INDUSTRY REPORT E3019

Multi-Unit Apartment and Townhouse Construction in Australia

Opening doors: Rising net migration numbers build projected demand for industry services

Anthony Kelly | April 2022

Contents

Recent Developments

Low unemployment increases labour costs and shortages for employers

The unemployment rate increased slightly to 3.5% in August 2022, but remains close to the lowest official rate since 1974. Contractors are grappling with falling demand, largely due to government grants being withdrawn and rising interest rates, with a tightening labour market exacerbating difficulties. Building construction’s existing talent pool is becoming increasingly stretched, while job vacancies are heightening. Flow-on effects are expected to slow delivery times and increase costs for new home builds and major infrastructure projects. This factor presents significant challenges to building contractors, especially contractors that have entered into fixed-price construction contracts, as additional expenses cannot be easily passed on to consumers.

Interest rate hikes projected to limit construction activity

Surging demand and supply chain disruptions associated with lingering unfavourable COVID-19-related trading conditions, compounded by geopolitical tensions abroad, have contributed to domestic inflationary pressures. Concerns regarding the inflation rate have prompted the RBA to raise interest rates. Rising interest rates are anticipated to limit activity in the construction sector due to the associated rise in the cost of borrowing. Construction firms with high volumes of work in their pipelines are likely to be relatively insulated from interest rate hikes’ effects compared with their contemporaries.

Construction companies facing debt crisis subdue building activity

A downturn in construction activity has threatened construction firms’ ability to continue operating solvently. Rising crude oil, electricity and building commodity prices have negatively affected both construction inputs and required energy supplies. Firms that have struggled with rising expenses have collapsed, placing downward pressure on the number of construction companies in the sector and wider domestic construction activity.

This section last udpated December 03, 2022

About IBISWorld

IBISWorld specializes in industry research with coverage on thousands of global industries. Our comprehensive data and in-depth analysis help businesses of all types gain quick and actionable insights on industries around the world. Busy professionals can spend less time researching and preparing for meetings, and more time focused on making strategic business decisions that benefit you, your company and your clients. We offer research on industries in the US, Canada, Australia, New Zealand, Germany, the UK, Ireland, China and Mexico, as well as industries that are truly global in nature.

About This Industry

Industry Definition

Industry firms primarily construct multi-unit apartment and townhouse buildings, such as flats, apartments and condominiums. The industry excludes commercial or public building construction, such as factories, office buildings, hostels, hotels and hospitals. Industry firms also perform alterations, additions, general renovations and repairs to multi-unit residential buildings. The industry includes firms that organise or manage multi-unit apartment and townhouse construction.

Major Players

There are no major players in this industry

Main Activities

The primary activities of this industry are:

Multi-unit apartment building construction

Duplex house construction

Flat construction

High-rise flat construction

Home unit construction

Multi-unit apartment and townhouse construction project management

Multi-unit apartment and townhouse repair or renovation

Semi-detached housing construction

The major products and services in this industry are:

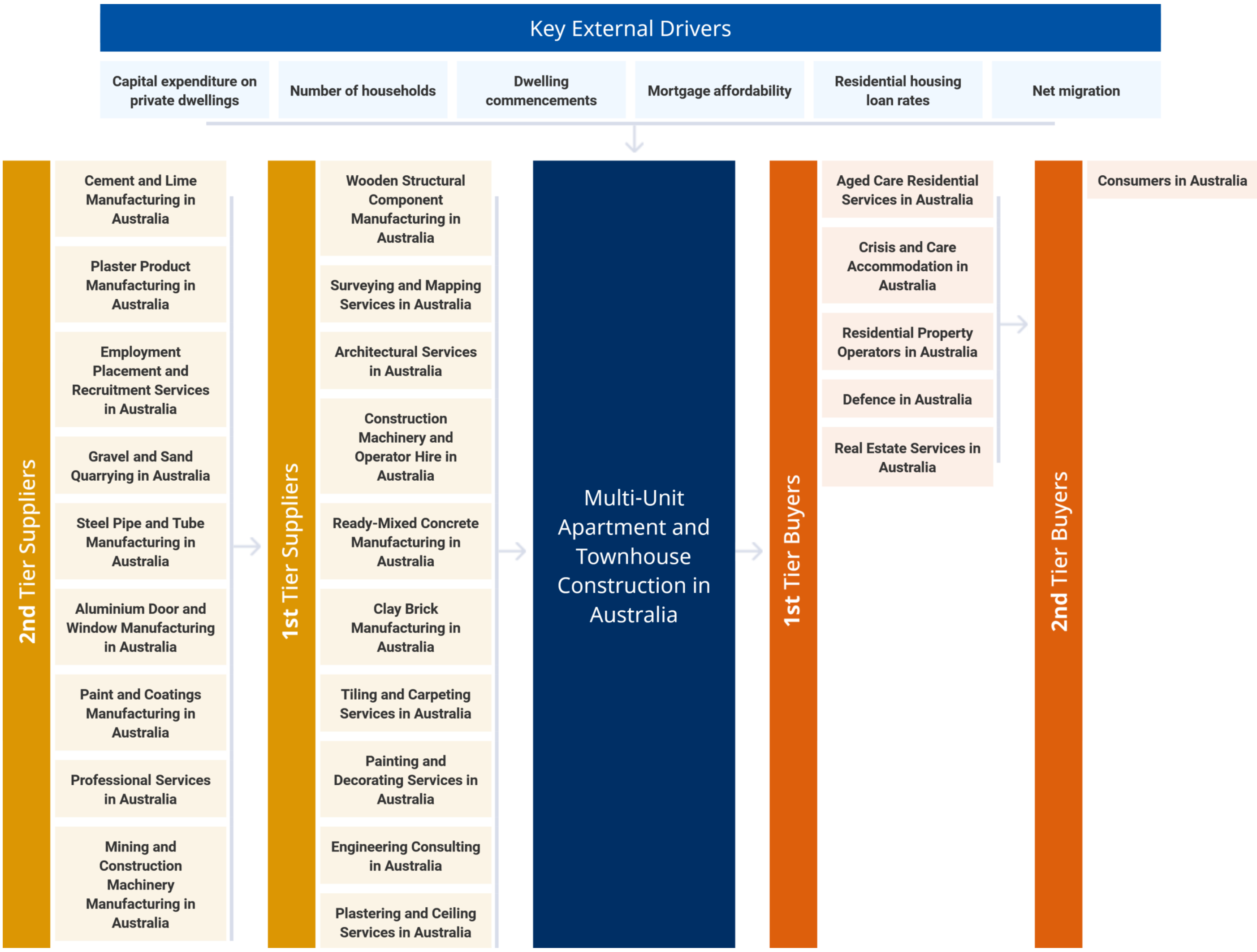
Townhouses, other dwellings and conversions

High rise and super high rise apartments

Medium rise flats or units

Low rise apartments

Supply Chain



SIMILAR INDUSTRIES

House Construction in Australia
Complementor

Residential Property Operators in Australia
Complementor

Professional Services in Australia
Complementor

Commercial and Industrial Building Construction in Australia
Complementor

Institutional Building Construction in Australia
Complementor

RELATED INTERNATIONAL INDUSTRIES

Apartment & Condominium Construction in the US

Residential Building Construction in the UK

Multi-Unit Apartment and Townhouse Construction in New Zealand

Building Construction in China

Apartment & Condominium Construction in Canada

Building Construction in Ireland

Industry at a Glance

Key Statistics

$40.0bn
Revenue

Annual Growth 2017–2022	Annual Growth 2022–2027	Annual Growth 2017–2027
-6.8%	5.2%	

$3.3bn
Profit

Annual Growth 2017–2022	Annual Growth 2017–2022
-8.5%	

8.2%
Profit Margin

Annual Growth 2017–2022	Annual Growth 2017–2022
-0.8pp	

24,150
Businesses

Annual Growth 2017–2022	Annual Growth 2022–2027	Annual Growth 2017–2027
1.7%	1.3%	

56,150
Employment

Annual Growth 2017–2022	Annual Growth 2022–2027	Annual Growth 2017–2027
-3.6%	3.2%	

$3.8bn
Wages

Annual Growth 2017–2022	Annual Growth 2022–2027	Annual Growth 2017–2027
-4.3%	3.7%	

Key External Drivers

% = 2017–22 Annual Growth

-1.0%
Mortgage affordability

-0.5%
Capital expenditure on private dwellings

-21.8%
Net migration

1.3%
Number of households

-2.7%
Residential housing loan rates

Industry Structure

POSITIVE IMPACT

Life Cycle
Growth

Capital Intensity
Low

Concentration
Low

Industry Globalization
Low / Increasing

MIXED IMPACT

Revenue Volatility
Medium

Industry Assistance
Medium / Increasing

Technology Change
Medium

Barriers to Entry
Medium / Increasing

NEGATIVE IMPACT

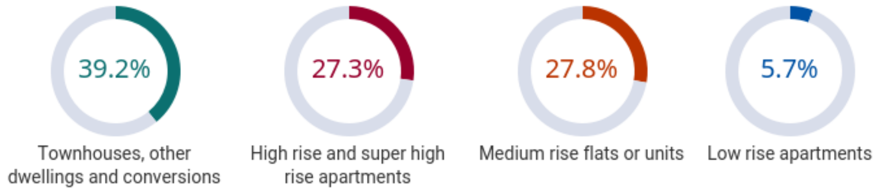
Regulation & Policy
Heavy / Increasing

Competition
High / Steady

Key Trends

- The economic fallout of the COVID-19 pandemic has eroded demand for new apartment construction
- Excess supply and reduced foreign investment have reduced apartment construction
- Weak demand conditions have contributed to falling industry profitability and employment
- Demand for apartment and townhouse construction is forecast to rebound over the next five years
- Scope for expansion in large-scale apartment projects through build-to-rent (BTR) developments
- Developers are anticipated focus on inner-urban high-density living projects
- The industry has been adversely affected by the economic fallout from the COVID-19 pandemic

Products & Services Segmentation



Multi-Unit Apartment and Townhouse Construction
Source: IBISWorld

Major Players

There are no major players in this industry

SWOT

S STRENGTHS

Medium & Increasing Level of Assistance
Growth Life Cycle Stage
Low Imports
Low Product/Service Concentration
High Revenue per Employee
Low Capital Requirements

W WEAKNESSES

High Competition
Low Profit vs. Sector Average
High Customer Class Concentration

O OPPORTUNITIES

High Revenue Growth (2022-2027)
High Performance Drivers
Number of households

T THREATS

Low Revenue Growth (2017-2022)
Capital expenditure on private dwellings

Executive Summary

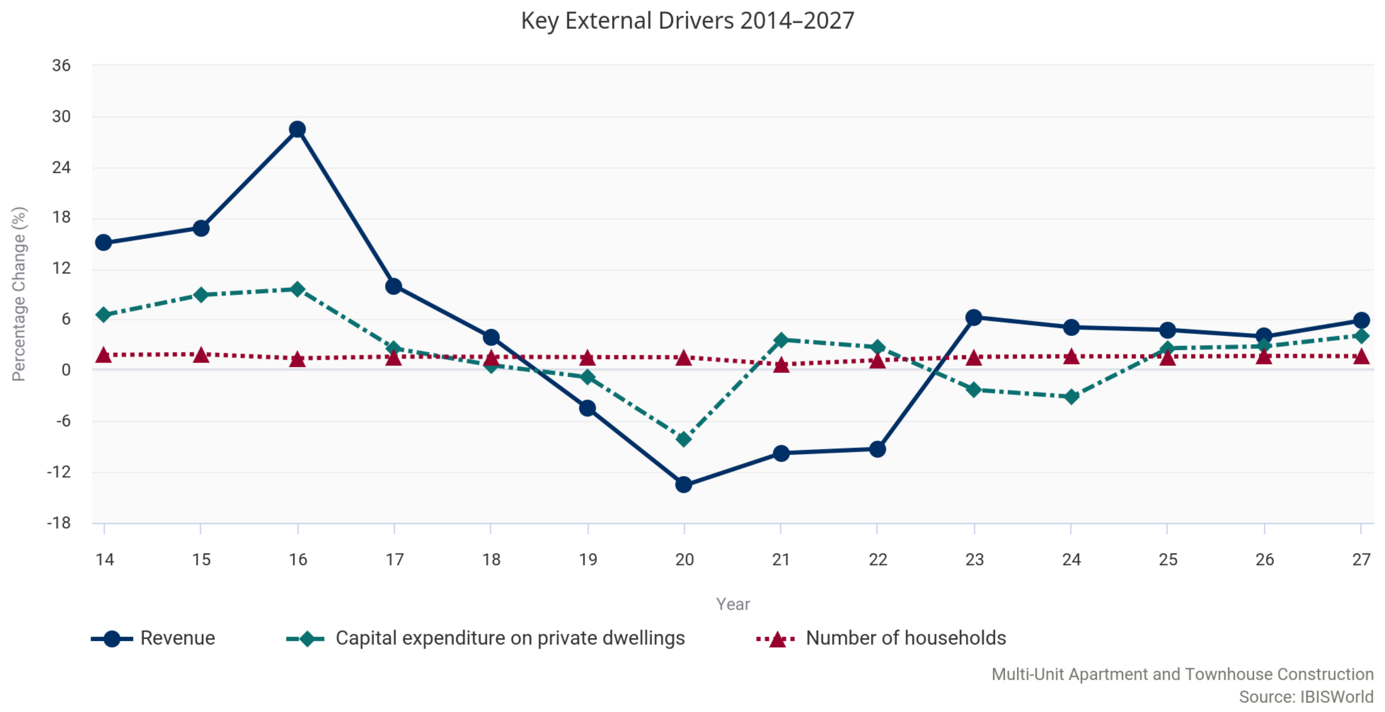
Opening doors: Rising net migration numbers build projected demand for industry services

Operators in the Multi-Unit Apartment and Townhouse Construction industry have benefited from a long-term shift in home ownership trends over the past decade. Home buyers have increasingly opted to purchase inner-city, multi-unit apartments and townhouses that offer an urban lifestyle without high residential land costs. Industry operators construct a range of high- and medium-density residential buildings, including suburban flats, military barracks and designer retirement communities. The industry primarily consists of small-to-medium scale contracting firms, although several large-scale industry contractors work on high-profile apartment developments.

The industry's performance has fluctuated greatly over the past five years. This reflects the fluctuations in multi-unit residential commencements from a peak at 108,407 units in 2017-18, to a low of 70,927 dwelling units in 2019-20. The initial reduction in demand for the construction of apartments and townhouses corresponded with the completion of several major building projects, climbing apartment vacancy rates and the tighter restrictions on foreign real estate investment. The industry's poor performance has also reflected the economic fallout from the COVID-19 pandemic and the deferral of some developments. Multi-unit residential commencements are expected to decline at an annualised 5.8% over the five years through 2021-22. This, and the anticipated 9.3% fall during the current year, have contributed to the decline in industry revenue at an annualised 6.8%, to $40.0 billion. Some industry operators have derived stimulus from the Federal Government's HomeBuilder scheme, although this will mainly support investment in single-unit housing construction or existing home renovation.

The industry's revenue performance is forecast to steadily improve over the next five years as the economy recovers from the effects of the COVID-19 pandemic. The recovery in the household formation rate, as the net migration rises as international borders are opened, suggests growing demand for the construction of accommodation. Further, growing population pressures will likely help to absorb unsold apartment stock. Much of the growth in housing demand over the next five years is expected to focus on higher density apartment and townhouse developments. Industry revenue is forecast to grow at an annualised 5.2% over the five years through 2026-27, to $51.6 billion.

