Australian Construction Market Conditions Report

NOVEMBER 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 grounding in economic fundamentals, 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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Direct construction cost pressures arising from the Middle East conflict increased in early 2026 and may persist into 2027. Over the medium term, however, business-as-usual drivers are expected to play the greater role in shaping market conditions, particularly once risks associated with the conflict subside.

Construction activity is strengthening across building and infrastructure, with several years of elevated activity still ahead. At the same time, domestic economic headwinds have intensified, with further risks emerging internationally.

This edition of the *Australian Construction Market Conditions Report* takes a contextual, dynamic view of how these competing forces may influence construction activity and cost escalation across key sectors and markets over the medium term.

While our analysis considers the direct cost impacts of the Middle East conflict, it does not combine them with day-to-day escalation. We typically provide escalation forecasts that are independent of sector and project type, but the volatile and uncertain nature of the conflict makes a single generalised allowance inherently unreliable.

Our analysis does include the indirect effects of the conflict, including profiteering, changes to the construction pipeline and impacts on sector capability.

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Our approach

Our approach: Why is the direct impact of Middle East conflict excluded from our escalation numbers?

The *Australian Construction Market Conditions Report* provides a broad market overview and may not be directly applicable to a particular project type, let alone a specific sector. Current conditions make generalised advice especially difficult.

The commencement of US military action on Iran in late February and the subsequent closure of the Strait of Hormuz impacted global supplies of oil, oil products and other key construction materials or inputs to materials, with energy prices more broadly moving higher as a result. Over subsequent months, these impacts were significant in many cases. The absence of a full and binding resolution means the risk of further price breakouts, as noted in June, has persisted and is likely to continue into 2027.

Impacts on construction costs have been widely misunderstood. Construction costs overall are unlikely to rise by the same magnitude as the materials most affected, and direct Middle East impacts should not be combined with day-to-day escalation.

WT's detailed analysis suggests that direct conflict-related cost increases affect relatively small proportions of many building project types. In many cases, substitute materials or alternative sources can also help moderate price pressure.

For infrastructure projects, where there is a greater reliance on oil and oil-based products, cost impacts have been greater than for building projects. However, across the spectrum of infrastructure projects there is perhaps an even wider range of project types (and hence of cost impact profiles).

In addition to misrepresenting reality, bundling 'day-to-day' (or 'business-as-usual', BAU) escalation and that resulting directly from Middle East conflict puts risk arrangements under pressure. At WT, we believe the risk of BAU escalation should remain with the main contractor. For direct Middle East impacts, the risk appetite of both parties should be clearly understood. Any response should reflect current circumstances rather than defaulting to approaches used during COVID or the Ukraine war, which had different underlying drivers.

Every project has a different exposure profile. Advice on managing the direct impacts of the Middle East conflict should therefore be tailored to the project, procurement strategy and prevailing market conditions.

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Key points, risks and implications by year
Base-case view

2027

- Market conditions are set to remain elevated, reflecting the strength of key drivers over recent years and the ramping up of construction activity in Brisbane and south-east Queensland (SEQ). This is despite the likely ongoing influence of the Middle East conflict on prices/volumes of key materials (with subsequent indirect impacts included in our escalation numbers). National average BAU escalation is expected to be 5.5% (building) and 5.0% (infrastructure) in 2027.
- **Risk:** While current market conditions typically represent those of 1–3 years prior (this is the lead time, also called the lag, between the decision to construct and construction taking place), a more immediate impact may be seen from next year due to factors including the housing downturn, federal tax changes and interest rate increases (and their impact on sentiment). This would be most evident in the residential and commercial sectors.
- **Implication:** State government budgets will be materially affected by the combined effects of the housing downturn, federal tax changes and higher interest rates. This could affect capital programs from the 2027–28 financial year, particularly in the larger states and those more reliant on stamp duty revenue.

2028

- Construction activity (in terms of commencements) is expected to be around peak levels in Brisbane and south-east Queensland and in most other major markets, especially in building sectors. Infrastructure spend should be down from early-decade highs but still historically elevated. This combination should see national average escalation jump to 6.0% (building) and 5.4% (infrastructure) in 2028.
- **Risk:** While record levels of construction activity are expected across many sectors and in many markets, risks of a potential recession also appear to be greatest in 2028. These risks may be local (due to a prolonged housing downturn, especially if interest rates move much higher), international (either from prolonged high oil prices or the bursting of an AI investment bubble), or both.
- **Implication:** The next federal election may not occur until July 2028, but discussion has already begun of reductions to Australia's overseas migration program. While construction trades are unlikely to be the primary focus of any migration reduction, they may still be affected by broader program changes. This could constrain labour availability and add to escalation pressures, particularly in major markets and on large or complex projects.

