

The logo consists of the letters 'WT' in a white, sans-serif font, centered within a yellow square. The square is positioned in the top-left corner of the blue header area.

WT

# Australian Construction Market Conditions Report

JUNE 2026

Empowering  
growth.

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## About the author

Damon Roast joined WT Australia in 2022 as our construction economist. He brings over 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.

## The Middle East conflict that erupted in February has worsened direct construction cost pressures and could do so further. The indirect impacts are set to reach wider and last longer.

Our analysis focuses on cost pressures resulting from profiteering, changes to the construction pipeline and changes in sector capability resulting in part or indirectly from the Middle East conflict.

Our base-case view sees an economic downturn as a likely part of the three-year outlook, but how might this impact the construction pipeline? Does this mean that a resurgence of cost pressures by 2028, which we previously forecasted, will no longer happen? In this edition of the *Australian Construction Market Conditions Report*, we explore the Middle East impacts in a dynamic setting to allow clearer insight into medium-term construction and cost escalation prospects.

Despite our analysis considering the direct cost impacts from the Middle East conflict, this report does not bundle them with 'day-to-day' or 'business-as-usual' escalation. While we typically provide escalation forecasts independent of sector and project types in this report, the volatile and highly uncertain nature of the Middle East conflict makes any such attempt inherently risky.

# Our approach

## Why is the impact of the Middle East conflict excluded from our escalation numbers?

*While the Australian Construction Market Conditions Report is always a broad overview and hence may not be directly applicable to any particular project type (let alone a specific sector), current market conditions make this task especially difficult.*

The commencement of US military action on Iran in late February and the subsequent closure of the Strait of Hormuz impacted global prices and supplies of oil, oil products and other key construction materials or inputs to materials. In many cases, these impacts have been significant and persisted through April and May despite major efforts from governments.

These significant impacts have been fundamentally misunderstood by many, in several ways. Perhaps the major error has been the suggestion that construction costs, as a whole or in large part, may see increases as large as those on the materials that have been hit hardest. Another error has been bundling Middle East-related direct impacts with 'day-to-day' or 'business-as-usual' (BAU) escalation.

Detailed analysis undertaken by WT suggests that cost impacts for building projects that were felt through May only impact relatively small proportions of many project types, and in many instances the presence of a substitute material or material sourced from a different country will help to cap price pressures.

For infrastructure projects that rely more heavily on oil and oil-based products, cost impacts so far are greater than for building projects. However, within the spectrum of infrastructure projects there is perhaps an even wider range of project types (and hence a wider range of cost impact profiles).

Bundling 'day-to-day' or BAU escalation with that resulting directly from the Middle East conflict not only misrepresents reality but also puts risk arrangements under pressure.

At WT, we believe that the risk for BAU escalation should remain with the main contractor. For direct Middle East impact, the appetite for risk on both sides must be well understood. As well,

opinions on the Middle East conflict should take current circumstances into account as best as possible, and not fall back on COVID or Ukraine War techniques given that the Middle East conflict has different key drivers.

In summary, **every project is different, so it would be inappropriate to issue general views and advice** in a report such as this in current conditions.

All advice to best deal with the impact of the Middle East conflict should be bespoke to the project and situation.

# Scenarios: Middle East conflict and economic outlook

	Base-case view	Positive scenario	Negative scenario
<b>Middle East conflict</b>	<ul style="list-style-type: none"> <li>■ <b>Resolution/supply:</b> Deal struck by mid-July, some acrimony due to difficult negotiations, supplies back to pre-conflict levels by Q2 2027 (via guidance before end Q4 2026).</li> <li>■ <b>Direct cost impact:</b> Further to come between Q3 2026 and Q1/Q2 2027.</li> <li>■ <b>Indirect impacts:</b> Secondary (i.e. profiteering) and construction pipeline impact likely, perhaps significant. However, potential for some projects to be fast-tracked as well as (negative) capability impact (i.e. outflow of trades from markets where the pipeline is more heavily hit) to slow any decline in escalation.</li> </ul>	<ul style="list-style-type: none"> <li>■ <b>Resolution/supply:</b> Deal struck by mid-June, all sides happy (no further conflict), supplies back at pre-conflict levels by year-end (via clear post-deal guidance).</li> <li>■ <b>Direct cost impact:</b> Extra cost impact in Q3 but smaller than initial (March/April) cost impact.</li> <li>■ <b>Indirect impacts:</b> Reduced impacts vs base case.</li> </ul>	<ul style="list-style-type: none"> <li>■ <b>Resolution/supply:</b> Deal not struck until August or September, done solely to avert catastrophe via substantial supply crunch and far higher prices approaching fast. Supplies unlikely to recover before the end of 2027.</li> <li>■ <b>Direct cost impact:</b> Significant hit in the second half of 2026, with further impacts in the first half of 2027 and, less so, the second half of 2027.</li> <li>■ <b>Indirect impacts:</b> Secondary impact set to fall but with a greater pipeline impact, perhaps much greater. Fast-tracking unlikely to be higher than base case. Escalation decline may be significant, although potentially greater capability may dampen decline.</li> </ul>
<b>Economic outlook</b>	<p>Slowdown likely, recession quite possible. Interest rate relief and fiscal stimulus could give support.</p>	<p>Some softness to come but not so much that near-term interest rate reductions are likely.</p>	<p>Recession likely, perhaps major, despite fiscal and rates support.</p>

