FIRST QUARTER 2024

CONSTRUCTION MARKET UPDATE

AUSTRALIA / NEW ZEALAND

Rider Levett Bucknall

Construction market forecasts for 2024 indicate a return to historic levels, following the highs of 2022

AUSTRALIA SUMMARY

THE AUSTRALIAN CONSTRUCTION INDUSTRY: NAVIGATING UNCERTAINTY AND BUILDING RESILIENCE

While continuing its contribution of approximately 10% of Australia's GDP, the construction industry continues to grapple with the persistent influences of high escalation, industry solvency, low productivity and labour shortages. However, the outlook for the construction is positive. Forecasts indicate that the industry will experience sustained growth as a result of continued high demand for housing and historically high spending by federal, state and territory governments.

General economic market conditions are creating challenging conditions across many global sectors, including construction.

As highlighted in RLB's Q4 2023 report, the major impacts on construction escalation in Australia are beyond the industry's influence.
Higher fuel prices, geopolitical conflicts, exchange rates, general inflation, and the increased cost of doing business (insurances, permit
fees, regulatory changes and so on) continue to add costs to developments. The industry cannot control or mitigate these impacts via traditional methods.

As a result, project feasibilities are failing not only due to rising construction costs, but from increases across all major inputs, from land costs through to government taxes.

There are indications that these impacts are beginning to ease and stabilise. However, several challenges persist, including:

- Interest Rate Uncertainty: The recent cycle of increasing interest rates has presented significant challenges. Increased borrowing costs have dampened the demand for new project starts (both residential and non-residential), causing a lack of appetite for developers and a drop in overall activity.
- Construction Escalation: Both material and labour costs have been steadily rising over the past three years, putting pressure on project feasibilities, budgets, and the profitability of companies throughout the construction supply chain. The concept of a 'profitless boom' is constantly discussed.
- Skilled Labor Shortages: The industry faces a critical shortage of skilled workers across most trades. This is leading to prolonged project timelines, increased costs due to a decline in productivity, and overall quality concerns.
- Company Insolvencies: Despite the apparent high levels of activity, there have been considerable numbers of contractors, subcontractors and building suppliers that have recently become insolvent. This is an indication of unsustainable conditions, giving rise to the concept of a 'profitless boom'.

Cover: RLB provided quantity surveying services on 443 Queen St, Brisbane, a Cbus Property residential development.
Photo credit: Cieran Murphy.

AUSTRALIA SUMMARY

Due to opposing factors being observed within the industry, forecasting its future path is inherently difficult.

Positive factors suggest that:

- The forecast fall in interest rates in the second half of 2024 will result in construction levels continuing at, or just above, current levels with a slight positive shift in project feasibility.
- Governments across all levels in Australia are prioritising infrastructure spending. This includes projects related to roads, rail, utilities, renewable energy and social infrastructure like schools, hospitals, and recreational facilities. This commitment to infrastructure development is expected to continue to inject significant funds into the industry, creating a steady stream of projects for construction companies.
- The industry is adapting to surging material costs by sourcing alternative suppliers. This is helping to mitigate supply chain risks and pricing volatility.
- Labour shortages in most trades are well documented. According to government and media commentators, these labour shortages will be addressed through training initiatives and incentives, as well as short-term immigration policies.
- Major cities continue to expand due to population growth, necessitating ongoing investment in housing and associated infrastructure.

In contrast, negative factors suggest that:

- Continued high inflation, falling housing commencements, ongoing supply chain disruptions and a constantly moving regulatory framework will result in a continued slowdown in residential activity.
- General negative economic sentiment and continued announcements of project cancellations, industry insolvencies and volatile escalation will continue to impact confidence levels throughout the industry and financial markets, ultimately resulting in lower levels of project starts.
- A continued lack of skilled trade workers will impact on-site performance and productivity. Together with the next round of EBA negotiations, this lack of skilled workers will make further labour cost increases inevitable.

The Australian construction industry is at a pivotal juncture. Effective strategies from all levels of government, contractors, and developers are essential for steering the industry towards a period of sustained growth. By embracing adaptability, innovation, and a commitment to sustainability, the construction industry will build a resilient path forward.

RLB provided quantity surveying services on Design & Built Environment, Western Australia, a Curtin University education development.


The Rowlands
MAJESTY'S THEATRE
MAJESTY'S
A NIGHT OF JAZZ
BHP

Rider Levett Bucknall

ADELAIDE

MARKET INSIGHTS

The South Australian and federal governments remain committed to providing new opportunities into the South Australian construction market. Healthcare, education, defence and road infrastructure projects currently account for a large portion of government investments.

The South Australian economy continues to operate at near capacity with unemployment at low levels. Throughout 2024, labour shortages and rising wage costs, fuelled by robust industry demand, will persistently drive-up prices. This situation is further compounded by widening margins and contractors becoming increasingly discerning about the projects they choose to bid on, thereby exerting additional pressure on pricing.

High interest rates are also likely to restrict the commencement of projects, particularly in the private sector.

