Rawlinsons

JULY 2025

QUARTERLY UPDATE

MARKET OVERVIEW

The Australian construction market continues to be predominantly influenced by public infrastructure expenditure.

The federal budget for 2025-2026 demonstrates a consistent pipeline of committed projects within the utilities, health, defence, and social sectors.

Conversely, private investment remains sluggish, reflecting diminished activity levels observed in recent years. This trend is attributed to elevated interest rates, escalating construction costs, and geopolitical uncertainties.

At the time of writing this report, global geopolitical issues are becoming more complex, which is leading to greater uncertainty in the market. The US Government tariff policies have not yet provided clear predictability within the market, and stakeholders are observing how these policies will affect the industry.

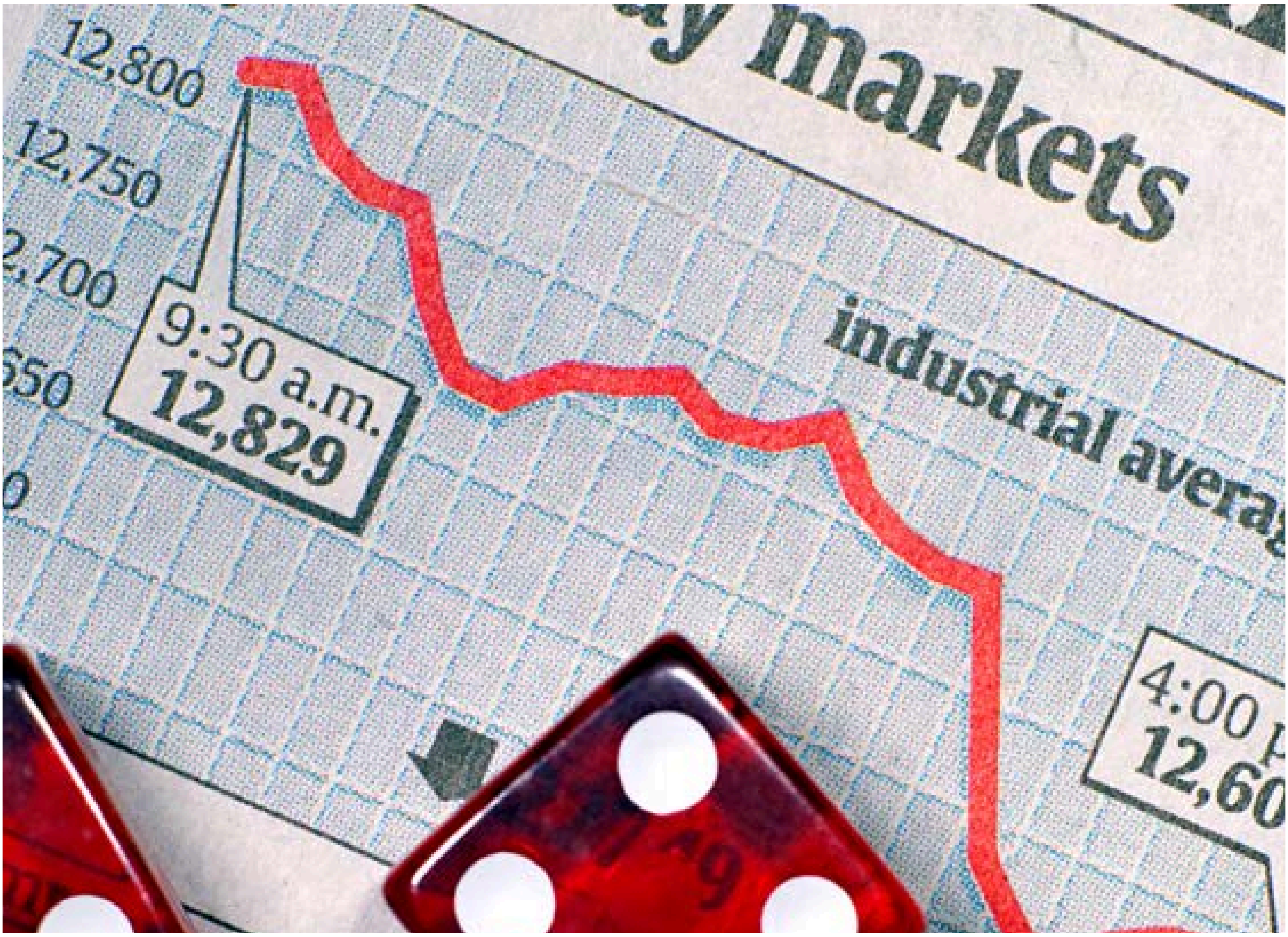
Persistent challenges include skilled labour shortages, which both federal and state governments are addressing through various apprenticeship policies and programs, contractor insolvencies, and regulatory complexities around planning and approval processes.

