MBM

Escalation Update

FOURTH QUARTER 2025

NAVIGATING THE ECONOMIC FORCES SHAPING ESCALATION IN THE AUSTRALIAN CONSTRUCTION INDUSTRY

Contents

National Outlook

Kenny Toplis
Associate and
Construction Economist

After five quarters of relief, the pressure returns. The latest ABS data shows construction costs trend upward, with the CPI rising 1.3% over the September quarter and the PPI for building construction up 1.28%. What appeared to be a cooling market has reignited, driven not by materials, but by labour shortages, rising wages, and capacity strain. Prices harden across the sector as firms compete for skilled trades and energy costs remain high. Escalation has steadied on average above 1%, a sign that cost stability in construction remains delicate.

Skilled Labour Availability

The construction industry's greatest pressure point remains to be labour. Despite easing material costs, the shortage of skilled trades continues to drive wage escalation and shape project costs. The ABS notes that labour cost increases and capacity constraints are now the dominant forces behind rising construction prices as firms compete to secure talent amid strong residential and infrastructure activity.

Specialist and finishing trades remain in particularly high demand with wages climbing steadily through 2025. Unlike earlier material supply shocks, cost pressures are rooted in workforce scarcity, elevated energy costs, and sustained demand. The latest data suggests that labour will remain the key driver of cost escalation in 2026.

Material Availability

Material markets have stabilised, yet availability remains uneven across key categories. While prices for steel, timber, and concrete have eased from their 2021–22 peaks, the material prices continue to sit above pre-pandemic levels, reflecting lingering cost inertia in supply chains. The ABS notes that supply constraints are less about logistics and more about competition and capacity. Contractors race to secure the market's limited labour resources and production slots to meet ongoing demand.

High levels of construction activity keep domestic inventories tight, while energy costs and freight rates add a premium to imported products. Overall, materials are more accessible than in recent years. While the market remains stable in appearance, Australia's construction sector is vulnerable to renewed shocks from energy prices, global demand shifts, or local capacity pressures.

Supply Chain and Geopolitical Risks

Global supply chains remain under pressure as geopolitical tensions, regional conflicts, and shipping disruptions continue to ripple through construction markets. Freight congestion, energy volatility, and renewed trade frictions are keeping costs high. With the industry reliant on imported steel, electrical components, and specialist finishes, even minor disruptions translate into higher prices and delays.

National Outlook

Continued

Construction Activity

Australia sees an elevation of construction activity fueled by strong demand in both public and private sectors, despite intensifying cost pressures. Firms operate at near-full utilisation while labour scarcity, rising wages, and capacity constraints continue to shape the market. High levels of building activity, particularly in residential construction, sustain upward momentum.

Contractors factor labour shortages and energy costs into pricing, and with competition for skilled trades showing no sign of relief, the industry's capacity defines the pace of delivery rather than material supply. The result is a construction industry that remains busy but constrained, where demand continues to outpace the workforce needed to meet it.

Contractor Solvency and Industry Risk Profile

Despite strong activity, contractor solvency remains a critical risk in the current market. Many builders operate with low financial buffers as greater labour costs, construction prices, and persistent capacity constraints erode already thin margins. While material inflation has eased, sustained wage growth and energy input rises continue to push operational costs higher. The reversal in CPI and PPI trends signals a tightening environment where firms face more delivery risks but limited ability to pass through additional costs on fixed-price contracts.

As a result, contractors become increasingly selective, prioritise projects with clear funding, collaborative procurement structures, and fair risk apportionment. Clients must remain vigilant to the financial health and capacity of their delivery partners.

Outlook

Looking ahead, cost pressures will likely persist as structural constraints in labour and capacity continue to underpin escalation. The renewed rise in both CPI and PPI signals that overall construction costs are unlikely to return to pre-pandemic averages in the near-term. Wage growth, competition for skilled trades, and sustained levels of building activity will keep prices elevated through 2026, with firms continue to factor higher risk allowances into tender pricing.

MBM View on Building Cost Escalation					
	2024	**2025**	**2026**	**2027**	**2028**
NSW	5.5%	4.0%	3.8%	3.5%	3.5%
VIC	5.0%	4.0%	4.0%	3.5%	3.5%
QLD	6.0%	6.5%	8.0%	8.0%	9.0%
SA	5.5%	5.5%	5.5%	4.5%	4.5%
WA	5.0%	5.5%	5.0%	5.0%	4.5%

