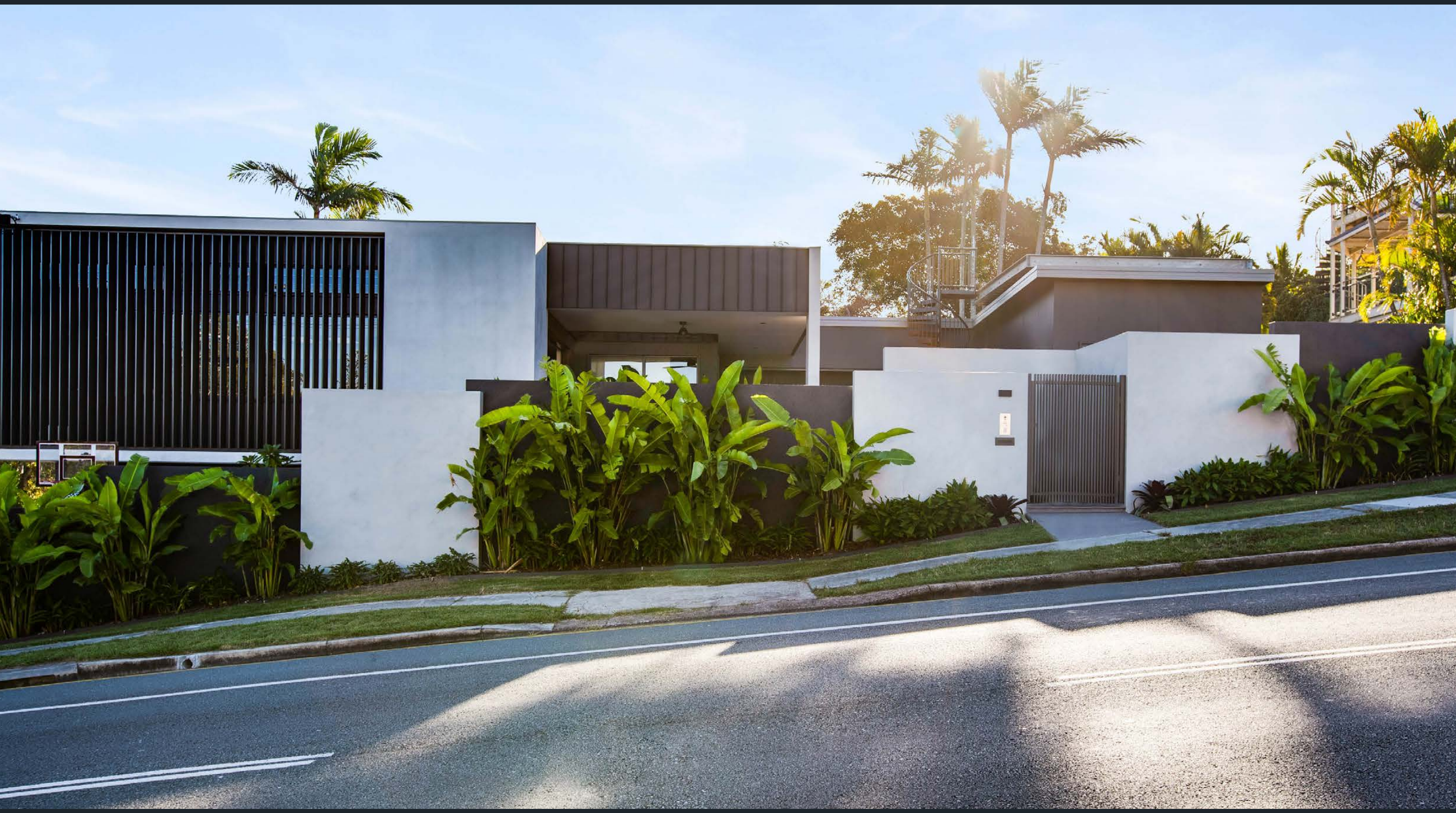
MASTER BUILDERS
AUSTRALIA



BUILDING AND CONSTRUCTION INDUSTRY FORECASTS

AUSTRALIA

SEPTEMBER 2023

UTAS CRADLE COAST CAMPUS, TAS
BY FAIRBROTHER CONSTRUCTION,
WINNER OF THE 2022
WOODSOLUTIONS NATIONAL SUSTAINABILITY
IN A COMMERCIAL BUILDING AWARD

LADERA, NSW
BY IMPERO CONSTRUCTIONS,
WINNER OF THE 2022 CBUS NATIONAL
MEDIUM DENSITY - OVER 5 DWELLINGS

PEPPER TREE PASSIVE HOUSE, NSW
BY SOUTER BUILT, WINNER OF THE 2022
WOODSOLUTIONS NATIONAL SUSTAINABILITY
IN A RESIDENTIAL BUILDING AWARD

CONTENTS

COVER IMAGE
BY BESAL CONSTRUCTION,
WINNER OF THE 2022 NATIONAL
CONTRACT HOME – $500,000 TO $750,000

OVERVIEW

Master Builders Australia's latest industry forecast provides a deep dive in the current economic conditions of the building and construction industry and an activity projection over the next five years until 2027–28.

As the only industry body representing all three sectors – residential, commercial and civil – the forecasts help paint a clearer picture on the industry's outlook.

The forecasting uses robust techniques which involve both targeted economic models based on industry knowledge and research.

Building and construction is one of the largest sectors of the Australian economy with the value of building work done equivalent to over 10 per cent of Gross Domestic Product (GDP).

Our industry packs its biggest punch when it comes to the provision of full-time employment and support for small business. During May 2023, there were 1.33 million people employed in the building and construction industry. About 85 per cent of these jobs were full-time in nature, a far higher proportion than in the rest of the economy. This means that construction has consistently been the economy's largest provider of full-time jobs over many decades. During May 2023, there were 1.14 million full-time jobs in the construction industry – more than every sector of the economy outside of health and social services.

The average profit margin across all building and construction businesses tends to fluctuate around 5 per cent but this can quickly be eaten away in a high inflation environment – especially if the builder is locked into fixed-price contracts, as is customary in the residential building sector.

At one stage during the pandemic, the cost of building homes increased by 20 per cent over the course of 12 months. Latest figures show that these cost pressures have eased back, although new home building costs still increased by 7.3 per cent over the year to June 2023.

The most up-to-date data from the Australian Bureau of Statistics (ABS) indicates that at the end of June 2023, there was a total of 444,419 construction businesses in operation across Australia. This is more than any other sector of the economy. The most striking feature of our industry's construction businesses is their size: of the total, the overwhelming majority (98.7 per cent) are small in size with less than 20 employees. Well over one half of our construction businesses (58.0 per cent) have no employees at all, typically operating as sole traders or partnerships.

The small size of construction businesses is reflected in their pattern of turnover. The majority (57.2 per cent) turn over less than $200,000 per year. Just 1.4 per cent of building and construction businesses have annual revenues in excess of $10 million.

The structure of construction activity means that the support offered by it to other parts of the economy is strong. This is because there is a high domestic content to our industry's inputs including building materials, labour and professional services. As a result, it is estimated that for every one million dollars' worth of residential building activity the entire economy is better off to the tune of three million dollars. Similarly, one million dollars' worth of residential building activity is estimated to support a total of nine full-time jobs across Australia's economy – including three jobs in other sectors outside of building and construction.

OVERALL PERFORMANCE

Despite an economically volatile 2022-23, the building and construction industry has demonstrated its resilience with overall total construction activity across Australia expanding modestly, bringing the value of the market to $226.4 billion (up 3.8 per cent on 2021-22).

As the industry moves through the worst of the supply chain bottlenecks, outside of residential building, 2023-24 is likely to be quite a favourable year thanks to work on transport and social infrastructure investment. These investments provide a shield for lulls in residential activity until it picks back up towards the end of the forecasted period.

Altogether, we forecast the volume of construction activity will peak at $246.2 billion during 2026-27 before easing back the following year as the infrastructure wave passes.

RESIDENTIAL BUILDING SUMMARY

The volume of residential building work done peaked at $74.9 billion during 2021-22. We forecast activity will bottom out at $63.3 billion in 2023-24 before bouncing back to $85.9 billion in 2027-28. The recovery will be strongest in higher density home building with detached house building also faring well. With a target of 200,000 homes a year, we forecast an expected trough of about 170,000 during 2023-24, followed by a peak at over 241,000 in 2026-27. Home renovations activity is shrinking sharply following record highs during the pandemic, but will recover towards the end of the forecast period.

NON-RESIDENTIAL BUILDING SUMMARY

Non-residential building activity is likely to hit a peak during 2023-24 when $54.27 billion worth of work is carried out. We then expect a slow decline with activity, falling to $51.01 billion in 2027-28. Industrial building projects are likely to see the sharpest drop with retail and commercial building activity also set to move back quite a bit. However, there will be more work in social infrastructure where the public sector contribution to major projects like hospitals is substantial.

CIVIL CONSTRUCTION SUMMARY

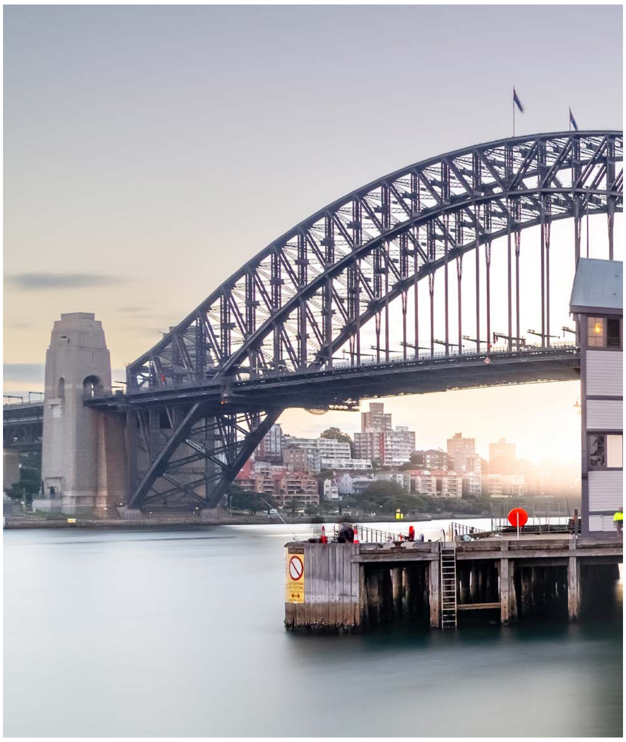
During 2022-23, $103.17 billion worth of work is estimated to have been carried out in the sector. We forecast activity to peak at $124.33 billion during 2024-25 with resource and major transport infrastructure projects doing much of the lifting to get us there before activity sinks back quite heavily, falling to $106.42 billion in 2027-28.

Master Builders Australia forecasts of total construction activity for Australia to 2027–28 (millions of 2020–21 dollars)

2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28
$213,902.8	$218,080	$226,378	$239,826	$241,740	$243,703	$246,216	$243,347
No data	+2.0%	+3.8%	+5.9%	+0.8%	+0.8%	+1.0%	-1.2%

Source: Master Builders Australia–produced forecasts and analysis of ABS Building Activity (8752.0)

ECONOMIC BACKDROP



Australia's economy is navigating a challenging period. There is no denying millions of Australians and business owners are feeling the mounting pressure of rising costs of living.

Economic growth is weak, unemployment is starting to rise, productivity is stagnant, and inflation is not yet under control. There is a reasonable risk that Australia's economy could shrink in the near future – assuming it is not already doing so.

The 4.00 percentage point increase in the cash rate since May of last year is the main culprit when it comes to the deceleration of economic growth and tightening of purse strings. Of course, interest rates only went up because inflation did first.

However, it is not all doom and gloom, there are good reasons for believing that we are winning this battle provided we stay the course: from a peak of 7.8 per cent late last year, the inflation rate has dropped back to 6.0 per cent. While this is still well above the Reserve Bank of Australia (RBA)'s target of between 2 per cent and 3 per cent, it is moving steadily in the right direction.

