HIA

New Home Sales

A monthly update on the sales of new homes

January 2018

A COOL START TO HOME STARTS

In 2018

House sales decline as 2018 gets underway

Following a relatively strong finish to 2017, detached house sales across the country pulled back in January this year, declining by 2.1 per cent. This result was due to declines in house sales in New South Wales and Victoria, while the remaining mainland states each enjoyed increases in January.

The HIA New Home Sales report – a monthly survey of the largest volume home builders in the five largest states – provides an early indication of trends in the residential building industry.

The most encouraging news this month, is that new home sales in Western Australia picked-up by 1.2 per cent. After declining by more than 23 per cent in 2017, this growth in sales is the first sign that conditions in that market are improving.

House building activity has played second fiddle to apartment construction in the current new home building cycle. It didn't experience the same astronomic rise during the 2012-2016 period and by the same token it is unlikely to experience the same magnitude of decline as the current downturn unfolds. HIA New Home sales data has been telegraphing this very modest decline for some time. The latest level of sales is 14.9 per cent lower than the peak which occurred well over three years ago.

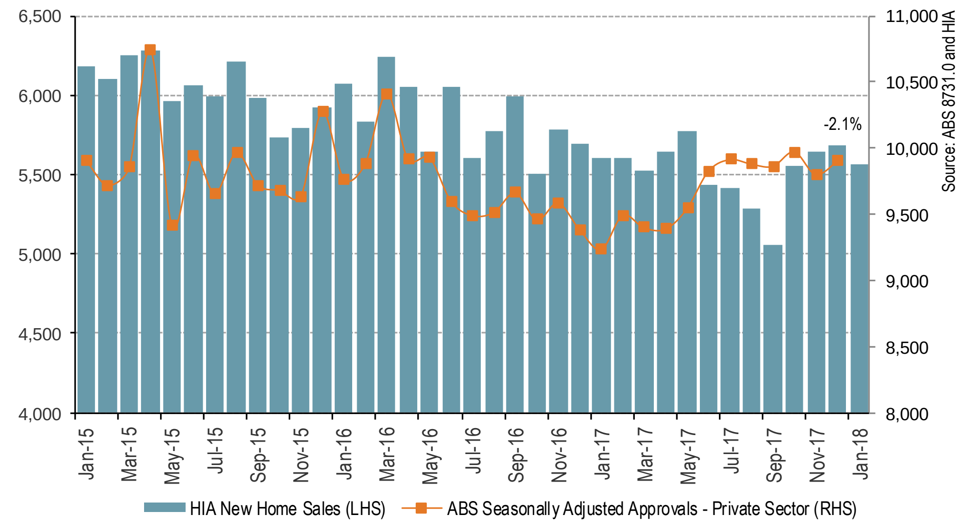
Part of the reason for this dynamic in new home building is the changing roles of investors and owner occupiers. Cooling demand for new housing among investors (we've long documented the regulatory and taxation factors behind this) is disproportionately affecting demand for new apartments. In contrast owner occupiers have in some instances seen improvements in credit conditions, with first home buyers (FHBs) in particular enjoying enhanced FHB incentive schemes at the behest of various state governments. This is supporting demand for new low-density housing, including detached houses and will ensure the forthcoming down cycle is a relatively modest one.

As shown in our recently updated forecasts (see here for the latest HIA State and National Outlook publications), we expect detached house building in 2018 to decline by 5.1 per cent, while multi-unit construction is forecast to decline by 15.0 per cent.

Looking at the state by state results for new house sales in January: there were declines in New South Wales (-5.7 per cent) and in Victoria (-4.4 per cent); while sales increased in South Australia (4.6 per cent), Western Australia (1.2 per cent), and Queensland (1.0 per cent).

HIGHLIGHTS

PRIVATE NEW HOUSE SALES - AUSTRALIA (SEASONALLY ADJUSTED)



> **National sales of new houses** declined by 2.1 per cent during January

> **ABS private detached house approvals** increased by 1.0 per cent during December 2017

> **This month's sample** captures 19.7 per cent of Australia's new detached home building sector.