National Outlook

Continued

4.3%

Unemployment in November 2025

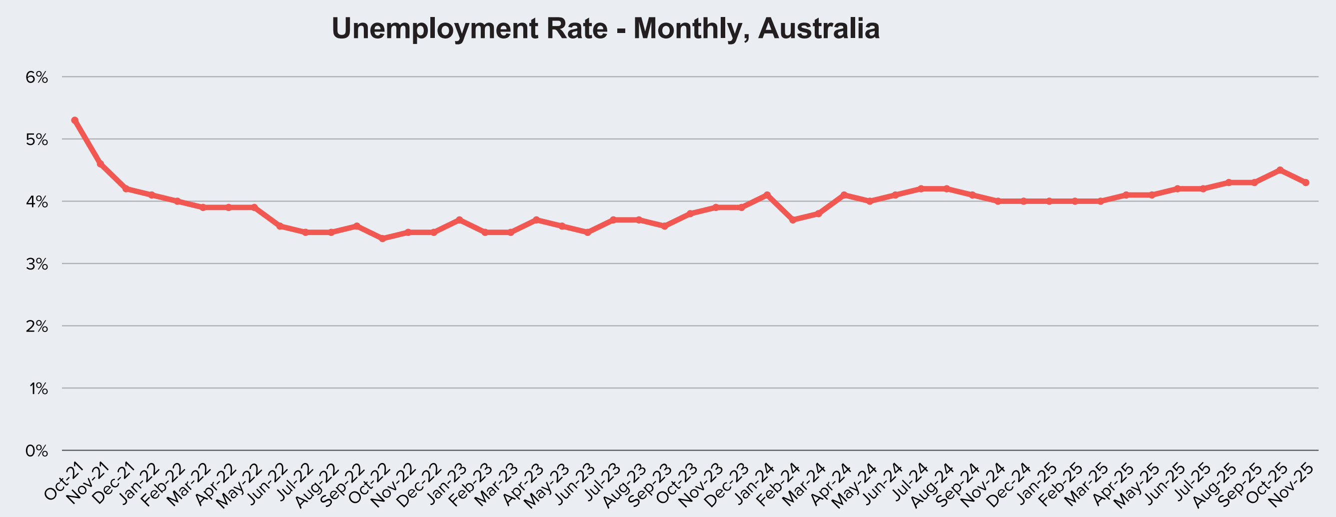
The unemployment rate in November 2025 rose to 4.3%, a minor jump from the mid-year figures. Australia's construction industry grapples with skilled labour shortages, particularly in the private sector, as major government projects attract workers.

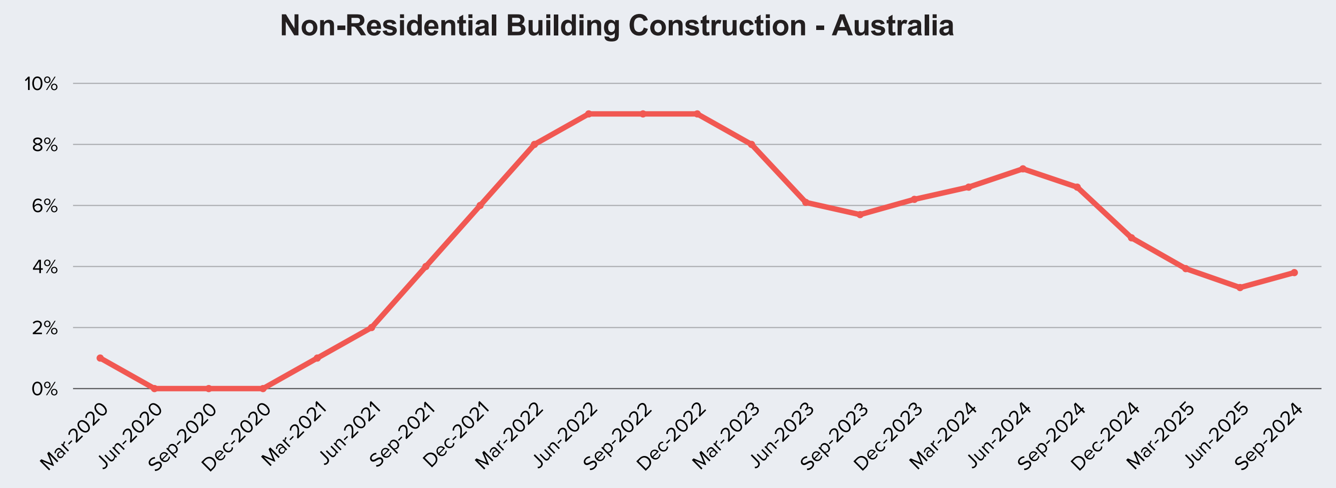
3.80%

Y-o-Y Non-Residential Building Construction (Q3 2025)

In September 2025, input prices for non-residential building construction rose across Queensland, Victoria, and New South Wales, driving a year-on-year increase of 3.8% nationally. The rise was driven by higher labour costs, including enterprise agreement wage increases for many Queensland employees working on large-scale projects, and the ongoing shortage of skilled trades. Concrete and electrical services recorded price growth from strong demand and elevated labour costs.

Source: https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia/latest-release





Material Price Changes Q3 2025

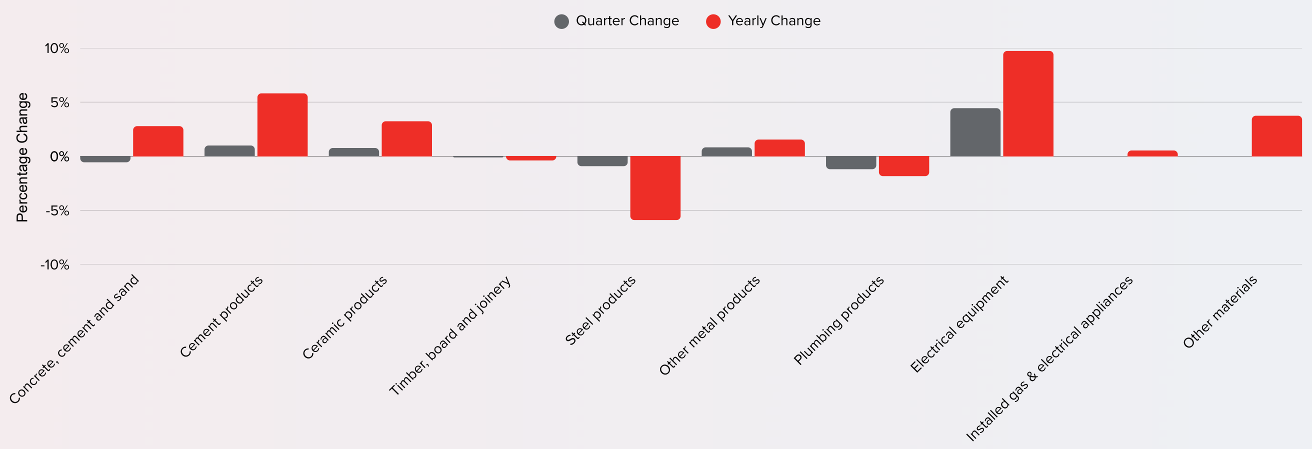
In September 2025, quarterly input prices to construction rose by 1.3%. The sectors strongest contributors to cost growth were labour-intensive trades such as concrete and electrical services.

