FOURTH QUARTER 2023

AUSTRALIA REPORT

CONSTRUCTION MARKET INTELLIGENCE

RLB Rider Levett Bucknall

Australia Escalation Forecasts

Escalation forecasts for 2024 falling to more historic levels from the highs of 2022

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Cover: Brookfield Place Sydney

EXECUTIVE SUMMARY

While global economic uncertainty persists, compounded by challenges like persistent inflation, geopolitical tensions (such as Russia's invasion of Ukraine and the Hamas-Israel conflict), adjustments in China's property sector, and the effects of tightened global monetary policies, the global growth trajectory is anticipated to slow over the next couple of years. This decline is largely due to enduring inflation and higher interest rates affecting economic activity worldwide.

Projections indicate a decrease in global growth from 3.4% in 2022 to 3% in 2023 and 2024, with a slight uptick to 3.25% in 2025. These estimates suggest the weakest global growth in over twenty years, excluding periods affected by the Global Financial Crisis and the pandemic.

Although global inflation pressures have somewhat alleviated since late 2022, fuel price fluctuations have led to volatile headline inflation in several advanced economies. Inflation rates in many nations are taking longer than anticipated to return to target levels. While financial markets indicate that most advanced economies are either at or near the peak in their tightening cycles, interest rates are projected to remain stable until mid-2024. Ongoing geopolitical conflicts and additional production cuts by OPEC+ pose potential upward risks to global fuel prices and inflation.

The Australian economy faces similar challenges, with higher interest rates and inflation impacting households. Despite inflation remaining above target, it has declined as anticipated since its peak in 2022. This downward trend is expected to continue due to eased supply constraints and reduced domestic activity pressures. However, higher global oil prices and ongoing cost pressures are likely to maintain upward pressure on headline inflation, estimated at 3.75% by the June quarter of 2024.

Nevertheless, despite these economic headwinds, the Australian economy seems equipped to manage these challenges. Sustained public and business investments, alongside ongoing recovery in international student and tourism sectors, are offsetting household sector weaknesses. This, coupled with a robust labour market, has resulted in a modest improvement in GDP growth compared to projections from the 2023–24 Budget.

The labour market in Australia has displayed resilience, witnessing substantial employment growth, record-high participation rates, and unemployment rates consistently below 4%. Although certain indicators suggest a potential slowdown, such as moderation in job advertisements and rising unemployment rates, the labour market is expected to perform favourably compared to pre-pandemic averages despite some softening conditions.

Predictions indicate a modest rise in the unemployment rate, reaching 4.25% by the June quarter of 2024 and peaking at 4.5% in the June quarter of 2025. These figures, while slightly higher than historic norms, remain relatively low and are only marginally above estimates of the Non-Accelerating Inflation Rate of Unemployment (NAIRU).

Annual wage growth has surged to 4%, the highest since 2009, reflective of recent labour market strength. Anticipated wage growth around 4% until the end of 2023–24 is expected to ease as the labour market softens and inflation normalises. The overall outlook remains aligned with the return of inflation to target levels by 2024–25, with headline inflation forecasted to reach 2.75% by the June quarter of 2025.

The outlook for the construction industry is positive, with several factors expected to support growth in the coming years. However, the industry also faces a number of industry specific challenges. Addressing these challenges will be essential for the industry to continue to grow and prosper. The drivers of growth and the challenges facing the industry are summarised as:

- The Australian economy is expected to grow at a moderate pace in the coming years, which will provide support for the construction industry.
- The Australian government has committed to significant infrastructure spending in the coming years, particularly in areas like transportation, renewable energy, and social infrastructure.
- The government is also implementing policies to address the housing affordability crisis, which will lead to increased demand for new housing construction.
- State governments are reviewing their planning and approvals processes to streamline the development process and generally reduce delays.
- Australia's population is expected to continue to grow, creating demand for new housing, infrastructure, and commercial space. This will benefit residential construction sectors and related industries.

EXECUTIVE SUMMARY

- The industry is increasingly adopting technology to improve efficiency and productivity, leading to the use of prefabrication, modular construction, and digital twins. This will likely drive growth in specific segments of the industry.
- Sustainability is becoming a priority, pushing towards more sustainable materials and practices like renewable energy and energy-efficient design. This will create opportunities for companies specialising in green technologies and eco-friendly construction solutions.
- The industry is facing a significant shortage of skilled workers, particularly in areas like carpentry, plumbing, and electrical trades. This is driving up wages and making it difficult for companies to find and retain talent. This is due to factors such as an aging workforce, inadequate training programs, and competition from other industries.
- Material and labour costs are expected to continue to rise due to global supply chain disruptions, inflation, and increased competition for resources. This will put pressure on project budgets and profitability.
- The cost of complying with complex differing national and state regulations is a significant burden for construction companies, particularly small businesses.
- The global economic slowdown and geopolitical risks, like the war in Ukraine, could negatively impact Australia's economy and construction demand. Both state and federal debt is increasing, and with interest rates rising, higher servicing outflows are required, potentially compromising future capital works programs.
- The industry needs to adapt to climate change by building more resilient infrastructure. This will require additional investments and changes in construction practices.
- The global economy is expected to grow at a moderate pace in the coming years, which will provide support for the demand for Australian exports, including construction materials and services.

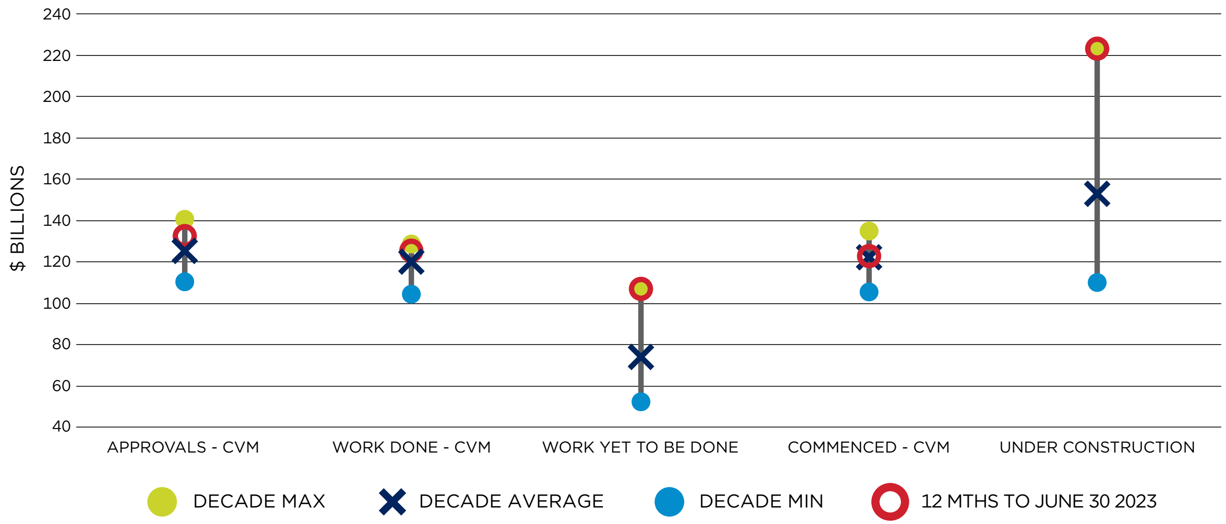
AUSTRALIA - VALUE OF WORK DONE

(ORIGINAL CVM, $'000)

FINANCIAL YEARS	NEW HOUSE	APARTMENTS	ALTERATIONS & RENOVATIONS	TOTAL RESIDENTIAL	TOTAL NON-RESIDENTIAL	TOTAL BUILDING	TOTAL ENGINEERING	TOTAL CONSTRUCTION
2016	38,330	31,365	9,377	79,072	40,555	119,627	106,878	226,505
2017	38,030	33,754	9,703	81,487	40,288	121,776	97,454	219,230
2018	38,785	34,219	9,370	82,374	45,275	127,648	118,249	245,897
2019	39,017	33,543	9,624	82,184	46,716	128,900	94,705	223,605
2020	35,964	28,755	9,467	74,186	49,940	124,125	91,170	215,295
2021	38,673	25,256	10,814	74,742	47,664	122,406	91,356	213,762
2022	41,292	21,940	11,643	74,875	48,759	123,635	94,446	218,081
2023	39,559	22,977	11,019	73,556	51,275	124,831	106,371	231,202
% CHANGE 2023 vs 2022	-4.2%	4.7%	-5.4%	-1.8%	5.2%	1.0%	12.6%	6.0%

BUILDING ACTIVITY METRICS 2014 TO 2023

FINANCIAL YEAR



TENDER PRICE INDEX

Australia's construction industry has been grappling with significant cost escalation in recent years, with the issue reaching peak levels in 2022. While some moderation has been observed in 2023, the situation remains a major concern for the sector. While the rate of increase has slowed down compared to the peak in 2022, construction cost remains a significant challenge in Australia. It's a complex issue with various factors at play.

Key factors contributing to the escalation increases seen across all Australian offices include:

- Skilled labour shortages, particularly in specialised trades, are causing increased labour costs and project delays. NSW and VIC EBA's are currently being negotiated and rate rises are expected near or above 5% per annum.
- Supply chain issues are still causing widespread disruptions in the supply of essential construction materials like timber, steel, quarry products and concrete. This is being caused by an ever-increasing lack of domestic supply and logistical issues in sourcing product from overseas. This has led to shortages and significant price increases.
- The global surge in energy prices has impacted the manufacturing and transportation of construction materials, further adding to cost pressures.
- Domestic factors, including strong domestic demand for construction services, contractor solvency, regulatory impacts and rising domestic interest rates are all contributing to cost pressures in the sector.

Specific impacts of current escalation include:

- Project delays and cancellations: Increased construction costs, holding costs and general project feasibility have made it difficult for some projects to proceed as planned, leading to delays and even cancellations.
- Financial strain on contractors: Fixed-price contracts, have exposed contractors, sub-contractors and material suppliers to significant financial risk due to unforeseen cost increases.
- Impact on affordability: Rising construction costs, volatile financing costs, and securing competent contractors are all impacting the viability of both housing and other construction projects, potentially leading to volatile pricing for principals.

Current trends and outlook:

- Moderation in cost increases: While cost escalation remains a concern, the rate of increase has slowed down in 2023 compared to 2022. This suggests some stabilisation in the market, which is reflected in the levels of escalation forecast for 2024 in the table below.
- Focus on risk mitigation: Construction companies are increasingly adopting strategies to mitigate risks associated with cost escalation, such as being more flexible in risk allocation in contracts, Early contractor involvement in the design development phase of project planning to mitigate design and construction risks, and the use and supply of alternative materials.
- Government initiatives: The Australian Government has implemented some measures to support the construction industry, such as infrastructure investment programs and skills development initiatives but the results of these endeavours will not be seen for a number of years.

RLB TENDER PRICE FORECAST ANNUAL % CHANGE AS AT Q4 2023

	2022	2023	2024 (F)	2025 (F)	2026 (F)	2027 (F)	2028 (F)
ADELAIDE	12.5	5.1	4.1	3.0	3.0	3.0	3.0
BRISBANE	10.5	6.0	6.0	5.1	5.1	5.1	3.0
CANBERRA	5.0	4.5	4.0	3.5	3.0	3.0	3.0
DARWIN	8.0	5.5	4.5	4.0	4.0	4.0	4.0
GOLD COAST	15.5	10.5	5.0	5.0	5.0	4.0	3.0
HOBART	NP	6.0	5.0	5.0	5.0	-	-
MELBOURNE	8.0	8.0	5.0	4.0	3.5	3.5	3.5
PERTH	9.4	5.8	4.6	3.6	3.2	3.0	3.0
SYDNEY	6.9	6.0	4.1	3.5	3.5	3.5	-
TOWNSVILLE	12.6	8.0	6.0	6.0	5.0	4.0	4.0

REGIONAL CONSTRUCTION INDUSTRY INFLUENCES ON ESCALATION

Since the Q4 2022 International Report, RLB offices around the globe have been surveyed regarding factors influencing the volatility of construction escalation within their region. Twenty impacts were identified, and each influence was scored out of a combined total of 200. These influences were quantified and reported in the Q4 2022 and Q2 2023 International Reports. For this report all Australian offices recast their Q2 2023 scores to record the movement within the identified influences that have impacted Australian escalation in the second half of 2023.

The movement in raw scores for the six months are portrayed on the chart on this page.

