

Market Sentiment Survey

February - March 2022

Market Outlook

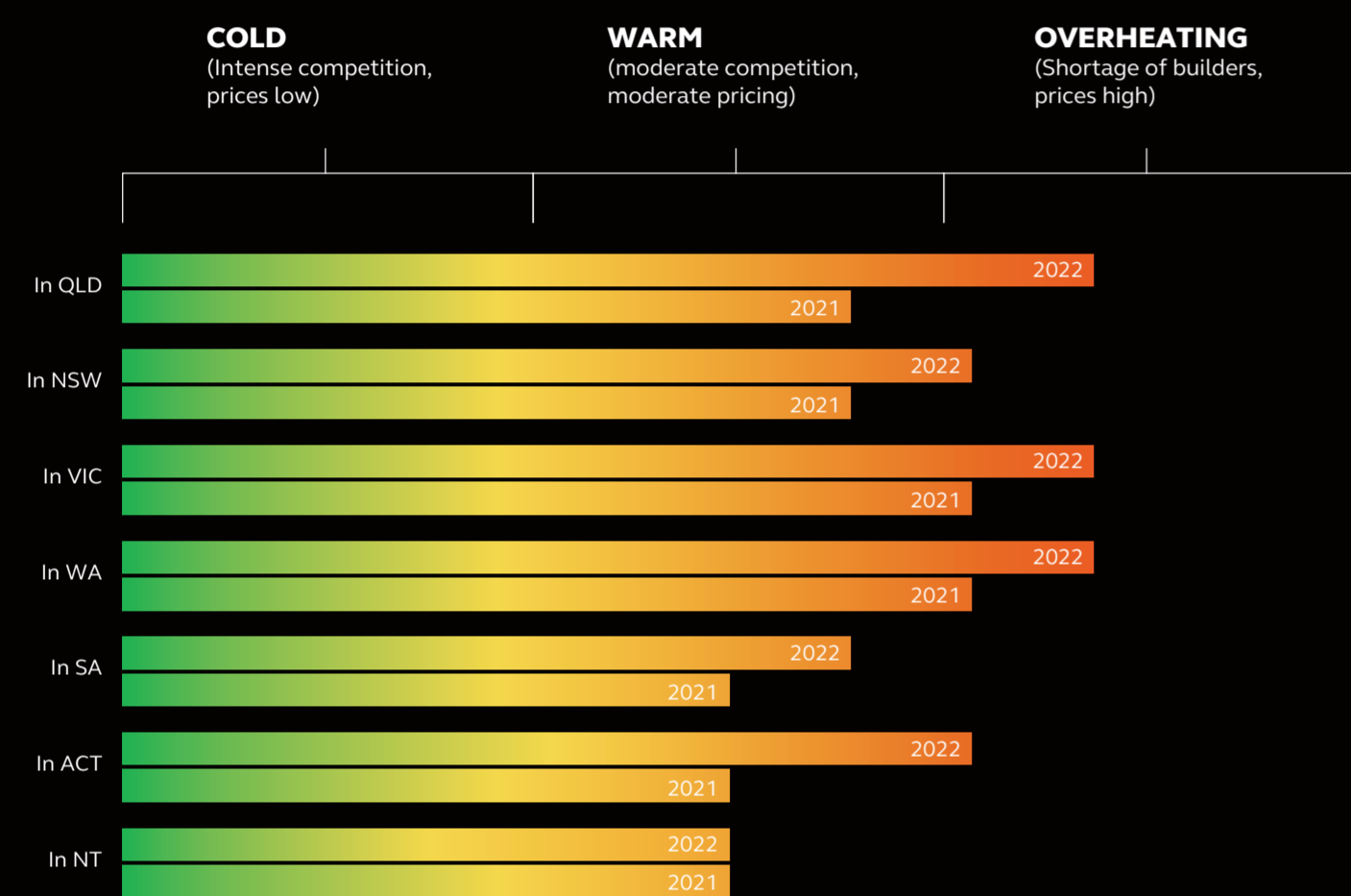
Uncertainty has been the hallmark of the Australian construction market over the past 18 months and, now driven by a swift recovery, we continue to deal with challenges and constraints imposed by the pandemic. Changing dynamics, from rising material costs and supply challenges, through to labour and skill shortages, are creating an extremely volatile market.

