



**MASTER BUILDERS**  
A U S T R A L I A



**BUILDING & CONSTRUCTION**

# **INDUSTRY FORECASTS**

**VIC** **BACK TO  
REALITY?**

**AUGUST 2019**





VIC

2019 | **AUGUST**  
COMMENTARY

## Back to Reality?

Victoria's economy is the undoubted star performer of recent years: unemployment has drifted lower over the past year and over 125,000 new jobs have been created across the state's economy – equivalent to a remarkable 3.9% annual growth rate. This is on top of already huge gains in the number of jobs in previous years. The state's fertile labour market is a major attraction, both for Australians departing parts of the country where economic conditions are quieter and migrants from overseas. Melbourne in particular

**76,149**

Number of New Homes  
Started at Peak in 2017/18

**52,205**

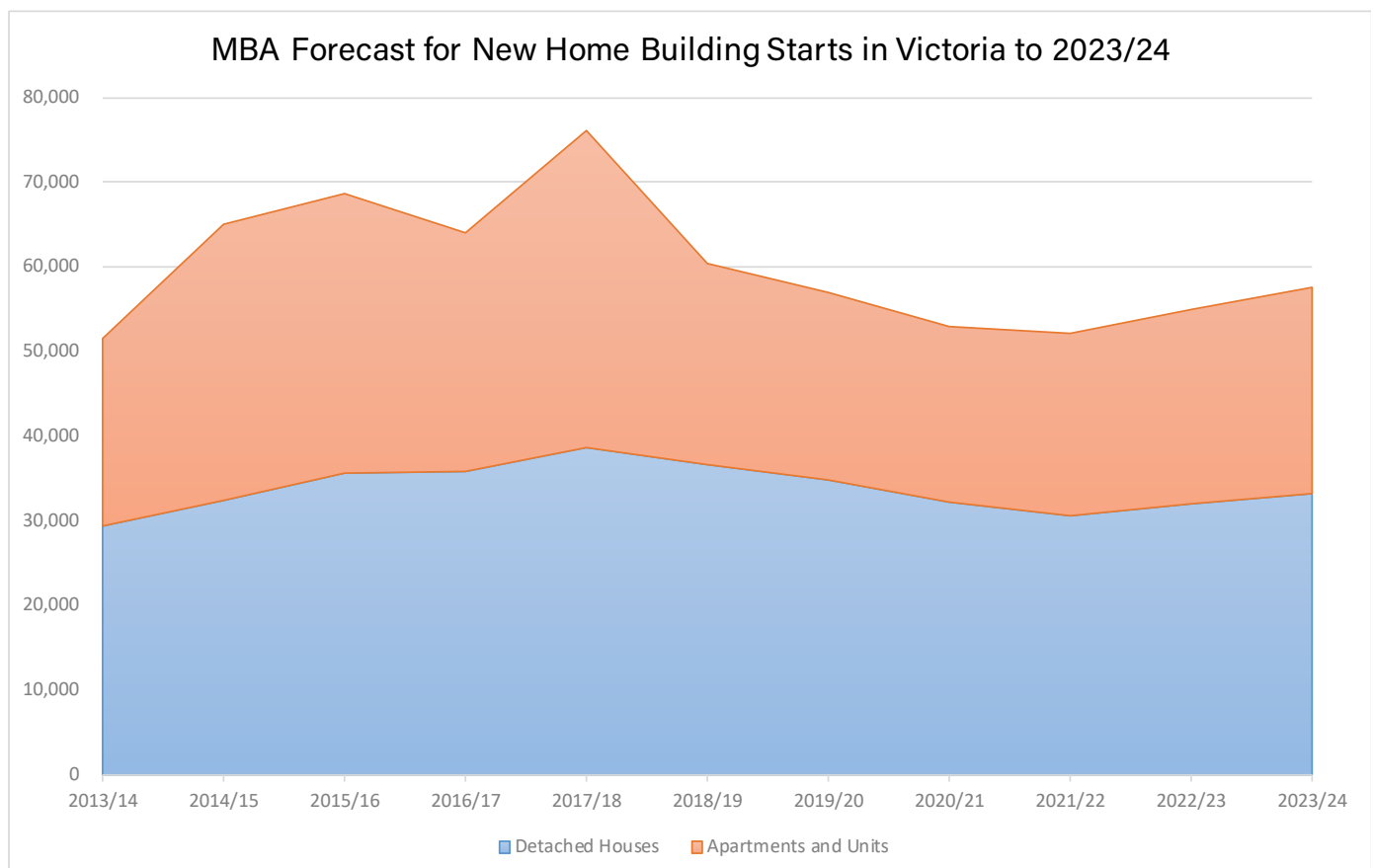
Home Building Trough  
forecast for 2021/22

