



FUTURE BUILDING INSIGHTS SUMMIT

Outlook for Local and Global Trends Shaping the Building Industry



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Robert Mellor
Managing Director



- **Overview Current State of Australian Building by State and Sector.**
- **Demographic Drivers of Demand.**
- **Forecast for Residential Building by State and by Sector – Detached Houses, Medium Density and High Density.**
- **Forecasts for Non-Residential Building by State and Sector – Offices, Hotels, Retail, Warehouses, Health, Education etc.**
- **Implications of Changing Government Policies, Labour Force Issues and Changing Material Usage.**

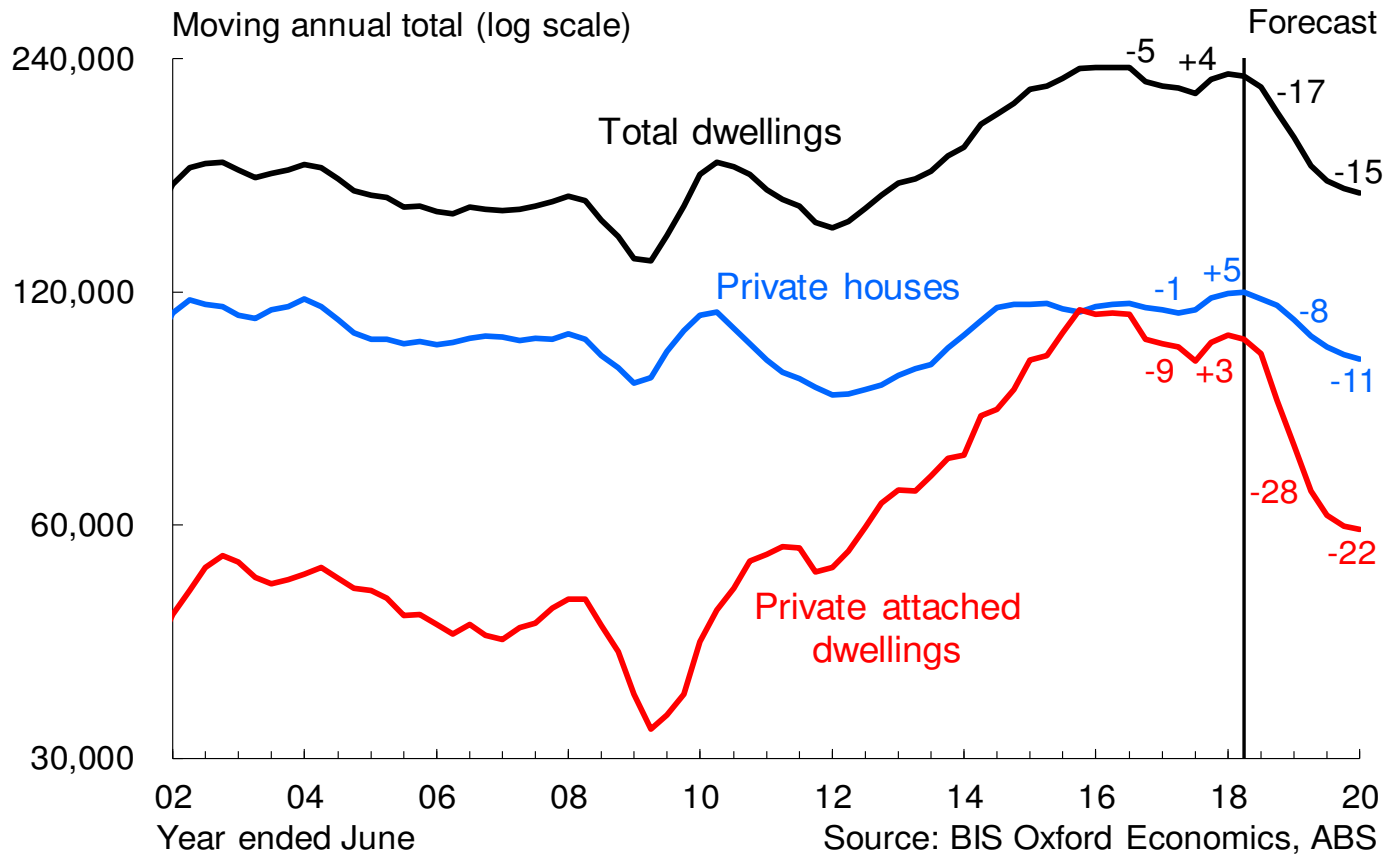


The value for total building commencements for Australia is expected to fall 13% in 2018/19.

Expected growth in total building commencements by state:

➤ Northern Territory	+42%	➤ Western Australia	-6%
➤ Tasmania	+12%	➤ New South Wales	-12%
➤ Queensland	+2%	➤ Victoria	-23%
➤ A.C.T.	+2%	➤ South Australia	-26%

Australia – Number of Dwellings Commenced





- **While the peak of the cycle was 2015/16 at 233,900 dwellings, activity remained close to this elevated through to 2017/18.**
- **Approvals were down 17% for total dwellings over the first half of 2018/19. The decline was predominately in attached dwellings (-29%), with houses (-5%) having only a modest decline.**
- **It is now expected that 2018/19 national commencements will come in at 190,000.**
- **The decline is focused in two boom states of NSW and VIC.**
- **Alterations & additions have started to soften in line with the weakness in new house construction and the softening property market.**



Expected dwelling commencements in 2018/19

➤ A.C.T.	7,020	+39%
➤ Tasmania	3,060	+8%
➤ Queensland	36,140	-14%
➤ Western Australia	15,510	-15%
➤ New South Wales	59,180	-17%
➤ South Australia	10,280	-21%
➤ Victoria	58,150	-24%
➤ Northern Territory	660	-32%



Coming off three years of consecutive double digit growth, total non-residential building are expected to take a breather, easing back 4% in 2018/19.

Growth in 2018/19

- **Transport** **+27%**
- **Retail** **+13%**
- **Health** **+9%**
- **Accommodation** **+5%**

Declines in 2018/19

- | | | | |
|------------------------|-------------|------------------------|------------|
| ➤ Aged care | -24% | ➤ Other C&I | -5% |
| ➤ Office | -18% | ➤ Education | -4% |
| ➤ Entertainment | -12% | ➤ Factory | -3% |
| ➤ Warehouse | -5% | ➤ Other S&I | -2% |



- **Leading residential building indicators are now broadly in retreat for most major markets.**
- **Dwelling commencements are forecast to trough in 2019/20 at 161,000. This would represent a peak-to-trough decline of 31%.**
- **Continued elevated population growth, low interest rates and a decent labour market are sustaining housing demand and preventing a bigger decline.**
- **The downturn is overwhelming concentrated in the investor focused apartment market, with high density commencement projected to slump around 60%.**
- **The owner-occupier driven houses is forecast to see a more muted decline of 18%.**



- **All demand channels have now turned negative.**
- **The decline in investor demand has been significant. Further falls are expected.**
- **Risk aversion over buying in a falling market and increased difficulty obtaining finance is limiting first home buyer demand.**
- **The rate of established property turnover is now very low, stalling the churn of upgraders/downsizers into new dwellings.**
- **The slump in house prices and tougher lending practices look to be increasing settlement risk for both off-the-plan apartments and land sales.**
- **Interstate migration flows are returning to Queensland, helping to soak up a modest oversupply of dwellings which is all concentrated in inner city apartments in Brisbane.**

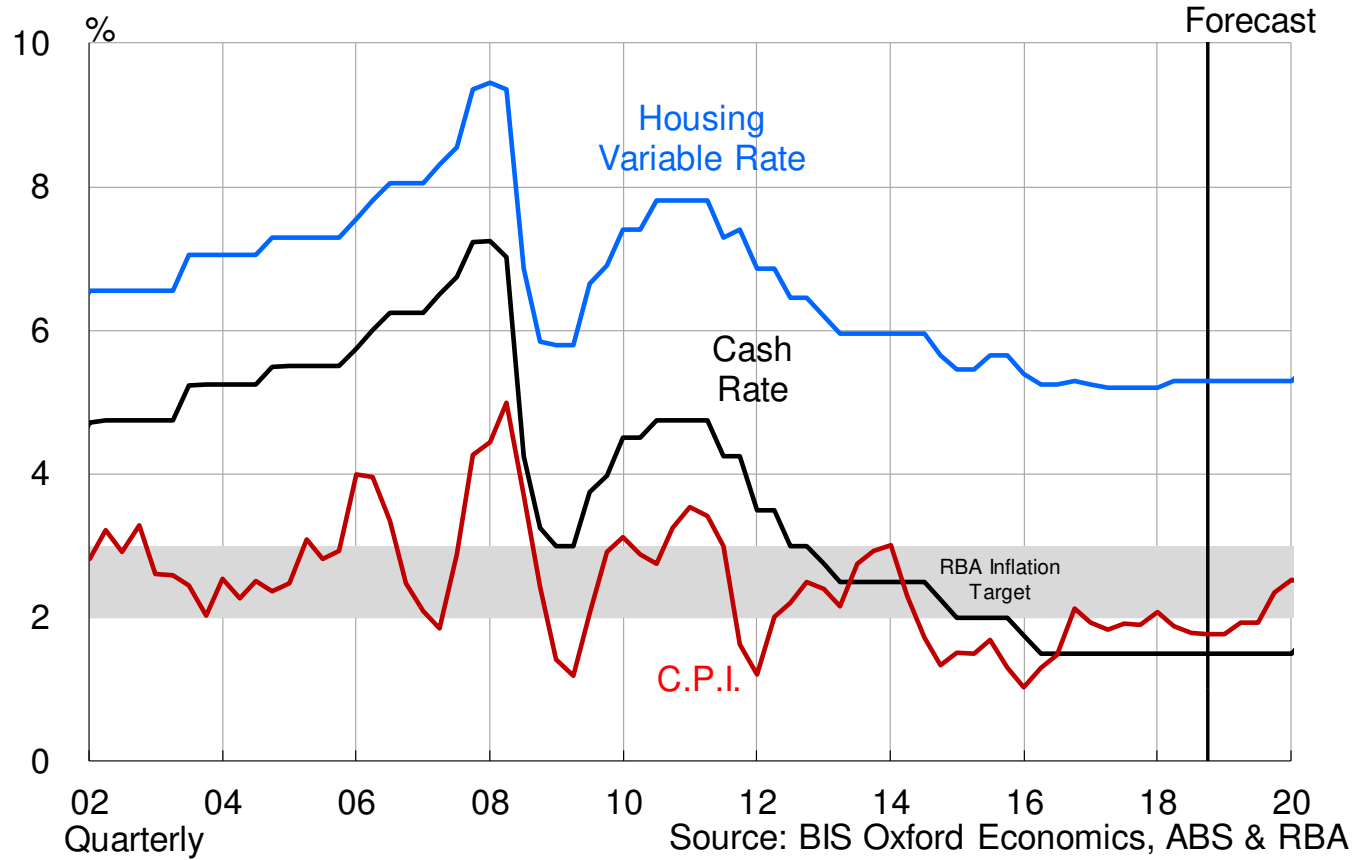


- **The RBA is expected to leave the cash rate unchanged.**
- **The banking royal commission final report was more bark than bite. However, there are upcoming factors that could further tighten lending practices.**
- **Upcoming elections at both the state and national level brings with them considerable policy risk for the building sector.**
- **Combustible cladding and cracking concrete have pushed build quality into the spotlight.**
- **Population growth remains strong and the short term signals for temporary migration are positive.**
- **The response of households to falling prices is key. The pace of price declines is expected to gradually tail off over 2019.**

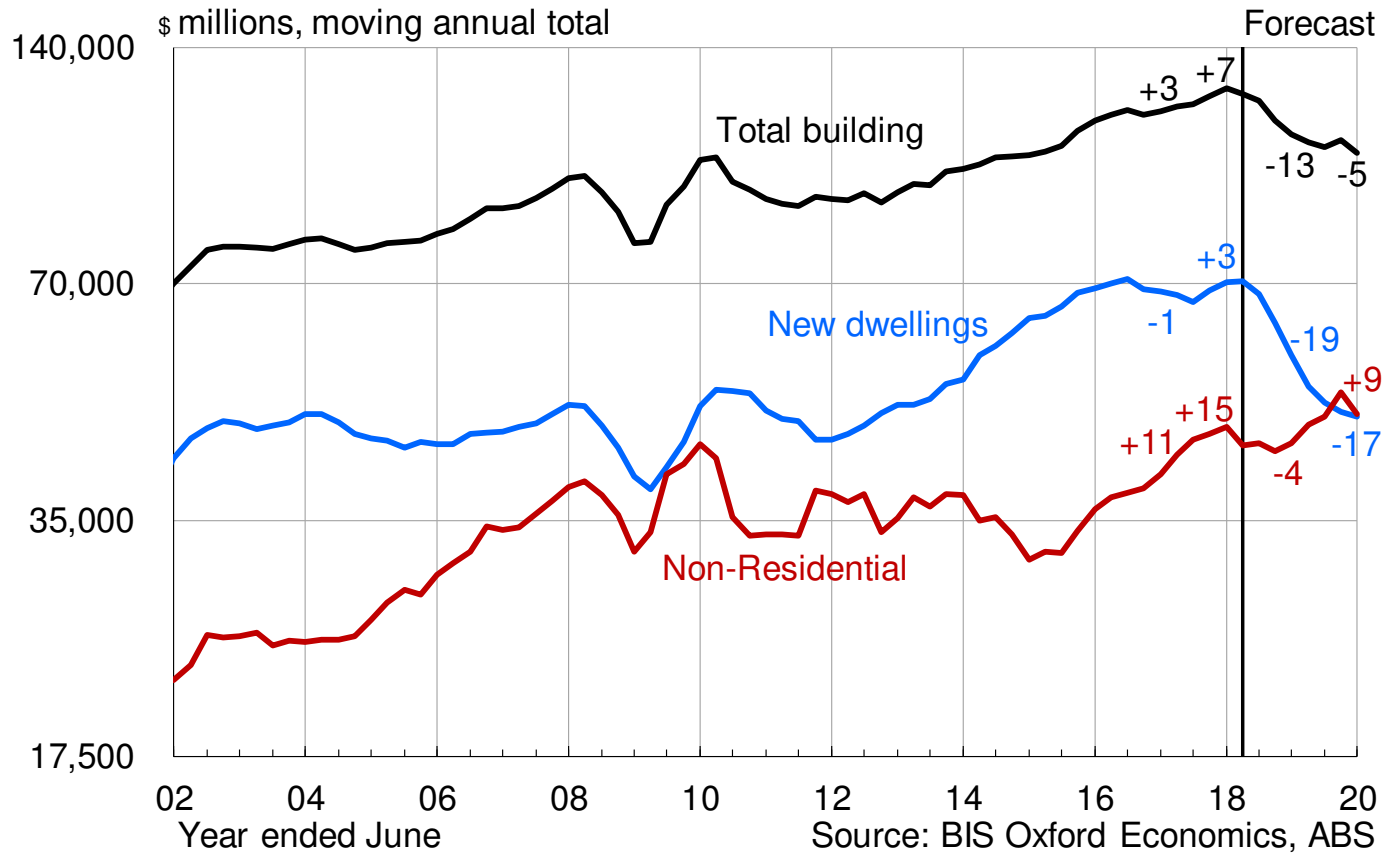
Interest Rates



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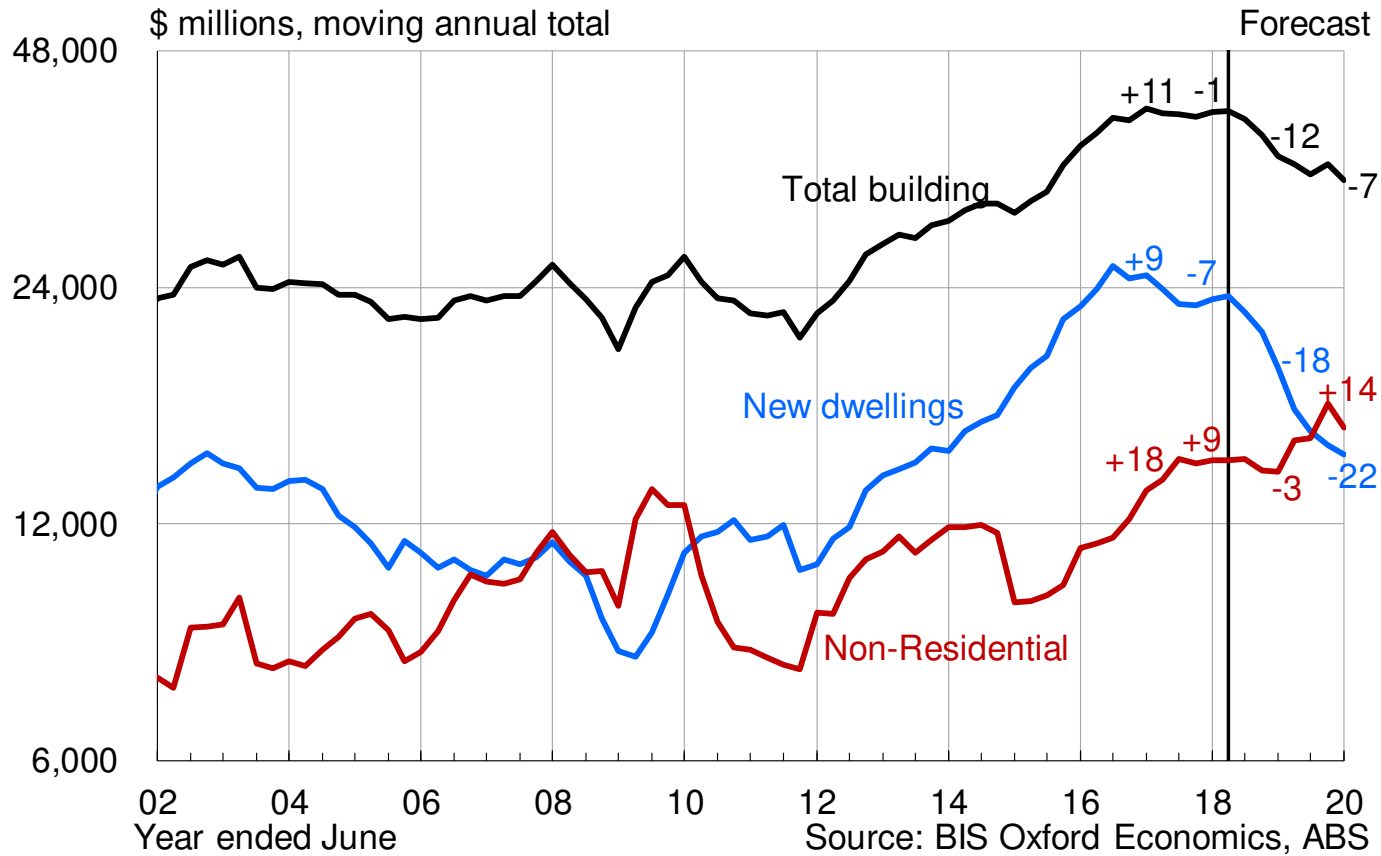


Australia – Building Commenced (2016/17 Prices)



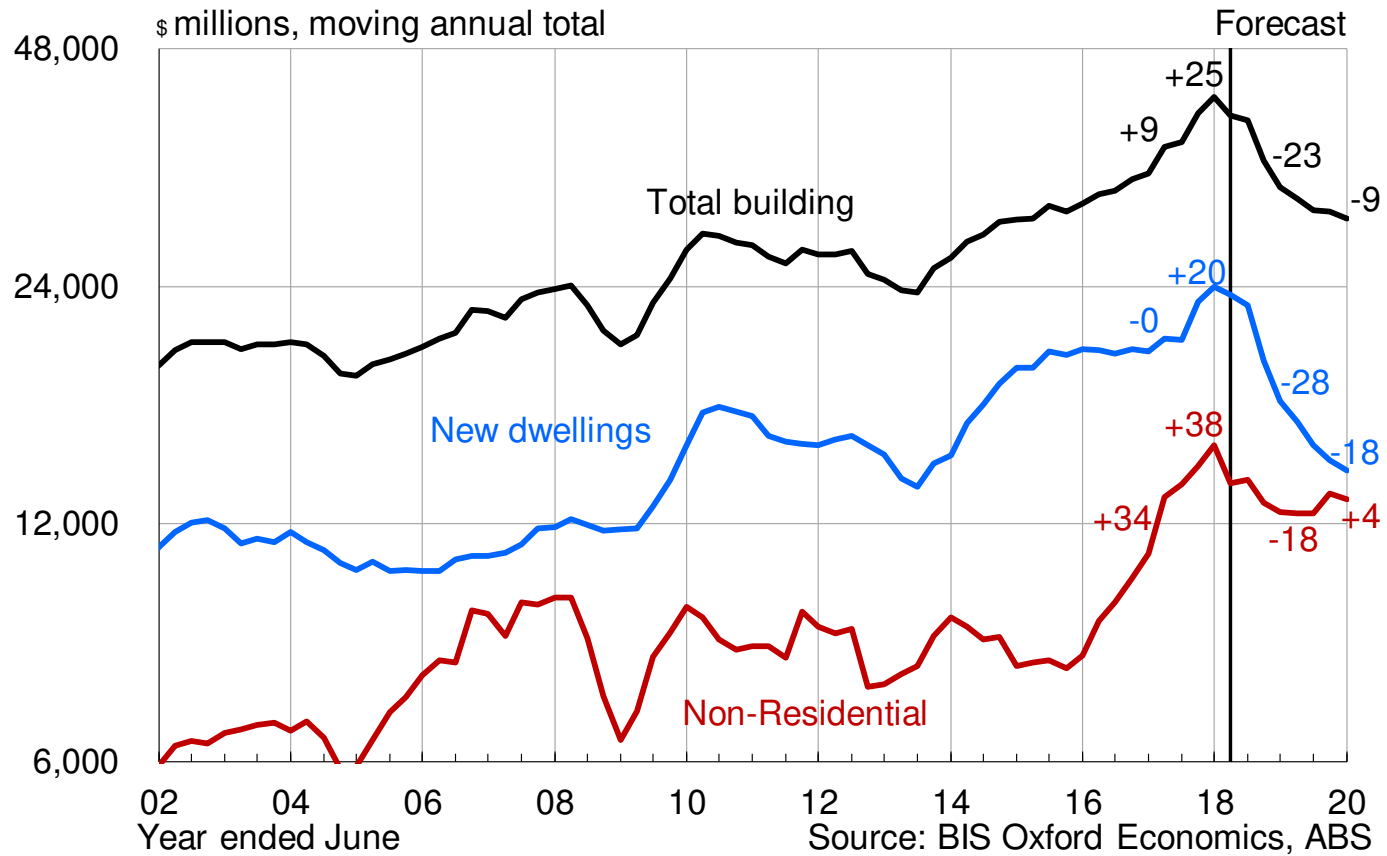
*Total includes Alterations and Additions

