

Rawlinsons

APRIL
2025

QUARTERLY UPDATE



MARKET OVERVIEW

The Australian construction industry demonstrates a cautiously optimistic perspective as of April 2025. A sustained and steady flow of construction projects across most regions keeps activity robust, especially for publicly funded projects. Additional positive factors include the first RBA rate cut since November 2020, which alleviates financing costs for both developers and buyers. The stabilisation of various material supply costs has fostered greater certainty and confidence in building expenses. The Australian Construction Industry Forum forecasts a modest growth of only 0.9 percent for the construction sector in 2025.

On the flip side, the Australian construction sector has been struggling with ongoing productivity issues that carry substantial economic consequences. A recent report from the Australian Productivity Commission highlighted that over the past 30 years, the number of dwellings completed per hour by housing construction workers has dropped by 53%. In comparison, labour productivity in the wider economy has risen by 49% during the same timeframe. These alarming figures highlight the urgent need for action if the government aims to meet its ambitious target of delivering 1.2 million homes over a five year period.

The construction industry continues to face significant labour shortages, which are affecting project timelines, costs, and the nation's housing objectives. The aging workforce is amplifying this issue, with fewer younger workers entering the field. This demographic change further limits the availability of skilled labour. According to Master Builders Australia, over 500,000 new workers will be needed in the next five years to satisfy housing demands.



MARKET OVERVIEW CONT.

The recent federal government budget proposal has been underwhelming and has overlooked critical issues such as reducing bureaucratic red tape and encouraging business growth. However, there were some positive aspects, including \$54 million allocated for modern construction methods and the \$10,000 Key Apprenticeship Program.

Ongoing geopolitical challenges, particularly U.S. trade tariffs, have significantly influenced global trade dynamics, especially concerning steel and aluminum, which will also impact the local Australian market. Adapting to and understanding the complexities introduced by these trade tariffs is crucial for the resilience and sustained growth of the Australian construction industry.

The Australian construction industry is poised for growth, driven by substantial investments and policy initiatives. However, addressing cost escalation, labour shortages, and regulatory challenges will be critical to sustaining this momentum and meeting the nation's infrastructure and housing needs.

