UDIA STATE OF THE LAND

Urban Development Institute of Australia
NATIONAL

NLSP
National Land Survey Program

2017

Image: Somerfield by Intrapac Property

ABOUT THE EDITOR

Robert Harley

Robert Harley led the Australian Financial Review's property coverage for over 28 years, stepping down as Property Editor last November. He covered housing and commercial real estate, investment, construction, city planning and architecture, and authored the influential Property Observed column. Before he turned to property writing, Robert gained a degree in Urban Geography and worked as a real estate agent.

Front cover images (left to right)
Kiah by Giles Tribe Architects, Photography by Robert Walsh
Annie's Landing Ellenbrook by LWP Property Group / Department of Housing
Cavanstone at Eastwood by AVJennings
Somerfield by Intrapac Property
One Minto by UrbanGrowth NSW in conjuction with Land and Housing Corporation and Campbelltown City Council

Welcome to ninth annual **State of the Land** report

The report, sponsored by the Urban Development Institute of Australia and based on the National Land Survey Program (NLSP) by Charter Keck Cramer and Research 4, is a rare, "bottom-up" analysis of one of the most important housing markets in the country- the greenfield land market.

In 2016, in the estates surveyed through the NLSP in the six mainland capital cities saw over $13 billion worth of land lots changed hands, paving the way for the construction of over 57,000 new homes. Those homes are a key focus for governments, and industry, as both strive to deliver more affordable housing.

Apartment and infill development has overshadowed traditional greenfield projects in the current boom. But in every city, bar Sydney, governments still expect most of their population growth to be absorbed in these new communities further from the CBD.

The NLSP analyses 1,200 new estates, being undertaken by 860 developers in 45 greenfield markets in the five major capitals.

These new estates are where public policy hits the ground on issues from housing affordability, to population, city structure, economic growth, land release, infrastructure and energy use.

The estates are a key focus for bank lending; they are where so many of the tradesmen in the building industry earn their living; and they are a template for innovation in housing and community building.

Ultimately the new communities are home to a new generation of Australians. For those new residents, the estates hold their aspirations for their families, and their hopes for economic security.

After 30 years writing about real estate, much of the time as Property Editor of the Australian Financial Review, it is my pleasure to commend the latest State of the Land report.

Robert Harley
Consultant Editor

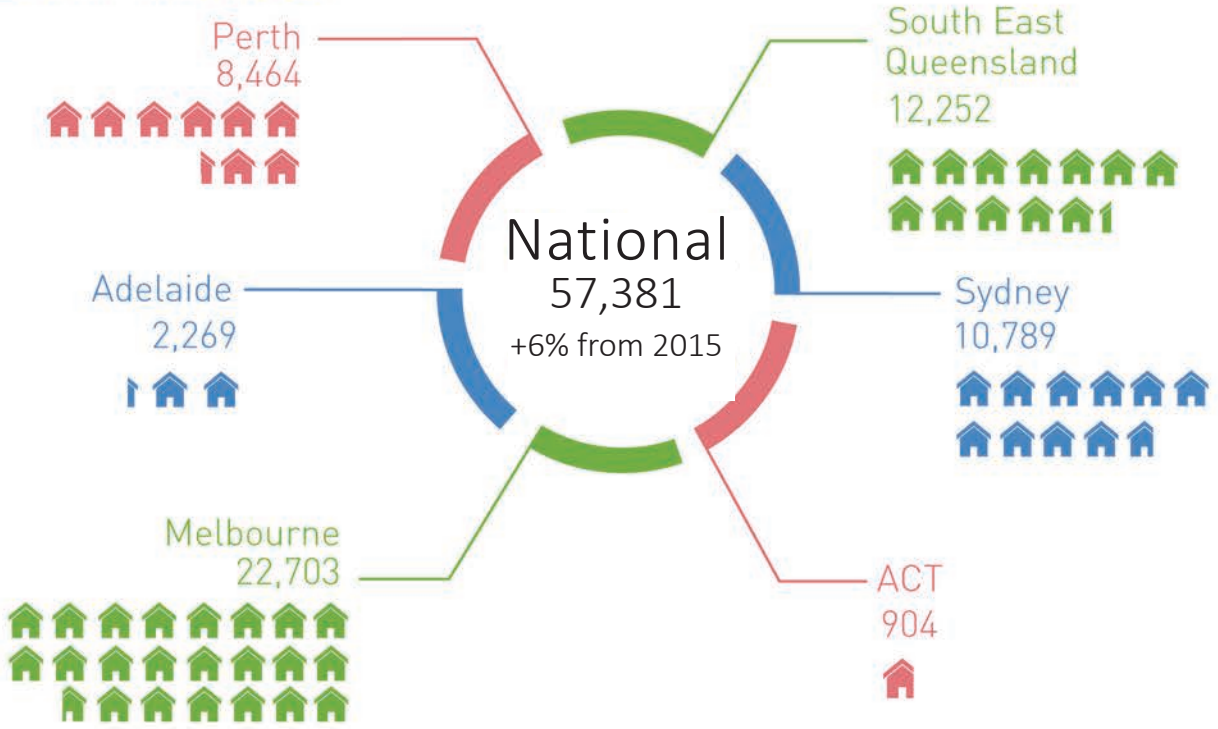
CONTENTS

Image: Kiah by Giles Tribe Architects, Photography by Robert Walsh

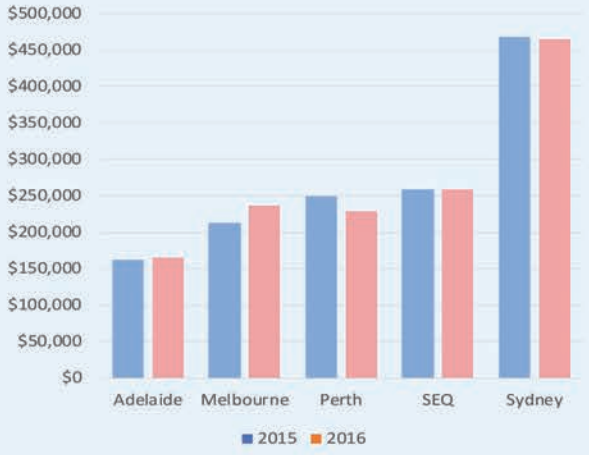
UDIA State of the Land 2017

At a Glance

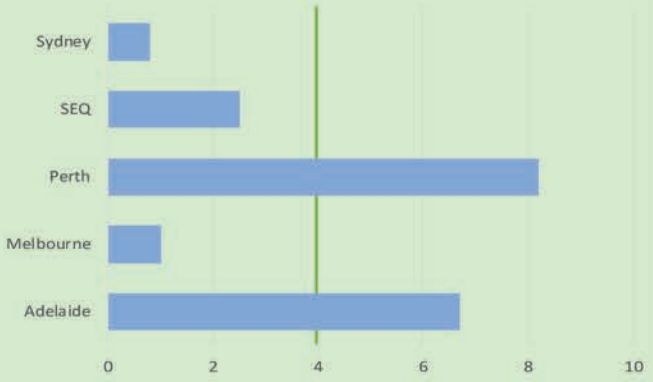
New Releases:



Median Lot Price:



Trading Months of Stock:



The optimal average trading time of stock is 4 months

Sales Nationwide:

Median Lot Size:

2014	2015	2016
458sqm	428sqm	407sqm

INTRODUCTION

Australia's land developers rose to the supply challenge in 2016.

Over 57,000 new lots were released in greenfield communities in the major capitals, the highest number in the eight year history of the NLSP and over 53,000 lots were sold, an increase of 10% on 2015.

Melbourne, South East Queensland and Sydney led the way with strong land markets. In Perth and Adelaide, demand weakened and sales fell during the year.

Housing affordability remains a critical challenge. The increased, but still constrained, supply in the eastern states has barely matched the demand. Buyers in Sydney, Melbourne and South East Queensland are either paying more for their land, or settling for smaller blocks.

Across all the estates in the NLSP, the median advertised lot price rose 10% in 2016, to take the total rise in the past four years to 24%.

Housing affordability is now a national political imperative. So far this year, the Victorian Government has announced a package of measures, the West Australian election has delivered a range of commitments, and the incoming Berejiklian Government in NSW has put affordability at the top of its agenda. Commonwealth Treasurer, Scott Morrison has foreshadowed an affordability initiative in the upcoming May Budget.

The UDIA in its Pre-Budget Submission to the Commonwealth Government, made nine recommendations on how Canberra could aid affordability through the improved supply and accessibility of housing. The submission warned that changes to the current negative gearing and capital gains tax regimes would have a significant impact on investment decisions, reducing new supply and deepening the affordability crisis.

The key to long term, sustainable, housing affordability is matching supply to demand, including diversity of housing products.

In Sydney, where the supply constraints are substantial, the median advertised land price jumped 35%, or $120,500 in the two years to December 2016. In Perth, where the supply now exceeds demand, the advertised price dropped 12.5% in the same period.

The OECD in its recent Economic Survey of Australia 2017, recommended two measures to address Australia's "high house prices and … substantial mortgage borrowing." One was the maintenance of the "tight macro-prudential" controls on borrowing, and the other was to "facilitate housing supply increases through improved planning regulation."

Despite the plethora of cranes in the inner cities, and the record level of apartment construction, land release lags in South East Queensland, in Melbourne and particularly in Sydney. The surge in apartment building has masked the far more subdued recovery in the construction of traditional detached homes.

