



HIA

New Home Sales



A monthly update on the sales of new homes

September 2020

NEW HOME SALES REMAIN ELEVATED

HomeBuilder restores consumer confidence and provides a sharp lift in sales.

The HomeBuilder program was intended to restore consumer confidence into the housing market and draw forward investment to smooth the decline in new home construction, following the COVID recession. We are seeing the full impacts of HomeBuilder on new home sales as consumers finalise their building plans.

Sales rose modestly in September to result in 4 strong months of sales since the announcement of HomeBuilder. Nationally, these strong months of sales have more than offset the very poor results seen following the introduction of the COVID restrictions.

In the seven months since restrictions came into effect in March 2020, sales are 11.8 per cent higher than in 2019. The positive impact of HomeBuilder has varied across the states.

WA has seen the largest increase in sales since the announcement of HomeBuilder. The combined impact of HomeBuilder, the state government's Building Bonus program and pent-up demand for housing has seen a sharp increase in sales. WA had the shortest pipeline of work entering this recession and these sales will lead to an increase in work on the ground as early as the December quarter.

Sales in WA in September plateaued. It is not clear if this is monthly volatility or if it is the positive impact of the grants starting to wane as the end of the programs approaches.

Sales also plateaued in QLD with a 4.2 per cent decline during the month of September. This leaves the September quarter 39.8 per cent higher than the June 2020 quarter.

SA has also seen a significant increase in new work entering the pipeline with the September 2020 quarter 77.7 per cent higher than the June quarter. When balanced with the low sales at the beginning of the pandemic the seven months to September 2020 are equal to sales in 2019.

Sales in NSW have been underwhelming in comparison to the other states. This is likely due to the price caps slowing the uptake of the program in Sydney. Despite this, sales in NSW continued their slow and steady rise with a 9.7 per cent increase in the September quarter leaving sales for the seven months since March consistent with those experienced in 2019.

Sales in VIC were surprisingly strong considering stage 4 restrictions were still in place. VIC reported a 16.7 per cent increase in September compared to August to return them to the same level experienced at the onset of the HomeBuilder program. These sales in September reflect leads and contract negotiations that commenced before restrictions came into effect. The adverse impact of the stage 4 restrictions, when display and sales sites were closed, may emerge in the coming months.

We do not expect these elevated sales levels to be sustained. HomeBuilder is a short lived stimulus program. Eligible contracts for HomeBuilder need to be signed by 31 December 2020. Given the lead time for obtaining approval and that commencement needs to start within 3 months of signing the contract, we expect new home sales to decline as the end of the program approaches.

With the tight timeframe for work to commence on the ground, other factors may constrain access to the program. Access to finance remains very tight and loan applications are typically taking two months to process. Adding to this, the availability of land in some areas will be a constraint on consumers accessing to the program.

As these constraints emerge to varying degrees across the country, the surge in new home sales will cool. This may already be evident in WA with a decline of 11.5 per cent in the month of September 2020 and to a lesser extent in Queensland with a 4.2 per cent decline.

Nonetheless, the improvement in the number of New Home Sales over the most recent four 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 other state stimulus measures.

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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 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.

