HIA

New Home Sales

A monthly update on the sales of new homes

August 2020

WESTERN AUSTRALIA DRIVES A LIFT IN New Home Sales

HomeBuilder has shored up the December quarter.

All jurisdictions have seen sales surge in the three months since the announcement of HomeBuilder in June. This surge followed three of the worst monthly sales volumes on record. When looking at the most recent six months as a whole, only WA and QLD have seen sales higher than they were at the same time in 2019.

New Home Sales in WA have improved markedly over the last three months and the strong numbers have more than made up for the weak results between March and May. New Home Sales in WA were 91.1 per cent higher in the six months to August 2020 than at the same time in the previous year. Sales in WA at this time in 2019 were at record low levels following the bottom of the mining investment cycle, a situation that was exacerbated by the credit squeeze in 2018.

The combined impact of HomeBuilder, the WA State Government's Building Bonus and pent-up demand for housing will see home building pull the WA economy forward. The surge in home building work from as early as the December quarter will see more skilled workers return to WA pursuing employment opportunities which will also underpin demand for this new housing stock.

The constraints on this surge in home building in WA will be on access to shovel-ready land and skilled labour. Even with this surge in New Home Sales, the number of new homes sold in the past six months remains well below levels seen during the previous WA boom of 2012-15 and may not be sufficient to get the volume of new home builds in WA back to their long term average. These results, if the work flow continues, should ensure a more sustainable increase in building work on the ground from the December quarter onwards.

Queensland has also experienced a pickup in new home sales over the past 6 months compared to the same period in 2019, with a 4.2 per cent increase. All other jurisdictions have seen sales during the six months from March to August 2020 comparable or lower than the levels recorded in same period of the previous year.

At the other end of the spectrum, Victoria experienced a significant decline in sales in the month of August, down by 14.4 per cent for the month. The restrictions on travel and trade during the month of August have clearly impacted sales. This leaves New Home Sales in Victoria 12.0 per cent lower in the six months from March to August 2020 compared with the previous year.

Sales in South Australia for the most recent three months are the strongest sales for a number of years. When balanced against the downturn in the previous three months, there is the prospect that South Australia will see an increase in detached home starts in the March quarter of 2021 compared with 2020.

A pick up in sales in NSW by 11.7 per cent for the month was a welcome reprieve for the largest state economy, but the pickup in sales since HomeBuilder have been underwhelming.

The improvement in the number of New Home Sales over the most recent three months will see a lift in the number of homes under construction in the December quarter, compared to what would have been the case without HomeBuilder and the stimulus measures implemented at the state level. In some states, including Western Australia, Queensland and South Australia, this could see more detached home starts in the March quarter next year than in 2020.

The cancellation rate has also fallen from over 30 per cent in April to 14.6 per cent in August. This rate of cancelations remains well above the long-term trend of less than 9 per cent. This represents the share of projects previously sold that were cancelled by the client during the month.

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.