



HIA

New Home Sales



A monthly update on the sales of new homes

December 2020

NEW HOME SALES GO THROUGH THE ROOF IN December

New Home Sales surge as homebuyers hurry to meet deadline for HomeBuilder.

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New Home Sales reached remarkable heights in December, nearly doubling compared to the number of sales recorded in November. Sales during the December 2020 quarter were 48.7 per cent higher than the September 2020 quarter and 99.5 per cent higher than the same time the previous year.

This is the second strongest month of new home sales in the 20 years of the survey. This result is only exceeded by March 2001.

This surge in sales can be attributed to HomeBuilder as households finalised contracts to build a new home before the end of the 31 December 2020 deadline to access the \$25,000 grant. The extension of the timeframe to commence building from three months to six, which was announced in November, has played a significant role in December's surge in New Home Sales.

Since the onset of COVID, consumer preferences have also shifted towards detached housing. The newfound capability to work from home has also enabled homebuyers to look at locations that previously would have been considered too far from their workplace. Demographic shifts away from apartments and metropolitan areas has been a boon for building in regional areas.

Building approvals data, which is a lagging indicator of New Home Sales, confirms that regional areas in particular, have benefitted from HomeBuilder and the change in consumer preferences.

New Home Sales in 2020 increased by 32.5 per cent compared to 2019. This is an exceptional result given the nature of the pandemic and the effect that it has had on the broader economy.

It is not expected that this remarkable volume of sales will continue into January. The extension of HomeBuilder to allow contracts to be signed before March 2021 with a grant of \$15,000 will support the sales of new homes into 2021, but not at this elevated level.

The cancellation rate in December returned to pre-pandemic levels of 7.9 per cent compared to a peak of over 30 per cent in May 2020. The cancellation rate is a measure of the number of contracts that were cancelled as a share of sales in that month. This typically ranges between 7 per cent and 9 per cent. Additional monthly data is necessary to confirm if this is a trend.

The monthly increase in sales has been broad-based across the states with the exception of Western Australia which declined by 9.5 per cent.

Western Australia has been the strongest performing state since the announcement of HomeBuilder and the state government's Build Bonus grant in June. Despite the underperformance relative to other jurisdictions, the December results are still elevated compared to previous years, with the December 2020 quarter double the same time last year.

South Australia recorded the strongest increase, with sales tripling compared to November. This leaves sales in the December quarter 188.3 per cent higher than the same time last year.

New South Wales increased by 131.7 per cent in December to leave the December quarter 61.7 per cent higher than the same period in 2019.

Sales in Victoria and Queensland also doubled in the month. This leaves sales in the December quarter up by 103.1 per cent and 99.9 per cent, respectively.

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.