Industry Performance



Key External Drivers

Capital expenditure on private dwellings

Trends in capital expenditure on private dwellings indicate total investment in new housing and apartment construction, and alterations and additions to existing dwellings. Capital expenditure measures residential building activity, including investment in apartment and townhouse construction. Capital expenditure on private dwellings is expected to fall during 2021-22, threatening the industry's performance. This decline corresponds with the scaling back of the stimulus from the HomeBuilder scheme and the removal of support schemes such as JobKeeper that were implemented during the COVID-19 pandemic.

Number of households

The age distribution of the population, and resultant household formation patterns, influence long-term demand for residential construction. Smaller households with higher net worth increasingly prefer inner-city apartments. The closure of international borders in response to the COVID-19 pandemic has stalled net migration and has put downward pressure on Australia's population growth and level of household formation. However, the subdued growth in the number of households during 2021-22 will support demand for accommodation and provide an opportunity for industry expansion.

Dwelling commencements

Trends in dwelling commencements indicate demand for new residential building construction. The number of dwelling commencements has decreased over the past five years, although apartments have captured an increasing share of total residential building commencements during the period. The total number of dwelling commencements is expected to decrease in 2021-22, following the spike in single-unit dwelling starts in the previous year in response to the stimulus from the HomeBuilder scheme.

Mortgage affordability

Mortgage affordability represents the amount of household income remaining after deducting mortgage payments. This factor indicates housing affordability, which helps determine short-term housing demand. Higher mortgage affordability indicates a greater capacity for households to borrow funds to buy housing. Due to strong growth in housing prices and despite further declines in residential housing loan rates and higher household incomes, mortgage affordability is expected to continue to fall during 2021-22.

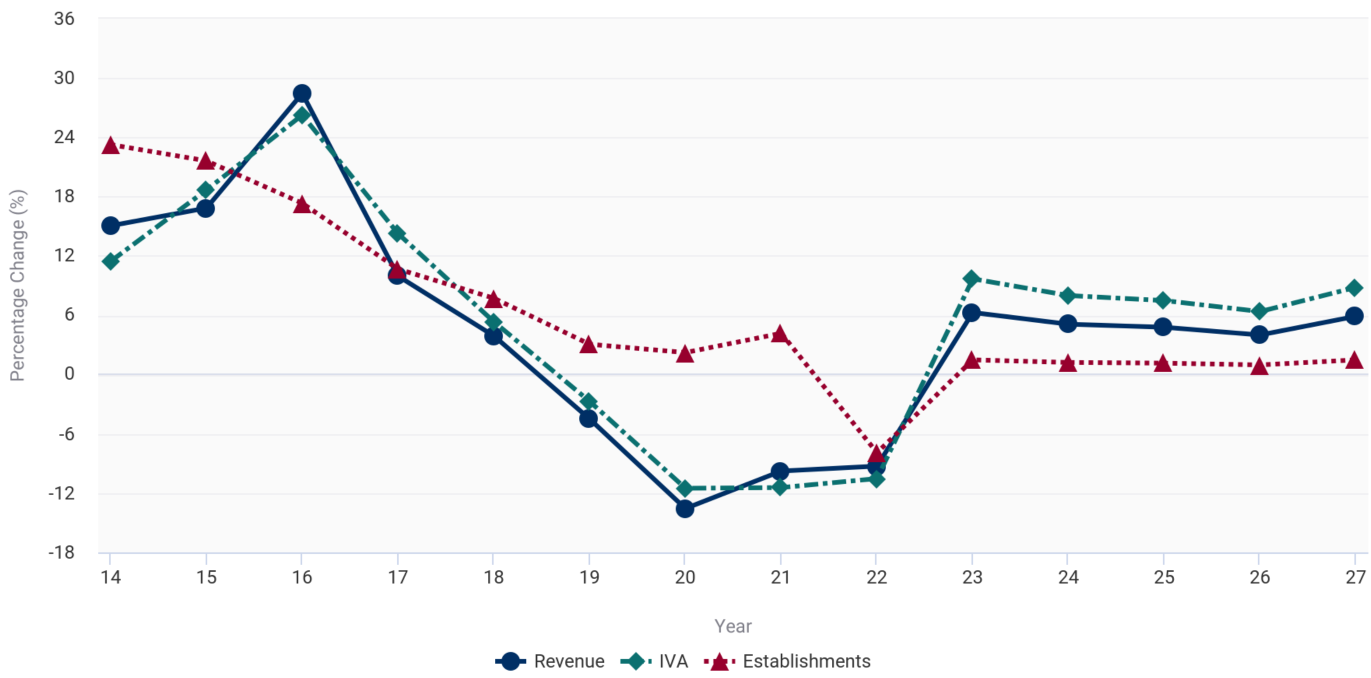
Residential housing loan rates

Existing and expected mortgage interest rates directly influence demand for new residential construction. Lower interest rates typically decrease borrowing costs for households. Residential home loan rates have fallen to historical lows over the past five years, helping to boost housing investment. Residential housing loan rates are expected to decrease slightly during 2021-22. The RBA has signalled that the cash rate will likely remain unchanged over this period, although there has been upward pressure on global interest rates, due to rising inflation as economies emerge from the pandemic conditions. However, interest rates are expected to remain historically low.

Net migration

Fluctuations in migration numbers affect demand for accommodation, which influences industry activity. For example, foreign students living in Australia tend to buy or rent dwellings in multi-unit buildings. Prior to the COVID-19 pandemic, this trend was supporting the industry's performance. Net migration is expected to decline sharply during 2020-21 and 2021-22, as global travel restrictions have prevented new immigrants and foreign students from entering Australia. These restrictions have been wound back from February 2022.

Industry Performance 2014–2027



Multi-Unit Apartment and Townhouse Construction
Source: IBISWorld

Current Performance

The Multi-Unit Apartment and Townhouse Construction industry's performance has fluctuated significantly over the past five years.

Industry revenue surged to a record peak in 2017-18 before decreasing sharply following the completion of major developments and the emergence of excess supply conditions in several urban markets. The demand for the construction of high-density dwellings has been further constrained by the outbreak of the COVID-19 pandemic and the subsequent closure of international borders to foreign students, tourists and permanent migration. Residential property developers have been challenged by the tightening of restrictions on foreign investment in the local real estate market. This included the major local banks limiting foreign lending and state governments increasing taxes on foreign real estate purchases.

The excess supply of unsold apartment stock in many urban markets along with the economic fallout from the COVID-19 pandemic has resulted in property developers deferring or cancelling large-scale apartment projects. This is expected to contribute to industry revenue falling at an annualised 6.8% over the five years through 2021-22, including a decline in the current year by 9.3% to $40.0 billion. The recent contraction corresponds with the completion of work on several major developments, including the Australia 108 in Melbourne, 180 George Street in Parramatta, NSW and the High Society towers in Belconnen, ACT.

DWELLING COMMENCEMENTS

Multi-unit residential building commencements peaked at 118,059 units in 2015-16, which included 114,779 new unit starts and 3,280 unit conversions from existing commercial premises.

This high-point coincided with work starting on several landmark apartment towers, including the 69-storey Lighthouse in Melbourne and the 90-storey Brisbane Skytower. However, total multi-unit dwelling commencements declined sharply to a low-point at 70,927 units in 2019-20 before a minor recovery in recent years to total approximately 78,730 units in 2021-22.

Most industry activity has focused on large multistorey apartment towers in inner urban areas over the past five years. Major apartment developments have included Probuild's Abode318 residential skyscraper in Melbourne, the 67-storey Greenland Centre in Sydney and Meriton's Infinity Tower in Brisbane. Industry activity has also included long-span construction developments, notably the Barangaroo project in Sydney, Melbourne Square (Towers 1 to 6), and the Australia 108 tower in Melbourne, which became Australia's tallest residential tower on completion in 2020.

PROFITABILITY AND COMPETITION

Industry profit has fallen over the past five years, but has fluctuated widely in line with boom and bust conditions in the apartment construction market.

Over the period, profitability is estimated to have surged to a peak in 2019-20, which corresponded with the culmination of activity on several lucrative inner-city apartment complexes. At the height of the apartment construction boom, many developers expedited projects and accepted higher tender prices, which included bonuses for contractors meeting predetermined stage completion targets. However, the subsequent weakening of demand conditions has intensified competition within the industry and put downward pressure on contract prices and profit margins in recent years.

Industry participation remained strong over the past five years, despite the deterioration in demand conditions, demonstrating small-scale contracting firms' tendency to ride-out cyclical contractions in operating conditions. Enterprise numbers have more than doubled since the late 2000s, rising to an estimated peak at 26,218 businesses in 2020-21, although the recent expansion mainly includes the entry of new participants working on small- and medium-scale townhouse developments. However, industry employment has fallen in response to the slump in new apartment commencements and industry revenue. Direct industry employment is expected to decline at an annualised 3.6% over the five years through 2021-22, including a contraction of 8.6% to 56,150 workers in the current year.

HOUSING PREFERENCES

The market for multi-unit apartments and townhouses has been expanding at the expense of traditional single-unit housing over the long term.

Buyers and renters have increasingly shifted towards higher density dwellings, which benefit from proximity to transport and urban amenities for a lower cost than traditional suburban house-and-land packages. However, investors, rather than owner-occupiers, have driven much of the growth in high-density, inner-city building construction.

The multi-unit residential building commencements share of total dwelling commencements has contracted sharply over the past five years, falling from 47.8% in 2016-17 to currently about 37.3% in the current year. This correlates strongly with the recent surge of investment in single-unit house construction by owner-occupiers in response to the historically low mortgage interest rates and the stimulus from the Federal Government's HomeBuilder Scheme. This initiative tends to favour direct investment in single-unit rather than multi-unit developments, as most large-scale apartment developers do not have the financial mechanisms to facilitate the application process. In addition, preferences may have been influenced by stay-at-home restrictions imposed to contain the COVID-19 pandemic, with homebuyers seeking larger low-density housing in suburban settings over high-density dwellings in inner urban locations.

KEY DRIVERS

Growth in the national population has driven solid demand for new housing construction since the late 2000s, largely due to increased net migration.

However, the closure of Australia's international borders to contain the COVID-19 pandemic has resulted in a slump in net migration. Growth in the number of Australian households is expected to continue its upwards trajectory over the five years through 2021-22, rising at an annualised 1.1%, including weak growth by 0.6% in the current year.

The slump in net migration suggests weaker sales of inner-city apartments to higher net worth buyers.

Mortgage affordability has dropped over the past five years, largely due to rising house prices outweighing a fall in residential loan interest costs. The economic fallout from the COVID-19 pandemic in combination with the earlier restrictions on foreign investment in the local real estate market is anticipated to negate the beneficial effects of low interest rates on demand for apartment construction during 2020-21 and 2021-22. Mortgage interest rates are expected to continue to fall marginally during 2021-22 with the RBA signalling stability in the official cash rates, despite mounting inflationary pressures and rising interest rates in the global economy.

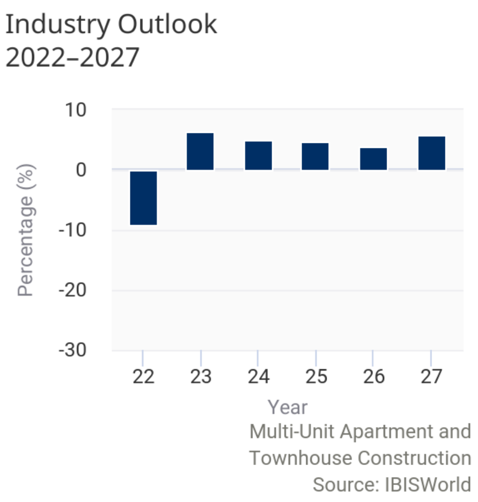
Historical Performance Data

Year	Revenue ($m)	IVA ($m)	Establishments (Units)	Enterprises (Units)	Employment (Units)	Exports ($m)	Imports ($m)	Wages ($m)	Domestic Demand ($m)	Apartment commencements (Units)
2012-13	30,014	5,456	11,675	11,390	39,602	N/A	N/A	2,860	N/A	70,394
2013-14	34,532	6,081	14,391	14,040	42,740	N/A	N/A	3,043	N/A	77,293
2014-15	40,348	7,216	17,503	17,076	49,351	N/A	N/A	3,610	N/A	102,165
2015-16	51,824	9,111	20,537	20,036	62,851	N/A	N/A	4,617	N/A	118,059
2016-17	56,988	10,411	22,729	22,175	67,317	N/A	N/A	4,778	N/A	105,955
2017-18	59,217	10,967	24,484	23,887	68,703	N/A	N/A	5,082	N/A	108,407
2018-19	56,553	10,669	25,234	24,619	66,171	N/A	N/A	4,902	N/A	85,074
2019-20	48,890	9,441	25,796	25,167	63,189	N/A	N/A	4,419	N/A	70,927
2020-21	44,115	8,361	26,873	26,218	61,423	N/A	N/A	4,256	N/A	72,988
2021-22	40,028	7,482	24,750	24,150	56,150	N/A	N/A	3,839	N/A	78,730

Industry Outlook

Outlook

The Multi-Unit Apartment and Townhouse Construction industry is forecast to regain solid growth over the next five years, as the economy gradually recovers from the COVID-19 pandemic.



The underlying demand for new multi-unit apartment and townhouse construction is projected to recover with the absorption of unsold stock due to the recovery in population growth as net migration numbers will likely climb as Australia's borders reopen. Demand for residential building construction will also likely be supported by continued low interest rates, although mortgage affordability is expected to continue deteriorating.

Over the five years through 2026-27, industry revenue is forecast to increase at an annualised 5.2% to reach $51.6 billion. This corresponds with the projected solid growth in capital expenditure on private dwellings over the same period and the upswing in the number of households, which are projected to climb at an annualised 1.9% over the next five years. Australia's population growth fell to its slowest pace in over a century during the pandemic, which is likely to continue to have short-term repercussions in housing demand.

DEMAND GRADUALLY RECOVERS

Over the next five years, the steady absorption of the unsold apartment stock in the key metropolitan housing markets is forecast to drive down residential vacancy rates and underpin stronger demand conditions for industry services.

Property developers are expected to recommence deferred apartment projects as housing demand builds on the back of the recovery in net migration numbers and the return of foreign students. The number of multi-unit residential commencements is projected to steadily recover over the next five years, climbing to reach 91,625 dwelling units and account for approximately 47% of total dwelling commencements by 2026-27.

Further deterioration in mortgage affordability may discourage first home buyers entering the housing market over the next five years. Potential buyers are forecast to face rising house prices and rising housing loan interest rates. However, investment in high-density rental accommodation is projected to improve relative to traditional low-density housing, as demand for rental property strengthens due to mortgages becoming less affordable.

Foreign investment in the local real estate market will continue to influence demand for apartment construction over the next five years. The big four commercial banks have tightened mortgage lending to foreign residents, and several state governments have imposed stamp duty surcharges to temper foreign investment in real estate. These policies are projected to remain in place over the next five years. However, the anticipated recovery in international student numbers with the easing of COVID-19 restriction over the coming year may encourage foreign investment in the local real estate market, particularly from China and Singapore.

BUILD-TO-RENT (BTR)

Rising demand for large-scale apartment construction is anticipated to come from the growing popularity of construction under the build-to-rent (BTR) model.

This is a dominant source of apartment funding in the European Union, the United States and Japan. However, BTR's development as an asset class in Australia has involved significant taxation obstacles. The NSW and Victorian governments moved to address state-based tax issues during 2020, including changes to land taxes and absentee owner taxes. These changes may allow more BTR developments over the next decade. However, owners of BTR developments are also subject to GST on rental transactions, which may inhibit their competitiveness on the general rental market. Reportedly, up to 40 BTR projects are currently be under development in Australia, with half of these in Melbourne. Several key players such as Mirvac and Metricon are already well advanced in BTR developments in Sydney and Melbourne.

