



OCEANIA REPORT

CONSTRUCTION
MARKET INTELLIGENCE

FIRST QUARTER 2017

BRINGING IMAGINATION TO LIFE

ABOUT RIDER LEVETT BUCKNALL

CONFIDENCE TODAY INSPIRES TOMORROW

With a network that covers the globe and a heritage spanning over two centuries, Rider Levett Bucknall 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 Rider Levett Bucknall 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.

THE OCEANIA REPORT

The RLB Oceania Report is published twice-yearly and provides detailed regional and local construction market intelligence and data compiled from our network of offices.

The strength of 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. We collect and collate current construction data and forecast trends on a global, regional, country, city and sector basis. RLB publish key industry intelligence publications throughout each year. For more detailed sector and city/country information than is published within the Oceania Report please review our regional or country specific publications.

All publications are available from www.rlb.com or for a hard copy please contact your local office.

CONSTRUCTION MARKET INTELLIGENCE

The Oceania Report is supplemented by RLB's biannual International Report, quarterly NZ Forecast and annual Riders Digests published within the Oceania Region.

Cover: Anadara & Alexander, Barangaroo South, Sydney

Anadara: Barangaroo South
Client: Lend Lease (Millers Point)
Architect: FJMT

Alexander: Barangaroo South
Client: Lend Lease (Millers Point)
Architect: PTW

Disclaimer: While the information in this publication is believed to be correct at the time of publishing, no responsibility is accepted for its accuracy. Persons desiring to utilise any information appearing in the publication should verify its applicability to their specific circumstances. Cost information in this publication is indicative and for general guidance only and is based on rates as at December 2016. National statistics are derived from the Australian Bureau of Statistics (ABS) and Statistics New Zealand.

OCEANIA CONSTRUCTION GLOBAL OUTLOOK

The Oceania Report, covering Australia and New Zealand, provides a snapshot of the current construction market conditions and construction price movements in the key cities in Australia and New Zealand. Each RLB office provides an insight into the current market conditions influencing construction cost movements.

Information contained within the publication includes:

A broad overview of **Construction Market Intelligence** within Oceania is provided on page 5,

RLB's **Tender Price Index** (TPI) trends and **Relativity** analysis are contained on pages 6 and 7. Annual percentage movements in RLB's TPI are highlighted in the market data table on page 6, which tracks the tender price movement since 2010 and forecasted to the end of 2019.

RLB's **Construction Market Activity Cycle**, on page 8 and 9, represent the insight of RLB offices on the current status of key construction sectors within the development activity model. The current cycle position of each sector is identified in the table on page 8 and consolidated by sectors for all cities and graphically represented on Page 9.

Australian **Construction Market Intelligence** is found page 10, followed by specific data and commentaries from RLB directors in nine key locations across the country on pages 13 -23.

New Zealand **Construction Market Intelligence** is found page 24, followed by specific data and commentaries from RLB directors in three principle locations across the country on pages 25 - 29.

Each **Location Intelligence** page highlights for that city:

- Commentary on the **Key Local** matters affecting the construction market within the region,
- RLB's **Escalation Forecasts** for 2016 & 17,
- Summary of **Building Work Done** (work put in place),
- Summary of **Building Approvals**,
- Graphical representation of the **Market Sector Activity Cycle** responses through the doughnut graphs.

TERMINOLOGY USED WITHIN THIS REPORT

ABBREVIATIONS

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

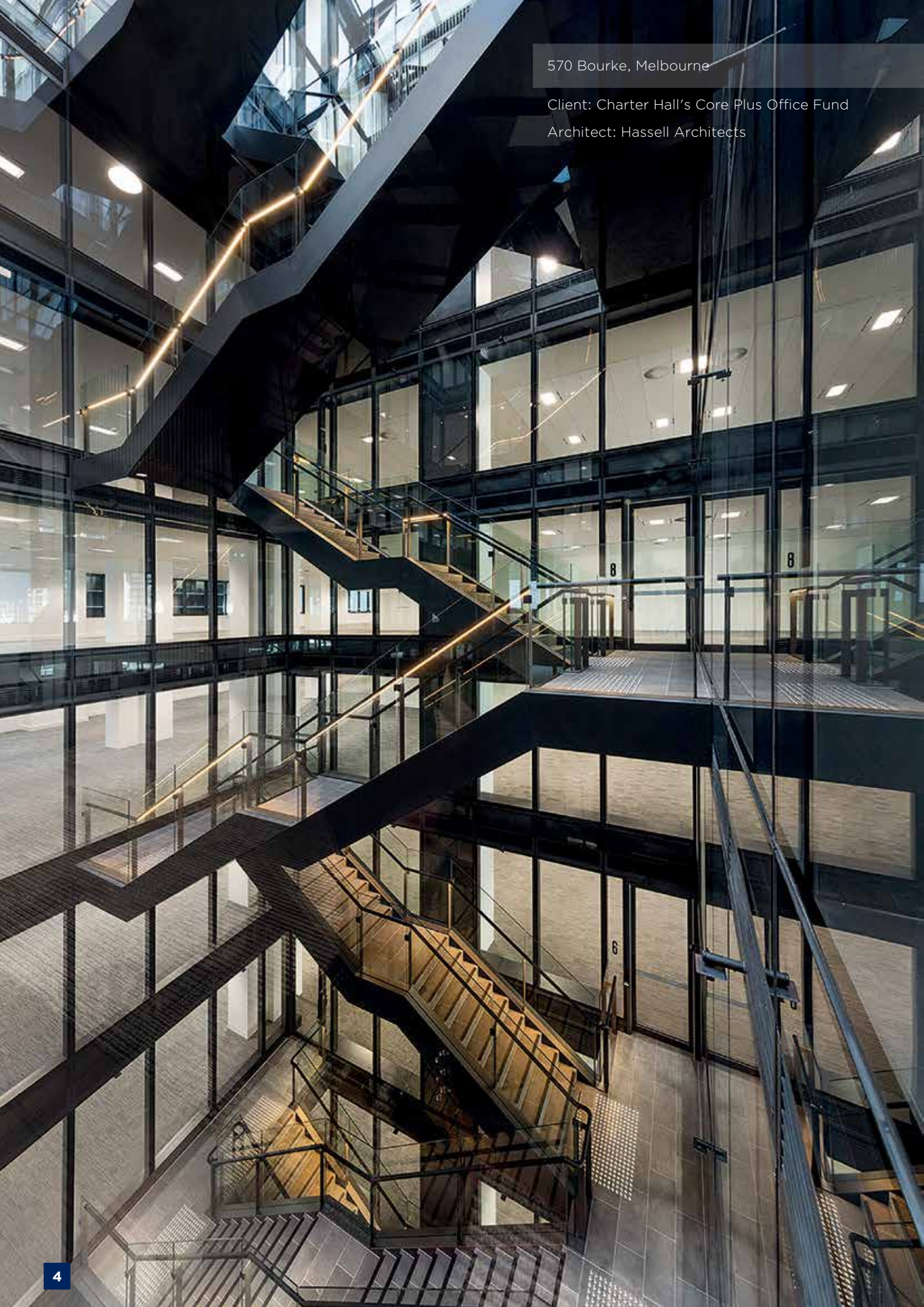
DEFINITIONS

CONSTRUCTION	Building and Engineering
BUILDING	Residential Building and Non-Residential Building
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 BUILDING	New Houses & Other New Residential building & Alterations/additions (incl. refurb and conversion)
NEW HOUSES	Detached Dwellings
OTHER NEW RESIDENTIAL BUILDING	Semi Detached dwellings (Townhouses etc.) & multilevel dwellings (Apartments)
NON-RESIDENTIAL BUILDING	Offices, Commercial, Industrial, Retail, Education, Health, Recreation, Civic, Short-term Accommodation and other building not classified, but not Residential or Engineering

570 Bourke, Melbourne

Client: Charter Hall's Core Plus Office Fund

Architect: Hassell Architects



LOCATION INTELLIGENCE OCEANIA

Global economic growth is forecast to accelerate moderately to 2.7% in 2017. The World Bank stated recently that global economic growth in advanced economies is expected to edge up to 1.8% in 2017 according to the World Bank's January 2017 Global Economic Prospects report. The report stated that fiscal stimulus in major economies, particularly in the United States, could generate faster domestic and global growth than projected, although rising trade protection could have adverse effects.

This is positive news for both Australia and New Zealand. Economic growth in Australia is projected to pick up to 3% by 2018. The decline in resource-sector investment has commenced to tail off and the non-resource sector is seeing a steady increase in household consumption and investment as wages and employment rise.

Recent strong economic growth in New Zealand is projected to moderate to less than 3% in 2018. Both net migration and expenditure on the Canterbury earthquake rebuild are expected to slow gradually, slowing domestic demand, especially construction activity. The latest earthquake will entail rebuilding investment, but this is not included in the projection because it is too early to judge the economic effects. Growth will continue to be driven by tourism, with dairy price increases providing a further boost to incomes through the terms of trade. Inflation is likely to rise but remain below the mid-point of the official 1 to 3% target range.

The New Zealand Reserve Bank has tightened loan-to-value restrictions in order to limit financial stability risks from the high levels of household debt associated with rapid house price increases. These increases have been fuelled by low interest rates, as the bank has attempted to lift persistently below-target inflation.

Within both Australia and New Zealand, low interest rates reflect low inflation which continue to fuel high house prices.

Rising and elevated house prices may lead to a build-up of systemic risks, which was highlighted by the continuing media coverage on overheated housing markets in both countries.

Our construction industry observations are highlighted in the RLB Market Sector Activity Model (refer to page 8). Across Oceania, of the seven sectors RLB monitors, 64% of all city's sectors are in a growth phase, with 36% in a decline phase. All market sectors within Sydney are in the growth and mid phases of the market cycle, whereas Canberra has the most sectors within the trough phase. Wellington, where six of seven sectors are in the mid growth zone, is poised for a stronger year in 2017. Both Melbourne and Darwin have four sectors within the peak phase, showcasing the historical construction work done performance.

The construction outlook within both countries remains positive with the residential market fuelling growth. What RLB is not experiencing over the last three years however, is a significant rise in construction costs fuelled by the significant surge in building works.

The last three years of building activity has seen double digit percentage rises across both Australia and New Zealand. Historically, the last significant period of double digit annual increases of building work done was in the financial years 2002 to 2004. During this period, annual construction escalation rises across Oceania ranged from 3.5% to 11.7%.

RLB has reported escalation rises for the past three years of between 0.6% to 6.0% which is a significant decrease from the 2002 and 2004 numbers.

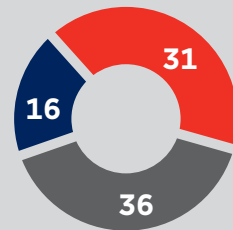
It is noted that CPI rates in 2002/04 were not significantly different to those in 2014/16 with rates in the order of between 2.5% and 3.5%. Home mortgage rates for the same periods were between 7% and 8% in 2002/04 and 5% and 6% in 2014/16.

2017 RLB FORECASTED TPI UPLIFTS

ADELAIDE	3.0%
AUCKLAND	4.6%
BRISBANE	4.0%
CANBERRA	2.8%
CHRISTCHURCH	4.0%
DARWIN	0.8%
GOLD COAST	5.0%
MELBOURNE	3.0%
PERTH	1.5%
SYDNEY	4.2%
TOWNSVILLE	4.0%
WELLINGTON	4.0%

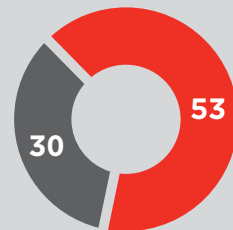
RLB CONSTRUCTION MARKET ACTIVITY CYCLE SUMMARY

OCEANIA PHASE SUMMARY



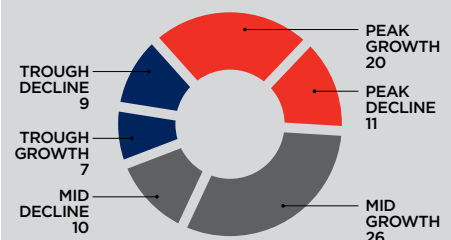
Within the major 12 cities of Oceania, 38% of sectors are within the peak phase, 43% in the mid phase and 19% in the trough phase (refer to page 8 for more details).

