



COVID - 19 EDITION
SECOND QUARTER 2020

AUSTRALIA REPORT

CONSTRUCTION
MARKET INTELLIGENCE

Australia Construction Activity 2019

Down 5% to \$213b



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Townsville

2020 TPI

+0.5%

Brisbane

2020 TPI

+0.0%

Gold Coast

2020 TPI

+0.0%

Sydney

2020 TPI

+1.5%

REGIONAL INTELLIGENCE

EXECUTIVE SUMMARY

Since March 2020, Australia has been responding to the COVID-19 pandemic by balancing the need to ‘flatten the curve’ with maintaining an appropriate level of economic activity across the country. The construction industry and associated supply chains were deemed “essential industries” by all states and territories and have avoided some of the unprecedented and significant ramifications that other industries have experienced.

As we entered 2020, anticipation was that construction activity would fall modestly from the levels achieved during 2019. The quantum of this reduced volume was touted to be in the range of 4 to 5%, according to both the Australian Construction Forecasting Council (ACIF) and Master Builders of Australia (MBA). These forecasts, of course, were undertaken prior to any knowledge of the impacts of the COVID-19 pandemic, enforced restrictions and subsequent flow-on effects. Recently the MBA recast their forecasts for 2020 and 2021, incorporating their evaluation of the economic impacts caused by COVID-19. This revision saw a downgrade of residential and non-residential activity by an additional 10% in 2020 and 13% in 2021.

Initially, the impact of the virus caused disruptions to supply chains relying on goods out of China in late January and early February. The logistics of both the manufacture and transportation of goods was compromised due to the closure of factories and ports post the lunar New Year shutdown within China. This now seems to be resolved with factories back in operation and goods starting to be shipped around the globe.

Since March, the COVID-19 crisis has resulted in a government-ordered shutdown of large sections of the consumer economy. The construction industry, deemed an ‘essential service’ in all states and territories, has continued to operate, albeit with a number of enforced operational measures.

Looking ahead however, the outlook is challenging.

Economically, certain industry sectors which impact construction activity are being confronted with differing mid to long-term issues:

- Chinese demand is currently muted by the virus. There is lower demand together with potential trade issues for coal and iron ore, our top two exports
- International tourism, a huge earner for Australia, has been hammered by the virus as borders remain closed, leaving a short to medium term outlook for future investment low

- International student numbers within the education sector have been severely compromised leaving the pipeline of investment in facilities doubtful
- Both the commercial and retail sectors are seeing a potential of a faster tracked transition to a remote working environment and greater acceptance of purchasing consumer goods from on-line stores rather than from ‘bricks and mortar’ stores
- Australia’s debt has doubled, increasing pressure on government (both federal and state) infrastructure spending
- Limited permanent migration intakes may cause demand falloffs in residential market

There are some upsides however:

- Debt has never been as cheap. The long-term lending scope for government borrowing enables the funding of substantial stimulus measures and these historically low rates flow also onto business investment
- The radical drop in the oil price means lower costs for business and consumers
- Long-term current civil projects will provide stability to the sector due to the long duration of construction activities

- Forced changes to both working and consumer practices have heightened the demand for data storage and logistical centres

As restrictions are being lifted, it will take time before the consumer economy is allowed to return to full strength, as the resumption of entertainment, tourism and hospitality industries is limited, and expected to remain that way for some time yet.

Where does this leave the construction industry?

Currently many projects that were planned to commence or in the design phase are being put on hold or are progressing at a slower and more cautious pace. A recent survey of RLB offices indicates that 15% of projects that were in the final stages of pre-construction (design development, tender pricing etc.) fall into this category.

Market indicators suggest a significant decline in commencement volumes over the next six to twelve months. As current projects finish, there may be a considerable lag in project commencements until the market indicators return to ‘normal’.

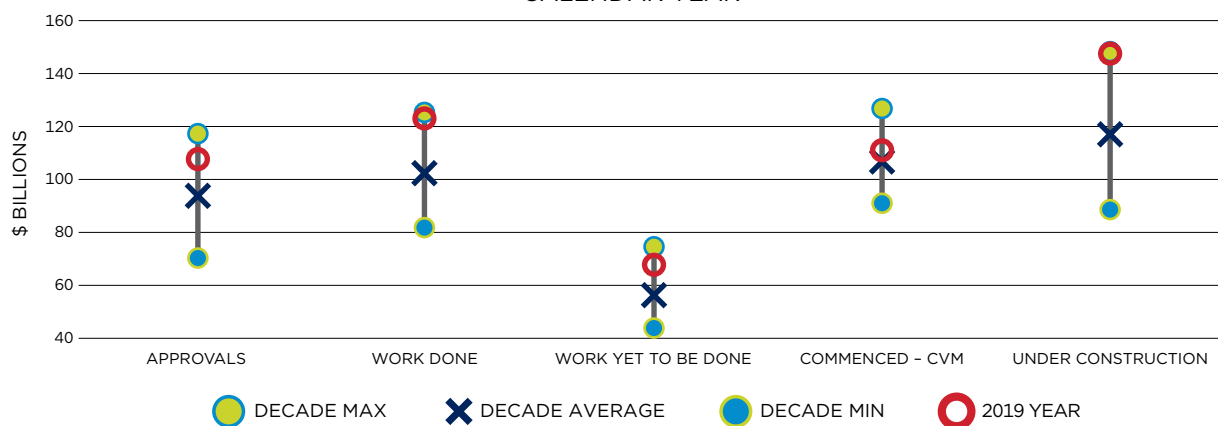
In the coming months, as the construction industry contends with these economic forces, we expect to see elements of stress in the market. This will cause building cost fluctuations as the industry deals with:

- supply chain disruptions
- negotiation of new on-site EBAs
- potential insolvencies within the sector as government incentives wind down
- maintaining the recently introduced on-site working procedures
- the drastically reduced demand for new housing from levels seen over the past few years

- lack of investment in non-residential sector
- changing contractual risk allocations between contractors and principals caused by the uncertainty in time and cost claims for the effects of COVID-19
- volatility in foreign exchange movements

All of these impacts will see a period of uncertainty in contractor tender pricing, some may cause downward shifts in tender costs as contractors and sub-contractors reduce margins and try to re-build their pipelines of work, while increases may be seen in general labour rates (caused by EBA increases), material price increases and contractor risk acceptance.

BUILDING ACTIVITY VALUES 2010 TO 2019
CALENDAR YEAR



CONSTRUCTION WORK DONE

\$M	CALENDAR YEAR			
	2016	2017	2018	2019
NEW HOUSE	35,146	35,407	38,634	36,341
APARTMENTS	31,039	31,773	33,817	30,590
ALTERATIONS & RENOVATIONS	8,801	8,784	9,552	9,114
TOTAL RESIDENTIAL	74,986	75,964	82,003	76,046
COMMERCIAL	1,153	1,501	2,016	1,956
EDUCATION	4,688	6,001	7,014	7,319
ENTERTAINMENT & RECREATION	3,229	3,382	3,361	3,652
HEALTH	5,603	5,530	5,204	5,250
HOTELS	2,254	3,185	3,509	3,442
INDUSTRIAL	4,879	5,746	5,474	7,398
OFFICES	6,002	6,361	7,821	8,862
OTHER NON-RESIDENTIAL	2,339	3,087	3,648	3,786
RETAIL	6,926	6,691	6,374	5,936
TOTAL NON-RESIDENTIAL	37,073	41,485	44,421	47,600
TOTAL BUILDING WORK DONE	112,059	117,449	126,423	123,646
BRIDGES, RAILWAYS & HARBOURS	6,044	7,458	9,908	10,117
ELECTRICITY & PIPELINES	8,631	11,959	15,861	14,961
HEAVY INDUSTRY	34,653	45,856	27,122	22,999
RECREATION & OTHER	4,805	5,416	5,827	5,376
ROADS AND SUBDIVISIONS	16,662	19,167	22,157	20,655
TELECOMMUNICATIONS	9,851	11,601	10,409	8,864
WATER, SEWERAGE AND SUPPLY	4,224	5,666	6,572	6,308
TOTAL ENGINEERING	84,870	107,123	97,857	89,280
TOTAL CONSTRUCTION WORK DONE	196,929	224,572	224,280	212,926

Source: ABS

REGIONAL INTELLIGENCE

TENDER PRICE INDEX

Across Australia, construction costs have been impacted by the economic effects of the COVID-19 pandemic. Tender prices were forecasted to be relatively stable across Australia in 2020 and 2021 when forecast in Q4 2019. Since the initial supply chain disruptions in Q1 2020 and subsequent government introduced measures to limit the impact of the virus, RLB offices have seen a relaxing pressure on construction costs due to falling activity within the key cities across Australia.

It was anticipated prior to the impact of COVID-19, both Queensland and Western Australia in 2020 would see positive movement in new work and see construction costs rise due to increased demand. With falling demand across the board predicted, Brisbane is forecasting no uplifts to tender pricing for 2020, Townsville 0.5% and Perth 1.5%. Melbourne is forecasting a reduced rate of 2.0% whereas Sydney remains at 1.5% for 2020.

Escalation for the remainder of 2020 and 2021 will depend greatly on the formalisation of a new Enterprise Bargaining Agreement within most states. The previous base rise of 5% per annum over the life of the EBA will have a large impact as to the direction of tender price increases during the next eighteen months. Until these agreements are finalised, future rates of escalation are proving difficult to quantify as labour accounts for a significant proportion of construction costs.

Whilst we have seen price increases across the country for structural steel, facades concrete, reinforcement and brick supply, actual tender prices have not yet reflected these material increases to their full extent.

The current consensus across RLB offices is that the general inputs into construction costs are generating a number of opposing factors.

The reducing construction volumes are likely to increase competition and reduce margins. However volatile exchange rates, supply chain reliability and changing work practices resulting in lower productivity potentially increasing program durations, are all likely to increase costs.

RLB TENDER PRICE ANNUAL % CHANGE AS AT Q2 2020

	2019	PREVIOUS 2020 @ Q4 '19	2020	PREVIOUS 2021 @ Q4 '19	2021	2022
ADELAIDE	3.90	4.00	0.20	4.50	1.50	2.00
BRISBANE	1.50	3.00	0.00	4.10	3.00	3.00
CANBERRA	3.50	3.00	3.00	3.00	2.75	2.75
DARWIN	0.50	1.20	0.80	1.80	1.20	1.50
GOLD COAST	1.50	2.50	0.00	3.00	2.50	3.00
MELBOURNE	3.00	3.25	2.00	3.25	2.75	3.00
PERTH	1.50	2.80	1.50	3.00	2.70	3.00
SYDNEY	4.10	3.50	1.50	3.80	2.20	3.00
TOWNSVILLE	3.00	3.00	0.50	3.00	3.00	3.00

REGIONAL INTELLIGENCE

RLB MARKET ACTIVITY CYCLE

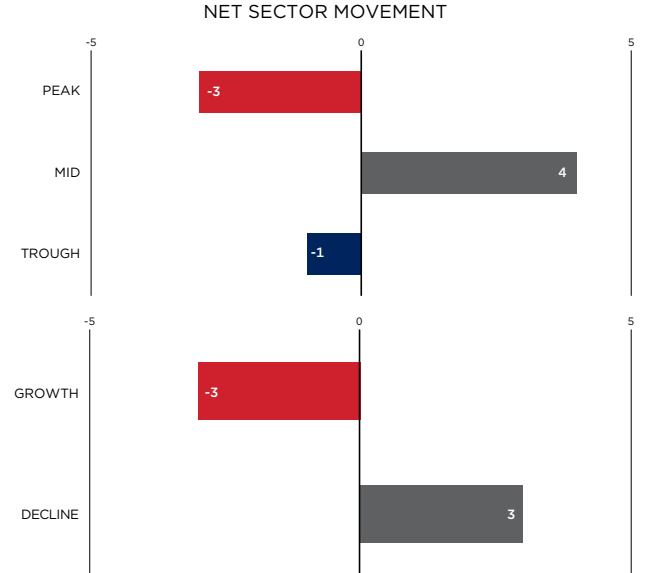
The Australian industry has been impacted in 2020 by a number of unprecedented events. Initially, in early January, bushfires ravaged significant regions of the country, followed by the growth of the COVID-19 pandemic.

