

## Residential Development Review

In the midst of the challenges of Covid-19, good information and analysis is more important than ever. In conjunction with the Urban Land Institute, Mecone is pleased to announce the release of our latest Residential Development Review publications for Sydney, Melbourne, and southeast Queensland, covering the period July-Dec 2019. In these reports, we have collated and analysed a wide variety of public and custom data on residential development in Australia's three largest urban areas.

A snapshot of our residential development review is provided below. Full reports can be accessed via <https://mecone.com.au/articlesandnews/residential-development-review-2/>

## The state of housing market

The review shows several consistent themes across the three markets:

- First is the persistent and accelerating population growth, projected in all three metros to continue at a rapid pace for years into the future.
- Second is a clear drop in residential building approvals from a peak 2-3 years ago. This drop in approvals means housing delivery in our three major metropolitan areas will not keep pace with population growth in the coming years.
- Third is the rate of approvals across various parts of the cities resulting in supply shortfall being more pronounced in certain areas while other areas holding up.
- Fourth is a historic level of infrastructure investment, especially in transport, to support productivity and quality of life in growing cities, however, we are failing to see housing delivery in conjunction with these projects.

The uncertainty around the COVID-19 pandemic and its impact on the construction supply chains will result in further decline in housing supply in the coming years. In its earlier Newsletter, Mecone highlighted the opportunity to progress planning approvals during this down time to have sites shovel ready post COVID-19, when we are likely to see an improvement in economic conditions. For the savvy developer, planning projects now in the right location will provide the opportunity to take advantage of these improved conditions. This can assist in narrowing the major gap between housing supply and projected demand.

State and local planning authorities are beginning to introduce measures to incentivise development and help industry through COVID-19. In many cases, announcements have been made, but further detail and additional incentives are yet to be revealed. We will monitor progress in this regard and continue to keep our clients and colleagues up to date with opportunities to make the most of incentives on offer.

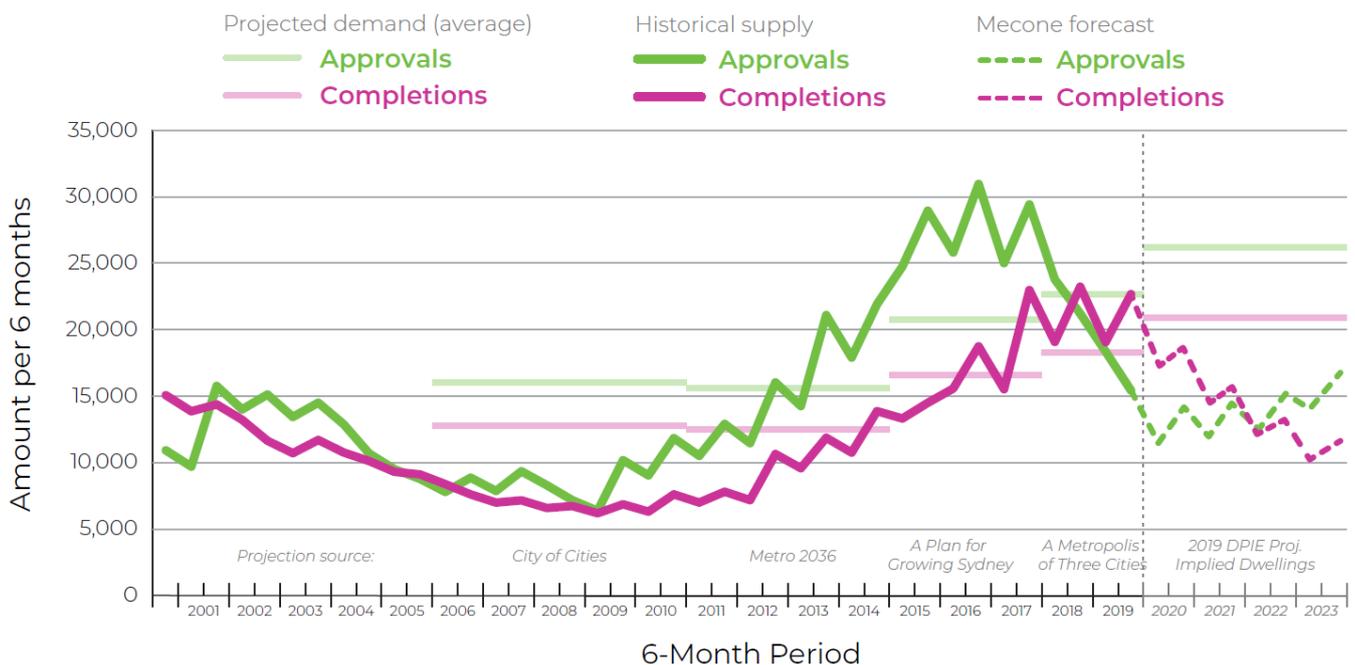
At Mecone, we are still open for business and ready to assist with the full range of planning services.

