



MASTER BUILDERS
AUSTRALIA



BUILDING & CONSTRUCTION

INDUSTRY FORECASTS

**VIC EASING
BACK**

FEBRUARY 2020



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VIC FEBRUARY 2020



VIC 2020 | FEBRUARY COMMENTARY

Easing Back

Victoria has frequently topped the state leader board for economic growth, job creation and population over recent years. Some aspects of the local economy have slowed in recent times but the general picture is still positive. Over 90,000 new jobs were created across the state during 2019, and another 133,000 people became Victorian residents over the year to June 2019. On the debit side, unemployment is a little high at 4.9% in December 2019 and job creation has become heavily reliant on part-time rather than full-time positions.

75,558

Number of New Homes
Started at Peak in 2017/18

51,413

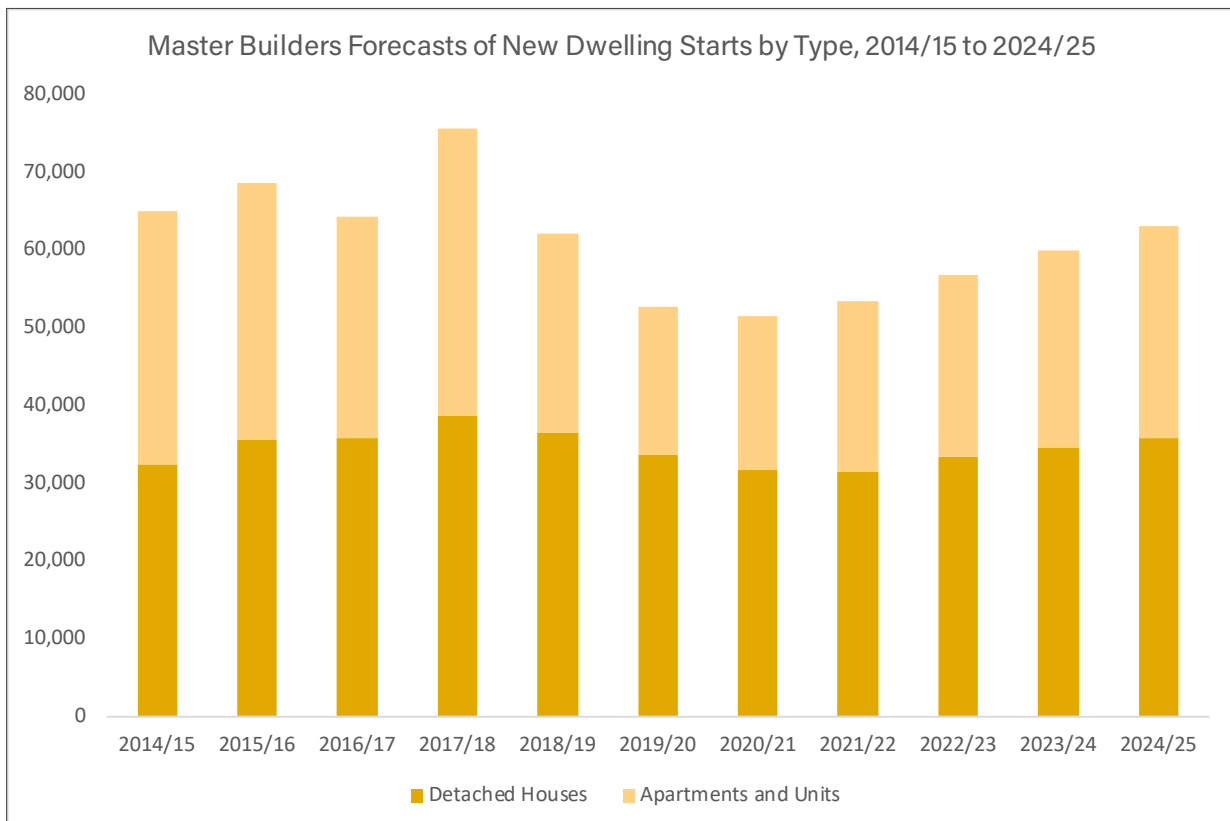
Home Building Trough
forecast for 2020/21

In aggregate, the medium term outlook for building and construction activity in Victoria is mixed. The next few years are likely to see activity move lower, largely as a result of developments in the residential building space. Our forecasts envisage a 6.5% drop in total construction activity during 2019/20, followed by a 7.9% contraction in 2020/21 and a 1.5% decline in 2021/22 bringing activity to a trough of \$46.0 billion. Once the recovery makes its presence felt, the pace of growth is likely to be reasonably favourable with activity projected to expand by 3.3% in 2022/23, 3.0% in 2023/24 and 2.6% in 2024/25. By the end of the forecast horizon in 2024/25, total construction activity is anticipated to have returned to 2019/20 levels.

