

Hot Topic

TRADE/MATERIAL DELAYS AND COST INCREASES

In March 2021, Master Builders surveyed members asking for their experiences with trade and material delays and cost increases.

The survey quantified just how substantial an issue this is for builders and trade contractors.

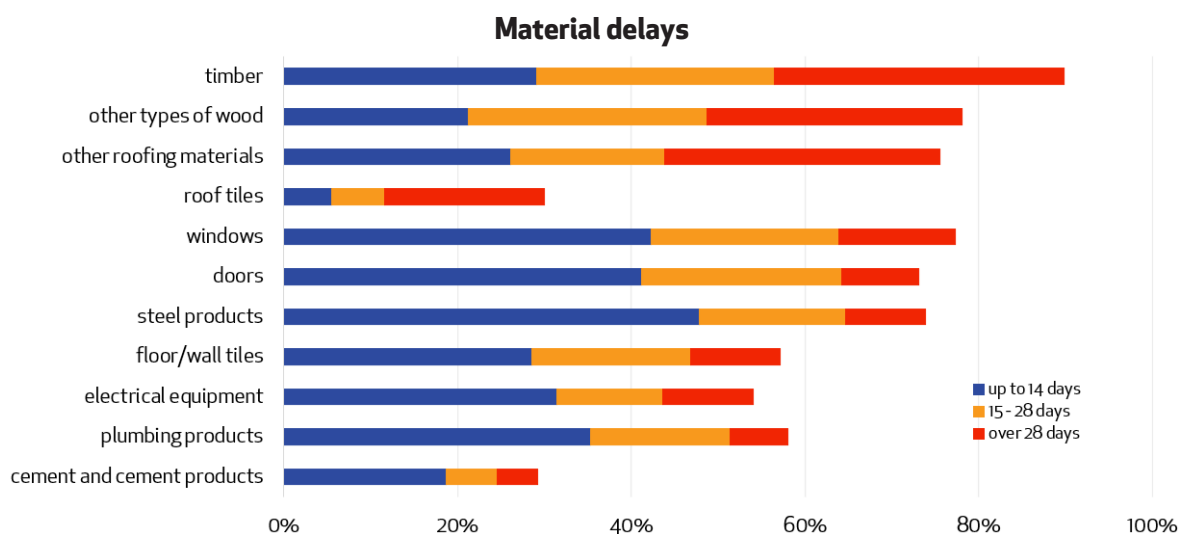
"The impact on the building industry cannot be understated. We have never seen it this bad."

"The situation is worsening every day and we are concerned it will get to a crisis point."

"Prices have gone through the roof and the lack of supply is creating the perfect boom-bust bubble which will send many to the wall."

MATERIAL DELAYS AND COST INCREASES

The lead time on several key building materials is blowing out to unmanageable levels. A third of respondents are waiting more than a month for timber orders to be filled. This includes frames, trusses and other structural timber necessary to keep a project progressing. Roofing materials, including roof tiles, are similarly difficult to source.



The shortage in supply is also playing out in price increases with one in four respondents struggling with price increases of more than 15 per cent for timber and steel products. But there are problems across the board.

