



Market Insight October 2026



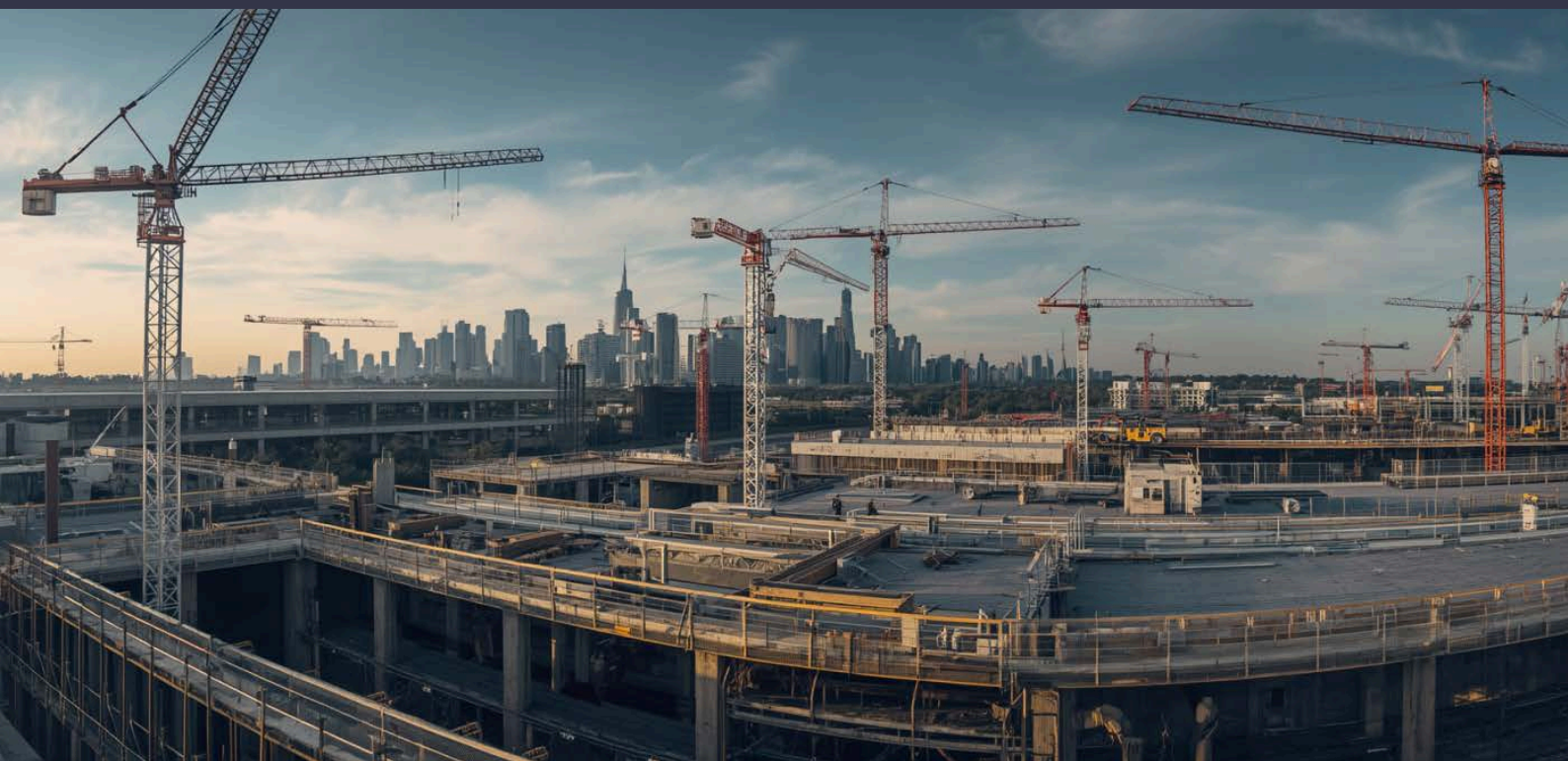
Rawlinsons

Market Overview: Rates Up, Pipeline Under Pressure

Australia's construction industry enters the final quarter of 2026 under mounting pressure. The value of construction work done fell 2.1% to \$82.5 billion in the June quarter. However, this decline was driven by weaker engineering activity with building work actually increasing by 1.3% to \$45.8 billion, which is 9.1% higher than a year earlier.