Despite the very active transport infrastructure project portfolio, engineering construction activity in Victoria is likely to struggle over the next couple of years as a result of sizeable drops in terms of utilities, resources and recreation projects. Engineering construction in Victoria actually peaked during

2018/19. During 2019/20, we expect a 2.3% decline followed by a 4.9% contraction in 2020/21. The impact of transport infrastructure projects will help claw back 0.5% in 2021/22 and drive 4.6% growth during 2022/23. We forecast 2022/23 to mark a high point for engineering construction in Victoria – the winding down of work on the transport infrastructure side will cause activity to ease back again during 2023/24 and 2024/25.

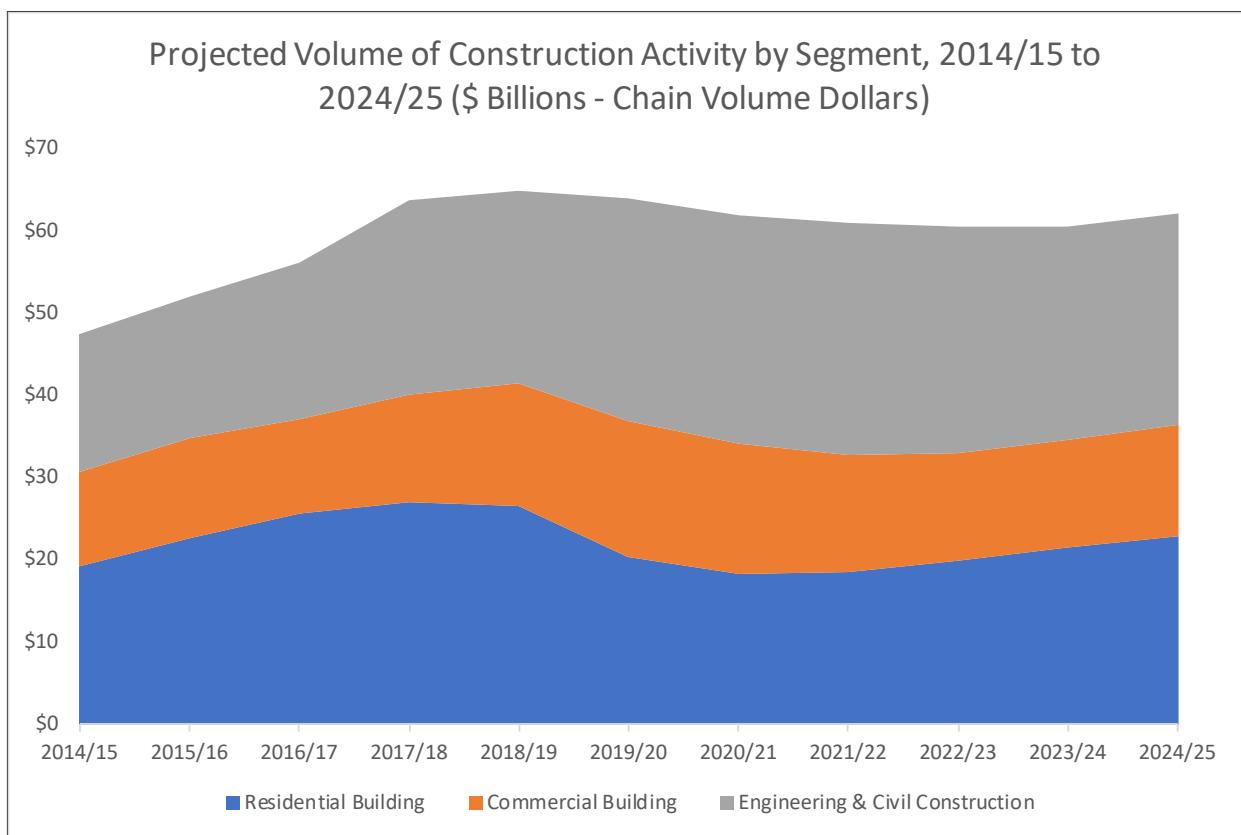
Commercial building has performed strongly in Victoria over recent years and activity is projected to peak at \$13.56 billion during 2019/20 following growth of 4.4% on the previous year's already elevated performance. Being a highly cyclical activity, the recent good years for commercial building work in Victoria are likely to be followed by a tougher period. Accordingly, the local market is predicted to endure a 9.2% decline in investment during 2020/21 followed by a further contraction of 8.0% in 2021/22. It is our expectation that the volume of commercial building work in Victoria



will reach a trough during 2022/23 with a further fall of 4.5%. Once activity does start to recover in 2023/24, the expansion of 3.0% will gather steam the following year and grow by a further 6.5%. The long-term underlying demand for commercial building in Victoria is solid.

