



BUILDING INDUSTRY OUTLOOK **2022** **JANUARY**

Our industry has weathered two turbulent years through the COVID-19 pandemic.

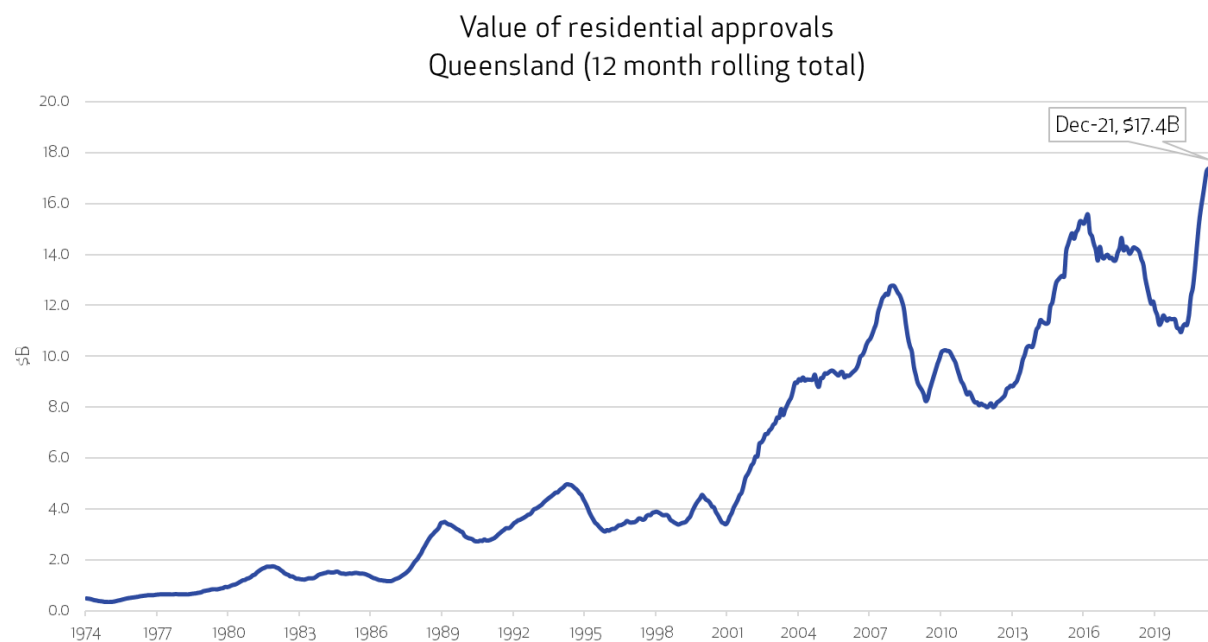
Lockdowns and border closures had us staring at a cliff as all new construction work came to a halt. Then there was a sharp turn in demand for residential work off the back of government stimulus and shifting consumer demand. Non-residential work did not receive the same support and continued to struggle though a lack of investor confidence.

The surge in demand for residential work was mirrored not only around Australia but around the world and has led to soaring prices and lengthy delays for construction products and trades. Now in the latest twist, the industry is struggling with additional delays and price hikes brought on by the spread of the Omicron variant.

In 2022, demand will fall back but remain strong and there is no end in sight to the challenging environment in which buildings will need to be delivered.

RESIDENTIAL DEMAND

2021 saw the sharpest spike in demand for residential construction since records have been kept. Total approvals in the 12 month period moved up by 41 per cent. Growing from \$12.4 billion to \$17.4 billion.



