



MASTER BUILDERS
A U S T R A L I A

BUILDING & CONSTRUCTION

Industry Forecasts

VICTORIA

June 2018



2017 National Education Facility Award, McCorkell Constructions, Ruyton Girls School, Victoria

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June 2018



INTRODUCTION

Master Builders is the peak national association for the building and construction industry in Australia. Master Builders' primary role is to champion the interests of the building and construction industry, representing residential and commercial building, and engineering construction.

Master Builders has more than 33,000 member companies with representation in every State and Territory in Australia, the great majority of which, by number, are small to medium sized enterprises. Master Builders' membership consists of large national, international, residential and commercial builders and civil contractors through to smaller local subcontracting firms, as well as suppliers and professional industry advisers. Membership of Master Builders represents 95 per cent of all sectors of the building and construction industry.

The building and construction industry is the second largest industry in Australia, accounting for around 8 per cent of Gross Domestic Product and provides jobs for more than 1 in 10 Australians in the workforce, with total employment of 1.2 million.

Owner-occupied housing and other property investments account for over two-thirds of the asset portfolio and wealth of ordinary Australians.

The building and construction industry is made up of approximately 370,000 businesses of which 95 per cent are small businesses and independent contractors. Combined, these small businesses employ more than 700,000 workers including 70,000 apprentices.

These forecasts have been prepared in conjunction with Macromonitor Pty Ltd. Macromonitor is one of Australia's leading industry research and forecasting firms, specialising in the building and construction sector.

For more information see www.masterbuilders.com.au, or send enquiries to enquiries@masterbuilders.com.au

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VICTORIA – COMMENTARY

Population and Transport Investment to Drive Growth

Migration has been perhaps the most important driver of the Victorian economy in recent years and will continue to be leading into the next decade. Victoria is the only state which recorded population growth at above the national average in 2017, which is pretty impressive given it accounts for around 25 per cent of the Australian population. The latter has been great for all parts of the economy, particularly residential construction.

Residential building approvals over the year to May 2018 have jumped by close to 15 per cent, and have held up better than in NSW. The residential construction sector should stay stronger for longer in Victoria.

Exchange rates continue to be supportive to the state's large manufacturing sector, and it is looking increasingly likely that interest rates will remain at record lows for the remainder of the year, good news for the housing sector.

Employment growth in construction also tops the state leader board, supported by growth across all three construction sectors.

The unemployment rate remains a little above the national average. The latter is a product of very high population growth but should ease over time as new international and interstate migrants settle and find jobs. However, wages growth has strengthened and is above the national average, suggesting the labour market is starting to tighten.

The table across shows residential construction is expected to continue to expand for a few more years and top \$25 billion in 2018-19. High population growth means Victorian home builders will need to build more houses each year than ever before to keep pace with underlying demand. We estimate this benchmark at around 70,000 new dwellings per year.

Construction of new apartments is expected to top 33,000 dwellings this year, before moderating slightly in the years thereafter.

Victoria's non-residential construction sector continues to improve. 2017-18 was the best year for commercial

construction activity on record, nationally and within the state.

Over the year to May 2018 non-residential building approvals are up by about 23%.

There are currently \$43 billion worth of projects under construction in Victoria, of which around \$13 billion are in commercial sectors.

Engineering construction is expected to top \$15 billion in 2018-19 and 2019-20, driven by very big publically funded transport projects. A number of major projects are still in the planning phase so if more get the go ahead in the next 12 months, then the value of engineering activity may beat expectations shown in these forecasts. If not, then the outlook may well undershoot expectations.

Major transport projects which account for the majority of civil and engineering activity include: the \$10.9 billion Metro Rail; \$1.6 billion Caulfield to Dandenong rail upgrade; and the \$1.6 billion Port Melbourne redevelopment.

Projects underway outside of the transport sector are led by the Yatpool, Karadoc and Wemen solar farms as well as Mt Gellibrand and Yaloak South wind farm – at a combined cost of around \$1 billion.