New home building in Victoria hit a peak of over 75,000 new commencements during 2017/18. The decline of house prices in the Melbourne market since mid-2017 has driven new home building activity lower and both buyers and builders have

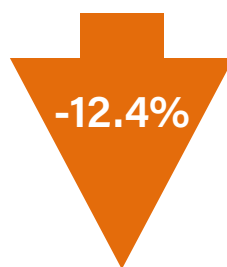
held off participating in the market until they were satisfied that prices had stabilised. Leading indicators, such as building approvals suggest that new home starts are set to continue dropping over the medium term at least. Our expectation is that activity will reach its low point in 2020/21 at just over 51,400 new starts across the state. By the end of the forecast horizon in 2024/25, the volume of new home building in Victoria is projected to be back above 63,000 with a stronger pace of growth on the high density side of the market.



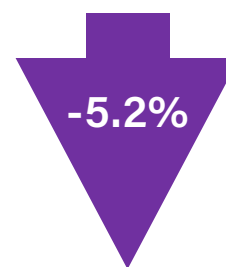
Master Builders forecast Change in Activity: 2019/20 v 2024/25



Residential Building



Commercial Building



Engineering & Civil Construction

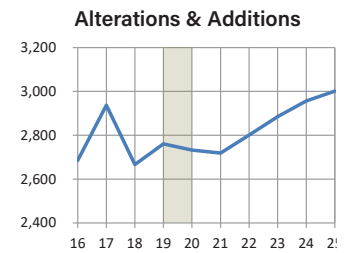
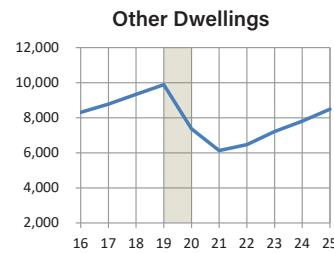
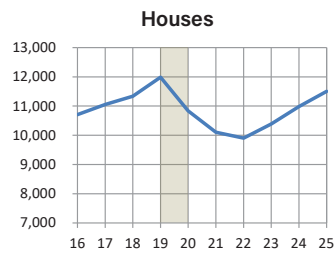
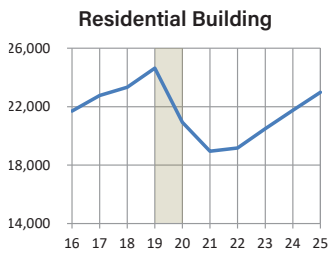
VIC 2020 | GRAPHS & TABLES

RESIDENTIAL BUILDING

RESIDENTIAL BUILDING WORK DONE BY SECTOR

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

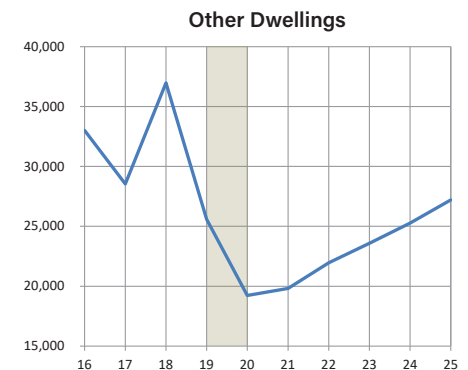
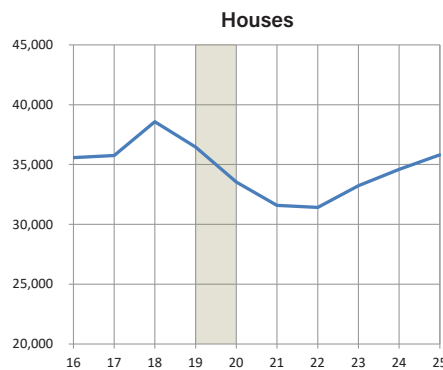
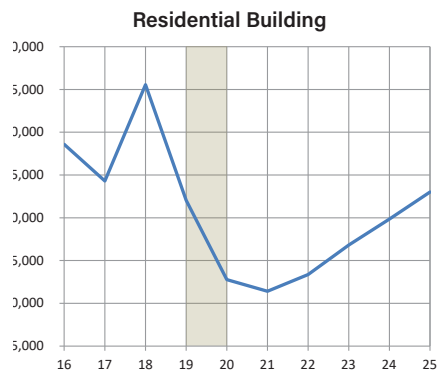
	%ch	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Residential Building		15,994	17,461	17,442	17,766	17,450	19,000	21,698	22,764	23,330	24,634	20,932	18,950	19,169	20,486	21,746	22,987
		10.5%	9.2%	-0.1%	1.9%	-1.8%	8.9%	14.2%	4.9%	2.5%	5.6%	-15.0%	-9.5%	1.2%	6.9%	6.2%	5.7%
Houses		10,512	10,766	9,869	9,379	8,816	9,614	10,706	11,052	11,334	11,988	10,838	10,102	9,903	10,387	10,986	11,500
		9.8%	2.4%	-8.3%	-5.0%	-6.0%	9.0%	11.4%	3.2%	2.5%	5.8%	-9.6%	-6.8%	-2.0%	4.9%	5.8%	4.7%
Other Dwellings		3,446	4,462	5,104	5,809	5,935	6,763	8,310	8,775	9,330	9,886	7,361	6,129	6,464	7,214	7,804	8,486
		26.4%	29.5%	14.4%	13.8%	2.2%	14.0%	22.9%	5.6%	6.3%	6.0%	-25.5%	-16.7%	5.5%	11.6%	8.2%	8.7%
Alterations & Additions		2,357	2,507	2,647	2,682	2,769	2,666	2,685	2,937	2,666	2,761	2,733	2,719	2,801	2,885	2,957	3,001
		-7.4%	6.4%	5.6%	1.3%	3.2%	-3.7%	0.7%	9.4%	-9.2%	3.5%	-1.0%	-0.5%	3.0%	3.0%	2.5%	1.5%



