

New home sales show builders face a tough 2022



Michael Bleby *Senior reporter*

Jan 20, 2022 – 2.14pm

Home builders face a tough 2022 as soaring demand for new houses and rising costs and labour shortages put them at risk of a profitless boom.

The Housing Industry Association – which last week said builders wanted to pass on rising costs [<https://www.afr.com/property/commercial/home-builders-want-more-scope-to-raise-prices-20220113-p59o04>] to customers – on Thursday said the industry was in for a “very challenging” year after new home sales rose 11.3 per cent last month to their highest monthly total since March.



Gaps in the industry: Home builders are coming under increasing pressure as demand soars. **Brendan Esposito**

Even though the home-building boom is coming off its stimulus-induced high [<https://www.afr.com/property/commercial/lockdowns-cloud-pace-of-decline-in-home-building-20220119-p59pi4>], activity is likely to remain elevated for much of this year.

While the critical issue for builders was land availability, other inputs were pressuring them, HIA chief economist Tim Reardon said.

“There is the capacity for individual builders to experience a profitless boom, but the vast majority of builders have been through these cycles before – perhaps not to this extent – and they’ll continue to trade through it,” Mr Reardon told *The Australian Financial Review*.

“It’s a very challenging year for builders given the huge level of demand for materials, labour and [drop in] migration.”

A growing string of builders is already going under. On Tuesday, western Sydney-based Dyldam Developments Pty Ltd went into voluntary administration with liabilities that Cathro & Partners administrators Andrew Blundell and Simon Cathro put at about \$80 million.

More than a year ago, on New Year’s Eve [<https://www.afr.com/property/commercial/more-than-1-1b-of-projects-caught-up-in-dyldam-s-latest-failures-20210108-p56soa>], 22 Dyldam companies of the debt-laden developer and builder were put into administration. The business that went under this week was Dyldam’s main trading entity and undertook the majority of the firm’s construction, the administrators said.

**RELATED****Lockdowns cloud pace of decline in home building**

<https://www.afr.com/property/commercial/lockdowns-cloud-pace-of-decline-in-home-building-20220119-p59pi4>

**RELATED****Home builders want more scope to raise prices**

<https://www.afr.com/property/commercial/home-builders-want-more-scope-to-raise-prices-20220113-p59o04>

Director Sam Fayad said an “ongoing and protracted” dispute with a family member had damaged the company, and that COVID closures, “limited sales opportunities” and supply chain problems had also delayed projects and hurt cash flow.

Last week, Hotondo Homes franchisee Tasmanian Constructions went into liquidation with debts of about \$1 million. Its failure followed those of Privium [<https://www.afr.com/property/commercial/privium-failure-hits-more-than-2000-home-buyers-20211129-p59d39>], ABD Group [<https://www.afr.com/property/commercial/abd-group-goes-into-liquidation-20211126-p59cm4>] and fellow Hobart builder Inside Out Construction.

Competition for market share in a sector that was supercharged by the federal government's HomeBuilder and state-based incentives, is likely to increasingly tighten the pressure on builders' margins.

The HIA's own figures on Thursday – based on the survey responses of its largest volume-builder members – showed that new home sales rose for a fifth month in December.

The biggest increases came in Victoria, up 30 per cent to 2581 dwellings, and South Australia, which leapt 35 per cent to 420 in the last month of the year.

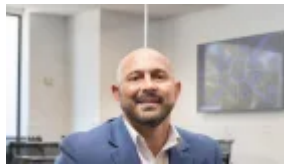
Sales in NSW rose 7.8 per cent to 1557, but fell 4.5 per cent in Queensland to 1242 and dropped 8.3 per cent in Western Australia to 901.

For the final three months of the calendar year, sales were also 25.5 per cent up on the September quarter.

Although sales declined month on month in Queensland, on a quarterly basis, the state showed the biggest increase, up 49 per cent from the third quarter. Only WA was down (by 8.8 per cent) from the previous quarter.

Nine months after the end of HomeBuilder, underlying demand for housing remained “exceptionally strong” as the pandemic pushed households towards lower-density living, the HIA said.

“The more time people spend under lockdown and working from home, the higher is the demand for detached housing and renovations activity,” the industry association said.

**RELATED****Rising costs dampen WA construction**

<https://www.afr.com/property/commercial/rising-costs-dampen-wa-construction-20220111-p59nc5>

**RELATED****'Where's my order?': Staff shortages smash builders, suppliers**

<https://www.afr.com/work-and-careers/workplace/where-s-my-order-staff-shortages-smash-builders-suppliers-20220112-p59np3>

Separately, Adrian Hondros [<https://www.afr.com/street-talk/cba-exec-adrian-hondros-set-to-run-homebuilder-porter-davis-20160913-grezkv>] will leave Melbourne-based volume builder Porter Davis [<https://www.afr.com/property/residential/home-builder-porter-davis-buys-specialist-englehart-20211107-p596my>] at the end of June.

Mr Hondros, Commonwealth Bank’s former head of private banking, was appointed on a five-year contract in 2016, but recently reached an agreement with the board to extend his tenure into mid-2022.

“We are now well set up for the new chief executive to take the reins in mid-2022 and we are looking forward to continuing to build quality homes for our customers in Victoria and Queensland,” director and founder Anthony Roberts said on Thursday.

Mr Hondros will be involved in finding a replacement CEO for Porter Davis – the country’s 13th-largest home builder last year, with 1734 housing starts in the HIA’s annual ranking – Mr Roberts said.

Michael Bleby covers commercial and residential property, with a focus on housing and finance, construction, design & architecture. He also dabbles in the business of sport. Michael is based in Melbourne. *Connect with Michael on [Twitter](#). Email Michael at mbleby@afrc.com*