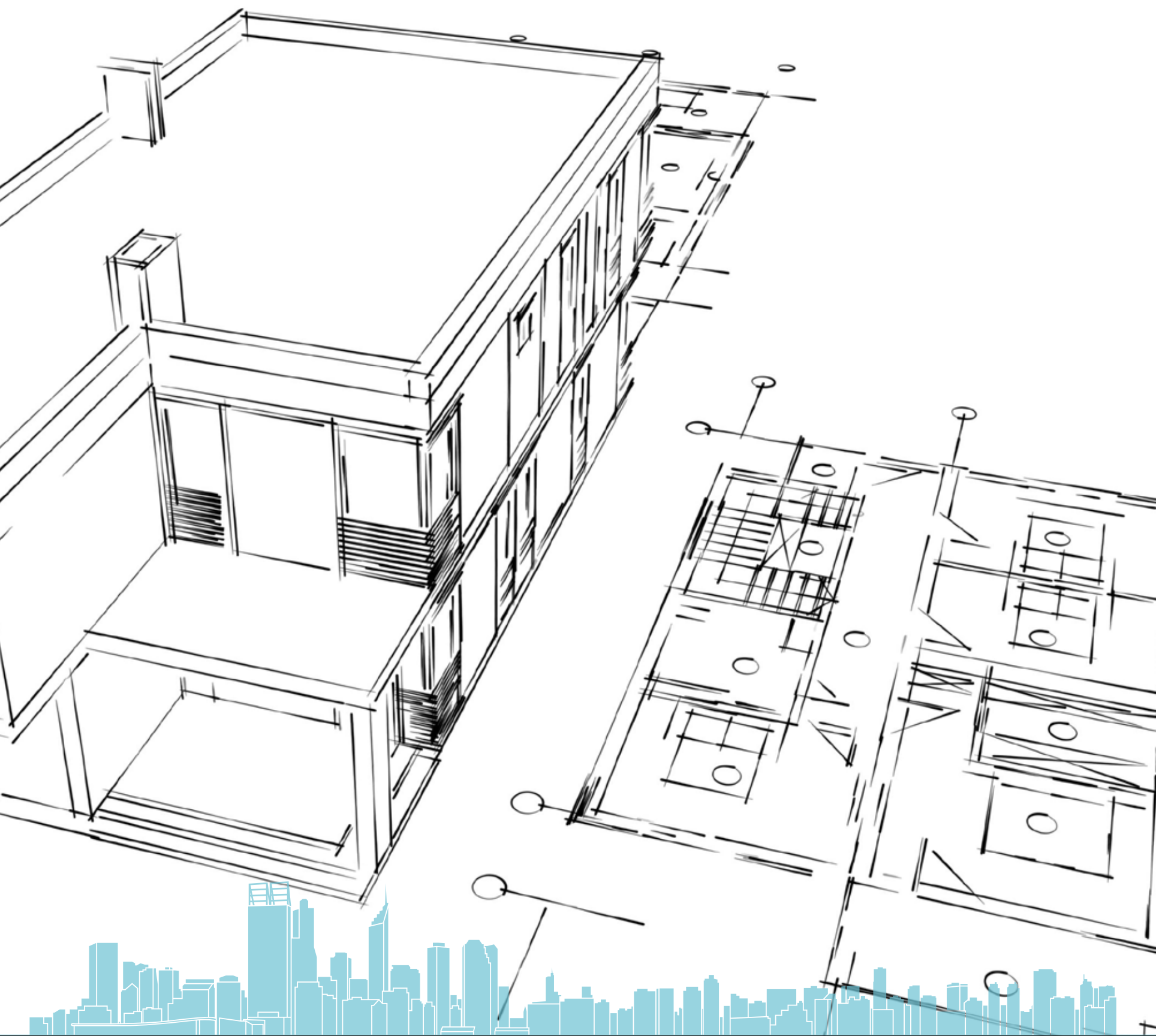




RESIDENTIAL BUILDERS

SPECIAL REPORT





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CONFIDENT: Michael Bartier says state and federal government housing stimulus packages have turbocharged the industry. **Photo:** Gabriel Oliveira

Builders adapt to turbo demand

Government housing stimulus packages have helped resuscitate the ailing residential building industry, but will the demand be short-lived?



