

The perfect storm:

SEQ LAND

SUPPLY



A close-up photograph of a man with a beard and short hair, wearing a dark grey t-shirt, holding a sleeping baby. The baby is wearing a white long-sleeved shirt with small colorful patterns and grey socks. The baby has a blue pacifier in its mouth. The man is looking down at the baby with a gentle expression. The background is softly blurred, showing warm indoor lighting.

**HOUSING IS A
HUMAN RIGHT**

INTRODUCTION

What is clear from listening to Institute members across the south east is that the issue of land supply, and the ability of members to deliver housing diversity, is becoming untenable.

The delivery of a consistent and serviced supply pipeline is critical to maintaining the region's affordability.

Research conducted by the Institute's Industry Leaders Research Group (ILRG) indicates that alongside our climate, the other major drawcard for interstate migration is the affordability of our market in comparison to Sydney and Melbourne. Our research further indicates that a post-COVID uplift in interstate migration is likely.

Regardless of the driver, population growth is inevitable and our members are at the coalface responding to the market. Increased demand, combined with a shortage of supply, means a substantial price rise likely.

That means housing will be more expensive for everyone. The full spectrum of property market participants will find it more costly to buy housing close to their social and support networks. Future generations of Queenslanders, older people downsizing, and overseas as well as interstate migrants will have to compromise their property purchase or abandon the dream of homeownership completely.

If all stakeholders agree that housing is a human right, and that we want people to have options that reflect their needs, then urgent and major change is required. Whilst many stakeholders are united in understanding the growth is coming, many of the policies and regulations - in practice - stymie the delivery of housing efficiently and in doing so act to increase the cost of a home.

In South East Queensland, zoned and serviced land parcels with workable constraints, and of a viable size, are increasingly difficult to source. The requisite approvals are also becoming less certain

and often add time and cost to the process. In the places where we need it most, housing diversity is also becoming more difficult to deliver. Increasingly restrictive planning controls and overlays, infrastructure constraints and fragmented land are creating a perfect storm, meaning that we are emerging into an era of not being able to deliver the housing typologies people want, in the locations they want, and at a price they can afford.

A continuation of the current approach will leave Queenslanders being forced to compromise or unable to purchase a home at all. The incoming government needs to work with industry and local governments to deliver solutions to these issues before it is too late. The issues of diminishing supply and reduced housing choice need to be addressed now. These issues cannot wait until the release of the next regional plan. The time to talk about supply reform is now.

Warwick Bible *Kirsty Chessher-Brown*
State President **Chief Executive Officer**

WHY SUPPLY MATTERS

Housing development is a jobs-rich activity in Queensland.

Specifically, our industry is responsible for 207,677 direct jobs, or 10.2% of direct State employment as well as a further 257,962 indirect jobs. Our industry

provides jobs and economic benefits for hundreds of thousands of Queensland families every year.



Supply through a COVID-lens

Through our ILRG research we know that COVID-19 is changing the shape and demand for property in South East Queensland. For many, the experience has sharpened their focus on getting into the property market.

We also know that for people living in Sydney and Melbourne, who are considering a move to Queensland, the pandemic has brought forward those plans and as such we anticipate a return to strong net interstate migration over the next five years. These changes will serve to place further demand pressure on the region.

COVID-19 has also emphasised the role housing plays within our communities. Our homes have played a central role in how we work, learn, and socialise and new housing will need to play a major role in meeting these shifting needs.

Australia's population growth is also being affected by COVID-19 with some predicting that the closure of international borders may impact Queensland growth by a third for 12 to 24 months¹. If this

occurs, and interstate migration does not offset this trend, this will only be a minor blip in the inexorable population growth of the region.

An additional 1.5 million people are expected to call South East Queensland home by 2041, requiring an additional 670,000 homes². We cannot afford to fall behind on supply. We need to be better prepared.

The focus of the Federal Government's HomeBuilder grant scheme has skewed demand towards first and second home buyers purchasing in expansion areas. In effect, this has resulted in many projects bringing forward future stages ahead of schedule, further depleting land supply within expansion areas.

COVID-19 has emphasised the role housing plays within our communities.

¹National Housing Finance and Investment Corporation and UDIA

²ShapingSEQ and UDIA Queensland.

DEFINING THE PROBLEM

While not a definitive list, the outline below typifies the issues inherent in the supply-side challenges experienced in South East Queensland.

