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Land Slide Signals Further Home Building Weakness Ahead

Residential land sales fell for a sixth consecutive quarter in March 2011, signaling the prospect of weakening levels of residential construction through to at least the December quarter this year.

The *HIA-RP Data Residential Land Report* provided by the Housing Industry Association, the voice of Australia's residential building industry, and RP Data, Australia's leading property information and analytics provider, found the volume of land sales fell to a record low in early 2011. Sales were down by 6 per cent over the March 2011 quarter and were 43 per cent lower when compared to the March 2010 quarter.

Meanwhile, the weighted median land value in Australia increased by 0.8 per cent in the March 2011 quarter to \$193,980, driven by growth of 2.7 per cent in the median value for Regional Australia (to \$159,611). Over the year to March 2011, the median land value was up by 4.4 per cent for capital cities and by 3.8 per cent for Regional Australia.

"The continuous and substantial decline in land sales volumes since late 2009 is a further indication that new home starts could reach one of their lowest levels seen since the mid 1990's," said HIA Chief Economist, Harley Dale.

"Softer demand is part of the story and the dizzy heights sometimes reached in speculation regarding a fictitious housing bubble in Australia certainly doesn't do anything for home building confidence," Harley Dale said.

"Nevertheless, the cost of serviceable land is the big barrier. Clearly this cost is excessive in a great number of areas around Australia. Governments need to address this substantial constraint on residential building which is generated by costs they impose," said Harley Dale.

"It is encouraging that across Regional Australia there remain ten local markets with a median residential land value of less than \$100,000. These markets can be found across South Australia, Tasmania, Victoria, and New South Wales," added Harley Dale.

RP Data's national research director, Tim Lawless, agreed with Mr Dale's comments. He said that the current very low levels of land transactions are almost certain to result in a continuation, if not worsening in the weak number of dwelling approvals and commencements being reported by the Australian Bureau of Statistics.

"Vacant land sales are one of the best leading indicators of future home construction. With the number of vacant land transactions this low we can't expect any real improvement in the number of house starts over the short to medium term."

"The low transactions volumes come at a time when land prices keep rising and under supply issues intensify. On a rate per square metre basis, the cost of vacant land has exploded in recent years across most cities. Between March 2003 and March 2011 the rate per square metre price for vacant land has increased by at least 140 per cent in each capital city analysed except for Sydney."

"The excessive cash grab by state and local governments on new development and construction has eroded affordability and bares much of the blame for the current low volume of vacant land transactions."

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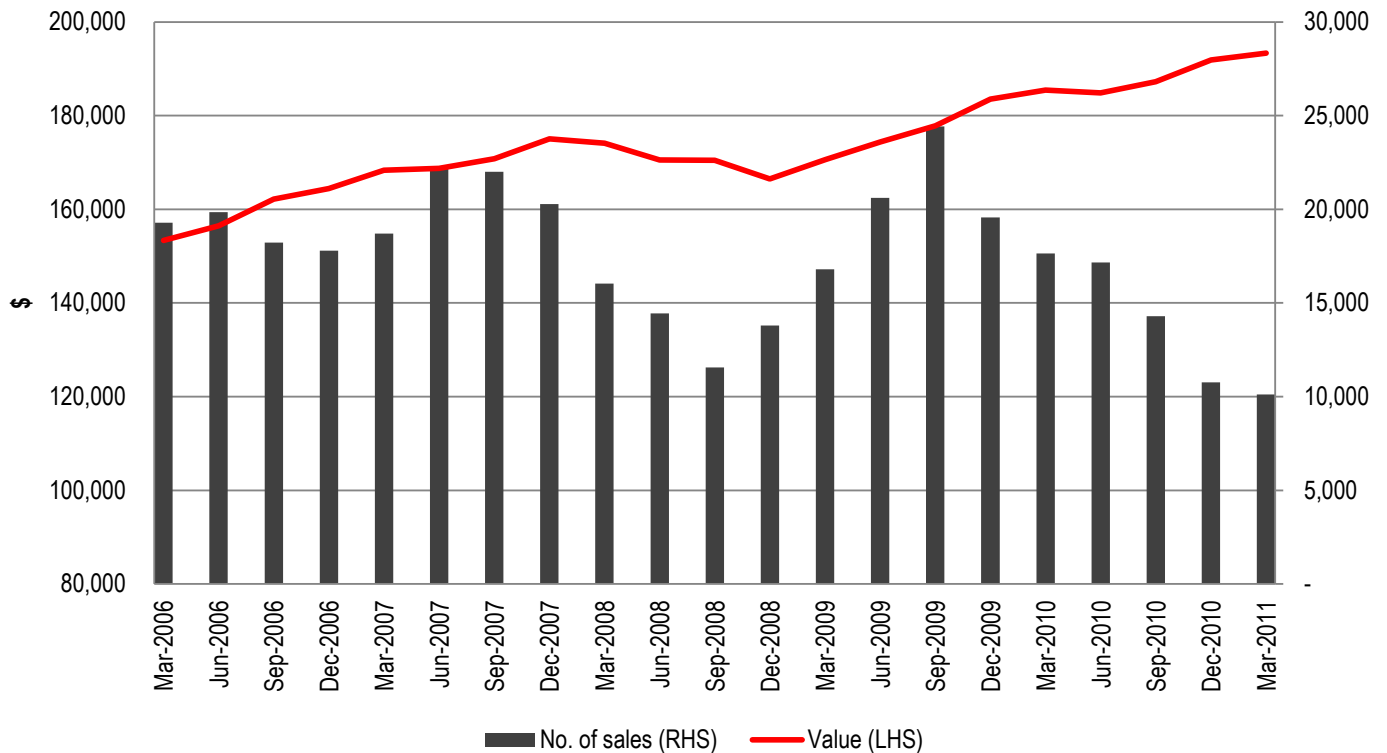
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**A full copy of the HIA-RP Data Residential Land Report can be obtained via k.lewis@hia.com.au (media only)

MEDIA RELEASE

Residential Land Sales & Median Lot Value - Australia

Source: RP Data, HIA Economics



As of the March 2011 quarter, Sydney once again registered the highest median lot value in the country. However, Richmond-Tweed (NSW) experienced a significant increase in its median lot value in the quarter and is now the second-most expensive market in the country, followed by the Sunshine Coast and the Gold Coast. Meanwhile, the three most affordable land markets in the country are now all located in South Australia, namely Northern, Murray Lands and South East; all of which have median lot prices of less than \$80,000.

10 MOST EXPENSIVE REGIONAL MARKETS		
Rank	Region	Median Lot Price (\$)
1	Richmond-Tweed (NSW)	265,000
2	Sunshine Coast (NSW)	262,000
3	Gold Coast (Qld)	250,000
4	Illawarra (NSW)	210,000
5	Barwon (Vic)	192,000
6	Mackay (Qld)	175,000
7	Hunter (NSW)	170,000
8	Fitzroy (Qld)	169,000
9	Far North (Qld)	165,000
10	South West (WA)	162,250

Source: RP Data, HIA Economics Group

10 LEAST EXPENSIVE REGIONAL MARKETS		
Rank	Region	Median Lot Price (\$)
1	Northern (SA)	69,000
2	Murray Lands (SA)	73,750
3	South East (SA)	78,500
4	East Gippsland (Vic)	80,000
5	Mallee (Vic)	83,000
6	Mersey-Lyell (Tas)	87,000
7	Southern (Tas)	87,500
8	Murrumbidgee (NSW)	92,500
9	Northern (NSW)	95,000
10	Murray (NSW)	99,500

Source: RP Data, HIA Economics Group