

Geelong City

VIC *Bellarine Peninsula, south-west of Melbourne*

Key influences: *Ugly Ducklings, Transport Infrastructure, Govt Decisions, Stayers*

Population growth, diversification of the local economy, growth of Deakin University, State Government plan to redirect growth and resources to regions like Geelong, Geelong Ring Road, \$4.3 billion Regional Rail Link, plan to upgrade Avalon Airport, \$50 million library upgrade, 2,580ha Armstrong Creek development.

Houses: **\$385,000** Geelong West **\$595,000** Barwon Heads **\$500,000** Newtown
\$435,000 Ocean Grove **\$335,000** Leopold **\$235,000** Whittington

The feature about Geelong that stands out for me is the long-term capital growth performance. The table of figures in the “Property Profile” section of this report shows that most suburbs in the City of Greater Geelong have double-digit growth rates – and several have long-term capital growth averages of 12% to 14%. There are few areas of the wider Melbourne area that can top that.

With that as a background, Geelong has had a series of positive announcements that give confidence for its future, including business expansion and government infrastructure spending. It has been nominated as a region for population and economic growth by the State Government, to ease the growth pressures on Melbourne.

Location

Geelong City is on the Bellarine Peninsula 75km south-west of Melbourne. It is connected to Melbourne by the Princes Freeway and by commuter train links.

Population & Demographics

The City of Greater Geelong is Victoria’s largest provincial centre and its fastest growing region.

With a municipal population approaching 218,000, Geelong grew by 4,000 people in FY2009, the highest population growth of any local government area in Victoria. Its current growth rate is 1.9% a year, in line with the national average. The inclusion of surrounding shires, attractive hubs for sea-changers and holidaymakers, boosts the region's overall population to 275,000.

Residential building approvals totaled 2,144 new dwellings in FY2010, the highest level since FY2002.

The Age reported recently on the area’s growth and proactive local efforts to generate economic activity and population growth, with projections of 500,000 people living in the area by 2050. It is expected to reach 300,000 by 2031.



Economy & Amenities

A May 2011 research report by PRDnationwide said this about Geelong: “Geelong has a high degree of connectivity to all of south-west Victoria and Melbourne via a nexus of highways and light rail. Since the 1990s, the built form in Geelong has changed dramatically due to large scale redevelopment of the city centre, as well as gentrification of inner suburbs.



“Manufacturing and processing industries provide the majority of employment for the region, with major employers such as the Ford Motor Company, Avalon Airport and the Shell oil refinery at Corio. Geelong has a number of shopping precincts and major shopping centres located in the CBD with outer suburbs serviced by smaller centres. The Port of Geelong is located on the shores of Corio Bay, and is the sixth largest seaport in Australia by tonnage.”



Geelong has been earmarked as a future regional growth centre by the State Government to take some of the overflow from Melbourne's population growth. One outcome of that policy is greater government spending on infrastructure in the region and a redirection of resources to Geelong.



The City of Greater Geelong says: “Residential and commercial building activity is at record levels. Private sector spending and trade through the Port of Geelong are at their strongest levels for many years. Unemployment is on par with the state average and investor interest in the region is unprecedented.

“Geelong’s economy has experienced considerable diversification over the past decade. Traditional industries will continue to be key economic and employment drivers in the region, however there is a focus on the following strategic growth sectors: knowledge, innovation and research; advanced manufacturing; health; tourism; education; transport and logistics; information, communications and technology; food, horticulture and aquaculture; and small, micro and home-based business.

Geelong has a number of land and employment precincts which can accommodate a diverse range of needs. They include ...

- **Northern Gateway...** A National Transport and Logistics Hub offering land for development and potential for business and employment growth. Key assets include Avalon Airport; the Port of Geelong; the Geelong Ring Road; rail for freight; and land for development.
- **Waterfront and Central Geelong...** The cosmopolitan heart offering lifestyle and cultural, tourism, residential and commercial development opportunities. Key assets include the commercial hub; cultural and entertainment centre; recreation and tourism focus; health services; and education facilities.
- **Southern Corridor...** Set to be a new centre of growth in knowledge, innovation and research, as well as residential and commercial development. Key assets include land for growth; knowledge and research capability; and niche businesses.

The Age newspaper focused on Geelong in a June 2010 article, which suggested the city had “discarded its one-time reputation as a sleepy hollow or an industrial graveyard”.

The article quoted leaders of the Committee for Geelong, which is predicting “half a million people by 2050”, and the G21 regional community. A typical comment was this: “We've been waiting to market ourselves as an alternative to living in the growth corridors of Melbourne, the western suburbs and places like Sunbury and Craigieburn.”

