



# Why your house is taking longer to build and is costing more

Over the last 12 months the cost to build a new home has increased significantly and the times to start and finish building a home have also increased.

Home builders had expected, and hoped, to see an improvement in these ongoing pressures in early 2022, but the flooding in northern NSW and Queensland, combined with the Ukraine/Russia conflict, means that the existing pressure on labour supply and delays in materials availability will now stretch well into 2022. These combined pressures are leading to further cost increases in new home building prices.

Builders understand that the pressure being placed on customers to wait longer for work to start or finish, and to manage increasing prices for labour and materials, is not a welcome situation. Getting a home built on time and on budget is a priority for everyone – builders, customers, banks and insurers.

HIA knows that many customers are questioning whether the pressures are real and wondering whether your builder is genuine in the requests they are making of you. The answer is these pressures are very real.

HIA does not expect the situation to improve for many months, as the large pipeline of home building and renovation work progresses, in the midst of so many complex problems.



## What are the pressures on home building?

There's been an extraordinary series of events over the last 18 months arising from the COVID-19 pandemic. These include:

- Restrictions on trade availability as the numbers of workers on site and number of sites per week they could work at were limited in 2021;
- Trades were also unable to travel between and within states for extended periods in 2021;
- The number of workers able to work in manufacturing and industries that produce building materials was also restricted and continue to be impacted by COVID-19 in 2022;
- Clients were also locked down and unable to make material selections and complete the contracts and other documentation for their new homes;
- Restrictions slowed the delivery of land to market and approval authorities faced extended timeframes from restricted staff availability which is continuing in 2022;
- Similar pressures are also being felt in many other countries where building materials are manufactured, slowing down and at times stalling global production of building materials;
- Increased shipping costs and delivery delays of imported materials and products; and
- These pressures were compounded by the extended lockdowns across most states in 2021.

Australia's home building industry was still catching up from all of these events when the more recent flooding and Ukraine conflict emerged.

Coinciding with these COVID-19 related delays there has also been a spike in demand for new homes and renovations across every state and territory. This spike has come from:

- The incentives that state and federal governments provided to home building to keep the economy moving in 2020. The response to these incentives exceeded all expectations;
- Home buyers have been looking for more space in larger homes in the suburbs and regional areas in response to lockdowns;
- Lockdowns and increased personal savings encouraged homeowners to focus on their homes leading to a jump in renovation activity;
- Low interest rates enabled more people to become homeowners or renovate;
- Surging established home prices encouraged people to renovate and trade up;
- Repair and replacement work from hailstorms and the recent floods have added to the supply pressures on the industry. These events have also seen factories and building material stocks lost.

This spike in demand when combined with the constraints on the availability of tradespeople and building materials has seen the cost of new

home building increase by more than 20% in 2021 Australia-wide.

The home building industry has also had to compete for workers with other industries at a time of low unemployment, further adding to cost pressures for labour.

**Never before has Australia seen such high demand for home building, at the same time in every state and territory.** The number of new detached homes the industry started in 2021 and expect to finish in 2022 will be a record. In past periods of peak demand and supply issues, the industry has been able to get some relief from engaging workers and moving materials between states and from overseas. Throughout the pandemic this normal way of managing the demand has simply not been possible.

As you work with your builder to complete your new home or renovation project this year, HIA recommends that you exercise patience. This situation is as frustrating for the builder as it is for you.

Regular and courteous communications during this time will be a key contributor in the completion of your new home or renovation project.

NEVER BEFORE HAS AUSTRALIA SEEN SUCH HIGH DEMAND FOR HOME BUILDING, AT THE SAME TIME IN EVERY STATE AND TERRITORY

