



**MASTER BUILDERS
AUSTRALIA**



**BUILDING AND CONSTRUCTION
INDUSTRY FORECASTS**

AUSTRALIA

SEPTEMBER 2024



**GORDON QUARTER, NSW
BY TAYLOR,
WINNER OF THE 2023
NATIONAL LIFESTYLE HOUSING FOR SENIORS AWARD - RETIREMENT VILLAGES**



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EAST TAMAR CHILD & FAMILY
LEARNING CENTRE, TAS
BY ANSTIE CONSTRUCTIONS
FINALIST IN THE 2023
BEST USE OF AUSTRALIAN MADE
PRODUCTS – COMMERCIAL

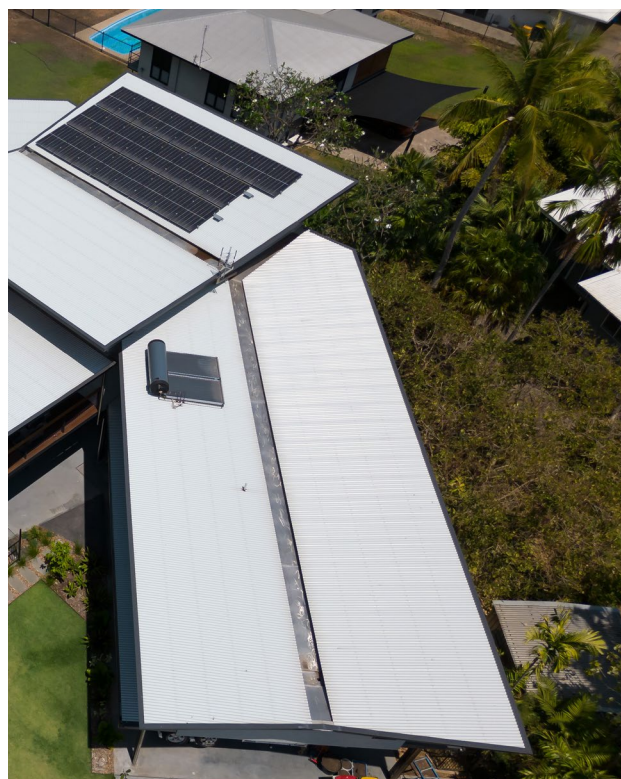
OVERVIEW

Over the five years to 2028-29, Master Builders Australia forecasts that \$1.38 trillion worth of building and construction work will be carried out. This would represent a 16.4 per cent increase relative to what was achieved over the last five years. The pattern of activity is expected to be quite mixed. The September 2024 forecasts cover the period up to 2028-29, encompassing the full duration of the National Housing Accord. Unfortunately, new home building starts the race from its weakest position in a decade. In contrast, non-residential building is at a record high and is likely to enjoy further gains. Civil and engineering construction has also seen substantial gains in recent times, with even more to come over the next year or two.

Master Builders Australia forecasts of total construction activity for Australia to 2028-29 (millions of 2021-22 dollars)

2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
\$232,571.5	\$247,299	\$248,978	\$266,980	\$280,407	\$281,657	\$280,676	\$272,249
+1.8%	+6.3%	+0.7%	+7.2%	+5.0%	+0.4%	-0.3%	-3.0%

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



THE BUTTERFLY HOUSE, NT
BY JOSEPH LUCZYCKI, FINALIST IN THE 2023
NATIONAL CONTRACT HOME - \$2M TO \$4M

OVERALL PERFORMANCE



RESIDENTIAL BUILDING

Master Builders forecasts work to start on 1.03 million new homes over the five years to 2028–29. Should this occur, it would represent a 166,000-shortfall relative to the 1.2 million target under the Accord. This is a downgrade of the April forecasts due to new home building being held back by the persistence of higher interest rates as well as continued impediments on the supply side of the residential building market, especially workforce shortages. New home building starts appear to have fallen to a decade low during 2023–24, but it is anticipated the market will gradually recover over the next few years. The performance on the higher density side will be crucial to meeting this target, and more work, if needed to reduce cost barriers.



NON-RESIDENTIAL BUILDING

Over the next five years, prospects for non-residential building look to be favourable. Demand will be boosted by population growth. Master Builders' expectation is that the value of non-residential building activity will total \$285.6 billion over the next five years, 7.3 per cent more work than what was achieved in the last five years. Projects related to social, cultural, and recreational building are set to do particularly well thanks in part to several big health projects. However, industrial building is likely to step back a bit from recent record highs.

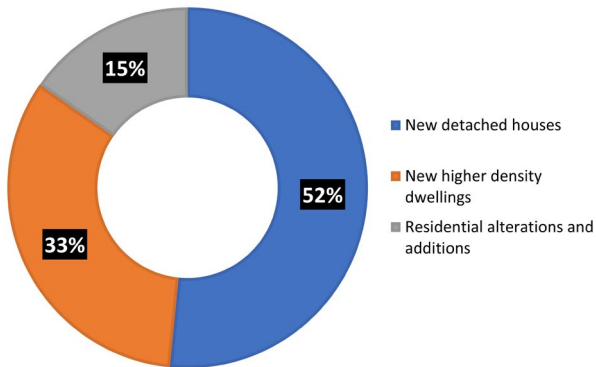


CIVIL CONSTRUCTION

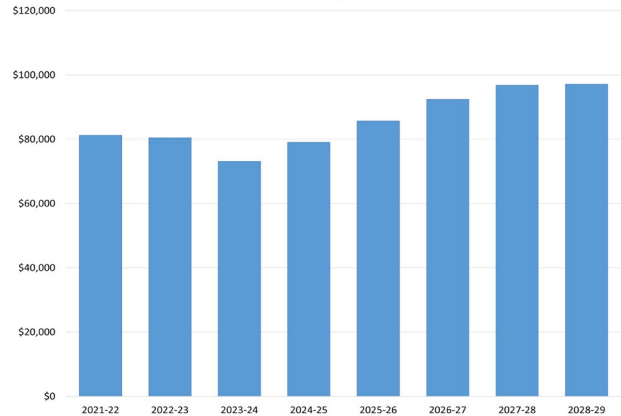
Things are looking up for civil and engineering construction activity. Over the next five years, Master Builders forecasts that \$645.3 billion worth of work will be done in this sector – an expansion of 23.1 per cent compared with the last five years. Transport projects will be the single biggest piece of the action, while the resources project pipeline is also set to make gains. The pace of growth in population and the process of transforming Australia's energy creation patterns both mean that the utilities construction market is likely to be more than one third bigger over the next five years.

BUILDING AND CONSTRUCTION WORK DONE

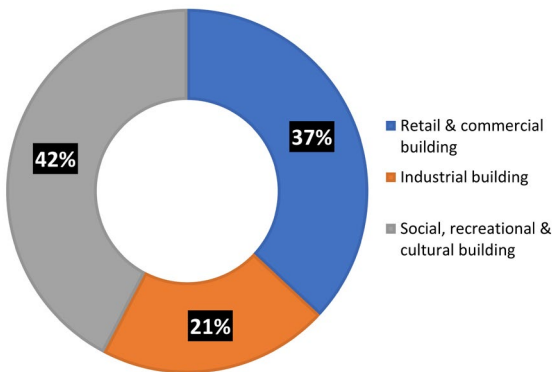
Composition of residential building work done in 2023-24



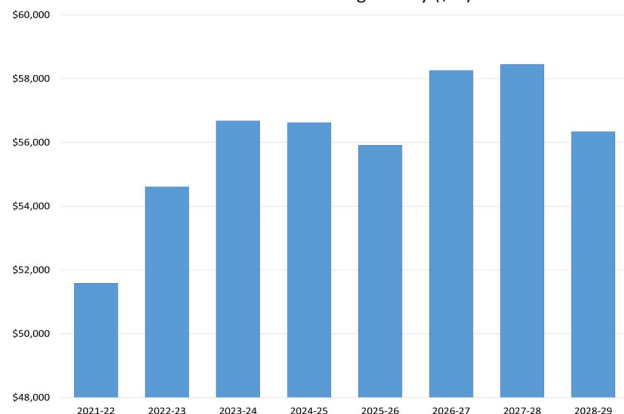
Residential building activity (\$m)



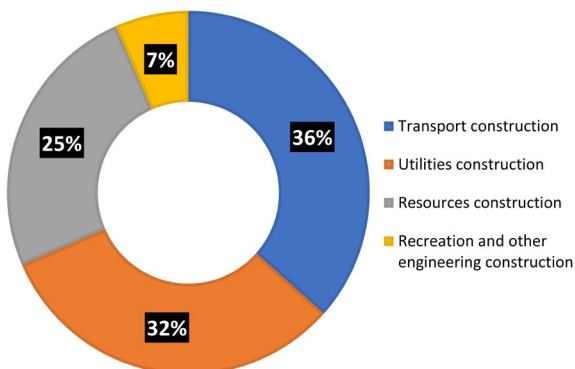
Composition of non-residential building work done in 2023-24



