



Buildxact Residential
Construction

ACTIVITY REPORT

July - September 2020





About this report

Data from this report is drawn from thousands of small residential builders across Australia who use Buildxact.

Buildxact is Australia's fastest growing provider of cloud-based residential construction software for small builders and trades. Thousands of builders use Buildxact's job management and job estimating software to quote for and manage residential construction projects across Australia, New Zealand, Canada and the United States. Using information collated from the software, Buildxact can provide detailed market insights on building activity over a given period. All dollar values in this report are in AUD.

To find out more, visit www.buildxact.com.au.

Introduction

Demand for custom-built home projects and renovations provided by small builders continues to grow strongly despite the ongoing disruption caused by the COVID-19 restrictions that began in mid-March.

Data collated from Buildxact's residential construction software shows that, nationally, demand in Q3 2020 (July–September) outstripped Q2 2020 (April–June) demand even though tighter COVID-19-related restrictions were implemented in Victoria in July. The number of quotes dipped in Victoria in August but partly recovered in September. However, it hasn't returned to the highs of July.

Nationally, many small builders are winning new work, and profit margins remain steady. Buildxact's subscriber numbers rose by 21% in Q3 but that has been outstripped by growth in the volume of quotes. The volume of quotes in Q3 2020 rose 31.7% compared to the volume of quotes in Q2, and total quote values rose by 42.7% (Q3 versus Q2).

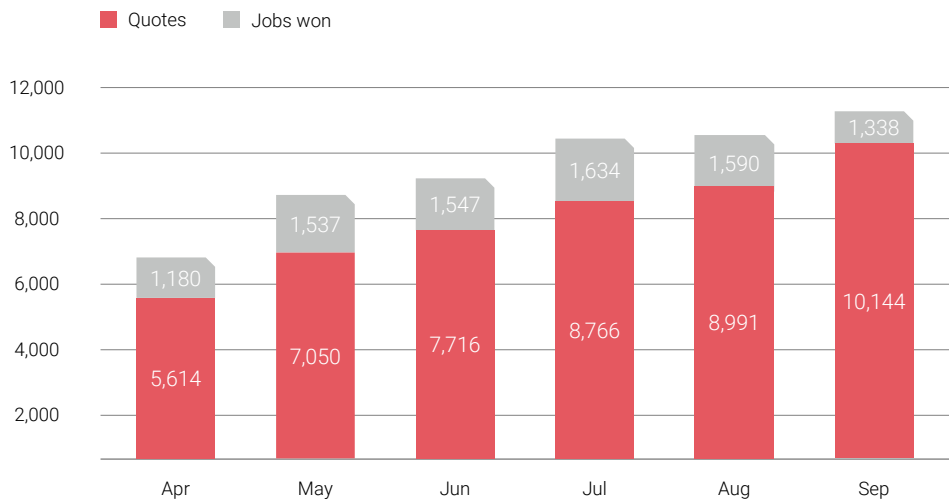
Quotes by month

The volume of quotes over Q3 2020 totalled 32,463 compared to 24,644 in Q2 2020 — up 31.7%. While Buildxact subscriber growth of 21% contributed to the increase in total quote volume, the average volume of quotes per builder increased by 7.7% in Q3 2020 compared to Q2 2020. Over Q3, the average volume of quotes per builder increased by 2.6%.

On a month-by-month basis over Q3 2020, the volume of quotes in July was up 12.3% compared to June. August was up 1.7% on July, and September rose by 8.5% compared to August.

The increase in the volume of quotes may be related to the fact that many people continue to stay at home because of COVID-19 restrictions on movement and overseas travel. This may be driving greater consideration of renovations and home improvement.

