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HIA and RP Data – Land Release the key

HIA, Australia's largest building association and RP Data, Australia's leading property information service have formed an alliance to produce a new land report that will help fill the gap in understanding of vacant land markets across Australia.

The relationship between property information leaders RP Data and HIA represents the most comprehensive overview of the Australian vacant land market.

The inaugural HIA-RP Data Residential Land Report, released today, confirms the enormous increase in land prices that has occurred in recent years in the face of restrictive land release policies and burgeoning planning delays.

Commenting on today's release HIA Chief Economist, Harley Dale remarked that median residential land prices had increased by 106 per cent in the space of just six years.

"We now have falling interest rates and a tripling of the First Home Owners Grant which should provide a boost to new home building and the wider economy in 2009. There is, however, a real risk that the perennial problems of inadequate land release and excessive planning delays prevent the industry from boosting supply to the extent required over the next 18 months. That would come at a cost to the entire Australian economy," Harley Dale said.

RP Data Research Director, Tim Lawless, said that more recently land prices have softened, falling by around \$5,000 or 2.1% over the first half of 2008. This modest decline is broadly in line with national housing market conditions, where house values fell by 1.2% over the same period.

"Land prices are highest in Sydney and Perth where the average block is selling for \$255,000 and \$245,000 respectively. Unsurprisingly, it is these two markets that have recorded the greatest fall in land prices over the last year, down by 15.0% and 5.0% over the year to June 08," Tim Lawless said.

"Affordability concerns are most pronounced in these two cities and the high land prices reflect a significant challenge to bring a respectable level of affordability back into these markets," Mr Lawless added.

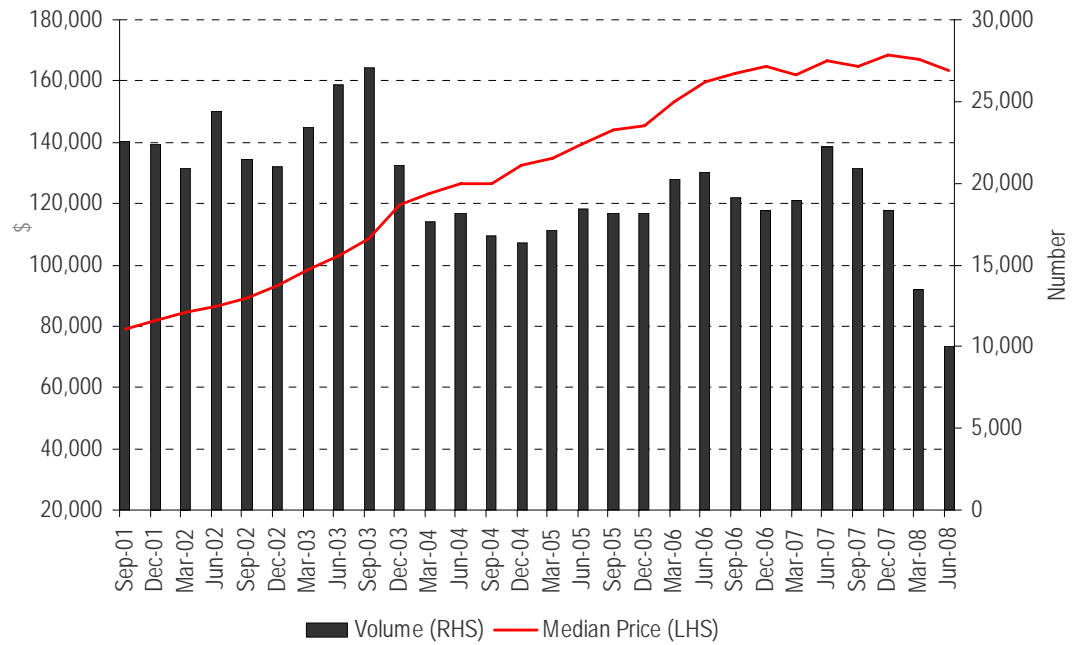
The volume of land sales, a key leading indicator of future new residential construction, fell sharply over the first half of 2008 - down 43 per cent compared to a year earlier.

"The land sales figures confirm that the second half of 2008 will prove to have been a very weak period for new home building. Interest rate cuts and the stimulus from the First Home Owners Boost lower the risk that this downturn extends well into 2009 at the cost of larger job losses and an exacerbation of weakness in the domestic economy," said Mr Dale.

"We are also seeing a reduction in the average lot size, particularly in Perth and Adelaide where lot sizes have been reduced by 25-30% since the early 1990's. The average lot size in Adelaide is now the smallest of any Australian capital city, at 420sqm," Mr Lawless said.

Median Residential Land Prices - Australia

Source: RP Data



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***For a full copy of the HIA-RP Data Residential Land Report (media only) please contact Kirsten Lewis on (02) 6245 1393 or k.lewis@hia.com.au