



MASTER BUILDERS
AUSTRALIA



**BUILDING AND CONSTRUCTION
INDUSTRY FORECASTS**

NSW

FEBRUARY 2023



**QUAY QUARTER TOWER, NSW
BY MULTIPLES, WINNER OF THE 2022
NATIONAL CONSTRUCTION MASTER
BUILDER OF THE YEAR AND THE NATIONAL
COMMERCIAL/INDUSTRIAL CONSTRUCTION
AWARD – OVER \$100 MILLION**



**ALEGRE BAR & DINING, NSW
BY DBMG, WINNER OF THE 2022
NATIONAL FIT-OUT AWARD - UNDER \$5M**

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**CIVIL AND ENGINEERING
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**BUILDING AND CONSTRUCTION
WORK DONE**



AUDREY, NSW
BY D.VELOP.R, WINNER OF THE 2022
CBUS NATIONAL MEDIUM DENSITY -
2 TO 5 DWELLINGS

COVER: BY LEDBURY CONSTRUCTIONS,
NSW, WINNER OF THE 2022
NATIONAL CONTRACT HOME - \$2M TO \$4M

OVERVIEW

Results for 2021–22 indicate that just over 56,000 new homes were commenced in New South Wales, a modest reduction (–4.8 per cent) on the previous year. New detached house starts were almost completely static during the year (–0.7 per cent) while other dwelling commencements such as new apartments and units dropped by 9.0 per cent. As a result, the detached house share of new home building starts in NSW rose from 50.8 per cent in 2020–21 to 53.0 per cent in 2021–22.

Master Builders Australia forecasts of total construction activity for New South Wales to 2026–27 (millions of 2019–20 dollars)

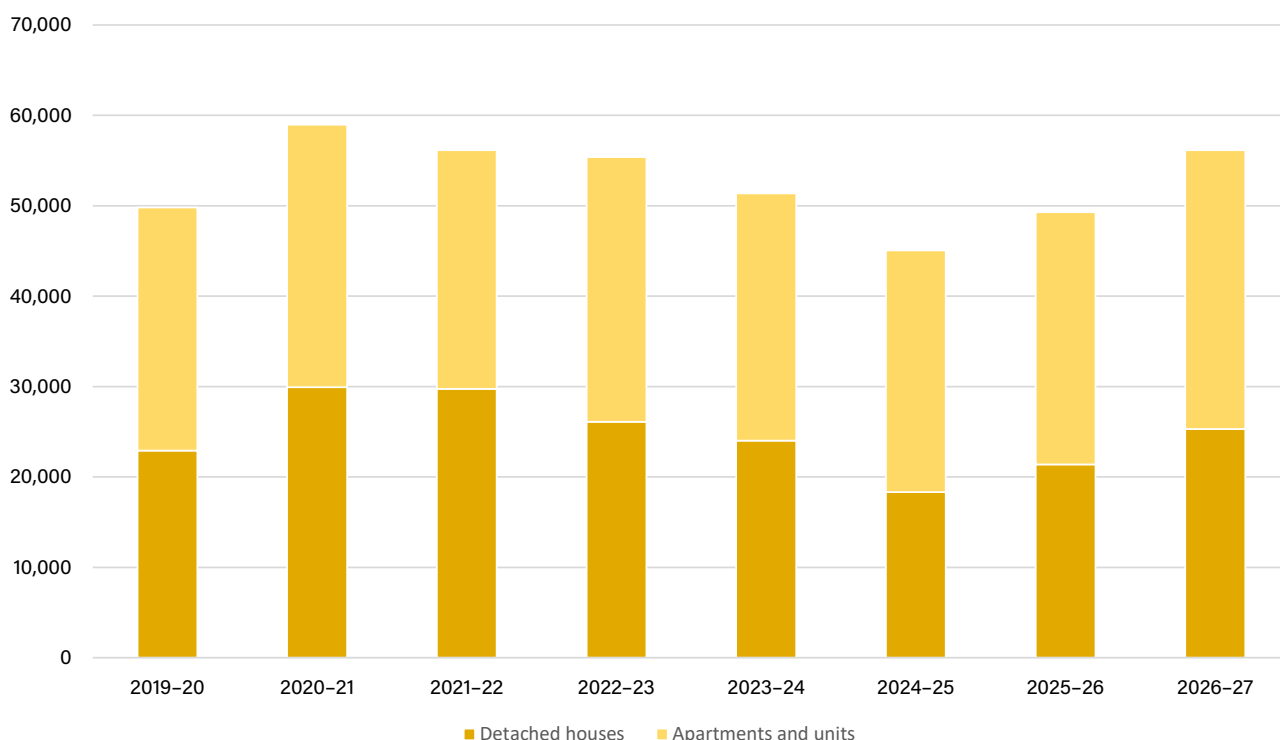
2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27
\$65,254	\$64,165	\$62,673	\$62,976	\$62,711	\$62,038	\$63,552	\$66,745
No data	-1.7%	-2.3%	+0.5%	-0.4%	-1.1%	+2.4%	+5.0%

Source: Master Builders Australia-produced forecasts and analysis of ABS Building Activity (8752.0)



INNER SYDNEY HIGH SCHOOL STAGE 2, NSW
BY HANSEN YUNCKEN, WINNER OF THE 2022
NATIONAL EDUCATION FACILITY AWARD

Master Builders forecasts of new dwelling starts by type to 2026-27



Master Builders Australia forecasts of total new dwelling starts for New South Wales to 2026-27

2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
49,827	58,974	56,139	55,380	51,380	45,050	49,300	56,140
No data	+18.4%	-4.8%	-1.4%	-7.2%	-12.3%	+9.4%	+13.9%

Source: Master Builders Australia-produced forecasts and analysis of ABS Building Activity (8752.0)

