

Buildxact Residential Construction

ACTIVITY REPORT



October - December 2020



About this report

Data from this report is drawn from small residential builders across Australia who use Buildxact.

Buildxact is Australia's fastest growing provider of residential construction management software for small builders and trades. Thousands of builders use Buildxact's estimating and job management software to estimate for and manage residential construction projects across Australia, New Zealand, the United States and Canada.

Using information collated from the software, Buildxact can provide detailed market insights on building activity over a given period. Data in this report focuses on trends that have emerged between October 2020 to December 2020. All dollar values in this report are in AUD.

To find out more, visit www.buildxact.com.au.

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Executive summary

Overall demand for small builders remains high with a favourable lending climate including low interest rates, personal savings at an all-time high and government incentives. This is helping to maintain confidence among home buyers and renovators despite the ongoing disruption caused by COVID-19.

National figures show the industry finishing the year in an extremely strong position with 2020 representing significant overall growth in the average demand for estimates from builders for the second consecutive year.

This included a national increase in demand for new build estimates from Q3 to Q4 as renovations held steady. November was an unusually strong month with a 6% spike in demand for new build estimates before a smaller than expected seasonal drop through December as homeowners switched their focus to the summer holiday season.

Increased market demand has resulted in additional pressure being placed on the availability of materials and labour. While this was not reflected in increased estimate costs through Q4, Buildxact believes rising new build margins are due to builders passing on anticipated 2021 increases in material and labour costs to homeowners.

Despite builders increasing margins, win rates for new builds steadied to finish the year with four consecutive months of solid growth.



↑ **3%**

Estimates for **new builds** rose 3% nationally in Q4



↑ **6%**

November 2020 saw an unusually strong month, with an uplift **in total estimates**



↑ **8%**

Average builder margins for new builds completed December up almost 8% on 2019 figures

Project estimates and job wins

Australian small builders remain in high demand for custom home builds and renovations, as contractors continued to win jobs throughout the fourth quarter of 2020.

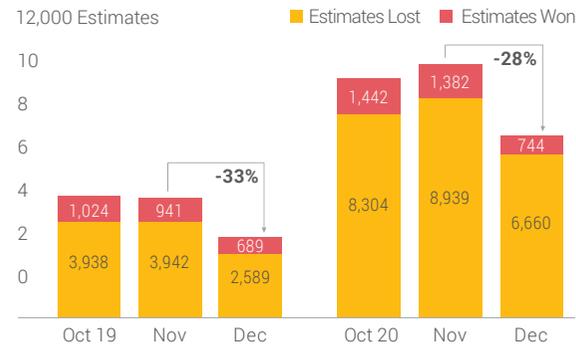
An expected seasonal dip in estimates being provided by builders in December led to an overall decline in estimate volume compared to Q3.

Despite this, the average number of estimates provided per builder in 2020 reached an historic high, up 8% on 2019.

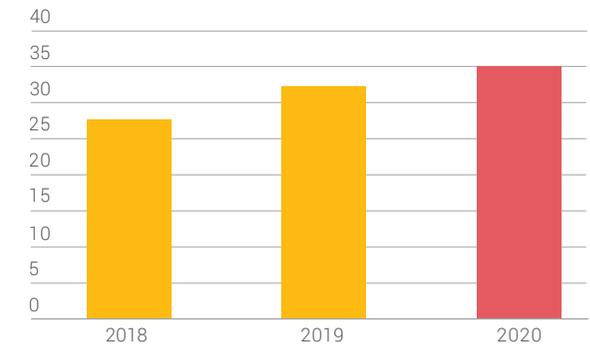
And while win rates for renovations in the final quarter tracked the year-long downward trend, the win rate for new builds recovered well with four consecutive months of solid growth to end the year.

Overall, Buildxact's analysis shows a busier than average end to what was an historically strong year, despite the impacts of COVID-19.

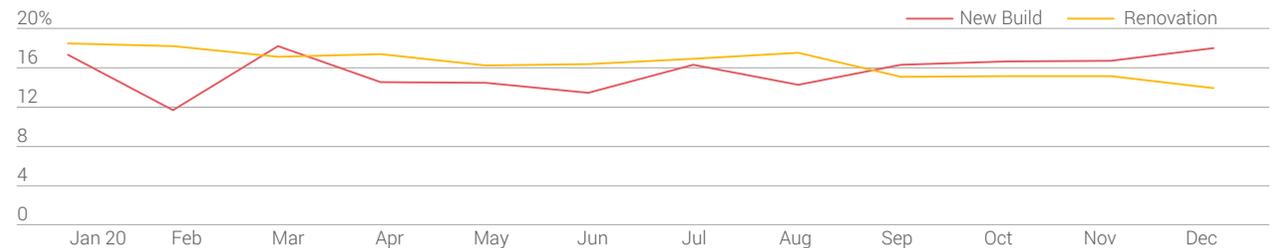
▲ Total jobs won/lost (Q4 2019 vs Q4 2020)