To better understand the issues that are now impacting and challenging the construction industry, Arcadis and the Australian Constructors Association (ACA) have partnered to engage with the construction industry via this Market Sentiment Survey.

Market outlook has improved across most States in Australia, with Queensland and ACT showing the biggest increase.

Colour coding: ■ ■ ■ ■

MARKET OUTLOOK

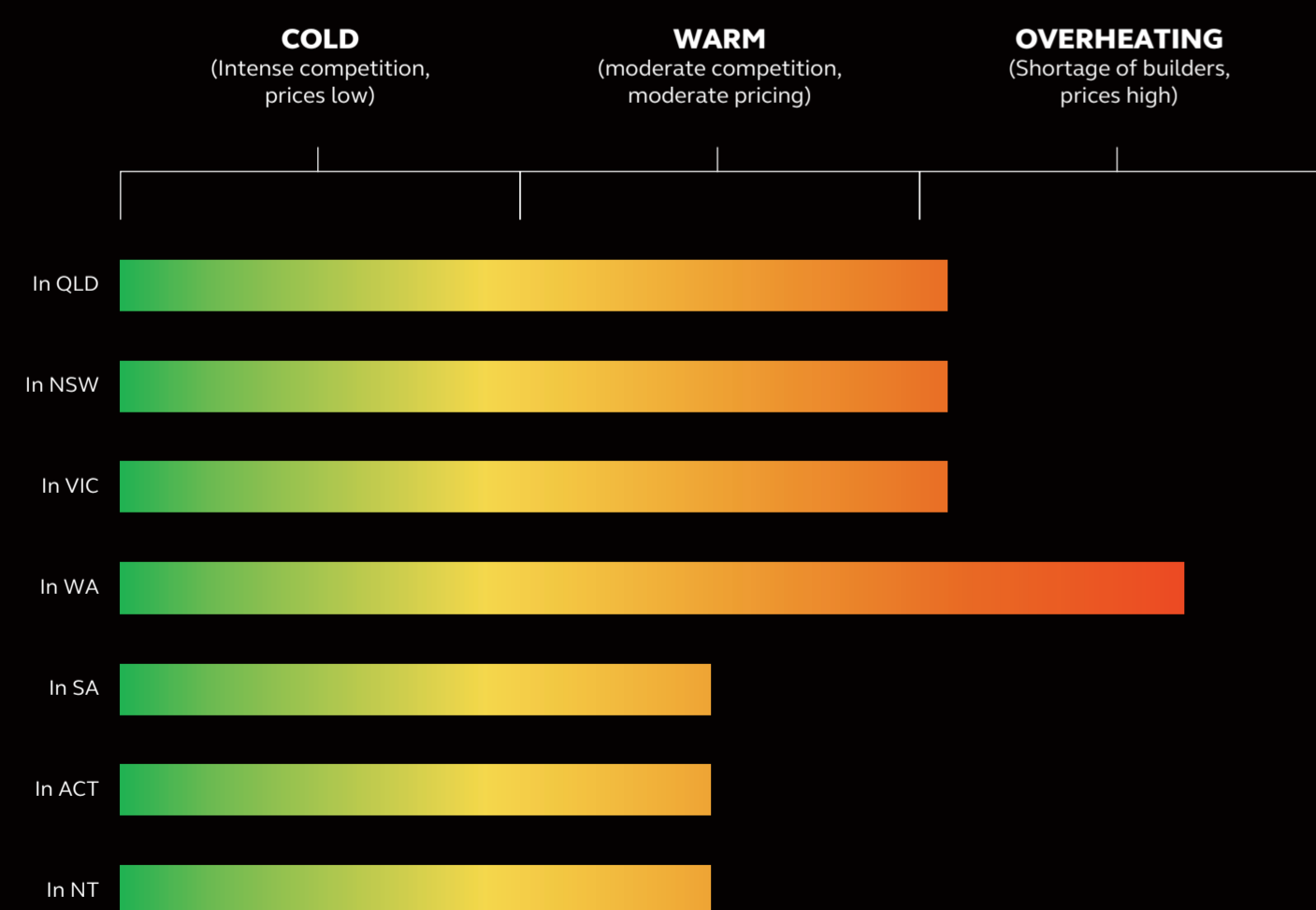


* in the last twelve months

Tendering conditions are heating up across Queensland (according to 44% of respondents), New South Wales (50%), Victoria (57%). In Western Australia, 88% of respondents agreed that tendering conditions were starting to overheat.

