Built up: Apartment construction continues to taper off

By James Caldwell

Multi-unit apartment and townhouse construction activity continues to fall from its 2016-17 peak alongside house construction

The Multi-Unit Apartment and Townhouse Construction industry has exhibited unprecedented activity over the past five years. Strong population growth, low interest rates and significant flows of foreign investment escalated multi-unit residential commencements to a record peak of 117,252 in 2016-17, before contracting sharply. This contraction corresponded with the completion of several major capital-city apartment development completions, and the introduction of strict regulations governing foreign real estate investment. Nonetheless, industry revenue is expected to expand strongly at an annualised 4.0% over the five years through 2018-19, to reach $37.5 billion.

Strong growth in demand for multi-unit dwellings has largely come at the expense of demand from the House Construction industry. Demand for single-unit dwelling construction has been subdued over the past five years. Industry revenue is expected to grow at an annualised 1.1% over the five years through 2018-19, to reach $52.4 billion. Rising land prices, and falling mortgage affordability, over the period have put home ownership out of reach for a large number of Australians, subduing industry revenue growth.

Australia’s strong population growth has driven a change in consumer tastes away from traditional single unit houses towards homes that are part of apartment and townhouse complexes. The population of Australia has risen at an annualised 1.7% over the five years through 2018-19. This growth has largely been driven by high levels of net migration, which is estimated to be approximately 270,000 people in the current year.

This migration has driven up the level of urbanisation in Australia, which has been compounded by high levels of internal migration from regional Australia to major cities. An expanding population concentrated in a small number of urban areas has hugely benefited the Multi-Unit Apartment and Townhouse Construction industry while driving down demand for house construction. Increasing urbanisation has driven up the cost of land near major metropolitan areas, and made the construction of multi-unit complexes more lucrative for construction companies, while pushing the prospect of owning a house out of reach for huge swathes of the Australian population. Purchasing a unit within an apartment or other multi-unit complex has become a more affordable option for those looking to get on the property ladder.

Apartments and units can provide some consumers with a more attractive lifestyle. High density housing can offer consumers benefits, including closer proximity to transport and urban amenities for a lower cost than traditional suburban house and land packages. Developers have increasingly
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Incorporated golfing facilities, beach access and other recreational features into their projects to enhance the appeal of their multi-unit projects.

Industries mentioned in this report
- Multi-Unit Apartment and Townhouse Construction in Australia
- House Construction in Australia

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