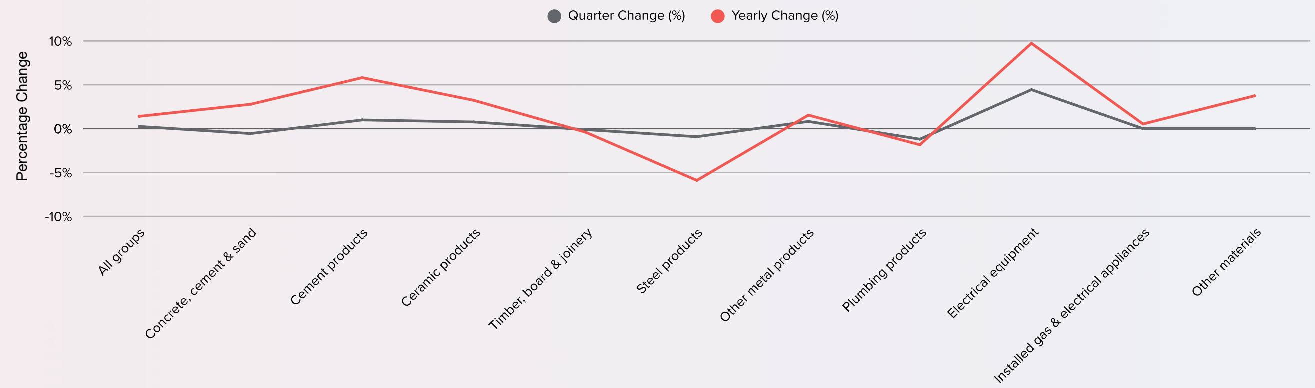
Timber, board, and joinery rose 1.8% due to higher timber prices. Other metal products climbed 0.6% on the back of elevated raw material costs. Other materials rose 0.5%, with plaster products up 1.0% following annual supplier adjustments. Material price gains were partially offset by a 0.6% fall in concrete, cement, and sand, largely due to ready-mixed concrete (-1.3%), where competitive pricing and market recalibration eased costs.

Year-on-year, non-residential building construction prices increased 3.8%. The rise reflects a sector that grapples with sustained labour pressures and uneven material cost movements across Australia's major markets.

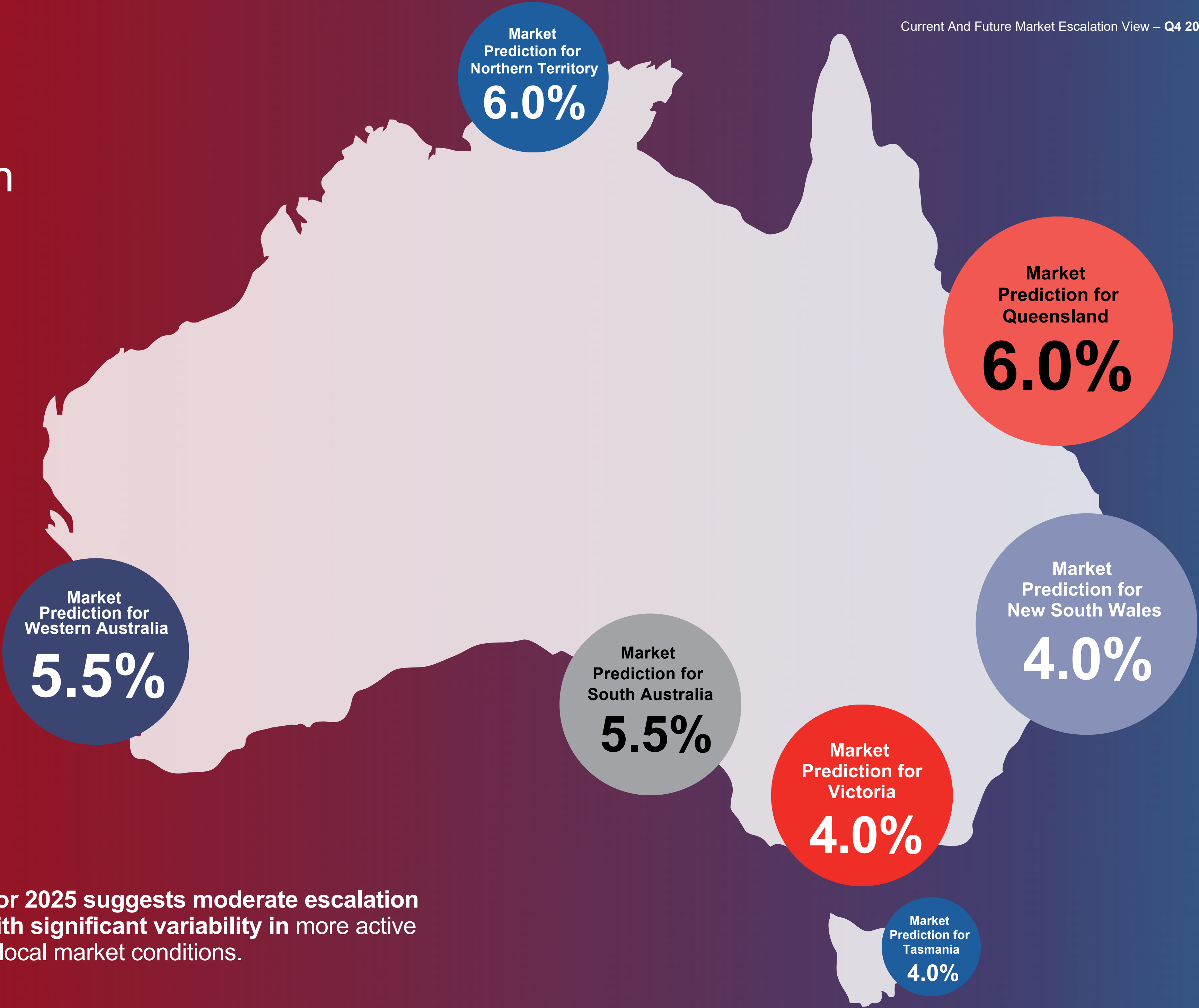
Source: https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/producer-price-indexes-australia/latest-release

