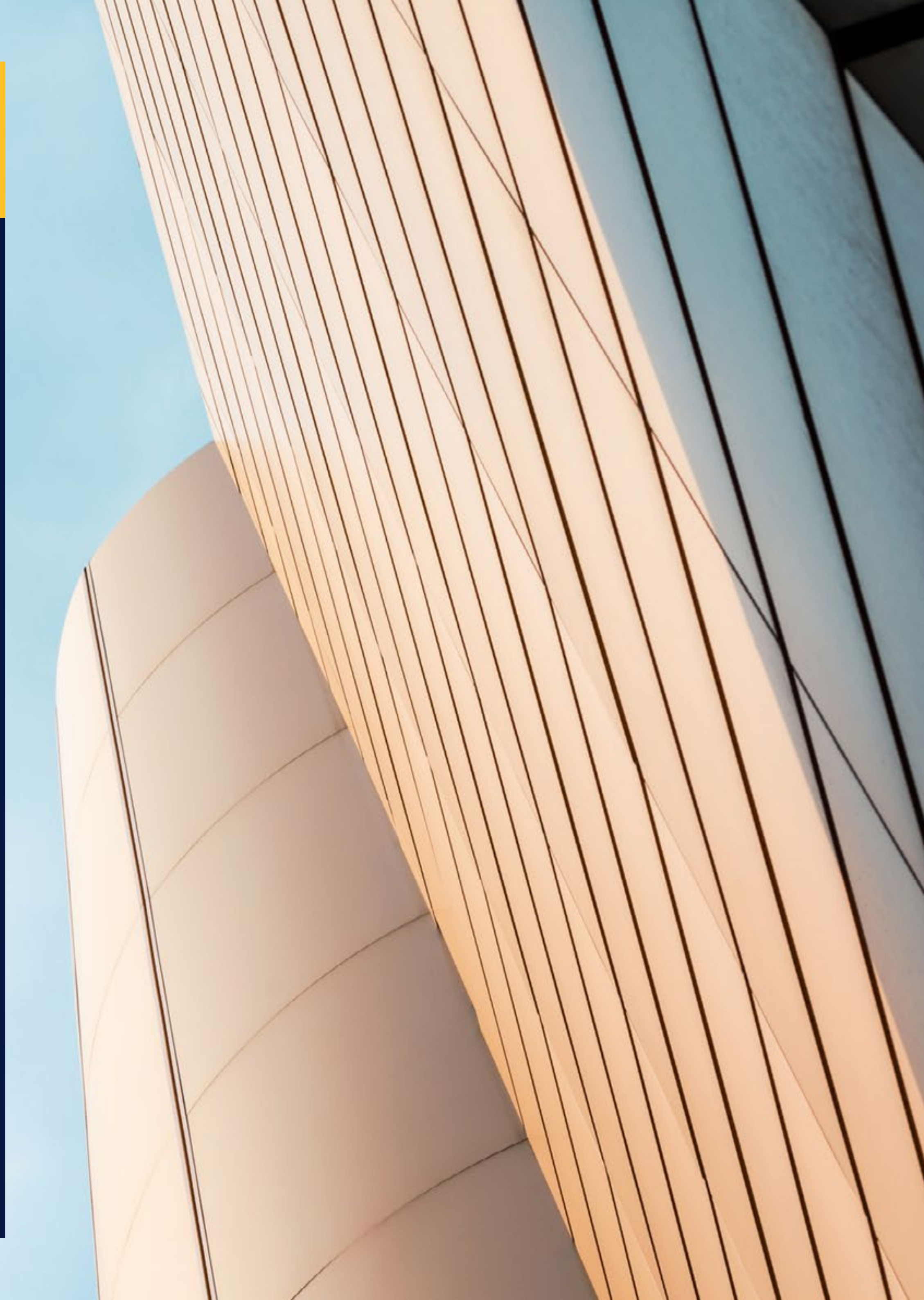
Australian Construction Market Conditions Report

NOVEMBER 2025

Empowering growth.



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About the author

Damon Roast joined WT Australia in 2022 as our construction economist. He brings almost 25 years of experience, in-house and in consulting. After a broad initial economic grounding, he has focused on the construction sector – from the time that key industry concerns were centred on activity, through to today's elevated focus on cost pressures.

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Construction cost escalation is broadly continuing to ease, while remaining above long-run averages.

However, this remains accompanied by signs of soft market conditions, notably margins and profits, which are stymying necessary sector investment in capability.

It will be interesting to see what happens when the next upswing in construction activity begins, led by Brisbane but also present in other markets. Could a jump in escalation, similar to that seen in the aftermath of the pandemic, be avoided? In this edition of the Australian Construction Market Conditions Report, we dig deeper to try to answer these questions and more.

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Cost escalation
Building

WT's view on cost escalation by city

	2025	2026	2027	2028
Sydney	4.6%	4.5%	4.6%	5.5%
Melbourne	5.0%	4.6%	4.8%	5.0%
Brisbane	6.8%	6.0%	8.0%	10.0%
Adelaide	5.0%	6.0%	6.0%	6.0%
Perth	6.0%	6.5%	6.5%	7.0%
Hobart	6.0%	6.0%	5.5%	4.0%
Canberra	3.0%	3.3%	3.5%	3.5%
Darwin	4.5%	4.3%	5.0%	7.5%
Newcastle	4.3%	4.0%	4.4%	5.3%
Geelong	4.8%	4.5%	4.2%	4.8%
Gold Coast	7.0%	6.3%	7.5%	9.5%
Cairns	5.0%	5.5%	6.8%	7.3%
Sunshine Coast	6.5%	6.8%	7.0%	9.0%
Weighted average	**5.3%**	**5.2%**	**5.7%**	**6.4%**

Contribution to cost escalation by input

	2025	2026
Labour (direct)		
Materials		
Plant and equipment (hire)		
Energy		
Freight		
Exchange rates		
Indirect costs		
Total		

Legend
(all colours are versus long-term escalation averages)

- Puts strong downward pressure on escalation
- Puts downward pressure on escalation
- Has no major impact on escalation
- Makes escalation somewhat worse
- Makes escalation much worse

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Cost escalation
Infrastructure

WT's view on cost escalation by city

	2025	2026	2027	2028
Sydney	5.3%	5.0%	5.0%	5.3%
Melbourne	5.0%	5.0%	5.5%	5.0%
Brisbane	6.5%	5.8%	7.0%	8.0%
Adelaide	4.5%	5.3%	5.5%	5.3%
Perth	4.3%	4.6%	5.0%	5.5%
Hobart	3.5%	3.5%	4.0%	6.0%
Canberra	5.0%	4.5%	4.5%	7.0%
Darwin	4.3%	4.8%	5.0%	4.5%
Newcastle	5.8%	5.3%	6.0%	4.8%
Geelong	4.5%	4.3%	5.0%	4.5%
Gold Coast	5.8%	5.5%	6.3%	6.8%
Cairns	5.5%	5.2%	6.5%	6.5%
Sunshine Coast	4.8%	6.5%	5.8%	8.5%
Weighted average	**5.1%**	**5.0%**	**5.5%**	**5.8%**

Contribution to cost escalation by input

	2025	2026
Labour (direct)		
Materials		
Plant and equipment (hire)		
Energy		
Freight		
Exchange rates		
Indirect costs		
Total		

Legend
(all colours are versus long-term escalation averages)

- Puts strong downward pressure on escalation
- Puts downward pressure on escalation
- Has no major impact on escalation
- Makes escalation somewhat worse
- Makes escalation much worse

Construction activity
Barometer/outlook

Construction activity barometer by broad sector (Australia)

	Starts 2024/25 (inflation-adjusted)	vs. starts 2014/15–2023/24 (average annual)	Lead indicators 2024/25 (inflation-adjusted)
Building			**Approvals**
Commercial	$19b	–2%	$23b
Apartments	$33b	–1%	$34b
Industrial	$11b	32%	$13b
Social	$31b	22%	$31b
Infrastructure			**Work yet to be done**
Transport	$40b	11%	$51b
Utilities	$54b	33%	$57b
Resources	$22b	–18%	$37b

Source: ABS, WT

Legend

- 2024/25 activity more than 20% above the annual average of the prior decade
- 2024/25 activity between 10 and 20% above the annual average of last decade
- 2024/25 activity between –10 and +10% vs the annual average of the prior decade
- 2024/25 activity between 10 and 20% below the annual average of the prior decade
- 2024/25 activity more than 20% below the annual average of the prior decade

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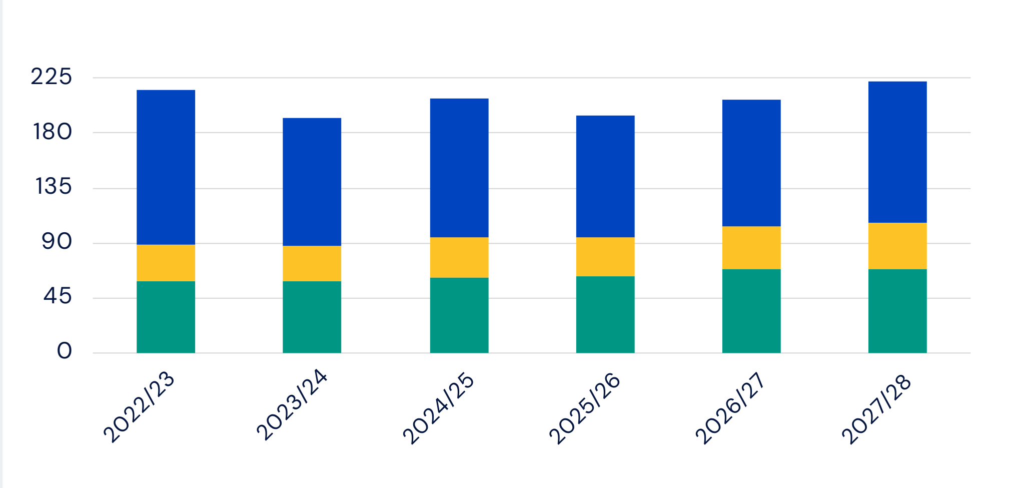
Construction activity overview and outlook by key sector

