Development property set for a rebound in 2021

Experts predict Melbourne to lead national resurgence

Peri-urban, development property around Melbourne is set for a rebound this year, according to two real estate agents and land experts.

According to Peter Sagar and Paul Callanan, who are both based in the southern capital, the medium to long term outlook is very positive for development property with an easing of lockdown restrictions, a rebounding economy fuelled by continued low interest rates and easing of lending restrictions.

Mr Sagar and Mr Callanan recently moved across to national agribusiness transaction agency LAWD to head up its development arm from global real estate services firm Cushman and Wakefield.

Both are specialists in large scale and medium density greenfield and peri-urban development transactions on urban fringes for major companies and developers.

Their primary focus will be on development opportunities in the growth corridors of middle to outer suburbs of capital cities and regional centres with transactions of superlots in master planned communities and larger englobo land parcels.

According to Mr Sagar, the coronavirus pandemic had resulted in a shift away from city centres and apartment living to suburban fringes and rural residential locations as more people embrace working from home.

"So the impact of COVID and working from home, and the impact of technology and the desire for a lower density lifestyle I believe has made a lot of people seek out a tree and sea change and I guess more land for their buck."

Mr Sagar said the reason LAWD added a development arm to its business was there were synergies in combining agribusiness real estate transactions with land development opportunities.

He regards his experience as a land developer with major companies, an agent and valuer overlapping with LAWD farmer clients, seeking advice on subdivision in or near a town or regional centre.

While he and Mr Callanan are active nationally, the main focus is Melbourne which boasts the biggest development industry in Australia. "More than a third of all land lot sales occur in Melbourne's greenfield development corridors," Mr Sagar said.

"The size of the market in Melbourne will probably mean we will be initially focusing here; and then southeast Queensland will be a logical next step for us and potentially Western Australia because it has experienced a renaissance recently.

"So I would say our key activities this year will be looking after some of our corporate developer clients selling medium density townhouse sites for them on the urban fringe. Also, finding farms that have development potential and selling those for clients."

Mr Sagar said the development team had a pipeline of regional opportunities.

"For anyone sitting on a super block near a regional town or whatever it might be a good time to contact us and think about doing something with it because the market has never been as strong in that area."

Mr Callanan said from an owner-occupier and investment perspective there were strong yields being produced from some outer suburb residential assets and in regional locations where historically the challenge had been a lack of capital growth.

Mr Sagar said yields of four to five percent were being achieved in some regional towns.

"So you're making money by buying property providing that you can find a suitable tenant. And with this swing to regions it would seem that the likelihood of getting a tenant is high."

Contacts

John Carson
0409 134 863
mailto: john@agrimedia.net.au