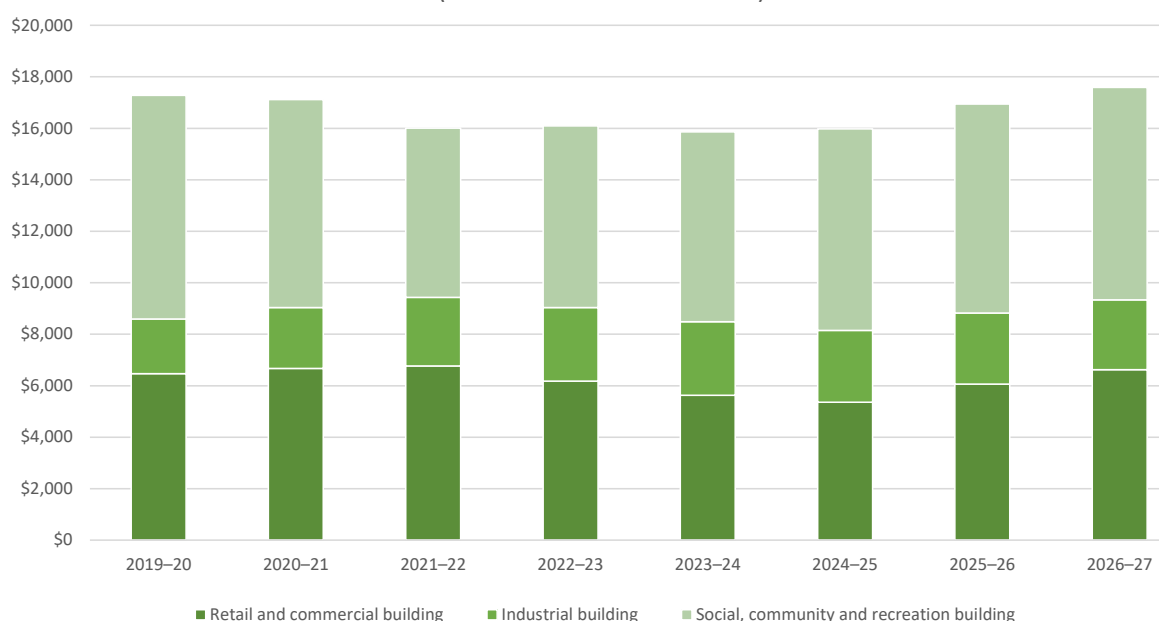
Latest building approvals data indicate that the pipeline of work is still reasonably stable in NSW. Over the three months to October 2022, the total number of new home building approvals in NSW slipped by 1.5 per cent compared with a year earlier. This was driven by a 7.0 per cent reduction in detached house approvals, while medium/high density approvals rose slightly over the same period (+1.5 per cent).

Home lending indicators suggest that the short-term outlook is challenging. Over the three months to October 2022, there was a 12.7 per cent drop in the number of home construction loans across NSW while loans for residential land purchase

declined by 21.0 per cent over the same period. Interestingly, the number of home construction loans granted to investors has increased (+2.5 per cent) over this period. When it comes to home construction loans, NSW tops the pile in terms of average loan size (\$653,500). Another curious feature of the NSW market right now is that housing investors are typically borrowing more (\$478,500) than owner occupiers (\$439,900) for residential land purchases.

At the end of June 2022, there were about 13,000 homes across NSW awaiting commencement. In addition, 20,100 new homes were approved over the period to October 2022.

Master Builders forecasts of non-residential building activity to 2026-27
(millions of 2019-20 dollars)



Master Builders Australia forecasts of total non-residential building activity for New South Wales to 2026-27 (millions of 2019-20 dollars)

2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
\$17,280.9	\$17,114.7	\$16,005.6	\$16,092.6	\$15,858.1	\$15,979.2	\$16,940.7	\$17,591.0
No data	-1.0%	-6.5%	+0.5%	-1.5%	+0.8%	+6.0%	+3.8%

Source: Master Builders Australia-produced forecasts and analysis of ABS Building Activity (8752.0)

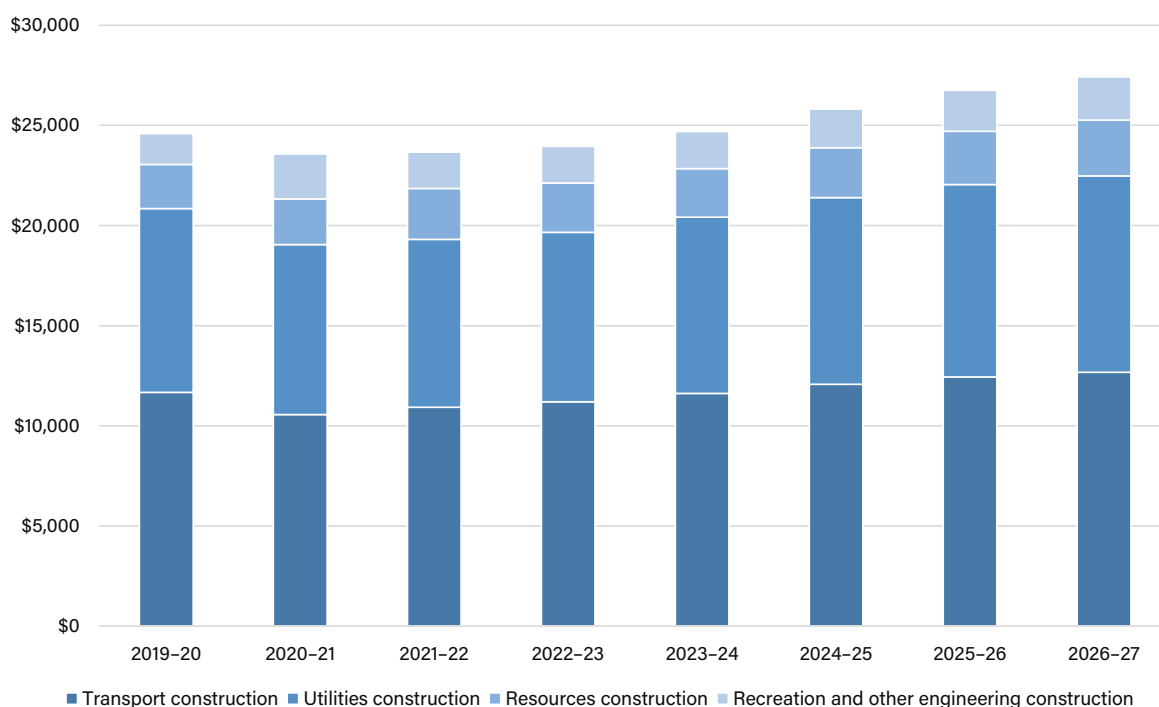
This means that about 33,000 new home starts are already 'locked in' for commencement in NSW during 2022-23. When we add into account those homes likely to be approved from November onwards and start work by the end of June, our expectation is that a total of around 55,380 new home commencements will take place in NSW during 2022-23, a small reduction (-1.4 per cent) on the year before. However, medium/high density home starts are anticipated to rise by 10.9 per cent during the year while detached house starts suffer a 12.3 per cent reverse.