Total quotes vs jobs won

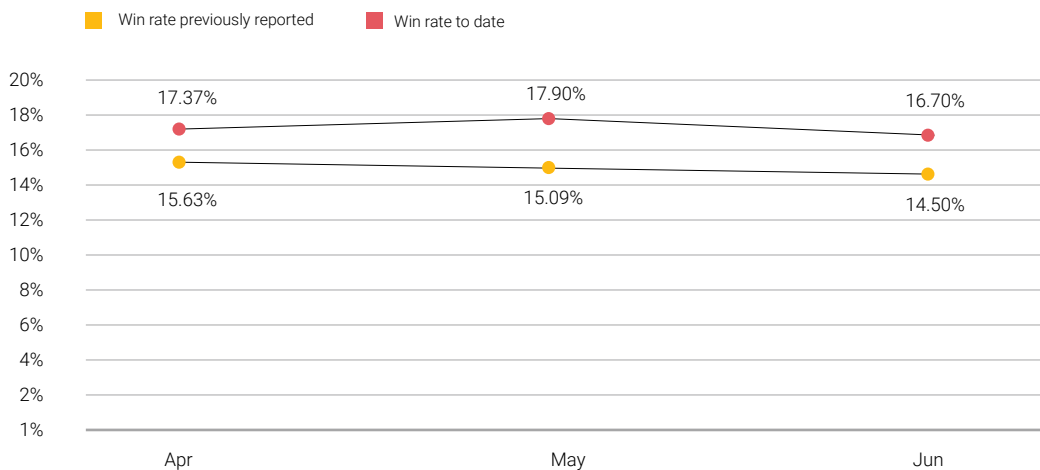


Win rate

Over the last few months, previously reported win rates in Q2 have increased. The reason for the increase is that when a job is won, Buildxact's software attributes that win to the date on which the estimate was created. So, if an estimate was created in January but won in September, the win will be attributed to January. The average time for a quote to convert to a win is around 50 days.

The current data shows that the number of wins secured by builders in proportion to the number of quotes on projects rose from 17.37% in April to 17.9% in May, before dipping slightly in June to 16.7%. On a value basis, jobs won in April totalled \$145.2 million; May was \$165.1 million; and June was \$151.6 million.

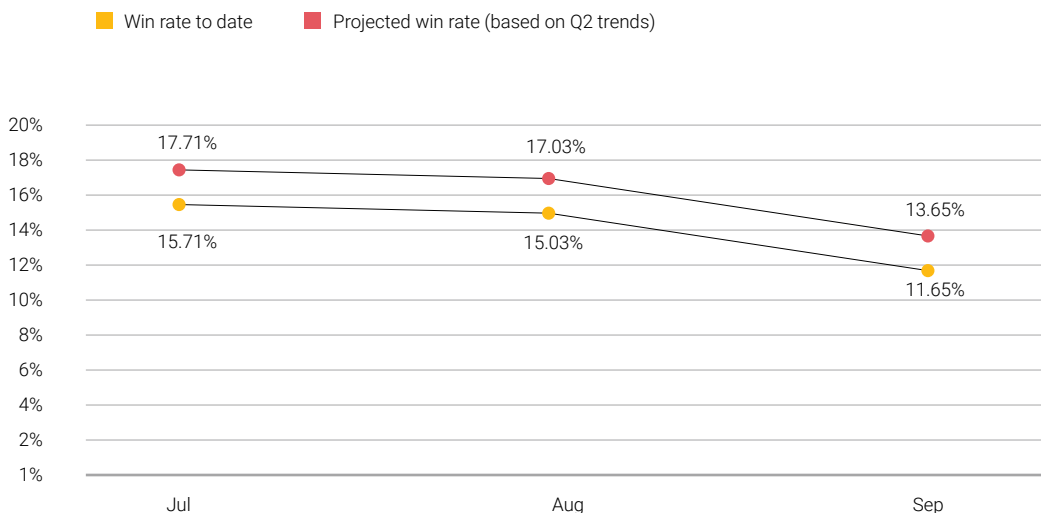
Q2 win rate



Current Q3 data shows the July win rate at 15.71%, but if Q3 follows the same pattern of increase as Q2, it is projected that the July win rate will surpass June to be 17.71%. It should remain relatively stable in August to around 17.03%, before easing to 13.65% in September.

The change in the win rate may reflect changes to the competitive environment; an increase in the time that it takes for builders to 'close' the job; or tighter conditions for homeowners seeking to obtain finance.

