



THE 2012 UDIA STATE OF THE LAND REPORT

Urban Development Institute of Australia
National Land Supply Study

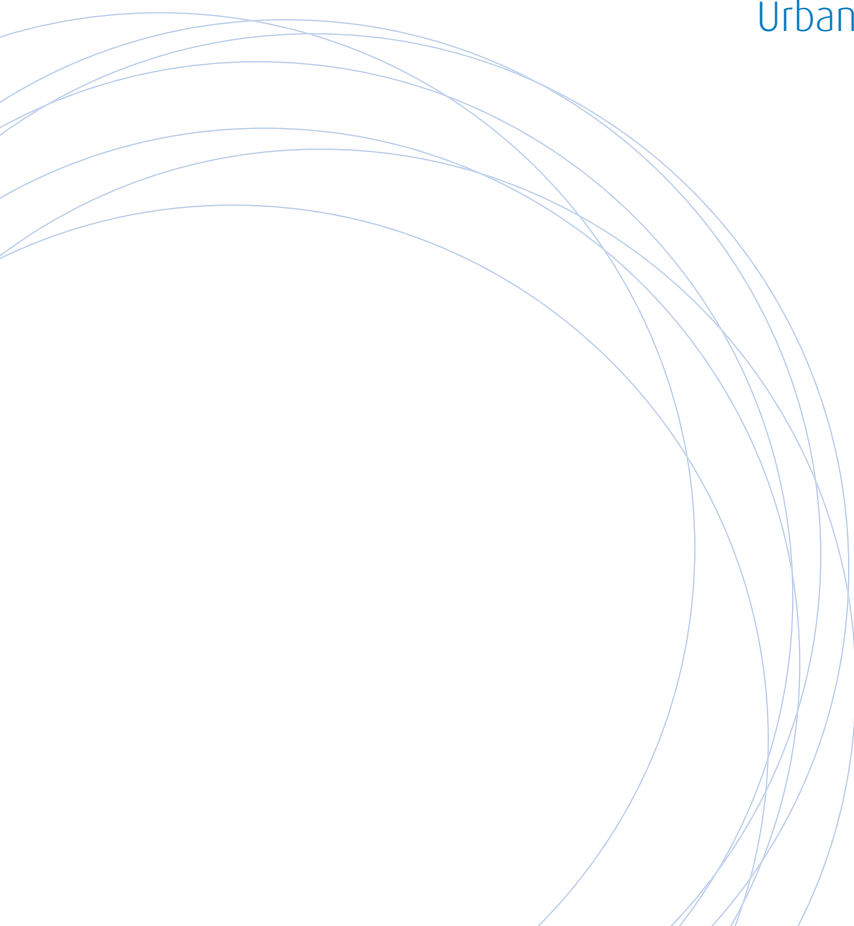
UDIA NATIONAL PARTNER

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EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

Releasing a steady stream of serviced land is the key to addressing Australia's housing supply and affordability challenges. The Urban Development Institute of Australia's (UDIA) fourth edition of the State of the Land Report examines the supply of residential lots in the five major capital cities (Sydney, Brisbane, Adelaide, Melbourne and Perth). The report has been prepared by each state division of the UDIA with input from some of the country's leading urban development practitioners.

Our goal of drawing comparisons between the jurisdictions is compromised by the absence of up-to-date official data for two of the capital cities. The New South Wales Government has not released lot production figures for Sydney since 2007/08 and thus tracks a number of years behind most other cities. The Victorian Government has not provided updated figures for 2010/11 and Melbourne thus tracks one year behind Brisbane, Adelaide and Perth in this report. It should also be noted that the data used for Adelaide will differ from previous State of the Land reports; the South Australian Department of Planning and Local Government is now measuring the total number of lots created for the Greater Adelaide area from titles lodged records. Lot production figures are thus higher than in previous years when the area of study was the Adelaide metropolitan area.

Disappointingly, the trend of declining land supply which emerged around 2005 continues. While the barriers to supply vary from state to state, there are commonalities nationwide. For one, the roll out of infrastructure is delayed in most jurisdictions and is holding up vast areas of developable land. In addition, planning approval processes throughout Australia are characterised by delays and uncertainty. Another common barrier in most jurisdictions is ever-increasing infrastructure charges or homebuyer levies, which are adding to the cost base of developments and rendering many projects too expensive to pursue.

RECOMMENDATIONS

With long lead times to bring land to market, urgent action to improve land supply is required in order to address the undersupply problem and avoid upward pressure on prices which will occur when demand returns to normal levels. UDIA urges policy makers to adopt the following measures to overcome the barriers to industry's capacity to develop a steady supply of land for new housing across the country.