Our forecasts see new home building starts in NSW bottom out around 45,000 during 2024-25 before a solid recovery propels activity

new home commencements up above 56,000 in 2026-27. Higher density home building is likely to account for a disproportionately large share of the expansion in activity, with government-led stimulus being one of the main drivers of this. By 2026-27, we project that detached houses will make up just 45 per cent of all new homes started in NSW.

Non-residential building in NSW has spent the past two years in reverse gear: the volume of work dipped by 1.0 per cent in 2020-21 with a sharper decline (-6.5 per cent) following in 2021-22. Over the next few years, we anticipate that non-residential building will remain rather flat but it will eventually accelerate towards the middle of the decade. Our projection is for a

Master Builders forecasts of civil and engineering construction activity to 2026-27
(millions of 2019-20 dollars)



Master Builders Australia forecasts of total engineering and civil construction for New South Wales to 2026-27 (millions of 2019-20 dollars)

2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
\$24,584.8	\$23,577.0	\$23,668.1	\$23,955.8	\$24,694.5	\$25,809.2	\$26,757.4	\$27,417.4
No data	-4.1%	+0.4%	+1.2%	+3.1%	+4.5%	+3.7%	+2.5%

Source: Master Builders Australia-produced forecasts and analysis of ABS Building Activity (8752.0)

6.0 per cent increase in 2025-26 followed by growth of 3.8 per cent the following year. Social, community and recreational building will return quite a strong performance over this period. Industrial building has been gaining substantially in NSW since the pandemic started but it is likely to lose a little bit of ground as we move towards the middle of the decade. One of the most significant projects relates to the new Western Sydney Airport which is due for completion in 2026 at a total cost of \$5.3 billion.

The outlook for civil and engineering construction in NSW is quite positive over the forecast horizon. The volume of activity

dropped by 4.1 per cent during 2020-21 and was largely stable (+0.4 per cent) in 2021-22. Over the coming years, consistent growth is looking likely particularly when it comes to projects in the transport and utilities space. By 2026-27, we anticipate that the volume of civil and engineering construction in NSW will have reached \$27.42 billion, compared with \$23.67 billion in 2021-22. The pipeline of transport projects has been significantly augmented by the Sydney Metro project which is expected to total \$15.5 billion in value by the time of its completion sometime next year.

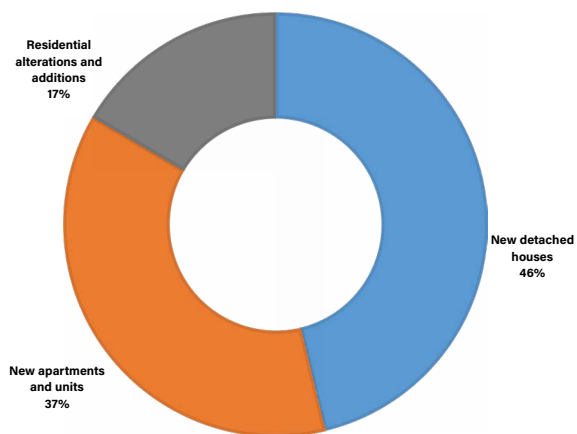


**PEPPER TREE PASSIVE HOUSE, NSW
BY SOUTER BUILT, WINNER OF THE 2022
WOODSOLUTIONS NATIONAL SUSTAINABILITY
RESIDENTIAL BUILDING AWARD**

