



Buildxact Residential
Construction

ACTIVITY
REPORT

April - June 2020





COVID-19 has impacted the residential construction sector in the months since pandemic-related restrictions were imposed in March, with a number of larger players indicating a significant drop in housing starts.

Nonetheless, data collated from Buildxact's residential construction software shows that there is strong demand for custom-built home projects and renovations. Although competition in the sector has intensified, many small builders are winning new work in these areas, albeit at a slightly reduced average value per project.

When the COVID-19 crisis began, Buildxact expected a significant impact to the work being quoted and won by its builder customers.

However, Buildxact's data indicates there has been a major increase in quoting activity by the small residential builder since the COVID-19 restrictions began in March. The volume of quotes by small builders has increased and margins are steady.

Buildxact's subscriber numbers have risen in the three months since the end of March 2020 by about 17% but have still been outstripped by the volume of quotes. The volume of quotes in June 2020 rose by 28% compared to the volume of quotes in March 2020, and total quote values rose by 29% (June versus March).



Quotes by Month

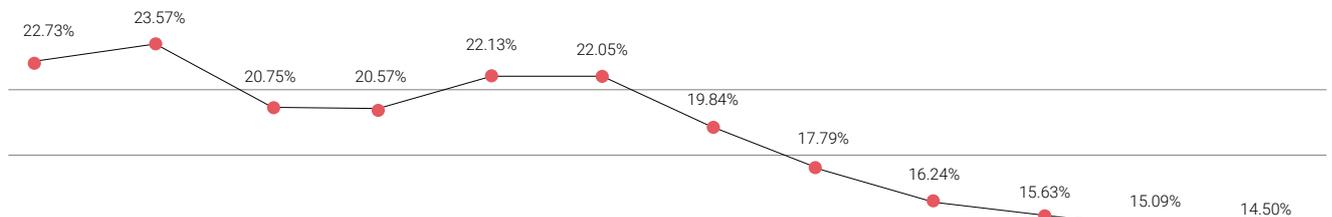
The volume of quotes over April-June 2020 totalled 25,900 compared to 12,779 in April-June 2019—up 102%. Whilst the Buildxact subscriber growth has contributed to the total increased quote volume, the average volume of quotes per builder has increased by 10.7% in the April-June 2020 quarter compared to same period last year.

The volume of quotes fell in April 2020, following the implementation of COVID-19 restrictions in mid-March. However, volumes picked up in May and June 2020, to levels well above the level in March 2020.

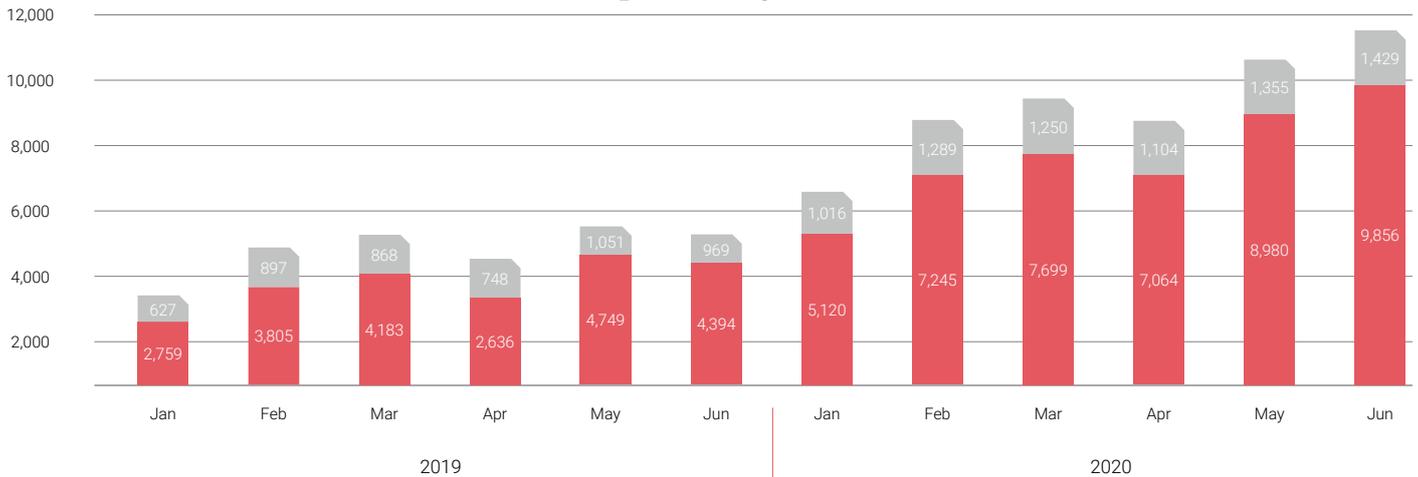
The volume of quotes in March 2020 was 7,699 versus 4,183 in March 2019 (up 84%); April 2020 was 7,064 versus 3,636 in April 2019 (up 94%); May 2020 was 8,980 versus 4,749 in May 2019 (up 89%); and June 2020 was 9,856 versus 4,394 in June 2019 (up 124%).