These events have impacted all market sectors across the country in differing ways. Since Q4 2019, there has been a shift within the construction cycle from the growth phase to decline phase. This has been very pronounced across the eastern seaboard where new project starts are likely to be severely compromised in the short to medium term as the economy recovers from COVID-19. With disruption to immigration, major events, general business and tourism, the major sectors of residential, retail and commercial office will find market conditions difficult for new projects to remain feasible.

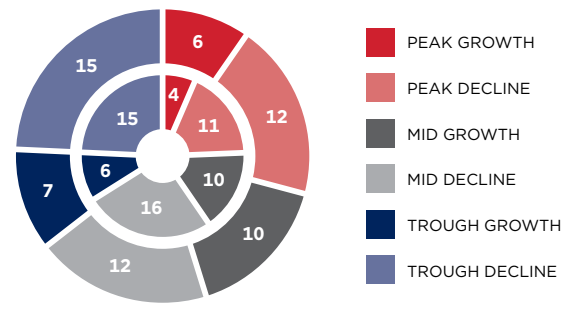
The number of sectors around Australia in the peak zone fell from 18 to 15 currently, and the mid zone increased from 22 to 26, highlighting the falling confidence levels. Sectors within the trough zone remained relatively steady at 22, with the only movement being in the hotels sector in Melbourne.

Most cities see that for the time being, the construction activity is relatively resilient to the disruptions and effects of lockdown. As we head towards the end of 2020 however, the outlook is more uncertain.

AUSTRALIAN MARKET ACTIVITY CYCLE



MARKET ACTIVITY CYCLE SECTOR CHANGES



Outer Ring - Market Sectors as at Q4 2019
Inner Ring - Market Sectors as at Q2 2020

RLB MARKET ACTIVITY CYCLE

AUSTRALIA	HOUSES	APARTMENTS	OFFICES	INDUSTRIAL	RETAIL	HOTEL	CIVIL
ADELAIDE	▼	▼	▲	▼	▼	▲	▼
BRISBANE	▼	▼	▲	▼	▼	▲	▲
CANBERRA	▼	▼	▼	▲	▼	▲	▼
DARWIN	▲	▼	▲	▲	▼	▲	▲
GOLD COAST	▲	▼	▼	▲	▼	▲	▼
MELBOURNE	▼	▼	▼	▼	▼	▼	▲
PERTH	▼	▼	▼	▲	▼	▼	▲
SYDNEY	▼	▼	▼	▼	▼	▼	▲
TOWNSVILLE	▼	▼	▼	▼	▼		▲

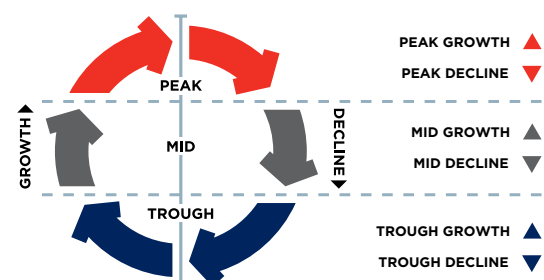
ABOUT THE RLB MARKET ACTIVITY CYCLE

Activity within the construction industry traditionally has been subject to volatile cyclical fluctuations. The RLB Market Activity Cycle (cycle) is a representation of the development activity cycle for the construction industry within the general economy.

Within the general construction industry, RLB considers seven sectors to be representative of the industry as a whole. These sectors are: houses, apartments, offices, industrial, retail, hotel and civil.

Each sector is assessed as to which of the three zones (peak, mid and trough) best represents the current status of the sector within the cycle, then further refined by identifying whether the current status is in a growth phase or a decline phase.

The 'up' and 'down' arrows within the tables represent whether the sector is in a growth or decline phase with the colour of the arrow determining the zone within the cycle. The three colours identified in the cycle diagram (red, grey and blue) represent the peak, mid and trough zones of the cycle.



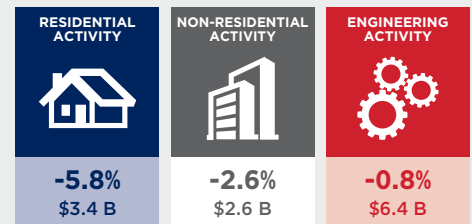




CURRENT MARKET CONDITIONS

Construction activity within South Australia during 2019 saw very similar levels to 2018 with a 2.5% fall (\$330M). Increased investment through 2019 in heavy industry and roads has enabled the engineering sector to maintain 2018 levels. Residential activity fell slightly from the decade high activity in 2018 and with approvals falling 2% during the year, similar activity is being forecast over the next few years with slight drop offs over the four years in the apartment sector.

Commencements for 2019 dropped to the decade average which may cause a slight dip in activity into the remainder of 2020 and into 2021. With approvals, work done and value of work under construction for 2019 almost at decade highs, activity was looking up. Major projects underway include the Health Innovation Hub, Skycity Casino and Festival Plaza upgrade.



Percentage change in work done in CY 2019
Total value of work done CY 2019

IMPACTS OF COVID-19

Construction sites are still operational throughout the state. Major projects continue to progress and are providing stability within the sector at the moment.

The major impact of COVID-19 within Adelaide will be into the future as projects are put on hold. The longer term of this will see future commencements fall even lower than the 2019 results suggest, putting pressure on activity in the second half of 2020 and into 2021.

Government stimulus measures and increased developer confidence levels may offset some of this downturn.

KEY SECTOR COVID COMMENTARY

HOUSING	Obviously the impact of higher unemployment is having an impact on both new housing and current house prices.
APARTMENTS	Investment sentiment is low even with record low mortgage rates. COVID-19 is likely to result in a significant fall in new projects particularly if the impacts of the cessation of the JobKeeper/JobSeeker measures in September.
COMMERCIAL	A number of tenant committed multistorey commercial office projects are under construction. These will provide for the existing demand and until the long-term effects of new workplace requirements are understood, the prospect of new uncommitted projects is limited.
HOTELS	The hotel sector has been severely impacted by COVID-19 and the current pipeline of projects under construction will add a significant number of new hotel rooms across the city. New developments in the planning phase have almost universally been put on hold mainly due to supply and demand issues.
RETAIL	The retail sector has been severely impacted by COVID-19 and the pipeline of projects in this sector will probably have to be revisited due to store closures and back-filling existing areas.
INFRASTRUCTURE	We anticipate growth in the civil sector with the government announcing new fast tracked projects.

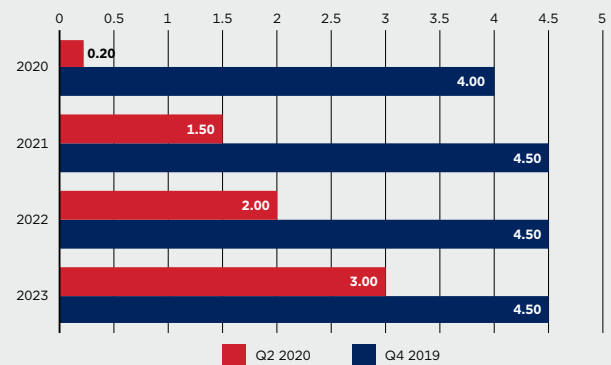
CONSTRUCTION ESCALATION

We see a number of issues confronting construction costs over the next six months. The lack of new projects commencing is likely to increase competition in the head contractor and sub-contractor markets which may lead to reduced margins and keener pricing. Offsetting this is current volatile exchange rates, supply chain reliability and additional on-site costs associated with changing work practices.

Overall we expect costs will not increase over the next six months due to concerns over the future pipeline of work available.

RLB TENDER PRICE INDEX

ANNUAL % CHANGE



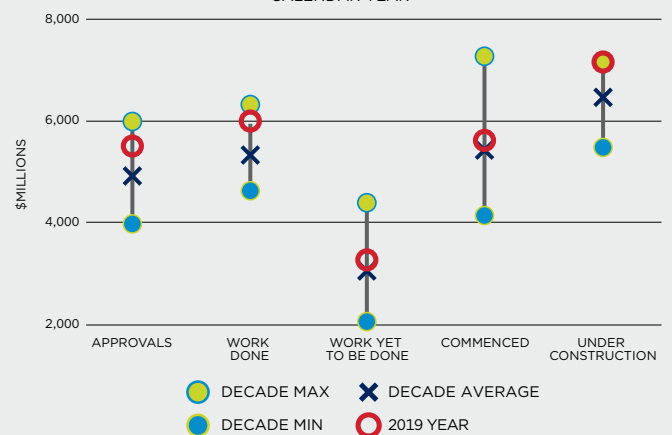
HISTORICAL ACTIVITY

South Australia has seen a lift in activity in 2018 and 2019. Strong non-residential work done within the industrial and offices sectors have contributed to overall building work done being at decade highs. Residential work has been strong over the past three years but apartment activity dipped in 2019 from record highs in 2018. The completion of a number of developments around Adelaide contributed to this result.

The future pipeline of work is trending weaker in 2020, with approval levels falling by 2.0% in 2019 over 2018 levels but total commencements fell by 18% to a five year low. The number of residential dwellings commencing in 2019 of 10,641 was down by 11% from 2018 levels.

