



# **ECONOMIC** OUTLOOK

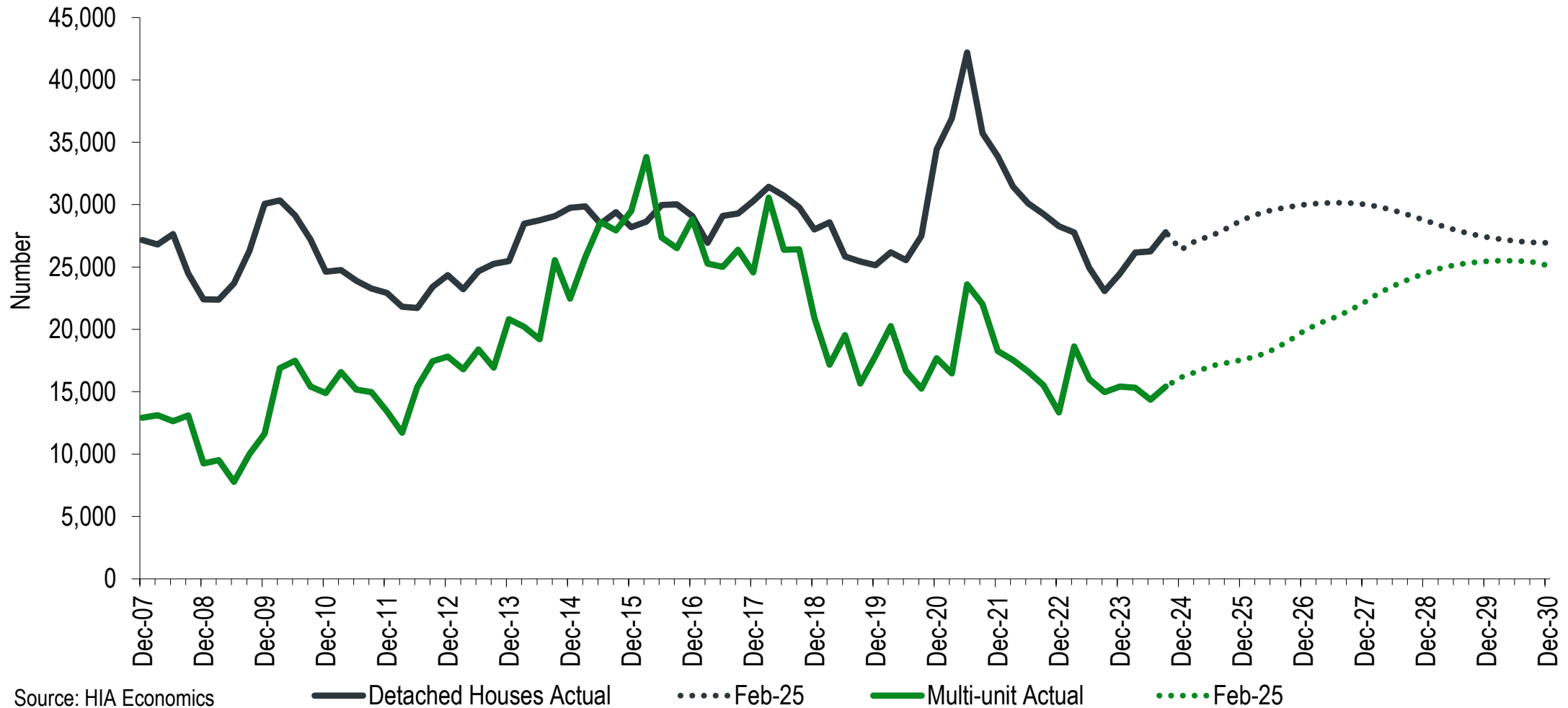
**Maurice Tapang, HIA Economist**  
**March 2025**

# Download presentation



# Detached home building picking up

## HIA Forecast – Australia



Source: HIA Economics

— Detached Houses Actual

..... Feb-25

— Multi-unit Actual

..... Feb-25



# Three Ps of economic growth



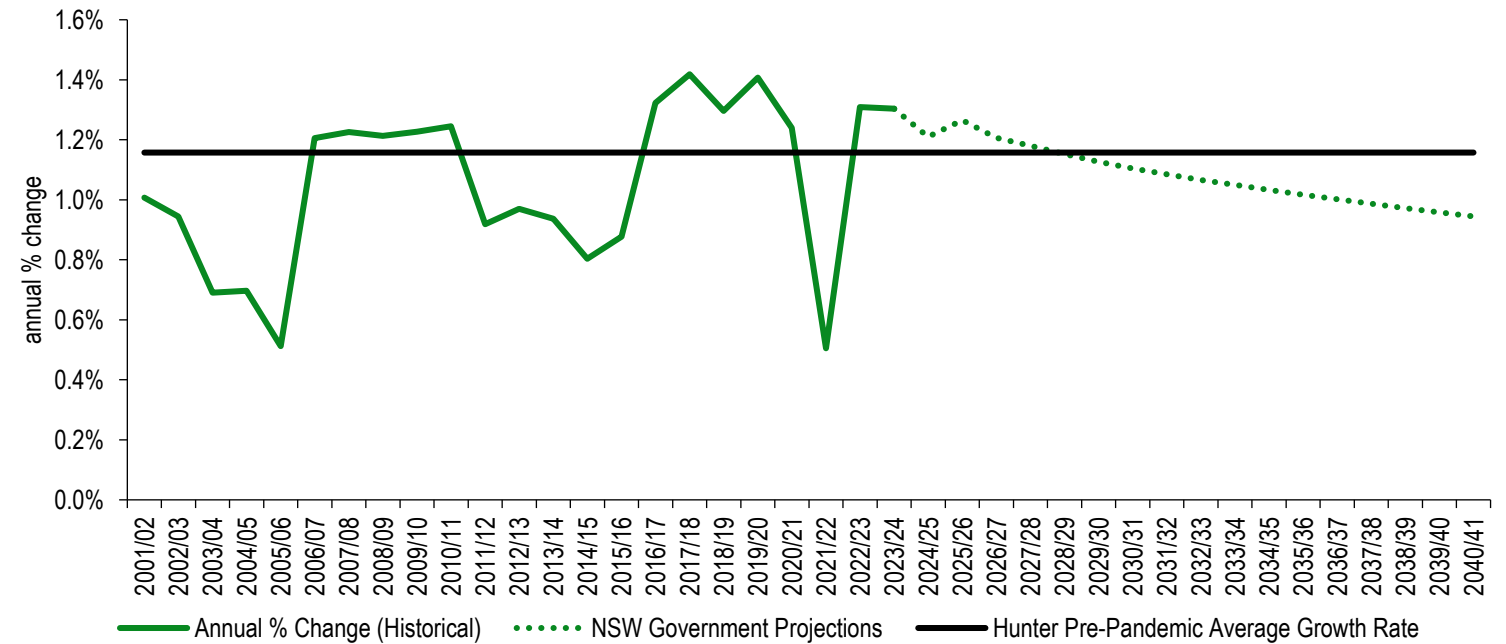


# Population



## NSW Government Population Projections – Hunter Region

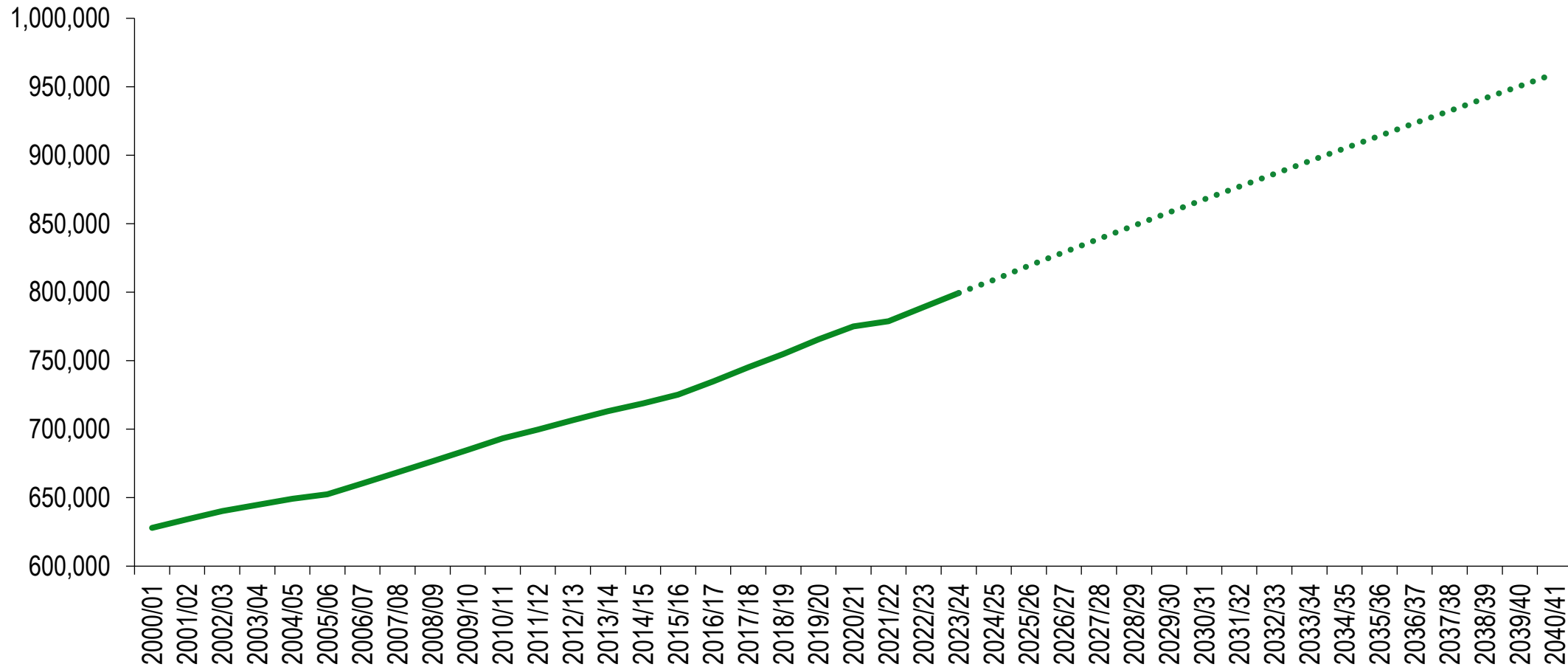
Source: NSW Department of Planning, Housing and Infrastructure (2024)



# 950k by 2039/40 in the Hunter

## NSW Government Population Projections, 2024 – Hunter Region

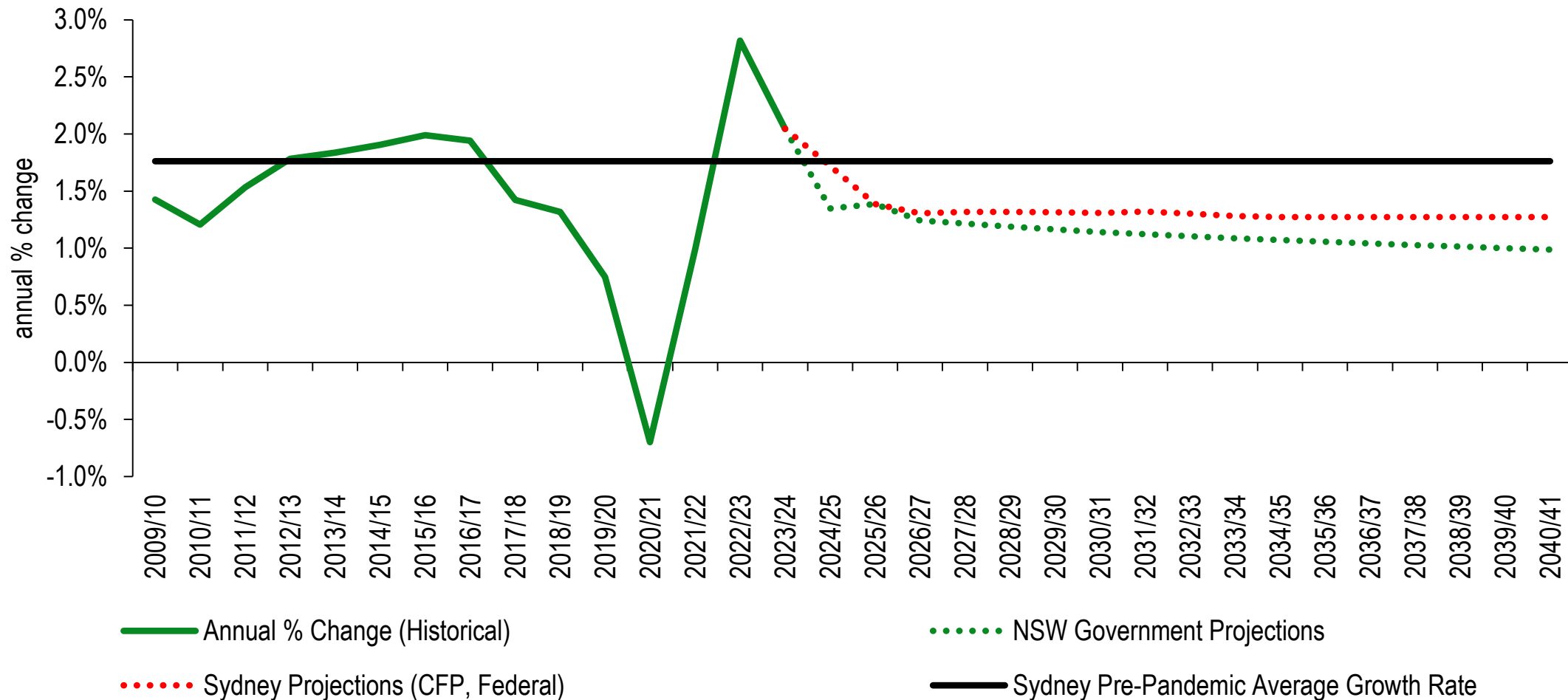
Source: NSW Department of Planning, Housing and Infrastructure



# Syd population set to grow below trend

## NSW Government Population Projections – Greater Sydney

Source: NSW Department of Planning, Housing and Infrastructure, Centre for Population (2024)





