FIRST QUARTER 2019

OCEANIA REPORT

CONSTRUCTION MARKET INTELLIGENCE

RLB Rider Levett Bucknall

KEY HIGHLIGHTS

Australia Construction Activity

Up 15% to $231b

New Zealan

Up 7

Townsville
2019 TPI
+3.5%

Darwin
2019 TPI
+0.8%

Brisbane
2019 TPI
+3.0%

Perth
2019 TPI
+2.5%

Canberra
2019 TPI
+3.2%

Gold Coast
2019 TPI
+4.4%

Adelaide
2019 TPI
+4.0%

Sydney
2019 TPI
+4.4%

Melbourne
2019 TPI
+4.0%

Christchurch
2019 TPI
+2.0%

d Construction Activity

% to $22b

Auckland
2019 TPI

+3.5%

Wellington
2019 TPI

+4.0%

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Cover: 1 William Street, QLD

Client: Cbus Property Pty Ltd & ISPT Pty Limited
Architect: Woods Bagot

INDEPENDENT CONSULTANTS, LOCAL KNOWLEDGE AND EXPERTISE, GLOBAL NETWORK

CONFIDENCE TODAY INSPIRES TOMORROW

With a network that covers the globe and a heritage spanning over two centuries, RLB is a leading independent organisation in quantity surveying and advisory services.

Our achievements are renowned: from the early days of pioneering quantity surveying, to landmark projects such as the Sydney Opera House, HSBC Headquarters Building in Hong Kong, the 2012 London Olympic Games and CityCenter in Las Vegas.

We continue this successful legacy with our dedication to the value, quality and sustainability of the built environment. Our innovative thinking, global reach, and flawless execution push the boundaries. Taking ambitious projects from an idea to reality.

CREATING A BETTER TOMORROW

The RLB vision is to be the global leader in the market, through flawless execution, a fresh perspective and independent advice. Our focus is to create value for our customers, through the skills and passion of our people, and to nurture strong long-term partnerships. By fostering confidence in our customers, we empower them to bring their imagination to life, to shape the future of the built environment, and to create a better tomorrow.

CONSTRUCTION INTELLIGENCE

The strength of Rider Levett Bucknall (RLB), the largest independent and most geographically prevalent construction cost consultancy of its kind in the world, is that it has the foremost construction intelligence available to it.

RLB collects and collates current construction data and forecast trends on a global, regional, country, city and sector basis. The RLB Oceania Report, published half-yearly, provides a snapshot of construction market intelligence provided by the RLB network of offices across Australia and New Zealand.

Each RLB office within Oceania contributes to the firm's global intelligence by providing current insights into the local conditions and trends that impact the construction industry within that region. Information that is gathered and disseminated by each local office includes:

- Forecast Tender Price Index
- RLB Construction Market Activity Cycle

CONSTRUCTION MARKET INTELLIGENCE

A summary of Construction Market Intelligence is provided by each city highlighting the issues that are impacting the construction industry and providing key insights into current construction price movements.

TENDER PRICE INDEX

RLB's Tender Price Index (TPI) showcases the historical and forecast movements in construction cost inflation/escalation on an annual basis. The TPI annual rate represents an overall forecast of the movement of tendered construction costs for the industry as a whole within the key cities of RLB's network.

RLB MARKET ACTIVITY CYCLE

The RLB Market Activity Cycle focusses on seven key sectors within the overall construction economy. Local RLB directors assess the current position of each sector within the market activity cycle for each respective city.

RLB RELATIVITY INDEX

Using TPI data and cost modelling, RLB provides a general cost comparison for building costs between locations. The Relativity Index ranks each city in respect of other locations within the RLB network of Oceania offices.

The Oceania Report is supplemented by RLB's biannual International Report, quarterly NZ Forecast and annual Riders Digests, all published within the Oceania region. RLB also publishes key industry intelligence publications throughout each year. For more detailed sector, city, country and regional information that is published by RLB, please review our regional or country specific publications which can be found within the publications section of **RLB.com**.

Jewel / Pierside at Wentworth Point, NSW

Architect: HDR | Rice Daubney (Concept Architect)
& Stanisic Architects (Construction Architect)

OCEANIA

In recent months, a recurrent theme has come to light through tender interviews with head contractors and general discussions within the industry. Across RLB's Oceania offices, the availability of skilled construction workers has become an issue at the forefront of people's minds.

Within Australia and New Zealand, construction activity, in nominal terms, has been on the rise over the last five years, adding fuel to the already buoyant economies.

Private sector investment continues in strides, and is now being coupled with significant public sector investment by both governments. Within Australia, work has commenced on a number of significant long-term road and rail projects, while New Zealand has seen the commencement of their KiwiBuild initiative, aimed at constructing 100,000 dwellings over the next decade.

The construction industry currently contributes more than one tenth to Australia's total workforce and nine per cent in New Zealand. While the workforce has grown over time, in line with additional activity, it looks to have reached a level that appears to be just keeping up the pace with the current market demand. The pipeline of building and non-heavy industry engineering work within both Australia and New Zealand is continuing to place pressure on both head contractors and subcontractors who are finding it challenging to secure adequate levels of labour for current and future projects.

As the construction workforce, mirroring the total workforce in both countries, has shifted towards a more aged and higher qualified demographic, there are concerns about whether new levels of entrants to the industry will adequately replace the personnel leaving the industry over the next decade.

The needs of the present, not to mention the future, requires the construction industry to adjust. By implementing new and innovative work methods potential labour shortages could be mitigated through increased offsite fabrication, embracing the use of technological aids and challenging traditional methods.

Domenic Schiafone
Director Oceania Research & Development

RLB TENDER PRICE INDEX (TPI)

Tender pricing around Australia is feeling the effects of continuing strength in the residential sector, increased government spending, industry wide EBA wage increases and material price increases.

Construction activity in Australia continues to rise, reaching a ten year high, in nominal terms, which is adding additional pressure along the supply chain to an already strained industry.

Looking forward, six offices are forecasting 2019 construction escalation uplifts to exceed 2018 levels.

ADELAIDE

As anticipated six months ago, structure trades have become particularly busy and the lack of available resources is becoming apparent. There have been increases in both material supply and labour costs associated with the concrete, reinforcement and formwork trades.

Engineering services trades are also becoming busier with pricing becoming more erratic. Ceiling and partition trade costs are seeing increases with an anticipation that increases in plasterboard trades will follow suit. Finding joiners to provide pricing on projects remains very difficult.

With the increasing activity and signs that resources are already being stressed, there is an expectation that prices will increase as head and trade contractors become busier. As a result, annual escalation forecasts for 2019 and beyond see increases above 2018 levels, with uplifts of 4.0% for both 2019 and 2020.

BRISBANE

Escalation expectations for the Brisbane market have seen significant changes from six months earlier. The delay in construction activity in a number of key projects has caused a lowering of annual escalation forecasts for 2019. The slowdown in the apartment sector has been offset by a slowdown in construction completions, prolonging the high level of activity. This has resulted in tendered construction costs being relatively flat for 2018.

As work begins to transition from in-ground works to vertical construction on Queens Wharf and other large projects, there is an expectation that the tendered cost of Tier 1 subcontractor trades will steadily increase, due to the limited number of subcontractors available to tender. TPI uplifts for 2019 and 2020 are forecast at 3.0% and 5.1% respectively.

CANBERRA

TPI forecasts for Canberra are unchanged from six months earlier.

In the short to medium term workload remains positive, but after a sustained level of growth within infrastructure and the related urban renewal projects, it is anticipated that the level of growth will slow towards the end of 2019. Forecast escalation is anticipated at 3.2% in 2019 and 3.0% for 2020.

DARWIN

The Darwin construction market is still fragile, with spare capacity at all levels of the industry, very low levels of private investment and intense competition for the few projects on offer. This has resulted in escalation forecasts for the Darwin market falling from six months earlier.

As the government continues to put out a number of projects to stimulate the market, coupled with defence projects coming on line, it is anticipated that some of the spare capacity in the market will start to be utilised in 2019 and beyond. As a result, escalation forecasts for 2019 and 2020 are above 2018 levels, though still very weak with 0.8% and 1.2% respectively.

GOLD COAST

There has been a stabilisation in costs of smaller projects, with minimal cost increases seen in current tender pricing, which is expected to continue into 2019. Larger projects, subject to enterprise bargaining agreements, should see labour price increases of 5.0% per annum. As a result, the overall general escalation forecast for the region during 2019 has been revised down to 2.5%, to be more in line with 2018.

As the pipeline of work at Gold Coast Airport commences, and infrastructure and tourism investment continues, forecast escalation for 2020 remains at 3.0%.

MELBOURNE

Cost pressures are particularly being seen in labour and materials that are common to both building and infrastructure projects, such as the cost of concrete, which has risen approximately 20% over the past two years.

These conditions have put significant pressure on tender pricing as 2018 came to an end.

Additionally, the pipeline of work for 2019 remains strong, with the slowdown in some building activity as projects near completion being offset by large civil/infrastructure projects, which is anticipated to increase the escalation forecast for 2019, from 3.5% to 4.0%.

Looking forward, there is an expectation that restrictive planning conditions, higher interest rates and tighter lending requirements may take their toll on the market, reducing the number of approvals and pipeline of work and as such escalation forecasts for 2020 are unchanged from six months earlier, remaining at 3.5%.

PERTH
While the market adjusts to improved business conditions and optimism is returning to the economy, escalation for 2018 has remained largely unchanged.

As general confidence returns to the market and capital expansion occurs within the mining sector, slight increases in escalation are forecast for 2019 and 2020, with 2.5% and 3.0% respectively.

SYDNEY
Factors contributing to price rises include general wage rises in the range of 4.5% to 5.5%, base metal prices such as iron ore, copper and aluminium increasing approximately 10% over the past twelve months and the price of oil steadily increasing since early 2018. These raw material price increases present pricing challenges as we are seeing increasing costs from subcontractors and contractors.

