BUILDING & CONSTRUCTION

Industry Forecasts

TASMANIA

June 2018

2017 Toyota National Civil/Infrastructure Award – under $25 million, AJR Construct, North West Regional Hospital Helipad, Tasmania

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MASTER BUILDERS
AUSTRALIA

INTRODUCTION

Master Builders is the peak national association for the building and construction industry in Australia. Master Builders' primary role is to champion the interests of the building and construction industry, representing residential and commercial building, and engineering construction.

Master Builders has more than 33,000 member companies with representation in every State and Territory in Australia, the great majority of which, by number, are small to medium sized enterprises. Master Builders' membership consists of large national, international, residential and commercial builders and civil contractors through to smaller local subcontracting firms, as well as suppliers and professional industry advisers. Membership of Master Builders represents 95 per cent of all sectors of the building and construction industry.

The building and construction industry is the second largest industry in Australia, accounting for around 8 per cent of Gross Domestic Product and provides jobs for more than 1 in 10 Australians in the workforce, with total employment of 1.2 million.

Owner-occupied housing and other property investments account for over two-thirds of the asset portfolio and wealth of ordinary Australians.

The building and construction industry is made up of approximately 370,000 businesses of which 95 per cent are small businesses and independent contractors. Combined, these small businesses employ more than 700,000 workers including 70,000 apprentices.

These forecasts have been prepared in conjunction with Macromonitor Pty Ltd. Macromonitor is one of Australia's leading industry research and forecasting firms, specialising in the building and construction sector.

For more information see www.masterbuilders.com.au, or send enquiries to enquiries@masterbuilders.com.au

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June 2018

TASMANIA – COMMENTARY

New Housing Construction to be Best in Country in 2018-19

In announcing the State Budget a few weeks ago the Tasmanian Treasurer, Hon. Peter Gutwin, called the next few years a 'golden era' for the Tasmanian economy. These are strong words but probably appropriate given some of the economic statistics coming from the Apple Isle recently.

Public and private investment increased by 15.5 per cent and 8 per cent respectively in the last 12 months – the highest rate of investment growth in the country and a good indication that businesses in the Tasmania have their confidence back.

GDP growth in 2017 was 3.1 per cent, the highest rate in a decade. The latter was driven by exports and tourism growth and an expansion in commercial building activity which has now extended for five years running.

But perhaps the biggest positive has been the turnaround in migration patterns. Positive net interstate migration has meant that in the last two years Tasmania has attracted more people from the mainland than the other way around.

Population growth added around 100 new people per day to Tasmania in 2017.

As a result wages and employment are also performing well – or at least better than the average.

The value of new residential construction activity is expected to spike in the next two years and be around 20 per cent higher by the end of 2019. Unlike other capital cities the detached housing sector in Hobart is much larger than that for apartments so most of the growth is expected to be from the construction of stand-alone homes.

Renovations work is also expected to perform well and account for around 15 per cent of the value of construction work in the residential sector over the next four years – compared to a national average of around 11 per cent.

Very strong growth in agricultural exports is another opportunity for the building and construction industry. Exports are a key source of capital for businesses and for governments to then reinvest into the construction of other productive capital.

As the table shows, the value of work done on residential construction projects is expected to grow by 11.5 per cent in 2017-18 and a further 8.4 per cent in 2018-19. High house price growth is generally the precursor to a greater level of residential construction activity. In the last 12 months Hobart has led the other capital cities in terms of house price growth. We expect this to support an outlook for high growth in the value of work done in the residential sector over the next couple of years.

In terms of non-residential activity, over this year and next the value of work done is expected to expand by around $100 million. Commercial building approvals over the year to April grew by over 25 per cent which suggests there is still plenty in the pipeline to support an outlook for further growth in 2018-19 and perhaps beyond. The decline in the value of work beyond 2019 is largely due to the completion of the Royal Hobart Hospital.

Standout sectors include: accommodation with work value at around $55 million this year and close to $200 million in the following four years; entertainment with the value of work done estimated at $75 million this year and $150 million over the following four years; and health projects at $185 million this year and close to $700 million over the following four years.