▲ Average number of estimates per builder



▲ Win rate by building type



↑ **8%**

An historic high for the average number of estimates per builder

4

A solid four consecutive months of growth for new builds

↑

Overall data shows a busier than average end to an historically strong year

Estimate values

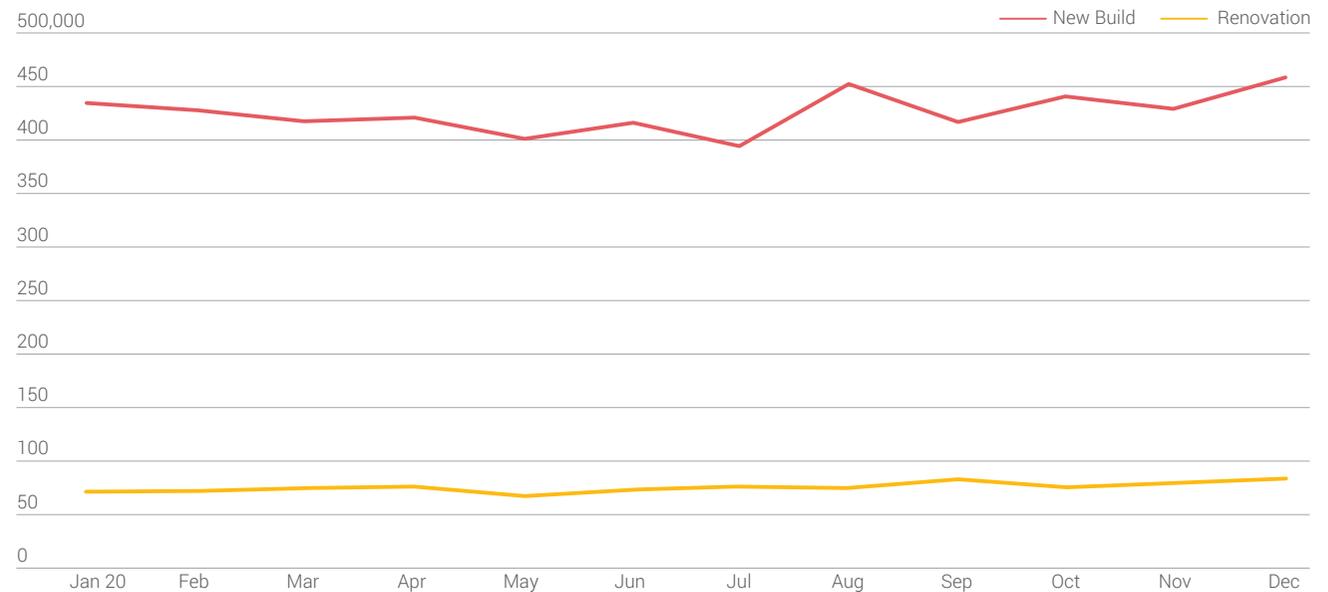
With the exception of Victoria, new build estimate prices continued to rise across the country, driven by a number of factors including the Federal Government's HomeBuilder stimulus grants package which added up to \$25,000 to the budgets of eligible applications.

Popularity of the scheme led to a marked increase in the value of estimates following HomeBuilder's launch in July. As of January 2021, the scheme was projected to see the government contributing \$2 billion across more than 75,000 projects, with new builds making up 80% of that total.

At the same time, extremely favourable owner occupier lending policies, stamp duty rebates and record low interest rates have combined to create the ideal financial climate for Australians to buy, build and renovate.

This was reflected in figures released by APRA in late January which showed a continuing rise in the value of lending deposits.

▼ Average value of estimates by building type (excluding Victoria)



1. Monthly authorised deposit-taking institution statistics highlights December 2020, APRA



General rise in estimate values due in part to:



Federal Government's **HomeBuilder stimulus** grants package



Favourable owner occupier **lending** policies



Stamp duty **rebates**



Record low **interest rates**

Estimates by month

November proved to be a surprisingly busy month with total estimates jumping 6% from October. The same month on month comparison in 2019 saw a 2% reduction as demand began to wind down for the year.

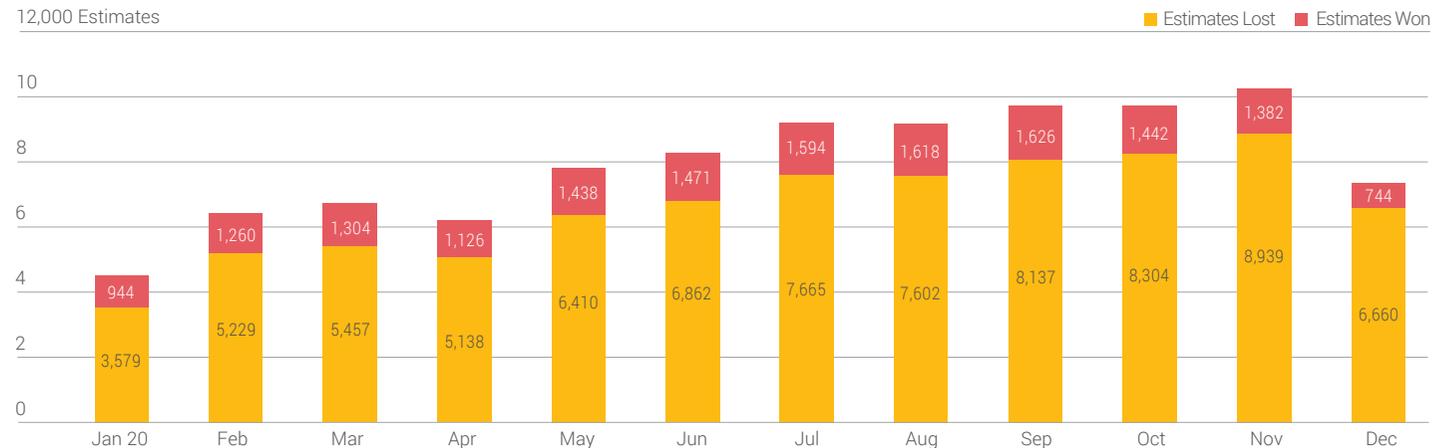
A rush by homeowners to submit applications for the HomeBuilder grant program before the scheme's original closing date of 31st December 2020 may have contributed to this higher demand.

That application deadline was extended at the end of November until 31st March 2021 with the value dropped from \$25k to \$15k.

The overall expected holiday season dip in demand for new estimates at the end of Q4, a 3% drop on Q3, was significantly less than the 7% drop recorded over the same period in 2019.

Buildxact projects a strong bounce-back in demand at the start of 2021 in line with the Q1 2020 which saw a 38% jump in estimates through January and a further 43% spike in February.

▼ **Total estimates vs estimates won**



**Projected
strong recovery for
demand in Q1 2021
in line with
Q1 2020**

January 2020

↑ **38%**

Jump in demand

February 2020

↑ **43%**

Further spike

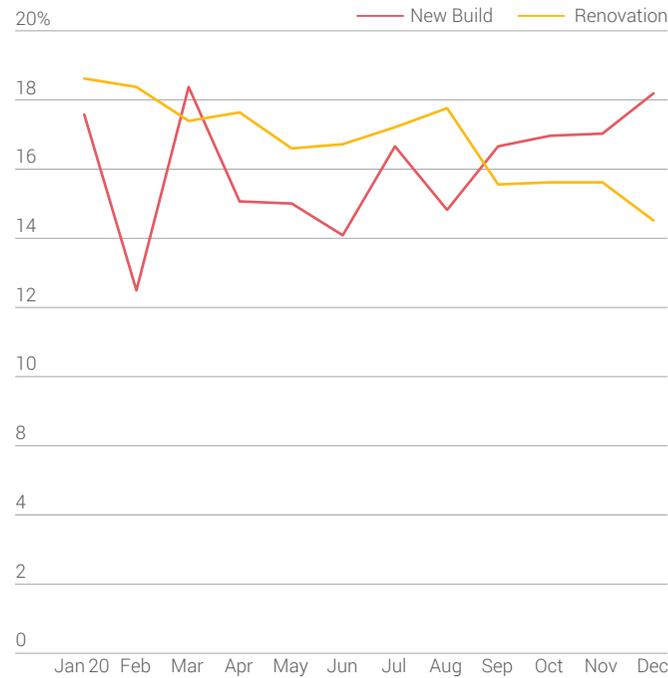
Win rate

Overall adjusted win rates¹ followed a downward trend throughout 2020, having started at 21% in January and ending the year at 15%. This decline was driven by a downturn for renovations.

