



the voice of the industry

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MEDIA RELEASE

New Home Building to Contract in Second Half of 2020

“New home sales have fallen by 22.8 per cent since the introduction on COVID-19 restrictions,” stated HIA’s Chief Economist, Tim Reardon.

“In March, new home sales fell to their lowest level on record and they fell further in April.

“In parallel, the number of cancellations of projects now exceeds 30 per cent - this is more than four times the typical rate of cancellations. During shocks such as the GFC or the 2018 credit squeeze, the cancellation rate peaked at 17 per cent.

“In net terms, this equates to a contraction of more than 50 per cent in the volume of new building work in the future and this will begin to be felt across on-site activity in the second half of 2020.

Each month HIA surveys the largest 100 home builders in Australia on their volume of sales (contract to build). These builders account for one third of new houses built in Australia.

“As this situation plays out through May, we expect to see on-site work begin to contract as early as July 2020, in some regions.

Mr Reardon said the COVID-19 impact followed a market slowdown which had been underway since mid-2018.

“This COVID-19 related contraction compounds the slowdown in the market that has been underway since mid-2018. The volume of home building underway at the end of March was already 18 per cent lower than in mid-2018.

“This week HIA’s Trades Availability Index showed a marginal surplus of skilled trade’s people in the March quarter for the first time since 2013.

“We expect the COVID-19 related contraction in building work will see a significant reduction in work hours on building sites in the second half of 2020.

“These skilled trades are typically small businesses and therefore will not be recorded as unemployed. Rather, they will initially work fewer days per week as work on their books shrinks. This will then drag on the prospect of an economic recovery across the economy into 2021.

“Even the removal of all COVID-19 restrictions will not prevent a material deterioration in work and employment in the home building sector in the second half of 2020 and into 2021.

“Unlike the re-opening of other sectors, the lead time for the home building pipeline is 6 to 9 months, so even if the economy restarts on 1 July the supply of work in residential building will continue to decline into 2021,” he said.

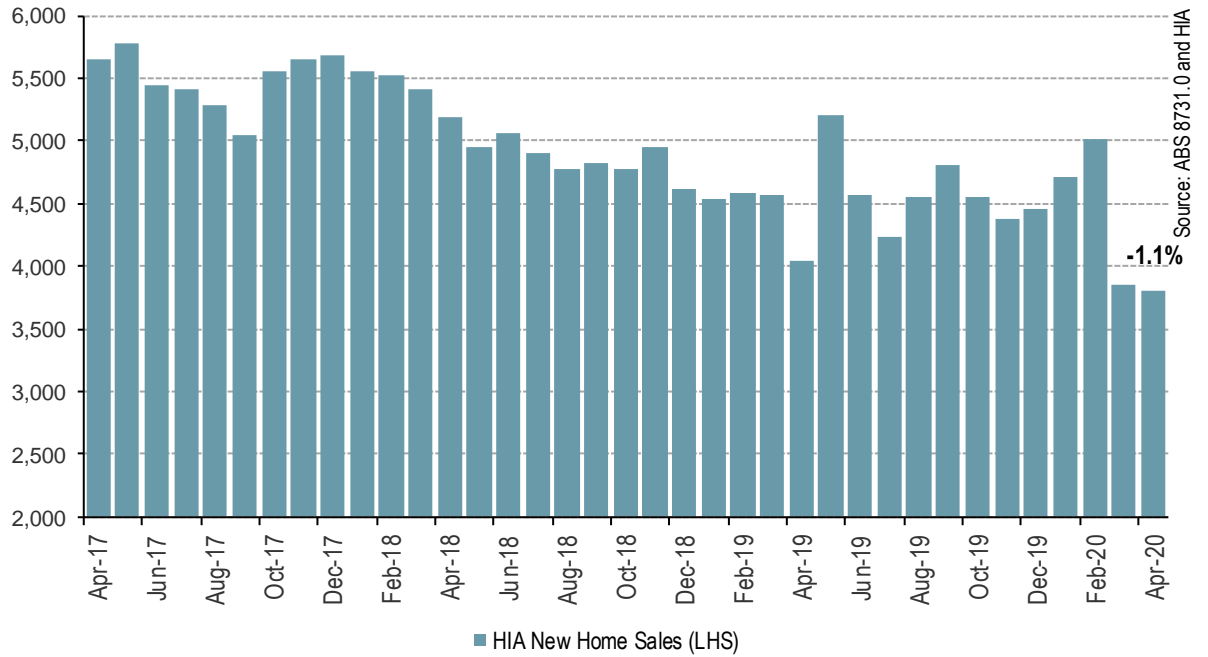
“This would see home building in the December 2020 quarter at a level lower than during the 1990s recession, when the population was 32 per cent smaller than today,” concluded Mr Reardon.





MEDIA RELEASE

PRIVATE NEW HOUSE SALES - AUSTRALIA (SEASONALLY ADJUSTED)



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