

# Q3 2023 Escalation Update

Despite earlier forecasts and stabilisation in material prices, construction escalation across Australia remains a pressing concern. Factors such as supply chain disruptions, labour shortages, high demand, productivity issues, and challenging economic conditions contribute to market volatility in 2023, with persistent challenges lying ahead.

## KEY FINDINGS

- Market volatility continues, with supply chain and labour issues impacting pricing and partially offsetting material price stabilisation.
- Tenders received have significant variations in trade pricing, reflecting differences in risk assessment and future work projections.
- Insolvency of major subcontractors and economic concerns is leading to higher pricing across all trades.
- Project durations are extending by approximately 20%, due, in part, to low resource availability and reduced productivity.
- Contract negotiation timelines are increasing as parties struggle to agree on risk allocation and terms.
- Head contractors and sub-contractors face pressure from ongoing legacy projects with significant financial shortfalls.
- Head contractor margins are continuing to rise, especially on projects with longer durations and/or a higher risk profile.
- The above issues are magnified by varying degrees in most regional locations across Australia.

## MARKET ACTIVITY



Market activity Q1 2023 vs. Q1 2022

## ANNUAL RLB TENDER PRICE INDEX UPLIFT %

CITY	2021	2022	2023 (F)		2024 (F)	2025 (F)
			PREVIOUS	REVISED		
Adelaide	7.1	12.5	5.1	<b>5.1</b>	4.1	3.0
Brisbane	9.6	10.5	5.1	<b>6.0</b>	6.0	5.1
Canberra	3.8	5.0	4.5	<b>4.5</b>	3.8	3.5
Darwin	1.2	8.0	5.5	<b>5.5</b>	4.5	4.0
Gold Coast	14.5	15.5	10.5	<b>10.5</b>	5.0	5.0
Melbourne	4.0	8.0	5.0	<b>8.0</b>	5.0	3.5
Perth	13.5	9.4	5.6	<b>5.6</b>	4.4	3.6
Sydney	4.1	6.9	3.9	<b>6.0</b>	4.0	3.5
Townsville	10.4	12.6	8.0	<b>8.0</b>	5.0	4.0

CALENDAR YEAR UPLIFTS as at Q3 2023. (F) = RLB TPI % annual forecasted uplift