OCEANIA STAGE SUMMARY



63% of all sectors are within the growth stage of the market activity cycle. (refer to page 8 for more details)

OCEANIA SECTOR SUMMARY



The sector summary highlights the number of sectors within each phase broken down into growth or decline stages (refer to page 8)

TENDER PRICE INDEX TRENDS

OCEANIA

Rider Levett Bucknall's Tender Price Index (TPI) is calculated by using RLB costing models for a CBD/CBD fringe commercial office project and a multi-storey residential project. The costing of each model by RLB offices gives the basis for the changing costs of construction works over time, relative to Sydney's base 100 at January 2000.

The forecast has been calculated by RLB Directors using market intelligence, pipeline analysis and economic reports to forecast construction cost uplifts into the future.

RLB TENDER PRICE INDEX SERIES (% CHANGE) - DECEMBER 2016

CITY	2010	2011	2012	2013	2014	2015	2016 (F)	2017 (F)	2018 (F)	2019 (F)
ADELAIDE	2.9	-3.2	0.1	0.9	0.6	0.8	1.8	3.0	3.5	3.5
AUCKLAND	0.0	0.0	0.0	0.8	4.1	5.1	5.6	4.6	3.0	1.5
BRISBANE	-0.7	0.3	0.0	-1.9	5.1	5.9	7.2	4.0	4.0	4.0
CANBERRA	3.4	1.4	-0.6	2.2	1.6	2.0	2.5	2.8	3.0	3.0
CHRISTCHURCH	4.6	3.0	4.7	5.1	6.0	6.0	3.0	4.0	3.0	1.5
DARWIN	2.0	-11.4	2.0	3.0	1.8	0.8	0.2	0.8	1.5	2.0
GOLD COAST	N/A	N/A	N/A	0.0	4.1	4.0	6.0	5.0	4.0	3.0
MELBOURNE	4.2	3.0	0.0	0.2	1.5	2.0	2.0	3.0	3.0	3.0
PERTH	-1.6	1.3	-2.3	1.1	0.8	0.8	0.8	1.5	3.0	3.0
SYDNEY	1.0	2.2	1.2	2.0	3.0	4.5	4.8	4.2	4.0	3.5
TOWNSVILLE	0.4	0.5	1.0	1.3	2.0	3.0	3.0	4.0	4.0	4.0
WELLINGTON	1.5	1.0	1.5	2.0	3.4	3.0	4.0	4.0	4.5	5.0

(F) RLB Forecast

RLB TPI CITY RELATIVITIES

TPI relativities have been calculated using the model costings to determine the construction cost in RLB offices and comparing the differences in cost between each office. Using Sydney as the base of 100, all offices' costs have recalibrated highlighting the building cost relativities between each city.

For example, building costs in Melbourne (relativity of 89) when compared to Auckland (relativity of 84) are 6% more expensive, and conversely, Auckland's building costs are 5.6% cheaper than Melbourne. The calculations are:

$$\left[1 - \left(\frac{\text{MELBOURNE}}{\text{AUCKLAND}} \right) \right] \times 100 = \text{Relativity \% Difference} \quad \text{i.e.} \quad 1 - \left(\frac{89}{86} \right) \times 100 = 5.95\%$$

$$\left[1 - \left(\frac{\text{AUCKLAND}}{\text{MELBOURNE}} \right) \right] \times 100 = \text{Relativity \% Difference} \quad \text{i.e.} \quad 1 - \left(\frac{86}{89} \right) \times 100 = 5.618\%$$

CITY	RELATIVITIES DEC 2016
ADELAIDE	86
AUCKLAND	84
BRISBANE	84
CANBERRA	92
CHRISTCHURCH	87
DARWIN	96
GOLD COAST	89
MELBOURNE	89
PERTH	90
SYDNEY	100
TOWNSVILLE	85
WELLINGTON	88

Using Sydney as the base of 100, all offices' costs have been recalibrated highlighting the building cost relativities between each city.

RLB TENDER PRICE INDEX RELATIVITY MATRIX Q4 2016

ADELAIDE 100	BRISBANE 100	CANBERRA 100	DARWIN 100	GOLD COAST 100	MELBOURNE 100	PERTH 100	SYDNEY 100	TOWNSVILLE 100
BNE 98	ADE 102	ADE 93	ADE 89	ADE 111	ADE 96	ADE 95	ADE 86	ADE 101
CAN 107	CAN 110	BNE 91	BNE 87	BNE 109	BNE 94	BNE 93	BNE 84	BNE 99
DAR 112	DAR 114	DAR 104	CAN 96	CAN 119	CAN 103	CAN 102	CAN 92	CAN 108
GC 90	GC 92	GC 84	GC 80	DAR 124	GC 86	GC 86	GC 77	GC 91
MEL 104	MEL 107	MEL 97	MEL 93	MEL 116	DAR 107	DAR 106	DAR 96	DAR 113
PER 105	PER 108	PER 98	PER 94	PER 117	PER 101	MEL 99	MEL 89	MEL 105
SYD 116	SYD 119	SYD 108	SYD 104	SYD 129	SYD 112	SYD 111	PER 90	PER 106
TVE 99	TVE 101	TVE 92	TVE 89	TVE 110	TVE 95	TVE 94	TVE 85	SYD 118

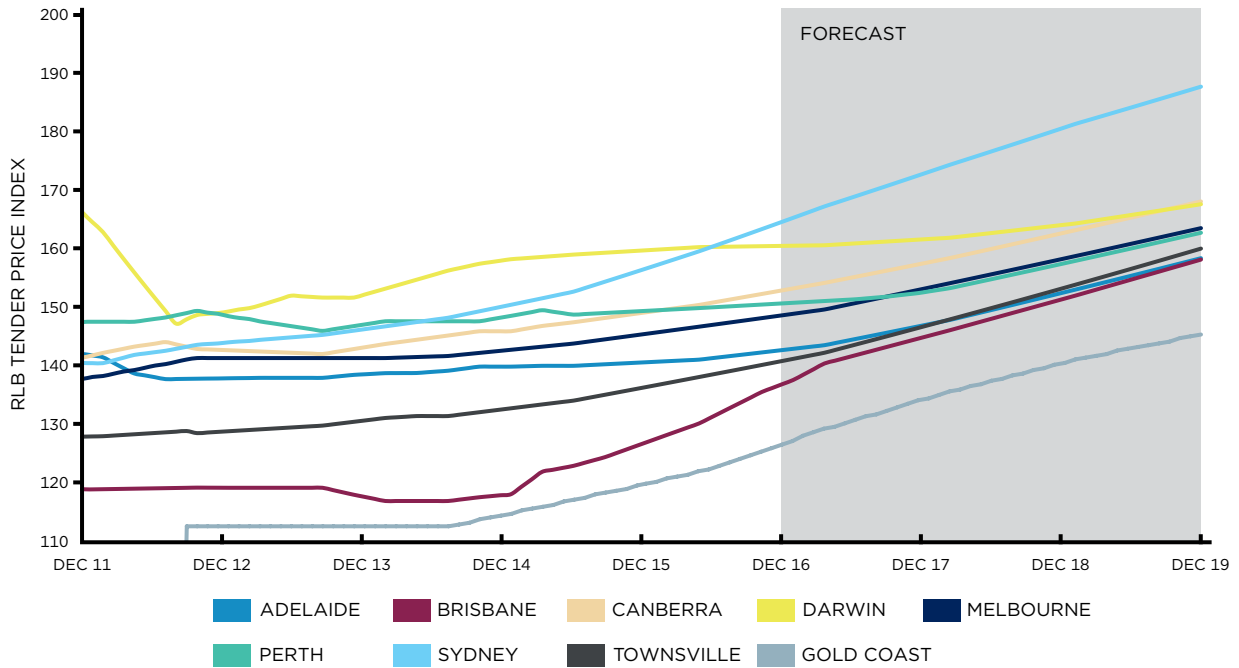
RLB TENDER PRICE INDEX RELATIVITY MATRIX Q4 2016

AUCKLAND 100	CHRISTCHURCH 100	SYDNEY 100	WELLINGTON 100
CHC 104	AUCK 96	AUCK 84	AUCK 95
SYD 119	SYD 115	CHC 87	CHC 99
WELL 105	WELL 101	WELL 88	SYD 114

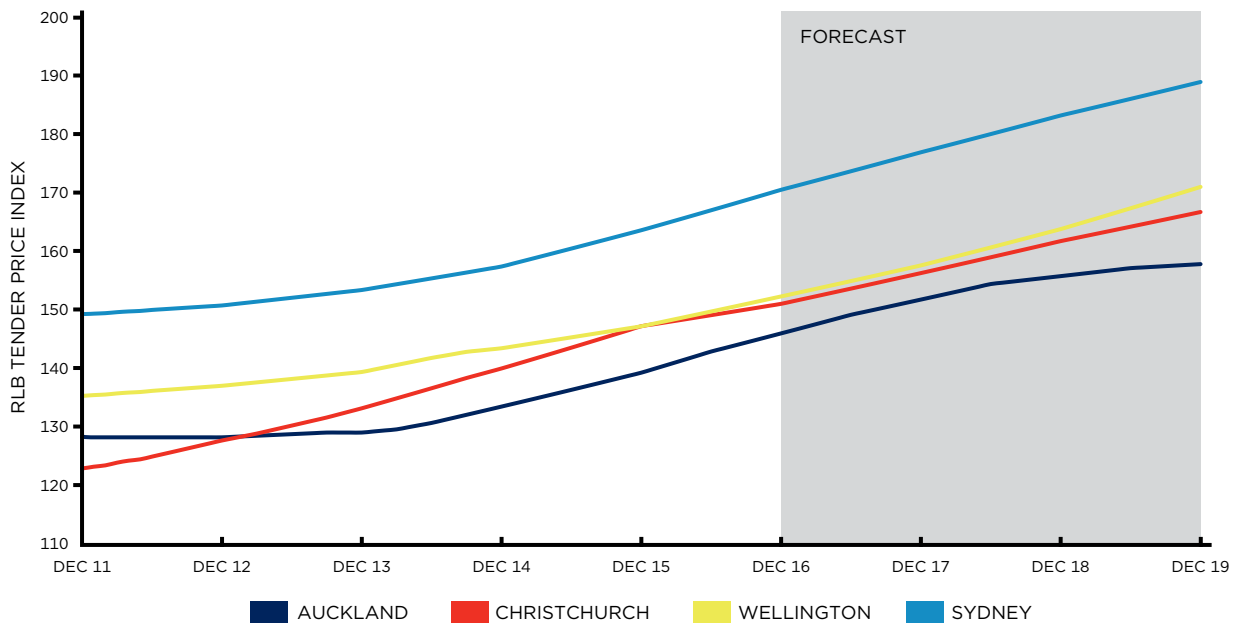
TENDER PRICE INDEX TRENDS OCEANIA

The tender price index graph shows the changing costs of works over time, relative to Sydney's base 100 at January 2000, and is based upon RLB's costing models for CBD/CBD fringe commercial office building and a residential multi-storey construction project.

AUSTRALIAN RLB TENDER PRICE INDEX
JAN 2000 = 100

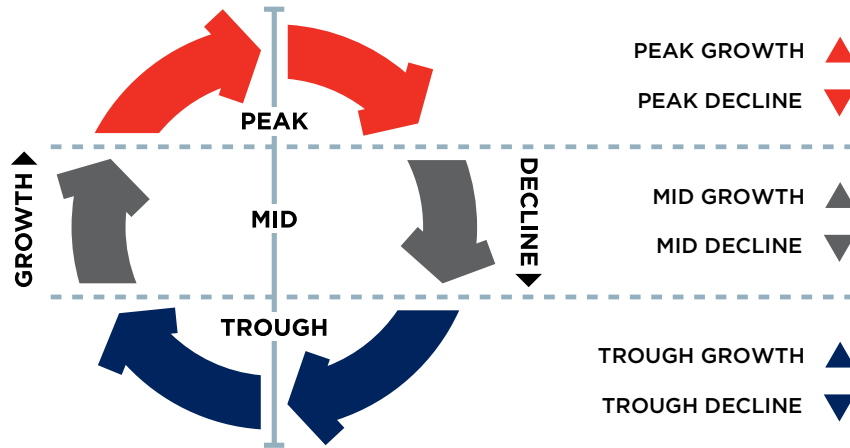


NEW ZEALAND RLB TENDER PRICE INDEX
JAN 2000 = 100



CONSTRUCTION MARKET ACTIVITY CYCLE OCEANIA

Activity within the construction industry traditionally has been subject to volatile cyclical fluctuations. The RLB Construction 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 which are represented in the table below.

