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## 5 Urban land supply — processes and outcomes

### Key Points

- Based on a sample of 20 residential developments in greenfield areas across Australia's five largest cities, it can be 10 years after the commencement of rezoning before a subdivision of that land is completed, infrastructure is installed, and building can commence. If processes outside of planning are included, it can take up to 15 years between site assembly and building construction.
- Across all jurisdictions, the most common causes of delays and extended timeframes in land supply processes are associated with rezoning and planning scheme amendment; structure planning; and overcoming community concerns and objections. The substantial length of time associated with rezoning and structure planning processes (up to six years) is not surprising given the complexity and absence of statutory time limits in most jurisdictions.
- The most common rezonings are for changes to housing and residential uses, where the uplift in land value is likely to be the greatest.
- Based on the difficulties in obtaining consistent and accurate data on key stages in land supply processes for this report, particularly with respect to commercial and industrial land, it is difficult to understand how some jurisdictions monitor the adequacy of land.
- Some leading practice approaches and areas for improvement in land supply include:
  - implementing statutory timeframes for rezonings and structure planning to provide discipline to the regulatory processes and also to provide developers with a better idea of the timeframes they should allow
  - creating a role for government land organisations as first developer in new settlement areas, where appropriate, would provide precedent planning decisions to assist other developers and ensure major 'lead in' infrastructure was in place
  - using government land organisations to pave the way in complex projects (for example, by remedying issues such as fragmented land holdings or contaminated soil) will reduce risk in development sites to a level where it is feasible for private sector developers to subsequently complete projects
  - completing structure plans for a new development area in advance of any development in that area.

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This chapter focuses on implementation issues and outcomes in land supply processes. With a view to determining leading practices that support adequate supplies of land for residential, commercial and industrial uses, this chapter extends the analysis in chapter 4 which compares the policies and strategies used in the jurisdictions to plan and manage urban land supply across different uses in their capital cities. In particular, section 5.1 develops a stylised planning framework which is then used to compare and analyse the jurisdictions' planning implementation processes; section 5.2 provides information on land supply outcomes between the jurisdictions; and section 5.3 suggests areas for improvement and summarises leading practice insights.

## **5.1 Delivering adequate supplies of land**

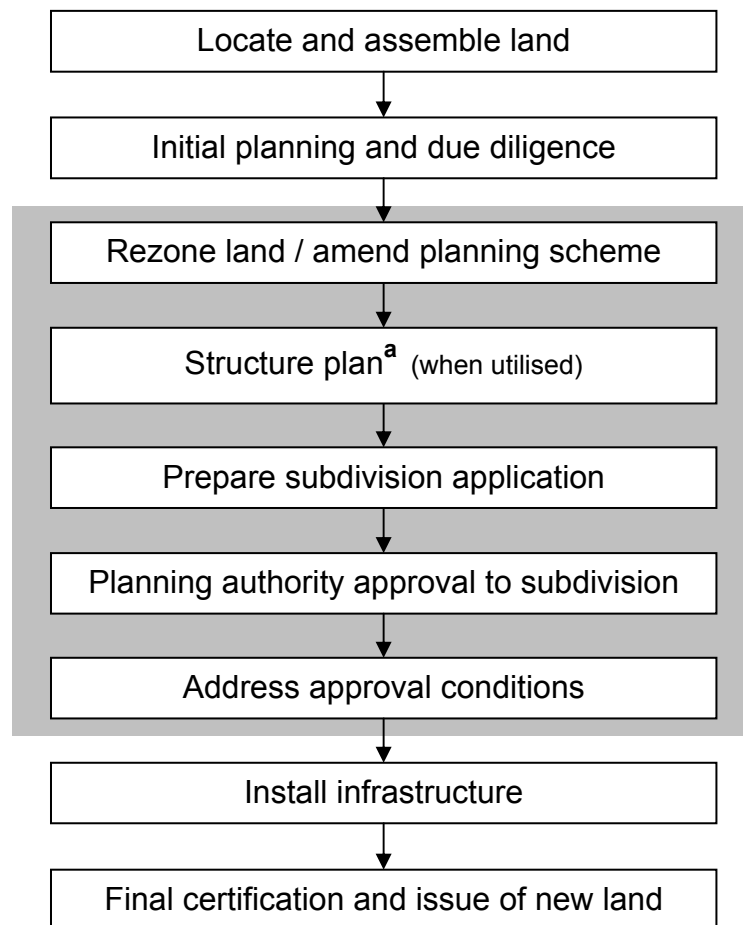
The jurisdictions' planning implementation processes are an important factor in ensuring adequate and timely delivery of land for urban uses. Importantly, these include the approvals and decision making processes and their related information and compliance requirements. In addition, there is scope for Government Land Organisations (GLOs) to have a positive effect on the availability of land; while fragmented land holdings and land banking can detract from land supply.

### **Land supply processes**

To gain a clearer understanding of how the jurisdictions' implementation processes affect land supply processes, the Commission requested information from state and territory government planning departments and developers via questionnaires (further details on these questionnaires are provided in appendix B). On the basis of their responses, additional consultation, and consideration of land management programs and information provided by the National Housing Supply Council (NHSC 2010) and Urbis (2010a), the Commission has developed a stylised framework for analysing the supply of land for urban uses. This framework is provided in figure 5.1. The shaded area in this diagram highlights the approvals processes where the jurisdictions' planning systems have the greatest impact and influence.

Figure 5.1 **Stylised land supply process**

Grey shading denotes primary impact and influence of planning systems



<sup>a</sup> For simplification, in SEQ, this includes the step of master planning; and in NSW, in the growth centres approach, the structure plan (called Indicative Layout Plan) occurs at the same time as the rezoning process.

## Planning approval processes

For all jurisdictions, key planning approval processes are identified in the flow diagrams provided in appendix E. These diagrams represent the ‘standard’ land supply processes that apply in each jurisdiction (as distinct from potential ‘fast track’ approaches that might be available to, for example, state significant projects). The alternative processes available in designated growth areas are also depicted. From these diagrams, it is clear that planning approval processes are very complex and can vary significantly across the jurisdictions.

Unlike an application for a subdivision approval which is initiated by the developer, rezoning of land and structure planning can only be formally initiated (in most jurisdictions) by local, state or territory government planning authorities. While planning authorities may be approached by developers to consider rezoning

proposals, the decision on whether to initiate the rezoning process and make attendant structure plan amendments is with the planning authority. Further, planning authorities in most jurisdictions can initiate a rezoning without the approval of affected land holders.

All jurisdictions have statutory timeframes for their subdivision approvals processes. As shown in table 5.1, these timeframes range from 20–90 days. Where the statutory timeframe triggers a deemed refusal (as it does in New South Wales) the timeframe will only be effective if, and when, an applicant decides to appeal a deemed refusal through the appropriate appeal channel (appeals processes are explained in chapter 3). If an application triggers a deemed refusal, and the applicant chooses not to exercise their appeal rights, then planning authorities can take as much time as they choose once the statutory timeframe is passed.

**Table 5.1 Statutory timeframes for land supply approval processes**  
Calendar days (unless otherwise noted)

<i>Approval process</i>	<i>NSW</i>	<i>Vic</i>	<i>Qld</i>	<i>WA</i>	<i>SA</i>	<i>Tas</i>	<i>ACT</i>	<i>NT</i>
Rezone land / plan amendment	–	–	–	–	–	–	–	–
Structure planning (box 5.1) <sup>a</sup>	na	–	–	na	na	na	na	na
Master planning	na	na	–	na	na	na	na	na
Subdivision approval	60 <sup>b</sup>	28–49 <sup>c</sup>	20–40 <sup>d</sup>	90	56	42	30–45 <sup>e</sup>	84

- denotes no statutory timeframe. **na** not applicable (is not a mandatory process within planning legislation).  
<sup>a</sup> For simplification, in SEQ, this includes the step of master planning; and in NSW, in the growth centres approach, the structure plan (called Indicative Layout Plan) occurs at the same time as the rezoning process.  
<sup>b</sup> The statutory timeframe reduces to 40 days if no referrals are required. <sup>c</sup> The decision should be made as soon as possible after receiving a response from referral authorities. Response from referral authorities have a statutory timeframe of 28-49 days (see chapter 10). <sup>d</sup> These are business days. Commences from the time a complete application has been received, a public notification period of at least 30 business days completed and any necessary referrals processes completed (see chapter 10). <sup>e</sup> Decision to be made within 30 business days of lodgement if no representations are made or 45 business days after the lodgement date if representations are made.

*Sources: Environmental Planning and Assessment Regulation 2000 (NSW); Planning and Environment Regulations 2005 (Vic); Sustainable Planning Act 2009 (Qld); Development Regulations 2008 (SA); Planning and Development Act 2005 (WA); Land Use Planning and Approvals Act 1993 (Tas); Planning ACT 2009 (NT); Planning and Development Act 2007 (ACT).*

In New South Wales, the typical subdivision consent period granted by councils is two years, although planning legislation provides for a maximum of five years after which the consent lapses unless there has been ‘substantial commencement’ on the subdivision. In Western Australia, subdivision approvals lapse after four years for a plan of subdivision creating more than five lots; and three years for a plan of subdivision creating five or fewer lots.

The time limitation on Western Australia’s subdivision approvals has been a long standing requirement. Over the past 20 years, across all land subdivisions

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(residential, industrial and commercial), approximately 45 per cent of all subdivision approvals in Western Australia have lapsed prior to completion of the subdivision. Within Perth, approximately one-third of residential subdivision approvals have lapsed prior to the completion of the approved subdivision (PC State and Territory Planning Agency Survey 2010 (unpublished)).

There are no jurisdictions which have an enforceable timeframe to decide on rezoning proposals. Except for Queensland, there are no statutory timeframes for the finalisation of structure and master plans.<sup>1</sup> In Queensland, there are statutory timeframes for the progression of a structure plan. These timeframes are outlined by the Minister in the declaration of a Master Planned Area.

The nature and effect of structure plans is explained in box 5.1.

Structure planning is only a mandatory process in Queensland and in Victoria for Melbourne's designated growth areas. However, most jurisdictions will require a structure plan for at least some projects. For example, most developments in the ACT, need to be in compliance with an approved structure plan. A structure plan may require that a location specific master plan (or plans) to be prepared. These master plans generally entail even more detailed planning of a specific area within a proposed development.

### **Time taken to complete greenfield developments**

The Commission requested information from the jurisdictions' planning departments on timeframes for processes associated with rezoning and plan amendments; structure planning (when utilised); and decisions on subdivision applications. The Commission also requested information from developers on all aspects of the land supply process except for structure planning and final certification and issue of new titles.<sup>2</sup>

The responses from planning departments and developers were combined to estimate likely timeframes for land supply processes (both overall and for the individual processes). These timeframes are provided in Table 5.2. In this table, the overall timeframe does not equate to the sum of elapsed time for the individual planning processes since some of these processes may be conducted concurrently.

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<sup>1</sup> Some jurisdictions, such as Victoria and South Australia, have committed to timeframes for these activities in their strategic land use plans and other planning documents, but these commitments do not have statutory backing.

<sup>2</sup> Structure planning is predominantly undertaken by planning authorities rather than developers; and final certification of new titles primarily involves interactions with land titles offices/land registries rather than the planning system..

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### Box 5.1    **Structure plans**

A structure plan demonstrates the proposed layout of a development area. A structure plan provides the framework against which developers prepare their development applications.

Structure plans address the land use, environmental, heritage, and infrastructure considerations relevant to that area. They can provide considerable detail on matters such as: the location and configuration of roads; the nature and location of social infrastructure (such as schools); the infrastructure charges applying in that area; the extent, nature and location of open space areas; and the types of housing that will be permitted in given locations.

As discussed in chapter 6, structure plans are an important tool for facilitating the coordinated provision of infrastructure. In this context, while structure planning may extend times frames at the ‘front end’ of the land supply process (see figure 5.1), it can reduce the complexity and timeframes associated with the ‘back end’ processes — such as installing infrastructure.

Structure plans broadly similar to Australian requirements were in place in the United Kingdom (UK) until their abolition in 2004 when they were replaced with Regional Spatial Strategies (RSS) which were similar in nature — although more prescriptive and required additional information such as housing targets. In May 2010, the UK abolished RSS on the basis that they were an ‘unnecessary bureaucracy’, ‘expensive and time-consuming’ and ‘alienated people’.

In Australia, structure plans have also been subject to some scrutiny.

For example, in Western Australia, structure plans generally require the approval of the relevant local government and then the endorsement of the Western Australian Planning Commission. To avoid duplication inherent in this process, reforms are being considered to allow for joint, rather than sequential, assessment of these plans

*Sources:* Department for Communities and Local Government (UK) (2010); Department for Planning and Infrastructure (WA) (2009).

It is clear that there is significant variation in timeframes for the completion of land subdivision projects. Across Australia's five largest cities, planning approvals processes for residential development, which must be completed before commencement of building, can take up to 10 years to complete. Specifically, it can be 10 years from the commencement of rezoning to subdivision approval and installation of infrastructure. (In Table 5.2, this timeframe spans all of the shaded area plus the time to install infrastructure.) If the initial location and assembly of land by the developer is included (involving processes outside of planning), residential developments can take up to 15 years until the commencement of building.

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Urbis (2010a) has reported a wide range of possible timeframes for best and worst case scenarios in Melbourne (84–109 months) and SEQ (30–129 months).<sup>3</sup> The NHSC (2010) has also estimated that it takes 50-156 months for land entering the ‘land supply pipeline’ to pass through the required planning processes.

In addition, for the individual jurisdictions that provided them with complete information, the NHSC (2010) also estimates the time taken for land to complete different stages of the land supply process<sup>4</sup>:

- Victoria — 24 to 60 months
- Queensland — 91 months
- South Australia — 21 to 84 months
- ACT — 84 months.

The estimates of timeframes provided in table 5.2 are generally consistent with those estimates provided by the NHSC. In contrast to the timeframes provided in table 5.2 (which are based on the experiences of particular developers and generally for projects completed between 1 July 2008 and 30 June 2010), the NHSC estimates of total time taken to complete the land supply process are based on the jurisdictions’ estimates of the average time taken to complete each stage of land supply process as at 30 June 2009. The NHSC estimate for Queensland sits in the mid-range of the times supplied by South East Queensland developers in table 5.2 and therefore seems to be a reasonable estimate of the average (notwithstanding the comparatively small data sample underlying this table). Similarly, the range of times provided in table 5.2 and the NHSC estimates for Melbourne and Adelaide align reasonably well — although developers in Adelaide provided a wider range of times than the planning department’s estimated averages.