FEDERAL AND STATE GOVERNMENTS SHOULD PROVIDE MORE FUNDING TO LOCAL GOVERNMENTS AND RELEVANT STATE AGENCIES FOR THE FINANCING OF LOCAL INFRASTRUCTURE

The cost of providing local infrastructure to new housing estates is increasingly borne by the developer and subsequently the new homebuyer. Upfront costs have played a significant role in the erosion of affordability over recent years and have a severe negative impact on the viability of countless projects across Australia, contributing to a shortage of dwellings in every state. The often non-transparent method of funding infrastructure is unsustainable and inequitable and if left untouched will continue to have grave consequences for housing supply and affordability. While Governments continue to pursue big-ticket projects, there is a significant shortage of basic community-level infrastructure.

EACH STATE GOVERNMENT SHOULD CREATE A BODY TO COORDINATE AND MONITOR THE TIMELY, EFFICIENT AND COORDINATED ROLL-OUT OF INFRASTRUCTURE IN BOTH GREENFIELD AND INFILL DEVELOPMENTS

Timely infrastructure provision has proved to be a major constraint to the efficient delivery of new greenfield lot production and to support increased densities in existing urban areas. The development of urban zoned land can be delayed by poor coordination between planning and service delivery agencies. An integrated approach to infrastructure and land use planning is a priority to optimise the release of urban land, with future growth areas identified early in the planning process and coordinated with a detailed and scheduled infrastructure provision plan.

STATE AND TERRITORY PLANNING SYSTEMS SHOULD BE MADE CONSISTENT WITH COAG'S NINE CRITERIA FOR FUTURE STRATEGIC PLANNING OF CAPITAL CITIES

There is an urgent need for planning reform throughout Australia. Development is often constrained by complex regulatory frameworks which have fostered time-consuming approvals processes. The Council of Australian Governments (COAG) Reform Council has identified nine criteria for future strategic planning of capital cities. UDIA supports the Federal Government's intention of linking infrastructure payments to compliance with the criteria, particularly the following criteria:

- Integration across functions, including land-use and transport planning, economic and infrastructure development, environmental assessment and urban development
- Providing for a consistent hierarchy of future oriented and publicly available plans
- Provide for planned, sequenced and evidence-based land release and an appropriate balance of infill and greenfields development

THROUGH THE IDENTIFICATION OF LEADING PRACTICE, STATE GOVERNMENTS SHOULD ENCOURAGE LOCAL COUNCILS AND RELEVANT STATE AGENCIES TO REFORM THE PROCESSES INVOLVED IN ASSESSING APPLICATIONS FOR DEVELOPMENT

The approvals process in all states is complex and can result in lengthy and costly delays and the hold up of the release of land for new development. The planning reform agenda in some states has involved a wholesale review of the planning approval process with a view to streamlining and simplifying the manner in which approvals are delivered. For those states where the reform program has been undertaken by local authorities, best practice should be recognised and promoted and replicated in other jurisdictions.

OVERVIEW

The 2012 UDIA State of the Land report provides an account of land supply in Australia's five largest capital cities. The inability to bring sufficient land to the market has direct consequences for the supply of housing in our cities as the National Housing Supply Council's (NHSC) 2011 *State of Supply* report recently highlighted. The report found that the nation now has a cumulative shortage of 186,800 dwellings, which could rise to over 640,000 over the next 20 years. The correlation between land supply and housing is evidenced by the fact that the two cities which produced the least amount of lots, Sydney and Brisbane, are located in the two states which the NHSC maintains are suffering from the greatest housing shortfall.

UDIA does not dispute the current soft market conditions, but with the ongoing growth in population and projected household formation, it is essential that well-planned, sequenced land release programs be implemented in jurisdictions throughout Australia. The continuing failure to do so will have severe consequences for affordability as the upward trend in land prices is partly attributable to inadequate levels of supply. Developers for their part have responded to the supply shortage and affordability problem by developing smaller lots so as to maximise available land and provide a viable product that the market can afford.

However, there is a desperate need for systemic reform if the trend of decreasing land supply is to be reversed. Unlocking the appropriate amount of land will require a concerted effort from all levels of Government.

LOT PRODUCTION

Lot production in Perth is starting to recover after two years of relatively low output. While data for Sydney have not been available since 2007/08, UDIA forecasts suggest that there has been substantial growth in lot production over the last two years, albeit from a very low base. Sydney continues to produce the least amount of lots in the country. Brisbane's land supply continues to

spiral downwards as the city produced the lowest number of lots in a decade. Official statistics are not available for Melbourne but the government has committed to releasing 50,000 lots for development in 2012, suggesting that the city should continue to perform well in terms of raw land supply.

Adelaide experienced a decline after a number of years of solid performance. Nevertheless, the South Australian capital has managed to sustain a relatively steady supply of land for a city of its size. Note the data for Adelaide is the total lots lodged and includes some existing lots converted to multiple new ones.