It is encouraging to observe that material supply prices have largely stabilised, and freight costs have decreased, thereby providing greater certainty in procurement for contractors.

MARKET OVERVIEW CONT.

"According to Master Builders Australia residential building activity is projected to increase from $73.1 billion in 2023–24 to $97.1 billion by 2028–29, marking a 32.8% rise over five years.."

Despite existing challenges, the Australian construction industry is positioned for growth, fueled by significant infrastructure investments and an emphasis on residential development. Tackling workforce shortages and controlling costs will be essential to maintaining this growth trajectory.

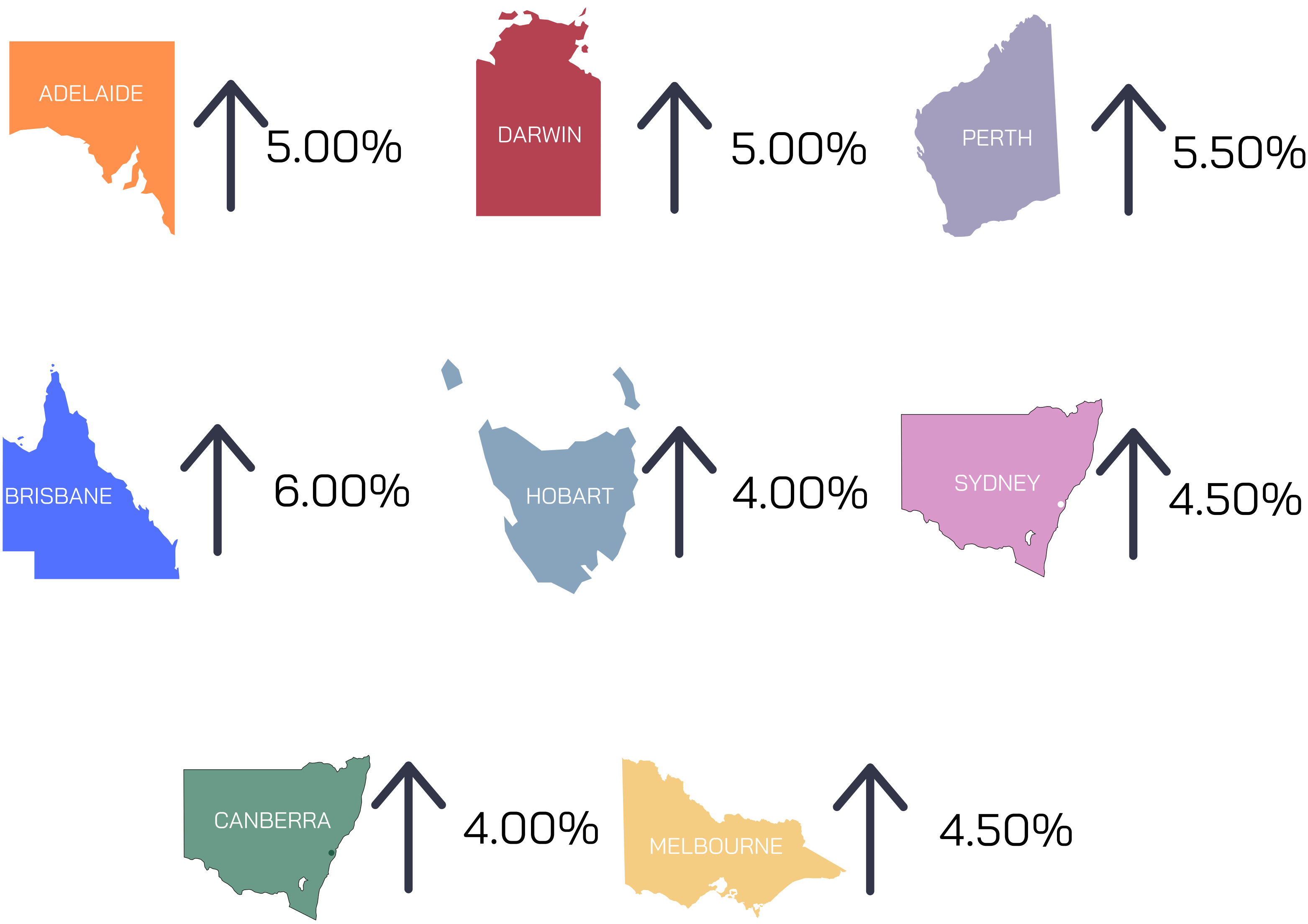


2025 FORECASTED BUILDING PRICE ESCALATION

There have been no significant changes to our escalation forecasts since our Q1 report. While escalation has lessened compared to the peak COVID period it remains persistently above traditional historical averages adversely affecting numerous projects. In 2025, the key factors driving cost escalation will include skilled labor shortages, uncertainty surrounding trade tariffs, and fluctuations in energy prices.

The rate of escalation can vary significantly from one project to another, driven by a range of factors including, but not limited to: labour availability, energy costs, financing rates, project timelines, material expenses, project size, builder margins, and supply chain procurement. Each project must be evaluated based on its specific circumstances.

Here are the projected percentage changes for each state throughout 2025:



ADELAIDE

South Australia is maintaining modest growth, generally in all sectors, notwithstanding the ongoing challenges associated with planning and funding approvals. These include economic, regulatory, environmental, and social factors.

Building approvals have improved, suggesting potential stabilisation, leading to a modest recovery. Government incentives are boosting demand, although sustainability and energy efficiency compliance requirements are influencing design and approval time frames.

Material global supply chains have improved for the short-term period. The tariffs imposed by the Trump administration can have both direct and indirect effects on the Australian construction industry, due to global price increases, disruption to the supply chain, inflation pressure on materials, machinery and equipment sourced from the United States, or impacted regions, as well as foreign investment, affecting major developments in Australia.

PRICE FLUCTUATIONS

Labour	+3%
Roof sheeting supply	+2%
Galvanised pipe supply	+4%
Hebel products	+4%
Plasterboard supply	+3%

Detailed price changes are provided in Annexure 1 for customers of Rawlinsons 2025 publications.

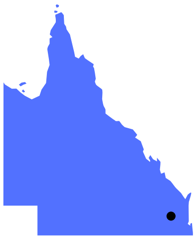
FORECASTED BUILDING PRICE ESCALATION

2025	
Q1	1.5%
Q1 - Q2	3.0%
Q1 - Q3	4.0%
Q1 - Q4	5.0%

Metropolitan infill projects indicate more approvals for medium to high density residential buildings and land divisions in former industrial and commercial sites. Approvals for regional areas are relatively stable, but limited compared to metropolitan areas.