Each sector is assessed as to which of the three phases (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 stage or a decline stage.

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

The doughnut graphs contained within this publication showcase the number of responses for each sector that are either in the peak, mid or trough phases of the cycle (as per page 9 graphs) and the number of sector responses which have been deemed to be in the growth or decline stages of the cycle, irrespective of the current phase (as per page 5 graphs).

SECTOR STATUS WITHIN RLB OCEANIA OFFICES - DECEMBER 2016

OCEANIA	HOUSES	APARTMENTS	OFFICES	INDUSTRIAL	RETAIL	HOTEL	CIVIL
ADELAIDE	▲	▲	▼	▲	▲	▲	▲
AUCKLAND	▲	▲	▲	▲	▲	▲	▲
BRISBANE	▼	▼	▼	▲	▼	▲	▼
CANBERRA	▲	▲	▲	▼	▼	▼	▲
CHRISTCHURCH	▼	▲	▼	▲	▲	▲	▲
DARWIN	▲	▼	▼	▲	▼	▼	▲
GOLD COAST	▼	▼	▼	▲	▼	▲	▲
MELBOURNE	▲	▲	▲	▲	▲	▲	▲
PERTH	▼	▼	▼	▲	▲	▲	▼
SYDNEY	▲	▲	▲	▼	▼	▲	▲
TOWNSVILLE	▼	▼	▼	▼	▲	-	▼
WELLINGTON	▲	▲	▲	▲	▲	▲	▲

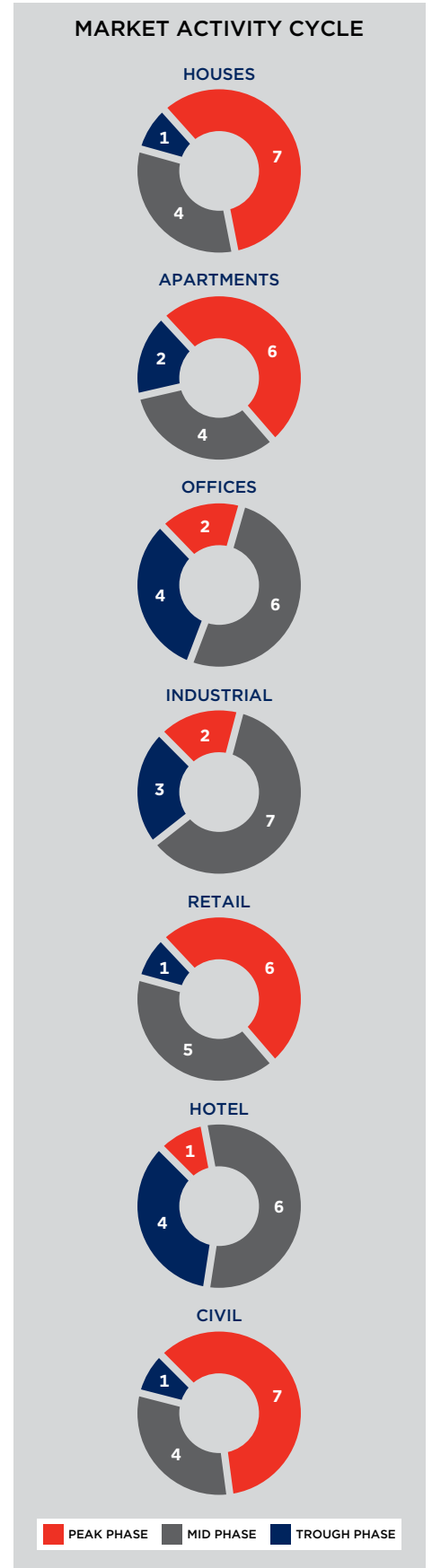
CONSTRUCTION MARKET ACTIVITY CYCLE OCEANIA

The Market Activity Cycle charts, reflected on this page and within this publication, show the aggregated responses, by sector, from RLB's Oceania offices, in each of the three phases, Trough, Mid and Peak.

The charts highlight the aggregated responses from the twelve RLB offices across the Oceania Region for the seven construction sectors tracked. The responses are summarised and graphically represented within each sector by the number of responses within the three phases that form the RLB Market Activity Cycle, Peak, Mid and Trough.

The results highlight that across Oceania, the Housing, Apartment, Retail, Civil and Retail sectors are performing strongly with more than 50% of offices indicating that these sectors are currently within the Growth phase of the cycle.

The majority of RLB offices see that the Office, Industrial and Hotel sectors are within both the Mid and Trough phase.



CONSTRUCTION MARKET INTELLIGENCE AUSTRALIA

As 2016 comes to a close, the year will be best remembered as the year of international geopolitical surprises. The decision of UK voters to Brexit in June together with America confounding almost all experts in appointing Donald Trump as the 45th US President will have an impact into 2017 and later years.

Fortunately, 2016 has been a year of good news for building in Australia. The latest Australian Bureau of Statistics (ABS) reported over \$107B of building work done for the year ending 30 June 2016, up \$9B (9%) from 2015 results and \$18B from 2014 (20%). As highlighted in the table to the right, significant residential construction is fuelling the industry's growth. New dwelling commencements are predicted to reach almost 230,000 during 2016, an increase of 5% on 2015 numbers.

The growth in residential work done is being fuelled by rising population. Current indicators remain positive with Australia's population growing by 338,000 people in the twelve months to June 2016. This provides a strong underpinning for GDP growth. According to the latest forecasts from the Department of Immigration and Border Protection, Australia's population is set to grow by 400,000 people a year by 2020. This should continue the need for continued dwelling construction in the years ahead.

Apartments are still accounting for a historically disproportionate portion of the upturn in new dwelling

commencements since 2012, highlighting the changing residential market within most capital cities.

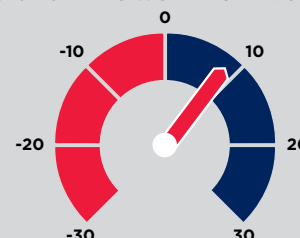
The concentration of high rise apartment building in the Sydney and Melbourne markets mean these two cities are currently important engines of residential building activity nationally.

The value of building work commenced during the year ending 30 June 2016 grew by 11.2% over 2015 results, highlighting the strength of the building sector across Australia. Total commencements for 2016 were more than \$100B up from \$97B for the year ended 30 June 2015. Work currently under construction across Australia was up 4.6% at 30 June to \$122B.

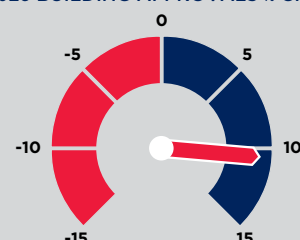
Building Approvals remain strong with an overall growth of 11.3% realised in the 2016 Financial Year over 2015 and 39% over 2012 results. The Apartment sector represents the biggest growth area for approvals with 2016 results 13% over 2015 and 133% over 2012 approval levels. Both New South Wales and Victorian residential approvals represent 62% of the total Australian value.

For the first time this century, 2016 saw residential dwelling numbers for each of dwellings under construction, dwelling commencements and dwellings that were completed, rise to levels above 200,000. This reflects the current strength of the residential market across Australia.

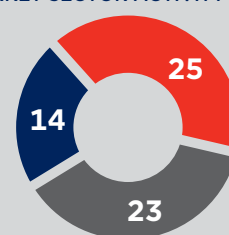
FY 2016 BUILDING WORK DONE % CHANGE



FY 2016 BUILDING APPROVALS % CHANGE



MARKET SECTOR ACTIVITY CYCLE



PEAK PHASE MID PHASE TROUGH PHASE

Refer Page 8 for more details

BUILDING WORK DONE (\$M)

YEAR ENDING 30 JUNE	2014	2015	2016
NEW HOUSES	28,203	32,408	34,278
SEMI-DETACHED	18,075	21,574	27,928
APARTMENTS	7,472	8,024	8,624
TOTAL RESIDENTIAL	53,750	62,005	70,830
OFFICES	5,884	6,558	6,342
COMMERCIAL	1,438	1,668	1,195
INDUSTRIAL	5,077	5,032	4,704
RETAIL	6,207	6,236	6,971
EDUCATION	4,862	4,604	4,318
HEALTH	6,387	6,366	6,083
HOTELS	1,053	1,771	2,080
OTHER NON-RES.	4,821	4,383	5,068
TOTAL NON-RES.	35,729	36,618	36,761
TOTAL	89,479	98,624	107,591
		+10.2%	+9.1%

BUILDING APPROVALS (\$M)

YEAR ENDING 30 JUNE	2014	2015	2016
NEW HOUSES	30,057	33,356	34,989
TOTAL SEMI-DETACH	5,371	6,262	7,824
APARTMENTS	15,689	20,995	23,749
TOTAL RESIDENTIAL	51,117	60,614	66,562
OFFICES	7,314	4,585	4,466
COMMERCIAL	1,485	1,367	1,094
INDUSTRIAL	5,102	4,538	5,099
RETAIL	6,018	6,396	6,298
EDUCATION	4,707	4,080	5,314
HEALTH	4,585	4,262	4,914
HOTELS	2,606	1,651	2,863
OTHER NON-RES.	4,771	4,763	6,067
TOTAL NON-RES.	36,587	31,640	36,115
TOTAL	87,704	92,254	102,678
		5.2%	11.3%

BUILDING ACTIVITY SUMMARY - AUSTRALIA

	2014	2015	2016	2015 v. 2014	2016 v. 2015
BUILDING ACTIVITY (RESIDENTIAL & NON-RESIDENTIAL)					
VALUE OF WORK DONE DURING YEAR (\$M)	89,478	98,624	107,591	10.2%	9.1%
VALUE OF WORK YET TO BE DONE (\$M)	52,308	53,960	56,987	3.2%	5.6%
VALUE OF WORK IN THE PIPELINE (\$M)	67,030	70,759	75,846	5.6%	7.2%
VALUE OF WORK COMMENCED FOR YEAR (\$M)	90,482	97,401	108,356	7.6%	11.2%
VALUE OF WORK UNDER CONSTRUCTION (\$M)	109,390	116,992	122,332	6.9%	4.6%
RESIDENTIAL DWELLING NUMBERS					
DWELLING UNITS COMPLETED (NO.)	160,186	190,994	201,027	19.2%	5.3%
DWELLING UNITS UNDER CONSTRUCTION (NO.)	164,193	189,376	215,058	15.3%	13.6%
DWELLING UNITS COMMENCED (NO.)	182,929	218,485	229,560	19.4%	5.1%
DWELLING UNITS NOT YET COMMENCED (NO.)	29,852	34,592	39,359	15.9%	13.8%

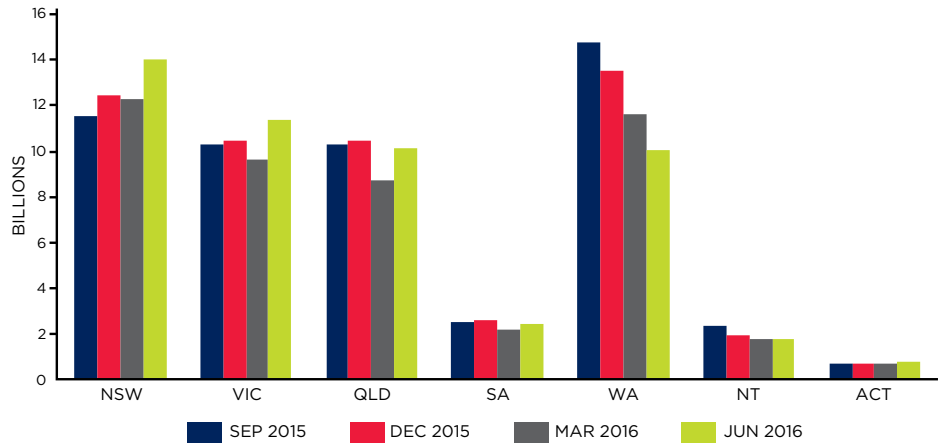
CONSTRUCTION MARKET INTELLIGENCE AUSTRALIA

Despite the current press reports of a downturn in building activity, the value of building work in the pipeline rose 7.2% during the year to 30 June 2016, up from 5.6% the previous year.

The Federal Treasurer’s Mid-year Economic and Fiscal Outlook statement highlighted an easing of the forecasted Consumer Price Index (CPI) of 50 basis points in 2016/17 and 25 basis points in 2017/18. The CPI forecasts of 2% and 2.75% respectively may have a small impact on general construction escalation during this period, however, with Enterprise Bargaining Agreements recently agreed to across the Eastern Seaboard, we are forecasting higher construction escalation than forecasted CPI for this period. Market pressures are dictating higher pricing in Sydney and Brisbane with the rest of the country relatively stable, albeit higher than CPI with the exception of Perth.