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3 Urbis estimates included a 20 month timeframe for ‘project realisation’, which included building approvals, construction, building certificates and selling the property. This 20 month period has been excluded from these estimates as it relates to activities undertaken after the completion of the land supply process.

4 In the methodology of the NHSC, this relates to passing from the beginning of ‘stage 2’ (zoning/rezoning) to the completion of ‘stage 5’ (construction of subdivision infrastructure and issue of new titles).

**Table 5.2 Elapsed time to complete land supply processes for capital city planning areas<sup>ab</sup>**

Calendar months

	<i>Syd</i>	<i>Mel</i>	<i>SEQ</i>	<i>Adel</i>	<i>Per</i>	<i>Dar</i>	<i>Can</i>
Locate site and assemble land	ne	2–12	3–91	1–24	12	ne	ne
Initial planning and due diligence	3–8	6–47	2–24	1–55	ne	ne	ne
Rezone land / amend planning scheme <sup>c</sup>	16–78	18	13–38	24–30	9–48	1–6	24
Structure plan <sup>d</sup>	36	26–78 <sup>e</sup>	ne	ne	12–72	ne	ne
Prepare subdivision application	4–10	3–22	2–11	2–6	3	ne	ne
Decision on subdivision <sup>c</sup>	4–6	3–6	3–24	5–24	2–36 <sup>f</sup>	2–4	ne
Address approval conditions	3–12	1	2	6	12	ne	ne
Install infrastructure	12	ne	10	36+	ne	ne	ne
<b>TOTAL<sup>g</sup></b>	<b>ne–119</b>	<b>30–60+</b>	<b>14–172</b>	<b>24–133+</b>	<b>36–120+</b>	<b>ne</b>	<b>ne</b>

ne no estimate supplied. + denotes project is ongoing and timeframes represent the time spent to date and the expectation that further time will elapse before the completion of the stage or project. <sup>a</sup> Table excludes Hobart as the Commission was unable to obtain any estimates from either planning departments or developers. The majority of timeframes in this table relate to residential/housing developments. Appendix B contains details of the number of developers (and the number of projects) that provided the data for this table. <sup>b</sup> Grey shading denotes primary impact and influence of planning systems. <sup>c</sup> Data is based on responses from planning departments and developers. <sup>d</sup> For simplification, in SEQ, this includes the step of master planning; and in NSW, in the growth centres approach, the structure plan (called Indicative Layout Plan) occurs at the same time as the rezoning process. <sup>e</sup> 78 month timeframe was provided by the Growth Areas Authority and so is not reflected in the total timeframes. The structure plans on which the GAA estimates are based were commenced many years ago and under a different system to that which applies in 2011. The GAA estimates completion times of between 2-3 years for structure plans commenced in 2011. <sup>f</sup> Developers reported a maximum timeframe of 18 months. The WAPC advised that under-prepared applications may remain 'in the system' for some years until all issues with the application are resolved. <sup>g</sup> Total timeframes are based on developer responses for individual projects.

Sources: PC Survey of Greenfield Developers 2010 (unpublished); PC State and Territory Planning Agency Survey 2010 (unpublished).

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Despite the wide range in the overall time taken to complete the process, there is some consistency in the timeframes for individual processes:

- most developers take 6 months or less to prepare their subdivision application
- with the exception of Darwin, the rezoning and plan amendment processes takes greater than twelve months — timeframes of 18–24 months are common
- the structure planning process typically takes more than 24 months — timeframes as long as 72–78 months have been reported in Melbourne and Perth.<sup>5</sup>

In the NHSC (2010) estimates, rezoning and structure planning were also the significant factors adding to the overall time taken to complete the land supply process.

As noted, some of the individual planning processes may be conducted concurrently. In particular:

- where it applies, the structure planning process is often undertaken in parallel with, and informs, the rezoning process — as such, not all of the time taken to rezone land is additional to the time taken to complete the structure planning
- Victorian and Tasmanian planning laws allow planning authorities to consider rezonings concurrently with subdivision applications.

Despite the extent of conditions attached to subdivision approvals — one response to the Commission’s questionnaire noted their subdivision approval included over 100 conditions— developers can usually address the conditions within 6 months of receiving the approval.

Based on responses to the Commission’s questionnaire, the notable areas of variation between projects and across jurisdictions were:

- the amount of time taken to locate and assemble a site and complete initial planning and due diligence
  - since steps are often undertaken concurrently so that generally the total timeframe to complete both stages is less than the sum of their individual timeframes
- the time taken to decide the subdivision application

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5 The structure plans on which Victorian estimates are based were commenced many years ago and under a different system to that which applies in 2011. The GAA estimates completion times of between 2-3 years for structure plans commenced in 2011.

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- the developers’ responses to the Commission’s questionnaire showed that applications were either decided within 3–6 months, or they took 18–24 months<sup>6</sup>. There is no apparent reason for this dichotomy
  - the rate at which infrastructure is installed
    - developers in Victoria were able to install infrastructure for between 50–100 lots per year in each of their subdivision developments — while not captured in the survey results, GAA data show that some Victorian developers have installed infrastructure at a rate of between 300–500 lots per annum in recent times (Victorian Government, pers. comm., 19 January 2011)
    - developers in Queensland were able to install infrastructure at a rate of around 200 lots per year in their subdivision developments
    - developers in Perth were able to install infrastructure for between 150–500 lots per year in each of their subdivision developments.<sup>7</sup>

#### *Cause of delays in the land supply planning process*

The Commission sought information from each jurisdiction’s planning department and from developers about the sources of the delays and extended timeframes associated with land supply processes. These are summarised in table 5.3. Some developers’ responses provided details of projects outside of the capital cities and these were excluded from table 5.2 in order to maintain comparability across capital city planning areas. Also, while some developers did not provide time estimates for different steps in the land supply process, they were able to provide information on the source of delays for their projects.

In addition to the matters listed in table 5.3, there were a number of impasses between developers and councils (over what might have been expected to be minor matters such as disagreements over the naming of streets or development precincts) that delayed projects for one to two months.

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<sup>6</sup> Data from the planning departments showed that rezonings in greenfield areas can take between one month and three years, depending upon the nature of the rezoning and the jurisdiction.

<sup>7</sup> Unfortunately, the Commission was unable to obtain sufficiently detailed data to determine whether structure planning was completed for any of these projects and whether it influenced the time taken to install infrastructure.

**Table 5.3 Matters that delay or extend the land supply process<sup>a</sup>**

	Number of projects (n=29)	Jurisdictions where the delay was reported				
		NSW	Vic	Qld	WA	SA
<b>Planning-related matters:</b>						
Rezoning / amend planning scheme	10	✓	✓ <sup>b</sup>	✓	✓	✓
Structure planning <sup>c</sup>	8	✓	✓	✓	✓	✓
Overcoming community concern / addressing objections	6		✓	✓	✓	✓
Addressing unclear or inconsistent planning instruments	5		✓			✓
Waiting for major state provided transport infrastructure (eg transport terminal)	4			✓	✓	
Council request for more information / studies required to support application	3	✓	✓			
Lack of council resources	3	✓		✓		
Appealing planning decision	2		✓			✓
Division within council over project	2			✓		
Increasing capacity of infrastructure	2	✓			✓	
Lack of inter-agency cooperation / delays in referral decisions	2		✓			✓
No statutory time limits for decisions (incl. plan amendments)	2		✓			
Authorities sequencing planning processes that could run concurrently	1		✓			
Coordinating infrastructure providers	1	✓				
Council challenged by innovation	1			✓		
<b>Non-planning related matters</b>						
State environmental laws	5	✓	✓	✓	✓	✓
<i>Environment Protection and Biodiversity Conservation Act</i> (Cwth)	2				✓	
Site characteristics	1				✓	
Time for titles office to issue new titles	1	✓				

<sup>a</sup> Outside of this survey, Western Australia has indicated that native title clearance and land assembly processes (fragmented land ownership) are matters which delay or extend the land supply process. <sup>b</sup> Only noted as an issue for land outside Melbourne's Urban Growth Boundary. <sup>c</sup> For simplification, in SEQ, this includes the step of master planning; and in NSW, in the growth centres approach, the structure plan (called Indicative Layout Plan) occurs at the same time as the rezoning process.

Source: PC Survey of Greenfield Developers 2010 (unpublished).

The most common causes of delays and extended timeframes in the land supply process were the rezoning and planning scheme amendment process; structure planning process; and overcoming community concerns including addressing objections raised in respect to subdivision applications. Community involvement in the planning process is discussed in chapter 10.

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The delays and extended timeframes to complete the rezoning, plan amendment and structure planning processes are not surprising given the complexity of each process (see flow diagrams in appendix E) and the absence of any statutory time limits for these processes in any jurisdiction (see table 5.1).<sup>8</sup>

Many of the issues raised by developers' responses on land supply processes are echoed in the submissions of local councils to Western Australia's *Reducing the Burden* report (Government of Western Australia 2009). In this report, local councils raised concerns about:

- the complexity and time consuming nature of the plan amendment process
- the slow response times for referrals
- their workload which exceeded their resources.

The developers noted there were also lengthy processes associated with compliance with state environmental laws and the Commonwealth EPBC Act. These issues are discussed in more detail in chapters 11 and 12. In most jurisdictions, actions required to comply with environmental laws are often carried out in parallel to the planning process. In fact, in New South Wales and Queensland, environmental requirements are integrated into their planning systems.

### ***Rezoning***

Rezoning can be a time consuming, costly and uncertain process. This is especially the case for infill development where there is greater potential for delays due to community objections. In views expressed by business in responses to a questionnaire sent to them by their associations (2011, unpublished), even for projects that took the least amount of time to gain approval, the average time taken for rezoning approval was 25 months.

Not all projects require rezoning. In particular, most land falling within Melbourne's Urban Growth Boundary is automatically zoned for urban use. Also, developments on sites in Queensland and South Australia that are not consistent with the use described in the zones (or local plans) can still proceed as 'non complying developments' — although, as such, they are subject to greater planning scrutiny and discretionary decision making and hence face a less certain path to approval.

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<sup>8</sup> Reforms to Victoria's structure planning process are anticipated to reduce the time to complete structure plans to around 2–3 years. Previously, it took five years or more.

A summary of the number of rezonings in 2009-10, and the three most common reasons for rezoning, for all jurisdictions is provided in table 5.4.

**Table 5.4 Rezoned land: 2009-10**

	<i>Number of rezonings</i>	<i>3 most common rezonings</i>		
Sydney <sup>a</sup>	5	From a variety of uses to Housing/Residential	From a variety of uses to Commercial/business	
Melbourne	80	Rural to Housing/Residential	Industrial to Housing/Residential	Industrial to Commercial
SEQ <sup>b</sup>	ne	ne	ne	ne
Perth <sup>c</sup>	108	Between Housing/Residential uses	Rural to Housing/Residential	Commercial to Housing/Residential
Adelaide	9	Between commercial uses <sup>d</sup>		
Hobart	22	Rural to Housing/Residential	Public Purposes/ Open Space to Housing/Residential	Between Housing/Residential uses
Darwin	16	'Future development' to Housing/Residential	Between Housing/Residential uses	
ACT	1	Between Housing/Residential uses		

ne no estimate supplied. <sup>a</sup> Relates only to applications initiated and approved since the introduction of the Gateway process on 1 July 2009. <sup>b</sup> In Queensland, planning scheme amendments play a similar role to rezoning in other jurisdictions. <sup>c</sup> Based on data for planning scheme amendments for the Mandurah and Murray councils only. <sup>d</sup> There were four rezonings between commercial uses. The remaining rezonings were one each of: industrial to housing/residential; commercial to housing/residential; commercial to industrial; housing/residential to commercial; and between housing/residential uses.

Sources: New South Wales Local Plan Making Tracking System (database), Department of Planning (NSW), Sydney, daily updating; PC State and Territory Planning Agency Survey 2010 (unpublished).

When the outcome for a particular site is uncertain, most developers will seek an alternative site which does not require rezoning. This is apparent in the small number of rezonings that occurred in each capital city for 2009-10 (see table 5.4) providing some evidence that both infill and greenfield developers seek to avoid rezoning a site wherever possible.<sup>9</sup> As provided in table 5.4, the most common rezonings are for changes to housing and residential uses, where the uplift in land value is likely to be the greatest<sup>10</sup>. This provides some evidence that rezonings are usually pursued where the potential rewards are greatest, the excess demand for land is the greatest, or a combination of both.

<sup>9</sup> Although it may also reflect a reluctance on the part of planning authorities to rezone. This in itself would also deter developers from engaging in a project that requires rezoning.

<sup>10</sup> According to the OECD, the uplift in land value for changes to housing and residential uses can be up to 10 times higher than the initial land value (2010).

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The flowcharts for the rezoning processes applying in Sydney, Melbourne, Perth (only in limited cases), Adelaide and Hobart in appendix E indicate requirements for local councils to gain intermediate approvals from Ministers and/or planning departments/agencies. It is unclear what net benefit (if any) some of these intermediate approvals provide for the rezoning process — particularly those approvals required to prepare an initial plan amendment and those to allow the public notification of a potential rezoning. One way to shorten the timeframes associated with rezoning without compromising the overall integrity of the process would be to remove, or redesign, any redundant requirements for intermediate approval.

Rezoning can take an extended amount of time in greenfield areas when developers ‘push the boundaries’ in seeking to have land rezoned. The potential windfall gains in having land rezoned from a rural use to an urban designation will see some developers persevere with rezoning proposals in greenfield areas. For example, Buxton and Taylor (2009) provide examples of three developers who, between 2005 and 2008, lobbied the Victorian Government to amend the zoning on their rural land holdings around Melbourne to an urban use even though this land lay outside the Urban Growth Boundary.

One of the advantages of defining an urban growth boundary is to improve timeframes in land supply processes by automatically zoning land inside the boundary for urban use. Other advantages are increased certainty and transparency in planning processes for developers. These advantages are diluted if one of the effects of defining this boundary is that developers put substantial resources into pursuing a rezoning outside of the boundary.