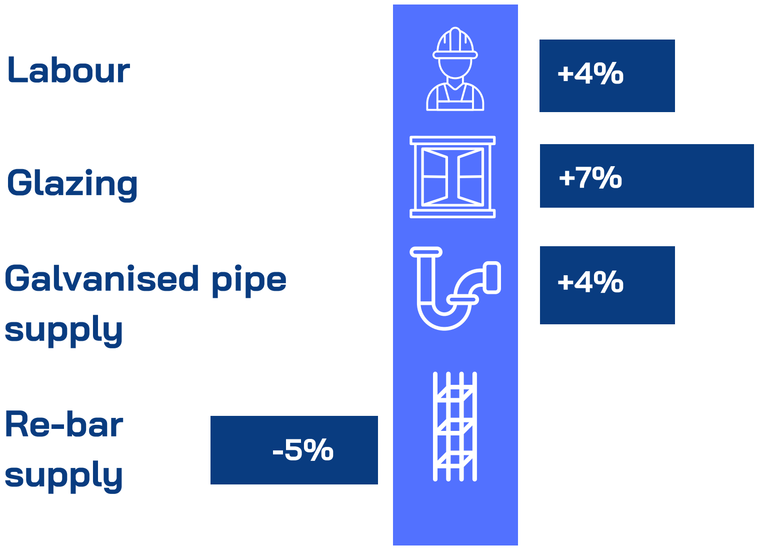
Non-Residential approvals year-on-year show a slight increase of around 3-5%, driven by infrastructure and commercial projects, with key contributors being education facilities (public and private), health sector (hospitals and aged care facilities) and industrial buildings (logistics and food processing). Retail and office development remains muted, due to post COVID trends and cautious consumer spending.

Private investment remains cautious, with tighter lending conditions affecting some commercial projects. This also applies to residential projects, with finance approvals taking 4 to 6 months to finalise.



BRISBANE

PRICE FLUCTUATIONS



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The delay in several large projects entering the market has resulted in the level of activity across the broader industry remaining steady at busy but sustainable levels in the past quarter. Many of the delayed or on-hold projects have now entered their tender phase and will form the cornerstone activity in 2026.

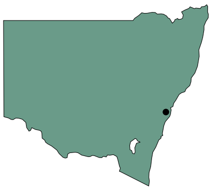
Although the Government has completed their 100-day review, the industry has yet to realise the impact of this delay as major programs of work including 2032 Olympic Games venues and the Hospital Capital Expansion Program have predominantly not commenced construction with many being re-planned. Government expenditure on smaller projects has seen some contraction in the short to medium term, in part, to fund the larger projects.

FORECASTED BUILDING PRICE ESCALATION

2025	
Q1	1.0%
Q1 - Q2	2.0%
Q1 - Q3	4.0%
Q1 - Q4	6.0%

Although there is a significant number of large projects forecast to be delivered in the foreseeable future, competitive pricing is still being achieved for projects that can be delivered before the peak demand for skilled resources is required. Given there is significant infrastructure projects also planned, including a new airport terminal, competition for resources is expected to become a challenge.

The continued improvement of domestic economic conditions and international volatility are not impacting the industry in the short-term but do have the potential to impact demand and material supply chains in the longer term.



CANBERRA

The slowdown in residential construction has stabilised, though dwelling starts remain well below recent-year averages. Signs of improving market sentiment are emerging, underpinned by modest gains in consumer confidence and expectations that the RBA's interest rate cycle has peaked. Residential building approvals rose 25% year-on-year as of March 2025, with multi-unit approvals rebounding from a low base.

Public-sector investment remains the dominant force in Canberra's construction market. Major ACT and Federal government projects in education, health, and defence continue to absorb subcontractor and consultant capacity. However, construction activity across all sectors is constrained by structural cost pressures. Labour costs remain elevated, particularly for skilled trades and site supervisors, and are expected to rise further as sensitive federal projects ramp up demand for workers with citizenship and active security clearances.