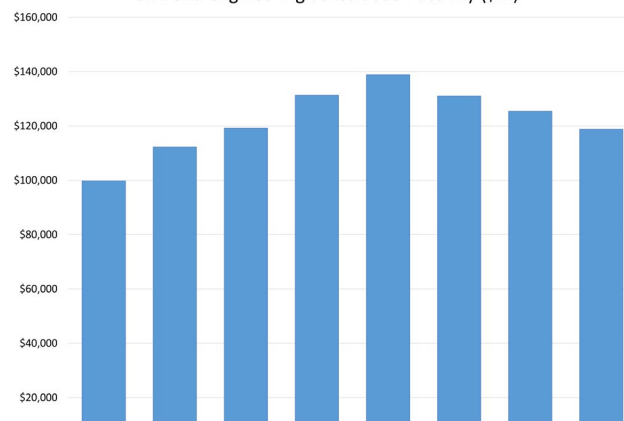
Non-residential building activity (\$m)



Composition of civil and engineering construction work done in 2023-24



Civil and engineering construction activity (\$m)



All construction activity: Master Builders Australia forecasts for Australia to 2028-29
(millions of 2021-22 dollars)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Total building and construction activity	\$232,571.5	\$247,298.7	\$248,977.9	\$266,979.7	\$280,407.4	\$281,657.0	\$280,675.6	\$272,249.4
<i>Change on previous year (%)</i>	+1.8%	+6.3%	+0.7%	+7.2%	+5.0%	+0.4%	-0.3%	-3.0%
Residential building activity	\$81,239.6	\$80,463.1	\$73,127.4	\$79,052.9	\$85,687.7	\$92,421.2	\$96,804.1	\$97,145.9
<i>Change on previous year (%)</i>	-0.2%	-1.0%	-9.1%	+8.1%	+8.4%	+7.9%	+4.7%	+0.4%
Non-residential building activity	\$51,583.0	\$54,603.0	\$56,676.7	\$56,617.1	\$55,909.4	\$58,256.7	\$58,443.2	\$56,335.2
<i>Change on previous year (%)</i>	+2.2%	+5.9%	+3.8%	-0.1%	-1.3%	+4.2%	+0.3%	-3.6%
Civil and engineering construction work	\$99,749.0	\$112,232.6	\$119,173.9	\$131,309.7	\$138,810.3	\$130,979.1	\$125,428.3	\$118,768.3
<i>Change on previous year (%)</i>	+3.3%	+12.5%	+6.2%	+10.2%	+5.7%	-5.6%	-4.2%	-5.3%

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

ECONOMIC BACKDROP

ECONOMIC HEALTH

Australia's economic performance is unimpressive right now, with a combination of weak growth and persistent inflationary pressures. The Reserve Bank of Australia (RBA) is now in a difficult position: on their own, the price pressures in the economy probably merit at least one more rise in the cash rate. However, higher interest rates could push economic growth into negative territory by hurting demand. Recent turmoil on global financial markets makes the option of raising rates even riskier again. At the same time, the RBA is keen to dampen expectations that it will start cutting rates within the next six months.

During the June 2024 quarter, Australia's economy saw another weak GDP reading. The 0.2 per cent increase in economic activity was of similar size to the two previous quarters. It means that Australia's economy grew by 1.5 per cent during 2023–24. Outside of the pandemic, this represents the worst performance for a financial year since the start of the 1990s.

Latest figures show that government spending is the biggest driver of growth in the economy. Construction activity has also been contributing to growth in the economy: during the June 2024 quarter, construction value added pushed 0.5 per cent higher. This resulted from a 1.5 per cent gain in civil/engineering construction output while non-residential building rose by +0.5 per cent. There was a very marginal increase in residential building output (+0.1 per cent) during the quarter.

Worryingly, there was a 0.2 per cent dip in household consumption during the June 2024 quarter. This matters because consumer spending is the single largest component of demand in the economy. As a result, changes in household spending have a disproportionately large effect on the direction of GDP.

LABOUR MARKET

Over time, subpar economic growth of the type currently seen have usually resulted in a weaker labour market. This makes it likely that unemployment will rise over the remainder of 2024 while fewer new jobs will end up being created.

Latest figures show that the unemployment rate rose to 4.1 per cent in June 2024, while the economy generated about 50,000 new jobs during the month. The past 12 months have seen 388,500 extra jobs created in the economy.

Even though there are early signs that the labour market is softening, labour supply of key skills continues to be a challenge for the industry.

Skills shortages would be less damaging were it not for the sizeable reduction in labour productivity over the past ten years. The amount of output produced per worker per hour in the construction industry is now about 18 per cent lower than it was a decade ago. This means that more workers are required to deliver the same amount of output as before – a classic case of doing less with more. The reasons for this deterioration are complex and numerous, but ongoing changes to the industrial relations and regulatory frameworks are likely to make things even worse.

The industry saw general wages growth in the workforce of 4.1 per cent over the year to March 2024, higher than the 3.6 per cent inflation rate over the same period.

Minimum award and other administered wages rose on 1 July this year which has placed further upward pressure on wages. Hourly construction wages are now 13.5 per cent higher than they were pre-pandemic.

BUILDING AND CONSTRUCTION ACTIVITY

During the 2024 June quarter, in seasonally adjusted terms, building and construction work done rose 0.1 per cent. Compared with a year earlier, activity expanded by 1.2 per cent. This was driven by growth in civil and engineering construction of 4.8 per cent. However, residential building activity is down 2.9 per cent over the year, and non-residential building activity is down by 0.39 per cent.

The latest building approvals data indicates that the pipeline of higher density home building remains weak. Resurrecting activity in this part of the market is going to be difficult because of the long build times involved and the vulnerability of project returns to volatile business conditions.

In contrast with higher density homes, there is some evidence that detached home building approvals have bottomed out and that a very delicate upturn is in its preliminary stages.

In the case of both detached and higher density homes, demand is being driven by investors. The latest home loan data show that investors make up just short of one half of the market for new home construction loans. For the purchase of residential land, almost 40 per cent of all loans are accounted for by investors. Investors are also typically taking on larger loans than owner occupiers.

STATE OF THE INDUSTRY

The challenging economic circumstances also impact higher than normal insolvency rates. This trend is seen not only in building and construction but across the broader economy.

Across the whole economy, the year to July 2024 saw a total of 11,429 Australian businesses become insolvent, 41.4 per cent more than in the previous year.

A total of 3,010 construction businesses entered external administration over the year to July 2024, an increase of 30.4 per cent from a year earlier. Over this period, construction businesses accounted for about one in four (26.3 per cent) of the economy's insolvencies.

RESIDENTIAL BUILDING OUTLOOK

This is Master Builders' first set of forecasts since the new National Housing Accord began in July 2024. The Accord aims to deliver 1.2 million new homes across Australia over the five years to June 2029.

Master Builders is a signatory to the Accord and is advocating across all levels of government for policy changes to help achieve this goal, but in the current environment, it will be difficult.

This level of new home building has never been achieved before. The closest Australia has come is over the five years between 2014–15 and 2018–19 when work began on 1,101,000 new homes.

Higher density homes accounted for almost half (47.1 per cent) of all new housing commencements during this period and will be key again to achieving the target.

The nation is not commencing this journey from a position of strength. It is likely that around 162,000 new home starts occurred during 2023–24, the worst annual total in over a decade and the third consecutive year of decline. Over the course of the year, detached home starts sank by -10 per cent while higher density home commencements edged only slightly lower (-1.9 per cent). Over the past five years, less than 930,000 new homes were commenced across the country – a quantum which is alarmingly adrift of the Accord's 1.2 million goal.

Challenges to meet the Accord housing targets come from both the supply and the demand side. Stretched timeframes for new home building projects since the pandemic – particularly for higher density homes affects productivity and output.

In 2022–23, the average duration from approval to completion for detached homes was 11.70 months, up from 8.79 months prior to the pandemic. For higher density homes, prior to the pandemic, it took 24.51 months from approval to completion, but now it is taking almost 29 months. Longer build times magnify risk – and inflate costs.

Building and construction costs have increased by 39.7 per cent since prior to the pandemic.

Shortages of key building and construction trades, and competition for these workers across sectors is a major supply constraint. Attracting and retaining as many apprentices as possible in the industry will help boost the supply of workers over the medium term. In the meantime, migration needs to play a greater role, and the migration system needs to make it easier for skilled construction workers to come to Australia.

These supply challenges have been accompanied by weak demand from owner occupiers. This market segment is exposed to a weakening jobs market, higher interest rates, and declines in the buying power of their take-home pay packets. Thankfully, lending data for the most recent months suggests that the market may be in the early stages of a recovery in owner occupier demand.

By contrast, demand from investors has been quite robust. Substantial increases in rents, low vacancy rates and renewed growth in house prices are driving investment into the market.

WHAT THE FORECASTS SHOW

Over the next five years, Master Builders' estimates that under current conditions around 1,034,000 new homes will commence construction on, of which 42.5 per cent will need to be higher density homes.

This edition of the forecasts show Australia is set to undershoot the Housing Accord target by about 166,000 starts, equivalent to about the same number of new housing starts for the 2023–24 financial year.

Should there be more policy reform and economic conditions turn out to be more favourable than expected over the forecast horizon, then the industry may get a bit closer to meeting the target. However, should the

economy underperform, and governments impose further unnecessary regulations, then new housing starts will drop off even more.