Table 30 Contribution to Input to the House construction industry index, weighted average of six state capital cities, index points





2025 Escalation Outlook



MBM's outlook for 2025 suggests moderate escalation across states, with significant variability in more active regions driven by local market conditions.

Brisbane 2032 Olympic and Paralympic Games

Project commencements are expected to drive resource constraints across the market.

Reiss Draper
Director

The lead-up to the Brisbane 2032 Olympic and Paralympic Games continues to dominate Queensland's construction outlook, and the market sentiment reflects cautious pragmatism. While the Games will catalyse major infrastructure investment and long-term economic benefit, uncertainty surrounding project scopes, delivery models, and timing has contributed to mounting industry concern.

Stakeholders question whether Brisbane's current events pipeline can realistically support the necessary level of utilisation. Without robust legacy programming, some venues risk becoming underused and financially burdensome. Private investors and financiers may proceed cautiously until clearer revenue projections and operational strategies are given.

Design Direction and Government Engagement

The Queensland Government is currently commissioning architects to prepare Project Validation Reports (PRVs) and business cases for several key Olympic venues. The renewed design activity prompts industry questions about the rationale for revisiting projects with existing reference designs.

Industry stakeholders are uncertain if redesigns reflect underlying design or cost issues, or a broader intent to modernise and align projects with updated sustainability and community expectations. The lack of clarity pumps the breaks on industry mobilisation, as design stability is critical to both accurate cost planning and contractor engagement at this stage of the program.

Managing Contractor Procurement

Managing Contractor procurement models will be key to achieve timely and cost-efficient delivery. As the Olympic deadline draws closer, procurement strategy, escalation risk, and resource capacity become central to industry discussions as planning transitions from vision to delivery.

Delivery Partners

Industry leaders emphasise the need to work with builders early to integrate constructability feedback and mitigate delivery risks. With the countdown on, the recent reduction of shortlisted delivery consortia from three to two marks progress, but the overall pace of advancement remains in question. The compressed delivery timeline, combined with a stretched market, presents strong escalation risks if procurement decisions face delays in 2026.

Commercial Viability and Long-Term Legacy

A critical challenge for arenas and stadium projects is to demonstrate post-Games financial viability, particularly under Public–Private Partnership (PPP) frameworks. Under PPP models, facilities must generate sufficient revenue from ongoing events to remain commercially sustainable.

2026 Outlook

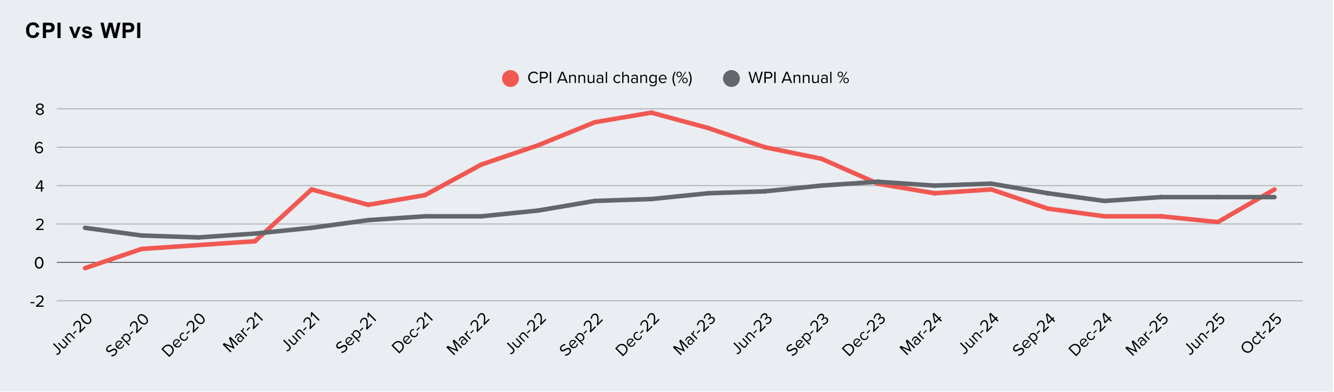
Escalation pressures remain a defining feature of the Queensland market. Escalation could peak at around 9% by 2028, with cumulative inflation since the onset of COVID-19 potentially resulting in a construction prices doubling from 2030 to 2032. As the pipeline accelerates, 2026 is forecast to mark a critical inflection point when multiple major packages enter procurement and price competition intensifies for labour and materials.

Contractors are likely to prioritise projects with a low risk position, adding further strain to government budgets. Brisbane's 2032 Olympic and Paralympic Games program faces the dual threat of cost blowouts and capacity shortages heading into the final delivery phase unless scopes reach certainty and contracts are locked in soon.

