

18 July 2024

Mr Bruce Mikkelsen  
A/g General Manager  
Merger & Authorisation Review Division  
Australian Competition and Consumer Commission  
GPO Box 3131 Canberra ACT 2601

via email: [mergers@accc.gov.au](mailto:mergers@accc.gov.au)

Dear Mr Mikkelsen

### Submission re: Stockland/Lendlease – General Market Methodology

Thank you for the opportunity to provide our comments on the Statement of Issues for the Stockland and Supalai proposed acquisition of 12 residential master-planned communities from Lendlease Group (**the Acquisition**).

Urban Development Institute of Australia (UDIA) National is the development industry's most broadly representative peak body with more than 2,000 member organisations – spanning top tier global enterprises, consultants, small to large-scale developers and local governments.

UDIA's State members nationally, deliver new homes across the continuum for all Australians, including the majority of affordable housing.

UDIA National's advocacy is defined by our National Council – informed by our diverse membership base in each state and extensive network of state councils, committees and businesses on the frontline of housing.

Given UDIA National membership incorporates the majority of developers including entities involved in this Statement of Issues, it would be inappropriate to provide any comment on the specifics of the Acquisition itself. **This submission does not make comment or seek to influence the ACCC's final decision on the Acquisition.**

**Our firm position is that there needs to be healthy market competition in the delivery of housing and anti-competitive behaviour cannot be allowed.**

UDIA National instead is focussed on answering the general market analysis questions raised by the ACCC on page 9. **We want to ensure that ACCC's methodology for determining the impact of markets on price and developer behaviour is as accurate as possible, now and into the future.**

## What market competition constrains price and Developer behaviour?

We note that within the Statement of Issues, the ACCC has broadly stated that Master-Planned Communities (**MPC**) are not viably substituted by:

- 1) **Apartments and townhouses** – because MPC buyers are seeking outdoor space, detached houses and family living.
- 2) **Established Housing** – because (although potentially a substitute), if MPC prices increase ACCC feels there is insufficient supply of established houses to impact behaviour/moderate prices.

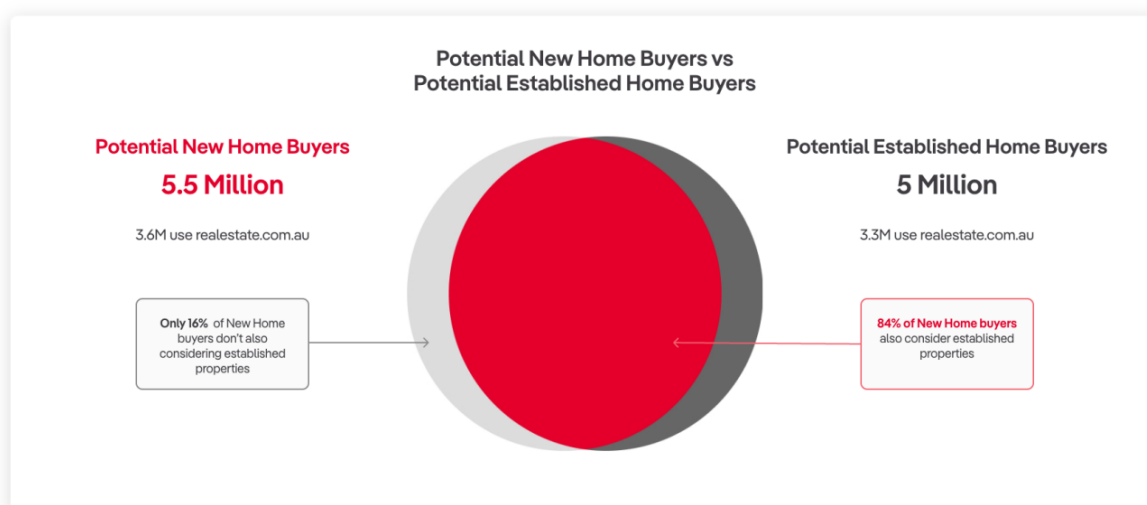
The preliminary conclusion of the ACCC being that MPC developers compete with other MPC developers (established, detached, townhouses and apartments are unlikely to impose sufficient constraint on market power).

