

Taking a long term perspective on Australia's housing needs

Owner occupier lending hits six-year high

Update: Owner occupier loans saw a strong end to 2015. During December, the number of owner occupier loans for the construction of new homes increased by 1.8 per cent, with growth of 12.4 per cent in loans for newly-constructed homes. Compared with a year earlier, total owner occupier loans for the construction and purchase of new dwellings are 5.2 per cent higher. This was the highest monthly figure recorded since November 2009.

Insight: The short term pipeline of new home building remains very solid and the figures for new home lending indicate that strong momentum is continuing into the new year. December's new home lending volumes were the highest since during the government-sponsored stimulus at the time of the GFC. Encouragingly, new home lending does not yet appear to have been adversely affected by the unilateral mortgage interest rate increase that took effect in late November.

Strong jobs growth continues

Update: While latest ABS Labour Force data indicate that unemployment increased from 5.8 per cent in December to 6.0 per cent in January, the pace of employment growth remains very strong. Total employment increased by 2.6 per cent over the past 12 months, equivalent to an additional 298,300 jobs in the Australian economy.

Insight: Australia's labour market looks to be one of the economy's good news stories, with the unemployment rate looking to have passed its peak and employment growth accelerating strongly over the past year. Residential construction has made more than its fair contribution to this, thanks to record new home building activity over the past year. The fact that the rate of part-time job creation has outpaced full-time positions reveals a soft edge to the jobs growth.

24 million reasons to think long term on housing

Update: Just after midnight last Monday night, Australia's population clock broke the 24 million barrier for the very first time. This comes less than three years after the 23 million mark was reached in 2013. Despite the recent slowdown, Australia's population growth rate remains considerably higher than in most advanced economies.

Insight: Population is the most fundamental driver of housing needs, and the milestone reached last week underlines the importance of taking a long term approach to housing supply policy. The HIA-ACI Housing Australia's Future report is released on Tuesday, 23rd February and provides detailed projections of the annual new home building requirements out to 2050 based on likely population growth scenarios and economic growth projections. The report will emphasise the challenge

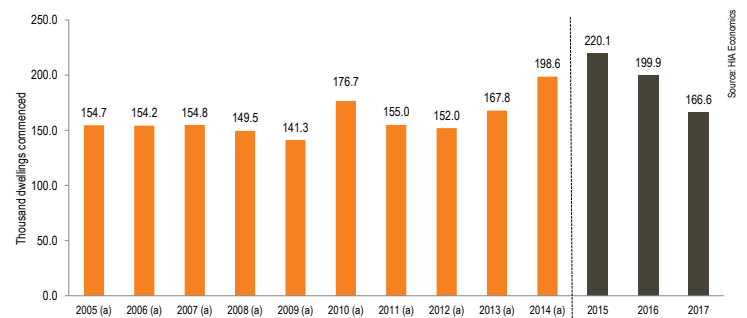
policymakers will face in terms of ensuring adequate new housing supply over the long term. For more information regarding the *Housing Australia's Future* report, please contact info@aciresearch.com.au.

Top of the charts: new dwelling forecasts

Update: The latest HIA forecasts for new home building activity have just been released. They indicate that new dwelling commencements are likely to have peaked during the 2015 calendar year at around 220,000, with a significant contribution to the upturn having been made by multi-units. The latest forecasts indicate that activity is likely to decline over the next couple of years, with a trough of around 160,000 being reached during the 2017/18 financial year

Insight: New home building activity has been propelled to record levels as a result of exceptionally low interest rates, very strong overseas migration and significant dwelling price growth in key markets. The sizeable downturn in new home building is projected for a number of reasons. Population growth has slowed, with overseas migration in particular cooling off. Conditions for the important foreign investor segment have become less favourable due to the tightening of regulations in Australia and the continued difficulties in China's financial markets. Credit conditions for domestic investors have also tightened, with LVR caps and stricter valuations policies.

Australia Housing Starts Forecasts



Land supply conditions continue to tighten

Update: The HIA-CoreLogic RP Data Residential Land Report has just been published and shows how supply conditions continue to tighten.

Insight: During the September 2015 quarter, the number of residential lot sales fell by 2.7 per cent while median lot prices rose by 4.2 per cent. The tightening of market conditions was concentrated in the capital cities, where prices increased by 5.4 per cent but the number of lots transacted actually fell by 4.5 per cent. Residential land supply restrictions represent the biggest challenge from the point of view of providing for Australia's long term housing needs.

The fortnight ahead – key releases**Tuesday, 23 February**

ACI Housing Australia's Future 2016, 11.00am

Wednesday, 24 February

ABS Construction Work Done, December 2015, 11.30am

Thursday, 25 February

ACI Detailed Residential Composition Forecasts released, 11.00am

ABS Private New Capital Expenditure & Expected Expenditure, December 2015, 11.30am

Tuesday, 1 March

ABS Building Approvals, January 2016, 11.30am

RBA Interest Rates, 2.30pm

Wednesday, 2 March

ABS National Accounts, December 2015, 11.30am

Thursday, 3 March

HIA New Home Sales, January 2016, 11.00am

HIA New Dwelling Starts Forecasts – February 2016**DWELLING STARTS: by state and territory***thousand dwellings commenced*

Starts	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	Aust
2003 (a)	45.1	44.9	41.9	10.5	21.8	2.4	1.0	2.8	170.3
2004 (a)	44.9	42.5	41.6	10.5	22.8	3.0	1.2	2.3	168.8
2005 (a)	34.2	40.2	39.1	10.7	24.2	2.6	1.3	2.4	154.7
2006 (a)	32.0	39.3	38.9	11.2	26.5	2.8	1.2	2.4	154.2
2007 (a)	30.3	40.1	43.4	11.4	23.0	2.9	1.5	2.2	154.8
2008 (a)	28.9	41.5	39.2	12.8	20.8	2.9	0.9	2.4	149.5
2009 (a)	26.4	45.8	29.6	11.4	20.4	3.1	1.2	3.4	141.3
2010 (a)	35.2	60.3	34.5	12.4	24.8	3.2	1.6	4.8	176.7
2011 (a)	33.2	54.4	28.2	10.1	19.7	2.6	1.7	5.0	155.0
2012 (a)	34.6	52.1	28.6	8.4	20.1	2.0	2.1	4.1	152.0
2013 (a)	44.2	46.5	32.8	9.7	26.1	1.8	2.2	4.5	167.8
2014 (a)	49.4	58.9	38.7	11.0	32.1	2.3	2.1	4.1	198.6
2015	59.2	67.3	46.5	10.4	27.8	2.8	1.6	4.5	220.1
2016	56.9	58.5	45.7	9.4	22.1	2.2	1.6	3.5	199.9
2017	44.2	46.3	38.4	9.5	20.7	2.2	1.7	3.7	166.6
2018	40.0	43.1	38.3	10.6	21.3	2.3	1.6	3.5	160.7
2019	42.4	43.8	39.2	11.2	22.3	2.4	1.8	3.6	166.7

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AUSTRALIAN CONSTRUCTION INSIGHTS
Research powered by HIA Economics

CONTRIBUTORS:

Shane Garrett Senior Economist

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