TASMANIA FORECASTS

Year Ended June		2017-18	2018-19	2019-20	2020-21	2021-22
Number Commenced						
Residential Building		2,555	2,621	2,523	2,294	2,048
	%ch	17.7%	2.5%	-3.7%	-9.1%	-10.7%
Value of Work Done						
$M, chain volume measures, constant 2015/16 prices						
Total Building & Construction		2,704	2,964	2,870	2,666	2,250
	%ch	4.2%	9.6%	-3.2%	-7.1%	-15.6%
Residential Building		747	810	815	760	703
	%ch	11.5%	8.4%	0.5%	-6.7%	-7.5%
Non-Residential Building		640	726	696	651	489
	%ch	2.1%	13.5%	-4.2%	-6.4%	-24.9%
Engineering Construction		1,317	1,427	1,360	1,254	1,058
	%ch	1.3%	8.4%	-4.7%	-7.7%	-15.7%

June 2018

TASMANIA – RESIDENTIAL BUILDING

TASMANIA – RESIDENTIAL BUILDING WORK DONE BY SECTOR

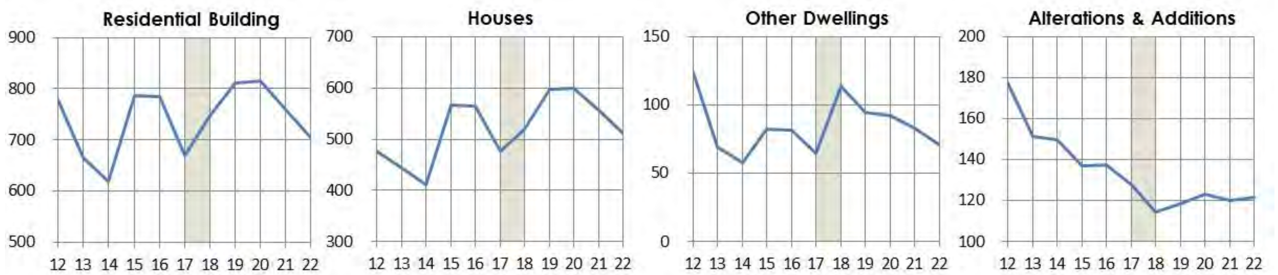
$M, chain volume measures, constant 2015/16 prices – Year Ended

		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Residential Building		869	886	778	665	618	786	784	670	747	810	815	760	703
	%ch	2.6%	2.0%	-12.2%	-14.5%	-7.1%	27.1%	-0.2%	-14.6%	11.5%	8.4%	0.5%	-6.7%	-7.5%
Houses		607	560	477	444	411	566	565	477	519	597	599	557	511
	%ch	1.5%	-7.8%	-14.9%	-6.8%	-7.6%	37.9%	-0.1%	-15.6%	8.8%	15.0%	0.4%	-7.0%	-8.3%
Other Dwellings		106	162	124	69	58	82	82	65	114	94	92	83	71
	%ch	37.1%	52.3%	-23.4%	-44.0%	-16.5%	42.2%	-1.0%	-20.4%	75.3%	-17.0%	-2.1%	-10.1%	-14.5%
Alterations & Additions		155	164	178	151	150	137	138	128	114	119	123	120	122
	%ch	-8.8%	5.6%	8.2%	-14.8%	-1.2%	-8.3%	0.3%	-7.0%	-10.7%	4.0%	3.5%	-2.5%	1.5%

Source: Master Builders Australia, Macromonitor, ABS data.

TASMANIA – RESIDENTIAL BUILDING WORK DONE BY SECTOR

$M, chain volume measures, constant 2015/16 prices – Year Ended June



TASMANIA – NUMBER OF DWELLING COMMENCEMENTS BY SECTOR

Year Ended June

		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Residential Building		3,221	3,064	2,268	1,917	1,962	2,842	2,438	2,172	2,555	2,621	2,523	2,294	2,048
	%ch	9.2%	-4.9%	-26.0%	-15.5%	2.3%	44.9%	-14.2%	-10.9%	17.7%	2.5%	-3.7%	-9.1%	-10.7%
Houses		2,570	2,198	1,740	1,528	1,643	2,333	2,038	1,757	1,975	2,147	2,079	1,899	1,727
	%ch	5.2%	-14.5%	-20.8%	-12.2%	7.5%	42.0%	-12.6%	-13.8%	12.4%	8.7%	-3.2%	-8.7%	-9.1%
Other Dwellings		651	866	528	389	319	509	400	415	580	473	444	395	321
	%ch	28.9%	33.0%	-39.0%	-26.3%	-18.0%	59.6%	-21.4%	3.8%	39.8%	-18.5%	-6.1%	-11.2%	-18.8%

