

## UPDATE

### A MESSAGE FROM MASTER BUILDERS WESTERN AUSTRALIA

#### **BUILDING MATERIAL PRICE INCREASES, TRADES AND LABOUR AVAILABILITY**

This is a message for clients of builders who are being impacted by cost increases and delays on their projects.

This message is intended to provide important information to clients on the current challenges facing the building and construction industry, which has been a result of factors outside the builder's control including massive price spikes, shortages of key building materials, decline in building material availability, skilled and unskilled labour shortage, global supply chain failure, freight and logistics issues and hard border restrictions.

The last two years have been exceptionally difficult for the building and construction industry, and their clients, both residential and commercial as collectively we navigate living and working throughout the COVID-19 global pandemic.

These factors are directly linked to the COVID-19 pandemic as State and Commonwealth Governments have relied on the building and construction industry to support the local and national economy. Although these decisions have saved jobs and supported the community, it has also created an increase to activity, which has had a marked impact on the building and construction industry with many projects experiencing delays, but also builders cannot absorb the irregular cost impacts currently being felt.

In addition, further demand has been placed on the industry as we rebuild communities impacted by natural disasters including *Tropical Cyclone Seroja* and bushfires.

In this ever-connected world, we are anticipating that the recent floods in Queensland and New South Wales will place additional pressure on industry, as will the current conflict in Ukraine.

These issues as a collective have created a 'perfect storm' for the building industry and their clients.

The current environment we find ourselves in is unprecedented, as we continue to build through the pandemic.

The level of price increases reported by our members represent the largest period of price escalation seen in recent times.

#### **UPDATE:**

#### **During March 2022, building product costs increased at their fastest pace since 1980.**

Across Australia, the cost of materials used in house building increased by +4.2 per cent during the March 2022 quarter and are now +15.4 per cent higher than a year ago.

The pace of increase was similar across all six capital cities for which we have figures.

**Over the year to March 2022, the sharpest price increases affected**

- Reinforcing steel (+43.5 per cent)
- Steel beams/sections (+41.5 per cent)
- Structural timber (+39.2 per cent)
- Plywood and board (+29.8 per cent)
- Electrical cable and conduit (+27.1 per cent)
- Plastic pipes and fittings (+26.5 per cent)
- Copper pipes and fittings (+25.7 per cent)
- Terracotta tiles (+21.5 per cent)
- Metal roofing and guttering (+19.9 per cent)
- Insulation (+14.0 per cent)

These are cost increases that may completely erode profit margins on projects unless the builders pass these costs on to clients, which will be dependant each individual project and contractual arrangements in place.

In many circumstances, suppliers and subcontractors are not able to confirm prices for builders until the materials are about to be supplied. With ongoing availability issues, it is difficult for builders to stockpile or order products too far in advance. Whilst it is certainly not ideal, prices may not be able to be confirmed for some time due to these delays.

It is important that you speak openly and honestly with your builder. Confirm that they understand what your budget is. If you are concerned about affording your build, discuss compromise options with your builder, they will listen and will work with you.

We understand the challenges our members are facing, and the challenges that you; our members clients face too.

We hope this provides some useful information which explains the external pressures currently facing your builder and the building and construction industry, and you, as the client.

Yours sincerely



**John Gelavis**

**EXECUTIVE DIRECTOR**