

MEDIA RELEASE



20 November 2020

Home Building Will Help Pull the Economy Out of Recession

“The surge in demand for new detached homes will help pull the Australian economy out of this recession,” stated HIA’s Chief Economist, Tim Reardon.

“We saw a strong increase in new homes sales following the announcement of HomeBuilder and this is now resulting in an increase in the volume of work on the ground which will accelerate into 2021.

“The announcement of HomeBuilder was the catalyst for a surge in demand for new detached homes, but there are numerous other factors at play.

“The final factor pulling the market forward has been the resurgence of the first home buyer. First home buyers have been taking advantage of this narrow window of opportunity as house prices have remained flat, interest rates at record lows and with the assistance of government support programs. They account for around 40 per cent of the market in 2020, which is the highest share of the market in a decade.

“Access to finance has been a major constraint in recent years and the easing of these restrictions will further assist first home buyers to enter the market.

“First, the nature of the COVID shock has seen the population shift out of high rise in preference for lower density housing and toward more regional locations.

“Second, the trend of rural and regional populations moving to metropolitan areas ceased this year as students and young job seekers were not attracted to the cities for education or employment.

“Third, after the GFC, around half a million Australian’s returned home. In 2020, the number of returning Australians is significantly less than this, but due to the nature of this year’s shock there is a very strong preference for a detached home from these returning residents.

“For these reasons the rental market also remains in very tight supply, outside of Sydney and Melbourne, indicating a rise in house prices.

“We do expect these trends to revert back to 2019 trends, when trade and travel return to normal levels.

“The sooner the restrictions are eased the smaller the ripple effects on the housing market over the next five years.

“The surge in the detached housing market is offset by very poor conditions in the high rise market in Sydney and Melbourne. The detached housing market will absorb some of the skilled workers from the high-rise construction sector, but the outlook for multi-units remains very poor.

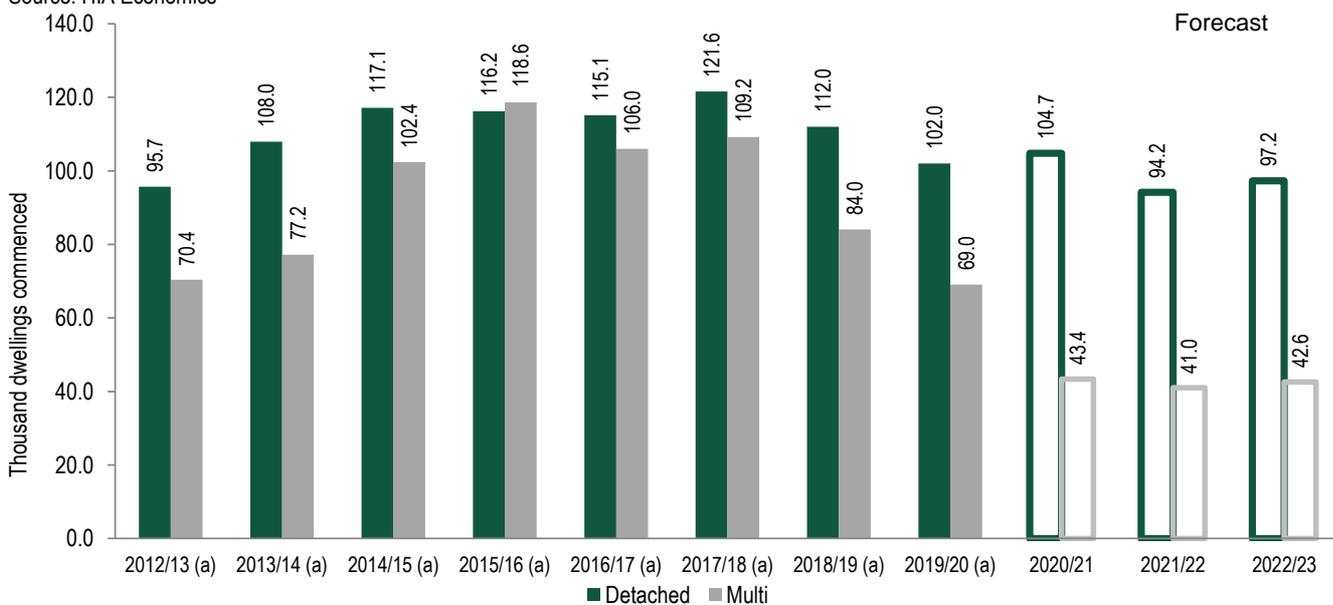
“With the outlook for a strong new home building market and a strong renovations market, employment within the sector will grow into the new year,” concluded Mr Reardon.

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Australia HIA Housing Starts Forecasts

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*

For further information please contact:

Tim Reardon, Chief Economist

0423 141 031

Geordan Murray, Executive Director – Industry Policy

0438 103 651