These issues are important for two key reasons:

- unresolved, these issues constrain the delivery of housing to meet a growing population, reducing supply and driving prices up
- current inefficiencies and inconsistencies are eroding investment certainty, diverting investment capital to other states where there is greater certainty of planning and development outcomes.

Forecast of required land supply

To meet the requirements of our growing population, around 31,979 additional dwellings annually are required³. Our current system however is not delivering as it should. Drawing from the 2019 Land Supply and Development Monitoring Report, lot delivery for detached housing is not keeping up with demand.

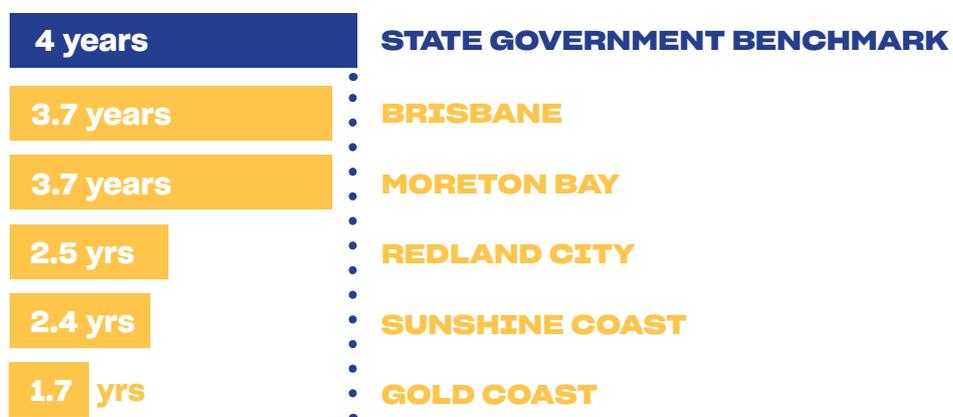
Approved lots for housing should meet the

benchmark recognised in the SEQ regional plan of four years of supply available to ensure availability to meet demand but the report indicated the supply levels in the below table (Figure 1).

The development industry, through various reports, indicates further areas of concern. At least 15 years of zoned and serviceable supply for each area and housing type should also be provided to ensure adequate housing supply⁴.

An additional 31,979 dwellings are needed annually to cater to population growth.

FIGURE 1: APPROVED LOT SUPPLY BY LGA



^{3,4}ShapingSEQ / LSDM 2019

Absence of structure planning

The absence of government-led structure planning, setting the key urban elements including green space, infrastructure, connections, is leading to increased fragmentation, fuelling unrealistic vendor expectations and delivering outcomes that fall short of community expectations. The result is missed opportunities in preserving and bolstering strategic biodiversity corridors, integrated active transport solutions and coordinated housing and economic development strategies providing facilities and soft infrastructure including education facilities before residents arrive.

Constrained Priority Infrastructure Areas

Some councils have very constrained Priority Infrastructure Areas (PIA). This limits development, coordinated planning, and housing supply and increases the cost of housing.

Land fragmentation

It is increasingly difficult to secure or amalgamate land parcels of a feasible size. This process is often costly and results in compromised urban outcomes and contributes to increased house prices. Institute research, undertaken in coordination with Urbis, indicated that 98 percent of residential development land holdings for urban development were less than 5 hectares and 77 percent were less than one hectare in size⁵.

Servicing and easements

Growth works best with coordinated infrastructure, which brings about major benefits in the form of reduced costs, increased efficiency, and certainty for the community. Many parties are involved in the development of growth areas including water, utilities, local government planning and infrastructure divisions, inspectors, parks and engineers, land titles, Treasury, Transport and Main Roads, financiers, and land holders. Delays by any one party can throw a spanner in the works. A land holder for example not cooperating with access to infrastructure can greatly increase costs and delays in obtaining critical water and sewer services for the new community.

Timeframes

The time taken from acquisition to approval and the subsequent delivery of houses on the ground

is increasing. This means higher holding costs, resulting in price rises for the buyer. The current timeframe from acquisition to delivery is at least 12–14 years for a master planned community. There is also a significant lag between policy decisions (whether conducted at a state or local level) and on the ground outcomes. For example, any decisions incorporated in the next regional plan will likely take several years to have any tangible impact on supply. That's why we need to take action now, before it's too late.

