

LAND SUPPLY- CRISIS OR BEAT-UP?

Gary Prattley- Chairman WAPC

UDIA WA – 25 May 2010

• • • Here's a gloomy example of "progress." In WA, land speculation has put the dream of a reasonable home in a reasonable suburb beyond the reach of most young couples struggling to establish themselves. Weekend News writer JOHN McILWRAITH has been looking into the problem, says . . .

WE'RE STRICKEN WITH LAND FEVER

. . . A 17-year-old office boy confided that he was buying two blocks of land that would cost him £1500—if he kept them long enough to pay for them. A small businessman bought another piece of land . . . for £8000, and a syndicate of land developers closed a deal for £50,000 . . .

ALL of them—and thousands of other West Australians—were caught up in the greatest epidemic of land fever ever to sweep Perth.

The fever has made many people rich, but it was also described by a leading town planning authority this week, as "a grave social and economic problem." It has caused an artificial housing shortage which for many people is as severe as that which occurred after the World War.

The fever has sent the price of land in many suburbs up by 50 per cent in the past two years.

It has altered the economics of home ownership so much that many young couples must despair of living in their own homes in an average suburb of their choice.

Consider the dilemma of a couple who earn £26 a week—slightly above average wages, and beyond the limit at which they could buy or rent a home from the

"About £250 of this would be in higher building costs—and half of that would be in real gains in building standards.

"The rest of the increase is made up in higher land costs.

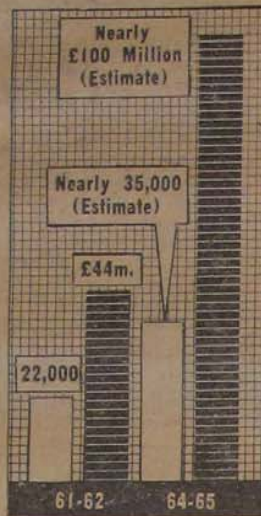
"I don't know how many people are going to afford their own homes if this trend continues."

Like many others connected with land selling and building interviewed for this survey, the developer could offer no solution.

Of course it is not in the interests of many to stop land speculation.

Said one man closely associated with land sales:

"Land speculation is rife in this community. People from the lowest to the highest are involved.



• This graph shows how the number and value of property transfers has soared in the past three years . . . a fair barometer of land speculation.

age of undeveloped land. Perth has one of the most scattered metropolitan areas in the world, for a city of its size.

Land developers and town planning authorities disagree on whether land is being released quickly enough

little use for large family homes.

Careful planning could make these homes available to young families, if small home units could be offered to the old people in the same area.

This is already done in other cities.

One problem that would have to be overcome: A shortage of cheap loans for the purchase of such homes.

• A land tax that would increase sharply on land not built on over several years. Nasty medicine this, but it would certainly encourage people to sell land or build on it.

• Widen the powers of the State Housing Commission, which now has a mandate to build homes only for people on average, or below average incomes. It could be given the job of re-developing those older areas. Housing authorities in other Australian cities already do this.

Future building

The commission cannot resume land (this power was removed in 1955) and though it has big tracts of land north of Nollamara, this is

this one, in the broad view.

But home builders say land should not cost any more than 20 per cent of the total cost of a home.

In many cases, even in the home-hungry years since the World War, it has cost much less.

Most blocks today would be higher than this percentage.

Consider three random examples:

• A Floreat Park block bought and built on in 1939 cost £90, the house £800.

• A Coolbinia house built in 1955 cost £3600, the land £350 in 1951.

• Today a block in Dianella costing £1500 would have to have a home worth £6000 built on it to justify the 20 per cent formula.

More typical would be a £4500-£1500 ratio (25 per cent) or even £5000-£2000 (nearly 30 per cent).

Whatever the proportions, it is an alarming situation when, as author Gerald Glaskin pointed out in a TV interview this week, a Perth sandhill costs as much as a villa on Spain's Costa Brava.

HOW MUCH FOR A SANDHILL?