Labour shortages remain one of the most significant constraints facing the industry. Demand from major infrastructure, resources, defence, health and energy projects continues to compete for skilled labour and specialist subcontractors, maintaining pressure on wages, productivity and project delivery timeframes.

Cost pressures remain elevated. After easing mid-year, fuel and freight costs climbed again as the Middle East conflict escalated, reversing the relief many suppliers had begun passing on. Rawlinsons' revised forecasts show 2026 escalation easing slightly in several capitals, but still sitting above long-run norms across most of the country.



Financing conditions have tightened sharply. The RBA lifted the cash rate to 4.60% on 29 September, its fourth increase this year and the highest level in almost 15 years. Headline inflation rose to 4.0% in August, while trimmed mean inflation, the underlying measure the RBA watches most closely, held at 3.6% for a third consecutive month. With unemployment at 4.6%, the economy is slowing but still carries elevated cost pressure.



Government spending continues to underpin a large share of construction activity, but the public pipeline is becoming less predictable. In Victoria, a change of Premier, a cost review of the Suburban Rail Loop and the November state election have added timing risk to major projects. Budget positions remain under scrutiny in other jurisdictions too. Decisions on infrastructure funding, housing targets and regulatory reform will shape how much of the current pipeline proceeds, and when.

Private sector conditions are weakening further. Higher borrowing costs and rising build costs are widening feasibility gaps. Dwelling approvals fell 6.1% in August, led by a 21.2% drop in private dwellings excluding houses. Non-residential approvals fell 44.8% in value after July's near-record result. With insolvencies elevated and contractors more selective, the market's reliance on public investment is growing just as that pipeline becomes less certain.