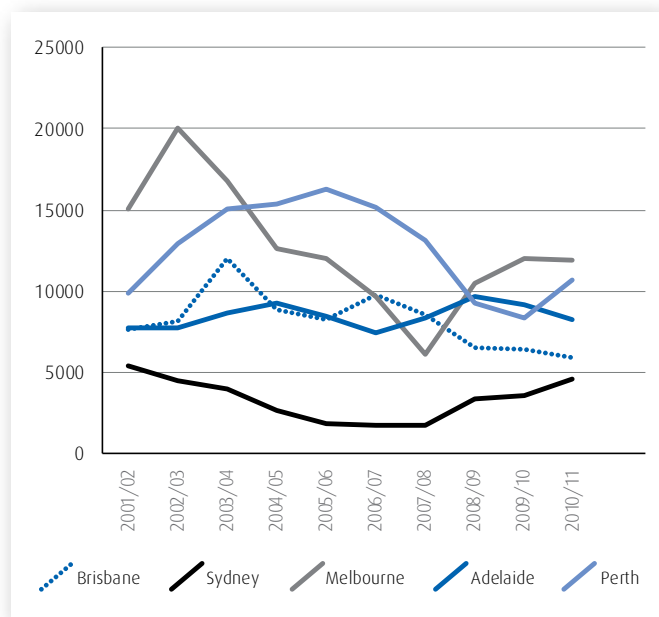
MEDIAN LOT PRICE

Lot prices continue their gradual rise in most of the capital cities. Sydney's chronic undersupply of land has contributed towards its status as the nation's most expensive capital city. Prices continue their gradual ascent in Perth, Melbourne and Adelaide. The median price of land has declined slightly in Brisbane, but it remains high by historical standards.

MEDIAN LOT SIZE

The median size of lots has been gradually declining as a result of the scant supply and high cost of land. Developers have responded to planning paradigms for increased densities in both infill and greenfield areas and have maximised the number of dwellings in a typical broad acre development. This has also provided a smaller, more affordable product that has added to housing diversity in new developments. The smallest lots have been produced in Adelaide with a median lot size of 371m², the only city with a median lot size under 400m².

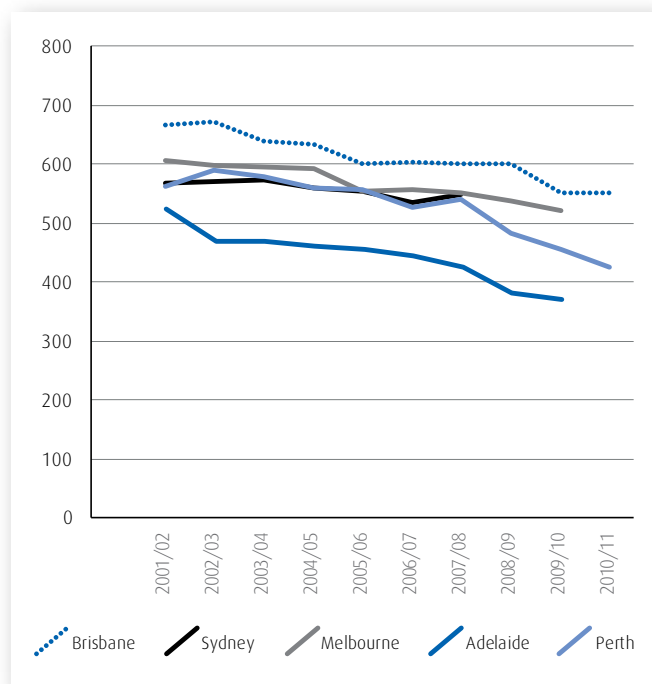
Lot Production*



Source: UDIA

* Figures for Sydney from 2007/8 to 2010/11 and Melbourne for 2010/11 are UDIA forecasts

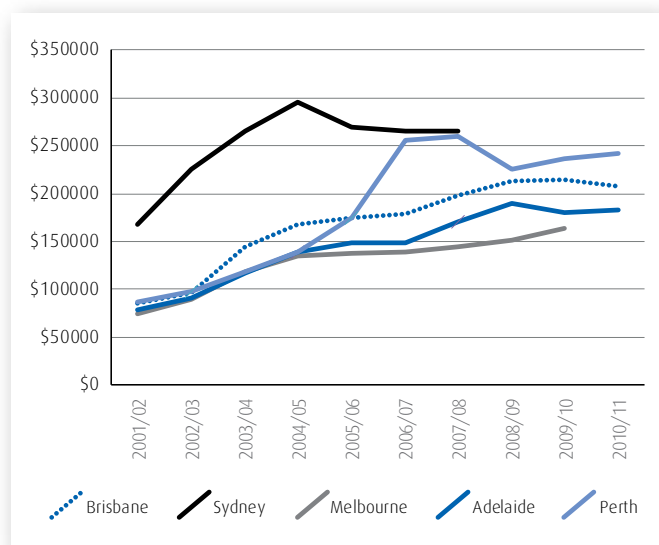
Median Lot Size*



Source: UDIA

* Melbourne Data based on Average Lot Size

Median Lot Price



Source: UDIA

NEW SOUTH WALES

CURRENT MARKET AND LAND SUPPLY SITUATION

2011 saw a landslide victory to the Liberal National Party, with housing delivery featuring prominently on the election agenda. There has been some progress, however, it is too early to say just what impact the new Government has had on the market. New housing production in New South Wales continues to track behind the other major states, due in part to prevailing economic conditions, but also as a direct result of an uncompetitive cost structure for new development and a complex and uncertain regulatory framework – a problem the new government has promised to fix.