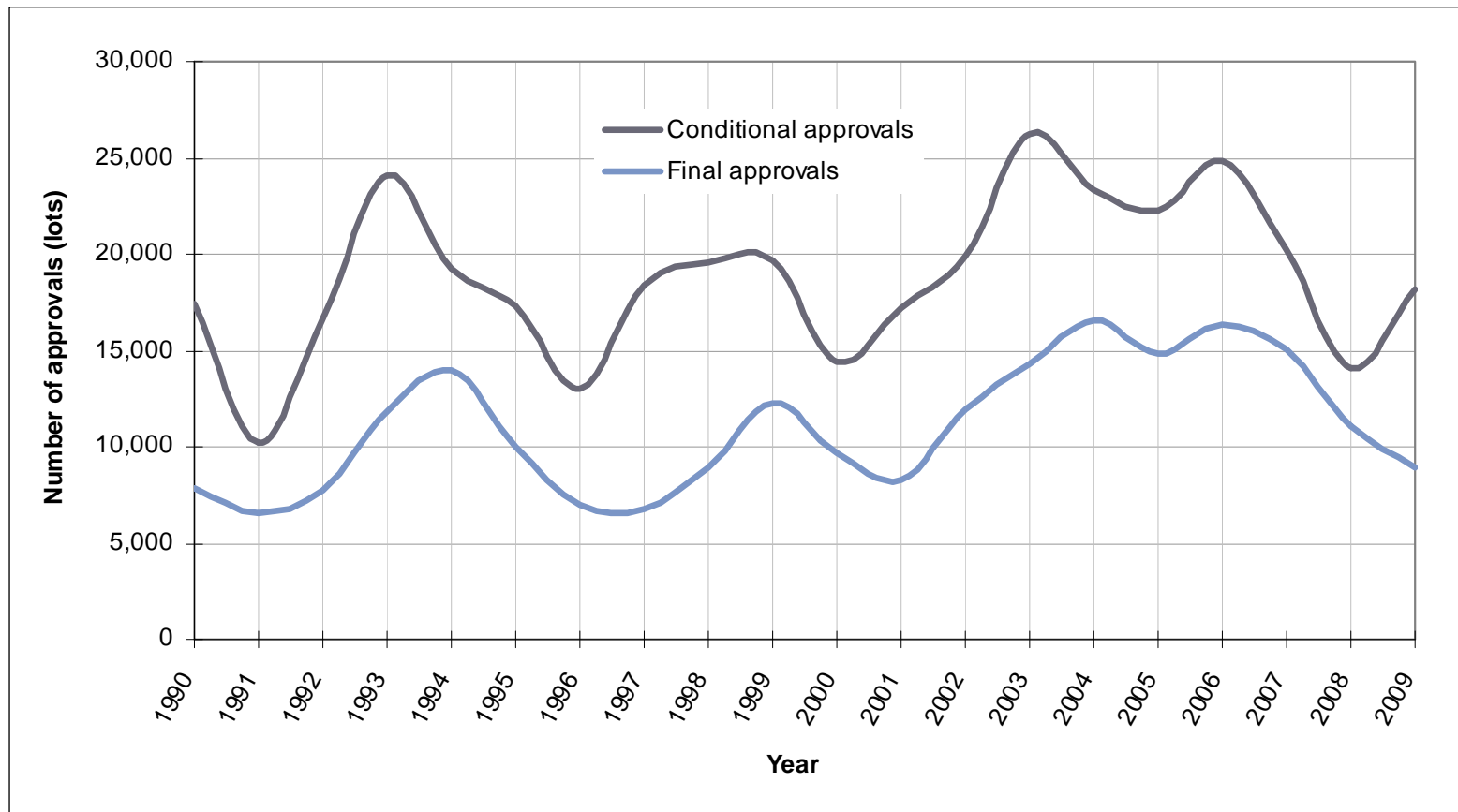


HOW MUCH FOR A SWAMP?

