Rawlinsons

OCTOBER 2025

QUARTERLY UPDATE

MARKET OVERVIEW

The Australian construction industry has entered the latest quarter facing a complex environment characterized by policy shifts, global challenges, and a sense of cautious optimism.

While government policies have offered some modest support, they have not resulted in significant reforms. Trade disruptions are altering supply dynamics, yet strong investments indicate potential for growth, even amidst persistent cost and labor pressures.

Global economic forces are increasingly influencing Australia's construction supply chain and cost structure. Ongoing geopolitical challenges – particularly recent U.S. trade tariffs on steel and aluminium – have introduced new complexities that the industry must adapt to.

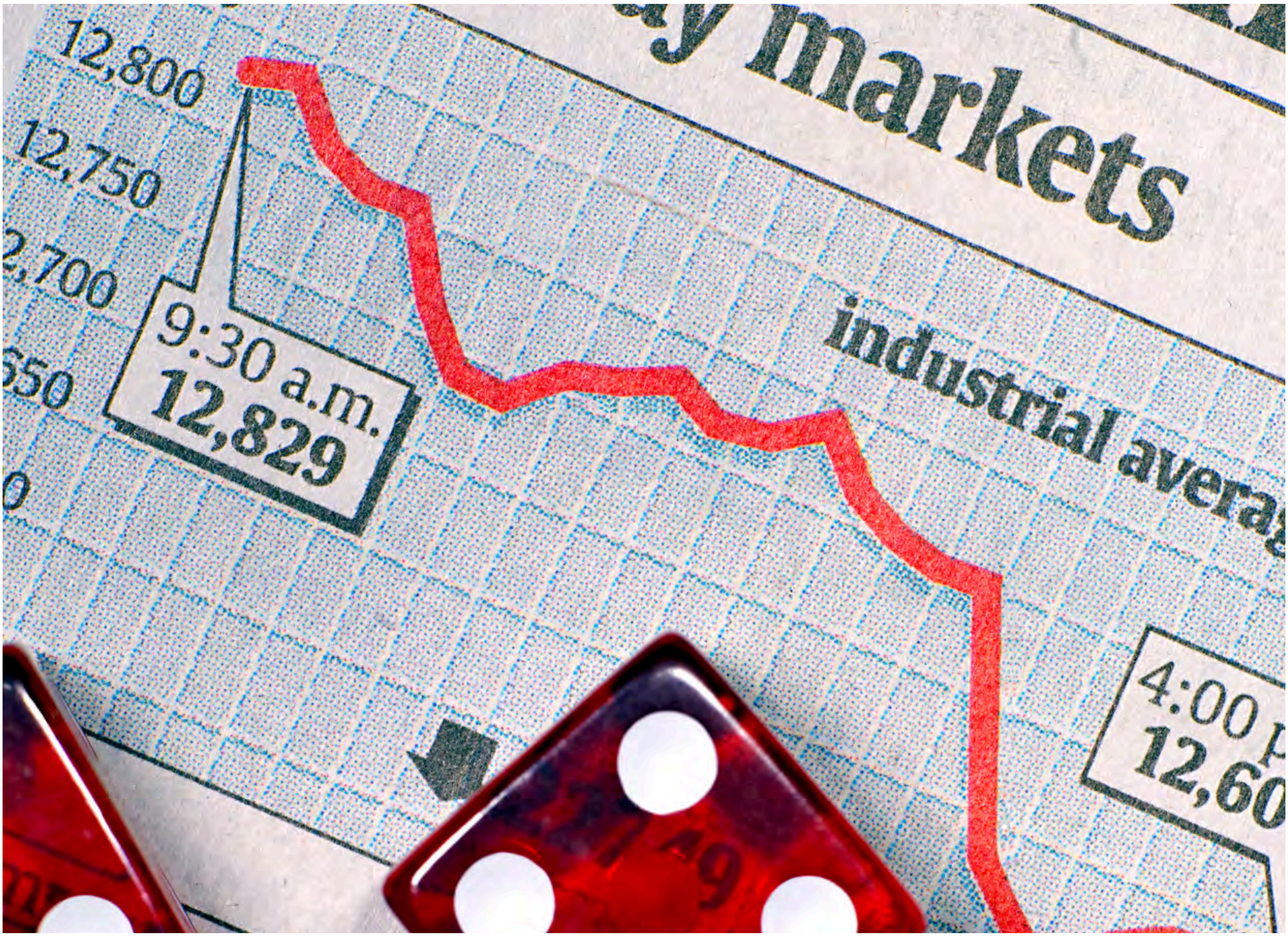
In parallel, the industry is grappling with an acute labor shortage. Unemployment in construction trades is low, and firms across the country report difficulty filling roles ranging from engineers and project managers to skilled on-site tradespeople. Short-handed contractors often face productivity losses and must compete for talent by raising wages, which in turn feeds into higher project costs.

