



## THE 2009 UDIA STATE OF THE LAND

Urban Development Institute of Australia  
National Land Supply Study

## Contents

Executive Summary	5
Introduction	6
New South Wales	11
Queensland	20
South Australia	28
Victoria	35
Western Australia	39
About UDIA	45

## Executive Summary

*“A very real challenge in the near term is the following: how to ensure that the ready availability and low cost of housing finance is translated into more dwellings, not just higher prices. Given the circumstances – the economy moving to a position of less than full employment, with labour shortages lessening and reduced pressure on prices for raw material inputs – this ought to be the time when we can add to the dwelling stock without a major run up in prices.*

*If we fail to do that – if all we end up with is higher prices and not many more dwellings – then it will be very disappointing, indeed quite disturbing. Not only would it confirm that there are serious supply-side impediments to producing one of the things that previous generations of Australians have taken for granted, namely affordable shelter, it would also pose elevated risks of problems of over leverage and asset price deflation down the track.”*

*Glenn Stevens, Governor of the Reserve Bank of Australia, 28 July 2009*

The adequate supply of land to support new housing is the principal driver for ensuring the maintenance of housing affordability in Australia and remains a key policy challenge facing policy makers at all levels of Government.

This is the second State of the Land Report produced by the Urban Development Institute of Australia (UDIA). It has been prepared by each Division of the UDIA across Australia with the input of Australia’s leading urban development practitioners.

The Report examines the supply of new residential lots in the major capital cities (Sydney, Melbourne, Brisbane, Perth and Adelaide). The report finds that there is a substantial undersupply of land across the major capital cities.

Melbourne is producing the bulk of housing for the nation and is managing its land supply the best of any capital city. Sydney, while delivering higher levels of infill development, is significantly underperforming in greenfield land production, and housing supply generally.

The land supply situation is deteriorating in most capitals and has been since 2005. UDIA has made the following recommendations to start addressing the gravity of the issue and implementing actions to improve land supply production and delivery:

## RECOMMENDATIONS

1. **UDIA recommends that the Commonwealth Government provide funding to undertake comprehensive research into identifying and unlocking the barriers to housing supply.**
2. **UDIA recommends that, through COAG, a planning reform league table be established, that benchmarks and assesses the effectiveness and efficiency of all State and Territory planning systems.**
3. **UDIA recommends that the Productivity Commission be charged with undertaking an inquiry into financing local infrastructure and specifically examine the proliferation and impact of development levies.**
4. **UDIA recommends that the Major Cities Unit of Infrastructure Australia assume responsibility of the inter-Governmental co-ordination of residential land supply to ensure that there is sufficient supply available in all capital cities across Australia.**

## Introduction

The UDIA State of the Land Report released in 2006 indicated that nationally, undersupply conditions existed in the Australian housing market. This was confirmed in 2008 by the National Housing Supply Council's State of Supply Report 2008 that estimated there would be an undersupply of more than 80,000 dwellings in Australia at the end of 2008.

The UDIA State of the Land Report in 2009 illustrates that the gap between land supply and demand has widened and there is a growing undersupply of housing Australia-wide. The undersupply of land to support housing in the context of demand pressures will lead to less affordable housing for Australians and broader implications for the economy as a result of corresponding inflationary pressures.

### THE LINKAGES

The undersupply of housing has pernicious effects on the housing market specifically and, more generally, on the whole economy. Undersupply (where the supply of housing does not match the demand for new housing) creates price pressures in real estate markets.

Price pressures lead to inflation in the cost of housing, which diminishes housing affordability and limits options for market entry for potential purchasers of housing. This forces aspiring home owners into the rental market, and leads to reduced rental vacancy rates and inflation in the cost of rental housing.

As housing is a major cost for all Australians, the increased cost burden impacts the broader economy. In the prevailing economic conditions, it is understood that concerns in regard to dramatic house price inflation caused by undersupply of new housing, was a consideration in the Reserve Bank of Australia's recent decision to raise interest rates.

### DEMAND CONDITIONS

Housing demand pressures are being created by changes in household formation, natural population growth, and most significantly at present, historically high levels of immigration. Over the past 12 months in particular, demand in housing in Australia has also been supported by fiscal stimulus via the First Home Owners Grant and temporary boost, and through 'emergency' monetary policy settings.

Housing demand is particularly inelastic as accommodation is an essential good. There are very few tools at the disposal of policy makers to dampen demand in the housing market. It is therefore critical that policy makers ensure that housing demand is stabilised through the provision of opportunities to maintain sufficient levels of housing supply. Fundamental to this challenge is the provision of land that is suitable for supporting urban development.

### SUPPLY CONDITIONS

In Australia, there is no shortage of developable land. Therefore, supply in the housing market is mostly a manufactured condition. It is essentially set by State/Territory and local governments and is controlled through planning instruments.

In some instances housing supply may be influenced by housing delivery bottlenecks or inadequate yields in the investor market. Given the historically low lot production, it is unlikely that supply bottlenecks are prevailing at the moment. However, they very well may in future, with Government stimulus in place and housing market recovery existing coincidentally.

### PRICE DISTORTIONS

Overall market performance can be impacted by pricing distortions. Such distortions impact on market performance and do not necessarily relate to the interaction of demand and supply.

One of the key price distortions impacting the residential housing market is the application of development levies. The quantum of development levies applied to the development process has grown significantly in the last ten years, with the Sydney market most adversely affected by their application. The relatively recent advent of development levies in the context of the age of housing stock in the capital cities results in significant cost structure distortions with established housing. The dramatic disparity in the application of development levies across jurisdictions also results in geographic cost structure and pricing inequities.

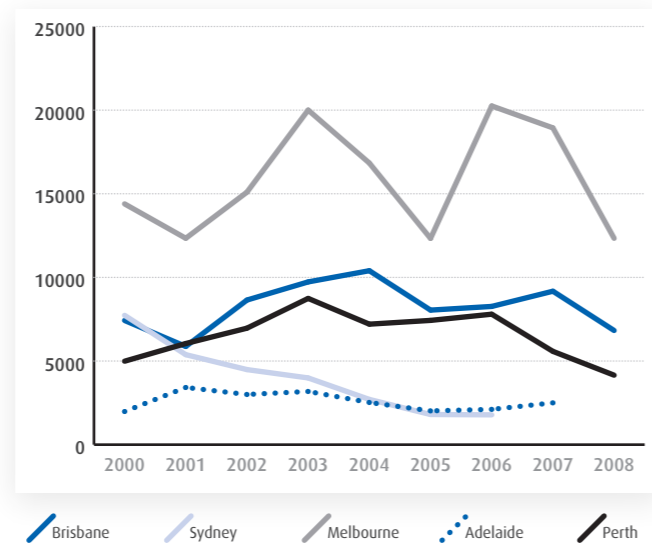
Another key price distortion that impacts the production of land is the impact of time delays in the development process on the cost of housing. Inefficient rezoning and development assessment processes can add significantly to the cost structure of housing, as developers are forced to pay greater holding costs and must mitigate against the risks associated with drawn-out regulatory processes.

**THE NATIONAL FINDINGS**

All three conditions explained above – demand, supply and price distortions; interact to influence market performance.

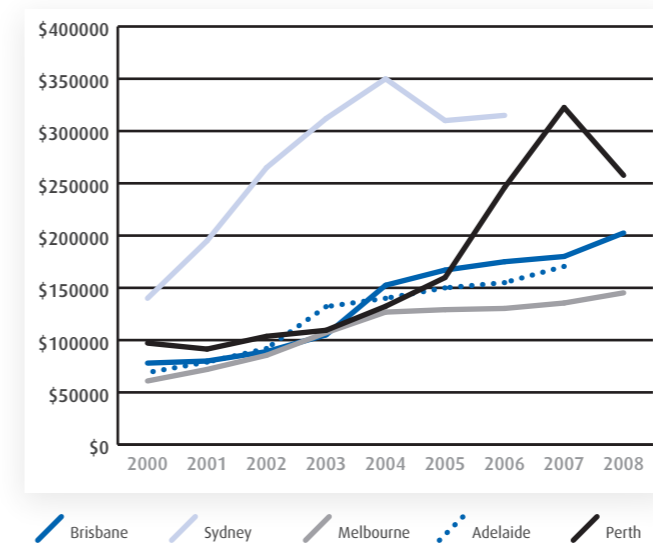
**Diagram 1** on the right shows the number of lots produced for the Brisbane, Sydney, Melbourne, Adelaide and Perth markets. On a national basis greenfield land production has fallen markedly since the last report in 2006. All markets have been impacted by general economic conditions. It is evident that the Melbourne market is consistently producing the greatest number of allotments for the national market. It is also evident that Australia’s most populous capital city, Sydney, is producing lots at a rate that is the lowest amongst major capital cities. Sydney produced fewer lots than the smallest of the major capital cities, Adelaide.

**Diagram 1 – Number of Lots Produced**



**Diagram 2** on the next page identifies median lot prices in all of the major capital cities. Not surprisingly, the median lot prices for both Sydney and Melbourne are the inverse of lots produced. This would suggest that the Sydney market is chronically undersupplied. Perth experienced rapid growth in median price of lots and this is primarily due to exogenous factors such as net migration from the Eastern Seaboard states to satisfy the labour supply required from the mining industry. (There may also be an impact from the change in composition of lots i.e. more lots are being released in expensive areas). In Perth, there appears little relationship between lots produced and median lot prices. Except for Sydney and Perth, all other major capital cities have been experiencing steady growth in median lot prices that would suggest that supply is being managed reasonably well in those jurisdictions.

**Diagram 2 – Median Price of Lots**



**MELBOURNE – THE BEST BY FAR**

Melbourne’s reasonable lot price growth indicates that they are better placed than other capital cities in the supply/demand equation. This may change in the future depending on the ultimate price impacts of the proposed Growth Areas Infrastructure Contribution (GAIC).

**ADELAIDE – THE SURPRISE PACKET**

Adelaide appears to be one of the best managed capital cities in terms of land supply. Strong, reliable and a certain number of lots have continued to be produced, with only modest increases in median lot prices. There is no coincidence that markets such as Adelaide can sustain this performance even in a downturn. Because conditions with respect to supply are so certain and well managed, investors will be able to make rational investment decisions – even while the rest of the economy is volatile. The challenge will be to maintain land supplies into the future.

**PERTH – ISSUES ON THE HORIZON**

The Perth market remains volatile which reflects the strong influence of the resources sector in this state and the resulting variations in consumer confidence. The affordability crisis of 2007 is being addressed through market acceptance of a different product mix, including cottage lots and medium density dwellings. A substantial reform of the approvals process is being progressed by the State Government however this may not be implemented in time to provide relief for the anticipated growth through 2010/11.

**BRISBANE – TAKING A TURN FOR THE WORSE**

Brisbane had substantial adjustments in lot production during 2008. However, lot production has been on a downward trend since 2004. Only in 2008, is there evidence of undue upward pressure on prices. Brisbane is entering an undersupply situation that will deteriorate over the coming years unless it is addressed now. Brisbane also has introduced development levies recently that are being applied in an ad hoc fashion and are mirroring Sydney in magnitude (sometimes being higher). Based on recent trends in Brisbane the outlook is negative for lot production.

**SYDNEY – CHRONIC UNDERSUPPLY**

Sydney is by far the worst performer of all the major capital cities. It has held that mantle since 2003. For Australia’s largest capital city in terms of population, it is not sustainable to deliver fewer lots than Adelaide – a city 25% of Sydney’s size. Sydney’s development levies are by far the highest in the country and because of the chronic undersupply condition the median lot prices are far above all other major capital cities.

The New South Wales Government has forecast some bullish housing production figures for 2009-10 and has also announced development levy reforms. The forecasts do not appear to be achievable after only three months into the year and the development levy reforms have been delayed. There is little confidence that New South Wales will move off this position in the near future unless there is clear leadership and commitment amongst Governments to solve the problems in the market.

**All major capital city markets are covered in detail within this report.**

**CONSIDERATIONS FOR THE URBAN DEVELOPMENT SECTOR AND POLICY MAKERS**

The State of the Land Report is a ready reckoner for Governments and industry alike. UDIA is the most authoritative voice on actual lot production occurring in all of the residential markets. The results are based on feedback from leading practitioners in the development industry.

