mbm

Q2 2024 MBM Escalation Update

Navigating the economic forces shaping escalation in the Australian construction industry

“The RBA's inflation forecasts suggest that CPI is unlikely to drop below the 2-3% mark until the second half of 2025, reflecting an uncertain economic outlook.”

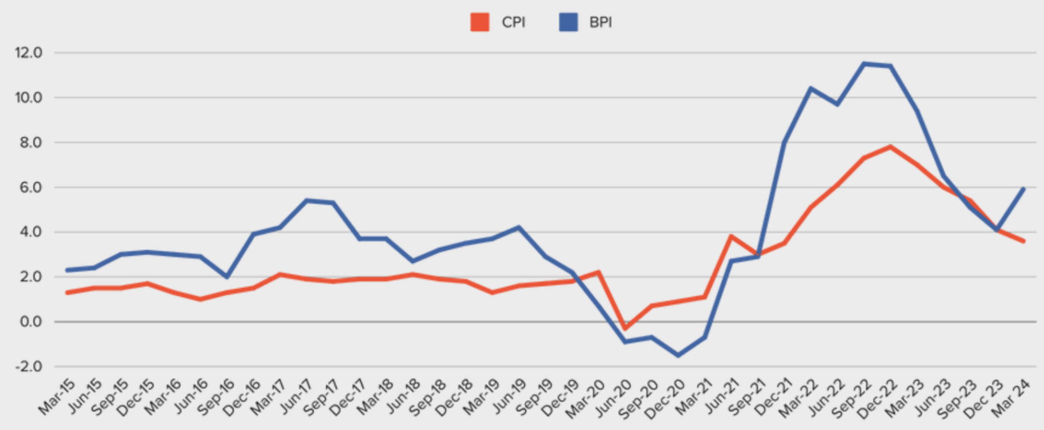
Market escalation remains persistent as 2024 unfolds. In the first quarter of the year, the Australian economy expanded by a modest 0.2%, partly attributed to a slight reduction in inflation from 4.1% to 3.6%. The annual Consumer Prince Index (CPI) inflation reflects a slowdown in the expected rate of decrease. Since the peak of 7.8% in December 2022, the past four quarters showed an average reduction of 0.9%, and only 0.5% in Q1 2024. In May 2024, the Reserve Bank of Australia (RBA) announced that inflation is projected to remain higher for longer than previously anticipated.

The subsequent effect on interest rates will likely maintain current levels, with some economists predicting a further increase prior to any decrease. Earlier optimism regarding interest rate reductions in late 2024 has shifted with rate changes now expected closer to the first quarter of 2025. The RBA's inflation forecasts suggest that CPI is unlikely to drop below the 2-3% mark until the second half of 2025, reflecting an uncertain economic outlook.

In the Federal Treasury's 2024-25 budget announcement, the government outlined several investment initiatives to address housing and skill shortages in the construction sector. The federal government is directing additional investment into the development of new homes with policies to increase student housing, social and affordable housing, as well as attract foreign investment into key areas such as existing Build-to-Rent developments. The Federal Treasury has also committed further funding towards infrastructure to ensure improved accessibility, liveability, and sustainability.

With skills shortages posing significant challenges to development progress and goals within the construction sector, the government will combat complexities through investment in tertiary education accessibility and efficiency improvements for skilled migration visas.

Consumer Price Index vs Building Price Index



“The dampened construction demand shapes MBM's outlook, and we expect minimal increase in cost escalation over the second half of 2024.”

The approach includes $360m towards fee-free university ready courses, $88.8m over three years to deliver 20,000 new fee-free TAFE courses relevant to the construction sector, and streamlined skills assessments for migrants seeking employment in the Australian housing construction industry.

While the 2024-25 budget looks to ease the cost of living, there are concerns that rent and energy subsidies will increase household spending capacities, increase demand, and place upward pressure on prices. However, the Treasury noted the cost-of-living relief measures are designed to discourage inflationary pressures by addressing the two key areas driving inflation - namely, soaring rents and energy prices.

The latest ABS Building Price Indices (BPI) for Q1 2024 were published in April and outline notable surprises. In terms of non-residential building construction, output prices across Australia increased by 1.74% during the March quarter and by 6.62% over the year to March. Notable driving factors, as mentioned by the ABS, include skilled labour shortages in addition to concrete and ceramic product price increases driven by a strong demand for finishing trades.

The latest ABS indices for non-residential building construction in New South Wales recorded a higher than expected 2.41% increase over Q1 2024 - the highest quarterly increase since Q2 2022. Margins are increasing beyond industry norms with contractors committed to recouping financial losses on projects over the past two years due to unforeseen cost escalation.

Recently, Enterprise Bargaining Agreements (EBA) negotiations have led to wage increases exceeding CPI. Construction escalation exceeded CPI in Q1 coupled with restructures in labour procurement for plasterboard and similar trades over the past 6 months, with the full effect in the first quarter of 2024. The dampened construction demand shapes MBM's outlook, and we expect minimal increase in cost escalation over the second half of 2024.

Victoria reflected changes of 1.14% and 1.31% for building construction and non-residential building construction respectively. The results align with MBM's forecasts and tracks towards the anticipated 5% increase over the year. The Victorian state budget on 7 May announced extensive project delays and deferrals to transport infrastructure, schools, and health sector developments.

The update will consequently draw out project expenditure forecasts over an extended period of time. The reduction in government spending, particularly on larger infrastructure projects, will undoubtedly cause a flow-on effect across the industry. Competition is likely to increase and lead to downward market pricing over the longer term in alignment with MBM's escalation forecasts.

Queensland's introduction of Best Practice Industry Conditions (BPIC) in 2023 - applying to projects valued at over $100m - will result in a 5% pay rise every year until the end of the agreement in 2027. The effects of the BPIC on eligible projects have created an escalation floor of 2.5-3% per annum. The latest ABS figures of 1.84% and 2.03% for building construction and non-residential building construction respectively reflects the impacts of the BPIC on cost escalation and coincides with MBM's forecasted rate of 6% for 2024.

“Although building cost escalation is reducing on average across Australia, it remains above the pre-COVID long-term averages.”

