



*The home of building*

# BUILDING INDUSTRY OUTLOOK **2021** **FEBRUARY**

OUR INDUSTRY HAS WEATHERED THE COVID-19 PANDEMIC REMARKABLY WELL AND THE OUTLOOK IS EXTREMELY OPTIMISTIC AS WE EMBARK ON ANOTHER YEAR.

2021 WILL BE A YEAR WITH THE RESIDENTIAL SECTOR FIRING ON ALL CYLINDERS WHILE THE COMMERCIAL SECTOR SPLUTTERS ALONG.

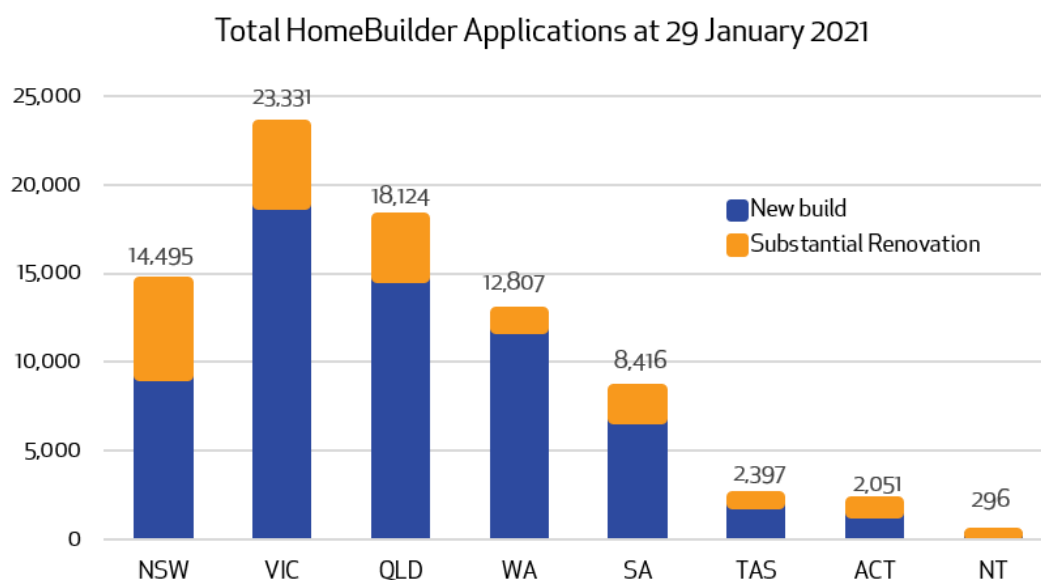
THE OUTLOOK FOR 2021 AND BEYOND IS FOR A TWO-SPEED INDUSTRY.

## HOUSING DEMAND

The *HomeBuilder* grant (initially \$25,000 and now \$15,000), together with the Queensland government's \$5,000 boost in the regions, will do much to carry the housing sector through until the end of 2021.

Demand for new housing under *HomeBuilder* has far exceeded expectations with Treasury reporting that applications to date are more than three times the initial forecast.

In Queensland there have been 18,124 *HomeBuilder* applications so far, including 3,335 renovation applications. This is second only to Victoria.



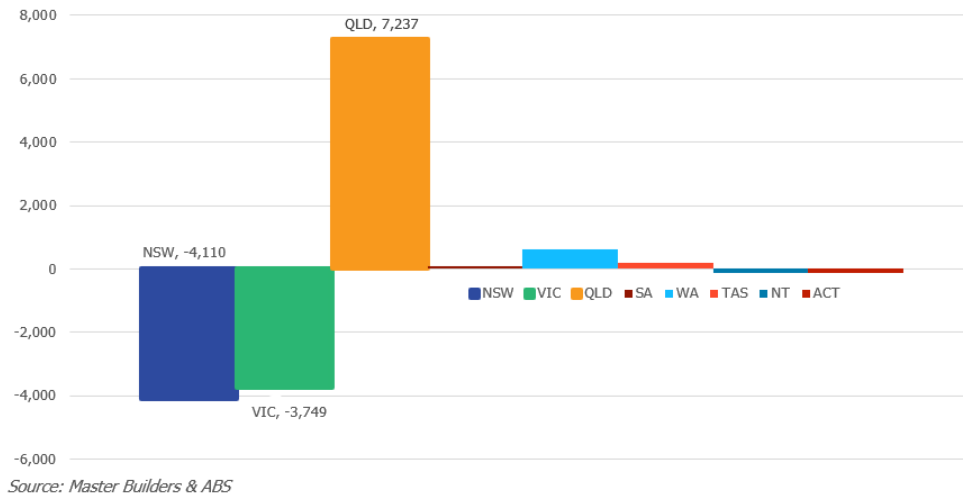
Source: Treasury Australian Government

But *HomeBuilder* is not the only act in town.

