



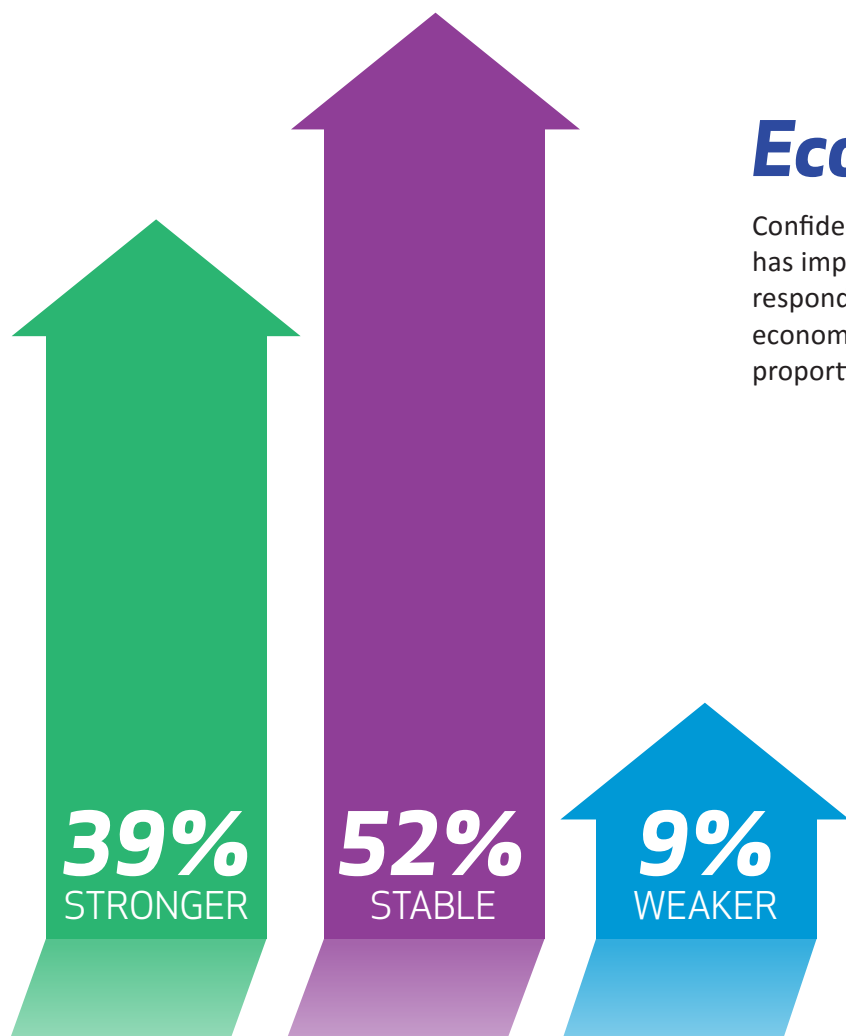
The home of building

Survey of Industry Conditions



**Welcome to the 2017 edition of Master Builders'
*Survey of Industry Conditions***

Current conditions and business sentiment
in the Queensland building and construction industry



Economic outlook

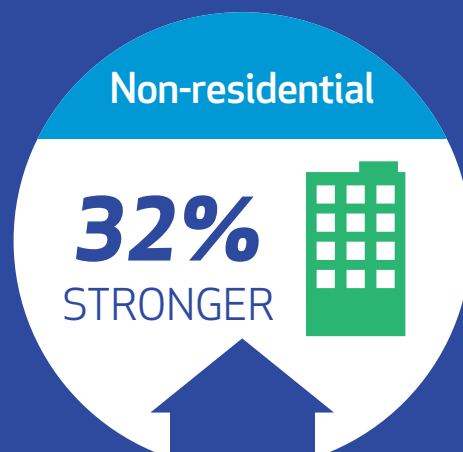
Confidence in the Queensland building industry has improved over the past year. The majority of respondents, for the coming 12 months think the economic outlook is stable (52%), while a significant proportion (39%) say it's getting stronger.

Residential and non-residential sectors

Conditions in the residential sector strengthened, with the majority of respondents (40%) reporting stronger conditions. The growth was modest however, and a similar proportion of respondents reported conditions as stable (37%).

In the non-residential sector there was also a modest strengthening with nearly one-third (32%) regarding conditions as stronger, and thirty-nine per cent thinking they are stable. This growth built on improvements in previous years and was enough to push the indicator into positive territory for the first time in the survey's history.