VICTORIA FORECASTS

Year Ended June	2017-18	2018-19	2019-20	2020-21	2021-22
Number Commenced					
Residential Building	71,792	72,458	71,478	66,633	60,574
%ch	11.7%	0.9%	-1.4%	-6.8%	-9.1%
Value of Work Done					
<i>\$M, chain volume measures, constant 2015/16 prices</i>					
Total Building & Construction	49,592	54,000	53,473	50,588	47,769
%ch	11.2%	8.9%	-1.0%	-5.4%	-5.6%
Residential Building	22,894	25,108	25,538	24,708	23,121
%ch	2.4%	9.7%	1.7%	-3.2%	-6.4%
Non-Residential Building	12,877	13,565	12,414	10,940	10,388
%ch	24.2%	5.3%	-8.5%	-11.9%	-5.0%
Engineering Construction	13,821	15,327	15,521	14,939	14,260
%ch	16.3%	10.9%	1.3%	-3.7%	-4.5%

Source: Master Builders Australia, Macromonitor, ABS data.

VICTORIA GRAPHS & TABLES – RESIDENTIAL BUILDING

VICTORIA – RESIDENTIAL BUILDING WORK DONE BY SECTOR

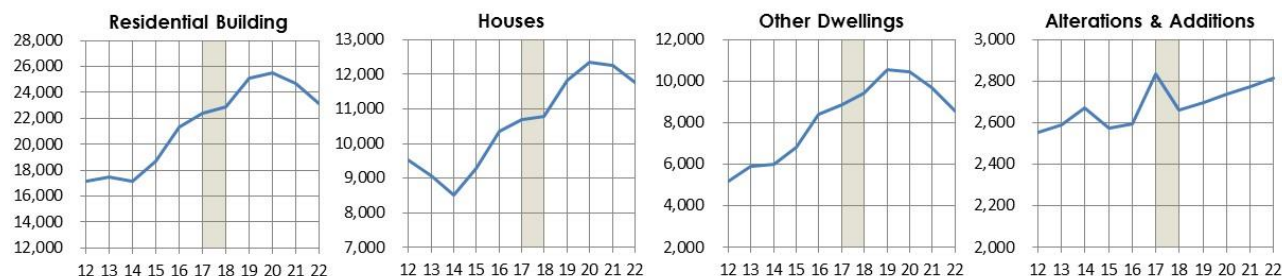
\$M, chain volume measures, constant 2015/16 prices – Year Ended June

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Residential Building	15,728	17,170	17,151	17,469	17,159	18,687	21,338	22,366	22,894	25,108	25,538	24,708	23,121
%ch	10.5%	9.2%	-0.1%	1.9%	-1.8%	8.9%	14.2%	4.8%	2.4%	9.7%	1.7%	-3.2%	-6.4%
Houses	10,154	10,400	9,533	9,060	8,516	9,286	10,341	10,679	10,795	11,843	12,338	12,252	11,754
%ch	9.8%	2.4%	-8.3%	-5.0%	-6.0%	9.0%	11.4%	3.3%	1.1%	9.7%	4.2%	-0.7%	-4.1%
Other Dwellings	3,484	4,511	5,160	5,874	6,001	6,838	8,403	8,851	9,436	10,565	10,462	9,680	8,552
%ch	26.4%	29.5%	14.4%	13.8%	2.2%	14.0%	22.9%	5.3%	6.6%	12.0%	-1.0%	-7.5%	-11.7%
Alterations & Additions	2,277	2,421	2,556	2,590	2,674	2,575	2,594	2,837	2,663	2,700	2,738	2,776	2,815
%ch	-7.4%	6.4%	5.6%	1.3%	3.2%	-3.7%	0.7%	9.4%	-6.1%	1.4%	1.4%	1.4%	1.4%

Source: Master Builders Australia, Macromonitor, ABS data.