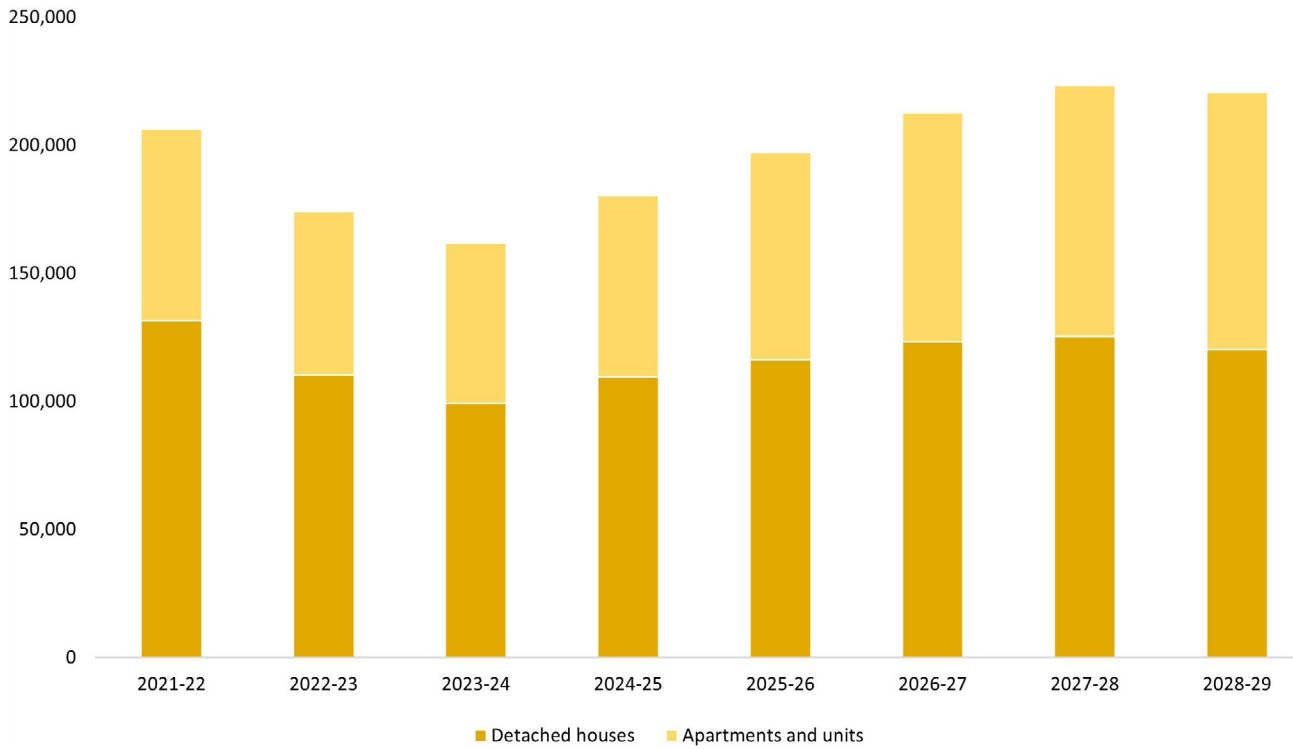
The forecasts show new home building over the next few years is likely to grow steadily from the low point in 2023–24. New home building starts are expected to rise to just over 180,000 in 2024–25 with further gains over subsequent years bringing us to a peak of 223,437 starts in the 2027–28 financial year. The peak in 2027–28 has been revised down from the previous forecasts released in April. This is the result of higher interest rates persisting for longer and the lack of progress addressing supply side bottlenecks.

Master Builders Australia forecasts of total new dwelling starts for Australia to 2028–29

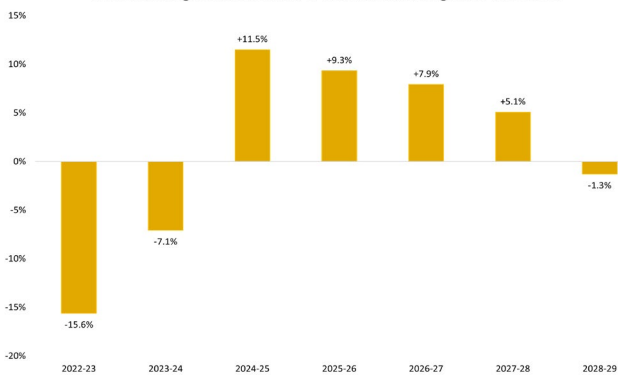
2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
206,127	173,967	161,672	180,252	197,055	212,654	223,437	220,564
-3.4%	-15.6%	-7.1%	+11.5%	+9.3%	+7.9%	+5.1%	-1.3%

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

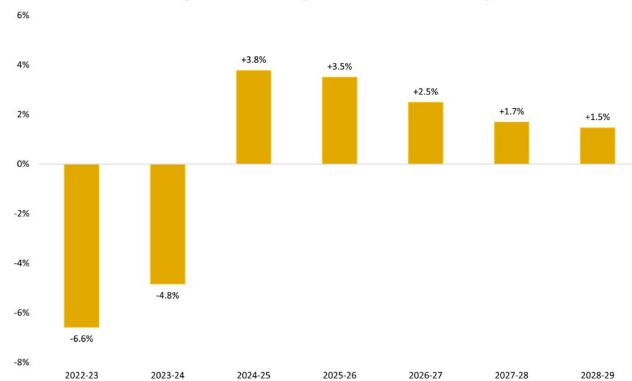
Master Builders forecasts of new dwelling starts by type to 2028-29

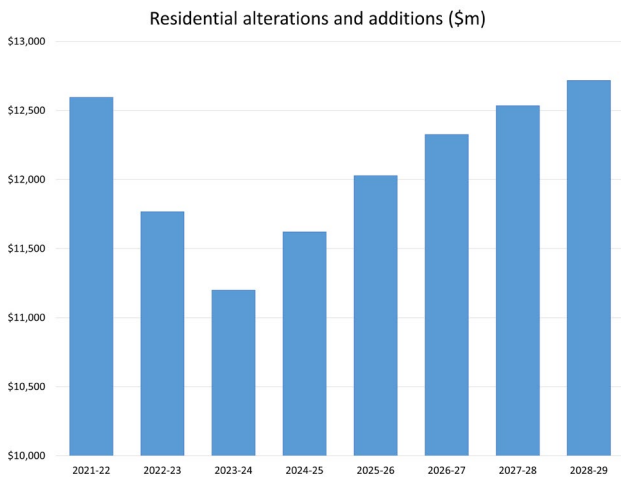
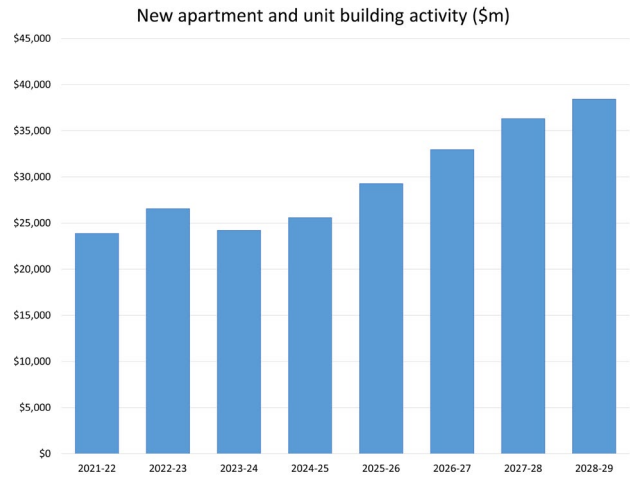
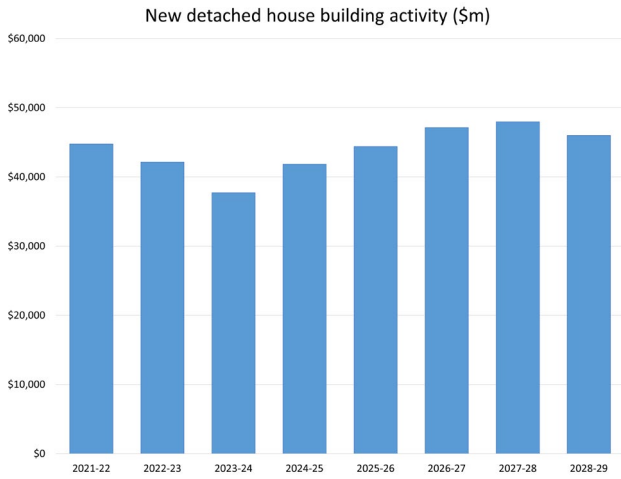


