JULY 2021

SHAPING URBAN VICTORIA

VPA'S RESPONSE TO COVID-19

VPA
Victorian Planning Authority

VICTORIA
State Government

OVERVIEW & CONTEXT

As Victoria's lead agency for spatial planning and infrastructure coordination in designated growth areas across the State, the Victorian Planning Authority (VPA) is working with Victoria's planning and development sector to navigate the impacts of the coronavirus (COVID-19) pandemic.

This paper reflects work undertaken by the VPA Board and staff in mid-2020 to look ahead at how COVID-19 will impact urban Victoria and the work of the VPA.

This is a challenging time for the planning system — one both of great uncertainty and significant opportunity. More than a year into the COVID-19 pandemic, we know that it has accelerated social, environmental and economic change and altered how Victorians live, work and interact with their build environment. As many of these trends appear set to become embedded beyond the pandemic, we're providing guidance on what that means for Victoria's planning and development sectors.

The VPA has explored the impacts of the pandemic according to six themes:

- Population and migration impacts
- Economic shock
- Spatial structure impact (housing, urban development and planning)
- Land and market impact (how might land be valued differently)
- Consumer spending behaviour impact on place
- Impacts on liveability and sustainability.

Through these themes, the VPA is helping the sector answer three key questions:

- What planning influences will the economic impact of COVID-19 have on Victoria?
- What can the VPA do to support the economic recovery of Victoria?
- What changes are required to the way we plan for land use in Victoria?

In reflecting on these themes and trends, the VPA has identified priority opportunities for the planning and development sector to:

- Continue to position planning as an economic enabler
- Provide planning that responds rapidly to market changes
- Support liveability and resilience
- Support connectivity
- Improve the implementation of VPA prepared plans
- Support governance and planning system improvements.

SHAPING URBAN VICTORIA
VPA'S RESPONSE TO COVID-19

POPULATION AND MIGRATION

The significant reduction in migration, an increase in emigration and a lacklustre birth rate has resulted in Victoria recording its greatest loss of people since the Second World War.

NATURAL INCREASE

Victoria has observed a slight a downturn in the birth rate.

As a result, the state natural increase was 33,790 people in the 12 months to September 30 2020.

NET OVERSEAS MIGRATION

Travel restrictions related to COVID-19 have resulted in Victoria recording a net population decline to overseas since the beginning of pandemic.

In the six months between April and September 2020, Victoria lost 20,617 people as existing short term residents returned to their home countries and were not replaced by new migrants.
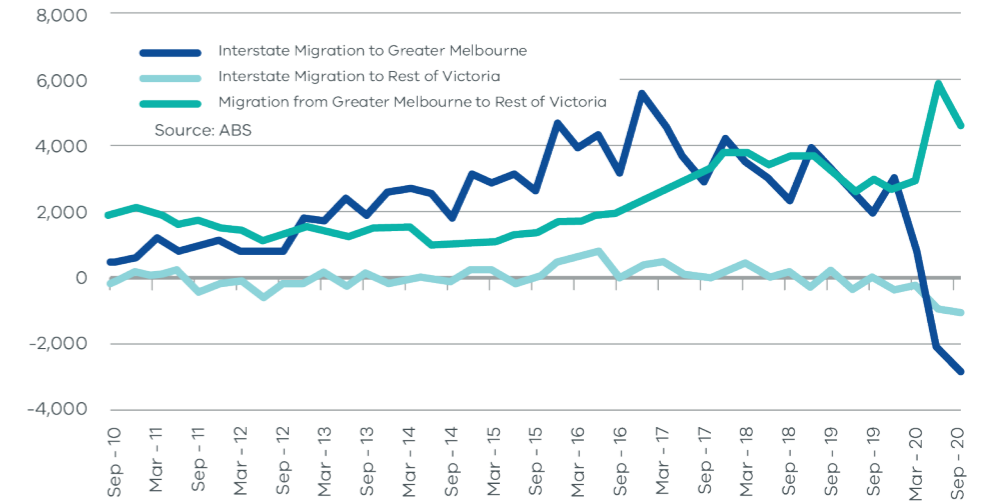
INTERSTATE AND INTRASTATE MIGRATION

There has been a net outflow of people to other states during the pandemic with the majority of these people previously residing in Greater Melbourne.