LIFESTYLE DEVELOPMENTS

First-home buyers seeking more affordable housing and older Australians seeking to downsize are anticipated to remain the main groups supporting investment in large-scale multi-unit apartments and townhouses over the next five years.

Building activity in the multi-unit housing market is projected to increasingly involve higher density lifestyle communities over the period. As a result, developers will likely increasingly incorporate golfing facilities, beach access and other recreational features into their projects to enhance resident lifestyles. Themed inner-urban developments will also likely increase, such as the One Central Park project in Sydney and the Upper West Side development in Melbourne.

PROFITABILITY RECOVERS

The industry's profit margin is forecast to recover over the next five years, climbing to account for 9.3% of revenue in 2026-27 as investment rebounds in new apartment developments.

Stronger demand is anticipated to allow contract prices to rise slightly and improved industry cash flow will allow profit margins to widen for some firms. Larger scale firms are projected to derive better profit margins from working on high-rise, inner-urban apartment developments. Conversely, many smaller contractors working in the suburban and tourism apartment markets are forecast to face fierce competition and falling profit margins. Industry employment and enterprise numbers are forecast to recover in line with new dwelling commencements over the next five years.

Performance Outlook Data

Year	Revenue ($m)	IVA ($m)	Establishments (Units)	Enterprises (Units)	Employment (Units)	Exports ($m)	Imports ($m)	Wages ($m)	Domestic Demand ($m)	Apartment commencements (Units)
2021-22	40,028	7,482	24,750	24,150	56,150	N/A	N/A	3,839	N/A	78,730
2022-23	42,541	8,206	25,117	24,504	58,325	N/A	N/A	4,008	N/A	76,102
2023-24	44,710	8,863	25,425	24,805	60,170	N/A	N/A	4,155	N/A	78,699
2024-25	46,848	9,527	25,718	25,091	61,956	N/A	N/A	4,299	N/A	82,961
2025-26	48,725	10,134	25,968	25,335	63,498	N/A	N/A	4,427	N/A	87,858
2026-27	51,596	11,028	26,353	25,710	65,850	N/A	N/A	4,613	N/A	91,625
2027-28	52,609	11,416	26,462	25,817	66,633	N/A	N/A	4,691	N/A	92,200

Industry Life Cycle

The life cycle stage of this industry is Growth

LIFE CYCLE REASONS

The industry's performance is distorted by the high base year and the current COVID-19 slump

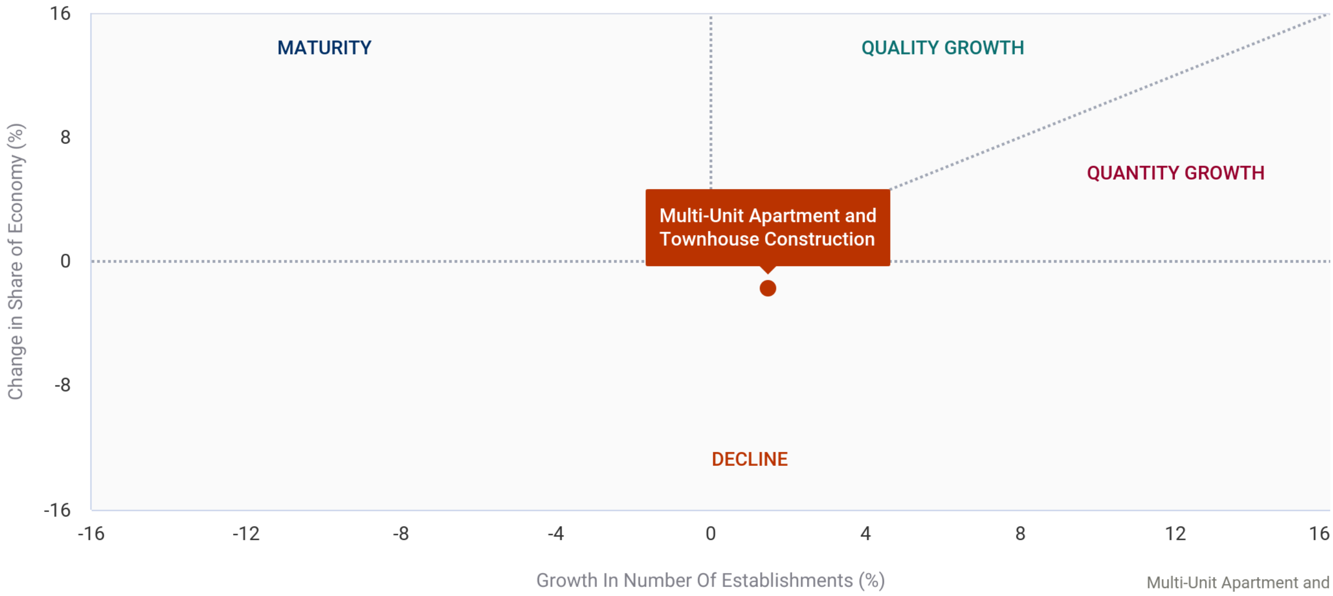
Market preferences are shifting towards higher density accommodation

Industry activity has shifted towards building large-scale, inner-urban apartment complexes and retirement dwellings

Technological advancements are improving housing affordability

Expansion into overseas markets offers further scope for industry growth

Indicative Industry Life Cycle



Multi-Unit Apartment and Townhouse Construction
Source: IBISWorld

The Multi-Unit Apartment and Townhouse Construction industry is in the growth phase of its economic life cycle. However, its current performance has been distorted by the economic fallout from COVID-19 pandemic and the earlier surge in construction activity. Over the long term, there has been a shift in housing preferences away from traditional low-density, single-unit housing and towards multi-unit and higher density housing, including apartments and townhouses. This trend has largely reflected rising serviced land prices and homebuyers favouring inner-city lifestyles. The shift in housing preferences lifted multi-unit dwelling's share of total new dwelling commencements from about 30% in the 2000s to peak at 50.4% in 2015-16, although this share has since contracted to about 37.3% of new dwelling commencements in 2021-22.

Industry value added (IVA), which measures an industry's contribution to the overall economy, is forecast to decrease at an annualised 0.6% over the 10 years through 2026-27. This represents a significant underperformance of Australia's GDP, which is projected to grow at an annualised 2.3% over the same period. However, this underperformance mainly reflects the current slump of investment during the COVID-19 pandemic and the scaling back of activity from the record peak in 2017-18. Excluding the one-off influence of the pandemic, the industry's long-term performance is projected to outperform overall economic growth, as housing preferences are forecast to continue shifting towards higher-density apartments and townhouses, rather than traditional single-unit houses.

Industry employment numbers are also projected to contract in response to the deterioration in the industry's revenue and value added performance over the 10-year period. However, firms are likely to retain their permanent workforce and trim the subcontracted labour requirement during periods of cyclical contraction in demand conditions. Industry participation is expected to increase over the 10 years through 2026-27, as many industry enterprises look to ride-out cyclical fluctuations in demand conditions.

Markets and customers

Changing trends in household size and shifting preferences in dwelling locations and designs have positively affected the industry's long-term expansion. An increasing preference for high-density, inner-city accommodation reflects a change in household size and the age of the population. The growing popularity of high-density dwellings in central urban locations, which are close to lifestyle and recreation services, generates demand for new multi-unit apartment buildings. The target markets for these developments are young urban professionals and older couples that no longer have dependent children and want to trade living space for location. However, the COVID-19 pandemic has increased flexible work arrangements, contributing to preferences shifting towards larger single-unit housing construction to better accommodate employees working from home. This trend may not be sustained in the long term due to the high costs of land for low-density living and the costs associated with urban spread.

Foreign investment in Australian property has further supported the multi-unit housing market. In addition, several leading construction firms have undertaken foreign contracts, constructing large-scale multi-unit apartments in Asia, the United States and the United Kingdom. Overseas markets offer further scope for growth over the next five years. Apartments constructed for rental purposes (build-to-rent) have expanded significantly in many other developed economies, and this development model is expected to gather momentum in Australia over the next decade.

Products and affordability

The types of multi-unit residential buildings being built have changed over the past two decades, ranging from inner-urban townhouses to unit retirement villages and city-based state-of-the-art condominiums. Technological advancements in design, building materials, equipment, and building techniques have reduced the cost of materials and construction time. These advancements have aided the industry's expansion and improved housing affordability.

Products & Markets

Supply Chain

Key Buying Industries

1st Tier

- Aged Care Residential Services in Australia
- Crisis and Care Accommodation in Australia
- Residential Property Operators in Australia
- Defence in Australia
- Real Estate Services in Australia

2nd Tier

- Consumers in Australia

Key Selling Industries

1st Tier

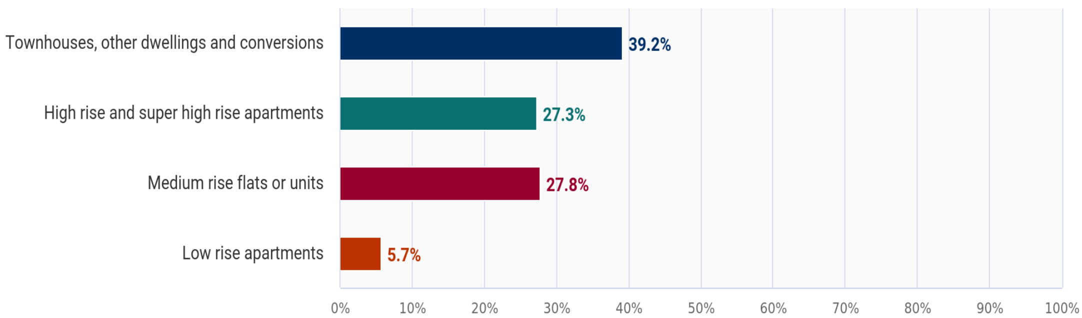
- Wooden Structural Component Manufacturing in Australia
- Surveying and Mapping Services in Australia
- Architectural Services in Australia
- Construction Machinery and Operator Hire in Australia
- Ready-Mixed Concrete Manufacturing in Australia
- Clay Brick Manufacturing in Australia
- Tiling and Carpeting Services in Australia
- Painting and Decorating Services in Australia
- Engineering Consulting in Australia
- Plastering and Ceiling Services in Australia
- Advertising Agencies in Australia
- Carpentry Services in Australia
- Machinery and Scaffolding Rental in Australia

2nd Tier

- Cement and Lime Manufacturing in Australia
- Plaster Product Manufacturing in Australia
- Employment Placement and Recruitment Services in Australia
- Gravel and Sand Quarrying in Australia
- Steel Pipe and Tube Manufacturing in Australia
- Aluminium Door and Window Manufacturing in Australia
- Paint and Coatings Manufacturing in Australia
- Professional Services in Australia
- Mining and Construction Machinery Manufacturing in Australia
- Hardware Wholesaling in Australia
- Timber Wholesaling in Australia

Products & Services

Products and Services Segmentation



2022 INDUSTRY REVENUE

$40.0bn

Multi-Unit Apartment and Townhouse Construction
Source: IBISWorld

Industry operators primarily construct multi-unit apartments, townhouses and medium-density flats and units.

Industry construction activity can be categorised according to the scale of the buildings, based on the number of storeys (floors or levels). The ABS categories for apartments includes low rise (1 to 3 storeys), medium rise (4 to 8 storeys), high rise (9 to 19 storeys) and super high rise (20 or more storeys). The industry also constructs townhouses and semi-detached terrace houses, and converts existing non-residential buildings, such as warehouses and shops, for residential use. Industry operators can function as prime contractors that oversee project construction from design through to lock-up stage; joint-venture developers; prime contractors on alterations to existing buildings; or subcontractors completing one or more construction segments. Construction contractors across all segments are increasingly taking equity positions or joint-venture roles in developments.

TOWNHOUSES, OTHER DWELLINGS AND CONVERSIONS

The largest source of industry revenue currently comes from constructing townhouses and semi-detached terrace houses, and undertaking residential conversions.

This segment has risen significantly as a share of industry revenue over the past five years, which largely reflects greater demand for quality higher density homes in convenient inner-urban locations, along with rising land prices. The share of construction in this segment has jumped in recent years, as large-scale multistorey apartment construction has lessened. Demand for existing warehouses, shops and office buildings to be converted for residential purposes has been decreasing over the past five years, as demand has shifted away from high rise developments.

Townhouses and semi-detached terrace buildings often have two or more storeys, and tend to be in highly sought-after locations. These medium-density developments are often marketed as lifestyle options for smaller households. Contracts for these developments are typically lucrative and attract strong competition from medium-scale builders.

HIGH RISE AND SUPER HIGH RISE APARTMENTS

The share of industry revenue generated from the construction of high rise apartments (9 to 19 storeys) and super high rise apartments (20 storeys or more) peaked at 34.9% in 2016-17.

Over the past five years, it has fallen to account for approximately 27.3% in 2021-22. This decline largely reflects the recent completion of many large-scale multistorey apartment complexes, alongside the effects of the COVID-19 pandemic. This segment has been adversely affected by the reduction in foreign investment following government and banking restrictions in recent years, and the emergence of oversupply conditions in several capital cities.

For much of the past decade, this segment has captured an increasing share of industry activity, with construction largely focused on inner-city locations. Rising investment in inner-urban developments and growing preferences for convenient inner-city lifestyles have largely driven growth in multi-unit housing developments, which often include underground or off-street parking, large living areas, and shared gyms and pool facilities. Large-scale construction firms with the necessary experience and financial resources typically undertake these projects.

MEDIUM RISE FLATS OR UNITS

The construction of medium rise (4 to 8 storey) apartments represents one of the industry's largest segments.

This segment includes medium-to-high density developments ranging from 16 to 250 dwelling units. These property developments tend to be located close to amenities and major transport links. Medium rise apartments typically include inner and middle suburban flats and condominiums, and can include resort-type tourist or retirement developments. Medium rise apartments have increased as a share of industry revenue over the past five years. These developments are mainly constructed by medium-to-large construction firms with the technical capacity and resources to undertake complex projects in built-up locations.

LOW RISE APARTMENTS

Smaller scale suburban and rural flats and units have declined as a share of industry revenue over the past five years, representing a major shift in housing preferences over recent decades.

This segment largely includes 1 to 3 storey flats, and units constructed for tourists or retirees in popular coastal and rural regions. Small-scale property developers typically fund projects in this segment and hire local builders that also operate in the single-unit housing market.

Demand Determinants

A combination of short- and long-term economic and demographic factors are the principal determinants of demand for industry construction services.

The economic fallout from the COVID-19 pandemic is expected to discourage investment in large-scale multi-unit apartment developments. However, some builders have benefited from the stimulus generated for small-scale detached housing and townhouse construction from the Commonwealth HomeBuilders scheme.

Short-term demand determinants

Economic conditions affect consumer sentiment, which affects demand. Job security is an important factor influencing consumer confidence and the capacity to commit to purchasing property or rental agreements. Mortgage affordability also drives the housing investment cycle. Furthermore, current and projected rental yield is a short-term determinant that can affect the relative attractiveness of residential rental properties when compared with other investments, such as sharemarkets. Foreign investment in rental accommodation and property development has been an important demand driver for the industry.

