ECONOMICS

HIA Industry Outlook

Tim Reardon, HIA Chief Economist

August 2021

Overview

ECONOMICS

- Record year for new home construction in Australia.
- Also, boom in renovations.
- Demand exceeds the capacity of the market to deliver.
- Starts constrained in 2021 by:
  - Land
  - Labour
  - Lumber
- Shadow of demand to emerge in 2023 due to:
  - HomeBuilder
  - Migration – Population growth
  - Low interest rates

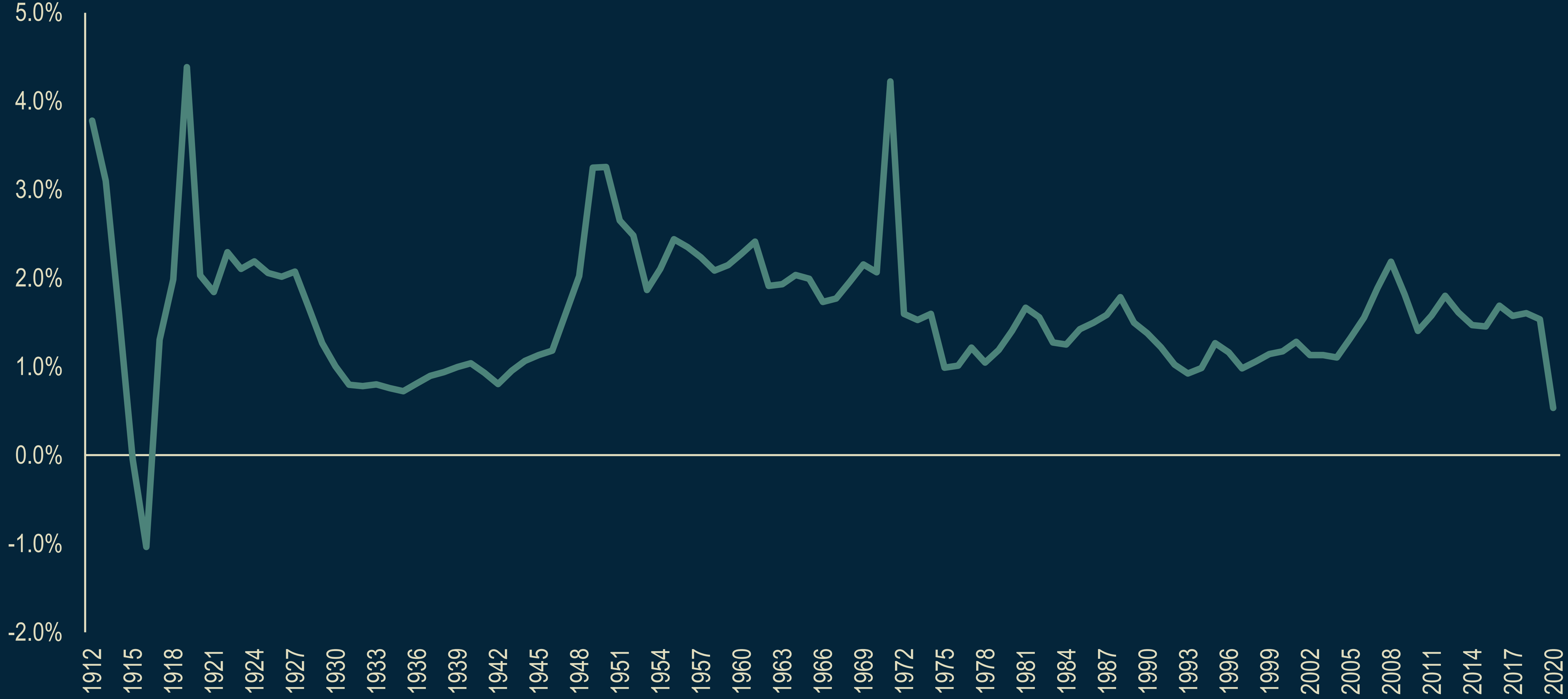
Population and Demographic Changes

Population – lowest since WW1

ECONOMICS

Annual Population Growth

Source: ABS

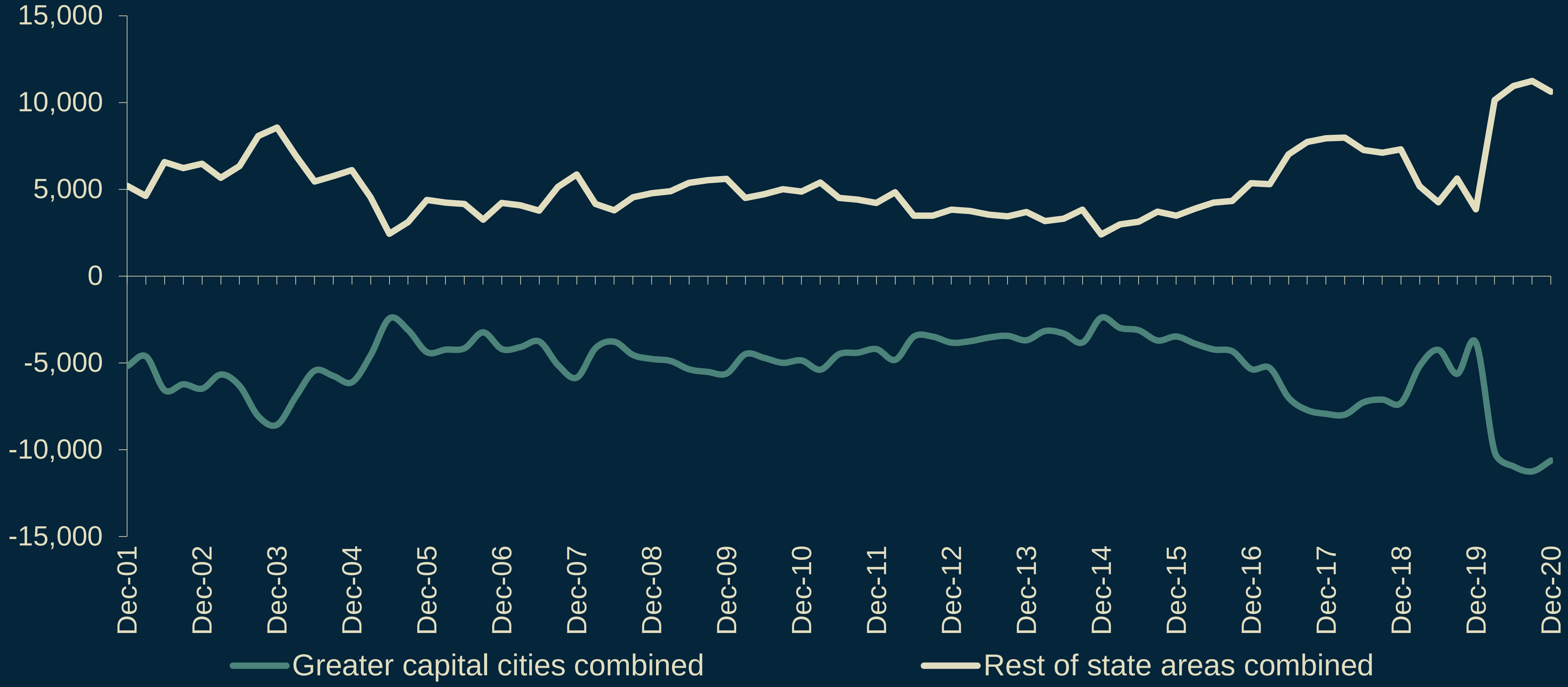


Population shift to regions

HIA ECONOMICS

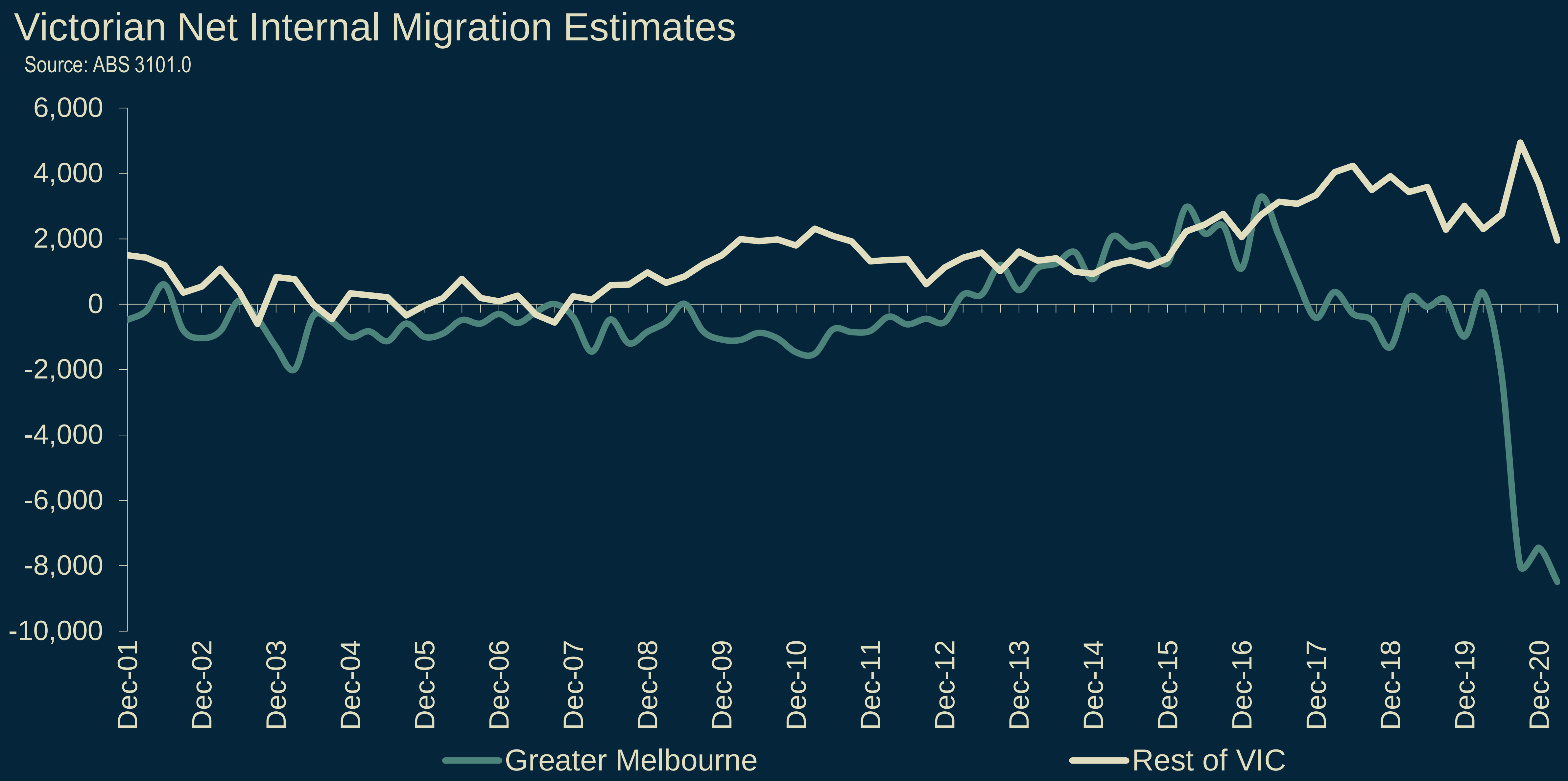
Capital Cities and Regions, Net Internal Migration Estimates

