



HIA

New Home Sales



DETACHED

MULTI-UNIT

APPROVALS

SALES

MULTI-UNIT

DETACHED

A monthly update on the sales of new homes

September 2016

SECOND CONSECUTIVE RISE

for HIA New Home Sales in September

HIA New Home Sales lift in September 2016

The monthly HIA survey of Australia's largest volume builders reveals that total seasonally-adjusted new home sales increased for a second consecutive month in September 2016. Throughout 2016, new home sales numbers have been a little volatile on a month by month basis. After July provided the weakest monthly sales count in two years, improving sales over the subsequent two months has provided September with the third strongest monthly sales count in the last year.

In seasonally adjusted terms, the number of detached house sales increased by 3.8 per cent in September 2016, building upon the 2.9 per cent improvement recorded in August. After big swings in 'multi-unit' sales in the last two months (a fall of 17.3 per cent in July before recovering by 17.8 per cent in August) there was little change in September, with sales in this category easing by 0.8 per cent in the month.

There are numerous signs that the current housing cycle is progressing past the peak of the cycle. An increased volatility in new home sales volumes is one indicator. However, the most obvious one is the recent debate around a potential oversupply of housing amongst the commentariat.

In discussing housing shortages and oversupply, it is not particularly useful to make generalisations about Australia's national housing balance - there are far too many geographic disparities in population growth, household formation, and dwelling mix. It is far more useful to assess housing balance on a market by market basis.

In discussions of housing oversupply it is important to draw a distinction between a 'structural oversupply' and a 'frictional vacancy'. A 'structural oversupply' is essentially where there are more homes than the community requires (i.e. more dwellings than there are households). In contrast, 'frictional vacancy' is a transitory level of unoccupied housing that is

naturally occurring in the market.

To a degree, structural oversupply and frictional vacancy can be conceptualised as being at opposite ends of a continuum. At one extreme, a very low level of frictional vacancy would be an environment where it was extremely hard to find homes available for occupation (a.k.a. an undersupply situation). At the other extreme, a large structural oversupply would mean there were large numbers of long term unoccupied homes.

It is highly unlikely that the Australian market, as a whole, is ever going to find itself in a structural oversupply situation. However, it is impossible to ignore the fact that there is a large number of dwellings currently under construction in some parts of the country and a relatively large pipeline of dwellings that are yet to commence. The level of frictional vacancy in some parts of the market, notably the apartment markets in the east coast capital cities, is therefore likely to get bigger. Higher rates of vacancy would inevitably take some of the heat out of those markets and the markets that are closely related, but it is important to remember that not all markets are running hot.

Comparing the three months to September 2016 with the same period last year, detached house sales fell in four of the five states covered by the New Home Sales survey. The largest fall was recorded in South Australia (-23.0 per cent), followed by Western Australia (-17.2 per cent), New South Wales (-12.9 per cent) and Queensland (-2.6 per cent). Victoria was the only state to record an increase in new home sales over this period with 14.0 per cent growth in sales over the past year.

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