

Lock Up: Hardware Sellers Suffer as House Prices Fall

By Michael Youren

Declining house prices will limit demand for hardware wholesalers and garden supplies retailers as construction and DIY activity falls

Households are more likely to purchase garden supplies when they are selling their properties

Declining house prices are expected to reduce demand for residential building construction and the materials used in these activities in 2018-19. Residential housing prices are expected to fall nationally by an average of 1.6% in the current year, and are expected to continue to fall by 0.9% in the next year. Furthermore, house price growth slowed in 2017-18, with some areas experienced localised price falls. These declines are expected to lower residential building construction activity over the same period, with building companies facing shrinking profit margins as selling prices fall. DIY activity and demand for trade professionals are also expected to fall, with households becoming less likely invest in upgrades or repairs in order to maximise sale price while the market is still falling. These trends reduce demand for products used in housing construction and maintenance activity.

Both retailers and wholesalers that supply products required for housing maintenance and renovation are affected by these trends. One such example is the Garden Supplies Retailing industry. While demand for this industry's products is determined by factors such as the overall levels of rainfall and the popularity of gardening, the most significant driver of demand is new housing construction, as new houses typically require gardens.

Demand for garden supplies is also

driven by the quantity of housing transfers taking place. Households and individuals are more likely to purchase garden supplies to upgrade their garden when they are preparing to sell their properties. As a result, industry revenue fell in 2017-18, and is expected to fall by 1.1% in 2018-19.

Demand for the Hardware Wholesaling industry has also fallen as residential construction has declined. Total revenue generated by the industry fell by 2.8% last year, and is expected to fall by a further 1.1% in 2018-19. Hardware wholesalers sell their products to tradespeople and construction companies, who then effectively sell these products to the home owners. The industry has grown overall over the past five years, as both commercial and residential construction has grown. However, this trend has reversed over the past two years as overall levels of construction of residential buildings have fallen. Fewer projects under construction have resulted in less demand for the hardware and building supplies tradespeople and construction companies require.

These industries are forecast to rebound as housing prices increase over the next five years. Nationwide housing prices are expected to increase by 1.0% over the five years, while Garden Supplies Retailing and Hardware Wholesaling industries are expected to grow by 1.4% and 1.2% over the same period

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respectively. Residential housing prices are expected to return to growth in 2020-2021, and this is expected significantly increase residential building activity.

Related industries:

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