Source: ABS 3101.0



Last person out of Melbourne …

HIA ECONOMICS

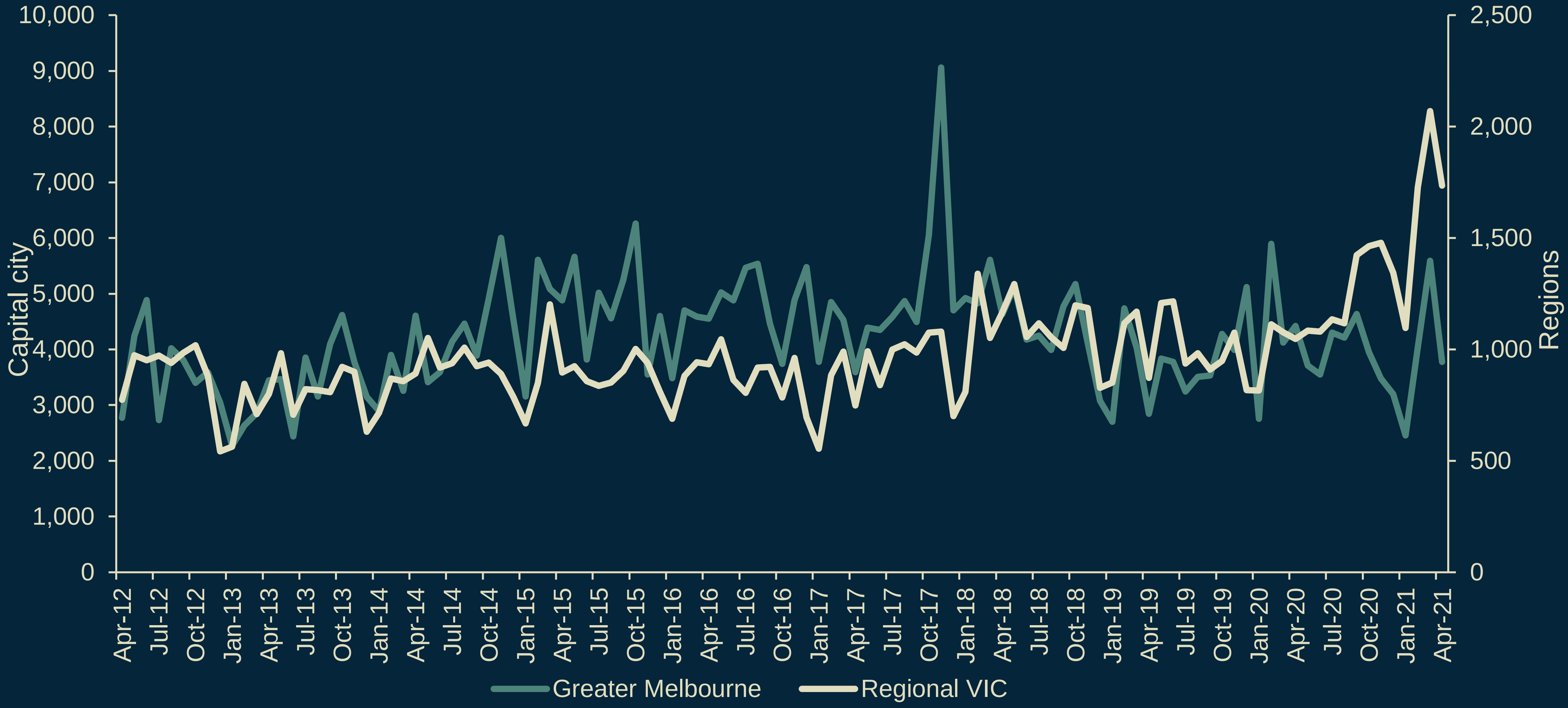


Regional Building Approvals Spike in Vic

HIA ECONOMICS

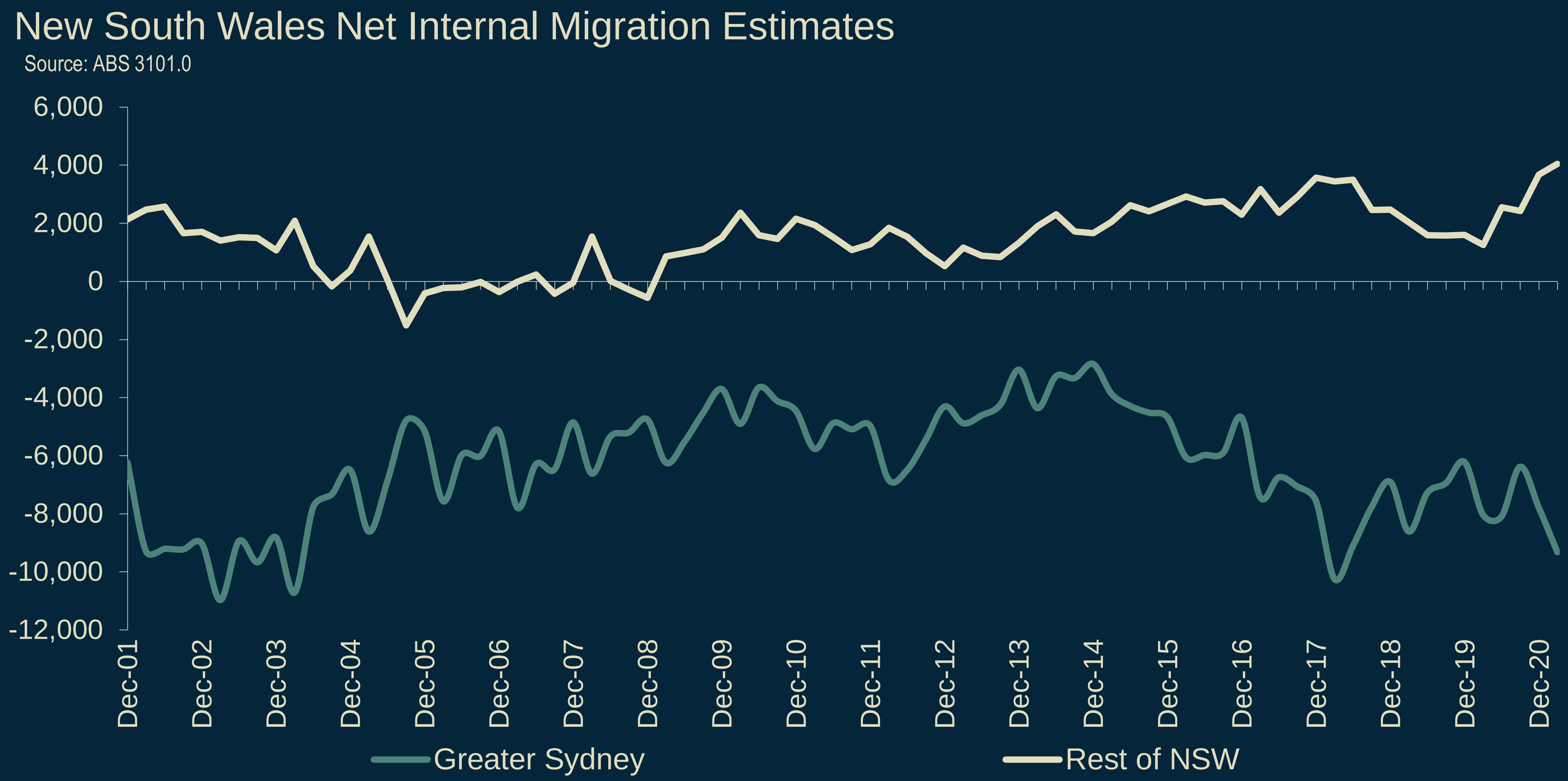
Building Approvals, Capital vs Regions

Source: ABS



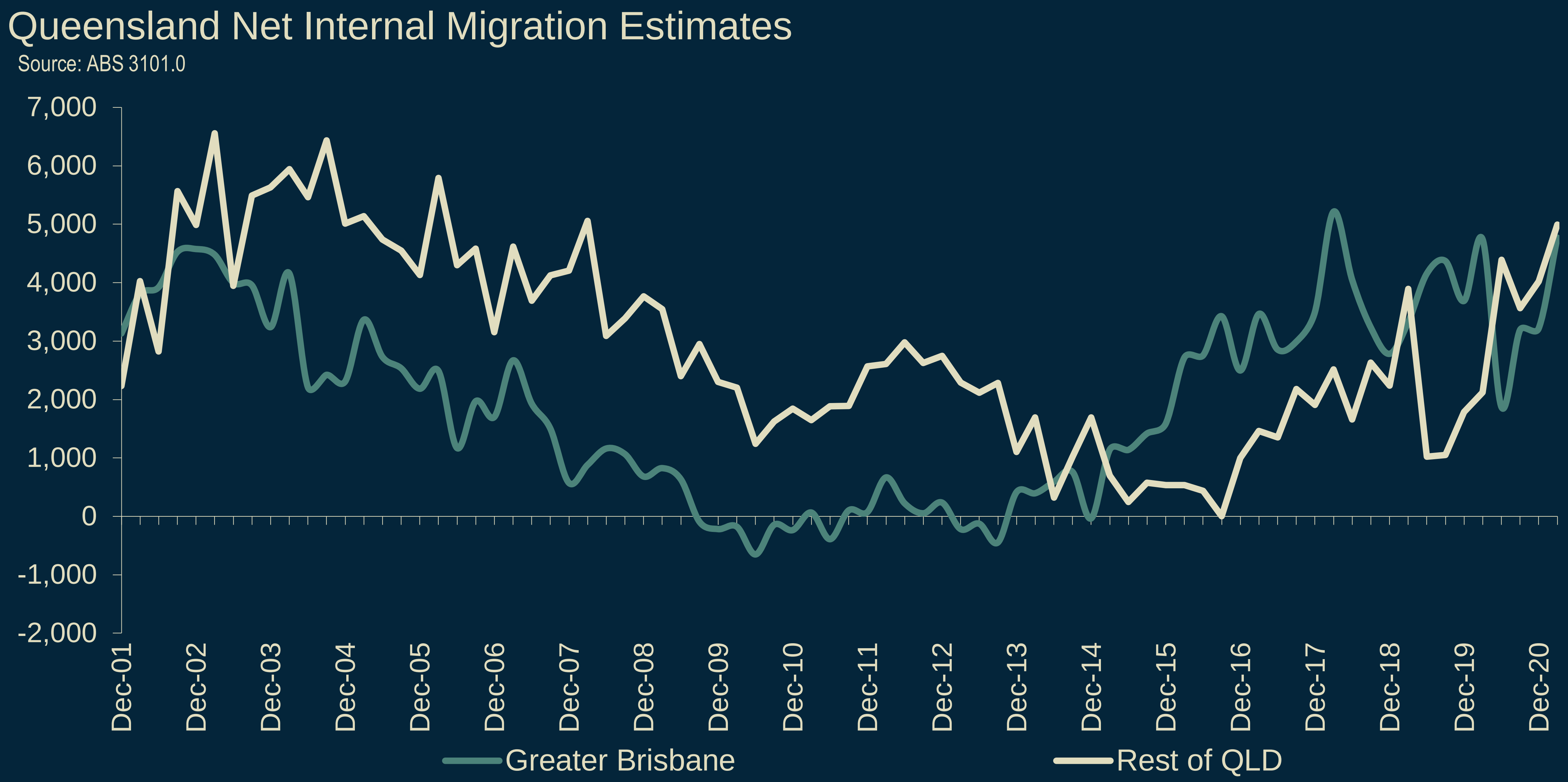
Exit from Sydney continues

ECONOMICS



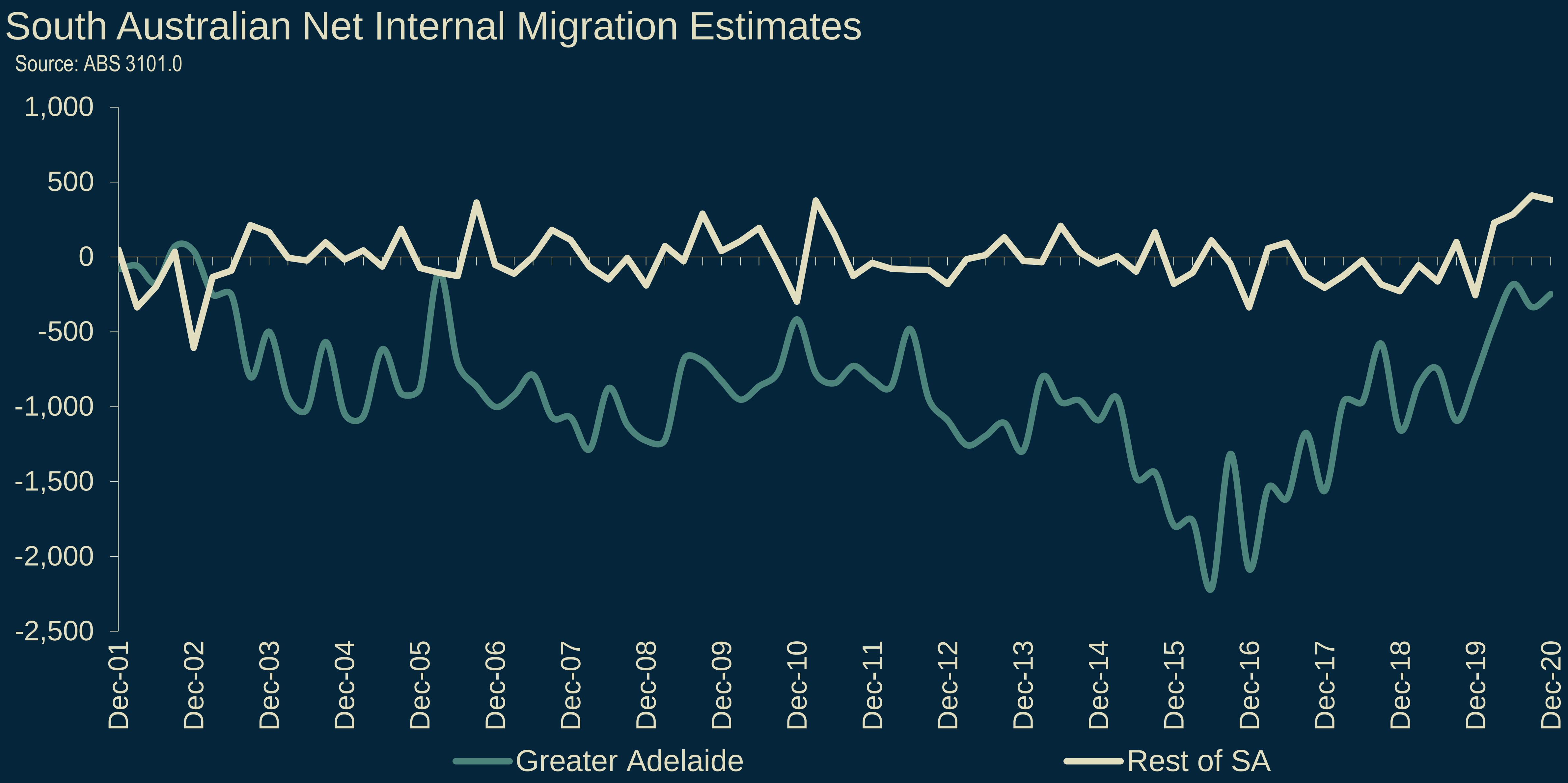
They moved to QLD

HIA ECONOMICS



and to Adelaide

ECONOMICS

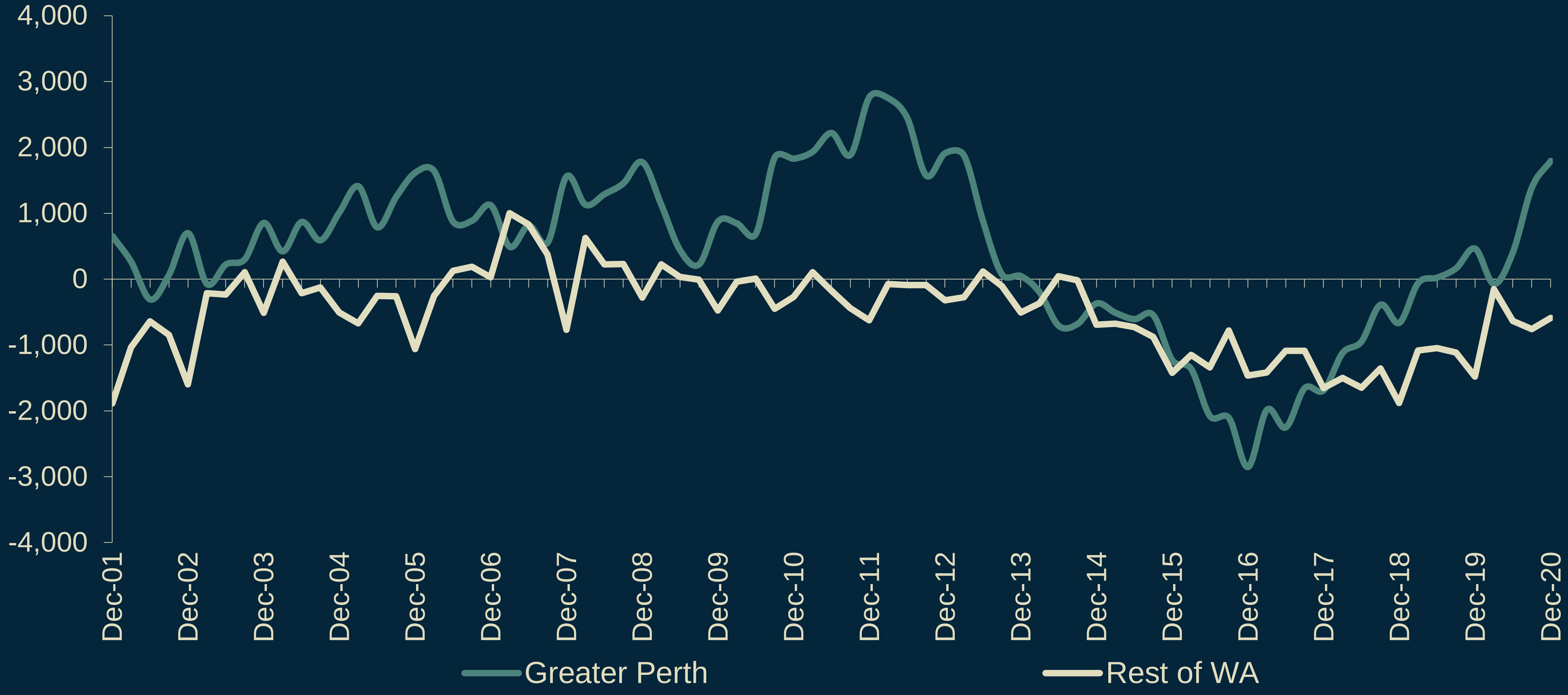


and WA

ECONOMICS

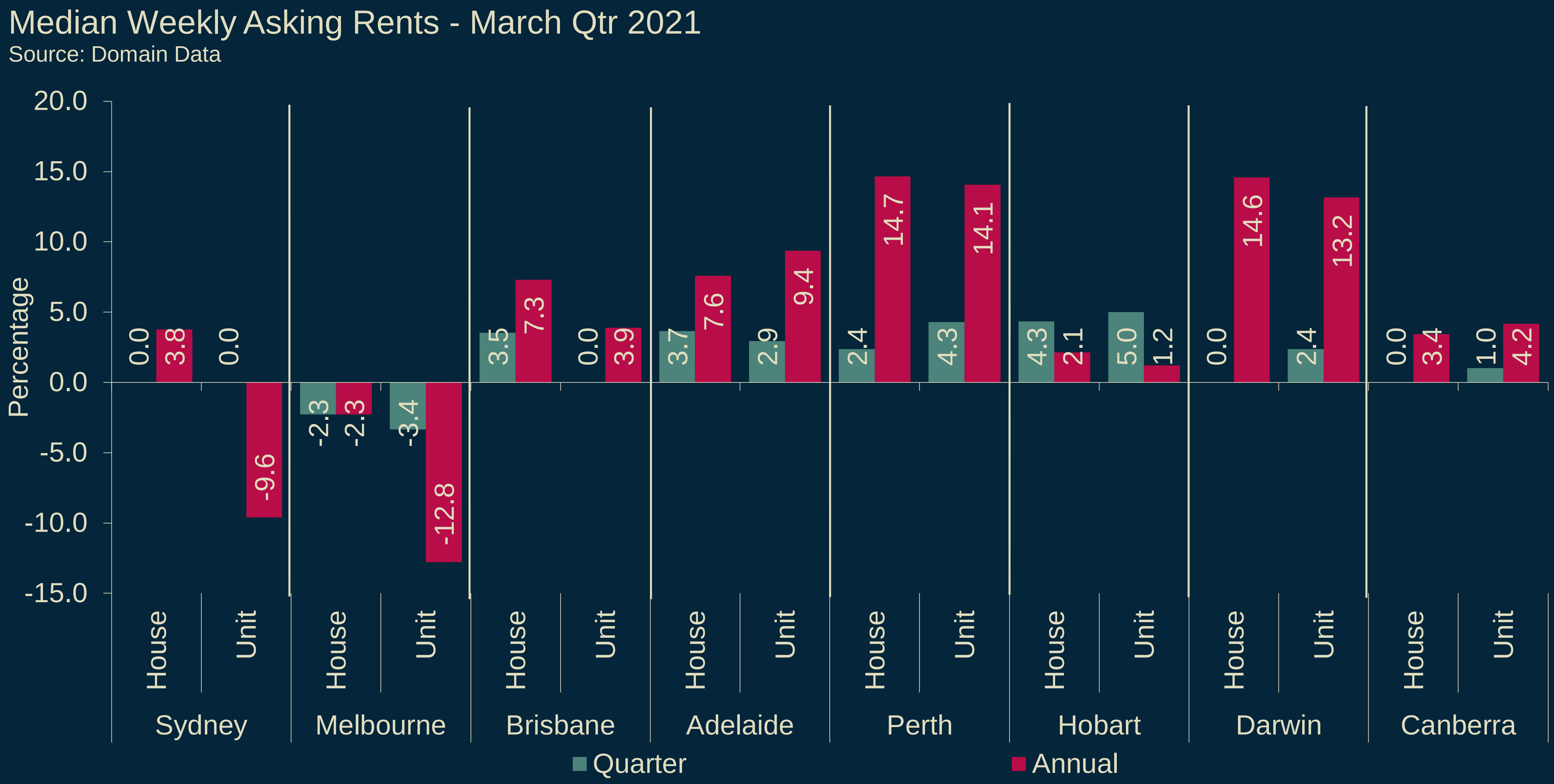
Western Australian Net Internal Migration Estimates

Source: ABS 3101.0



There is nowhere to rent (exc. Syd & Melb) Cam this be updated with something????