There has also been a surge in demand amongst those without access to *HomeBuilder*. People have been reassessing their priorities and money that can't be spent on overseas holidays is being added to deposit savings.

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 7,237 people in the three months to September alone.

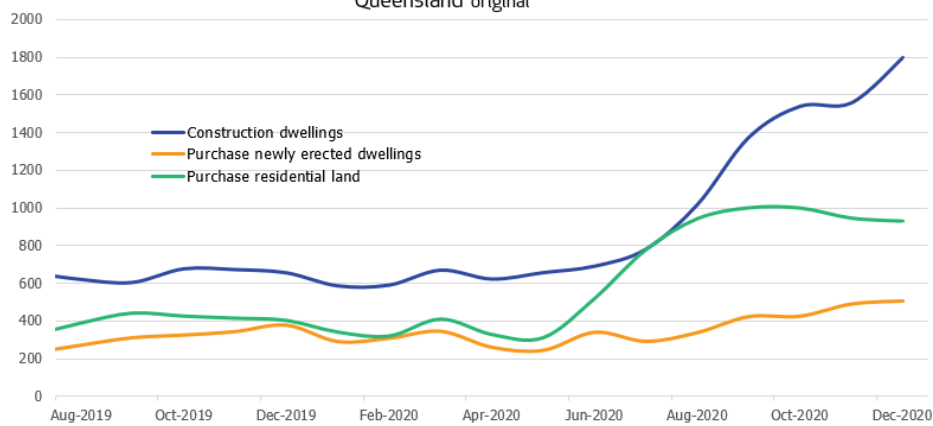
### Interstate Net Migration, September 2020 quarter



Also driving demand are historically low interest rates which are likely to remain that way for some time to come, giving buyers the confidence to take the plunge.

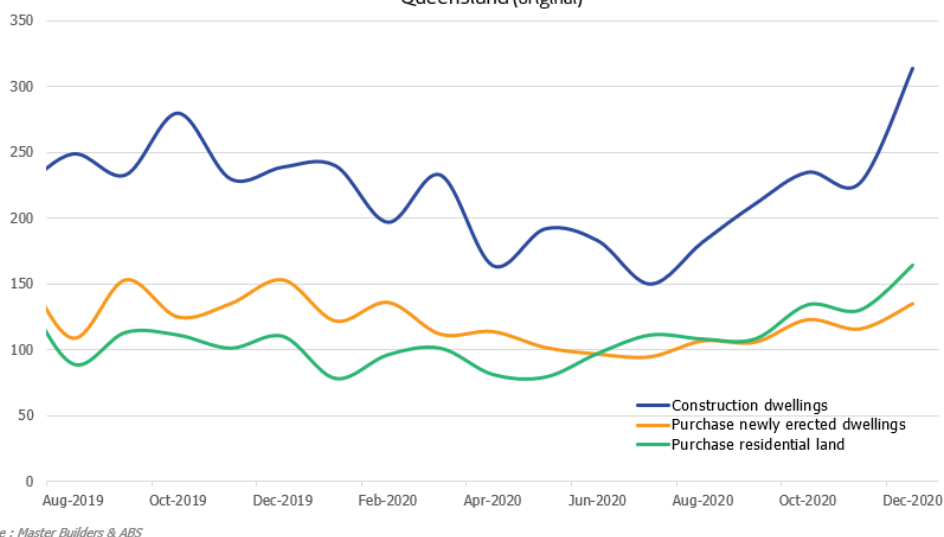
All this activity is coming together and adding another layer of demand from FOMO (fear of missing out).

### Owner Occupiers: Housing Finance for new construction Queensland original



With all this 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 and COVID put paid to that. Then after, it was just a few short months before demand came roaring back; surging 35 per cent in the past three months.

