

MEDIA RELEASE



18 August 2020

Population Growth and Finance will Constrain Building Activity

“Prior to COVID-19, population growth had already fallen well below expectations as overseas migration and the natural rate of population growth fell. Left unchecked, this will lead to more subdued building activity over the decade ahead,” stated HIA’s Chief Economist, Tim Reardon.

HIA released its quarterly economic and industry outlook report today. The State and National Outlook Reports include forecasts for new home building and renovations activity for Australia and each of the eight states and territories.

“Adding to this structural decline in population growth, the contraction in migration due to COVID-19, will further impede building activity over the decade,” added Mr Reardon.

“Due to this slower rate of population growth, we now expect starts to be around 172,000 by 2030, compared with 190,000 starts in our previous long term forecasts. For comparison, in 2016, new home starts peaked at 234,000. This record number appears likely to be unparalleled for more than a decade.

“Access to finance to build a new home will also continue to drag on the recovery of the housing market.

“In the years since the GFC, Australia’s financial market and banking regulators have tightened lending requirements. It is now harder for a first home buyer with a 10 per cent deposit to access finance than it was in 2009.

“If we were to return to previous lending practices, the Australian economy would recover faster from the COVID-19 recession.

“HomeBuilder will support employment across the residential building industry and therefore across the wider economy over the short-term. Early data indicates that it will be successful in supporting building activity in the December quarter and into 2021.

“Even with the resilient performance of the Australian economy and the impact of HomeBuilder, the expectation is that the number of new home starts will contract from 173,000 in 2019/20 to 139,700 in 2020/21.

“The multi-unit market will bear the brunt of the COVID-19 shock.

“The contraction in multi-unit starts will occur sooner and be more pronounced than for the detached market and focused on high rise apartments due to the abrupt halting of migration. A slowing in multi-unit starts had been underway since 2018 when starts in this part of the market exceeded 100,000 annually.

“We anticipate that the detached home building market will slow down heading into 2021/22 and reach a trough in the September 2021 quarter. This reflects the impact of HomeBuilder drawing forward starts into the March quarter as well as the economic slowdown due to the recession.

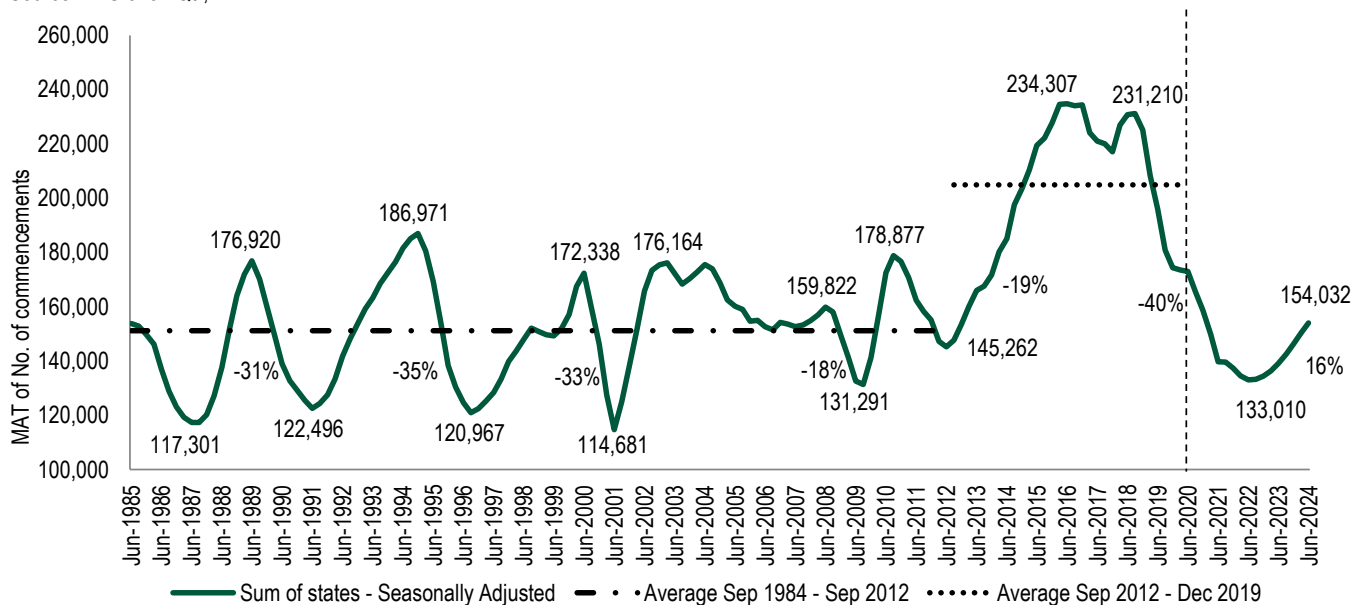
MEDIA RELEASE



“Of course, this positive outlook is dependent upon the progress of the pandemic and even with a rapid recovery from this recession, the Australian economy will not return to the level of wealth experienced in 2019 for a number of years,” concluded Mr Reardon.

Dwelling Commencements / HIA Forecasts - Australia

Source: ABS 8752 Qtr, HIA



For further information please contact:

Tim Reardon, Chief Economist
Angela Lillicrap, Economist

0423 141 031
0404 406 567

**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*