



# HOUSING & ECONOMIC OUTLOOK

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Senior Economist

# 2024: the year of the lagging indicator

LEADING indicators have been flashing red for 18 months

This year we see the 'real' impact of interest rates

Policy needs to change





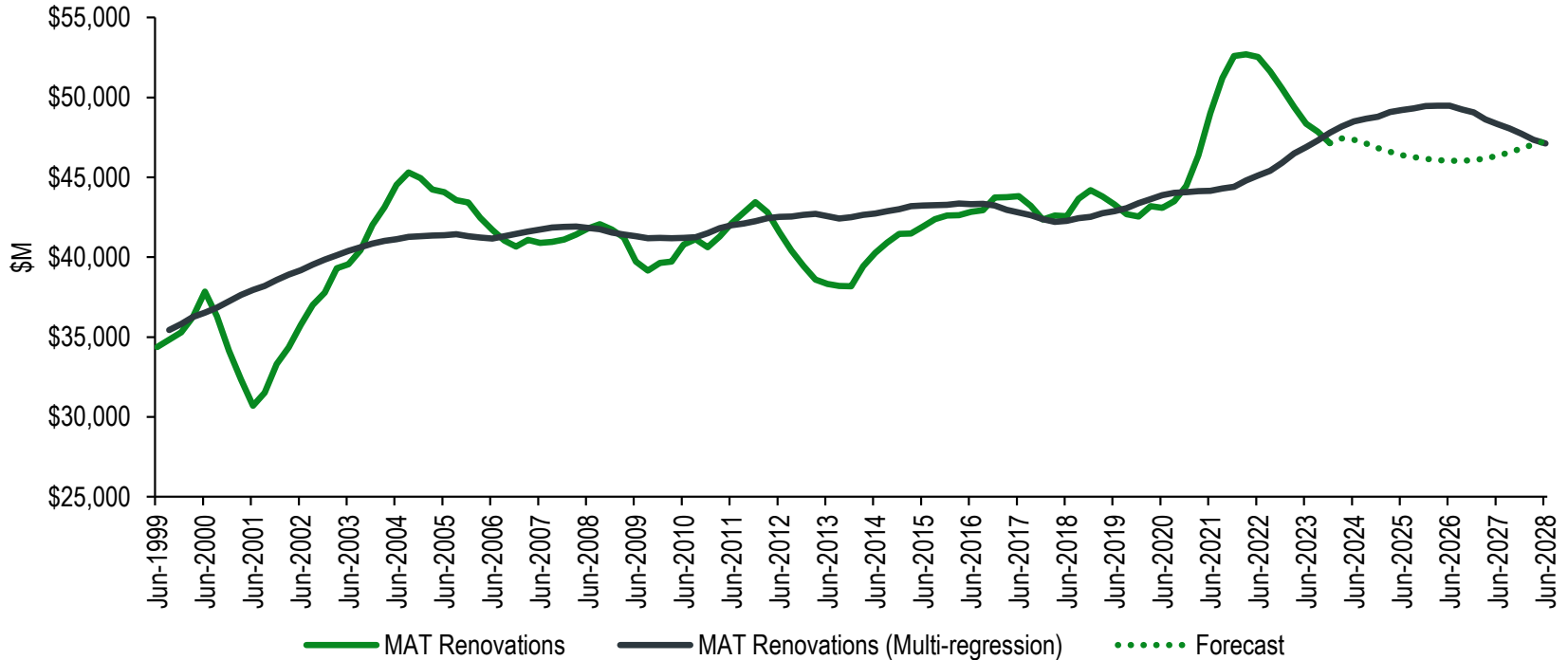
# Renovations

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# Renovations boom is over!

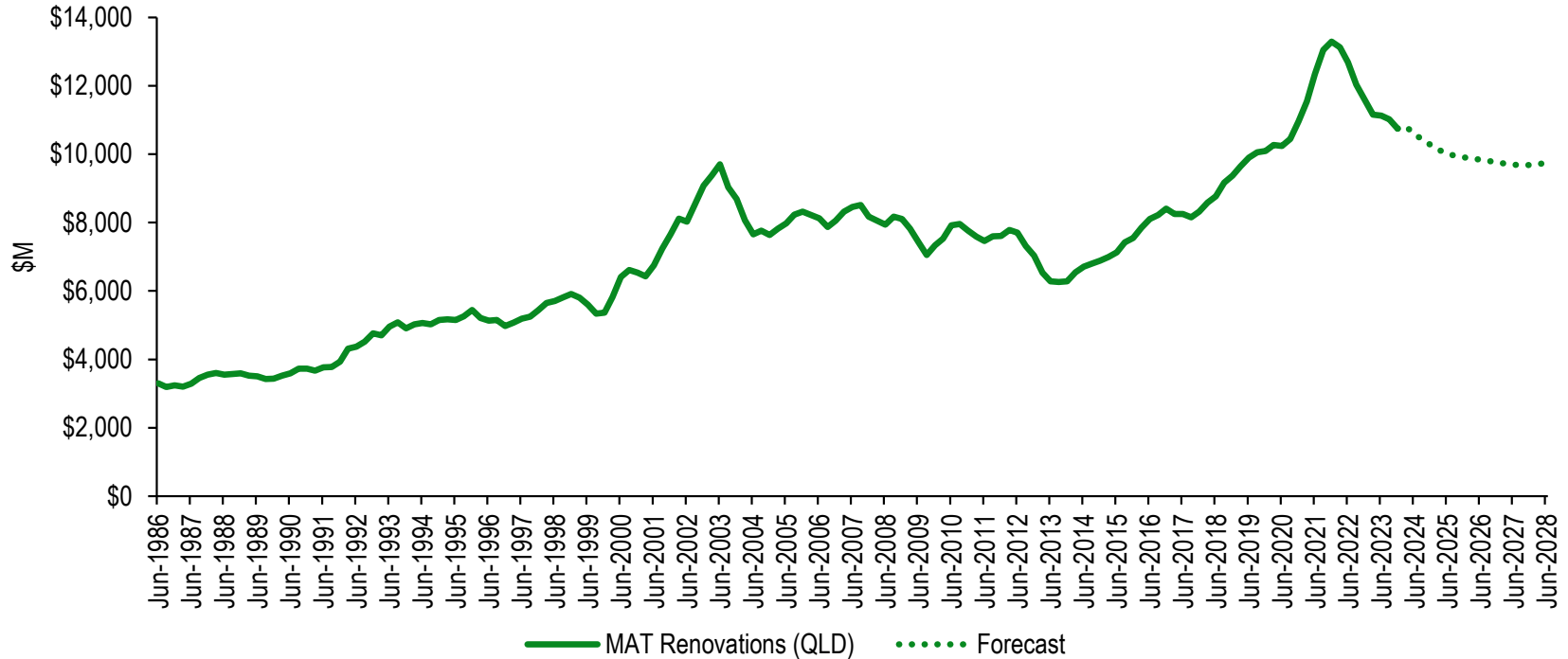
## Renovations vs Housing Stock, Moving Annual Total, Australia

Source: ABS, HIA



## Renovations, Moving Annual Total, QLD

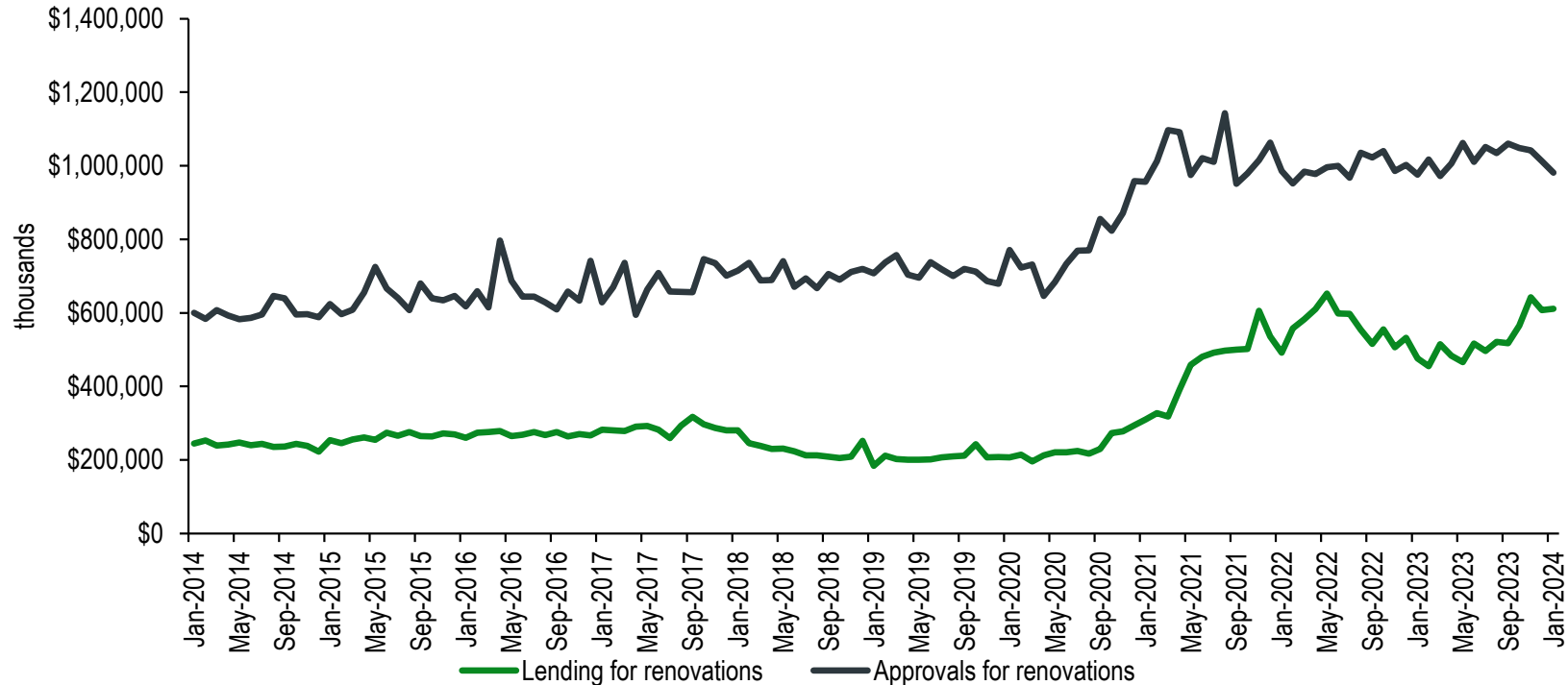
Source: ABS, HIA



# Especially larger renovations projects

## Lending and approvals for renovations

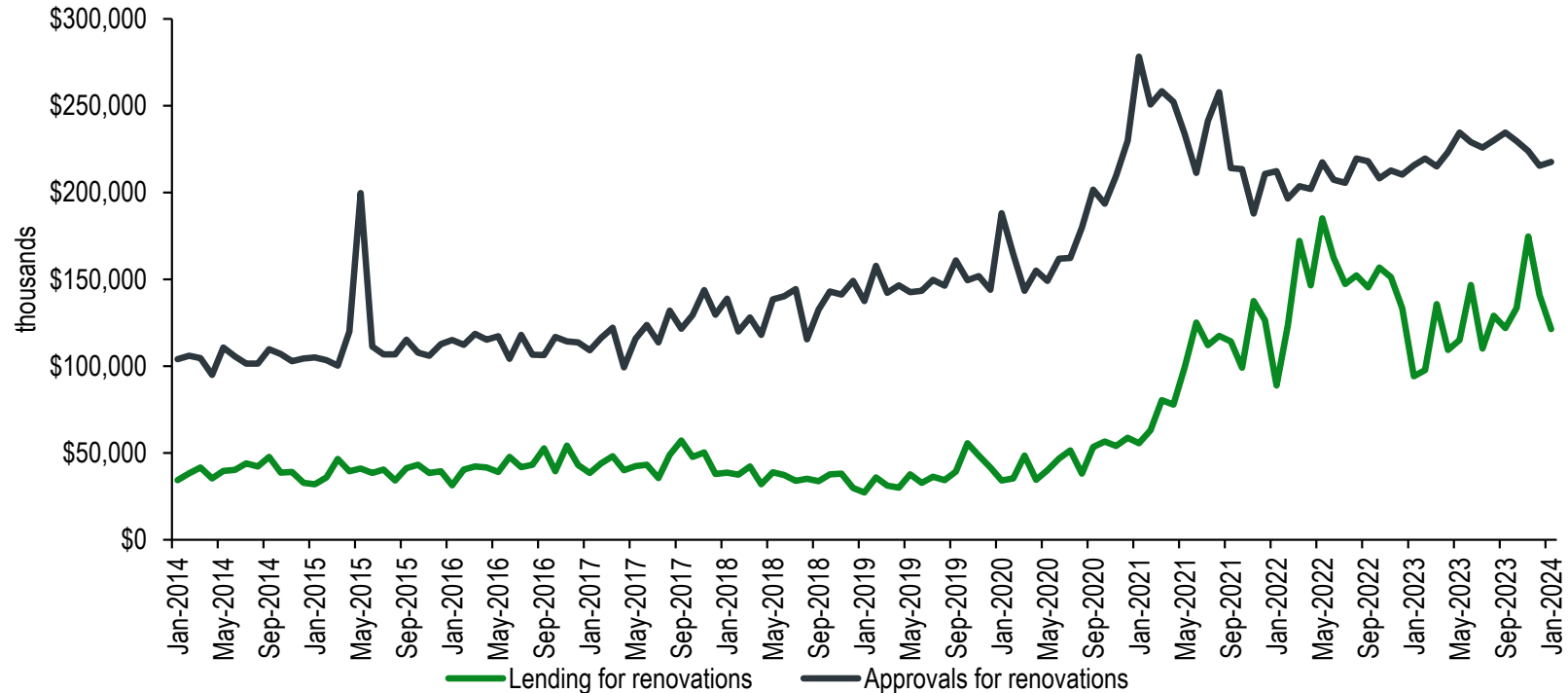
Source: ABS 5601.0



# QLD especially

## Lending and approvals for renovations, QLD

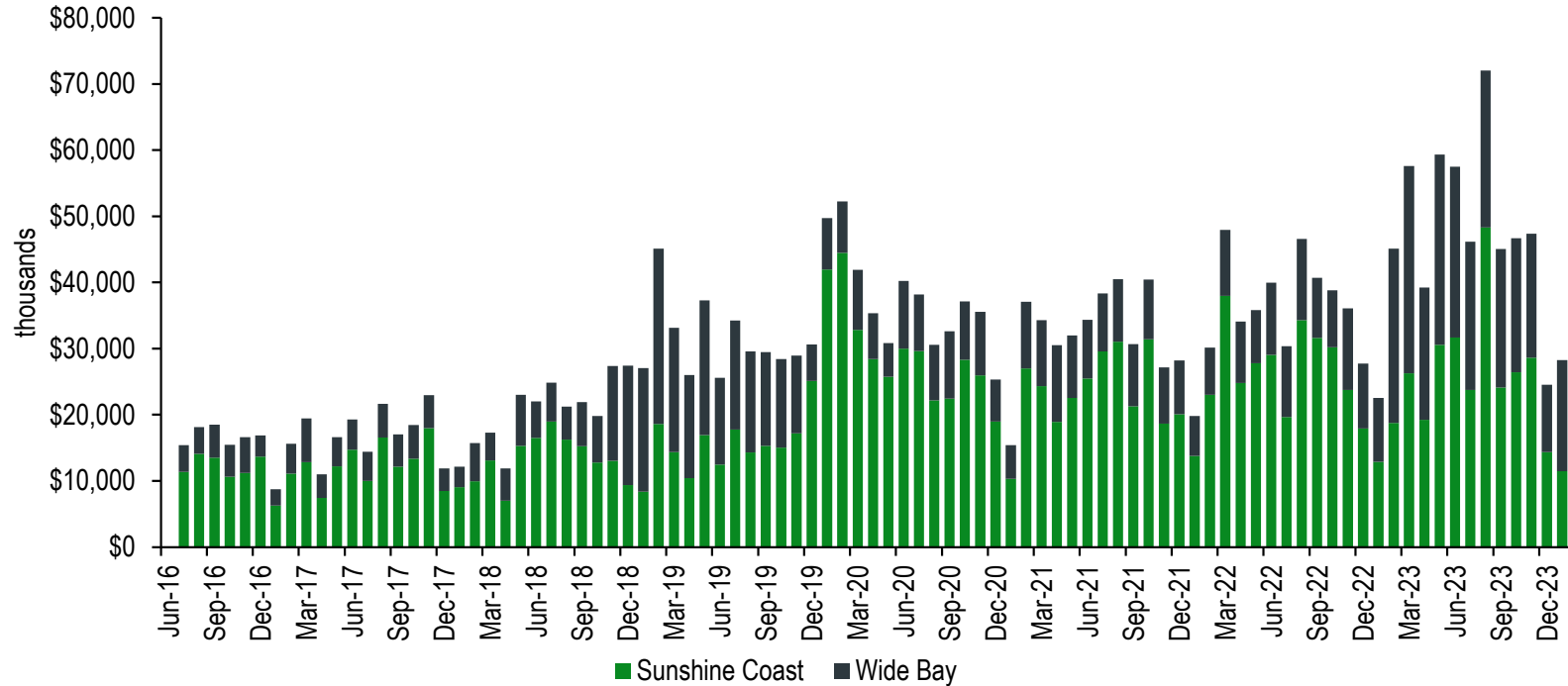
Source: ABS 5601.0



# Local area too

## Approvals for renovations, Sunshine Coast & Wide Bay

Source: ABS 5601.0





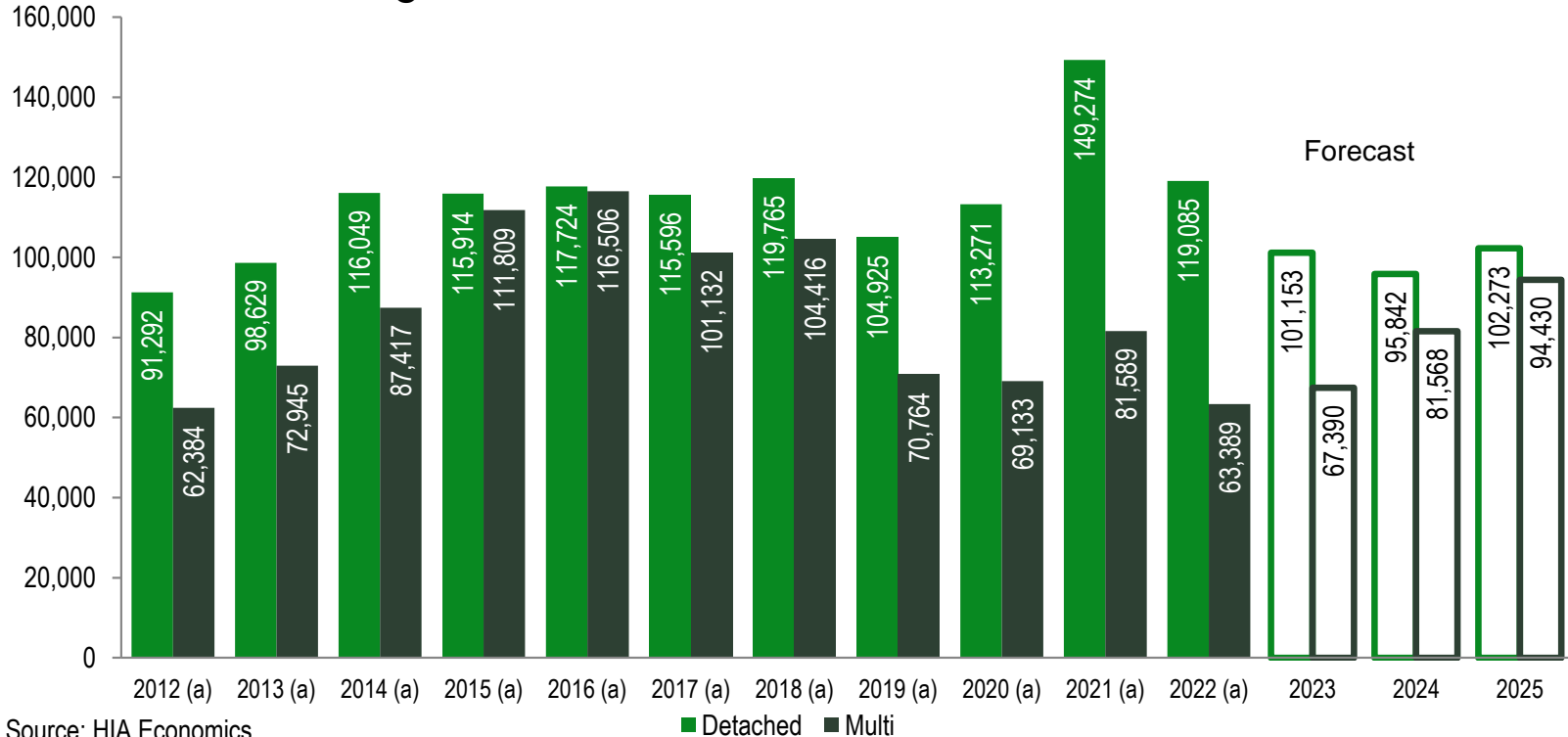


# New Housing Forecasts vs 1.2m Target

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# HIA's latest forecasts – new housing