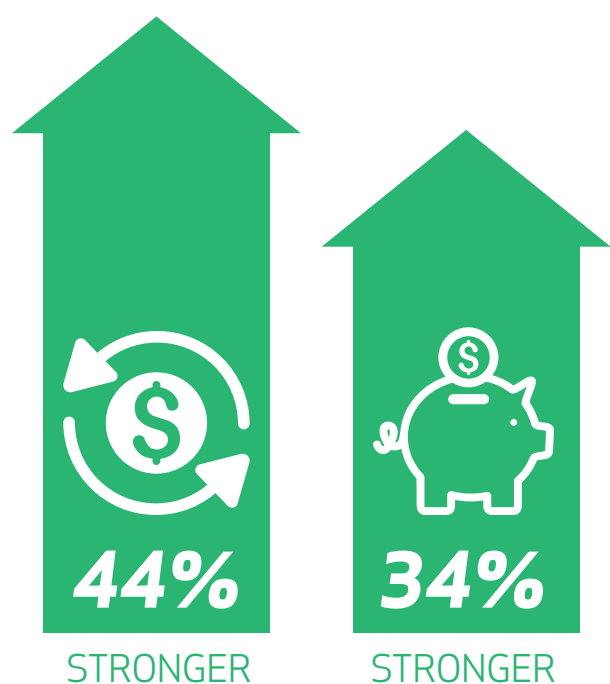
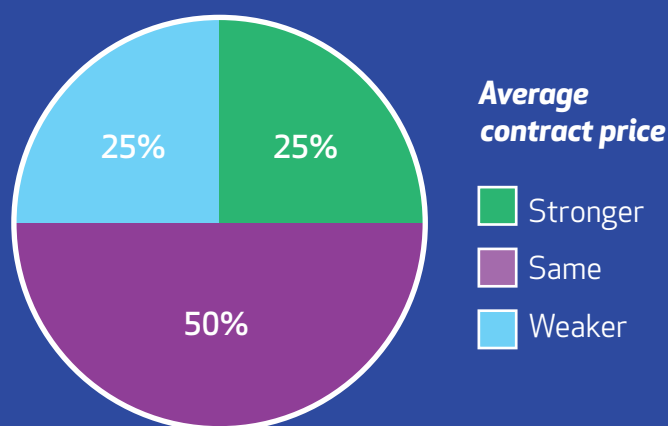
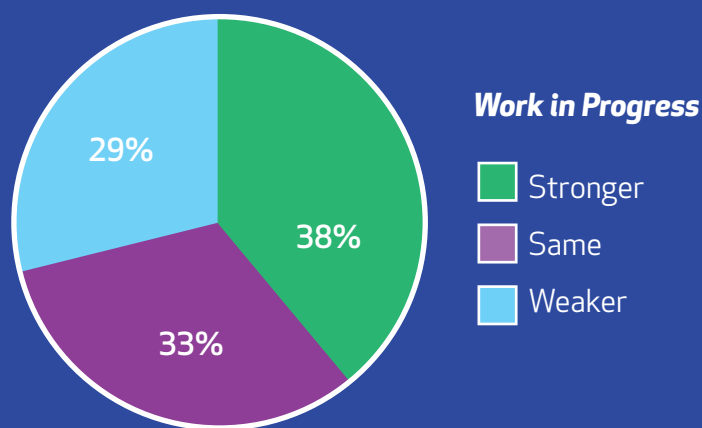
The majority of respondents expect conditions in both sectors to be stable for the coming year. There is also some optimism for the future with a significant proportion expecting stronger conditions in the coming 12 months (35% for residential work and 34% for non-residential).



Business activity

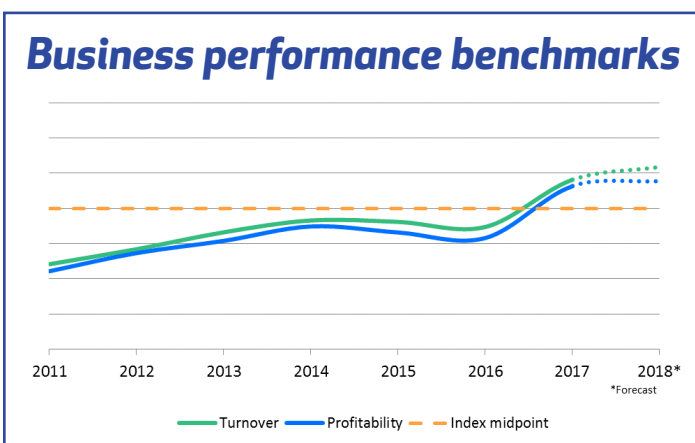
The level of business activity has improved markedly. More respondents (39%) are reporting stronger levels of work in progress, while fewer (29%) are reporting weaker levels. Businesses are also confident in the future, with nearly all respondents (91%) expecting the situation to improve or at least remain stable in the coming year.

Correspondingly, average contract prices also improved. The majority of respondents (50%) saw prices hold steady for the quarter and there was a significant increase in those who reported stronger prices (up to 25%) and a decrease in those reporting weaker prices (down to 25%). This is expected to improve further.



Turnover and profitability

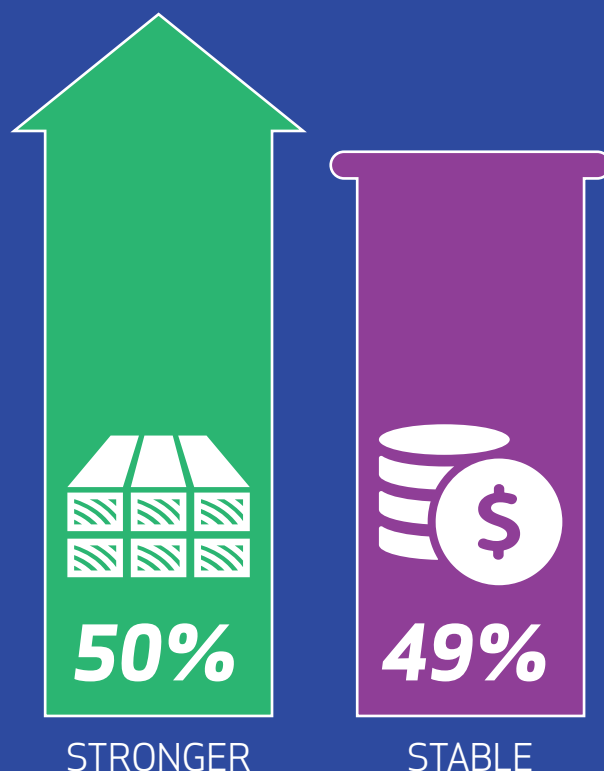
Turnover and profitability have improved substantially, moving to a record high. Forty-four per cent of respondents now think turnover is stronger and thirty-four per cent think profitability is stronger. The proportion of respondents anticipating stronger turnover, and profit is expected to grow.



Input costs – wages and materials

There was an increase in the proportion of respondents reporting higher material costs – up to fifty per cent of respondents. This is anticipated to grow in 2018 with 53% of respondents expecting to see an increase.

While average wages increased for a significant proportion of respondents (up to 37%), they remained unchanged for the largest proportion (49%). This is expected to continue (55% expect no change).