The barriers to housing supply are different in each State and city. There needs to be a greater understanding of the barriers and drivers of supply as well as the overall economic impact of undersupply of housing generally. It is recommended that:

**The Commonwealth Government provide funding to undertake comprehensive research into identifying and unlocking the barriers to housing supply.**

**PLANNING**

Over two decades there have been many reforms to planning systems across the country. However, despite the reform initiatives, it is actually far harder to produce lots than ever before in most capital cities. Millions of dollars are spent on reforms and there are few measures to assess the effectiveness of reforms. It is therefore recommended that:

**Through COAG, a planning reform league table be established, that benchmarks and assesses the effectiveness and efficiency of all State and Territory planning systems.**

**LEVIES**

Infrastructure levies are becoming an insidious tax that is distorting the new housing market and creating far wider economic ramifications. In most jurisdictions, the levy framework for new residential development has grown significantly since its inception, without significant debate about the alternative approaches to financing urban infrastructure to support new housing. UDIA recommends that:

**The Productivity Commission be charged with undertaking an inquiry into financing local infrastructure and specifically examine the proliferation and impact of development levies.**

**MANAGEMENT OF THE MAJOR CAPITAL CITIES**

New housing in Greenfield sites is so fundamental to the housing market across the country that there are grounds for special attention to be paid to the management of the release of land. It is a complex proposition as developers have to deal with Councils, utilities and State Governments even before the first sod is turned. UDIA recommends that:

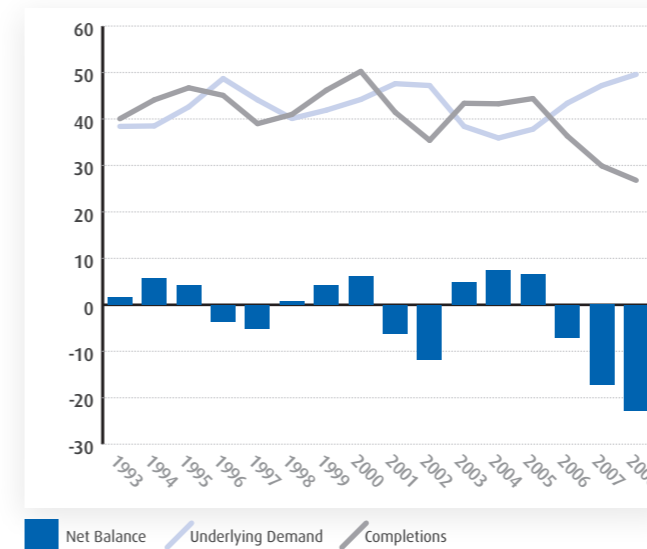
**The Major Cities Unit of Infrastructure Australia should assume responsibility of the inter-Governmental co-ordination of residential land supply to ensure that there is sufficient supply available in all capital cities across Australia.**

**New South Wales**

**CURRENT MARKET SNAPSHOT**

The NSW residential market has experienced a sustained period of underperformance, with housing production falling dramatically since 2003. During the early period of the downturn, housing approvals trended lower as a result of weak population growth and then deteriorating affordability. Reflecting the inferior affordability of housing in NSW, approvals in the state have declined by significantly more than the other major states.

**NSW Housing Supply and Demand**  
‘000 Dwellings – Annual



Source: UDIA NSW Development Intelligence, ABS, Property Insights.

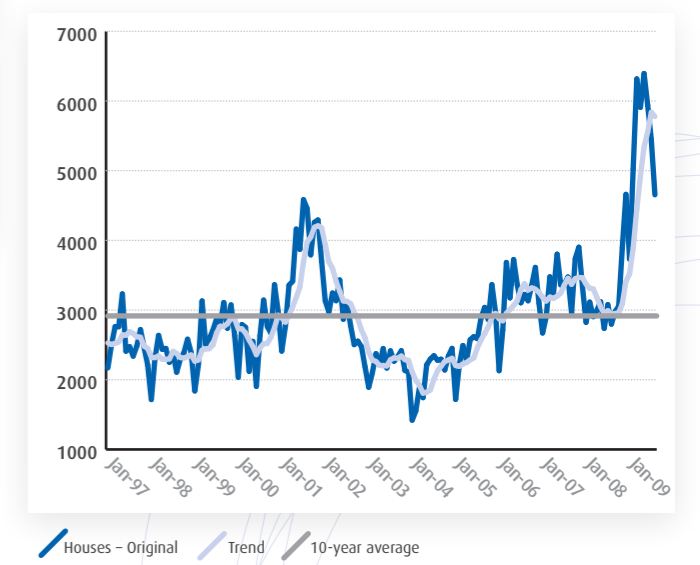
Primarily a consequence of a pick-up in population growth, underlying demand for accommodation has steadily increased since 2004. Even so, housing completions have failed to keep pace, leading to a housing shortfall and, as a consequence, a decline in private sector vacancies and rapid rental growth as highlighted by the graph to the left.

Within this wider NSW data, the story for Sydney has been particularly troubling. Production of new greenfield land for housing has been at record lows for five years now.

Production is 70-75% below historic average levels of demand and greenfield land supply now accounts for only 10% of all new dwellings produced in a given year. Even the Government’s own policy settings require this figure to be at 30-35%.

This is principally a function of the NSW Government’s ideologically driven policy settings of the mid 1990s which sought to heavily constrain the supply of greenfield land and establish price signals to deter fringe development. The policy has had an unprecedented impact. Today nine dwellings are being constructed within Sydney’s existing urban footprint for every new dwelling on the fringe. The policy though has exacerbated the decline in housing affordability as infill dwelling production alone has not proved capable of satisfying the underlying demand nor the price points required to be classified as affordable.

**FHA Dwellings Financed (nsa) NSW (monthly)**



Source: ASB, Property Insights

Recently the combination of falling interest rates, rising household incomes and soft house prices has resulted in an improvement in housing affordability. The use of fiscal demand stimulus through the First Home Owner Grant and Boost has had demonstrable success in stimulating some of the residential market in NSW and has significantly increased market share for first home buyers. This is evidenced by the graph on the previous page that shows first home buyer dwelling finance well above the ten year average.

There is evidence emerging in NSW that while demand has certainly improved, the pressures will now be placed on bringing supply to the market. Acquisition activity in Sydney in particular has been well below the long term average and is understood that business development teams in many of the major development companies are not currently resourced to deliver a significant short term upswing in supply.

Supply is now starting to respond, but unless there is a sufficient uplift in new accommodation, price pressures will intensify further where demand is strongest, namely the least expensive suburbs. So, with demand for housing set to accelerate, unless further accommodation becomes available, the upward pressure on house prices is likely to intensify.

It could be reasoned in Sydney that further stimulation of demand in the absence of structural reforms to economic and regulatory constraints will put significant upward pressure on house prices. Despite some recent corrections, the differential between new and existing stock still reflects the significantly higher cost structure for development that exists now, and will continue to exist without targeted, structural reform.

## GOVERNMENT PLANS AND STRATEGIES

The overall strategic planning framework in NSW is provided by the NSW State Plan, the Sydney Metropolitan Strategy (*City of Cities*) and a series of regional strategies. This framework has been developed over the last four years and reflects a significant attempt by the NSW Government to set clear goals for new housing and employment development at the state, regional and local levels.

The key issue for the development sector is that the certainty that these key strategic documents seek to provide, at least in a notional sense, has been undermined by a lack of sustained commitment from the NSW Government to the funding and delivery of key transport infrastructure assets. This has undermined the confidence the urban development sector can reasonably have in investing in new release areas in Sydney, particularly those that are currently under-serviced by transport networks.

The Metropolitan Development Program (MDP) is the State Government's key program for managing land and housing supply and assisting infrastructure coordination in Sydney. The MDP is intended as an implementation mechanism for the Government's State Plan and the Metropolitan Strategy.

UDIA NSW has strongly advocated the use of the MDP as the key evidence basis within Government for planning and infrastructure provision. The NSW Government from 2005 until April 2009 failed to publicly release the MDP despite strong pressure from the development industry. The Government has now committed to a more transparent approach to developing and disclosing the MDP to the industry on a yearly basis.

Further the NSW Government has recently committed to a range of benchmarks for rezoning timeframes and a more coordinated whole-of-government approach to addressing land supply and approval constraints. Key measures include:

- major local environmental plans (for land release or urban renewal) – gazetted within 6-12 months and minor LEPs within 3 months;
- LEP timeframes reduced by at least 50%;
- an audit of all major projects to identify and respond to any delays;
- streamlined rezonings in key public transport centres;
- the creation of a Planning Approvals Chief Executive Group, chaired by the Director General of the NSW Department of Planning, to fast-track major projects.

While these initiatives and commitments are welcome, UDIA NSW will closely monitor performance in the coming year.

## LAND SUPPLY

### Historical Supply

The need for land supply in Sydney to service overall dwelling production has undergone a structural decline as a result of Government policy to increase the supply of infill development. While the need for land supply to service overall dwelling production is not as high as has historically been the case, production levels in Sydney of 8,000 lots per annum are required on the suburban fringe to meet market demand, address strategic planning policy objectives and maintain housing affordability.

The NSW Government has increased stocks of zoned land on Sydney's fringe in recent years in an effort to address shortages which became apparent in the late 1990s and early 2000s. However, viability and affordability remain key challenges as levies, taxes and servicing charges erode the capacity to meet englobo land vendor expectations. The current level of costs is bringing the offer price to englobo land vendors to below rural values thereby discouraging land coming onto the market.

The table below demonstrates the dramatic decline in land supply in the Sydney greenfield fringe local government locations since 2001/02.

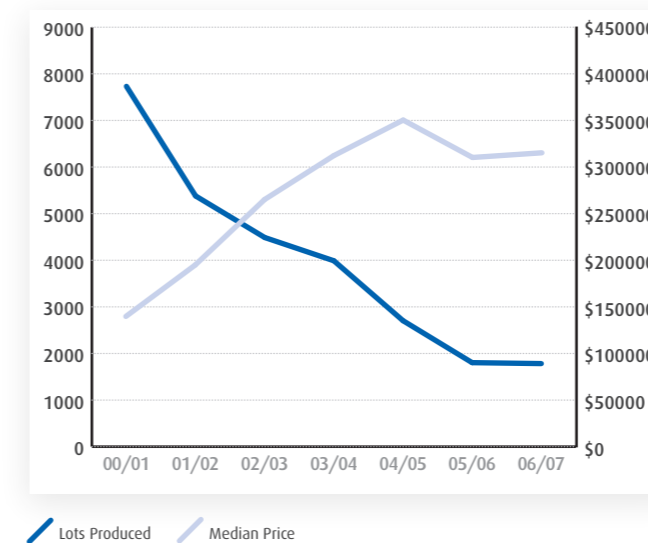
**It should be noted that the NSW Government has not yet publicly released greenfield lot production figures beyond 06/07 for metropolitan Sydney.**

**Sydney Greenfield Lot Production**

LGA	01/02	02/03	03/04	04/05	05/06	06/07
Baulkham Hills	1763	1350	734	486	216	157
Blacktown	1303	1011	1072	597	682	825
Camden	290	204	437	305	151	269
Campbelltown	239	137	191	22	71	46
Fairfield	104	79	32	36	0	0
Hawkesbury	0	0	0	0	0	0
Hornsby	48	82	62	78	0	0
Liverpool	674	332	220	395	391	101
Penrith	166	185	84	108	82	65
Pittwater	66	57	125	240	49	9
Sutherland	6	45	69	0	0	0
Warringah	26	75	50	105	15	0
Wollondilly	0	163	144	129	0	93
Wyong	695	768	769	233	146	218
<b>Total</b>	<b>5380</b>	<b>4488</b>	<b>3989</b>	<b>2704</b>	<b>1803</b>	<b>1783</b>

Source: NSW Metropolitan Development Program 2007/08.

**Sydney Greenfield Lot Production and Median Price**



**Greenfield Lot Production and Median Price Metropolitan Sydney**

Period	Lots Produced	Average Lot Size	Median Price
2000/01	7731	575	\$140,000
2001/02	5380	550	\$195,000
2002/03	4488	550	\$265,000
2003/04	3989	500	\$312,000
2004/05	2704	500	\$350,000
2005/06	1803	450	\$310,000
2006/07	1783	450	\$315,000

Source: NSW Metropolitan Development Program 2007/08, Colliers International Research, RP Data.

