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## News release

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### **RESIDENTIAL CONSTRUCTION BOOM TO PEAK IN 2014/15**

#### **CHANGE-OVER BUYERS, RATHER THAN OVERSEAS INVESTORS, THE MAIN DRIVER OF RECENT STRENGTH**

#### **BUILDING OF APARTMENTS TO FALL BACK FROM RECENT HIGHS, REFLECTING LONG TERM DEMAND**

Residential building across Australia is set to rise from what was already a 20 year high in 2013/14 to a peak in 2014/15. A cyclical downturn will follow as interest rates start to rise, price growth slows and the apartment building boom ends, according to a new report from industry research company Macromonitor.

The report, *Australian Construction Outlook – Residential Building*, provides detailed forecasts for residential building activity and house price growth in Australia, as well as estimates for the various buyer types of new homes, including foreign investors.

Macromonitor Senior Economist Paul Samter says, “the peak in non-detached housing commencements, which includes apartments and townhouses, has now passed. This ‘other dwelling’ market accounted for 43% of all new homes over 2012/13 and 2013/14 across the country, comfortably the highest share on record. In New South Wales it accounted for 56%. Low interest rates, rapidly rising prices and the targeting of grants at new homes have all boosted new home construction. But cyclical factors inevitably turn and we expect the next downturn to start in 2015/16. Although long-term demand for ‘other dwellings’ will remain high, it is some way below the recent exceptional peak and points to a fall in commencements over the next few years”.

The report forecasts a further increase in total residential building in 2014/15, driven by growth in the detached housing market, which, to date, has not risen as sharply as for ‘other dwellings’. Beyond 2014/15, Macromonitor predicts that residential building activity will decline as interest

rates increase from late 2015, price growth slows and a relatively soft labour market drags on the market. Price growth is forecast to decelerate quite sharply from recent rates, but remain in positive territory for most of the larger cities over the next two years.

According to Macromonitor, overseas investors have not been the largest factor in the recent burst in residential building, at least not through direct purchases. Macromonitor estimates that foreign investors bought 16-19% of all new properties commenced over each of the last three financial years. The report finds that change-over buyers are the main purchasers of new properties, accounting for just over half of all new commencements. First-home buyers and domestic investors typically account for between 15 and 20% each.

Samter explains, “despite the expected cyclical downturn, longer-term demographic trends point to continued high levels of home building. The ageing population adds to housing demand as older groups tend to live in households with fewer people. Household growth will be strong over the coming decade, supporting demand for around 175,000 dwelling commencements per year. This compares to an average of 158,000 commencements for the decade to 2013/14 and 155,000 over the last 25 years”.

The report observes that the share of new homes accounted for by ‘other dwellings’ has increased significantly in recent years. The change has been particularly acute in New South Wales. ‘Other dwelling’ commencements outnumbered detached housing commencements in the state for the first time (for a sustained period) in 2012/13 and 2013/14. Macromonitor forecasts this to continue over each of the next ten years, with a large share of housing demand in Sydney to be met through infill development near existing infrastructure. However, for the other large states, detached housing is predicted to remain the dominant type of property built.

“Despite the volatility of recent years, and the large increase in commencements in New South Wales, Western Australia and Queensland over the last two years, more homes were built in Victoria than any other state in each of the last ten years. Victoria will continue to see more new homes built than any other state”, says Samter.

### Accompanying Charts and Table

Data from the accompanying chart are available on request: contact Paul Samter on 02 9869 8844 or at [paulsamter@macromonitor.com.au](mailto:paulsamter@macromonitor.com.au).

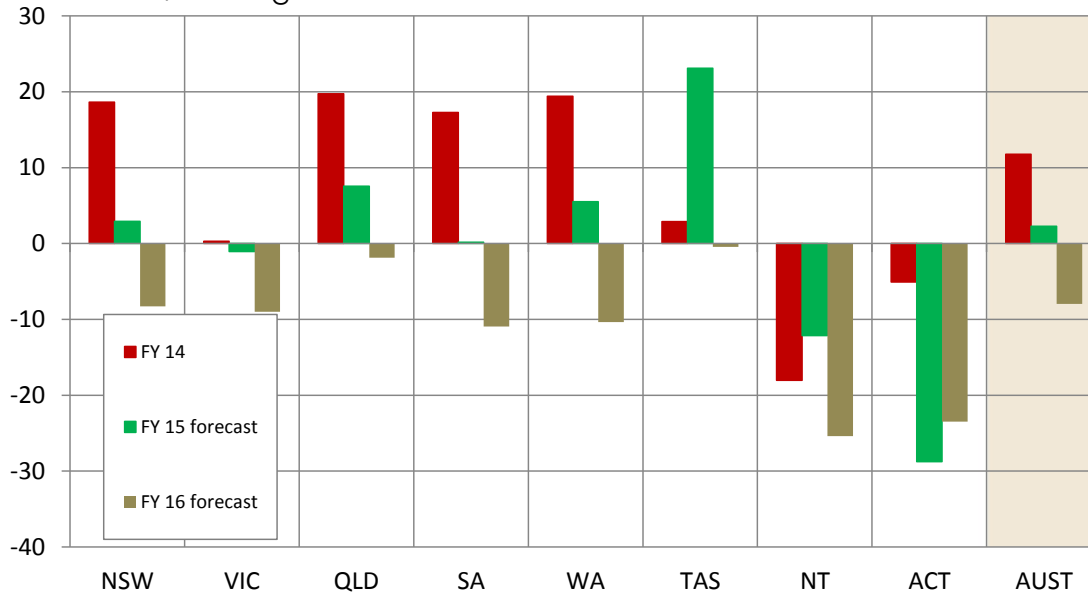
#### Annual Dwelling Price Change (%)

Year to June	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra	8 City Average
<b>Detached Houses</b>									
2014	16	10	7	7	4	5	4	2	10
Forecasts									
2015	5	5	5	4	0	0	2	1	6
2016	3	4	3	2	0	-1	3	0	4
<b>Attached Dwellings</b>									
2014	14	6	5	0	3	2	1	2	9
Forecasts									
2015	7	3	4	2	2	-1	-1	1	4
2016	5	3	1	1	1	1	3	0	3

Source: ABS & Macromonitor

## Growth in Dwelling Commencements

Annual % Change



Source: Macromonitor & ABS

### About Macromonitor Pty Ltd

Macromonitor is an industry research and forecasting company with a commitment to providing innovative and high quality information to Australian industry. We have a team of consultants with more than 50 years of combined experience in research and forecasting for the construction and related industries. Macromonitor provides information that is tailored to the planning and management needs of business. We provide multi-client subscription reports, commissioned reports and presentations.