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New Home Sales



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A monthly update on the sales of new homes

June 2020

NEW HOME SALES SOAR IN RESPONSE TO HomeBuilder

HomeBuilder has stopped the fall in New Home Sales in June and has improved confidence in the market.

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Methodology: Each month HIA surveys the largest 100 home builders in Australia on their sales (contract to build) volume for the previous month. These builders account for 33 per cent (2018/19) of all houses built in Australia. This sample is used to extrapolate results for the rest of the market including a seasonal adjustment.

Each October the sample surveys are re-calibrated to reflect changes in the market share of each of the 100 largest builders. This can affect the comparison between September and October results.

New Home Sales in June recorded their first monthly increase since COVID-19 restrictions were introduced in March and the highest monthly result in nearly a decade. This dramatic increase is due to the introduction of the Government's HomeBuilder program and various state incentives for building, leading an improvement in consumer confidence.

COVID-19 restrictions caused new home sales to plummet to their lowest level in March and continue to fall in April and May as consumers faced an unstable employment outlook and confidence fell away. Given that building a new home is one of the largest purchasing decisions that households can make in their lifetime, it is not surprising that many households chose to cancel or delay their housing purchase decisions.

Without intervention, these results indicated that a significant contraction in the volume of work on the ground would have occurred in second half of 2020 leading to a contraction across the wider economy.

The rebound in New Home Sales in June does not fully offset the dismal results of the preceding three months and we are cautious of over interpreting data from a single month. It is, however, a clear indication that HomeBuilder will protect jobs in the sector in the second half of 2020 and into 2021.

New home sales data can vary considerably each month, and is highly reactive to changes in consumer confidence. Nonetheless the significant monthly improvement in June can be seen to varying degrees across all the states which is a good indication that the HomeBuilder program is working. It is important to note that additional sales data from July and August will be necessary before drawing accurate estimates on the impact of HomeBuilder on the sector.

The Government's announcement of the HomeBuilder program has seen confidence in the market improve. As such, we are seeing the first signs of improvement in the housing market with consumers who had previously delayed purchasing a new home returning to the market.

The cancellation rate (percentage of sales cancelled during the month) has fallen from a peak of over 30 per cent in April but remains elevated at 23 per cent. Typically, the cancellation rate is around 7 per cent of new home sales. This suggests that there are still many households that have made the decision not to proceed with a previous new home purchase in light of the changed economic conditions.

Western Australia was the best performing state with New Home Sales more than doubling during the month of June, albeit from an exceptionally low base. This is not surprising given the State Government's 'Building Bonus' scheme, which if combined with Homebuilder provides \$45,000 in assistance.

Across the country, Western Australia had the largest monthly increase in June compared to May 2020, rising by 211.2 per cent. South Australia followed, increasing by 157.1 per cent. Victoria (+47.8 per cent), Queensland (+43.3 per cent) and New South Wales (+12.6) also recorded significant monthly increases.