Compounding these issues are regulatory and logistical hurdles that continue to impede efficiency. Planning and approvals processes remain protracted in many regions, with bureaucratic bottlenecks delaying project starts. Developers often cite inconsistent regulations and slow permit approvals as obstacles that increase holding costs and uncertainty.

MARKET OVERVIEW CONT.

Despite policy ambiguities and external headwinds, the Australian construction industry remains poised for growth, buoyed by substantial investments and pent-up demand. Recent forecasts and indicators present a picture of cautious optimism: total construction activity (across building and infrastructure) is expected to expand over the coming years, even if at a tempered pace.

According to the latest ACIF forecasts, the annual value of work done in Australia is projected to reach $334 billion in 2024–25, representing a +1.6% growth year-on-year, and then rise by 1.9% in 2025–26 as conditions improve.



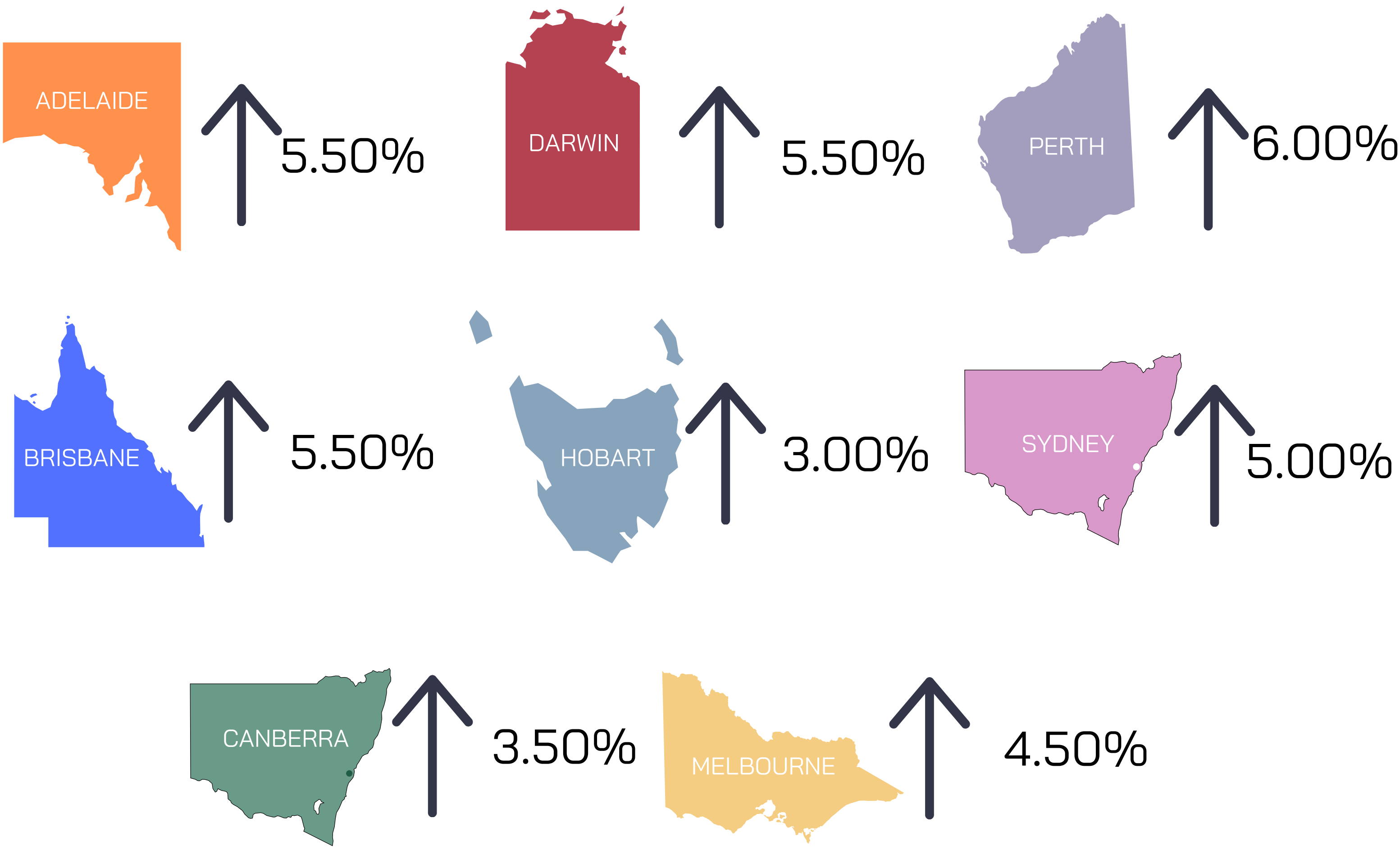
2025 FORECASTED BUILDING PRICE ESCALATION

