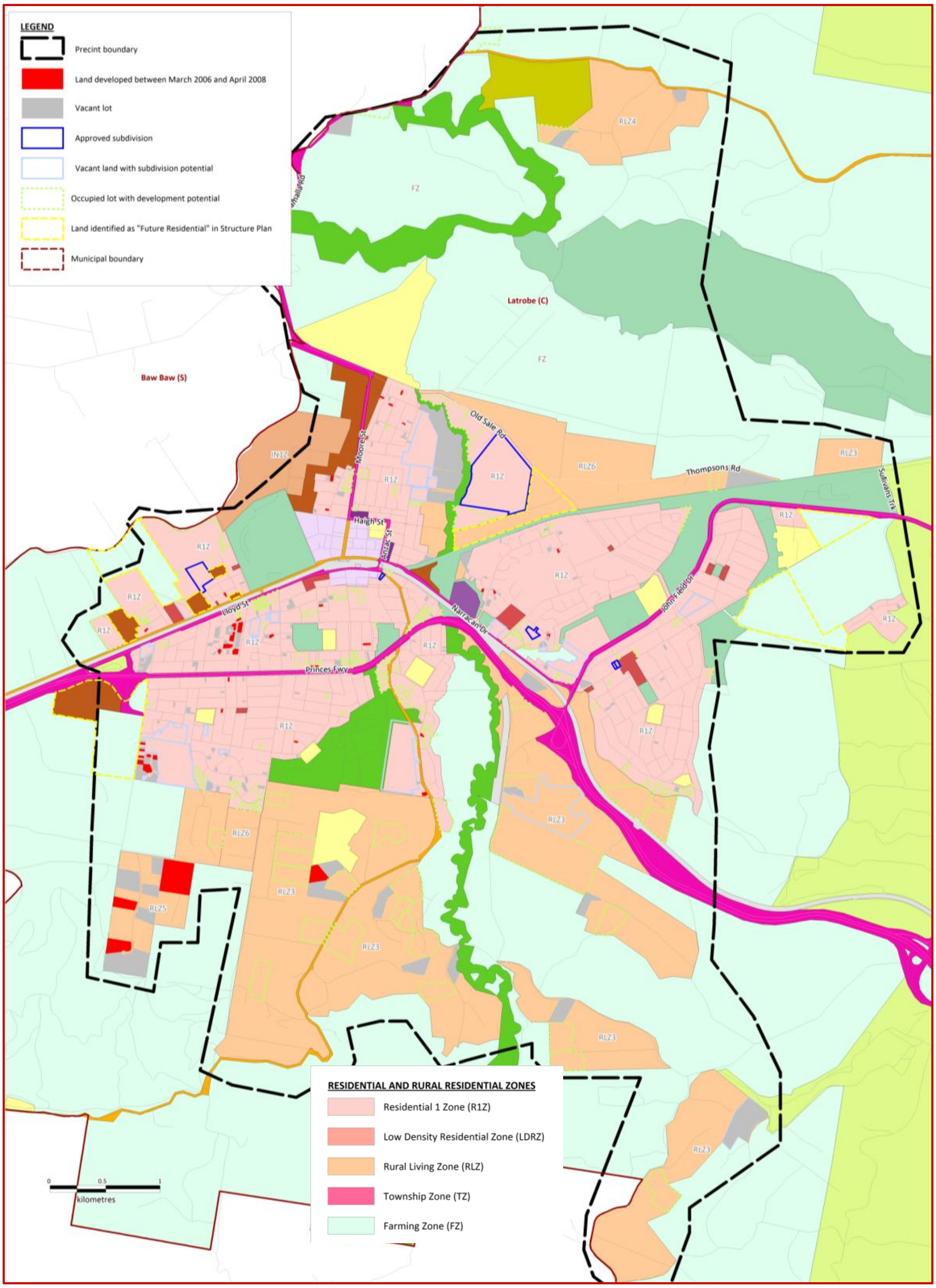
4. Other Considerations:

a. Demand for residential land in Moe/Newborough appears to have been constrained by a lack of supply and choice in the market. Policies which encourage additional choice should be encouraged.

b. The creation of new employment opportunities in Moe/Newborough would stimulate demand for residential housing in the precinct. The moderate growth scenario assumes this will occur in the future and will contribute to population growth in the area. Policies which encourage investment and employment in the precinct will assist in generating residential demand.

c. Facilitating infill development and/or the rezoning of under-utilised industrial or business zoned land would lead to a lower requirement for new land zoned for residential development.

Moe/Newborough Land Supply and Recent Development (Zoning map), April 2008



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5 MORWELL PRECINCT

Residential Property Trends

Limited supply of residential land has constrained demand in Morwell for some time, although established houses have been selling quite well. It is understood there is a demand for lower density housing in Morwell based on recent sales activity.

Median house prices in Morwell are 21% below the Latrobe median. Median unit prices and vacant land prices are also below the medians for Latrobe.

Median house price (2007): $128,000

Socio-economic Trends

Morwell is characterised by a slightly older demographic, a lower than average share of families, and an above average share of renters compared with the average for Latrobe.

Estimated 2006 population: 14,100
Average annual growth, 2001-2006: -70 person pa (-0.5% pa)

Demand for Residential and Rural Residential Land

Recent Trends
New dwelling building permits, 2003-2007: 47 pa
Recent development rate (March 06-April 08): 44 pa

Forecast Dwelling Demand

Additional dwelling requirement, 2008-2023:

Low Scenario:	340 (25 pa approx.)
Moderate Scenario:	930 (60 pa approx.)
High Scenario:	1,240 (85 pa approx.)

Residential and Rural Residential Land Supply, April 2008

	R1Z	LDRZ	RLZ
Lots			
Lots Available for Dev.	201	na	na
Total Vacant Lot Potential	730	na	na
Structure Plan 2007 (*Future Residential*)	1,000 – 1,200		
Years Supply (Total Vacant Lot Potential)			
Low Scenario:	30+ yrs	na	na
Moderate Scenario:	12 yrs	na	na
High Scenario:	9 yrs	na	na

Recommendations

1. R1Z Land:

a. Where existing R1Z land can be released to the market (eg large allotments to the north-west of the township), this should be encouraged as there is only a 3.2 year supply of R1Z available for development under the moderate growth scenario.
b. Provided that all the large occupied lots to the north-west of Morwell are subdivided and are made available for development, there is no requirement for additional R1Z land in Morwell to meet forecast demand for the next 15 years.
c. The Morwell Structure Plan indicates that the opportunity to develop land to the north-west of the township is restricted by fragmented ownership and infrastructure constraints. Additional land may need to be identified in order to meet forecast land requirements over the next 15 years. Not including occupied lots in this area, there is an estimated supply of total vacant lot potential in Morwell of approximately 12 years, based on the moderate growth scenario.
d. Under the moderate growth scenario and excluding large occupied lots, there is a forecast requirement for approximately 20 ha of additional R1Z land needed to meet forecast demand over the next 15 years. This figure increases to approximately 50 ha under the high growth scenario. These estimates assume a lot density of 10 lots per hectare. The Morwell Structure Plan identifies land which has the potential to accommodate future residential development.

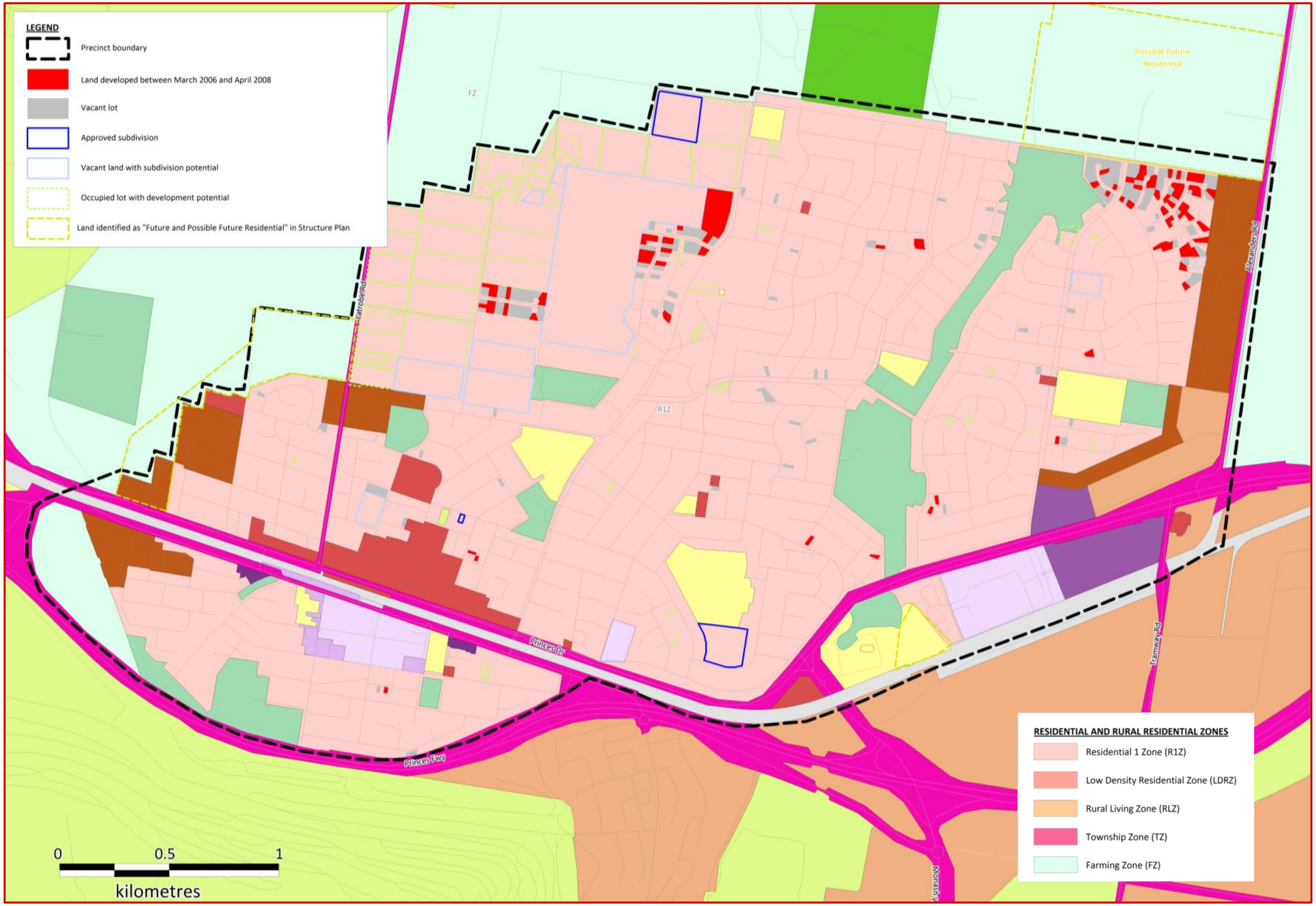
2. LDRZ and RLZ Land:

a. There is no LDRZ or RLZ in Morwell; however, based on discussions with local real estate agents, there is a potential demand for lower density residential development in Morwell. The provision of lower density land in Morwell would create additional housing choice.
b. The location of any new LDRZ or RLZ land should be carefully considered to ensure it does not constrain the expansion of the Morwell township.

3. Other Considerations:

a. Demand for residential land in Morwell has been constrained by a lack of supply and choice in the market. Policies which encourage additional choice should be encouraged.
b. The creation of new employment opportunities in Morwell would stimulate demand for residential housing in the precinct. The moderate growth scenario assumes this will occur in the future and will contribute to population growth in the area. Policies which encourage investment and employment in the precinct will assist in generating residential demand.
c. Facilitating infill development and/or the rezoning of under-utilised industrial or business zoned land would lead to a lower requirement for new land zoned for residential development.

Morwell Land Supply and Recent Development (Zoning map), April 2008



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6 CHURCHILL PRECINCT

Residential Property Trends

Limited development has occurred in Churchill in recent years, as a result of limited supply of land for residential development.

Churchill provides an affordable residential option for those seeking to enter the property market, with house prices well below regional levels. Real estate agents indicate that the affordability of Churchill property is attracting residents who are priced out the Traralgon property market.

Optimism exists regarding the future of the residential market in Churchill, with a proposal to expand the town centre and with residential supply constraints in Traralgon and Morwell understood to be factors which could contribute to increasing demand for residential property in Churchill.

Median house price (2007): $129,750

Socio-economic Trends

Population decline in Churchill has occurred in recent years due to young families moving elsewhere.

The Churchill population contains a large share of students associated with the Churchill Monash University Campus. This is illustrated by the high share of residents in the 15 to 24 year age cohort and above-average shares of group and renting households.

Estimated 2006 population: 4,940
Average annual growth, 2001-2006: -50 person pa (-1.1% pa)

Demand for Residential and Rural Residential Land

Recent Trends

New dwelling building permits, 2003-2007: 9 pa
Recent development rate (March 06-April 08): 12 pa

Forecast Dwelling Demand

Additional dwelling requirement, 2008-2023:

Low Scenario:	90 (6 pa approx.)
Moderate Scenario:	250 (17 pa approx.)
High Scenario:	330 (22 pa approx.)

Residential and Rural Residential Land Supply, April 2008

	R1Z	LDRZ	RLZ
Lots			
Lots Available for Dev.	136	0	29
Total Vacant Lot Potential	477	75	56
Structure Plan 2007 (*Future Residential*)	890		
Years Supply (Total Vacant Lot Potential)			
Low Scenario:	50+ yrs	50+ yrs	50+ yrs
Moderate Scenario:	30+ yrs	50+ yrs	50+ yrs
High Scenario:	20+ yrs	50+ yrs	30+ yrs

Recommendations

1. R1Z Land:

a. Where existing R1Z land can be released to the market, this should be encouraged, as there is only a nine-year supply of R1Z available for development (under the moderate growth scenario).

b. The Churchill Structure Plan identifies a parcel of B5Z land to the immediate south of the town centre as a priority area for the encouragement of residential development. Although not required in terms of accommodating forecast growth, encouraging the development of this land close to the town centre would provide additional choice in the Churchill residential market.

2. LDRZ Land:

a. Currently, no LDRZ in Churchill is available for development; however, there is potential that a significant supply of LDRZ could become available if large lots to the east of the township were subdivided in the future. The subdivision of these lots is encouraged, as it would provide additional choice to the residential market.

b. If these lots could be subdivided, there is no requirement for additional LDRZ to be identified in order to meet forecast demand over the next 15 years.

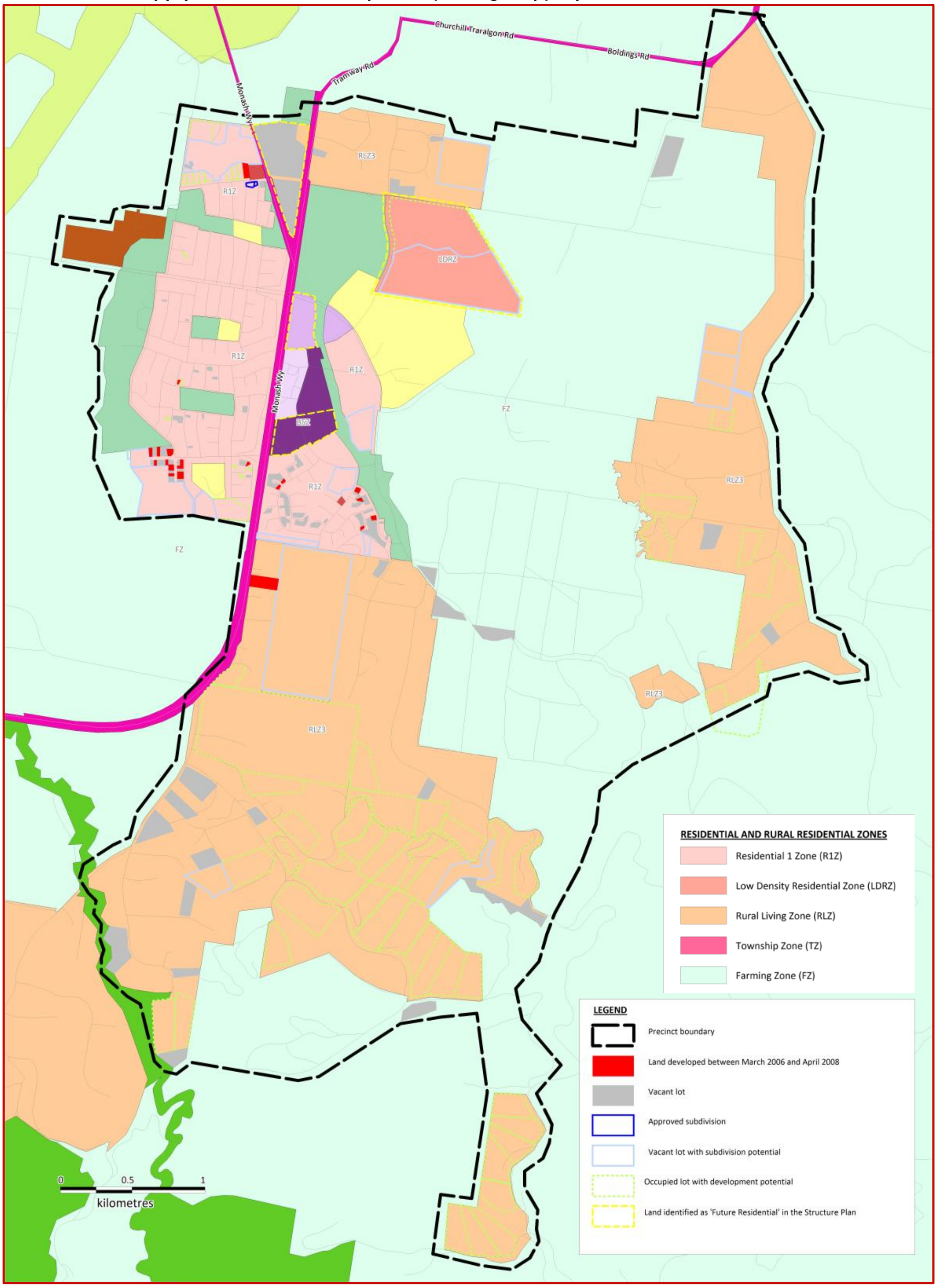
3. RLZ Land:

a. An adequate supply of RLZ land exists in Churchill in order to meet forecast demand over the next 15 years. However, two large parcels of RLZ land (one zoned RLZ3 and one zoned RLZ4) have the potential to be subdivided and are in relatively close proximity to the town centre. If these lots could accommodate quality subdivisions, then this would contribute to housing choice in Churchill and may contribute to improving the perception of the Churchill residential market.

4. Other Considerations:

a. As identified in the Churchill Structure Plan, Churchill's greatest challenges are to create a vibrant town centre, overcome isolation from the other main towns and restore a positive perception within the residential market that Churchill is a great place to live. If these challenges can be met, then there is potential for increased residential demand. It is therefore recommended that land be identified for future residential development, in the case that a greater level of demand eventuates. The Structure Plan does this.