NEW SOUTH WALES

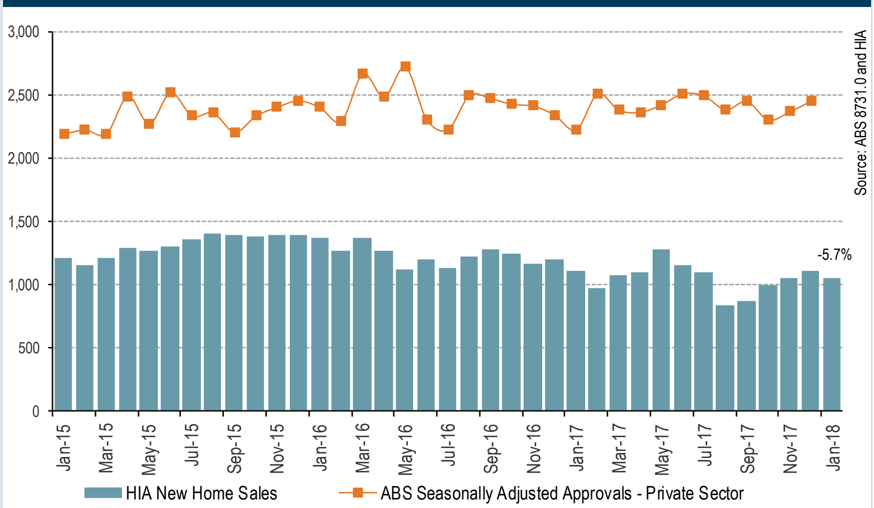
(23 PER CENT SAMPLE COVERAGE)

Following a reasonably strong end to 2017 (sales increased over the final quarter of the year), new detached house sales in NSW declined by 5.7 per cent in January 2018. The latest level of sales is just 0.8 per cent lower than 12 months earlier.

ABS building approvals for detached houses in NSW also finished 2017 on a somewhat strong note, rising by 5.9 per cent in December. Approvals during the final quarter however declined by 2.8 per cent to a level that is 0.8 per cent lower than a year earlier.

Overall HIA detached house sales and ABS detached house approvals are among a suite of leading indicators pointing to a modest decline in new house building in 2018, following what is shaping up to have been the first year of the downturn. We are forecasting 2018 to bring in an 8.1 per cent decline in detached house construction.

PRIVATE NEW HOUSE SALES - NEW SOUTH WALES (SEASONALLY ADJUSTED)



VICTORIA

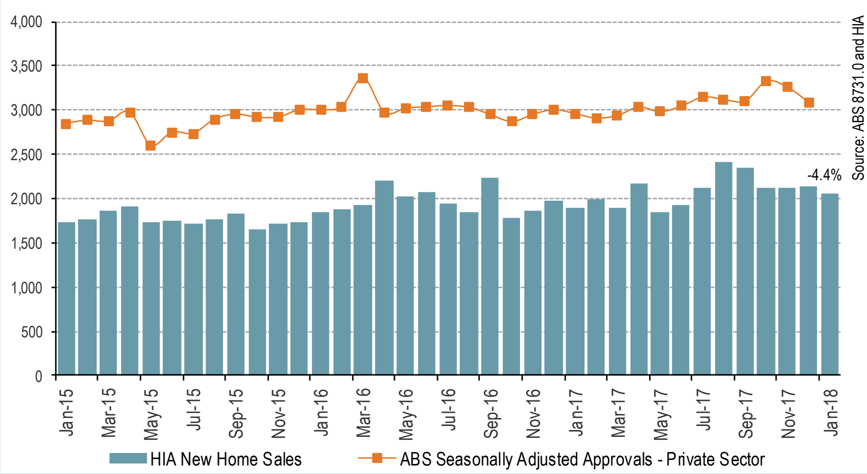
(18 PER CENT SAMPLE COVERAGE)

In what was otherwise quite a strong year for detached house sales in Victoria, sales at the end of 2017 were somewhat subdued (declining over the final quarter of the year). While sales declined by 4.4 per cent in January this year they are still at a level that is 8.0 per cent higher than 12 months previously.

ABS building approvals for detached houses in Victoria also finished 2017 on somewhat subdued note, declining by 5.3 per cent in December. The level of approvals during the final quarter however was still relatively healthy, 3.2 per cent higher than in the previous quarter and 9.6 per cent higher than a year earlier.

Overall, both HIA detached house sales and ABS detached house approvals indicate ongoing health in detached house building in Victoria, with only nascent signs of decline emerging in the former of these indicators. We are forecasting new house building to decline in 2018, following what we expect to have been the final year of a four-year upswing – the trajectory of sales and approvals in the coming months will be especially instructive of how this will materialise.