Advice on managing the impact of the Middle East conflict should be tailored to each project and its circumstances.

# Key risks and implications

## Base-case view

### 2026

- A nascent upswing in conditions was hit by the Middle East conflict. Conditions should stay robust, but early signs of construction pipeline impact are likely. National BAU escalation is expected to be **5.5% for building** and **5.1% for infrastructure** in 2026.
- **Risk:** Escalation could come in higher than expected, given that the market has settled somewhat since the initial Middle East impact. This could see more secondary cost impact (i.e. profiteering) and the construction pipeline impact shifting towards 2027.
- **Implications:** Detached housing could see a significant impact from the Middle East conflict, which could mean a capability boost if many detached projects are scrapped or put on hold. The recent strength of the Australian dollar against the US dollar has dampened the direct cost impact of the Middle East conflict and may do so further.

### 2027

- A prolonged Middle East conflict will see pressures rise on supplies/ prices of oil products into 2027, which is set to lead to higher construction pipeline impact. However, this may see fast-tracking of some parts of the pipeline. National BAU escalation is set to come in at **5.3% for building** and **5.0% for infrastructure** in 2027.
- **Risk:** How the project pipeline impact evolves will be crucial, with 2027 set to be most affected. Our scenarios point to varied pipeline impact profiles: prolonged, short/shallower but sharp, delayed but deeper, but with fast-tracking of projects possible in sectors and cities less likely to see postponements.
- **Implication:** A key consideration for the pipeline will be state government capex (which, in turn, reflects their finances). While an economic downturn could lower rates and ease debt burdens, it could also hit property markets, impacting key revenue streams.

### 2028 and beyond

- By 2028, economic recovery from the downturn led by the Middle East conflict should be evident. This should see the broad resumption of above-average escalation. This will be led by the strength of Brisbane and South-East Queensland heading towards 2032 but should also be evident in other markets. National escalation is set to be **5.8% for building** and **5.2% for infrastructure** in 2028.
- **Risk:** The residential sector could contribute to even stronger escalation in 2028. While demand for housing remains high, recent tax changes and slowing momentum may mean that the overdue construction upswing may not start until the late 2020s.
- **Implication:** We have frequently noted the role of sub-par investment in sector capability and capacity in keeping escalation high. This dynamic took years to materialise and could take years to resolve. A likely economic downturn, with subsequent construction sector impact, could put some sector capability and capacity investment plans on hold, exacerbating pressures if the market recovers solidly in 2028.

# Cost escalation: Building

## WT view on cost escalation by city

	2025	2026	2027	2028
Escalation type	Total	BAU	BAU	Total
Sydney	4.6%	4.8%	4.2%	4.8%
Melbourne	5.0%	4.8%	4.6%	4.5%
Brisbane	6.8%	6.5%	8.0%	10.0%
Adelaide	5.0%	6.2%	5.0%	5.3%
Perth	6.0%	6.7%	5.7%	5.5%
Hobart	6.0%	4.3%	5.5%	6.0%
Canberra	3.0%	4.1%	4.0%	3.6%
Darwin	4.5%	4.9%	4.3%	5.0%
Newcastle	4.3%	4.6%	4.4%	5.0%
Geelong	4.8%	4.6%	4.1%	4.0%
Gold Coast	7.0%	6.8%	7.5%	9.5%
Cairns	5.0%	5.7%	4.0%	4.4%
Sunshine Coast	6.5%	7.0%	7.0%	9.0%
<b>Weighted average</b>	<b>5.3%</b>	<b>5.5%</b>	<b>5.3%</b>	<b>5.8%</b>