**Future Supply**

Through the NSW State Plan, the Government has set a target of achieving 55,000 zoned and serviced lots ready for development by 2009. The NSW Budget 2009/10 revealed that the Government believed there to be 46,051 zoned and serviced lots ready for development.

There are some concerns within the development industry that the Government's audit of land available for development fails to adequately account for servicing constraints and that actual figures of available land supply are in fact, considerably lower. The industry however remains committed to working with the Government to identify supply constraints and the public release of the Sydney Metropolitan Development Program provides a promising indication of the value of greater transparency in determining land supply and the corresponding demand for new housing.

The Sydney MDP 2007/08 provides the following lot production forecasts for greenfield release areas in the Greater Metropolitan Region. It must be noted that these figures were produced in July 2007 and the NSW Government has yet to publicly release formal forecasts since that date, despite industry requests.

**NSW Government – Sydney Greenfield Lot Production Forecasts**

LGA	2009/10	2010/11	2011/12	Total 3 year lot production
Baulkham Hills	594	510	395	1499
Blacktown	922	1024	1245	3191
Camden	1126	1173	945	3244
Campbelltown	160	224	180	564
Liverpool	415	390	550	1355
Penrith	428	495	660	1583
Pittwater	288	275	255	818
Warringah	0	0	24	24
Wollondilly	10	10	3	23
Wyong	470	347	433	1260
<b>Total</b>	<b>4413</b>	<b>4448</b>	<b>4690</b>	<b>13551</b>

Source: NSW Metropolitan Development Program 2007/08.

UDIA NSW in consultation with its Metropolitan Land Release and Infrastructure Committee has prepared its own forecasts based on consultation with key development industry participants. The forecasts show a steady increase in production in the next two years off a very low base, reflecting expectations of a modest recovery in the overall market and the emergence of several new major estates.

**UDIA NSW Greenfield Lot Production Forecasts**

2009/10 – 2011/12

LGA	2009/10	2010/11	2011/12	Total 3 year lot production
Baulkham Hills	290	250	320	860
Blacktown	730	840	840	2410
Camden	730	780	960	2470
Campbelltown	210	250	150	610
Hawkesbury	50	50	50	150
Liverpool	400	430	560	1390
Penrith	110	350	670	1130
Pittwater	50	50	80	180
Warringah	0	20	0	20
Wollondilly	110	110	170	390
Wyong	530	420	320	1270
<b>Total</b>	<b>3210</b>	<b>3550</b>	<b>4120</b>	<b>10880</b>

Source: UDIA NSW

**DEMAND**

Demand incentives have arguably contributed to more favourable conditions for an increased market of potential buyers. Adding to the cyclical demand housing pressures are the structural factors lurking in the background, namely rapid population growth, low vacancy rates, rising rents (relative to mortgaging) and the long-term undersupply of accommodation.

There are a range of macro and more sector-specific factors that are influencing demand for housing in NSW worth noting:

- population is at the fastest growth rate for over 20 years;
- there is a significant undersupply of dwellings;
- the rental vacancy rate remains around 1.5-2%;
- there have been significant improvements to housing affordability;

- a narrowing of the differential between renting and mortgaging;
- residential yields are at their highest since March 2002; and
- the NSW Housing Construction Acceleration Plan is being targeted towards stimulating demand in the investor market – notably, this initiative appears targeted towards the apartment market and does not apply to transactions of residential land unless for a house and land package.

Demand has undoubtedly been underpinned in some market segments by demand stimulus for first home buyers and favourable monetary policy settings. However the evidence for sustained demand across a broad range of demographic sectors or price points has not been as strong. With the prospect of changes to fiscal and monetary policy for the sector over the next six months, namely the phasing out of the First Home Owners Boost and a likely return to higher interest rates, relative to the current official cash rate, the prospects for sustained demand across the breadth of the market remain uncertain.

**ISSUES/BARRIERS FOR ORDERLY DEVELOPMENT**

There is evidence emerging in NSW that while demand has certainly improved, the pressures will now be placed on bringing supply to the market. There remains a number of significant constraints to the supply of new land in Sydney that are of concern. These include:

- new greenfield land acquisition activity in Sydney has been well below the long term average and is understood that the sector is not strongly positioned to deliver a significant upswing in supply in the short term;
- Sydney still has the most uncompetitive cost structure of development levies in Australia and a large disparity between prices for existing and new housing stock still remains. This is despite recent structural reform to the water and sewer infrastructure financing framework and temporary reductions to state infrastructure contributions; and

- the rezoning and approval process for major new release areas continue to be plagued by delays as a result of disparate Government agency involvement in the planning process – issues in regard to the treatment of riparian corridors, indigenous heritage, and threatened species conservation continue to impact heavily on the efficiency of the planning system in delivering urban development outcomes;

**CONCLUSIONS AND RECOMMENDATIONS**

The policy context for delivering new housing in NSW remains challenging, with an uncompetitive cost structure and an absence of a consistent, structured approach by Government to attracting investment. A wavering commitment to delivering key transport infrastructure commitments to support new development has also contributed to the undermining of investment certainty and the achievement of strategic policy objectives.

Market recovery in NSW will require a coordinated approach to reforming the economic and regulatory framework for urban investment. Demand side initiatives in the absence on additional dwelling supply and a competitive cost structure will provide limited relief from the prolonged downturn for housing in NSW.

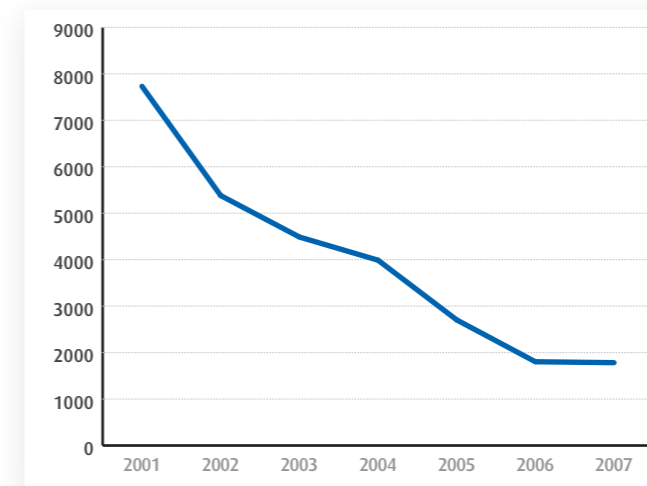
UDIA NSW provides the following recommendations for the consideration of policy makers to assist in providing a regulatory and economic framework that is sympathetic to the delivery of affordable and sustainable urban development outcomes:

- **The NSW Government recommit to the provision of key transport infrastructure networks to service new release areas in the North West and South West of Sydney.**
- **The NSW Government continue to reform the levy frameworks for new development by ensuring that the cost of providing new infrastructure is shared by the broadest base of beneficiaries to the investment.**

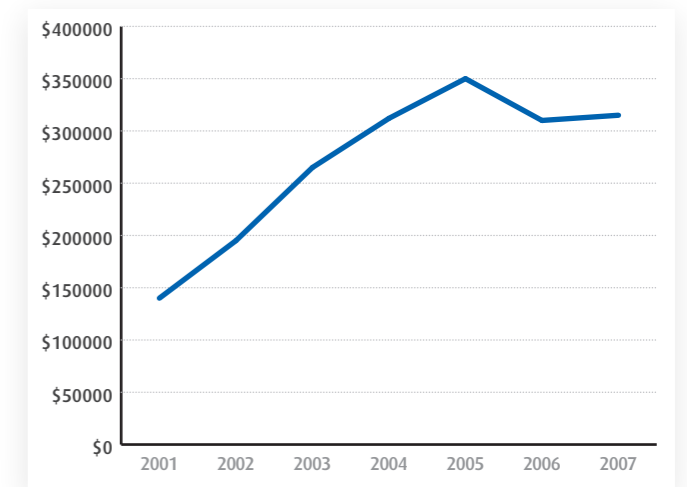
- **The NSW Government extend the Housing Construction Acceleration Plan to the purchase of residential lots to stimulate demand in the greenfield development sector.**
- **The NSW Government extend the Housing Construction Acceleration Plan until at least July 2010 to stimulate new investment in future development sites.**

**Snapshot – Sydney**

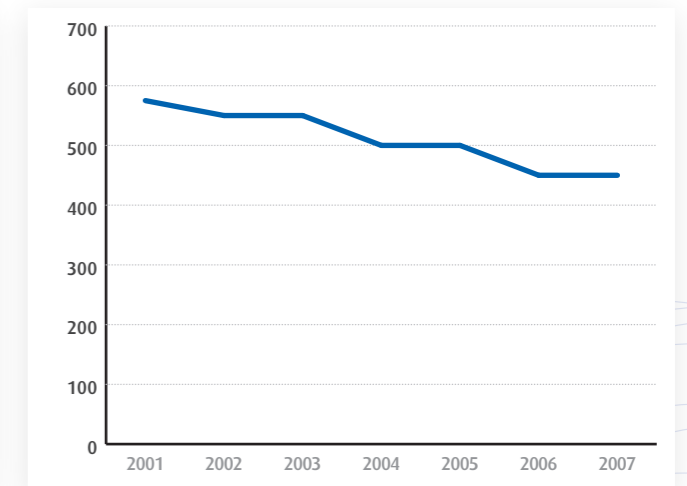
Lots Produced



Median Price of Lots



Average Size of Lots (m<sup>2</sup>)



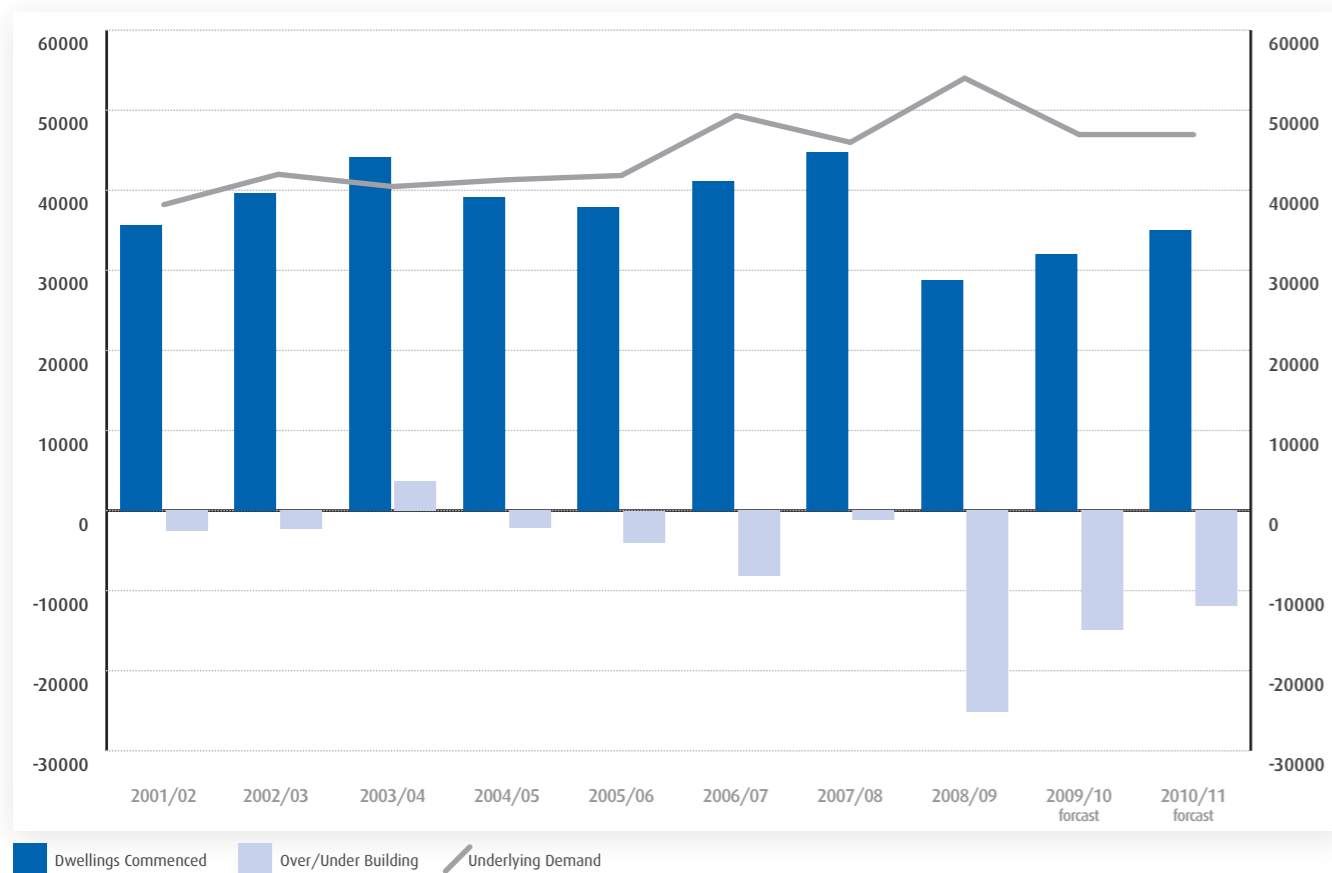
## Queensland

### CURRENT MARKET SNAPSHOT

Queensland economic growth has exceeded national growth for 12 years and despite recent economic circumstances is forecast to continue this result in 2009-10. The Queensland population growth has also continued strongly with an increase of 112,666 persons over the year to March 2009<sup>1</sup>.