## Australia HIA Housing Starts Forecasts



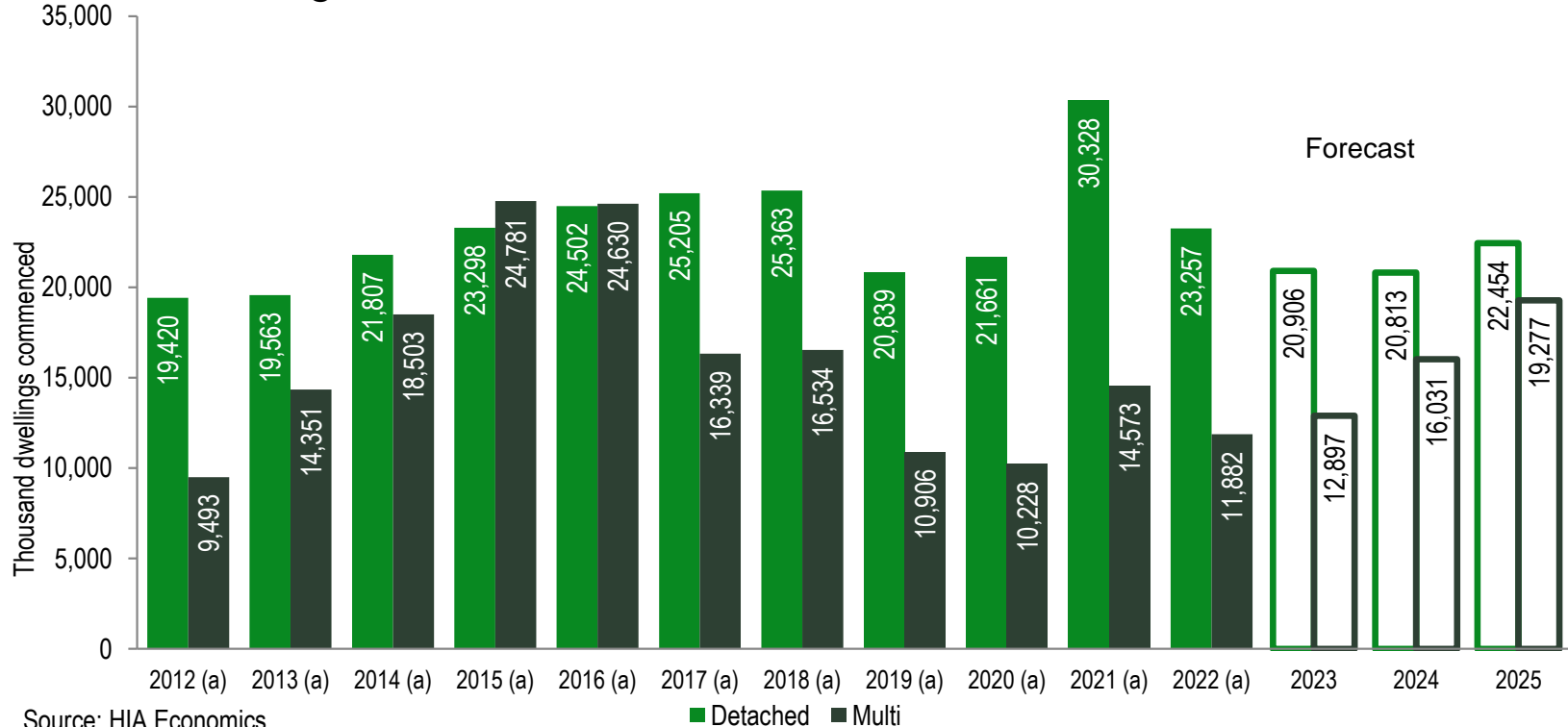
Source: HIA Economics

■ Detached ■ Multi



# HIA's latest forecasts – new housing

## QLD HIA Housing Starts Forecasts



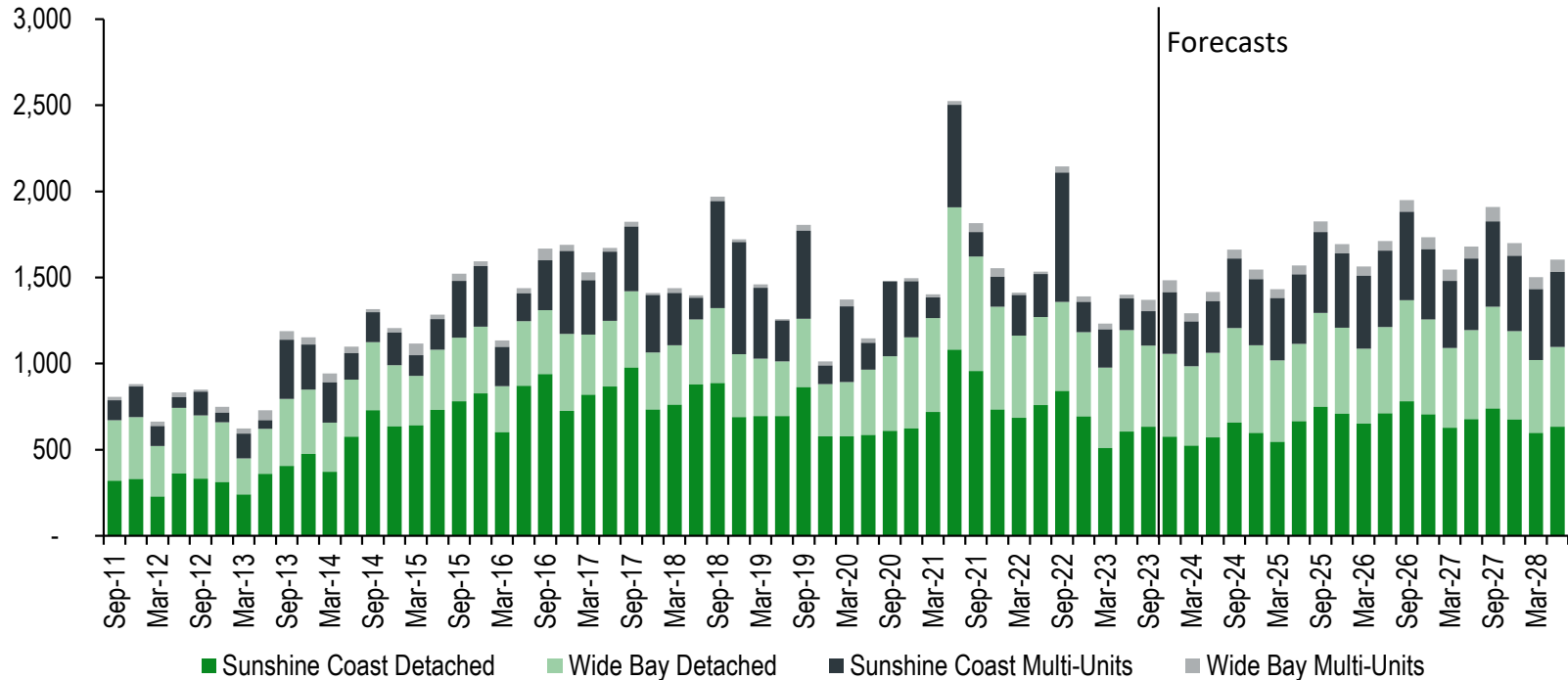
Source: HIA Economics



# HIA's latest forecasts – new housing

## Commencements, Sunshine Coast & Wide Bay

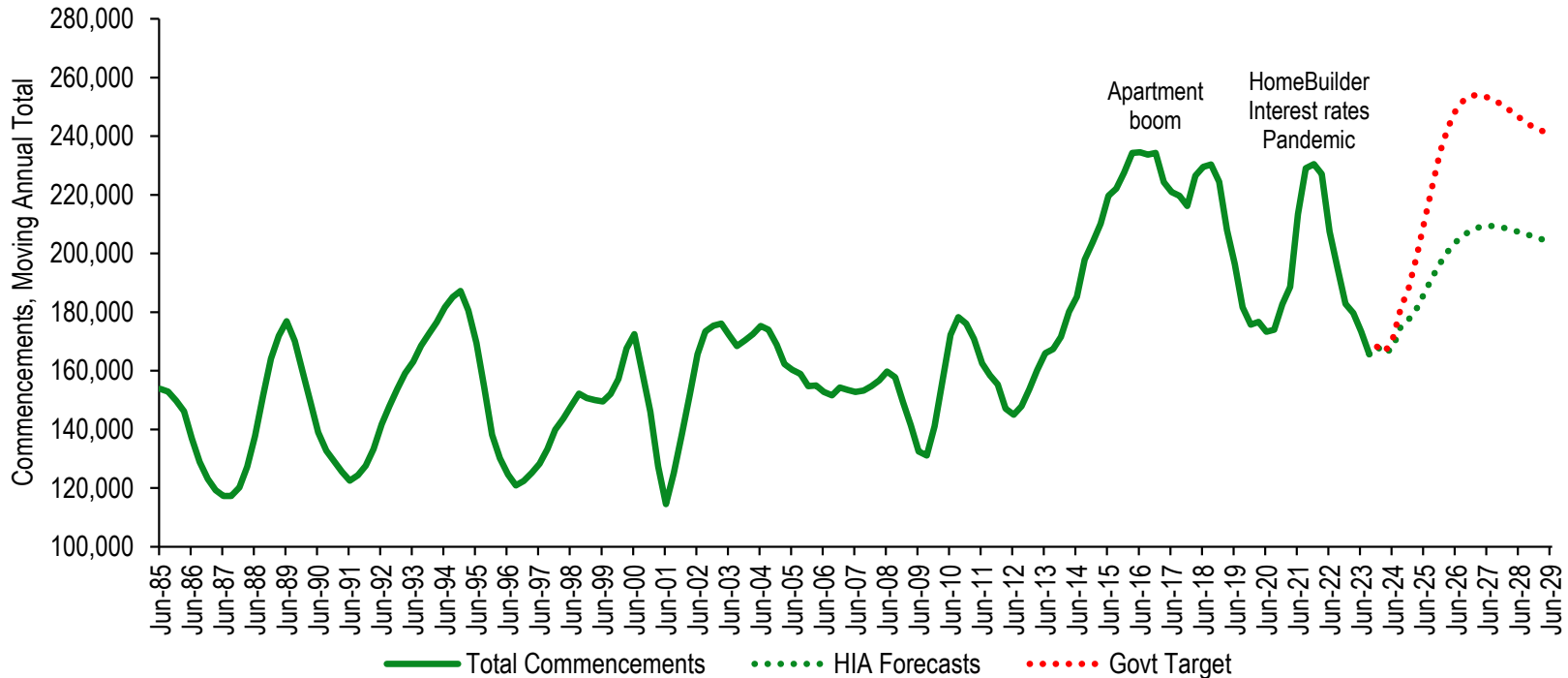
Source: ABS



# 1.2m homes: achievable but not expected

## 1.2 million homes: Actual, Forecast and Target, MAT

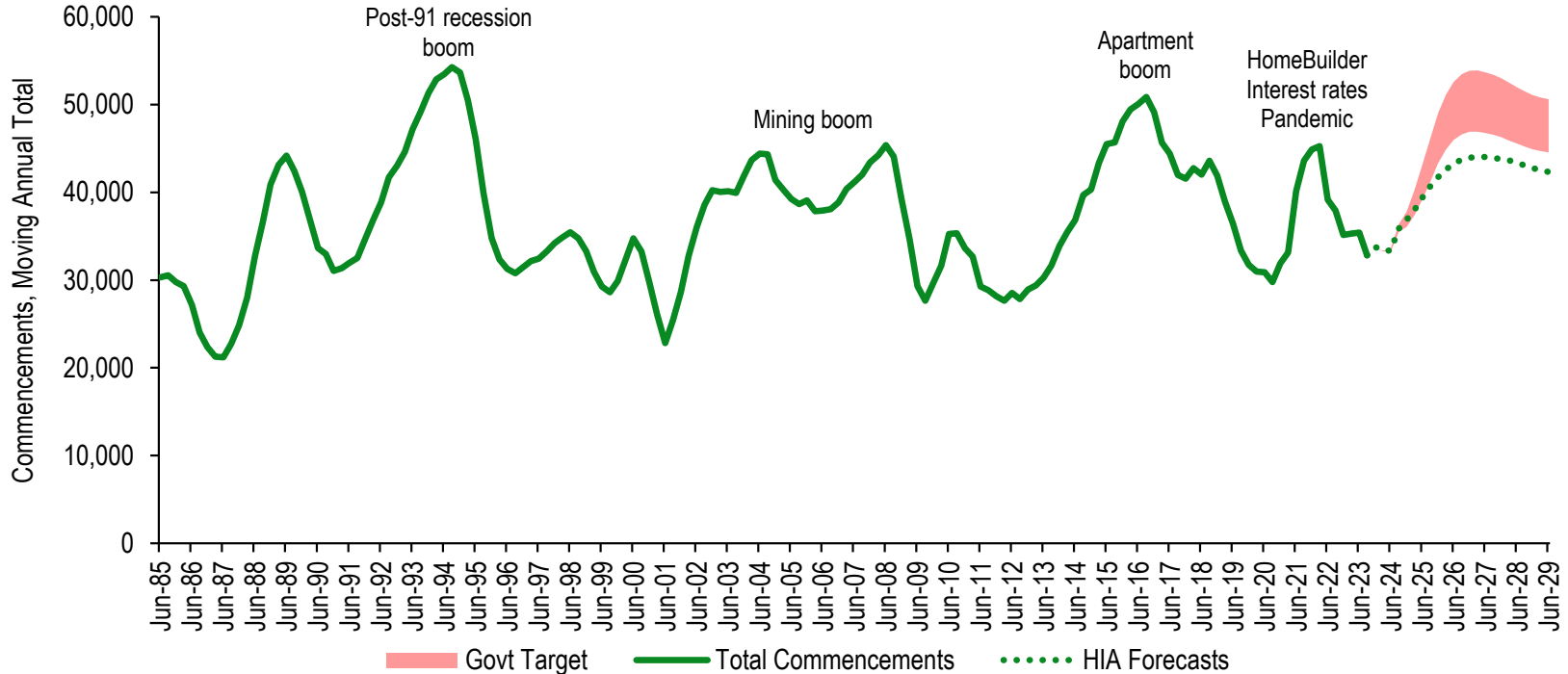
Source: HIA Economics



# 1.2m homes: QLD

## 1.2 million homes: QLD

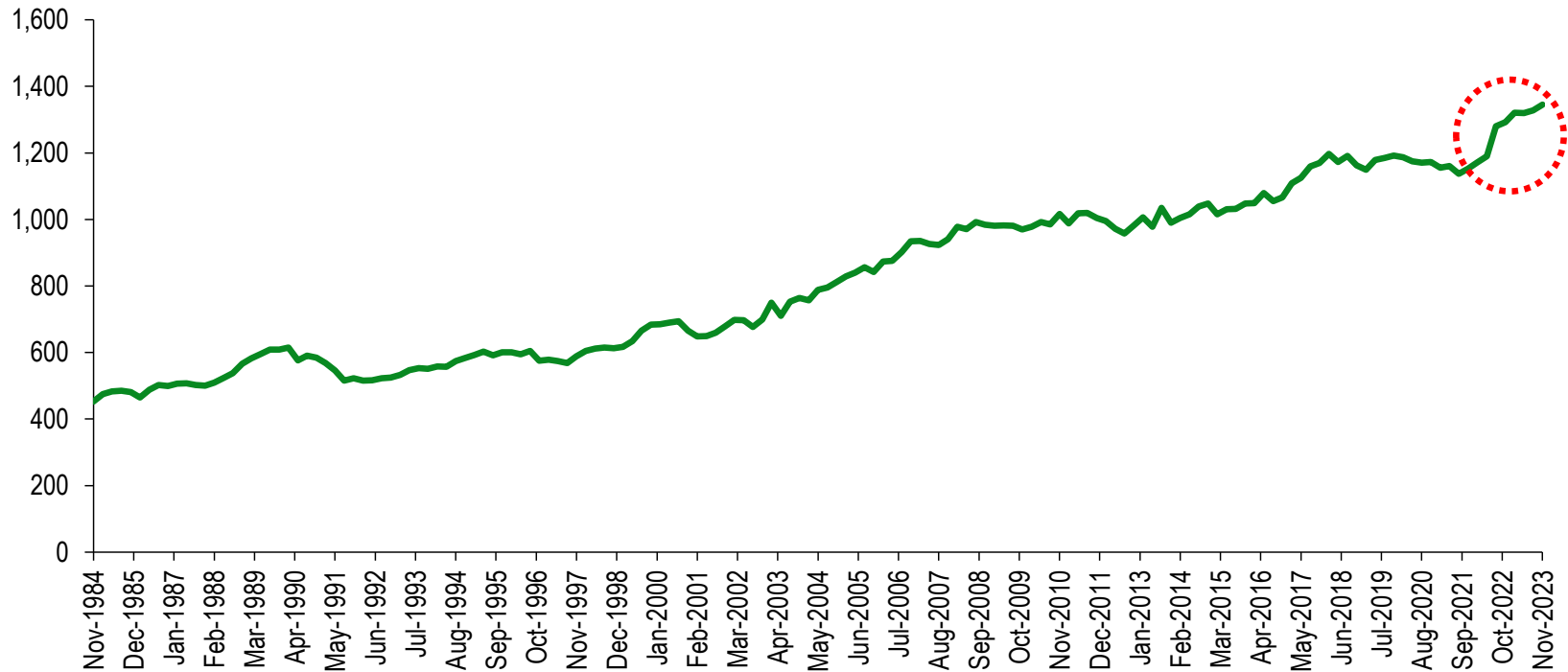
Source: HIA Economics



# Return of overseas workers

## Construction Employment, 000s, Australia

Source: ABS





# The need for housing

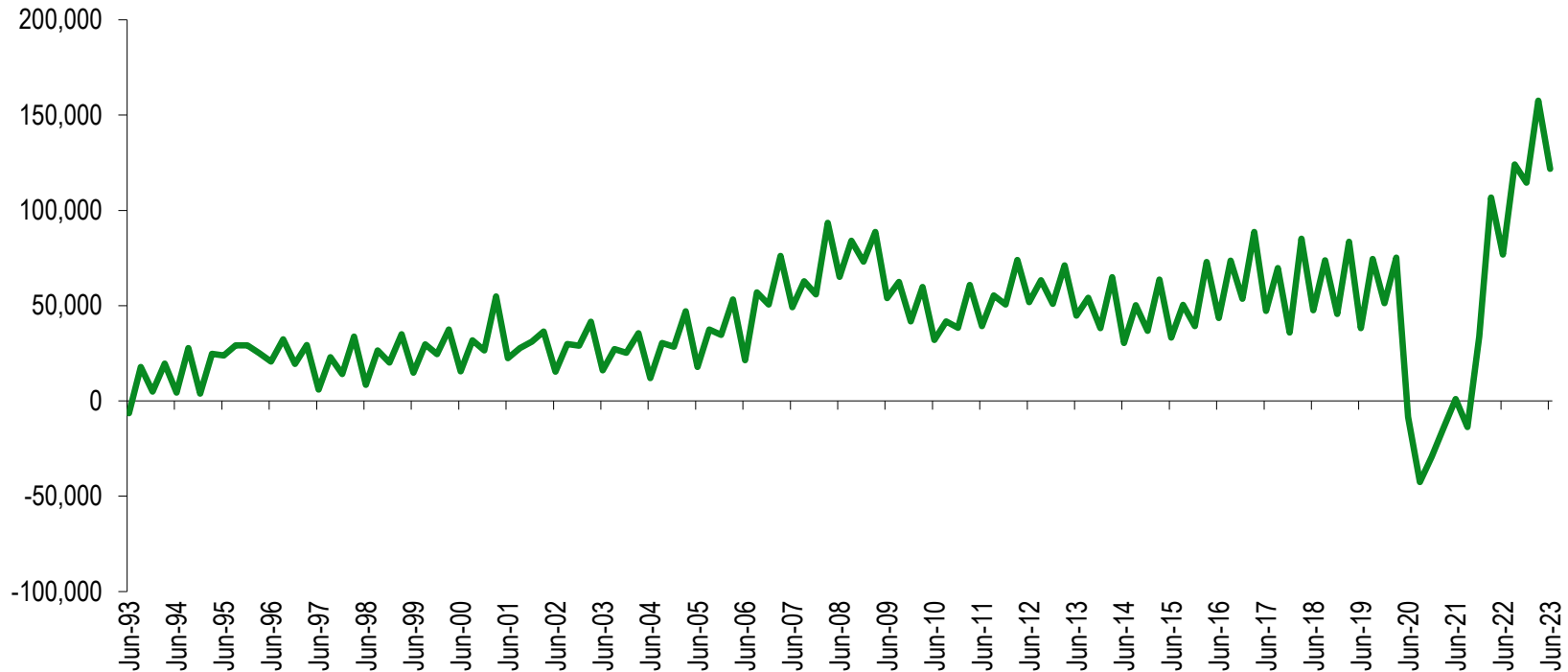
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# Record migration

