

OVERVIEW

Change of plan

The Baillieu government has scrapped Labor's high-density apartment policy but its own planning vision is at least two years away, writes **Marc Pallisco.**

SO WHAT now? After nine years adopting the previous state government's hugely contentious Melbourne 2030 planning policy, the city's development landscape is set to change and apartments may be on the nose.

In one of its first official acts — and as it promised to do before the November 21 election — the Baillieu government has destroyed Labor government planning laws facilitating higher-density redevelopment (i.e. over three storeys) along all public transport nodes.

In opposition, Planning Minister Matthew Guy said Melbourne risked becoming dysfunctional, and losing its character permanently, unless suburban apartment construction was curbed.

In power, Mr Guy has committed to a two-year audit and consultation program to determine a new model of metropolitan planning.

In taking this popular-with-the-community stand, the new government has challenged an army of planning consultants (typically citing global examples such as Los Angeles) suggesting suburban Melbourne needs more apartments to remain liveable.

If the new Baillieu government gets its way, apartments will still be built and in substantial numbers. But the biggest projects will be limited to specific sites close to the central business district.

High-density projects remain a contentious planning issue.

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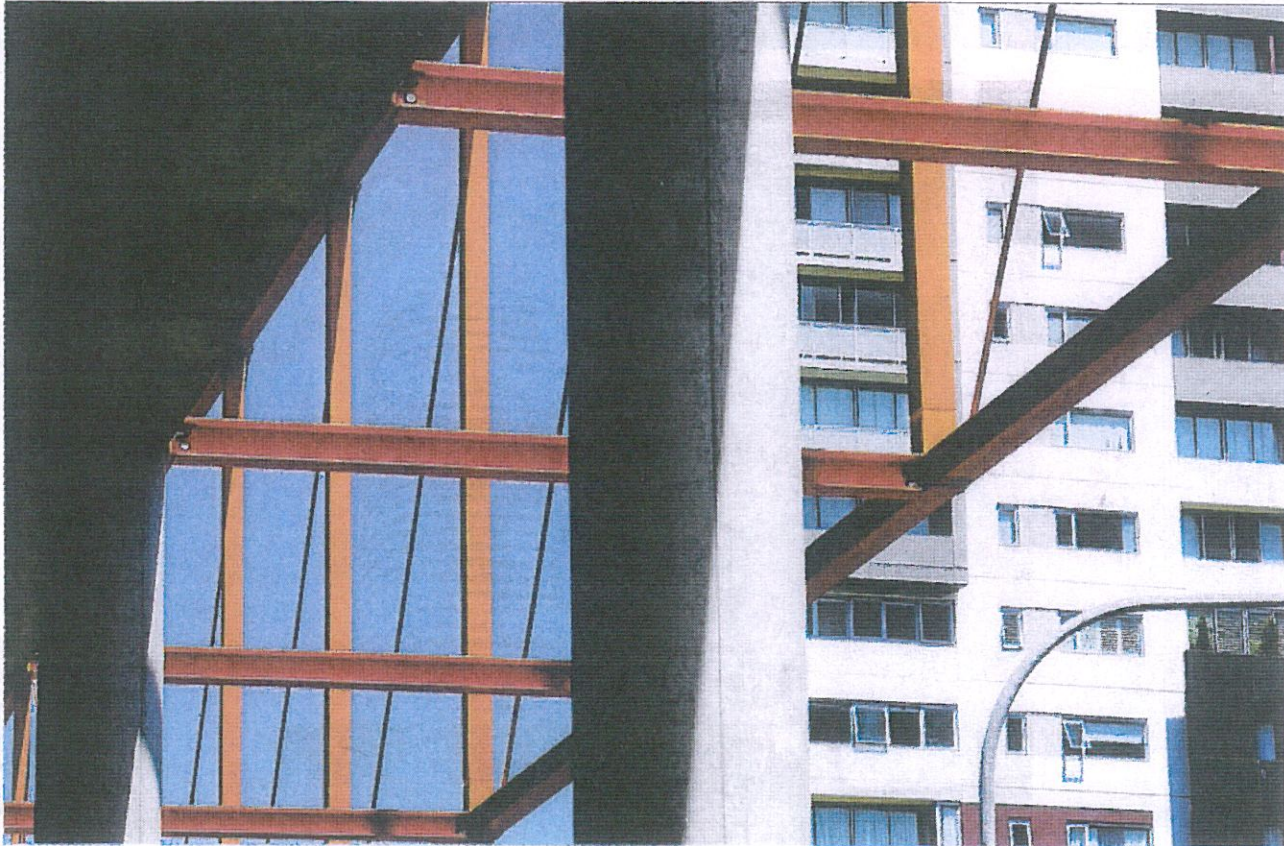
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THE QUAYS