PRICE FLUCTUATIONS

Labour	+8%
Brick supply	+3%
Galvanised pipe supply	+4%
Plasterboard supply	+4%

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FORECASTED BUILDING PRICE ESCALATION

2025	
Q1	1.5%
Q1 - Q2	3.0%
Q1 - Q3	3.5%
Q1 - Q4	4.0%

The 2025–26 ACT Budget reinforces public-led momentum, committing significant multi-year funding for infrastructure across transport, health, education, climate resilience, and suburban upgrades including active travel routes and community facilities. In civil construction, contractor participation in tendering is improving across subdivisions, roads, and water infrastructure, although this reflects a tapering in work volume. Smaller local firms are increasingly being edged out by interstate competitors due to the size or complexity of bundled civil packages.

These dynamics are contributing to a moderation in cost escalation forecasts for the next two years. Still, Canberra's construction costs remain under pressure from labour shortages, regulatory overheads, and an over-reliance on public investment. Addressing these structural constraints is essential to rebuild private-sector confidence and deliver sustained, balanced growth across the Territory's built environment.

DARWIN

The Northern Territory Government has released its 2025–26 Budget, outlining a strategic plan for economic growth with a strong emphasis on infrastructure investment. A total of $2.74 billion has been committed to infrastructure projects across the Territory, including new public housing and upgrades to health, education, and corrections facilities.

The construction sector in the NT is positioned for sustained growth, driven by a consistent pipeline of works. This includes continued defence investment, the Territory's ongoing infrastructure program, and rising levels of private sector involvement. Notable projects commencing in Q2 include the Casuarina Shopping Centre upgrades, Darwin Civic Centre development, and the Smith Street Streetscape enhancement.

PRICE FLUCTUATIONS

Labour	+3%
Concrete supply	+2%
Brick/block supply	+2-5%
Structural steel	+1%
Plasterboard supply	+2%

Detailed price changes are provided in Annexure 1 for customers of Rawlinsons 2025 publications.

FORECASTED BUILDING PRICE ESCALATION

2025	
Q1	2.0%
Q1 - Q2	3.5%
Q1 - Q3	4.0%
Q1 - Q4	5.0%

Despite strong momentum the local construction industry continues to face difficulties in securing skilled labour for critical trades such as structural steel, blockwork, electrical, and mechanical services. Ongoing defence related projects are offering higher wages, further driving up labour costs. This trend is expected to continue given the strong pipeline of defence work.

With major infrastructure investment and sustained demand for skilled trades, upward pressure on trade pricing is anticipated to continue. This is especially pronounced in the civil, infrastructure, and defence sectors, where large-scale projects face a limited pool of qualified subcontractors.

HOBART

The current political environment in the State, following the collapse of the Liberal led hung Parliament, is capable of dramatically affecting the local economy. Business and investor confidence is vital in the relatively isolated Tasmanian market and directly influences activity levels in the construction industry.

Due to construction cost increases and interest rate rises over the past few years and the inability of sale and leasing returns to match these increases, the private development sector had already entered a period of relative dormancy. With the government currently in caretaker mode and the election outcome likely to be in the balance, there is also the obvious uncertainty surrounding proposed publicly funded developments which have been underpinning the construction industry during the private sector downturn.

PRICE FLUCTUATIONS

Block/brick supply	+4%
Roof sheeting	+5%
Glazing	+7%
Plasterboard	+5%

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FORECASTED BUILDING PRICE ESCALATION

2025	
Q1	1.0%
Q1 - Q2	2.0%
Q1 - Q3	3.0%
Q1 - Q4	4.0%

At the heart of any Tasmanian political or construction discussion lies the impending AFL stadium development which remains a contentious argument for many. Whilst supported by both the Labor and Liberal parties, many Independents and the Greens have aligned themselves in an anti-stadium position. Considering the outcome of the 2024 election, the likelihood of either of the major parties requiring the backing of Independents to form Government is high, resulting in a nervous wait for the State.

The residential sector has been running at much lower levels than the peak of recent years that saw construction costs become unviable. Increased interest rates were perhaps a necessary brake, although the loosening of this and the recent trend downwards will be a welcome relief for those looking to invest or enter the market as well as residential builders.