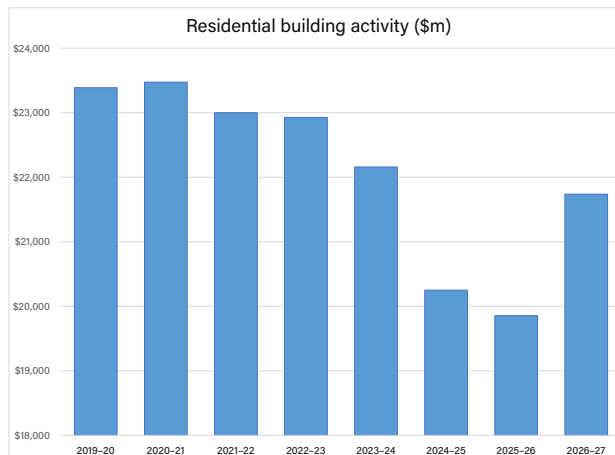
RESIDENTIAL BUILDING

WORK DONE BY SECTOR

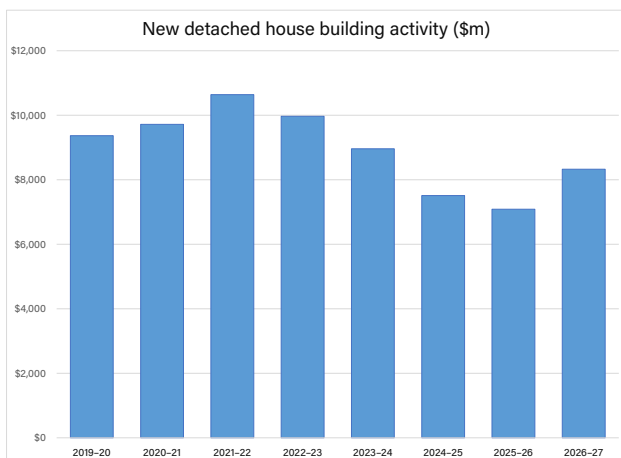
Composition of residential building work done in 2021-22



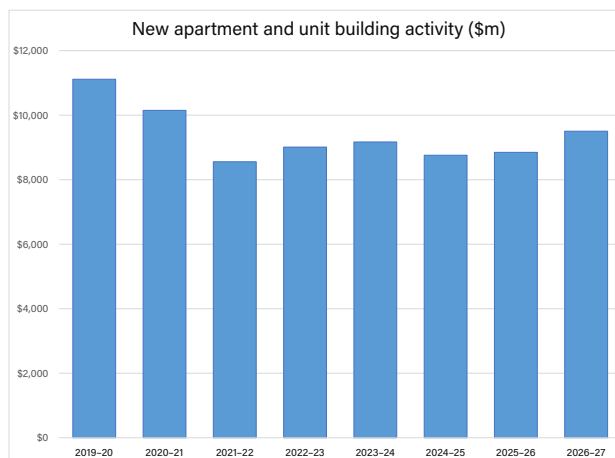
Residential building activity (\$m)



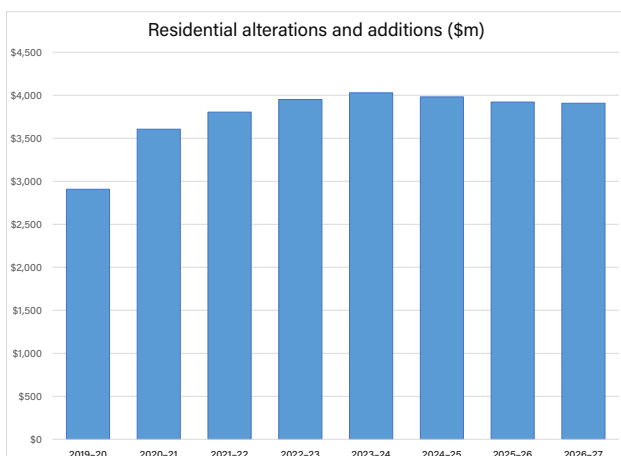
New detached house building activity (\$m)



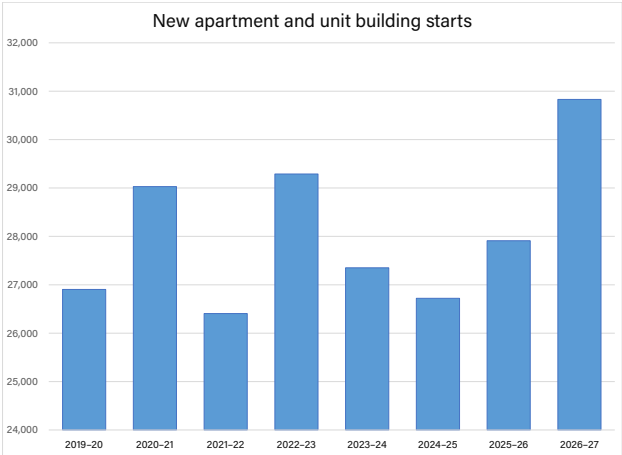
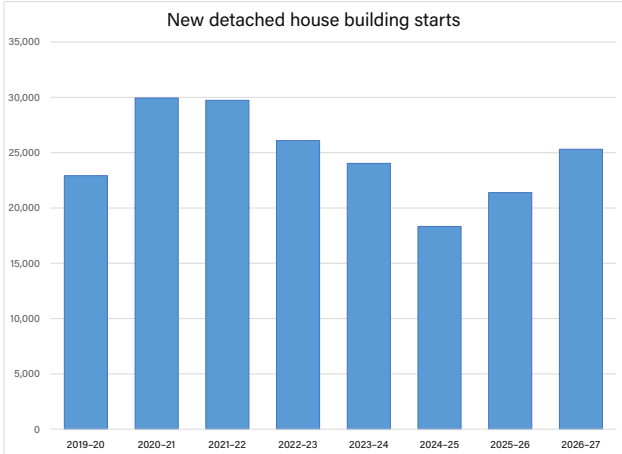
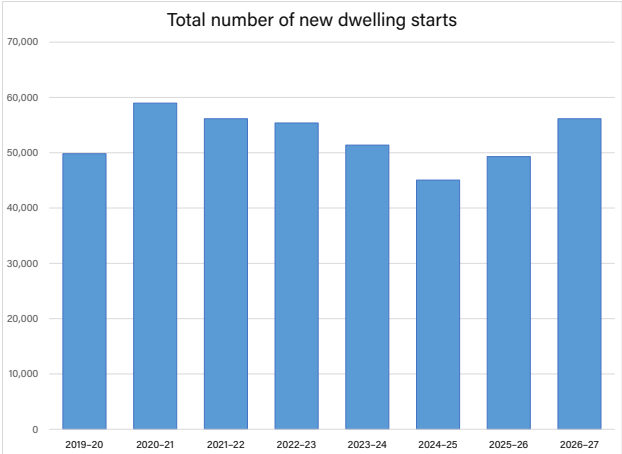
New apartment and unit building activity (\$m)