has also become a major international learning hub, with students from all over the world coming in significant numbers to obtain a high-quality, English-language university education. The result has been a boom in population growth – during 2018, Victoria's population rose by 2.2%, higher than any other Australian state and territory with 139,430 more people able to call themselves Victorians.

Up until recently, the combination of high population growth, robust employment gains and low interest rates propelled new home building higher and higher: during 2017/18, new dwelling starts topped 75,000 in Victoria with high density units accounting for much of the increase. Things have changed since 2017 when house prices in Melbourne started to fall, depriving the housing market of its main fuel. Over the past 12 months, house prices in Melbourne are down by 10.7% and rental price growth is just about holding up (+1.6%). Despite the fact that the current alignment of

fundamentals like interest rates, population and employment is in Victoria's favour, the challenging aspects of the microeconomic environment like credit availability and the lack of buyer confidence will mean a difficult number of years for residential building in Victoria with new home starts projected to bottom out at 52,205 during 2021/22 before embarking on modest recovery – by 2023/24, the volume of new home starts is anticipated to be 10.2% higher than the 2021/22 trough. Prospects for home renovations in Victoria are quite positive, with the volume of activity expected to be 7.7% higher by 2023/24 compared with 2018/19.

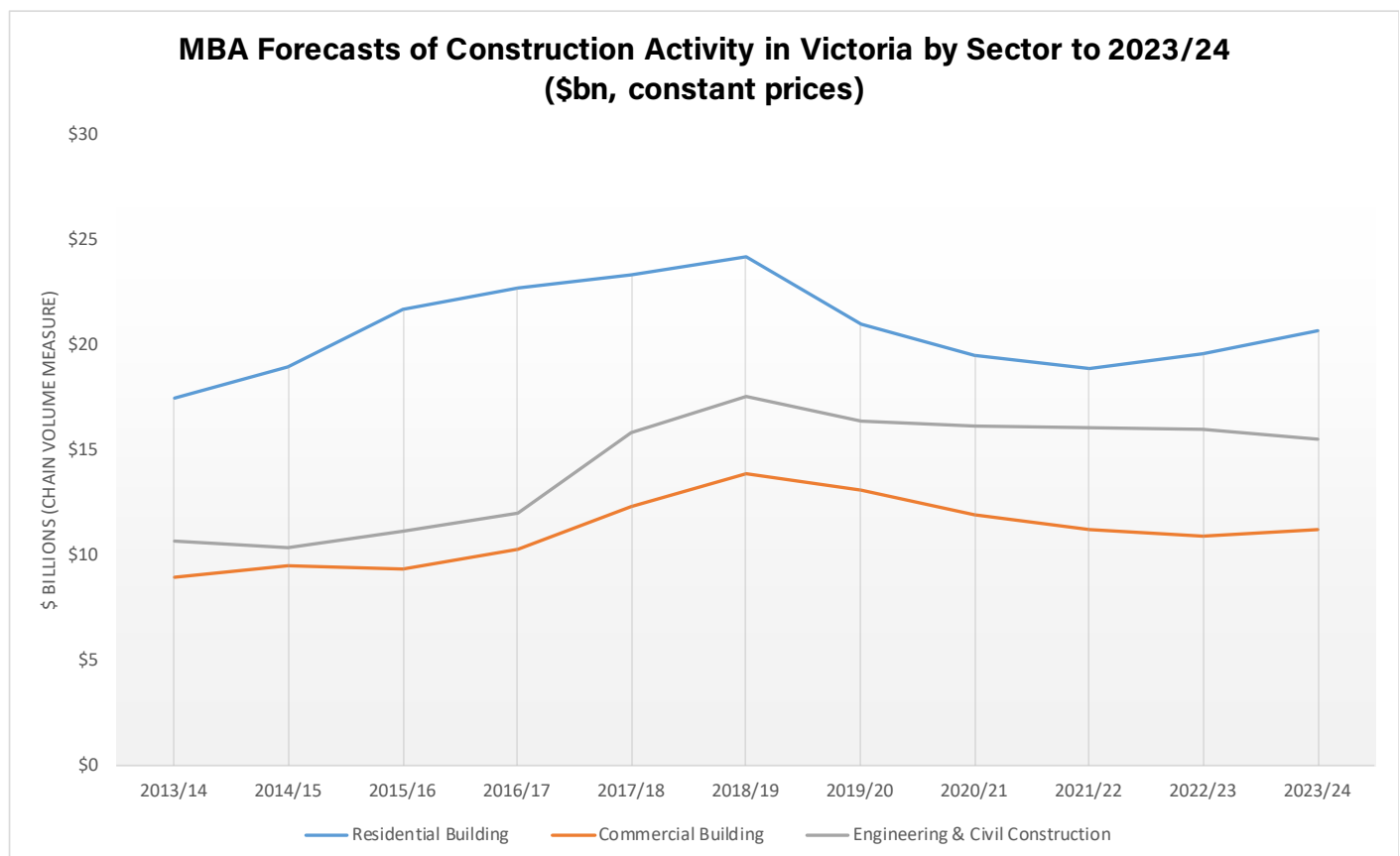
Like residential, the pipeline of commercial building work in Victoria is facing into a tough number of years following the strong upturn of recent years. During the March 2019 quarter, the volume of commercial building was 8.4% higher than a year earlier. However, activity is set to decline by 5.5% during 2019/20 with an even larger decline (-8.8%) during 2020/21. Activity is not expected to expand