There has also been an increase in net outflow of people leaving Greater Melbourne for regional Victoria which gained an additional 10,607 people between April and September 2020. It is yet to be seen if this is a temporary phenomenon or a more permanent change in lifestyle.

OUTLOOK

Despite the immediate impacts of COVID-19, it is expected that migration will recover to pre-pandemic levels with Melbourne projected to grow at around 2.0 per cent a year on average from 2023-24 to 2030-31. Melbourne is projected to overtake Sydney to become Australia's largest city in 2026-27, with a population of 6.2 million by 30 June 2031 compared to Sydney's 6.0 million. Therefore we need to plan ahead.

INTERNAL MIGRATION

Source: ABS

Legend:
- Interstate Migration to Greater Melbourne
- Interstate Migration to Rest of Victoria
- Migration from Greater Melbourne to Rest of Victoria

POPULATION GROWTH WILL DIFFER SPATIALLY AND WILL IMPROVE SO WE MUST PLAN AHEAD

Population growth will be challenged in the short term driven by a reduction in overseas and interstate migration. However, the impacts of this will differ across Victoria:

Established and inner-urban areas are more heavily reliant on external demand factors and will observe a more substantial short term reduction in growth.

Regional, peri-urban and greenfield areas are booming, partly explained by government incentives, the new popularity of remote and flexible working arrangements, and also the increased demand for lifestyle-oriented properties.
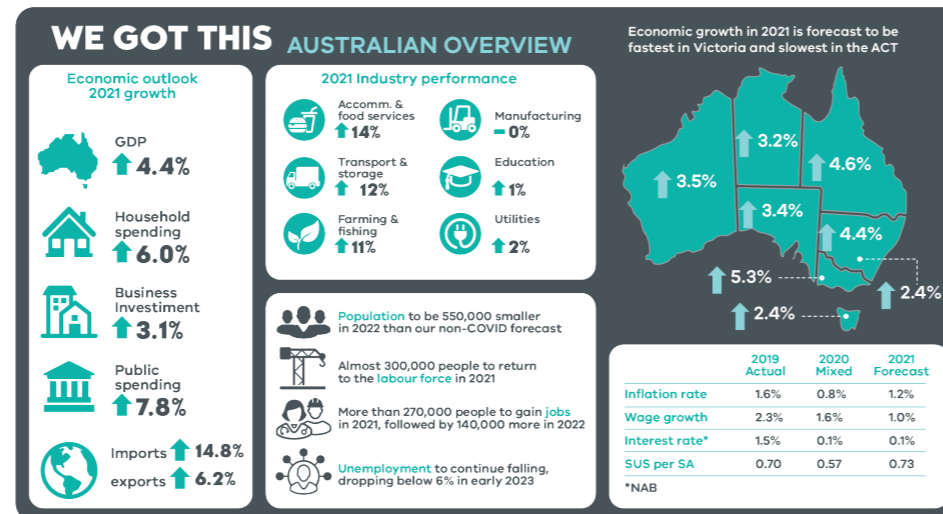
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ECONOMIC SHOCK

The COVID-19 pandemic represents the biggest economic shock the world and Victoria have experienced since the Great Depression. We don't know the full extent of long term impacts the pandemic will have on the world, but current indications of relative economic stability are positive.

> *Jobs will remain front and centre in our recovery plans as we continue to invest in employment support across Victoria, together with our record pipeline of infrastructure projects.*
>
> *Treasurer Tim Pallas*

A series of lockdowns in Victoria have limited economic activity across a range of sectors, particularly consumer service sectors. However, the state economy has recovered well and we continue to see positive signs.

PLANNING AS AN ECONOMIC ENABLER

Getting on top of COVID-19 is the key to long-term economic recovery. Despite the economic cost of the restrictions that have been introduced to slow the spread of COVID-19, OECD and IMF forecasts indicate that jurisdictions that have been less successful in slowing the spread of the virus will experience greater economic damage.