## Residential development trends in Sydney

In Sydney, the second half of 2019 saw the sharpest decline in dwelling approvals in the last 20 years. The volume of approvals is now back to 2013 levels and is half of the 2016-17 peak.

Dwelling completions, lagging 2-3 years behind approvals, are just reaching the end of their peak now. The sharp fall in approvals is now setting up a supply shortage in the next few years.

By far the most dramatic drop in dwelling approvals has come in the Eastern District. Sydney and Bayside LGAs, formerly major contributors to residential growth, both had only 300-400 dwellings approved in 2019 H2. Parramatta and Georges River were the only LGAs with approval volumes comparable to their five-year averages. While multi-unit dwellings have experienced the steepest declines in approval activity, greenfield and detached dwellings have been less affected. Approvals for houses are down by only 25-30% from the peak, and greenfield-heavy LGAs remain among the top hotspots in the slower market.

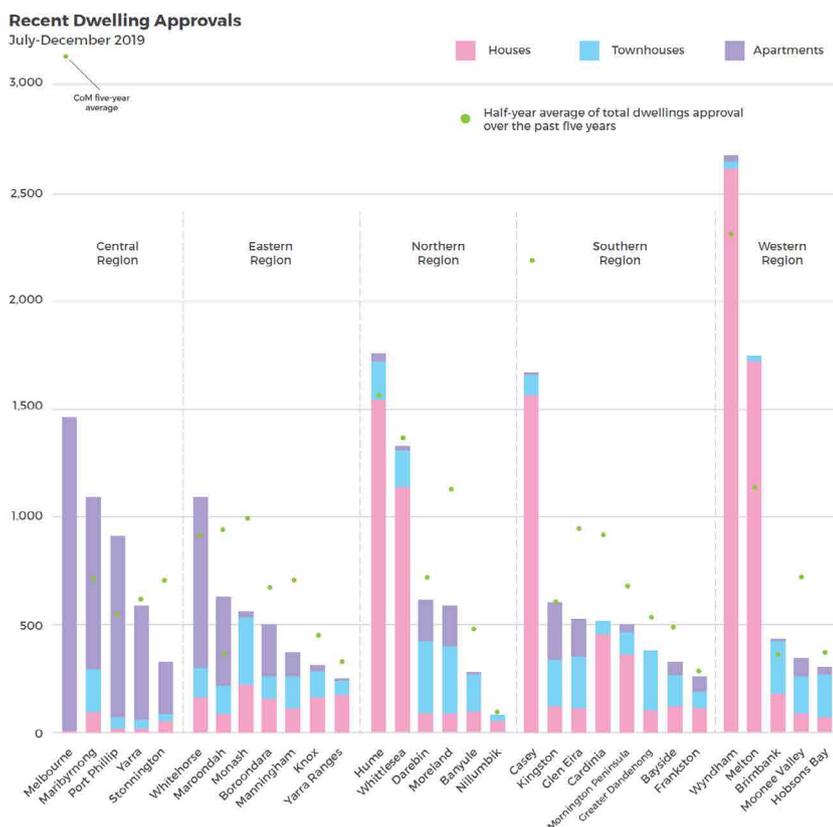


## Residential development trends in Melbourne

Melbourne continues to be the fastest growing city in Australia, measured at 2.3% for 2018/19 (ABS ERP). The minor decline in approvals seen in 2019 is cause for concern despite not being as steep a drop as in Sydney. The total number of dwellings approved in 2019 was lower than the projected demand by over 10,000.

The growth areas have continued to produce a high proportion of new dwellings at about 42% of the metropolitan figure. Eight of the 31 metropolitan councils approved more than the five-year average in 2019 H2 compared with only three achieving that in the first half of the year. This saw above average development in the inner- and middle-ring LGAs of Maribyrnong, Brimbank, Whitehorse, Maroondah and Port Phillip.

