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FOR IMMEDIATE RELEASE

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Housing Weighing Heavily on Economy

“In a quarter that largely preceded the COVID-19 disruption, residential building activity chalked up the sixth consecutive quarterly contraction in the volume of building work done. The persistent credit squeeze throughout 2019 contributed to home building activity dropping back to levels last seen in 2014,” said Tim Reardon, HIA Chief Economist.

The value of work done on new houses in the March 2020 is now down by 10 per cent against the level a year ago. The value of work done on multi-unit dwellings is now down by 20 per cent over the year.

“The residential building industry had already experienced a significant downturn before COVID-19 struck. Leading indicators of home building deteriorated markedly in April and May which paves the way for activity to fall further as the year progresses,” added Mr Reardon.

“Today’s data confirms that the decline in home building will detract from GDP growth in the March quarter of this year. The drag from falling home building activity will become more significant in the June quarter.

“We remain concerned for the million workers in the industry and the subsequent adverse impact on the wider economy.

“A credit squeeze led to the contraction in home building throughout 2019 but it must not hinder home building as the economy responds to the COVID-19 crisis.

“Regulators have encouraged banks to facilitate the ongoing supply of credit to the Australian economy, but this is not happening for home building.

“Since the onset of COVID-19 the extra layers of checks and balances that lenders introduced have created additional hurdles. These newly created bottlenecks in the system are preventing builders from being paid for work they have completed. Payments that once occurred within seven days are now taking up to four weeks.

“We must see banks doing a better job facilitating residential building activity,” concluded Mr Reardon.

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