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New Home Sales



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A monthly update on the sales of new homes

January 2021

NEW HOME SALES FALL AS RUSH FOR HomeBuilder Ends

The impact of HomeBuilder 2.0 will not be observed in New Home Sales until March.

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New Home Sales in January 2021 were just one third of the remarkable volume of sales achieved in December 2020.

New Home Sales reached remarkable heights in the December 2020 quarter, almost 100 per cent higher than at the same time the previous year. 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.

A more accurate comparison is that national sales in January 2021 were 12.1 per cent lower than in the previous year. New South Wales (+3.3 per cent) and South Australia (+34.1 per cent) both saw sales rise in January 2021 compared with 2020 while sales were lower than in the other states. Sales fell most significantly in Victoria (-27.5 per cent), Western Australia (-16.5 per cent) and Queensland (-9.5 per cent).

Overall this is an encouraging result given the nature of the market in January. HomeBuilder drew forward sales into December to attract the \$25,000 grant and it will also push sales back until the end of March. This suggests that many of the projects sold in January were not HomeBuilder eligible projects.

To be eligible for HomeBuilder 2.0 (\$15,000 grant) a home buyer must sign a contract to build a home before the end of March. The program also requires construction to commence within six months following the signing of a contract. To ensure the most flexibility, and to allow more detailed planning of the project, most HomeBuilder eligible projects will have contracts signed at the end of March 2021. This approach was observed in December 2020.

For this reason we expect sales to remain flat in February before another surge of sales in March. The March surge will not be of the same quantum as December due to the lower grant offering. This March data will provide a more accurate indication of the volume of work initiated due to HomeBuilder.

The relative strength of sales in January is encouraging and indicates that there will remain ongoing demand for new homes beyond the HomeBuilder scheme. Low interest rates, rising house prices and a demographic shift in demand towards detached housing and regional areas will also drive demand for new homes albeit at a level significantly below that observed in the last quarter of 2020.

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.