CURRENT MARKET INDICATORS

CALENDAR YEAR 2023 CVM YEAR ON YEAR CHANGE CVM MOVEMENT	RESIDENTIAL	NON-RESIDENTIAL	ENGINEERING
WORK DONE	-7.3% ▼	11.8% ▲	2.7% ▲
	RESIDENTIAL	NON-RESIDENTIAL	TOTAL BUILDING
APPROVALS	-7.7% ▼	-41.7% ▼	-26.8 ▼

KEY FACTORS IMPACTING ESCALATION

- Market volatility continued in Q1 2024, with continued labour shortages impacting pricing. However, increased labour costs were partially offset by stabilising material costs
- Potential insolvency of minor and major subcontractors remains an economic concern across all trades and market sectors
- Project durations are under pressure, and typically extending beyond original contractor forecasts
- Government remains committed with major defence, infrastructure, and healthcare projects, including the recent announcement of funding for hydrogen projects

RLB ANNUAL TENDER PRICE INDEX UPLIFT %

	2022	2023	2024 F	2025 F	2026 F	2027 F	2028 F
ADELAIDE	12.5	5.1	**6.5**	5.0	4.5	4.0	3.5
BRISBANE	10.5	6.0	**6.0**	5.1	5.1	5.1	5.1
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	**6.0**	5.0	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	**5.0**	4.4	4.0	3.5	3.2
SYDNEY	6.9	6.0	**4.5**	3.5	3.5	3.5	3.5
TOWNSVILLE	12.6	8.0	**7.0**	6.0	5.0	4.0	4.0

RLB provided quantity surveying services on Her Majesty's Theatre Redevelopment, Adelaide, a Department for Infrastructure and Transport heritage and adaptive reuse development.

Rider Levett Bucknall

BRISBANE

MARKET INSIGHTS

The Brisbane market remains generally buoyant. However, the private sector faces significant challenges in rendering projects viable due to elevated construction costs. There is no apparent catalyst in sight to curtail these rising costs.

Despite robust demand for housing and apartments, developers are finding it challenging to deliver, as sales price escalations have not kept pace with the rising costs of construction.

The Queensland Government remains active, proactively pursuing major expansion projects in health, education and corrections. In addition, the Olympics venues and Athlete's Village are slated to commence soon.

The Queensland Government has also committed to providing additional social housing. However, the delivery of these types of projects is being hampered by prevailing market conditions.

CURRENT MARKET INDICATORS

CALENDAR YEAR 2023 CVM YEAR ON YEAR CHANGE CVM MOVEMENT	RESIDENTIAL	NON-RESIDENTIAL	ENGINEERING
WORK DONE	10.5% ▲	2.2% ▲	17.0% ▲
	RESIDENTIAL	NON-RESIDENTIAL	TOTAL BUILDING
APPROVALS	-6.5% ▼	77.4% ▲	24.5% ▲

KEY FACTORS IMPACTING ESCALATION

- Skilled labour shortages are reducing productivity, leading to project delays and increased wage costs
- Industrial relation activities, including stoppages and interference in subcontractor and supplier selection, is causing disruptions and reduced efficiency and productivity
- A lack of competition in the tier one contractor and subcontractor markets, and their hesitancy to bid on projects, is resulting in higher project costs and limited options for developers and asset owners
- Insolvency risks and associated provisions in construction contracts are increasing project costs and financial uncertainty for the entire construction supply chain

RLB ANNUAL TENDER PRICE INDEX UPLIFT %

	2022	2023	2024 F	2025 F	2026 F	2027 F	2028 F
ADELAIDE	12.5	5.1	**6.5**	5.0	4.5	4.0	3.5
BRISBANE	10.5	6.0	**6.0**	5.1	5.1	5.1	5.1
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	**6.0**	5.0	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	**5.0**	4.4	4.0	3.5	3.2
SYDNEY	6.9	6.0	**4.5**	3.5	3.5	3.5	3.5
TOWNSVILLE	12.6	8.0	**7.0**	6.0	5.0	4.0	4.0

RLB provided quantity surveying and programming services on the Surgical, Treatment and Rehabilitation Service (STARS), Brisbane, an Australian Unity, Metro North Hospital & Health Service public healthcare facility.

Rider Levett Bucknall

CANBERRA

MARKET INSIGHTS

The ACT construction market in 2024 is expected to be a ride on a roller coaster. Residential building approvals fell during 2023. This points towards slowing activity in house construction. Non-residential approvals grew sharply in 2023 and strong activity within the sector will continue into 2024. Infrastructure projects are also likely to see steady progress due to ongoing government investment.

However, significant headwinds threaten this positive outlook. Construction costs, particularly for materials, are projected to remain high, impacting profitability for builders. The ongoing skilled labour shortage could further exacerbate this by causing delays and potentially raising construction costs. Additionally, recent interest rate hikes may dampen buyer and developer confidence, leading to a potential slowdown in new residential projects.

