

REIV submission to the Outer Suburban/Interface Services and Development Committee inquiry into the impact of the State Government's decision to change the Urban Growth Boundary

INTRODUCTION

The REIV welcomes the opportunity to respond to the inquiry into the impact of the State Government's decision to change the Urban Growth Boundary.

The Real Estate Institute of Victoria (REIV) is the peak body for the Victorian real estate profession and represents around 80 per cent of all estate agencies.

Our mission is to lead the industry and promote the delivery of professional services by our Members to the public and to ensure the integrity, credibility and ethical standards of the real estate industry.

The REIV understands the inquiry is focusing on two issues, the *'impact of the State Government's decision to change the urban growth boundary on landholders and the environment'* and the *'plans announced by the Government to introduce an increased development contribution for land in designated growth areas'*.

This submission will respond to those two questions.

Impact of the change of the urban growth boundary

Melbourne currently faces a significant challenge to ensure a supply of affordable housing that is sufficient for its current and future residents. This challenge is a sign of success, an economy that is sound and a city that is attractive to live in.

The challenge is complicated by the fact that more homes are needed to house fewer people due to reductions in number of residents in each household.

In its regular property market updates the REIV has witnessed three trends that are relevant to this issue;

1. Record demand for housing

The recently released REIV September Property Update has revealed that the median price of a house in Melbourne has increased by 6.4 per cent since August to \$520,000.

The September result is the highest increase ever recorded and a clear sign that the residential property market had recovered from the global financial crisis.

The Melbourne market has been driven by stronger than usual demand from an increasing population, record low interest rates and financial assistance for first home buyers. The most significant factor at the moment is the supply shortage, a simple reflection the fact our population is increasing by 1,700 people per week.

Increases such as these are not sustainable and will only be moderated by increases in the supply of housing in the cities activity centres and new growth suburbs.

The most significant increases have been recorded in the inner suburbs where the median increased by 4.8 per cent to \$815,000 followed by the outer suburbs.

2. Low rental vacancy rate

The latest data from the REIV has shown that the rental vacancy rate in August was 1.4 per cent, a slight improvement from July when it was 1.2 per cent.

The vacancy rate in Melbourne has remained between 1.2 and 1.4 per cent for over the last 12 months. The last time a vacancy rate over 2 per cent was recorded was in December 2005 when it was 2.1 per cent.

There are two reasons why it is hard to find rental accommodation in Melbourne, the population is increasing by 1,700 per week and there are not enough homes being built to satisfy the increased demand.

The REIV has hoped that the increased numbers of first home buyers moving from the rental market into purchased homes may have a positive impact but that is not apparent at this time.

The vacancy rate in the inner suburbs improved from 1.1 to 1.5 per cent, in the middle suburbs it also improved slightly from 1.1 to 1.3 per cent and in the outer suburbs there was a tightening from 0.9 to 0.7 per cent.

The shortage of rental homes has become one the most intractable problems in the housing market. To fix the problem the vacancy rate needs to be lifted to 3 per cent and the last time it was 3 per cent was in January 2005. Meeting this goal will require substantial private and public investment.

3. Increased popularity of medium and high rise dwellings

As a result of consumer demand, government policies and a desire by people to live close to existing services and transport options there has been a quantum shift in housing preferences over the last decade.

The REIV has compared the sale of units and apartments with detached housing over a five year period and found a threefold increase in the number of suburbs where sales of units and apartments outnumbered detached houses.

In 2004 there were 20 suburbs where this was the case, in the last twelve months this has increased to 64. Interestingly the list includes suburbs that have traditionally been seen as dominated by detached houses, Brooklyn, Murrumbidgee, Niddrie, Dandenong, Pascoe Vale and Bayswater being examples.

This is a sign that the obvious need for increased housing will not be satisfied by growth areas alone.

Conclusion

The REIV believes that a balanced approach is needed to meet the city's housing needs and to ensure housing remains affordable for owner occupiers and renters. To do this there needs to be an increase in the provision of housing in existing activity centers and an increase in new housing on the cities fringe.

Development contribution

As the REIV is the peak body for the Victorian real estate profession and as such it is not in a position to provide comment on the detail of the Growth Areas Infrastructure Contribution.

On a broader level the REIV does strongly support the need to ensure that all communities have a similar level of access to parks, community and transport infrastructure.

In the past suburbs across Melbourne have been built with varying degrees of infrastructure and this impacts on the livability of the suburb and resale value of the properties.

This issue is not a new one; fifty years ago articles appeared in the Melbourne media about suburbs with houses but no constructed roads or footpaths. Property owners would make regular contributions to the local municipal authority in order to have the road constructed; those items are now delivered as a matter of course and paid for in the initial purchase cost of the house. Now the discussion is about community and transport infrastructure.

Analysis of information from the Government on purchasing habits of recipients of the first home owners assistance has highlighted the ongoing popularity of existing homes in established suburbs. The data showed that in the month of July 5,064 Victorians had bought their first home in July with government assistance and, despite the fact that the assistance is twice as much, only of them 1,507 were new homes.

The REIV expects that as developers currently pass on the cost of the infrastructure such as roads and footpaths to the individual owner they will do the same with the development contribution. The issue therefore is does the end owner get value? In the same way that a lack of important infrastructure will negatively impact the resale value of the home the presence of such infrastructure will improve the resale value. Therefore to ensure an equitable outcome contributions must be expended on infrastructure that the end owner will benefit from.

It is also important for the Government to demonstrate how the taxation is spent and that is spent on projects that directly benefit the area that the funds were collected.

Conclusion

The REIV believes the Growth Areas Infrastructure Contribution must be used to pay for infrastructure which is directly related to the area it is collected from.