The Government has introduced a range of supply-side initiatives which may flow through to increased investment activity over the medium term, however, the challenge for policy makers and developers is to address the capacity constraints in infrastructure provision and ensure that Councils and Government agencies are adequately resourced to process the increased demand from more robust investment activity.

Over 2011, there has been a shift in Government policy with a greater emphasis on land supply to service dwelling production. In Sydney, production levels of approximately 9,240 lots per annum are required on the suburban fringe to meet market demand, address strategic planning policy objectives and maintain housing affordability. Supply-side initiatives by the Government, including the release and rezoning of land in the Growth Areas has occurred, however, lot production still remains down on the historical average. This is mainly due to a number of factors contributing to poor market performance over a sustained period, including:

- a lack of serviced and ready greenfield land due to poor coordination between planning and delivery agencies;

- an uncompetitive cost structure of development levies relative to other capital city markets which discourages new investment from developers and creates a large disparity between prices for existing and new housing stock; and
- the rezoning and approval process for major new release areas continues to be plagued by delay, complexity and uncertainty.

Metropolitan Sydney Historical Lot Production

Period	Lots Produced	Median Lot Size (m ²)	Median Price
2001/02	5,380	567	\$168,000
2002/03	4,488	571	\$225,000
2003/04	3,989	573	\$265,900
2004/05	2,704	560	\$295,000
2005/06	1,803	553	\$270,000
2006/07	1,783	535	\$265,250
2007/08	1,723	549	\$265,000
2008/09	3,345*		
2009/10	3,613*		
2010/11	4,565*		

Source: NSW Metropolitan Development Program The NSW Government has not released any lot production figures for 2008/09 or later

* UDIA Forecast

FUTURE PROSPECTS

Through the NSW State Plan, the Government had set a target of achieving 55,000 zoned and serviced lots ready for development by 2009. The Sydney Metropolitan Development Program 2008/09 (MDP), released in April 2010, revealed that the Government believed there to be the following dwelling potential from greenfield land supply in the Sydney metropolitan region (it should be noted that the MDP has not been released since and the figures mentioned below have not been updated):

- Total MDP – 131,057 potential dwellings (79 release areas).
- Zoned – 68,636 potential dwellings (of the 79 release areas 58 have been rezoned).
- Zoned with trunk infrastructure – 56,342 potential dwellings (45 release areas) – there is capacity in the trunk infrastructure to service these areas.
- Zoned with Lead-in Infrastructure – 30,167 potential dwellings (45 release areas) – lead in infrastructure is constructed to the edge of the release area.

The MDP also provides lot production forecasts in the greenfield release areas in Sydney over the coming years. The forecasts show a steady increase in lot production from 4951 lots in 2009/10 to 5469 in 2012/13.

UDIA NSW in consultation with its Land Release and Housing Delivery 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 four years however this is still well below reaching the production level targets identified by the Sydney Metro Strategy (approximately 9,240 lots per annum).

ISSUES/BARRIERS TO SUPPLY

There are a number of issues that UDIA NSW believes require further attention from the new Government to improve the housing delivery process and these are detailed below:

- **Fragmented Ownership:** The Department of Planning has indicated to the development industry in presenting the findings of the 2008/09 MDP that it believes that fragmented holdings do not present a significant medium term challenge to dwelling production on the urban fringe. UDIA NSW's members report that there has been little englobement acquisition activity to support the consolidation of fragmented lands for development. This is primarily due to the fact that existing landowners have high expectations for the value of their land, and as a result developers cannot afford to bring housing product to the market at suitable price points.

While this is primarily a commercial problem, it should not be ignored by policy makers. The Government must closely monitor the level of development from fragmented lands and bring additional rural holdings on the MDP and the supply pipeline if dwelling production is not meeting target in these locations.

- **Infrastructure Servicing:** Timely infrastructure provision has proved to be a major constraint to the efficient delivery of new Greenfield lot production. UDIA NSW recommends that all key infrastructure agencies be required to follow the Sydney Water model of producing growth servicing plans for capital investment to support future urban development. The agencies should utilise the MDP to understand when and where development and growth will occur and align their capital programs accordingly.

QUEENSLAND

CURRENT MARKET AND LAND SUPPLY SITUATION

Residential lot production and lot sales in the Brisbane Statistical Division (BSD) were at their lowest level in a decade in the year to June 2011. Lot production of 5,924 in 2010/11 is down 7% on 2009/10 levels and 31% below pre-GFC levels. The Brisbane residential market is the most depressed capital city market in the country with sales volumes low and median house prices falling by around 7%.