Overall, the ACT construction market in 2024 is forecast to be active but with significant challenges. The industry's ability to navigate rising costs, labour shortages, and potential shifts in buyer demand will be crucial in determining the year's outcome.

CURRENT MARKET INDICATORS

CALENDAR YEAR 2023 CVM YEAR ON YEAR CHANGE CVM MOVEMENT	RESIDENTIAL	NON-RESIDENTIAL	ENGINEERING
WORK DONE	-8.8% ▼	15.6% ▲	7.2% ▲
	RESIDENTIAL	NON-RESIDENTIAL	TOTAL BUILDING
APPROVALS	-16.5% ▼	33.8% ▲	-1.1% ▼

RLB ANNUAL TENDER PRICE INDEX UPLIFT %

	2022	2023	2024 F	2025 F	2026 F	2027 F	2028 F
ADELAIDE	12.5	5.1	**6.5**	5.0	4.5	4.0	3.5
BRISBANE	10.5	6.0	**6.0**	5.1	5.1	5.1	5.1
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	**6.0**	5.0	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	**5.0**	4.4	4.0	3.5	3.2
SYDNEY	6.9	6.0	**4.5**	3.5	3.5	3.5	3.5
TOWNSVILLE	12.6	8.0	**7.0**	6.0	5.0	4.0	4.0

RLB Award for Best Public Art Project 2024 Finalist: Field of Light, Canberra. Hindmarsh Construction Australia Pty Ltd (Commissioned by) Matthew Curtis (Artist).

RLB Rider Levett Bucknall

DARWIN

MARKET INSIGHTS

Following continued investments in Defence and infrastructure upgrades, the Northern Territory boasts a robust pipeline of work. Additionally, the establishment of the Housing Australia Future Fund (HAFF) is set to generate a series of social and affordable rental housing projects across regional NT, further bolstering the region's development prospects.

Key projects currently underway include the Norther land council new office, Darwin Ship lift, Tiger Brennan Drive overpass, Civic and State Square revitalization, CDU city campus, ongoing remote homes program for regional communities and large defence projects including P0009, NCIS and Air7000 in Tindal.

CURRENT MARKET INDICATORS

CALENDAR YEAR 2023 CVM YEAR ON YEAR CHANGE CVM MOVEMENT	RESIDENTIAL	NON-RESIDENTIAL	ENGINEERING
WORK DONE	0.1% ▲	33.8% ▲	0.8% ▲
	RESIDENTIAL	NON-RESIDENTIAL	TOTAL BUILDING
APPROVALS	-3.8% ▼	39.9% ▲	22.5% ▲

RLB ANNUAL TENDER PRICE INDEX UPLIFT %

	2022	2023	2024 F	2025 F	2026 F	2027 F	2028 F
ADELAIDE	12.5	5.1	**6.5**	5.0	4.5	4.0	3.5
BRISBANE	10.5	6.0	**6.0**	5.1	5.1	5.1	5.1
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	**6.0**	5.0	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	**5.0**	4.4	4.0	3.5	3.2
SYDNEY	6.9	6.0	**4.5**	3.5	3.5	3.5	3.5
TOWNSVILLE	12.6	8.0	**7.0**	6.0	5.0	4.0	4.0

RLB provided quantity surveying services on Darwin Convention Centre, a Darwin Waterfront Corporation and Northern Territory Government public and civic development.

Rider Levett Bucknall

GOLD COAST

MARKET INSIGHTS

The Southeast Queensland market continues to operate at, or near, capacity. This is being driven by government activity, with major expansion projects in health, education, and corrections. In addition, the Olympics venues and Athlete's Village are expected to commence soon.

These major government projects are diverting resources from the private sector. As a result, the private sector is facing major project feasibility challenges, particularly in the residential sector. Projects valued at over $80 million in construction value are proving particularly challenging, with a very limited pool of tier one contractors and subcontractors

The signs of a two-speed market are emerging in Southeast Queensland. Lower tier contractors are subcontractors are providing competitive pricing on some projects to shore up workload in the wake of waning new private sector project commencements.

KEY FACTORS IMPACTING ESCALATION

- Skilled labour shortages are reducing productivity, leading to project delays and increased wage costs
- Industrial relation activities, including stoppages and interference in subcontractor and supplier selection, is causing disruptions and reduced efficiency and productivity
- A lack of competition in the tier one contractor and subcontractor markets, and their hesitancy to bid on projects (particularly private sector projects), is resulting in higher project costs and limited options for developers and asset owners
- Insolvency risks and associated provisions in construction contracts are increasing project costs and financial uncertainty for the entire construction supply chain
- National Construction Code changes and material bans are influencing material supply and installation methodologies
- Sub-contractor additional risk pricing by larger, higher-tier subcontractors could lead to inflated costs for construction projects

CURRENT MARKET INDICATORS

CALENDAR YEAR 2023 CVM YEAR ON YEAR CHANGE CVM MOVEMENT	RESIDENTIAL	NON-RESIDENTIAL	ENGINEERING
WORK DONE	10.5% ▲	2.2% ▲	17.0% ▲
	RESIDENTIAL	NON-RESIDENTIAL	TOTAL BUILDING
APPROVALS	-6.5% ▼	77.4% ▲	24.5% ▲