Sector	Outlook to 2027/28	27/28 $b (24/25 $b)
Commercial	Ongoing rise of data centres to be joined by major transport buildout and cyclical retail upswing. Office build to hold steady.	$26b ($19b)
Apartments	Acute need for housing to push activity higher, although ongoing sector issues to dampen speed of upturn.	$37b ($33b)
Industrial	Activity to ease but stay elevated. Strength of key drivers to persist but site availability and project complexity to be crucial.	$12b ($11b)
Social	Olympics-related build to be the key driver here. Education, aged care, accommodation and defence to be other highlights.	$31b ($31b)
Transport	Rail to chug along with more major projects shunting off, while roads to moderate with mega-projects becoming less popular.	$32b ($40b)
Utilities	Activity to be maintained at/near record highs. Renewables and transmission to star. Major water spend also forecast.	$53b ($54b)
Resources	Cyclical uplift across gas and base and critical metals but nothing like the strength seen in the early 2010s.	$31b ($22b)

Source: ABS, WT

Construction activity outlook by sector: Australia

$b, inflation-adjusted / financial years, 2025/26+ = forecasts



Source: ABS, WT

Legend

Non-residential | Attached residential | Infrastructure

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Key points by year, key risks/implications

2026:

- Moving into 2026, the combination of some softening of market conditions and easing of cost pressures should continue.
- While some cost pressures will persist (largely related to availability of skilled labour), and more so in some markets than others, it should be the most sanguine escalation setting since the pandemic.
- For building, we expect a national (weighted) average escalation of 5.2%, a 6-year low. For infrastructure, we expect 5.0%, the second-lowest figure since 2021.

2027:

- The key narrative entering 2027 is the start of the next upswing in activity, with Olympics-related projects in Brisbane and south-east Queensland a key driver.
- Although the Olympics is a key driver, it is not the only one, with strength emerging or continuing in some other markets. While elements of this upswing will not be a surprise to the sector, increasing signs of softness over 2025 and 2026 mean that it is unlikely to be conducive to the increased capability-building investment necessary to accommodate stronger activity (and put downward pressure on escalation).
- For building and infrastructure, we expect escalation to average 5.7% and 5.5% respectively across the country.

2028 and beyond:

- The trends that are set to emerge in 2027 should strengthen further in 2028. Queensland is forecast to have a significant upswing in activity for both Olympics and non-Olympics-related works. This could push escalation to match or exceed pandemic-era highs. Activity moving higher in other markets could also push escalation up, although not to the same extent.
- Crucial to this outlook will be the responsiveness of trades and other resources to relocate to Brisbane or south-east Queensland, as well as the urgency of pipeline projects to proceed (particularly non-Olympics-related projects).
- In our base-case view, there will be some movement of trades into south-east Queensland, but not enough to prevent escalation hitting 10% (building) and 8% (infrastructure).
- More broadly, escalation is forecast to reach a weighted (national) average of 6.4% (building) and 5.8% (infrastructure) in 2028.

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Risks/implications

Insufficient investment in capability (softness ahead of ramp-up towards 2032)

- Signs of increasing sector investment in capability have softened.
- This is the opposite of what is needed with the cyclical and Olympics-related upswing looming.
- There is a risk of escalation jumping, or perhaps remaining stable, if projects are postponed.

Housing

- The need for a ramp-up of new housing is increasingly important.
- Signs of upswing are apparent, but our base-case view is that momentum could peter out.
- If activity nears the federal target, escalation pressure could increase.

State government debt / possible economic slowdown

- State capex plans will come under increasing pressure from higher debt levels.
- However, the state capex trajectory is still up, notably in some states led by Queensland.
- There is a risk that if eventual capex moderation and any broader slowdown coincide, market conditions could weaken markedly.

Trade war and other global risks

- The key risks of the ongoing trade war include disrupted supply chains and higher borrowing costs.
- There is a possibility of some imports becoming unavailable, rather than higher cost and/or delayed delivery.
- A stronger trade war may lead to lower interest rates or improved conditions later.
- More broadly, with many global asset markets approaching record highs, this points to an elevated environment for risks of financial crises.

Legislated project pipeline

- A legislated pipeline could be a medium to longer term solution to many sector woes.
- It could provide a basis to incentivise much-needed sector investment.
- Some sector opposition is possible, but could take much of the heat out of escalation.

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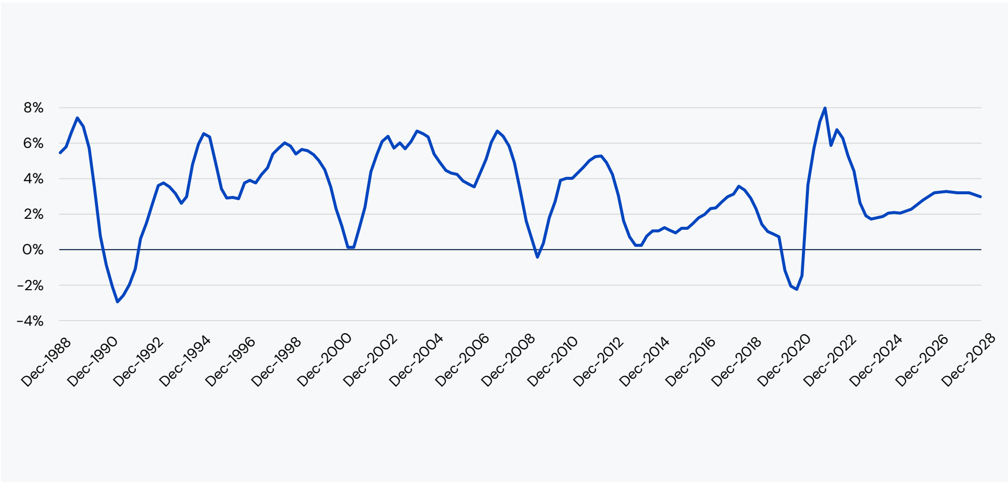
Underlying economic and construction sector assumptions and projections

Economy

Australia: (domestic) economic growth

Annual % change / 2025+ = forecasts



Source: ABS, WT

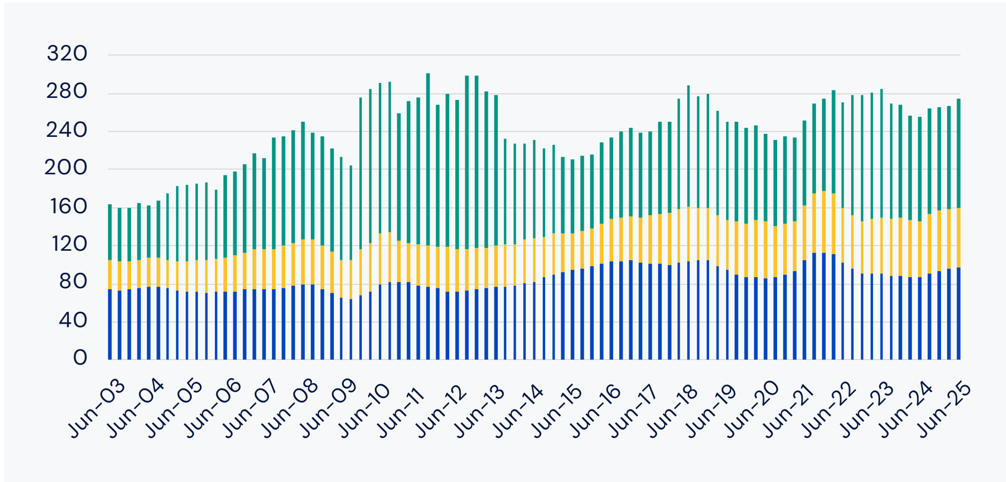
Recent supportive measures should eventually lead to increased economic growth, although below the pace usually seen in periods of economic recovery. Growth is forecast to move above 3% p.a. through 2027 and into 2028.

Construction

<u>Overall</u>

Construction activity by broad sector

$b / commencements basis, moving annual total, inflation-adjusted



Source: ABS, WT

Legend Residential Non-residential Infrastructure

Despite increasingly patchy economic growth, construction activity remains close to record high levels. Of late, increases have been driven mostly by residential, but also non-residential (notably social) sectors. Infrastructure has remained steady at an elevated level while the transition to utilities from transport projects continues.

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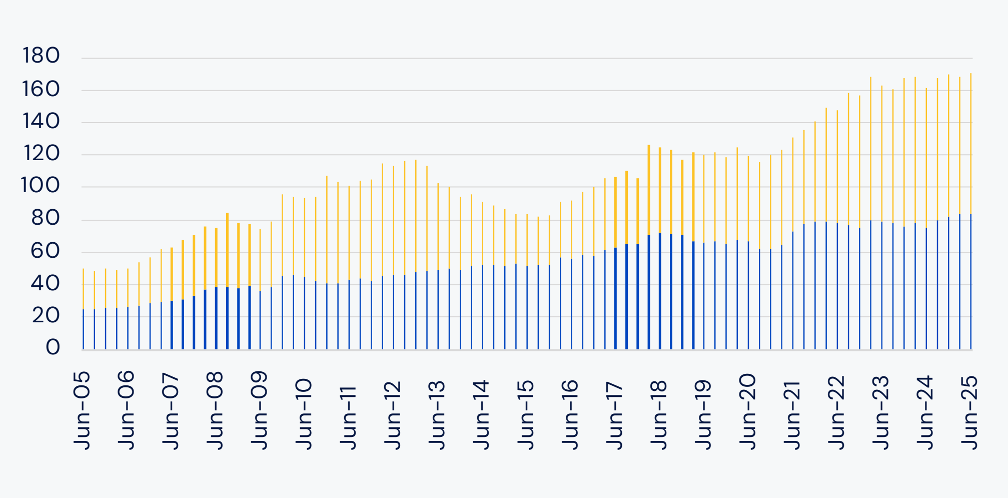
Work still in the system

