

# Supply vs Market:

## A Valuer's Perspective



CHARTER | KECK  
CRAMER

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# Outline

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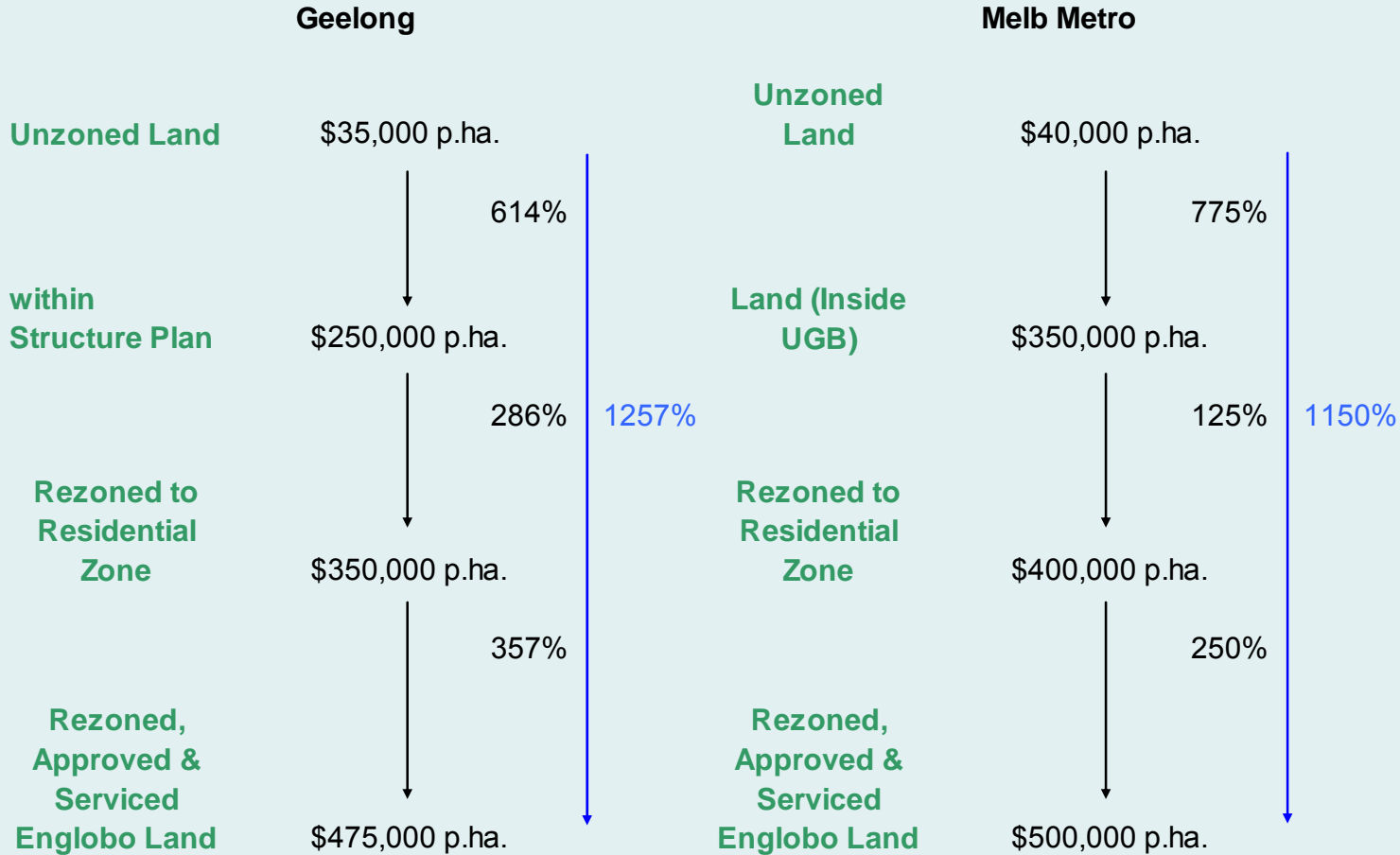
- Definitions of “Supply”
- Value Transformation
- Influences of Supply upon Value
- Implications of Supply Imbalance

