

# Q3 2024 Escalation Update

Navigating the economic forces shaping escalation in the Australian construction industry and national housing sector

“Volatile escalation, announcements of project cancellations, and high financing costs will continue to impact confidence levels throughout the industry and future project feasibilities.”

The Australian construction market has continued to battle tough economic conditions through the first half of 2024. In contrast, the public sector has maintained a strong project pipeline that has provided sustained growth. Persistently high inflation and stable interest rates will keep the private sector in a subdued state, with many projects not proving feasible under current conditions. Unfortunately, the issues prevalent in the national market are largely due to global economic forces, which present ongoing challenges to the Australian construction industry.

As predicted, building price escalation has slowed over the second quarter of 2024. However, material costs, financial constraints, and skills shortages continue to pose significant obstacles for the construction industry across most states.

In the midst of economic complexities, government expenditure has driven activity and contributed to the resilience of the construction industry. The strength of construction activity was recently illustrated in the latest RICS Construction Activity Index for Australia and reflected an uptick in construction activity over Q2 2024.

The market holds optimism towards construction activity over the next twelve-month period with forecast increases in the residential sector through the government’s investment in housing. The planned developments will provide additional student housing, social and affordable housing, as well as attract foreign investment into the Build to Rent (BTR) sector.

Following an expansion of the public sector’s infrastructure project pipeline, labour shortages across trades and a dwindled contractor pool has continued to challenge the feasibility of private sector developments. Additionally, it’s not just the scarcity of labour, but the cost. Enterprise Bargaining Agreements (EBAs) are fuelling the upward trend of labour cost increases through higher wages and favourable employment terms. The Australian Bureau of Statistics (ABS) notes that over the second quarter of 2024,

non-residential building construction rose by 1.5% primarily driven by ongoing labour shortages and demand from government led projects such as schools, defence, health, and other building infrastructure.

Residential building construction saw a lesser increase over the quarter with a minor rise of 1.2%. The ABS notes the result is primarily due to rising labour costs and shortages of skilled tradespeople, particularly in finishing trades.

New Enterprise Bargaining Agreements in New South Wales (NSW) and Queensland (QLD) have continued to place upward pressure on construction costs. Investigations into the Construction, Forestry and Maritime Employees Union (CFMEU) and reported changes to the construction division have additionally created uncertainty.

While labour rates continue to surge, the chronic shortage of qualified labour remains a significant negative influence on the overall costs of construction projects. As highlighted in MBM’s Q2 National Escalation Report, the government has taken significant steps to alleviate labour shortages through training initiatives, course funding, and incentives – however, the measures have not effectively alleviated the shortage or the impacts of reduced labour availability.

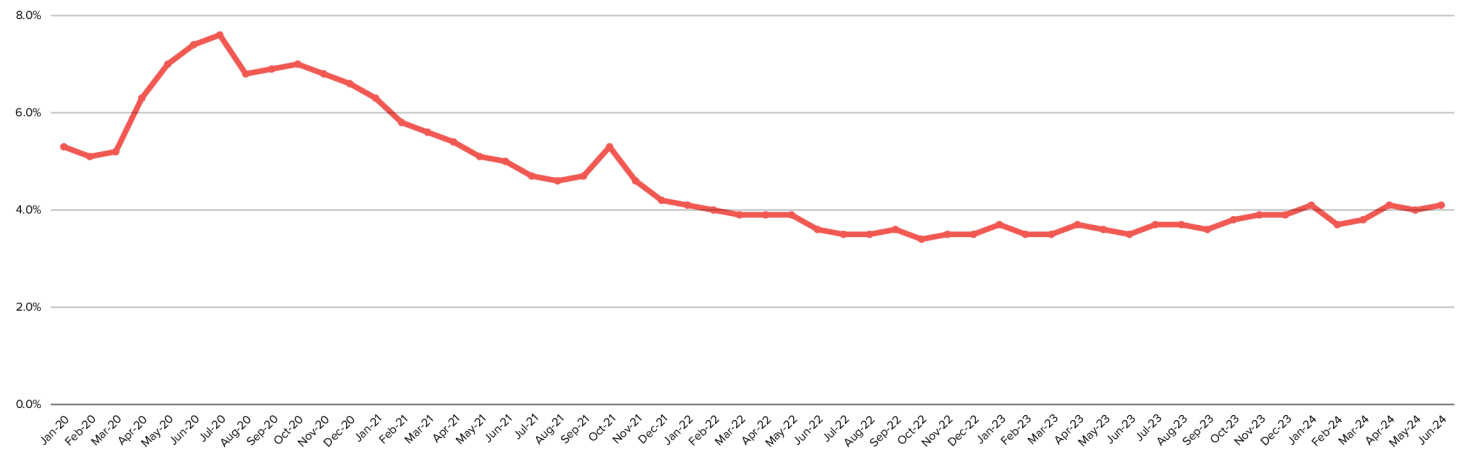
The latest Consumer Price Index (CPI) figures for the June quarter align with the Reserve Bank of Australia’s forecast of 3.8%, up from 3.6% the previous quarter - although still above the target range of 2-3%. The results from the third quarter, along with a reduction in underlying inflation figures (trimmed mean), are expected to shape the Reserve Bank of Australia’s decision to maintain the current interest rates moving forward. It is therefore expected that volatile escalation, announcements of project cancellations, and high financing costs will continue to impact confidence levels throughout the industry and future project feasibilities.