Work yet to be done by broad sector

$b / inflation-adjusted



Source: ABS, WT

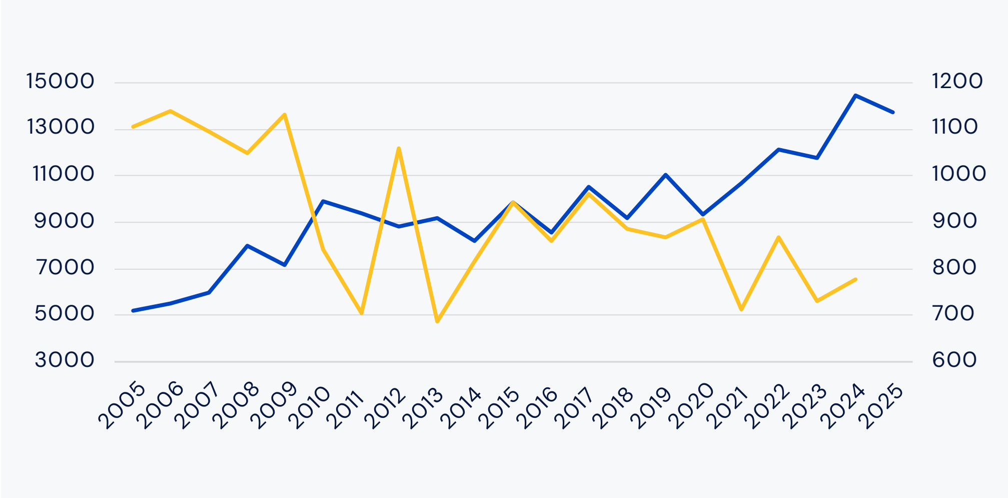
Legend Building (non-residential, apartments) Infrastructure (ex-mining)

Work yet to be done hit a new high in the June quarter. While continued shifts towards larger and more complex projects are seen in many sectors, supply chains experienced a new disruptor: the US-led trade war.

Investment in sector capacity/capability

New investment in sector capacity/capability

$m / inflation-adjusted / non-metallic numbers on right axis



Source: ABS, WT

Legend Construction Non-metallic mineral products manufacturing

For several years, the theory of insufficient investment in sector capacity and capability has formed part of the case for 'stronger for longer' escalation. While investment in the construction sector has shown signs of emerging from its medium-term stupor, it moderated again in 2024/25, while investment in building materials will need years of strength to recover lost ground.

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Sydney

Sydney market conditions remain soft, but a combination of interest rate cuts, upcoming major projects, and ongoing strength in infrastructure (particularly utilities) may support recovery. Competition for resources from Brisbane and south-east Queensland remains strong, continuing the recent trend.

Key trends

- Building approvals: While the upswing in recent months has been noteworthy, it needs to be much stronger and more sustained to arrest the negative trend seen since the mid-late 2010s.
- Job vacancies: Despite a sector and a pipeline that can lead the way nationally in major and complex projects, Sydney's demand for skilled labour has fallen steadily for 3 years and is below levels seen during most of the 2010s.
- Competition for resources: The increasing spectre of booming demand from Brisbane and south-east Queensland should become apparent, while Sydney can also expect some loss of resources to cities seeing a rise in major transport infrastructure spend.

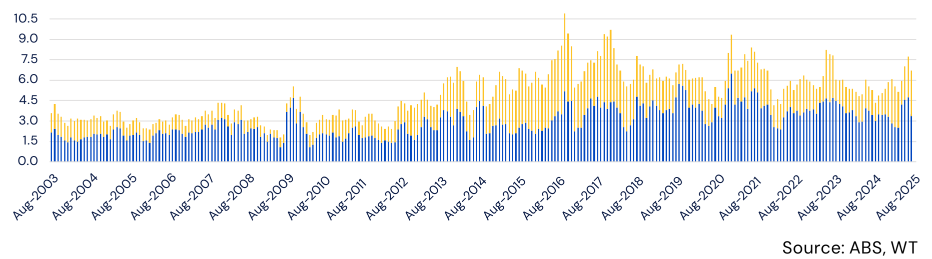
Local insights

- While market conditions remain soft, better times may be approaching, given the combination of interest rate cuts delivered (and forthcoming) plus the next round of major projects looming within 12 to 18 months. However, this may not prevent escalation moderating further due to contractors and subcontractors having limited visibility and a desire to keep busy.
- If the market does not fully recover before interest for key trades increases from Brisbane and south-east Queensland, the forecast escalation increase may be even greater.
- Infrastructure should remain an area with robust activity and demand, although the continued emergence of strength in utilities (while transport moderates) will influence overall sector conditions.

Cost escalation	2025	2026	2027	2028
Building	4.6%	4.5%	4.6%	5.5%
Infrastructure	5.3%	5.0%	5.0%	5.3%

Building approvals by sector

$b / inflation-adjusted / last quarter reported monthly

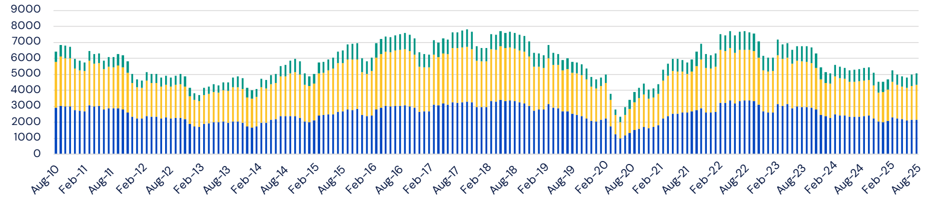


Source: ABS, WT

Legend Non-residential Attached residential

Job vacancies by construction occupation

Reported monthly as average of last 3 months



Source: Jobs and Skills Australia (JSA), WT

Legend White collar Technicians and trades Plant operators / labourers

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Western Sydney International Airport (render), Sydney

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Melbourne

While escalation is set to ease further (with soft labour demand crucial), Melbourne's strong fundamental drivers and growth potential remain evident. This should see escalation rise again from 2027.

Key trends

- Building approvals: Approvals have increased since the start of 2025, which is long overdue. This is focused mostly on non-residential projects (notably data centres and some social sectors). While this is not expected to translate into a strong upswing in actual activity yet, it reflects the strength of fundamentals and the potential for growth.
- Job vacancies: The sustained fall in demand for skilled labour has continued, falling back to mid-2010s levels (and even nearing 2020 lows). This has been a key factor in escalation falling back solidly during 2025.
- Competition for resources: Like Sydney, Melbourne should see greater interest from Brisbane and south-east Queensland. However, improved housing affordability in Melbourne versus most other cities may be crucial in keeping more trades from moving interstate.

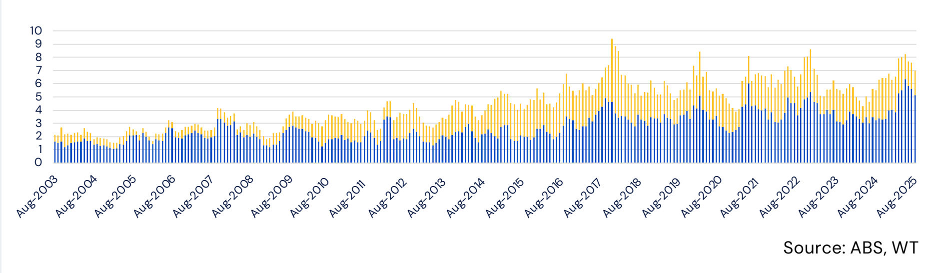
Local insights

- Soft market conditions have kept upward pressure on insolvency numbers and hence on escalation (via continued contractor and subcontractor wariness).
- Like in Sydney, the potential for interest rate cuts to boost prospects across commercial and residential sectors should also apply to Melbourne.
- While the strength of Melbourne's fundamental drivers and prolonged period of weakness should ultimately see a cyclical uplift, this outlook is not without risk.
- The longer current conditions persist, the more likely escalation may jump in response to the eventual cyclical uplift (due to the impact on sector capability and capacity).
- State government finances are increasingly likely to require repairs. The longer until this begins, the more state capex will come under pressure, which may crimp the nascent sector recovery.

Cost escalation	2025	2026	2027	2028
Building	5.0%	4.6%	4.8%	5.0%
Infrastructure	5.0%	5.0%	5.5%	5.0%

Building approvals by sector

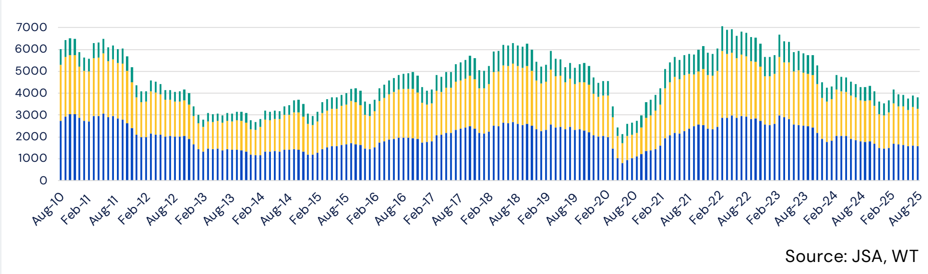
$b / inflation-adjusted / last quarter reported monthly