NUMBER OF DWELLING COMMENCEMENTS BY SECTOR

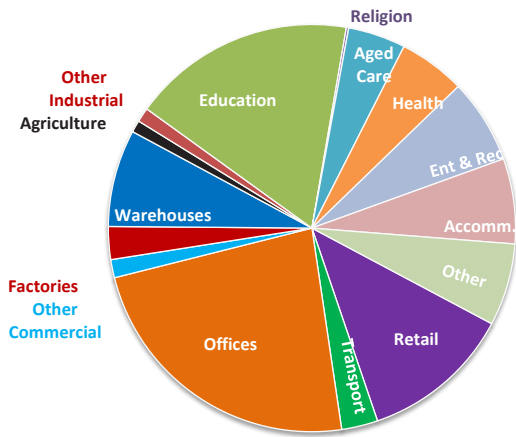
Year Ended June

	%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	2024-25
Residential Building		54,955	59,113	50,568	50,794	51,521	64,946	68,591	64,302	75,558	62,046	52,767	51,413	53,373	56,812	59,858	63,008
		31.1%	7.6%	-14.5%	0.4%	1.4%	26.1%	5.6%	-6.3%	17.5%	-17.9%	-15.0%	-2.6%	3.8%	6.4%	5.4%	5.3%
Houses		37,977	34,889	30,134	28,009	29,462	32,357	35,574	35,760	38,579	36,452	33,538	31,592	31,418	33,232	34,589	35,809
		24.2%	-8.1%	-13.6%	-7.1%	5.2%	9.8%	9.9%	0.5%	7.9%	-5.5%	-8.0%	-5.8%	-0.6%	5.8%	4.1%	3.5%
Other Dwellings		16,978	24,224	20,434	22,785	22,059	32,589	33,017	28,542	36,979	25,594	19,229	19,821	21,956	23,580	25,269	27,200
		49.6%	42.7%	-15.6%	11.5%	-3.2%	47.7%	1.3%	-13.6%	29.6%	-30.8%	-24.9%	3.1%	10.8%	7.4%	7.2%	7.6%

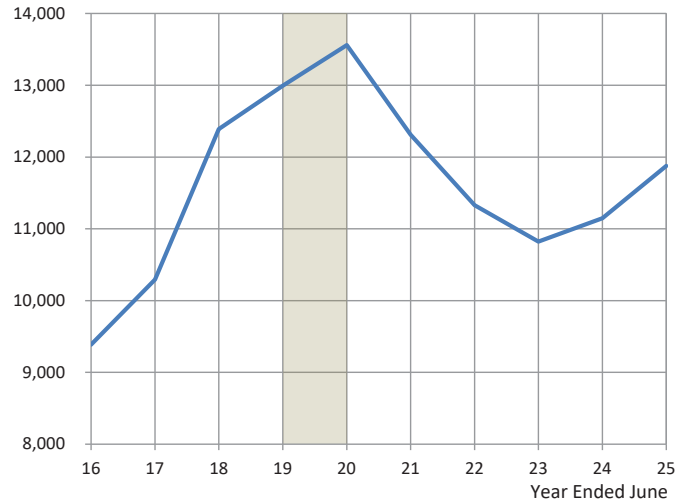


NON-RESIDENTIAL BUILDING

Victoria Non-Residential Building Work Done 2018/19



Non-Residential Building (\$M)