Churchill Land Supply and Recent Development (Zoning map), April 2008



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7 TOONGABBIE PRECINCT

Residential Property Trends

Very little residential development has taken place in Toongabbie in recent years, reflecting its location further away from a major town compared to the residential markets in other small townships in Latrobe. There have been some relatively new RLZ subdivisions to the north of the township and these have developed at a slow pace.

Median house prices in Toongabbie have traditionally been above that of the median for Latrobe, and since 2004, growth in median house prices has outpaced the average growth for Latrobe.

Median house price (2007): $185,000

Socio-economic Trends

Toongabbie is a family orientated township with a high share of dual income families with children, and families who are purchasing their own home.

Estimated 2006 population: 530
Average annual growth, 2001-2006: 0 person pa (0.0% pa)

Demand for Residential and Rural Residential Land

Recent Trends	
New dwelling building permits, 2003-2007:	8 pa
Recent development rate (March 06-April 08):	3 pa
Forecast Dwelling Demand	
Additional dwelling requirement, 2008-2023:	
Low Scenario:	60 (4 pa approx.)
Moderate Scenario:	70 (5 pa approx.)
High Scenario:	80 (5 pa approx.)

Residential and Rural Residential Land Supply, April 2008

	R1Z/TZ	LDRZ	RLZ
Lots			
Lots Available for Dev.	21	0	5
Total Vacant Lot Potential	75	0	5
Years Supply (Total Vacant Lot Potential)			
Low Scenario:	40+ yrs	0 yrs	4 yrs
Moderate Scenario:	30+ yrs	0 yrs	4 yrs
High Scenario:	30+ yrs	0 yrs	3 yrs

Recommendations

1. R1Z and TZ Land:

a. Where existing R1Z or TZ land can be released to the market, such as large vacant and occupied lots located to the east of the township, this should be encouraged as there is only a 10 to 11 year supply of R1Z or TZ available for development (under the moderate and high growth scenarios).

b. Providing the large vacant and occupied lots on the eastern periphery of the township can be subdivided, there is no requirement for additional R1Z or TZ to be identified for the purpose of residential development over the next 15 years.

2. LDRZ Land:

a. There is currently no LDRZ in Toongabbie; however, there is potential demand for lower density land having consideration for recent development trends. There is potential for up to approximately 12 ha of LDRZ to be rezoned in Toongabbie to meet the forecast demand over the next 15 years.

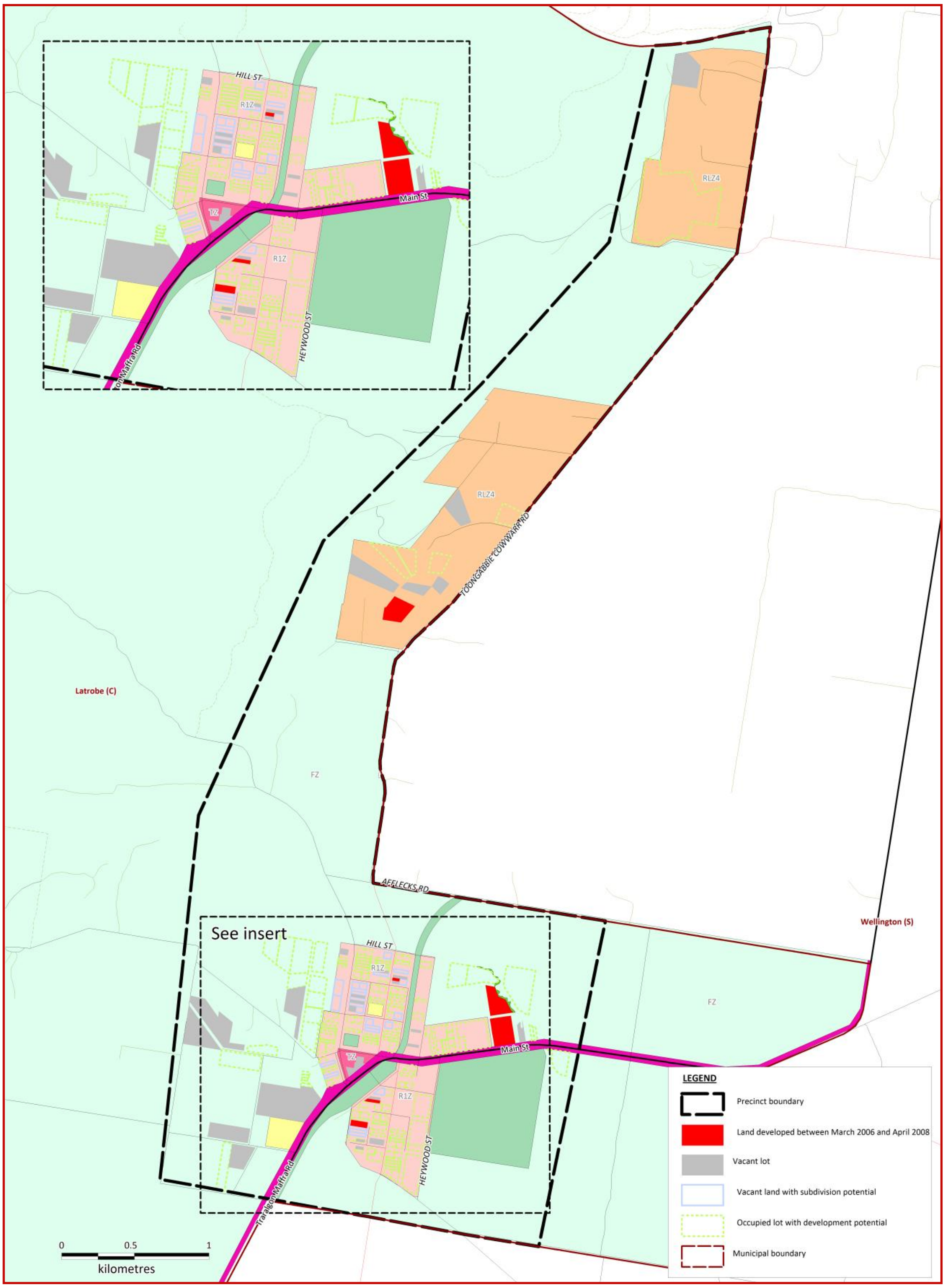
3. RLZ Land:

a. Insufficient supply of RLZ in Toongabbie exists to meet forecast demand over the next 15 years . Assuming additional rural living land would be zoned RLZ4, there is a forecast requirement for up to approximately an additional 76 ha; less land would be required if land were to be rezoned RLZ1, RLZ2 or RLZ3.

4. Other Considerations:

a. A large number of lots have been identified as having the potential for subdivision yet may never be subdivided. Residents in Toongabbie seek larger lots and although there is potential for their land to be subdivided, it may not be in the interests of the property owners. It would be prudent to identify the direction of future urban expansion of Toongabbie should existing R1Z land not be released to the market in the future.

Toongabbie Land Supply and Recent Development (Zoning map), April 2008



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8 GLENGARRY PRECINCT

Residential Property Trends

Traditionally median house prices in Glengarry have been above the median for Latrobe. After experiencing declining house values between 1996 and 1999, property values in Glengarry have steadily increased until 2006. Between 2006 and 2007 median house prices remained relatively unchanged.

In terms of residential development, little activity has taken place in recent years; however, limited supply of available land for development has been a contributing factor.

According to local real estate agents, Glengarry's proximity to Traralgon enables Glengarry to operate as a virtual suburb of Traralgon.

Median house price (2007): $224,000

Socio-economic Trends

Glengarry is a family-dominated area which is well-above Latrobe benchmarks in terms of income, house price and home loan repayments.

While the home loan repayments in Glengarry are nearly twice the median for Latrobe, it does not appear to be a significant burden on households as a result of higher household incomes.

Estimated 2006 population: 1,520
Average annual growth, 2001-2006: 0 person pa

Demand for Residential and Rural Residential Land

Recent Trends	
New dwelling building permits, 2003-2007:	3 pa
Recent development rate (March 06-April 08):	1.4 pa
Forecast Dwelling Demand	
Additional dwelling requirement, 2008-2023:	
Low Scenario:	95 (6 pa approx.)
Moderate Scenario:	115 (8 pa approx.)
High Scenario:	130 (9 pa approx.)

Residential and Rural Residential Land Supply, April 2008

	R1Z/TZ	LDRZ	RLZ
Lots			
Lots Available for Dev.	13	na	4
Total Vacant Lot Potential	24	na	4
Years Supply (Total Vacant Lot Potential)			
Low Scenario:	6 yrs	na	3 yrs
Moderate Scenario:	5 yrs	na	3 yrs
High Scenario:	4 yrs	na	2 yrs

Recommendations

1. R1Z Land:

a. Without the subdivision of large occupied lots which have the potential to be subdivided, there is a significant shortage of R1Z land in Glengarry. This is considered to have constrained demand in recent years.

b. It is recommended that Council encourage the subdivision of large occupied lots on existing R1Z land.

c. It is recommended that Council identify additional R1Z land to be rezoned to enable standard residential development to occur in Glengarry in the short to medium term.

d. It would be prudent to identify the direction of future urban expansion of Glengarry to ensure the long-term development of Glengarry.

2. LDRZ Land:

a. Currently, no LDRZ exists in Glengarry. Council may consider identifying land to be zoned LDRZ. This would provide additional housing choice in Glengarry.

3. RLZ Land:

a. An inadequate supply of RLZ exists in Glengarry in order to meet forecast demand over the next 15 years.