Overlays

An increased, and conflicting, number of overlays reduces the efficiency and affordability of new housing delivery. Often new overlays are introduced with little warning, rendering sites unviable or significantly constrained overnight. Overlapping overlays from both levels of government further impacts affordability without achieving the purpose of the introduced overlays.

Disconnect between land use and infrastructure planning

The disconnect between land use and infrastructure planning means it frequently fails to happen well or when the community needs it. The State Infrastructure Plan lacks a transparent, growth-oriented pipeline of work beyond 3 or 4 years and is focussed on a large scale with different timeframes. A dedicated, growth area integrated infrastructure strategy released with each regional plan would help bridge the gap between land use and transport planning. A Regional Plan and an Infrastructure Plan need to go hand-in-hand.

Growth Area Infrastructure Funding

Reliant on individual and ad hoc funding announcements, reliable funding of an expanded catalyst infrastructure fund is needed to address serious infrastructure deficits and unlock growth areas in a time efficient manner. Delivering jobs and houses through the provision of a loan to fund the delivery of sewers, roads, and other critical infrastructure to growth areas has demonstrated a strong multiplier effect and benefits both new and existing communities.

⁵Urbis SEQ Greenfield Land Study

Limited growth fronts

Facilitative conditions for development can help keep a lid on house prices. A range of growth fronts within councils, with a range of housing types allows the property industry to meet community demand. Multiple growth fronts within an LGA increases the level of competition, in turn increasing housing diversity. Multiple growth fronts should be facilitated, even if the potential supply is in excess of demand in the short to medium term.

Alignment between the Regional Plan and Planning Schemes

A lag in the recognition of regional plan objectives and outcomes creates confusion and uncertainty across both the industry and community. The

regional plan needs to be reflected at the local level quicker to kick start activity, reduce confusion and provide transparency for the community.

Market acceptance

Often the present provision of 'supply' is in locations that do not align with short to medium term customer preferences. Desirability is a key concept to consider for planning future growth areas. It is important to highlight housing is targeted to different segments of the market.



HOUSING DIVERSITY

Around 60 percent of people buy a home near their family or last home⁶.

Put simply, when most people are looking for a new residence they want a home nearby that meets their needs at that time. Households are diverse with no one type, age, family structure or life stage so the housing options available should reflect that. Currently older people, young families, and first home buyers looking for smaller homes are locked out of many suburbs. Housing options are restricted by planning schemes forcing a monoculture even if the suburb is experiencing a net population loss. Councils may identify infill opportunities, but a mismatch of supply and desirability often renders these unworkable based on market demand.

Introduction of minimum lot size

Inconsistent approaches across councils in relation to minimum lot sizes, constrains innovation and the ability of the industry to provide housing choice. Larger lots and site scarcity results in higher housing costs.

Governance and leadership

Coordinating and delivering residential communities is a challenge. Government-led structure plans, conducted early in the process with infrastructure delivery tools, are a proven vehicle to ensure holistic planning is in place to balance all of the competing interests (economic, social, environment etc).

Ban of 'missing middle' typologies in residential zones

The removal of developable typologies from residential zones increases site scarcity by limiting the availability of areas zoned to accommodate more dense residential housing in established suburbs and locations.

Shifting design requirements

Changes to carparking ratios and fluctuations in council design preferences (e.g. podium carparking, setbacks, and deep planting) add to the cost of housing delivery. Often these inclusions are contrary to buyers' preferences and not considered during the valuations process.

Lack of community understanding

Research undertaken by the ILRG proves the community has very little understanding of basic planning facts. This lack of knowledge leads to mistrust of the planning framework and process. This mistrust is particularly felt by developers delivering housing choice in established suburbs where they face longer, and more uncertain, approval processes and often appeals.