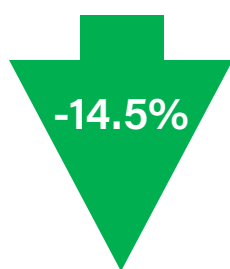
again until 2023/24 by which time activity will have fallen by 19.0% compared with 2018/19. The pace of decline is expected to be particularly severe for industrial building activity in Victoria.

Like commercial building, the passing of 'peak' infrastructure means that volume of engineering construction in Victoria is set to decline from high levels over the next few years. Engineering construction is projected to fall by 6.6% in 2019/20 and by a further 1.7% in 2020/21, with more measured reductions over subsequent years.

The accumulation of these declines means that the size of Victoria's engineering construction market in 2023/24 is anticipated to be 11.5% smaller than in 2018/19. Transport infrastructure work in Victoria is expected to hold up reasonably well over the forecast horizon but a big reduction on the utilities side will more than counterbalance this effect. The state's small resources sector will help steady the ship somewhat with a strong uplift in activity here during 2020/21.



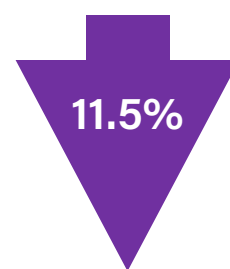
## MBA forecast Change in Activity: 2023/24 v 2018/19



**Residential  
Building**



**Commercial  
Building**



**Engineering & Civil  
Construction**

# VIC

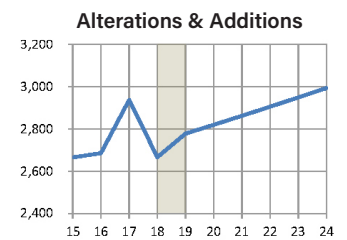
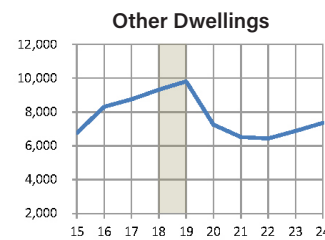
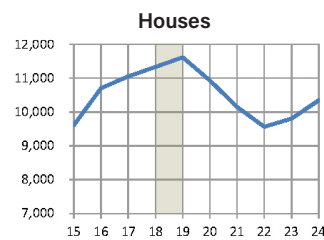
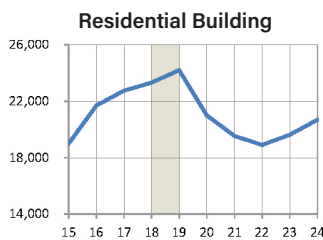
# 2019 | GRAPHS & TABLES