Q3 win rate

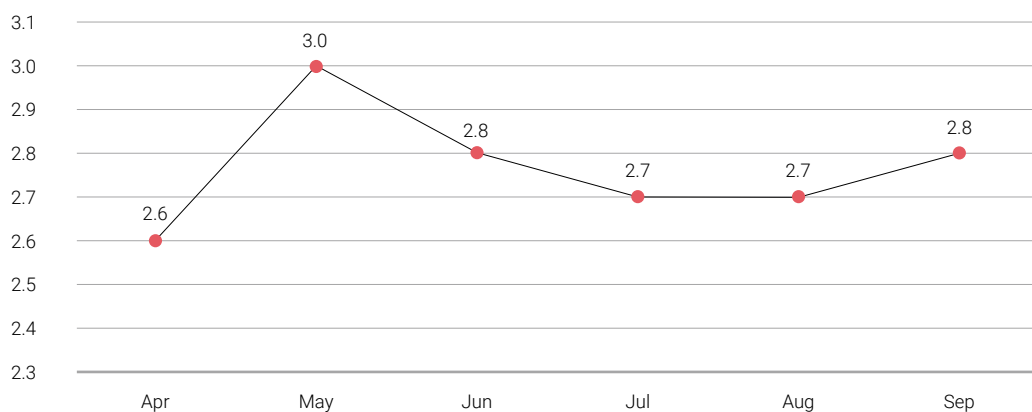


Average jobs won

Despite the dip in the number of wins secured by builders in proportion to the number of quotes, the average number of jobs won per builder has remained steady. In Q3 2020, the average number of jobs won per builder was 2.73 compared to 2.8 in Q2 2020. The May spike in jobs won may reflect a lift in consumer confidence following the easing of COVID-19 restrictions at the time by state governments.

The figure for September 2020 (2.8) was above the monthly average so far in calendar 2020 of 2.75.

Average number of jobs won per builder



Quote value

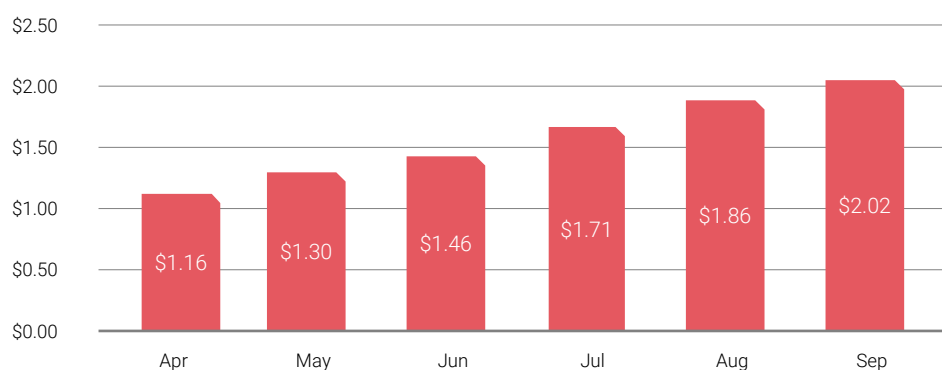
Over Q3 2020, Buildxact subscribers quoted on \$5.6 billion worth of projects, compared to a total of \$3.9 billion in Q2 2020 – an increase of 42.7%.

July, August and September all recorded increases in quote value. July 2020 was up 17.1% on June; August 2020 rose 8.8% on July; and September lifted 8.6% on August.

Total quote value in September 2020 is up 74.5% on April 2020, after COVID-19 restrictions were introduced in mid-March.

Based on an average win rate of 17%, the \$5.6 billion of quotes over Q3 is expected to convert to \$952 million of new project work for the small residential builders. Of this, approximately 40%, or \$381 million, flows through to hardware purchases, so hardware suppliers may see significant purchase orders in the months towards Christmas.

Total value of quotes (in billions)



Average value

The average value of quotes over Q3 2020 rose in July and August and hit a peak for the year-to-date in September at \$175,711.