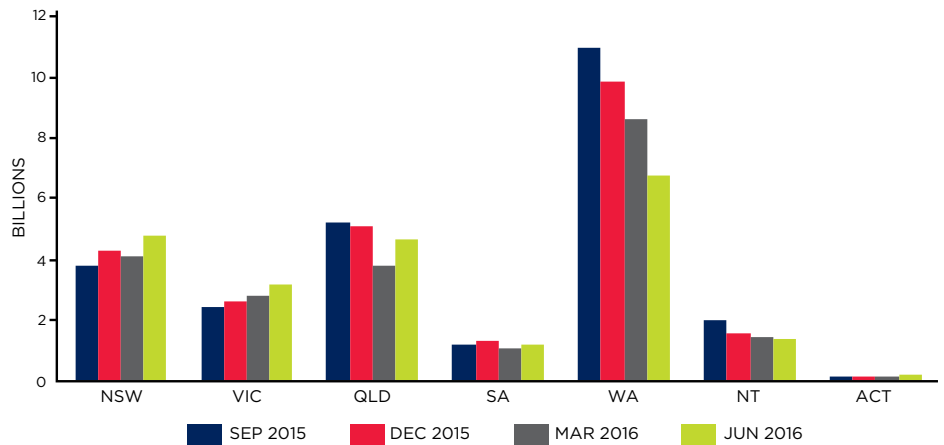
CONSTRUCTION WORK DONE - QUARTERS

SOURCE ABS 8755 - ORIGINAL



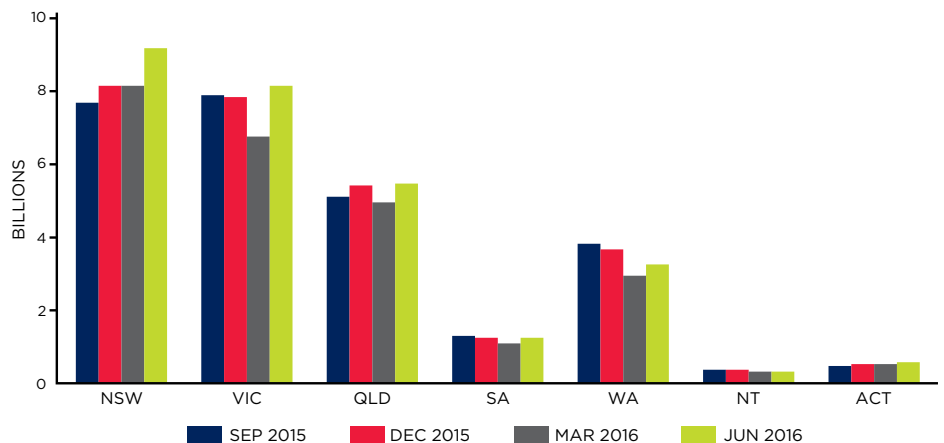
ENGINEERING WORK DONE - QUARTERS

SOURCE ABS 8755 - ORIGINAL



BUILDING WORK DONE - QUARTERS

SOURCE ABS 8755 - ORIGINAL



480 Queen Street, Brisbane

Client: Savills

Architect: BVN



LOCATION INTELLIGENCE AUSTRALIA

ADELAIDE

The South Australian economy is expected to grow 1.5% in 2015/16 and modest growth of around 1.25% in 2016/17. The imminent closure of South Australia's car industry in late 2017 will represent a significant negative for South Australian manufacturing. The Government's recent announcements of increased defence manufacturing spend will offset the loss of manufacturing within the car industry to some extent. The weaker currency has lifted the competitiveness of the manufacturing sector, as well as agriculture, tourism and international education.

The South Australian housing market continues to lift as investors and owner-occupiers broaden their view. Annual growth of home starts and home loans are solid. House prices in Adelaide have grown only modestly through the year to September. House prices are up 2.7% for the year to September 2016, while unit prices slipped 0.2%, according to CoreLogic. The general labour market in South Australia has picked up during 2016. Employment rose by 1.8% in the year to September 2016. This is above growth in employment nationally of 1.4% over the same period.

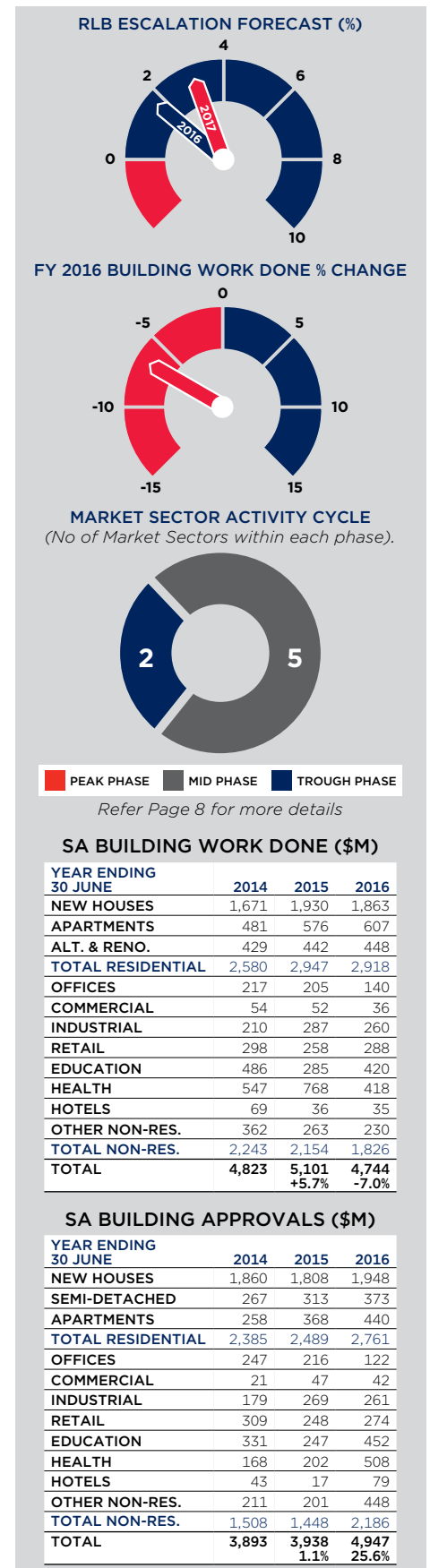
The tender market continues to be keen but there are clear signs with more work coming into the pipeline the cost of construction is increasing. RLB continues to see signs of larger contractors pricing smaller projects to ensure they maintain work into 2017. The expansion of education projects is seeing tertiary institutions continue their activity with large projects being tendered to Tier One Contractors (Usually national head contractors which have the expertise, resources, and finances to undertake

multiple large-scale projects (over \$250m).at the same time). The retail sector continues to provide new project work into the next year, this has kept many of the Tier Two contractors (smaller contractors which are sometimes based locally) tendering in this sector. There are some major projects in early stages that are expected to help lift the market including new work in the defence sector.

While aged care continues to provide many opportunity to the mid-sized builders the public sector still remains relatively quiet however with the release of the National STEM (Science, Technology, Engineering and Mathematics) School Education Strategy Program should also provide some more opportunity for trade and head contractors alike.

Major projects within Adelaide include: Adelaide University Clinical School (\$230M); University of South Australia Health Innovation Building (\$200M); Skycity Casino (\$300M), University of South Australia Great Hall (\$50M); New CBD High School Adelaide (\$80M).

All trade contractors continue to remain competitive and are actively seeking new work as the year comes to an end. With the prospect of more work becoming available in the new year there is an expectation that costs will rise more than what has been seen in recent years.



LOCATION INTELLIGENCE AUSTRALIA

BRISBANE

Queensland's State Final Demand (SFD) finally increased in the first two quarters of 2016, after declining in seven of the previous eight quarters. This key measure of economic activity highlights the level of spending in the Queensland economy by both the private and government sectors. Queensland's SFD is expected to increase at just over 2% over the next two years.

Queensland's diversified economy will be a key factor in its recovery, but the sharp slowing in population growth, from the boom time 2.6% to 1.3% now, will act as a constraint. The recent jump in coal prices together with production ramping up on the Gladstone LNG plants, will boost government revenues and help underwrite the forecasted increases in public investment and government consumption expenditure.

Engineering work done (mining engineering, road and train infrastructure) for the twelve months to 30 June 2016 was down \$11.6B from the June 2015 levels. The sector peaked at \$45.7B for the twelve months ending June 2014.

In comparison the building work done for year ending 2016 was \$20.8B, an increase of \$2.7B on the year ending 30 June 2015. This has been driven by the boom in residential construction which accounted for \$13.6B of the total work done. As residential construction slows over the next 12 months this level of expenditure will reduce significantly noting that there is still a significant pipeline of projects under construction. The public sector accounted for \$1B of building work done in 2016.

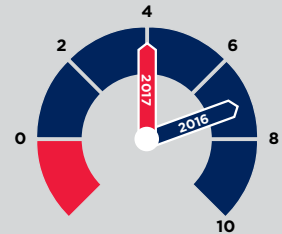
There is currently a large differential between house prices in Brisbane and those in Melbourne and particularly Sydney. In the past when this has occurred there has been significant inter-state migration to Queensland. In the current market this has not occurred. The lack of job opportunities in Queensland following the resource sector downturn has resulted in Queensland's population remaining static over the period.

The long-awaited commencement of the Queens Wharf project will occur in early 2017 when the demolition of the government buildings will start the construction process. The state government also announced Australian Unity as the preferred proponent for the redevelopment of the Herston Quarter. This will see a major health, research and aged care precinct developed on the site of the old Children's Hospital site.

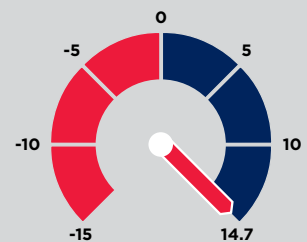
A number of major commercial projects were completed in 2016 including 1 William Street, 480 Queen Street and 160 Ann Street that have resulted in the historically high commercial vacancy rates in both Brisbane CBD and Fringe markets.

With commercial buildings at Southpoint and 900 Ann Street yet to come on line this situation is likely to get worse before it improves. Construction cost increases appear to have peaked and we expect some softening of construction costs during 2017. However there is still a large pipeline of work under construction and we expect the softening to be a gradual process with structural trades affected first.

RLB ESCALATION FORECAST (%)



FY 2016 BUILDING WORK DONE % CHANGE



MARKET SECTOR ACTIVITY CYCLE

(No of Market Sectors within each phase).