In Western Australia, materials prices show signs of stability with improvements to resource accessibility and fewer supply chain disruptions. However, the resource scarcity is a contributing factor to persistent price elevations. Preliminaries and margins have also shown increases over the first half of 2024.

South Australia reflected changes of 1.39% and 1.71% for building construction and non-residential building construction respectively. MBM’s initial forecast of 4% for 2024 is inching closer to 5-6% as a result of the significant demand for an already constrained subcontractor market. Demand for trades remains high largely due to a $3.5B investment in the health sector, and the state's $1B per annum infrastructure spend. Labour and sub-contractor availability will be the state's biggest challenge for the remainder of the year. Interstate resources may be called upon to meet the requirements of large-scale projects, and tender prices may be impacted as a result.

Risk remains at the forefront of contractor pricing with many continuing to factor in potential labour and materials price increases into tenders. The approach aims to protect margins following overruns on committed projects during the past 2-3 years. With the continuation of global conflict, supply chain complexities, and market uncertainties, many contractors and subcontractors are no longer willing to absorb financial risks. Project commencements are encountering restrictions across all regions as each continues to grapple with tighter financial conditions and higher energy prices, particularly in the residential sector.

Over the past year, the impact of Enterprise Bargaining Agreements (EBAs) would have already filtered through to the results of the past four quarters. Domestic wage price growth is supported by the Wage Price Index, which indicates the fastest growth rate in over a decade at 4.2% in 2023.

Although building cost escalation is reducing on average across Australia, it remains above the pre-COVID long-term averages. To bring escalation further in line with long term averages, contractor risk should be mitigated through the utilisation of alternate procurement methodologies. The strategy can ensure uncertainties are shared between contracting parties and support margin alignment with industry norms.

The attraction and maintenance of skilled labour in construction remains a key challenge with the industry needing to navigate sustainable human resource growth while facilitating a rise in productivity levels. One solution is to attract more women to the industry and increase the female participation rate.

The 2024-25 federal budget includes a $55.6m investment over the next four years to establish the Building Women’s Careers Program. The program aims to support women through flexible and inclusive vocational education, training, and work opportunities to achieve higher participation in key industries like construction, clean energy, and advanced manufacturing.

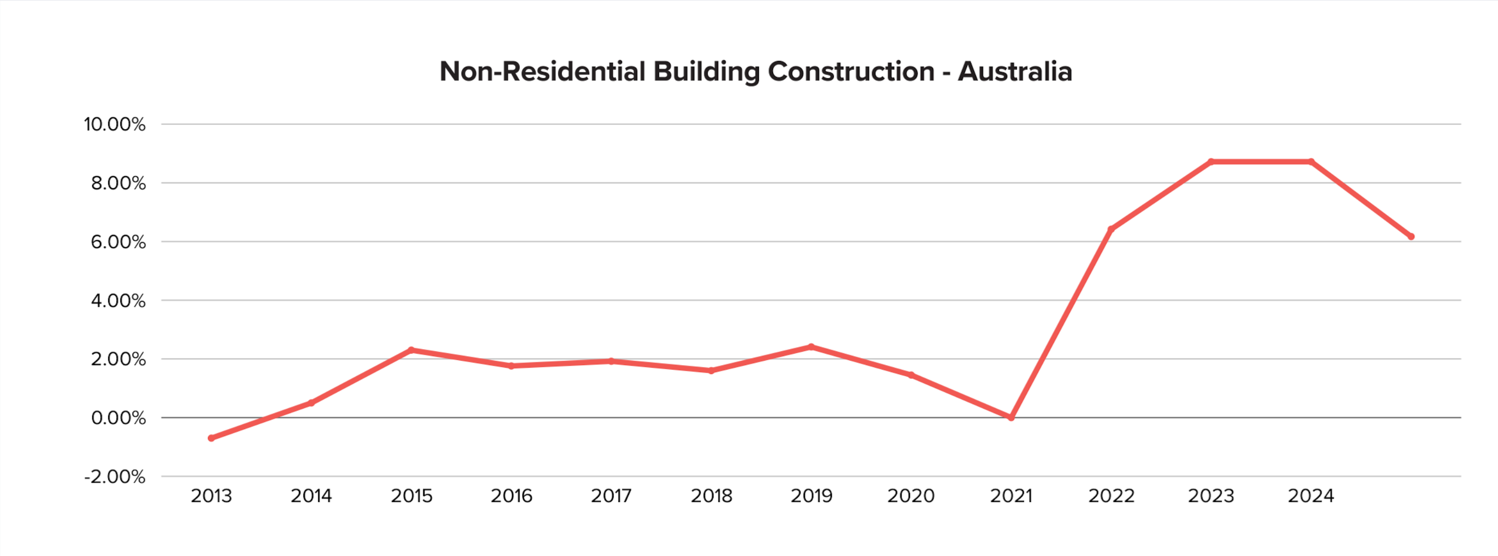
MBM View on Building Cost Escalation

	2023	2024	2025	2026	2027
NSW	6.0%	3.0%	2.5%	3.0%	2.5%
VIC	6.0%	5.0%	4.0%	3.0%	2.5%
QLD	6.5%	6.0%	6.0%	4.5%	4.5%
SA	4.0%	4.0%	4.0%	3.0%	2.5%
WA	5.5%	3.5%	2.5%	2.0%	2.5%

