

A topical issue of the last few months has been the housing affordability crisis that is affecting renters and potential home owners Australia wide. The following article identifies some of the elements contributing to the housing affordability crisis and the impact of the crisis on the construction industry.

Elements contributing to the housing affordability crisis:

- Reduced land supply and high land costs
- Local government delays in approving land for future developments and subdivisions
- Increased environmental requirements (like BASIX in NSW) resulting in increased associated costs
- Increased costs associated with development applications
- Interest rate rises
- Skill shortages (both tradespeople and consultants)
- Increasing construction costs - labour and materials
- Slowing down of construction - The ABS has recently

reported that in NSW only 29,300 houses and units started construction in the last financial year – the lowest level since they began collecting data in 1969. On a national level, the Housing Industry Association suggests that in order to meet demand 170,000 homes are required to start construction annually. This financial year there were approximately 151,000 home starts – widening the gap between demand and supply of new homes in Australia. The flow on effect of this imbalance is that the cost of a home or apartment will increase due to the higher demand for housing.



What does low housing affordability mean for the construction industry?

- Skill shortages will continue to become apparent for a number of reasons:
 - An article in The Sydney Morning Herald earlier this year, warned that rising rents and low home affordability may cause many Sydney residents who cannot afford the increases to move interstate, further impacting the skills shortage already crippling Sydney.
 - If construction slows significantly, there will be less work available for skilled labour and professionals. These people may then seek employment interstate or within industries that can offer a more stable environment.
- Increasing construction costs:
 - Due to labour and skill shortages the construction industry will have to match remuneration packages in order to retain workers or obtain workers from overseas, adding to the cost of construction. This may lead to some projects becoming economically unviable.
- Increase in fees for pre-construction consultancy and design:
 - Skill shortages in these areas will again mean an increase in fees as skilled workers will be difficult to attract.
- Projects may take longer to complete due to labour shortages (both tradespeople and consultants) and increased construction costs – further slowing construction activity.
- An increase in the use of pre-fabricated building forms to combat cost increases and meet the need for affordable housing.
- Developers may move away from residential construction to commercial construction where the demand appears to be higher for new buildings – impacting further on housing affordability. In the Australian Industry Group Report (August 2007) engineering and commercial construction out-performed both the house and apartment building sectors in that month.

BMT & ASSOC are constantly liaising with builders and developers to remain up to date on all construction issues. Please do not hesitate to contact Brendan, Brad or Tom at the office should you wish to discuss any construction project.

Please visit the www.bmtqs.com.au website for our construction cost calculator the next time you need an estimate for a project, it's easy to use and only requires a few project details.

Recently Completed Projects

Location: Loganlea, QLD

Project type: 107 unit residential development
Approx. Construction Cost Per Square Metre: \$1,170/m2

Location: Forster, NSW

Project type: 100 bed aged care facility
Approx. Construction Cost Per Square Metre: \$2,150/m2

Location: Chelsea, VIC

Project type: 3 unit commercial development
Approx. Construction Cost Per Square Metre: \$1,300/m2

Location: Benowa, QLD

Project type: 2 unit residential development
Approx. Construction Cost Per Square Metre: \$2,375/m2

Location: Greystanes, NSW

Project type: 41 unit residential development
Approx. Construction Cost Per Square Metre: \$1,100/m2

Location: Orange, NSW

Project type: 6 unit residential development
Approx. Construction Cost Per Square Metre: \$1,355/m2

Location: Glendenning, NSW

Project type: Church and community facility
Approx. Construction Cost Per Square Metre: \$2,400/m2

Location: North Sydney, NSW

Project type: 4 unit commercial development
Approx. Construction Cost Per Square Metre: \$2,045/m2

Location: Wattle Hill, VIC

Project type: 1 residential development (luxury finish)
Approx. Construction Cost Per Square Metre: \$3,380/m2

Location: Lismore, NSW

Project type: Medical facility
Approx. Construction Cost Per Square Metre: \$3,100/m2



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