Residential alterations and additions (\$m)



NUMBER OF DWELLING COMMENCEMENTS BY SECTOR



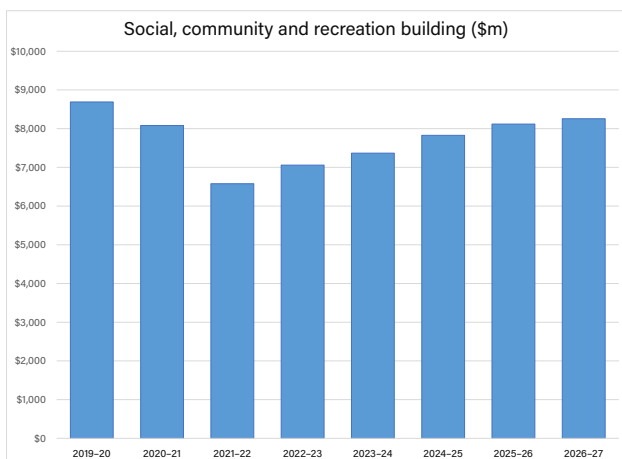
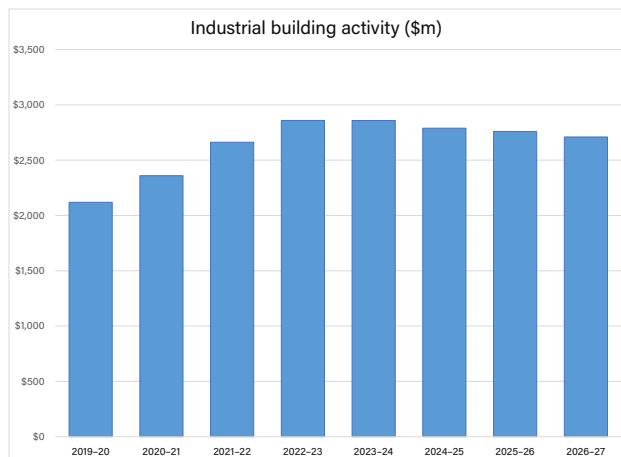
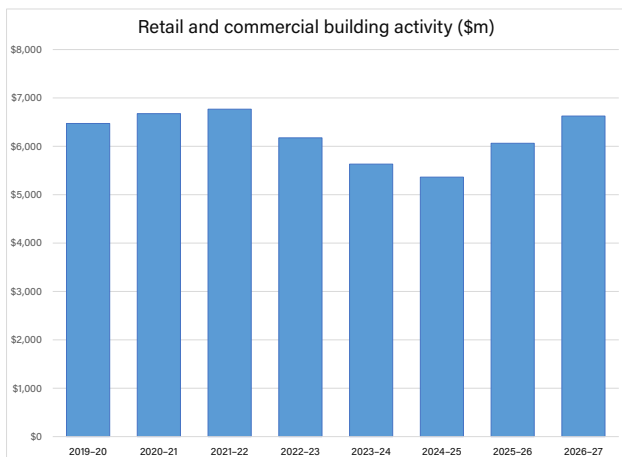
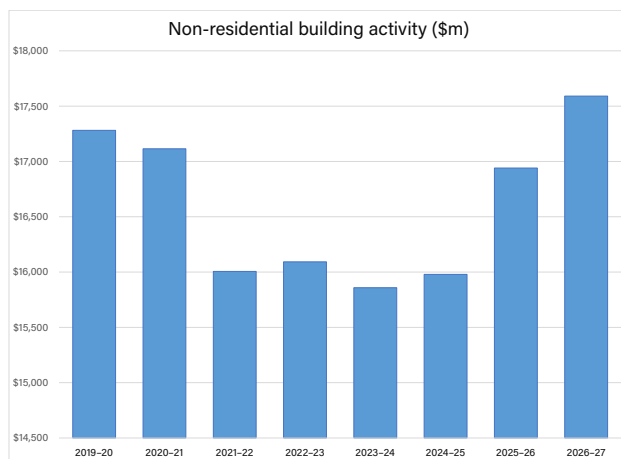
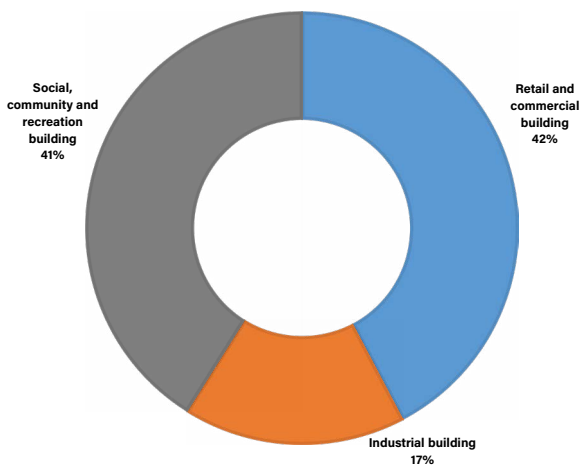
Residential building activity: Master Builders Australia forecasts for New South Wales to 2026-27
(millions of 2019-20 dollars)

	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Total residential building activity	\$23,388.1	\$23,472.8	\$22,999.4	\$22,927.7	\$22,158.6	\$20,249.4	\$19,854.1	\$21,737.0
<i>Change on previous year (%)</i>	No data	+0.4%	-2.0%	-0.3%	-3.4%	-8.6%	-2.0%	+9.5%
New detached house building	\$9,367.1	\$9,718.8	\$10,639.2	\$9,966.6	\$8,960.4	\$7,510.5	\$7,086.0	\$8,326.5
<i>Change on previous year (%)</i>	No data	+3.8%	+9.5%	-6.3%	-10.1%	-16.2%	-5.7%	+17.5%
New apartment/unit building	\$11,114.1	\$10,149.2	\$8,556.4	\$9,010.9	\$9,169.8	\$8,758.3	\$8,847.5	\$9,503.6
<i>Change on previous year (%)</i>	No data	-8.7%	-15.7%	+5.3%	+1.8%	-4.5%	+1.0%	+7.4%
Residential alterations and additions	\$2,906.9	\$3,604.8	\$3,803.8	\$3,950.3	\$4,028.4	\$3,980.6	\$3,920.7	\$3,906.8
<i>Change on previous year (%)</i>	No data	+24.0%	+5.5%	+3.9%	+2.0%	-1.2%	-1.5%	-0.4%