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TENDERING CONDITIONS



88% of contractors agree that inappropriate risk allocation is one of the main impediments to reducing construction cost.

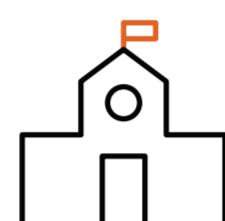
The Sectors that are heating up

Based upon responses, the hottest sectors across the construction industry are Rail (92%), Defence (85%), Health (80%), Retirement Living (78%), and Data Centres (75%).



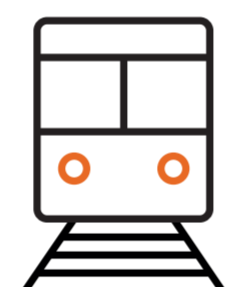
Commercial Property

Within the Commercial Property Market, Data Centres (based on 88% of responses) and Retirement Living (78%) are two of the strongest sectors, followed by Industrial (71%).



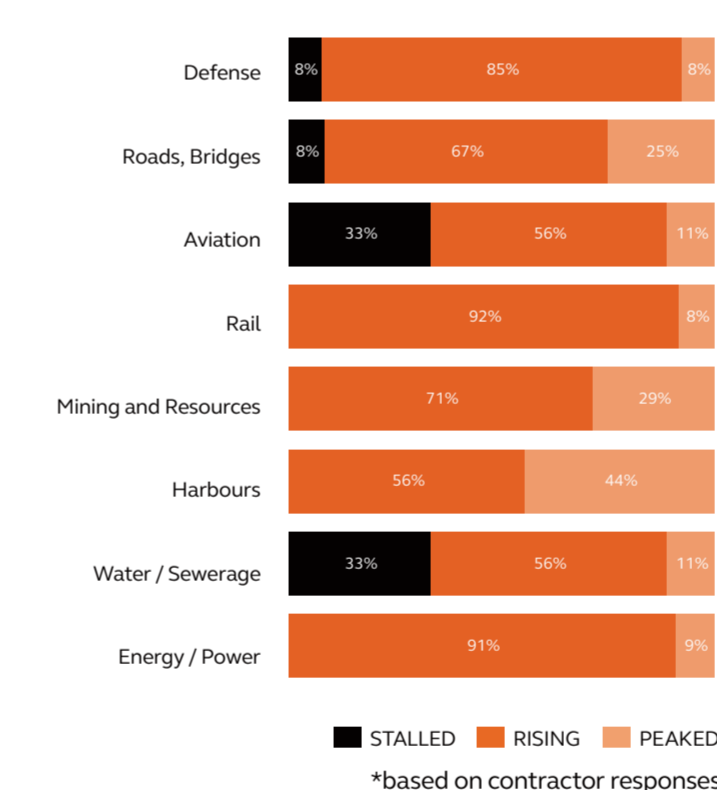
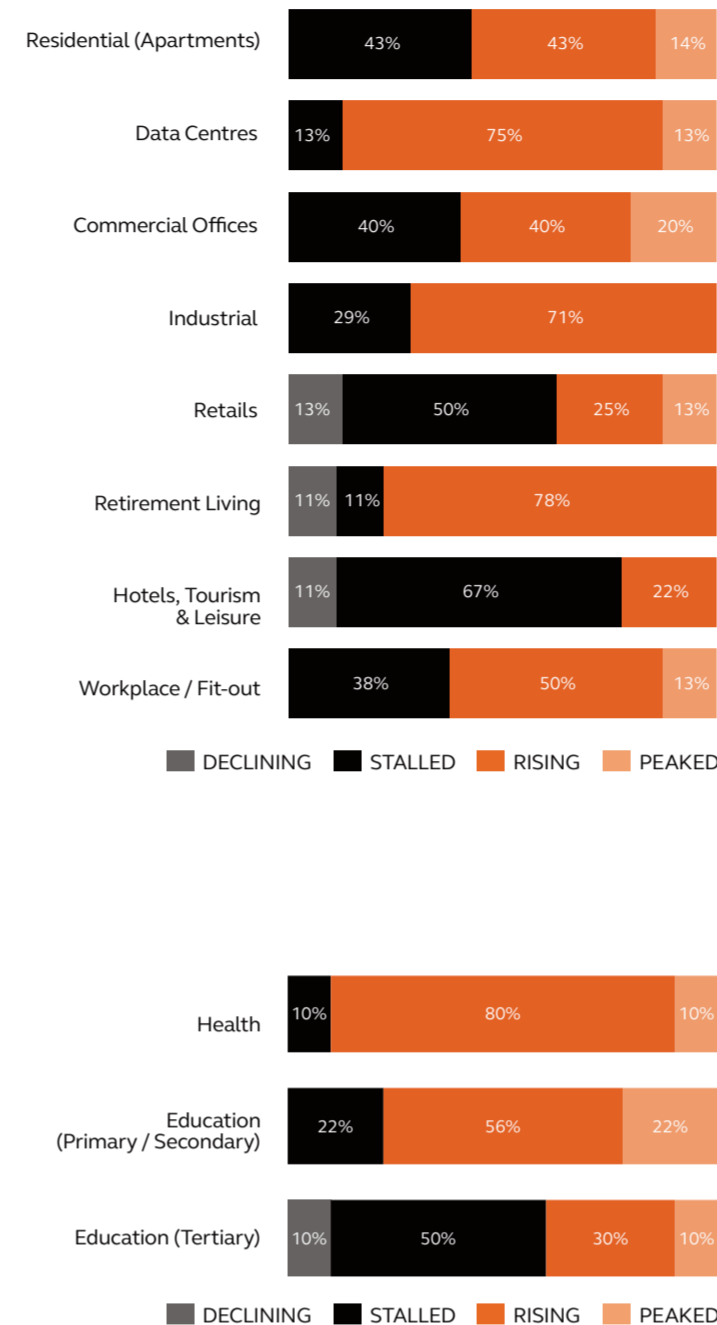
Social Infrastructure

