



MADDEN'S MYTHICAL UGB UPLIFT

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The Planning Minister Madden states that land brought into the Urban Growth Boundary (UGB) will gain a tenfold increase in value. He, together with the Growth Areas Authority, states land values outside the UGB sell for \$15,000 per hectare and land inside the UGB sells at figures above \$400,000 per hectare. This is quite an extraordinary uplift for one hectare of land.

Maddens figure of \$15,000 per hectare is found to be at the extreme low end of the property market and in turn the projected uplift, in excess of \$400,000 per hectare, is quoted in the same breath as "inside the Urban Growth Boundary (UGB) and zoned for development". An investigation of the Urban Growth Zone, which is the zoning applied to land in the UGB, clearly indicates that severe restrictions are place on property first brought into the UGB. Most notably, restrictions on subdividing or building a house on land under 40 hectares in size (100 acres). Essentially the property owner is placed in a holding zone until a Structure Plan is incorporated into the local planning scheme. Structure Planning is controlled by the Growth Area Authority.

The Government's blueprint document "Melbourne @ 5 Million", clearly states "land brought into the UGB in 2009 is unlikely to be developed for another ten to twenty years". So anyone purchasing land today will need to hold property until 2019 and possibly up to 2029 to see it "zoned for development" and its development potential realised.

It is not surprising therefore to find sales evidence of land inside the existing UGB with long term development potential predominantly falls below \$200,000 per hectare.

Property consultants, valuers and real estate agents all get their information from the one source: each other. It is available if you know where to look however even a vast body of sales data is useless (if not misleading) if interpreted incorrectly. In the valuation and real estate profession that means comparing "like with like".

So rather than taking a whole lot of sales evidence and finding an average you must be analytical and dissect the evidence to find the information that most reflects the property you are targeting. Development timing for land is one of the key determinants of value, together with topography, development yield, demand and contractual terms. All things being equal, development timing is at the top of the list.

Using the Government's own projections of a 10 to 20 year development horizon indicates that in the Cardinia Shire (the highest-priced growth area in Melbourne) 61% of land sold under \$200,000 per hectare and over 90% sold under the Government's mythical average figure of \$356,000 per hectare.

It is not unreasonable to expect that the additional 41,000 hectares the Government intend to include in the UGB together with the Global Financial Crisis will lead downward

pressure on property prices particularly in the north and western growth areas of Melbourne.

If you compare “like with like” or “apples with apples”, however you want to describe it, there is no sales evidence to suggest that developers will pay \$356,000 per hectare for land that cannot be developed for 10 to 20 years.

Michael Hocking
TAXED OUT Inc.

Property Consultant