SA BUILDING ACTIVITY VALUES - 2009 TO 2019

CALENDAR YEAR



CONSTRUCTION WORK DONE

\$M	CALENDAR YEAR			
	2016	2017	2018	2019
NEW HOUSE	1,907	2,027	2,161	2,080
APARTMENTS	653	764	981	843
ALTERATIONS & RENOVATIONS	441	434	472	481
TOTAL RESIDENTIAL	3,001	3,226	3,614	3,403
COMMERCIAL	42	82	94	138
EDUCATION	453	432	517	268
ENTERTAINMENT & RECREATION	145	141	239	256
HEALTH	496	491	306	254
HOTELS	44	89	136	186
INDUSTRIAL	212	293	498	702
OFFICES	105	151	246	339
OTHER NON-RESIDENTIAL	83	244	288	205
RETAIL	281	253	354	258
TOTAL NON-RESIDENTIAL	1,859	2,175	2,677	2,606
TOTAL BUILDING WORK DONE	4,861	5,401	6,291	6,010
BRIDGES, RAILWAYS & HARBOURS	117	350	323	450
ELECTRICITY & PIPELINES	890	1,179	1,676	1,259
HEAVY INDUSTRY	744	1,048	1,199	1,396
RECREATION & OTHER	376	435	509	540
ROADS AND SUBDIVISIONS	996	1,221	1,355	1,393
TELECOMMUNICATIONS	780	864	645	579
WATER, SEWERAGE AND SUPPLY	588	615	825	862
TOTAL	4,491	5,712	6,531	6,479
TOTAL CONSTRUCTION	9,352	11,113	12,822	12,489

Source: ABS

RLB CRANE INDEX®

Adelaide's RLB Crane Index® fell from the last edition's record high of 317 to 250, a fall of 21%. The fall resulted from seven cranes being removed from projects and three new commencements.

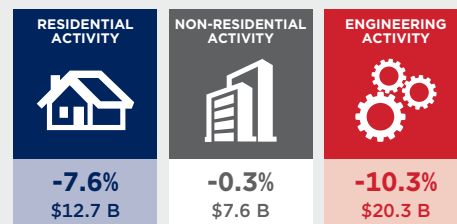


CURRENT MARKET CONDITIONS

Queensland’s construction activity during 2019 highlights the drop off in construction activity across the state. Building activity during 2019 is trending towards the decade average for most key indicators. Work done, commencements, approvals and work under construction in 2019 are all trending toward the decade average values.

The engineering sector continues to perform strongly with strong overall growth in heavy industry and roads over the past three years, providing stable engineering results, although falling investments in renewables and heavy industry activity saw a 10% drop for the twelve months of 2019.

Looking forward, the ACIF is forecasting an almost 10% drop in building activity in 2020, but a 10% rise in engineering type work. Residential and heavy industry are both forecast to grow more than 10% over the next three years.



Percentage change in work done in CY 2019
Total value of work done CY 2019

IMPACTS OF COVID-19

Construction sites have continued to work throughout the COVID-19 restrictions with no reported site closures. Major projects such as Cross River Rail, Queens Wharf and Brisbane Metro continue to progress and will provide a major stimulus in Brisbane over the next few years.

Major expansions of Caboolture, Logan and Ipswich hospitals will commence construction over the next few months adding valuable projects to the Brisbane pipeline. However the private sector which accounts for 90% of building construction work in Queensland is contracting, particular in the residential, retail, tourism / hospitality and aviation sectors.

The current impacts of COVID-19 have seen projects put on hold and changing work practices on sites however the future impact is likely to be more serious. The potential for increased insolvencies as construction volumes contract, are likely and the pipeline of future projects is likely to be severely compromised.

KEY SECTOR COVID COMMENTARY

HOUSING	Currently a slowdown in sales however the impact of higher unemployment resulting in investors leaving the market is likely to see a fall in house prices in the medium term.
APARTMENTS	The residential apartment sector has been in decline since the peak in 2016 with the number of apartments constructed in 2019 42% down on 2016. COVID-19 is likely to result in a significant fall in new projects particularly if the impacts of the cessation of the Job-Keeper/Job-Seeker measure in September place greater financial stress on tenants.
COMMERCIAL	The commercial office market will slow as tenants defer decisions on space requirements until they understand the post-COVID-19 workplace.
HOTELS	The hotel sector has been severely impacted by COVID-19 and the pipeline of projects in this sector has almost universally put on hold. However the three Hotels in the Queens Wharf development are currently under construction.
RETAIL	The retail sector has been severely impacted by COVID-19 and the pipeline of projects in this sector has almost universally been put on hold.
INFRASTRUCTURE	We anticipate growth in the civil sector with Cross River Rail, Brisbane Metro and Inland Rail all proceeding. In addition we consider that this sector is where the government will focus its stimulus measures.

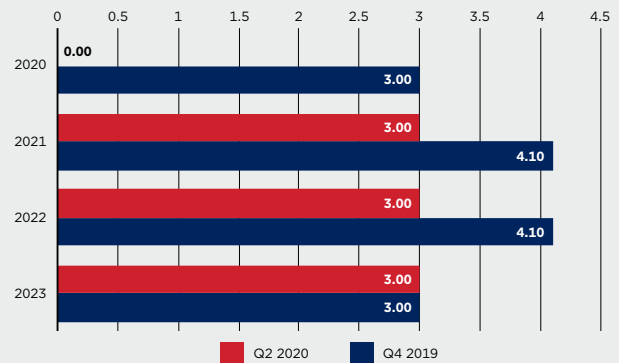
CONSTRUCTION ESCALATION

The impact of COVID-19 on construction costs is generating a number of opposing factors. The reduction in construction volumes is likely to increase competition and reduce margins.

However the exchange rate deterioration, supply chain reliability and changing work practices resulting in lower productivity due to distancing requirements and increased program durations due to lower productivity and reduced numbers of workers on site are likely to increase costs.

Overall we expect costs to remain flat for the next 12 months.

RLB TENDER PRICE INDEX
ANNUAL % CHANGE



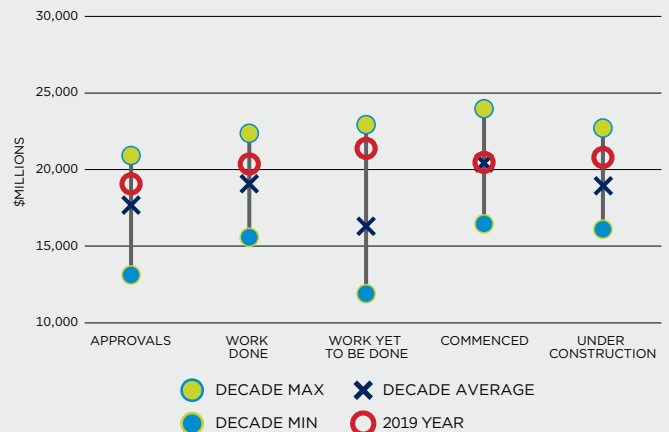
HISTORICAL ACTIVITY

Queensland activity is generally slowing as all indicators are moving downward towards the decade average.

There is still a strong pipeline of work yet to be done but commencements have fallen to the decade average in 2019. Strong commencements in 2020 are needed to counter the slowing activity within Queensland.

With the advent of the COVID-19 pandemic, future tourism and associated industry investment will be subdued causing future work done to fall.

QLD BUILDING ACTIVITY VALUES - 2009 TO 2019
CALENDAR YEAR



CONSTRUCTION WORK DONE

\$M	CALENDAR YEAR			
	2016	2017	2018	2019
NEW HOUSE	6,881	7,207	7,175	6,540
APARTMENTS	6,564	5,787	4,829	4,296
ALTERATIONS & RENOVATIONS	1,476	1,473	1,735	1,858
TOTAL RESIDENTIAL	14,921	14,467	13,739	12,694
COMMERCIAL	167	309	265	341
EDUCATION	893	1,073	909	1,232
ENTERTAINMENT & RECREATION	605	573	561	514
HEALTH	1,148	934	915	908
HOTELS	514	717	882	504
INDUSTRIAL	996	1,127	919	1,446
OFFICES	928	913	917	877
OTHER NON-RESIDENTIAL	373	513	526	652
RETAIL	1,686	1,722	1,704	1,099
TOTAL NON-RESIDENTIAL	7,310	7,881	7,598	7,573
TOTAL BUILDING WORK DONE	22,231	22,347	21,337	20,267
BRIDGES, RAILWAYS & HARBOURS	1,124	1,164	851	1,230
ELECTRICITY & PIPELINES	1,632	3,072	4,127	2,477
HEAVY INDUSTRY	7,854	7,971	8,914	8,454
RECREATION & OTHER	1,057	839	955	1,182
ROADS AND SUBDIVISIONS	3,325	4,161	4,508	3,903
TELECOMMUNICATIONS	1,897	2,244	1,954	1,591
WATER, SEWERAGE AND SUPPLY	1,024	1,456	1,326	1,466
TOTAL	17,913	20,906	22,635	20,303
TOTAL CONSTRUCTION	40,144	43,253	43,972	40,570

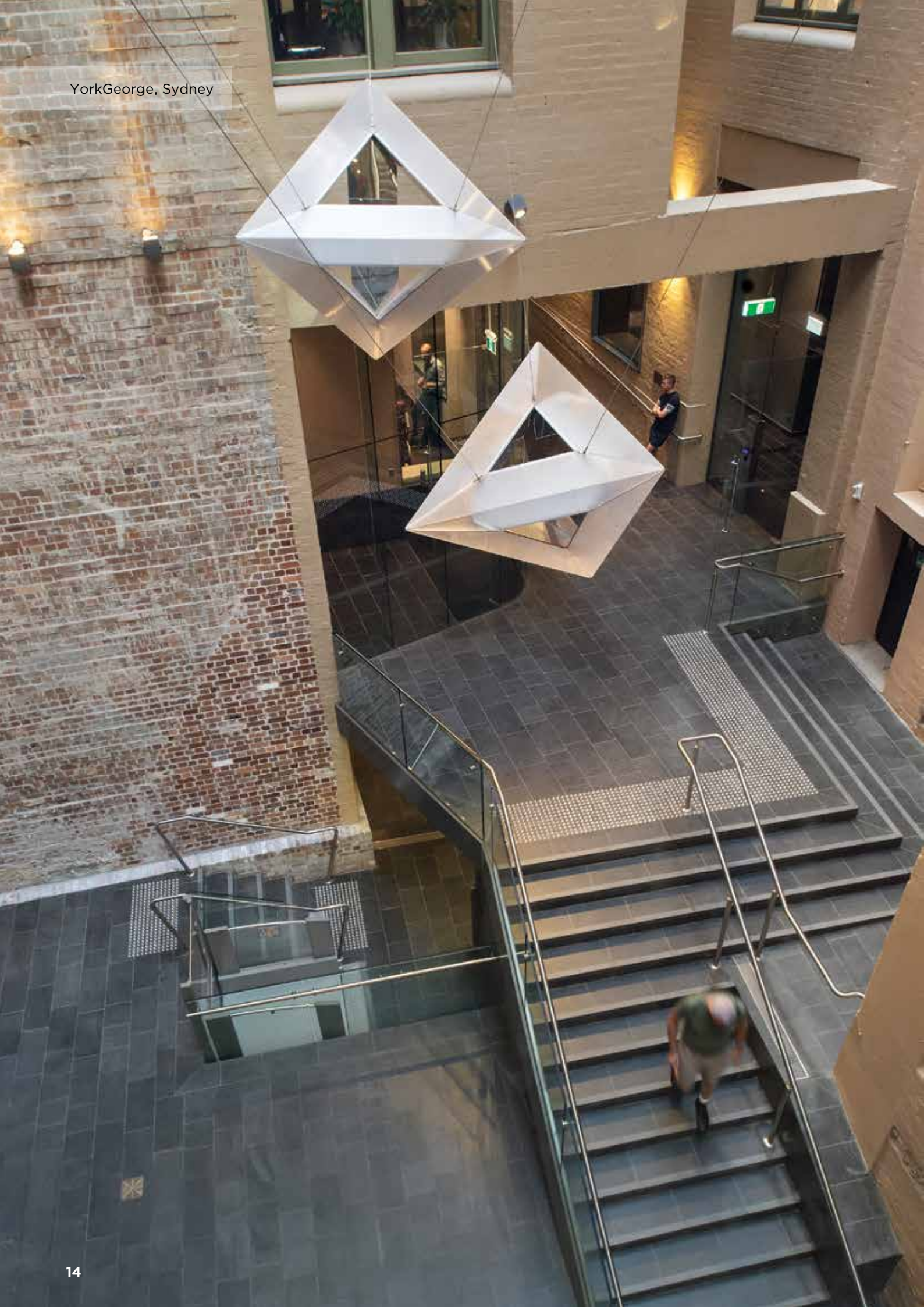
Source: ABS

RLB CRANE INDEX®

Even though small, the Q1 2020 index for Brisbane saw only the fourth rise in the index since Q2 2015.