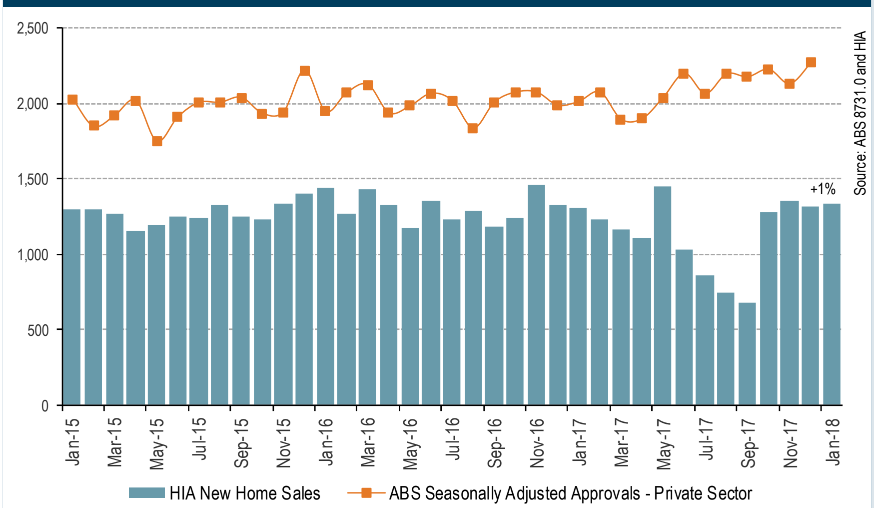
PRIVATE NEW HOUSE SALES - VICTORIA (SEASONALLY ADJUSTED)



QUEENSLAND

(12 PER CENT SAMPLE COVERAGE)

PRIVATE NEW HOUSE SALES - QUEENSLAND (SEASONALLY ADJUSTED)



In Queensland the revival of new house sales at the end of 2017 was consolidated in January this year, with sales rising by 1.0 per cent. This latest level of sales is 2.2 per cent higher than a year earlier.

ABS building approvals for detached houses in Queensland also finished 2017 on a strong note, rising by 6.6 per cent in December. The level of approvals during the final quarter of the year was 2.9 per cent higher than in the previous quarter and 7.9 per cent higher than a year earlier.

We expect detached house building has just about reached its peak in Queensland. Specifically, that 2017 was the final year of a six-year upswing in building. Overall the signals from HIA house sales and ABS approvals are somewhat mixed and may even present something of an upside risk to this forecast. That said, it will be sales and approvals data over the coming months that will be most instructive of how the house building cycle will materialise.

SOUTH AUSTRALIA

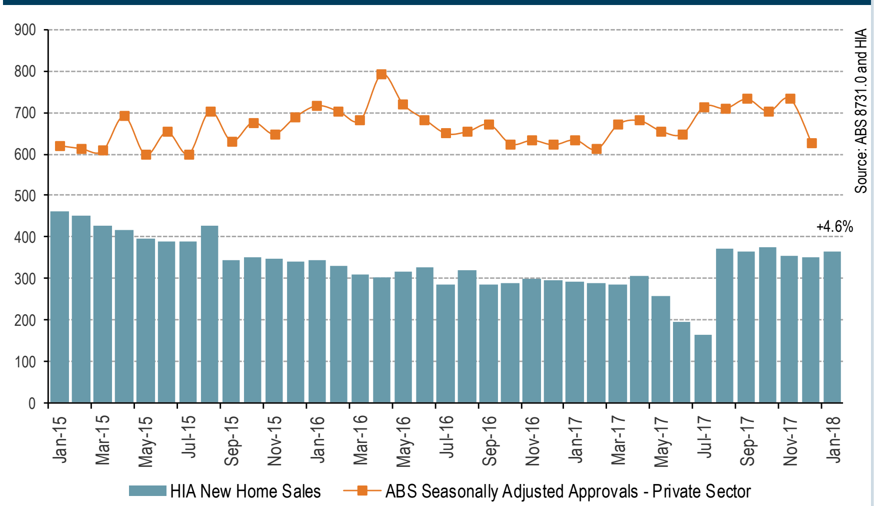
(11 PER CENT SAMPLE COVERAGE)

New detached house sales in SA experienced a revival in the second half of 2017 after a protracted decline (spanning well over three years). The new year has consolidated this improved performance, with sales rising by 4.6 per cent in January. The latest level of sales is also some 26.0 per cent higher than a year earlier.

While ABS detached house approvals also improved in the second half of 2017, the result for the final month was somewhat dispiriting. Approvals fell by a non-trivial 14.5 per cent but remained 0.8 per cent higher than a year earlier.