The planning, property and development sector represents more than 10% of Victoria's total economic output, with efficient and high quality planning enabling this sector to be at the forefront of economic recovery.

TOP PLANNING PRIORITIES FOR ENABLING ECONOMIC RECOVERY

- Deliver sufficient zoned land for market
- Coordinate infrastructure for employment land
- Provide density through strategic precinct planning
- Commit to affordable housing
- Support the 'digital leap'

WE GOT THIS — AUSTRALIAN OVERVIEW

Economic outlook 2021 growth

- GDP ↑ 4.4%
- Household spending ↑ 6.0%
- Business Investment ↑ 3.1%
- Public spending ↑ 7.8%
- Imports ↑ 14.8%
- exports ↑ 6.2%

2021 Industry performance

- Accomm. & food services ↑ 14%
- Transport & storage ↑ 12%
- Farming & fishing ↑ 11%
- Manufacturing = 0%
- Education ↑ 1%
- Utilities ↑ 2%

Population to be 550,000 smaller in 2022 than our non-COVID forecast

Almost 300,000 people to return to the labour force in 2021

More than 270,000 people to gain jobs in 2021, followed by 140,000 more in 2022

Unemployment to continue falling, dropping below 6% in early 2023

Economic growth in 2021 is forecast to be fastest in Victoria and slowest in the ACT

- 3.2%
- 4.6%
- 3.5%
- 3.4%
- 4.4%
- 5.3%
- 2.4%
- 2.4%

	2019 Actual	2020 Mixed	2021 Forecast
Inflation rate	1.6%	0.8%	1.2%
Wage growth	2.3%	1.6%	1.0%
Interest rate*	1.5%	0.1%	0.1%
SUS per SA	0.70	0.57	0.73
*NAB			

Source: Deloitte Access Economics January 2021

SPATIAL STRUCTURE IMPACT

COVID-19 has caused rapid business model innovation overnight, with businesses being transformed into more agile, resilient, virtual entities.

The CBD is a great place to work and attractive to the supporting agglomeration economics as it is a great place to be. While agglomeration forces will remain, the business practices underlying it are clearly evolving. The question is how much.

We need to continue to bring a spatial lens to urban policy so that our responses take advantages of the opportunities specific to each place. At the same time, we need to continue to improve city performance and access to opportunities for all residents, addressing the growing social and spatial inequalities across cities and regions.

Percentage of days worked only from home

WFH insights under COVID-19. The Early Days of Living Restrictions Survey (Sept 2020). The Institute of Transport and Logistics Studies.

NT 5%
QLD 27%
WA 18%
SA 26%
NSW 40%
ACT 26%
VIC 52%
TAS 38%
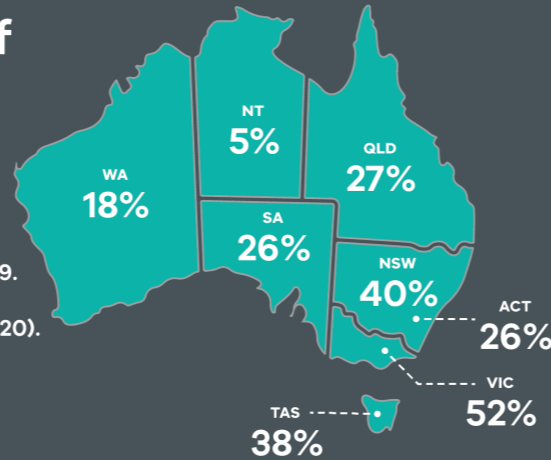
A DECENTRALISING WORKFORCE

Whether it be due to the ageing workforce, efficiencies from technological innovation or the rise in the gig economy, employees are likely to continue to seek flexible arrangements, collaborative environments and a work-life balance which provides more freedom.

One consequence is that the CBD will no longer be the sole domain of the most productive workers, which will influence transport models.

Up to 15% of workers will make the shift to working from home permanantly, up from 5% pre-COVID-19.