MELBOURNE

The construction industry, at large, continues to be hampered by several existing issues. The ongoing general shortage of skilled and unskilled labour, continues to adversely affect construction costs and productivity levels, but is also making its mark on extended project timeframes etc. The tightening of financiers' lending terms and conditions are also having some effect on the construction industry, while the disturbing and ongoing high level of contractor/sub-contractor insolvencies is set to continue for the foreseeable future.

On a little more positive note, a growing number of material input components of construction costs, are slowly showing some trends of moving back towards more historically anticipated and predictable annual cost escalation levels that prevailed in years prior to COVID. However, having said this, those particular input materials, which require high energy costs in their production, are continuing to remain in a volatile area of ongoing increasing cost concerns.

PRICE FLUCTUATIONS

Labour	+2%
Brick/block supply	+4%
Galvanised pipe supply	+4%
Plasterboard supply	+5%

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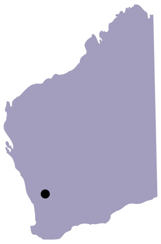
FORECASTED BUILDING PRICE ESCALATION

2025	
Q1	1.0%
Q1 - Q2	2.0%
Q1 - Q3	3.5%
Q1 - Q4	4.5%

The existing high level of activity within the construction industry, continues to be driven, not only by the infrastructure sector, which includes railway and roadworks works, but also by new 'Data Centre' sector projects. Activity within the general housing and townhouse sector continues to remain reasonably stable but are insufficient in their numbers currently being completed. It needs to uplift substantially and quickly, if it is to meet the government's stated target numbers. In the apartment sector, activity remains slightly subdued, part in due to prevailing construction cost levels, feasibility issues, regulatory requirements, etc.

Construction activity within the Build-to-Rent (BTR) housing, townhouse and apartment sector continues to be strong and remains in growth mode. Activity within the industrial, health and aged care sectors are anticipated to continue to remain strong and positive, while that in the retail, office and hotel sectors, although currently relatively subdued, are showing early signs of some positive upward movement.



PERTH

Market activity has remained reasonably steady with most builders still having a reasonable volume of work on the horizon, however anecdotally we are hearing of keener sub-contractor interest which should translate into more competitive tenders. Key sub-contractor price escalation is still being experienced in structural trades and in particular formwork and concrete and also in the ceiling and partition trades. As these trades are required in almost all projects, most projects will continue to face upward price pressure.

Low productivity has significantly affected many projects, reducing working days per worker, lowering earnings, and decreasing efficiency. This also extends project timelines and increases indirect preliminary costs.

The trend of ECI and D&C contracts has persisted post COVID. Though useful for some projects, they are often used inappropriately, raising costs with extra fees and transferring design risk to contractors, who add significant allowances to cover this risk.

PRICE FLUCTUATIONS

Labour	+3%
Concrete supply	+4%
Galvanised steel pipework	+4%
Plasterboard	+7%
Re-bar supply	-2%

Detailed price changes are provided in Annexure 1 for customers of Rawlinsons 2025 publications.

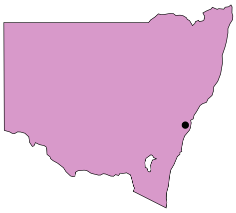
FORECASTED BUILDING PRICE ESCALATION

2025	
Q1	1.5%
Q1 - Q2	3.0%
Q1 - Q3	4.0%
Q1 - Q4	5.5%

The recent WA state budget included the following key commitments:

- $38 billion allocated over five years for infrastructure including hospitals, schools, utilities, public transport, roads, water, electricity networks, and major regional projects.
- $331 million allocated to TAFE and training initiatives, including $12 million for AUKUS-related apprenticeships.
- $1.4 billion allocated to address the housing shortage through first-home buyer incentives, modular construction programs, construction workforce subsidies, and extended skilled-visa programs.

Private developers largely continue to wait in the wings until cost pressures ease and project feasibilities look more appealing, however, at some point there will need to be an acceptance that construction costs are only going one way.