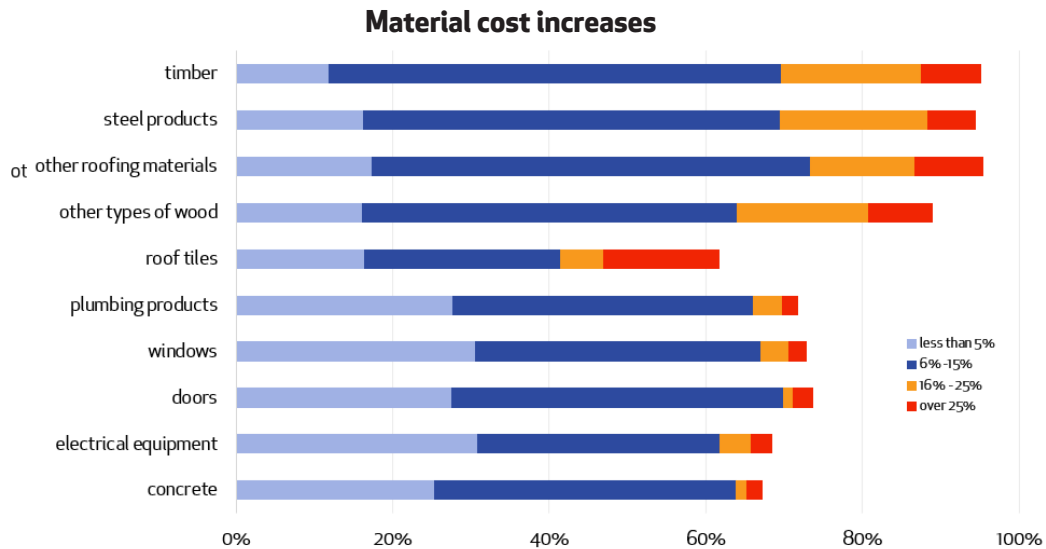
"We have received price rises with minimal notice on almost all building products."

Price increases are so significant that quotes and purchase orders are not being honoured.

"I've signed contracts, now the suppliers can't honour the quotes I've accepted."

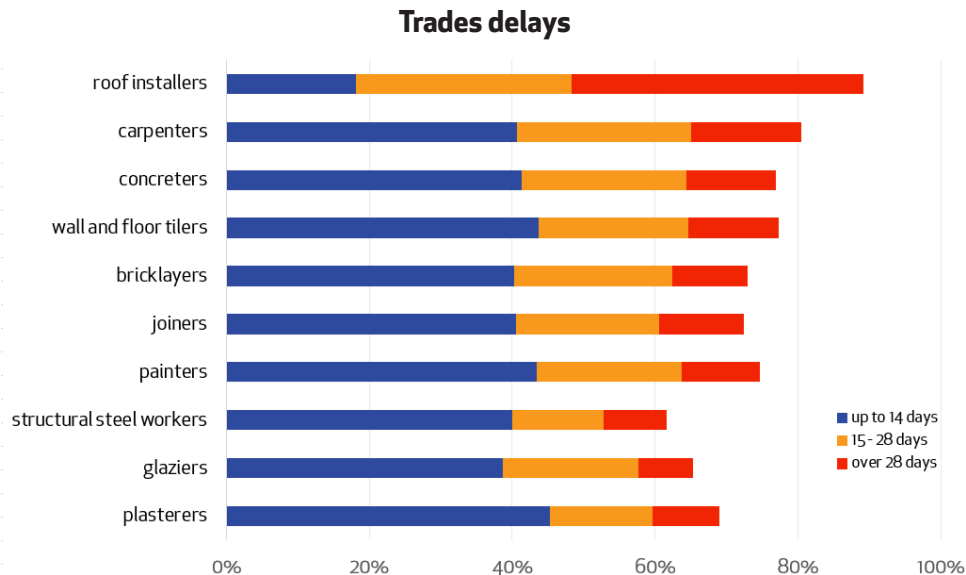
Many wholesalers are refusing to guarantee fixed six-monthly agreements and are only quoting fixed monthly pricing.

"This is making contract pricing a guessing game."