Escalation forecasts have generally increased marginally since our Q2 report, indicating that there is currently a strong pipeline of work in most markets. Bucking this trend however, is Brisbane, Canberra and Hobart with forecast escalation across 2025 dropping marginally.

In 2025, the key factors driving cost escalation include skilled labor shortages, uncertainty surrounding trade tariffs, and fluctuations in energy prices. These trends are likely to continue into 2026.

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

The construction industry maintains steady growth, in particular the residential and industrial sectors, with the usual suspects of productivity, skills training, shortage of skilled trades, material supply issues, regulatory/planning delays and demand keeping up with supply, testing the industry's resilience to maintain sustainable economic growth and profitability.

The recent Federal Government Economic Round Table with the emphasis on finding ways to improve productivity and economic resilience, with the view to lifting/improving living standards is a good start in reaching some form of consensus, notwithstanding competing interests.

The global economy is facing significant change due to the geo-political landscape upending a stable trade environment to one where uncertainty is the predominant outcome. This will impact all sectors of the construction industry going forward.

PRICE FLUCTUATIONS

Labour	+4%
Roof sheeting supply	+5%
Galvanised pipe supply	+4%
Hebel products	+5%
Plasterboard supply	+6%

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	4.5%
Q1 - Q4	5.5%

On a more positive note, the Retirement Living Council, a Division of the Property Council of Australia has welcomed moves to fast-track approvals for residential aged care and retirement village developments. Aged Care is being classified as essential infrastructure, due to the significant shortfall in accommodation due to the aging population. This will also alleviate the pressure on the public hospital system, that is being used to accommodate long term residents, as places are not available.

The Federal Government has expanded the eligibility requirements of the Home Guarantee Scheme effective 1st October 2025, whereby the initiative will help home buyers to enter the market with only a 5% deposit. Although commendable, the potential impact will compound the ability of the construction industry to respond effectively, given the current productivity and supply issues. This could have outcomes similar to the implementation of the Federal Governments Homeowners Grant introduced in 2020.