New South Wales – Building Commenced (2016/17 Prices)



*Total includes Alterations and Additions

Victoria – Building Commenced (2016/17 Prices)

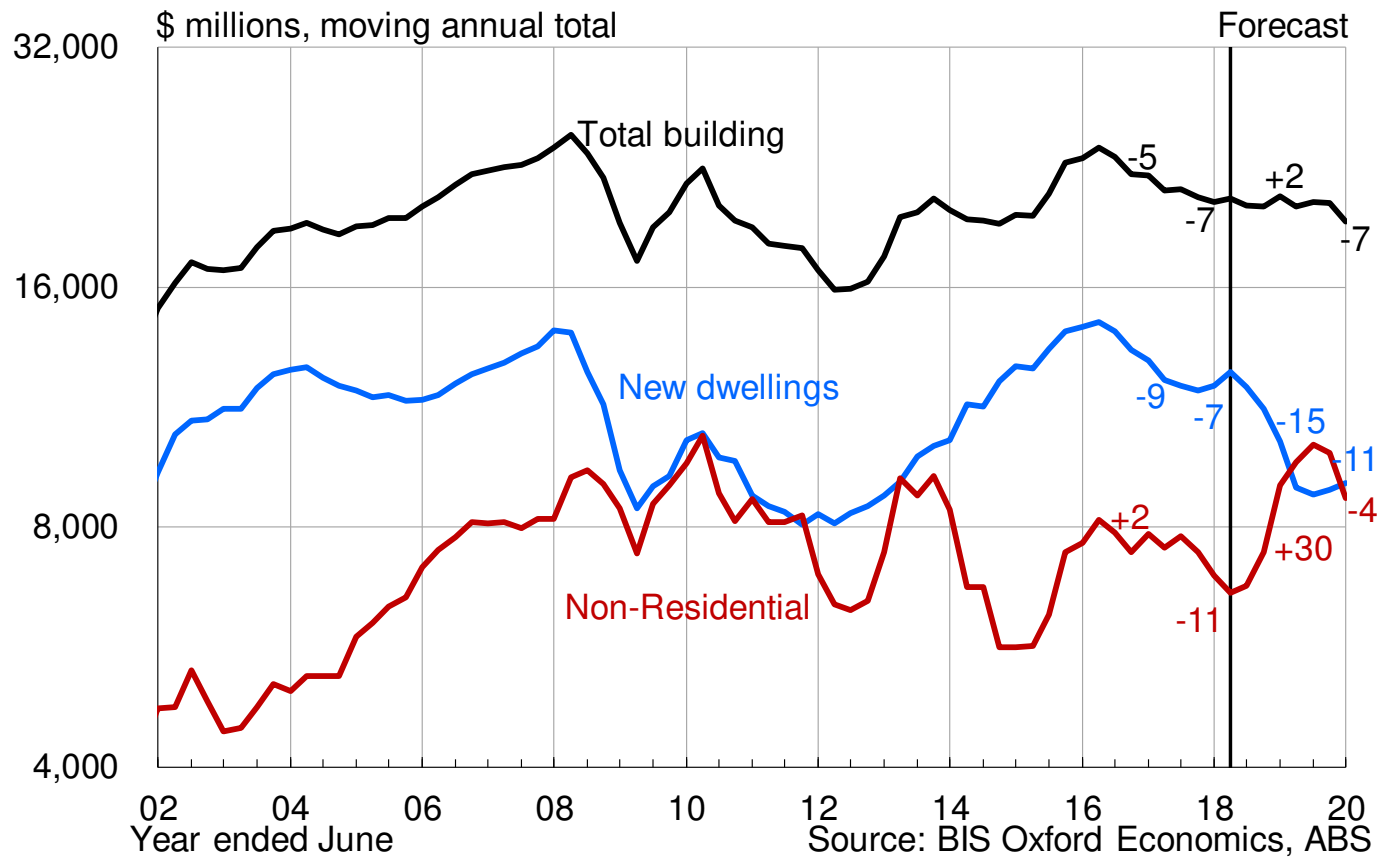


*Total includes Alterations and Additions

Queensland – Building Commenced (2016/17 Prices)

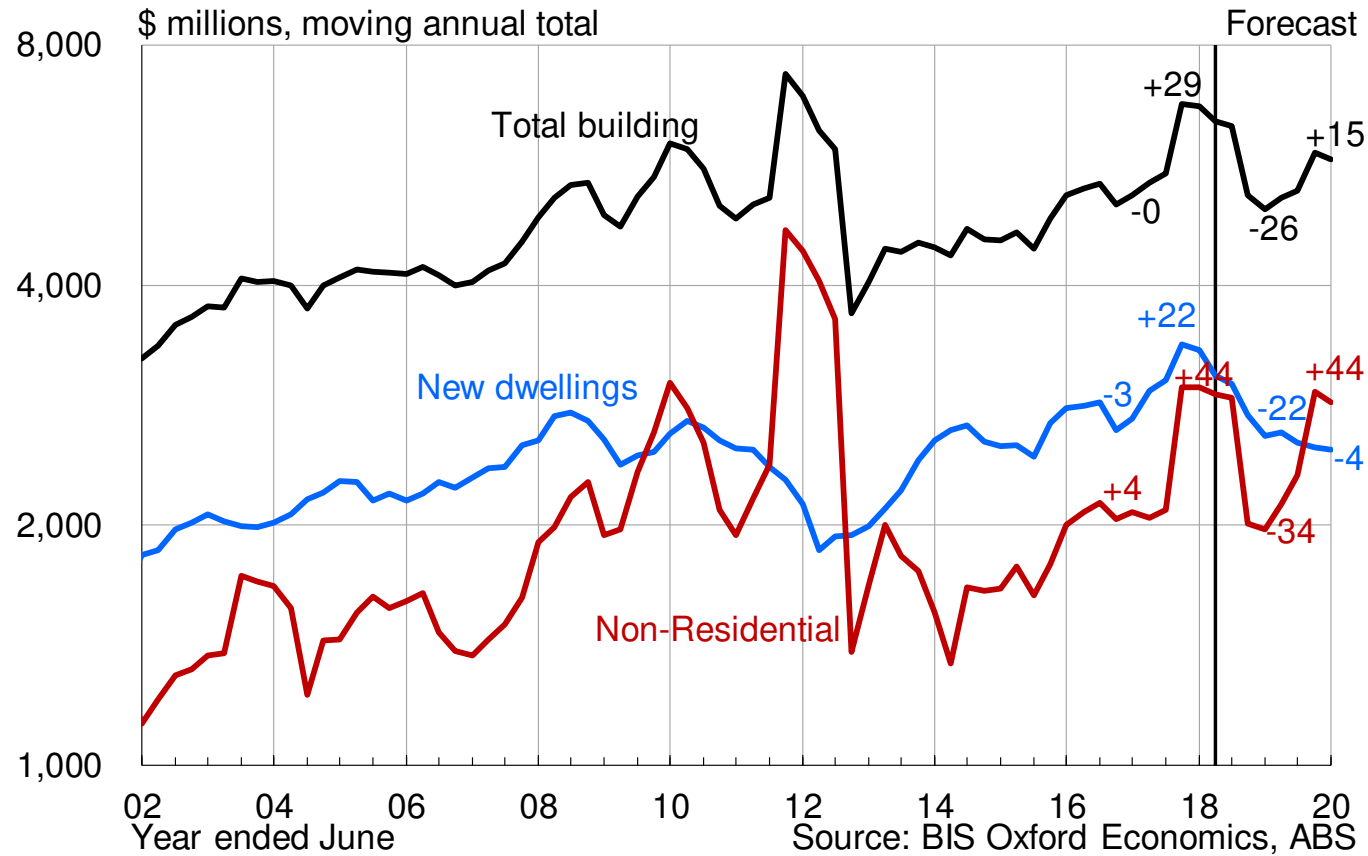


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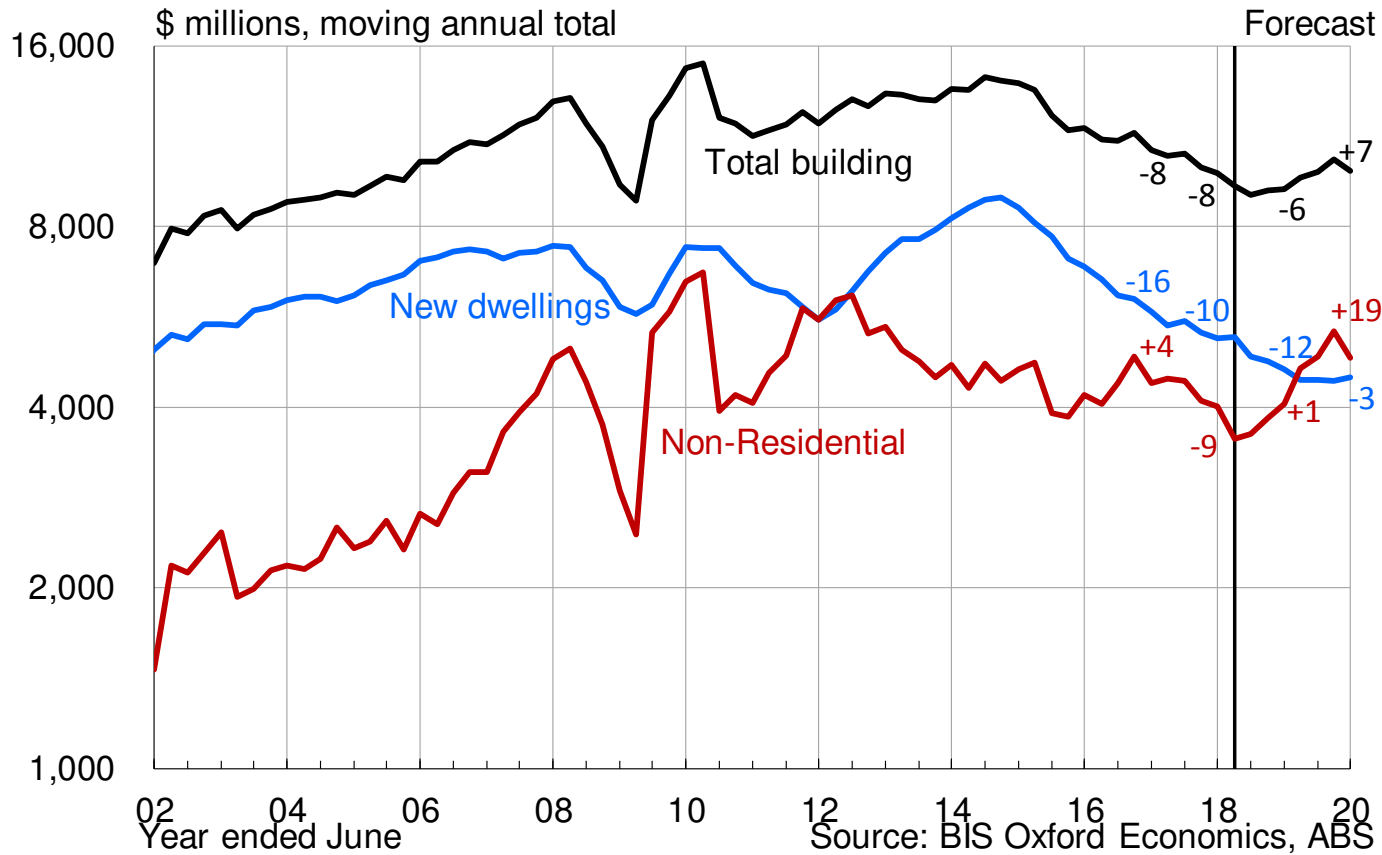
*Total includes
Alterations and
Additions

South Australia – Building Commenced (2016/17 Prices)



*Total includes Alterations and Additions

Western Australia – Building Commenced (2016/17 Prices)



*Total includes
Alterations and
Additions



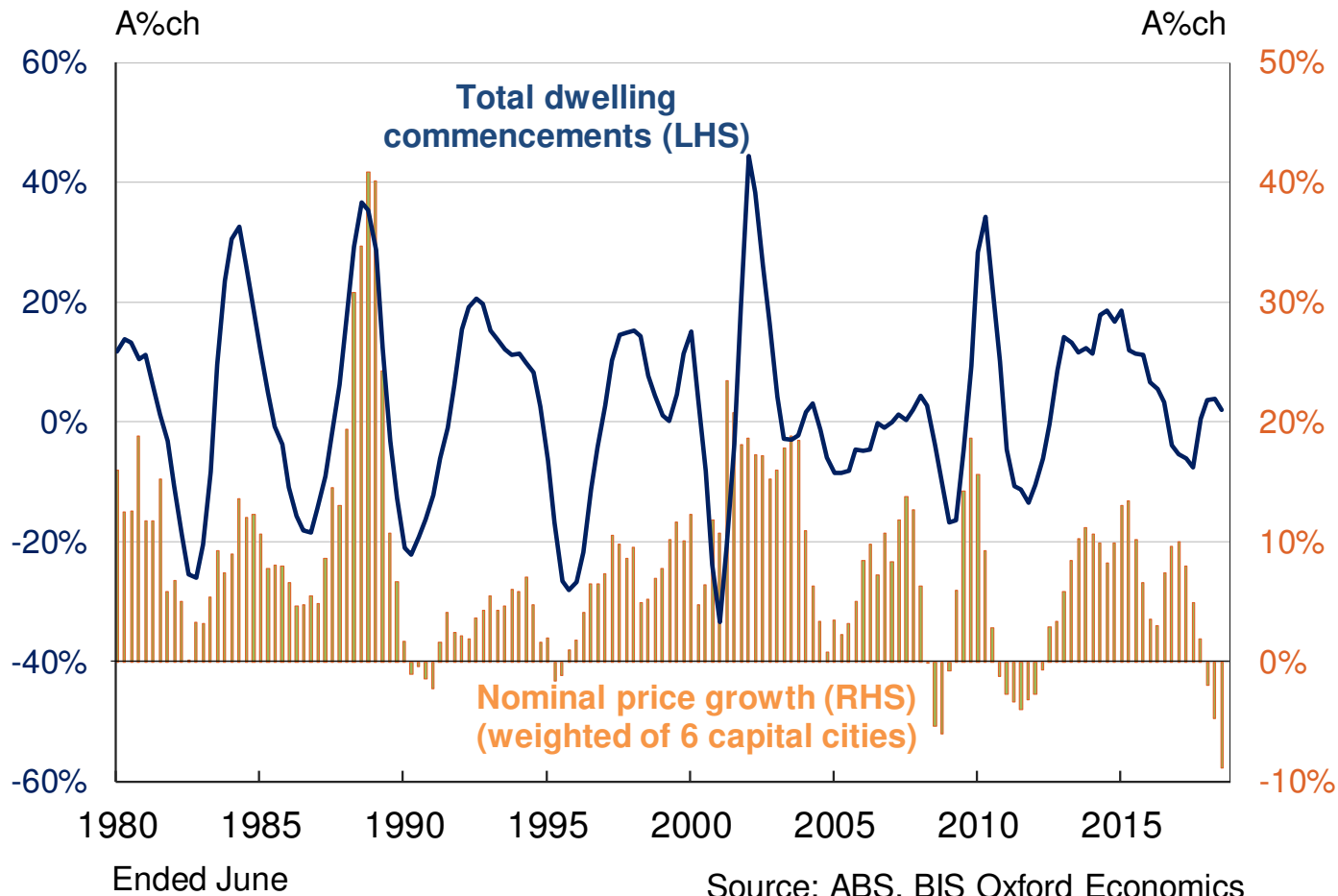
Alterations & Additions to dwellings					
(Approvals \$10,000 & over, 2016/17 constant prices)					
% Annual growth	2015/16	2016/17	2017/18	2018/19f	2019/20f
New South Wales	-2	-1	2	-5	-4
Victoria	4	5	2	-4	-5
Queensland	1	-2	12	4	0
South Australia	2	3	8	1	-3
Western Australia	-4	-9	7	-3	3
Tasmania	4	-15	1	6	-1
Northern Territory	14	9	-1	16	0
A.C.T.	-7	0	-7	-1	7
Australia	1	0	4	-2	-3