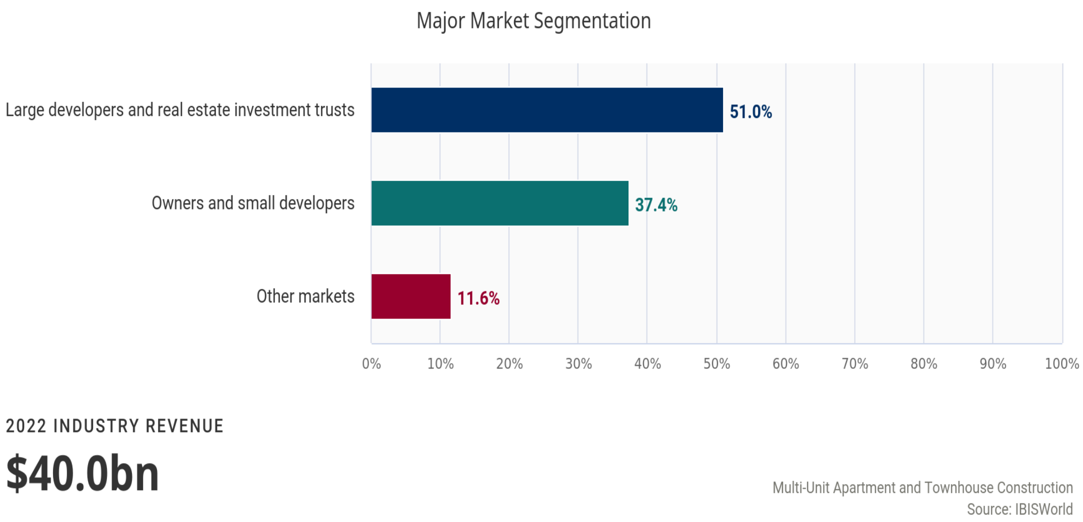
Specific government policies designed to encourage high- and medium-density dwelling construction can directly affect industry demand. These policies include local government inner-city living initiatives; policies covering strata titling, stamp duty, urban renewal and zoning; tax deductions for negatively geared investment properties; and the fringe benefits tax.

Long-term underlying demand

Demographic factors, such as population growth rates, trends in net migration, population dispersion, the population's age composition and household formation rates, have a profound influence on the long-term demand for housing. Long-term trends in household size and the resulting preferences regarding accommodation size also drive demand. Furthermore, changing preferences in favour of living in the inner city or in tourist regions can affect demand.

Government incentives for purchasing properties through SMSFs have fuelled investment in new apartment construction over the past decade. This includes an increasing trend towards build-to-rent (BTR) developments. Other government incentives, such as first-home buyers' grants, have also influenced demand over the period.

Major Markets



Private sector clients, such as property developers and individual homebuyers, account for the majority of the market for the Multi-Unit Apartment and Townhouse Construction industry.

Rather than investing directly in construction, governments now tend to subsidise private market rental costs for low-income households. The public sector accounts for approximately 2,500 publicly funded commencements annually, with over half involving the construction of multi-unit apartments and townhouses. Key public sector clients are state housing departments and the Australian Defence Force.

LARGE DEVELOPERS AND REAL ESTATE INVESTMENT TRUSTS

Private and public property developers, including publicly listed real estate investment trusts (REITs), represent an important source of funding and development of larger inner-urban apartment complexes.

REITs and other large property developers, such as Central Equity Limited and Fraser Property Limited, contract building firms to construct new developments. REITs and large developers account for over half of the industry's annual revenue. Property trusts such as Stockland, the nation's largest residential developer, Charter Hall Group and Dexus fund major developments with the intention of renting or selling directly to homebuyers. Several larger players in the industry, notably Meriton Properties and Mirvac Group, also act as multi-unit residential property developers. Trends favouring build-to-rent projects, which are purpose-built rental accommodation that is typically owned and managed by institutional investors, has been enhanced following recent changes in the tax treatment by the NSW and Victorian governments.

Over the long term, housing preferences shifting towards higher density inner-urban living has supported growth in this market. However, this trend may have reversed during the COVID-19 pandemic. Requirements for employees to work and study from home have favoured investment in larger residential buildings and may have reduced the appeal of inner-city living. This market has contracted as a share of industry revenue over the past five years.

OWNERS AND SMALL DEVELOPERS

Industry firms construct many small developments.

These projects include one-off developments such as traditional medium- to high-density suburban apartments (five to 12 units per development), tourist accommodation in regional settings, and townhouses in urban areas. A variety of customers, including individual property investors (such as building firms), well-established property owners, brokerage firms and real estate developers, fund these developments. SMSF investment has emerged as an important source of funding for new apartment construction.

This market has risen slightly as a share of industry revenue over the past five years, despite the reduced capacity of some smaller investors during the COVID-19 pandemic and subsequent economic slowdown. Some operators in this market may benefit from the Commonwealth Government's HomeBuilder scheme of up to $25,000 to build new houses or substantially renovate existing homes. Smaller developments are expected to remain popular outside the inner-urban areas of major cities over the next five years, and will therefore be an important source of revenue for the industry's smaller firms.

OTHER MARKETS

The industry also generates revenue from constructing multi-unit residential dwellings for other markets, including retirement homes, defence housing, student accommodation and special-needs developments.

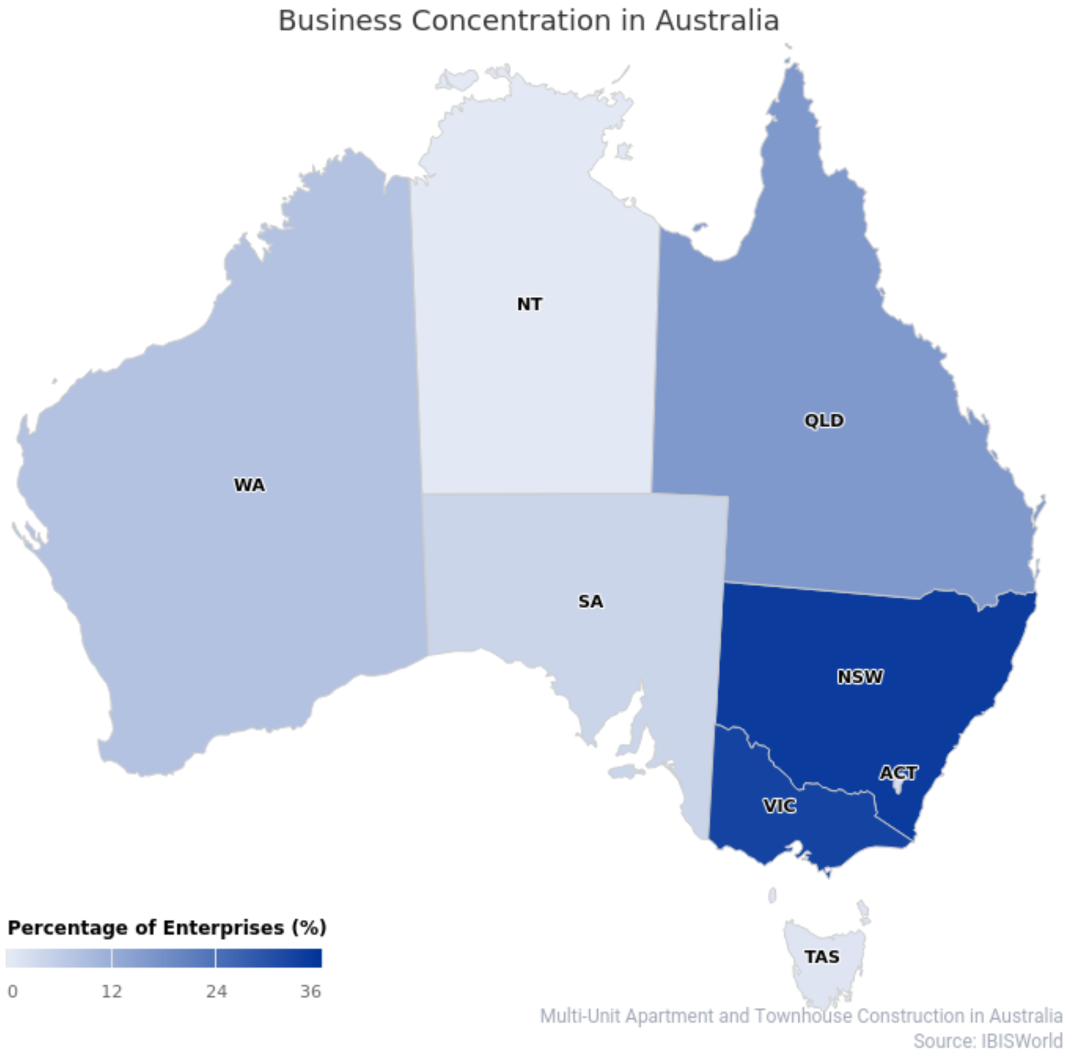
Revenue from these other markets has declined marginally as a share of industry revenue over the past five years, mainly due to tighter government budgetary allocations for building projects in favour of private equity involvement. However, this segment may benefit from increased government funding of social housing during the COVID-19 pandemic, such as for the construction of over 780 dwelling units under the Victorian Social Housing Growth Fund. Clients operating in downstream industries, including retirement village operators, the Department of Defence, education institutions and charitable groups, typically drive demand from this market.

Exports in this industry are ⊘ Low and Steady

Imports in this industry are ⊘ Low and Steady

The Multi-Unit Apartment and Townhouse Construction industry does not directly engage in international trade, although several of the large-scale players generate revenue from foreign projects. CIMIC Group Limited regularly wins contracts through its external subsidiaries to construct multistorey apartment buildings in cities in Asia and the Middle East. LendLease has long maintained a significant presence in the residential, commercial building and engineering markets in the United States and the United Kingdom. Downer EDI has operations in apartment and commercial building construction in New Zealand through its subsidiary company Hawkins 2017 Limited.

Business Locations



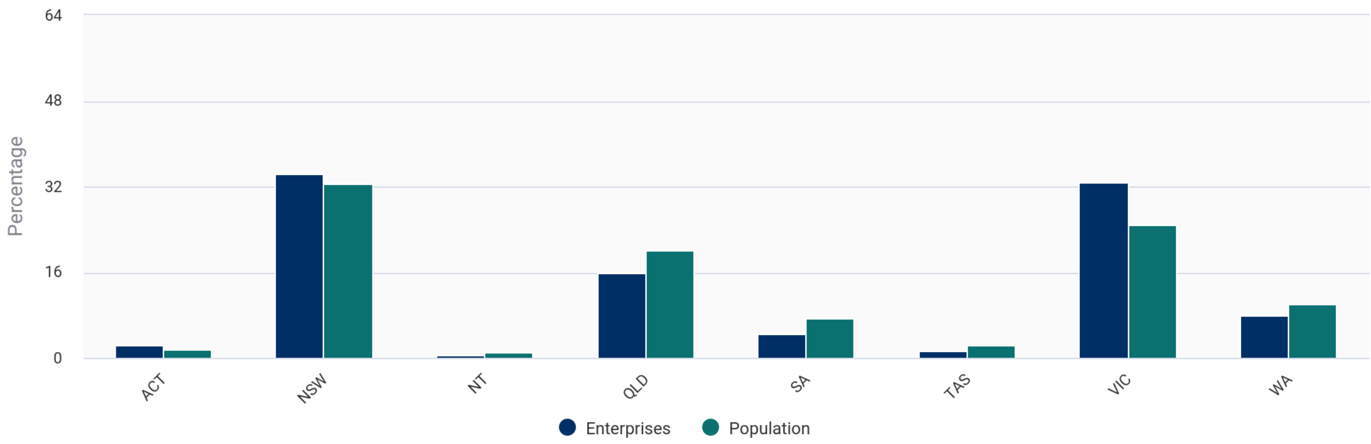
Industry activity does not directly correspond with the population's distribution. Differences in topography, land values, demographic factors and consumer preferences affect where industry activity takes place. The preference for higher density dwellings is strongest in areas where land values are high (e.g. inner-urban areas and tourist regions) and household size is smaller (e.g. retirement areas). The value of apartment construction in each state and territory fluctuates in response to local market conditions, such as vacancy rates, and the start and completion dates of large-scale projects. Individual developments frequently involve construction of up to 250 units on large-scale projects in the major capital cities and on the Gold Coast, QLD.

New South Wales has always been an important market for multi-unit apartment and townhouse building construction. The state's share of work done on apartment construction has remained well above one-third of the national market over the past five years and peaked at 45.3% of work done in 2017-18. The share of revenue from apartment and townhouse construction in New South Wales significantly outweighs its share of the national population and economic activity. The state's current 34.5% share of industry enterprises also exceeds its population share. Investment in several large-scale apartment developments at Barangaroo, Discovery Point and the Greenland Centre have lifted the state's share of industry operations.

Victoria has been the dominant market for residential building construction over the past five years, for both traditional single-unit (detached) housing construction and multi-unit apartment and townhouse construction. The state's share of revenue from new multi-unit apartment construction and industry enterprises substantially exceeds the state's one-quarter share of the national economy and population. Several large developments are currently under construction in the Victoria, including the 100-storey Australia 108 development the multi-stage Melbourne Square development in Southbank.

Queensland's share of industry activity and enterprise numbers have contracted over the past five years, despite the construction of major developments, such as the 90-storey Brisbane Skytower (mixed use development). Queensland's share of industry enterprises falls well below the state's share of the national population and economic activity. This trend likely reflects the greater focus of homebuyers on low-density, single-unit dwellings in recent years. Similarly, South Australia and Western Australia are significantly under-represented in the industry, relative to each states' share of national population and economic activity. The preference for low-density, single-unit house construction and lower-priced land account for lower industry activity in these states.

Distribution of Enterprises vs Population



Multi-Unit Apartment and Townhouse Construction
Source: IBISWorld

Competitive Landscape

Market Share Concentration

Concentration in this industry is Low

Despite having several large-scale firms, the Multi-Unit Apartment and Townhouse Construction industry exhibits low concentration. The industry's four largest firms are expected to account for less than 20% of industry revenue in 2021-22. These firms' market share has increased over the past five years, as industry activity has increasingly shifted to large-scale developments. These projects often include equity involvement, which only large players can access.

Unlike the House Construction industry, medium-to-large scale operators such as Multiplex, Hutchinson Builders, Meriton Apartments and Hickory Group undertake many apartment projects. These enterprises principally operate in the non-residential building and engineering construction sectors. Other leading players such as Pindan and Mirvac Group have substantial operations in the House Construction industry.

The industry relies heavily on subcontracted labour and has a small permanent employment base. Only about 0.5% of industry enterprises currently employ more than 20 people, while approximately three-quarters of enterprises have no paid employees and are operated by sole proprietors or partners. Most businesses generate annual revenue of less than $200,000 (62.7%), while the largest 11.1% of enterprises generate annual revenue exceeding $2 million.

Key Success Factors

IBISWorld identifies 250 Key Success Factors for a business. The most important for this industry are:

Ability to compete on tender:
Developers often use a tendering process to allocate work on major developments. Firms with a history of successful projects are more likely to be included on lists of preferred contractors, and submit tenders that maintain profit margins and cash flow.

Ability to expand and curtail operations rapidly in line with market demand:
Successful firms track changes in market conditions and adjust their business planning accordingly. Firms must also adjust their marketing efforts and vary their labour and equipment inputs to meet demand changes.