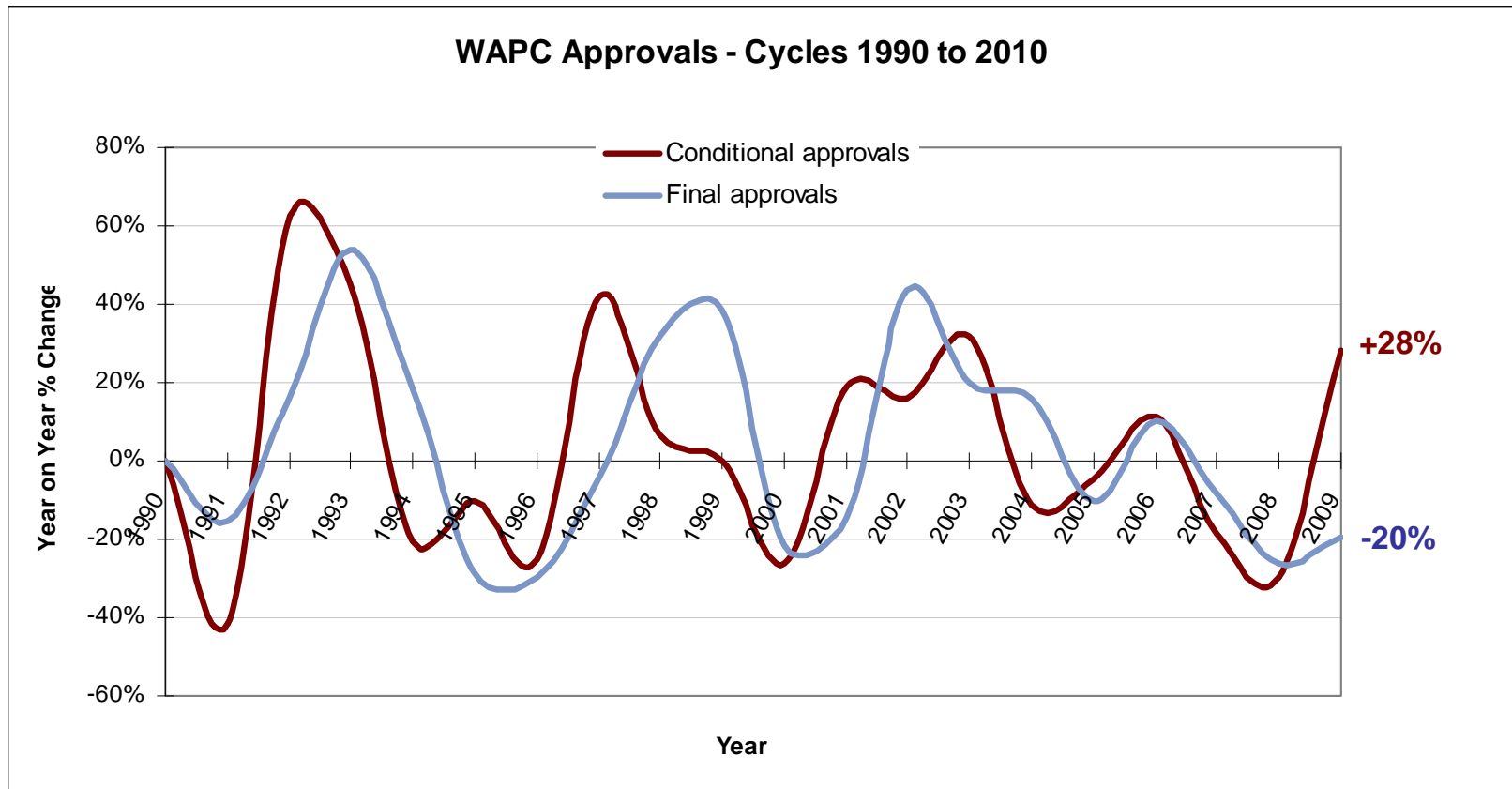




Approval trends

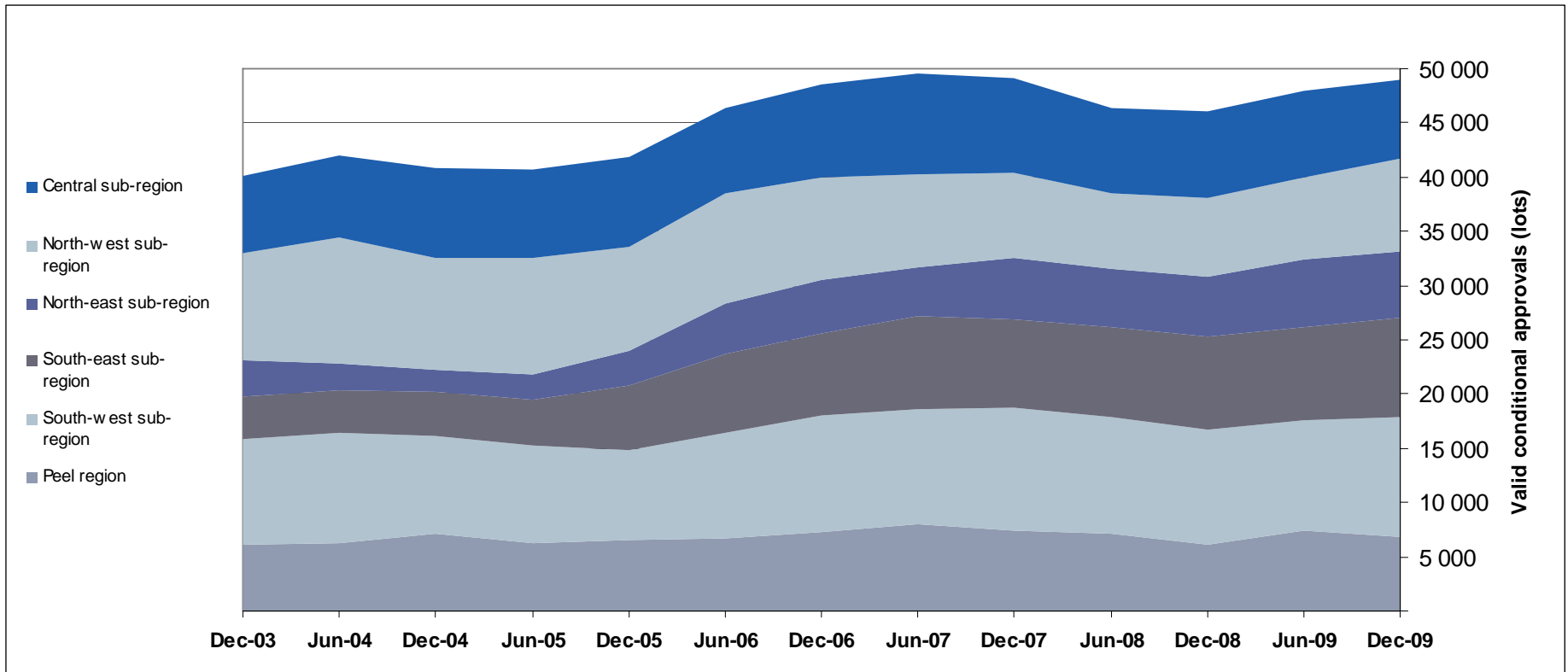


Final v conditional approvals

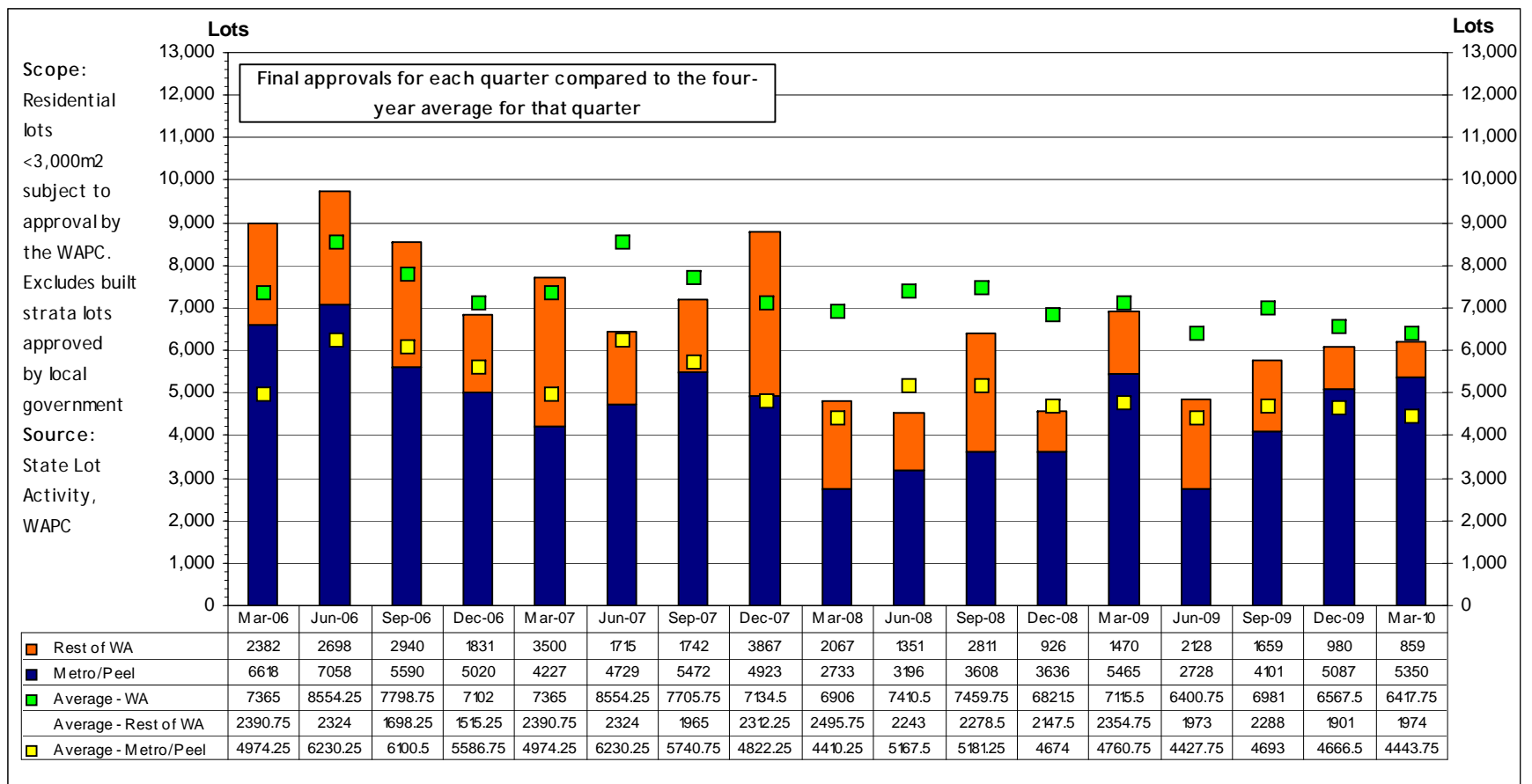




Conditional approvals trends



Final approval trends





Why the gap- supply?

BUT ALSO

- Access to development finance