Underlying demand for new housing is low by historical standards. Net interstate migration to Queensland is at its lowest in 30 years and overseas migration levels have fallen considerably. Despite underlying demand for new homes in 2010/11 falling below 35,000 for the first time in a decade, the Queensland market remained undersupplied with only 26,488 dwellings commenced – the lowest level in a decade.

Effective demand for land, and in turn new homes, was severely depressed in 2010/11 due to:

- weak local economic conditions:
- low confidence; and
- affordability constraints.

In addition, weakness in the established home market has severely impacted on the price competitiveness of new homes. The market for existing homes has been more responsive to weak demand with prices falling to a greater degree than for land. Limited new stock has come through in 2010/11 due to affordability constraints. Developers are finding it difficult to acquire appropriately zoned and priced land, with the overall cost of land production and home building leaving little, if any, margin when working backwards from what is the current (affordable) house and land price.

The South East Queensland (SEQ) regional plan has substantial housing supply targets to meet population growth, with targets for infill development of 80% and 50% in Brisbane City Council and SEQ respectively. Recent activity, in particular infill development activity, continues to be substantially below targets. A significant proportion of the limited infill development has taken place on the extremities of the BSD and not in the inner and middle suburbs due to the cost of land remaining prohibitive.

Broad hectare subdivisions in the outer areas of the BSD continue to represent the vast majority of lots produced. Reasonable sales levels have occurred in some areas west of Brisbane City in the Ipswich City Council area, including at Augustine Heights, Redbank Plains and Springfield Lakes. In the Logan City Council Area to the south-east of Brisbane City, reasonable sales have occurred in Jimboomba and Waterford. In the Moreton Bay Regional Council, to the north, lot sales have been highest in Caboolture, Warner, Morayfield, Narangba and North Lakes.

In the Brisbane City Council area, land supply is generally tightly held with two major residential parcels in Rochedale comprising the bulk of broad hectare developable land. Sales have been healthy at Fitzgibbon, north of the Brisbane CBD. Fitzgibbon Chase is a declared Urban Development Area (UDA) managed by the Urban Land Development Authority (ULDA). UDA's do not have to adhere to Council minimum lot size rules and other restrictive codes, allowing the delivery of a diverse mix of affordable small lot products. The smaller affordable lots at Fitzgibbon Chase sold relatively quickly during 2010/11.

Brisbane Statistical Division Historical Lot Production

Period	Lots Produced	Median Lot Size (m ²)	Median Price
2001/02	7,662	666	\$85,000
2002/03	8,168	671	\$96,500
2003/04	12,032	640	\$145,000
2004/05	8,821	634	\$167,500
2005/06	8,261	600	\$175,000
2006/07	9,738	603	\$179,000
2007/08	8,563	600	\$198,000
2008/09	6,504	600	\$213,000
2009/10	6,369	551	\$215,000
2010/11	5,924	550	\$208,000

Source: Office of Economic and Statistical Research (OESR) Queensland Treasury

FUTURE PROSPECTS

In terms of future supply, prospects are reasonable especially with the recent approval of three large masterplanned ULDA projects in Greater Flagstone (Logan City Council), Yarrabilba (Logan City Council) and Ripley Valley (Ipswich City Council). These three projects alone are expected to deliver up to 120,000 homes.

Prospects for supply are also reasonable in outer areas of the BSD (at least to the south-east and west), unless significant reforms are forthcoming from Council and the State Government, however, we are likely to see a continuing shortfall of serviceable land and new dwellings in the inner and middle ring of the BSD.

ISSUES/BARRIERS TO SUPPLY

The depressed state of the industry prompted the State Government to hold a Building Revival Forum in April 2011. Since the forum, the Government has rolled out the following initiatives:

- A nine month stimulus package offering a \$10,000 Queensland Building Boost Grant to buy or build a new home.
- Grants to the Council of Mayors and Local Government Association of Queensland to reform local Government's development assessment processes.
- Establishment of a Major Project Office that will represent a single point of contact, responsible for helping navigate major projects through complex Government processes.

Although industry welcomes these initiatives, a number of fundamental barriers to land and new housing supply in BSD remain. In 2010/11 these barriers were:

- **Access to Finance:** Despite some improvement in 2010/11, accessing developer finance remains a significant barrier, with high pre-sales requirements and low loan to value ratios impacting on infill development in particular.
- **Processing Times and Complexity:** The holding period of land until approvals are achieved has blown out over the last decade. On a typical subdivision of a zoned area, a typical time for approvals is 2-3 years. For unzoned areas timeframes are 5-7 years. In 2010/11 the stream of new environmental legislation, state planning policy and state planning instruments all combined to negatively impact on supply.
- **Delivery of Infrastructure:** Infrastructure is not being rolled out in a timely manner and is holding up vast areas of supply. Councils, State Government and Water Authorities are suffering from budgetary pressures and developers are in many cases unable to bear the cost.
- **Taxes, Fees and Charges:** Queensland's property and development industry carries among the highest burdens of any industry in terms of taxes and charges, acting as a barrier to new supply in BSD. Developer infrastructure charges in particular have risen considerably over recent years. The State Government introduced new legislation in July 2011 setting a maximum allowable infrastructure charge, but early indications are that the benefits of this reform will be limited due to flaws in the legislation. Productivity Commission research found that in 2009/10 Brisbane had the second highest average infrastructure charge of \$27,000 per greenfield lot in Australia.