VICTORIA – RESIDENTIAL BUILDING WORK DONE BY SECTOR

\$M, chain volume measures, constant 2015/16 prices – Year Ended June



VICTORIA – NUMBER OF DWELLING COMMENCEMENTS BY SECTOR

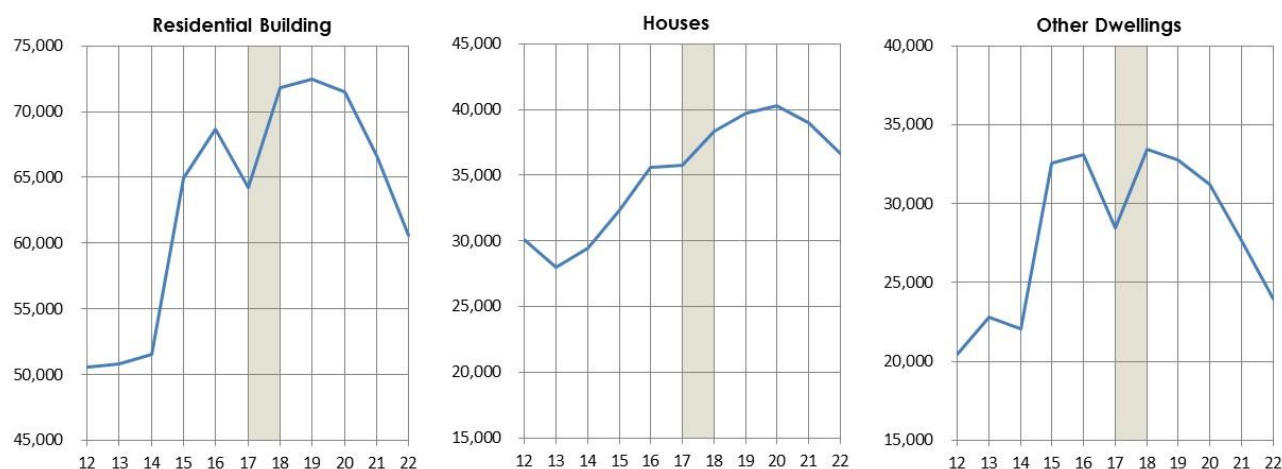
Year Ended June

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Residential Building	54,955	59,113	50,568	50,794	51,521	64,946	68,672	64,253	71,792	72,458	71,478	66,633	60,574
%ch	31.1%	7.6%	-14.5%	0.4%	1.4%	26.1%	5.7%	-6.4%	11.7%	0.9%	-1.4%	-6.8%	-9.1%
Houses	37,977	34,889	30,134	28,009	29,462	32,357	35,574	35,760	38,375	39,704	40,282	38,987	36,645
%ch	24.2%	-8.1%	-13.6%	-7.1%	5.2%	9.8%	9.9%	0.5%	7.3%	3.5%	1.5%	-3.2%	-6.0%
Other Dwellings	16,978	24,224	20,434	22,785	22,059	32,589	33,098	28,493	33,416	32,754	31,196	27,647	23,929
%ch	49.6%	42.7%	-15.6%	11.5%	-3.2%	47.7%	1.6%	-13.9%	17.3%	-2.0%	-4.8%	-11.4%	-13.4%