HIA ECONOMICS

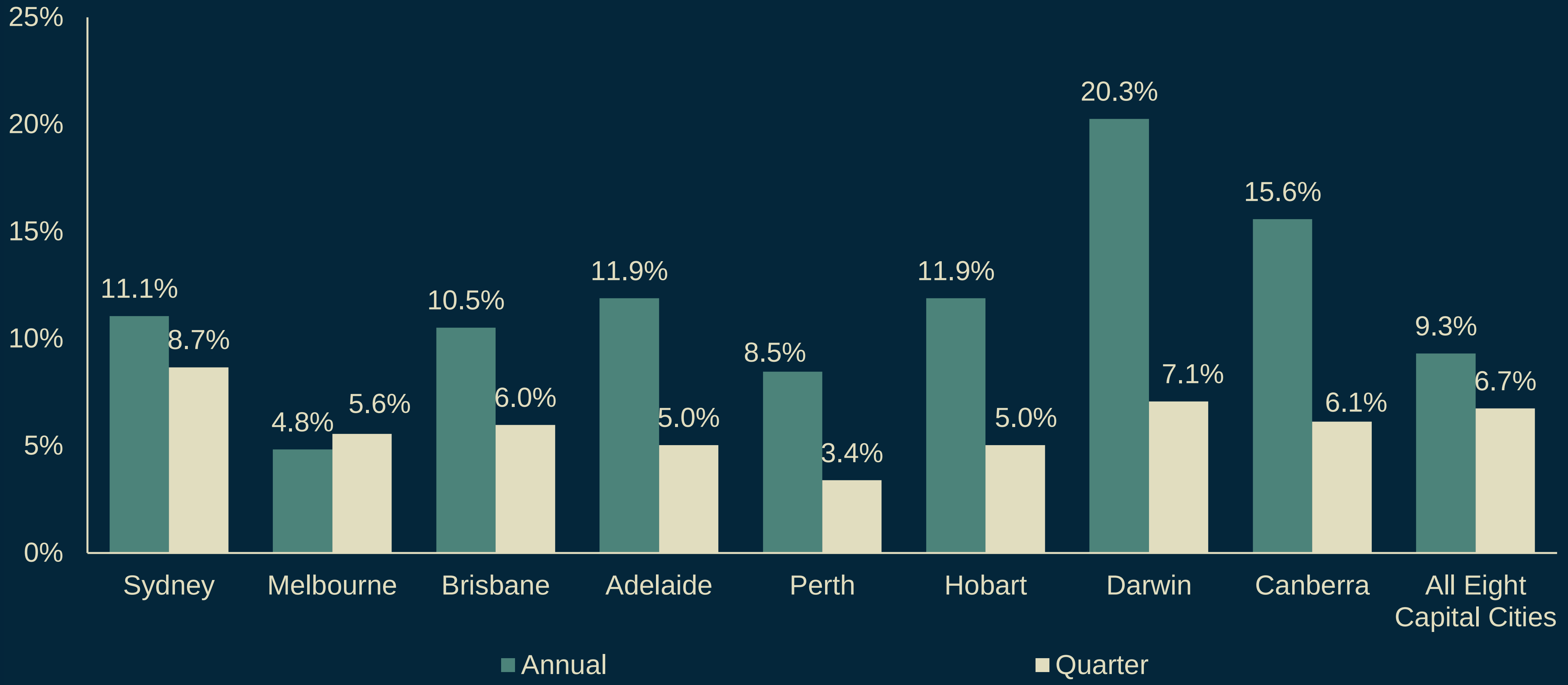


House Price Growth Shifts to Regions

HIA ECONOMICS

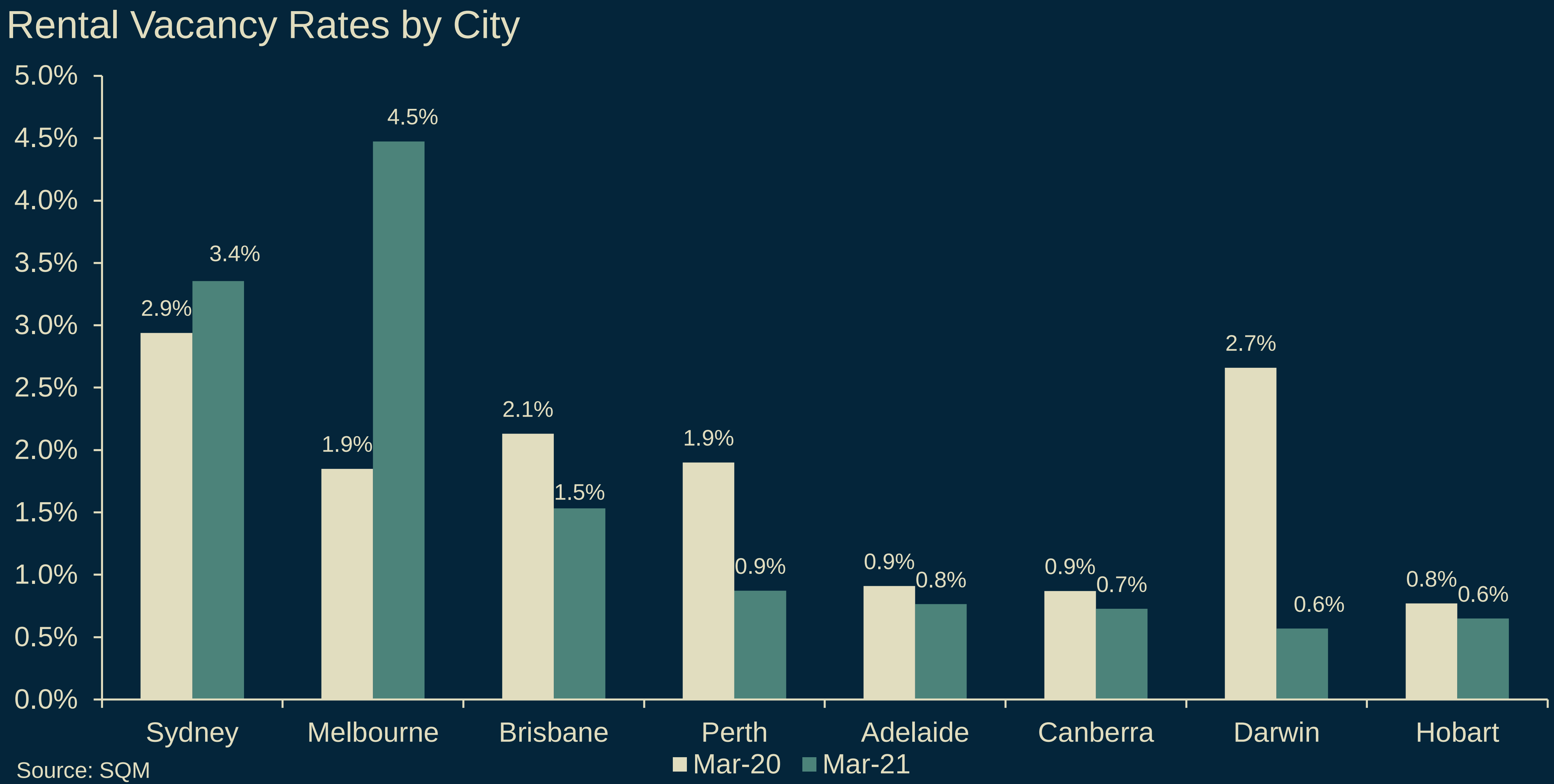
Dwelling Price Growth Rate by Capital City, May 2021

Source: CoreLogic



Fewer people in apartments

HIA ECONOMICS



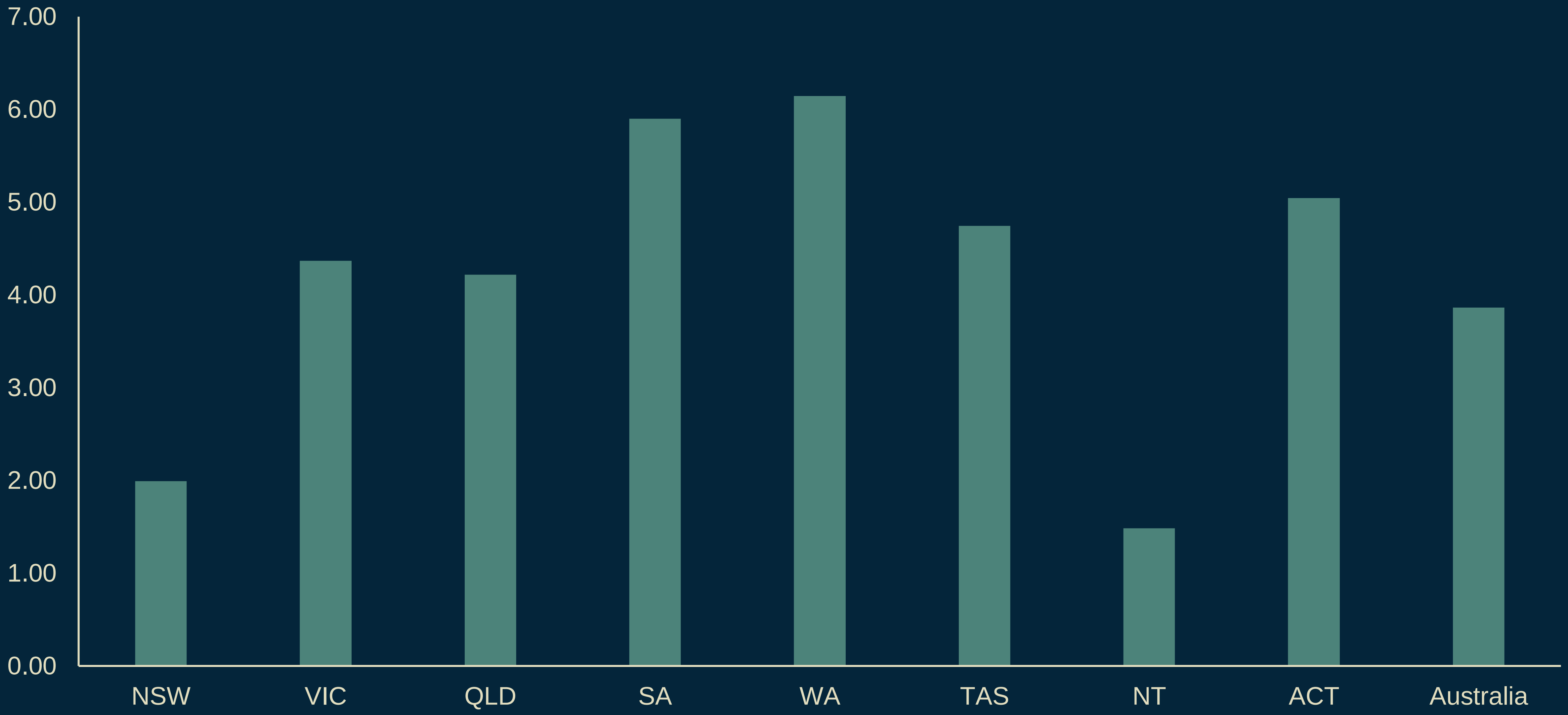
Source: SQM

NSW missed out on HB

ECONOMICS

HomeBuilder Applications for a NEW Home per 1,000 people

Source: HIA Economics

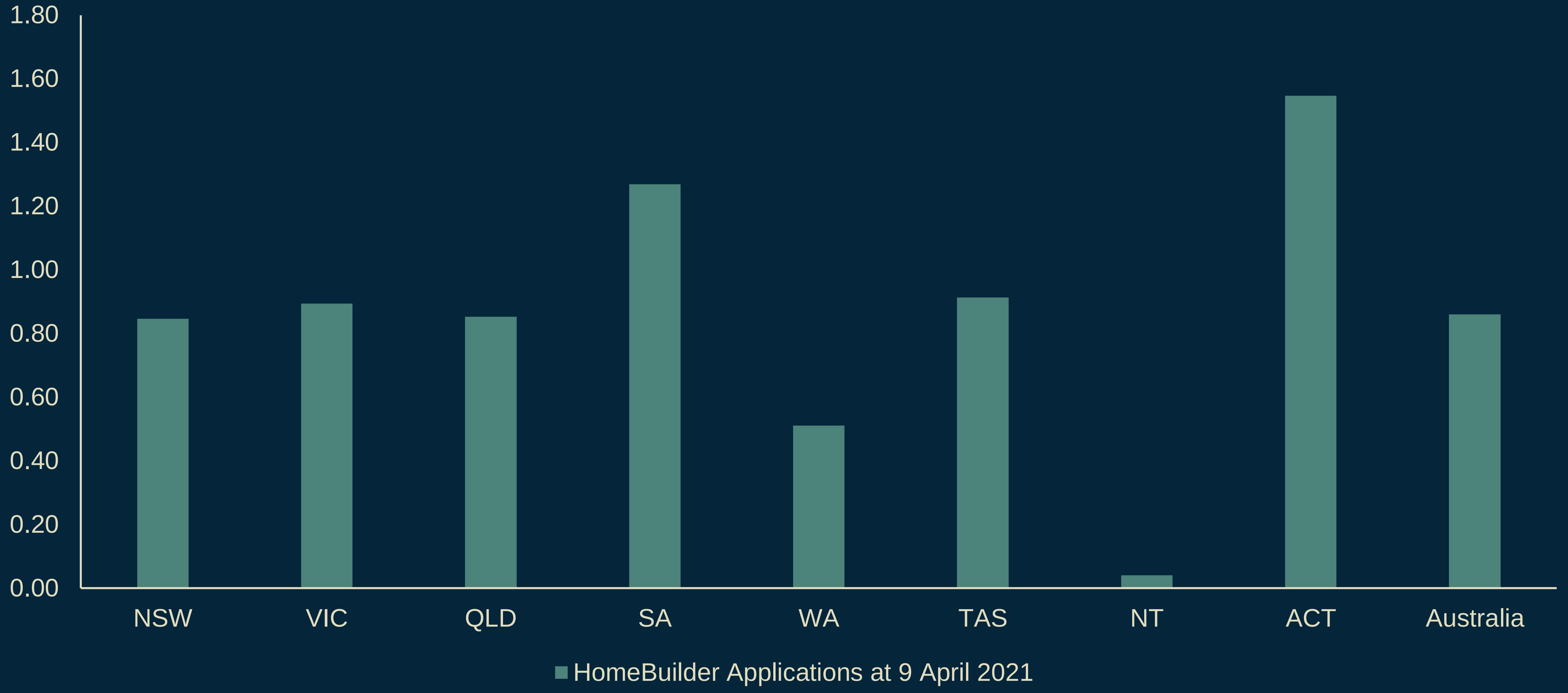


SA picked up most $/capita from HB

ECONOMICS

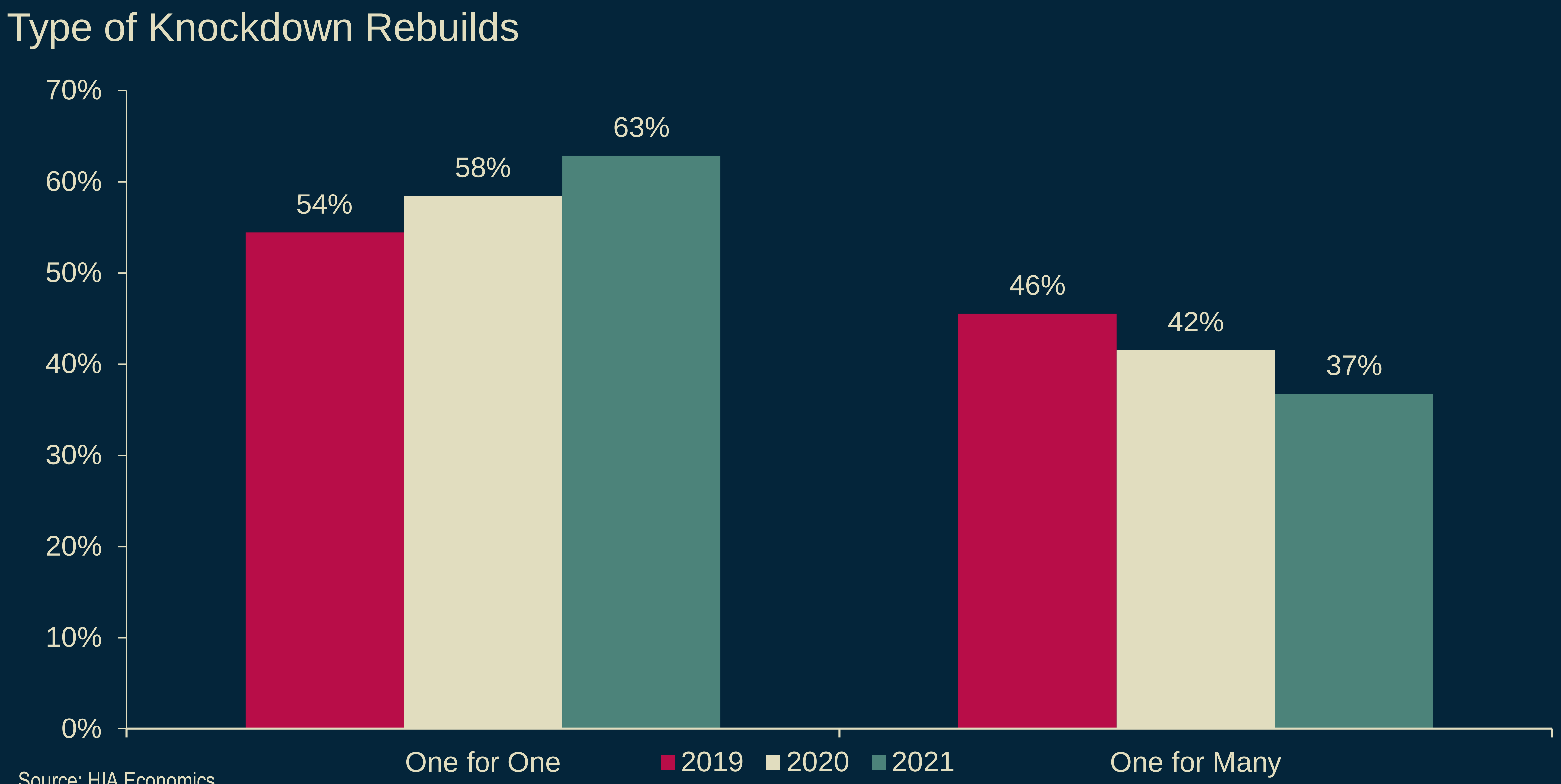
HomeBuilder applications for a renovation per 1,000 people