The complexity of projects is also placing additional risks on the subcontract market that are being passed on to tender pricing. With complexity comes risk and additional cost premiums are being added to project pricing.

Such challenges require evaluation at each stage of a project's development to adequately assess risk and to allocate risks appropriately to either client or contractor.

Six months ago these factors were predicted to impact the market with a 2018 escalation forecast of 4.9%.

With forecasts of continuing high levels of construction activity in 2019, the issues outlined earlier have resulted in escalation forecasts above 4.0% for the coming years.

TOWNSVILLE
Townsville's escalation forecasts are unchanged from the previous edition.

The region continues to see competitive tender pricing across most sectors, and timing of upcoming projects may impact rates as major trades compete for major defence projects and other projects within the pipeline. The commercial discounting required to secure jobs is coming to an end which will see a correction in tender prices. As a result, escalation forecasts are 3.5%, for both 2019 and 2020.

RLB TENDER PRICE INDEX ANNUAL % CHANGE – AS AT DECEMBER 2018

	2017	2018 (F)	2019 (F)	2020 (F)	2021 (F)	2022 (F)
ADELAIDE	3.1	3.5	4.0	4.0	4.5	4.5
BRISBANE	3.0	1.0	3.0	5.1	4.1	4.1
CANBERRA	2.8	3.5	3.2	3.0	3.0	3.0
DARWIN	0.8	0.5	0.8	1.2	1.8	2.5
GOLD COAST	2.5	2.0	2.5	3.0	3.5	3.5
MELBOURNE	3.0	4.0	4.0	3.5	3.2	3.2
PERTH	0.0	1.0	2.5	3.0	3.0	3.0
SYDNEY	4.3	4.9	4.4	4.2	3.8	3.5
TOWNSVILLE	4.0	3.0	3.5	3.5	3.5	3.5

(F) RLB Forecast as at Q4 2018

RLB COST RELATIVITY INDEX

TPI relativities have been calculated using both model costings and basket of goods approaches to determine the construction cost in RLB offices and comparing the differences in cost between each office. All offices' costs have been recalibrated, calculating the relative building cost between each city.

For example, building costs in Melbourne (relativity of 126) when compared to Sydney (relativity of 144) are 12.5% cheaper, and conversely, Sydney's building costs are 14% more expensive than Melbourne.

RELATIVITIES INDEX

CITY	INDEX
ADELAIDE	119
BRISBANE	114
CANBERRA	129
DARWIN	129
GOLD COAST	107
MELBOURNE	126
PERTH	120
SYDNEY	144
TOWNSVILLE	120

NEW ZEALAND

RLB TENDER PRICE INDEX (TPI)

Escalation for 2018 saw all regions reporting increases above current CPI levels (2.0% per annum).

The exit of Fletcher Building and Ebert construction from the market in 2018 increased uncertainty over the level of construction cost escalation, however, there is an expectation that large cost increases will be offset by a cooling in development demand, as projects become no longer financially feasible.

Labour shortages are a constant theme around New Zealand and as the KiwiBuild programme ramps up, it is expected that in the short term this issue will not be resolved.

AUCKLAND

Cost escalation for 2018 was 6.0%, with most of the increase within trades with high on-site labour content. Moving forward, escalation is forecast to soften to 3.5% in 2019 and 3.0% for 2020 in response to softening demand, however this is dependent on how the industry reacts to current conditions and addresses the skills and labour shortage.

CHRISTCHURCH

Construction escalation forecasts are unchanged from six months earlier with costing slowing somewhat since the rebuild peak.

Escalation for 2018 fell to 3.0%, with forecast annual escalation for 2019 and 2020 falling to 2.0%.

WELLINGTON

Escalation forecasts are unchanged from six months earlier. Building cost escalation is continuing to outstrip inflation levels by some margin. TPI movements are to remain in the 4% to 6% per annum range for 2018, but could spike higher in early 2019 with the planned projects coming into the market. As the labour shortage issue stabilises over time, escalation should also stabilise and fall due to competitive tendering norms being re-established within the market.

RLB TENDER PRICE INDEX ANNUAL % CHANGE – AS AT DECEMBER 2018

	2017	2018 (F)	2019 (F)	2020 (F)	2021 (F)	2022 (F)
AUCKLAND	8.0	6.0	3.5	3.0	3.0	2.5
CHRISTCHURCH	3.0	3.0	2.0	2.0	2.0	2.0
WELLINGTON	5.3	6.0	4.0	4.0	3.0	3.0

(F) RLB Forecast as at Q4 2018

RLB COST RELATIVITY INDEX

TPI relativities have been calculated using both model costings and basket of goods approaches to determine the construction cost in RLB offices and comparing the differences in cost between each office. All offices' costs have been recalibrated, calculating the relative building cost between each city.

For example, building costs in Auckland (relativity of 126) when compared to Wellington (relativity of 130) are 3.1% cheaper, and conversely, Wellington's building costs are 3.2% more expensive than Auckland.

RELATIVITIES INDEX

CITY	INDEX
AUCKLAND	126
CHRISTCHURCH	121
WELLINGTON	130

RLB MARKET ACTIVITY CYCLE

AUSTRALIA

Each RLB office within Australia reports on the current position of the seven major construction sectors in their city within the development cycle. The nine key cities' results are consolidated to form the current view of the industry across Australia.

Since the last report, market activity has continued its shift towards the mid and trough zones. Sentiment is unchanged with a similar number of sectors within the growth phase as our last report six months ago.

Currently across Australia, 32% of all sectors are in the peak zone, 40% are in the mid zone and 28% are in the trough zone. Activity is still strongest in the residential sector with four cities in the peak zone for both the houses and apartments sectors.

NEW ZEALAND

Each regional RLB office within New Zealand reports on the current position of the seven major construction sectors in their city. The three cities' results are consolidated to form a current view of the industry across New Zealand.

New Zealand's market activity remains strong, with all sectors in the peak or mid zones. Movements were seen within the retail and hotel sectors in Wellington, with the retail sector shifting from peak to mid and the hotel sector moving from trough to mid. The civil sector remains the only sector to be in the peak zone for all three cities.

RLB MARKET ACTIVITY CYCLE

AUSTRALIA	HOUSES	APARTMENTS	OFFICES	INDUSTRIAL	RETAIL	HOTEL	CIVIL
ADELAIDE	Mid growth ▲	Peak growth ▲	Trough growth ▲	Peak growth ▲	Mid decline ▼	Mid growth ▲	Peak growth ▲
BRISBANE	Peak decline ▼	Mid decline ▼	Trough growth ▲	Mid growth ▲	Trough growth ▲	Mid growth ▲	Trough growth ▲
CANBERRA	Peak decline ▼	Peak growth ▲	Peak growth ▲	Trough growth ▲	Trough decline ▼	Mid growth ▲	Peak decline ▼
DARWIN	Mid growth ▲	Trough decline ▼	Mid decline ▼	Trough growth ▲	Mid decline ▼	Mid growth ▲	Mid growth ▲
GOLD COAST	Mid growth ▲	Trough decline ▼	Trough growth ▲	Trough decline ▼	Mid decline ▼	Trough growth ▲	Mid decline ▼
MELBOURNE	Peak growth ▲	Peak decline ▼	Peak growth ▲	Peak growth ▲	Mid decline ▼	Peak growth ▲	Peak growth ▲
PERTH	Mid growth ▲	Mid decline ▼	Trough decline ▼	Mid growth ▲	Mid growth ▲	Mid decline ▼	Mid growth ▲
SYDNEY	Peak growth ▲	Peak decline ▼	Peak growth ▲	Peak growth ▲	Peak growth ▲	Mid growth ▲	Mid growth ▲
TOWNSVILLE	Trough decline ▼	Trough decline ▼	Trough decline ▼	Trough decline ▼	Peak decline ▼		Mid decline ▼
NEW ZEALAND							
AUCKLAND	Peak decline ▼	Peak decline ▼	Peak decline ▼	Peak growth ▲	Peak growth ▲	Peak growth ▲	Peak growth ▲
CHRISTCHURCH	Mid decline ▼	Mid decline ▼	Mid decline ▼	Mid growth ▲	Mid growth ▲	Mid growth ▲	Peak decline ▼
WELLINGTON	Mid growth ▲	Mid growth ▲	Mid growth ▲	Peak growth ▲	Mid decline ▼	Mid growth ▲	Peak growth ▲

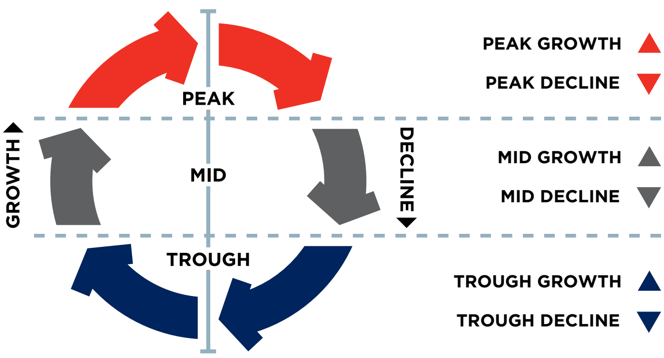
ABOUT THE RLB MARKET ACTIVITY CYCLE

Activity within the construction industry traditionally has been subject to volatile cyclical fluctuations. The RLB Market Activity Cycle (cycle) is a representation of the development activity cycle for the construction industry within the general economy.

Within the general construction industry, RLB considers seven sectors to be representative of the industry as a whole. These sectors are: houses, apartments, offices, industrial, retail, hotel and civil.

Each sector is assessed as to which of the three zones (peak, mid and trough) best represents the current status of the sector within the cycle, then further refined by identifying whether the current status is in a growth phase or a decline phase.

