

Media release

06.07.2016

Volatility in policy failing Victoria’s residential development industry and driving uncertainty

Victoria’s residential property industry is facing increasing volatility which is undermining future investment and having a negative impact on jobs, economic growth and industry sentiment, according to a new survey by the Urban Development Institute of Australia (Victoria).

“The Institute’s survey findings have measured and confirmed the groundswell of concern about volatility, market conditions and funding constraints in Victoria.

“The development industry is calling out for critical and urgent attention from national and state policy makers and regulators. Action must be taken to improve confidence and facilitate better investment prospects in the interests of a strong and healthy housing market,” said the Institute’s Victorian chief executive Danni Addison.

Current global uncertainty is also contributing to concerns within the development sector.

“There’s a broad expectation that there is a wealth of capital available in the global markets. However with increasing uncertainty as a result of Brexit, the upcoming US election and even our own domestic election, that’s simply not the case.

“On a positive note, in times where traditional capital markets are increasingly restricted, there is great opportunity for innovative funding models to emerge. The residential property industry is actively seeking out these opportunities and we hope to see them emerge quickly to fill the funding gap the industry is currently facing,” said Ms Addison.

The survey, ‘Residential Property Investment Environment in Victoria’ asked 50 individual development firms to give direct insight to how recent policy and regulatory changes affect their businesses.

These include changes in regulation imposed by the Australian Prudential Regulation Authority, changes in lending policy by the banks, increases to state taxes on foreign investment, the introduction of planning controls in the central city and proposed design measures governing apartment development.

According to the survey, confidence in the residential development industry is at its lowest with more than 80% of developers operating in the Melbourne CBD identifying low confidence or a decreasing level of confidence in the sector.



“The compounded impact of recent policy changes has made the business environment very challenging for the development industry,” said Ms Addison.

“Measuring industry sentiment is a difficult feat, but this survey blatantly shows waning confidence in the sector. Government take note – recent policy changes have caused some serious long-lasting issues that will have a very real and negative impact on Victoria.

“The Institute is working closely with the Victorian Government to deliver solutions which will facilitate market activity instead of constraining it. We commend Treasurer Pallas and Minister Wynne on their willingness to engage in a meaningful way and take these issues seriously,” said Ms Addison.

The Institute’s survey results show that 46% of developers have over five projects in the pipeline, and 30% say they would employ more than 500 people if all their pipeline projects proceed. However with 60% of developers believing capital is increasingly unavailable through traditional lending sources such as the banks, and more than three quarters saying at least one project will be delayed as a result, the survey indicates that a significant number of those job opportunities may not be realised unless business conditions change.

The survey also concludes that only 6% of developers rate Melbourne as an attractive global investment destination with strong future opportunities, and a staggering 78% believe Melbourne’s competitiveness on the global scale is slipping.

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ABOUT: URBAN DEVELOPMENT INSTITUTE OF AUSTRALIA

The Urban Development Institute of Australia (the Institute) is a nationally recognised body that advocates for Australia’s urban development industry. In Victoria, the Institute informs and engages government and industry members, **enabling better policy and better business decisions.**

With a primary focus on the residential property sector, the Institute protects and promotes over 350 company members across Victoria including consulting firms, developers and a range of other professionals involved in producing, financing and marketing residential property.

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