## RESIDENTIAL BUILDING

### RESIDENTIAL BUILDING WORK DONE BY SECTOR

\$M, chain volume measures, constant 2016/17 prices - Year Ended June

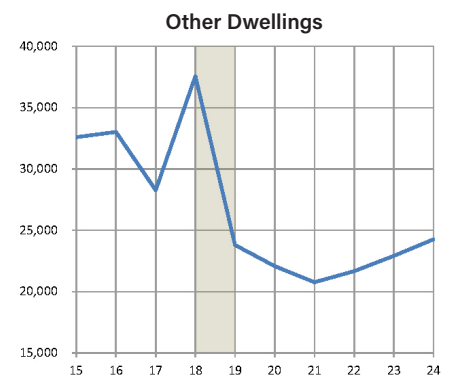
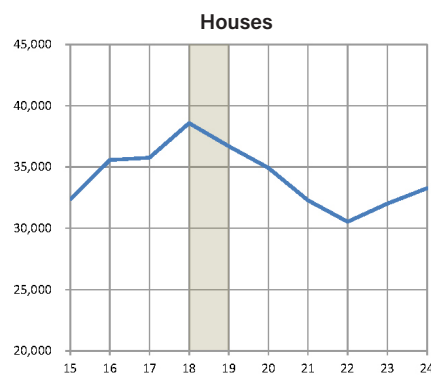
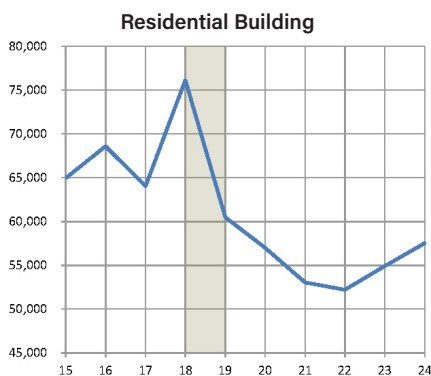
	%ch	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Residential Building		15,994	17,461	17,442	17,766	17,450	19,000	21,699	22,743	23,317	24,204	20,998	19,538	18,905	19,628	20,691
		10.5%	9.2%	-0.1%	1.9%	-1.8%	8.9%	14.2%	4.8%	2.5%	3.8%	-13.2%	-7.0%	-3.2%	3.8%	5.4%
Houses		10,512	10,766	9,869	9,379	8,816	9,614	10,706	11,052	11,334	11,617	10,928	10,153	9,564	9,805	10,343
		9.8%	2.4%	-8.3%	-5.0%	-6.0%	9.0%	11.4%	3.2%	2.5%	2.5%	-5.9%	-7.1%	-5.8%	2.5%	5.5%
Other Dwellings		3,446	4,462	5,104	5,809	5,935	6,763	8,310	8,754	9,317	9,809	7,250	6,523	6,437	6,875	7,355
		26.4%	29.5%	14.4%	13.8%	2.2%	14.0%	22.9%	5.3%	6.4%	5.3%	-26.1%	-10.0%	-1.3%	6.8%	7.0%
Alterations & Additions		2,357	2,507	2,647	2,682	2,769	2,666	2,685	2,937	2,666	2,778	2,820	2,862	2,905	2,949	2,993
		-7.4%	6.4%	5.6%	1.3%	3.2%	-3.7%	0.7%	9.4%	-9.2%	4.2%	1.5%	1.5%	1.5%	1.5%	1.5%



