



MASTER BUILDERS
A U S T R A L I A

17 March 2021

The Hon Michael Sukkar MP
Assistant Treasurer and Minister for Housing
Parliament House
CANBERRA ACT 2600

Dear Minister

HomeBuilder has achieved its aim, to activate and bring forward demand to avoid a forecast 'valley of death' for the home building sector at the height of the COVID crisis in 2020. HomeBuilder stopped thousands of mostly small residential builder and tradie businesses from going under and has saved thousands of jobs.

With the significant 3 times multiplier effect in economic activity, residential building is also supporting thousands of jobs in other industries who rely on a strong building industry.

But HomeBuilder's astonishing success means there is now a huge level of demand for both products and labour, creating significant pressures on the building supply chain. Master Builders Australia is of the strong view that these pressures need to be addressed for the continued success of HomeBuilder as it is rolled out across the country.

Demand pressures for both product and labour are due to a perfect storm of circumstances as follows:

- HomeBuilder is having a uniform effect in driving up demand across the country and in both regional and metropolitan Australia - this is different from normal cyclical housing booms where there will be differences in demand in different states and territories where product and labour can move between jurisdictions to meet demand.
- The combination of strong building activity in housing, civil, mining and disaster reconstruction work at the one time is something we have not seen before in Australia. Construction activity usually fluctuates between construction sectors, not in several sectors at once.
- The industry is used to operating on a 'just in time' building product delivery so builders and manufacturers do not have reserves on hand.
- There is a global shortage of timber products with the US soaking up most of the overseas supplies making it impossible for Australia to import enough to meet demand. Local timber supplies have also been significantly impacted by bushfire burning plantations.
- Local manufacturers of products such as steel scaled back production in 2020 based on forecasts that building and construction would severely decline. With government stimulus achieving the opposite effect they cannot meet the immediate demand and are scrambling to catch up.



+61 2 6202 8888
+61 2 6202 8877



enquiries@masterbuilders.com.au
www.masterbuilders.com.au



Level 3, 44 Sydney Avenue
Forrest ACT 2603



PO Box 7170
Yarralumla ACT 2600

All these factors are resulting in delay and subsequent inflationary impacts throughout the supply chain that will be compounded in the different stages of home construction.

Master Builders is concerned that if nothing is done to ease demand pressures there is the risk of consumers missing out, substantial cost increases for consumers and/or negative cash flow impacts for small construction businesses.

Managing the demand pressures

Industry will continue to manage delays and costs as much as it can but to take some pressure off the system, Master Builders is seeking the removal of the six-month construction commencement requirement from HomeBuilder.

The initial 3-month commencement requirement, that was subsequently extended to 6 months, was an important component of the program when introduced so the industry did not face the “valley of death”. However, given the overwhelming, unexpected demand for HomeBuilder, the commencement date requirement has not only become redundant but in fact is contributing to the demand pressures and creating potential perverse outcomes.

A removal of the commencement date would provide some flexibility for industry to spread demand at the front end of building works to then manage delays better through all stages of work.

National Survey

To back up anecdotal reports from suppliers, builders and trades about delays and cost increases, Master Builders conducted a National Survey to determine the extent of the problem. Key findings are:

- 78% of respondents report experiencing products delays of up to 3 weeks.
- 70% of respondents experiencing trade contractor delays.
- Up to a 10% increase in the cost of materials and specialist trades.
- Concreters, bricklayers, and carpenters are the top three trades that have increased costs.
- Concreters, bricklayers, and roof installers are the top three delayed trades.
- Cost increases for roof tiles, steel products and engineered wood products range between 10 and 13%.
- Timber, engineered wood products and windows the top three delayed products.

All cost increases and negative impacts of delay are being carried by the builder until staged payments are made.

Further detail on survey results in relation to trade availability and materials follow and we can, if required, provide case studies.

Master Builders would be happy to discuss further the points raised in this letter should this be required.

Yours sincerely

Denita Wawn
Chief Executive Officer

Delays in the availability of trades by state

	Aus	NSW	Vic	Qld	SA	WA	Tas	ACT
% of businesses experiencing trade delays	71.8%	65.3%	69.0%	73.6%	73.3%	72.1%	79.1%	65.1%
Top 3 delayed trades	Bricklayer Roof installer Concreter	Painters Stonemasons Carpenters	Concreter Bricklayer Joiner	Roof installer Carpenter Bricklayer	Bricklayer Concreter Carpenter	Bricklayer Concreter Carpenter	Roof installer Wall & floor tiler Concreter	Bricklayer General Labourer Joiner
% of businesses experiencing delays in the top 3 delayed trades	81.9%	77.7%	78.5%	87.3%	94.1%	92.2%	92.9%	70.7%
Average delay for top 3 trades	16 days	15 days	15 days	18 days	15 days	20 days	17 days	10 days
% of businesses experiencing delays of over 2 weeks for top 3 trades	48.0%	49.0%	41.8%	57.9%	50.9%	65.3%	57.4%	11.6%

Cost increases of trades by state

	Aus	NSW	Vic	Qld	SA	WA	Tas	ACT
% businesses experiencing trade cost increases	70.1%	65.9%	68.4%	70.2%	65.3%	75.6%	74.9%	75.3%
Top 3 cost increases	Carpenter Concreter Bricklayer	Roof installer Carpenter Concreter	Concreter Carpenter Structural Steel workers	Roof installer Carpenter Concreter	Structural steel worker Concreter Carpenter	Bricklayer Carpenter Concreter	Bricklayer Carpenter Glazier	Carpenter Glazier Bricklayer
% of businesses experiencing cost increases in top 3 trades	76.0%	77.8%	73.8%	80.2%	77.9%	88.2%	85.7%	68.4%
Average cost increase for top 3 trades	9.6%	8.4%	8.1%	11.1%	7.4%	16.3%	7.8%	6.8%
% of businesses experiencing cost increases above 10% for top 3 trades	32.0%	32.2%	22.4%	40.9%	23.4%	65.8%	29.5%	8.5%

Average cost increase – top three building materials

	Average cost increase for those affected by increased	Average cost change for all respondents	Proportion of respondents experiencing cost increase
Roof tiles	12.8%	6.8%	54.0%
Steel products	11.5%	10.6%	92.4%
Wood (engineered wood products excluding timber)	10.2%	9.0%	88.2%

Average length of delay – top three building materials

	Average length of delay in accessing product (days)	Proportion of respondents experiencing delay (%)
Timber	14.4	85%
Wood (excluding timber)	13.5	81%
Windows	12.3	79%