

How housing markets are changing and why that matters

ANZIF 2023

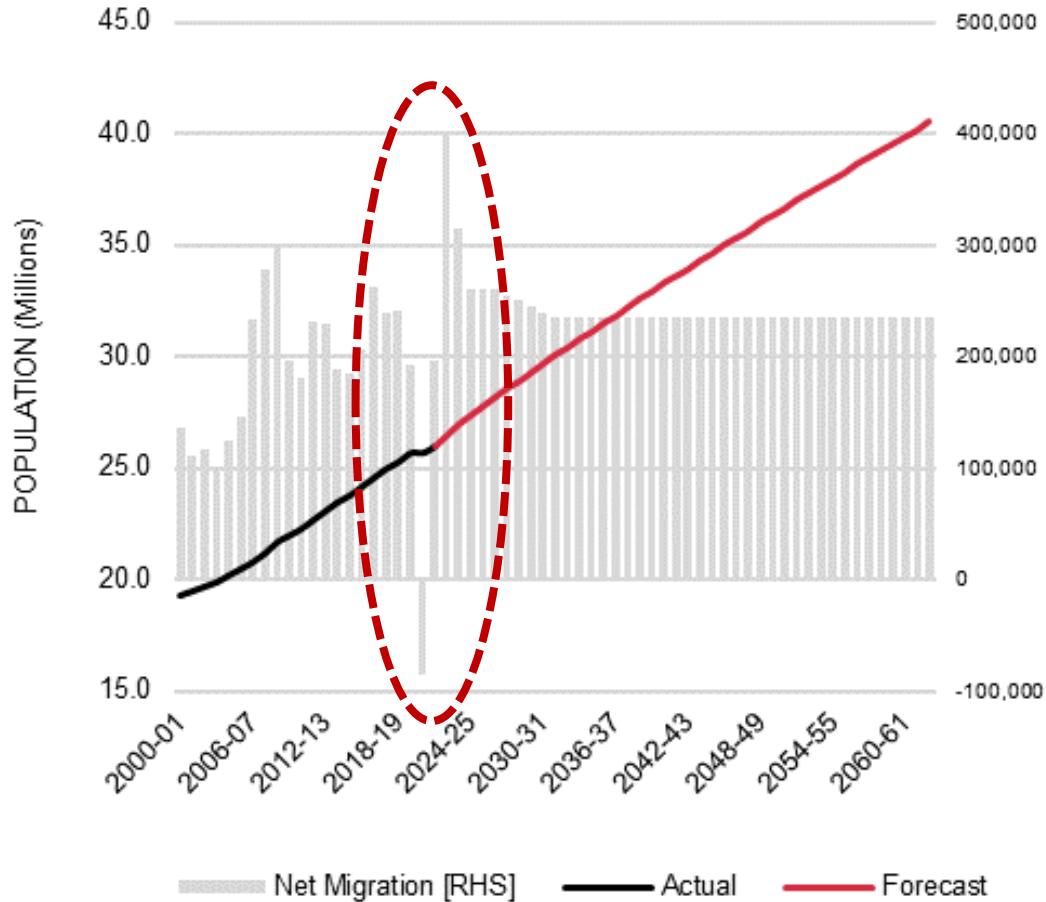
Overview

1. Population growth and household size
2. Insufficient supply
3. Affordability problem
4. The national commitment
5. Inadequate systems of building
6. Prefabrication solutions – rethinking terminal value and the role of a carbon price
7. Increased value supporting upstream investment