Legend Non-residential Attached residential

Job vacancies by construction occupation

Reported monthly as average of last 3 months



Legend White collar Technicians and trades Plant operators / labourers

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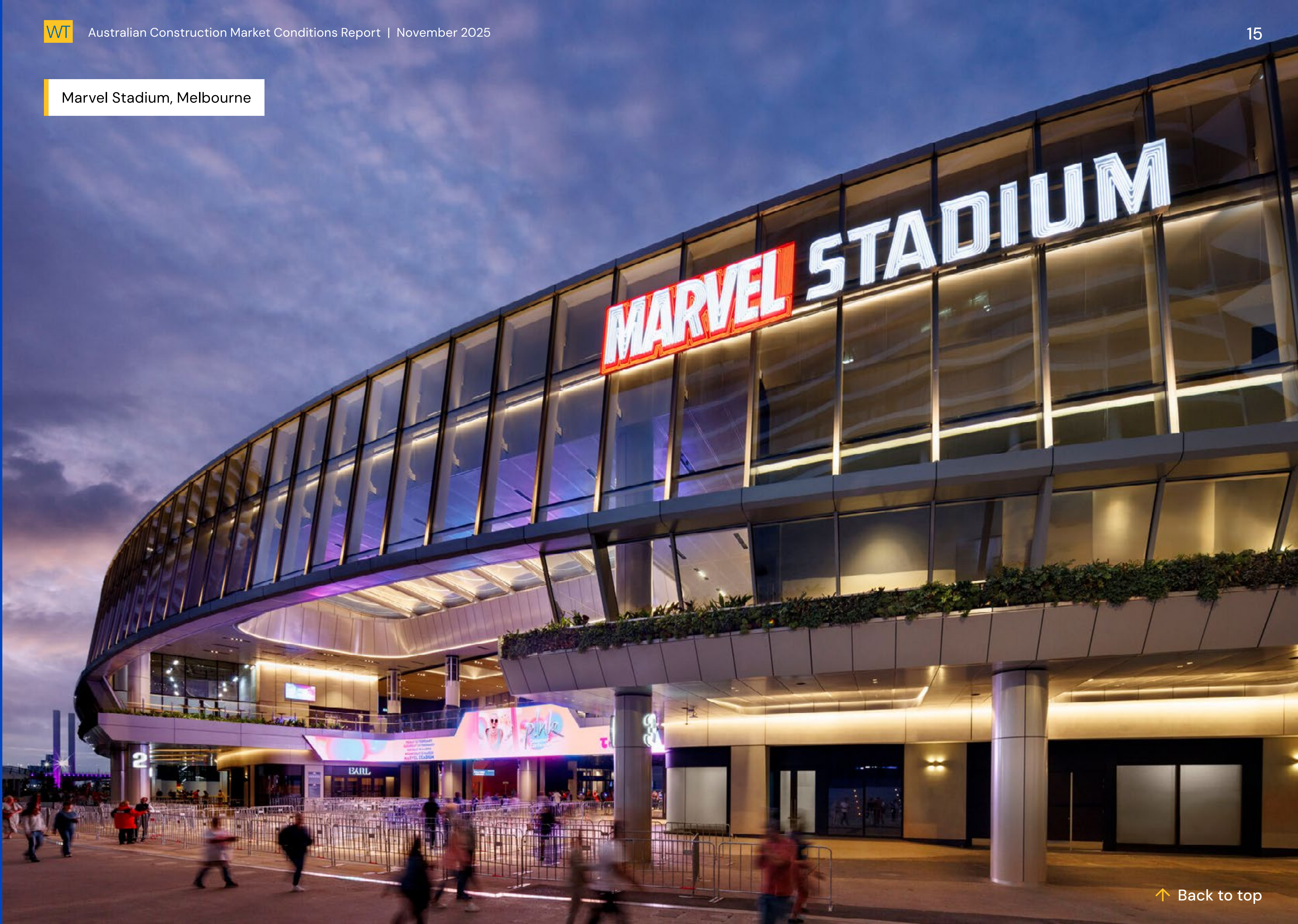
Marvel Stadium, Melbourne



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Brisbane

The Brisbane market is gearing up for 2032 despite a prolonged pause in approvals. Skilled labour demand remains the major risk to delivery.

Key trends

- Building approvals: While conditions remain robust across Brisbane, what was a lull in approvals has become a prolonged pause over the last two years. With that said, escalation has remained elevated due to the market gearing up for the major increase in activity ahead of 2032.
- Job vacancies: Skilled labour demand remains very strong – not far off the 2023 peaks and well above levels seen during the 2010s. Warnings of the need for Brisbane to attract considerable numbers of trades from elsewhere in Queensland or interstate have been long signalled, but this is a clear risk to delivery of a huge pipeline.
- Competition for resources: Healthy market conditions on the Gold Coast and Sunshine Coast may minimise resources available for Brisbane. Housing costs may impact the numbers of tradespeople coming from Sydney and, more so, Melbourne.

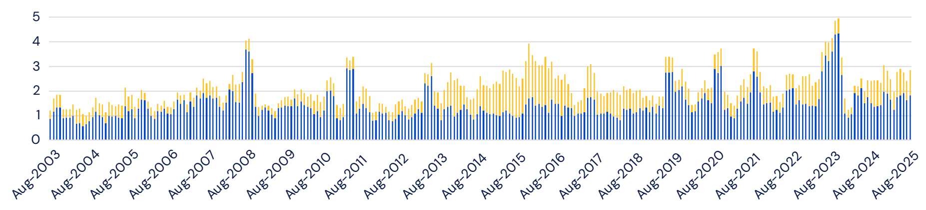
Local insights

- The pause in approvals is making it difficult to attract and retain trades and contractors from interstate. Promise of booming volumes in the lead-up to 2032 may evaporate in a market showing more signs of softness.
- In addition to major, EBA-led projects, high-rise residential is also an important driver in escalation remaining elevated. A combination of factors – high costs, the price point often not high enough, and that these are often risky projects – means it is only boutique projects proceeding with a limited builder pool.
- However, the tables outside of major projects and high-rise residential could turn quickly in coming years, becoming a contractors' market. There is a huge amount of work to be done ahead of 2032, and a significant spend expected in many other sectors (e.g. hotels, health, transport and utilities) both in Brisbane and across Queensland.
- Like Victoria, there is an increasing risk of state government budget repair once the party is over, nearing 2032.

Cost escalation	2025	2026	2027	2028
Building	6.8%	6.0%	8.0%	10.0%
Infrastructure	6.5%	5.8%	7.0%	8.0%

Building approvals by sector

$b / inflation-adjusted / last quarter reported monthly

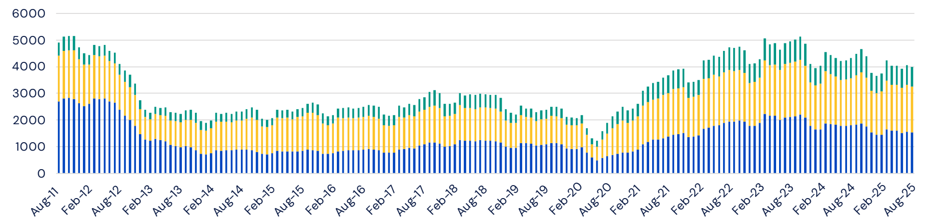


Source: ABS, WT

Legend Non-residential Attached residential

Job vacancies by construction occupation

Reported monthly as average of last 3 months



Source: JSA, WT

Legend White collar Technicians and trades Plant operators / labourers

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Cross River Rail, Roma Street Station (render), Brisbane

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Adelaide

Adelaide is seeing strong market conditions, driven by a broader mix of projects. Escalation is set to remain elevated with competition from larger markets likely adding to cost pressures.

Key trends

- Building approvals: The robust upward trend in approvals may not be immediately obvious but is very much a feature of Adelaide conditions. Approvals (for the previous quarter) now regularly exceed $1.5b, a level generally not seen without a mega-project.
- Job vacancies: Adelaide's demand profile for skilled labour now exceeds Brisbane's, with current demand closer to the 2023 peak and stronger than the highs of the early 2010s.
- Competition for resources: Adelaide is more at risk than previously of losing skills to large east coast markets, due to the tight labour market and the pipeline more inclined towards major/complex projects. This may put upward pressure on escalation towards 2028 or thereafter (when the local construction pipeline may not be as strong).

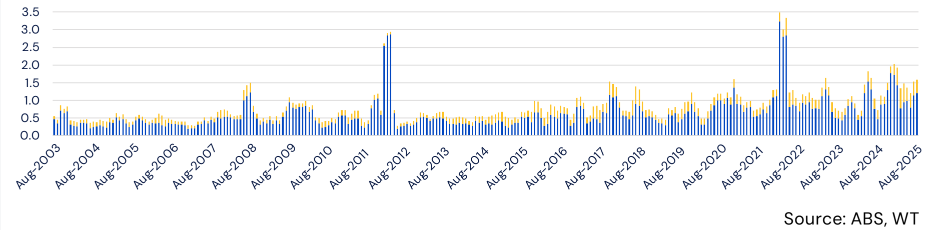
Local insights

- The current strength in the Adelaide market is quite broad (not reliant on a major government project or two), with an increasing focus on high-rise builds in the Adelaide CBD. The pipeline is strengthening and may become strong enough to attract trades/contractors with the promise of a large enough market.
- Another similarity that Adelaide is beginning to share with Brisbane is high housing costs. Failure to address this issue may prevent skills shortages being resolved and hence put upward pressure on cost escalation.
- More immediately, the massive New Women's and Children's Hospital project is still only in its early works phase. As it ramps up, this may see upside risk to the 2026 and possibly 2027 building escalation figures.
- However, there are also signs the market is becoming two-tiered, with reports of Tier 2 builders becoming increasingly keen for work.

Cost escalation	2025	2026	2027	2028
Building	5.0%	6.0%	6.0%	6.0%
Infrastructure	4.5%	5.3%	5.5%	5.3%

Building approvals by sector

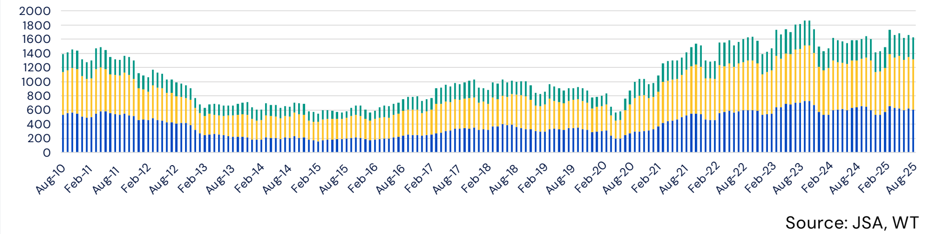
$b / inflation-adjusted / last quarter reported monthly



Legend Non-residential Attached residential

Job vacancies by construction occupation

Reported monthly as average of last 3 months



Legend White collar Technicians and trades Plant operators / labourers

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Perth

We expect the strength in the Perth market to broaden, supported by solid fundamentals. The escalation forecast is for sustained highs, with competition for trades from the east coast and mining also possible.