Source: HIA Economics



Knock-down rebuild mkt has changed

ECONOMICS



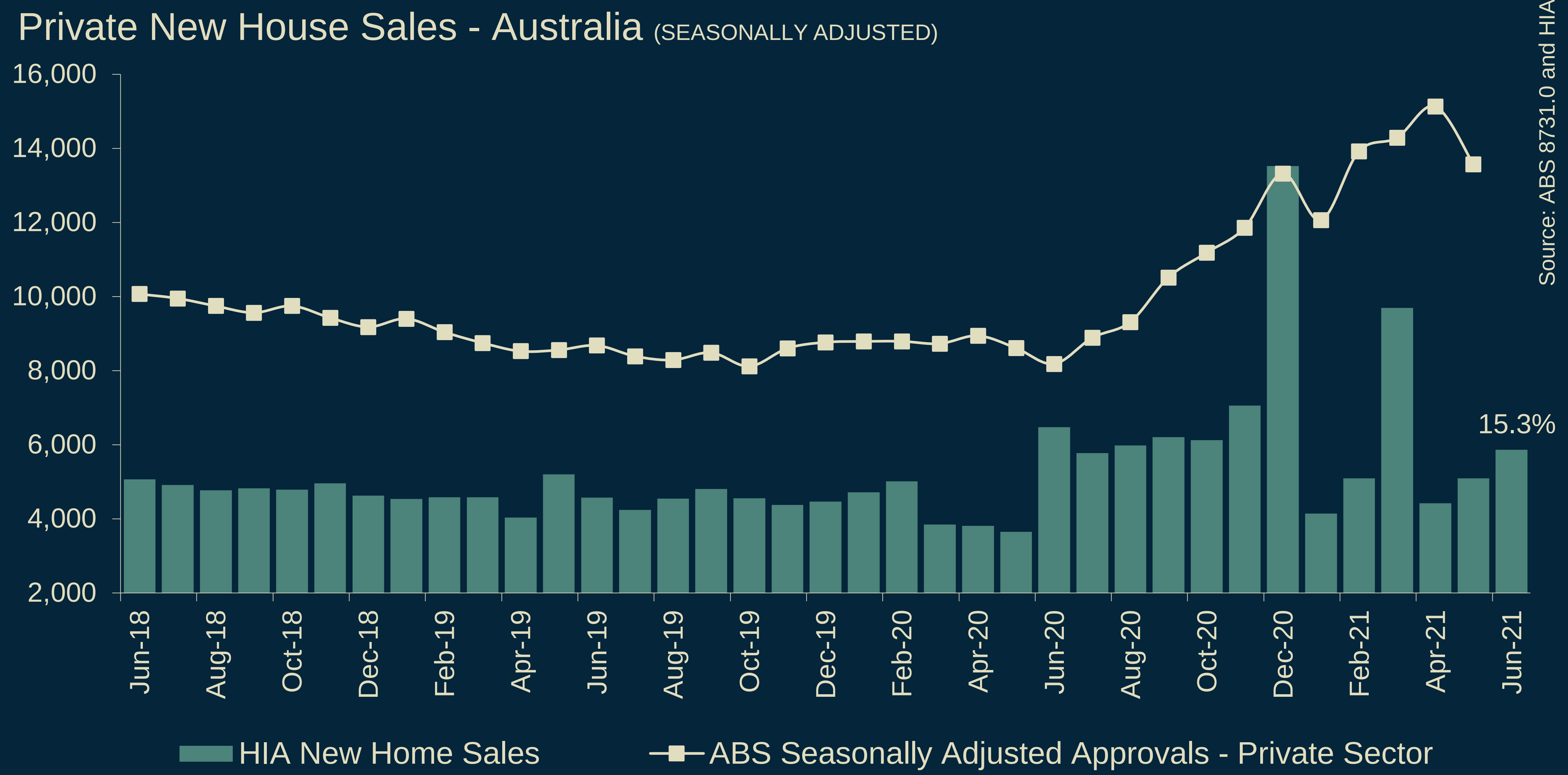
Source: HIA Economics

ECONOMICS

Latest Housing Data

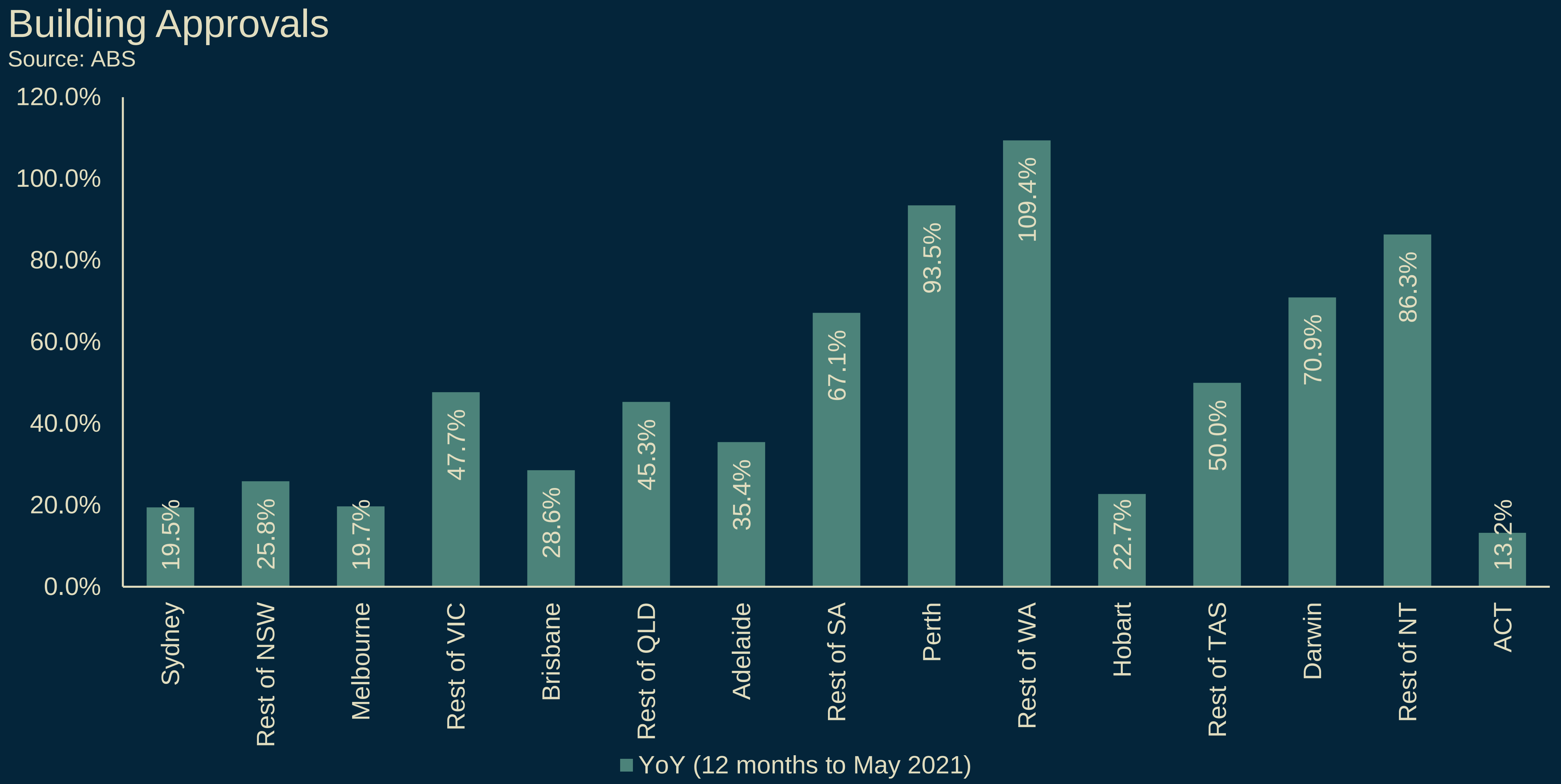
New Home Sales Remain Solid (interim result)

HIA ECONOMICS



Regional approvals outperforming metro

HIA ECONOMICS



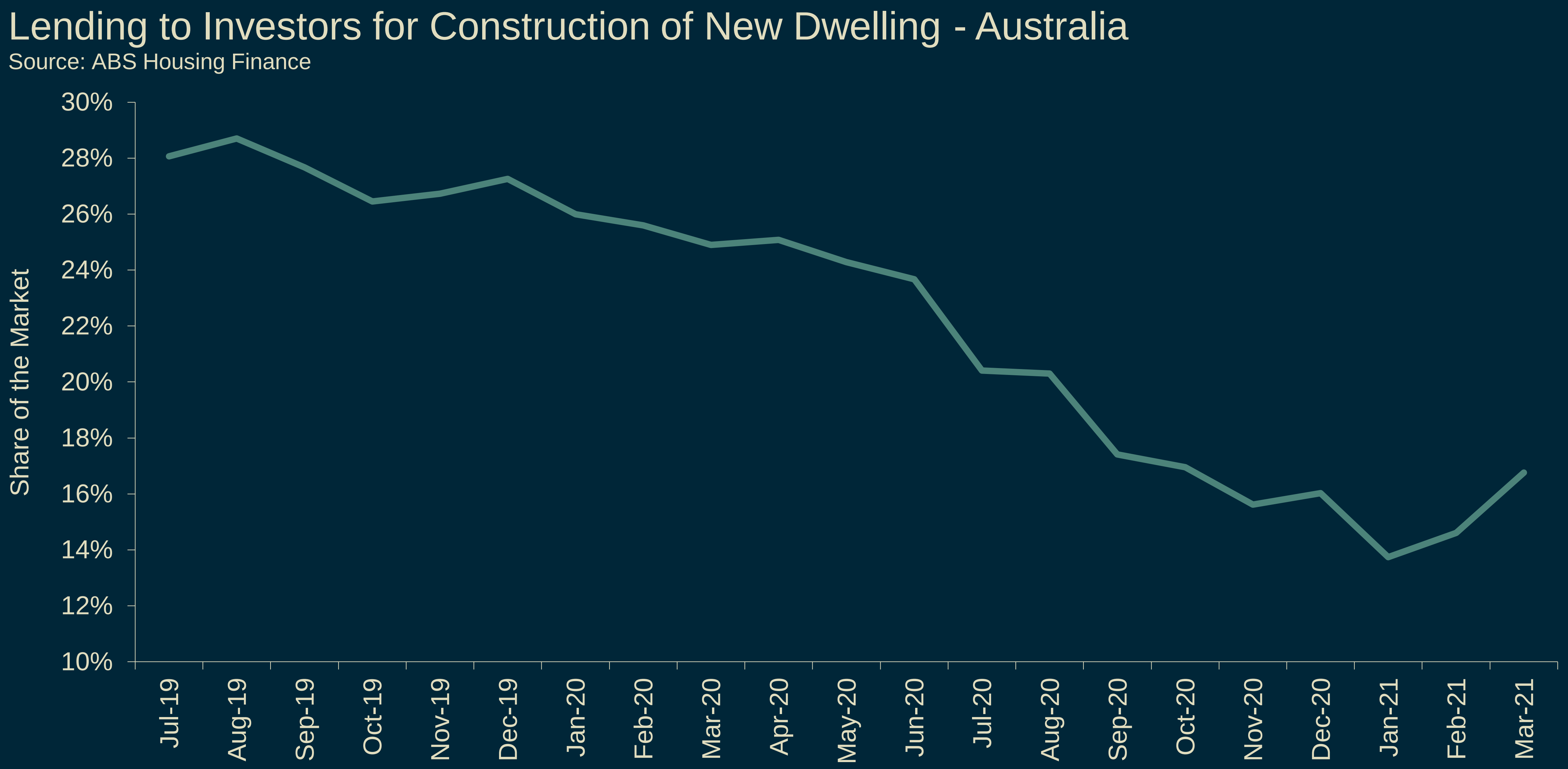
Who is buying new homes

Investors are back – mostly in existing

HIA ECONOMICS

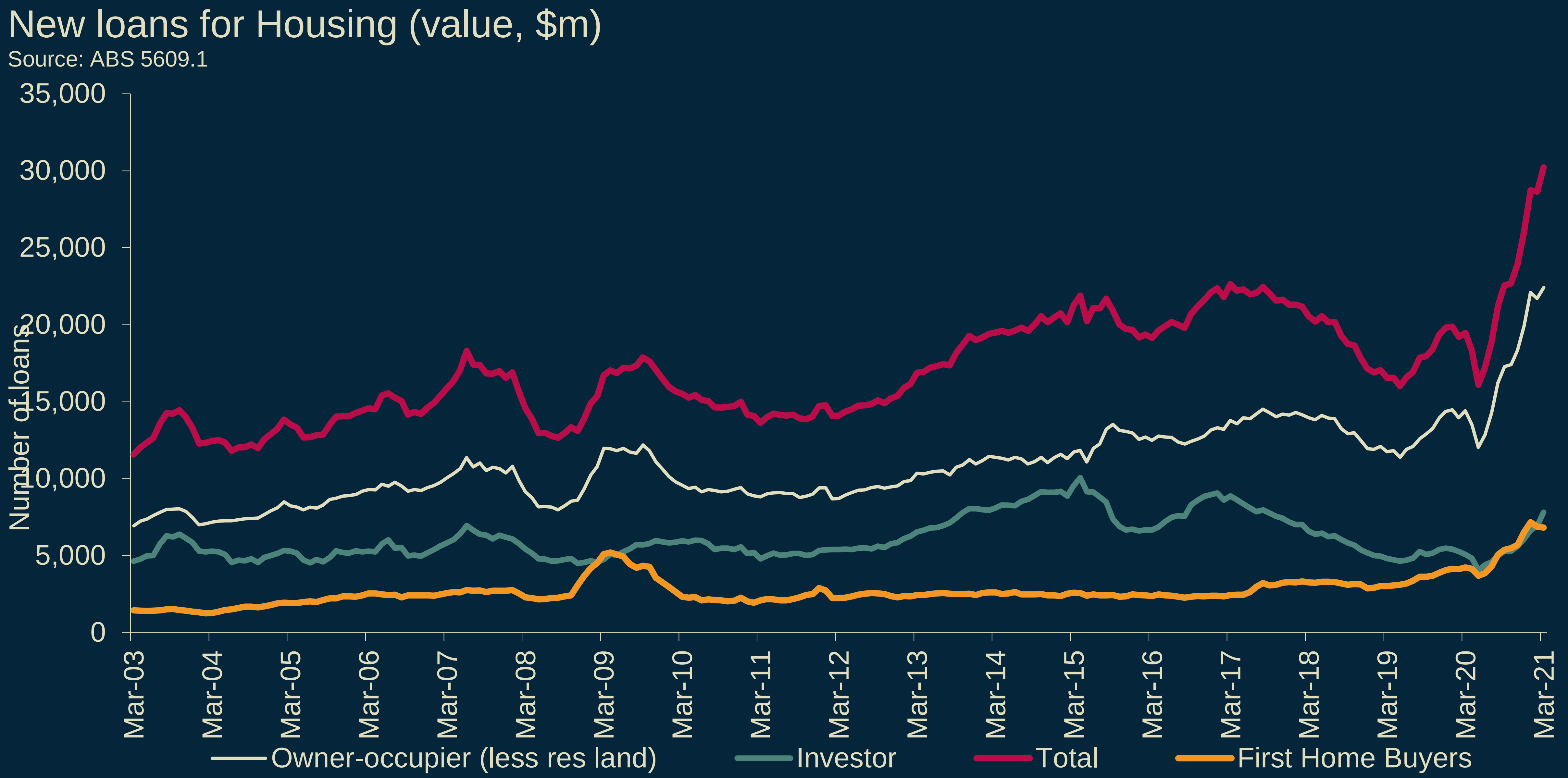
but they are starting to buy new

HIA ECONOMICS



Who is buying homes?