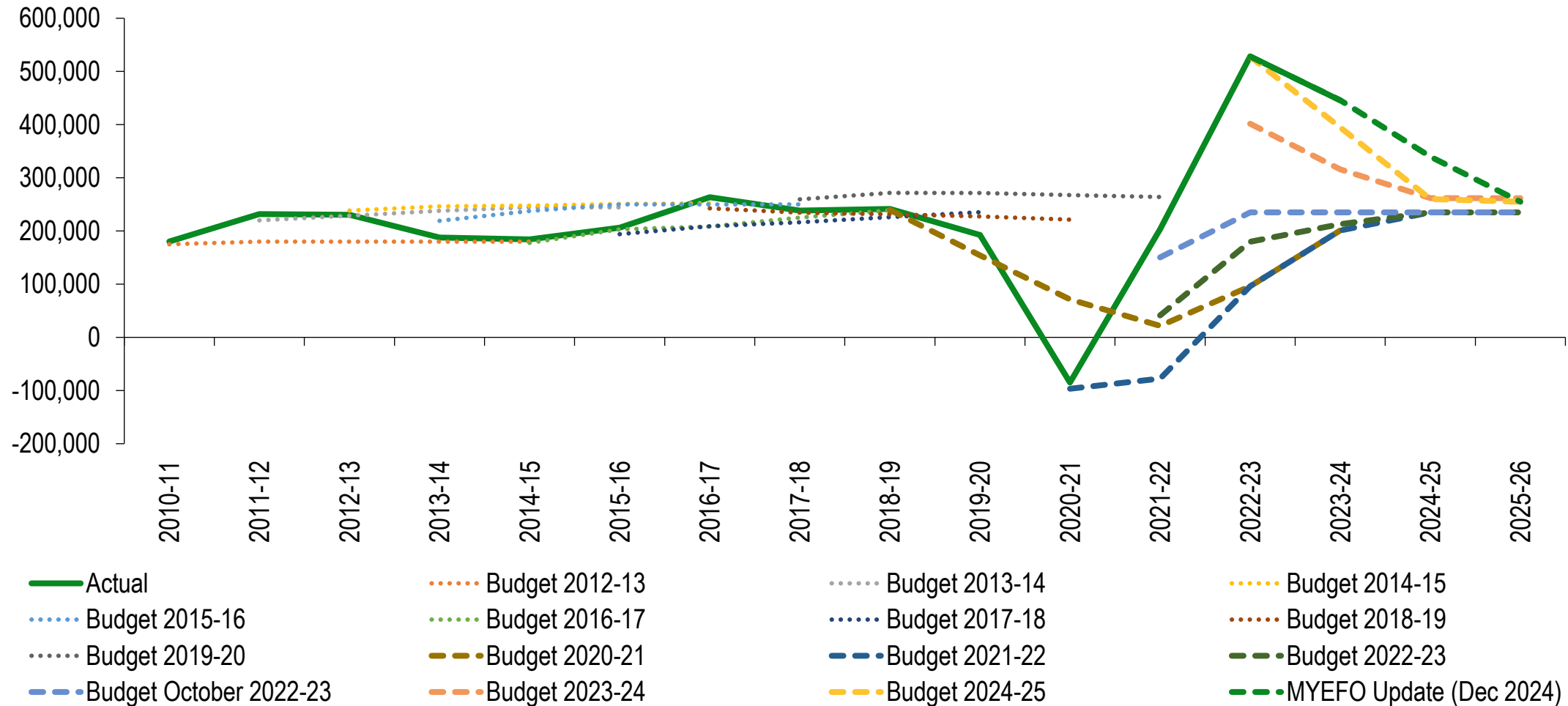




# Forecasts of NOM have missed the mark

## Federal Budget Forecasts of Net Overseas Migration

Source: Historical Federal Budget Papers, Commonwealth Treasury

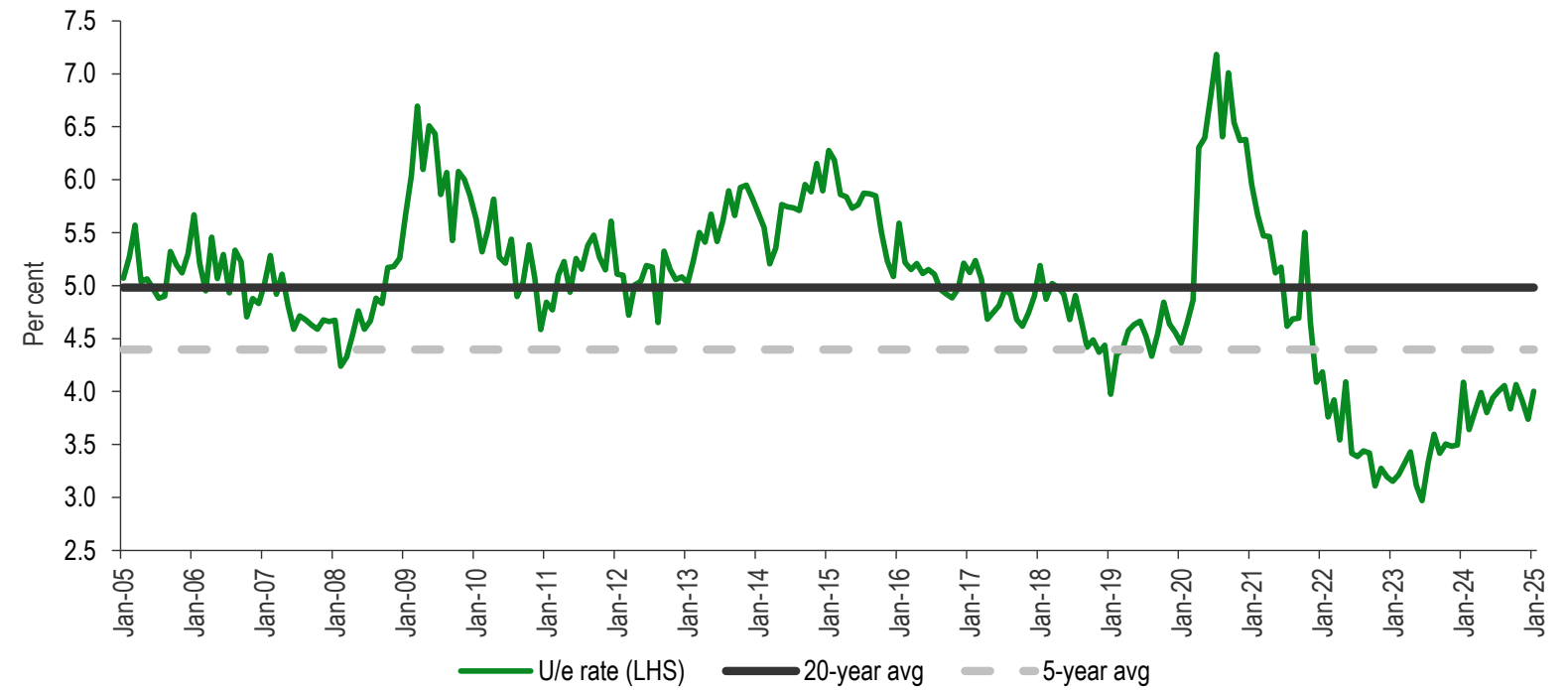


# Participation



## Unemployment Rate - NSW

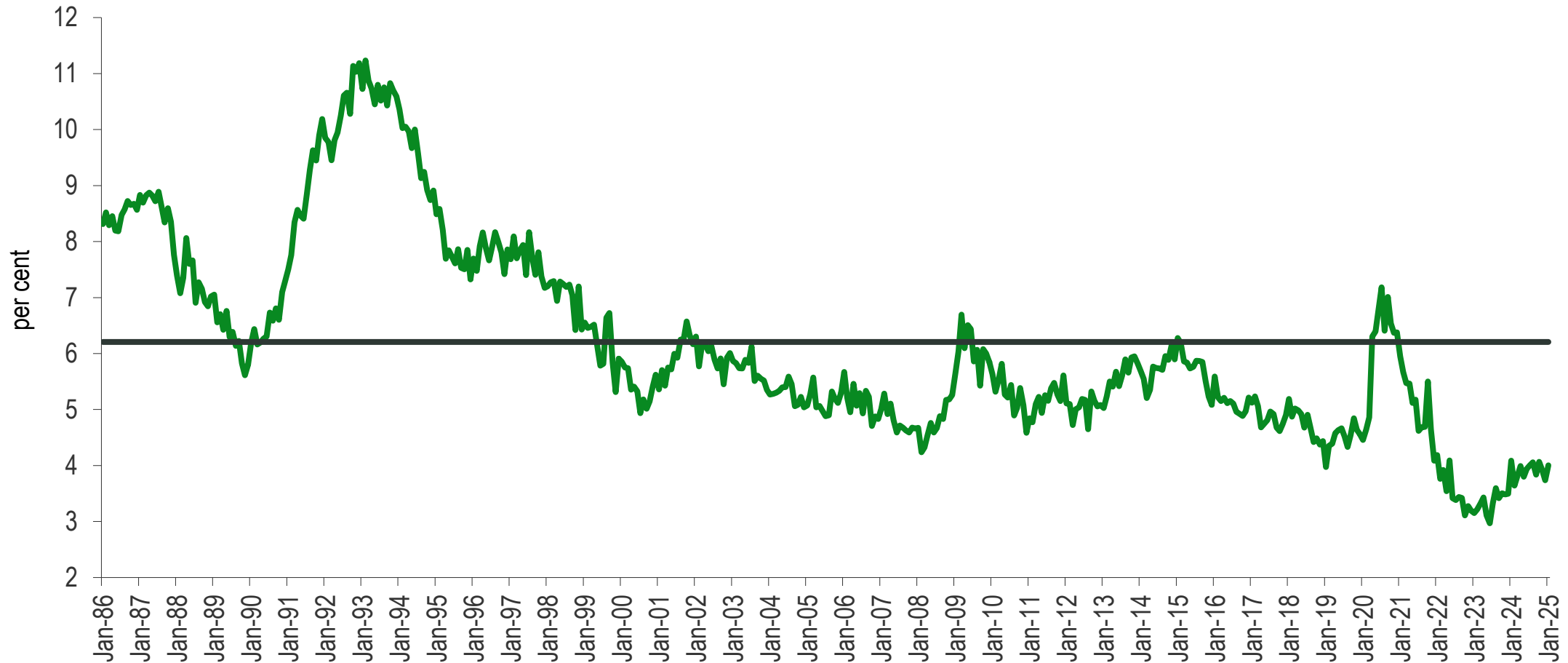
Source: ABS Labour Force



# Unemployment remains low

## Unemployment Rate – NSW

Source: ABS Labour Force

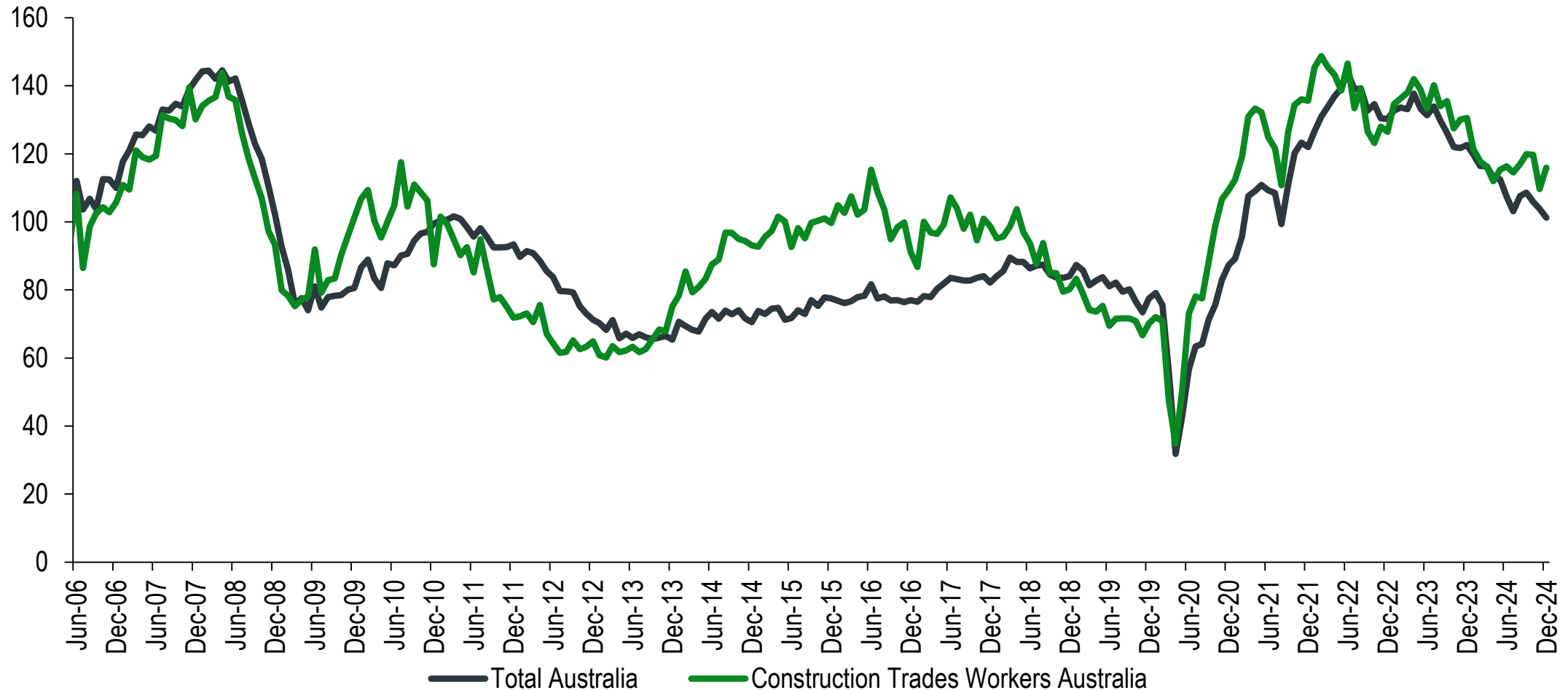




# Job vacancies still higher than 2010s

## Internet Vacancy Index

Source: Australian Government - Jobs and Skills Australia



# Productivity

## Home building faces Productivity Commission probe

**Exclusive**  
**John Kehoe**  
Economics editor

The nation's struggle to build enough homes for a growing population will be probed by a new Productivity Commission inquiry.

Government red tape slowing the approval and construction of homes, workforce challenges and innovation by home builders will be investigated by the federal government's independent economic adviser, *The Australian Financial Review* can reveal.

The inquiry comes amid grave doubts in the housing industry that the Albanese government will achieve its joint goal with the states and territories for 1.2 million homes to be built over the next five years.

After a building boom during COVID-19 fuelled by low interest rates and government stimulus payments, total dwelling approvals plunged to 163,320 in the year ending June 30, the weakest result since 2011-12.

It's well short of the 240,000 annual target required to meet the medium-term goal of governments.

A perfect storm has constrained the building of homes.

Suppressing supply are higher interest rates for developers, soaring building material costs, higher wages for construction workers, elevated land prices and slow approval processes by state and local government agencies.

At the same time, demand for homes has surged due to more than 500,000 net overseas arrivals and fewer people living in each home on average due to them wanting more space to work from home and other lifestyle choices.

Expensive housing construction costs and rents have contributed to elevated inflation in the past two years.

Productivity in the construction industry has been stagnant over the past two decades, making costs in this industry more difficult to contain.

The Productivity Commission has been privately consulting stakeholders about an inquiry into the construction sector, sources outside the commission told the *Financial Review*.

Contacted for comment, a spokesman yesterday said: "The Productivity Commission is commencing self-initiated research into productivity in Australia's housing construction sector."

"This research will investigate issues that might be weighing on productivity growth in the sector, such as barriers to the adoption of innovation and scaling up, government regulation at the local, state and federal level, and characteristics of the construction workforce."

The independent commission has the power to launch inquiries into areas that it believes are important for the economy's productivity, and does not have to wait for the government to

set up reviews.

Sydney-based housing developer Mark Bainey of Capio Property Group said the No.1 problem facing home builders was a shortage of skilled workers such as carpenters, plumbers and electricians.

"The key thing holding back construction at the moment is the supply of skilled labour," Mr Bainey said.

"We have a lot of unskilled labour but not enough skilled labour."

"Nobody wants to study a trade or be a tradie," Mr Bainey said.

"The migration rules are not bringing in enough skilled migrants – they're bringing in yoga teachers but not enough tradies."

A common complaint from builders is that tradies are working in higher-paid jobs on government-funded infrastructure projects.

Housing Industry Association chief economist Tim Reardon said that government red tape was making home building more expensive and causing a decline in the sector's productivity.

This included laborious state and local agency planning approval processes, higher taxes on foreign investors, seven-star sustainable building rules, tougher carbon abatement regulations for new homes, and a higher level of wheelchair accessibility, he said.