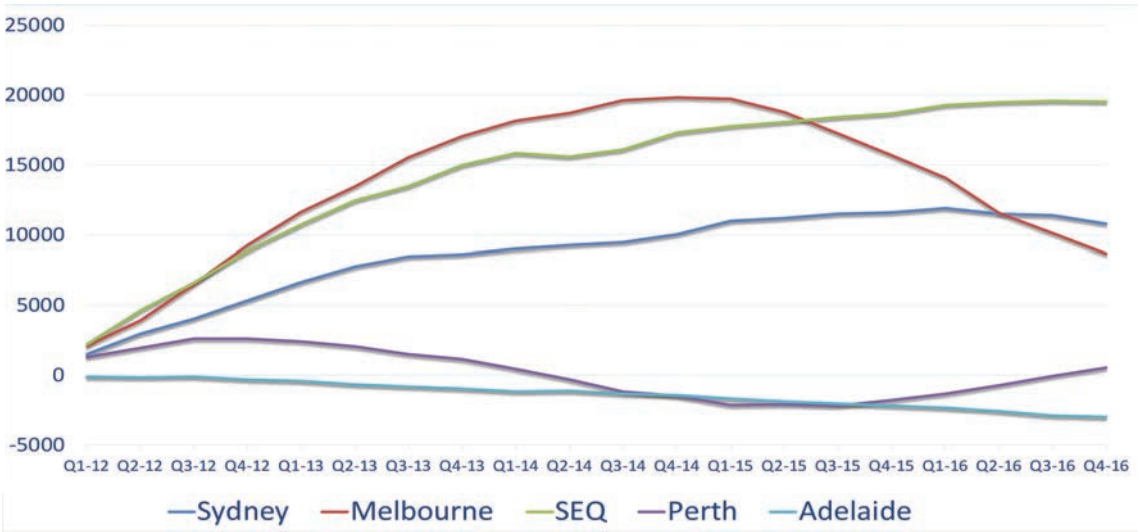
Near 40,000 land lots are needed in the eastern seaboard capitals to bridge the gap between the land supplied over the last five years and the new detached housing required under the metropolitan population and planning targets.

Only in Melbourne has the supply backlog been substantially reduced. In Sydney it would take near an additional year of release, at the elevated rates of 2016, to clear the supply deficit.

Image: The Reserve at Hundred Hills
By Horizon Housing Solutions

GREENFIELDS DWELLINGS BACKLOG
SINCE 2012

The backlog is the gap between the State Governments targets for new detached housing in the capital cities and the actual supply of lots for sale. The UDIA has analysed the gap on a cumulative basis for five years since 2012 to show how the supply deficit is growing or, in rare cases, being reduced.



Source: UDIA - From State Governments' Planning Documents and NLSP

BUYER PROFILE
FIRST HOME BUYERS

First Home Buyers Tenielle Herbert and Stuart Graham have bought a block for their first home in Stockland's Newport community on the Redcliff Peninsula in South East Queensland. At the moment, they are living with Tenielle's parents in nearby Margate but it was time to move. Stuart is a tiler, and Tenielle is about the start full time work as a midwife at a nearby hospital. "Instead of renting, it was time to buy something and not pay someone else's mortgage," Tenielle said. The $20,000 First Home Owners Grant encouraged the pair to buy a new home. Choosing the estate, which will eventually boast a population of around 5000 and large waterways opening to Moreton Bay was easy. "It is a nice area close to the water", she said. Choosing the block was harder. As first home buyers, Tenielle and Stuart had to budget and eventually settled for a smaller 312 square metres lot suitable for a villa style home. All up, their first new home will cost at least $450,000.

SUPPLY

Developers released more lots in the major capitals in 2016 than in any of the previous eight years of the NLSP survey.

A NEW RECORD OF 57,381 NEW LOTS WERE RELEASED DURING THE YEAR, WHICH IS 6% MORE THAN IN 2015.

Melbourne, which now averages the release of around 5,600 lots a quarter, accounts for almost 40% of the nation's new housing lots, but it is near its development ceiling. Sydney, where lot production jumped 18%, to over 3,100 in the last quarter, is also touching new highs, but still has a long way to go to satisfy the current and projected demand levels.

A myriad of constraints, from infrastructure delays to slow title registration, restricts the ability of the sector to respond to increased demand, despite the best intentions of state governments.

After a year of record land supply, but also record demand, the number of lots advertised for sale at the end of 2016 was 10% less than the year before. At the end of December, developers had just 2.2 months of lot supply available for sale in the 1,200 estates surveyed.*

In Sydney and Melbourne, developers held only enough stock for one month's trading at the end of 2016. South East Queensland, with 2.5 months of trading stock was also tight. But In Adelaide (6.7 months) and Perth (8 months) supply exceeded demand.

In Perth, the supply was boosted by the return of lots previously allocated to buyers, particularly volume builders. In fact the cancellation rate in the city was equivalent to 27% of all sales. In Melbourne, the cancellation rate was just 4%.

* *According to the NLSP, demand is not keeping up with supply if the available stock is less than four months of current sales.*

Image: Blakes Crossing by Lendlease

BUYER PROFILE
UPGRADERS

Jose Gutierrez (right) and his family have bought two blocks in Mirvac's Tullamore community near Westfield Doncaster in Melbourne's east. Mr Gutierrez, a molecular imaging application specialist, understands new communities having grown up in Adelaide's acclaimed Golden Grove. With wife Amanda, a senior lecturer, he initially bought a 350 square metres block for a large investment home. Then, when he saw the way demand, and prices, were rising, he outlaid $1.4 million for an 850 square metre block on which to build his next family home. "We like Doncaster," he said. "It has all the amenities, with good primary schools, and some of the best recognized secondary schools," he said. "It has Westfield, good access to the city, and it's leafy." Mr Gutierrez and his family, with three children under seven, were already living in Doncaster when Mirvac started creating Tullamore from the former Eastern Golf Course. "It has maintained the established trees and has open space for the kids to explore. Once people start living here, it will become a community," Mr Gutierrez said."

LOT PRICES

NATIONALLY, THE MEDIAN ADVERTISED PRICE FOR A LAND LOT
ROSE 10% DURING THE YEAR TO
$287,000.

Sydney has the most expensive land, at a median advertised price of $465,000. Significantly, after a very strong rise in 2015, most Sydney developers held their prices at last year's rates. The next most expensive lots are in Canberra and South East Queensland. Melbourne, where the median lot price is just $237,000 remains one of the nation's most affordable markets, despite an 11% price hike in the past year. Not surprisingly it is also the most active market.

Most affordable of all are lots in Adelaide, where the median price is just $166,000 and Perth where the median price dropped 8% during the year to $229,000. Buyer incentives, like front landscaping, are now common in Perth.

LOT SIZES

NATIONALLY, **THE MEDIAN LOT SIZE** AT THE END OF 2016 WAS
407 SQUARE METRES
WHICH IS 5% LESS THAN THE YEAR BEFORE AND 11% BELOW THE MEDIAN IN DECEMBER 2014.

Developers are responding to the lack of affordability with a range of strategies, most notably a reduction in lot size. The lot sizes were lowest in Perth, at 375 square metres, followed by Sydney at 396 square metres and Melbourne at 400 square metres. The largest lot sizes are in Canberra, where the median at the end of the last year was 534 square metres.

The reduction in lot sizes, coupled with the rises in lot prices, has delivered a significant increase in the price of land on a square metres basis. The national median price, at $602 a square metre, is 13% higher than a year ago and 20% higher than December 2014.

OUTLOOK

The land development industry is expected to sell a similar amount of greenfield lots in 2017, however supply will be challenged as the sector runs into capacity constraints in Sydney and Melbourne, weak demand in Perth and Adelaide, and a range of new economic and political challenges this year.

The stimulus to housing provided by declining mortgage rates has stabilised and the banks are already tightening the lending for investors. Housing approvals are trending down and construction starts are expected to follow, though much of the decline will be in the apartment sector.

Other drivers will vary from city to city, including economic growth, or lack of it, the state of supply, and a range of political measures which could be stimulatory. This may include the Victorian decision to abolish stamp duty for certain first home buyers, but this could if not carefully targeted, further inflate house prices.

Sydney, where hopeful buyers are still camping out on estates to secure blocks, will continue to face the challenge of strong demand and constrained supply.

Melbourne, where the balance between demand and supply is closer, could face a pull back in demand. Current pricing, looks OK against Melbourne's broader house prices, but would have to be reset if demand weakened.

In South East Queensland demand could soften gradually with the volume of sales subsiding but little change to prices is expected.

Perth will continue to struggle with excess capacity relative to weak demand. With developers competing to protect market share, prices are likely to fall further.

Adelaide will also continue to suffer from too much development capacity relative to weak demand in a city with low population and economic growth. The problem is also aggravated by competition from small infill suburban projects.

In 2017 developers will also face the new challenge of tighter finance as traditional lenders respond to new macro-prudential regulation.

In March, the Australian Prudential Regulation Authority wrote to the lenders, welcoming the "general tightening of underwriting standards especially for residential development lending." APRA would like lending to tighten further and warned lenders to ensure that the borrowers had enough "hard equity"' at risk and were not sweetening the proposals with mezzanine debt, quasi equity or inflated land valuations.

Money for land development will be less available, and more expensive, than in the recent past, constraining those without significant equity or access to alternate funding.

Image: Annie's Landing Ellenbrook by LWP Property Group / Department of Housing

BUYER PROFILE
DOWNSIZERS

Grandparents, Joyce and Max McKendry have bought a block in Sunbury Fields, a 390 home community in Melbourne's northern suburbs being developed by Frasers Property Australia. They are moving back from the Mornington Peninsula to be near their children and grandchildren. "Max and I are looking forward to being close to family again," says Joyce. "We'll always be around to play or look after the kids." They have chosen a block large enough for a two bedroom single level home with a garden. "My husband and I are gardening fanatics…We immediately liked the prospect of a backyard as we wanted the space to grow a garden," she said. Block sizes at Sunbury Fields range from 400 square metres to 1000 square metres and prices from $190,000 to $340,000.

A MESSAGE FROM THE UDIA PRESIDENT

"If our Federal, State and Local Government politicians require evidence that increasing the supply of new housing to match the demand, is the only real solution to affordability and controlling price growth, they only have to look at the the UDIA 2017 State of the Land report. The report clearly evidences that in the subdued markets of Adelaide, Perth and Darwin, supply is meeting, or in excess of demand, and prices are either stable or falling, with affordability improving. Sydney, Melbourne and Brisbane need to increase supply, in accessible locations, and governments need to reduce the the imposts and taxes being applied to new housing, to allow the new supply to be viably delivered at an affordable price."