4.1 %

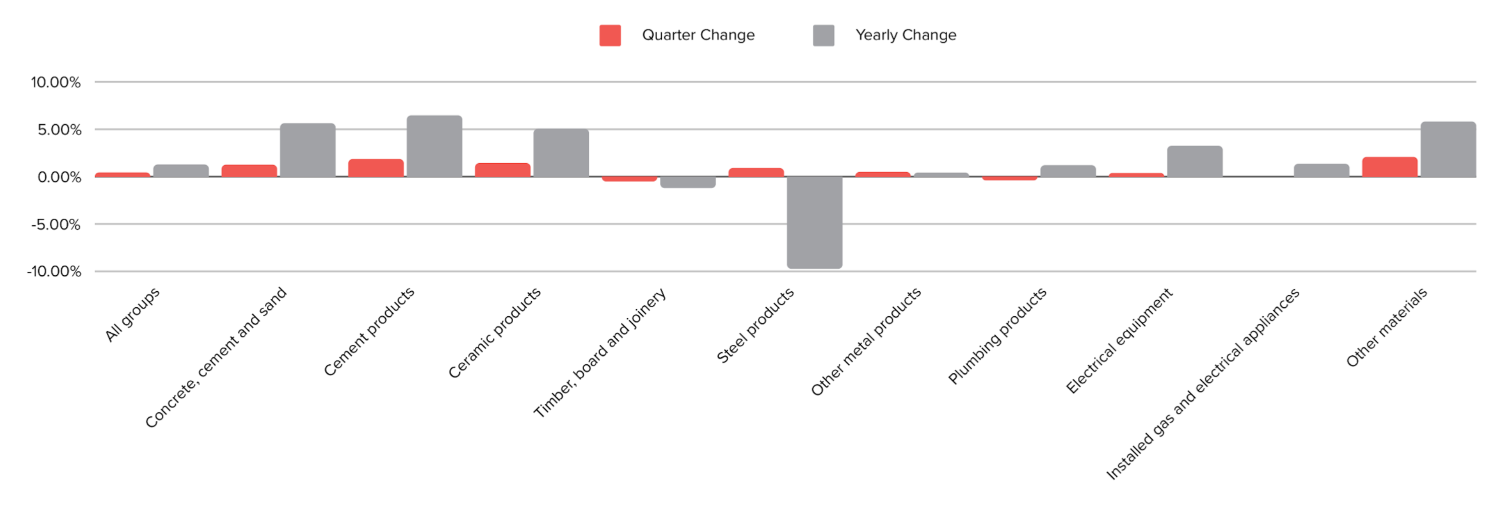
Unemployment in April 2024

With skills shortages posing significant challenges to development progress and goals within the construction sector, the government will combat complexities through investment in tertiary education accessibility and efficiency improvements for skilled migration visas.



Material Price Changes Q1 2024

Material increases are predominantly being driven by rises in aluminium, plaster and ceramic products due to suppliers continuing to pass through input costs from higher energy prices and raw materials.



	Q1 2023 (Mar)	Q4 2023 (Dec)	Q1 2024	Quarter Change	Yearly Change
All groups	156.5	157.8	158.5	0.44%	1.28%
Concrete, cement and sand	8.3	8.7	8.8	1.26%	5.64%
Cement products	4.6	4.9	4.9	1.86%	6.47%
Ceramic products	8.7	9.0	9.2	1.44%	5.05%
Timber, board and joinery	54.0	53.6	53.3	-0.52%	-1.22%
Steel products	4.9	4.4	4.5	0.91%	-9.74%
Other metal products	28.0	28.0	28.1	0.50%	0.43%
Plumbing products	12.4	12.6	12.6	-0.40%	1.21%
Electrical equipment	7.7	7.9	7.9	0.38%	3.26%
Installed gas and electrical appliances	3.7	3.7	3.7	0.00%	1.36%
Other materials	24.1	25.0	25.5	2.08%	5.81%

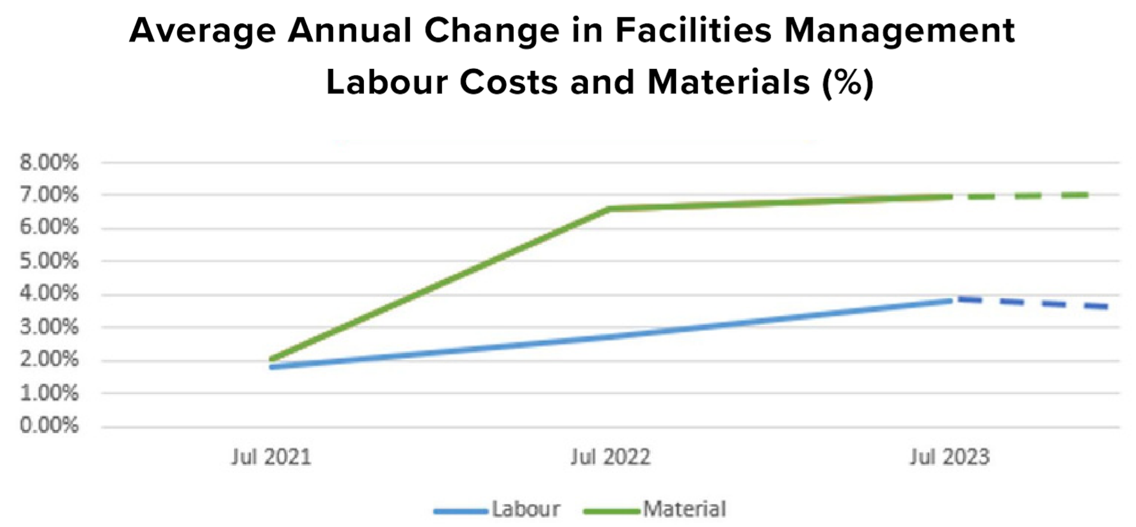
Advisory Outlook

The 2024-25 Federal Budget highlights key economic adjustments that will impact asset management costs, particularly in Facilities Management (FM).

Notably, the net immigration rate is set to halve, alongside stricter rules for student visas. Although unemployment and underemployment rates remained steady between January and March 2024 compared to the previous quarter, the reduction in immigration is expected to further tighten the already constrained labour market, driving up wage costs for soft services such as cleaning and security.

To mitigate labour shortages, the budget includes provisions for additional skilled training over the next two years. However, the measure is unlikely to resolve the immediate labour deficit. According to the Global FM cost index, Australia's return to pre-pandemic FM cost inflation is expected to be delayed due to the current exceptionally tight labour market. The situation underscores the challenges faced by the FM industry in maintaining cost efficiency amidst rising wage demands.

In response to the increasing demand for social housing and independent living units for aged care, the budget promotes the use of faster-to-build modular homes. While modular homes offer a swift solution to housing shortages, they may incur higher long-term FM costs due to potential issues with the availability and quality of materials. Historical trends over the past three years show an annual increase in labour costs of 6-7%, and material costs rising by over 4%. MBM forecasts that labour costs will continue to rise by a comparable percentage over the next 12 months due to ongoing resource challenges, although materials costs are likely to stabilise with a potential for decrease.