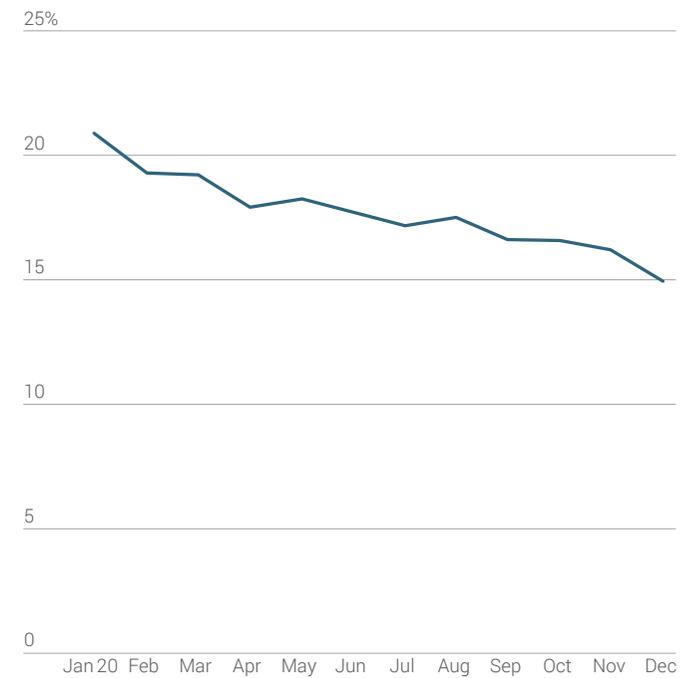
Despite continued growth in demand for renovation estimates, the win rate dropped 6-percentage points from January to December and a 5.5 percentage point drop in the win rate for jobs such as insurance work, landscaping and commercial builds.

After a fluctuating year, win rates for new builds steadied to finish the year with four consecutive months of solid growth.

Win rate by building type



Win rate – adjusted



1. The 'adjusted win rate' includes job estimates for which the final win or loss outcome was yet to be recorded. Buildxact uses historical data to forecast the likely outcome of these cases.

↑ New Builds

Finished the year with four consecutive months of **solid growth**

↓ Renovations

Followed a **downward trend** in 2020

↓ Other

Downward trend in 2020 for building types classed as "other"

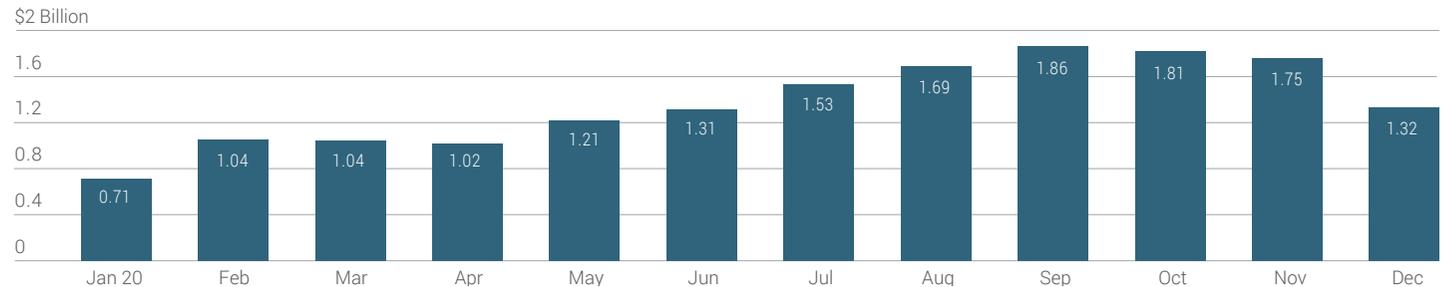
Total estimate value

The total value of estimates issued by builders declined 4% from \$5.1 billion in Q3 to \$4.9 billion in Q4. The decline was a result of both an increase in the proportion of estimates that are renovations, (which have a lower value), as well as a decline in the average value of new build estimates.

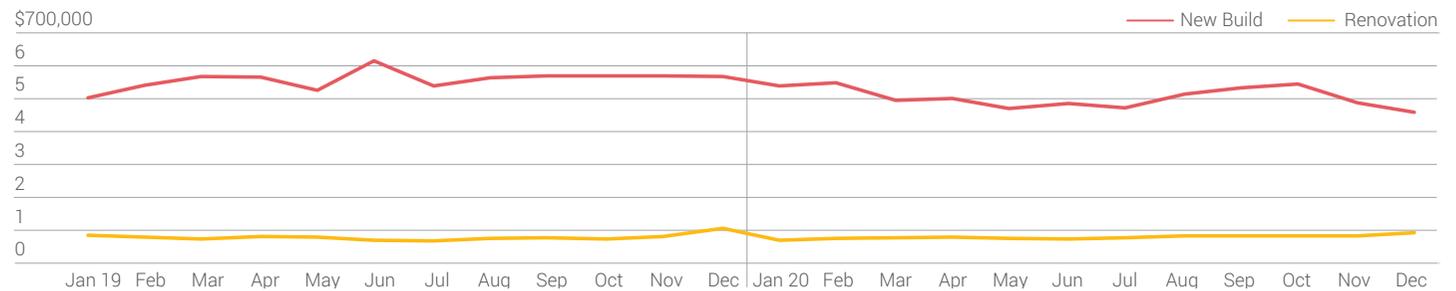
After a 10% decline in the average value of new builds in March 2020, likely an impact of the COVID-19 pandemic, values remained low overall despite stronger numbers in Q3.

However, a seasonal December spike in the average value of renovation estimates came at the end of a year which saw renovation estimate values climb steadily from just over \$70,000 to \$92,000. This rise tracked the increase in demand for renovation estimates and matched the sustained decline in win rates.