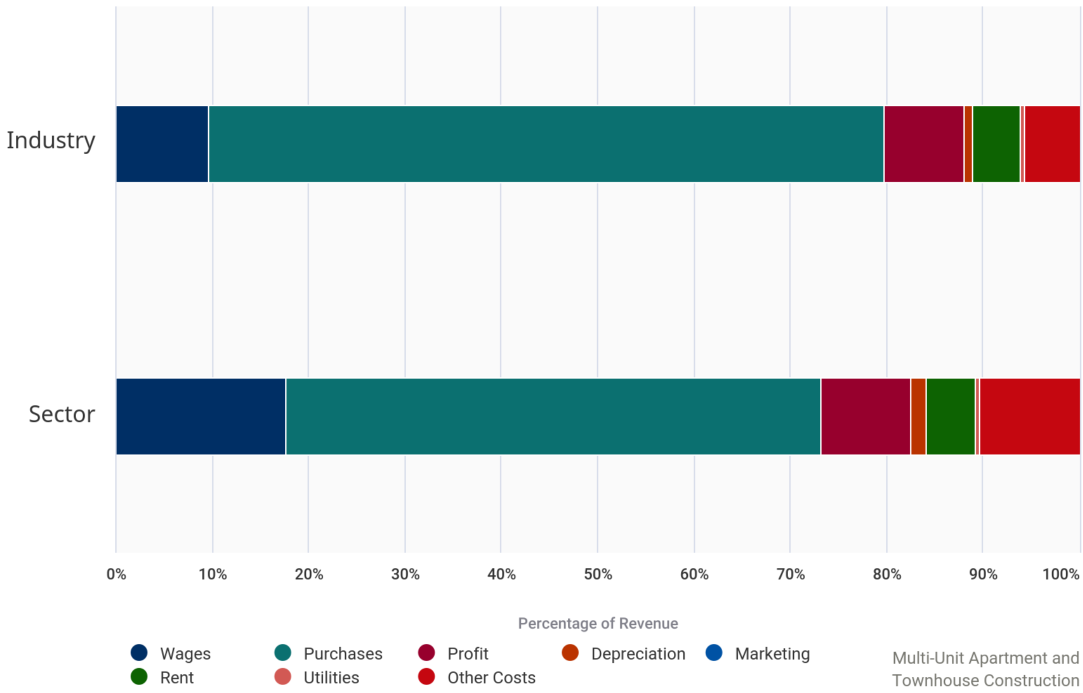
Access to the necessary amount of land/type of property:
Major industry players often take equity in apartment projects to profit from both construction and property development activities. These activities require access to parcels of land suitable for developments, often in inner-urban areas.

Having a high prior success rate (including completed prior contracts):
Referrals from satisfied clients and a proven track record are integral for operating in the industry. Successful builders can present proven financial, managerial and technical capacity, and a portfolio of past projects.

Access to multiskilled and flexible workforce:
Industry firms rely heavily on subcontractors to supply a range of specialist construction, professional and technical skills. Firms that can maintain access to a stable pool of workers can better manage fluctuations in demand.

Cost Structure Benchmarks

Cost Structure 2022

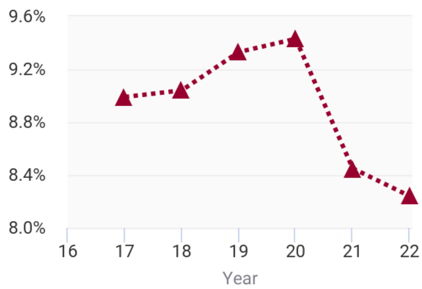


Multi-Unit Apartment and Townhouse Construction
Source: IBISWorld

Profit

Industry profitability has fallen sharply during the current year, as the COVID-19 pandemic has reduced investment in large-scale apartment developments. This factor is expected to heighten industry competition and result in profitability falling over the past five years. However, the industry achieved strong profitability over the three years through 2018-19, with larger scale operators being well placed to secure contracts to construct lucrative inner-city apartment developments. Prior to the pandemic, industry profit was falling as new building investment was scaled back alongside the completion of several major apartment developments. Prices for building materials has further limited industry profitability over recent years, with builders reporting escalating prices for timber and joinery products, electrical equipment and metal products.

Profit as a Share of Revenue 2017-2022

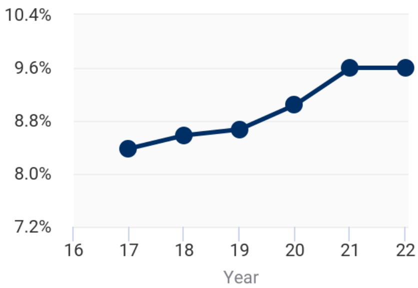


Multi-Unit Apartment and Townhouse Construction
Source: IBISWorld

Wages

Wages paid directly to permanent employees have risen significantly over the past five years and accounts for an estimated 9.6% of industry revenue in 2021-22. This partly reflects the slump in industry revenue in recent years and the slower decline in total employment. Construction firms typically respond to initial downturns in demand by dismissing their non-permanent contract workforce while retaining direct employment. Wage and salary costs include payments to skilled construction workers, site foremen and non-construction employees such as engineers, quantity surveyors, account clerks and marketing personnel. Due to the industry's small permanent employment base, wage costs account for a small share of revenue.

Wages as a Share of Revenue 2017-2022

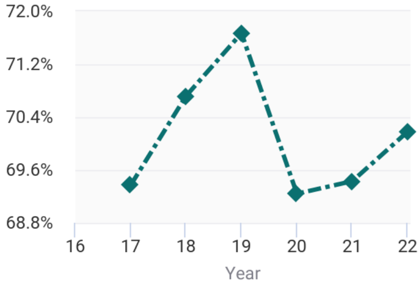


Multi-Unit Apartment and Townhouse Construction
Source: IBISWorld

Purchases

Construction material expenses represent an important component of the industry's cost structure and includes the purchase of timber, steel, concrete product, glass product and building consumables. These purchase costs have risen as a share of industry revenue over the past five years, reflecting the rising domestic price of concrete, cement and sand products, and other core input materials such as plaster, glass and architectural metal products. Building owner-developers, or designated project managers responsible for procurement (e.g. architects and engineers), supply a substantial share of construction materials. Industry contractors are more likely to be responsible for building material purchases on small- and medium-scale developments.

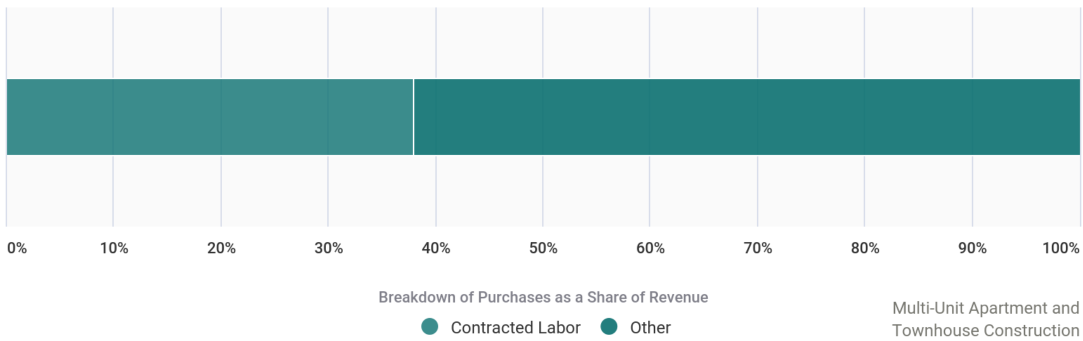
Purchases as a Share of Revenue 2017-2022



Contractor labour

Payments for contract labour, including contractors, professional engineering and architectural consultants, represent the largest component of the industry's cost structure. Subcontractor costs have dropped as a share of revenue over the past five years, as firms have minimised their reliance on non-permanent workers in response to falling investment in new apartment developments. Prime building contractors tend to subcontract specialist construction activities rather than maintain a large permanent employee base. The main specialist subcontractors used by the industry include carpenters, tilers, plasterers, painters, electricians, plumbers, air conditioning contractors and roofing contractors. Architects, engineers, drafters, building inspectors and surveyors primarily supply professional and technical services on a fee basis.

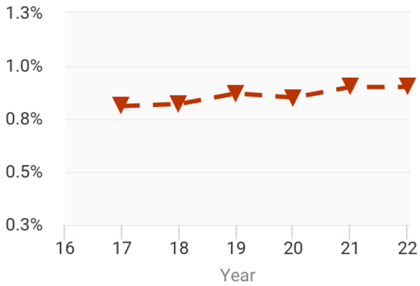
Purchases Breakdown (% of Total Purchases in 2022)



Depreciation

Depreciation costs are relatively minor but have risen slightly as a share of industry revenue over the past five years, mainly due the current heavy slump in industry revenue. The industry's limited depreciation costs reflect the high labour-intensity of industry operations and the tendency for construction firms to access heavy equipment through specialist subcontractors. Larger contractors are more likely to purchase or take out a long-term lease on capital equipment.

Depreciation as a Share of Revenue 2017-2022

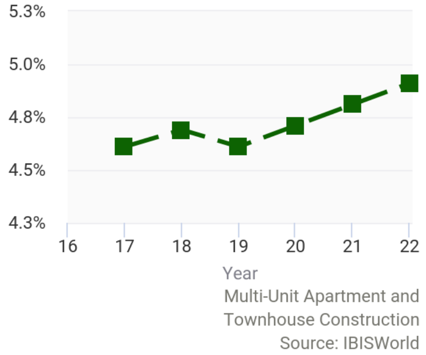


Rent

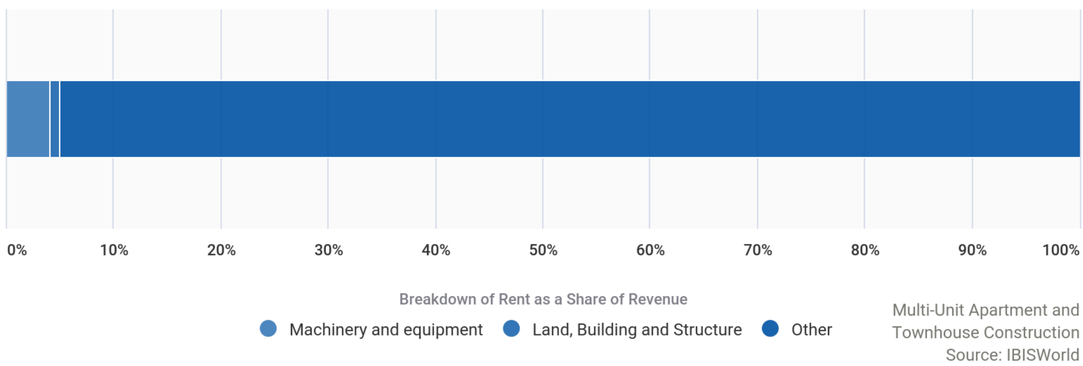
Land, building and structure rental

The industry allocates minor payments for premises rental, as many of the industry's small-scale contractors base their operations from home. Some medium- and large-scale apartment builders maintain permanent administrative offices and construction yards for safely storing building materials and construction machinery. Rental costs have remained stable as a share of industry revenue over the past five years.

Rent as a Share of Revenue 2017-2022



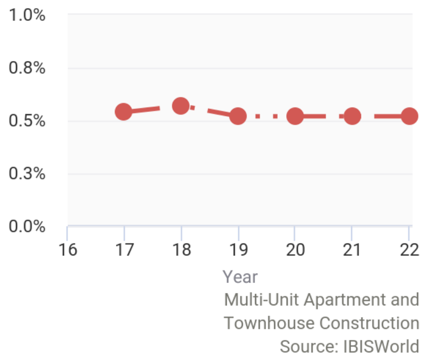
Rent Breakdown (% of Total Rent in 2022)



Utilities

The industry incurs minor utility expenses, as most firms base their operations from a home office or at the construction site. Utility expenses mainly represent the cost of power and water for on-site construction, and overheads for offices and branches. Utility expenses have remained stable as a share of industry revenue over the past five years.

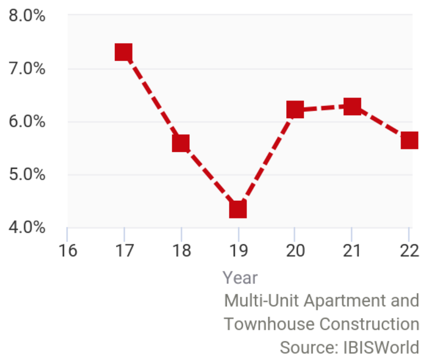
Utilities as a Share of Revenue 2017-2022



Other Costs

General business overheads, such as office administration, communications, insurance premiums, legal, marketing and accounting costs, have contracted as a share of industry revenue over the past five years. The majority of these other operating costs are fixed over the medium term. Most industry operators are small-scale businesses and overhead operating expenses are limited.

Other Costs as a Share of Revenue 2017-2022



Basis of Competition

Competition in this industry is ⚠ High and the trend is Steady

The Multi-Unit Apartment and Townhouse Construction industry operates in an intensely competitive environment.

Developers award contracts based on several factors, with price coming into play only after other aspects have been considered. Industry operators also face significant external competition from construction firms that mainly operate in aligned construction industries, such as the House Construction industry or the Commercial and Industrial Building Construction industry.

INTERNAL COMPETITION

Developers invite firms to tender for projects and choose contractors based on factors including proven reputation for quality, timeliness, financial security and efficiency.

Price differentiation becomes an important basis for competition after the other prerequisites have been met. Contractors often network with property developers, financial institutions and real estate agents in their regional market. These relationships usually stem from a reputation for completing projects in a set budget and time. Small-scale operators tend to rely on word-of-mouth referrals to obtain contracts.

The demarcation between property developer and prime contractor is ambiguous for many of the industry's large-scale inner-city developments. It is increasingly common for the major contractors to take an equity interest in property development consortiums. However, promoting sales through speculative developments tends to be limited to the medium- to large-scale builders, as this practice often poses a greater risk to the builder and the financier.

Large-scale building firms frequently compete for market share using marketing techniques. These techniques include mass-market advertising; joint venture development promotions with government and industry bodies; financial packages arranged with financial institutions, real estate agents or in-house; or incentives including free appliances or gym membership. While some companies have actively sought to strengthen their property sales across Asia, although the increase in state government stamp duty on foreign investment and restrictions on local bank lending to foreign investors has raised obstacles in this market.

Large-scale companies tend to benefit from economies of scale in purchasing material inputs. These firms typically standardise the material requirements across a range of designs and receive substantial discounts by bulk-buying a particular line of bricks or tiles. Smaller-scale operators receive trade discounts from material suppliers, but generally cannot buy inputs at the same price as larger companies.

EXTERNAL COMPETITION

The industry faces direct competition from contractors mainly operating in other construction industries.

Industry firms that operate in traditional single-unit house construction and the commercial building markets form the most significant competition to industry companies.

Barriers to Entry

Barriers to Entry in this industry are ⊖ Medium and the trend is Increasing

Industry contractors must be registered and licensed to practice, which represents the main barrier to entry for new competitors. States and territories require builders to register with recognised industry associations, such as the Housing Industry Association or Master Builders Australia, to verify their competency and allow them to obtain insurance for construction projects. New entrants without industry association accreditation have difficulties obtaining warranty insurance and competing for contracts.

Existing firms benefit from having a pool of skilled subcontractors and arrangements with material suppliers, financial institutions and real estate agents. Labour costs are generally similar for all scales of construction, although larger firms have better access to labour in periods of labour shortfalls. Larger scale firms may find it difficult to establish a significant market presence in higher-end markets.

Significant overlap exists between the multi-unit dwelling market, and the housing and non-residential building market. The industry faces increasing competition from firms mainly operating in these other building markets. When demand declines in these markets, firms cross into the multi-unit dwelling market to seek contracts. Larger commercial builders bring knowledge, reputation and financial relationships to compete in this market.

Barriers to Entry Checklist

Competition	High ⚠
Concentration	Low ✓
Life Cycle Stage	Growth ✓
Technology Change	Medium ⊖
Regulation & Policy	Heavy ⚠
Industry Assistance	Medium ⊖

Industry Globalization

Globalization in this industry is ✓ Low and the trend is Increasing

The Multi-Unit Apartment and Townhouse Construction industry exhibits low globalisation in terms of international trade in construction services but rising globalisation in terms of foreign ownership. The multi-unit apartment market is of sufficient scale to attract competition from foreign construction firms and property developers for several reasons. This includes the opportunity to diversify from the traditional European and Asian markets, and Australia's sophisticated legal and financial environments.