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Mr Guy has so far identified three long-discussed and under-utilised examples of where large-scale strategic apartment redevelopment may occur, including Fishermans Bend in Port Melbourne, the 20-hectare E-Gate site on Footscray Road in West Melbourne, and pockets of land (and air space) around the Richmond train station, near the ever-evolving stadium precinct.

The state Labor government has retaliated to its strategy being torn up. Former planning minister Justin Madden recently described Melbourne 2030, which in 2008 was rebranded Melbourne@ 5 Million, as "the magic pudding of planning policy".

In a move sure to make planning an issue at the next state election, however, Labor warns the Baillieu government that without higher-density suburban redevelopment, Melbourne could stretch 100 kilometres east to west, creating one of the world's largest cities, geographically.

Backed by experience, the previous government claims Melburnians need high-density housing options beyond the growth areas identified by Mr Guy, or the cost of living is going to substantially increase.

Which, after one of the closest state elections in history, brings us back to what now?

Should investors base their decision to buy, hold or sell an apartment on the government and what development agenda its ministers are driving?

Should apartment investors be worried about the effects of last July's 46,000-hectare expansion to the Urban Growth Boundary, which will go some way to reprogramming the "great Australian dream" away from a "suburban view" and back to a suburban block?

Buyer's advocate Karin Mackay, of Australian Property Buyers, says the apartment culture is entrenched in Melbourne now, but she warns values in the sector are driven by "scarcity".

"The standard of apartment quality, and premium locations offered in many new projects, has sustained investor interest over the last couple of years," Ms Mackay says, adding that investors are not as influenced by interest-rate movements as first-home buyers.

Ms Mackay points to waterfront projects in Port Melbourne, and riverside complexes in Abbotsford and Alphington, that have met with sales success recently, despite the bleak economic backdrop.

Developers are decreasing the size of units.

Other spectacularly located sites approved for redevelopment as part of a push to implement Melbourne 2030 are near the South Yarra train station, the Camberwell Junction, areas around the Maribyrnong River, in Footscray, and precincts previously used solely by public housing residents in Carlton.

But Ms Mackay warns many investors, including many from overseas, will realise they've had their fingers burnt, paying too much for flats in outer suburban areas that may prove difficult to rent or sell in a downturn.

"Buyers and renters in outer areas like Mitcham, Ringwood and Dandenong will find they can acquire a house, on land, for similar money to the price some investors have paid developers for apartments," she says.

Since the economic downturn took hold in 2008, Melbourne's apartment market has been driven predominantly by record low interest rates, population growth and generous government grants – none of which remains in play.

The effects of the Baillieu government's promised 50 per cent stamp duty cuts (for first-home buyers and for properties less than \$600,000) is yet to be felt throughout the market, according to Ms Mackay.

Real-estate agent Christine Nicholson, of inner-city bayside agency Chisholm Gamon Port Melbourne, says high and low-density apartments attract different types of buyers and renters.

Low-density apartment complexes are mixed with high rises in the area Ms Nicholson services between South Melbourne and Elwood.

She says the high-density apartment projects that often include luxuries such as pools, tennis courts, saunas and gymnasiums, are popular with empty nesters and high-income professionals — many of whom even keep pets and start families in apartments.

These blocks also typically have a higher incidence of owner-occupiers, another factor known to preserve apartment values.

"[Owners corporation] rates in most of the big complexes are from \$4000 a year," Ms Nicholson says.

"By virtue of that, it's the empty nesters who can mostly afford them."

She said at those prices, first-home buyers in the area typically target 1970s-type blocks, where owners corporation fees can be less than \$1000 a year.

According to the Real Estate Institute of Victoria, the median price for units or apartments in Melbourne rose 2.6 per cent to \$480,000 in the (latest) December quarter, up from \$468,000 in the September quarter.

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