



HIA

New Home Sales



A monthly update on the sales of new homes

February 2021

STRONG MARKET CONFIDENCE CARRIES INTO 2021

New Home Sales returned to a pre-COVID level in February, sustained by low interest rates and house price growth.

New Home Sales increased in February 2021 to be 1.7 per cent higher than February last year, prior to the impact of COVID restrictions on new home sales.

A surge in sales was observed following the announcement of HomeBuilder in June 2020. This led to strong sales through to the end of 2020. In December 2020, there was a near record volume of new home sales as households rushed to finalise contracts to build a new home before the end of the \$25,000 grant.

Market confidence has been sustained into 2021 with record low interest rates and house price growth. Demographic shifts in population are also driving ongoing demand for new detached homes. The improvement in market confidence can be observed since the announcement of HomeBuilder.

There has been a significant shift in consumer preference for detached and more regional locations in 2020. Preliminary migration data shows more Australians left the capital cities in each of the first three quarters of 2020 than at any other time since records began in 2001. This involved an acceleration of retirement plans and fewer people moving to urban centres for work or education. Working from home arrangements have also facilitated this change in consumer preference.

The full impact of the extension of the HomeBuilder grant, at a value of \$15,000 will not be observed until the end of March.

To receive the HomeBuilder grant, construction is required to commence within six months of signing a contract to build. As a consequence, it is possible that builders will delay the signing of some contracts to allow for greater flexibility and more detailed planning of projects. This impact was observed in December 2020.

For this reason we expect a surge in sales in March. Due to the lower grant offering, this surge will not be as large as the December surge.

Sales in the three months February 2021 increased across all jurisdictions compared to the same time the previous year. South Australia is up by 149.7 per cent, followed by Victoria (+69.1 per cent) and Queensland (+60.4 per cent). New South Wales increased by 46.2 per cent and Western Australia is up by 25.1 per cent over the same period.

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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 40 per cent (2019/20) 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.