Key trends

- Building approvals: The upward trend in approvals has been increasing since early 2024, culminating in the August data with the long-awaited Women and Babies Hospital. There is the potential for much more to come.
- Job vacancies: Perth's skills shortage is certainly evident in its job vacancies profile; however, demand has moderated somewhat faster than in other strong markets such as Brisbane or Adelaide.
- Competition for resources: WA's mining and mining construction sectors and the major projects pipeline in east coast cities compete with Perth for construction resources. While mining is not currently a strong competitor, the east coast will become increasingly attractive in coming years.

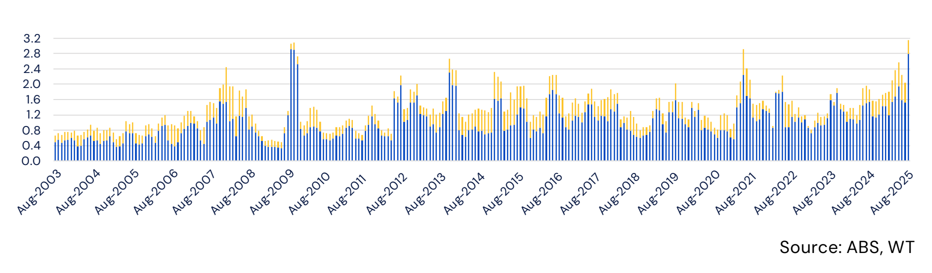
Local insights

- The current period of strength in Perth is not linked to booming conditions for mining or major event investment (e.g. 2032 Olympics) – which suggests it has a strong foundation, which may result in upside risk to 2026 escalation. This is reinforced by sound state government finances and recent strong economic performance and population growth.
- Shortages of key trades and contractors is due more to the sustained weakness in market conditions from the mid-2010s than being a feature of Perth's distance. The longer the market exhibits strong conditions, the more likely it will be to attract trades and contractors; however, Perth's momentum may be making its need for trades and other resources increasingly acute.

Cost escalation	2025	2026	2027	2028
Building	6.0%	6.5%	6.5%	7.0%
Infrastructure	4.3%	4.6%	5.0%	5.5%

Building approvals by sector

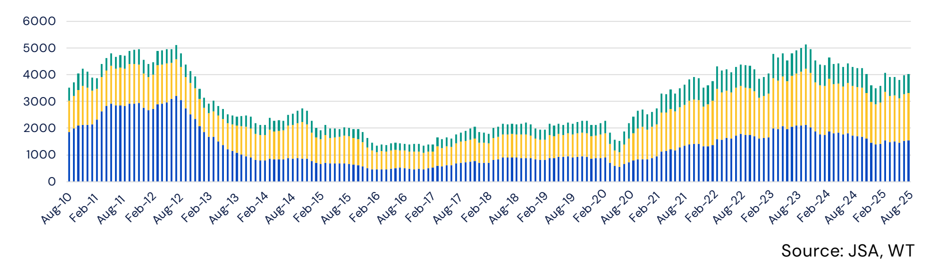
$b / inflation-adjusted / last quarter reported monthly



Legend Non-residential Attached residential

Job vacancies by construction occupation

Reported monthly as average of last 3 months



Legend White collar Technicians and trades Plant operators / labourers

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DevelopmentWA Social and Affordable Housing Projects, Woodbridge (render), Perth

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Hobart

Despite dampened conditions currently, Hobart's pipeline of major projects remains strong. With job vacancies elevated, competition from Launceston, and high housing costs all contributing, escalation is set to remain elevated for several years to come.

Key trends

- Building approvals: It has been a very weak period for approvals in Hobart – perhaps the weakest in a decade or even two decades. Increased political uncertainty is likely a key factor.
- Job vacancies: Despite continuing to fall back since peaking in 2023, vacancies remain well above any levels seen since 2010. This points to the cost of housing being a factor preventing trades relocating to Hobart.
- Competition for resources: Launceston (and the north-west) has stronger demand for key trades and a healthier approvals pipeline than Hobart. This should put upward pressure on Hobart escalation due to the loss of resources to the north.

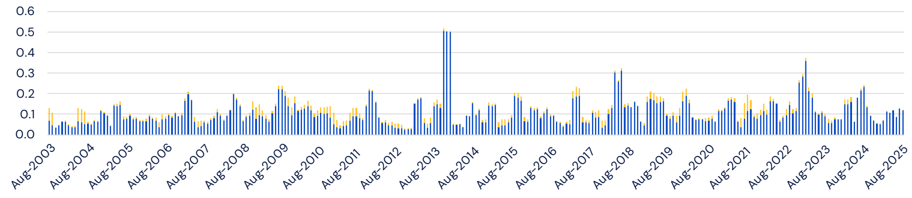
Local insights

- The surprise state election in May was a desperate attempt to increase certainty – but this didn't quite eventuate. The political landscape may dampen conditions for some time yet.
- However, there remains a strong pipeline of major projects in Hobart and elsewhere in Tasmania. This shift towards major projects has meant more interstate (Tier 1/2 and international) contractors and hence more escalation.
- Major renewables and transmission line projects are likely to be less resource-intensive and hence less of a factor driving higher escalation.

Cost escalation	2025	2026	2027	2028
Building	6.0%	6.0%	5.5%	4.0%
Infrastructure	3.5%	3.5%	4.0%	6.0%

Building approvals by sector

$b / inflation-adjusted / last quarter reported monthly

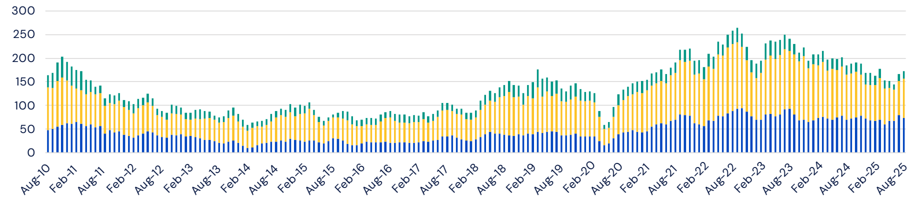


Source: ABS, WT

Legend Non-residential Attached residential

Job vacancies by construction occupation

Reported monthly as average of last 3 months



Source: JSA, WT

Legend White collar Technicians and trades Plant operators / labourers

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Canberra

With construction activity in Canberra stabilising at a strong level, market conditions have improved, and escalation is projected to rise steadily.

Key trends

- Building approvals: While up from the low point of late 2024 / early 2025, approvals have continued their downward trend since the mid-late 2010s.
- Job vacancies: Of more concern for market conditions, job vacancies have retraced markedly and now sit alongside figures seen in the early-mid 2010s trough.
- Competition for resources: While regional NSW to the south and east of the ACT is a larger market, competition may be more likely to come from the west. The Riverina region is set for significant defence spending and will see major renewables and transmission infrastructure in coming years, potentially luring skills away from the ACT.

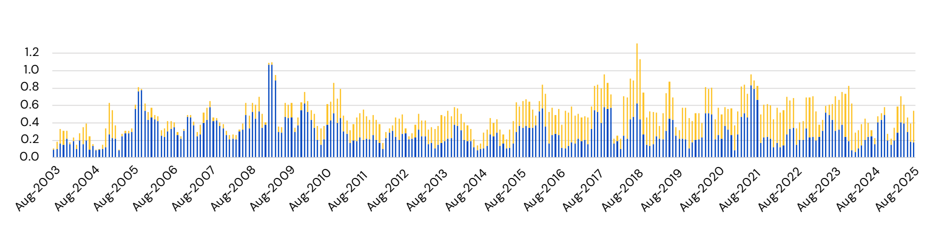
Local insights

- Government-led investment remains the cornerstone of Canberra construction. Projects initiated by the ACT and federal governments – particularly in education, health and defence – are driving the bulk of demand and shaping the pipeline. Tender activity has picked up, with contractors demonstrating a renewed willingness to engage, in contrast to the limited competition seen in recent years.
- In the residential space, slowing construction has eased and indicators suggest a modest rebound. These include for funding for new projects (residential and commercial), more so in the attached housing sector. Affordability continues to weigh on detached housing prospects.
- Labour costs continue to be the main pressure point. Wage growth is being led by skilled trades and site supervisors, including bricklaying and formwork rates up close to 15% in the last year. Material costs are mixed: bricks are steadily increasing, structural steel has stabilised but remains high, while plasterboard, timber and concrete are more competitively priced. Margins for main contractors have softened slightly.

Cost escalation	2025	2026	2027	2028
Building	3.0%	3.3%	3.5%	3.5%
Infrastructure	5.0%	4.5%	4.5%	7.0%

Building approvals by sector

$b / inflation-adjusted / last quarter reported monthly

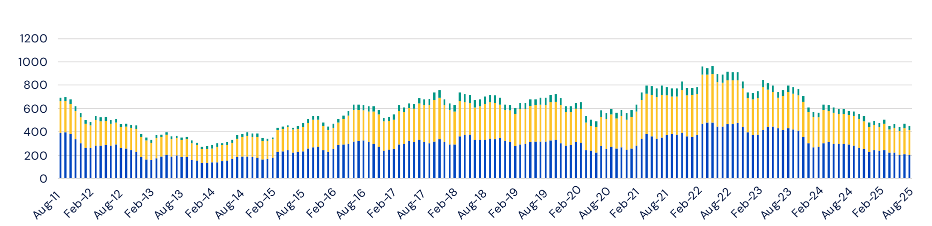


Source: ABS, WT

Legend Non-residential Attached residential

Job vacancies by construction occupation

Reported monthly as average of last 3 months



Source: JSA, WT

Legend White collar Technicians and trades Plant operators / labourers

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Darwin

Defence spending continues to drive Darwin's prospects. Job vacancies remain elevated, which could intensify if the non-local workforce is attracted elsewhere.

