



Rhett Simonds with a waffle pod that forms the base for the pouring of concrete slabs. PHOTO: WAYNE TAYLOR

Pod shortage lifts building costs

Construction

Michael Bleby

Rhett Simonds was expecting timber and steel prices to rise, but there was one input he never thought would be a problem – waffle pods.

The chief executive of Simonds Group, one of the country's largest home builders, was making plans around the shortages he anticipated of those two key materials, but never considered there would be a problem with waffle pods – the large polystyrene blocks used in the slabs of new homes.

"We understood the pods were made here so didn't raise too much of a concern here, but when we find the raw material came from overseas and it was causing delays on jobs across our whole industry, all of a sudden it was going to be a problem," Simonds says. "And we're seeing that."

Waffle pods are one part of a larger problem of supply pressures faced by the housing industry that has been supercharged by government incentives to boost the industry and lift the economy out of recession. ASX-listed Simonds Group has kept cost rises under control by having long-term pricing contracts, but those will end.

"With supply pressures across the board we are absolutely going to see it from all angles," Simonds says.

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"It's fair to say there are suppliers raising it now. The whole industry is in the same boat."

The global demand for polystyrene surged during the pandemic as locked-down consumers bought more goods than ever online – many wrapped and packaged in polystyrene – and just as the pandemic forced many oil refineries to slow production.

Shipping costs also surged, and local manufacturers buying the polystyrene resin beads that expand to 50 times in size under processing have faced massive cost increases.

"Traditionally, we've paid \$US1500 (\$1937) for a box – a 20-foot container – out of various suppliers based in southeast Asia, but that climbed to a peak of about \$6000 a box we got quoted at one stage," says Justin Kelsey, the general manager of Bayswater, Melbourne-based Foamex Group.

"We're still paying mid-tier \$US4000 for a container out of these regions. It's double the price."

While access to supply was the big

issue earlier in the year, the bigger problem now is meeting domestic house-building industry demands, says Kelsey, whose company supplies about one-fifth of the country's waffle pods.

"For a product [we could supply on] next day delivery, we're now looking at lead times up to two and four weeks, depending on where you are in the state," he says.

Victoria is hardest hit, but delivery has also been slowed in NSW, he says.

"If we're two to four [weeks in Victoria], they're one to two [weeks]," Kelsey says. "It's half the delay."

Waffle pods matter. The 1m by 1m polystyrene blocks that have a waffled, or scored, pattern on one face to reduce movement, sit on the ground and concrete, to form the slab, is poured around and over them.

Kelsey, who estimates there are 130 waffle pods per house, says there will be another round of cost hikes.

"We're looking at potential further increases in the very near-mid part of the next quarter," he says.

Simonds, whose company builds about 2500 houses a year, uses waffle pods in all of them and is feeling the effect of the delays.

"It's really hit us in the last three to four months, when the industry has felt it across the board," he says.

It threatens to choke the pace of home-building.