SYDNEY

The Sydney and NSW construction sector remains active but continues to face a complex mix of cost, labour, and supply challenges. The broader economic backdrop is cautiously improving, with the Reserve Bank of Australia commencing interest rate cuts (cash rate reduced to 3.85%) after a prolonged period of monetary tightening. This has provided some relief on financing costs, but developers and investors remain cautious, awaiting clearer signs of cost stability and stronger demand before launching new private projects.

Material cost pressures have moderated compared to the volatility of 2021–2023. Prices for key structural materials, such as steel and timber, have stabilised. However, energy-intensive materials like concrete, bricks, and glass remain under upward pressure due to high energy prices and carbon compliance costs.

PRICE FLUCTUATIONS

Labour	+3%
Concrete supply	+3%
Brick/block supply	+6%
Glazing	+2%
Plasterboard	+8%

Detailed price changes are provided in Annexure 1 for customers of Rawlinsons 2025 publications.

FORECASTED BUILDING PRICE ESCALATION

2025	
Q1	1.5%
Q1 - Q2	3.0%
Q1 - Q3	4.0%
Q1 - Q4	4.5%

Labour availability continues to be the single greatest challenge for the NSW construction sector. Skilled labour shortages are widespread, particularly in infrastructure and engineering trades, and are driving wage inflation of 4%–5% annually in enterprise agreements. Productivity remains a concern, with output per worker in residential construction well below historic levels. Skilled migration is recovering slowly but housing shortages for migrants limit its impact. Labour remains a core driver of construction cost escalation, which is forecast at around 4.5% for Sydney in 2025.

Overall sentiment in the NSW construction market remains cautious. Developers are awaiting clearer cost and demand signals before committing to new projects, while investors monitor interest rates and construction cost trends. The market outlook for the remainder of 2025 suggests steady activity driven by public investment, with private sector recovery hinging on sustained cost stabilisation, further rate cuts, and improved buyer confidence. Collaborative contracting, early contractor involvement, and flexible risk-sharing models are gaining traction as strategies to improve project delivery certainty in a challenging environment.

EDUCATION TOPIC

"In this article, we will focus on cost estimation in regional locations including the challenges faced and the key factors to allow for."

Estimating construction costs is a fundamental skill in the building and infrastructure industries. However, when projects are located in regional or remote areas, cost estimation becomes more complex due to a range of factors that don't usually apply in metropolitan environments. In this article we have set out key additional considerations when estimating for projects in regional locations.

Labour Availability and Workforce Challenges

In regional areas, there are often fewer skilled tradespeople available locally. This can lead to:

- Higher labour costs, especially if workers need to travel from elsewhere.
- Fly-in-fly-out (FIFO) arrangements, which include extra costs for flights, accommodation, and other allowances.
- Longer project timelines, as fewer workers may be available at once.

Tip: Always check if local labour is available and compare rates with metro-based workers to estimate costs accurately.

EDUCATION TOPIC CONT.

Transport and Material Delivery Costs

Many regional sites are located far from suppliers and depots, which can impact:

- Freight and fuel costs, especially for heavy or bulky materials.
- Delivery schedules, as it may take longer to receive materials.

Example: A project 200 km from the nearest city may incur triple the transport costs for concrete or steel than a city-based project.

Accommodation and Site Living Costs

For regional or remote work, providing accommodation is often necessary, which adds to the budget. These costs may include:

- Lodging or camp setup (e.g. demountable accommodation).
- Meal allowances or catering services.
- Travel and site amenities, such as kitchens, toilets, and laundry facilities.

Access to Infrastructure and Services

Not all locations have easy access to basic services. Projects may need to provide:

- Temporary power (e.g. generators).
- Water storage or treatment systems.
- Portable toilets, waste collection, or dust control systems.

These setup costs can be significant and must be included in the early cost estimates.

EDUCATION TOPIC CONT.