MBM View on Building Cost Escalation					
	2023	2024	2025	2026	2027
NSW	6.0%	5.5%	2.5%	3.0%	2.5%
VIC	6.0%	5.0%	4.5%	4.0%	3.5%
QLD	6.5%	8.0%	6.5%	4.5%	5.0%
SA	6.0%	5.5%	4.0%	3.0%	2.5%
WA	6.5%	5.0%	4.5%	4.0%	3.5%

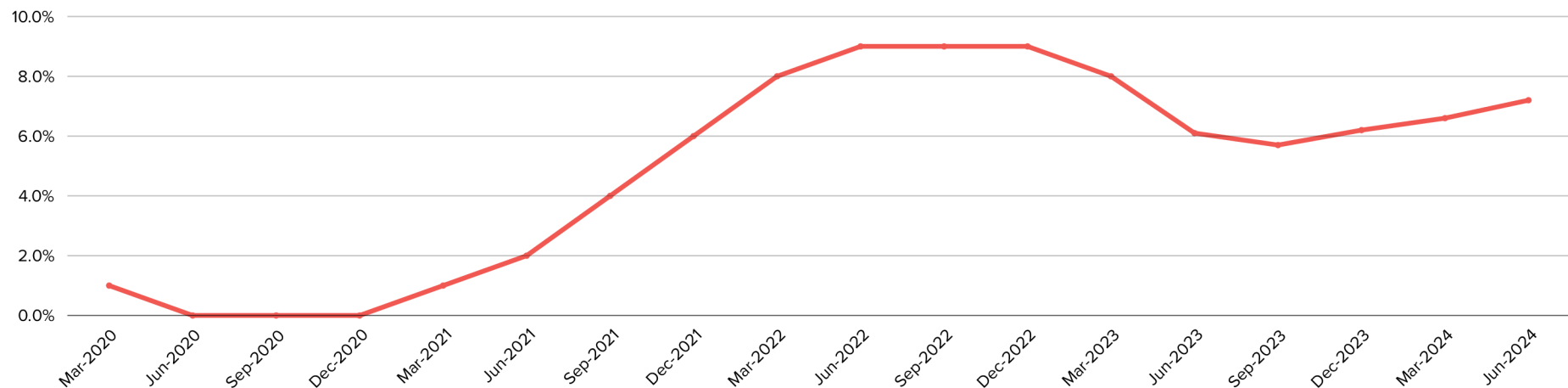
# 4.1%

Unemployment in June 2024

### Unemployment Rate - Monthly, Australia



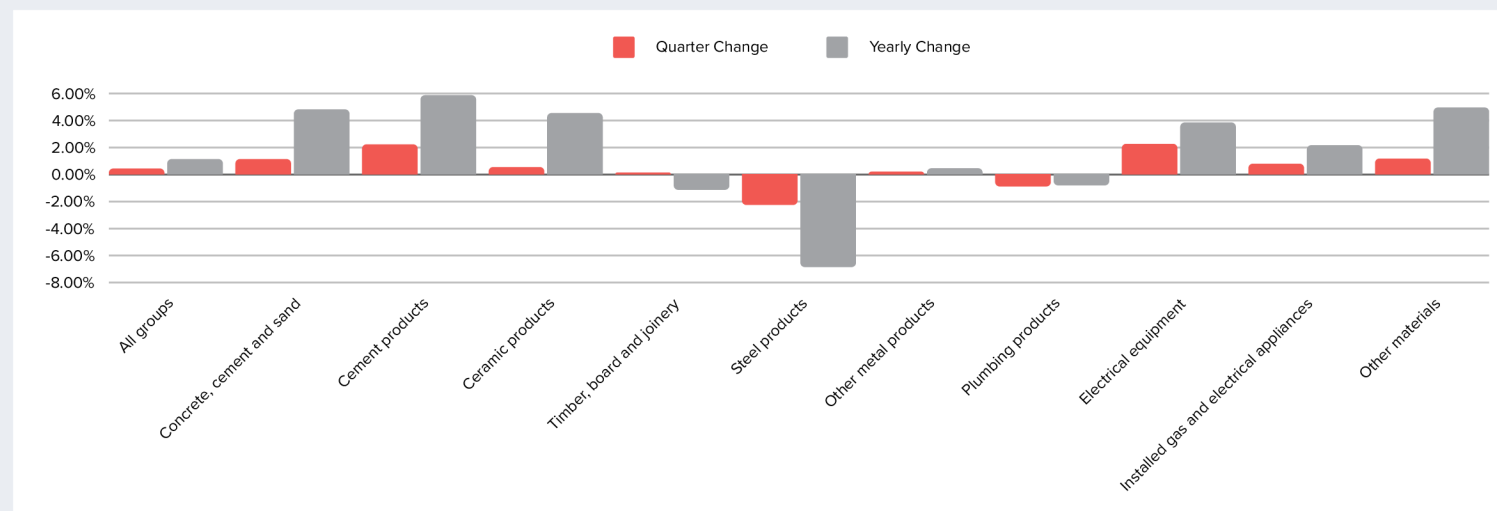
### Non-Residential Building Construction - Australia



# Material Price Changes Q3 2024

Electrical equipment and cement product prices rose due to an increase in the price of raw materials. The change was driven by higher input costs for copper, which had a notable increase of 23% in the second quarter (7.5% year-to-date (YTD)).

