lombards
Property Developments

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14th May 2014

Erin Pasley
Research Director
State Development, Infrastructure and Industry Committee
Queensland Parliamentary Service
Parliament House
Corner George and Alice Streets
Brisbane Qld 4000

Dear Sir,

Thank you for giving us the opportunity to lodge a submission in relation to the Sustainable Planning (Infrastructure Charges) and Other Legislation Amendment Bill 2014 (the Bill).

We are a property development company that has been involved with land subdivisions in the South East Queensland region for over 13 years. We are a Sydney based company and have been developing land in New South Wales for approximately 20 years. What originally brought us to Queensland was the availability of affordable developable land, low development costs and healthy demand compared to the Sydney market. Over the years we have moved most of our business into Queensland and minimised our activity in Sydney.

In recent times, however, the initial factors that made Queensland an attractive proposition have diminished. Developable land is now much more expensive and sale prices have not increased in similar proportion. To make matters worse, development costs have substantially increased, the biggest single contributing factor being increased infrastructure charges. Due to these factors, it is actually much more viable for us to develop in Sydney at the moment. It has also forced us to put most of our South East Queensland projects on hold until sale prices improve.

The easiest way to demonstrate the development viability comparison between the South East Queensland and Sydney market is by way of a simple feasibility study based on an average sized land subdivision with 600m2 lots, as seen in the figure below:

	Sydney*	Qld**
Cost of Land (per/lot)	$120,000	$35,000
Development Costs (per/lot) **(not including infrastructure charges)**	$65,000	$55,000
Council Infrastructure Charges (per/lot)	$30,000	$28,000
State Infrastructure charges (per lot)	$10,000	
Miscellaneous (per/lot) **(includes land tax, rates, interest, marketing fees, etc)**	$20,000	$20,000

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GST (per/lot)	$20,000	$13,000
TOTAL	$265,000	$151,000
Average Sale Price (per/lot)	$340,000	$170,000
Developers Margin (profit on cost as a %)	**28.3%**	**12.6%**

*Sydney infrastructure charges, land and sale prices based on average figures from St Marys, NSW, a suburb that is 45 km distance from Sydney CBD that we are quite familiar with and have developed in.
**Queensland infrastructure charges, land and sales prices based on average figures from Caboolture and Morayfield, Qld, suburbs that we are quite familiar with and have developed in.

Based on the above example it is obvious that it is much more profitable and feasible to develop in Sydney. Admittedly these figures would vary quite considerably from suburb to suburb but we think you would find that if you ran this simple example with most suburbs you would receive a similar end result. Most developers require a profit margin of at least 25% to account for contingency and risk factors which are inherent in the property development industry.

We are currently experiencing strong demand for residential land in Sydney, however prices have increased substantially over the last 12 months and many suburbs are becoming unaffordable for the average family. This would appear to be a good time to attract more activity back to Queensland as it is still comparably affordable to live in.

It would assist greatly if you would consider decreasing the infrastructure charges, even just temporarily, in order to help kick start the property market again. By decreasing the infrastructure charges it would also make it more financially viable for developers to start investing in Queensland again.

We thank you for the opportunity to forward our submission and we hope that some thought can be given to the above points raised.

Yours faithfully,

Vince Lombardo
Lombards Pty Ltd