We expect the grinding decline in detached house building in SA is still yet to run its full course – 2017 was a year where starts fell and we expect further declines to occur this year (we are forecasting a 4.2 per cent decline) before a meaningful recovery takes root. At this stage, the overall picture from both HIA house sales and ABS house approvals is reasonably positive and may present an upside risk to this forecast. There is however a long way to go for both of these indicators before a meaningful trend of recovery is established.

PRIVATE NEW HOUSE SALES - SOUTH AUSTRALIA (SEASONALLY ADJUSTED)



WESTERN AUSTRALIA

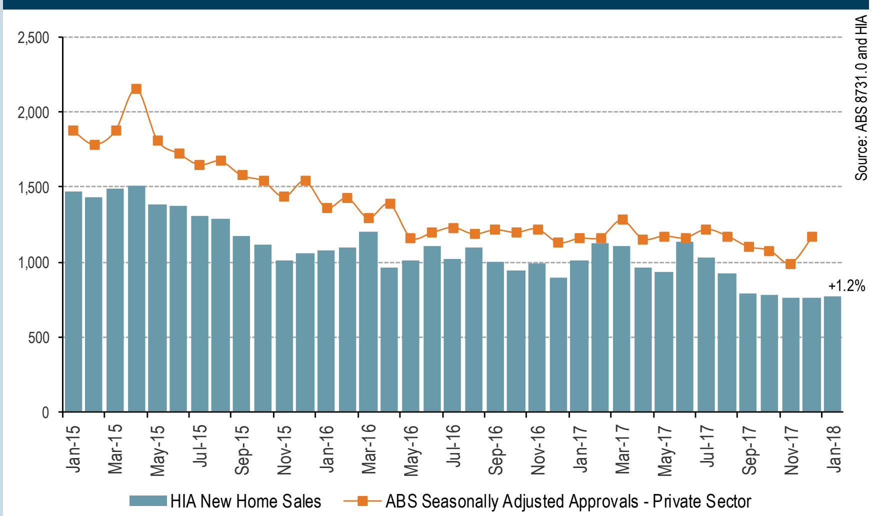
(37 PER CENT SAMPLE COVERAGE)

The very steady level of new house sales in WA that characterised the end of 2017 continued into January this year, with sales rising by 1.2 per cent. This period of stability follows sharper declines earlier in 2017 – the latest level of sales is 23.5 per cent lower than a year earlier.

ABS building approvals for detached houses in WA finished 2017 on a strong note, jumping (albeit from a very low base) by 17.7 per cent in December, reaching a level that is 3.2 per cent higher than a year earlier.

We expect detached house building has just about reached its trough in WA. Specifically, that 2017 was (mercifully) the final year of a very sharp three-year downturn in building. Overall the signals from HIA house sales and ABS house approvals are somewhat mixed – while sales appear to have bottomed out, it's a bit early to make the same conclusion for approvals. Sales and approvals will be among the first of the leading indicators to provide substantive evidence of the cycle's turning point, which we expect to be not far off.

PRIVATE NEW HOUSE SALES - WESTERN AUSTRALIA (SEASONALLY ADJUSTED)

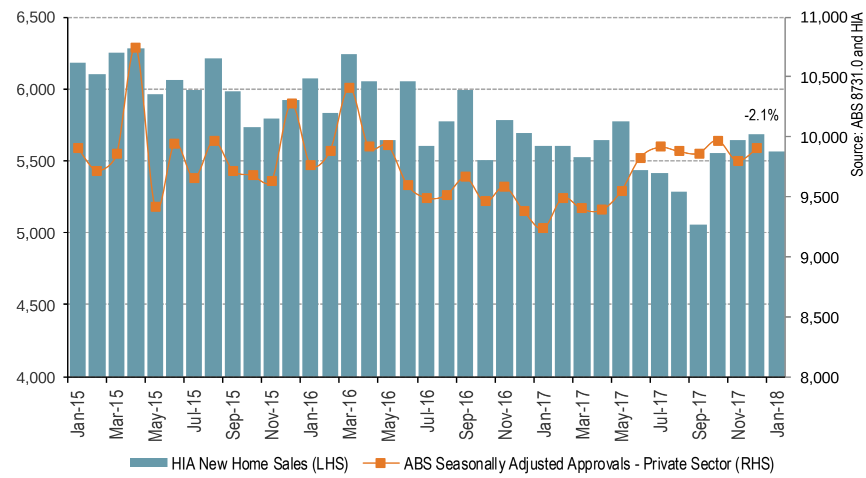


In this edition of the HIA New Home Sales report we have not published sales data for total dwellings. These results will be updated in future editions of this report.