Australian Government  
Productivity Commission

February 2025

## Housing construction productivity: Can we fix it?

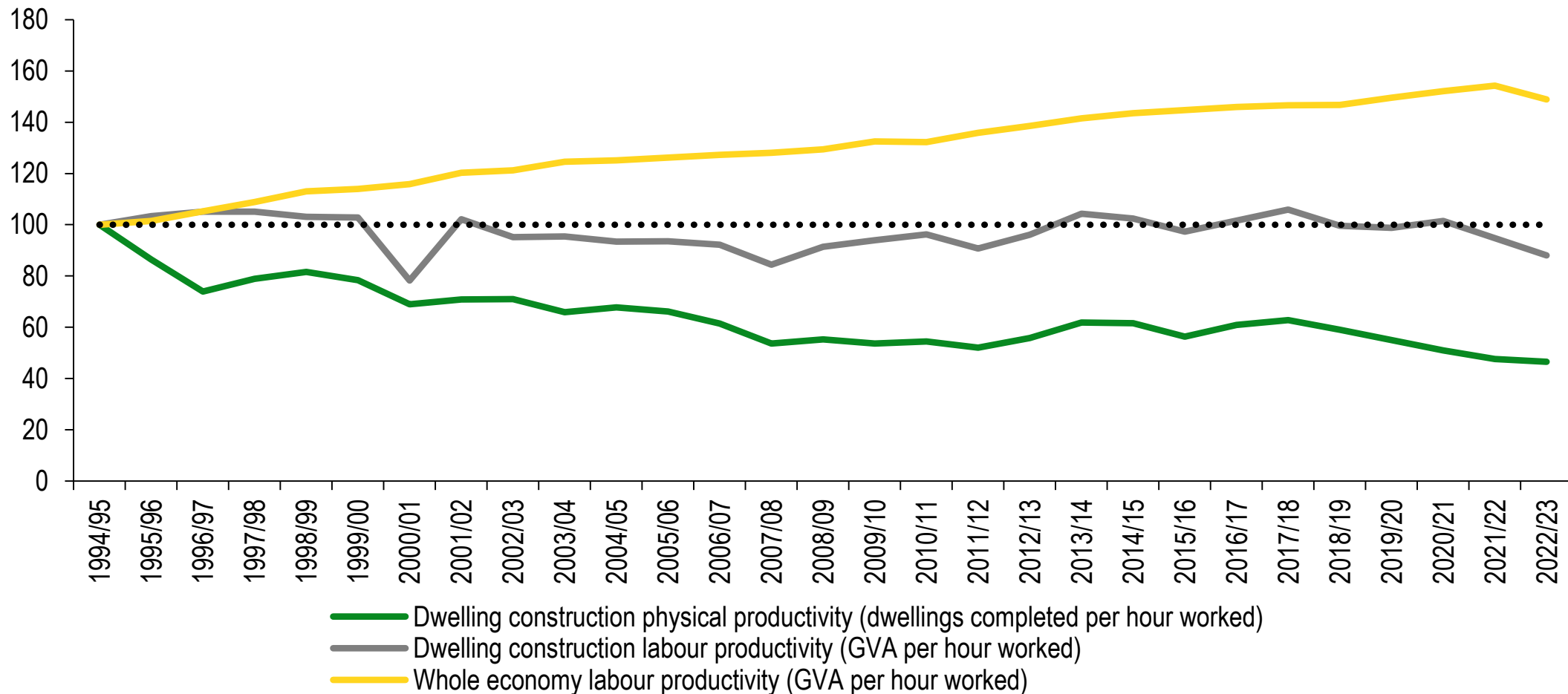
Research paper



# PC findings

## Productivity stats – Housing construction and economy-wide

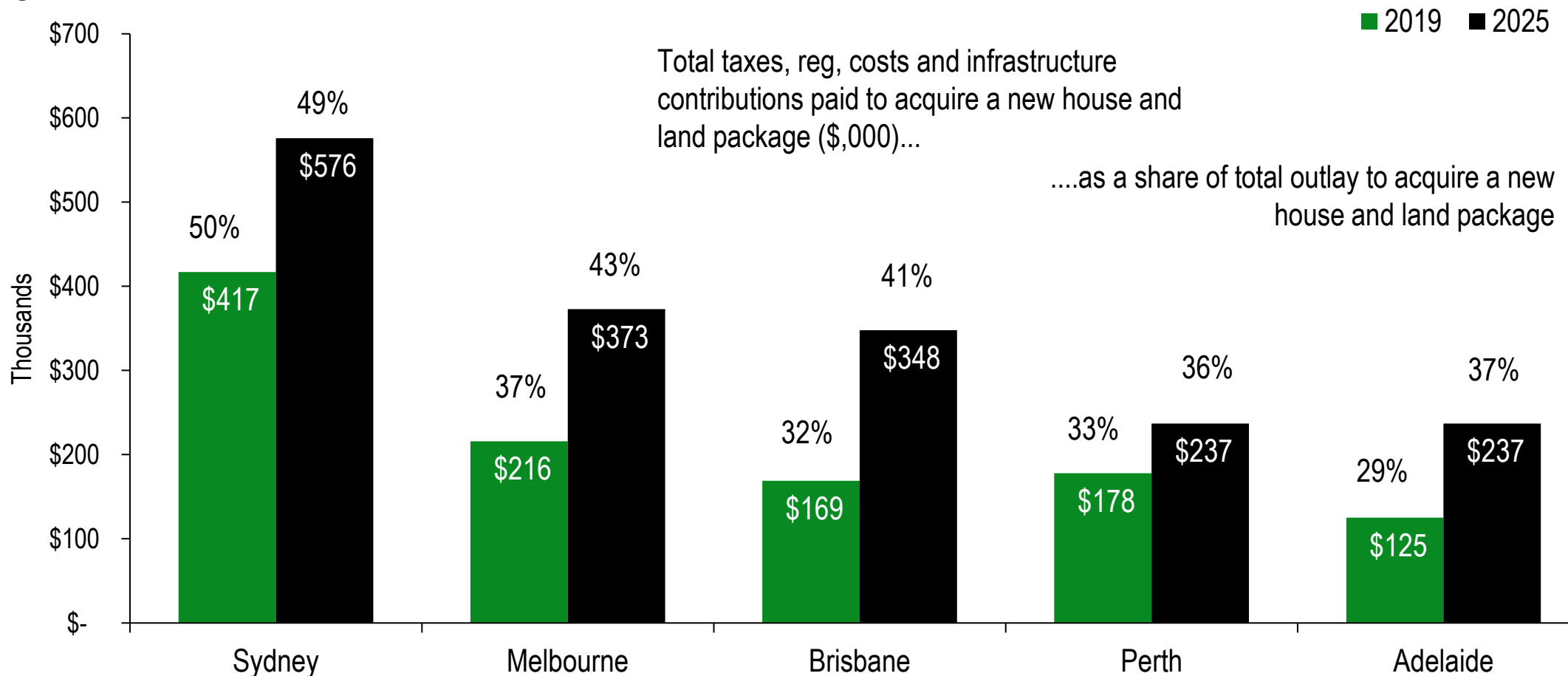
Source: Productivity Commission Housing Construction Productivity Report (2025)





# Tax and house package for sale

Statutory taxes, regulatory costs and infrastructure charges for greenfield houses



# Guess who said this?



80 Years

## Apartment drought hits Labor housing goal

EXCLUSIVE

GEOFF CHAMBERS  
CHIEF POLITICAL  
CORRESPONDENT

Slow growth in new apartment builds and a sharp slowdown in detached housing construction in Sydney have Anthony Albanese on course to fall about 20 per cent short of Labor's target to build 12 million new homes by mid-2029.

New forecasts obtained by The Australian reveal a "gum downward revision" for multi-unit starts, which means hot demand for housing, fuelled by elevated migration and a strong labour market, cannot be met.

On current trajectories, the Housing Industry Association is forecasting 983,500 home builds will commence over five years to mid-2029, which is 265,500 short of the Prime Minister's 12 million new homes target.

The HIA, which will release its National Outlook forecasts and election platform in the NSW South Coast Labor-held seat of Gilmore on Friday, warned that "despite growing demand for apartments, the reality is that multi-unit starts are languishing at their lowest levels in over a decade – and they're unlikely to increase tangibly for at least another year".

Gilmore MP Fiona Phillips, who holds the marginal seat by 0.2 per cent, will attend the HIA event at a Nowra building site alongside Liberal Party candidate and former NSW minister Andrew Constance.

With Mr Albanese and Peter Dutton finalising election announcements underpinning rival plans to fix the housing crisis, HIA chief economist Tim Reardon said "we continue to anticipate that the volume of new home commencements will fall around 20 per cent short of the government's goal of 12 million".

"Despite initiatives aimed at encouraging home building, the collective impact of higher taxes on new homes has offset any gains," he told The Australian.

Mr Albanese on Thursday launched a defence of why Labor's \$10bn Housing Australia Future Fund, which promised to build 30,000 new homes over five years, has not delivered a single home. The Labor leader blamed the Coalition and Greens for stalling the HAFF in the Senate.

"If you make a decision to build a house today, I assure you that you won't purchase the land, get the planning approvals, do all that and have the house built and move in in six months. That would be remarkable. We were elected in 2022, less than three years ago. The legislation was delayed by a year," he said.

The HIA National Outlook, which includes updated building forecasts, said "the most significant policy-induced roadblock remains the multi-unit sector ... government-imposed taxes and charges have stifled apartment construction, even as migration levels remain at record highs".

"During the last apartment boom, Australia was commencing over 25,000 units per quarter for five years. In contrast, the current figure sits at around 15,000 per quarter. At a minimum, unit construction needs to double from current levels to meet the Australian government's goal of delivering 12 million homes over five years.

"But this goal cannot be achieved, even with lower interest rates, while state governments continue to increase taxes on homes, notably NSW, Victoria and Queensland."

Another pressure point for the housing market is new detached homes in Sydney, which remain low compared with other capital cities. The number of detached house approvals across Sydney in 2024 was 12,490, behind Melbourne (24,599), Perth (15,007) and Brisbane (13,462).

Mr Reardon said "homebuilding in Sydney has stalled, with both detached and units at decade lows and, unlike anywhere else in the country, they remain stalled".

The HIA chief economist, who expects two more rate cuts this year, said Sydney families were opting for home renovations and extending their properties.

"The Sydney market hasn't picked up ... because the average cost of a new house-and-land package in western Sydney is about \$1.5m. In Melbourne it's \$950,000, in Brisbane it's \$900,000, Perth it's about \$700,000. The typical Australian household can borrow \$850,000-\$900,000 depending on which state they're in. NSW is fine. Building outside of the Sydney basin is responding to growing demand and low unemployment, with a growth in starts."

HIA managing director Jocelyn Martin said the current policy and economic environment was "putting a handbrake on our industry, resulting in only 170,000 new homes being delivered" instead of the 240,000 required per year to meet demand.

The HIA election platform focuses on reducing upfront and hidden taxes on housing, unlocking more land supply through planning reforms, cutting more red tape, overhauling financial settings to make home ownership achievable for more Australians, and addressing chronic skills shortages.

**'The collective impact of higher taxes on new homes has offset any gains'**

TIM REARDON  
HIA CHIEF ECONOMIST

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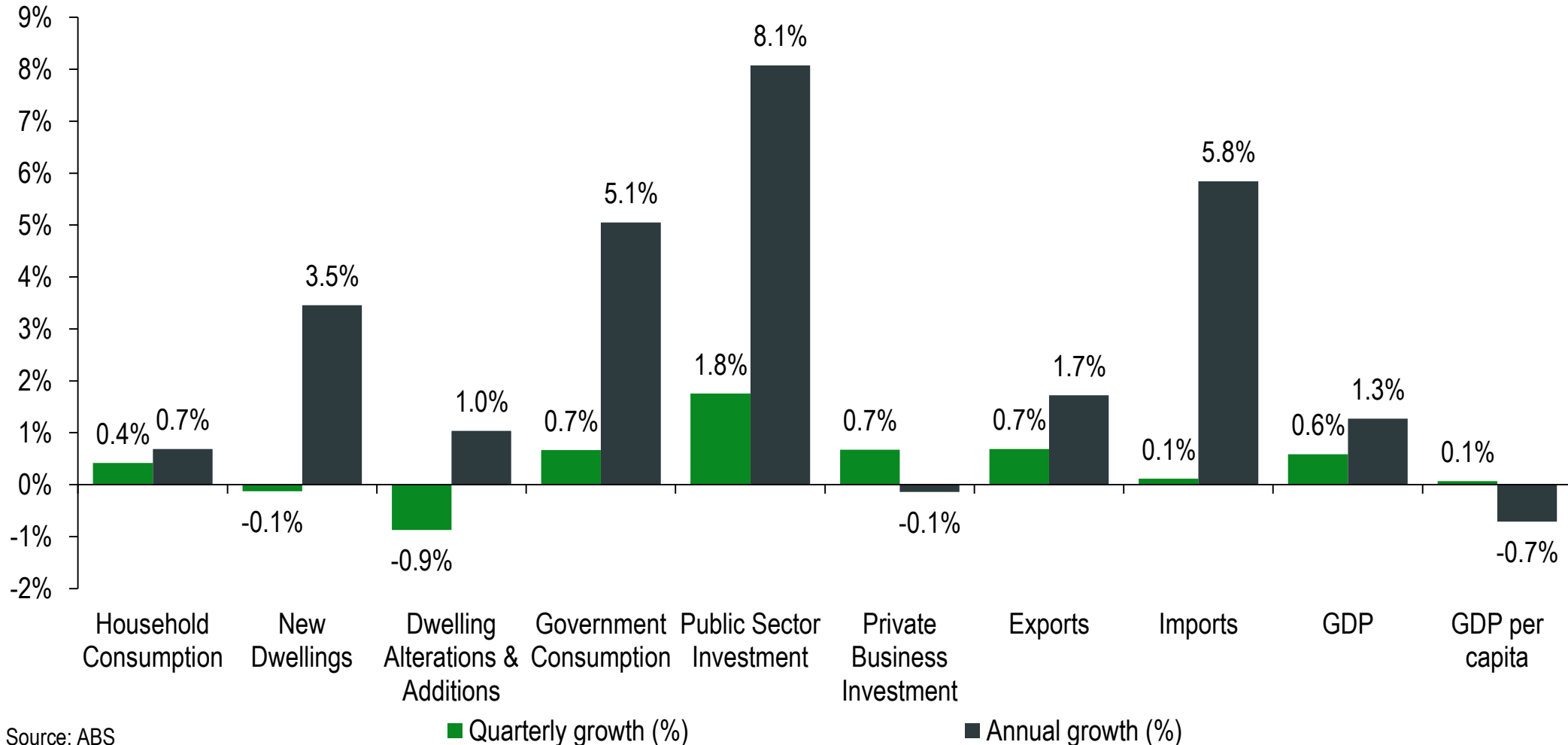
80  
Years

# Economy

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# GDP rising: Slowly due to Gov't spending