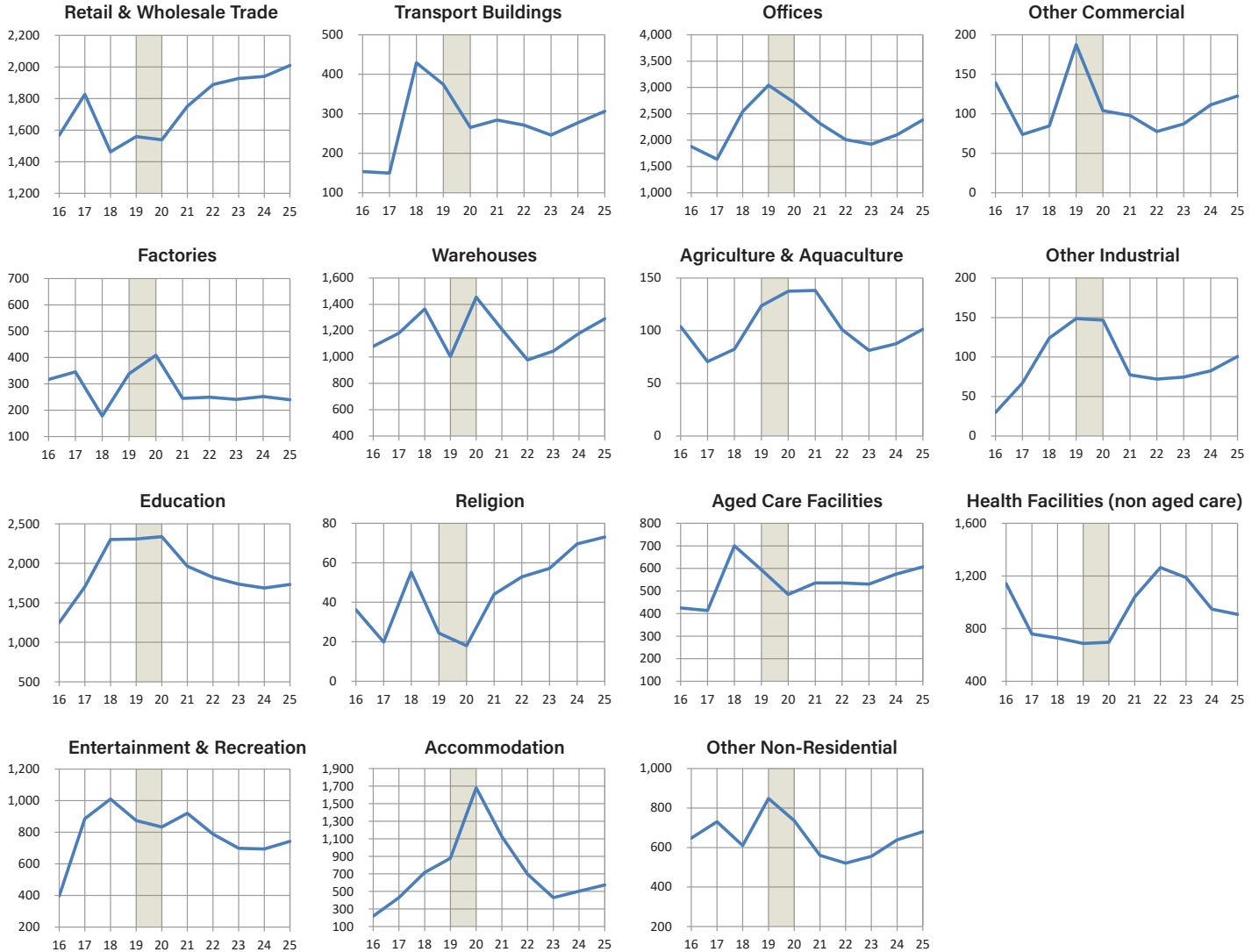


NON-RESIDENTIAL BUILDING WORK DONE BY SECTOR

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

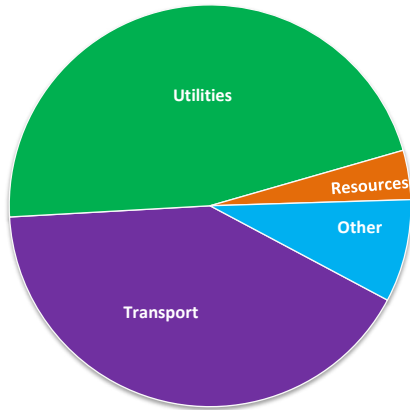
	%ch	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Non-Residential Building		9,109	8,476	8,607	8,446	8,936	9,498	9,387	10,294	12,390	12,993	13,559	12,311	11,328	10,822	11,149	11,876
		-2.3%	-7.0%	1.5%	-1.9%	5.8%	6.3%	-1.2%	9.7%	20.4%	4.9%	4.4%	-9.2%	-8.0%	-4.5%	3.0%	6.5%
Retail & wholesale trade		1,310	1,346	1,727	1,698	1,444	1,340	1,568	1,827	1,463	1,560	1,539	1,751	1,888	1,927	1,940	2,009
		-32.4%	2.7%	28.3%	-1.7%	-14.9%	-7.2%	17.0%	16.5%	-19.9%	6.6%	-1.3%	13.8%	7.8%	2.0%	0.7%	3.6%
Transport buildings		189	149	181	139	340	371	154	150	429	374	265	284	271	246	277	306
		-13.4%	-21.3%	22.1%	-23.4%	144.6%	9.1%	-58.5%	-2.6%	186.3%	-12.8%	-29.1%	7.2%	-4.6%	-9.3%	12.7%	10.5%
Offices		1,217	1,126	1,597	1,918	1,846	1,698	1,879	1,638	2,541	3,043	2,716	2,319	2,009	1,923	2,102	2,386
		-47.8%	-7.5%	41.8%	20.1%	-3.8%	-8.0%	10.7%	-12.8%	55.1%	19.7%	-10.7%	-14.6%	-13.4%	-4.3%	9.3%	13.5%
Other commercial		47	49	44	119	118	75	139	74	85	188	104	98	78	87	111	123
		33.9%	3.8%	-10.4%	168.8%	-0.7%	-36.8%	86.9%	-47.0%	14.5%	121.7%	-44.6%	-5.7%	-20.8%	12.3%	27.8%	10.0%
Factories		243	272	328	277	163	301	317	346	178	339	409	245	249	241	252	240
		-23.2%	12.1%	20.5%	-15.3%	-41.3%	85.1%	5.2%	9.0%	-48.5%	90.2%	20.7%	-40.1%	1.9%	-3.3%	4.4%	-4.8%
Warehouses		635	640	737	621	545	1,028	1,081	1,181	1,366	1,004	1,455	1,211	978	1,046	1,180	1,291
		-14.5%	0.8%	15.1%	-15.8%	-12.2%	88.5%	5.2%	9.2%	15.6%	-26.5%	44.9%	-16.7%	-19.3%	6.9%	12.8%	9.4%