“The second-tier city has been earmarked as a future regional growth centre, intended to take up some of the overflow from Melbourne's population boom that has put severe strain on urban infrastructure,” *The Age* wrote. “Geelong is poised for this moment, with its location, manageable size, good land availability and excellent road and rail connections.

“The region has pulled off a feat many thought impossible in the days of the successive 1980 manufacturing layoffs and the aftermath of the devastating Pyramid Building Society Collapse of 1990. It has revived, re-energised - and reinvented.

‘There has been a turnaround, there's no question of that,’ says geographer Louise Johnson, based at Deakin University's burgeoning Waurn Ponds campus. Professor Johnson attributes the change to three major factors. First, she says, there has been a conscious diversification of Geelong's economy, away from reliance on manufacturing and textiles that dominated much of the last century to more service-oriented and high-tech ventures.

“Ford remains a major employer, but is no longer the main game in town. It has been overtaken by employers including Barwon Health and Deakin University, which now attracts a swag of its student body from the western suburbs of Melbourne. The city also received a major psychological fillip, she says, when the Transport Accident Commission relocated to Geelong last year, importing hundreds of new jobs.

“Professor Johnson also cites upgrades to the road and rail sectors as important in repositioning Geelong, in particular the opening of the Geelong Ring Road, which has eased road congestion. These improvements give a perception that Geelong is not a long way away from Melbourne and can attract commuters as well as residents who can't afford the housing or put up with city traffic.”

“More subtly, she says, the redevelopment of the Geelong waterfront and cultural precinct has given a different stamp to the city. ‘The ambience of Geelong has become more cosmopolitan’, she says.”



Property Profile

The Bellarine Peninsula is a prime example of my argument that it is the cheaper, more distant suburbs that out-perform on long-term capital growth. My research on the best-performing suburbs of the Melbourne metropolitan area found that there are 40 suburbs with long-term growth rates of 12.5% or more (the average annual increase in median house prices over the past 10 years). The two standout regions are the Mornington Peninsula and the Bellarine Peninsula (the Geelong area).

Three of the top 12 suburbs for long-term capital growth are in the Geelong area, including Barwon Heads, Point Lonsdale and Indented Head. Jan Juc and St Leonards also rank highly. The table of figures on the following page shows that most suburbs in the region have double-digit growth rates and the best 12-14%. The data also suggests most parts of the Geelong market have had strong price growth in the past 12 months.

Research by PRDnationwide indicates that the median house price across Greater Geelong was about \$125,000 in 2000 and had reached \$352,000 by the end of 2010 – an average annual growth rate around 11%.

Despite 10 years of solid growth, affordability is a driving force in the market, with many Geelong suburbs having median house prices below \$350,000.

The dwelling makeup of the City of Greater Geelong includes 86% houses and 14% units and townhouses.

The PRDnationwide research report on the Geelong market in May 2011 said: “There is a growing supply of premium unit product in the Geelong region. More and more people are being attracted to the area each year through improving infrastructure and amenity and increasing employment opportunity. As Geelong continues to emerge as a legitimate lifestyle alternative to Melbourne, unit product in close proximity to the town centre is becoming increasingly in demand and appreciating well in value.”

The median unit price across the Geelong area was only \$110,000 in 2000 but had reached \$257,000 by late 2010, showing an average growth rate close to 10% per year.

According to *sqmresearch.com.au*, postcode 3220 (Geelong, Newtown and South Geelong) has a vacancy rate of 3% and has been consistently around or below 3% for most of the past four years.

Postcode 3218 (Geelong West, Herne Hill and Manifold Heights) has a vacancy rate of 2.5%; and postcode 3219 (East Geelong, Breakwater, Thomson, Newcomb, St Albans Park and Whittington) has a vacancy rate of 1.2% and has been well below 2% for the past four years.



