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Outlook for home building in Victoria: Detached home building defies downturn

“The Victorian economy rode the highs of the property boom for longer than any other state or territory,” stated HIA’s Executive Director, Fiona Nield.

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.

“The detached housing market has held up especially well, with starts up by 6.4 per cent to 10,015 homes in the March 2019 quarter – amongst the strongest quarters on record for the State,” added Ms Nield.

“We do anticipate this market to slow in the coming years. This resilience in these figures is partly due to the lag between the sale and commencement of construction of the houses. Nonetheless, Victoria is well placed to mitigate the impact of any slowdown in this market on the State’s economy.

“The easing of housing markets in east-coast capital cities has made it easier for policy makers to coordinate national policy settings. 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 assisting to absorb excess labour capacity as the building industry slows.

“Victoria is also in the fortunate position of having a strong labour market – low unemployment and relatively strong wage growth – as well as strong population growth to mitigate any future slowdown,” concluded Ms Nield.

Victorian detached house starts in the 2018/19 financial year are expected to be down by around 3.7 per cent compared with 2017/18. Starts in this part of the market are expected to post a further decline of around 13.0 per cent in 2019/20. A further decline of 7.3 per cent is forecast for 2020/21.

**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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VIC Housing Starts Forecasts

Source: HIA Economics