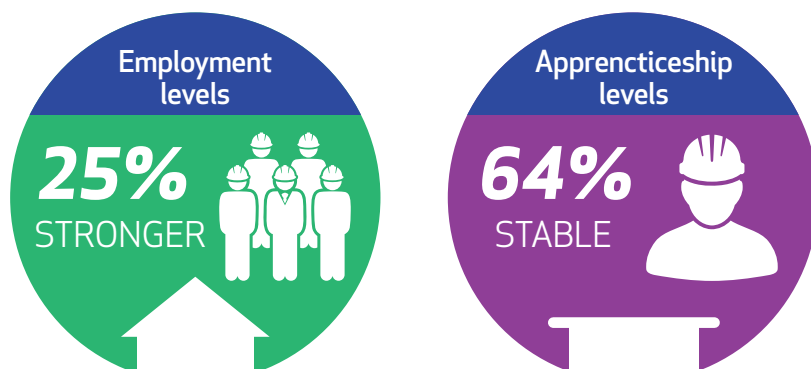


Employment levels and skills shortages

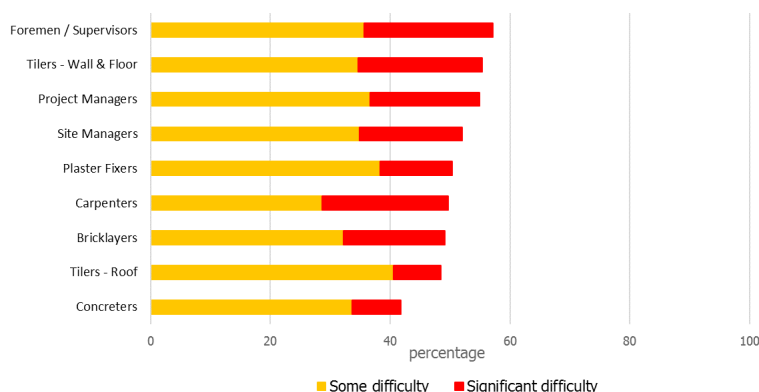
Employment levels also strengthened, returning to positive territory. This is expected to continue into the coming 12 months, with nearly two-thirds (62%) of businesses anticipating the current strong conditions to continue, and a further thirty-two per cent expecting them to strengthen further.

While apprenticeship levels were stable for the most part (64%), a larger number of respondents (15%) reported stronger conditions. This is unlikely to change during the next few months with the majority (78%) of businesses expecting to maintain their current level of apprentices.

Finding key staff has not been difficult for the majority of respondents with some exceptions when it came to supervisors, wall and floor tilers, project managers and site managers.



Difficulty finding key staff



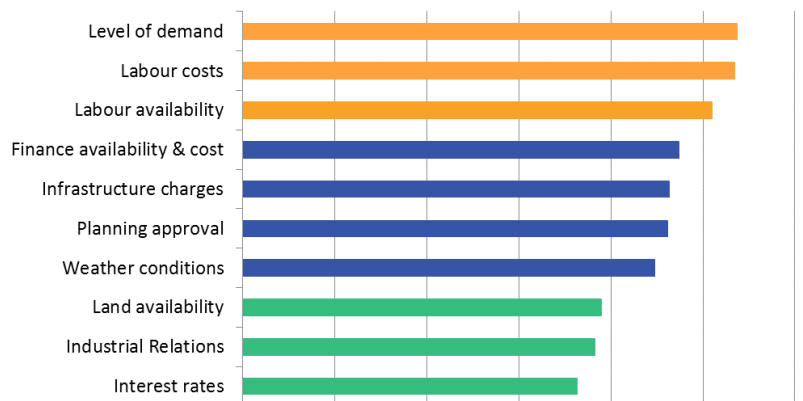
Business constraints

Low levels of demand continue as the most significant constraint on business growth. This is in line with the concentrated nature of demand which has failed to reach many regions and sectors of the industry.

Labour costs also continue as an important constraint on the industry. As demand remains low, builders are finding their margins continue to be squeezed against inflexible input costs. In the pockets of high demand, labour availability is proving challenging.

Many respondents are also reporting that potential customers are unable to secure finance with valuations for new construction less than construction costs.

Constraints on business growth in Queensland

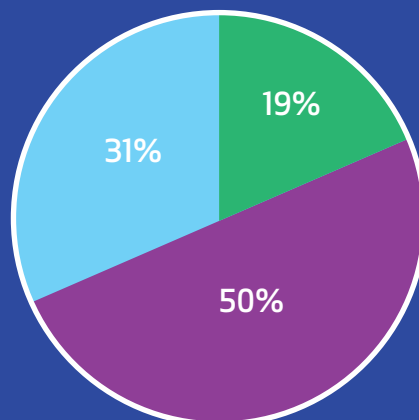


Housing affordability

The outlook for housing affordability grew more troubling during the year. Nearly a third of respondents (31%) think the situation is deteriorating. While interest rates remain low and building costs are competitive, the ability to invest continues to fall, with stagnating wages and a tightening of finance terms by lenders, especially for investors.

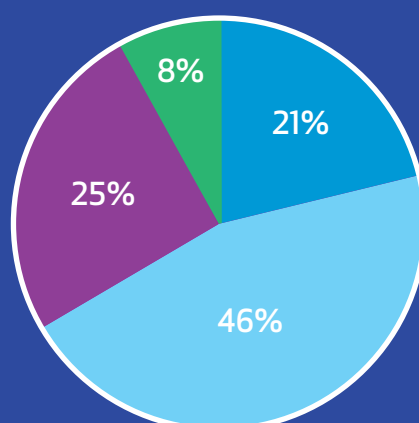
New housing continues to be beyond the reach of many, with two out of three (67%) respondents saying affordability is negatively impacting new housing demand.

Outlook for Housing Affordability



- Improve
- About the same
- Worsen

Impact of Affordability on New Housing Demand



- Major negative impact
- Minor negative impact
- No impact
- Positive impact

Regional summary

The south-east has been the real stand-out performer of 2016. Greater Brisbane, the Gold and Sunshine coasts all enjoyed a strong year. Looking forward, expectations are that this will begin to moderate in 2017 but remain positive.

Of the regions, Downs & Western, and Wide Bay Burnett have been quietly ticking along with positive, yet modest results. They expect to continue in this way, without the large swings of the other regions.