f = forecast

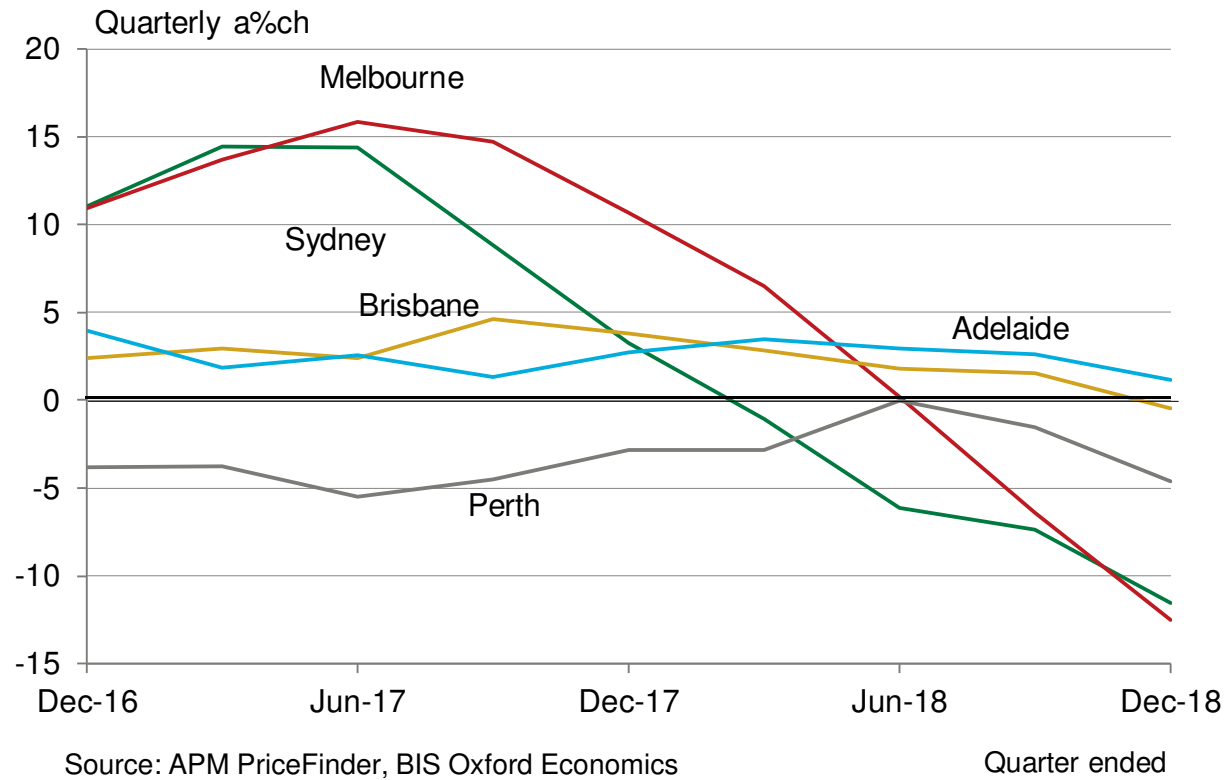
Source: BIS Oxford Economics, ABS

*Total includes
Alterations and
Additions

Australia: Total Dwelling Commencements vs. House Prices



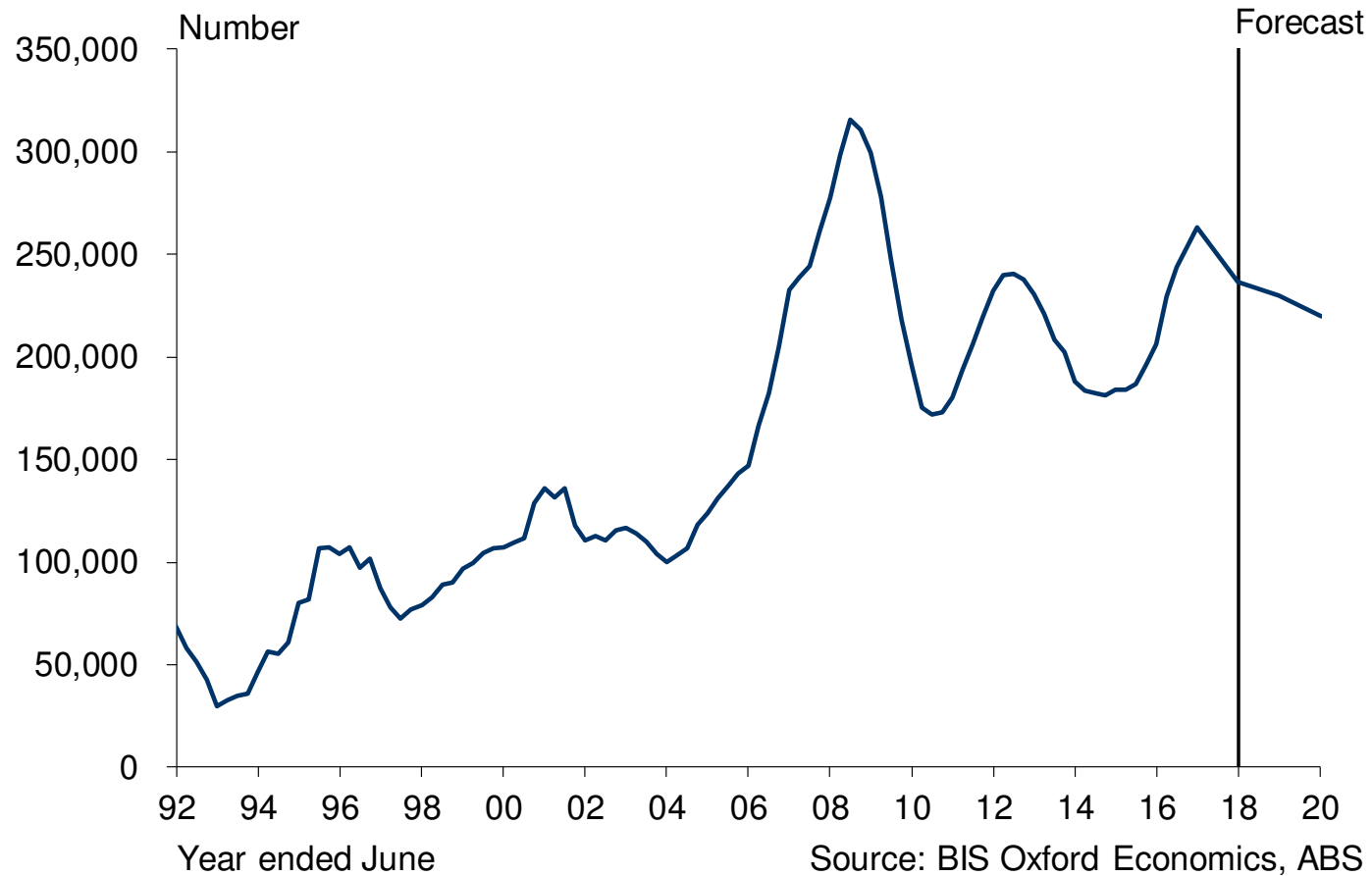
Moving Annual Median House Price Growth



Net Overseas Migration



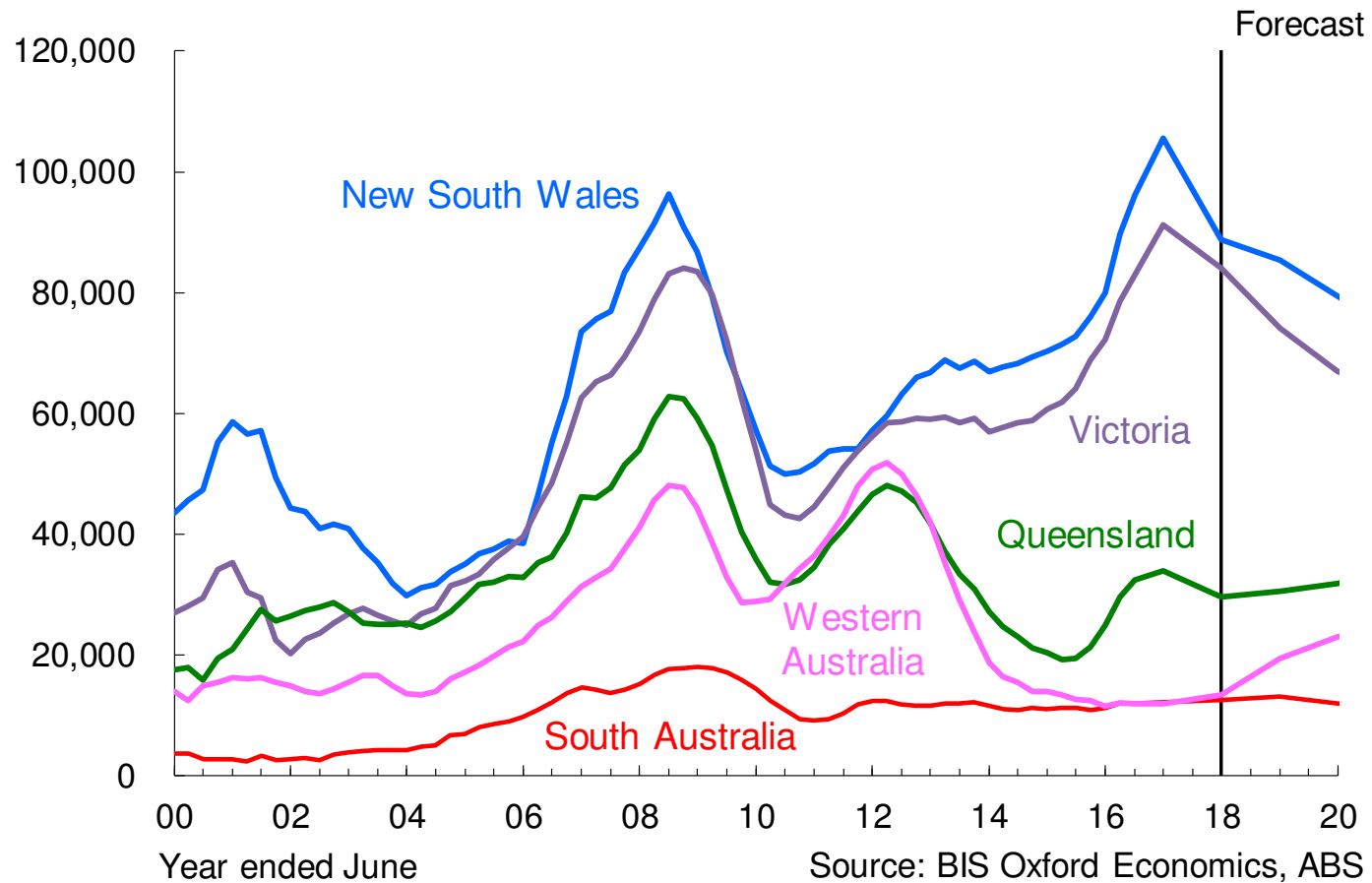
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Net Overseas Migration by State



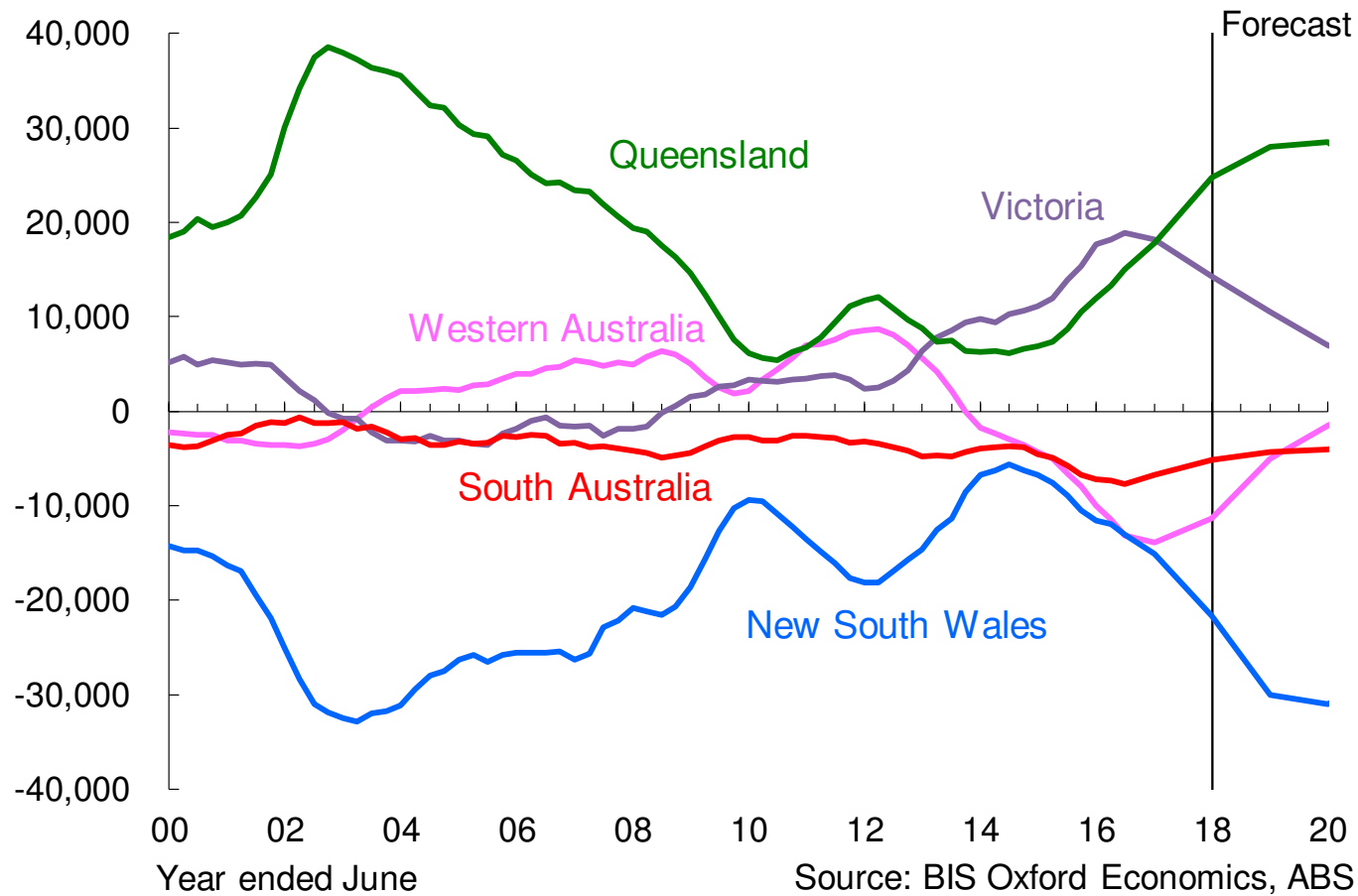
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Net Interstate Migration by State



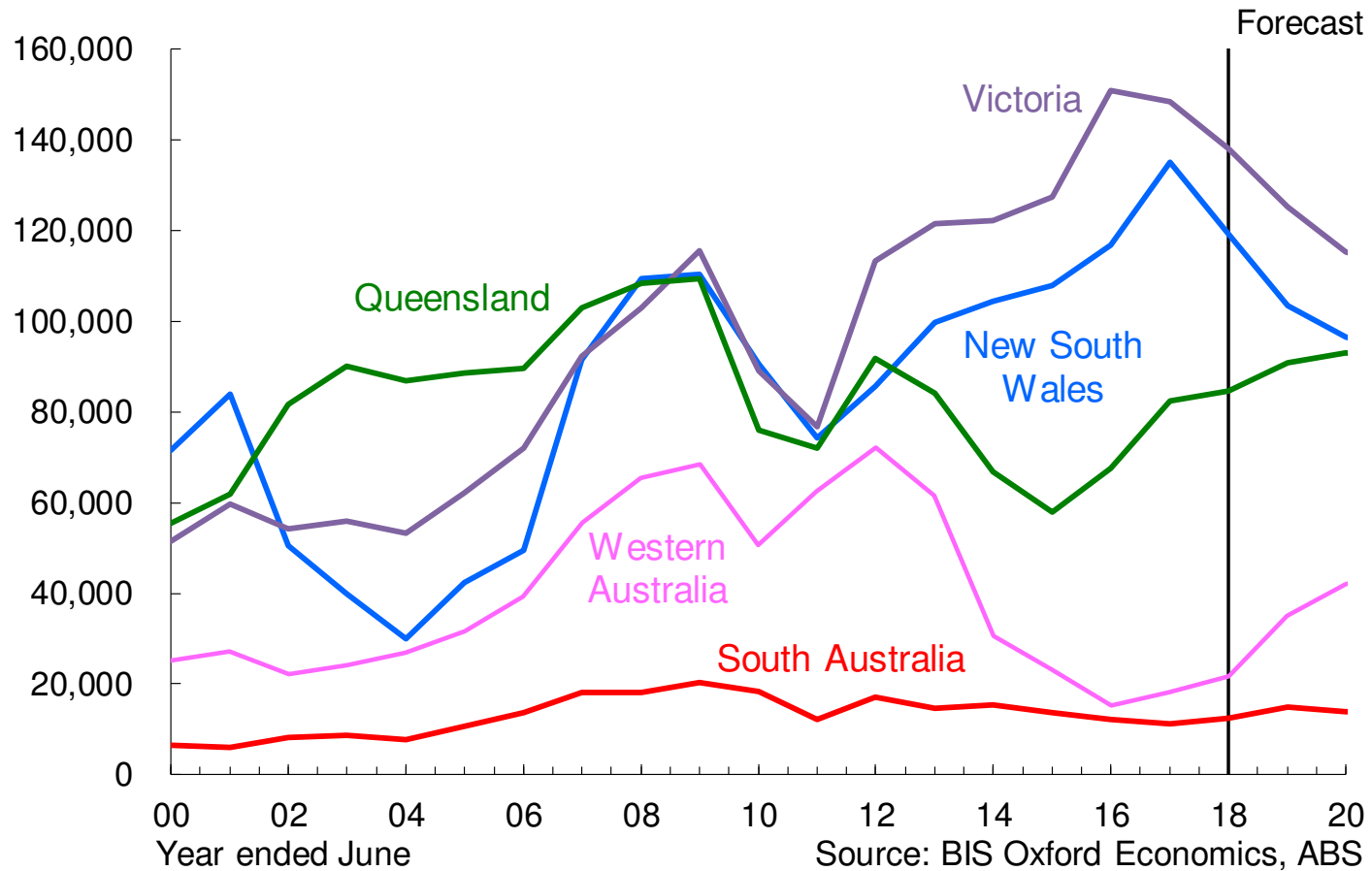
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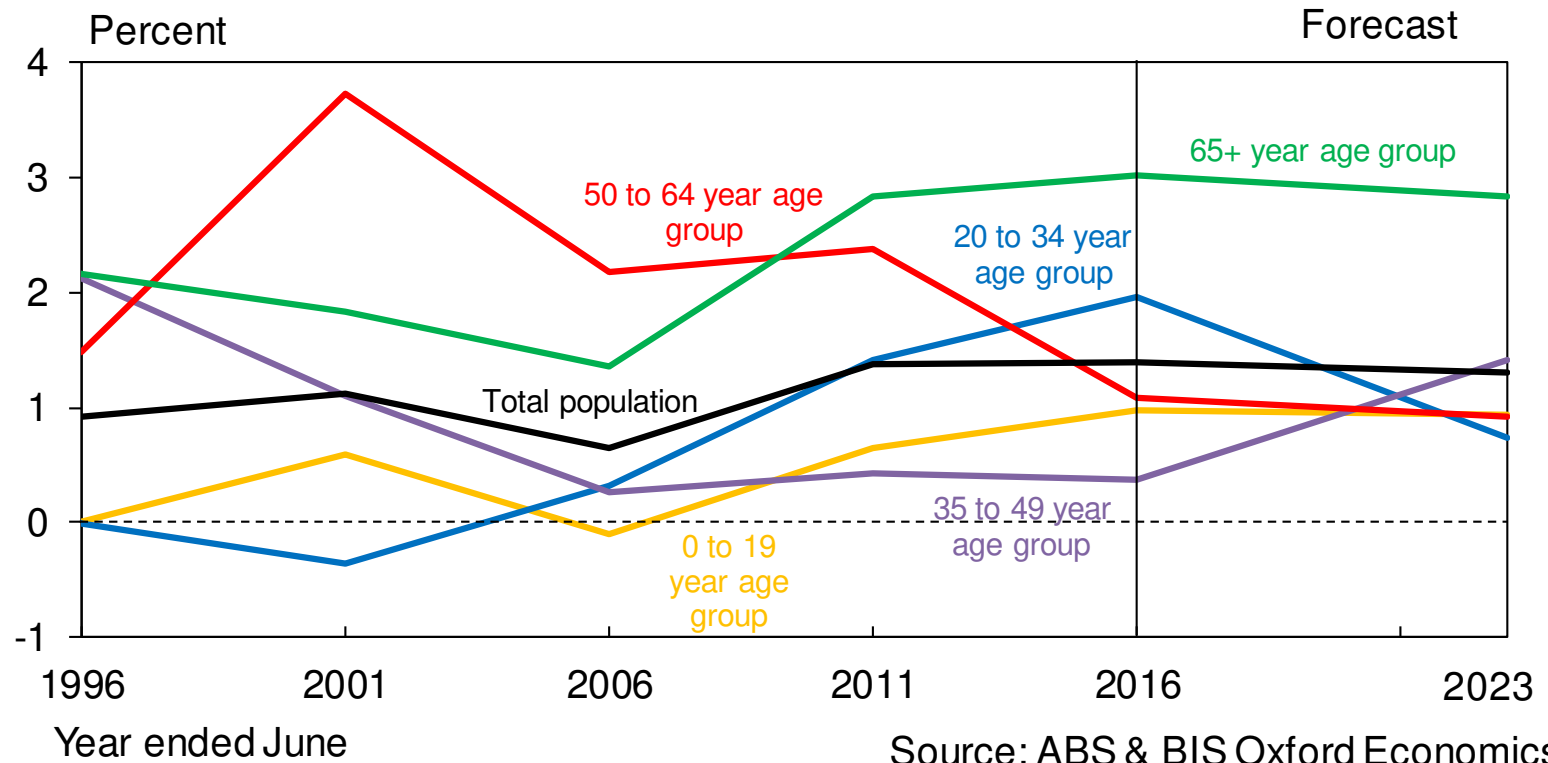
Net Population Increase by State



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NSW Population Percentage Growth 1995/96 to 2022/23





	Underlying Demand Annual Average (Thousands)				Dwelling Commencements (Thousands)
	2006/07 - 2010/11	2011/12- 2015/16	2016/17- 2017/18	2018/19- 2022/2023	2018/19e
New South Wales	32.9	46.9	60.0	54.0	59.2
Victoria	44.2	54.6	67.0	61.4	58.2
Queensland	36.3	33.1	40.2	43.3	36.1
South Australia	11.5	9.7	9.7	10.8	10.3
Western Australia	23.8	22.7	14.3	22.9	15.5
Tasmania	2.4	2.8	3.8	3.1	3.1
Northern Territory	1.4	1.6	0.8	1.5	0.7
A.C.T.	2.9	4.3	5.3	4.4	7.0
Australia	155.3	175.5	201.0	201.3	190.0