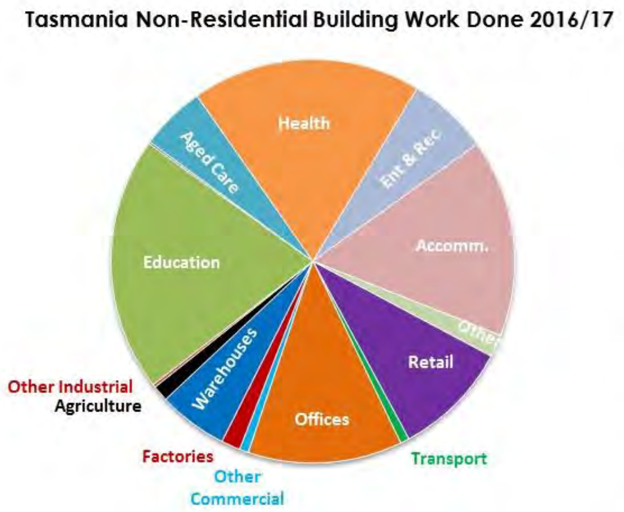
Source: Master Builders Australia, Macromonitor, ABS data.

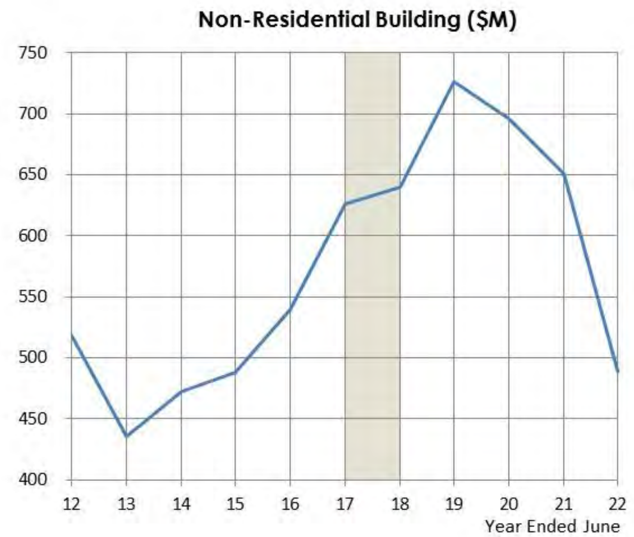
TASMANIA – NUMBER OF DWELLING COMMENCEMENTS BY SECTOR

Year Ended June

June 2018

TASMANIA – NON-RESIDENTIAL BUILDING





TASMANIA – NON-RESIDENTIAL BUILDING WORK DONE BY SECTOR

$M, chain volume measures, constant 2015/16 prices – Year Ended

		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Non-Residential Building		717	702	519	435	473	488	539	626	640	726	696	651	489
	%ch	22.3%	-2.0%	-26.1%	-16.1%	8.6%	3.3%	10.5%	16.1%	2.1%	13.5%	-4.2%	-6.4%	-24.9%
Retail & wholesale trade		44	63	92	81	104	113	109	58	59	93	110	92	75
	%ch	-36.3%	43.4%	45.7%	-12.5%	28.3%	8.9%	-3.3%	-46.4%	0.8%	58.6%	17.5%	-15.9%	-18.5%
Transport buildings		13	10	14	12	1	0	7	4	3	8	10	7	4
	%ch	-36.4%	-17.2%	35.1%	-16.8%	-90.2%			-40.0%	-26.4%	137.9%	26.0%	-33.7%	-40.0%
Offices		50	62	43	48	43	58	80	77	66	44	53	54	48
	%ch	-21.4%	23.9%	-31.0%	10.9%	-10.8%	36.0%	38.2%	-3.1%	-14.6%	-34.0%	20.6%	2.7%	-11.1%
Other commercial		2	6	2	5	12	8		4	2	4	5	5	4
	%ch	-50.6%	124.7%	-56.2%	108.6%	142.3%	-32.9%	-94.6%	895.2%	-52.3%	94.9%	25.1%	-1.0%	-14.2%
Factories		35	43	35	55	27	50	24	10	22	30	35	37	34
	%ch	-13.8%	21.8%	-17.4%	56.5%	-51.0%	83.5%	-51.2%	-60.4%	128.5%	39.2%	14.2%	7.2%	-7.6%
Warehouses		29	65	55	26	57	36	37	35	23	31	49	46	38
	%ch	-31.5%	128.0%	-15.1%	-53.6%	122.3%	-36.5%	0.7%	-4.7%	-34.9%	36.5%	57.1%	-4.7%	-18.6%
