

Why now is still the *best time to build*

WITH DANIEL SENIA

We all hear about supply shortages and cost increases hitting the building industry. This naturally causes hesitation for new buyers considering getting into the market.

But while the impact of this building cost increase is a reality, it's still true that the best time to build a home is today.

Why are we experiencing cost increases?

The combination of increased demand due to low interest rates and government grants, and supply shortages of materials due to the pandemic, has strained the building industry over the past two years.

Rising fuel, electricity and freight costs, as well as raw material shortages globally, have had a direct impact on the cost of construction.

Due to signing fixed priced new home contracts, builders have worn this cost increase on their bottom lines, creating "toxic contracts"

which have little or no profit remaining even before construction starts.

The long-term impact on costs

It's naïve to think that costs will decline. Labour and material costs have always risen, normally in line with inflation. What we've seen is an acceleration of this increase due to unprecedented demand, material and labour shortages.

With inflation rates rising globally, and interest rates rising nationally, there is still a direct impact on new home construction costs even as we stabilise access to materials.

However, housing is only half the story. The increase in demand has evaporated any land ready to build. This has led to price escalation on land allotments that simply prices buyers out of the market.

Then there is rent. As buyers find it more difficult to buy or build there is pressure on the rental market – meaning rentals are harder to find and rental prices will continue to rise.

This makes owning your own home more important than ever.

Things to consider when looking to build

If now is still the best time to build and avoid further price increases, here are some things to look out for:

- You can receive a contract quickly: waiting months to receive a contract is not uncommon. But remember, during this time builder's costs are rising – and that will likely be passed onto you.
- Find land that is ready to build soon: Not only can you build sooner, but you can save the cost of rising land prices.
- Ensure your builder can commence work quickly: meaning there is less impact of long-term costs with the added benefit of getting into your home sooner.
- Know your finances: ensure you have the capacity to repay your loan not just today, but in the event interest rates continue to rise.

Daniel Senia is the managing director of First-Place Building Co. with more than 18 years' experience in the new home buying industry, working with some of Australia's largest home builders and developers.