On a month-by-month basis, the volume of quotes in April 2020 fell by 8% compared to March 2020. May 2020 was up 27% on April 2020. June 2020 was up 9% on May 2020. June 2020 rose 28% compared to March 2020.

Win rate



Total quotes vs jobs won



The increase in the volume of quotes may be related to the fact that COVID-19-related restrictions have forced more people to stay at home, which is driving greater consideration of renovations and home improvement.

Although the volume of quotes is up, the number of 'wins' secured by builders following quotes on projects has slowed. Over April-June 2020, the win rate was 15.1%, down from 21.6% over April-June 2019.

The win rate fell from 16.2% in March 2020 to 14.5% in June 2020.

The change in the win rate may reflect a more competitive environment; an increase in the time that it takes for builders to 'close' the job; or tighter conditions for homeowners seeking to obtain finance.



Quote Value

Over April-June 2020, Buildxact subscribers quoted on \$4.01 billion worth of projects, compared to a total of \$2.19 billion over the same three-month period in 2019—an increase of 83%. Growth in Buildxact subscriber numbers contributed to the increase in total quote value, but growth was mainly driven by increased demand.

April, May and June of 2020 all recorded significant increases in quote value. April 2020 totalled \$1.18bn versus \$632m in April 2019 (up 87%); May 2020 totalled \$1.34bn versus \$796m in May 2019 (up 68%); and June 2020 totalled \$1.48bn versus \$760m in June 2019 (up 95%).

Total value of quotes



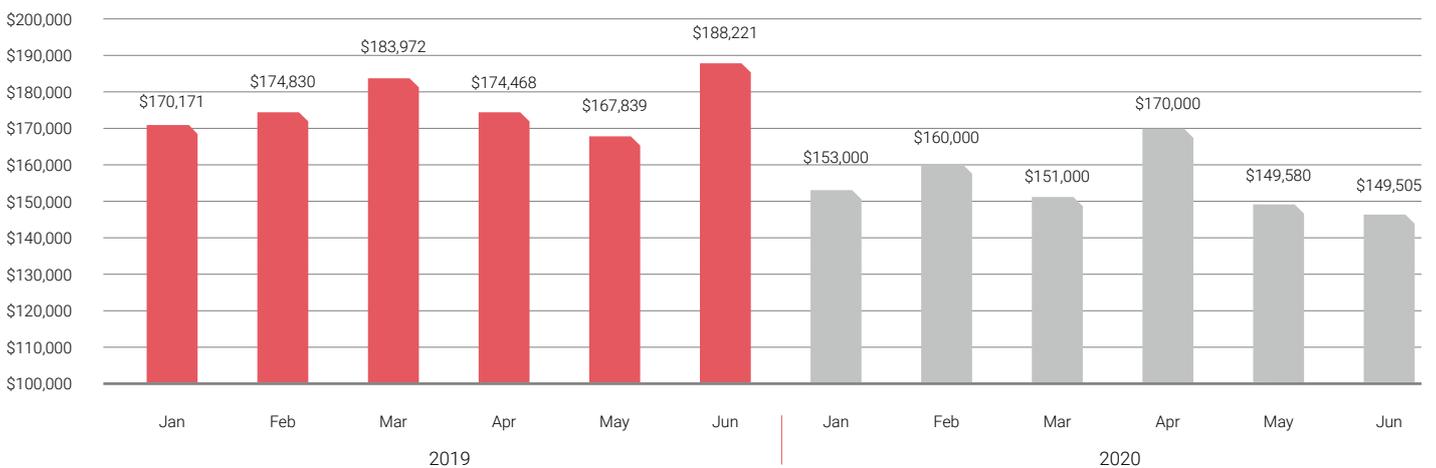
Although Buildxact has experienced increased subscriber growth over the past 12 months, subscriber growth has been far outweighed by the increase in the volume of quotes, and hence total quote value, being produced by builders via the Buildxact software.