## Components of GDP Growth, December Quarter 2024

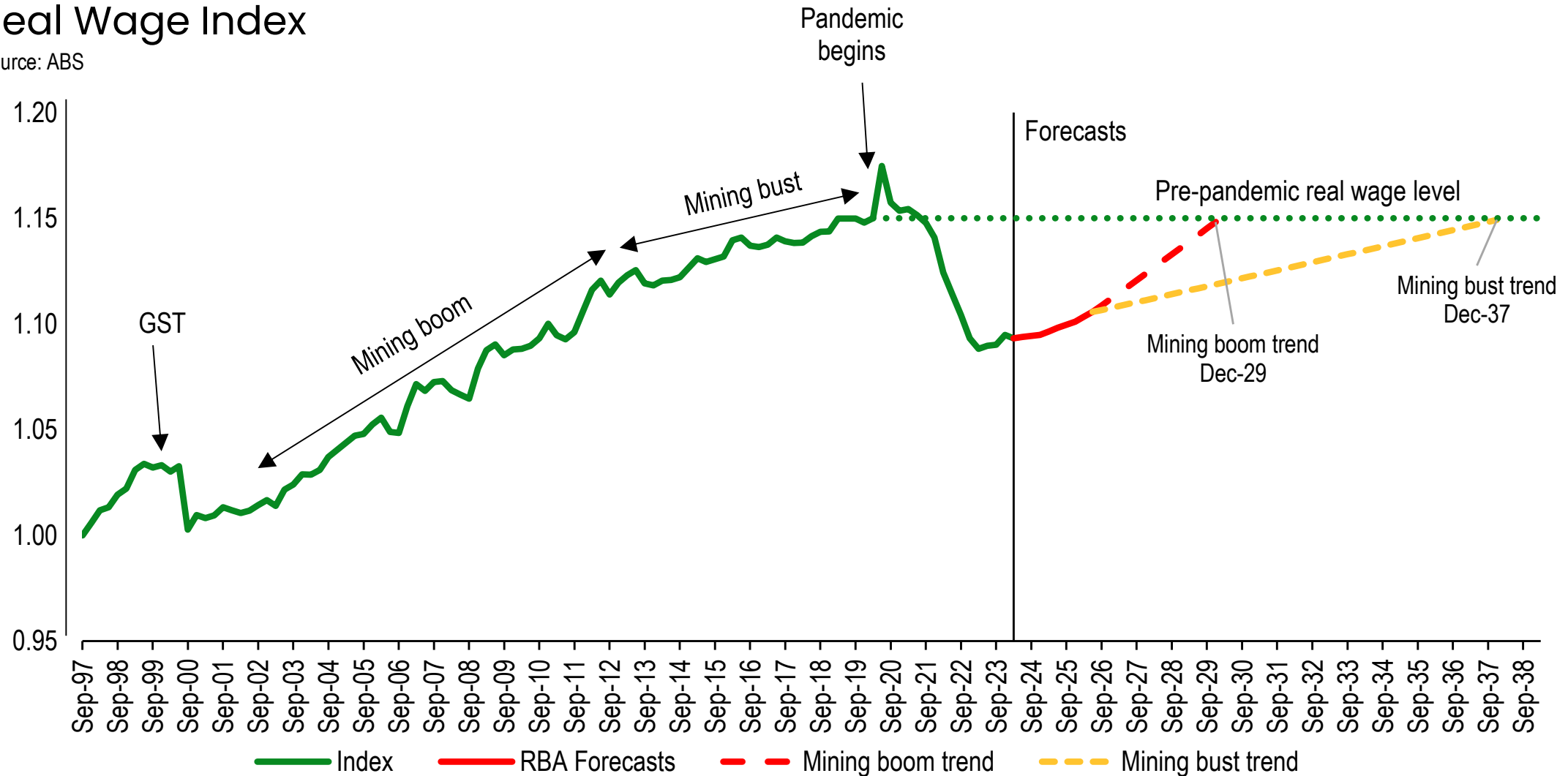


Source: ABS

# Households are in a recession

## Real Wage Index

Source: ABS

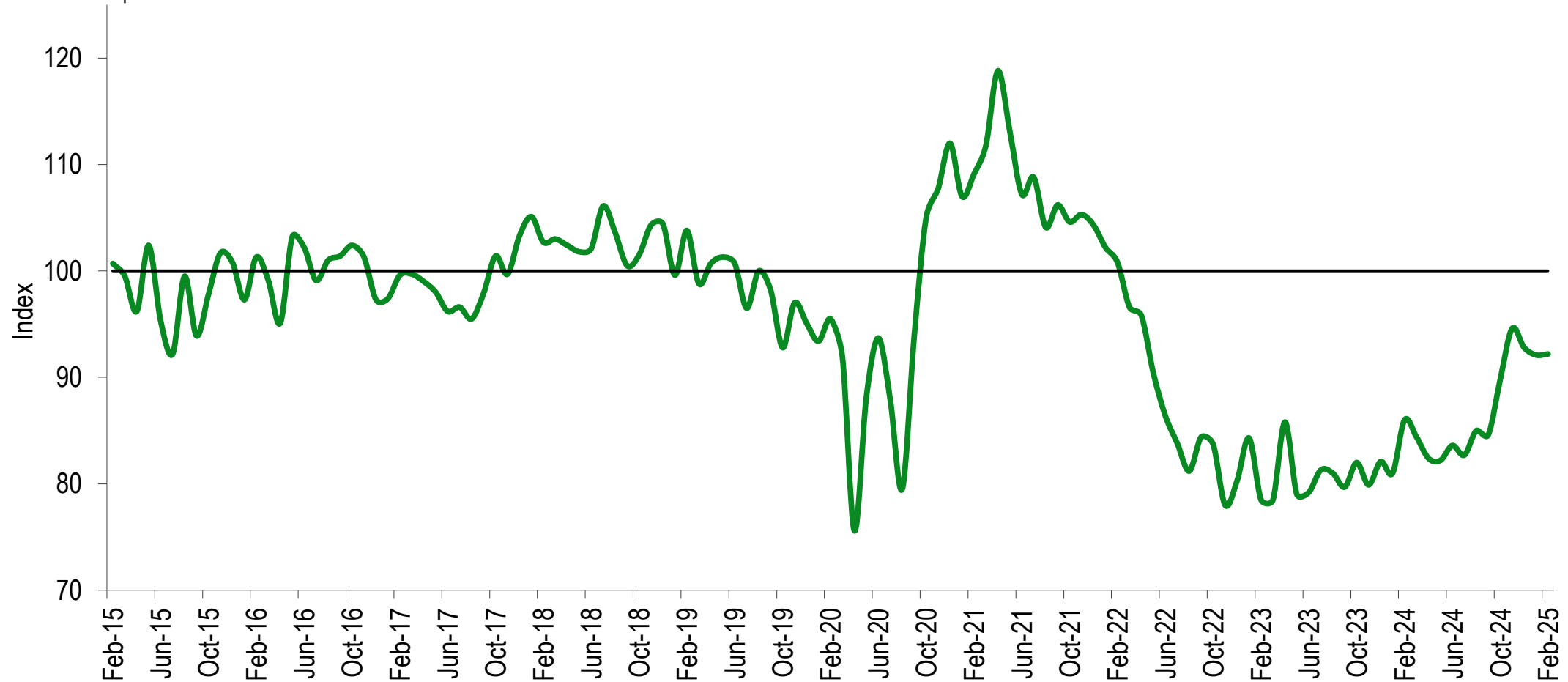




# All confidence measures improving.

## Consumer Confidence

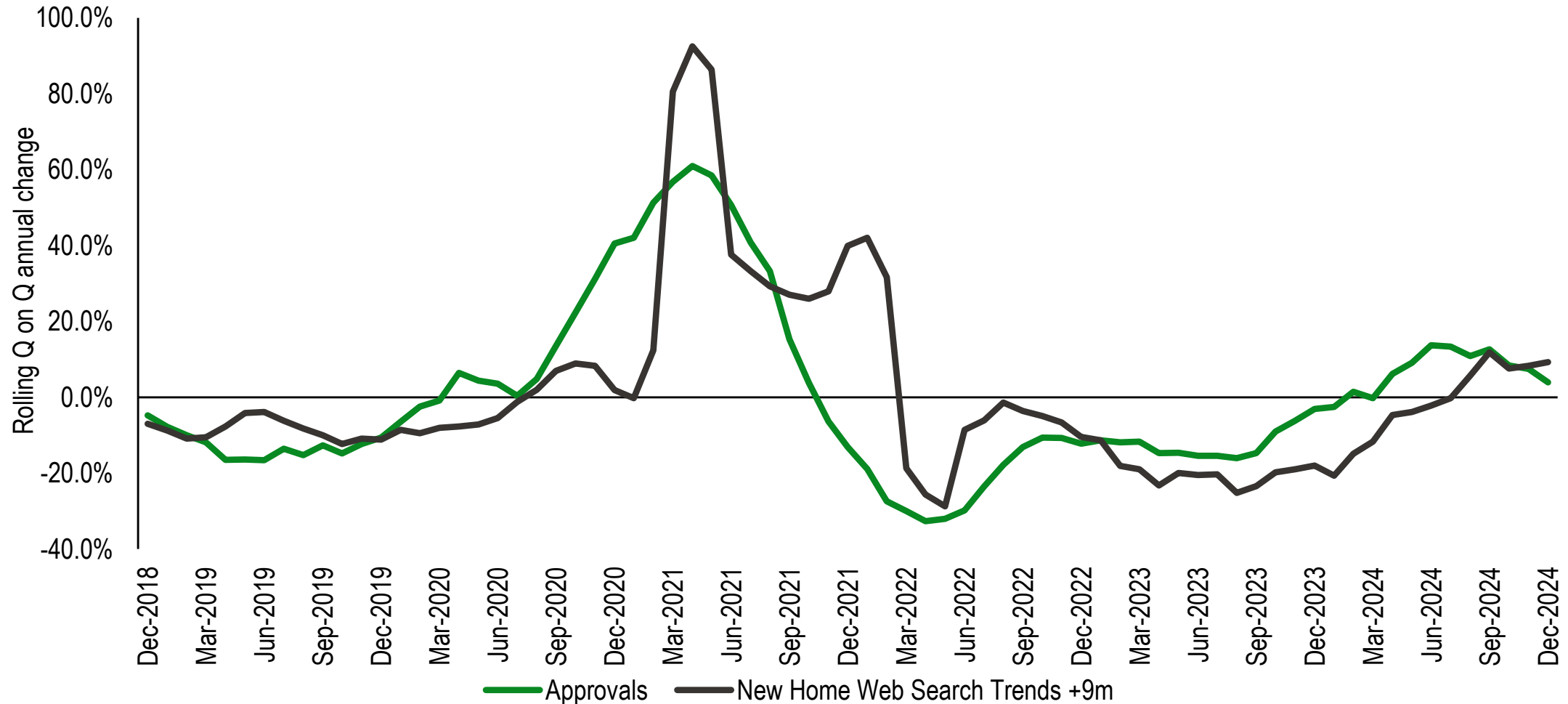
Source: Westpac-Melbourne Institute



# Market confidence is returning

## Approvals & New Home Web Search Trends - Australia

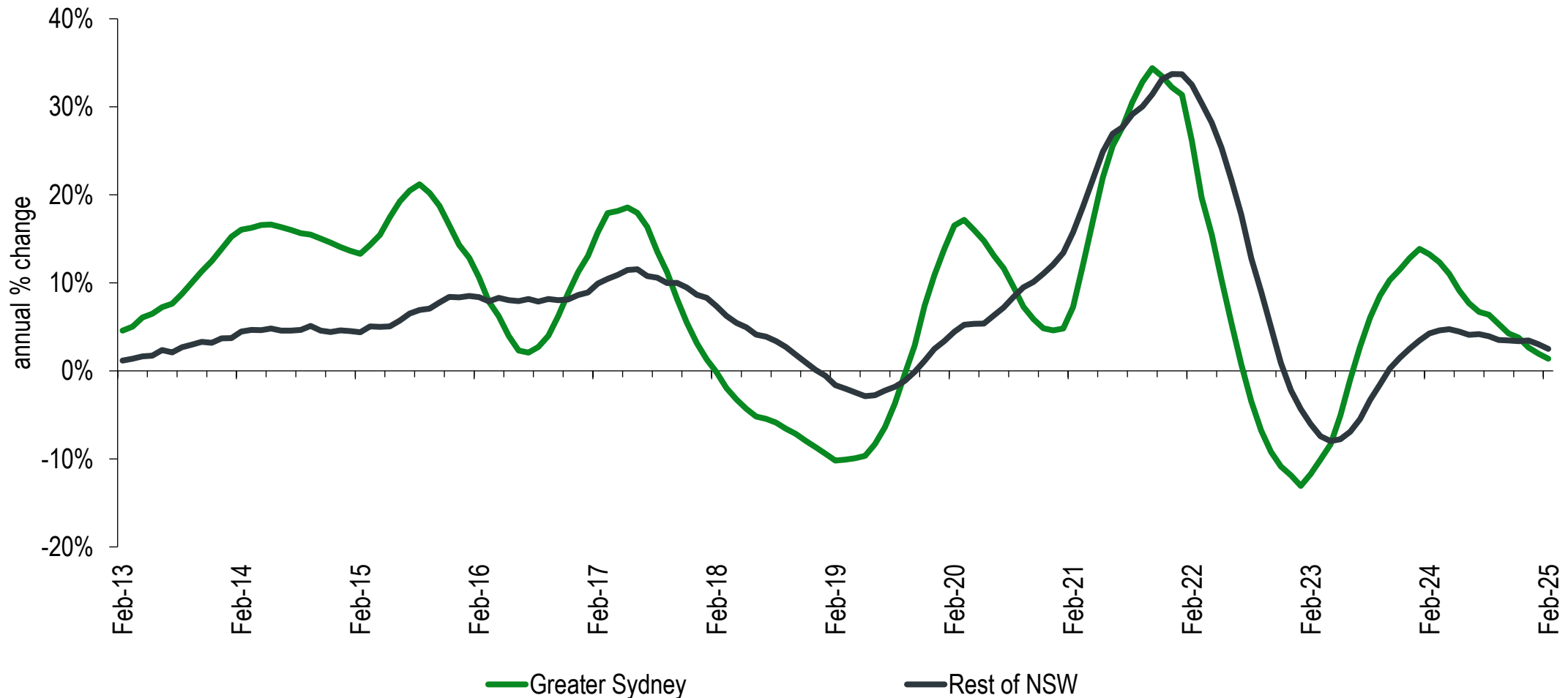
Source: ABS, HIA, Google



# House price growth slowing

## Annual growth in House Values – Sydney and Regional NSW

Source: CoreLogic Hedonic Daily Home Value Index

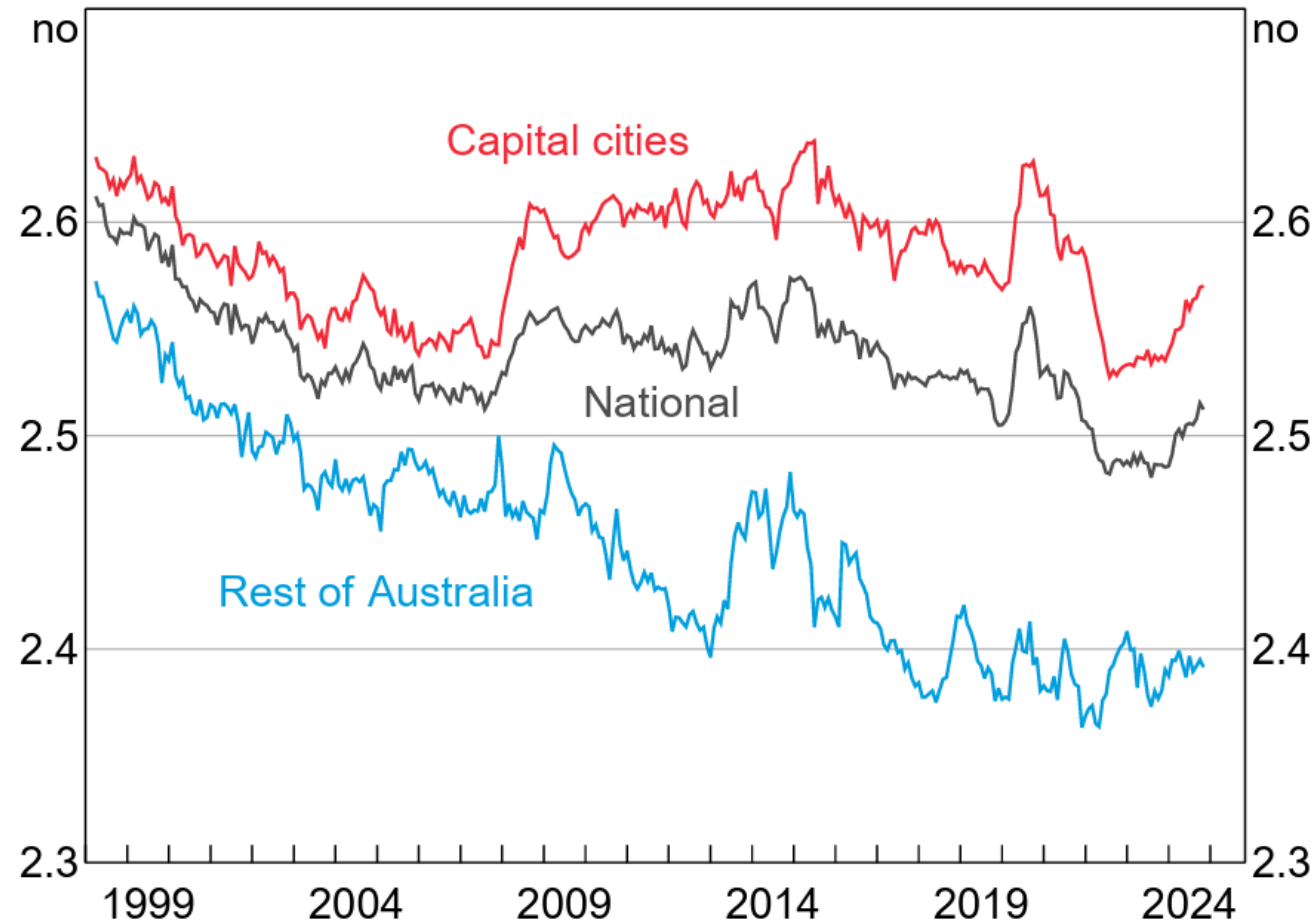




# More people per home in 2025

## Average Household Size

By region, seasonally adjusted



Sources: ABS; RBA.