Far North Queensland has experienced some strong results, while other parts of the industry struggle. On the whole they have a very positive outlook for the future.

After what has been a tough few years, the resource regions of Central Queensland, Mackay & Whitsunday and North Queensland are finally beginning to advance. The improvements have been off a very low base so they are still operating well within negative territory. For many though, the worst is behind them and they are very confident in the future.

Region	Building industry outlook	Turnover	Profit	Employment	Average wages	Pipeline of work
Greater Brisbane	56.6	60.1	54.8	54.8	59.2	54.7
Gold Coast	58.0	60.7	57.5	51.3	55.3	52.4
Sunshine Coast	63.3	60.7	50.0	53.6	58.3	48.9
Downs & Western	56.8	55.7	51.1	46.1	57.1	48.5
Wide Bay Burnett	61.7	58.3	48.3	53.6	57.7	42.2
Central Queensland	62.5	37.5	37.5	50.0	43.8	25.0
Mackay & Whitsunday	57.1	32.1	39.3	45.0	33.3	19.0
North Queensland	51.9	53.8	51.9	50.0	54.2	25.0
Far North Queensland	65.0	43.3	38.3	40.4	50.0	44.4
Queensland	58.4	55.6	50.8	50.8	55.5	35.1

*An Index of 50 represents a neutral position, below 50 is negative and above positive.

Greater Brisbane

Confidence in the 12-month outlook for the building and construction industry rose markedly, improving on downward slides in the previous years.

Trading conditions in the residential sector, while steady for the most part, began to moderate in response to an expected oversupply of units. This is also affecting the future outlook.

Non-residential construction saw stronger improvements off a lower base. Trading conditions in this sector are also expected to moderate sharply into the coming year.

Turnover and profitability in the region surged forward. These elevated levels are expected to continue.

Employment levels remained stable, with more than half (55%) of businesses planning to maintain their current workforce. Similarly, seventy-three per cent of businesses are expecting to maintain their apprenticeship levels.

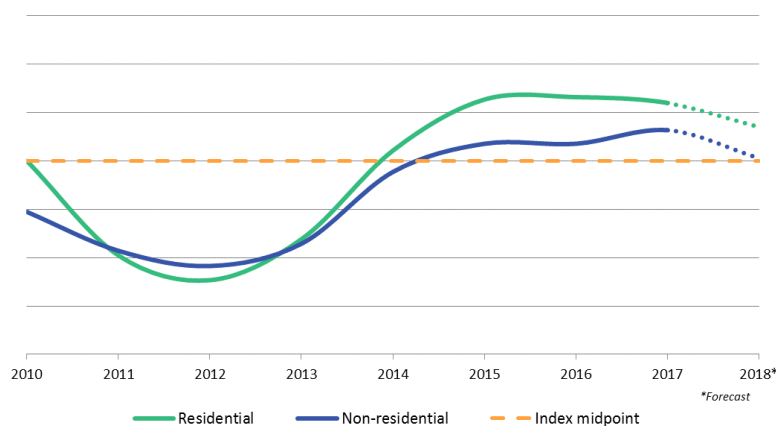
The current employment market is helping to stabilise wage growth, with more than half of respondents (53%) reporting that wages haven't changed. This is expected to strengthen into the coming year.

In spite of this, respondents are continuing to report difficulties in recruiting key trades, namely bricklayers, carpenters and wall/floor tilers.

Labour costs are the most critical constraint for businesses operating in the region. Not surprisingly, the related challenge of securing appropriately qualified staff is also significant.

The elevated demand is not reaching all segments of the market and many parts of the region continue to be challenged by weak confidence, fears about job security and household finances.

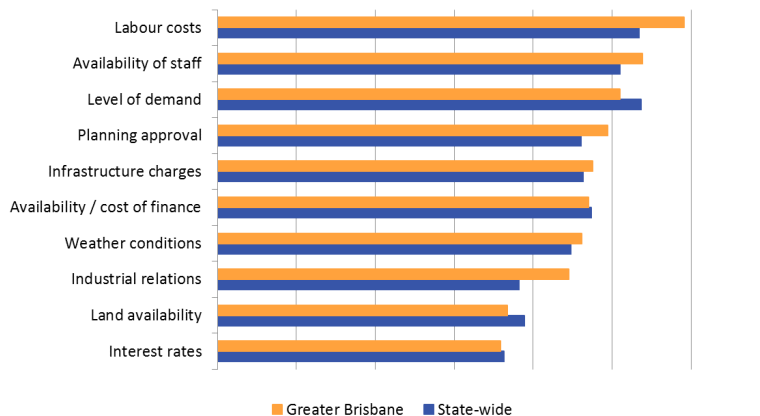
Trading conditions - Greater Brisbane



Economic Outlook

32%
STRONGER

Constraints - Greater Brisbane



Gold Coast

Business confidence in the building and construction industry on the Gold Coast began to moderate in 2016, coming down from a record high in the previous year.

Trading conditions in the residential and non-residential sectors came off the high of the previous years but remained strong. Respondents expect the drop to continue, even returning to negative territory in 2018.

Turnover and profitability continued on an upward trajectory during the past 12 months. This is expected to continue through to 2018.

Employment and apprenticeship levels strengthened thirty-seven per cent and forty-five per cent respectively.

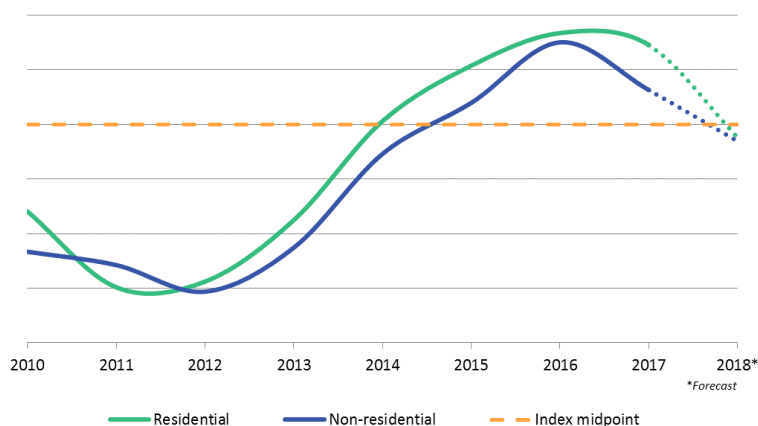
The pressure on wages continued to build, with nearly half (47%) of businesses reporting wage increases. This is expected to persist into the coming year.