Source: Master Builders & ABS

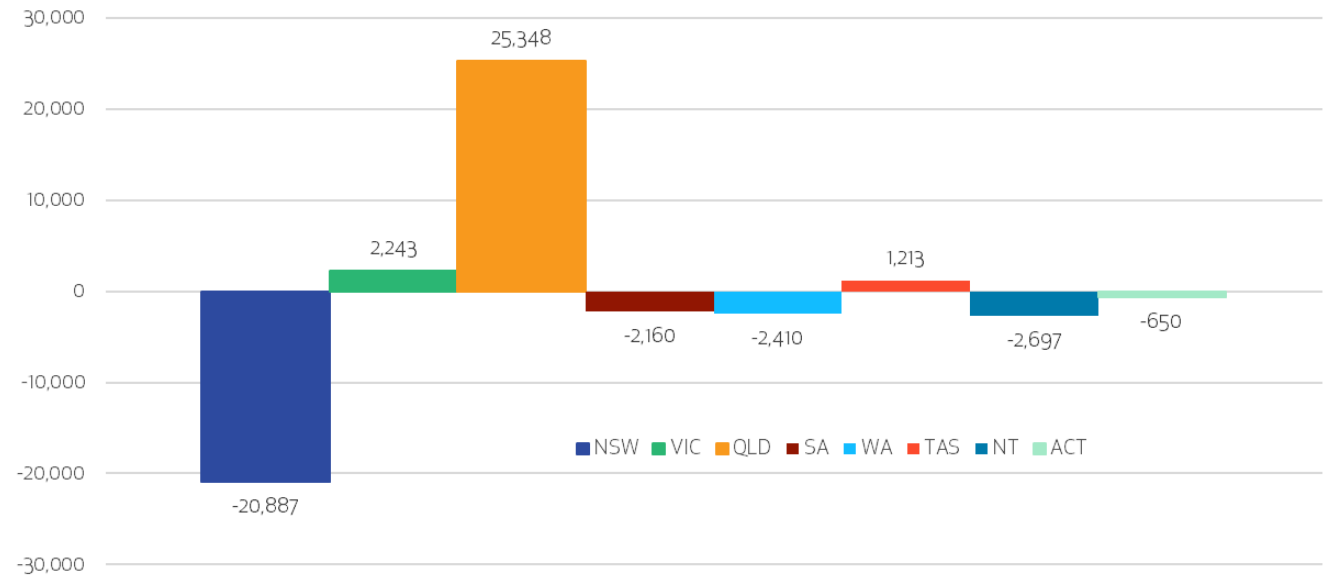
Renovations also shared in the surge in demand, recording a 28 per cent expansion over the year and the fourth consecutive year of growth for Queensland's home renovations market.

Government stimulus kicked it off first. The HomeBuilder grant (initially \$25,000 and then \$15,000), together with the Queensland government's \$5,000 boost in the regions got many new homes underway. Demand for new housing under HomeBuilder in particular, far exceeded all expectations. In Queensland there were 28,810 HomeBuilder applications, including 4,833 renovation applications. Second only to Victoria. To put this in perspective that is three quarters of the total new housing built in an average year.

Changed demand patterns has been another important driver. Throughout the pandemic people have reassessed their priorities and money that couldn't be spent on holidays or going out was being added to deposit savings. Interest rates remained at an all-time low, providing further confidence to build.

Many are using the opportunity to move to the Sunshine State and build their dream home. Queensland is far outpacing the other states when it comes to interstate migration, attracting a net total of 25,348 people in the 12 months to June 2021. We can expect this to ramp up further with international borders reopened and overseas migration returning.