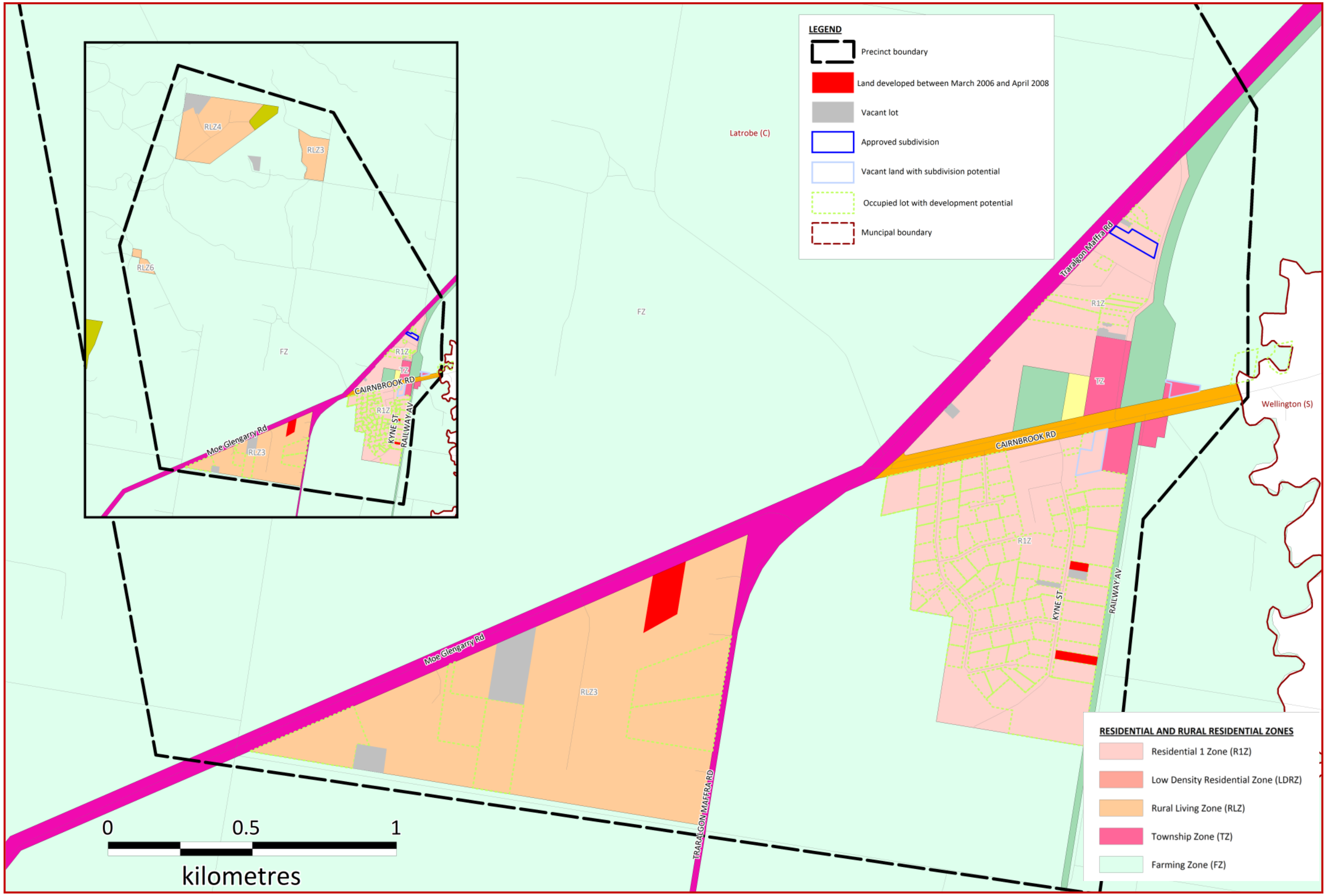
b. Council may consider providing additional RLZ land in Glengarry.

4. Other Considerations:

a. Taking into consideration Glengarry's proximity to Traralgon and the constraints which have limited demand in recent years, there is potential for Glengarry to accommodate greater development than that which has occurred in recent years.

b. It is recommended that Council monitor the development of new residential estates in Glengarry, should any be released onto the market, in order to gain a greater understanding of the future development potential in the precinct.

Glengarry Land Supply and Recent Development (Zoning map), April 2008



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9 TYERS PRECINCT

Residential Property Trends

Only limited residential sales activity has occurred in Tyers in recent years, with 18 residential property sales occurring between 2004 and 2007 (REIV data).

The majority of demand for property in Tyers is for large rural lots, which is illustrated in the share of sales which occurred in the RLZ. Over the four year period between 2004 and 2007, 67% of sales were for properties in the RLZ and only 17% (or 3 sales) were in the TZ, 11% (or 2 sales) in the FZ, and 6% (or 1 sale) in LDRZ land.

It is likely that demand for TZ residential land has been constrained due to a lack of vacant sites and development opportunities, and the absence of sewer infrastructure.

Socio-economic Trends

Similar to other small townships in Latrobe, Tyers is characterised as having a high share of dual income young families with a mortgage.

Estimated 2006 population: 480
Average annual growth, 2001-2006: 0 person pa

Demand for Residential and Rural Residential Land

Recent Trends

New dwelling building permits, 2003-2007: 3 pa
Recent development rate (March 06-April 08): 1 pa

Forecast Dwelling Demand

Additional dwelling requirement, 2008-2023:

Low Scenario:	40 (3 pa approx.)
Moderate Scenario:	45 (3 pa approx.)
High Scenario:	50 (3 pa approx.)

Residential and Rural Residential Land Supply, April 2008

	TZ	LDRZ	RLZ
Lots			
Lots Available for Dev.	6	2	12
Total Vacant Lot Potential	6	2	19
Years Supply (Total Vacant Lot Potential)			
Low Scenario:	11 yrs	1.9 yrs	18 yrs
Moderate Scenario:	10 yrs	1.7 yrs	16 yrs
High Scenario:	9 yrs	1.5 yrs	14 yrs

Recommendations

1. TZ Land:

a. The provision of sewerage infrastructure would enable larger TZ lots in Tyers to be subdivided, which would add to the total supply of TZ lots. In addition, the provision of sewer infrastructure would positively affect demand for land in Tyers.

b. There is a nine year supply of TZ land (based on the high scenario), and approximately 0.5 ha of land is required to meet forecast demand over the next 15 years.

2. LDRZ Land:

a. There is only a 1.5 year supply of LDRZ land (based on the high scenario), and there is a requirement of approximately 9 ha of land to meet forecast demand over the next 15 years.

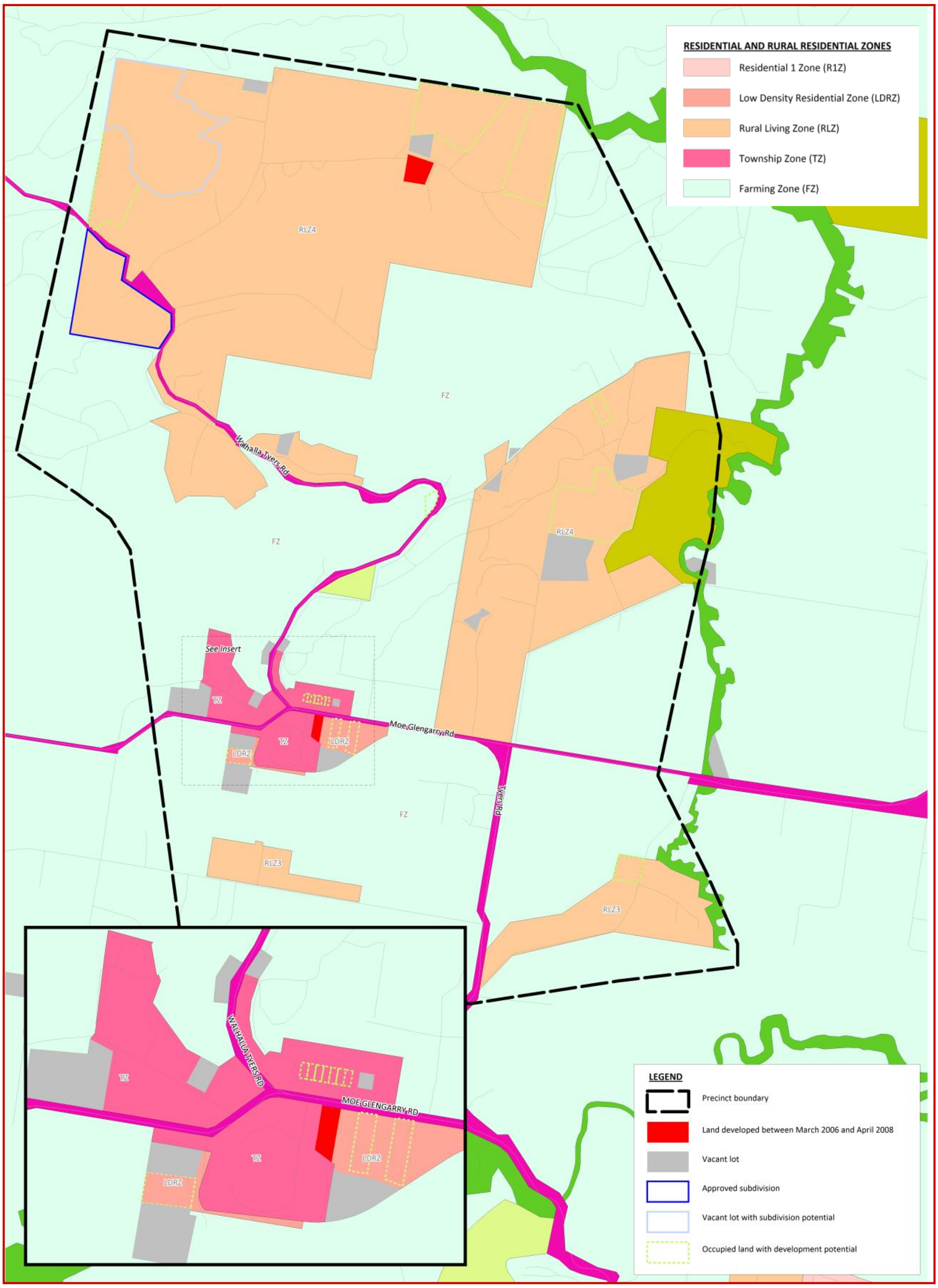
3. RLZ Land:

a. There is an adequate supply of RLZ land in Tyers to meet forecast requirements over the next 15 years.