Source: Master Builders Australia-produced forecasts and analysis of ABS Building Activity (8752.0)

NON-RESIDENTIAL BUILDING

Composition of non-residential building work done in 2021-22



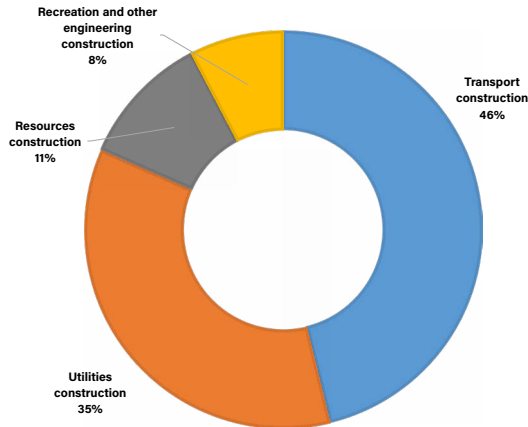
**Non-residential building activity: Master Builders Australia forecasts for New South Wales to 2026-27
(millions of 2019-20 dollars)**

	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Total non-residential building activity	\$17,280.9	\$17,114.7	\$16,005.6	\$16,092.6	\$15,858.1	\$15,979.2	\$16,940.7	\$17,591.0
<i>Change on previous year (%)</i>	No data	-1.0%	-6.5%	+0.5%	-1.5%	+0.8%	+6.0%	+3.8%
Retail and commercial building work	\$6,471.2	\$6,674.7	\$6,766.9	\$6,175.4	\$5,631.5	\$5,363.2	\$6,062.7	\$6,625.7
<i>Change on previous year (%)</i>	No data	+3.1%	+1.4%	-8.7%	-8.8%	-4.8%	+13.0%	+9.3%
Industrial building work	\$2,119.2	\$2,359.7	\$2,661.8	\$2,858.9	\$2,858.5	\$2,789.0	\$2,759.7	\$2,709.4
<i>Change on previous year (%)</i>	No data	+11.4%	+12.8%	+7.4%	-0.0%	-2.4%	-1.0%	-1.8%
Social, cultural and recreational building work	\$8,690.5	\$8,080.3	\$6,577.0	\$7,058.3	\$7,368.1	\$7,827.0	\$8,118.2	\$8,255.9
<i>Change on previous year (%)</i>	No data	-7.0%	-18.6%	+7.3%	+4.4%	+6.2%	+3.7%	+1.7%

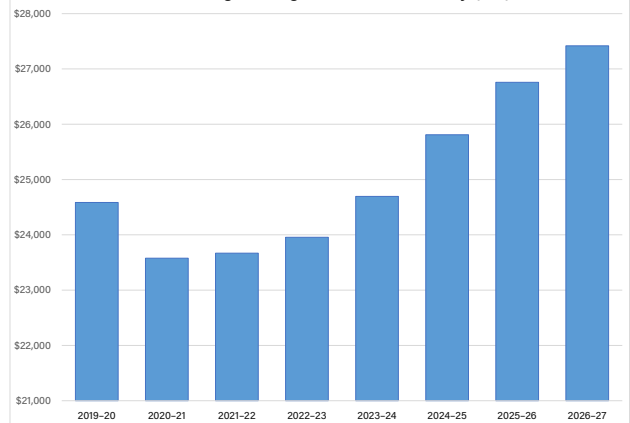
Source: Master Builders Australia-produced forecasts and analysis of ABS Building Activity (8752.0)

CIVIL AND ENGINEERING CONSTRUCTION

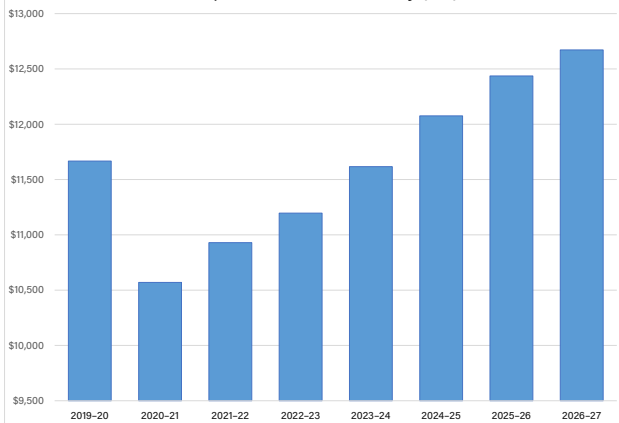
Composition of civil and engineering construction work done in 2021-22



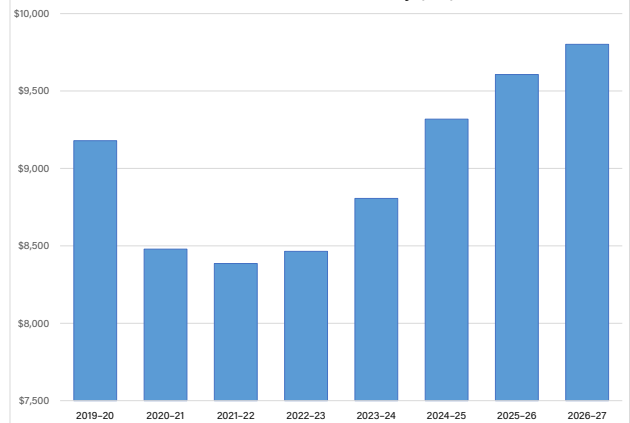
Civil and engineering construction activity (\$m)



