



Market Insight April 2026



Rawlinsons

Market Overview: Challenges and Opportunities Ahead

Australia's construction industry has entered 2026 at record levels of activity. The total value of construction work done reached around \$80 billion in the December 2025 quarter alone, one of the highest quarterly outputs on record. This cements a trend of elevated building and infrastructure investment: in real terms, annual construction output is up roughly 3% on a year ago, marking a new high-water mark for the nation's builders.

However, this boom in work is accompanied by resurgent cost pressures. Current conflict in the Middle East, persistent labour shortages and low productivity rates is putting upward pressure on construction costs across the nation.



Leading indicators confirm that the construction pipeline remains strong. Nationwide, the annual number of new dwelling approvals reached 195,523 by November 2025 – about 20% higher than a year prior. This significant rise in new housing projects (especially apartments and townhouses) will translate into sustained building activity through 2026.

Private sector building plans have been bolstered by Australia’s chronic housing undersupply and rising rents, as well as emerging areas like build-to-rent developments and renewable energy infrastructure. Meanwhile, the public sector continues to underpin the industry with multi-year infrastructure programs. Government-funded projects such as urban rail lines, highways, hospitals, and defence facilities are helping maintain demand even where private development has cooled.



Overall, Australia’s construction boom is broad-based - every state has significant projects underway - but the intensity differs. This influences local market sentiment and pricing: for example, contractors in Brisbane or Perth report an “overheating” market, whereas Sydney has seen a mild respite in bidding competition.

Nonetheless, the consensus is that 2026 will be another very busy year nationwide, given the volume of approved projects waiting to commence. Industry leaders continue to urge proponents to lock in projects and resources early to avoid higher costs or labour shortfalls later in the cycle.

