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## Price of land rises as demand falls

“The price of land for new residential building has continued to rise despite a fall in demand,” said HIA Chief Economist Tim Reardon.

The March 2019 edition of the HIA-CoreLogic Residential Land Report provides updated activity in 47 markets across Australia, including the six state capital cities.

“In the September 2018 quarter land lot prices across Australia rose 0.8 per cent to reach \$279,949,” added Mr Reardon.

“Over the same period the number of residential land lots sold has fallen by 16.2 per cent.

“After five years of exceptionally strong sales activity, a credit squeeze and a loss of market confidence led to a rapid fall in new home sales and approvals. This slowdown is evident in land sales and unfortunately the fall in demand has not yet resulted in a fall in price.

“The impact of the fall in demand for new homes and the rise in land prices places additional pressures on the new home market and could further impede activity in the home building market.

According to Tim Lawless, CoreLogic’s Research Director: “The reduction in settled land sales is most evident across the Sydney and Melbourne markets where broader housing market conditions have been weakening since mid-to-late 2017. Despite the substantial drop in activity, land prices are falling at a much slower rate than housing prices in Sydney, while Melbourne land prices on a rate per square metre basis are substantially higher than a year ago compared with a 9.1% drop in dwelling values over the past year. The resilience of land prices relative to the wider market likely reflects the scarcity value of well-located vacant land in these cities.”

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