Michael Corcoran
National President
UDIA

RECOMMENDATIONS

Longer term, the development business is changing. More of the projects will be reserved for built-form apartments, terraces and townhouses. With polycentric city models becoming more of a focus for city planners and the cost of congestion impacting heavily on productivity, we will be building more centres and less suburbs as we look to embrace the goals of '30-minute cities'.

Transport infrastructure will be critical to access these centres and to attract knowledge jobs to new locations. Public transport will need to be more than radial to the CBD and is likely to include light rail and, in time driverless buses. The opportunities to embrace efficiencies based on smart city technology, using the Internet of Things, will enable greater productivity. UDIA will be leading the way with new urban planning initiatives and policies to develop the planning our cities need to embrace the future.

Australia has 5 cities analysed as being in the top 20 least affordable cities in the world. To arrest this crisis it is critical that governments continue to reform planning systems and to co-ordinate the delivery of infrastructure in order to address the underlying inefficiencies that increasingly undermine the delivery of affordable land supply and housing construction.

Taxes and charges remain high and some governments are proposing even further levies on development, which must be avoided if government is serious about improving housing affordability.

The UDIA makes the following recommendations to improve housing affordability and support jobs and economic growth in Australia's development industry:

Federal Government should:

- Retain the current negative gearing and capital gains regimes, as changes would reduce new housing supply and in return deepen the housing supply and affordability crisis;
- If value capture mechanisms are used to fund new infrastructure, ensure that they are not just another tax on new housing and that all beneficiaries of the "Value Gain" contribute to the value capture;
- Use the Federal balance sheet to invest in transport, health care, child care and housing;
- Fully fund and quickly implement the smart cities plan; and
- Remedy the unintended effects of Basel III on finance and affordability.

State and Local Governments should:

- Undertake major planning system reform to increase the supply of urban land and reduce delays and uncertainty associated with zoning, planning and the approvals processes;
- Move away from stamp duty on property transactions and replace it with more efficient broad base forms of taxation, which more reasonably share the burden of new infrastructure;
- NSW, Victoria and Queensland should remove the foreign buyer and developer taxes and surcharges;
- Reduce up front charges and levies on new housing by favouring the recovery of costs through broad base recurrent taxes over longer time frames; and
- State and Local governments need to ensure planning agreements for re-zonings do not become betterment taxes.

MELBOURNE

SUMMARY

Melbourne's greenfield market continues to outperform other capital cities – with near 40% of all the lot sales in the nation's capitals and median lot prices lower than the national average. This being said, the Melbourne greenfield market is experiencing rapid price growth, which is concerning from a housing affordability perspective.

There is a definite need to protect Melbourne's affordable land market, and from key policy-makers we need decisions that enable a consistent supply of land, healthy levels of competition and reasonable tax rates. UDIA's Victorian division is working hard to ensure policy decisions strike a fair balance between delivering necessary early infrastructure and the costs paid by a new community's first home buyers.

ANALYSIS

Melbourne's greenfield market continues to break records, with 22,703 lots released in 2016, an increase of 14.5% on the previous high of 2015. At the same time, demand, driven by low interest rates, strong population growth and a solid economy, has also continued to grow with lot sales rising 14% 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 months supply of available trading stock, which is the lowest level of immediately available supply for six years.

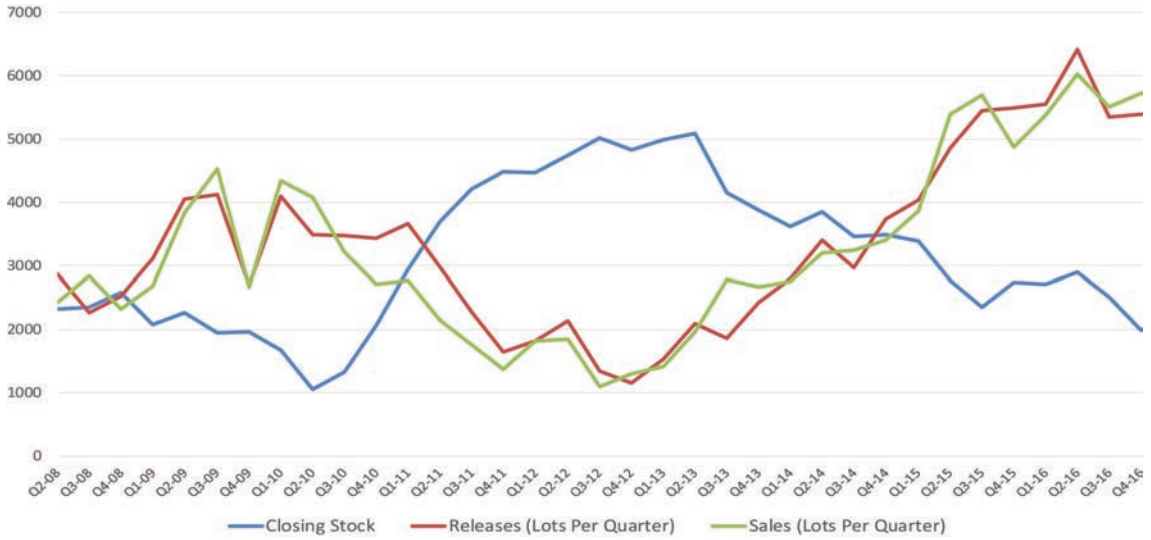
With stock limited, the median lot price rose 11.3% to $237,000, the most significant price increase since 2010. To maintain affordability, the development industry has further reduced lot sizes, with the average now 400 square metres, a reduction of 4.8% for the year.

The reduction in median lot size and the increase in median lot price has resulted in a 17% rise in the price of land per square metre in 2016 which is more than double the price growth that of 2015.

Without the decrease in average lot sizes, the median lot price could be as high as $248,000.

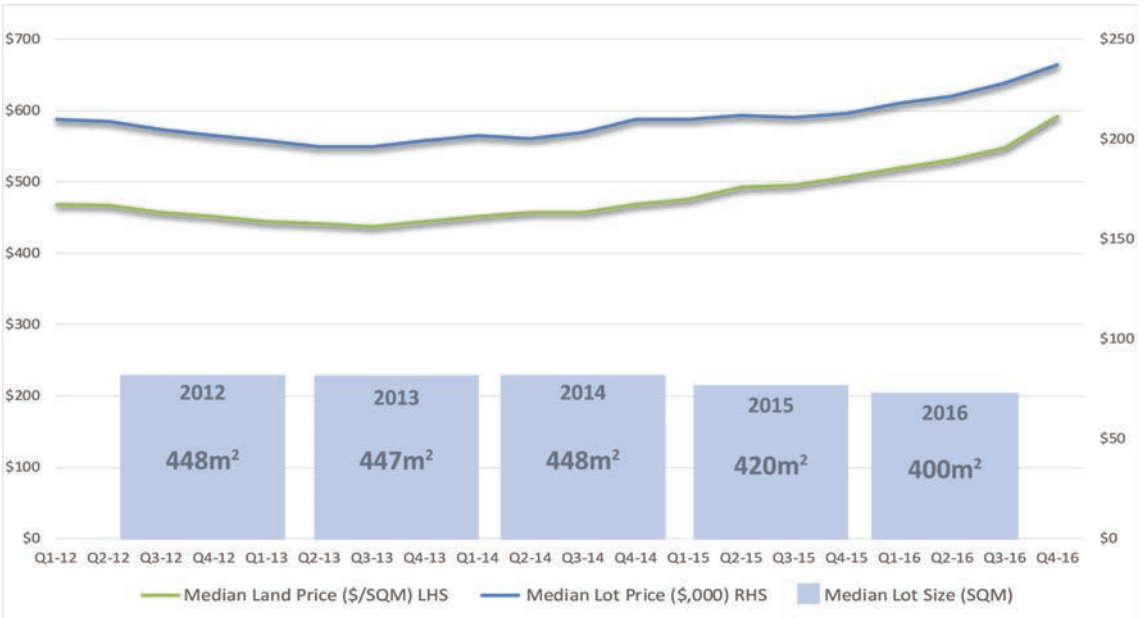
Image: Somerfield
by Intrapac Property

QUARTERLY MARKET ACTIVITY



Source: National Land Survey Program

MEDIAN LOT PRICE AND SIZE



Source: National Land Survey Program

NLSP SUMMARY TABLE

	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

Source: National Land Survey Program

BROADER MARKET TRENDS

Victoria's estimated population growth over the 12 months to June 2016 is the highest of all the states, at 2.07% or an additional 123,131people.

The Victorian Government expects Melbourne's population to grow by 2.2 million by 2031 with 49% of the growth in the designated growth centres. (Victoria in Future 2016). This translates to an average population growth of 53,790 people per year, or 21,866 new households per year with an average household size of 2.46 people.

Two countries accounted for a significant proportion of purchasers, with 23% born in Australia and 15% born in India. People aged from 25 to 34 years old constituted 50% of all purchasers, with a further 32% of purchasers aged from 35 to 49 years old.

The top three priorities for home buyers are price; block size; and parklands/open space. The top three priorities in terms of location are shops; major roads/freeways; and community/recreational facilities.

STATE POLICY ENVIRONMENT

The State Government recently made two big announcements that will provide both opportunity and risk to the industry. The Homes for Victorians package includes a number of initiatives that would encourage demand within the greenfield market. For example, stamp duty is abolished for first home buyers for purchases below $600,000, with concessions on stamp duty for purchases up to $750,000.

Plan Melbourne also presents risk and opportunity for the greenfield sector. Of concern is the government's focus on value capture, which has the potential to become another development charge if implemented inappropriately. Furthermore, a focus on increasing density within new greenfield estates may result in a further reduction in the variety of land sizes and housing products brought to market. If targets are used as a blunt instrument, regulation may produce housing stock that the market is not ready or willing to accept. However, a better focus on delivering state and local infrastructure to support new communities will enable the sustainable delivery of new communities.

