

# SESSION 3

## 'Dealing With Challenges'

gold coast

**visionchallengeleadership**

All-Day Regional Development Industry Conference

**Gold Coast**

Tuesday 10 August, 2010



**sustainabledevelopment**  
gold coast inc.

# MALCOLM AIKMAN

**‘Why is Melbourne more affordable than South-East Queensland?’**





# **Sustainable Development Gold Coast Inc. Conference**

August 10, 2010  
Gold Coast



# QLD Govt Responds to Growth

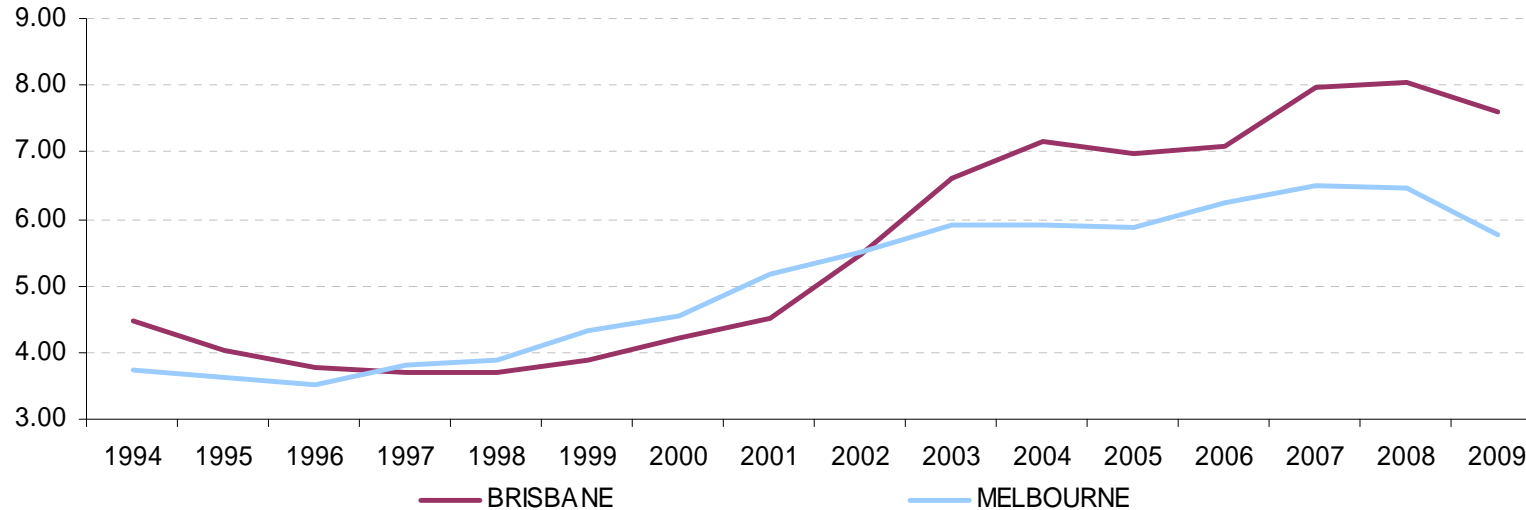
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- Queensland, specifically SEQ, population growth pressures resulting in:
  - Declining housing affordability
  - Infrastructure shortages
  - Environmental impacts
  - Social and community issues
- Queensland Growth Summit – March 2010

