HIA Trades Report

A quarterly update on the change in the price and availability of building trades

March 2016 Quarter

TIGHT TRADE CONDITIONS PERSIST

The HIA Trades Report provides a quarterly review of market conditions with regard to housing-related skilled trades. Specifically, the report considers the supply conditions with respect to particular skilled trade categories across Australia and within particular states, as well as the corresponding price changes.

It is HIA's view that the commencement of new homes peaked for the cycle in calendar year 2015, but that's a close call with FY2015/16. The short term outlook is for very healthy levels of detached and semi-detached construction in 2016/17. There is also a very large pipeline of 'multi-unit' commencements yet to be completed plus a record level of multi-unit approvals yet to be commenced. The outlook is for further growth in renovations activity.

Against this backdrop it is no surprise that the HIA Trades Report for the March 2016 quarter highlights a persistent shortage of skilled trades people in the residential construction industry, together with a relatively fast pace of annual growth in trade prices.

The HIA Trade Availability Index has a range of +2.00 to -2.00. An index measure of between +0.01 and +1.00 indicates a moderate oversupply of skilled labour; a reading between +1.01 and +2.00, a substantial oversupply. Conversely, an index reading between -0.01 and -1.00 reflects a moderate undersupply of skilled labour while a reading between -1.01 and -2.00 represents a substantial undersupply.

In the March 2016 quarter the HIA Trade Availability index registered -0.14, indicating a moderate aggregate undersupply of skilled labour. This result is an improvement on the -0.25 result evident at the end of last year, but there have now been ten consecutive quarters of labour shortages. Meanwhile, growth in the HIA Trade Prices index accelerated to an annual rate of 6.2 per cent in the March 2016 quarter, compared to 4.7 per cent over the 12 months to the December 2015 quarter.

If the renovations market had recovered earlier and stronger than it did, and non-residential building activity had mounted a broad-based recovery, then the structural shortage of skilled labour evident in the HIA Trades Report would be even starker.

Across the capital cities and rest of state areas, regional New South Wales, Melbourne, regional Victoria, and Brisbane were areas where trade labour market conditions were the tightest. Trades were also in short supply in Sydney and regional Queensland.

The HIA Trade Availability Index was neutral (0.00) in Adelaide and showed a modest oversupply of trades in Perth, regional South Australia, and regional WA.

The HIA Trade Prices Index showed the highest price pressures in NSW (Sydney and regional), followed by Brisbane, regional Victoria, Melbourne, Perth, and then regional Queensland. The HIA Trade Prices Index was lower in the March 2016 quarter compared to a year earlier in South Australia and regional WA.

In terms of the availability of particular trades, the moderate undersupply recorded in the aggregate result in the March 2016 quarter reflects a shortage in nine out of thirteen trades. There is some difference in the magnitude of trade shortage, as is to be expected. The tightest supply is evident for bricklaying, followed by: ceramic tiling; carpentry; plastering; other trades; roofing; painting; general building; and joinery.