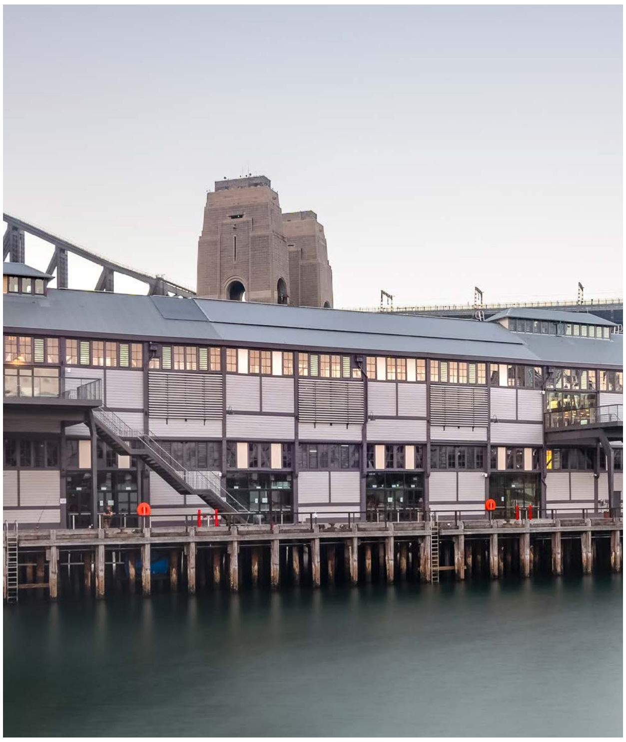
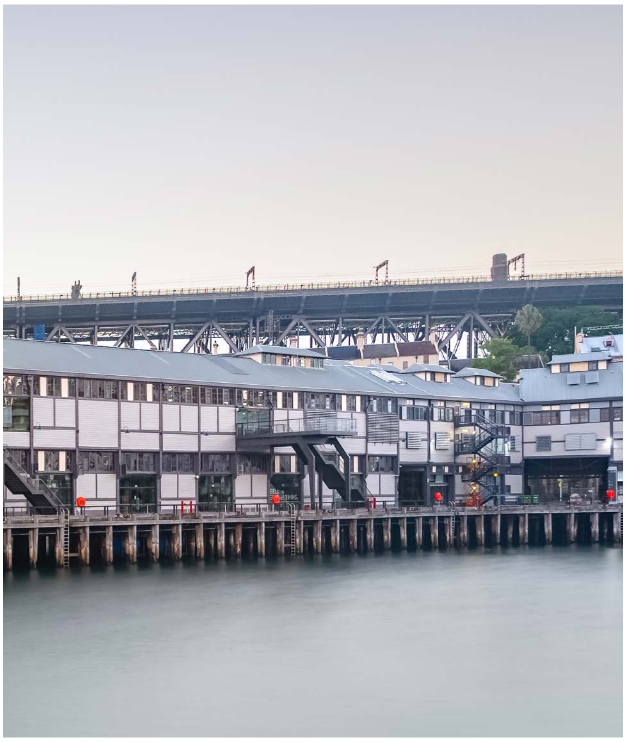
Some parts of the economy are stubbornly resisting the move to lower inflation particularly in the building and construction sector: rents have accelerated and are up by 6.8 per cent on a year ago, the biggest increase in almost 15 years. While inflation in the price of goods has generally eased, services inflation has gotten worse and now stands at its highest since 2001 which is a reflection of a tight labour market.

Compared with goods, the provision of services relies heavily on the supply of suitably skilled workers. Many areas of the economy, including construction, are suffering from labour shortages and this had particularly detrimental effects on service costs.

That said, there is some evidence that labour market bottlenecks are starting to abate. Australia's unemployment rate rose to 3.7 per cent in July 2023 with about 14,600 fewer people at work during the month. In another sign of softness, there was an increase in the number of workers doing part-time hours at the expense of full-time positions.

Despite the jobs market's recent stumble, there are still 387,000 more people at work in Australia compared with this time last year. It is no coincidence that this is relatively in line with the volume of net overseas migration to Australia (+387,000) during 2022, the last 12-month period for which we have figures.

Clearly, inward migration is a key driver in the expansion of Australia's labour market. As well as providing more workers, inward migration adds to the number of consumers in the economy, meaning the economy receives support on both the demand and supply fronts. The way in which high inward migration skews our economic gears in favour of growth, it may be enough to avoid a recession.

WALSH BAY ARTS PRECINCT - PIER 2/3, NSW
BY RICHARD CROOKES CONSTUCTION, WINNER OF THE 2022 NATIONAL COMMERCIAL HISTORICAL RESTORATION/RENOVATION AWARD

Having more workers does not guarantee that living standards will get better without other economic levers being pulled. The collective productivity of our economy's labour force also matters hugely.

In recent years, the hourly output of Australia's workers has stagnated. This is the crux of the productivity challenge. There are no simple cures to the productivity ills that confront us and the efforts of governments to tackle this challenge cannot be left to silos.

Freeing up the ways in which businesses and workers can interact with each other could provide a springboard for improvements in innovation and enterprise across our economy. The Federal Government's upcoming industrial relations legislation poses a real concern by taking away much-needed flexibility and freedoms of employers, their employees and independent contractors; inadvertently sending productivity backwards and passing on higher costs down the supply chain. Similarly, reducing the tax burden on productivity-boosting investment and technological development could also help break us out of the productivity doldrums.

The RBA opted to keep interest rates on hold at its last three meetings. It is possible that interest rates have peaked. If they haven't, we are probably close to the top. Financial market expectations are that interest rates will begin declining gently in the second half of 2024. Once we reach this phase, it is likely to be favourable from the perspective of household and business confidence, but this will be dependent on government decisions in the near future and continued cooperation of the state and territories across the federation.

FRANKSTON HOSPITAL CLINICAL TEACHING & RESEARCH BUILDING, VIC BY BUILT, FINALIST IN THE 2022 NATIONAL HEALTH FACILITY AWARD

KEY FORECAST ASSUMPTIONS

Over the next five years, building and construction activity will be very dependent on the macroeconomic environment. In this section, we describe the baseline economic assumptions that underpin our new set of projections.

The short term will see economic activity weakening; Gross Domestic Product (GDP) growth is anticipated to slow from an estimated 3.1 per cent in 2022–23 to just 1.1 per cent in 2023–24.

However, amid lower interest rates and solid population growth, the pace of economic growth is likely to accelerate to 1.6 per cent during 2024–25. GDP growth is then expected to reach 3.2 per cent in 2025–26 before easing very marginally the following year (3.1 per cent).

The labour market takes time to heal in response to accelerating economic activity. From 3.5 per cent during 2022–23, the unemployment rate is likely to jump to 4.5 per cent during 2023–24 and peak slightly higher at 4.6 per cent during 2024–25. From there, the journey is expected to be a downward one: we are anticipating that the unemployment rate will ease back to 4.3 per cent in 2025–26 and decline further to 3.7 per cent in 2026–27. This would represent a very low unemployment rate by historic standards.

Few factors have a bigger influence on building and construction activity than interest rates. The RBA's official cash rate currently stands at 4.10 per cent. We expect that it will remain at this level for the rest of the 2023–24 financial year. It is then projected to decline to 3.50 per cent by June 2025 and sink to 2.50 per cent in June 2027.

Of course, interest rates will only go down because inflation is getting back under control. Our forecasts assume that from 6.0 per cent today, the annual inflation rate will drop back to 3.6 per cent in mid-2024 and then decline to 2.8 per cent in mid-2025. From there, we anticipate that inflation will steady out at 2.4 per cent.

Net overseas migration is typically the largest driver of housing demand. For our forecasts, we adopt the same underlying assumptions as the Commonwealth Treasury did at the time of the May 2023 federal budget. This involves net inward migration easing from +315,000 in 2023–24 to +260,000 in 2024–25. From there, migration is assumed to stabilise at +235,000 annually over the medium term. The recently released *2023 Intergenerational Report* has stuck with this medium-term migration assumption.

RESIDENTIAL BUILDING OUTLOOK

Housing has been at the forefront of public debate this year with the current challenges deeply rooted in the market. From social and community housing, rental properties to owner-occupiers, there is a common constraint – supply. The pressures in the market are clear to see with rents currently rising at their fastest pace in almost 15 years.

At the federal level, much work is being rolled out by government to try and bring supply and demand in the housing market closer together. While some of this is targeted at expanding the stock of social and affordable housing, state and territory governments are prioritising efforts right across the housing spectrum.

From the point of view of boosting new home building activity, the following federal government programs are the most significant:

- The National Housing Accord aims to support the creation of 1.2 million well-located new homes over a five year period from 2024 to 2029.
- The Housing Australia's Future Fund (HAFF) is worth a total of $10 billion. Should the legislation pass the Parliament, it will support new home building to the tune of at least $500 million annually.
- National Cabinet in August 2023 saw the launch of a New Home Bonus scheme and the announcement of the National Planning Reform Blueprint.

It is important to preface that our forecasts do not take into account the initiatives unveiled at National Cabinet in August 2023, including the New Home Bonus and the National Planning Reform Blueprint.

So what is the current state of play? New home building activity is currently declining. It is estimated that work began on just 173,755 new homes across Australia during 2022–23, a 16.5 per cent decline on the previous year. Both sides of the market saw less activity: there was an 18.7 per cent reduction in detached house starts while higher density home commencements dropped by 12.8 per cent.

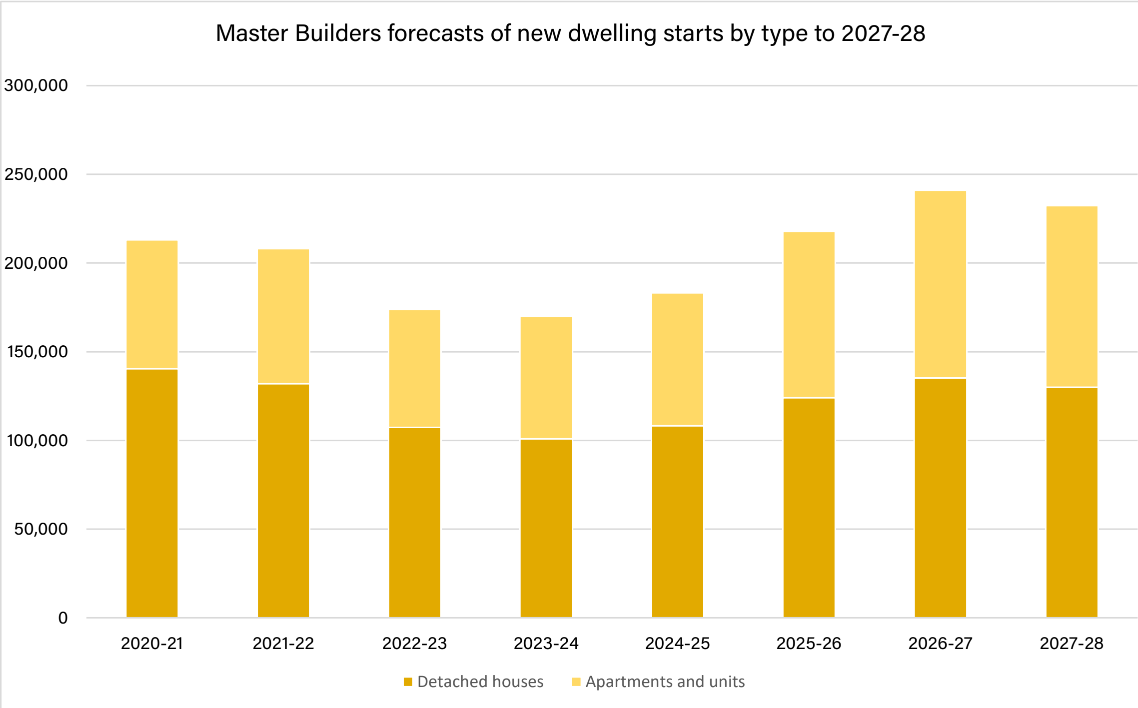
The outlook for new home building activity depends on the interaction between supply and demand conditions in the market over the next five years.