Cleaning, Maintenance, and Security Data (MBM)

Although the trends indicate a stronger labour market, it is likely that the continued slowing of the labour market will continue to see increased FM and Asset Management in the short term.

Education

Quantity Surveying Outlook

$29B

in recurrent funding for all schooling sectors

Extensive investment in all subdivisions of the education sector will boost public school refurbishment projects and support tertiary education sector updates

$70.3m

over five years to support initiatives that improve education outcomes for students

Allocation over 5 years to reform the tertiary education system

$1.9B

New South Wales

The 2024-25 Federal Budget's provisions for the education sector demonstrate a clear commitment to sustainability and efficiency in school construction. Government education developments emphasise sustainable materials and are now required to achieve a 5 Green Star certification. However, the challenge remains with imported materials that lack Environmental Product Declarations (EPDs), making it difficult to calculate embodied carbon emissions and often forcing design teams to opt for more expensive alternatives. Additionally, the SSDA EDC report mandates the use of the NABERS Embodied Emissions Material Form, further limiting the ability to utilise cost-effective products without EPDs. To address the challenges, the NSW government is partnering with prefabrication manufacturers to reduce consultant fees through standardised designs and lower construction costs by shortening on-site construction periods. The approach eases the impact of increased labour costs due to the new NSW EBA wage agreements, which are raising prices for labour-intensive trades like cladding, lining, and traffic control by 30%.

South Australia

The budget will significantly support the South Australian education sector, continuing years of government investment and stimulus. In Adelaide, ongoing confidence in both private and public sectors is driving numerous education projects including facilities for under-3-year-olds at primary school sites. MBM is involved in key public sector projects, addressing the need amid considerable government spending, which stretches the subcontractor market and increases construction costs. While material prices are stable with a 4-6% annual escalation, labour supply challenges persist exacerbated by private and other schools' spending. The complexities creates a new benchmark for higher construction costs compared to pre-COVID levels. MBM supports the South Australian Government on projects such as the Hackham West Children’s Centre, Elsie Ey Children’s Centre, and the new Warriappendi Aboriginal School, ensuring infrastructure meets community needs.

Defence

Advisory Outlook

$765B

overall funding for Defence in the next decade

The Federal Government's largest ever investment in Defence will drive building activity in the sector on a national scale

$1B

in facilities, infrastructure, system, and technological upgrades

Industry development grants funding to upscale the sector

$165.7m

The Defence Strategic Update (DSR) and its associated Integrated Investment Program (IIP) show a fundamental shift in the balance of Defence spending between capability acquisition, sustainment, and workforce. A greater focus on equipment acquisition in the medium to long-term will see Defence spending on acquisition increase from 33% to 42%, sustainment decreases from 34% to 30%, and workforce spending decrease from 33% to 28%. The significant realignment of spend towards capability will provide industry opportunities as new capabilities require investment in Defence bases and support facilities. Contrastingly, spend allocation decreases toward sustainment will likely put pressure on base support services to reduce costs. The acquisition program outlined in the IIP suggests a forward program valued between $303B and $386B which includes several new capabilities coming online. The federal government has taken a stronger position with the current expenditure program by axing or scaling back equipment purchases in the existing acquisition program. The anticipated saving is in the order of $72B.

The Federal Budget includes an additional $5.7B over the next 4 years, and an additional $50.3B over the next decade. The changes in the balance of Defence spending coupled with the anticipated $72B in saving from the current acquisition program gives weight to the credibility of governments commitment to the $300B+ forward investment program. However, the Defence sector will likely need to find more savings to fund the entire acquisition program, and the result could put upward pressure on other areas of the Defence budget.

The Defence budget is planned to increase to 2.4% of GDP, or approximately $100B by 2033/34, up from the current $52B. The next decade will present many opportunities for industry as new capability requires investment in the Defence estate.

Health

Quantity Surveying Outlook

$227m

investment to develop 29 Medicare Urgent Care Clinics

More than $300m in funding will see an increase in the demand for health projects to support the development of new clinics and service expansions

$91.1m

to boost the supply of healthcare in areas of shortage

Allocation over four years to expand mental health services

$361m

Queensland

The Queensland Government is planning the largest health capital spend to date and have successfully engaged with main contractors to deliver 12 projects, each exceeding $300m. The ambitious initiative highlights the pressing need for additional healthcare facilities across the state, whether through new hospitals or extensions. However, releasing multiple large-scale projects simultaneously has underscored the scarcity of main contractors and specialised trades leading to significant cost escalations.

The situation, compounded by the Building and Construction Price Index (BPIC) factor, has made private developers wary of market volatility and prompted a focus on refreshing existing assets rather than pursuing new constructions. Budget overruns on some health projects raise concerns that developments may be shelved if a new government takes office in late 2024, making 2025 a potentially pivotal year for Queensland's healthcare infrastructure.

New South Wales

From a capital investment perspective, the 2024-25 federal budget focuses more on housing and cost-of-living relief rather than new healthcare investments. However, New South Wales (NSW) expects a robust pipeline in public health with over $7B in pre-committed expenditure forecast over the next three financial years. The upcoming NSW budget, due in mid-June, may introduce new funding primarily to supplement existing projects that are running over budget. With the costs to build health assets more than doubling over the past five years, the NSW government may opt to slow or delay capital spending and target new project announcements more selectively. The health sector continues to grapple with labour shortages and rising labour costs driven by industrial relations and EBA increases, and the migration of specialist trade skilled labour and consultants to other states. While material prices have stabilised, offsetting some labour cost issues, overall escalation is expected to align with MBM's general market percentage forecasts.