Agriculture & aquaculture		71	192	71	37	67	86	104	71	82	124	137	138	101	81	88	101
		89.6%	169.8%	-63.1%	-48.2%	82.0%	29.0%	20.6%	-32.0%	16.6%	50.0%	11.2%	0.6%	-26.9%	-19.4%	7.7%	15.7%
Other industrial		47	51	61	119	67	50	30	67	124	149	147	77	72	75	82	101
		-36.0%	7.7%	19.4%	94.7%	-43.2%	-25.6%	-40.7%	125.7%	84.7%	19.7%	-1.3%	-47.2%	-7.1%	3.6%	10.6%	22.3%
Education		2,858	2,815	1,689	1,171	1,191	1,194	1,249	1,702	2,301	2,308	2,337	1,962	1,822	1,737	1,688	1,733
		195.9%	-1.5%	-40.0%	-30.6%	1.7%	0.2%	4.6%	36.3%	35.2%	0.3%	1.3%	-16.0%	-7.1%	-4.7%	-2.8%	2.7%
Religion		59	63	75	64	110	63	36	20	55	24	18	44	53	57	70	73
		23.6%	7.6%	19.0%	-15.8%	73.7%	-42.6%	-42.9%	-45.2%	178.7%	-55.9%	-26.1%	144.5%	20.1%	8.1%	21.7%	5.0%
Aged care facilities		231	159	203	250	336	335	425	413	700	594	485	536	536	531	574	607
		-30.5%	-31.4%	27.9%	23.4%	34.2%	-0.2%	26.7%	-2.7%	69.3%	-15.1%	-18.5%	10.6%	-0.1%	-0.9%	8.2%	5.7%
Health facilities (non-aged care)		810	744	612	782	1,037	1,512	1,141	759	729	687	696	1,040	1,264	1,187	948	908
		2.9%	-8.1%	-17.7%	27.9%	32.5%	45.9%	-24.5%	-33.5%	-4.0%	-5.7%	1.2%	49.4%	21.5%	-6.0%	-20.2%	-4.2%
Entertainment & Recreation		518	417	644	653	766	615	397	886	1,010	874	834	921	788	699	695	743
		-26.1%	-19.6%	54.6%	1.4%	17.2%	-19.7%	-35.5%	123.4%	14.0%	-13.5%	-4.6%	10.4%	-14.4%	-11.3%	-0.6%	6.9%
Accommodation		366	164	298	219	164	184	218	429	717	879	1,681	1,124	697	430	502	573
		-39.9%	-55.1%	81.8%	-26.5%	-25.4%	12.5%	18.7%	96.5%	66.9%	22.6%	91.2%	-33.1%	-38.0%	-38.3%	16.6%	14.3%
Other non-residential		507	289	339	378	742	645	647	730	610	848	737	561	521	555	639	681
		176.8%	-43.0%	17.4%	11.7%	96.1%	-13.1%	0.4%	12.8%	-16.4%	39.0%	-13.2%	-23.9%	-7.1%	6.6%	15.1%	6.5%