Forecast change in total number of new home building starts to 2028-29

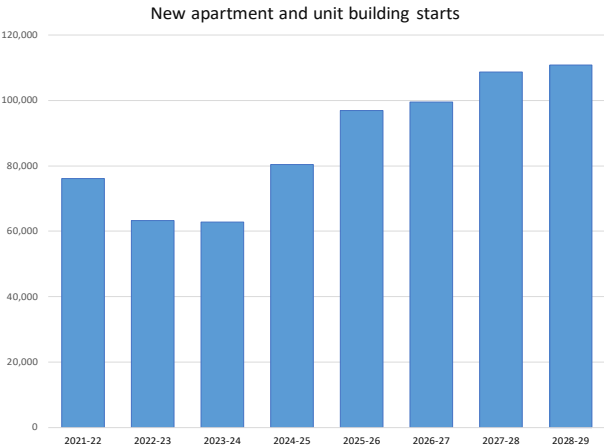
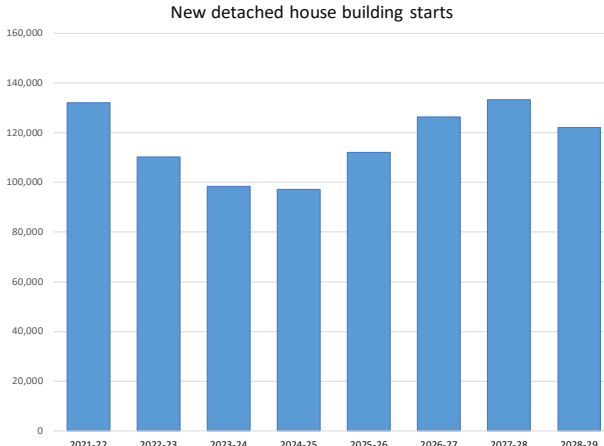
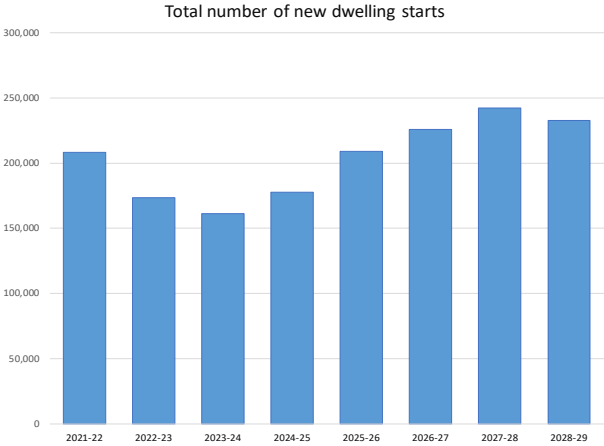


Forecast change in volume of major home renovations activity to 2028-29





NUMBER OF DWELLING COMMENCEMENTS BY SECTOR



Residential building activity: Master Builders Australia forecasts for Australia to 2028-29
(millions of 2021-22 dollars)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Total residential building activity	\$81,239.6	\$80,463.1	\$73,127.4	\$79,052.9	\$85,687.7	\$92,421.2	\$96,804.1	\$97,145.9
<i>Change on previous year (%)</i>	-0.2%	-1.0%	-9.1%	+8.1%	+8.4%	+7.9%	+4.7%	+0.4%
New detached house building	\$44,777.3	\$42,129.2	\$37,716.4	\$41,846.4	\$44,386.1	\$47,131.7	\$47,957.0	\$45,996.1
<i>Change on previous year (%)</i>	+4.1%	-5.9%	-10.5%	+11.0%	+6.1%	+6.2%	+1.8%	-4.1%
New apartment/unit building	\$23,867.2	\$26,566.9	\$24,212.2	\$25,585.4	\$29,273.9	\$32,963.3	\$36,313.1	\$38,432.4
<i>Change on previous year (%)</i>	-9.5%	+11.3%	-8.9%	+5.7%	+14.4%	+12.6%	+10.2%	+5.8%
Residential alterations and additions	\$12,595.1	\$11,767.0	\$11,198.7	\$11,621.0	\$12,027.7	\$12,326.2	\$12,534.0	\$12,717.3
<i>Change on previous year (%)</i>	+4.7%	-6.6%	-4.8%	+3.8%	+3.5%	+2.5%	+1.7%	+1.5%

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 2028-29

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
NEW SOUTH WALES								
All new dwelling starts	54,412	49,838	41,499	48,920	56,308	62,976	68,128	66,948
Detached house starts	28,598	25,990	20,851	23,384	25,847	27,431	28,852	27,519
New apartment/unit starts	25,814	23,848	20,648	25,536	30,462	35,545	39,276	39,430
VICTORIA								
All new dwelling starts	67,310	54,976	54,072	56,895	54,139	55,236	59,075	61,154
Detached house starts	41,460	35,574	32,519	34,729	32,481	33,066	35,558	36,488
New apartment/unit starts	25,850	19,402	21,553	22,167	21,658	22,170	23,517	24,666
QUEENSLAND								
All new dwelling starts	39,453	35,479	32,484	35,843	44,149	48,132	49,129	47,029
Detached house starts	26,770	21,933	20,240	22,419	26,345	28,676	27,177	24,592
New apartment/unit starts	12,683	13,546	12,244	13,425	17,804	19,456	21,952	22,436
SOUTH AUSTRALIA								
All new dwelling starts	14,269	11,181	11,151	10,572	11,289	11,862	12,527	12,277
Detached house starts	11,270	9,319	8,628	8,172	8,440	8,879	9,185	8,866
New apartment/unit starts	2,999	1,862	2,523	2,401	2,849	2,983	3,341	3,410
WESTERN AUSTRALIA								
All new dwelling starts	21,033	14,880	15,664	20,860	24,169	26,867	26,784	25,448
Detached house starts	18,305	12,925	13,637	17,205	18,991	20,920	20,193	18,653
New apartment/unit starts	2,728	1,955	2,027	3,655	5,178	5,947	6,591	6,795
TASMANIA								
All new dwelling starts	3,512	3,059	2,347	2,608	2,843	2,994	3,019	2,840
Detached house starts	3,057	2,769	2,220	2,410	2,594	2,730	2,699	2,513
New apartment/unit starts	455	290	127	198	249	265	320	327
NORTHERN TERRITORY								
All new dwelling starts	526	610	347	484	725	872	886	873
Detached house starts	385	517	306	348	467	531	503	461
New apartment/unit starts	141	93	41	137	259	342	383	412
AUSTRALIAN CAPITAL TERRITORY								
All new dwelling starts	5,612	3,944	4,107	4,069	3,432	3,715	3,889	3,995
Detached house starts	1,664	1,237	798	993	969	1,044	1,150	1,132
New apartment/unit starts	3,948	2,707	3,308	3,075	2,464	2,671	2,739	2,863
AUSTRALIA								
All new dwelling starts	206,127	173,967	161,672	180,252	197,055	212,654	223,437	220,564
Detached house starts	131,509	110,264	99,199	109,660	116,132	123,276	125,318	120,225
New apartment/unit starts	74,618	63,703	62,472	70,593	80,922	89,378	98,119	100,339

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 2028-29

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
NEW SOUTH WALES							
All new dwelling starts	-8.4%	-16.7%	+17.9%	+15.1%	+11.8%	+8.2%	-1.7%
Detached house starts	-9.1%	-19.8%	+12.1%	+10.5%	+6.1%	+5.2%	-4.6%
New apartment/unit starts	-7.6%	-13.4%	+23.7%	+19.3%	+16.7%	+10.5%	+0.4%
VICTORIA							
All new dwelling starts	-18.3%	-1.6%	+5.2%	-4.8%	+2.0%	+7.0%	+3.5%
Detached house starts	-14.2%	-8.6%	+6.8%	-6.5%	+1.8%	+7.5%	+2.6%
New apartment/unit starts	-24.9%	+11.1%	+2.8%	-2.3%	+2.4%	+6.1%	+4.9%
QUEENSLAND							
All new dwelling starts	-10.1%	-8.4%	+10.3%	+23.2%	+9.0%	+2.1%	-4.3%
Detached house starts	-18.1%	-7.7%	+10.8%	+17.5%	+8.8%	-5.2%	-9.5%
New apartment/unit starts	+6.8%	-9.6%	+9.6%	+32.6%	+9.3%	+12.8%	+2.2%
SOUTH AUSTRALIA							
All new dwelling starts	-21.6%	-0.3%	-5.2%	+6.8%	+5.1%	+5.6%	-2.0%
Detached house starts	-17.3%	-7.4%	-5.3%	+3.3%	+5.2%	+3.5%	-3.5%
New apartment/unit starts	-37.9%	+35.5%	-4.8%	+18.7%	+4.7%	+12.0%	+2.1%
WESTERN AUSTRALIA							
All new dwelling starts	-29.3%	+5.3%	+33.2%	+15.9%	+11.2%	-0.3%	-5.0%
Detached house starts	-29.4%	+5.5%	+26.2%	+10.4%	+10.2%	-3.5%	-7.6%
New apartment/unit starts	-28.3%	+3.7%	+80.3%	+41.7%	+14.8%	+10.8%	+3.1%
TASMANIA							
All new dwelling starts	-12.9%	-23.3%	+11.1%	+9.0%	+5.3%	+0.8%	-5.9%
Detached house starts	-9.4%	-19.8%	+8.6%	+7.6%	+5.2%	-1.1%	-6.9%
New apartment/unit starts	-36.3%	-56.1%	+55.5%	+25.8%	+6.3%	+20.7%	+2.3%
NORTHERN TERRITORY							
All new dwelling starts	+16.0%	-43.1%	+39.5%	+49.7%	+20.2%	+1.6%	-1.6%
Detached house starts	+34.3%	-40.8%	+13.7%	+34.1%	+13.7%	-5.1%	-8.4%
New apartment/unit starts	-34.0%	-55.7%	+231.3%	+89.5%	+32.0%	+12.2%	+7.4%
AUSTRALIAN CAPITAL TERRITORY							
All new dwelling starts	-29.7%	+4.1%	-0.9%	-15.6%	+8.2%	+4.7%	+2.7%
Detached house starts	-25.7%	-35.5%	+24.4%	-2.5%	+7.7%	+10.2%	-1.5%
New apartment/unit starts	-31.4%	+22.2%	-7.0%	-19.9%	+8.4%	+2.5%	+4.5%
AUSTRALIA							
All new dwelling starts	-15.6%	-7.1%	+11.5%	+9.3%	+7.9%	+5.1%	-1.3%
Detached house starts	-16.2%	-10.0%	+10.5%	+5.9%	+6.2%	+1.7%	-4.1%
New apartment/unit starts	-14.6%	-1.9%	+13.0%	+14.6%	+10.4%	+9.8%	+2.3%

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

NON-RESIDENTIAL BUILDING

Across Australia, the value of non-residential building activity is estimated at \$56.7 billion in 2023–24, an increase of 3.8 per cent on the previous year. This represents a third consecutive financial year of growth and brings the size of the non-residential building market to a new all-time high.

