

PEOPLE

industry insiders

Story: Kerry Ramsey

With 2022 approaching, five industry leaders look at the complex issues and challenges affecting our members now – and in the future.



Graham Wolfe
HIA managing director

With the world in pandemic mode for more than 20 months, Australia is now charting a course to reopen. The building and construction industry is ready to embrace the future and see an end to the crippling lockdowns and border closures. 'We look forward to many positive outcomes as we turn the corner into 2022,' says Graham Wolfe, HIA managing director.

'As we have worked together through the pandemic, we've learned new lessons,' he continues. 'It's made our members – as well as their businesses and staff – more resilient. They're now better able to cope with a future pandemic or anything else that the future holds.'

It's clear that the world will look very different as we move beyond the COVID-19 crisis to the new normal. Our five industry insiders have been on the frontlines, witnessing how the

residential industry has managed to readapt, rebuild and revitalise.

'We've turned to these leaders to hear about the economic outcomes, technology trends, and how our businesses will continue to navigate the impact of the pandemic,' says Graham. 'Most importantly, we want to share how the future will look for residential building in Australia next year.'

'We look forward to many positive outcomes as we turn the corner into 2022'

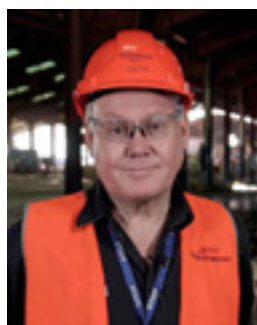
'The good news is that, with foresight and planning, our members will come out stronger and embrace positive change on the heels of the pandemic.'

Our policies: www.hia.com.au/our-industry

THE INSIDERS



ALICIA KELLY
General manager and
company secretary,
JWH Group



**LINDSAY
PARTRIDGE AM**
Managing director,
Brickworks



ANTHONY ROBERTS
Managing director,
Porter Davis Homes



JON STODDART
Managing director,
Stoddart Group



RUTH VAGNERELLI
Design director,
Hickinbotham Group

Q: How will the economy shape the residential building industry in 2022?

Alicia Kelly, JWH Group

The year 2022 will continue to be a busy period for us around WA as we continue to build out our pipeline. We expect the constraints around labour and supply will still be there, so our build timeframes will continue to be extended. This will put pressure on many businesses in the industry, and cashflow management remains vital. We expect our sales to remain reasonably strong as both WA and Australia are seen to be 'safe' places to live coming out of the pandemic. The calendar year has already experienced stronger enquiry levels than we would have imagined last year.

As a builder, we rely on many pieces of the puzzle to come together to ensure we can get clients' homes to site and completed. The national and global supply issues, labour constraints and lender timeframes are just some of these pieces.

Although the 'locked' border in WA has been a strength during the pandemic, many industries are running at over-capacity and need labour to be able to enter the state. If the border does remain locked, it may do more damage. It could raise perceptions that WA isn't open for business. Migration will be limited, and this would also be damaging in the long term.

Anthony Roberts, Porter Davis Homes

The Australian economy, with the broad underpinning of 'rates lower for longer' as restated by the Reserve Bank, will provide the macro-economic support needed to navigate the journey out of the COVID fog.

The first half of 2022 should see an economic rebound as the vast population in lockdown is free to consume again in all forms. Supported by low unemployment levels, consumers will have the confidence to spend again in 2022. How quickly they emerge from their shells, especially Victoria, will be the dominator.

The bigger risk of 'rates lower for longer' could be the splitting economy, with the challenge of the property markets' continued price growth cycle. We've seen some 20 per cent price growth in recent times, but the economy will need all the support it can muster with low interest rates to build through the recovery phase again.

One of the more considerable risks is the critical undersupply to all property market segments, from land to new builds and established property market. The pressure on the demand side, in turn, places continued price pressure. This will be a challenge in 2022 and beyond for all stakeholders.