### What is BAU (business-as-usual) escalation?

Business-as-usual (BAU) escalation is all factors (excluding the **direct** impacts of the Middle East conflict) that contribute to construction cost escalation. These include:

- escalation seen up to February 2026 (before the conflict commenced)
- escalation throughout 2026 and 2027 due to 'normal' factors (e.g. the start of a new Enterprise Bargaining Agreement with a higher rate of wage growth)
- **indirect** impacts from the Middle East conflict, including:
  - secondary impact – producers/importers profiteering from the Middle East conflict
  - pipeline impact – cost impact via changes to the

construction project pipeline via marginal projects being put on hold or scrapped, projects being fast-tracked, or additional projects arising from economic stimulus

- capability impact – where the Middle East conflict impacts the construction pipeline and/or the economy and in turn hits the size of the construction workforce (which could have a negative or positive impact on workforce size)
- any other (ex-Middle East) contributors to escalation.

Note: WT's base-case view is that **direct** impacts on cost escalation from the Middle East conflict will be seen through 2026 and through the first half of 2027.

# Cost escalation: Infrastructure

## WT view on cost escalation by city

	2025	2026	2027	2028
Escalation type	Total	BAU	BAU	Total
Sydney	5.3%	5.0%	4.5%	4.3%
Melbourne	5.0%	4.8%	4.9%	5.0%
Brisbane	6.5%	6.0%	7.0%	8.0%
Adelaide	4.5%	5.2%	5.0%	5.0%
Perth	4.3%	4.8%	3.7%	4.5%
Hobart	3.5%	3.6%	4.0%	4.3%
Canberra	5.0%	4.7%	4.5%	4.5%
Darwin	4.3%	5.1%	4.3%	3.8%
Newcastle	5.8%	5.3%	4.6%	4.0%
Geelong	4.5%	4.3%	4.2%	4.3%
Gold Coast	5.8%	5.5%	6.3%	6.8%
Cairns	5.5%	5.5%	6.0%	6.0%
Sunshine Coast	4.8%	6.5%	5.8%	8.5%
<b>Weighted average</b>	<b>5.1%</b>	<b>5.1%</b>	<b>5.0%</b>	<b>5.2%</b>

### What is BAU (business-as-usual) escalation?

Business-as-usual (BAU) escalation is all factors (excluding the **direct** impacts of the Middle East conflict) that contribute to construction cost escalation. These include:

- escalation seen up to February 2026 (before the conflict commenced)
- escalation throughout 2026 and 2027 due to 'normal' factors (e.g. the start of a new Enterprise Bargaining Agreement with a higher rate of wage growth)
- **indirect** impacts from the Middle East conflict, including:
  - secondary impact – producers/importers profiteering from the Middle East conflict
  - pipeline impact – cost impact via changes to the

construction project pipeline via marginal projects being put on hold or scrapped, projects being fast-tracked, or additional projects arising from economic stimulus

- capability impact – where the Middle East conflict impacts the construction pipeline and/or the economy and in turn hits the size of the construction workforce (which could have a negative or positive impact on workforce size)
- any other (ex-Middle East) contributors to escalation.

Note: WT's base-case view is that **direct** impacts on cost escalation from the Middle East conflict will be seen through 2026 and through the first half of 2027.

# Sydney

Cost escalation	2025	2026	2027	2028
Escalation type	Total	BAU	BAU	Total
Building	4.6%	4.8%	4.2%	4.8%
Infrastructure	5.3%	5.0%	4.5%	4.3%

## Key trends

**Summary:** Sydney is expected to be impacted by the Middle East conflict before showing signs of recovery, with escalation to average 4.6% p.a. for both building and infrastructure to 2028.

**Competition for resources:** Competition for resources will come from any other major market or market with major/complex projects. Over the period to 2028, and certainly more so towards 2028, this will largely come from Brisbane/south-east Queensland (SEQ). Infrastructure will see competition from SEQ but also from Melbourne (transport) and regional NSW (renewables/transmission).