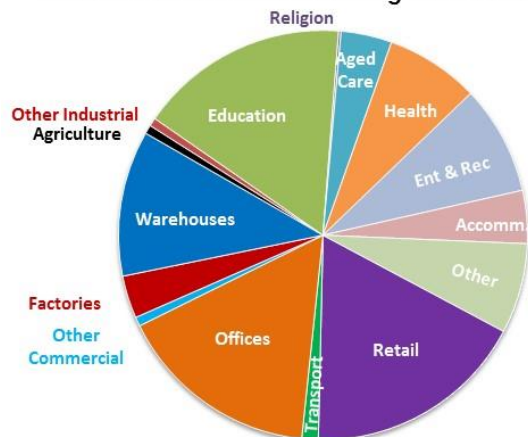
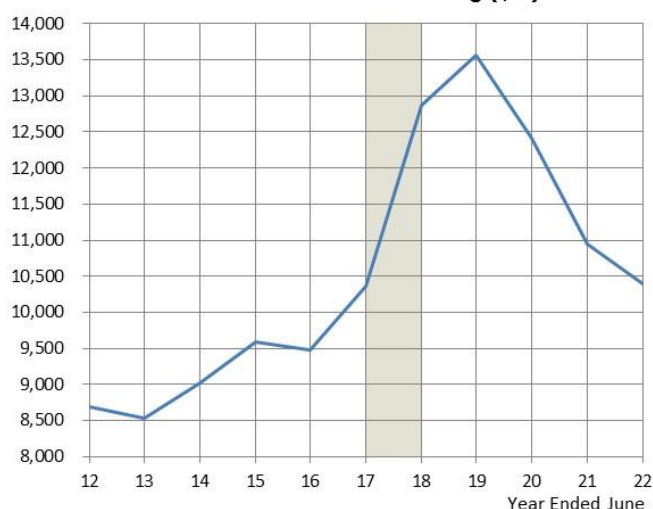
Source: Master Builders Australia, Macromonitor, ABS data.

VICTORIA – NUMBER OF DWELLING COMMENCEMENTS BY SECTOR

Year Ended June



VICTORIA GRAPHS & TABLES – NON-RESIDENTIAL BUILDING

Victoria Non-Residential Building Work Done 2016/17

Non-Residential Building (\$M)