The following graph shows actual and forecast dwelling production related to estimated demand based on Queensland population growth. It shows the market has been undersupplied for 7 of the last 8 years and dwelling production of around 45,000 homes is required to meet annual underlying demand and further required to provide catch up supply for earlier undersupply.

**Fig.1 Queensland Housing Supply and Demand**



<sup>1</sup> ABS, 3101.0

### GOVERNMENT PLANS AND STRATEGIES

The State government and local authorities regulate the overall supply of land in Queensland for development. This occurs in accord with the Integrated Planning Act (IPA) and through state and local policy made under the Act. Local government planning schemes allocate land for different uses and coordinate the delivery of infrastructure; with most development decisions delegated to local authorities.

In 2005 the Queensland government introduced the first statutory South East Queensland (SEQ) Regional Plan. The plan sets an urban footprint area and key development areas and planning approval processes. It is supported by the SEQ Infrastructure Plan and Program that outlines \$124 billion worth of infrastructure being undertaken to 2026.

### LAND SUPPLY

The Planning Information and Forecasting Unit (PIFU) of the Queensland Government measures land zoned for residential development as well as development and population activity. There is approximately biannual reporting of greenfield residential land supply in SEQ areas with more irregular reporting of other areas of the state.

### South East Queensland Activity

The localities of Brisbane, Gold Coast, Sunshine Coast, Ipswich and Toowoomba are included in SEQ. Two-thirds of the Queensland population, or more than 2.7 million residents, live in the South East corner of the state.

12,284 residential lots were produced in South East Queensland in the year to September quarter 2008. Production is around 20% lower than the longer term average. The table on the next page shows urban lot production for the Brisbane Statistical division since 1994.

**Fig 2 Brisbane Statistical Division, Lot Production, Size and Median price 1994 – 2009**

Brisbane Statistical Division

Period	Lots	Average Lot Size (Square Metres)	Median Price \$
1994	12,717	737	59,950
1995	9,238	723	60,500
1996	7,855	722	67,000
1997	9,189	740	71,000
1998	7,043	739	74,000
1999	6,261	712	75,000
2000	7,425	746	78,000
2001	5,871	713	80,000
2002	8,646	715	89,000
2003	9,730	707	105,000
2004	10,400	691	152,500
2005	8,044	670	167,000
2006	8,264	674	175,000
2007	9,174	642	180,000
2008	6,825	640	202,500
<b>Mar. Qtr. 2009</b>	<b>1,658</b>	<b>656</b>	<b>213,000</b>

Source: PIFU Average lot size and median price based on vacant urban lots 250sqm - 2500sqm

**South East Queensland Supply**

The following table details PIFU identified available land for residential use and the forecast number of dwellings required to 2031 in the SEQ regional plan. An indicative additional land stock requirement to provide a planning horizon to 15 years is also provided.

**Fig 3 Available Broadhectare Urban Residential Land in SEQ**

Broadhectare Land Supply

LGA	Urban (Ha) 2009	Expected Urban Dwelling Yield	SEQRP Forecast Additional Dwellings 2006 – 2031	UDIA indicative Estimate of additional land supply required for a 15 year planning horizon (Ha)*
Sunshine Coast(RC)	5,735	48,262	98,000	2,500
Moreton (RC)	3,109	37,362	84,000	1,500
Brisbane (C)	3,034	57,440	156,000	3,000
Ipswich (C)	7,528	116,370	118,000	0
Gold Coast (C)	3,517	48,262	143,000	3,500
Logan (C)	4,841	42,210	70,000	2,500
Redland (C)	687	9,257	21,000	600
Toowoomba	2,050	8,583	31,000	3,500
Other SEQ	2,470	17,428	33,000	0
	<b>32,767</b>	<b>398,885</b>	<b>754,000</b>	<b>17,100</b>

Source: Qld Government, Planning Information and Forecasting Unit

\*A range of forecasting methods are used and while substantial caution should be used in interpreting the above figures, they suggest the need for significant additional land supply planning, and raise concerns as to the planning vision provided by some local authorities.

In regard to the short term availability of vacant lots in SEQ a report prepared for the Local Government Association of Queensland (LGAQ)<sup>2</sup> provides details of a survey undertaken of the development pipeline for selected local government areas in SEQ. It showed:

- very low levels of lots in developers hands to meet demand in Moreton Bay Regional Council area and in Ipswich (0.3 years supply), Sunshine Coast (0.4 years supply) and Gold Coast (0.5 years supply) council areas;
- very low levels of lots in developers hands (0.3 years supply) as well as very low levels of land appropriately zoned (1 years supply and 2.1 years supply) to meet demand in the Redland Council area and Logan Council respectively.

<sup>2</sup> Local Government Association of Queensland, Review of Residential Land Supply and Demand Issues in South East Queensland, October 2008

Central Queensland

Central Queensland for the purposes of this report includes areas from Fraser Coast to Whitsunday including Hervey Bay, Bundaberg, Rockhampton, Gladstone and Mackay. The Whitsunday-Mackay area is the fastest growing planning area in Queensland in percentage terms, growing at around 3.4 per cent each year<sup>3</sup>.

- 3,162 residential lots were produced in this area in the year to December 2008. This is a little lower than the longer term average.
- In the December quarter 2008, vacant land sales were well down with median values ranging from \$180,000 in the Mackay local government areas to \$130,000 in Rockhampton<sup>4</sup>.

UDIA reports on land supply and demand were undertaken for Gladstone and Mackay<sup>5</sup> the reports identified considerable demand pressure from resources based investment activity in the region with around \$10 billion of business and infrastructure investment to occur in the Gladstone region alone. While there was significant potential supply in the area very little completed land is available to the immediate market and with longer term concerns about supply. Concerns were also raised regarding local authority resources to respond to the situation.

Northern Queensland

Northern Queensland for the purposes of this report includes areas around Cairns and Townsville.

- 3,512 residential lots were produced in Northern Queensland in the year to September quarter 2008. This is around the longer term average.
- The median vacant lot price in the December quarter 2008 was \$157,500 in the Cairns regional Council area and \$157,900 in Townsville<sup>6</sup>.

In May 2008 UDIA released a report on the greater Townsville/Thuringowa area<sup>7</sup> that identified that available development fronts were declining and supply choice would be restricted without major new developments being brought to the market. Supply is also being affected by recent sharp rises in infrastructure charges.

LAND SUPPLY

UDIA (Qld) considers that there should be at least 25 years of land supply in indicative growth areas, 15 years supply zoned and planned ready for use and 5 years supply with planning approvals and ready infrastructure. And this supply needs to be in a broad range of locations and for a range of development types to meet the diverse needs of the community and provide for competition in provision. A similar view is shared by others including the UK Planning authority. The present Queensland situation is far from achieving this.

Process

In the past many planning schemes in Queensland provided ample land supply for development by providing:

- substantial areas zoned for urban development as part of an investment encouragement strategy;
- a strategic plan indicating broad urban growth directions with the details of development resolved by applicant initiated rezoning applications; and
- the timing and direction of development generally directed by infrastructure development extension issues.

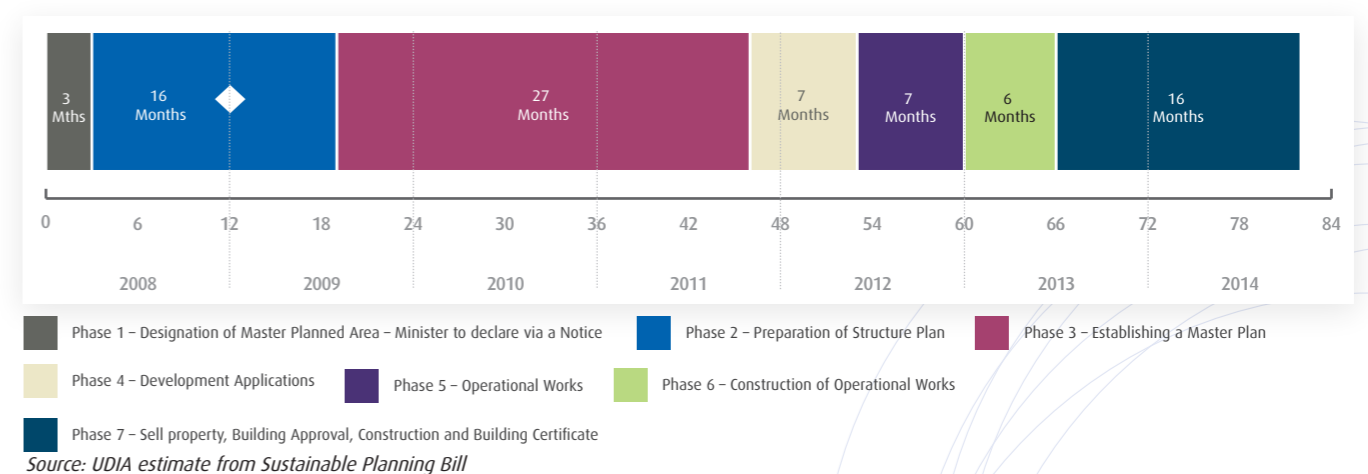
In more recent times increased control has applied that is more akin to the experience in other states and countries however critical to its proper functioning is timely planning for and rezoning for release of land. The recent Queensland situation has been characterized by:

- out of date planning schemes; and
- legislation requiring additional local authority planning to be put in place before land can be developed;
- deficiencies in base information; and
- resourcing constraints.

Where government resources and cooperation is applied to planning and release of growth areas a timeframe of 7-10 years is still relevant (see diagram below).

Fig 4 Time period for development of a designated master plan area

Estimated Minimum Time Period



<sup>3</sup> Queensland Government, Planning Information and Forecasting Unit.  
<sup>4</sup> Queensland Government, Planning Information and Forecasting Unit (Oct. 2008)  
<sup>5</sup> Gladstone Market Report, March 2008, National Property Research Pty for UDIA - Central Queensland Branch

<sup>6</sup> Queensland Government, Planning Information and Forecasting Unit (Oct. 2008)  
<sup>7</sup> Residential Land Availability Study Townsville, May 2008, Prepared by Knight Frank, UDIA - Townsville Branch

**Supply measurement and programming**

PIFU undertakes Broadhectare studies of land supply in key growth areas and this information is used by state and local government in making decisions about the allocation of resources. However UDIA investigations of some studies have shown that around 20-30 per cent of the identified land will not develop as a consequence of:

- additional planning overlays applied or introduced by agencies;
- high value capital improvements on properties, for example high value homes which reduce the prospect of sites contributing to land supply;
- difficult to develop alone or aggregate small farmlet/ acreage parcels;
- overly optimistic dwelling yield projections by local authorities; and
- planning controls that are mismatched to development realities such as requiring a high minimum density in remote, unattractive or poorly served locations and at the expense of an ample supply of other residential sites.

