

## Home building data points

This paper outlines the data points that are available along the pathway from the time a customer considers building a new home to the time that the home is ready to be occupied.

### 1. Google Trends

Consumer confidence is a significant factor in making a decision to build a new home. Google Trends data provides an insight into consumer sentiment. There is a strong correlation between home building approvals and Google trends with a lag of 9 months.

### 2. Display Home Traffic

HIA collects visits to display homes in some jurisdictions. Traffic through display homes provides an indication of the number of dwellings that will be approved for construction in approximately 9 months. This data is not published as it is from a small sample group.

### 3. Sales Leads

HIA collects data in some jurisdiction relating to the quantity of sales leads surveyed firms have generated during the reference period. A sales lead is considered to be when a client has provided their contact details to be followed up by a sales consultant.

### 4. Early Client Engagement

During periods of heightened volatility HIA collects additional data relating to the early stages of client engagement. This aims to measure the stage where a client has identified a location and engaged a builder to build a new home and the detailed design process starts. There is a degree of ambiguity about the measurement of this early stage of client engagement as businesses practices across the industry differ. For example, some builders have a preliminary or conditional contract with a refundable deposit whereas others charge a design fee with a preliminary agreement or tender.

This data is not publicly available due to the small sample size. The data can assist in identifying changes in consumer confidence.

### 5. New Home Sales

HIA collects data on the number of new home sold each month from the largest 100 builders in Australia. These builders typically account for around 37 per cent of all new homes built each year. New home sales is a leading indicator of building approvals by approximately 3 months depending on the processing times in each jurisdiction and the volume of new projects in the existing pool of work for individual builders.

### 6. HIA New Home Building Contract

To commence a new home building project the client must sign a New Home Building Contract with the builder. The builder will also take out the requisite home warranty insurance. HIA records sales of New Home Building Contracts in all jurisdictions. The signing of the contract allows the client to apply for full Finance Approval. HIA's contract data pre-empt the ABS Housing Finance data by around 6 weeks.

### 7. ABS Housing Finance

The ABS reports monthly on the number and value of loans issued for the purchase and construction of a new home. This is the first official data and it is highly reliable as an indicator of future home building work. There is typically only a small number of projects that are cancelled after finance is approved. The ABS reports Housing Finance Data around (6) weeks after the end of each month.

### 8. ABS Building Approvals

The ABS reports building approvals monthly and there is a very strong correlation between approvals and home building work about to commence. Once a building approval has been granted, construction can commence. Only a handful of projects are typically cancelled once an approval is issued as the client, builder and finance provider are committed to the project. The time from the issuing of Building Approval to the commencement of work depends on the size of the pool of work for individual builders and this



# The Pool of Building Work

changes overtime. In periods where there is little work, commencement of a project can begin in as little as a month and can extend to 6 months at times of strong activity.

## 9. ABS Building Commencements

The ABS reports building work commencements on a quarterly basis. This is a survey of a pool of builders who obtained building approval.

## 10. ABS Building Completion

A dwelling will leave the pool of work when a certificate of occupancy is issued. On average, this is about 8 months after construction commenced for a detached house and is recorded once a certificate of completion is issued by the relevant approval authority. The ABS reports this data quarterly around 8 weeks after each quarter. It is useful for determining under or over supply.

### Detached Home Building Pipeline