The current state of the housing market in this precinct can be summarised as follows:-

Suburb	No. of sales	Median price	1yr growth	Growth ave.	Median yield
Barwon Heads	100	\$595,000	14 %	13 %	3.8 %
Belmont	265	\$330,000	12 %	11 %	5.0 %
Clifton Springs	165	\$320,000	13 %	10 %	snr
Drysdale	60	\$350,000	13 %	12 %	snr
Geelong	95	\$450,000	16 %	10 %	4.5 %
Geelong West	125	\$385,000	13 %	12 %	4.3 %
Herne Hill	65	\$320,000	22 %	12 %	4.5 %
Indented Head	40	\$340,000	4 %	14 %	4.1 %
Jan Juc	60	\$555,000	15 %	13 %	3.6 %
Leopold	175	\$335,000	9 %	10 %	5.3 %
Manifold Hts	40	\$395,000	0 %	11 %	4.8 %
Newtown	185	\$500,000	14 %	11 %	4.1 %
Portarlington	115	\$380,000	11 %	12 %	3.8 %
Queenscliff	25	\$650,000	12 %	10 %	snr
Ocean Grove	245	\$435,000	10 %	12 %	4.0 %
St Albans Park	75	\$290,000	9 %	10 %	5.4 %
St Leonards	90	\$355,000	25 %	13 %	4.3 %
Thomson	25	\$270,000	25 %	12 %	5.0 %
Wauron Ponds	50	\$435,000	19 %	9 %	4.4 %
Whittington	75	\$235,000	13 %	9 %	5.4 %

Source "APM – "no. of sales" is house sales in past 12mths. "Growth ave." is average annual growth in median house prices over 10yrs.
"snr" is statistically not reliable.

Future Prospects

- government policy

Geelong has been a beneficiary of several State Government initiatives in recent times. Geelong (along with Bendigo, Ballarat and the Latrobe Valley) was earmarked by the previous State Government for population growth over the next 15 years to ease some of Melbourne's "growing pains".

The Labor State Government's regional blueprint was designed to reduce the threats to Melbourne's liveability caused by the city's population boom - and that means greater growth in Geelong. "We believe there is an opportunity for a greater share of population growth to be linked to job and training opportunities in regional Victoria," then Premier John Brumby said in June 2010. "We also understand how important it is to continue growing our large regional centres sustainably."

The new State Government under Liberal leader Ted Baillieu appears to have similar attitudes – it is planning growth in the Greater Geelong areas of Lara, Lovely Banks and Batesford. South Barwon MP Andrew Katos told a developers' lunch in April 2011 that development in these centres would help to bridge the gap between Geelong and Melbourne.

- new development areas

Lara is seen as an area with plenty of land for new residential development. A re-zoning application approved by the City of Greater Geelong Council in April 2011 will allow development of hundreds of new homes.

Property developments planned in the area include the \$75 million Lakeside Lara community for over-45s. National Lifestyle Villages plans to begin building the 230 homes within a gated and resort-styled development later in 2011.

One place already earmarked for development is Armstrong Creek in Geelong's south, which is expected to become home to about 54,000 people over the next two decades. In June 2010 the State Government announced approval of the Greater Geelong Planning Scheme Amendment C206 and Amendment C207 which provides for the future development of the Armstrong Creek East Precinct and the Armstrong Creek Urban Growth Framework Plan.

Armstrong Creek is a development of 2,580 hectares of one-time farmland which will eventually provide housing for between 55,000 to 65,000 people. Up to 22,000 homes are expected to be built, as well as schools, retail space, parks and other amenities. '

The first residential land has been released - this is Warralily, the first residential community within the Armstrong Creek region.

- transport infrastructure

A major State Government development to benefit the Geelong region is the \$4.3 billion Regional Rail Link from Little River through Footscray to Southern Cross Station. It was reported in February 2011 that major cost blow-outs (has there ever been a major infrastructure development without cost blow-outs?) had added \$880 million to the overall cost and might jeopardise the project.

Federal Budget savings to pay for re-building following the January floods across Australia may reduce the federal contribution to the project (Kevin Rudd, when Prime Minister, had committed \$3.2 billion in federal funds to the Regional Rail Link.)

Plans to upgrade Avalon Airport to a major facility for interstate and international flights were floated in May 2011.

Avalon would compete with Tullamarine for international flights and customers entering Melbourne, under a plan to create Victoria's second international airport, the State Government claims.



Transport Minister Terry Mulder told a Public Accounts and Estimates Committee in May that the Federal Government supports the plan to make Avalon an international travel hub once a rail line was connected to the airport.

"All the messages that we've had out of the Federal Government, are of the indications are that they support Avalon becoming an international airport," he said. "We'll be in the unique situation of having two international airports competing with one another for business and what could be a better outcome for Victorians?"

Mulder told the Committee that a rail link to Avalon had been an "obvious opportunity" for the Government to pursue.

The ongoing development of the \$695 million Geelong ring road continues to impact on the Geelong community.

The Princes Freeway (Geelong Ring Road) opened as far as the Princes Highway at Waurm Ponds in June 2009. It now provides a 23km freeway link between Corio and Waurm Ponds, along Geelong's western outskirts.