While discussions are rightly centred around supply challenges, it is important to not lose sight of demand over the forecast period as a crucial factor in driving new home building activity higher. Demand for new homes is driven by several important elements including inward migration, interest rates and home prices.

Master Builders Australia forecasts of total new dwelling starts for Australia to 2027–28

2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28
213,034	208,118	173,755	170,087	183,218	217,890	241,017	232,285
No data	-2.3%	-16.5%	-2.1%	+7.7%	+18.9%	+10.6%	-3.6%

Source: Master Builders Australia-produced forecasts and analysis of ABS Building Activity (8752.0)



The rapid increase in interest rates since May 2022 contributed to lower home building volumes. Interest rates are now close to the top, if not there already. Financial markets pricing is currently implying that the cash rate will drift down gently from the second half of 2024 onwards. The return to an environment of declining interest rates will provide a real boost in terms of the willingness of individuals and investors to commit to major financial decisions like building a home or undertaking a major renovation.

Over the short term, new housing output is likely to be dictated by supply conditions – in other words, our industry's capacity to convert demand for new homes into physical work on the ground. This is currently being hampered by resource constraints relating the availability of suitable skilled labour and conditions in the market for building materials. A more onerous regulatory regime around how building work can be performed under the new National Construction Code is also likely to restrict our industry's productive capacities without an appropriate transition timeline. All this combined with the broader economic climate leads to higher building costs and a dip in demand.

While governments have signalled intentions to reform the planning system, this will take time to flow through to the market.

Accordingly, we anticipate that new home starts will decline by another 2.1 per cent during 2023–24 to total around 170,100 during the year, well below the 200,000 needed per year to meet population growth.

Thankfully, this is likely to represent a bottoming out point. Supply bottlenecks in the residential building industry are likely to loosen over the medium term, particularly when it comes to labour and building materials and a return to a more desirable investment market on the demand side.

We project that dwelling commencements will turnaround in 2024–25 and peak at just over 241,000 in the 2026–27 financial year. A modest decline (-3.6 per cent) in 2027–28 is expected to see new home building drop back to about 232,000 at the end of forecast horizon. This would still represent a strong result by historic standards.

Significantly, the projected volume of new housing starts over the five-year period up to 2027–28 exceeds one million, a quantum of new housing output consistent with the aims of the National Housing Accord unveiled last year and is moving in the right direction towards the revised 1.2 million homes target subject to government policy decisions.

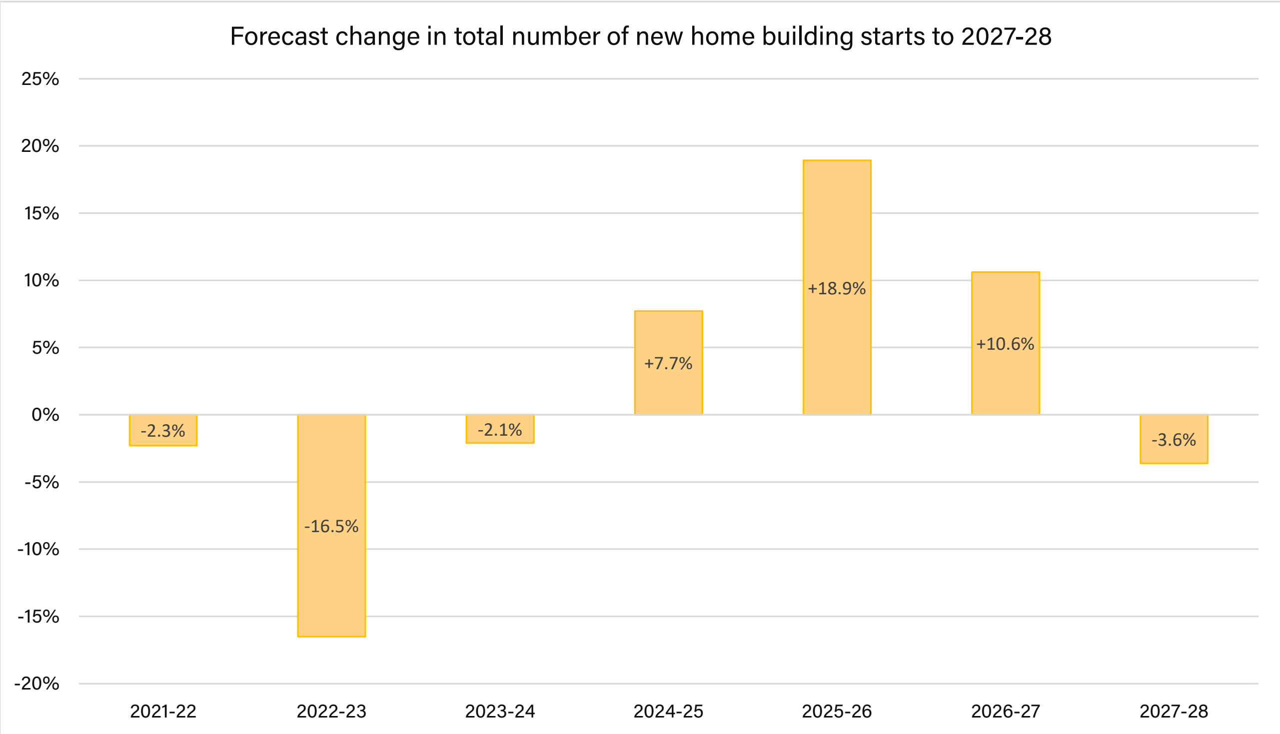
Both detached house building and higher density homes are expected to share in this upturn. The pace of recovery is anticipated to be much faster on the higher density side of the market.

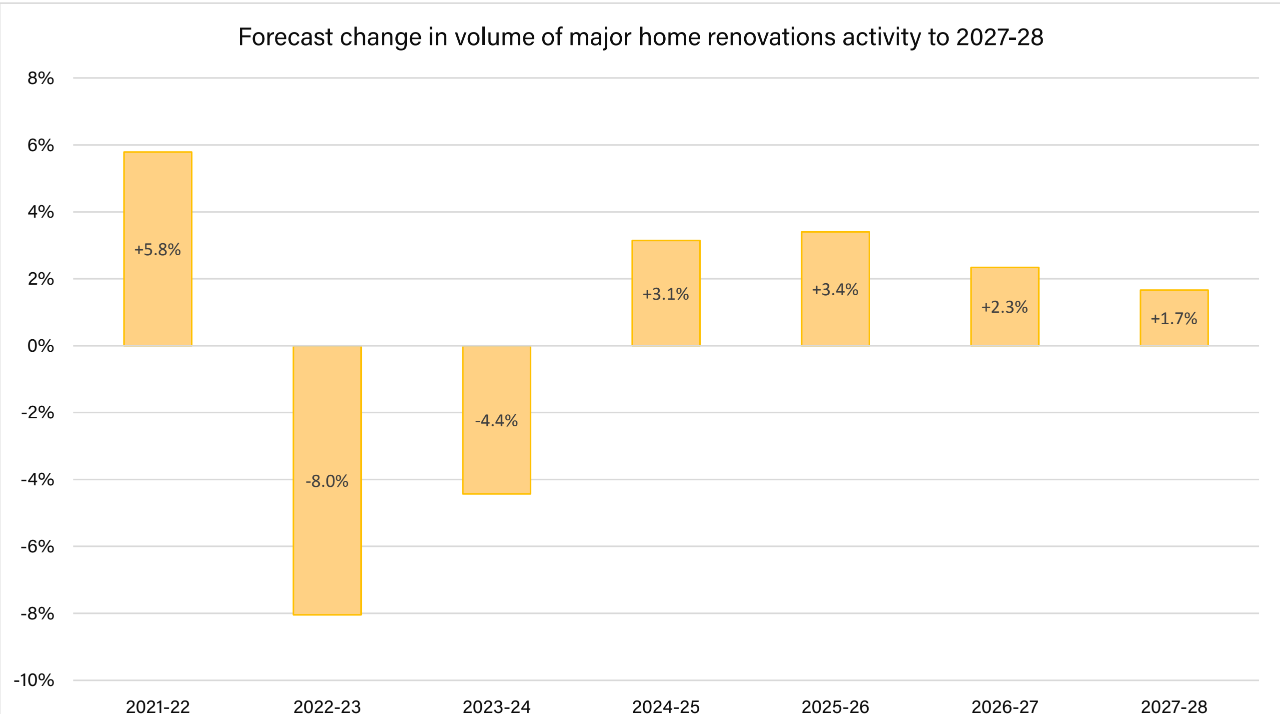
There are a few reasons why. First, a significant deficit of apartments and units has accumulated over the past five years. Second, pressures in the rental market have intensified over the past two years involving an acceleration in rental price growth and very low vacancy rates. While unpleasant for renters, this situation enhances the financial viability of new home building projects aimed at the rental market. The result is that more new projects are likely to get brought into existence over the next few years.

Detached houses accounted for almost two thirds (63.4 per cent) of all new dwelling starts in 2021–22. Because higher density home building is set to outpace detached house building over our forecast horizon, we expect the detached house share of the market to drop to 56.0 per cent by 2027–28.

Home renovations activity rose to record highs during the pandemic. As the market corrects itself, renovations activity sank by 8.0 per cent during 2022–23. Another contraction is likely to follow in 2023–24 before a modest recovery takes hold. By 2027–28, the size of the home renovations market is expected to reach $11.16 billion, slightly below the all-time high of $11.44 billion during 2021–22.

The upturn in new home building over the coming years will help drive the total volume of residential building from an estimated $60.75 billion in 2022–23 to $85.92 billion at the end of the forecast horizon in 2027–28.


Forecast change in total number of new home building starts to 2027-28
25%
20%
15%
10%
5%
0%
-5%
-10%
-15%
-20%
-2.3%
-16.5%
-2.1%
+7.7%
+18.9%
+10.6%
-3.6%
2021-22
2022-23
2023-24
2024-25
2025-26
2026-27
2027-28


Forecast change in volume of major home renovations activity to 2027-28
8%
6%
4%
2%
0%
-2%
-4%
-6%
-8%
-10%
+5.8%
-8.0%
-4.4%
+3.1%
+3.4%
+2.3%
+1.7%
2021-22
2022-23
2023-24
2024-25
2025-26
2026-27
2027-28

NORTH TERRACE STUDENT ACCOMMODATION, SA BY SYNERGY CONSTRUCT, WINNER OF THE 2022 NATIONAL COMMERCIAL/INDUSTRIAL CONSTRUCTION AWARD – $20 TO $50 M

NON-RESIDENTIAL BUILDING

The pandemic provided a short, sharp shock for non-residential building – activity dived, but it wasn't long before it bounced back. It enjoyed its strongest year on record during 2022–23 with the volume of work surging by 6.5 per cent to reach $51.93 billion. Things are expected to do even better over the short term with activity projected to expand by another 4.5 per cent during 2023–24. This may prove to be something of a swan song though; the period up to 2027–28 is likely to involve a prolonged contraction in the size of the non-residential building market.

Non-residential building is made up of three categories. The largest is social, cultural and recreational building work. This also has the heaviest public sector footprint, not surprising given that it includes hospitals, schools, defence and community buildings. Ongoing stimulus in this area means that the outlook is quite healthy for the next couple of years. Activity is anticipated to peak at $27.39 billion in 2025–26 before easing back during the final two years of the forecast horizon. While the public purse has a big influence on work here, the private sector does predominate in some patches of the market like tourism, entertainment and aged care.

Some of the most valuable building projects fall into this category. Building approvals for the year to June 2023 show that health projects are typically the largest in value and average $9.45 million. This is followed by aged care building projects ($5.79 million) and short-term accommodation ($2.60 million). Projects involving religion buildings are easily the smallest ($714,600 on average).