Ruth Vagnarelli, Hickinbotham Group

The flow-on effects of the HomeBuilder grant will be felt well into 2022. It was a fantastic stimulus and did



Photo courtesy Stoddart Group

JON STODDART Managing director, Stoddart Group

Since 1991, Stoddart Group has been under the leadership of managing director Jon Stoddart. His commitment to challenging the status quo and driving change has seen Stoddart Group evolve to being the leading supplier and installer of materials to the Australian residential building industry. Stoddart Group now supplies and installs roofing, garage doors, steel framing, cladding, plasterboard and solar energy to over 30,000 homes nationally each year.

what it set out to achieve: create jobs and growth. It has brought forward a generation of people building new homes, and many have entered the market who never thought they could. The reasons are: the grant coupled with first home buyer stimulus, low-interest rates, the border closures and lockdowns has enabled high savings for deposits, and many have had help from the bank of mum and dad.

If the lack of supply in the established homes market continues, more people will choose to build as we are finding people want security. Rental vacancy rates are low, and landlords continue to sell investment properties to capitalise on the buoyant market.

With the biggest pandemic in 100 years, we have seen the shift to outer suburbs and regional areas away from medium-density living. As vaccination rates climb and borders open, advances in technology have enabled people to live and work anywhere. >

From talking to our customers, we understand the pipeline of new housing projects generated by the federal government's HomeBuilder subsidy will support the residential construction industry for at least the next 12 months.

Concerningly, labour and material shortages, coupled with significant price increases on materials by major suppliers, pose a serious risk to the industry's health.

What happens after the pipeline of projects is exhausted will depend on what occurs with Australian immigration, the pandemic and its effects on the Australian and global economies.

JON STODDART, STODDART GROUP

Q: How will your business continue to navigate the impact of COVID-19?

Alicia Kelly, JWH Group

We've been fortunate and, dare I say, lucky to have just a few short lockdowns over the past year. I'm proud of how our business has handled these lockdowns, particularly the initial one at the onset of COVID-19. Our staff were incredibly understanding and adapted to working from home when required relatively seamlessly. As a business, it has enabled us to use our technology. This was a great benefit, especially when some brands operate across the state. We have also utilised technology to our client's advantage, having many virtual meetings. This has ensured us to keep progressing their homes through our system and out onto site. The importance of communication internally as with our clients has also been emphasised.

Our business is family-owned, and both my brother and I are actively involved from a day-to-day point of view, while our dad is involved in a strategic sense. Going through the past 12 months

Assuming we are not locked down again, we hope to continue as normal to complete the large amount of outstanding work. We are hopeful the majority of our staff get vaccinated, and we will continue testing for those who are not vaccinated.

LINDSAY PARTRIDGE, BRICKWORKS

as a family and our senior management group has put some positive practices into place from a communication perspective and strategically. The benefits of this will continue in the coming years.

Anthony Roberts, Porter Davis Homes

COVID has changed how we go about business, whether in sales, operations, construction or new Home Care. Simply, the pandemic has amplified the need to focus on a complete digital strategy in every aspect of business from end to end.

With display centres shut down for months on end, virtual sales and 'digital twin' assets were the only options. In Victoria, we've spent the past 18 months operating from home virtually, away from the office.

We don't see our staff returning to the office full-time in a post-COVID world. Too much water has passed under the bridge, especially in Victoria.

Like many businesses, we have managed incredibly well, with 100 per cent of our Victorian office-based staff operating from home for most of the past 18 months.