### ***Structure planning***

The structure planning process (as outlined in box 5.1) should deliver the benefits associated with careful and considered planning of settlements. In particular, it should reduce the time taken to complete the later stages of the land supply process such as, for example, delays associated with installation of infrastructure. However, in extreme cases (in particular, in Victoria and Western Australia), the structure planning process itself has taken six years (or more) to complete. In these cases, the subsequent time savings in subsequent land supply processes would need to be substantial to offset the time costs imposed by the structure planning process. This is questionable given that developers are typically taking 12 months or less to install the requisite infrastructure for their development projects (as indicated in table 5.2).

Extended delays in the structure planning process can be costly for developers. The nature and dynamics of the property market can change markedly over the course of

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years that it can take to complete the land supply process. This can leave developers either with a product unsuited to the prevailing market or trying to sell into a less buoyant market than envisaged at the time of their due diligence. In response, where there is an appreciable risk of extended delays, developers may not pursue development projects or alternatively seek a higher price for their end product as compensation. Fewer projects usually mean less land supply; and higher prices have implications for affordability.

Victoria and Queensland have recognised the potential difficulties associated with preparing structure plans and have agencies which take responsibility for this process in certain areas. Specifically, the GAA has responsibility for the structure planning process in Melbourne's designated growth areas; and the Urban Land Development Authority (ULDA) has this responsibility for declared areas in Queensland.

The extent of the GAA's task is apparent in the following statistics:

- based on the Urban Growth Boundary established in 2005, the GAA needs to complete 41 Precinct Structure Plans (PSPs) covering an area of some 19 670 hectares and providing for around 110 000 dwellings
- as at 30 June 2010, 18 of these PSPs had been completed with the remaining 23 currently scheduled for completion by the end of 2012
- following the expansion of the Urban Growth Boundary on 29 July 2010, the GAA has embarked on processes relating to the Growth Area Framework Plan. This process is expected to take around one year and will inform the additional PSPs that will be created as a result.

#### *Implications of extended delays*

Chapter 7 discusses the costs incurred by developers as a result of delays in the planning system. Aside from these direct costs, delays increase the development costs associated with contingent risks. Some projects may not proceed if they do not generate a sufficient (forecast) return to offset these risks. In addition, AV Jennings provides data which shows how delays in the planning process can negatively impact upon the timing of cashflow for developers (sub. 64).

Developers have finite resources for development projects. Regardless of how fluid a developer's organisational structure is, while a project remains incomplete there is a limit on the resources that can be deployed to other projects. As such, planning delays also deny developers the chance to complete the number of projects that they are potentially capable of delivering in any given time period. This reduction in

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productive capacity flows through to a reduced supply of land for that time period.<sup>11</sup>

### *A smooth path through the planning process*

From the questionnaire sent to developers about projects which took a minimum amount of time to complete, a number of characteristics are apparent for those which appear to have proceeded relatively smoothly:

- the development was clearly consistent with the vision that the planning authority had for the area (for example, compliant with an existing structure plan)
- the land was suitably zoned (for example, development on land within Melbourne's Urban Growth Boundary typically did not need rezoning)
- the area in which the development was to proceed already had an approved structure plan
- the area in which the development was to proceed was not 'totally greenfield' (for example, infrastructure connections were nearby and developers had precedent development decisions on which they could base their due diligence)
- the development did not require site assembly or extensive due diligence.

### **Government land organisations**

Each jurisdiction, except Tasmania, has a government-owned land organisation (GLO) which operates as a developer. A list of the GLOs in each jurisdiction, their statutory powers, and areas of operation are provided in table 5.5. Aside from GLOs, there are other state, territory and local government agencies which play a role in urban development—although these generally operate within a more localised area and limited scope. For example:

- in Sydney, the Redfern-Waterloo Authority is responsible for revitalising Redfern, Waterloo, Eveleigh and Darlington areas of the city<sup>12</sup>

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<sup>11</sup> This static analysis ignores potential second round effects such as a decline in land prices resulting from increased supply and the accompanying incentives for developers to limit their sales of land so that prices do not fall so far as to render their project unprofitable. Financiers also become wary of an oversupplied market and may limit the availability of finance – not only to developers but also to the purchasers of their products (for example, there are concerns that an oversupply of apartments in Melbourne's central business district may deter financiers from lending to potential purchasers of these units due to fears of falling values for the units) (Dobbin 2010).

- 
- Perth is serviced by four redevelopment authorities (the Armadale Redevelopment Authority (ARA), East Perth Redevelopment Authority, Midland Redevelopment Authority and Subiaco Redevelopment Authority) which are responsible for specific urban renewal projects in the city<sup>13</sup>
  - in South Australia, the SA Housing Trust undertakes urban renewal projects but acts primarily as a developer (working with the Development Assessment Commission and local councils); while Defence SA and the Department of Trade and Economic Development undertake renewal and development projects.<sup>14</sup>

In addition, local councils can undertake some land development although this is typically targeted at specific issues in their local council area.<sup>15</sup>

Historically, GLOs were used by governments to ensure competition in greenfields development. More recently, the role of GLOs has broadened to include an array of non-development functions. These are listed in table 5.6 and include:

- provision and/or coordination of infrastructure into new development areas — this is discussed further in chapter 6
- demonstration that innovative approaches can be commercially viable
- provision and promotion of affordable housing.

Although GLOs have the capacity to complete developments on their own, they often partner with private sector developers to complete projects.

VicUrban is a recent example of the increasing trend for GLO activities to be directed toward infill developments. In these developments, some of the projects are so complex and high risk that they are unable to attract private sector interest at least in the early stages of development. As a result, many GLOs work to reduce the complexity of projects (for example, by remedying issues such as fragmented land holdings as explained in box 5.2) and ‘derisk’ development sites (for example,

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12 In late 2010, the Sydney Metropolitan Development Authority (SMDA) was established to work across government with councils and the private sector to achieve high quality urban renewal. The Redfern-Waterloo Authority no longer exists. Its activities have been incorporated into those of the SMDA.

13 Western Australia plans to replace the four current Redevelopment Authorities with a single Metropolitan Development Authority by 1 January 2012 which will have similar powers and function to the existing Authorities with respect to land.

14 For example, the Department of Trade and Economic Development is the lead agency managing the Tonsley Park (former Mitsubishi site) redevelopment.

15 In February 2010, the New South Wales Government committed to establishing a Sydney Metropolitan Development Authority to undertake transit-oriented development and urban renewal projects.

restore contaminated soil) to a level where it is feasible for private sector developers to subsequently complete projects.

**Table 5.5 Government land organisations**

GLO		Legislation	Statutory powers	Area of operation
NSW	Landcom	<i>The Landcom Corporation Act 2001</i>	<ul style="list-style-type: none"> <li>• General power to do business</li> </ul>	Sydney and regional
Vic	VicUrban	<i>Victorian Urban Development Authority Act 2003</i>	<ul style="list-style-type: none"> <li>• General power to do business</li> <li>• Additional powers relating to declared projects include compulsory land acquisition and the power to impose charges (general and infrastructure recovery) on property owners in declared areas</li> </ul>	Declared areas in Melbourne and regional Victoria
Qld	Urban Land Development Authority (ULDA)	<i>Urban Land Development Authority Act 2007</i>	<ul style="list-style-type: none"> <li>• Planning and DA within declared areas</li> <li>• Impose conditions on development</li> <li>• Impose penalties for breach of conditions or planning scheme</li> <li>• Override local council by-laws</li> <li>• Coordinate, provide or pay for infrastructure</li> <li>• Issue directions to a state or local government entity to provide or maintain infrastructure</li> <li>• Impose charges and/or other terms for infrastructure, services and works</li> </ul>	Designated areas in Brisbane and regional Queensland
WA	LandCorp Department of Housing <sup>a</sup>	<i>Western Australian Land Authority Act 1992</i>	<ul style="list-style-type: none"> <li>• General power to do business</li> </ul>	Across Western Australia
SA	Land Management Corporation (LMC)	<i>Public Corporations (Land Management Corporation) Regulations 1997</i>	<ul style="list-style-type: none"> <li>• General power to do business</li> </ul>	Adelaide
Tas	No agency in operation			
ACT	Land Development Agency (LDA)	<i>Planning and Development Act 2007</i>	<ul style="list-style-type: none"> <li>• No special powers under the Act</li> </ul>	ACT
NT	Land Development Corporation (LDC)	<i>Land Development Corporation Act 2009</i>	<ul style="list-style-type: none"> <li>• General power to do business</li> <li>• Make by-laws and impose minor penalties for breaches of those by-laws</li> <li>• Make regulations</li> </ul>	Darwin and Palmerston

<sup>a</sup> Following a government review in 1998, Landcorp transferred its 10,000 to 12,000 lot land bank to the Department of Housing which is estimated to provide in excess of 10 per cent of the greenfields lot releases in Perth.

Sources: *The Landcom Corporation Act 2001* (NSW); *Victorian Urban Development Authority Act 2003* (Vic); *Urban Land Development Authority Act 2007* (Qld); *Public Corporations (Land Management Corporation) Regulations 1997* (SA); *Western Australian Land Authority Act 1992* (WA); *Land Development Corporation Act 2009* (NT); *Planning and Development Act 2007*(ACT).State and territory legislation; LDA (2010a); LDC (2010a); LMC (2010a); Landcom (2010a); LandCorp (2010a); ULDA (2010a); VicUrban (2010a).

**Table 5.6 Government land organisations — non-development functions and objectives<sup>a</sup>**

	<i>Landcom (NSW)</i>	<i>VicUrban (Vic)</i>	<i>ULDA (Qld)</i>	<i>LMC (SA)</i>	<i>LandCorp (WA)</i>	<i>LDC (NT)</i>	<i>LDA (ACT)</i>
Advise government		✓		✓			✓
Assist private sector locate land for development						✓	
Build/promote affordable housing		✓	✓			✓	<b>b</b>
Earn a commercial return	✓	✓		✓		✓	✓
Environmental conservation / outcomes	✓	✓	✓	✓	✓		✓
Infrastructure provision		✓	✓		✓		✓
Promote and lead innovative development	✓	✓	✓	✓	✓		✓
Manage state assets				✓	✓		
Promote government objectives	✓ <sup>c</sup>	✓		✓	✓		

<sup>a</sup> Tasmania is excluded from the table as no GLO is in operation. <sup>b</sup> The ACT Government's affordable housing program is run by the Department of Land and Property Services (the 'parent' of the LDA). <sup>c</sup> These objectives are set out in the New South Wales Government's Metropolitan Strategy and the State Plan.

Sources: State and territory legislation; LDA (2010a); LDC (2010a); LMC (2010a); Landcom (2010a); LandCorp (2010a); ULDA (2010a); VicUrban (2010a).

GLOs can engage in a wide variety of residential, commercial and industrial developments in both greenfield and infill areas. There is considerable variability in the scope of development undertaken by GLOs across the jurisdiction. While some GLOs are active across the spectrum of development projects—for example, ULDA is involved with residential and commercial projects in both greenfield and infill locations in areas such as metropolitan Brisbane, the Sunshine Coast, Roma and Gladstone—other GLOs, despite the potentially wide scope of their operations, are focused on specific types of development.

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### **Box 5.2 Impacts on the supply of land: fragmented land holdings**

Fragmented land holdings occurs when a potential development site is comprised of a number of land parcels without common ownership; this can have an impact on land supply. In particular, the negotiations to assemble the individual land parcels for a developable site can be complex and costly — especially, if at least one of the landholders is either very attached to their property or engages in opportunistic or strategic behaviour.

For example, Gurran, Ruming and Randolph (2009, p. 62) quote an anonymous developer describing this issue:

Twenty-seven landowners came to us and said, we can get top dollar [be]cause we're banded together...they could get top dollar because they had a parcel of land that was a developable size.

The problems associated with fragmented land holdings provide a clear example of the negative effect that past planning decisions can have on a city's future. They are a reminder of how important it is for planners to be mindful of the future in their present day decisions.

Zoning regulations can exacerbate the issue of fragmented land holdings by reducing the number of possible blocks which can be combined into larger sites. This gives landholders increased leverage in their negotiations with developers. Some of the other issues raised about fragmented land holding in submissions and other studies include:

- Adelaide City Council claims that fragmented ownership is a barrier to coordinated development of city land — as a consequence, the Council has '...been intervening in the market by land banking strategic sites in the CBD for many years in order to create viable sites with increased development potential. This assists achieving long term strategic outcomes as well as to remove problematic/non-complying land uses.' (sub. no. 23, p.8) Furthermore, the development plan for Adelaide city centre encourages site amalgamation for medium and high rise forms of residential development, (sub. no. 23, p.9).
- the Urban Taskforce (2009) has reported that '...it is very difficult, if not impossible, to attract equity capital to a proposed development site where the ownership has not been unified' (p.26-27).

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For example, in comparison:

- Landcom (New South Wales) is principally involved in residential projects
- since March 2010, VicUrban has been principally involved in residential developments, particularly in middle and inner metropolitan Melbourne and in large regional centres — previously VicUrban had a greater role in greenfield residential development
- LMC (South Australia) is primarily involved in the sale of its landholdings to the private sector, rather than completing residential developments itself
- Landcorp's (Western Australia) work program for Perth has an emphasis on industrial and commercial developments, as well as residential infill projects.

LDC (Northern Territory) has very few residential and industrial projects underway. If infill targets are to be achieved without changes to the current planning regimes, there is likely to be a greater need for the involvement of GLOs. Arguably, the ULDA, through its control of the relevant planning and approval approvals, is best placed among the GLOs to deliver infill outcomes. However, the use of these powers has not come without some criticism — particularly from local councils (Heger and Hall 2010, MacDonald 2010 and Vogler and Heger 2010). The decision making processes for balancing community preferences and planning imperatives are considered further in chapter 10.

A comparison of the housing production outcomes and value of landholdings for the GLOs in 2009-10 is provided in table 5.7.

Landcom (New South Wales), VicUrban, and LandCorp (Western Australia) have extensive land holdings (around \$500 million or more in value each).<sup>16</sup> Those inventories exceed the value of the 'development inventory' (including work in progress) held by major private sector developers such as Peet Limited<sup>17</sup> — \$418 million (Peet Limited 2010) and Leighton Holdings Limited — \$381 million (Leighton Holdings Limited 2010)). Yet they are appreciably less than the inventories of Lend Lease Corporation Limited and Stockland Corporation Limited — which both had development inventories (including work in progress) of over

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16 The comparatively lower land holdings of the ULDA (Queensland) reflect its comparative infancy and ability to only work in designated areas.