## Local insights

- Sydney's status as a major international-facing city, and one with an above-average presence in large commercial and apartment developments, is set to lead a softening of conditions, at least to 2027. The impact of three interest rate increases (with more expected), in addition to the Middle East cost and economic impacts, will play a key role in this weakness.
- While the commercial and apartments pipeline is set to weaken, Sydney's conditions will be supported by significant projects in the data centre sector and transport sector (e.g. underground metro stations). The interest rate outlook (specifically, how the Middle East resolution ultimately impacts the economy and the potential for interest rate cuts) could see commercial and apartments prospects improve again by 2028.
- For infrastructure, long lead times and project timeframes will see Sydney maintain an elevated pipeline of major transport spend for many years to come. However, with this pipeline not being replenished, trades may ultimately depart for major markets with stronger pipelines. The transport-to-utilities hand-off is continuing, and with much of the upswing in utilities construction outside of Sydney, this risks a loss of resources to regional NSW.

# Melbourne

Cost escalation	2025	2026	2027	2028
Escalation type	Total	BAU	BAU	Total
Building	5.0%	4.8%	4.6%	4.5%
Infrastructure	5.0%	4.8%	4.9%	5.0%

## Key trends

**Summary:** While Melbourne is set to see some improvement in conditions over the period to 2028, cheaper housing and likely slower state government spending will put downward pressure on costs. Escalation to average 4.6% p.a. for building and 4.9% p.a. for infrastructure to 2028.

**Competition for resources:** Competition for resources will come from any other major market or market with major/complex projects. Over the period to 2028, however, this will largely come from Brisbane/south-east Queensland. Melbourne's cause will be aided here by somewhat cheaper and more available housing than in most other capital cities.

## Local insights

- Melbourne's market conditions could come under further pressure. Its key strengths (a major international-facing city, with notable pipelines of commercial and residential) could be impacted by interest rate increases (recent and potentially forthcoming) and the Middle East situation. Somewhat cheaper housing compared with other cities could see more downward pressure on escalation.
- While commercial developments and (perhaps less so) apartment developments could be at risk from higher interest rates and Middle East impacts, other building sectors have different prospects. The rush to build data centres continues, with Melbourne at the forefront (arguably better positioned than Sydney). This pipeline may have its risk points, but its prospects should be robust. Melbourne's construction pipeline of the industrial and education sectors should also be fairly immune to tougher economic conditions.
- However, Victoria's increasingly challenged financial outlook could see construction pipelines come under pressure, more so on the building side. The outcome of November's state election, and how this translates to the capex plans of the May 2027 Budget, will be crucial here.

# Brisbane

Cost escalation	2025	2026	2027	2028
Escalation type	Total	BAU	BAU	Total
Building	6.8%	6.5%	8.0%	10.0%
Infrastructure	6.5%	6.0%	7.0%	8.0%

## Key trends

**Summary:** Brisbane remains set to see above-average escalation on the back of a very strong pipeline of work. Escalation to average 8.2% p.a. for building and 7.0% p.a. for infrastructure to 2028.

**Competition for resources:** While Brisbane would normally compete with other major cities or with cities where major/complex projects are proceeding, the strength of its pipeline (both Olympics-related and otherwise) could see it become a beacon for trades and other resources. This is especially so if the economic impact of the Middle East conflict is significant. Brisbane, however, has expensive housing in fairly short supply, which may stymie or even prevent this influx of trades, especially since these pressures are evident across much of south-east Queensland.

## Local insights

- Brisbane is likely to see strong market conditions and could be a beacon for trades and other resources, even with the direct Olympics pipeline alone. Further strengthening its standing over the period to 2028 are its component of the Hospital Rescue Plan, its significant need for hotels, and needs in other building sectors.
- Despite this, we do expect some portion of Brisbane's construction pipeline to be put on hold, which may see escalation come in softer than expected. Queensland state finances are already struggling and the direct Middle East cost impact plus elevated BAU escalation could put more projects under pressure. Fast-tracked Olympics projects, hospitals and/or other works could, however, take up this slack.
- Perhaps more than in any other city, the residential (apartments) pipeline will play a key role in the outlook for Brisbane:
  - Brisbane prices have moved past Melbourne and are among the nation's highest, illustrating the need for supply.
  - However, feasibilities remain challenged given Brisbane's lower price point. Projects on the more expensive Gold Coast are proceeding more than in Brisbane, attracting resources.
  - If projects in Brisbane can proceed promptly, this additional supply may be able to house interstate trades and help contain escalation pressures in later years.