Annual Interstate Net Migration at June 2021

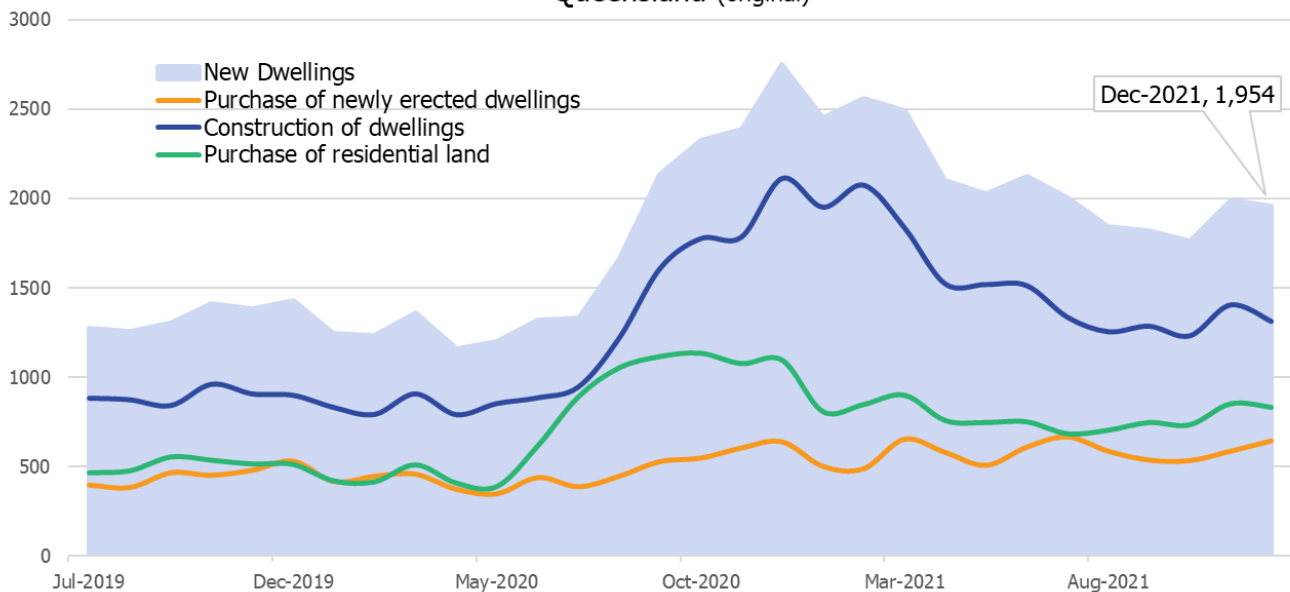


Source: Master Builders & ABS

Still the extraordinary spike in demand couldn't be sustained and as 2021 drew to a close it was clear that we had moved past the peak. The demand for new residential work has begun to level out.

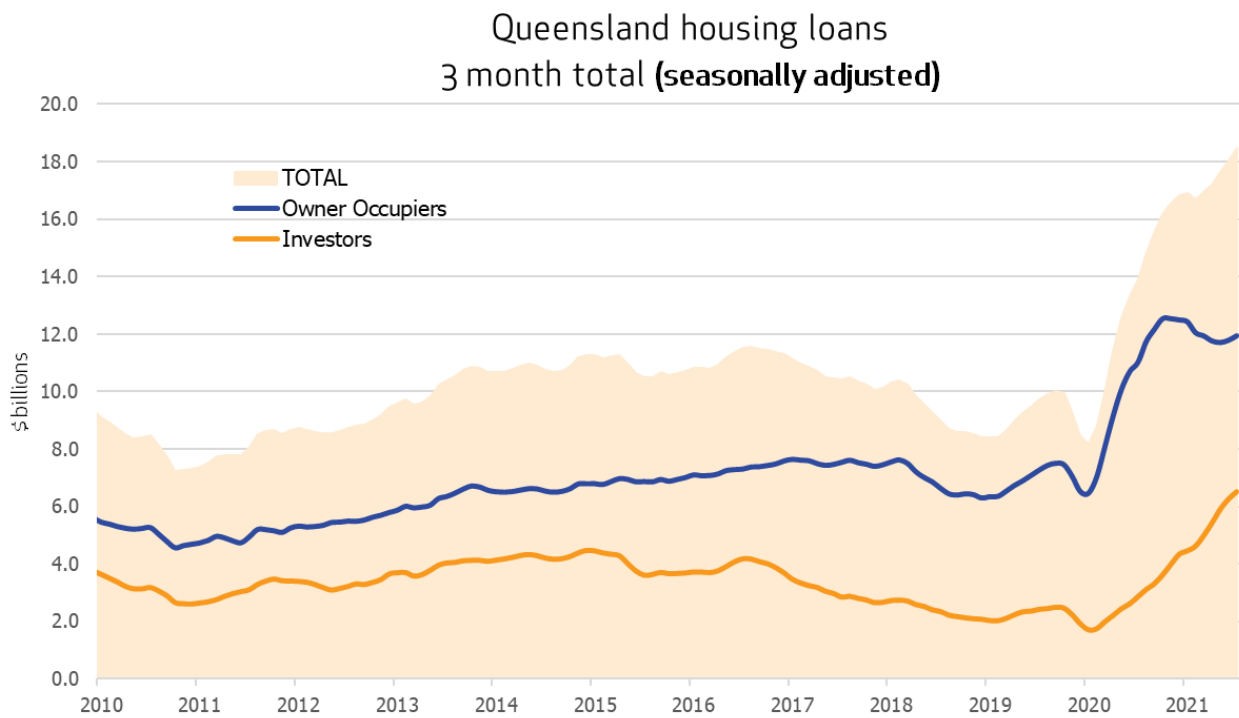
The number of loans for the construction of new dwellings fell away by 17 per cent over the second half of 2021. Still they remain elevated and well above where we were heading into the pandemic back in 2020.