ECONOMIC INDICATORS

2.1%

GDP - June 2026

4.60%

RBA cash rate - Sept 2026

\$82.5B

Value of construction work done - Q2 2026

4.0%

CPI - Aug 2026

4.6%

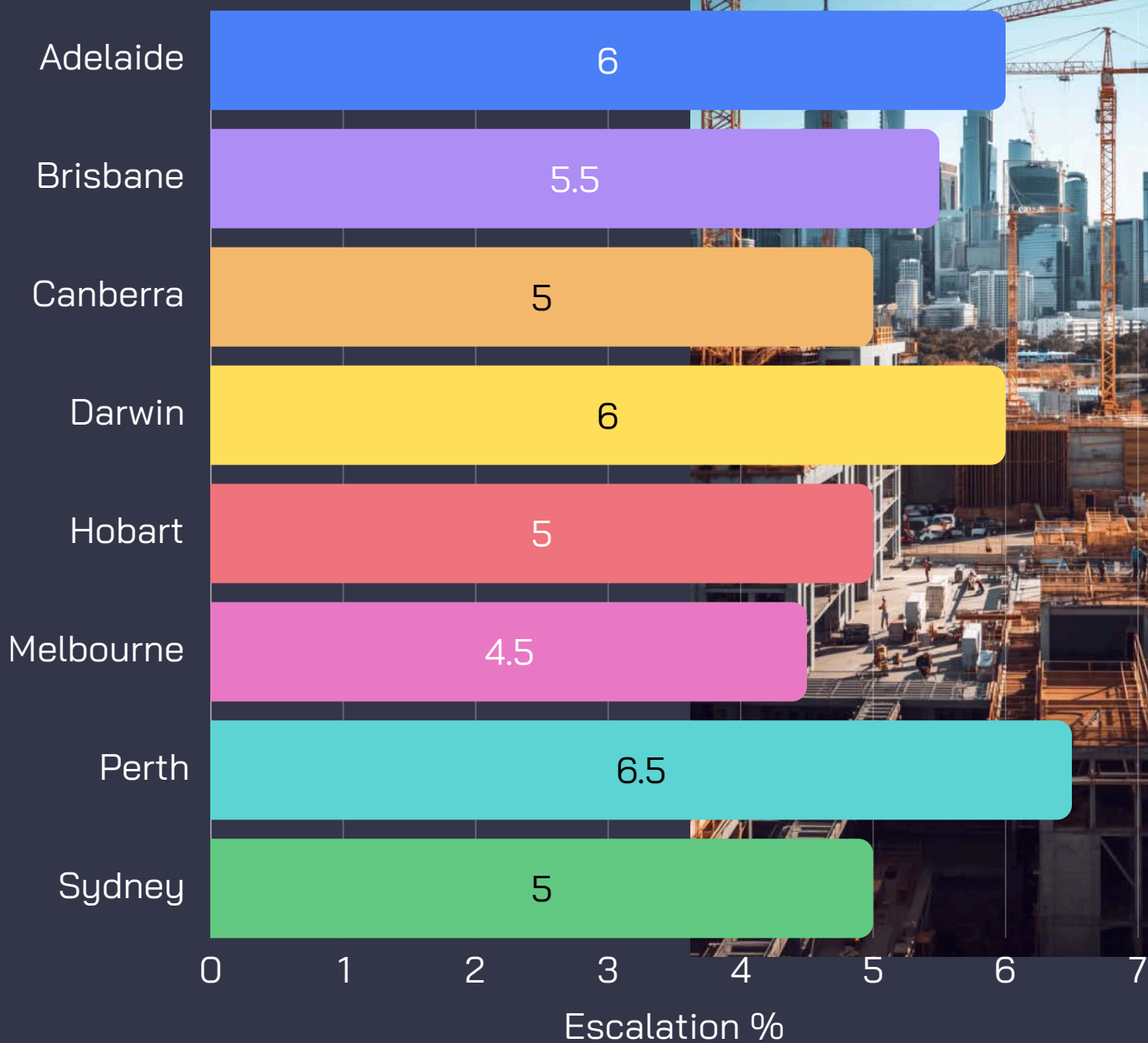
Unemployment rate - Aug 2026

1,371,500

No. of people employed in construction - Feb 2026



2026 Escalation Forecast



Rawlinsons' 2026 escalation forecasts have eased slightly since July but remain above long-run historical norms in most capital cities. Forecasts now range from 4.5% in Melbourne to 6.5% in Perth, which is now the highest nationally. Darwin has been revised down from 7% to 6%, Brisbane from 6% to 5.5% and Canberra from 5.25% to 5%.

The revisions do not signal an easing of underlying pressure. Labour shortages remain the most consistent driver nationally. Renewed fuel costs, higher interest rates and limited contractor capacity on major projects all point to continued upward pressure into 2027.

ADELAIDE



South Australia continues to attract a large volume of public and private sector investment. However, the Middle East conflict has driven up the cost of diesel, freight, concrete and other fuel-linked materials, acting as both a cost and productivity shock that is weighing on the financial viability of projects across the sector.

In the residential sector, house building material costs surged early in the year. The Commonwealth Bank (CBA) has warned that elevated costs will reduce dwelling completions through to 2029, putting South Australia's National Housing Accord targets at risk. Builders appear to be absorbing some of these increases, which is squeezing margins.

Commercial sector sentiment has turned negative as workloads fall.

Commercial sector sentiment has turned negative as workloads fall. Elevated inflation and successive RBA rate rises have made project finance harder to secure, and projects that fail to meet viability hurdles are being delayed or put on hold indefinitely.

The industrial sector, servicing defence and logistics, continues to record strong growth.

Infrastructure remains strong, underpinned by heavy State Government investment in defence, water, renewable energy and the North–South Corridor. However, current projects face intense pressure from elevated fuel costs, with major projects at risk of cost overruns and programme extensions.

The South Australian Government forecasts economic growth to slow from 2.25% to 1.75% in 2026–27, attributed partly to higher interest rates and the consequences of the Middle East conflict.

BRISBANE



Tender activity for commercial projects increased significantly in the September quarter 2026 and may signal the start of the next 'boom'. While competitive pricing is still being received on short-term projects, the subcontract market is progressively securing a significant volume of work for 2027 and beyond. As key subcontractors reach capacity, pricing is expected to rise faster as competition for skilled labour and resources intensifies.

Building approvals for housing remain elevated and have been approaching the highs of 2021, although monthly results are volatile. Commencements have not kept pace with approvals and, while still trending upwards, the gap suggests some projects are facing feasibility challenges. Recent interest rate rises, rising construction costs and developer insolvencies are likely to tighten access to project finance.