Agriculture and aquaculture		7	6	4	11	6	32	22	8	12	20	11	11	10
	%ch	-56.9%	-18.7%	-24.4%	163.1%	-46.3%	433.6%	-31.2%	-64.0%	50.7%	67.5%	-46.9%	-1.1%	-10.0%
Other industrial		6	3	3	1	4	1	4	2	4	4	4	4	3
	%ch	-88.3%	-53.2%	-11.2%	-61.5%	322.4%	-67.3%	184.5%	-58.3%	159.0%	-0.6%	7.8%	-16.9%	-17.1%
Education		352	280	120	89	64	76	83	128	93	86	99	94	76
	%ch	254.6%	-20.4%	-57.1%	-26.2%	-27.8%	17.7%	9.6%	54.2%	-26.7%	-7.8%	14.4%	-4.9%	-19.4%
Religion		4	4	3	3	7	1	1	1	2	3	3	2	2
	%ch	105.8%	0.8%	-23.0%	-4.9%	107.6%	-84.3%	-34.2%	47.7%	82.2%	53.6%	-11.6%	-5.0%	-14.6%
Aged care facilities		10	8	21	6	20	15	19	33	25	23	20	26	23
	%ch	-67.9%	-18.3%	150.1%	-73.4%	259.6%	-26.4%	25.3%	75.5%	-24.7%	-4.7%	-13.1%	28.7%	-12.7%
Health facilities (non-aged care)		12	55	59	34	45	26	69	115	184	223	183	168	80
	%ch	-31.2%	340.8%	7.9%	-42.4%	31.4%	-40.9%	162.5%	65.7%	59.5%	21.4%	-17.9%	-8.0%	-52.4%
Entertainment & Recreation		58	64	26	33	29	28	33	41	72	46	31	34	36
	%ch	-7.0%	10.9%	-59.3%	26.1%	-12.7%	-1.6%	16.4%	23.9%	76.1%	-35.2%	-32.3%	7.9%	5.3%
Accommodation		77	14	13	11	8	18	42	99	55	89	49	29	24
	%ch	56.6%	-81.9%	-6.3%	-14.8%	-23.9%	111.5%	135.8%	137.0%	-44.4%	61.2%	-44.6%	-40.8%	-19.5%
Other non-residential		17	18	26	21	46	26	10	11	18	21	34	41	32
	%ch	11.8%	6.4%	44.7%	-19.4%	115.7%	-43.4%	-63.0%	15.4%	63.1%	13.9%	66.3%	20.4%	-21.7%

Source: Master Builders Australia, Macromonitor, ABS data.