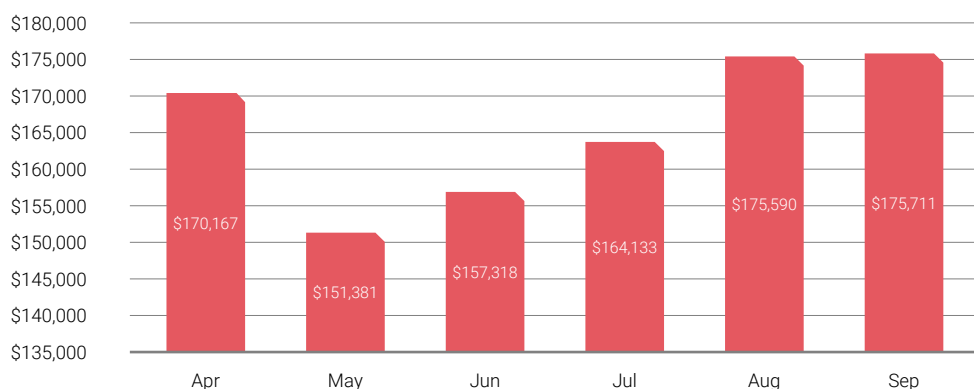
Average value in July 2020 was up 4.3% on June; August 2020 was up 7.0% on July; and September 2020 was marginally ahead of August.

The lift in average value may partly reflect take-up of the federal government's \$25,000 HomeBuilder grant to build a new home or substantially renovate an existing home.

The average value in September 2020 was up 3.3% on the average value in April 2020, after COVID-19 restrictions were introduced in mid-March.

After some COVID-19-related volatility early in the calendar year and an improvement in consumer confidence nationally, the average value has returned to, and exceeded, historical Buildxact averages of around \$170,000.

Average value of quotes

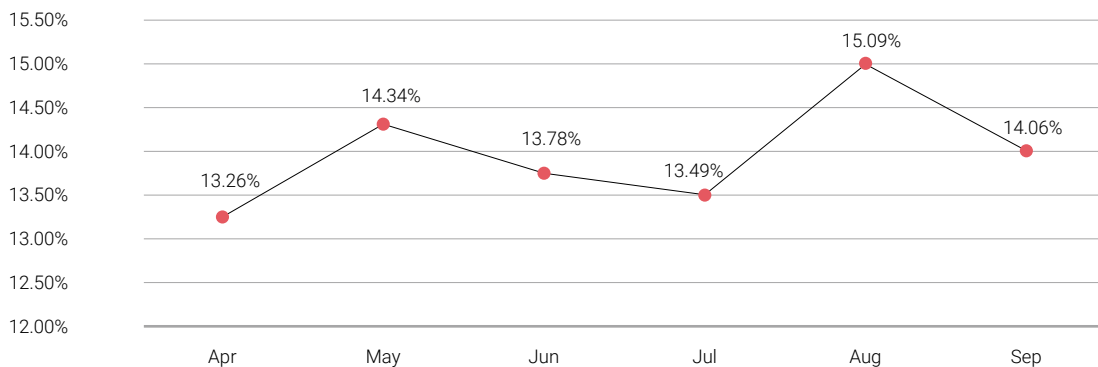


Quotes by margin

The builder's profit margin rose in Q3 2020 (three-month average 14.2%) compared to Q2 2020 (three-month average 13.8%), reflecting greater demand and a large proportion of renovations compared to new builds. Renovations have a higher margin than new builds.

The fact that profit margins have remained in line with the long-term average of 14.2% suggests that builders have sufficient work and are not under pressure to reduce prices.