80  
Years

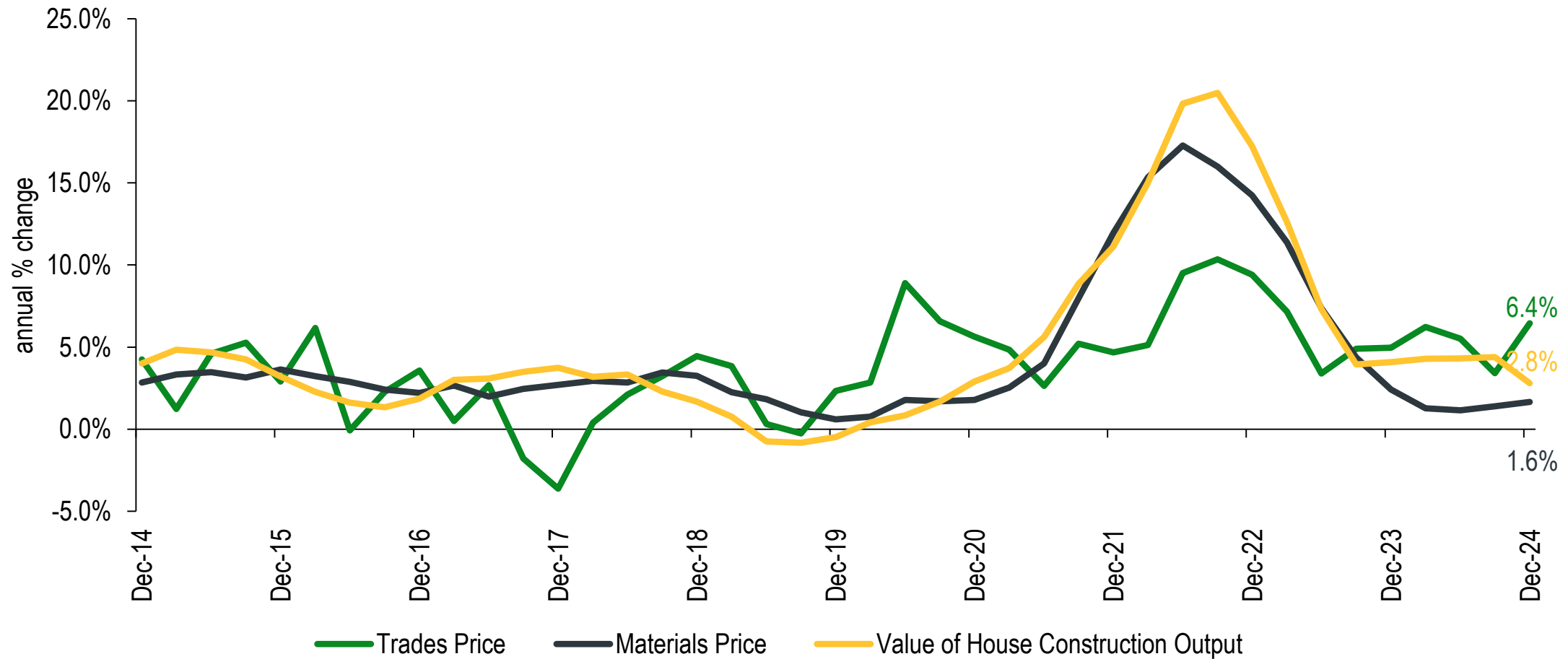
# Home building

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# Costs increases are slowing