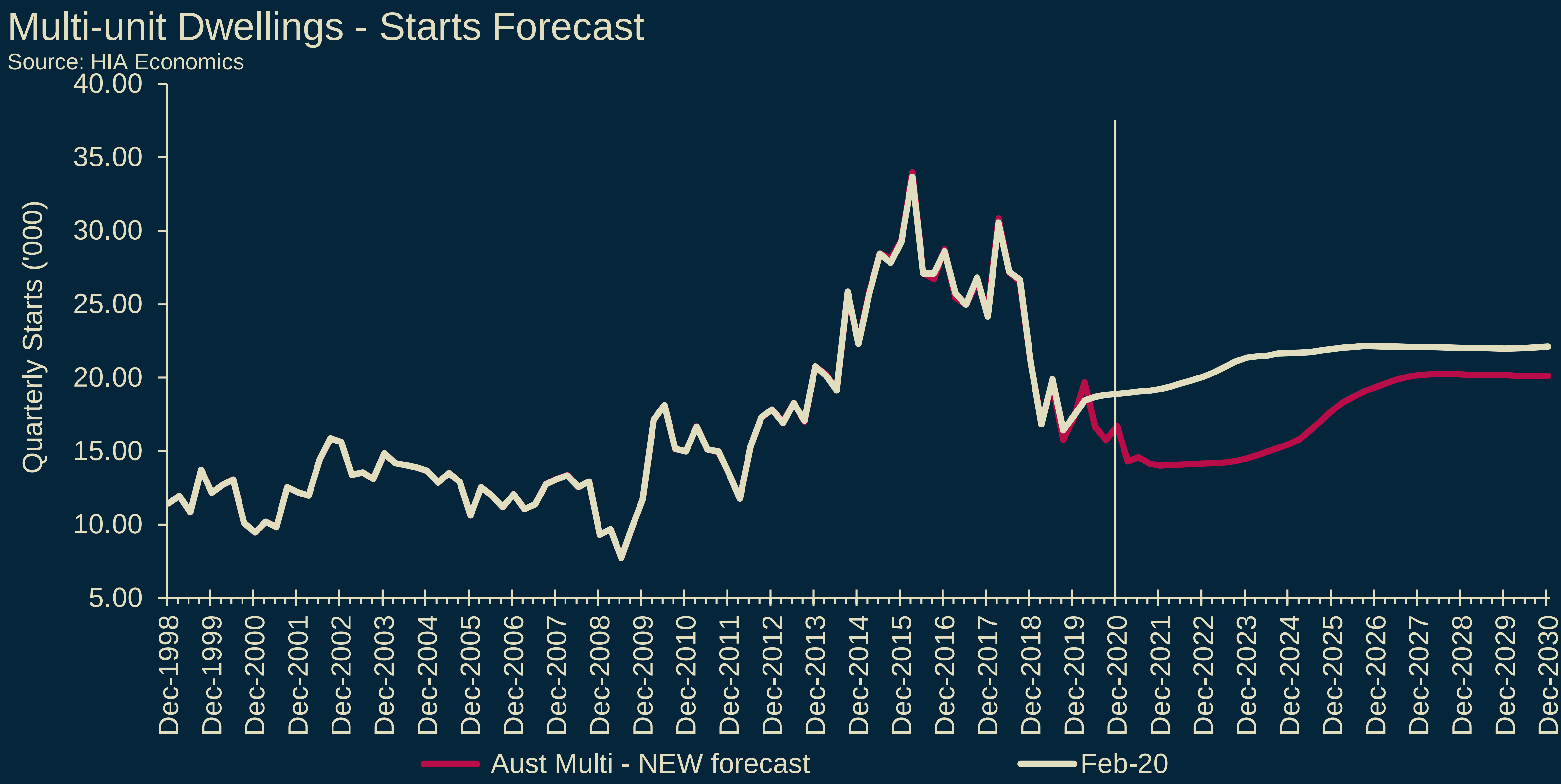
HIA ECONOMICS



Housing Forecasts

HIA Forecasts – Multi's Australia

HIA ECONOMICS

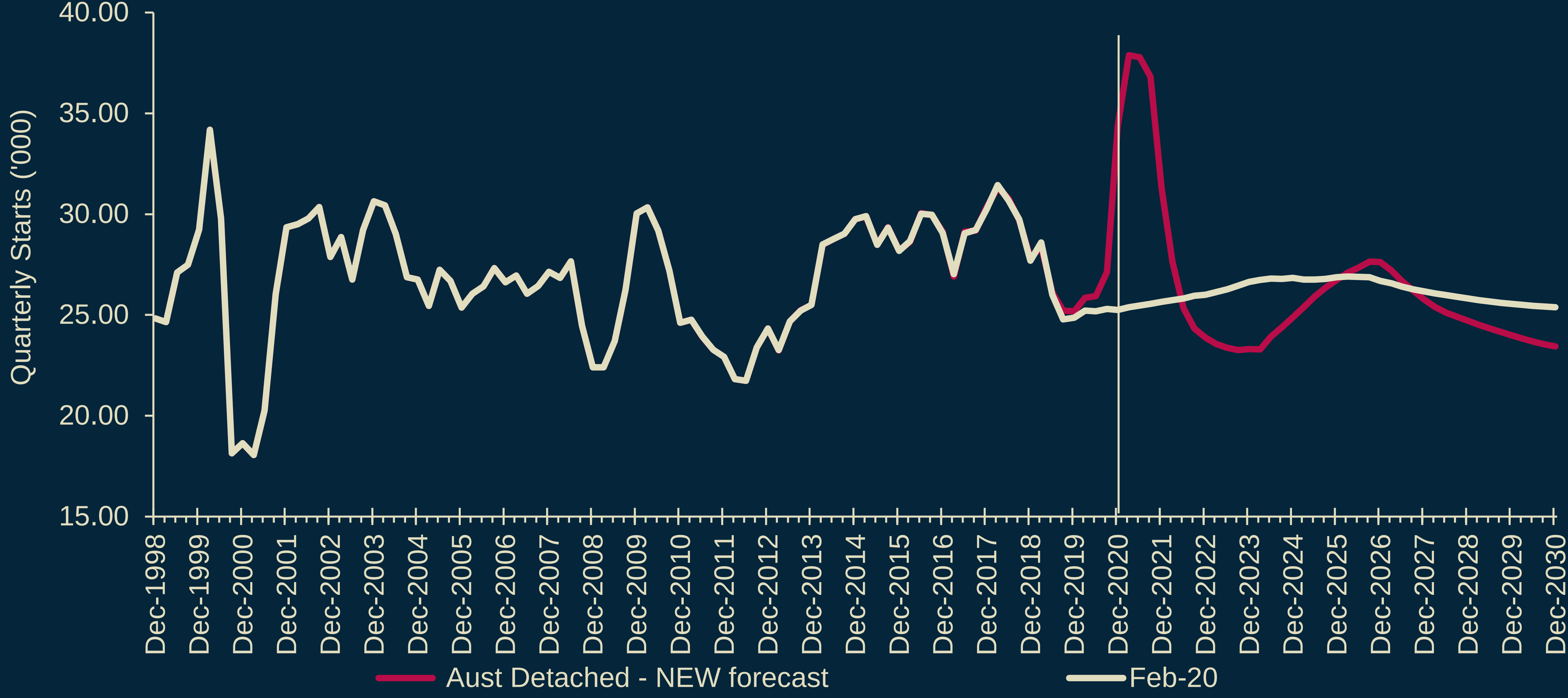


HIA Forecasts – Detached Australia

HIA ECONOMICS

Detached House Dwellings - Starts Forecast

Source: HIA Economics



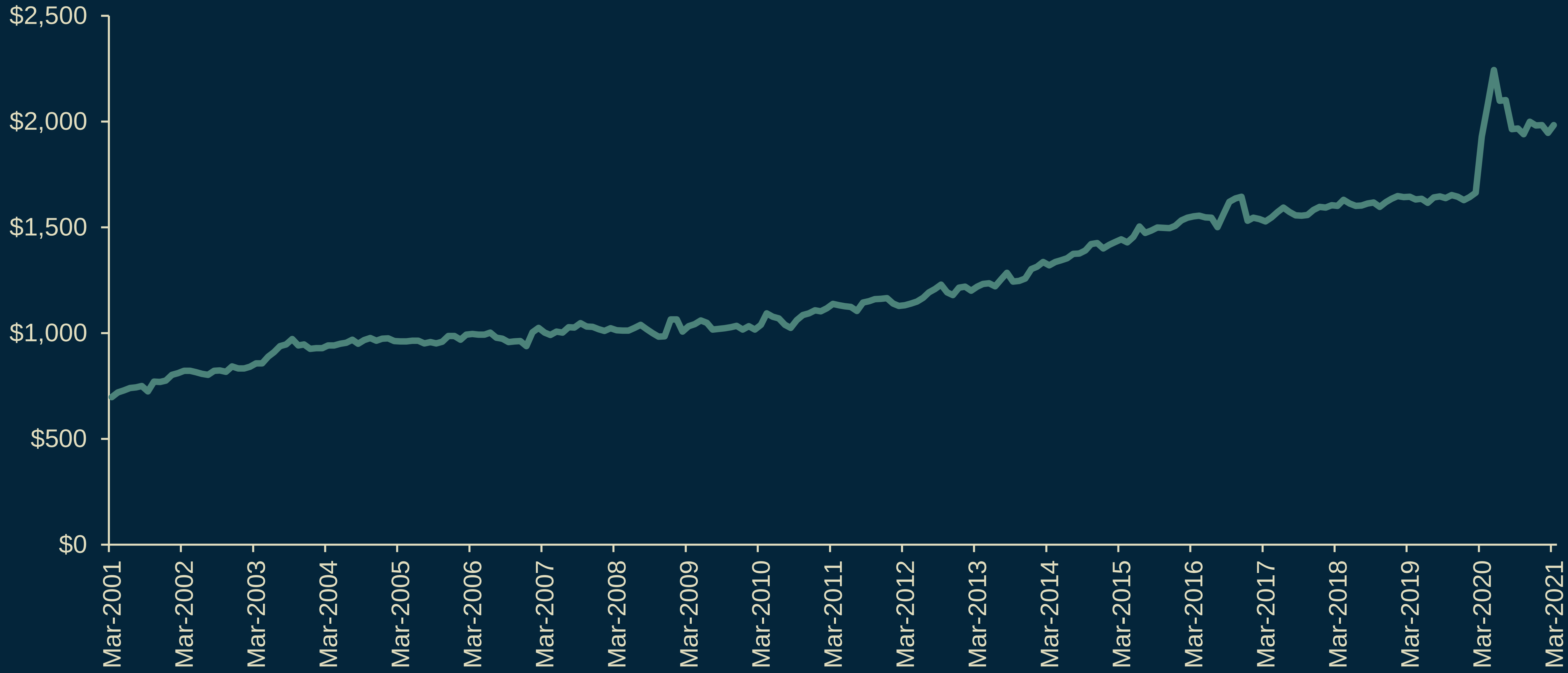
Renovations

Hardware spend up 25%

HIA ECONOMICS

Retail Trade, $M, 'Hardware, Building, Garden Supplies Retailing' Only

Source: ABS



Australian’s have saved like never before

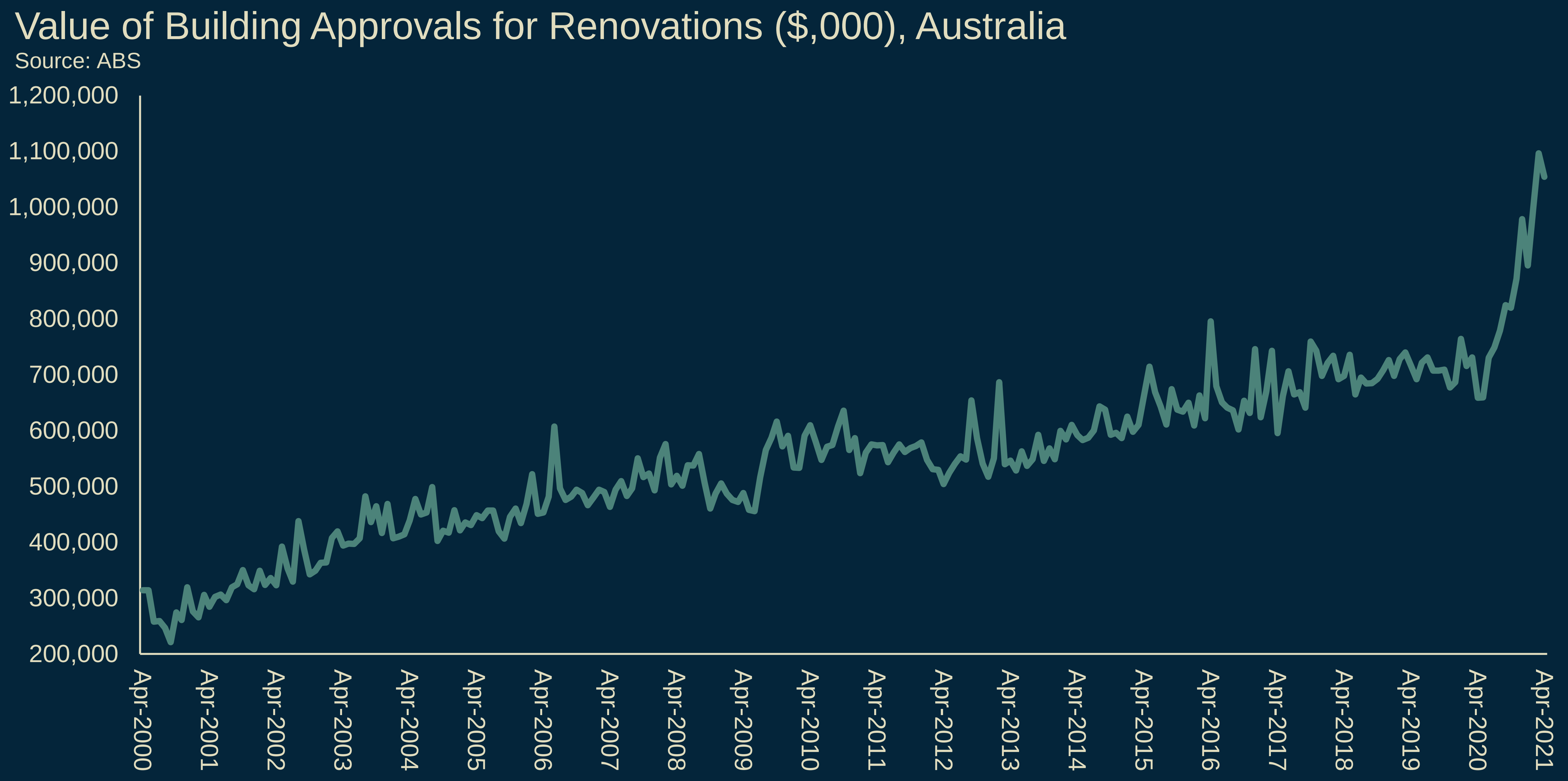
ECONOMICS

Household Savings Rate

Source: HIA Economics, ABS 5206

Approvals for Reno's at record high

ECONOMICS

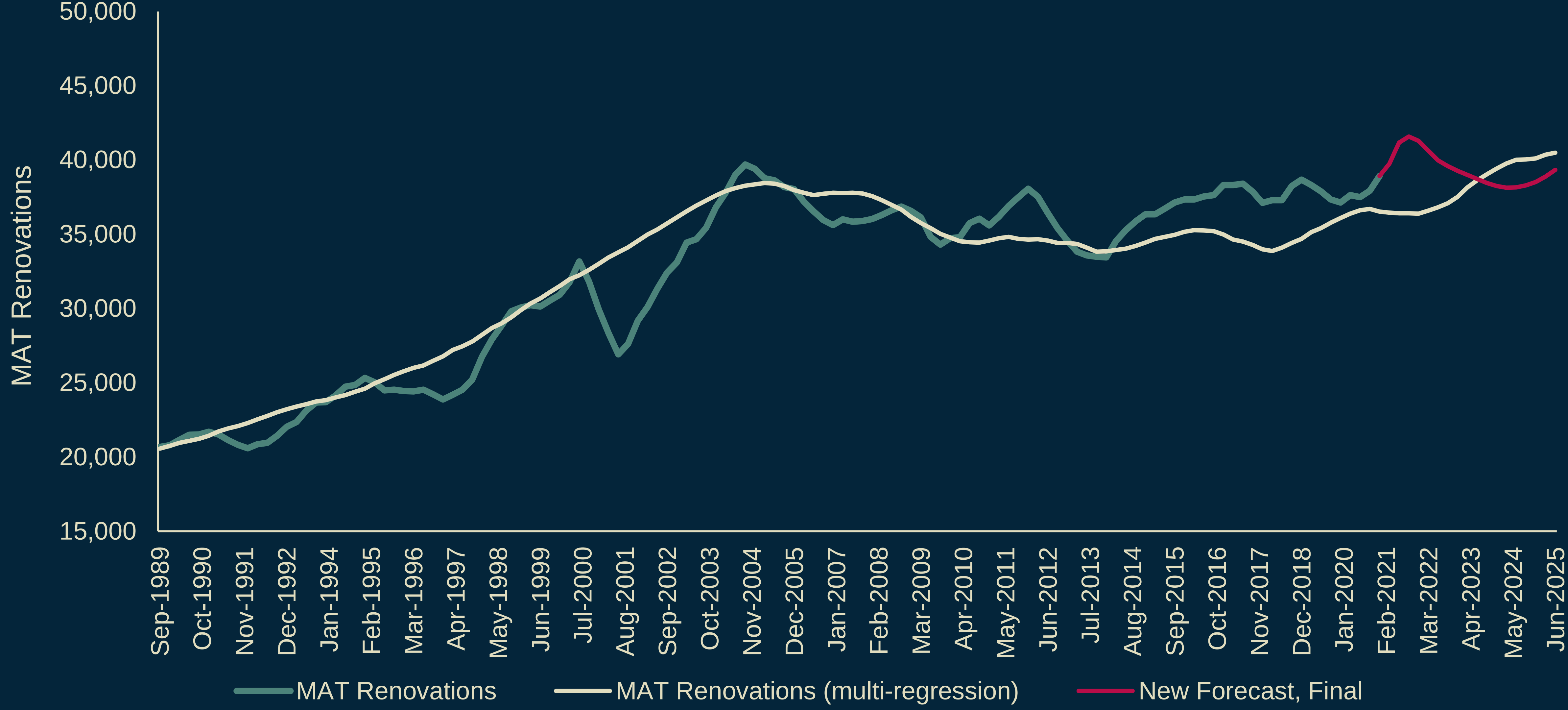


Renovations record to continue

ECONOMICS

Renovations vs Housing Stock, Australia

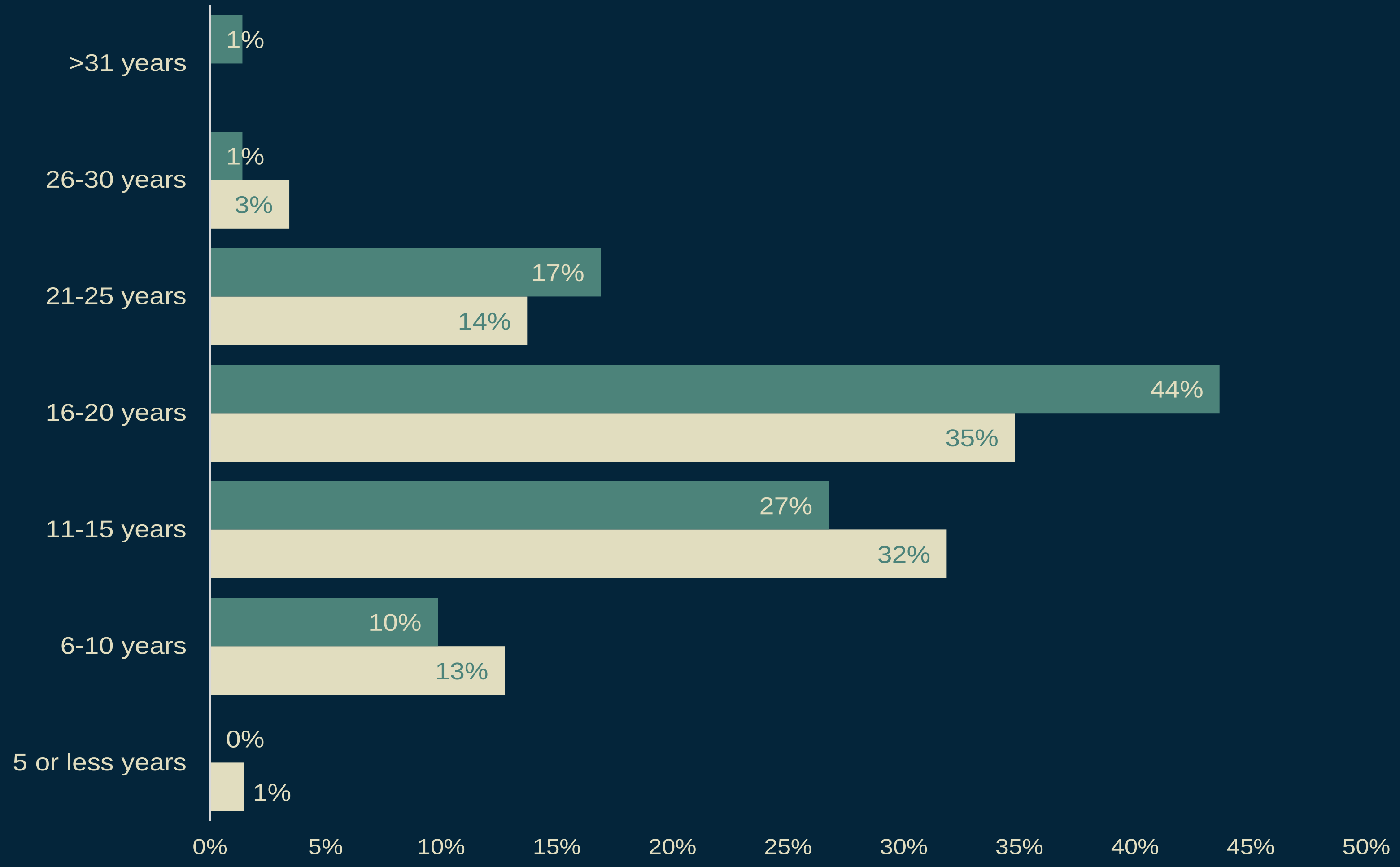
Source: ABS



Kitchen upgrades are occurring sooner

ECONOMICS

We wish to know how frequently homeowners upgrade their kitchens. What is your estimate of the average age of the kitchen you replace or modify?

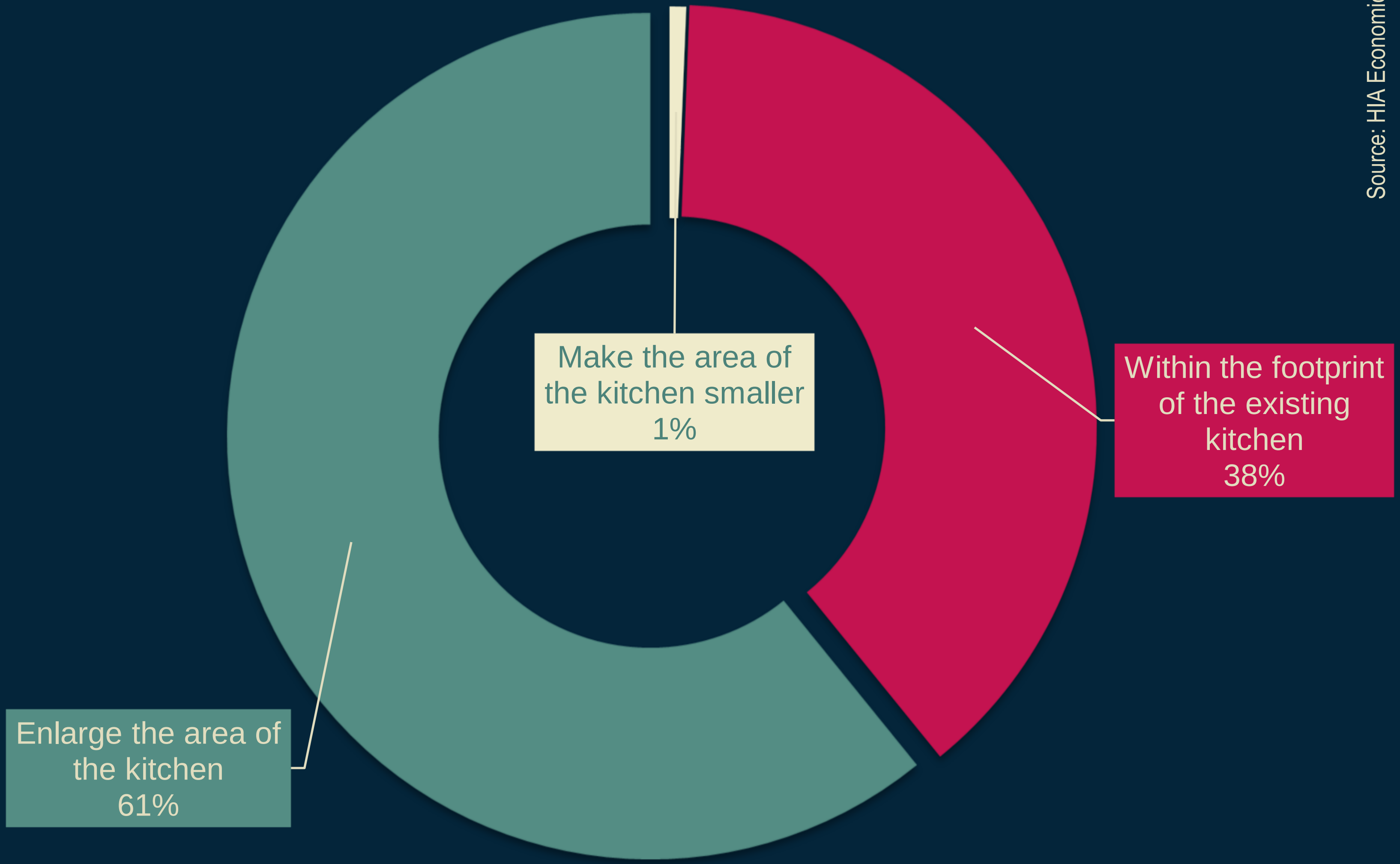


Source: HIA Economics

Kitchens are getting larger

ECONOMICS

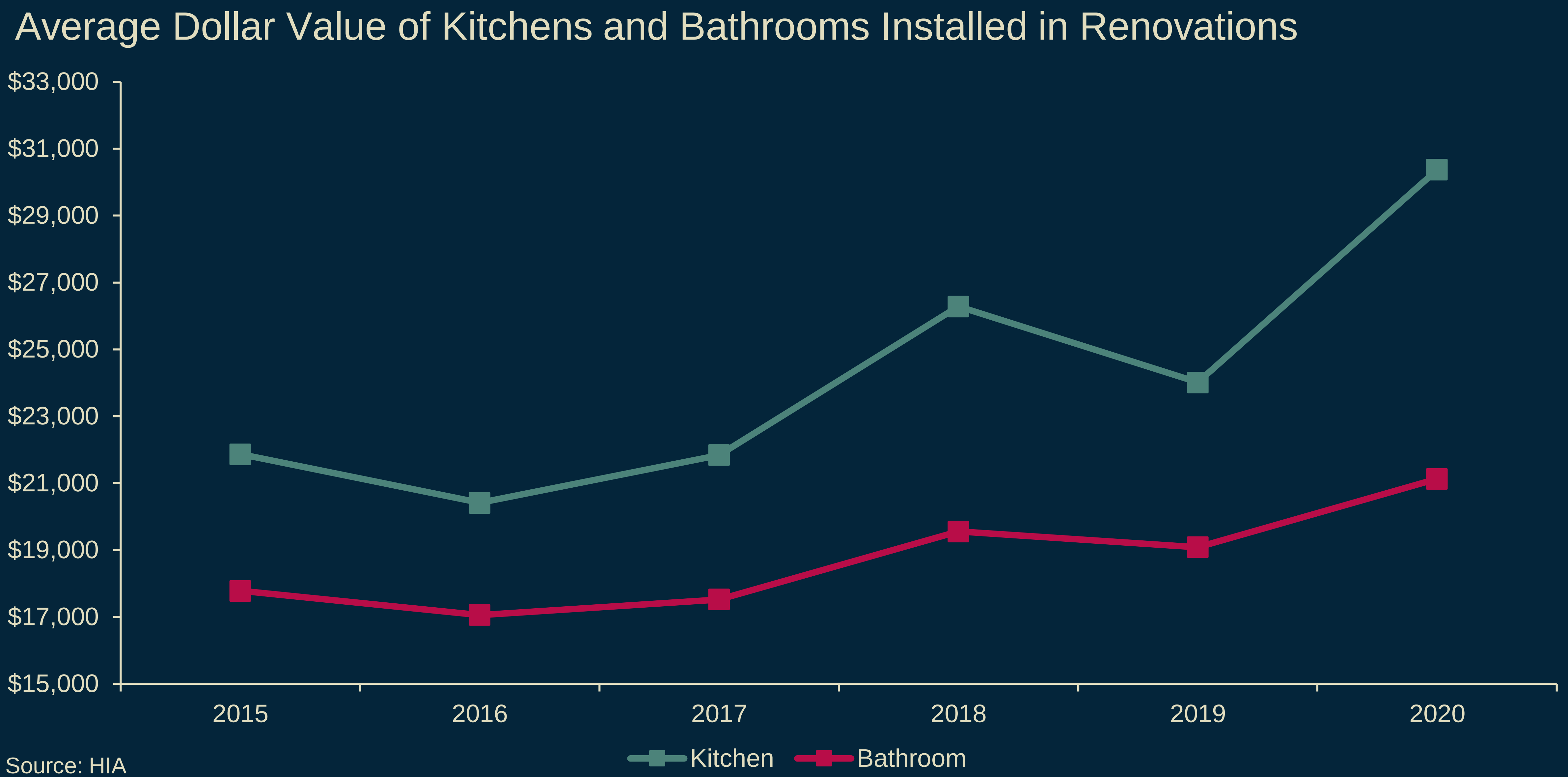
With regards to the size of kitchens you have renovated which of the following best describes your typical job:



Source: HIA Economics

They became $5k more expensive

HIA ECONOMICS

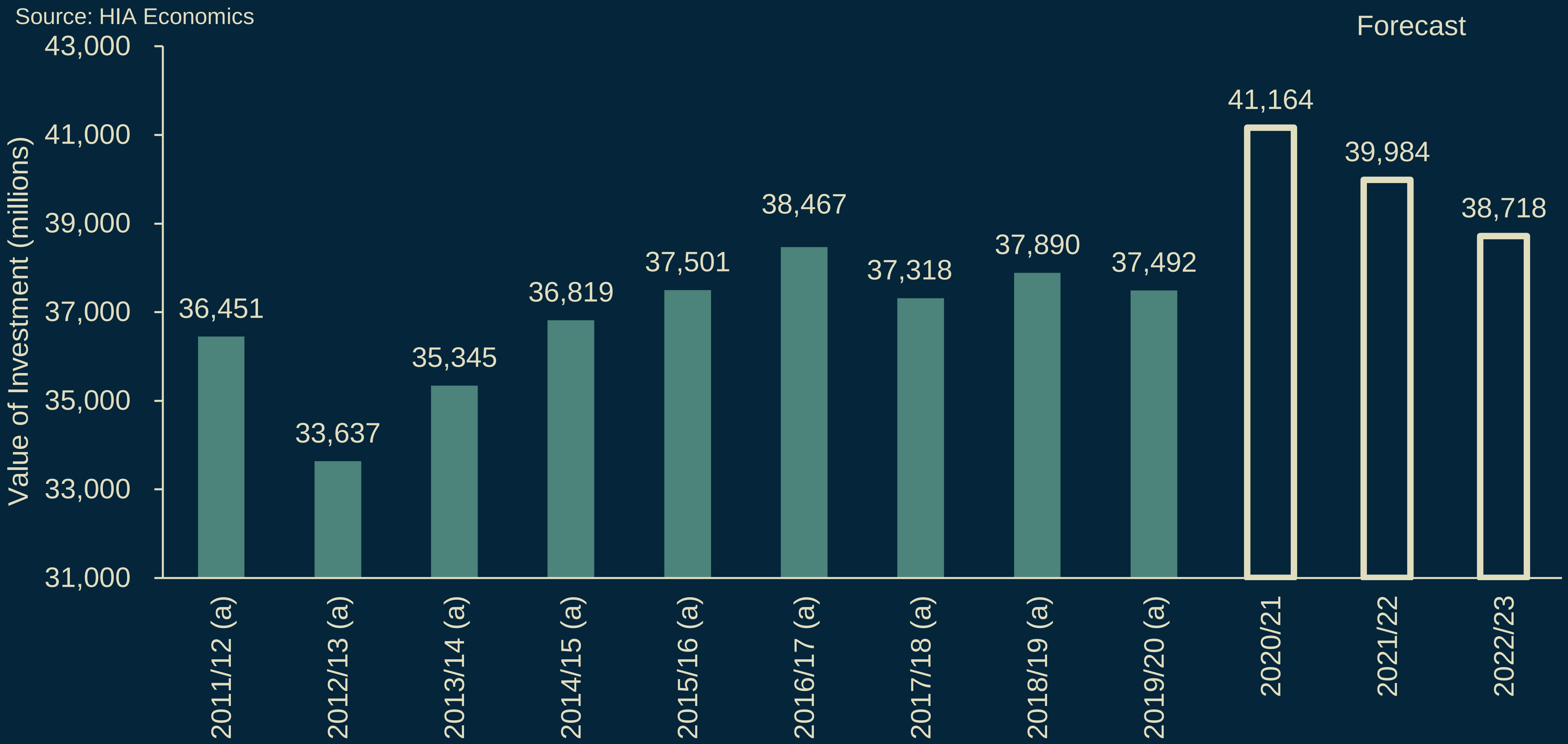


Source: HIA

HIA Renovation Forecasts

ECONOMICS

Australia HIA Renovations Forecasts



Supply Chain Challenges

Land, Labour Lumber

Tightest labour market in 20 years

HIA ECONOMICS

HIA Trades Availability Index by Trade

	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Quarterly Movement in Availability
Bricklaying	-0.92	-1.13	-0.94	-0.64	-0.96	-0.55	-0.59	-0.64	-0.46	-0.53	-0.51	-0.94	-1.13	↓
Carpentry	-0.36	-0.62	-0.46	-0.34	-0.42	-0.03	-0.05	-0.20	0.08	-0.15	0.27	-0.57	-0.74	↓
Ceramic Tiling	-0.50	-0.64	-0.64	-0.59	-0.83	-0.38	-0.40	-0.52	-0.24	-0.35	-0.37	-0.68	-0.80	↓
Electrical	0.06	0.07	0.04	0.12	-0.09	0.27	0.17	0.23	0.35	0.20	0.27	-0.01	-0.17	↓
General Building	0.08	-0.16	-0.18	0.00	-0.28	0.13	0.11	0.11	0.14	0.12	0.35	-0.23	-0.47	↓
Joinery	-0.09	-0.13	-0.23	-0.06	-0.16	0.06	-0.05	-0.05	0.15	-0.01	0.15	-0.21	-0.38	↓
Landscaping	-0.22	-0.04	-0.14	-0.03	-0.02	0.36	-0.08	0.09	0.10	0.06	0.29	-0.17	-0.32	↓
Other Trades	-0.39	-0.58	-0.24	-0.39	-0.57	-0.29	-0.30	-0.12	0.03	-0.11	0.33	-0.43	-0.75	↓
Painting	-0.09	-0.18	-0.15	0.01	-0.11	0.08	-0.02	0.11	0.14	0.06	0.19	-0.25	-0.47	↓
Plastering	-0.43	-0.45	-0.37	-0.27	-0.50	-0.02	-0.26	-0.23	-0.10	-0.12	-0.06	-0.32	-0.51	↓
Plumbing	-0.04	-0.25	-0.09	-0.01	-0.08	0.10	0.07	0.11	0.24	0.05	0.25	0.00	-0.29	↓
Roofing	-0.19	-0.41	-0.34	-0.29	-0.36	-0.11	-0.25	-0.25	-0.18	-0.14	-0.13	-0.46	-0.79	↓
Site Preparation	-0.14	-0.24	-0.02	-0.05	-0.15	0.17	0.00	0.09	0.10	0.06	0.22	-0.16	-0.35	↓
All trades	-0.25	-0.37	-0.29	-0.20	-0.36	-0.02	-0.13	-0.10	0.03	-0.07	0.12	-0.35	-0.55	↓