The stronger labour market is impacting the ability to recruit key staff such as supervisors, project managers and plaster fixers.

The lack of demand is the key constraint operating in the region. The previously high level of demand is now waning, and even at the peak, it did not reach all segments of the market. Many parts of the region also continue to be challenged by weak confidence, fears about job security and household finances.

The availability of staff and rising labour costs are also critical constraints for businesses operating in the region. In the face of competitive tendering they are challenging the ability to deliver projects on-budget.

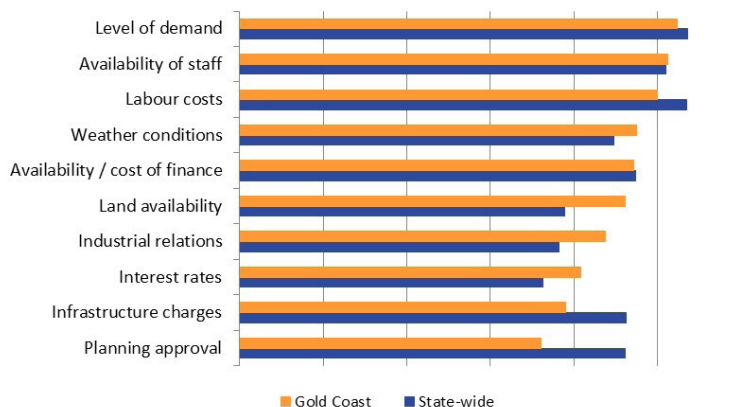
Trading conditions - Gold Coast



Profitability

50%
STRONGER

Constraints - Gold Coast



Sunshine Coast

Business confidence in the building and construction industry grew, moving firmly into positive territory.

Trading conditions have also remained firmly with positive territory. While the residential sector is cooling, non-residential work continues to grow. Looking forward, the positive trend is expected to continue into 2018.

Turnover and profitability also improved and both indicators are expected to continue to remain positive.

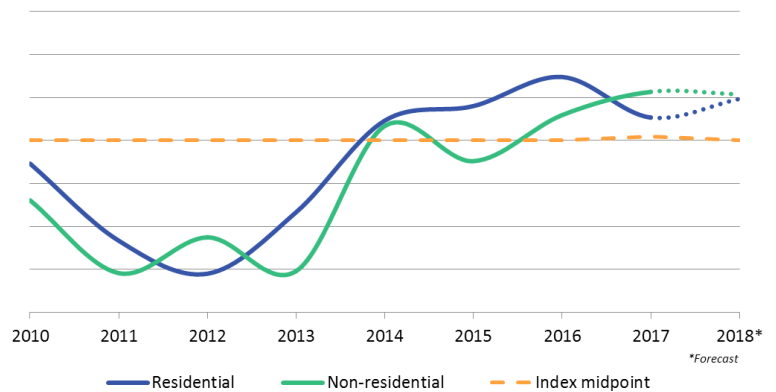
Employment levels in the industry stabilised, with the majority of respondents reporting stable employee and apprenticeship levels.

In spite of this, there is significant pressure on wage levels with forty-two per cent reporting that they are growing. As a result, the employment market is tightening and respondents are reporting increased difficulty in recruiting some key staff – namely, carpenters, supervisors and wall and floor tilers.

As the labour market begins to tighten, the availability of staff and labour costs is presenting significant constraints for businesses. In the face of competitive tendering they are challenging the ability to deliver projects on-budget.

The lack of demand is the key constraint operating in the region. While demand, especially for residential dwellings, has been elevated, it is now waning and even at the peak did not reach all segments of the market.

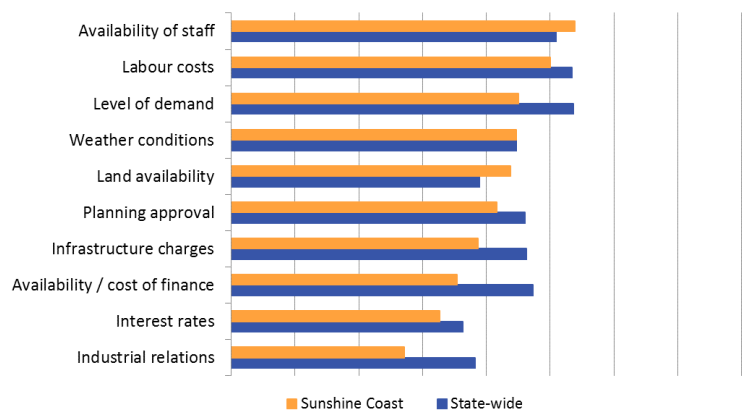
Trading conditions - Sunshine Coast



Material costs

71%
STRONGER

Constraints - Sunshine Coast



Downs & Western

Regional confidence in the building and construction industry continued to grow, returning to positive territory.

The movement in trading conditions was more modest, with conditions in the non-residential sector largely remaining unchanged and the residential sector improving slightly. This is expected to continue into the coming year.

There was a sharper improvement in turnover and profitability for the year, with both indicators returning to positive territory after a two-year decline. Encouragingly, further improvements are expected in 2018.

