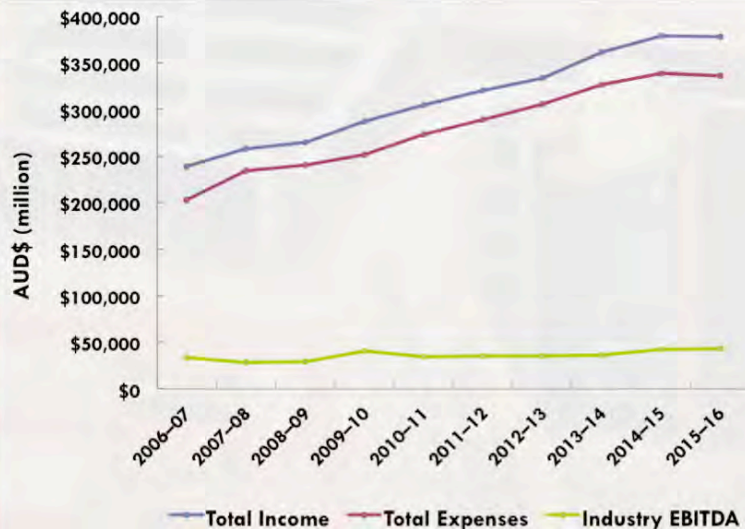


# HOW WILL Building & Construction PERFORM IN 2018?

A JPABUSINESS 2018 INDUSTRY ECONOMIC SNAPSHOT

## Australian Construction industry performance 2006/07-2015/16

Source: ABS/JPAbusiness



## BACKGROUND

- The industry is comprised of building construction, construction services, and heavy and civil engineering construction. The industry has experienced solid growth since 2012. This growth was driven by building construction and construction services, and moderated by a strong decline in heavy and civil engineering construction.
- The primary driver of building construction and construction services growth was multi-unit apartment and townhouse construction.
- Commercial and industrial was a contributor to growth and demand. Commercial building construction growth and demand more than offset a deteriorating demand in industrial building construction.
- Housing has also been a positive contributor, buoyed by population growth. However, homebuyers have been reported to opt for higher-density dwellings, such as townhouses and apartments.
- Institutional building was an area of weakness in the industry. Weak public-sector investment in new building stock was a key contributor.
- Heavy and civil engineering construction declined as there is a sharp reduction in investment following recent boom of project investment and project completions, particularly led by the mining industry.
- Construction services generally tend to benefit with the increase in construction activity. Businesses targeting markets and focused on the recent boom in multi-unit apartment and townhouse construction have benefitted more than those focused on heavy and civil engineering construction.



## OUTLOOK

- Construction industry as a whole anticipated to grow, driven primarily by government expenditure on infrastructure projects and commercial building demand.
- Housing construction anticipated to ease, and demand and revenue expected to soften in the near-term. However, these effects expected to be modest and temporary.
- Increased investment in sporting developments likely to boost commercial and industrial building construction.
- Increasing government investment in rail and harbour infrastructure will likely boost demand for services and growth in industry revenue.



## DRIVERS OF INDUSTRY GROWTH

- Greater private equity in public buildings to boost demand for institutional construction investment.
- Strong investment in rail and harbour infrastructure likely to boost industry growth.
- Population growth.
- High housing prices likely to boost demand for lower-cost housing.
- Low interest rates.



## RISKS TO INDUSTRY GROWTH

- Oversupply and slowdown in residential housing construction.
- Softening housing market.
- Tightening lending standards, reduction of available capital to fund large projects.
- Tight government budgets to repair deficits likely to reduce investment in public building development.
- Oversupply of multi-unit apartments and townhouses.