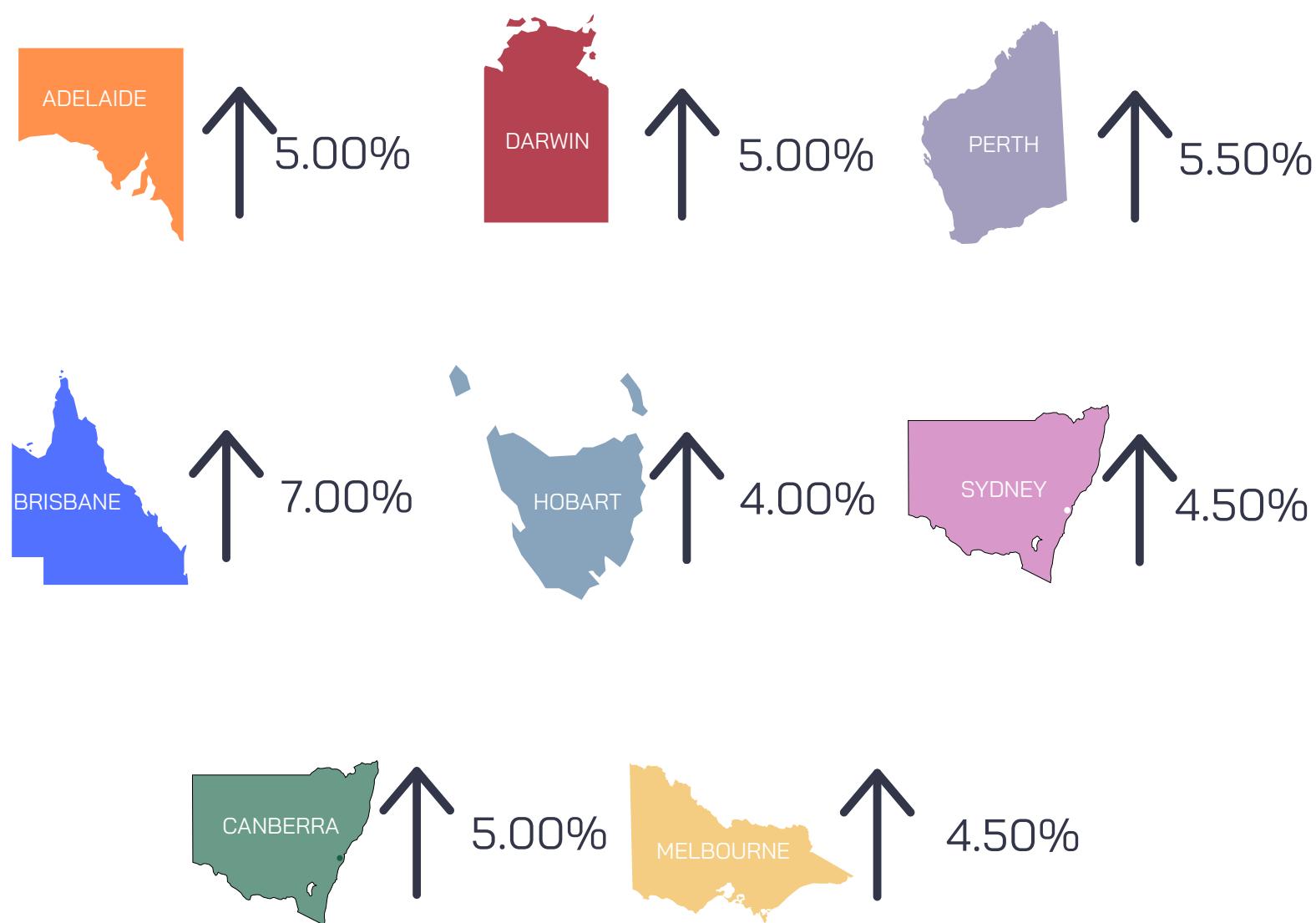


2025 FORECASTED BUILDING PRICE ESCALATION

Cost increases in many states and territories are returning to more conventional historical annual averages. However, due to a very high starting point, any further increases put project viability and contractor solvency at greater risk. In 2025, the primary factors influencing cost escalation will be skilled labour shortages, trade tariff uncertainty, 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

The overall economic picture indicates that South Australia will see moderate growth over the 2025/2026 period, with the Gross State Product (GSP) to grow between 1.5% to 2% over that period. Inflation is expected to continue at 3% through 2025/2026.

Infrastructure SA, an independent agency of the South Australian Government, has prepared the State Infrastructure Report 2025, examining future requirements for the next twenty years, with the view to identifying a sustainable approach in planning, co-ordinating and implementing strategy recommendations. This report and its implementation are critical, given the ongoing issues being experienced with new greenfield developments. Current issues being reflected are in land availability, approval processes, critical infrastructure, lifting construction productivity and securing funding.

PRICE FLUCTUATIONS



Labour

	+2%
	+2%
	+4%
	+3%
	+3%

Roof sheeting supply

Galvanised pipe supply

Hebel products

Plasterboard supply

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%

Although material prices have stabilised, construction costs are likely to remain elevated, with labour costs to rise to 6% over the 2025 period. High energy intensive materials will continue to increase in price. Timber and steel prices remain relatively stable. Labour shortages in particular skilled trades continue to impact prices as well as causing disruption to construction programmes.

The development application for the 38-storey tower for Adelaide's first "skyscraper" is expected to be lodged shortly, with completion expected in 2027. Industrial warehousing is maintaining very strong growth and is expected to remain so through the 2025/2026 period.