The latest edition saw an increase of one crane across Brisbane reflecting 58 cranes across the city. This was caused by 34 cranes added and 33 removed.





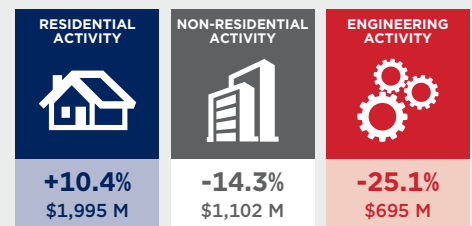
CURRENT MARKET CONDITIONS

The capital's construction activity appears to have peaked during 2018 & 2019. Even with building work done at the decade high in 2019, approvals and commencements are trending towards the decade average, hinting that a slowdown may be imminent.

Industry forecasts indicate a drop off in housing construction but stable apartment activity over the next few years. Education spend fell during 2019 but is expected to increase during 2020 and 2021 but this may be compromised into the future by falling higher education revenues.

The defence sector is stable and is forecast to maintain current levels into the near future.

Work at the Australian National University continues with the \$130m Research School of Physics and Engineering. Numerous major residential projects are continuing in Belconnen, Campbell and Woden on Northbourne Ave. The new \$300m ACT Government Office at Constitution Place on the corner of London Circuit and Constitution Ave is well underway. The new SPIRE hospital project is now tendering to shortlisted ECI contractor and enabling works projects are commencing.



Percentage change in work done in CY 2019
Total value of work done CY 2019

IMPACTS OF COVID-19

The ACT construction sector has largely been sheltered from the impact of COVID-19 due to the current Federal and Territory workflow. We are only aware of one project underway that was suspended but mainly due to client cash flow re-profiling. ACT Government stimulus has included streamlining the planning process in order to get 'shovel' ready" projects approved and into the market and construction started as soon as possible.

KEY SECTOR COVID COMMENTARY

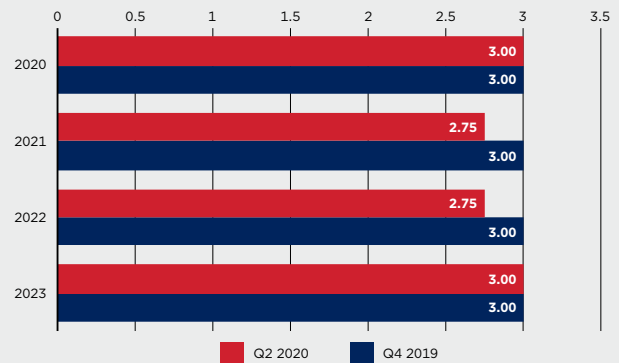
HOUSING	Negative effect due to employment uncertainty and general COVID-19 sentiment, although Canberra is not impacted as much as other jurisdictions due to percentage of government workers.
APARTMENTS	Negative effect due to employment uncertainty and general COVID-19 sentiment, although Canberra is not impacted as much as other jurisdictions due to percentage of government workers.
COMMERCIAL	A number of pre-committed projects will commence soon but those in early stages of planning with no tenant commitment are slowing pre construction activities.
HOTELS	Major impact due to tourism and hospitality economics.
RETAIL	Negative impact.
INFRASTRUCTURE	No real impact as yet as current projects progressing.

CONSTRUCTION ESCALATION

Escalation will remain at forecast levels during 2020 but slow into 2021 and 2022. This will be mainly due to competitive tender pricing by contractors maintaining adequate workflow which will be offset by material cost increases and continued pressure on labour costs.

RLB TENDER PRICE INDEX

ANNUAL % CHANGE

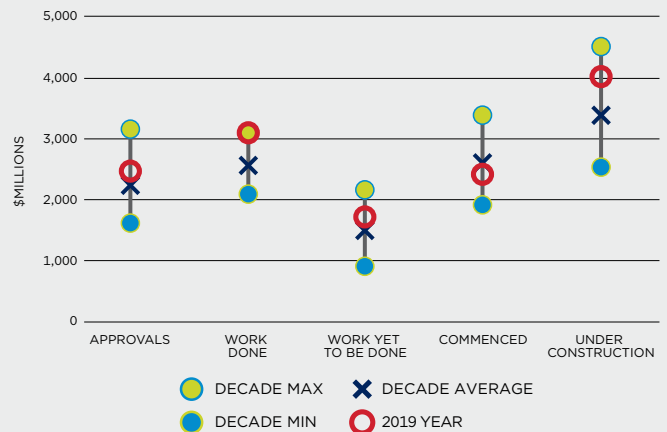


HISTORICAL ACTIVITY

The territory is currently seeing strong activity across all sectors with residential apartments and offices contributing to decade high volumes. Approval levels are still strong which should translate into continued strong activity into the near future. Canberra has a different market dynamic due to the influence of federal government department funding decisions more so than other cities across Australia.

ACT BUILDING ACTIVITY VALUES - 2009 TO 2019

CALENDAR YEAR



CONSTRUCTION WORK DONE

\$M	CALENDAR YEAR			
	2016	2017	2018	2019
NEW HOUSE	428	413	564	560
APARTMENTS	1,027	1,081	1,111	1,286
ALTERATIONS & RENOVATIONS	126	128	131	149
TOTAL RESIDENTIAL	1,581	1,622	1,807	1,995
COMMERCIAL	34	27	26	51
EDUCATION	231	187	447	157
ENTERTAINMENT & RECREATION	70	83	58	65
HEALTH	142	174	71	127
HOTELS	16	24	93	137
INDUSTRIAL	20	38	88	146
OFFICES	183	296	314	304
OTHER NON-RESIDENTIAL	72	101	62	15
RETAIL	159	116	127	99
TOTAL NON-RESIDENTIAL	927	1,046	1,286	1,102
TOTAL BUILDING WORK DONE	2,508	2,669	3,093	3,097
BRIDGES, RAILWAYS & HARBOURS	89	276	326	69
ELECTRICITY & PIPELINES	145	108	99	90
HEAVY INDUSTRY	0	0	1	31
RECREATION & OTHER	113	116	73	94
ROADS AND SUBDIVISIONS	132	116	132	147
TELECOMMUNICATIONS	218	284	178	152
WATER, SEWERAGE AND SUPPLY	88	94	120	113
TOTAL	785	993	928	695
TOTAL CONSTRUCTION	3,293	3,662	4,021	3,792

Source: ABS

RLB CRANE INDEX®

Canberra's index rose to 540, the second highest since the commencement of the index.



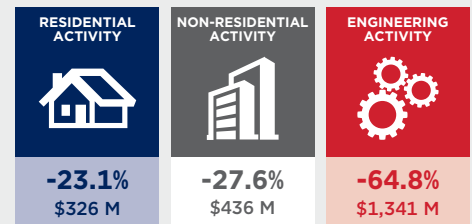
Ten cranes were erected and eight were removed from projects over the past six months. Twenty seven cranes were seen on the skyline in Canberra, up from 25.

CURRENT MARKET CONDITIONS

The Territory market has been generally quiet over the past number of years. Currently the NT Government is providing stimulus to construction trades to keep the industry afloat but we do not expect significant change from what is currently a quiet market.

There is concern however that the territory with its precarious economy and spending large sums of money on recovery and stimulus packages may compromise the funding of capital projects into the future, as it has done for the previous few years when private investment has been and remains at historic lows.

Engineering work has tapered off over the past number of years and there are a number of projects that are proposed but do not seem close to commencing.



Percentage change in work done in CY 2019
 Total value of work done CY 2019

IMPACTS OF COVID-19

Economy remains weak and the market is holding as best it can on the back of continuing government capital expenditure both locally and federally. There are fears of reduced NT Government funds for capital projects in the light of numerous stimulus assistance packages provided to those affected by the COVID-19 pandemic. The NT election planned for August this year will impact on the future release of funds available for new projects as the current government goes into caretaker mode causing no major commitments to be made both pre and post-election. However there are expectations of increasing expenditure on defence projects and a couple of NAIF major projects for which it is providing funding, bringing positivity in the market.

The current impact of COVID-19 has been imperceptible in the market due to ongoing low level of activity and all building sites continue to operate. Project planning continues in earnest as the government has ramped up expenditure in order to shield the industry from any sudden negative impacts. However given the weak NT economy and lack of private investment it is not clear how long the government can maintain sustaining the various industries, but with NAIF and defence funded projects in the planning and delivery phases we expect the industry to maintain a steady low-key course.

KEY SECTOR COVID COMMENTARY

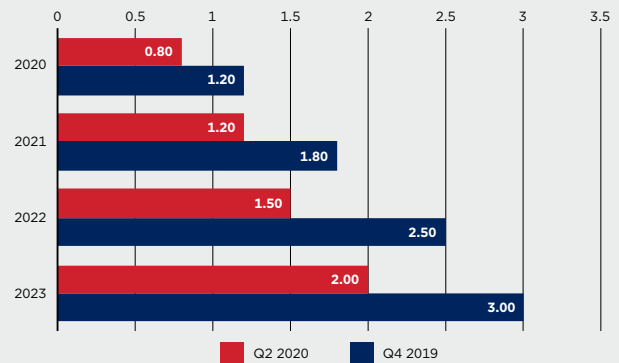
HOUSING	Housing sector still progressing at a reduced pace due to economic pressures on household finances and increased unemployment in those sectors most affected by the pandemic. We expect a rebound in those sectors as restrictions are eased as NT is currently officially COVID-19 free.
APARTMENTS	No activity in this sector which is normally driven by private investment which has been virtually non-existent. Low level activity from a handful of government funded public housing projects.
COMMERCIAL	No change in this sector except for a handful of government funded office refurbishment initiatives and stimulus packages. No new developments are currently in the planning or delivery phases.
HOTELS	Hotel sector is essentially on hold with no new investment until hospitality sector recovers as one of the worst hit sectors of the market.
RETAIL	No change in activity in the retail sector which has been weak for a long time.
INFRASTRUCTURE	Civil projects are still active with a number of infrastructure programs in the planning and delivery phases. No new major projects commencing but a number of small road and infrastructure projects are keeping the industry busy in remote NT regions where federally funded government projects are underway.
INDUSTRIAL	No change in this sector with low demand due to the current weak economic environment.