This is an opportunity to capitalise on both the shift to work from home and the perceived acceptance of the new virtual business model to accelerate the adoption of the 20-minute neighbourhood principle.

We must ensure suburban centres are job-ready, with integrated transport and land use planning, enhancing local amenity and networks for walking and cycling.

PATTERNS TO WATCH FOR THE FUTURE

Continued remote working presents many policy questions that are demanding further discussion and research. These include:

- Will the ability to work remotely influence household location decisions, and what are the flow on opportunities for population and economic growth in regional Australia?
- Will organisations reduce the amount of floorspace they hold in high-value central business districts, and what does this mean for the economic geography of cites?
- How will remote working affect overall labour productivity, particularly in knowledge intensive sectors which rely on knowledge spillovers and face to face interactions with clients and other businesses?
- With more people working close to home, will local centres transform with greater food, entertainment, retailing and personal services on offer?
- What changes to our transport networks and services are needed to support more diverse and dispersed travel patterns?

LAND AND MARKET IMPACT

The Victorian property market remained remarkably resilient in 2020 despite the challenge and market predictions at the on-set of COVID-19.

Once restrictions across the state eased, demand and buyer competition increased. Low interest rates and government incentives including stamp duty concessions and first home buyers' grants have added to buyer appetite.

Current market activity is leading to a two speed market:

- Detached dwellings continue to increase.

- Higher density apartments and flats have weakened significantly.

Annual Building Approvals in Victoria
Source: ABS Building Approvals 8731.0, Table 9

Legend:
— Houses
— Dwellings excluding houses
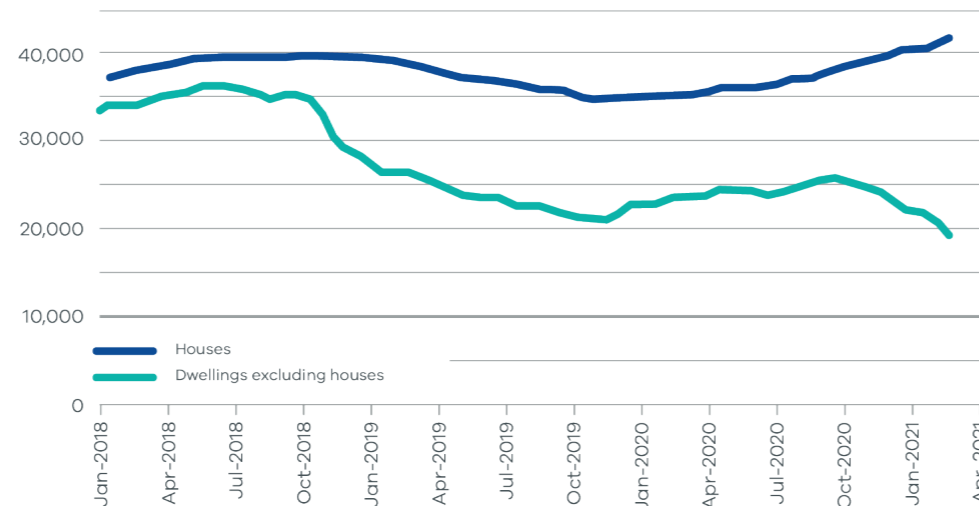
DIFFERING MARKET CONDITIONS – DIFFERING PLANNING RESPONSE

Inner city and high density areas have been challenged with increased vacancy, particularly with a lack of international students and as residents increase flexible working arrangements. CHALLENGED MARKET – continued focus on good planning outcomes and supporting quality density.

Greenfield areas have observe high levels of market activity, supported by government incentives. STRONG MARKET – existing zoned land diminishing, infrastructure co-ordination and delivery challenges.

Regional Victoria has continued to attract increasing movements from Melbourne and remained strong. It is not clear if this is a short-term effect of the pandemic or a newfound fondness for remote working. BUOYANT MARKET – some areas are experiencing land supply shortages.

CONSUMER SPENDING BEHAVIOUR IMPACT

While the nature and duration of COVID-19's impact on consumer choices is uncertain, the pandemic will leave lasting marks on consumer behaviour. Online transactions are likely to accelerate a shift towards digital and omnichannel retail rather than traditional bricks and mortar retail.

