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## **New Home Sales Lift in November**

“After a string of weak months, it is pleasing to see new home sales finishing the year on a slightly more positive note,” said Geordan Murray, HIA Senior Economist.

“The HIA New Home Sales Report shows detached house sales increased by 3.6 per cent in November this year, but are still 12.2 per cent lower than last year,” added Mr Murray.

“Despite the monthly rise, the overall level of sales in November is well below the level 12 months previously and also below what had otherwise been typical for most of the period since 2014.

“Given the softening of the Sydney and Melbourne housing markets and the fact that the tight credit environment remains an issue for borrowers, we are not confident that the lift in sales in November marks the end of the downward trend seen throughout 2018.

“The tighter lending environment came about as banks adjusted to the more restrictive lending practices demanded by APRA and also responded to the heightened scrutiny stemming from the Hayne Royal Commission.

“The credit squeeze first started to bite the investor side of the market in 2017. More recently the effect of this squeeze has spilled over into the owner-occupier market.

“Tighter credit conditions facing owner-occupier borrowers are now weighing on the detached house building market, illustrated clearly by the reduced levels of new home sales and building approvals.

“With the Royal Commission scheduled to release recommendations early next year we see a risk that the credit squeeze may drag on into 2019. With the new home market already looking vulnerable, policy makers will need to proceed cautiously when responding to the Commission’s recommendations,” concluded Geordan Murray.

The monthly rise was geographically widespread: sales increased in Victoria (7.3 per cent); Queensland (2.1 per cent); South Australia (7.4 per cent); and Western Australia (2.2 per cent). New South Wales was the lone state where sales declined during the month (down by 3.3 per cent).

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*The HIA New Home Sales report – a monthly survey of the largest volume home builders in the five largest states – provides an early indication of trends in the residential building industry.*

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