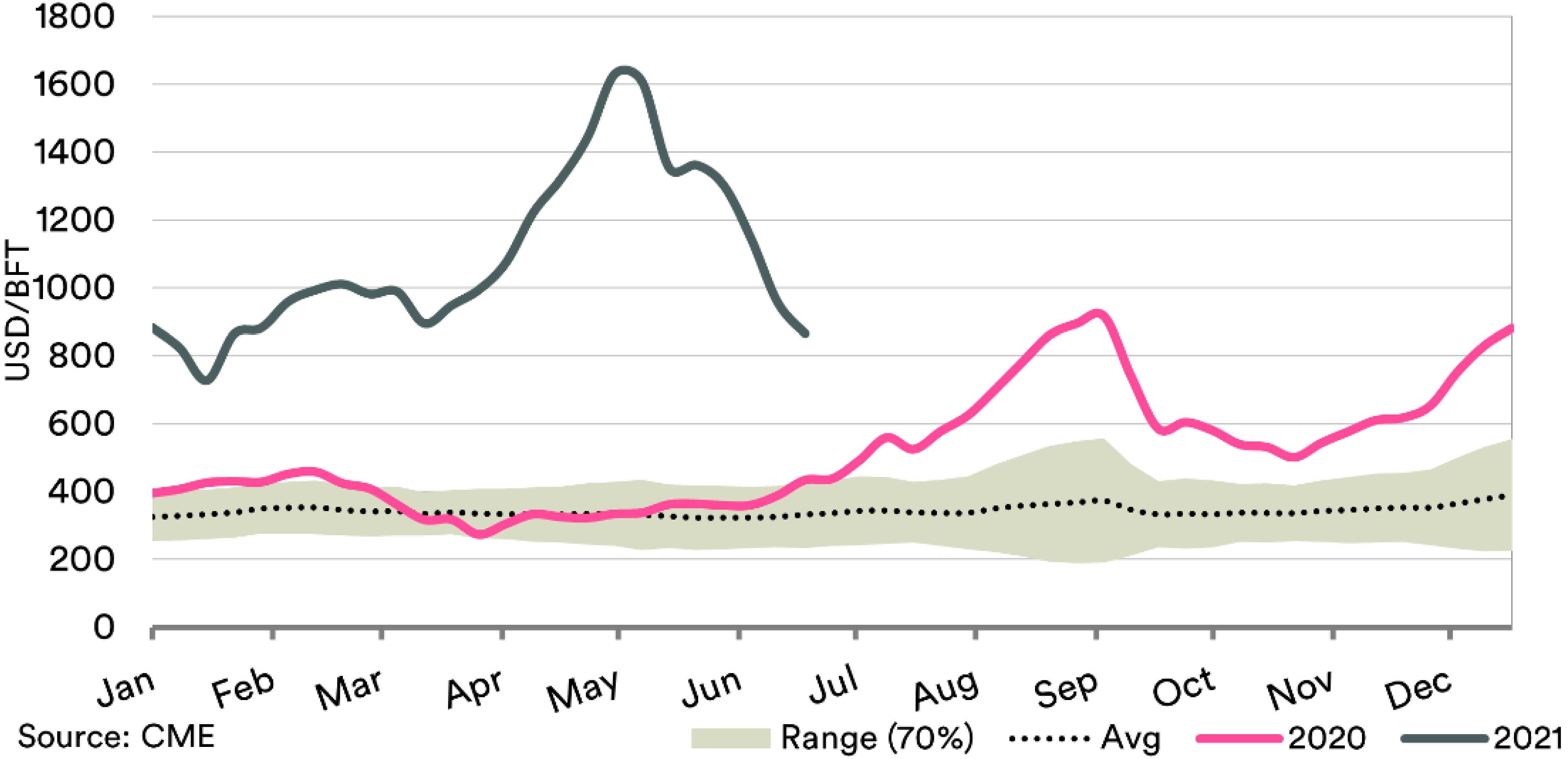
Source: HIA Trades Report

Timber market cycle 2021/22

Timberrrrrrr

ECONOMICS

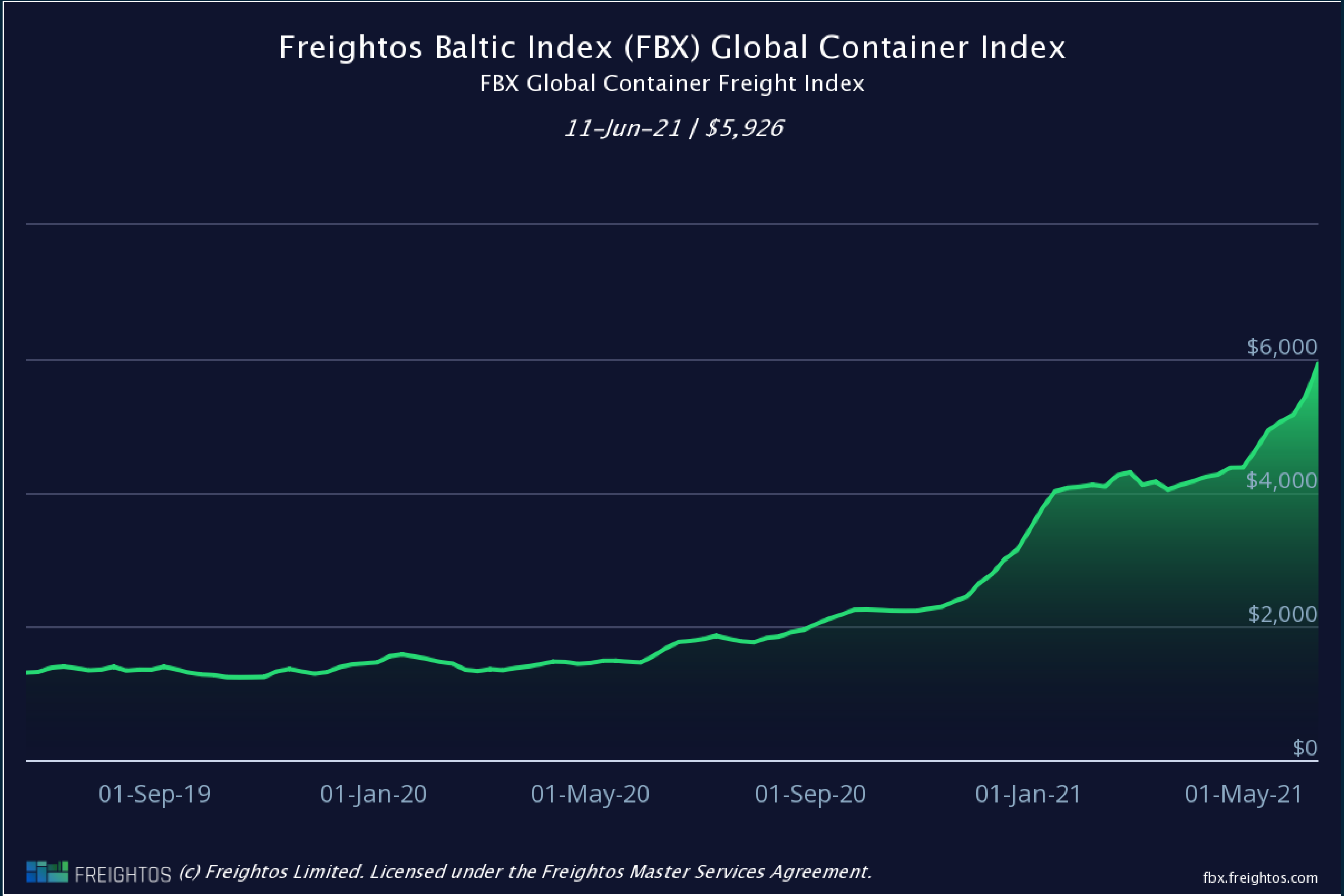
Lumber Futures (spot) - 2010 to present



Source: CME

Shipping containers $ tripled and rising

HIA ECONOMICS



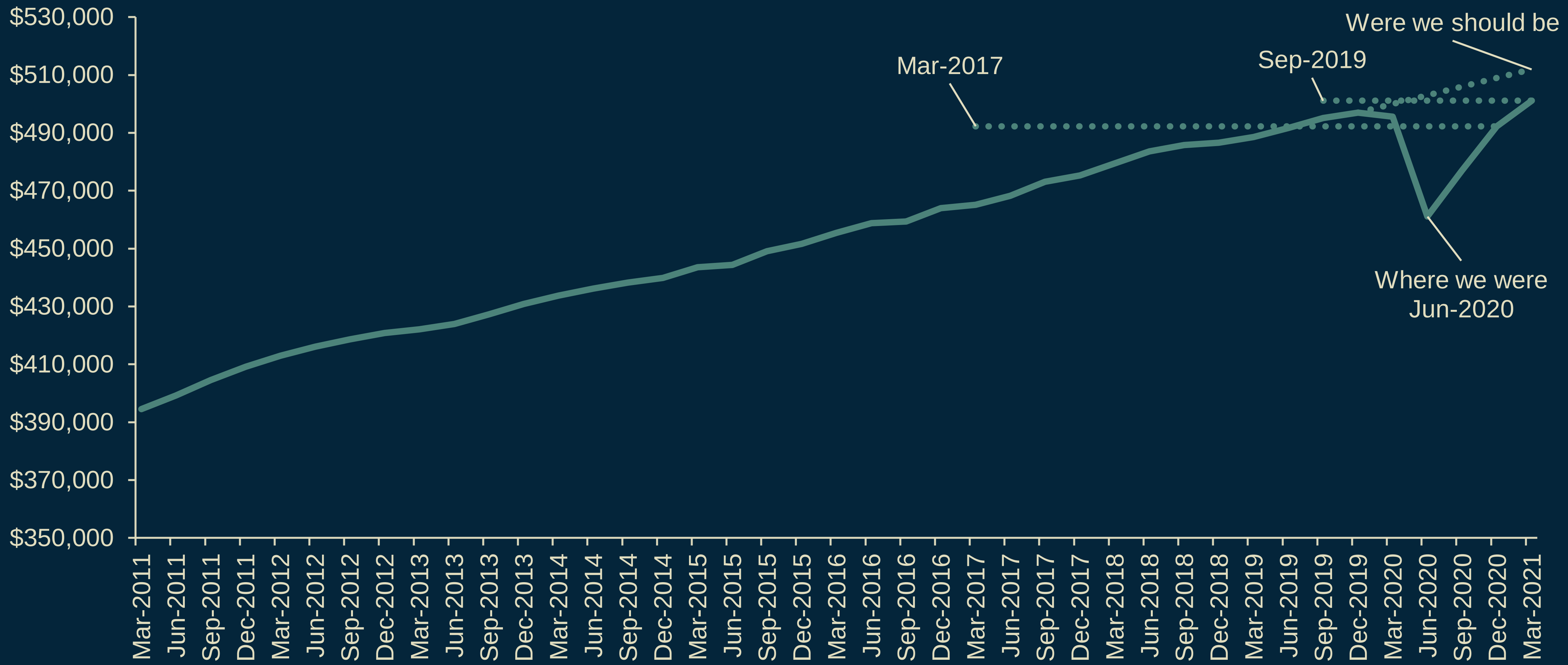
Risks and Opportunities

GDP: The Bungy Effect

HIA ECONOMICS

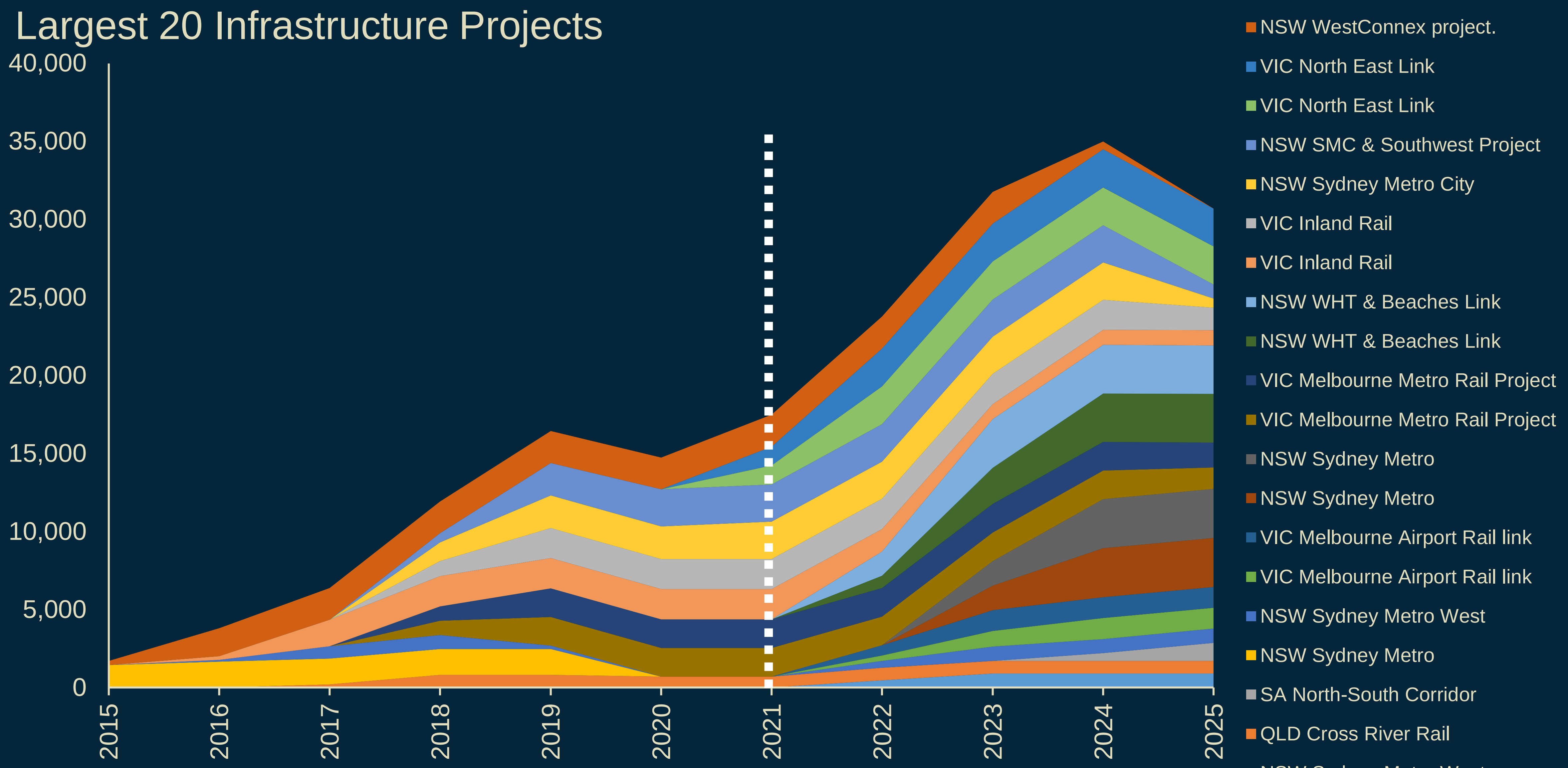
Gross Domestic Product

Source: ABS



Transport projects

HIA ECONOMICS



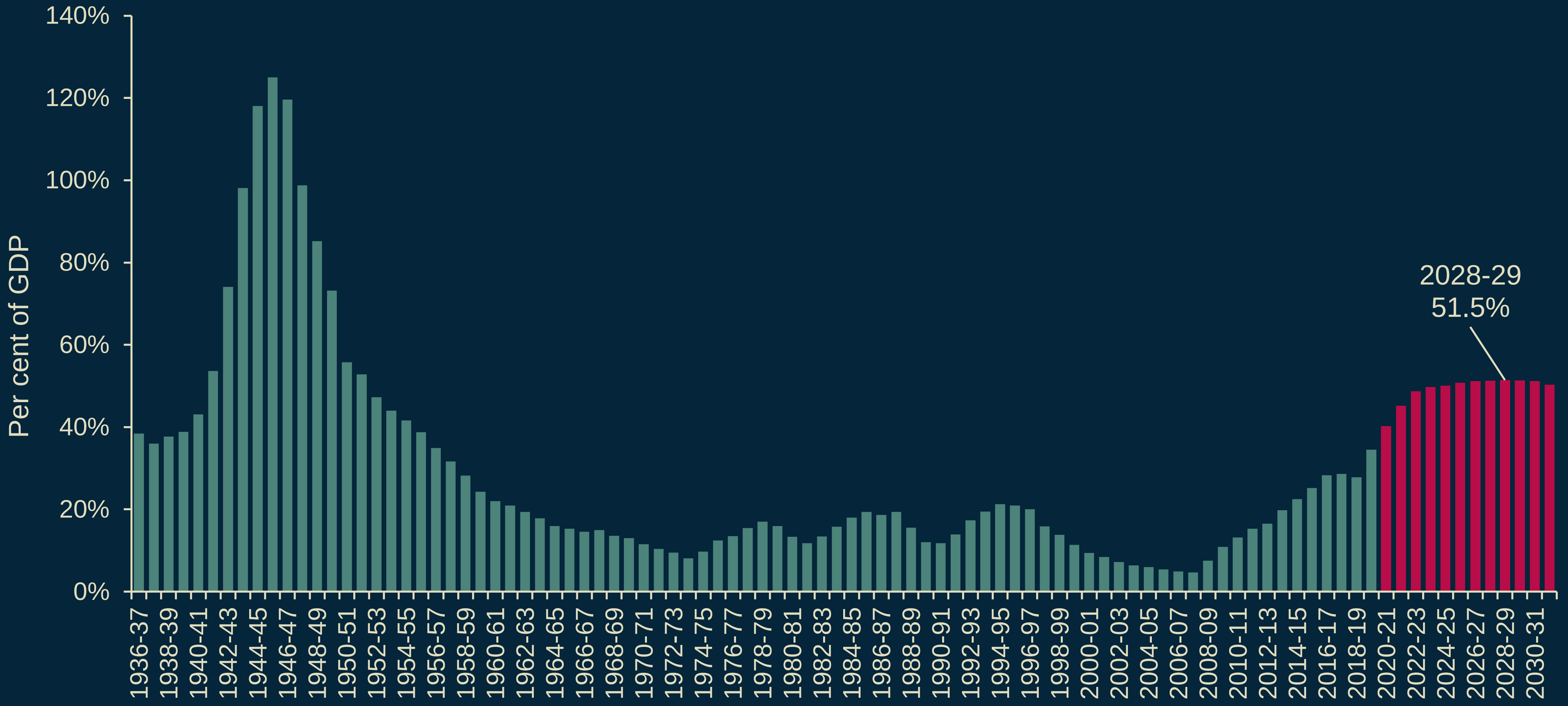
Source: Deloitte, HIA

Government Debt: is it a problem?

ECONOMICS

Australian Government Public Debt

Source: University of Melbourne, Australian National University and Australian Government Budget Papers, HIA

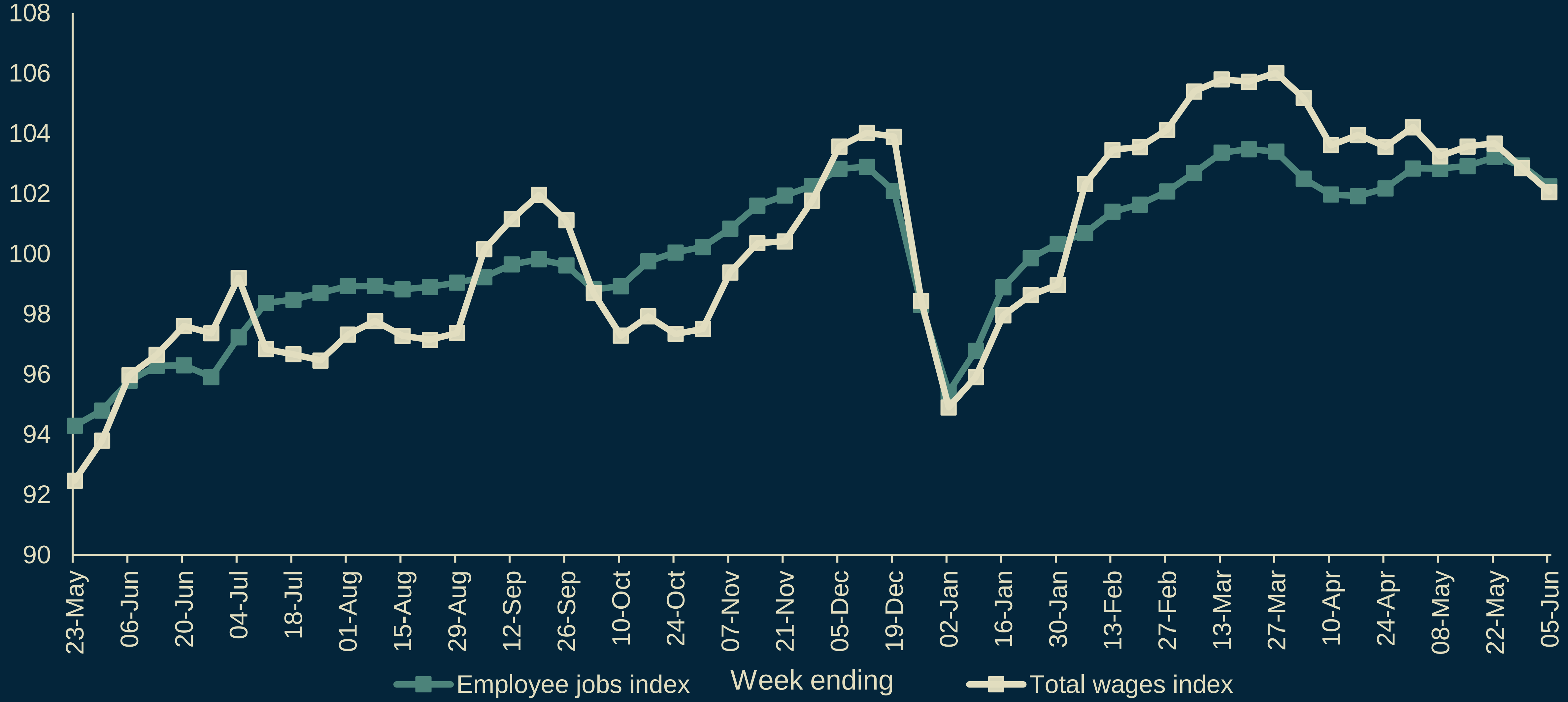


Unemployment = 5.1%

ECONOMICS

Indexed number of Employee jobs and total Employee wages, AUS

Source: ABS



2021 Federal Election is possible

ECONOMICS

Home > Politics > Australian Federal Politics > Next Federal Election - Month of Next Federal Election

Next Federal Election - Month of Next Federal Election

Sunday 01 May 21:00

Month of Next Federal Election

Settled on the exact month when the Federal Australian election for the 47th Parliament occurs. Will not count by-elections. Dead heat if Half Senate Election and House of Reps elections don't occur simultaneously in same month. Bets settled on elx day.