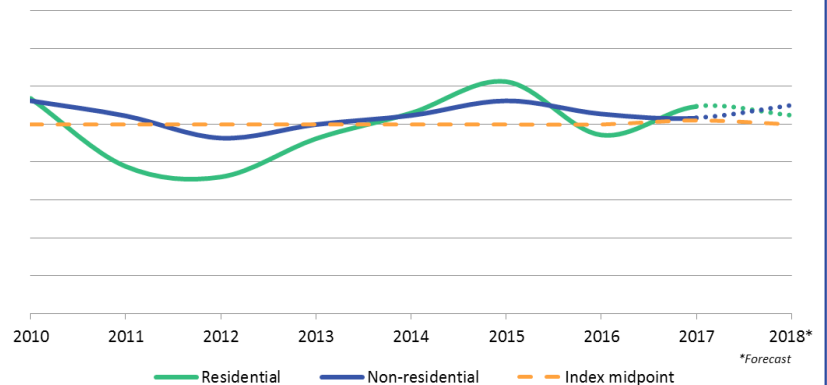
Employment levels are stabilising after recent surges. Two-in-three respondents (63%) are reporting stable employment levels, and the majority (53%) are reporting stable apprentice levels. This is expected to continue. Wage levels, on the other hand, are still moving forward with thirty-eight per cent reporting some growth.

There were no reports of problems in finding suitability qualified staff.

As the labour market begins to tighten, labour costs and the availability of staff are growing constraints. Any increase in input costs in a competitive tendering environment is a challenge to bringing projects in on budget.

The lacklustre level of demand also continued to challenge businesses. Any upswing in demand is patchy at best and is not reaching all segments of the market. Many parts of the region continue to be challenged by weak confidence, fears about job security and household finances.

Trading conditions - Downs & Western



Contract Price

43%
STABLE

Constraints - Downs & Western



Wide Bay Burnett

Business confidence in the building and construction industry surged forward in 2016, returning to positive territory.

This confidence is well-placed with trading conditions in the residential non-residential sectors also improving sharply. Further improvements are expected for the remainder of 2017 and into 2018.

Business performance indicators (turnover and profitability) saw significant improvements.

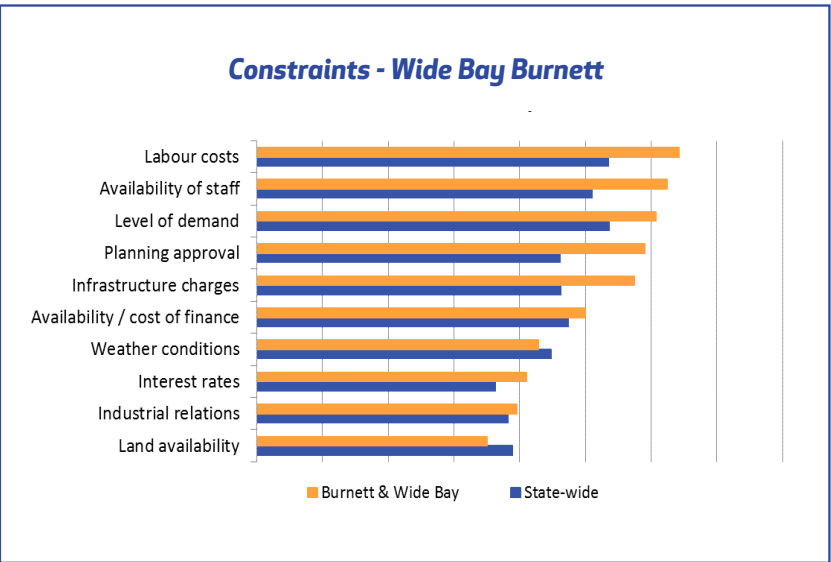
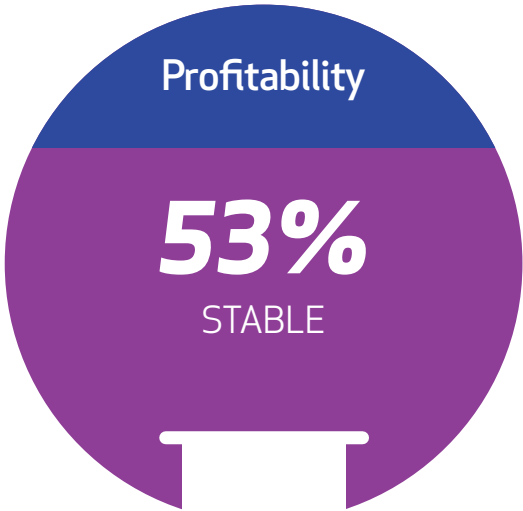
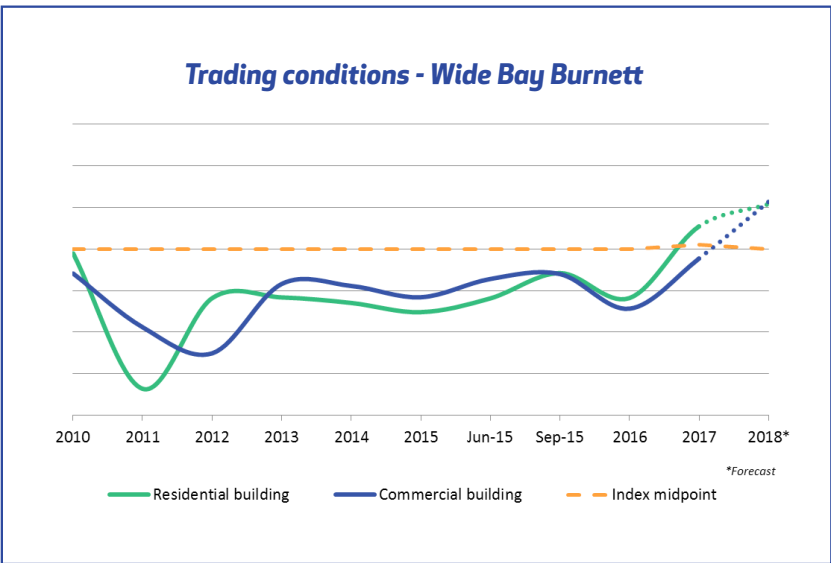
Employment prospects in the region were stable. The majority of respondents reported no change to the levels of employees and subcontractors (71%) and apprenticeships (80%). Respondents are anticipating no changes for the coming year.

Wage levels, on the other hand, are moving forward with thirty-eight per cent reporting some growth. This is expected to increase to forty per cent in 2018.

