



AUSTRALIAN CONSTRUCTION INSIGHTS
Research powered by HIA Economics

Construction Brief

7 November 2016

Good news for September New Home Sales

HIA New Home Sales rise

Update: HIA New Home Sales increased for the second consecutive month during September 2016, with growth of 2.7 per cent compared with August. Detached house sales rose by 3.8 per cent during the month, whereas multi-unit sales eased slightly by 0.8 per cent.

Insight: Digging below the headline figures reveals a more complex situation across the geographic markets. The monthly rise in HIA New Home Sales was heavily influenced by the 21.3 per cent increase in detached house sales in Victoria and growth of 4.3 per cent in NSW. Elsewhere, there were considerable falls in sales in Queensland (-7.6 per cent), South Australia (-10.7 per cent) and Western Australia (-8.5 per cent). In any event, sales look to have passed their peak with total sales down by 4.9 per cent during the September 2016 quarter compared with a year earlier.

Detached houses back in fashion?

Update: ABS Building Approvals data for September 2016 indicate that detached house approvals grew by 1.7 per cent during the month to reach their highest level since May. This was in contrast to the performance of new multi-unit approvals which fell by some 17.5 per cent during September.

Insight: The growth in detached house approvals during September was driven by strong expansions in Queensland and South Australia, while multi-unit approvals weakened in NSW, Victoria and Queensland during the month. We should never get carried away by a single monthly result, but the fact that detached house starts hit a six-year high during the June 2016 quarter does suggest that this side of the market has been performing more robustly than expected.

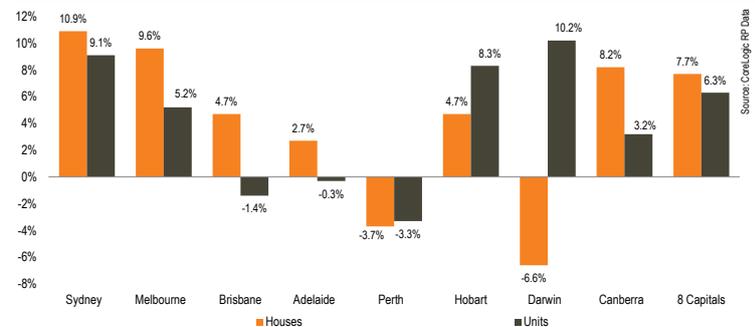
Top of the charts: Dwelling prices continue higher

Update: Latest dwelling price data from CoreLogic, which are based on a hedonic analysis of property sale prices, indicates that price growth remains very strong. Compared with a year earlier, the median dwelling price across the eight capital cities was 7.5 per cent higher and was up by 2.7 per cent on three months earlier.

Insight: As has been the case for some time, wide variations in the geographic pattern of dwelling price growth continues to be one of the hallmarks of the Australian housing market. Over the year to October, price growth was strongest in Sydney (+10.6 per cent), Melbourne (+9.1 per cent) and Canberra (+7.9 per cent). In contrast, prices continue to fall in the mining states, with the capital city median price in Perth falling by 3.7 per cent and falling by 3.8 per cent in Darwin. Australia's

dwelling price upturn began back in May 2012, and prices have since increased by 42.0 per cent on average across the capital cities. Over the same period, Sydney prices have increased by 65.9 per cent with growth of 48.6 per cent in Melbourne. Elsewhere, total price increases have remained within the 10 per cent to 20 per cent range while prices in Perth and Darwin have been on the decline since 2014. It is worth noting that median dwelling price measures, which in contrast to the hedonic index do not take compositional changes into account, have recorded considerably smaller increases in dwelling prices across the capital cities.

Annual Growth in Dwelling Prices by Capital City, October 2016



More woes for Deutsche Bank

Update: Deutsche Bank as a limited presence in Australia and its recent woes received minimal local coverage. However, the bank is a globally significant financial institution. Should the bank's recent problems escalate any fallout would have the potential to cause stress in financial markets, including Australia's.

Insight: Deutsche Bank's financial position has been of concern for the last three years and the bank's global reputation and value have taken serious hits in recent years. Its share price has lost about 90 per cent of its market value since 2009. The substantial fall in the bank's share price resulted in it being dropped from the STOXX Europe 50 index (a stock market index comprised of the 50 largest companies in the Eurozone) in August this year. In addition, the bank's US arm has failed the market regulator's stress test for the second year in a row. Since June 2016, the International Monetary Fund (IMF) has noted concern that the bank appears to be "the most important net contributor to systemic risks in the global financial system". Further, the IMF has recently gone to the extent of suggesting that "Germany needs to urgently examine whether its bank liquidation plans are in place and operable" should the need arise. The fall-out from a shock to a financial institution as significant as Deutsche Bank would inevitably be large.

The fortnight ahead – key releases

Monday 7 November

HIA-AiG Performance of Construction Index, October 2016, 9.30am

Tuesday 8 November

ABS Building Approvals (additional information), September 2016, 11.30am

Wednesday 9 November

Westpac-MI Index of Consumer Sentiment, October 2016, 10:30am

Thursday 10 November

ABS Housing Finance, September 2016, 11.30am

Thursday 17 November

ABS Labour Force, October 2016, 11.30am

Key Construction Indicators				
	Residential building approvals - houses	Residential building approvals - other	Residential building approvals - total	Non-residential building approvals
	Number	Number	Number	\$ billions
	seasonally adjusted	seasonally adjusted	seasonally adjusted	seasonally adjusted
3 months to September 2016	28,865	31,954	60,819	11.42
Quarterly change (%)	-2.2%	6.1%	2.0%	14.5%
Q on Q, annual change (%)	-3.4%	7.9%	2.2%	32.9%
Latest 12 months	117,668	120,264	237,932	38.62
Previous 12 months	119,586	118,923	238,512	32.91
Annual change (%)	-1.6%	1.1%	-0.2%	17.3%

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