Average Value

Although total quote volumes and total quote value have increased significantly, the average value of each job fell by 12.1% from \$176,843 in April-June 2019 to \$155,362 in April-June 2020.

Average values for each of April, May and June 2020 are all below the average values for April, May and June 2019. The average value for March 2020 was \$151,000, compared to \$183,972 in March 2019, down 17.9%. The average value in June 2020 was \$146,505, down 22% on June 2019's average value of \$188,221.

Average value of quotes



The fall in average quote value may partly reflect a greater portion of projects being renovations and extensions versus more costly new home builds; more aggressive pricing by builders amid intensified competition; and homeowners delaying their the commitment to proceed with work because of uncertainty or difficulty in securing funding.

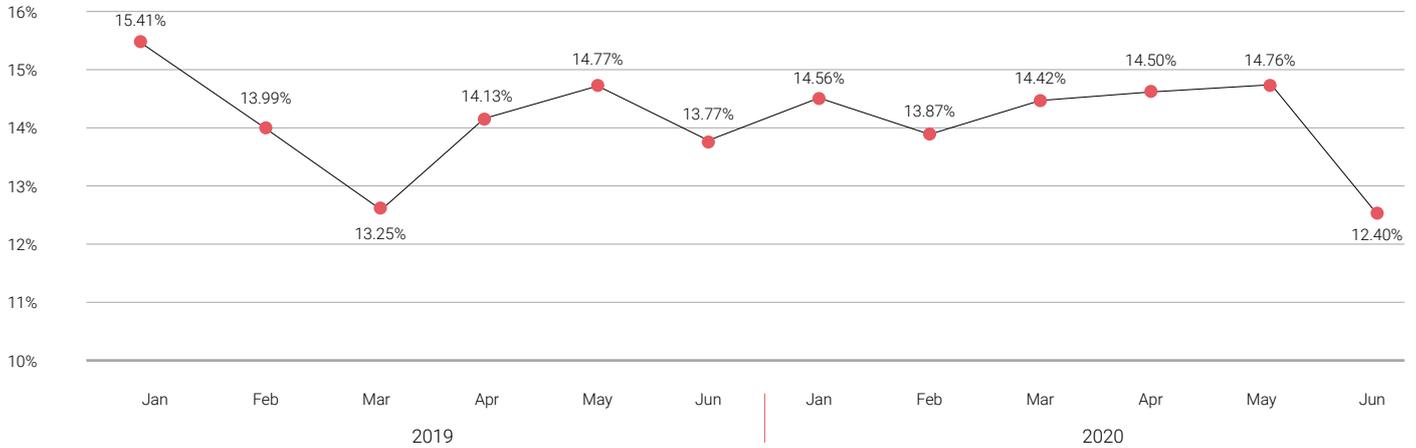


Quotes by Margin

Although competition in the housing sector has increased and the average value per project has fallen, the builder's margin has remained relatively stable, although dipping in June.

In \$20 billion of projects quoted since 1 July 2017, the average margin for each job quoted is 14.2%. Since the beginning of March and through the COVID-19 crisis, the average margin remains at 14.02%.

Average margin



The fact that profit margins have mostly remained in line with the long-term average suggests that builders may be winning lower-valued work but are not reducing profit margins to win against competitors.