Register here for MBM's inaugural Olympics Webinar
The Countdown to OG 2032: Brisbane's Immovable Deadline

Asset and Facilities Management Outlook

The Consumer Price Index rose to 3.8% for the year in October, and surpassed the 2024 year-on-year inflation of 3.6%.



Justin Noakes
Director

Ujwal Lakra
Director

The NSW facilities and asset management (FM/AM) industry entered the September quarter with a pragmatic outlook. Interest rate decreases and improvements in the economic outlook are beginning to stabilise confidence across key service markets, while regulatory reforms in some sectors are enhancing governance and transparency. The sector remains resilient which boosts essential service industries that continue to generate steady FM demand even as broader construction activity softens.

The healthcare and senior living sectors remain strong FM performers driven by investment and population growth. These sectors demand high compliance and efficiency. The childcare sector also sees greater investment as lower rates ease funding, though rising costs and policy shifts limit growth.

On the AM front, NSW's senior living sector is in the midst of regulatory reform through the introduction of the Retirement Villages Regulation 2025. The framework replaces the three-year capital maintenance report with an annual update to improve accountability and responsiveness. Operators must revise plans if maintenance costs rise by 25% or more, which enhances transparency for residents, and reduces administrative burden for providers.

The reforms prompt FM and AM providers to reassess lifecycle strategies, data systems, and communication frameworks with asset owners. More frequent reporting encourages better alignment between operators and regulators, mitigates risk, boosts compliance, and delivers value-driven asset performance.

The FM industry sees impacts from the growth of essential service sectors, combined with technological advancements in predictive maintenance and integrated lifecycle planning. Providers that invest in digital systems, analytics, and cross-sector collaboration are well positioned to manage cost pressures and strengthen client relationships.

Looking ahead, NSW's FM and AM sectors are set to remain stable into 2026 with growth led by healthcare, childcare, and senior living. FM organisations can co-operate more closely in integrated property services and data-driven lifecycle planning.

https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia/latest-release

Building Consultancy Outlook

Steven Cardwell
Associate Building Services Engineer

MBM's building services specialists help owners and asset managers make smarter decisions about lifecycle strategy, efficiency, and CAPEX. We're seeing a clear shift toward longer-term capital planning that challenges the industry's standard 10-year view.

For building owners and asset managers, there is greater demand for the inclusion of a long-term escalation view of the asset utilising historic long-term averages, as opposed to steadily increasing inflation as a cost guide.

Escalation in Capital and Maintenance Costs
Escalation in both material and labour inputs remains a dominant theme across the sector. Over the past 18 months, electrical cabling, copper pipework, HVAC plant, and fire safety system components have all recorded increases in procurement costs.

Supply Chains and Lead Times
Supply chain volatility remains a critical factor for building services delivery. Lead times for imported equipment such as chillers and fan coil units have stretched considerably, and in some cases, exceed 26 weeks. The delays increase both holding and financing costs, and extend the duration of make good and refurbishment programs. CBD office and logistics assets are most affected, as downtime drives revenue loss.

Contingencies for craneage, temporary power, or interim cooling systems are now routinely included in project budgets, further elevating the total cost of ownership. As a result, project scheduling and procurement planning have become as important as the technical scope itself to manage financial risk.

Higher Lifecycle Risk through Deferred Maintenance
Some tenants and owner-occupiers' cost cutting strategies have led to deferred maintenance across mechanical and electrical systems. While the approach can deliver short-term savings, it often accelerates equipment wear, drives up energy use, and inflates reinstatement costs.

For owners, deferred maintenance distorts lifecycle CAPEX forecasts as plant replacements occur sooner than planned. In response, building services engineers now prioritise proactive condition monitoring and predictive maintenance to manage capital exposure, operational risk, and compliance with statutory and regulatory requirements.

Compliance, Sustainability and Beyond
Regulatory reform and environmental performance targets continue to reshape the building services landscape. Updates to the National Construction Code (NCC), tightening of energy efficiency standards (NABERS, Green Star), and the growing push toward electrification and low-carbon operations including solar energy and water recycling are driving additional CAPEX beyond baseline compliance.

For existing assets, mechanical and electrical upgrades are increasingly required to replace aging systems, achieve emissions reduction targets, and maintain tenant demand. In the industrial sector, particularly within logistics and data centre assets, higher electrical loads and resilience requirements are expanding both upfront and ongoing service costs.

Whether these upgrades fall under planned CAPEX or are triggered by tenancy works depends heavily on lease structures, serviceability covenants, and the delineation of landlord versus tenant responsibilities.

Outlook
Owners who adopt agile CAPEX planning, integrated asset lifecycle forecasting, and preventative maintenance regimes will be best positioned to manage cost volatility. Increasingly, data-driven facilities management platforms and digital modelling are being used to predict system performance, optimise maintenance timing, and extend the life of core assets.

New South Wales

Outlook

Kenny Toplis
Associate and Construction Economist

+1.5%

Sydney CPI
Q3 2025

The Value of Construction Work Done in Q2 2025 was $20.8B - down -1.7% QoQ

0.68%

Q3 Non-Residential Building Construction Escalation

$5.95B

Value of Non-Residential Building Approvals
Q3 2025

The New South Wales (NSW) construction market showed continued moderation in Q3 2025 with further eases to escalation. The ABS reported a 0.68% rise in non-residential construction costs for the quarter and 2.77% year-to-date. The increases align with MBM's forecast of around 4% annual escalation for 2025. The Q3 results mark a steady recovery from the elevated four-year average of 7.3% per annum and signals improved pricing stability after several volatile years.