# Concern over Declining Housing Affordability

Median House Prices (Years of Average Annual Earnings)\*

Chart 2.5

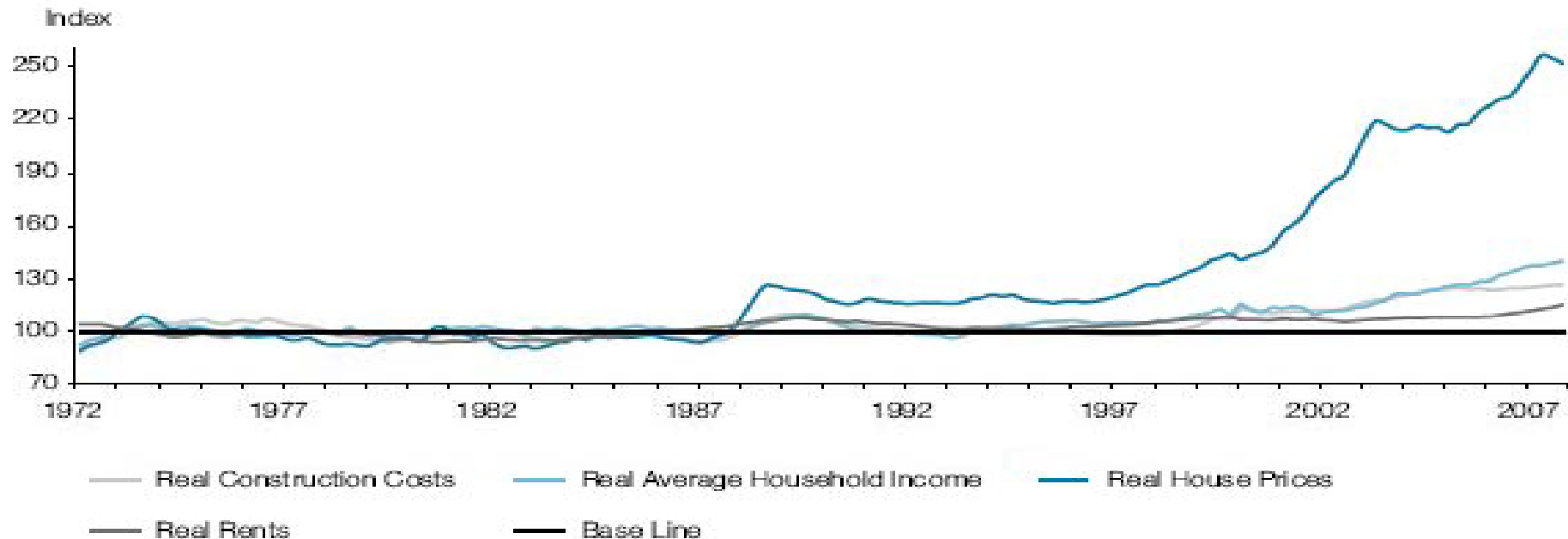


\*full time adults Victoria  
Source : ABS; Urbis 2010

- Housing affordability worsened substantially in both Melbourne and Brisbane from the late 1990s – from below 4 times
- Brisbane peaked at 8 times in 2007/08 whilst Melbourne only peaked at 6.5 times
- Both have dropped since then with Melbourne showing a greater decline

# The National House Price Income Gap

- Figure – Real house prices, household income, rents and construction costs, Australia, 1972–2008



# Housing Affordability Factors Study

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- Compare SEQ with Melbourne as best practice example
- Focus on:
  - Land Supply:- process and quantum
  - Development Costs
  - Infrastructure Charges
- Identify policy issues to be addressed to advance housing affordability agenda

# Land Supply

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- IPA record not good; SPA untested
- Greenfield land supply process
  - SEQ = 7.8 years
  - Melb = 6.1 years
- Major Difference - Melbourne combines Structure Planning and Master Planning process
- Including Construction and dwelling sale = 9.4 years (SEQ)
- SPA legislation – potential to reduce timeframes if all stakeholders agree on process

SEQ Timeline	
Phase	Months
Phase 0	
Phase 1	24
Phase 2	12
Phase 3 Structure Plan	38
Phase 4 Master Planning	35
Phase 5 Planning Approval	7
Phase 6 Operational Works Approval	7
Phase 7 Construction of Operational Works	6
Phase 8 Project Realisation	20

Melbourne Timeline	
Phase	Months
Phase 0	
Phase 1	24
Phase 2	12
Phase 3	12
Phase 4 Precinct Structure Plan	36
Phase 5 Planning Approval	12
Phase 6 Discharging Conditions of Approval	7
Phase 7 Construction of Operational Works	6
Phase 8 Project Realisation	20