Environmental and Weather Conditions

The natural environment plays a bigger role in regional areas. Estimators should consider:

- Weather-related delays, like wet season in northern Australia or bushfire risks.
- Soil types and ground conditions, which may require extra site preparation.
- Environmental regulations, which can add compliance costs.

Tip: Build in contingency time and budget to deal with unforeseen weather or ground conditions.

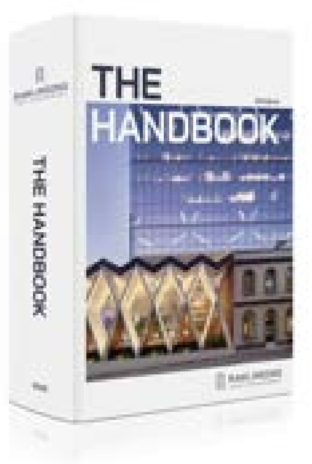
Local Economic Factors

Every regional community is different, and local conditions can affect pricing:

- Competition for labour or materials during busy periods can drive prices up.
- Shire or council fees may differ from those in cities.
- Government incentives might reduce costs in some areas through subsidies or tax offsets.

Good practice: Research local government regulations and speak with local builders or contractors when pricing a job.

Rawlinsons Cost Data



Both our cost databases include regional indices to help provide indicative loading factors that can be applied to metro-based cost estimates. These indices should only be used at early-stage cost estimation. As the project and the design evolves it is important to undertake a more detailed assessment of the regional implications of your particular project details.

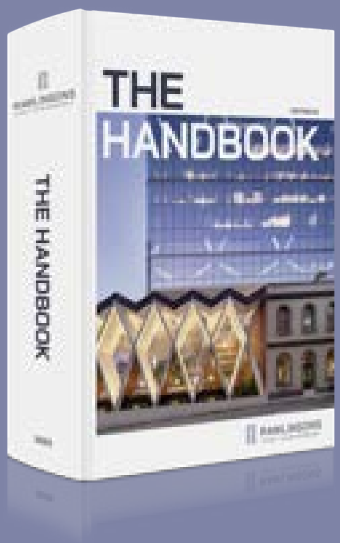
Our cost guides provide sufficient information on labour rates, transportation costs, preliminaries etc. that enable specific location factors to be calculated for your project.

Conclusion

Construction cost estimation in regional locations requires a deeper understanding of logistics, labour, and local conditions. While it shares many similarities with urban estimating, the added complexity of remote work makes careful planning and detailed research even more important.

2025 LEARN MORE

To gain full access to Australia's most comprehensive source of cost data visit our website **www.rawlhouse.com.au** to purchase one of our publications.



1057 Pages | **32** Trades | **13,000** Lines of Cost Data

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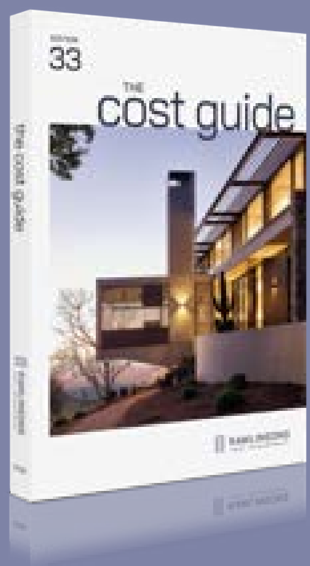
- DETAILED PRICES
- BUILDING PRICE INDEX
- LABOUR AND PLANT CONSTANTS
- RECYCLING & REFURBISHING
- BUILDING REGIONAL INDICES



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- LABOUR AND PLANT CONSTANTS
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RAWLINSONS

COST MANAGEMENT

In addition to our construction cost data we also provide the full suite of cost management services including :

- Feasibility Studies, Estimating, Project Cost Planning and Management
- Preparation of Bill of Quantities and Schedule of Rates
- Tender Analysis and Recommendation
- Contract Administration
- Building Information Modelling (BIM) 5D Take Off
- Value Engineering
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