## Skilled trades, materials prices and output

Source: HIA Economics, ABS

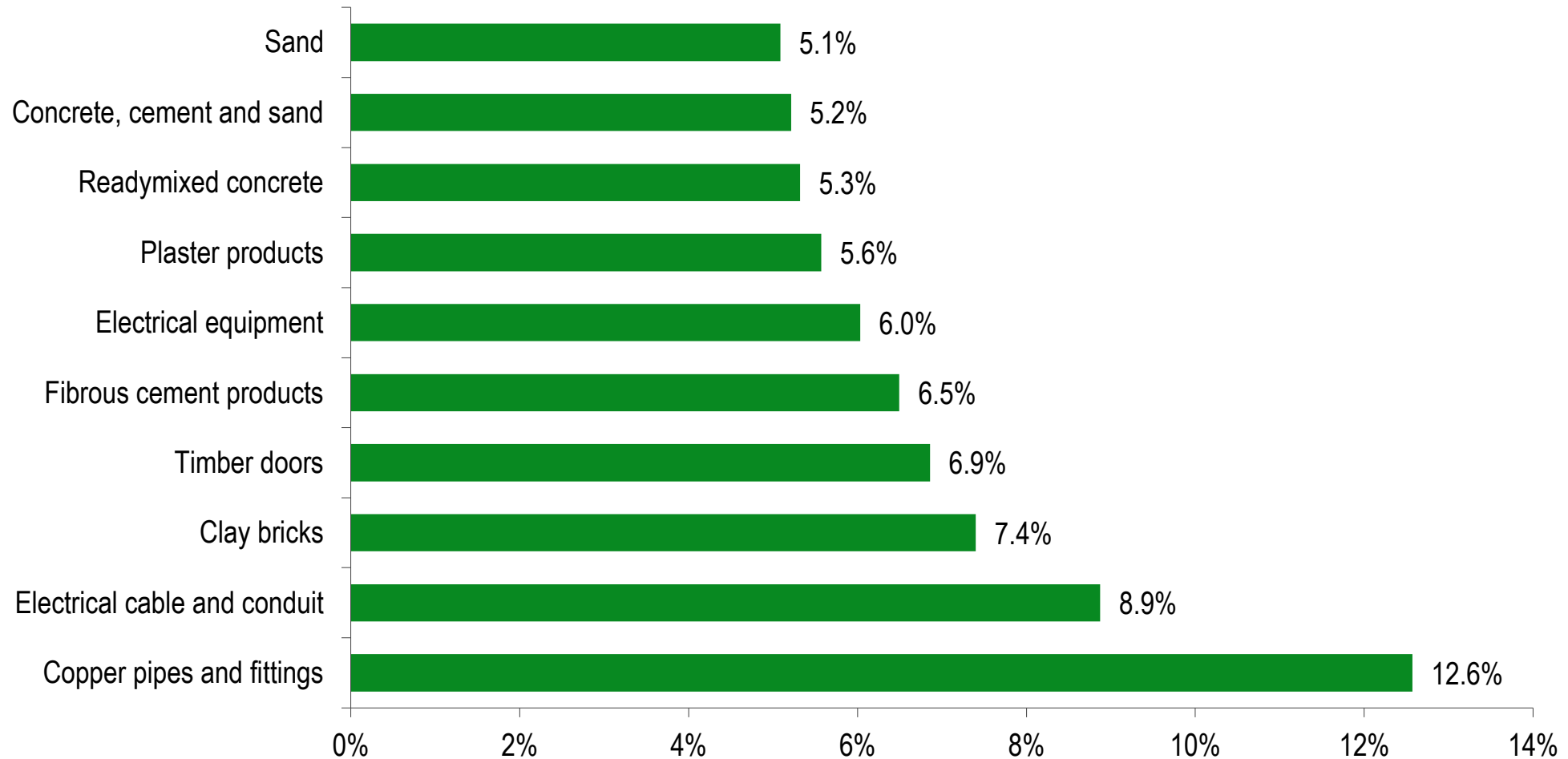




# Materials price growth slowing

## Largest annual increases in materials prices – December 2024

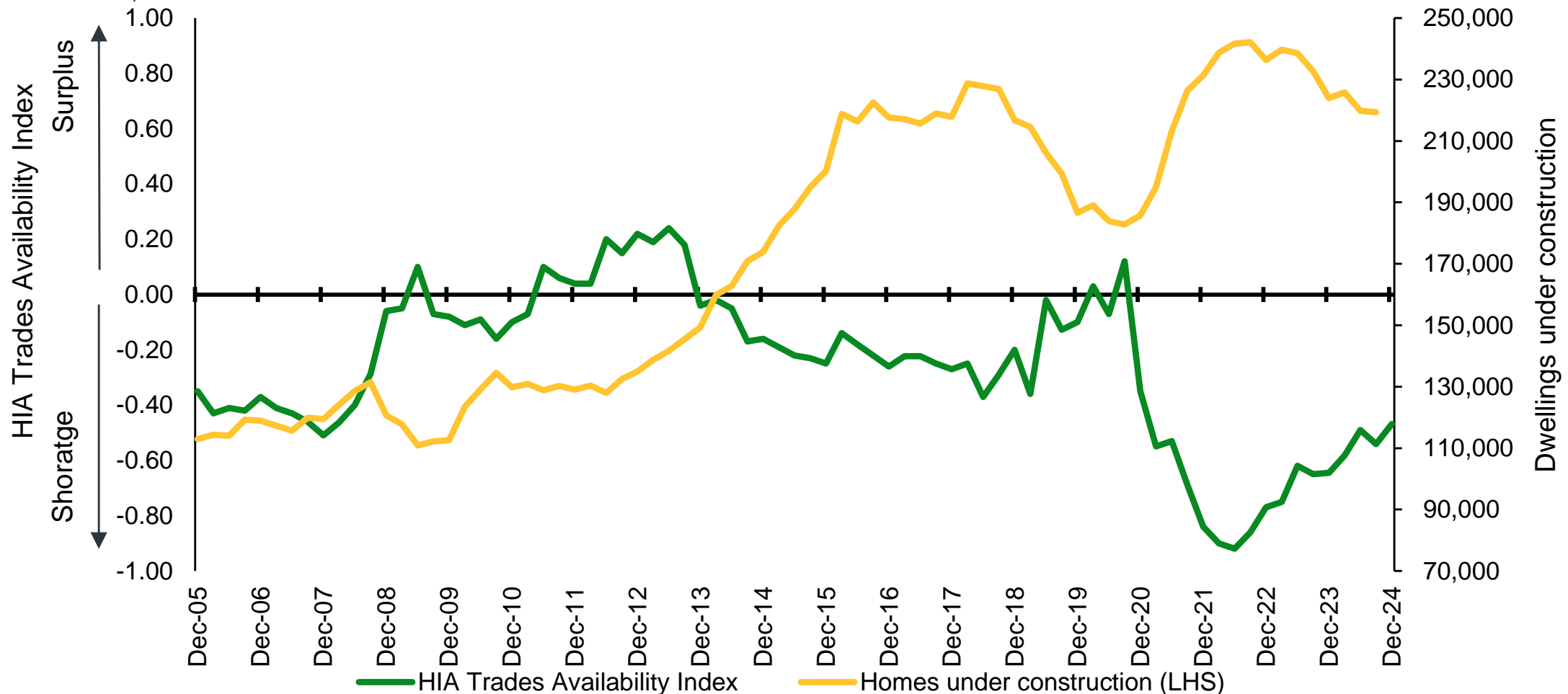
Source: ABS



# Trades availability: as good as it gets

## Trades availability and dwellings under construction

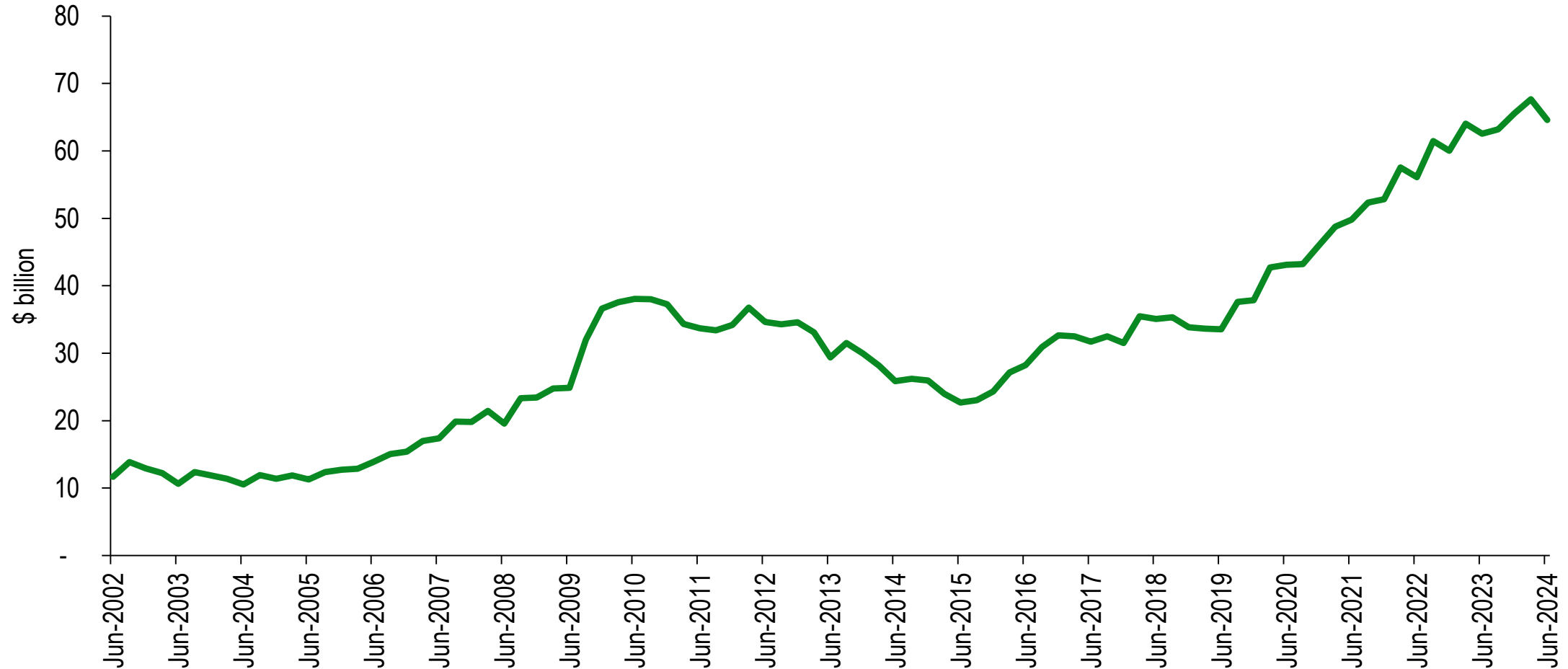
Source: HIA, ABS



# This is part of the problem: Competition for labour

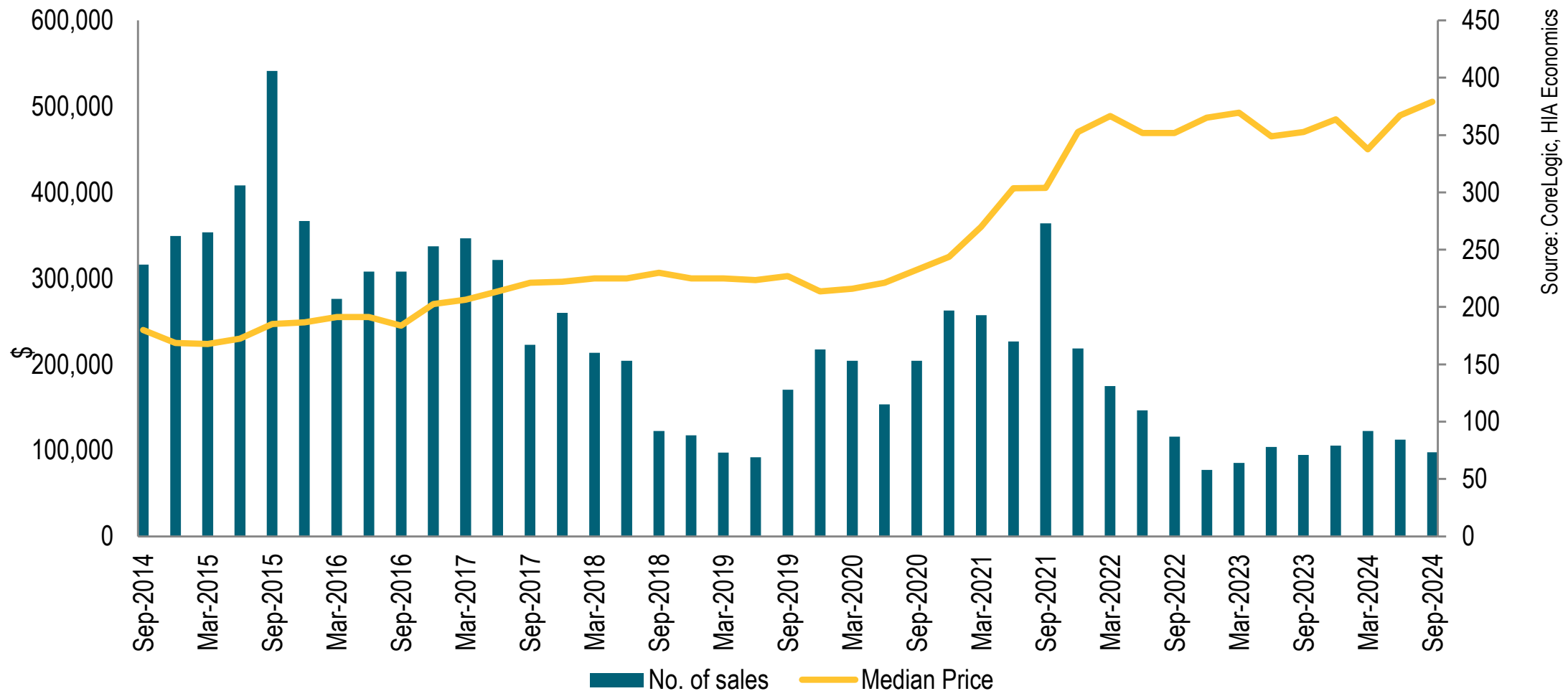
## Public sector construction pipeline

Source: ABS 8752.0, 8762.0



# Land prices elevated

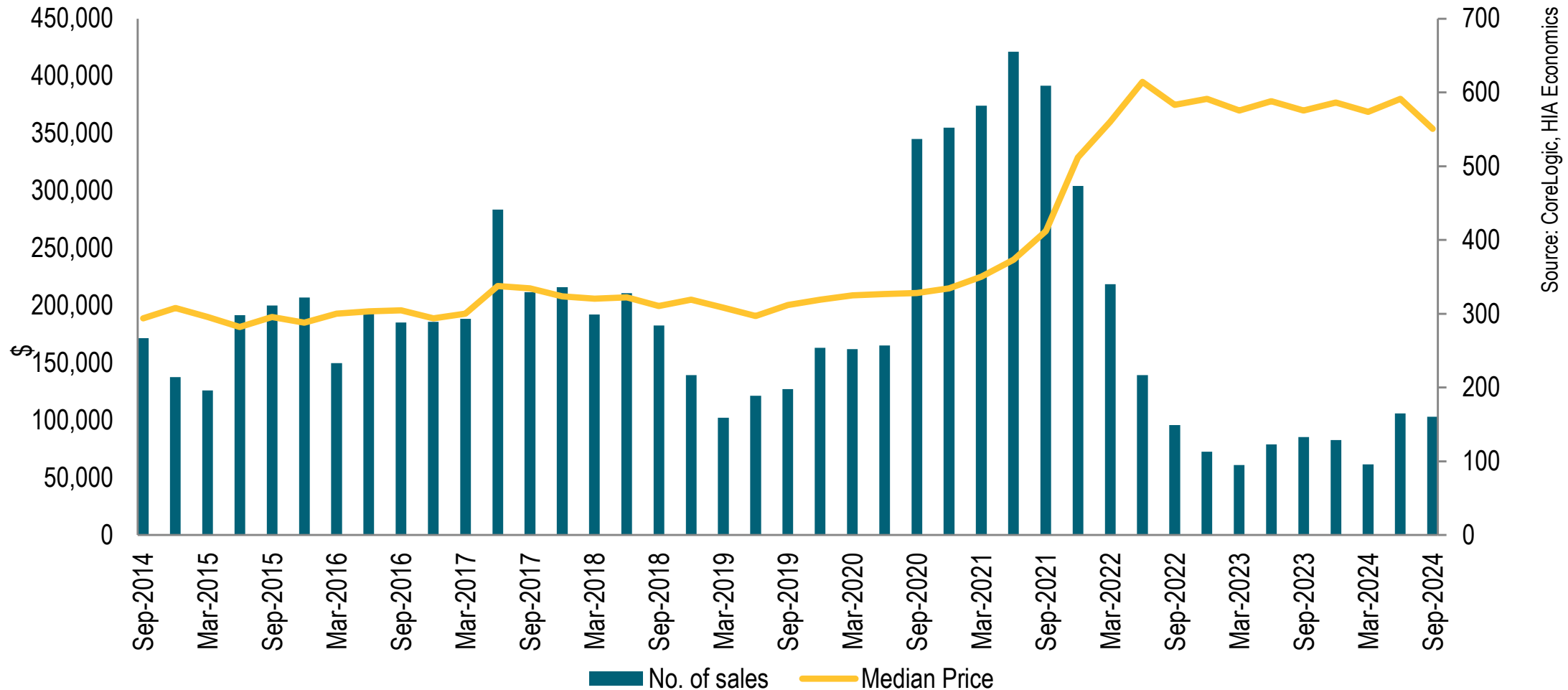
## Residential Land Sales & Median Lot Value – Newcastle and Lake Macquarie





# Land prices elevated

## Residential Land Sales & Median Lot Value – Hunter Valley exc Newcastle





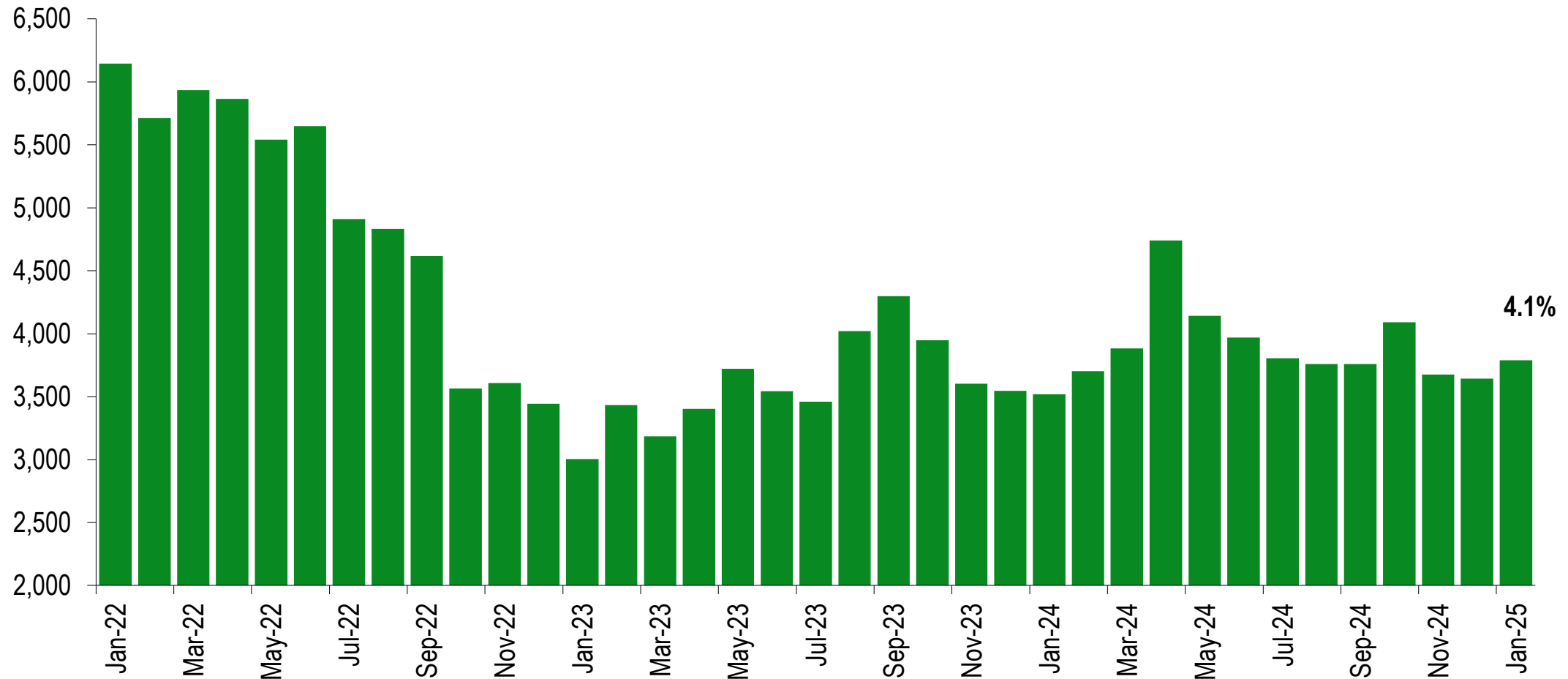
80  
Years

# Sales

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# National New Home Sales: 22% below 2019

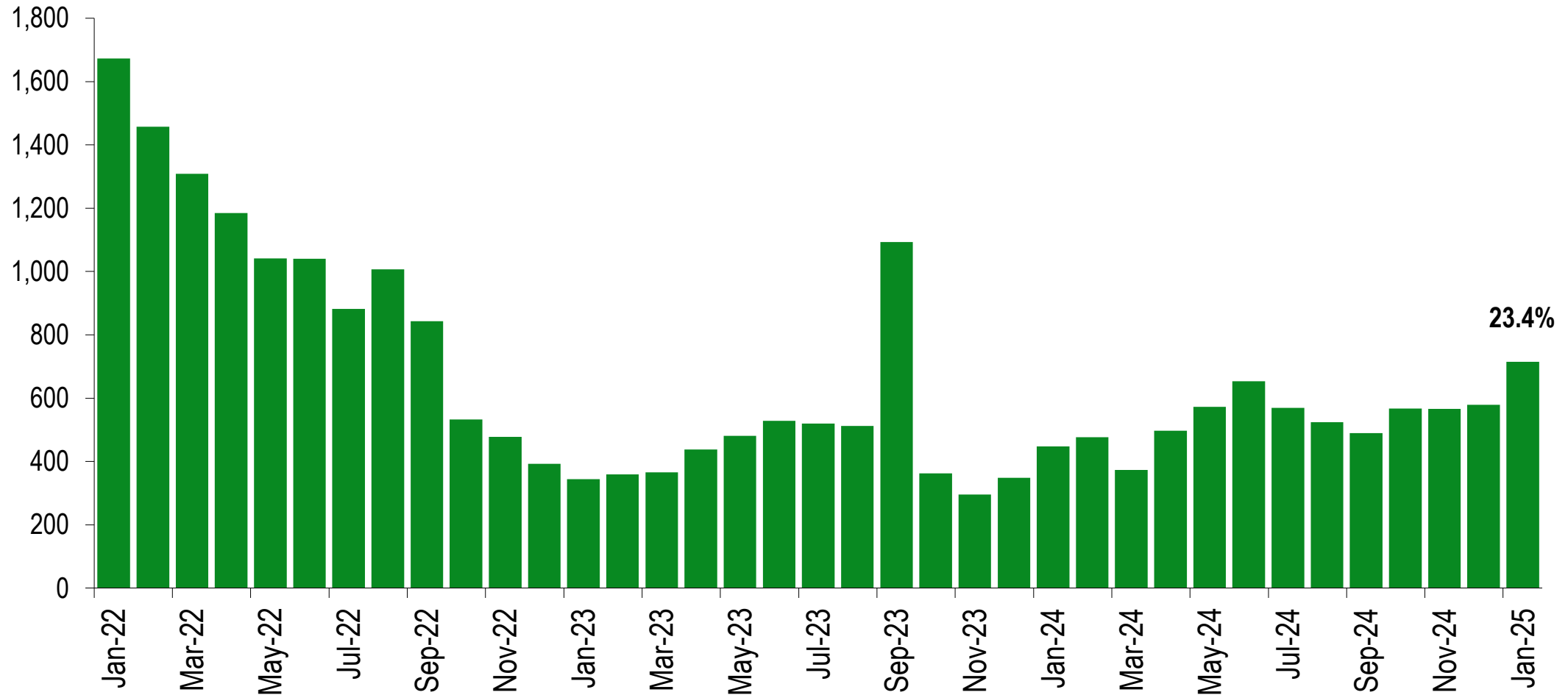
## Private New House Sales – Australia (SEASONALLY ADJUSTED)



Source: HIA New Home Sales Report

# HIA New Home Sales: NSW

Private New House Sales – New South Wales (SEASONALLY ADJUSTED)