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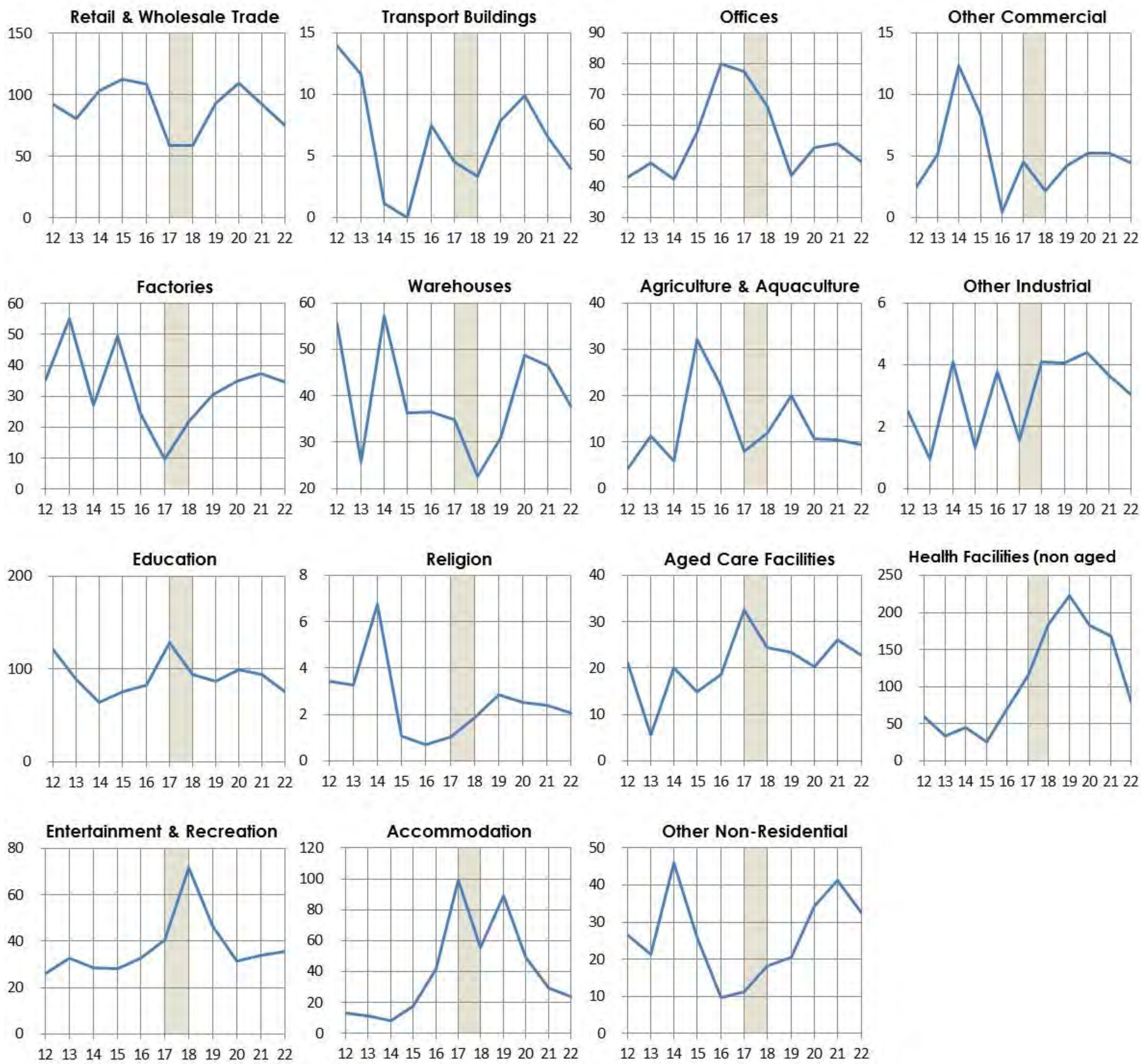
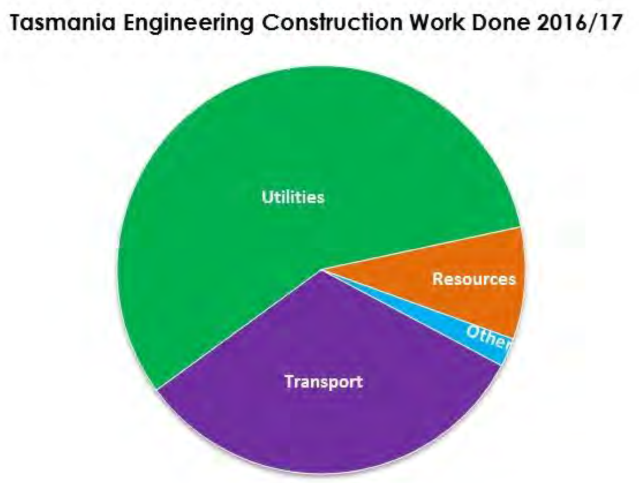
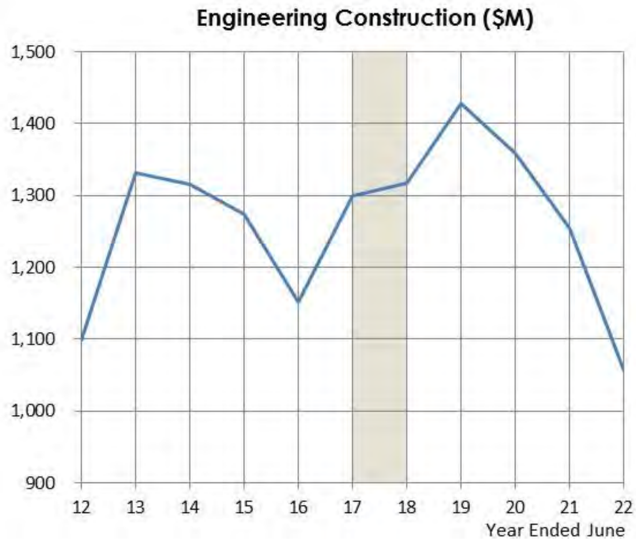
TASMANIA – NON-RESIDENTIAL BUILDING WORK DONE BY SECTOR
$m, chain volume measures, constant 2015/16 prices – Year Ended June