Katie McDonald
katie.mcdonald@businessnews.com.au

6-PAGE FEATURE

RESIDENTIAL builders expected some increase in buyer activity after government housing grants were introduced amid a suite of COVID-19 stimulus measures, but the level of demand caught many by surprise, and somewhat unprepared.

Reports of customers being turned away, or of new home build deposits being returned, were unheard of a year ago.

Even more unlikely, would be the sale of several months worth of new home packages in just two months.

But that's been the reality for pockets of the state's residential market, where activity has been amplified as a result of state and federal government housing stimulus measures in response to COVID-19.

In August, Western Australia led the country for new home sales; the Housing Industry Association (HIA) recorded a 91.1 per cent increase in WA's new home sales for the six months to August, and a 175 per cent jump in the three months since the HomeBuilder and Building Bonus packages were announced.

However, new home sales in WA fell for the month of September, but that decline followed moves by many builders to cap monthly sales amid the demand rush, according to HIA WA executive director Cath Hart.

It's a stark contrast to what Ms Hart said followed six of the toughest years on record.

Industry leaders have urged patience in recent years, with

market analysts at times promising a steady recovery was on the horizon, only for the market to bump along the bottom for another year.

Those conditions seemed set to repeat earlier this year when the pandemic struck, with the HIA slashing its initial FY20-21 forecast of 20,000 new homes for WA to fewer than 10,000.

Those fears soon dissipated following a 211 per cent spike in new home sales recorded during the month of June.

That increase was a clear signal government housing stimulus packages were kicking into gear, with the HIA revising its FY20-21 forecast to 15,950

new dwelling starts: representing a 15 per cent improvement on FY19-20 (which delivered about 13,800 new dwelling starts).

With consumer appetite no longer an issue, in the short-term at least, one of the biggest challenges facing the industry will be its ability to adapt to, and sufficiently cater to, the sudden peak in demand following years of subdued activity.

It's a challenge the state's biggest residential builders believe they're navigating reasonably well, so far.

BGC Housing Group executive general manager Michael Bartier's confidence is bolstered

by the group's restructure over the past year, which involved consolidating 12 homebuilding divisions and development brands, as well as investing about \$4 million in a new showroom to position the group for future growth.

That included the merger of BGC Housing Group with Ventura Home Group earlier this year, with Ventura the state's third largest builder in 2018-19 as ranked by WA home starts in the HIA Housing 100 Survey.

Historically, BGC and Dale Alcock's ABN Group have taken the two top spots on the HIA Housing 100 Survey, with BGC delivering the most WA dwelling starts (2,332) for the last financial year, followed by ABN Group with 1,540 WA dwelling starts, but 3,247 overall nationally (see page 37).

BGC's final FY19-20 tally was significantly boosted by the group's record month of new

“The business is incredibly match-fit at the moment and we have a really strong pipeline of work over the next 12 to 18 months - Michael Bartier

Builders adapt to demand

From page 33

home sales in June of nearly 1,000.

"The business is incredibly match-fit at the moment and we have a really strong pipeline of work over the next 12 to 18 months," Mr Bartier told *Business News*.

"Stimulus somewhat turbo-charged demand in WA and maybe a little bit of that has been pulled forward, but ... I still firmly believe the WA property market was showing strong signs of recovery even pre-COVID.

"Combine that now with a shortage of housing stock and some of the lowest rental vacancy numbers we've seen, I think the outlook is really bright."

Mr Bartier said June and July were the strongest sales months for the company, with August still about 20 per cent above pre-COVID levels. However, he expected sales to slow across the remainder of the year.