VicRoads says: "By using the Ring Road you can avoid up to 31 sets of traffic lights and reduce your travel times. In total \$695 million has been committed for completed and future sections, with joint funding by the Victorian and Australian government."

In March 2009, work commenced to extend the Ring Road for 2.5km, providing a direct connection to Anglesea Road via an overpass of the Princes Highway at Waurm Ponds. Fulton Hogan is VicRoads' contractor for this section. Works progress has been severely impacted by ongoing wet and cold weather. Final works are expected to be completed by late 2011.

In September 2010 work begun on a new 5km westerly connection from Anglesea Road to the Princes Highway near Draytons Road. Cut & Fill Pty Ltd is VicRoads' contractor for this section. This freeway-standard link will run through land previously occupied by the Blue Circle quarry. About one million cubic metres of earth will be moved for works on this section with completion expected in 2013.

In 2010, the previous State Government announced \$77 million for a new two-lane arterial road connection from the Geelong Ring Road to the Surfcoast Highway, to run adjacent to the Geelong-Warrnambool rail line. The Planning Scheme for this route was gazetted in October 2010. The new State Government announced a review of planning and consultation for the proposed 4C road alignment, including the merits and impacts of other possible alignments. A hearing before an Advisory Committee appointed by the Minister for Planning was undertaken in May 2011. A report will be provided to the State Government for further consideration and decision on the proposed route.

The ring road project received further funding in the State Budget delivered in May 2011. The Geelong Advertiser reported: "The State Government will pour more than \$60 million into transport infrastructure across the Geelong region in the 2011-12 financial year, with the ring road due to soak up more than a third of the money.

"Continuing works on the ring road, Breakwater Rd and the Princes Highway West will remain the Geelong region's main infrastructure projects. The State Government will spend \$23 million on works to join the Ring Road from the Princes Highway to the Surf Coast Highway, with the Federal Government to contribute another \$22 million. Another \$26.5 million will be spent on the Breakwater Rd upgrade.

"The duplication of the Princes Highway between Waurm Ponds and Winchelsea will receive \$8 million while \$1.5 million will be spent on planning for a rail link between Lara and Avalon Airport and \$4.7 million on a jet fuel pipeline to the domestic terminal.

"Transport Minister Terry Mulder said planning for a rail link to Australia's next international airport could start immediately. *This project will ultimately provide a new station at Avalon Airport and a new rail link between the airport and Lara, providing passengers with direct rail access to Geelong and Melbourne*, he said.

“The Budget provided no figures for spending on the \$4.3 billion Regional Rail Link, which is expected to slash commuting times between Geelong and Melbourne. But \$2 million has been invested in planning for the return of passenger rail between Geelong, Ballarat and Bendigo.

“The budget has allocated \$1 million to plan for Grovedale's new \$25 million train station, and \$10 million for a passing loop between Marshall and Warrnambool. A further \$2 million will be spent on assessing the feasibility of relocating the state's car import/export hub to the Port of Geelong.

“Export Minister Richard Dalla-Riva said the Government would spend \$800,000 over four years, working with the Geelong Manufacturers Council and Deakin University to lure more tertiary students to the manufacturing sector.”

It was reported in April 2011 that the ring road had created a boom for businesses west of the city.

Under the heading of “Bypass delivers Inverleigh boom” the *Geelong Independent* reported: “Business operators credit increasing traffic on Hamilton Highway with creating jobs and dramatically driving up property values at Inverleigh, west of Geelong. General store and post office operator Tracey Mossop said she had employed five extra staff to cater for the influx of visitors. She believed that travellers who previously used Princes Highway to reach western Victorian centres such as Warrnambool and Portland were now using the more-convenient Hamilton Highway ... ResCom real estate agent Seka Powell said buyers were snapping up properties at Inverleigh because the ring road had enhanced travel between the town and Melbourne. Two-acre lots that sold for \$25,000 10 years ago were now selling for close to \$300,000, she said.”

- other infrastructure

In June 2010 the State Government announced a \$6 million investment in Victorian beaches that will include three on the Bellarine Peninsula (Portarlington, Geelong's Eastern Beach and Clifton Springs).

The State Government has also given \$25 million for re-development of Skilled Stadium in Geelong.

There is a plan to revitalise Newcombe Street in Portarlington. City of Greater Geelong Cr John Doull, who represents Portarlington, says the first stage in the works will involve the construction of a new Town Square centred on the recently-refurbished century-old Rotunda and Bandstand. Doull says the second stage of the works will be the streetscape re-development of Newcombe Street.



