

Thursday 03 May 2018

Supply fails to keep up with demand in Melbourne's greenfield market

The Victorian division of the Urban Development Institute of Australia (UDIA Victoria) has today presented new market insights on the Melbourne greenfield market, delivered by author of the research and Director of Research4 Colin Keane.

Results of the March 2018 quarter show that Melbourne's greenfield market has seen its third consecutive quarter of negative sales growth for the market – not because of lack of demand, but because of lagging title timeframes and ominously low levels of trading stock available for sale.

“As a general guide, a market which has less than four months of trading stock indicates that supply is not keeping up with demand. In the Melbourne greenfield market, we only have 24 days of stock available,” said Danni Addison, CEO of UDIA Victoria.

“The Melbourne greenfield market is experiencing pressure due to issues around converting sold stock into titled stock. This pressure is showing up in increased land prices and long settlement time lines,” said Colin Keane, Director of Research4.

The combined pressure on the land market continues to drive significant price growth, with the March 2018 quarter seeing the median lot price increase by 9% to \$330,000 per lot, which represents an annual increase of 31%.

“We've seen several years of very high demand in Melbourne's greenfield land market, and supply has not been able to keep up.

“We will continue to see increasing prices across the market unless there's a big boost on the supply side of the equation.

“We're working closely with Government to drive efficiencies that enable more active estates to bring to stock to market, which will place downwards pressure on prices,” said Ms Addison.

According to the research analysis, current market conditions are expected to continue throughout 2018, deterring interstate migrants who will turn to other markets such as the Brisbane land market where land is 22% cheaper.

“Considering that population growth underpins the Victorian economy, it is not viable to curb growth as a solution. We must therefore focus on solutions that enable the delivery of housing and infrastructure as we are growing – not afterwards – and at a cost our communities can afford,” she said.



Key findings (March 2018 quarter)

- Total greenfield land sales reduced to 1,418 lot sales per month, representing a 13% decrease for the March 2018 quarter and the third consecutive quarter of negative sales growth for the market. This is a dramatic drop from the sales levels seen in the September 2018 (2,159 per month).
- Stock ready for sale is equal to 24 days of normal trading, which is considered low.
- Only 107 active trading estates, down from 133 at the end of 2016.
- The median lot price increased by 9% for the quarter to \$330,000 per lot, representing an annual price growth of 31%.
- The outlook for the Melbourne market is for demand pressure to continue, requiring the land market to deliver at least 1,700 lots per month to keep up.

-ENDS-

UDIA (Victoria) Media Release



ABOUT

Urban Development Institute of Australia (UDIA)

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 350 member companies across Victoria including developers and a range of other professionals involved in producing, financing and marketing residential property.

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