### NUMBER OF DWELLING COMMENCEMENTS BY SECTOR

Year Ended June

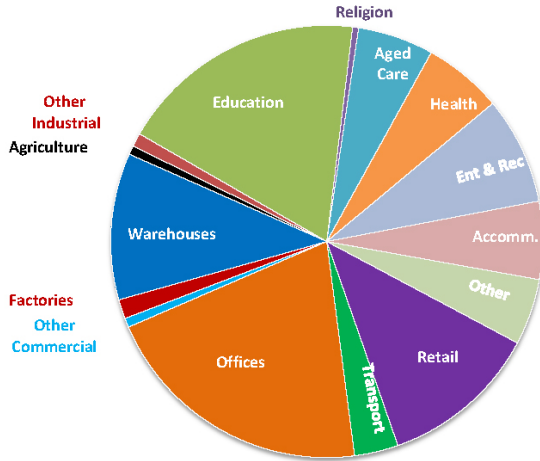
	%ch	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Residential Building		54,955	59,113	50,568	50,794	51,521	64,946	68,591	64,027	76,149	60,483	56,998	53,035	52,205	54,918	57,529
		31.1%	7.6%	-14.5%	0.4%	1.4%	26.1%	5.6%	-6.7%	18.9%	-20.6%	-5.8%	-7.0%	-1.6%	5.2%	4.8%
Houses		37,977	34,889	30,134	28,009	29,462	32,357	35,574	35,760	38,579	36,690	34,926	32,273	30,534	32,005	33,270
		24.2%	-8.1%	-13.6%	-7.1%	5.2%	9.8%	9.9%	0.5%	7.9%	-4.9%	-4.8%	-7.6%	-5.4%	4.8%	4.0%
Other Dwellings		16,978	24,224	20,434	22,785	22,059	32,589	33,017	28,267	37,570	23,793	22,073	20,762	21,672	22,913	24,259
		49.6%	42.7%	-15.6%	11.5%	-3.2%	47.7%	1.3%	-14.4%	32.9%	-36.7%	-7.2%	-5.9%	4.4%	5.7%	5.9%



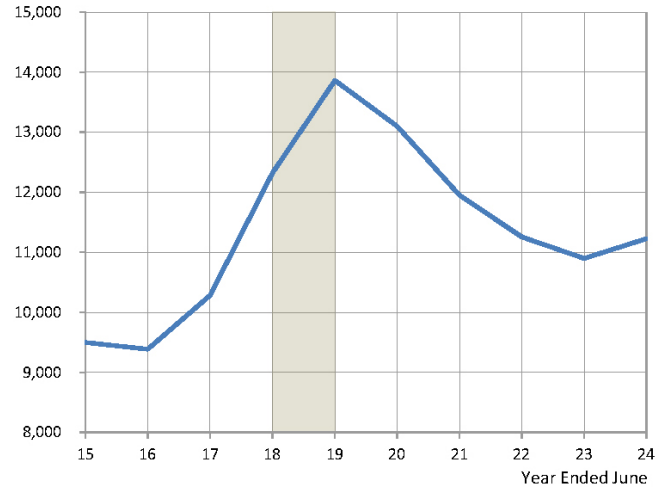


# NON-RESIDENTIAL BUILDING

Victoria Non-Residential Building Work Done 2017/18



Non-Residential Building (\$M)