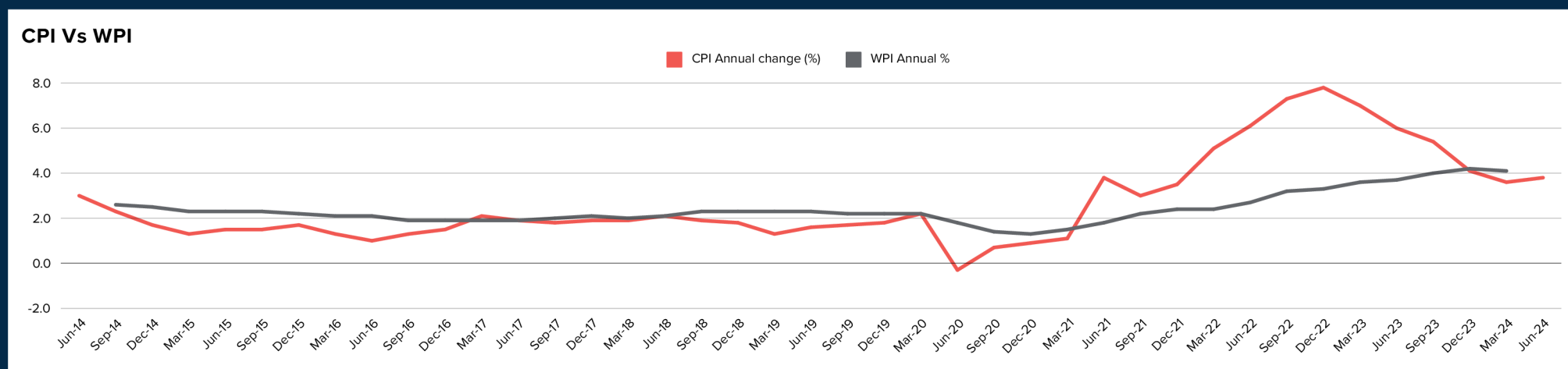
Steel products offset increases in electrical equipment and cement products with the raw material price of steel reinforcement down 0.5% in the quarter (24.9% YTD), and steel products - largely from iron ore – recorded a 24.1% decrease in the quarter (12.74% YTD) due to weakened global demand.



	Q2 2023 (Jun)	Q1 2024 (Mar)	Q2 2024	Quarter Change	Yearly Change
All groups	157.4	158.5	159.2	0.44%	1.14%
Concrete, cement and sand	8.5	8.8	8.9	1.14%	4.82%
Cement products	4.8	4.9	5.1	2.23%	5.87%
Ceramic products	8.8	9.2	9.2	0.55%	4.55%
Timber, board and joinery	54.0	53.3	53.4	0.15%	-1.13%
Steel products	4.7	4.5	4.4	-2.25%	-6.85%
Other metal products	28.1	28.1	28.2	0.21%	0.46%
Plumbing products	12.6	12.6	12.5	-0.88%	-0.80%
Electrical equipment	7.8	7.9	8.1	2.27%	3.85%
Installed gas and electrical appliances	3.7	3.7	3.8	0.80%	2.17%
Other materials	24.6	25.5	25.8	1.18%	4.96%

# Advisory Outlook

The unemployment rate experienced a slight increase in June 24, moving from 4% to 4.1%.



With the Consumer Price Index (CPI) now at 3.8% and the Wage Price Index (WPI) at 4.1% - both showing a slight decline from December - cost pressures are starting to ease. However, the unemployment rate has increased to 4%. Even with this rise, Australia's unemployment rate is still significantly below the global average of over 5%, which may affect productivity and continue to place upward pressure on inflation. Additionally, the industry still faces a skilled labour shortage with open job rates remaining high and building approvals on the rise. Both will likely add further pressure on the asset management (AM) sector. The government's increased scrutiny on the entry of international students also impacts the facilities management (FM) industry, which relies on the demographic to fill many part-time roles, and holds the potential to increase wage pressure in the market.

The Housing Accord's projected need for 90,000 additional workers is a significant challenge. Given the industry's output over the past few years, adjusted for COVID-19, and considering current training initiatives and natural attrition, meeting this target seems unlikely. Without a significant policy shift, many of these workers will need to come from the AM/FM industry, exacerbating existing skill shortages and wage pressures.

Lifecycle cost pressures have increased significantly due to the rise in the Building Price Index (BPI). Additional issues include higher insurance premiums due to increased risks of flooding and fires, and rising energy costs, which are affecting the cost of living for many Australians. High-density properties

have seen an average 20% increase in strata fees over the past year, reflecting rising landlord costs linked to inadequate sinking funds and defect rectification.

Collective efforts in addressing these challenges through targeted solutions, such as modular construction and policy adjustments, will be crucial in shaping the future of our industry. It's evident that while there is no single solution, a multifaceted approach can help mitigate the pressures we face and drive sustainable growth.

# Residential

## Outlook

# 1.2M

Housing Accord Aspirational Target  
for well located homes by 2029

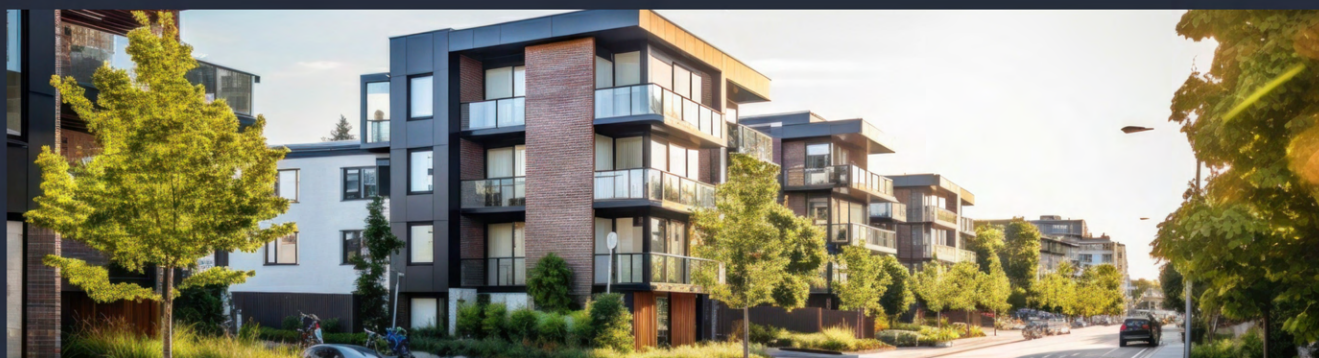
**The private sector is predicted to supply 903,000 new homes in the years leading up to 2029.**