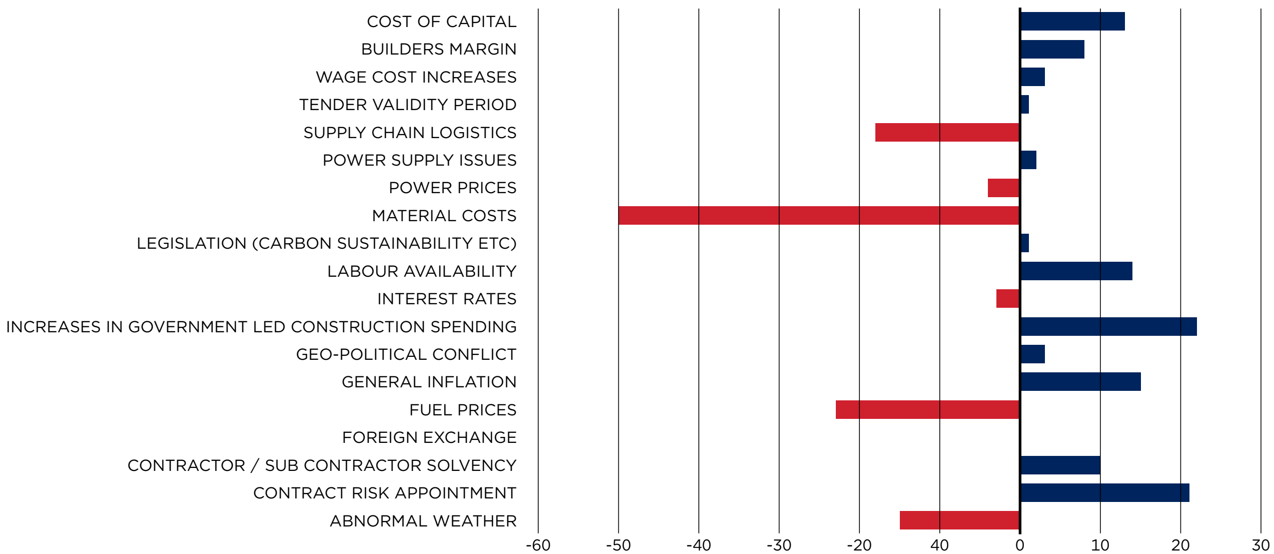
Materials cost, the most volatile influence throughout 2022 and into 2023, has softened the most according to most offices and now accounts for a 10.8% share. Other influences that have receded include supply chain logistics, fuel prices and abnormal weather conditions.

Influences that have increased across the past six months include pressure on the industry from government-led construction spending, contract risk apportionment, and construction labour availability.

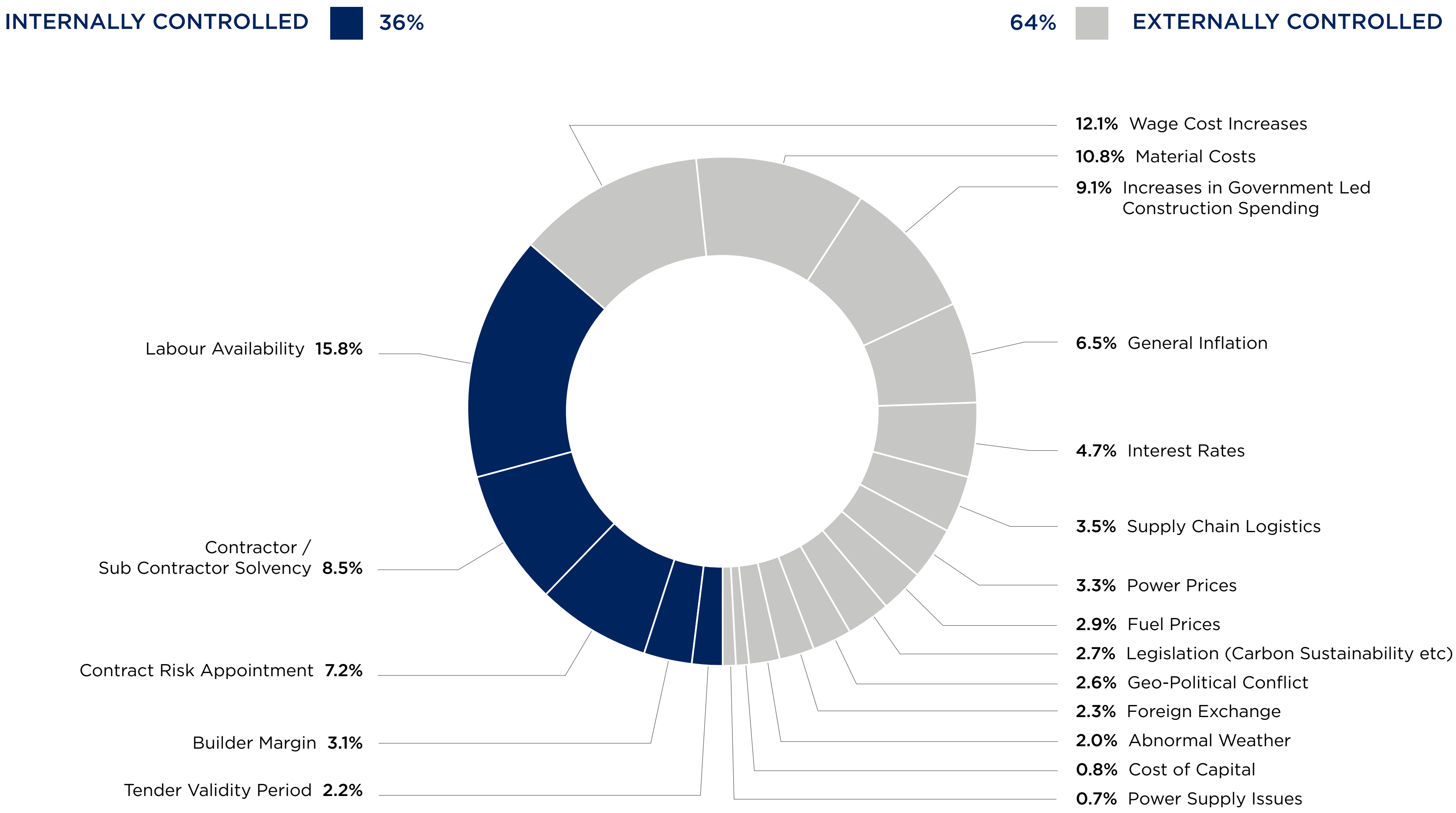
Nationally, labour availability (15.8%), wage cost increases (12.1%), material costs (10.8%), increases in Government led construction spending (9.1%), and contractor / subcontractor solvency (8.5%) account for more than a 56% share of influence. Internal influences account for 36% of total ratings and external influences account for 64% of all responses.

ESCALATION INFLUENCES CONSOLIDATION RAW POINTS MOVEMENT

Q4 2023 vs Q2 2023



REGIONAL CONSTRUCTION INDUSTRY INFLUENCES ON ESCALATION



RLB MARKET ACTIVITY CYCLE

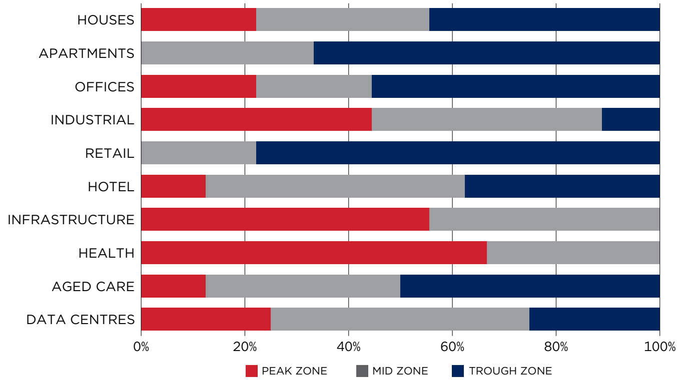
According to RLB offices, the construction sectors across Australia are 74% in the growth phase of the Market Activity Cycle, which is an increase from 70% in Q2 2023. This is a positive sign for the industry in the coming year.

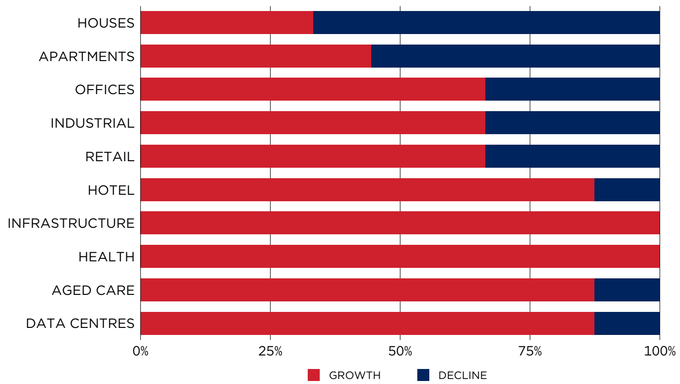
However, the residential sector (both houses and apartments) is the only sector that is below 50%. This indicates a slowing down of this key sector across Australia from their previous highs.

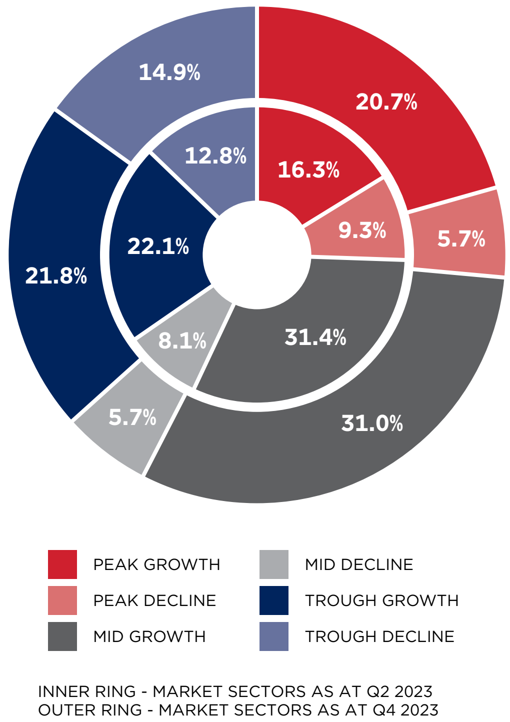
Both primarily government funded sectors, health and infrastructure, show a very strong pipeline of work with both sectors showing 100% in the growth phase and more than 50% of Australian offices indicating that they are both in the peak zone. These sectors are the only ones within Australia where more than 50% of our offices have indicated that they are at the peak of the activity cycle. On the opposite note is retail where there are no cities reporting that the sector is in the peak zone.

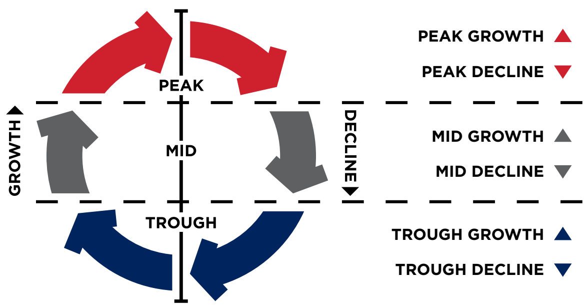
Currently, 26.4% of all sectors are in the peak zone, up from 25.6% in Q2 2023, 36.8% are in the mid zone and 36.8% in the trough zone. Both retail and apartments contribute to the high trough zone count.

AUSTRALIA MARKET ACTIVITY CYCLE - PERCENTAGE MIX OF ZONES BY SECTOR









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.

ADELAIDE

MARKET INTELLIGENCE

The South Australian economy continued to grow in the quarter, however tighter financial conditions, cost of living pressures and high energy prices are all anticipated to continue to influence the overall TPI forecasts in 2024.