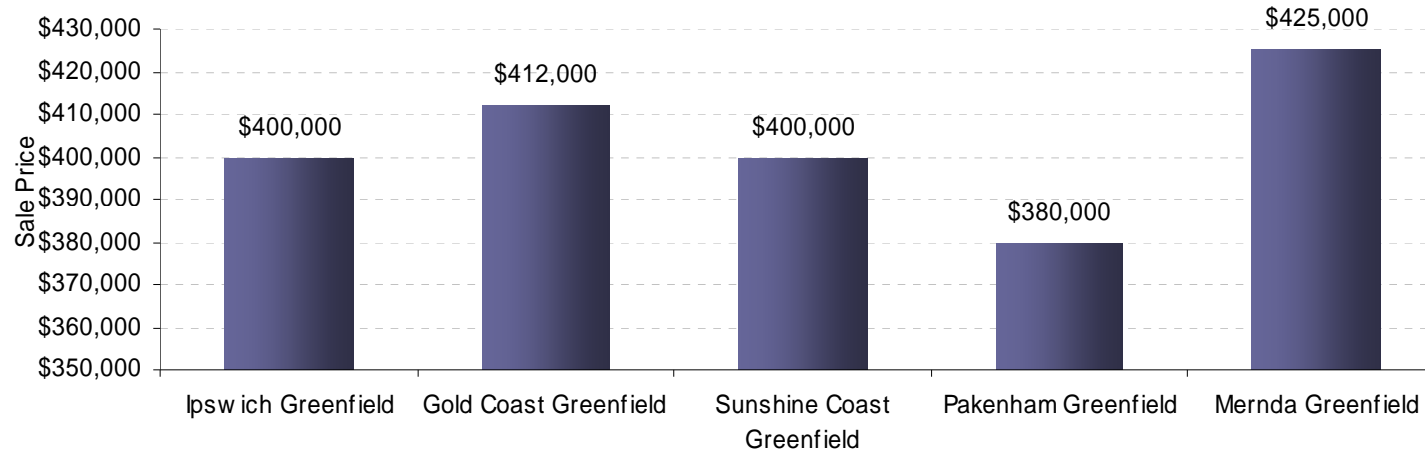
# Development Costs

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- Theoretical assessment using average cost components - not case studies of specific developments
- GFC impact apparent – difficult to show profitable return; SEQ market particularly depressed
- SEQ cheaper for Units and Town Houses
- Comparable costs for Greenfield but Melbourne more profitable

