



the voice of the industry

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MEDIA RELEASE

HIA Outlook – strong fundamentals remain in the face of slowing market

“Despite the housing market slowdown accelerating in the second half of 2018, the strong Victorian economy continues on the back of a strong pipeline of residential work still to be done,” said Fiona Nield, HIA Regional Executive Director Victoria.

HIA has just released its quarterly economic and industry outlook report. 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, we saw a number of factors emerge in housing,” Ms Nield said.

“Market confidence fell away as dwelling prices corrected and this impacted all segments of the market.

“Investors and owner occupiers are delaying purchase decisions and foreign investment has fallen dramatically following APRA’s macro-prudential measures, the imposition of punitive rates of stamp duty, and the fallout from the Hayne Royal Commission.

“Another emerging factor 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.

“Despite concerns around land sales and declining multi-unit building approvals, detached dwelling approvals in Melbourne still reached a record high in 2018. Regional Victoria too continues to defy the state and the nation, with building approvals remaining strong.

“In 2018 there were an estimated 73,580 housing starts. Activity is expected to return to the longer term average with over 50,000 homes forecast to be built for each of the next three years.

“The higher rates of population growth and net overseas migration combined with economic growth, a tight labour market and an ongoing public infrastructure boom are all factors supporting the growth and historically high home building activity Victoria has experienced over the past couple of years.

“But if the leading indicators do not improve in the first half of 2019, then the pipeline of building work that has expanded over recent years will be exhausted at a concerning rate.

“HIA’s revised forecasts show total housing starts in Victoria will fall quite sharply (from these record levels) in the short term, before finding a floor and rising again in the later years of our forecast horizon.

“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 on the wider economy,” concluded Ms Nield.

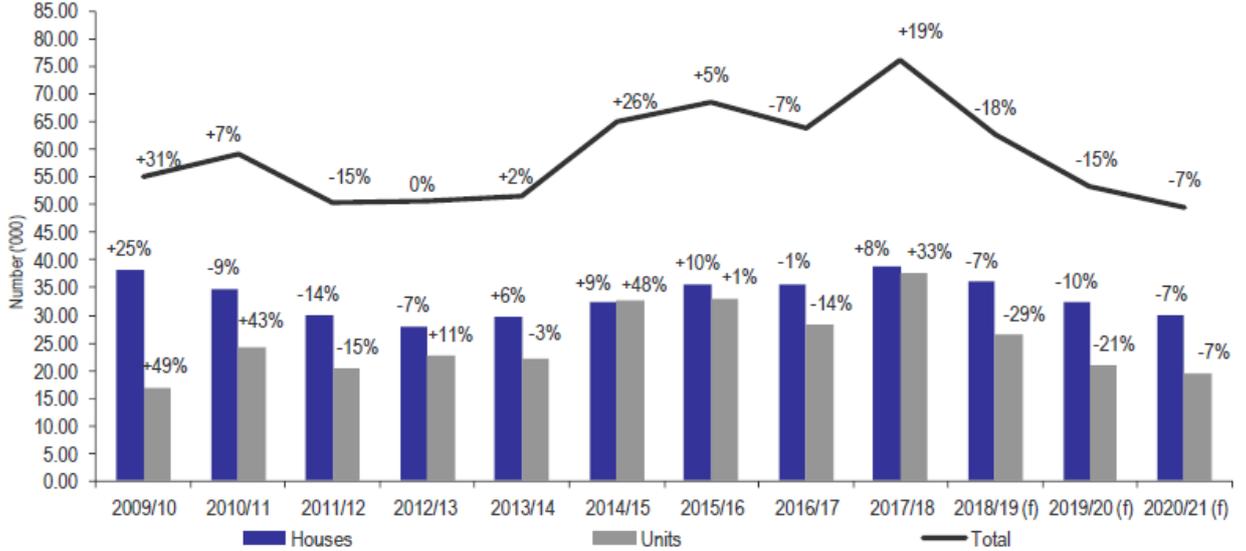




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New Housing Forecast, by Type, VIC Dwelling Starts

Source: HIA Economics



**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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