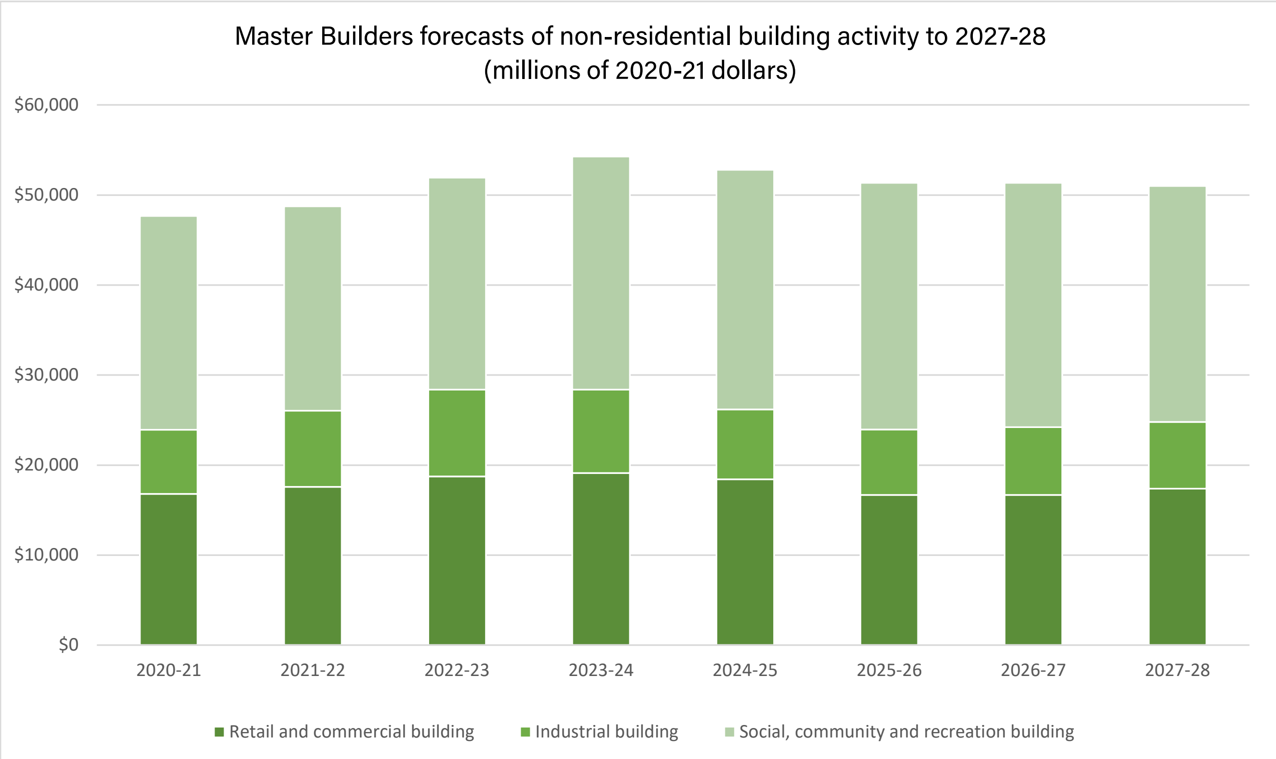
In terms of the geographic concentration of social, recreation and cultural building work, it is hard to ignore Queensland. Of the $11.60 billion in health building projects approved across Australia over the year to June 2023, Queensland accounted for 58.8 per cent of the total. Over the same period, health projects in Queensland averaged $29.5 million in value – about three times the national average. With about 40 per cent of the national pie, Victoria is the undisputed king of education building work - although its dominance is not nearly as formidable as Queensland's is in health.

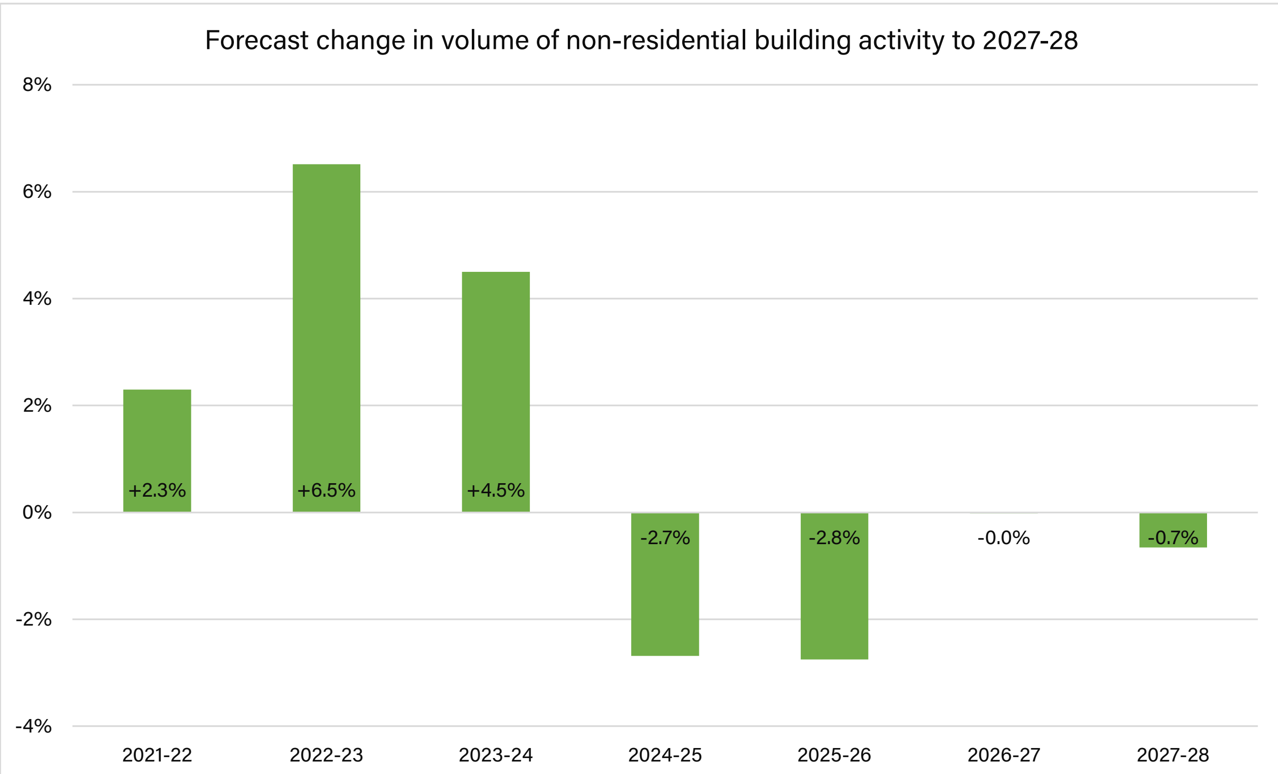
The second largest category of non-residential building is retail and commercial work. Shops, offices and transport buildings all figure here. Over the year to June 2023, the average project in this category was valued at $1.31 million.

Master Builders Australia forecasts of total non-residential building activity for Australia to 2027–28 (millions of 2020–21 dollars)

2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28
$47,663.9	$48,759.5	$51,934.4	$54,272.9	$52,815.1	$51,361.6	$51,351.6	$51,014.8
No data	+2.3%	+6.5%	+4.5%	-2.7%	-2.8%	-0.0%	-0.7%

Source: Master Builders Australia-produced forecasts and analysis of ABS Building Activity (8752.0)


Master Builders forecasts of non-residential building activity to 2027-28
(millions of 2020-21 dollars)
$60,000
$50,000
$40,000
$30,000
$20,000
$10,000
$0
2020-21
2021-22
2022-23
2023-24
2024-25
2025-26
2026-27
2027-28
Retail and commercial building
Industrial building
Social, community and recreation building


Forecast change in volume of non-residential building activity to 2027-28
8%
6%
4%
2%
0%
-2%
-4%
+2.3%
+6.5%
+4.5%
-2.7%
-2.8%
-0.0%
-0.7%
2021-22
2022-23
2023-24
2024-25
2025-26
2026-27
2027-28

However, new transport buildings are typically worth $9.58 million compared with $662,500 for retail/wholesale trade building projects.

Following its big wobble during the pandemic, retail and commercial building has recovered and grown steadily ever since. We expect activity here to peak at $19.14 billion during 2023–24. Looking forward, one of its problems is that employment growth no longer translates as strongly into office demand as it did before the pandemic. The same can be said of the relationship between population growth and retail building requirements. Accordingly, our forecast is for activity in this part of the market to drop back to $16.68 billion in 2026–27 before regaining some of the lost ground again in 2027–28.

Industrial building work was perhaps the biggest winner of all from the pandemic. During 2022–23, the volume of work related to projects like factories, warehouses and agricultural buildings grew by 14.0 per cent. This was on top of an 18.8 per cent expansion the previous year. The remarkable gains of recent times were heavily related to the desire by Australia's business sector to enhance domestic production and distribution capacity as a result of the breakdown of some global supply chains during the pandemic. As we move into the post-pandemic era, however, the urgency of building requirements in this area has diminished. It is also possible that some surplus capacity may be a factor.

Industrial building activity is likely to have peaked at $9.64 billion during 2022–23 with the size of the market projected to decline to $7.42 billion by the end of our forecast horizon in 2027–28.

There is considerable variety in the scale of industrial building projects. Over the year to June 2023, a total of 621 factory building projects were approved across Australia with the average project worth $3.35 million. In contrast, agriculture projects typically involved $284,400 in building work. Victoria accounted for a disproportionately large share of both warehouse and agriculture building approvals over this period.

TEN LARGEST COMMERCIAL BUILDING PROJECTS EITHER COMMITTED OR UNDER CONSIDERATION

	PROJECT	COMPANY	STATE	TOTAL COST $B	START DATE	END DATE
1	Barangaroo development	Consortium including Barangaroo Development Authority	New South Wales	$6.0	2011	2024
2	Western Sydney Airport - Badgerys Creek	Western Sydney Airport Alliance / Australian Federal Government	New South Wales	$5.3	2018	2026
3	Victorian Education Building Works Stimulus	Victorian Dept of Education	Victoria	$3.1	2021	2023
4	Parramatta Square Master Plan	Parramatta City Council	New South Wales	$2.7	2015	2023
5	Eagle Street Pier "Waterfront Brisbane"	Dexus Property Group	Queensland	$2.5	Jan 2023	2027
6	Redevelopment of Royal Melbourne Hospital and Royal Women's Hospital	VIC Dept of Health	Victoria	$2.3	2024	Q2 2032
7	The New Footscray Hospital	Vic Dept of Health and Human Services / Plenary Health	Victoria	$2.0	Q1 2021	2025
8	Melbourne Arts Precinct redevelopment	Creative Victoria	Victoria	$1.7	2022	2028
9	Melbourne Quarter mixed-use development	Lend Lease	Victoria	$1.5	2017	2026
10	555 Collins Street - precinct with two towers	Charter Hall	Victoria	$1.5	2021	2023

Source: Master Builders Australia analysis of Deloitte Access Economics Investment Monitor, June 2023

TEN LARGEST COMMERCIAL BUILDING PROJECTS EITHER POSSIBLE OR UNDER CONSIDERATION

	PROJECT	COMPANY	STATE	TOTAL COST $B	START DATE	END DATE
1	Koo Wee Rup Airport	Paragon Premier Investment Fund	Victoria	$7.0	Proposed	Unknown
2	New Women's and Children's Hospital (WCH) at the Royal Adelaide Hospital	SA Health	South Australia	$3.2	In planning	2031
3	Central Place Sydney	Dexus Property Group and Frasers Property	New South Wales	$3.0	Q3 2023	2025
4	Logistics hub at Sydney's Kingsford Smith airport	LOGOS Property Group	New South Wales	$2.0	Plans announced	Unknown
5	Aquis Great Barrier Reef Project	Aquis Resort at the Great Barrier Reef Pty Ltd	Queensland	$2.0	EIS Approved	Unknown
6	Moore Park into an arts and entertainment precinct	Entertainment Quarter	New South Wales	$2.0	Plans announced	Unknown
7	Hunter Street/Pitt Street skyscraper	Milligan Group	New South Wales	$2.0	Plans announced	Unknown
8	Blacktown town centre development	Walker Corporation / Blacktown City Council	New South Wales	$2.0	Plans announced	Unknown
9	"KingsGreen" development	TrueGreen Positive Impact Group	New South Wales	$1.8	Plans announced	2026
10	New maternity hospital within the Fiona Stanley Hospital precinct	WA Dept of Health	Western Australia	$1.8	2024	Unknown

Source: Master Builders Australia analysis of Deloitte Access Economics Investment Monitor, June 2023

CIVIL CONSTRUCTION OUTLOOK

Civil and engineering construction activity is currently flying. It is estimated that $103.17 billion worth of work was done during 2022–23, an increase of some 9.2 per cent on the previous year. Latest data show that $33.43 billion worth of project work kicked off in the first three months of this year and that $118.00 billion worth of work was still awaiting completion at the end of March 2023.