A \$38 million re-development of Queenscliff's harbour - which includes a 32-metre observation tower, 360Q restaurant, 14 shops and an increase of marina berths from 140 to 344 - was officially opened in March 2010.

A \$50 million upgrade of Geelong's library and heritage centre is planned, according to reports in February 2011. The Liberal Party pledged \$15 million to the project in the lead-up to the State Election, while the Geelong council has committed \$20 million and wants the Federal Government to contribute \$15 million.

Tourism lobbyists are seeking \$30 million from State Government to build a Geelong Convention Centre within the next four years, it was reported in February 2011. Victorian Tourism Industry Council has asked for the convention centre cash in a \$60 million wish list of public infrastructure funding for the region, including an interpretive centre on the Great Ocean Road.

The submission has gone to Victorian Competition and Efficiency Commission, which makes recommendations to State Government on funding priorities.

A new Yarra Street pier will provide a berthing facility to meet increasing demand for cruise ships to visit Geelong, according to Mayor John Mitchell. He said in January 2011 the rebuilt pier would also ensure Geelong's Victoria Week yachting event could make its international profile "even bigger".

City Hall has committed \$5 million to building the pier but needs \$15 million from other levels of government and a further \$2.5 million from Royal Geelong Yacht Club. Cr Mitchell said council had been in talks to attract more cruise ships to dock in Corio Bay. Each cruise visit would bring \$1 million in economic benefits to the city, he said.

- business expansion

In April 2010 Ford announced a \$20 million upgrade to its Geelong casting plant, boosting local workforce numbers and securing its future, after Ford entered into a long-term contract to make automotive brake parts for Robert Bosch Australia. The contract increased job numbers at the plant from 100 to 150. The Federal Government has committed \$11.8 million to the project.

This came on top of the announcement in 2009 of Ford's \$230 million investment in new engine and fuel economy technology to build a four-cylinder Falcon. That engine investment was said by the company to secure the jobs of its Broadmeadows and Geelong workers, creating 50 new jobs at the plant, and securing the employment of 100 existing plant employees.

However, in April 2011 Ford announced it would cut 240 jobs from its plants in Broadmeadows and Geelong in July, because of a fall in demand for large cars.

In March 2010, Alcoa announced a plan to continue powering its aluminum smelters with brown coal until 2036, securing hundreds of jobs in the Geelong region. The long-term electricity contract between Loy Yang Power and Alcoa impacted its plant at Point Henry in Geelong, as well as the facility at Portland. Then Premier John Brumby said the new power supply arrangements would help secure remaining Alcoa jobs. (The agreement followed a series of job cuts at Alcoa in Geelong over recent years. In December 2009 the company announced it would cut about 90 jobs in the city.)

Alcoa announced in March 2011 it had negotiated an agreement with the State Government allowing it to extend its Anglesea coal mine by 600 hectares, as part of its arrangement to renew its mining licence for 50 years. Alcoa has mined coal and operated a power station near Anglesea since the late 1960s.

A new \$50 million aviation facility planned for the Geelong region was announced in March 2011. Marand Precision Engineering has won an \$800 million defence contract and the new facility will create 300 jobs. Several sites in the Geelong area, including Avalon, are being considered for the 10,000m² facility.

A site near Geelong has been chosen for testing which may result in construction of a geothermal power plant. The State Government has granted \$25 million towards the Geelong Geothermal Power Project, 9km north of Anglesea, has the potential to power 120,000 homes. In September 2010 Greenerth Energy, the company that will oversee and run the plant, signed a contract with the Federal Government for a \$7 million grant towards the project.



Geothermal energy involves drilling a well into hot sedimentary rock that contains water at 180C. The water drives the power plant, which creates electricity. Greenerth Energy says the first stage is to determine if there is enough heat and flow.

The first exploratory stage will take 18 months to complete. Thirty-six months later it is expected the second stage, a \$65 million geothermal energy demonstration plant, will be completed and connected to the national grid. Stage three will take another five to seven years. It is intended ultimately to roll out multiple 12MW plants with the estimated capacity of 140MW of baseload generation.

- conclusion

The May 2011 research report on Geelong by PRDnationwide said this: “The recent surge in the median sale price of Geelong’s property markets demonstrates buyer confidence in this robust region.

“The vibrant hub of Geelong offers a unique vibe and an alternative metropolitan metropolitan lifestyle to that of Melbourne. As the cost of living in capital cities continues to rise, Geelong will present as an increasingly attractive option for home buyers and investors alike.”