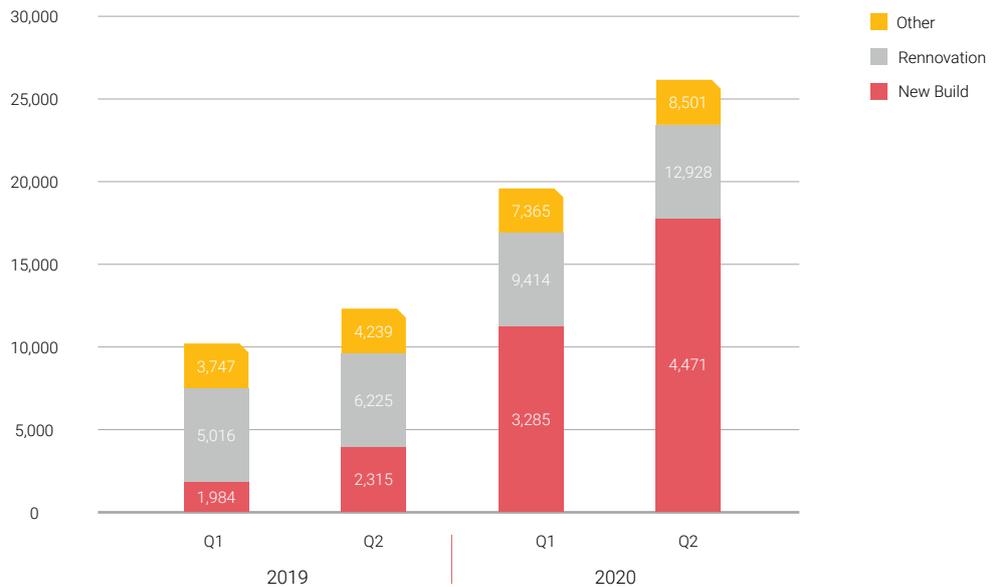
Project Mix

Quotes in all categories—new builds, other work, and renovations—have grown in Q2 2020, compared to Q1 2020 and Q2 2019.

Comparing Q2 2020 to Q1 2020, renovations showed the strongest growth, up 37.3%. New builds rose 36%, and other work was up 15.4%. Renovations also showed the strongest growth when compared to the prior corresponding period, up 107.6%. New builds rose 93.1%, and other work increased by 100.5%.

The ratio of renovations to new builds and other work in Q2 2020 is 49.9%, up from 46.9% in Q1 2020. The Q2 2020 ratio is also higher than a year earlier, 48.71%.

