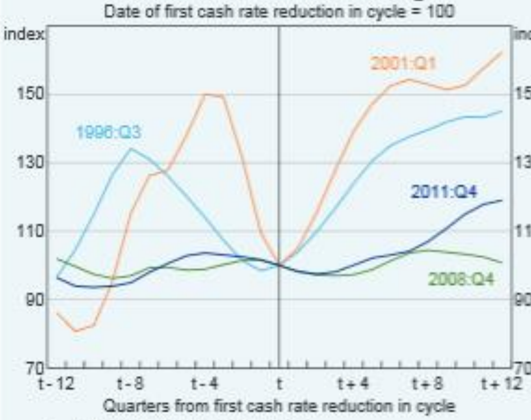
Graph C2
Investment in New Dwellings*
Date of first cash rate reduction in cycle = 100



* Volumes; 7-period Henderson trends

Sources: ABS; RBA

Graph C3
Greenfield Land Supply
Estimated months of supply available for sale*

* Number of lots for sale at quarter-end divided by average number of lots sold per month over the preceding year

** Brisbane, Gold Coast, Sunshine Coast

*** Includes Newcastle and Wollongong

Sources: National Land Survey Program, Charter Keck Cramer, Research 4; RBA

approvals has been more in line with that of other cycles. Also, the relatively sharp pick-up of new dwelling investment in 2001 was unusual. This may, in part, have reflected a rebound following the sharp decline in approvals after the introduction of the goods and services tax in July 2000. The introduction of the federal First Home Owner Grant scheme at that time might also have played some role.

To accommodate an increase in demand for renovations and new dwelling construction, the construction industry needs to draw more heavily on a range of inputs, including land, construction workers, materials and equipment. The size of the increase in dwelling investment will therefore depend on how easily the industry can source these additional inputs.

The increase in dwelling investment to date has already seen a pick-up in growth of greenfield land sales, particularly along the eastern seaboard. However, developers are now holding unusually low levels of unsold lots and, in some cities, supply is equivalent to less than three months of sales (Graph C3). Unsold lots are recorded as being most scarce in Sydney and south-east Queensland, where the Bank's liaison contacts have suggested that developers are having difficulty obtaining further suitable land approved for development. Some liaison contacts have also raised concerns about the availability of land for apartment developments in Sydney, as the stock of suitable sites has been gradually depleted over recent years.

The employment of construction workers has also grown, particularly in residential construction (Graph C4). Even so, only some types of personnel are reported to be in short supply, such as project managers in the high-density construction sector and bricklayers on the eastern seaboard.

In general, the supply of labour in the residential construction industry appears to be well placed to increase further, partly because large numbers of construction workers are becoming available as work on mining construction projects winds down. According to the Bank's liaison, construction employment in the mining sector is expected to fall by about 60 000 people from 2014 to 2018 (around 6 per cent of construction employment), and contacts have suggested that many will be able to move into