Total value of estimates



Average value of estimates – by building type



↓ 4%

Drop in the total value of estimates issued in Q3

↓ 10%

Drop in the value of new builds in March 2020, likely an impact of COVID-19

↑ 31%

Annual spike in the value of renovation estimates

Average value

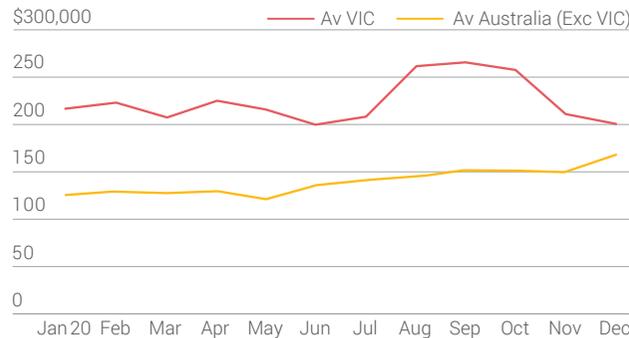
The two major factors influencing average estimate values in 2020 were volatility in Victoria, as the state felt the impact and uncertainty caused by the hard lockdown, and the introduction of the Federal Government's HomeBuilder grant scheme in the 2nd half of the year.

A 14% increase in the average value of estimates on Q3, which remained steady through October, was followed by a 9% drop in November and a marginal recovery in December.

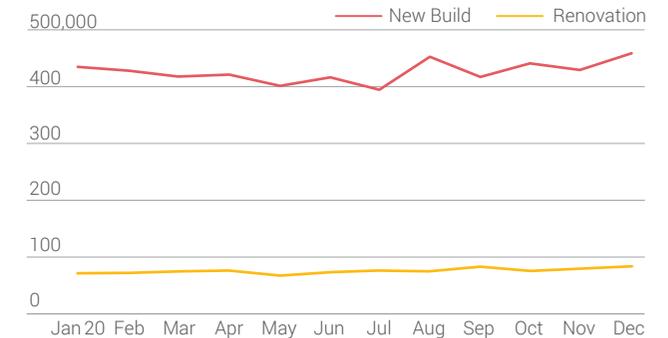
This overall decline in the average value of estimates and the fluctuations in these figures was largely driven by Victoria where estimate averages fell by 24% from September to December.

However, as homebuyers and renovators sought to take advantage of HomeBuilder, values across the rest of the nation increased by 10%.

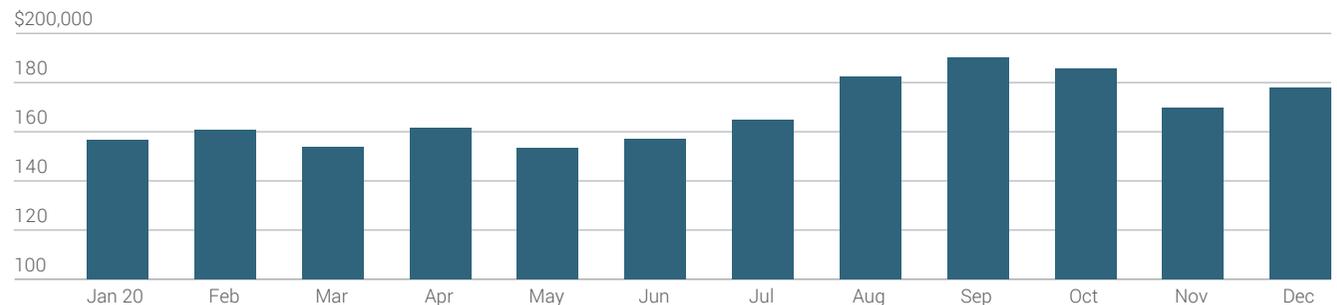
Average value of estimates – VIC vs other



Average value by building type – excluding VIC



Average value of estimates Australia



↑ **14%**

Increase in the **average value of estimates in Q3**, which remained steady through October

↓ **9%**

Drop in November and a marginal recovery in December

↑ **10%**

Increase from Q3 to Q4 for all major states except Victoria

Estimates by margin

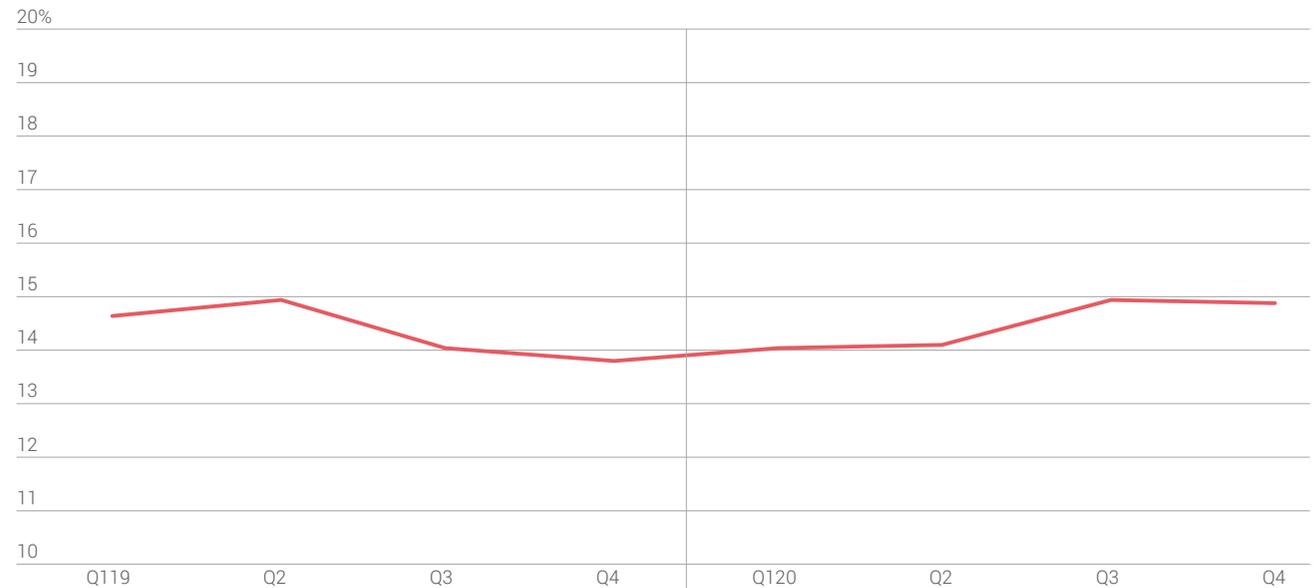
The average mark-up margin on estimates rose significantly in 2020 ending almost 8% higher than December 2019 levels.