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2029 and beyond

- By 2029, we expect the peak in construction starts on the building side to have passed but to still remain elevated, with infrastructure activity expected to have increased. Overall, market conditions should remain above average, leading to a national average escalation view of 5.6% (building) and 5.7% (infrastructure).
- **Risk:** The residential sector, and potentially the commercial sector outside data centres, could add to escalation pressures in 2029. The housing downturn, federal tax changes and higher interest rates are likely to weigh on construction activity in the near term, while the federal housing target is increasingly unlikely to be met. However, the underlying need for new housing will continue to grow. By 2029, particularly if interest rates have begun to fall, renewed efforts to address the housing shortfall could drive a significant uplift in activity and put further pressure on sector capacity and escalation.
- **Implication:** Over the years, we have frequently noted that the sector's sub-par investment in its own capability and capacity has played a key role in escalation remaining elevated, and that this took many years to materialise. More broadly, construction sector productivity has been poor and trending downwards for an even longer period.

  Increasingly rapid advances in AI (which has many potential implications in construction) could trigger an overdue improvement in sector capability and capacity, initially through advances like modern methods of construction (MMC) with potentially rapid growth in robotics, most likely from the 2030s. Together, these developments could support a sustained return towards long-term escalation rates, but this is likely to require broad adoption in the construction sector, which has been slow for close to two decades.

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Cost escalation: Building

WT view on cost escalation by city

	2026	2027	2028	2029
Escalation type	**BAU**	**BAU**	**Total**	**Total**
Sydney	4.8%	4.4%	4.8%	4.6%
Melbourne	4.8%	4.6%	4.8%	5.0%
Brisbane	6.5%	8.0%	10.0%	7.5%
Adelaide	6.2%	5.5%	6.0%	5.5%
Perth	6.7%	6.2%	6.0%	6.2%
Hobart	4.3%	5.5%	6.0%	5.8%
Canberra	4.1%	4.0%	4.0%	4.0%
Darwin	4.9%	4.6%	5.0%	5.3%
Newcastle	4.6%	4.5%	5.0%	5.0%
Geelong	4.6%	4.3%	4.3%	4.6%
Gold Coast	6.8%	7.5%	9.5%	7.0%
Cairns	7.0%	7.5%	6.5%	6.0%
Sunshine Coast	7.0%	7.8%	9.6%	6.5%
Weighted average	**5.5%**	**5.5%**	**6.0%**	**5.6%**

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

BAU escalation is all factors that contribute to construction cost escalation other than the **direct** impacts from the Middle East conflict. 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 (EBA) 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 pipeline. This may be via marginal projects being put on hold or scrapped, or where projects are fast-tracked or new projects emerge given changing market circumstances
  - 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 (with a negative or positive impact on workforce size)
- any other contributors to escalation unrelated to the Middle East conflict.

Note: as indicated on page 5, WT's base-case view is that **direct** impacts of the Middle East conflict on cost escalation will be seen through 2026 and through the first half of 2027.

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Cost escalation: Infrastructure

WT view on cost escalation by city

	2026	2027	2028	2029
Escalation type	**BAU**	**BAU**	**Total**	**Total**
Sydney	5.0%	4.7%	4.3%	5.0%
Melbourne	5.3%	4.8%	5.1%	5.2%
Brisbane	6.0%	7.0%	8.5%	7.5%
Adelaide	5.2%	5.0%	5.5%	6.0%
Perth	4.5%	4.0%	4.7%	5.2%
Hobart	3.6%	4.8%	4.0%	5.8%
Canberra	4.7%	4.5%	5.0%	5.7%
Darwin	4.6%	4.3%	4.3%	6.5%
Newcastle	5.3%	4.6%	4.4%	5.3%
Geelong	4.8%	4.2%	4.6%	4.8%
Gold Coast	5.5%	6.3%	7.0%	6.5%
Cairns	7.5%	8.0%	7.0%	6.5%
Sunshine Coast	6.5%	5.8%	9.0%	8.0%
Weighted average	**5.1%**	**5.0%**	**5.4%**	**5.7%**

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

BAU escalation is all factors that contribute to construction cost escalation other than the **direct** impacts from the Middle East conflict. These include:

- escalation seen up to February 2026 (before the conflict commenced)
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  - secondary impact – producers/importers profiteering from the Middle East conflict
  - pipeline impact – cost impact via changes to the construction pipeline. This may be via marginal projects being put on hold or scrapped, or where projects are fast-tracked or new projects emerge given changing market circumstances
  - 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 (with a negative or positive impact on workforce size)
- any other contributors to escalation unrelated to the Middle East conflict.

