

As overseas migration returns to pre pandemic levels and prices remain stable, a recovery in sales volumes is imminent as we have experienced a lull in sales for over 5 quarters.

In 2020, there were nearly 20,000 land sales, averaging 1,500 land sales per month, in 2023 there were 5,600 land sales, averaging 460 sales per month. As we start to see confidence in the market return, the last three quarters of 2023 had an average of 446 sales per month and this number is expected to increase as we head into 2024.

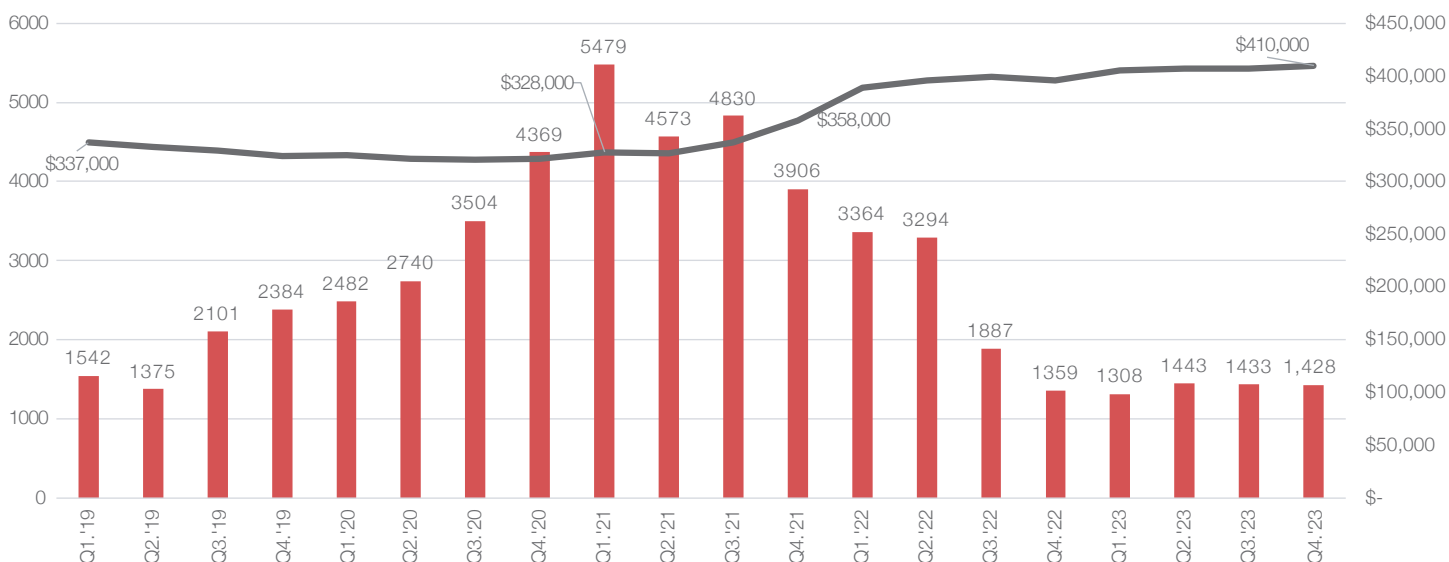
In 2021 when demand for land was strongest and pulled forward, land sales reached 5,479 in the first quarter when the median land price was \$328,000. There is an obvious delay in pricing hikes at this point as pricing increased towards the third quarter of 2021 when land sales started to decrease due to the conclusion of the Homebuilder Grant. Sales volumes fell 43% between Q2.'22 and Q3.'22 because of interest rate hikes and lack of affordability.

Despite the chain of events during 2019 to 2023, prices have increased by \$73,000, equating to approximately 4.3% per year or \$1,210 per month.

FAST FACTS

- Median land price unchanged
- Median land size 392sqm
- Approx. 460 sales per month in 2023
- What are the affects of 7 star homes?

Graph 1: Median land price vs sales volumes (2019 to 2023)



A consideration for the next few months is the affects of building a 7-star energy efficient home which is likely to have a 5% increase in build prices. Will home buyers rush to sign contracts before the 1st of May 2024, or will they be satisfied to pay a higher price upfront for the benefits of lower bills and improved comfort which may outweigh the additional cost over time.

Furthermore, there are ongoing building cost increases which is a major contributor to the affordability challenge. According to the ABS, building construction prices rose 1.9% in the December 2023 quarter and 5.4% over the past 12 months.

More specifically, house construction costs increased by 1.3% which is driven by the ongoing labour shortages for skilled tradespeople whilst material costs remain stable. Will the affects of rising costs associated with building a new home dampen sales volumes?

The Metropolitan Melbourne median land price has relatively unchanged at \$410,500 as of January 2024 and this number continues to rise despite a steady sales rate that is lower than the long- term average. The median land price has risen 2.7% over the last 12 months and overall, over the last month, most municipalities are unchanged of have risen in price, indicating robustness and a turnaround in the market.

Greater Geelong had a 2.5% increase in its median land price due to its median land size increasing by 15sqm since last month. Whilst Casey's median land price is unchanged despite a increase of 13sqm in its median land size.

Although rebates, incentives and offers are anticipated to continue in the short term, there are deals to be made.

Table 1: Median land price (Jan.'24)

| | | Size (Sqm.) | Median land price | | | | |
|---------|-----------------|-------------|-------------------|-----------|------------|-----------|------------|
| Ranking | LGA | Jan.'24 | Jan.'24 | Dec.'23 | MoM Change | Jan.'23 | YoY Change |
| 1 | Casey | 413 | \$482,000 | \$482,000 | 0% | \$475,000 | 1.5% |
| 2 | Cardinia | 392 | \$456,550 | \$442,000 | 3.3% | \$483,000 | -5.5% |
| 3 | Gr. Geelong | 415 | \$421,000 | \$410,700 | 2.5% | \$427,000 | -1.4% |
| 4 | Hume | 400 | \$415,250 | \$415,250 | 0% | \$415,000 | 0.1% |
| 5 | Melton | 380 | \$410,900 | \$406,000 | 1.2% | \$401,000 | 2.5% |
| 6 | Whittlesea | 379 | \$400,000 | \$399,000 | 0.3% | \$398,000 | 0.5% |
| 7 | Wyndham | 350 | \$390,000 | \$387,000 | 0.8% | \$387,000 | 0.8% |
| 8 | Mitchell | 614 | \$335,000 | \$340,000 | -1.5% | \$345,000 | -2.9% |
| | Metro Melbourne | 392 | \$410,500 | \$410,000 | 0.1% | \$399,000 | 2.7% |

Source: Red23 Research

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If you require any assistance with regard to the residential market, please do not hesitate to contact Hoang Vo-Tran on (03) 9540 0477.



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