

Geelong Cats fan on clawing through building industry's tough times

With land in short supply and building costs rising more than \$20,000 per stage release, Daniel Senia, Managing Director, First Place Building, argues that the industry's well-publicised challenges should not deter buyers.

By **Ev Foley** (/experts/australian-property-investor-magazine/ev-foley) | 5-9-2022 | Expert In Focus (/news/category/Expert%20In%20Focus) | 7 min read



Daniel Senia, Managing Director, First Place Building, says many buyers are compromising on block and house size rather than location.

Agents, builders and developers are at the epicentre of myriad issues impacting the building industry nationwide but it's easy to forget they're subject to the same issues when purchasing a new home.

At the height of Covid, Daniel Senia, Managing Director, First Place Building, joined thousands of Melbournians in an exodus from the Victorian capital. After living there for 20 years he chose to set up camp in his childhood city of [Geelong](/research/suburb-profile?id=15662&text=Geelong%20VIC%203220) (/research/suburb-profile?id=15662&text=Geelong%20VIC%203220).

"I couldn't have imagined going through anymore lockdowns living in our apartment in [Hawthorn](/research/suburb-profile?id=8755&text=Hawthorn%20VIC%203122) (/research/suburb-profile?id=8755&text=Hawthorn%20VIC%203122) and now we've got space, we've met neighbours at the dog park; all of those sorts of things you weren't getting living in an apartment, but you have here," Mr Senia told *Australian Property Investor Magazine*.

The move not only turned out well personally, but from a business perspective the regional migration phenomenon has been very, very good for business.

It's in the blood

Had Mr Senia pursued his first career choice, however, things may have turned out differently.

"I come from a family of builders and tradies but that wasn't going to be for me in the beginning, so I studied economics at Deakin University in Geelong and PR/Journalism on the side for my arts degree.

"I was looking at getting into banking and forecasting, and all that sort of thing."

"My uncle is one of the directors at GJ Gardner Homes in Geelong, his father was also a builder, concreter and bricklayer, my mother has also just celebrated 20 years at Dennis Family Homes in the pre-site admin' team in Geelong.

"It was meant to be I think, it's in the blood," he said.

Once deciding on the building sector, Mr Senia worked in home building for four years before moving into land development.

"With the economics background I was doing feasibilities on broad hectare parcels, and I've been back into housing ever since.

"I had six years with Simonds Homes, then I went to set up the Australian Building Company for the Metricon group, then I consulted for about two years, then started my own brand," he explained.

The brand, First Place Building, uses deliberate strategies of not having multiple display homes and having a strong digital presence.

"We've been able to run with a pre-site admin' team of just four people to do 250 builds a year at the moment with no layers of management, no display overheads.

"We need to be affordable for the market we're going after - the first-home buyers - because they can't afford it otherwise."

Rethinking size and location

While affordability is governing new home buyer habits and expectations, Mr Senia has seen no drop in customers.

"What we are seeing is many buyers compromising instead on the size of a home, so we see a lot of smaller lots, plus the location of where people want to live is changing.

[Regional Victoria is on fire \(/news/article/regional-victoria-shakes-off-tax-hikes-to-land-rapid-growth\)](#) for us at the moment.

"In 2021 we were doing about 10 per cent of our business in regional Victoria and we're now up to 30-35 per cent.

"Ballarat's doubled for us in the last six months - it's almost 10 per cent of our entire business, just Ballarat alone - and that's without having a display open or any sort of presence there," he said.

Is this a good time to build?

Market predictions are pointing to a [massive drop in housing prices \(/news/article/property-monthly-price-falls-biggest-since-1983\)](#) through 2023, but Mr Senia says the best time to build is yesterday.

"And the second-best time is today.

"The pricing on new homes will never go backwards.

"Right now, while land is in short supply, land prices are going up \$20,000-\$25,000 per stage release - not even per year - so then with your interest rates going up, it just becomes less affordable, so I think now is still a good time to build a new home."

The doom and gloom around the property sector isn't deterring buyers either.