4. Other Considerations:

a. There is potential for Tyers to be an attractive residential location having regard for its proximity to Traralgon, providing constraints regarding land supply and the provision of sewerage can be resolved.

Tyers Land Supply and Recent Development (Zoning map), April 2008



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10 YALLOURN NORTH PRECINCT

Residential Property Trends

Yallourn North's outlook over the open cut mine and power stations, and the lack of new residential product has contributed to median house prices in the township remaining significantly below the medians for Latrobe and regional Victoria.

Only limited residential development activity has occurred in recent years, with only one house located in RLZ to the east of the township being developed since March 2006.

A recent rural living residential subdivision of 12 rural lots exists to the east of the township. The progress of this subdivision in the near future will provide an insight into the rural living residential market in Yallourn North.

Future expansion of R1Z land in Yallourn North is constrained to the south by the open cut mine and undulating land to the north, west and east.

Median house price (2007): $116,000

Socio-economic Trends

Yallourn North comprises a largely 'blue collar' resident labour force with below average incomes and housing costs.

Yallourn North has experienced a declining population in recent years.

Estimated 2006 population: 1,250
Average annual growth, 2001-2006: -20 person pa (-1.4% pa)

Demand for Residential and Rural Residential Land

Recent Trends

New dwelling building permits, 2003-2007: 3 pa
Recent development rate (March 06-April 08): 0.5 pa

Forecast Dwelling Demand

Additional dwelling requirement, 2008-2023:

Low Scenario:	20 (1.3 pa approx.)
Moderate Scenario:	45 (3 pa approx.)
High Scenario:	55 (3.7 pa approx.)

Residential and Rural Residential Land Supply, April 2008

	R1Z	LDRZ	RLZ
Lots			
Lots Available for Dev.	3	na	17
Total Vacant Lot Potential	82	na	17
Years Supply (Total Vacant Lot Potential)			
Low Scenario:	30+ yrs	na	18 yrs
Moderate Scenario:	30+ yrs	na	8 yrs
High Scenario:	30+ yrs	na	6 yrs

Recommendations

1. R1Z Land:

a. An extremely low choice exists in terms of development opportunities on R1Z land in Yallourn North, with only three vacant lots. Opportunities may develop for larger parcels of R1Z land to the north of the township to be subdivided. This would provide additional choice in the housing market in Yallourn North. Council may consider engaging with owners of larger properties in Yallourn North to investigate the opportunities for subdivision. However, Council should be wary that with low house prices in Yallourn North, subdividing these lots may not be a feasible option for land owners.

2. TZ Land:

a. Only minimal development opportunities on TZ land exist in Yallourn North.

3. LDRZ Land:

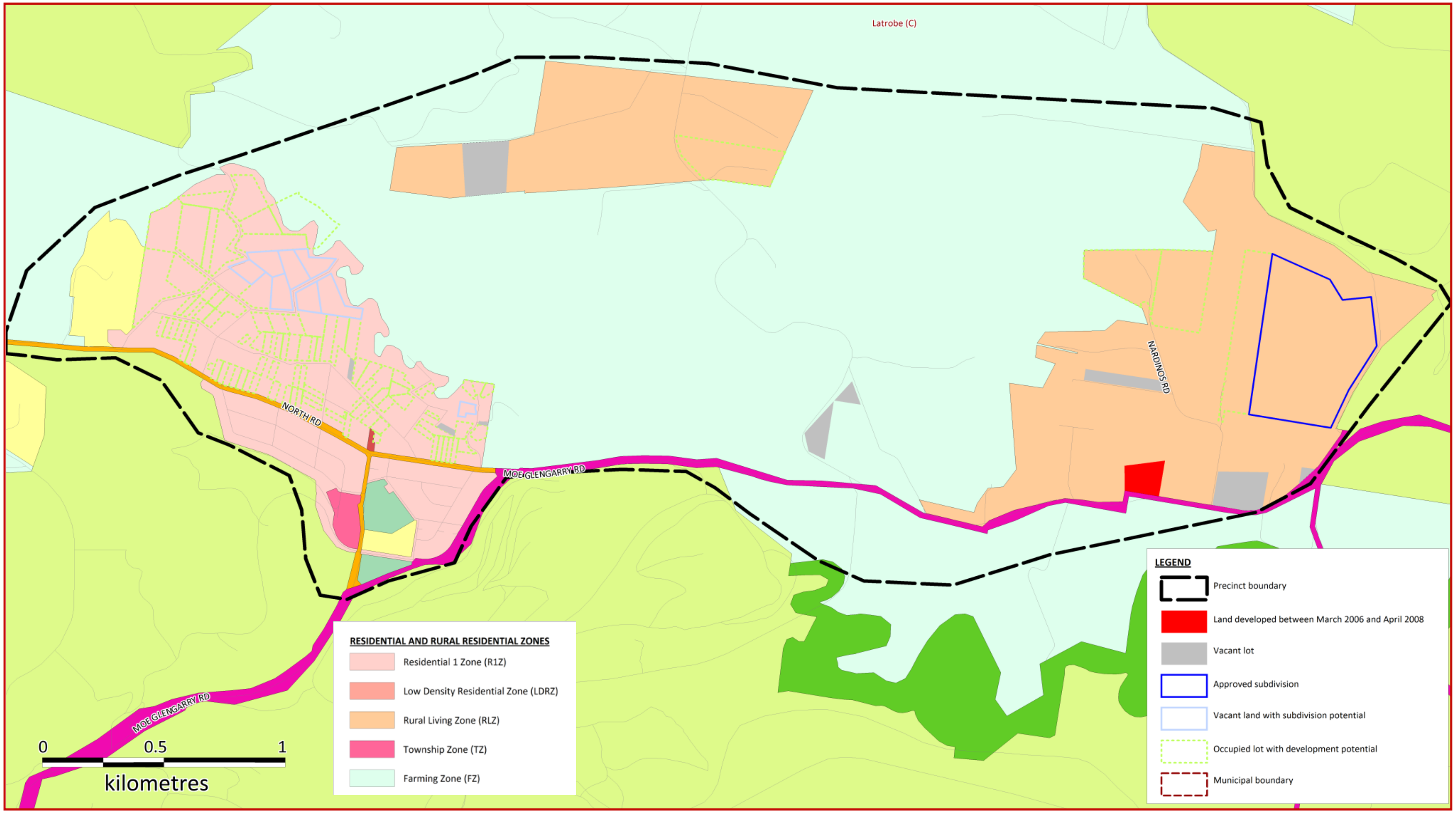
a. There is no LDRZ land in Yallourn North.

4. RLZ Land:

a. Based on the high growth scenario there is a forecast short-fall of supply estimated at 25 RLZ lots by 2023. Assuming these lots would be accommodated on RLZ3 land, which has a minimum subdivision size of 2 ha, there would be a requirement of approximately 50 hectares of RLZ by 2023.

b. Monitoring the progress of the subdivision on RLZ land to the east of the township will provide an indication of the demand for RLZ land in the precinct.

Yallourn North Land Supply and Recent Development (Zoning map), April 2008



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11 TRARALGON SOUTH PRECINCT

Residential Property Trends

Recent development in the Traralgon South precinct is characterised by large houses on relatively large allotments, with the median lot size of recently developed houses being approximately 2,800m^2.

Although only limited sales activity has occurred in Traralgon South, median house prices are considerably higher than elsewhere in the municipality. A peak occurred in the number of land sales in Traralgon South in 2004 and this is likely to have coincided with the release of lots in Cashmere Drive.

Land which has been resold since that time has achieved price growth of between 13% and 22% pa, illustrating strong demand for land in Traralgon South.

According the local real estate agents and REIV data, there has been limited sales activity in recent years and land is being tightly held.

Median house price (2007): $305,000

Socio-economic Trends

Comprising a high share of young families and managers and professionals, Traralgon South is an establishing township and is the wealthiest township in Latrobe with household incomes nearly twice the median for Latrobe.

Estimated 2006 population: 450

Demand for Residential and Rural Residential Land

Recent Trends	
New dwelling building permits, 2003-2007:	5 pa
Recent development rate (March 06-April 08):	4 pa
Forecast Dwelling Demand	
Additional dwelling requirement, 2008-2023:	
Low Scenario:	65 (4 pa approx.)
Moderate Scenario:	75 (5 pa approx.)
High Scenario:	85 (6 pa approx.)

Residential and Rural Residential Land Supply, April 2008

	TZ	LDRZ	RLZ
Lots			
Lots Available for Dev.	15	na	13
Total Vacant Lot Potential	15	na	23
Years Supply (Total Vacant Lot Potential)			
Low Scenario:	5 yrs	na	22 yrs
Moderate Scenario:	4 yrs	na	18 yrs
High Scenario:	4 yrs	na	16 yrs

Recommendations

1. R1Z Land:

a. There is no R1Z land in Traralgon South.

2. TZ Land:

a. Under on the high growth scenario, there is currently a total potential supply of TZ lot of approximately 4 years.

b. Assuming Council would like to encourage residential development in Traralgon South, there is potential for a requirement of up to approximately an additional 12.5 ha of TZ in Traralgon South in order to meet forecast demand over the next 15 years. This land requirement assumes that larger parcels of TZ land cannot be subdivided.