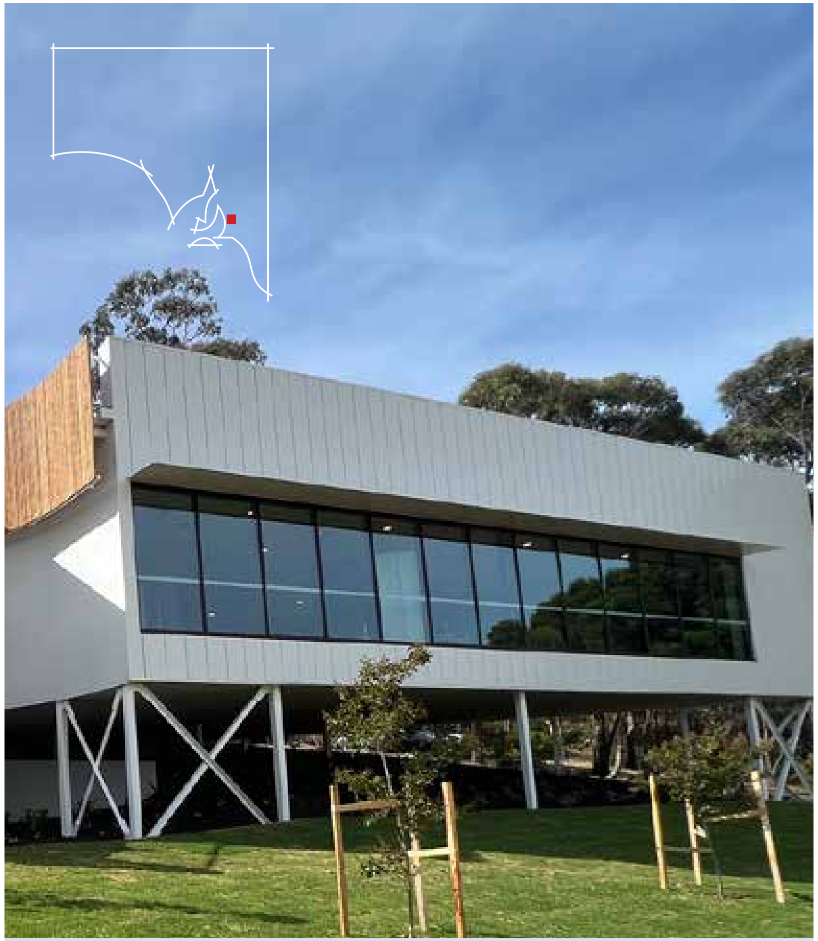
The South Australian and Federal Government remain committed to providing new opportunities into the SA market with healthcare, education, defence, and road infrastructure projects forming a large part of the current investment.

The State economy continues to operate at near capacity, with unemployment at low levels. Private spending has turned down, but business investment and household consumption have remained resilient so far. Supply chain issues have improved but energy costs increases are starting to impact this, however, shortages of skilled labour and increasing wage costs associated with strong industry demand and recently signed agreements along with increased margins will continue to place pressure on prices.

High levels of interest rates are also likely to provide further restrictions on the commencement of future projects, particularly in the residential sector.

> "Private spending has turned down, but business investment and household consumption have remained resilient so far."

New contemporary multipurpose centre at Carrick Hill, Adelaide



FY 2023 WORK DONE	JUNE 2023 WORK YET TO BE DONE	FY 2023 BUILDING APPROVALS	ADELAIDE CPI
▲ 0.7%	▼ 6.6%	▼ 12.8%	▲ 6.9%
to $14.6bn	to $8.4bn	to $9.08bn	YoY for June 2023 qtr

Percentages represent change in work done YoY for CY 2023
Values represent total value of work done for CY 2023

RESIDENTIAL ACTIVITY	NON-RESIDENTIAL ACTIVITY	ENGINEERING ACTIVITY
▼ 6.8%	▲ 7.7%	▲ 1.8%
$3.7bn	$3.4bn	$7.5bn

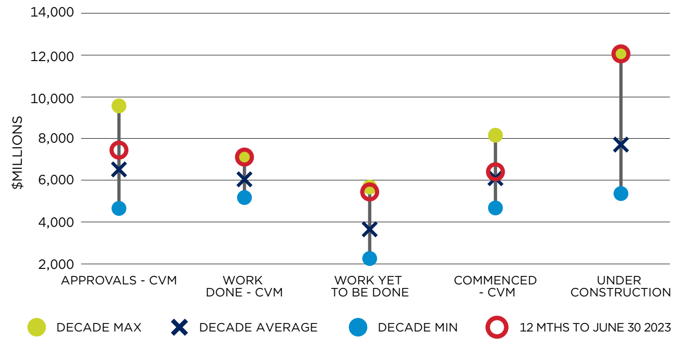
ESCALATION INSIGHTS

Labour shortages and wage increases (including EBA negotiations) continue to be a major factor in continuing to place upward pressure on both project costs and program delays. Material costs appear to be more predictable with supply chain improvements, however energy input costs are likely to maintain pressure on material costs moving forward into 2024.

"Energy input costs are likely to maintain pressure on material costs moving forward into 2024."

BUILDING ACTIVITY METRICS 2014 TO 2023

FINANCIAL YEAR



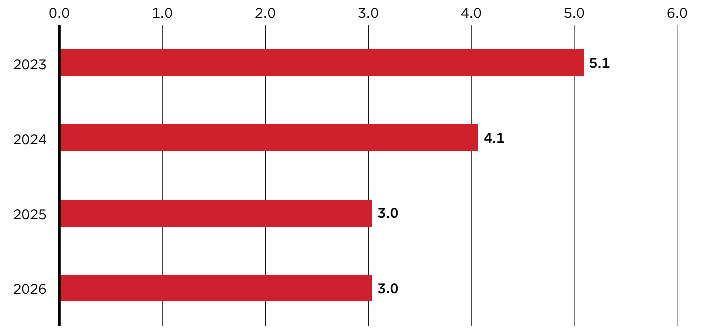
SOUTH AUSTRALIA - VALUE OF WORK DONE

(ORIGINAL CVM, $M)

FINANCIAL YEARS	NEW HOUSES	APARTMENTS	ALTERATIONS & RENOVATIONS	TOTAL RESIDENTIAL	TOTAL NON RES	TOTAL BUILDING	TOTAL ENGINEERING	TOTAL CONSTRUCTION
2016	1,986	659	464	3,110	2,076	5,186	5,246	10,432
2017	2,059	690	460	3,209	2,032	5,241	5,582	10,823
2018	2,206	930	463	3,600	2,478	6,078	6,856	12,934
2019	2,156	918	487	3,561	2,583	6,144	6,800	12,944
2020	2,189	880	481	3,551	2,654	6,204	6,117	12,321
2021	2,439	675	527	3,640	2,982	6,623	6,286	12,909
2022	2,729	654	574	3,957	3,154	7,111	7,345	14,456
2023	2,548	585	555	3,688	3,397	7,085	7,476	14,561
% CHANGE 2023 vs 2022	-6.6%	-10.6%	-3.3%	-6.8%	7.7%	-0.4%	1.8%	0.7%

RLB TENDER PRICE INDEX FORECAST

ANNUAL % CHANGE



Red line - current TPI uplift percentage as at Q4 2023

BRISBANE

MARKET INTELLIGENCE

Residential construction, both house and land, and apartment developments have slowed considerably as increased construction costs negatively impact the feasibility of projects and rising interest rates have reduced demand and compressed sale prices.

Notwithstanding this, the demand for rental accommodation is at an all-time high and the lack of supply combined with the interest rate increases is exacerbating the situation. Investors have generally withdrawn from the market and build-to-rent is difficult to make feasible. The market desperately requires more labour resources to move to the State, however, housing opportunities are very limited.

The commercial sector remains active with the completion of 895 Ann Street and construction underway on 360 Queen Street, 205 North Quay and the Dexus Waterfront development. The hotel sector remains active due to new hotels under construction at the Queens Wharf integrated resort. The industrial sector remains active as demand for storage facilities and distribution centres remains strong.

Infrastructure remains strong with Cross River Rail, Brisbane Metro and the Inland Rail all under construction as well as two pedestrian bridges including Kangaroo Point bridge linking to the CBD. Significant upgrade works are also underway for the M1 north and south of Brisbane.

Construction costs have risen significantly since 2020 (>30%) which has impacted contractors and sub-contractors on fixed price contracts and as a result there have been several significant insolvencies. This has caused a ripple effect through the market, further impacting contractors that are not insolvent, but the loss of key sub-contractors results in financial stress on their affected projects.

The State Government is in the process of awarding up to 15 major hospital projects ($10bn) that is likely to put pressure on an already stretched pool of resources. This is likely to result in further construction cost increases in 2024 commencing with structural trades and progressing through the balance of the trades in 2025. In addition to the health program there is also a corrections program of $5bn and an education program of $3bn all to be followed by the Olympic Games venues and infrastructure.

As a result of high demand and lack of supply for resources productivity levels have fallen significantly and contractors are increasing project durations due to lower productivity. As a result, there have been increases in time related preliminaries and the pricing of risk through contingencies and margin.

FY 2023 WORK DONE	JUNE 2023 WORK YET TO BE DONE	FY 2023 BUILDING APPROVALS	BRISBANE CPI
▲ 3.5%	▲ 10.1%	▲ 24.3%	▲ 6.3%
to $43.1bn	to $34.4bn	to $34.8bn	YoY for June 2023 qtr

360 Queen Street, Brisbane

Percentages represent change in work done YoY for CY 2023
Values represent total value of work done for CY 2023

RESIDENTIAL ACTIVITY	NON-RESIDENTIAL ACTIVITY	ENGINEERING ACTIVITY
▼ 0.3%	▲ 4.6%	▲ 5.7%
$13.6bn	$8.4bn	$21.2bn

BRISBANE

ESCALATION INSIGHTS

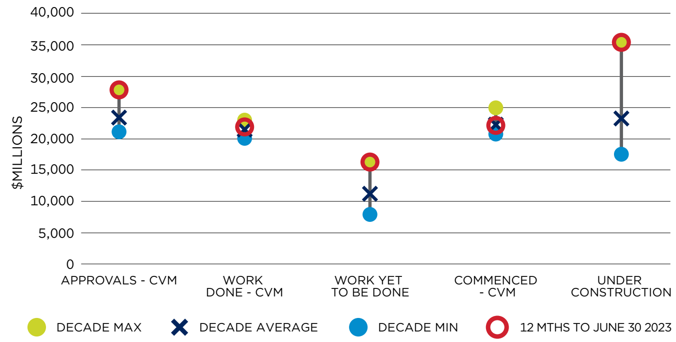
The rate of increase in escalation in 2023 has slowed due to the downturn in the residential sector however we expect this to be short-lived with the proposed health, corrections and education programs to be followed by the Olympic Games spend. These programs will test market capacity for tier 1 contractors, tier 1 sub-contractors and particularly the availability of skilled resources for key trades including formwork, ceiling and partitions, joinery, building services and vinyl.

The shortage of skilled resources remains the major challenge that will drive construction costs over the next decade unless there is a significant influx of workers from interstate or overseas. Loss of productivity and insolvencies also remain a major challenge to the industry.

Supply chain issues have eased with reduced freight costs and the significant increase in contraction costs over the past two years. Rising interest rates have seen a slow-down in activity in the residential sector, particularly apartments, although the right product in the right location is still in demand.

BUILDING ACTIVITY METRICS 2014 TO 2023

FINANCIAL YEAR



KEY SECTOR INSIGHTS

AGED CARE	Activity in aged care remains steady however feasibilities major new projects have been challenged by increased construction costs and have struggled for funding due to the revenue model.
APARTMENT	Increased interest rates have slowed demand for investors, and increased construction costs have resulted in challenges to the feasibility of residential projects other than high-end projects.
COMMERCIAL	Commercial activity is strong with major developments such as the Waterfront Precinct, 205 North Quay and 360 Queen Street under construction.
HEALTH	The Capacity Expansion Program is underway with $10bn expenditure across 15 hospitals over the next five years. This will test the capacity of the market to deliver.
HOTEL	Hotels appear to have recovered from the impacts of COVID-19 and activity remains strong with new hotels to open at Queens Wharf and the potential subsequent re-positioning of the Treasury Hotel.
HOUSING	Increasing interest rates have slowed demand resulting in a slow-down of activity.
INDUSTRIAL	The sector remains strong with demand for increased storage facilities and distribution centres.
INFRASTRUCTURE	Infrastructure remains strong with a range of major rail and road projects.
RETAIL	Retail continues to struggle due to the impacts of COVID-19 tenancy closures and on-line retailing.

