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MEDIA RELEASE

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Melbourne land price growth finally stalls

“Prices for established homes in Melbourne have been falling since late 2017 but it has taken a further year for prices of newly created residential lots to show signs of softening,” said HIA Regional Executive Director Fiona Nield.

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

“Data just released shows that the median price of newly created residential lots in Melbourne took a backwards step for the first time since 2015,” added Ms Nield.

“The median priced residential lot in Melbourne was around $371,500 in the September 2018 quarter. This was down by 0.9 per cent for the quarter but still up by 21.8 per cent for the year.

“In contrast to the very recent change in trajectory of the median price of newly created lots, the number of new lots sold in Melbourne each quarter has been declining since mid-2016. The quarterly volume of lot sales has more than halved over this period.

“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 has been evident in the volume of land sales for some time but we are only now seeing evidence that the softening demand is having an impact on pricing of new residential lots.

“The situation where established home prices are falling while prices of newly created residential lots are holding steady shifts the value proposition for buyers and creates a very challenging environment for home builders.

“Dwelling prices are falling and owner-occupiers and investors are retreating also at a time when a record size building pipeline is being worked through in Melbourne. The price of newly created lots in Melbourne will need to ease further in order to restore balance between the market for new and established homes,” Ms Nield concluded.

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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