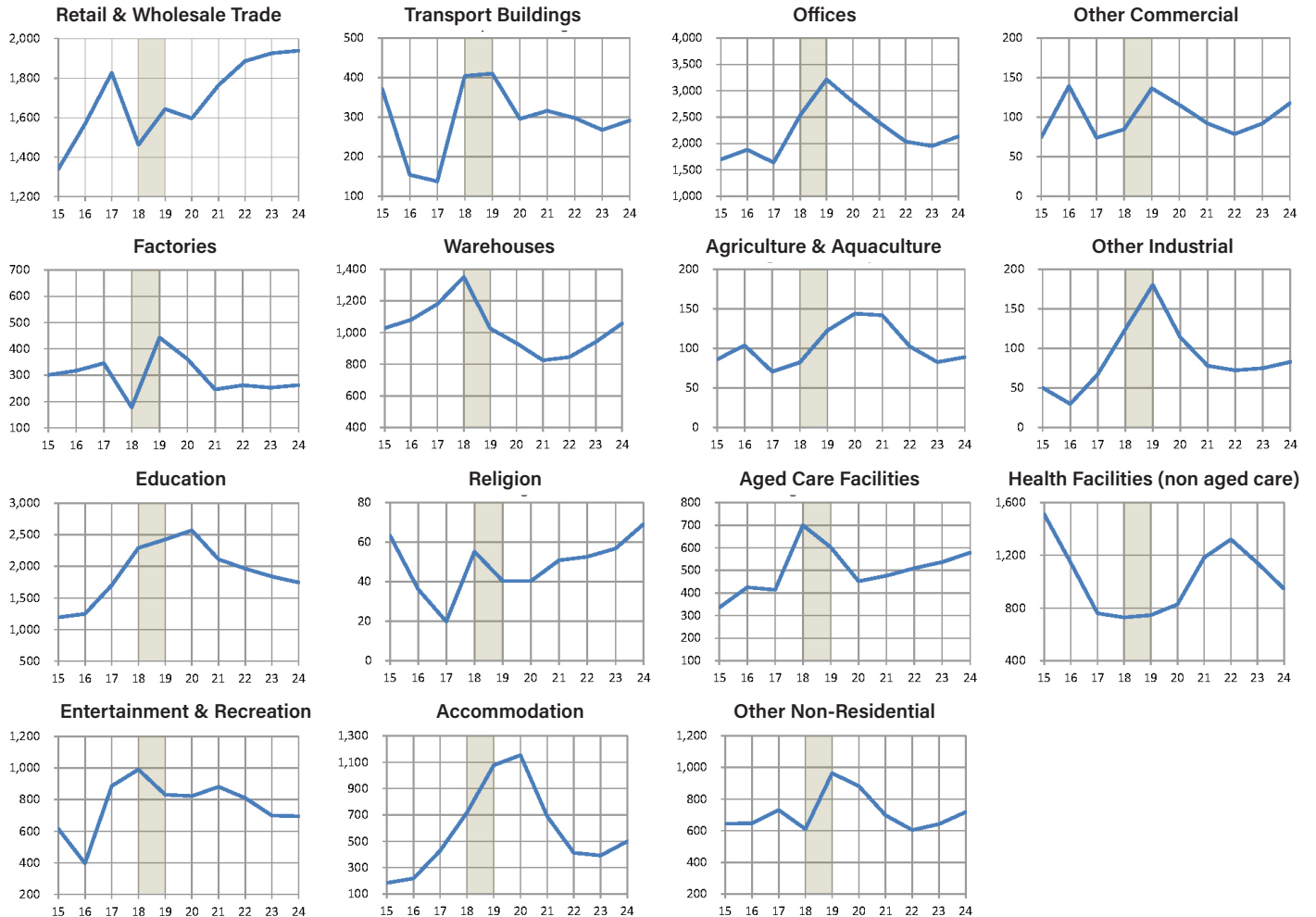


## NON-RESIDENTIAL BUILDING WORK DONE BY SECTOR

\$M, chain volume measures, constant 2016/17 prices - Year Ended June

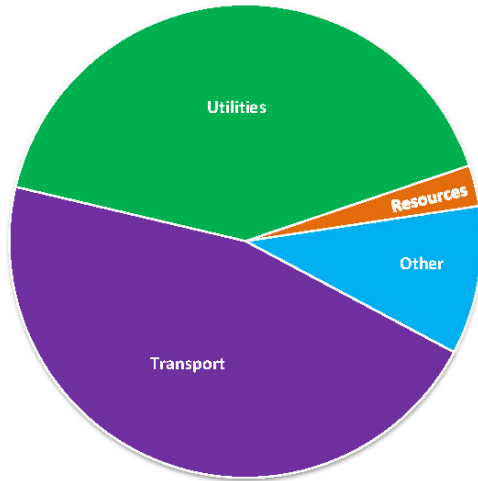
	%ch	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Non-Residential Building		9,109	8,476	8,607	8,446	8,936	9,498	9,387	10,281	12,317	13,863	13,099	11,950	11,255	10,897	11,227
	-2.3%	-7.0%	1.5%	-1.9%	5.8%	6.3%	-1.2%	9.5%	19.8%	12.5%	-5.5%	-8.8%	-5.8%	-3.2%	3.0%	
Retail & wholesale trade		1,310	1,346	1,727	1,698	1,444	1,340	1,568	1,827	1,463	1,643	1,596	1,764	1,886	1,925	1,939
	-32.4%	2.7%	28.3%	-1.7%	-14.9%	-7.2%	17.0%	16.5%	-19.9%	12.3%	-2.9%	10.5%	6.9%	2.1%	0.7%	
Transport buildings		189	149	181	139	340	371	154	137	404	410	296	316	298	267	291
	-13.4%	-21.3%	22.1%	-23.4%	144.6%	9.1%	-58.5%	-10.7%	194.2%	1.4%	-28.0%	6.9%	-5.8%	-10.2%	9.0%	
Offices		1,217	1,126	1,597	1,918	1,846	1,698	1,879	1,638	2,535	3,214	2,790	2,395	2,037	1,952	2,134
	-47.8%	-7.5%	41.8%	20.1%	-3.8%	-8.0%	10.7%	-12.8%	54.7%	26.8%	-13.2%	-14.2%	-15.0%	-4.2%	9.3%	
Other commercial		47	49	44	119	118	75	139	74	85	136	115	92	79	92	118
	33.9%	3.8%	-10.4%	168.8%	-0.7%	-36.8%	86.9%	-47.0%	14.5%	61.4%	-15.5%	-20.1%	-14.8%	16.9%	27.8%	
Factories		243	272	328	277	163	301	317	346	178	444	362	246	262	253	263
	-23.2%	12.1%	20.5%	-15.3%	-41.3%	85.1%	5.2%	9.0%	-48.5%	149.0%	-18.4%	-31.9%	6.4%	-3.5%	4.0%	
Warehouses		635	640	737	621	545	1,028	1,081	1,181	1,352	1,027	932	825	845	941	1,058
	-14.5%	0.8%	15.1%	-15.8%	-12.2%	88.5%	5.2%	9.2%	14.5%	-24.1%	-9.2%	-11.5%	2.5%	11.3%	12.4%	