Aged Care

Building Consultancy Outlook

$1.4B

to upgrade technology systems and digital infrastructure across the sector

Increased investment in technology and infrastructure will contribute to demand for facilities and operational management projects

$190m

to help older Australians through short-term care

Delivery of aged care reforms and recommendations from the Royal Commission into Aged Care Quality

$2.2B

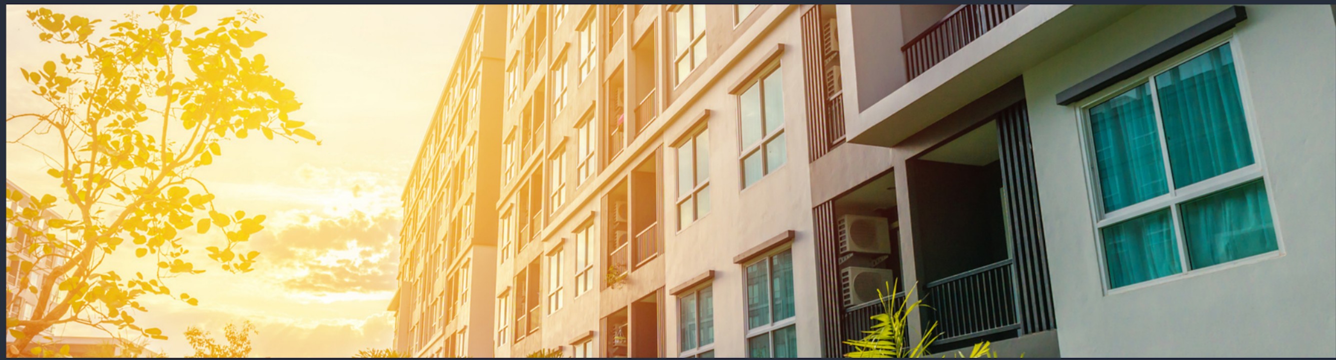
The 2024-25 Federal Budget has allocated significant funds towards aged care initiatives. The government's investment presents a vital opportunity for building consultants to support the sector. The government's focus on enhancing aged care facilities aligns with the comprehensive regulatory framework established under the Retirement Villages Act 1999. The framework mandates the preparation and maintenance of comprehensive asset management plans, and stipulates that retirement village operators maintain capital items in optimal condition. Building consultancies such as MBM, with expertise in condition assessments and asset management, are well-positioned to assist operators in meeting regulatory requirements efficiently and cost-effectively.

From a building consultancy perspective, the budgetary emphasis on aged care and allocation of funds will enable retirement village operators to undertake essential upgrades and maintenance projects that may have been previously deferred due to financial constraints.

The increased regulatory scrutiny following the NSW Retirement Villages Inquiry in 2017 has heightened the need for meticulous property and facilities management. The result has led to additional staffing costs, resources, and the engagement of external consultants for developing, managing, and reviewing asset management plans. Furthermore, the recent surges in the cost of plant, equipment, and labour have exacerbated the financial pressures on the aged care sector. In this context, building consultants can provide invaluable support by delivering precise condition assessments and updating asset management plans to support compliance while efficiently managing costs. The Federal Government's aged care funding initiatives offer a timely boost, enabling operators to invest in necessary upgrades and maintenance to enhance the quality of life for residents and deliver sustainable operations.

Social & Affordable Housing

Advisory Outlook



$1.9B

increase in concessional loans to CHP's and NFP's to deliver social and affordable homes

Higher loan capacities will drive the construction of social and affordable homes under the Housing Australia Future Fund and National Housing Accord

$1B

to states and territories for new housing

Funding under a new National Agreement on Social Housing and Homelessness

$423.1m

The 2024-25 federal budget investment in social and affordable housing initiatives marks a crucial step toward addressing housing shortages and enhancing living standards for vulnerable populations. The budget includes provisions for faster-to-build modular homes, which are anticipated to be a viable solution for meeting the immediate demand for social housing and independent living units for aged care. From an asset management perspective, modular homes present both opportunities and challenges. The rapid deployment capability of modular homes can alleviate housing shortages quickly; however, the long-term facility management (FM) costs associated with maintaining these units may carry a risk premium. This is particularly due to concerns about the availability and quality of materials, especially if these homes are constructed overseas. The Federal Government's Housing Affordability Future Fund (HAFF) and National Housing Accord (NHA) are key initatives designed to enhance housing supply and affordability. The Housing Affordability Future Fund will invest in a range of projects to boost housing supply with an emphasis on social and affordable housing. The National Housing Accord is a collaborative effort between the federal, state, and local governments, as well as the private sector, to deliver 100,000 new affordable homes over the next five years. Social housing initiatives, including the HAFF, are being programmed in an environment that continues to witness rising construction costs across Sydney and Australia.The initiatives aim to support sustainable housing development and create a more resilient housing sector. By leveraging these funds and aligning with the goals of the National Housing Accord, asset managers can contribute to the longevity and cost-effectiveness of social and affordable housing projects.

Sustainability

Advisory Outlook

$91m

to expand the clean energy training system and accommodate trainees in clean energy occupations

Milestone investments in the development of net zero industries and jobs will increase the demand for sustainability services

$399m

to establish the Net Zero Economy Authority and support the economy-wide net zero transformation

