Your window into the future of the construction industry

AUSTRALIAN CONSTRUCTION INSIGHTS
Research powered by HIA Economics

Construction Brief

10 August 2015

ACI Forecasts New Home Building Peak in mid-2015

New home building to ease from record levels

Update: The *ACI Residential Forecasts Update* for Winter 2015 has been released. It projects that new home building activity will start to ease during 2015/16 following an estimated record 214,450 new dwelling starts in 2014/15. Commencements are forecast to decline by 7.0 per cent during 2015/16 with a further 8.7 per cent reduction occurring in 2016/17. Activity is projected to bottom out at around 175,260 during 2018/19.

Insight: Despite the projected decline in new home building over the next few years, a cyclical low of over 175,000 would still compare very well with previous lows in home building activity. Having almost doubled since 2011/12, multi-unit starts are forecast to bear the brunt of the decline in activity. However, detached house starts are also set to see some moderation. ACI has also produced detailed starts forecasts by dwelling type, while HIA will analyse the prospects for overall housing activity in HIA's *State & National Outlooks* released on Wednesday, 12 August. For more information email*:* info@aciresearch.com.au.

Investor lending reaches record in 2014/15

Update: Latest Housing Finance data from the ABS show that 2014/15 was the first year on record in which the value of housing loans to investors exceeded lending to owner occupiers. During the year, residential investor lending totalled $152.6bn compared with $145.3bn for owner occupiers.

Insight: Rental supply remains tight in key markets like Sydney and Melbourne, and the high level of investor participation is important in delivering the necessary supply of accommodation. Conditions around investor lending have started to tighten in recent weeks, with the interest rates on investor mortgages being increased by several lenders and AMP temporarily suspending new investor loans. The tighter conditions are a result of tighter requirements from APRA at home and the implementation of the Basel III international financial regulations in the lead up to 2019.

RBA leaves interest rates unchanged

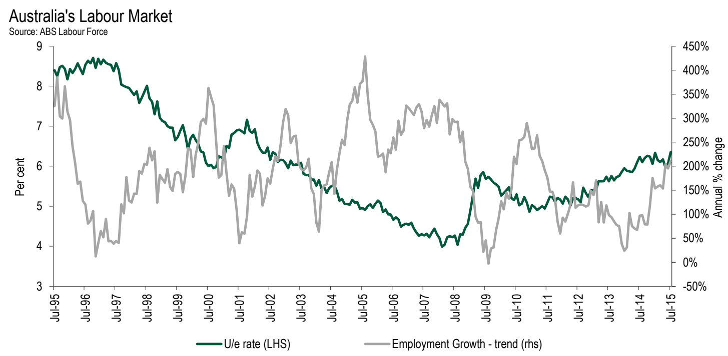
Update: The RBA left its Official Cash Rate at 2.00 per cent for the third consecutive month. This had been very much expected, although the accompanying statement contains an interesting change of emphasis.

Insight: The current environment is a perfect setting for low interest rates: below-trend economic growth, high-ish unemployment and low consumer price inflation. The RBA had been emphasising the need for further weakening of the Aussie dollar repeatedly over recent years, however its latest statement made no reference to the currency. This may indicate that the RBA is reasonably comfortable with the way the AUD is moving on international markets.

Top of the charts – unemployment up in July

Update: The unemployment rate increased to 6.3 per cent in July from 6.1 per cent in June. This was the highest rate since January, as unemployment had been easing back over recent months. However, total employment still increased by some 243,000 over the past year.

Insight: The labour market had been moving in the right direction since the beginning of the year, so the latest unemployment figures are something of an unwelcome surprise. Nevertheless, the RBA's latest *Statement on Monetary Policy* indicates that unemployment will be lower than previously thought due to aggregate demand and population growth starting to match one another more closely. Employment growth continues to be concentrated in part-time rather than full-time jobs.



Non-residential building approvals decline

Update: The total value of non-residential building work approved in the June 2015 quarter was worth $6.80 billion, which translates into an annualised level of $27.22 billion. This latest level is 18.8 per cent lower than a year previously.