17 Peet Limited is said to have the 3rd largest land bank (34 000 lots) of any private sector residential developer (Donkin 2010).

\$1100 million each as at 30 June 2010 (Lend Lease Corporation Limited 2010 and Stockland Corporation Limited 2010).<sup>18</sup>

While acknowledging that comparable data is lacking for Western Australia, the ACT and the Northern Territory, a comparison of residential dwellings produced with value of the landholdings (in table 5.7) raises some questions for some jurisdictions. In particular, for such significant land holdings, the output of VicUrban in terms of completed dwellings seems modest — especially when compared to that of the ULDA which completed around a third of VicUrban’s dwelling output (by number) despite having only one fifth of its inventory (by value).

**Table 5.7 Housing production outcomes by GLOs for 2009-10**

	<i>Residential lots produced</i>	<i>Residential dwellings produced</i>	<i>Value of landholdings (as disclosed in annual report)</i>
	Number	Number	\$'000
Landcom (NSW)		1 500 <sup>a</sup>	498 696 <sup>b</sup>
VicUrban (Vic)	nd	~750 <sup>cj</sup>	535 508
ULDA (Qld)	nd	~268 <sup>dj</sup>	99 23 <sup>b</sup>
LandCorp (WA)	358	651 <sup>a</sup>	647 224
LMC (SA) <sup>e</sup>	40	~240 <sup>fj</sup>	234 763 <sup>g</sup>
LDA (ACT)	4 729	nd	31 861 <sup>h</sup>
LDC (NT)	nd	nd	_i

**nd** not disclosed. <sup>a</sup> These outcomes are ‘dwelling equivalents’ based on lots released. <sup>b</sup> Includes capitalised development costs. <sup>c</sup> This is an approximate figure compiled from details of completed and sold projects detailed in Annual Report — it also includes apartments and covers metropolitan and regional areas. <sup>d</sup> Based on the number of homes approved for stages 1–4 of the Fitzgibbon Chase development — stages 1-4 were completed during 2009-10. <sup>e</sup> The majority of LMC’s operations involve the sale of its landholdings to the private sector, rather than completing residential developments itself. <sup>f</sup> 242 dwellings were sold in 2009-10. <sup>g</sup> This figure represents the book value of inventory as at 30 June 2010. The South Australian Government advise the fair value of inventory as at 30 June 2009 (as determined by a qualified valuer) was \$835 million. <sup>h</sup> LDA share of joint venture property developments. <sup>i</sup> The LDC has \$96 916 000 in property and development assets, some of which are properties managed by the LDC rather than development stock. <sup>j</sup> Approximate figure.

*Sources:* Landcom (2010b), Landcom (sub. DR86); LandCorp (2010b); LDA (2010b); LDC (2010b); LMC (2010b); ULDA (2010b); VicUrban (2010b); South Australian Government, pers. comm., 28 January 2011

There is a view that GLOs produce less residential lots than their private sector counterparts with similar inventory. Due to a lack of comparable data between GLOs and private sector developers, it has been difficult for the Commission to confirm this.

<sup>18</sup> The inventory of Stockland Corporation Limited includes some property held in the United Kingdom.

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If GLOs are less productive, this may be partly attributed to:

- the different nature of sites developed by the GLOs compared to private sector developers
  - GLOs are more likely to work on comparatively more risky and complex sites which extend the time taken to complete development and, hence, slow the production of lots and dwelling. This contributes to a lower rate of inventory turn-over and, in turn, a comparatively higher level of inventory when compared to other developers who do not undertake such projects. This will be compounded if sites include fragmented land holdings leading to larger inventories as sites are assembled
- the different objectives of GLOs compared to private sector developers
  - although some GLOs also have an objective of earning a commercial return (see table 5.6)
- differing characteristics of property markets between jurisdictions
  - although the business operations of private sector developers can extend across jurisdictions
- differences in inventory composition as well as differing accounting treatments for valuing inventory
  - in particular, some of the GLOs hold land for purposes other than greenfield development. For example, LandCorp’s and VicUrban’s inventory include some commercial and industrial land holdings
- the nature of partnering arrangements that GLOs employ in completing their projects and how these affect the recording of inventory on their balance sheets.

## **Government land holdings**

The Commonwealth, state and territory governments are landholders in their own right. They control significant amounts of land suitable for development. A summary of the land owned and controlled by state or territory governments in Sydney, Adelaide, and Darwin is provided in table 5.8.

The significance of landholdings by government is summarised in a submission to this study by a South Australian residents group, Save our Suburbs (sub. 5):

... by restricting the greenfields site availability, even in areas zoned for residential development, the [SA] Government owned “Land Management Corporation” maximises the dollar value of every allotment by creating a “shortage premium”, where potential land purchasers are forced to outbid other interested purchasers... (p.5)

**Table 5.8 Land at different stages of the land supply processes owned or controlled by the state/territory government<sup>a</sup>**  
30 June 2010

		<i>Land designated for future development</i>	<i>Zoned land</i>	<i>Land approved for subdivision</i>
		%	%	%
Sydney	Residential	10.0 <sup>b</sup>	17.0 <sup>b</sup>	ne
Adelaide	Residential	ne	23.0 <sup>c</sup>	ne
	Industrial	ne	43.0 <sup>d</sup>	ne
Darwin	Residential	ne	87.0	51.0
	Commercial	ne	0.5	0.0
	Industrial	ne	51.0	94.0

ne no estimates available. <sup>a</sup> Melbourne, South East Queensland, Hobart and Canberra have been excluded from this table as their state/territory planning departments were unable to provide responses to this survey question. <sup>b</sup> Approximate figure. <sup>c</sup> As at June 2009. Relates to ownership of broad hectare greenfield land zoned residential. <sup>d</sup> As at October 2010. Excludes from consideration 59 hectares of privately owned land zoned for extractive and home industry.

Sources: PC State and Territory Planning Agency Survey 2010 (unpublished); Department of Planning and Local Government (SA) (2010b).

As shown in table 5.8, while the Northern Territory government owns and/or controls up to 94 per cent of all land for a particular use at any given stage of the land supply process, it is far more common for governments to own or control a much smaller proportion. The smaller the proportion of government ownership of land, the less scope governments have to behave monopolistically in the manner described by the Save our Suburbs residents group (sub. 5).

Since February 2009, the Commonwealth Government has implemented processes to identify any surplus land holdings that could be used to improve housing and/or community outcomes. There is now a register of surplus land which could be disposed of to meet one or more of the Commonwealth government's objectives to:

- increase the supply of housing
- improve community amenity
- create jobs.

A summary of the surplus land on this register is shown in table 5.9.

**Table 5.9 Register of surplus Commonwealth land potentially suitable for housing and community outcomes**

	<i>Property</i>	<i>Owner Agency</i>	<i>Site Area (approximate hectares)</i>	<i>Target Time for Release</i>
NSW	Former Naval Stores Depot, Spurway Street, Ermington	Department of Defence	16	2010-11
	Ingleburn Army Camp, Old Campbelltown Road, Ingleburn <sup>a</sup>	Department of Defence	309	2011-12
	North Penrith, 'Thornton Park'	Department of Defence	44	2010-11
	Nirimba Drive, Quakers Hill, Schofields <sup>a</sup>	Department of Defence	146	2010-11
Vic	Corner Colac and Henry Road, Belmont (Geelong)	CSIRO	6	2011-12
	Graham Road, Highett	CSIRO	9	2011-12
Qld	120 to 140 Meiers Road, Indooroopilly	CSIRO	7	2010-11
	Ibis Avenue (Bruce Highway) Rockhampton	CSIRO	32	2010-11
	233 and 240 Middle Street, Cleveland	CSIRO	3	2010-11
	University Drive, Douglas (Townsville)	CSIRO	17	2010-11
SA	Elizabeth North Training Depot, Broadmeadows Road, Smithfield	Department of Defence	33	2013-14
WA	Part of the Artillery Barracks site, corner of Burt and Tuckfield Streets, Fremantle	Department of Defence	2	2011-12
ACT	Belconnen Communications Station, Baldwin Drive, Lawson	Department of Defence	149	2010-11
	Banks Street, Yarralumla	CSIRO	2	2010-11

Located in Sydney's Growth Centres. Precinct planning is currently being undertaken or has been completed for these lands for the purposes of urban development.

Source: Department of Finance and Deregulation (2010).

A number of jurisdictions have undertaken similar processes to identify their surplus land holdings. For example, in August 2010, the Premier of Western Australia wrote to all metropolitan councils requesting details of all Crown land and freehold land that might have development potential. The information provided in the councils' responses has been incorporated in Western Australia's Urban Development Program (see table 4.10).

### **Matters detracting from land supply**

Two issues that detract from the supply of land are fragmented land holdings and land banking. Fragmented land holdings were considered in the discussion of GLOs and box 5.2 earlier. Land banking is considered below.

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## *Land banking*

Land banking involves acquiring land well in advance of its intended development and holding that land until it is developed (Evans 2004). It is undertaken by both private sector developers and GLOs.

Land banking is often perceived to be undertaken by developers to increase the price of land by restricting supply; and then taking advantage of these higher prices by ‘drip feeding’ their stock of land into the market. While this may be the case in some instances, land banking may also be undertaken by developers on reasonable commercial grounds. For example:

- where an intended development site is comprised of fragmented land holdings, developers (including government developers) may progressively acquire the individual land holdings as they become available. An example of this situation is provided by Adelaide City Council and outlined in box 5.2
- changing market conditions can limit the viability of a development project in the short term and rather than selling into such a market, developers may decide to delay development until after the market recovers
- land may have been acquired on the understanding that core infrastructure (such as main roads) would be provided by a given date. If that infrastructure is not provided on time, developers often have little choice but to ‘sit’ on the land until it is installed. Issues relating to the provision of infrastructure are discussed in chapter 6
- developers have imperfect information about what land is for sale (or which landholders would be receptive to an offer). They also incur search costs in trying to locate sites for potential development and compete against other developers for those sites. Land is not always coincidentally available in the market at the time and location required by developers for a new project. Accordingly, there is an incentive to acquire developable land when it becomes available even if that land will not be developed for some time.
- as planning processes can be lengthy and uncertain, developers assemble land banks to ensure they always have some sites which are approved for development and on which they can commence work. These planning processes, and associated delays, are outlined above.

Developers can address some of these concerns by acquiring options over land rather than through an outright purchase of land. This is a less transparent form of land banking but can have cost advantages for developers.

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Factors outside the planning system can encourage or deter land banking. For example, land taxes and rising interest rates increase the holding costs of land and so deter land banking. On the other hand, income tax concessions (such as those that may be achieved by using land banks to produce income via stock agistment pending their development) and concessional rating (such as rating land zoned 'residential' according to rural rates given its unimproved nature) can offset some of the costs associated with land banking.

While speculative land banking represents a limitation on supply without any compensating benefit, both the Productivity Commission (2004) and Urbis (2008) found (more generally) there is insufficient evidence to establish that land banking represents a material limitation on the supply of land.

## **5.2 Land supply outcomes**

This section of the report provides information about land supply outcomes across the jurisdictions for residential, commercial and industrial uses.

### **Data sources**

In surveys sent to the state and territory planning departments and agencies (as described in Appendix B), the Commission sought data from the jurisdictions on their land supply outcomes. In many cases, this data was either not available in, or not supplied by, the jurisdictions — particularly, with respect to commercial and industrial land.

As a consequence, the Commission has supplemented the information supplied by the jurisdictions with data obtained from the jurisdictions' land management programs, the reports of the NHSC, and real estate information services. Even with these additional sources of data, there are many instances where the Commission has not been able to obtain a complete set of data for all the jurisdictions. The Commission has used this limited data to make comparisons where it can, even though those comparisons may not apply across all jurisdictions.

### **Adequacy of data**

Sourcing comparable data on land supply outcomes is a difficult task. In reflecting on its first *State of Supply Report* (NHSC 2009), the National Housing Supply Council (NHSC 2010) conceded that there were major gaps and inconsistencies in

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land supply data of the jurisdictions. Many of the data deficiencies were not resolved for the 2<sup>nd</sup> *State of Supply Report* (NSHC 2010). Therein the NHSC noted:

The work of the Council continues to be constrained by a lack of comprehensive, consistent and independent information available to it for detailed analysis of residential development in metropolitan areas. (p. 39)

It has been difficult also for the Commission to obtain comparable data across the jurisdictions on land supply outcomes. In consequence, the information provided in this section of the report is subject to the caveats that, at least in some cases, the data may be incomparable, inaccurate and/or inconsistent; and methodologies used to generate the data may be limited or biased. For these reasons, caution must be exercised in drawing inferences or comparisons about land supply outcomes across the jurisdictions. Inferences should only be made subject to qualifications about the respective data sources (as provided in the table notes).

It is unclear to the Commission how the jurisdictions can appropriately monitor the adequacy of land supply and planning outcomes without the centralised collection of consistent and accurate data on key stages in the land supply processes. Monitoring of the adequacy of commercial or industrial land is particularly limited.

As stated by the Australian Local Government Association:

While it is tempting to dismiss performance measurement as ‘big brother’ activities that should [be] avoided at all costs, the value of both individually producing and aggregating planning data (on volume, type and time) should not be underestimated. It can lead to much better management information being available to councils. Any discussion around benchmarking of local government should consider the following:

- How data collected will enable better management information for councils?
- How data collected will enable improvement initiatives and interventions to be well targeted and measured?
- How quality control issues around data capture will be managed?
- What accountability framework will be in place that includes the ‘whole system’ — applicants, referral and appeal jurisdictions and other State agencies. (sub. DR79; p. 3).

Subject to caveats about the data (as stated), the information presented in this section still provides a useful context for the analysis of land supply processes. The Commission has made comment on the data where it can but, in many cases, the data is unsuitable for detailed analysis — particularly with a view to attributing outcomes back to the underlying planning systems.

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## Outcomes for residential land

As part of its survey of the state and territory planning departments and agencies (see appendix B), the Commission requested information from the jurisdictions on the supply of residential land. While the Commission received responses from every jurisdiction, the information provided was incomplete in some cases which did not facilitate detailed comparisons.

### *Overall adequacy of supply*

The NHSC (2009, 2010) has attempted to determine land supply outcomes across the jurisdictions; as well as the adequacy of supply against a theoretical construct of ‘underlying demand’. The NHSC definitions of underlying and effective demand are summarised in Box 5.3. These concepts are also explained fully in Chapter 4. While the data is subject to a number of caveats and there may be some limitations in methodology, the NHSC *State of Supply Reports* are some of the only studies (if not, the only) where land supply data for all jurisdictions is compared side-by-side.