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Sydney

Cost escalation	2026	2027	2028	2029
Escalation type	**BAU**	**BAU**	**Total**	**Total**
Building	4.8%	4.4%	4.8%	4.6%
Infrastructure	5.0%	4.7%	4.3%	5.0%

Key trends

Summary: Sydney has a broadly robust outlook, although elevated competition for resources will add to cost pressure. Escalation is forecast to average 4.6% p.a. for building and 4.7% p.a. for infrastructure from 2027 to 2029.

Competition for resources: Sydney competes with other major national and international markets (or with smaller markets when they have major/complex projects). Competition from Brisbane/south-east Queensland remains a key threat but could come from most other capital cities and increasingly from rural/regional areas (in sectors led by renewables and defence).

Local insights

- The Sydney outlook appears to be one of elevated risks. These include a stronger-than-average pipeline of commercial and high-rise residential projects (at potential risk from the higher interest rate environment and the new federal tax settings), a market more reliant than most on overseas migration (at potential risk of cuts) as well as a reduced focus on major new capex from the state government.
- However, these will be neutralised, if not exceeded, by areas of strength and/or upswing across the construction landscape. This will notably be seen with data centres (and potentially renewables/transmission) but also major transport building (metro stations, Sydney Airport), industrial, aged care (and, to a lesser extent, health), accommodation (initially for students before shifting to tourists) and defence.
- While potential cuts to overseas migration and a reduced state government capital program are negative factors, both are more likely to affect the period beyond the scope of this report. Strong population growth in Sydney in the early to mid-2020s, together with an improvement in net interstate migration outflows, will help underpin construction activity in the years ahead.

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Melbourne

Cost escalation	2026	2027	2028	2029
Escalation type	**BAU**	**BAU**	**Total**	**Total**
Building	4.8%	4.6%	4.8%	5.0%
Infrastructure	5.3%	4.8%	5.1%	5.2%

Key trends

Summary: Melbourne should see a belated uplift in market conditions, with prolonged softness and stronger competition for resources (notably from Brisbane) to also put upward pressure on costs. Escalation is forecast to average 4.8% p.a. for building and 5.0% p.a. for infrastructure from 2027 to 2029.

Competition for resources: Melbourne competes for talent with other major markets. This competition has not been as strong as it once was, but Melbourne's advantage in residential affordability has been, and will be, important. Competition from Brisbane/south-east Queensland is already strong and is likely to ramp up further but can also be expected from other cities over the period to 2029.

Local insights

- After a prolonged period of softness, Melbourne should finally see a period of stronger market conditions. This looks set to come from the demand side (i.e. construction activity, which appears to have increasing tailwinds) and the supply side (i.e. capability, due largely to the prolonged soft conditions).
- The more positive outlook for construction activity is expected despite concerns as to the strength of the commercial and high-rise residential pipeline. The challenging interest rate outlook and the impact of recent federal tax changes should be relatively less concerning in Melbourne due to Melbourne's lower residential prices and stronger population growth, while the state of play in many other sectors led by data centres, transport, aviation, renewables/transmission, and tourist-focused sectors is healthy.
- Potential cuts to overseas migration, including student numbers, and a reduced state government capital program following November's election could detract from near-term market conditions. However, strong population growth in the early 2020s and improvements in net interstate migration (now back in positive territory across the state with room for further improvement in Melbourne) will support an elevated need for construction in coming years.

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Brisbane

Cost escalation	2026	2027	2028	2029
Escalation type	**BAU**	**BAU**	**Total**	**Total**
Building	6.5%	8.0%	10.0%	7.5%
Infrastructure	6.0%	7.0%	8.5%	7.5%

Key trends

Summary: Brisbane has a very healthy pipeline, limited options to accommodate extra resources and a sector broadly at capacity, which all point to persistent above-average escalation. Escalation is forecast to average 8.5% p.a. for building and 7.7% p.a. for infrastructure from 2027 to 2029.

Competition for resources: A booming construction sector for a major market, with pipeline strength across many sectors, would normally be of considerable interest to resources from other markets. Ultimately, this may still be the case, but the paucity of accommodation options could see shortages persist and upside risk to the escalation forecasts.