The 'up' and 'down' arrows within the tables represent whether the sector is in a growth or decline phase with the colour of the arrow determining the zone within the cycle. The three colours identified in the cycle diagram (red, grey and blue) represent the peak, mid and trough zones of the cycle.



1 Malop Street, VIC

Architect: Peckvonhartel

AUSTRALIA

Australia's construction industry has reached a five year high in activity and approvals, driven by the building construction industry.

Five years on from the mining construction peak, building approvals have increased 52% and building activity has increased 44%.

Building work done has increased on average 8% for the last five financial years, reaching $121.1 billion for FY 2018. The residential sector drove this increase, with work done for the apartment sector more than doubling since FY 2013, to $32.5 billion. New South Wales and Victoria are boosting activity within the apartment sector, with both states recording five years of increases and contributing 73% to the sector nationally in FY 2018.

Coupled with significant increases in residential building activity, national non-residential building activity has increased for the last five years, albeit at a slower pace, reaching $42.8 billion for FY 2018.

The short term accommodation and aged care sectors saw the most significant growth in the last five years, more than tripling in value to $3.5 billion and $2.5 billion respectively for FY 2018.

The office, retail and education sectors remained the three most prominent sectors within non-residential building activity, contributing 47% to total non-residential activity and all significantly increasing in the last five years.

While engineering construction activity bounced backed in FY 2018, after four years of decline, it remains 18% lower than the FY 2013 peak of $133.7 billion. This decline was a result of significant decreases in heavy industry related activity with the oil, gas and other minerals sector together with pipelines and other heavy industry sectors all recording falls. For non-heavy industry related engineering activity, levels for FY 2018 are similar to those reached in FY 2013, with $66.3 billion.

Since the FY 2013 peak, there has been a shift in the composition of non-heavy industry related engineering work done. While activity for harbours and power has declined, this has been offset by increases in roads and telecommunications. In FY 2018, roads contributed one third to total non-heavy industry related engineering activity.

Additionally, over the past five years, non-heavy industry related engineering work yet to be done has risen 11%. In accordance with the government's infrastructure initiatives, work yet to be done for roads and rail have increased significantly over the period, reaching $18.3 billion and $13.3 billion respectively for FY 2018.

As construction activity begins to focus on building activity and road and rail infrastructure, the strain on resources is unlikely to be alleviated in the short term. Victoria and New South Wales are already beginning to feel the effects within projects where labour and materials are common to both infrastructure and building, and other states, such as South Australia and the Australian Capital Territory are attempting to adjust to the increased workload.

CONSTRUCTION WORK DONE ($M)

ORIGINAL $	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
NEW HOUSES	26,935	28,654	32,648	34,735	35,360	36,872
APARTMENTS	15,601	18,173	21,666	28,377	31,309	32,533
ALTERATIONS & RENOVATIONS	7,174	7,450	7,947	8,499	9,009	8,881
TOTAL RESIDENTIAL	**49,710**	**54,277**	**62,261**	**71,611**	**75,679**	**78,286**
COMMERCIAL	1,184	1,449	1,689	1,322	1,102	1,883
EDUCATION	4,681	4,934	4,669	4,422	5,169	6,621
ENTERTAINMENT & RECREATION	2,220	2,235	2,174	3,125	3,194	3,393
HEALTH	5,300	6,433	6,392	6,060	5,572	5,288
HOTELS	1,101	1,062	1,792	2,091	2,616	3,505
INDUSTRIAL	5,955	5,142	5,059	4,834	5,573	5,338
OFFICES	6,126	5,962	6,596	6,629	5,378	7,268
RETAIL	5,233	6,267	6,264	7,010	6,681	6,335
OTHER NON-RESIDENTIAL	2,314	2,624	2,231	2,105	2,719	3,201
TOTAL NON-RESIDENTIAL	**34,115**	**36,108**	**36,867**	**37,597**	**38,003**	**42,831**
TOTAL BUILDING	**83,825**	**90,385**	**99,127**	**109,208**	**113,682**	**121,117**
HEAVY INDUSTRY	62,243	67,528	57,062	44,809	33,421	41,458
POWER	17,983	17,691	15,204	11,421	8,995	14,356
RAIL	15,840	13,289	8,927	5,901	6,666	9,262
RECREATION AND OTHER	6,630	6,100	4,938	4,832	4,947	5,875
ROADS	18,447	15,405	14,551	15,273	17,625	21,755
TELECOMMUNICATIONS	5,726	6,937	7,396	8,843	11,236	10,670
WATER	6,862	5,811	4,337	4,398	4,727	6,462
TOTAL ENGINEERING CONSTRUCTION	**133,731**	**132,761**	**112,415**	**95,476**	**87,617**	**109,838**
TOTAL CONSTRUCTION	**217,556**	**223,146**	**211,542**	**204,685**	**201,300**	**230,955**

Source: ABS

BUILDING APPROVALS ($M)

ORIGINAL $	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
NEW HOUSES	26,198	30,596	33,458	35,119	35,327	38,329
NEW SEMI-DETACHED	4,759	5,430	6,310	7,770	8,534	9,818
NEW APARTMENTS	11,382	15,763	21,048	24,598	22,668	23,526
TOTAL NEW RESIDENTIAL	**42,340**	**51,788**	**60,817**	**67,487**	**66,528**	**71,673**
COMMERCIAL	1,320	1,495	1,369	1,110	1,814	1,864
EDUCATION	4,056	4,756	4,128	5,518	5,950	7,270
ENTERTAINMENT & RECREATION	1,780	2,764	2,485	2,924	3,559	3,159
HEALTH	6,142	4,620	4,285	4,924	5,045	5,547
HOTELS	1,325	2,621	1,749	3,048	3,631	3,780
INDUSTRIAL	5,520	5,146	4,545	5,181	5,444	6,310
OFFICES	6,612	7,426	4,592	4,748	7,649	8,100
RETAIL	6,097	6,088	6,445	6,362	8,039	6,430
OTHER NON-RESIDENTIAL	2,597	2,053	2,283	3,265	3,127	3,854
TOTAL NON-RESIDENTIAL	**35,448**	**36,968**	**31,882**	**37,080**	**44,259**	**46,314**
TOTAL BUILDING	**77,787**	**88,756**	**92,699**	**104,567**	**110,787**	**117,987**

Source: ABS

DWELLING APPROVALS

NUMBER OF DWELLINGS	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
NEW HOUSES	96,338	111,938	119,170	119,959	116,110	121,840
NEW SEMI-DETACHED	22,793	25,622	28,914	33,671	34,567	36,382
NEW APARTMENTS	43,238	60,388	80,254	82,336	69,415	71,681
TOTAL NEW RESIDENTIAL	**162,369**	**197,948**	**228,338**	**235,966**	**220,092**	**229,903**

Source: ABS

ENGINEERING ACTIVITY ($M)

ORIGINAL $	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
HEAVY INDUSTRY	59,201	24,215	12,928	14,683	13,734	31,423
POWER	17,796	12,378	8,777	8,491	9,497	15,571
RAIL	6,832	9,567	5,598	6,530	5,409	12,541
RECREATION AND OTHER	5,617	6,246	4,409	5,385	5,193	5,522
ROADS	16,212	15,318	16,959	18,556	18,722	20,357
TELECOMMUNICATIONS	6,066	6,748	7,241	8,726	11,252	10,569
WATER	6,335	4,934	4,361	4,333	5,949	5,757
TOTAL ENGINEERING WORK COMMENCED	**118,059**	**79,406**	**60,274**	**66,703**	**69,756**	**101,740**
HEAVY INDUSTRY	96,486	73,810	50,664	41,163	23,727	20,855
POWER	13,719	10,853	6,764	3,276	4,492	7,894
RAIL	11,232	7,312	5,326	7,188	7,503	13,293
RECREATION AND OTHER	2,188	1,703	686	1,126	1,397	915
ROADS	7,610	7,485	9,498	14,307	16,654	18,257
TELECOMMUNICATIONS	577	299	173	202	199	133
WATER	3,928	2,223	1,960	2,170	4,068	3,048
TOTAL ENGINEERING WORK YET TO BE DONE	**135,739**	**103,684**	**75,071**	**69,432**	**58,040**	**64,394**

Source: ABS

ADELAIDE

Construction activity and approval values mirror the current sentiment within South Australia, with FY 2018 recording the strongest values in the past ten years.

Construction market activity continues to strengthen, driven by strong growth in the apartment, non-residential and engineering sectors. A jump of $2.3 billion (23%) over FY 2017 levels is keeping all contractors busy with many small and medium sized projects in the market.

The number of sectors transitioning to the peak zone of the market activity cycle continues to grow, with three out of seven sectors now within the peak zone against one twelve months ago.

The apartment sector experienced a boost for FY 2018, with activity up 36%, to $890 million, and approvals up 45%, to $659 million. Overall, new residential approvals were up 17%.

Engineering construction drove the rise in construction activity, up 27% ($1.4 billion). Projects currently under construction include the Northern Connector, Gateway South, Torrens Grade Separation and the Torrens to Torrens Main South Road Upgrade. The expansion of the city tram line is almost complete with an additional tram line upgrade waiting to commence.

Non-residential approvals rose 35%, on the back of strong increases in the retail, industrial and hotels sectors. Strong growth of 25% in work done was seen across all non-residential sectors, with the exception of the health sector which saw the completion of the new Royal Adelaide Hospital.

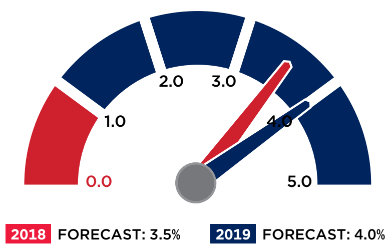
State and federal government spending is having a significant impact on confidence levels within South Australia for health, education and defence projects. Design consultants have been appointed for four major health projects ranging in value from $40 to $250+ million. Contractors are expected to be engaged on these projects in early 2019. The allocation of $690 million for upgrades to public schools is a significant investment in the non-residential sector. Early planning and site selection is underway for two new birth-to-year 12 schools in Aldinga and Munno Para to be delivered under a PPP model.