The current increased geopolitical "turmoil" will have the risk of pushing up construction costs and causing volatility in the supply chain and is still to be played out going forward. Note that for many projects, supply of Joinery, Glazed Aluminium Windows & Doors, Sanitary Fixtures/Fittings, as well as other materials, are supplied from Asia. This will impact on both the Residential and Non-Residential sectors.



BRISBANE

RAWLINSONS

PRICE FLUCTUATIONS



Cost escalation has continued to stabilise although activity levels have continued to remain strong across the majority of sectors. New Government spending has remained subdued during the first quarter of 2025 as the incoming Government undertook their 100-day review. While a direction for the 2032 Olympic Games has now been provided to the public, it is unlikely to have an impact on market activity and subsequent pricing until the end of 2025 and beyond.

Annualised building approvals levels have continued to remain comparable to historic levels but will need to increase if Government targets are to be achieved to address the previously reported Housing issues.

Concrete place



+10%

Concrete supply



+5%

Galvanised pipe supply



+4%

Re-bar supply



+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	4.0%
Q1 - Q4	7.0%

The continued softening of general economic conditions including inflation is being witnessed but does not appear to be having a material impact on the construction industry in either a positive or negative way. While international instability and potential trade tariffs are expected to have an impact on imported construction materials, the extent it will affect the market is currently unknown due to market volatility.

While construction activity has remained strong, tender conditions are becoming more favorable as current projects progress towards their completion phase. Given the significant pipeline of works that is anticipated in the future, potential spikes in pricing could be experienced if significant volumes of work are tendered concurrently with one another resulting in high demand for resources.



CANBERRA

The anticipated slowdown in residential building construction has materialised, although real estate sources believe the market has bottomed out and that buyer activity is increasing in the apartment and townhouse sectors. Canberra's residential construction market is navigating a complex landscape marked by evolving government initiatives, fluctuating housing demand, and persistent industry challenges, such as expensive labour, resource shortages, and high input costs. Due to these factors, delivery periods have significantly increased.

Members of the ACT Chapter of the Australian Institute of Quantity Surveyors indicate that bank valuation work in private residential and smaller commercial projects is increasing, although not near the volume seen 12 to 18 months ago. Nevertheless, this is a positive development indicating a resurgence in non-government work.

PRICE FLUCTUATIONS



Labour



+7%

Brick supply



+3%

Galvanised pipe supply



+4%

Plasterboard supply



+4%

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

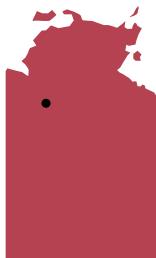
FORECASTED BUILDING PRICE ESCALATION

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

Recent tenders for commercial projects have shown significant spikes in the cost of earthworks and structural trades, particularly formwork. Services such as electrical and mechanical appear to have settled somewhat compared to the volatility observed in the previous 12 months.

The ACT government, the federal government, and several educational institutions are pursuing large commercial, defence, and education projects in Canberra. These projects will continue to compete for trade and management resources at the upper end of the market.

Participants in the civil sector (roads, water, sewer, subdivisions) seem to be looking to secure future pipelines of work at the moment, resulting in good tender participation. This marks a significant improvement in the difficulty in securing adequate tender participation in the previous year.



DARWIN

The construction market outlook for Darwin remains positive. NTG Government investment has slowed down with the CLP Government tightening up spending while they focus on the corrections services sector and upgrading Police, Fire, and Emergency Services facilities in regional areas.

We have seen an increase in tourism spending by the Federal Government particularly in Kakadu National Park and Mutitjulu community, which is due to the upcoming federal election in May this year. Private sector investment also continues to grow, with some large-scale projects commencing later this year.

The construction sector continues to operate at near full capacity and is still experiencing ongoing challenges sourcing skilled labour for key trades like structural steel, blockwork, electrical services and mechanical services.

