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Land Prices Threaten Housing Recovery

The cost of residential land continues to rise with a new report showing the median price of raw land increased by 2.2 per cent to a record \$185,222 in the December 2009 quarter.

The latest residential land report from HIA, Australia's largest building industry organisation, and rpdata.com, Australia's leading property information and analytics provider, highlights the risk of the new home building recovery losing momentum from the second half of 2010.

The HIA-rpdata.com Residential Land Report shows the weighted median land price for Australia growing at an annual rate of 14 per cent at the end of 2009, the fastest pace since mid 2004. Meanwhile the volume of land sales fell substantially in original terms in the December 2009 quarter. Land sales were down by 4.6 per cent in the December 2009 quarter compared to the December 2008 quarter. In the September 2009 quarter sales were 26 per cent higher when compared to the same quarter in 2008.

HIA Chief Economist, Harley Dale, said that over the year to December 2009, new house prices (excluding land) grew by 2.8 per cent, building materials prices increased by 1 per cent, labour rates fell marginally, yet median land prices jumped by 14 per cent.

"Throughout the last housing up-cycle, land values consistently grew at a substantially faster pace than construction costs and the general rate of inflation. Only six months into a new home building recovery this situation is happening all over again. If this situation continues then the recovery will stall, the housing shortage will worsen, and there will be upward pressure on rents and on existing home values that could have been avoided," said Harley Dale.

Sydney remains the most expensive residential land market in the nation with a median price of \$275,000. Outside the capital cities, the Sunshine Coast in Queensland is the most expensive land market (median price of \$249,000), followed by the Gold Coast (\$241,000), and the Richmond Tweed (\$235,000) and Illawarra (\$197,500) regions in New South Wales.

There are still thirteen markets across Australia where median land prices sit below the \$100,000 mark. The most affordable market is the Northern region of South Australia (\$59,165), followed by Mallee in Victoria (\$75,000), the Southern region in Tasmania (\$76,000), Murray Lands in South Australia (\$80,000), and Mersey Lyell in Tasmania (\$85,000).

According to rpdata.com national research director Tim Lawless, the recent fall in land sales volumes is likely to set off a few alarm bells.

"With Australia's population growing at a rapid rate and housing undersupply worsening we should be seeing land releases and consequent sales volumes rising not falling."

"The shortfall in available land is already being seen in higher land prices. Without further construction of homes we are likely to see affordability worsen and more prospective buyers looking towards an already very tight rental market for their accommodation requirements."

"We believe that policy makers must act to provide additional residential land which is affordable as well as being close to necessary amenities," said Tim Lawless.

For further information contact:

Harley Dale/Matthew King (HIA)
Mitch Koper (rpdata.com)
Nassim Khadem (HIA)

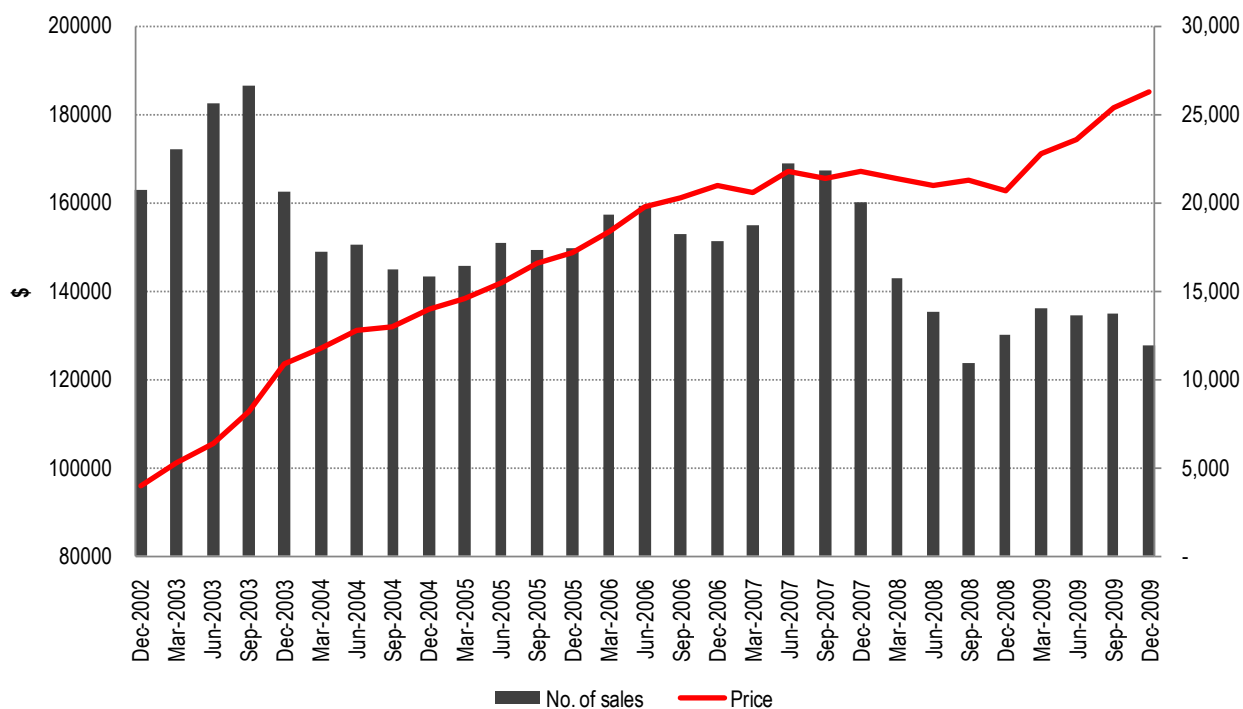
0414 994 186 / 02 6245 1355
0417 771 778
0407 772 322

**A full copy of the HIA-RP Data Residential Land Report can be obtained via k.lewis@hia.com.au (media only)

MEDIA RELEASE

Median Residential Land Prices - Australia

Source: RP Data



10 MOST EXPENSIVE REGIONAL MARKETS			10 LEAST EXPENSIVE REGIONAL MARKETS		
Rank	Region	Median Lot Price (\$)	Rank	Region	Median Lot Price (\$)
1	Sunshine Coast (Qld)	249,000	1	Northern (SA)	59,165
2	Gold Coast (Qld)	241,000	2	Mallee (Vic)	75,000
3	Richmond-Tweed (NSW)	235,000	3	Southern (Tas)	76,000
4	Illawarra (NSW)	197,500	4	Murray Lands (SA)	80,000
5	Barwon (Vic)	171,500	5	Mersey-Lyell (Tas)	85,000
6	South West (WA)	170,500	6	Northern (NSW)	86,750
7	Hunter (NSW)	167,950	7	South East (SA)	87,500
8	Mackay (Qld)	161,500	8	Loddon (Vic)	89,500
9	Northern (Qld)	159,000	9 (e)	Murrumbidgee (NSW)	90,000
10	Far North (Qld)	157,000	9 (e)	East Gippsland (Vic)	90,000

Source: RP Data, HIA Economics Group

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10 STRONGEST GROWING REGIONAL MARKETS FOR LAND SALES DEC 08 QTR TO DEC 09 QTR		
Rank	Region	% Growth - Dec 08 Qtr to Dec 09 Qtr
1	Eyre (SA)	181%
2	Fitzroy (Qld)	80%
3	Hunter (NSW)	71%
4	South West (WA)	65%
5	South Eastern (WA)	63%
6	Gold Coast (QLD)	62%
7	Northern (NSW)	55%
8	Richmond-Tweed (NSW)	48%
9	Central West (NSW)	28%
10	Illawarra (NSW)	24%

Source: RP Data, HIA Economics Group