# 3.5B

Commonwealth investment to meet the target

**Current residential build activity (dwellings) per year**

# 150-200k



The Housing Accord, introduced by the Australian government which came into effect 1st July 2024, aims to address the pressing housing supply crisis by promoting the construction of more affordable homes and increasing overall housing stock. The initiative is anticipated to significantly impact demand as it encourages the development of medium and high-density housing in well-located areas, thereby making urban living more accessible. The Housing Accord seeks to streamline planning processes and reduce barriers to development through collaboration between state governments, local councils, and the private sector.

As a result, the demand for housing in metropolitan areas is expected to rise, driven by both the growing population and the increased focus on sustainable, community-oriented living environments. Ultimately, the Accord represents a crucial step towards meeting the diverse housing needs of Australians, particularly in urban centres where demand is most acute.

The targets have been introduced amidst significant instability in the builder and subcontractor market in the wake of COVID-19 with many builders opting out of traditional fixed lump sum contracts to avoid escalation risks. Consequently, the private residential subsector has been particularly hard hit by inflationary pressures, making it increasingly challenging to create feasible projects despite the higher selling prices in the market. The complex environment presents both opportunities and challenges for developers and investors navigating the changing dynamics of Australia's housing market.

# Build-to-Rent

## Outlook

# 55,000

Build-to-Rent homes by 2030

**Proposed tax incentives specifically to build-to-rent projects with a minimum of 50 apartments or dwellings made available for rent to the general public.**

# 3,900

Build-to-Rent units completed in Australia

# 19,000

**Build-to-Rent units under construction**



The Build-to-Rent (BTR) market in Australia is gaining significant momentum driven largely by favourable tax incentives and robust government support. The incentives are part of a broader strategy to address the chronic undersupply of rental housing in urban areas. The Australian Government has recognised the potential of BTR developments to provide a stable and high-quality rental housing option and has implemented several tax benefits to stimulate growth in the sector.

Reductions in land tax for BTR projects have increased financial viability for developers' projects, and encourages further investments in rental housing. Additionally, lower withholding tax rates for international investors have attracted foreign capital, which is essential for funding large-scale BTR projects.

In the long term, the combination of tax benefits and relaxed planning regulations is expected to significantly boost the BTR market in Australia. The measures make BTR projects more attractive to both domestic and international investors, and provide the necessary financial incentives to undertake developments. As more BTR projects are initiated, the increase in rental housing supply may contribute to a stabilisation of rental prices and provide more affordable options for tenants.

The growth in the BTR sector is not only a short-term solution but a sustainable approach to addressing the housing shortage. The Australian Government can contribute to a steady increase in rental housing supply by supporting BTR developments through favourable policies and incentives to the broader housing market.

# Student Accommodation

## Outlook

# \$790k

current available purpose-built student accommodation

**By 2028, it is projected that 21,000 new beds will be added to the student accommodation market.**

# 1,892

to be delivered in 2023/2024, down 72% from 2022/2023

**Expected International Student Arrivals by 2025**

# 1 million



The outlook for student accommodation in Australia is characterised by an imbalance between supply and demand. The persistent undersupply is exacerbated by an increasing demand from both domestic and international students. The industry anticipates the delivery of only 1892 new beds in 2024 - a figure that falls short of long-term averages. The shortfall is primarily attributed to feasibility issues and planning delays which have hindered the timely development of new accommodation facilities. The challenges highlight the need for strategic planning and more efficient approval processes to meet growing demand.

Despite the current undersupply, there is an optimistic expectation that the sector will see substantial growth in the coming years. By 2028, it is projected that 9000 new beds will be added to the market. The anticipated increase in supply suggests a potential alleviation of the current shortage provided that the industry can overcome existing barriers such as financial feasibility and regulatory hurdles.

The sector continues to attract investors due to its robust financial model. One of the key draws is the ability to adjust rents semi-annually which helps the sector keep pace with inflation and maintains profitability. While Sydney and Melbourne have traditionally been the focal points for new developments, there is a growing interest in expanding into other regions with strong market fundamentals. The diversification spreads investment risk and taps into the potential of emerging student hubs across the country.

To effectively address the ongoing shortage and ensure the sustainable growth of the student accommodation sector, collaboration between the government, private sector, and universities is essential. Partnerships can facilitate the development of policies and frameworks that support the construction of new accommodations while addressing feasibility and planning issues. The sector stakeholders can create a more conducive environment for investment and development through collaboration.