CONSTRUCTION ESCALATION

Escalation will remain under control over the next year due to the weakness in the economy and current spare capacity in the industry.

RLB TENDER PRICE INDEX

ANNUAL % CHANGE



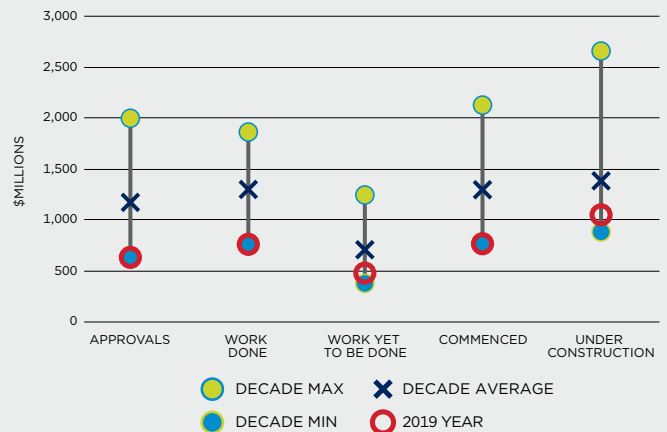
HISTORICAL ACTIVITY

Northern Territory activity during 2019, was at decade lows for most indicators. Approvals, work done, commencements and work under construction are at decade lows. The engineering sectors which were providing much needed activity throughout the territory have slowed and the forecast is not predicting any significant growth from 2019 levels.

The mining and heavy industry sector has dropped from \$5b of work done in 2017 to only \$652m in 2019, with similar levels to 2019 forecasted for the next four years. A pick up in education and health activity over the next few years is forecast to see non-residential activity to increase over 2019 levels. Residential work done is forecasted at 2019 levels into the near future.

NT BUILDING ACTIVITY VALUES - 2009 TO 2019

CALENDAR YEAR



CONSTRUCTION WORK DONE

\$M	CALENDAR YEAR			
	2016	2017	2018	2019
NEW HOUSE	313	239	213	170
APARTMENTS	136	69	85	40
ALTERATIONS & RENOVATIONS	103	107	126	116
TOTAL RESIDENTIAL	552	414	424	326
COMMERCIAL	3	12	28	28
EDUCATION	128	78	99	62
ENTERTAINMENT & RECREATION	28	49	51	51
HEALTH	130	146	68	22
HOTELS	13	12	17	14
INDUSTRIAL	23	54	35	43
OFFICES	35	39	38	60
OTHER NON-RESIDENTIAL	96	147	165	99
RETAIL	165	110	102	56
TOTAL NON-RESIDENTIAL	622	647	602	436
TOTAL BUILDING WORK DONE	1,174	1,061	1,026	762
BRIDGES, RAILWAYS & HARBOURS	47	37	67	47
ELECTRICITY & PIPELINES	26	367	327	136
HEAVY INDUSTRY	4,917	5,076	2,835	652
RECREATION & OTHER	118	119	117	98
ROADS AND SUBDIVISIONS	291	332	311	277
TELECOMMUNICATIONS	250	205	61	49
WATER, SEWERAGE AND SUPPLY	49	59	95	82
TOTAL	5,698	6,195	3,812	1,341
TOTAL CONSTRUCTION	6,872	7,256	4,838	2,103

Source: ABS

RLB CRANE INDEX®

Darwin continues to have a tower crane at the CBD's newest commercial precinct - Mandunda Place, a nine storey addition to the commercial office sector which will be fully leased to the NT Government.



Collins Square, Melbourne





CURRENT MARKET CONDITIONS

Construction work underway has continued despite COVID-19 restrictions to working practices. Projects in the planning and approvals phases have seen a substantial number of deferrals until the effects of COVID-19 on the wider economy and development sector are better understood and planned for.

In particular, retail, aviation, entertainment and leisure, tourism and residential development has contracted due to uncertain forecasts on tourist visitor numbers, property market confidence and constrained capital investment budgets as a result of reduced revenues during restricted trading periods.

IMPACTS OF COVID-19

The current impacts of COVID-19 are leading to an uncertain economic period for both the residential property market as well as those retail, tourism and leisure projects which are underpinned on the Gold Coast by international travel both for holidaymakers and students. The immediate impact to future planned works have seen substantial project deferrals and will result in more difficult operating conditions for both developers and contractors in the short to medium term.

The contraction of future construction work and increased competition for what remains will see increased levels of insolvency within the industry and uncertainty will continue in relation to longer term impacts to pipeline.

RLB CRANE INDEX®

The Gold Coast's index recorded a rise from 193 to 220 in Q1 2020, a lift of 14%. Twenty cranes were added and 16 were removed bringing the coast's total to 33.

The residential sector accounts for 73% of all Gold Coast cranes, falling slightly.

The Sunshine Coast saw seven cranes erected and seven removed, maintaining the region's crane numbers at 11.



CONSTRUCTION ESCALATION

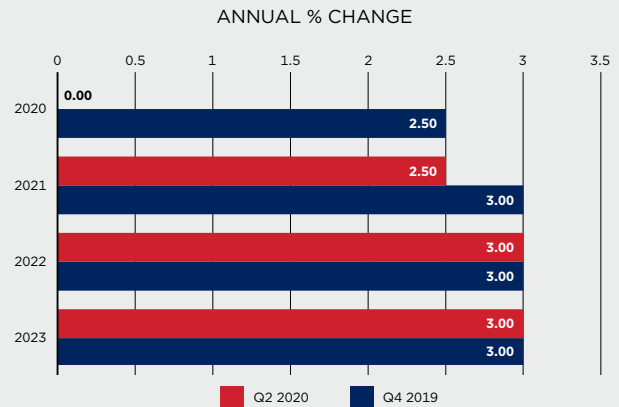
The impact of COVID-19 on resourcing, supply chains and sector confidence is resulting in a number of competing factors in terms of forecast cost movements.

The reduced construction volume experienced in the market during 2019 has worsened in 2020 which is leading to increased competition and reduced margins across head and sub-contracts.

This has been partially offset by exchange rate deterioration, reduced productivity from social distancing requirements and impacts to resourcing and extension to construction programs.

Based on these factors, it is expected that cost escalation in the short term is unlikely.

RLB TENDER PRICE INDEX



BUILDING APPROVALS - GOLD COAST REGION

\$M	CALENDAR YEAR			
	2017	2018	2019	Q1 2020
HOUSES	982	932	753	157
APARTMENTS	1,488	1,396	947	70
RENOVATION	163	163	193	43
TOTAL RESIDENTIAL	2,632	2,492	1,893	269
NON RESIDENTIAL	1,566	1,194	853	103
TOTAL BUILDING APPROVALS \$M	4,198	3,686	2,746	373
HOUSES	2,881	2,675	2,130	436
APARTMENTS / OTHER	2,934	3,740	2,703	289
TOTAL DWELLING APPROVALS #	5,815	6,415	4,833	725

Source: ABS

BUILDING APPROVALS - SUNSHINE COAST REGION

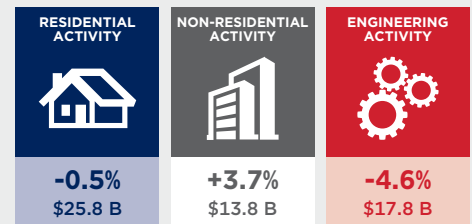
\$M	CALENDAR YEAR			
	2017	2018	2019	Q1 2020
HOUSES	1,019	954	888	172
APARTMENTS	356	421	379	66
RENOVATION	146	160	187	119
TOTAL RESIDENTIAL	1,520	1,535	1,454	357
NON RESIDENTIAL	479	491	370	103
TOTAL BUILDING APPROVALS \$M	1,998	2,026	1,825	460
HOUSES	3,431	3,154	2,740	555
APARTMENTS / OTHER	1,436	1,600	1,213	258
TOTAL DWELLING APPROVALS #	4,867	4,754	3,953	813

Source: ABS

CURRENT MARKET CONDITIONS

Activity in Victoria maintained strong levels in 2019. Both work done, for the twelve months of 2019, and the value of projects under construction as at 31 December 2019 were at decade highs. Strong non-residential and infrastructure projects offset the weakening residential market. Work yet to be done is almost at the decade high which indicates a reasonable pipeline of activity into 2020.

Current activity indicates that in the short term, the value of work done should be at slightly lower levels to those achieved in 2019. But as approval volumes have dropped slightly, future commencement numbers will be compromised which will cause activity to drop in 2021 and 2022.



Percentage change in work done in CY 2019
Total value of work done CY 2019

IMPACTS OF COVID-19

Since the government put the brakes on the economy in March, many projects that were planned to commence or in the design phase have stalled or are progressing at a slower and more cautious pace.

The expectation is that the market will soften as we move towards the end of 2020 on the back of falling approvals, lower commencements due to COVID-19 and the completion of a number of large scale projects during the remaining months of 2020.

In the coming months, as the construction industry contends with these economic forces, we expect to see elements of stress in the market. This will cause building cost fluctuations as the industry deals with:

- changing conditions and/or disruptions to supply chains
- potential insolvencies to contractors and suppliers as government incentives wind down, lack of new work and increased competitiveness
- maintaining the COVID-19 introduced social distancing procedures on site
- changing contractual risk allocations between Contractors and Principals caused by the uncertainty in time and cost claims for the effects of COVID-19
- retrenchments in large commercial contractors and subcontractors as they complete their current pipeline of work

KEY SECTOR COVID COMMENTARY

HOUSING	No apparent impact currently with housing construction still underway, future commencements are unknown at this stage with tightening finance requirements.
APARTMENTS	Many large residential projects are underway but future commencements may be compromised as pre selling activities are put on hold due to lockdown issues.
COMMERCIAL	Melbourne has seen a offices under construction during 2019. Many pre-committed projects will commence soon but those in early stages of planning with no tenant commitment are slowing pre construction activities.
EDUCATION	The higher education sector has been significantly impacted by the COVID-19 travel restrictions for international students with significant revenue losses and have indicated that future projects will be postponed until full impacts are assessed. State based K-12 level schools have had a funding boost from the state government and should see more activity within this sector.
HEALTH	Additional government funding will be key to the development of any significant new developments within the health sector.
HOTELS	With a significant spike in new hotel projects completed and currently under construction, any new development will be put on hold until the tourism market recovers.
RETAIL	With significant activity in the past number of years there will be uncertainty as to future investment due to store closures, investment yields and changing retail landscape. New greenfield developments within new large subdivisions should be unaffected.
INFRASTRUCTURE	Little change should be seen due to existing long-term project commitments from the state government.