Number of loans for new housing Queensland (original)



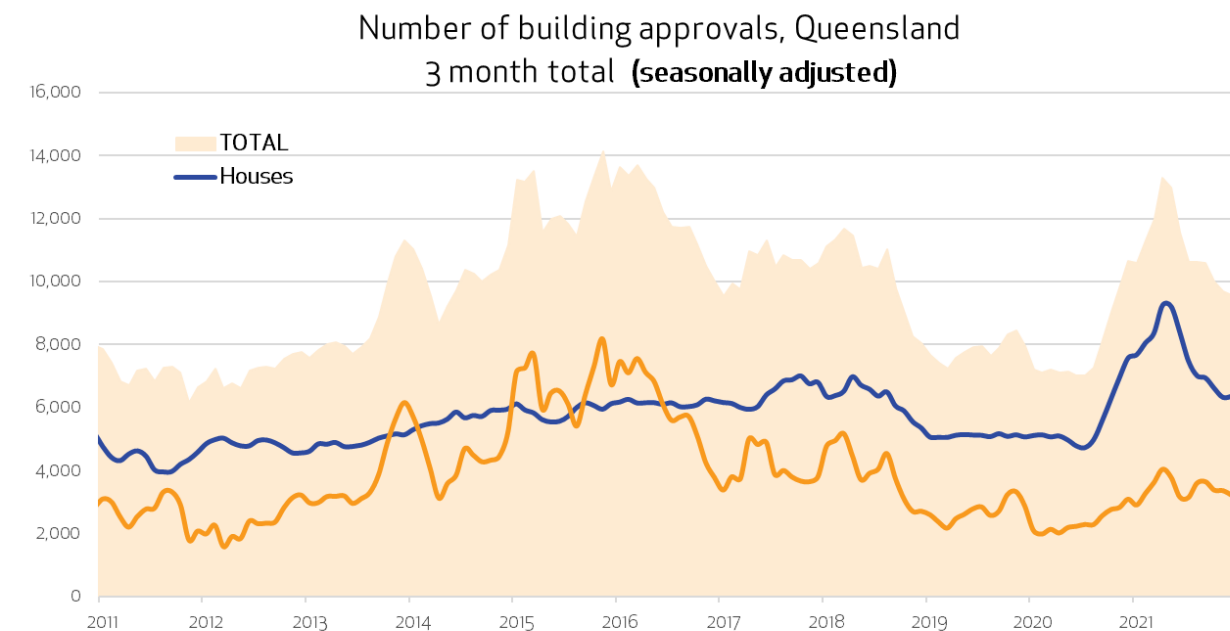
Source: Master Builders & ABS

With all the movement on the homeowners' front it has been easy to miss the quiet shift in investors seeking out new housing. Before COVID, this sector was on the move but the pandemic put paid to that. Demand has since come roaring back; surging 20 per cent in the past three months.