#### **Box 5.3 Underlying demand and effective demand for housing**

At the national level, the NHSC characterised underlying demand and effective demand as follows:

- **underlying demand** is driven mostly by migration and other demographic factors, including (but not limited to) the number and type of households.
- **effective demand** is the demand actually expressed in the housing market. It is the quantity of housing that people are able and willing to buy or rent in the housing market. In addition to the factors affecting underlying demand, effective demand is affected by a range of market forces, including (but not limited to): incomes; prices; risk adjusted returns on other investments; the availability of finance; and government policy settings and assistance (such as the first home owner’s grant).

At a jurisdictional level, underlying demand will be affected mainly by the net change in the population of the jurisdiction. Table 5.10 provides a break down of the change in the jurisdictions’ populations (including migration) from 1 July 2008 to 30 June 2010.

*Source:* NHSC (2010).

The focus of the NHSC modelling is on longer term scenarios and structural influences on supply and demand (rather than on shorter term cyclical factors). Hence, the NHSC develop projections based on medium- to long-term trends in construction activity (supply projections) and population growth (underlying demand projections). The NHSC (2010) defines a shortfall in the supply of housing as a net gap between ‘underlying demand’ and the stock of dwellings. Using this

definition, the NHSC estimates there has been a housing shortfall across Australia for the period 2002 to 2009.

**Table 5.10 Population change, 1 July 2008 to 30 June 2009**  
By jurisdiction

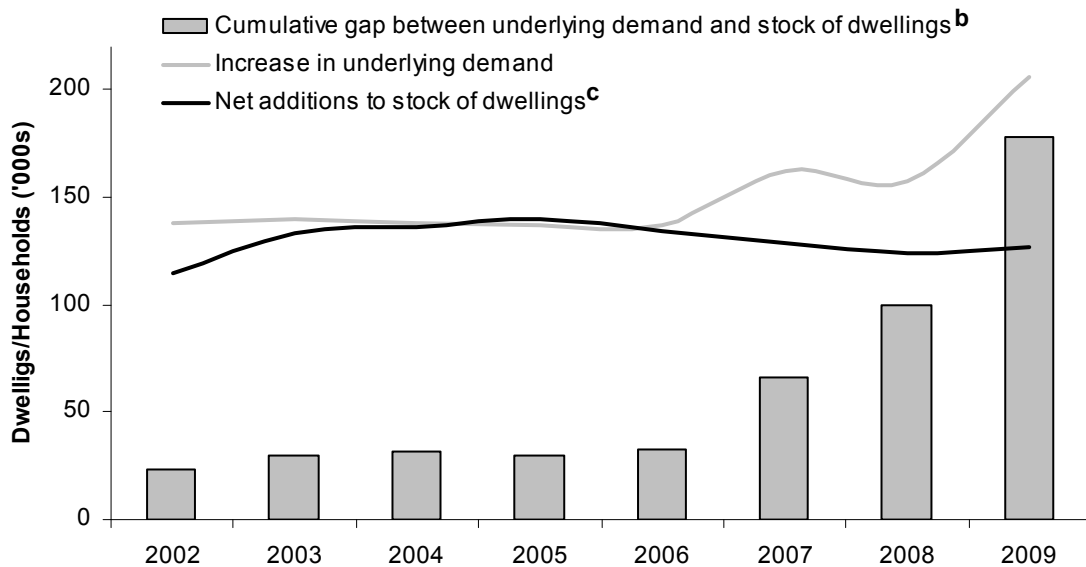
	<i>Natural increase</i>	<i>Net overseas migration</i>	<i>Net interstate migration</i>	<i>Net change in population</i>	<i>Percentage change in population</i>
	Number of people	Number of people	Number of people	Number of people	%
NSW	45 401	92 941	-19 831	<b>118 511</b>	<b>1.69</b>
Vic	35 408	85 123	698	<b>121 229</b>	<b>2.28</b>
Qld	38 436	61 884	18 388	<b>118 708</b>	<b>2.76</b>
WA	18 270	47 262	4 825	<b>70 357</b>	<b>3.23</b>
SA	7 219	18 044	-4 676	<b>20 587</b>	<b>1.28</b>
Tas	2 528	2 153	672	<b>5 353</b>	<b>1.08</b>
ACT	3 174	3 962	-822	<b>6 314</b>	<b>1.82</b>
NT	2 883	2 039	746	<b>5 668</b>	<b>2.57</b>

Source: ABS (Australian Demographic Statistics, Jun 2010, Cat. No. 3101.0).

Using the NHSC data, the magnitude of the gap between underlying demand and the stock of dwellings is provided in table 5.11.

Figure 5.2 shows that while the gap between underlying demand and the stock of dwellings was relatively stable in the vicinity of 30 000 dwellings up until 2007, it has grown significantly since this time. The widening of the gap appears to have been principally driven by increases in underlying demand largely as a result of population growth over that period. As of June 2009, the gap was estimated at 178 000.

Figure 5.2 **Estimates of the cumulative gap between underlying demand and the stock of dwellings in Australia<sup>a</sup>**



<sup>a</sup> Using 2001 as a base year. <sup>b</sup> Based on the difference between the change in underlying demand and supply (adjusted for demolitions and unoccupied (and unavailable) dwellings — the NHSC allow for 5.9 per cent of the total stock of dwellings being unoccupied. This allowance is for those dwellings being renovated or demolished and dwellings held as second homes and holiday homes). <sup>c</sup> Net of demolitions and with allowances made for unoccupied (and unavailable) dwellings — the NHSC allow for 5.9 per cent of the total stock of dwellings being unoccupied. This allowance is for those dwellings being renovated or demolished and dwellings held as second homes and holiday homes.

Data source: NHSC (2010).

Table 5.11 provides information on the increase in underlying demand, net additions to the stock of dwellings and the increase in the dwelling shortfall for all jurisdictions during the 2008-09 financial year. Based on this information, the housing shortfall grew in every jurisdiction. The gap between underlying demand and housing stock widened particularly in New South Wales (by approximately 30 600 dwellings) — followed by Victoria (by approximately 16 400 dwellings), Queensland (by approximately 14 400 dwellings), and Western Australia (by approximately 12 300 dwellings).<sup>19</sup>

<sup>19</sup> The NHSC Data Supply Group has acknowledged that the nature and the size of the ‘gap’ may require further investigation. Two factors could be leading to the apparent significant widening of the gap since 2006. Firstly, the increased rate of population growth can be partly explained by a change in the method used by ABS to record net overseas migration. More people are recorded as adding to the population who enter under various visa arrangements. In particular, this includes students, many of whom are accommodated in housing forms which are not counted as part of the dwelling stock. Secondly, a short term factor is the rise in birth rate which means that a significant proportion of the population increase is people who are not immediately adding to the demand for additional dwellings as they are being housed with their parents.

**Table 5.11 Gap between underlying demand and the stock of dwellings by jurisdiction, as at June 2009**

	<i>NSW</i>	<i>Vic</i>	<i>Qld</i>	<i>WA</i>	<i>SA</i>	<i>Tas</i>	<i>ACT</i>	<i>NT</i>	<b><i>Australia</i></b>
Dwellings	'000	'000	'000	'000	'000	'000	'000	'000	'000
<b>Estimated gap as at July 2008</b>	<b>27.0</b>	<b>6.3</b>	<b>41.7</b>	<b>17.9</b>	<b>-2.3</b>	<b>0.1</b>	<b>-0.2</b>	<b>8.9</b>	<b>99.5</b>
In 2008-09:									
Increase in underlying demand <sup>a</sup>	54.2	52.3	50.1	30.1	10.8	3.2	3.0	2.2	<b>205.9</b>
Adjusted net additions to stock of dwellings <sup>b</sup>	23.6	35.9	35.7	17.8	8.4	2.3	2.3	1.0	<b>127.0</b>
Increase in gap for the year to June 2009	30.6	16.4	14.4	12.3	2.4	0.9	0.7	1.2	<b>78.9</b>
<b>Estimated gap as at June 2009</b>	<b>57.6</b>	<b>22.7</b>	<b>56.1</b>	<b>30.2</b>	<b>0.1</b>	<b>1</b>	<b>0.5</b>	<b>10.1</b>	<b>178.4</b>

<sup>a</sup> Number of households. <sup>b</sup> Net of demolitions and with allowances made for unoccupied (and unavailable) dwellings (the NHSC allow for 5.9 per cent of the total stock of dwellings being unoccupied. This allowance is for those dwellings being renovated or demolished and dwellings held as second homes and holiday homes).

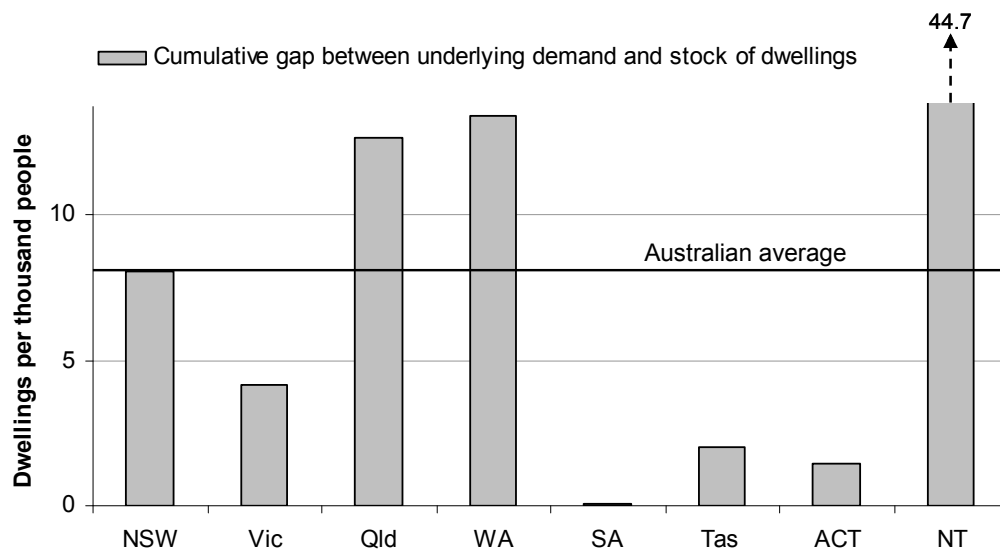
Source: NHSC (2010).

Figure 5.3 provides a break down of the cumulative housing shortfall, as at June 2009, between the jurisdictions on a per capita basis.<sup>20</sup> Based on this information, the shortfall in housing appears to be particularly severe in Queensland, Western Australia and the Northern Territory. This aligns with information provided in chapter 2 (see table 2.2) that the cities experiencing the strongest growth in population for the period 2001 to 2009 were located in Queensland (Gold Coast, Sunshine Coast, Cairns, Brisbane, Toowoomba), Western Australia (Perth and Geraldton-Greenough), Victoria (Melbourne) and the Northern Territory (Darwin).<sup>21</sup> It is also consistent with the information provided in table 5.10 which provides a break down of the change in the jurisdictions' populations from 1 July 2008 to 30 June 2009. Further, the states and territories with smallest dwelling shortfalls per person (South Australia, Tasmania and the ACT) were those with more modest population growth over the respective periods (see table 5.10).

<sup>20</sup> This is a simple way of normalising the supply gap to take account of the different city sizes.

<sup>21</sup> The cities in parenthesis account for eight of the top ten fastest growing Australian cities over 2001 to 2009.

**Figure 5.3 Cumulative gap between underlying demand and the stock of dwellings by jurisdiction (standardised by population growth), as at June 2009**



*Data sources:* Commission estimates derived from NHSC (2010) and ABS (Regional Population Growth, Australia, 2008-09, C (cat. no. 3218.0).

The extent and permanency of the gap between underlying demand and supply of dwellings is subject to change. For example, in March 2009, the Commonwealth reduced Australia’s planned skilled migration intake for 2008-09 from 133 500 to 115 000 people (the final intake was 114 777 people) (DIC 2010). Accordingly, this should result in a deceleration in the growth of the gap (if not a decline in its size), assuming that dwelling production remained at the current levels of around 110 000 to 140 000 dwellings per year.

In addition, underlying demand across the jurisdictions is affected by different, and changing, household structures. For example, in 2009 South East Queensland (SEQ) had an average of 2.51 people per household, while (in 2010) Adelaide had an average household size of 2.38 people. The substantial increase in the cumulative gap between underlying demand and the stock of dwellings for the Northern Territory can largely be attributed to a substantial reduction in the average number of people per household in that jurisdiction over the period.

From a theoretical perspective, the effects of a property shortfall are described in detail in Chapter 4 (see Section 4.1). While it is true that rising prices of existing dwellings will operate to close the gap between the supply of dwellings and effective demand, the market cannot always operate to eliminate the gap between supply and underlying demand which is largely determined by long-run structural

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factors. In particular, this gap will persist if the supply of property is fixed due to regulatory planning constraints and/or planning delays on urban land supply. As analysed in Chapter 4 (Box 4.2), if populations continue to increase at current rates and/or households continue to shrink in size, unless the supply side issues of a housing shortfall (defined with respect to long-run underlying demand) are not addressed, there will be implications for housing affordability. Aside from influencing underlying demand (for example, through migration policies), governments can reduce housing shortfalls of this kind by removing constraints inhibiting the supply response.

Subject to the usual caveats about the comparability of data in this area, a comparison between the jurisdictions of the number of new residential lots created and changes in the population for the period 2001–2009 is provided in figure 5.4. While population growth has increased during the past five years in all the cities shown there, the number of new residential lots has not done so; indeed, in some cities the growth rate of lots produced has fallen (as indicated by a downward sloping line).

The extended timeframes associated with land supply responses are likely to explain some of the lack in supply side response to increases in population growth observed in figure 5.4. As indicated at the start of this chapter, it can take over 10 years to complete the greenfield land supply process. If the processes of identifying land suitable for development and due diligence are included, this timeframe can extend up to 15 years.