In 2016, UDIA Victoria found that demand was outstripping the supply of Precinct Structure Plan (PSP)-approved land by as much as 19,000 lots during the 18 months to August 2016. Within six months, a number of new releases came online to boost supply and meet this demand.

In the six months to February 2017, the Victorian Planning Authority (VPA) released five PSPs, delivering a potential 29,178 dwellings. The Victorian Planning Authority's work program is now seeking to deliver 20 new PSPs by the end of 2017.

The Victorian Government recently extended the Streamlining for Growth program, investing $16.4 million to accelerate planning and approval processes. In addition, the Treasurer at a recent UDIA Victoria event committed to return available supply to a, more healthy, four months of trading stock.

In late 2016, the Victorian Government established a standard levy for greenfield infrastructure contributions of $339,000 per net developable hectare in the south-east growth corridor, and $328,500 within the north and west growth corridors. Any additional contributions beyond the standard levy amount needs to pursue a supplementary levy process.

"THE VICTORIAN LAND MARKET IS PERFORMING WELL BUT THE INDUSTRY FACES TWO KEY CHALLENGES. ONE IS THE MYRIAD OF DELAYS, FROM INITIAL APPROVALS TO TITLE REGISTRATION, THAT SLOW THE DELIVERY OF NEW HOUSING. THE OTHER IS THE TIGHTENING OF FUNDING FOR LAND DEVELOPMENT. THE MOVE, BY THE BANKS WITH THE ENCOURAGEMENT OF AUSTRALIAN PRUDENTIAL REGULATION AUTHORITY, WILL REDUCE NEW HOUSING SUPPLY."

David Payes, Managing Director
Intrapac Property

Image: Somerfield by Intrapac Property

SOUTH EAST QUEENSLAND

SUMMARY

The land development industry in South East Queensland is operating at a high level. Sales and supply are well matched overall but supply and affordability concerns are increasing, particularly in the Gold Coast. Providing for the expected population growth within South East Queensland will require lot production greater than the current activity levels.

Migration (principally interstate) has supported the market but maintaining momentum will be challenging with recent job losses, land supply constraints in some locations and infrastructure issues. The outlook is for sale volumes to slowly moderate, while prices are expected to generally remain stable.

ANALYSIS

Lot releases in South East Queensland rose again in 2016 to 12,252 for the year. This was up 4.1% on 2015. This the highest level since 2008 and around 15% above the long term average. Current sales levels are well matched to supply, with current trading stock (stock in hand) tight but improving, equivalent to only 2.5 months of supply.

The median lot price for SEQ remained stable at $259,300 with barely an increase from the December 2015. Median prices by local government included:

- Logan $229,000;
- Ipswich $253,000;
- Moreton Bay $258,000;
- Sunshine Coast $271,000;
- Redland $300,000;
- Gold Coast $313,000; and
- Brisbane $500,000.

A number of larger developments, representing around 20% of the market supply, are providing more affordable product to the market and are being well supported by the buyers. The median lot size continued its long term decline to 471 square metres, down from 485 square metres in December 2015. The median lot size is now consistently below 500 square metres. This size however, is around 50 square metres bigger than the median of most other states.

The price per square metre of land rose by 3.2% to $551 per square metre in the year to December 2016. While smaller lot sizes are required by some authorities, it appears size is also being traded to maintain affordability.

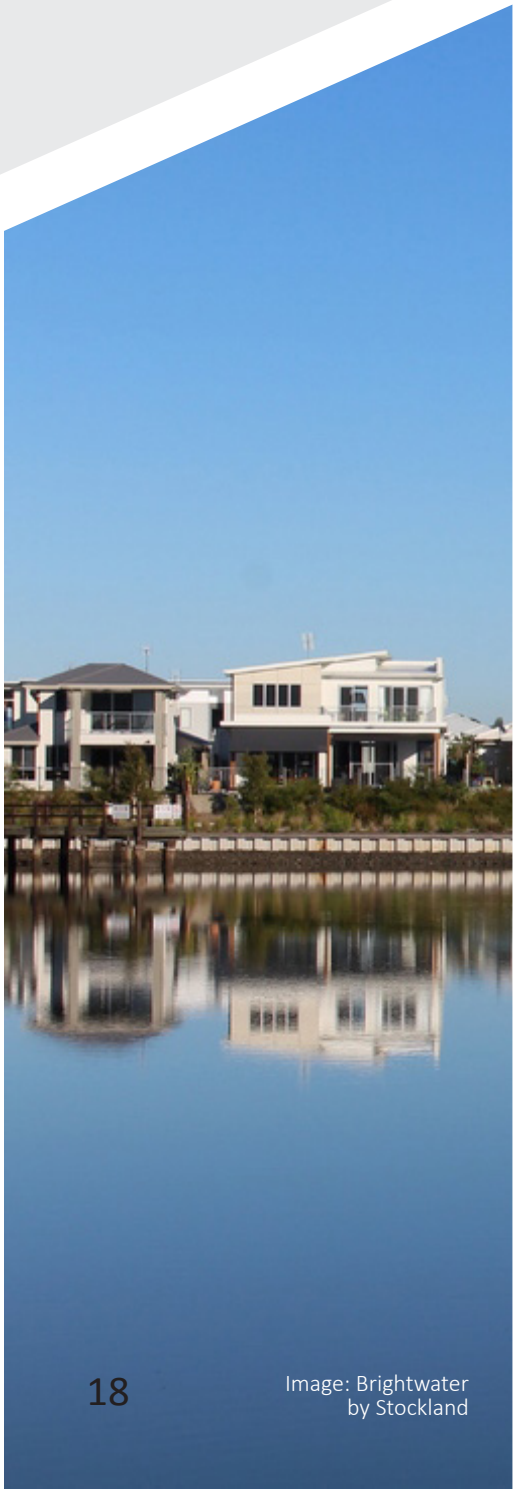
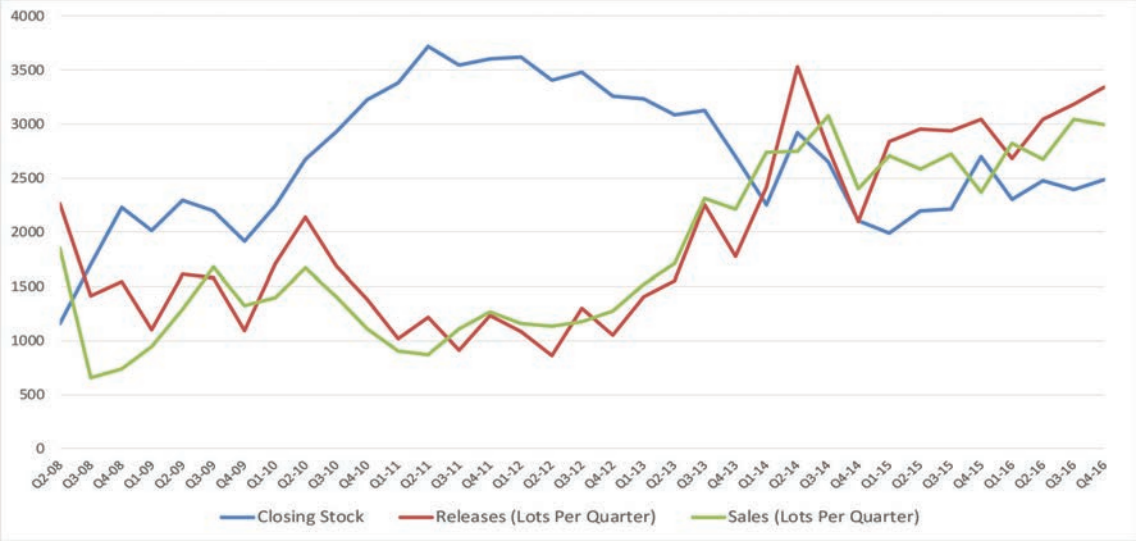


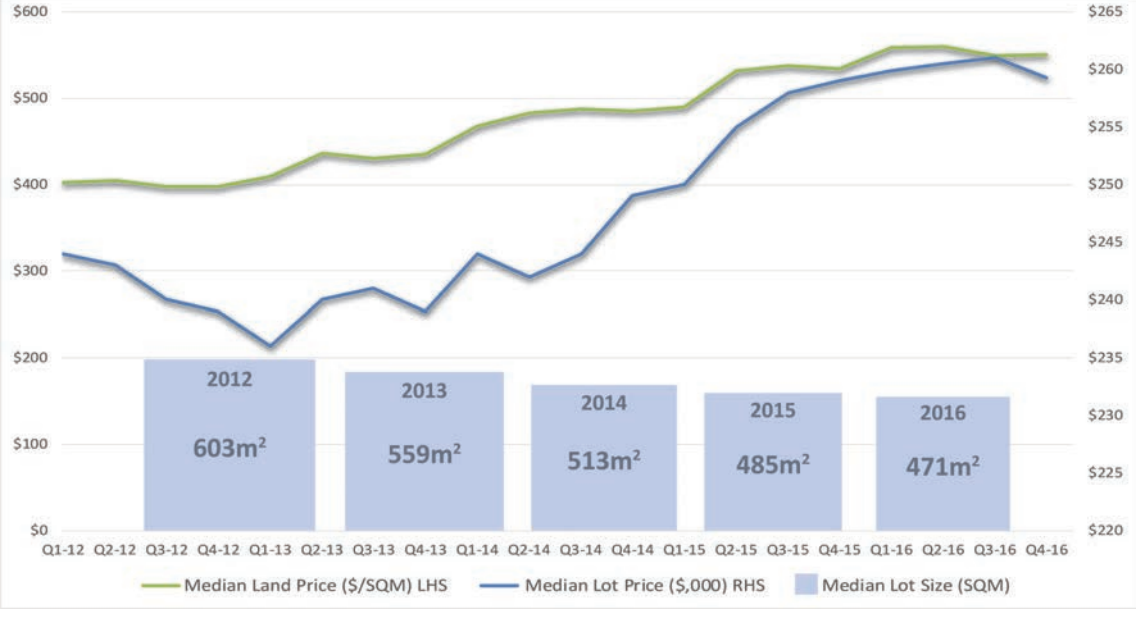
Image: Brightwater by Stockland

QUARTERLY MARKET ACTIVITY



Source: National Land Survey Program

MEDIAN LOT PRICE AND SIZE



Source: National Land Survey Program

NLSP SUMMARY TABLE

	Lots Released	Year End Stock	Median Lot Size M^2	Median Lot Price	Land Price $\$/M^2$
2010	6,908	3,225	623	$246,750	396
2011	4,389	3,601	617	$246,000	399
2012	4,291	3,255	603	$241,500	401
2013	6,988	2,696	559	$239,000	428
2014	10,822	2104	513	$249,000	485
2015	11,769	2701	485	$259,000	534
2016	12,252	2481	471	$259,000	551