TASMANIA – ENGINEERING CONSTRUCTION





TASMANIA – ENGINEERING CONSTRUCTION WORK DONE BY SECTOR

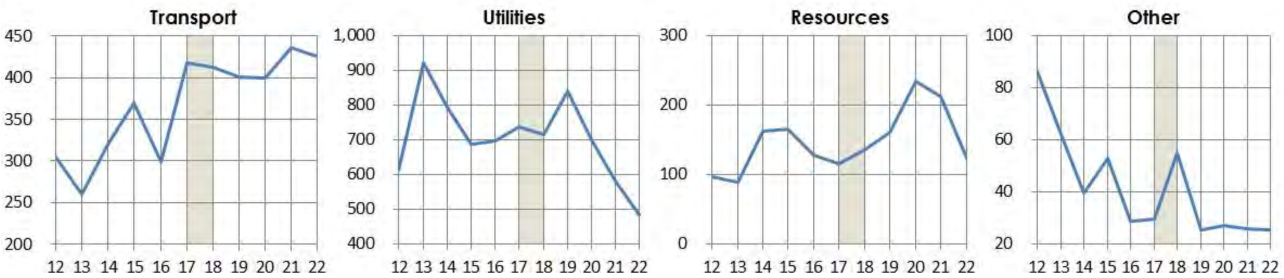
$M, chain volume measures, constant 2015/16 prices – Year Ended June

		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Engineering Construction		1,109	1,069	1,099	1,331	1,315	1,274	1,152	1,299	1,317	1,427	1,360	1,254	1,058
	%ch	-3.6%	-3.6%	2.7%	21.2%	-1.2%	-3.2%	-9.6%	12.8%	1.3%	8.4%	-4.7%	-7.7%	-15.7%
Transport		253	350	304	261	320	369	299	418	413	400	399	437	425
	%ch	-5.5%	38.4%	-13.0%	-14.3%	22.9%	15.3%	-19.0%	39.8%	-1.3%	-3.0%	-0.3%	9.4%	-2.6%
Utilities		690	528	612	920	793	687	697	736	714	841	699	581	484
	%ch	-0.1%	-23.5%	15.9%	50.3%	-13.8%	-13.4%	1.4%	5.7%	-3.0%	17.7%	-16.9%	-17.0%	-16.7%
Resources		70	103	96	89	162	165	127	115	135	161	234	211	124
	%ch	-29.2%	47.2%	-6.7%	-7.6%	83.0%	1.6%	-22.7%	-9.3%	16.7%	19.3%	45.8%	-9.8%	-41.5%
Other		96	89	86	62	40	53	29	29	55	25	27	26	25
	%ch	3.0%	-7.7%	-2.7%	-28.0%	-36.3%	33.2%	-45.9%	3.0%	86.4%	-53.6%	6.3%	-4.7%	-1.8%

Source: Master Builders Australia, Macromonitor, ABS data.