Expansion of the ASC South site is currently under construction for both the Offshore Patrol Vessel and Frigate Shipyard Expansion project. Tenders for Managing Contractors for the major Submarine boatyard program is under review, with the announcement of the Managing Contractor expected soon.

Construction continues for the $200 million plus Skycity Casino expansion and the relifing of the former Royal Adelaide Hospital site, which is being transformed into Australia's first creation and innovation neighbourhood.

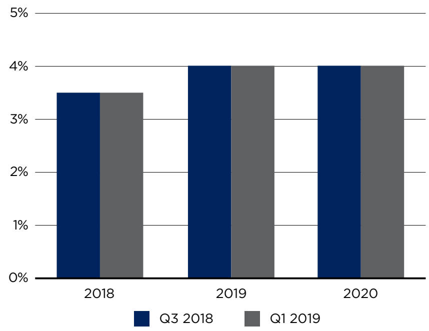
With the increasing activity and signs that resources are already being stressed, there is an expectation that prices will increase as head and trade contractors become busier. As a result, annual escalation forecasts for 2019 and beyond see increases above 2018 levels, with uplifts of 4.0% for both 2019 and 2020.

ANNUAL TPI FORECAST



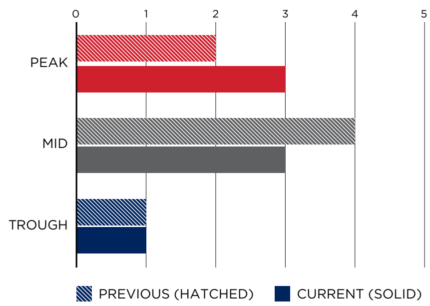
ANNUAL TPI FORECAST MOVEMENT

JUNE 2018 v DECEMBER 2018



MARKET ACTIVITY

SECTORS PER ZONE



LOCATION INTELLIGENCE

BRISBANE

Construction activity in Queensland rose by 6.8% for FY 2018, driven by non-residential and engineering activity.

The RLB market activity cycle mirrors the current sentiment of a market slowing down. Declining activity within the apartment and retail sectors, have seen both fall from the peak zone to the mid and trough zone respectively.

Notwithstanding construction activity rising for FY 2018, building approvals recorded its second consecutive year of decline from its peak in FY 2016, driven by a 46% ($1.0 billion) decline in retail approvals and a 21% ($773 million) decline in apartment approvals. There is a perception that the slowdown in apartment construction will continue. The house construction market is still strong with approvals up by 7.5% and activity up by 4.2%.

Despite non-residential activity increasing by 9.5% to $8.0 billion for the financial year, there is an expectation that there will be a lag before a number of major projects commence significant construction activity.

For FY 2018, Queensland saw increased activity within the hotel and office sectors, up 70% and 28% respectively. Significant hotel projects that finished or are near completion within the CBD and Fringe include, the W Hotel, Emporium, Calile and Westin, while construction continues at the Art Series Hotel due to be completed in 2019.

Residential activity fell 5.3% from its peak in FY 2017, however, it still remains at historically high levels, totalling $14 billion for FY 2018. Major multi-unit residential projects currently under construction include Skyneedle Apartments, West Village, 443 Queen Street, Brisbane Quarter (residential and commercial towers) and Brisbane's tallest residential tower, SkyTower.

Within Brisbane's large mixed use sector, stage one of Howard Smith Wharves is nearing completion and opened in late 2018, while in-ground work continues at Queens Wharf.

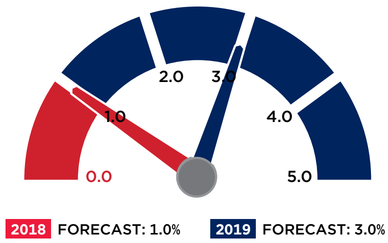
Engineering construction activity increased 15% for FY 2018, largely due to the increases in renewable energy developments underway across Queensland within the power sector, which was up $2 billion. Major infrastructure projects currently in the procurement phase include, Brisbane Metro and the Cross River Rail project, with construction expected to commence in 2020 and mid 2019 respectively.

New public sector projects include vertical schools at both West End and Fortitude Valley, the new theatre at QPAC and potentially major expansions to a number of hospitals. Ipswich City Council have announced that the redevelopment of the Ipswich Mall and their new administration building will proceed.

Escalation expectations for the Brisbane market have seen significant changes from six months earlier. The impact of the slowdown in the apartment sector has not been felt in full due to a lag in project completions, prolonging the high level of activity. This has resulted in tendered construction costs being relatively flat for 2018 at 1.0%, and a lowering of the 2019 forecast.

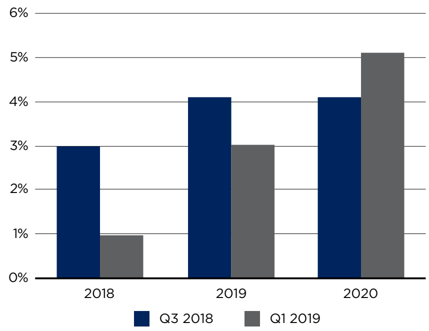
Revisions to annual TPI increases for 2019 and 2020 have been made, with annual uplifts of 3.0% and 5.1% respectively.

ANNUAL TPI FORECAST



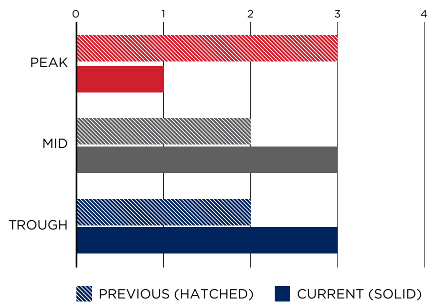
ANNUAL TPI FORECAST MOVEMENT

JUNE 2018 v DECEMBER 2018



MARKET ACTIVITY

SECTORS PER ZONE



Sunshine Coast University Hospital, QLD

Architect: SCA Architects
(JV Architectus and Rice Daubney Architects)

CANBERRA

The Australian Capital Territory is enjoying sustained growth in activity, fuelled by infrastructure and urban renewal projects.

Canberra's market activity reflects the current sentiment within the market with the housing, apartment, office and civil sectors all in the peak zone, while the hotel sector picked up, moving from the trough to mid zone.

Construction activity for FY 2018 increased 6.4% to $3.7 billion, a ten year high. Non-residential activity increased 24% driven by increases in the education and office sectors.

Building approvals grew 22% for FY 2018, totalling just shy of $3 billion. Non-residential approvals grew 46% driven by the industrial and education sectors.

Within the engineering sector, rail activity saw the largest increase, up 54% ($115 million), to $330 million. The flow-on effects from the Light Rail corridor construction are now taking shape with construction commencing on new residential and commercial projects along the corridor, in an effort to turn these areas into new urban hubs.

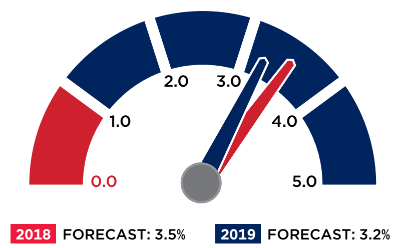
Work at the Australian National University continues with the new Bruce Hall Student accommodation and the Union Court projects nearing completion and the $130 million Research School of Physics and Engineering now underway.

Construction continues on the new $300 million ACT Government Office at Constitution Place on the corner of London Circuit and Constitution Avenue and numerous major residential projects have also commenced along Northbourne Avenue and in Belconnen, with more planned for the revitalisation of Woden.

According to the recent ANZ/Property Council survey, the ACT economy has the second strongest business confidence in the country, a slight dip from their previously high levels.

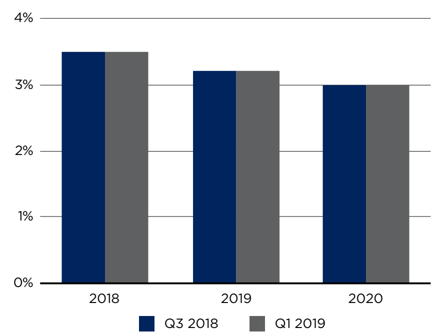
TPI forecasts for Canberra are unchanged from six months earlier.

ANNUAL TPI FORECAST



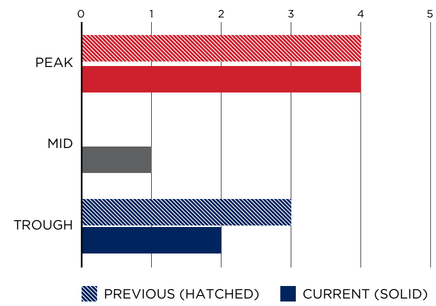
ANNUAL TPI FORECAST MOVEMENT

JUNE 2018 v DECEMBER 2018



MARKET ACTIVITY

SECTORS PER ZONE



DARWIN

The Northern Territory construction market has recorded slight improvements for FY 2018, however, challenges for the economy still lie ahead. The government's focus remains on growing the Northern Territory's population and economy, with an emphasis on tourism.

Market activity in Darwin reflects the challenging times currently being faced with no sectors in the peak zone for this edition and five in the mid zone.

Construction volumes remained steady for FY 2018 due to an increase in activity within the electrical power generation/transmission sector, up $442 million from FY 2017 levels.

While building approvals declined 8% to the lowest value in 10 years, increases were seen within the hotel and education sectors, up $40 million and $42 million respectively.