Key trends

- Building approvals: After a very weak period from the mid-late 2010s, approvals have been quite strong in recent years. This has oscillated in line with defence approvals and is likely to do so for some years to come.
- Job vacancies: Vacancies have held almost steady at an elevated level, just below the 2023 peak and above that seen for most of the 2010s.
- Competition for resources: Much of Darwin's construction workforce is not local and, hence, could be attracted by better offers, such as from major east coast markets. This could keep a high floor under escalation numbers.

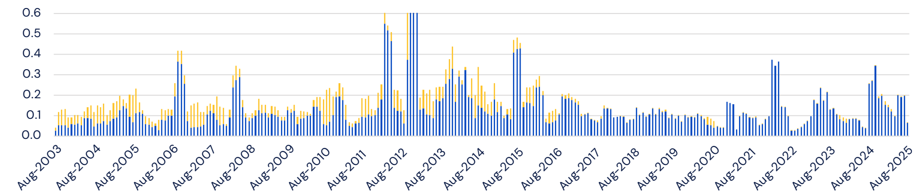
Local insights

- Darwin's cost pressures and escalation profile follow the prospects of major spending in the resources and, increasingly, defence sectors.
- While increased defence spend can put upward pressure on cost escalation, should greater defence spend become sustained, it could be the catalyst for more resources (trades and contractors) to relocate to the NT. Such a development would place downward pressure on escalation over time. Darwin's position may become increasingly important from a strategic and geopolitical perspective and hence could, in the medium term, be the home to a defence construction industry.
- However, in the interim, skills shortages, difficulties attracting key trades and bouts of escalation during major projects are likely to remain the norm.

Cost escalation	2025	2026	2027	2028
Building	4.5%	4.3%	5.0%	7.5%
Infrastructure	4.3%	4.8%	5.0%	4.5%

Building approvals by sector

$b / inflation-adjusted / last quarter reported monthly, axis cropped (due to scale of Inpex gas project)

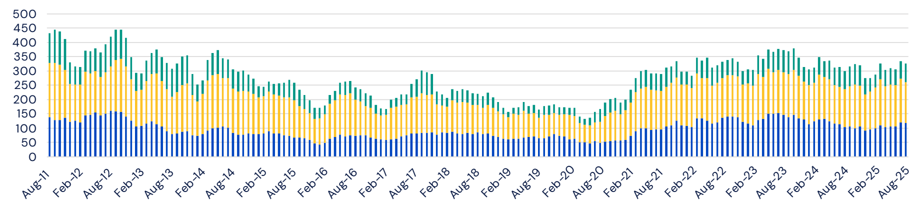


Source: ABS, WT

Legend Non-residential Attached residential

Job vacancies by construction occupation

Reported monthly as average of last 3 months



Source: JSA, WT

Legend White collar Technicians and trades Plant operators / labourers

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Newcastle

Newcastle's market conditions are healthy, albeit below recent peaks. Conditions should improve further led by a growing pipeline, forthcoming suburban developments, and cyclical recovery in Sydney.

Key trends

- Building approvals: Approvals have moved higher but this has largely been contained to 'living' sectors (i.e. attached residential and student accommodation).
- Job vacancies: Demand for key trades has stabilised but remains quite strong versus recent history and back to the 2010s. There may be a significant jump in job vacancies should the discussed Tomago aluminium smelter closure proceed.
- Competition for resources: Elevated demand for trades but a weak building pipeline suggests a competitive landscape. Sydney is always important in this, but the Central Coast and the broader Hunter region should not be discounted. The Hunter region, with strong population growth (and lower housing costs) and solid mining and manufacturing sectors, may be luring trades from Newcastle.

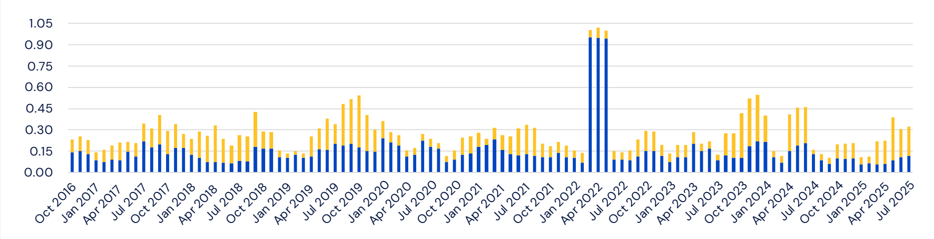
Local insights

- Robust economic fundamentals and some easing of cost pressures have seen the tender pipeline strengthen, suggesting improved market conditions.
- However, some cost pressures remain, especially in a smaller market such as Newcastle where higher project costs can trigger a greater presence of EBAs.
- There have been reports of projects coming into the tender pipeline with unrealistic or out-of-date budgets (resulting in all bids coming in above budget and the project being pulled). Such examples will keep upward pressure on escalation due to reluctance to bid.
- While much of the residential focus (approvals) at present is in the city, this will eventually shift to the suburbs (Broadmeadow). Such plans may take some time to come to fruition but their prospects have been boosted by recent State Government initiatives (namely the Investment Delivery Authority and the NSW Planning Systems Reform Bill).

Cost escalation	2025	2026	2027	2028
Building	4.3%	4.0%	4.4%	5.3%
Infrastructure	5.8%	5.3%	6.0%	4.8%

Building approvals by sector

$b / inflation-adjusted / last quarter reported monthly

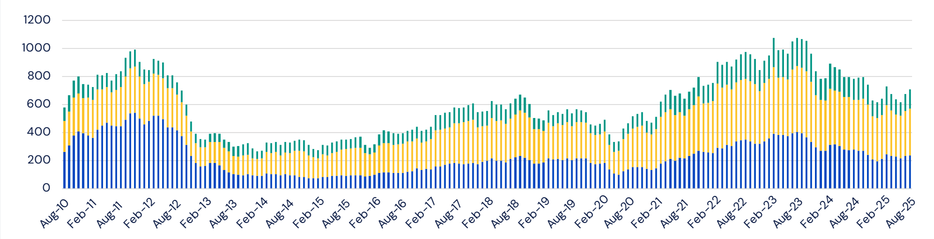


Source: ABS, WT

Legend Non-residential Attached residential

Job vacancies by construction occupation

Reported monthly as average of last 3 months



Source: JSA, WT

Legend White collar Technicians and trades Plant operators / labourers

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Geelong

Outside of major projects, conditions in Geelong remain soft for now, but are expected to improve as the next wave of major projects commences and competition for resources from Melbourne increases.

Key trends

- Building approvals: Overall, approvals and market conditions look solid enough, with many projects having secured planning approvals and awaiting right market conditions. There are signs of a 2-speed market, though current activity may be distorted by major projects. Many smaller projects are now looking to get going.
- Job vacancies: While demand for labour has fallen some way back from the 2023 highs, it remains at or above levels seen for most of the 2010s. With major projects in Geelong having labour bolstered by Melbourne and western suburbs trades, this suggests a somewhat buoyant market for local trades (amidst softer market conditions outside the big projects).
- Competition for resources: While Ballarat is within range, it is a much smaller market than Geelong (even with some major projects at present). The competition for resources is all about Melbourne, which has seen approvals strengthen in recent months. This may put some upward pressure on escalation in the Geelong market.

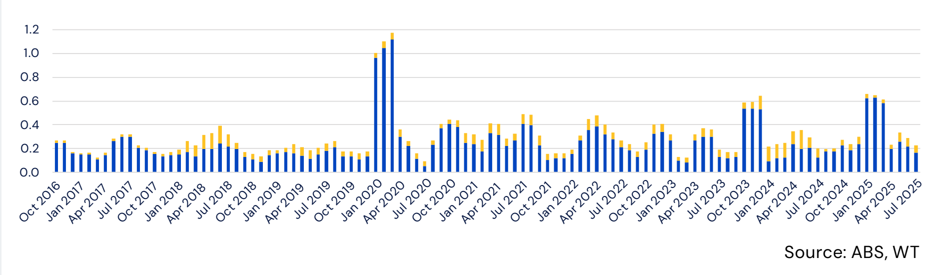
Local insights

- The continuation of a 2-speed market suggests subcontractors will be even keener to win work, amidst a current soft pipeline. But this could change quickly into 2026.
- Continued market growth should see progress towards key planning goals across CBD commercial/ residential development and supporting infrastructure, boosting prospects for subcontractors. Proposed major infrastructure projects in Avalon and the energy sector have the market readying itself.
- Given proximity, the robust fundamentals of the Melbourne market can lead to the pipeline changing quickly (as happened recently). Sustained improvement in Melbourne conditions should put upward pressure on Geelong costs. Informed developers should action their projects before this anticipated uplift.

Cost escalation	2025	2026	2027	2028
Building	4.8%	4.5%	4.2%	4.8%
Infrastructure	4.5%	4.3%	5.0%	4.5%

Building approvals by sector

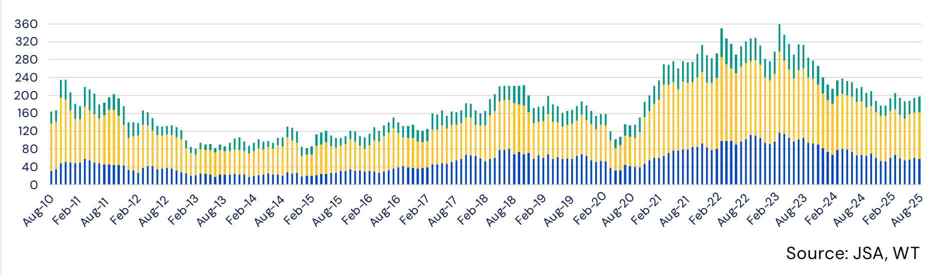
$b / inflation-adjusted / last quarter reported monthly



Legend Non-residential Attached residential

Job vacancies by construction occupation

Reported monthly as average of last 3 months



Legend White collar Technicians and trades Plant operators / labourers

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Gold Coast

Increasingly strong competition from Brisbane is a key factor influencing conditions on the Gold Coast. This could well be augmented by stronger conditions in local high-rise residential, in part due to urgency to complete projects ahead of Olympics activity.