- Access to finance for home owners and investors
- Pre-selling requirements by banks for residential lots?
- Residential vacancy rate 4.1%- long term average 3%
- Lots on the market- UDIA* *plus* REIWA^ (Perth):

March 2010	1,281	+	2,058	=	3,339
December 2009	1,382	+	1,569	=	2,951

SOURCE: *UDIA Urban Development Index Dec 2009/March 2010: ^REIWA monthly data



Why the gap- demand?

What is the demand for lots short term? (first home buyers, investors, trade up buyers)

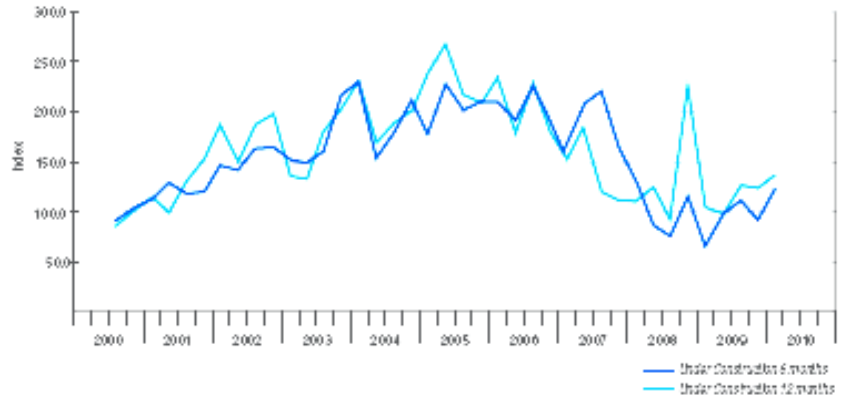
Housing Industry Forecasting Group (April 2010):