FORECASTED BUILDING PRICE ESCALATION

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

Based on the current and forecast workload of the subcontractor market we continue to see inflated prices across most trades and in particular on the large-scale projects where there is limited sub-contractor competition.

Over the last quarter we have seen a 4% increase in the supply price of steel reinforcement. We have also seen a similar increase for fabricated steel, which continues to increase the overall steel tonnage costs. The price of masonry block continues to fluctuate on a project-by-project basis; however we have recently seen an increase due to high supply and demand.

Escalation is forecasted to be 5% in Darwin across 2025.

PRICE FLUCTUATIONS



Labour



+4%

Concrete supply



+3%

Brick/block supply



+2-5%

Structural steel



+4-5%

Plasterboard supply



+5%

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



Activity levels seem to have reduced with many contractors now actively seeking work. There is still work available, although the over-supply and competitive nature of attracting tenderers or implementing negotiated contracts has now subsided, at least for the moment. There also appears to have been a drop off in the private developer sector of the market with current construction costs outpacing the profit-making potential of new building construction.

Although not popular, it seems unlikely that there will be a substantial recovery unless there is an increase in private rental, commercial lease, housing and commercial real estate prices. Of course, this will have the detrimental potential of affecting inflation, interest rates and borrowing potential, further exacerbating the current housing supply problems being experienced in Tasmania and across the country.

FORECASTED BUILDING PRICE ESCALATION

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

PRICE FLUCTUATIONS



Block/brick supply		+4%
Roof sheeting		+4%
Glazing		+6%
Plasterboard		+4%

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

On the other hand, the State Government, through its various departments, continues to roll out new development projects helping to fill the void left by the private sector. There is a sense of impending uncertainty surrounding the new AFL stadium and the impact it may have on the resourcing limitations of the local construction industry, even though construction is likely to be undertaken by a larger mainland contractor. The market is likely to become heated during this period, so the chance to expedite projects in advance of the commencement of the stadium construction would be seen as advantageous.

In seeking to take the opportunity of progressing public development during this current window, the State Government would appear to be exhibiting a rarely seen level of foresight and strategic planning, although with mounting State debt, brought about by various factors but without doubt contributed to by the current plans, it remains to be seen whether this creates future problems for the State and the construction industry and if this approach relies too heavily on a resurgence of the private sector to shoulder the economy once public funding dries up.



MELBOURNE

As the Melbourne construction industry transitions from 2024 into the first quarter of 2025, several positive developments are emerging. However, challenges continue to affect the industry. In 2025, there is a noticeable easing of supply chain issues related to materials, along with a further stabilisation of material prices. While construction costs remain elevated, some sectors are experiencing competitive tendering. It is expected that construction cost escalations will slightly moderate in the upcoming period and throughout the remainder of 2025.

On the flip side, persistent negatives include ongoing insolvencies among contractors and sub-contractors, shortages of both skilled and unskilled labour, and rising costs associated with wages, insurance, and regulatory compliance. These challenges contribute to extended project delays, prolonged construction timelines, and increased construction expenses.

PRICE FLUCTUATIONS



Labour



+1%

Brick/block supply



+3%

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%

Construction activities in the general housing and townhouse sectors remain relatively stable; however, significant improvements are needed to meet the government's target completion numbers by 2030. The apartment sector is also stable but somewhat subdued, requiring a boost to align with these targets. Conversely, construction in the Build to Rent (BTR) housing, townhouse, and apartment sectors is robust and appears to be gaining momentum. Current immigration levels in the state are surpassing residential construction development, creating additional pressure on housing supply.

In the industrial, health, and aged care sectors, construction activity is expected to remain strong and positive. Meanwhile, the retail, office, and hotel sectors, though currently flat, are beginning to show initial signs of positive growth in the medium to long term.



