

First-home buyers dreams dashed as Sydney land prices jump \$100,000 in a year: UDIA



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First-home buyers hoping to buy on Sydney's fringe have been dealt another blow with a new report showing that land prices surged by \$100,000 last year alone.

Experts say the cost of land is increasing faster than first timers' ability to save, effectively locking them out of the new home market.

In 2014, it cost \$339,750 to buy a block of land in the suburbs, but buyers of the same block will now find themselves set back \$440,725 for a median priced new lot, according to the 2016 Urban Development Institute of Australia's (UDIA) *State of the Land* report released on Thursday.

That works out to be a hefty \$975 per square metre, almost double the cost in 2010 and a third more than 2014.

UDIA national president Michael Corcoran said rising land prices in Sydney are "dashing the Australian first home buyer's dream".

"The price of land, homes and apartments in Sydney are rising quicker than any first home buyer can save a deposit," he said.

Not only is land becoming more expensive, it's shrinking too – in 2010 the median size block was 524 square metres and cost \$293,250. Over the past five years prices have jumped 50.3 per cent and the the typical block size has shrunk to 454 square metres.

With the city's population expected to surge 80,000 people a year until 2031, block sizes are going to get even smaller, the report warns.

“In order to meet this demand, the activity seen in the last three years needs to be produced every year for the next 16 years,” the report says.

“Prices of land and housing are rising in Sydney faster and higher than any other Australian city and Sydney still needs a dramatic increase in affordable land supply to arrest this trend.”

Chris Martin, research fellow at UNSW’s City Futures Research Centre, said this posed serious concerns for the next generation of homebuyers.

“People who foolishly chose to be born later [than baby boomers] or those who failed to pick wealthy parents will badly struggle to get access to detached suburban housing,” Dr Martin said.

While some younger Australians might be turning to apartment living, he warned off generalisations about millennials and Generation Y.

“These high prices may be a strong explanation for what is perceived as a rising preference for apartment accommodation,” he said.

Dr Martin believes a broad-based land tax would be one way to stop the “hoarding” of land and to provide the state government a way to raise revenue for infrastructure that didn’t impact home buyers.

“Prices are crazy because people gamble with land and are encouraged to do so [with tax incentives],” he said.

Housing Industry Association senior economist Shane Garrett said the price growth was a “big jump by any stretch”.

“There’s definitely a supply issue in Sydney as the geography doesn’t work for additional land supply, but also when demand expands strongly, as it has over the past three years, planning systems react less quickly,” he said.

“There’s other financial impediments going on – developer contributions are high in the Sydney area, which weighs heavily on developers in a way that isn’t cost effective for the buyer,” he said.

“It’s less affordable than it used to be and [how first home buyers fare] depends on how flexible they’re going to be with where they live,” he said.

For those wanting still keen on owning a quarter acre block, the UDIA report points to upcoming new supply in far-flung locations, such as the recently announced Greater Macarthur Investigation area where 34,700 lots will be developed by 2036.

In these locations, 50 kilometres from the CBD, townhouses are priced at \$500,000.

“This land release should have a positive effect on affordability levels as more supply comes to market,” the report says.