

# Land sale turns on quick action

If states delay rezoning of federally released land, values are apt to suffer, write **Paddy Manning** and **Mark Phillips**.

The value of the coalition government's proposed land sale program could be severely reduced unless state Labor governments give the sites planning priority.

The coalition on Monday proposed to sell off 10 commonwealth sites, adding up to 647 hectares in five states, that could provide for 10,000 additional dwellings.

But economists estimate Australia needs 180,000 housing lots nationwide and the industry is now producing just 150,000 — suggesting the provision of 10,000 extra lots between 2008 and 2010 would do little to address undersupply in the housing market.

"We don't have a shortage of land, we have a shortage of land that can be readily rezoned," said Aaron Gadiel, chief executive of the NSW UrbanTaskforce.

"State co-operation is critical to the whole thing working," he said.

A prime example was the formerly Defence Department-owned ADI site in St Marys in western Sydney, now being developed by Lend Lease. "It left commonwealth hands 10 years ago but it was only rezoned last year," he said. "If the state government and the feds aren't on the same page, it'll go nowhere."

Using a standard estimate of \$700,000 per hectare for Sydney's designated north-west and south-west growth centres, the five Sydney

sites the coalition is proposing to sell could reap more than \$400 million.

Uncertainty over the timing of rezoning, and infrastructure provision, would lower the price developers were prepared to pay for sites, industry sources said.

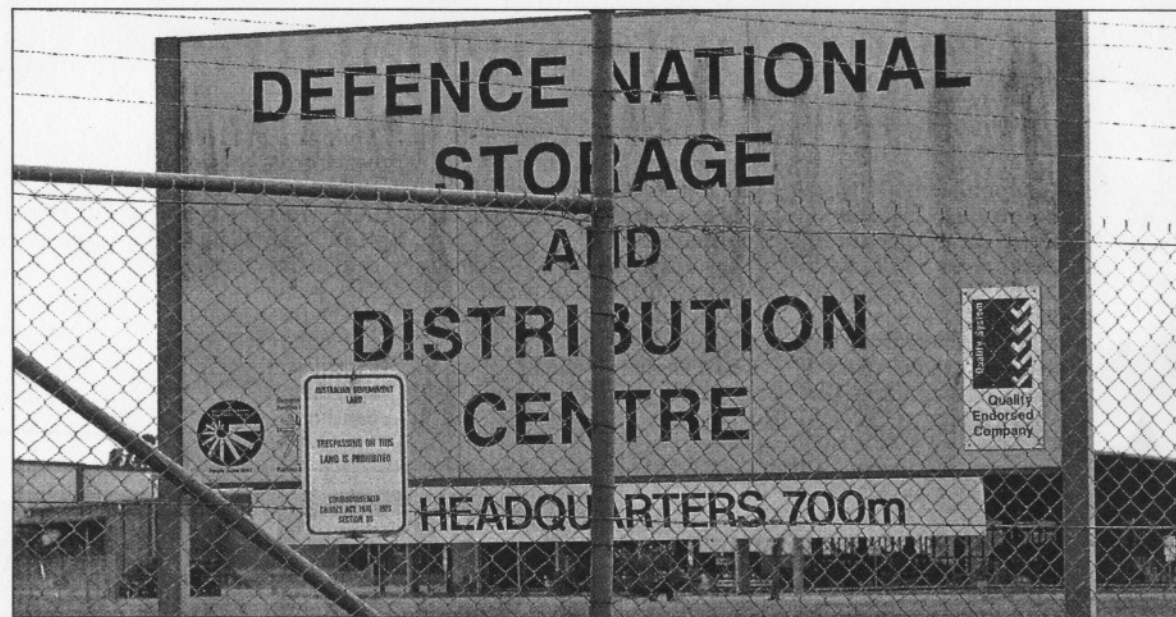
"If the states don't play ball, it could seriously devalue their assets," one source said.

Another industry source questioned whether all the sites were suited for residential development, as one site, at West Wattle Grove in Moorebank, was immediately adjacent to the intermodal transport facility that Stockland plans to build at the 83-hectare property it bought last week for \$301 million in Australia's biggest industrial property investment. Industrial could be the highest and best use at West Wattle Grove, the source said.

One of the most valuable sites in the federal portfolio is the 127ha former Department of Defence explosives factory in the inner Melbourne suburb of Maribyrnong.

But the land, which is nestled along the Maribyrnong River a short distance from Highpoint shopping centre, is known to have major contamination issues. Estimates yesterday placed its value at between \$80 million and \$130 million after decontamination.

The site is less than 10 kilometres from the CBD in a rapidly changing



Some sites, such as this one in Sydney's Moorebank, may be better suited to industrial residential development.

area that is reasonably well serviced by public transport. The federal government has earmarked it for sale in 2010, and believes 1800 dwellings could be produced on the site, housing up to 6000 people.

A director of valuers Landmark White, Peter Goodchild, estimated the gross value of the land after an environmental clean-up at between \$80 million and \$100 million, or between \$630,000 and \$790,000 a hectare.

House prices in Maribyrnong have grown 22.1 per cent over the past 12 months to a median of \$629,000, well above the Melbourne metropolitan median of \$431,000.

"The western and northern suburbs have changed dramatically in the last 10 years and if this had happened 10 years ago, you would have a drastically different view," Mr Goodchild said.

"I would see it as a classic infill residential development site aimed

at that middle end of the market."

The state government's development agency, VicUrban, has been negotiating a transfer of the site with the federal government for three years. A VicUrban spokeswoman said the agency remained interested in buying the Maribyrnong land.

VicUrban has argued strongly that it has expertise in remediating and developing previously heavily

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contaminated sites in Docklands and Cairnlea, in Melbourne's west.

"We believe it offers a great opportunity to deliver a range of development and community outcomes," the spokeswoman said.

Another site on the government's "for sale" list is a 33ha army depot

land at Elizabeth North, about 30km from the Adelaide CBD.

The government would sell the site in 2010, and believes it could yield 450 dwellings.

Mason Gray Strange valuations director Chris Wakeham said that based on other recent broadacre transactions in the area, the site could be between \$400,000 and \$500,000 a hectare, or up to \$16.5 million.

"It's a great site because it backs onto the Munno Para shopping centre, which has undergone development in recent years," he said.

The Elizabeth North area is popular with first-home buyers, and had a median price of \$173,000 in the September quarter, a 25 per cent improvement since 2006. In neighbouring Smithfield, prices have risen 11.9 per cent to \$207,000.

Mr Wakeham said a proposed expressway would improve road transport to the city.