PERTH

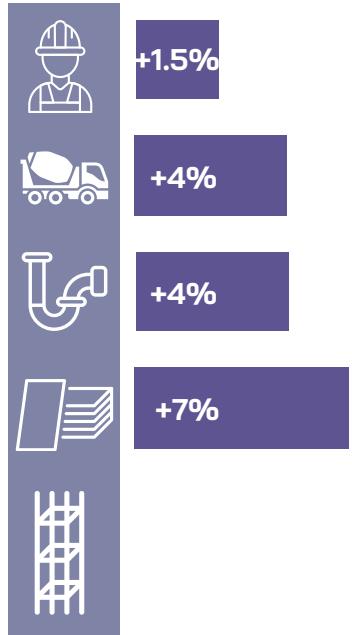
The construction sector in Perth is currently facing a significant shortage of skilled labour, reflecting a wider trend observed across the nation. This issue has been intensified by various factors, including a surge in demand for construction projects, disruptions in supply chains, and a limited arrival of new workers into the industry. The need for specialised trades, particularly formwork, is especially pressing. To address the skilled labour shortage, the WA government is offering a \$10,000 incentive to New Zealand construction workers considering a move to WA.

Despite these challenges, recent project tenders indicate a resurgence of competition in the market, with improved participation from both main contractors and sub-contractors. However, critical trades like formwork and concrete continue to show no signs of price stabilisation. Moreover, earthworks and partition trades have experienced volatility. While material supply costs have largely stabilised, there are significant exceptions, notably in plasterboard and concrete supply. On a positive note, reductions in costs for structural steel and reinforcement bar have been observed.

PRICE FLUCTUATIONS



Labour



Concrete supply

Galvanised steel pipework

Plasterboard

Re-bar supply

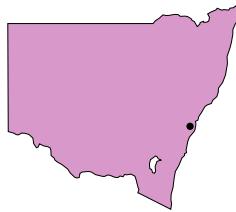
Detailed price changes are provided in Annexure 1 for customers of Rawlinsons 2025 publications.

FORECASTED BUILDING PRICE ESCALATION

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

Luxury home builder Zorzi Builders has recently entered voluntary administration. According to ASIC, in the fiscal year 2023/24, 25% of all insolvencies in Western Australia were related to the construction sector. This increase in builder insolvencies in Perth highlights the instability within the construction industry, driven by economic pressures and operational difficulties.

Currently, most contractors are experiencing a steady influx of projects. Ongoing projects will be complemented by several government-funded infrastructure initiatives, including the Women's and Babies Hospital, East Perth Primary School, and the New Youth Detention Centre in Banksia Hill. However, private sector investment remains low, as feasibility studies often indicate insufficient returns relative to the associated financial risks and the prevailing uncertainty in the global economy.



SYDNEY

Sydney's construction market is grappling with persistent cost escalation, forecasted at 4.5% in 2025 and moderating to 3-4% annually by 2026–27. While inflation and borrowing costs remain high, easing pressures and potential rate cuts may improve conditions. Government investment in infrastructure provides stability, offsetting weaker private sector demand. However, supply chain constraints, rising labour costs, and global volatility continue to challenge budgets and tender pricing.

Despite decade-low building approvals, ambitious housing targets and a strong project pipeline are sustaining short-term activity, though economic uncertainties and fiscal constraints still weigh on long-term market sentiment.