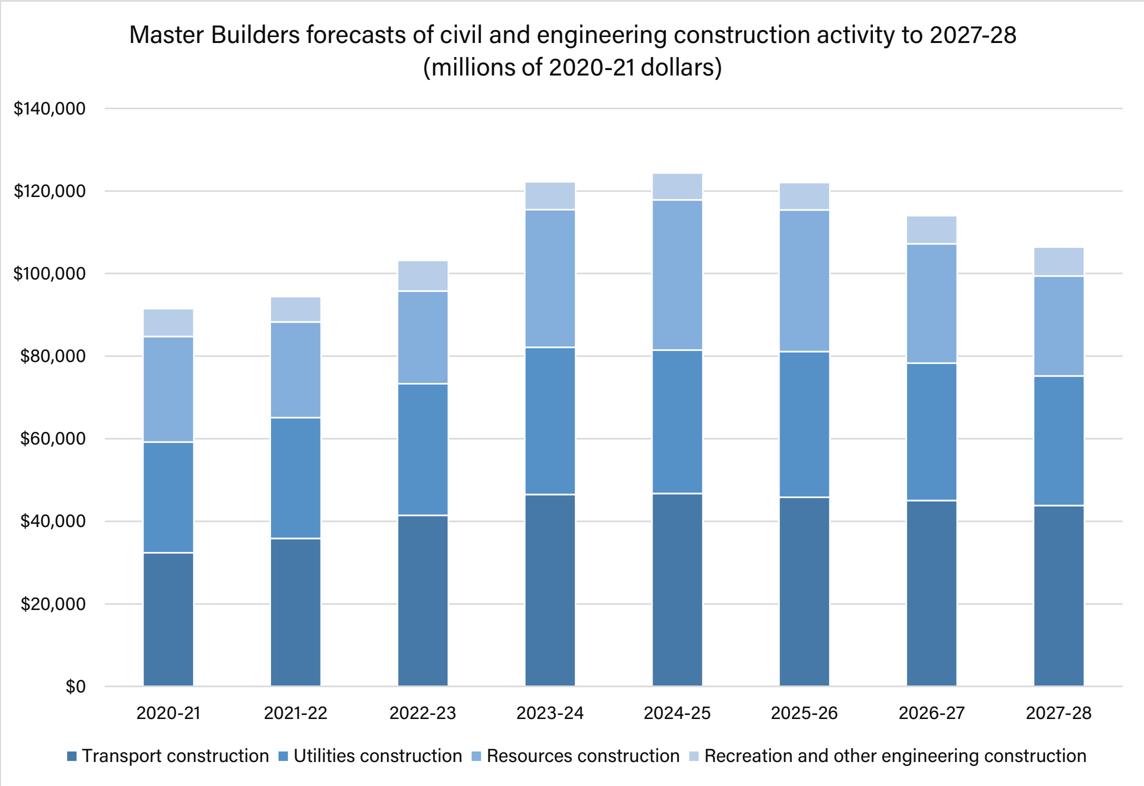
For this part of the market, 2023–24 is shaping up to be even better with activity projected to expand by 18.5 per cent. A further gain of 1.7 per cent in 2024–25 is expected to lift the size of the market to $124.33 billion. This will probably be its peak: from there to the end of our forecast horizon in 2027–28, activity will shrink backwards over the course of several years.

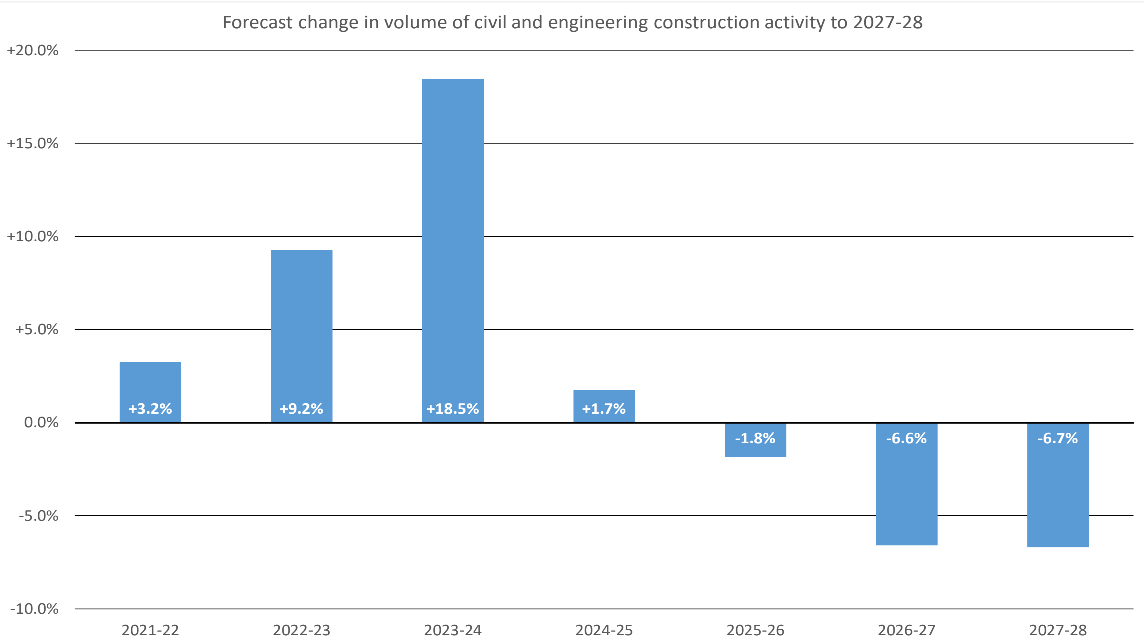
Civil and engineering construction is made up of four distinct segments. Transport construction is the largest of these, with $41.47 billion worth of work done during 2022–23. This has been a huge growth area over recent years thanks to the heavy portfolio of government-led transport work. We're not at the top yet: transport construction is projected to peak at $46.72 billion during 2024–25, 41.5 per cent more activity than in 2020–21. Even though transport construction is likely to move lower towards the end of our forecast horizon, the ongoing volume of work will still compare favourably with historic norms.

Utilities construction work includes projects related to electricity generation, transmission and distribution as well as telecommunications, pipelines, water supply and drainage. The acceleration of population growth will tend to favour long-term project demand in this area. The transition from traditional to renewable sources of energy is also set to support a substantial pipeline of work here for years to come. Some $31.86 billion worth of construction related to utilities was carried out during 2022–23, an increase of 8.9 per cent on the previous year. An even larger expansion of 11.8 per cent is in train for 2023–24 which is expected to lift activity to $35.62 billion. The tapering off from some major projects makes it likely that this will represent the peak over the forecast period. However, the annual volume of activity is still expected to remain about $30 billion until at least the end of the forecast horizon.

In 2022–23, resources construction activity edged back by 3.1 per cent to $22.45 billion. This category includes projects related to oil, gas, coal and other minerals, in addition to heavy industry. Predicting future activity in this part of the market is very difficult given its sensitivity to fast-moving developments in commodities markets, financing conditions and corporate decision-making processes. That said, short term prospects look quite favourable: activity is projected to jump by 48.4 per cent during 2023–24 followed by a 9.2 per cent gain expansion the following year bringing activity to a peak of $36.38 billion. From there, it will be downhill with the size of the market expected to shrink back to $24.20 billion in 2027–28.

The fourth segment of civil and engineering construction relates to recreation and other engineering. This is an area that includes sports stadiums and some defence projects. It has just come to the end of a strong year with activity expanding by 19.4 per cent during 2022–23 to reach $7.39 billion. This is likely to represent its best year for a while yet: we anticipate that activity here will bottom out around $6.50 billion in 2024–25 before modest recovery sets in over later years.





Master Builders Australia forecasts of total engineering and civil construction for Australia to 2027–28 (millions of 2020–21 dollars)

2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28
$91,496.8	$94,445.8	$103,171.6	$122,209.2	$124,330.7	$122,070.6	$114,035.4	$106,415.2
No data	+3.2%	+9.2%	+18.5%	+1.7%	-1.8%	-6.6%	-6.7%

Source: Master Builders Australia-produced forecasts and analysis of ABS Building Activity (8752.0)

TEN LARGEST CIVIL PROJECTS EITHER COMMITTED OR UNDER CONSIDERATION

	PROJECT	COMPANY	STATE	TOTAL COST $B	START DATE	END DATE
1	Suburban Rail Loop East - Cheltenham to Box Hill	Victorian Rail Track	Victoria	$35.0	2022	2035
2	WestConnex project	Transport for NSW	New South Wales	$16.8	Q2 2015	2023
3	Scarborough and Pluto Train 2 LNG project	Woodside / BHP	Western Australia	$16.5	2022	2027
4	Sydney Metro City and Southwest Project	NSW State Rail Authority	New South Wales	$15.5	2018	2024
5	North East Link	VicRoads	Victoria	$15.4	2022	2027
6	Inland Rail - Melbourne to Brisbane rail link	Australian Rail Tack Corporation Ltd	Unallocated	$14.5	2018	2025
7	Western Harbour Tunnel and Beaches Link	Transport for NSW	New South Wales	$14.0	2023	2026
8	Melbourne Metro Rail Project	Victorian Rail Track	Victoria	$13.7	Early 2018	End 2025
9	Surat Gas Project - 2,500 coal seam gas (CSG) wells	Arrow Energy	Queensland	$10.0	Q4 2020	2025
10	West Gate Tunnel Project	Transurban	Victoria	$10.0	2018	Late 2024

Source: Master Builders Australia analysis of Deloitte Access Economics Investment Monitor, June 2023

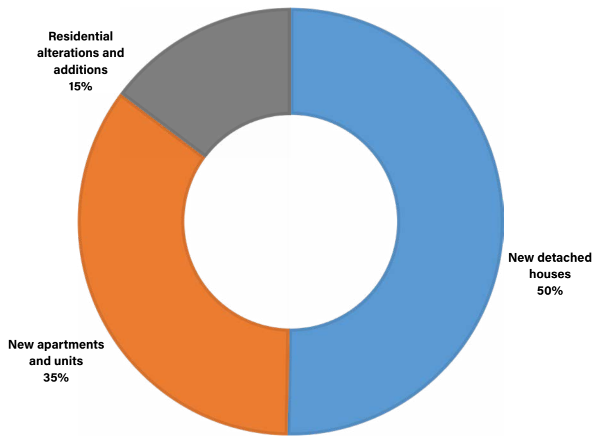
TEN LARGEST CIVIL PROJECTS EITHER POSSIBLE OR UNDER CONSIDERATION

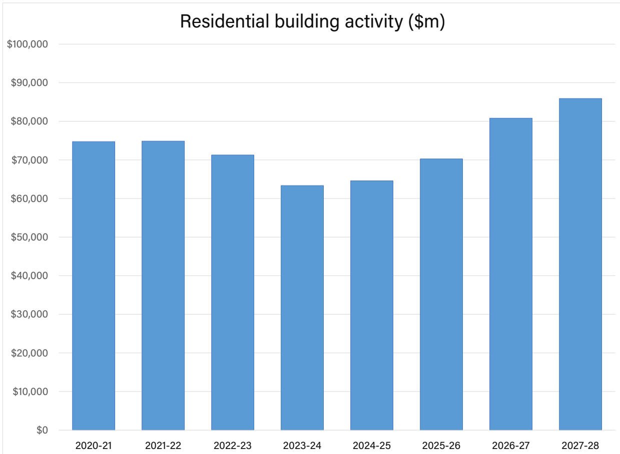
	PROJECT	COMPANY	STATE	TOTAL COST $B	START DATE	END DATE
1	Browse to North West Shelf FLNG development	Woodside/ BP / PetroChina / Shell / Japan Australia LNG	Western Australia	$30.0	Awaiting FID	Unknown
2	Greater Sunrise gas development	Woodside / Conoco Phillips/ Shell/ Osaka Gas	Northern Territory	$13.0	Unknown	Unknown
3	Pioneer-Burdekin pumped hydro project	QLD Government	Queensland	$12.0	Plans announced	2032
4	Sydney Metro - Western Sydney Airport	NSW State Rail Authority	New South Wales	$11.0	2023	2026
5	Alpha Coal Project	Hancock Prospecting (21%) / GVK (79%)	Queensland	$10.8	In planning	Unknown
6	North-South Corridor - Torrens to Darlington (T2D)	SA Dept of Infrastructure and Transport	South Australia	$10.8	2025	2030
7	Sydney Metro West	NSW State Rail Authority	New South Wales	$10.4	Mar 2025	Sep 2028
8	Gorgon LNG project (fourth liquefaction train)	Gorgon joint venture	Western Australia	$10.0	Waiting on final decision from Chevron	Unknown
9	The Murchison Renewable Hydrogen project	Hydrogen Renewables Australia & Siemans Australia Pacific	Western Australia	$10.0	Plans announced	Unknown
10	West Pilbara iron ore project	Aurizon/ Baowu/ AMCI/ Posco	Western Australia	$7.4	Pending DFS decision	Unknown