Local insights

- Amid increasing reports of a construction sector landscape at or near capacity, with little or no slack in the system across the broader region, Brisbane is set to see very strong levels of cost escalation to 2029 and possibly beyond. An increasingly likely part of the ultimate outcome appears to be the postponement or cancellation of some proposed projects.
- Adding to the challenge is the limited responsiveness of labour supply to increasingly acute shortages. Despite strong population growth and elevated migration into Brisbane and Queensland in recent years, there has been little corresponding increase in construction labour availability. While there is greater hope for the vocational pipeline, interstate migration has weakened markedly, with Brisbane on track for a 12-year low in net interstate migration.
- Other recent developments appear to weigh on the outlook. While building approvals numbers have strengthened of late, the state of play in residential rental supply remains tight. Despite Brisbane prices having moved higher in recent years, costs have risen more, making prospects for much-needed supply difficult. While not previously on the radar for Brisbane and the south-east, the potential for major data centre projects in the broader region will make cost pressures more acute.

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Marrickville Timberyards build-to-rent (render), Sydney

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Adelaide

Cost escalation	2026	2027	2028	2029
Escalation type	**BAU**	**BAU**	**Total**	**Total**
Building	6.2%	5.5%	6.0%	5.5%
Infrastructure	5.2%	5.0%	5.5%	6.0%

Key trends

Summary: Cost pressures are set to persist in Adelaide, given the sustained strength of construction activity and difficulty attracting resources to quell cost pressures. Escalation is forecast to average 5.7% p.a. for building and 5.5% p.a. for infrastructure from 2027 to 2029.

Competition for resources: Adelaide construction is in a strong position and has robust near-term momentum, but this has not produced a strong inflow of resources. Possible factors include uncertainty about whether current conditions can be sustained, high residential prices and expectations of a cyclical uplift in Melbourne. Whatever the cause, Adelaide needs additional resources to support unprecedented levels of activity.

Local insights

- Momentum in Adelaide's construction sector has strengthened. A market once characterised by periods of stagnation interrupted by major government-supported projects has now transformed and increasingly resembles the strength of the major east coast markets.
- This is being reflected in the state of play across the construction pipeline. Significant activity is occurring in commercial, living and accommodation, and tunnel sectors. Plans for much more, together with healthy defence, industrial and utilities pipelines, underpin a strong construction outlook and elevated cost pressures.
- This outlook is reinforced by exceptionally strong demand for trades. Adelaide has not seen demand fall from the levels recorded in the immediate post-pandemic years, and it remains well above figures seen as far back as the late 2000s.
- However, there are areas of concern. Like larger markets, interest rate rises, federal tax changes and potential cuts to overseas student numbers are risks for commercial, living and accommodation sectors, while any risk to AUKUS could hit the defence and industrial pipeline. The lack of supply (trades) response to the strength of the Adelaide market may put a floor under escalation, but should this change it could add to downside escalation risks, especially if paired with softer construction.

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Perth

Cost escalation	2026	2027	2028	2029
Escalation type	**BAU**	**BAU**	**Total**	**Total**
Building	6.7%	6.2%	6.0%	6.2%
Infrastructure	4.5%	4.0%	4.7%	5.2%

Key trends

Summary: Cost pressures remain stuck in an above-average position due to sustained strength in construction and the sector continuing to rebuild from mid/late 2010s weakness. Escalation is forecast to average 6.1% p.a. for building and 4.6% p.a. for infrastructure from 2027 to 2029.

Competition for resources: Perth competes for construction resources with major east coast cities and Western Australia's mining sector. The prolonged weakness in Perth construction from the mid-2010s saw resources leave the local sector and contributed to insufficient investment in capability. Although this outflow has slowed, local capability has yet to fully recover.

Local insights

- Perth's status as a market with persistent strength in cost escalation pressures (without extraordinarily strong construction activity) has been many years in the making.
- As the mining investment boom waned by the mid-2010s, so too did the strength of the state government budget, population growth in Perth and demand for major construction. The subsequent uplift in prices for Western Australia's commodities helped reverse each of these trends. The extended period of weakness and its effect on construction sector capability remains crucial to understanding current and future market conditions.
- Another unusual feature of the Perth and WA economies today is that their strength is largely unaccompanied by healthy levels of mining investment. This has helped to free up a portion of the construction workforce which might normally be focused on mining sector infrastructure. While not part of our base case, any uplift in demand for new mining sector infrastructure will put upward pressure on construction costs in Perth.
- For infrastructure more broadly, the pipeline is solid but not in nearly as strong a position as its building counterpart, and a major pick-up is not expected until at least 2029. However, there is an increasing likelihood of a strong uplift in renewables construction (perhaps before 2029), while the massive Westport project could also proceed (most likely from the early 2030s).