While we do not make any specific comments about the Acquisition, as a general rule for analysis of Developer behaviour, market price and product marketing are significantly impacted by many typologies of housing in a market.

Our members consider that, outside of unambiguous, matter-specific evidence to the contrary, it is erroneous to exclude any housing types as competitors to housing developments in general, or MPCs. While certain markets may have a preference for apartments over detached dwellings (and vice versa), it is not practical to exclude townhouses nor established housing as competition to new detached dwellings, as they offer similar amenity and buyers do not necessarily have one housing typology they seek, to the exclusion of all else. It is also not practical to assume that all persons searching for detached housing, will not also consider apartments as an alternative lifestyle choice and price point.

To further highlight this point, REA's own research shows that 84% of new home buyers also consider established properties. This means, failure to consider price against amenity and housing typology in marketing new housing product, will likely impact sales.

## Targeting buyers only considering new homes limits your market



1. Nielsen Consumer and Media View, 2023 Survey 07 National Online Database. Time period Sep 22 – Aug 23. Fused Nielsen Digital Content Planning (Text): July 2023. Base: Australian population 14+. New Home Buyers are likely/very likely to buy a home to live in|second home|investment home|retirement home built in the last year or the next 12 months in the next 12 months. Established Home Buyers are likely/very likely to buy a home to live in|second home|investment home|retirement home built more than 12 months ago in the next 12 months. 2: REA Internal Data, Apr-2023 to Mar-2024.

 realestate.com.au

It is important to also note that large developers are often running a volume business and most developers are debt funding their projects. Both of these facts put pressure on developers to favour sale of property at a price point that will shift product to maintain a profit year on year (and meet financing requirements), rather than pressing for prices that delay sales and result in increased financing costs.

## How Far will Buyers look for a Home?

Our members have also noted the ACCC has broadly suggested that most MPC purchasers reside within local areas of the project, pricing is localised to a catchment area of between 5-15km of a target MPC.

We specifically note however that the ACCC has not formed a concluded view on the geographic dimensions of relevant markets.

To the extent that the ACCC's initial conclusions do not relate to unambiguous, direct evidence relevant to the Acquisition, our members stress that as a general analysis of market geography, it is not sound methodology to base an analysis of market competition solely on distance.

A far clearer indicator of where buyers will look for a home are proximity to work, lifestyle amenities and affordability. This is often largely based on time rather than distance. It also varies between urban and regional areas. Buyers already in suburban and regional areas are more comfortable travelling long distances (which may often equate with short travel times).

A very clear example of this phenomenon in action, was the construction of the NSW M2. Sydney-siders were able to live further away from the city (where many worked or sought entertainment), and as a consequence, house prices in the North West and Hills district (to name a few), increased markedly once the roadway was in place. Many of these impacted properties are between (circa) 27km (say Beecroft) and 35km (say Kellyville) away from the CBD (as an example). All houses along the route (closer in and further out), will have received a price uplift from the M2 - this is simply illustrative of how unreliable distance is as a measure of value and buyer appeal.

Anyone selling houses along that route would have to factor in competition for homes across a vastly greater radius than 5-15km, irrespective of being an MPC.

We also caution against assuming that amenities built around large developments are a market advantage only to the large developer. Unless they are gated communities that exclude access to the amenities, every house within a board area surrounding that amenity will receive an uplift and advantage.

Overall, our aim is to give a sense of the greater complexity for determining housing market competition and that there are no concrete rules that can be applied forensically across the board.

As ACCC considers appropriate, UDIA National is able to workshop factors that influence housing market competition outside and exclusive of any ongoing process like the Acquisition.

Please do not hesitate to contact me on 0406 454 549 to discuss this submission.

Yours sincerely



Andrew Mihno  
Head of Policy and Government Relations