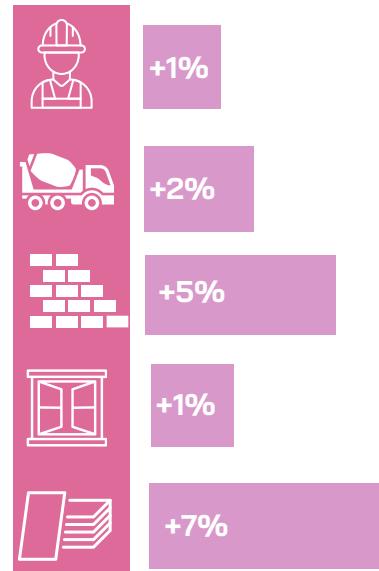
FORECASTED BUILDING PRICE ESCALATION

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

PRICE FLUCTUATIONS



Labour



Concrete supply



Brick/block supply



Glazing



Plasterboard



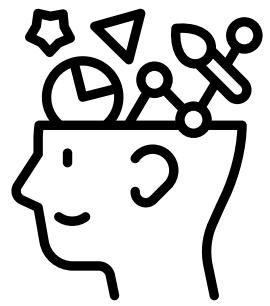
Detailed price changes are provided in Annexure 1 for customers of Rawlinsons 2025 publications.

Labour shortages remain a major issue in NSW, driving 3.5% wage growth and reducing productivity. Demand, particularly in infrastructure, is outpacing workforce capacity, causing a labour squeeze. Skilled worker migration to other states, especially Queensland, exacerbates shortages, further straining contractors. Labour costs are a key inflation driver following recently implementation of EBA's, forcing contractors to increase tender prices. While training and skilled migration efforts are underway, workforce constraints will continue to challenge project delivery and cost control in the short to medium term.

Sydney's construction market remains driven by major infrastructure, transport, energy, and housing projects. Key investments include Sydney Metro, Parramatta Light Rail Stage 2, and Renewable Energy Zones (REZs), which require specialized labour. The \$4 billion Waterloo South redevelopment will deliver 3,000 social and affordable homes, while health and education infrastructure projects are expanding, with \$13.8 billion allocated to NSW's health sector over the next four years. Government-backed projects stabilise demand, though funding constraints have led to some delays.

EDUCATION TOPIC

In this article, we will focus on Construction Preliminary Costs, exploring what they are, how they are calculated, and delving into benchmarking and component analysis.



What Are Preliminary Costs?

Builders' "preliminary costs," often referred to as "prelims," encompass the indirect expenses linked to a construction project that aren't associated with specific trades or materials but are essential for completing the work. These costs generally include site establishment, ongoing site expenses, supervision and management, insurance, fees, temporary facilities, and more.

Fixed Costs vs. Time-Related Costs

Preliminary costs can be broadly divided into two categories: fixed costs and time-related costs. Fixed costs refer to one-time expenses such as the setup and dismantling of hoarding, crane installation, fees, permits, and mobilisation. In contrast, time-related costs involve ongoing expenses that depend on the project's duration, including management and supervision costs, plant and equipment rentals, utility usage, and site building rentals.

How are Preliminary Costs Calculated?

Calculating building preliminaries involves estimating the costs and logistics associated with the initial setup and overall management of a construction project. You firstly need to identify all preliminary cost categories and then quantify and price each element. In order to build up a robust cost estimate, it is important to understand the proposed construction methodology, contract conditions, and the time program. The duration of the project and associated time related preliminaries cost is a key element to accurately estimate preliminary costs. Subsequently, staging in projects usually leads to an elongated time program and therefore increased time related preliminary costs.



EDUCATION TOPIC CONT.

What are the Primary Cost Drivers in Preliminaries?



As previously noted, one of the main cost drivers is time. Consider how long project management and supervisory staff will be needed, as well as the duration for which plant and equipment will be required for each trade. The project's complexity is also essential, as it determines the size and experience level of the project management and supervisory team needed to successfully deliver the project. Additionally, the project's location can significantly affect preliminary costs; for instance, a project in the central business district (CBD) typically incurs higher preliminaries compared to a suburban development, due to factors such as traffic management, materials handling, and limited laydown areas. Furthermore, the tier of the contractor responsible for the work will influence preliminary costs, as Tier 1 contractors tend to use more extensive project management and supervisory teams than those employed by lower-tier contractors.

What Are Typical Benchmark Preliminary Costs?