- 2008/2009 actual dwelling commencements – 18,392
- 2009/2010 forecast dwelling commencements – 22,000
- 2010/2011 forecast dwelling commencements - 21,000

“...higher interest rates will keep a lid on housing demand despite the continued population growth in WA”

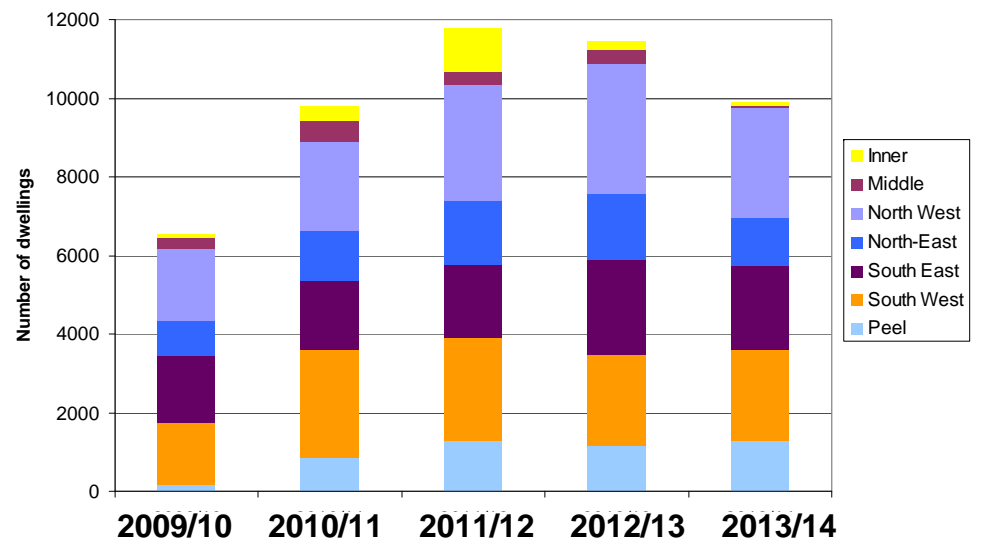


LOTS UNDER CONSTRUCTION INDEX - TO BE RELEASED WITHIN 6 & 6-12 MONTHS



Source: UDIA Urban Development Index, March 2010

Intended dwelling development - Perth and Peel



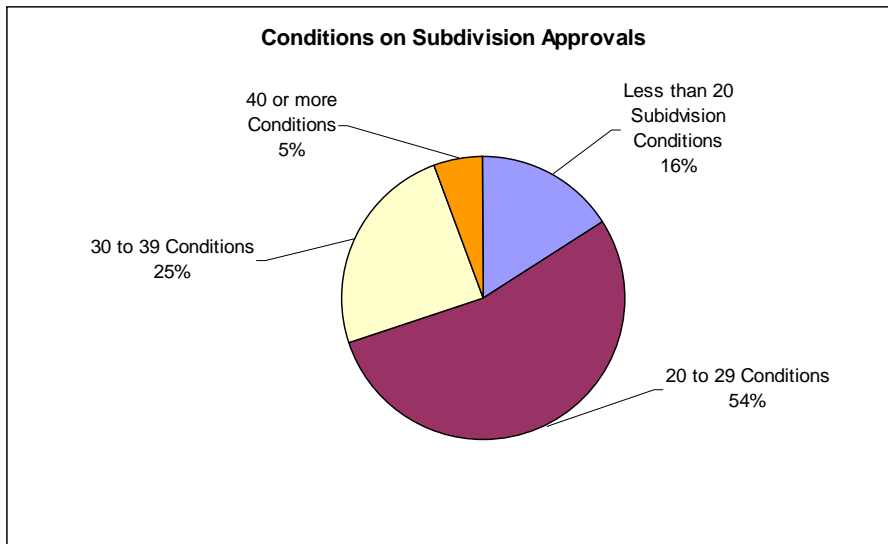
Source: WAPC Developer Intentions Survey 2009