BRISBANE

PRICE FLUCTUATIONS

Labour	+4%
Glazing	+7%
Galvanised pipe supply	+4%
Re-bar supply	-7%

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

Activity in the past quarter across the broader industry has remained steady at busy and sustainable levels. In contrast to many other jurisdictions across Australia, Queensland continues to experience modest increases in Building Approvals for housing and dwellings more broadly. This trend is expected to continue for the foreseeable future and will need to increase further if the Government is to achieve their social and affordable housing targets.

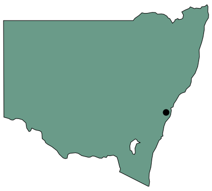
Domestic economic conditions have continued to remain stable with international volatility having a low impact to demand and supply chains. While this has the potential to change, currently it appears to be 'business as usual'.

FORECASTED BUILDING PRICE ESCALATION

2025	
Q1	2.0%
Q1 - Q2	4.0%
Q1 - Q3	5.0%
Q1 - Q4	5.5%

Several large projects, and programmes of work, continue to experience delays to both their procurement and construction phases. These delays have created an opportunity where short-term projects are receiving competitive tender pricing from the market to fill an unexpected void in capacity. Tenders for longer term projects are more volatile as head contractors balance the perceived financial risks that the industry is likely to experience in the impending 'boom period' in the years ahead.

Sustained cost increases are also impacting projects progressing from approval to construction phases as developers revisit project feasibilities. Currently, increased sales revenues and demand are offsetting the increased construction costs to aid project viability.



CANBERRA

The slowdown in residential construction has stabilised further, and there are early signs of a modest recovery. Financial institutions report some increased funding activity for residential projects and smaller commercial lending, which suggests confidence is slowly returning. Buyer interest in apartments and townhouses appears to be strengthening, while detached housing remains constrained by affordability pressures, with land and build costs for standard family homes still approaching $1 million.

Public-sector investment continues to dominate Canberra's construction landscape. ACT and Federal government projects across education, health and defence remain the primary drivers of demand, accounting for much of the pipeline. Tender participation has improved, with contractors showing greater appetite for work compared to the thin competition of recent years.

PRICE FLUCTUATIONS

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

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	3.5%
Q1 - Q4	3.5%

Labour costs remain the defining challenge for the market. Skilled trades and site supervision roles are driving wage inflation, with bricklaying and formwork rates estimated to be up by 15% year-on-year. Material costs present a mixed picture: bricks and blocks are rising steadily, structural steel is stable but remains expensive, while plasterboard, timber and concrete supplies are more competitive. Main contractor margins have eased slightly.

Looking forward, cost escalation forecasts have moderated for the next two years, which will offer some relief to clients and contractors alike. Nevertheless, persistent labour shortages, compliance burdens, and Canberra's over reliance on government-led investment continue to weigh heavily on the market. Addressing these structural challenges, particularly workforce capacity and regulatory efficiency, will be essential if the private sector is to regain momentum and the Territory is to achieve more balanced, sustainable growth.

DARWIN

The Northern Territory's construction industry is poised for continued expansion, supported by a strong pipeline of projects and sustained investment. Defence-related works and ongoing commitments under the Territory's infrastructure program remain key growth drivers.

In the 2025–26 Budget, the Northern Territory Government outlined a clear plan to stimulate economic growth, with infrastructure investment at its core. A total of $2.74 billion has been allocated to projects across the Territory, encompassing new public housing developments and significant upgrades to health, education, and correctional facilities. Several major projects are already underway, including the seven-storey Next DC data centre, the redevelopment of Casuarina Shopping Centre, and the Darwin Civic Centre project.

