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MEDIA RELEASE

## Home Building Downturn to Hit WA First

New homes sales in Western Australia have fallen 25.2 per cent since COVID-19 restrictions were implemented in March, according to HIA New Home Sales data released today said HIA WA Executive Director Cath Hart.

“The COVID collapse puts new homes sales in WA at their lowest level seen since HIA began collecting new home sales data nearly twenty years ago,” Ms Hart said.

“In addition, 30 per cent of existing home building projects are being cancelled or put on hold - four times the normal rate of 7 per cent.

“Overall, this is a 50 per cent contraction in WA’s home building pipeline as a result of COVID-19.

“A similar situation is playing out across the country but WA will be first to feel the brunt of the home building downturn because the past five years were among the worst on record for us.

“If this continues, we expect a reduction in on-site construction work will start to grip WA from July - this will bring a new wave of job losses and reductions in hours.”

The home building project pipeline in Western Australia was just 13 weeks when Australia’s “hibernation” began in March, versus more than six months in other states.

“Unlike cafes and shops, it will take longer to repair WA’s badly damaged home building project pipeline, even with the controlled re-opening of WA’s economy from May 18,” Ms Hart said.

“This situation has been compounded because the highly regulated cash flow of our sector means many residential building businesses aren’t eligible for the JobKeeper scheme.”

HIA Chief Economist Tim Reardon said the rate of home building project cancellations currently eclipsed those seen during previous shocks, such as the GFC or the 2018 credit squeeze, when the cancellation rate peaked at 17 per cent.

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

“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,” said Mr Reardon.

“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 won’t be recorded as unemployed - rather, they will just work fewer days per week as their work reduces. This will then flow through to a wider slowdown across the economy into 2021.”

HIA’s New Home Sales data is based on monthly survey of the largest 100 home builders in Australia on their volume of sales (contract to build).

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