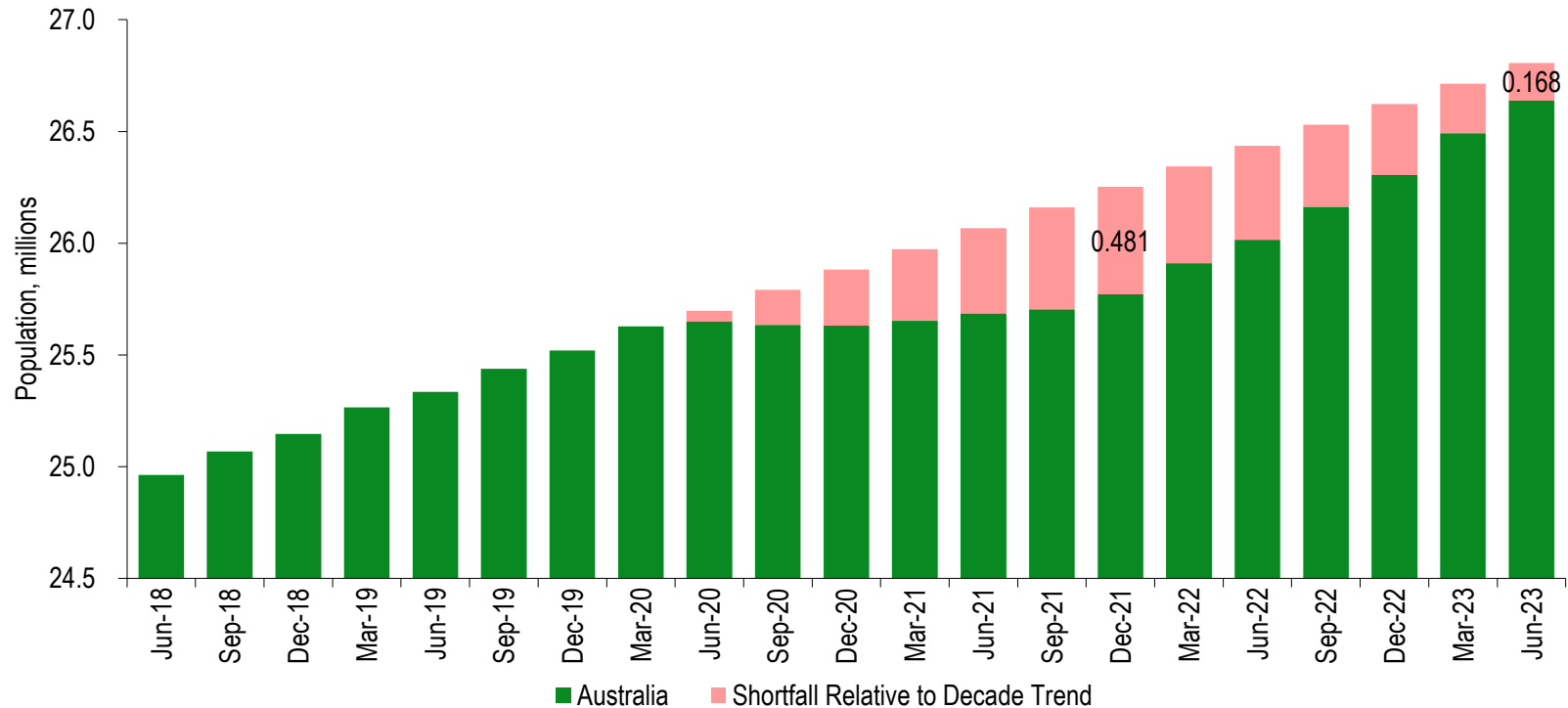
## Net Overseas Migration, Australia

Source: ABS 3101.0



# We have only just caught up

## Australia's Population Trajectory



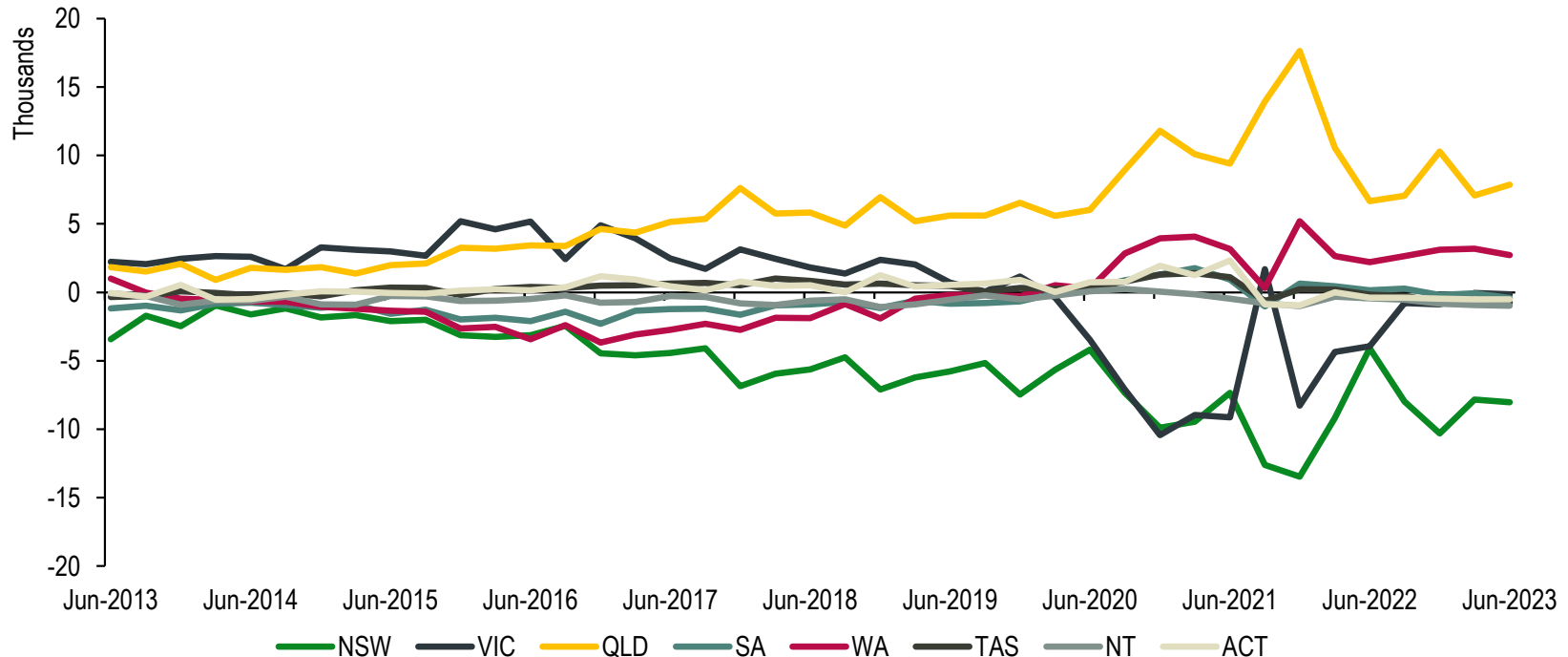
Source: ABS 3101.0



# Exodus from NSW and VIC

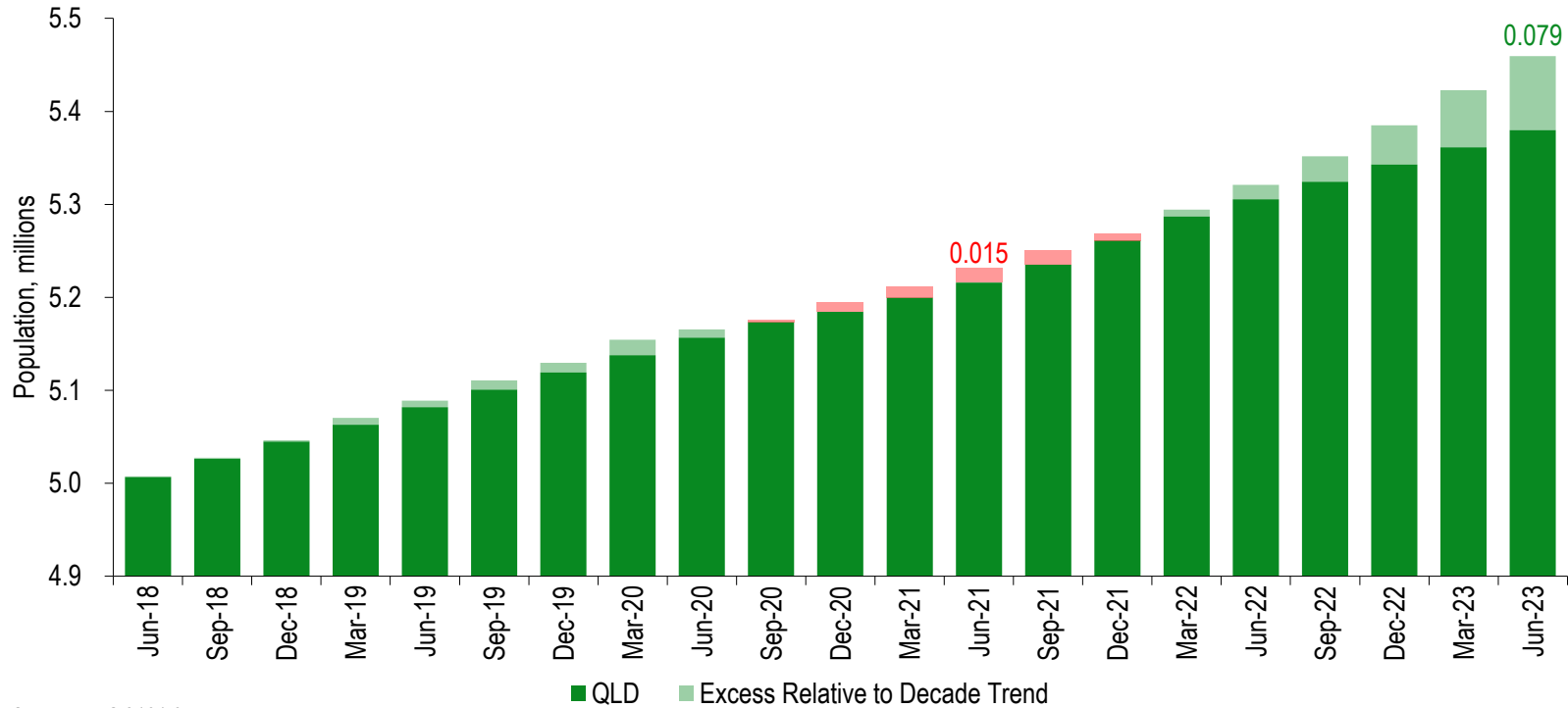
## Net Interstate Migration, by Large States, by Quarter