PRICE FLUCTUATIONS

Labour	+4%
Concrete supply	+5%
Brick/block supply	+2%
Structural steel	+6%
Plasterboard supply	+5%

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	4.2%
Q1 - Q4	5.5%

Over the past year, construction material costs have continued to rise steadily. Concrete prices have increased by around 5% on average, while escalating costs for engineered products are adding pressure to hydraulic trades. Masonry block prices remain volatile across different projects, with recent price movements largely influenced by supply and demand dynamics.

The sector is also grappling with an ongoing shortage of skilled labour in key trades such as concrete, formwork, blockwork, hydraulic, electrical, and mechanical services. With the defence project pipeline expected to remain strong, these labour challenges are likely to persist in the near term.

Continued infrastructure investment, coupled with high demand for skilled workers, is expected to sustain upward pressure on trade costs – particularly in the Civil & Infrastructure and Defence sectors. This cost pressure is most evident on large-scale projects, where the availability of qualified head contractors and subcontractors remains limited.

HOBART

With the State election now behind us resulting in only minimal changes to the previous minority Liberal Government there has been a relative return to normality. However, there is the ongoing uncertainty surrounding the budget position of the State, which instigated the forced election, how it might be revised, and the effect that could have on all sectors of the industry.

Whilst both major parties support the new AFL stadium development, it still faces significant hurdles that are yet to play out, especially in the path through the Upper House. Whilst the local construction industry won't be overly reliant on the new stadium progressing, with larger mainland firms likely to be heavily involved, there will definitely be an effect on labour availability. Perhaps the most important aspect will be the ability to generate increased business activity and attract ongoing investment for years to come, especially in the private sector which has been hit hard by price increases and eroded profitability post-COVID.

PRICE FLUCTUATIONS

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

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

FORECASTED BUILDING PRICE ESCALATION

2025	
Q1	1.0%
Q1 - Q2	2.0%
Q1 - Q3	2.5%
Q1 - Q4	3.0%

This year has seen a reduction in activity levels from previous years, with increased contractor availability and a more competitive tendering environment, the market still remains fairly buoyant, especially the commercial sector. There are still many medium to large projects in various stages of planning and design that are providing builders with a sense of confidence for the coming years, many of which may be directly negotiated.

The residential sector could still do with a boost, with the cost of construction and hovering interest rates still an impediment, although there are some signs that an upturn isn't far away. Government Housing targets remain behind schedule and an acceleration of this program would be a welcome addition to the industry.

MELBOURNE

As the Victorian construction industry moves forward and into the final quarter of the year, it is anticipated that activity levels across the various sectors, will continue to remain reasonably stable. Tendering conditions within the industry, at large, are starting to indicate signs of more competitiveness and less volatility. On a positive note, a growing number of material input component costs are showing trends of moving back towards more predictable escalation levels. However, those input materials, which require high energy costs in their production, are continuing to drive costs upwards.

While the general inflation pressure levels within the state economy are showing ongoing signs of easing, the construction industry is continuing to be adversely affected by productivity issues, which have persisted now, for some time. The shortage of skilled and unskilled labour, continues to leave its negative and unwanted impacts. The tightening of financiers lending criteria, is also not providing much comfort.

PRICE FLUCTUATIONS

Labour	**+3%**
Brick/block supply	**+4%**
Galvanised pipe supply	**+4%**
Plasterboard supply	**+5%**

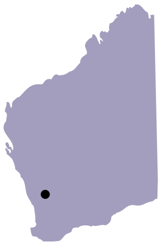
Detailed price changes are provided in Annexure 1 for customers of Rawlinsons 2025 publications.

FORECASTED BUILDING PRICE ESCALATION

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

The high-level of activity within the construction industry, continues to be driven, not only by the infrastructure sector, which includes railway and roadworks projects, but also by new 'Data Centre' sector type projects. While activity within the general housing and townhouse sector continues to remain reasonably stable, it is also falling short of meeting the government's target number of dwelling completions for the next five years. Activity within the apartment sector, while steady, remains subdued. On the 'flip' side, activity within the BTR (Build to Rent) housing, townhouse and apartment sector, is strong and is continuing to grow from strength to strength.