RLB ANNUAL TENDER PRICE INDEX UPLIFT %

	2022	2023	2024 F	2025 F	2026 F	2027 F	2028 F
ADELAIDE	12.5	5.1	**6.5**	5.0	4.5	4.0	3.5
BRISBANE	10.5	6.0	**6.0**	5.1	5.1	5.1	5.1
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	**6.0**	5.0	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	**5.0**	4.4	4.0	3.5	3.2
SYDNEY	6.9	6.0	**4.5**	3.5	3.5	3.5	3.5
TOWNSVILLE	12.6	8.0	**7.0**	6.0	5.0	4.0	4.0

RLB provided quantity surveying services on Jewel, Gold Coast, a Dalian Wanda, Ridong Developments, Yuhu Group and AW Holding Group residential and mixed-use development.


OAKS

RLB Rider Levett Bucknall

MELBOURNE

MARKET INSIGHTS

Construction activity in Melbourne remains robust, primarily driven by government-funded projects in public sectors such as health, education, rail, roads and infrastructure.

In the private sector, industrial and Build-to-Rent (BTR) projects show strong activity levels, whereas commercial office spaces and large-scale residential projects are more subdued.

Building contractors are facing challenges in securing both skilled and unskilled labour, as they compete with large-scale infrastructure projects and other activities across regional borders.

Trade pricing has stabilised following the volatility of 2023, with material prices either holding steady or experiencing modest increases in the first quarter of 2024. This stability is expected to continue throughout the year.

CURRENT MARKET INDICATORS

CALENDAR YEAR 2023 CVM YEAR ON YEAR CHANGE CVM MOVEMENT	RESIDENTIAL	NON-RESIDENTIAL	ENGINEERING
WORK DONE	-4.8% ▼	8.4% ▲	11.5% ▲
	RESIDENTIAL	NON-RESIDENTIAL	TOTAL BUILDING
APPROVALS	-14.9% ▼	-15.0% ▼	-15.0% ▼

KEY FACTORS IMPACTING ESCALATION

- Skilled and non-skilled labour shortages are reducing productivity, leading to project delays and increased wage costs
- While material prices have stabilised, they are still rising at modest levels
- The current volume of construction activity remains close to the decade high
- High levels of risk and contingency built into trade pricing could lead to increased overall project costs
- Conservative project timelines factored into pricing may lead to higher bids and extended project schedules
- Preliminaries costs are rising due to OH&S, fees, compliance and increased supervision

RLB ANNUAL TENDER PRICE INDEX UPLIFT %

	2022	2023	2024 F	2025 F	2026 F	2027 F	2028 F
ADELAIDE	12.5	5.1	**6.5**	5.0	4.5	4.0	3.5
BRISBANE	10.5	6.0	**6.0**	5.1	5.1	5.1	5.1
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	**6.0**	5.0	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	**5.0**	4.4	4.0	3.5	3.2
SYDNEY	6.9	6.0	**4.5**	3.5	3.5	3.5	3.5
TOWNSVILLE	12.6	8.0	**7.0**	6.0	5.0	4.0	4.0

RLB provided quantity surveying services on 435 Bourke Street, Melbourne, a Cbus Property commercial office development.
Artist Impression.


420

PERTH

MARKET INSIGHTS

In the second half of 2023, pricing stabilised for short-duration, low-risk projects in Perth.

Although, there was still a typically broad range of prices across most trade and head contractor preliminary costs.

However, pricing escalation continues to be a challenge across Western Australia, particularly in regional areas and for complex metropolitan projects.

Factors such as labour shortages, high demand, productivity issues, and challenging economic conditions have continued to drive market volatility into the first quarter of 2024.

KEY FACTORS IMPACTING ESCALATION

- Market volatility continues, with supply chain and labour issues impacting pricing and partially offsetting material price stabilisation
- Insolvency of major subcontractors and economic concerns are driving higher pricing
- Contractors show significant variations in trade pricing, reflecting differences in risk assessment and future work projections
- Project durations are extending by approximately 25%, due, in part, to skilled labour shortages and reduced productivity
- Head contractor preliminaries costs are increasing particularly due to higher levels of site management and supervision to limit productivity losses
- Head contractor margins are continuing to rise, especially on projects with longer durations and a higher risk profile
- The above issues are magnified by varying degrees in regional locations

CURRENT MARKET INDICATORS

CALENDAR YEAR 2023 CVM YEAR ON YEAR CHANGE CVM MOVEMENT	RESIDENTIAL	NON-RESIDENTIAL	ENGINEERING
WORK DONE	8.4% ▲	11.4% ▲	20.7% ▲
	RESIDENTIAL	NON-RESIDENTIAL	TOTAL BUILDING
APPROVALS	-9.2% ▼	-2.4% ▼	-6.0% ▼

RLB ANNUAL TENDER PRICE INDEX UPLIFT %

	2022	2023	2024 F	2025 F	2026 F	2027 F	2028 F
ADELAIDE	12.5	5.1	**6.5**	5.0	4.5	4.0	3.5
BRISBANE	10.5	6.0	**6.0**	5.1	5.1	5.1	5.1
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	**6.0**	5.0	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	**5.0**	4.4	4.0	3.5	3.2
SYDNEY	6.9	6.0	**4.5**	3.5	3.5	3.5	3.5
TOWNSVILLE	12.6	8.0	**7.0**	6.0	5.0	4.0	4.0

RLB provided quantity surveying services on Design & Built Environment, Western Australia, a Curtin University education development.