3. LDRZ Land:

a. There is no LDRZ land in Traralgon South; however, based on the large lot sizes upon which dwellings are being developed on TZ, there may be potential to provide LDRZ land in the precinct.

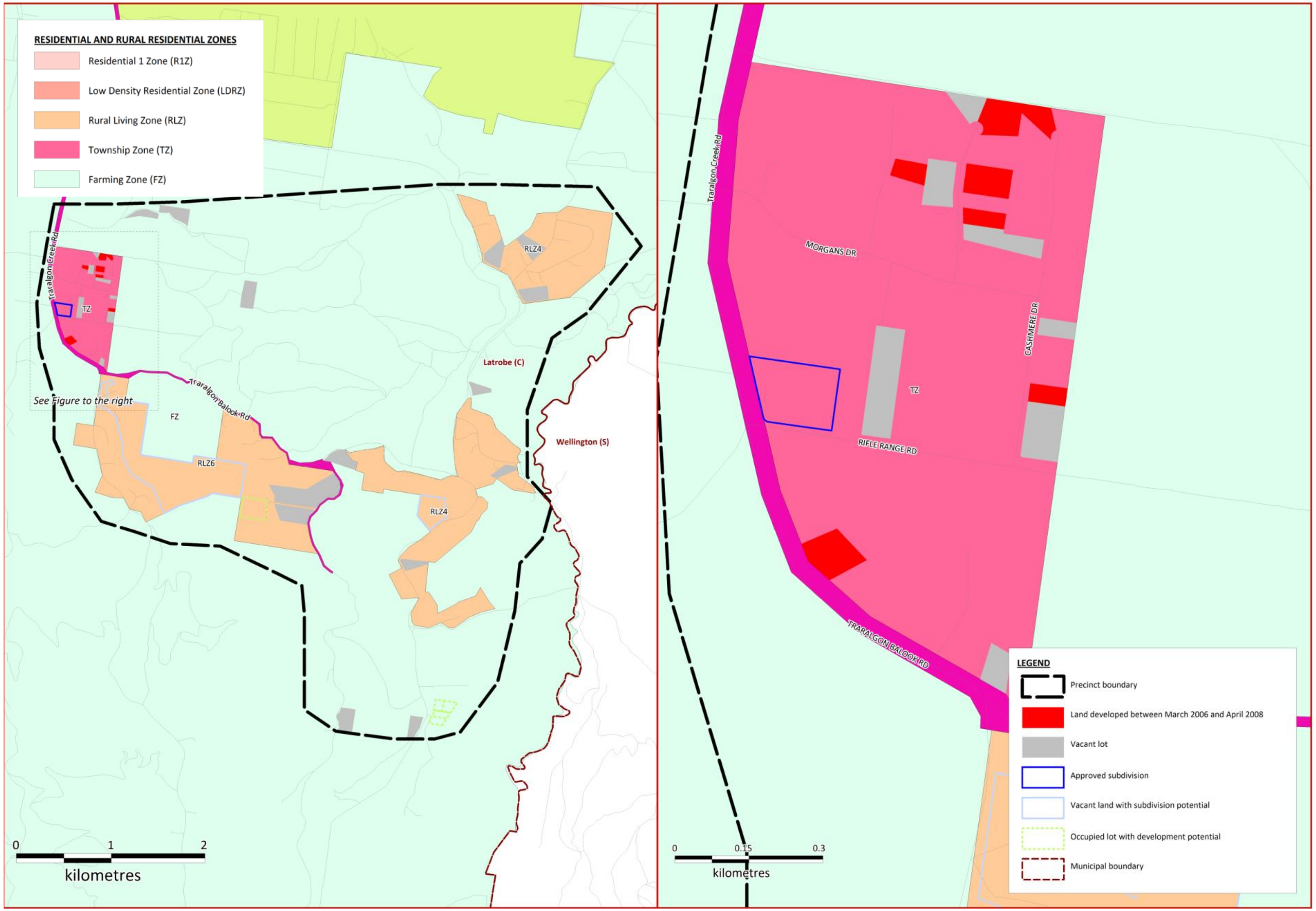
4. RLZ Land:

a. An adequate supply of total vacant lot potential currently exists in Traralgon South to meet forecast demand for RLZ land over the next 15 years. Under the high growth scenario, an estimated 16-year supply of total vacant lot potential exists on RLZ land in Traralgon South.

5. Other Considerations:

a. Traralgon South has the potential to provide Latrobe with a type of residential product that is not readily available in the municipality. The precinct enjoys a rural setting, is located within a comfortable commuting distance to Traralgon, and has been developing as a high quality residential area which is attracting high income residents and families. However, the lack of sewer infrastructure may inhibit Council's willingness to release additional land in the township.

Traralgon South Land Supply and Recent Development (Zoning map), April 2008



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12 YINNAR PRECINCT

Residential Property Trends

The median house price in Yinnar was comparable to the median for Latrobe; however, strong price growth of 19% occurred in 2007 with the median house price in Yinnar increasing to $185,000, which is more than $20,000 above the median house price in Latrobe.

Residential development activity in Yinnar has recently been steady with a development rate of nearly four dwellings per annum occurring between March 2006 and April 2008.

According to local real estate agents, the residential market in Yinnar has been constrained by a lack of supply, with properties being tightly held. A 65-lot subdivision was recently approved in Yinnar and agents expect this subdivision to sell well.

Median house price (2007): $185,000

Socio-economic Trends

Socio-economic trends in Yinnar indicate that a 'tree change' trend is apparent.

An increasing share of residents are aged 45 to 64 years old, and an increase in managers and professionals residing in Yinnar is evident.

Estimated 2006 population: 610
Average annual growth, 2001-2006: 0 person pa

Demand for Residential and Rural Residential Land

Recent Trends	
New dwelling building permits, 2003-2007:	3 pa
Recent development rate (March 06-April 08):	4 pa
Forecast Dwelling Demand	
Additional dwelling requirement, 2008-2023:	
Low Scenario:	25 (2 pa approx.)
Moderate Scenario:	70 (5 pa approx.)
High Scenario:	90 (6 pa approx.)

Residential and Rural Residential Land Supply, April 2008

	TZ/R1Z	LDRZ	RLZ
Lots			
Lots Available for Dev.	72	na	na
Total Vacant Lot Potential	567	na	na
Years Supply (Total Vacant Lot Potential)			
Low Scenario:	30+ yrs	na	na
Moderate Scenario:	30+ yrs	na	na
High Scenario:	30+ yrs	na	na

Recommendations

1. R1Z and TZ Land:

a. Under the moderate growth scenario there is a 15 year supply of R1Z and TZ land available for development.

b. In addition, there is a significant supply of vacant R1Z which has the potential to be subdivided in the future.

c. There is no requirement for additional R1Z land to be identified in order to meet forecast demand over the next 15 years.

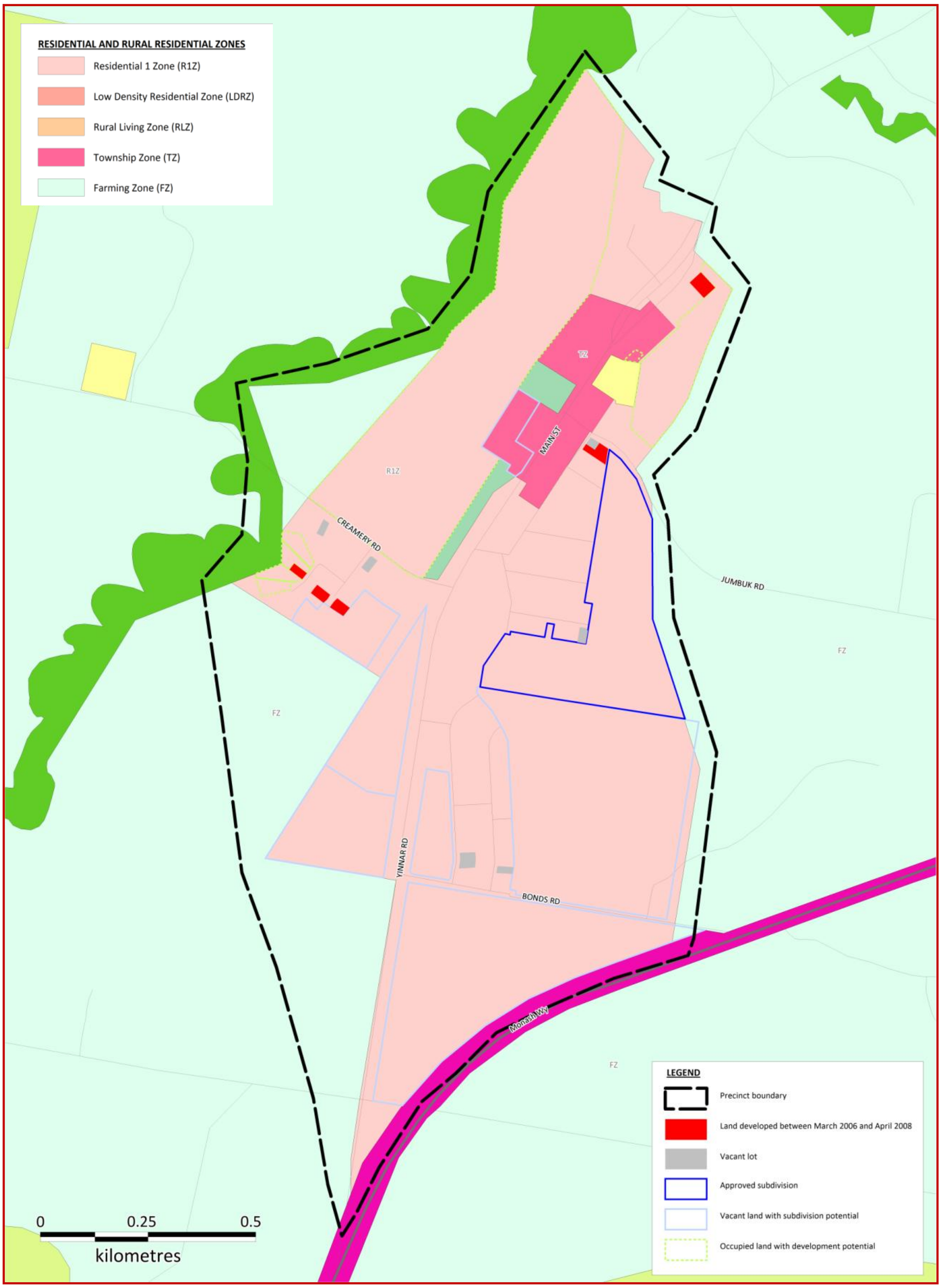
2. LDRZ Land:

a. Although it has not been assessed, there may be potential for LDRZ land to be accommodated in the Yinnar precinct. If this were to occur, it would provide additional housing choice, as the majority of residential lots in Yinnar are small compared to the other smaller settlements in Latrobe.

