

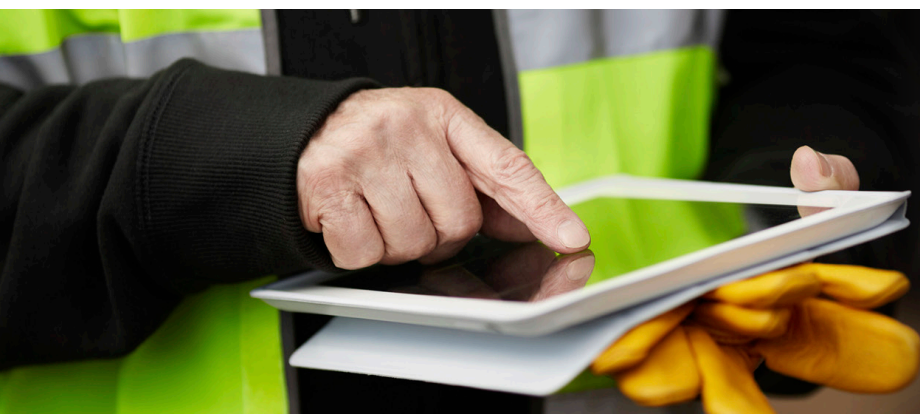
NATIONAL SURVEY OF BUILDING AND CONSTRUCTION



MASTER BUILDERS
AUSTRALIA

RESIDENTIAL BUILDING ENTERS MORE CHALLENGING WATERS

- MBA survey reveals residential building sector weakened during September 2018 quarter.
- Conditions have improved in non-residential construction.
- Construction firms rate their apprentice numbers and profitability favourably.
- Industrial relations and access to finance identified as biggest challenges for construction firms.



The latest MBA National Survey of Building and Construction shows that conditions in residential building became more difficult during the September 2018 quarter, while non-residential construction continues to see improvement.

RESIDENTIAL BUILDING: TOUGHER CONDITIONS IN SEPTEMBER 2018 QUARTER

During the September 2018 quarter, the MBA Index of Residential Building Activity declined from 59.8 to 55.0 points compared with the previous three-month period. Similarly, the MBA Residential Expectations clocked in at 57.0 points during the September 2018 quarter – slightly down on the 58.1 result for the three months to June.

The slightly cooler conditions with respect to perceptions around residential building are in line with expectations, given that a reduction in new home building activity is unfolding following the record peak

in 2016. New home building is also feeling some of the chill related to the fallout from the Banking Royal Commission and the dip in house prices that has affected major markets over the past year.

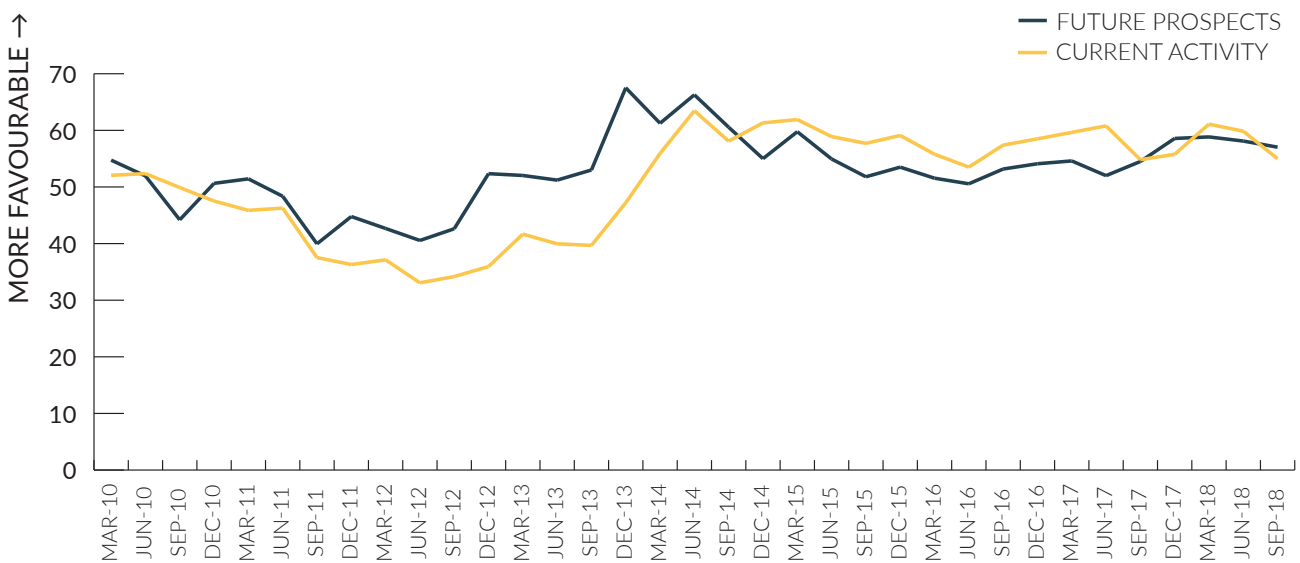
Despite these challenges, the amount of new home building activity underway is still very elevated by historic standards and is being supported by a number of positive factors. These include the longer than expected reign of very low mortgage interest rates as well as the continuation of very robust employment and population growth.

