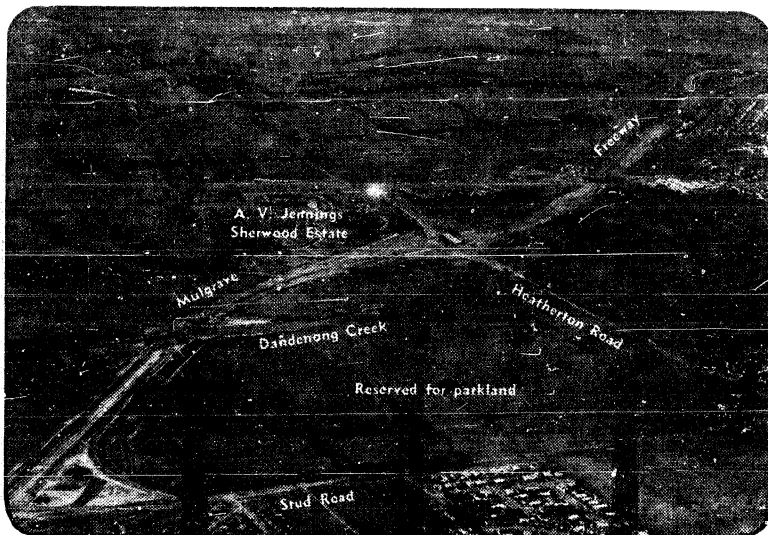


PROPERTY

Price of blocks jumps by \$1200 a year

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This aerial picture shows open acres, about two miles from Dandenong, being turned into a new suburb — Endeavor Hills. Already sewered building blocks in the area have reached about the \$5000 mark.

INFLATED land prices and rising costs in the building industry are threatening to put home ownership beyond the means of the average home-seeker.

In the past two years building lots in Doncaster and Waverley have risen by at least \$1200 a year.

Even in areas 20 to 40 miles from the city land prices are climbing.

For instance, a building block in the Dandenongs, about 31 miles from Melbourne, which changed hands about three years ago for \$750, sold the other day for \$1200.

There are many factors causing this inflation.

Up to \$1500 is being added to the cost of building blocks by a new Board of Works regulation that requires subdividers to install full sewerage services.

Restrictive zoning of land for residential purposes in the metropolitan area is another factor in the high cost.

Piecemeal rezoning of rural land for housing is keeping the demand higher than the supply. This makes it possible for land owners to charge inflated prices for broad acres.

But let's be fair to the board. It has not been able to avoid restrictive rezoning because of the lack of finance for the extension of water mains, drains and sewers.

Another inflationary influence is the restriction in bank credit. This forces developers to borrow from finance companies at up to 13 per cent or even more interest instead of 8½ per cent normally charged by banks. The basic reason for this high interest is that most lending institutions consider land development a high-risk proposition.

The higher interest charged developers can add about \$400 a year in interest charges on even a modest house site.

Two more factors forcing up land prices are land tax and the acquisition by local councils of parts of subdivided areas for recreational purposes.

These factors added

about 17 per cent a year to the price of a building block.

In addition to these inflationary influences the cost of all materials — crushed rock, bitumen, concrete, pipes, other materials needed to develop a subdivision, and labor costs are rising and constantly increasing land prices.

President of the Urban Land Institute of Australia, Mr. W. T. McCure, holds out little hope for any easing of the rise in land prices.

He said that the recently published Board of Works planning policy for Melbourne would not put the brakes on land inflation.

The institute is an incorporated, non-profit organisation which includes architects, developers, valuers, estate agents, consulting engineers, financiers and others interested in the institute's aims.

The institute is dedicated to:

- Implementation of orderly development
- The safeguarding of public interests in relation to proper planning and land utilisation.
- Stabilising land prices at reasonable levels.

• The improvement of urban environment. Mr McCure said the institute provided a forum for regular discussion on total community development.

Its last convention in November, 1971, at Lorne, presented to packed audiences such speakers as the chairman of the Board of Works, Mr A. Croxford, the Minister for Public Works, Mr Byrne, and Dr H. F. Craig, a senior lecturer on business administration at the University of Melbourne.

The convention discussed the impact of finance on development.

