

# MEDIA RELEASE



17 November 2020

## New Home Sales Remain Elevated in October

“The detached housing market continues to perform strongly and as it accelerates will pull the rest of the Australian economy forward into 2021,” stated HIA’s Chief Economist, Tim Reardon.

New Home Sales fell marginally by 1.3 per cent in the month of October to remain 31.6 per cent higher for the three months to October compared with the same time last year.

The HIA New Home Sales report – a monthly survey of the largest volume home builders in the five largest states – is a leading indicator of future detached home construction.

“HomeBuilder was the catalyst for improving consumer confidence in the housing market. The strength of the market response is due to several factors in addition to HomeBuilder,” added Mr Reardon.

“Lower interest rates and fiscal stimulus, such as JobKeeper, have also seen households more willing to spend on housing.

“Households have redirected their expenditure from travel and entertainment towards housing, including renovating their home. Expenditure on small scale renovation projects is now around 25 per cent higher than this time last year.

“An unexpected reversal to the urbanisation trends of the past century has seen an increase in demand for detached housing. There has been a sudden shift in Australia’s population away from central Sydney and Melbourne to all other regions.

“The ‘sea changers’ and ‘tree changers’ have taken 2020 as an opportunity to pursue their dreams, students and workers haven’t been drawn to the opportunities of the city like they have in the past and there have been few new migrants from overseas.

“As a result, metro-city populations have declined unexpectedly in 2020.

“This switch in the urbanisation trends will revert when the economies of Sydney and Melbourne return to full strength.

“Despite the strong shift in demand for detached housing, the cancellation rate of new home projects remains slightly elevated. The cancellation rate is typically below 10 per cent and in October remained elevated at 16.1 per cent. This suggests that there are a small number of households that are bearing a disproportionate burden of this economic shock.

“Victoria has finally seen a pick-up in new home sales due to HomeBuilder. A 10.0 per cent rise in sales in October is encouraging. This sees sales in the past year in Victoria just 8.0 per cent lower than in the previous year.

“Sales in all other regions fell in the month of October. This reflects the ending of the stimulus effect of HomeBuilder, which was designed as a short lived mechanism to improve confidence in the housing market.

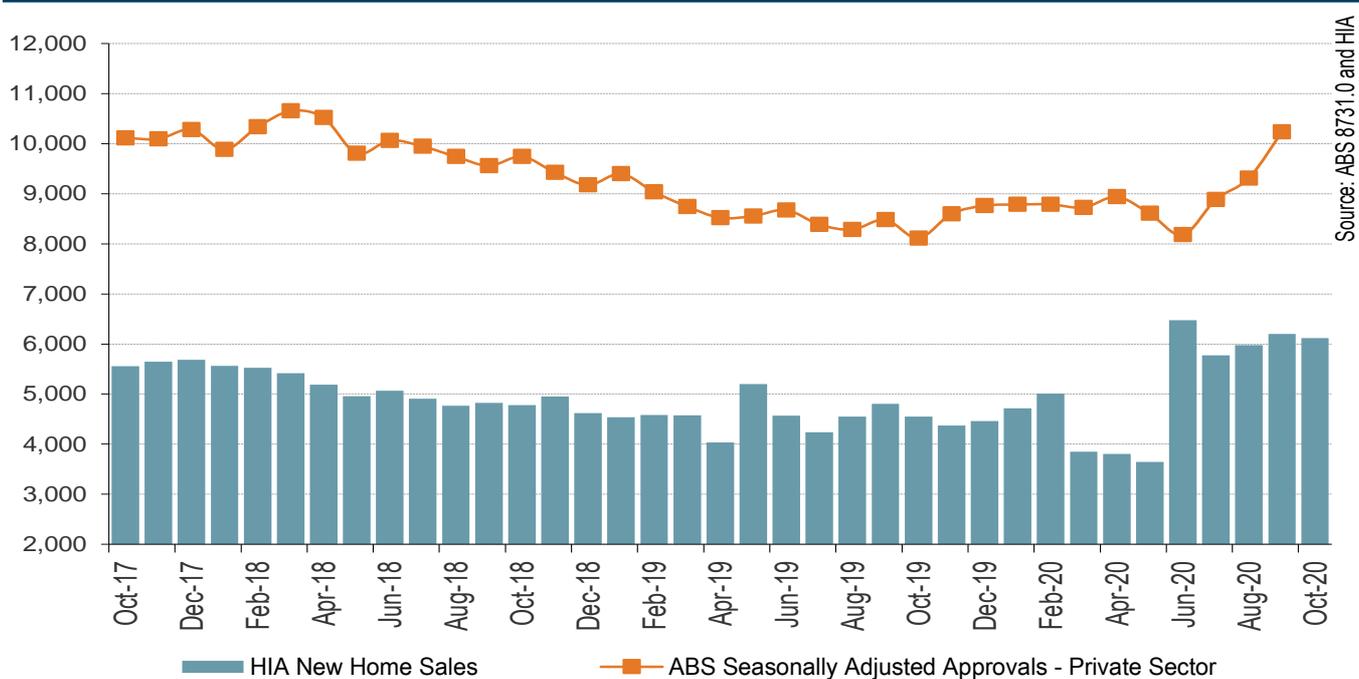
“The strength of this recovery in detached housing will assist in pulling the Australian economy forward into 2021,” concluded Mr Reardon.

Across the country, sales the country new home sales in the three months to October 2020 were higher in all regions when compared with the same period in 2020: Western Australia (132.2 per cent), South Australia (38.1), Queensland (26.0 per cent), New South Wales (14.6), and Victoria (2.2 per cent).

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## PRIVATE NEW HOUSE SALES - AUSTRALIA (SEASONALLY ADJUSTED)



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