Agriculture & aquaculture		71	192	71	37	67	86	104	71	82	123	144	142	103	83	89
	89.6%	169.8%	-63.1%	-48.2%	82.0%	29.0%	20.6%	-32.0%	16.6%	48.7%	17.6%	-1.4%	-27.8%	-19.4%	7.7%	
Other industrial		47	51	61	119	67	50	30	67	124	180	114	78	72	75	83
	-36.0%	7.7%	19.4%	94.7%	-43.2%	-25.6%	-40.7%	125.7%	84.7%	45.4%	-36.7%	-31.7%	-7.1%	3.6%	10.6%	
Education		2,858	2,815	1,689	1,171	1,191	1,194	1,249	1,702	2,293	2,424	2,571	2,111	1,963	1,841	1,747
	195.9%	-1.5%	-40.0%	-30.6%	1.7%	0.2%	4.6%	36.3%	34.7%	5.7%	6.1%	-17.9%	-7.0%	-6.2%	-5.1%	
Religion		59	63	75	64	110	63	36	20	55	40	40	51	53	57	69
	23.6%	7.6%	19.0%	-15.8%	73.7%	-42.6%	-42.9%	-45.2%	178.7%	-27.0%	-0.1%	26.0%	3.6%	7.9%	21.8%	
Aged care facilities		231	159	203	250	336	335	425	413	700	602	452	476	510	537	578
	-30.5%	-31.4%	27.9%	23.4%	34.2%	-0.2%	26.7%	-2.7%	69.3%	-14.0%	-25.0%	5.4%	7.0%	5.3%	7.8%	
Health facilities (non-aged care)		810	744	612	782	1,037	1,512	1,141	759	729	746	828	1,183	1,322	1,142	945
	2.9%	-8.1%	-17.7%	27.9%	32.5%	45.9%	-24.5%	-33.5%	-4.0%	2.4%	11.0%	42.9%	11.7%	-13.6%	-17.2%	
Entertainment & Recreation		518	417	644	653	766	615	397	886	991	831	823	882	810	699	696
	-26.1%	-19.6%	54.6%	1.4%	17.2%	-19.7%	-35.5%	123.4%	11.8%	-16.1%	-1.1%	7.2%	-8.1%	-13.8%	-0.5%	
Accommodation		366	164	298	219	164	184	218	429	717	1,077	1,154	690	412	392	499
	-39.9%	-55.1%	81.8%	-26.5%	-25.4%	12.5%	18.7%	96.5%	66.9%	50.3%	7.1%	-40.2%	-40.3%	-4.9%	27.3%	
Other non-residential		507	289	339	378	742	645	647	730	610	964	882	698	605	642	719
	176.8%	-43.0%	17.4%	11.7%	96.1%	-13.1%	0.4%	12.8%	-16.4%	58.0%	-8.5%	-20.9%	-13.4%	6.2%	12.0%	