Several of the leading local construction firms have majority or substantial foreign ownership, including Laing O'Rourke (United Kingdom), Fletcher Building (New Zealand), Multiplex (Canada and UK), CIMIC Group Limited (Germany and Spain) and John Holland Group (China). At the same time some local companies have expanded their operations into foreign markets. This expansion has allowed these firms to diversify their markets and tap into stronger growth prospects outside Australia while using their experience and market knowledge. Downer EDI has operations in New Zealand through its ownership of Hawkins 2017 Limited, and for many years Lendlease has had extensive construction activity overseas, including with the US Department of Defense and in the United Kingdom, including the construction of the Olympic Village for the 2012 London Olympics.

The level of foreign ownership in the industry may decline following the financial collapse of Probuild in February 2022. Wilson Bayly Holmes-Ovcon Limited (WBHO), the South African parent of Probuild placed the company in voluntarily administration following the substantial losses on several building and road infrastructure projects in recent years. WHBO had proposed the sale of Probuild to China State Construction Engineering Corporation but the transaction was shelved in early 2021 due to concerns raised by the Foreign Investment Review Board (FIRB).

Major Companies

There are no major players in this industry

Other Companies

The Multi-Unit Apartment and Townhouse Construction industry includes several medium-to-large scale construction companies, but mainly consists of small-scale players. Almost three-quarters of industry enterprises are small businesses with no paid employees, while approximately 62.7% of businesses generate less than $200,000 in annual revenue. The industry also includes several large-scale companies that are leaders in the Australian building sector, with the capacity to build complex multistorey apartment developments and operate across the national market.

BBPHA 1 Pty Ltd

Market Share: 5.0%
Brand Names: Multiplex, Brookfield
BBPHA 1 Pty Ltd, trading as Multiplex, is one of Australia's largest residential and commercial building construction companies. The company also provides project development, engineering and infrastructure services. The company was originally founded as Multiplex in 1962 and was acquired by the Canadian firm Brookfield Asset Management in 2007, changing its trading name to Brookfield Multiplex. The company is a significant player in Australasia, the United Kingdom and the United Arab Emirates.

Multiplex has established itself as one of Australia's leading firms for the construction large-scale apartment developments. The firm regularly secures major contracts on projects for Central Equity in Melbourne and Frasers Property in Sydney. In 2017, the company completed several major apartment developments in Melbourne, including the 69-storey Lighthouse Tower and the 63-storey EQ Tower. In early 2019, the company completed the Wonderland development in the Central Park complex in Sydney. In 2020, the company completed the $350 million 71-storey Swanston Central development on the former CUB site in Melbourne, the 100-storey Australia 108, also in Melbourne, (the largest in the Southern Hemisphere) and the $400 worker accommodation village in Karratha Western Australia (604 rooms).

The company is currently working towards completion of several of Australia's largest apartment developments. The major Melbourne developments include the 70-storey Melbourne Square Tower 1; the 57-storey Melbourne Grand; the 48-storey Paragon; and the $1 billion, 80-storey Queens Place. In Brisbane, the firm has recently completed The One, an 84-storey apartment development and is currently working towards the completion of the $3.6 billion Queen's Wharf development by late 2022. This includes approximately 2,000 residential apartments, four hotels, and numerous restaurants and bars. Multiplex recently started work on The Grove near Cottesloe, WA, which involves two multistorey apartment towers (due for completion in 2023) and in February 2022 the company secured the contract to build the Market Square mixed use development in Adelaide.

J Hutchinson Pty Ltd

Market Share: 4.0%
J Hutchinson Pty Ltd, which trades as Hutchies, is a Brisbane-based private construction company that has operations spanning many building and infrastructure markets. The company currently employs approximately 1,400 full-time staff and has an extensive network of contracted labour, which provides the flexibility to contract work in all states and territories. In the residential building market, Hutchies constructs high-rise, mid-rise and low-rise developments along with retirement homes. The company is one of Australia's largest high-rise residential builders and ranks among the top five builders in the annual Housing Industry Association (HIA) Top Home Builders, with approximately 3,820 dwelling starts in 2019-20 and 3,015 units in 2020-21.

Hutchies' current and recent major apartment developments include The Langston in Epping, Sydney; Castle Residences in Sydney; The Lanes in Mermaid Waters, QLD; Quayview on Adelphi in Glenelg North, Adelaide; 272 Hedges Avenue at Mermaid Beach, QLD; The Ambrose in Milton, Brisbane; the Whitton Lane project in Bondi Junction, Sydney; and Prospect in Box Hill, Melbourne. In late 2021, Hutchies was awarded several medium-scale developments on the Gold Coast, including The Monroe, Del Ray, Emerson and Hemingway.

Probuild Constructions (Aust) Pty Ltd

Market Share: 4.0%
Probuild Constructions (Aust) Pty Ltd (Probuild) is headquartered in Melbourne, and is fully owned by South African building and civil engineering construction company Wilson Bayly Holmes-Ovcon Limited. Probuild has rapidly expanded its operations across the national construction market through organic growth and acquisitions. In January 2021, the Federal Treasurer moved to block the proposed sale of Probuild to a Chinese state-owned construction firm, as it was seen to be contrary to Australia's interest.

Probuild's parent company, WBHO Australia, placed it and 17 other entities in voluntary administration in February 2022, following several years of substantial losses on Probuild projects. These included major road construction projects in Melbourne and commercial building and apartment developments in Sydney and Brisbane. WBHO Australia indicated that the COVID-19 restrictions adversely affected Probuild's performance in recent years. Probuild has approximately $5 billion in unfinished projects spread across Victoria, New South Wales and Queensland.

Probuild's recent major apartment developments in Melbourne have included the 76-storey Victoria One building; the 84-storey Aurora Melbourne Central; the 65-storey UNO apartment tower in A'Beckett Street; and ongoing design and construction of the $1.0 billion West Side Place project. The company's major Sydney apartment developments have included the Shore at Discovery Point; Marq & Icon at Discovery Point; No. 1 Lachlan St; Promenade in Parramatta; and the 68-storey Greenland Centre. Several of the company's major developments have been suspended following the liquidation, including work on the 47-storey 443 Queen Street apartment development in Brisbane and the Build-To-Rent (BTR) Caulfield Village Precinct 2 North in suburban Melbourne, which will comprise mixed-use retail and commercial tenancies on the ground floor and over 400 BTR apartments.

Hickory Group Pty Ltd

Market Share: 3.0%
The Melbourne-based Hickory Group Pty Ltd was founded in 1991 and has grown to be a multi-faceted company, operating in development, formwork, plant hire, offsite manufacturing, modularised housing production and infrastructure. Hickory Group primarily focuses on residential developments in Victoria, but also undertakes interstate construction projects. Hickory Group generally does not take equity positions in the projects it constructs. The company operates with a lean structure and relies substantially on subcontracted labour and consultant input. The Hickory Group was implicated in the Victorian Building Authority's investigation into combustible cladding used on residential buildings. However, the company issued a response in late 2019, arguing that the requirement for oversight of non-compliant cladding usage falls on regulators and policy makers.

Hickory Group has pioneered prefabricated multistorey apartment building construction in Australia. In August 2016, the company topped out construction on the 133-metre, 44-storey La Trobe Tower development in Melbourne using a new method of high-rise construction that enables construction workers to raise the building by two floors per week using prefabricated modular components. The company recently constructed the several apartment developments in Melbourne, including the 19-storey Opera Apartments, the 42-storey Conservatory apartment tower, and the largely prefabricated construction of the 60-storey Collins House residential development, which is Australia's slimmest tower project and was completed in September 2019. The company is currently contracted to build the 65-storey Aspire apartment tower in King Street, Melbourne, which is due for completion in April 2023.

LendLease Group

Market Share: 3.0%
Brand Names: Lendlease
LendLease Group (trading as Lendlease) is a global construction and property development firm based in Sydney. The company operates across four business divisions: development, construction, investment management and infrastructure development. The group reports operations in Australia, Asia, Europe, the Middle East and the Americas. In December 2019, Lendlease entered an agreement with the Spanish firm Acciona to sell its infrastructure and engineering business, with the company expected to focus more on its property and building businesses.

Lendlease's industry-related revenue has declined sharply in recent years following the completion of several major developments in 2016 and 2017. These developments included the Convesso Concavo and 888 Collins Street projects at Melbourne's Docklands precinct, the Barangaroo South and the 40-storey Darling Square projects in Sydney. Lendlease is currently progressing several major developments, including The Green apartments, as part of an urban renewal project at RNA Showgrounds in Brisbane. In 2018-19, work began on the $1.5 billion Waterbank urban regeneration project in Perth, which will include approximately 1,200 residential apartments, commercial office space, a hotel, and a variety of retail and public spaces.

Lendlease is currently working on two landmark developments in Melbourne. The company originally commenced work on the centrally located $2.9 billion Melbourne Quarter mixed-use development in 2016, which is expected to accommodate 3,000 residents and 13,000 workers upon completion in 2024. Lendlease is also working on construction of the Victoria Harbour neighbourhood, which spans 2.5 kilometres of waterfront and includes a range of mixed-use developments including major commercial offices for ANZ, NAB and Myer, along with retail premises and accommodation for approximately 5,000 residents. The Victoria Harbour project is valued at $6.2 billion and is due to reach completion in 2025.

Meriton Properties Pty Limited

Market Share: 3.0%
Meriton Properties Pty Limited was founded in 1963 and primarily operates in Sydney, although it expanded to Queensland in the late 2000s. The company has diversified over the past five years by selling and leasing commercial and retail properties, and developing serviced apartments in Sydney. In February 2016, Meriton launched a Chinese language website in an attempt to increase sales to new demographics.

Meriton Properties has regularly been ranked by the Housing Industry Association (HIA) as one of the nation's largest multi-unit residential builders. The company's dwelling starts peaked at 7,929 units in 2013-14, with a construction pipeline of over 15,000 apartments across 25 developments. Meriton's housing starts contracted to a low at 2,117 units in 2017-18, before recovering to 3,273 units in 2018-19 with the HIA ranking the company the second largest in terms of starts. The company's housing starts have been disrupted by the COVID-19 pandemic and dropped to approximately 1,412 units in 2020-21. Over the past five years, Meriton has completed many medium-to-large scale developments in Sydney, including the 39-storey Altitude Apartments in Parramatta, in 2016; the Allium Tower One and Tower Two project in Pagewood, in 2018; and the 67-storey development 180 George Street in Parramatta, involving two towers containing 570 apartments in 2021. Meriton is currently developing and constructing the 73-storey Ocean hotel and apartment development on the Gold Coast, QLD, which is due for completion in 2022.

GEOCON Group Pty Ltd

Market Share: 2.0%
Brand Names: GEOCON, GEOCON Residential
GEOCON Group Pty Ltd is based in the Australian Capital Territory and has emerged as a leading developer and builder of multi-unit apartments and townhouses in the nation's capital. The company was founded in 2007 and has grown to be a leading supplier of residential and commercial property development, construction services and hotel management. The company employs almost 400 staff and is listed as one of the country's largest residential builders, with dwelling starts totalling 906 units in 2017-18, 1,648 units in 2018-19 and approximately 1,081 units in 2019-20. GEOCON's current apartment and mixed-use developments in Canberra include Midnight in Braddon; Infinity in Gungahlin; Grand Central Towers and WOVA in Woden; Republic, Dusk and High Society in Belconnen and Metropol in the Canberra CBD. The company topped out the two High Society towers at 100 metres and 113 metres in July 2020, making the development the tallest in Belconnen (completed mid-2021). During the COVID-19 pandemic, the company froze wages for its non-unionised workforce through to 2022, under a change to the enterprise agreement that was agreed to by the Fair Work Commission in May 2020.

L U Simon Builders Proprietary Limited

Market Share: 2.0%
L.U. Simon Builders Pty Limited is a Victoria-based construction firm with substantial activities in the non-residential building market and a steadily increasing presence in the multi-unit residential market. Founded in 1955, the privately owned company mainly works in the Melbourne metropolitan market. The company has maintained its position as one the largest multi-unit developers by concentrating on small-to-medium size residential developments across Melbourne. The company's annual apartment sales vary widely due to starting and completing various large-scale projects.

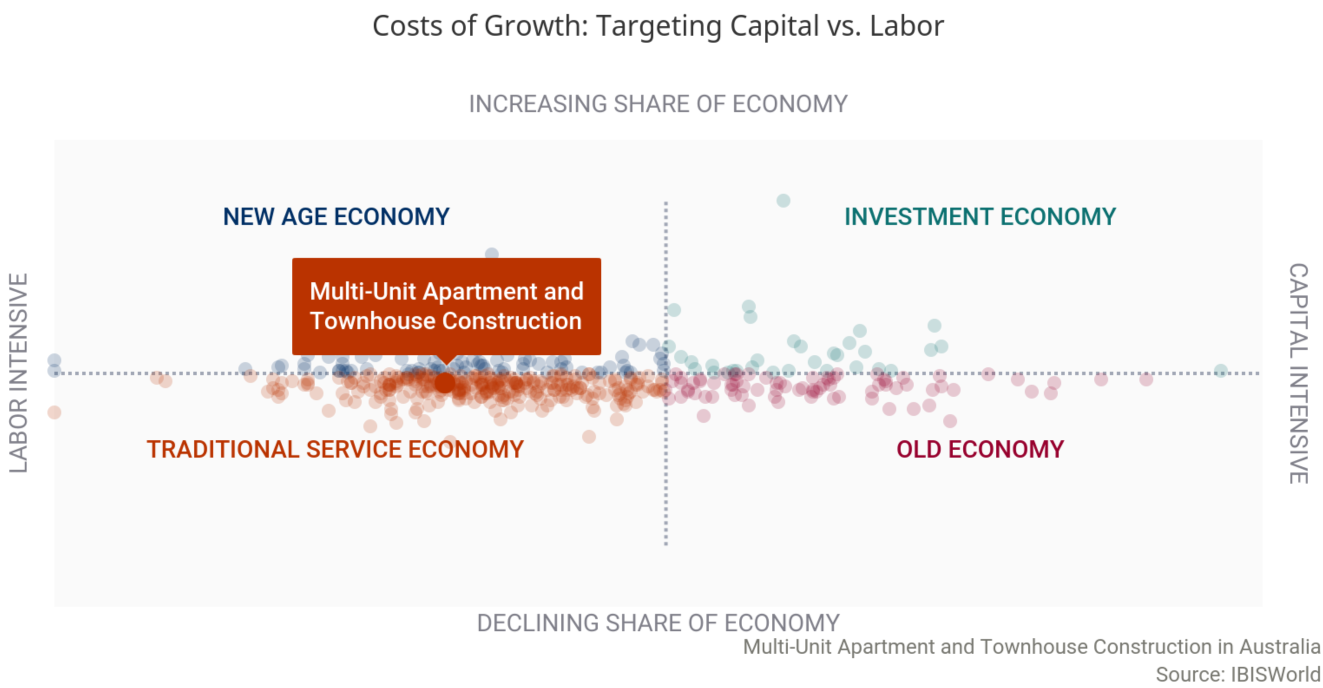
Some of L.U. Simon's larger mid-rise developments currently under construction in Melbourne include the 25-storey Mason Square precinct in Moonee Ponds; the 14-storey The Muse apartment building in St Kilda; the Sierra in Hawthorn (246 apartments); the 19-storey Escala Docklands; and Victoria Square Stage One & Two in Footscray, which will ultimately comprise 25-storey Tower 3 and 23-storey Tower 4. Projects recently completed by L.U. Simon in Melbourne included the Assembly Apartments in North Melbourne, the Rosny Apartments in Williamstown, and the Ettaro Apartments in Brunswick East. L.U. Simon has been implicated in using combustible cladding on some of its past projects, notably the Lacrosse apartment tower in Melbourne, which the company built in 2007, and endured substantial fire damage in late 2014. The company was found to be only partially liable for using the cladding materials, with greater liability falling on the consultant architect, fire engineer and building surveyor.