# Greenfield Dwelling Price Comparison

Victorian and Queensland Greenfield Average Sale Prices, 2010

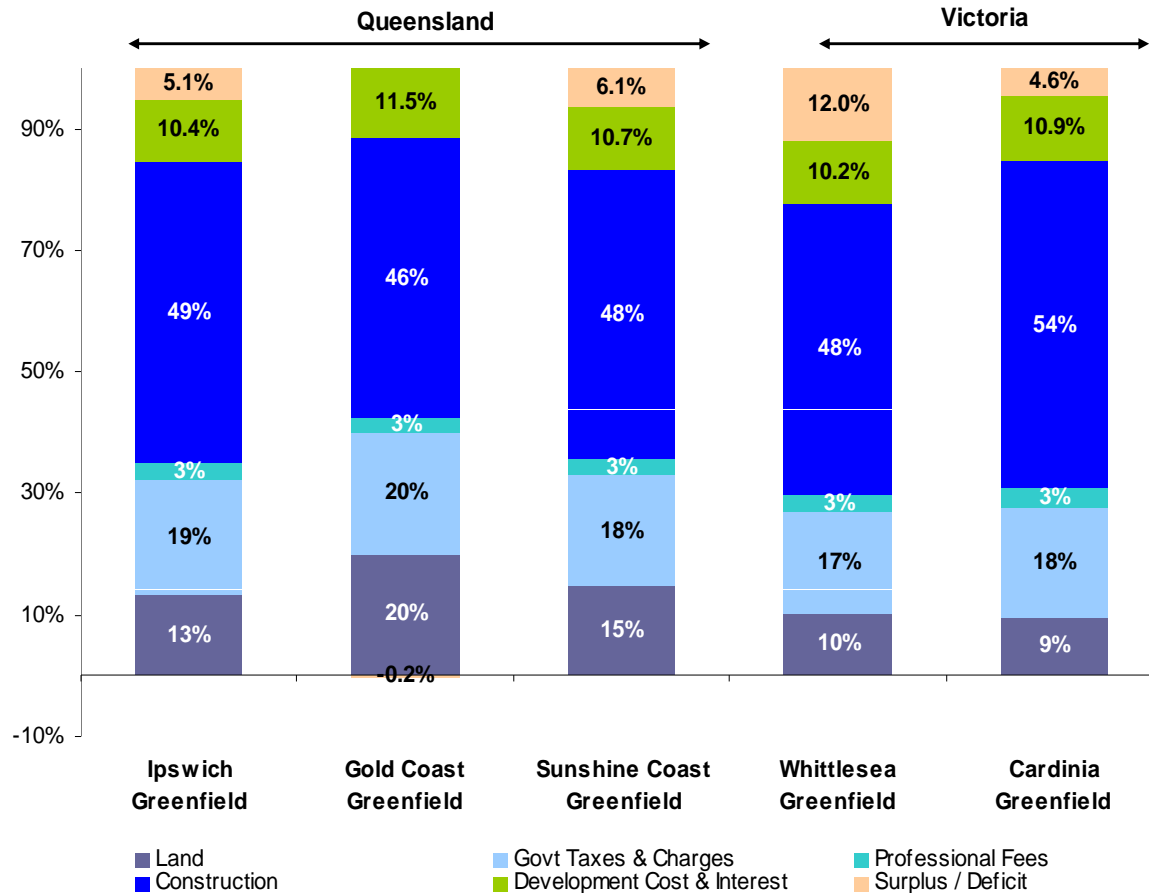


Source : Rp Data; Urbis

- Pakenham (Cardinia) most affordable
- Mernda (Whittlesea) most profitable
- Ipswich and Sunshine Coast locations comparable

# Greenfield Dwelling Cost Profile

QLD Dept of Premiers and Cabinet Residential Dwelling Cost Study Summary - Greenfield Chart 4.13