Education, particularly of a Primary / Secondary nature, is a rising market with 56% of respondents in agreement, while Tertiary Education is taking a while to return to prominence as a sector. Unsurprisingly, the Health Sector is one of the busiest markets in play, with 90% of respondents in agreement.



Infrastructure

Infrastructure continues to be a dominant market for the industry, with Rail, Energy, and Defence all featuring prominently in the responses received. Interestingly, Aviation is now showing signs of an increasing pipeline, with 56% of respondents indicating that they see this as a rising market.



*based on contractor responses

What contractors have said:

"Shipping Costs have also increased adding to cost pressures for material procured overseas."

"We see major opportunities to improve outcomes in total cost, time and quality by unshackling the design restrictions. There is strong barriers to innovative designs by govt specs and existing biases."

"The biggest issue facing construction is the level of documentation and [associated] review processes."

"The main issue is the productive capacity of the available workforce. Availability of skilled workers [and subcontractors] are in short supply and the opportunities to bring in resources from overseas are heavily regulated and impacted by systemic issues."

"We are seeing more ECI/D&C delivery contracts being adopted by informed clients, who are realising in the current market its very beneficial to engage with the builder early in the process and have them working with all stakeholders to achieve the desired outcome."

"The misallocation of risk and a growing list of insolvencies is the biggest issue that needs to be addressed [within the industry]."

