

# Research insight

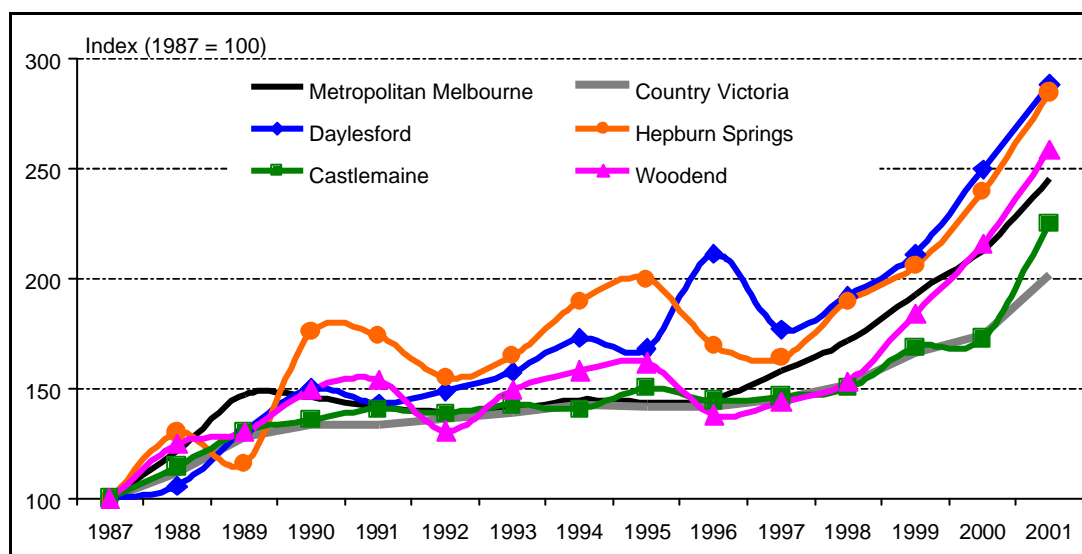
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## Regional Victoria – Boom(er) Times Ahead?

On any number of measures, Victoria's major regional centres have enjoyed a renewed degree of social and economic vibrancy over recent years. For example:

- ✘ During the inter-Census period from 1991 to 1996, population growth in most regional centres markedly underperformed even the listless growth recorded in metropolitan Melbourne, however between 1996 and 2001, population growth rates in centres such as Ballarat, Bendigo and Warrnambool increased significantly to rival Melbourne's own improved growth rate;
- ✘ The Federal Department of Employment and Workplace Relations reports that, over the two years to June 2002, employment growth in Warrnambool and Geelong was robust enough to reduce their respective unemployment rates to below that recorded in metropolitan Melbourne;
- ✘ House price growth in regional centres such as Ballarat and Geelong, as well as lifestyle locations such as Woodend, Castlemaine, Daylesford and Hepburn Springs, has been comparable or superior to that experienced in Melbourne over the past five years (though actual median prices in these locations remain somewhat below that of Melbourne).

**Figure 1: Comparative House Price Growth: Melbourne versus Selected Regional "Lifestyle" Locations**



Source: Valuer General Victoria, Charter Keck Cramer

The explanation for this renaissance in Victoria's regional centres is to be found in the virtuous circle comprising heightened political attentiveness, strong economic activity at the state and national levels, a weak Australian dollar supporting strong rural export growth and the increasing attraction of "lifestyle" locations. Together, this happy confluence has attracted new residents to regional centres, which has in turn further buoyed local economic activity and investment.

So, what of the future for regional Victoria and what impact will emerging trends have on regional residential property markets? Ultimately the outlook for regional centres will largely be determined by the resilience of their local economies, which will in turn remain reliant upon the broader national and international economic outlook. While Victoria and Australia have enjoyed an almost unprecedented period of economic prosperity over the past decade, any significant and prolonged downturn in economic activity would have serious repercussions for the regional economies. In any event, over the short term, the worsening drought will impact disproportionately upon regional centres reliant upon the expenditure of farming households.