"That's not because demand isn't there," Mr Bartier said.

"It's solely because you've got that stimulus deadline, you can only process so much work."

To be eligible for the state government's \$20,000 Building Bonus grant, applicants must enter into a contract (which requires land to be titled) to build a new home by December 31 2020, with on-site work required to start within six months of signing the contract.

"Even when stimulus comes to an end, irrespective of if it is extended, the greater driver for WA will be when the borders open and people can migrate back to the state; we've got such strong employment opportunities, we're safe and clean, have affordable housing and a comparatively low median house price compared to the east coast," Mr Bartier said.

Homebuilding industry groups including the HIA and Master Builders Association have been lobbying the state government to extend those build start times in order to smooth out demand and stretch the time of construction activity.

The groups have also argued that an extension would enable more eligible homebuyers to capitalise on the grants, following reports there had been nearly 300 customers in recent weeks facing cancellations by their chosen builders.

The HIA said jobs were being cancelled and deposits returned due to builders' concerns their projects wouldn't meet the required build start times, compounded by shortages of titled land and labour.

ABN Group managing director Dale Alcock said his company had not and would not be refunding deposits, having applied self-imposed limits on the amount of business it had taken on.

"The ABN Group is very well experienced and resourced to handle this," Mr Alcock told *Business News*.

"Coming off such a low base of activity, the ABN Group has put in place certain procedures and limits to manage activity and sales levels in order to be able to deliver for our customers.

"We've geared up and immediately taken on more staff to cope with demand."

Mr Alcock said customers' capacity to secure finance approval was one of the major delays the group was experiencing before being able to start construction.

In August, seasonally adjusted Australian Bureau of Statistics data found owner-occupiers set a record for new loan commitments for housing – borrowing 13.6 per cent more (\$16.3 billion) – the largest month-to-month rise on record.

"Lenders are not sufficiently geared to deal with the current volume of applications, and this is leading to a doubling of approval times," Mr Alcock said.

"We continue to work with our industry associations and also directly with the state government to ensure that these pressures are well understood."

Market mix

Mr Alcock said demand had been widespread across the metropolitan area but also the South West, with about half of ABN Group's construction



LOBBYING: The state's property groups continue to call for extensions to stimulus timeframes, to allow a longer period from contract signing to site commencement.

Photo: Gabriel Oliveira

15,950 DWELLING STARTS FORECAST FOR FY20-21

occurring in Victoria, where he said demand remained strong despite total lockdown.

While Alkimos, Brabham and Baldivis were among BGC's top-selling suburbs in WA, the South West had also emerged as a hotspot, with Dalyellup and Australind – both on the fringe of Bunbury – featuring in the group's top 10 selling locations.

Real Estate Institute of Western Australia data shows housing demand is heating up at the top end of the state as well. In the year to September, five of the top 10 suburbs in WA to have recorded the largest growth in median house prices were in Karratha.

Whether that demand has translated to the home construction market will be revealed in the upcoming release of HIA's residential builder survey of new home build locations.

In the meantime, the sale of a 2.75-hectare development site in Karratha could provide an indicator.

CBRE and Axia Corporate Property were appointed to sell Lot 9,000 Tambrey Estate late last month, on behalf of Mr Alcock and Garry Brown-Neaves (who sold his interests in ABN in 2016).

The site provides scope for a 41-lot residential development, which sits adjacent to the Tambrey Primary School.

Mr Alcock said ABN completed a residential development on the site years earlier via its manufactured housing business, TR Homes, which it sold in 2014.

"We've held it during the quieter period," he said.

"With activity increasing up there now, it's an opportunity for someone who's operating there to take advantage of the improving market."

JWH Group general manager Jay Walter also believes there's untapped potential in regional WA.

"More people are moving there because they've discovered they can work remotely, they can work online and

would like to be in a location where they can go for a surf in the morning or go mountain biking," Mr Walter said.