# Social & Affordable Housing

## Outlook

# \$1.9B

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

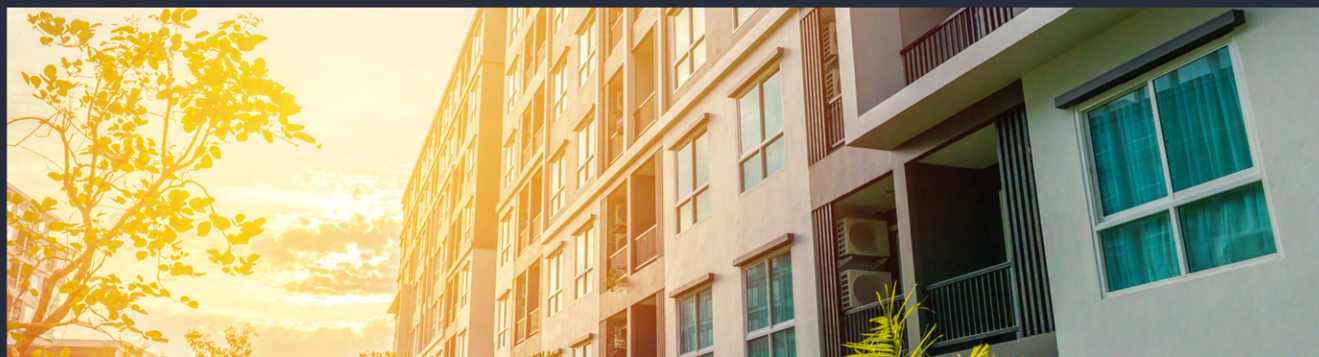
**Higher loan capacities will drive the construction of social and affordable homes under the Housing Australia Future Fund and National Housing Accord.**

# \$350M

Commonwealth funding to build 10,000 social and affordable homes with states and territories to build a further 10,000

**Funding under a new National Agreement on Social Housing and Homelessness**

# \$423.1m



The outlook for the Australian social and affordable housing is significantly shaped by substantial government initiatives aimed at addressing the national housing crisis. Recognising the urgent need for affordable housing solutions, the Australian Government has committed significant funding through a number of key initiatives and programs designed to alleviate the pressure on the housing market.

The Government's efforts include both direct investment in the construction of new affordable homes and financial support for community housing providers. The government aims to create a sustainable and scalable solution to meet the growing demand for affordable housing across the country. Through national investment, it is projected that up to 20,000 social and affordable homes will be delivered. The ambitious target is expected to make a meaningful impact on the availability of affordable housing across Australia and provide much needed supply to low-income households and vulnerable individuals.

The delivery of social and affordable homes will involve collaboration between public and private sector stakeholders, including federal and state governments, private developers, and community housing organisations as a comprehensive approach to address the housing shortage. Despite the promising outlook, the sector faces ongoing challenges related to material and labour costs.

The Australian construction industry has experienced significant cost escalations due to supply chain disruptions, increased demand for construction materials, and a shortage of skilled labour. The economic factors have driven up the overall cost of building new homes and subsequently pose a potential barrier to the rapid development of affordable housing projects. However, the government's substantial investment in the sector is expected to play a crucial role in mitigating cost pressures over time, the stabilisation of construction costs, and the viability of social and affordable housing projects.

# MMC / Modular Construction

## Outlook

# 80%

Infrastructure Australia goal for social housing projects to include modular housing by 2030

**To tackle labour shortages and project delays, developers are trialing prefabricated construction methods to fast-track Australia's housing supply.**

# 5%

new builds are prefabricated

**Annual market generation by 2033 driven by the efficiency of Smart Building practices and prefabrication**

# \$9B



### Capital Costs

Modular and Modern Methods of construction (MMC) has emerged as a promising solution to Australia's ongoing residential crisis, particularly due to its efficiency and sustainability. The construction method significantly reduces on-site time, labour requirements, and waste, all while maintaining high-quality standards. The method's benefits are crucial in addressing the escalation in construction costs and the urgent demand for housing.

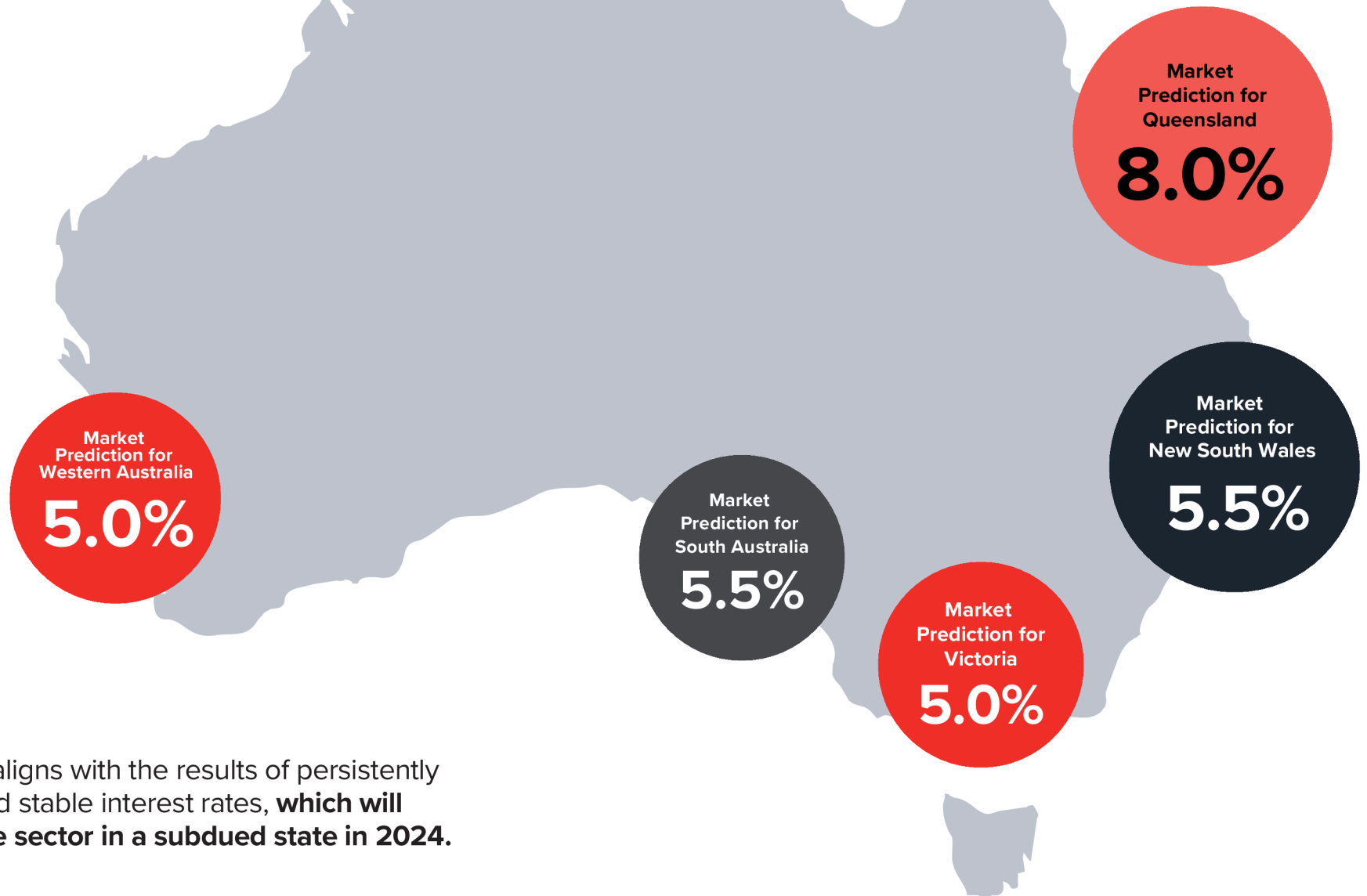
However, the adoption of MMC / modular construction is not without its challenges. One significant barrier is the current lack of competition within the market as the sector is dominated by a limited number of suppliers. The oligopolistic environment can lead to higher prices and limited options for developers. Despite hurdles, the potential for modular construction to alleviate the housing crisis remains substantial. The method's ability to deliver high-quality housing quickly and efficiently makes it an integral component to create Australia's future housing solutions.