Rider Levett Bucknall RLB

SYDNEY

MARKET INSIGHTS

While the rate of escalation has decreased from the highs of 2022, it remains relatively elevated in the short term due to various cost pressures and new regulatory requirements.

Many institutional developers are shifting their focus from commercial projects to the residential and industrial sectors, with build-to-rent, co-living, and student accommodation becoming prominent areas of interest.

Nonetheless, in New South Wales, activities are still predominantly centred around ongoing government-led projects in hospitals, schools, and infrastructure. The residential and commercial sectors remain subdued due to high interest rates and inflation, and oversupply issues, respectively.

Building approvals, completed work, and project commencements have risen by 11.9%. Declines in the residential and commercial sectors continue to be balanced by substantial ongoing work in the engineering sector.

KEY FACTORS IMPACTING ESCALATION

- Government funded project continue to push the NSW market along
- EBA negotiations continue, with some trades likely to agree to 5% to 7% per annum increases
- Material pricing remains steady with some materials such as steel seeing minor pull backs in supply pricing
- Project durations remain extended by approximately 20% beyond the norm, with contractors noting productivity across building sites remains below pre-pandemic levels resulting in preliminary cost pressures
- Contractor margins remain comparatively high against historical norms
- Reduced certainty and competition in the residential sector due to the hesitation of Tier 2 contractors to take on traditional build to sell residential projects
- Contractor and subcontractor insolvencies remain a prominent concern

CURRENT MARKET INDICATORS

CALENDAR YEAR 2023 CVM YEAR ON YEAR CHANGE CVM MOVEMENT	RESIDENTIAL	NON-RESIDENTIAL	ENGINEERING
WORK DONE	2.4% ▲	5.2% ▲	22.7% ▲
	RESIDENTIAL	NON-RESIDENTIAL	TOTAL BUILDING
APPROVALS	-11.2% ▼	13.4% ▲	-1.3% ▼

RLB ANNUAL TENDER PRICE INDEX UPLIFT %

	2022	2023	2024 F	2025 F	2026 F	2027 F	2028 F
ADELAIDE	12.5	5.1	**6.5**	5.0	4.5	4.0	3.5
BRISBANE	10.5	6.0	**6.0**	5.1	5.1	5.1	5.1
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	**6.0**	5.0	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	**5.0**	4.4	4.0	3.5	3.2
SYDNEY	6.9	6.0	**4.5**	3.5	3.5	3.5	3.5
TOWNSVILLE	12.6	8.0	**7.0**	6.0	5.0	4.0	4.0

RLB provided quantity surveying services on DHL Skyline - ESR Bringelly Road Business Hub, Sydney, an ESR Australia business and industrial park.


506

Rider Levett Bucknall

TOWNSVILLE

MARKET INSIGHTS

The rollout of significant state government projects in health, defence, and corrections in North Queensland is significantly impacting the overall construction market.

The entire industry—from labour and subcontractors to head contractors and consultants—is stretched thin, with insufficient resources to adequately support projects in the region. As a result, construction timeframes are increasing.

Labour costs are escalating above the rate of inflation. Although the rate of increase in construction costs is slowing, a considerable rise is still anticipated in 2024 and beyond.

In tender submissions, there are modest improvements in preliminary levels and slightly reduced profit margins. However, these remain significantly higher than pre-COVID levels.

KEY FACTORS IMPACTING ESCALATION

- Shortages of skilled labour, subcontractors, head contractors and consultants are reducing productivity, leading to project delays and increased timeframes
- Labour shortages are increasing labour costs at a pace that is currently outstripping inflation

