# Outer Melbourne Residential Land Market Brief

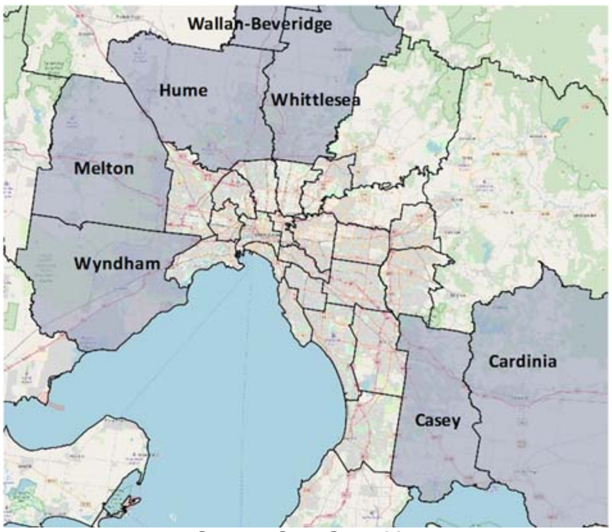
**November 2017**

The land market in Outer Melbourne has seen underlying demand escalate to record levels over the five years to 2016/17. This has supported a rapid rise in lot production and dwelling completions over the same period. Despite rising supply, price growth for houses and land in Outer Melbourne experienced double digit rises over 2016/17.

This paper profiles the various indicators relating to demand, dwelling and lot supply, and prices, in the Outer Melbourne land market, with a focus on the Growth Area corridors. The regions are defined as follows:

- ***Western*** (Wyndham and Melton LGAs)
- ***Northern*** (Hume and Whittlesea LGAs, and Wallan–Beveridge Statistical Area 2)
- ***South East*** (Cardinia and Casey LGAs).

**Melbourne Land Market Regions**



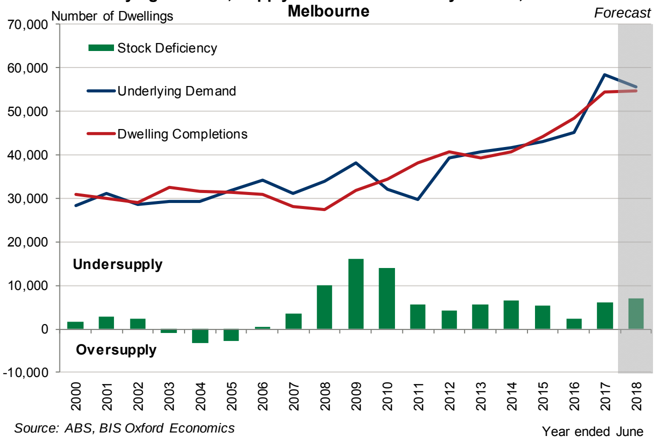

*Source: OpenStreetMap*

## STOCK DEFICIENCY

Underlying demand for dwellings has surged over the three years to June 2017, underpinned by strong net overseas and interstate migration inflows driving population growth. Low interest rates have also allowed pent up demand to be released into the market. Underlying demand has risen to an estimated peak of 58,400 dwellings over 2016/17 far above the preceding ten year average of 37,500 dwellings per annum.

On the supply side, dwelling completions have been steadily rising in response to demand with 54,500 dwellings completed over 2016/17. This compares to the average of 37,300 dwellings per annum over the previous ten year period. This has seen a modest increase in the underlying dwelling deficiency, estimated to be 6,200 dwellings at June 2017. Over 2017/18, underlying demand is forecast to ease slightly while supply remains at existing levels. Nevertheless, the underlying dwelling deficiency is expected rise to be an estimated 7,000 dwellings by June 2018.