ECONOMIC INDICATORS

2.6%

GDP - December 2025

4.1%

RBA interest rate -
March 2026

\$80B

Value of construction
work done in Q4 2025

3.7%

CPI - February 2026

4.3%

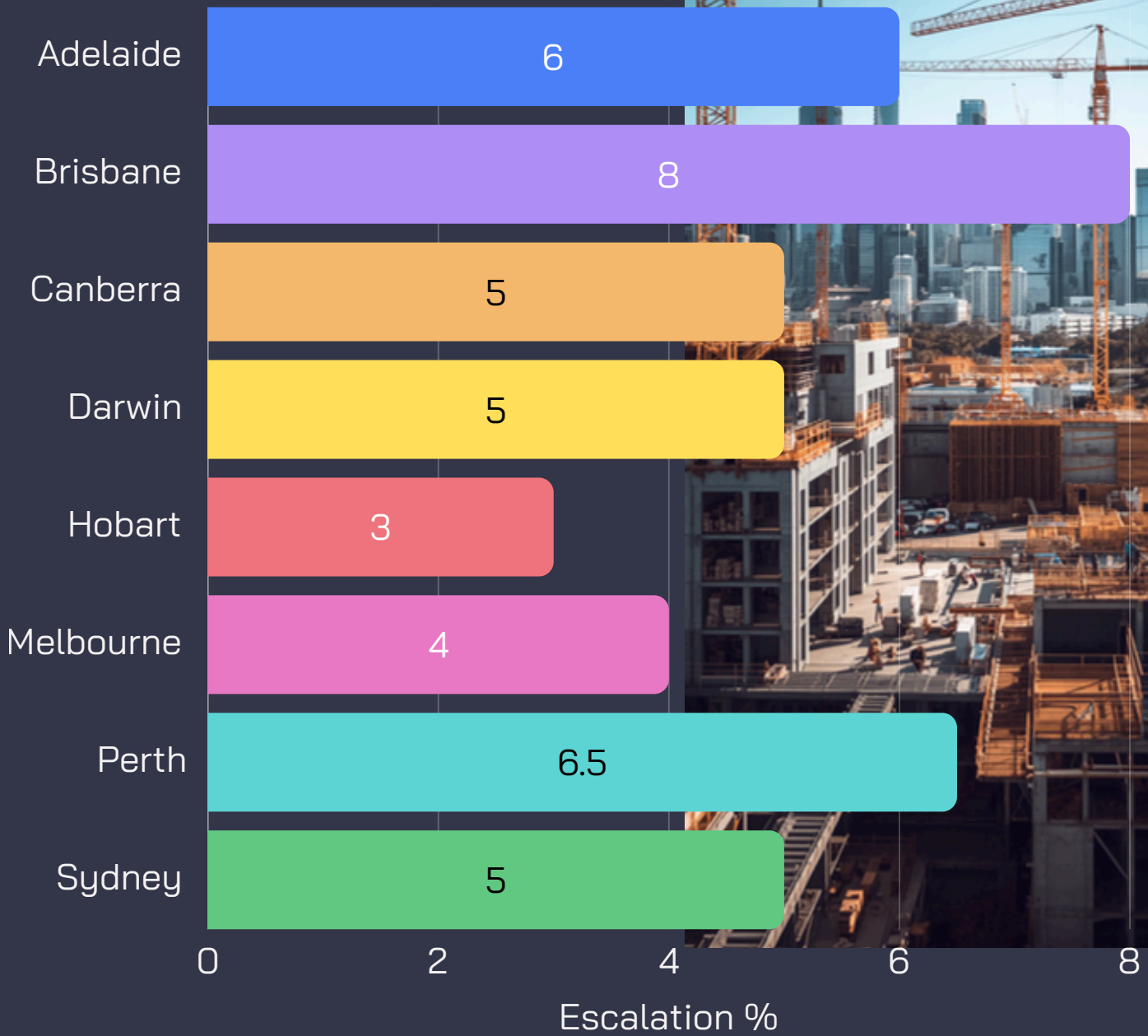
Unemployment rate -
February 2026

1,375,300

No. of people employed in
construction - Q1 2026



2026 Escalation Forecast



The above forecast escalation rates do not account for the current fuel crisis impacts. If current fuel disruption persists in the medium to long term, escalation could increase by a further 6-9%, depending on factors including location, construction type, and project phase.

Refer to the “Fuel Crisis” section on page 14 for further commentary.

ADELAIDE



Building and civil construction demand in South Australia is expected to remain strong through 2026–2027, driven by defence investment (particularly AUKUS), major transport infrastructure, housing supply initiatives, mining, energy transition and industrial projects. Defence represents the most significant structural shift, with the Osborne Naval Shipyard and submarine program underpinning sustained construction activity well into the 2040s, including supporting manufacturing and supply chain facilities.

Public infrastructure, particularly transport and utilities, will continue to **exert pressure on industry capacity**, with projects such as the North–South Corridor Tunnel creating multi–year demand for labour, materials and plant. In contrast, private commercial construction is expected to remain moderate due to high build costs, elevated interest rates and softer demand.

Construction costs in Adelaide are expected to increase by 5–6%, reflecting sustained demand and limited contractor capacity.

Residential construction policy targets 13,500 dwellings per annum; however, delivery is expected to **remain below target** in the near term due to **labour shortages, material pricing volatility and lengthy approval processes**. Industrial construction is expected to outperform other private sectors, supported by defence supply chains, logistics, mining and energy transition projects.

Workforce constraints remain the most critical risk, with over **20,000 additional skilled workers** required over the next five years. While government workforce initiatives are underway, training lead times mean shortages will persist, making skilled migration essential. Construction costs in Adelaide are forecast to rise by 5–6% due to sustained demand and limited contractor capacity.

BRISBANE



Activity in Q1 2026 remained strong, with most sectors operating at **busy but sustainable levels**. Building approvals for housing are trending slightly downward from recent years; however, total dwelling activity continues to rise, reflecting a shift toward higher-density apartments.

Significant cost escalation was forecast for 2026 due to the projected pipeline of work. However, current geopolitical conditions have **brought forward** some of these increases, as contractors and suppliers seek to manage project risks and associated financial impacts.

Ongoing uncertainty is also increasing tender qualifications around force majeure, acts of war, and the application of rise-and-fall clauses as parties seek to share risk more evenly.