Overall, construction activity in NSW remains subdued. Total construction work done fell 1.7% in seasonally adjusted terms over the quarter, which contrasts with national growth over the same period, and suggests softer local market conditions.

Despite the quarterly decline, NSW recorded a 2.9% year-on-year increase in total work done underpinned by a 6.1% surge in engineering construction, while residential and non-residential building activity remained modest.

Contractors continue to price cautiously and incorporate larger contingencies to manage financial risk following several years of unpredictable escalation and insolvencies. Labour shortages, rising wages, energy price volatility, and productivity challenges remain persistent cost drivers across the state. High levels of public infrastructure investment continue to absorb skilled labour and place pressure on subcontractor capacity, and drive ongoing escalation risks, even as broader market conditions show signs of softening.

Looking ahead, NSW is expected to experience steady but measured growth through late 2025 and into 2026. While the worst of the cost volatility has passed, labour and capacity constraints will continue to limit downward movement in escalation. Market confidence is likely to improve gradually, supported by strong government investment and commercial pipeline stablisation, but a cost-aware approach to budgeting and procurement will remain essential in the short term.

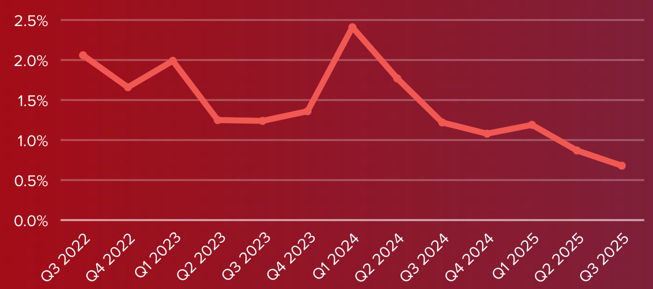
New South Wales

Outlook

ABS Data for New South Wales

Non-Residential Building Construction escalation rose by 0.68% in Q3 2025 and echoed the gradual slowdown in quarterly escalation growth across New South Wales. The movement reflects the market's balance between public-sector activity and easing private-sector demand. Escalation in NSW is forecast to remain moderate at around 4% for 2025, with cumulative increases of 2.74% across Q1 to Q3, and a measured pace through the September quarter.

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
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%	
Q2 2024	163.8	1.24%		155.5	1.77%	
Q3 2024	165.6	1.10%		157.4	1.22%	
Q4 2024	**166.4**	**0.48%**	**4.46%**	**159.1**	**1.08%**	**6.64%**
Q1 2025	167.4	0.60%		161.0	1.19%	
Q2 2025	168.8	0.84%		162.4	0.87%	
Q3 2025	170.1	**0.77%**		163.5	**0.68%**	

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

Victoria

Outlook

Edna Yeo
Director

+1.2%

Melbourne CPI
Q3 2025

The Value of Construction Work Done in Q2 2025 was $18B - down -1.5% QoQ

1.25%

Q3 Non-Residential Building Construction Escalation

$5.38B

Value of Non-Residential Building Approvals
Q3 2025

Victoria's construction sector remained steady through Q3 2025, though confidence has softened amid limited visibility of new major projects. The State Government continues to progress its existing infrastructure pipeline, yet few significant projects have entered the market in the quarter. The Victorian State Election will occur in November 2026, and new funding commitments will likely be sparse in the May 2026 Budget, with larger announcements anticipated for the election campaign. Meaningful growth in government-funded construction activity remains doubtful within the next two years.

Activity levels across the private sector remain mixed, with developers proceeding cautiously due to tight financing conditions and a subdued market sentiment. Public sector investment continues to underpin workload stability across transport, education, and health programs, yet the absence of new large-scale commitments limits forward visibility. Planning and early design activity appears set to rise modestly, although any progress is unlikely to translate into substantial delivery momentum in the near term.

Tender returns across Victoria remain competitive as contractors seek to secure workloads for 2026 and beyond. Margins continue to tighten, and with builders absorb greater price risk to maintain pipeline certainty. Key cost pressures stem from labour shortages, higher wages, and productivity constraints, but lower demand in parts of the private sector has helped to temper overall escalation. The combination of strong competition and modest workload growth has created a finely balanced market environment.

Looking ahead, MBM forecasts escalation to remain steady at around 4% for both 2025 and 2026. The balance of moderate demand, competitive tendering, and constrained public expenditure points to a stable but cost-aware outlook. Contractors will continue to prioritise margin control and workforce retention, while clients should anticipate sustained competition for projects until the next major cycle of government investment emerges post-election.

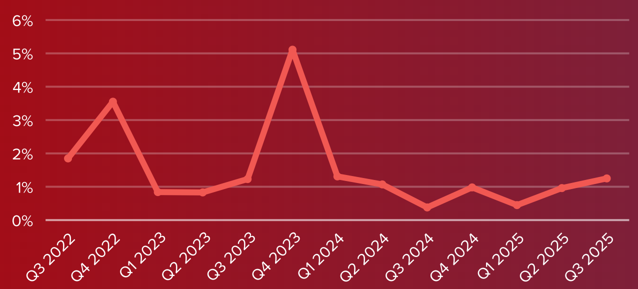
Victoria

Outlook

ABS Data for Victoria

Non-Residential Building Construction escalation rose by 1.25% in Q3 2025. The rise reflects a moderate rebound in quarterly price growth after several subdued periods. The Victorian construction market continues to adopt a cautious pricing approach, with support from a stable public infrastructure delivery and a subdued private development pipeline. The cumulative increase across Q1 to Q3 quarters totals 2.66% sits within MBM's 2025 projections, and signals a balanced yet competitive Victorian market ahead of the next investment cycle.