CURRENT MARKET INDICATORS

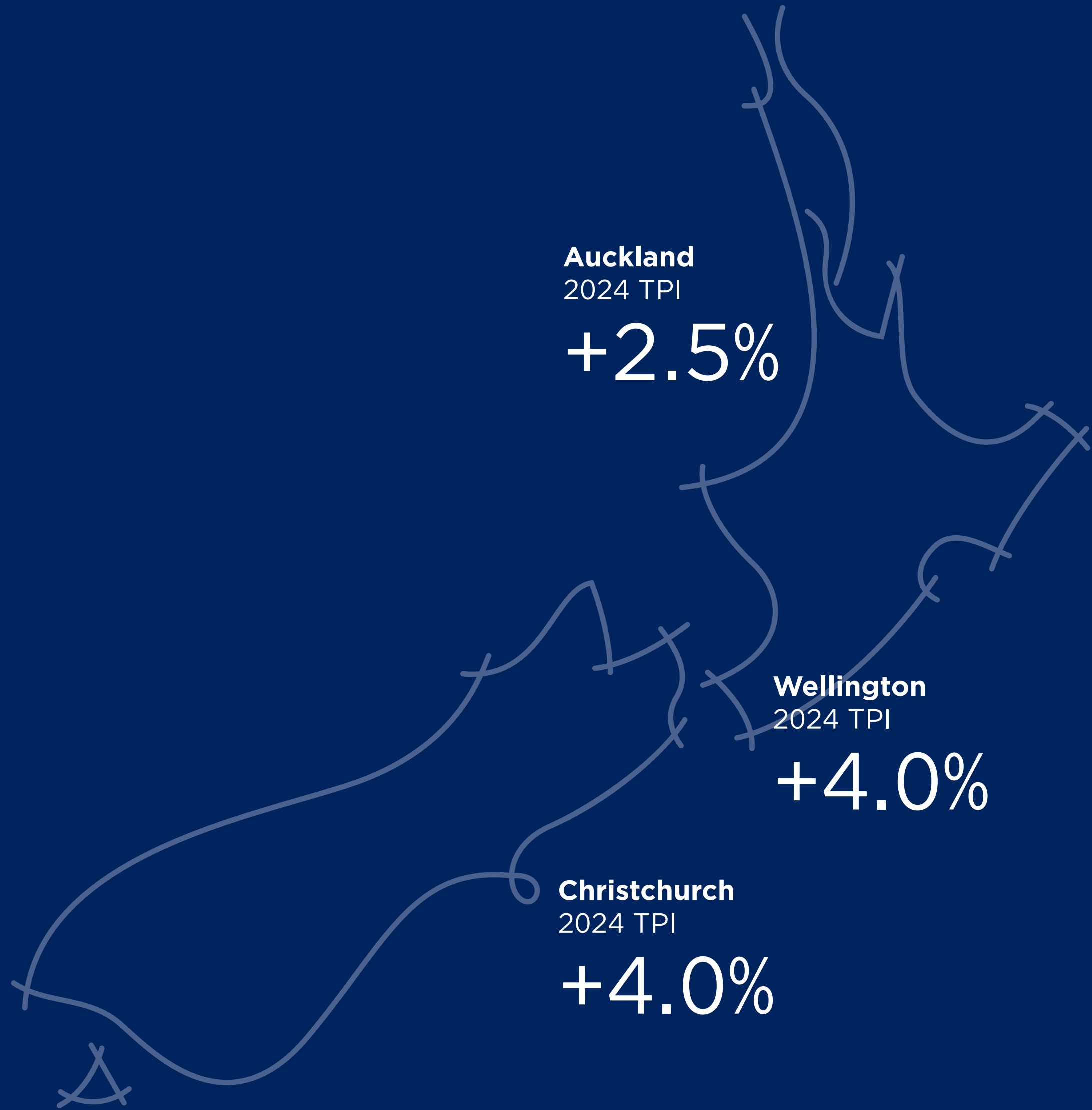
CALENDAR YEAR 2023 CVM YEAR ON YEAR CHANGE CVM MOVEMENT	RESIDENTIAL	NON-RESIDENTIAL	ENGINEERING
WORK DONE	10.5% ▲	2.2% ▲	17.0% ▲
	RESIDENTIAL	NON-RESIDENTIAL	TOTAL BUILDING
APPROVALS	-6.5% ▼	77.4% ▲	24.5% ▲

RLB ANNUAL TENDER PRICE INDEX UPLIFT %

	2022	2023	2024 F	2025 F	2026 F	2027 F	2028 F
ADELAIDE	12.5	5.1	**6.5**	5.0	4.5	4.0	3.5
BRISBANE	10.5	6.0	**6.0**	5.1	5.1	5.1	5.1
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	**6.0**	5.0	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	**5.0**	4.4	4.0	3.5	3.2
SYDNEY	6.9	6.0	**4.5**	3.5	3.5	3.5	3.5
TOWNSVILLE	12.6	8.0	**7.0**	6.0	5.0	4.0	4.0

RLB provided quantity surveying and advisory services on Engineering & Innovation Place, JCU Townsville, Bebegu Yumba Campus, a James Cook University education development. Photo credit: Andrew Rankin.

Construction market forecasts for 2024 indicate a return to historic levels, following the highs of 2022



NEW ZEALAND SUMMARY

Across the regions, Auckland remained at the forefront of construction activity. The value of construction work increased in Auckland and, to a lesser extent, in Waikato. This contrasts with other regions, such as Wellington and Canterbury, where construction activity contracted. Auckland now accounts for approximately 41% of nationwide construction activity (on a nominal basis). This concentration of new construction work in Auckland is largely driven by the region's strong population growth, which has been fuelled by migration.