Quotes by margin



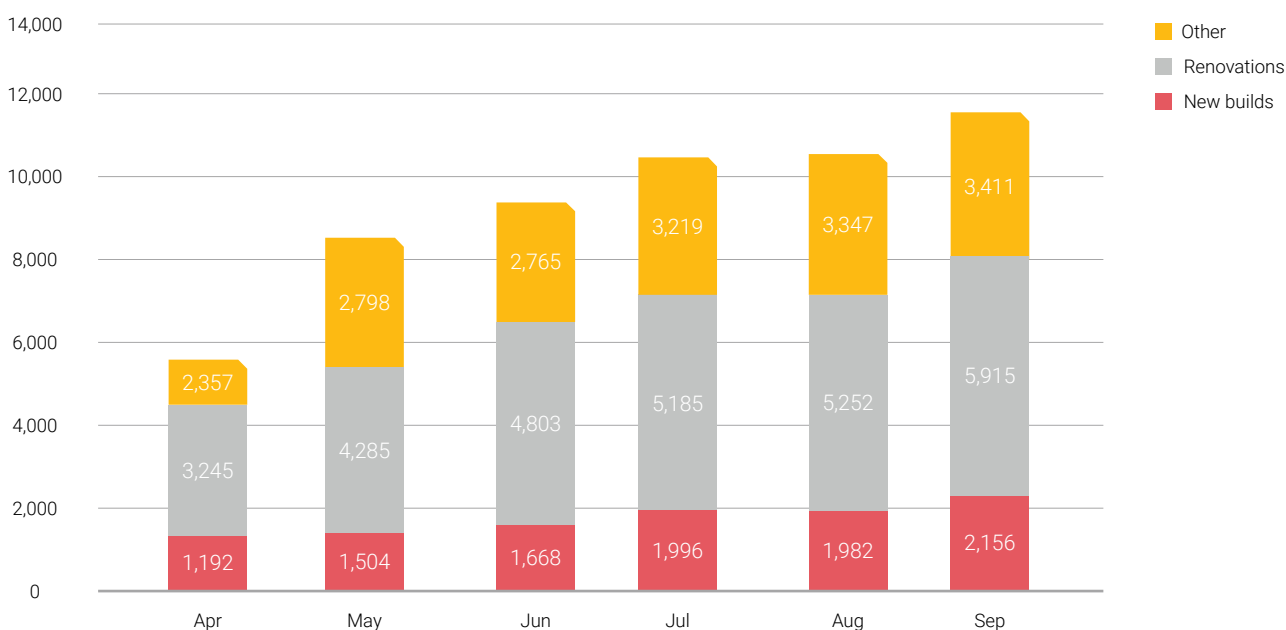
Project mix

Quotes for both new builds and renovations grew in Q3 2020, compared to Q2 2020. New builds rose by 40.6% in Q3, and renovations were up 32.6%.

Both new builds and renovations have risen since January 2020. September 2020 new builds were 160.4% higher compared to January 2020, and renovations lifted by 152.7%. September 2020 new builds were up 80.9% on April 2020, after COVID-19 restrictions were introduced in mid-March. September 2020 renovations lifted 82.3% on April 2020.

Renovations accounted for 50% of all project types in Q2 and Q3 2020.