SOUTH AUSTRALIA

CURRENT MARKET AND LAND SUPPLY SITUATION

Residential land sales have fallen over the past several quarters in a steady trend. The volume of land sales in the first quarter of 2010/11 in Adelaide's metropolitan area is the lowest in several years.

Land is being developed and brought to market within the Greater Adelaide region (around 82.5% of South Australia's population live in this region surrounding and including metropolitan Adelaide) at a rate similar to that over the past two years. A survey by UDIA SA of major developers in the State (providers of around 46% of new dwellings) shows a forecast delivery to market of around 4,000 lots within the next year – an amount that has remained steady over the last three half-yearly surveys, suggesting the pipeline of developed land is now smaller than two years ago. It is likely that many of the lots proposed to be brought to market are not yet committed to construction and will only be developed if the market recovers.

FUTURE PROSPECTS

The balance between supply and demand of land for development is tight. The continued increase in South Australia's population, albeit slower than most other states, will result in additional demand for residential land. The provision of an adequate rolling stock of land for residential lots would be achieved with the rezoning of land in a variety of locations already identified by the 30 Year Plan for Greater Adelaide.

The difficulty of the cautious market, the banks' tight lending policies, the uncertainty of local Council planning approvals, and the concern by developers to maintain minimum stock levels so as to avoid extreme land tax impost on land value holdings at 30 June (the rate in South Australia is the highest in the nation), means that the delivery of developed land to the market place – from identification of suitable land to completed works ready for dwelling construction – is slow.

Greater Adelaide Region Historical Lot Production

Period	Lots Produced*	Median Lot Size (m ²)**	Median Price**
2001/02	7,706	540	
2002/03	7,726	525	\$90,513
2003/04	8,667	470	\$116,453
2004/05	9,250	470	\$138,317
2005/06	8,443	460	\$148,610
2006/07	7,480	455	\$148,034
2007/08	8,334	445	\$170,447
2008/09	9,696	425	\$190,000
2009/10	9,146	380	\$179,427
2010/11	8,262	371	\$182,613

Sources: * Department for Planning and Local Government, South Australia; ** RP Data

ISSUES/BARRIERS TO SUPPLY

Not only is greenfield land in short supply, but developers are currently experiencing difficulty in delivering market-acceptable product (location, design and price) with higher densities in both fringe and infill locations. The median lot size for Adelaide Metro has steadily declined in the past decade to 371m², the smallest of any capital city.

The high cost to bring developable land and housing product to market, and the uncertainty in the planning approval process, are factors to be overcome. If the shortage of allotments continues it will be difficult to realise the predictions and forecasts outlined in the 30 Year Plan for Greater Adelaide. The plan identifies the need for 10,100 new dwellings to be built annually on average, on both infill and fringe land, and although one allotment does not equal one dwelling the two are certainly intertwined.

The supply of developed land and the demand by a population that is increasing at a slower rate than two years ago is a delicate balance.

Several large parcels of greenfield land are being rezoned, with current zoned land representing around 12-14 years' supply (depending on the assumptions used for land consumption). While the industry is gaining some comfort from this land rezoning that has occurred in growth areas identified in the 30 Year Plan (authorised in February 2010), much difficulty is being experienced by developers in negotiating arrangements for provision of core infrastructure – roads, potable water and stormwater, sewer, telecommunications, open spaces – as well as 'soft infrastructure' that is being increasingly sought by some local Councils.

The increasing cost of infrastructure borne by developers on fringe land – and thus the new home buyers – is threatening to stall delivery of identified land to market. The Government is attempting to link the rezoning of land to the developer's willingness to pay excessive up-front cost for core infrastructure in new developments.

VICTORIA

CURRENT MARKET AND LAND SUPPLY SITUATION

Lot production recovered in 2009 from the low point reached in 2007. While official data has not been released for 2010, the Melbourne market experienced a high level of demand, with median prices continuing to grow strongly. Again, while official data has not been released, demand returned to more normal levels in 2011, with prices adjusting downward slightly, although anecdotal evidence suggests that lot sizes also continued to fall.

Underlying demand remains high, with population rising in the year to June 2010 by 99,300. While this is a high growth rate of around 1.8%, it is slightly lower than the average growth rate for the five years to June 2010. Population growth of 99,300 is still an average of just under 2,000 people arriving from interstate and overseas and newborns every week.