Source: ABS 3101.0, HIA Economics



# QLD has MORE THAN caught up

## QLD's Population Trajectory



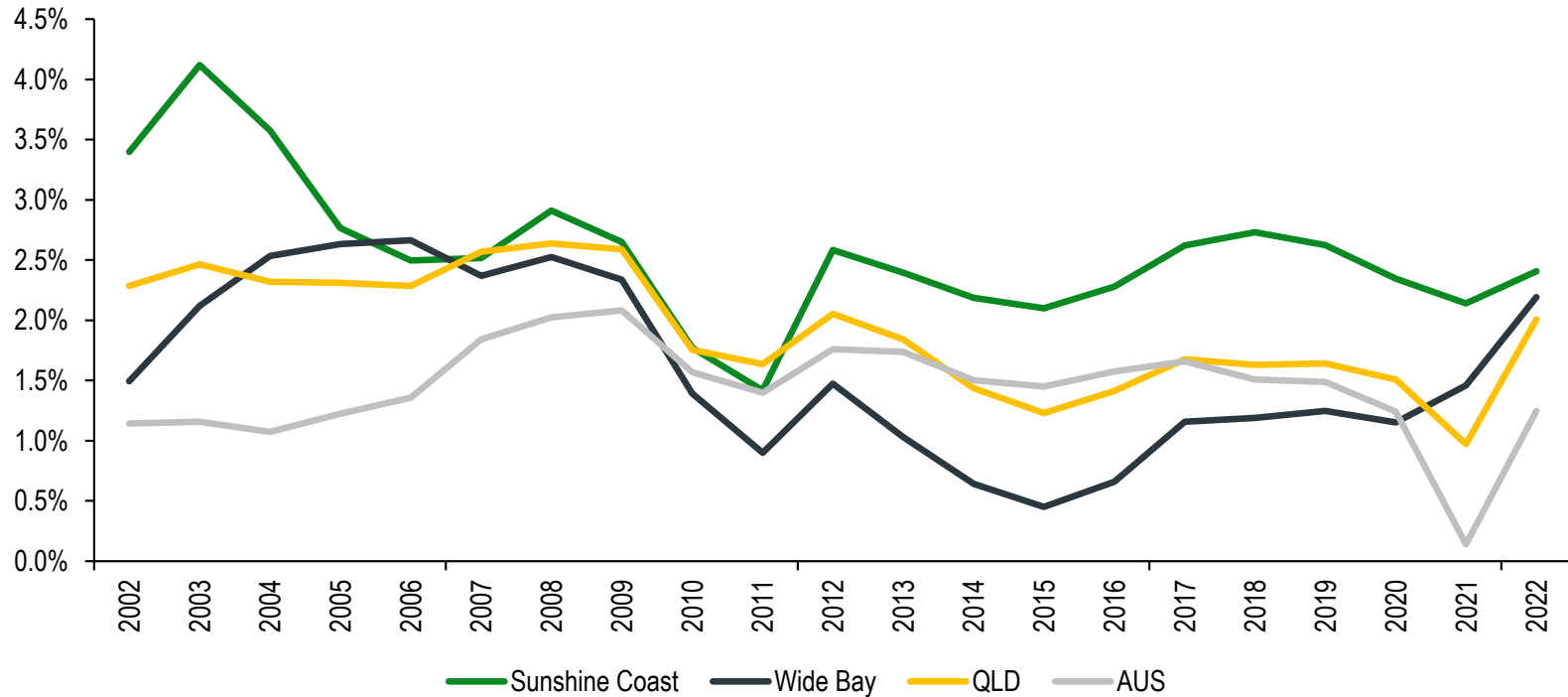
Source: ABS 3101.0



# Local population growth too

## Population Growth

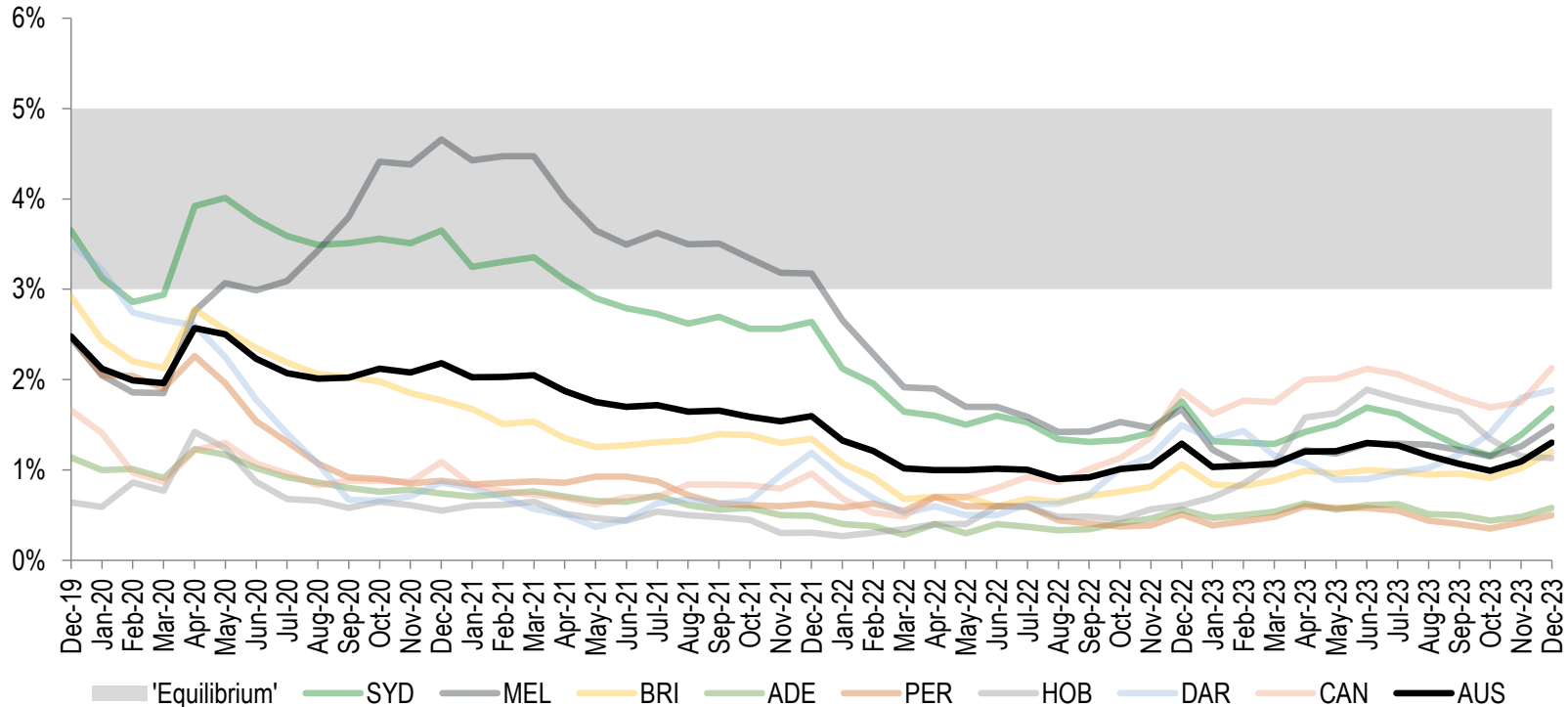
Source: ABS



# Acute rental shortages

## Rental Vacancy Rates

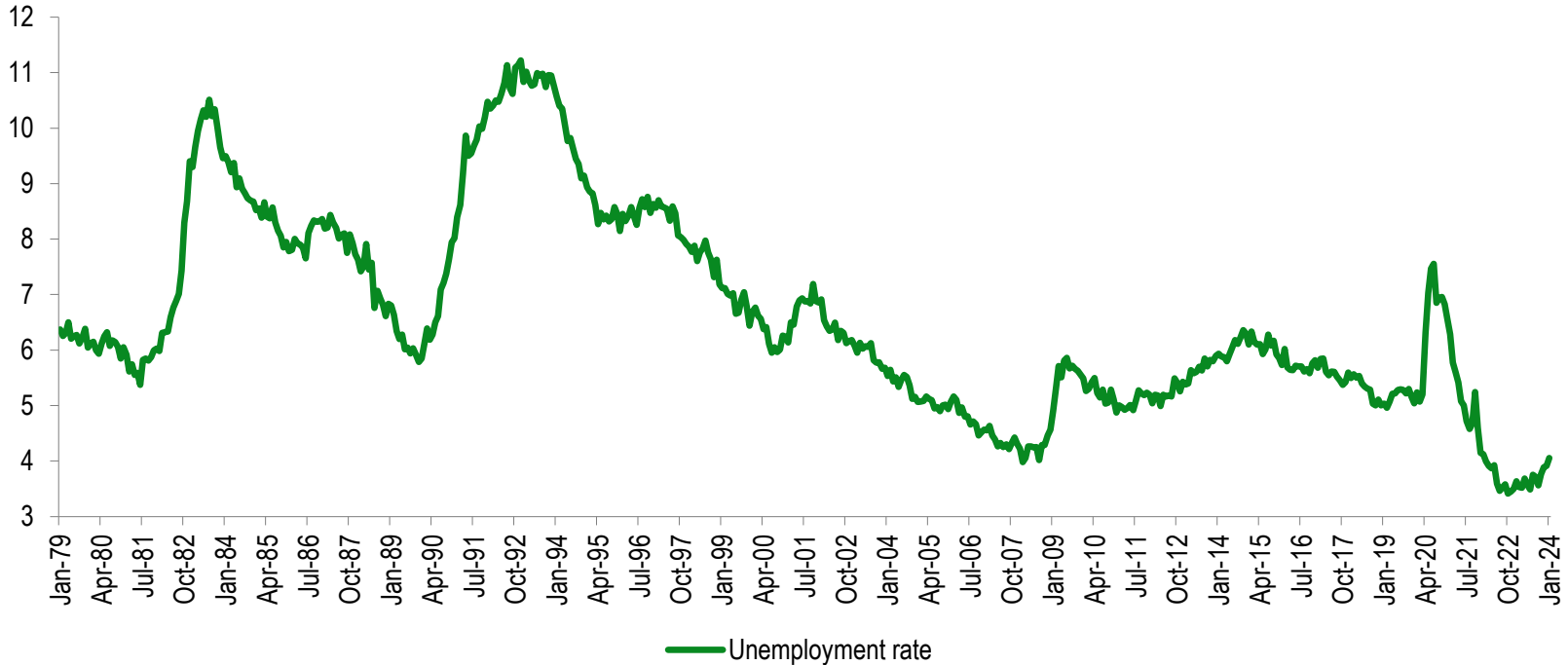
Source: SQMR



# Almost everyone has a job

## Unemployment Rate, AUS

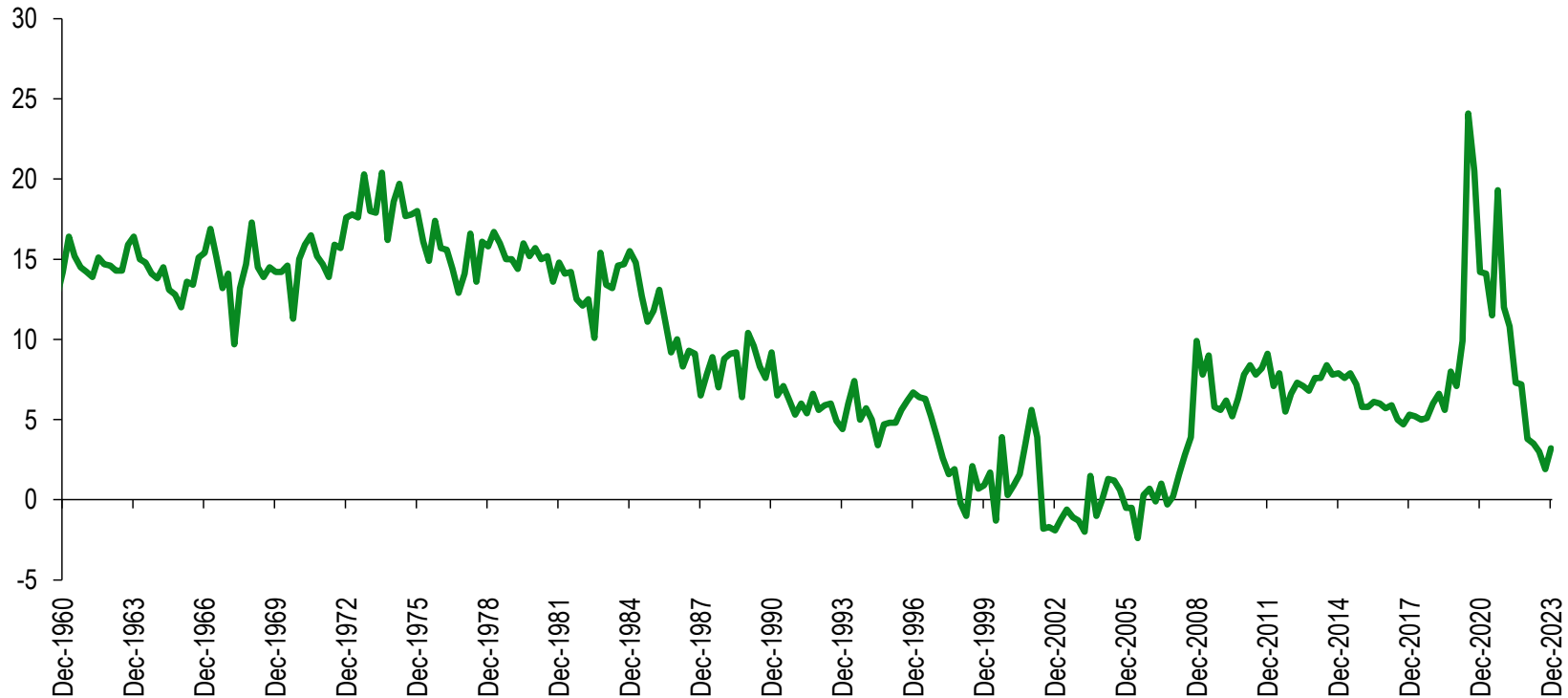
Source: ABS



# Enormous war chest of pandemic savings

## Household Savings Rate

Source: ABS 5206.0

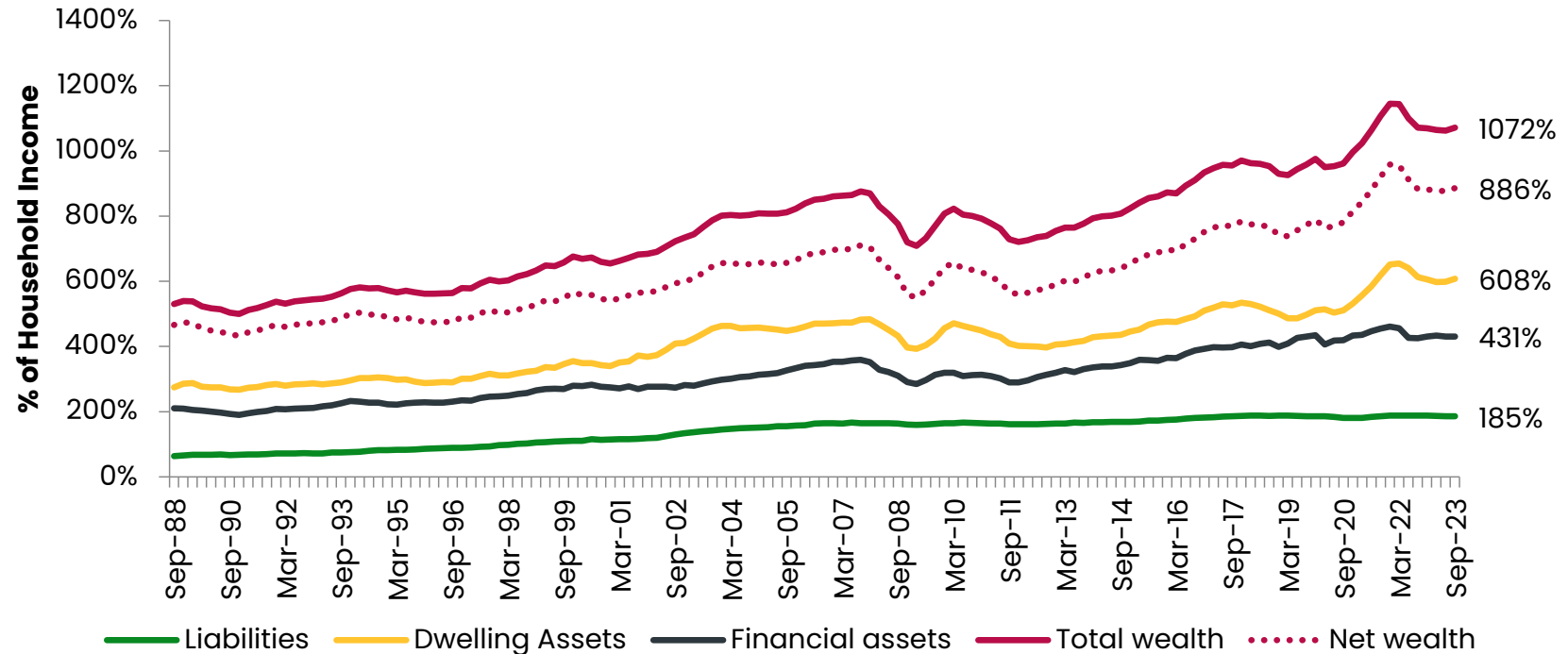




# Strong household balance sheets

## Household Wealth and Liabilities

Source: RBA

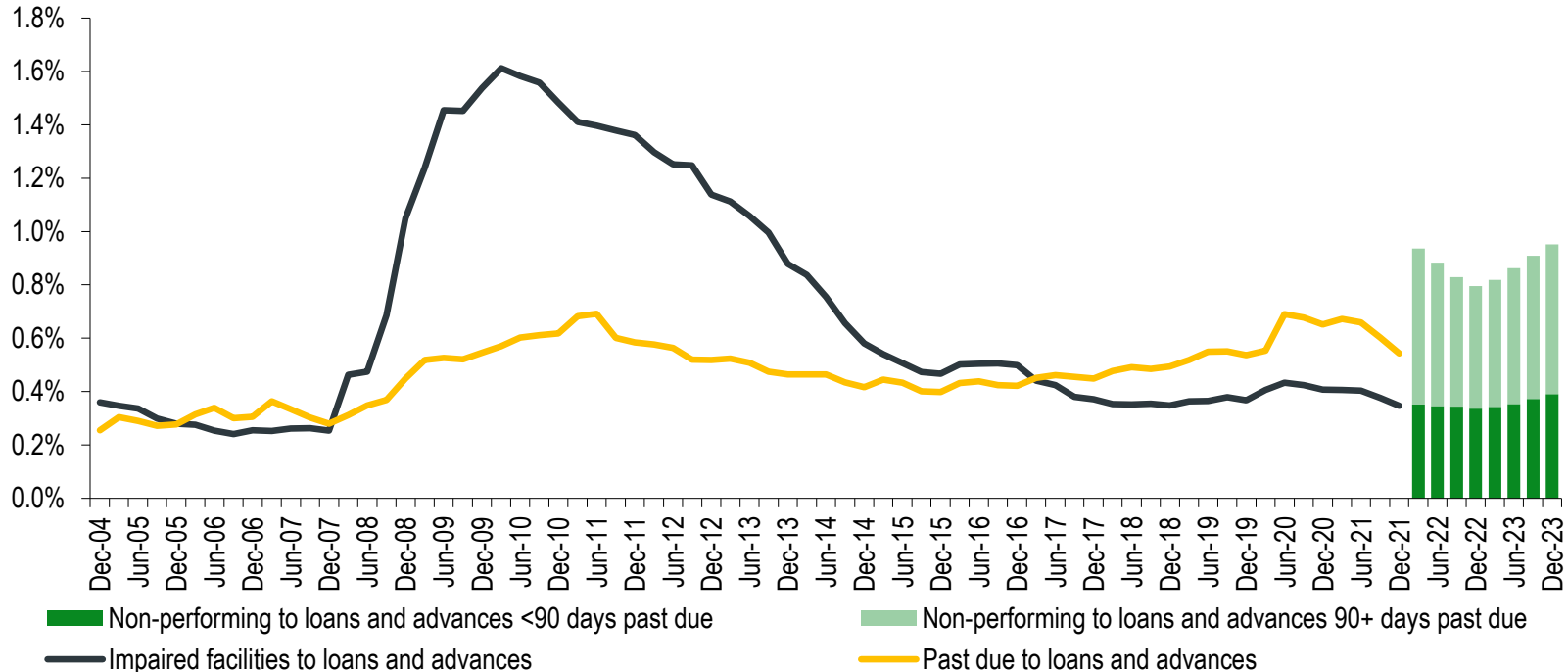


# Impaired loans remain exceptionally low

## Non-Performing Loans and Advances, Australian ADIs

Source: APRA

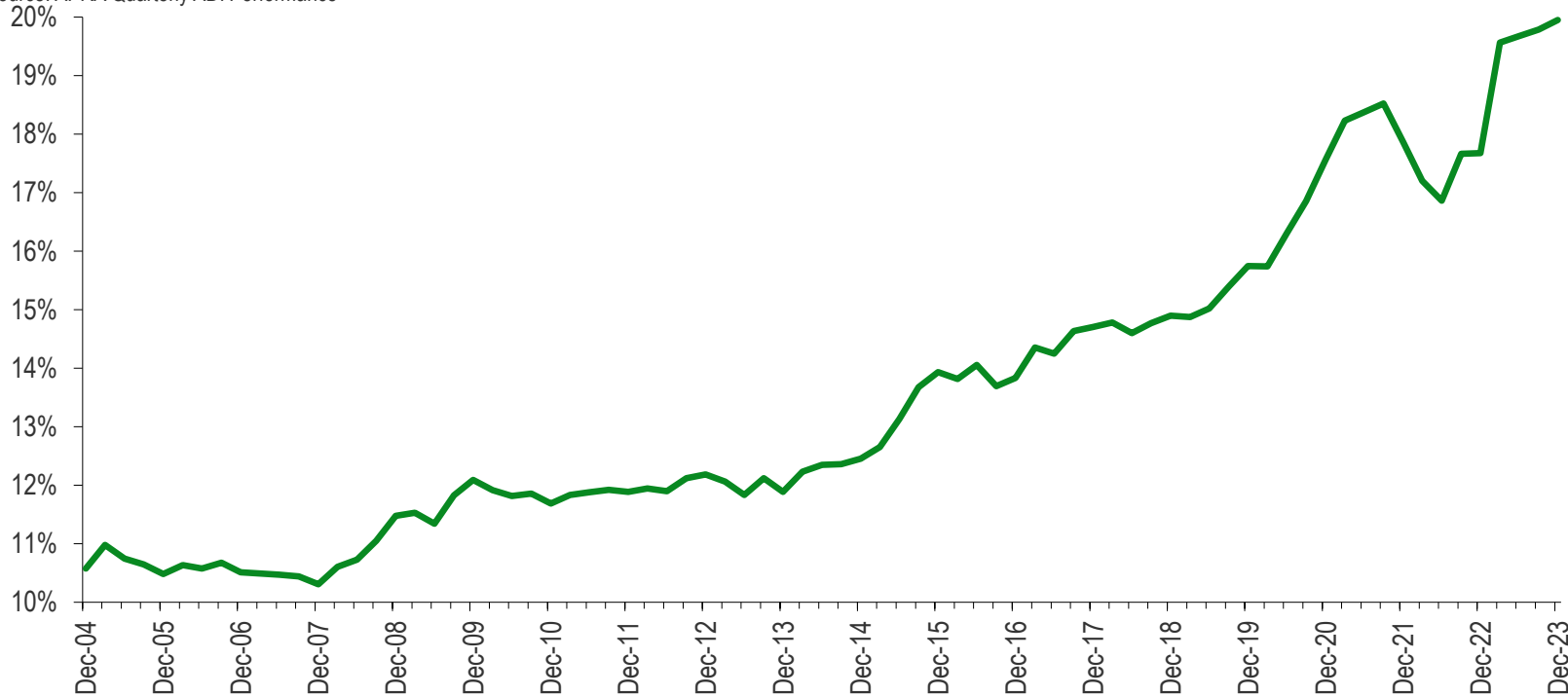
Note: APRA changed its methodology in 2022 for calculating non-performing loans and advances



# Unquestionably (unnecessarily) strong?

## Ratio of ADI Capital to Risk Weighted Assets

Source: APRA Quarterly ADI Performance





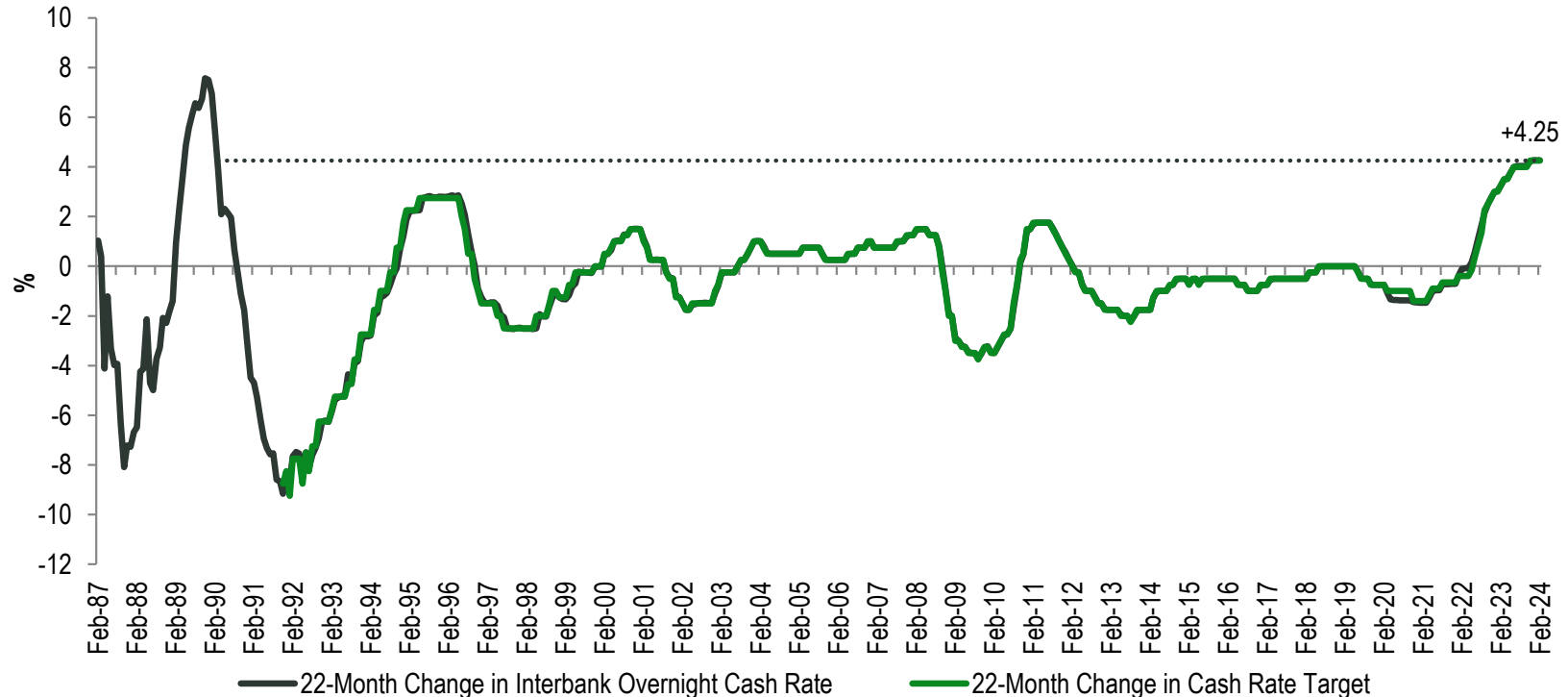
**So why so weak?**

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# Steepest hiking cycle in a generation

## 22 Month Change in RBA Cash Rate

Source: RBA



# Materials prices remaining elevated

## House Construction Input Price Index, Annual Growth Rate

Source: ABS



# Oil prices still above pre-pandemic

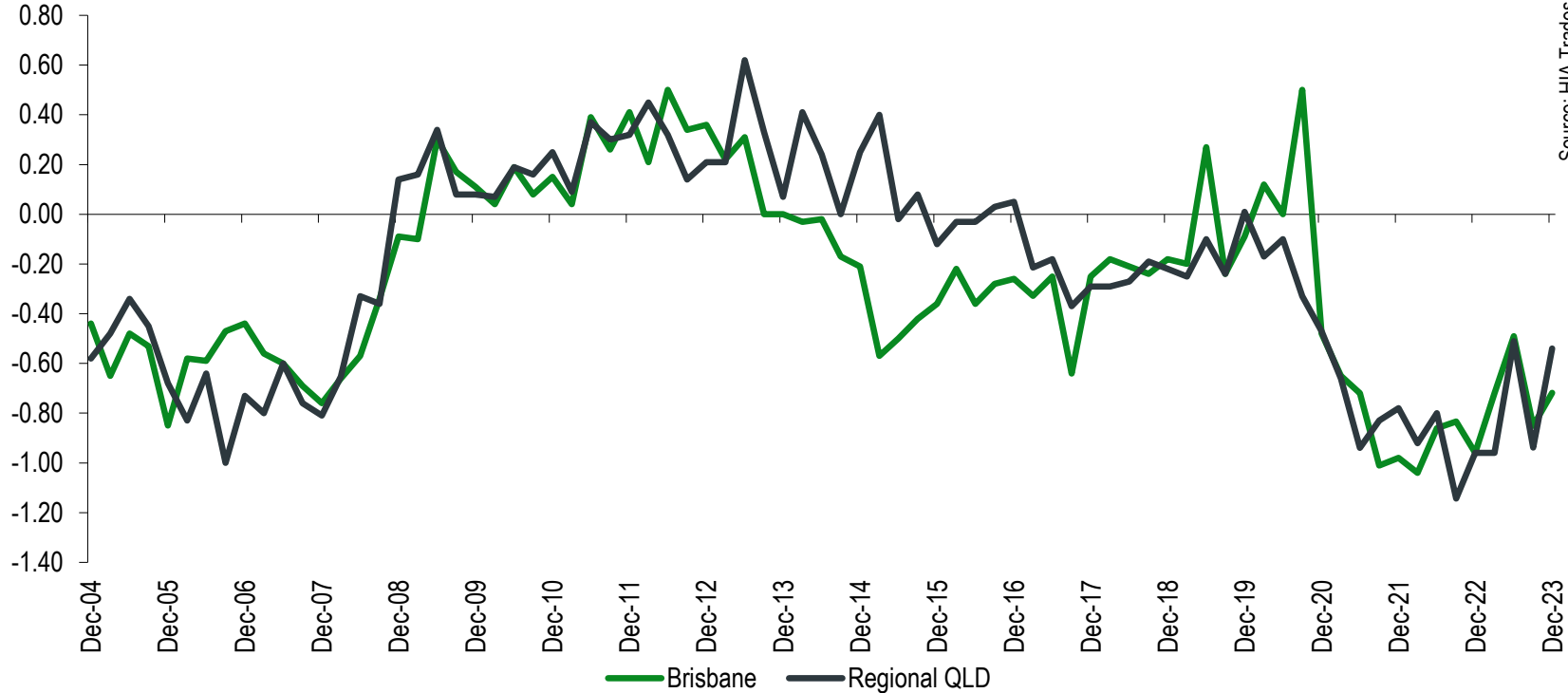
## Crude Oil Prices, West Texas Intermediate, Dollars Per Barrel

