



Super lots delivering super returns

The rapid expansion of our cities has amplified the need for more dwellings and led to the densification of suburbs around Australia.

It's a phenomenon that always makes headlines, neighbours coming together to sell their properties, as a "super lot", for double, triple or even quadruple the price of others in the street. The growing need for new housing has seen councils rezone residential, commercial, industrial and rural land to allow higher density development. It's this process which has seen some home owners strike it rich.



In this white paper we take a look at the ins and outs of amalgamation and consider whether your property is a candidate.

What is amalgamation?

In real estate terms, an amalgamation is a situation where multiple owners come together and agree to, theoretically, combine their properties to form a single lot. The reason why owners choose to amalgamate varies; however, the most common is to market the combined properties for sale as a single lot in order to attract developers and, potentially, achieve a premium sales price.

Examples

- Two, or more, next door neighbours who own detached houses come together to sell together.
- Individual owners of an apartment or office building come together to offer the whole property for sale.
- Neighbouring industrial or rural land owners decide to sell their land as a single lot.

Why do neighbours amalgamate their properties?

The rezoning of land to a “higher value” use is the key driver behind neighbours amalgamating their properties for sale.

Any individual property that gets rezoned, to a higher valued use, should in theory achieve a higher price when placed on the market for sale. However, an amalgamated rezoned property allows greater floor area and hence more dwellings to be built on the site, making the end “fully developed” value of a property higher.

Hypothetical example

Single residential zoning - \$700,000

Let's take two neighbouring detached houses each with a land size of 700 square metres and a "single residential dwelling" zoning. If sold individually they might achieve a price of \$700,000 each.

Medium density zoning - \$900,000

If the zoning changes to medium density and each property has permission to build four townhouses, which sell for \$400,000, then each individual property could have a fully developed end value of \$1,600,000. So, a developer maybe willing to pay \$900,000 for each of the two houses.

Amalgamated medium density zoning - \$1.4 million

However, if the two lots are combined, the efficiency gains of having a single lot, means that they a developer could potentially fit 10 townhouses on the new amalgamated site. This means the combined fully developed value would be \$4 million. A developer may be willing to pay \$1.4 million for each lot, double the initial individual sales price.

Why is amalgamation so popular now?

In order to accommodate the rising demand for homes, state and territory governments have released more land for residential use on the outskirts of capital cities and major regional centres. However, the soaring cost of providing infrastructure, to these new housing areas, has seen authorities push for increased higher-density development close to existing infrastructure.

This has, in turn, led to the rezoning of land, in middle-ring and inner-city suburbs, from single houses to medium and high density residential use.

When is it best to amalgamate and who can do it?

A suitable time to amalgamate multiple properties is once the state and local government authorities have finalised and approved the rezoning of land on which all the amalgamated properties sit.

As long as all parties agree, anyone can amalgamate their properties. However, in order to attract strong demand from potential buyers it is best that the sites are located close to new or existing infrastructure, such as bus or train interchanges, major road networks, hospitals or major commercial precincts.



Case study

A \$90 million amalgamation sale by LJ Hooker Commercial Perth.

Location Adjacent to 'The Vines' precinct at Upper Swan in Perth's north-east corridor.

Original zoning Rural

After rezoning A preliminary concept plan over the land allows for 1,700 dwellings and a town centre.

Landowners 6

Number of properties 11

Total amalgamated site size 140 hectares

Total sales price \$90 million

Comment by selling agent , Vincent Siciliano from LJ Hooker Commercial Perth

"Large scale development sites are in limited supply across Perth. These six landowners took advantage of this by coming together to gain government approval to rezone their land, from rural to urban, then market the site as a single lot. Producing one of the largest development offerings for Perth, this property was very attractive to domestic and offshore developers and greatly increased the ultimate sales price of each lot".





How do you start the process?

As more people move into our cities, and more suburbs are rezoned to accommodate the growing population, the opportunity for neighbours to amalgamate sites will also rise. However, not all properties or locations are suited to amalgamation. Extensive research and due diligence is needed to understand what's best for your situation and property.

The first step in your research process is to visit the planning department of your local council to understand:

- What is the current zoning of your property?
- What is the current zoning of your neighbour's property or properties?
- Are there any plans or potential for the future rezoning of your property?

Secondly, a chat with your neighbours is also important to understand if they are like minded and are willing to go down this path.

Thirdly, contact your local LJ Hooker real estate agent, as they will be able to advise you whether amalgamations in your area could work and if there is demand from developers in your local area.

If you're looking to sell, buy or rent to achieve your real estate dreams, we can connect you with your local LJ Hooker office.

Please call 1800 621 212 or visit www.ljhooker.com.au today for more information.