NON-RESIDENTIAL BUILDING CONT.

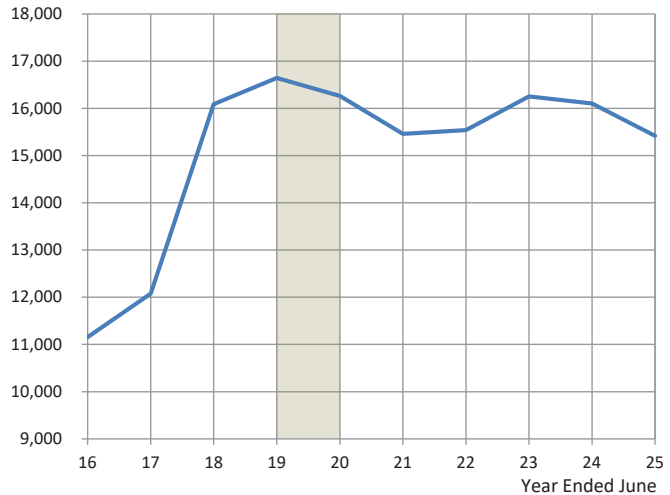


ENGINEERING CONSTRUCTION

Victoria Engineering Construction Work Done 2018/19



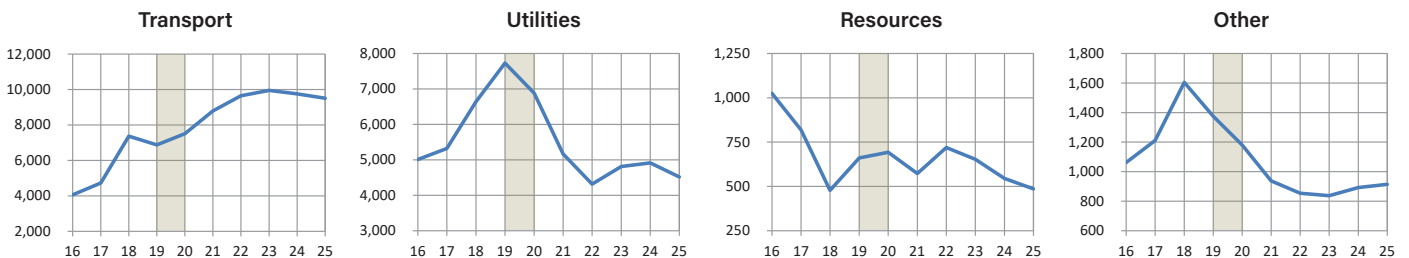
Engineering Construction (\$M)