NON-RESIDENTIAL CONTINUES TO STRENGTHEN

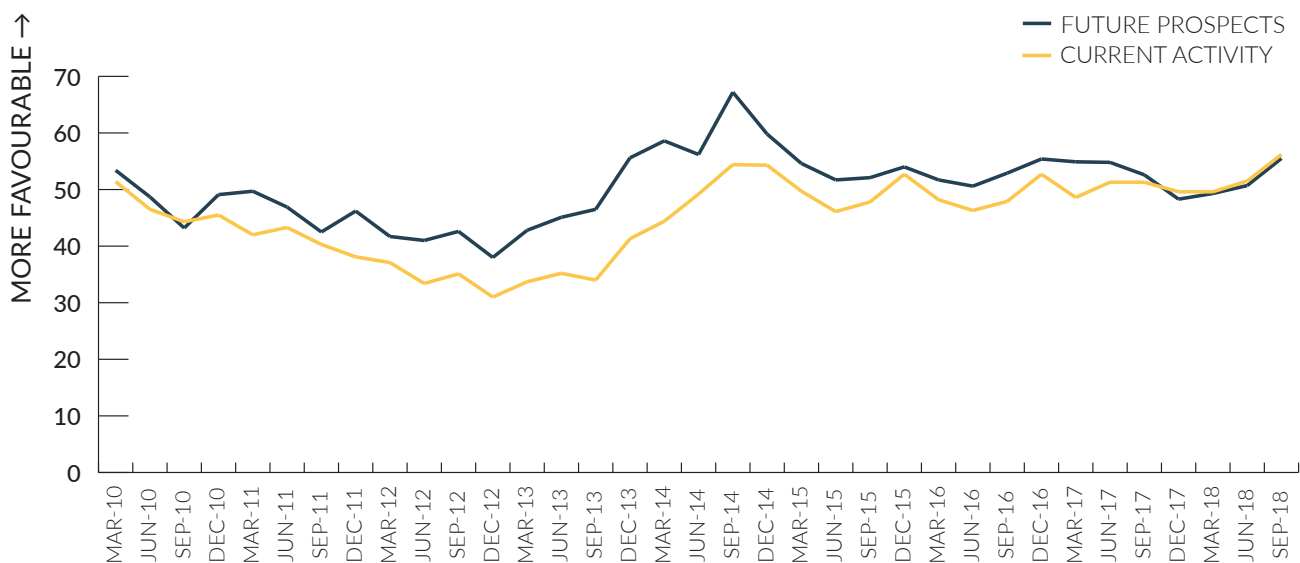
At 55.5 points, the MBA Expectations Index for Non-Residential Building is at its most optimistic since the end of 2014, indicating that MBA members view the upcoming pipeline of public infrastructure and capital works programs increasing favourably. Along with expectations, actual conditions on the ground for non-residential construction also strengthened during the September 2018 quarter with the MBA Index of Non-Residential Construction Activity improving from 51.5 points in the June 2018 quarter to 56.2 points more recently.