PRIVATE NEW DWELLING SALES

(13 PER CENT SAMPLE COVERAGE)

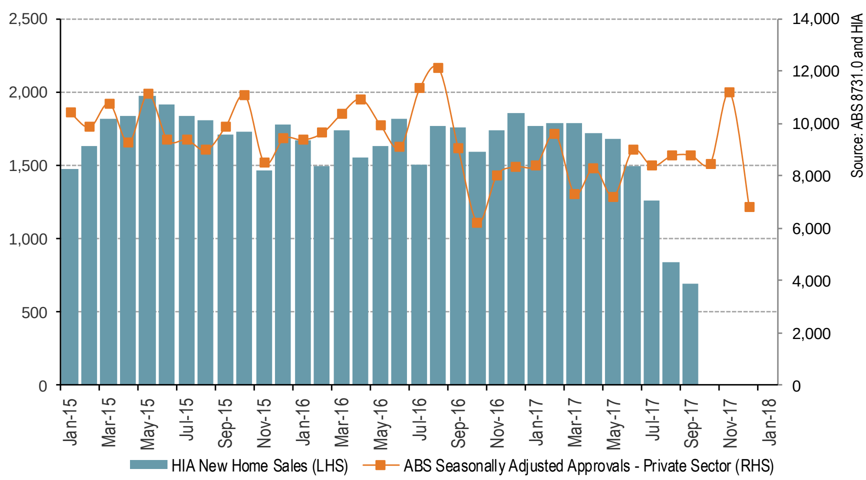
PRIVATE NEW HOUSE SALES - AUSTRALIA (SEASONALLY ADJUSTED)



MULTI-UNIT SALES

In this edition of the HIA New Home Sales report we have not published sales data for multi-unit dwellings. This is because the market consists of a relatively small number of builders in metropolitan areas. In the absence of sufficient reporting of data we have refrained from publishing multi-unit sales for the moment. These results will be updated in future editions of this report when the data become available.

PRIVATE NEW MULTI-UNIT SALES - AUSTRALIA (SEASONALLY ADJUSTED)



NEW HOME SALES: PERCENTAGE CHANGE

	Private Houses						Multi-Units	Total
	NSW	VIC	QLD	SA	WA	AUS	AUS	AUS
3 months to Jan 17	3,469	5,744	4,095	883	2,895	17,085	N/A	N/A
3 months to Oct 17	2,705	6,883	2,707	1,112	2,493	15,899	N/A	N/A
3 months to Jan 18	3,205	6,319	4,003	1,070	2,295	16,892	N/A	N/A
% change on previous 3 months	**18.5%**	**-8.2%**	**47.9%**	**-3.8%**	**-7.9%**	**6.2%**	**N/A**	**N/A**
% change on same 3 months of previous year	-7.6%	10.0%	-2.3%	21.2%	-20.7%	-1.1%	N/A	N/A

Note: All comments and percentage movements relating to Net Sales refer to data that have been calculated after allowing for seasonal influences.

PRIVATE HOUSES AND UNITS: SALES AND APPROVALS (a)