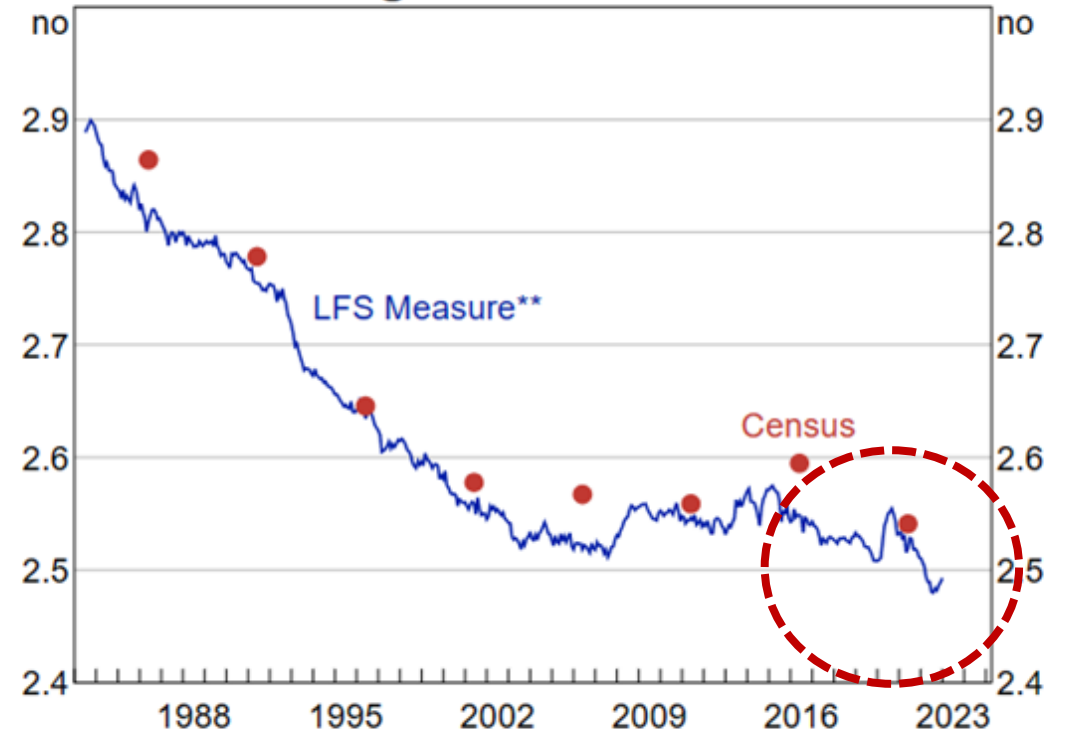


Population growth and smaller households = more and smaller dwellings

Growing Population – Driven By Migration



Average Household Size*



* Average number of persons usually resident in an occupied private dwelling; excludes visitors and persons in non-private dwellings (e.g. hotels and hospitals).

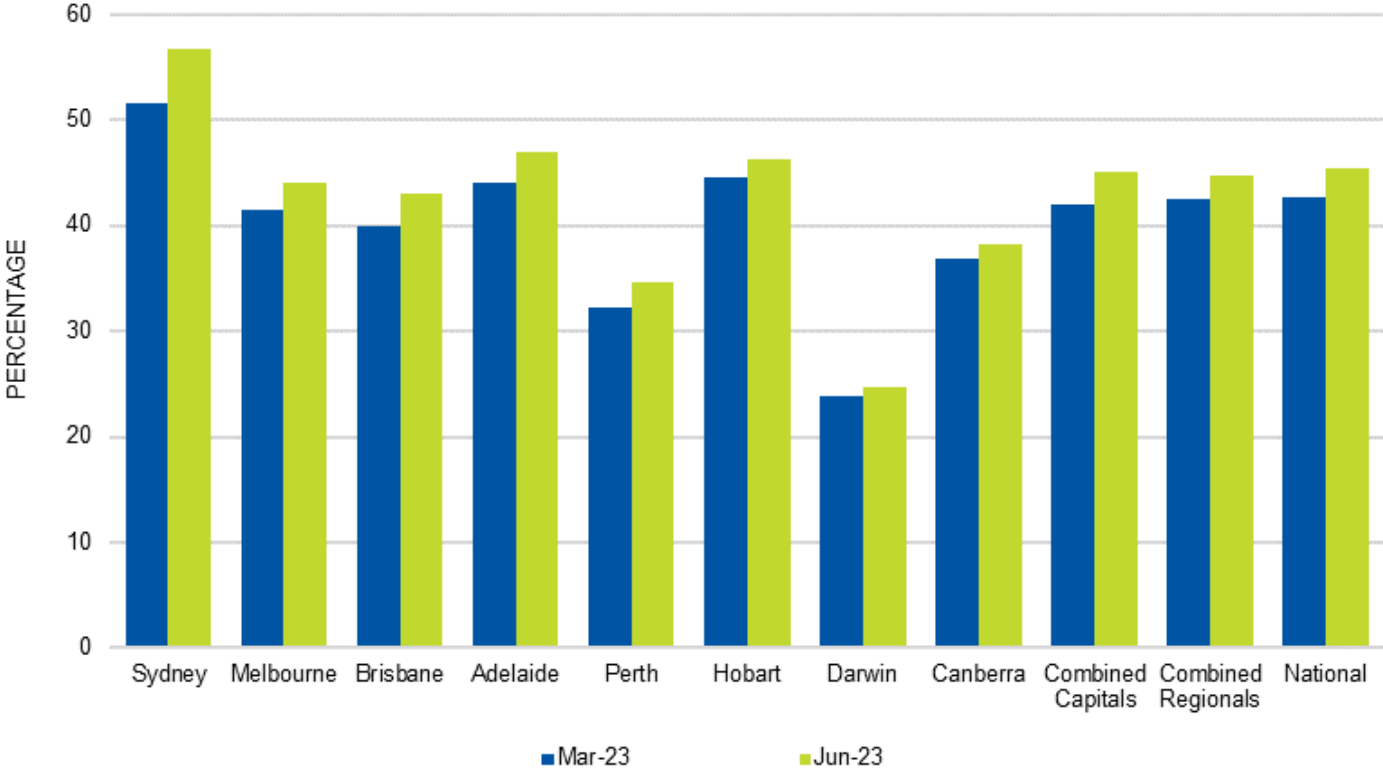
** Estimated using Labour Force Survey microdata; seasonally adjusted.