Source: Federal Reserve Economic Data



# Trades shortages remain ...

## Trade Availability in Brisbane & Regional QLD



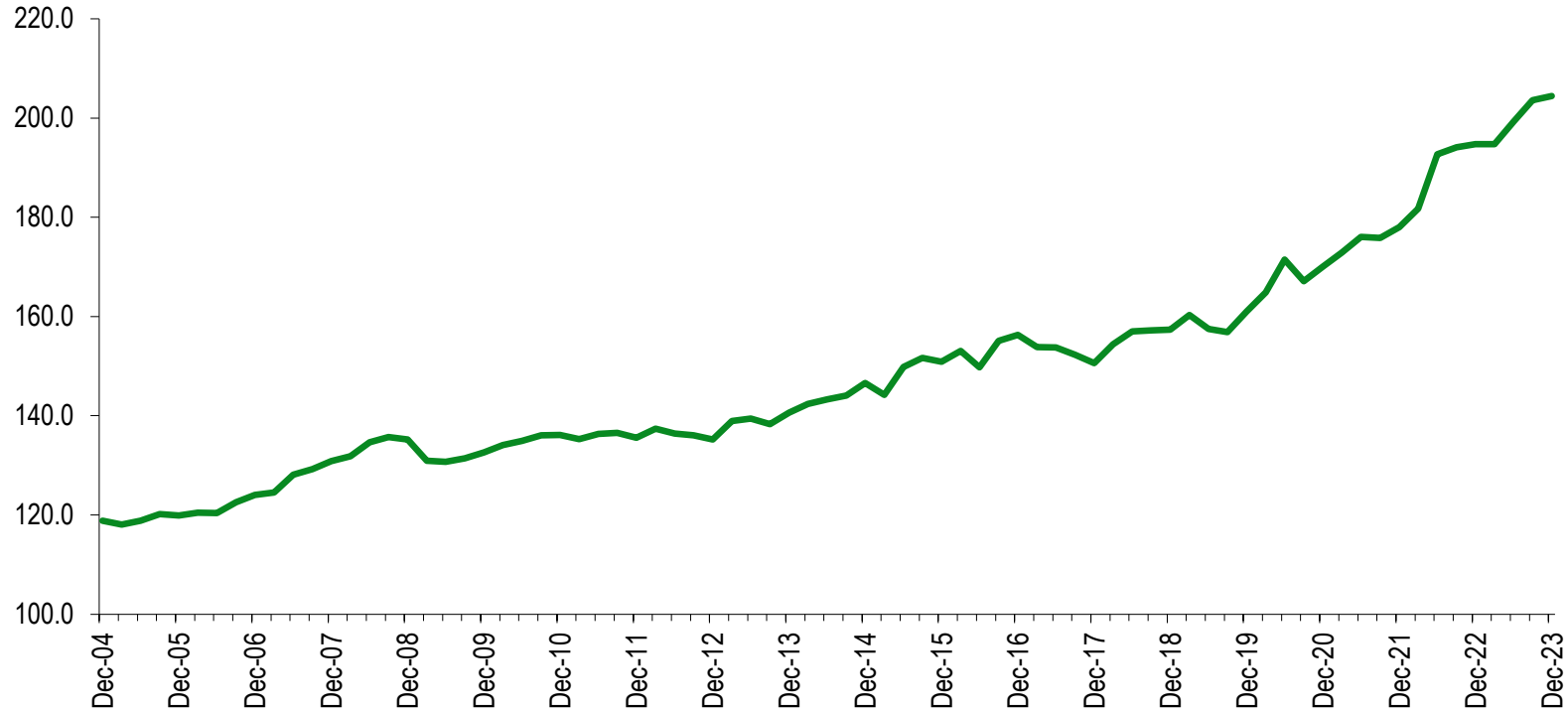
Source: HIA Trades Report





# ... producing sharp increase in trades prices

## HIA Trade Price Index



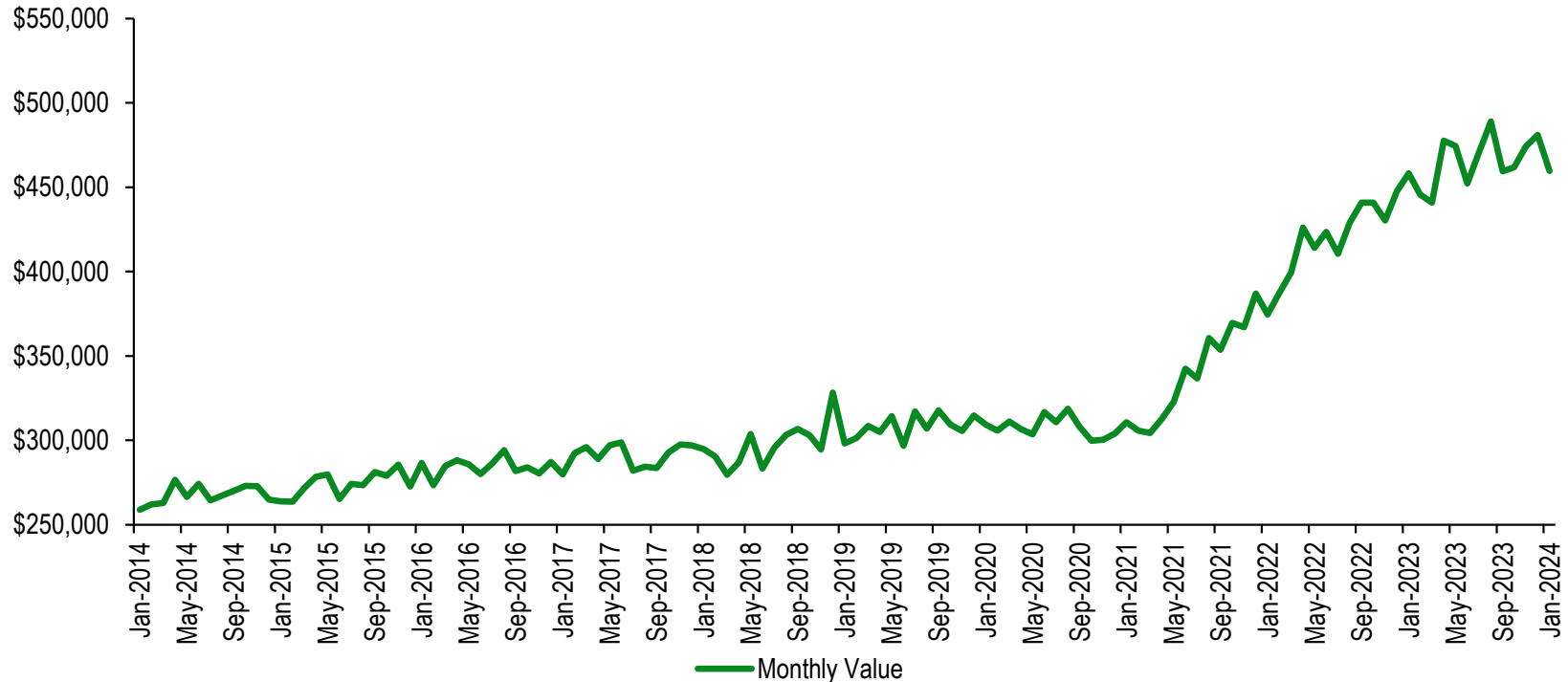
Source: HIA Trades Report



# Construction costs surged

## Average Value of Houses Approved, QLD

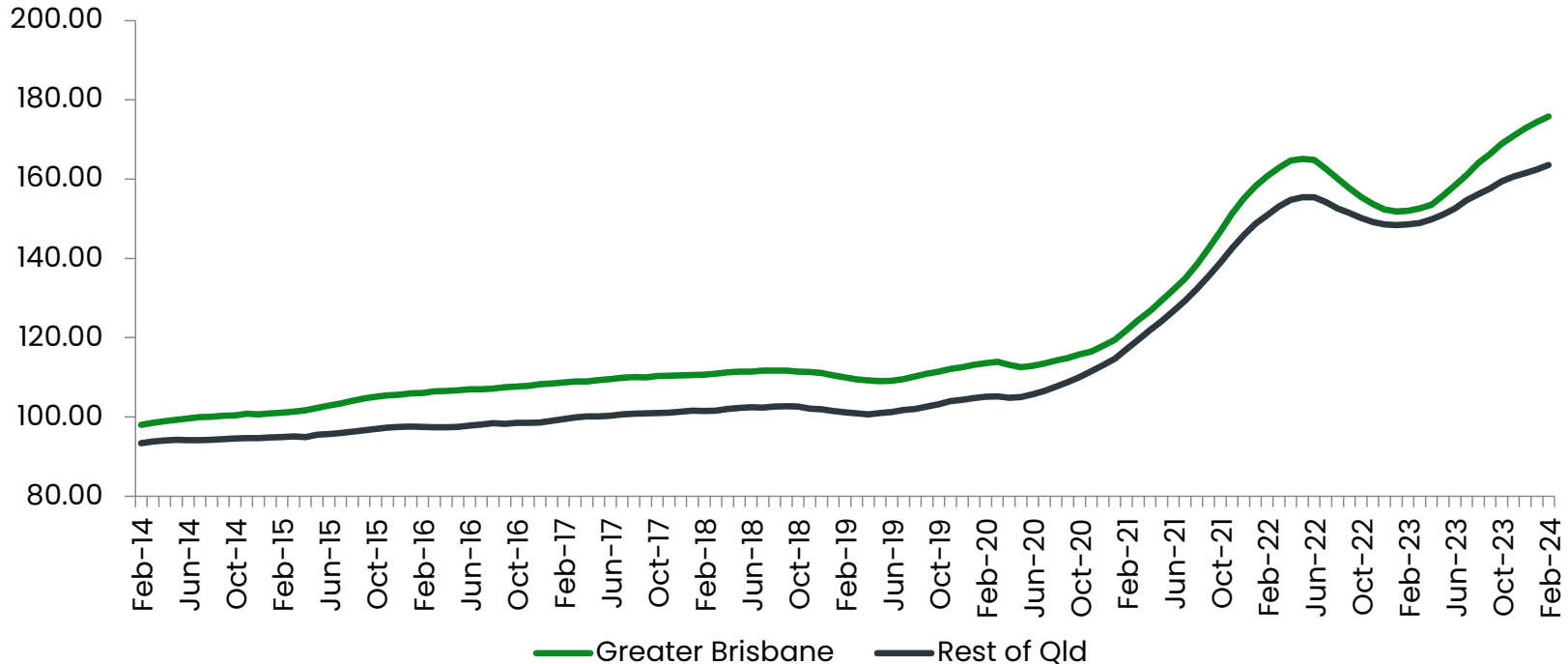
Source: ABS



# House prices heading back to record highs

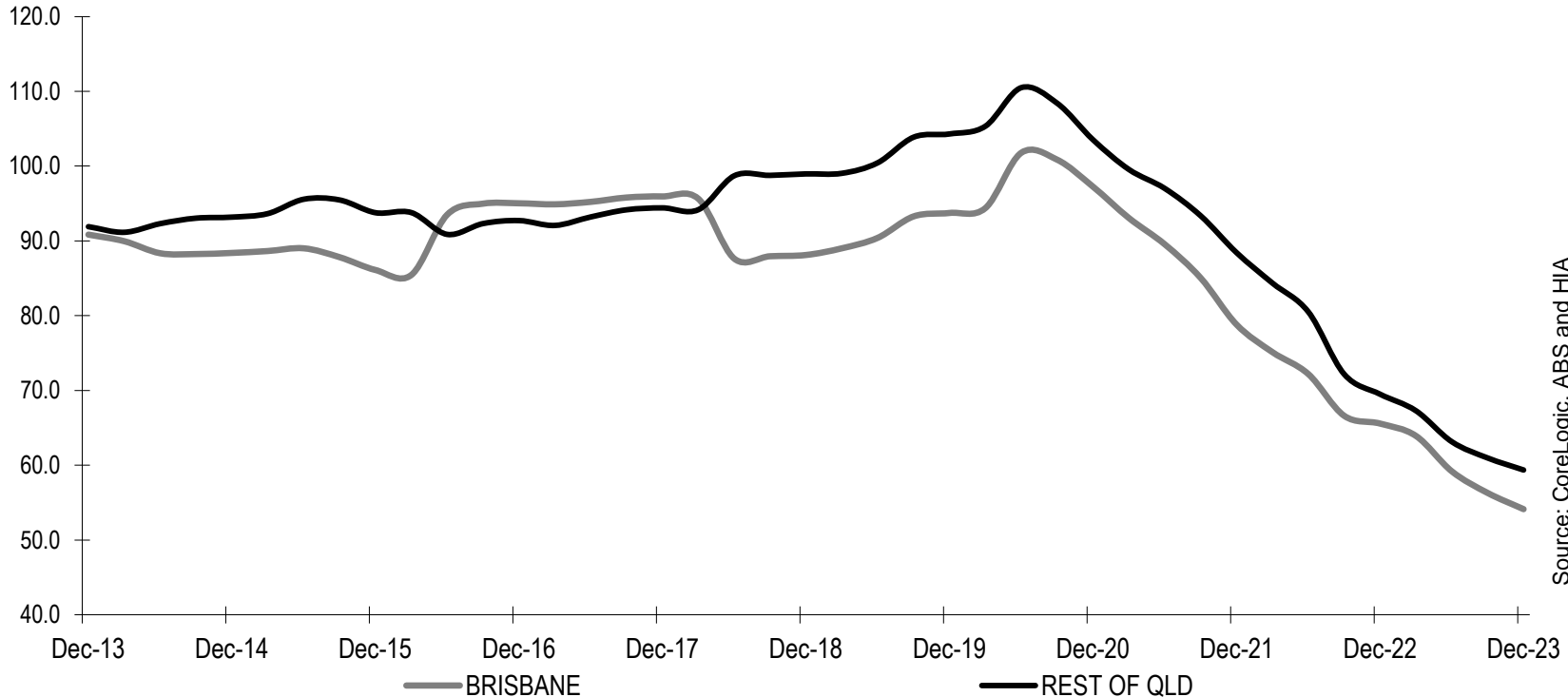
## Dwelling Price Index, Queensland

Source: CoreLogic



# Affordability problems

## HIA HOUSING AFFORDABILITY INDEX, QUEENSLAND



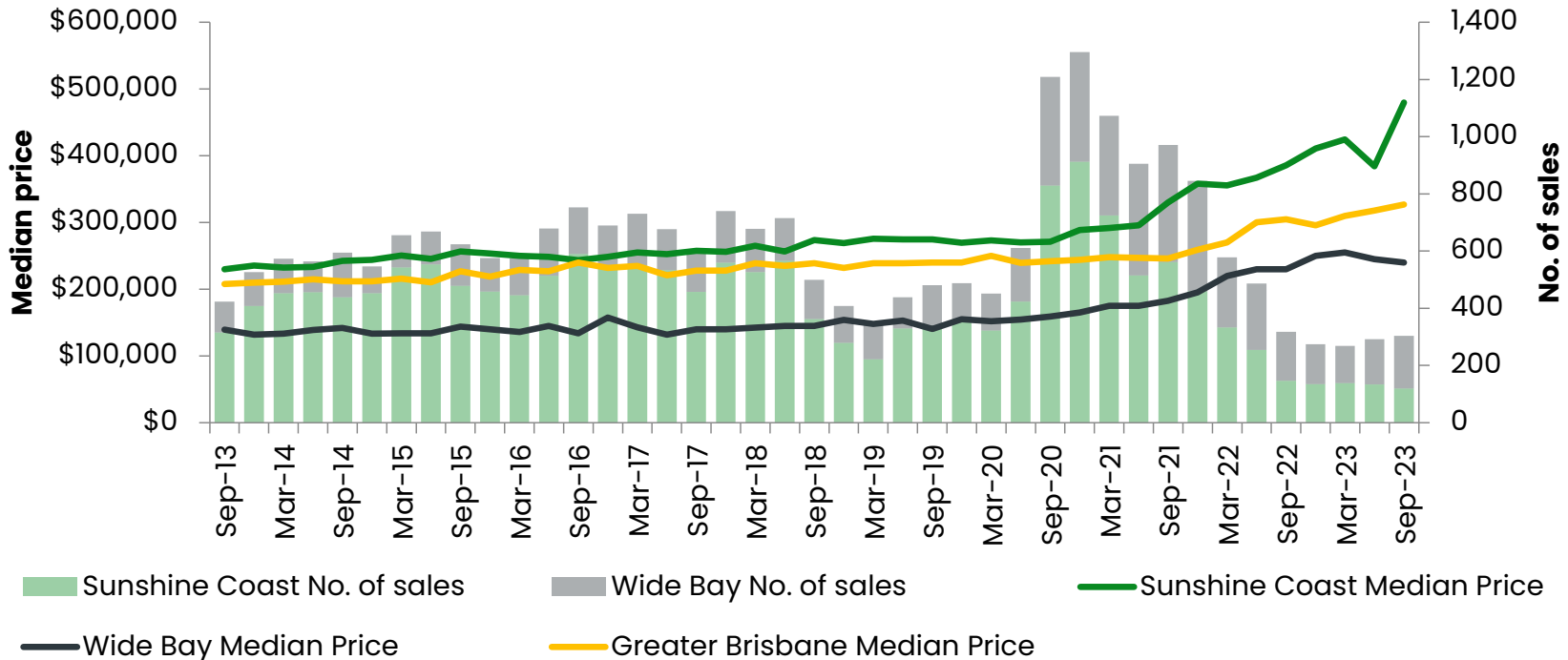
Source: CoreLogic, ABS and HIA



# Lot prices up but sales down?

## Residential Land Sales and Median Lot Value

Source: HIA





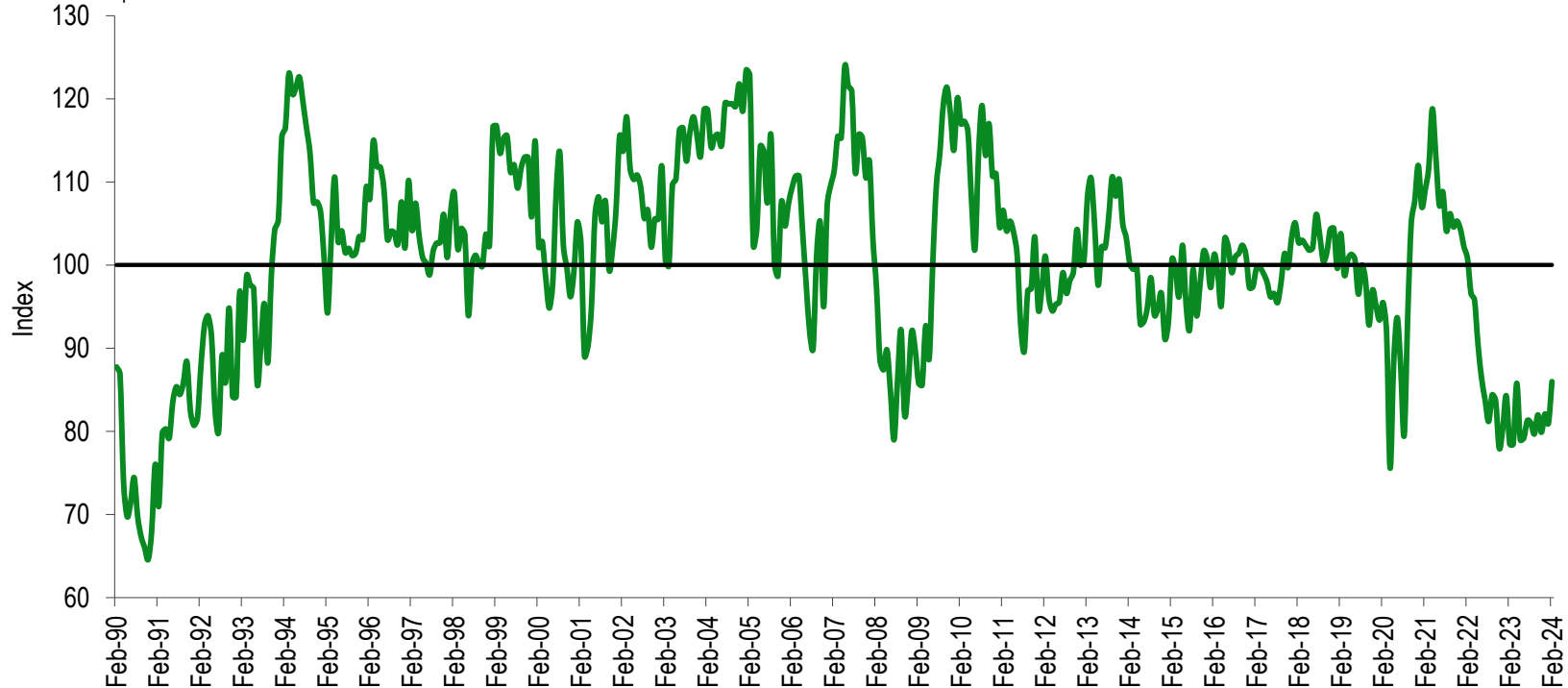
**So what happened?**

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# Consumer confidence at recessionary levels