In comparison with 12 months ago, non-residential construction activity is estimated to have improved by 9.5 per cent while expectations have become 5.5 per cent more optimistic on the non-residential side of the market. With Australia's population having broken the 25 million barrier during recent months and full-time employment continuing to expand strongly, the underlying demand for schools, hospitals, offices, retail and infrastructure work appears to be providing Australia's non-residential construction sector with considerable momentum.

MBA INDEX OF RESIDENTIAL BUILDING, 2010 TO 2018



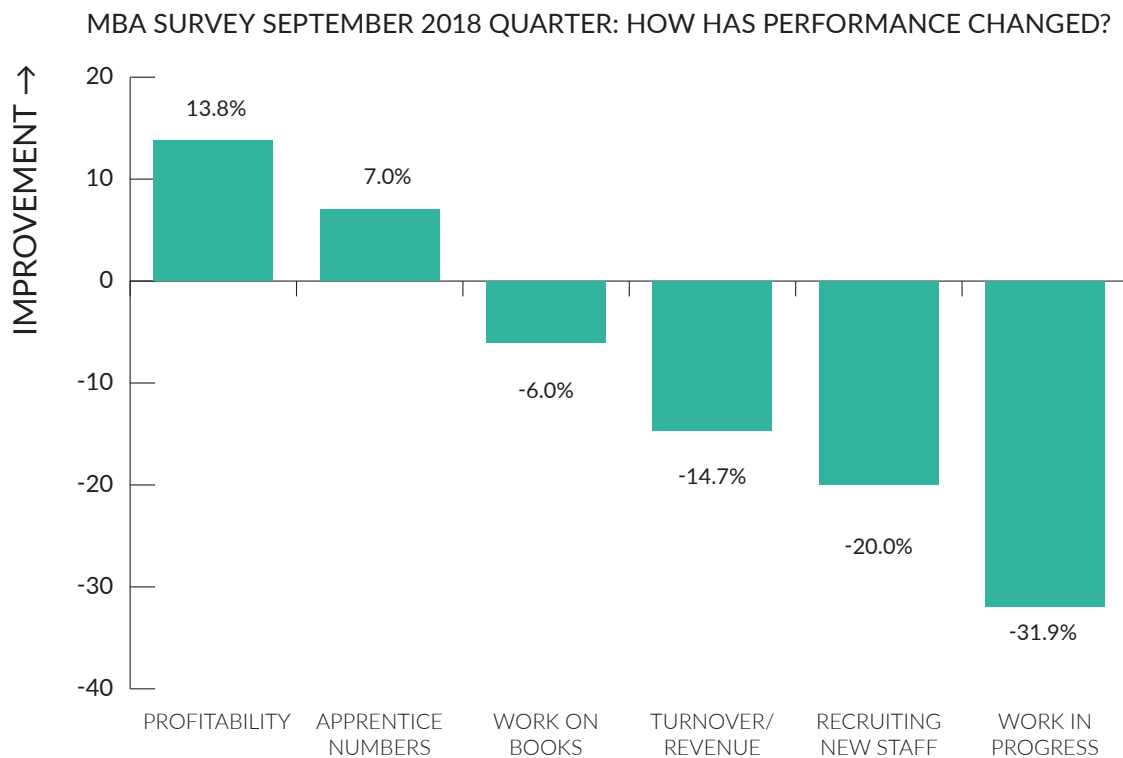
MBA INDEX OF NON-RESIDENTIAL CONSTRUCTION, 2010 TO 2018



INDUSTRIAL RELATIONS AND FINANCE AVAILABILITY CAST A SHADOW

According to the MBA Construction Survey, firms in the sector regard profitability and apprentice numbers as being the two strongest elements of their current

performance. In contrast, the most challenging aspects of performance are new staff recruitment and the volume of work currently on their books.



In terms of the external factors affecting their firms' performance, the strong level of demand and the cost of labour and materials are both regarded as favourable influences. Industrial relations and the situation relating to the availability and cost of finance

were identified as the greatest challenges. In the particular case of finance, there is evidence that the operation of the Banking Royal Commission has resulted in lenders becoming a little less forthcoming with respect to lending policies.

MBA SURVEY SEPTEMBER 2018 QUARTER: WHICH EXTERNAL FACTORS ARE MOST FAVOURABLE FOR CONSTRUCTION BUSINESSES?