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
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%	
Q2 2024	143.3	0.84%		132.6	1.07%	
Q3 2024	143.9	0.42%		133.1	0.38%	
Q4 2024	144.3	**0.28%**	**2.70%**	134.4	**0.98%**	**3.78%**
Q1 2025	143.7	-0.42%		135.0	0.45%	
Q2 2025	145.0	0.90%		136.3	0.96%	
Q3 2025	146.5	**1.03%**		138.0	**1.25%**	

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

Queensland

Outlook

Reiss Draper
Director

+1.3%

**Brisbane CPI
Q3 2025**

The Value of Construction Work Done in Q2 2025 was $14.6B - down -1.6% QoQ

3.78%

Q2 Non-Residential Building Construction Escalation

$3.41B

**Value of Non-Residential Building Approvals
Q3 2025**

The Queensland construction market remained steady through Q3 2025, with activity concentrated in select public and private sectors. The market begins to show signs of early mobilisation ahead of Olympic Games 2032 (OG32) delivery, although the pipeline of live tenders remains limited. Contractors seek to secure forward workload amid fewer active projects, and as a result, prices have risen in competitiveness. Public sector opportunities focus on education, housing, and sports and recreation, while the private sector eyes the next wave of OG32-related work.

Government investment continues across key sectors, with education, sports and recreation, hotels, and residential developments fueling activity. State and Federal programs remain central to momentum, though most large-scale projects are in planning stages rather than construction. The transitional phase has created a holding pattern in the market, with many contractors maintaining capacity and bidding aggressively to retain pipeline visibility.

Economic indicators for Queensland remain strong with construction cost escalation tracking at around 6–6.5% for 2025. MBM forecasts Queensland's escalation to climb toward 9% in the coming years as demand intensifies. A large volume of projects linked to OG32 and supporting infrastructure are now in planning, and will place significant pressure on labour and materials as developments progress to the delivery stages. The current lull in live work has kept pricing competitive, but growing private investment and government commitments will soon lift demand.

Looking ahead to 2026, Queensland's construction market is expected to enter a more active phase as a wave of planned projects breaks ground. As the momentum builds, pressure on labour, materials, and delivery capacity is likely to intensify, and signals a busier and more constrained year ahead. Capacity strain and cost pressures will heighten over the medium term, reinforcing the need for careful planning and risk management across major projects.

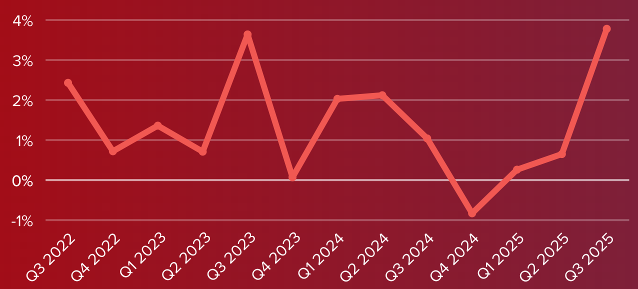
Queensland

Outlook

ABS Data for Queensland

Non-Residential Building Construction escalation rose sharply by 3.78% in Q3 2025, and marked the most notable acceleration since Q3 2021. The uplift reflects growing momentum in the lead-up to Olympic Games 2032 (OG32) delivery, and early procurement activity begins to flow through to pricing. The emergent project pipeline suggests tension between limited capacity and growing demand. Cumulative escalation across Q1 to Q3 now totals 4.69% for the year, with expectations of an active but tight market as the state prepares for significant construction demand.

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
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%**	**R**	**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%	
Q2 2024	163.1	1.75%		154.3	2.12%	
Q3 2024	164.6	0.92%		155.9	1.04%	
Q4 2024	165.2	**0.36%**	**4.96%**	154.6	**-0.83%**	**4.39%**
Q1 2025	165.4	0.12%		155.0	0.26%	
Q2 2025	165.5	0.06%		156.0	0.65%	
Q3 2025	170.2	**2.84%**		161.9	**3.78%**	

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

South Australia

Outlook

Rob Williamson
General Manager of South Australia

+1.1%

Adelaide CPI
Q3 2025

The Value of Construction Work Done in Q2 2025 was $4.6B - up 1.6% QoQ

1.07%

Q3 Non-Residential Building Construction Escalation

$1.67B

Value of Non-Residential Building Approvals
Q3 2025

The South Australian construction market remained active through Q3 2025 supported by a strong pipeline of civil, defence, and social infrastructure projects. Overall cost escalation averaged around 5.5% with continued growth in construction activity despite eases to material prices. Core materials such as concrete and steel show signs of price stability, although general building materials continue to rise. The persistent shortage of skilled labour remains the primary contributor to high construction costs and capacity pressures.

Government spending continues to underpin market strength with significant investment in civil and defence sectors leading activity. Major programs such as the South Road Tunnels (T2D) and Orka submarine projects shape long-term construction demand and workforce allocation. In addition, ongoing spending in health and education supports social infrastructure growth. Within aged care, new funding models improve sector performance and stimulate investment in new facilities to meet greater demand from the state's ageing population.

Contractor pricing trends are mixed. Tier 1 contractors maintain price elevation as they continue to face challenges from high labour costs and limited trade availability across large-scale projects. In contrast, Tier 2 and Tier 3 contractors experience better trade coverage and more competitive pricing conditions within smaller and mid-tier project markets. The mix of active public and private developments, such as residential growth and infrastructure upgrades, continues to push steady market momentum.