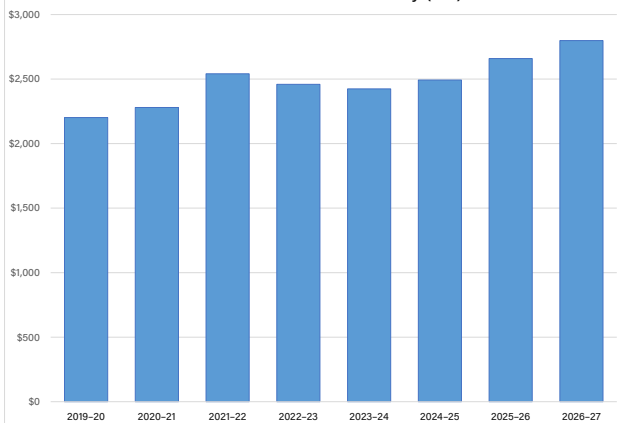
Transport construction activity (\$m)



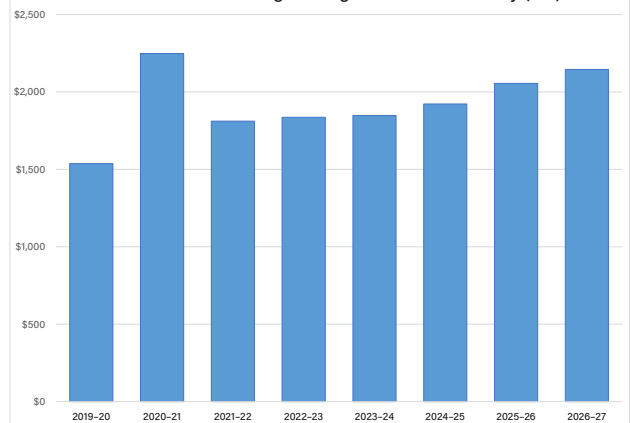
Utilities construction activity (\$m)



Resources construction activity (\$m)



Recreation and other engineering construction activity (\$m)



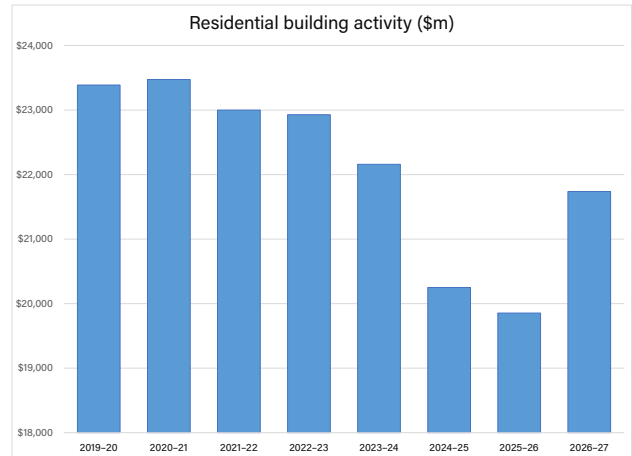
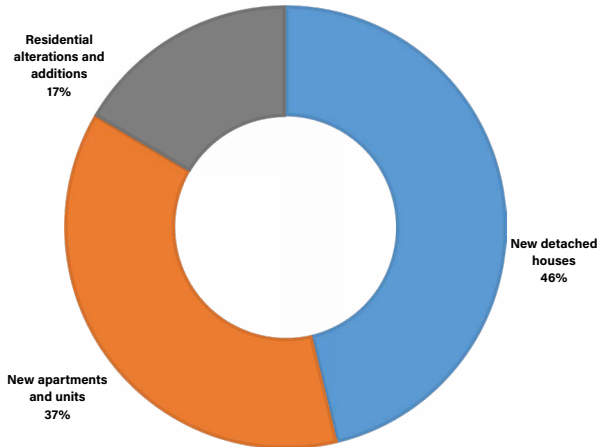
**Engineering and civil construction activity: Master Builders Australia forecasts for New South Wales to 2026–27
(millions of 2019–20 dollars)**

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27
Total engineering and civil construction activity	\$24,584.8	\$23,577.0	\$23,668.1	\$23,955.8	\$24,694.5	\$25,809.2	\$26,757.4	\$27,417.4
<i>Change on previous year (%)</i>	No data	-4.1%	+0.4%	+1.2%	+3.1%	+4.5%	+3.7%	+2.5%
Transport construction work	\$11,666.7	\$10,569.4	\$10,929.4	\$11,196.4	\$11,616.3	\$12,075.8	\$12,436.5	\$12,672.1
<i>Change on previous year (%)</i>	No data	-9.4%	+3.4%	+2.4%	+3.8%	+4.0%	+3.0%	+1.9%
Utilities construction work	\$9,179.1	\$8,479.0	\$8,386.0	\$8,464.1	\$8,806.2	\$9,318.0	\$9,606.5	\$9,801.2
<i>Change on previous year (%)</i>	No data	-7.6%	-1.1%	+0.9%	+4.0%	+5.8%	+3.1%	+2.0%
Resources construction work	\$2,201.8	\$2,280.2	\$2,541.0	\$2,459.2	\$2,423.9	\$2,493.0	\$2,658.9	\$2,798.7
<i>Change on previous year (%)</i>	No data	+3.6%	+11.4%	-3.2%	-1.4%	+2.9%	+6.7%	+5.3%
Recreation and other engineering construction	\$1,537.2	\$2,248.4	\$1,811.7	\$1,836.2	\$1,848.1	\$1,922.4	\$2,055.5	\$2,145.4
<i>Change on previous year (%)</i>	No data	+46.3%	-19.4%	+1.4%	+0.6%	+4.0%	+6.9%	+4.4%