This was mostly driven by increased margins on new build estimates. Renovation mark-ups, historically have been higher than for new builds, remained stable.

WA (up 17% YoY) and Victoria (up 5% YoY) recorded the largest new build margin increases.

A major upswing in market demand has put additional pressure on the availability of materials and labour. While this has not translated into a rise in builder expenses in Q4, it is likely that anticipated 2021 increases in material and labour costs are already being passed on to homeowners through higher margins.

Average estimate mark-up %



↑ 8%

Average mark-up margins on estimates were up 8% on December 2019 levels

WA ↑ 17%

VIC ↑ 5%

State level trends

Buildxact's analysis of 2019-2020 data from four key states¹ shows what is happening locally and nationally.

NSW

In terms of demand, NSW had an incredibly stable year

QLD

Average value per estimate increased by 78% from December 2019

VIC

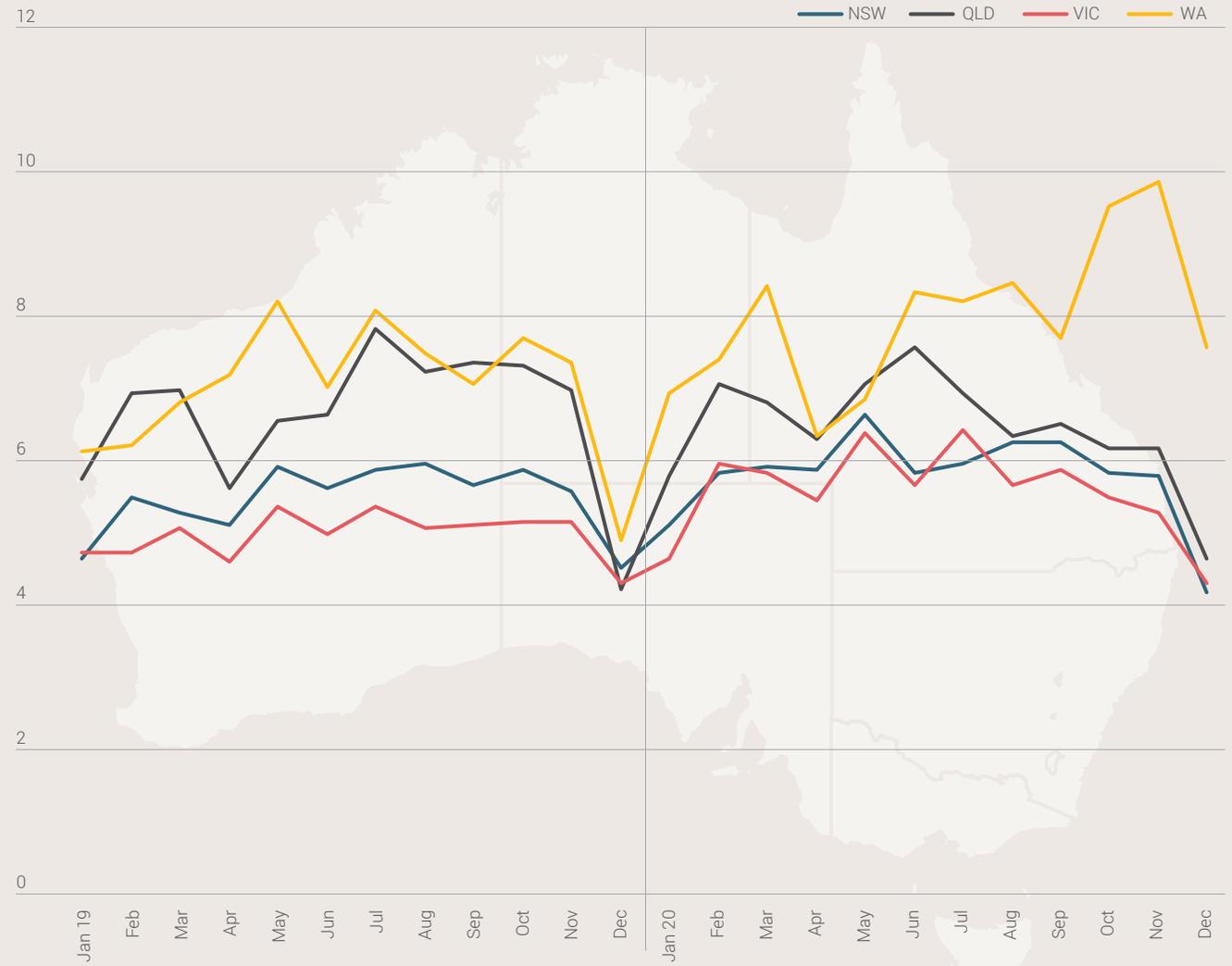
Average number of estimates for new builds up 5% on 2019

