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MEDIA RELEASE

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Market to stabilise 20 per cent below peak

“The easing of wider economic and housing market conditions has given rise to a situation where monetary and fiscal stimulus is possible, without fear of overheating house prices,” stated HIA’s Chief Economist, Tim Reardon.

HIA released its quarterly economic and industry outlook report today. The State and National Outlook Reports include forecasts for new home building and renovations activity for Australia and each of the eight states and territories.

“If economic activity improves, the credit squeeze dissipates, home prices stabilise and the recent stimulus measures take hold, the supply of new work into the pipeline will soon reach its low point.

“All indications are that this stabilisation will occur and prevent a more significant downturn. This will set a new market equilibrium where the supply of new homes meets, rather than exceeds, demographic growth requirements.

“This new equilibrium will see the number of new homes remain around 180,000 per year, not in excess of the 200,000 that have been built each year, for the past five years.

“At first glance, demand for new detached homes appears to have held up well with only a 9.0 per cent contraction in starts over the year. This apparent resilience is due to the lag between the sale and commencement of construction of the houses and gives the impression that contemporary market conditions are stronger than is the case.

“The apartment market on the other hand is continuing to contract rapidly and starts are now 41.8 per cent lower than a year ago. The number of apartments under construction will continue to fall as more projects reach completion and fewer new projects enter the pipeline.

“The silver lining to this contraction is that there is a convergence of conditions underway in the building industry. We no longer have a boom in east-cost capital cities and stagnating markets elsewhere.

“Interest rates, income taxes and lending restrictions have all been eased in an effort to support activity and economic growth. State and Australian Government investment in infrastructure is also important to support labour market growth.

“These measures are now supporting activity in housing markets across the economy.

“Detached house starts are forecast to decline by 7.6 per cent in 2019/20, primarily in the first half of the financial year and stabilise at around these levels for the following two years.

“The drop in multi-unit starts has occurred faster than expected. A further decline of 12.0 per cent is forecast for 2019/20 before a slow improvement in 2021/22,” concluded Mr Reardon.

**HIA’s National and State Outlooks are Australia’s most comprehensive housing report card, encompassing renovations activity, new home building, policy updates, global and domestic economic analysis, and dedicated state and territory housing databases. For further information or for copies of the publication (media only) please contact: Kirsten Lewis on k.lewis@hia.com.au*

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