VICTORIA – NON-RESIDENTIAL BUILDING WORK DONE BY SECTOR

\$M, chain volume measures, constant 2015/16 prices – Year Ended June

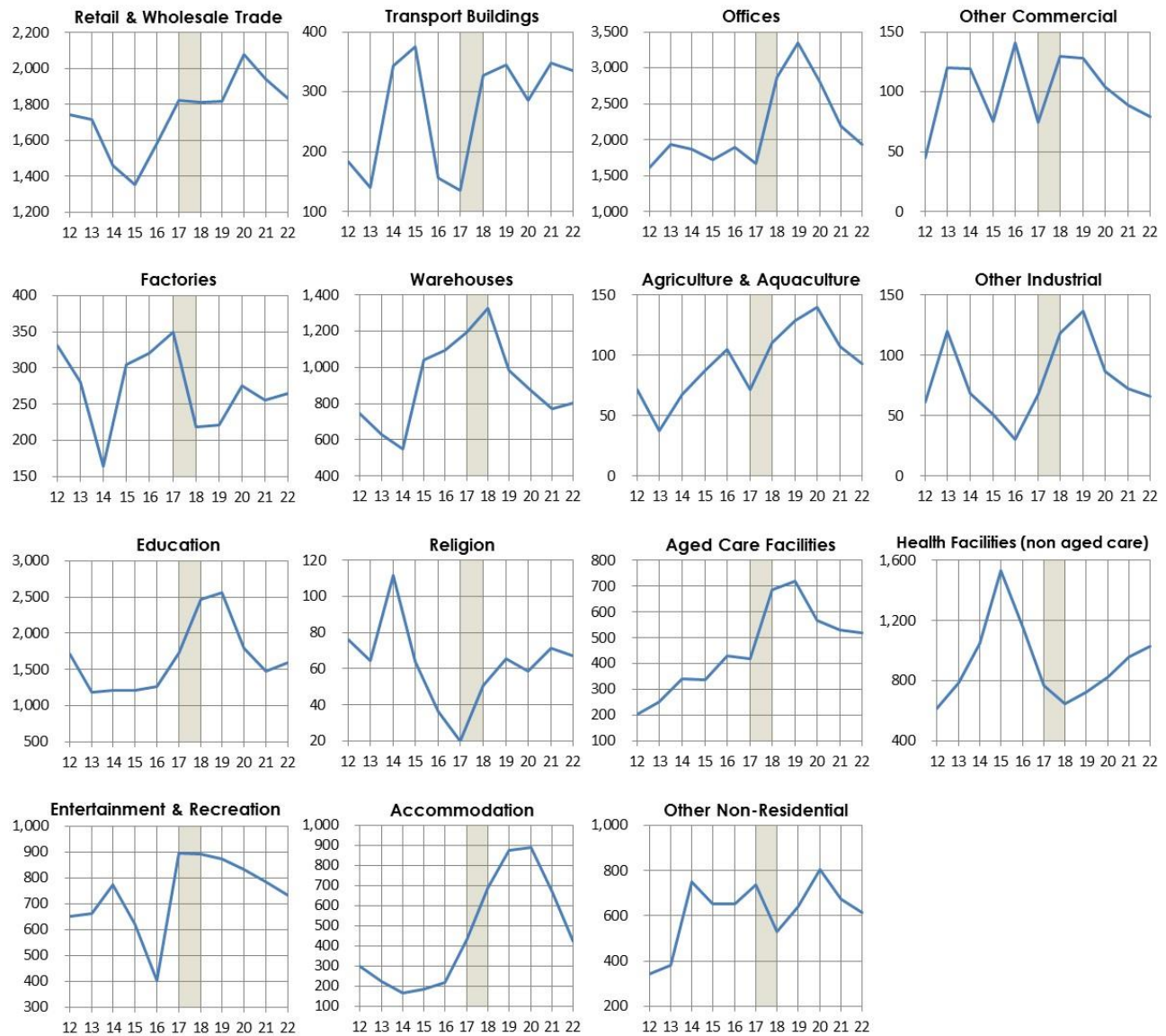
	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Non-Residential Building	9,202	8,563	8,695	8,532	9,028	9,596	9,484	10,367	12,877	13,565	12,414	10,940	10,388
%ch	-2.3%	-7.0%	1.5%	-1.9%	5.8%	6.3%	-1.2%	9.3%	24.2%	5.3%	-8.5%	-11.9%	-5.0%
Retail & wholesale trade	1,324	1,360	1,745	1,715	1,459	1,354	1,585	1,823	1,812	1,815	2,080	1,938	1,833
%ch	-32.4%	2.7%	28.3%	-1.7%	-14.9%	-7.2%	17.1%	15.1%	-0.6%	0.2%	14.6%	-6.8%	-5.4%
Transport buildings	191	150	183	140	343	374	155	135	327	344	286	348	335
%ch	-13.4%	-21.3%	22.1%	-23.4%	144.6%	9.1%	-58.5%	-13.3%	142.2%	5.5%	-16.9%	21.4%	-3.6%
Offices	1,230	1,138	1,614	1,938	1,864	1,716	1,899	1,663	2,869	3,352	2,799	2,187	1,932
%ch	-47.8%	-7.5%	41.8%	20.1%	-3.8%	-8.0%	10.7%	-12.4%	72.5%	16.8%	-16.5%	-21.9%	-11.7%
Other commercial	48	50	45	120	119	75	141	75	129	128	104	89	79
%ch	33.9%	3.8%	-10.4%	168.8%	-0.7%	-36.8%	86.9%	-47.0%	73.3%	-1.0%	-18.8%	-14.1%	-11.1%
Factories	245	275	331	280	164	305	320	349	219	222	276	255	265
%ch	-23.2%	12.1%	20.5%	-15.3%	-41.3%	85.1%	5.2%	9.0%	-37.4%	1.4%	24.5%	-7.4%	3.6%
Warehouses	642	647	745	627	551	1,038	1,092	1,193	1,327	985	872	770	804
%ch	-14.5%	0.8%	15.1%	-15.8%	-12.2%	88.5%	5.2%	9.2%	11.2%	-25.8%	-11.4%	-11.7%	4.3%
Agriculture and aquaculture	72	194	72	37	68	87	105	71	111	129	140	108	93
%ch	89.6%	169.8%	-63.1%	-48.2%	82.0%	29.0%	20.6%	-32.0%	54.9%	16.2%	9.1%	-23.2%	-13.8%
Other industrial	48	52	62	120	68	51	30	68	119	137	86	73	66
%ch	-36.0%	7.7%	19.4%	94.7%	-43.2%	-25.6%	-40.7%	125.7%	74.9%	15.1%	-36.8%	-16.0%	-8.7%
Education	2,887	2,844	1,706	1,183	1,204	1,206	1,262	1,719	2,468	2,558	1,791	1,480	1,600
%ch	195.9%	-1.5%	-40.0%	-30.6%	1.7%	0.2%	4.6%	36.2%	43.6%	3.6%	-30.0%	-17.4%	8.1%
Religion	60	64	76	64	112	64	37	20	51	65	59	72	67
%ch	23.6%	7.6%	19.0%	-15.8%	73.7%	-42.6%	-42.9%	-45.2%	153.9%	28.4%	-10.4%	22.4%	-6.5%
Aged care facilities	234	160	205	253	339	339	429	418	685	718	565	529	521
%ch	-30.5%	-31.4%	27.9%	23.4%	34.2%	-0.2%	26.7%	-2.7%	64.0%	4.9%	-21.3%	-6.5%	-1.5%
Health facilities (non-aged care)	818	751	618	790	1,047	1,528	1,153	767	650	725	827	961	1,027
%ch	2.9%	-8.1%	-17.7%	27.9%	32.5%	45.9%	-24.5%	-33.5%	-15.3%	11.6%	14.1%	16.2%	6.9%
Entertainment & Recreation	524	421	651	660	774	621	401	895	892	873	832	785	730
%ch	-26.1%	-19.6%	54.6%	1.4%	17.2%	-19.7%	-35.5%	123.4%	-0.4%	-2.1%	-4.6%	-5.7%	-7.0%
Accommodation	369	166	301	222	165	186	221	434	691	877	891	670	422
%ch	-39.9%	-55.1%	81.8%	-26.5%	-25.4%	12.5%	18.7%	96.5%	59.5%	26.8%	1.6%	-24.8%	-37.0%
Other non-residential	512	292	342	382	750	651	654	738	528	638	804	676	615
%ch	176.8%	-43.0%	17.4%	11.7%	96.1%	-13.1%	0.4%	12.8%	-28.4%	20.9%	26.0%	-15.9%	-9.1%