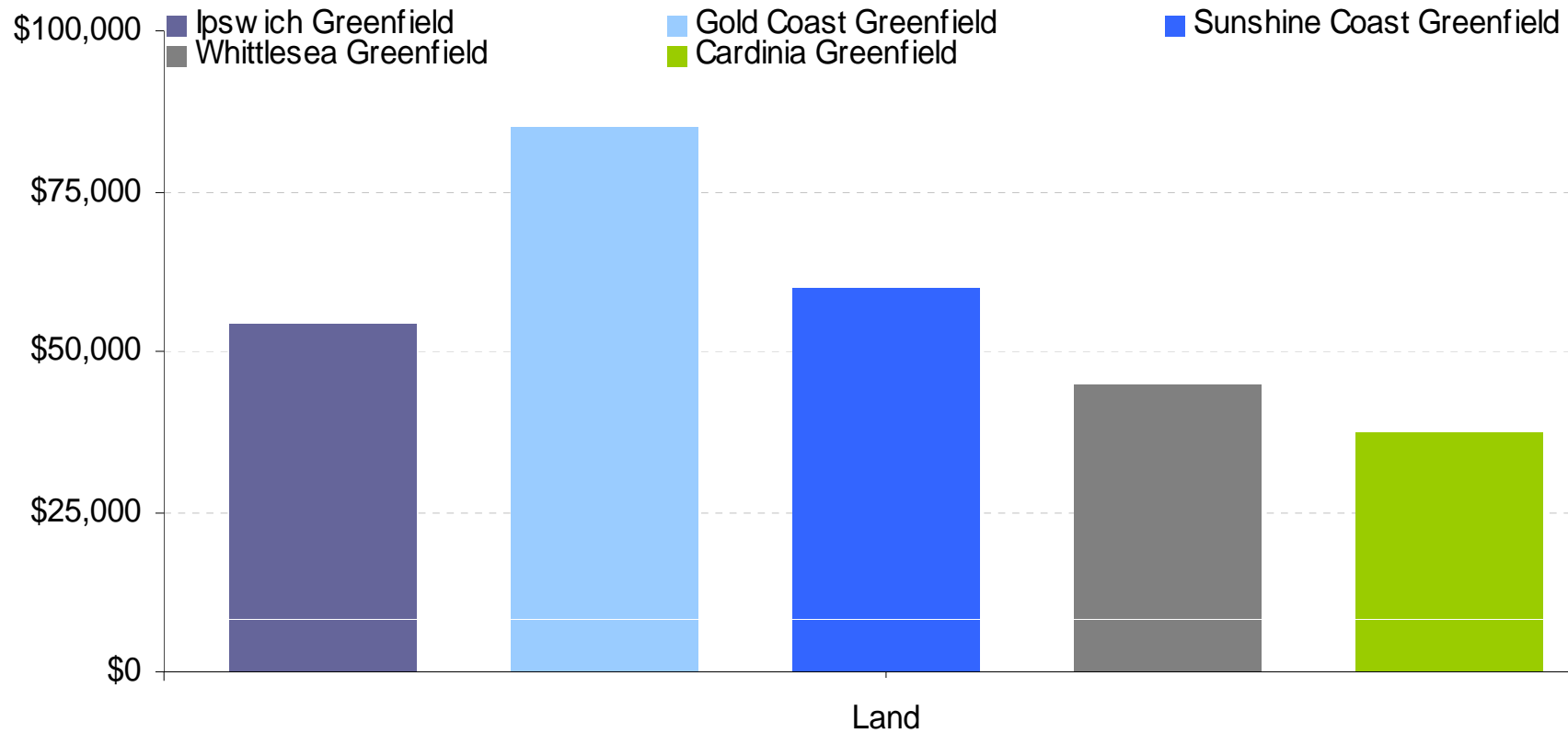


Source: Urbis Rider Levett Bucknall 2010

# Greenfield Land Costs

QLD Dept of Premiers and Cabinet Residential Dwelling Cost Study Summary - Greenfield

Chart 4.14



Source: Urbis Rider Levett Bucknall 2010

# Development Costs - Insights

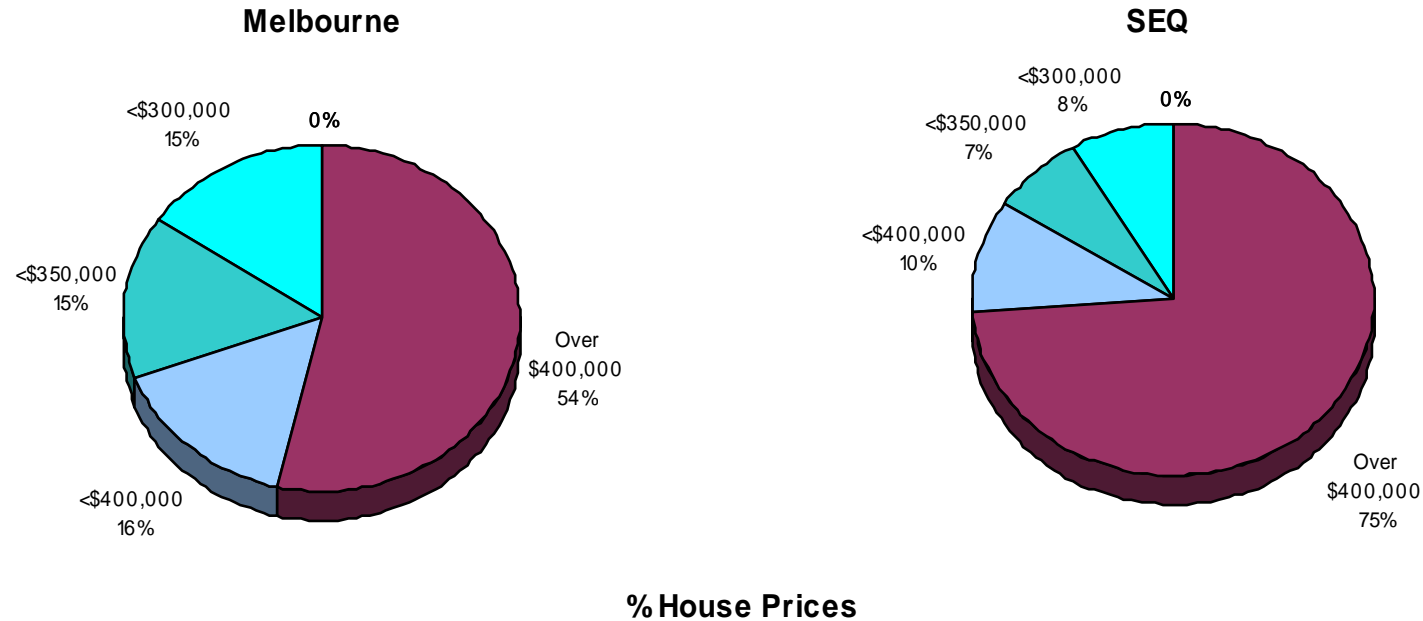
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- Construction cost most significant at almost 50% of overall development cost
- Units almost 50% more expensive in construction than Detached dwellings:
  - Infill doesn't = affordability
- Stamp Duty added above Dwelling Price to total cost – needs to be considered in affordability equation
- Depth in affordable market in Melbourne

