

Overview

Building activity makes a significant contribution to the Victorian economy, both directly and indirectly. New dwelling approvals in particular are recognised as a leading economic indicator. In 1997–98, the construction industry contributed 4.9% of Gross State Product at factor cost. Victoria held a 21.3% share of national construction industry Gross Domestic Product at factor cost. This chapter presents information on the Victorian construction industry: value of building, residential and non-residential data, engineering construction, and housing loans.

Construction

During 1998–99 the Victorian construction industry was characterised by strong growth for all sectors (table 15.1). The total value of construction work done was over \$12.2 billion, a 17% increase on the 1997–98 figure of \$10.5 billion. Work done in residential building increased by 18%, non-residential by 20% and engineering construction by 12%. Residential building was the largest component of the construction industry, comprising 43% of the value of work done.

15.1 VALUE OF CONSTRUCTION WORK DONE

	1993–94	1994–95	1995–96	1996–97	1997–98r	1998–99p
Type of construction	\$m	\$m	\$m	\$m	\$m	\$m
Residential building	3 450.1	3 581.5	3 261.2	3 385.5	4 480.1	5 298.7
Non-residential building	1 902.2	2 322.0	2 870.0	3 252.4	2 960.4	3 544.8
Engineering construction	2 329.1	2 409.1	2 352.6	2 472.2	3 023.5	3 385.4
Total	7 681.4	8 312.6	8 483.8	9 110.1	10 464.0	12 228.9

Source: *Building Activity, Victoria* (Cat. no. 8752.2), *Engineering Construction Activity, Australia* (Cat. no. 8762.0).

Residential building

The value of residential building work done has increased each year since 1995–96, but recorded an exceptional increase of 32% between 1996–97 and 1997–98, with an 18% increase between 1997–98 and 1998–99 (table 15.2). Construction of new houses accounted for 63% of the value of residential building work done in 1998–99. Between 1997–98 and 1998–99, the value of new housing construction work done increased by 19.7%, other residential building by 23.6% and alterations and additions by 9.3%.

15.2 VALUE OF RESIDENTIAL BUILDING WORK DONE

Type of building	1993-94	1994-95	1995-96	1996-97	1997-98r	1998-99p
	\$m	\$m	\$m	\$m	\$m	\$m
Houses	2 520.8	2 573.9	2 111.1	1 988.8	2 808.4	3 363.0
Other residential buildings	278.4	300.0	452.0	621.4	760.2	939.5
Alterations & additions to residential buildings	651.0	707.5	698.1	775.3	911.5	996.2
Total	3 450.1	3 581.5	3 261.2	3 385.5	4 480.1	5 298.7

Source: *Building Activity, Victoria* (Cat. no. 8752.2).

New dwelling units

From 1997-98 to 1998-99, building approvals increased 9.0% to 39,704 approvals, of which 74% were houses (table 15.3). Private sector activity accounted for 93.7% of approvals. New dwelling units created as a result of conversions accounted for 2.8% of all approvals.

15.3 DWELLING UNITS APPROVED, By Type and Ownership

Year	Private sector			Public sector			Other approvals(a)	Total building approvals
	Houses	Other	Total	Houses	Other	Total		
	no.	no.	no.	no.	no.	no.		
1993-94	27 227	3 109	30 336	830	584	1 414	1 167	32 917
1994-95	25 284	3 225	28 509	601	808	1 409	1 347	31 265
1995-96	18 425	3 218	21 643	464	937	1 401	663	23 707
1996-97	19 593	6 421	26 014	212	384	596	1 240	27 850
1997-98	27 367	6 811	34 178	570	601	1 171	1 089	36 438
1998-99	28 683	8 511	37 194	544	350	894	1 616	39 704

(a) Includes non-residential buildings; alterations and additions to residential buildings; and conversions.

Source: *Building Approvals, Victoria* (Cat. no. 8731.2).

Housing loans

During 1998-99, the value of new housing loan commitments was \$15,185 million, a 14.5% increase on 1997-98 (table 15.4). Some 89% of the value of all new housing loan commitments were made by banks, 1.6% by permanent building societies, and 9.5% by other lenders (compared with 1.3% in 1993-94). Some 72.4% of total loan commitment value went to established dwellings, and 22.3% to new dwellings (table 15.5).

15.4 NEW HOUSING LOAN COMMITMENTS, By Type of Lender

Year	All banks	Permanent building societies	Other lenders	Total
	\$m	\$m	\$m	\$m
1993-94	10 382	488	139	11 009
1994-95	9 127	377	168	9 672
1995-96	9 162	179	811	10 152
1996-97	9 993	214	1 138	11 346
1997-98	11 433	244	1 585	13 262
1998-99	13 491	244	1 450	15 185

Source: *Unpublished data, Housing Finance for Owner Occupation collection.*

15.5 NEW HOUSING LOAN COMMITMENTS, By Purpose

Year	New dwellings(a)		Established dwellings(b)		Alterations and additions	Total
	no.	\$m	no.	\$m		
1993–94	24 574	1 932	105 761	8 437	640	11 009
1994–95	21 484	1 844	81 604	6 959	869	9 672
1995–96	16 848	1 577	89 902	7 829	747	10 152
1996–97	20 849	2 038	92 640	8 615	693	11 346
1997–98	26 898	2 953	92 795	9 638	671	13 262
1998–99	27 859	3 380	94 170	10 992	813	15 185

(a) Includes construction of new dwellings and purchases of newly erected dwellings. (b) Includes purchase of established dwellings and refinancing of existing housing loans.