Number of quotes by type





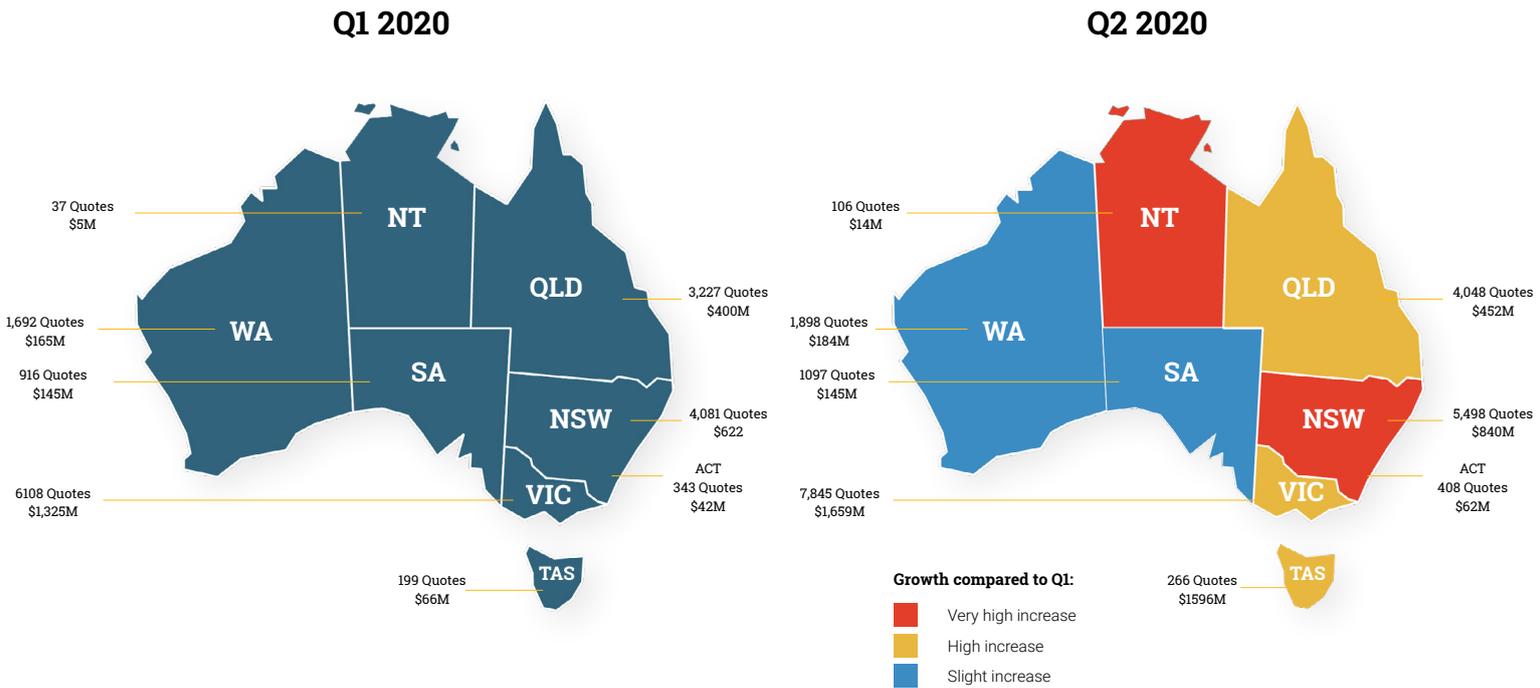
Quotes State-by-State

Most quotes by number, in both Q1 and Q2 2020, came from Victoria, followed by NSW and Queensland. That pattern has remained consistent over 2019 and 2020.

However, in Q2 2020 versus Q1 2020, NSW had a higher growth rate of 34.7%, compared to Victoria's 28.4% and Queensland's 25.4%. Tasmania recorded growth of 33.6%, South Australia 19.7%, Western Australia 12.2%, ACT 18.9% and Northern Territory 186%.

Victoria also leads the way in total quotes by value, again followed by NSW and Queensland. However, in terms of growth, NSW (35.4%) again outstripped Victoria (24.8%), comparing Q2 2020 to Q1 2020.

Quotes by location



A Small Builder's View

Smith & Sons Renovations and Extensions (86 franchises in Australia and New Zealand)

Managing Director Leigh Wallis says inquiries for renovations fell by about 10%, following the implementation of COVID-19 social restrictions in mid-March 2020 and were down 23% by the second week of April.

"In mid-April, renovations inquiries took off exponentially," says Mr Wallis. "In May, leads totalled about 850. In June, it was 1,300. Obviously, some people are just tyre-kicking. But people are stuck at home and are looking at their four walls, wondering 'What can we do to improve the home?'. The other a part of it is that some people may have had a go at renovations themselves and now need a tradie to fix up their mistakes. The other thing is that since COVID-19, people have got money that they may have intended to use on travel, but that's now off the cards. They're quite happy to spend that money on renovations."

Mr Wallis says the number of jobs secured fell dramatically in April 2020 but have since surpassed the level in March.

"I think we have fared quite well during COVID-19 compared to other sectors," says Mr Wallis. "We're lucky. People are caught at home and want some changes. For the next three months, if inquiries keep going the way they are and we don't get another resurgence of COVID-19, I think we should get through it."

About this report

Data from this report is drawn from thousands of builders across Australia who use Buildxact's job management and job estimating software.

Buildxact is Australia's fastest growing provider of cloud-based residential construction software for home builders and home renovators. Thousands of builders use Buildxact's job management and job estimating software to quote for and manage residential construction projects across Australia. A typical user of Buildxact is a small builder who offers quotes on about 40 projects per year and wins about 25% of the projects on which they quote. Using information collated from the software, Buildxact can provide detailed market insights on building activity over a given period. Buildxact's subscriber base has experienced record growth. March to June have each generated record subscriber growth, averaging over 100% each compared to the prior corresponding period.