Based on yield estimates supplied by developers to the Victorian Department of Planning and Community Development, there were 138,462 lots available for construction in 2009. While the Victorian Government has committed to a 15 year land supply pipeline, with ten years of zoned supply, the 2009 Urban Development Program revealed that this has fallen to ten years of total supply and five years of supply that has a Precinct Structure Plan (PSP) in place for it (that is, ready to be developed).

In the designated growth areas of metropolitan Melbourne, the new Government remains committed to maintaining a minimum 15 year residential broad hectare land supply, of which ten years supply should be available for development. In the year to 2009, approximately 138,462 potential lots of broad hectare land existed across Melbourne's growth areas, equating to approximately ten years of land to meet projected demand. Of this total stock, five years of supply was located on land available for residential development. It is unlikely that either of these measures have caught up to the benchmark.

Across the Melbourne metropolitan area in 2009, there are approximately 152,821 lots identified as broad hectare residential supply, 138,462 of which are within Melbourne's growth areas. This means that 90% of broad hectare development will take place in Melbourne's growth areas. There are 76,001 lots which are available for residential development (that is, have PSPs) within the growth areas. This constitutes around 55% of total stock.

The median lot size of constructed broad hectare residential lots for growth area municipalities dropped from 655m² in 2000 to 520m² in 2009. At the same time, the median price of vacant house blocks have risen substantially from \$65,500 to \$163,000 – a rise of 2.5 times. Over the last year, prices of vacant house blocks rose by 7.9% in Melbourne.

Melbourne Historical Lot Production

Period	Lots Produced	Median Lot Size (m ²)	Median Price
2001/02	15,096	605	\$74,000
2002/03	20,004	598	\$90,000
2003/04	16,836	594	\$118,000
2004/05	12,643	592	\$135,000
2005/06	11,976	555	\$137,000
2006/07	9,651	557	\$139,000
2007/08	6,090	551	\$144,000
2008/09	10,456	538	\$151,000
2009/10	12,015	520	\$163,000
2010/11	11,934*		

Source: Urban Development Program, Valuer General (Vacant House Blocks)

*UDIA Forecast

FUTURE PROSPECTS

Industry expected in excess of 11,934 lots per year to be constructed over 2010-2011. It is expected that this level of construction will continue over the next five years, with an average of just under 10,000 lots per year to be constructed. In November 2011, the Growth Areas Authority released its draft Growth Areas Corridor Plans for the new expanded Urban Growth Boundary (UGB), which included a sub-regional strategy for biodiversity conservation. It is likely that finalised Growth Corridor Plans will be released in the first quarter of 2012, which should give a better understanding of the future land supply situation in metropolitan Melbourne, although the original plan was that the boundary expansion should accommodate an additional 284,000 dwellings over the next 20 years.

The Government has also set a target for the Growth Areas Authority to make 50,000 new housing lots available for development by the end of March 2012. It is likely that changes will also be made to the UGB.

ISSUES/BARRIERS TO SUPPLY

Despite lower population growth and the market returning to more normal levels, housing affordability remains poor in Melbourne. A number of barriers to supply remain, and the new Government is moving to speed up the planning system, make developer contributions fairer, encourage urban renewal and release more lots for development. In June 2011 an expert advisory panel was appointed to advise the Minister for Planning on reforms to the planning system as a whole. A review of local Government developer contributions is also underway, as well as a review of the Aboriginal Heritage Act. The Government established Places Victoria as an urban renewal authority, responsible for urban change in strategic locations, and has established a Housing Affordability Unit inside the Department of Planning and Community Development.

WESTERN AUSTRALIA

CURRENT MARKET AND LAND SUPPLY CONDITIONS

The Western Australian economy is performing relatively strongly considering poor consumer sentiment nationwide. Substantial investment in the resources sector continues to underpin healthy levels of economic activity. The WA economy is predicted to grow solidly in 2012 with the State Treasury revising upwards its economic forecasts in the latest Mid-Year Budget Review. Gross State Product is predicted to increase 4.75% in 2012/13, the second highest in the nation.

Despite the optimistic economic outlook, the housing sector in the Perth and Peel Region endured persistent stagnation in 2011. Residential lot sales remain down on long-term trends according to the December 2011 quarter Urban Development Index (UDI).

The Lots Sold Index in the December 2011 quarter recovered slightly, increasing 7.3% year-on-year. However, the Index remains 14% below levels in 2009, which partly reflects the increase in sales when the FHOG Boost was introduced in October 2008 and the provision of additional funding for social housing under the Nation Building – Economic Stimulus Plan which has now ceased.

Lots on the market are at relatively high levels. The UDI for the December 2011 quarter reveals lots on the market are 51.2% higher than December 2010 levels. Land sales will continue to be slow until the established market returns to some sort of equilibrium and the market has confidence in land as a viable investment.

