



Summary

The average number of people living in each household has been declining in Melbourne and other cities for much of the last 100 years, reflecting changing social structures and lower fertility rates. Declining household size contributes strongly to increased demand for housing. Household growth rates in many parts of Melbourne are twice that of population growth rates, and average household size is decreasing in most parts of Melbourne.

Different types of households are found in different parts of Melbourne. Lone person households are concentrated in the inner suburbs, two-parent households with children are concentrated in outer 'family-oriented' suburbs, while two-adult households without children are more evenly spread across the city.

Housing construction and underlying housing demand do not always align. Short-term fluctuations can be caused by economic factors such as interest rates and real wage growth, and policy interventions such as first home owner grants. Long-term planning is therefore based on longer term trends in underlying demand, which is influenced by trends

in household formation and housing preferences. While household sizes in Melbourne have been falling, dwellings have been increasing in size. This increasing consumption of housing space is driven by greater affluence, technological innovation in construction and changing lifestyles.

However, most households still need to achieve a balance between exterior and internal space and an accessible location when deciding where to live. Residential densities are highest in Melbourne's oldest (and most accessible) inner suburbs and lowest in the spacious outer suburbs. By international standards, Melbourne's overall densities are low, lower than many North American cities and one-third to one-fifth the density of European cities.

The average size of lots in new housing estates has declined slightly over the last 10 years. Over this time a shift towards greater concentration of apartments and townhouses in established suburbs has occurred, especially in areas along major road and rail routes.

Renting accommodation is most common in the inner suburbs, and home purchasing is most common in newer outer suburbs. Older people who own their housing are concentrated in the middle and outer ring suburbs constructed over 20 years ago. The distribution of house prices is consequently uneven across Melbourne.

House and unit prices are highest in inner and eastern suburbs. Over the last 30 years, the strongest price growth has been recorded in inner and bayside suburbs. Unit prices have risen less than house prices, and so continue providing affordable housing options in inner areas.

Most housing trends evident in Melbourne are similar to those in other Australian and overseas cities. The common factors influencing housing demand are affluence, ageing, changing social preferences and changing economies.