

## Land Prices on the Rise

The price of land is increasing nationally, according to the latest residential land report from HIA, Australia's largest building association, and rpdata.com, Australia's leading property information and analytics provider.

The HIA-rpdata.com Residential Land Report shows the weighted median price of raw land in Australia increased by 1.1 per cent in the June 2009 quarter to \$174,490.

Sydney remained the most expensive market with a median price of \$255,000, while the most affordable market was Mallee in Victoria with a median price of \$70,000.

HIA Chief Economist Dr Harley Dale said median land prices rose for the second consecutive quarter, after declining throughout 2008.

"The challenge now is to ensure that land price appreciation does not get out of control the way it so clearly did in the last up-cycle, eroding housing affordability to a disproportionate extent along the way," he said.

"There is no chance of a new home building recovery gathering the momentum required in coming years if adequate and affordable land supply is not available," Harley Dale said. "There are already concerns that this problem may develop again through 2010 and this remains the critical issue for policy makers to address."

In an encouraging sign, however, the volume of land sales for Australia is now trending higher, supporting HIA's forecast for a moderate recovery in new home building in 2010.

"Land sales were up by 1.3 per cent in the June 2009 quarter compared to the same period last year. While a modest outcome, it was nevertheless the first positive result since the end of 2007," said Harley Dale.

Of the 40 non-metropolitan areas around Australia reported on for the first time in this report, 25 saw an increase in median land value over the June 2009 quarter.

According to Tim Lawless, rpdata.com National Research Director, the affect of land supply constraints are likely to be compounded by ongoing increases in demand for housing. "In raw numbers, population growth is at record levels and Australia's population hasn't increased this fast since the baby boom. The latest population projections released by Treasury suggest the rate of population growth in Australia is not likely to let up any time soon. This fact alone should spark policy makers to act sooner rather than later with regards to instigating a more proactive and strategic land release program."

As interest rates rise and the first home buyer stimulus winds back, first home buyers are likely to play less of a role in the market over the second half of the year. "With the boost to the First Home Buyers Grant now halved and now interest rates rising, demand from the first home buyer sector is likely to diminish as the year progresses. In balance, investors are likely to become more active as they are much less influenced by rising mortgage rates and issues associated with housing affordability."

"We have already started to see investor numbers gathering pace in the residential property market. In August alone the value of investor finance commitments jumped by 7.6 per cent."

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\*\*A full copy of the HIA-rpdata.com Residential Land Report can be downloaded from

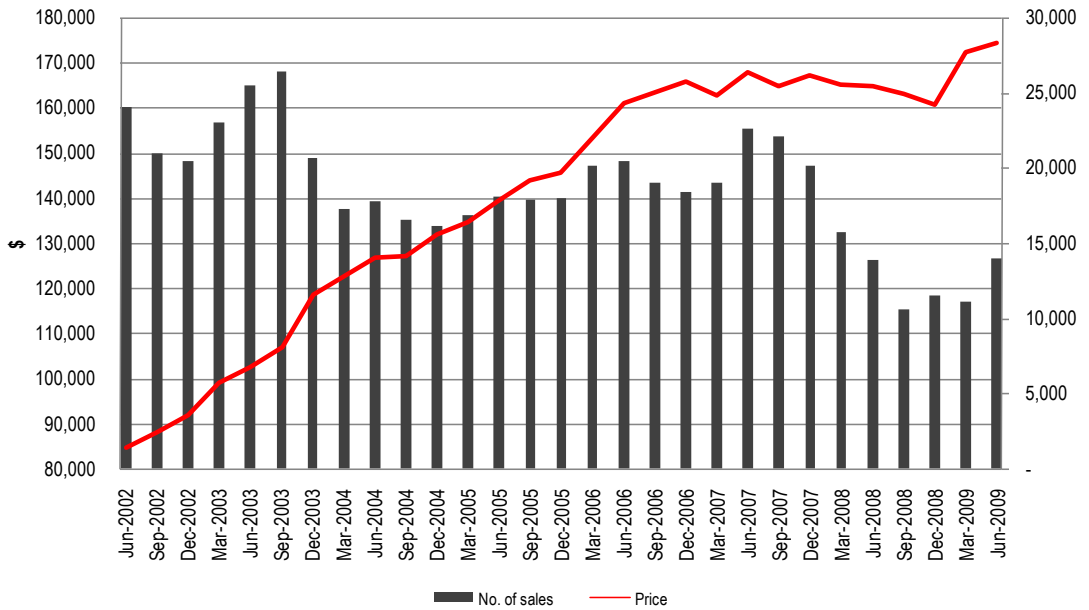
<http://economics.hia.com.au/publications/Pubs.aspx>





Median Residential Land Prices - Australia

Source: RP Data



| 5 MOST EXPENSIVE REGIONAL MARKETS |                      |                       |
|-----------------------------------|----------------------|-----------------------|
| Rank                              | Region               | Median Lot Price (\$) |
| 1                                 | Sunshine Coast (QLD) | 236,750               |
| 2                                 | Gold Coast (QLD)     | 232,250               |
| 3                                 | Richmond-Tweed (NSW) | 216,500               |
| 4 (e)                             | Illawarra (NSW)      | 180,000               |
| 4 (e)                             | Northern Queensland  | 180,000               |

Source: RP Data, HIA Economics Group

| 5 LEAST EXPENSIVE REGIONAL MARKETS |                               |                       |
|------------------------------------|-------------------------------|-----------------------|
| Rank                               | Region                        | Median Lot Price (\$) |
| 1                                  | Mallee (VIC)                  | 70,000                |
| 2                                  | Mersey-Lyell (TAS)            | 72,500                |
| 3                                  | South Eastern South Australia | 76,000                |
| 4                                  | Murray Lands (SA)             | 80,000                |
| 5                                  | Southern Tasmania             | 82,000                |

Source: RP Data, HIA Economics Group

| 10 STRONGEST GROWING REGIONAL MARKETS FOR LAND SALES 2008H1 TO 2009H1 |                         |                                  |
|---|-------------------------|----------------------------------|
| Rank  | Region                  | Percentage Growth - 08H1 TO 09H1 |
| 1   | Ovens-Murray (VIC)      | 122%                             |
| 2   | Darling Downs (QLD)     | 50%                              |
| 3   | Western District (VIC)  | 48%                              |
| 4   | North Western (NSW)     | 42%                              |
| 5   | South West (WA)         | 40%                              |
| 6   | Loddon (VIC)            | 32%                              |
| 7   | Central West (NSW)      | 28%                              |
| 8   | Goulburn (VIC)          | 22%                              |
| 9   | Central Highlands (VIC) | 17%                              |
| 10  | Mallee (VIC)            | 16%                              |

Source: RP Data, HIA Economics Group