Perth and Peel Historical Lot Production

Period	Lots Produced*	Median Lot Size (m²)**	Median Price^
2001/02	9,926	562	\$86,500
2002/03	12,959	591	\$97,000
2003/04	15,054	580	\$118,000
2004/05	15,351	560	\$139,000
2005/06	16,296	558	\$175,000
2006/07	15,165	527	\$255,000
2007/08	13,138	540	\$260,000
2008/09	9,263	482	\$225,000
2009/10	8,371	456	\$237,000
2010/11	10,730	424	\$242,000

* Perth Metropolitan Region and Peel Sector Residential Final Lot Approvals (Source: State Lot Activity, WAPC)

** Perth Metropolitan Region and Peel Sector Estimated Median Lot Price (Source: State Lot Activity, WAPC)

^ Metro WA Median Land Price (Source: Landgate)

FUTURE PROSPECTS

The Urban Growth Monitor (Western Australian Planning Commission, August 2010) reports that the Perth Metropolitan Region has 20,200ha of broadacre undeveloped land available for residential development, deemed by the Government to be sufficient to meet anticipated demand at current rates of urbanisation for approximately 27 years. Despite a recent lift in lot production in 2010/11 and relatively high levels of lots on the market, there remains the risk of a land shortage in the event of a significant increase in demand. It takes 4-5 years to convert undeveloped land to housing lots and the planning approvals system is yet to demonstrate improved efficiencies and reduced timeframes to give the industry the confidence that it could respond quickly to uplift in demand.

Projections for labour requirements to service the booming WA economy over the next decade suggest that population growth and the demand for housing will not abate, however, several prevailing issues, such as the difficulty in securing finance and the overlay of federal environmental approvals, could jeopardise future land supply. While there has been recent agreement between the Federal and State Governments to undertake a strategic assessment of the area subject to the Directions 2031 and Beyond planning framework with a view to streamlining federal environmental approvals, this will be a lengthy process which might not have a meaningful impact for several years.

The State Lot Activity data indicate an ongoing decline in the number of proposed lots being lodged for approval by the Western Australian Planning Commission. In June 2010 quarter developers lodged 657 applications for 6,717 lots in Perth and Peel and in June 2011 quarter this had slipped to 481 applications for 4,586 proposed lots, a 32% decline. Over the last decade only 50% of conditional approvals convert to finals approvals, which is a worrying statistic in the context of relatively strong population growth and state economy and supports a predicted shortfall in new dwelling construction.

ISSUES/BARRIERS TO SUPPLY

The provision of affordable, quality land can only be achieved by a whole-of-government approach. Despite ongoing reform and rhetoric, the urban planning system in WA is still struggling with a system that largely lacks coordination and policy alignment between various Government agencies and levels of Government.

The need for improved coordination between infrastructure planning and land use planning to reduce upfront costs of development and to achieve sustainable urban development continues and there appears to have been little progress in this area since the last State of the Land report. The Water Corporation however has recognised that the requirement for developers to pre-fund major infrastructure works adds exorbitant costs to developments. Water Corporation has recently moved to a new approach to funding growth assets that is less reliant on pre-funding by the industry and better connects with the urban development front.

Other key issues for the development industry in Western Australia are:

- **Delays and Costs Associated with Environmental Approvals:** There is uncertainty in relation to the requirements for species preservation and contradictions between Local, State and Federal requirements. The Federal Government's Environmental Protection and Biodiversity Conservation Act (EPBC Act) has adversely affected land supply as a lack of policy or guidelines around the species in question have resulted in projects being subjected to lengthy delays and significant additional costs, particularly where offsets are required. Industry is hopeful that the recent agreement between the Federal and WA Government to develop a strategic assessment for matters of national environmental significance will deliver improved outcomes for industry and the environment. The proposal for cost recovery under the EPBC Act reform package is not supported as it will have a significant impact on housing affordability, particularly for relatively small developments.

- **Sand Supply and Lot Classification:** The constrained supply of appropriate fill materials for land development to meet local Government requirements will have a significant negative impact on affordability and the environment. This is a complex issue that requires a whole-of-government response and is likely to be one of the biggest challenges to land supply as the forecast available fill from extraction pits is only one third of that required to develop the land identified in the state planning framework.
- **Innovation being Hampered by Delays in Approvals:** The issue particularly relates to innovation in the provision of non-drinking water where delays in approvals can result in crippling holding costs. There is need for Government support of pilot projects for non-potable water and for the Economic Regulation Authority to encourage competition in the potable, non-potable and waste water license holders by streamlining the approvals process to allow proven entities to implement alternative water practices. The practice of charging developers who deliver alternative water provision the cost of full headworks charges makes many alternative options unviable. A headworks offset program would encourage greater uptake of water efficient developments.
- **Planning System Reform:** The Department of Planning embarked on a planning reform agenda in 2009 and a number of reforms designed to improve development timelines have been implemented. However there are outstanding reform items that are yet to be resolved and without streamlined model conditions and the model scheme text to support the recently revised structure plan guidelines the industry will continue to experience protracted development timeframes that ultimately impact on its capacity to deliver land to the market.

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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.

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