Weak residential construction demand has been broad-based across the regions. The decline has been particularly marked in Auckland, following very strong growth in the region in 2021 and 2022. Annual Auckland dwelling consent issuance fell to just under 15,500 for the year to December 2023. This represents a 27% decrease compared to the same time in 2022.

RLB anticipates that higher interest rates and restricted access to finance will continue to suppress residential construction demand over the next 12 months. However, strong migration-led population growth will support residential construction demand from 2025. This upturn will likely be spurred by a recovery in house prices, encouraging property developers to introduce new housing to the market. Other construction indicators also point to a weak near-term pipeline of construction activity. The NZIER QSBO architects' measure of work in own office shows architects continue to expect a decline in housing, commercial and government construction work over the coming year. In line with recent consent issuance, expectations for the pipeline of housing construction are particularly weak.

However, there are signs of an improvement in non-residential construction demand over the longer term. Although a net 12% of architects surveyed expect a reduction in commercial construction work over the coming year based on the work in their own office, looking further ahead a net 18% of architects expect an increase in this pipeline in around two years' time.

According to the latest NZIER QSBO report for Q1 2024, pessimism is pervasive across all sectors, "the building sector was particularly downbeat. A net 54 percent of building sector firms expect a deterioration in the general economic outlook, a significant turnaround from the net 8 percent of firms in the sector expecting an improvement in the previous quarter. With demand across housing, commercial and Government construction still weak, this is reducing pricing power for firms in the sector. Against the backdrop of intensifying costs, the construction sector faced a further deterioration in profitability in the March quarter. Weak construction demand is likely to be weighing on domestic demand in the manufacturing sector. A net 12 percent of manufacturers are feeling pessimistic about general economic conditions, as weak demand reduces pricing power in the sector."

During the COVID-19 pandemic, a shortage of labour and materials drove a significant increase in construction costs, the effects of which are now unwinding as these supply constraints ease. In line with the continued easing in capacity pressures in the construction sector, RLB expects a further moderation in construction cost inflation from high levels over the coming year.

Rider Levett Bucknall

AUCKLAND

MARKET INSIGHTS

Broader economic conditions are affecting construction demand in the Auckland region, leading to a noticeable decline in construction activity.

Despite record levels of immigration, the high interest rate environment has significantly curtailed both residential and non-residential development.

Additionally, the new government's fiscal restraint is expected to make 2024 and 2025 challenging years for the construction industry.

KEY FACTORS IMPACTING ESCALATION

- Declining activity is tightening margins, impacting profitability
- Eased labour constraints are improving workforce availability
- Persistent underlying material cost pressures are driving up overall project costs
- Lengthening construction program durations are delaying project completions
- Rising compliance costs are increasing operational expenses
- Large and complex projects continue to attract higher costs and escalation, exacerbated by the limited pool of capable contractors

CURRENT MARKET INDICATORS

CALENDAR YEAR 2023 ORIGINAL COST YEAR ON YEAR MOVEMENT '23 V '22	ALL BUILDINGS	RESIDENTIAL	NON-RESIDENTIAL
WORK PUT IN PLACE	9.0% ▲	4.2% ▲	20.3% ▲
CONSENTS	-14.0% ▼	-18.2% ▼	-3.9% ▼

RLB ANNUAL TENDER PRICE INDEX UPLIFT %

	2022	2023	2024	2025 (F)	2026 (F)	2027 (F)	2028 (F)
AUCKLAND	12.0	5.5	2.5	2.0	3.5	4.0	4.0
CHRISTCHURCH	9.0	5.0	4.0	3.0	2.5	2.5	2.5
WELLINGTON	9.0	5.0	4.0	3.0	3.0	3.0	2.5

RLB provided quantity surveying services on Ormiston Primary School, Auckland, a Ministry of Education development.


14

CHRISTCHURCH

MARKET INSIGHTS

Following the significant price escalations during the COVID period, material prices have now stabilised. However, while general inflation seems to be settling, supply chain disruptions continue to pose a risk due to geopolitical factors.

Immediate labour shortages are less concerning than in recent years, thanks to declining activity and local expectations.

The effects of the recent governmental change are still unfolding, with increased fiscal restraint leading to a pause and reassessment of previously approved projects.

Although there is a reasonable workload currently in place, prospects appear to be varied across different sectors.

CURRENT MARKET INDICATORS

CALENDAR YEAR 2023 ORIGINAL COST YEAR ON YEAR MOVEMENT '23 V '22	ALL BUILDINGS	RESIDENTIAL	NON-RESIDENTIAL
WORK PUT IN PLACE	15.1% ▲	7.5% ▲	32.9% ▲
CONSENTS	-7.8% ▼	-11.0% ▼	0.2% ▲

KEY FACTORS IMPACTING ESCALATION

- The outcome of the General Election and increased fiscal restraint are impacting forecasts for the industry, potentially leading to reduced growth and investment
- Trade pricing is stabilising due to heightened competition, which could lead to more predictable project costs
- Residential construction activity has slowed in recent months, indicating a potential downturn in this sector
- A significant ongoing school program has been paused under the new government, delaying educational infrastructure developments
- Variations in trade pricing for large and complex projects reflect differing risk assessments and the clarity of future workload, affecting project budgeting and planning
- While large pipelines of infrastructure work are expected nationally in the coming years, there is uncertainty about the scale of these projects in various regions, which may lead to uneven development and investment