Source: Master Builders Australia analysis of Deloitte Access Economics Investment Monitor, June 2023

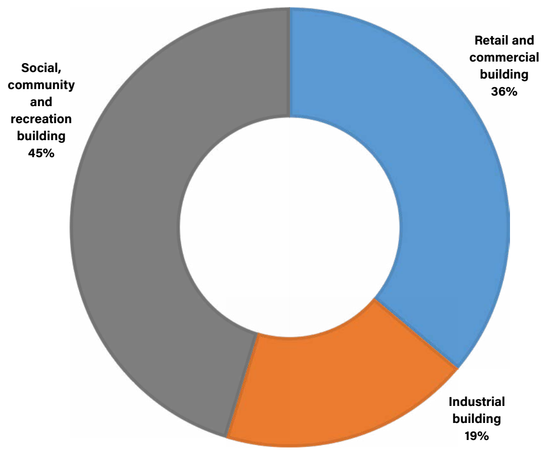
BUILDING AND CONSTRUCTION WORK DONE

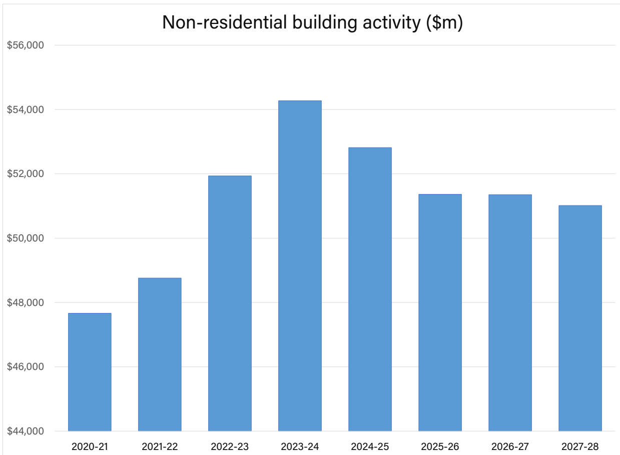
Composition of residential building work done in 2022-23



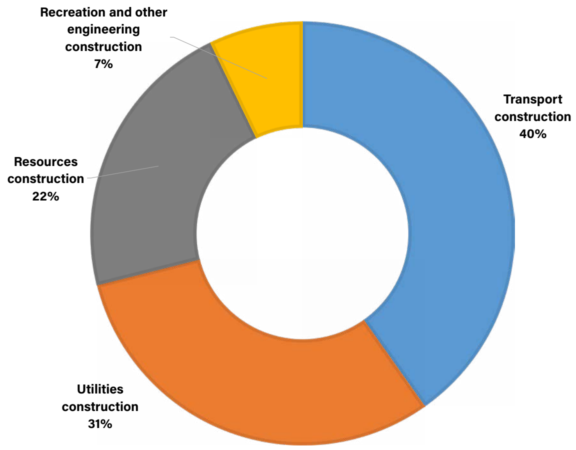


Composition of non-residential building work done in 2022-23





Composition of civil and engineering construction work done in 2021-22



All construction activity: Master Builders Australia forecasts for Australia to 2027–28 (millions of 2020–21 dollars)

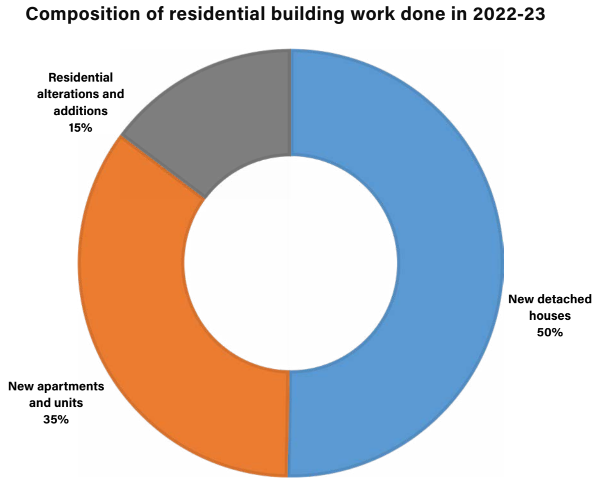
	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28
Total building and construction activity	**$213,902.8**	**$218,080.3**	**$226,377.6**	**$239,826.2**	**$241,740.5**	**$243,703.3**	**$246,215.9**	**$243,346.6**
Change on previous year (%)	**No data**	**+2.0%**	**+3.8%**	**+5.9%**	**+0.8%**	**+0.8%**	**+1.0%**	**-1.2%**
Residential building activity	$74,742.0	$74,874.9	$71,271.6	$63,344.1	$64,594.7	$70,271.2	$80,829.0	$85,916.7
Change on previous year (%)	No data	+0.2%	-4.8%	-11.1%	+2.0%	+8.8%	+15.0%	+6.3%
Non-residential building activity	$47,663.9	$48,759.5	$51,934.4	$54,272.9	$52,815.1	$51,361.6	$51,351.6	$51,014.8
Change on previous year (%)	No data	+2.3%	+6.5%	+4.5%	-2.7%	-2.8%	-0.0%	-0.7%
Civil and engineering construction work	$91,496.8	$94,445.8	$103,171.6	$122,209.2	$124,330.7	$122,070.6	$114,035.4	$106,415.2
Change on previous year (%)	No data	+3.2%	+9.2%	+18.5%	+1.7%	-1.8%	-6.6%	-6.7%

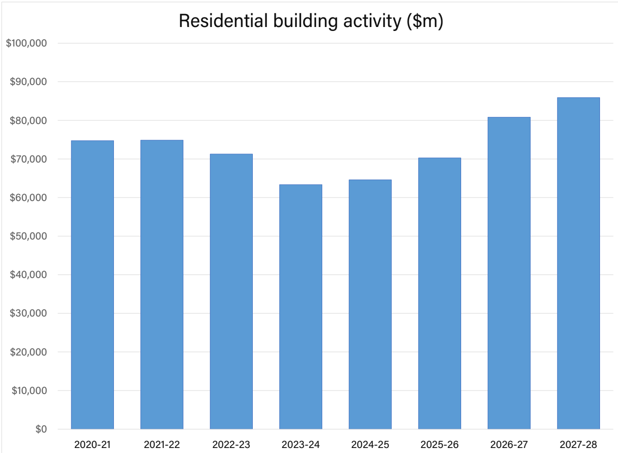
Source: Master Builders Australia-produced forecasts and analysis of ABS Building Activity (8752.0)

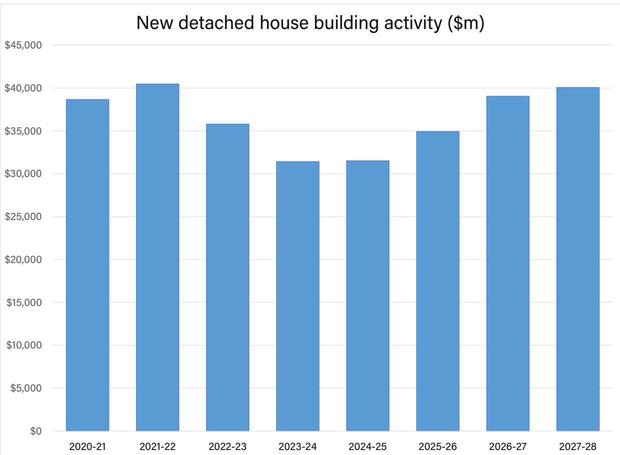
BY LEDBURY CONSTRUCTIONS, NSW
WINNER OF THE 2022
NATIONAL CONTRACT HOME - $2M TO $4M