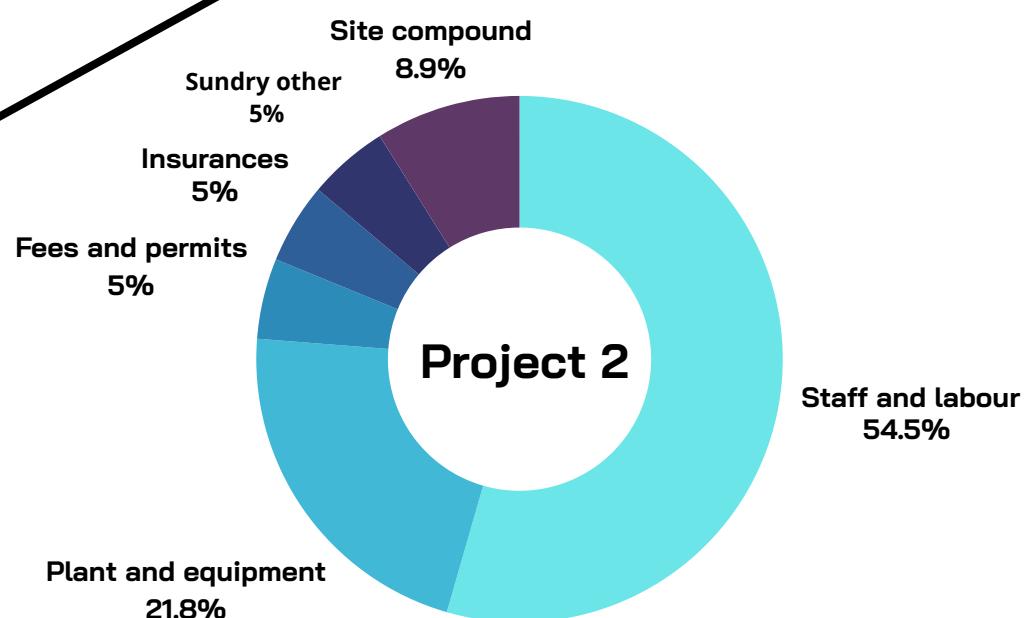
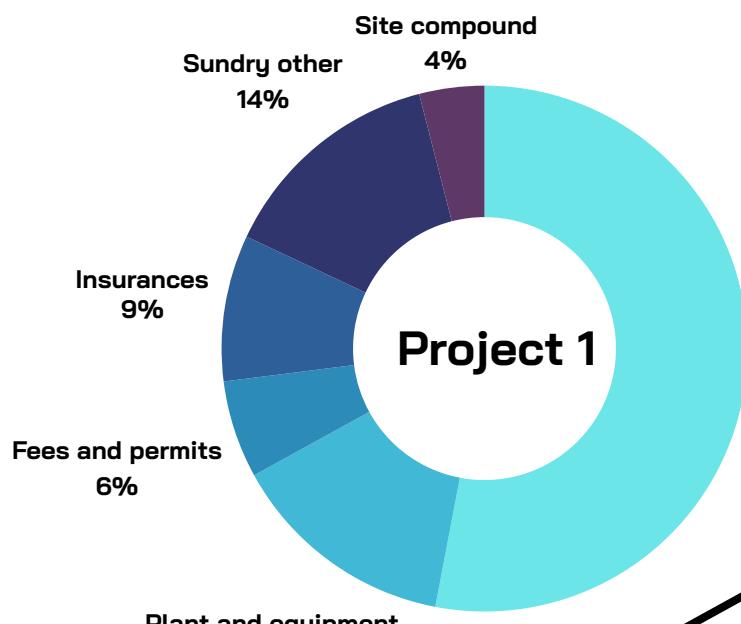
Preliminaries are frequently assessed as a percentage of direct trade costs. While this method serves as a useful check, it fails to encompass the complexities and variables inherent in a construction project that significantly influence both the value and percentage of preliminary costs. Furthermore, many projects following the COVID-19 pandemic have seen substantial extensions in timelines, causing the percentage of preliminary costs to rise disproportionately compared to other cost components. As a result, using a percentage-based approach may yield inaccurate outcomes when compared to pre-COVID benchmarks.