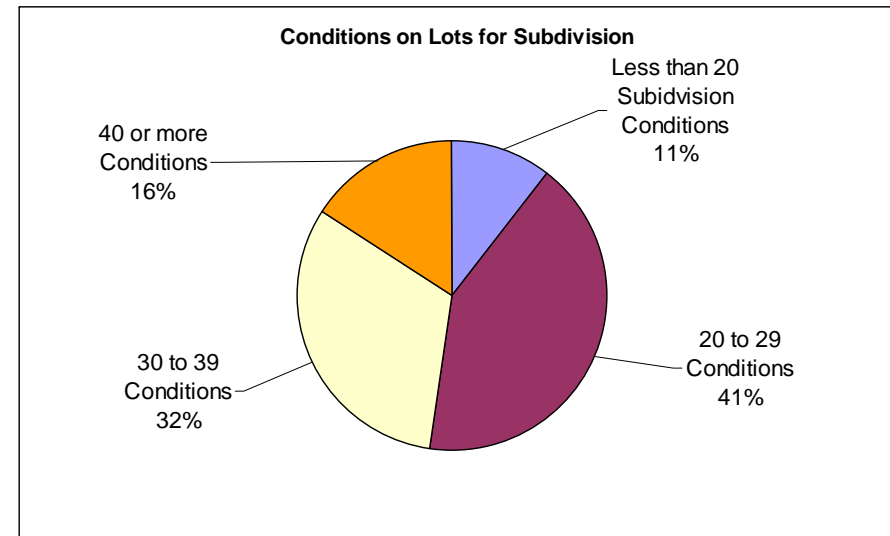
What are we doing?

- Recognise constrained land and policy issues: urban water and environmental conditions
- Planning reform measures *including model conditions review, structure plan guidelines, Development Assessment Panels*
- Condition monitoring
- Recent subdivision and structure plan approvals
- Office of Land and Housing Supply