RLB ANNUAL TENDER PRICE INDEX UPLIFT %

	2022	2023	2024	2025 (F)	2026 (F)	2027 (F)	2028 (F)
AUCKLAND	12.0	5.5	2.5	2.0	3.5	4.0	4.0
CHRISTCHURCH	9.0	5.0	4.0	3.0	2.5	2.5	2.5
WELLINGTON	9.0	5.0	4.0	3.0	3.0	3.0	2.5

RLB provided quantity surveying services on Specialist Mental Health Services, Hillmorton Hospital, Christchurch, a Health New Zealand development.


Car park
Buses only
PHANTOM

Rider Levett Bucknall

WELLINGTON

MARKET INSIGHTS

Wellington's construction market presents a complex picture, with positive trends offset by several challenges.

The city is experiencing significant demand for construction services, fuelled by infrastructure projects and residential development, such as the regeneration of Te Aro.

However, labour shortages persist as a major obstacle, with the industry facing difficulties in finding and retaining skilled workers—a problem that is not unique to Wellington but prevalent nationwide.

In addition, supply chain issues and rising labour costs are placing pressure on builders and developers, which could lead to project delays and increased costs.

CURRENT MARKET INDICATORS

CALENDAR YEAR 2023 ORIGINAL COST YEAR ON YEAR MOVEMENT '23 V '22	ALL BUILDINGS	RESIDENTIAL	NON-RESIDENTIAL
WORK PUT IN PLACE	-0.6% ▼	-6.8% ▲	10.0% ▲
CONSENTS	-15.9% ▼	-22.1% ▼	-3.4% ▼

KEY FACTORS IMPACTING ESCALATION

- The outcome of the general election and increased fiscal restraint are impacting forecasts for the industry, potentially leading to reduced growth and investment
- Trade pricing is stabilising due to heightened competition, which could lead to more predictable project costs
- Residential construction activity has slowed in recent months, indicating a potential downturn in this sector
- Variations in trade pricing for large and complex projects reflect differing risk assessments and the clarity of future workload, affecting project budgeting and planning
- Skilled labour shortages that reduce productivity, delay projects, and increase wage costs remain a concern

RLB ANNUAL TENDER PRICE INDEX UPLIFT %

	2022	2023	2024	2025 (F)	2026 (F)	2027 (F)	2028 (F)
AUCKLAND	12.0	5.5	2.5	2.0	3.5	4.0	4.0
CHRISTCHURCH	9.0	5.0	4.0	3.0	2.5	2.5	2.5
WELLINGTON	9.0	5.0	4.0	3.0	3.0	3.0	2.5

RLB provided quantity surveying services on Tākina Wellington Convention & Exhibition Centre, a Wellington City Council public and civic development.

RLB Rider Levett Bucknall

OCEANIA OFFICES

AUSTRALIA

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

NEW ZEALAND

AUCKLAND
Rider Levett Bucknall Auckland Ltd
Level 16, Vero Centre, 48 Shortland
Street, Auckland 1141
T: +64 9 309 1074
E: auckland@nz.rlb.com

CHRISTCHURCH
Rider Levett Bucknall
Christchurch Ltd
Level 1, 254 Montreal Street,
Christchurch 8013
T: +64 3 354 6873
E: christchurch@nz.rlb.com

DUNEDIN
Rider Levett Bucknall Otago Ltd
First Floor, 402 George Street
Dunedin 9016
T: +64 3 409 0325
E: dunedin@nz.rlb.com

HAMILTON
Rider Levett Bucknall Hamilton
Ground Floor,
Parkhaven, 220 Tristram Street,
Hamilton 3204
T: +64 9 309 1074
E: hamilton@nz.rlb.com

PALMERSTON NORTH
Rider Levett Bucknall
Palmerston North Ltd
Suite 1, Level 1, 219 Broadway Avenue,
Palmerston North 4440
T: +64 6 357 0326
E: palmerstonnorth@nz.rlb.com

QUEENSTOWN
Rider Levett Bucknall Otago Ltd
36 Shotover Street, PO Box 691,
Queenstown 9348
T: +64 3 409 0325
E: queenstown@nz.rlb.com

TAURANGA
Rider Levett Bucknall Auckland Ltd
Office 3, 602 Cameron Road, Tauranga
3112
T: +64 9 309 1074
E: tauranga@nz.rlb.com

RLB Award for Best Public Art Project 2024 Finalist: Layers of Us, Newcastle.
Hunter and Central Coast Development Corporation (Commissioned by) Jasmine Craciun (Artist).


LAYERS OF US

RLB.com

AFRICA | AMERICAS | ASIA | EUROPE | MIDDLE EAST | OCEANIA

RLB Rider Levett Bucknall