

How will Sydney deal with a shortage of land supply?: Peter Chittenden

By Peter Chittenden
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For many years Sydney's housing market has been influenced by a shortage of supply, in particular a shortage of land.

Various estimates put the land under supply at 50% of what would be a sustainable level. An average of 14,500 homes have been built in Sydney every year for the past five years, we would have to build 27,500 new dwellings every year to reach some recently announced State Government targets.

New land supply is currently being created with major projects in the south-west and north-west. In March the New South Wales Government unveiled an ambitious plan to supply more than 170,000 new homes across greater Sydney. Under part of the plan eight existing suburbs will be re-zoned to accommodate 30,000 new homes in high density apartment blocks.

The Government has also released greenfield sites on the city's north-west and south-west outskirts to build new houses, business parks and town centres over the next 20 years.

Beyond these plans Sydney's supply problems have been evident now for almost a decade with the supply of new dwellings falling to a 50 year low in 2008–09.

Today, activity still remains well below the long term average and this reality is having a major impact on demand at a time when we are also seeing shifting lifestyle demands.

While there are plans for some major new greenfield projects it has been infill estates across Sydney that have over the past five years assumed a large share of new estate activity, with the more ambitious greenfield land releases in the outer areas at times facing delivery hurdles.

Clearly there is strong demand for new developments, but I think that the appeal of infill estates goes a long way towards explaining a subtle shift that is taking place in the demand for land and I have several examples to explore.

However, before looking at some specific examples the federal government's independent National Housing Supply Council report suggests that we're being priced out of our own homes. But, at the same time the report also finds that the overall rate of home ownership at around 70% of Australians still remains stable.

Then we also have the fact that there are falling numbers of first-time buyers in the housing market, with fewer young people buying and we a drop in the number of traditional new households forming.

The supply council's report points to affordability problems at the bottom end of the market where there is a struggle to save the [deposit](#) for a home. The council's report also shows that housing supply has fallen over the past decade and this trend has also been amplified by shifts in lifestyle expectations. Buyers have become debt adverse, and even if the deposit hurdle is overcome and recent rate cuts have an impact, buyers are still searching for lifestyle balance and I feel this is key among the facts driving the demand for infill estates.

We have buyers looking at where new estates are located and the distance from central Sydney or other major commercial and [employment](#) centres. They weigh up travel time and costs and find the idea of a long daily commute less and less appealing. Then experiences shows a constant need to consider the availability of local services and many infill locations score well in this regard.

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Expansive new suburban communities will, for many reasons also remain a popular housing choice but when we look at the success of smaller infill estates there are some key and proven [marketing](#) advantages.

Although many Australians dream of living on the coast or in the country, in reality the best quality of life in Australia is still found in the suburbs.

The larger greenfield estates are seen as an ideal way to offer buyers a big choice of size, location, quality and price that might not be provided in smaller developments.

However major new residential housing projects tend by virtue of the amount of land involved to be located at the edge of the current established residential and services footprint.

But even if there is a lag in some services, for many people they are better off in the suburbs. In Sydney's suburbs residents often have the best of all worlds, with access to good schools, shops, modern hospitals and reliable jobs, but also large houses, [fast internet](#) connections and low crime rates.

While a shift to more medium and high density living located in the inner-city is a trend the era of the new housing estate will remain part of the local market for many decades yet to come. The area still remains a fertile market and rich environment for marketing professionals, as well as developer innovation and we will see many infill estates deliver these benefits from day one.

The location of an individual property is usually, if not universally the most important factor influencing its market appeal.

Location wraps up how well a property is positioned relative to services, [employment](#) and ever more important access to transport links.

These values can also take on different priorities for different purchasers depending upon their personal needs and circumstances. Schools are important to young families, but other facilities like sporting and cultural will be important to a more mature family or couple.

On varied scales the arrival of a new development can readily impact how desirable a location is.

Once unfashionable or even undesirable locations can be transformed by the development of a new project if it is either very larger with the provision of new services and facilities.

An infill estate can have the same impact by knitting together a previously disjointed neighbourhood.

Location needs to be very carefully communicated in all marketing activity. It can not be assumed that a good location will sell itself. It cannot also be assumed that a poor location does not have some up-side.

The lack of transport is now a major issue and as consumers are currently getting another taste of higher oil prices transport (of every kind) will remain an even more central issue as most Australian cities, including Sydney, play catch-up with improved transport.

The result is that major new projects in any big metropolitan area will face common aspects of location that will be influenced by their relationship to the main CBDs.

Location in the context of services is a critical factor for both greenfield and infill estates because it helps to determine the housing mix and how in turn each project taken to and received by the market.

Demand and price expectations will also be tied to the core issue of services and infrastructure and any deficiencies will have to be compensated by prices variations.

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