AUSTRALIAN CONSTRUCTION INSIGHTS
Research powered by HIA Economics

Construction Brief

6 October 2015

The construction updates are rolling in

The top builders and constructors of 2014/15 revealed

Update: Brookfield Multiplex was revealed as the largest construction contractor in 2014/15, topping the Construction 100, while BGC (Australia) was revealed as the largest home builder, topping the Housing 100.

Insight: The twin publications, the HIA-Cordell Construction 100 and the HIA-COLORBOND STEEL® Housing 100, together, illustrate the major changes occurring in the construction industry and the broader economy. In particular, the Construction 100 in 2014/15 saw apartment builders come to the fore, compared with previous years where the list was dominated by firms tied to the large mining projects.

Approvals highlights twin speeds for building sector

Update: ABS data released last week showed a decline in both residential and non-residential building approvals during August. The number of homes approved for residential building (seasonally adjusted) in August declined by 6.9 per cent, but was still 5.1 per cent higher than 12 months previously. The dynamics of non-residential segment were somewhat similar, with the value of approvals (seasonally adjusted) declining by 10.1 per cent to still be 6.6 per cent higher than a year previously.

Insight: Approvals activity represents the flow of work entering the construction pipeline. The pipeline of residential construction work remains healthy and while the monthly update for non-residential building looks similar, the broader trend of decline remains in train. In annual terms, the flow of work entering the non-residential building pipeline continues to decline, signalling that conditions in 2015/16 will remain challenging.

The pulse of the building sector to be checked

Update: Comprehensive figures on building activity for the June 2015 quarter are due out next week, and are expected to confirm that new home building reached record levels during 2014/15. Our estimates indicate that a total of 214,450 new dwelling starts occurred during the 2014/15 financial year, representing an uplift of some 18.3 per cent on the previous year's already strong figures.

Insight: The record level of new home building during 2014/15 stands head and shoulders above previous peaks in activity, including the previous record 187,083 starts during 1994, the 179,317 peak during 2010 and the 176,920 high reached way back in 1986. With activity likely to have peaked earlier this year, the key question now is how low will new home building activity bottom out. Our central forecast is for a low of about 175,000 to be reached. The updated ABS data will also throw more light on non-residential construction activity. This is reviewed comprehensively in ACI's Construction Monitor report.

For more information on the ACI Construction Monitor, please contact:

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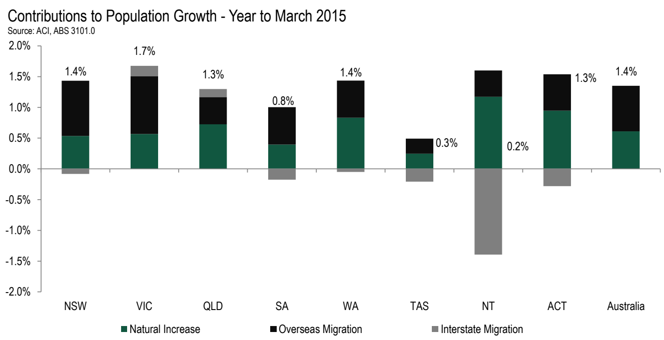
Top of the charts – population update

Update: Recent ABS figures released show that Australia's population grew by 316,000 over the year to March, equivalent to a 1.4 per cent annual rate of increase. The two largest states, Victoria and New South Wales, recorded the strongest growth rates of 1.7 per cent and 1.4 per cent, respectively.

Insight: Australia's rate of population growth has slowed over the past couple of years, largely due to a reduction in net overseas migration flows. This has been driven by weaker conditions in the labour market as well as gradually improving economic conditions overseas. The more unfavourable conditions in mining activity have had a profound effect on the state by state profile of population growth. The NT has fallen to last place in terms of population growth, while WA is now shedding residents to other states.



New home sales rebound in August

Update: Off the back of the detached house segment of the market, total seasonally adjusted new home sales increased by 2.3 per cent in August 2015, while multi-unit sales declined. The level of sales activity during the three months to August was 1.3 per cent lower than in the previous three months, but still 9.2 per cent higher than a year previously.

Insight: For detached houses, that peak level of monthly sales actually occurred some 16 months ago, while May 2015 is shaping up to represent the peak for multi-unit sales activity. Multi-unit sales in August were down from the May level by 8.5 per cent. Previous momentum from the key markets of New South Wales and Western Australia is fading, especially in the latter state, while no discernible upward trajectory in sales is evident in Victoria either. Very tentative signs of improvement, however, are emerging from Queensland and South Australia – although these are unlikely to be sufficient to drive a renewed round of growth in aggregate detached sales activity.

The fortnight ahead – key releases

The fortnight ahead includes a number of major updates relevant to the construction industry:

Wednesday 7 October:

AIG-HIA Performance of Construction, September 2015, 11.30am

Friday 9 October:

ABS Housing Finance, August 2015, 11.30am

Monday 12 October:

ABS Lending Finance, August 2015, 11.30am

Wednesday 14 October:

ABS Building Activity, June quarter 2015, 11.30am

Thursday 15 October:

ABS Labour Force, September 2015, 11.30am.

HIA-CoreLogic RP Data Residential Land Report, June 2015 quarter, 11.30am

New Home Sales

NEW HOME SALES: PERCENTAGE CHANGE

	Private Houses						Multi-Units	Total
	NSW	VIC	QLD	SA	WA	AUS	AUS	AUS
3 months to Aug 14	4,092	5,277	3,264	1,497	4,301	18,431	3,384	21,815
3 months to May 15	3,754	5,500	3,624	1,240	4,381	18,499	5,632	24,132
3 months to Aug 15	4,065	5,228	3,808	1,203	3,961	18,265	5,564	23,829
% change on previous 3 months	**8.3%**	**-4.9%**	**5.1%**	**-3.0%**	**-9.6%**	**-1.3%**	**-1.2%**	**-1.3%**
% change on same 3 months of previous year	-0.7%	-0.9%	16.7%	-19.6%	-7.9%	-0.9%	64.4%	9.2%

Note: All comments and percentage movements relating to Net Sales refer to data that have been calculated after allowing for seasonal influences.

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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