Source: ABS, BIS Oxford Economics

Dwelling Stock Deficiency

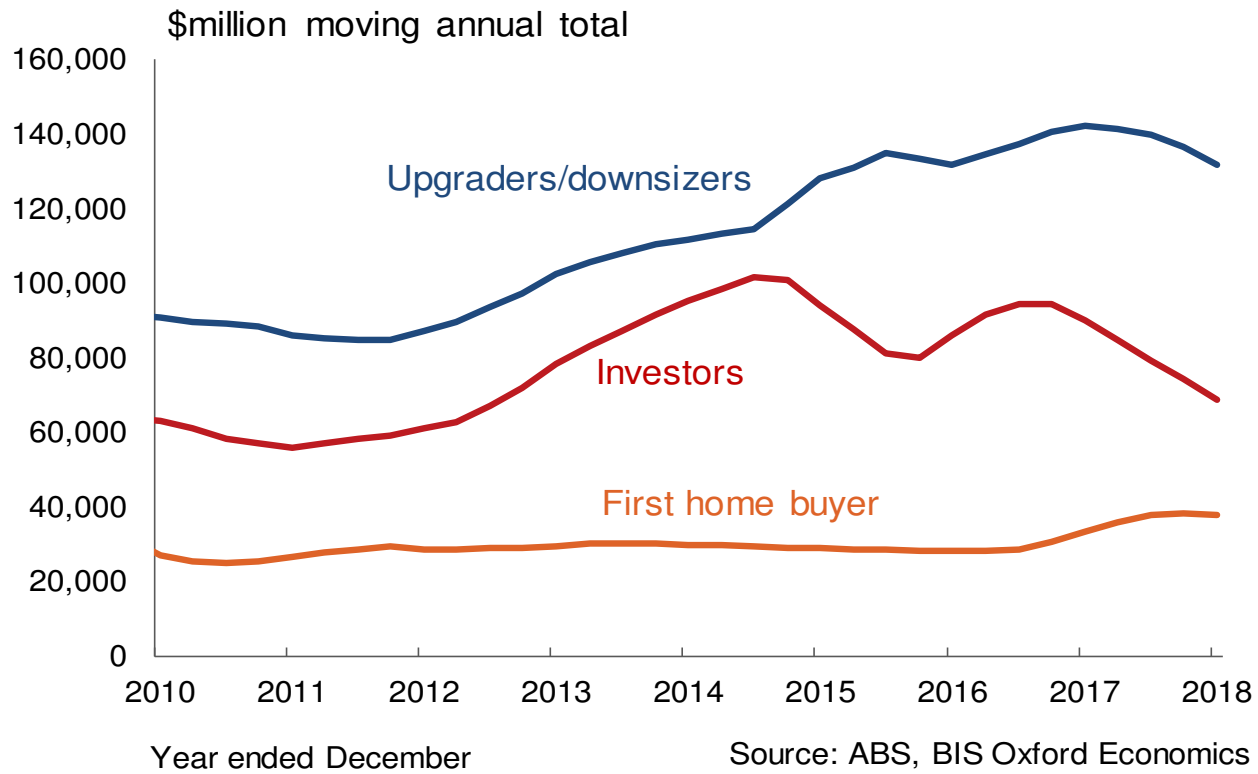


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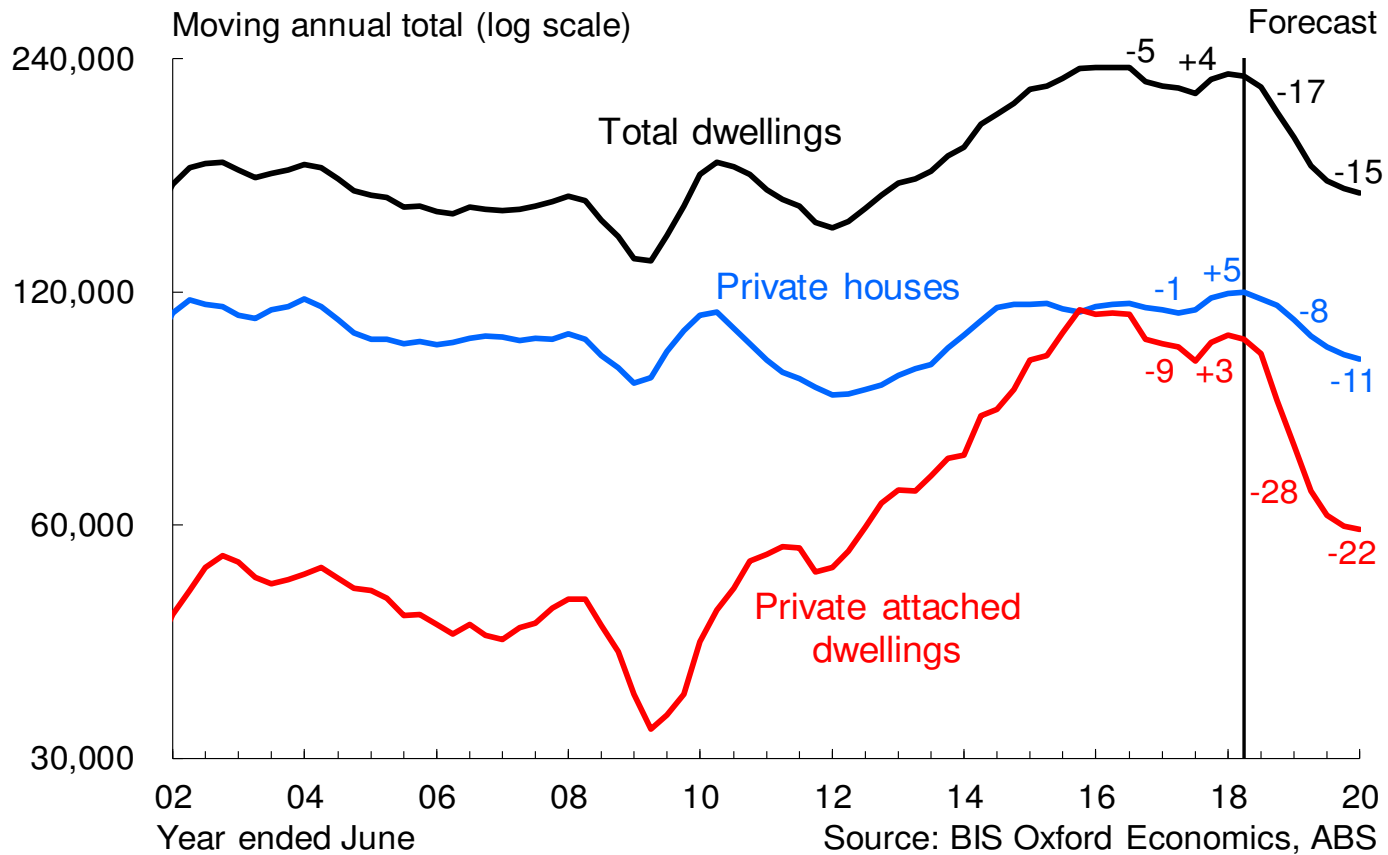
	Underlying Demand ('000) Annual Average	Dwelling commencements	Dwelling stock deficiency as at June ('000s)				
	2018/19-2022/2023	2018/19e	2016	2017	2018	2019	2020
New South Wales	54.0	59.2	53.5	50.8	44.9	27.0	21.2
Victoria	61.4	58.2	13.0	14.0	15.1	10.6	12.3
Queensland	43.3	36.1	2.9	-5.1	-9.6	-11.1	-3.1
South Australia	10.8	10.3	-0.6	-1.0	-1.8	-3.3	-3.2
Western Australia	22.9	15.5	-10.4	-20.6	-24.3	-22.7	-16.6
Tasmania	3.1	3.1	0.0	1.4	3.0	3.6	4.0
Northern Territory	1.5	0.7	-0.8	-0.9	-1.3	-1.1	-0.5
A.C.T.	4.4	7.0	-0.4	0.5	1.2	0.7	-1.0
Australia	201.3	190.0	57.1	39.1	27.2	3.8	13.1

Source: ABS, BIS Oxford Economics

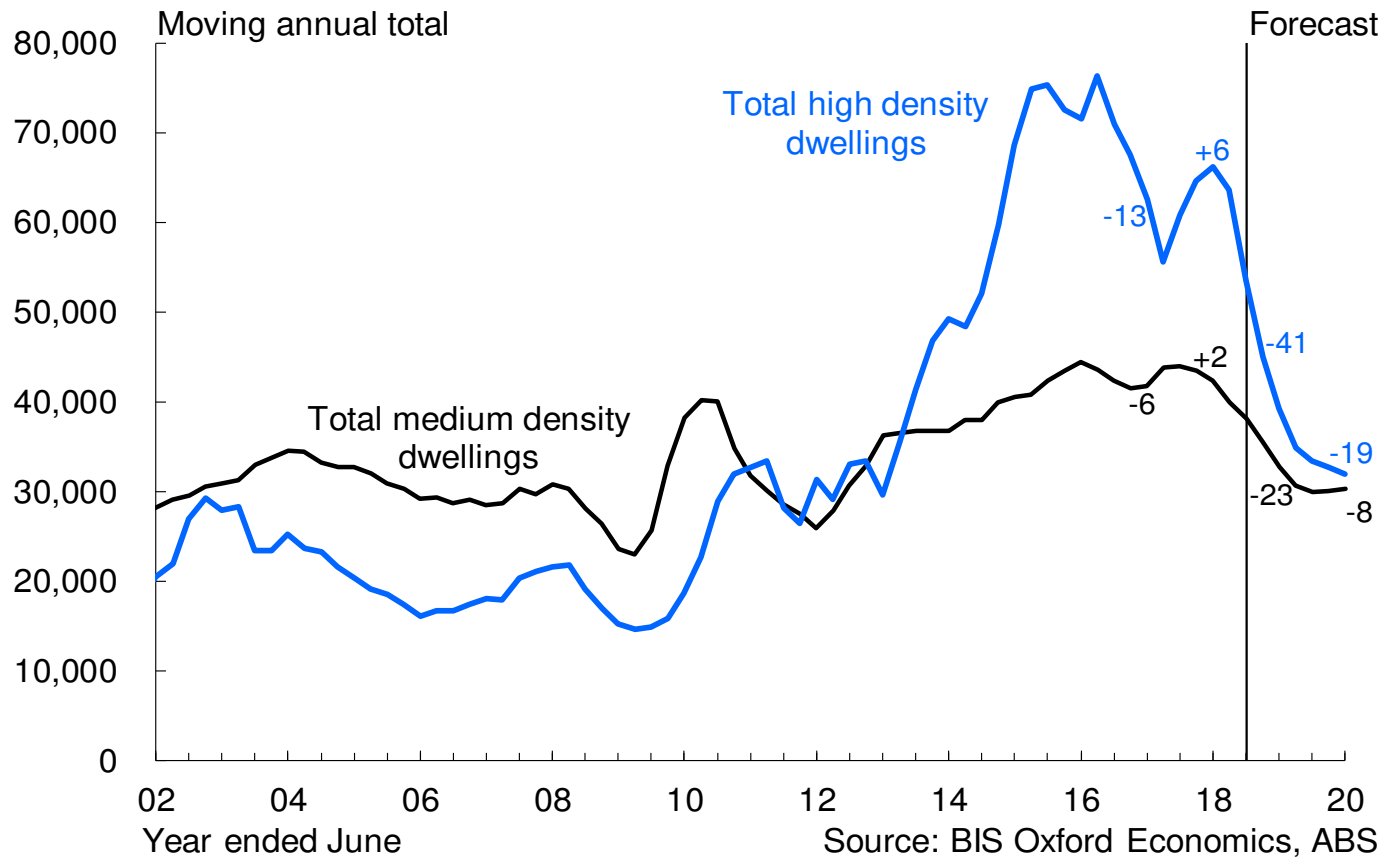
Australia – Value of Housing Loans Approved



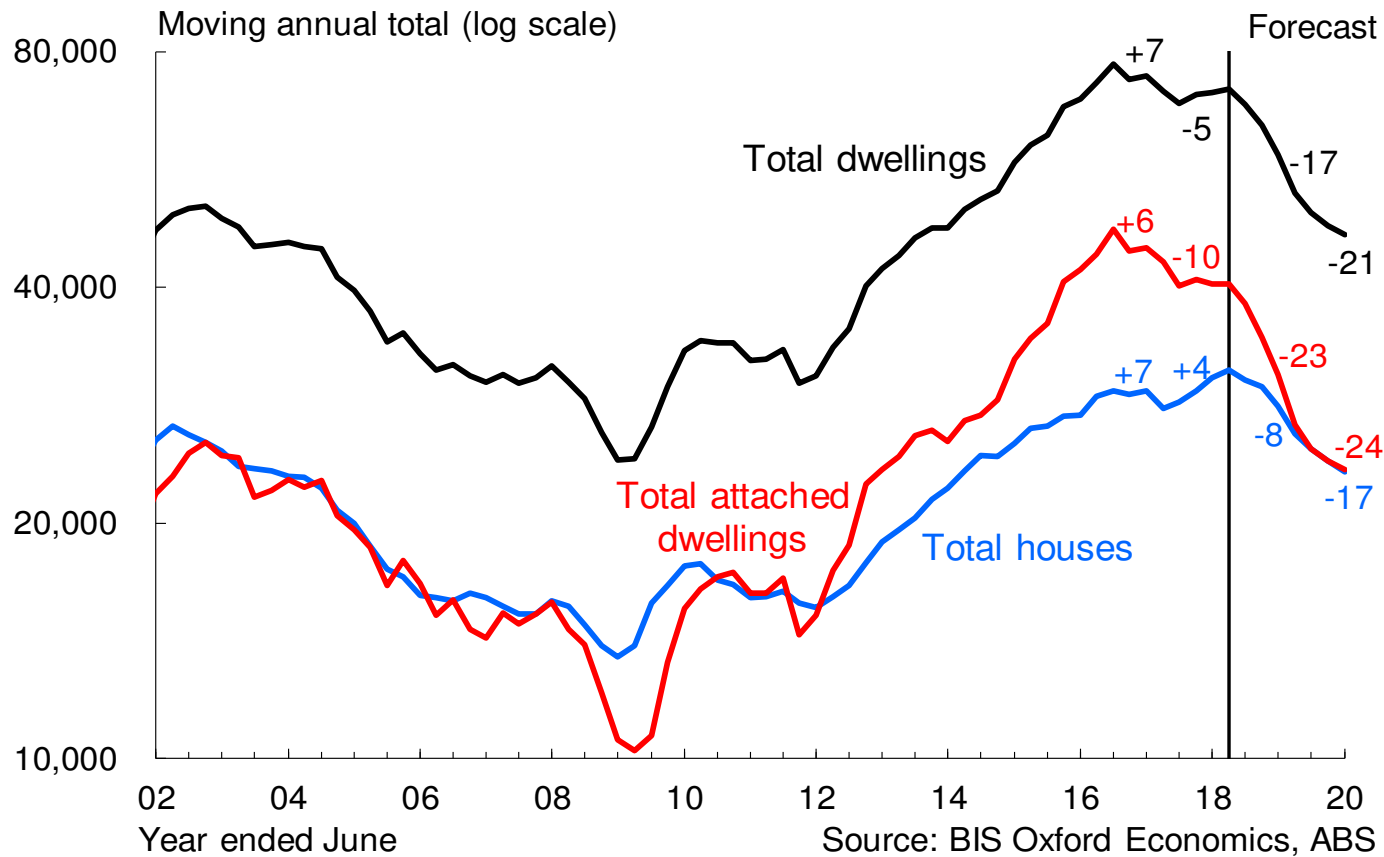
Australia – Number of Dwellings Commenced



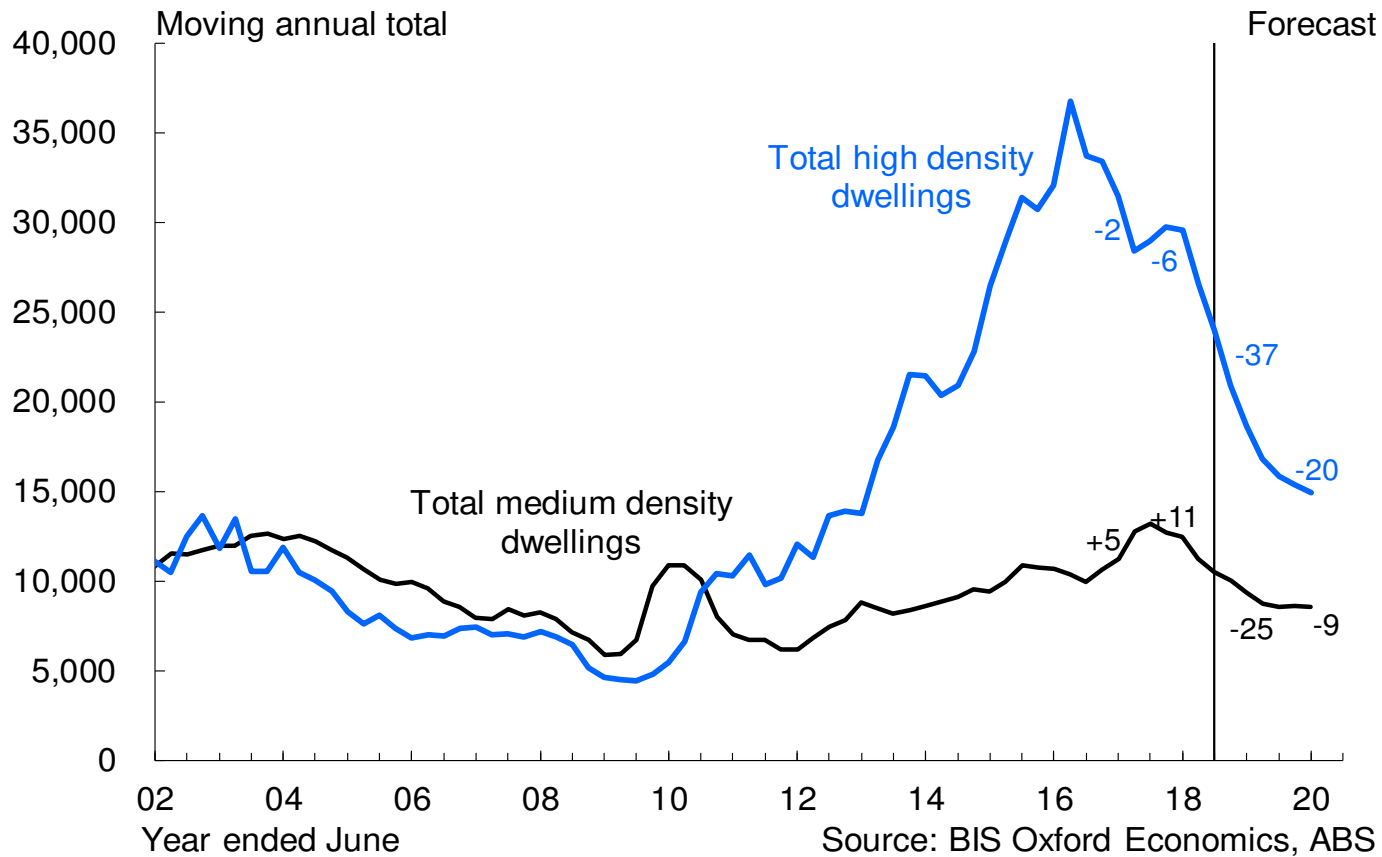
Australia – Number of Attached Dwelling Approvals



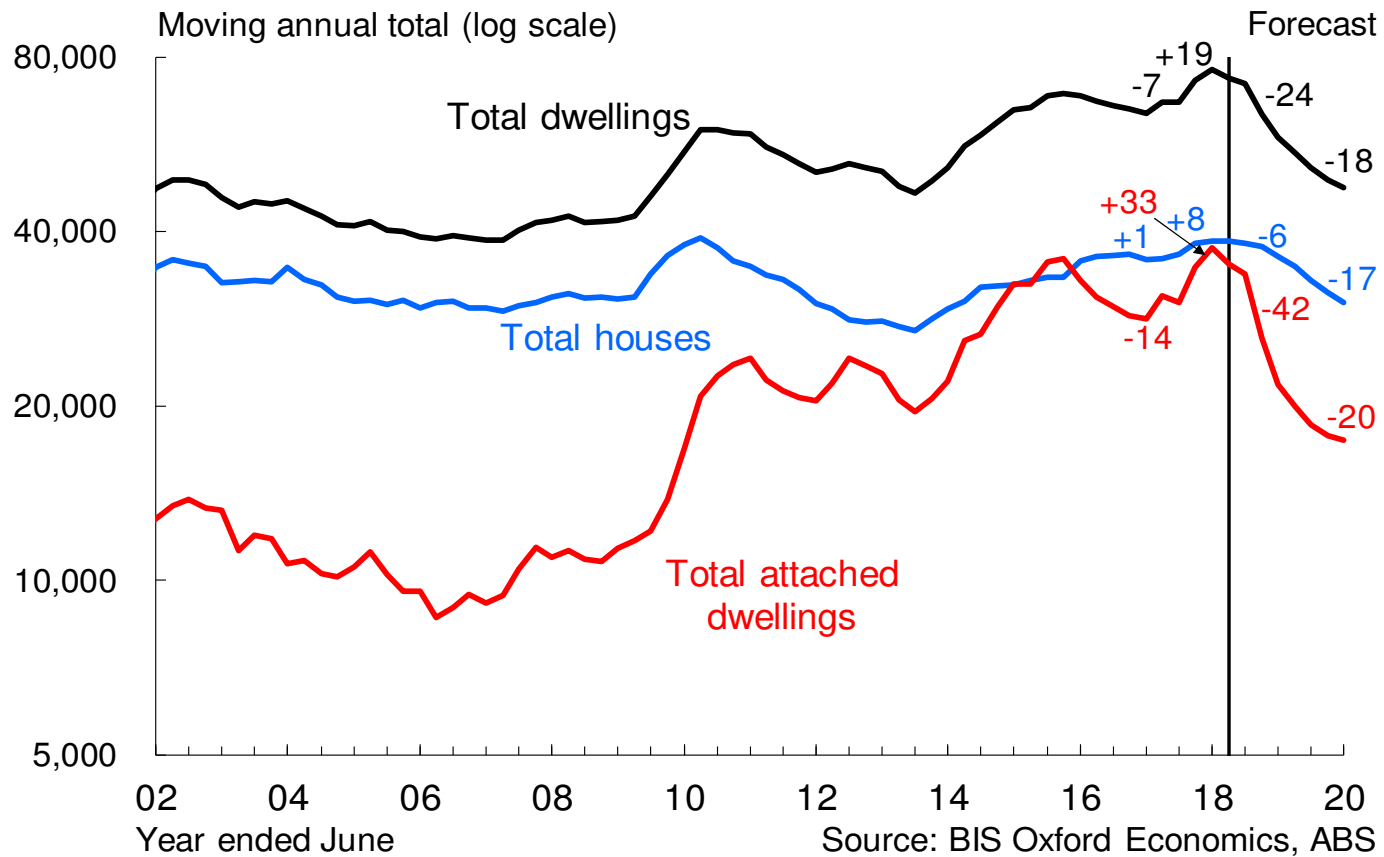
New South Wales – Number of Dwellings Commenced