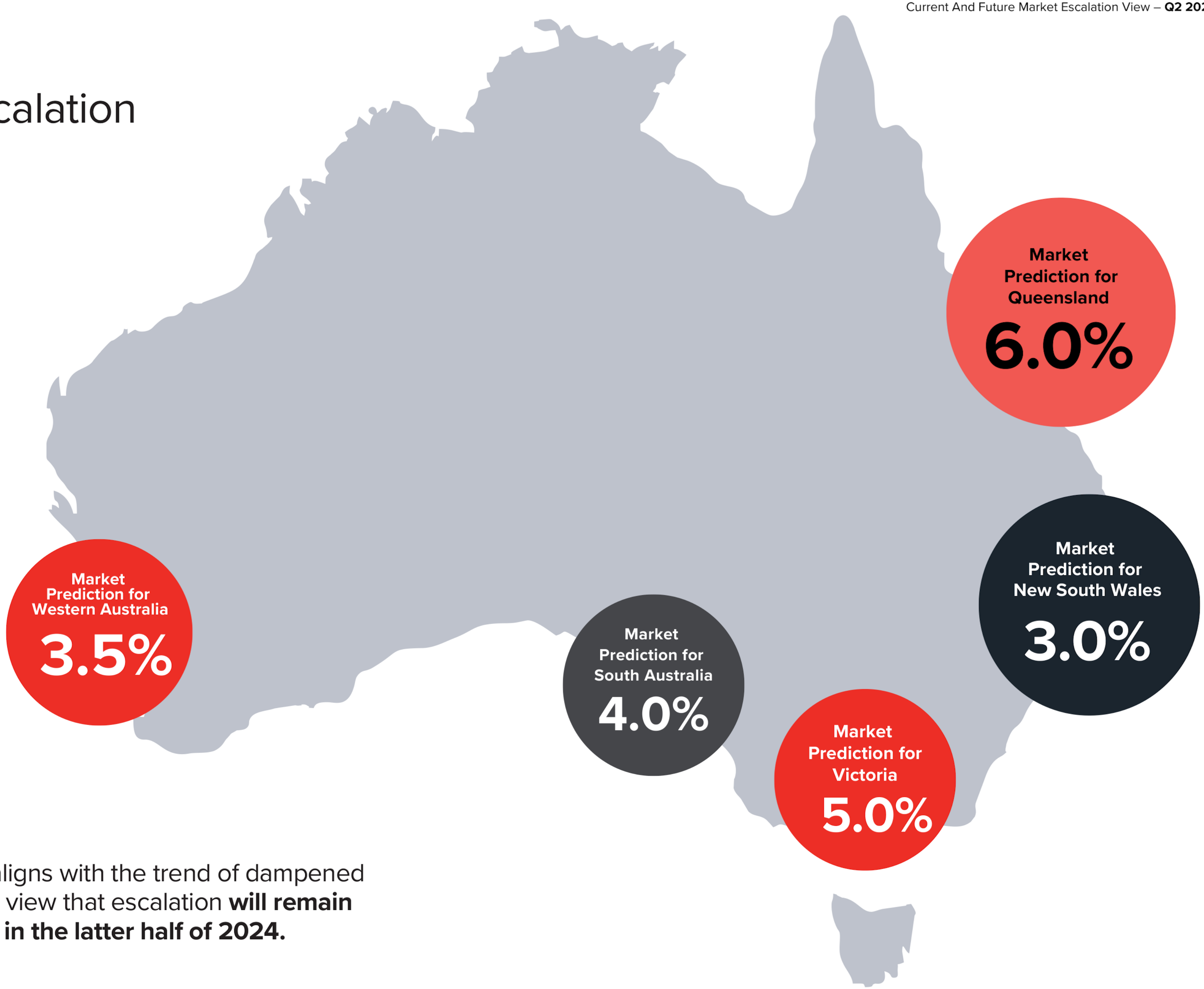
Investment in the Guarantee of Origin scheme to support markets sourcing low-emissions products

$32.2m

Australia and New South Wales in particular, is seeing carbon reporting requirements being implemented across the board. Sweeping new regulations include the NSW Sustainable Building SEPP policy, the TFCD Mandatory Climate-Related Financial Disclosure Bill currently going through government approval for implementation this year, and the planned release of the NABERS embodied carbon tool. The policies intend to support environmental transparency, establish climate reporting mechanisms, and inform mandatory carbon limits in the future. In the short term, the industry can expect an increase in demand for environmental services to meet the environmental reporting requirements. The determination of carbon limits will contribute to an increase in demand for low-carbon materials and skilled labour in the sustainability sector. Escalation for low-carbon materials will depend on the Australian supply chain being able to recognise these signals and expand capacity for sustainable materials to meet future demand.

Escalation for skilled labour will depend on the Australian market's ability to effectively coordinate up-skilling to meet the demands of the green economy. The 2024-25 Federal Budget includes significant funding to deliver the net zero transition. The decarbonisation of the grid will reduce the embodied carbon of domestically-produced goods, making Australian-made products more competitive in the low-carbon economy. The budget has also allocated a significant investment into the Future Made in Australia initiative which focuses on renewable hydrogen, green metals, low-carbon liquid fuels, and the manufacturing of clean energy technologies. Additionally, milestone investment will be made in workforce training, grant programs for net zero research and development, and SME sustainability support initiatives. The outcomes demonstrate the intended trajectory of the Federal Government to make Australia a low-carbon economy, and those who embrace the evolving transition will find themselves in a strong economic position.

2024 Escalation Outlook



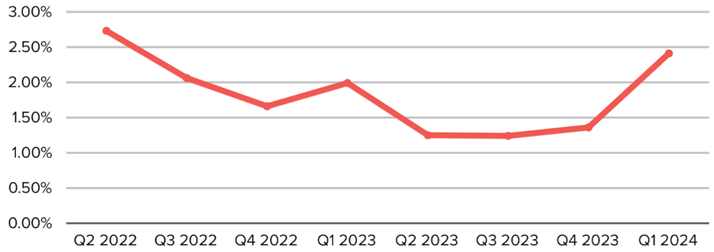
MBM's outlook aligns with the trend of dampened demand and the view that escalation **will remain relatively stable in the latter half of 2024.**

ABS Data for New South Wales

Non-Residential Building Construction Change Per Annum

▲ 8.02%	**2021**
▲ 8.89%	**2022**
▲ 5.97%	**2023**
▲ 2.41%	**2024**

Non-Residential Building Construction Change Per Quarter



	Building Construction – New South Wales			Non-Residential Building Construction – New South Wales		
		% Change per Quarter	% Change per Year		% Change per Quarter	% Change per Year
Q2 2020	125.8	-0.32%		120.4	-0.17%	
Q3 2020	125.9	0.08%		120.7	0.25%	
Q4 2020	**125.4**	**-0.40%**	**-0.79%**	**119.7**	**-0.83%**	**-1.48%**
Q1 2021	125.3	-0.08%		119.7	0.00%	
Q2 2021	129.1	3.03%		123.7	3.34%	
Q3 2021	130.8	1.32%		124.2	0.40%	
Q4 2021	**135.5**	**3.59%**	**8.05%**	**129.3**	**4.11%**	**8.02%**
Q1 2022	139.1	2.66%		132.1	2.17%	
Q2 2022	144.0	3.52%		135.7	2.73%	
Q3 2022	147.9	2.71%		138.5	2.06%	
Q4 2022	**150.1**	**1.49%**	**10.77%**	**140.8**	**1.66%**	**8.89%**
Q1 2023	153.6	2.33%		143.6	1.99%	
Q2 2023	155.3	1.11%		145.4	1.25%	
Q3 2023	157.4	1.35%		147.2	1.24%	
Q4 2023	159.3	1.21%	6.13%	149.2	1.36%	5.97%
Q1 2024	161.8	**1.57%**		152.8	**2.41%**	