Sources: ABS; RBA



Housing affordability **worsened** in the June quarter

Average Proportion of Income Required to Cover a Mortgage



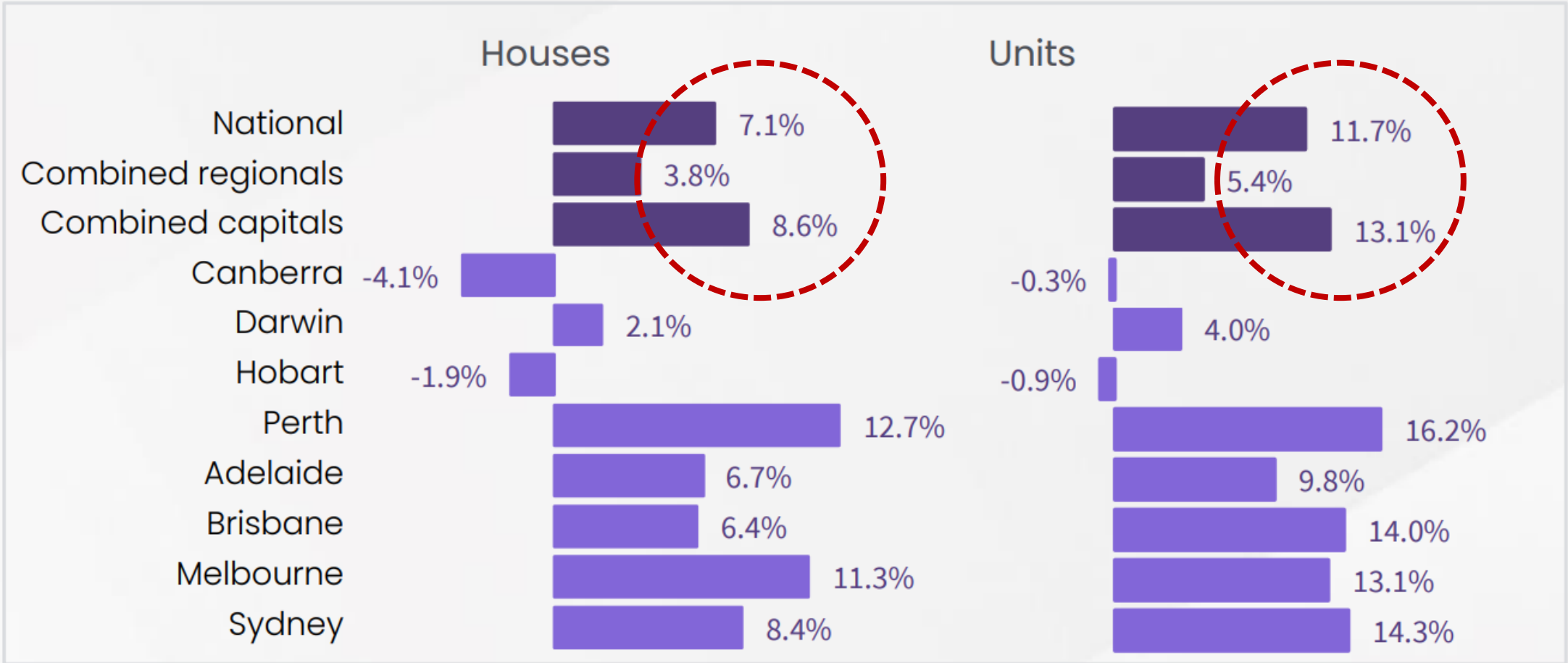
Percentage	Mar-23	Jun-23
Sydney	51.6	56.7
Melbourne	41.5	44.0
Brisbane	39.9	43.0
Adelaide	44.1	47.0
Perth	32.2	34.7
Hobart	44.6	46.3
Darwin	23.9	24.8
Canberra	36.9	38.3
Combined Capitals	42.1	45.1
Combined Regionals	42.5	44.7
National	42.7	45.5