Number of quotes by project type



Quotes state-by-state

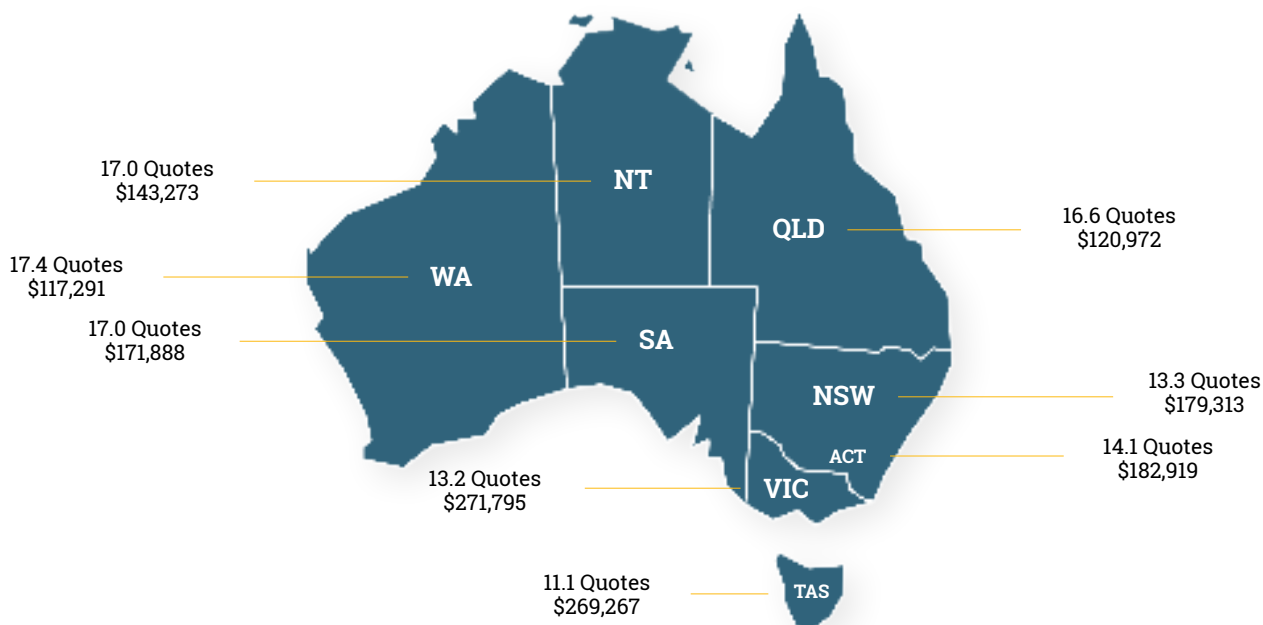
On a normalised basis, Western Australia experienced the strongest growth rate, with the average volume of quotes per builder growing by 13% from Q2 to Q3, followed by NSW at 9%.

Growth in Western Australia was largely driven by new builds, with the average volume of quotes per builder for new builds up 50% compared to a 10% lift in renovations. Although the volume of quotes for new builds is up in WA, the average price of quotes for new builds has declined 11% from Q2 to Q3. In contrast, the average price of quotes for renovations rose 15%.

In Queensland, the average volume of quotes per builder for new builds rose 16%, offset by an 8% decline in renovations. However, the overall volume of quotes remains consistent quarter on quarter. The average value of quotes for both categories in Queensland lifted in Q3 – new builds were up 18% and renovations up 13%.