Condition monitoring



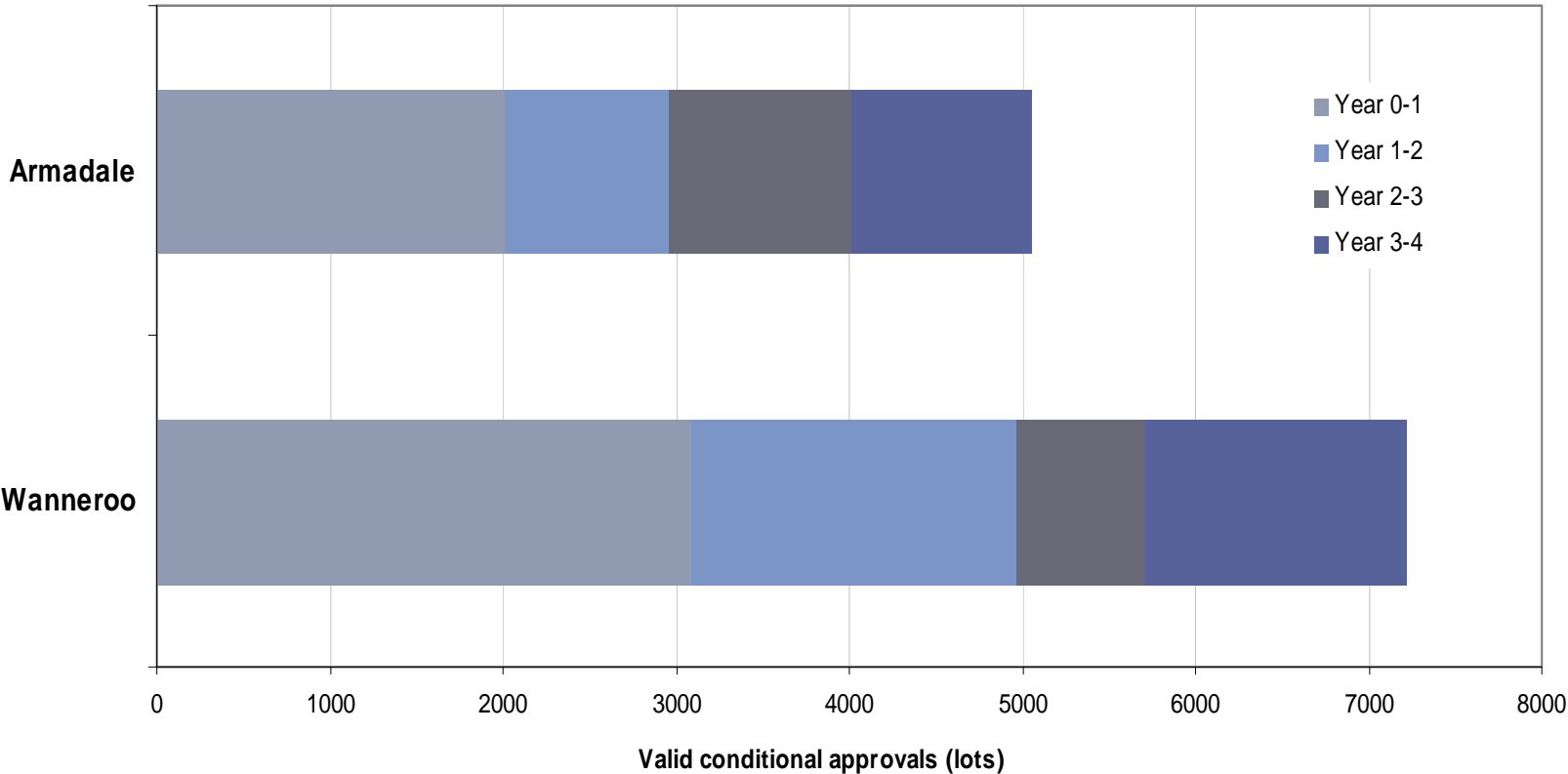
70% of *approvals* of >30 lots have under 30 conditions



52% of *lots* in approvals of >30 lots have under 30 conditions

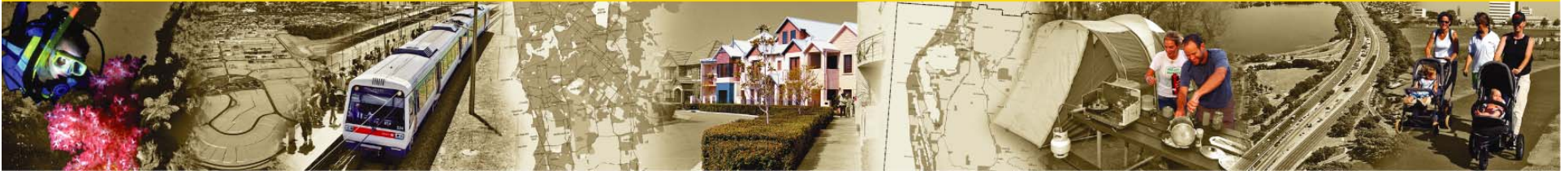


Subdivision approvals





- District Structure plan Alkimos- Eglinton (30,000 pop)
- District structure plan- Yanchep (50,000 pop)
- Albion District Structure plan and early release subdivisions (5000+ lots)
- 967 ha Urban Deferred to Urban in 2009, 108 ha in 2010 to end April.
- MRS currently in progress- 69ha to Urban, 131 ha to Urban Deferred



Office of Land and Housing Supply:

- based at Department of Planning but with stronger links to the Department of Housing
- work on better cross agency coordination for land approval processes
- be a central point for accurate data on land availability
- identify impediments to the timely delivery of new land and housing across the State



Conclusions

- There is not a current land supply crisis; and we need to focus on housing
- Future demand is uncertain, but lot production appears to be improving
- Capacity issues when a large number of clearances submitted at once
- Need for facts, not 'beat up'
- Target specific impediments rather than generic 'red tape'