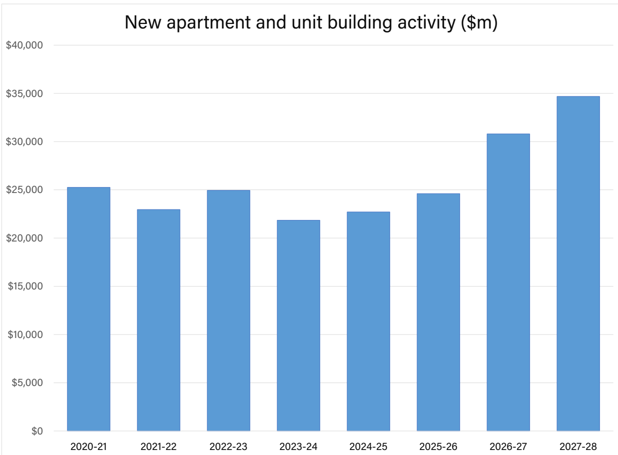
RESIDENTIAL BUILDING

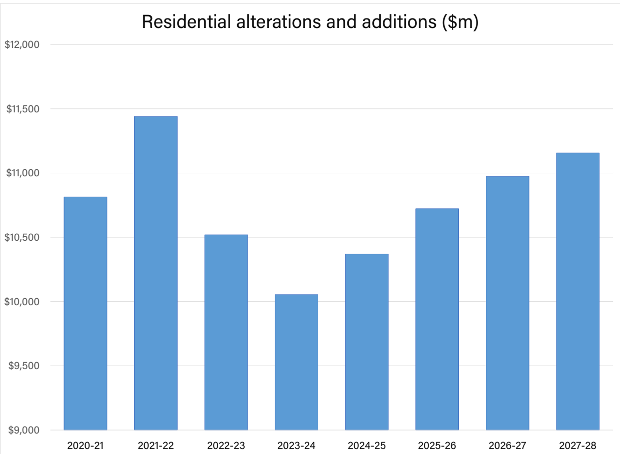
WORK DONE BY SECTOR



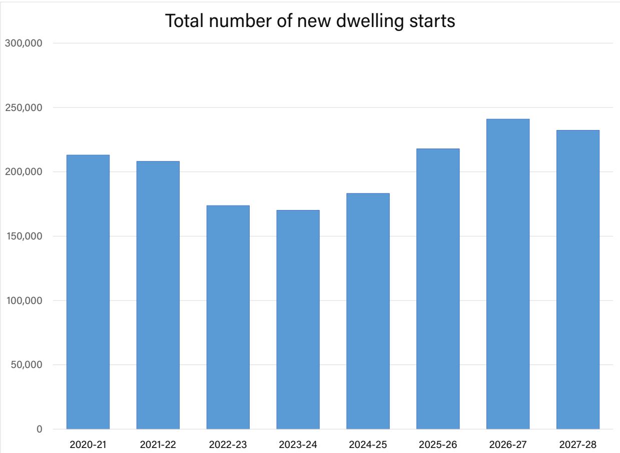


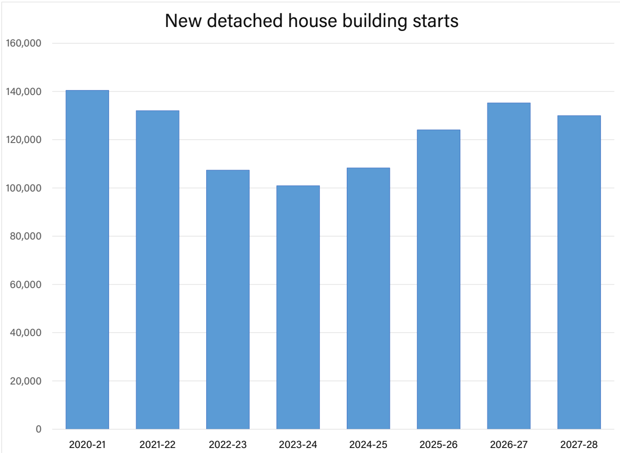


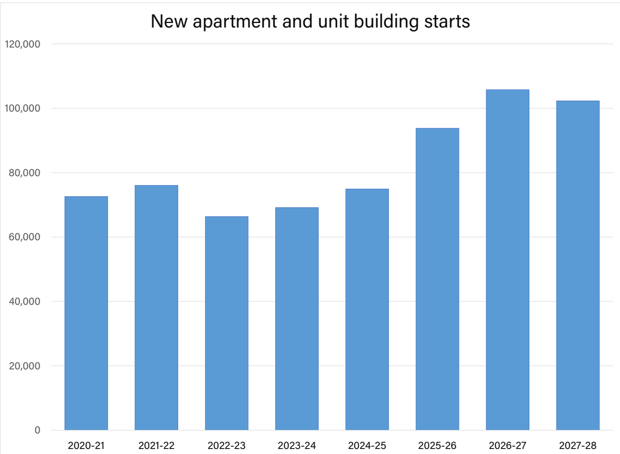




NUMBER OF DWELLING COMMENCEMENTS BY SECTOR







Residential building activity: Master Builders Australia forecasts for Australia to 2027–28 (millions of 2020–21 dollars)

	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28
Total residential building activity	**$74,742.0**	**$74,874.9**	**$71,271.6**	**$63,344.1**	**$64,594.7**	**$70,271.2**	**$80,829.0**	**$85,916.7**
Change on previous year (%)	**No data**	**+0.2%**	**-4.8%**	**-11.1%**	**+2.0%**	**+8.8%**	**+15.0%**	**+6.3%**
New detached house building	$38,672.7	$40,478.5	$35,805.4	$31,439.2	$31,520.5	$34,936.7	$39,060.4	$40,074.5
Change on previous year (%)	No data	+4.7%	-11.5%	-12.2%	+0.3%	+10.8%	+11.8%	+2.6%
New apartment/unit building	$25,255.7	$22,956.5	$24,946.9	$21,851.3	$22,704.6	$24,612.0	$30,794.8	$34,685.8
Change on previous year (%)	No data	-9.1%	+8.7%	-12.4%	+3.9%	+8.4%	+25.1%	+12.6%
Residential alterations and additions	$10,813.6	$11,439.9	$10,519.3	$10,053.6	$10,369.6	$10,722.5	$10,973.8	$11,156.4
Change on previous year (%)	No data	+5.8%	-8.0%	-4.4%	+3.1%	+3.4%	+2.3%	+1.7%

Source: Master Builders Australia-produced forecasts and analysis of ABS Building Activity (8752.0)

Master Builders Australia forecasts for number of new home building starts by state and territory to 2027–28

	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28
NEW SOUTH WALES								
All new dwelling starts	**59,345**	**56,060**	**49,155**	**47,935**	**49,679**	**60,897**	**68,937**	**68,058**
Detached house starts	29,946	29,357	24,499	21,120	21,480	25,075	27,698	27,512
New apartment/unit starts	29,399	26,703	24,657	26,816	28,199	35,822	41,239	40,546
VICTORIA								
All new dwelling starts	**66,961**	**67,166**	**55,963**	**52,611**	**55,650**	**63,222**	**68,231**	**63,936**
Detached house starts	46,070	41,297	35,384	33,470	35,252	39,128	41,745	39,290
New apartment/unit starts	20,891	25,869	20,579	19,141	20,398	24,094	26,485	24,645
QUEENSLAND								
All new dwelling starts	**39,758**	**39,384**	**34,525**	**35,985**	**41,297**	**50,330**	**55,587**	**52,752**
Detached house starts	27,356	26,769	20,703	21,082	24,175	28,592	31,702	29,909
New apartment/unit starts	12,402	12,615	13,822	14,902	17,122	21,739	23,885	22,843
SOUTH AUSTRALIA								
All new dwelling starts	**13,464**	**14,266**	**11,745**	**10,842**	**9,997**	**10,799**	**11,657**	**11,236**
Detached house starts	10,953	11,270	9,642	8,077	7,585	8,027	8,437	8,078
New apartment/unit starts	2,511	2,996	2,102	2,766	2,411	2,772	3,220	3,158
WESTERN AUSTRALIA								
All new dwelling starts	**23,341**	**21,361**	**14,744**	**15,577**	**19,146**	**24,045**	**27,196**	**27,060**
Detached house starts	20,091	18,249	12,779	12,907	15,378	18,389	20,486	20,247
New apartment/unit starts	3,250	3,112	1,965	2,670	3,768	5,655	6,710	6,812
TASMANIA								
All new dwelling starts	**4,053**	**3,512**	**2,960**	**2,902**	**2,898**	**3,111**	**3,202**	**3,054**
Detached house starts	3,888	3,057	2,639	2,649	2,592	2,734	2,860	2,764
New apartment/unit building	165	455	321	254	307	377	342	290
NORTHERN TERRITORY								
All new dwelling starts	**909**	**526**	**628**	**626**	**825**	**1,068**	**1,231**	**1,169**
Detached house starts	727	385	531	483	474	542	597	551
New apartment/unit starts	182	141	97	143	350	525	633	618
ACT								
All new dwelling starts	**5,203**	**5,843**	**4,036**	**3,609**	**3,726**	**4,418**	**4,976**	**5,021**
Detached house starts	1,417	1,664	1,218	1,145	1,358	1,597	1,710	1,638
New apartment/unit starts	3,786	4,179	2,817	2,464	2,368	2,821	3,266	3,383
AUSTRALIA								
All new dwelling starts	**213,034**	**208,118**	**173,755**	**170,087**	**183,218**	**217,890**	**241,017**	**232,285**
Detached house starts	140,448	132,048	107,396	100,932	108,295	124,084	135,237	129,989
New apartment/unit starts	72,586	76,070	66,360	69,155	74,923	93,805	105,780	102,296

Source: Master Builders Australia-produced forecasts and analysis of ABS Building Activity (8752.0)

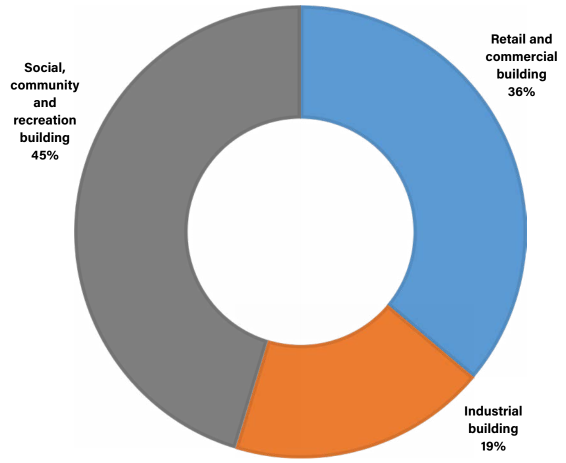
Master Builders Australia forecast change in number of new home building starts by state and territory to 2027-28

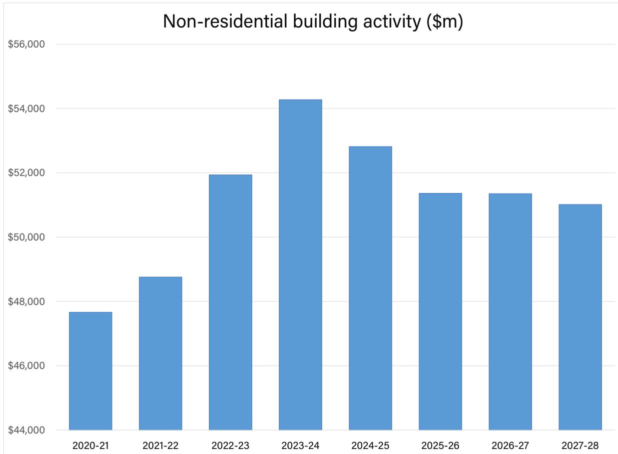
	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
NEW SOUTH WALES							
All new dwelling starts	**-5.5%**	**-12.3%**	**-2.5%**	**+3.6%**	**+22.6%**	**+13.2%**	**-1.3%**
Detached house starts	-2.0%	-16.5%	-13.8%	+1.7%	+16.7%	+10.5%	-0.7%
New apartment/unit starts	-9.2%	-7.7%	+8.8%	+5.2%	+27.0%	+15.1%	-1.7%
VICTORIA							
All new dwelling starts	**+0.3%**	**-16.7%**	**-6.0%**	**+5.8%**	**+13.6%**	**+7.9%**	**-6.3%**
Detached house starts	-10.4%	-14.3%	-5.4%	+5.3%	+11.0%	+6.7%	-5.9%
New apartment/unit starts	+23.8%	-20.5%	-7.0%	+6.6%	+18.1%	+9.9%	-6.9%
QUEENSLAND							
All new dwelling starts	**-0.9%**	**-12.3%**	**+4.2%**	**+14.8%**	**+21.9%**	**+10.4%**	**-5.1%**
Detached house starts	-2.1%	-22.7%	+1.8%	+14.7%	+18.3%	+10.9%	-5.7%
New apartment/unit starts	+1.7%	+9.6%	+7.8%	+14.9%	+27.0%	+9.9%	-4.4%
SOUTH AUSTRALIA							
All new dwelling starts	**+6.0%**	**-17.7%**	**-7.7%**	**-7.8%**	**+8.0%**	**+8.0%**	**-3.6%**
Detached house starts	+2.9%	-14.4%	-16.2%	-6.1%	+5.8%	+5.1%	-4.3%
New apartment/unit starts	+19.3%	-29.8%	+31.6%	-12.8%	+14.9%	+16.2%	-1.9%
WESTERN AUSTRALIA							
All new dwelling starts	**-8.5%**	**-31.0%**	**+5.7%**	**+22.9%**	**+25.6%**	**+13.1%**	**-0.5%**
Detached house starts	-9.2%	-30.0%	+1.0%	+19.1%	+19.6%	+11.4%	-1.2%
New apartment/unit starts	-4.2%	-36.9%	+35.9%	+41.1%	+50.1%	+18.6%	+1.5%
TASMANIA							
All new dwelling starts	**-13.3%**	**-15.7%**	**-1.9%**	**-0.1%**	**+7.4%**	**+2.9%**	**-4.6%**
Detached house starts	-21.4%	-13.7%	+0.4%	-2.2%	+5.5%	+4.6%	-3.4%
New apartment/unit building	+175.8%	-29.5%	-21.0%	+20.9%	+23.1%	-9.5%	-15.1%
NORTHERN TERRITORY							
All new dwelling starts	**-42.1%**	**+19.4%**	**-0.4%**	**+31.8%**	**+29.4%**	**+15.3%**	**-5.0%**
Detached house starts	-47.0%	+38.0%	-9.1%	-1.8%	+14.3%	+10.1%	-7.7%
New apartment/unit starts	-22.5%	-31.2%	+47.0%	+145.7%	+49.9%	+20.6%	-2.5%
ACT							
All new dwelling starts	**+12.3%**	**-30.9%**	**-10.6%**	**+3.3%**	**+18.6%**	**+12.7%**	**+0.9%**
Detached house starts	+17.4%	-26.8%	-6.1%	+18.7%	+17.6%	+7.1%	-4.2%
New apartment/unit starts	+10.4%	-32.6%	-12.5%	-3.9%	+19.1%	+15.8%	+3.6%
AUSTRALIA							
All new dwelling starts	**-2.3%**	**-16.5%**	**-2.1%**	**+7.7%**	**+18.9%**	**+10.6%**	**-3.6%**
Detached house starts	-6.0%	-18.7%	-6.0%	+7.3%	+14.6%	+9.0%	-3.9%
New apartment/unit starts	+4.8%	-12.8%	+4.2%	+8.3%	+25.2%	+12.8%	-3.3%