3. RLZ Land:

a. There is no RLZ land in Yinnar.

Yinnar Land Supply and Recent Development (Zoning map), April 2008



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13 BOOLARRA PRECINCT

Residential Property Trends

According to local real estate agents, activity in the residential market in Boolarra has been slower than other Latrobe townships, and this can be attributed to Boolarra's proximity from the major centres in Latrobe and availability of housing and land stock.

Lower property prices in Boolarra have not made it profitable for developers to release land at this stage; however, the release of land may occur in the future as property prices in Boolarra increase.

It is anticipated that Boolarra's residential property market will intensify as the markets in Churchill and Yinnar progress.

Median house price (2007): $173,000

Socio-economic Trends

Boolarra has experienced a significant increase in middle aged couples without children – the 'tree change' demographic – over the past 5 years.

Estimated 2006 population: 590
Average annual growth, 2001-2006: 10 person pa

Demand for Residential and Rural Residential Land

Recent Trends

New dwelling building permits, 2003-2007:	8 pa
Recent development rate (March 06-April 08):	3 pa

Forecast Dwelling Demand

Additional dwelling requirement, 2008-2023:

Low Scenario:	25 (2 pa approx.)
Moderate Scenario:	70 (5 pa approx.)
High Scenario:	95 (6 pa approx.)

Residential and Rural Residential Land Supply, April 2008

	TZ/R1Z	LDRZ	RLZ
Lots			
Lots Available for Dev.	36	12	22
Total Vacant Lot Potential	62	106	25
Years Supply (Total Vacant Lot Potential)			
Low Scenario:	30+ yrs	30+ yrs	30+ yrs
Moderate Scenario:	30+ yrs	30+ yrs	15 yrs
High Scenario:	26 yrs	30+ yrs	11 yrs

Recommendations

1. R1Z Land:

a. An adequate supply of R1Z land exists in Boolarra to meet forecast requirements over the next 15 years.

b. It may be prudent to identify the future direction of urban expansion in Boolarra in order to protect land for longer tem planning purposes. This assessment is based on R1Z land accommodating 35% of forecast demand growth in Boolarra, additional land should be identified if R1Z land were to accommodate a greater share of dwelling demand.

2. LDRZ Land:

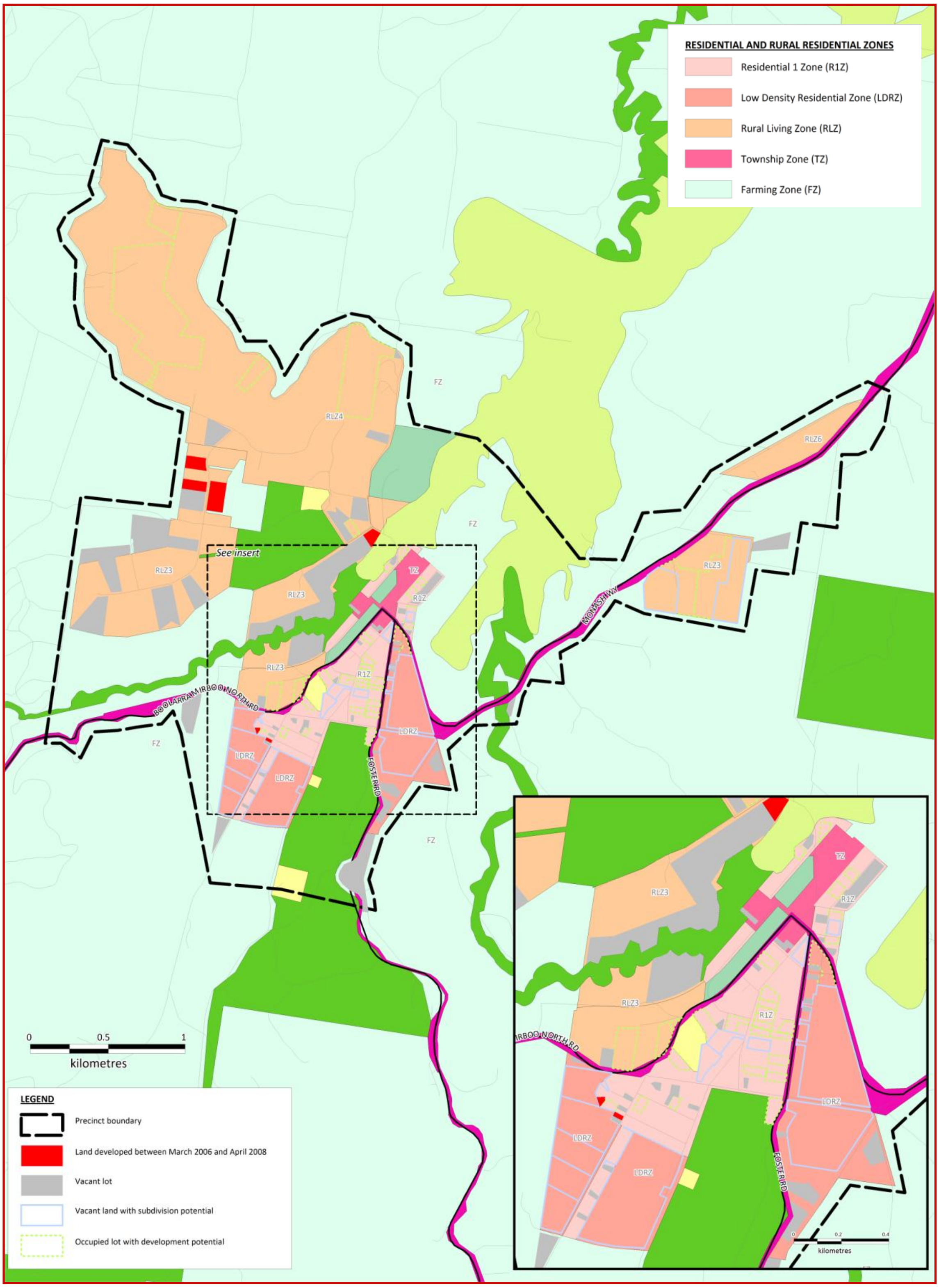
a. An adequate supply of total vacant lot potential exists in Boolarra to meet forecast requirements over the next 15 years. However, subdivision of large vacant lots should be encouraged as there is only an estimated supply of approximately nine years of LDRZ lots available for development, based on the moderate growth scenario. Forecasts show a requirement for up to approximately 20 LDRZ lots to be released to the market over the next 15 years.

3. RLZ Land:

a. Under the moderate growth scenario there is sufficient total vacant lot potential to accommodate forecast demand for RLZ land over the next 15 years.

b. Under the high growth scenario, forecasts show a requirement for an estimated 16 ha of RLZ land to meet demand over the next 15 years. This estimate is based the minimum subdivision size for RLZ3 land of 2 ha. The majority of RLZ land in Boolarra in zoned RLZ3.

Boolarra Land Supply and Recent Development (Zoning map), April 2008



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14 RURAL LIVING PRECINCTS

Hazelwood North

Property Trends

Hazelwood North is located between the Traralgon, Churchill, Morwell and Traralgon South precincts and residents have relatively easy access to the facilities offered in these major townships.

Rural living is well established in Hazelwood North, although a substantial parcel of land in the south-eastern portion of the precinct was rezoned to RLZ in 2004 as a result of Amendment C7 to the Latrobe Planning Scheme. This land is currently being developed. The rural residential market in Hazelwood North has experienced some development and subdivision activity in recent times.

Median house prices have traditionally been above the median for the municipality. Major factors that explain the relatively high median sale price include the large size of the allotments and the more significant investment in larger houses. The proximity of Hazelwood North to Traralgon is also a positive feature of the precinct as it allows for relatively easy access to town centre services in Traralgon while living in a rural environment.

Hazelwood North has experienced strong development in recent years compared to Yinnar South and other smaller settlements, with the release of RLZ land as a result of Amendment C7 being a contributing factor.

Demand Rural Residential Land

Recent Trends

New dwelling building permits, 2003-2007: 7 pa

Recent development rate (March 06-Dec 08): 9.1 pa

Forecast Dwelling Demand

Additional dwelling requirement, 2008-2023:

Low Scenario: 130 (9 pa approx.)

Moderate Scenario: 180 (12 pa approx.)

High Scenario: 200 (14 pa approx.)