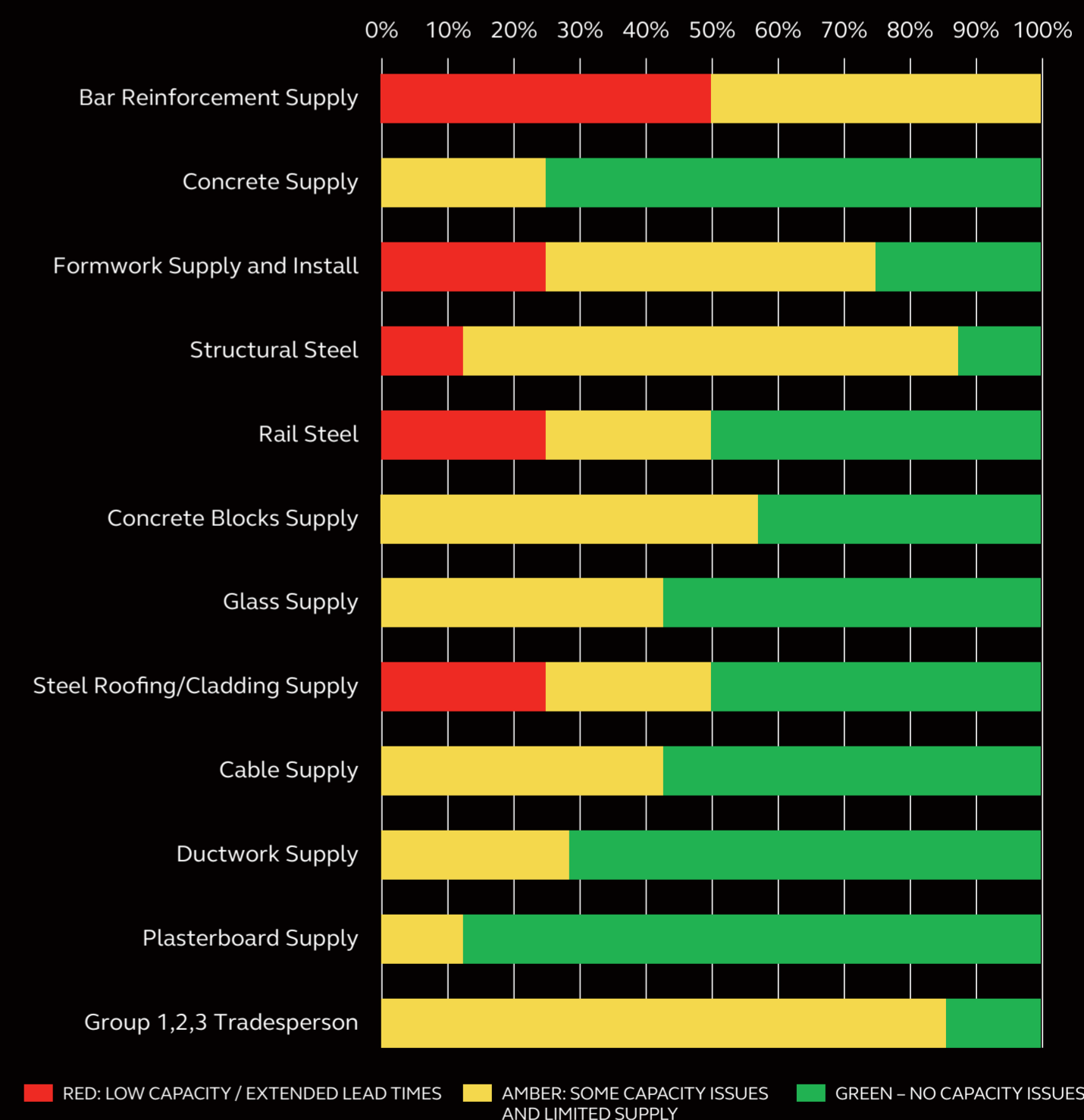
BASKET OF GOODS (ALL RESPONSES)

Based upon responses received, materials with high iron content have increased the most significantly over the last 12 months. This includes the supply of reinforcement, structural steel, ductwork, and cables.



PERCEPTION CAPACITY

According to responses, Reinforcement, Steelwork, and Formwork are showing signs of the greatest stress in terms of material availability across the construction market.



85% of projects are competitively tendered, meaning that negotiated and collaborative approaches to tendering projects are still relatively few and far between.