

Media Release

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Peak Development Body Cautions Against Federal Political Uncertainty

A new State of the Land report by The Urban Development Institute of Australia (UDIA), has for the first time in its eight-year history, found that uncertainty at the federal level is at greater risk of hurting the property development industry, than state level policies.

The 2016 State of the Land report by Australia's leading property development industry body, was launched today at the UDIA National Congress in Adelaide.

UDIA National President, Michael Corcoran, said federal level uncertainty is likely to weigh against the market performance in 2016, and contrast to the peak conditions experienced in 2015.

“Changes made to the macroprudential regulations and foreign investment rules, and speculation over tax changes like the GST, negative gearing and capital gains tax, and talk of imposing “value capture” have the potential to cause perverse effects in 2016 along the eastern seaboard, and highlights just how susceptible the property market is to uncertainty in the policy environment.”

“At the state level, improvements have been made in recent years to allow the market to better respond to conditions. But delays and uncertainty in the rezoning, planning and approvals processes mean volatility remains in-built in the industry, as it remains difficult to respond quickly to changes in demand, while up-front charges and levies remain too high,” Mr Corcoran said.

The 2016 UDIA State of the Land report was undertaken in partnership with Charter Keck Cramer and Research4, utilising data from the National Land Survey Program (NLSP).

Robert Papaleo, Charter Keck Cramer - National Executive Director, said the 2016 UDIA Report found new greenfield residential lots released for sale nationally in 2015 increased by 9.9% compared to 2014, driven primarily by a record level of activity in Melbourne.

The State by State analysis clearly demonstrates that in states where supply of lots increased markedly, prices either rose modestly or fell. This is demonstrated in Melbourne and South East Queensland, where lot releases were up by 53.3% and 4.8% respectively, while the median lot price rose by only 3.8% in Melbourne and 4.5% in South East Queensland. In Adelaide, a rise in lot releases of 11.4% between 2014 and 2015 was

accompanied by a 2.3% fall in the median lot price. Meanwhile in Sydney, the median lot price rose by 29.7% while lots released fell by 4.6% to 8,174 between 2014 and 2015.

“As expected, the NLSP data confirms that the Perth market is experiencing a cyclical adjustment from its 2012 – 2013 boom, with new lot releases falling by 21.0% and prices falling by 3.1% in 2015,” Mr Papaleo said.

The UDIA’s Michael Corcoran said the development industry was a key pillar of the Australian economy in 2015, and 2016 will see a continued rebalancing of the Australian economy away from mining activity, towards domestic dwelling construction.

“With an uncertain federal tax policy environment, ongoing supply pressures in the eastern states and the possibility of ongoing subdued demand in other states, the industry may struggle to attain the levels of activity recorded in 2015,” Mr Corcoran said.

The UDIA has made a number of recommendations to all levels of government from the 2016 State of the Land Report, to ensure sufficient land supply and affordable housing.

Recommendations for the Federal Government include:

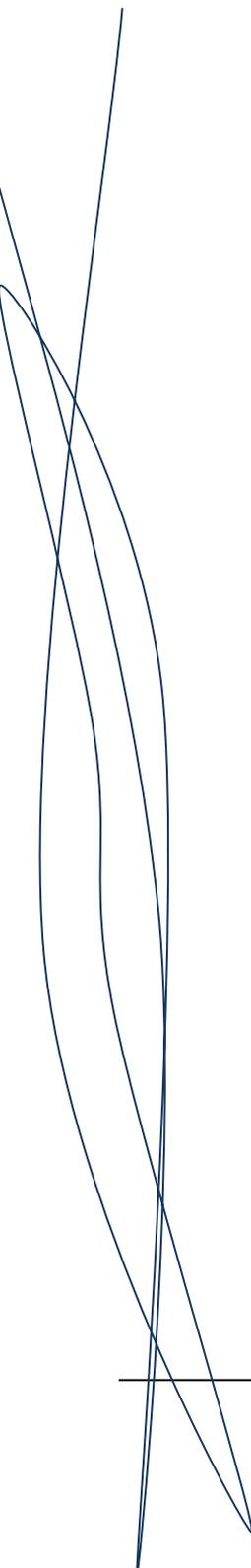
- Retain the current negative gearing and capital gains regimes.
- Broaden the base but not increase the rate of the GST.
- Assist state governments with removing stamp duty on property and replacing it with more efficient forms of taxation.
- Not pursue “value capture” policies that increase the price of new housing.
- Take an active role in the development of cities.
- Provide additional funding for investment in new urban infrastructure, in order to unlock land.
- Continue to encourage foreign investment into residential real estate, by supporting Australia’s existing foreign investment policy framework.
- Remedy the unintended effects of Basel III on housing affordability.
- Promote innovation in cities and regional areas.

State and local governments must improve supply via their performance on planning, infrastructure provision, and charging for new developments. Recommendations include:

- Undertake major planning system reform, to increase the supply of urban land and reduce delays and uncertainty associated with zoning, planning and approvals processes.
- Reduce up front charges and levies on new housing by favouring the recovery of costs over long time frames, rather than up front.

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