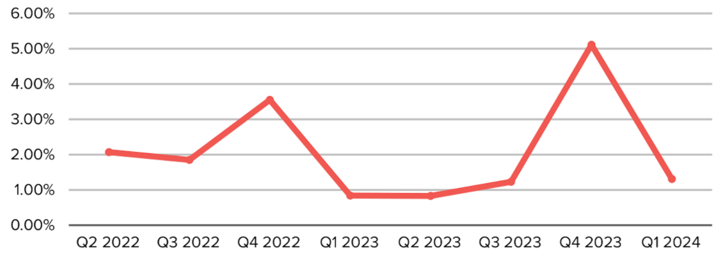
Source: https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/producer-price-indexes-australia/latest-release#construction

ABS Data for Victoria

Non-Residential Building Construction Change Per Annum

1.87%	**2021**
9.62%	**2022**
8.19%	**2023**
1.31%	**2024**

Non-Residential Building Construction Change Per Quarter



	Building Construction – Victoria			Non-Residential Building Construction – Victoria		
		% Change per Quarter	% Change per Year		% Change per Quarter	% Change per Year
Q2 2020	112.8	0.36%		106.4	0.85%	
Q3 2020	113.1	0.27%		106.4	0.00%	
Q4 2020	**114.1**	**0.88%**	**1.69%**	**107.2**	**0.75%**	**1.61%**
Q1 2021	114.7	0.53%		107.3	0.09%	
Q2 2021	115.6	0.78%		108.2	0.84%	
Q3 2021	116.7	0.95%		108.5	0.28%	
Q4 2021	**118.1**	**1.20%**	**3.51%**	**109.2**	**0.65%**	**1.87%**
Q1 2022	121.3	2.71%		111.2	1.83%	
Q2 2022	126.3	4.12%		113.5	2.07%	
Q3 2022	129.8	2.77%		115.6	1.85%	
Q4 2022	**133.2**	**2.62%**	**12.79%**	**119.7**	**3.55%**	**9.62%**
Q1 2023	133.2	0.00%		120.7	0.84%	
Q2 2023	134.5	0.98%		121.7	0.83%	
Q3 2023	135.6	0.82%		123.2	1.23%	
Q4 2023	140.5	3.61%	5.48%	129.5	5.11%	8.19%
Q1 2024	142.1	**1.14%**		131.2	**1.31%**	

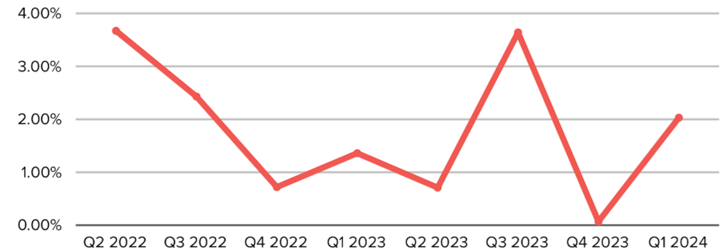
Source: https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/producer-price-indexes-australia/latest-release#construction

ABS Data for Queensland

Non-Residential Building Construction Change Per Annum

▲ 8.81%	**2021**
▲ 8.96%	**2022**
▲ 5.86%	**2023**
▲ 2.03%	**2024**

Non-Residential Building Construction Change Per Quarter



	Building Construction – Queensland			Non-Residential Building Construction – Queensland		
		% Change per Quarter	% Change per Year		% Change per Quarter	% Change per Year
Q2 2020	120.1	0.17%		117.4	0.00%	
Q3 2020	119.4	-0.58%		116.5	-0.77%	
Q4 2020	**121.2**	**1.51%**	**0.58%**	**118.0**	**1.29%**	**0.51%**
Q1 2021	122.2	0.83%		118.8	0.68%	
Q2 2021	124.4	1.80%		120.8	1.68%	
Q3 2021	130.8	5.14%		126.5	4.72%	
Q4 2021	**135.6**	**3.67%**	**11.88%**	**128.4**	**1.50%**	**8.81%**
Q1 2022	139.7	3.02%		130.8	1.87%	
Q2 2022	146.1	4.58%		135.6	3.67%	
Q3 2022	150.1	2.74%		138.9	2.43%	
Q4 2022	**151.2**	**0.73%**	**11.50%**	**139.9**	**0.72%**	**8.96%**
Q1 2023	152.4	0.79%		141.8	1.36%	
Q2 2023	153.8	0.92%		142.8	0.71%	
Q3 2023	157.2	2.21%		148.0	3.64%	
Q4 2023	157.4	0.13%	4.10%	148.1	0.07%	5.86%
Q1 2024	160.3	**1.84%**		151.1	**2.03%**	

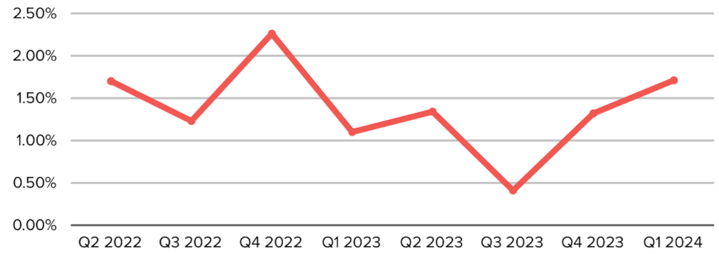
Source: https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/producer-price-indexes-australia/latest-release#construction