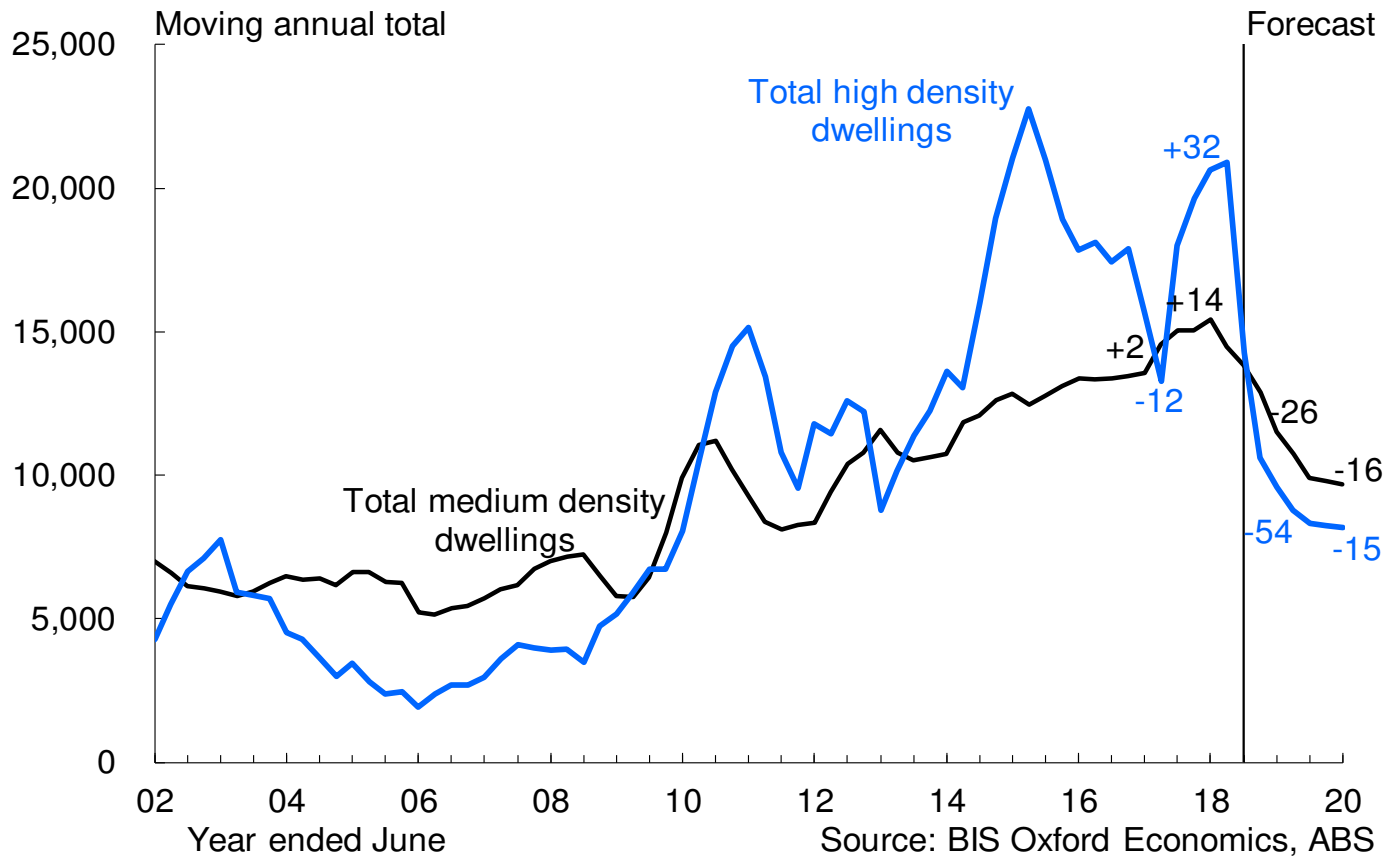
New South Wales – Number of Attached Dwelling Approvals



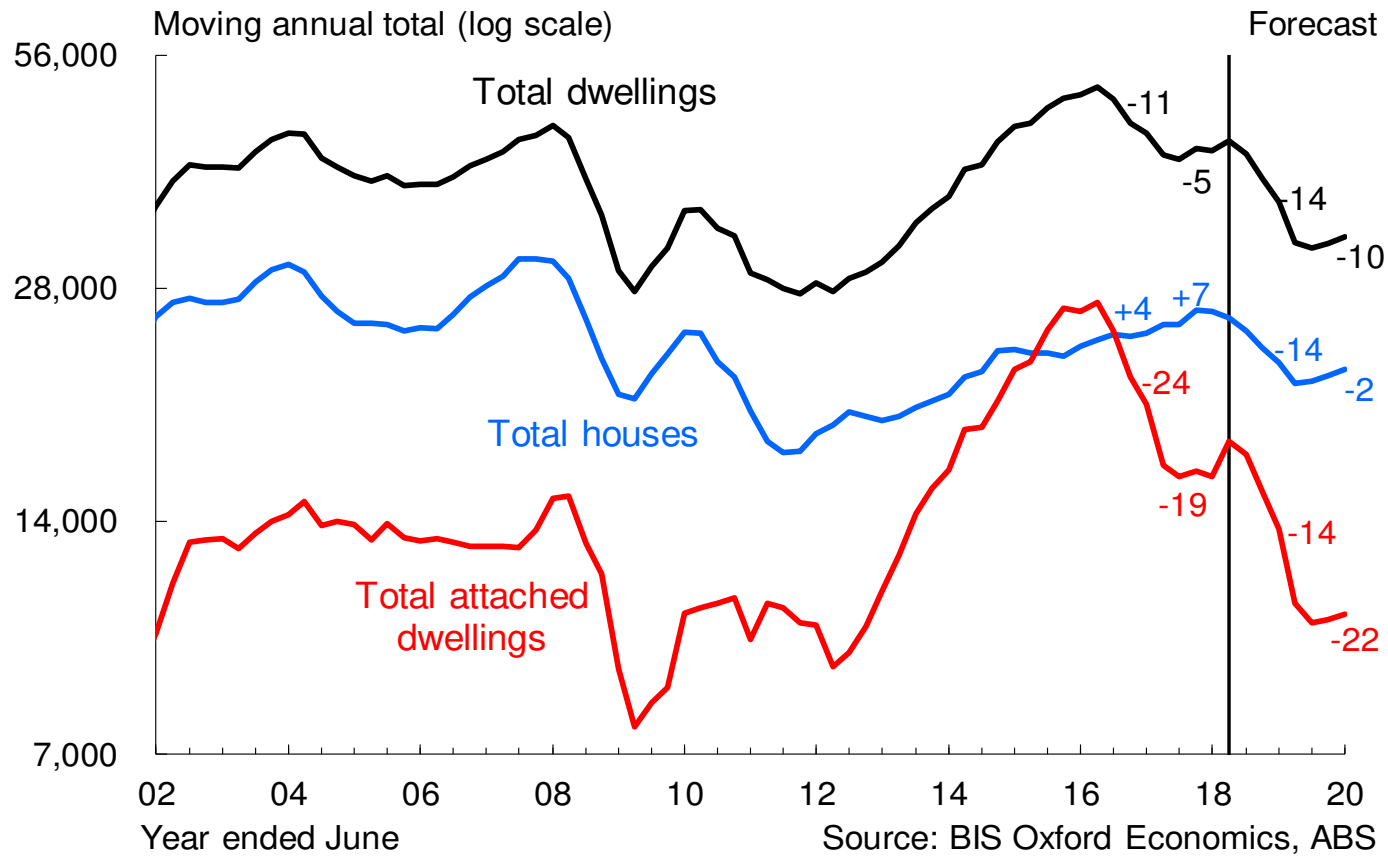
Victoria – Number of Dwellings Commenced



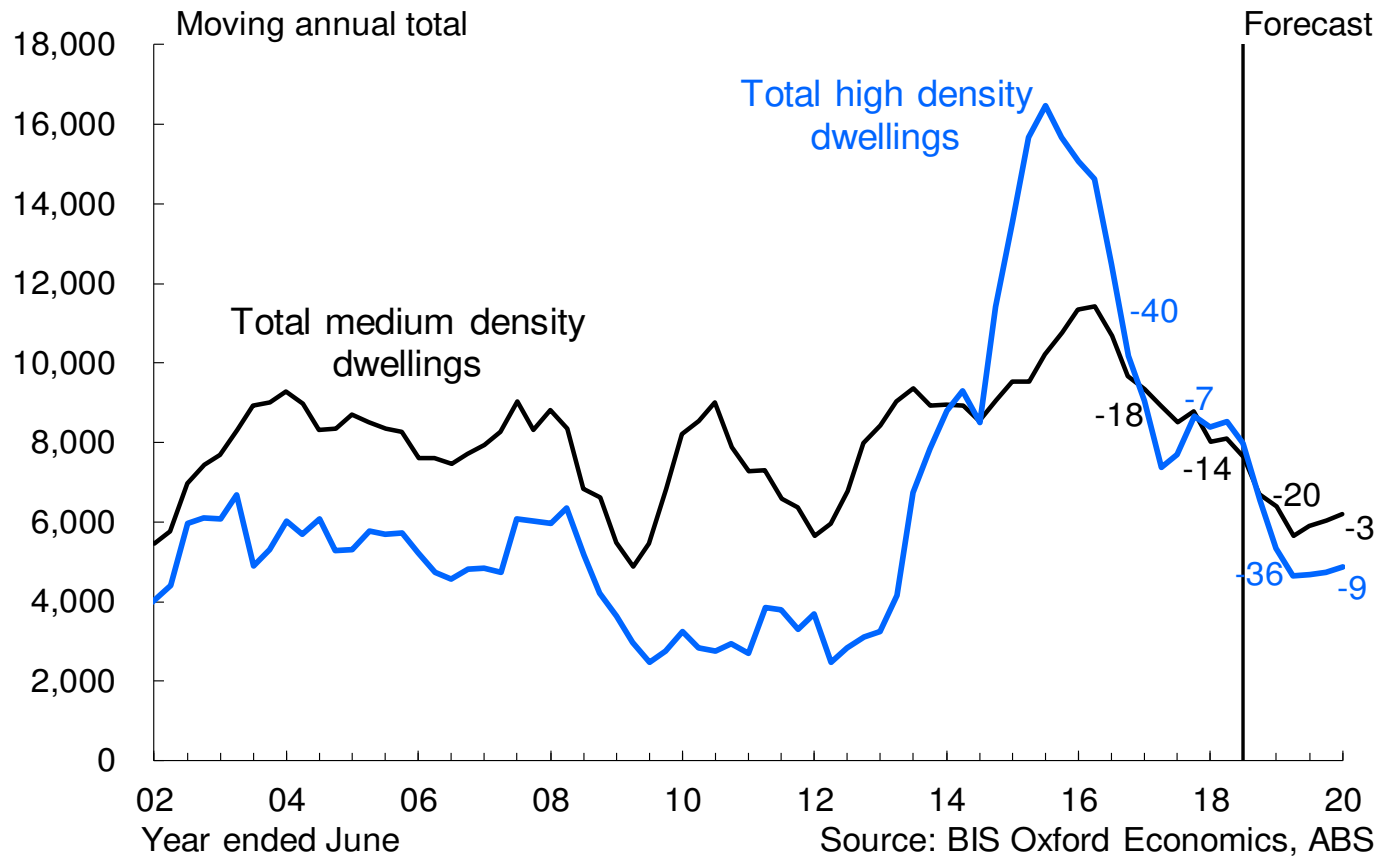
Victoria – Number of Attached Dwelling Approvals



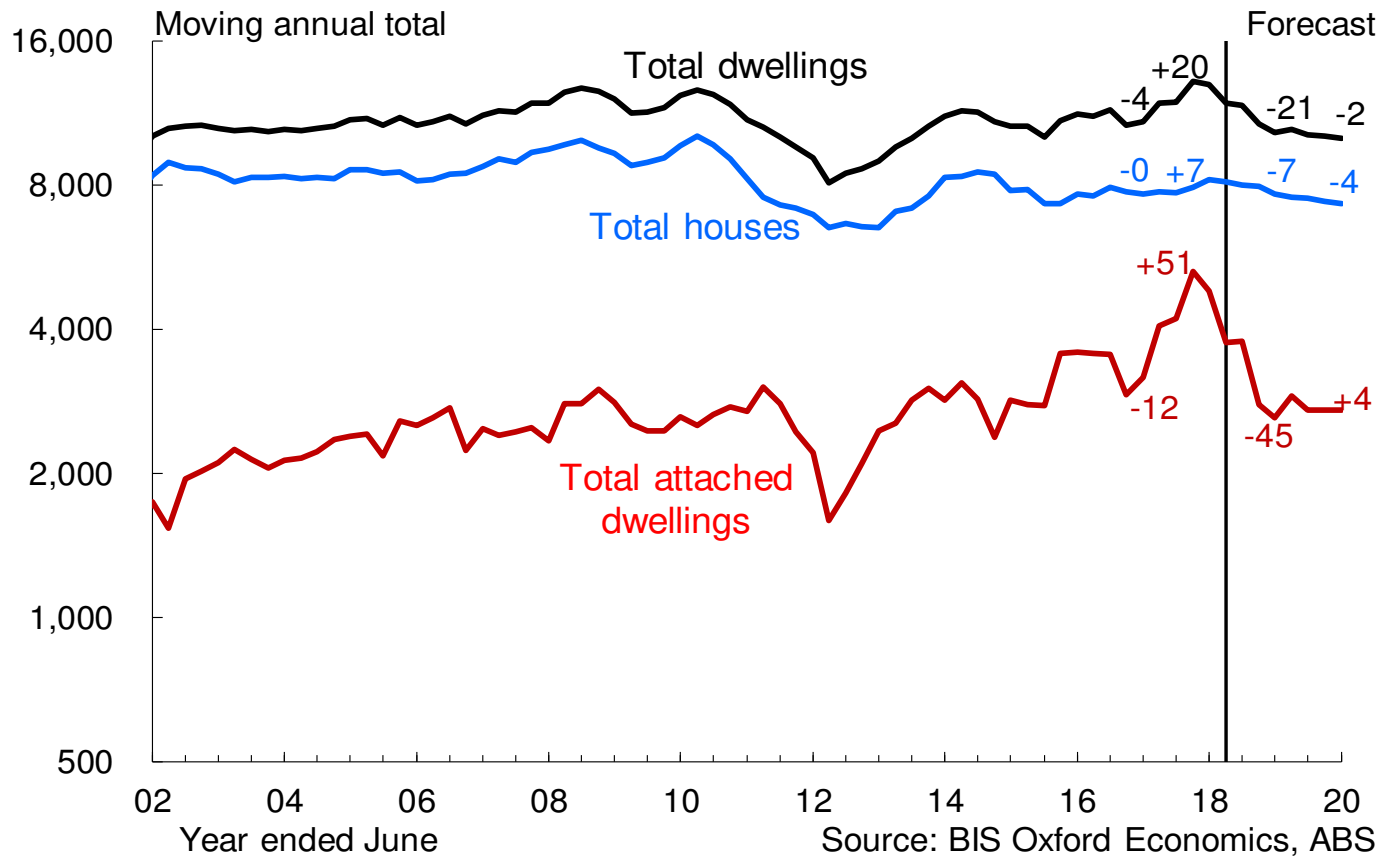
Queensland – Number of Dwellings Commenced



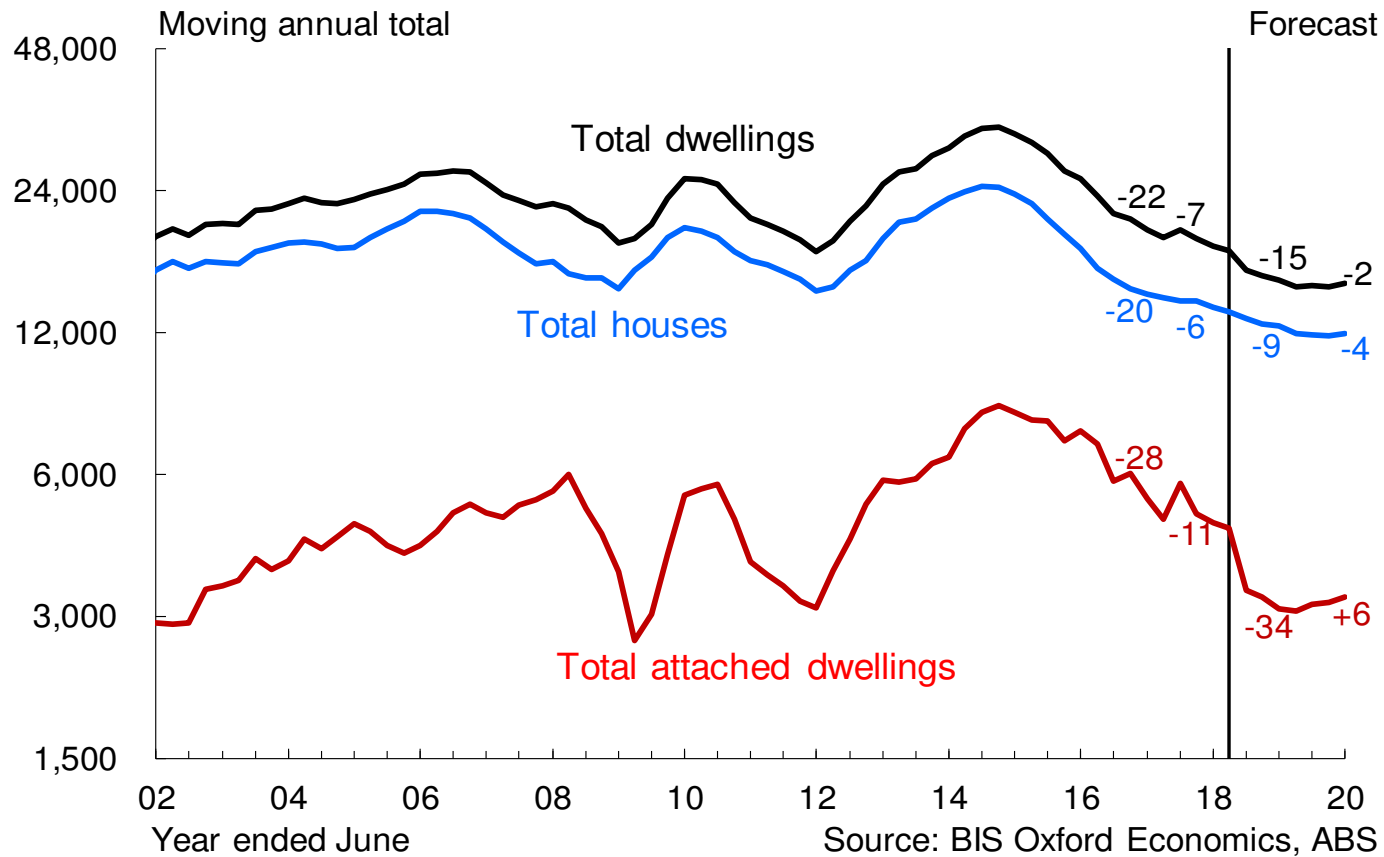
Queensland – Number of Attached Dwelling Approvals