**Underlying Demand, Supply and Stock Deficiency/Excess, Greater Melbourne**

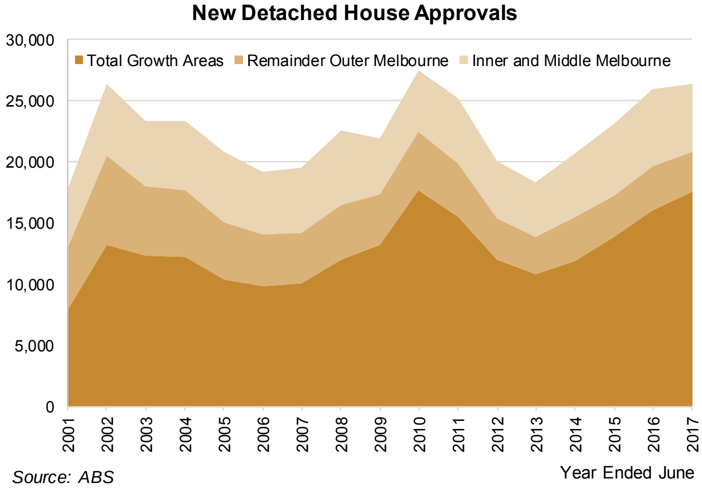



*Source: ABS, BIS Oxford Economics*

## HOUSE APPROVALS

The number of new detached house approvals in the Growth Areas has surged, growing at 14% per annum over the three years, to 17,600 approvals at June 2017. Over the same period, total house approvals across Greater Melbourne have grown 8% per annum to 26,400 approvals at June 2017. Consequently, the Growth Areas now account for a 67% share of total new detached house approvals, up from 58% in June 2014. Increased lot activity is focussed in the Growth Areas as developable land in regions closer to central Melbourne is absorbed or redeveloped as medium and high density dwellings.

**New Detached House Approvals**




*Source: ABS*

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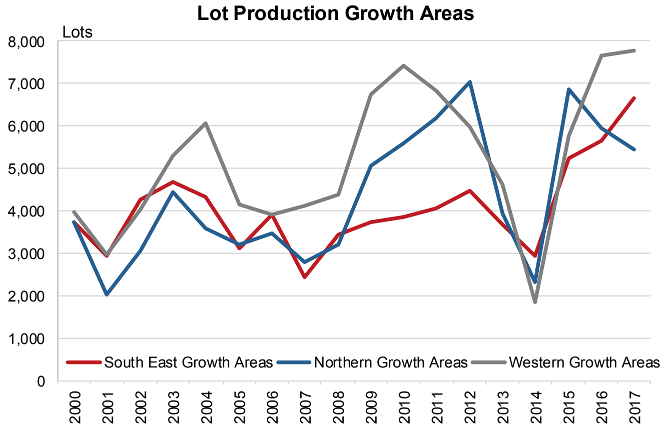
## LOT PRODUCTION

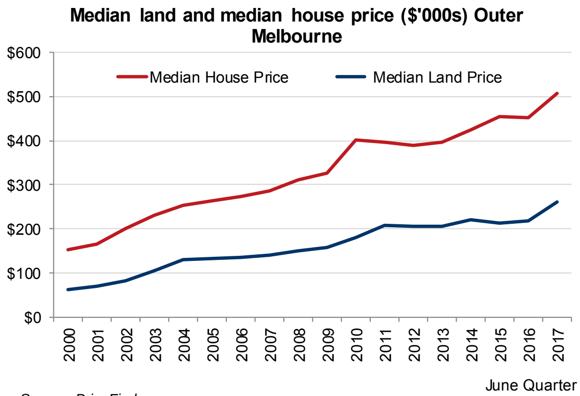
After bottoming in 2013/14, lot production has recovered strongly on the back of surging underlying demand. Lot production reached 19,900 lots in the Growth Areas over 2016/17. The Western Growth Areas accounted for a steady share of around 39% of total Growth Area lot production. The Northern Growth Areas saw their share of lot production fall from 38% in 2014/15 to just 27% in 2016/17. The South East Growth Area has taken up much of this decline going from 29% in 2014/15 to 33% in 2016/17.




*Source: DELWP Victoria, BIS Oxford Economics*

## MEDIAN PRICES

The median land price in Outer Melbourne surged to $259,900 at June 2017, an annual rise of almost 19%. This median price is based on the settled sales over the six months to June 2017, with land prices rising through this period. In comparison, the median house price grew 12% over the year to reach $507,400. This would suggest that land is becoming less affordable versus the established dwelling stock. The deterioration of land price affordability has the potential to divert demand to the established housing market, particularly after the introduction of the stamp duty exemption for first home buyers on purchasers up to $600,000.




*Source: PriceFinder*



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- Preparation of prospectus material
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