

BUILDERS STRUGGLE AGAINST COSTS AND LOWER DEMAND

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An annual list of South Australia's largest home builders has revealed the pain being felt across the industry as major firms continue to navigate a perfect storm of rising costs and softening demand.

According to figures released in the HIA-Colorbond steel Housing 100 report, the state's top 15 builders started work on 4863 new homes in 2022-23, down 9 per cent from the 5339 starts in the previous year. It was the second consecutive year of decline following the 7.6 per cent fall in 2021-22.

Hickinbotham held its position as the state's largest home builder, and the country's 11th largest, despite an 18 per cent fall in activity to 1507 new homes. Its nearest rival in the local market, Metricon, suffered a 25 per cent drop in volumes to 398 new homes. Longridge Group, Rivergum and Metro Homes rounded out the top five. Just six of the top 15 builders reported a rise in activity.

Despite the lower levels of activity, the state's top 15 builders increased their dominance of the market, accounting for 42 per cent of all new homes built in SA, up from 39 per cent in the previous year.

Housing Industry Association chief economist Tim Reardon said three-quarters of Australia's top 100 builders reported lower volumes in 2022-23, reflecting the challenging conditions.

"In 2021 and 2022 the industry grappled with a rapid escalation in the cost of construction, with materials in short supply and acute shortages of skilled workers," he said.

"Throughout 2022-23, the industry faced the added challenge of rapidly rising interest rates. While there has been a heavy focus on the impact of higher borrowing rates on households with mortgages and the effect on demand for new homes, the higher borrowing costs also put further - pressure on business margins during the year.

"Leading indicators suggest that the volume of home building activity may fall further before a meaningful recovery takes hold," he said.