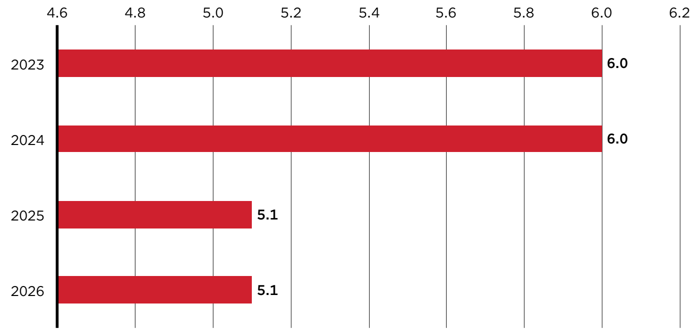
QUEENSLAND - VALUE OF WORK DONE

(ORIGINAL CVM, $M)

FINANCIAL YEARS	NEW HOUSES	APARTMENTS	ALTERATIONS & RENOVATIONS	TOTAL RESIDENTIAL	TOTAL NON RES	TOTAL BUILDING	TOTAL ENGINEERING	TOTAL CONSTRUCTION
2016	7,309	6,223	1,655	15,187	7,926	23,113	20,812	43,925
2017	7,406	6,746	1,528	15,680	7,580	23,261	21,451	44,712
2018	7,608	5,341	1,616	14,565	8,309	22,874	24,252	47,126
2019	6,993	4,763	1,873	13,629	7,256	20,885	21,919	42,804
2020	6,453	3,832	1,954	12,238	8,346	20,585	20,201	40,786
2021	7,105	3,589	2,451	13,145	7,757	20,903	19,327	40,230
2022	7,751	3,449	2,401	13,602	8,043	21,645	20,025	41,670
2023	7,403	4,023	2,142	13,567	8,412	21,979	21,170	43,149
% CHANGE 2023 vs 2022	-4.5%	16.6%	-10.8%	-0.3%	4.6%	1.5%	5.7%	3.5%

RLB TENDER PRICE INDEX FORECAST

ANNUAL % CHANGE



Red line - current TPI uplift percentage as at Q4 2023

CANBERRA

MARKET INTELLIGENCE

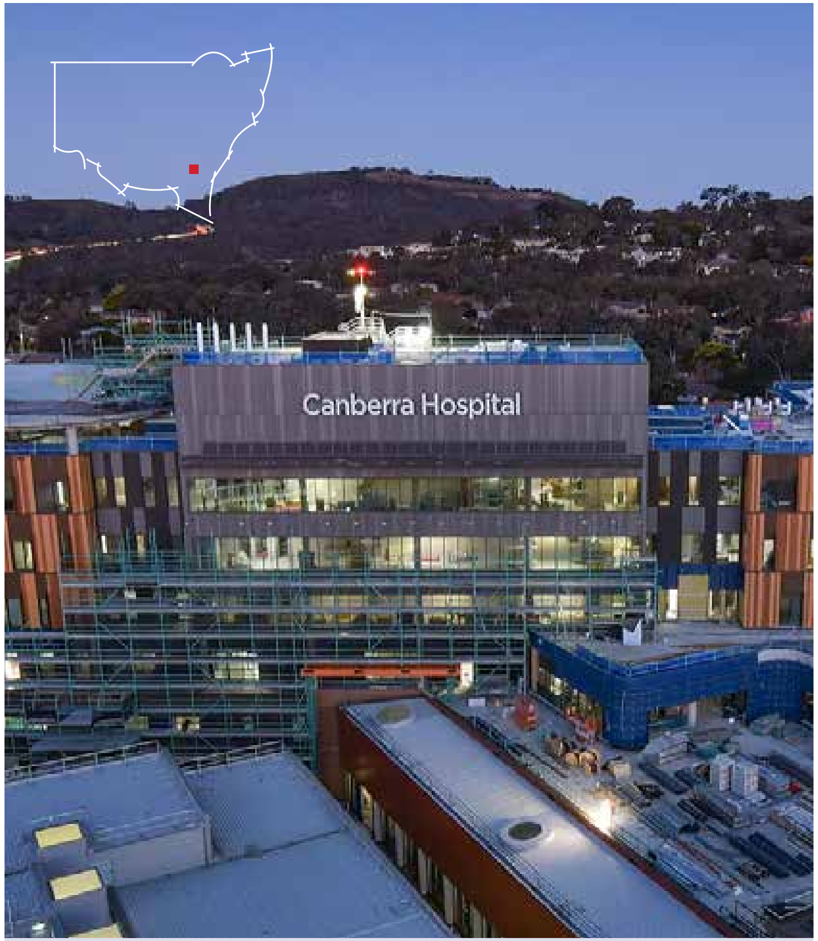
The market remains busy with the pipeline of major projects advancing through construction. The Canberra Hospital Expansion projects are nearing completion with future campus master plan projects in the planning phases.

Design tenders are currently in the market for the new Northside Hospital. Light Rail stage 2A is well underway with the realignment of Parkes Way a new feature entering the city from the south. The Canberra Theatre design has commenced and is in its early stages with design also commencing on the Civic Square precinct. CIT Woden and the War Memorial are continuing through construction. Housing supply is considered a major issue for the ACT with this sector slowing in the last period. We expect as interest rates and construction steady that developers will be attracted back into the market.

> “Housing supply is considered a major issue for the ACT with this sector slowing in the last period.”

FY 2023 WORK DONE	JUNE 2023 WORK YET TO BE DONE	FY 2023 BUILDING APPROVALS	CANBERRA CPI
▲ 0.4%	▼ 8.7%	▼ 2.0%	▲ 5.7%
to $3.8bn	to $3.0bn	to $2.8bn	YoY for June 2023 qtr

Canberra Hospital, Canberra



Percentages represent change in work done YoY for CY 2023
Values represent total value of work done for CY 2023

RESIDENTIAL ACTIVITY	NON-RESIDENTIAL ACTIVITY	ENGINEERING ACTIVITY
▼ 0.0%	▼ 8.2%	▲ 17.2%
$1.8bn	$1.1bn	$800m

ESCALATION INSIGHTS

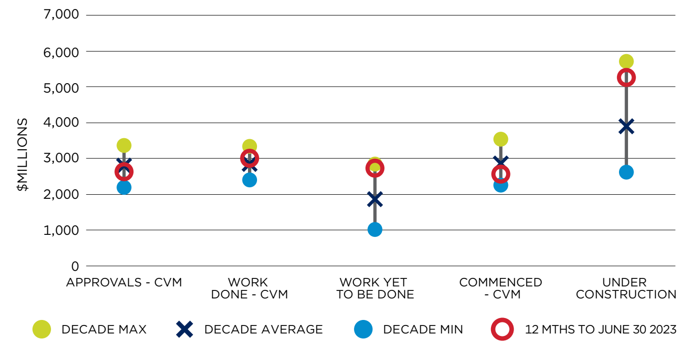
Increasing cost pressure is being seen due to continued shortage of skilled labour. We have seen softening in other areas, but escalation still remains higher than long term averages.

KEY SECTOR INSIGHTS

APARTMENT	Small to medium market still developing. Expected return to major development in 2024-25.
COMMERCIAL	Strong government pipeline in fitout works and future planning.
HEALTH	New Northside Hospital in planning stage.
INFRASTRUCTURE	Strong pipeline of ACT Government infrastructure upgrades and improvements. Light Rail Stage 2A has commenced construction.

BUILDING ACTIVITY METRICS 2014 TO 2023

FINANCIAL YEAR



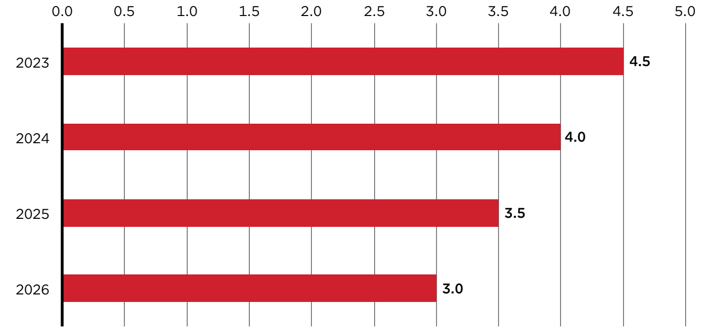
AUSTRALIAN CAPITAL TERRITORY - VALUE OF WORK DONE

(ORIGINAL CVM, $M)

FINANCIAL YEARS	NEW HOUSES	APARTMENTS	ALTERATIONS & RENOVATIONS	TOTAL RESIDENTIAL	TOTAL NON RES	TOTAL BUILDING	TOTAL ENGINEERING	TOTAL CONSTRUCTION
2016	440	862	149	**1,450**	**1,017**	**2,467**	**779**	**3,246**
2017	481	1,161	137	**1,779**	**997**	**2,776**	**1,036**	**3,812**
2018	486	1,105	132	**1,723**	**1,242**	**2,965**	**1,037**	**4,002**
2019	614	1,321	150	**2,086**	**1,247**	**3,333**	**831**	**4,164**
2020	576	1,347	191	**2,113**	**1,204**	**3,318**	**662**	**3,980**
2021	597	1,267	189	**2,053**	**982**	**3,035**	**664**	**3,699**
2022	590	1,066	157	**1,813**	**1,246**	**3,059**	**683**	**3,742**
2023	655	994	163	**1,813**	**1,144**	**2,957**	**800**	**3,757**
% CHANGE 2023 vs 2022	**10.9%**	-6.7%	**4.2%**	0.0%	-8.2%	-3.3%	**17.2%**	**0.4%**

RLB TENDER PRICE INDEX FORECAST

ANNUAL % CHANGE



Red line - current TPI uplift percentage as at Q4 2023

DARWIN

MARKET INTELLIGENCE

The Northern Territory market is experiencing strong growth due to government allocation of a record $4bn in the 2023-24 budget to spend on its infrastructure program. This includes the Darwin ship lift facility, and the establishment of new infrastructure, such as roads, aerodromes, jetties, bridges and public transport.

Charles Darwin University (CDU) is currently constructing its largest project in the CBD and has the new Health Education Training Center at its Casuarina campus out for tender.

The other project of significance, currently in the planning phase, is the National Aboriginal Arts Gallery in Alice Springs and the State Square Art Gallery and Precinct Redevelopment currently under construction in the Darwin CBD.

Cost increases in the Northern Territory have been experienced in most trades caused by fragmented supply chain issues and an increase in fuel prices and labour shortages which have led to volatile pricing in areas of the subcontract market, however not to the same levels experienced in 2022 and Q1 2023. Subcontractor shortages across several key trades including blockwork, precast concrete, joinery and electrical services, which is having an impact on construction costs and as a result clients are looking at alternative design measures.

Private residential sector investment continues to slow with residential developers “struggling to make projects stack-up” due to higher construction costs combined with a flattening in sale prices.

Private developers are finding it increasing difficult to secure funds from financial institutions, in particular residential property developers, due to financial risk associated with increasing construction costs coupled with steadying sale / rental prices.

Labour shortages have been identified across all trades, resulting in employers paying higher wages with additional benefits. The NT is currently experiencing a shortage of skilled labour across multiple trades. Trades like blockwork that has traditionally been the preferred building material in the NT for a long period of time, is being impacted due to quality concerns / issues.

Design consultants have addressed their concerns over the availability and affordability of Professional Indemnity (PI) insurance, due to their liability requirements. This is having a commercial impact on the consultant fees on project, in particular public projects due to the standard consultant service contracts the NTG use.

FY 2023 WORK DONE	JUNE 2023 WORK YET TO BE DONE	FY 2023 BUILDING APPROVALS	DARWIN CPI
▲ 1.3%	▲ 19.5%	▲ 15.4%	▲ 5.3%
to $2.9bn	to $2.1bn	to $1.4bn	YoY for June 2023 qtr

Darwin Waterfront, Darwin

Percentages represent change in work done YoY for CY 2023
Values represent total value of work done for CY 2023

RESIDENTIAL ACTIVITY	NON-RESIDENTIAL ACTIVITY	ENGINEERING ACTIVITY
▲ 5.1%	▲ 4.9%	▼ 0.4%
$343m	$583m	$2.0bn

ESCALATION INSIGHTS

New Section J Energy Efficiency Performance Requirements are having a commercial impact on building services costs. ESD solutions being explored on public and private projects result in higher capital costs. A lot of ESD solutions being explored don't suit the Northern Territory due to size, and the tropical climate i.e. water storage. Overseas prefabrication modules are being explored in the residential sector due to the commercial savings, high quality finish and potential programme savings. Prefabricated modules are typically used in remote communities where trades are not available / or feasible.

Earthquake and cyclone rating design requirements for projects in the NT, typically make it more expensive to build in the NT compared to other locations around Australia. Careful consideration needs to go into selecting / incorporating appropriate materials into the design to ensure they meet the design requirements, are readily available and commercially viable.

Material costs continue to fluctuate, due to high demand for certain materials like precast concrete and structural steel. With limited suppliers in the NT, contractors are now trying to source materials from interstate, resulting in increased cost due to fuel and transport costs.