As noted in earlier quarters of this year, activity within the industrial, health and aged care sectors is anticipated to continue to remain strong and positive, while retail, office and hotel sectors, although currently slightly subdued, is also anticipated to show signs of positive upward movement in the short to medium term.



PERTH

Construction activity in Perth remained solid over the past quarter, with many builders still holding healthy project pipelines. On a year-to-date basis, overall Perth construction costs are about 4% higher by Q3 2025, indicating continued escalation albeit at a moderating pace. Notably, recent ABS data shows building approvals in WA are beginning to pick up, with July dwelling approvals ~12% higher than a year prior – a positive sign for future activity even as the current market stays cautious.

In WA, unemployment is low, and trade positions are hard to fill, which means higher labour costs and difficulty scaling up projects quickly. Contractor and subcontractor insolvencies have also been an issue in the past year, putting additional strain on the supply chain and making some trades even scarcer. All these factors – poor productivity, labour shortages, and insolvencies – are compounding to limit effective capacity and drive-up prices.

PRICE FLUCTUATIONS

Labour	+3.5%
Concrete supply	+4%
Galvanised steel pipework	+4%
Plasterboard	+7%
Re-bar supply	-2%

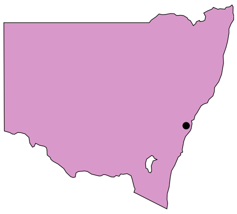
Detailed price changes are provided in Annexure 1 for customers of Rawlinsons 2025 publications.

FORECASTED BUILDING PRICE ESCALATION

2025	
Q1	1.5%
Q1 - Q2	3.0%
Q1 - Q3	4.0%
Q1 - Q4	6.0%

Looking ahead, Perth's construction market is expected to remain busy but bifurcated. Public infrastructure (transport, utilities, defense, social housing) will continue to dominate activity and underpin employment. Private developers, however, largely remain on the sidelines – most are waiting for building costs to pull back and for project finances to improve before launching new commercial or residential developments. The reality, though, is that construction costs show no sign of truly decreasing; at best they may plateau at a high level. As our Q2 commentary noted, eventually there must be an acceptance that "construction costs are only going one way" – upward.

Indeed, interest rates have likely peaked and even begun to ease slightly, but any relief this brings could be offset by persistent labour and regulatory costs. For private projects, this means waiting indefinitely could prove more costly than building now, given land prices and pent-up demand.



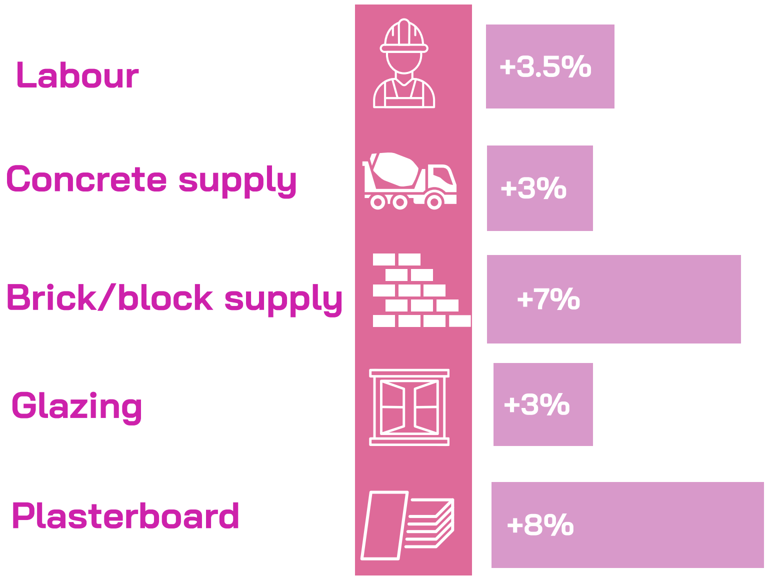
SYDNEY

The NSW construction sector faces a soft macro backdrop. Economic growth has slowed, and high interest rates are dampening private construction demand. Inflation has eased into RBA's target band, and recent rate cuts are expected to gradually improve conditions heading into 2026.