Insight: A trend of decline in non-residential building work approved has been in train since early 2014. The latest level of approved work is 22.7 per cent lower than this peak and indicates that conditions in the non-residential building sector will continue to be difficult. Underneath the headline results, latest figures show growth can be found in work on aged care facilities, some forms of commercial buildings and also religion buildings. The *ACI Construction Monitor* provides the most comprehensive 'one stop shop' report in Australia for the non-residential construction industry. For further information contact Stuart Hylton-Cummins on s.hyltoncummins@aciresearch.com.au

The fortnight ahead – key releases

Following what was quite a data-heavy fortnight, the fortnight ahead is light on for key updates relevant to the construction industry:

Monday 10 August:

ABS lending finance, June 2015, 11.30am.

Wednesday 12 August:

HIA State and National Outlook series, Winter 2015 edition, 11.00am.

Tuesday 18 August July:

RBA August 2015 Monetary Policy Meeting Minutes, 11.30am.

Tuesday 18 August:

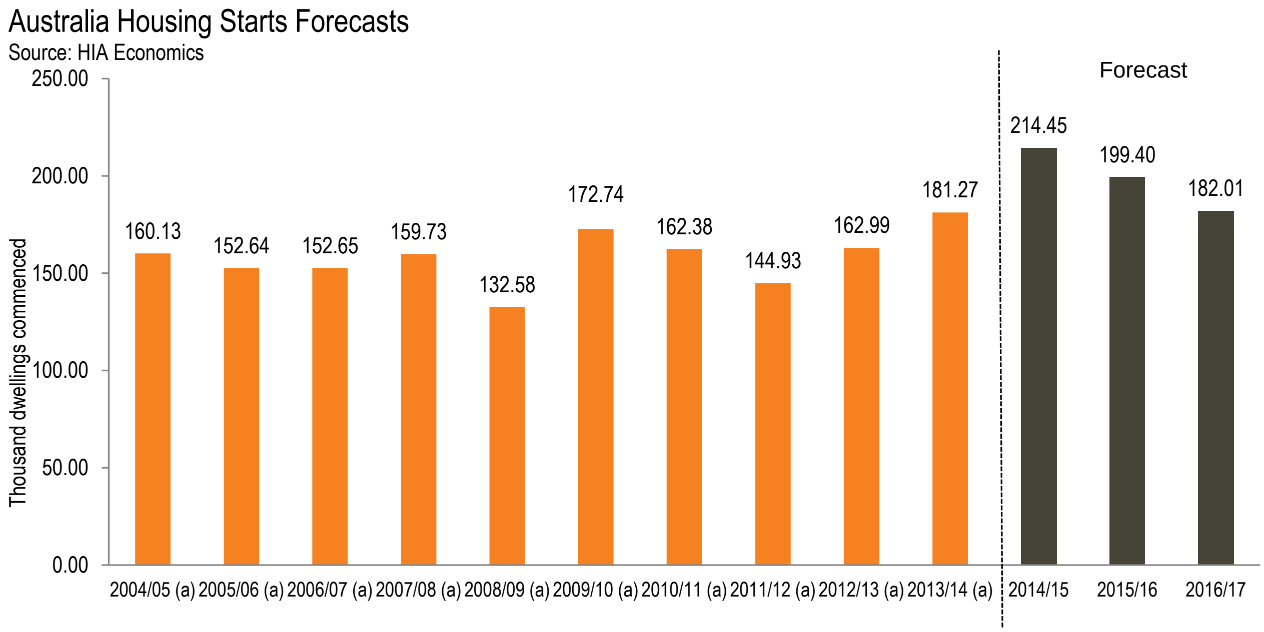
HIA Building Better Cities Summit - Taxing the Australian Dream: can we get the tax off housing?*

Wednesday 19 August July:

Westpac-Melbourne Institute Consumer Confidence, August 2015.

*HIA's 6th Building Better Cities Summit considers the crucial question of how we get the very high and inefficient levels of taxation off new housing. Highly credentialed local and international speakers will explore the solutions to reverse the tax impost on new housing, solutions that are fairer for home buyers, employers and the community, yet deliver resources for governments to provide the infrastructure and services necessary for thriving communities. Summit registration

Dwelling Starts Forecasts



ACI produces a wide suite of publications and research which include the latest industry analysis, forecasts and emerging trends, at a national, state and even regional/local level. If you would like to order publications referenced in this brief please email info@aciresearch.com.au

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