There are pockets of the industry where it is becoming difficult to recruit key trades, namely wall and floor tilers and bricklayers.

As the labour market begins to tighten, labour costs and the availability of staff are growing constraints. In a competitive tendering environment, any increase in input costs is a challenge to bringing projects in on budget.

The lacklustre level of demand also continues to challenge businesses. The upswing in demand can be patchy and has not reached all segments of the market. Many parts of the region continue to be challenged by weak confidence, fears about job security and household finances.



Central Queensland

Confidence in the local building and construction industry surged, moving strongly into positive territory.

Trading conditions have been challenging in the region for four years. In 2016 residential trading conditions fell away even further while non-residential conditions were able to remain steady. Looking forward, respondents are confident that change is on the way and that 2017 will see significant improvements for both sectors.

This result was mirrored in turnover and profitability which have also been well within negative territory for a number of years, but now show a more positive outlook for the future.

Employment levels have begun to stabilise, following previous drops. More than half of respondents (53%) are reporting no further changes in employee and subcontractor levels. There is an expectation that this will stabilise further, with 50 per cent also expecting no change in employment levels for the coming year. It is a similar story for apprenticeships.

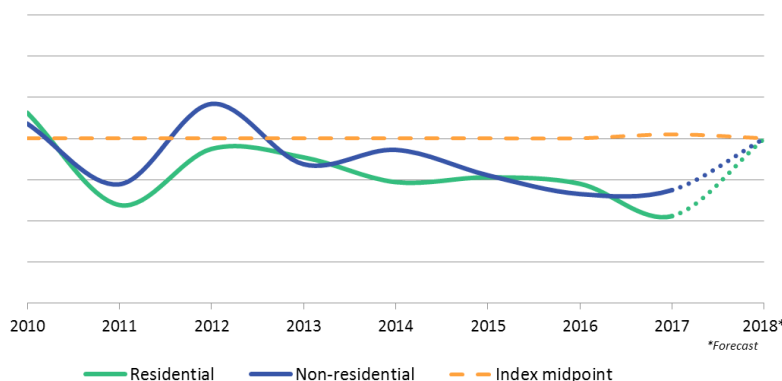
When it came to recruiting staff, no one reported any difficulty in recruiting and retaining suitably qualified employees and subcontractors.

The lacklustre level of demand continues as one of the most critical constraints on business growth in the region.

In the context of weak demand, development costs such as infrastructure charges and planning approval rate as a significant concern, pushing costs beyond what is affordable.

Lender valuations and the limits they place on borrowing are acting as a constraint on otherwise viable projects, further stifling demand.

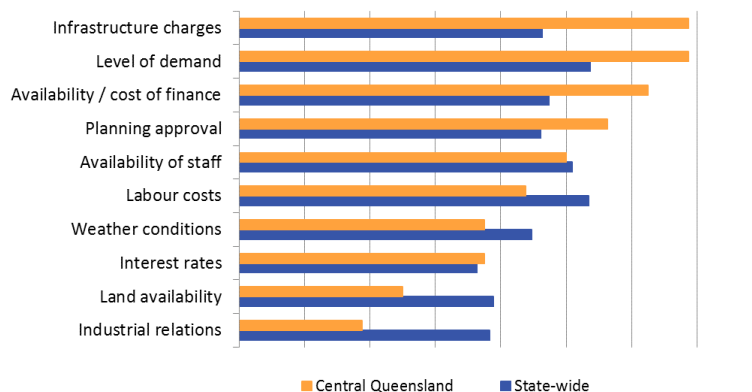
Trading conditions - Central Queensland



Economic Outlook

50%
STRONGER

Constraints - Central Queensland



Mackay & Whitsunday

Confidence in the local building and construction industry surged in 2017, moving strongly and returning to positive territory for the first time in three years. The majority of respondents now regard the economic outlook as stable (71%).

Trading conditions have been challenging for five years. In 2016 trading conditions in the residential and non-residential sectors improved marginally but remained well within negative territory. Looking forward, respondents are confident that a change is on the way and that 2017 will see significant improvements for both sectors.

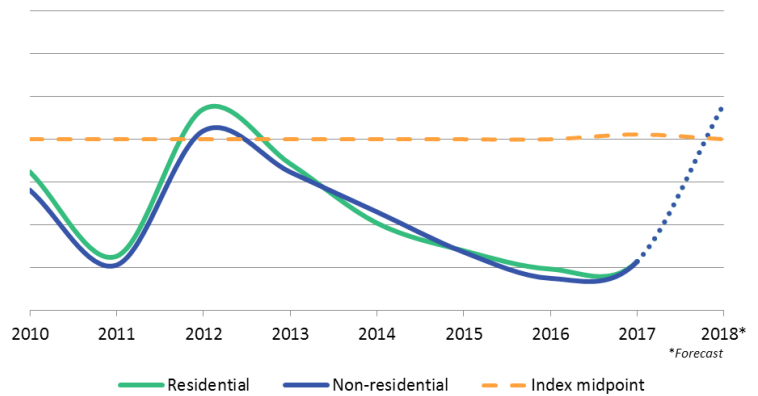
Business performance improved, with turnover and profitability recording moderate increases. Both indicators are expected to improve during the remainder of 2017, hopefully returning to positive territory in 2018.

Employment levels have begun to stabilise, following previous drops. More than half of respondents (60%) are reporting no further changes in employee and subcontractor levels. There is an expectation that this will stabilise further, with sixty-seven per cent also expecting no change in employment levels for the coming year. It is a similar story for apprenticeship and wage levels.

Despite the stable employment, there are a few reports of difficulties in recruiting senior staff, such as project managers and site managers, and trades such as painters and carpenters.

The most critical constraint on business growth was once again the lacklustre level of demand as the region continues to struggle with the end of the mining boom and resultant housing over-supply.

