



HIA

New Home Sales



A monthly update on the sales of new homes

December 2019

NEW HOME SALES: THE END OF A TOUGH YEAR for home builders

HIA new home sales finished off the year 10.1 per cent lower than 2018.

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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.

After a rough 12 months for the home building industry, new home sales fell by 1.5 per cent in the December quarter to be 6.8 per cent lower than the same quarter last year. As forecast, the detached housing market is showing signs that it reached a low point in April 2019 and is stabilising at this level. This new level of building activity is significantly below those experienced over the past five years, but consistent with demographic growth.

The first half of 2019 is best characterised by declining house prices, the banking Royal Commission, uncertainty surrounding the election and the credit squeeze all weighing on consumer confidence and ability to access finance.

Conditions in the broader housing market in the second half of 2019 began to improve, with the majority of leading indicators showing signs of stabilising, albeit well below levels seen in previous years and well below demographic demand.

House prices returned to growth across the eastern seaboard capitals with Sydney and Melbourne finishing the year with higher prices than at the start. This has gone a long way to improving confidence in the housing market.

The easing of APRA's lending restrictions, along with the current low interest rate environment, has made servicing a mortgage cheaper. Although access to finance continues to be the biggest impediment to new home construction with only 'high quality' borrowers able to access it.

The Government's First Home Loan Deposit Scheme comes into effect in January and will assist eligible first home buyers over the deposit hurdle.

Broader economic conditions remain positive with stronger than expected inflation and unemployment improving on the back of continued job creation. Population growth is slowing but also remains strong.

HIA New Home Sales is showing mixed results across the states. Private detached house sales in the December 2019 quarter were higher than in the previous quarter in Western Australia (+12.8 per cent) and New South Wales (+15.1 per cent). Detached house sales declined over this period in Queensland (-5.7 per cent), Victoria (-9.9 per cent) and South Australia (-12.8 per cent).