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Hobart

Cost escalation	2026	2027	2028	2029
Escalation type	**BAU**	**BAU**	**Total**	**Total**
Building	4.3%	5.5%	6.0%	5.8%
Infrastructure	3.6%	4.8%	4.0%	5.8%

Key trends

Summary: The looming commencement of several major projects, combined with a healthy pipeline across the rest of Tasmania, will see overall Hobart conditions strengthen, despite the emergence of a two-speed sector. Escalation is forecast to average 5.8% p.a. for building and 4.8% p.a. for infrastructure from 2027 to 2029.

Competition for resources: For 'normal' Hobart project budgets and types, trades and resources are generally serviced by the existing workforce. However, there is increasing competition for resources from Launceston, where conditions are comparatively stronger.

Improved population inflows from Sydney and Melbourne in recent years have helped support workforce availability, although this could reverse as housing markets in those major cities soften.

For major or complex Hobart projects, particularly those requiring Tier 1 and Tier 2 contractors, competition extends to comparable projects in other major cities. Hobart's smaller and less consistent pipeline of major works could therefore put additional upward pressure on costs.

Local insights

- Patchy underlying conditions in Hobart, combined with several major projects approaching construction, are likely to reinforce the emergence of a two-speed market.
- Private development has been buoyed by the projected shortage of hotel accommodation, which may put further pressure on the existing workforce.
- Outside Hobart, prospects for major projects are stronger and could help put a floor under escalation in the city. These are largely infrastructure-led, including major renewables projects and the Marinus Link transmission project, but also include the Firmus data centre near Launceston. Since completion of the Bridgewater Bridge, projects in Hobart itself have generally been more modest in scale.
- As order books for major contractors and subcontractors fill, reduced competition for major projects is becoming evident in the market.

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Riverline build-to-rent (render), Melbourne

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Canberra

Cost escalation	2026	2027	2028	2029
Escalation type	**BAU**	**BAU**	**Total**	**Total**
Building	4.1%	4.0%	4.0%	4.0%
Infrastructure	4.7%	4.5%	5.0%	5.7%

Key trends

Summary: Canberra has entered a period of stronger market conditions and hence cost pressures. Escalation is forecast to average 4.0% p.a. for building and 5.1% p.a. for infrastructure from 2027 to 2029.

Competition for resources: Canberra will always compete with Sydney for key trades, so could see stronger cost pressures via Sydney's data centre pipeline and, indirectly, by increased demand from Brisbane and south-east Queensland. However, the strength (set to be sustained for many years) in the nearby region's renewables and transmission pipeline should also underpin strong demand for key trades closer to home.

Local insights

- The Canberra market saw a period of softening conditions bottom out in 2025, when (building) escalation returned to the 3% baseline (the first market around Australia to see this since the pandemic). As this was happening, however, key drivers for construction were in the early stages of uplift. These were led by those for commercial construction, specifically the end of long lead times for the commencement of major new office buildings.
- The improved conditions seen in 2026, which seem set to continue into 2027, are largely expected in those sectors where federal funding is most important (e.g. office, entertainment and recreation, defence and transport infrastructure). The need to upgrade social and civil infrastructure reflecting years of robust population growth also played a role in seeing construction activity – and cost pressures – strengthen.
- Sectors linked to federal funding, as well as those typically driven by the private sector, are likely to continue to play a key role in the strength of overall market conditions, although likely federal and territory elections during 2028 may see an 'air bubble' in some projects due to any election-led uncertainty. In contrast, despite the strength of the proposed project pipeline, sectors and projects linked to territory funds may not come through as soon as expected (or hoped). While their capex funding remains robust and is set to deliver major projects in health, transport and entertainment in coming years, there is risk in the medium term, with the new Canberra stadium project unlikely until the 2030s.

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Darwin

Cost escalation	2026	2027	2028	2029
Escalation type	**BAU**	**BAU**	**Total**	**Total**
Building	4.9%	4.6%	5.0%	5.3%
Infrastructure	4.6%	4.3%	4.3%	6.5%

Key trends

Summary: Darwin's market conditions will continue to fluctuate with the defence and resources pipelines. The nature of these sectors makes a consistent flow of projects difficult, so attracting and retaining trades will remain a challenge and cost pressures will generally remain higher than elsewhere. Escalation is forecast to average 4.9% p.a. for building and 5.0% p.a. for infrastructure from 2027 to 2029.