## Sydney Fish Market Redevelopment, Sydney



# Adelaide

Cost escalation	2025	2026	2027	2028
Escalation type	Total	BAU	BAU	Total
Building	5.0%	6.2%	5.0%	5.3%
Infrastructure	4.5%	5.2%	5.0%	5.0%

## Key trends

**Summary:** Some segments of the construction pipeline may be at risk should the expected economic downturn eventuate, but Adelaide's overall outlook is healthy. Escalation to average 5.5% p.a. for building and 5.1% p.a. for infrastructure to 2028.

**Competition for resources:** The already-elevated position of Adelaide construction activity may mean less need for additional resources. However, the potential pipeline is still strong. This could see Adelaide become an increasingly competitive threat with Melbourne for trades and resources; however, Adelaide's expensive and tight housing market may keep a lid on any Melbourne inflows.

## Local insights

- The Adelaide and South Australian economies have undergone something of a renaissance in recent decades. What were weak economies, overly reliant on government, are now much more diverse and dynamic.
- This emergence has led to a stronger and more elevated construction pipeline, which increases the risks of a cost/economic impact from the Middle East conflict. In other cities, commercial and apartment developments are most at risk; for Adelaide, current strength in student or other tourist accommodation projects may also fall into this category.
- While these commercial sectors may see some portion of their project pipeline at risk, the pipeline in key social sectors should be more resilient. Significant defence spend has long formed part of Adelaide's construction pipeline, but while geopolitical concerns remain high, there are fears that the Australia–UK–US security partnership (AUKUS) may not fully proceed as envisaged. This may mean planned Adelaide defence/shipbuilding works don't eventuate, which could have implications for Adelaide's medium-term construction capability.

# Perth

Cost escalation	2025	2026	2027	2028
Escalation type	Total	BAU	BAU	Total
Building	6.0%	6.7%	5.7%	5.5%
Infrastructure	4.3%	4.8%	3.7%	4.5%

## Key trends

**Summary:** Continued strength of several key drivers will support ongoing elevated market conditions in Perth. Escalation to average 6.0% p.a. for building and 4.3% p.a. for infrastructure to 2028.

**Competition for resources:** For well-established reasons, Perth is always in competition for construction resources between major east coast cities and Western Australia's mining sector. The long weakness in construction in Perth from the mid-2010s saw resources depart local construction. They have returned somewhat, but the local talent pool is not deep enough.

## Local insights

- The Perth and WA economies have long depended on the mining sector. However, Perth is now a larger economy with more diverse economic drivers (including strong population growth) and state government finances are in excellent health. Both factors could buttress Perth market conditions from the full impact of the Middle East conflict.
- The mining sector could be impacted by a broader (regional/global) economic slowdown due to the Middle East situation. However, a major hit to mining (such as seen from the early- to mid-2010s) is unlikely. Sector momentum has not built up as fast as in the late 2000s to early 2010s. Some planned mining investment may be catalysed by a disrupted market (e.g. precious metals, or base metals to assist the green energy transition). Hence, the impact on Perth construction would not be significant. Escalation may soften due to greater availability of trades but the construction pipeline should hold up.
- More specifically, on the building side, immediate pressures are generally linked to significant hospitals spend. The delayed Convention Centre project may resurface in later years, but major defence build is set to be the key medium-term driver of conditions in the Perth market.
- The infrastructure pipeline is solid but not in nearly as strong a position as building (nor the halcyon days of the early 2010s, when mining-related infrastructure build was substantial). The infrastructure pipeline is not expected to rise substantially in coming years, although there may be potential for a strong upswing in utilities (in water and renewables/transmission) with the massive Westport project also a candidate to drive greater cost pressures. If either or both of these eventuate, it may not be until the 2030s.

# Hobart

Cost escalation	2025	2026	2027	2028
Escalation type	Total	BAU	BAU	Total
Building	6.0%	4.3%	5.5%	6.0%
Infrastructure	3.5%	3.6%	4.0%	4.3%

## Key trends

**Summary:** The looming commencement of construction on the Macquarie Point Stadium will see overall market conditions strengthen – but the two-speed sector will persist in Hobart. Escalation to average 5.3% p.a. for building and 4.0% p.a. for infrastructure to 2028.