As expected, the conflict in the Middle East has **increased pricing** for trades with a strong dependence on oil-based products. With diesel costs reaching record highs in March, fuel-intensive trades and freight-reliant supply chains were among the first to experience cost increases, often expressed through fuel levies and surcharges.

Although the Federal Government reduced the fuel excise for three months, construction periods are substantially longer, so this is unlikely to materially reduce pricing through 2026. Ongoing uncertainty is also **increasing tender qualifications** around force majeure, acts of war, and the application of rise-and-fall clauses as parties seek to share risk more evenly.

CANBERRA



The Middle East hostilities have caused significant discomfort in the civil works and road-building sector at the time of going to publication, and the situation remains volatile. Looking past this short-term impact, the Greater Canberra Region construction activity is holding up, but not because of private sector activity; **the government and institutional projects are supporting the market**. These projects will continue to compete for trade and management resources at the upper end of the market and are driving **notable spikes** in mechanical, electrical, and formwork pricing due to the small pool of Canberra trade contractors.

The market remains complex, influenced by evolving government initiatives, fluctuating housing demand, and ongoing industry challenges such as expensive labour, resource shortages, and high input costs.

Residential building construction continues to lag, and the previously expected increase in activity in the apartment and townhouse sectors does not seem to have materialised in any significant way. The **market remains complex**, influenced by evolving government initiatives, fluctuating housing demand, and ongoing industry challenges such as expensive labour, resource shortages, and high input costs.

Labour availability continues to be the **main constraint on productivity and costs**, with wage pressures persisting for skilled trades and supervisory roles. Contractor margins are tight, generally between 3% and 4%. Industry discussions are centred around fairer risk-sharing contractual arrangements on larger projects, with decreasing appetite for all-or-nothing risk lump-sum contracts. Project owners who facilitate deposit payments for long-lead-time materials are finding it easier to secure competitive pricing in the market.

DARWIN



The construction industry in Darwin recorded **stable performance** throughout the first quarter of 2026, underpinned primarily by major government infrastructure projects and a modest level of private sector activity. Continued public investment has provided a reliable pipeline of work, supporting overall sector stability.

Residential construction activity has shown **signs of strengthening** over the same period. Persistently low vacancy rates and ongoing rental growth across several key locations have sustained housing demand. This has intensified focus on housing affordability and prompted the introduction of short-term measures aimed at increasing supply.

Shortages of skilled labour remain a key challenge, contributing to rising construction costs and extended project timelines.

Despite these positive indicators, the sector continues to face significant constraints. **Shortages of skilled labour** remain a key challenge, contributing to rising construction costs and extended project timelines. These pressures are particularly evident in large-scale developments, where the **availability of tier-one contractors is limited**. With a substantial pipeline of defence-related projects expected to progress, capacity constraints and cost escalation are likely to persist in the near term.

In addition, geopolitical factors are contributing to cost pressures across the Northern Territory construction industry. The ongoing conflict in the Middle East has driven increases in global oil and gas prices, resulting in higher fuel costs and elevated prices for materials linked to energy and petrochemical supply chains. These factors are expected to impact both planned developments and projects currently under construction.

HOBART



2026 commenced with a relative sense of calm and stability, with **moderate levels of industry activity** following last year's reduction from the heightened activity and cost escalation seen in preceding years. The State welcomed the approval of the new Macquarie Point stadium through the Upper House, with the project passing a major political hurdle and now set to progress, albeit on a delayed timeline.

This is positive news given the otherwise cautious outlook for government spending over the foreseeable future, driven by rising debt levels. This remains a growing concern for the construction industry, given the importance of public-sector project development since the COVID-19 era.

Any reduction in investor and developer confidence would be detrimental to a local industry already anticipating a decline in government spending.

Outlook shifted following the conflict in the Middle East, which has led to price increases and surcharges on **products that use fuel in their production or transport**, as well as on construction equipment and related processes. While the full effect is yet to be seen, the situation has increased the potential for a **more volatile market than expected**. Whether this proves to be a temporary disruption that corrects as tensions ease, or continues through the year – potentially compounded by further interest rate rises – remains to be seen. Any reduction in investor and developer confidence would be detrimental to a local industry already anticipating a decline in government spending.