Source: ABS & CoreLogic

Rental affordability is a genuine crisis

12-month change in rental rates



Increasing housing supply is the only solution

NATIONAL CABINET COMMITMENT

TARGET

- ~ Commencing mid-2024
- ~ 1.2 Million in 5 years
- ~ 200,000 above previous target

CHALLENGE

- ~ Need 240,000 homes pa
- ~ All-time peak = 231,000
- ~ Current = 173,000

How does
Australia make
this happen?

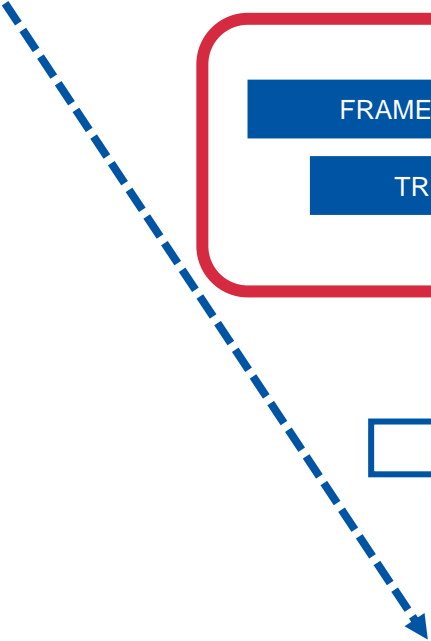
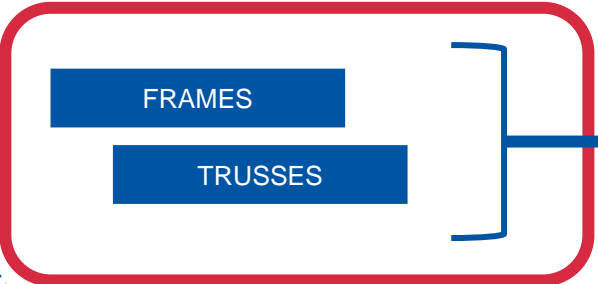
Collateral target is net zero, which means timber
must play a greater role than ever before