Key trends

- Building approvals: The healthy approvals picture in early 2025 has given way to a weaker state of affairs. In June, we noted builders' reluctance to be involved in larger and/or complex attached residential projects; this has hit the approvals pipeline broadly.
- Job vacancies: Despite these difficulties, demand for labour has remained just off 2023 record highs. Local activity remains strong (including in non-residential and infrastructure) but Brisbane skills shortages have boosted Gold Coast labour demand.
- Competition for resources: While the Richmond–Tweed area of NSW can at times compete for resources, it is the strong Brisbane market (even with its ongoing lull) that is typically the strongest competitor for Gold Coast trades. This competition will strengthen as the massive pipeline of 2032 projects approaches.

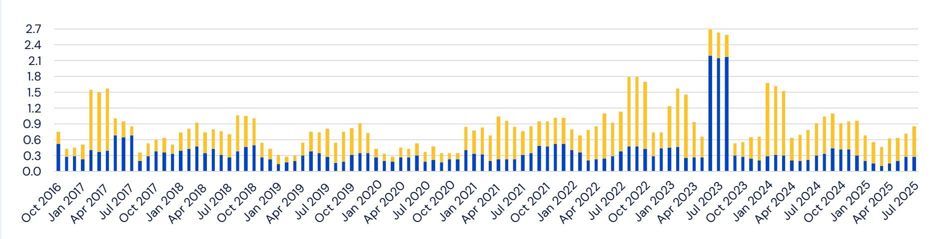
Local insights

- It is still the case that the boutique ($80–$150m) high-end residential sector is seeing projects proceed, while larger projects – outside of Meriton – continue to have trouble passing the feasibility stage.
- While these trends could continue for some time, other trends in residential point to a strengthening in cost pressures. Stronger sales prices and, most importantly, a need to build before the Olympics 2032 pipeline really gets going have seen long-stalled apartments projects revisited. In free-standing residential, conditions are very strong. Builders have order books filling up into 2027.
- On the more positive side (for escalation), the postponement of Gold Coast light rail stage 4 will ease cost pressures somewhat, while the change of government has reduced friction with the unions.

Cost escalation	2025	2026	2027	2028
Building	7.0%	6.3%	7.5%	9.5%
Infrastructure	5.8%	5.5%	6.3%	6.8%

Building approvals by sector

$b / inflation-adjusted / last quarter reported monthly

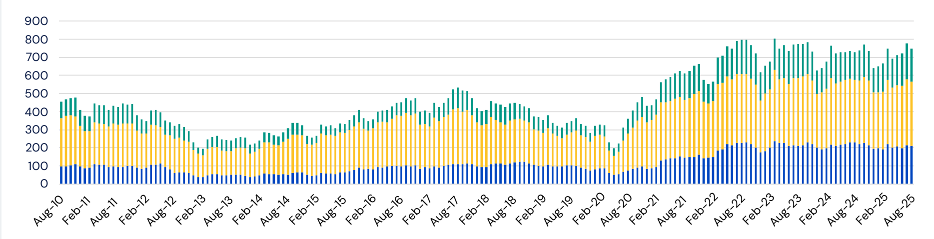


Source: ABS, WT

Legend Non-residential Attached residential

Job vacancies by construction occupation

Reported monthly as average of last 3 months



Source: JSA, WT

Legend White collar Technicians and trades Plant operators / labourers

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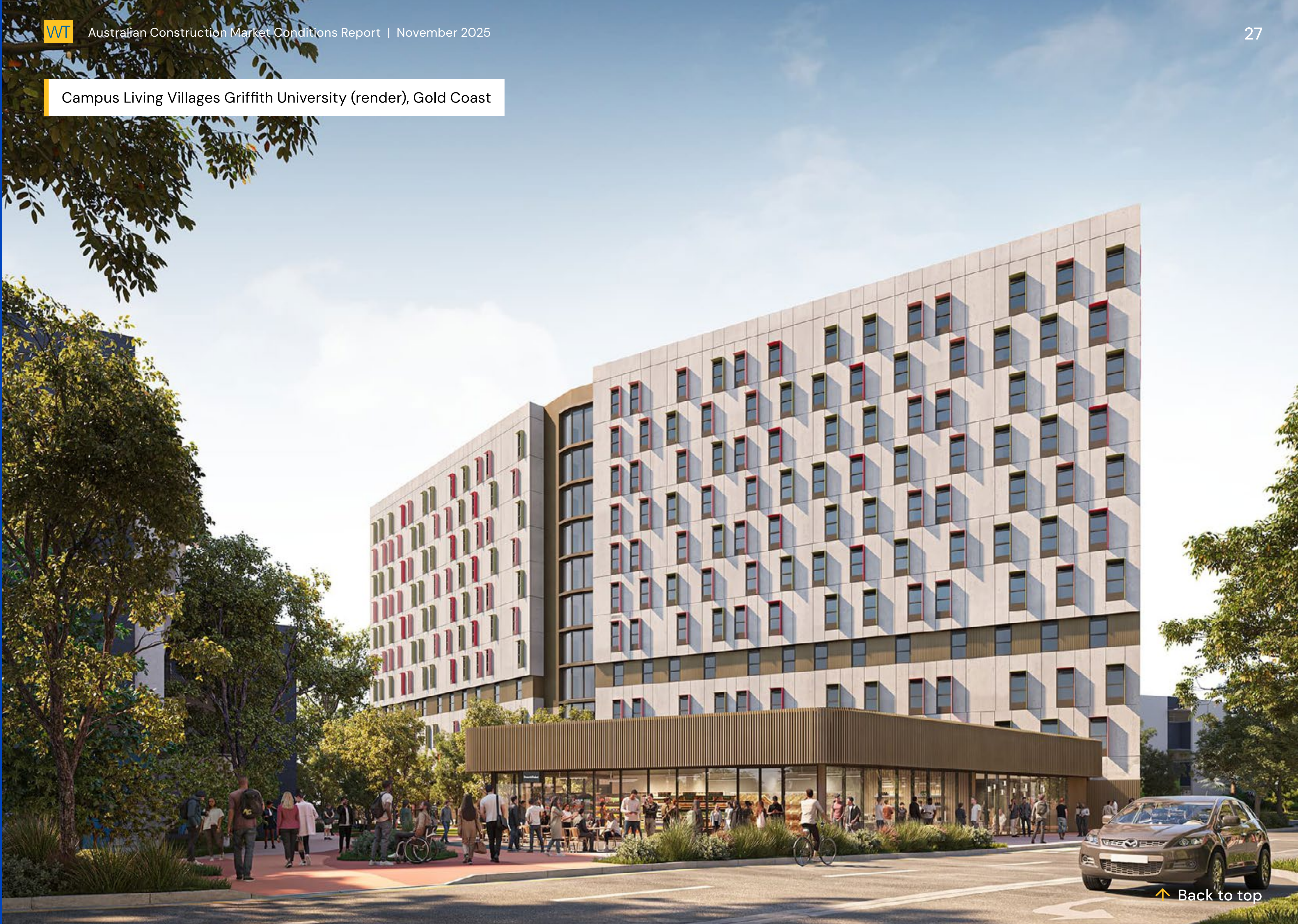

Campus Living Villages Griffith University (render), Gold Coast

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Cairns

Broad sector and economic uplift is now being seen in the pipeline and market conditions in Cairns. This should lead to escalation climbing higher to 2028.

Key trends

- Building approvals: A period of weakness in approvals spanning almost 2 years ended with the approval of the Woree social housing project. That approvals had been soft despite improvement in Cairns's economic and construction drivers suggests they should pick up eventually.
- Job vacancies: Numbers have remained steady of late and remain solidly above those seen since 2013, reflecting healthy local labour demand.
- Competition for resources: Townsville is a similarly sized market to Cairns, although it has quite different drivers (led by defence). Its pipeline and labour demand are quite similar. Townsville Hospital was part of the Queensland Government's ambitious hospital upgrades but was put on hold. It appears unlikely to start soon, which could put some downward pressure on costs in Cairns.

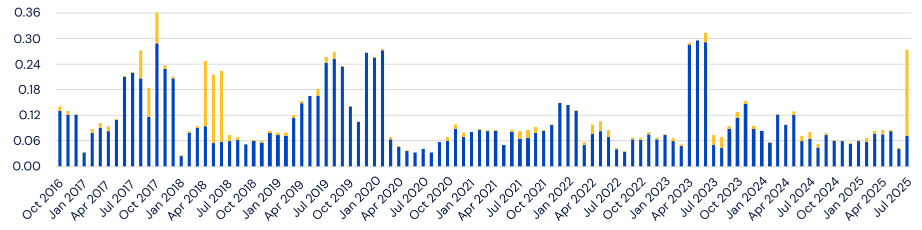
Local insights

- Tourism and population growth have recovered strongly in Cairns post-COVID, while natural disasters have required an ongoing rebuild effort on local infrastructure. One impact of this has been a sustained high demand for concrete and roofing trades.
- Two prominent projects in the pipeline may impact local costs. The Cairns Hospital expansion, put on hold not long after it started, is considered to have good prospects of a prompt restart. The significant Barron River Bridge project is also slated to proceed in coming years.
- In addition, there are significant residential works coming through the pipeline. Following on from the Woree social housing project, plans for 18,500 homes at Mt Peter should begin to ramp up within the forecast period.