Notwithstanding the above, the **industry outlook remains generally positive**, with a number of projects expected to commence, particularly in the commercial sector. Residential activity has been limited, with recent and forecast interest rate increases unlikely to assist. Government housing targets continue to **fall behind requirements**, and a departmental reshuffle is underway to realign focus in this area.

MELBOURNE



Market conditions remain **subdued**, broadly consistent with late 2025. However, a notable **uplift in approvals** for non-residential projects suggests activity is likely to pick up later in the year.

Several major transport infrastructure projects reached completion in late 2025, which may slightly ease pressure on skilled labour for other work. Office and private high-density residential projects remain subdued in 2026; however, **data centres and renewable energy** are emerging as strong growth sectors. Build-to-rent projects also continue to perform well as the state seeks to meet its Housing Australia Future Fund targets. While Victoria leads nationally in HAFF commitments, delivery remains insufficient relative to underlying housing need.

Labour shortages and contractor insolvencies continue to constrain delivery capacity, while regulatory reforms are shifting the market toward medium-density housing.

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From a cost perspective, **escalation has moderated** but remains structurally elevated. Current market intelligence indicates construction cost growth of around 4.0% through 2026, placing Melbourne alongside Sydney as one of the more **stable east-coast markets**, albeit from a significantly higher post-pandemic base. These forecasts do not include any potential impacts from the current fuel crisis.

PERTH



Q1 2026 saw relatively **stable tender pricing**. While this stability is unlikely to persist for the remainder of the year, it has been positive for builders and clients alike. Subcontractor pricing has broadly reflected this stabilisation, with notable exceptions such as large formwork packages, which continue to challenge many projects. In response, some designers and contractors are considering **alternative design solutions** to mitigate price and program risk.

The escalating conflict involving Iran remains a key concern, with likely negative impacts including price increases, supply chain disruption, and weaker industry sentiment – echoing some of the pressures experienced during COVID-19.

Discussions are increasingly focused on how conflict-related risk will be managed in contracts, as builders and developers seek workable risk-sharing positions.

Despite the **uncertainty**, 2026 is expected to remain a busy year, with projects progressing across health, correctional, purpose-built student accommodation (PBSA), social and affordable housing, and airport infrastructure.

The private sector has also been supported by **continued house price growth**, with several developments expected to commence in the coming months. However, discussions are increasingly focused on how conflict-related risk will be managed in contracts, as builders and developers seek workable risk-sharing positions.

SYDNEY



NSW entered Q1 2026 with a softer private development environment, particularly in feasibility-sensitive sectors such as higher-density residential. While financing conditions eased through 2025, **interest rate increases** in February and March 2026 have lifted debt costs again, **constraining funding** for new projects.

The March 2026 fuel shock linked to conflict in the Middle East has **introduced renewed volatility** across freight, quarry products and imported materials. Concrete, aggregates, aluminium and polymer-based products are the most exposed, while timber and mainstream steel have remained relatively stable at the commodity level. However, delivered prices are now facing upward pressure from fuel and freight costs.

Tendering remains competitive but increasingly qualified, with shorter validity periods and explicit contingencies more common.

Labour availability remains a key constraint. Large public projects - including Sydney Metro West, Parramatta Light Rail Stage 2 and Western Sydney Airport precinct works - continue to absorb labour, plant and specialist trades. While headline escalation has moderated, **package-specific risk has increased**, particularly for fuel, logistics and specialist intensive trades.

Tendering remains **competitive** but increasingly qualified, with shorter validity periods and **explicit contingencies** more common. A metro NSW escalation allowance of 4.5%-5.0% for 2026 remains appropriate, but higher risk allowances apply for exposed packages.

Fuel Crisis Impact Analysis



The global construction sector is experiencing renewed volatility following recent instability in Middle East energy markets.

Escalating fuel prices, supply chain disruption, and freight constraints are already translating into higher construction costs, longer lead times, and increased contractual risk.

This report summarises current conditions, outlines likely cost impacts for Australian projects, and highlights key considerations for clients, contractors, and consultants.