CONSTRUCTION ESCALATION

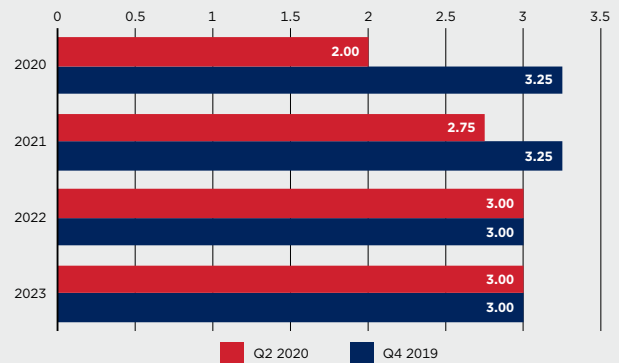
The continuing influx of civil and infrastructure projects is still impacting on the supply of labour and materials for some key trades, such as structure, form workers, general labourers and steelworkers. Current pressure on finishes trades should ease towards the second half of 2020 as some large scale residential projects head towards completion.

The expectation is that the market will soften as we move towards the end of 2020 on the back of falling approvals, lower commencements due to COVID-19 and the completion of a number of large scale projects during the remaining months of 2020.

In the non-EBA markets, it is likely that tender prices will fall as contractors and subcontractors reduce pricing to maintain workload.

RLB TENDER PRICE INDEX

ANNUAL % CHANGE



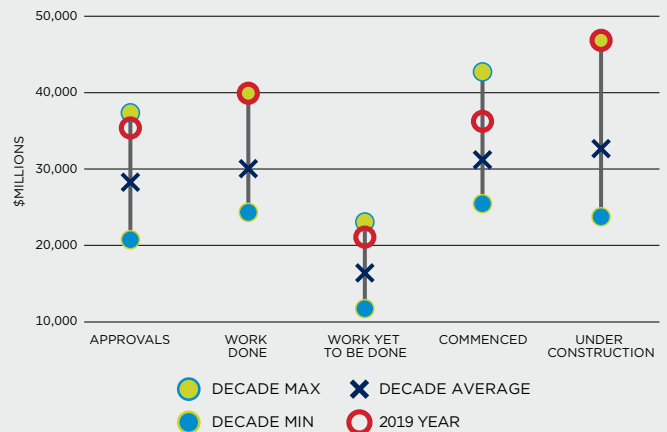
HISTORICAL ACTIVITY

All indicators in Victoria convey the continuation of strong building activity into the near future. With approvals and work to be done in 2019, above the decade's average, activity should continue to be strong in the short term. Both work done, for the twelve months of 2019, and the value of projects under construction as at 31 December 2019 are at decade highs. Work yet to be done is still almost at the decade high indicating a reasonable pipeline of activity into the first half of 2020.

Approval values held up in 2019 with a fall of only 3% from 2018 levels and still considerably above the decade average and are trending this way into 2020.

VIC BUILDING ACTIVITY VALUES - 2009 TO 2019

CALENDAR YEAR



CONSTRUCTION WORK DONE

\$M	CALENDAR YEAR			
	2016	2017	2018	2019
NEW HOUSE	10,819	11,201	12,860	12,608
APARTMENTS	8,710	8,828	10,136	10,465
ALTERATIONS & RENOVATIONS	2,718	2,864	3,013	2,809
TOTAL RESIDENTIAL	22,247	22,893	26,009	25,881
COMMERCIAL	183	365	640	437
EDUCATION	1,279	2,164	2,341	2,263
ENTERTAINMENT & RECREATION	524	1,072	946	1,061
HEALTH	1,310	1,220	1,530	1,203
HOTELS	296	608	831	1,161
INDUSTRIAL	1,381	1,844	1,653	1,886
OFFICES	1,775	2,092	2,918	3,340
OTHER NON-RESIDENTIAL	679	675	924	769
RETAIL	1,646	1,727	1,499	1,658
TOTAL NON-RESIDENTIAL	9,074	11,766	13,281	13,778
TOTAL BUILDING WORK DONE	31,321	34,659	39,291	39,659
BRIDGES, RAILWAYS & HARBOURS	1,441	1,849	3,610	3,192
ELECTRICITY & PIPELINES	2,171	2,245	3,969	4,588
HEAVY INDUSTRY	950	627	598	777
RECREATION & OTHER	1,044	1,565	1,586	1,335
ROADS AND SUBDIVISIONS	3,123	3,522	4,803	4,304
TELECOMMUNICATIONS	2,232	2,692	2,904	2,396
WATER, SEWERAGE AND SUPPLY	669	1,002	1,193	1,204
TOTAL	11,631	13,502	18,662	17,796
TOTAL CONSTRUCTION	42,952	48,161	57,953	57,455

Source: ABS

RLB CRANE INDEX®

Melbourne recorded an 8% fall in the Q1 2020 index. The index now stands at 169, down from the high of 191 in Q1 2019.



Across Melbourne 71 cranes were added to projects and 88 were removed, bringing current crane numbers to 196 down from the record 222 cranes achieved twelve months ago.

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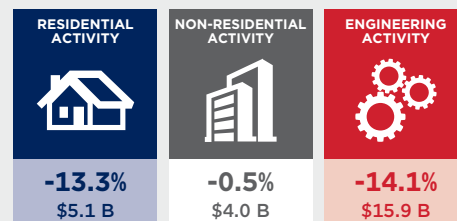


CURRENT MARKET CONDITIONS

The west in 2019 has seen a 33% drop in construction activity since 2016. This has mainly been due to a \$10B drop in heavy industry work undertaken. Non-residential building has maintained levels around the \$3.9B annually over the past 5 years but residential activity has fallen 33% since 2016.

Almost all key indicators for 2019 are at the decade lows with only approvals showing a rise from 2018 levels.

The short term forecasts may see a rise in activity during 2021 and continuing through 2022 and 2023. 2020 levels are similar to those achieved in 2019. The residential market is forecast to grow 17% for 2023 over 2019 levels with non-residential sectors remaining steady. Similar rises in engineering activity are forecast to mirror the growth in residential.



Percentage change in work done in CY 2019
Total value of work done CY 2019

IMPACTS OF COVID-19

The impact of COVID-19 is not yet fully apparent. In the short term a number of projects have been cancelled or put on hold. There are discussions on stimulus programs and project selection but these are yet to impact on work volumes.

Demand for work from builders and sub-contractors remains very high and this is leading to very competitive pricing. The contractors have adapted quickly to the changing environment with increased cleaning regimes, work strategies to reduce workforce density and additional amenities, etc. for staff and workers.

KEY SECTOR COVID COMMENTARY

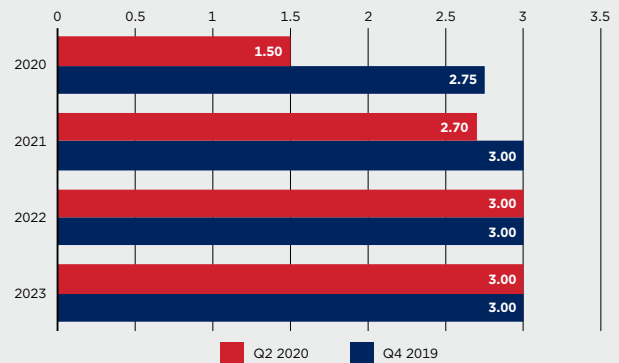
HOUSING	The housing industry has had a low number of new starts over the last 12 months and the COVID-19 situation may further impact this in the short term.
APARTMENTS	Slowing pre-sales and tightening finance requirements has seen this sector slow over the last 12 months.
COMMERCIAL	The office vacancy has fallen over the last 2 years but is still showing a vacancy rate of 18%. Generally the level of activity in this sector is 'low' but some office development is occurring in the A-grade and Premium space for specific tenants.
HOTELS	There has been a significant increased number of keys introduced into the market over the last 3 years. It is likely that this level of investment will decline but we anticipate that the smaller hotels and hotels with lower star ratings will still be proceeding.
RETAIL	Generally a low level of activity in the retail sector and COVID-19 is likely to slow this sector further.
INFRASTRUCTURE	There is significant works being committed to by the state government as part of the Metronet Projects and this is likely to keep this sector active for the next 2 to 4 years.
INDUSTRIAL	There is a ground swell of construction activity in this sector. There are a number of industrial projects being planned or constructed to meet specific demands for the mining; oil and gas; and logistics industries.

CONSTRUCTION ESCALATION

In Perth and the south of the state, pricing has been relatively flat for 4 to 5 years on the back of reduced work volumes. Volumes are not forecast to increase beyond current levels and therefore construction costs are not anticipated to be higher than current CPI levels.

In the north west of the state work volumes are increasing and this is seeing the cost of regional work rise with the cost increases in some of these regional centres rising by 5% to 10% over the last year. This region may continue to rise at rate higher than CPI and may see price rises between 3% to 7.5% pa, dependant on the size of the project and the residual capacity in the location. Within the infrastructure sector work levels are looking to rise over the coming years and escalation rates of 3% p.a are anticipated over the next 3 years.

RLB TENDER PRICE INDEX
ANNUAL % CHANGE



HISTORICAL ACTIVITY

Western Australia has seen falling activity since the highs of 2015. Both residential and non-residential sectors have experienced falling activity. Building work done peaked in 2015 at \$14.5B, in 2019 building work done was \$9B a progressive fall of 38%.

Approval levels increased by \$1.3B to \$9B during 2019, maintaining this increase for Q1 2020. This increase provided positive sentiment within the sector however this has been dissipated by the COVID-19 impact.

WA BUILDING ACTIVITY VALUES - 2009 TO 2019
CALENDAR YEAR



CONSTRUCTION WORK DONE

\$M	CALENDAR YEAR			
	2016	2017	2018	2019
NEW HOUSE	5,120	4,118	3,909	3,399
APARTMENTS	1,810	1,380	1,338	1,103
ALTERATIONS & RENOVATIONS	726	591	653	614
TOTAL RESIDENTIAL	7,656	6,089	5,900	5,116
COMMERCIAL	143	219	148	105
EDUCATION	539	530	530	585
ENTERTAINMENT & RECREATION	697	606	273	334
HEALTH	361	491	424	416
HOTELS	487	493	486	245
INDUSTRIAL	176	484	485	742
OFFICES	568	453	484	482
OTHER NON-RESIDENTIAL	268	339	295	340
RETAIL	758	1,099	857	717
TOTAL NON-RESIDENTIAL	3,997	4,714	3,983	3,965
TOTAL BUILDING WORK DONE	11,653	10,802	9,882	9,081
BRIDGES, RAILWAYS & HARBOURS	976	874	908	921
ELECTRICITY & PIPELINES	1,516	1,635	1,903	1,954
HEAVY INDUSTRY	19,030	29,559	11,709	9,746
RECREATION & OTHER	794	664	569	541
ROADS AND SUBDIVISIONS	1,751	1,861	1,947	1,648
TELECOMMUNICATIONS	1,106	1,508	944	665
WATER, SEWERAGE AND SUPPLY	389	534	515	407
TOTAL	25,562	36,636	18,495	15,882
TOTAL CONSTRUCTION	37,215	47,438	28,377	24,963

Source: ABS

RLB CRANE INDEX®

Perth's index saw a rise of 9% to reach 86.

A significant 21 cranes were added signifying strength in new commencements. Eighteen cranes were removed across all sectors.