Source: Master Builders Australia, Macromonitor, ABS data.

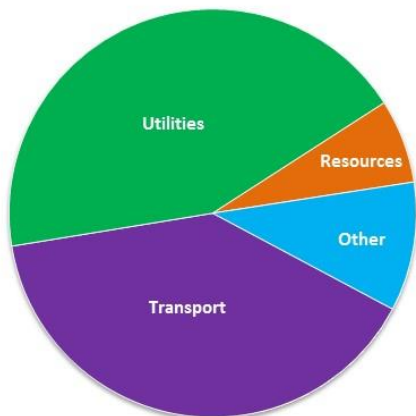
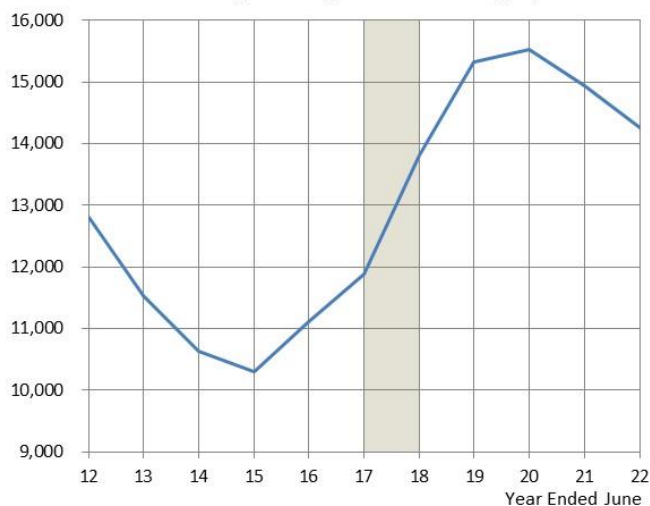
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VICTORIA – NON-RESIDENTIAL BUILDING WORK DONE BY SECTOR

