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Building approvals and development pipeline key to economic growth

The Victorian division of the Urban Development Institute of Australia (UDIA) today launched its latest iteration of the Residential Development Index (RDI) for Victoria, showing the industry is operating at an index of 101.5, demonstrating the market has become marginally stronger since June 2017.

“It is now more important than ever to recognize the crucial role the development sector plays in Victoria’s economy, having contributed over \$22.9 billion to our economy in the last financial year alone. This industry sustains 185,000 full time, part time and casual Victorian jobs,” said Danni Addison, Victorian chief executive of the UDIA.

“A longer-term decline in building approvals, the beginning of which we are starting to see, would threaten the jobs and housing pipeline Victoria’s economy relies on,” said Ms Addison.

The end of 2017 saw the end of a strong building approvals peak. The figures released in this RDI show an increase over the 2017-18 financial year of over 25%, but a steep decline in apartment approvals of 70% during the first six months of 2018. Inner, middle and outer Melbourne, as well as regional areas of Victoria, all saw increased growth in apartment approvals over the full year.

“Melbourne’s apartment market is maturing, and we’re seeing it start to find more balance between high density apartment developments and smaller scale infill developments in established middle-ring suburbs.

“It’s also encouraging for Melbourne’s housing market that the RDI shows semi-detached townhouse approvals in middle Melbourne grew by nearly 15% in the last financial year, and housing approvals in Melbourne’s growth areas grew by over 15% in the last year,” she said.

While building approvals overall increased during the year, the RDI has revealed a concerning trend for the first half of 2018, with apartment building approvals dropping off dramatically, by over 70% in inner Melbourne.

Furthermore, the RDI revealed that housing consumer purchasing power in Melbourne is at a ten-year low. Weak wage growth, the increasing cost of living and tighter bank lending standards are all contributors to this concerning deflation in Victorians’ ability to purchase homes.

“Our apartment market is vital in ensuring Victorians have entry-level and affordable access to homes in inner Melbourne, where house prices are often out of reach for the average buyer. Record low purchasing power means we need apartments now more than ever,” said Ms Addison.

“Up to the end of 2017, the industry was focused on delivering much needed new housing supply resulting from strong building approvals in earlier years. 2018 has demonstrated a downward shift in apartment approvals, and this is not sustainable if we are to deliver the 50,000 new homes needed each year to house our growing population.

“State and local governments need to work really hard in the immediate future to secure an approval and therefore jobs pipeline by taking an enabling approach to development industry proposals, and by sharing the responsibility we all have to develop Victoria in a positive way for future generations.”

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UDIA Victoria Media Release

ABOUT: URBAN DEVELOPMENT INSTITUTE OF AUSTRALIA

The Urban Development Institute of Australia (UDIA) is a nationally recognised body that advocates for Australia's urban development industry. In Victoria, UDIA informs and engages government and industry members, **enabling better policy and better business decisions**. With a primary focus on the residential property sector, UDIA protects and promotes over 320 member companies across Victoria including developers and a range of other professionals involved in producing, financing and marketing residential property.

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