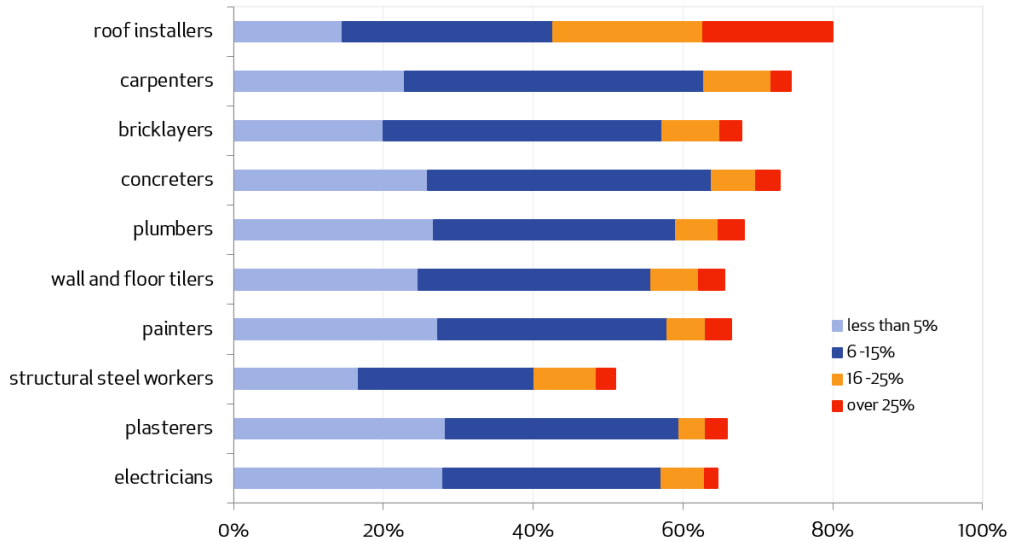
TRADE DELAYS AND COST INCREASES

Delays in getting roof installers to site is at a critical level with two out of every five builders waiting more than a month. Not far behind are carpenters, concreters, tilers, bricklayers, joiners and painters.



The scarcity of key trades is also reflected in cost increases with large hikes in the cost of roof installers, carpenters, bricklayers and concreters.

Trade cost increases



IMPACT ON BUILDERS

"Unfortunately, we have been caught out, as has nearly everyone else, by the rapid rise in rates and delays with trades so have a margin erosion on current contracts."

Staged contracts and fixed financing agreements limit the opportunity to move ahead with later stages while waiting for an earlier stage to complete.

"We have no choice but to accept the price rises or risk breaching building contracts...it's a no-win situation."

Add in liquidated damages and the situation is not sustainable.

"Many builders may not make it through the next 12 months."

The impact is being felt first by smaller builders.

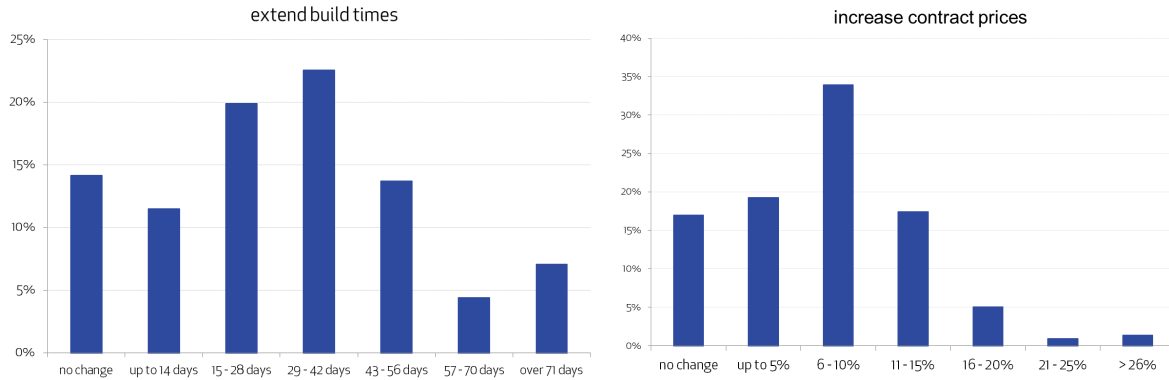
"Some of our trades are too busy with project builders and have told us to find someone else, which is really hard for the smaller builders."

"We are hurting a great deal!"

"Will there be any builders left?"

WHERE TO FROM HERE...

For new contracts going forward, nearly all will be at a higher price and for a longer period of time with most expected to take at least a month longer and cost up to 10 per cent more.



There will be limits on this as valuations won't increase to the same extent, leaving homeowners short on their mortgage financing.

"Valuers don't see that the house is worth more because the costs have gone up, they are looking at previous sales in the area."

"As a result, the build margin and program is continually squeezed and is now beyond breaking point."