There are three subsectors of non-residential building: industrial building, retail and commercial building, and social, recreational, and cultural building. Of these subsectors, industrial work saw the largest gain in percentage terms in 2023–24, up 8.7 per cent. Industrial projects include factories, warehouses as well as building works related to agriculture and aquaculture. The total value of industrial work done is estimated at \$11.8 billion in 2023–24.

Projects related to social, cultural, and recreational building works totalled \$24.0 billion in 2023–24. This is slightly down on the previous year, by -0.5 per cent. Activity in this sector increased in most parts of the country. However, the sizeable reductions suffered in Victoria and Western Australia neutralised the gains elsewhere.

Retail and commercial building work includes offices, retail, and transport buildings. During 2023–24, the value of construction activity in this sector is estimated at \$20.9 billion, representing a 6.3 per cent increase on the previous year and the third straight year of expansion.



**MEMORIAL DRIVE TENNIS CENTRE, SA
BY SA CONSTRUCT,
FINALIST IN THE 2023 NATIONAL SPECIALIST CONTRACTOR OF THE YEAR - CONSTRUCTION**

WHAT THE FORECASTS SHOW

Non-residential building activity should fair quite well over the forecast horizon, with the value of work likely to total \$285.6 billion over the five years to 2028–29. This would represent a 7.3 per cent increase on the value of work over the five years to June 2024.

Construction of social, cultural, and recreational buildings is forecasts to top \$145 billion over the five years to 2028–29. This represents a 17.9 per cent increase on the value of work over the five years to June 2024. The share of public sector work over this period is crucial. The role of government demand here is crucial: during May 2024, the public sector accounted for 63.8 per cent of the work approved in this part of the market.

Retail and commercial building activity is forecast to expand over the next five years. Master Builders anticipates that the value of work here

will total \$98.6 billion over the five years to 2028–29, a 2.7 per cent increase over the five years to June 2024. Office building is expected to remain weak as demand for new office space continues to suffer from legacy ‘work from home’ provisions, particularly from the public sector. Meanwhile, the construction of retail and wholesale buildings is expected to be stronger as interest rates come down, and a continued expansion in population and employment.

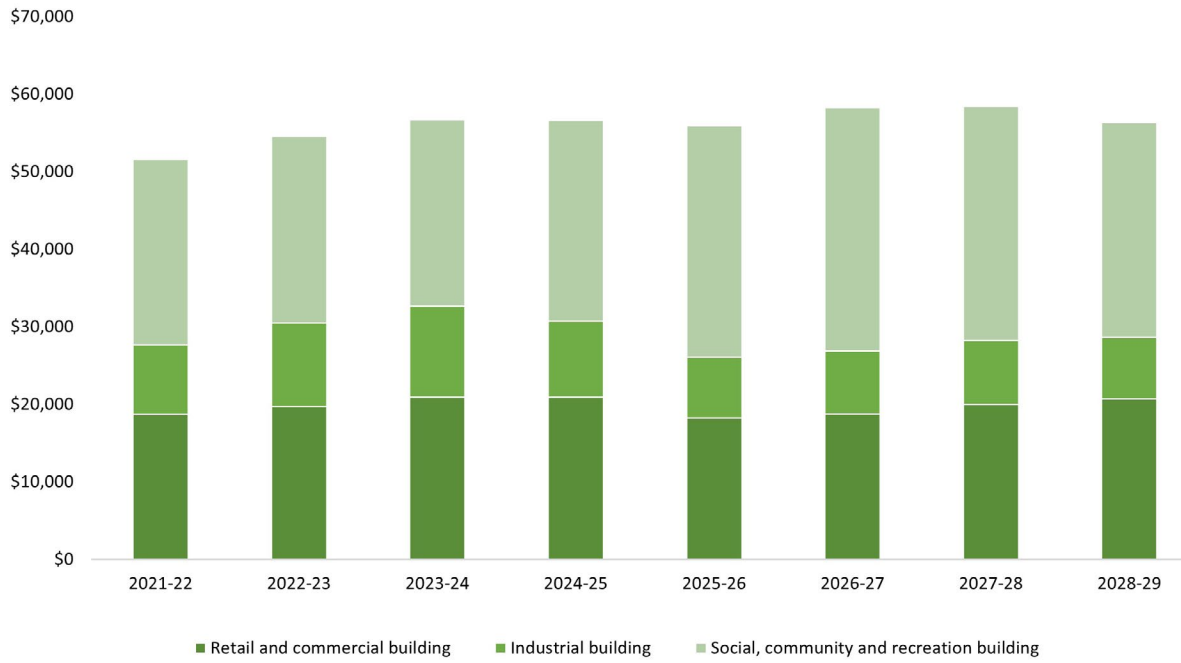
The forecast for industrial buildings is more subdued, at \$42 billion over the forecast horizon, a 10.9 per cent decline over the five years to June 2024. Australia’s stock of industrial buildings has seen huge expansion since the end of 2020. Part of this was due to a one-off attempt to bolster domestic production and storage capacity because of supply chain disruptions experienced during the pandemic.

Master Builders Australia forecasts of total non-residential building activity for Australia to 2028–29 (millions of 2021–22 dollars)

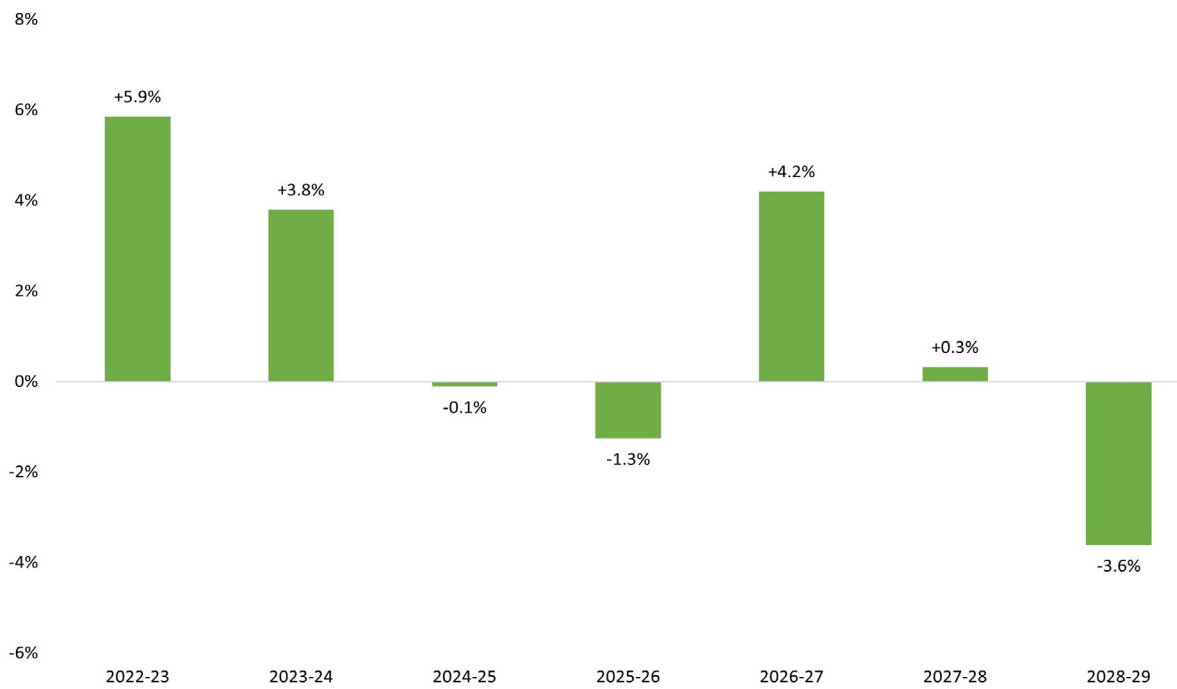
2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
\$51,583.0	\$54,603.0	\$56,676.7	\$56,617.1	\$55,909.4	\$58,256.7	\$58,443.2	\$56,335.2
+2.2%	+5.9%	+3.8%	-0.1%	-1.3%	+4.2%	+0.3%	-3.6%

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

Master Builders forecasts of non-residential building activity to 2028-29
(millions of 2021-22 dollars)