Source: Unpublished data, *Housing Finance for Owner Occupation* collection.

Non-residential building

During 1998–99, the value of non-residential building work done in Victoria was \$3,544.8 million (table 15.6), accounting for 29% of all construction work done in the State.

The commercial sector accounted for 62% of non-residential work done and was worth \$2,199 million, a 16.3% increase on 1997–98. The largest component was shops (\$628 million). All components within the commercial sector recorded an increase in the value of work done except for factories, which declined 9.7% between 1997–98 and 1998–99.

The community sector recorded \$1,345.9 million worth of work done in 1998–99, a 25.7% increase on the previous year. The largest components in this sector were education (\$468.6 million) and entertainment and recreation (\$390.4 million), both of which recorded large increases from 1997–98 (33% and 88% respectively). In contrast, the other sectors contracted, most notably religious (–12.9%) and health (–6.5%).

15.6 VALUE OF NON-RESIDENTIAL BUILDING WORK DONE

Type of building	1993–94	1994–95	1995–96	1996–97	1997–98r	1998–99p
	\$m	\$m	\$m	\$m	\$m	\$m
Commercial						
Hotels, guest houses, etc.	38.7	51.8	158.2	249.8	201.0	237.0
Shops	330.7	464.0	487.0	438.1	440.1	628.0
Factories	247.4	245.4	240.4	363.2	299.0	270.0
Offices	335.7	393.1	456.4	470.9	423.2	501.9
Other business premises	198.4	354.9	383.8	423.2	526.8	562.1
Total	1 150.9	1 509.2	1 725.8	1 945.2	1 890.1	2 199.0
Community						
Education	193.4	263.2	341.3	296.6	351.5	468.6
Religious	16.5	16.3	11.2	12.6	19.4	16.9
Health	272.1	209.5	138.2	202.6	290.3	271.5
Entertainment & recreation	157.6	219.7	515.2	570.7	207.6	390.4
Miscellaneous	111.7	104.2	138.2	224.6	201.7	198.5
Total	751.3	812.9	1 144.1	1 307.1	1 070.5	1 345.9
Total	1 902.2	2 322.0	2 870.0	3 252.4	2 960.4	3 544.8

Source: *Building Activity, Victoria* (Cat. no. 8752.2).

Engineering construction

In 1998–99, engineering construction work worth \$3,385.4 million was completed in Victoria. Private sector involvement has increased steadily since 1994–95, when 48% was done by the private sector, to a high of 71% in 1998–99. The largest engineering construction sectors were roads, highways and subdivisions (\$1,276.3 million), telecommunications (\$756.4 million) and electricity generation, transmission and distribution (\$398.7 million).

15.7 VALUE OF ENGINEERING CONSTRUCTION WORK DONE

Type of construction	1993–94	1994–95	1995–96	1996–97r	1997–98	1998–99
	\$m	\$m	\$m	\$m	\$m	\$m
Roads, highways and subdivisions	670.5	754.7	770.9	831.6	1 198.5	1 276.3
Bridges	40.5	38.2	31.2	24.8	17.8	62.8
Railways	105.9	130.4	86.1	87.8	149.4	87.1
Harbours	2.3	0.9	3.5	31.4	14.9	12.1
Water storage and supply	112.7	142.2	59.0	86.2	76.1	85.0
Sewerage and drainage	120.1	157.7	98.5	78.1	86.1	74.0
Electricity generation, transmission and distribution	490.2	359.4	295.6	270.5	352.3	398.7
Pipelines	97.9	86.6	88.0	39.2	79.0	164.4
Recreation	70.6	74.9	82.8	119.8	135.3	130.9
Telecommunications	359.9	514.9	656.4	707.2	678.1	756.4
Oil, gas, coal and other minerals	141.0	106.8	64.7	78.3	150.1	227.9
Other heavy industry	111.5	41.8	114.2	102.0	64.8	100.2
Other	5.8	0.6	1.7	15.2	21.2	9.2
Total of all construction						
Private sector	1 255.3	1 148.4	1 242.0	1 551.3	2 110.9	2 393.8
Public sector	1 073.8	1 260.7	1 110.6	920.6	912.6	991.5
Total	2 329.1	2 409.1	2 352.6	2 472.2	3 023.5	3 385.4

Source: *Building Activity, Victoria* (Cat. no. 8762.0).

Definitions

Value of construction work done during the period represents the estimated value of construction work actually carried out during the period on building jobs which have commenced.

Value of buildings approved represents the anticipated completion value at the time of permit application, based on estimated market or contract price of building jobs, excluding the value of land and landscaping. Site preparation costs are included.

References

Data sources

The Building Approvals Collection is based on building permits issued by local government authorities and licensed private building surveyors; and contracts let by, or day labour work authorised by Commonwealth, State, semi-government, and local government authorities.

The Building Activity Survey involves a sample survey of private sector house construction activity and a complete enumeration of building jobs, other than private sector house construction.

The Engineering Construction Survey is based on a sample of all construction enterprises operating in Australia, in both private and public sectors.

ABS sources

Australian National Accounts, State Accounts (Cat. no. 5220.0)

Housing Finance for Owner Occupation (Cat. no. 5609.0)

Building Activity, Victoria (Cat. no. 8752.2)

Building Approvals, Victoria (Cat. no. 8731.2)

Engineering Construction Activity, Australia (Cat. no. 8762.0)