**Competition for resources:** For ‘normal’ Hobart project budgets/types, trades/resources are generally serviced by the existing workforce. However, there is increased competition for resources from Launceston (which is seeing much stronger conditions largely via significant health spend) and from a lessened population inflow from Sydney and Melbourne (as their housing downturn progresses).

For major or complex Hobart projects (i.e. more like those in larger cities, which use Tier 1/2 contractors), competition is with major or complex projects in all other major cities. Hobart’s much smaller and less consistent project pipeline in major works could put upward pressure on costs.

## Local insights

- With patchy conditions in the Hobart market and the Macquarie Point stadium proceeding to the construction stage, a two-speed sector will develop. That the stadium has taken longer than expected to reach the construction stage will have made this bifurcation worse; the ‘haves’ will see much stronger conditions than the ‘have nots’.
- A specific area where the stadium will contribute to elevated escalation in the Hobart market will be via the Enterprise Bargaining Agreement for stadium construction (hence bringing EBA conditions to a greater proportion of the Hobart construction workforce).
- The somewhat weak state of Tasmanian government finances, as well as the fragile advantage held by governments of any composition in Tasmania of late, means Tasmania’s public construction pipeline (ex-stadium) is unlikely to be strong over the medium term.
- Prospects for infrastructure construction are better but are largely outside of Hobart (led by major renewables projects as well as the Marinus Link transmission project). Hobart projects, since the completion of the Bridgewater Bridge, are generally more minor, although a portion of the stadium build will be civils (or can draw on civils trades).



352-400 Macaulay Road Kensington build-to-rent (render), Melbourne

# Canberra

Cost escalation	2025	2026	2027	2028
Escalation type	Total	BAU	BAU	Total
Building	3.0%	4.1%	4.0%	3.6%
Infrastructure	5.0%	4.7%	4.5%	4.5%

## Key trends

**Summary:** Canberra is traditionally immune from periods of economic weakness; this is expected to be the case again with market conditions remaining buoyant in the years ahead. Escalation to average 3.9% p.a. for building and 4.6% p.a. for infrastructure to 2028.

**Competition for resources:** In large part, Canberra will always compete with Sydney for key trades. A potential economic slowdown would likely hit Sydney (a city where construction generally moves with economic prospects) harder than Canberra (a city where construction can depend on the size of the federal government, which typically increases in headcount when an economy weakens). However, any capability boost may be softened by strength in nearby regions due to major renewables/transmission, defence investment and associated building works to service growing populations.

## Local insights

- Overall, the outlook for the Canberra market is robust. This is due to the relatively soft starting point, prospects for continued elevated federal spending and, more importantly, the likely outlook for commercial construction and population growth.
- After many weak years, infrastructure construction has risen again in Canberra. This has been led by light rail, but several quite large/complex road projects have also been seen or are in the pipeline for the years ahead.
- The construction pipeline is healthy and has strengthened since our last report across the major building subsectors. This includes the new Northside Hospital (\$1.5 billion), new lyric theatre project (\$315m), Australian Institute of Sport (AIS) expansion (\$300m) and the National Security Office Precinct (\$1–\$2b), all of which are substantial. This could herald the start of a major phase of social building, which may culminate in a new Canberra Stadium project (although this may not eventuate until the 2030s).

# Darwin

Cost escalation	2025	2026	2027	2028
Escalation type	Total	BAU	BAU	Total
Building	4.5%	4.9%	4.3%	5.0%
Infrastructure	4.3%	5.1%	4.3%	3.8%

## Key trends

**Summary:** Darwin's market conditions remain reliant on the defence construction pipeline. The perennial issue of attracting and retaining trades may be less of a concern should an economic slowdown happen. However, a better solution would be a deeper and more consistent pipeline of projects. Escalation to average 4.7% p.a. for building and 4.4% p.a. for infrastructure to 2028.

**Competition for resources:** Darwin's market for trades is highly reliant on interstate/overseas inflows. Hence, a potential economic slowdown may be beneficial to Darwin if the major project pipeline (led by defence and, less so, resources) can be secured. Darwin's situation could become much more difficult if pipelines in major markets are maintained, which would mean the NT would have more difficulty securing resources for construction works.