"And with that, we'll need houses.

"Throughout what has been a challenging period, one thing that has become absolutely clear is that WA is a great place to live.

"Once some of these restrictions are eased, if we position ourselves in the right way I can see WA becoming a real destination for people to migrate to."

JWH Group was again taking on new business, Mr Walter said, having temporarily closed its books amid heightened demand to ensure its reputation for quality builds was maintained.

JWH Group has slipped down the housing start volume numbers, falling from fourth largest builder to fifth in the recent financial year (see page 37).

However, Mr Walter said volume wasn't necessarily a priority for the builder, with a recent restructure prompting a repositioning of some brands, as well as the refresh of its management team.

That move also involved JWH's founder Julian Walter

(Jay's father), taking a back seat and acting as chair.

Jay Walter said the builder, which includes the Oswald Homes and WA Country Home Builders brands, had prioritised the more established housing market, rather than targeting first homebuyers, a cohort he said had often been the cause of a competitive race to the bottom.

First homebuyers had taken advantage of the more than \$69,000 worth of incentives, comprising the \$45,000 federal and state government grants as well as the additional \$10,000 first homebuyer grant and stamp duty relief.

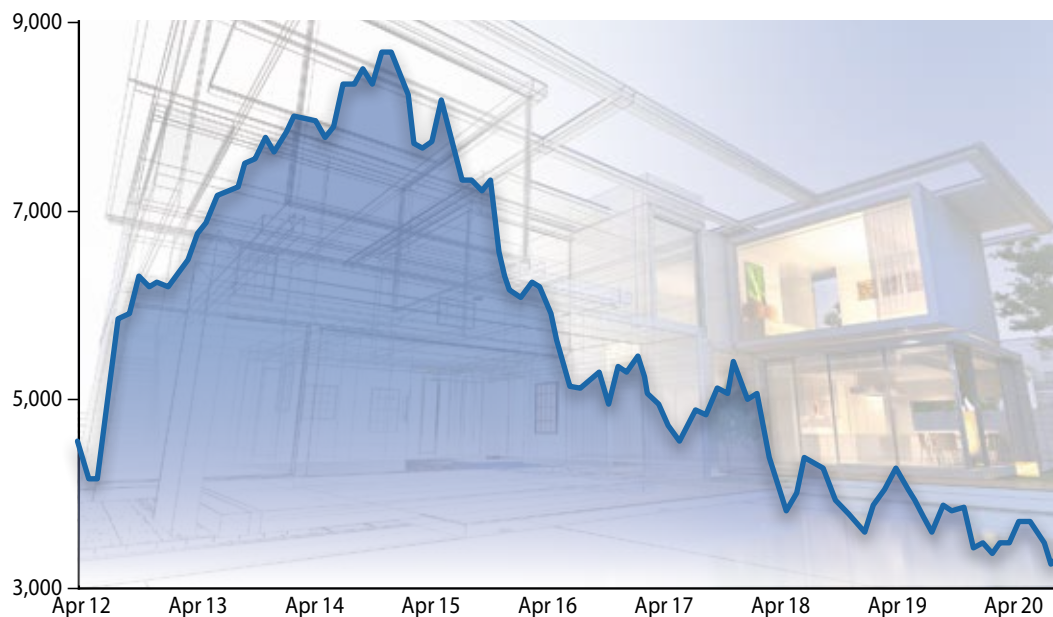
But established buyers were also cashing in, Mr Walter said.

Beyond new house and land sales, the government grants had stimulated demand in the brown-fields market, he said, with JWH brand Plunkett Homes recently demolishing a house it had built in 1950 to build anew.

Near city sites

Brownfields sites within a 15-kilometre radius of Perth's CBD were becoming

Number of new home building approvals in WA (three-month running totals), 2012 to 2020



Source: Master Builders Australia analysis of ABS building approvals (8731.0)

increasingly hard to source, according to Strategic Property Group managing director Trent Fleskens.