A few tourism related projects are in the planning and design phases together with infrastructure projects to improve transport and communications within the region. Remote housing is also becoming a key deliverable assisted by the Commonwealth. New land release is continuing in a bid to reduce the cost of housing intended to encourage population growth and reduce the cost of living. Commercial activity is very low with spare capacity keeping a lid on price escalation. Defence spending is continuing to play a major role with substantial projects in planning, design and early construction with a sizeable program of capital expenditure over the next 5 to 10 years. Gas exploration is also being encouraged with the lifting of a moratorium on hydraulic fracturing in early 2018 leading to further investment in that sector.

The final stages of the Inpex Ichthys LNG plant are under construction, with the first load of liquefied natural gas shipped from Darwin in late October.

Within the entertainment and recreation sector, construction continues on the new state of the art $16 million indoor netball stadium, due for completion at the end of 2018, and the $25 million Warren Park Rugby League Stadium, expected to be finished by April 2019.

Within the CBD, work has commenced on the $75 million Manunda Place project, consisting of a nine-storey office tower, pre-leased to the NT government, and a multi-storey car park.

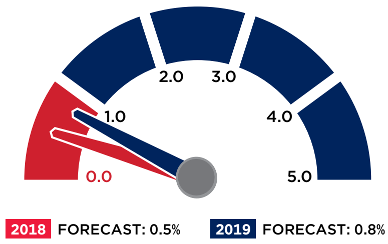
Excavation works have commenced for the State Square underground car park, aiming to house 450 car parks, including public parking, and have a dual role as a cyclone shelter for up to 600 people.

Other major projects under construction include defence facilities at Larrakeyah Barracks, defence projects in Tindal, a regional police station, a secondary school in Zuccoli, prawn and fish farming facilities and ongoing residential housing developments around newly released and subdivided land at Palmerston.

New land subdivisions in Palmerston and Berrimah continue to progress and a major regional shopping centre redevelopment and extension are in planning, in addition to a youth detention facility, arts galleries in regional Northern Territory, the Arnhem space station and a battery storage facility.

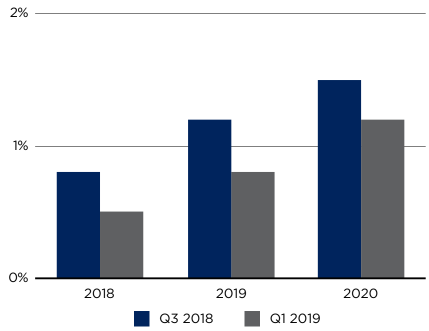
It is anticipated that some of the spare capacity in the market will be absorbed in 2019 and beyond. Escalation forecasts for 2019 and 2020 will see increases above 2018 levels, with 0.8% and 1.2% respectively.

ANNUAL TPI FORECAST



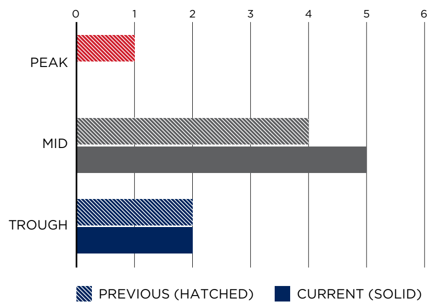
ANNUAL TPI FORECAST MOVEMENT

JUNE 2018 v DECEMBER 2018



MARKET ACTIVITY

SECTORS PER ZONE



GOLD COAST

The impact of recent state legislative changes to stamp duty and land tax coupled with tighter lending requirements for construction funding has resulted in a general easing of the Gold Coast construction market. Fewer developments have commenced and there is continued uncertainty on large-scale residential developments.

The market activity cycle in the Gold Coast reflects this uncertainty, with no sectors currently in the peak zone, down from two six months earlier. The number of sectors within the trough zone has risen to four, with the apartment and industrial sectors both falling to the trough decline zone in this edition.

Activity in the apartment sector has almost halved for FY 2018. Anecdotally, it appears that the residential sector's focus is transitioning from the previous mix of overseas and interstate investment-grade product to more boutique owner-occupier developments.

Building approval values for the Gold Coast (defined by the ABS ASGS, Statistical Area 4) region declined 27% for FY 2018 after peaking in FY 2017, with the number of approved dwellings falling for the second consecutive year to 6,068.

Strong tourism visitation is expected to continue, with ongoing investment in theme park upgrades, hotels and retail redevelopments.

Destination Gold Coast Stage 1 Tower at the Star Casino, Sunland's Hedges Avenue, Magnoli Apartment Towers and the New Art Gallery are new major project commencements, while work continues on several larger residential developments in Surfers Paradise including Ocean and the Jewel. The completion of the $470 million Westfield Coomera development has greatly increased the retail offerings on the Northern Coast.

The pipeline of work at Gold Coast Airport is continuing with the Terminal Expansion and the 192-room Rydges Airport Hotel expected to commence construction soon.

Significant infrastructure upgrades to the M1 Motorway have commenced and the business case for Stage 3 of the Light Rail to Burleigh is underway.

Escalation expectations for Gold Coast have seen slight revisions for 2018 and 2019, while 2020 remains unchanged from six months earlier.

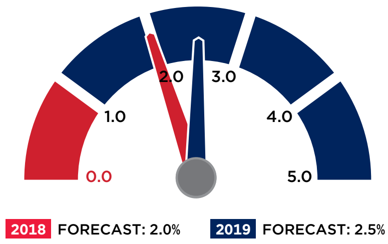
Trade pricing is competitive with increased tender coverage, particularly in relation to structural and building services trades such as electrical, mechanical and vertical transportation services.

With the reduced volume of new projects commencing, the market is experiencing competitive pricing between contractors, subcontractors and suppliers for projects under $50 million. This has resulted in revisions to the 2019 escalation forecast from 3.0% to 2.5%.

There has been a stabilisation in costs of smaller projects, with minimal cost increases seen in current tender pricing, which is expected to continue into 2019. Larger projects, subject to enterprise bargaining agreements, should see labour price increases of 5% per annum. As a result, the general escalation forecast for the region during 2019 has been revised down to 2.5%, to be more in line with the 2018 revision.

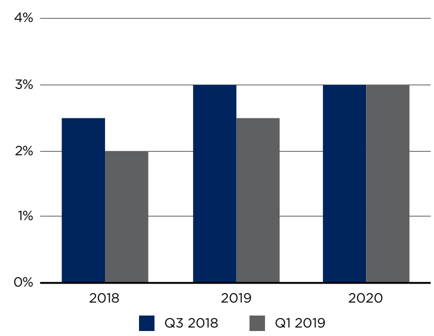
As the pipeline of work at Gold Coast Airport commences, and infrastructure and tourism investment continues, forecast escalation for 2020 remains at 3.0%.

ANNUAL TPI FORECAST



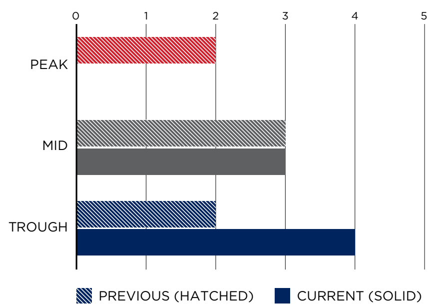
ANNUAL TPI FORECAST MOVEMENT

JUNE 2018 v DECEMBER 2018



MARKET ACTIVITY

SECTORS PER ZONE




Woolworths Distribution Facility, VIC

LOCATION INTELLIGENCE

MELBOURNE

Victoria's construction economy continues to soar, fuelled by strong population growth and government spending. RLB's market activity cycle is reflective of strong performance over the past twelve months with the number of sectors within the peak growth zone rising from four to five.

The 2018 financial year saw Victorian construction activity and building approvals reach a ten year high, with construction activity growing 18% and building approvals up 20%.

For FY 2018 residential activity increased 6.0%, with the apartment sector rising 7.3% to $9.4 billion. Apartment projects within the city centre have seen a boost according to the last RLB Crane Index®, with Q3 2018 recording 42 residential cranes. Large scale residential projects currently under construction include Melbourne Quarter, Melbourne Square, The Eastbourne and Aurora.

Anecdotally, with the tightening in lending requirements and the implementation of stricter foreign investor legislation, investor confidence with respect to the inner city high-rise residential sector appears to be easing. However, demand appears strong within the owner-occupier apartment sector.

Non-residential activity also saw a rise, up 20% ($2.1 billion), driven by increases in the office and education sectors. Approvals for FY 2018 mirror similar trends to activity, with new apartments up 24% to $7.3 billion and the office and education sectors increasing 27% and 53% respectively.

The value of engineering projects commenced during FY 2018 more than doubled from FY 2017 levels, reaching $25 billion. This surge was in response to significant road and rail projects commencing during the period. For FY 2018 construction activity in both road and rail reached $4.5 billion and $3.1 billion respectively, with work yet to be done soaring to $6.3 billion and $6.0 billion respectively.

In response to the government announcing significant infrastructure investment, civil/infrastructure works are expected to expand in 2019 from the already high levels achieved in 2018.

Key infrastructure projects that are currently under construction include the Citylink Tulla Widening, the Monash Freeway Upgrade, Melbourne Metro, Western Distributor and the ongoing rail crossing removal program.

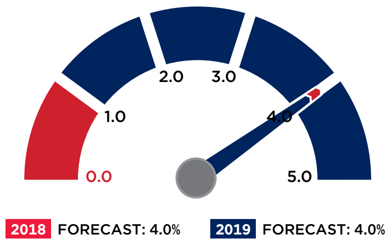
Melbourne's escalation forecast for 2019 has seen an increase from six months earlier.

The influx of civil and infrastructure projects is impacting on the limited supply of labour for some key trades, such as structure. Finishes and services trades remain at their peak as some large scale residential projects are fitting out and heading towards completion in 2019.

Cost pressures are particularly being seen in labour and materials that are common to both building and infrastructure projects and placed significant pressure on tender pricing towards the end of 2018. Additionally, the pipeline of work for 2019 remains strong, with the slowdown in some building activity as projects nearing completion being offset by large civil/ infrastructure projects, which is anticipated to increase the escalation forecast for 2019, from 3.5% to 4.0%.