## Local insights

- It is not just the Territory construction pipeline that is reliant on defence and resources work, it is also the Territory economy itself. This could mean greater impetus to see major defence spend continue, but for resources (and major renewables plans) the prospects rely on international demand.
- The Territory's finances are both too small and in too poor a shape for it to have the capacity to deliver much of a major project pipeline (and certainly not to maintain this pipeline if it were started). The Territory is heavily reliant on federal (defence) spend and on a regional/global economy strong enough to boost resources investment prospects (mining, oil and gas).
- While the geopolitical environment suggests an increasingly urgent need for new and upgraded defence facilities and infrastructure in Darwin and the NT, lead times for this spend remain in the vicinity of two to three years (at least). Bureaucracy and red tape remain impediments to construction. The hastening of project timelines could help defence spend reach a critical mass and hence a sufficient level of work to attract the required breadth and depth of trades on a full-time basis. This may see escalation rates fall markedly.

# Newcastle

Cost escalation	2025	2026	2027	2028
Escalation type	Total	BAU	BAU	Total
Building	4.3%	4.6%	4.4%	5.0%
Infrastructure	5.8%	5.3%	4.6%	4.0%

## Key trends

**Summary:** The completion of several major projects will weigh on market conditions in Newcastle, as will soft conditions in Sydney. However, Newcastle remains well placed, with robust population growth likely, major developments to come, and Fast Rail possible. This should see conditions remain elevated into the medium term. Escalation to average 4.7% p.a. for building and 4.6% p.a. for infrastructure to 2028.

**Competition for resources:** Sydney is obviously a major source of competition for Newcastle trades and resources. Even a patchy Sydney market can offer the market depth and breadth that Newcastle can struggle to match. Other competitive threats include the Central Coast and the larger cities in the Upper Hunter.

## Local insights

- Newcastle's economy, population growth and construction prospects have been boosted over many years by Sydney's climbing property prices and less desirable characteristics (e.g. traffic, density, congestion, etc.).
- While a potential economic slowdown may see the impetus coming from Sydney slow in the years ahead, of potentially more relevance locally is the completion of several once-in-a-generation projects (i.e. John Hunter Hospital and the M1 to Raymond Terrace section of the Pacific Highway upgrade).
- On the building side, however, the pipeline appears to be replenishing solidly, led by health and student accommodation. However, for infrastructure, while the pipeline may be solid, it cannot replace a project like M1 to Raymond Terrace, so that may weigh on near-term conditions.
- Newcastle's medium- to long-term prospects remain robust, based on various initiatives to support broad investment across the city, such as that planned at Broadmeadow and the recently upgraded plans for major investment in the city/foreshore. Should Fast Rail proceed, initiatives like these will see even greater momentum.



Everyone's Place Affordable Housing (render), Queensland

# Geelong

Cost escalation	2025	2026	2027	2028
Escalation type	Total	BAU	BAU	Total
Building	4.8%	4.6%	4.1%	4.0%
Infrastructure	4.5%	4.3%	4.2%	4.3%

## Key trends

**Summary:** The completion of several major projects and soft conditions in Melbourne will weigh on those in Geelong. However, in a medium-term context, Geelong appears well placed, with robust population growth likely and major residential, and possibly industrial and infrastructure, projects to come. Escalation to average 4.2% p.a. for both building and infrastructure to 2028.

**Competition for resources:** While Geelong's proximity to Ballarat and Bendigo can present competitive pressures at times, these are far greater from the much larger Melbourne market.

## Local insights

- Geelong's recent steady and solid growth supports a large and quite consistent construction pipeline, but the recent or looming completion of several major projects suggests a weaker period to come. This would likely see the loss of trades to Melbourne, despite Melbourne already experiencing long-term lows in demand for trades.
- By 2028, Melbourne should be in the initial stages of an overdue and sustained upswing in conditions. This may see some upside risk to escalation in Geelong, especially so if elevated population growth continues and helps underpin the next round of major residential and possibly industrial investments in the city.
- As noted, the Geelong economy has performed strongly of late, which has helped to elevate population growth. The next step here could be subsequent/enabling transport investment, which could potentially include local rail upgrades, light rail, Geelong fast rail and/or an expanded Geelong Ring Road. These infrastructure projects may not come online within the period to 2028, but their progression will help to support Geelong's above-average population growth and overall strength in the medium term.

# Gold Coast

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

## Key trends

**Summary:** While some apartments projects may come under pressure, market conditions on the Gold Coast should remain strong and closely linked to those of Brisbane heading towards 2032. Escalation to average 7.9% p.a. for building and 6.2% p.a. for infrastructure to 2028.

