



NEW SOUTH WALES

HIA State Outlook

**ECONOMIC
OUTLOOK**

**HIA
FORECASTS**

**OTHER
ECONOMIC
INDICATORS**

**INDICATORS
OF HOUSING
INDUSTRY
ACTIVITY**

A quarterly update on the housing & renovation industry

Winter edition 2020



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COVID-19 TIMELINE

	<p>Social restrictions ease in NSW with two adults allowed to make social visits to other households</p> <p>NT eases social restrictions - no longer subject to the 10 person limit for outdoor activities and playgrounds will also be opened. Open homes and in-person auctions are now allowed. Plans announced for the second stage of easing to commence on May 15</p> <p>Two person rule eased to a 10 person limit in WA, home inspections allowed to go ahead if the 10 person rule is followed</p>
	<p>Queensland to ease some restrictions - travel now allowed to a maximum of 50km from one's home</p>
	<p>Federal Government announces three stage road map to re-opening the economy</p>
May 2020	<p>Tasmania announces that open homes and auctions can resume with 10 people from May 18 and 20 people from June 15</p>
	<p>NSW eases restrictions on auctions and open houses</p>
	<p>South Australia allows on-site auctions and home inspections limited to 10 people</p>
	<p>Victoria allows on-site auctions and home inspections limited to 10 people</p>
	<p>South Australia announces it has zero active cases</p>
	<p>Australia's death toll reaches 100</p>
	<p>The Northern Territory announces that it has zero active cases</p>
June 2020	<p>The Victorian Government announced the re-tightening of restrictions on household gatherings following a spike in community transmitted cases over the previous week</p>
	<p>Western Australia enters phase four of the easing of restrictions</p>
	<p>Victorian Government begin local lockdowns across 10 different Melbourne postcodes</p>
	<p>Nine public housing towers in Melbourne completely locked down with residents unable to leave the tower under any circumstances for at least five days</p>
	<p>The Australian Government introduces a cap on the number of international passengers arriving at airports</p>
	<p>The New South Wales and Victorian border closes</p>
	<p>Metropolitan Melbourne and the Mitchell Shire re-enter lockdown for a minimum of six weeks</p>
July 2020	<p>New South Wales tightens some restrictions including per-table seating reduced from 20 to 10 and a maximum number of 300 persons in any venue</p>
	<p>The sitting of Federal Parliament scheduled for the first two weeks of August is cancelled</p>
	<p>Face coverings become mandatory in Metropolitan Melbourne and the Mitchell Shire</p>
	<p>Victoria's State of Emergency is extended until 16 August 2020</p>
	<p>Australian Government announces that JobKeeper and JobSeeker would be extended beyond 24 September but with changes to the programs</p>
August 2020	<p>Australia's death toll reaches 200</p>
	<p>State of Disaster is declared in Victoria</p>
	<p>Melbourne moves to stage four restrictions and Regional Victoria enters stage three restrictions</p>
	<p>Australia's death toll reaches 300, taking just nine days to increase from 200</p>
	<p>Auckland re-enters level three restrictions after 100 days without a case</p>

SUMMARY

Australia had an insurance policy heading into this recession, which is the **low level of government debt**. Just as this allowed a quick recovery from the Global Financial Crisis and previous shocks, it will be our advantage in recovering from the COVID recession.

The outlook for the Australian economy is relatively positive, in comparison to our trading partners. China is proving to be an outperformer in 2020 which bodes well for Australia's large mining and agricultural exports.

HomeBuilder will support employment across the building industry and therefore across the wider economy. If the number of hours worked by skilled trade's people declines, then it will drag the economy to a stand-still, just as it did in 2019. The sector employs one in ten workers and plays an important role supporting the wider economy.

The policy decision to permit the return of overseas migration is yet to be made but it appears that Australia will remain an attractive destination for skilled migrants. Of course, this positive outlook is dependent upon the progress of the pandemic and even with a rapid recovery from this recession, the Australian economy will not return to the level of wealth experienced in 2019 for a number of years.

In this Outlook we have revised our long-term housing forecasts downwards. Population growth has fallen well below expectations as overseas migration has been constrained and the natural rate of population growth fell. Adding to this structural decline in population growth, the contraction in migration due to COVID-19 means that population growth over the decade to 2030 will be lower than previously expected.

This slower rate of population growth will weigh on the recovery of the economy and new home starts over the decade.

We now expect starts to be around 172,000 by 2030, compared with 190,000 starts in our previous long term forecasts. For comparison, in 2016, new home starts peaked at 234,000. This record number of starts appears likely to be unbroken for more than a decade.

Access to finance to build a new home will continue to drag on the recovery of the housing market.

Every home built in Australia has been due to a strong and stable banking sector. An 'unquestionably strong' financial system is essential for a well-functioning economy and is a worthy objective for regulators. But if the regulatory environment becomes so restrictive that banks are prevented from taking on fair commercial risks associated with mortgage lending to average households, then it impairs economic growth.

In the years since the GFC, Australia's financial market and banking regulators have tightened lending requirements despite a lack of evidence that the financial services sector had failed to adequately assess the risks of lending to households.

This decade of reforms has reduced risk in the system but has come at a cost. This cost is borne by first time home buyers who are being forced out of the market, which is contributing to the decline in home ownership rates. These regulatory constraints make the Australian Government's First Home Buyer Deposit Scheme necessary to offset the barriers created by other regulatory agencies.

Even with the resilient performance of the Australian economy and the impact of HomeBuilder, the expectation is that the number of new home starts will contract from 173,000 in 2019/20 to 139,700 in 2020/21. The medium-term forecast sees starts gradually recovering from a new trough between September 2021 and March 2022 and returning to 163,500 starts in 2024/25.

The multi-unit market will bear the brunt of the COVID-19 shock. The contraction in multi-unit starts will occur sooner and be more pronounced than for the detached market. Prior to COVID-19, slowing in multi-unit starts had been underway since 2018 when starts in this part of the market exceeded 100,000 annually.

We anticipate a further decline of 41 per cent for the multi-unit sector starts in 2020/21 from 71,600 to just 42,100 starts. This contraction will be focused on high-rise apartments in east-coast cities.

We anticipate that the detached home building market will slow going into 2021/22 and reach a trough in the September 2021 quarter. This reflects the impact of HomeBuilder drawing forward starts into the March quarter as well as the slowdown in aggregate demand (wage growth, household disposable income, employment, etc.) due to the recession. **Detached starts are expected to fall by 3.7 per cent in 2020/21, to the lowest level since 2013/14 of 97,600.**

The detached market will continue to cool to 94,000 starts in 2021/22, before beginning to recover from the start of 2022. **The recovery over the next three years will be modest** and we do not expect the number of new detached home starts to return to levels experienced in 2019 - over 25,000 detached starts per quarter - until the September quarter of 2023.