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Demand for housing in Victoria will outstrip supply by 4,000 dwellings, new UDIA Residential Development Index shows

The Urban Development Institute of Australia (UDIA) today launched its Residential Development Index (RDI) for Victoria, showing the industry is operating at an index of 112.0 and demonstrating historically high levels of activity across all sectors of the new housing market.

But, despite record levels of activity, UDIA Victoria has warned that the volume of dwelling commencements in the years to come will not be enough to sustain the high levels of demand for new housing.

According to the RDI, Victoria is facing a looming and significant demand/supply gap with respect to housing across Victoria, with net additional supply and demand forecast showing clearly that demand will outnumber supply by over 4,000 dwellings in the immediate future.

“The supply of new housing being delivered right now is being driven by high population and employment growth. This growth is positive and has supported strong levels of activity from the sector as it delivers new housing which has progressed through the planning, approval and funding pipeline in recent years,” said Danni Addison, Victorian chief executive of the UDIA.

“However, the forward pipeline for the years to come tells a very different story, and the RDI points to a serious housing undersupply. This is cause for major concern both from an affordability, liveability and economic perspective as Victoria’s population only looks increase on recent projections,” she said.

“The residential development industry in Victoria faces a number of challenges including an unclear future urban renewal pipeline, a series of recent policy changes such as increased taxes on foreign purchasers and the removal of incentives for investors- as well as production capacity challenges for new housing in Melbourne’s growth corridors.

“These issues will undermine the affordability and supply of new housing across all market segments if they are not urgently addressed,” said Ms Addison.

About the Residential Development Index (RDI)

The RDI is a major research and data initiative, and fills a critical gap in knowledge available to the Victorian housing sector, policy-makers and key regulators by using comprehensive research, data analysis and a unique model to assess Victoria’s residential development industry and measure its activity on an ongoing basis.

Using a weighted average model of three key inputs, the RDI considers purchasing power, demand and supply of new housing to establish an index. Based on historical data, an RDI of above 102 depicts a market that is either operating in line with medium term trends or relative strength.

UDIA (Victoria) Media Release



The research examines the dynamics impacting the industry, including economic conditions, population growth, development activity, trend data, regulatory changes and policy implications. These industry activity fundamentals inform the RDI, which determines whether the industry is operating in strong, moderate or weak market, relative to recent and long term history.

“UDIA Victoria is very proud of this piece of work, which will be updated on a biannual basis to demonstrate changes in market activity. The ongoing nature of the RDI will enable us to track progress, forecast future activity, and identify issues that require attention from industry, government and key regulators,” said Ms Addison.

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ABOUT

Urban Development Institute of Australia (UDIA) – Victorian Division

The Urban Development Institute of Australia (UDIA) is a nationally recognised advocacy body that supports Australia’s urban development industry. The UDIA informs and engages government, key policy makers, and industry members, **enabling better policy and better business decisions**.

With a primary focus on the residential property sector, UDIA’s Victorian Division protects and promotes over 50,000 individuals from over 320 member companies across the state. UDIA members are property developers, consultants and a range of other professionals involved in producing, financing and marketing residential property.

MEDIA CONTACT

Danni Addison

Chief Executive Officer

Urban Development Institute of Australia (Victoria)

E: danni@udiavic.com.au

T: 03 9832 9600

M: 0400 230 787