## NON-RESIDENTIAL BUILDING CONT.

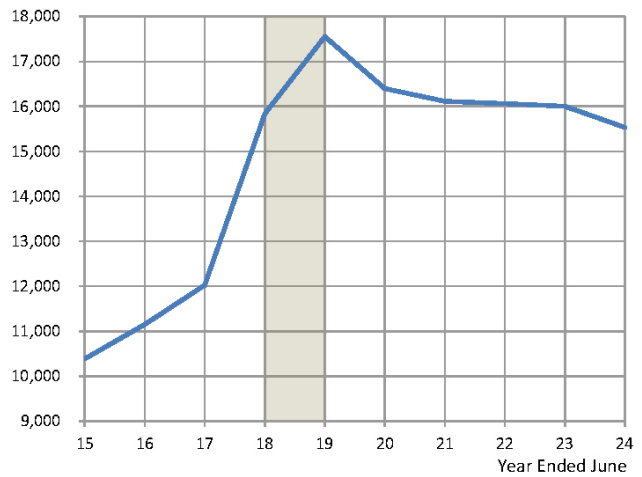


# ENGINEERING CONSTRUCTION

Victoria Engineering Construction Work Done 2017/18



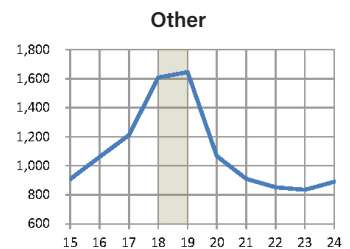
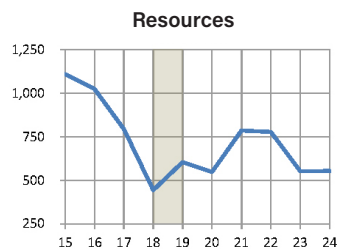
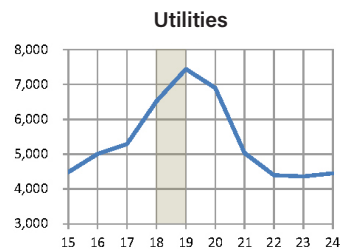
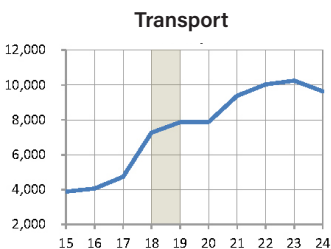
Engineering Construction (\$M)



## ENGINEERING CONSTRUCTION WORK DONE BY SECTOR

\$M, chain volume measures, constant 2016/17 prices - Year Ended June

	%ch	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	2022-23	2023-24
Engineering Construction		11,000	12,544	12,889	11,606	10,715	10,386	11,151	12,026	15,837	17,554	16,396	16,113	16,063	16,001	15,533
		14.3%	14.0%	2.8%	-10.0%	-7.7%	-3.1%	7.4%	7.8%	31.7%	10.8%	-6.6%	-1.7%	-0.3%	-0.4%	-2.9%
Transport		3,015	4,186	4,593	4,152	3,527	3,885	4,060	4,730	7,270	7,864	7,882	9,381	10,036	10,251	9,638
		-3.8%	38.8%	9.7%	-9.6%	-15.0%	10.1%	4.5%	16.5%	53.7%	8.2%	0.2%	19.0%	7.0%	2.1%	-6.0%
Utilities		5,919	6,707	5,818	5,519	5,237	4,484	5,007	5,291	6,515	7,441	6,899	5,035	4,397	4,362	4,451
		25.9%	13.3%	-13.3%	-5.1%	-5.1%	-14.4%	11.6%	5.7%	23.1%	14.2%	-7.3%	-27.0%	-12.7%	-0.8%	2.0%
Resources		1,382	959	1,637	1,153	879	1,109	1,024	794	444	605	548	786	777	553	554
		22.9%	-30.6%	70.7%	-29.6%	-23.8%	26.1%	-7.7%	-22.5%	-44.1%	36.3%	-9.3%	43.4%	-1.1%	-28.9%	0.2%
Other		684	692	841	782	1,071	908	1,061	1,211	1,608	1,645	1,067	911	853	835	890
		2.9%	1.2%	21.5%	-7.0%	37.0%	-15.2%	16.8%	14.2%	32.8%	2.3%	-35.1%	-14.6%	-6.4%	-2.1%	6.6%



Source: Master Builders Australia, Macromonitor, ABS data.





**Separate forecast reports available for all states and territories. All report Data, Tables and Charts are available to order in Excel. Contact: [forecasts@masterbuilders.com.au](mailto:forecasts@masterbuilders.com.au)**