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Population Growth and Access to Finance Key to Victoria's Economic Recovery

"The slowing in population growth and tighter access to finance will continue to weigh on housing demand in Victoria over the next decade," stated HIA's Regional Director, Fiona Nield.

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.

"Population growth and the subsequent demand for housing was driving economic growth in Victoria prior to COVID-19. The uncertainty around future migration activity is a greater risk to the long-term outlook for Victoria, than in other states," added Ms Nield.

"Stage 4 restrictions are an enormous impediment on building activity in the short term, and we are working with government to assist with improving the current situation around such limited access to sites, but restoring overseas migration will be a broader determinant of the outlook for the Victorian industry over the next decade.

"Over the last decade, Victorian population growth outpaced the rest of the country and created jobs across the economy.

"Population growth in Victoria has slowed in recent years, already falling well below expectations as overseas migration was constrained and the natural rate of population growth fell. Adding to this, the contraction in migration due to COVID-19, means that population growth will be slower than expected.

"With the slowing in population growth prior to 2020 and then subsequent COVID-19 shock, building activity over the next decade will be subdued in Victoria.

"This slower rate of population growth will weigh on the recovery of the economy and new home starts over the decade.

"The Victorian market has remained resilient despite the state's COVID-19 challenges and the re-introduction of restrictions during July. With new home sales increasing by 39.5 per cent over the two months since HomeBuilder (June and July 2020).

This data, however, pre-dates the introduction of stage four restrictions which occurred at the beginning of August.

"Even with these optimistic leading indicators, dwelling starts in Victoria are still forecast to decline largely due to a rapid slowing in apartment construction.

"The multi-unit market will bear the brunt of the COVID-19 shock, declining by 53.0 per cent.

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“The contraction in multi-unit starts will occur sooner and be more pronounced than for the detached market as students, migrants and tourists tend to favour multi-unit housing and short-stay accommodation. This section of population growth has been most adversely affected by the COVID-19 recession and border closures.

Detached starts in 2020/21 are expected to decline by 9.7 per cent on 2019/20 levels, falling from 35,898 to 32,398,” concluded Ms Nield.

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