Rural Residential Land Supply, Dec 2008

	Lots	Years Supply
Lots Available for Dev.	65	4.8 yrs to 7.5 yrs
Total Vacant Lot Potential	74	5.4 yrs to 8.5 yrs

Yinnar South

Property Trends

Yinnar South, located between the Churchill, Yinnar and Boolarra precincts, is a well established rural living area. Similar to Hazelwood North, Yinnar South does not contain a town centre.

Land in Yinnar South was also rezoned as part of Amendment C7; however, this rezoning essentially recognised that the land already contained large rural living allotments.

Compared to Hazelwood North, Yinnar South has experienced very limited residential development and sales activity. Between March 2006 and December 2008 there has only been one dwelling developed in the Yinnar South precinct. Property sales data is not available because of the few transactions. The lack of land for development opportunities is considered a contributing factor. In addition, Yinnar South is not as well located in regard to its proximity to major towns as Hazelwood North.

Demand for Rural Residential Land

Recent Trends

New dwelling building permits, 2003-2007: 2 pa

Recent development rate (March 06-Dec 08): 0.4 pa

Forecast Dwelling Demand

Additional dwelling requirement, 2008-2023:

Low Scenario: 35 (2 pa approx.)

Moderate Scenario: 70 (5 pa approx.)

High Scenario: 85 (6 pa approx.)

Rural Residential Land Supply, Dec 2009

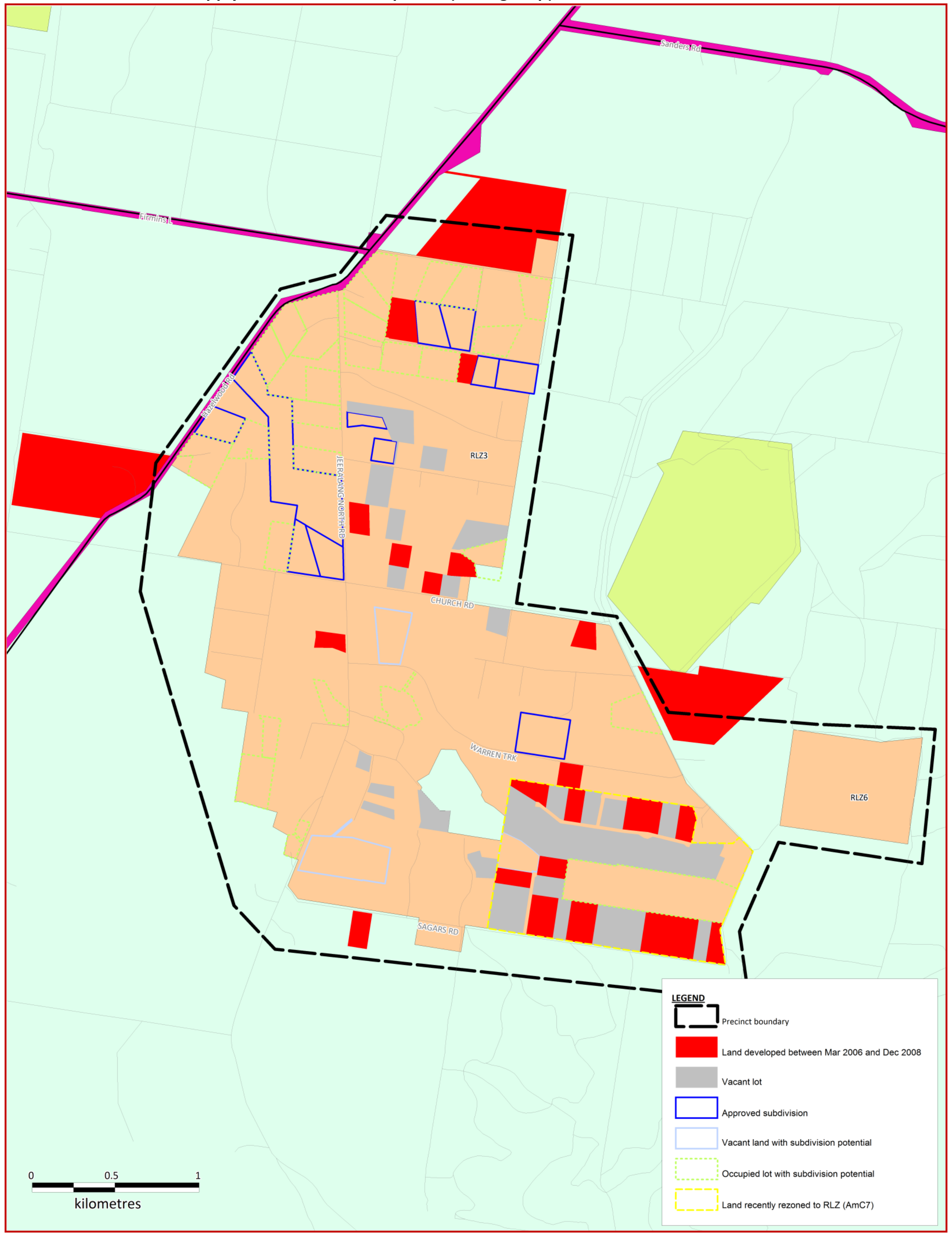
	Lots	Years Supply
Lots Available for Dev.	12	2.3 yrs to 5.6 yrs
Total Vacant Lot Potential	15	2.6 yrs to 6.4 yrs

Rural Living Precincts - Conclusions

1. It is understood that Council are not considering increasing the supply of RLZ at Hazelwood North or Yinnar South in the near future. In this event, it is likely that the availability of land in these precincts will be exhausted within the next 8 or so years.

2. The rate of development which is currently occurring on land rezoned to RLZ as a result of Am C7 shows that there is current demand for quality rural living land within a relatively close proximity to the major towns of Traralgon and Morwell.

Hazelwood North Land Supply and Recent Development (Zoning map), December 2008



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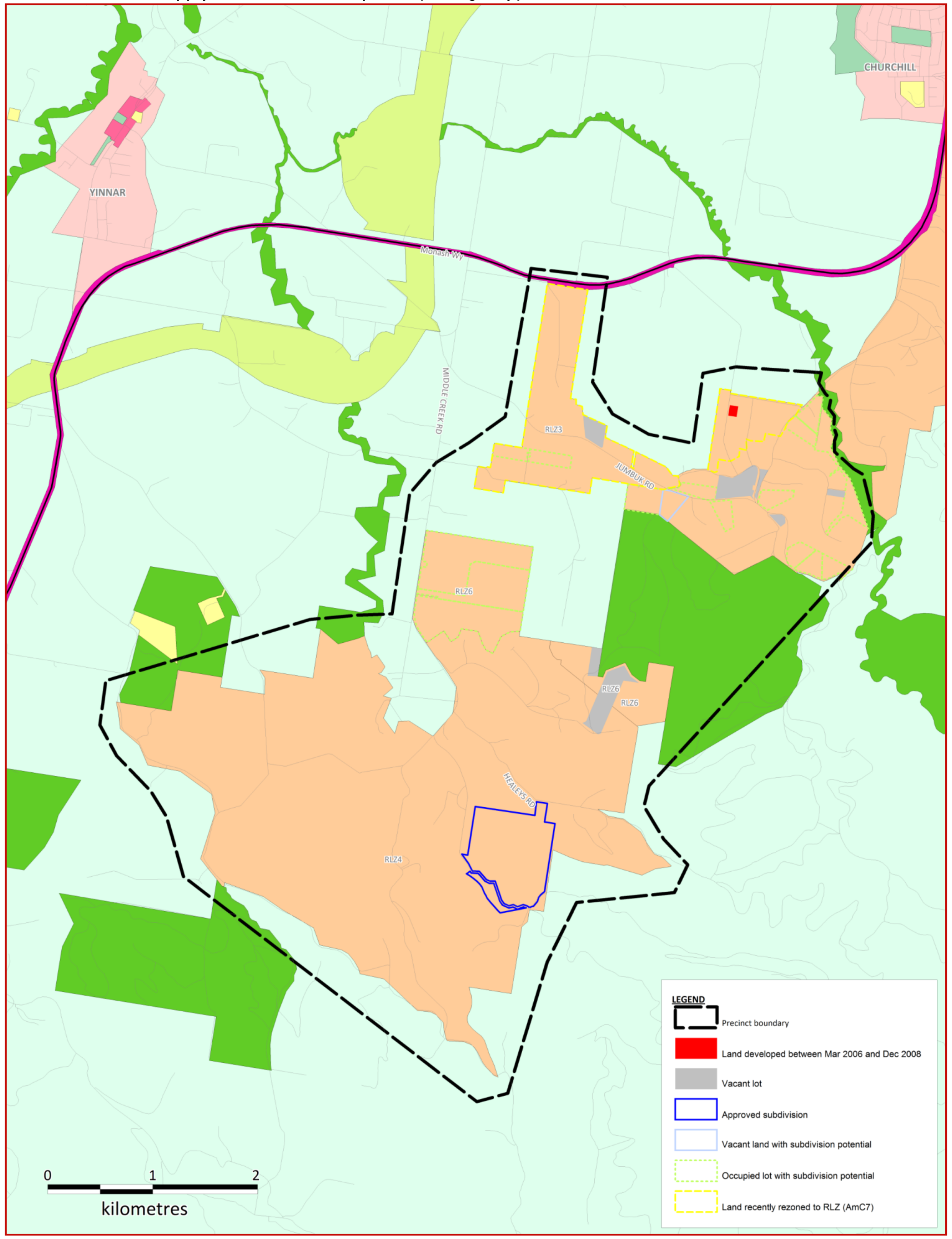
Yinnar South Land Supply and Recent Development (Zoning map), December 2008



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