Source: National Land Survey Program

BROADER MARKET TRENDS

Population growth in Queensland was positive at 64,659 in 2015/16 but nearly a third less than in the mid-2000s. Overseas migration to Queensland stabilised to 20,019 in the period and interstate migration increased, but was still only a net 11,581. Housing demand is strongly related to growth in employment and over the year to January 2017 the number of people employed in Queensland actually fell 28,200. Commonwealth Employment forecasts a return to employment growth, and a renewed driver for housing, with 187,600 new jobs for Queensland in 2016- 2020.

The Draft South East Queensland Regional Plan estimated that 119,400 dwellings were added to the SEQ region in the past five years with 149,066 dwellings needed for each five years to 2031 to meet expected population growth.

Historically over half the new dwellings in South East Queensland are traditional detached homes.

If the current housing forecasts are correct, and the traditional weighting to detached homes remains in place, South East Queensland would likely need 14,907 lots per year. Current lot release numbers, though at high levels, are significantly below this figure.

Land development activity is presently strong throughout the region, particularly in the more affordable developments located in Ipswich and Logan. The Gold Coast has been very active in the run up to the Commonwealth Games in 2018 but relative supply difficulties have impacted prices. The Gold Coast median lot price rose 29.3% from 2014 to the present.

Overall, the outlook is for sale volumes to slowly moderate while prices remain stable.

Image: Brightwater by Stockland

SOUTH EAST QUEENSLAND

STATE POLICY ENVIRONMENT

Substantial policy change will take place in 2017 with the introduction of both the new Planning Act, along with subordinate legislation, and the new South East Queensland Regional Plan. A number of local government infrastructure plans for growth areas will also be completed by outlining the infrastructure priorities in sewer and water supply, transport and land for parks and community facilities.

The new Planning Act, to be introduced mid-year, does require significant preparation by industry and local government, but offers a more predictable approvals pathway and more refined processes and policies.

The draft South East Queensland Regional Plan includes a 15 year supply target for zoned and serviced land. This acknowledges the role of broadacre land development in meeting specific market needs, ameliorates some affordability pressures and will accommodate population growth. Inclusion of employment information in the document is also welcome.

UDIA Qld is considering the draft and will seek better land supply monitoring, infrastructure programing and action to address land fragmentation to encourage more infill development.

UDIA Qld has highlighted the urgent need to provide ongoing major land development opportunities in each corridor for a supply of affordable housing. Good infrastructure provision is also critical to maintaining supply.

The state government added $5,000 to the $15,000 Queensland First Home Owners Grant for new homes in the year to June 2017. The initiative has been an important stimulus to building industry employment and affordability.

"THE RESIDENTIAL MARKET HAS PLENTY OF DEPTH. WITH THE MEDIAN HOUSE PRICE SO FAR BELOW THE PRICES IN SYDNEY AND MELBOURNE, INTER-STATE MIGRATION SHOULD START TO INCREASE THOUGH THE CATALYST OF JOBS GROWTH IS YET TO EMERGE. MORE INFRASTRUCTURE INVESTMENT IS NEEDED TO SPUR THAT JOBS GROWTH. ANOTHER KEY ISSUE IS THE RESTRICTION PLACED ON SUPPLY BY THE SOUTH EAST QUEENSLAND REGIONAL PLAN. THE PLAN SETS A GROWTH BOUNDARY ON NEW SUPPLY BUT WITHIN THE BOUNDARY THERE IS NEITHER THE PLANNING FLEXIBILITY, NOR THE COMMITTED INFRASTRUCTURE, TO ACCOMMODATE THE EXPECTED POPULATION GROWTH."

Michael Loney,
Joint Managing Director, Ausbuild

SYDNEY

SUMMARY

Sydney is the focus of the nation's housing crisis and the provision of affordable housing is a key objective for the new NSW Premier, Gladys Berejiklian.

After a lost decade of choked land release, supply has increased in the past five years, and helped to boost Sydney housing completions to their highest level since 1971. Nevertheless the backlog of unmet demand, and the weight of the demand to come, ensures that more housing supply is needed.

The release of more housing land, at affordable prices, with access to good employment opportunities, and with all the transport and social infrastructure needed for modern lifestyles, is a key challenge for the new Greater Sydney Commission.

ANALYSIS

Over the past five years, Sydney's land market has experienced historic levels of growth. In 2016, lots released increased by 32% to 10,789 up from 8,174 in 2015.

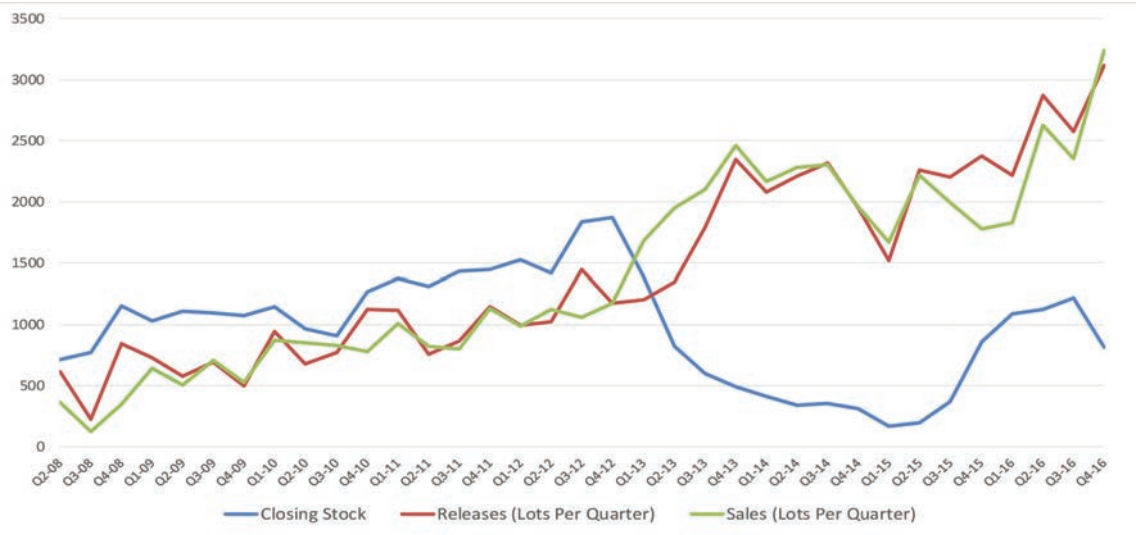
Accompanying the strong production levels has been an increase in prices. Developers held their prices in 2016, with a median lot price of $465,000. However the median lot price has risen by 58% since 2010.

Lot sizes reduced significantly, falling by 9.4% in 2016 to 396 square metres, from 437 square metres in 2015. Since 2010, when the median lot size was 524 square metres, the median lot size has reduced by 24.4%. Price per square metre rose by 7.7% in 2016 to $1,152 per square metre, from $1070 per square metre in December 2015.

Sydney's trading months of stock remained the lowest in the county at 1 months supply or only 817 lots.

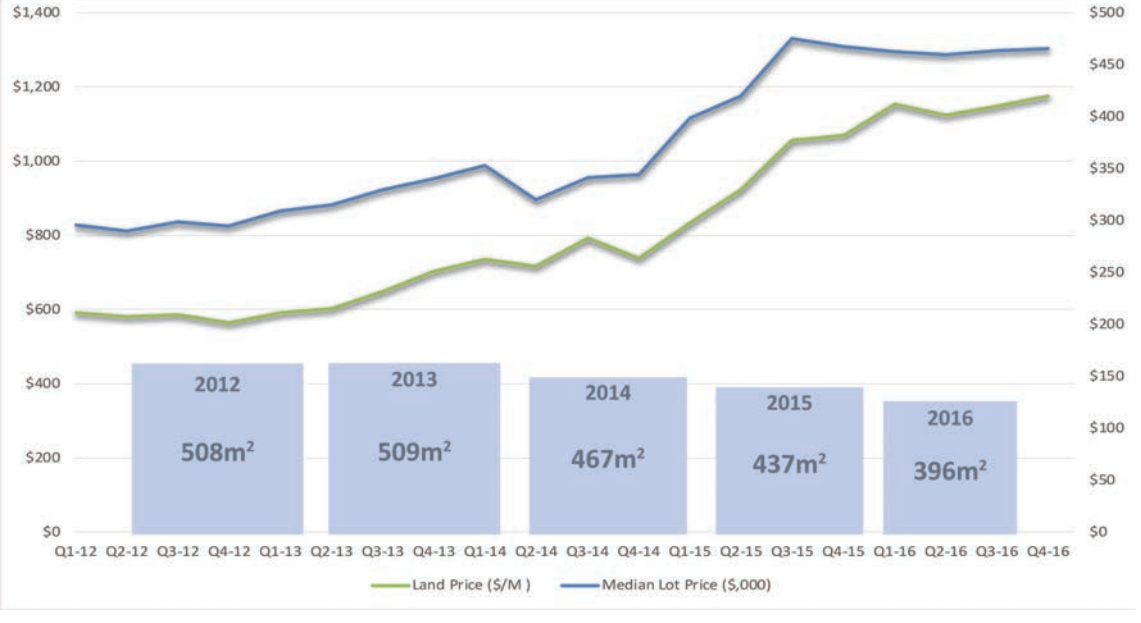
Image: Central Park at The Lakes by Mulpha Norwest

QUARTERLY MARKET ACTIVITY



Source: National Land Survey Program

MEDIAN LOT PRICE AND SIZE



Source: National Land Survey Program

NLSP SUMMARY TABLE

	Lots Released	Year End Stock	Median Lot Size M^2	Median Lot Price	Land Price $\$/M^2$
2010	3,526	1,266	524	$293,250	560
2011	3,890	1,449	498	$294,625	592
2012	4,640	1,870	508	$294,875	580
2013	6,690	494	509	$323,475	636
2014	8,565	313	467	$345,000	738
2015	8,359	856	437	$468,000	1,070
2016	10,789	817	396	$465,000	1,152

Source: National Land Survey Program

BROADER MARKET TRENDS

The NSW Government forecasts that by 2031 Sydney's population will grow by 1.6 million people, an average of 80,000 extra people per annum. Based on the traditional historical development split of 70:30 between infill and greenfield lots, Sydney will need to produce a minimum of 9,960 new lots per annum to meet this demand.