⁶Household, Income and Labour Dynamics in Australia (HILDA) survey



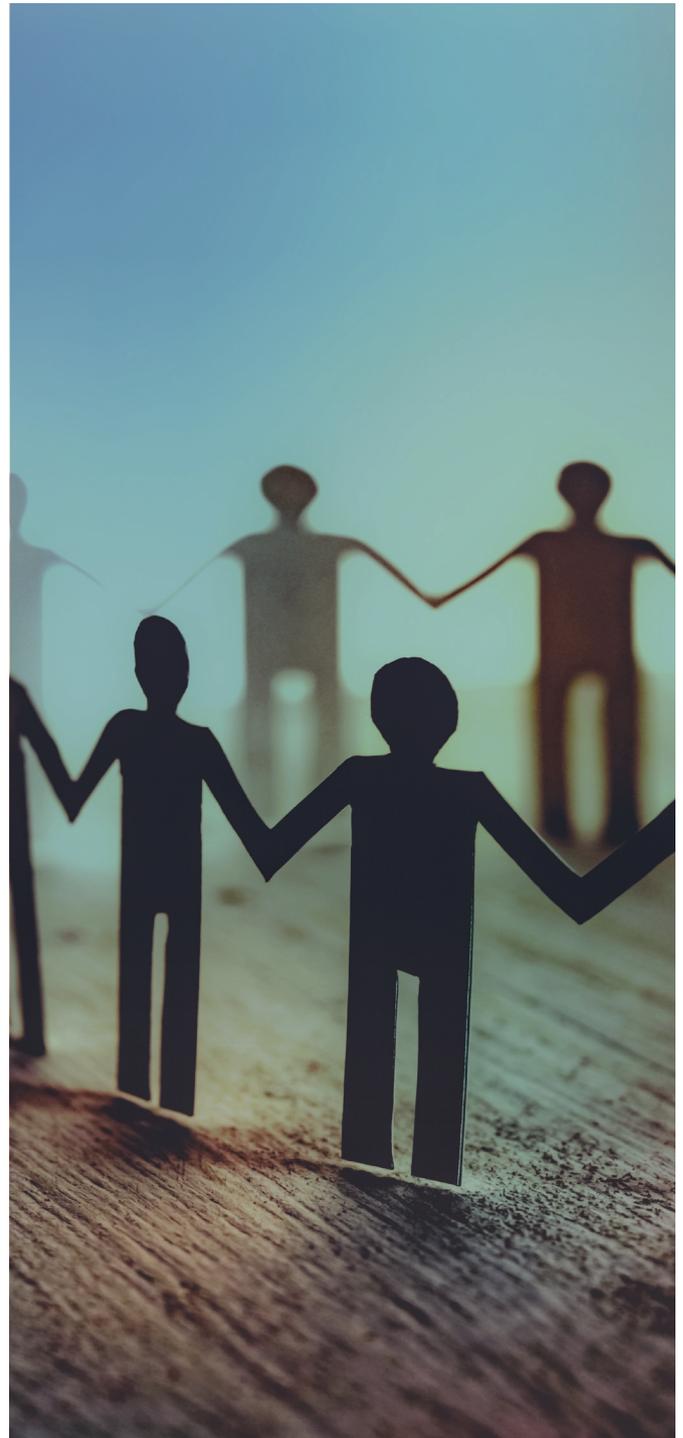
THE COMMUNITY'S VIEW

The community's perceptions of housing affordability

Through the work of the Institute's Industry Leaders Research Group, we have undertaken qualitative research to understand the community's views of housing affordability. The following quotes provide a snapshot of the community's feedback. They are not hopeful about the future of housing in the south east and seem resigned to making trade-offs that potentially see them buy inappropriate housing or never purchase at all:

- "I'm certainly no expert, but I **do think it's about supply and demand. That is, we, the people, create the competition which drives prices up.** I think that has an influence."
- "I guess **we're already changing our attitudes and the way we live.** My nephew bought a home on a 400-metre square block at Capalaba and it sounds incredibly small and he is very close to his neighbours - but that's what he can afford, and what we have to do."
- "My partner and I wanted to have a really good deposit plus enough to cover those other things as well. And it's those extra things that makes it feel so unattainable and, sorry, almost kind of depressing sometimes looking at those figures. And **it's also scary when you think of just renting for the rest of your life** - you kind of want to just let that guard down and relax in your own home where you don't have to worry about anything else."
- "**It's unattainable - and that feels really devastating, to be honest.** I know that a lot of people are fine with renting their whole life. For me personally, I'd like to leave an asset of some sort for my children and just because we sort of did it the other way round, we had children first and our careers are sort of coming second and we didn't buy before we had children, yeah, it's upsetting, to be honest. Yeah, it upsets me."

There are critical actions that we can collectively be taking now to avoid an affordability crunch and ensure there is ample supply of housing and greater housing choice.