Fuel Crisis Rising Costs

Rising fuel prices are affecting construction projects through three primary channels:

- Higher operating costs for diesel-powered plant, equipment, and site vehicles
- Increased transport and logistics costs for materials, components, and services
- Upward pressure on building material prices, driven by supply chain disruption and pricing volatility

These pressures are being passed through rapidly, with limited capacity for cost absorption within existing contractor margins.

Material price escalation is now evident across a broad range of construction inputs:

- Plastic pipe products (PVC, PE, PP) +30–40%
- Bitumen and asphalt +30–50%
- Reinforcing and structural steel +5–10%
- Aluminum cladding +10%
- Concrete +\$8/m³ surcharge
- Quarry products (aggregates, sands) +5%
- Laminated timber products +5–6%

These increases reflect both direct fuel costs and indirect impacts, including higher resin prices and constrained production capacity.

Fuel Crisis Freight and Logistics Disruption

International Freight

- Global container shipping rates increased by ~15% during March 2026
- Significantly higher rates observed on routes proximate to the Middle East

Domestic Freight

- Fuel surcharges applied by Australian freight operators and suppliers
- Typical surcharge ranges: 10–25%

Freight volatility remains one of the most immediate cost risks, particularly for imported building products and specialist equipment.

Material Lead Times and Supply Risk

Supply chain disruption has resulted in longer and less predictable lead times across multiple packages. Current high-risk categories include:

- Mechanical and electrical equipment
- Façade and glazing systems
- Fixtures and specialist imported components

The reliability of previously stable suppliers should not be assumed under current conditions, increasing the importance of early procurement strategies.

Fuel Crisis Market Response

Procurement conditions are evolving rapidly, with several clear market trends emerging:

- Shortening of tender validity periods
- Reduced appetite for fully fixed-price contracts
- Widespread inclusion of material escalation clauses
- Increased use of qualifications transferring risk to principals
- Contractor preference for early procurement of critical-path trades and materials

These trends signal a shift in risk allocation and require closer scrutiny at tender evaluation stage.

Contractual and Risk Considerations

Many standard Australian construction contracts provide limited protection against fuel-driven escalation:

- Force majeure provisions are often narrowly defined
- Supply chain disruption and insurance withdrawal may be excluded
- Relief is commonly limited to time adjustments, without cost recovery

In response, contractors are increasingly pricing additional risk into tenders, informed by recent experience during COVID-related disruption.

Fuel Crisis Forecast Construction Cost Scenarios

While the ultimate duration and severity of the crisis remains uncertain, two indicative scenarios have been assessed for new metropolitan commercial building projects:

Scenario 1 – Short-Lived Disruption

- Fuel pricing normalises by mid-2026
- Short-term pricing spike only
- Minor freight and programme impacts

Forecast impact: **+1–2%** above baseline 2026 escalation forecasts

Scenario 2 – Prolonged Crisis

- Elevated fuel prices persist through late 2026 and beyond
- Sustained escalation across materials, logistics, and preliminaries
- Greater impact on long-duration projects

Forecast impact: **+6–9%** above baseline escalation forecasts

Civil and infrastructure projects are expected to experience more pronounced impacts, with regional projects also exceeding metropolitan escalation levels.

Fuel Crisis Recommended Actions

In response to current market conditions, industry stakeholders should consider:

- Proactive review of contract risk allocation and escalation provisions
- Early and disciplined procurement planning for high-risk packages
- Transparent risk-sharing arrangements between project parties
- Ongoing monitoring of fuel markets, freight costs, and supplier capacity
- Early, consistent communication to support informed decision-making

While no single strategy eliminates volatility, a structured and collaborative approach can materially improve project resilience and delivery outcomes.



