



HIA

# New Home Sales



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DETACHED

A monthly update on the sales of new homes

January 2020

# NEW HOME SALES: STRONG START TO 2020

New home sales remain well below levels seen in recent years.

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Private Detached new house sales have started the new decade strongly, increasing nationally by 5.7 per cent in the month of January. This leaves the three months to January just 4.0 per cent down from the same time the previous year.

Most states saw the number of new home sales in January increase, led by Western Australia, Victoria and Queensland. A 15.2 per cent surge in new home sales in Western Australia leaves sales in the three months to January 2020 up by 17.6 per cent compared to the same time the previous year, providing further evidence of a strengthening market.

Strong sales in Victoria for the month of January partially offset a slowdown in sales in the preceding months. A similar result in Queensland saw sales rise by 9.4 per cent for the month, to be well below sales in the previous quarter and the same time the previous year.

New South Wales and South Australia recorded noticeable declines in sales. In NSW, this is likely just monthly volatility as December was an exceptionally strong month and the number of new home sales in January was at levels seen in the first half of 2018. These results are also likely to be influenced by extreme weather events and the proximity of bushfires to residential growth areas.

Along with the stabilisation in new home sales, loans for new homes also reached a turning point in April 2019, currently sitting at its highest level in over a year. Residential land sales lifted over 50 per cent in Australia's capitals between the March and September quarters in 2019. Dwelling prices have also bounced back nationally, led by Sydney and Melbourne, bringing confidence back to sellers and buyers alike.

Credit accessibility is an ongoing uncertainty that is carrying over into 2020. Tighter lending standards have caused a structural tightening of how we lend money in Australia despite efforts by the RBA and the regulators to ease the credit squeeze that was a key brake on the previous cycle.

For the first time since the global financial crisis, international factors are likely to impact on the volume of home building in Australia over the medium term. The effects of the trade and tourism restrictions with China pose a material downside risk to the market. China is Australia's number one trading partner, buying more of our iron ore and copper than any other country, and second only to Japan in terms of coal. We also receive more tourists and students from China than any other country.

If the impact on tourism and trade is contained to the short-term, and if the Australian government's infrastructure projects do finally flow through to work on the ground, then Australia will continue its record run to 30 years of continuous economic growth. If the impacts are conversely more protracted, they will filter through to housing demand, jeopardising the anticipated trough and potentially setting the scene for a future affordability crisis.

HIA New Home Sales is showing mixed results across the states. Private detached home sales in January 2020 were higher than in the previous month in Western Australia (+15.2 per cent), Victoria (+14.3 per cent) and Queensland (+9.4 per cent). Detached home sales declined for the month in New South Wales (-11.3 per cent) and South Australia (-8.3 per cent).

**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.