		NSW	VIC	QLD	SA	WA	Total(b)	Total(b)	Total(b)
		Private House Sales (Seasonally Adjusted)						Unit Sales (c)	Total Sales (c)
2008-09		13,259	27,776	18,200	5,483	14,293	79,017	9,795	88,812
2009-10		14,537	32,180	20,606	5,688	14,510	87,417	9,310	96,727
2010-11		13,924	31,768	14,686	5,058	12,726	78,031	8,782	86,813
2011-12		11,801	23,173	13,208	3,698	12,892	65,153	8,241	73,395
2012-13		11,795	17,911	9,607	3,662	15,436	58,503	11,726	70,229
2013-14		15,863	22,638	11,518	5,739	16,948	72,706	12,654	85,360
2014-15		15,266	20,784	14,500	5,368	17,498	73,507	18,279	91,786
2015-16		15,902	22,355	15,771	4,123	13,412	71,563	20,239	91,802
2016-17		13,904	23,418	15,020	3,392	12,221	67,952	20,449	88,402
2016/17	Jul	1,124	1,948	1,234	286	1,017	5,609	1,502	7,110
	Aug	1,222	1,850	1,286	320	1,096	5,774	1,768	7,543
	Sep	1,275	2,243	1,188	286	1,004	5,995	1,754	7,749
	Oct	1,239	1,785	1,241	288	948	5,501	1,592	7,094
	Nov	1,165	1,869	1,463	299	988	5,785	1,740	7,525
	Dec	1,193	1,978	1,329	294	899	5,693	1,851	7,543
	Jan	1,111	1,897	1,303	290	1,008	5,607	1,772	7,379
	Feb	971	1,993	1,229	289	1,121	5,603	1,789	7,392
	Mar	1,072	1,901	1,162	284	1,108	5,527	1,787	7,313
	Apr	1,096	2,173	1,107	304	967	5,647	1,721	7,369
	May	1,280	1,853	1,451	257	934	5,774	1,676	7,451
	Jun	1,156	1,928	1,026	196	1,131	5,437	1,497	6,934
2017/18	Jul	1,096	2,118	861	164	1,029	5,416	1,262	6,678
	Aug	838	2,406	748	371	927	5,290	835	6,125
	Sep	869	2,351	683	364	787	5,054	696	5,750
	Oct	997	2,126	1,276	377	779	5,555	N/A	N/A
	Nov	1,049	2,125	1,353	355	763	5,645	N/A	N/A
	Dec	1,110	2,144	1,318	349	762	5,683	N/A	N/A
	Jan	1,046	2,050	1,331	365	771	5,563	N/A	N/A
		Private House Approvals (Seasonally Adjusted)						Unit Approvals	Total Private Dwelling Approvals
2008-09		13,349	30,328	19,471	8,882	15,445	91,999	35,947	127,949
2009-10		16,888	38,578	22,342	8,821	19,494	111,413	44,840	156,253
2010-11		16,315	35,310	17,541	7,567	16,621	97,781	60,365	158,150
2011-12		16,447	29,602	18,053	6,457	15,132	89,737	57,477	147,212
2012-13		18,509	27,055	17,876	6,545	18,350	92,140	64,822	156,963
2013-14		22,087	30,200	19,829	8,190	23,291	107,838	84,417	192,254
2014-15		26,281	32,968	22,841	7,669	22,893	117,056	109,688	226,745
2015-16		28,981	35,908	24,260	8,238	17,222	118,417	116,614	235,028
2016/17	Jul	2,229	3,052	2,019	649	1,230	9,494	11,330	20,824
	Aug	2,500	3,032	1,838	654	1,185	9,518	12,104	21,622
	Sep	2,474	2,949	2,009	671	1,214	9,665	9,027	18,692
	Oct	2,429	2,871	2,074	624	1,196	9,461	6,195	15,656
	Nov	2,415	2,952	2,074	633	1,219	9,588	8,029	17,616
	Dec	2,343	3,007	1,988	622	1,128	9,386	8,338	17,724
	Jan	2,226	2,959	2,013	634	1,157	9,239	8,388	17,627
	Feb	2,510	2,908	2,075	611	1,163	9,495	9,592	19,087
	Mar	2,383	2,943	1,896	671	1,279	9,402	7,304	16,706
	Apr	2,366	3,036	1,900	680	1,153	9,393	8,305	17,698
	May	2,425	2,982	2,040	655	1,173	9,546	7,202	16,749
	Jun	2,513	3,047	2,196	648	1,160	9,828	8,977	18,805
2017/18	Jul	2,495	3,149	2,064	714	1,217	9,915	8,366	18,281
	Aug	2,386	3,121	2,194	709	1,173	9,881	8,761	18,642
	Sep	2,453	3,104	2,174	732	1,100	9,864	8,785	18,649
	Oct	2,305	3,331	2,224	702	1,076	9,973	8,472	18,445
	Nov	2,369	3,258	2,128	733	989	9,802	11,194	20,996
	Dec	2,455	3,086	2,269	627	1,164	9,904	6,807	16,711

Notes:

(a) New information on state market shares had led to an upward revision to sales levels, but has not substantially altered the new home sales cycle. Survey results have been obtained from State-wide estimates using weights based on financial year market shares of private dwelling commencements. Due to different weighting, state totals may not necessarily add to the national figure.

(b) Does not include Tasmania, ACT or the Northern Territory.

(c) The survey sample includes multi-unit builders who only sell direct. na: insufficient sample size individual support | local knowledge | national strength

HIA ECONOMICS

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