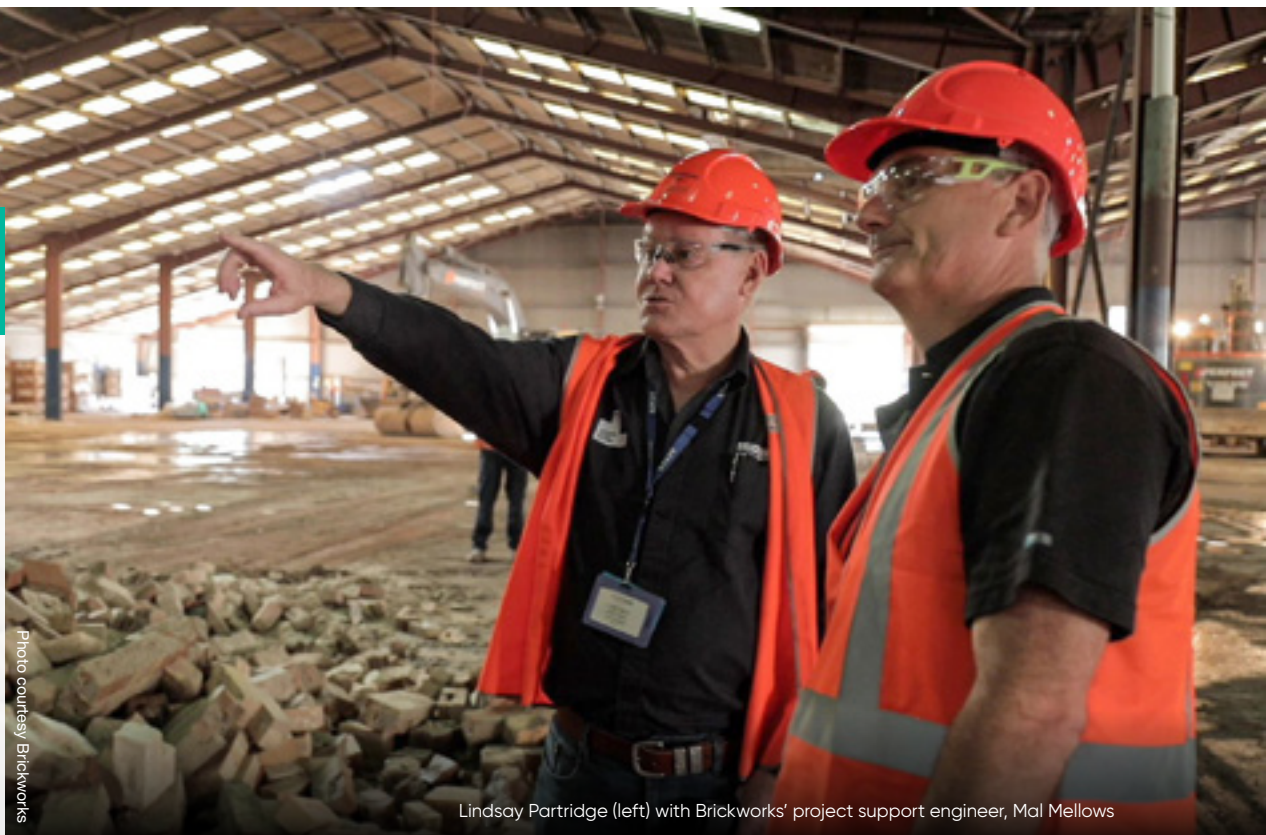
Ruth Vagnarelli, Hickinbotham Group

We are a family-owned company that has been in business since 1954 and have been through multiple property cycles. To cope with the increased demand of the HomeBuilder grant, we hired 100 additional office staff. We have also worked with suppliers and trades to assist in supporting their businesses and keeping them informed of material shortages and delays.

Although South Australia has only had a couple of lockdowns, we have learnt to be flexible, investing in technology to facilitate working from home.

LINDSAY PARTRIDGE AM Managing director, Brickworks

Lindsay graduated as a ceramic engineer from the University of New South Wales and worked in all facets of the clay products industry in Australia and the US before joining the Austral Brick Company in 1985. He was appointed managing director of Brickworks in 2000 and was previously a director of various industry bodies. In 2012, he was awarded the Member of the Order of Australia for services to the building and construction industry. In 2018, HIA awarded Lindsay the prestigious Sir Phillip Lynch Award of Excellence.



Lindsay Partridge (left) with Brickworks' project support engineer, Mal Mellows

Q: What issues may impact the industry over the next 12 months?

Alicia Kelly, JWH Group

The global supply chain challenges are expected to continue for the next 12 months. There may be some opportunity for pressure on labour to ease once our interstate borders are opened and indeed international. Putting Australia on the map for migration needs to be done to ensure ongoing opportunity for businesses and our industry.