Forecast change in volume of non-residential building activity to 2028-29



TEN LARGEST COMMERCIAL BUILDING PROJECTS EITHER COMMITTED OR UNDER CONSIDERATION

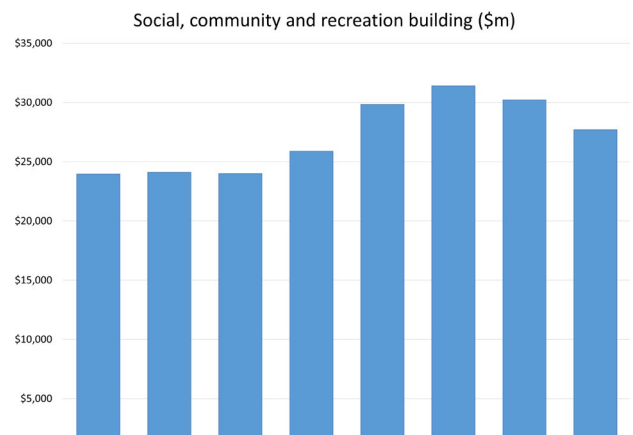
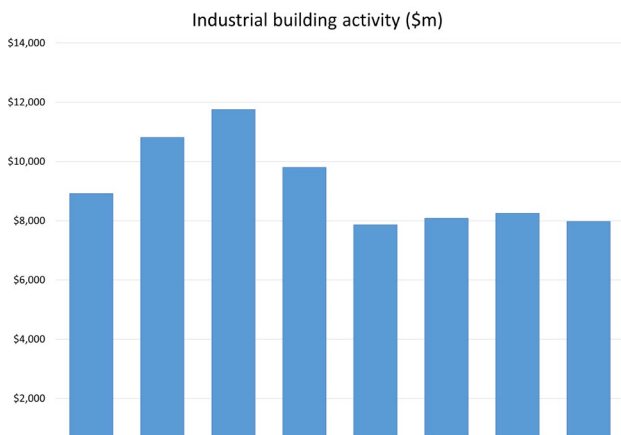
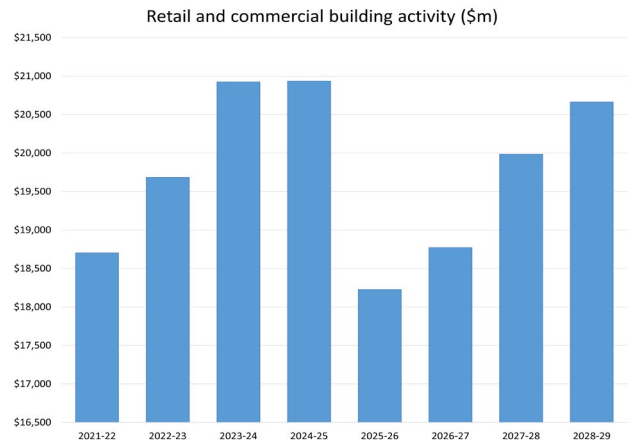
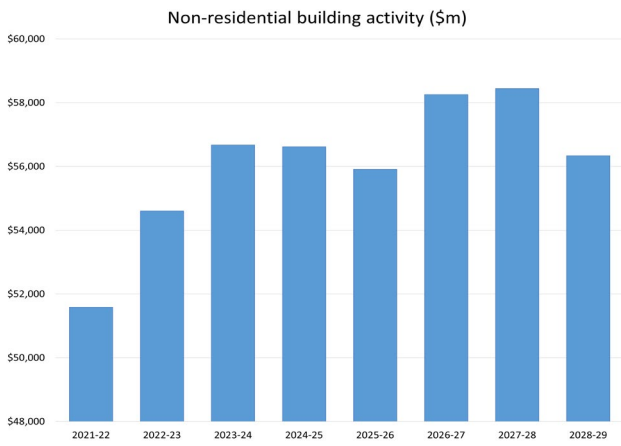
	PROJECT	COMPANY	STATE	TOTAL COST \$B	START DATE	END DATE
1	Barangaroo development	Aqualand	New South Wales	\$6.0	2011	2029
2	Western Sydney Airport - Badgerys Creek	Western Sydney Airport Alliance / Australian Federal Government	New South Wales	\$5.3	2018	2026
3	New Women's and Children's Hospital (WCH) at the Royal Adelaide Hospital	SA Health	South Australia	\$3.2	Q2 2024	Q4 2031
4	Victorian Education Building Works Stimulus	Victorian Dept of Education	Victoria	\$3.1	2021	2025
5	Parramatta Square Master Plan	Parramatta City Council	New South Wales	\$2.7	2015	2024
6	Eagle Street Pier "Waterfront Brisbane"	Dexus Property Group	Queensland	\$2.5	Jan 2023	2027
7	Redevelopment of Royal Melbourne Hospital and Royal Women's Hospital	VIC Dept of Health	Victoria	\$2.3	2024	Q2 2032
8	New-Gen Business Park at Swanbank	New Gen Business Park	Queensland	\$2.0	Q4 2022	na
9	The New Footscray Hospital	Vic Dept of Health and Human Services / Plenary Health	Victoria	\$2.0	Q1 2021	2025
10	Melbourne Arts Precinct redevelopment	Creative Victoria	Victoria	\$1.7	2022	2028

Source: Master Builders Australia analysis of Deloitte Access Economics Investment Monitor, March 2024

TEN LARGEST COMMERCIAL BUILDING PROJECTS EITHER POSSIBLE OR UNDER CONSIDERATION

	PROJECT	COMPANY	STATE	TOTAL COST \$B	START DATE	END DATE
1	5 year expansion of data centres and cloud computing operations	Amazon Web Services	NSW/ Victoria	\$13.2	na	na
2	Koo Wee Rup Airport	Paragon Premier Investment Fund	Victoria	\$7.0	Proposed	na
3	Nine new data centres in Australia	Microsoft	Unallocated	\$5.0	Plans announced	2026
4	Central Place Sydney	Dexus Property Group and Frasers Property	New South Wales	\$3.0	2024	2025
5	Supernode data centre and energy project	Quinbrook Infrastructure Partners	Queensland	\$2.5	2024	na
6	Logistics hub at Sydney's Kingsford Smith airport	LOGOS Property Group	New South Wales	\$2.0	Plans announced	na
7	Aquis Great Barrier Reef Project	Aquis Resort at the Great Barrier Reef Pty Ltd	Queensland	\$2.0	EIS Approved	na
8	Transformation of the entertainment quarter at Moore Park	Entertainment Quarter	New South Wales	\$2.0	Plans announced	na
9	52-storey Skyscraper on the corner of Hunter Street and Pitt Street	Milligan Group	New South Wales	\$2.0	Plans announced	na
10	Blacktown town centre development	Walker Corporation / Blacktown City Council	New South Wales	\$2.0	Plans announced	na

Source: Master Builders Australia analysis of Deloitte Access Economics Investment Monitor, March 2024



Non-residential building activity: Master Builders Australia forecasts for Australia to 2028-29
(millions of 2021-22 dollars)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Total non-residential building activity	\$51,583.0	\$54,603.0	\$56,676.7	\$56,617.1	\$55,909.4	\$58,256.7	\$58,443.2	\$56,335.2
<i>Change on previous year (%)</i>	+2.2%	+5.9%	+3.8%	-0.1%	-1.3%	+4.2%	+0.3%	-3.6%
Retail and commercial building work	\$18,702.7	\$19,684.8	\$20,924.5	\$20,935.5	\$18,226.9	\$18,771.4	\$19,984.9	\$20,662.4
<i>Change on previous year (%)</i>	+3.5%	+5.3%	+6.3%	+0.1%	-12.9%	+3.0%	+6.5%	+3.4%
Industrial building work	\$8,914.0	\$10,811.3	\$11,756.2	\$9,798.4	\$7,859.4	\$8,083.0	\$8,248.9	\$7,972.8
<i>Change on previous year (%)</i>	+19.3%	+21.3%	+8.7%	-16.7%	-19.8%	+2.8%	+2.1%	-3.3%
Social, cultural and recreational building work	\$23,966.3	\$24,106.8	\$23,995.9	\$25,883.2	\$29,823.0	\$31,402.3	\$30,209.4	\$27,699.9
<i>Change on previous year (%)</i>	-3.9%	+0.6%	-0.5%	+7.9%	+15.2%	+5.3%	-3.8%	-8.3%

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

CIVIL CONSTRUCTION OUTLOOK

Though the final data from the Australian Bureau of Statistics are still not available, it is likely that the value of civil and engineering construction reached \$119.2 billion in 2023–24. This represents an increase of 6.2 per cent on the previous year, a time of already elevated activity.

Civil and engineering construction is comprised of four subsectors: resources construction work, transport construction work, utilities construction work, and recreation and other engineering construction.

Of these, activity related to resources projects enjoyed the biggest expansion of 17.6 per cent during 2023–24 with solid growth also occurring in utilities construction which grew by 11.3 per cent. However, both transport construction (-2.9 per cent) and recreation/other construction activity (-1.3 per cent) lost ground during the year.

Outside of resources, most parts of the civil and engineering construction market are at or reached record highs in 2022–23. The government-driven pipeline of major transport projects has been central to this.



**SPRINGFIELD CENTRAL STATION PARK 'N' RIDE, QLD
BY ADCO CONSTRUCTIONS, FINALIST IN THE 2023
NATIONAL COMMERCIAL/INDUSTRIAL CONSTRUCTION AWARD – \$20M TO \$50M**

WHAT THE FORECASTS SHOW

Master Builders forecasts that the value of transport construction will total \$232.5 billion over the five years to 2028–29, over 20 per cent higher than over the previous five years.

Transport construction will remain the largest component of the civil and engineering construction sector over the forecast horizon.