South Australia – Number of Dwellings Commenced



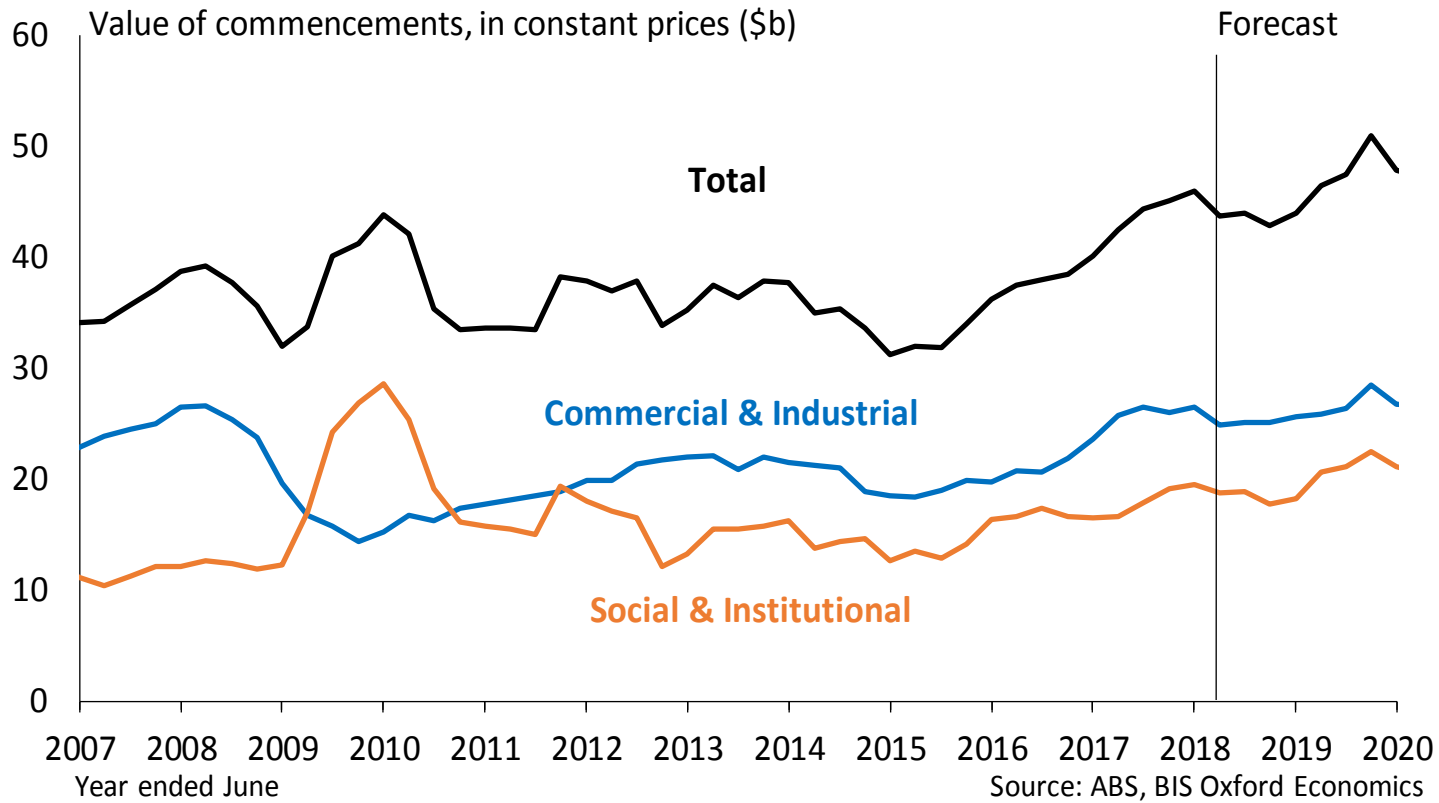
Western Australia – Number of Dwellings Commenced



Australia Non-Residential Building Commenced



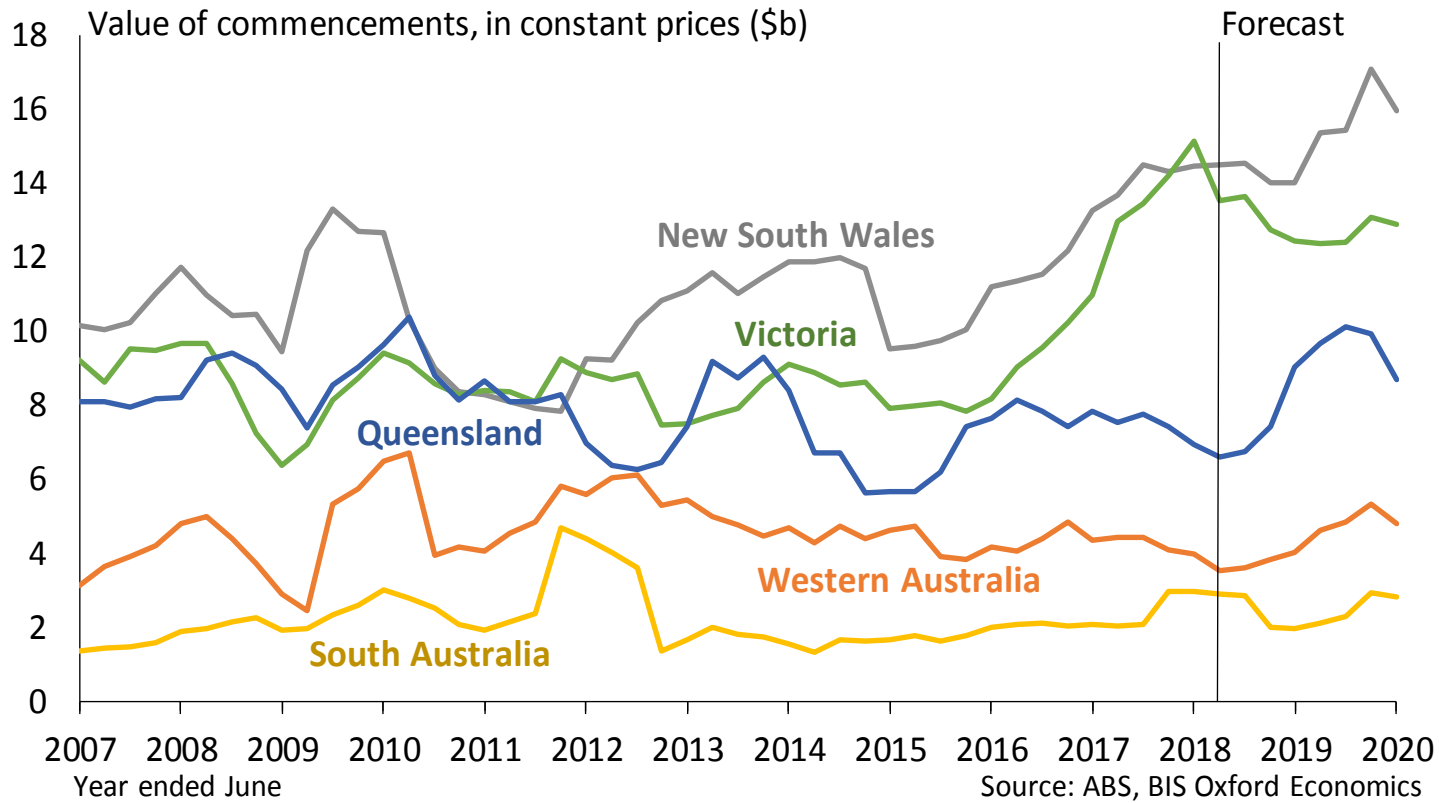
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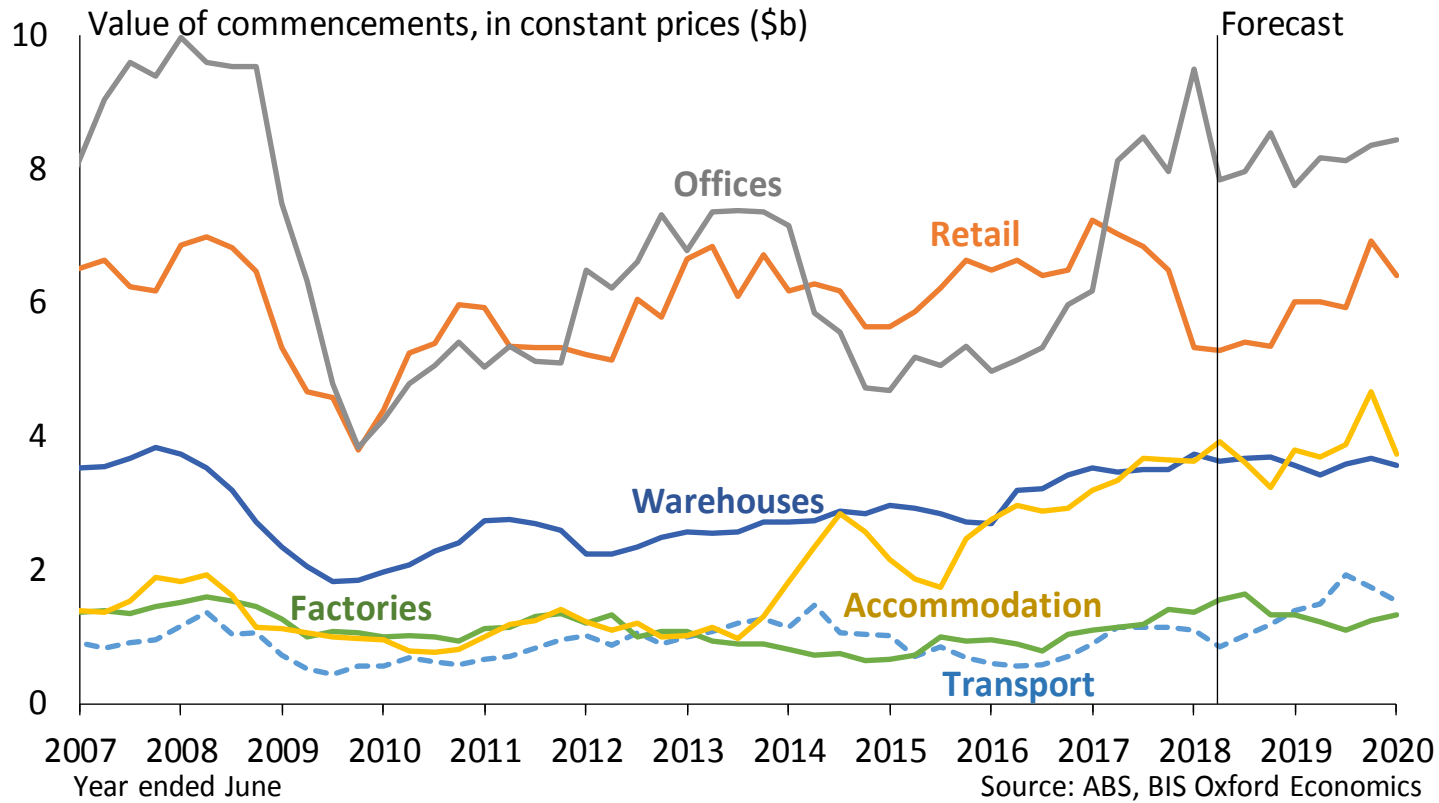
Non-Residential Building Commenced by State



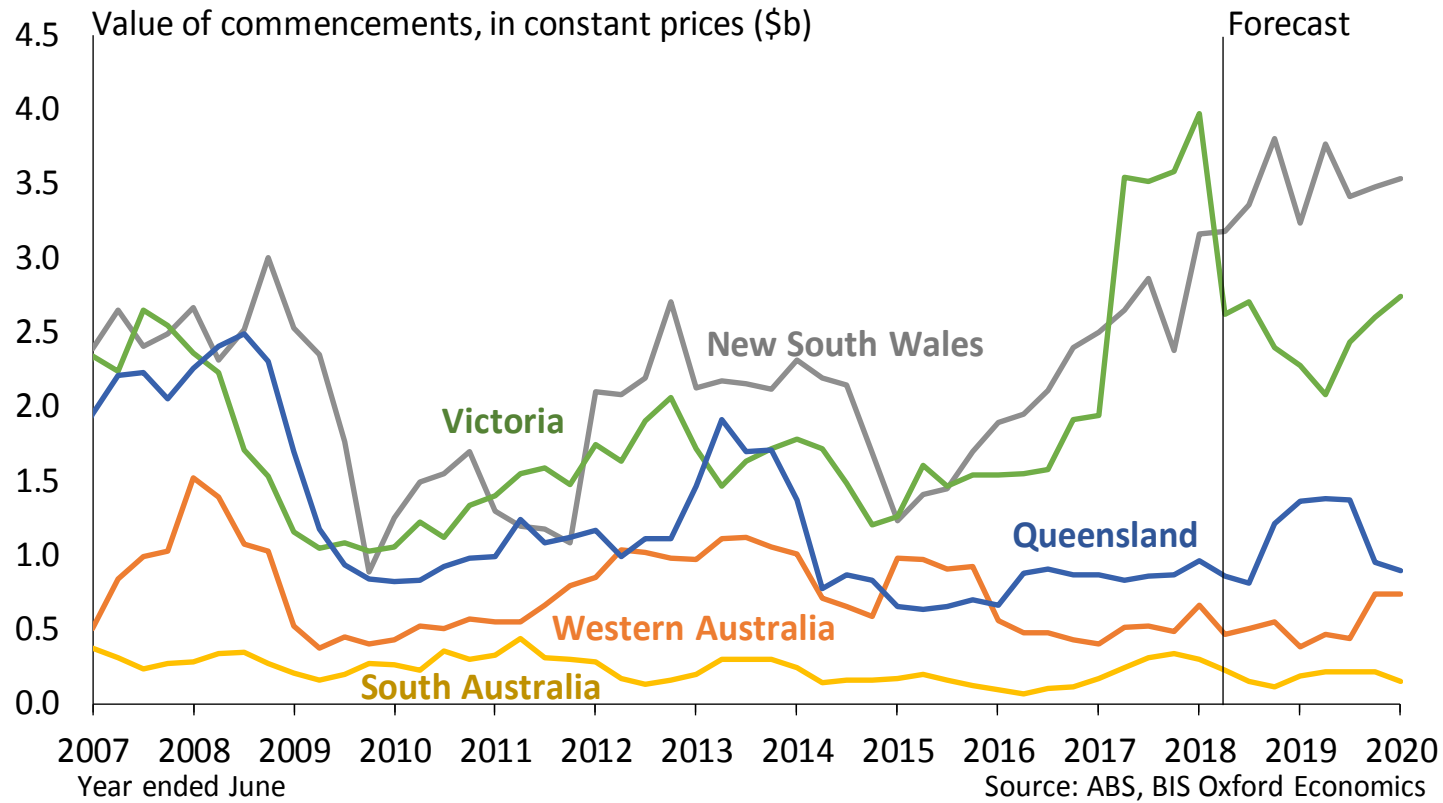
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Australia Non-Residential Building Commenced



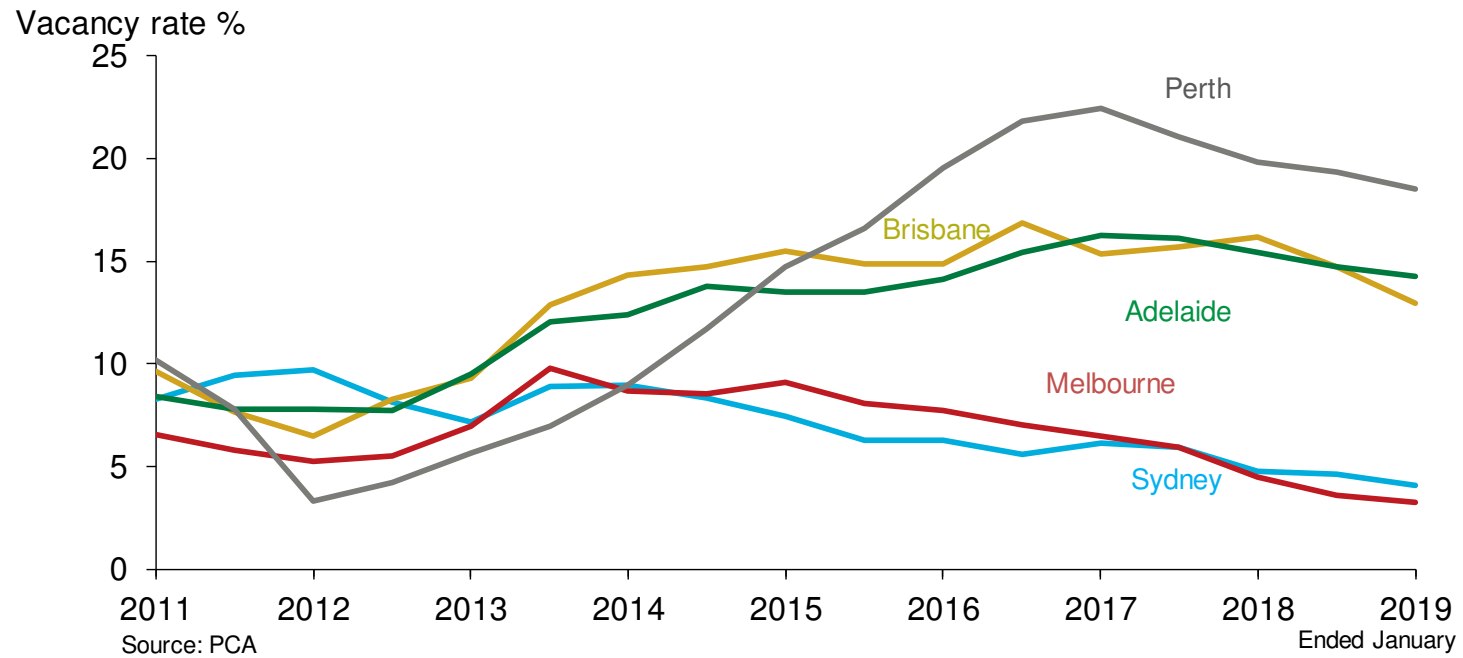
Office Building Commenced by State



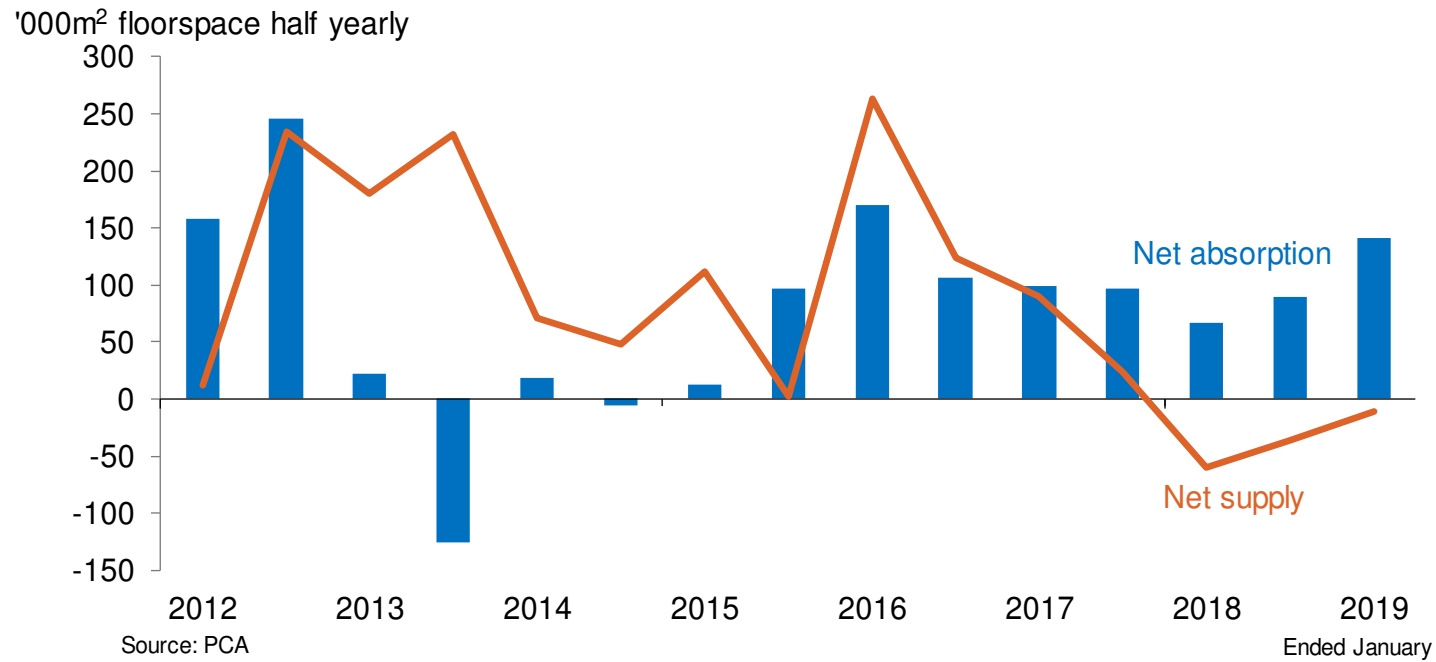
Office Vacancy Rate by Major CBD



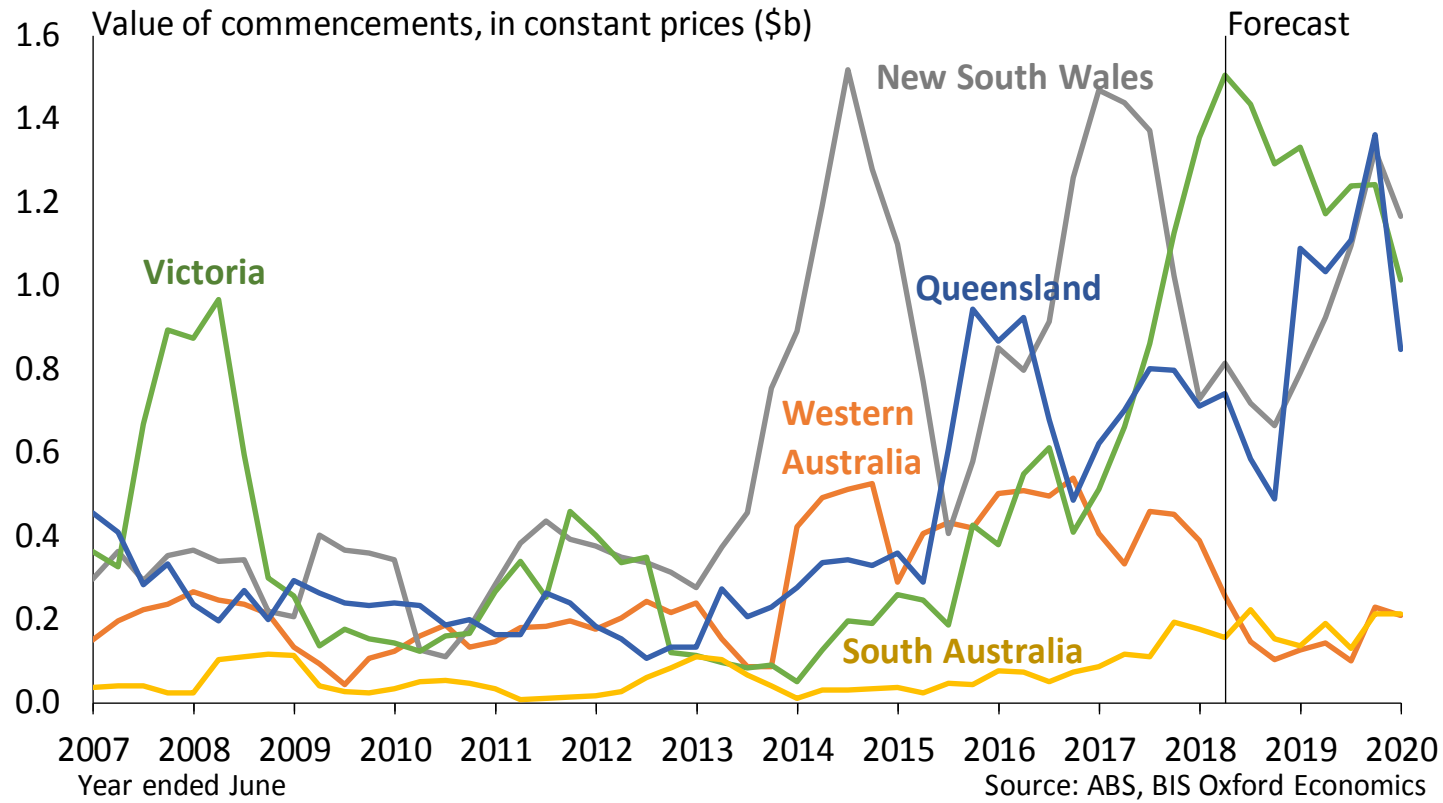
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Office supply and demand