# Affordable Market Depth

Market Depth - Houses

Chart x



Source: As at 26/02/2010 - [www.domain.com.au](http://www.domain.com.au); Urbis

- 46% of Melbourne houses <\$400,000 compared to 25% in SEQ
- 15% of Melbourne houses <\$300,000 compared to 8% in SEQ

# Infrastructure Charges

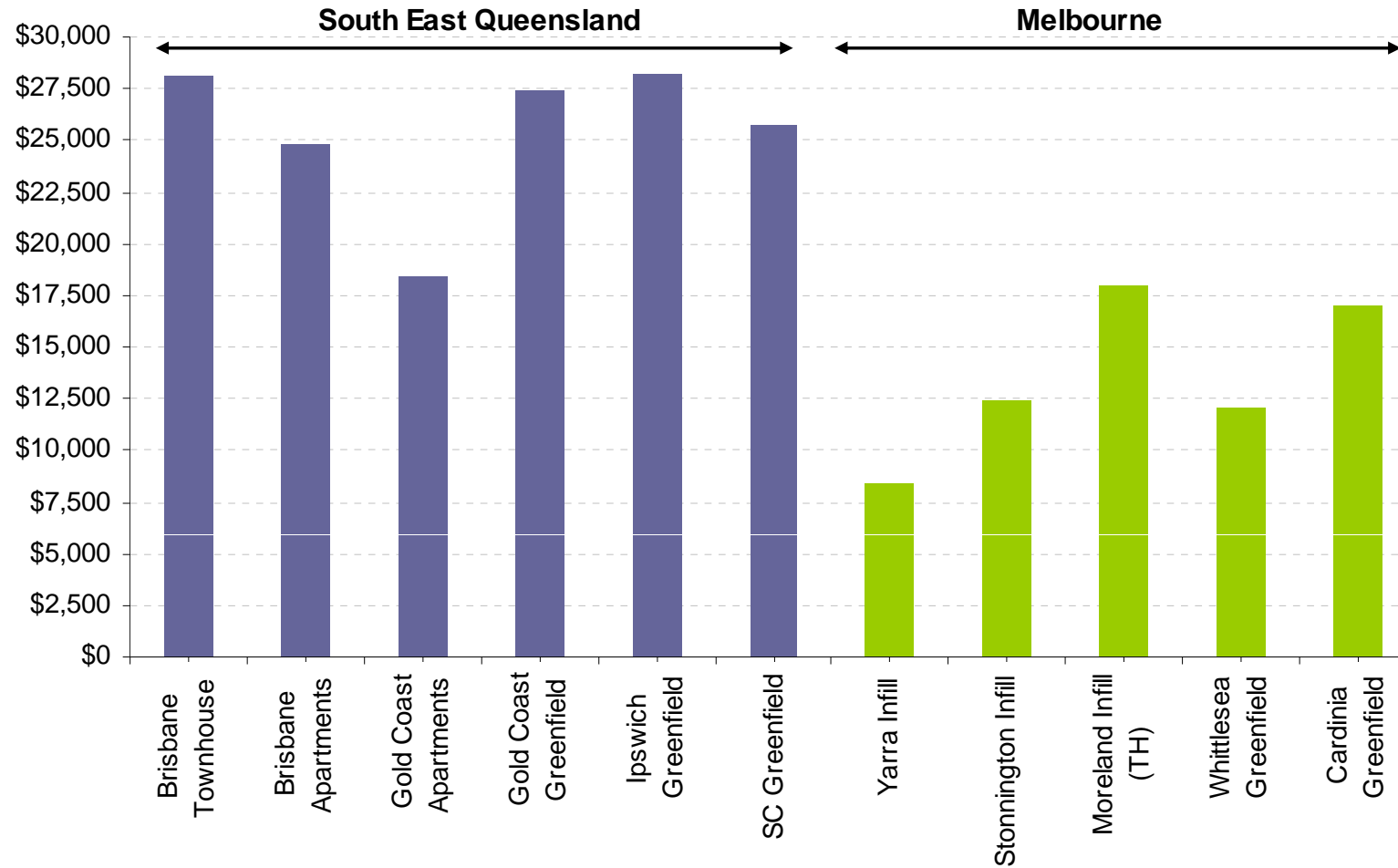
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- Examined Infill and Greenfield – SEQ and Melbourne
- Averages don't reflect variations across jurisdictions
- SEQ higher across the board
- SEQ has more extreme examples
- Pre GAIC introduction – adds \$8,000 to \$9,500 per lot
- Melbourne now considering further additional charges

