



Media Release

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UDIA Report Finds Increasing Undersupply of Land for Housing

The 2009 State of the Land Report, which will be formally released tomorrow by the Urban Development Institute of Australia (UDIA), highlights the timeliness of the Federal Government's recently announced initiative to take a greater leadership role in driving national urban planning and approvals reform.

The Report has found that there is a substantial undersupply of land for new housing across Australia's major capital cities, and that this situation has deteriorated in most capitals since 2005.

The Report highlights that Melbourne is currently managing its land supply the best of any capital city, and that Sydney, while delivering higher levels of infill development, is significantly underperforming in greenfield land production, and housing supply generally.

According to UDIA National President Stephen Holmes, "The 2009 UDIA State of the Land Report shows that the gap between land supply and demand has widened and there is a growing undersupply of housing right across Australia".

"Housing demand in Australia is increasing due to changes in household formation, natural population growth, and most significantly, historically high levels of immigration. The adequate supply of land to support new housing is the principal driver for ensuring the maintenance of housing affordability in Australia, so unless the supply-side issues are rectified, housing will increasingly become less affordable for Australians."

As housing is a major cost for all Australians, the increased cost burden will have implications for the broader Australian economy. 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.**

For further information or comment, please contact:
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The Capital Cities in Summary:

The UDIA 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 Report's results are based on feedback from leading practitioners in the development industry.

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.

Key Diagrams

Diagram 1 below 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 State of the Land 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.

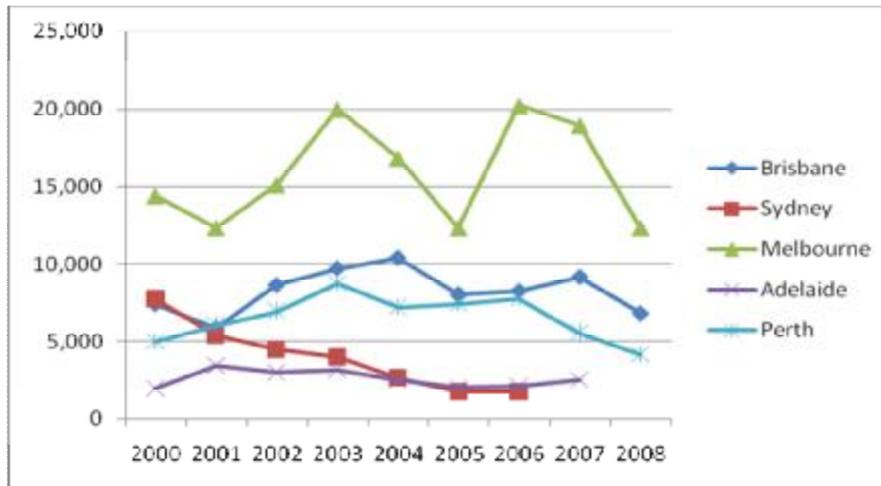


Diagram 2. below identifies median lot prices in all of the major capital cities. Not surprisingly, the median lot prices for both Sydney and Melbourne are the inverse of lots produced. This would suggest that the Sydney market is chronically undersupplied. Perth experienced rapid growth in median price 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.

