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New Home Sales



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A monthly update on the sales of new homes

March 2019

NEW HOUSE SALES

Have Stabilised

New home sales appear to have stabilised in the first quarter of 2019.

After falling by 8.5 per cent in 2018 new home sales appear to have stabilised in the first quarter of 2019. National new home sales remained steady in March and are now just 1.0 per cent lower for the first three months of the year compared with the previous quarter. Given the rapid decline in new home sales throughout 2018, this moderation in the fall in new home sales suggests that the credit squeeze is moderating as the market adjusts to the new lending norms.

Three of the five mainland states, New South Wales, South Australia and Western Australia, experienced a significant increase in new homes sales compared to February reversing some of the declines experienced in these markets in 2018.

New home sales have been trending downwards since the end of. The credit squeeze washed through the market in mid 2018 when the natural housing cycle was already beginning to cool. The banks tightened their lending standards by reducing the amount of money they were willing to lend with the time it took to get a loan approved blowing out from approximately two weeks to two months.

New home sales and approvals were anticipated to begin to stabilise in the first half of 2019 and we are now seeing signs of this with the credit squeeze easing and the market adjusting to the new equilibrium levels of lending.

New home sales is a leading indicator of residential building approvals. Building approvals are continuing to decline, reflecting the slower sales volumes, with a further decrease of 3.6 per cent in February to be down by 4.0 per cent on the previous quarter. Despite the decline in sales and approvals in 2018, approvals for the trailing 12 months remain lower by only 2.5 per cent on the previous 12 months.

Uncertainty surrounding the federal election in May is potentially impacting new home sales and approvals as investors and owner occupiers put decision making on hold until after the election. Despite this, there are also positives coming out of parliament, with income tax cuts legislated to come into effect in July regardless of who wins. These should assist in providing further stimulus to the economy.

Other economic indicators are also showing signs of improvement. Population growth remains steady and unemployment is also low at 5 per cent. Once the election is over and market confidence returns we expect to see further improvements in home building sales and approvals.

Victoria and Queensland both experienced decreases in new home sales in March compared to the previous month but this was offset with strong results in New South Wales, South Australia and Western Australia. All of the mainland states, with the exception of South Australia are still down on the previous quarter. Queensland was the hardest hit out of the mainland states, down 4.7 per cent on February and 14.0 per cent on the previous quarter. Victoria was down by 2.9 per cent on February to be down by 2.7 per cent on the previous quarter. Western Australia and New South Wales both saw an increase on the previous month (2.3 per cent and 4.8 per cent respectively) to remain down on the previous quarter (5.4 per cent and 3.0 per cent respectively). South Australia is a bit of a positive outlier with an increase of 8.6 per cent on the previous month and 7.8 per cent on the previous quarter. South Australia has withstood the impacts of the credit squeeze better than other jurisdictions.

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Methodology: Each month HIA collects data from 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 (2017/18) 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.