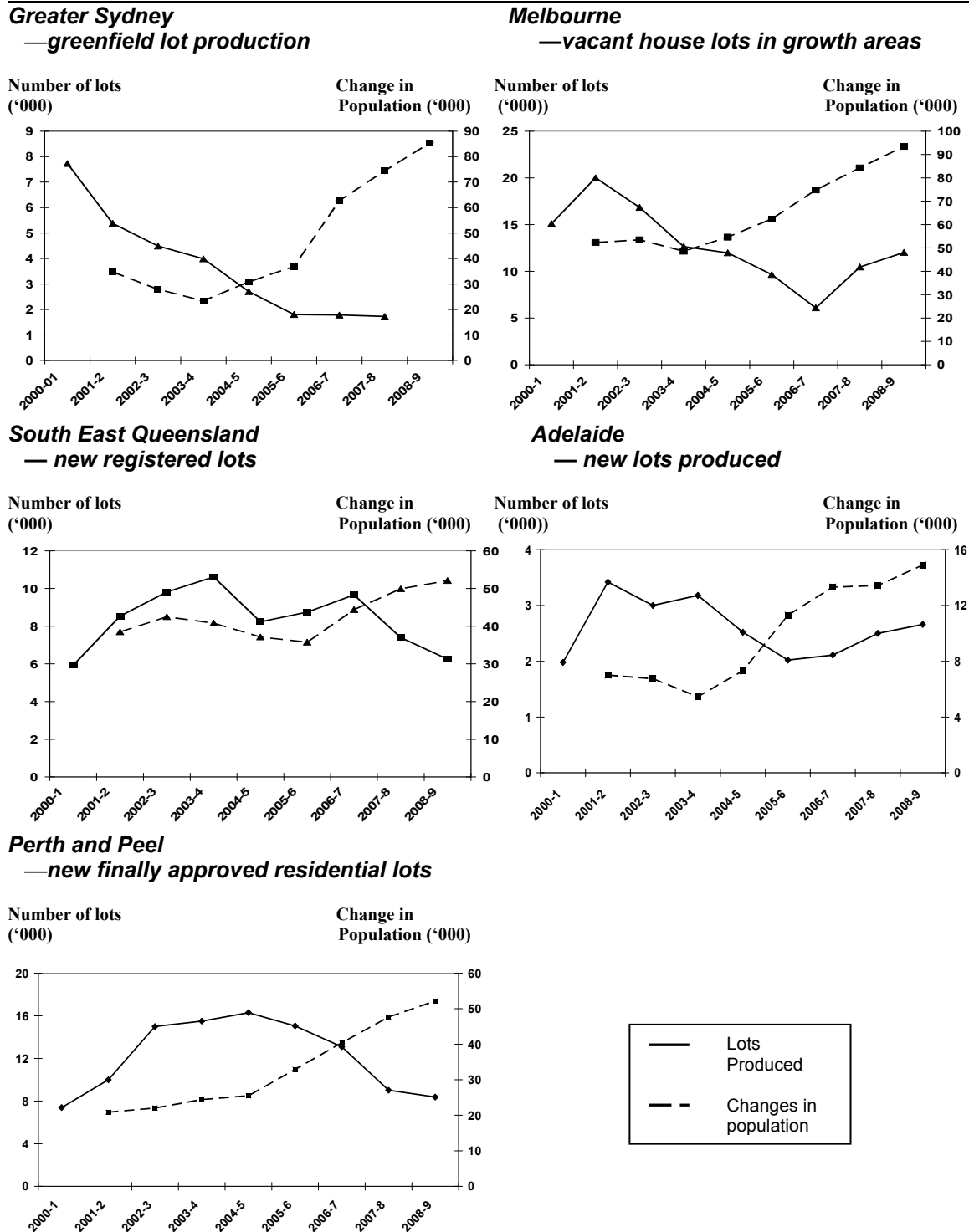
In addition to planning constraints, another factor that is likely to explain a sluggish supply response in recent years is the global financial crisis and the accompanying reduction in finance available to developers to complete development projects — particularly, for example, in areas like the Gold Coast where there has been a substantial reduction in the availability of finance for development projects.<sup>22</sup>

The sluggish supply response to changes in effective demand is likely to have resulted in higher housing prices across the jurisdictions. A comparison of the number of new residential lots with the median price of houses between the jurisdictions for the period 2001–2009 is provided in figure 5.5.

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22 For example, the Commonwealth Bank said in December 2010 that it would not be financing any new development projects on Queensland’s Gold Coast (Cranston 2010).

Figure 5.4 Residential lots produced — comparison with changes in population,<sup>a</sup> 2000-01-2008-09<sup>b</sup>

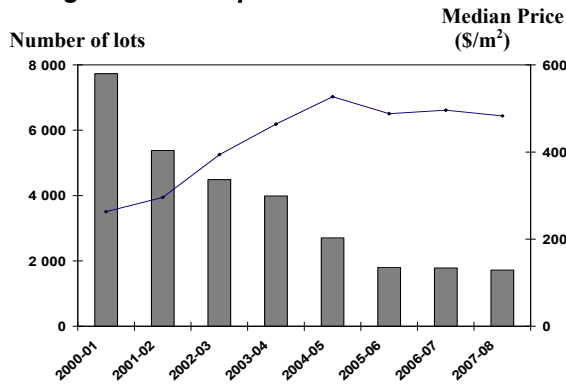


<sup>a</sup> The change in population data is defined by ABS' Statistical Local Areas based on financial years. Except for Sydney and Perth, the number of lots produced is based on calendar years. <sup>b</sup> Except for Greater Sydney where the latest data on lots produced is 2007-08.

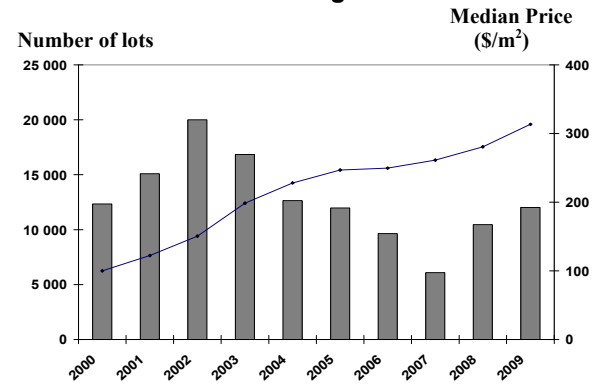
Data sources: UDIA (2011); UDIA (2009); ABS (2010a).

**Figure 5.5 Residential lots produced and median lot price (\$/m<sup>2</sup>), 2000-2009<sup>ab</sup>**

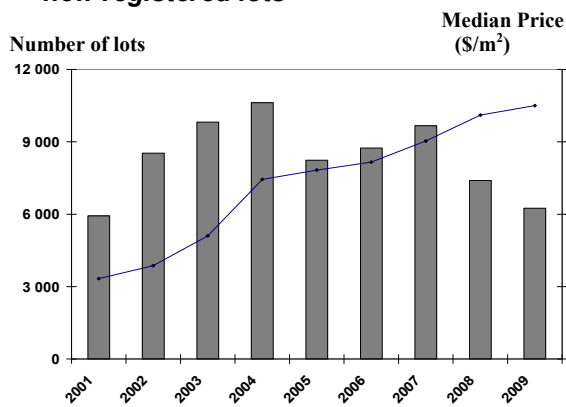
**Greater Sydney**  
— greenfield lot production



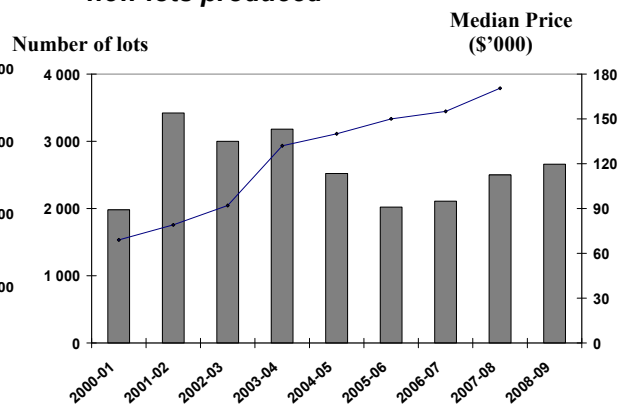
**Melbourne**  
— vacant house lots in growth areas



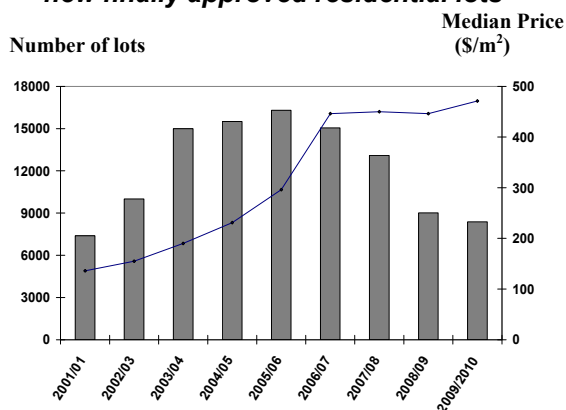
**South East Queensland**  
— new registered lots



**Adelaide**  
— new lots produced



**Perth and Peel**  
— new finally approved residential lots



<sup>a</sup> Except for Adelaide where the only price data available is \$'000 per lot. <sup>b</sup> Except for Greater Sydney where the latest data on lots produced is 2007-08, and Perth where data is available for 2009-2010.

Data sources: UDIA (2011); UDIA (2009).

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As shown in Chapter 2 (table 2.7), house prices and rents have risen relative to incomes in most cities. Less discernable are the changes in household formation across the jurisdictions or overall — for example, children choosing to stay in the family home longer into their adult lives, higher incidence of share-house living and greater use of accommodation, such as caravans, as permanent residencies.

Since an increase in housing can be sourced via greenfield or infill development, shortfalls in supply can be due to obstacles arising in one or both forms of development. The outcomes for greenfield and infill development are considered in turn below. In addition, appendix E (section E.2) contains maps of the capital cities, as at 2001 and 2006, which depict the dwelling density of the local councils and provide some indication of where development has occurred in the cities over this period including the balance of greenfield and infill.<sup>23</sup>

### *Greenfield development*

The Commission requested data from the jurisdictions on the stocks of land zoned residential, vacant lots with subdivision approval, and lots created (per 1000 people) across the capital cities in each jurisdiction in 2009 and 2010. This data is in figure 5.6. It is important to note that there are no zero values in this figure — in some cases, the data was not available or not supplied by the jurisdictions. The fact that some jurisdictions struggled to provide up to date information on key measurement criteria for residential land is evidence in itself that monitoring processes could be improved in this area.

In absolute terms, Sydney and Melbourne have large stocks of land zoned residential; however, relative to their populations, their stocks are smaller compared to the capital cities in other jurisdictions.

While figure 5.6 relates only to the capital city planning areas, it shows that both SEQ and Perth have among the highest supplies of greenfield land zoned for residential use and with subdivision approval (relative to population).<sup>24</sup> Queensland also has among the highest number of new lots created.

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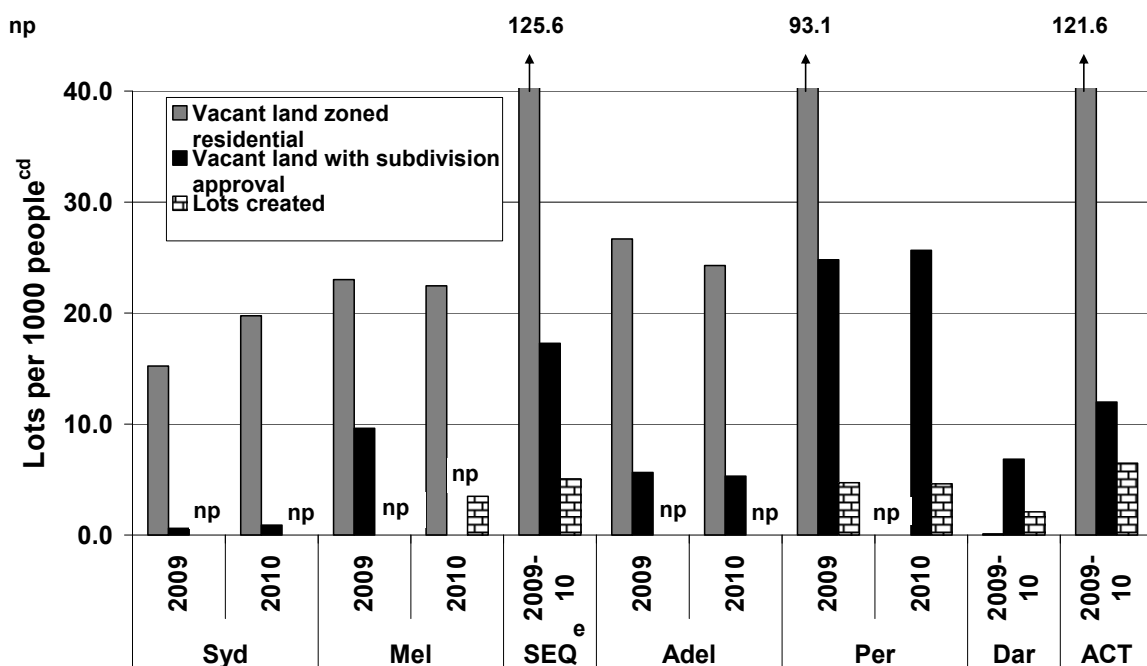
23 These maps do not capture the range of densities within local councils areas. For example, they do not reflect the success (or otherwise) of the jurisdictions seeking to implement transit orientated development strategy. Similarly, the average density in greenfield council areas may overstate the actual dwelling density for much of the council given the comparatively localised nature of development.

24 While important, the supply of greenfield land will not in itself contribute to the supply of housing. It is only once dwellings are constructed on the subdivided blocks and available for sale to the public that a contribution to the housing stock is made from greenfield development.

In addition to increasing supply of greenfield land, in 2008-09, Queensland and Western Australia have also made significant increases to their housing supply (see table 5.11). Setting aside infill outcomes (discussed below), this suggests that the rate of population growth is the primary factor driving housing shortfalls in these jurisdictions.

**Figure 5.6 Standardised stock of greenfield land zoned residential (with subdivision approval) and lots created, 2009 and 2010<sup>ab</sup>**

Lots in greenfield locations per thousand people in capital city planning areas



<sup>a</sup> There are no zero values in the figure and the absence of a data column — denoted by np — reflects that data was not supplied by the jurisdiction and/or was otherwise unavailable. <sup>b</sup> Data relates to the cities and years for which it was available and/or supplied to the Commission. The data is standardised using population data provided in Chapter 2 (Table 2.2). <sup>c</sup> In some instances, the number of 'lots' has been inferred from the estimated dwelling yields of the subject land. <sup>d</sup> For SEQ, this figure reflects the number of 'conventional lots' and community title lots. <sup>e</sup> Vacant land with subdivision approval includes lots approved by council but not yet certified.