Long-standing consumer trends — more money spent on services, greater digital adoption, and more time and money spent out of the home—have been interrupted, accelerated, and reversed during the pandemic.

As an increasing share of people work from home and fewer commute to city centres, the effect on our central city and suburbs will be significant.

This shift in behaviour is likely to be substantial:

> *The evidence reinforces the fact that as we move through and beyond the COVID-19 period, we can expect commuting activity to decline by an average of 25 to 30 per cent as both employers and employees see value in a work-from-home plan* – David Hensher
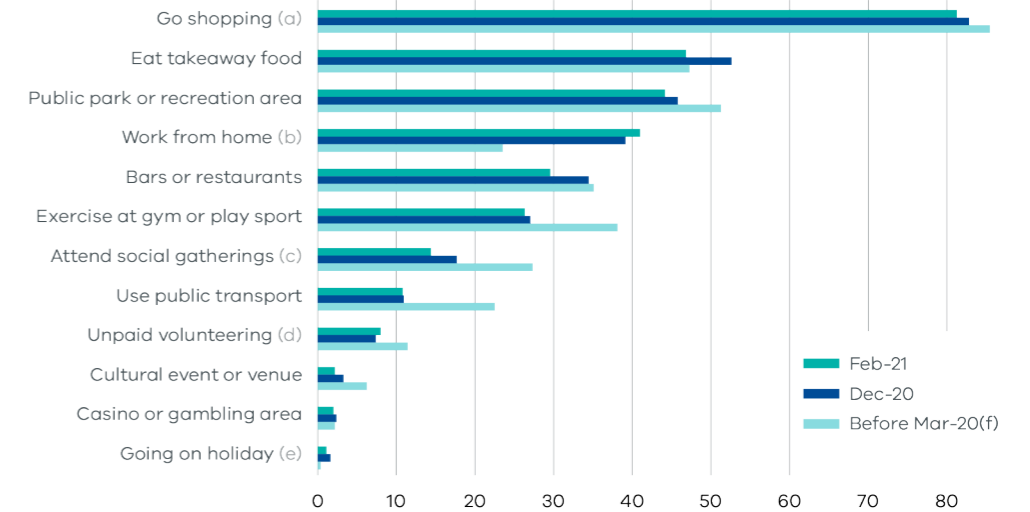
DIGITAL DISRUPTION

Two consistent patterns have stood out. First, the COVID-19 pandemic accelerated digital adoption, especially in grocery shopping and healthcare, and this is expected to continue. Second, the pandemic and lockdowns reversed the long-standing trend of declining money and time spent at home, leading to "home nesting." This behaviour is expected to continue as some portion of households will continue to work from home to some degree after the pandemic.

PLANNING AND SPATIAL IMPACTS

There are clear signs of a resurgence in local shopping villages and high street retailing. There also appears to be a corner store revival of sorts. This raises questions for planning in delivering 20 minute neighbourhoods and what they may look like in future.

Reflections on activities four weeks prior (Source: Abs 2021)

Legend:
- Feb-21
- Dec-20
- Before Mar-20(f)

Activities (top to bottom):
- Go shopping (a)
- Eat takeaway food
- Public park or recreation area
- Work from home (b)
- Bars or restaurants
- Exercise at gym or play sport
- Attend social gatherings (c)
- Use public transport
- Unpaid volunteering (d)
- Cultural event or venue
- Casino or gambling area
- Going on holiday (e)

Victoria Google Mobility Index

The Google Mobility Index tracks movement patterns from pre Covid levels to now across a range of activities

	Current (June 2021)	Low (since COVID)	High (since COVID)
retail & recreation	-15	-79	9
grocery & pharmacy	9	-80	48
parks	-40	-78	88
public transport	-61	-81	18
workplaces	-22	-84	19
home	11	-3	36

LIVEABILITY AND SUSTAINABILITY IMPACT

COVID-19 has shone a light on the liveability of our local neighbourhoods, as well as a long list of threats and challenges already facing our cities – population growth, climate change, rising temperatures, biodiversity, water security, waste management, and congestion, to name a few.