Australia's 'system' for building houses is no longer fit for purpose

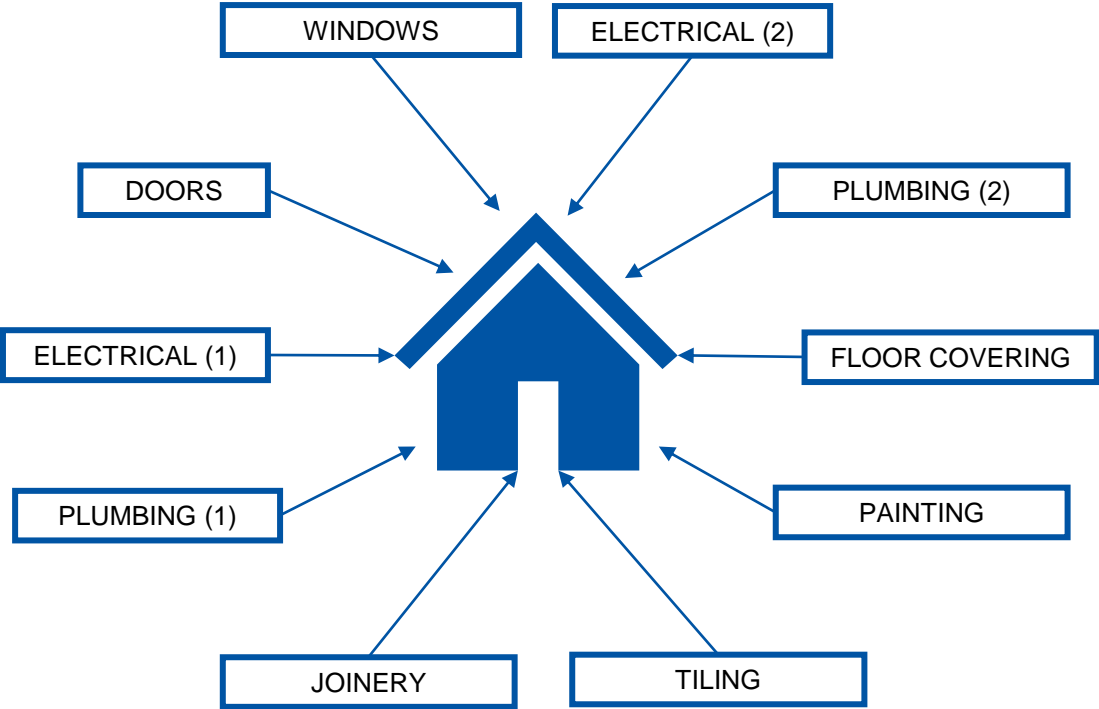
OFF SITE

- SLAB/SUB-FLOOR
- SERVICES



ORDERLY

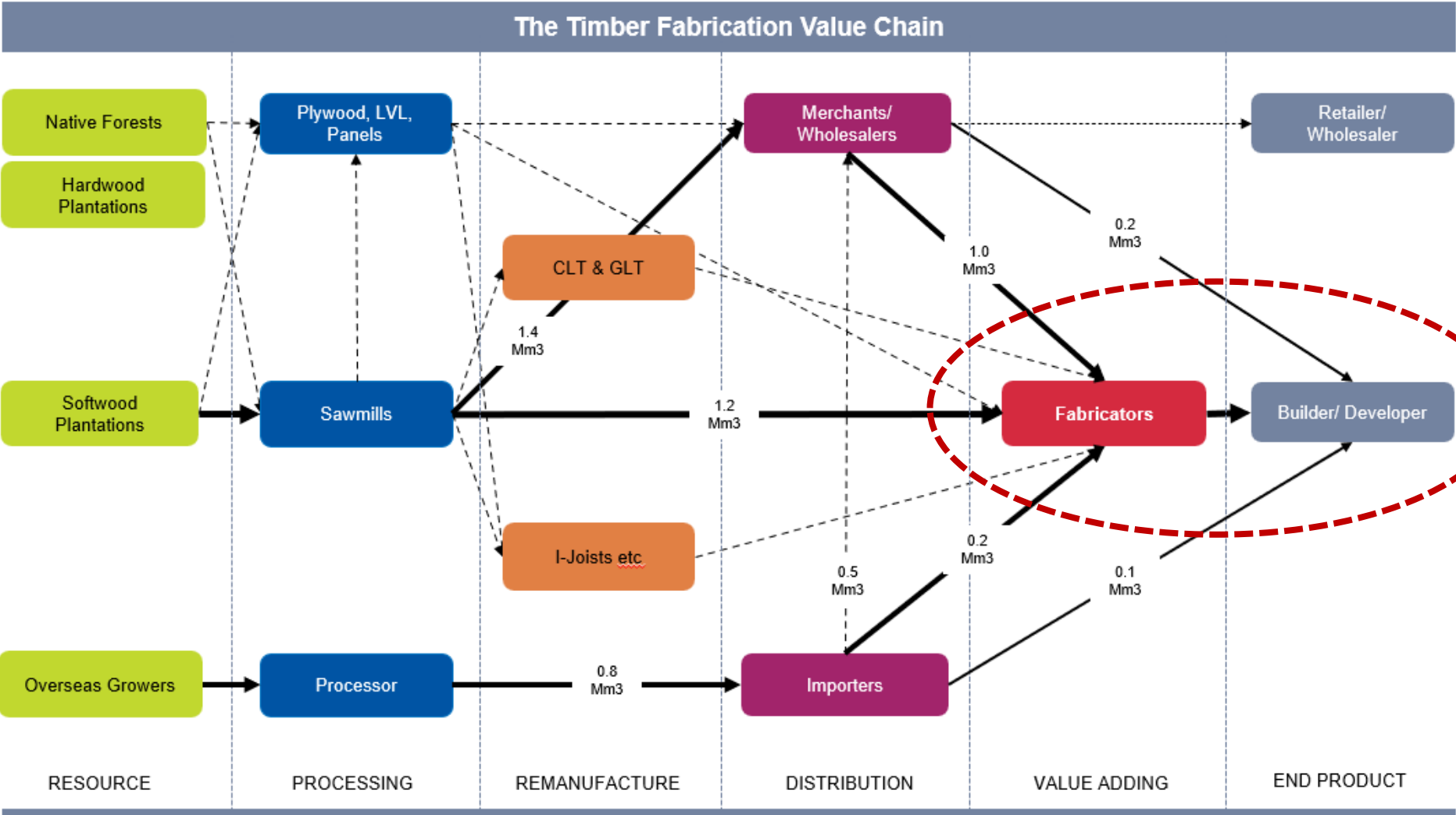
ON SITE



DISORDERLY



Structural timber's value is mainly **extracted** in fabrication: terminal value



Doesn't appear to **create** enough value to fund plantation expansion

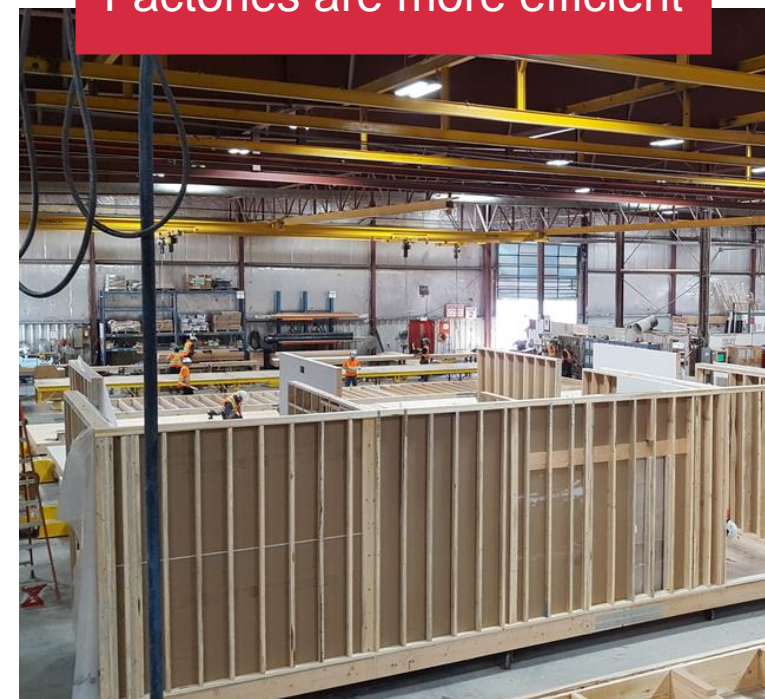
Is this the likely point at which a **carbon price** is realised?

How do we add value or **create efficiencies** that also maximise carbon values?

SOLUTION: Expanded prefabrication and increased resource efficiency



Factories are more efficient



Disassembly and re-use much more likely

Prefab means faster, cheaper, less energy intensive assembly



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