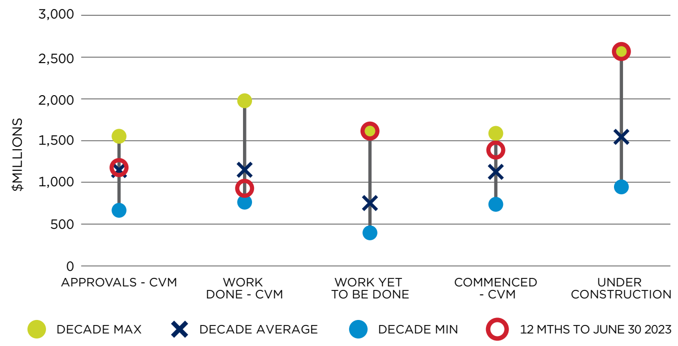
Fragmented supply chain issues continue to be experienced in most trades. Developers and contractors are now sourcing new suppliers interstate and overseas for alternative materials, which is impacting lead times on projects and contractor securities.

KEY SECTOR INSIGHTS

AGED CARE	The Territory is a transient place and therefore many people move on after a period, generally choosing to retire elsewhere. This has a negative impact on the requirement for aged care in comparison to other states. However, Southern Cross Care are looking to extend their Fannie Bay Campus, which is currently in design phase.
APARTMENT	Private residential projects are becoming somewhat challenging to make "stack up", due to increasing construction costs coupled with steadying sale / rental prices.
COMMERCIAL	For a few years now, the commercial sector has been very slow, in fact for some years now there has only been one or two active projects in the Territory at any one time.
HEALTH	The Royal Darwin Hospital is the major health site in the Northern Territory and they continue to refurbish areas of the facility albeit small projects. The regional councils are always looking for funding to deliver smaller health clinics for the indigenous community in remote areas. A $20m Health Centre is currently being built in Jabiru.
HOTEL	Darwin has a need for at least one or two new hotel offerings. There is a major hotel planned for the Darwin Waterfront as well as other opportunities within the CBD.
HOUSING	Growing – noting the Government has committed $842.6m in 2023-24 budget to construct new and refurbish existing housing in remote and urban areas, as well as progress residential land release across the NT.
INDUSTRIAL	A growing sector with various projects in the planning phase, mainly outside the CDB of Darwin itself.
INFRASTRUCTURE	The government has been allocated a record $4.07bn in the 2023-24 budget to spend on its infrastructure program. This includes the Darwin ship lift facility, and the establishment of new infrastructure, such as roads, aerodromes, jetties, bridges and public transport. This is an unprecedented outcome for the Territory and will see huge pressures to local contractors to deliver the planned works.
RETAIL	Similar to commercial sector – not a lot of activity occurring.

BUILDING ACTIVITY METRICS 2014 TO 2023

FINANCIAL YEAR



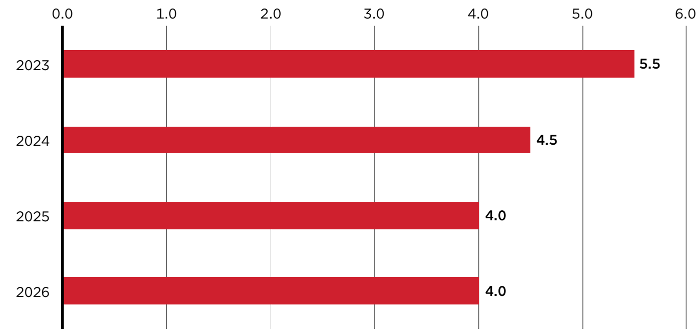
NORTHERN TERRITORY - VALUE OF WORK DONE

(ORIGINAL CVM, $M)

FINANCIAL YEARS	NEW HOUSES	APARTMENTS	ALTERATIONS & RENOVATIONS	TOTAL RESIDENTIAL	TOTAL NON RES	TOTAL BUILDING	TOTAL ENGINEERING	TOTAL CONSTRUCTION
2016	360	220	93	672	742	1,414	7,255	8,669
2017	284	83	113	481	729	1,210	6,492	7,702
2018	242	86	118	446	632	1,078	6,295	7,373
2019	207	50	123	379	541	920	1,965	2,885
2020	146	47	131	324	444	768	1,148	1,916
2021	196	40	130	365	492	857	1,462	2,319
2022	186	27	114	326	556	882	1,992	2,874
2023	202	30	111	343	583	926	1,984	2,910
% CHANGE 2023 vs 2022	8.6%	12.6%	-2.5%	5.1%	4.9%	5.0%	-0.4%	1.3%

RLB TENDER PRICE INDEX FORECAST

ANNUAL % CHANGE



Red line - current TPI uplift percentage as at Q4 2023

GOLD COAST

MARKET INTELLIGENCE

The Gold Coast construction market remains at historically strong levels, with over 50 cranes currently on construction projects, predominately across the residential sector.

In Queensland, construction work done in FY 2023 has seen a 3.5% with non-residential work up $369m for the year, after a $286m rise in FY 2022 with adjusted work done (removing heavy industry, houses, and renovations) for the year up by 8.7% ($2.2bn) for the quarter.

Work yet to be done on year-on-year basis also increased 10.1% to $34.4bn on 30 June 2023, which is a result of longer than expected program durations and shows continuing pressure on the market to deliver existing projects under construction.

Looking at the values of commencements, approvals and WYTBD, the Queensland market is moving forward. With strong approval levels, commencements and WYTBD during 2023, activity was 3.5% stronger than the forecast for 2023 and the current metrics would indicate that the forecast 2024 will be exceeded by a significant factor (by $1-2bn) or 3-5%.

This continued pressure on the market is resulting in challenges in delivery due to increased construction costs negatively impacting the feasibility of projects and lack of available head and sub-contractors, particularly in the residential sector. Notwithstanding this, demand for accommodation is at an all-time high and the lack of supply is exacerbating the situation, investors have generally withdrawn from the market and build-to-rent is difficult to make feasible. The market desperately requires more labour resources to move to the state, however, housing opportunities are very limited.

The health and related services sectors are also increasing in market impact, with new developments underway at the Gold Coast Health & Knowledge Precinct coupled with proposed commencements of private and public hospitals in 2024.

Private sector projects are expected to reduce their overall share of the construction market due to feasibility pressures, however, this will be offset by an increased pipeline of public works resulting in higher market capacity demand.

QLD FY 2023 WORK DONE	JUNE 2023 WORK YET TO BE DONE	FY 2023 BUILDING APPROVALS QLD	BRISBANE CPI
▲ 3.5%	▲ 10.1%	▲ 24.3%	▲ 6.3%
to $43.1bn	to $34.4bn	to $34.8bn	YoY for June 2023 qtr

Photographer: @sophiebakerphoto

Jewel, Gold Coast

Percentages represent change in work done YoY for CY 2023
Values represent total value of work done for CY 2023

RESIDENTIAL ACTIVITY QLD	NON-RESIDENTIAL ACTIVITY QLD	ENGINEERING ACTIVITY QLD
▼ 0.3%	▲ 4.6%	▲ 5.7%
$13.6bn	$8.4bn	$21.2bn

GOLD COAST

ESCALATION INSIGHTS

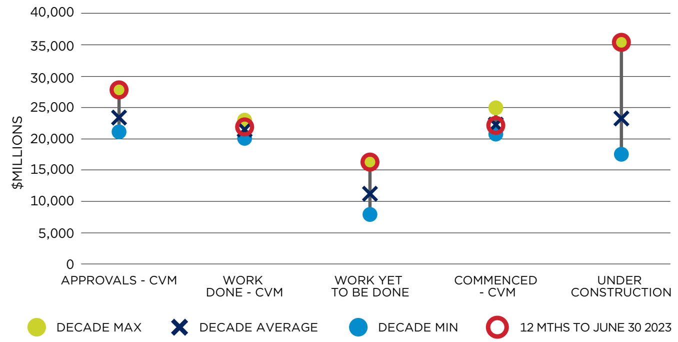
The rate of increase in escalation in 2023 has slowed due to stabilisation in trade costs from supply chain and logistic impacts, however, given the labour challenges forecast to impact the market, we expect this to be short-lived with the proposed health, corrections and education programs to be followed by the Olympic Games spend. These programs will test market capacity for tier 1 contractors, tier 1 sub-contractors and particularly the availability of skilled resources for key trades including formwork, ceiling and partitions, joinery, building services and vinyl.

The shortage of skilled resources remains the major challenge that will drive construction costs over the next decade unless there is a significant influx of workers from interstate or overseas. Loss of productivity and insolvencies also remain a major challenge to the industry.

Supply chain issues have eased with reduced freight costs. The significant increase in construction costs over the past two years, as well as rising interest rates, has seen a slow-down in activity in the residential sector, particularly apartments, although the right product in the right location is still in demand.

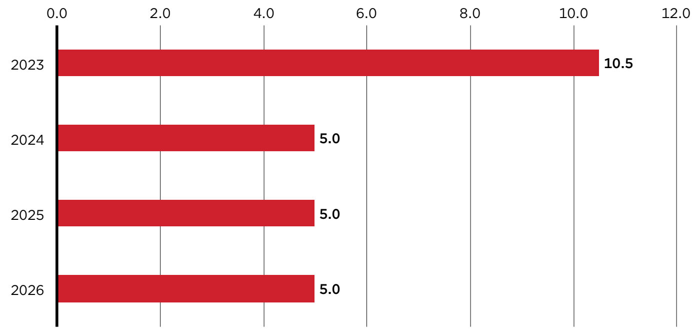
QUEENSLAND BUILDING ACTIVITY METRICS 2014 TO 2023

FINANCIAL YEAR



RLB TENDER PRICE INDEX FORECAST

ANNUAL % CHANGE



Red line - current TPI uplift percentage as at Q4 2023

KEY SECTOR INSIGHTS

AGED CARE	Activity in aged care remains steady however the feasibility of major new projects has been challenged by increased construction costs and have struggled for funding due to the revenue model.
APARTMENT	Increased interest rates have slowed demand and increased construction costs have resulted in challenges to the feasibility of residential projects.
COMMERCIAL	Commercial activity is limited to health science related developments at the Health & Knowledge Precinct. Although vacancy rates are approaching historic lows, feasibility and competition with alternate land uses are leading to a lack of new commercial project commencements.
HEALTH	The Capacity Expansion Program is underway with $10bn expenditure across 15 Hospitals over the next five years that will test the capacity of the market to deliver.
HOTEL	Hotels appear to have recovered from the impacts of COVID-19 and activity remains strong with new hotels to open at the Star and proposals for new hotels in planning at The Spit. The refurbishment of existing hotel product continues throughout Surfers Paradise and Broadbeach.
HOUSING	Increasing interest rates have slowed demand resulting in a slow-down of activity.
INDUSTRIAL	The sector remains strong with demand for increased storage facilities and distribution centres.
INFRASTRUCTURE	Infrastructure remains strong with a range of major rail and road projects, coupled with planning for Olympic venues and associated infrastructure.
RETAIL	Retail continues to be subdued on the Gold Coast in terms of new large-scale investments.