Simple projects such as project home building or storage warehouses may have preliminaries below 10%. Generally, preliminaries percentages can range from 10-15% for greenfield low-rise developments to 15-25% for large CBD towers. Significant staging requirements can increase these percentages further.

EDUCATION TOPIC CONT.

Preliminary Cost Categories and Examples

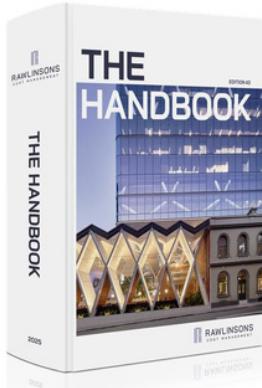
Presented below are sample preliminary cost breakdowns for various project types. Project 1 showcases a suburban education project featuring several two-storey buildings, while Project 2 illustrates a high-density residential tower in the CBD. In both cases, staff and labor costs account for over 50% of the preliminary expenses. A significant distinction lies in the plant and equipment category; Project 2 incurs much higher costs primarily due to the materials handling demands that require the presence of a tower crane on-site.



Summary

Preliminary costs constitute a substantial part of construction expenses, varying widely from one project to another. It is considered best practice to estimate these costs through a detailed breakdown, taking into account specific factors such as project complexity, contract terms, and construction duration. Calculating preliminary costs as a percentage of direct costs serves only as a broad indicative estimate.

Education Topic Cont.



How can Rawlinson's Cost Data publications assist in estimating Preliminary Costs?

Rawlinsons Australian Construction Handbook is the most comprehensive and accurate construction cost database in Australia. We collect, research, analyse, calculate and publish construction cost data across all of Australia. Our trusted and reliable cost data has been used by construction industry experts for over 40 years.

For the initial phases of cost planning, our database provides indicative percentage ranges that encompass a variety of facilities, from hospitals to apartment towers. Our cost data is continually validated against real-time project information gathered by our cost management team throughout Australia.

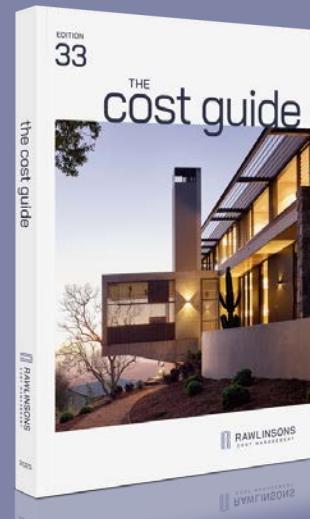
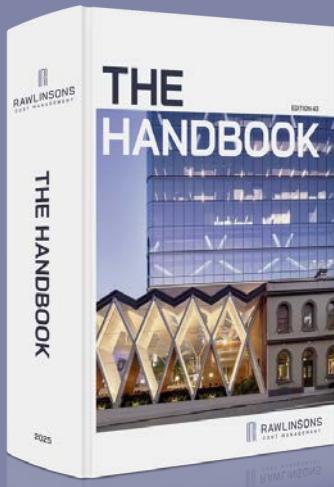
For a comprehensive estimation of preliminary costs, our extensive cost data library includes detailed rates that cover all necessary items. Whether it's insurance, scaffolding, plant hire, or hoarding expenses, we have it all accounted for. Our cost data is segregated by all major Australian capital cities.

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

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

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

- 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.

Report Disclaimer: All information provided in this report is general information only. You should obtain expert professional advice based on your own project and specifics. Rawlinsons will not accept liability for any direct, incidental or consequential loss or damage resulting from this report. The information contained in this document is the property of Rawlinsons. Use or copying of this document in whole or in part without the written permission of Rawlinsons constitutes infringement of copyright.