**Competition for resources:** In normal circumstances, Brisbane would be the main competition for resources and trades, and this is especially so given the strength of the Brisbane pipeline. Within Brisbane, the fast-growing Logan area is nearest to the Gold Coast and may be a surprise competitive threat, given some healthy numbers in recent building approvals figures.

## Local insights

- The Gold Coast market does not just have a strong outlook (Olympics, new major hospital), it also has a healthy starting point. Building approvals are strong and job vacancies are high, which suggests a tight market right now.
- This makes the apartments outlook crucial. Not only is the Gold Coast well-placed for strength in apartments developments (due to its higher price point, which allows more feasible projects), there is still a high backlog of work from projects put on hold in the early 2020s. We expect that some portion of apartments projects will ultimately not go ahead and that this may weigh on conditions and escalation, but there is certainly an upside risk here.
- The Gold Coast has a relatively strong outlook on the infrastructure side too, led by major transport projects such as the Coomera Connector (initial and later stages) and the GC-Logan Rail.

# Cairns

Cost escalation	2025	2026	2027	2028
Escalation type	Total	BAU	BAU	Total
Building	5.0%	5.7%	4.0%	4.4%
Infrastructure	5.5%	5.5%	6.0%	6.0%

## Key trends

**Summary:** Tourism-based economies such as Cairns tend to feel the impact of economic weakness more than most. However, infrastructure should remain immune and see strong conditions persist. Escalation to average 4.7% p.a. for building and 5.8% p.a. for infrastructure to 2028.

**Competition for resources:** Much of Cairns's construction workforce is from interstate or overseas, which can keep escalation somewhat stable. Otherwise, Cairns competes with Townsville for more 'run of the mill'-style projects and with major cities in south-east Queensland or nationally for larger and/or more complex projects.

## Local insights

- The Cairns economy and, by extension, construction pipeline and market conditions are based heavily on tourism, which is typically hit hard in an economic downturn.
- Our outlook for the Cairns building sectors points towards this risk. A larger impact may eventuate; however, we expect a somewhat elevated level of work to persist, led by Cairns Hospital and the Woree social housing project, and for this to contain the fall in escalation in 2027.
- For infrastructure, however, market conditions and escalation should remain around current elevated levels. This is largely due to ongoing disaster repair efforts before the major Barron River Bridge project gets underway, a project significant enough to provide support and strength to much of the sector.

# Sunshine Coast

Cost escalation	2025	2026	2027	2028
Escalation type	Total	BAU	BAU	Total
Building	6.5%	7.0%	7.0%	9.0%
Infrastructure	4.8%	6.5%	5.8%	8.5%

## Key trends

**Summary:** Strong market conditions are set to persist on the Sunshine Coast due to buoyant local drivers as well as those driven by Brisbane heading towards 2032. Escalation to average 7.7% p.a. for building and 6.9% p.a. for infrastructure to 2028.

**Competition for resources:** Brisbane is normally the key competitor for the Sunshine Coast, and especially so on the road towards 2032. The Sunshine Coast does not have any other nearby markets of sufficient size except for the northern Brisbane market (Moreton Bay North).

## 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. This suggests that escalation pressures from the Olympics-related build could unleash significant cost pressures.
- Another key difference between the Sunshine Coast and Gold Coast is the size of the attached residential sector (largely, the apartments sector). Despite also being a tourism-based economy (although not to the extent of the Gold Coast), the Sunshine Coast has a much smaller apartment construction sector.
- While recent trends in building approvals do not yet suggest the presence of a strong level of construction, the job vacancies numbers for key trades suggest a quite shallow labour market on the Sunshine Coast. On the Gold Coast, job vacancies are 740 now versus the pre-COVID peak of 500. For the Sunshine Coast, however, the figures are around 350 versus the pre-COVID peak of around 200 – a much greater percentage leap in labour demand.



Macquarie Point Multipurpose Stadium (render), Hobart

# Disclaimer / Methodology

This report, and the market data it represents, are general market information only. WTP Australia Pty Ltd (WT) does not make or imply any specific advice or applicability of this information to any individual recipient. WT has taken care to ensure accuracy and that all data and details are correct to the best of our knowledge but does not warrant completeness or infallibility of said information. WT and its staff do not accept any liability for any loss or damage whatsoever arising from the use or dissemination of any part of this report (via any medium).

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-level 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 usual contact or call your local WT office.



## About us

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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