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Real Property Development: process, history and evolution

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1. CONTEXT AND INTRODUCTION

➤ Objective

To contribute to an understanding of the role of the property developer in Australia and New Zealand

➤ Why?

- To determine how developers choose their hurdle rates for projects at the pre-commitment stage of a project
- To assess the relative merits of a range of project assessment techniques
- To identify characteristic approaches from different developer types



2. FOCUS

➤ Focus

- International literature review
- Australasian empirical research (n = 187 and 38)
- A range of developer sizes and property uses

➤ Structure

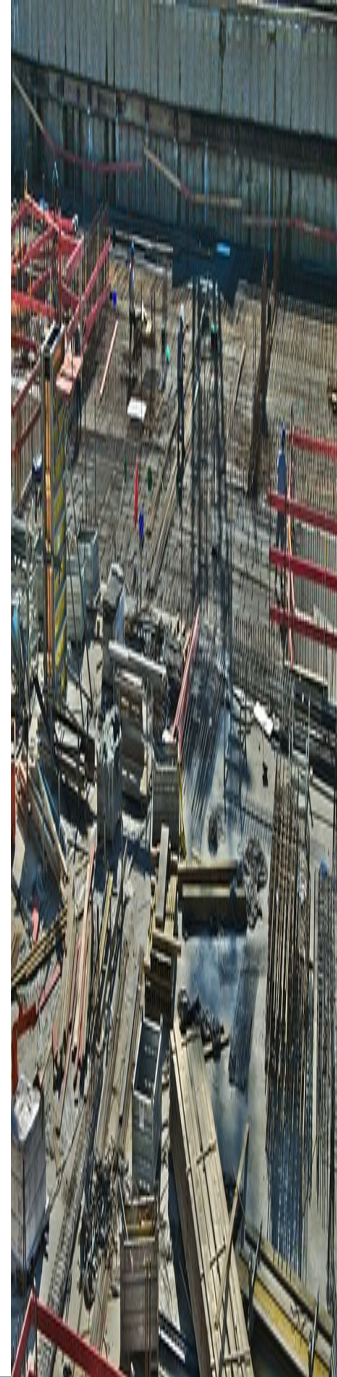
- Identification of ‘property development’ and role of the developer
- Types of property development
- The property development industry in Australia and New Zealand – history and evolution
- Urban Development Institute Development Process model
- Conclusions and future research



3. Identification of ‘property development’ and role of the developer

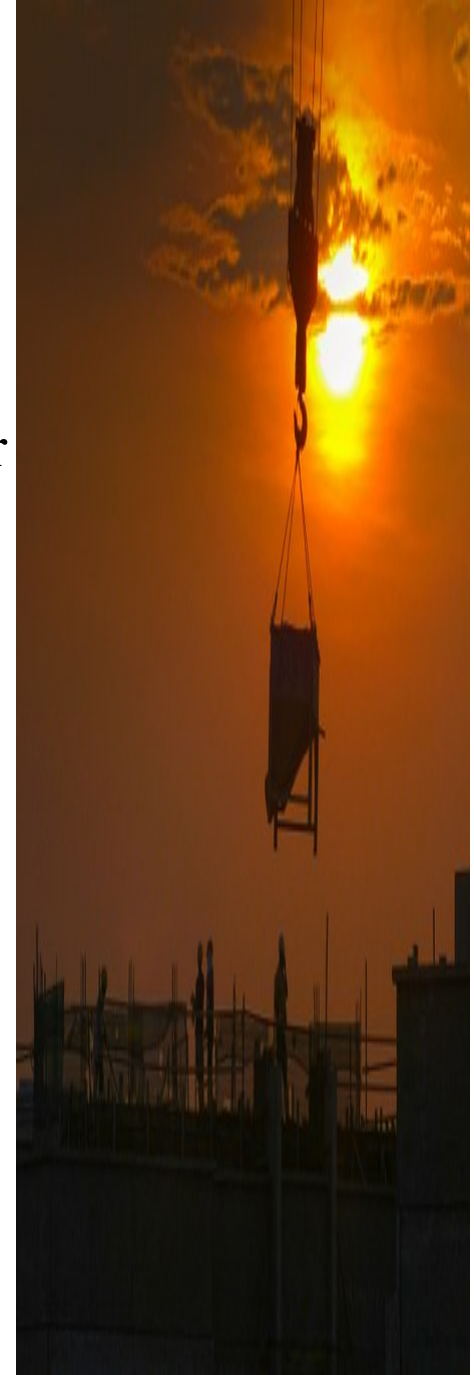
- How to define *property development*?
- A process of defined activities create new structures
- Definitions from the 1970s (HMSO, 1975) were task oriented; Graskamp (1981) compared it to a manufacturing process and the Urban Land Institute (2000) more fully details the conversion process involved which Drane (2013:2) details as

The particular state of transition or change in the form of real estate into a different state with an associated change in potential or real value.



3. Role of the developer

- Miles and Berens (2015:9) provide a useful overview which considers their intentions, and their focal role at the hub of the network of related stakeholders including
 - The public sphere – regulation, client and community
 - Users – tenants, owner-occupiers, investors
 - The development team – in-house and external professionals and their needs and expectations
 - Capital markets and the various mosaics of debt and equity options



4. Types of property development

- By scale, purpose and/or land use with the latter being the dominant classification
- An overarching definition has found to be identified in the literature as problematic and the default option is to investigate developer types
- These types have been characterised under an encapsulation of the following attributes:
 - Property type; ownership and/or organisational structure; tenure of the developed product; geographical distribution or concentration and overall objective of the development project



5. The property development industry in Australia and New Zealand – history and evolution

- A range of theoretical development process models since the 1950s all of which identify a multi-dimensional decision-making process
- A sequencing of steps is also integral but then the models find divergence in respect of finance and construction detail
- Long term overall consistency of approach has been identified
- Unique processes should not be underestimated, despite their infrequency



5. Urban Development Institute Development Process

- Generated in the early 1990s (Wurtzebach *et al* 1994)
- popular as a learning approach for university study
- an 8-stage model, first four being the pre-commitment side of the development process:
 - Initial concept, refinement of idea, feasibility analysis, contract negotiation
 - Each stage requires extensive refinement before the decision to proceed – the go/no go point - is reached



6. Conclusions and future research

This review of the literature precedes an extensive, completed but, as yet, unreported industry survey of developers in Australia and New Zealand and has identified and framed the aspects requiring further investigation most specifically

- Developer motivation
- Assessment of risk – choice of hurdle rate being paramount

Thank You
for your attention

