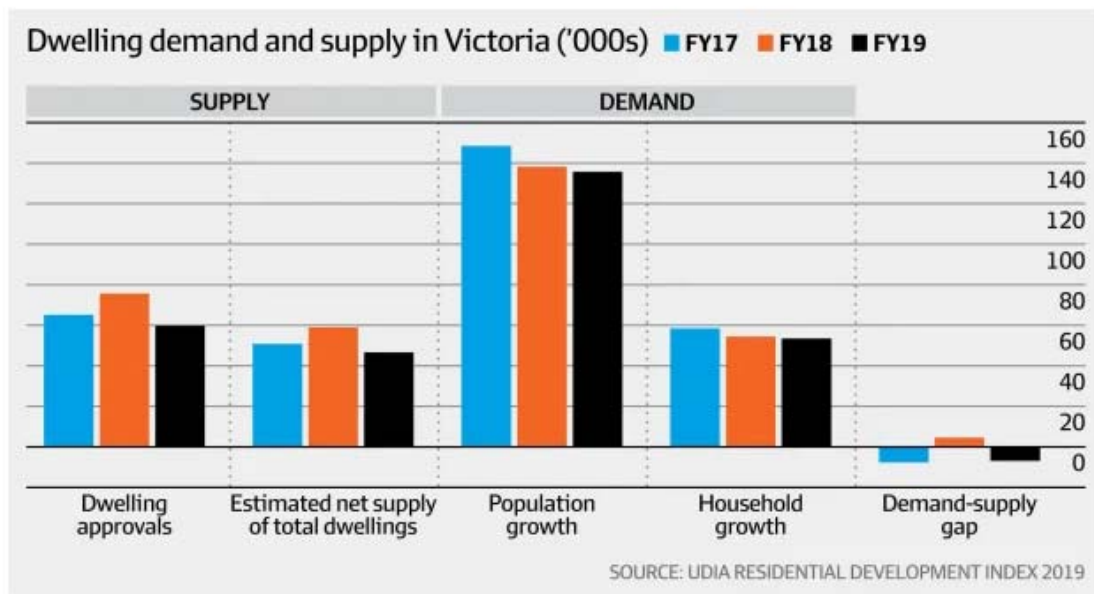


Victoria to slip back into housing deficit as approvals slump

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Victoria is headed for a stark shortage of housing after a collapse in new housing approvals last year shrank the pipeline of new homes and pulled the country's second-largest state back into a development deficit, the Urban Development Institute of Australia says.

New dwelling approvals sank to 59,719 in the 12 months to June from 75,613 a year earlier, which the UDIA's Residential Development Index report calculated would result in a decline in completed dwellings to 46,581 from 58,978, based on its estimate that 78 per cent of approvals became homes.



The decline in new homes created would outstrip a slowdown in growth in the state's overall population (to 135,655 from 138,159 in 2018) and also in new households (to 53,427 from 54,413 – based on an average household size of 2.54 people) and would push the demand-supply gap into a deficit of 6846 from the previous year's surplus of 4565, the latest annual forecasting report from the develop lobby group says.

“With Victoria’s population growth expected to continue at record levels in the coming years, we need to be delivering around 66,000 to 68,000 new houses every year,” the UDIA’s Victorian chief executive, Danni Hunter, said.

“The approval numbers and the construction pipeline flowing from approvals in the 2019 financial year reveals a complete drought of new housing which will hit the market in the next 18-24 months.”

While housing prices have started rising in the past month or so after a sustained slump, there is a lag between higher prices and a turnaround in the development pipeline. Housing construction levels that remain strong – as developers work through projects committed to years ago – but a shortage is coming.

Commercial real estate agency JLL's latest *Apartment Market Reports* already warn of a shortage of new homes, [based on the drop-off in new apartment projects being marketed](#).



Shortage looming: new apartment approvals in central Melbourne slumped in the year to June. Erin Jonasson

But the Victoria-specific UDIA report also shows where the declines have occurred and where shortages will be felt in coming years. The sharpest falls in approvals in the year to June occurred in the Melbourne CBD and inner suburbs.

In the Victorian capital's inner ring – central Melbourne, Maribyrnong, Yarra, Stonnington and Port Phillip council areas – where apartments far outnumber detached houses in the new-housing game, apartment approvals more than halved to 5078 from 12,074 a year earlier.

Townhouse approvals nearly halved, sliding 42 per cent to 524 from 900.

The City of Melbourne suffered the biggest decline of any council area as total approvals slumped three-quarters to 1924 from 7350 a year earlier. None of the central region's former hotspots was spared. In the Melbourne CBD approvals plunged to fewer than 300 from 3700, in Docklands and Southbank the number fell by more than two-thirds to 700 from 2400 and in North Melbourne the total more than halved to 400 from 1000.

Stonnington was the only inner-region local council to see an increase in approvals, with the total rising 42 per cent to 1388 from 979.

The slowdown was partly a consequence of having fewer large sites available than in previous years, but Ms Hunter said that was exacerbated by the state government's so-called C270 development controls that had limited the size of floorplates and imposed restrictions such as setbacks in an effort to curb the residential development frenzy of several years ago.

"What the industry is finding is difficulty in amalgamating sites – getting the right site with the right size that fits within the controls," she said.

"One thing they could do is to relax those controls to facilitate and encourage more residential development in our CBD."

Source : <https://www.afr.com/property/residential/victoria-to-slip-back-into-housing-deficit-as-approvals-slump-20190917-p52s7j>