It's encouraging to see our state government invest in the social housing space and make budget commitments over the next few years. The lack of investment in this space contributed to some challenges we've experienced in the past 12 months, especially around labour shortages and a lack of skilled subcontractors.

We didn't have the housing starts to sustain ongoing investment in the training space and retain people within our industry. If we can get to an increased, consistent and sustainable level of housing supply, funded both privately and by the government, it will ensure the industry's longevity.

Lindsay Partridge, Brickworks

We have come close to running out of imported products and raw materials on several occasions, so we are hopeful over the next 12 months that the international shipping returns to normal.

This relies on no further outbreaks at the world's major shipping hubs.

We believe the Australian dollar should continue trading in the current band but expect further significant price rises.

We have contracted gas through to 2025 and are hopeful we'll gain further supplies after that date. We are facing increased environmental pressure, so we are considering synthetic natural



Photo courtesy: Hickinbotham Group

RUTH VAGNARELLI Design director, Hickinbotham Group

Ruth Vagnarelli with her brother Michael Hickinbotham, managing director of Hickinbotham Group

Daughter of Hickinbotham Group's founder, the late Alan Hickinbotham and sister to managing director Michael Hickinbotham, Ruth took on the role as design director in 1990 after working as a journalist and studying interior design. She works closely with renowned architects and designers to create the housing ranges across three brands, and is responsible for the group's display homes. Ruth is also heavily involved in the company's marketing and land departments.

gas and hydrogen as long-term replacements for natural gas.

We believe the changes to the NCC are favourable for our products due to their proven long-term performance.

Jon Stoddart, Stoddart Group

The critical issues facing the residential building industry over the next 12 months will be the lag impact of current lockdowns; labour and material shortages; and the rapidly increasing cost of materials which will have a crippling effect on many in the industry.

Managing the impact of these issues will be our greatest challenge. A key focus will be on continuing to support builders to ensure we all have a long-term future.

On a state-by-state view, the Brisbane housing market looks set to remain strong; Sydney is suffering from ongoing lockdowns where potential home builders simply can't get to display homes. Melbourne is similarly struggling from the impacts of lockdown restrictions on construction. While housing demand remains robust in Perth, product shortages and material price increases will continue to put pressure on the industry. >

Material and supply issues are expected to continue, and the increased international transport costs are having an impact. Nationally, we have a skills shortage, and the increased housing demand is expected to exacerbate this. There are also delays with land developers getting land to market. Consequently, houses will take longer to build in this challenging climate.

RUTH VAGNARELLI,
HICKINBOTHAM GROUP

Q: What emerging trends may influence the way the industry will do business?

Alicia Kelly, JWH Group

Shutdowns have encouraged us to look at how we work, so there will be more requests for office-based staff to work remotely. Despite this, building someone's house is a personal experience. There are challenges when interacting with clients, but face-to-face contact is still preferred for our clients and us.

The ability to sign up for a house and make your selections, then see your home onsite while living in another part of the country – or indeed the world – has been there for a while now. However, the past year has forced us to utilise that technology more efficiently.

The pandemic will affect many people's housing choices, such as high-tech home offices.

Lindsay Partridge, Brickworks

There will be three emerging trends in the long term: off-site fabrication, panelisation and onsite automation. The continued shortage of trades and labour, in general, will provide further impetus to these trends.

ANTHONY ROBERTS Managing director, Porter Davis Homes

Running Porter Davis for the past 20 years, Anthony is the managing director and one of the company's original founders. He has been instrumental in steering the company to become one of Australia's leading privately owned businesses. He's responsible for the overall strategic direction, corporate governance, and leading and engaging the senior executive team to maximise market share and business opportunities.

With the supply-chain challenges of a lifetime, the door is wide open to new or lesser-used products to become substitutes, alternates or new disruptors. The likes of alternate lightweight cladding options, more steel frames that offset the current global timber crisis, and digital-twin technology for display homes are now further in trenced in a sales journey.

The old guard in the supply chain has put at risk its established positions with bullish short-term strategies, all bundled up as COVID supply-chain challenges. However, not all is the case.

Builders and contractors now need to work harder than ever by substituting established products with alternate ones to survive the cost impacts of this cycle.