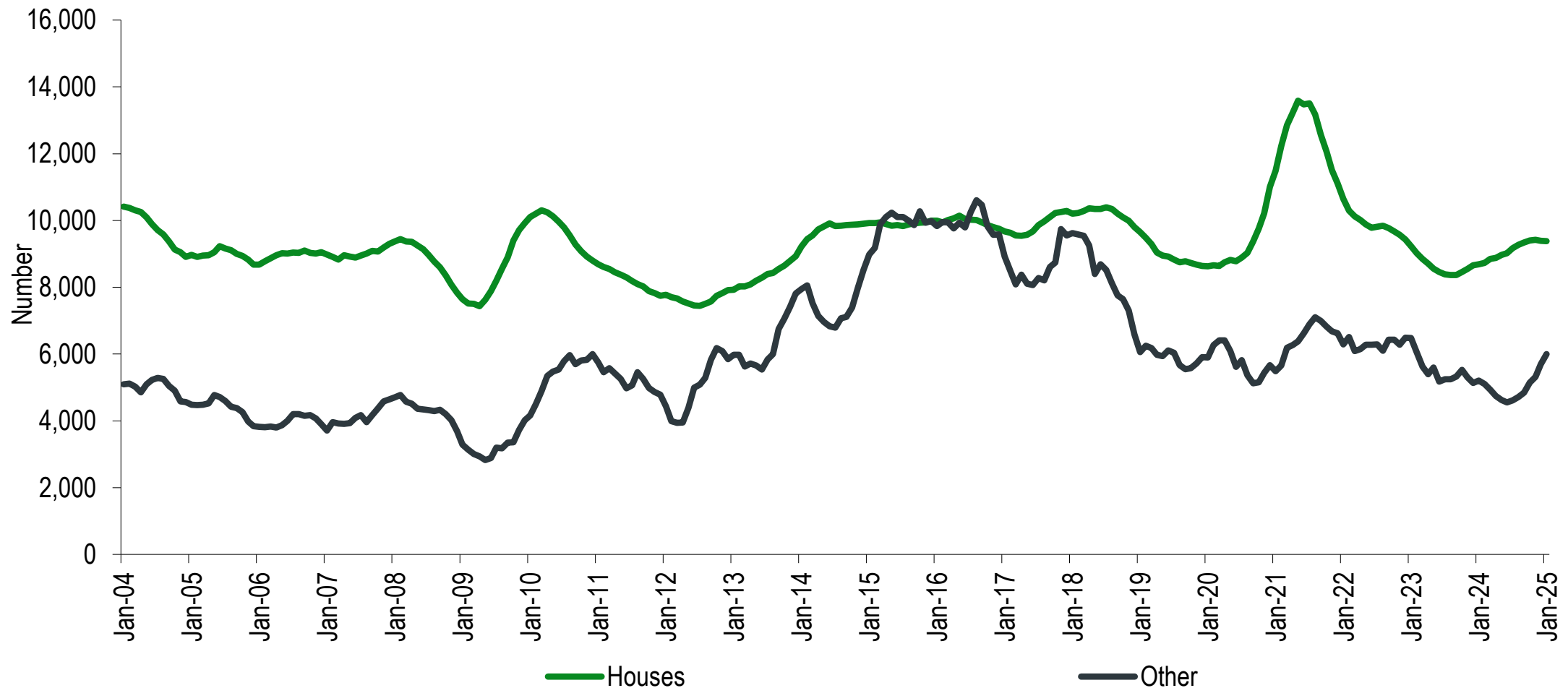
Source: HIA New Home Sales Report



# Nationally building Approvals tracking up

## Monthly Building Approvals – Australia, 6 Month rolling average

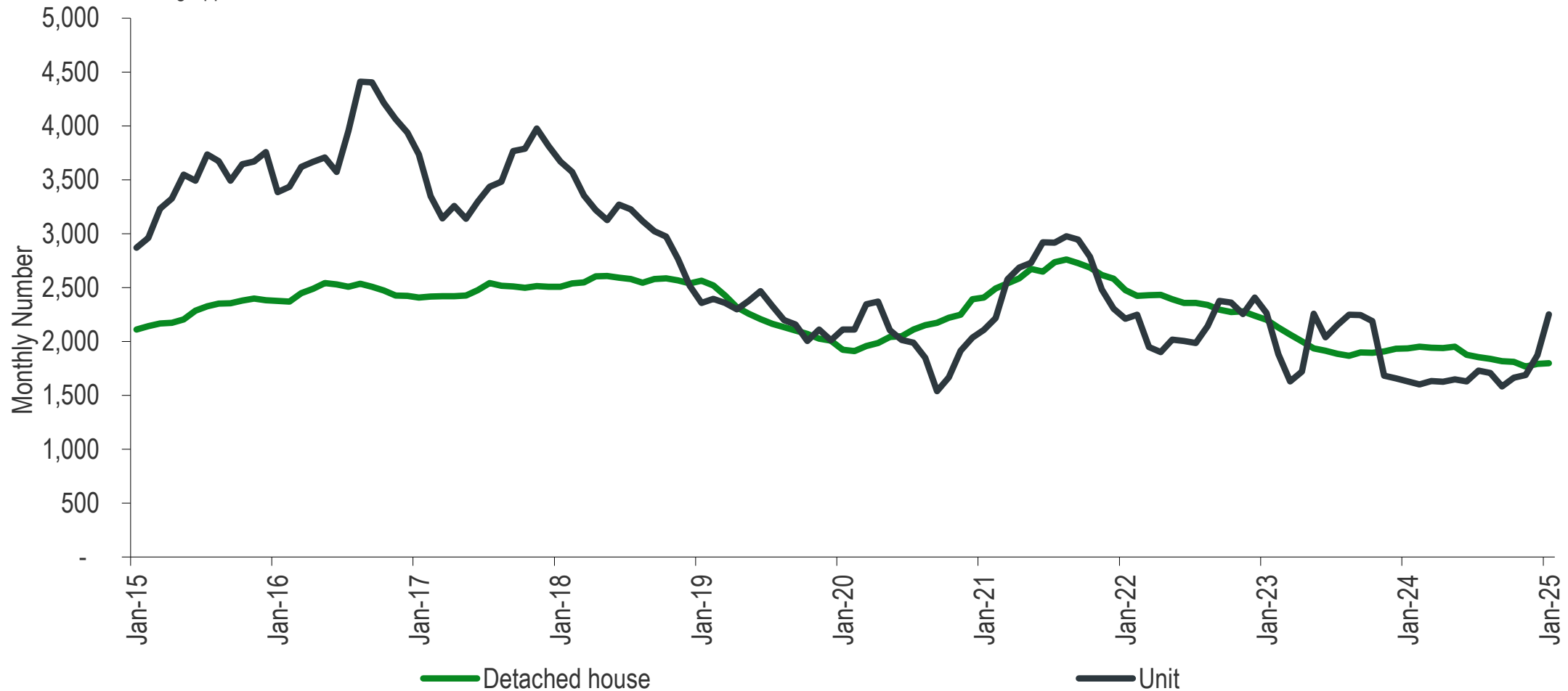
Source: ABS 8731



# Building Approvals: NSW

## Building Approvals NSW – 6 months rolling average

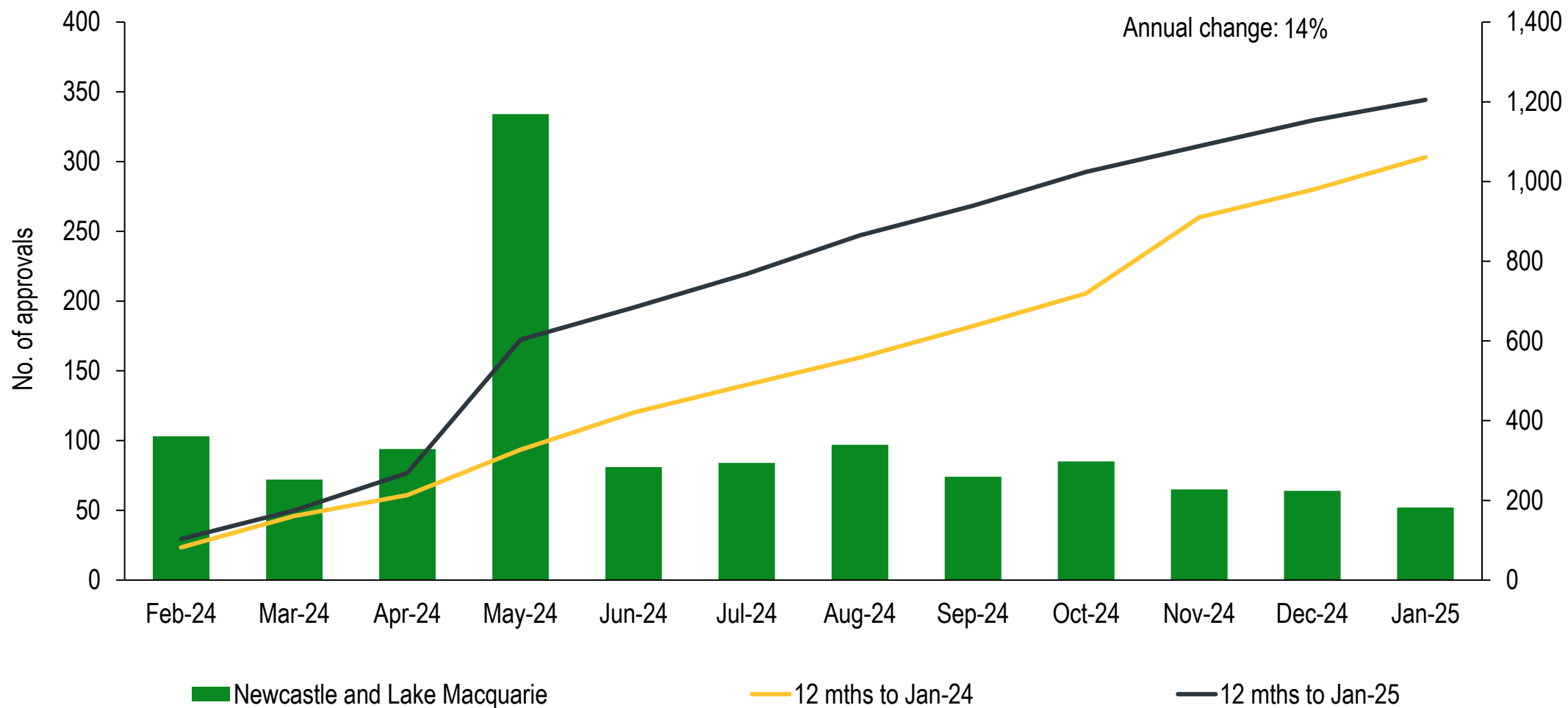
Source: ABS Building Approvals



# Detached house approvals

## Single Detached House Approvals – Newcastle and Lake Macquarie

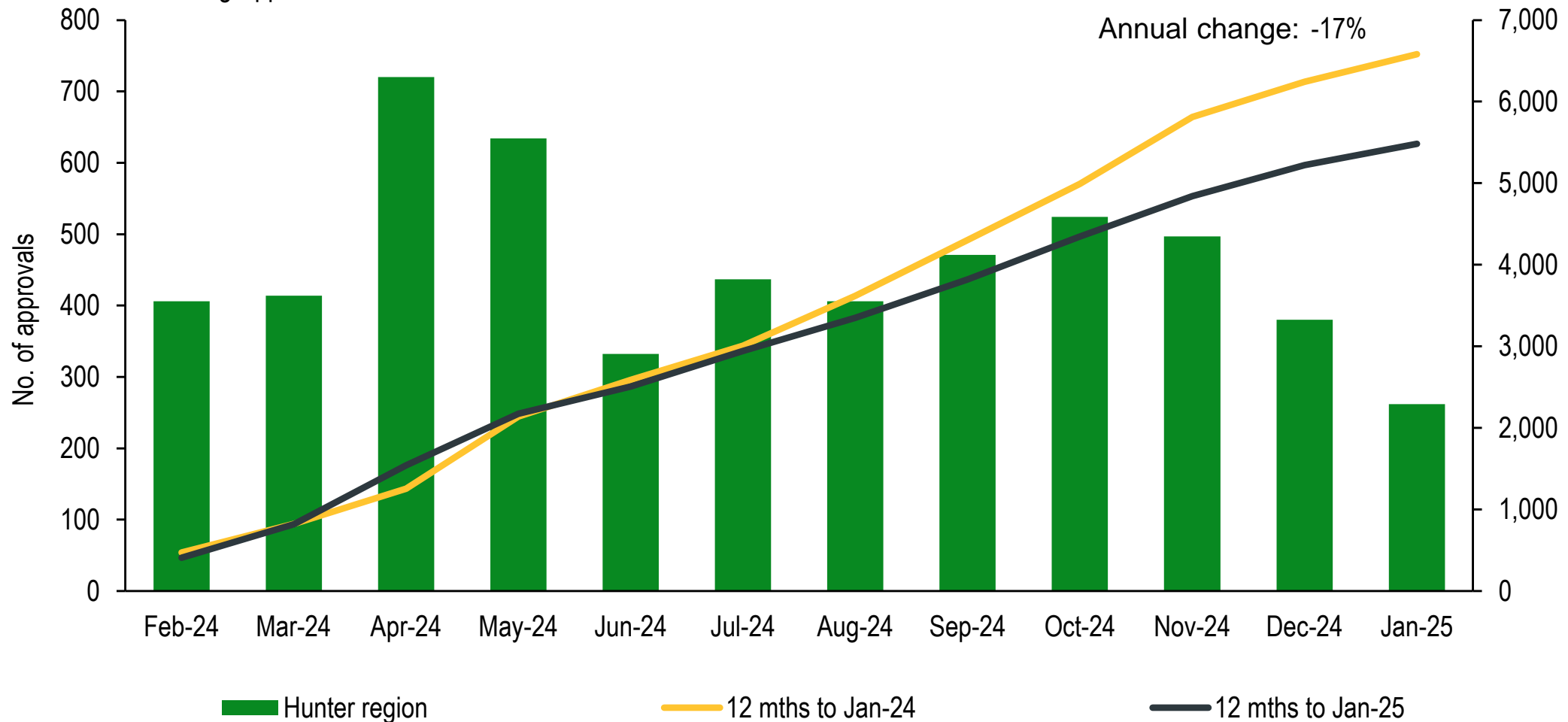
Source: ABS Building Approvals



# Building Approvals: Hunter

## Total Dwelling Approvals – Hunter Region

Source: ABS Building Approvals







80  
Years

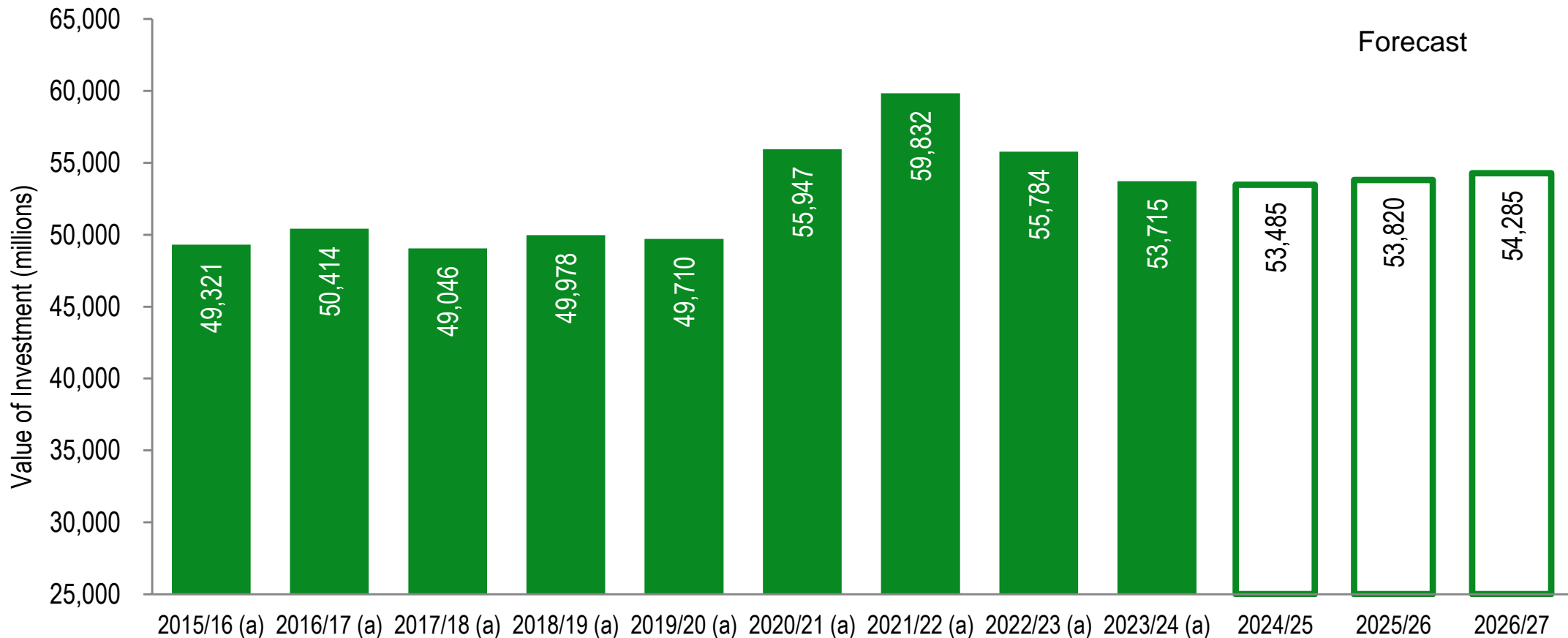
# Forecasts

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# HIA Renovations forecasts