The group specialises in infill subdivision, among other services.

"It's [the stimulus] really been the sugar hit, the starter

motor to get the engine running again," Mr Fleskens said.

"If you dig deeper into the data, the land sales have gone back to pretty much what they were before the grants, but house and unit sales are double.

"I had a year's worth of clients come through my doors in the

last three months looking for subdivisions.

"But then there's just nothing on the market to buy."

As a result, Mr Fleskens said the group was now purchasing land off-market.

The state government's decision to continue the moratorium

on rental evictions was a likely factor restricting the supply of more established housing stock being brought to market, he said.

Despite WA's borders remaining closed through to next year, Mr Fleskens was still confident WA would achieve the population growth needed to sustain property demand, with many fearful stimulus-induced demand could potentially deliver another hit to the industry.

"We've had five years of losing people interstate every year and we've also had five years of pretty much no one coming in, internationally," he said.

"Now we have no-one leaving interstate ... surely numbers will show in March that we're positive for the first time since the boom.

"We're having to increase the [intake] cap from 500 to 700 people per week ... if that continues, that's like 50,000 people per year; the last time we had that was the boom.

Continued on page 36

SPONSORED
CONTENT

Perth rental shortage presents opportunity for investors.



Quentin Lau

Senior Development Architect

Perth property experts are preparing themselves for a rental crisis with vacancy rates plummeting to 1.3 per cent – the lowest it has been in 12 years.

Three years ago, vacancy rates were over 7 per cent and with 3 per cent

considered 'healthy', the statistics are concerning for tenants in the current rental market.

Property managers have reported a lack of supply, especially for houses and units in Perth's outer suburbs with some agencies recording a vacancy rate of well below 1 per cent for these properties.

The current situation has been the result of the lack of incentives for investors to acquire and to build rental properties, due to falling property values, poor economic climate and tightened lending conditions in the last five years.

When Australia's international border re-open next year, we will see

the return of ex-pats and domestic and international migrants, resulting in more pressure on available stock.

Meaning, it is inevitable that we will begin to see a further increase in rents and in turn, property will become a very attractive asset for investors, especially whilst interest rates are at historic lows.

With a rental yield of 4 per cent, plus capital growth and taxation benefits, acquiring and developing property would be a safe option in times of share market uncertainty.

Perth is now one of the most affordable Australian capital cities, having seen property values decline by up to 20 per cent in recent years.

There are opportunities to secure properties which will provide a positive cash flow with some investors adopting a strategy of 'build to rent' rather than 'build to sell', as it has become more popular amongst professionals with stable and high incomes.

The challenge for many, is the ability to secure finance and to source suitable sites for redevelopment as some owners are unwilling to sell due to their positive outlook.

The low vacancy rates are optimistic signs for rental growth and capital appreciation.

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NEW HOMES

RENOVATIONS

GRANNY FLATS

DEVELOPMENTS

SUMMIT
HOMES

Builders adapt to turbo demand

From page 35

"It's [the stimulus] a good thing because it is creating more jobs, more work and more confidence in the industry ... but it's also not sustainable because we don't have the throughput of labour to actually deliver this in a timely manner."

Challenges

Training commencements for construction trades in WA has been in rapid decline since 2015, largely reflective of subdued building activity.

Master Builders Association WA executive director John Gelavis said labour shortages posed a significant challenge for builders over the next six to 12 months of stimulus delivery, particularly wet trades.

That included bricklaying and plastering, trades Mr Gelavis said had lost significant numbers of experienced subcontractors over the past five years as the market declined.

"The canary in the coalmine is the approvals data," Mr Gelavis told *Business News*.

"The approvals data is really strong, so we're really seeing the market move now."

Dwelling approvals rose 34.9 per cent in WA in August, increasing the number of approvals to a level the HIA

said was last experienced in 2018.

The increase in approvals activity was promising, Mr Gelavis said, although it was still a far cry from the numbers seen during the 2014 boom (see graph).