Competition for resources: Darwin's market for trades relies heavily on interstate and overseas workers, particularly for major projects. This becomes more challenging when demand is elevated in other markets and can affect both resources and defence projects.

Local insights

- The Northern Territory construction pipeline is typically overly reliant on defence and resources investment. While the defence project pipeline is slated to see a strong uplift, this pipeline is over the next decade and hence cannot underpin efforts to scale up local capability to a critical mass. Resources investment can also be significant but is even less able to be scheduled, and the territory government's capex plans, while regular and scheduled, are too small to attract and retain industry. This means cost pressures will always be somewhat higher than in most other markets.
- Recent developments in the potential project pipeline suggest an elevated risk of stronger cost pressures in Darwin than in other markets. This risk would substantially increase should the proposed massive data centre (with Beetaloo Basin gas as the feedstock) proceed. However, should one or both proposed prison projects proceed, these would also be substantial projects for Darwin. Importing workers from major markets may prove difficult if those markets are also strengthening, which emphasises the benefits of increased and/or more regular construction in the NT.

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Newcastle

Cost escalation	2026	2027	2028	2029
Escalation type	**BAU**	**BAU**	**Total**	**Total**
Building	4.6%	4.5%	5.0%	5.0%
Infrastructure	5.3%	4.6%	4.4%	5.3%

Key trends

Summary: The Newcastle market has seen the onset of somewhat softer market conditions, largely on the back of the completion of several major projects but also due to soft conditions in Sydney. This softness is not expected to last, however, with improved conditions likely from 2028. Escalation is forecast to average 4.8% p.a. for building and 4.7% p.a. for infrastructure from 2027 to 2029.

Competition for resources: Sydney is a major source of competition for Newcastle trades and resources. Even a subdued Sydney market can offer the market depth/breadth that Newcastle can struggle to match. Other competitive threats include the Central Coast and the larger cities in the Upper Hunter. On the plus side, coal mine closures could see some easing of labour cost pressures.

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).
- However, specific local conditions are more relevant for the outlook. How market conditions respond to the completion of several major projects across building and infrastructure will be important. This may see the loss of some trades and market capacity, but recent developments suggest the pipeline could be about to bounce back, especially in sectors such as renewables, industrial, residential and accommodation.
- Newcastle's medium- to long-term prospects remain robust, supported by initiatives designed to encourage broad investment across the city. These include plans for Broadmeadow and Newcastle Quay, as well as the Energy Precinct. If recent progress towards commencement of the Fast Rail project leads to delivery, momentum would strengthen further.

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GemLife Resorts later living, Queensland

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Geelong

Cost escalation	2026	2027	2028	2029
Escalation type	**BAU**	**BAU**	**Total**	**Total**
Building	4.6%	4.3%	4.3%	4.6%
Infrastructure	4.8%	4.2%	4.6%	4.8%

Key trends

Summary: Geelong appeared to be about to enter a period of softer market conditions, but these fears have been assuaged by the near-term pipeline rebuilding. The extent to which this pipeline is converted may even prevent the loss of trades to the resurgent Melbourne market, but some additional escalation pressure from Melbourne is likely. Escalation is forecast to average 4.4% p.a. for building and 4.5% p.a. for infrastructure from 2027 to 2029.

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

Local insights

- Geelong's steady and solid growth supports a large and quite consistent construction pipeline, but the recent or looming completion of several major projects raised concerns in some quarters of a weaker period coming. However, the pipeline now appears to have been rebuilt, led notably by the Australian Centre for Disease Preparedness upgrade and a robust phase of industrial projects to follow.
- A belated improvement in Melbourne market conditions (expected by 2028 if not sooner) could add to escalation pressures in Geelong, perhaps notably for looming projects in the pipeline. If key trades or other resources cannot be secured, they may be lost to the larger and deeper Melbourne market.
- Having experienced robust population growth over many years, Geelong should be underpinned in the medium term by the next round of major residential developments. Population growth should lay the foundation for accompanying transport infrastructure investment, across both road and rail, although this investment may slip beyond the period to 2029.

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Gold Coast

Cost escalation	2026	2027	2028	2029
Escalation type	**BAU**	**BAU**	**Total**	**Total**
Building	6.8%	7.5%	9.5%	7.0%
Infrastructure	5.5%	6.3%	7.0%	6.5%

Key trends

Summary: The Gold Coast is set to see strong conditions continue from 2027 to 2029. There is a risk that the housing downturn cools conditions somewhat, but any surplus resources may instead go straight to the larger Brisbane market. Escalation is forecast to average 8.0% p.a. for building and 6.6% p.a. for infrastructure from 2027 to 2029.