"The buyers are still about; we haven't seen a drop at all in contracts being signed but I think everyone's just a lot more cautious.

"There's a few more hurdles to jump through.

"From ours, and the industry's point of view as well, our contracts have had to be tightened up."

Investors are also coming back to market because, "people still need somewhere to live."

"If they're not buying, they're renting, and if there's a shortage of rental properties and rental prices are increasing ([/news/article/government-dismisses-greens-call-for-two-year-rent-freeze](#)) you start to see your investors come back because they want to capitalise on that situation."

"New home builds obviously operate completely independently from the established market, because in the established market supply is largely fixed.

"New housing is an element of macroeconomic factors because we're a culmination of products and services and materials.

They don't operate just inside of the housing market.

You get a fuel increase and all of a sudden you've got a 10 per cent surcharge on all your materials coming onto site."

First-home buyers new build market

Issues such as a labour and material shortages are also impacting price.

"As an economy we strive for a 2 to 3 percent inflation rate year on year, which is a mild increase.

If I can put it in to a context, you don't walk into a café today expecting to pay less for a coffee than you did two years ago - it's not how the economy works.

"A new home is a product - there's 150,000 components that go into a home, some off-shore and some domestic.

"There is a consistent increase in price over time, just by virtue of it being a part of all the microeconomic factors," he said.

Mr Senia's customers have largely been understanding of current market conditions.

"Customers realise there's material shortages and as long as communication stays open with them, we've had a really good run with our clients.

"There's factors outside our control as a builder so they're understanding of that."

Bad news stories like recent headlines focusing on builders who can't manage their cash flow are not influencing customer decisions.

"Cash flow is a problem because you need the turnover on site to keep things moving along.

"When you've had fixed price contracts from 12 to 18 months ago and you've got 20-25 per cent cost increases, your margin evaporates pretty quickly.

"We've seen builders who'd rather pay someone ten grand to get out of a contract rather than build the home because it's a toxic job where there's no more revenue left in it."

The HomeBuilder grants caused the sector chaos leading to a tradespeople and materials shortage.

"Add real fixed priced contract signing and then you had Covid over the top of it, which meant we could only have five trades on site at any one time.

"Our build programs went from 20-24 weeks to some jobs going out to a year and for us, we wear a cost increase at the moment, still, of anywhere between \$1,500 to \$2,000 a month.

"It's a weight on your project margin every month that job's out," Mr Senia said.

Blue-sky moment

For all the housing sector's woes, Mr Senia believes the market is in a blue-sky moment.

"I think the industry's done a fairly good job navigating that situation.

"We've all sort of tidied up those HomeBuilder grant jobs which caused a lot of chaos and we now understand we're forecasting relatively well the cost increases and covering ourselves," Mr Senia said.

"Plus, the market's educated as to why this needs to happen.

"It's been in the news everywhere over the last six to nine months.

"We caught up with the Master Builders Association Victoria the other day, and they were saying insolvencies were higher in 2018 than they are today but it's only because we're seeing this bad press around it."

Cost increases seen by Mr Senia have been 20-25 per cent year-on-year over the last couple of years.

"We'll see that start to stabilise but at the moment we don't know when because for that to happen we need to see a few things occur.

"We need to see stability of interest rates so we can start forecasting where our costs are going, we need steady access to materials coming from offshore, and import cost stability.

Mr Senia said you only need to look around to see [there's a labour shortage \(/news/article/how-can-australias-dire-construction-labour-shortage-be-solved\)](#) everywhere.

"We've got restaurants closing and cafes not being able to function at full capacity and all that sort of thing because we don't have enough staff.

"In terms of home building, we need skilled staff and a lot of that is where new migrants are coming through, so [we need those migrants coming back and being trained \(/news/article/migration-is-part-of-a-complex-chess-game-in-construction-housing\)](#)," Mr Senia said.

One aspect of life in Victoria that needs no fine-tuning is the state's passion for AFL.

Born and bred in Geelong his favourite team is a given.

"I have to say it's the Cats - I'd get myself into a lot of trouble down here if I didn't," he said.