WA

Saw the nation's strongest growth in demand for estimates in Q4

1. For the purposes of this report, key states include Victoria, NSW, Western Australia and Queensland.

Average number of estimates per builder by state



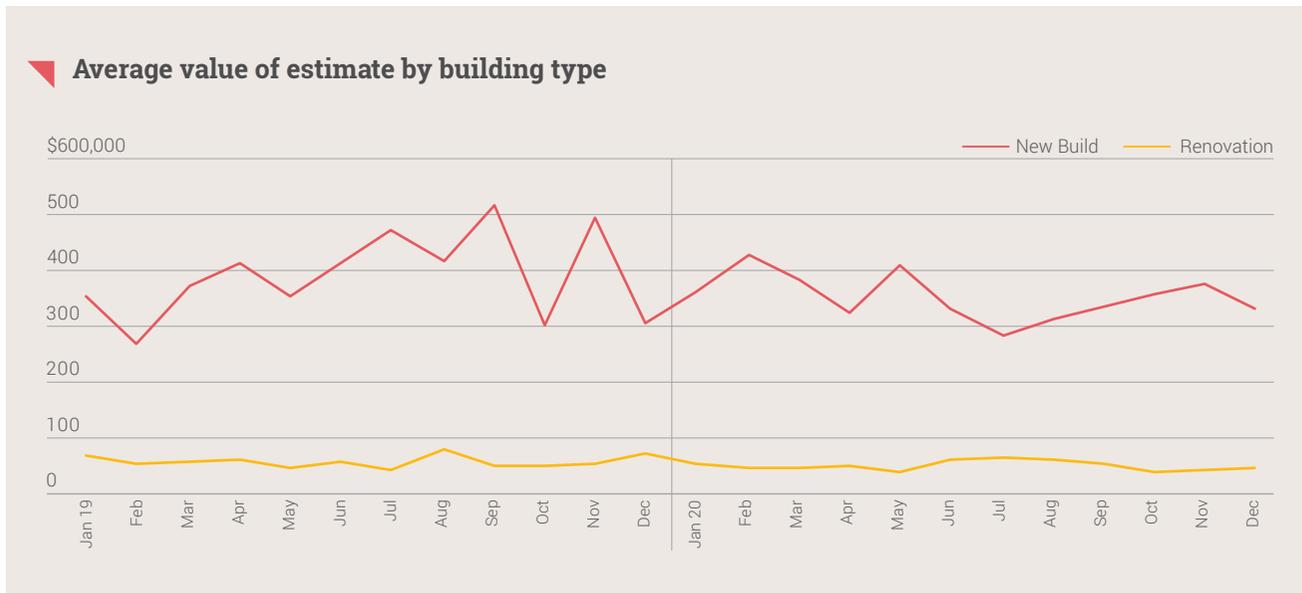
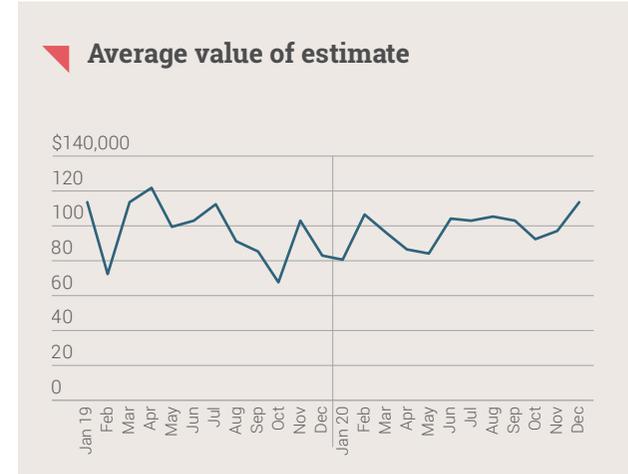
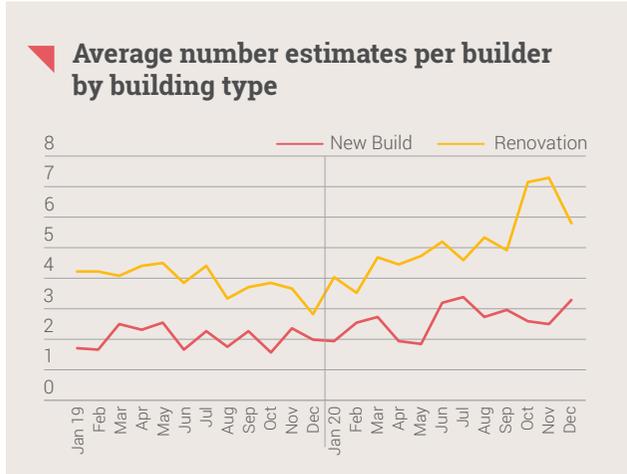
State level trends Western Australia



After an extremely busy first half of the year, Western Australia continued to record the nation's strongest growth in demand for estimates, becoming the only key state to see a significant increase in the average number of estimates per builder through Q4.

This was driven by greater demand for renovations, up 28% from Q3 to Q4, as estimates for new builds dropped 13%.

This was the reverse of national trends as all other key states saw out the year with renovation demand in decline and new build estimates up.



Nation's strongest growth in demand for estimates



Renovations estimates up 28% from Q3 to Q4



Estimates for new builds declined by 13%

State level trends Queensland

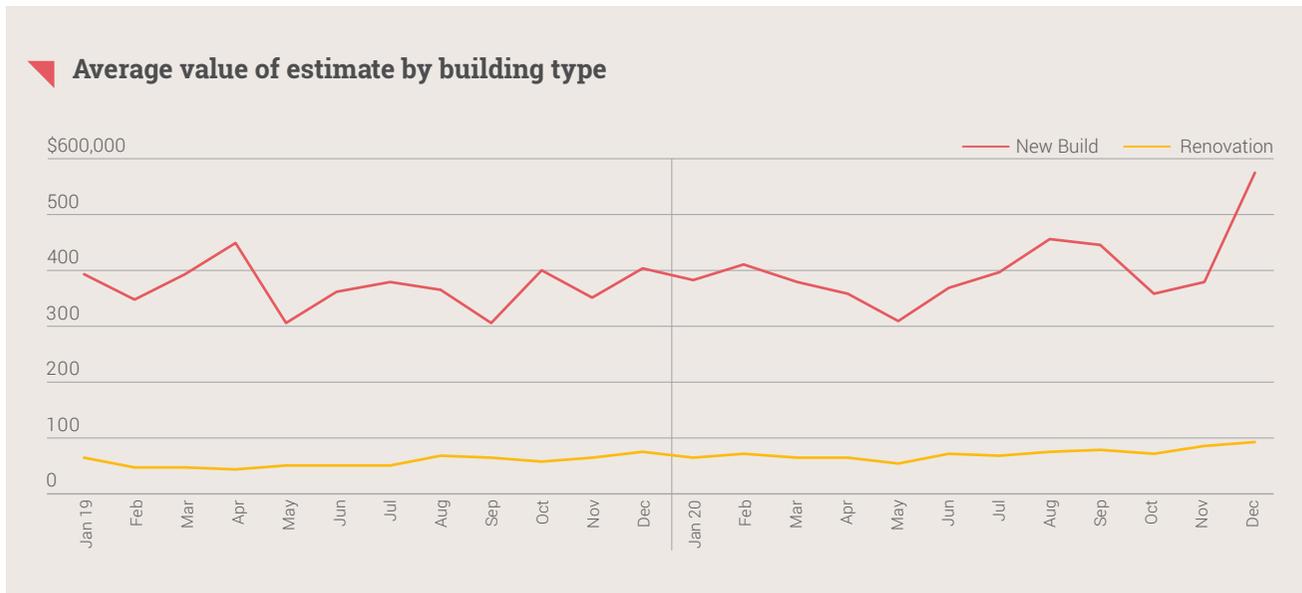
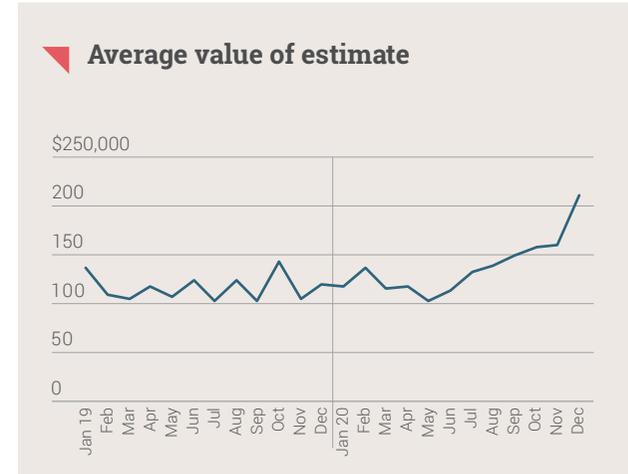
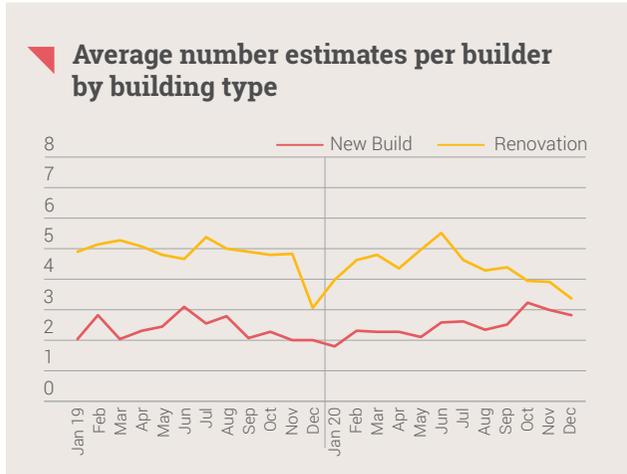


