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## Drop in Land Prices Improves Affordability

New homes are becoming more affordable, with median land prices across Australian capital cities falling 1.5 per cent in the December quarter, according to the latest residential land report from HIA, Australia's largest building association, and RP Data, Australia's leading property information and analytics provider.

HIA Chief Economist, Dr Harley Dale said the modest drop in median land prices in a number of markets across Australia was playing a part in making new homes much more affordable.

The HIA-RP Data Residential Land Report shows the price of raw land in Australia's capital cities was slightly higher than regional areas. The capital city median price fell 1.5 per cent to \$182,718. The most expensive city was Sydney with a median price of \$250,000. The most affordable capital city was Hobart, with a median price of \$135,000.

"The price growth in raw land for new residential development was unsustainable and it is pleasing that we have had some modest reductions," Harley Dale said. "The recent decline follows an appreciation of 111 per cent over the past eight years, so we are hardly talking about a major correction."

"Despite the good news, land prices are still restrictive in some of our major capital cities. Development charges, taxes and draconian planning regulation are still major issues restricting new home sales and construction activity."

RP Data National Research Director Tim Lawless said "Despite the modest fall during the December quarter, Australian land prices have been resilient to any material falls. Over the 12 months capital city land prices have actually risen, which is in contrast to the housing market where values fell by 2.9% over the 2008 calendar year."

"While land prices have remained fairly steady, the number of sales has dropped away sharply suggesting there are still barriers blocking buyers and developers from the market. To a large extent this comes down to ongoing uncertainty about economic conditions and availability of finance."

"The improvement in housing affordability together with a demonstrated stabilisation of housing prices during the first quarter of 2009 should boost confidence among both buyers and developers. Australian population growth is at record levels while housing construction remains constrained creating a widening gap between housing demand and supply."

HIA expects that further easing in median land prices combined with very low mortgage rates, stable construction costs, and the boosted First Home Owner Grant will continue to make house and land packages an appealing option for some months to come.

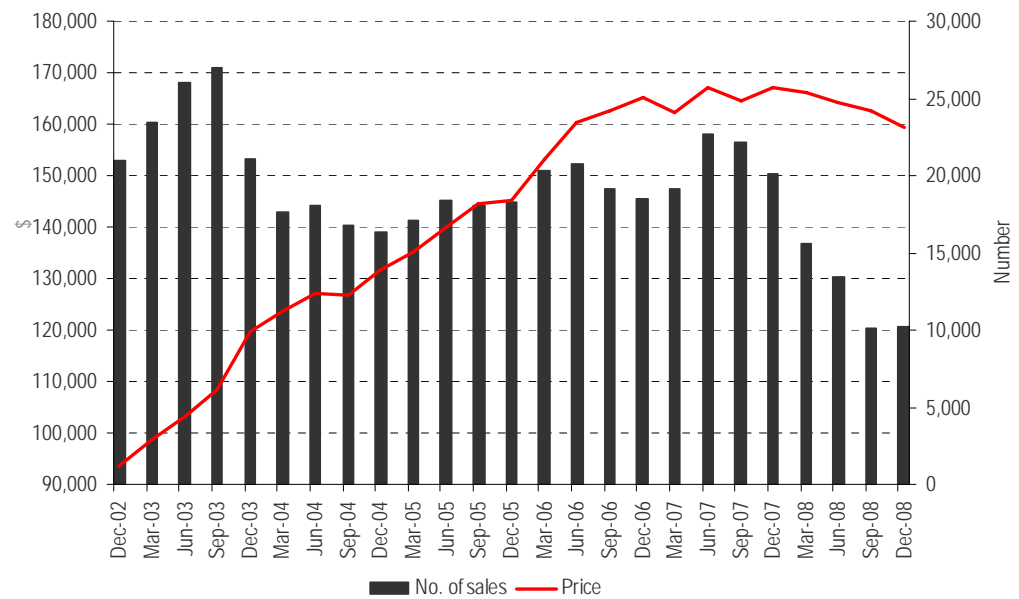
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\*\*A full copy of the HIA-RP Data Residential Land Report can be downloaded from <http://economics.hia.com.au/publications/Pubs.aspx>

### Median Residential Land Prices - Australia

Source: RP Data



### Median Lot Price (\$)

Quarter	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Weighted Median
Mar Qtr 04	305,000	132,975	145,000	97,890	122,000	69,601	141,390
Jun Qtr 04	303,000	135,000	145,000	105,000	126,000	80,000	147,588
Sep Qtr 04	305,000	134,000	155,000	124,975	131,000	85,500	147,311
Dec Qtr 04	315,000	135,000	166,781	115,500	137,000	78,500	150,534
Mar Qtr 05	315,000	140,000	162,500	125,000	139,000	91,000	152,776
Jun Qtr 05	315,000	138,500	166,500	120,000	149,000	85,000	157,598
Sep Qtr 05	300,000	138,000	170,000	126,000	152,000	90,000	161,685
Dec Qtr 05	285,250	135,000	169,000	120,000	164,625	85,000	159,474
Mar Qtr 06	295,500	142,000	175,000	128,000	175,000	98,000	168,739
Jun Qtr 06	295,000	137,000	169,212	121,000	210,000	87,000	176,381
Sep Qtr 06	300,000	137,500	172,000	120,000	245,000	95,000	183,378
Dec Qtr 06	298,150	140,000	175,000	126,125	250,000	95,000	183,934
Mar Qtr 07	275,500	140,000	175,000	124,000	265,000	105,000	177,637
Jun Qtr 07	300,000	139,900	175,000	119,500	259,000	110,000	181,014
Sep Qtr 07	280,000	143,000	180,000	130,000	260,000	117,000	178,139
Dec Qtr 07	270,000	145,000	196,950	133,000	265,000	110,000	180,716
Mar Qtr 08	270,000	148,000	197,500	146,000	248,000	130,000	181,333
Jun Qtr 08	260,000	149,000	200,000	133,000	238,000	117,500	179,298
Sep Qtr 08	259,500	151,000	205,000	152,000	229,000	116,250	185,558
Dec Qtr 08	250,000	152,000	203,750	152,000	220,000	135,000	182,718

#### % Change

previous quarter	-3.7%	0.7%	-0.6%	0.0%	-3.9%	16.1%	-1.5%
previous year	-7.4%	4.8%	3.5%	14.3%	-17.0%	22.7%	1.1%

Source: RP Data