Parkview Construction Pty. Limited

Market Share: 2.0%
Parkview Construction, which was founded in 1997, is headquartered at Pyrmont, Sydney, and undertakes residential building projects across New South Wales. The company constructs non-residential buildings, such as aged care facilities, retail stores and industrial buildings, and employs almost 300 staff. Parkview Construction has an extensive portfolio of apartment developments and the HIA lists the company as a leading residential builder, with new dwelling starts totalling 1,747 units in 2018-19 and 1,434 units in 2019-20.

Parkview Construction has a number of current major residential building developments in Sydney. Projects due for completion in 2021 include the $143.0 million Sanctuary development at Wentworth Point, which comprises a mixture of townhouses and apartments over four buildings and the $116.0 million Neue apartment development at Macquarie Park. The $520.0 million The Orchards development at Baulkham Hills is due for completion in 2022. Other Sydney developments due for completion in 2023 include the $233.0 million Woolooware Bay Town Centre Stage 4 comprising 255 apartments, hotel and mixed-use development, along with the $69.0 million Nautilus project in Shell Harbour, comprising 116 apartments. In recent years, the company has completed other projects in Sydney, including a mixed hotel and apartment development the Crowne Plaza in the CBD, West Village in Parramatta, NewLife Bondi Junction, Archibald in Bondi Junction, NewLife in Darling Harbour and the Silkwood in Pagewood.

Operating Conditions



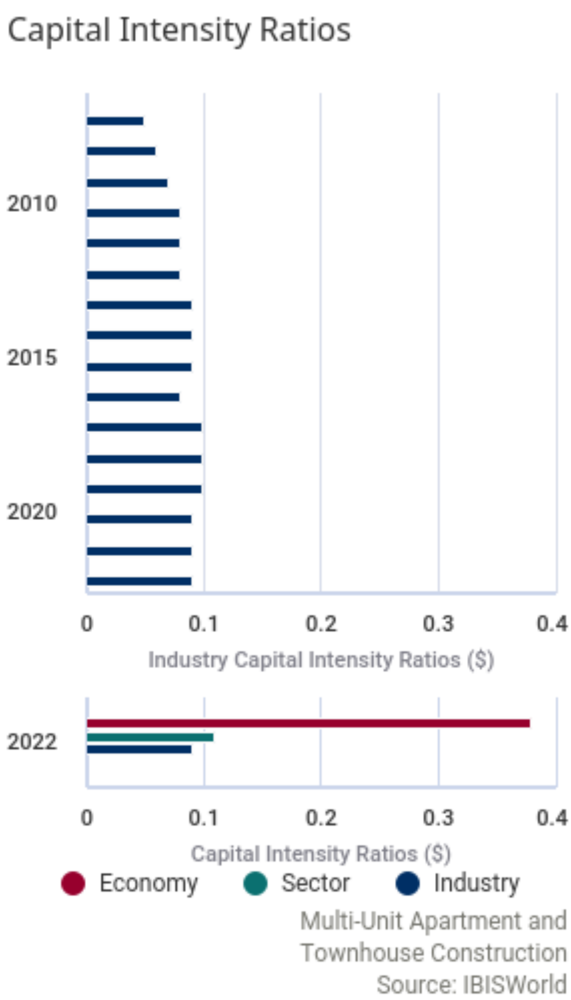
Capital Intensity

The level of capital intensity is Low

The Multi-Unit Apartment and Townhouse Construction industry displays low capital intensity. The industry's main contribution to industry value added comes from skilled labour and construction management services. The industry currently allocates approximately 9.6% of revenue in wage payments to permanent employees, while depreciation, which indicates capital inputs into construction, is expected to account for 0.9% of revenue. This indicates that the industry spends $10.67 on direct labour costs for every dollar invested in capital, which is consistent with low capital intensity.

The industry's low capital intensity partly understates the industry's full capital requirements, as firms heavily rely on subcontractors that operate their own capital equipment, which is known as wet hire. However, it also understates the full labour requirements for construction, which includes direct industry employment and subcontracting specialist tradespeople, such as carpenters, crane operators and electricians. Labour also includes professional and technical consultants, such as engineers, architects and surveyors.

The project design, construction management and trade skills required for apartment building projects do not typically require significant capital. Most industry operators have low fixed asset investment, as capital equipment tends to be rudimentary. Capital equipment typically includes powered and unpowered tools, hoists, conveyors, scaffolding equipment and motor vehicles. However, project management and design services increasingly rely on building information modelling (BIM) software and computer-aided design (CAD) for projects.



Technology & Systems

Potential Disruptive Innovation: Factors Driving Threat of Change

Level	Factor	Disruptive Effect	Description
Low	Rate of Innovation	Unlikely	A ranked measure for the number of patents assigned to an industry. A faster rate of new patent additions to the industry increases the likelihood of a disruptive innovation occurring.
Very High	Innovation Concentration	Very Likely	A measure for the mix of patent classes assigned to the industry. A greater concentration of patents in one area increases the likelihood of technological disruption of incumbent operators.
High	Ease of Entry	Likely	A qualitative measure of barriers to entry. Fewer barriers to entry increases the likelihood that new entrants can disrupt incumbents by putting new technologies to use.
Very High	Rate of Entry	Very Likely	Annualized growth in the number of enterprises in the industry, ranked against all other industries. A greater intensity of companies entering an industry increases the pool of potential disruptors.
Medium	Market Concentration	Potential	A ranked measure of the largest core market for the industry. Concentrated core markets present a low-end market or new market entry point for disruptive technologies to capture market share.

The rate of new patent technologies entering the industry is low, which limits the potential for innovations. A low rate does not mean that innovations cannot occur, just that the likelihood of some innovation materializing as a threat is lower. However, the concentration of technologies is high in this industry. This suggests that industry operators have exposure to potentially unforeseen areas of innovation.

This technology trend is underscored by structural factors that support new entrants. An accommodative structure can create a situation where small entrants can focus on less profitable albeit innovative industry entry points. Or, large operators in other industries can leverage expertise in other areas to enter the industry from a new angle.

Greater complexity in large-scale high-rise apartment development construction represents the main source of technological disruption affecting the industry.

Industry activity has increasingly shifted from small-scale apartments in suburban locations to inner-urban apartment towers exceeding 30 storeys. Most of the industry's large-scale builders use sophisticated building information modelling (BIM) software to manage complex building projects. BIM software can enable firms to quickly identify deviations from planning, improve project budgeting and schedule inputs in the construction process. BIM software is also valuable for determining the optimum approach to energy-efficient construction and ensuring compliance with the National Australian Built Environment Rating System (NABERS). To fully embrace this emerging technology, firms recruit staff with advanced computing skills and appropriately trained graduates.

Prefabricated building components such as concrete panels and curtain wall products have become more popular over the past five years. The Hickory Group is an example of a leading industry contractor that has embraced prefabricated building components to expedite construction processes. In August 2016, the Hickory Group topped out a 44-storey apartment project in Melbourne using prefabricated modular components that allowed the firm to raise the building by two floors per week. In addition, the company has overseen the manufacture of prefabricated bathroom pods that are installed in large-scale apartment developments. Most industry operators have adopted some prefabricated components, with companies such as Hickory Group looking to develop a competitive advantage by promptly delivering projects to the desired quality.

The level of technology change is Medium

Advancements in construction materials have incrementally improved building quality and productivity.

The dominant trend has been towards easier-to-handle, often prefabricated materials, which improve construction efficiency in terms of design, cost-effectiveness and construction speed. Technological advancements in industry materials and tools have improved efficiency and extended the working life of skilled tradespeople. Many of the larger construction firms use building information modelling (BIM) software for managing building projects. BIM software allows firms to quickly identify deviations from the planning path, improve project budgeting and schedule inputs in the construction process.

All new housing developments and any significant renovations completed in Australia are required to comply with minimum efficiency standards, under the National Construction Code. Consumers are also increasingly demanding that buildings be energy efficient and adapt to emerging communications and climate-control technology. Building companies have to adapt to these demands through using new design parameters for communication cabling, and heating and cooling ducts.

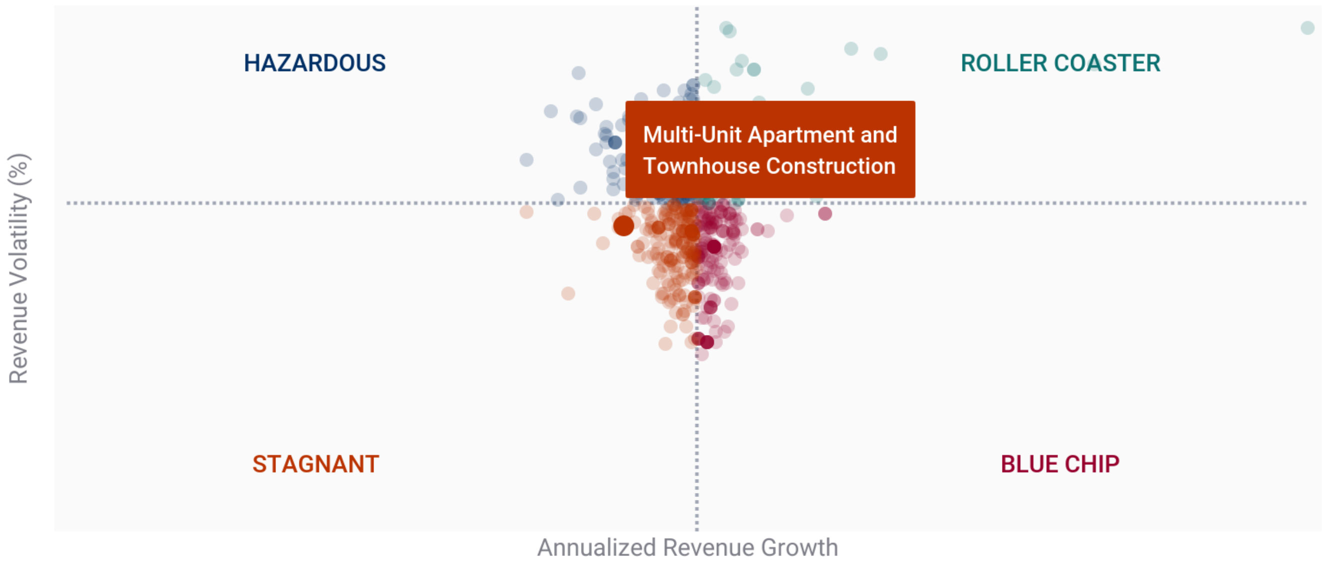
Designers and builders often use software modelling to determine the optimum approach to energy-efficient construction. The Nationwide House Energy Rating Scheme sets the standards for modelling software used to rate the thermal performance capabilities of housing. The scheme uses a points system based on a combination of building materials, design elements and appliances to determine a dwelling's star rating out of five. Builders have increasingly used double-glazed windows or low-emissivity film for apartment windows to achieve higher ratings.

Several of the industry's largest contractors are increasingly using prefabricated building components to expedite the construction process. For example, Hickory Group has manufactured prefabricated bathroom pods to install in their own and other large-scale apartment developments. For a Toga Group development at Hurstville, Sydney, Hickory delivered 710 bathroom pods for installation.

Revenue Volatility

The level of volatility is ⊖ Medium

Volatility vs. Growth



Multi-Unit Apartment and Townhouse Construction
Source: IBISWorld

The Multi-Unit Apartment and Townhouse Construction industry is projected to exhibited a moderate degree of revenue volatility over the five years through 2021-22.

This performance has been influenced by fluctuating trends in new residential building investment in response to changes in housing affordability and property values. Fluctuations in foreign investment, particularly from Asia, and changes in the exchange rate influence demand for new apartments and townhouses. Furthermore, movements in rental yield and vacancy rates also affect demand. The industry's performance is projected to be adversely affected by the outbreak of the COVID-19 pandemic, although demand conditions are forecast to steadily recover over the next five years.

Regulation & Policy

The level of regulation is ⚠ Heavy and the trend is Increasing

Industry activity is highly regulated in many areas.

Regulations affecting the industry include local and state government building standards; approvals and zoning regulations; pollution controls (noise and effluent); competing land usage; disruption to existing businesses or residents; and safety issues. Generally, complying with these regulations adds expense to industry players' operations.

BUILDING CODES, OH&S AND COVID RESTRICTIONS

The National Construction Code 2019 (NCC), embodies the Building Code of Australia (BCA), which sets out the requirements for health and safety for building design in terms of amenities, sustainability and construction.

The BCA requirements are achieved through implementing nationally consistent, efficient and cost-effective technical building requirements and regulatory systems.

OH&S regulations are enforced at the state and territory level. OH&S regulations for the Construction division govern protective clothing and helmet usage, load carrying limits and safe working conditions involving scaffolding, work harnesses and ventilation. In addition, under COVID-19 restrictions, contractors have been required to ensure adequate social distancing, personal hygiene, the use of personal protective equipment (PPE) and the scheduling to limit the number of workers on the construction site.

REGISTRATION

National building codes have led all state governments to tighten regulations for building practitioners.

A nationally registered building practitioner certification program aims to safeguard the industry and insurers by ensuring practitioner competency levels. All states require builders to register with a recognised industry association, such as the Housing Industry Association or the Master Builders Association, and to prove competency to obtain insurance for construction projects. The Australian Institute of Building established the National Building Professionals Register for the licensing and registration of builders, and to test for technical and professional competence.

INDUSTRIAL RELATIONS

The industry has been subject to special industrial relations regulations.

The Construction division is subject to the Australian Building and Construction Commission (ABCC), which was reintroduced following passage of the Building and Construction Industry (Improving Productivity) Act 2016 and the Building and Construction Industry (Consequential and Transitional Provisions) Act 2016. The ABCC is charged with promoting understanding and enforcing workplace relations compliance and dealing with corruption in the Construction Division.

MODERN SLAVERY ACT 2018

In November 2018, the Federal Government passed the Modern Slavery Act 2018.

The act, which came into force on 1 January 2019, is a new reporting requirement for larger Australian businesses. Companies that generate annual consolidated revenue of at least $100 million have to report on how they act to mitigate the risks of modern slavery in their operations and supply chains.

The NSW Government was due to implement its own Modern Slavery Act on 1 July 2019, but the act was delayed for further consultation. The NSW Parliament voted in favour of proposed amendments to the NSW Act in November 2021, under which local councils that meet the reporting threshold will also need to prepare a modern slavery statement. The Modern Slavery Amendment Act 2021 (NSW) commenced on 1 January 2022.

Industry operators are part of the Construction division's fragmented and multi-tiered supply chain. The complex connections in the supply chain can make it difficult for industry operators to verify the recruitment and employment practices of upstream machinery and raw material suppliers. In addition, the industry heavily depends on subcontractors, making it difficult to tell if subcontractors allocate jobs to low-skilled migrant workers that are socio-economically vulnerable.

Industry Assistance

The level of industry assistance is ⊖ Medium and the trend is Increasing

The industry is not afforded any form of protection against import competition.

The residential building market periodically benefits from government stimulus through first-home buyer grants, which effectively subsidise industry activity. All states and territories allocate First Home Owner Grant (FHOG) and taxation assistance of varying amounts depending on whether the applicant is buying a newly constructed or an existing residence. State and territory taxes on foreign buyers of local real estate has negatively affected industry activity by discouraging investment and driving down demand for new construction.