**SOLUTIONS**

In July 2007 the Queensland Government’s Queensland Housing Affordability Strategy was released. Improved land supply was the subject of a number of its actions with proposals to establish an Urban Land Development Authority (ULDA), increase the supply of land ready for development and regulate infrastructure charging plans. A reform process of the planning administration in Queensland has also been underway for some years to improve cultural behavior and processes. A new ‘Sustainable Planning Act’ is being enacted that will progressively provide more standardization of management of planning and development.

**Improved monitoring and management**

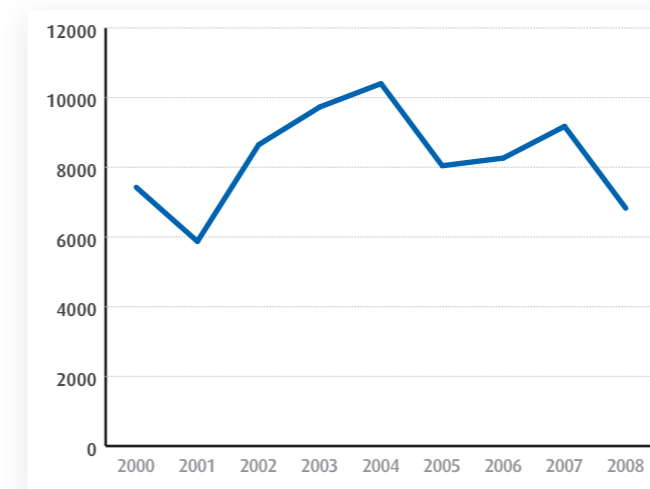
There have been moves to improve the monitoring of land supply and development assessment processes. PIFU has increased its scope and consultation with UDIA during its production of land supply report and a program under a Residential Reference Group will be released in 2010. Comprehensive monitoring and benchmarking of the development assessment process is also to be undertaken for the first time.

**CONCLUSION**

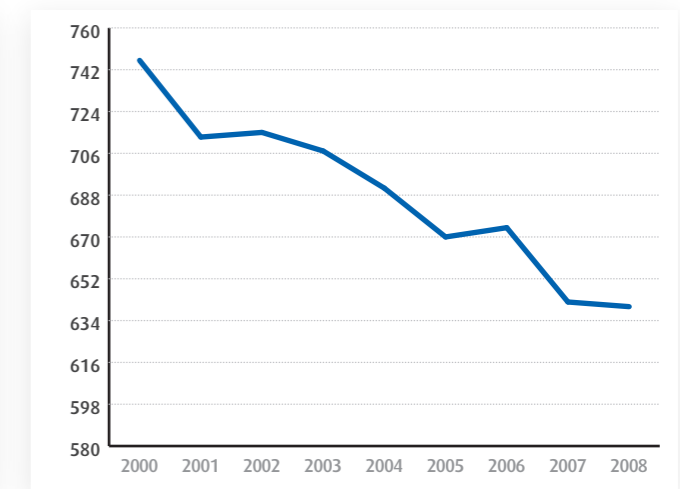
The ULDA is progressing well to service specific sites for development and is providing market based intelligence within state government. The state’s performance on timely land supply and limitation of infrastructure charge increases has, however, been inadequate. Many of the recent efforts may improve outcomes but it is the view of the industry that further urgent work is required, particularly regarding the accuracy and monitoring of land supply, yield and timing, review of the infrastructure charging regime and expediting planning and development approval processes. Where necessary as with infrastructure charging which is likely to remain a significant impost on new developments, UDIA will continue to make representations to the authorities to improve the outcome for the Queensland development industry.

**Snapshot – Brisbane**

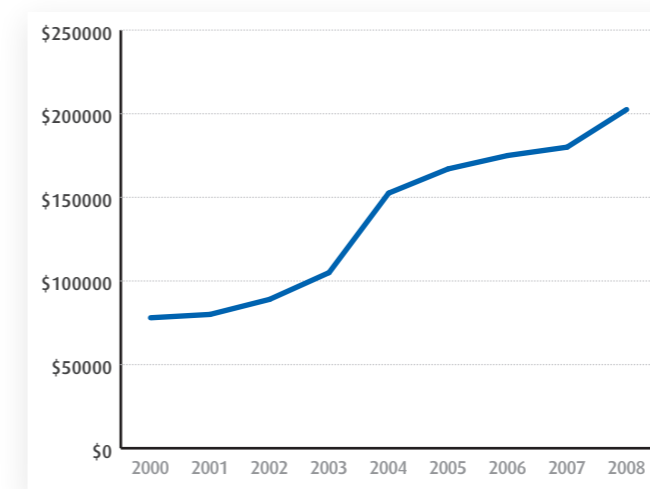
Lots Produced



Average Size of Lots (m<sup>2</sup>)



Median Price of Lots



## South Australia

### GOVERNMENT'S VISION

South Australia is planning a rejuvenation of the state, with unprecedented Government expenditure on infrastructure, particularly, transport and water. The anticipated economic growth over the next decade is expected to be driven by expansion in the defence and resources sectors.

The State Government's vision for the next three decades is to position Adelaide as a city that is recognized worldwide as liveable, competitive and resilient to climate change while retaining key features such as open space, the ambience and charm of local neighbourhoods and a city that is vibrant and family-friendly.

In the first quarter of 2008-09 South Australia was the only State or Territory to experience economic growth.

South Australia's population is ageing at a faster rate than other states. Sustainable population growth is considered essential to maintain a healthy balance and a labour force that can support the state's economy. Skilled migrants are being encouraged to move to SA.

Whilst expanding the working-age population, SA is also intent on protecting the State's natural environment and primary production areas. The Government's intentions are to contain urban sprawl and plan for new housing within vibrant higher-density neighbourhoods that reinvigorate a sense of community.

The Government released its 30 Year Plan for Greater Adelaide in July 2009. The expectation is that by 2038 around 70% of new metropolitan dwellings will be built within the current urban area, with a focus on the better use of Adelaide's transport corridors.

The Plan predicts the following to occur over the next 30 years:

- Steady population growth of 560,000 people (350 net additional people per week. This is considered moderate given the estimate for Sydney is 1,200 per week; Melbourne 1,500 per week and Brisbane 1,100 per week)
- Construction of 258,000 additional homes with the following distribution:
  - » infill 134,000 dwellings
  - » fringe 85,000 dwellings
  - » townships 39,000 dwellings
- Economic growth of \$127.7 billion
- Creation of 282,000 additional jobs
- Record infrastructure investment of \$11.4 billion over four years from 2009-2012 with a focus on major transport projects

### Spatial Reference

The Greater Adelaide area covers land from Victor Harbor and Goolwa in the south, the Adelaide Hills through to Murray Bridge in the east, Gulf St Vincent to the west and Barossa Valley and Mallala to the north – an area of about 9,000 square kilometres (900,000 hectares). It has a population of about 1.3 million people – just over 80% of the South Australian total – and provides 68% of the state's employment. Greater Adelaide covers 28 council areas and seven State Government Administrative Regions.

### LAND AVAILABLE FOR DEVELOPMENT

The Urban Growth Boundary (UGB) on the outer fringe of metropolitan Adelaide was extended in December 2007. This land was expected to provide around 7-8 years additional supply of land for development, but contains substantial areas unlikely to be developed (ownership, land use constraints, environmental protection, local activism etc). Accordingly, this land may only provide around 4-5 years' supply of land for development. Of further concern is that delays in rezoning and planning approvals have resulted in no additional land yet being brought to market from the extension to the UGB announced in December 2007. Accordingly, current stocks of zoned residential land amount to only about 6 years of supply at predicted take up rates.

Table 1 contains a summary of the Department of Planning and Local Government's (DPLG) broadacre land analysis, published in February 2009. The data contained in this report indicates 4,873 hectares of residentially zoned land existed within the Greater Adelaide Region in 2008, with a projected yield of some 50,600 lots, after allowing for land already subject to subdivision.

However, only some 495 ha of infill and 2,238 ha of fringe land, with a potential for development into around 28,500 allotments, is held by entities likely to develop this land in the medium term. Based on a total requirement of around 258,000 dwellings over the next 30 years, the current broadacre land stocks on the urban fringe and within infill areas are likely to deliver only 11% of overall requirements.

On the basis that 134,000 additional dwellings over the next 30 years are to be provided within infill areas, it is apparent that the remaining non-private broadacre land within the metropolitan footprint can provide less than 5% of overall requirements. Even in the event that all private land holdings are made available for residential development, the estimated yield of broadacre land in infill areas is less than 10% of requirements.

Future dwelling sites are expected to be sourced from the following options:

- Broadacre land at the urban fringe
- Redevelopment and densification of major infill sites (eg 'brownfield' development) within the Adelaide CBD and near-city suburbs
- Minor infill developments (eg re-subdivision of existing allotments or demolition and redevelopment of allotments for greater dwelling yield)

**(i) Fringe Land Supply**

The table below provides UDIA’s summary of the location, size and estimated yield of residentially zoned broadacre fringe land in Greater Adelaide.

**Table 1**

Location	Size (ha)	Est. Yield (lots)
Seaford Heights	165	2,800
Seaford Meadows	143	1,500
Aldinga	46	500
Sellicks	110	1,200
Andrews Farm/ Penfield	198	3,100
Munno Para West/Downs	472	7,200
Blakeview	422	6,300
Evanston Gardens/ Evanston South	303	3,600
Mount Barker/ Littlehampton/ Nairne	195	2,500
Goolwa/ Hindmarsh Island/Victor Harbor	210	1,300
<b>Total</b>	<b>2,264</b>	<b>30,000</b>

*Total may not be achieved due to various constraints*

Other fringe land that is yet-to-be zoned ‘residential’ but for which rezoning is either currently being sought or likely to be sought in the short-medium term is shown in the table below.

**Table 2**

Location	Size (ha)	Est. Yield (lots)
Bowering Hill	307	4,000
Hackham	289	2,000
Highbury	76	1,000
Gawler East	400	4,000
Buckland Park	1,300	12,000
Concordia	500	5,000
Mount Barker	700	8,000
<b>Total</b>	<b>3,662</b>	<b>36,000</b>

*Total may not be delivered due to various constraints*

**Note that the total yields in Tables 1 and 2 above assume all land is available for development. The UDIA concurs with DPLG’s assumption that a substantial portion (30%) of this land may never be developed. Accordingly, yields from this land may reduce to, say, 21,000 and 25,000 lots respectively.**

**(ii) Allotments for dwellings from redevelopment or densification of major sites**

Supply of land from this source is problematic. Political barriers to the development of infill sites exist through conflict between state and local government and agency agendas and public opposition. The Government will need to withstand strong opposition from many groups to achieve its target of 70% of new developments being on infill land by the end of the 30 year period. It will need to rezone substantial areas in the identified transport corridors at significantly higher densities and assist in the creation of market attraction in these areas if the target is to be met.

**(iii) Minor Infill developments**

Data from DPLG indicates metropolitan demolitions are running at approximately 1,500 dwellings pa with a replacement rate of 1.66 dwellings per demolition. This equates to a total construction of 2,500 dwellings on demolition sites and a net dwelling addition of around 1,000 dwellings pa.

The ability to demolish and redevelop residential sites is controlled by planning polices while the viability of this type of development is influenced by capital to site value ratios (ie. low site values relative to capital improvements discourage redevelopment, while high site values and low or no capital improvement encourages redevelopment).

Traditionally low levels of infill of development have occurred in the Northern and Southern Adelaide regions where higher capital to site value ratio discourage redevelopment.

The majority of dwelling demolitions has occurred in the Western and Eastern Adelaide regions where land values are significantly higher. However additional dwellings are difficult to deliver due to activism by existing residents and the widespread sterilisation of development potential as a result of heritage and character zone planning provisions.

Resubdivision of existing sites currently delivers around 800 additional lots per annum. Accordingly, total minor infill opportunities (demolition, redevelopment and resubdivision) are currently estimated to contribute around 3,300 dwelling sites pa to overall land supply, making a net contribution (after demolitions) of 1,800 additional dwellings pa.