# Infrastructure Charges Comparison – Melbourne vs SEQ

SEQ and Melbourne Study Locations, Total Infrastructure Charges Per Dwelling

Chart 3.1



Source: Urbis; Rider Levett Bucknall 2010

# Other Influencing Factors

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- House Sizes
- Topography
- Vegetation
- Stamp Duty

# House Sizes

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- Australia now has largest houses in world on average

- Queensland second largest houses in Australia behind NSW

- QLD larger than Victoria

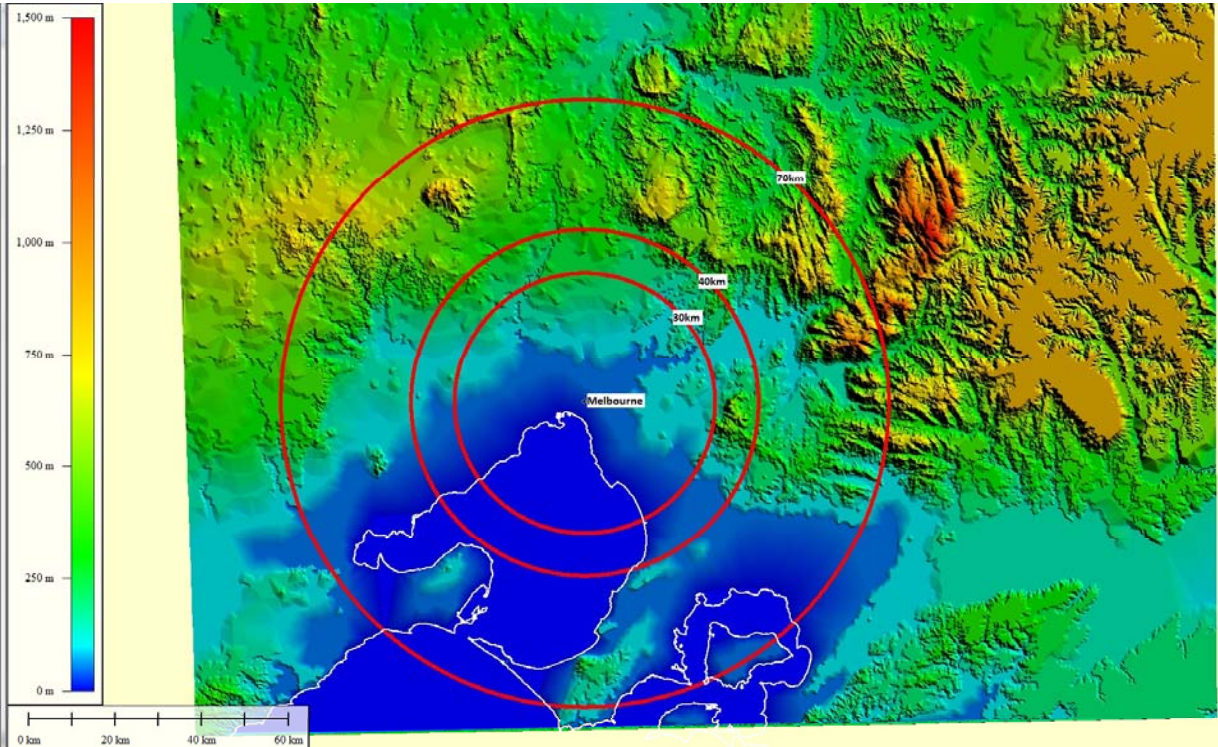
**Australian Houses Average Floor Area, 2009** **Table 4.4**

State	Average Floor Area (sq.m)
New South Wales	262.9
Victoria	249.5
Queensland	253.0
South Australia	195.2
Western Australia	243.9
Tasmania	190.6
Northern Territory	232.3
Australian Capital Territory	239.4
<b>AUSTRALIA</b>	<b>233.4</b>