HOBART

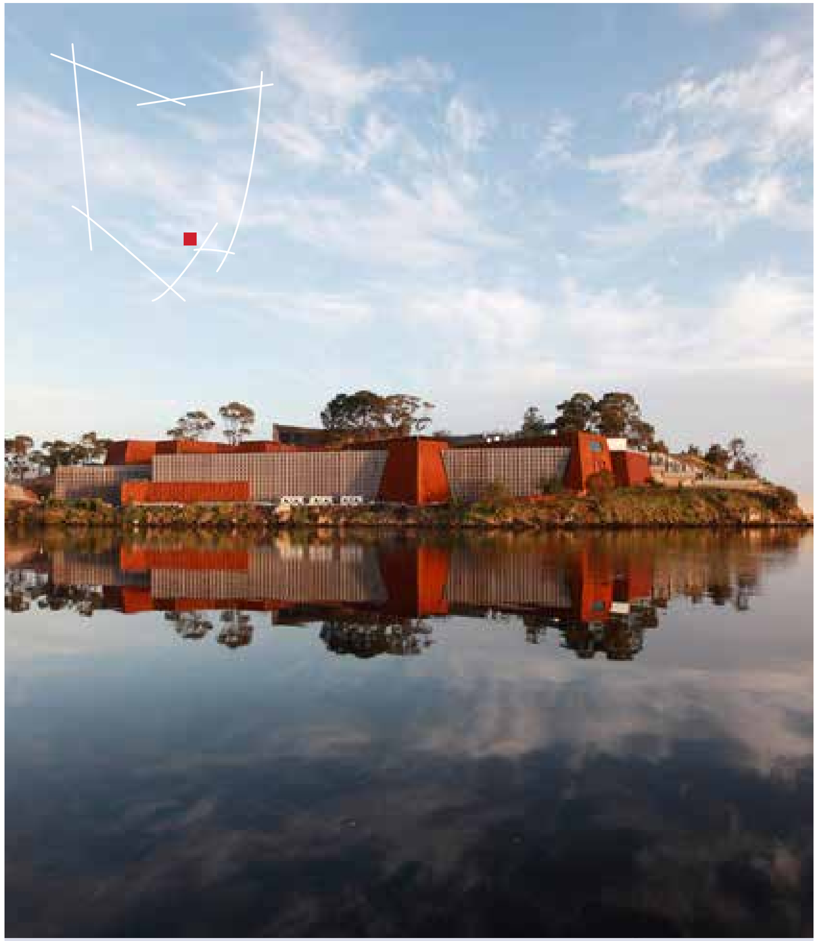
MARKET INTELLIGENCE

Construction activity continues to remain at very high levels supported by Government works, particularly in the civil sector. This creates a major challenge to private sector activity with many projects being held off until market realisations increase to match construction prices. This, in turn, is creating a large volume of works building up which augers well for the long-term health of the local construction industry.

It is apparent that the major financial beneficiaries are at the subcontractor level with the main builders retaining only reasonable levels of profit. Traditionally this situation has been mitigated by Eastern Seaboard subcontractors temporarily moving down to fill the gaps in the local market however this is not currently the case due to high levels of activity on the mainland.

Whilst the dramatic increases in the Tender Price Index of recent years have now abated there is evidence that prices will continue to rise at a steady rate across the medium term.

Museum of Old and New Art (MONA), Hobart



> "There is evidence that prices will continue to rise at a steady rate across the medium term."

Percentages represent change in work done YoY for CY 2023
Values represent total value of work done for CY 2023

RESIDENTIAL ACTIVITY	NON-RESIDENTIAL ACTIVITY	ENGINEERING ACTIVITY
▼ 10.0%	▲ 6.4%	▲ 7.1%
$1.1bn	$708m	$1.9bn

FY 2023 WORK DONE	JUNE 2023 WORK YET TO BE DONE	FY 2023 BUILDING APPROVALS	HOBART CPI
▲ 1.2%	▲ 17.9%	▲ 18.2%	▲ 5.5%
to $3.7bn	to $3.5bn	to $2.4bn	YoY for June 2023 qtr

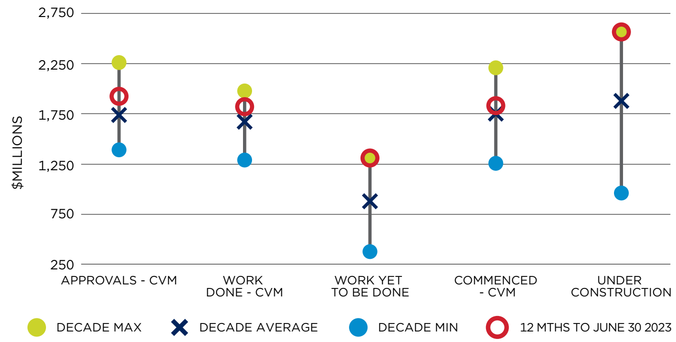
HOBART

KEY SECTOR INSIGHTS

AGED CARE	The sector remains flat with no new major projects announced despite a clearly demonstrated need by virtue of Tasmania having one of the country's oldest demographics.
APARTMENT	Several apartment projects have recently been completed but high construction costs are hindering further developments despite a clear demand for dwellings. There are some proponents considering no build to rent projects, but none have been attempted in Hobart yet.
COMMERCIAL	With the lowest vacancy rates in the country there is clearly high demand for new office accommodation, particularly at the premium end. However, supply is restricted by the cost of construction which is exacerbated by the disparity between market rent and commercial rental rates.
HEALTH	There is considerable activity in this sector, particularly in the North at the Launceston General Hospital. There are some major sport and recreation sector projects underway, and the new Tasmanian AFL team projects are also yet to commence.
HOTEL	The new $65m 206 key Novotel Hotel is due for completion this quarter and there are no large new hotels in the pipeline. This reflects the end of the recent mini boom in local regional visitation now that international travel has reopened post COVID-19 however the two new interstate ferries due in mid-2024 should buoy this market.
HOUSING	Whilst the underlying demand for new housing is strong the recent interest rate rises together with high construction costs are keeping new building to a modest level.
INDUSTRIAL	There has been significant activity in this market driven by a demand from operators seeking office/factory/warehouse accommodation together with some larger developments in the freight/logistics sector and some civil manufacturing facilities in support of larger infrastructure projects.
INFRASTRUCTURE	There continues to be very significant activity in this sector with the $786m Bridgewater Bridge in peak construction and the ongoing Midland Highway upgrades. The utilities, particularly water, also have a large pipeline of upcoming work. The proposed new $715m AFL stadium will further challenge local resources.
RETAIL	Retail continues to decline with the shift to on-line shopping however Hobart remains supported by national chains desiring capital city representation.

BUILDING ACTIVITY METRICS 2014 TO 2023

FINANCIAL YEAR



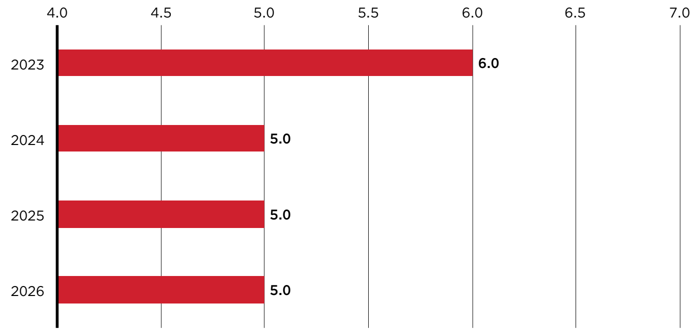
TASMANIA - VALUE OF WORK DONE

(ORIGINAL CVM, $M)

FINANCIAL YEARS	NEW HOUSES	APARTMENTS	ALTERATIONS & RENOVATIONS	TOTAL RESIDENTIAL	TOTAL NON RES	TOTAL BUILDING	TOTAL ENGINEERING	TOTAL CONSTRUCTION
2016	678	98	164	**940**	**643**	**1,583**	**1,265**	**2,848**
2017	573	79	152	**805**	**758**	**1,563**	**1,446**	**3,009**
2018	662	122	149	**933**	**707**	**1,640**	**1,351**	**2,991**
2019	842	81	160	**1,083**	**786**	**1,869**	**1,585**	**3,454**
2020	869	70	161	**1,100**	**771**	**1,871**	**1,591**	**3,462**
2021	1,048	30	165	**1,243**	**649**	**1,892**	**1,608**	**3,500**
2022	992	78	175	**1,245**	**665**	**1,910**	**1,784**	**3,694**
2023	855	101	165	**1,121**	**708**	**1,828**	**1,910**	**3,738**
% CHANGE 2023 vs 2022	-13.8%	29.8%	-5.9%	-10.0%	6.4%	-4.3%	7.1%	1.2%

RLB TENDER PRICE INDEX FORECAST

ANNUAL % CHANGE



Red line - current TPI uplift percentage as at Q4 2023

MELBOURNE

MARKET INTELLIGENCE

The Melbourne construction market continues to be driven by government led spending on infrastructure, health and housing and the continued influx of build to rent developments.

Elsewhere, activity is also strong in the logistics and industrial sectors. While the low to mid rise build to sell apartment sector remains positive, there is caution as construction costs, land prices and other financial inputs suffering from high inflation are impacting the feasibility of new projects.

The availability of labour, a problem for some time, continues to contribute to high escalation across the industry and low productivity.

The supply chain of materials has settled albeit at longer lead times than the industry has previously encountered.

Investment in the commercial sector remains flat as the demand for new workspace is subdued.

> "The low to mid rise build to sell apartment sector remains positive."

435 Bourke Street, Melbourne

FY 2023 WORK DONE	JUNE 2023 WORK YET TO BE DONE	FY 2023 BUILDING APPROVALS	MELBOURNE CPI
▲ 5.2%	▼ 27.2%	▲ 15.4%	▲ 5.6%
to $62.9bn	to $56.4bn	to $49.2bn	YoY for June 2023 qtr

Percentages represent change in work done YoY for CY 2023
Values represent total value of work done for CY 2023

RESIDENTIAL ACTIVITY	NON-RESIDENTIAL ACTIVITY	ENGINEERING ACTIVITY
▼ 5.0%	▲ 10.3%	▲ 14.9%
$24.2bn	$16.7bn	$22.0bn

ESCALATION INSIGHTS

Availability of labour, and the high levels of activity continue to drive escalation. Material prices across most trades have eased and more aligned to expectation, however sudden spikes across the trades which have become less prevalent than in the first half of 2023, are difficult to predict.

Evidence suggests that high profit margins are being placed on trades as a result of contractor / subcontractor views on risk factors over the life of a project.

In addition, external factors and general inflationary issues (i.e. cost of power), along with high levels of activity also contributing to escalation across the industry.

The escalation forecast for 2024 is 5%. The easing of material prices, and some easing of activity towards the backend of the year should contribute to reduced increases compared to 2023. Contractor appetite for a well structured and financed project will also contribute to some competitive tendering.

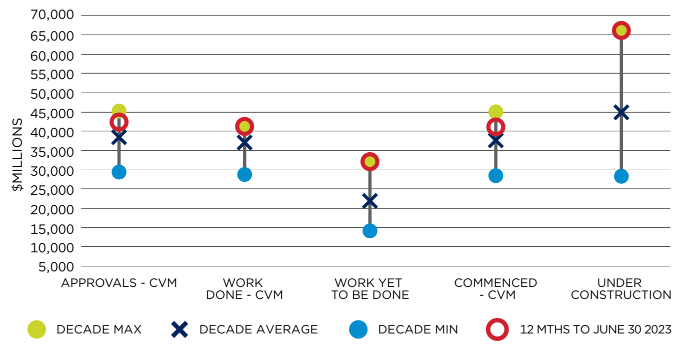
However, risk remains due to sudden spikes across trades as the ongoing competition to secure labour or external economic and/or risk factors, being built into pricing, based on contractor/subcontractor assessments on all aspects of a project.

KEY SECTOR INSIGHTS

AGED CARE	Investment in aged care continues at positive levels and expected to continue through 2024 without any major downturn or upward trends.
APARTMENT	Apartment sector currently dominated by BTR. Activity continues in the low to mid-rise sector outside the CBD area, while inside the CBD area, high-rise continues to struggle due to the tight project feasibility metrics and the lack of local and foreign investment.
COMMERCIAL	Commercial continues to struggle with only a very small number of inner CBD developments either under construction or coming to market, all driven by the lack in tenant / workplace activity. The lingering of post COVID-19 work from home continues.
HEALTH	Led by significant levels of government spending, health sector activity is strong with a significant number of projects out in the market, including upgrades to existing facilities and new-build facilities. We expect levels to continue through 2024.
HOTEL	Planning activity continues to be positive amongst this sector, albeit projects are coming to market at a slow pace. Outlook is for growth and includes a mix of refurbishment / re-branding of existing facilities and new facilities.
HOUSING	Housing activity remains strong, however hampered by labour availability and insolvency. The recent Victorian Government announcement to build 800 thousand homes over the next 10 years will only add additional pressure to the sector, which will require its workforce and output to double from its current levels to deliver that amount of housing.
INDUSTRIAL	Industrial and logistics remains a quiet achiever across the sectors with steady levels of activity and investment.
INFRASTRUCTURE	The ongoing Government led investment in infrastructure continues. Major projects, such as the Melbourne Metro and Westgate Tunnel are at their peak and continue to demand significant high levels of labour and material from traditional building sectors. Outlook is for this to continue for some time yet.
RETAIL	Retail remains flat, however some levels of activity in the early planning stages, which could see some projects come to life through 2024 and into 2025.