**Summary**

In summary:

- The available supply of infill allotments to serve development for the next 30 years is estimated as follows:

Current infill projects	5,700
Broadacre infill projects in pipeline	2,000
Demolition	30,000
Re-subdivision/vacant lots	24,000
City of Adelaide	12,000
<b>Total Infill</b>	<b>73,700 lots</b>

- The supply of residentially zoned land at the urban fringe for the next 30 years is estimated as follows:

Current land	30,000
Land within the UGB, expected to be rezoned	36,000
<b>Total urban fringe</b>	<b>66,000 lots</b>

That is, the total supply of residential land to year 2038 based on current and proposed zoning and development trends is capable of delivering 139,700 dwellings. This number reduces to 118,700 if allowance is made for land that is unlikely to be delivered to the market. Clearly, there

is a substantial shortfall between current supply and the projected dwelling growth of 258,000 dwellings to year 2038. The 30 Year Plan seeks to address this shortfall.

The urban development industry looks forward to implementation of the 30 Year Plan for Greater Adelaide which identifies 25 years' supply of broadacre residential land, 15 years of which is to be zoned for residential development at any point in time.

If the South Australian Government's infill targets are met over the life of the Plan, some 85,000 dwellings will still need to be accommodated on the fringe and a further 39,000 dwellings will need to be accommodated in surrounding townships. If infill targets are not met, and it is widely acknowledged that they are ambitious, then further land will be required on the urban fringe.

**LAND SUPPLY ANALYSIS FROM SURVEY OF MAJOR DEVELOPERS**

UDIA (SA) has completed its fourth consecutive half-year survey of residential allotments, current and planned at 30 June 2009, with major developers in South Australia. Major developers are currently producing 43% of the overall residential allotment supply in this state.

The number of residential allotments currently available to the total South Australian market at 30 June 2009 from major developers has fallen by 9% compared with six months earlier. This fall is the same as that in Greater Adelaide which covers 28 council areas.

The survey taken at 30 June 2009 indicates the total developer market would supply an estimated 5,190 urban fringe allotments for detached dwellings in South Australia in the next year to 30 June 2010, compared with the same survey six months ago showing 7,270 lots for dwellings predicted for the next year. This estimated future supply includes the 1,720 lots currently developed and available for sale in South Australia.

The 30 June 2009 survey reveals the next two year window will supply an annual average of 4,815 lots on the urban fringe in the Greater Adelaide area compared with 6,020 lots in the 31 December 2008 survey. The regions covering Greater Adelaide (including infill, urban fringe and townships) are expected to supply an annual average of 11,200 lots for dwellings over the next two years.

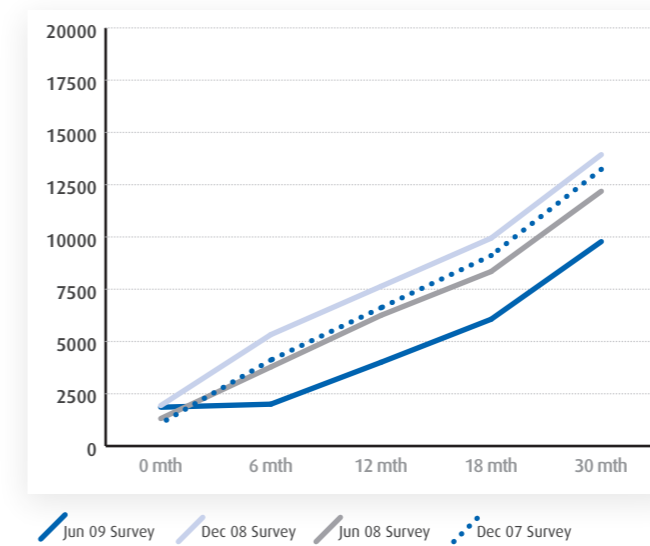
The most recent survey shows fewer lots have been brought to market throughout South Australia than in the previous year and fewer are predicted to be brought to market in the following two years' window (around 17%). This 'shortened pipeline of land' is likely to result in a shortage against expected demand.

Northern Adelaide continues to be the driver for urban development, with anticipated release to the market of 28% and 32% of the state's total lots (34% and 38% of the Greater Adelaide's total lots) during the next one and two years, respectively.

The draft 30 Year Plan for Greater Adelaide identifies the need for 10,100 new dwellings to be built annually on infill and fringe land. (Note, new dwellings and new allotments are not necessarily 1:1 ratio).

The recent UDIA survey suggests an adequate supply of lots (but not excessive) for dwellings in the next two years could be available from the land being developed by our developers. However recent evidence shows that delays in such development associated with accessing finance, gaining planning approvals from planning authorities and site construction will result in fewer lots actually being ready for the market within the estimated timeframe, and thus there is a risk of a shortfall in supply of land to meet demand.

**Lots for future release in SA from major developers**



**Adelaide Statistical Division**

Period	Lots	Ave lot size (m <sup>2</sup> )	Ave Price (\$)
1995-96	1920	n/a	52,000
1996-97	2190	n/a	55,000
1997-98	2580	n/a	59,000
1998-99	2640	n/a	61,000
1999-00	3300	583	70,000
2000-01	1980	587	69,000
2001-02	3420	585	79,000
2002-03	3000	582	92,000
2003-04	3180	561	132,000
2004-05	2520	530	140,000
2005-06	2020	522	150,000
2006-07	2110	514	155,000
2007-08	2500	503	170,500
2008-09 (est)	2000	450	180,000

**RECOMMENDATIONS**

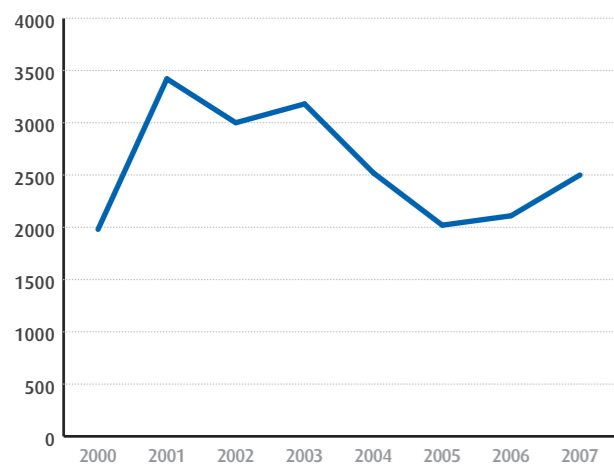
It is recommended that the South Australian Government:

- **formally adopt the 30 Year Plan for Greater Adelaide as its strategy for future growth as a matter of priority**
- **complete the rezoning of all land within the UGB where the process of rezoning has already commenced by 31 December 2009**

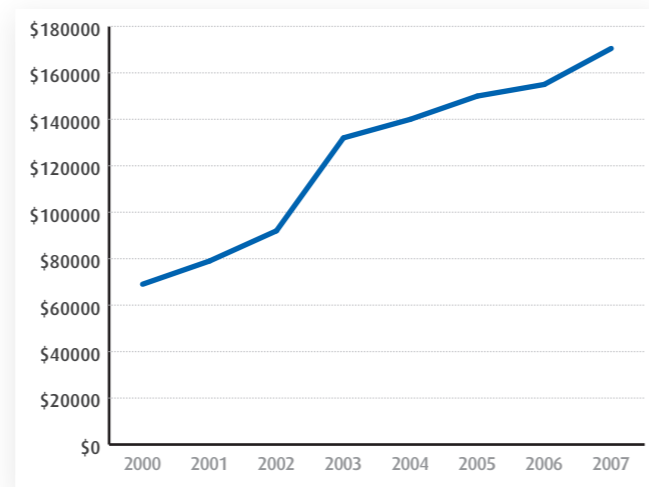
- commence investigations leading to the rezoning of all remaining land within the UGB immediately, with a view to authorisation of resulting rezonings by 31 December 2011
- commence investigations leading to the introduction of higher density dwelling policies for targeted transport corridors immediately, with a view to the progressive authorisation of the resulting rezonings over the period 2011-2014
- commence investigations into the identified land for urban growth beyond the current UGB in 2010, with a view to authorisation of sufficient land to achieve '15 years of zoned residential land supply' by 31 December 2011

**Snapshot – Adelaide**

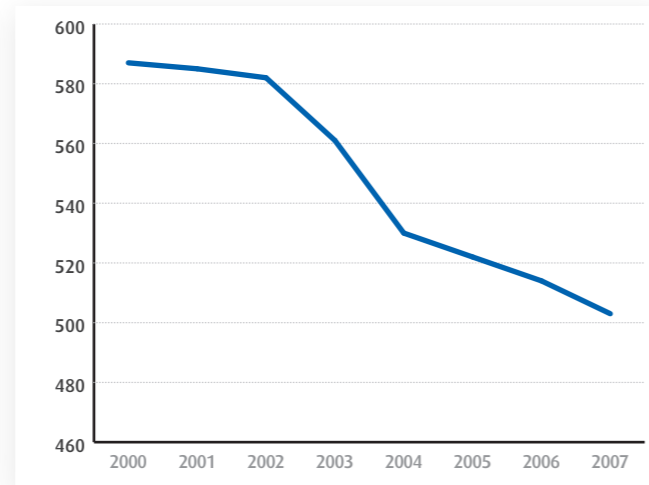
Lots Produced



Median Price of Lots



Average Size of Lots (m<sup>2</sup>)



**Victoria**

**CURRENT MARKET SNAP SHOT**

Victoria faces mounting population pressures. In the year to the December quarter 2008, the population of Victoria grew by 102,406, brought about by a high number of births, low levels of interstate migration and high net overseas migration. Victoria in Future 2008 projects that Victoria's population will increase from 5.13 million in 2006 to 6.71 million by 2026, an increase of 1.58 million, or 30.9 per cent. As household size continues to decline, mainly due to an ageing population, household growth is expected to grow even faster – by 38.0 per cent between 2006 and 2026. Melbourne is projected to grow by 1.26 million persons between 2006 and 2026, to a population of 5 million to be housed in 2 million homes. This is up from a 2006 population of 3.74 million people living in 1.43 million homes.

In the designated growth areas of metropolitan Melbourne, the government is committed to maintaining a minimum 15 year residential broadhectare land supply, of which 10 years supply should be available for development. Approximately 150,600 potential lots of broadhectare land exist across Melbourne's growth areas, equating to approximately 10-11 years of land to meet projected demand. Of this total stock, 5-6 years' supply is located on land available for residential development. Both of these measures fall below the government's commitment on supply in the growth areas.

Measured supply was affected in 2008 by the release of maps by the Department of Sustainability and Environment that indicated the location and extent of significant native vegetation across Victoria. However, actual eventual lot yields may differ as the extent and level of impact of native vegetation on the majority of these sites across the growth areas will not be fully determined until the relevant precinct structure plan (incorporating a "native vegetation precinct plan") for the area has been prepared.

**GOVERNMENT PLANS AND STRATEGIES**

In response to the population projections, the Victorian government announced its intention to review Melbourne's Urban Growth Boundary (UGB). To accommodate the larger-than-expected population, around 600,000 net additional dwellings will be required across metropolitan Melbourne from 2006-2026, at an average of 30,000 net additional dwellings required per year.

Of the 600,000 new dwellings required for Melbourne, 284,000 (47.3 per cent) will be built in Melbourne's growth areas, mostly in the north and west of Melbourne.

The Victorian government recognises that there needs to be an adequate land supply to ensure that the rapid population growth being experienced by Melbourne does not undermine its housing affordability and liveability. The government released the draft of the new UGB on 17 June 2009. Three departments – Planning and Community Development (DPCD), Sustainability and Environment (DSE), and Transport (DoT) – worked closely together to ensure that the land that is included in the UGB is developable land within 3km of public transport. The government released the proposed new UGB under the banner Delivering Melbourne's Newest Sustainable Communities.

41,663ha of land is proposed to be brought into the UGB. Of this, 26,093ha is considered suitable for development and 15,570ha is considered to be significantly constrained (affected by salinity, wildfire, flooding, quarries, power easements and biodiversity). There were 51,391ha in the investigation areas, with 22,885ha regarded as the minimum required to accommodate projected growth.

The whole-of-government process has worked to ensure that most new development will be within 3km of existing, planned or potential high capacity public transport, as well as protecting the volcanic plains grasslands in to the west of Melbourne without the need for parallel Commonwealth biodiversity processes to also be undertaken.