RAWLINSONS COST DATA



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Commercial Estimator



216

36

16,000

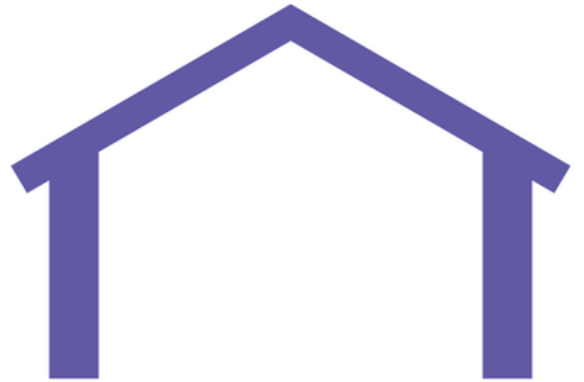
Building types

Trades

Lines of Cost Data

- ✓ COMMERCIAL COST DATA
- ✓ ESTIMATING RATES
- ✓ DETAILED PRICES
- ✓ BUILDING PRICE INDEX
- ✓ LABOUR AND PLANT CONSTANTS
- ✓ RECYCLING AND REFURBISHING
- ✓ BUILDING REGIONAL INDICES

Domestic Estimator



112

31

6,500

Building types

Trades

Lines of Cost Data

- ✓ DOMESTIC COST DATA
- ✓ ESTIMATING RATES
- ✓ DETAILED PRICES
- ✓ BUILDING PRICE INDEX
- ✓ LABOUR AND PLANT CONSTANTS
- ✓ RENOVATIONS
- ✓ BUILDING REGIONAL INDICES



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C O S T M A N A G E M E N T

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

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- ✓ 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

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C O S T D A T A

Annexure 1

ESCALATION FORECAST, BUILDING PRICE INDEX AND CONSUMER PRICE INDEX

2026 ESCALATION FORECAST

	31 December 2025	31 March 2026	30 June 2026	30 September 2026	31 December 2026
Adelaide	100.00	101.50	103.00	104.00	106.00
Brisbane	100.00	103.00	104.00	106.00	108.00
Canberra	100.00	101.50	103.00	104.00	105.00
Darwin	100.00	101.50	103.00	104.00	105.00
Hobart	100.00	101.00	102.00	102.50	103.00
Melbourne	100.00	101.00	102.00	103.50	104.00
Perth	100.00	101.00	102.50	104.50	106.50
Sydney	100.00	103.00	104.00	104.50	105.00

Note: The above escalation forecasts do not account for the potential impacts of the current fuel crisis.

RAWLINSONS BUILDING PRICE INDEX

	ADELAIDE	BRISBANE	CANBERRA	DARWIN	HOBART	MELBOURNE	PERTH	SYDNEY
2025								
March	147.91	165.80	161.63	134.68	146.17	157.46	150.01	160.39
June	150.11	169.05	164.02	136.67	147.62	159.02	152.22	162.76
September	152.31	170.68	164.82	137.99	148.34	161.36	153.70	163.55
December	154.50	171.49	164.82	139.31	149.07	162.92	156.66	165.13
2026								
March	156.82	176.63	167.29	141.40	150.56	164.55	158.22	170.08
June	159.14 (F)	178.35 (F)	169.76 (F)	143.49 (F)	152.05 (F)	166.18 (F)	160.57 (F)	171.73 (F)
September	160.68 (F)	181.78 (F)	171.41 (F)	144.88 (F)	152.79 (F)	168.62 (F)	163.71 (F)	172.56 (F)
December	163.77 (F)	185.21 (F)	173.06 (F)	146.27 (F)	153.54 (F)	169.43 (F)	166.84 (F)	173.38 (F)

F = Forecast

CONSUMER PRICE INDEX

	ADELAIDE	BRISBANE	CANBERRA	DARWIN	HOBART	MELBOURNE	PERTH	SYDNEY
2025								
October	100.11	100.21	99.99	100.18	100.46	100.01	99.82	99.89
November	100.17	99.96	100.26	100.11	100.32	100.07	99.56	100.06
December	101.00	100.98	100.97	100.71	101.17	100.98	100.29	101.19
2026								
January	101.27	101.08	101.46	100.83	101.28	101.45	100.57	101.61
February	101.41	101.05	101.42	100.91	101.46	101.36	101.21	101.40

Note: The ABS rebased the CPI so that September 2025 = 100.00. This is a scale change only.