Source: Master Builders & ABS

The unit market has not been so quick out of the blocks. Demand here has been hit by a drastic reduction in overseas migration and it has not been able to access HomeBuilder to the same extent (80 per cent of HomeBuilder applications were for detached houses). But even here demand is stronger than it was pre-pandemic.

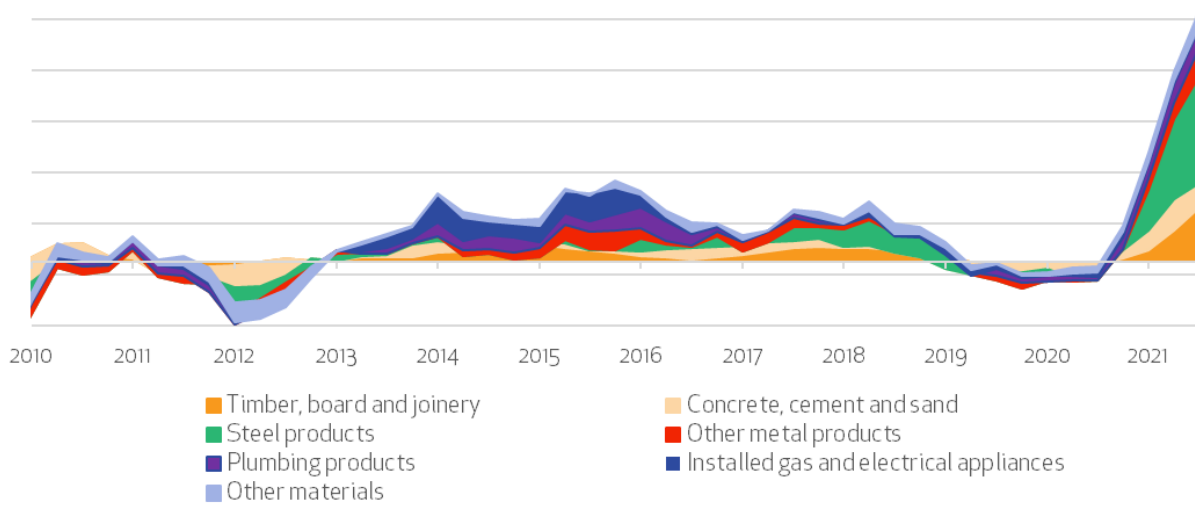


Source: Master Builders & ABS

The spike in demand was occurring around the world and not just in Queensland. This is unprecedented and creating a **challenging environment** along the full length of the construction supply chain.

Prices across all construction inputs are soaring and securing materials and trades are subject to lengthy delays.

