



## BUILDING COSTS REACH OLYMPIAN HEIGHTS

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By Jacqueline McArthur

The cost of building a home in Australia has skyrocketed to levels not seen since the pre-GST and Olympic building boom.

The growing waiting lists for skilled labour and the prices charged by bricklayers give the best indication of how costs have jumped in this building cycle.

In the lead-up to the Sydney Games and the introduction of the GST, bricklayers were charging up to \$1 a brick. After the Olympics, that figure quickly fell to 80c. Today, it is up to \$1.50.

Leading building-material suppliers have indicated their prices will rise and a survey of housing construction costs points to an increase in the price of bricklaying, plastering and carpentry.

Yesterday, the Federal Government's commodity forecasting agency, ABARE, said timber consumption was back at pre-Olympic levels. It rose 13 per cent last financial year after a particularly strong June quarter.

Some builders reported bricklayers, in particular, were being poached by rival supervisors trawling development sites on the city fringes.

They were dreading a shortage in finishing trades at the end of the year.

Builders locked into fixed-price contracts complained their margins could be seriously squeezed by the soaring costs.

"Builders go broke at the peak of a boom not in a bust," said Wilhelm Harnisch, the chief executive of Master Builders Australia. "The fear that is faced every time there is a boom is that the labour shortages, particularly this time in the finishing trades, and rises in material costs because of increased demand could make it unprofitable for some builders," Mr Harnisch said.

Henley Properties managing director Peter Hayes confirmed that the competition for bricklayers was fierce while some sites were lying dormant as some brick manufacturers failed to meet demand.

The pre-GST building boom in 1999 caught building suppliers off guard, leading to massive shortages of materials – and subsequent price rises – while the cost of sand and cement soared.

Boral recently indicated its construction materials business would benefit from quarry, concrete and cement price increases that took effect early in the June quarter. The company plans further price increases for cement, aggregates and pre-mix concrete in the December quarter.

CSR said in July its domestic construction materials business had raised prices by 10 to 15 per cent in its concrete operations during April, half of which had been maintained.

Recent building approval figures show the construction boom is not slowing, despite warnings from regulators and economists.

Building approvals in August jumped 23.1 per cent, to the highest level since 1994. Much of the activity was in townhouses and units. Approvals for these properties rose a record 73.3 per cent.

The big jump mean residential-dwelling approvals are growing at a rate of 200,000 a year, well up on the 140,000 for which observers believe there is realistic demand.

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Treasurer Peter Costello, the Reserve Bank of Australia and the Australian Prudential Regulation Authority have all raised the alarm about the overheated market, which has now surpassed the property boom of the late 1980s.

Prime Minister John Howard predicted a cooling off for the housing market yesterday, echoing earlier warnings from Mr Costello that the market was headed for a correction and there was an oversupply of units.

Commonwealth Bank economist Michael Blythe said the rising costs were another sign of the imbalances emerging in the housing sector.

"There is a mismatch of demand and supply reflected in the construction industry and flowing through to upward pressure on building material prices and labour costs," Mr Blythe said

"Normally policy makers would start to take action to head off inflation, but the situation overseas makes it a more difficult policy decision," he said.

A steady increase in building costs for single dwellings was recorded by Cordells Building Information Services survey, which shows the average cost of a three-bedroom, brick-veneer house.

Figures for the September quarter show a national rise of 1.1 per cent.

Queensland recorded the highest increase in costs during the last quarter, with a 1.6 per cent rise.

NSW was still the most expensive, with the average cost to build increasing to \$870 per square metre. Other states' costs increased to \$803 per square metre in Queensland, \$811 in Victoria, \$789 in South Australia, \$791 in Tasmania and \$807 per sq m in Western Australia.