In order to meet this demand, the activity seen in the last five years needs to be produced every year for the next 15 years.

UDIA NSW, based on consultation with key development industry participants, expects a gradual increase in lot production in the next five years with Sydney predicted to exceed lot production targets identified by A Plan for Growing Sydney by 2021.

Prices of land continue to rise whilst lot sizes are reducing. With continued strong demand, we may see a shift in the position of Sydney's land market as more of an exclusive product rather than a traditional housing product.

The overwhelming majority of land production continues to come from Sydney's North West and South West Growth Centres. Sydney's third designated Growth Centre, Greater Macarthur, continues to await its rezoning, initially mooted for 2016. The government has estimated 34,700 lots will be developed in Greater Macarthur by 2036. The co-ordination and timely provision of affordable infrastructure in Greater Macarthur is crucial to the success of this area.

"DEMAND HAS INCREASED SINCE MID-2016 PUTTING FURTHER UPWARD PRESSURE ON PRICES. A KEY RESTRAINT ON SUPPLY IS THE LACK OF REZONING. WHILST MANY AREAS ARE EARMARKED FOR FUTURE DEVELOPMENT, THEY ARE NOT YET REZONED, AND NOTHING CAN HAPPEN TILL THEY ARE. THE GOVERNMENT NEEDS TO BECOME MORE PRO-ACTIVE IN REZONING NEW SUPPLY."

Tony Perich AM, Managing Director
Greenfields Development

SYDNEY LAND SUPPLY UDIA FORECAST

	2016 -2017	2017 -2018	2018 -2019	2019 -2020	2020 -2021	5 Year Forecast Total
A Plan for Growing Sydney Target	9,960	9,960	9,960	9,960	9,960	**49,900**
North West Sydney	6,147	6,597	6,057	5,787	5,445	**30,033**
South West Sydney	3,276	4,338	4,815	4,788	4,995	**22,212**
UDIA	9,423	10,935	10,872	10,575	10,440	**52,245**

Source: UDIA NSW Land Development Committee

STATE POLICY ENVIRONMENT

The NSW Government has recently identified local infrastructure, a strong economy and housing affordability as its three priority policy areas. The ability for the Sydney market to remain affordable is heavily constrained by a highly-regulated planning system and onerous tax structure. Currently 40% of the cost of a new house and land is made up in government taxes and charges. Rather than adding new taxes and charges, by bringing down these costs new housing will become more affordable, project delivery more viable and supply – the most effective response to improving affordability – will be boosted.

NSW needs Councils that are financially viable. To achieve this the government should remove rate pegging to allow Councils to better fund recurrent and planned capital expenditure.

In the medium term, the government should seek to introduce a revamped broad based land tax system to replace levies imposed on new homebuyers. The Government should reject any idea of allowing local government to introduce a betterment tax for the rezoning/up-zoning of land. A policy such as this will drastically constrain supply in Sydney.

In order to drive long term housing growth by funding key local infrastructure projects to unlock new housing areas, the Housing Acceleration Fund should be future proofed, with its inclusion as a standing line item in the State Budget.

The Greater Sydney Commission was established in January 2016 with its key objectives being to depoliticise the planning system and act as the independent co-ordinating body for metropolitan planning, prosecuting the Sydney Metropolitan Plan – A Plan for Growing Sydney. UDIA NSW calls on the Commission to be the body responsible for the long-term vision for Sydney's growth and to take on a co-ordination role within the NSW Government to unlock development, manage infrastructure delivery and boost land supply.

The Greater Sydney Commission has recommended the use of inclusionary zoning, where developers would have to allocate a percentage of stock for below market rent or sale. In general, the UDIA supports the provision of affordable housing, as in the NSW Government's Affordable Rental Housing State Environmental Planning Policy. However the UDIA opposes inclusionary zoning because without additional floor space or height benefits, developers could only provide below market housing by charging more for the remainder of the housing in the project, and perversely this could reduce supply.

Image: Willowdale by Stockland Development Pty Ltd

PERTH

SUMMARY

With Labor's emphatic win at the State Election in March, change and growth in WA's economy is anticipated.

Despite the recent property market downturn in Perth, the future is expected to be brighter, with the new Labor Government's policies on jobs creation, tourism, infrastructure planning and investment, and support for city development aimed at diversifying the WA economy and lifting the State out of the economic doldrums. The incoming Government's policies are expected to boost mining activity, interest in the property sector and general confidence in the market.

Whilst the effects of the newly elected government may not be seen significanty in 2017, it is anticipated they will result in green shoots emerging in the WA market in 2018.

ANALYSIS

The Perth land market has suffered from the economic downturn that followed the end of the resources investment boom. In 2016, the number of sales dropped to an average 528 lots a month compared to 679 sales a month in 2015 and 987 sales a month in 2014.

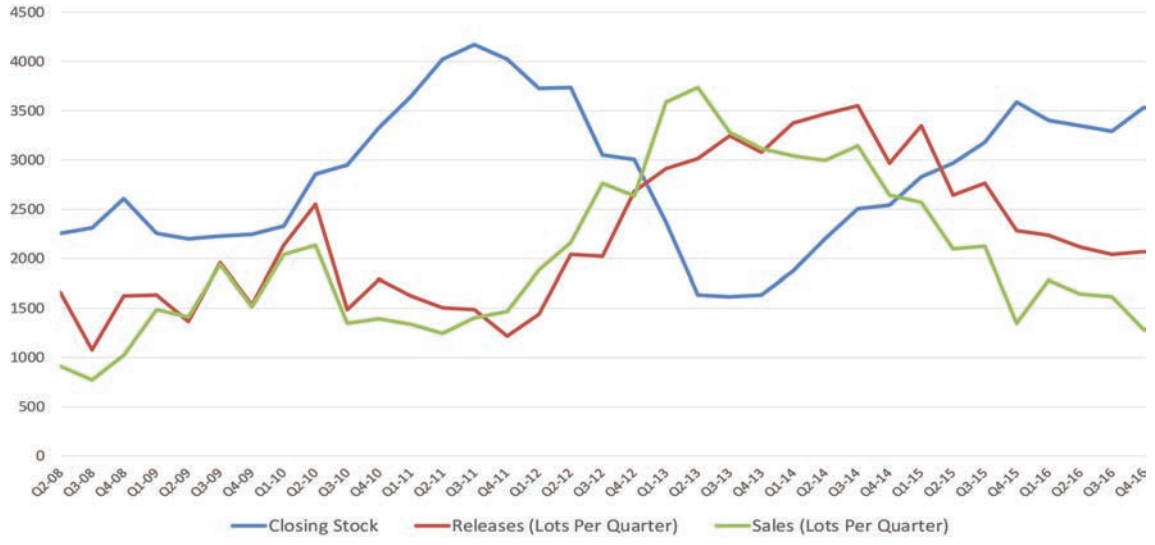
Prices also dropped, to an average of $229,250 a lot in the last quarter of 2016, which is 12.6% below the peak of early 2015. Lot sizes continued to shrink with the average block, at 375 square metres, now the smallest in the country.

Developers made a concerted effort to moderate lot construction in accordance with market conditions. New releases dropped 23.4% to match the 22.3% fall in sales. Stock levels, which rose through 2013- 15, are stabilising, resulting in a greater balance between supply and demand.

Overall, the value proposition for land in WA remains strong, with NLSP data indicating fair value for land in Perth based on the long-term relationship between land prices and the median house price.