ABS Data for South Australia

Non-Residential Building Construction Change Per Annum

3.19%	**2021**
6.99%	**2022**
4.24%	**2023**
1.71%	**2024**

Non-Residential Building Construction Change Per Quarter



	Building Construction – South Australia			Non-Residential Building Construction – South Australia		
		% Change per Quarter	% Change per Year		% Change per Quarter	% Change per Year
Q2 2020	109.6	-0.18%		110.0	0.00%	
Q3 2020	107.5	-1.92%		106.9	-2.82%	
Q4 2020	**107.9**	**0.37%**	**-1.37%**	**106.7**	**-0.19%**	**-2.82%**
Q1 2021	109.4	1.39%		107.6	0.84%	
Q2 2021	110.7	1.19%		108.7	1.02%	
Q3 2021	112.6	1.72%		109.3	0.55%	
Q4 2021	**115.8**	**2.84%**	**7.32%**	**110.1**	**0.73%**	**3.19%**
Q1 2022	118.7	2.50%		111.9	1.63%	
Q2 2022	122.2	2.95%		113.8	1.70%	
Q3 2022	126.5	3.52%		115.2	1.23%	
Q4 2022	**129.2**	**2.13%**	**11.57%**	**117.8**	**2.26%**	**6.99%**
Q1 2023	131.4	1.70%		119.1	1.10%	
Q2 2023	133.8	1.83%		120.7	1.34%	
Q3 2023	134.8	0.75%		121.2	0.41%	
Q4 2023	136.7	1.41%	5.80%	122.8	1.32%	4.24%
Q1 2024	138.6	**1.39%**		124.9	**1.71%**	

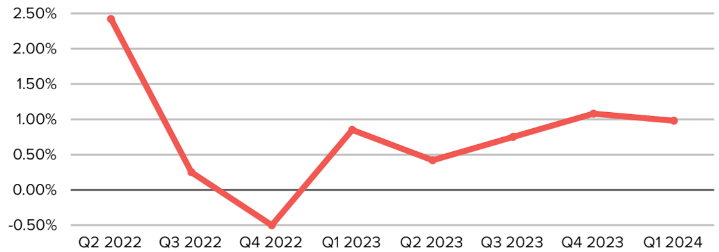
Source: https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/producer-price-indexes-australia/latest-release#construction

ABS Data for Western Australia

Non-Residential Building Construction Change Per Annum

▲ 14.18%	**2021**
▲ 4.97%	**2022**
▲ 3.13%	**2023**
▲ 0.98%	**2024**

Non-Residential Building Construction Change Per Quarter



	Building Construction – Western Australia			Non-Residential Building Construction – Western Australia		
		% Change per Quarter	% Change per Year		% Change per Quarter	% Change per Year
Q2 2020	103.6	0.68%		98.2	0.00%	
Q3 2020	105.1	1.45%		98.2	0.00%	
Q4 2020	**106.8**	**1.62%**	**4.30%**	**98.7**	**0.51%**	**0.51%**
Q1 2021	110.1	3.09%		100.6	1.93%	
Q2 2021	113.5	3.09%		103.7	3.08%	
Q3 2021	116.1	2.29%		107.1	3.28%	
Q4 2021	**122.3**	**5.34%**	**14.51%**	**112.7**	**5.23%**	**14.18%**
Q1 2022	128.5	5.07%		115.8	2.75%	
Q2 2022	132.1	2.80%		118.6	2.42%	
Q3 2022	133.6	1.14%		118.9	0.25%	
Q4 2022	**133.9**	**0.22%**	**9.48%**	**118.3**	**-0.50%**	**4.97%**
Q1 2023	134.6	0.52%		119.3	0.85%	
Q2 2023	134.7	0.07%		119.8	0.42%	
Q3 2023	137.1	1.78%		120.7	0.75%	
Q4 2023	141.8	3.43%	5.90%	122.0	1.08%	3.13%
Q1 2024	145.2	**2.40%**		123.2	**0.98%**	

Source: https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/producer-price-indexes-australia/latest-release#construction

MBM's Escalation in Conversation: The Budget Edition

Market escalation webinar
22 May 2024

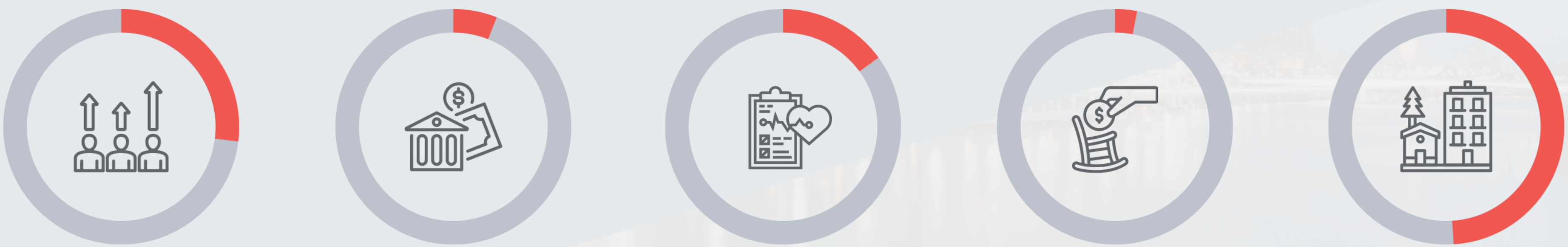
Industry Poll Results

In the second instalment and federal budget edition of our quarterly escalation webinar, *Escalation in Conversation,* we conducted a poll to gather collective industry feedback on the budget outcomes predicted to most impact projects in 2024-25.

The poll results revealed that additional funding to states, territories, Community Housing Providers, Not-for-Profit organisations, and the Housing Affordability Future Fund (HAFF) are expected to greatly effect construction developments over the upcoming financial year. Approximately 49% of respondents identified investment in the social and affordable housing sector to hold the largest potential for positive project impacts.

In close second, extensive investment in the national education system is expected to favourably influence construction projects, followed by funding to the healthcare system. As experts in social and affordable housing, education, and health, the results align with the view of MBM's national team and demonstrates the unified perspectives of key players in the Australian construction industry.

2024-25 Federal Budget Outcomes: Positive Project Impacts by Sector



Education
27%

Defence
6%

Health
15%

Aged Care
3%

Social & Affordable Housing
49%

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