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Land buyers likely to foot reform costs

THE State Government's Sustainable Planning (Housing Affordability and Infrastructure Charges Reform) Amendment Bill has come into effect.

This Bill introduces fixed maximum infrastructure charges that councils can charge developers – \$28,000 per three or more bedroom dwelling and \$20,000 per one or two-bedroom dwelling.

This Act has come about due to the uncertainty, unpredictability and opaqueness of infrastructure charges which the industry has effectively argued has resulted in stagnating of housing supply and higher prices.

While the new Bill might achieve increase confidence, questions remain about whether it will stimulate the building industry and improve housing affordability.

Infrastructure charges are not a new phenomenon in high-growth areas, where governments seek to shift the cost of funding infrastructure from the public to the private sector.

Australian infrastructure funding policy dilemmas are reflected to some extent in the UK and, to a greater extent, the US and Canada. In these countries, infrastructure cost-recovery policies, and the debate surrounding them, has been

GOING CONCERN

around since the 1940s and 1970s respectively.

The Gold Coast City Council's fact sheet describes a benefit of the new provisions as developers pay a share of the cost of providing infrastructure.

Are councils and governments naive or just plain ill-informed to presume that the development industry bears any of the cost of infrastructure by way of lesser profits?

There is extensive overseas evidence that identifies the passing on (to home buyers) or passing back (to the en globo land seller) of infrastructure charges, and the following impact on housing prices and supply.

In a competitive market, the developer does not bear this cost.

Nearly a dozen research papers have focused exactly on this topic in the US over 20 years.

This research in the US concludes that infrastructure charges not only increase housing prices, but increase house prices by more than the actual infrastructure charge applied.

If the average ratio of increase of \$1:\$1.60 is applied to the new maximum

infrastructure charge in Queensland, then the price of a new three-bedroom home could be expected to increase by up to \$45,000, purely by virtue of the infrastructure charge alone.

On the other hand, if this increased certainty about the quantum of the infrastructure charge is passed back to the landowner, by way of developers being willing to pay less for the land, land owners become less willing to sell their land for a lower amount, and hence supply dries up until house prices rise to a level that again makes it attractive for land owners to sell.

There is little argument that growth should pay for itself, and infrastructure charges are one way to achieve this.

The introduction of a maximum infrastructure charge may achieve the Government's objective of increased confidence, by introducing some certainty into the development approval process, but there is a real risk that this will be at the expense of both housing supply and affordability.

Lyndall Bryant is a lecturer in Property Economics at Queensland University of Technology.

Anyone wishing to contribute can contact the Prime Site editor, Chris Herde, on 07 3666 6645 or via email at herdec@qnp.newsitd.com.au



LENGTHY LEASE: Alastair Dunlop who negotiated the deal for E3 Consulting Australia.

Consultants happily stand alone

Chris Herde

AN environmental engineering consultancy has secured a rare small free-standing office building in the heart of Fortitude Valley.

E3 Consulting Australia has leased the whole of a 630sq m two-storey building at 21 McLachlan St.

In the deal negotiated by Savills Australia's Alastair Dunlop, E3 Consulting has a six-year lease on the building, which previously was home to Hynes Lawyers.

The company will pay

\$395/sq m, or almost \$250,000 a year.

Mr Dunlop said the building was extensively fitted out by the previous tenant, enabling E3 Consulting to move straight in.

"E3 Consulting was familiar with the area, with several of their directors having previously worked in the adjacent street," he said.

"While the stand-alone building is 50 per cent larger than their initial requirement, the firm is planning on rapid expansion."

E3 Consulting is an

environmental science and engineering consultancy firm that has permanent offices in Brisbane, Sydney, Melbourne and various project offices throughout Australia.

The company provides an integrated, multi-disciplinary scientific, engineering and legislative approach to the management of contaminated land and environmental management projects.

E3 Consulting was previously at Qualtrough St, Woolloongabba.

"Generally speaking

there are not many freestanding buildings under a 1000sq m available in Fortitude Valley," Mr Dunlop said.

E3 Consulting principal Brad May said the new premises were important for the company's expansion.

"In order to do this, we needed a building that reflects our core values and provides a good work-life balance for our staff," he said.

"We were very familiar with this location and the opportunity to secure a stand-alone option really stood out."



17 Hall Street, Chermside Qld 4032

CALLING ALL DEVELOPERS

This 948sqm site sits in the heart of the 'Chermside Centre Neighbourhood Plan', making it a prime position for developers. With zoning suitable for multi levels (subject to council approvals), this is an opportunity not to be missed.

Within walking distance of Chermside Westfield Shopping Centre, Prince Charles and Holy Spirit Hospitals, transport, library, clubs and restaurants, it is a rare occasion that blocks like this come on the market.

For sale by closed tender.

Tender documents available from our office and close on
Wednesday 10th August 2011 at 3.00pm.

For further information contact
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Money men snap up office building

A MACKAY office building which failed to sell under the hammer earlier this year has changed hands in a \$1.05 million deal.

The two-level, 693sq m building at 12 Gregory St was sold vacant possession to a local accounting firm.

On a 736sq m site next to St Patrick College, the building has a potential rental return of \$170,000 a year when fully tenanted.

It is fully airconditioned and also has eight parking spaces.

Pat Kelly from Burgess Rawson in

conjunction with Blacks Real Estate Mackay negotiated the after-auction sale.

Mr Kelly said the transaction indicated strong interest in Queensland's regional mining areas.

"The mining boom is underpinning the strength of these towns," he said.

Mr Kelly said the new owner of the Gregory St office building was looking to secure its future and allow for expansion.

"A number of parties including

investors and owner-occupiers competed for the property," he said.

Mr Kelly said the sale price was "on market" for a regional office building.

"We focus considerable time on the regional areas... where there is a healthy appetite for well-positioned investments," he said.

"Over the past two years we have sold investments in areas such as Ayr, Ingham, Townsville, Bundaberg, Hervey Bay and Gladstone."

Phil Bartsch

Canny canines get star spa treatment

A DOGGY day spa with a menu of mud treatments, aromatherapy sessions, body massages and pedicures is one of two canine businesses that have collared leasing deals at Sanctuary Cove.

Muttropolis Dog Spa has taken a 77sq m space in the Marine Village and is rolling out the red carpet for pampered pooches.

Leasing rates at Sanctuary Cove start from \$325/sq m.

Muttropolis also offers hand-scissored style cuts, treadmill workouts, dental brushing and colour treatments – all in an open-plan salon with soothing classical music, fluffy white towels, essential oils and walks around the village.

Business manager Sandra Gordon said: "Our vision is very much aligned with a human spa experience".

Just around the corner, Doggy Divas has secured 50sq m of space for its second Gold Coast boutique.

It stocks everything from doggy bathrobes, pyjamas, slippers and bling-encrusted collars to swimsuits, character costumes and strollers for puppies and ageing dogs.

Owner Amanda Donaldson said the Sanctuary Cove lifestyle and the absence of anything similar in the village sealed her decision to open the store, which focussed on "fluffball" pooches but aimed to source products for larger dogs.



LAP OF LUXURY: Amanda Donaldson from Doggy Divas.