DSE has conducted a Strategic Impact Assessment in accordance with the Commonwealth Environment Protection and Biodiversity Act, looking at the proposed UGB, a new rail link from West of Werribee to Deer Park (which will at first incorporate two new stations along 30 kilometres of new rail line and is being majority-funded by the Commonwealth) and an outer metropolitan ring corridor (which is not planned for construction before 2020). The assessment has been made as part of an integrated planning process that also considers land use and transport needs. The assessment identified two areas of grassland of significance for preservation – 15,000ha of this Volcanic Plains Grassland will be reserved. The reserve will offset the clearing of native grassland necessary for urban development within the UGB.

**LAND SUPPLY**

Across the Melbourne metropolitan area, there are approximately 167,500 lots identified as broadhectare residential supply, 150,600 of which are within Melbourne’s growth areas. This means that 90 per cent of broadhectare development will take place in Melbourne’s growth areas. There are 74,430 lots on land which are available for residential development within the growth areas. This constitutes around 49% of total stock, compared to 46% in 2006-07. There are an additional 13,630 lots on land in non-growth area municipalities.

**Demand**

There was a large increase in broadhectare lot construction in 2007-08, with 10,450 lots constructed compared with 5,810 lots constructed in the previous year. The Victorian government’s Urban Development Program reports that this high level is expected to continue in the short term, aligned with dwelling requirements. Industry expects in excess of 11,000 lots per year to be constructed over the next two years (potentially sustained for the next five years), depending on the availability of zoned land supply.

**Supply**

Zoned land supply fell between 2007 and 2008. At 5-6 years of zoned supply, it is well below the threshold 10 years zoned supply that the government has committed to. However, much of this fall is due to the Department of Sustainability and Environment releasing maps indicating the location and extent of significant native vegetation across Victoria. These maps have been utilised by the Department of Planning and Community Development to determine default lot yields, and are subject to change at the precinct structure plan stage.

**Prices and Lot Sizes**

The median lot size of constructed broadhectare residential lots for growth area municipalities dropped from 655m<sup>2</sup> in 2000 to 538m<sup>2</sup> in 2008. At the same time, average lot prices have gone from \$60,917 to \$145,250 – a rise of 2.4 times.

**Prices and Average Lot sizes – Growth Area LGAs**

Year	Lots	Average Lot Size (m <sup>2</sup> )	Average Price (\$)
2000	14,395	655	60,917
2001	12,338	605	71,950
2002	15,096	598	85,471
2003	20,004	594	107,083
2004	16,836	592	126,792
2005	12,331	555	129,125
2006	20,251	558	130,300
2007	18,939	550	135,500
2008	12,337	538	145,250

Source: Urban Development Program, Valuer General

**ISSUES/BARRIERS FOR ORDERLY DEVELOPMENT**

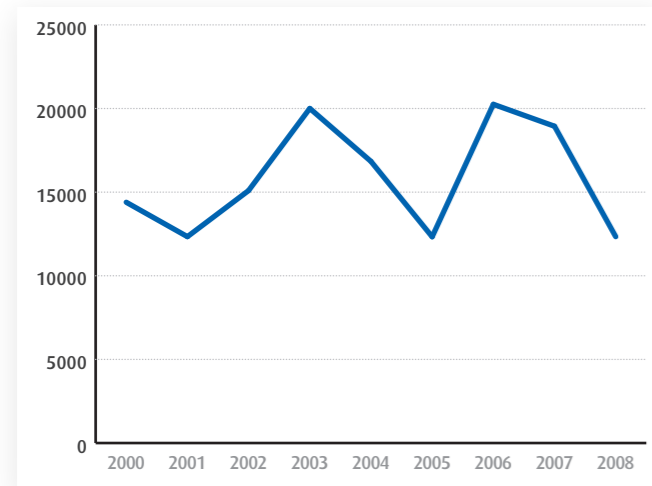
The potential exists to ensure that Melbourne remains an affordable and livable city. The injection of new land into the UGB, on top of the current 5-6 years zoned supply and 10-11 years unzoned supply, should see price pressures for new land stabilise. The government has committed to ensuring that the new communities that are built within the newly expanded UGB are planned with employment and adequate infrastructure (particularly transport infrastructure) in mind.

Along with the expansion of the UGB, the government is introducing a Growth Areas Infrastructure Contribution (GAIC). This is an \$80,000 per hectare charge on land that was brought into the UGB in 2005 and a \$95,000 per hectare charge on land brought into the UGB in 2009. The GAIC will contribute towards major infrastructure in the growth areas, with the majority of funds coming from state and council budgets. While the objective of the GAIC is to ensure that new communities have adequate infrastructure, it is vital that it is levied in such a way as to not adversely affect housing affordability, and its use is not politically motivated.

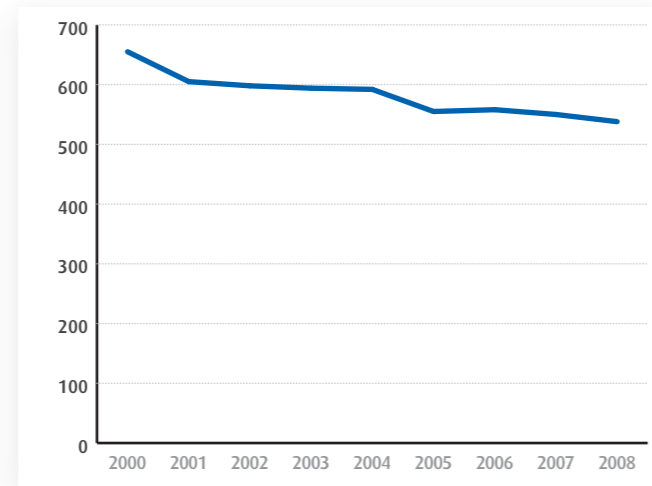
There is also a lot of work that needs to be done by the Growth Areas Authority to ensure that the supply pipeline keeps up with demand. Much of the land that was brought into the Urban Growth Boundary in 2005 is only just starting to come on to the market. Planning processes will need to be a lot more efficient to ensure that it does not take four years to bring land in a newly expanded UGB to market.

Snapshot – Melbourne

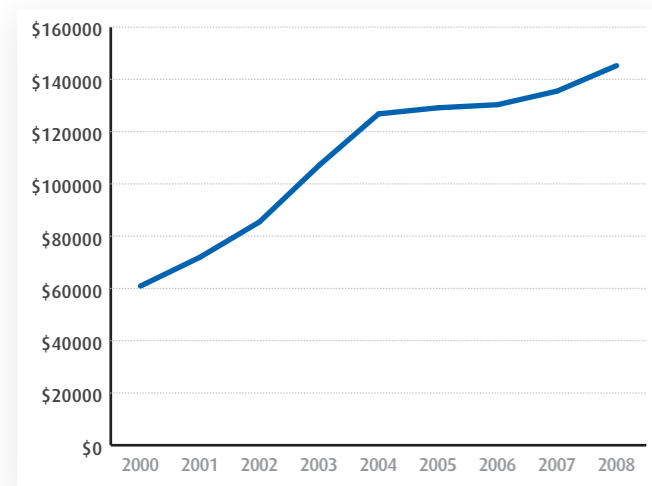
Lots Produced



Average Size of Lots (m<sup>2</sup>)



Median Price of Lots



Western Australia

CURRENT MARKET SNAPSHOT

The land market in Western Australia was slow from mid 2007 as the sustained boom had a major impact on housing affordability with initially the first home buyers then the middle market being forced out of the market. By the September 2008 quarter Perth had the lowest number of lot sales on record (842 sales only) (Graph 1). The impact of the global financial crisis and rising unemployment caused consumer confidence to hit an all time low in late 2009 further compounding problems in the market.

With the introduction of the First Home Owner Grant (FHOG) Boost in October 2008, the low end of the market experienced a surge in activity from the December 2008 quarter. Sales in Perth were up 65% in the June 2009 quarter compared with 12 months earlier. The average price of lots sold however decreased to \$221,573, 12.4% lower than the June quarter 2008, which is an indication of the high proportion of first home buyers purchasing lower cost product.

Regional areas also felt the impact of the FHOG Boost with sales increasing almost 50% in the two quarters following the introduction of the Boost. There was a significant increase in sales in Mandurah where the number of lots sold (181) in the March 2009 quarter was the highest since the June 2007 quarter at the peak of the boom. The average price decreased to \$150,314 in the March 2009 quarter, the lowest average in regional areas for several years. In the June quarter sales fell to 103 with the price rising to \$195,903 as the bargains were soaked up by the market.

Anecdotal evidence from major developers indicates that by July 2009 70% of buyers in greenfield estates were first home buyers, well above average though less than the high of about 90% after the FHOG Boost was first introduced. This percentage is now falling with the reduction in the boost.

The housing market also slowed considerably throughout 2008 with sales numbers well down on previous years; however March 2009 figures have indicated a strong pickup in sales with the average house price in Perth for the March 2009 quarter up 2.4% on the previous quarter to \$430,000. Recent evidence indicates that investors are starting to return to the market in response to the reduction of the FHOG boost on September 30 and the grant phasing out on 31 December. Investment is most noticeable for properties under \$500,000 where the rental yields are stronger. The rental market remains tight with the vacancy rate in Perth at 2.9%.

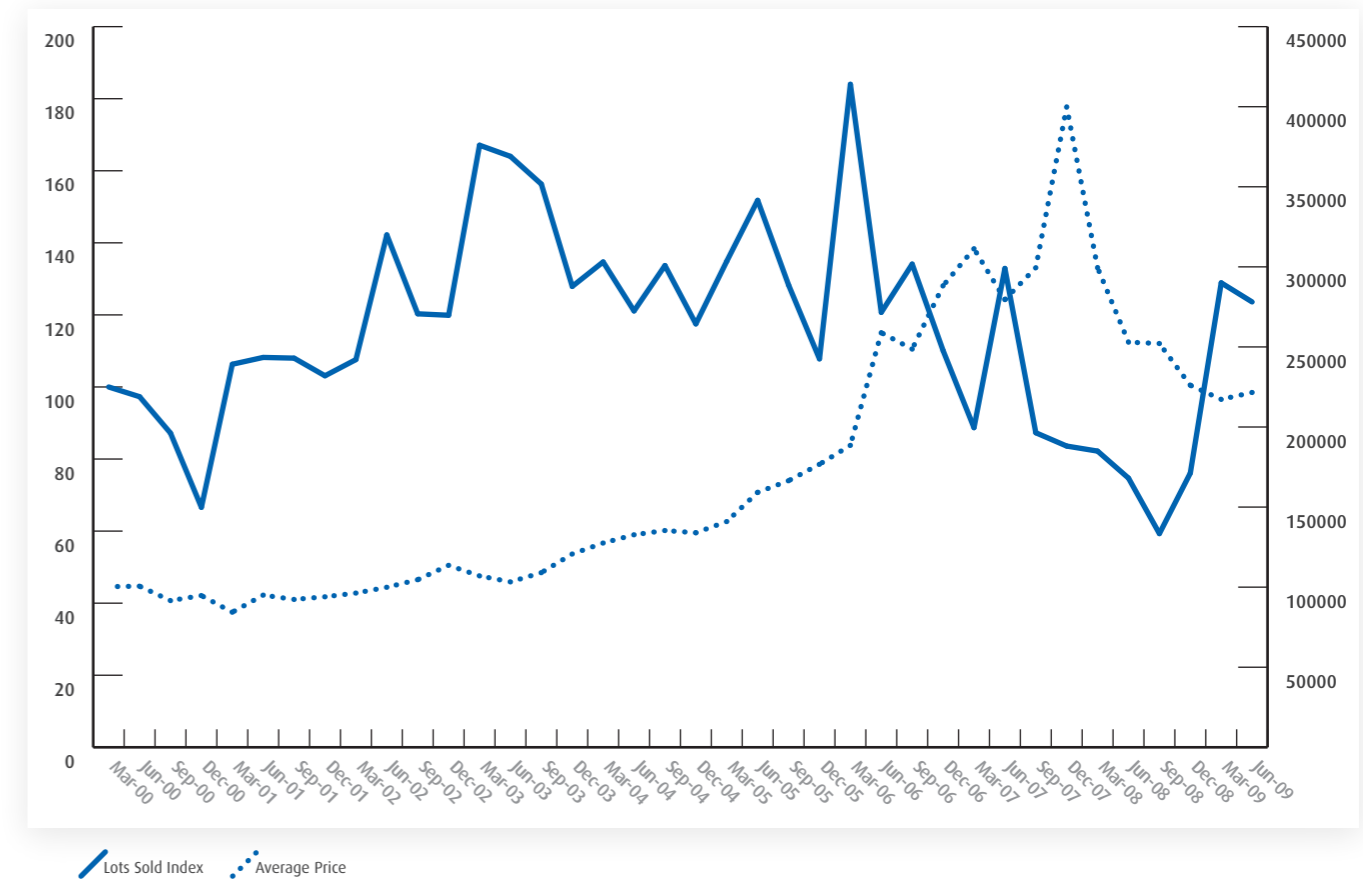
Demand for land is expected to increase into 2010, with the impact of Gorgon and other major infrastructure projects. WA's population continues to increase at the fastest rate in Australia with growth of 3.1% reported for the year ending December 2008 (ABS 3101.0, June 2009), well above the national average of 1.8%. UDIA recently analysed land stocks 12 months prior to the last land supply shortage and determined that we are in a worse position to meet a sudden upswing in demand. In June 2005 there were 2266 lots on the market and a further 7632 forecast for construction within 12 months. In June 2009 there were just 1725 lots on the market and a mere 3065 lots under construction for release within 12 months. The undersupply, when combined with a lack of project finance and an approvals system which has not yet seen transformation, should be a cause for major concern.