Since the start of the pandemic, there has been a marked increase in the appreciation and demand for open public spaces. Quiet roads and empty skies reduced greenhouse emissions, and the pandemic increased use and desire for open spaces and active transport.

> *"Bikes in short supply after pandemic inspires millions to take up riding". In Melbourne, there was a 270% increase in the number of riders on bike paths between November 2019 and April 2020.*
> *Source: ABC news Sep 2020*

With more people observing their local neighbourhoods through lockdowns and working from home, there is now a greater appreciation and importance of home comfort, ESD and quality built form.

But existing challenges haven't gone away.

Climate change continues to be the biggest challenge facing Victoria. This requires leadership to assess climate risks and embed climate adaptation and resilience.

Energy demands are growing globally. Despite a short-term demand plateau as a result of COVID-19's disruption to workplaces, growth will return as the recovery continues.

The supply of limited resources is constrained by severe and unpredictable events such as extreme weather (droughts, floods and storms), economic disruption and geopolitical uncertainty.

Supply chain impacts from pandemic and geo-political strains could provide opportunities for a resurgence in local resource use and manufacturing.

This highlights the importance of an integrated approach to development and the natural environment. i.e cooling and greening, IWM and biodiversity. We also need precinct-scale solutions, including zero net emission precincts, recycled water, distributed electricity, circular economies and resource use.

Liveable *and* Sustainable?

EIU Liveability Index 2009

WWF Ecological Footprints (Hectares per capita, 2008)
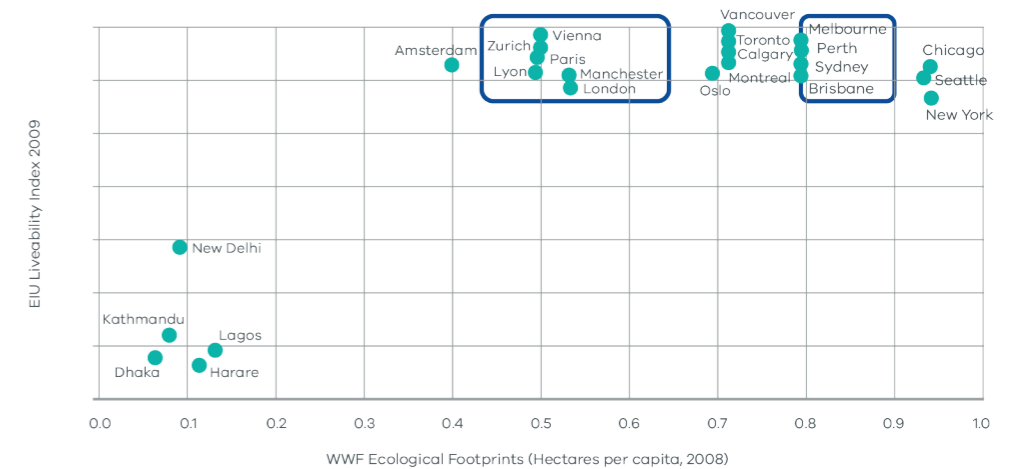
Peter W. Newton (2012) **Liveable** *and* **Sustainable?** Journal of Urban Technology, 1991), 81-102

IMPACTS ON PLANNING AND DEVELOPMENT

There is an opportunity for sustainable development to be at the forefront of Victoria's economic recovery, including investment in renewables.

This includes capitalising on the value of the natural environment with stronger emphasis on trees and blue/green spaces and celebrating water in the landscape.

During the pandemic there was a large uptake in cycling as well as innovative re-allocation of road space to parklets and cycle lanes. We must seize this opportunity to embed these changes through integrated land use and transport planning to prioritise local and regional cycling/pedestrian corridors and linkages and public transport.

THE FUTURE OF OUR REGIONAL CITIES AND TOWNS

Victoria has a competitive advantage of comparatively short distances and connectivity between Melbourne and key regional cities. In Victoria, growing demand in the regions during 2020 and 2021 is driving up house prices.