Despite a downturn in the average number of estimates per builder in Queensland towards the end of the year, 2020 was a strong overall year for new builds, with average number of December estimates per builder increasing 41% on 2019 levels.

Buildxact believes this was driven by high confidence in Queensland despite the COVID-19 pandemic.

The average value of new builds and renovations increased, however so did the average builder's costs.

Comparing Q4 2019 to Q4 2020, this meant a 2% drop in new build margins. However, builders were able to pass rising renovation costs onto homeowners via an 8% increase in estimate margins.



New build estimates up 41% on December 2019



Average value per estimate increased by 78% from December 2019



2% decline in margins from Q4 2019 to Q4 2020

State level trends New South Wales

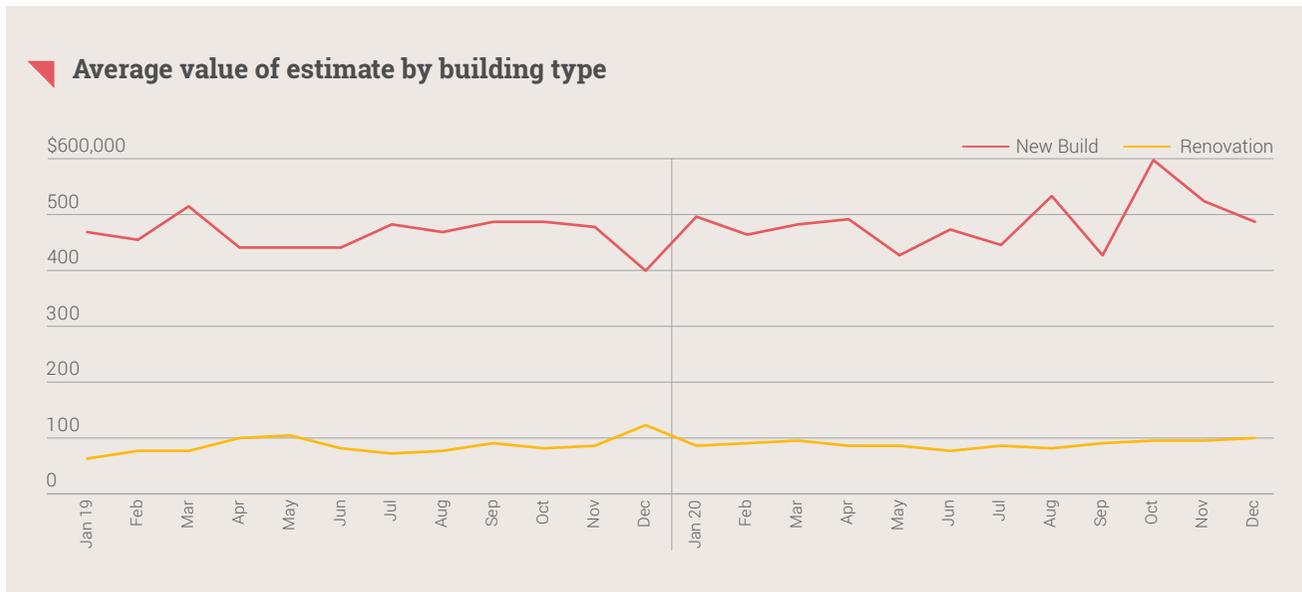
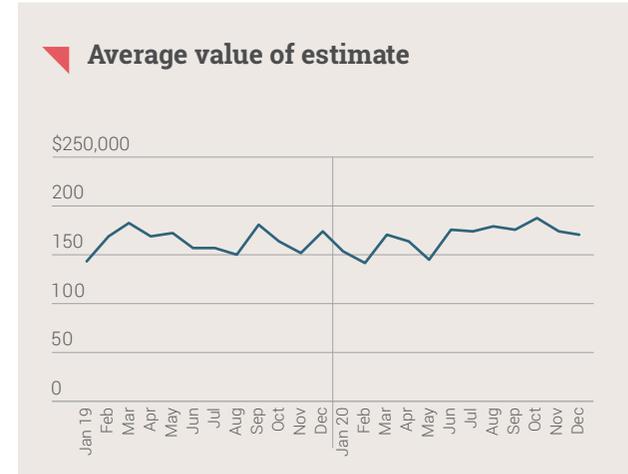
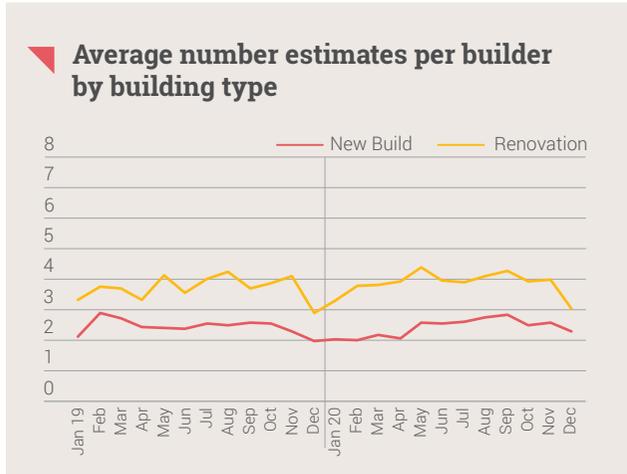


NSW ended the year on a high with the new build estimates values up 15% on the average Q3 value of \$466k to \$538k in Q4.