### Investors: Housing finance for new construction Queensland (original)



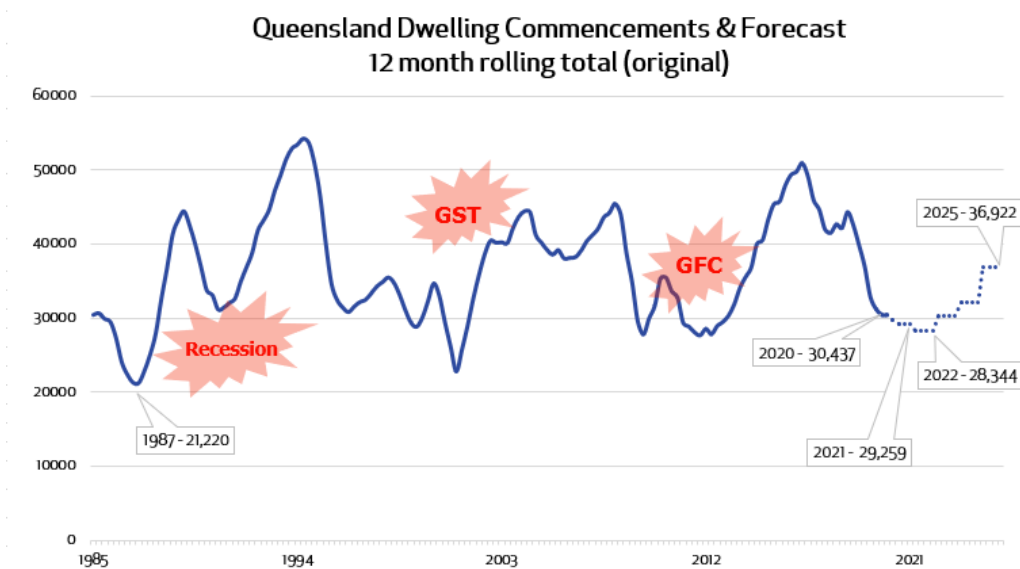
The unit market has not been so quick out of the blocks. Demand here has been hit by a drastic reduction in overseas migration and it has not been able to access *HomeBuilder* to the same extent (80 per cent of *HomeBuilder* applications have been for detached houses). But even here it is clear that there is a turn around and construction of new units is tentatively on the up.

Demand is so strong across the housing sector we are now looking at emerging problems of trade shortages and price hikes in labour and materials.

## Housing forecast

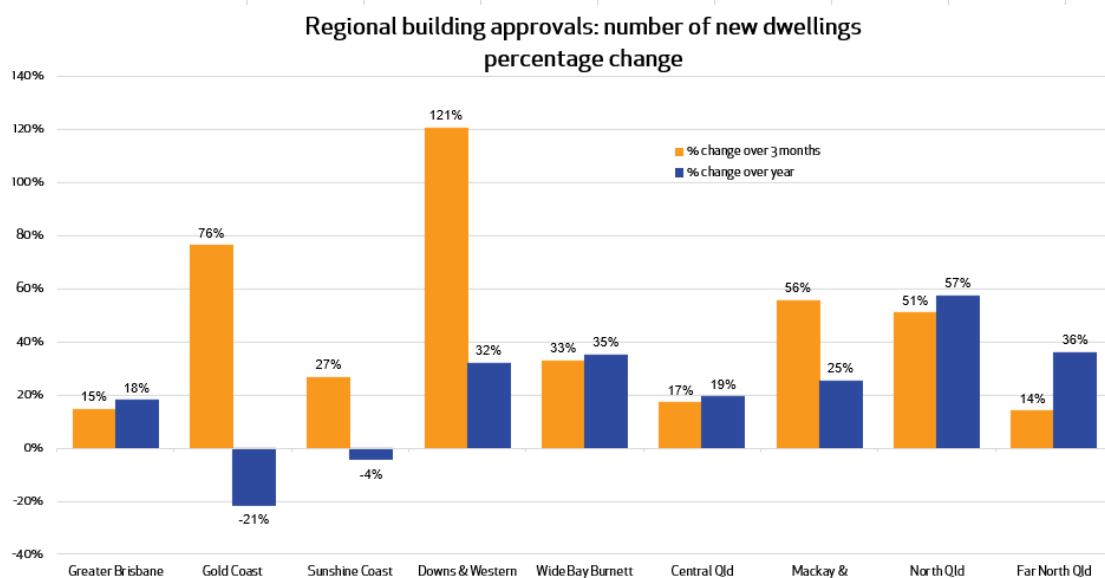
Master Builders now forecasts that throughout 2021 nearly 30,000 new homes will be built in Queensland. While this is substantially better than what was projected at the outset of COVID, the reality is that this is still 3 per cent down on the previous year – and a far cry from the 50,000 new builds back in 2016.