### Whole-of-Life

MMC / modular construction is expected to offer lower maintenance costs and less construction defects compared to traditional methods. Built in controlled factory environments, modular buildings can benefit from precise assembly and thorough quality checks and could minimise the need for frequent maintenance in the earlier part of its lifecycle. The standardisation of products and consistency of modular construction also mean that each unit is built to the same standards, decreasing the likelihood of variability-related defects and associated maintenance costs.

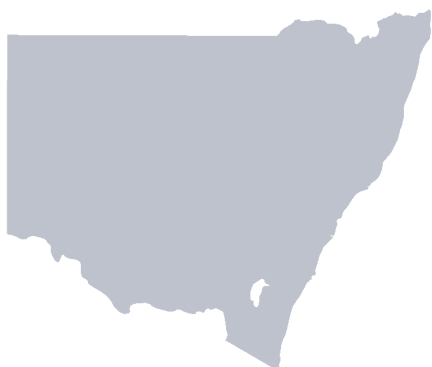
While the controlled environment minimises the incidence of defects, any issues that do arise may present unique challenges. Defects in modular buildings could require specialised repairs and spare parts, potentially complicating maintenance processes. The specialised needs may necessitate advanced planning and the availability of specific expertise to address any problems efficiently.

## 2024 Escalation Outlook



MBM's outlook aligns with the results of persistently high inflation and stable interest rates, **which will keep the private sector in a subdued state in 2024.**

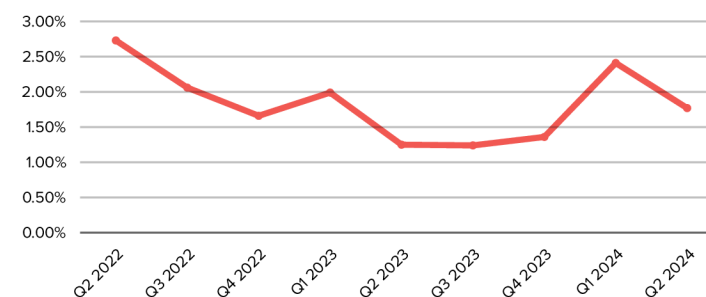
# ABS Data for New South Wales



## Non-Residential Building Construction Change Per Annum

▲	8.02%	<b>2021</b>
▲	8.89%	<b>2022</b>
▲	5.97%	<b>2023</b>
▲	4.22%	<b>2024</b>

## 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	
Q3 2020	125.9	0.08%		120.7	0.25%		
<b>Q4 2020</b>	<b>125.4</b>	<b>-0.40%</b>	<b>-0.79%</b>	<b>119.7</b>	<b>-0.83%</b>	<b>-1.48%</b>	
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%		
<b>Q4 2021</b>	<b>135.5</b>	<b>3.59%</b>	<b>8.05%</b>	<b>129.3</b>	<b>4.11%</b>	<b>8.02%</b>	
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%		
<b>Q4 2022</b>	<b>150.1</b>	<b>1.49%</b>	<b>10.77%</b>	<b>140.8</b>	<b>1.66%</b>	<b>8.89%</b>	
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%		
<b>Q4 2023</b>	<b>159.3</b>	<b>1.21%</b>	<b>6.13%</b>	<b>149.2</b>	<b>1.36%</b>	<b>5.97%</b>	
Q1 2024	161.8	1.57%		152.8	2.41%		
Q2 2024	163.8	1.24%	<b>2.82%</b>	155.5	1.77%	<b>4.22%</b>	