ANTHONY ROBERTS, PORTER DAVIS HOMES

Q: How does the future look for employment in Australian manufacturing?

Lindsay Partridge, Brickworks

The lack of immigration is unlikely to be recovered in the medium term, so employment prospects look strong for all Australians.

The brick industry has been in Australia since the First Fleet and will continue for a long time yet. We are currently constructing the next generation of factories to see us through to 2060.

Jon Stoddart, Stoddart Group

I believe the future of employment in the Australian manufacturing sector rests on innovation. To thrive and survive as a sector, we need to constantly be looking, domestically and abroad, for how we can continue to embrace new products, new technologies and innovative manufacturing methods.

The digital economy will continue to play a revolutionary role in shaping the future of manufacturing and the types of employment opportunities this generates.

'Building the future of building' is core to all we do as a company, so investing the time and resources into finding and developing ways to do things differently and better is central to our evolution as a business. >



Photo courtesy Porter Davis Homes

Q: How does the future look for residential building in Australia?

ALICIA KELLY
General manager and
company secretary,
JWH Group

Passionate about being involved in the family business, Alicia set the scene by completing a law and commerce degree in 2005 and became a Chartered Accountant in 2009 and a fellow of Leadership WA in 2013. In 2010, Alicia took on management accounting at JWH Group and eventually became general manager in 2013. As a member of the executive group, she's involved in determining the company's strategic direction, with a focus on IT, construction, and administration.

Lindsay Partridge, Brickworks

Without immigration, we will see an overall reduction in the medium term. At the same time, we are likely to see people preferring houses over apartments and regional areas over cities.

Anthony Roberts, Porter Davis Homes

The long-term future is bright, but it's dependent on immigration. The challenges of COVID-19 and closed borders has probably been more protracted than first anticipated.

The million-dollar question is, how much of tomorrow work has been dragged forward with a stimulus such as the successful HomeBuilder program and low-interest rates?

Australians have spent months on end in their current homes. This has inspired many to renovate or upgrade, and a knockdown/rebuild combined with geographic relocation has been a popular option.

The Greenfield land and regional sales data support people's choice to move away from

density living matched with the generational shift of working from home. Only time will tell whether this trend reverses in some proportion, but for now, customers are chasing detached living – their own oasis with a backyard and a barbie.

Jon Stoddart, Stoddart Group

The future of residential building in Australia looks positive. We live in a highly desirable country – everyone wants to come and live here! While the pandemic will cause the industry some short-term pain, the Australian housing market will benefit once state borders reopen and international migration returns to pre-pandemic levels.

Ruth Vagnarelli, Hickinbotham Group

The Reserve Bank has committed to keep interest rates low until 2024, but when they rise, the risk is this will have an impact on housing demand. The other concern is if there is an inflationary environment, this will further impact the demand for new homes. If this is the case, since construction jobs have a large multiplier effect that benefits the whole economy, then hopefully the government will look at other strategies to assist the industry such as stamp duty relief.

Builders need land to build homes. The supply of land is a challenge due to the length of time it takes to achieve rezoning. Another factor that affects land supply is land tax as it puts a handbrake on the timely delivery of allotments to the market.

The skills shortages is a concern, especially in the area of wet trades like concreters and brickies. There is a huge opportunity when borders open for immigration to fill 'in demand' skill shortages. For example, we have an existing base of excellent Afghani tradespeople, and we would always welcome more to work in 'in demand' trade areas. **H**



Photo courtesy JWH Group

Alicia Kelly (left) with JWH Group's executive assistant, Natasha Grainger

Affordable housing will remain on the agenda for years to come. We have extensive social housing waitlists, but increased legislation is making it less affordable to build a house. The variance in costs is getting larger, which pushes more people into the social housing queue. This challenge will bring more innovation and opportunities in that space.

Australia has weathered the pandemic incredibly well. In the next few years, the challenge and opportunity will be to open up to allow migration and ensure ongoing demand for residential housing. It will also encourage continued investment in training and upskilling people in the construction industry.

ALICIA KELLY, JWH GROUP