Construction material costs remain volatile. Prices for key inputs like copper and steel have seen upward pressure due to global supply constraints. However, diesel fuel prices have eased back to pre-pandemic levels, helping reduce logistics-related costs. Some pressures are abating (e.g. timber supply improving), but essentials such as concrete continue to rise due to infrastructure demand.

A skilled labour shortage is now the main driver of construction cost escalation. Contractors face rising wage costs and capacity constraints as major public works absorb workers. Labour shortfalls are causing project delays and squeezing contractor margins.

PRICE FLUCTUATIONS



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FORECASTED BUILDING PRICE ESCALATION

2025	
Q1	1.5%
Q1 - Q2	2.5%
Q1 - Q3	3.5%
Q1 - Q4	5.0%

Public infrastructure is dominating the pipeline and sustaining activity. Major government-funded road, rail and hospital projects are absorbing resources and underpinning construction workloads, offsetting weaker private building activity.

Market sentiment remains cautious. Developers are grappling with softening confidence and tight margins, prompting some to delay or scale back projects. Some investors and contractors have adopted a wait-and-see approach until economic conditions improve, keeping risk appetite low.

Tendering is competitive yet more disciplined. Top-tier contractors are bidding selectively, and subcontractors are holding firm on prices, keeping tender prices elevated. Many contracts now include escalation clauses to manage cost risks.

EDUCATION TOPIC - VALUE ENGINEERING

Anyone who has worked in the construction industry through COVID and beyond will be only too familiar with term 'Value Engineering'. In this article we outline what value engineering is, the process and key challenges and lessons learned from our extensive experience in the field.

Value Engineering (VE) in construction is a systematic approach to improving the value of a project by examining its components and finding alternative solutions that achieve the required functions at lower cost or enhanced performance. Unlike mere cost-cutting, VE seeks to **maximize the ratio of function to cost**, ensuring that essential project requirements and quality are maintained or even improved while unnecessary expenditures are eliminated.

In the construction industry, value engineering involves a **multidisciplinary effort**. Key stakeholders – including the client (owner), the design team (architects and engineers), the contractor (or builder), and the quantity surveyor (cost consultant) – collaborate to scrutinize a project's design, materials, and systems to identify opportunities for better value. When executed well, value engineering can yield substantial benefits: owners can save on capital costs **(often on the order of 5–15% of project value)** without sacrificing essential project quality, and contractors can achieve budget and schedule targets more reliably.

EDUCATION TOPIC CONT.

The VE Process

🧭Preparation & Information Gathering
- Define project goals, budget constraints, and functional requirements
- Establish baseline cost estimates and identify high-cost elements

🔍Function Analysis
- Clarify what each component/system is meant to do
- Focus on required functions rather than existing design solutions

💡Creative Brainstorming
- Generate alternative ideas to achieve functions more efficiently
- Encourage input from all stakeholders without judgment

📊Evaluation & Analysis
- Assess feasibility, cost impact, and performance of each idea
- Use accurate cost data to quantify savings

🛠️Development of Proposals
- Refine viable ideas into actionable recommendations
- Prepare sketches, specs, and cost breakdowns for decision-making

✅Presentation & Decision
- Present proposals to client with pros, cons, and savings
- Client selects which changes to implement

EDUCATION TOPIC CONT.

Key Challenges and Lessons Learned in VE

🔄 Timing Issues

- Challenge: VE applied too late leads to costly redesigns or delays
- Lesson: Integrate VE early in design to maximize impact and minimize disruption

🤝 Stakeholder Resistance

- Challenger: Designers may resist changes that alter their vision
- Lesson: Foster collaboration through inclusive VE workshops and transparent communication.