Construction inputs (Brisbane houses) percentage change over 12 months



Source: Master Builders & ABS

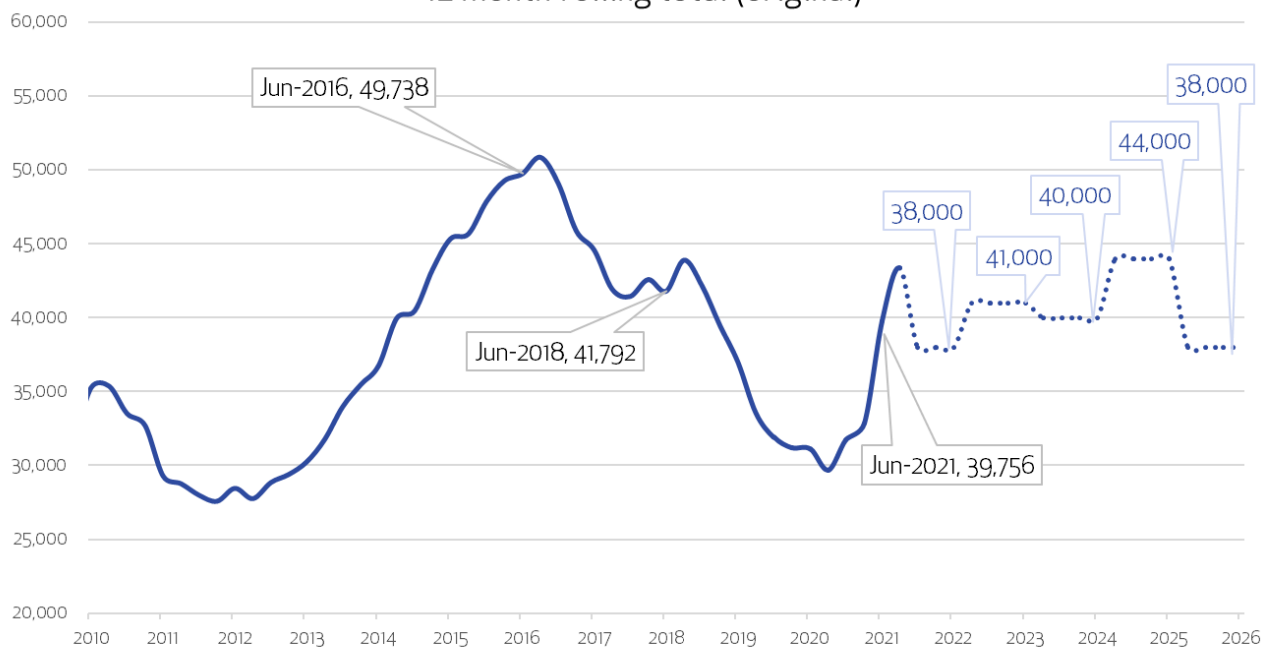
RESIDENTIAL FORECAST

Master Builders forecasts that throughout 2022 approximately **38,000 new homes** will be built in Queensland. This is down slightly on the current year but continues to remain strong.

Total builds are expected to bounce back again in 2023 when overseas migration should have returned, once again pushing forward demand. This will keep approvals at an 40,000 average, a level at which the market is performing well.

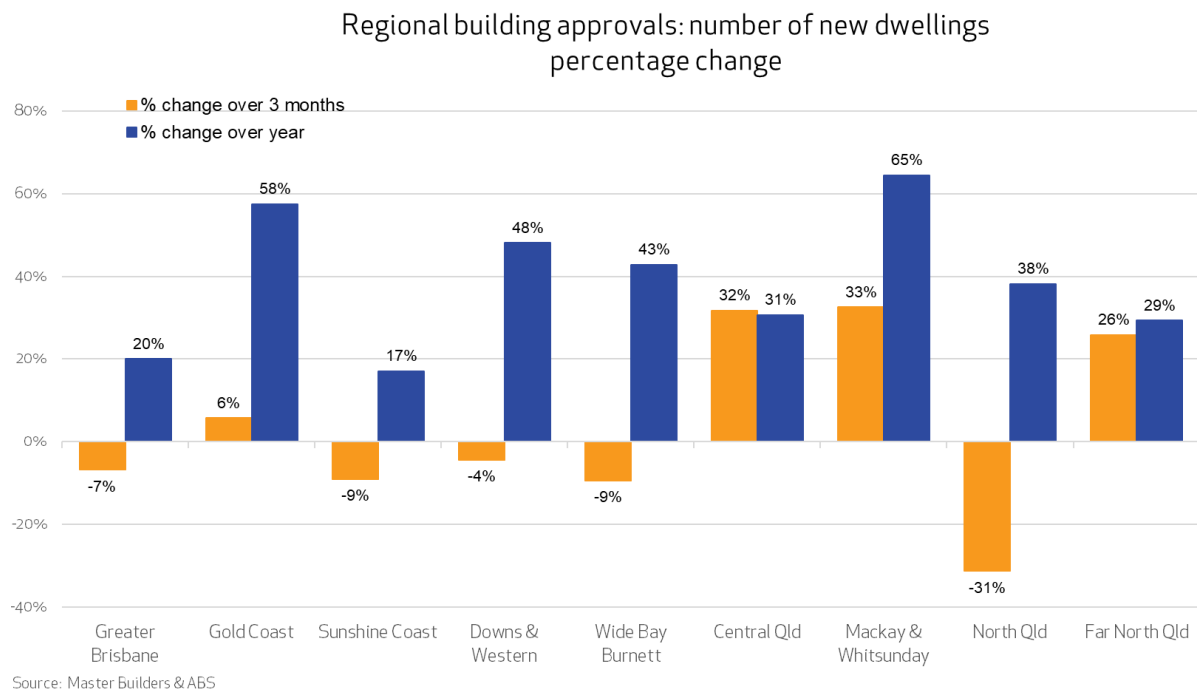
This strong long-term demand bodes well for our industry if it can work through the currently supply side challenges for which there is no end in sight.