PEAK PHASE MID PHASE TROUGH PHASE

Refer Page 8 for more details

QLD BUILDING WORK DONE (\$M)

YEAR ENDING 30 JUNE	2014	2015	2016
NEW HOUSES	5,395	6,030	6,539
APARTMENTS	2,790	3,857	5,515
ALT. & RENO.	1,284	1,391	1,553
TOTAL RESIDENTIAL	9,469	11,278	13,608
OFFICES	830	1,059	1,020
COMMERCIAL	203	317	205
INDUSTRIAL	1,161	858	794
RETAIL	1,515	1,705	1,768
EDUCATION	867	985	703
HEALTH	1,774	1,136	1,455
HOTELS	242	306	443
OTHER NON-RES.	593	491	813
TOTAL NON-RES.	7,184	6,859	7,200
TOTAL	16,653	18,137	20,808
		+8.9%	+14.7%

QLD BUILDING APPROVALS (\$M)

YEAR ENDING 30 JUNE	2014	2015	2016
NEW HOUSES	5,542	6,218	6,855
SEMI-DETACHED	1,201	1,306	1,791
APARTMENTS	2,876	4,170	4,829
TOTAL RESIDENTIAL	9,619	11,694	13,476
OFFICES	1,022	601	679
COMMERCIAL	154	294	227
INDUSTRIAL	1,025	859	945
RETAIL	1,759	1,644	1,393
EDUCATION	1,136	653	1,171
HEALTH	631	742	814
HOTELS	286	383	805
OTHER NON-RES.	378	871	1,152
TOTAL NON-RES.	6,392	6,047	7,185
TOTAL	16,012	17,741	20,660
		10.8%	16.5%

LOCATION INTELLIGENCE AUSTRALIA

CANBERRA

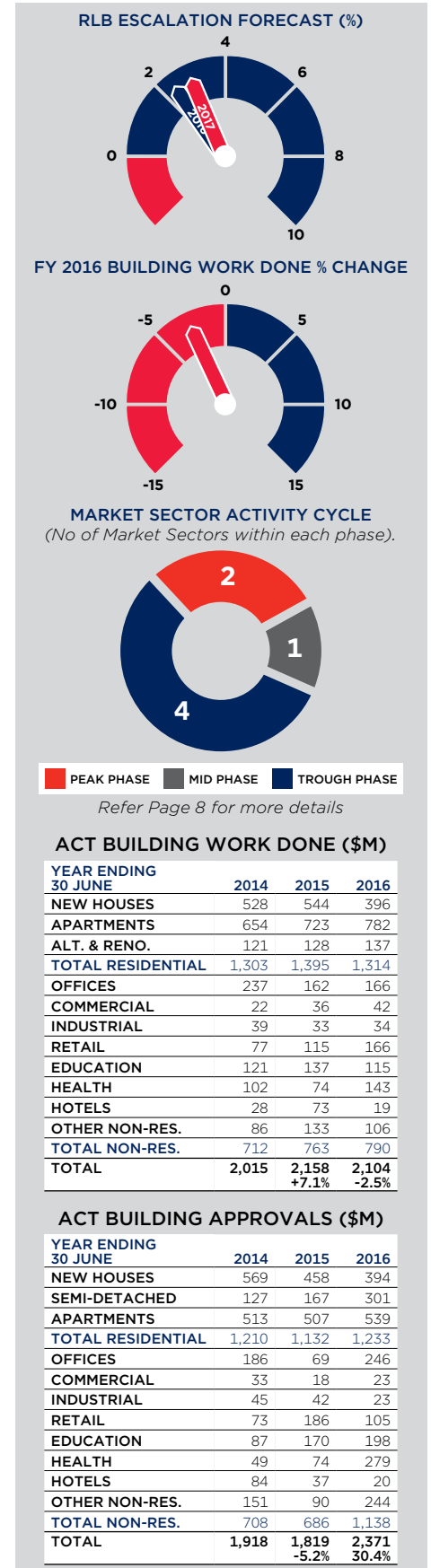
The current economic outlook for Canberra is now looking positive after some recent uncertainty due to Commonwealth Government job cuts. The recent ACT Government election result secured the future of the first stage of the Light Rail project and there is a strong pipeline of work in the Universities sector. Whilst there is still a risk to the economy around the Commonwealth Governments efficiency dividend; there is also potential opportunity in the recent establishment of Canberra’s first international flights between Singapore and Wellington, NZ.

Capital Metro Light Rail has commenced initial works on Northbourne Ave. The Australian National University (ANU) has recently awarded the circa \$160M Union Court project to Lend Lease.

This will revitalise the heart of the university campus while providing new learning, teaching, social and community facilities.

The new ANU 800 bed student accommodation project will commence towards the end of the year and other key education projects are also underway. There is strong sentiment in the residential market with the proposed \$500M “Section 200” mixed use development in Belconnen, a development to be staged over the next 10 years. There has been an increase in dwelling unit approvals of approximately 14% from the previous year overall.

With confidence returning and more projects currently in and planned for the market our forecast is a rise in the tender price index ahead of inflation for 2017 of 2.75 – 3%.



567 Collins Street, Melbourne

Client: Investa Office Fund and Investa Commercial Property Fund

Architect: Cox and Spowers Architects



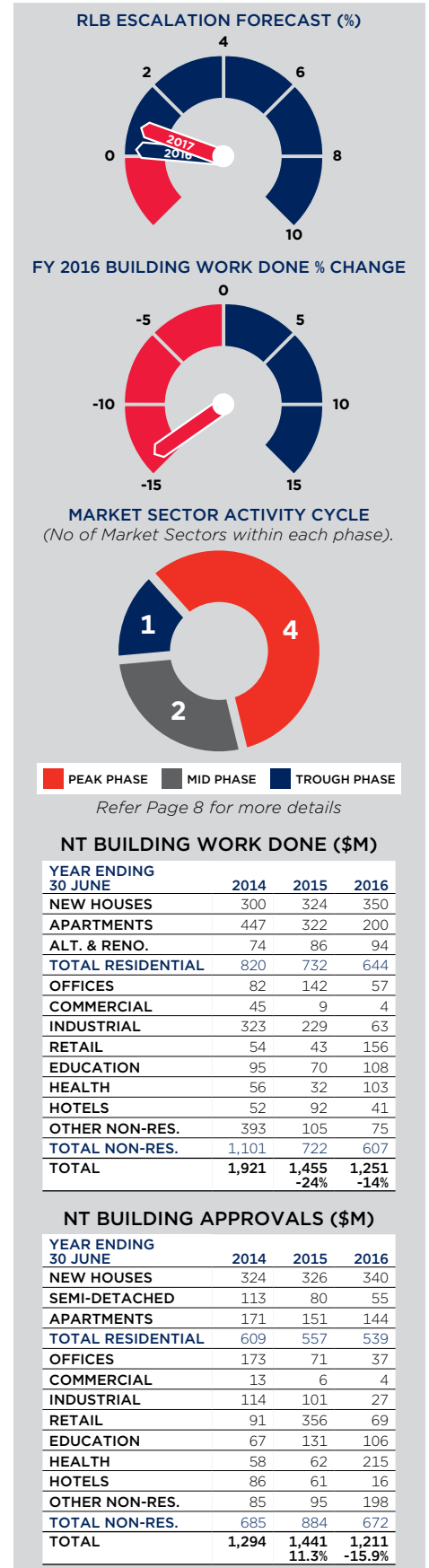
LOCATION INTELLIGENCE AUSTRALIA

DARWIN

With a new Northern Territory Government recently installed, the market is awaiting direction; noting the very soft prevailing market demand for construction output. New schools are being planned in Palmerston with ongoing development of existing school infrastructure in the rural areas. Road and infrastructure projects are continuing, though at a slower pace than previously. There is still a strong push for developing the north as well as ongoing defence investment in the top end.

A number of major projects have been completed this year, with no major projects commencing in the same period. Major projects currently underway include the Inpex Ichthys LNG plant, Gateway shopping Centre, new shopping centre at Coolalinga, a new hospital at Palmerston, Defence projects at Tindal with others planned for Darwin together with ongoing residential housing developments around newly released and subdivided land at Palmerston.

The market has been flat this year, with very little pickup expected for 2017, given that very few projects proceeded through the design phase in 2016. Market conditions are expected to remain soft in 2017. Construction of the Inpex LNG plant will be continuing throughout 2017 and no major replacement project is expected upon its completion leading potentially to further market instability. It is likely at this stage that some defence projects may be starting which will infuse activity in the construction sector. We will also expect other projects to come on line given the unusually low level of activity experienced over the past two years and potentially next year.



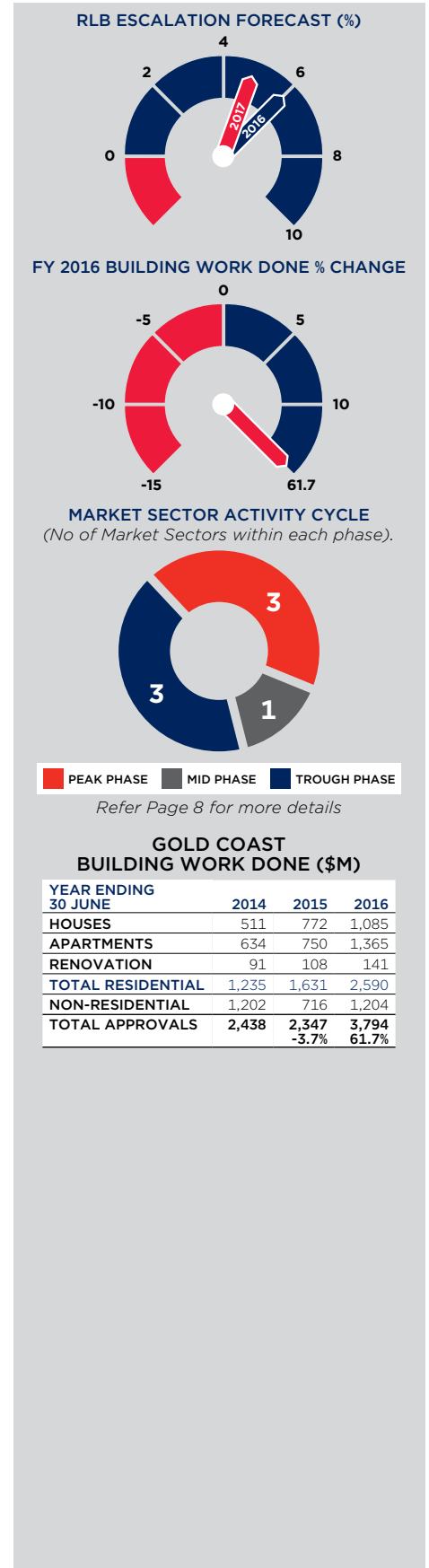
LOCATION INTELLIGENCE AUSTRALIA

GOLD COAST

The recent introduction of the 3% surcharge on stamp duty for foreign investors, together with tightening of the lending industries financing requirements, has led to a general easing of the Gold Coast construction industry. There appears to be a perceived drop in developer confidence within the industry, with a number of largescale residential projects stalling and not proceeding beyond Development Approval stage. On a positive note, there has been a substantial increase of both international and interstate visitors on the Gold Coast. This is driving investment in tourism facilities such as theme parks, hotels and ongoing retail upgrades and developments.

Stage 2 of the Light Rail project is underway to link Helensvale heavy rail with the successful Stage 1 works at the Gold Coast University Hospital station. Work on the \$300M Gold Coast airport expansion is due to commence soon with civil works already underway on the airside package. The \$1B Jewel Project at Surfers Paradise is well underway with basement works nearing completion. Work has commenced on the 89-storey Spirit Residential Tower in Surfers Paradise. The new high-rise hotel at Jupiters Casino is now pushing ahead to compliment the recent upgrades to various elements of the existing casino complex. The Commonwealth Games venues are progressing well with a number already in operation and the new Games Village at Parklands entering the fitout stages. A significant number of residential projects are underway within the fringe areas of the Gold Coast.

The increase in construction activity has led to an increase in the costs of a number of trades including formwork, tiling and plasterboard partitions and ceilings with other trades experiencing periodic shortages and price spikes. We are also seeing the ongoing influence of the lower Australian dollar on the cost of imported materials and equipment with trades such as lifts, mechanical, aluminium windows and doors and white goods. Overall pricing is being held back somewhat by the recent decline in optimism of the main sub-contractors and head contractors, as projects have stalled and not commenced within the original planned timeframes.



LOCATION INTELLIGENCE AUSTRALIA

MELBOURNE

The outlook for Melbourne is favourable with sentiments in a number of sectors receiving a boost from government funding. Continuing strong commencement values have been seen in both the non-residential and residential (apartments) sectors. In excess of \$2B of work has commenced in the non-residential sector for the past three quarters since the December 2015, highlighting a strong tender flow for contractors.

Residential commencements slowed in the June quarter but were still higher than 2014 levels. Work yet to be done in the June quarter remains at an almost all time high at \$16.3B, which is providing stability in pricing at the moment.

Even with negative pressure that the 'boom' is over within Victoria, the HIA is predicting a drop off in the supply of new residential dwellings to 46,000 in 2018, down from a high of 68,000 in 2015. This decline is still higher than the 10 year average 2005- 2014.

Major projects such as Melbourne's new Metro Tunnel and the Western Distributor, which are fully funded and ready to proceed after the state government announced they intend to fund these projects without assistance from the federal government due to current needs within the state.

Labour rates are still fluctuating within the market. On detached housing sites, labour is inching up slightly in the 'hard' trades i.e. bricklayers and carpenters. Within the large commercial and residential projects, even though labour rates are coming under ever more pressure due to constant EBA rate increases, the volume of overtime being worked is diminishing, causing a net constant pricing of labour within the project. Head contractors are asking subcontractors to increase labour rather than approve overtime.

The services trades within large projects have seen a small drop in pricing. This is due to market pressure in securing work rather than cheaper material cost. Pressure is still on suppliers to maximise market share due to decreasing margins. The supply/demand equilibrium is still finely balanced.

Small decreases in steel costs have shown up in the tender market during the past quarter. This is being fed by the reduction in base cost from China and companies attempting to secure pipeline for the future.

