

PREVIEW

AUSTRALIAN CONSTRUCTION MARKET OUTLOOK REPORT 2018/2019

THE SWINGS & ROUNDABOUTS OF A CHANGING ECONOMY



EXECUTIVE SUMMARY

BCI Economics is the analytical and forecasting arm of BCI Australia Pty Ltd, Australia's leading information service for the construction industry. By our very nature, we are not statisticians but researchers and marketers. Hence, this report has a research and marketing focus: its intention is to highlight how important segments of the construction market are growing or contracting, and to provide tangible information for decision makers to act upon. We base our analysis on over 100,000 projects researched per annum, across Australia involving conversations with thousands of project decision makers every week.

This is a summary of our findings:

- We expect the Total construction projects market (building and civil engineering projects, excluding the detached housing sector as well as mining, oil and gas) to show steady growth of 8.2% in the upcoming financial year 2018/2019. This compares with a healthy increase of 11.7% for the current financial year ending 30 June 2018.
- Building construction fared slightly better than we had expected in 2017/2018 with a year on year increase in the value of commencements of 3.8%.
- Growth in Residential peaked around the end of 2016 and we see the decline continuing through the 2018/2019 financial year but with continued improvement in the non-residential categories such as Hospitality, Industrial and Health, we expect a modest increase of 4.3% overall.
- Civil engineering construction (including infrastructure, transport and utilities) has been the significant growth engine for the industry in recent years, improving 96.0% in 2016/2017 and 24.5% in 2017/2018. With continued strong government commitment, we are expecting a further 13.4% growth in 2018/2019.

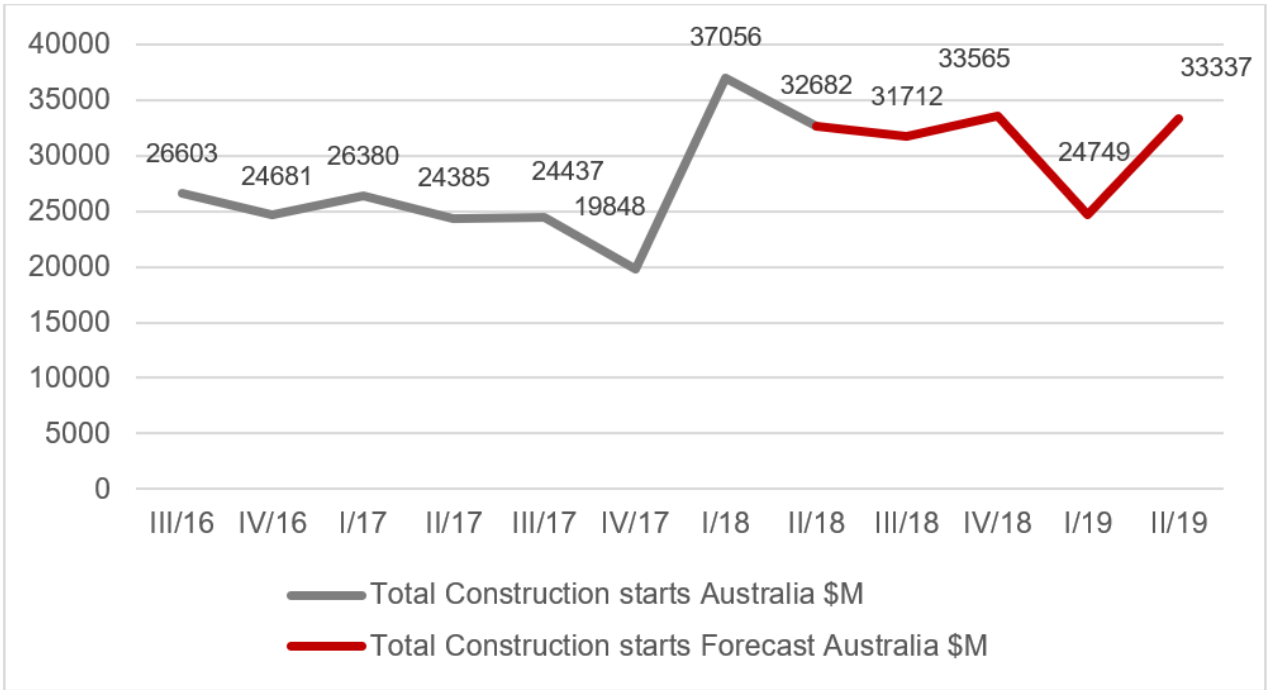
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- Current workloads vary across the country - with NSW and VIC quite strong and QLD and WA weaker - but have improved, especially for Architects.
- The order situation expected in 12 months is also improving generally although Builders are only expecting their levels to remain the same.
- Market conditions overall do not appear to be favouring any particular construction category although Commercial is marginally in the lead and Builders are feeling headwinds in the Residential market.
- Company Tax Cuts are seen by the majority of our respondents as beneficial to the construction industry - indeed 37% overall said “very beneficial”.