Following a building securing approval, Mr Gelavis said it was typically another month before a housing start, with builders now starting to feel the labour pinch.

In an attempt to navigate those shortages, both the state's largest builders, BGC and ABN Group, have upped their efforts in the apprenticeship space.

Mr Alcock said the group planned to take advantage of the support announced in the federal budget last month. Under the federal government's \$1.2 billion Boosting Apprenticeship Commencements initiative, builders can receive a 50 per cent subsidy of up to \$7,000 per quarter for apprentice wages until September 30 2021.

ABN has 85 apprentices in training, which Mr Alcock said would now be increased by approximately 30 per cent.

Similarly, BGC last week announced it had committed to employing up to 50 bricklaying apprentices over the next two years as part of its new apprenticeship program run in partnership



UPSKILL: Dale Alcock (left) with bricklayer Tomas Jackson, one of ABN Group's graduated apprentices. **Photo:** ABN Group

“Lenders are not sufficiently geared to deal with the current volume of applications and this is leading to a doubling of approval times - Dale Alcock

with BGC's Brikmakers and the Australian Brick & Blocklaying Training Foundation.

Even with those apprenticeship numbers, Mr Gelavis said there was still significant pressure on builders to find the labour needed – compounded

by border closures restricting interstate migration – to adequately deliver new homes.

Mr Gelavis was hopeful industry could continue to work with government to secure an extension to stimulus package delivery deadlines.

In September, the state government announced \$30 million of additional funding for the Building Bonus, taking total investment in the initiative to \$147 million.

"We need more time," Mr Gelavis said.

"It's a nice problem to have [increased demand] because we're going to create jobs and opportunities.

"So from some of the leading indicators I'm cautiously optimistic about where the future lies for housing."



SUCCESS AND LEADERSHIP
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WA's LARGEST RESIDENTIAL BUILDERS
Ranked by No. of Starts 2019/2020