Thirty-seven cranes were seen across Perth.



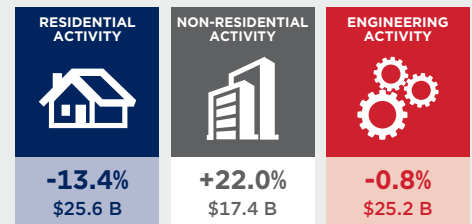
CURRENT MARKET CONDITIONS

NSW’s construction economy maintained the decade high 2018 levels during 2019 but with a sector swing from residential to non-residential. Weaker housing and apartment activity saw a 13.4% fall from the previous year. This fall was offset by stronger education, industrial, offices and retail activity within the non-residential sector which saw a 22% increase.

Continuing engineering work has seen significant growth in both the rail and road sectors over the past three years and activity in 2019 was just short of 2018 levels.

Total construction work for 2019 was \$68.2B, slightly down on 2018 activity of \$69.2B.

It is anticipated that the current level of activity will drop off during 2020, although if the strong number of approvals seen in Q1 2020 proceed to commencements, the decline in activity may not be as severe as first thought.



Percentage change in work done in CY 2019
 Total value of work done CY 2019

IMPACTS OF COVID-19

The NSW Government at the initial outbreak determined that construction was an essential industry. Officials actively encouraged construction companies to continue operations and supported the industry such as removing controls on site working hours in order to compensate for reduced productivity.

In March / early April supply chain disruptions were experienced in the facade and lift trades. Upon the resumption of manufacturing in China, concerns have been reduced as contractors have devised solutions to overcome the delays in supply.

Contractors have modified work practices to comply with social distancing regulations. Major contractors in particular, have lengthened site opening hours to overcome productivity losses.

According to a number of contractors, the common themes being mentioned are ‘this is another issue to be faced’, ‘get on within the projects we have” and “sharpen prices to secure the next project’.

KEY SECTOR COVID COMMENTARY

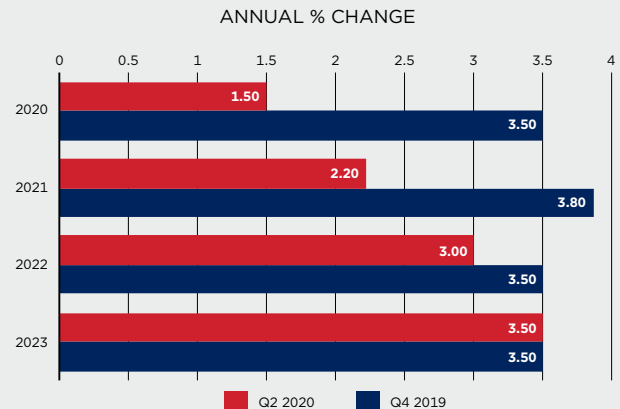
HOUSING	Current reports are that new housing has stalled and recovery in line with the economy. Increases in activity will depend on available finance and Sydney house prices.
APARTMENTS	ABS approval statistics indicate a continued decline in activity. DA approval consent changes may assist in improving project feasibility. Increase in activity dependant on site availability, population increases and Sydney house prices.
COMMERCIAL	Uncertainty due to workplace changes that have occurred which may impact on the amount of office space required. Selected prime commercial sites proceeding with planning in order to commence construction in 2021 or 2022.
EDUCATION	Forecast that a possible increase may take place due to additional logistics and data centres being required due to online sales increasing during the period.
HOTELS	Uncertain due to international travel being curtailed.
RETAIL	Uncertain due to store closures, level of rent received and population decline.
INFRASTRUCTURE	No change as NSW Government has recommitted to the current infrastructure program.

CONSTRUCTION ESCALATION

Cost movement in the NSW market has been negligible over the past quarter due to minimal material price rises and a competitive market place. Whilst price rises have been reported for concrete, reinforcement and brick supply, increases have not yet been reflected in tenders received.

Escalation for the remainder of 2020 and 2021 will depend greatly on the formalisation of a new Enterprise Bargaining Agreement between contractors and employees. We have based our estimates on similar rates and condition increases that are included in the previous agreement. Until this new agreement is finalised future rates of escalation are difficult to accurately gauge as labour increases make up a large proportion of future rate increases.

RLB TENDER PRICE INDEX



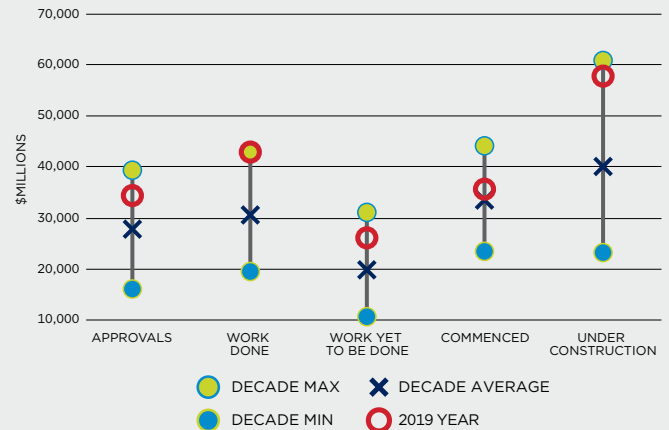
HISTORICAL ACTIVITY

NSW's building activity during 2019 maintained record work done levels at almost the decade high. Both building approvals and the value of works under construction have both fallen slightly from the decade high.

The value of building projects that commenced during 2019 however has fallen to similar levels to the decade average which indicates a slowing of activity which will result in falling work done levels in the near future.

Approval levels for Q1 2020 were only down 2.8% from Q1 2019 with a 5.9% drop in residential approvals and a 1.0% rise in non-residential.

NSW BUILDING ACTIVITY VALUES 2010 TO 2019



CONSTRUCTION WORK DONE

\$M	CALENDAR YEAR			
	2016	2017	2018	2019
NEW HOUSE	9,164	9,705	11,079	10,207
APARTMENTS	12,065	13,767	15,237	12,480
ALTERATIONS & RENOVATIONS	3,074	3,066	3,285	2,938
TOTAL RESIDENTIAL	24,304	26,538	29,601	25,626
COMMERCIAL	570	579	811	845
EDUCATION	1,059	1,432	2,104	2,609
ENTERTAINMENT & RECREATION	1,124	788	1,156	1,302
HEALTH	1,866	1,922	1,644	2,189
HOTELS	806	1,136	990	1,067
INDUSTRIAL	1,422	1,848	1,713	2,307
OFFICES	2,326	2,221	2,830	3,415
OTHER NON-RESIDENTIAL	761	1,049	1,363	1,687
RETAIL	2,150	1,602	1,665	2,003
TOTAL NON-RESIDENTIAL	12,085	12,578	14,276	17,423
TOTAL BUILDING WORK DONE	36,389	39,116	43,877	43,049
BRIDGES, RAILWAYS & HARBOURS	6,787	7,674	8,775	8,625
ELECTRICITY & PIPELINES	2,158	2,787	3,735	4,104
HEAVY INDUSTRY	2,061	3,113	3,375	3,854
RECREATION & OTHER	1,284	1,697	2,179	1,877
ROADS AND SUBDIVISIONS	3,020	3,559	3,616	3,324
TELECOMMUNICATIONS	1,054	1,449	1,748	1,865
WATER, SEWERAGE AND SUPPLY	1,281	1,623	1,933	1,518
TOTAL	17,645	21,903	25,362	25,166
TOTAL CONSTRUCTION	54,034	61,019	69,239	68,215

Source: ABS

RLB CRANE INDEX®

The Sydney RLB Crane Index® recorded a fall from 197 to 185 for Q1 2020. Crane numbers in Sydney declined by 20 cranes, lowering the count to 299 from 319. 127 cranes were added and 147 removed.



Across Sydney, all sectors saw a reduction in cranes with the exception of the residential and mixed use/ other sectors where both recorded small increases.

Residential cranes represent 79% of all cranes across the city.

CURRENT MARKET CONDITIONS

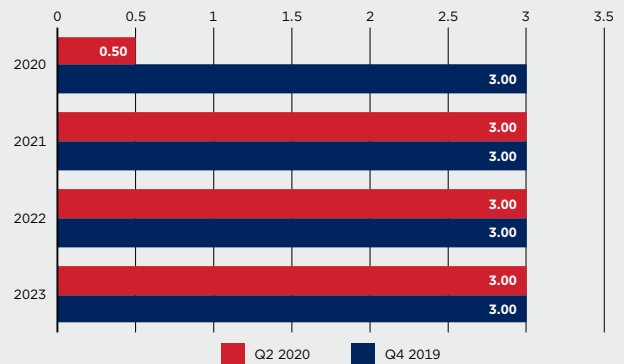
Although the majority of construction sites remained open since the onset of the COVID-19 conditions, there have been some delays in some cases. The commencement of new work has however been impacted with many projects put on hold. It is unclear at this stage in which sectors the construction stimulus may come from, but of note is that Townsville has two notable projects under the Northern Australia Infrastructure Facility (NAIF) and these projects continuing will provide some relief (unfortunately not replacing the projects that have been put on hold).

The leading sectors providing opportunity within the region are Health, Education and Defence.

IMPACTS OF COVID-19

The impact of COVID-19 is made up of variable and opposing factors; there is a reduction in the demand on the majority of trades and tighter margins on the one hand, and exchange rate fluctuations, supply chain uncertainty, and lower productivity on the other. It may prove to move either way and at this stage we forecast that construction cost will remain flat for the rest of the year.