Statistical distortions from a fairly small number of big-ticket, long timeframe Civil projects make it difficult to interpret the underlying market dynamics. For example, VIC and QLD show downturns following substantial growth in 2017/2018. whereas NSW and WA are picking up strongly. And while Civil commencements are forging ahead, Building construction is seeing a continued rotation from Residential to Non-Residential. In conclusion, from our data on the project pipeline, BCI expects the following outcomes in Total Construction Commencements for 2018/2019:

- NSW/ACT +22.8%
- QLD -0.1%
- VIC -7.6%
- SA +1.3%
- WA +25.0%

OVERALL FORECAST FOR 2019



But, as we said, it's a case of Swings & Roundabouts so within the summary figures...

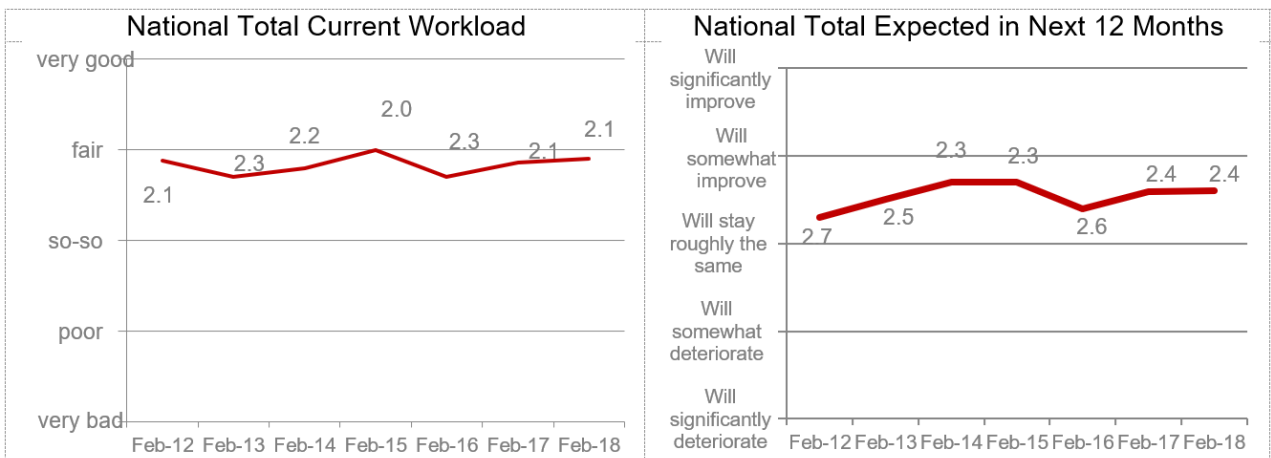
WHAT'S HEADING UP? WHAT'S HEADING DOWN?

Our analysis digs into 10 Building categories, including Residential, Retail, Commercial and Education and 3 Civil categories, Infrastructure, Transport and Utilities, across NSW/ACT, VIC, QLD, SA and WA.

One area we do have confidence in is Aged Care & Accommodation, and we looked at this in more detail – behind the figures as it were – for our Breakfast Briefing presentations. If you have a few minutes, we recommend watching our Market Insights video.

WATCH THE VIDEO

And of course, some states are doing better than others. Our Construction Market Sentiment Survey of Architects, Builders & Developers and Subcontractors gives us a real insight as to their current and projected workloads across the country.



HOW DO WE ARRIVE AT OUR FORECASTS?

- No crystal ball gazing, we rely on:
- Historical trends
- Economic drivers
- Government budgets
- BCI Projects Database, with
 - Concept & Design stages as leading indicators
 - Actual projects slated for construction Q3 2018 to Q2 2019

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