As key subcontractors reach capacity, pricing is expected to rise faster as competition for skilled labour and resources intensifies.

The continuing conflict in the Middle East has seen fuel costs return to the highs of April 2026. As a result, the impacts experienced in the June quarter, including increased fuel surcharges, are likely to return.

A significant pipeline of high-rise residential projects remains in feasibility, while hotels and retail are also seeing increased pre-contract activity. Several large projects that had previously stalled, including the new Olympic Stadium, have recently progressed, and other Olympic venues are expected to follow in the final quarter of 2026. Together, these factors are likely to mark the start of a very busy period for South East Queensland.

CANBERRA



The Canberra construction market remained under pressure and selective through the September quarter 2026, and these conditions are expected to persist over the medium term. Activity continues to be supported by major government, commercial and infrastructure projects, while the residential pipeline remains weak. Private sector feasibility remains sensitive to finance costs, presales, programme risk and construction costs, which is expected to weigh on future housing commencements.

Tender appetite remains reasonable for straightforward projects, although coverage is thinner for complex services, constrained sites, tight programmes and work requiring specialist subcontractors. Labour availability and productivity continue to put upward pressure on wages and installation rates. Softer demand is encouraging competitive tendering, but this does not necessarily translate into lower construction costs.

Tender appetite remains reasonable for straightforward projects, although coverage is thinner for complex projects.

Material pricing remains mixed. Timber, plasterboard and roof and wall sheeting are seeing modest movement, while concrete, masonry, glazing, aluminium and reinforcement remain under upward pressure. Diesel, freight and petroleum-based products remain exposed to geopolitical uncertainty, so projects with significant PVC, bitumen, quarry product or haulage requirements warrant higher allowances than the general building index.

The major public project pipeline continues to support demand for specialist resources in the short term. However, activity is uneven across sectors, and the weaker residential outlook should moderate overall escalation. Higher input costs are being partly absorbed through competitive pricing and tighter contractor margins.

DARWIN



The Darwin construction market remains active, with major defence, civil infrastructure and marine projects continuing to provide a strong pipeline of work across the Northern Territory. Government investment in these sectors remains robust and is expected to sustain activity over the medium term. In contrast, government-funded building projects have slowed compared with recent years, creating a more competitive environment in parts of the building sector. Residential development continues to strengthen as housing supply shortages and land release initiatives drive new opportunities.

Government investment in defence, civil infrastructure and marine sectors remains robust and is expected to sustain activity over the medium term.

Market conditions continue to be shaped by labour constraints, rising construction costs and competition for skilled resources, particularly as several large infrastructure and defence projects move into delivery. While tender price escalation is expected to continue through 2026, it is moderating compared with previous years. Pricing pressure remains linked to workforce availability, freight and logistics costs, supply chain challenges and contractor capacity across the Territory.

Limited competition among Tier 1 contractors and specialist subcontractors continues to elevate project costs and drive more selective tendering, with contractors prioritising lower-risk, better-structured opportunities.

Overall, the outlook remains positive, particularly in the defence, infrastructure, marine and residential sectors. However, successful delivery will continue to depend on early procurement of labour, subcontractor resources and key construction materials.

HOBART



There is a sense of relative stability across the industry, with medium to high levels of activity. Some contractor availability remains, particularly on small to medium-sized projects. There is still evidence of supply bottlenecks, although none appear to be causing major delays.

While escalation remains slightly above long-term averages, largely due to global influences, it has not resulted in major volatility in the market. However, the high cost of construction, and the ongoing difficulty for developers in achieving worthwhile returns on speculative projects, has slowed private sector investment, leaving the industry reliant on government work to maintain capacity.

The housing sector remains buoyant, driven by a backlog and continued shortfall in residential supply.

While there may be calls for reduced government spending to help ease inflation, a steady supply of government-funded projects remains vital to sustaining workloads and employment. This is especially important as the new stadium approaches commencement. The industry has long advised that the project would require a build-up of the local workforce in the years leading up to construction. That build-up is unlikely to have been achieved, meaning imported labour will likely be needed to meet the project's programme.