Queensland Dwelling Commencements & Forecast 12 month rolling total (original)



Source: Master Builders & ABS

We can expect the demand in the housing market to fall more sharply in the regions, while the Greater Brisbane area will continue to hold steady.

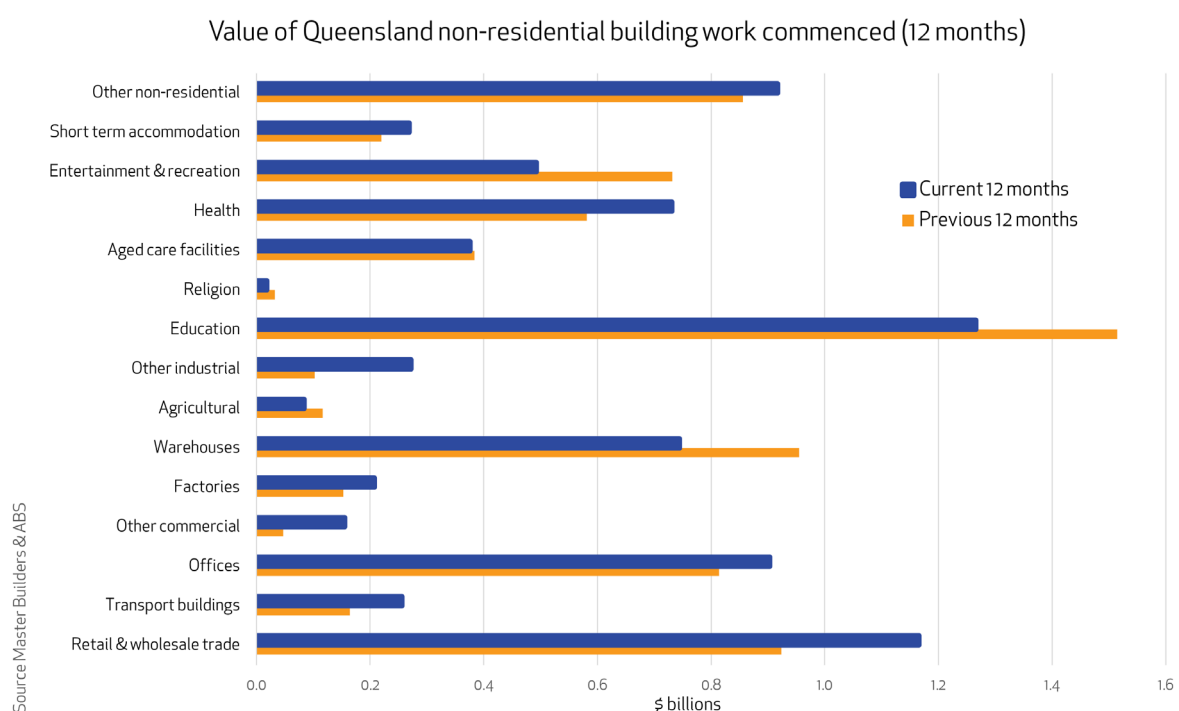


NON-RESIDENTIAL DEMAND

Demand for non-residential construction has taken a hit throughout the pandemic without the same level of government stimulus to counter the lack of certainty. The public sector support has been forthcoming with an increase in spending on building work in areas like health, education, culture and recreation.

