



HIA

New Home Sales



A monthly update on the sales of new homes

October 2018

TIGHT CREDIT CONDITIONS WEIGH ON NEW HOUSE SALES

HIA New Home Sales fell by 0.8 per cent during October 2018 and sales are 13.9 per cent lower than the same time a year ago.

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The tight lending environment has put a squeeze on the housing market prices particularly in Sydney and Melbourne are responding accordingly. The combined impact of falling home prices and restricted access to credit are now being felt in the home building market. HIA New Home Sales fell by a further 0.8 per cent during October 2018 and sales are 13.9 per cent lower than the same time a year ago.

The decline in new home sales was driven by New South Wales (down by 4.9 per cent) while South Australia (down by 5.6 per cent) and Western Australia (down by 10.7 per cent) also detracted from the total. These falls were partially balanced by offsetting improvements in monthly sales in Victoria (up by 4.9 per cent) and Queensland (up by 2.5 per cent).

Private sector approvals fell 2.7 per cent during September with a total of 9,266 for the month. Approvals across Australia have come off the boil throughout the middle part of the year and have now fallen by 11.2 per cent from the March 2018 peak.

Despite the recent falls, approvals through the year ending September 2018 are still 3.6 per cent higher than in the year ending September 2017, and still 33.7 per cent higher than the last cyclical trough (the year ending August 2012).

A cooling in activity following the recent boom, especially in Sydney and Melbourne, is well underway. The 2017/18 financial year saw over 120,000 detached house starts which was one of the strongest results on record. We expect new home starts to decline by 11.4 per cent this year

and then by a further 7.4 per cent next year.

The housing downturn, which has been orchestrated by regulatory interventions in the lending market, is occurring at a time when the broader economy is in a position of relative strength. The labour market remains strong and interest rates are likely to remain accommodative for some time yet. These factors will provide support for the housing market during this next phase of the cycle. While we foresee a decline in home building activity over the next couple of years, the decline is expected to be moderate and should still provide for a relatively healthy level of detached home building.