⚖️ Quality vs. Cost Trade-offs

- Challenge: Risk of reducing quality or performance for short-term savings
- Lesson: Focus on maintaining essential functions and long-term value, not just cutting costs

📋 Decision Overload

- Challenge: Too many VE options can overwhelm clients and stall decisions
- Lesson: Prioritize high-impact proposals and streamline recommendations

📉 Unrealized Savings

- Challenge: Approved VE changes may not be implemented or tracked properly
- Lesson: Embed changes into documentation and monitor execution to ensure savings are realized

📊 Data Accuracy

- Challenge: Inaccurate or outdated cost estimates can mislead decisions
- Lesson: Use reliable, current data and validate estimates with peer review

EDUCATION TOPIC CONT.

Leveraging Rawlinsons' Costs Data

Rawlinsons' Cost Data is a powerful tool to support value engineering decisions at each stage. Rawlinsons' Cost Data provides comprehensive construction cost data that is widely used for **estimating, cost benchmarking, and option evaluation**. Leveraging such data ensures that value engineering ideas are backed by accurate pricing and industry benchmarks, thereby increasing confidence in the decisions made.

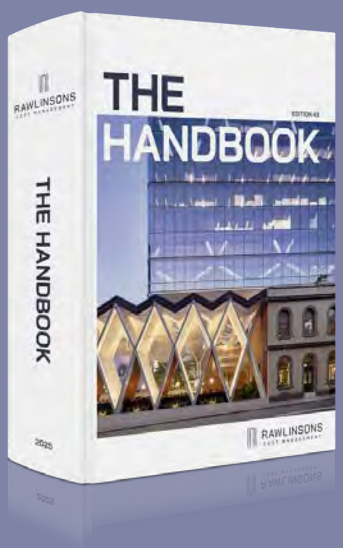
Summary

In summary, **effective value engineering requires careful management of people and information**. The lessons from past projects boil down to: involve the right people at the right time, use reliable data, maintain focus on what delivers true value, and ensure decisions translate into actions. When these practices are followed, the challenges can be overcome, and value engineering becomes a powerful tool rather than a troublesome exercise.

To learn more about our cost data products visit our website **www.rawlhouse.com.au**

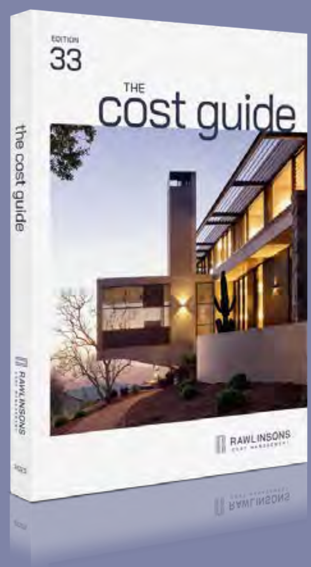
2025 LEARN MORE

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

- COMPREHENSIVE DATA SOURCE
- ESTIMATING RATES
- DETAILED PRICES
- BUILDING PRICE INDEX
- LABOUR AND PLANT CONSTANTS
- RECYCLING & REFURBISHING
- BUILDING REGIONAL INDICES



330	27	6,400
Pages	**Trades**	**Lines of Cost Data**

- PROJECTS UP TO $1.5 MILLION
- ESTIMATING RATES
- DETAILED PRICES
- BUILDING PRICE INDEX
- LABOUR AND PLANT CONSTANTS
- RENOVATIONS
- BUILDING REGIONAL INDICES

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
- Peer Reviews
- Embodied Carbon Quantification
- Life Cycle Cost Analysis

Head to **www.rawlinsonswa.com.au** for a list of our recent projects.

Call us today on (08) 9424 5800 to discuss your next project and see how Rawlinsons' Cost Management can reduce your project risk and drive value through all phases of design and delivery.