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Common-sense required to protect Melbourne's affordable land market

The Urban Development Institute of Australia (UDIA) today launched the ninth annual State of the Land Report at the 2017 UDIA National Congress in Perth.

The report tells us that Melbourne's greenfield market continues to outperform other capital cities – with almost 40 per cent of the nation's annual lot sales in Melbourne, and the median lot price remaining lower than the national median. This being said, demand has grown considerably, which poses a threat for the market's relative affordability.

"Rising demand has resulted in a strong increase in lot prices, a further reduction in lot sizes and, going into 2017, just 1.04 months of available trading stock, which is the lowest level of immediately available supply for six years," said Danni Addison, UDIA's Victorian CEO.

"Fortunately the Andrews Government recently announced a new target to keep a four-month stock of lots for sale; a tangible target embraced by industry," said Ms Addison.

"If State Government can make common-sense decisions to enable a consistent supply of land, healthy levels of competition and reasonable tax rates, then we can protect Melbourne's affordable land market.

"There remains a critical issue with the constraints the industry faces in bringing sites to market after they receive a planning permit. There is a serious need for state and local governments to focus on improving this process by removing unnecessary constraints associated with releasing new lots.

"UDIA looks forward to continued collaboration with the Victorian Government, and working together to find solutions that do not place unnecessary upward pressure on the cost of housing," said Ms Addison

State of the Land Report -- Key Findings (National)

- Supply jumped to a new high across the country, with over 57,000 lots released in 2016. Nearly 40 per cent of the new lots were in Melbourne.
- Sales jumped up 10 per cent on 2016, to over 53,000 lots. Sydney, Melbourne and South East Queensland had strong land markets. In Perth and Adelaide, demand weakened.
- Blocks are becoming smaller in line with the pressure on affordability. At the end of 2016 the median lot size in all the new estates was 407 square metres, a reduction of 11 per cent in two years. Average block sizes are smaller in Perth, Sydney and Melbourne.
- The **State of the Land** report predicts that around 54,000 lots will be produced in 2017 as capacity constraints curb the sector in Sydney and Melbourne, demand remains weak in Perth and Adelaide, and a range of new economic and political challenges emerge.

State of the Land Report -- Key Findings (Melbourne)

- Melbourne's greenfield market continues to break records, with around 22,700 lots released in 2016, an increase of 14.5% on the previous high of 2015.

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- Demand; driven by low interest rates, strong population growth and a solid economy; has continued to grow with the lot sales rising 14 per cent for the year. The result has been a strong increase in lot prices, a further reduction in lot sizes and, going into 2017, just 1.04 months of available trading stock – the lowest level of immediately available supply for six years.
- With stock limited, the median lot price rose to \$237,000, a rise of 11.3% and the most significant price increase since 2010.
- To maintain affordability, the development industry has further reduced lot sizes, with the average now 400 sqm, a reduction of 4.8% on the year.
- The reduction in median lot size and the increase in median lot price has resulted in a significant increase in the price of land per sqm. In 2016, the price per sqm increased by 17%, which is more than double the price growth of 2015.
- Without the decrease in average lot sizes, the median lot price could be as high as \$248,000.

Victorian State Summary Table

VIC	Lots Released	Year End Stock	Median Lot Size M ²	Median Lot Price	Land Price \$/M ²
2010	14,475	2,056	474	\$205,000	435
2011	10,579	4,480	448	\$219,500	490
2012	6,439	4,822	448	\$206,500	461
2013	7,899	3,883	447	\$197,000	442
2014	12,901	3,490	448	\$210,000	468
2015	19,827	2,737	420	\$213,000	507
2016	22,703	1,992	400	\$237,000	592

The **State of the Land** report is based on findings from the **National Land Survey Program**, a joint initiative by Charter Keck Cramer and Research4.

-ENDS-

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ABOUT

Urban Development Institute of Australia (UDIA)

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 350 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.

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