BUILDING ACTIVITY METRICS 2014 TO 2023

FINANCIAL YEAR



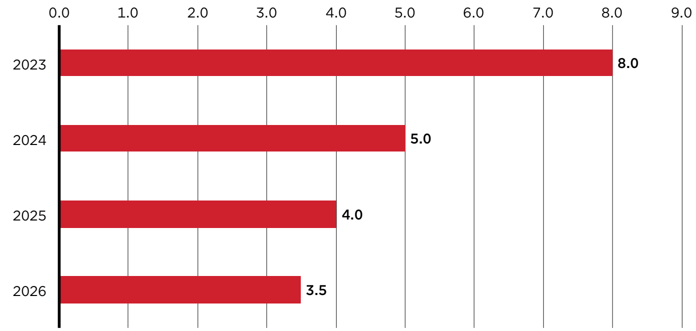
VICTORIA - VALUE OF WORK DONE

(ORIGINAL CVM, $M)

FINANCIAL YEARS	NEW HOUSES	APARTMENTS	ALTERATIONS & RENOVATIONS	TOTAL RESIDENTIAL	TOTAL NON RES	TOTAL BUILDING	TOTAL ENGINEERING	TOTAL CONSTRUCTION
2016	11,391	9,255	2,857	21,337	9,483	30,820	12,280	43,100
2017	11,973	9,491	3,182	22,753	10,308	33,060	13,489	46,549
2018	12,513	9,823	2,941	24,197	12,497	36,694	18,129	54,823
2019	13,183	10,535	3,035	26,754	14,129	40,883	18,400	59,283
2020	12,895	10,320	3,011	26,227	15,256	41,483	18,864	60,347
2021	13,468	8,818	3,060	25,347	14,135	39,481	17,905	57,386
2022	13,958	7,736	3,759	25,453	15,147	40,600	19,170	59,770
2023	12,901	7,723	3,545	24,169	16,712	40,881	22,018	62,899
% CHANGE 2023 vs 2022	-7.6%	-0.2%	-5.7%	-5.0%	10.3%	0.7%	14.9%	5.2%

RLB TENDER PRICE INDEX FORECAST

ANNUAL % CHANGE



Red line - current TPI uplift percentage as at Q4 2023

MARKET INTELLIGENCE

The Western Australian construction industry had a productive year with work complete increasing by 8.9% over the previous period completing just over $31bn.

The residential sector remained steady with a very slight 0.5% increase over the previous year, but that is anticipated to dip in the next year on the back of lower approval numbers. The non-residential sector also showed a strong increase of 9.4%. The engineering sector continues to be dominant accounting for approximately two thirds of the market. The engineering sector saw a 11.4% increase in work executed to $20.9bn.

It is anticipated the engineering sector will remain strong. While the non-residential sector may start at a slightly lower level of activity it has the potential to grow strongly on the back of government desire to increase social and affordable housing stock to address shortages. Overall, the anticipated work volume in Western Australia is expected to show a slight increase in the coming period.

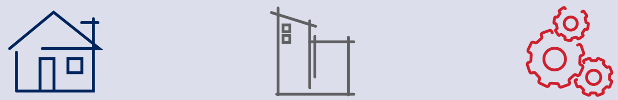
The availability of well credentialed tier 1 and tier 2 contractors is low, and this may become a constraint and have an impact on pricing going forward.

"The engineering sector continues to be the dominant sector in the Western Australian market."

Exchange at Curtin University, Perth

FY 2023 WORK DONE	JUNE 2023 WORK YET TO BE DONE	FY 2023 BUILDING APPROVALS	PERTH CPI
▲ 8.9%	▲ 17.3%	▼ 12.4%	▲ 4.9%
to $31.3bn	to $34.6bn	to $11.4bn	YoY for June 2023 qtr

Percentages represent change in work done YoY for CY 2023
Values represent total value of work done for CY 2023



RESIDENTIAL ACTIVITY	NON-RESIDENTIAL ACTIVITY	ENGINEERING ACTIVITY
▲ 0.5%	▲ 9.4%	▲ 11.4%
$5.8bn	$4.6bn	$20.9bn

ESCALATION INSIGHTS

There are several influences on the continuing construction escalation with the major ones being underlying CPI and labour shortages.

Current CPI in Western Australia is 4.9% and with steady work volumes and labour shortages there is no likely prospect of significantly lower escalation.

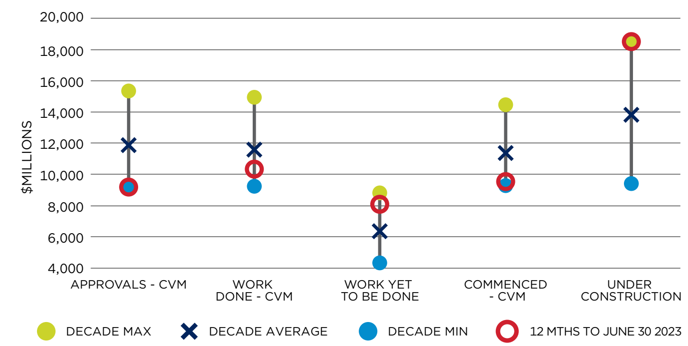
Wage rates for construction sector workers remain under pressure partly driven by the high wages on offer within the resource sector.

KEY SECTOR INSIGHTS

AGED CARE	Aged care continues to be a steady sector, albeit well below the peak volumes, with projects in all stages of development and construction.
APARTMENT	The apartment sector has slowed and many projects serving the lower end and investor segment of the market struggle to align escalated construction costs with sales pricing that has not been as strong as construction escalation. Higher end apartments appear to be more successful in transitioning to construction.
COMMERCIAL	Commercial office construction is still at a low level and Property Council figures show a 15% office vacancy rate. There is office development proceeding at Elizabeth Quay and in suburban fringes.
HEALTH	The state government and private hospitals all have a significant pipeline of work, and this is anticipated to be a growth sector over the next few years.
HOTEL	There are a limited number of major hotels planned. There is expected to be works associated with some redevelopment / refresh and also a number of Boutique Hotel offerings.
HOUSING	The housing sector is still very busy, but approvals have started to slow which will take effect in the coming years. The government is actively trying to increase the number of social and affordable houses / apartments available in the market and this may counterbalance to some extent the reduced approvals.
INDUSTRIAL	The is a strong level of activity in the industrial sector servicing logistics and particularly the resources sector.
INFRASTRUCTURE	Infrastructure continues to be a very active sector and the pipeline of work is strong. There has been a recent federal review of infrastructure funding but the impact on Western Australian projects has been minimal.
RETAIL	The neighbourhood shopping centres, and bulky goods sectors are operating at a constant but sub-peak level. There are several medium sized retail projects likely to proceed. There are some major shopping centres in the planning and early design stages.

BUILDING ACTIVITY METRICS 2014 TO 2023

FINANCIAL YEAR



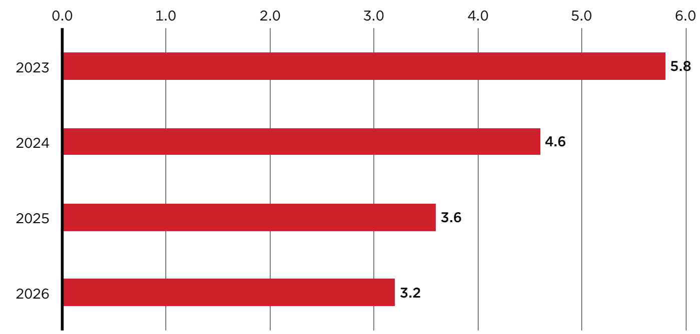
WESTERN AUSTRALIA - VALUE OF WORK DONE

(ORIGINAL CVM, $M)

FINANCIAL YEARS	NEW HOUSES	APARTMENTS	ALTERATIONS & RENOVATIONS	TOTAL RESIDENTIAL	TOTAL NON RES	TOTAL BUILDING	TOTAL ENGINEERING	TOTAL CONSTRUCTION
2016	6,498	2,143	838	9,479	4,819	14,297	40,773	55,070
2017	4,775	1,709	669	7,154	4,584	11,738	27,045	38,783
2018	4,411	1,478	681	6,570	4,679	11,250	34,083	45,333
2019	4,043	1,400	698	6,140	3,864	10,005	17,071	27,076
2020	3,614	1,036	634	5,284	4,084	9,368	17,663	27,031
2021	4,067	802	664	5,533	3,655	9,188	20,175	29,363
2022	4,328	844	643	5,816	4,178	9,993	18,724	28,717
2023	4,341	908	597	5,846	4,570	10,416	20,855	31,271
% CHANGE 2023 VS 2022	0.3%	7.5%	-7.1%	0.5%	9.4%	4.2%	11.4%	8.9%

RLB TENDER PRICE INDEX FORECAST

ANNUAL % CHANGE



Red line - current TPI uplift percentage as at Q4 2023

MARKET INTELLIGENCE

The Sydney construction market continues to be centred largely around continued government led hospital, school and infrastructure projects, with residential and commercial sectors subdued due to interest rates and inflation, and oversupply issues.

Steady demand continues across aged care, student accommodation, and the private health sectors.

Building approvals, work done, and commencements continue to be offset by the considerable work at hand in the engineering sectors. However, recent reallocation of infrastructure spending has seen +$1bn of future infrastructure spend reallocated which will influence market activity in the medium to long term. WYTBD and the value of projects under construction continue to grow.

Project durations remain extended by approximately 20% beyond general expectation, due, in part, to low resource availability and reduced productivity. Additionally, contract negotiation timelines remain extended as parties struggle to agree on risk allocation and terms.

The volume of available work in hand in the residential multi-unit sector has generally remained steady during the last quarter. However, due to recent legislative changes, the tier 2 contractor pool are generally hesitant to take on residential work. This reduced competition in the sector has led to a level of unpredictability in feasibility and tender pricing. Residential development site transactions continue to diminish as the gap between vendor expectations and market value continues to widen.

As expected, the rejuvenation of existing and aging B & C grade assets has commenced following the influx in premium grade offerings within the CBD and its surrounds. Owners are considering adaptive reuse of these assets to maintain relevance within the current market.

Build to rent has cemented a foothold in the Sydney market, with the first tranche of projects commencing and future projects being considered.

Major projects in the long-term pipeline include Castle Towers, Ryde and Cumberland Hospitals, Powerhouse Museum, and the Metro West Stations including the over station developments located at Hunter Street in the Sydney CBD, Pyrmont, Paramatta and Sydney Olympic Park.

Brookfield Place, Sydney

Percentages represent change in work done YoY for CY 2023
Values represent total value of work done for CY 2023

FY 2023 WORK DONE	JUNE 2023 WORK YET TO BE DONE	FY 2023 BUILDING APPROVALS	SYDNEY CPI
▲ 9.1%	▲ 12.0%	▲ 12.9%	▲ 6.6%
to $68.9bn	to $70.0bn	to $47.6bn	YoY for June 2023 qtr

RESIDENTIAL ACTIVITY	NON-RESIDENTIAL ACTIVITY	ENGINEERING ACTIVITY
▲ 1.5%	▼ 0.1%	▲ 22.0%
$23.0bn	$15.7bn	$30.2bn

ESCALATION INSIGHTS

Tender pricing has surpassed expectations having remained on an upward trend throughout the year and will likely lead to marginally higher than average escalation through 2024. This trend has been pushed by continued higher rates of insolvencies, general labour shortages, high inflation and continued EBA negotiations.

The prolongation of construction programs across all sectors has seen time related preliminaries increase suggesting that contractors expect the longer durations to continue in the short term.

Additionally, we are seeing evidence that contractors are actively seeking to recoup previous losses through COVID-19 and are less open to risk generally. This has led to increased margins beyond expected industry norms.

Reduced competition is being seen within the residential sector. Contractors and subcontractors continue to be selective as more favourable sectors continue to offer builder's opportunities to "fill their books" and, due to recent legislative changes, push more risk into the residential development process.

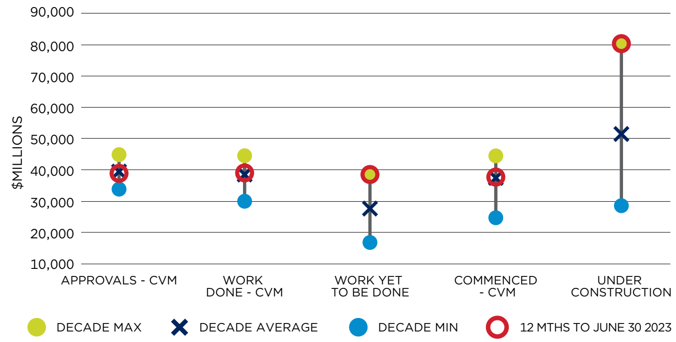
The above factors have offset the stabilisation of material and shipping prices, seen throughout 2023, following the stabilisation of commodity prices in early 2023. It should be mentioned, however, that the growing demand for green materials has seen a premium on such products. This is driven both by client targets for "net-zero" by 2030/2050 and the activation of the new Sustainable Buildings SEPP in October 2023.

