

MEDIA RELEASE



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Residential Land in High Demand in September Quarter 2020

“Demand for residential land jumped by 27.7 per cent in the September 2020 quarter to be 62.7 per cent higher than at the same time last year, reflecting the surge in demand following the announcement of HomeBuilder in June,” said HIA Economist, Angela Lillicrap.

The HIA-CoreLogic Residential Land Report provides updated information on sales activity in 51 housing markets across Australia, including the six state capital cities.

“HomeBuilder was the catalyst for improved confidence in the housing market which was bolstered by multiple interest rate cuts, house price growth and the easing of tight finance restrictions,” added Ms Lillicrap.

“Leading indicators including ABS Housing Finance and Building Approvals data and HIA’s New Home Sales data indicate that demand for residential land will continue to be strong going into 2021.

“Typically, a significant change in demand for land would result in the price of residential land responding accordingly. In contrast to the strong growth in demand, residential land prices in the September 2020 quarter fell by 1.5 per cent.

“Land prices can lag behind changes in demand due to the length of settlement periods.

“The process of producing shovel ready land commonly takes over a decade, this makes it difficult for land supply to respond to changes in the short term. As a consequence, a sudden increase in demand for land will likely result in prices increasing,” concluded Ms Lillicrap.

According to Eliza Owen, CoreLogic’s Head of Residential Research: “It is remarkable to see how government policy has shaped demand as sales picked up through the September quarter of 2020. So much of the state and federal government housing stimulus extended through 2020 was for new dwellings, including HomeBuilder, temporary changes to stamp duty across NSW, and later, the extension of the first home loan deposit scheme announced in the October budget.

The strong surge in demand for vacant land also reflects a shift to demand for houses in regional Australia, and on the periphery of major cities. This is corroborated by an increase in ABS house approval figures, which were up 8.4% in the year to November 2020, as unit approvals actually declined in the same period. Demand for new housing will likely start to taper around the end of the March quarter, which is the current expiry date for the HomeBuilder Scheme. This could reduce pressure on demand for vacant land through 2021.”

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