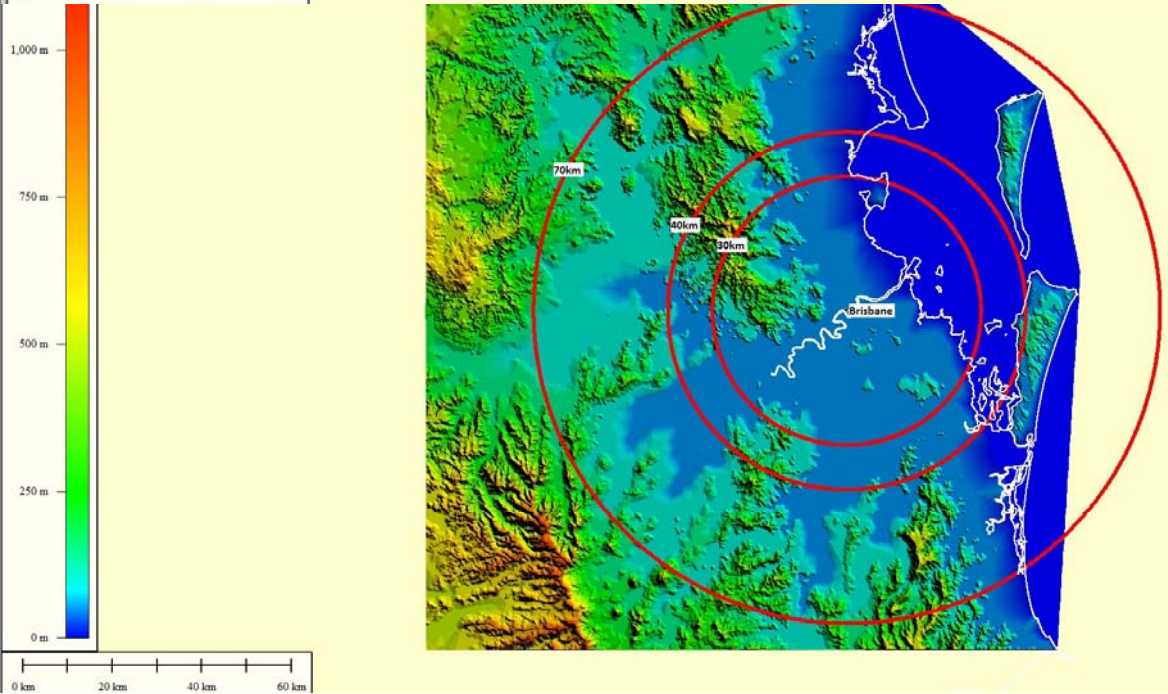
Source: ABS, CommSec; Urbis 2010

# Topography

## Melbourne



## SEQ



# Stamp Duty

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- QLD has Stamp Duty advantage over Victoria – around a third of cost for property under \$400,000

## Stamp Duty on Principal Place of Residence - Queensland vs Victoria

Value of property	Stamp Duty	
	Queensland	Victoria
\$150,000	\$1,500	\$3,870
\$250,000	\$2,500	\$8,870
\$350,000	\$4,195	\$13,870
\$450,000	\$7,958	\$18,970
\$550,000	\$10,000	\$29,970
\$650,000	\$15,199	\$34,070
\$750,000	\$19,600	\$40,070
\$850,000	\$24,199	\$46,070
\$950,000	\$28,600	\$52,070
\$1,050,000	\$33,625	\$57,750

Source : Dept of Premier and Cabinet

# Recommendations – Policy Considerations

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## Planning Instrument and Development Approvals

1. Provide guidance regarding planning mechanisms and processes to be utilised
2. Mandate a reduced time period for the drafting and enactment of planning instruments that affect housing affordability
3. Ensure planning regulations in State legislation enable development in areas where this is endorsed by regional plans
4. Allow land owner involvement in drafting of Structure Plans and other planning instruments
5. Allow for a dispute resolution process in the Structure and Master Planning process

# Recommendations – Policy Considerations

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## **Land Supply Management**

6. Institute a detailed land monitoring program for SEQ
7. Protect key urban areas from the layering of government regulation after the enactment of planning instruments that allow urban development to occur

## **Infrastructure Funding**

8. Federal Government Infrastructure Contribution Scheme
9. Re-focus of SEQIPP to facilitate development outcomes

## **Infrastructure Charging**

10. Standard set of Infrastructure charges across SEQ

The logo consists of a white square containing the word "urbis" in a bold, lowercase, sans-serif font.

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