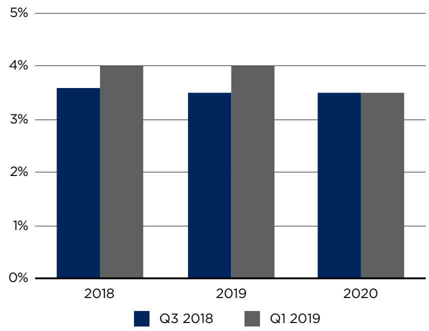
Looking forward, there is an expectation that restrictive planning conditions, higher interest rates and tighter lending requirements may take their toll on the market, reducing the number of approvals and pipeline of work. As a result escalation forecasts for 2020 are unchanged from six months earlier, remaining at 3.5%.

ANNUAL TPI FORECAST



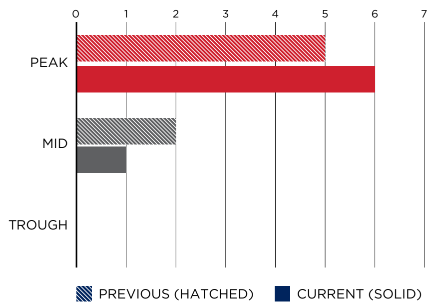
ANNUAL TPI FORECAST MOVEMENT

JUNE 2018 v DECEMBER 2018



MARKET ACTIVITY

SECTORS PER ZONE



PERTH

Perth's construction economy is seeing positive signs of recovery with business conditions improving, albeit at a gradual pace, according to the December 2018 ANZ/Property Council Survey. Western Australia was the only state to record a slight increase in business confidence in the last 12 months.

Perth's market activity cycle remains static as sentiment begins to return to the region. While confidence in Perth appears to be rising, this is yet to flow through to the market activity cycle where the number of sectors in the mid zone have risen to six, and the trough zone remained at one.

While residential activity has fallen for both new houses and new apartments, this is being offset by a boost in non-residential and engineering activity.

A strong lift within heavy industry saw activity return to levels achieved from 2012 to 2016. Infrastructure spending remains constant with the commencement of the first stage of the long-term Metronet project. The $1.86 billion Forrestfield-Airport Link is now in the early stages of construction, with additional Metronet construction commencing in 2019.

Construction activity in the hotel and retail sectors increased 17% and 11% respectively for FY 2018, reaching ten year highs. In response to the government's aim to create 1,900 extra hotel rooms in Perth by 2020, the 368-room Westin Hotel and 185-room QT hotel were completed in early 2018 and an additional 1,400 rooms are under construction or about to commence.

Work continues on major projects such as the Ritz Carlton at Elizabeth Quay precinct and AMP's Karrinyup Shopping Centre redevelopment, bolstering the hotel and retail sectors.

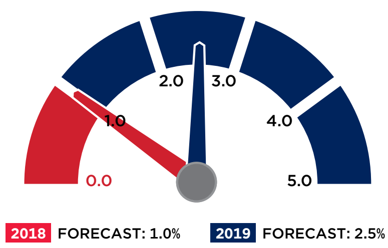
The first of the building projects within the Elizabeth Quay precinct, 'The Towers', consisting of 379 apartments and the 204-room Ritz Carlton Hotel, is progressing well and will be completed towards the middle of 2019.

While activity within the residential sector has slowed by 10%, optimism remains, with apartment approvals up 5.3% for FY 2018, The RLB Crane Index® recorded a rise in residential cranes for Q3 2018, with work commencing at Botanical Apartments, Kings Square and the 'Precinct' in Applecross.

The modest rise in the health sector is a result of an increase in aged care and retirement work, offsetting the decline in health specific activity. Between FY 2017 and FY 2018 aged care activity almost doubled.

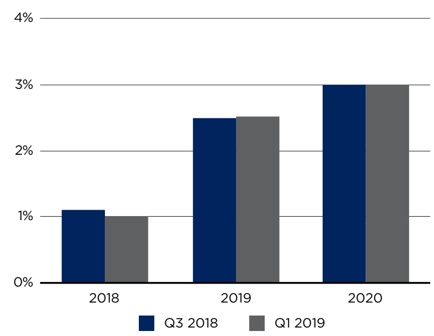
As general confidence returns to the market and capital expansion occurs within the mining sector, slight increases in escalation are forecast for 2019 and 2020, with 2.5% and 3.0% respectively.

ANNUAL TPI FORECAST



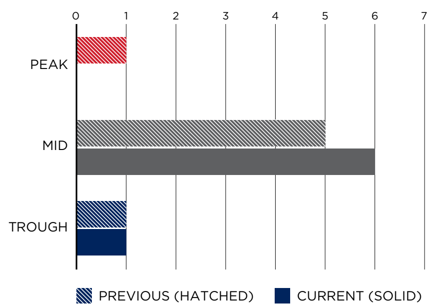
ANNUAL TPI FORECAST MOVEMENT

JUNE 2018 v DECEMBER 2018



MARKET ACTIVITY

SECTORS PER ZONE



SYDNEY

In recent months New South Wales has experienced high levels of construction activity in all major sectors. Market sector activity continues its positive outlook with six of the seven key sectors within the growth phase of the cycle, up one from six months earlier.

Engineering construction activity rose 29% ($5.5 billion), driven by a $1.7 billion increase in roads and a $1.3 billion increase in power. Several major infrastructure projects have commenced construction, with others expected to come online within the coming years. It is expected that infrastructure activity will continue to provide significant increases in activity for the coming years.

The Sydney Metro Rail project has commenced tunnelling with the recent commissioning of ‘Nancy’, the first of five Tunnel Boring Machines for the construction of thirty-one kilometres of underground rail line between Marrickville and Chatswood.

For FY 2018 the value of building approvals and construction work done both reached ten year highs, totalling $37.5 billion and $65.4 billion respectively.

A number of major projects located in the Sydney Circular Quay precinct such as the AMP Quay Quarter and Lend Lease’s Circular Quay Tower have now commenced on site. These redevelopments will provide new commercial office space within the precinct, which is experiencing low vacancy rates in the range of 3% to 4% and is forecast to continue at similar rates for the next two to three years.

Sydney’s escalation forecasts for 2019 and 2020 have seen small upward revisions from six months earlier due to increased construction activity within an already busy market.

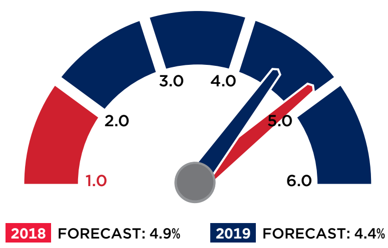
Despite declines in activity in the multi-unit sector, demand for labour resources continues to accelerate as a result of increased activity in other sectors together with clients seeking shorter timeframes for projects to be completed.

The availability of labour continues to be a common issue that is constant across all sectors of the industry and is adding additional premiums on prices due to this short term resource limitation. At the present time it is not uncommon for designers, contractors or subcontractors to be unwilling or unable to undertake new work as they do not possess sufficient labour resources for the work ahead.

Factors contributing to price rises include general wage rises in the range of 4.5% to 5.5%, base metal prices such as iron ore, copper and aluminium increasing approximately 10% over the past twelve months and the price of oil steadily increasing since early 2018. These raw material price increases present pricing challenges as we are seeing increasing costs from subcontractors and contractors.

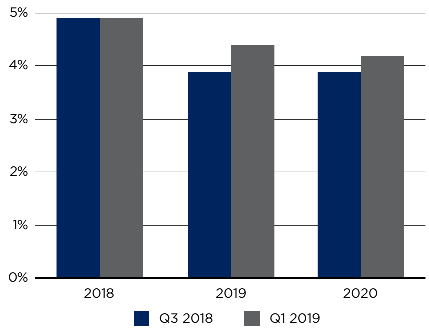
Six months ago these factors were predicted to impact the market with a 2018 escalation forecast of 4.9%. With the continued forecast of high levels of construction activity in 2019, the issues outlined above have resulted in escalation forecasts above 4.0% for the coming years.

ANNUAL TPI FORECAST



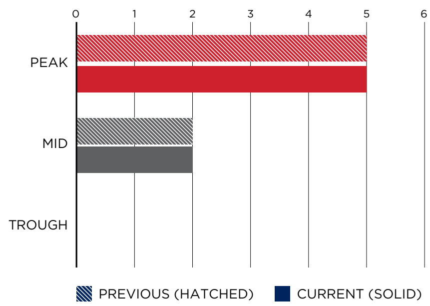
ANNUAL TPI FORECAST MOVEMENT

JUNE 2018 v DECEMBER 2018



MARKET ACTIVITY

SECTORS PER ZONE



Coorparoo Square, QLD

Architect: Conrad Gargett

TOWNSVILLE

Business confidence remains relatively stable and there is optimism with current and potential projects. This is indeed positive news given that (from a construction industry point of view) the region has been in a trough.

Positive sentiment has begun to return to Townsville and the North Queensland region as the North Queensland Stadium starts to take shape above the ground.

Townsville's market activity cycle continues to adjust to the current conditions. At the moment there are several projects that are possibilities within the market, however are yet to materialise. As a result, the number of sectors within the trough zone have increased to four for this edition.

Building approval values in the Townsville (defined by the ABS ASGS, Statistical Area 4) region have increased 3% for FY 2018, driven by the 'once in a decade' $250 million North Queensland Stadium, while the number of dwellings approved fell 18%.

The number of dwellings approved continued to decline from the peak in FY 2013 of 1,849, to 734 in FY 2018 with no new apartments approved.

The first of the follow-on projects from the new stadium construction has become a reality, with the DA lodged for a 166 room Double Tree by Hilton adjacent to the stadium, and Townsville City Council awarding the development of the city's Central Park which will provide connectivity from the stadium into the city as well as open public space.

