1. Attachment A: Methodology and Results

Methodology

The UDIA (Victoria) prepared a case study of one site in the Montague Precinct of the FBURA. This site has been de-identified however all other information is accurate to the best of our knowledge.

Two variations of planning controls were applied to the sites as described below:

- The planning controls gazetted under Planning Scheme Amendment GC50 (14 November 2016). These controls were in place in the City of Melbourne and City of Port Phillip Planning Schemes when planning permit applications for the subject sites were lodged.


We have modelled impact of the planning controls above on this site to determine the following:

- Feasibility accounting for land value and production costs;
- Impact of the residential FAR on residential Gross Floor Area;
- Achievable apartment numbers having regard to the residential Gross Floor Area; and
- Impact of affordable/social housing requirements on the market price of the remaining apartments.

We then drew conclusions between the overall residential yield from the sites and the associated market price of residential apartments, and the relationship between these and the current policy settings regarding housing affordability.

Results

A summary of the results is set out below:

- The residential GFA falls from 49,457sqm under the provisions of GC50 to 41,538sqm under the provisions of Part C to GC81.

- The apartment yield falls from 566 under the provisions of GC50 to 477 under the provisions of Part C to GC81.

- The number of apartments required to be provided at no cost for affordable housing decreases from 34 (6%) to 29 (6%).

- As a result of the inputs above, the market price of 1, 2 and 3 bedroom apartments increases by 19.06%.

- In effect, the apartments provided to the market are financially subsidising the affordable/ social housing apartments. The significantly reduced overall residential yield means there are fewer
apartments subsidising the same percentage of affordable/social housing apartments. Our modelling has determined this financial burden to increase by 19.06% for each apartment offered to market.

- Using the definition of affordable housing set out in the Planning and Environment Act 1987 that came into effect on 1 June, and an estimate of an affordable mortgage that is commensurate with “very low”, “low” and “moderate” income households, the increase in apartment prices of 19.06% excludes all of these groups from purchasing any of the apartments.

- An average loan of $497,817 (95% of $524,018 which is the maximum loan possible for a “moderate” income family, refer to Attachment B Affordable Housing Policy Settings for further details) attracts interest of $657,424 over 30 years. An increase of 19.06% to this loan adds $94,884 to the original amount and generates an additional $125,305 in interest over the life of the loan.

2. Attachment B: Affordable Housing Policy Settings

Definition of Affordable Housing

There are two parts to the definition:

**Part 1: Who the affordable housing is for:**

“For the purpose of this Act, affordable housing is housing, including social housing, that is appropriate for the housing needs of any of the following – (a) very low income households; (b) low income households; (c) moderate income households.”

The Governor in Council Order forms part of the definition of affordable housing under the P&E Act. The Order will specify a range of household incomes as a very low income range, a low income range, or a moderate income range by reference to statistical data published by the ABS. The income limits will be based on 2016 Census Area Median Income data for Greater Melbourne and the rest of Victoria, and will be indexed annually. Three household types will be used: single adult, couple with no dependents, family being one or two parents with dependent children.

The Order will be published annually in the Government Gazette.

**Applied to ABS Census Data for 2018**

This is determined with reference to Greater Melbourne and Rest of State Median Household incomes (ABS Census), indexed by CPI Housing to a 2018 figure then adjusted to reflect household size. Below is an estimate as to what this translates to for Greater Melbourne based on a two adult low income household is a household earning less than $61,069 gross household income per annum.

<table>
<thead>
<tr>
<th>Greater Melbourne</th>
<th>Very Low</th>
<th>Low</th>
<th>Moderate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Household type</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>One adult</td>
<td>$25,445</td>
<td>$40,713</td>
<td>$61,069</td>
</tr>
<tr>
<td>Two adults</td>
<td>$38,188</td>
<td>$61,069</td>
<td>$91,603</td>
</tr>
<tr>
<td>Family (two adults, two children)</td>
<td>$53,435</td>
<td>$85,497</td>
<td>$129,245</td>
</tr>
</tbody>
</table>
Part 2: What is ‘appropriate for the housing needs of these households’:
For the purposes of determining what is appropriate for the housing needs [of these households] regard must be had to the matters specified by the Minister by notice published in the Government Gazette. The Notice cannot include price ranges or prices for the purchase or rent of housing.

Social Housing
Refer to the definition of affordable housing provided above. A key point of difference is that the income limits for social housing are set by the Director of Housing.

Average Mortgages
Outlined below is an affordable mortgage for very low, low and moderate-income households referenced above.
The calculations assume the following:
- 5% deposit
- 6.69% interest rate
- 30 year loan term
- 30% income on mortgage (see below).

Interest Over the Life of the Loan
If a Moderate Income Family earning $128,245 had a mortgage of $497,817 with an average interest rate of 6.69 over 30 year term, and paid a constant $3,209 per month (principal plus interest) in mortgage payments, they would pay $657,424 in interest over that period.

Median Unit/ Apartment Prices

- Median unit price in Melbourne $544,768 in 2017
- Median house in Melbourne $860,000 in 2017
- Rate per sqm – 2017 - $9000

<table>
<thead>
<tr>
<th>AV MID. POINT SIZE</th>
<th>AVG MID POINT PRICE</th>
<th>RATE PER SQM</th>
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</thead>
<tbody>
<tr>
<td>Studio</td>
<td>42</td>
<td>$394,200</td>
</tr>
<tr>
<td>1Bed + 1Bath + 0Car</td>
<td>49</td>
<td>$447,836</td>
</tr>
<tr>
<td>1Bed + 1Bath + 1Car</td>
<td>54</td>
<td>$483,425</td>
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<tr>
<td>2Bed + 1Bath</td>
<td>66</td>
<td>$602,302</td>
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<tr>
<td>2Bed + 2Bath</td>
<td>80</td>
<td>$780,328</td>
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<tr>
<td>3Bed + 2Bath</td>
<td>118</td>
<td>$1,337,911</td>
</tr>
<tr>
<td>3Bed + 3Bath</td>
<td>134</td>
<td>$1,682,812</td>
</tr>
<tr>
<td>4Bed +</td>
<td>211</td>
<td>$2,743,564</td>
</tr>
<tr>
<td>Penthouse</td>
<td>280</td>
<td>$5,290,202</td>
</tr>
</tbody>
</table>

Source: Urbis Apartment Essentials, May 2018

Median House and Land Prices

The following data is sourced from Research 4 in May 2018:

- Median lot price in Melbourne $330,000 as at May 2018 (annual price growth of 31% in the past year).
- Land to house ratio of 44% as at May 2018.
- Median greenfield house and land package $750,000 as at May 2018.

3. About Us

The Urban Development Institute of Australia (UDIA) is the peak industry body for the urban development sector. In Victoria alone, we represent the collective views of over 320 member companies including developers, consultants, financial institutions, suppliers, government authorities and utilities. Together we drive industry discussion and debate, which serves to assist key regulators and all levels of government in achieving successful planning, infrastructure, affordability and environmental outcomes.
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