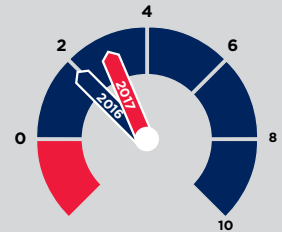
Construction activity is still good in Melbourne with a constant supply of new work coming into the market. Both large scale projects and suburban residential work is still strong

The continued growth in residential apartments is putting pressure on general pricing, with large spreads in pricing being seen. Current tenders have spreads of +/- 10% which is continuing.

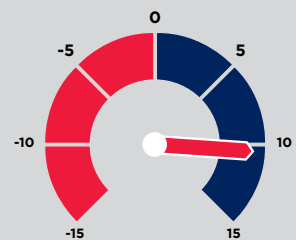
As the Melbourne construction market remains positively stable, escalation rates are forecast to be 2% overall for 2016 and 3% for 2017. The strong civil sector is a strong factor holding up the overall forecasted escalation rate, with the commercial and residential sectors contributing small increases to the overall result.

Tendering is described as aggressive while contractors are trying to secure work with building costs remaining relatively stable.

RLB ESCALATION FORECAST (%)

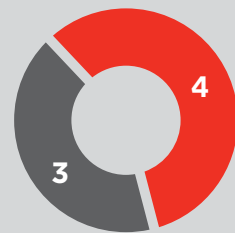


FY 2016 BUILDING WORK DONE % CHANGE



MARKET SECTOR ACTIVITY CYCLE

(No of Market Sectors within each phase).



PEAK PHASE MID PHASE TROUGH PHASE

Refer Page 8 for more details

VIC BUILDING WORK DONE (\$M)

YEAR ENDING 30 JUNE	2014	2015	2016
NEW HOUSES	7,890	8,957	10,200
SEMI-DETACHED	5,905	6,807	8,425
APARTMENTS	2,516	2,524	2,656
TOTAL RESIDENTIAL	16,311	18,288	21,281
OFFICES	1,836	1,717	1,744
COMMERCIAL	454	450	303
INDUSTRIAL	839	1,480	1,528
RETAIL	1,438	1,354	1,634
EDUCATION	1,185	1,205	1,289
HEALTH	1,369	1,869	1,577
HOTELS	163	186	219
OTHER NON-RES.	1,612	1,338	1,091
TOTAL NON-RES.	8,897	9,598	9,384
TOTAL	25,208	27,886	30,665
		+10.6%	+10.0%

VIC BUILDING APPROVALS (\$M)

YEAR ENDING 30 JUNE	2014	2015	2016
NEW HOUSES	8,452	9,629	10,938
APARTMENTS	1,804	2,178	2,640
ALT. & RENO.	4,456	6,355	6,163
TOTAL RESIDENTIAL	14,713	18,162	19,740
OFFICES	1,717	1,569	1,368
COMMERCIAL	545	344	216
INDUSTRIAL	1,349	1,271	1,625
RETAIL	1,691	1,401	1,295
EDUCATION	884	1,143	1,532
HEALTH	1,416	1,098	1,178
HOTELS	217	271	574
OTHER NON-RES.	1,128	1,528	1,286
TOTAL NON-RES.	8,948	8,625	9,075
TOTAL	23,661	26,787	28,815
		13.2%	7.6%

LOCATION INTELLIGENCE AUSTRALIA

PERTH

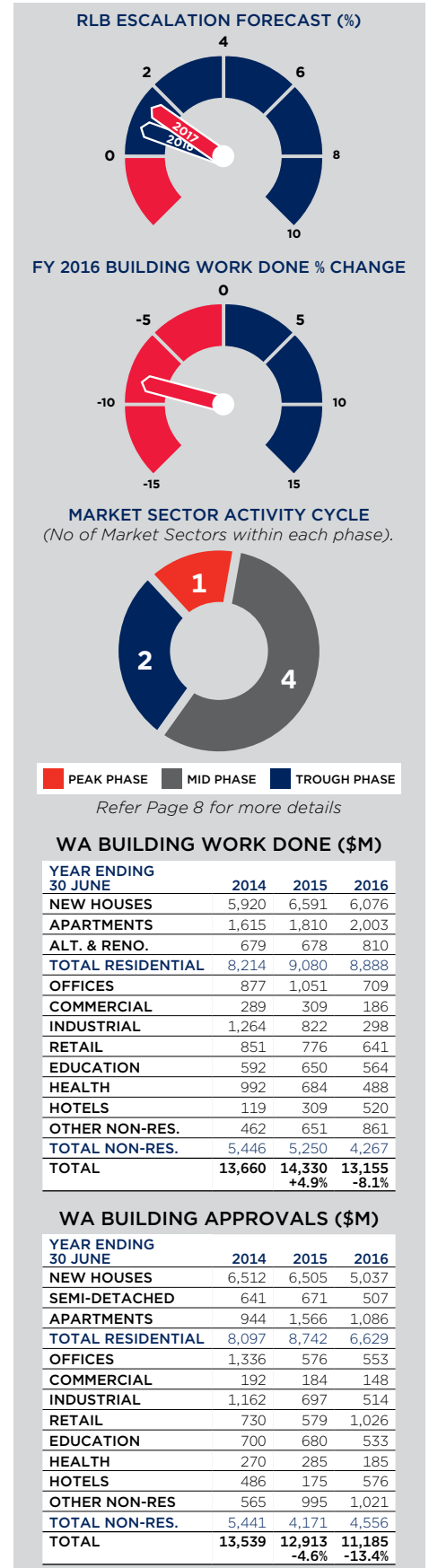
The close link between commodity pricing (particularly oil and gas and iron ore) and the Western Australian economy continues to affect business confidence and investment. Although committed construction projects are proceeding, in the commercial sector there is a cautious approach to committing to significant new capital investment.

The Perth office vacancies are at historically high levels at 22% vacancy in the Perth CBD, and construction in the office sector is likely to remain low for a period of time. The residential sector has been strong over the last few years and is now slowing on the back of slower pre-sales and slowing population growth. The retail sector (and the major shopping centres in particular) have significant capital works planned over the next few years.

The State Government has awarded the \$2B Forrestfield Link, a new train line that will connect the city with Perth Airport and a new terminus at the eastern suburb of Forrestfield. The contract for design and construction has been awarded to a joint venture led by the Italian industrial group, Salini Impreglio. Trains are expected to commence in 2020.

Similarly, the government is proceeding with the Perth Freight link. This \$1.6B project is a major infrastructure project to enhance freight movement to Fremantle Ports.

CPI in Western Australia over the last 12 months (September quarter) was 0.8%. Despite five years without any measurable construction price increase, the current depressed work volumes have continued to keep price levels flat across most sectors. Over 2017 the predicted tender price index is anticipated to increase by 1.5%.



LOCATION INTELLIGENCE AUSTRALIA

SYDNEY

Recent comments from economic analysts have noted that NSW is the top economic performing state in Australia. Activity in the Sydney construction market continues to be a major contributor to the economic performance of the state.

The residential sector continues to strengthen, and current indicators are that activity in the multi-unit segment will continue to increase well into 2017. The ABS Building Approvals data indicates that the value of dwellings approved are 22% above the values approved for FY 2016 against FY 2015. The Q3 2016 RLB Crane Index reported 305 cranes, of which 85% are located on residential projects. The strength of the residential sector is across all areas of the Sydney metropolitan area, and in particular multi-unit construction where demand for this type of development has not diminished.

In addition, the non-residential sector activity has now recovered from the lower levels of activity experienced in 2014 and early 2015. ABS approvals for FY 2016 are 15.5% above the values approved in FY 2015.

The Barangaroo South and International Convention Centre developments are now nearing completion, however subcontractors and suppliers appear to be able to source new replacement work in other sectors of the market place.

Work in the education, health, and aged care sectors in both small and large projects are of significant interest to contractors at the present time.

Concrete and masonry supply prices increased by 5% in the second quarter of 2016, whilst steel and plasterboard products increased by approximately 3% in the third quarter. Most other building material prices remained stable over the year to date. It is possible this price stability is due to the exchange rate and oil prices varying over a limited range, in addition the competition to maintain a market share and a full order book are required in order to maintain a strong cash flow position.

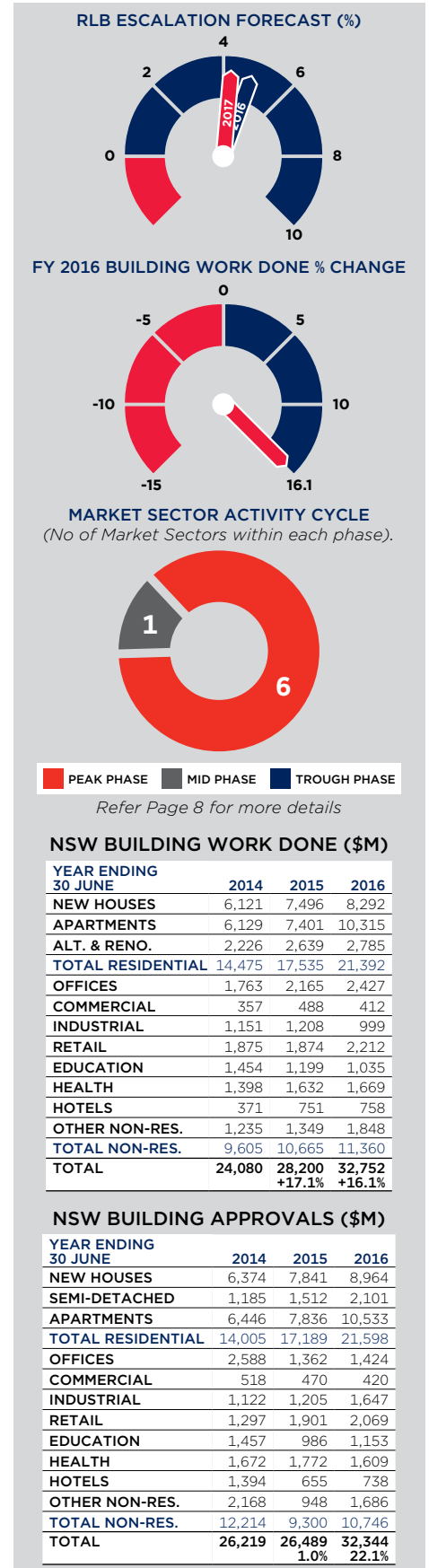
Whilst the supply cost of building materials has remained steady, the

cost of labour has continued to increase. All sectors of the industry are reporting increased demands for wage increases up to 5% per annum. These wage increases are being passed on to the cost of construction. Further, the Sydney market is now experiencing labour shortage in reinforcement fixers, form workers, bricklayers, carpenter/joiner and fire protection trades, with these trades reporting full order books and unable to accept new opportunities. Contractors are being forced into seeking alternative sources of subcontractor procurement.

In response to increasing wages and scarce resources, contractors and designers are continuing to take an increased interest in prefabricated methods of construction in order to overcome labour shortages and increase efficiency on site. The increase in the use of tower cranes is assisting in the development of prefabricated methods to reduce material handling methods and gain improvements in site efficiency to overcome reduced availability of site labour resources. In particular the higher quality prefabricated bathrooms modules are assisting in this transition.

The tender market during 2016 has been very strong. Tender results continue to report a large range of prices from lowest to highest prices. Contractors report that subcontract interest in projects is based upon the perceived quality of the project's documentation and allocation of risk to subcontractors.