Looking ahead, the South Australian construction market is forecast to maintain escalation between 5–6% into 2026 from strong government investment and a bigger pipeline of defence and civil infrastructure projects. While materials prices appear to balance out, ongoing labour constraints and project overlap will continue to challenge delivery capacity. The market remains well-positioned for sustained growth, though careful planning and workforce management will be essential to maintain productivity and cost control in the year ahead.

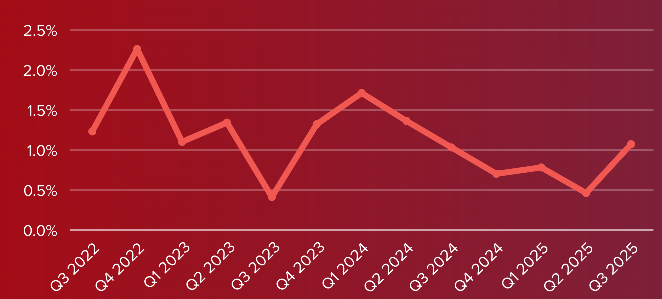
South Australia

Outlook

ABS Data for South Australia

Non-Residential Building Construction escalation rose by 1.07% in Q3 2025. The moderate uplift came as South Australia's construction market maintained steady activity across civil, defence, and social infrastructure sectors, reflecting a stable environment supported by ongoing public investment. Escalation in South Australia is forecast to remain around 5.5% for 2025, and with cumulative growth of 2.31% across the first three quarters, the market characterised by stable demand.

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
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%	
Q2 2024	141.7	2.24%		126.6	1.36%	
Q3 2024	142.5	0.56%		127.9	1.03%	
Q4 2024	142.0	**-0.35%**	**3.88%**	128.8	**0.70%**	**4.89%**
Q1 2025	143.4	0.99%		129.8	0.78%	
Q2 2025	143.4	0.00%		130.4	0.46%	
Q3 2025	145.6	**1.53%**		131.8	**1.07%**	

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

Western Australia

Outlook

Scott Williamson
General Manager of Western Australia

+1.3%

Perth CPI
Q3 2025

The Value of Construction Work Done in Q2 2025 was $11.8B - down -1.5% QoQ

0.99%

Q3 Non-Residential Building Construction Escalation

$3.65B

Value of Non-Residential Building Approvals
Q3 2025

Western Australia's (WA) construction market remains active and well-supported by government investment, though cost pressures persist due to labour shortages and elevated demand across key sectors. The State Government has reprioritised $1.5 billion in funding towards the Peel Health Campus, Royal Perth, and Mount Lawley Hospitals in lieu of the Perth Convention and Exhibition Centre redevelopment. The allocation underscores WA's focus on health infrastructure delivery and builds on the government's health projects in Geraldton, Bunbury, and the Mothers and Babies program.

Government support for social and affordable housing remains a key driver of activity. Development WA and the WA Government commit to deliver 1,145 homes across 14 developments through an Early Contractor Involvement (ECI) model, and target high-demand areas supported by the Metronet expansion. While the program will help to address housing shortages, it also adds further pressure to an already stretched supply chain, amplifies demand for skilled labour, and maintains upward pressure on construction costs.

With Perth now the second-most expensive Australian city for renters, the student accommodation and Build-to-Rent sectors continue to strengthen amid a challenging rental market. The Build-to-Sell market also regains traction as feasibility conditions improve, though delivery hurdles persist for non–self-delivered projects. Material supply remains stable with only steady, incremental price increases. However, labour shortages continue to drive costs upward, with no short-term relief expected as workloads remain high and workforce expansion remains limited.

Looking ahead, WA's construction market is forecast to experience steady escalation through 2026 from strong government spending in health, housing, infrastructure, and Perth Airport developments. The state's operational surplus continues to enable large-scale investment, yet the challenge lies in delivery capacity. With high housing demand and rising interest in data centre and modular construction initiatives, WA's outlook remains robust but capacity-constrained. Labour availability and inflationary pressures are likely to remain key escalation risks into the coming year.

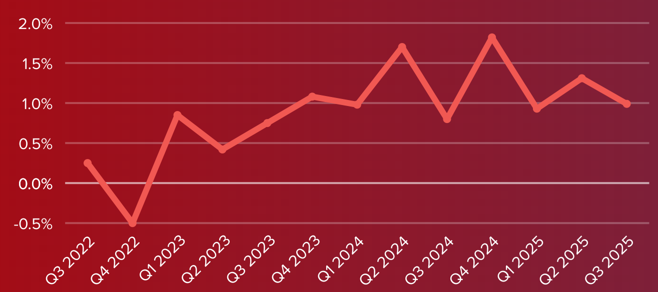
Western Australia

Outlook

ABS Data for Western Australia

Non-Residential Building Construction escalation rose by 0.99% in Q3 2025 from ongoing government investment and a strong pipeline of health, housing, and infrastructure projects. The increase aligns with sustained activity in the civil and social sectors, bolstered by the state's $1.5 billion hospital funding reallocation and new housing initiatives under Development WA's Early Contractor Involvement (ECI) model. Cumulative escalation across Q1 to Q3 totals 3.23%, with overall escalation is forecast to remain around 5.5% for 2025.

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
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%	
Q2 2024	150.2	3.44%		125.3	1.70%	
Q3 2024	153.9	2.46%		126.3	0.80%	
Q4 2024	**155.9**	**1.30%**	**9.94%**	**128.6**	**1.82%**	**5.41%**
Q1 2025	156.9	0.64%		129.8	0.93%	
Q2 2025	158.1	0.76%		131.5	1.31%	
Q3 2025	160.2	**1.33%**		132.8	**0.99%**	

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

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