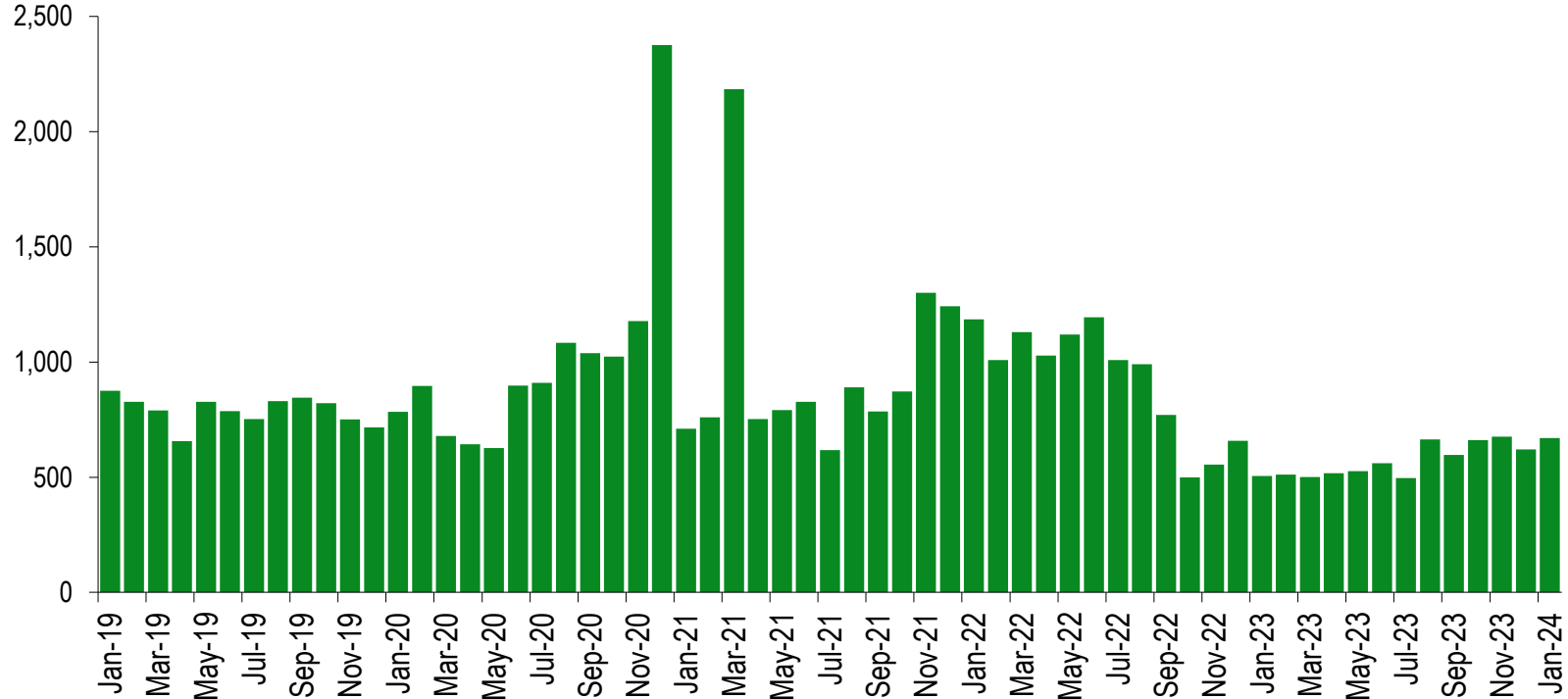
## Consumer Confidence

Source: Westpac-Melbourne Institute



# New Home Sales depressed but recovering

Private New House Sales – Queensland (SEASONALLY ADJUSTED)



Source: HIA New Home Sales Report

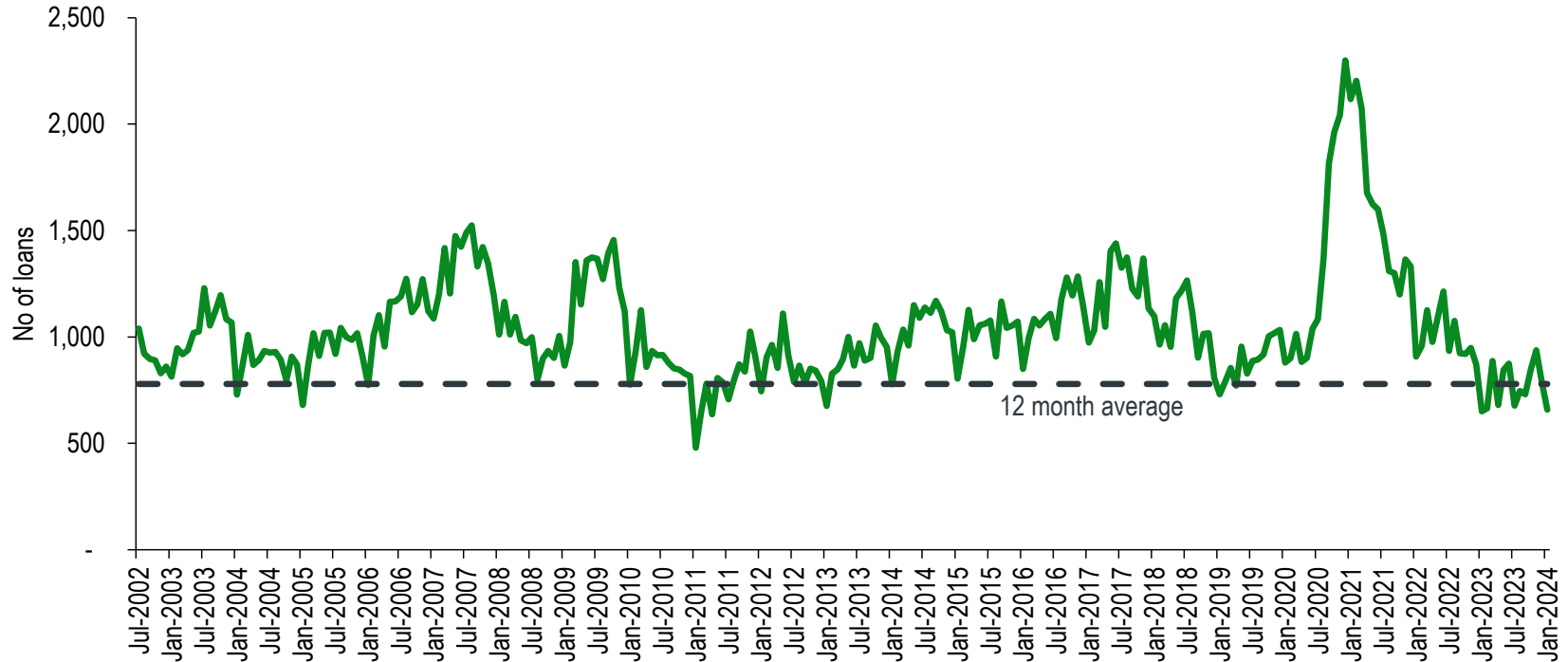




# Loans for new homes at decade lows

## Lending for Purchase and Construction of a New Home, QLD

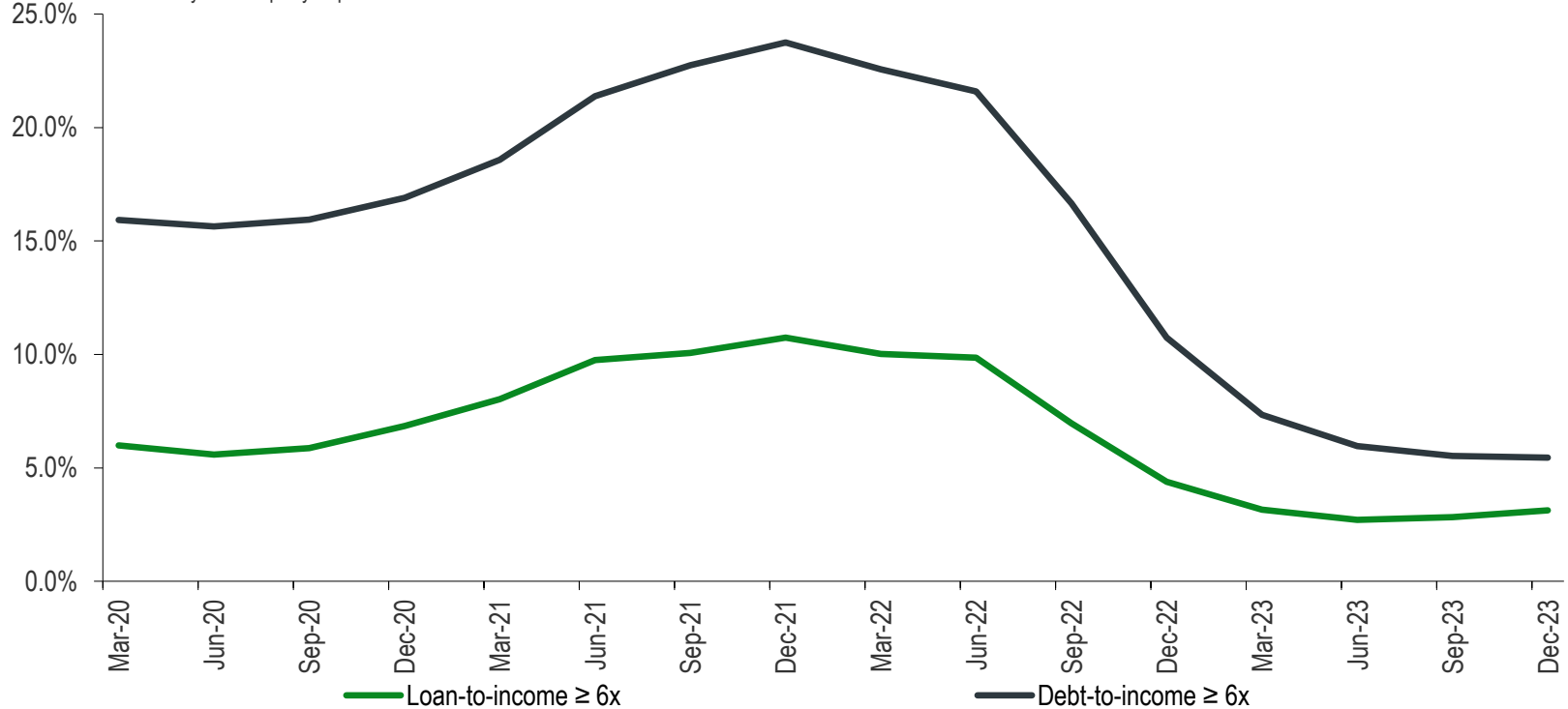
Source: ABS 5601.0



# Less for those with lower incomes

## Debt to Income and Loan to Income, ADIs

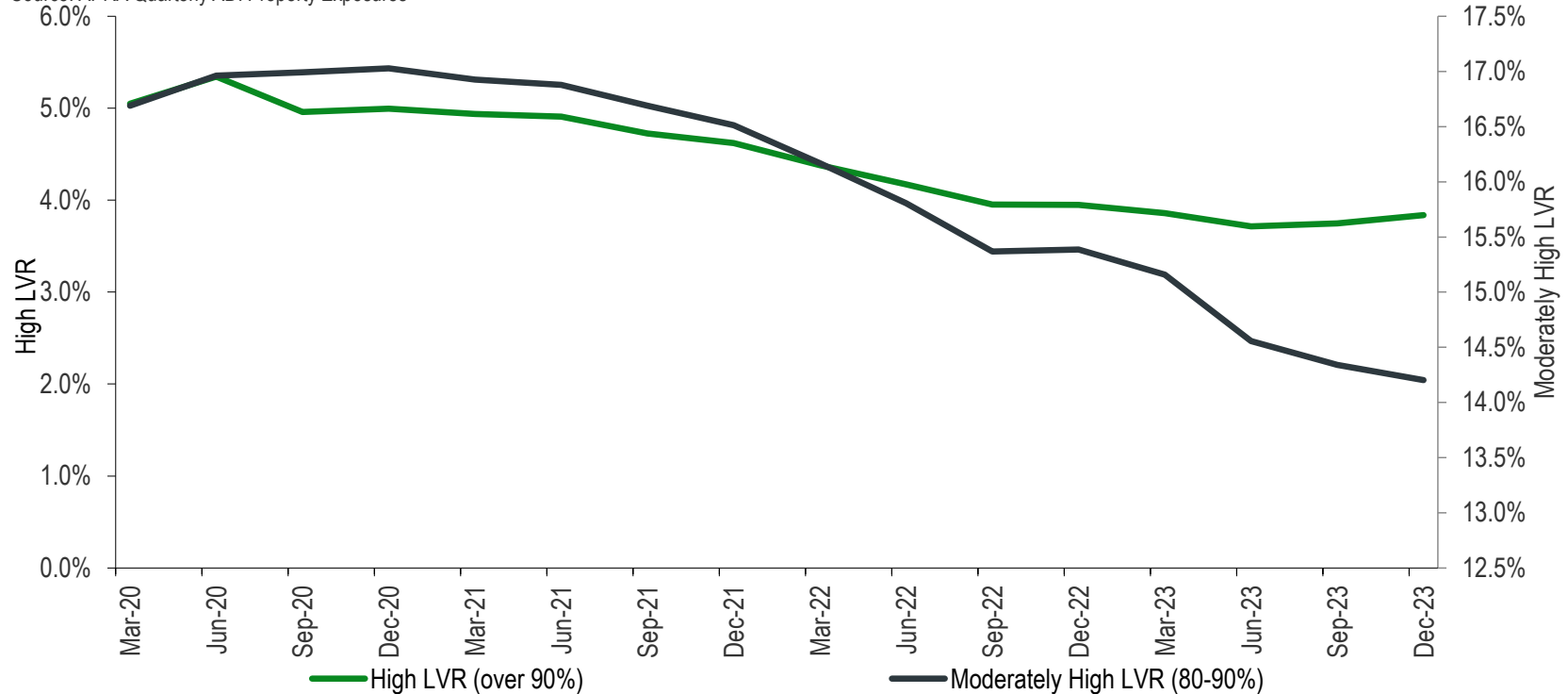
Source: APRA Quarterly ADI Property Exposures



# Less for those with lesser deposits

## Loan to Valuation Ratios, New Loans, ADIs

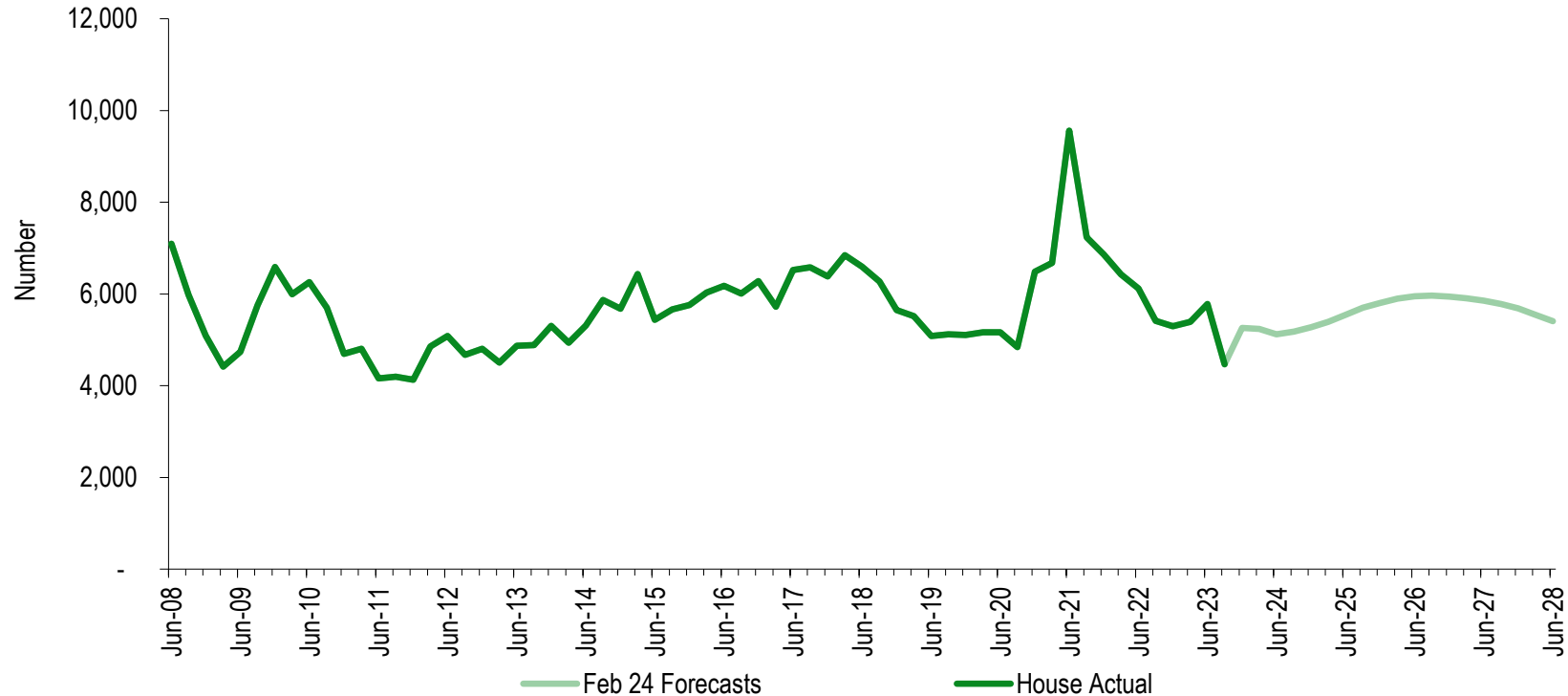
Source: APRA Quarterly ADI Property Exposures



# House commencements towards decade lows

## HIA Detached House Forecast - QLD

Source: HIA Economics





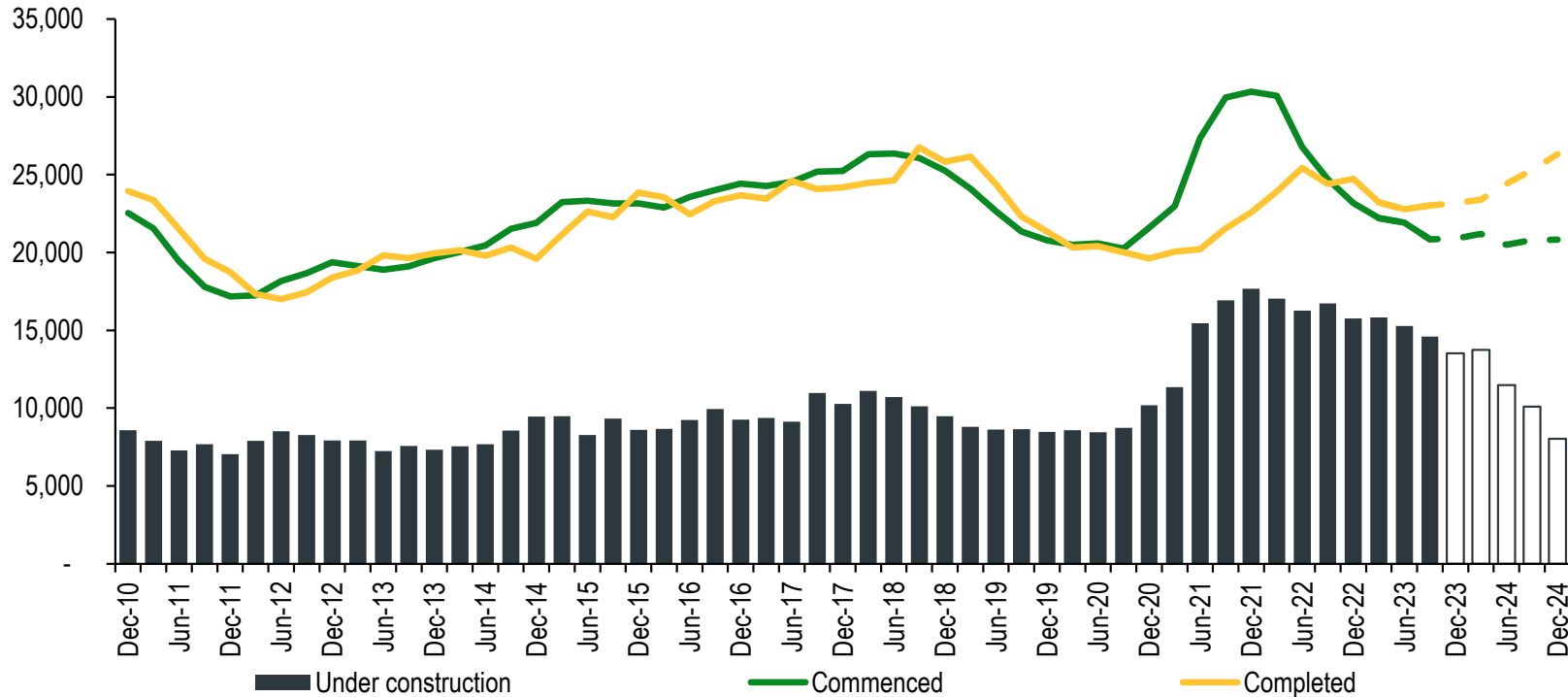
# Lagging Indicators

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# Massive pipeline now shrinking