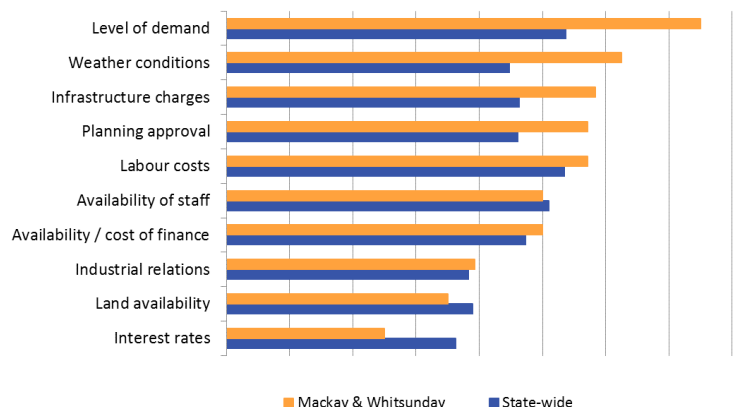
Trading conditions - Mackay & Whitsunday



Economic Outlook

71%
STABLE

Constraints - Mackay & Whitsunday



North Queensland

Business confidence in the building and construction industry improved, ending on a high note.

Trading conditions have remained challenging. In 2016 non-residential trading conditions improved off a low base while residential conditions remained steady. Looking forward, respondents are confident that a change is on the way and that 2017 will see significant improvements for both sectors.

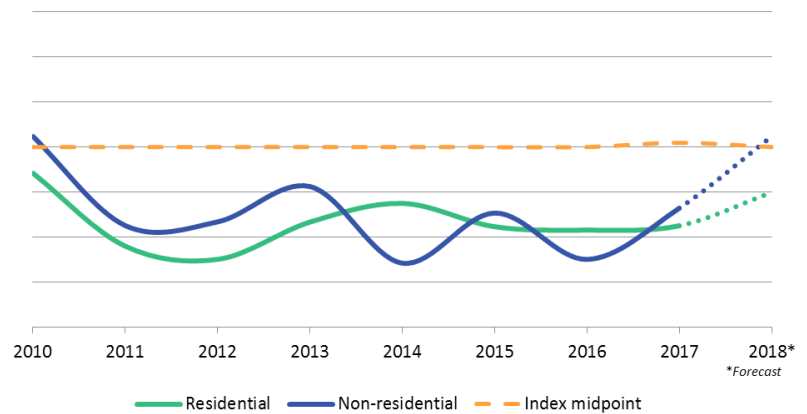
Business performance indicators of turnover and profitability have been more positive, surging strongly. This new elevated level is expected to continue.

Employment levels remained stable with over half of all respondents (54%) reporting no change. Similar results were recorded for apprentice levels (57% reported they were unchanged) and wage levels (58% reported they were unchanged). There is the expectation that the situation will continue to remain stable.

Unsurprisingly, given the stable employment conditions, there were few reports of difficulty in recruiting and retaining suitably qualified employees and subcontractors.

Consistent with the state-wide results, the most critical constraint on North Queensland business growth in 2016 continued to be the lacklustre level of demand.

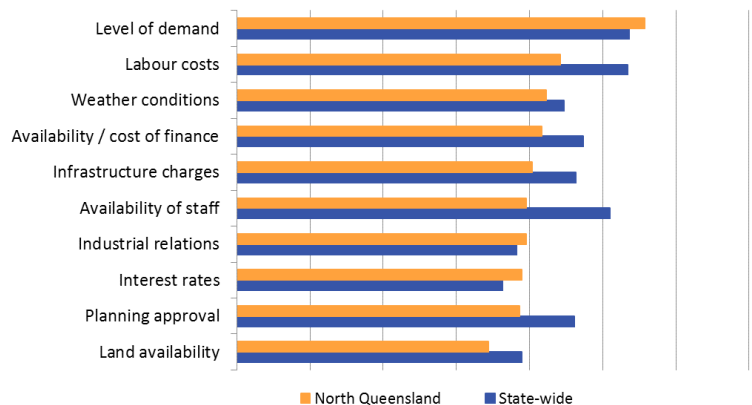
Trading conditions - North Queensland



Profitability

54%
STRONGER

Constraints - North Queensland



Far North Queensland

Business confidence in the building and construction industry surged in 2016, ending on a record high.

Trading conditions in the residential and non-residential sectors continued to improve. Further gains are expected into the coming 12 months, hopefully moving strongly into positive territory for the first time in the survey's history.

Indicators for turnover and profitability have been less positive, falling away and losing the gains of the previous year. Expectations for the coming 12 months are strong however and both indicators are expected to move well within positive territory by 2018.

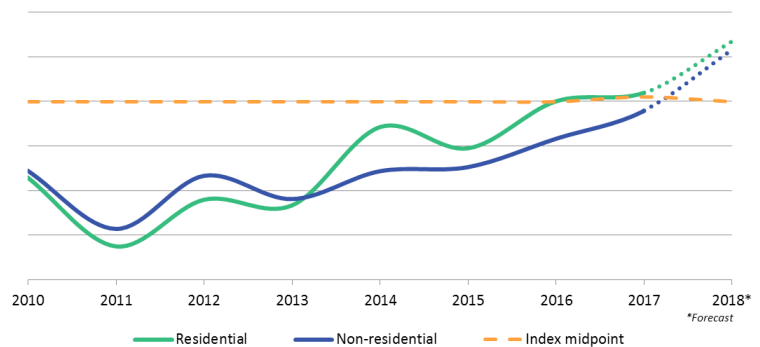
Employment levels in the region remained stable, with more than two-thirds of all respondents (62%) reporting no change. Similar results were recorded with apprentice levels (83% reported no change) and wage levels (64% reported no change). Going forward there is the expectation that the situation will remain stable.

Unsurprisingly, in this environment there are no reports of difficulties in recruiting and retaining suitably qualified employees and subcontractors.

Consistent with the state-wide results, the most critical constraint on Far North Queensland business growth continues to be the lacklustre level of demand.

Lender valuations and the limits they place on borrowing are acting as a constraint on otherwise viable projects, further stifling demand.

Trading conditions -Far North Queensland



Contract Price

57%
STABLE

Constraints - Far North Queensland