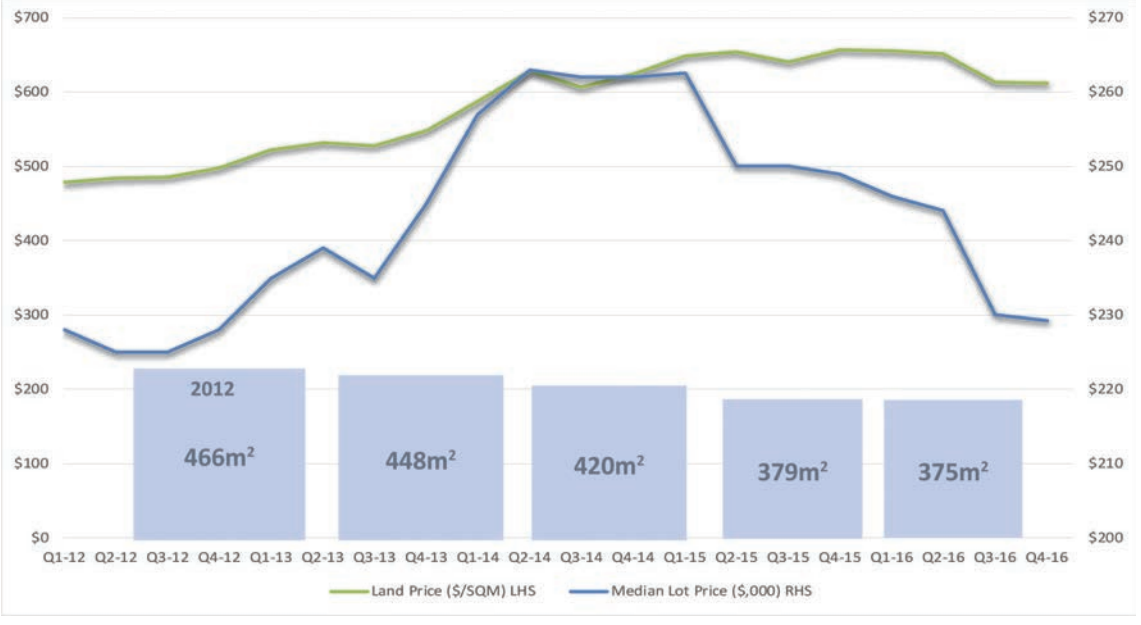
Image: Annie's Landing Ellenbrook by LWP Property Group / Department of Housing

QUARTERLY MARKET ACTIVITY



Source: National Land Survey Program

MEDIAN LOT PRICE AND SIZE



Source: National Land Survey Program

NLSP SUMMARY TABLE

	Lots Released	Year End Stock	Median Lot Size M^2	Median Lot Price	Land Price $\$/M^2$
2010	7,966	3,333	491	$206,000	420
2011	5,838	4,023	481	$229,500	478
2012	8,182	3,007	466	$226,500	486
2013	12,525	1,639	448	$238,500	532
2014	13,373	2,544	420	$262,000	624
2015	11,052	3,074	379	$249,000	657
2016	8,464	3,376	375	$229,250	611

Source: National Land Survey Program

BROADER MARKET TRENDS

Two key factors drove the fall in sales: high unemployment and falling population growth. The WA unemployment rate was 6.5% in January 2017 which, despite an improvement at the end of the year, remained the highest in the country.

Population growth has slowed dramatically, down to just 1.0% in 2015/16 when over 7,700 people left for other parts of Australia. In the boom years much of Perth's economic growth was fuelled by overseas migration when, in 2011/12, 23 of every 100 migrants to Australia settled in Perth. In 2015/16, just 7.5 out of every 100 overseas arrivals to the country moved to WA.

First home buyers represented 20.3% of all WA dwelling finance commitments in 2016, down from a peak of 30.4% in 2009. With the State Government's recent announcement of an increase in the First Home Owners Grant to $15,000 for new homes, as well as changes aimed at improving access to finance for first time buyers, this sector is expected to grow in 2017.

Investor property buying in WA has declined for two years with investment dwelling finance commitments dropping 29.9% in 2016 to $8.87 billion. The quarterly rate of decline in these figures does however appear to be slowing.

The established housing market has also slowed since peaking in March 2013, down 37.2% for house sales and 44.7% for unit sales as of September 2016. The annual rate of decline for both appears to be slowing, with house sales in the September quarter, 7.8% below those of 2015. Unit sales in the quarter were 3.8% below those of the comparable quarter in 2015. The median house price at December was $525,000 according to the Real Estate Institute of Western Australia, down 4.8% since the December quarter of 2014.

Interest in apartments and attached houses continues to grow with the sector accounting for 28.6% of all housing approvals in 2016, the highest level since 1994.

The 'boom' times of 2013-2015 were driven not so much by resource production as by the huge investment in construction and infrastructure for the sector. The recent uplift in key commodity prices is positive for existing mining activities and the announcement of new projects such as Roy Hill are expected to drive job creation, resulting in a more optimistic outlook for the broader WA economy

STATE POLICY ENVIRONMENT

The new Labor Government is committed to a number of policies which align with the UDIA's vision for a liveable city including the provision of greater density, particularly around transport hubs, precinct scale planning and greater consistency across local governments for local policies and implementation. Labor will review the Local Government Act, establish Infrastructure WA and support full private certification of residential housing but further specific policies on density, planning, and environmental appeals are still to be determined.

The new government will undertake further work on the draft sub-regional frameworks under the Perth and Peel @ 3.5 million proposals but has no plans to impose an urban growth boundary.

On housing affordability, Labor will support the recent changes to KeyStart eligibility and the recently increased rate of the First Home Owners Grant. No additional incentives are planned, nor does the new government have any plans to cut stamp duty or land tax.

While home prices have declined across WA, many of the underlying affordability concerns remain, with new layers of regulation impacting the industry's ability to deliver housing at an affordable level.

Uncertainty and duplication in environmental processes continue to be of concern, with a number of key strategic plans and policies still in draft form.

Overall, strong leadership and vision will be required of the new State Government in order to rebrand Perth, overcome the current climate of uncertainty and encourage new investment.

"THIS IS THE TOUGHEST LEVEL OF COMPETITION I HAVE SEEN. TURNOVER AT THE END OF LAST YEAR WAS LOWER THAN IN THE DOWNTURN OF 1984 WHEN PERTH WAS MUCH SMALLER. IT IS A GREAT OPPORTUNITY FOR FIRST HOME BUYERS, PARTICULARLY WITH THE KEYSTART INITIATIVES. THE INCOMING STATE GOVERNMENT HAS TO CREATE CONFIDENCE AND JOBS, BROADENING THE ECONOMY TO INCLUDE A WIDER RANGE OF EXPORTS TO ASIA, ACCOMMODATION FOR STUDENTS, TOURISM, MEDICAL SERVICES, AND SPECIALIST MANUFACTURING AS WELL AS CUTTING RED TAPE."

Nigel Satterley
Chief Executive and Managing Director
Satterley Property Group

Image: Vale by Stockland

Image: Blakes Crossing by Lendlease

ADELAIDE

SUMMARY

In a challenging market, the development industry in South Australia continues to create innovative products and solutions that they can be proud of.

While we now have the key ingredients for welcome change to the planning system, to capitalise on that we need to overcome the biggest challenge that the sector faces, low levels of demand.

There is a critical need for a suite of policies accompanied with a detailed program and clear targets to address South Australia's low population growth.

ANALYSIS

Historically Adelaide has been a generally steady market and this has continued in 2016.

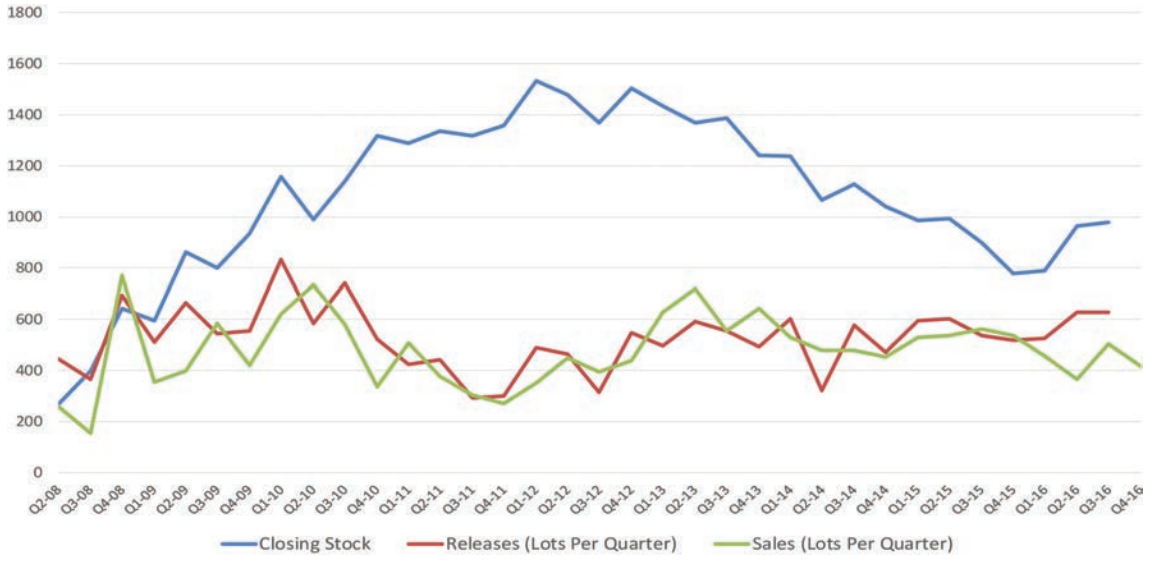
In 2016 there were 2269 allotments released which was almost identical to 2015 (2252) however in the context of the buoyant broader Australian market activity this is a concern.

The long term trend towards smaller lot sizes in projects tapered off in 2016 and the median lot size changed only slightly to 413 square metres from 419 square metres in 2015.

While supply and lot sizes remained steady, the median price has risen by 5% from $158,000 to $166,000.