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

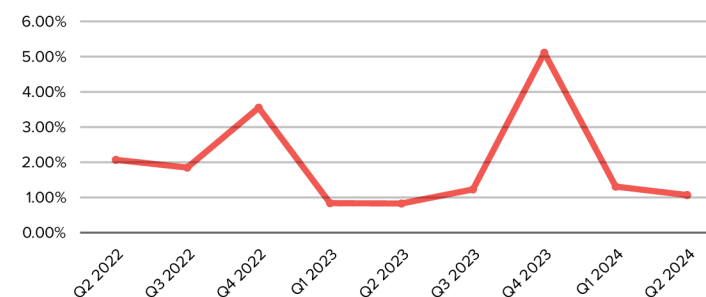
# ABS Data for Victoria



## Non-Residential Building Construction Change Per Annum

▲	1.87%	<b>2021</b>
▲	9.62%	<b>2022</b>
▲	8.19%	<b>2023</b>
▲	2.39%	<b>2024</b>

## 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
Q3 2020	113.1	0.27%		106.4		0.00%	
<b>Q4 2020</b>	<b>114.1</b>	<b>0.88%</b>	<b>1.69%</b>	<b>107.2</b>		<b>0.75%</b>	<b>1.61%</b>
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%	
<b>Q4 2021</b>	<b>118.1</b>	<b>1.20%</b>	<b>3.51%</b>	<b>109.2</b>		<b>0.65%</b>	<b>1.87%</b>
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%	
<b>Q4 2022</b>	<b>133.2</b>	<b>2.62%</b>	<b>12.79%</b>	<b>119.7</b>		<b>3.55%</b>	<b>9.62%</b>
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%	
<b>Q4 2023</b>	<b>140.5</b>	<b>3.61%</b>	<b>5.48%</b>	<b>129.5</b>		<b>5.11%</b>	<b>8.19%</b>
Q1 2024	142.1	1.14%		131.2		1.31%	
Q2 2024	143.3	<b>0.84%</b>	<b>1.99%</b>	132.6		<b>1.07%</b>	<b>2.39%</b>

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

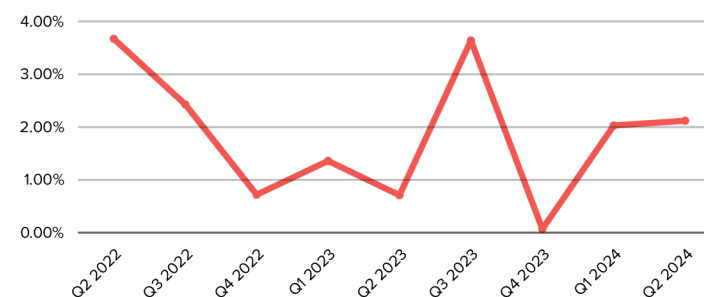
# ABS Data for Queensland



## Non-Residential Building Construction Change Per Annum

▲	8.81%	<b>2021</b>
▲	8.96%	<b>2022</b>
▲	5.86%	<b>2023</b>
▲	4.19%	<b>2024</b>

## 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	
Q3 2020	119.4	-0.58%		116.5	-0.77%		
<b>Q4 2020</b>	<b>121.2</b>	<b>1.51%</b>	<b>0.58%</b>	<b>118.0</b>	<b>1.29%</b>	<b>0.51%</b>	
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%		
<b>Q4 2021</b>	<b>135.6</b>	<b>3.67%</b>	<b>11.88%</b>	<b>128.4</b>	<b>1.50%</b>	<b>8.81%</b>	
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%		
<b>Q4 2022</b>	<b>151.2</b>	<b>0.73%</b>	<b>11.50%</b>	<b>139.9</b>	<b>0.72%</b>	<b>8.96%</b>	
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%		
<b>Q4 2023</b>	<b>157.4</b>	<b>0.13%</b>	<b>4.10%</b>	<b>148.1</b>	<b>0.07%</b>	<b>5.86%</b>	
Q1 2024	160.3	1.84%		151.1	2.03%		
Q2 2024	163.1	1.75%	3.62%	154.3	2.12%	4.19%	

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

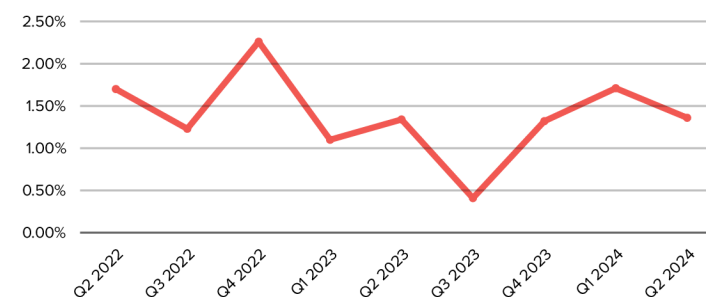
# ABS Data for South Australia



## Non-Residential Building Construction Change Per Annum

▲	3.19%	<b>2021</b>
▲	6.99%	<b>2022</b>
▲	4.24%	<b>2023</b>
▲	3.09%	<b>2024</b>

## 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	
Q3 2020	107.5	-1.92%		106.9	-2.82%		
<b>Q4 2020</b>	<b>107.9</b>	<b>0.37%</b>	<b>-1.37%</b>	<b>106.7</b>	<b>-0.19%</b>	<b>-2.82%</b>	
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%		
<b>Q4 2021</b>	<b>115.8</b>	<b>2.84%</b>	<b>7.32%</b>	<b>110.1</b>	<b>0.73%</b>	<b>3.19%</b>	
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%		
<b>Q4 2022</b>	<b>129.2</b>	<b>2.13%</b>	<b>11.57%</b>	<b>117.8</b>	<b>2.26%</b>	<b>6.99%</b>	
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%		
<b>Q4 2023</b>	<b>136.7</b>	<b>1.41%</b>	<b>5.80%</b>	<b>122.8</b>	<b>1.32%</b>	<b>4.24%</b>	
Q1 2024	138.6	1.39%		124.9	1.71%		
Q2 2024	141.7	<b>2.24%</b>	<b>3.66%</b>	126.6	<b>1.36%</b>	<b>3.09%</b>	