The housing sector remains buoyant, driven by a backlog and continued shortfall in residential supply. While the recent Federal Government reduction in investor incentives has stalled property prices, Tasmania is unlikely to see substantial price falls like those seen elsewhere in the country. However, cost-of-living pressures combined with ongoing interest rate rises are likely to create further difficulties for first home buyers and the stretched rental market, and in turn for social housing targets.

MELBOURNE



Melbourne's infrastructure pipeline has moved firmly into delivery. Tunnelling on Suburban Rail Loop East began at Burwood on 7 September, with further tunnel boring machines to follow, while early works on the more than \$4 billion first stage of Melbourne Airport Rail are underway between West Footscray and Albion.

The forward pipeline is less certain. The Victorian Government has paused new SRL contracts, including the major station package, pending a cost review, and the November state election adds a further layer of timing risk to public projects.

Melbourne's infrastructure pipeline has moved firmly into delivery.

Victoria's housing pipeline is picking up at the front end but not yet at delivery. Dwelling approvals rose 8.9% in August to 5,163, yet completions fell 12% over the year to March. The state has so far built under a quarter of its National Housing Accord target and, at the current pace, is not expected to reach it until September 2029. Close to 1,300 federally funded social homes are planned across Victoria, but construction is not expected to start until mid-2027.

Private developers face a tougher environment. Close to 1,000 Victorian construction firms entered external administration in 2025–26, and the RBA's lift to 4.60% will add further pressure to feasibility and contractor balance sheets. With approvals running ahead of completions, the binding constraint is the industry's capacity to deliver and project feasibility, not demand.

PERTH



Perth is operating as a two-speed market. Smaller-value projects are attracting strong tender competition. At the top end, Tier 1 and Tier 2 contractors are receiving fewer subcontract prices, as the limited pool of large, well-resourced subcontractors is already committed to the health, HAFF and infrastructure pipeline. The result is thinner competition, higher risk premiums and longer procurement lead times on major projects.

Brick supply has emerged as a new pressure point. Midland Brick, the state's only large-scale clay brick manufacturer, began rationing supply to builders from 1 October. With WA building by far the highest proportion of double brick homes nationally, the constraint flows directly into housing programmes. The State Government has committed up to \$4 million to recommission Austral's mothballed Cardup brickworks, lifting state brick supply by an expected 10–15%, but operations are only targeted to restart by March 2027, offering little near-term relief.

**Perth is operating as a two-speed market.
Smaller-value projects are attracting strong
tender competition.**

Fuel costs have re-spiked as the Middle East conflict has escalated again, reversing the mid-year easing when suppliers began removing fuel levies. Diesel-intensive civil and earthworks packages are the most exposed.

Financing conditions are tightening too. The RBA lifted the cash rate to 4.60% on 29 September, its fourth increase this year and the highest level in almost 15 years, with a further rise before year-end still in play, weighing most on private residential and commercial feasibility.

SYDNEY



Sydney market conditions remain steady, but pricing continues to be sensitive to cost movements in key trades and materials. Building cost escalation has levelled off, with current market evidence supporting a full-year 2026 building price adjustment of around 5.0% for metropolitan Sydney. This should be treated as a broad market allowance only and should not replace project-specific pricing for higher-risk packages, such as those exposed to fuel, freight, PVC, bitumen, copper or electrical equipment, façade and glazing systems, or services-heavy works.

Sydney market conditions remain steady, but pricing continues to be sensitive to cost movements in key trades and materials.

Activity remains supported by public infrastructure, health, education, industrial and logistics, and data centre projects, with data centre approvals increasing considerably and contractors placing greater focus on the sector. However, parts of the private residential and commercial markets remain under feasibility pressure due to funding costs, build cost escalation and softer project viability. Crane activity has also eased, suggesting a market that is steady rather than strongly expanding. Tendering remains competitive for standard building work, but contractors are managing risk more actively through shorter tender validity periods, exclusions, escalation clauses and more selective pricing on constrained packages.

Labour availability remains one of the main cost and delivery risks, particularly for skilled trades, supervision, electrical, services, civil and façade-related packages. Materials are generally available, but delivered prices remain exposed to fuel, freight, imported components and petrochemical-linked products. Overall, Sydney is best described as stable in activity, with increasing pricing pressure in selected trades and packages rather than uniform cost increases.