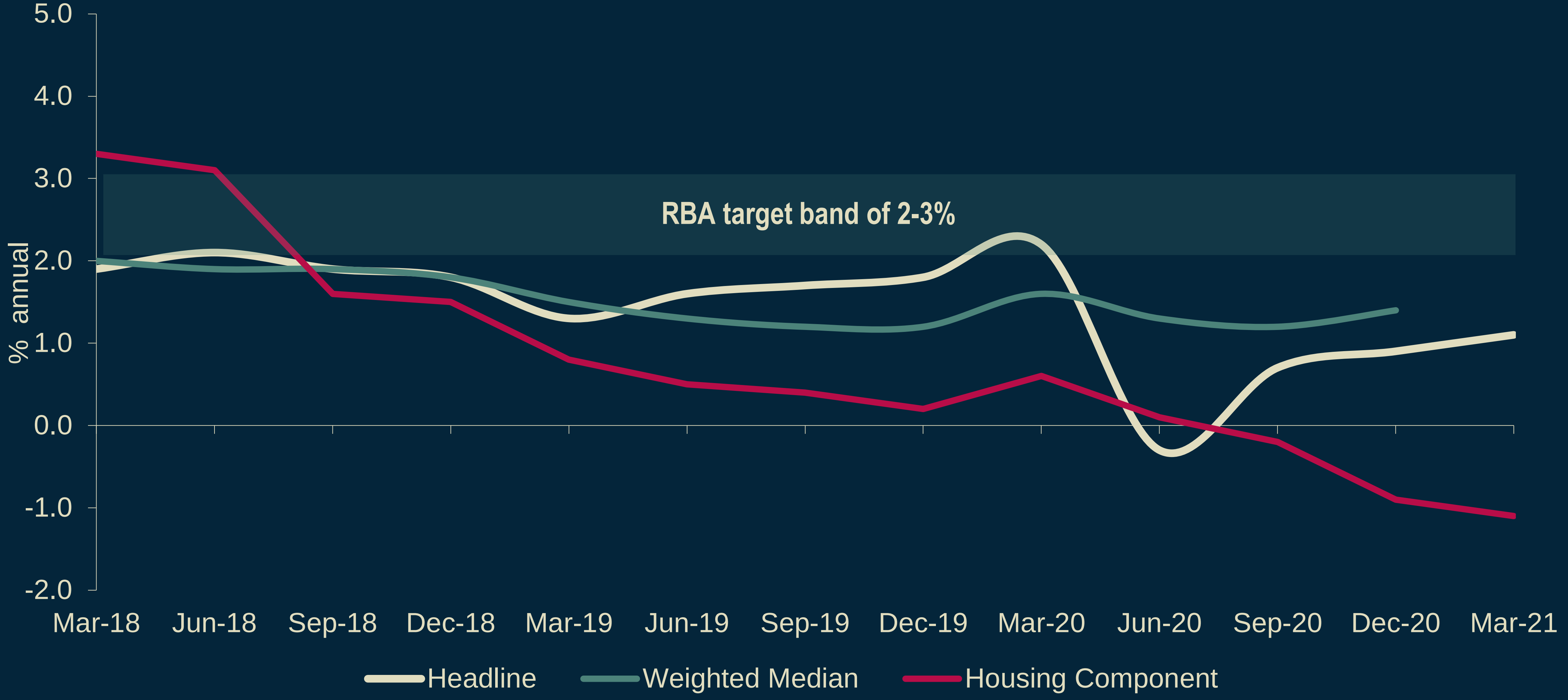
August 2021	21.00
September 2021	15.00
October 2021	4.00
November 2021	12.00
December 2021	15.00
January 2022	51.00
February 2022	10.00
March 2022	6.00
April 2022	4.50
May 2022	3.75

0% interest rates till 2024 says RBA

ECONOMICS

Consumer Price Index

Source: ABS 6401; Reserve Bank of Australia

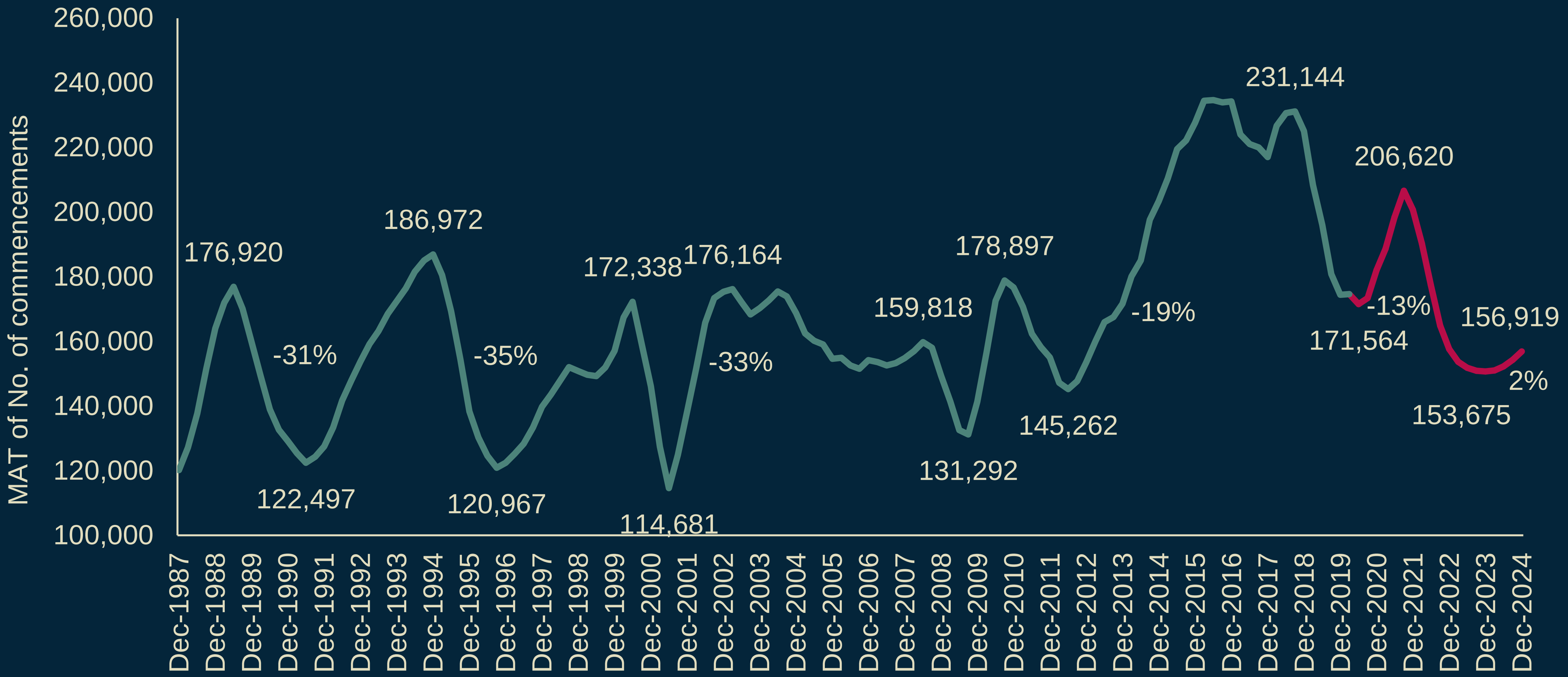


HIA Forecasts

HIA ECONOMICS

Dwelling Commencements / HIA Forecasts - Australia

Source: ABS 8752, HIA



Summary

HIA ECONOMICS

- Political and Economic Cycles are linked
- Population growth is a political issue
- Economic and social shifts have swung in favour of detached housing
- Is this a record year for detached housing? Supply chain constraints are evident.
- Multi-units will not recover in 2021/22
- Access to finance has improved

- What is driving detached demand
  - Demographics, Population growth
  - Renovations
  - Working from home
  - Significant increase in household savings due lack of travel and entertainment
  - Low interest rates
  - Grants from governments
  - House price growth
- All time record Trade Surplus: Iron ore strong, Agriculture strong, Coal will recover
- High value of the AUD will impair the medium term recovery
- All factors swing against detached housing in 2023

ECONOMICS

Thank you

Tim Reardon, HIA Chief Economist