CoreLogic reported a 4.8 per cent increase in home values for the regions for the December 2020 quarter compared with 2.1 per cent in Melbourne.

Spurring the move now is a growing acceptance of working from home, at least a couple of days a week.

Another driver is changing economic circumstances and lifestyle choices due to low interest rates, JobKeeper, tax cuts, early access to super and no overseas holidays to spend money on, combined with government incentives such as the HomeBuilder grant.

For the regions, investment that might create jobs and prosperity for the community is welcome, however it means property is becoming less affordable.

Without good strategic planning, there is also the potential loss of local character, liveability and sustainability.

This challenge was evident around commutable regional towns and on the outskirts of major cities prior to COVID-19 but its importance will be highlighted by pandemic-driven regional growth.

PLANNING FOR A GROWING REGIONAL VICTORIA

Ensuring regional Victoria can support a greater share of new residents is a key initiative in Plan Melbourne that will deliver productivity and social benefits to the whole state.

The growth of regional centres will create greater employment opportunities, improved health and education services, and more choices for Victorians about where they live and work.

In the regions, planning resources for councils are often tight. The Victorian Government and the development sector must partner to support regional councils to plan for pandemic-driven growth.

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Victorian Planning Authority

SHAPING URBAN VICTORIA
VPA'S RESPONSE TO COVID-19

KEY STRATEGIC DRIVERS FOR THE VPA

1. **Planning and delivering 20-minute neighbourhoods is more important than ever.**
Delivering liveable, walkable 20-minute neighbourhoods with local jobs, mixed use, mid-rise, and public and active transport, together with delivery of community infrastructure is more important as the pandemic has pushed Victorians to live more locally.

2. **Population growth will differ spatially, but we must plan ahead.**
Population growth will be challenged in the short term driven by a reduction in overseas and interstate migration, however the impacts of this will differ across Victoria.

3. **The digital leap is an opportunity to integrate economic and spatial planning.**
As people live, work and shop more remotely, land use planning can play an bigger role in shaping economic outcomes by further linking economic development with infrastructure co-ordination and land use planning.

4. **Our diverse regional areas require a nuanced planning response.**
Planning and economic development challenges in Regional Victoria are diverse and require a nuanced or bespoke planning response.

The VPA will use its work in precinct planning across Victoria to set frameworks for post-COVID urban living that is sustainable, prosperous and liveable.

POST-PANDEMIC PLANNING PRINCIPLES

These three operating principles guide the VPA's work during and after the COVID-19 pandemic:

Don't slow down.
We will keep planning for the future to support the economic recovery of Victoria.

Get the fundamentals right.
We create plans for future communities that seek to create 20-minute neighbourhoods and provides for infrastructure and utilities.

Keep options open.
Ensure that our plans are flexible and dynamic, allowing the development industry to innovate and respond to changing lifestyles and outcomes.

VPA PRIORITIES POST COVID

Post-pandemic opportunities for the planning and development sector

- Play a key role in post-pandemic economic stimulus by delivering zoned land for housing and jobs.

- Deliver high-quality precinct plans in greenfields, supported by the new PSP Guidelines and VPA-led infrastructure co-ordination.

- Deliver a sustainable, high-impact pipeline of development in established Melbourne and the regions.

- Innovate in key areas that improve liveability, including sustainability, integrated water management and affordable housing.

PRIORITY FOCUS AREAS FOR THE VPA

Doing density better

- Support a mix of well-designed, compact housing options in established Melbourne ("getting to 70%").
- Double down on the fundamentals of the 20-minute neighbourhood.

Growing suburban and regional jobs

- Enable more workplaces to be developed closer to where people live.

Coordinating infrastructure with development

- Help growing communities to get the services they need when they need them.

Unlocking our regions

- Make it possible for more people to live and work in our regional cities and peri-urban towns (particularly post-pandemic) .

Bringing land to market to support economic recovery

- Accelerate supply in greenfields Melbourne.
- Enable the development industry to innovate to meet changing consumer demand – the "where" and the "what".
- Support government priorities as directed such as social housing or responses to natural or health disasters (i.e. bushfire housing recovery).