Other potential catalyst projects include a concert hall and multi-storey carpark, however these are yet to be released into the pipeline. The stadium precinct also opens up opportunities for further potential developments in a location which will enjoy one of the better vistas of the city.

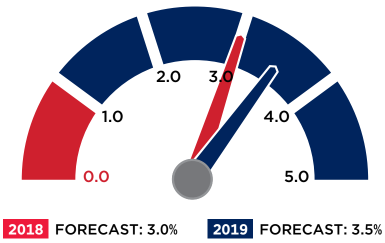
Townsville's water security is taking large strides to becoming reality with the construction of the Haughton connection to the Burdekin Dam. This will relieve the current water shortage, however, for the economy to grow and to ensure industrial growth, more work is needed to secure the region's future water needs. Stage 2 of the project will provide direct access to the Burdekin without the use of irrigation channels.

On the industrial side, the city is well placed for opportunities such as a nickel refinery supplying the booming battery market.

The education sector remains active with James Cook University announcing the commencement of the design of the Technology Innovation Precinct which will be its biggest project yet. The health sector continues to grow at both the Townsville Hospital and the Mater Hospital, although at lower activity levels than recent times. Retail projects are possible with two major shopping centres planned for upper Riverway.

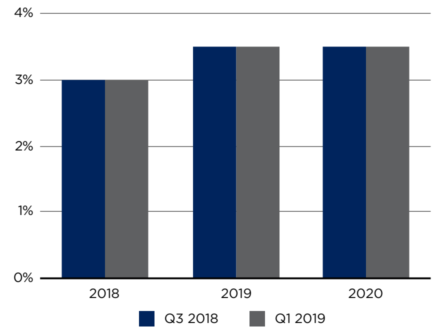
Townsville's escalation forecasts are unchanged from the previous edition.

ANNUAL TPI FORECAST



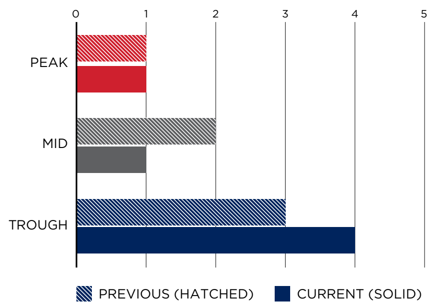
ANNUAL TPI FORECAST MOVEMENT

JUNE 2018 v DECEMBER 2018



MARKET ACTIVITY

SECTORS PER ZONE



University of Auckland Science Centre, Auckland

Architect: Architectus

NEW ZEALAND

New Zealand building activity continues to grow, recording a five year peak with $22.0 billion. Total residential activity (new plus altered) more than doubled in the five year period, reaching $14.3 billion for the 12 months ending 30 June 2018.

New residential activity contributed the most to national activity in FY 2018, making up 55% of total work put in place during the period.

Between FY 2013 and FY 2018, residential building work put in place increased from 57% of total building activity to 65%.

With the introduction of KiwiBuild in FY 2018 there is an expectation that the level of activity within the residential sector is unlikely to fall in the short to medium term. As work commences on a number of KiwiBuild homes, the flow-on effects are beginning to take shape with new infrastructure projects starting to enter the market.

In addition to the surge in residential building activity, non-residential activity increased 52% between FY 2013 and FY 2018, with average yearly increases of 9%.

The education sector has seen a surge in the last five years, reaching $1.3 billion for FY 2018 and contributing 17% to total non-residential activity.

The commercial sector remained the most dominant non-residential sector, contributing 32% to total non-residential activity in FY 2018, followed by factories, industrial and storage buildings, which contributed 21%.

BUILDING WORK PUT IN PLACE ($M)

12 MONTHS ENDING JUNE 30	2013	2014	2015	2016	2017	2018
TOTAL RESIDENTIAL	**6,761**	**8,661**	**9,907**	**11,385**	**13,279**	**14,348**
COMMERCIAL	1,771	1,906	2,200	2,554	2,537	2,415
EDUCATION	708	698	904	1,051	1,349	1,280
INDUSTRIAL	997	1,072	1,304	1,298	1,446	1,580
FARM	277	292	364	294	289	354
HEALTH	560	437	490	551	613	678
HOTELS	294	383	316	388	555	671
SOCIAL	421	400	479	491	529	658
TOTAL NON-RESIDENTIAL	**5,028**	**5,187**	**6,057**	**6,627**	**7,318**	**7,636**
TOTAL WORK PUT IN PLACE	**11,789**	**13,848**	**15,964**	**18,011**	**20,596**	**21,984**

BUILDING CONSENTS ($M)

12 MONTHS ENDING 30 JUNE	2013	2014	2015	2016	2017	2018
TOTAL RESIDENTIAL	**6,948**	**8,850**	**9,787**	**11,688**	**12,779**	**14,203**
RETAIL	606	630	698	904	698	996
OFFICES	797	1,035	1,197	1,171	1,248	1,085
INDUSTRIAL	872	962	1,217	1,119	1,284	1,579
EDUCATION	529	619	776	1,239	1,105	1,162
HEALTH	325	419	481	681	468	555
HOTELS	419	226	277	396	691	489
OTHER	571	699	716	632	747	1,017
TOTAL NON-RESIDENTIAL	**4,119**	**4,591**	**5,362**	**6,141**	**6,240**	**6,883**
TOTAL CONSENTS	**11,067**	**13,441**	**15,149**	**17,829**	**19,019**	**21,086**

AUCKLAND

Auckland's construction market remains extremely buoyant. Despite the current perception that the market is running at capacity and resources are stretched, construction activity continues to surge.

The market activity cycle in Auckland remains unchanged from six months earlier with all sectors in the peak zone.

New work put in place and new building consents both increased for the 12 months ending 30 June 2018, up 14% and 21% respectively. New work put in place reached a new high of $6.8 billion while new building consents rose to $6.9 billion.

Solid growth was seen in new residential and new non-residential work put in place, both up 14%. New consents also saw significant increases with new residential work increasing 20% and new non-residential work up 24%.

Auckland is experiencing a surge in large projects, with the Q3 2018 RLB crane count rising to 90 cranes. Large projects currently in the construction phase include, the Skycity International Convention Centre, the Commercial Bay retail and commercial development and the redevelopment of Sylvia Park and 277 Newmarket. Auckland University has several large projects underway or in planning and significant activity is being seen within the infrastructure sector including the City Rail Loop, the planned redevelopment of waterfront public spaces and the Americas Cup village.

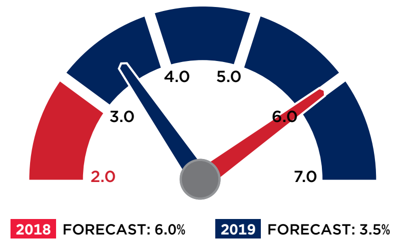
In September 2018, the Minister for Housing and Urban Development announced $339 million of 10 year interest-free loans to Auckland Council to support major infrastructure projects in Auckland's northwest. This infrastructure funding aims to bring forward the delivery of approximately 7,000 new homes within the Auckland region.

The Auckland construction market was rocked by the failure of Ebert Construction, a main contractor that was placed in receivership during 2018, with approximately $40 million of debt together with the withdrawal of Fletcher Construction from the vertical construction market, highlighting the significant challenges facing the building industry within the currently buoyant market. Onerous contract conditions and fixed price contracts in an escalating market are assumed to be some of the causes for these contractor failures and withdrawals.

Securing appropriate contractors and subcontractors to deliver $100 million plus projects in Auckland continues to be difficult and project timelines are likely to be compromised.

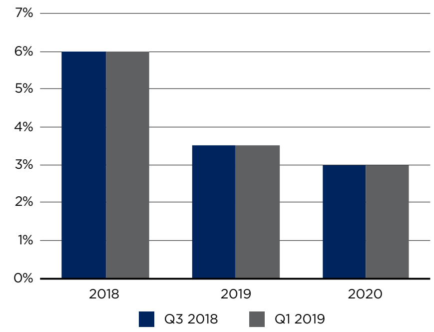
Escalation forecasts for Auckland are unchanged from six months earlier.

ANNUAL TPI FORECAST



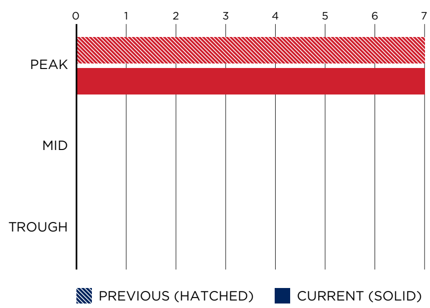
ANNUAL TPI FORECAST MOVEMENT

JUNE 2018 v DECEMBER 2018



MARKET ACTIVITY

SECTORS PER ZONE



LOCATION INTELLIGENCE

CHRISTCHURCH

The Christchurch rebuild has now passed its peak with respect to both residential and commercial projects.

The market activity cycle has seen the civil sector falling from peak growth to peak decline while all other sectors remain within the mid zone.

New construction work has seen a gradual fall from the FY 2016 peak, totalling $3.2 billion for the 12 months ending 30 June 2018. Declines were felt in both new residential and new non-residential work put in place, with falls of 9.7% and 17% respectively. While construction volumes fell, building consents remained constant, with the value of consents falling just shy of $3 billion for a second consecutive year. New residential consents fell 1.8% ($32 million) offset by a rise in new non-residential consents of 3.2% ($37 million).

A number of major projects were completed throughout 2018, including the Ministry of Justice Precinct, Hospital Outpatients Building, Central Library and several major University of Canterbury projects.

Within the office sector, a large amount of space in the Christchurch CBD has been completed and is now being occupied.