*Data sources:* PC State and Territory Planning Agency Survey 2010 (unpublished); State and Territory Planning Agencies (pers. comm., (various) April 2010); Department of Planning and Community Development (Vic) (2010a); Department of Planning and Local Government (SA) (2010b); Department of Planning (NSW) (2010c); NHSC (2010), Queensland Treasury's Office of Economic and Statistical Research (2010).

As provided in table 5.2, subdivisions typically take over 12 months to complete (that is, to meet approval conditions and install infrastructure). As a consequence,

Chapter 7 considers the timeframes and costs associated with obtaining the necessary approvals to construct a dwelling.

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most of the land approved for subdivision in any given year will not be completed in that year and should remain in ‘inventory’ at the close of that year. This means that in any given year, there should be a reasonable stock of land with subdivision approval for which the subdivision has not been completed.

However, not all land zoned for residential use will be picked up by developers for subdivision approval. Based on information in figure 5.6, the low levels of land with subdivision approval relative to zoned land in Sydney and, to a lesser extent in Adelaide, suggests that developers in these jurisdictions are not taking development projects forward. It may also be that, in some instances, developers are only commencing and completing sufficient projects to meet the effective (or market) demand at current prices.<sup>25</sup>

For Sydney, contributing factors to low levels of development are identified in box 5.4. In fact, these factors can impact the translation of zoned land to developed land in any jurisdictions. As a consequence, having large amounts of zoned land is no guarantee of land supply outcomes to meet underlying demand.

**Box 5.4 Causes of low levels of development in Sydney**

In a report prepared for the New South Wales Treasury, Applied Economics found the low levels of residential development in Sydney had many causes, including:

- fractured land ownership (discussed in box 5.2)
- high englobo land<sup>26</sup> prices that deter development — landholders’ price expectations in excess of the prevailing market and attachment to their land were two significant factors identified as driving englobo land prices
- a lack of public infrastructure (principally for transport but, in some cases, for water)
- natural geographical constraints evidenced by a shortage of suitable development sites available in the areas where most people most want to live.

Source: Applied Economics (2010).

*Infill development*

While infill development does not physically alter the amount of land zoned for residential use in city planning areas, it does allow for a more intensive (and

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<sup>25</sup> Producing above the level of demand could see developers exposed to a surplus of unsold stock, the price of which is falling in the faces of excess supply. On the other hand, holding back supply may see an increase in the price of land to the advantage of the developer.

<sup>26</sup> Englobo land is undeveloped land with potential for subdivision.

hopefully more efficient) use of land. Examining the growth of dwelling density across local councils is one way to analyse the extent and location of infill development (as provided in Appendix E).

Some jurisdictions are more reliant on infill development for their housing outcomes than others. This is generally reflected in comparisons between the jurisdictions' infill targets (as analysed in Chapter 4). Up until the recent change of government in NSW, Sydney was targeting 60 to 70 per cent of its residential development to be infill compared to Melbourne, SEQ and Canberra which have infill targets of around 50 per cent<sup>27</sup>. Higher infill targets generally foreshadow a more intense use of existing urban land often involving rezoning to accommodate higher population density.

All of the major increases in dwelling densities in the capital cities have occurred in areas that have already been developed and, more specifically, in and around the central business districts. A list of local councils with dwelling density growth over 100 dwellings per square for the period 2001 to 2006 is provided in table 5.12. With the exception of Campbelltown City Council in Adelaide, all of the local councils areas listed have experienced some of the highest population growth rates (aside from greenfield areas) within their respective cities (population growth rates are discussed in chapter 2). Of the 11 councils listed, five were Sydney councils.<sup>28</sup>

**Table 5.12 Local councils with dwelling density growth over 100 dwellings per square kilometre, 2001 - 2006<sup>a</sup>**

<i>Sydney</i>	<i>Melbourne</i>	<i>Perth</i>	<i>Adelaide</i>
Sydney City	Melbourne City	Perth City	Adelaide City
Auburn	Port Phillip	Subiaco	Campbelltown
Canada Bay			
Strathfield			
Willoughby			

<sup>a</sup> SEQ, Hobart and Darwin have been excluded as there were no local councils in those cities with an increase in dwelling density of over 100 dwellings per square kilometre over the period 2001 to 2006. Canberra does not have local councils.

Sources: ABS (2001 Census of Population and Housing — unpublished); ABS (2006 Census of Population and Housing — unpublished).

<sup>27</sup> The current NSW government has made a pre-election commitment that the infill target would be reduced to 50 per cent suggesting that there will be a greater reliance on greenfield development in Sydney in the coming years.

<sup>28</sup> Further, of the 22 councils with an increase in dwelling density of over 50 dwellings per square kilometre for the period 2001 to 2006, 11 are Sydney councils (5 are from Melbourne and 3 each are from Adelaide and Perth).

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## Outcomes for commercial land

The Commission requested information on the supply of commercial land from the jurisdictions as part of its survey of the state and territory planning departments and agencies (as outlined in appendix B).<sup>29</sup> However, the Commission received very little data from the jurisdictions on commercial land (tables E.3 and E.5 in appendix E). Further, as reported in chapter 4, most of land supply management programs in the jurisdictions pay little attention (if any) to monitoring or analysing commercial land uses. It is unclear to the Commission how most jurisdictions monitor the adequacy of commercial land supplies without this information.<sup>30</sup>

While figures E.29 and E.30 in appendix E provide some indication as to the availability and location of commercial land across the capital city planning areas for the period 2004-05 to 2009-10, they are not definitive. For example, they do not capture the commercial properties available for lease. Notwithstanding, some inferences can be drawn from the data. Figure E.30 shows that sales of commercial properties were widely dispersed across the cities and suggests that at least one or two commercial properties were available for sale in most suburbs each year. Perth had the highest number of sales (by a large margin) of any capital city and median prices that sat in the midrange of the jurisdictions. In SEQ, a low volume of sales and rising prices indicates that adequacy of supply may be an emerging issue for that jurisdiction.

The sales, and median prices, of commercial land for Sydney, Perth and Hobart over the period 2004 to 2010 are provided in figure 5.7. Over the period, commercial land sales have declined — both in number of lots and hectares sold — across all cities.

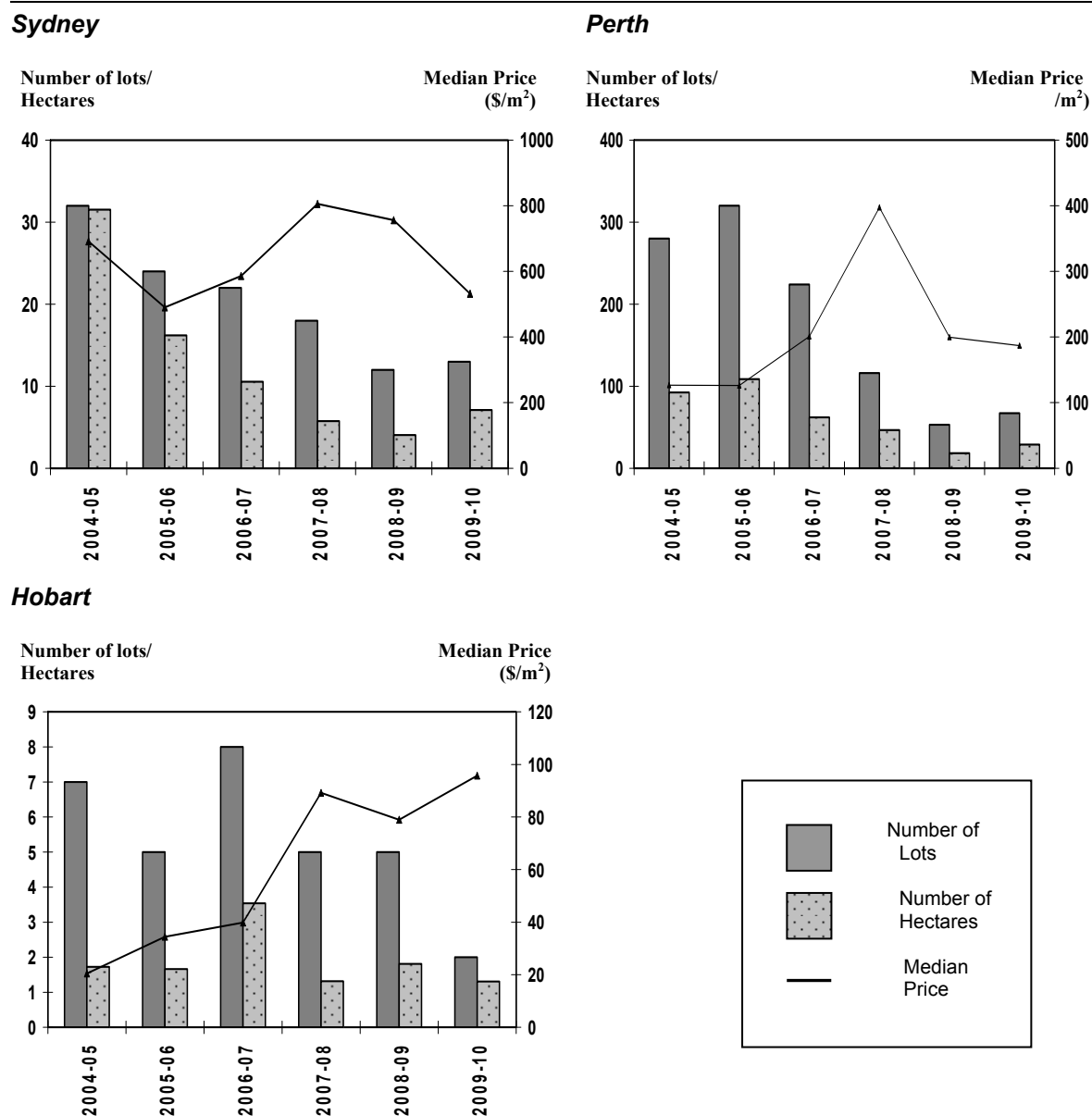
The significantly higher price (per square metre) of commercial land in Sydney compared to Perth tends to indicate a scarcity of commercial land in Sydney. Further evidence of an under supply of commercial land in Sydney is contained in Appendix E. According to table E.3, in 2010, Sydney had only the same amount of vacant land zoned for commercial uses as Darwin.

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29 Just as important as the amount of commercial land (if not more so) is the amount of commercial space available. The amount of commercial space available depends, in part, upon what developers do with the land zoned for commercial uses. As the focus of this chapter is land supply, the amount of commercial space available, while discussed, is not the primary focus of this section.

30 Jurisdictions such as Western Australia and South Australia undertake frequent audits of how much commercial land there is and/or maintain databases on how commercial land is being used.

**Figure 5.7 Sales of vacant commercial land and median lot price (\$/m<sup>2</sup>),<sup>a</sup> 2004-05-2009-10**



<sup>a</sup> No data was available from RP Data for Melbourne, SEQ, Adelaide, Darwin and Canberra on a comparable basis to that reported in the table. As a result, those cities are excluded from the figure.

Data source: RP Data / Rismark (2010, unpublished).

In Sydney and Perth, from 2005 to 2007, the price of commercial land rose sharply; but, since 2007, it has declined fairly substantially. The recent price falls are likely to reflect an easing of effective demand for commercial properties in both cities due to more uncertain economic conditions following the global financial crisis.

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As expected, there were significantly fewer commercial land sales in Hobart compared to Sydney and Perth and these declined over the period. In contrast to the other cities, commercial land prices in Hobart rose substantially almost over the entire period. Given the small (and declining) amount of commercial land for sale in Hobart, these price increases tend to suggest a high level of effective demand for commercial properties and a sluggish (or nil) supply response.

### **Outcomes for industrial land**

The Commission requested information on the supply of industrial land from the jurisdictions as part of its survey of the state and territory planning departments and agencies (appendix B). While the Commission received some data from the jurisdictions (see tables E.4 and E.6 in appendix E), much of that data was incomplete and not comparable. Some information on the stock of industrial land is available from some jurisdictions' land management programs—but this information is not directly comparable due to differences in composition. For example, the Southern Tasmanian Councils Authority (2010a, p. 24) has noted that the current stock/supply of industrial land for Hobart is 'clearly inadequate'.

At a general level, appendix E (see figures E.31 and E.32) provides an indication as to the availability and location of industrial land across the capital city planning areas for the period 2004-05 to 2009-10. However, this information is not definitive. For example, it does not capture the industrial properties available for lease.

Notwithstanding the gaps and inconsistencies, some inferences can be drawn from the data. Figure E.32 in appendix E shows that industrial property sales were widely dispersed across the cities, but were more concentrated than for commercial property sales. This reflects the narrower range of suburbs in which industrial land uses are located. Table 5.13 indicates the three suburbs with the most industrial land sales for each capital city planning — the shading denotes that the suburb has been in the top three suburbs for industrial sales for three or more years. According to the information in this table, most industrial land sales have consistently occurred in established industrial centres rather than in greenfield areas — for example, Wetherill Park (Sydney); Wingfield (Adelaide); Canning Vale and Bibra Lake (Perth); and Fyshwick and Mitchell (Canberra)

**Table 5.13 Suburbs with the most industrial land sales,<sup>a</sup> 2005-06 to 2009-10**

	2005-06	2006-07	2007-08	2008-09	2009-10
Syd	Wetherill Park	St Marys	Prestons	Wetherill Park	Wetherill Park
	St Marys	Wetherill Park	Smithfield	Smithfield	Campbelltown
	Ingleburn	Ingleburn	St Marys	Campbelltown	Ingleburn
Mel	Derrimut	Derrimut	Pakenham	Derrimut	Campbellfield
	Campbellfield	Campbellfield	Campbellfield	Melton	Derrimut
	Sunshine West	Sunshine West	Laverton North	Broadmeadows	Sunshine North
SEQ	Acacia Ridge	Slacks Creek	Burleigh Heads	Burleigh Heads	Slacks Creek
	Slacks Creek	Burleigh Heads	Sumner	Sumner	Seventeen Mile Rocks
	Molendinar	Clontarf	Slacks Creek	Slacks Creek	Brendale
Per	Malaga	Canning Vale	Landsdale	Landsdale	Canning Vale
	Bibra Lake	Bibra Lake	Wangara	Wangara	Wangara
	Canning Vale	Wangara	Bibra Lake	Canning Vale	Welshpool
Adel	Lonsdale	Lonsdale	Lonsdale	Lonsdale	Lonsdale
	Wingfield	Edwardstown	Wingfield	Cavan	Wingfield
	Athol Park	Salisbury South	Burton	Mile End South	Burton
Hob	Bridgewater	Cambridge	Bridgewater	Cambridge	Bridgewater
	Cambridge	Bridgewater	Cambridge	Huntingfield	Cambridge
	Mornington	Derwent Park	Derwent Park	Bridgewater	Huntingfield
Can	Fyshwick	Fyshwick	Fyshwick	Fyshwick	Mitchell
	Hume	Mitchell	Mitchell	Mitchell	Fyshwick
	Mitchell	Hume	Hume	Hume	Symonston
Dar	Winnellie	Winnellie	Winnellie	Winnellie	Winnellie
	Woolner	Pinelands	Pinelands	Pinelands	Pinelands
	Pinelands	Coconut Grove	Humpty Doo	Coconut Grove	Holtze

<sup>a</sup> Shading denotes the suburb as being one of the top three suburbs for industrial sales in three or more years.