KEY SECTOR INSIGHTS

AGED CARE	The aged care sector continues to see health activity due to high demand.
APARTMENT	With vendor expectations remaining high, limited tier 2 contractor interest and construction pricing remaining high, it is expected that the apartment sector will remain subdued through 2024. 'Land banking' will likely continue.
COMMERCIAL	With the influx of premium offerings within the CBD, it is likely the commercial sector will remain subdued and asset owners will be looking to upgrade existing assets or investigating adaptive reuse strategies to maximise value.
HEALTH	Health expenditure remains high in both the public and private sectors and will likely continue through 2024.
HOTEL	The hotel sector continues to strengthen following several asset transactions over the preceding 12-24 months.
HOUSING	As predicted, housing continues to suffer from major supply & demand issues.
INDUSTRIAL	Following a strong 2023 it is predicted that the industrial sector is currently at its peak and will begin to cool off through 2024.
INFRASTRUCTURE	Infrastructure activity remains high, however, recent announcements by the NSW Government has been funding being reduced to several projects across NSW. Metro West has also been put on hold and it is unclear when the green light will be given to continue.
RETAIL	Despite underlying demand, subdued housing prices and high interest rates continue to supress activity in this sector.

BUILDING ACTIVITY METRICS 2014 TO 2023

FINANCIAL YEAR



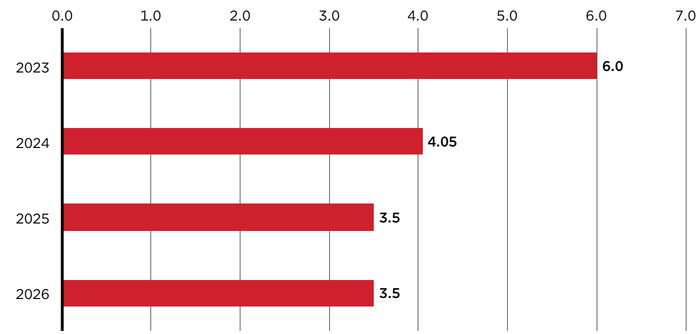
NEW SOUTH WALES - VALUE OF WORK DONE

(ORIGINAL CVM, $M)

FINANCIAL YEARS	NEW HOUSES	APARTMENTS	ALTERATIONS & RENOVATIONS	TOTAL RESIDENTIAL	TOTAL NON RES	TOTAL BUILDING	TOTAL ENGINEERING	TOTAL CONSTRUCTION
2016	9,454	11,902	3,142	**24,498**	**13,304**	**37,802**	**18,693**	**56,495**
2017	10,420	13,746	3,455	**27,621**	**12,596**	**40,218**	**20,904**	**61,122**
2018	10,703	15,211	3,263	**29,177**	**13,979**	**43,156**	**26,220**	**69,376**
2019	11,108	14,289	3,094	**28,491**	**16,309**	**44,800**	**26,162**	**70,962**
2020	9,345	11,088	2,900	**23,334**	**17,180**	**40,514**	**24,946**	**65,460**
2021	9,772	10,019	3,624	**23,416**	**17,012**	**40,427**	**23,929**	**64,356**
2022	10,622	8,221	3,820	**22,663**	**15,770**	**38,433**	**24,724**	**63,157**
2023	10,493	8,761	3,756	**23,010**	**15,748**	**38,759**	**30,158**	**68,917**
% CHANGE 2023 VS 2022	-1.2%	6.6%	-1.7%	1.5%	-0.1%	0.8%	22.0%	9.1%

RLB TENDER PRICE INDEX FORECAST

ANNUAL % CHANGE



Red line - current TPI uplift percentage as at Q4 2023

TOWNSVILLE

MARKET INTELLIGENCE

The rollout of significant state government projects (health, defence and corrections) in Queensland is proving to influence the construction market in general; the industry is stretched across all layers (labour, subcontractors, head contractors and consultants) and there do not appear to be sufficient resources to adequately service the projects. Construction periods are increasing as a result. The cost of labour is rising higher than inflation. As a result, although the rate of increase in construction cost is slowing, there will remain a considerable increase in 2024 and beyond.

All of this before the Olympic infrastructure has started its influence.

The region has seen tender submissions with an increased cost for preliminaries being presented by contractors. In addition to the resources discussed above, this can be attributed partly to risk tolerance and partly to costs in sourcing skilled labour and technical staff. This does vary depending on the type of project. Greater health and defence projects are coming online within the region which typically carry higher contractual expectations from tenderers and by extension higher preliminaries.

Private development is steady, however the driving force behind project tenders this quarter is seen from government projects. These projects are often at odds with their allocated budgets with funding often not adequately keeping up with rising construction costs.

Construction costs have risen significantly since 2020 (>30%) which has impacted contractors and sub-contractors on fixed price contracts and as a result there has been several significant insolvencies. This has caused a ripple effect through the market, further impacting on contractors that are not insolvent, but the loss of key sub-contractors results in financial stress on their affected projects.

Townsville Museum, Townsville

QLD FY 2023 WORK DONE
▲ 3.5%
to $43.1bn

JUNE 2023 WORK YET TO BE DONE
▲ 10.1%
to $34.4bn

FY 2023 BUILDING APPROVALS QLD
▲ 24.3%
to $34.8bn

BRISBANE CPI
▲ 6.3%
YoY for June 2023 qtr

Percentages represent change in work done YoY for CY 2023
Values represent total value of work done for CY 2023

RESIDENTIAL ACTIVITY QLD
▼ 0.3%
$13.6bn

NON-RESIDENTIAL ACTIVITY QLD
▲ 4.6%
$8.4bn

ENGINEERING ACTIVITY QLD
▲ 5.7%
$21.2bn

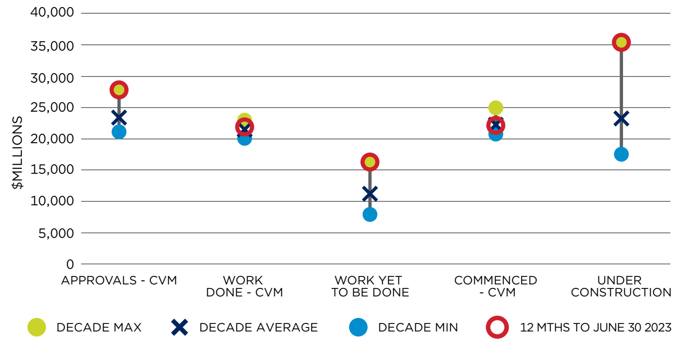
ESCALATION INSIGHTS

The rate of increase in escalation in 2023 has slowed however the large influx of Government projects and the shortage of resources will still see a large rate of escalation into 2024. Indeed, the resource shortage and the resultant labour rates is one that is not expected to be changed anytime soon and is the largest challenge to escalation coming down to normal levels.

"The large influx of Government projects and the shortage of resources will see a large rate of escalation into 2024."

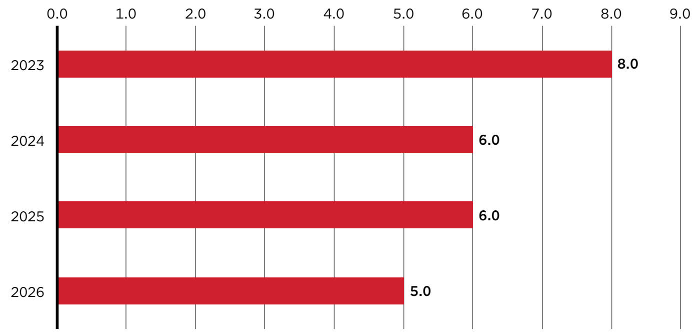
QUEENSLAND BUILDING ACTIVITY METRICS 2014 TO 2023

FINANCIAL YEAR



RLB TENDER PRICE INDEX FORECAST

ANNUAL % CHANGE



Red line - current TPI uplift percentage as at Q4 2023

TERMINOLOGY

ABBREVIATIONS

$bn	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
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 and other new residential and alterations/additions (incl. refurb and conversion)
NEW HOUSES	Detached dwellings
OTHER NEW RESIDENTIAL	Semi-detached dwellings (townhouses etc.) and 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, *Building Approvals, Australia*, cat. no. 8731.0 Building work done, work yet to be done, work in the pipeline, work commenced and work under construction – ABS, *Building Activity, Australia*, cat. no. 8752.0
BUILDING ACTIVITY DWELLING SUMMARY	All values are current price All values are from ABS, *Building Activity, Australia*, cat. no. 8752.0
STATE CONSTRUCTION WORK DONE	All values are in current price Building work done values are from ABS, *Building Activity, Australia,* cat. no. 8752.0 Engineering work done values are from ABS, *Engineering Construction Activity,* Australia, cat. no. 8762.0
STATE BUILDING APPROVALS	All values are current price Building Approvals – ABS, *Building Approvals, Australia*, cat. no. 8731.0
REGIONAL QUEENSLAND BUILDING APPROVAL VALUE	All values are current price ABS, *Building Approvals, 2011-17 – SA2 - Queensland, SuperWEB2* ABS, *Building Approvals, 2016-18 – SA2 - Queensland, SuperWEB2*
REGIONAL QUEENSLAND DWELLINGS	ABS, *Building Approvals, 2011-17 – SA2 - Queensland, SuperWEB2* ABS, *Building Approvals, 2016-18 – SA2 - Queensland, SuperWEB2*

AUSTRALIA OFFICES

ADELAIDE
Rider Levett Bucknall SA Pty Ltd
Level 1, 8 Leigh Street,
Adelaide, SA 5000
T: +61 8 8100 1200
E: adelaide@au.rlb.com

BRISBANE
Rider Levett Bucknall QLD Pty Ltd
Level 13, 10 Eagle Street,
Brisbane, QLD 4000
T: +61 7 3009 6933
E: brisbane@au.rlb.com

CAIRNS
Rider Levett Bucknall QLD Pty Ltd
Suite 7, 1st Floor,
Cairns Professional Centre,
92-96 Pease Street,
Cairns, QLD 4870
T: +61 7 4032 1533
E: cairns@au.rlb.com

CANBERRA
Rider Levett Bucknall ACT Pty Ltd
16 Bentham Street,
Yarralumla, ACT 2600
T: +61 2 6281 5446
E: canberra@au.rlb.com

COFFS HARBOUR
Rider Levett Bucknall NSW Pty Ltd
Level 1, 9 Park Avenue,
Coffs Harbour, NSW 2450
T: +61 2 4940 0000
E: northernnsw@au.rlb.com

DARWIN
Rider Levett Bucknall NT Pty Ltd
Level 4, 62 Cavenagh Street,
Darwin, NT 0800
T: +61 8 8941 2262
E: darwin@au.rlb.com

GOLD COAST
Rider Levett Bucknall QLD Pty Ltd
45 Nerang Street,
Southport, QLD 4215
T: +61 7 5595 6900
E: goldcoast@au.rlb.com

MELBOURNE
Rider Levett Bucknall VIC Pty Ltd
Level 13, 380 St. Kilda Road,
Melbourne, VIC 3004
T: +61 3 9690 6111
E: melbourne@au.rlb.com

NEWCASTLE
Rider Levett Bucknall NSW Pty Ltd
Suite 4, Level 1, 101 Hannell Street
Wickham, NSW 2293
T: +61 2 4940 0000
E: newcastle@au.rlb.com

PERTH
Rider Levett Bucknall WA Pty Ltd
Level 9, 160 St Georges Tce,
Perth, WA 6000
T: +61 8 9421 1230
E: perth@au.rlb.com

SUNSHINE COAST
Rider Levett Bucknall QLD Pty Ltd
Suite 307, La Balsa, 45 Brisbane Road
Mooloolaba, QLD 4557
T: +61 7 5443 3622
E: suncoast@au.rlb.com

SYDNEY
Rider Levett Bucknall NSW Pty Ltd
Level 19, 141 Walker Street,
North Sydney, NSW 2060
T: +61 2 9922 2277
E: sydney@au.rlb.com

TOWNSVILLE
Rider Levett Bucknall QLD Pty Ltd
Level 1, 45 Eyre Street, North Ward,
Townsville, QLD 4810
T: +61 7 4771 5718
E: townsville@au.rlb.com

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