# Definition of “Supply”

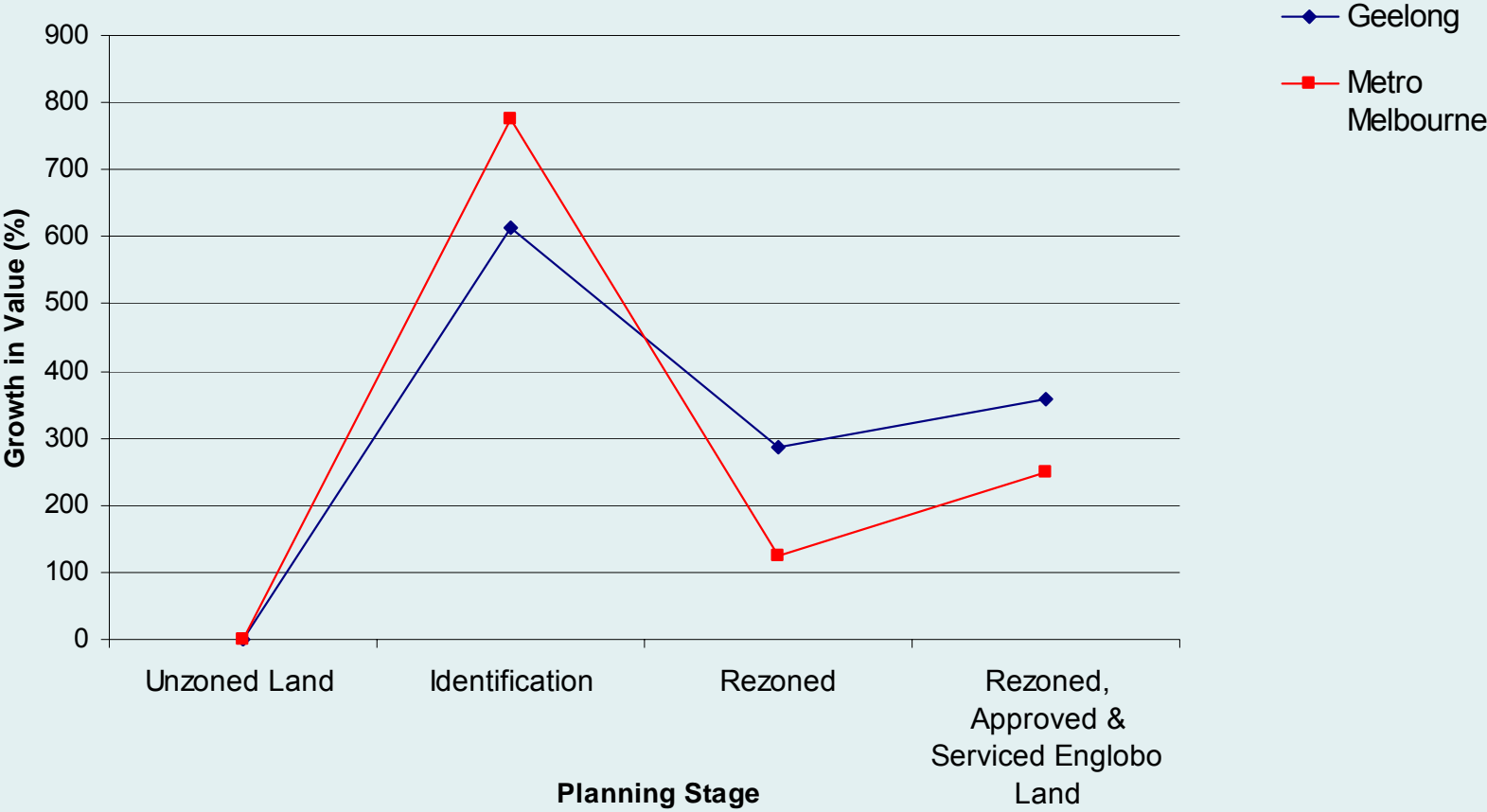
- Differences between Regulatory and Market definitions
- Regulatory: Zoned + All Unzoned broadhectare land
- Market: Zoned + only Unzoned with short-term prospects of rezoning
- Different definitions causes conflict between meeting short & long-term needs of Developers
- M2030's 25 year supply pipeline concept is appropriate but needs further refinement to balance long, medium & short-term needs