Utilities construction activity is likely to be one of the top performers over the forecast horizon. This subsector will likely see \$222 billion worth of work being done over the next five years, an increase of 35.8 per cent on the five years up to 2023–24.

The strong expansion in utilities construction is driven by a consistently growing population, as well as growing investment in renewal sources of energy generation and the associated transmission and distribution lines.

It is worth pointing out that the growth in utilities work is set to be crammed into the near term with activity likely to peak at \$47.2 billion in 2026–27 before retreating in subsequent years.

As always, resources construction activity is difficult to predict given how sensitive it is to a spectrum of factors ranging from geopolitics to financial markets – and everything in between.

At this stage, Master Builders’ best estimate is that the value of resources construction activity will total \$151.8 billion over the five years to 2028–29. This would represent an improvement of some 14.7 per cent on the past five years.

Resources investment is likely to be front loaded, reaching \$29.7 billion in 2023–24, with an anticipated peak of \$35.9 billion in 2025–26 before moving into reverse gear and finishing at \$26.7 billion in 2028–29.

There are only eight years left to prepare for the Brisbane 2032 Olympics. Much of the work would be captured as recreation and other construction in the civil and engineering construction sector.

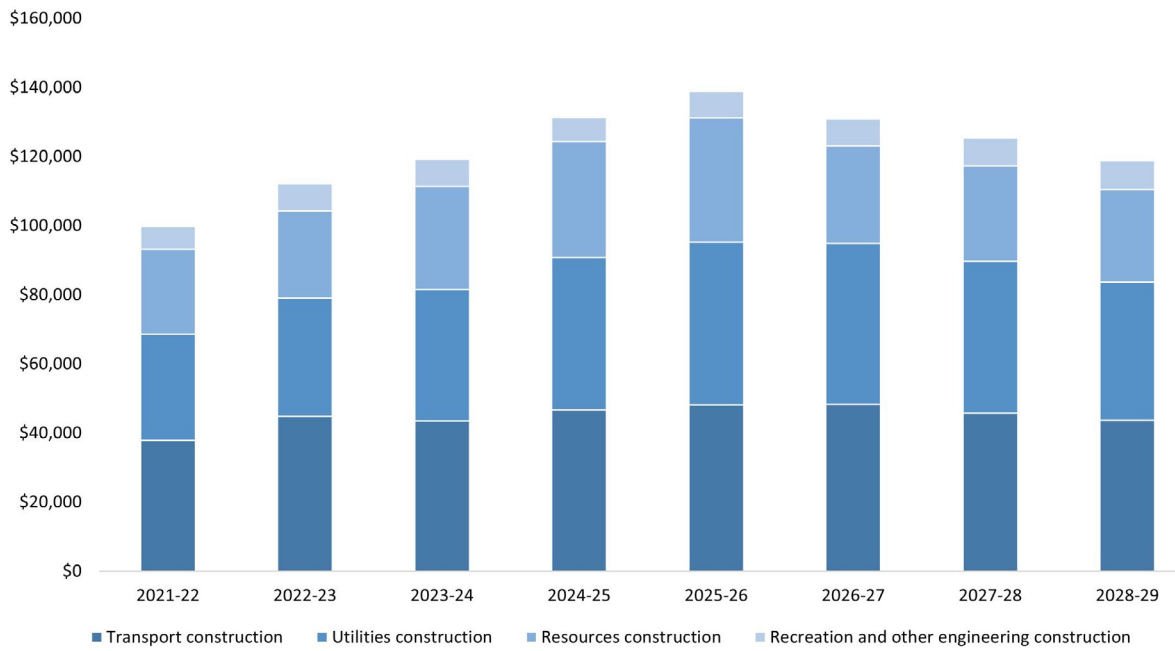
Over the five years to 2028–29, a total of \$38.3 billion worth of activity is expected in this part of the market. This would be 8.5 per cent more activity than in last five years. Apart from a sharp drop of 10 per cent during 2024–25, the pattern of growth here is likely to be quite smooth over the forecast horizon with expansions of at least three per cent in each of the four years from 2025–26 to 2028–29.

Master Builders Australia forecasts of total engineering and civil construction for Australia to 2028–29 (millions of 2021–22 dollars)

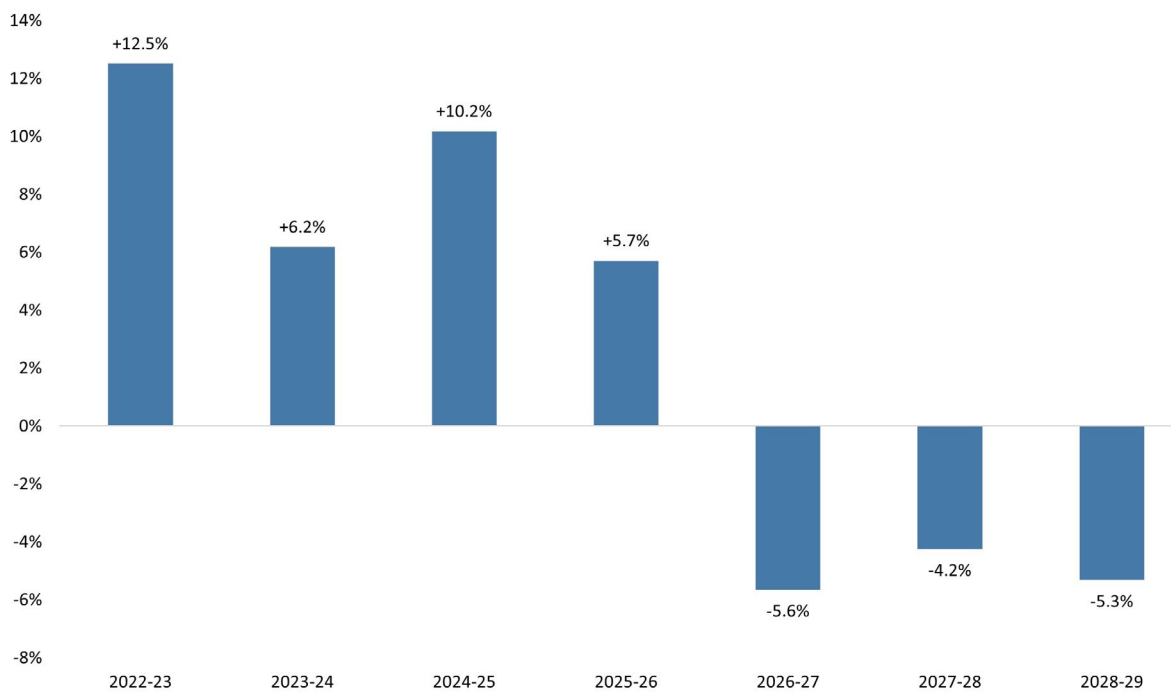
2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
\$99,749.0	\$112,232.6	\$119,173.9	\$131,309.7	\$138,810.3	\$130,979.1	\$125,428.3	\$118,768.3
+3.3%	+12.5%	+6.2%	+10.2%	+5.7%	-5.6%	-4.2%	-5.3%

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

Master Builders forecasts of civil and engineering construction activity to 2028-29
(millions of 2021-22 dollars)



Forecast change in volume of civil and engineering construction activity to 2028-29



