

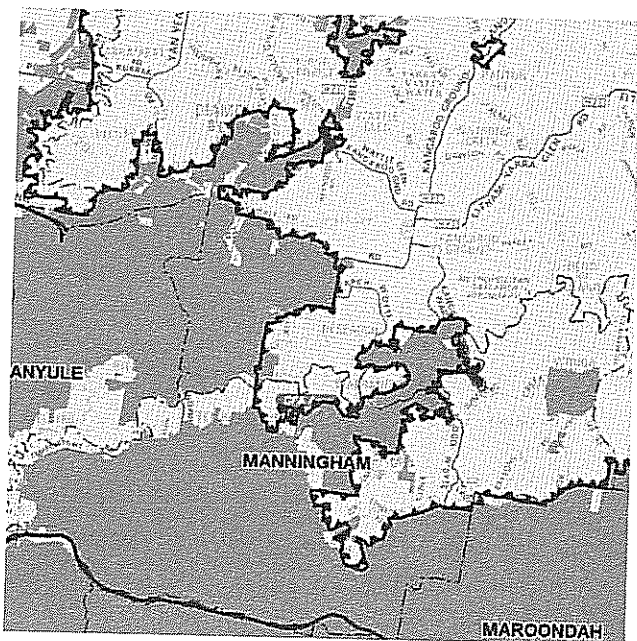
Let me introduce you to a beautiful word that loops off the tongue, sweet soft and round. Englobo.

It is "an undeveloped lot, group of lots or parcel of land that is zoned to allow for, and capable of significant subdivision into smaller parcels under existing land use provisions."

Australian housing is madly expensive for only one reason: land prices. Buildings come and go, while the long-term value of property lives in the land and endureth forever.

Land developers are an odd bunch. Always sniffing around local government trying to juggle a swift rezone, braying to the world about their stellar contribution, whining about 'red tape' introduced to stop previous abuses, constantly calculating which infrastructure project will be approved next by government and whether it will deliver them an unearned capital gain.

Residential subdivision – 'The Game' - is for the very patient. The ideal is to buy cow paddocks ahead of rezoning, quietly sit on it for a few years while the city grows out around it and infrastructure develops, manage a subdivision plan through a compliant council, build roads and pipes, then dribble it out to builders and buyers, lot by lot.



In one sense this is farsighted corporate behavior. In another, landbanking developers hold us to ransom by limiting supply to drive up prices. They do it only because they can. All this causes trouble for government. They want to limit sprawl, yet they need to house voters. Developers sail between these competing objectives to make their unearned increment.

Melbourne's urban boundary has grown 96,775 hectares since 2003 as government attempted to curtail developer rationing. Sadly, this has not restrained land prices or developer margins.

The real victims are homebuyers. The Game boosts land prices, creates land shortages and obliges all who need shelter to commit their working lives to mortgage repayments.

Planners proudly expedite conforming applications. And they eagerly engage in empty debates around 'red tape' which miss the point entirely.

Let us start somewhere else by considering the role of vacant land in urban areas or held 'englobo' nearby ahead of subdivision. Withholding vacant land from use displaces activity and drives up land prices – to the profound benefit of existing landholders.

There is another devil deliberately driving up land prices. When historians later write about The Great Australian Land Bubble, Melbourne chapters will be filled with the deeds of this sinner: the Victorian government.

As migration swelled the population of Marvellous Melbourne, government expanded its planning boundaries – a gift to lucky or well-informed landowners. This process is not unique to Melbourne. It goes on under all governments who like to control things but are challenged by rising populations.

In September 2012, the Victorian government expanded Melbourne's Urban Growth Zone by 90,000 lots. Citizens could reasonably expect this to add to the supply of land and therefore lower its price. Sorry, but that just isn't true. The freshly zoned land will not be offered for sale in, say, the next decade.

Why? The Victorian government. Activity is limited to farming and some development task on UGZ land until a Precinct Structure Plan is created, laying out schools, parks, arterial roads, sewer trunks and commercial centres.