



AUSTRALIAN CONSTRUCTION INSIGHTS
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Construction Brief

27 February 2017

Australia's 2 + 1 policy focus

Housing affordability is on the radar

Update: The two areas of policy focus in 2017 are energy security and housing affordability. This focus pops up everywhere and there are, predictably, some crackpot ideas to boot! The bronze medal for policy goes to the banking sector and on-going calls from some quarters for a royal commission. The surprise appointment of former Queensland Labor Premier – Anna Bligh to replace longstanding Australian Bankers' Association (ABA) CEO Steve Munchenberg has caused a stir. Steve was the consummate professional and a very good operator – we wish him well.

Insight: A clear policy focus on housing affordability is to be welcomed and is long overdue. However, inside and outside the industry bad ideas, good ideas, crazy ideas, exaggerated kindergarten level reactions to Bligh's appointment, all make for an environment of heightened uncertainty. Policy uncertainty around housing will remain elevated as the affordability debate rages ahead of the Federal budget in May.

The impending data deluge

Update: Against this backdrop we receive a deluge of housing-related data over the next two weeks. The white water ride begins with the release of the HIA New Home Sales Report for January 2017 on Tuesday 28th February.

<https://hia.com.au/en/BusinessInfo/economicInfo.aspx>

Insight: With housing affordability being a key policy focus this year there will be more attention than usual on housing industry updates, especially those related to dwelling prices. The CoreLogic dwelling price update out on March 1st (for February 2017) will be closely watched. The risk is for an outcome that generates a continued tightening of credit conditions for residential investors in 2017. Housing policy discussion and debate in the lead-up to the May Federal budget is likely to generate more residential investment activity than would otherwise be the case. That would be an ironic outcome!

A heathy short term outlook for residential construction

Update: We will be releasing our latest forecasts on Thursday 2nd March. These forecasts cover: new dwelling commencements; new dwelling investment; investment in renovations; together with subscription products related to new housing commencements by dwelling type, long term commencements forecasts, and regional new home building forecasts.

<https://hia.com.au/BusinessInfo/economicInfo/housingForecasts.aspx>

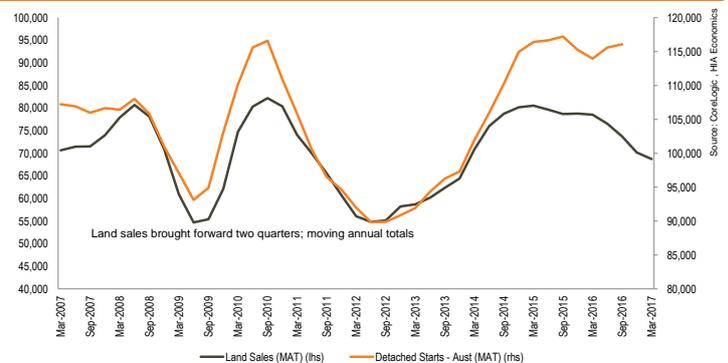
Insight: New home commencements are expected to hold up well in 2016/17 and to a lesser extent in 2017. Wide divergences in the performance of dwelling types and regions are expected to continue. A particularly keen eye will be required from 2017/18.

<https://hia.com.au/BusinessInfo/economicInfo/industryUpdate.aspx>

Top of the charts: Land sales continue downward trend

Update: The latest edition of the HIA-CoreLogic Residential Land Report has been released and provides an update on market conditions during the September 2016 quarter. While the overall volume of land sales grew by 6.4 per cent during the quarter (the second consecutive quarter of growth), turnover was actually down by 7.3 per cent compared with a year earlier. Prices continue to press higher with the median lot price rising by 3.3 per cent during the quarter to \$243,585, and prices were up by 7.0 per cent in annual terms. Price pressures are much stronger in the capital cities compared with regional markets.

RESIDENTIAL LAND SALES & DETACHED HOUSE STARTS - AUSTRALIA



Insight: As the chart above illustrates, the volume of land sales has proved to be a good leading indicator of new detached house starts over the past decade. With land sales having trended downwards since the end of 2014, the likelihood is that the number of detached house commencements will move lower as 2017 progresses. Land is the single biggest ingredient for new housing and continued growth in the price of land is likely to place affordability under further pressure.

Big times for the two 'biggies'

Update: The Trump addresses the American Congress on Tuesday 28th and detail around budget policy is keenly awaited. In China the National Peoples' Congress kicks off on Sunday 5th March.

Insight: Financial markets will be disappointed if they don't get the information and outcomes they are expecting. Especially from the Trump.

The fortnight ahead – key releases**Tuesday 28 February**

HIA New Homes Sales Report, January 2017, 11.00am

Wednesday 1 March

CoreLogic Home Value Index, February 2017, 10:00am

ABS National Accounts, December 2016 quarter, 11.30am

Thursday 2 March

HIA Quarterly Housing Forecasts, First quarter update, 11.00am

ABS Building Approvals, January 2017, 11.30am

Tuesday 7 March

AiG/HIA Performance of Construction Index, 9.30am

Reserve Bank of Australia Board Interest Rate Decision, March 2017, 2:30pm

Wednesday 8 March

HIA National and State Outlooks, First quarter 2017, 11.00am

Friday 10 March

ABS Housing Finance, January 2017, 11.00am

Key Data from HIA-CoreLogic Residential Land Report, September 2016 quarter

	Capital cities		Regional markets		Australia - Total	
	Median Lot Price (\$)	No. of Lot	Median Lot Price (\$)	No. of Lot	Median Lot Price (\$)	No. of Lot
3 months to September 2015	262,642	12,592	170,644	7,372	227,575	19,964
3 months to June 2016	269,921	11,034	179,861	6,356	235,801	17,390
3 months to September 2016	282,164	12,083	179,426	6,427	243,585	18,510
Quarterly Change	4.5%	9.5%	-0.2%	1.1%	3.3%	6.4%
Annual Change	7.4%	-4.0%	5.1%	-12.8%	7.0%	-7.3%

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