Educational Topic - Labour Norms & Productivity

In this educational topic we look at how labour is estimated, and why the same item of work can take very different hours from one project to the next.

Labour norms set the hours needed to install one unit of work, while productivity determines how quickly that work actually happens on site. Site access, programme continuity, design complexity, repetition and industrial arrangements all move productivity, and their effects compound rather than add.

The following pages set out the key drivers, a worked example, and what they mean for your project.



What Moves the Numbers

The same task can take very different hours from one project to the next. These are the drivers that move the numbers on productivity:

Site access & logistics	Tight sites, limited laydown and shared hoists add waiting time to every task.
Programme continuity	Stop-start work means remobilising crews and losing momentum each time.
Live & occupied sites	Hospitals, schools and operating facilities restrict hours, noise and access.
Economies of scale	Bulk procurement, dedicated crews and better plant utilisation.
Standard vs bespoke	Every one-off detail means a stop, a question and a slower install.
Repetition	Labour crews get faster with every repeat, until the design changes.
Off-site construction	Moves hours into a controlled factory, but needs early design freeze and volume.
Industrial relations	EBAs, RDOs and site agreements set the hours actually available to work.

Labour Norms & Productivity

Labour is often the largest and most variable part of an estimate. A labour norm (or constant) is the hours needed to install one unit, e.g. hours per m². Productivity is how fast that work actually happens on site, and it can swing widely on the very same item.

Worked example: 1,000 m² of blockwork

1,000 m ² blockwork	Constant & rate	Hours	Labour cost
Bricklayer	0.56 hrs/m ² @ \$105/hr	560	\$58,800
Labourer	0.28 hrs/m ² @ \$85/hr	280	\$23,800
Base case	\$82.60/m²	840	\$82,600
Productivity factor*	0.85 × 0.90 × 0.90 = 0.69	÷ 0.69	÷ 0.69
Impacted case	\$119.71/m²	1,217	\$119,710

*Bespoke details (0.85) × restricted access (0.90) × stop-start programme (0.90).

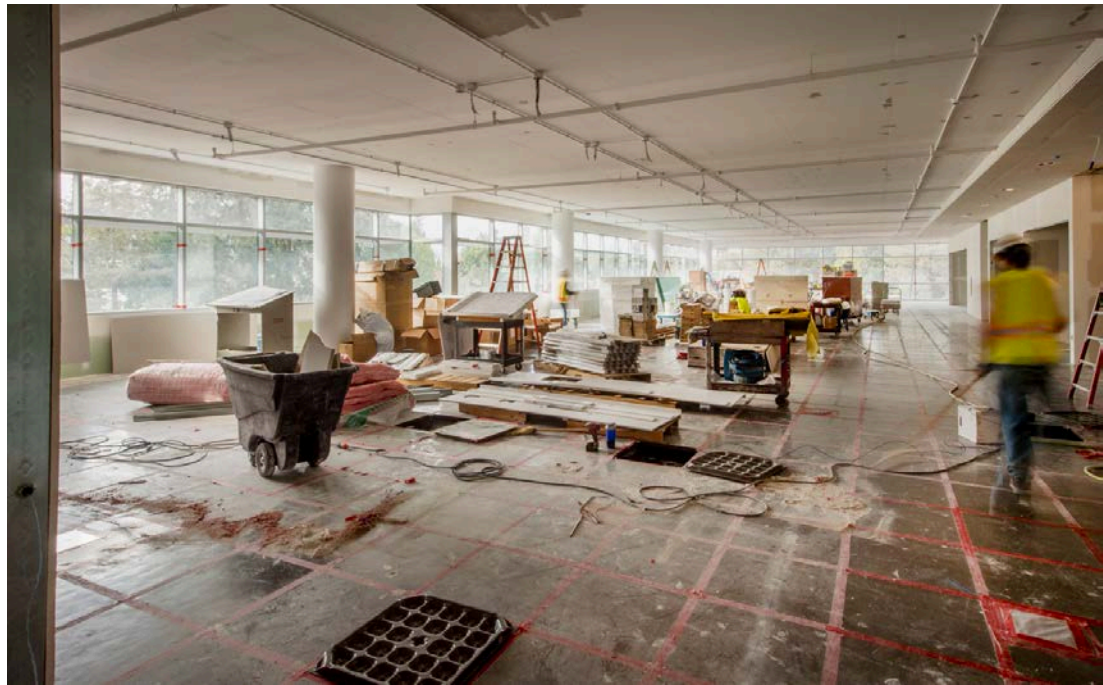
Same wall. Same trade. 45% more labour.