# Value Transformation

## Growth as a Percentage of Unzoned Land Value



# Value Transformation: Geelong vs Metro Melbourne



# Inglobo Land Value Transformation – 20 ha

## Growth as a Percentage of Unzoned Land Value Metro Area



# Value Transformations

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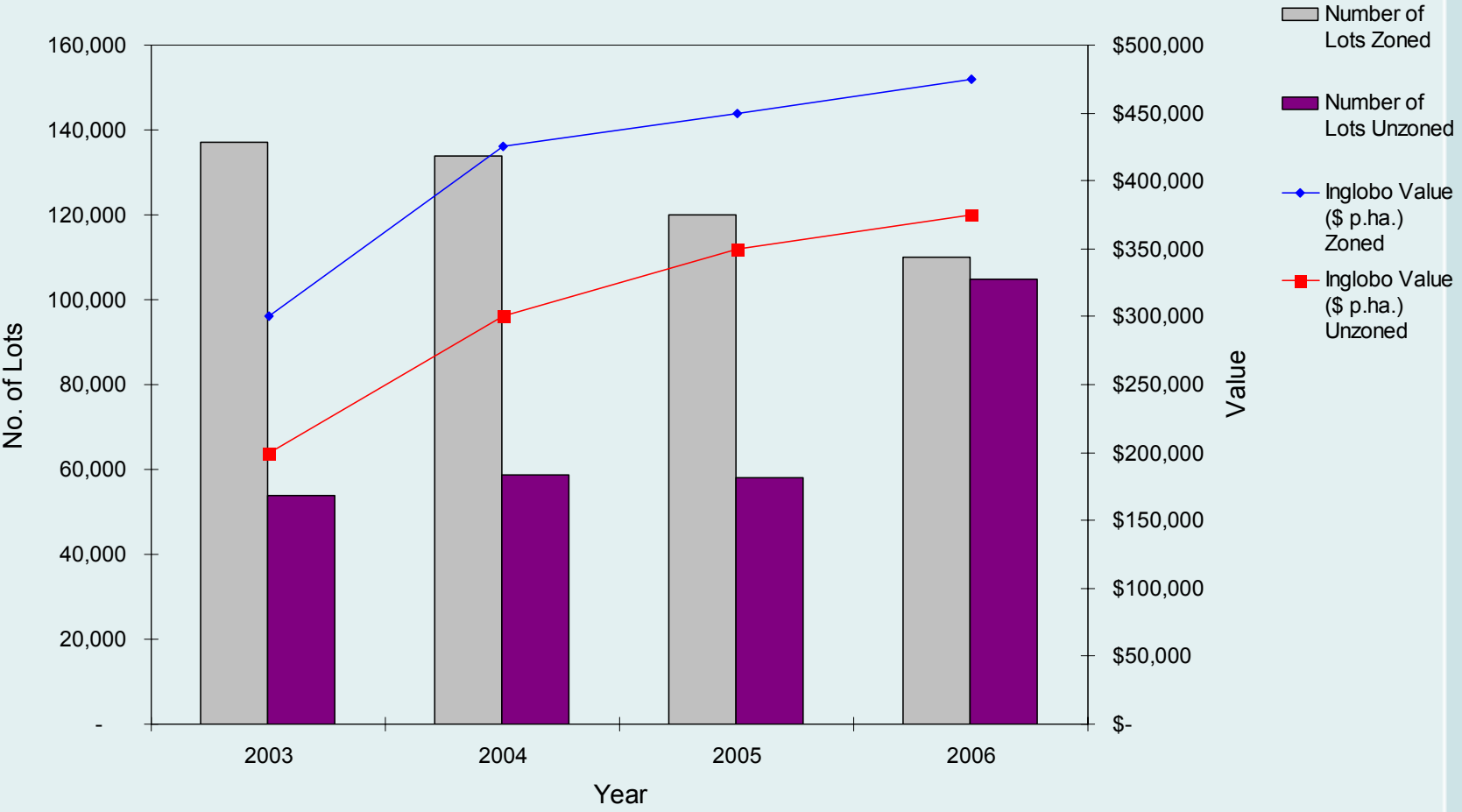
- Values transforms through the Rezoning process
- For 20 ha unzoned parcel in 2002, there was a ↑ 900% in value upon full approval, as compared to ↑ 2007 1150%
- Planning periods escalated from 12 -18 months to 3 years
- Real returns for developers adding value through the Planning Process has decreased.

# Influence of Supply Upon Values

- Analysis highlights much greater effect of Zoned land supply upon broadheactare and serviced lot values
- Values also influenced by planning framework, market conditions, infrastructure
- Variation in values also evident between Urban Growth Areas

Year	Number of Lots		Inglobo Value (\$ p.ha.)		Serviced Lots Values
	Zoned	Unzoned	Zoned	Unzoned	
2003	137,000	54,000	\$300,000	\$200,000	\$118,000
2004	134,000	58,700	\$425,000	\$300,000	\$136,000
2005	120,000	58,000	\$450,000	\$350,000	\$138,000
2006	110,000	105,000	\$475,000	\$375,000	\$150,000

# Influence of Supply on Value



# Implications of Supply Imbalance

- M2030's 25 year supply rule has not alleviated affordability (its main justification)
- 25 year rule has provided certainty but threat of ad-hoc amendments may jeopardise this certainty and confidence as well as sequencing of servicing, land release, etc
- Developers have adapted to new supply regime and have balanced short, medium & long-term holdings to this new framework
  - Changes to the rules will ↓ asset values
  - Changes to the rules will ↓ enterprise values
- Govt. needs to focus on moving Long to Short-term supply in order to control broadhectare & serviced lot values

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