Competition for resources: Brisbane is typically the main competitive threat for resources and trades against the Gold Coast market, but this is especially so given the strength of the Brisbane pipeline in coming years. Within Brisbane, the fast-growing Logan area is nearest to the Gold Coast and may be a surprise competitive threat, given relative strength in recent building approvals figures (notably in the industrial pipeline).

Local insights

- Exceptionally strong market conditions in Brisbane would normally draw on nearby resources and help moderate cost pressure. However, the Gold Coast is experiencing its own prolonged period of record activity, with only limited overlap with the larger Brisbane market.
- This is most notably reaffirmed in the recent trend in local building approvals data, with a substantial uplift (from an already-elevated base) largely on the residential side. While a portion of this is approvals resubmitted from the early 2020s and there is an increased risk that not all of these approvals proceed to construction (given the housing market downturn), the uplift points to strong conditions being maintained on the Gold Coast even without the impetus from Brisbane market demands.
- Tight conditions (price/availability) in the local housing market mean there are few options for those wanting to move from interstate. This is confirmed by robust population growth numbers (remaining close to 2%) and much weaker net interstate migration numbers (likely to fall below 1,000 for only the second time since at least the mid-2000s and well below average).

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Wirra Mikangka build-to-rent (render), Adelaide

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Cairns

Cost escalation	2026	2027	2028	2029
Escalation type	**BAU**	**BAU**	**Total**	**Total**
Building	7.0%	7.5%	6.5%	6.0%
Infrastructure	7.5%	8.0%	7.0%	6.5%

Key trends

Summary: The combination of the cyclical high in the local construction pipeline but also the very strong conditions in Brisbane and south-east Queensland will keep escalation elevated in Cairns. That Cairns does not have an economic driver outside of the tourism sector will continue to limit efforts to build a greater local workforce. Escalation is forecast to average 6.7% p.a. for building and 7.2% p.a. for infrastructure from 2027 to 2029.

Competition for resources: Generally, much like Darwin, the Cairns construction workforce is often from interstate or overseas. Otherwise, Cairns competes with Townsville for more 'run of the mill' projects and with major cities in south-east Queensland or nationally for larger and/or more complex projects. However, the current sustained strength in Brisbane and the south-east is a key driver for elevated cost pressures.

Local insights

- The Cairns economy and, by extension, construction pipeline and market conditions are based heavily on tourism. Tourism numbers have now recovered strongly from the pandemic impact, although remain just below pre-pandemic highs. Population growth, however, has reverted after hitting a 15-year high in 2022/23. It is now back around the 1% mark (below the average seen since the Great Financial Crisis).
- However, the current and looming strength of the pipeline (which includes Cairns Hospital, Woree social housing, the Barron River bridge and the common user facility project) points to quite strong market conditions persisting for some time yet.
- This is especially so given the strength of construction drivers in Brisbane and the south-east, plus that the fundamentals of the Cairns market are robust without being exceptional. Its comparatively narrow economic base, with tourism as the primary driver, will continue to limit efforts to build a stronger construction workforce. The strength of activity in Brisbane and the south-east, and the cyclical high in the local pipeline, help to explain persistent, elevated escalation.

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Sunshine Coast

Cost escalation	2026	2027	2028	2029
Escalation type	**BAU**	**BAU**	**Total**	**Total**
Building	7.0%	7.8%	9.6%	6.5%
Infrastructure	6.5%	5.8%	9.0%	8.0%

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 is forecast to average 8.0% p.a. for building and 7.6% p.a. for infrastructure from 2027 to 2029.

Competition for resources: Much like the Gold Coast, Brisbane is normally the key competitive threat, and especially so on the road towards 2032. Otherwise, the Sunshine Coast has few nearby markets of sufficient size except for northern Brisbane (Moreton Bay North).

