

**Our findings time and again point us to the conclusion that we will witness a double-dipped recovery of the Australian construction market, reports BCI Australia.**

BCI Australia, the leading provider of project leads information in Australia & Southeast Asia, has compiled a report titled '*What's next? Australian Construction Market Forecast 2009/2010*'. The report traces the development of various sectors of the construction market since the onset of the downturn in 2008, showing where the market is headed. The analysis is based on proprietary information extracted from BCI's comprehensive database of building projects in various stages of planning - information that has never been released or publicised before.

This recent analyses has shown the findings time and again point us to the conclusion that we will witness a double-dipped recovery of the Australian construction market, and that the first sharp dip we witnessed in late 2008/early 2009 will be followed by another more gradual but much more prolonged dip through 2011.

CEO of BCI Group, Matthias Krups, commented: 'There was never a more crucial time to ask the question: "What's next?". We want to contribute pieces to help solve the construction puzzle. Our partners and clients rightly expect us to be the ones that give them a better picture of what's in store for the construction industry over the next 12 months'.

Extract:

- The construction **projects** market (building and engineering construction activity, largely excluding detached housing, mining and oil & gas) has shrunk last year by close to 8%, and we expect it to contract by a further 11% in 2009/2010.
- Due to excess capacity resulting from overinvestment in the years of the resources boom the commercial and industrial sector will decline dramatically. Medium and multi-density construction will not recover in 2009/2010 but we think it is plausible that dwelling commencements as a whole will make a reasonably strong recovery.
- This makes the construction market in 2009/2010 very much dependent on the continuation of government investment. The Federal Government's BER Program, the Social Housing Fund, the Health and Hospital Infrastructure Fund and the Nationbuilding Infrastructure Package for roads, rail and ports, albeit rushed, have greatly assisted in stabilising overall construction demand. We estimate that if these programs were not in place the market could decline by as much as 35%.
- Education and Health are the two golden sectors of opportunity in the year 2009/2010 because of their massive stimulus support packages. Infrastructure and social housing will be strong. Retail will have quite a bit of orders to work through, but new commencements will be weak.
- The rate of project deferral and abandonment had spiked dramatically during the height of the GFC. Some sectors of the market saw one in five projects put on hold or aborted. Deferrals and abandonments have decreased to manageable pre-crisis levels.
- We estimate that the total project value lost on account of project deferral and abandonment during the downturn may have been around \$11 and \$12 billion. These would-be construction starts will be sorely missed in the year or two ahead.
- Stakeholders in the construction industry are relatively unfazed about their economic situation, with 20% saying the crisis brought them new opportunities, 20% saying all was business as usual, 40% saying they expected things to be getting a bit tighter and only 20% saying their firm was going into survival mode.
- Overall there is a healthy sense of optimism about the future: while 24% think the construction market will get worse in the future, twice as many think they will get better.
- However, there is a sober sense of realism about when the downturn will be over: NSW seems to lead out of the slump with an upturn expected in April 2010, while the smaller states and territories including SA will have to wait until August 2010.

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For further information please contact:

Brooke Barr  
Community Director  
BCI Australia  
03 8412 7900  
0410 420 713  
b.barr@bciaustralia.com  
www.bciaustralia.com