\$M, chain volume measures, constant 2015/16 prices Year Ended June



VICTORIA GRAPHS & TABLES – ENGINEERING CONSTRUCTION

Victoria Engineering Construction Work Done 2016/17

Engineering Construction (\$M)


VICTORIA – ENGINEERING CONSTRUCTION WORK DONE BY SECTOR

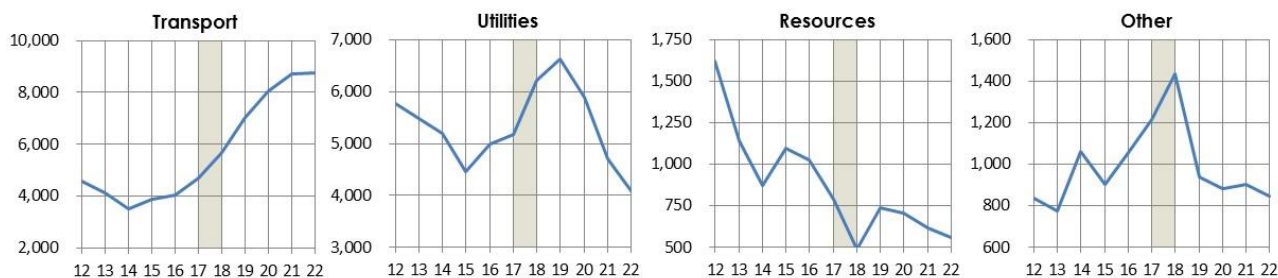
\$m, chain volume measures, constant 2015/16 prices – Year Ended June

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Engineering Construction	10,919	12,456	12,797	11,527	10,640	10,309	11,113	11,880	13,821	15,327	15,521	14,939	14,260
%ch	14.3%	14.1%	2.7%	-9.9%	-7.7%	-3.1%	7.8%	6.9%	16.3%	10.9%	1.3%	-3.7%	-4.5%
Transport	3,001	4,169	4,573	4,136	3,513	3,863	4,042	4,710	5,670	7,023	8,051	8,712	8,772
%ch	-3.8%	38.9%	9.7%	-9.5%	-15.1%	10.0%	4.6%	16.5%	20.4%	23.9%	14.6%	8.2%	0.7%
Utilities	5,870	6,650	5,769	5,473	5,195	4,448	4,992	5,167	6,227	6,626	5,883	4,710	4,088
%ch	25.9%	13.3%	-13.3%	-5.1%	-5.1%	-14.4%	12.2%	3.5%	20.5%	6.4%	-11.2%	-19.9%	-13.2%
Resources	1,368	949	1,621	1,142	871	1,098	1,023	789	488	738	707	616	556
%ch	22.9%	-30.6%	70.7%	-29.5%	-23.8%	26.1%	-6.8%	-22.9%	-38.1%	51.2%	-4.2%	-12.8%	-9.7%
Other	680	688	834	775	1,062	900	1,056	1,214	1,437	940	880	902	845
%ch	2.9%	1.2%	21.3%	-7.1%	37.0%	-15.2%	17.2%	15.0%	18.3%	-34.6%	-6.4%	2.5%	-6.3%

Source: Master Builders Australia, Macromonitor, ABS data.

