## Q3 2023 Escalation Update

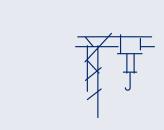


Despite earlier forecasts and stabilisation in material prices, construction escalation across Australia remains a pressing concern. Factors such as supply chain disruptions, labour shortages, high demand, productivity issues, and challenging economic conditions contribute to market volatility in 2023,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



Construction Work Done

+3.9%



Residential Work Done

**-7.0**%



Non-Residential Work Done

+0.9%



Engineering Work Done

+15.5%

Market activity Q1 2023 vs. Q1 2022

## **ANNUAL RLB TENDER PRICE INDEX UPLIFT %**

CITY	2021	2022	2023 (F)		2024 (E)	2025 (5)
			PREVIOUS	REVISED	2024 (F)	2025 (F)
Adelaide	7.1	12.5	5.1	5.1	4.1	3.0
Brisbane	9.6	10.5	5.1	6.0	6.0	5.1
Canberra	3.8	5.0	4.5	4.5	3.8	3.5
Darwin	1.2	8.0	5.5	5.5	4.5	4.0
<b>Gold Coast</b>	14.5	15.5	10.5	10.5	5.0	5.0
Melbourne	4.0	8.0	5.0	8.0	5.0	3.5
Perth	13.5	9.4	5.6	5.6	4.4	3.6
Sydney	4.1	6.9	3.9	6.0	4.0	3.5
Townsville	10.4	12.6	8.0	8.0	5.0	4.0

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

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