The new $80 million Central City Library is now open in the CBD, along with the new EntX entertainment development and the long awaited Terraces Hospitality development on the river. The riverside streetscaping is now also complete. Additional new CBD parking buildings and retail developments are coming online, which will provide renewed impetus to the CBD area heading into summer.

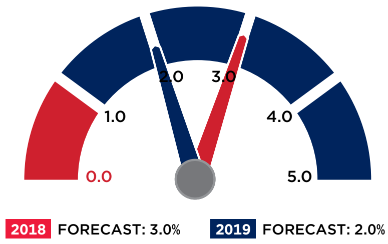
Several key CBD anchor projects are now under construction, including the Convention Centre and some initial activity on the Cathedral remediation, providing some certainty to the Cathedral Square area.

Work continues for the Christchurch Hospital Acute Services Building and the Town Hall rebuild, with completion expected in 2019.

Major and complex projects still see trade related and extraordinary escalation spikes. The Hospital and Convention Centre projects, along with other major projects, continue to use considerable resources and are expected to do so for some time.

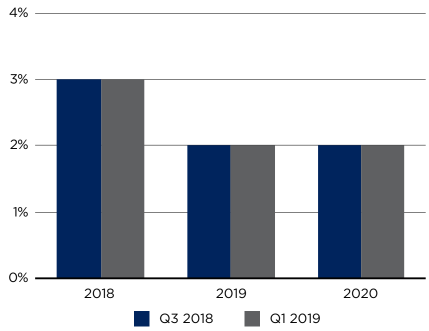
There are still a number of major projects getting underway, as well as those due for completion this year. This will continue to put demand on key trades for the foreseeable future and result in continuing tender price increases, albeit at rates lower than historical levels.

ANNUAL TPI FORECAST



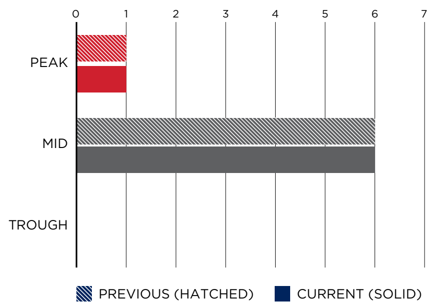
ANNUAL TPI FORECAST MOVEMENT

JUNE 2018 v DECEMBER 2018



MARKET ACTIVITY

SECTORS PER ZONE



Justice and Emergency Services Precinct, Christchurch

Architect: Warren & Mahoney Architects Ltd,
Opus Architecture & Cox Architecture

WELLINGTON

The Wellington region remains extremely busy with new projects continuing to enter the market. Interest rates remain low and exchange rates are holding reasonably steady, albeit a 10% drop against the $USD recently, highlighting the favourable economic conditions within the region.

The market activity cycle in Wellington illustrates a market still growing. Six sectors are now within the growth phase, up from five six months earlier. There is an expectation that activity will continue to grow within the region through to 2021.

New work put in place continues to increase, up 20% and totalling $1.3 billion for the 12 months ending 30 June 2018. New residential work rose 26% alongside an 11% increase in new non-residential work.

Additionally, new consents emphasise the positive sentiments within the market, maintaining their high value for the second consecutive year, with $1.1 billion for the 12 months ending 30 June 2018. While new non-residential consents saw a dip in 2018, down 51% ($217 million), new residential consents strengthened, increasing 32% ($215 million).

Within the office sector, vacancy rates are very low and new space is needed to cope with current demand. This is particularly evident with two new office towers recently completed with others nearing commencement.

Major refurbishment of the Wellington Town Hall and other buildings are also due to get underway in early 2019. New large scale construction likely to proceed soon includes the redevelopment of Wakefield Private Hospital and the new Children's Public Hospital. Multiple smaller education and social housing projects to upgrade existing facilities, are also continually entering the market.

The Hilton recently completed upgrading an existing office block into a new hotel, while work continues at the new airport hotel.

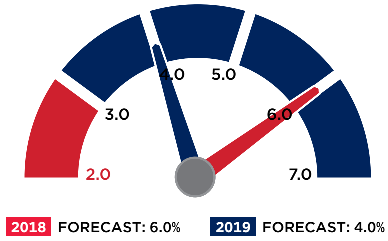
The major civil projects north of Wellington are ongoing and gearing up into the major concrete construction stages of the project. This work has another 2 to 3 years to run and is significantly impacting available resources across the region.

The current level of available work has not been seen for 30 years and appears to have no end in sight given the favourable economic conditions prevailing at the moment. Continued growth in the lower North Island regions is also strong, with more work than available contractors.

The high volume of available construction work in the region is having significant impacts on the industry supply chain. Many companies continue to experience labour shortages partly due to a lack of resources coming into the Wellington market given the prevailing conditions in most other regions of New Zealand. Obtaining an adequate spread of trade tender prices is becoming problematic, with subcontractors having limited resources available and full books. In the short to medium term this may cause delays to projects entering the market.

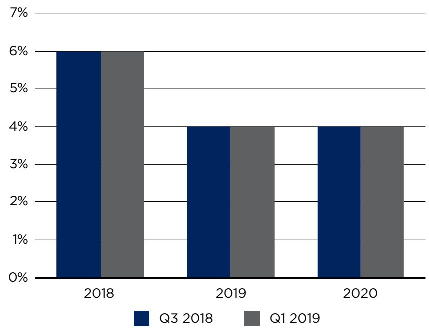
As trades have the ability to pick and choose projects they wish to tender on, a lack of competitive pricing tension is being observed. This has the effect of driving up prices. Labour shortages are prevalent in most centres and are expected to continue for some time to come.

ANNUAL TPI FORECAST



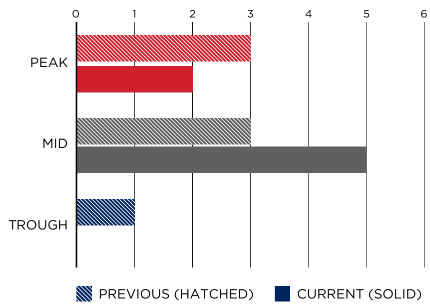
ANNUAL TPI FORECAST MOVEMENT

JUNE 2018 v DECEMBER 2018



MARKET ACTIVITY

SECTORS PER ZONE



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TERMINOLOGY

ABBREVIATIONS

$B	Billion (Thousand Million) Dollars
$M	Million Dollars
ABS	Australian Bureau Of Statistics
CVM	Chain Volume Measure
CPI	Consumer Price Index
FY	Year Ending 30 June
k	Thousand
RBA	Reserve Bank Of Australia
SNZ	Statistics New Zealand
2018	Calendar Year 2018
2017	Calendar Year 2017

CHART DESCRIPTION FOR LOCATION INTELLIGENCE PAGES

AUSTRALIA	
ANNUAL TPI FORECAST CHART	Annual calendar year percentage rates for the general construction industry, based on each cities individual forecast market supply and demand conditions prevalent at time of publication.
ANNUAL TPI FORECAST MOVEMENT CHART	Compares the published annual TPI percentage rate difference between the current RLB Oceania Report and the previous edition.
MARKET ACTIVITY CHART	Represents the number of sectors within each zone for the current RLB Oceania Report and the previous edition.

DEFINITIONS

AUSTRALIA	
CONSTRUCTION	Building and Engineering
BUILDING	Residential and Non-Residential
ENGINEERING	Includes but not limited to: roads, runways, rail, bridges, harbours, water storage, sewerage works, pipelines, electricity generation and distribution, telecommunications and mining works.
RESIDENTIAL	New houses & Other new residential & Alterations/additions (incl. refurb and conversion)
NEW HOUSES	Detached Dwellings
OTHER NEW RESIDENTIAL	Semi-detached dwellings (Townhouses etc.) & multilevel dwellings (Apartments)
NON-RESIDENTIAL	Includes but not limited to: offices, commercial, industrial, retail, education, health, recreation, civic, short-term accommodation and other buildings not classified, but not Residential or Engineering
NEW ZEALAND	
CONSTRUCTION	Building
BUILDING	New Residential and New Non-Residential
NEW NON-RESIDENTIAL	Includes but not limited to: offices, commercial, industrial, retail, education, health, recreation, civic, short-term accommodation, farm buildings and other buildings not classified, but not Residential or Non-building construction

SOURCES OF INFORMATION

AUSTRALIA	
BUILDING ACTIVITY & APPROVAL VALUE SUMMARY	All values are current price (nominal value) Building Approvals – ABS, *Building Approvals, Australia*, cat. no. 8731.0 Building work done, work yet to be done, work in the pipeline, work commenced and work under construction – ABS, *Building Activity, Australia*, cat. no. 8752.0
BUILDING ACTIVITY DWELLING SUMMARY	All values are current price All values are from ABS, *Building Activity, Australia*, cat. no. 8752.0
STATE CONSTRUCTION WORK DONE	All values are in current price Building work done values are from ABS, *Building Activity, Australia,* cat. no. 8752.0 Engineering work done values are from ABS, *Engineering Construction Activity,* Australia, cat. no. 8762.0
STATE BUILDING APPROVALS	All values are current price Building Approvals – ABS, *Building Approvals, Australia*, cat. no. 8731.0
GOLD COAST/ TOWNSVILLE BUILDING APPROVAL VALUE	All values are current price ABS, *Building Approvals, 2011-17 – SA2 - Queensland, SuperWEB2* ABS, *Building Approvals, 2016-18 – SA2 - Queensland, SuperWEB2*
GOLD COAST/ TOWNSVILLE DWELLINGS	ABS, *Building Approvals, 2011-17 – SA2 - Queensland, SuperWEB2* ABS, *Building Approvals, 2016-18 – SA2 - Queensland, SuperWEB2*
NEW ZEALAND	
BUILDING WORK PUT IN PLACE	All values are current price Statistics New Zealand, Value of building work put in place
BUILDING CONSENTS	All values are current price Statistics New Zealand, Building consents issued

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