The Federal Government's HomeBuilder scheme was introduced in June 2020 as a measure to boost construction activity to offset the COVID-19 pandemic and support home ownership. The program, which was extended through to mid-April 2021, provides eligible owner-occupiers with a one-off grant of $25,000 to build a new home or substantially renovate an existing home. The scheme tends to support investment in single-unit housing construction and renovation as most multi-unit apartment developers haven't got the financial mechanisms in place to meet the project commencements requirements of the HomeBuilder scheme. However, independent owners of existing apartments and townhouses may use the scheme to fund major renovation activity.

The government has several initiatives aimed at improving housing affordability and rental accommodation availability. The National Rental Affordability Scheme (NRAS) was introduced in 2008 to subsidise the construction of affordable housing construction and the scheme was updated under the National Rental Affordability Scheme Regulations in 2020. The Federal Government, in conjunction with the States and Territories, provides financial incentives under the NRAS to lift the supply of affordable rental housing, to reduce the rental costs for low to moderate income households and to encourage the large-scale investment for the delivery of affordable rental housing.

State government initiatives to promote social housing also provide assistance to industry operators. For example, the Victorian Social Housing Growth Fund looks to expand the supply of social housing with community housing providers receiving Big Housing Build funding of $1.38 billion over the next 4 years from 2020. The Social Housing Growth Fund is currently constructing more than 780 dwellings under the first round of investment and much of this development involves medium-to-high-density developments.

Key Statistics

Industry Data

Year	Revenue ($m)	IVA ($m)	Establishments (Units)	Enterprises (Units)	Employment (Units)	Exports ($m)	Imports ($m)	Wages ($m)	Domestic Demand ($m)	Apartment commencements (Units)
2012-13	30,014	5,456	11,675	11,390	39,602	N/A	N/A	2,860	N/A	70,394
2013-14	34,532	6,081	14,391	14,040	42,740	N/A	N/A	3,043	N/A	77,293
2014-15	40,348	7,216	17,503	17,076	49,351	N/A	N/A	3,610	N/A	102,165
2015-16	51,824	9,111	20,537	20,036	62,851	N/A	N/A	4,617	N/A	118,059
2016-17	56,988	10,411	22,729	22,175	67,317	N/A	N/A	4,778	N/A	105,955
2017-18	59,217	10,967	24,484	23,887	68,703	N/A	N/A	5,082	N/A	108,407
2018-19	56,553	10,669	25,234	24,619	66,171	N/A	N/A	4,902	N/A	85,074
2019-20	48,890	9,441	25,796	25,167	63,189	N/A	N/A	4,419	N/A	70,927
2020-21	44,115	8,361	26,873	26,218	61,423	N/A	N/A	4,256	N/A	72,988
2021-22	40,028	7,482	24,750	24,150	56,150	N/A	N/A	3,839	N/A	78,730
2022-23	42,541	8,206	25,117	24,504	58,325	N/A	N/A	4,008	N/A	76,102
2023-24	44,710	8,863	25,425	24,805	60,170	N/A	N/A	4,155	N/A	78,699
2024-25	46,848	9,527	25,718	25,091	61,956	N/A	N/A	4,299	N/A	82,961
2025-26	48,725	10,134	25,968	25,335	63,498	N/A	N/A	4,427	N/A	87,858
2026-27	51,596	11,028	26,353	25,710	65,850	N/A	N/A	4,613	N/A	91,625

Annual Change

Year	Revenue (%)	IVA (%)	Establishments (%)	Enterprises (%)	Employment (%)	Exports (%)	Imports (%)	Wages (%)	Domestic Demand (%)	Apartment commencements (%)
2012-13	12.9	12.1	-7.67	-7.67	6.49	N/A	N/A	11.3	N/A	26.8
2013-14	15.1	11.5	23.3	23.3	7.92	N/A	N/A	6.41	N/A	9.80
2014-15	16.8	18.7	21.6	21.6	15.5	N/A	N/A	18.6	N/A	32.2
2015-16	28.4	26.3	17.3	17.3	27.4	N/A	N/A	27.9	N/A	15.6
2016-17	9.96	14.3	10.7	10.7	7.10	N/A	N/A	3.48	N/A	-10.3
2017-18	3.91	5.34	7.72	7.72	2.05	N/A	N/A	6.36	N/A	2.31
2018-19	-4.50	-2.72	3.06	3.06	-3.69	N/A	N/A	-3.55	N/A	-21.5
2019-20	-13.6	-11.5	2.22	2.22	-4.51	N/A	N/A	-9.85	N/A	-16.6
2020-21	-9.77	-11.4	4.17	4.17	-2.80	N/A	N/A	-3.70	N/A	2.90
2021-22	-9.27	-10.5	-7.91	-7.89	-8.59	N/A	N/A	-9.81	N/A	7.86
2022-23	6.27	9.68	1.48	1.46	3.87	N/A	N/A	4.41	N/A	-3.34
2023-24	5.09	7.99	1.22	1.22	3.16	N/A	N/A	3.66	N/A	3.41
2024-25	4.78	7.48	1.15	1.15	2.96	N/A	N/A	3.46	N/A	5.41
2025-26	4.00	6.37	0.97	0.97	2.48	N/A	N/A	2.98	N/A	5.90
2026-27	5.89	8.82	1.48	1.48	3.70	N/A	N/A	4.18	N/A	4.28

Key Ratios

Year	IVA/Revenue (%)	Imports/ Demand (%)	Exports/ Revenue (%)	Revenue per Employee ($'000)	Wages/ Revenue (%)	Employees per estab. (Units)	Average Wage ($)
2012-13	18.2	N/A	N/A	758	9.53	3.39	72,208
2013-14	17.6	N/A	N/A	808	8.81	2.97	71,200
2014-15	17.9	N/A	N/A	818	8.95	2.82	73,152
2015-16	17.6	N/A	N/A	825	8.91	3.06	73,458
2016-17	18.3	N/A	N/A	847	8.38	2.96	70,978
2017-18	18.5	N/A	N/A	862	8.58	2.81	73,972
2018-19	18.9	N/A	N/A	855	8.67	2.62	74,076
2019-20	19.3	N/A	N/A	774	9.04	2.45	69,935
2020-21	19.0	N/A	N/A	718	9.65	2.29	69,285
2021-22	18.7	N/A	N/A	713	9.59	2.27	68,363
2022-23	19.3	N/A	N/A	729	9.42	2.32	68,717
2023-24	19.8	N/A	N/A	743	9.29	2.37	69,049
2024-25	20.3	N/A	N/A	756	9.18	2.41	69,385
2025-26	20.8	N/A	N/A	767	9.09	2.45	69,723
2026-27	21.4	N/A	N/A	784	8.94	2.50	70,047

Figures are inflation adjusted to 2021-22

Additional Resources

Additional Resources

Australian Bureau of Statistics
http://www.abs.gov.au

Housing Industry Association
http://www.hia.com.au

Master Builders Australia
http://www.masterbuilders.com.au

Australian Constructors Association
http://www.constructors.com.au

First Home Owner Grant General Information
http://www.firsthome.gov.au

HomeBuilder
http://www.treasury.gov.au/coronavirus/homebuilder

Industry Jargon

BUILD-TO-RENT (BTR)
The development of large-scale, purpose-built rental accommodation that is owned and managed independently of the tenant and often by the developer, governments or institutional investors.

COMMENCEMENTS
The start of a dwelling unit construction project. Commencement follows final approval by the local government authority.

DRY HIRE
The hire or lease of plant and machinery without an operator. Dry hire can be paid on an hourly, daily or weekly basis.

FIRST HOME OWNER GRANT (FHOG)
A Federal Government grant payable to first-home buyers, initially introduced in 2000 to offset the influence of the GST on house prices.

HOMEBUILDER
Federal Government scheme to boost housing construction and renovation to offset the adverse effect of the COVID-19 pandemic on the building industry. The scheme applied from June 2020 to March 2021.

NATIONAL RENTAL AFFORDABILITY SCHEME
A Federal Government initiative that offers developers long-term tax offsets for constructing new rental housing, on the condition that rent remains 20.0% below the market rate.

WET HIRE
The hire of plant and equipment with a qualified operator.

Glossary

BARRIERS TO ENTRY
High barriers to entry mean that new companies struggle to enter an industry, while low barriers mean it is easy for new companies to enter an industry.

CAPITAL INTENSITY
Compares the amount of money spent on capital (plant, machinery and equipment) with that spent on labour. IBISWorld uses the ratio of depreciation to wages as a proxy for capital intensity. High capital intensity is more than $0.333 of capital to $1 of labour; medium is $0.125 to $0.333 of capital to $1 of labour; low is less than $0.125 of capital for every $1 of labour.

CONSTANT PRICES
The dollar figures in the Key Statistics table, including forecasts, are adjusted for inflation using the current year (i.e. year published) as the base year. This removes the impact of changes in the purchasing power of the dollar, leaving only the 'real' growth or decline in industry metrics. The inflation adjustments in IBISWorld’s reports are made using the Australian Bureau of Statistics' implicit GDP price deflator.

DOMESTIC DEMAND
Spending on industry goods and services within Australia, regardless of their country of origin. It is derived by adding imports to industry revenue, and then subtracting exports.

EMPLOYMENT
The number of permanent, part-time, temporary and casual employees, working proprietors, partners, managers and executives within the industry.

ENTERPRISE
A division that is separately managed and keeps management accounts. Each enterprise consists of one or more establishments that are under common ownership or control.

ESTABLISHMENT
The smallest type of accounting unit within an enterprise, an establishment is a single physical location where business is conducted or where services or industrial operations are performed. Multiple establishments under common control make up an enterprise.

EXPORTS
Total value of industry goods and services sold by Australian companies to customers abroad.

IMPORTS
Total value of industry goods and services brought in from foreign countries to be sold in Australia.

INDUSTRY CONCENTRATION
An indicator of the dominance of the top four players in an industry. Concentration is considered high if the top players account for more than 70% of industry revenue. Medium is 40% to 70% of industry revenue. Low is less than 40%.

INDUSTRY REVENUE
The total sales of industry goods and services (exclusive of excise and sales tax); subsidies on production; all other operating income from outside the firm (such as commission income, repair and service income, and rent, leasing and hiring income); and capital work done by rental or lease. Receipts from interest royalties, dividends and the sale of fixed tangible assets are excluded.

INDUSTRY VALUE ADDED (IVA)
The market value of goods and services produced by the industry minus the cost of goods and services used in production. IVA is also described as the industry's contribution to GDP, or profit plus wages and depreciation.

INTERNATIONAL TRADE
The level of international trade is determined by ratios of exports to revenue and imports to domestic demand. For exports/revenue: low is less than 5%; medium is 5% to 20%; and high is more than 20%. Imports/domestic demand: low is less than 5%; medium is 5% to 35%; and high is more than 35%.

LIFE CYCLE
All industries go through periods of growth, maturity and decline. IBISWorld determines an industry's life cycle by considering its growth rate (measured by IVA) compared with GDP; the growth rate of the number of establishments; the amount of change the industry's products are undergoing; the rate of technological change; and the level of customer acceptance of industry products and services.

NONEMPLOYING ESTABLISHMENT
Businesses with no paid employment or payroll, also known as nonemployers. These are mostly set up by self-employed individuals.

PROFIT
IBISWorld uses earnings before interest and tax (EBIT) as an indicator of a company’s profitability. It is calculated as revenue minus expenses, excluding interest and tax.

VOLATILITY
The level of volatility is determined by averaging the absolute change in revenue in each of the past five years. Volatility levels: very high is more than ±20%; high volatility is ±10% to ±20%; moderate volatility is ±3% to ±10%; and low volatility is less than ±3%.

WAGES
The gross total wages and salaries of all employees in the industry.

Call Preparation Questions

Role Specific Questions

Sales & Marketing

How does your company differentiate itself from competitors?

Industry players can benefit from establishing a proven track record and reputation for quality.

Industry firms need to compete on tender on a basis other than price.

How does your firm's marketing strategy set you apart from your competitors?

Industry firms must have systems in place to develop relationships in target markets.

Industry firms must follow up with satisfied clients to obtain referrals and testimonials.

Strategy & Operations

How does your business monitor your competitors' performance and strategies?

Observing competitors can provide methods to avoid direct price competition for projects.

Understanding competitors' strategies can point to a firm's strengths and weaknesses.

How do housing investment trends affect your company's profit margins?

Weak investment trends can force firms to lower contract prices to maintain cashflow, which puts pressure on profit margins.

Identifying a business' strengths can improve non-price competition.

Technology

How does your company invest in maintaining technologically advanced building practices?

Firms increasingly use Building Information Modelling (BIM) software to plan, design and manage building construction projects.

Firms need to construct energy-efficient buildings that comply with the National Australian Built Environment Rating System (NABERS).

How does your company keep up to date with technological developments?

Large-scale apartment projects are often built using prefabricated components, such as concrete panels and prefabricated framework.

Builders often look to obtain certification to work with emerging building materials and construction techniques.

Compliance

How does your company ensure your staff remain up to date with compliance requirements?

The National Construction Code (NCC) 2019, which includes the Building Code of Australia (BCA) sets out the requirements for all building practitioners.

Licensing requirements vary across states and territories.

How does your company ensure compliance with environmental regulations?

The Green Building Council of Australia (GBCA) certifies building sustainability through the Green Star rating system.

NABERS measures the environmental performance of Australian office buildings, and also applies to apartments.

Finance

How has price competition affected your company's profitability?

Operators that can attract a premium price are often more profitable.

Identifying the differentiating attributes of your business can help establish a basis for non-price competition.

How much does your business rely on subcontracted labour?

Building companies often limit construction-site employment to foremen and crew leaders.

Using non-permanent labour gives firms greater flexibility to chase contracts without ongoing wage expenses.

External Impacts Questions

Impact: Dwelling commencements
How do dwelling approvals and commencements affect your business?

Firms can regularly monitor dwelling approvals and commencements in local government areas.

Commencements data shows trends in the volume and type of new dwellings.

Impact: Number of households
How does your company monitor current and future trends in household formation?

Developers can design apartment and townhouse buildings to support multiple types of households.

Industry firms must monitor population and household formation trends in their target market.

Impact: Residential housing loan rates
How does your business respond to potential volatility in mortgage interest rates?

Industry firms must have strategies to manage interest rate volatility and changes in demand.

Internal Issues Questions

Issue: Ability to compete on tender
What price-competitive substitutes does your firm offer to help win tenders?

Industry firms with a reputation for successfully completing projects are more likely to be included in major developers' lists of preferred tenders.

Non-price competition can include quality, technical capabilities, timeliness and reputation.

Issue: Ability to expand and curtail operations rapidly in line with market demand
How can your business improve its ability to expand and curtail operations?

Industry firms must have strategies to quickly adjust to market changes.

Industry firms must monitor trends through government publications and commercial sources (e.g. Cordell CoreLogic).

Identifying projects early can help firms target their marketing to prospective clients.

Issue: Having a high prior success rate (including completed prior contracts)
How can your company leverage or improve its reputation?

A high prior success rate is essential to build relationships and promote past achievements to prospective clients.

A high prior success rate can demonstrate a firm's capabilities based on project scale and management complexity.

WHERE KNOWLEDGE IS POWER

IBISWorld helps you find the industry information you need – fast.

With our trusted research covering thousands of global industries, you'll get a quick and intelligent overview of any industry so you can get up to speed in minutes. In every report, you'll find actionable insights, comprehensive data and in-depth analysis to help you make smarter, faster business decisions. If you're not yet a member of IBISWorld, contact us at (03) 9655 3881 or info@ibisworld.com to learn more.