Average quotes per builder by location

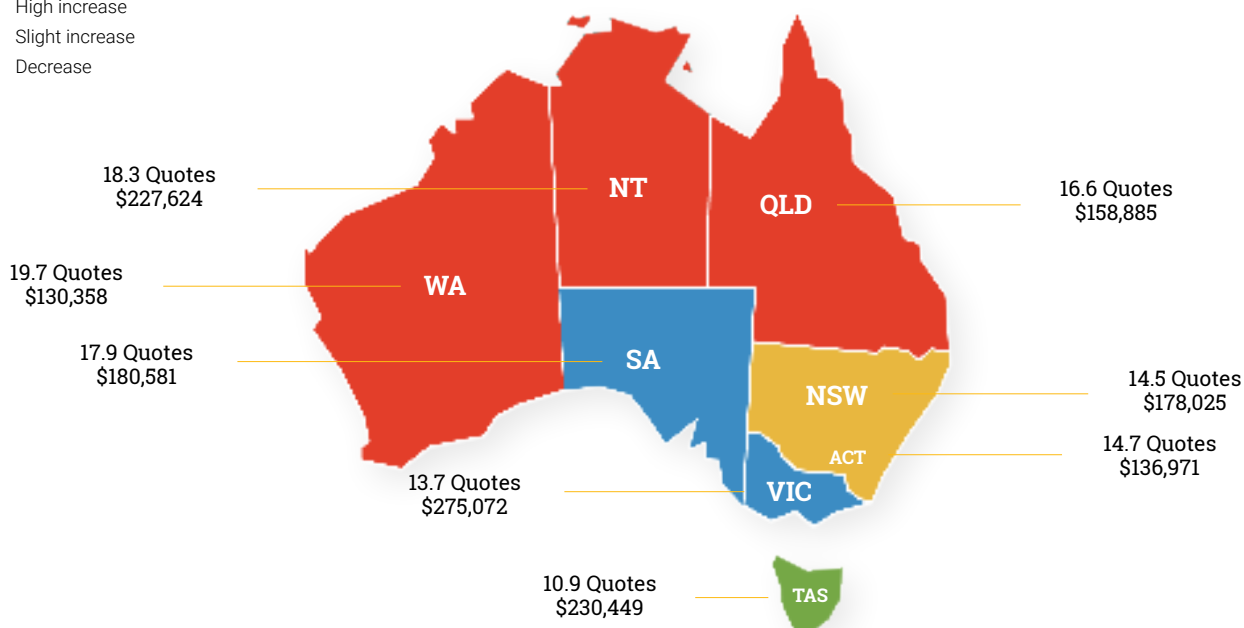
Q2 2020



Growth compared to Q2:

- Very high increase
- High increase
- Slight increase
- Decrease

Q3 2020

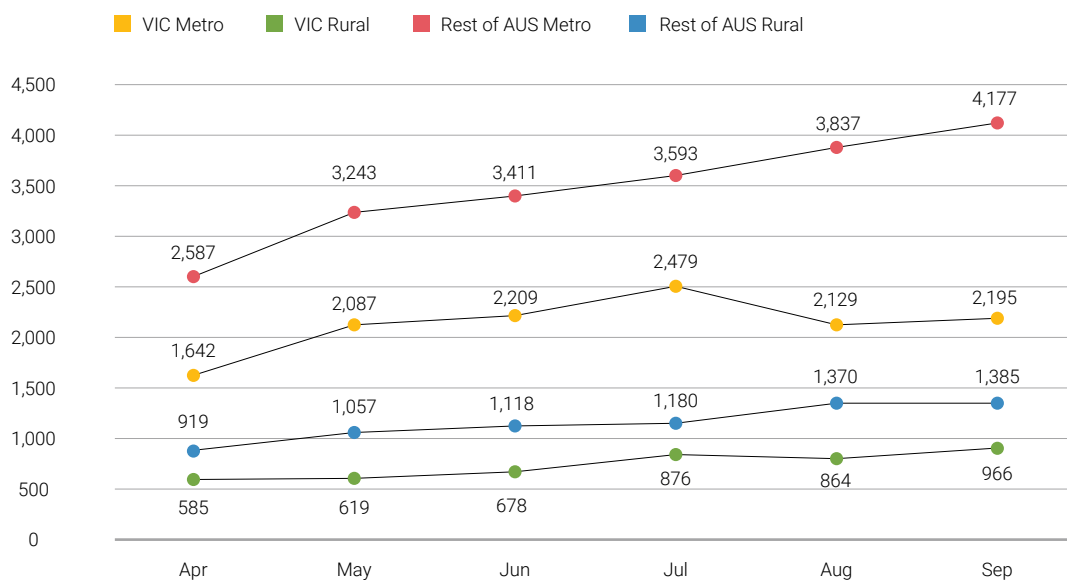


Trends in Victoria

In Q3 2020, quotes in metropolitan Melbourne fell in August, following the lockdown restrictions imposed within the city in July in response to the second wave of COVID-19 infections. This dip is a sharp contrast to the rest of Australia, where quotes in other metropolitan areas continued to rise. Quotes started to recover in metropolitan Melbourne in September, but volumes remained below July levels.

In regional Victoria, where COVID-19 restrictions were at a lower level than in metropolitan Melbourne, the dip in quotes during August was minor, and the recovery over September was stronger than in Melbourne. Quotes in regional areas elsewhere in Australia also rose but not as steeply as in metropolitan areas.

Number of quotes by location



Notes on variance in data

Please note some of the data reported in our last activity report (April–June 2020) has changed slightly. This is due to the way the Buildxact software attributes data and how builders use the platform.

Three key reasons why there is a variance in the data:

1. 'Jobs Won' are attributed to the date when an estimate was created. If a quote was created in January but won in September, the win will be attributed to January. The average time for a quote to convert to a win is around 50 days.
2. The total number of quotes is lower in the current data than seen in previous data, likely due to quotes being deleted from the system by users.
3. The total value of quotes will change due to changes made to the value of quotes generated in historical months.



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