



HIA–CoreLogic RP Data

Residential Land Report

RESIDENTIAL
LAND SALES

MEDIAN LOT
VALUES

REGIONAL
MARKETS

RESIDENTIAL
LOT SIZES

LAND
VALUE

RANKING OF
MARKETS

A the sale of residential land

September 2014 Quarter

SHARP DECLINE IN RESIDENTIAL LAND SALES DURING SEPTEMBER 2014 QUARTER

The HIA-CoreLogic RP Data Residential Land Report for the September 2014 quarter shows a substantial reduction in turnover in the land market, although prices continued to increase during the quarter. This may indicate that supply pressures in the market are beginning to make an impact, and that the pipeline of new land has started to diminish.

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During the September 2014 quarter, there were a total of 12,825 residential land sales. This represented a decline of 16.7 per cent from the number of sales during the previous quarter, and was 18.4 per cent lower than in the same quarter of 2013. Land sales during the September 2014 quarter hit their lowest level since the September 2012 quarter. Residential land turnover fell sharply in the aftermath of the GFC, and bottomed out during 2011. A recovery was embarked upon during 2012, with land sales peaking at 17,121 during the June 2013 quarter. Since then, the volume of land sales has started to ease back a particularly pronounced fall in capital city sales volumes.

During the September 2014 quarter, land market turnover declined in both capital city and regional markets. A total of 7,429 land lots were sold in the capital cities, a decline of 19.0 per cent from the previous quarter. In regional land markets, turnover totalled 5,397 during the September 2014 quarter.

New dwelling commencements reached their highest level on record during the September 2014 quarter. Roughly speaking, the sale of a land lot is followed by a detached house commencement six months later. Accordingly, the sizeable reduction in land sales during the September 2014 quarter presents the risk of detached house commencements declining in the first half of 2015.

Median residential land values

Median land prices continued to rise during the September 2014 quarter. Nationally, the weighted median lot price increased to \$212,727, the highest median lot price on record. This represented an increase of 3.3 per cent on the previous quarter, and was 7.7 per cent higher than the same period a year earlier. Land price growth was strongest in the capital cities, with more subdued growth occurring in regional Australia.

In the capital city land markets, the weighted median lot price reached an all-time high of \$246,762 during the September 2014 quarter. This represented an increase of 4.7 per cent on the previous quarter and was 10.0 per cent higher than the same quarter twelve months earlier. The fact that increasing prices in the capital cities coincided with lower turnover in the market suggests that land supply pressures may be intensifying in urban Australia. It is important to note that land price increases in some of the capital cities were simply due to larger land lots being traded.

Across regional Australia, the rate of price increase was less pronounced than in the capital cities. During the September 2014 quarter, the weighted median land price increased by 0.7 per cent to \$163,055. This represented an increase of 3.5 per cent on twelve months earlier.

There remains considerable variation in residential land prices across the six capital cities for which price data are gathered. Sydney remains the most expensive land market, with a median lot price of \$320,000, followed by Perth where the median lot price was \$277,000. Melbourne was the third most expensive capital city market during the September 2014 quarter where the median lot price was \$220,000, followed closely by Brisbane in fourth place with a median lot price of \$213,900. Hobart remains the most inexpensive land market of the capital cities by a wide margin, with a median lot price of \$135,000. The second least expensive market was Adelaide, with a median lot price of \$205,000.

During the September 2014 quarter, all but one of the six capital cities under review saw land prices increase. Brisbane's median residential lot price declined by 2.8 per cent during the quarter. The largest price increase during the quarter occurred in Adelaide, where the median lot price increased by 10.8 per cent. This was followed by growth of 8.5 per cent in Sydney and 4.8 per cent in Melbourne during the quarter. It is important to stress that median lot sizes increased during the quarter in several cities, with the land prices actually decreasing in per square metre terms in Sydney, Brisbane and Perth.

Compared with the same period twelve months earlier, land prices in nearly all capital cities were higher. The exception was Hobart, where land prices were the same as in the September 2013 quarter. On an annual basis, land price growth was again strongest in Adelaide, where the median lot price rose by 15.5 per cent. Perth was the second fastest growing over the course of the year, with the median lot price increasing by 13.5 per cent. In Sydney, land prices rose by 8.5 per cent in the year to the September 2014 quarter while in Melbourne the median lot price rose by 6.8 per cent.

Latest land price developments mean that prices reached all-time highs in four of the six capital cities under review. These are Sydney, Melbourne, Adelaide and Perth. In Brisbane and Hobart, land prices on a per lot basis are close to record highs. Nationally, the combination of stronger price growth and lower market turnover suggests that the supply bottlenecks in residential land are becoming more acute.