However, though the economic environment will always be central to the regional outlook, structural movements in other factors such as demographic trends and lifestyle aspirations may play an increasingly significant role, with inter-temporal analysis of the latest census data revealing both time-honoured and newly emerging demographic trends across rural and regional communities. For example, regional cities such as Ballarat and Bendigo continue to benefit from the annual influx of secondary and tertiary students from surrounding districts who board at schools and universities in these centres, while both major centres and their rural surrounds continue to experience a steady outflow of "20-somethings" in search of fame and fortune further afield.

Importantly, the 2001 Census also sheds light on the significantly improved population growth experienced by cities such as Ballarat and Bendigo since the mid 1990s. Analysis reveals that virtually the entire increase in population growth has been attributable to an increased inflow of couple households with young children (those aged 30-45 with children aged 5-15 years), which suggests buoyant conditions in local labour markets have played a key role in attracting these prime working-age households. These findings are consistent with alternate ABS surveys that record employment as the primary driver of intra and interstate migration. This being the case, it is likely that recent robust population growth would soften in a general economic downturn as local labour market conditions weakened.

However, looking further forward, the seriously under-superannuated Baby Boomer generation may begin to exert some impact upon regional Victoria over the next decade and beyond. Research undertaken on behalf of the Association of Superannuation Funds of Australia found that 80% of survey respondents aged 55 years and over estimated a minimum annual income of \$20,000 would be necessary in retirement, with 50% nominating \$30,000 or more. Problematically however, official projections estimate that only around 20% of the workforce will have sufficient savings to maintain an income of more than \$30,000 per annum following retirement. Clearly, many Baby Boomers are going to experience a serious disconnect in terms of desired retirement incomes and actual retirement income streams.

This being the case, many of Melbourne's resident Baby Boomers may in future opt to realise capital gains accumulated in the family home in an endeavour to acquire a larger income stream in retirement (the alternative to remaining in the workforce longer than they had ideally planned). Of course, the only means of attaining a substantial lump sum when selling and buying a dwelling in the same market is to significantly downsize in terms of property size and / or amenity. However, for many Boomers, this may be more than they are prepared to forgo believing that, following a lifetime of work and child rearing, they are entitled to maintain their creature comforts in retirement. One alternative may be to replace the suburban family home with one of comparable standard in a major regional city, an option that may prove particularly attractive for the many Baby Boomers currently residing in Melbourne who were born and raised in non-metropolitan areas.

Regional cities such as Ballarat, Bendigo and Geelong have evolved into important commercial hubs over recent decades providing surrounding districts with a higher order of retail, health, education and professional services. Further, many of Victoria's large regional cities now also offer an array of fine restaurants (an important consideration for Baby Boomers accustomed to eating out), cultural and artistic facilities and first class sports infrastructure such as public swimming pools and golf courses. In addition, increased government expenditure on transport infrastructure combined with prolific advances in IT&C technology will work to further increase the degree of connectivity between metropolitan Melbourne and the regional centres in coming years, while further impetus in linking the regions to Melbourne will flow from the Victorian Government's metropolitan strategic plan, *Melbourne 2030*, which aims to promote the growth of regional centres situated along major country transport corridors as part of a networked cities model.

Along these corridors, lifestyle locations such as Woodend, Kyneton and Daylesford that are already enjoying increased levels of interest from ageing Baby Boomers looking for a weekend escape or an alternative to traditional city life will likely further benefit from spill over effects emanating from *Melbourne 2030*.

As the population of rural Victoria continues to age, major regional cities are already experiencing an influx of older residents in need of access to more intensive health services, with this trend set to strengthen in the decade ahead. However in addition, financial necessity may also see some of the backwash from the looming tidal wave of retiring Baby Boomers flowing into regional Victoria and its residential property markets over the next decade and beyond. Already the first of the Baby Boomer generation have passed 55 years of age and many of them will be only too aware of the inadequacy of their retirement nest egg. Faced with the stark reality of a drastic reduction in their standard of living post-retirement, many asset-rich yet savings-poor Baby Boomers will likely view the possibility of a better funded life in an increasingly well connected and serviced regional Victoria as a far brighter option.

Real estate agents have never seen better times than those encountered over the past five years, but here's a free word of advice for those operating in Victoria's major regional centres – if you haven't already done so, now might be a good time to install a few additional telephone lines!

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