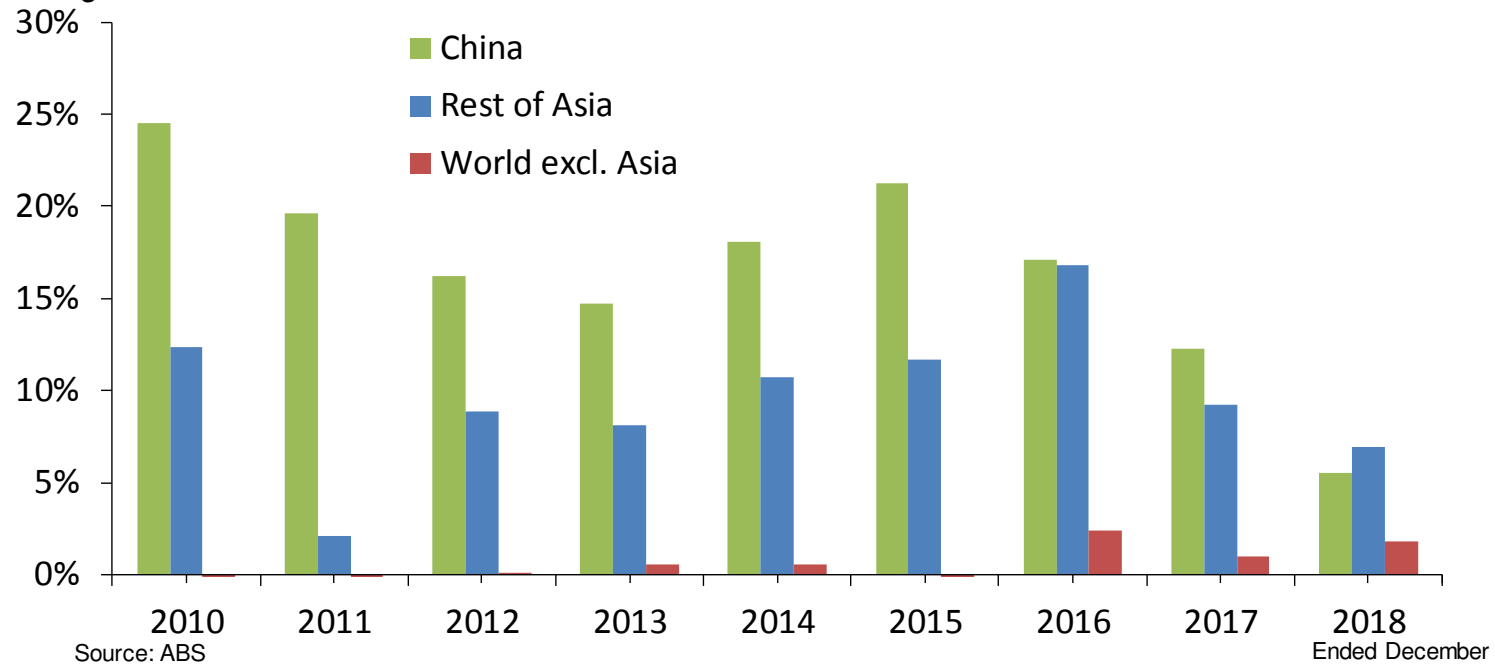


Accommodation Building Commenced by State

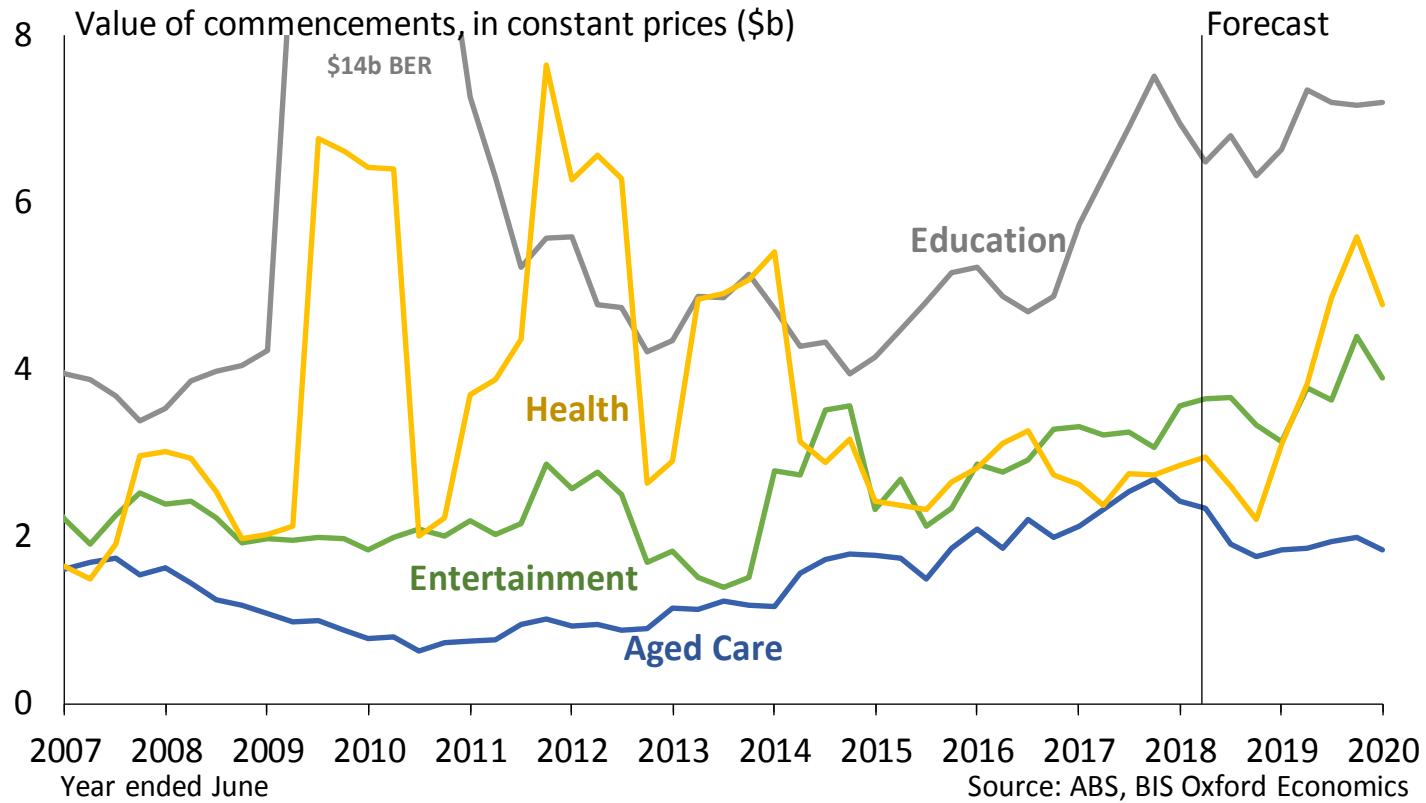


Overseas Visitor Arrivals

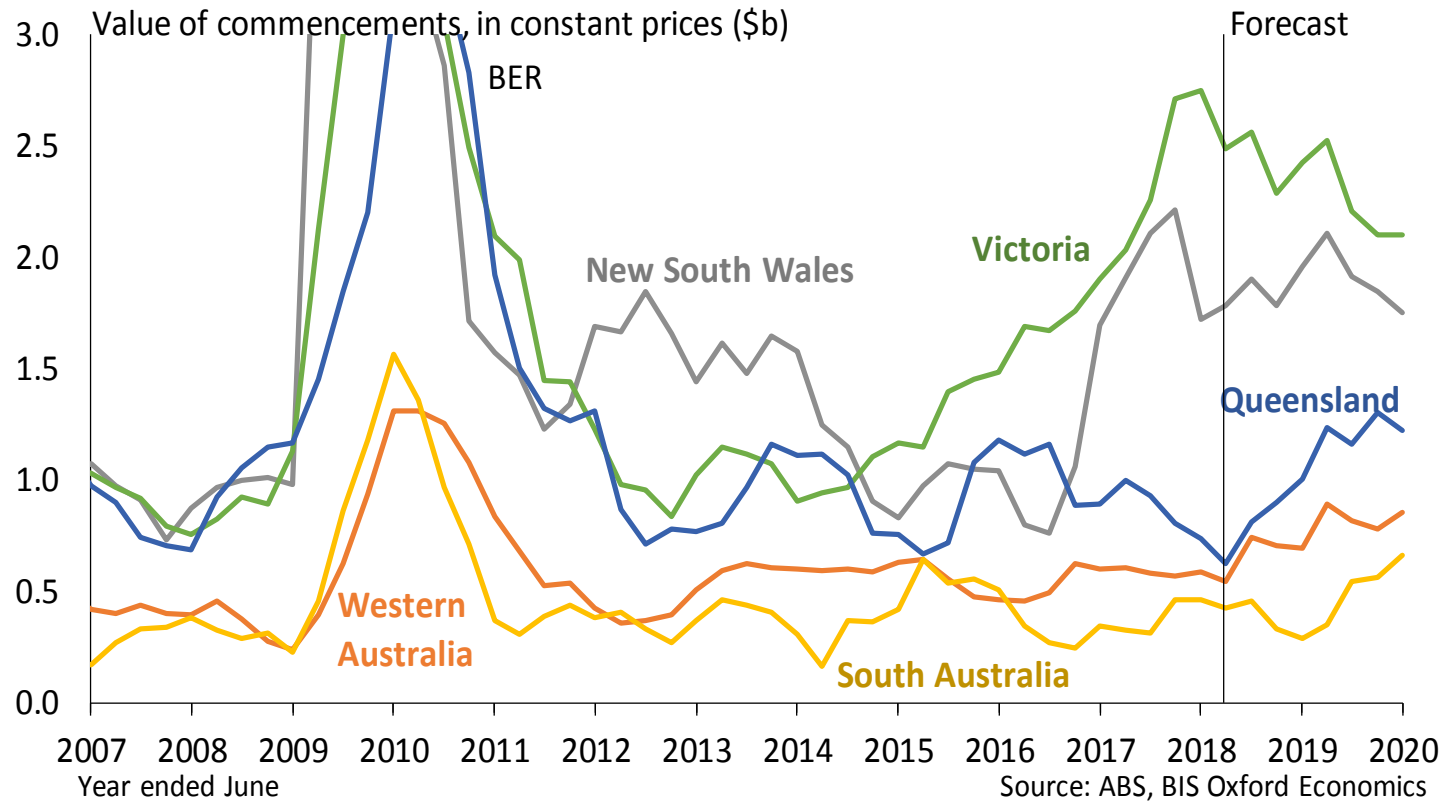
Annual growth of short-term overseas visitor arrivals



Australia Non-Residential Building Commenced



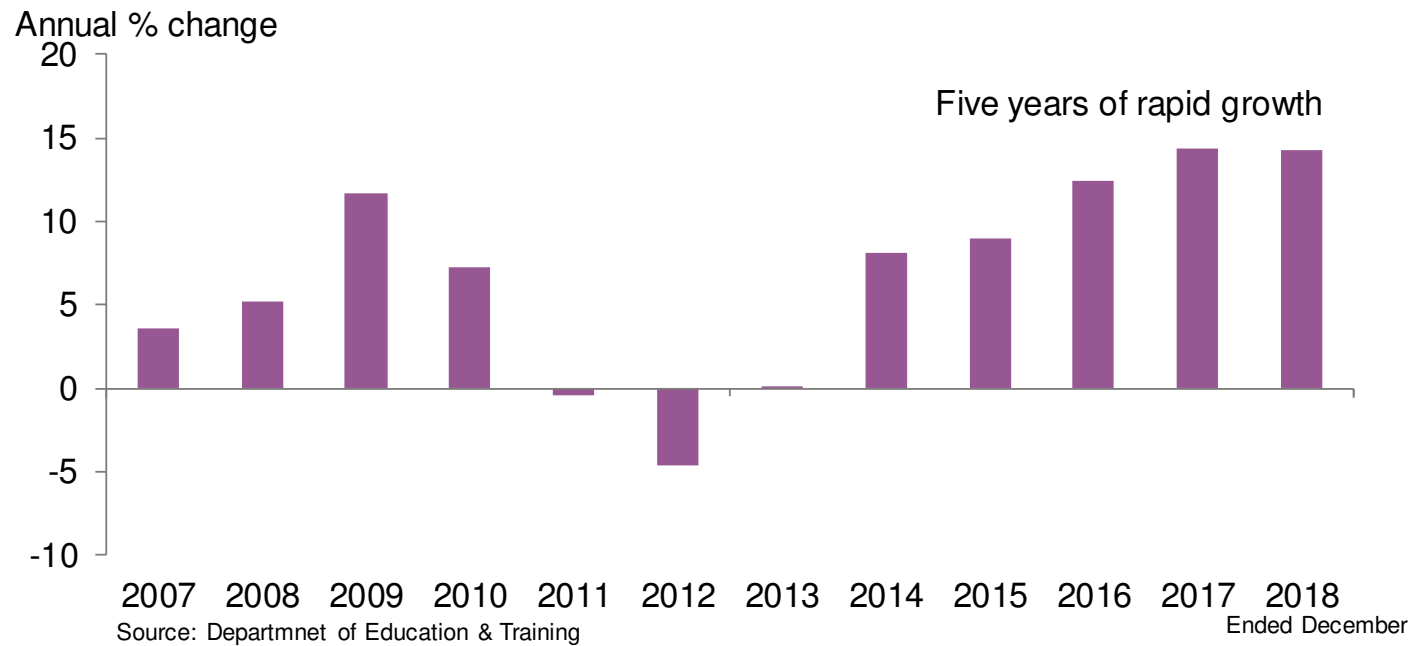
Education Building Commenced by State



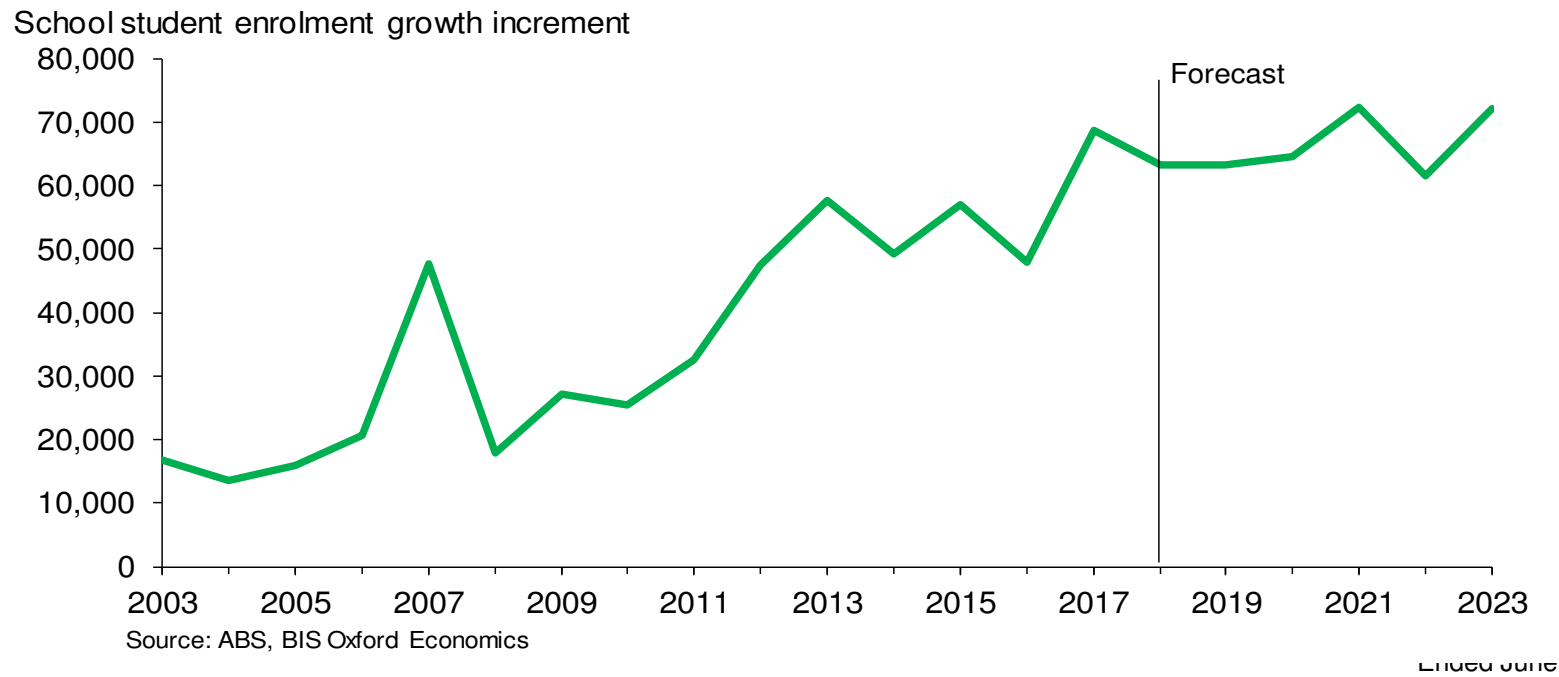
Australia Foreign Student Enrolment Growth