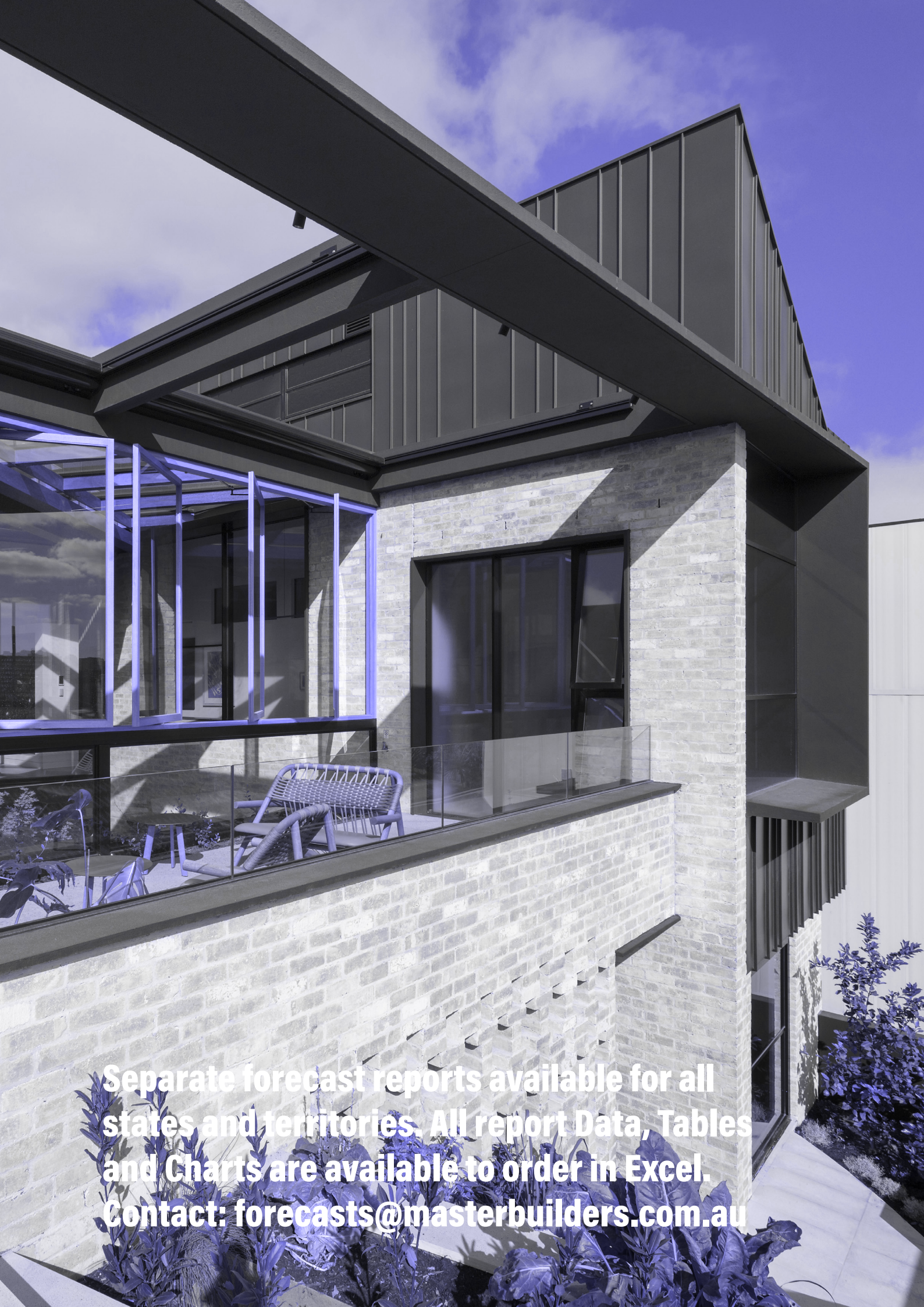
ENGINEERING CONSTRUCTION WORK DONE BY SECTOR

\$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	2024-25
Engineering Construction	14.3%	11,005	12,549	12,895	11,610	10,719	10,391	11,156	12,079	16,092	16,645	16,263	15,463	15,541	16,256	16,106	15,421
				2.8%	-10.0%	-7.7%	-3.1%	7.4%	8.3%	33.2%	3.4%	-2.3%	-4.9%	0.5%	4.6%	-0.9%	-4.3%
Transport	-3.8%	3,016	4,186	4,594	4,152	3,528	3,886	4,061	4,730	7,368	6,880	7,510	8,788	9,652	9,951	9,755	9,504
				9.7%	-9.6%	-15.0%	10.1%	4.5%	16.5%	55.7%	-6.6%	9.2%	17.0%	9.8%	3.1%	-2.0%	-2.6%
Utilities	25.9%	5,922	6,710	5,821	5,522	5,240	4,487	5,009	5,319	6,642	7,729	6,880	5,164	4,316	4,814	4,914	4,517
				-13.3%	-5.1%	-5.1%	-14.4%	11.6%	6.2%	24.9%	16.4%	-11.0%	-24.9%	-16.4%	11.5%	2.1%	-8.1%
Resources	22.9%	1,383	960	1,638	1,154	880	1,110	1,025	818	478	660	693	572	719	654	545	486
				70.7%	-29.6%	-23.8%	26.1%	-7.7%	-20.1%	-41.6%	38.2%	4.9%	-17.4%	25.7%	-9.1%	-16.7%	-10.8%
Other	2.9%	684	693	841	782	1,071	909	1,061	1,211	1,604	1,376	1,180	938	854	837	893	914
				21.5%	-7.0%	37.0%	-15.2%	16.8%	14.1%	32.4%	-14.3%	-14.3%	-20.5%	-9.0%	-1.9%	6.6%	2.4%



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



MASTER BUILDERS
A U S T R A L I A

Level 3, 44 Sydney Ave, Forrest ACT 2603
PO Box 7170 Yarralumla ACT 2600
T 02 6202 8888 | F 02 6202 8877
forecasts@masterbuilders.com.au