

Members Bulletin – 23 May 2022

Election Result

CHIA has prepared a media release for tomorrow congratulating Anthony Albanese and the Australian Labor Party on their election victory. It will be on our website tomorrow morning.

The release emphasises the role community housing can play in the delivery of the ALP's housing commitments through the Housing Future Fund.

We have also focused on the institutional reforms which CHIA believes are equally if not more important to secure housing unaffordability is tackled. We have already input into the draft outlines for the plan, agency and housing affordability and supply council and look forward to continuing our collaboration.

National Construction Code

The Australian Building Codes Board (ABCB) has released a 'first stage' preview for the 2022 edition of the National Construction Code (NCC 2022). A final version will be released in August and this will include the energy efficiency and condensation mitigation provisions. Some (not all) peak property organisations pushing for less ambitious new build energy ratings than the seven star proposed. The final version will also outline state and territory variations.

NCC 2022 will come into effect on 1 September 2022 except in WA where the state has an additional 12 months to transition during which period either edition can be used.

The main change of interest to the sector is the introduction of the new livable housing requirements for Class 1a buildings (houses and townhouses) and Class 2 sole-occupancy units (individual apartments). This puts in place features based on the Livable Housing Design Guidelines silver standard, with a voluntary gold standard also available for features beyond this. Note that it is anticipated that NSW, SA and WA will vary out of the requirement although disability advocacy groups continue in their efforts to change hearts and minds.

The ABCB will holding seminars to explain the changes – see [here](#) for details

The preview documents are available [here](#).

Community Housing Chairs Meeting

Last week's Community Housing Chairs meeting coincided with disturbing [news](#) about the financial position of certain construction firms. A discussion on development risk was therefore timely. The session was led by Gary Maclean a consultant with considerable real estate advisory experience and currently a consultant to NHFIC's Credit Committee.

Gary spoke to a state by state summary of rising construction costs – see overleaf. The presentation and debate focused on the need for robust sensitivity analysis of builders’ financial capacity, pro-active project management and scenario planning around a builder failure.

Expertise in the regulator and government procurement teams needs to be ramped up.

A second session is being arranged with speakers to talk through how the collapse of ProBuild was handled on a major development in Western Sydney. Adrian Harrington, NHFIC’s chair who attends the meetings too, is separately arranging for NHFIC to hold a workshop on the topic.

Construction Cost Analysis

YEAR OF COST	2018 2019		2020		2021		2022			CURRENT CONSTRUCTION COST / UNIT #		
	18-19		19-20		20-21		21-22		18-22	\$ Min.	\$ Max	
Brisbane	144	147	2.08%	147	0.00%	145	-1.36%	157	8.28%	9.03%	\$260,000	\$360,000
Adelaide	149	154	3.36%	160	3.90%	161	0.63%	172	6.83%	15.44%	\$150,000	\$245,000
Canberra	160	166	3.75%	171	3.01%	177	3.51%	183	3.39%	14.38%	\$195,000	\$295,000
Melbourne	156	162	3.85%	166	2.47%	168	1.20%	175	4.17%	12.18%	\$207,500	\$315,000
Sydney	177	185	4.52%	190	2.70%	190	0.00%	203	6.84%	14.69%	\$217,500	\$275,000
Gold Coast	134	136	1.49%	136	0.00%	136	0.00%	154	13.24%	14.93%	\$225,000	\$350,000
Darwin	164	165	0.61%	166	0.61%	167	0.60%	170	1.80%	3.66%	\$210,000	\$280,000
Perth	150	152	1.33%	154	1.32%	161	4.55%	181	12.42%	20.67%	\$170,000	\$285,000
Townsville	149	154	3.36%	157	1.95%	163	3.82%	179	9.82%	20.13%	\$280,000	\$387,500
Average			2.71%		1.77%		1.44%		7.42%	13.90%		

Description of Residential Units: Building of up to 10 storeys in height Lift included Carparking excluded Average size 60 - 70 m2 # Quality depends on Construction Price	Notes on Cost Escalation COVID 19 hit Australia in January 2020 Major impact on construction costs began to impact in the period 2021 - 2022 Imported goods, freight costs, and timber supply were major contributors to cost Brisbane and Darwin have been impacted less than other centres
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Source: Compiled by Gary McLean - McLeanYeoh. The chairs agreed that they would have a second session - Rod Fehring was coming to speak about NAHA but they thought he could bring along someone who could do a sort of case study on how they managed ProBuild going under on the Ivanhoe project. This is already being organised.