Local insights

- The Sunshine Coast has a broader pipeline (including rail, road and 'The Wave') of Olympics-related work than the Gold Coast does and is a smaller market than the Gold Coast. This suggests that Olympics-related activity could generate significant escalation pressures.
- Another difference between the Sunshine Coast and Gold Coast that could add to escalation pressure is the size of the attached residential sector. Although the Sunshine Coast is also a tourism-based economy, its apartment construction sector is much smaller. The risk of the housing downturn delaying or preventing part of the apartment pipeline is therefore less significant for the Sunshine Coast than for the Gold Coast.
- However, the market has typically responded more readily to shortages on the Sunshine Coast than on the Gold Coast. Contributing factors include stronger net interstate migration since the pandemic, greater variability in construction job vacancies on the Sunshine Coast (this fell back over 2023 and 2024 before rebounding over the last year; a very tight market such as the Gold Coast can often result in vacancies going unadvertised), and more spare capacity in the nearest major Brisbane market (Moreton Bay North, which has not performed as strongly as Logan).

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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).

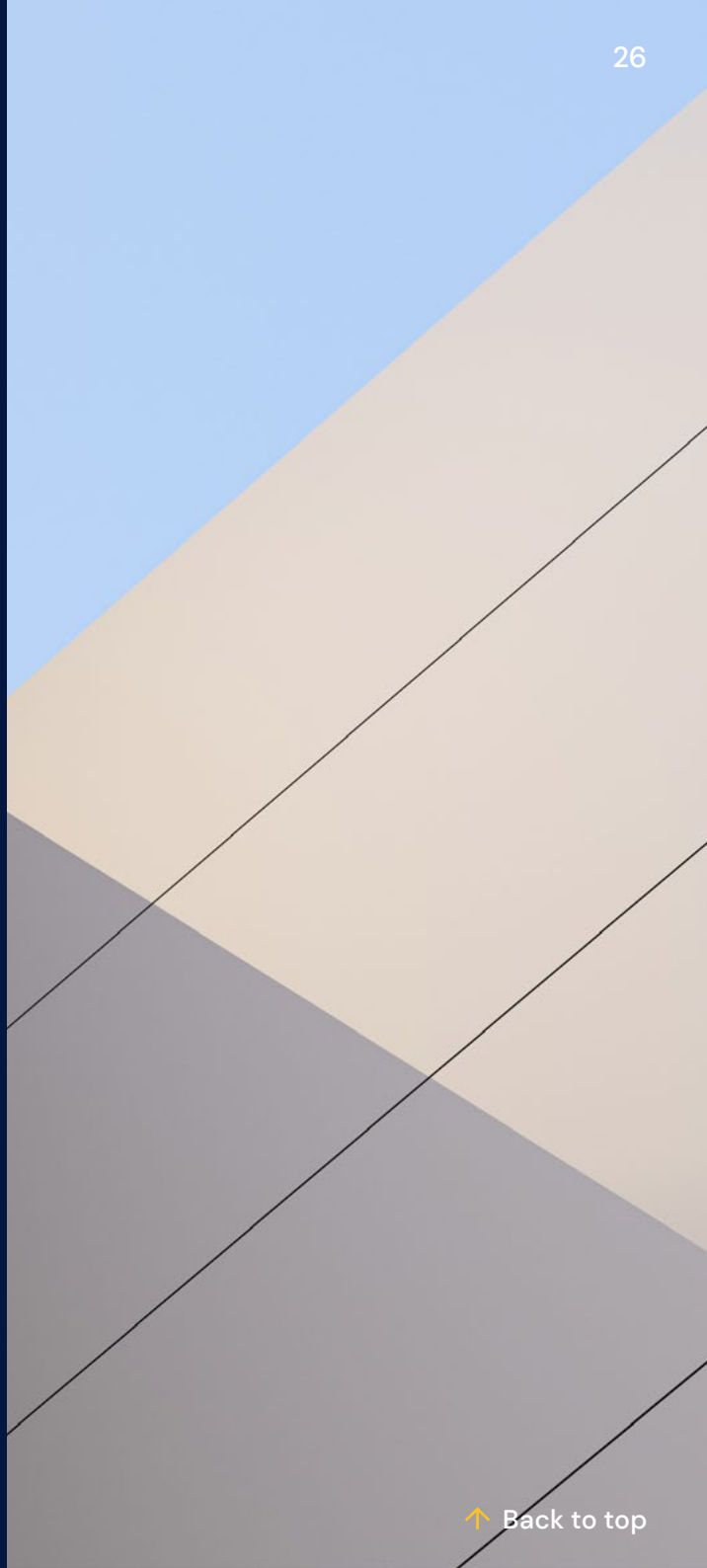
While our view is based on a variety of sources (led by our own market insight), the general approach in this pack is based on escalation from the input cost perspective. This aligns with the traditional QS approach to escalation but also allows rationalisation of bottom-up (i.e. input-level) and top-down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



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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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