In recent months the elevated government spending on public buildings has come to an end. Fortunately, private sector investment was ready to move back up as the demand for building new projects in areas like offices, short-term accommodation, retail and industrial returned.

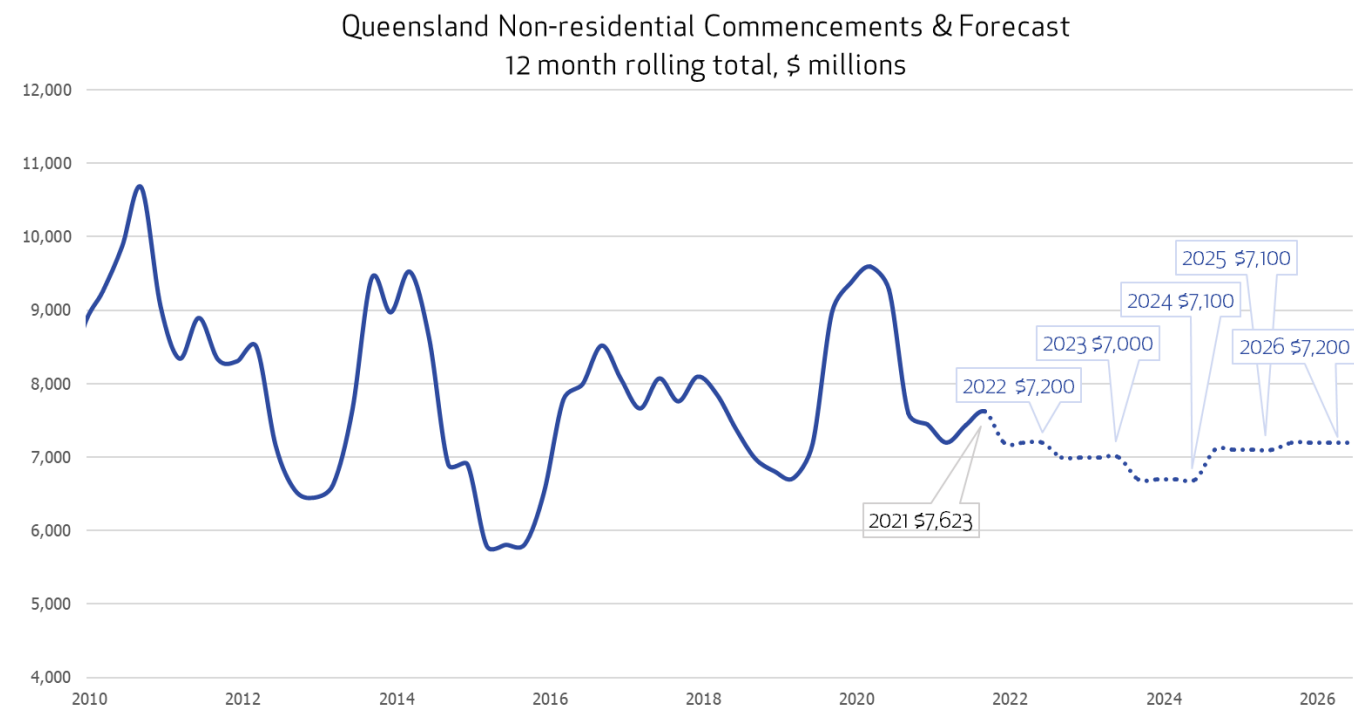
The non-residential sector is also struggling with unprecedented price hikes and delays.



NON-RESIDENTIAL FORECAST

The value of non-residential building work to be done in Queensland during 2022 is forecast to **stabilise at \$7.2 billion** after the fall of 2021.

Shifting demand patterns will create opportunities in in retail/commercial and industrial building work, while the surge in social, cultural and recreational work will come to an end.



Source Master Builders and ABS

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