The figure is expected to again fall slightly in 2022 and we don't expect it to return to 30,000-plus commencements until 2023, when it's hoped overseas migration will have returned.



Source: Master Builders & ABS

We can expect the demand in the housing market to be shared across the state with the regions outside of SEQ first out of the blocks and SEQ to follow.



Source: Master Builders & ABS

## NON-RESIDENTIAL DEMAND

With many segments of the economy spending most of 2020 in mothballs, the demand for building new projects in areas like entertainment, short-term accommodation, retail and industrial has taken a substantial hit.

In addition to this, increased pessimism about the economy's prospects has substantially reduced the appetite of the private sector for investing in building projects. This negativity will only be alleviated once a clearer picture of the economy's path to recovery from the pandemic has been sketched out for the business community, which we hope will happen in the coming months.

Fortunately, the public sector accounts for a large portion of demand for non-residential building work in areas like health, education, culture and recreation.

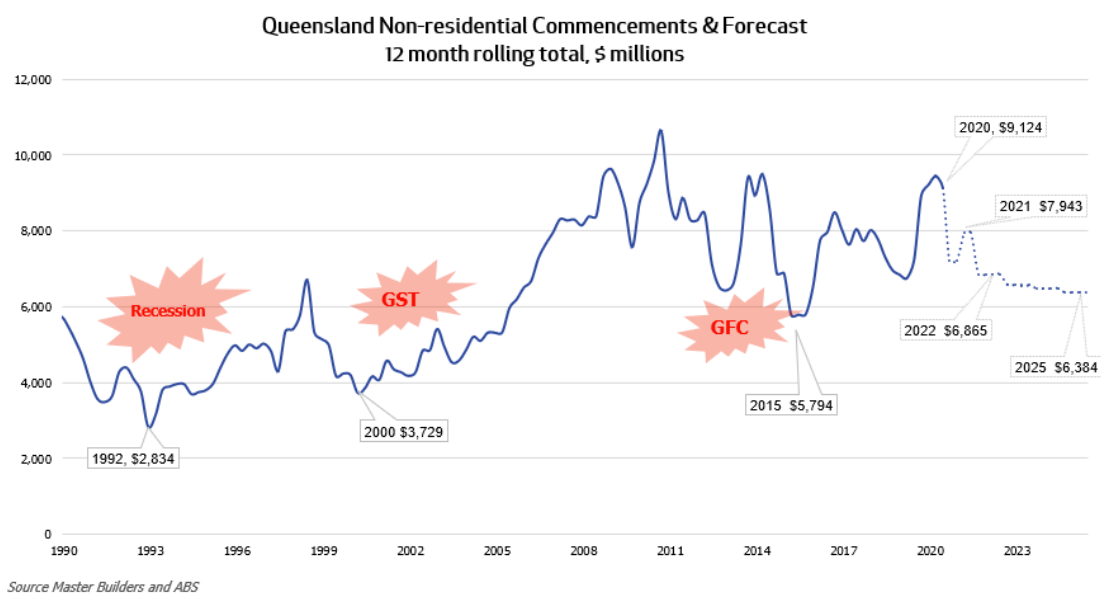
The Queensland Government has committed to spending a sizeable \$14.8 billion on capital projects, totalling \$56 billion over the next four years — although how much is spent on building, as opposed to civil projects, remains to be seen.

### Non-residential forecast

The value of non-residential building work to be done in Queensland during 2021 is forecast to plunge by 26 per cent since the high in 2019 – falling to \$6.9 billion.

In 2022, despite additional government spending, non-residential building activity is expected to fall again.

There is good news on the horizon for the retail and commercial segments which are expected to bounce back towards the end of 2022 or early in 2023.



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