Across the metro area, apartments now make up only about 1/3 of approved dwellings, indicating a strong reliance on lower density built forms for housing supply. The City of Melbourne continues to dominate the supply of apartments having approved 1,444 in the second half of 2019 – that is 399 lower than in the first half.



## Government responses to COVID-19

Federal, State and Local Governments across Australia are focussed on assisting the community through the COVID-19 pandemic from a human health and economic perspective. All industries are impacted by the current circumstances and the planning and development sector requires support to address the trends described above, maintain viability through the pandemic, and assist in the economic recovery phase. Measures and responses are specific to our industry are beginning to emerge, through the detail is yet to be clearly articulated. It is believed that State Governments are currently working through the process improvement and stimulus ideas and their implications prior to further announcements.

Our next article will outline what has been put on the table that will assist the planning and development industry see this intense period through and be an active part of the recovery.

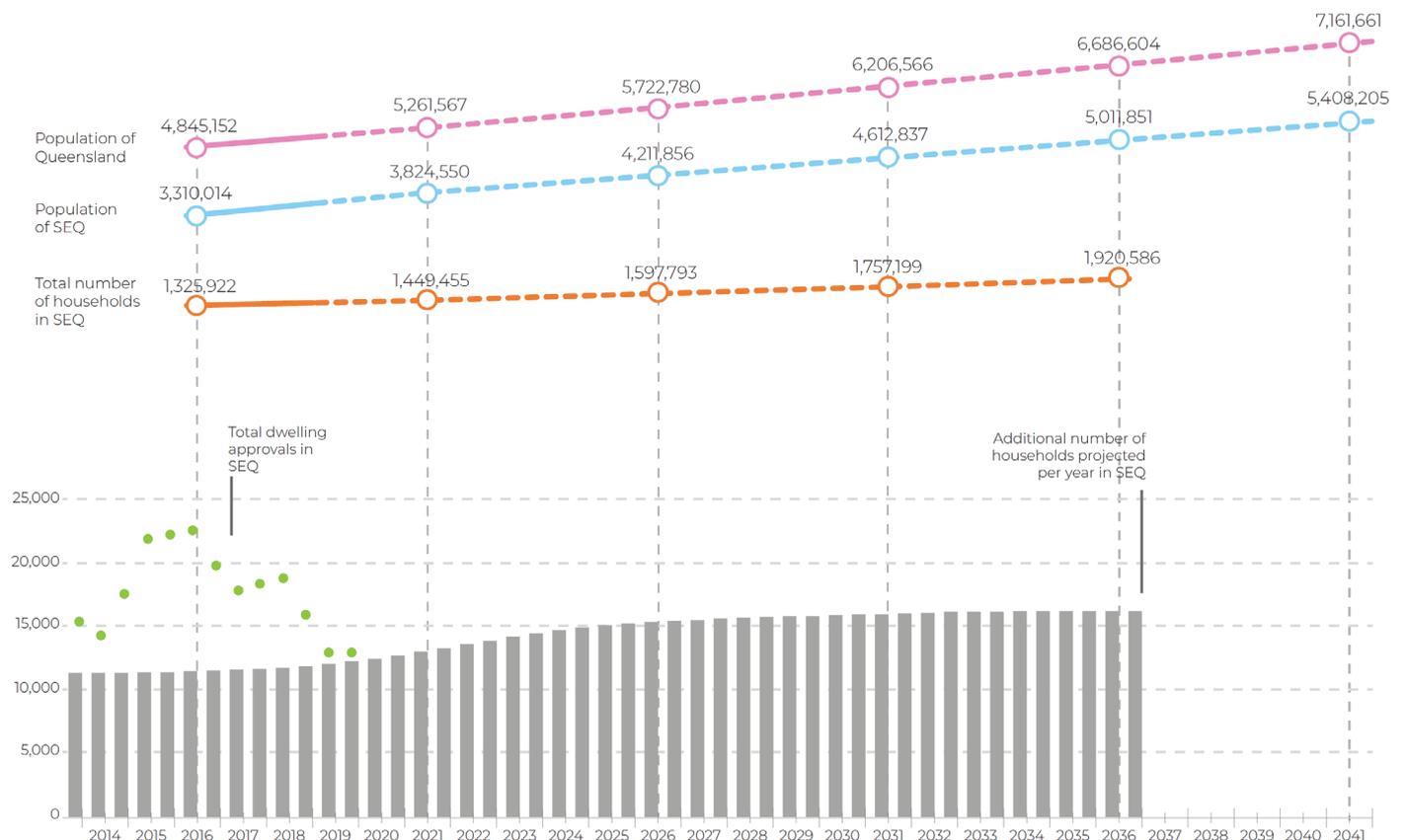
Be sure to contact your local Mecone State office for more information about residential development figures and the opportunities they present, and how we can assist you to progress planning for your projects.