Now the institute plans a symposium on February 16 at the Southern Cross to debate important aspects of the board's new planning policy.

The main theme will be "Will the Plan Work?"

The symposium will be opened by the Minister for Local Government, Mr Hunt. Professor Denis Winston, head of the town and country planning faculty of the Sydney University, will be in the chair.

Invitations may be obtained from the institute, phone 62-4621.

Mr McCure described the planning policy report as a most important step towards defining Melbourne's future.

He said, "Great credit must be given to the State Government and the Board of Works for bringing this about."

The board must also be complimented on its decision to subject the report to close examination and constructive criticism.

"The people of Melbourne should be familiar with what the report means and become involved in creating their future environment," Mr McCure said.

To this end a great deal of effort must be put into stimulating discussion at meetings, symposiums and conferences on important aspects of the policy.

Referring to the board's proposal to rezone for residential and industrial purposes 94 square miles in eight corridors stretching out from the metropolitan area, Mr McCure said it was not likely to reverse or even stabilise prices.

He said the report speaks of needing \$2000-million to provide basic utilities — water supply, drains and sewers — to the rezoned areas.

This works out at about \$33,000 an acre. In residential areas yielding four lots an acre this is \$8250 a block.

Mr McCure said that of this the report suggests that developers will provide about \$2000 a block.

The remainder, about \$6250, will come from public funds.

Mr McCure said, "These are staggering figures that require careful study and explanation."

Unless there is drastic rationalisation of the whole system of development, costs will continue to rise.

"There is a serious need to simplify development procedures to save time and reduce the risky nature of the business. This will help lower interest rates on money used and reduce the time the money is employed."

Mr McCure said the question arises whether Melbourne can afford to continue subdivisions to the present extremely high and varied standards.

Uniformity of development standards on a realistic and economical basis should be an urgent goal.

Much of the success of the board's policy will depend on its ability to service enough land to meet the demand.

Mr McCure said, "Talk of the board's report stopping speculation is wishful thinking."

"In fact the plan will enable speculators to become investors, buying land they know will be suitable for development and appreciation in the future."

"The element of risk will largely have gone."

He said the report stipulates that none of the 94 square miles will be available for housing until the board has made available essential services.

This means that the success of the board's proposals depend entirely on its ability to find the necessary finance.

Mr McCure said that those planning to buy a house site should not delay.

He gave these guide points for those seeking a building block:

- Shop around, select the area that appeals and then make careful comparisons of prices.
- In selecting a site take into consideration distance from work, schools, shopping facilities, sporting, other environmental amenities and fares.
- Find out what public

transport is available. Seek seller finance on a reducing interest basis.

• With sloping land, balance higher building costs against perhaps a better view or garden drainage.

• Remember that the more isolated land now will be in the centre of things in a few short years.

• See that the lot you choose is best suited to the size or shape of the house you plan to build.

• When you become an owner, don't hesitate to become active in the community affairs of your area. You can help your area to be a good place in which to live.

Mr McCure stressed that young men should plan now for the future and an important step was buying a building block. "They should plan also to pay the most they can afford out of each pay packet. In this way they will reduce the amount of interest they pay. Young people should remember that land values continually appreciate instead of depreciating like that of a car."

"Once having bought land they benefit from this steady appreciation. Compare this to the rapid depreciation of cars," Mr McCure said.

Mr J. Kuypers, Victorian sales manager for Development Underwriting (Sales) Pty. Ltd., said that last year a vacant house site in Melbourne jumped in price by at least 12 per cent.

He warned that within the next six months a building block in a good part of the metropolitan area could rise in price from 12 to 25 per cent.

Development Underwriting (Sales) Pty. Ltd. is a wholly owned subsidiary of Development Underwriting Ltd., a big local developer operating in NSW, Victoria, Queensland and Western Australia.

Mr Kuypers said that even Australia's top developers, such as his firm, could not keep land prices stable.

Land prices must go up as the cost of living and development cost increase.

"This means that to buy a block now makes good sense," he said.

"But when you make a decision, buy a good block of land even though it might cost a little more than you think you can afford. You will find it will pay big dividends in the years to come," he said.

Illustrated: \$15,095. On

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