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MEDIA RELEASE

## The Pipeline of Home Building Work is Diminishing

“The downturn in the level of home building activity will be contained to the next two years, as long as migration policy is not tightened further,” said Mr Tim Reardon, HIA Chief Economist.

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

“In 2018, market confidence fell away as dwelling prices corrected, adversely impacting all segments of the market. Investors and owner occupiers are delaying purchase decisions and foreign investment has also fallen dramatically for numerous reasons.

“An additional and unanticipated factor that emerged in 2018 was the credit squeeze created as banks reduced the amount of money they are prepared to lend each customer. The impact of the credit squeeze will moderate over the first half of 2019, as the market adjusts to these new limits.

“The pipeline of building work has expanded over recent years and this backlog is now being reduced.

“If the leading indicators do not improve in the first half of 2019, then the pipeline of building work will be exhausted at a concerning rate.

“Builders in markets with a significant volume of work in the pipeline – such as Melbourne – have not been affected by the downturn yet, but other markets that were already performing poorly – such as Perth – have seen their market fall to a new historic low point.

“As yet, the impact of the credit squeeze does not warrant a material downgrade to our forecasts as the strength of the economy supports building activity as it recalibrates to more traditional levels. The building industry, which has driven activity in the rest of the economy for the past five years, is now reliant on the strength of the rest of the economy to delivery an orderly downturn.

“The expectation that governments will not constrain net overseas migration is central to this outlook for a contained downturn.

“If the fall in overseas migration accelerates then interest rate cuts are likely to be necessary in order to mitigate the adverse impacts of this home building downturn on the wider economy,” 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](mailto:k.lewis@hia.com.au)*

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### Australia Housing Starts Forecasts

Source: HIA Economics