VICTORIA – ENGINEERING CONSTRUCTION WORK DONE BY SECTOR

\$M, chain volume measures, constant 2015/16 prices – Year Ended June



ABS SECTORS

Residential Building	
Houses	A house is a detached building predominantly used for long-term residential purposes and consisting of only one dwelling unit. Thus, detached 'granny flats' and detached dwelling units (such as caretakers' residences) associated with non-residential buildings are defined as houses for the purpose of these statistics.
Other dwellings	A building other than a house primarily used for long-term residential purposes and which contains (or has attached to it) more than one dwelling unit (e.g. includes blocks of flats, home units, attached townhouses, semi-detached houses, maisonettes, duplexes, apartment buildings, etc.).
Alterations and Additions	Building activity carried out on existing buildings. Includes adding to or diminishing floor area, altering the structural design of a building and affixing rigid components which are integral to the functioning of the building.
Non-residential building	
Non-residential building	A non-residential building is primarily intended for purposes other than long term residential purposes
Retail & wholesale trade	Buildings primarily used in the sale of goods to intermediate and end users.
Transport buildings	Buildings primarily used in the provision of transport services, and includes the following categories: Passenger transport buildings (e.g. passenger terminals), Non-passenger transport buildings (e.g. freight terminals), Commercial car parks (excluded are those built as part of, and intended to service, other distinct building developments), Other transport buildings n.e.c.
Offices	Buildings primarily used in the provision of professional services or public administration (e.g. offices, insurance or finance buildings).
Other commercial	Building not included in commercial categories above.
Factories	Buildings housing, or associated with, production and assembly processes of intermediate and final goods.
Warehouses	Buildings primarily used for storage of goods, excluding produce storage.
Agriculture and aquaculture	Buildings housing, or associated with, agriculture and aquaculture activities, including bulk storage of produce (e.g. shearing shed, grain silo, shearers' quarters).
Other industrial	Building not included in industrial categories listed above.
Education	Buildings used in the provision or support of educational services, including group accommodation buildings (e.g. classrooms, school canteens, dormitories).
Religion	Buildings used for or associated with worship, or in support of programs sponsored by religious bodies (e.g. church, temple, church hall, dormitories).
Aged care facilities	Building used in the provision or support of aged care facilities, excluding dwellings (e.g. retirement villages). Includes aged care facilities with and without medical care.
Health facilities (non-aged care)	Buildings used in the provision of non-aged care medical services (e.g. nurses quarters, laboratories, clinics).
Entertainment & Recreation	Buildings used in the provision of entertainment and recreational facilities or services (e.g. libraries, museums, casinos, sporting facilities).
Accommodation	Buildings primarily providing short-term or temporary accommodation, and includes the following categories: Self-contained, short term apartments (e.g. serviced apartments), Hotels (predominantly accommodation), motels, boarding houses, cabins, Other short term accommodation n.e.c. (e.g. migrant hostels, youth hostels, lodges).
Other non-residential	Building not included in categories listed above.
Engineering Construction	
Transport	Includes roads, bridges, railways, harbours
Utilities	Includes water, wastewater, electricity, gas pipelines, telecommunications
Resources	Includes oil, gas and other hydrocarbons; bauxite, alumina and aluminium; coal and coal handling; other minerals and heavy industry.
Other engineering construction	Construction of facilities not involved in categories listed above.

Disclaimer

While every care has been taken in preparing this document, Master Builders Australia will not accept responsibility for actions taken in reliance upon information contained in this document.

The forecasts presented in this publication were developed. The forecasts presented in this publication are subject to unavoidable statistical variation. While all care has been taken to ensure that the statistical variation is kept to a minimum, care should be taken whenever using this information. The interpretation and conclusions presented in this publication are those of the author(s).



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