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After recording its fifth consecutive year of building more than 200,000 homes, 2018 was another strong year for the residential building industry, just shy of the record set in 2017. The previous record was 187,000 homes built in 1994.

The residential industry has driven economic growth in Australia over the past five years. Other sectors of the economy will need to take up this role over the next five years as home building slows if economic stability is to be maintained.

The three ‘C’s – credit, consumption and confidence – have led to the quietening of the building industry dynamic. Despite the slowdown in the industry, there is a large volume of work in the pipeline that is being worked through at a rapid rate.

The credit squeeze that commenced early last year has also adversely affected the kitchen and bathroom market. Lending for renovations fell sharply at the end 2018, consistent with the fall in lending for new home construction.

Kitchen and bathroom renovations can be seen as a leading indicator of the availability of credit. We expect renovations activity to increase, in line with the availability of credit, in the second half of 2019. We expect renovations activity will pick up sooner than new home building and we will be looking at this for signs of the credit squeeze easing.

The total number of kitchen installations in new homes is estimated to have increased by 3.9 per cent in 2017/18. The new home building cycle is anticipated to begin to slowdown but still trough well above long term averages. A decline of 11.2 per cent is forecast for 2018/19 and 9.5 per cent in 2019/20.

Whereas the number of kitchens increased during the year, the total number of bathroom installations in new homes decreased by 3.5 per cent during 2017/18. This is likely due to the shift in the composition of the new dwelling market, notably an increase in the proportion of apartments being built. Installations are projected to decline by 9.4 per cent in 2018/19 and by a further 9.4 per cent in 2019/20.

Based on notional demand, HIA estimates that there is a total pool of 149,352 potential kitchen renovation jobs in 2018/19.

HIA estimates that there is a total pool of around 233,188 potential bathroom renovation jobs in 2018/19.

The latest HIA Kitchens and Bathrooms survey found the average value of a kitchen installed in new homes to be $25,707, which is now lower than the $26,280 average value of kitchens installed as part of renovations.

The survey found the average value for a bathroom installed in new homes to be $18,798 compared to the average value for bathrooms installed as part of a renovation at $19,553.

The HIA Kitchens and Bathrooms survey found a large majority of kitchen renovations (78 per cent) were performed in homes of the 11 to 20 year age group. Of the total, 42 per cent were performed on homes in the 16 to 20 year age group. A further 36 per cent of renovations were performed on homes aged between 11 to 15 years.

The survey found a large majority of bathroom renovations (71 per cent) were performed in homes in the 11 to 20 year age bracket. Of the total, 36 per cent were undertaken in homes in the 11 to 15 year age group. A further 35 per cent of bathroom renovations were performed on homes aged between 16 and 20 years.