WHAT WE'VE BEEN DOING

The Institute, as the peak body for the property industry, has been representing the sector.

The Institute continues to work on several initiatives targeted at land supply and housing choice challenges, including:

- Providing comprehensive expert advice to the Growth Monitoring Program, including detailed advice on the Land Supply and Development Monitoring Report and presenting to the Housing Supply Expert Panel
- Engaging with councils on supply-side issues, including providing direct feedback during consultation periods
- Testing the community's view of housing affordability and housing choice
- Establishment of a working group with the Department of Transport and Main Roads and the State Assessment and Referral Agency to raise critical issues
- Direct involvement in stakeholder groups including the Planning Systems Reference Group, Infrastructure Industry Steering Committee, and Koala Advisory Council
- Establishing Memorandums of Understanding with councils and utilities across the State to create a transparent and professional forum for constructive engagement
- Advocating for a joint project between industry stakeholders and all levels of government to provide basic planning facts to the community
- Advocating for additional funds to catalyse the economic and community benefit from infrastructure investment
- Delivering a range of education and capability programs for the industry through professional development courses, community engagement guides and training, recognition of best practice through our Awards for Excellence, a comprehensive consumer research program, and a sustainability rating tool.



WHAT CHANGE IS NEEDED?

Despite the complex nature of the situation currently being faced in SEQ - and the grave implications for housing affordability - viable, practical, and reasonable solutions are available.

The Institute's recommendations are neither theoretical nor outside the realms of practicality. Taken together they provide a viable solution to the most significant issues affecting housing affordability currently faced by people wanting to call South East Queensland home.

The potential solutions fall into four categories:

1. Education
2. Governance
3. Structure planning
4. Facilitate and incentivise delivery.

Education

Provide much-needed community resources on the population growth needs of SEQ to ensure the community remains abreast of the forecasts and what it will mean for their home, suburb, and neighbourhood. As well as communicate the importance of housing within the context of lifestyles and that it is a 'need' not a 'want'.

Governance

Establish an Affordability Taskforce to:

- Improve the PDA model and current growth areas approach
- Link population increase to the provision of new growth areas for structure planning
- Take urgent action when supply falls below the 4-year benchmark
- Fast track underutilised urban footprint work to provide tools for efficient housing delivery
- Devise an effective funding mechanism to deliver regionally significant infrastructure
- Provide map-based resources to clarify where and what growth is occurring
- Police infill housing delivery to ensure it is

delivered in quantities that match ShapingSEQ benchmarks

- Require all land within the Regional Plan, intended for residential uses, to be rezoned for urban purposes by the relevant local government within six months of the release of a new regional plan.

Structure planning

Ensure best practice planning of growth areas through measures such as:

- Delivering integrated precinct plans
- Integrating transport with land use planning and services at all levels
- Resolve land fragmentation through structure planning and infrastructure coordination
- Better integrate regional plans with infrastructure planning and delivery
- Review environmental controls, preservations, and overlays to be subordinate to and bolster environmental outcomes in fit for service structure plans.

Facilitate and incentivise delivery

- Create a simpler single housing code and sub code for small infill to enable delivery of a broader range of housing types
- Reduce minimum lot sizes for detached and terrace housing near centres and transport to increase the chance for more housing at an affordable price
- Allow more, small-scale urban infill projects to be built as of right
- Improve 'Housing supply and diversity' guidance to direct housing provision
- Review planning schemes to clear the obstacles to fast delivery of housing

- Remove site cover rules as they are duplicative and discourage design innovation
- Make legislative changes to permit developer-initiated infrastructure easements on adjoining property on fair terms to service new developments
- Address the increasing amount and number of application fees and charges impinging on new housing
- Develop standard rules for planning schemes to lift confidence in outcomes
- Bonus payments to councils that exceed dwelling targets
- Tighten statutory timeframes for re-zonings.



OUR PROMISE

We recognise collaboration is key to ensuring the south east remains a desirable place to call home. On that basis, as the peak body for the property development industry in Queensland, we commit to:

- Participating actively in all initiatives that align with overcoming these issues
- Continuing to act as thought leaders for the industry and encourage innovation
- Collaborating with all stakeholders in working towards greater housing diversity
- Maintaining open lines of communication
- Sharing our research insights and advice in our mission to deliver better housing outcomes.

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