\$82.60/m² → \$119.71/m²

Bespoke details (–15%), restricted access (–10%) and a stop-start programme (–10%) don't add up to 35%. They compound: $0.85 \times 0.90 \times 0.90 = 0.69$, adding \$37.11/m² to the labour cost.

Labour constants are indicative only and exclude sundries. Productivity adjustments are illustrative.

Repeat & Save



Repetition is one of the most reliable productivity gains on any project. Each time a crew repeats the same task it gets faster, a pattern known as the learning curve.

Labour hours per typical floor (90% learning curve)



By the 8th typical floor, crews need ~27% fewer hours. Change the floor plate and the curve resets.

What this means for your project

- Standardise details early. Bespoke costs time, not just materials.
- Maximise repetition across floors, units and elements.
- Plan access, laydown and hoisting early. Waiting time is paid time.
- Don't price small jobs off large-project rates.

RAWLINSONS COST DATA



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 cost data subscriptions.

Commercial Estimator



216

Building types

36

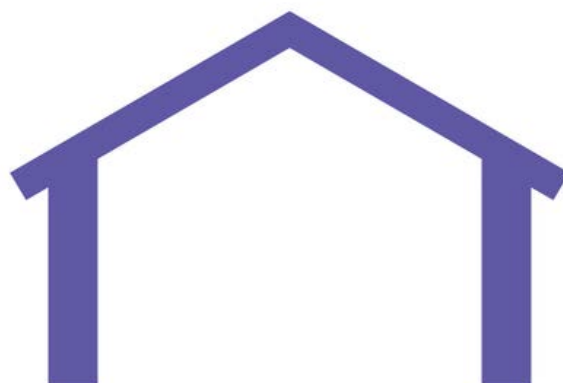
Trades

16,000

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

Building types

31

Trades

6,500

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:

- ✓ Feasibility Studies, Estimating, Project Cost Planning and Management
- ✓ Preparation of Bills 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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Annexure 1

ESCALATION FORECAST, BUILDING
PRICE INDEX AND CONSUMER PRICE
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October 2026



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2026 ESCALATION FORECAST

	31-Dec-25	31-Mar-26	30-Jun-26	30-Sep-26	31-Dec-26
Adelaide	100.00	101.50	103.00	104.50	106.00
Brisbane	100.00	103.00	103.00	104.00	105.50
Canberra	100.00	101.50	103.00	104.25	105.00
Darwin	100.00	102.00	104.00	105.00	106.00
Hobart	100.00	101.00	104.00	104.50	105.00
Melbourne	100.00	101.00	103.50	104.00	104.50
Perth	100.00	101.00	104.00	105.50	106.50
Sydney	100.00	103.00	104.50	104.50	105.00

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	142.09	150.56	164.55	158.22	170.08
June	159.14	176.63	169.76	144.88	155.03	168.62	162.92	172.56
September	161.46	178.35	171.82	146.27	155.77	169.43	165.27	172.56
December	163.77 (F)	180.92 (F)	173.06 (F)	147.66 (F)	156.52 (F)	170.25 (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
March	102.70	102.14	102.25	102.08	102.82	102.57	102.45	102.41
April	103.38	102.66	102.71	102.73	103.33	102.58	102.89	102.87
May	102.67	101.95	102.21	102.16	102.48	101.63	102.35	102.31
June	102.45	101.89	101.96	102.17	102.33	101.66	102.16	102.28
July	103.75	102.93	103.18	103.24	103.62	102.65	103.31	103.22
August	104.24	103.33	103.63	103.99	104.17	103.04	103.89	103.61

Note: The ABS rebased the CPI so that September 2025 = 100.00. This is a scale change only. Source: ABS, Consumer Price Index, Australia, August 2026 (all groups, capital cities).