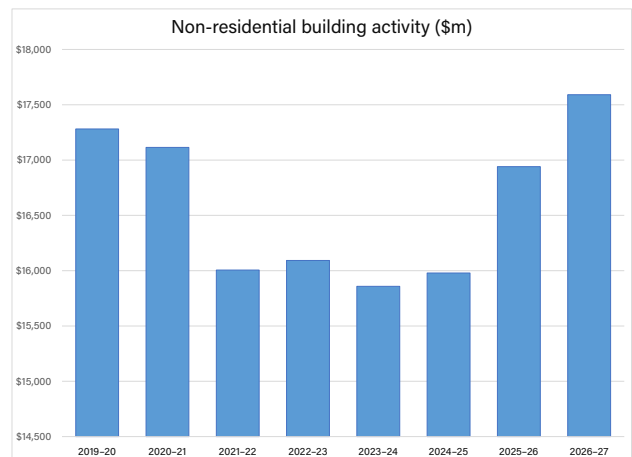
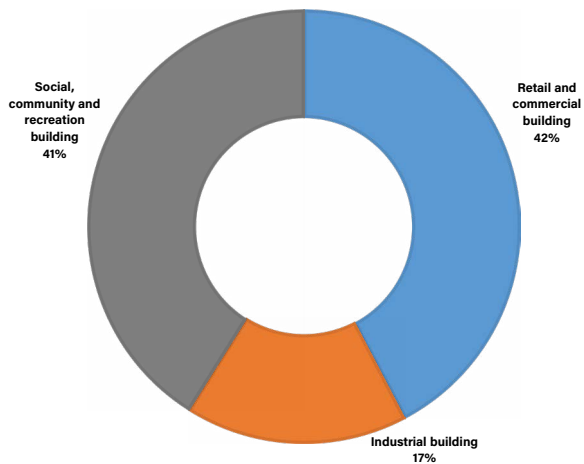
Source: Master Builders Australia forecasts; ABS Building Activity; ABS Construction Work Done

BUILDING AND CONSTRUCTION WORK DONE

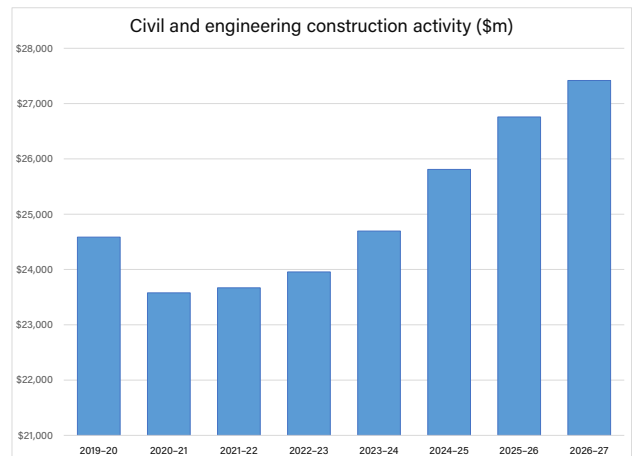
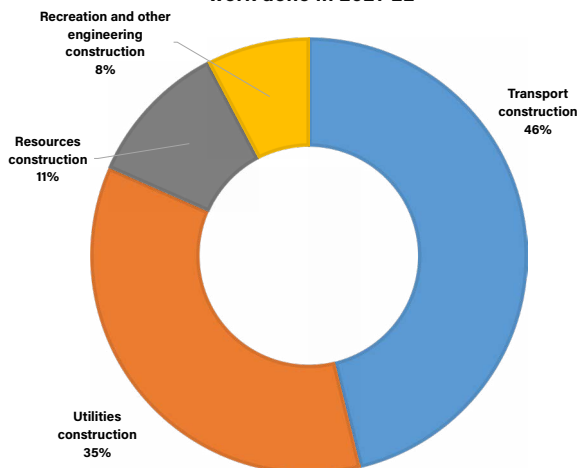
Composition of residential building work done in 2021-22



Composition of non-residential building work done in 2021-22



Composition of civil and engineering construction work done in 2021-22



All construction activity: Master Builders Australia forecasts for New South Wales to 2026-27
(millions of 2019-20 dollars)

	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Total building and construction activity	\$65,253.7	\$64,164.5	\$62,673.0	\$62,976.1	\$62,711.3	\$62,037.8	\$63,552.2	\$66,745.3
<i>Change on previous year (%)</i>	No data	-1.7%	-2.3%	+0.5%	-0.4%	-1.1%	+2.4%	+5.0%
Residential building activity	\$23,388.1	\$23,472.8	\$22,999.4	\$22,927.7	\$22,158.6	\$20,249.4	\$19,854.1	\$21,737.0
<i>Change on previous year (%)</i>	No data	+0.4%	-2.0%	-0.3%	-3.4%	-8.6%	-2.0%	+9.5%
Non-residential building activity	\$17,280.9	\$17,114.7	\$16,005.6	\$16,092.6	\$15,858.1	\$15,979.2	\$16,940.7	\$17,591.0
<i>Change on previous year (%)</i>	No data	-1.0%	-6.5%	+0.5%	-1.5%	+0.8%	+6.0%	+3.8%
Civil and engineering construction work	\$24,584.8	\$23,577.0	\$23,668.1	\$23,955.8	\$24,694.5	\$25,809.2	\$26,757.4	\$27,417.4
<i>Change on previous year (%)</i>	No data	-4.1%	+0.4%	+1.2%	+3.1%	+4.5%	+3.7%	+2.5%

Source: Master Builders Australia-produced forecasts and analysis of ABS Building Activity (8752.0)



MASTER BUILDERS AUSTRALIA

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