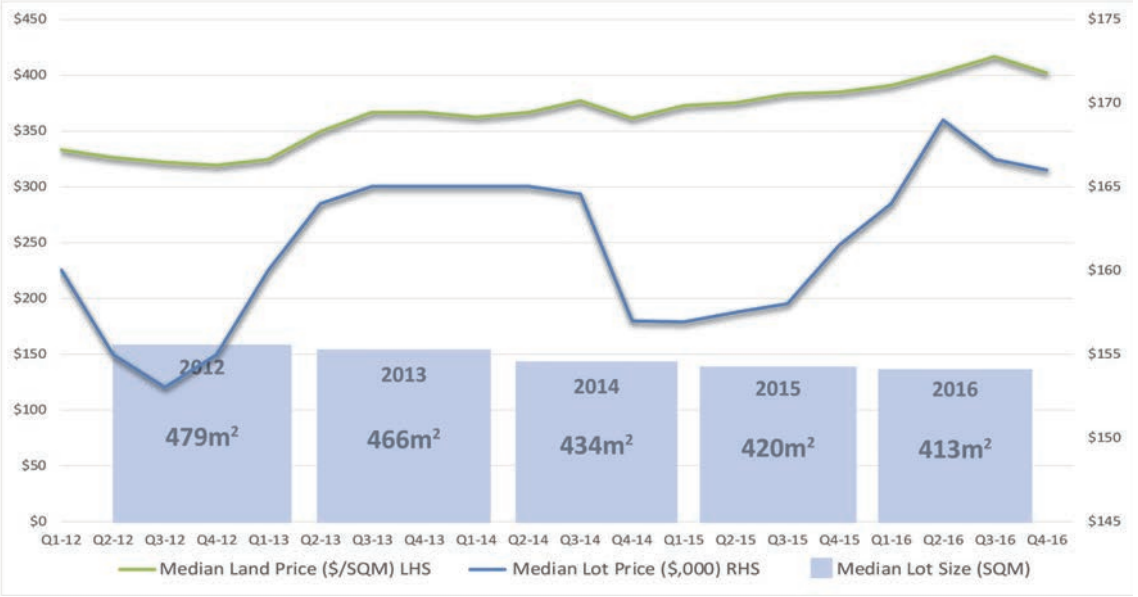
While the longer-term trend has seen prices remain relatively flat at the same time as median lot sizes have reduced, over the last two years the fall in lot sizes has not been so pronounced.

QUARTERLY MARKET ACTIVITY



Source: National Land Survey Program

MEDIAN LOT PRICE AND SIZE



Source: National Land Survey Program

NLSP SUMMARY TABLE

	Lots Released	Year End Stock	Median Lot Size M^2	Median Lot Price	Land Price $\$/M^2$
2010	2,682	1,317	448	$161,500	361
2011	1,455	1,357	467	$158,000	339
2012	1,815	1,504	479	$155,750	325
2013	2,141	1,240	466	$163,500	352
2014	1,976	1,040	434	$157,000	362
2015	2,252	777	420	$161,500	385
2016	2,269	929	413	$166,000	402

Source: National Land Survey Program

BROADER MARKET TRENDS

Recent ABS population data shows that South Australia has now fallen to 0.5% population growth (against the national average of 1.4%) which is a significant decline from 2009 when it was 1.3%. Without a recovery in population growth the State will continue to experience a low economic growth rate.

At current consumption rates, there remains enough total zoned land to provide for around 25 years of supply, however the geographical distribution of this supply continues to be mismatched with demand. There is also a substantial need for infrastructure solutions to be determined for those rezoned areas so development can actually occur when the market demands it.

There remains an abundant supply of land in the north of Adelaide contrasted with land supply in the south of Adelaide, with a substantial price differential. This imbalance continues to be a concern for the urban development industry.

With the current supply of zoned land in Metropolitan Adelaide and a strong policy promoting infill, there are no further large scale rezoning exercises proposed by the Government in the foreseeable future.

The other major shift in the market that continues unabated is the move to more infill development. From data to the end of the last financial year, the west of greater metropolitan Adelaide had 660 dwelling approvals as opposed to the north of Adelaide where there was 712. Whilst the approval in the north reflects levels seen consistently over the last 5 years, the number of dwelling approvals is almost double for the west.

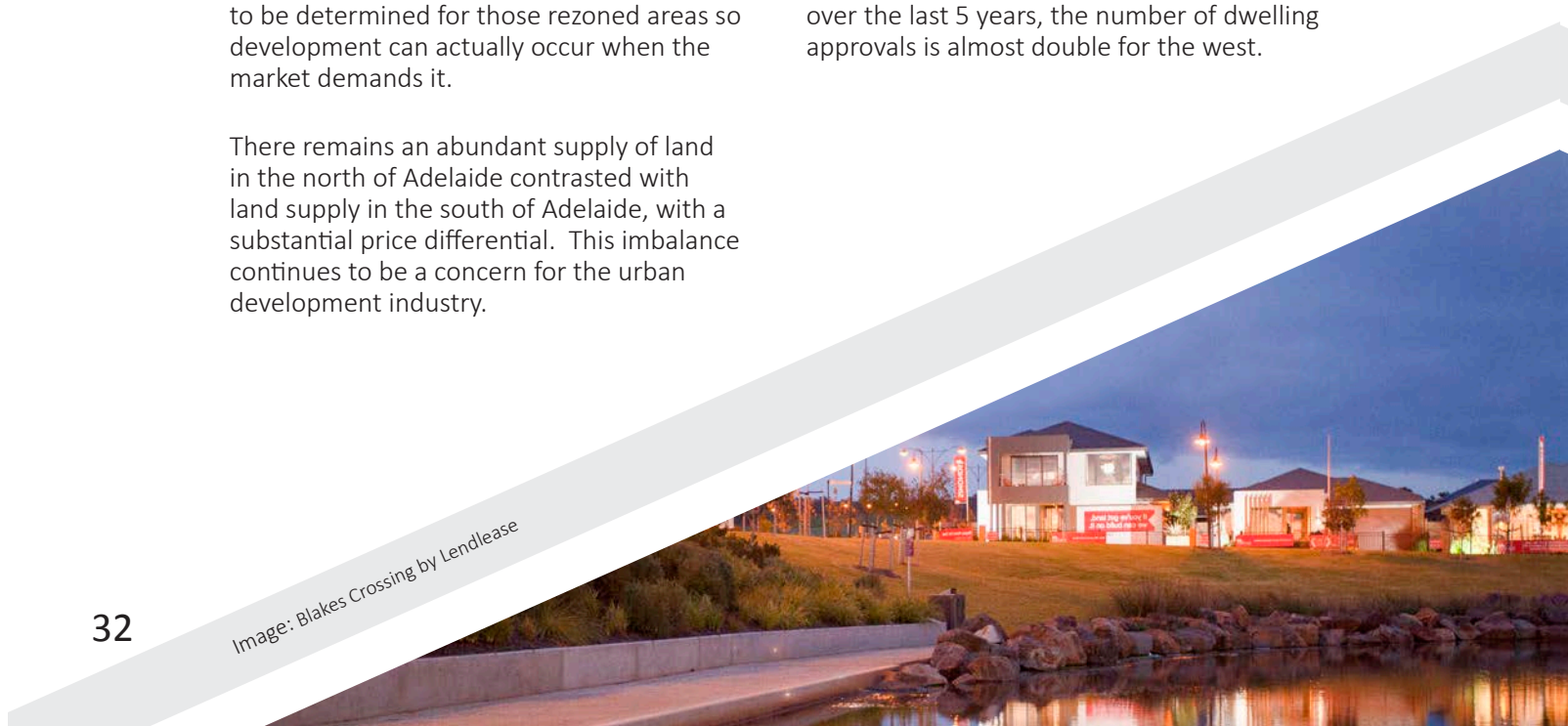


Image: Blakes Crossing by Lendlease

STATE POLICY ENVIRONMENT

The State Government extended the stamp duty exemptions in place for purchases of off-the-plan apartments in the City, which was due to expire on 30 June 2016, for another year. The policy was also expanded to cover all the State. These incentives have been aimed at counteracting the lack of market confidence and have resulted in more demand for higher density products in the inner areas, promoting the State's policy objective of increased density. Overall housing affordability continues to be compromised by unacceptably high taxes.

After a significant review of the State's planning system by the South Australian Government, a new Act was passed which has seen the introduction of a new framework for the planning system.

Most of this legislation was supported by UDIA, particularly the improvements to development assessment, zoning arrangements and removing more councilors from Development Assessment Panels.

One component that UDIA (SA) did not support was the introduction of an Urban Growth Boundary. While the legislation passed included a high-level framework for analysis that a State Planning Commissioner would have regard to in determining any review of the boundary, specific details are yet to be determined which remains a concern for the industry.

A major component of the legislation which has long been sought by UDIA (SA) is the introduction of basic and general infrastructure schemes. While only pilot schemes are currently being considered to improve the scheme frameworks prior to their wider use, it is hoped that they can be used as a catalyst for further infrastructure investment.

In 2016 the State Government also released a draft update of the 30 Year Plan for Adelaide which was first released in 2010.The original plan was based on a set of population targets for Adelaide which were revised down and the Government also took the opportunity to increase the infill / greenfield urban growth split over 30 years from 70:30 to 85:15.

While the draft plan contains several elements that UDIA (SA) supports, the decision to simplify the document in comparison to the previous Plan is a missed opportunity.

The development sector overwhelmingly agrees that the Plan does not highlight or articulate enough strategies to drive its policies and actions. The final version has not yet been released at the time of writing this report.

"WE NEED TO INCREASE THE NUMBER OF PEOPLE AGED 0-30 IN ADELAIDE. WE NEED 1% TOTAL POPULATION GROWTH PER ANNUM OF PEOPLE IN THAT AGE BRACKET, AND WE NEED TO STOP LOSING THEM INTERSTATE"

Lael Mayer, Project Manager
Adelaide Development Company

Image: Vale, by Stockland

ABOUT UDIA

THE URBAN DEVELOPMENT INSTITUTE OF AUSTRALIA (UDIA) IS THE PEAK BODY REPRESENTING THE URBAN DEVELOPMENT INDUSTRY IN AUSTRALIA.

> UDIA represents more than 2,100 companies including developers and a range of professionals involved in the development industry including lawyers, engineers, town planners and contractors.

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NLSP
National Land Survey Program

ABOUT NLSP

THE NATIONAL LAND SURVEY PROGRAM (NLSP) IS A RESEARCH INITIATIVE ESTABLISHED IN 2007 BY CHARTER KECK CRAMER AND RESEARCHFOUR TO QUANTIFY THE RESIDENTIAL GREENFIELD INDUSTRY AND OFFER UNIQUE MARKET INTELLIGENCE ACROSS THE GREENFIELD MARKETS IN AUSTRALIA'S MAJOR CAPITAL AND REGIONAL CITIES.

The NLSP provides independent, timely and accurate data and insight about market performance, products and supply to better inform both development outcomes and policy debates about the myriad of issues that residential land, as an essential input into the housing industry, has the potential to effect.

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