| Rank | Change from previous year | Company name | Senior executive and title | Year est. in WA | No. of Starts (2019/2020) | No. of Starts (2018/2019) | Trading As (Company Names) | National Ranking (if applicable) |
|------|---------------------------|--------------------------|--------------------------------------------------------|-----------------|---------------------------|---------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|
| 1 | ↑ | BGC Australia | Mr Daniel Cooper Chief executive | 1974 | 2,332 | 2,521 | WA Housing Centre, HomeStart, NOW Living, GO Homes, Perceptions, TERRACE, Developments by Impressions, Commodore Homes, Impressions, National Homes, BGC Residential Southwest, Stratawise, BGC Development and BGC Construction. Ventura, Aussie Living Homes | 7 |
| 2 | ↓ | ABN Group | Mr Dale Alcock Managing director | 1978 | 1,540 | 1,562 | Celebration Homes, Dale Alcock Homes, Dale Alcock Homes South West, Dale Alcock Developments, Homebuyers Centre, Webb & Brown-Neaves, PACT Construction, Boeing Plumbing, Concretus, Ceiling Solutions, The Maker, Hi-Point, Parcel Property, Resolve Finance | 4 |
| 3 | | Silvestro Building Group | Mr Anthony Silvestro Managing director | | 1,147 | | Home Group, Blue Print Homes | 17 |
| 4 | ↑ | Scott Park Group | Mr Scott Park Managing director | 2006 | 741 | 654 | Redink Homes Pty Ltd, Redink Midwest Pty Ltd, Redink South West Pty Ltd, 101 Residential Pty Ltd, B1 Homes | 29 |
| 5 | ↓ | JWH Group | Mr Julian Walter Managing director | 2003 | 630 | 733 | WA Country Builders, Oswald Homes, Rural Building Company, Plunkett Homes, In Vogue, Residential Attitudes, RWBA, Smooth Start, JWH Tenders, JWH Projects, Metrostyle, First Abode, New Level, Renowned Homes, SOMO, Oswald Down South, Hampton York Homes... | 31 |
| 6 | — | Content Living | Mr Gino Bastow Managing director | 1992 | 512 | 572 | Content Living The Home Builders, Dreamstart Homes, Momu | 36 |
| 7 | — | Summit Homes Group | Mr David Hochwald-Jones Chief executive | 1978 | 472 | 567 | Summit Homes, Summit Projects, Summit Home Improvements, Lifestyle Homes, New Generation Homes, Easy Start Homes, Summit Projects, Strata Living, Granny Flats Innovation, Summit Northwest, Summit South West | 38 |
| 8 | | Multiplex | Mr Chris Palandri Regional managing director | 1962 | 399 | | Multiplex Constructions | 3 |
| 9 | — | Hanssen | Mr Gerry Hanssen Managing director | 1994 | 250 | 427 | Hanssen | 62 |
| 10 | — | Delstrat Group | Ms Alicia Gangemi General manager | 1992 | 250 | 324 | Seacrest Homes, Broadway Homes, Affordable Living Homes, Ideal Homes, WA Building Company, Modern Joinery | 62 |
| 11 | ↑ | Danmar Homes | Mr Dan White Managing director | 1993 | 250 | 127 | Danmar Homes, Danmar Developments. | 79 |
| 12 | — | Inspired Homes | Mr Vasko Spaseski Managing director | | 174 | 151 | Inspired Property Group | 79 |
| 13 | ↓ | Jaxon | Mr Vince Mulholland Group chief executive officer | 1958 | 163 | 208 | Jaxon Pty Ltd | 84 |
| 14 | ↓ | Pindan | Mr Scott Davison Managing director, Pindan Group | 1977 | 120 | 500 | Pindan Constructions, Pindan Contracting, Pindan Projects, Pindan Asset Management, Pindan Homes | 32 |
| 15 | — | Ross North Group | Mr Ross North Managing director | 1976 | 119 | 118 | Ashmy, Ross North Homes, Developwest Complete Homes | 93 |
| 16 | | Nicheliving | Mr Paul Bitdorf Co-founder | 2002 | 92 | 83 | Nicheliving Construction | |
| 17 | | New Choice Homes | Mr Michael Condelli General manager | 2009 | 88 | 92 | New Choice Homes | |

Data & Insights

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All information compiled using surveys, publicly available data and contact with industry sources. Other companies may be eligible for inclusion. If you believe your company is eligible, please email: claire.byl@businessnews.com.au
WND: Would Not Disclose, NFP: Not For Publication, N/A: Not Applicable or Not Available.

RESIDENTIAL BUILDERS

SPECIAL REPORT



Data & Insights

Showing 6 of 1,745

Home builders under pressure

The HIA said about 300 WA customers had their home builder cancel jobs and refund deposits. Photo: ... stimulus grants are leading some builders to cancel jobs and return deposits, according to the Housing ... builders. "In recent weeks about 300 consumers have had their jobs cancelled and their deposits returned due ...

BGC, ABN Group WA's largest builders

The Housing Industry Association's latest survey has named BGC Housing Group as the largest builder of Western Australian homes, followed by ABN Group. ...

Master Builders hits out on IM laws

since the incident. Master Builders Association of WA John Gelavis Bill Johnston ...

Builder wins copyright battle

against a homebuyer and a rival builder, ending two-and-a-half years of court proceedings and mediation. ... homebuyers David and Jasmine Smith following a design and quote process that involved four separate builders ... this instance, similar instructions were given by Mr and Mrs Smith to different builders. "Those ...

Fake building grants surface

advice it is given. Master Builders Association of WA John Gelavis ...

New payment laws for construction industry

through the industry." Master Builders Association of WA executive director John Gelavis said the ... in full and on time," Mr Gelavis told Business News. "Master Builders has actively engaged with the ... new trust accounting obligations and complete necessary training." "Master Builders also welcomed the