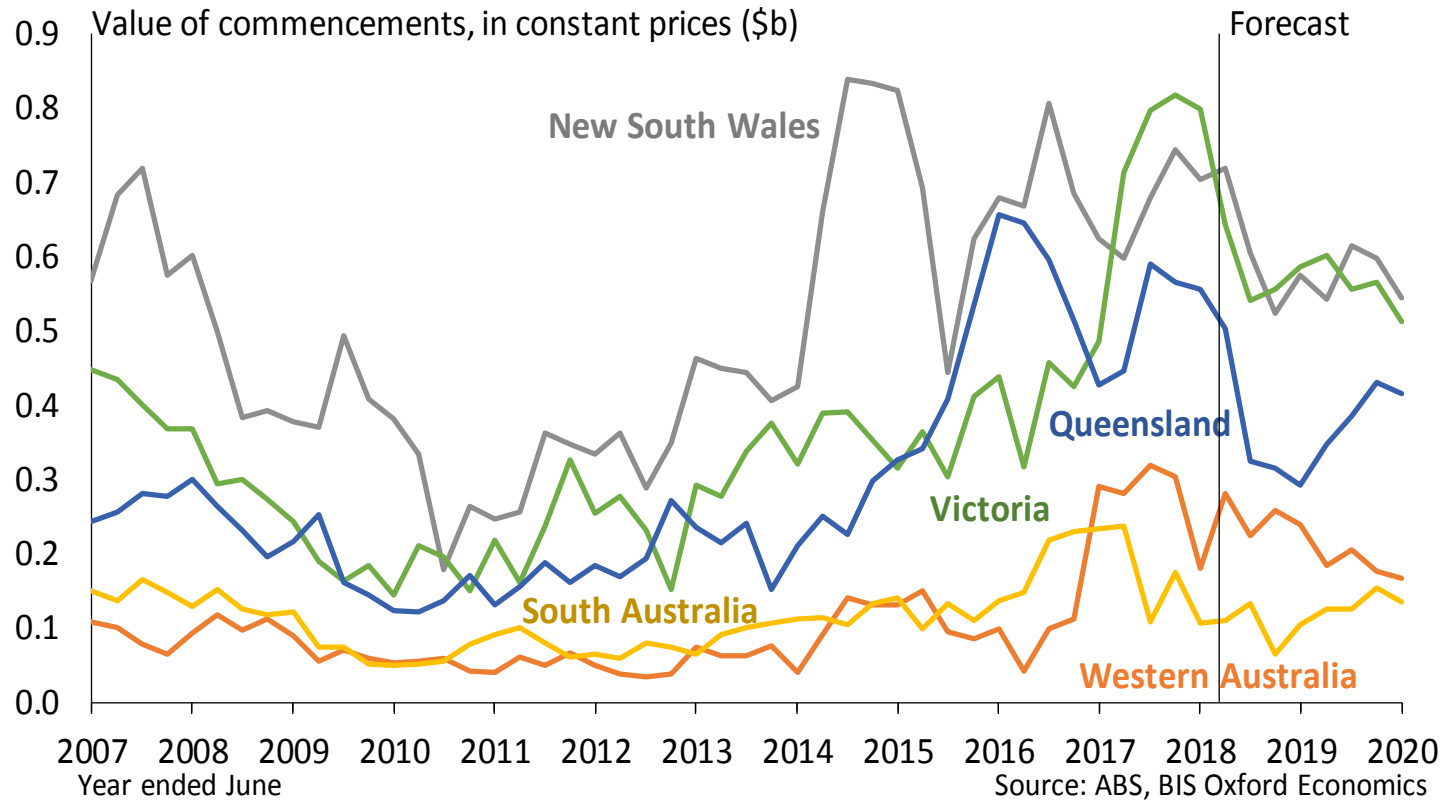
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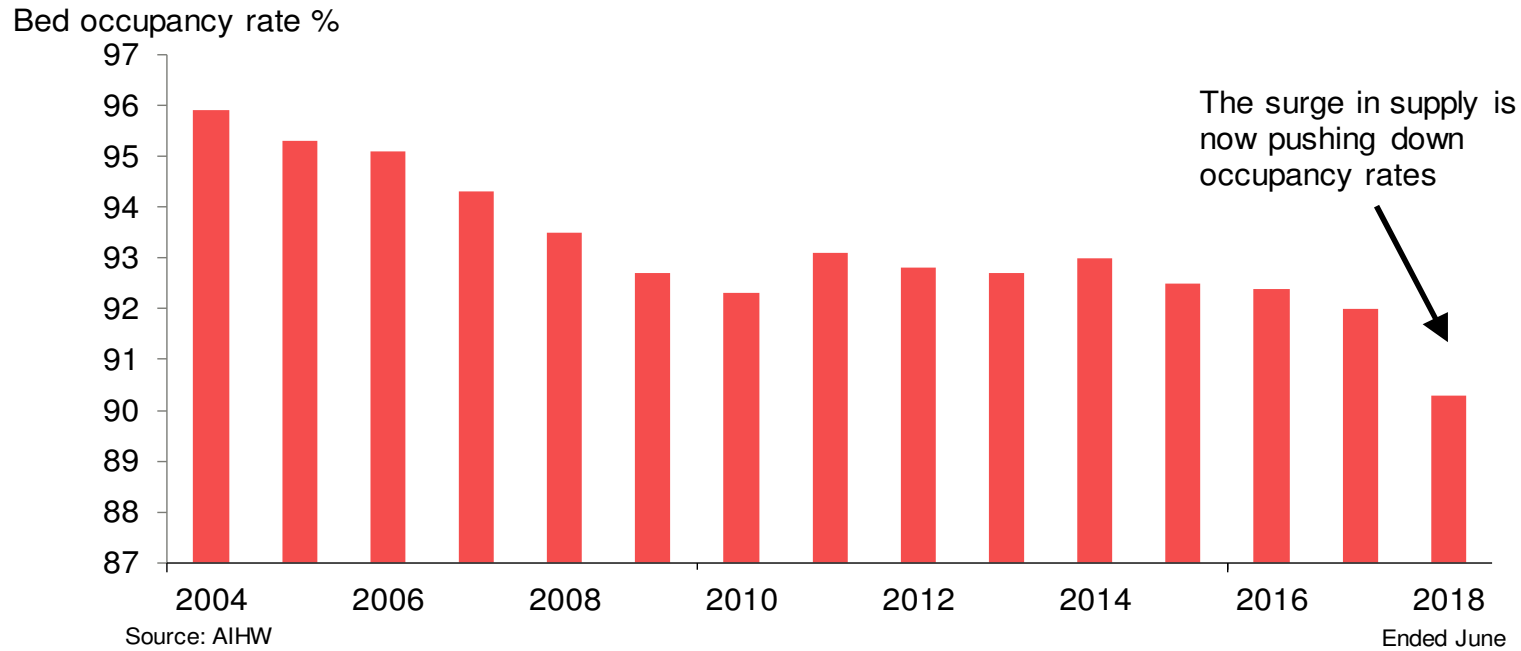
Australia School Student Enrolment Growth



Aged Care Building Commenced by State



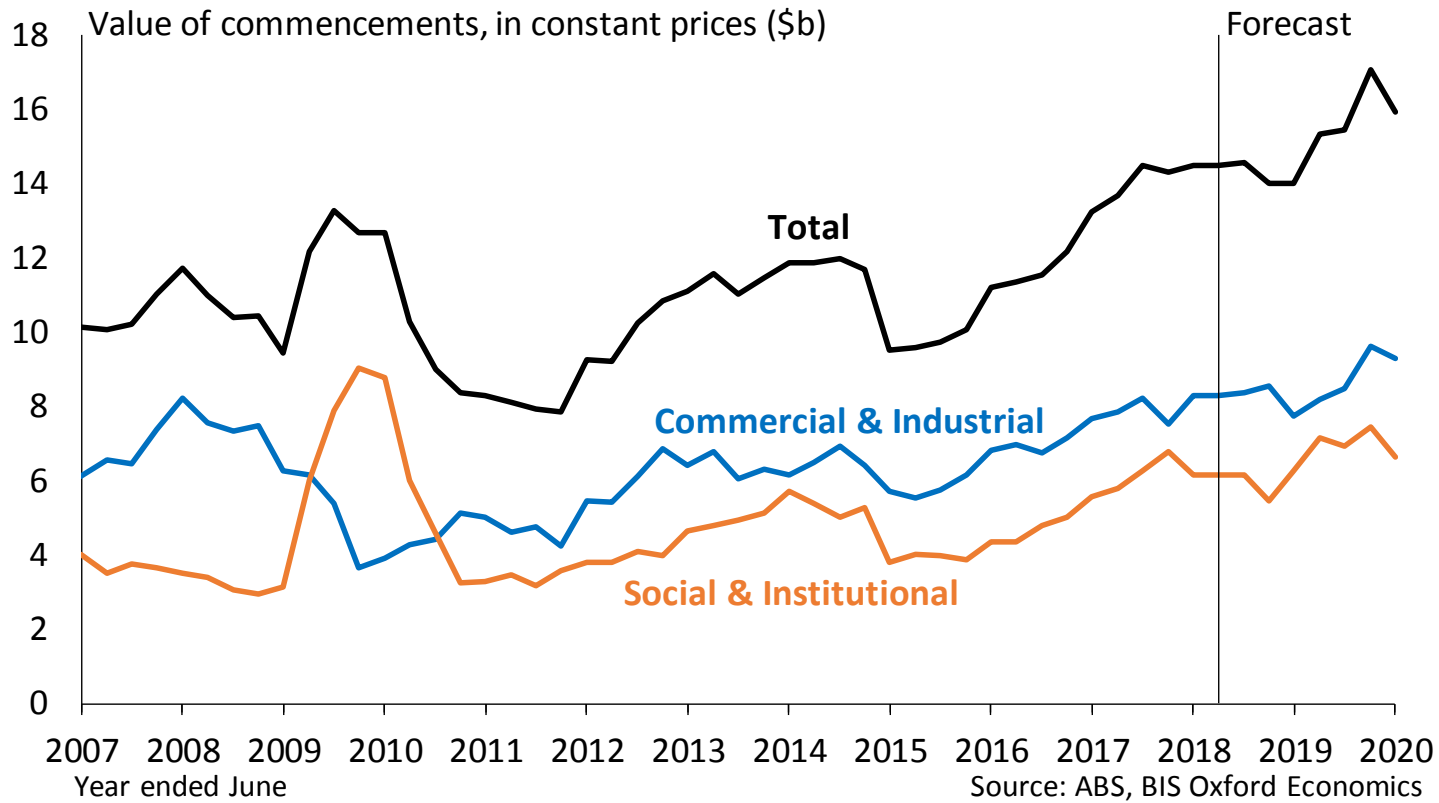
Australia Aged Care Bed Occupancy Rate



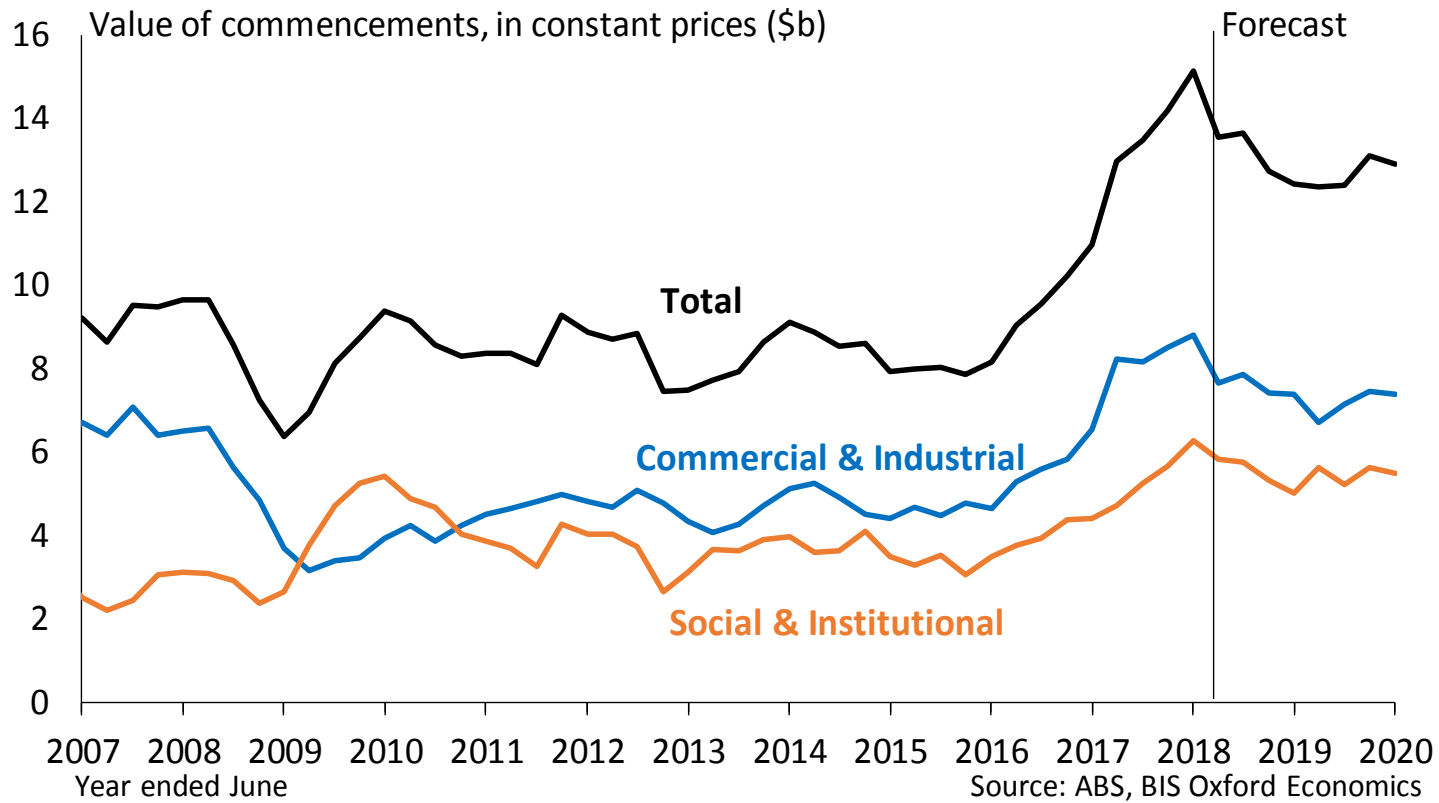
New South Wales Non-Residential Building Commenced



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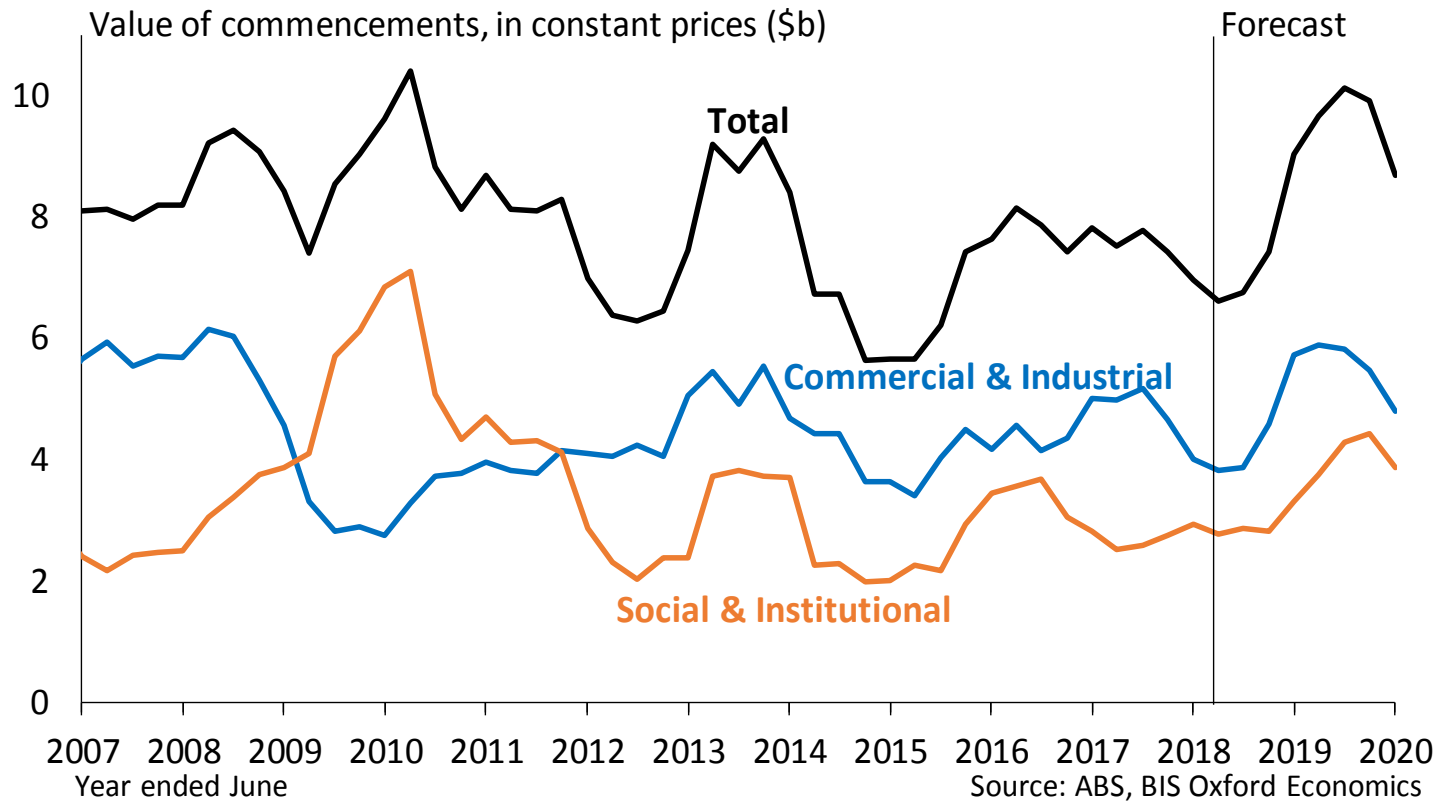
Victoria Non-Residential Building Commenced



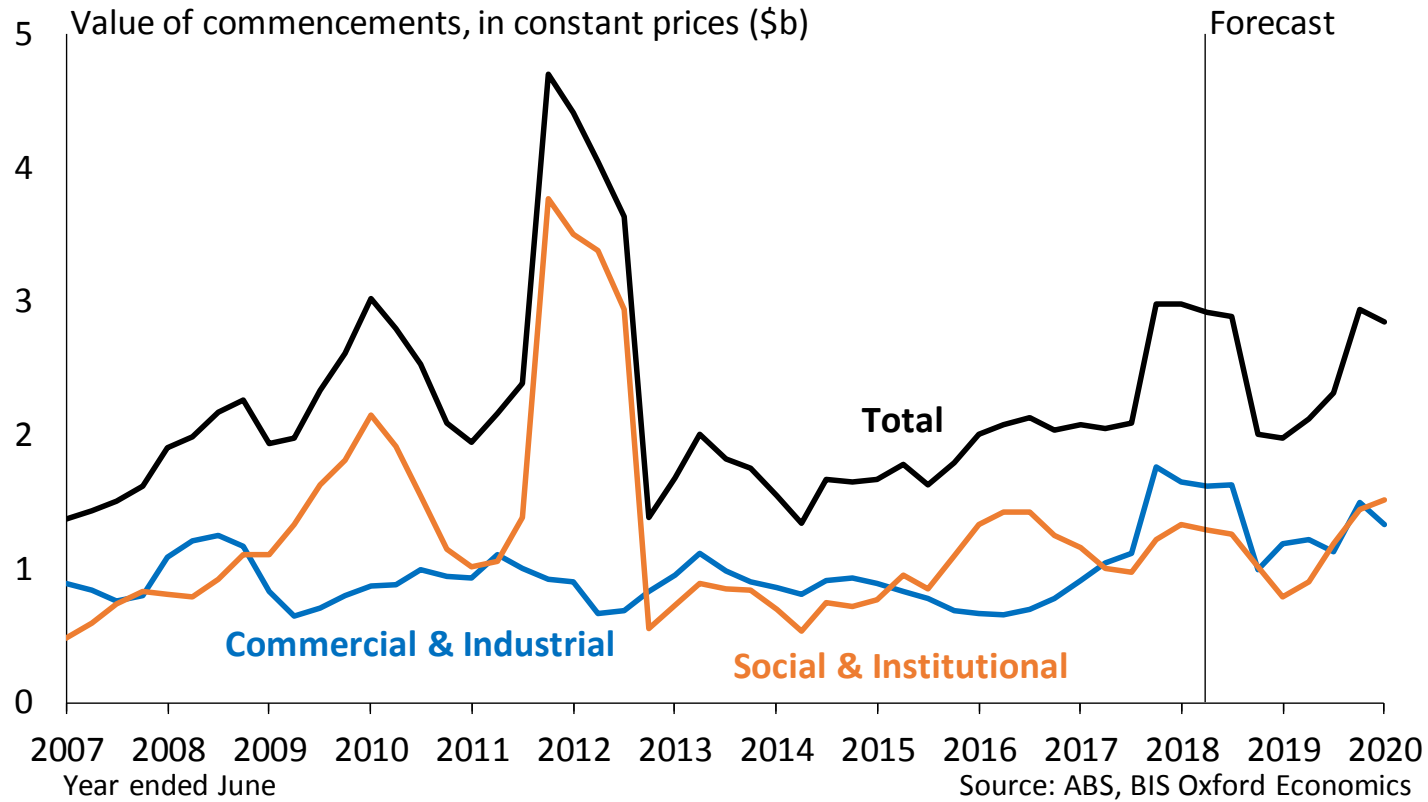
Queensland Non-Residential Building Commenced



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South Australia Non-Residential Building Commenced



Western Australia Non-Residential Building Commenced



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