**Perth Lot Sales Summary**

Period	Lots	Ave Lot Size	Ave. Price \$
2000	4,989	662	97,155
2001	6,047	604	91,418
2002	6,964	598	103,646
2003	8,744	691	109,393
2004	7,204	534	132,332
2005	7,429	582	159,883
2006	7,800	550	246,092
2007	5,577	562	322,562
2008	4,154	547	257,647

- Lot sales declined sharply in 2007 and 2008 following the boom in 2006.
- The dramatic average price increase in 2007 was the result of the sale of a relatively large number of premium lots in high end suburbs in the December quarter of that year.
- Lot sales declined steadily during 2008 and the impact of the global financial crisis was felt sharply in the September quarter which recorded only 842 sales or a 32% decrease on the September 2007 quarter.
- The majority of lot sales in the Perth Metropolitan Area are in the northern and southern growth corridors where prices are more affordable and have been made to first home buyers benefiting from the boost.
- The average lot size continues to decline as the market responds to the demand for affordable product.

**Lots Sold Index and Average Price of Lots Sold**



Source: Urban Development Index, March Quarter 2009, UDIA (WA)

**GOVERNMENT PLANS AND STRATEGIES**

The planning system in Western Australia has some striking differences from the other states. Primarily, these relate to its strong central organisation and the priority given to state and regional needs over local needs. WA has a strong degree of central control over planning, unlike the other states where planning powers have been delegated to local authorities.

**Directions 2031 – Draft Spatial Framework for Perth and Peel**

The Western Australian planning framework for the Perth and Peel regions is articulated in Directions 2031- Draft Spatial Framework for Perth and Peel (June 2009) which was recently released for comment by the Western Australian Planning Commission (WAPC). This is a high level strategic plan that establishes a vision for the future growth of the Perth and Peel region and provides a framework to guide the detailed planning and delivery of housing, infrastructure and services to accommodate future growth.

Directions 2031 designates that Perth will be a 'connected city' with a target of achieving 50 per cent increase in infill development rates and 50 per cent improvement in average residential densities in new development areas.

### The South Metropolitan and Peel Subregional Structure Plan

This document was released concurrently with Directions 2031 and identifies specific land - designated as urban growth policy areas, where investment in planning and development of land and infrastructure is encouraged. Conversely, the strategy also identifies policy areas that are not under consideration for urban development.

The Peel area is under considerable growth pressure and has a number of environmental constraints particularly related to drainage, to resolve in order for the demand for future residential and industrial development to be met. Population is expected to grow to 315,700 by 2031 (currently 222,600) which will require 54,900 additional dwellings.

### LAND SUPPLY

#### Growth

The spatial framework projects the current population of 1.65 million to grow to more than 2.2 million by 2031 (556,000 additional residents) which will require an additional 328,000 dwellings and 353,000 jobs. It should be noted that the population and dwelling figures provided in Directions 2031 are under review and may be underestimated.

Directions 2031 promotes a more compact city assuming that 47% of the additional dwellings will be through infill development (154,160 dwellings) and the balance 53% through greenfield development (173,840 dwellings). Gross dwelling densities of 15 dwelling units per gross hectare (du/ha) are assumed which equates to an additional greenfield urban zoned land requirement of 11,500ha leaving a surplus of 7,100ha of zoned land available for development after 2031. Current undeveloped urban and urban deferred zoned land is estimated at 18,600ha which is expected to meet growth demands comfortably to 2031. Industry believes these targets are aspirational.

### DEMAND/SUPPLY

Since the early 1990's urbanisation consumed on average 880ha of undeveloped land each year. Rezoning processes will increase the stock of developable land and if the current rate of rezoning continues, the urban land supply could accommodate growth for the next 32 years. Over the period 2003 to 2008, an average of 11,100 residential lots was created each year in the Perth metropolitan and Peel regions.

The Urban Development Index (December 2008) reported the number of lots created and under construction reflected the downturn in the number of building approvals. There were 1,772 lots on the market in the metropolitan region as at the end of December 2008 down 14% on the previous quarter. The equivalent figures for regional WA were: 1,132 and -4% respectively. However, there appears to be less land in the pipeline with 2,951 lots under construction and available over the next 12 months in Perth and 757 lots in regional WA, reductions of 10% and 40% respectively.

During the December quarter 2008, 724 applications were lodged to create 6,807 residential lots across the state, a decrease of 12% over the previous quarter. Conditional residential lot approval was given to 4,562 lots; a decrease of 29 per cent from the previous quarter figure of 6,419 lots. Final residential lot approval was given to 3,483 lots; up 6 per cent from 3,281 lots in the September quarter.

At the end of December 2008, the number of proposed residential lots with current conditional approval totalled 71,140 lots across the state; virtually unchanged over the previous quarter. At the end of December 2008, 20,639 proposed lots were under assessment.

### BARRIERS TO ORDERLY DEVELOPMENT

The orderly development of urban land in Perth has been constrained by a number of factors including:

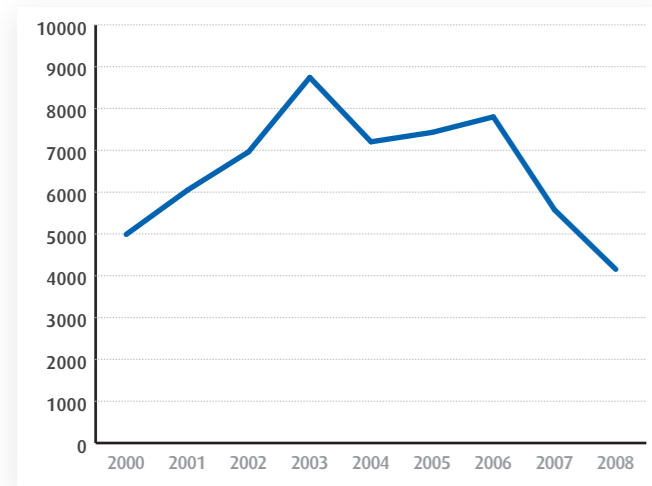
- The need for coordination and timely provision of infrastructure, particularly public transport in urban fringe areas;
- Misalignment of Federal and State environmental policy, specifically in relation to the EPBC Act;
- A complex planning approvals system that has resulted in delays and increased costs that has impacted on housing affordability;
- Delayed environmental approvals for sites for strategic infrastructure to support land release in growth corridors;
- The capacity of infrastructure, especially waste water treatment plants, to support the projected target for urban infill development;
- Lack of strategic planning by the State government;
- The dual processing role of State and Local government for structure planning resulting in long delays in obtaining approvals.

The potential to achieve real gains from urban infill is limited by difficulties in land assembly, site constraints and co-coordinating development not to mention community opposition to higher density development.

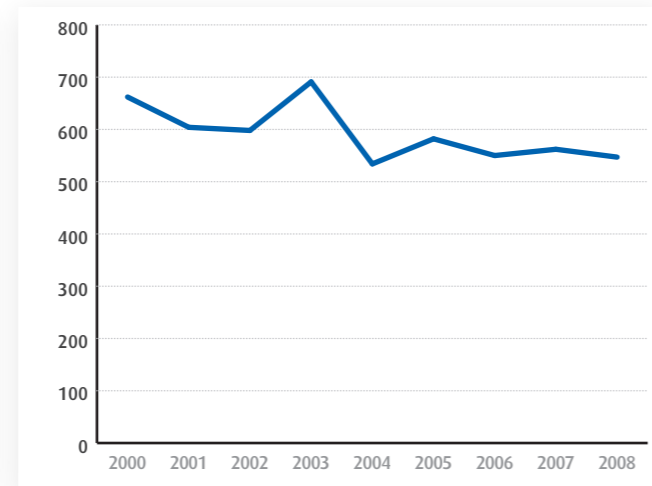
The Western Australian Planning Commission (WAPC) has recognised that the State's planning processes have been under strain in recent years and have struggled to keep up with high population growth fuelled by a strong economy. WAPC is currently reviewing the land development approvals processes with a reform agenda that seeks to achieve greater efficiencies, to reduce complexity and to streamline processes. In September 2009 the Department of Planning released the report "Planning Makes it Happen; a Blueprint for Planning Reform which takes a comprehensive look at progress to date and what needs to happen moving forward. UDIA supports the content of the report.

**Snapshot – Perth**

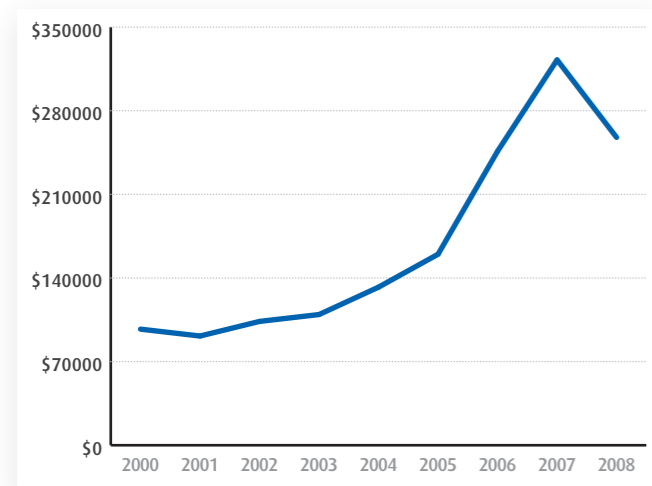
Lots Produced



Average Size of Lots (m<sup>2</sup>)



Median Price of Lots



**About UDIA**

The Urban Development Institute of Australia (UDIA) is the peak body representing the urban development industry in Australia.

UDIA represents more than 4000 companies directly employing more than 400,000 Australians including developers and a range of professionals involved in the development industry including lawyers, engineers, town planners and contractors. UDIA has five state offices around Australia and has recently established a National Office in Canberra.

For further information about UDIA and our activities please contact:

**UDIA National**

T – 02 6230 0255  
W – [www.udia.com.au](http://www.udia.com.au)

**UDIA New South Wales**

T – 02 9262 1214  
W – [www.udia-nsw.com.au](http://www.udia-nsw.com.au)

**UDIA Queensland**

T – (07) 3229 1589  
W – [www.udiaqld.com.au](http://www.udiaqld.com.au)

**UDIA South Australia**

T – 08 8359 3000  
W – [www.udiasa.com.au](http://www.udiasa.com.au)

**UDIA Victoria**

T – 03 9832 9600  
W – [www.udiavic.com.au](http://www.udiavic.com.au)

**UDIA Western Australia**

T – 08 9321 1101  
W – [www.udiawa.com.au](http://www.udiawa.com.au)

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