## HIA Forecasts: Building Activity Pipeline - QLD Houses

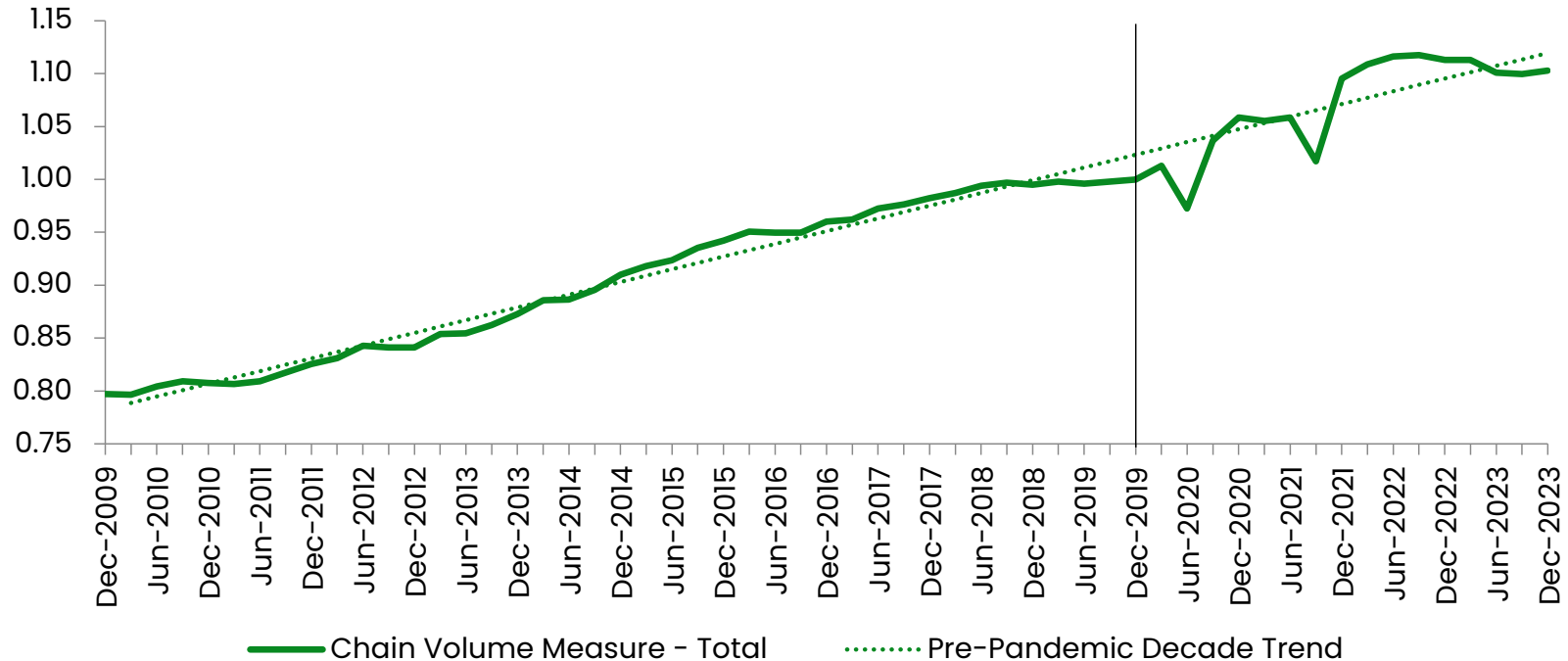
Source: HIA Economics, ABS 8752.0, ABS 8731.0