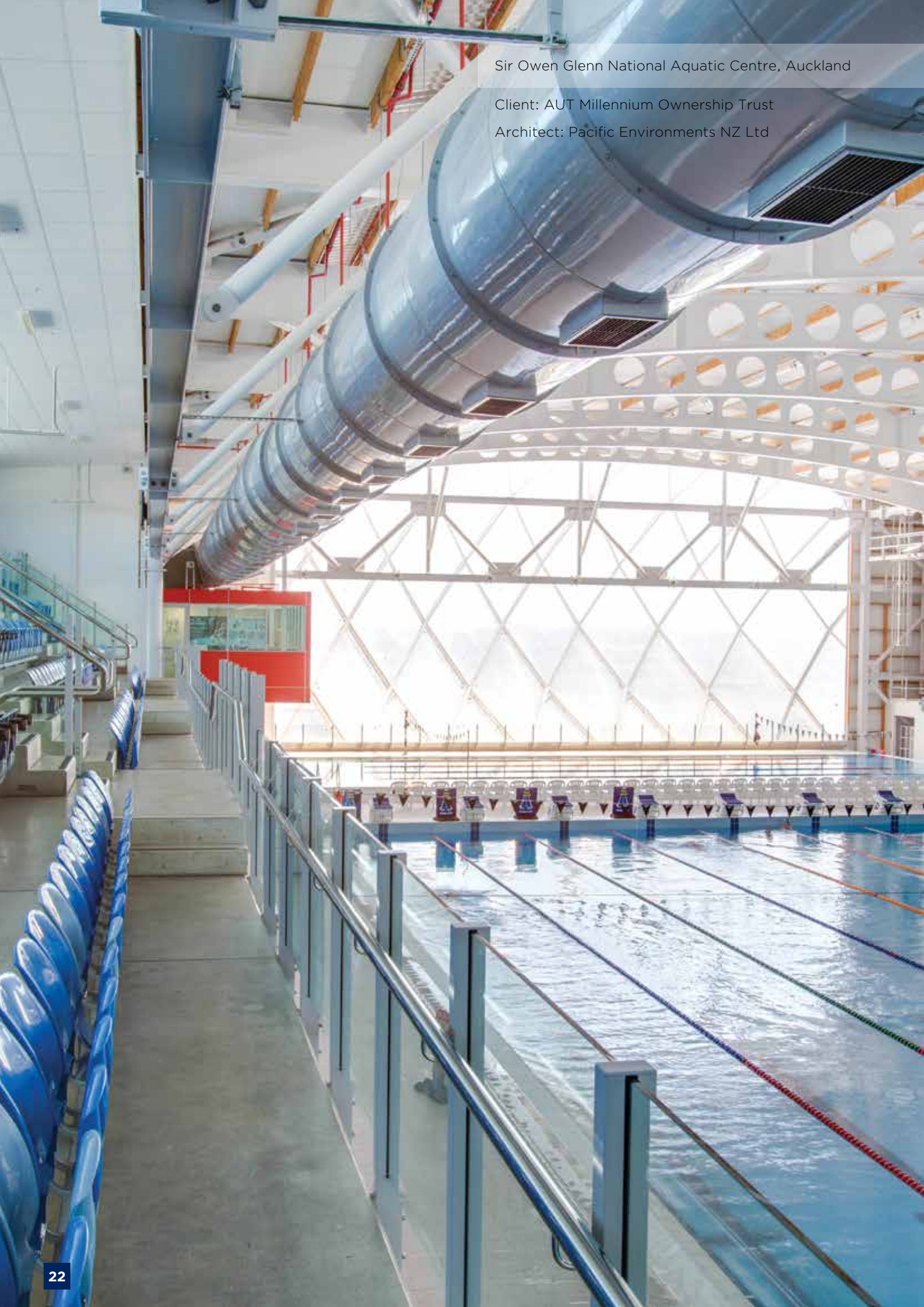
The availability of trades pricing new projects for contractors compiling tender offers is becoming a significant risk issue within the market due to levels of work. The strong fundamentals for a continuing strong work load throughout 2016 and well into 2017 indicate construction prices will increase in the range of 4.5% to 5% in 2016. The current strong work load and the opportunity for further increases in work in the first half of 2017 may lead to increased cost pressure, due to the competition for scarce resources to complete work that is in hand.



Sir Owen Glenn National Aquatic Centre, Auckland

Client: AUT Millennium Ownership Trust

Architect: Pacific Environments NZ Ltd



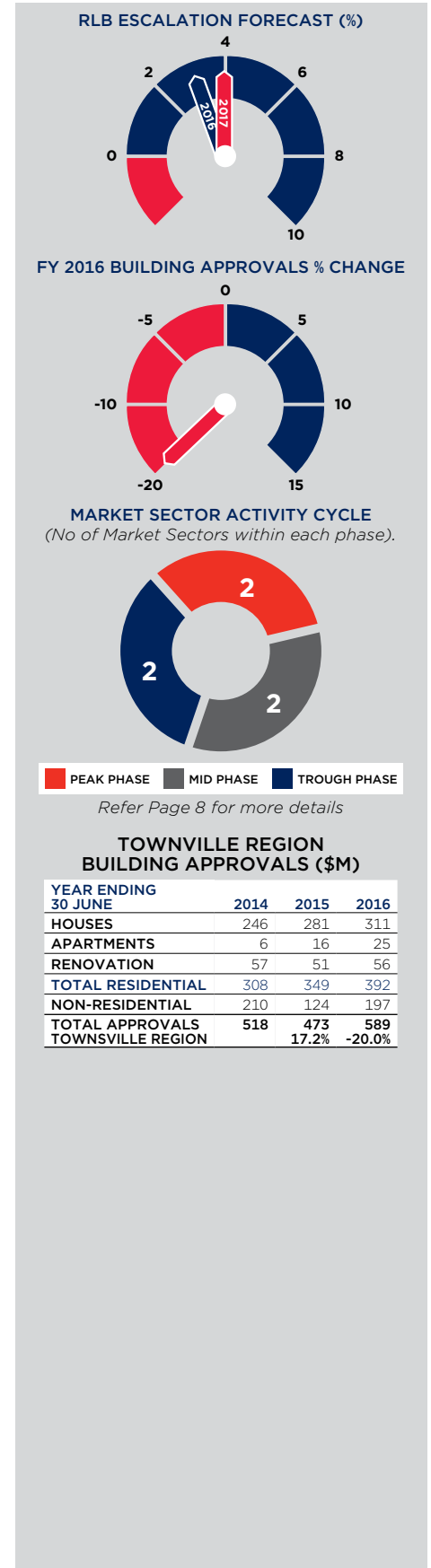
LOCATION INTELLIGENCE AUSTRALIA

TOWNSVILLE

The economic activity in Townsville and North Queensland region has moved through a trough in recent years; with fewer major project commencements and less major projects in the pipeline. Seen in the context of Queensland, Townsville city has had high unemployment, and low population growth.

There is great potential however, with 2017 shaping up to be the start of recovery in major activities in the Townsville region. The Townsville Waterfront Priority Development Area is likely to deliver a good opportunity for a relived CBD. The Waterfront revitalisation is expected to become shovel-ready in the short term. Additional to the Townsville Waterfront project, the North Queensland Stadium and Entertainment precinct project (commencing design in 2017 and construction in 2018) will also provide a catalyst for further CBD revitalisation.

The biggest impact on economic activity in the Townsville region, will be that it will most likely be the headquarters for the Carmichael coal mine project as recently announced by the Adani Group. It is expected that the wider North Queensland region will also benefit from this coal mine project. The outlook for the expected economic activity in the Townsville region looks positive for the foreseeable 12 months.



LOCATION INTELLIGENCE NEW ZEALAND

Growth in the New Zealand economy over the first half of 2016 was stronger than expected rising 2.8% to 30 June. Strong housing activity and New Zealand consumer spending helped drive economic growth in 2016. Politically the resignation of the John Key after eight years as Prime Minister was unexpected however economists believe his legacy of an improved economy since taking office will continue. His successor will inherit a growing economy driven by construction, manufacturing, increased business confidence and stronger labour force figures.

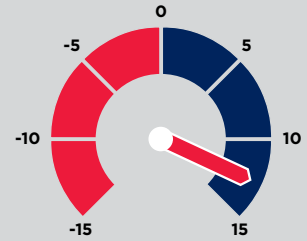
While there has been a slight rise in unemployment numbers there has also been the largest labour force increase since 2004 at 1.5%. This is being slightly impacted upon by the increase in migration.

A record number of house sales pushed real estate services to its highest quarterly rise in 18 months. There is also ongoing strong demand for new builds, particularly in the Auckland region as reported in Value of Building Work Put in Place: June 2016 quarter.

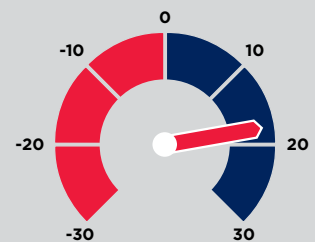
New Zealand building activity saw 14.9 % increase in residential building and 9.4 % increase to non-residential building. The total rise in all construction to June 2016 saw a 12.8% increase.

Manufacturing grew 0.8% in the June 2016 quarter, a rise connected to construction. The largest contributor to the growth was non-metallic mineral product manufacturing, which increased 11%. This industry includes glass, cement, and concrete manufacturing - products used mainly in the construction sector.

FY 2016 BUILDING PUT IN PLACE % CHANGE

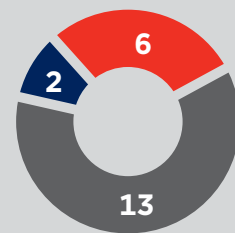


FY 2016 BUILDING CONSENTS % CHANGE



MARKET SECTOR ACTIVITY CYCLE

(No of Market Sectors within each phase).



PEAK PHASE MID PHASE TROUGH PHASE

Refer Page 8 for more details

BUILDING WORK PUT IN PLACE (\$M)

YEAR ENDING 30 JUNE	2014	2015	2016
RESIDENTIAL	8,661	9,907	11,385
HOTELS	383	316	388
HEALTH	437	490	551
EDUCATION	698	904	1,051
SOCIAL	400	479	491
COMMERCIAL	1,906	2,200	2,554
INDUSTRIAL	1,072	1,304	1,298
FARM	292	364	294
TOTAL NON-RES	5,187	6,057	6,627
TOTAL	13,848	15,964	18,011
		15.3%	12.8%

BUILDING CONSENTS (\$M)

YEAR ENDING 30 JUNE	2014	2015	2016
RESIDENTIAL	8,850	9,787	11,688
RETAIL	630	698	904
OFFICES	1,035	1,197	1,171
INDUSTRIAL	962	1,217	1,119
EDUCATION	619	776	1,239
HEALTH	419	481	681
HOTELS	226	277	396
OTHER	699	716	632
TOTAL NON-RES	4,591	5,362	6,141
TOTAL CONSENTS	13,441	15,149	17,829
		12.7%	17.7%

LOCATION INTELLIGENCE NEW ZEALAND

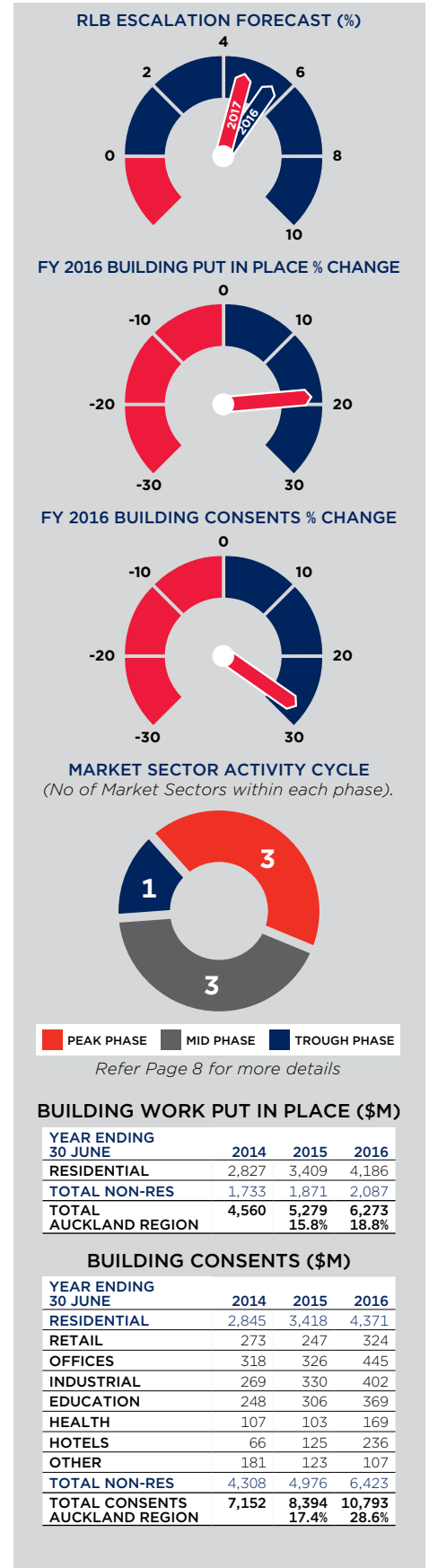
AUCKLAND

National construction has experienced sustained growth since 2011 with a forecast peak in 2017.