Renovation values also jumped in Q4 up 12% from \$84.5K in Q3 to \$94.7K.

As with Queensland, Buildxact believes this growth reflected high confidence among home buyers and renovators as NSW.

In terms of demand, NSW had an incredibly stable year before a seasonal end of year dip in line with national trends. Demand for new build estimates increased toward the end of the year as fewer renovation estimates were issued.



New build estimates values up 15% on average



Renovation values also up 12% in Q4



In terms of demand, NSW had an incredibly stable year

State level trends Victoria

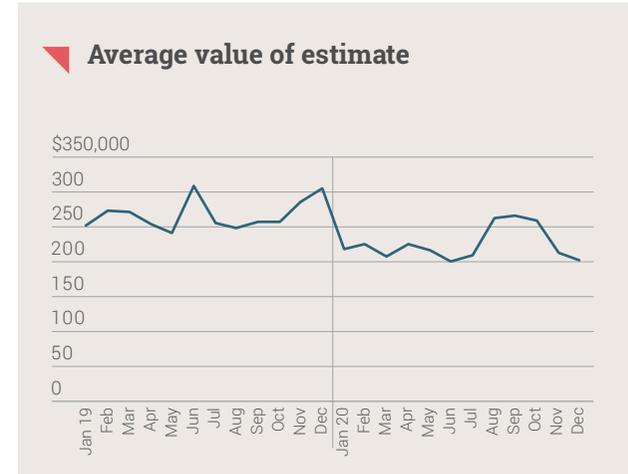
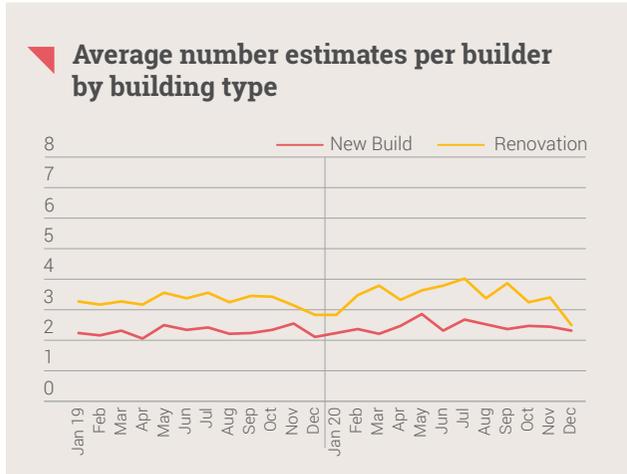


While the full impact of Victoria's prolonged COVID-19 lockdown restrictions is ongoing, demand for new builds remains high across the state.

The average volume of estimates per contractor for all job types combined in Q4 was up 5% on Q4 2019.

However, this was on a background of dipping new build estimate values. Following a strong but short-lived recovery in Q3, November saw a 21% decline in the value of new build estimates followed by a further 18% decline in December to end the year significantly down on 2019 numbers.

In happier news for builders, after a volatile year, Victorian renovation values trended upwards in Q4, seeing out 2020 at their highest levels since December 2019.



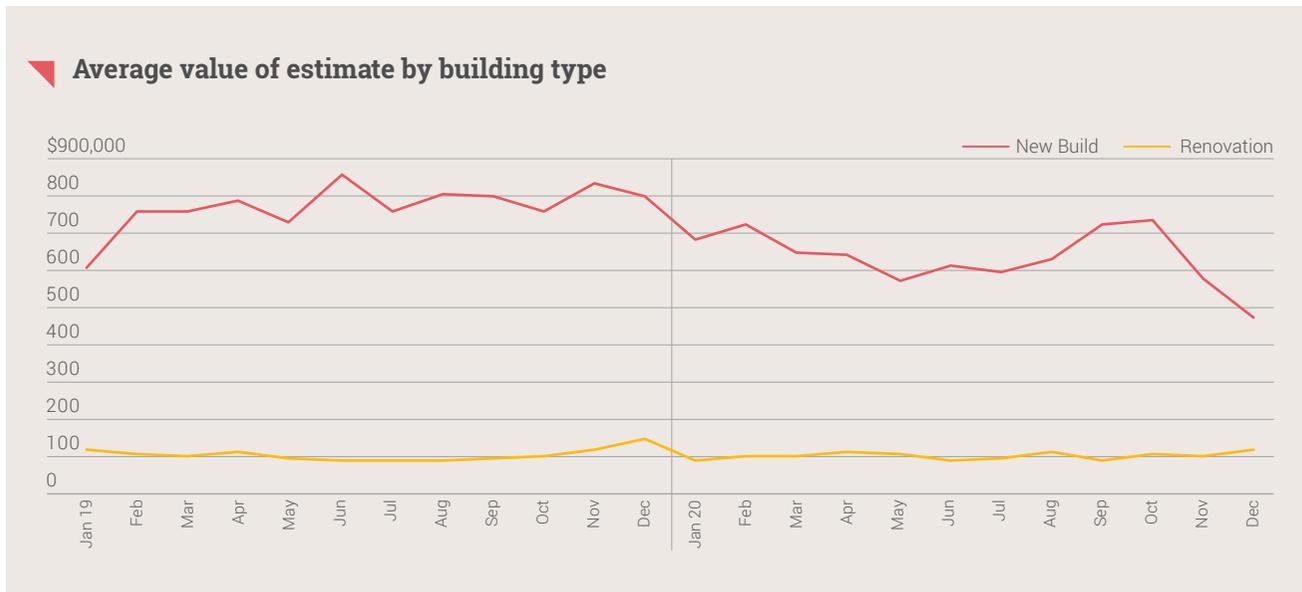
Average number of estimates for new builds up 5% on 2019



Q4 saw a decline in the value of new build estimates



Renovation values trended upwards in Q4



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