RLB TENDER PRICE INDEX
 ANNUAL % CHANGE



BUILDING APPROVALS - CAIRNS REGION

\$M	CALENDAR YEAR			
	2017	2018	2019	Q1 2020
HOUSES	278	285	238	59
APARTMENTS	66	150	19	5
RENOVATION	67	60	70	11
TOTAL RESIDENTIAL	411	495	327	75
NON RESIDENTIAL	242	338	646	52
TOTAL BUILDING APPROVALS \$M	654	833	973	127
HOUSES	909	921	718	181
APARTMENTS / OTHER	193	437	86	23
TOTAL DWELLING APPROVALS #	1,102	1,358	804	204

Source: ABS

BUILDING APPROVALS - MACKAY REGION

\$M	CALENDAR YEAR			
	2017	2018	2019	Q1 2020
HOUSES	135	230	200	37
APARTMENTS	3	4	0	0
RENOVATION	52	94	54	14
TOTAL RESIDENTIAL	189	327	254	52
NON RESIDENTIAL	147	311	266	98
TOTAL BUILDING APPROVALS \$M	336	639	520	149
HOUSES	371	567	467	104
APARTMENTS / OTHER	11	19	5	4
TOTAL DWELLING APPROVALS #	382	586	472	108

Source: ABS

BUILDING APPROVALS - TOWNSVILLE REGION

\$M	CALENDAR YEAR			
	2017	2018	2019	Q1 2020
HOUSES	206	153	129	33
APARTMENTS	10	8	17	10
RENOVATION	48	51	61	13
TOTAL RESIDENTIAL	265	212	207	56
NON RESIDENTIAL	494	245	417	77
TOTAL BUILDING APPROVALS \$M	758	456	625	132
HOUSES	766	528	461	121
APARTMENTS / OTHER	48	49	49	36
TOTAL DWELLING APPROVALS #	814	577	510	157

Source: ABS





CONSTRUCTION INTELLIGENCE AUSTRALIA

CONSTRUCTION WORK DONE (\$M)

	2011	2012	2013	2014	2015	2016	2017	2018	2019
NEW HOUSE	27,454	26,172	27,300	30,434	34,421	35,146	35,407	38,634	36,341
APARTMENTS	13,815	14,332	16,686	19,958	24,440	31,039	31,773	33,817	30,590
ALTERATIONS & RENOVATIONS	7,928	7,268	7,249	7,586	8,342	8,801	8,784	9,552	9,114
TOTAL RESIDENTIAL	49,197	47,772	51,235	57,978	67,203	74,986	75,964	82,003	76,046
COMMERCIAL	941	1,146	1,306	1,637	1,445	1,153	1,501	2,016	1,956
EDUCATION	7,032	4,817	4,969	4,837	4,313	4,688	6,001	7,014	7,319
ENT. & REC.	2,120	2,281	2,240	2,126	2,458	3,229	3,382	3,361	3,652
HEALTH	4,638	5,200	5,987	6,291	6,475	5,603	5,530	5,204	5,250
HOTELS	1,071	1,124	1,109	1,371	1,968	2,254	3,185	3,509	3,442
INDUSTRIAL	5,342	5,630	5,721	4,995	5,185	4,879	5,746	5,474	7,398
OFFICES	5,702	6,207	5,886	6,233	6,819	6,002	6,361	7,821	8,862
OTHER NON RES	2,413	2,470	2,412	2,562	1,993	2,339	3,087	3,648	3,786
RETAIL	5,616	5,154	5,786	6,410	6,458	6,926	6,691	6,374	5,936
TOTAL NON-RESIDENTIAL	34,874	34,029	35,416	36,462	37,114	37,073	41,485	44,421	47,600
TOTAL BUILDING WORK DONE	84,071	81,801	86,651	94,440	104,318	112,059	117,449	126,423	123,646
BRIDGES, RAILWAYS & HARBOURS	12,653	16,242	14,037	11,750	6,701	6,044	7,458	9,908	10,117
ELECTRICITY & PIPELINES	13,162	16,924	17,941	16,197	14,496	8,631	11,959	15,861	14,961
HEAVY INDUSTRY	41,823	62,855	65,945	61,668	52,296	34,653	45,856	27,122	22,999
RECREATION & OTHER	4,116	6,030	6,148	5,597	4,618	4,805	5,416	5,827	5,376
ROADS AND SUBDIVISIONS	17,655	18,841	16,692	14,699	14,650	16,662	19,167	22,157	20,655
TELECOMMUNICATIONS	4,431	5,248	6,443	7,070	8,044	9,851	11,601	10,409	8,864
WATER, SEWERAGE AND SUPPLY	8,698	7,269	6,606	4,795	4,254	4,224	5,666	6,572	6,308
TOTAL	102,538	133,409	133,811	121,778	105,059	84,870	107,123	97,857	89,280
TOTAL CONSTRUCTION	186,609	215,210	220,462	216,218	209,377	196,929	224,572	224,280	212,926

Source: ABS

BUILDING APPROVALS (\$M)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	Q1 2020
NEW HOUSES	25,653	25,040	27,984	32,606	34,256	35,266	36,753	38,544	34,239	11,135
TOTAL SEMI-DETACHED	4,034	4,066	5,201	5,567	7,106	8,042	9,721	9,317	7,777	2,719
APARTMENTS	9,209	11,540	14,077	16,388	24,605	24,328	22,724	19,096	15,145	4,907
TOTAL NEW RESIDENTIAL	38,896	40,646	47,262	54,560	65,967	67,636	69,198	66,957	57,161	18,760
OFFICES	5,150	6,014	8,409	4,799	4,687	5,889	9,573	8,185	9,214	2,745
COMMERCIAL	1,031	986	1,589	1,313	1,187	1,519	1,723	1,796	1,559	708
INDUSTRIAL	5,016	5,867	5,241	4,712	4,810	5,353	7,060	5,919	7,906	2,108
ENT & REC	2,059	2,254	1,755	3,502	2,332	3,216	3,248	3,121	3,637	1,888
RETAIL	4,410	5,618	6,418	6,043	6,661	7,604	7,574	5,712	6,640	1,916
EDUCATION	5,135	4,048	4,772	4,075	5,231	5,059	7,357	6,931	7,612	2,709
HEALTH	5,170	7,320	6,168	4,223	4,354	5,287	5,714	4,749	7,272	1,415
HOTELS	1,496	1,003	1,781	2,507	2,508	3,231	3,741	3,849	4,414	735
OTHER NON RES	2,204	2,429	2,447	1,943	2,962	3,277	3,367	3,909	2,878	1,542
TOTAL NON RESIDENTIAL	31,671	35,538	38,579	33,117	34,732	40,436	49,356	44,171	51,130	15,766
TOTAL APPROVALS	70,567	76,184	85,841	87,677	100,699	108,072	118,554	111,129	108,292	34,526

Source: ABS

CONSTRUCTION INTELLIGENCE AUSTRALIA

DWELLING APPROVALS

	2011	2012	2013	2014	2015	2016	2017	2018	2019	Q1 2020
NEW HOUSES	95,467	91,817	102,809	117,973	119,431	118,219	118,836	119,536	103,573	24,620
SEMI DETACHED	23,214	17,703	22,793	25,622	28,914	33,622	35,070	36,624	30,468	6,876
1 & 2 STOREY APARTMENTS	3,927	7,653	6,185	6,014	4,172	2,804	1,941	1,544	1,421	146
3 STOREY APARTMENTS	4,763	3,579	5,616	6,367	5,673	5,462	4,392	3,057	2,391	446
4+ STOREY APARTMENTS	28,177	33,083	41,365	52,088	75,850	71,815	60,870	52,391	38,907	10,220
TOTAL APARTMENTS	36,867	44,315	53,166	64,469	85,695	80,081	67,203	56,992	42,719	10,812
TOTAL NEW DWELLING APPROVALS	152,306	155,533	181,002	208,087	237,167	232,108	223,572	210,232	173,126	42,308

Source: ABS

ENGINEERING ACTIVITY (\$M)

	2011	2012	2013	2014	2015	2016	2017	2018	2019
BRIDGES, RAILWAYS & HARBOURS	12,653	16,242	14,037	11,750	6,701	6,044	7,458	9,908	10,117
ELECTRICITY & PIPELINES	13,162	16,924	17,941	16,197	14,496	8,631	11,959	15,861	14,961
HEAVY INDUSTRY	41,823	62,855	65,945	61,668	52,296	34,653	45,856	27,122	22,999
RECREATION & OTHER	4,116	6,030	6,148	5,597	4,618	4,805	5,416	5,827	5,376
ROADS AND SUBDIVISIONS	17,655	18,841	16,692	14,699	14,650	16,662	19,167	22,157	20,655
TELECOMMUNICATIONS	4,431	5,248	6,443	7,070	8,044	9,851	11,601	10,409	8,864
WATER, SEWERAGE AND SUPPLY	8,698	7,269	6,606	4,795	4,254	4,224	5,666	6,572	6,308
TOTAL ENGINEERING	102,538	133,409	133,811	121,778	105,059	84,870	107,123	97,857	89,280

Source: ABS

ENGINEERING WORK YET TO BE DONE (\$M)

	2011	2012	2013	2014	2015	2016	2017	2018	2019
HEAVY INDUSTRY	91,486	105,672	80,296	65,911	46,203	34,704	16,030	25,817	24,666
POWER	9,464	15,778	12,010	8,576	3,636	3,224	6,050	7,528	7,025
RAIL	16,360	13,667	8,767	5,341	6,293	7,364	6,403	12,867	16,272
RECREATION AND OTHER	871	2,578	1,027	1,504	916	1,232	1,033	864	964
ROADS	11,500	10,848	7,742	9,225	10,435	18,602	15,119	15,757	17,167
TELECOMMUNICATION	1,289	2,798	367	284	141	266	132	148	273
WATER	5,177	4,545	3,799	2,441	2,442	3,025	3,732	3,158	3,608
TOTAL ENGINEERING	136,147	155,886	114,010	93,281	70,065	68,417	48,499	66,139	69,974

Source: ABS

TERMINOLOGY

ABBREVIATIONS

\$B	Billion (Thousand Million) Dollars
\$M	Million Dollars
ABS	Australian Bureau Of Statistics
CVM	Chain Volume Measure
CPI	Consumer Price Index
FY	Year Ending 30 June
k	Thousand
RBA	Reserve Bank Of Australia
SNZ	Statistics New Zealand

DEFINITIONS

AUSTRALIA	
CONSTRUCTION	Building and Engineering
BUILDING	Residential and Non-Residential
ENGINEERING	Includes but not limited to: roads, runways, rail, bridges, harbours, water storage, sewerage works, pipelines, electricity generation and distribution, telecommunications and mining works.
RESIDENTIAL	New houses & Other new residential & Alterations/additions (incl. refurb and conversion)
NEW HOUSES	Detached Dwellings
OTHER NEW RESIDENTIAL	Semi-detached dwellings (Townhouses etc.) & multilevel dwellings (Apartments)
NON-RESIDENTIAL	Includes but not limited to: offices, commercial, industrial, retail, education, health, recreation, civic, short-term accommodation and other buildings not classified, but not Residential or Engineering

SOURCES OF INFORMATION

AUSTRALIA	
BUILDING ACTIVITY & APPROVAL VALUE SUMMARY	All values are current price (nominal value) Building Approvals - ABS, <i>Building Approvals, Australia</i> , cat. no. 8731.0 Building work done, work yet to be done, work in the pipeline, work commenced and work under construction - ABS, <i>Building Activity, Australia</i> , cat. no. 8752.0
BUILDING ACTIVITY DWELLING SUMMARY	All values are current price All values are from ABS, <i>Building Activity, Australia</i> , cat. no. 8752.0
STATE CONSTRUCTION WORK DONE	All values are in current price Building work done values are from ABS, <i>Building Activity, Australia</i> , cat. no. 8752.0 Engineering work done values are from ABS, <i>Engineering Construction Activity, Australia</i> , cat. no. 8762.0
STATE BUILDING APPROVALS	All values are current price Building Approvals - ABS, <i>Building Approvals, Australia</i> , cat. no. 8731.0
REGIONAL QUEENSLAND BUILDING APPROVAL VALUE	All values are current price ABS, <i>Building Approvals, 2011-17 - SA2 - Queensland, SuperWEB2</i> ABS, <i>Building Approvals, 2016-18 - SA2 - Queensland, SuperWEB2</i>
REGIONAL QUEENSLAND DWELLINGS	ABS, <i>Building Approvals, 2011-17 - SA2 - Queensland, SuperWEB2</i> ABS, <i>Building Approvals, 2016-18 - SA2 - Queensland, SuperWEB2</i>

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