TEN LARGEST CIVIL PROJECTS EITHER COMMITTED OR UNDER CONSIDERATION

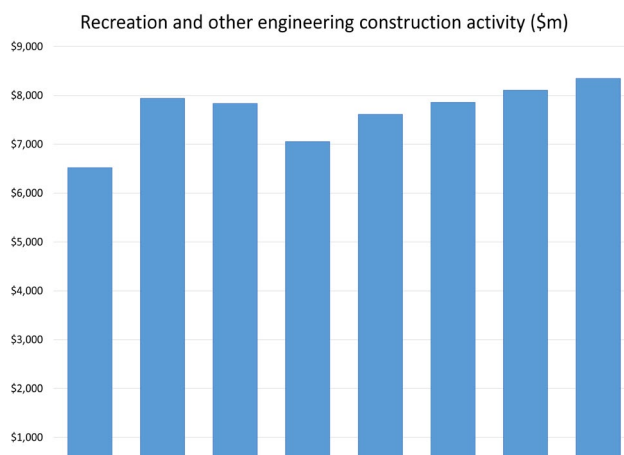
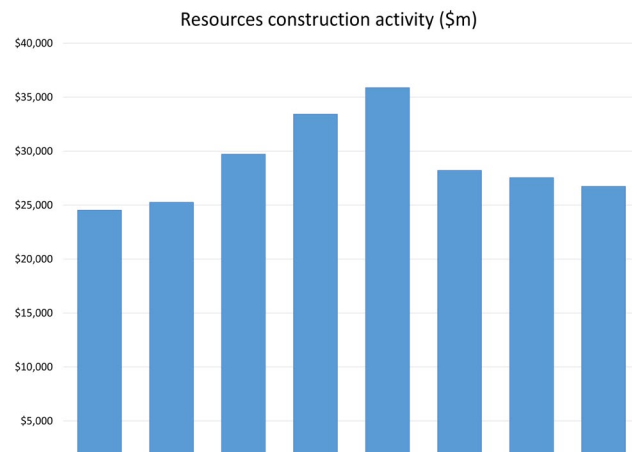
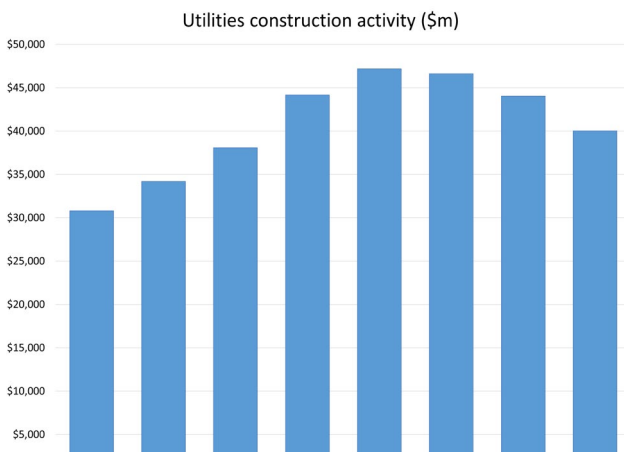
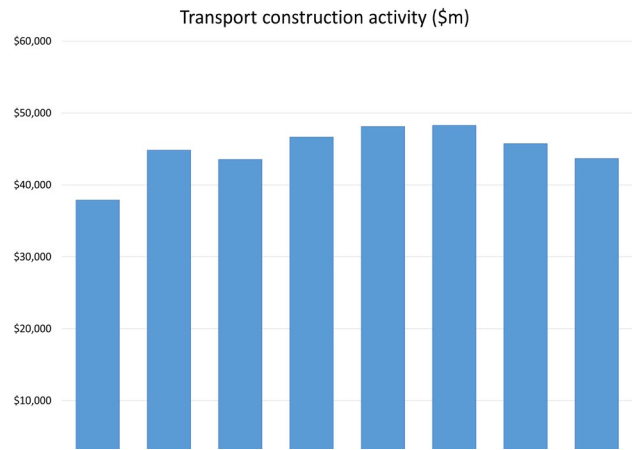
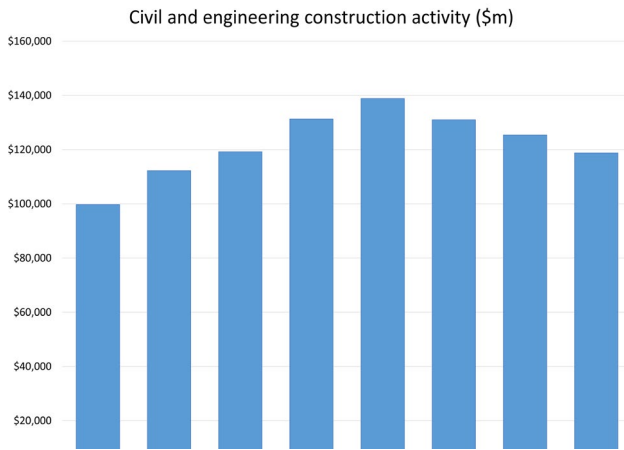
	PROJECT	COMPANY	STATE	TOTAL COST \$B	START DATE	END DATE
1	Suburban Rail Loop East	Victorian Rail Track	Victoria	\$35.0	2022	2035
2	Scarborough and Pluto Train 2 LNG project	Woodside / BHP	Western Australia	\$16.5	2022	2027
3	Stage 2 of Sydney Metro	NSW State Rail Authority	New South Wales	\$15.5	2018	2024
4	North East Link	VicRoads	Victoria	\$15.4	2022	2027
5	North-South Corridor - Torrens to Darlington (T2D)	SA Dept of Infrastructure and Transport	South Australia	\$15.4	Q4 2022	2031
6	Inland Rail - Melbourne to Brisbane rail link	Australian Rail Tack Corporation Ltd	Unallocated	\$14.5	2018	2025
7	Melbourne Metro Rail Project	Victorian Rail Track	Victoria	\$13.7	Early 2018	End 2025
8	Snowy Mountains Hydro Scheme 2.0	Australian Renewable Energy Agency	New South Wales	\$12.0	Q1 2021	2029
9	Sydney Metro (Western Sydney Airport link)	NSW State Rail Authority	New South Wales	\$11.0	Q4 2022	2026
10	West Gate Tunnel Project	Transurban	Victoria	\$10.2	Q1 2018	Q4 2025

Source: Master Builders Australia analysis of Deloitte Access Economics Investment Monitor, March 2024

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	na
2	Greater Sunrise gas development	Woodside / Conoco Phillips / Shell / Osaka Gas	Northern Territory	\$13.0	na	na
3	Pioneer-Burdekin pumped hydro project	QLD Government	Queensland	\$12.0	Plans announced	2032
4	Alpha Coal Project	Hancock Prospecting / GVK	Queensland	\$10.8	In planning	na
5	Sydney Metro West	NSW State Rail Authority	New South Wales	\$10.4	Mar 2025	Sep 2028
6	Melbourne Tullamarine Airport Rail link	Commonwealth Government Dept of Infrastructure and Regional Development	Victoria	\$10.0	In planning	na
7	Gorgon LNG project (fourth liquefaction train)	Gorgon joint venture	Western Australia	\$10.0	Waiting on final decision from Chevron	na
8	The Murchison Renewable Hydrogen project	Hydrogen Renewables Australia & Siemens Australia Pacific	Western Australia	\$10.0	Plans announced	na
9	Desalination plant north of Brisbane	QLD Government	Queensland	\$8.0	Plans announced	2035
10	West Pilbara iron ore project	Aurizon / Baowu / AMCI / Posco	Western Australia	\$7.4	Pending DFS decision	na

Source: Master Builders Australia analysis of Deloitte Access Economics Investment Monitor, March 2024



Engineering and civil construction activity: Master Builders Australia forecasts for Australia to 2028-29
(millions of 2021-22 dollars)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Total engineering and civil construction activity	\$99,749.0	\$112,232.6	\$119,173.9	\$131,309.7	\$138,810.3	\$130,979.1	\$125,428.3	\$118,768.3
<i>Change on previous year (%)</i>	+3.3%	+12.5%	+6.2%	+10.2%	+5.7%	-5.6%	-4.2%	-5.3%
Transport construction work	\$37,885.2	\$44,839.8	\$43,559.5	\$46,655.8	\$48,136.6	\$48,293.3	\$45,748.3	\$43,677.3
<i>Change on previous year (%)</i>	+11.1%	+18.4%	-2.9%	+7.1%	+3.2%	+0.3%	-5.3%	-4.5%
Utilities construction work	\$30,806.1	\$34,190.5	\$38,063.7	\$44,171.1	\$47,171.3	\$46,597.2	\$44,029.0	\$40,011.6
<i>Change on previous year (%)</i>	+8.8%	+11.0%	+11.3%	+16.0%	+6.8%	-1.2%	-5.5%	-9.1%
Resources construction work	\$24,536.1	\$25,261.3	\$29,716.8	\$33,430.2	\$35,890.6	\$28,228.8	\$27,544.7	\$26,732.3
<i>Change on previous year (%)</i>	-9.2%	+3.0%	+17.6%	+12.5%	+7.4%	-21.3%	-2.4%	-2.9%
Recreation and other engineering construction	\$6,521.5	\$7,941.0	\$7,833.9	\$7,052.7	\$7,611.8	\$7,859.8	\$8,106.2	\$8,347.1
<i>Change on previous year (%)</i>	-8.1%	+21.8%	-1.3%	-10.0%	+7.9%	+3.3%	+3.1%	+3.0%

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

KEY FORECAST ASSUMPTIONS

This edition of the Master Builders forecasts covers the period up to 30 June 2029. Over this period, it is expected that economic conditions will improve.

Economic growth is currently subpar with the Gross Domestic Product (GDP) growing by 1.5 per cent over the course of 2023–24. The hesitance of consumers is one of the main reasons growth has been so weak. However, the income tax cuts which took effect at the beginning of July 2024 as well as eventual moves towards lower interest rates are likely to be supportive of stronger household spending in the coming years.

Background factors like continued expansions in Australia's population and the size of the workforce will both tend to support growth in the economy anyway because they boost both demand (through more consumers) and supply (more workers).

Current trends in the labour market have seen the combination of a higher unemployment rate at the same time as brisk increases in the number of jobs. This is happening because a disproportionate share of new entrants to the labour market have not yet found work, a result of slackening economic conditions.

Master Builders' forecasts assume that unemployment will rise a bit further from current levels – but get no higher than 4.5 per cent.

The anticipated acceleration in the economy's growth rate will then start to reap rewards for the labour market, meaning that the unemployment rate will decline gently during the latter part of the forecast horizon.

2023–24 marked the third successive year in which Australia's inflation rate overshoot the Reserve Bank of Australia (RBA)'s target. The combination of slack economic growth and looser labour market conditions are gradually working to bring down inflation, but price pressures have proven to be much more stubborn than expected. Despite the considerable uncertainties which persist around inflation, there is still a good chance that it will be back within the RBA's target band from 2026 onwards.

The RBA's decisions relating to the cash rate both influence and are influenced by conditions across the economy. Even though inflation is still higher than the RBA would like, the near absence of economic growth and the cooling labour market still make it likely that interest rates will begin to move lower over the next 12 months.

**CANBERRA GRAMMAR SCHOOL MUSIC CENTRE AND AUDITORIUM, ACT
BY CONSTRUCTION CONTROL, FINALIST IN THE 2023
NATIONAL EDUCATION FACILITY AWARD**





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