Source: RP Data / Rismark (2010, unpublished).

Industrial land uses across cities are far more varied than residential and commercial uses. Hence, there is far greater variation in the lot sizes required. It is important that the jurisdictions' industrial land supplies include a range of lot sizes to meet the different needs of industry. This was recognised by the Department of Planning (WA) (2009a) in their Industrial Land Strategy 2009:

the challenge facing [Western Australia] is to strike a balance between having a ready supply of smaller lots for the majority of small to medium sized firms, and keeping sufficient large lots for the major players.

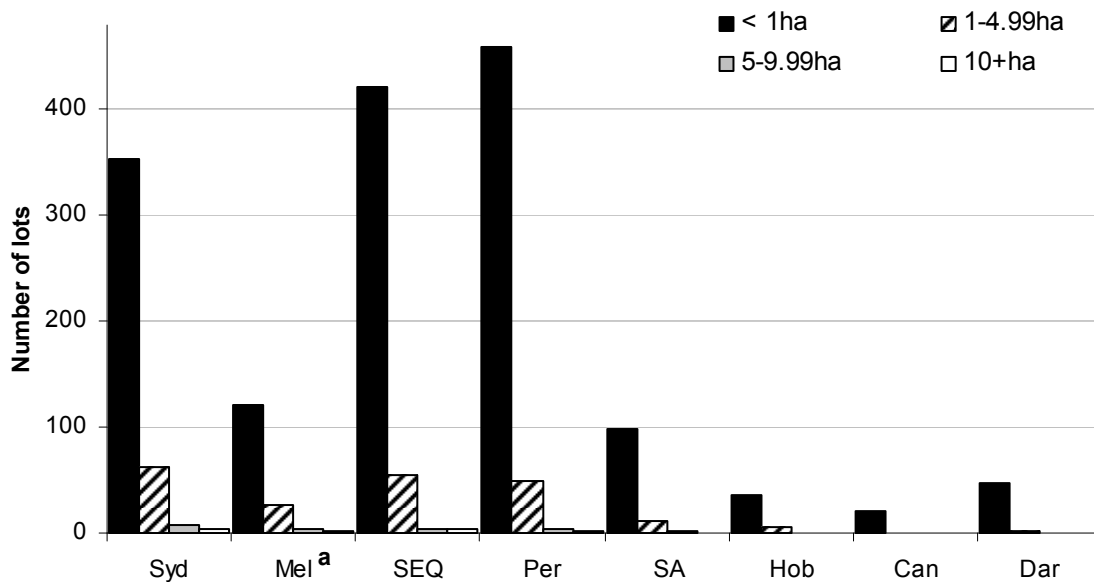
Given that most industrial estates are segregated from other land uses, the Commission considers that, once land has been zoned for industrial development,

there is no reason why the actual definition of blocks within sections cannot be left until the nature of the demand becomes evident.

An indication of the industrial lots sizes sold on annually on average between 2005-10 is provided in figure 5.8. Most of the industrial lots available for sale are less than one hectare in size. Of all the capital cities, Sydney had the most industrial lots of over one hectare sold between 2005 and 2010. However, this most likely reflects the greater amount of land zoned industrial to service Sydney’s much larger population rather than a substantially higher proportion of large blocks sold in Sydney compared to other capital cities.

**Figure 5.8 Industrial lot sizes**

Lots sold annually — 5 year average (2005-06 to 2009-10)

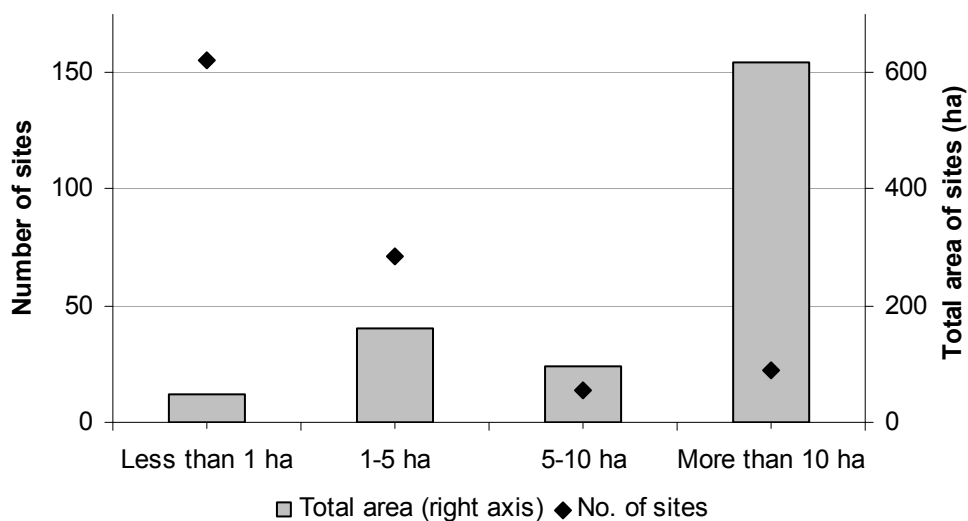


<sup>a</sup> The underlying data set for this figure contained details of both commercial and industrial property sales. However, the data did not permit the classification of a large number of records for Melbourne and these records were excluded from the data set. This is a major part of the reason for the comparatively low number of annual sales reported for Melbourne reported in this figure.

Data source: RP Data / Rismark (2010, unpublished).

South Australia is unique among the jurisdictions in reporting on the extent of government owned developable industrial land by lot size. This data is presented in figure 5.9.

**Figure 5.9 Government-owned developable industrial land: Adelaide**



Data source: Department of Planning and Local Government (SA) (2010b).

For the period 2004 to 2010, information on vacant industrial lots sales (in number and hectares) and median sales prices for Sydney, Perth and Hobart are provided in figure 5.10. Significantly more vacant industrial land was sold in Perth compared to Sydney over the period 2004-05 to 2009-10.<sup>31</sup> However, in contrast to the trend in vacant commercial land sales, prices (per square metre) were higher in Perth compared to Sydney. This is likely to reflect the heightened demand for industrial land in Perth from the increase in mining activity in Western Australia and mining related manufacturing activities over the period.<sup>32</sup>

While the number of vacant industrial lots sold has fallen in all three cities over the period, the number of hectares has fallen more substantially — particularly in Sydney and Hobart. This tends to indicate that the size of vacant industrial blocks has generally declined over the period.

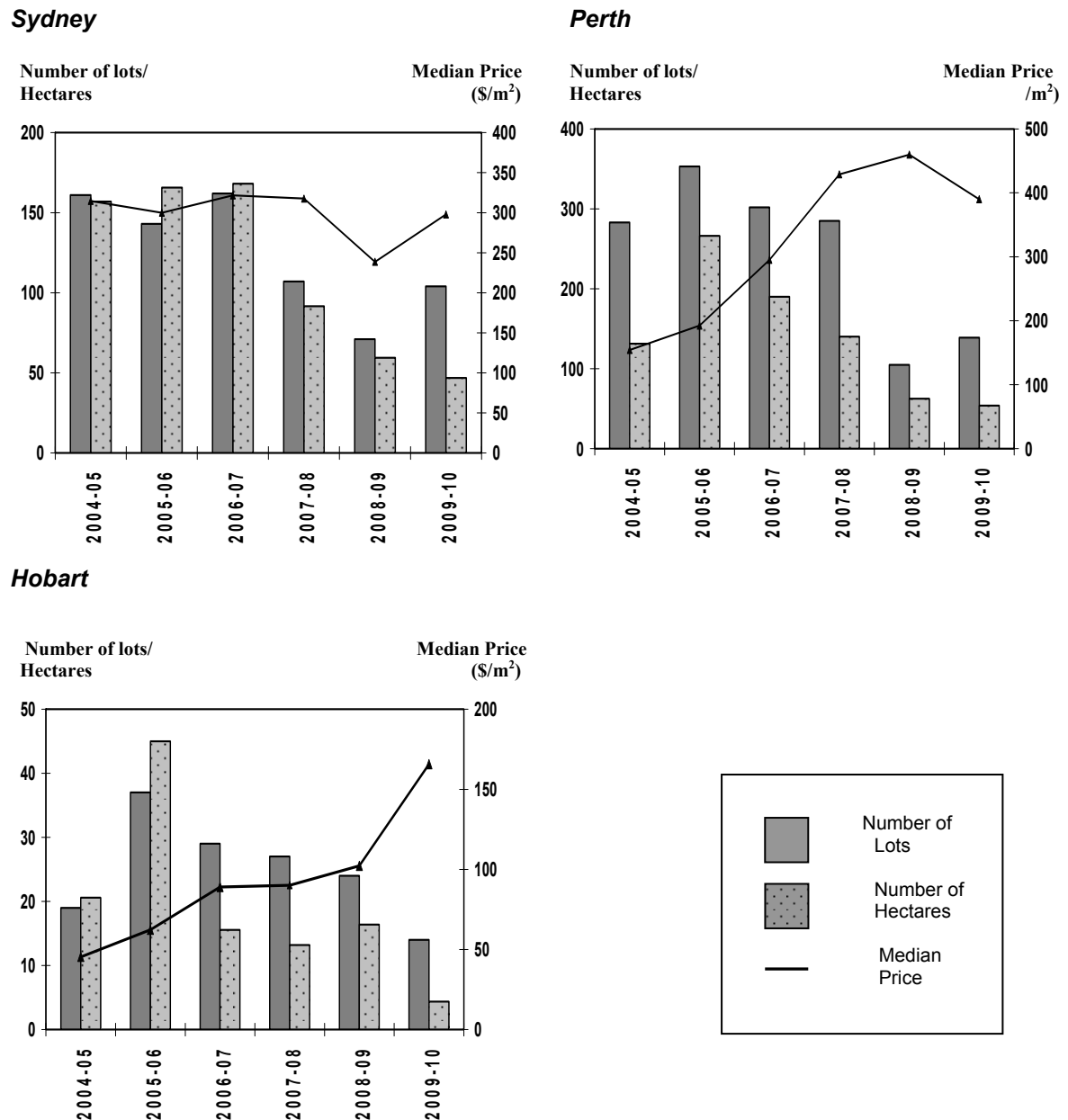
In Sydney, the median price of vacant industrial lots has actually fallen over the period. However, this is more likely to reflect (and support) a decline in the size of industrial blocks sold rather than a lack of effective demand for industrial land. In contrast, the median price for vacant industrial lots in Perth has risen over the period but has recently declined. The recent decline is likely to reflect a fall in effective demand for industrial land as conditions in the mining sector have eased. In Hobart,

<sup>31</sup> Data was only available for Sydney, Perth and Hobart.

<sup>32</sup> During consultations, the Commission was advised that industrial land had been in great demand in Perth due to the ‘resources boom’ and that inventories of available industrial land were being run down.

although still significantly below prices in Sydney and Perth, the median price for vacant industrial lots has risen over the period — and substantially since 2008. Along with a decrease in the number of industrial lots sold over the period, this suggests a sluggish supply response to increased effective demand.

**Figure 5.10 Sales of vacant industrial land and median lot price (\$/m<sup>2</sup>),<sup>a</sup> 2004-2010**



<sup>a</sup> No data was available in, or supplied for Melbourne, SEQ, Adelaide, Darwin and Canberra. As a result, those cities are excluded from the figure.

Data source: RP Data/Rismark (2010, unpublished).

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## 5.3 Leading practices and areas for improvement in land supply

Based on the analysis in Sections 5.1 and 5.2, which compares the jurisdictions' approaches to planning and delivering urban land and land supply outcomes respectively, it is apparent that there are some leading practices and areas for improvement. These include:

- Statutory timeframes exist for the approval of subdivisions, however no such timeframes exist for rezoning and structure planning in most jurisdictions.<sup>33</sup> Timeframes for these activities would provide some discipline to the regulatory processes and also provide developers with a better idea of the timeframes they should allow for in their planning and due diligence.
  - Queensland has statutory timeframes for the progression of a structure plan. These timeframes are outlined by the Minister in the declaration of a Master Planned Area.
- Greenfield subdivision developments seem to proceed more 'smoothly' in areas where some development has already occurred. As such, there may be a role for GLOs as the first developer into new settlement areas. This would provide precedent planning decisions on which other developers could base their due diligence and ensure major 'lead in' infrastructure was in place. Powers similar to those of the ULDA, would be useful for GLOs undertaking such a role.
- There is a role for GLOs to de-risk potential development sites where, due to factors such as contaminated soil and fragmented land holdings, the risks associated with those sites are too great to attract private sector interest, though some of these risks may also be too high to be carried by the public sector.
- Where possible, structure plans for a new development area should be completed in advance of any development in that area. This is generally the case in Sydney; the ACT; in Melbourne's designated growth areas where development cannot proceed until the Precinct Structure Plan is completed; and in Queensland, for declared master planned areas and projects undertaken by the ULDA.
- Community concerns and objections can be a source of delay to land supply projects. Taking on the leading practices raised in chapter 10 may go some way to addressing these delays.

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<sup>33</sup> Some jurisdictions, such as Victoria and South Australia, have committed to timeframes for these activities in their strategic land use plans and other planning documents, but these commitments do not have statutory backing.