Cairns cost escalation	2025	2026	2027	2028
Building	5.0%	5.5%	6.8%	7.3%
Infrastructure	5.5%	5.2%	6.5%	6.5%

Building approvals by sector

$b / inflation-adjusted / last quarter reported monthly

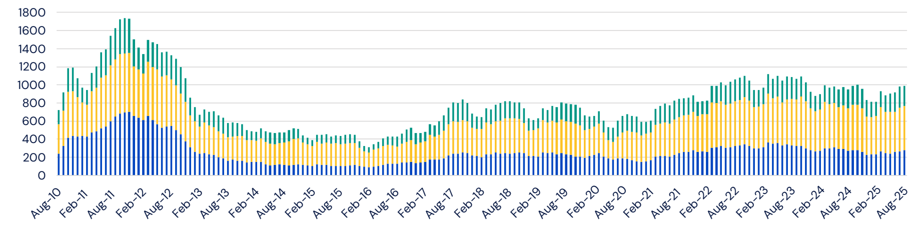


Source: ABS, WT

Legend Non-residential Attached residential

Job vacancies by construction occupation

Reported monthly as average of last 3 months



Source: JSA, WT

Legend White collar Technicians and trades Plant operators / labourers

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Sunshine Coast

The Sunshine Coast is set for a broad-based jump in market conditions and escalation to 2028, driven by Brisbane competition and a greater Olympics impact than on the Gold Coast.

Key trends

- Building approvals: After a period of noteworthy strength during 2024 (focused on health, accommodation and aged care sectors), approvals have come off the boil so far in 2025 but remain within the range seen over most of the post-pandemic period.
- Job vacancies: Strong demand for skilled trades is similar to that seen on the Gold Coast: only just off 2023 highs and well above that seen during the 2010s.
- Competition for resources: Similar to the Gold Coast, Brisbane is the major competition for resources for the Sunshine Coast. This competition will strengthen towards 2032 but perhaps more so than on the Gold Coast, given the dual focus on Olympics-related building and infrastructure.

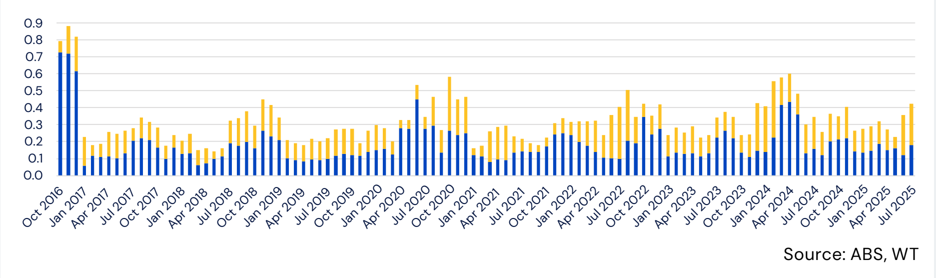
Local insights

- The Sunshine Coast has a broader pipeline (including rail, road and 'The Wave') of Olympics-related work to come than the Gold Coast does and is a smaller market than the Gold Coast. Furthermore, a somewhat shallow pool of local builders suggests not only that escalation pressures are likely to be greater but also that Olympics-related build could see significant cost pressures unleashed
- Another important area of comparison for escalation between the two Brisbane-adjacent markets is hospital projects (under the Hospital Rescue Plan, formerly the Capacity Expansion Plan). An eventual restart of the new Coomera Hospital project on the Gold Coast could divert resources and put additional cost pressures into play. The Sunshine Coast does not have a hospital project under the CEP.

Cost escalation	2025	2026	2027	2028
Building	6.5%	6.8%	7.0%	9.0%
Infrastructure	4.8%	6.5%	5.8%	8.5%

Building approvals by sector

$b / inflation-adjusted / last quarter reported monthly

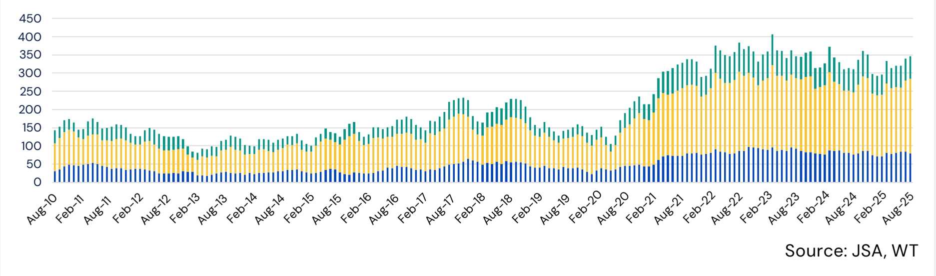


Source: ABS, WT

Legend Non-residential Attached residential

Job vacancies by construction occupation

Reported monthly as average of last 3 months



Source: JSA, WT

Legend White collar Technicians and trades Plant operators / labourers

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Disclaimer and methodology

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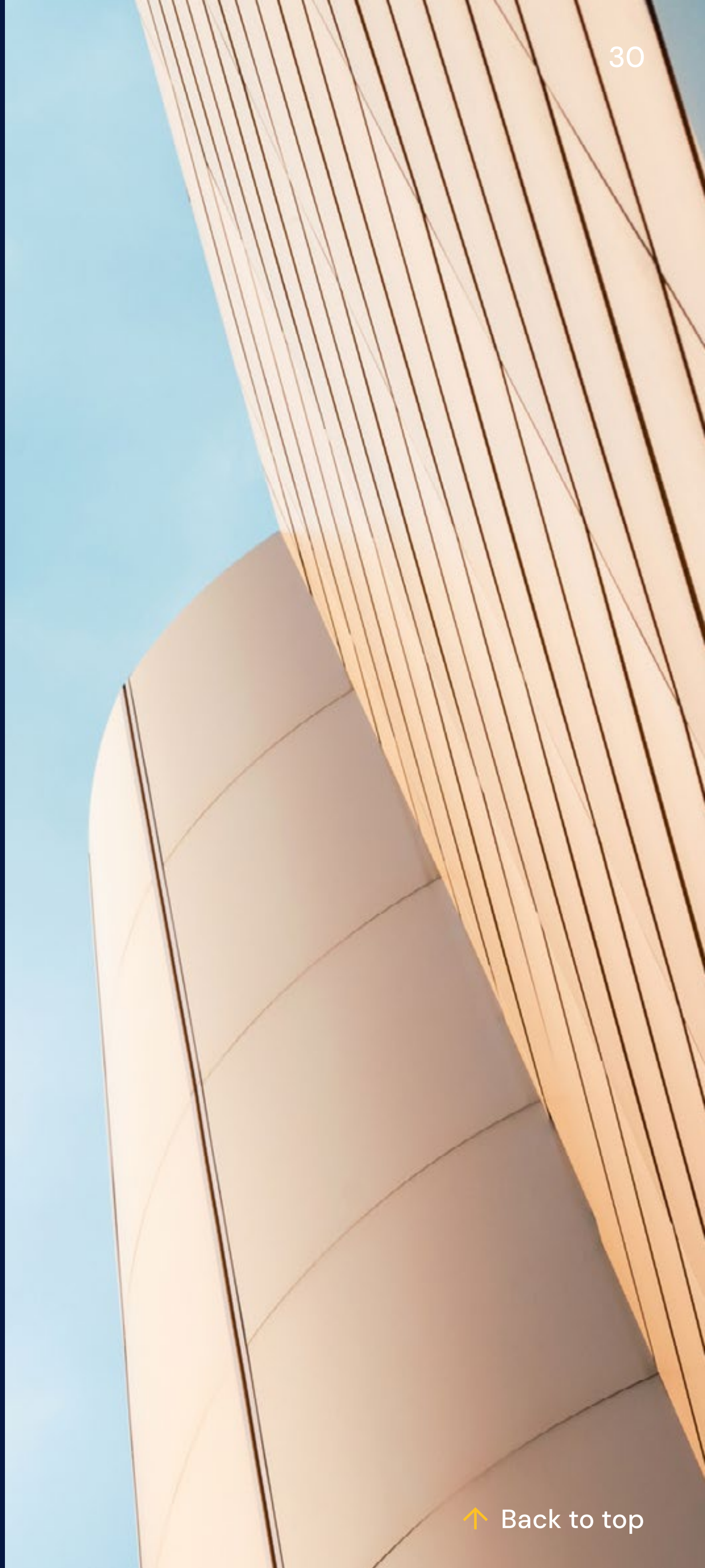
While our view is based on a variety of sources (led by our own market insight), the general approach in this pack is based on escalation from the input cost perspective. This aligns with the traditional QS approach to escalation but also allows rationalisation of bottom-up (i.e. input-level) and top-down (i.e. sector or economy level) escalation perspectives.

There is no single market-level data series that conceptually matches the above. However, data available by key inputs provides checks and balances on the overall WT view for key markets.

Other points to note:

- All escalation shown is on a calendar year basis and is the % change between the full-year average vs the previous year's full-year average.
- Escalation contribution by input is on a general, Australia-wide basis, while state-by-state figures are general across sub-sectors, project types and values (i.e. contractor tiers).
- In addition, escalation contribution by input assumes no other major drivers of escalation (e.g. large productivity increases, significant regulation changes re: approvals).

For more information on escalation relative to your project or sub-sector, please discuss with your local WT office.



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At WT, we empower our clients to grow, inspiring confidence through independent advice and inventive thinking to create sustainable value across all aspects of the built environment.

We are a leading international project advisory firm with more than 75 years of multi-sector experience.

Our clients can tap into the collective thinking of over 2,000 of the best people in the industry, operating from 70+ offices throughout Australia, New Zealand, Asia, India, Middle East, North America, Africa, the UK, and Europe.

In Australia, we support our clients across property, construction, and infrastructure with an award-winning team of 500 specialists in portfolio and program advisory, cost management and quantity surveying, commercial advisory, carbon and sustainability, asset and facilities management, and digital solutions.

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