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

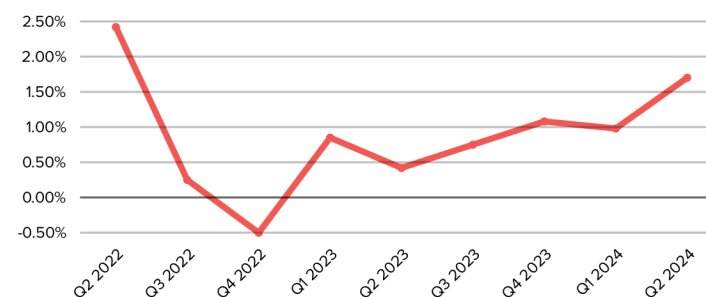
# ABS Data for Western Australia



## Non-Residential Building Construction Change Per Annum

▲	14.18%	<b>2021</b>
▲	4.97%	<b>2022</b>
▲	3.13%	<b>2023</b>
▲	2.70%	<b>2024</b>

## 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	
Q3 2020	105.1	1.45%		98.2	0.00%		
<b>Q4 2020</b>	<b>106.8</b>	<b>1.62%</b>	<b>4.30%</b>	<b>98.7</b>	<b>0.51%</b>	<b>0.51%</b>	
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%		
<b>Q4 2021</b>	<b>122.3</b>	<b>5.34%</b>	<b>14.51%</b>	<b>112.7</b>	<b>5.23%</b>	<b>14.18%</b>	
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%		
<b>Q4 2022</b>	<b>133.9</b>	<b>0.22%</b>	<b>9.48%</b>	<b>118.3</b>	<b>-0.50%</b>	<b>4.97%</b>	
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%		
<b>Q4 2023</b>	<b>141.8</b>	<b>3.43%</b>	<b>5.90%</b>	<b>122.0</b>	<b>1.08%</b>	<b>3.13%</b>	
Q1 2024	145.2	2.40%		123.2	0.98%		
Q2 2024	150.2	<b>3.44%</b>	<b>5.92%</b>	125.3	<b>1.70%</b>	<b>2.70%</b>	

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 Housing Edition

Market escalation webinar  
7 August 2024

Industry Poll Results

In the third instalment and housing edition of MBM's quarterly escalation webinar, *Escalation in Conversation*, our experts conducted a poll to gather collective industry feedback on where project timeframes and cost impacts have been largely observed across national housing subsections.

The poll results revealed that national escalation throughout 2024 has most affected the private residential sector, where approximately 65% of respondents have observed the most project and cost impacts towards non-building construction developments.

The social and affordable housing sector came in second with 21% of respondents noting a distinct impact to timeframes and budgets from construction cost escalation. As experts in Build to Rent (BTR), student accommodation, alongside social and affordable housing, the results align with the view of MBM's national team and demonstrates the unified perspectives of key players in the Australian construction industry.

## Housing Sector Escalation Impacts: Project Timeframe and Cost Impacts by Subsection



Build to Rent (BTR)

**12%**



Private Residential

**65%**



Student Accommodation

**2%**



Social & Affordable  
Housing

**21%**

# MBM – Australia's most trusted and reliable quantity surveying and asset management consultancy.

Established in 2002, MBM is a national independent professional services firm specialising in quantity surveying and asset consulting.

## Our Escalation Experts



**David Madden**  
Founding Director  
dm@mbmpl.com.au



**Kenny Toplis**  
Executive Construction  
Economist  
kenny.toplis@mbmpl.com.au



**Sabrina Tapson**  
Associate – Quantity  
Surveying  
sabrina.tapson@mbmpl.com.au



**Tony Del Nevo**  
Associate – Advisory  
tony.delnevo@mbmpl.com.au

Our expertise ranges from quantity surveying, building consultancy, tax depreciation & asset services, asset management and facilities management advisory, infrastructure, and expert witness advice.

## Our National Sector Experts



**Justin Noakes**  
Director - Advisory



**Shiva Ramanikanthan**  
Senior Project Advisor



**Rob Williamson**  
Associate Director (SA)



**Reiss Draper**  
Associate Director (QLD)



**Edna Yeo**  
Director (VIC)



**Lee Williams**  
Director (VIC)



**Alan Stewart**  
Director - Building  
Consultancy



**Scott Williamson**  
Associate Director (WA)

<b>Adelaide</b> Level 5 60 Waymouth Street Adelaide SA 5000 08 8223 3038 sa@mbmpl.com.au	<b>Brisbane</b> Suite 12.1 Level 12 100 Creek Street Brisbane QLD 4000 07 3234 4000 qld@mbmpl.com.au	<b>Canberra</b> Level 1 68 Northbourne Avenue Canberra ACT 2600 02 6152 0996 act@mbmpl.com.au	<b>Melbourne</b> Level 26 500 Collins Street Melbourne VIC 3000 02 8856 3730 vic@mbmpl.com.au	<b>Parramatta</b> Suite 1A Level 8 111 Phillip Street Parramatta NSW 2150 02 9270 1000 nsw@mbmpl.com.au	<b>Perth</b> Suite 01, Level 23 108 St Georges Terrace Perth WA 6000 08 9322 1795 wa@mbmpl.com.au	<b>Sydney</b> Level 5 1 Chifley Square Sydney NSW 2000 02 9270 1000 nsw@mbmpl.com.au
---	---	--	--	--	--	---