## Residential development trends in SEQ

Across south east Queensland, dwelling approvals stayed at a depressed rate compared to the 2015 peak. The steepest drop has been seen within the Metro and South sub-regions and in attached dwellings, all down by over 50% since 2015-16. On the other hand, the North and West sub-regions have had stable approval volumes across the last five years, as have detached and semi-detached dwellings across SEQ.

Brisbane LGA saw a significant reduction in the number of semi-detached dwelling approvals, down 762 approvals from the second half of 2018. This is likely due to the policy changes in Brisbane City Council restricting the delivery of townhouses. In Gold Coast LGA, as stock availability reduces for greenfield development, it is likely that the semi-detached and attached product will continue to increase in this market.

Approvals and completions across SEQ are currently at sufficient levels to meet population growth. However, the downward trend in total dwelling approvals combined with the lag in delivery of projects from the time of approval may lead to housing shortage and affordability pressures in SEQ.



## Major infrastructure delivery

Across the three urban areas, numerous major infrastructure projects have been planned and delivered especially in the transport space.

Sydney's infrastructure boom is well under way with several major projects about to be opened after years under construction and many more in planning. Several major projects will be finished in 2020 including NorthConnex and WestConnex New M5 tunnels. Construction has started for Sydney Metro CBD & Southwest, Parramatta Light Rail Stage 1 and the Westconnex M4 to M5 Link. The Sydney Metro West alignment and station locations were confirmed in Oct 2019 and the approval process has begun. The new M12 Motorway is being planned to connect to the Western Sydney Airport.

In Melbourne, technical, planning and design work, and stakeholder consultation is well underway to inform the detailed alignment and station location options along the Suburban Rail Loop corridor. Pre-construction work on Stage One is gathering pace with geotechnical drilling underway at locations between Box Hill and Cheltenham. This program of work was planned to ramp up from early 2020 with approximately 100 boreholes to be drilled by mid-2020. Development work is progressing with initial construction works on Stage One to commence in 2022.

The planning for the Melbourne Airport Rail Link is expected to run concurrently with the Suburban Rail Loop. The Government has given the green light to progress the detailed Business Case having selected the Sunshine Route as preferred. Next step is the detailed business case for the Sunshine Route, to be completed by 2020. Construction set to commence by 2022 and will take up to nine years to complete. The Level Crossing Removal Program has reached a milestone with nearly half of the 75 crossings completed.

In SEQ, the headline project is the \$5.4 billion Cross River Rail connection involving the delivery of additional capacity into the passenger rail network of Brisbane and the creation of four new underground stations servicing the inner south, city and inner north of Brisbane. Works are well underway with site preparation occurring at Woolloongabba, Albert St, Roma St Station, Boggo Road Station, Victoria Park and Mary St.

Complementing CRR is Brisbane Metro, a high-frequency transit system serviced by a fleet of electric vehicles. The system will connect Eight Mile Plains and Roma Street, and Royal Brisbane and Women's Hospital and University of Queensland. Having secured funding and resolved a draft design, early works have commenced with completion expected in 2023.

In all three urban areas, although these major infrastructure projects are intended to support projected population growth, the statutory planning processes are not yet acting to ramp up development in areas served by the projects. Targeting these areas for uplift and additional economic activity would be beneficial both to help pay the costs of the projects and to concentrate development in areas well-served by transport.



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### Sydney

Level 12  
179 Elizabeth Street  
Sydney NSW 2000  
(02) 8667 8668

### Brisbane

Level 23  
127 Creek Street  
Brisbane QLD 4000  
(07) 3556 4005

### Western Sydney

Level 2  
3 Horwood Place  
Parramatta NSW 2150  
(02) 8073 4677

### Melbourne

Level 7  
333 Collins Stret  
Melbourne VIC 3000  
(03) 8547 9510

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**[mecone.com.au](http://mecone.com.au)**

[info@mecone.com.au](mailto:info@mecone.com.au)

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