## Australia HIA Renovations Forecasts

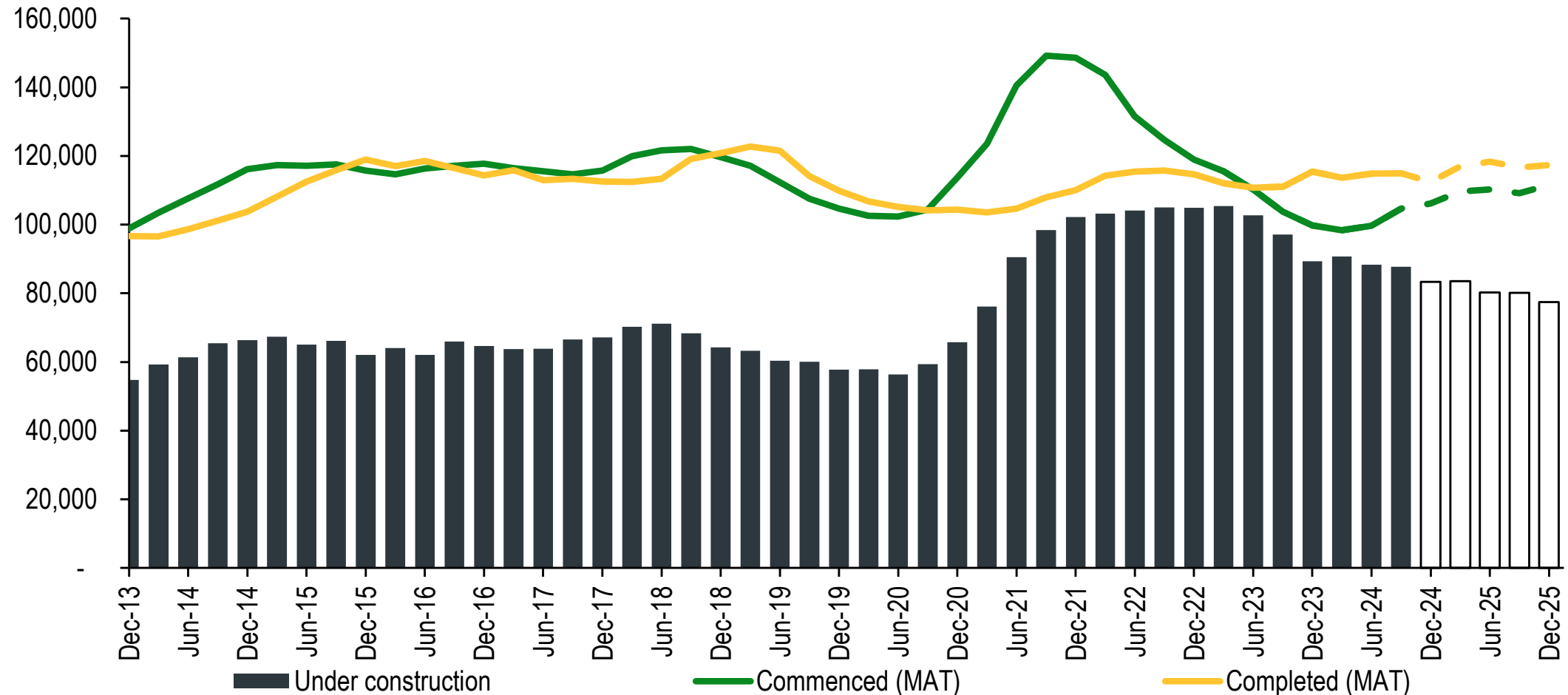
Source: HIA Economics



# More completions than commencements till 2026

## HIA Forecasts: Building Activity Pipeline – Houses, Australia

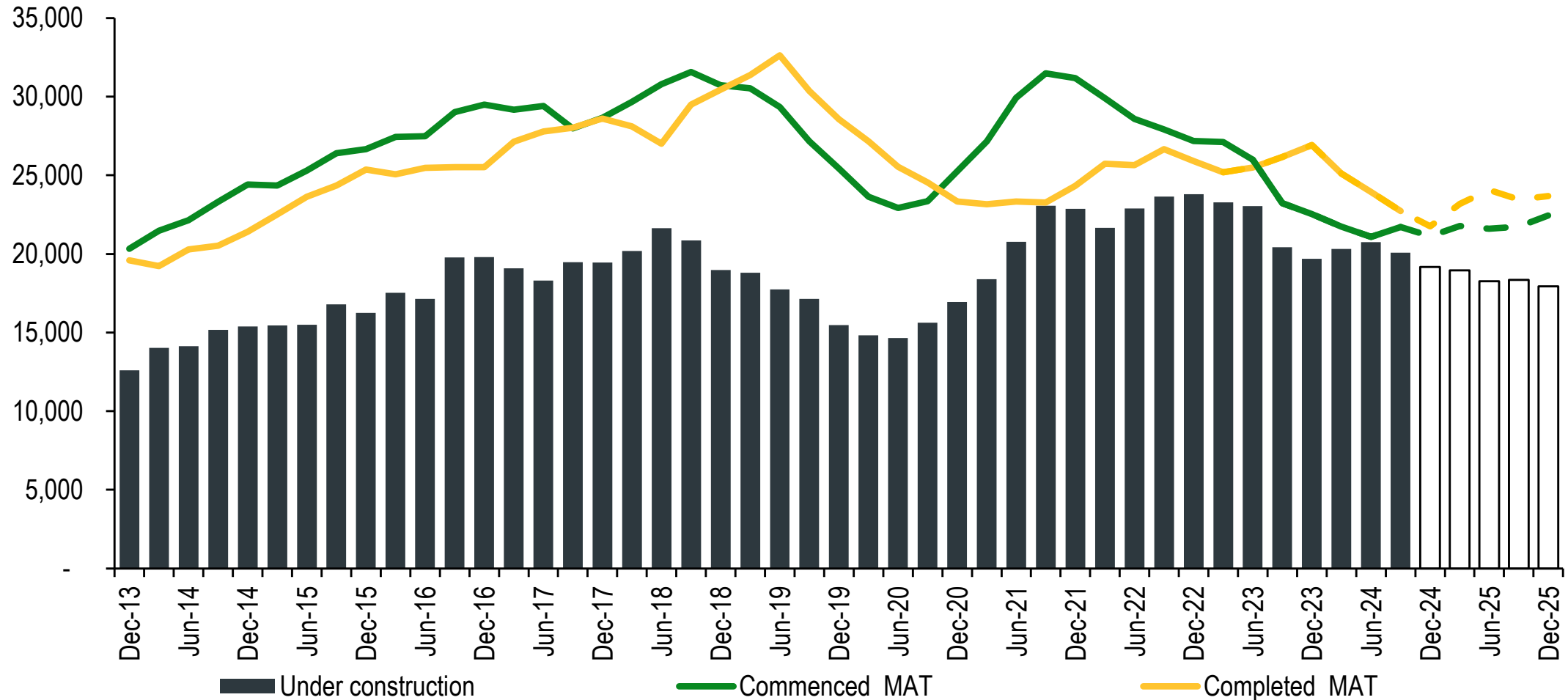
Source: HIA Economics, ABS 8752.0, ABS 8731.0



# More completions than commencements till 2026

## HIA Forecasts: Building Activity Pipeline – NSW Houses

Source: HIA Economics, ABS 8752.0, ABS 8731.0

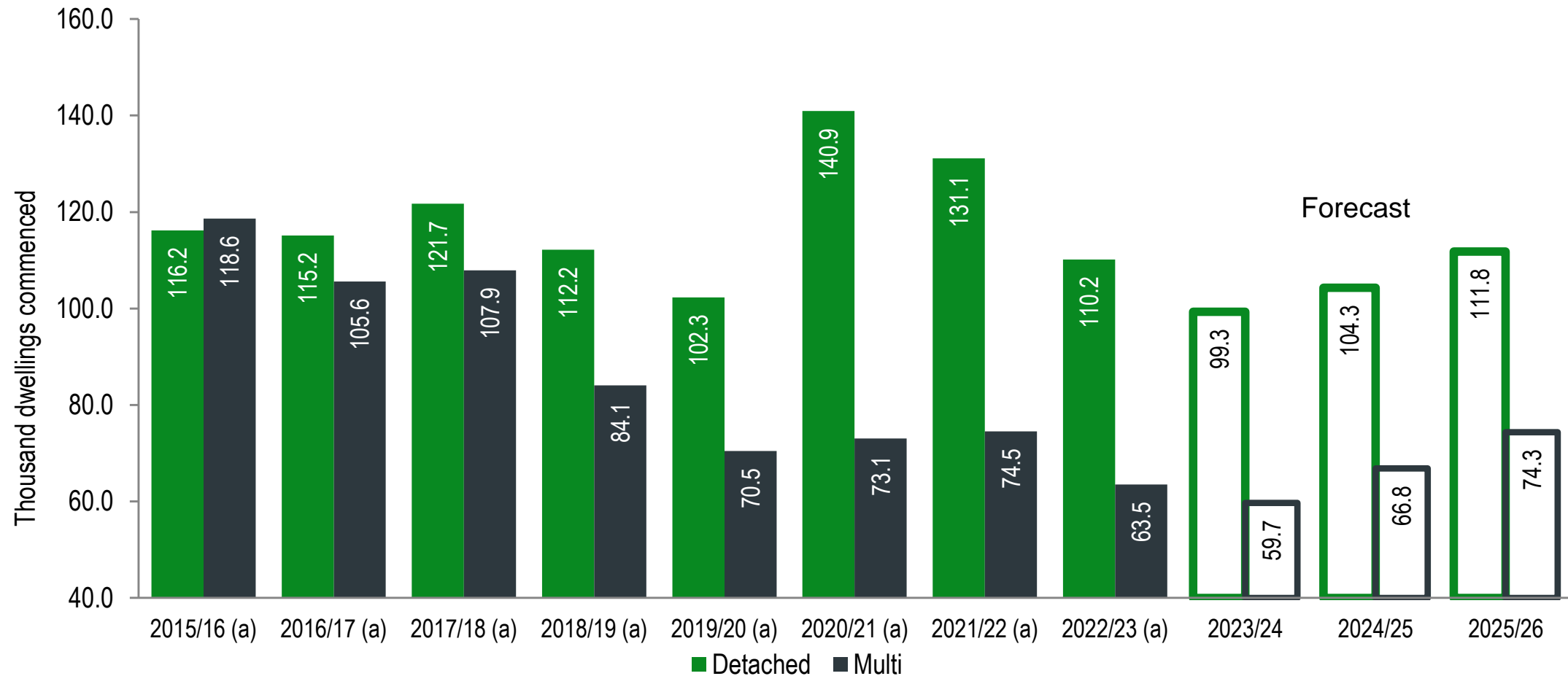




# HIA Forecasts

## Australia HIA Housing Starts Forecasts

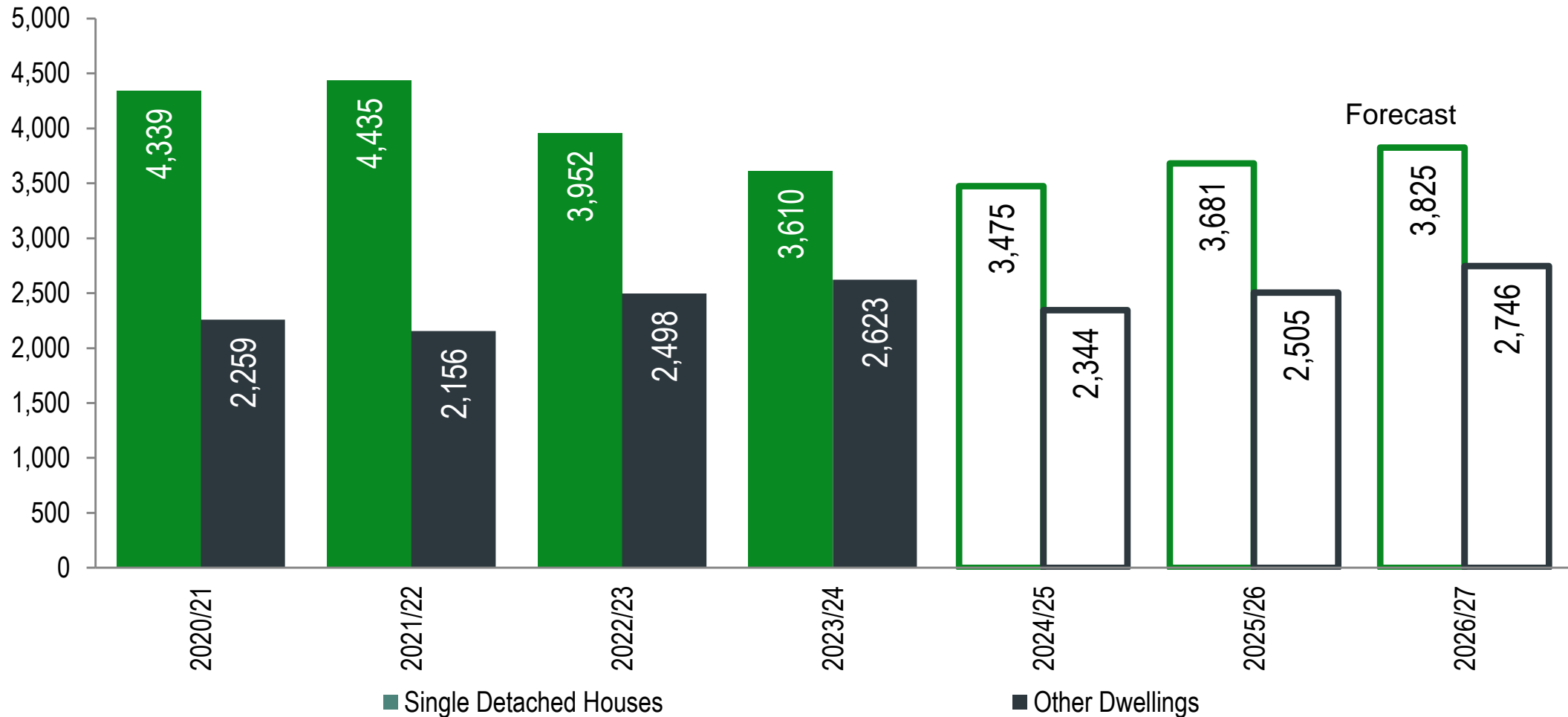
Source: HIA Economics



# HIA Forecasts

## Hunter Housing Starts Forecasts

Source: HIA Economics





# THANK YOU

Maurice Tapang, HIA Economist  
March 2025

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