Over half of the national growth is in the residential sector within the Auckland region. The recent release of the Auckland Unitary plan has loosened planning restrictions to allow more intensification and opening of greenfield developments on the city fringe, to accommodate expected net migration flows with some 422,000 additional dwellings estimated to be required by 2040. Last year alone saw net migration of around 32,000. On the back of this strong population growth, there are significant non-residential construction projects in the delivery phase, with many more planned to start construction in the short term. All sectors are experiencing strong demand, with the exception of the Hotel sector, and activity is currently expected to peak in 2018. In this heated market, resource issues are evident, particularly on the larger projects. Tier One and Two contractors and the larger subcontractors are generally fully booked. This lack of resource is increasing prices and affecting delivery programs. Banks have also started to tighten up on lending. This combination of tighter lending and increasing construction costs are likely to see a number of planned projects shelved or deferred.

There is a significant volume of work underway within the CBD. The three largest projects being the City Rail Loop, Commercial Bay and the Skycity Convention Centre and Hotel. Additionally, there are a number of commercial and residential projects within the Wynyard Quarter area and city fringe. The University of Auckland has large projects in planning, and population growth is requiring significant investment in public infrastructure such as prisons, hospitals and schools etc.

The construction market, with respect to projects over \$50M requiring Tier One and Two contractors, is heated. There are a lack of contractors with the resource and skill base to deliver the number of large projects in many the Auckland region. Many out of town contractors have established themselves in Auckland to fill part of this void, namely Leighs Construction from Christchurch and LT McGuinness from Wellington. The subcontractor market across the board is also under resource pressure, and this is seen in generally poor tender responses and volatile tender prices. To mitigate tendering risk, it is now more important than ever to provide good quality tender documentation with realistic timeframes. A well set up project can achieve competitive pricing, in the current market, if it is made as attractive as possible. Despite CPI inflation below 1%, within the construction sector, wage growth and demand has seen tender prices increase in the order of 6% for 2016 with a forecast of 5% for 2017.





Clyde Quay Wharf, Wellington

Client: Investa Clyde Quay Wharf Redevelopment Ltd Partnership

Architect: Athfield Architects



LOCATION INTELLIGENCE NEW ZEALAND

CHRISTCHURCH

Canterbury construction levels have been at record highs for several years now, and while there is undeniably a great deal more work to be carried out over a number of years, the peak in terms of value of construction work at any one time appears to be near. Over the past year, a number of public service employees and private sector businesses have moved into their new CBD premises. This gradual repopulation of the CBD is continuing, with a number of developments due for completion in the next 12 months. In addition, less residential work is planned, now that the peak of the residential rebuild has passed and the bulk of the insurance led repair work is complete. The recent local election results in Christchurch have returned a council broadly similar to the make-up of the previous one, and as such there are no great surprises expected in the near future.

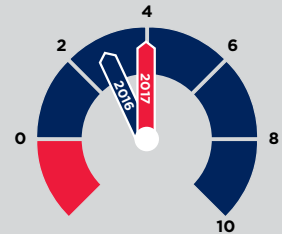
The Christchurch Hospitals rebuild has now seen Burwood completed and successfully occupied while the Christchurch Hospital Acute Services Building is well underway and due for completion in 2018. They have been joined by a new outpatients building which has recently commenced construction. The University of Canterbury continues to progress a major building program and Lincoln University is in design stages for major rebuild projects.

The Justice Precinct project, Christchurch Town Hall repair and refurbishment project, and a number of large commercial projects are underway and at various stages of construction. Christchurch Council and Lyttelton Port are two other institutions with major ongoing building projects at various stages. Christchurch Council are in design stages for the new Central Library project as well as a large number of smaller developments.

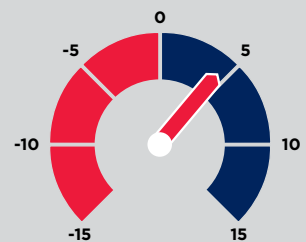
Two major projects that have recently moved forward are the Metro Sports development and the Christchurch Convention Centre. Metro Sports has selected a preferred contractor, and the Convention Centre has momentum with a tender planned for mid-2017. In addition there are a number of smaller commercial projects underway throughout the city, including major developments around Christchurch Airport.

Supply and demand once again remain as the key market factors in Canterbury. With the rescheduling and deferral of a number of projects, and the likely rebuild period, continuing for longer than originally expected, the peak in demand has continued at a lower level than originally anticipated. This has had a knock-on effect in a reduction in expected construction cost escalation levels over the next period. In addition to a flattening in the demand, the supply chain has responded in many areas. There are still specialist areas which are susceptible to extraordinary demand-driven escalation on a project by project basis. While the Christchurch market has softened a little, other regions such as Auckland and Queenstown remain strong, and an increase in workload in other areas is forecast which is all expected to have the cumulative effect of maintaining escalation at a reasonably high level for the foreseeable future.

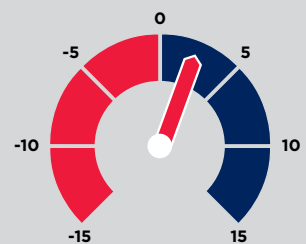
RLB ESCALATION FORECAST (%)



FY 2016 BUILDING PUT IN PLACE % CHANGE

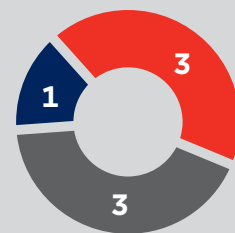


FY 2016 BUILDING CONSENTS % CHANGE



MARKET SECTOR ACTIVITY CYCLE

(No of Market Sectors within each phase).



PEAK PHASE MID PHASE TROUGH PHASE

Refer Page 8 for more details

BUILDING WORK PUT IN PLACE (\$M)

YEAR ENDING 30 JUNE	2014	2015	2016
RESIDENTIAL	2,168	2,651	2,528
TOTAL NON-RES	1,368	1,666	1,989
TOTAL CANTERBURY REGION	3,536	4,318	4,517
		22.1%	4.6%

BUILDING CONSENTS (\$M)

YEAR ENDING 30 JUNE	2014	2015	2016
RESIDENTIAL	2,478	2,599	2,434
RETAIL	128	173	233
OFFICES	385	505	343
INDUSTRIAL	253	303	288
EDUCATION	117	169	461
HEALTH	200	223	357
HOTELS	35	45	58
OTHER	192	224	166
TOTAL NON-RES	1,329	1,657	1,920
TOTAL CONSENTS CANTERBURY REGION	3,808	4,256	4,353
		11.1%	2.3%

LOCATION INTELLIGENCE NEW ZEALAND

WELLINGTON

Construction in the Wellington region continues to improve, with a number of good size projects currently underway. Three additional tower cranes have been erected over the past couple of months and further large projects remain in design stage. Activity across all sectors remains strong and very positive for the next few years. Strengthening of existing buildings still remains as a key construction component in our region, and this is also driving much needed fit-out upgrade works at the same time. The Lower North Island regional centres are showing signs of increased construction activity with the positive economic signals in the main centres filtering through. We expect this to continue for some time.

Wellington has a good variety of current projects now under construction, including some major office refurbishments in various stages, with the majority to finish this year. New commercial office buildings have started, along with some mixed-use developments and further public space work on the waterfront and throughout the city.

Public and private multi-unit apartment construction is also underway, with new developments in the pre-sale and detailed design phases at present. Victoria University projects are now well underway and will continue through 2017, as will the airport terminal and carpark extension works. Other planned works at the airport include extensions to the International Departure area and a potential hotel. Council-owned buildings are also due for some strengthening and refurbishment work and these may get underway this year.

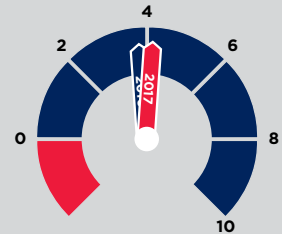
Fit-out work is also continuing, which is providing good ongoing work for the subcontractor market in Wellington. Transmission Gully and other major civil roading works on the Kapiti Coast are progressing well, and property demand is being felt already in the northern reaches of our region.

Cost escalation in our region is finally starting to show its teeth, after being very flat since 2008. We remain at low levels compared with other centres around New Zealand, but given the likely activity over the next few years, we will probably see increasing escalation over the next few years. Demand for construction labour resources is driving cost escalation more so than actual material inflation costs. Various sub trades are experiencing labour shortages not seen for many years, with no short term solutions in place.

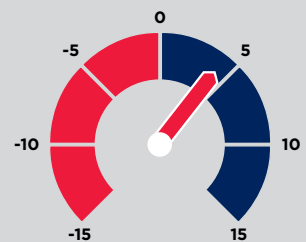
Competition between contractors is also reducing, as order books are filled, leading to increasing preliminaries & general and margin prices.

A few larger projects are continuing through the design phases at present and are likely to come to the market in early-mid 2017, which will further impact the already hot market conditions. Material selection for projects is becoming critical with some product groups being priced out of the market at present, namely precast concrete, metal windows and steelwork.

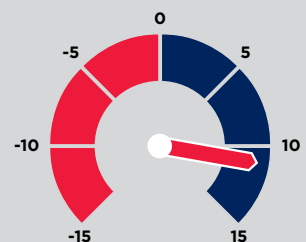
RLB ESCALATION FORECAST (%)



FY 2016 BUILDING PUT IN PLACE % CHANGE

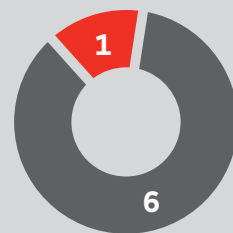


FY 2016 BUILDING CONSENTS % CHANGE



MARKET SECTOR ACTIVITY CYCLE

(No of Market Sectors within each phase).



PEAK PHASE MID PHASE TROUGH PHASE

Refer Page 8 for more details

BUILDING WORK PUT IN PLACE (\$M)

YEAR ENDING 30 JUNE	2014	2015	2016
RESIDENTIAL	662	694	681
TOTAL NON-RES	422	536	604
TOTAL WELLINGTON REGION	1,084	1,230	1,285
		13.5%	4.4%

BUILDING CONSENTS (\$M)

YEAR ENDING 30 JUNE	2014	2015	2016
RESIDENTIAL	603	606	663
RETAIL	36	31	49
OFFICES	190	199	193
INDUSTRIAL	35	33	51
EDUCATION	42	85	154
HEALTH	20	58	27
HOTELS	19	16	8
OTHER	41	33	37
TOTAL NON-RES	381	454	518
TOTAL CONSENTS WELLINGTON REGION	984	1,061	1,181
		7.8%	11.4%

The University of Queensland, Brisbane

Client: University of Queensland

Architect: Cox Architecture



OFFICES AROUND THE WORLD

AFRICA

BOTSWANA

Gaborone

MAURITIUS

Saint Pierre

MOZAMBIQUE

Maputo

SOUTH AFRICA

Cape Town
Johannesburg
Pretoria

ASIA

NORTH ASIA

Beijing
Chengdu
Chongqing
Dalian
Guangzhou
Guiyang
Haikou
Hangzhou
Hong Kong
Jeju
Macau
Nanjing
Nanning
Qingdao
Seoul
Shanghai
Shenyang
Shenzhen
Tianjin
Wuhan
Wuxi
Xiamen
Xian
Zhuhai

SOUTH ASIA

Bacolod
Bohol
Cagayan de Oro
Cebu
Davao
Ho Chi Minh City
Iloilo
Jakarta
Kuala Lumpur
Laguna
Metro Manila
Singapore
Yangon

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Cayman Islands
St. Lucia

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Guam
Hilo
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Las Vegas
Los Angeles
Maui
New York
Orlando
Phoenix
Portland
San Francisco
Seattle
Toronto
Tucson
Waikoloa
Washington DC

EUROPE

UNITED KINGDOM

Birmingham
Bristol
Cumbria
Leeds
London
Manchester
Sheffield
Thames Valley
Warrington/Birchwood
Welwyn Garden City

RLB | EURO ALLIANCE

Austria
Belgium
Czech Republic
Finland
Germany
Hungary
Ireland
Italy
Luxemburg
Netherlands
Norway
Poland
Portugal
Russia
Spain
Sweden
Turkey

MIDDLE EAST

OMAN

Muscat

QATAR

Doha

SAUDI ARABIA

Riyadh

UNITED ARAB EMIRATES

Abu Dhabi
Dubai

OCEANIA

AUSTRALIA

Adelaide
Brisbane
Cairns
Canberra
Coffs Harbour
Darwin
Gold Coast
Melbourne
Newcastle
Perth
Sunshine Coast
Sydney
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