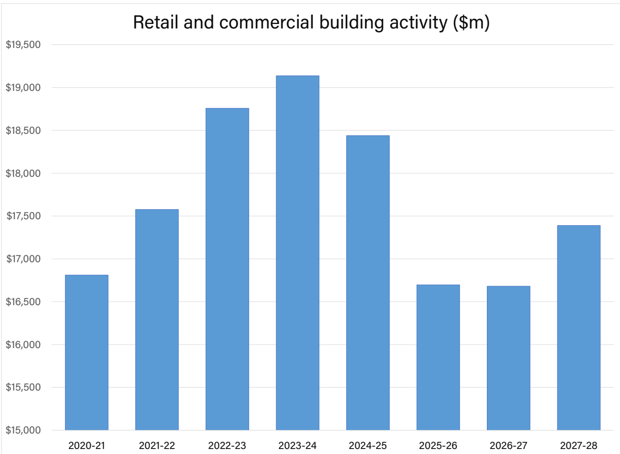
Source: Master Builders Australia-produced forecasts and analysis of ABS Building Activity (8752.0)

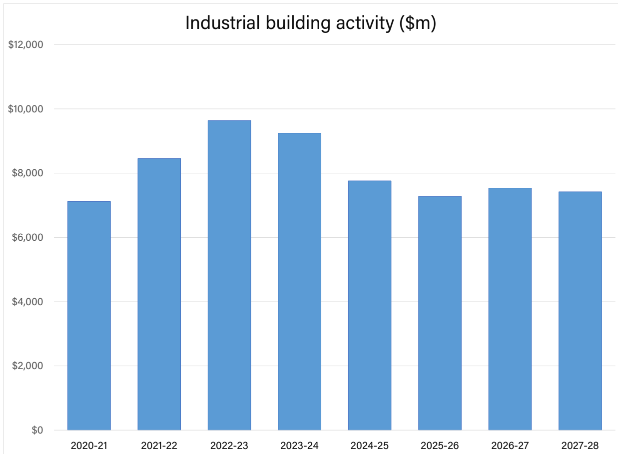
NON-RESIDENTIAL BUILDING

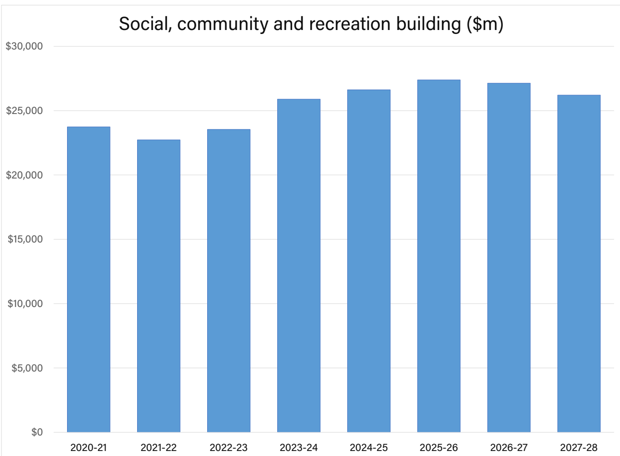
Composition of non-residential building work done in 2022-23









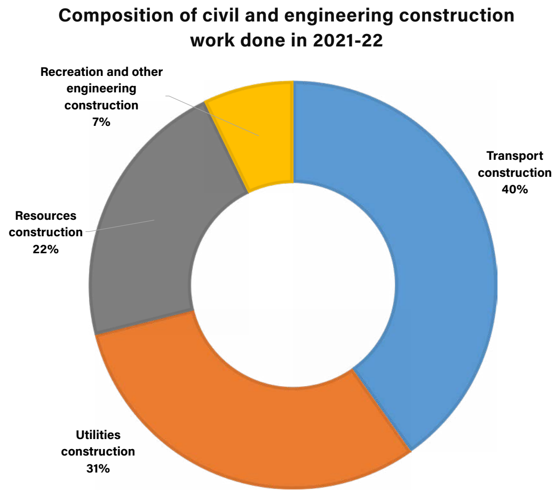


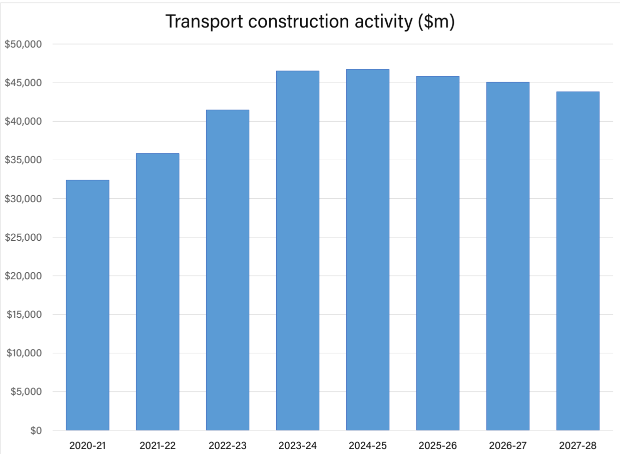
Non-residential building activity: Master Builders Australia forecasts for Australia to 2027–28 (millions of 2020–21 dollars)

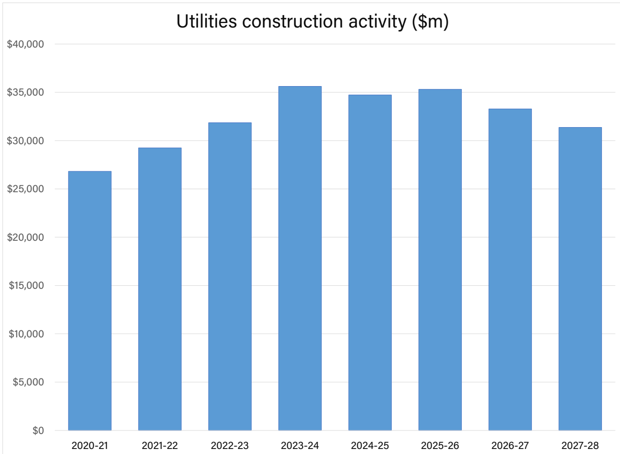
	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28
Total non-residential building activity	**$47,663.9**	**$48,759.5**	**$51,934.4**	**$54,272.9**	**$52,815.1**	**$51,361.6**	**$51,351.6**	**$51,014.8**
Change on previous year (%)	**No data**	**+2.3%**	**+6.5%**	**+4.5%**	**-2.7%**	**-2.8%**	**-0.0%**	**-0.7%**
Retail and commercial building work	$16,810.1	$17,576.9	$18,757.3	$19,136.4	$18,439.0	$16,697.1	$16,680.7	$17,389.0
Change on previous year (%)	No data	+4.6%	+6.7%	+2.0%	-3.6%	-9.4%	-0.1%	+4.2%
Industrial building work	$7,117.6	$8,453.9	$9,636.8	$9,245.3	$7,760.6	$7,275.3	$7,536.0	$7,418.6
Change on previous year (%)	No data	+18.8%	+14.0%	-4.1%	-16.1%	-6.3%	+3.6%	-1.6%
Social, cultural and recreational building work	$23,736.2	$22,728.7	$23,540.3	$25,891.2	$26,615.5	$27,389.3	$27,134.9	$26,207.1
Change on previous year (%)	No data	-4.2%	+3.6%	+10.0%	+2.8%	+2.9%	-0.9%	-3.4%

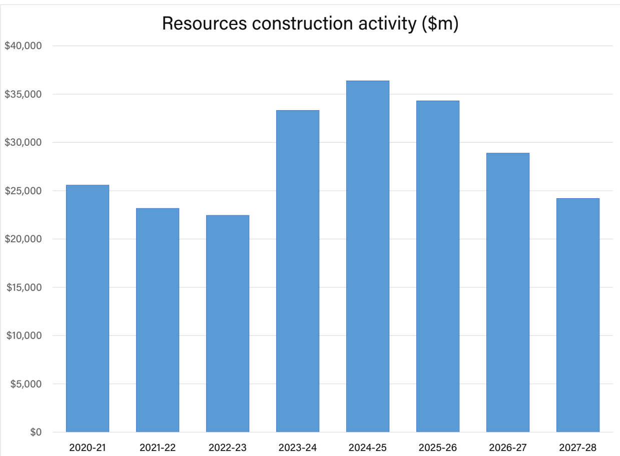
Source: Master Builders Australia-produced forecasts and analysis of ABS Building Activity (8752.0)

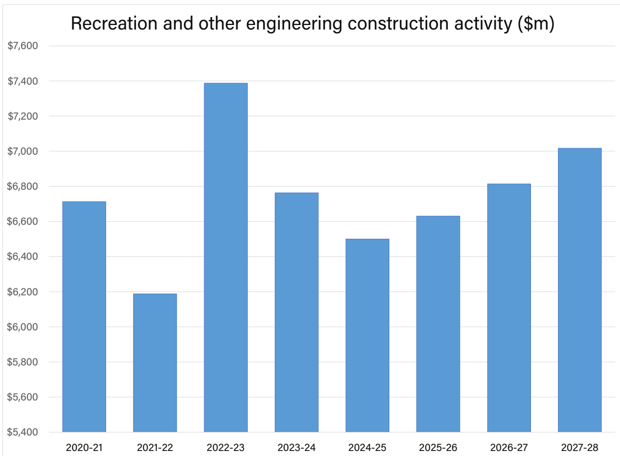
CIVIL AND ENGINEERING CONSTRUCTION











Engineering and civil construction activity: Master Builders Australia forecasts for Australia to 2027–28 (millions of 2020–21 dollars)

	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28
Total engineering and civil construction activity	**$91,496.8**	**$94,445.8**	**$103,171.6**	**$122,209.2**	**$124,330.7**	**$122,070.6**	**$114,035.4**	**$106,415.2**
Change on previous year (%)	**No data**	**+3.2%**	**+9.2%**	**+18.5%**	**+1.7%**	**-1.8%**	**-6.6%**	**-6.7%**
Transport construction work	$32,380.9	$35,828.8	$41,470.5	$46,511.4	$46,722.6	$45,817.3	$45,049.3	$43,829.5
Change on previous year (%)	No data	+10.6%	+15.7%	+12.2%	+0.5%	-1.9%	-1.7%	-2.7%
Utilities construction work	$26,820.9	$29,253.0	$31,861.2	$35,619.2	$34,727.2	$35,314.9	$33,276.2	$31,370.2
Change on previous year (%)	No data	+9.1%	+8.9%	+11.8%	-2.5%	+1.7%	-5.8%	-5.7%
Resources construction work	$25,582.5	$23,176.1	$22,452.5	$33,315.5	$36,380.8	$34,307.7	$28,895.9	$24,198.2
Change on previous year (%)	No data	-9.4%	-3.1%	+48.4%	+9.2%	-5.7%	-15.8%	-16.3%
Recreation and other engineering construction	$6,712.6	$6,188.0	$7,387.4	$6,763.1	$6,500.1	$6,630.6	$6,813.9	$7,017.2
Change on previous year (%)	No data	-7.8%	+19.4%	-8.4%	-3.9%	+2.0%	+2.8%	+3.0%

Source: Master Builders Australia-produced forecasts and analysis of ABS Building Activity (8752.0)

MASTER BUILDERS AUSTRALIA

LEVEL 3, 44 SYDNEY AVE
FORREST ACT 2603
P 02 6202 8888
E FORECASTS@MASTERBUILDERS.COM.AU