TASMANIA – ENGINEERING CONSTRUCTION WORK DONE BY SECTOR

$M, chain volume measures, constant 2015/16 prices – Year Ended June



June 2018

ABS SECTORS

Residential Building	
Houses	A house is a detached building predominantly used for long-term residential purposes and consisting of only one dwelling unit. Thus, detached 'granny flats' and detached dwelling units (such as caretakers' residences) associated with non-residential buildings are defined as houses for the purpose of these statistics.
Other dwellings	A building other than a house primarily used for long-term residential purposes and which contains (or has attached to it) more than one dwelling unit (e.g. includes blocks of flats, home units, attached townhouses, semi-detached houses, maisonettes, duplexes, apartment buildings, etc.).
Alterations and Additions	Building activity carried out on existing buildings. Includes adding to or diminishing floor area, altering the structural design of a building and affixing rigid components which are integral to the functioning of the building.
Non-residential building	
Non-residential building	A non-residential building is primarily intended for purposes other than long term residential purposes
Retail & wholesale trade	Buildings primarily used in the sale of goods to intermediate and end users.
Transport buildings	Buildings primarily used in the provision of transport services, and includes the following categories: Passenger transport buildings (e.g. passenger terminals), Non-passenger transport buildings (e.g. freight terminals), Commercial car parks (excluded are those built as part of, and intended to service, other distinct building developments), Other transport buildings n.e.c.
Offices	Buildings primarily used in the provision of professional services or public administration (e.g. offices, insurance or finance buildings).
Other commercial	Building not included in commercial categories above.
Factories	Buildings housing, or associated with, production and assembly processes of intermediate and final goods.
Warehouses	Buildings primarily used for storage of goods, excluding produce storage.
Agriculture and aquaculture	Buildings housing, or associated with, agriculture and aquaculture activities, including bulk storage of produce (e.g. shearing shed, grain silo, shearers' quarters).
Other industrial	Building not included in industrial categories listed above.
Education	Buildings used in the provision or support of educational services, including group accommodation buildings (e.g. classrooms, school canteens, dormitories).
Religion	Buildings used for or associated with worship, or in support of programs sponsored by religious bodies (e.g. church, temple, church hall, dormitories).
Aged care facilities	Building used in the provision or support of aged care facilities, excluding dwellings (e.g. retirement villages). Includes aged care facilities with and without medical care.
Health facilities (non-aged care)	Buildings used in the provision of non-aged care medical services (e.g. nurses quarters, laboratories, clinics).
Entertainment & Recreation	Buildings used in the provision of entertainment and recreational facilities or services (e.g. libraries, museums, casinos, sporting facilities).
Accommodation	Buildings primarily providing short-term or temporary accommodation, and includes the following categories: Self-contained, short term apartments (e.g. serviced apartments), Hotels (predominantly accommodation), motels, boarding houses, cabins, Other short term accommodation n.e.c. (e.g. migrant hostels, youth hostels, lodges).
Other non-residential	Building not included in categories listed above.
Engineering Construction	
Transport	Includes roads, bridges, railways, harbours
Utilities	Includes water, wastewater, electricity, gas pipelines, telecommunications
Resources	Includes oil, gas and other hydrocarbons; bauxite, alumina and aluminium; coal and coal handling; other minerals and heavy industry.
Other engineering construction	Construction of facilities not involved in categories listed above.

Disclaimer
While every care has been taken in preparing this document, Master Builders Australia will not accept responsibility for actions taken in reliance upon information contained in this document.
The forecasts presented in this publication were developed. The forecasts presented in this publication are subject to unavoidable statistical variation. While all care has been taken to ensure that the statistical variation is kept to a minimum, care should be taken whenever using this information. The interpretation and conclusions presented in this publication are those of the author(s).

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