# Retailers struggling

## Retail Trade Volumes, AUS

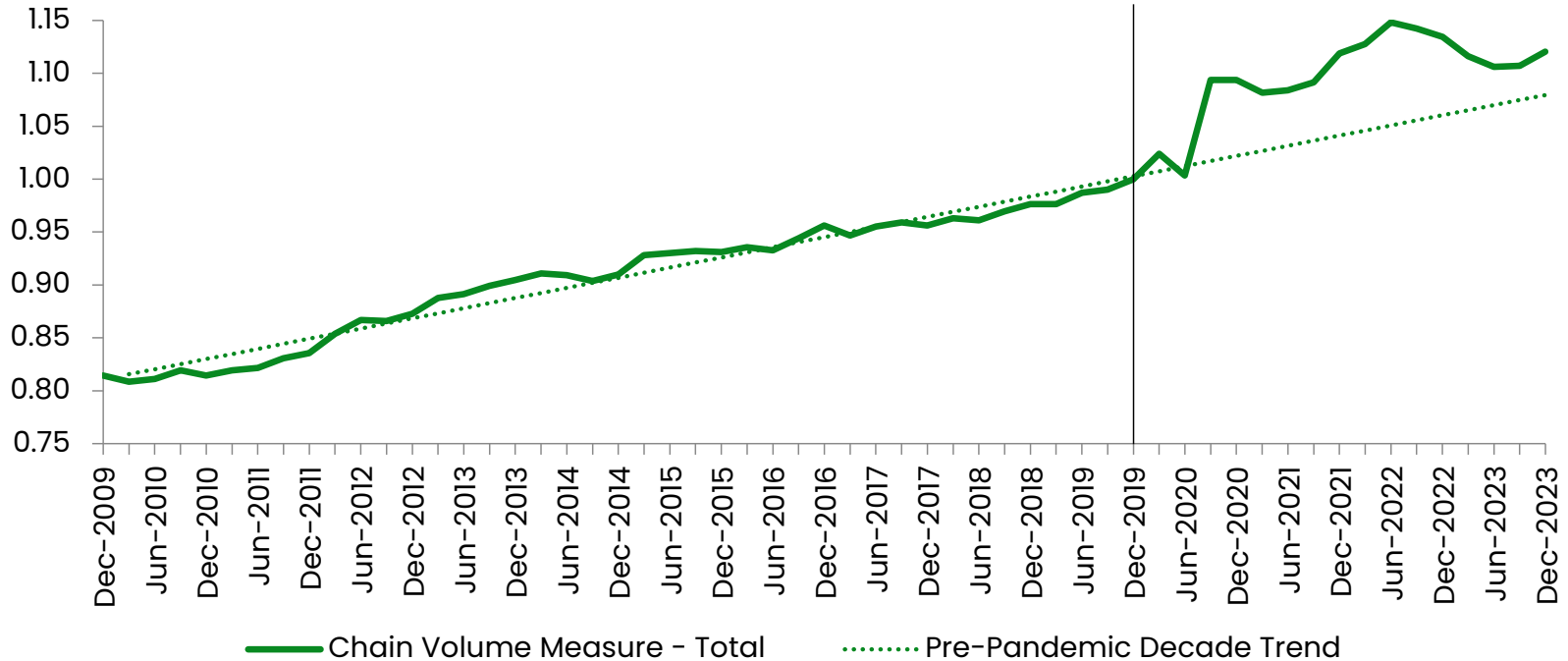
Source: ABS



# But less so in QLD

## Retail Trade Volumes, QLD

Source: ABS

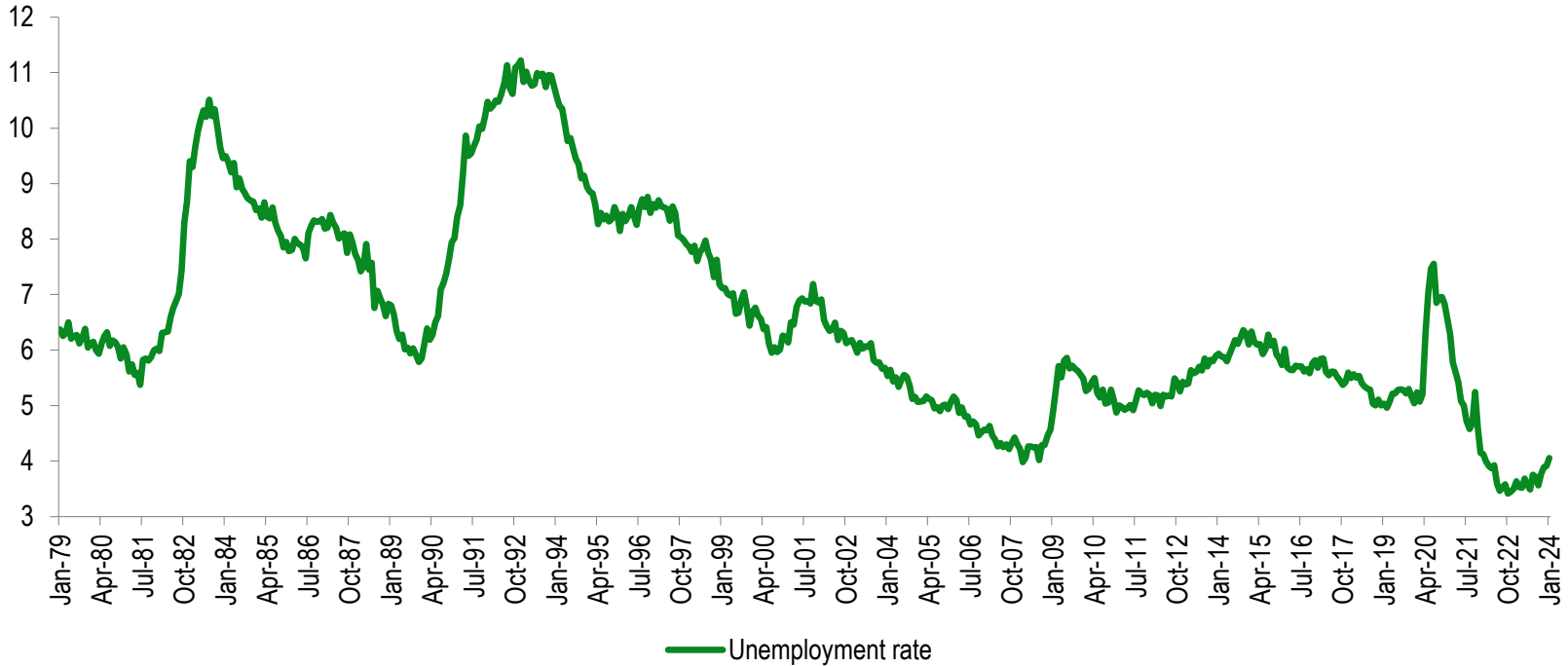




# Unemployment heading up

## Unemployment Rate, AUS

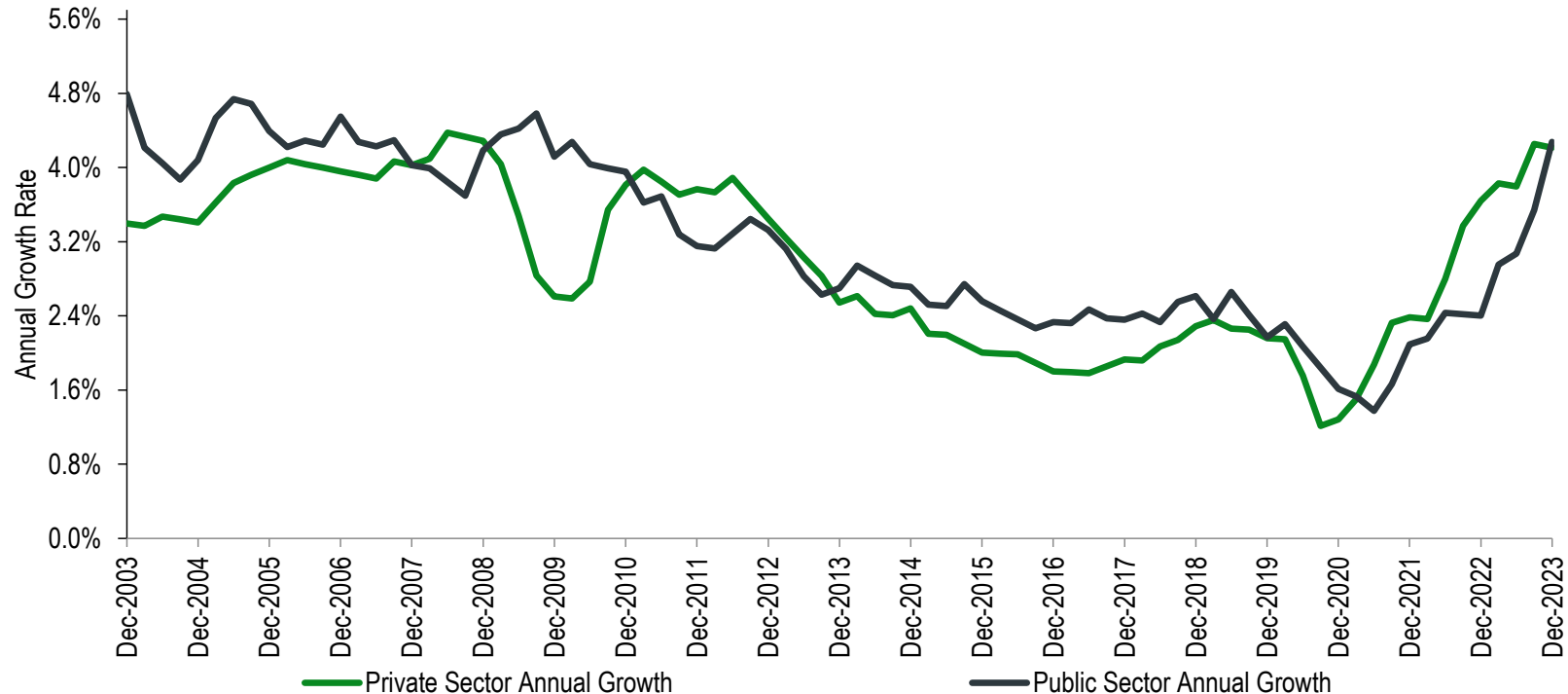
Source: ABS



# Wage growth peaking

## Wage Price Index, Private vs Public, Australia

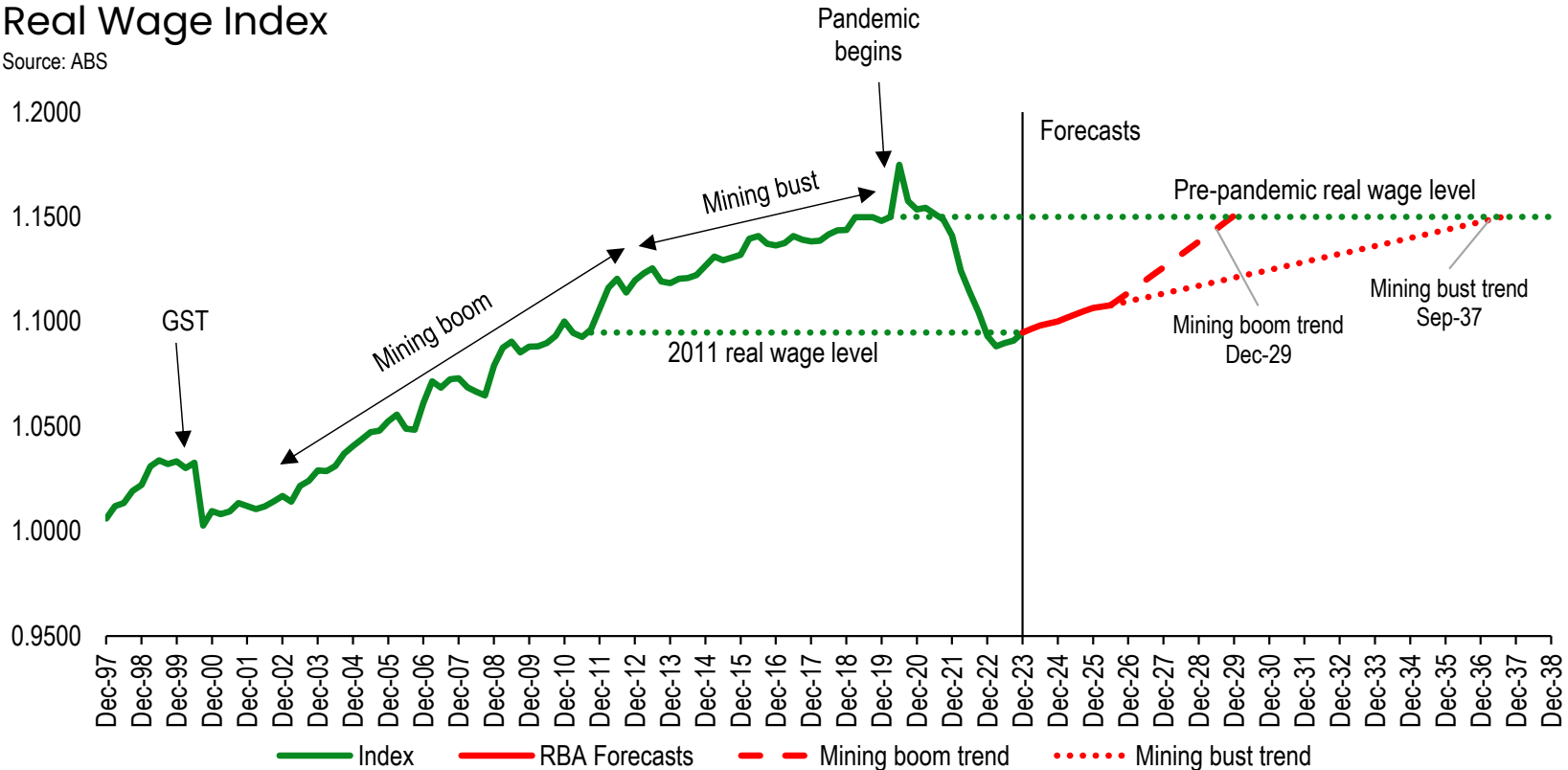
Source: ABS



# A decade of real wages ... lost!

## Real Wage Index

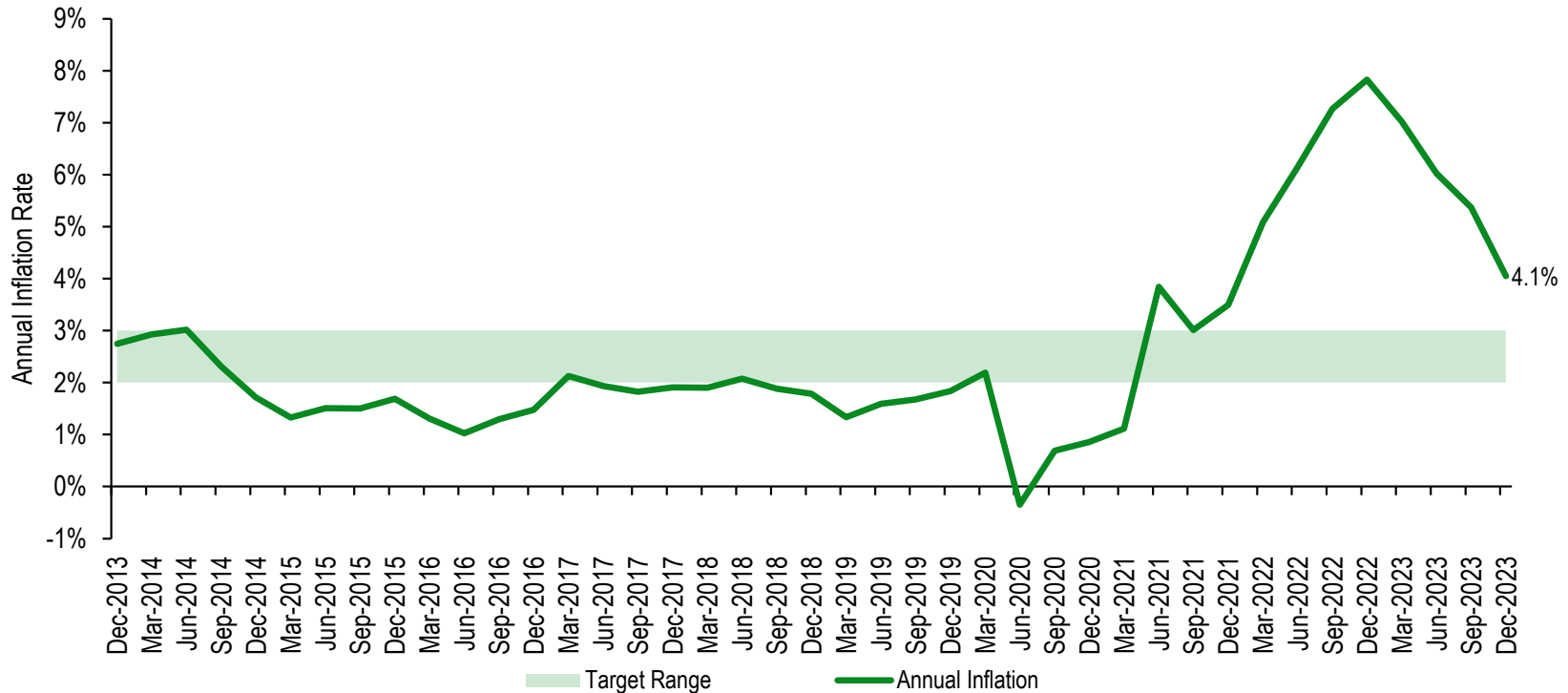
Source: ABS



# Inflation back at target?

## Consumer Price Index, Annual Change

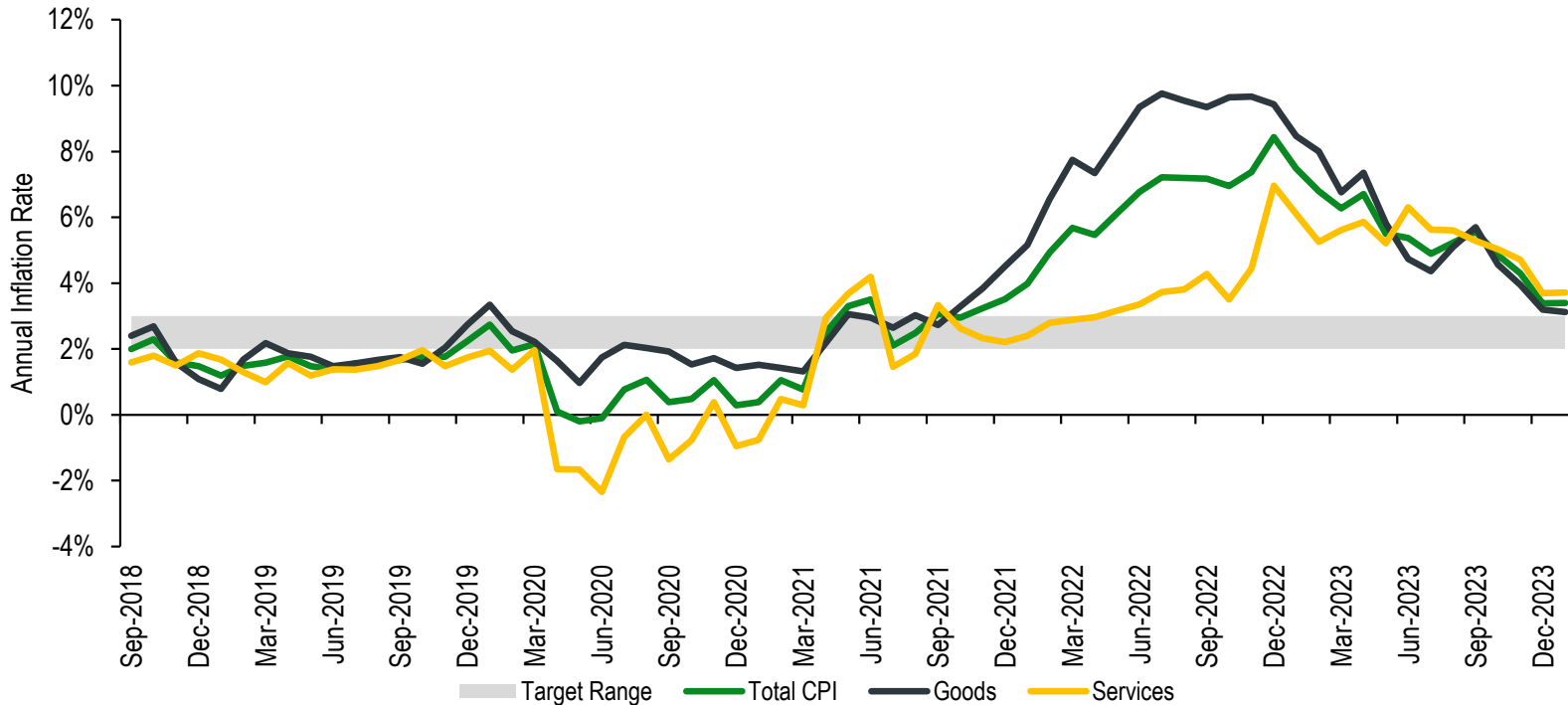
Source: ABS



# Services inflation falling too

## Goods vs Services, Annual Inflation Rates

Source: ABS

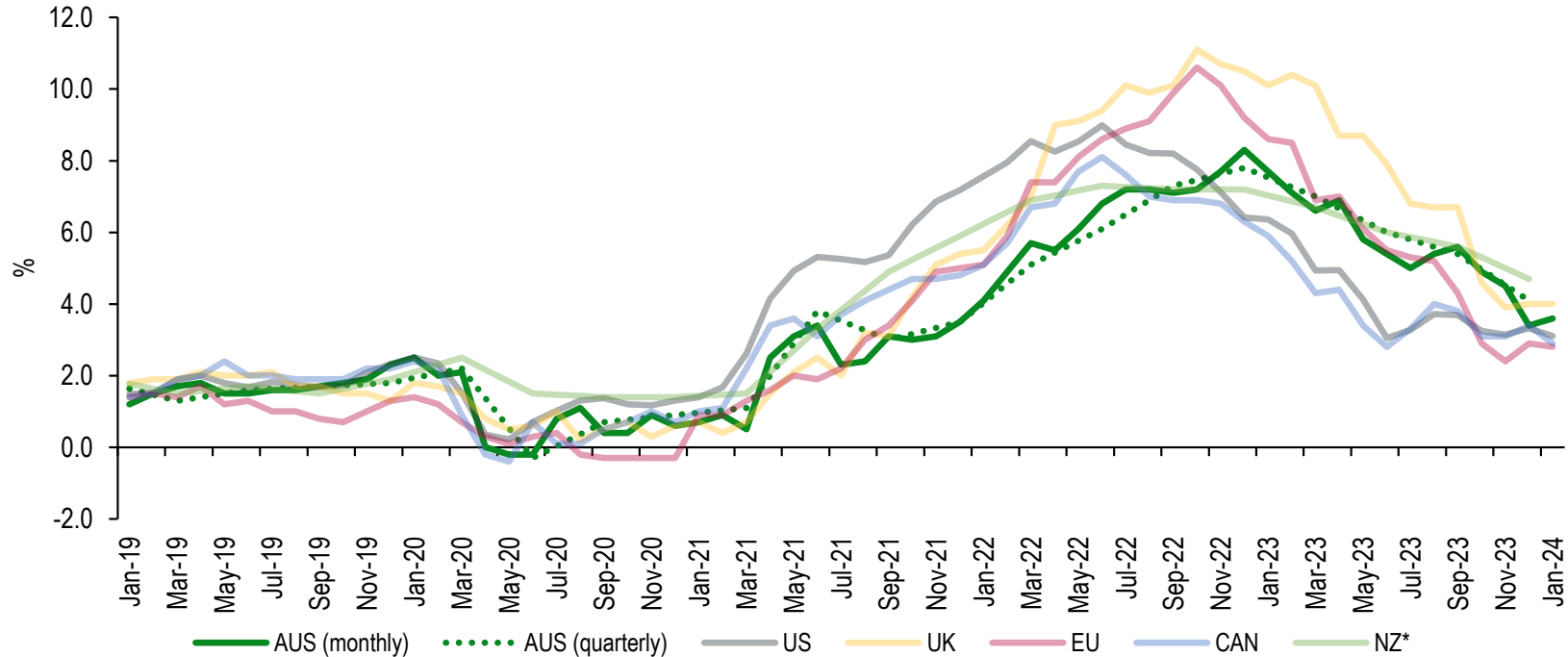


# Inflation falling everywhere

## Annual Inflation Rates by Country

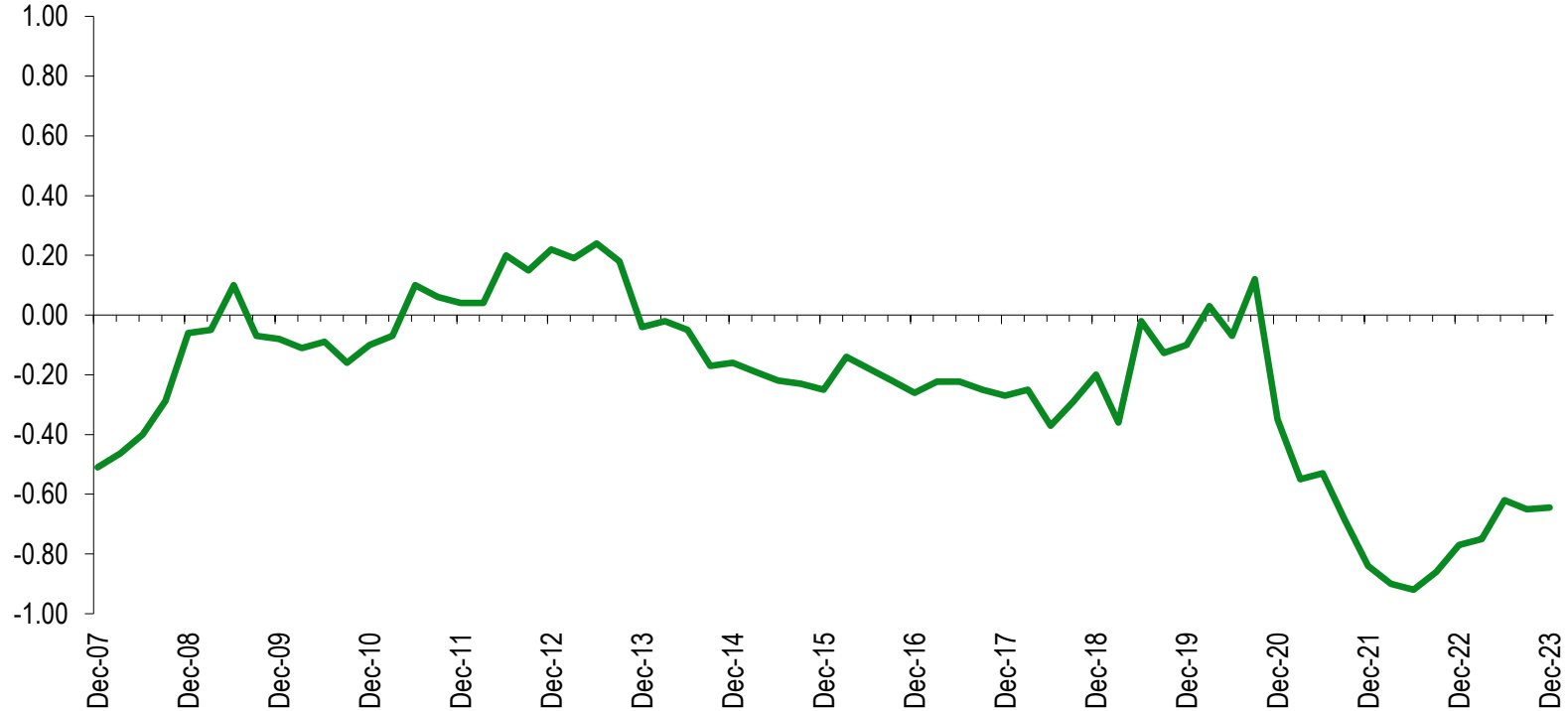
Source: ABS, Bank of Canada, US Fed Reserve, ECB, ONS, Stats NZ

\* NZ monthly rate implied from their quarterly data



# Improvement in labour shortages stalled

## HIA Trade Availability Index



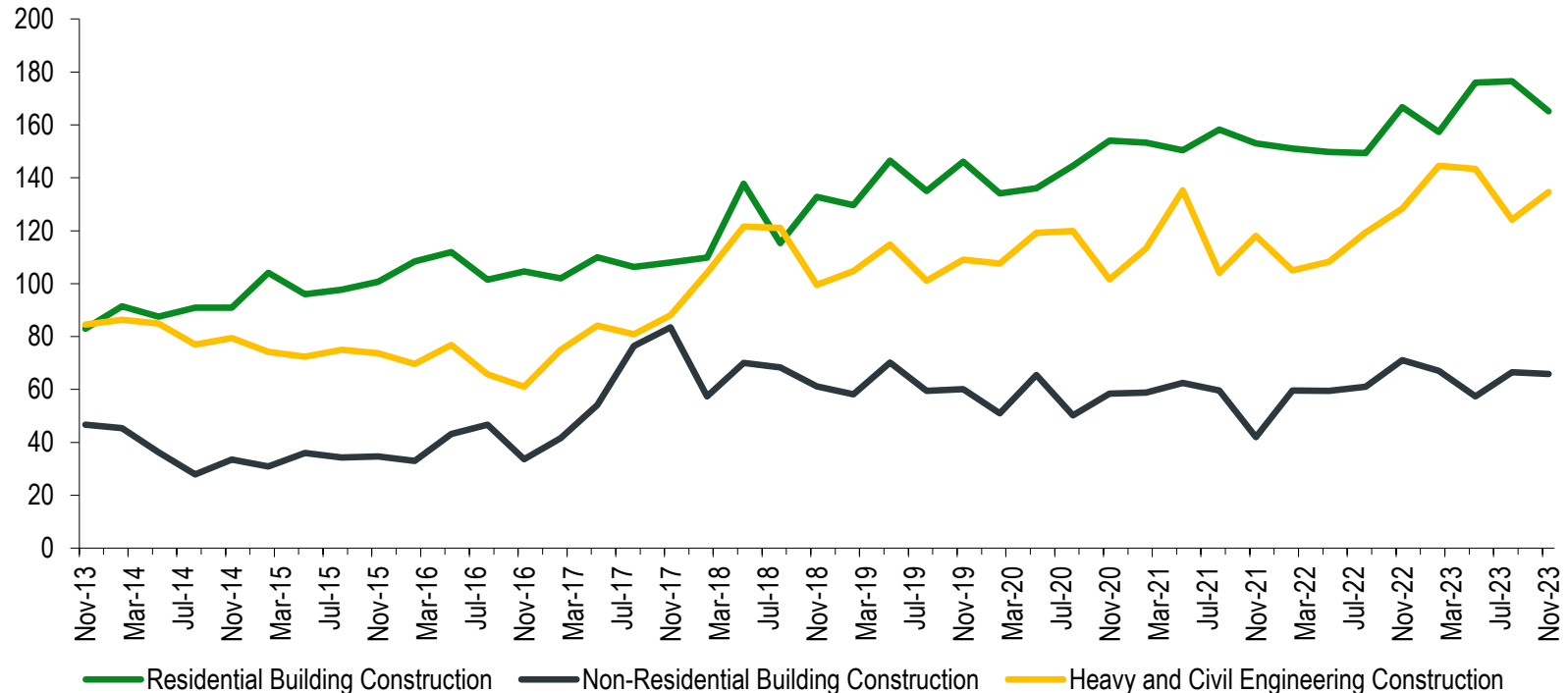
Source: HIA Trades Report



# Competition from other construction sectors

## Construction Employment, 000s, Australia

Source: ABS

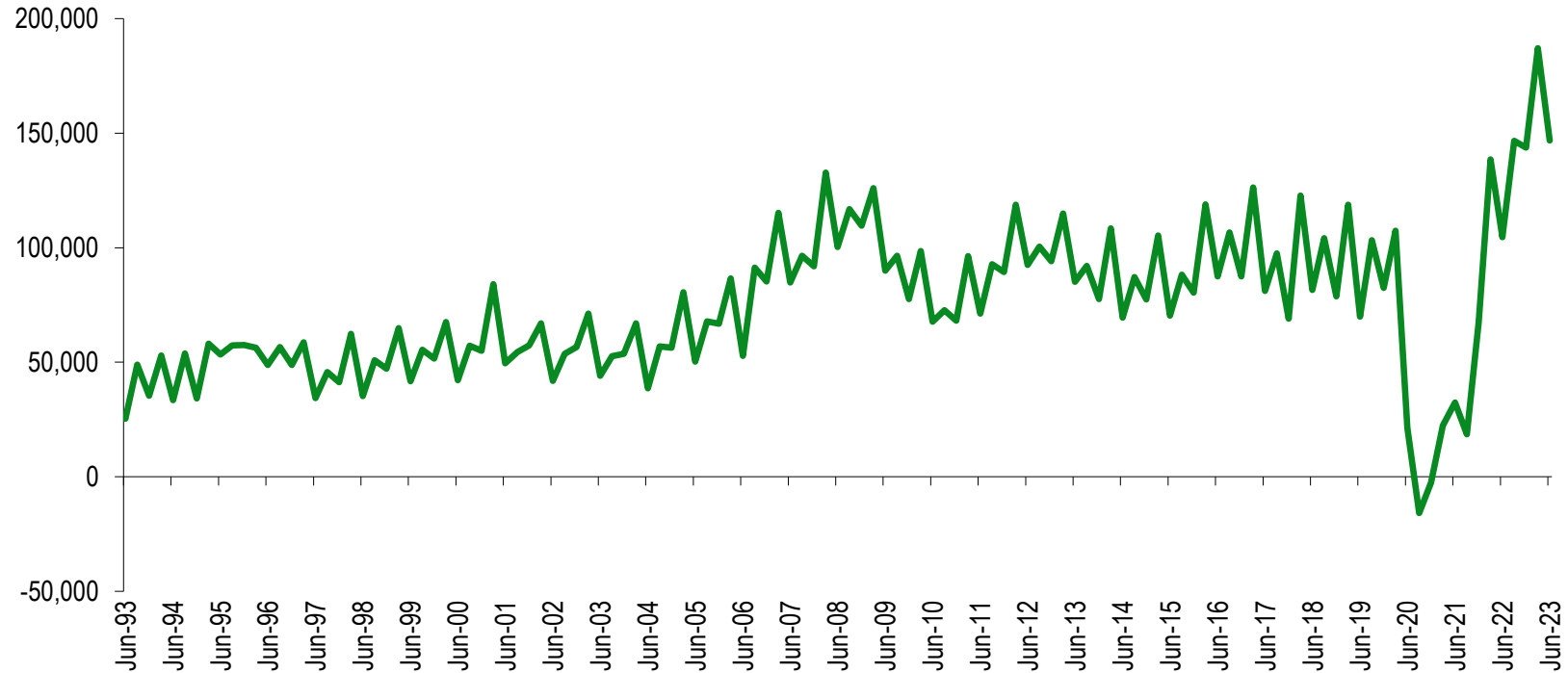




# Record population growth

## Population Growth, Australia

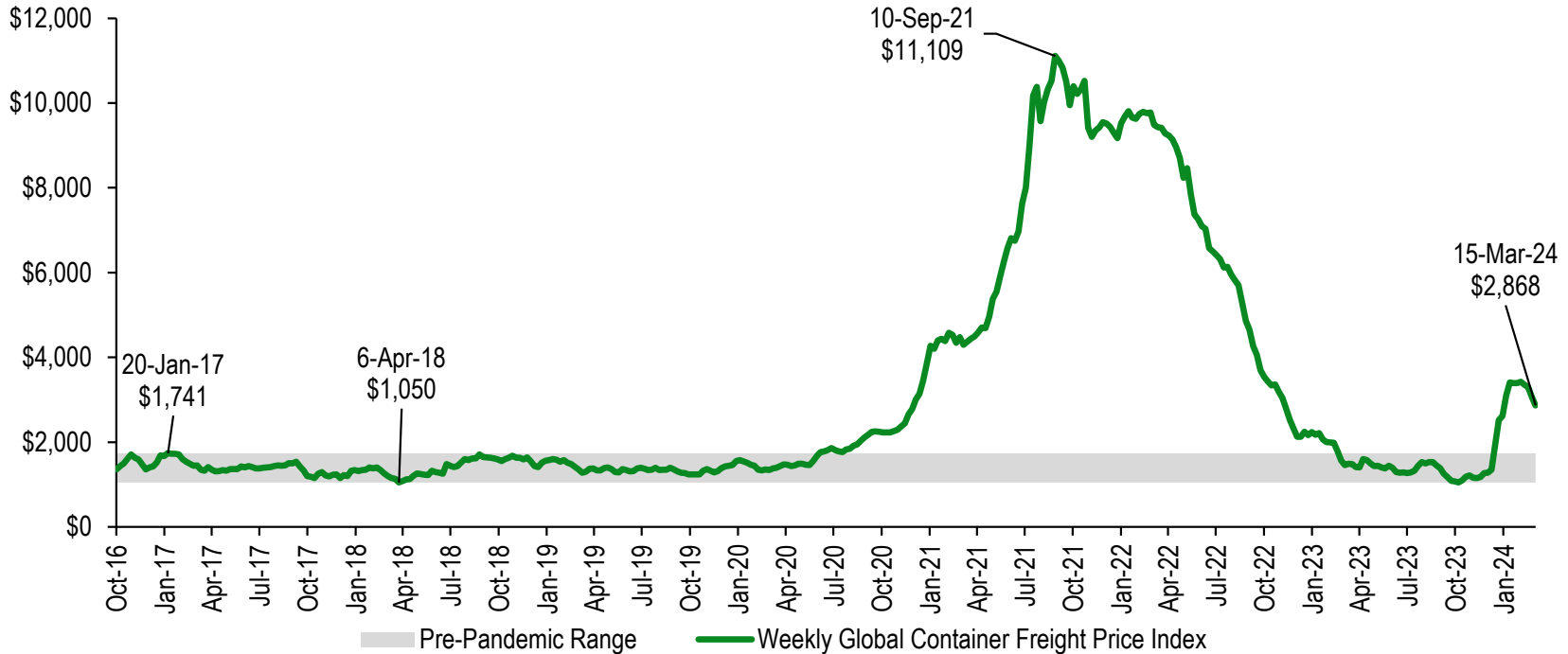
Source: ABS 3101.0



# Potential further supply shocks

## Freightos Baltic Index – Price for a 40-Foot Shipping Container

Source: fbx.freightos.com



# The trick is policy

## Short term:

- Interest rates cut
- APRA restrictions eased
- Tax, e.g. stamp duty/FHB concessions
- Building code changes

## Medium term:

- Planning for density

## Long term:

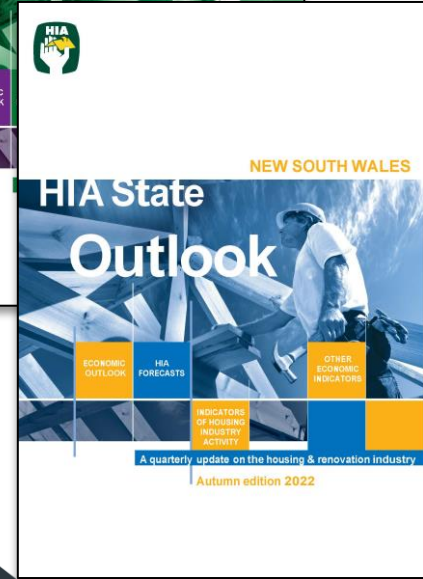
- Land
- Worker and skill development
- Infrastructure





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State and Nation  
Outlooks:

[HIA.com.au](https://www.hia.com.au)





**Thank you**

Tom Devitt  
HIA Senior Economist

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