

Construction Market Sentiment Survey September 2025

Pressure Points: Navigating Australia's Fragmented Construction Landscape

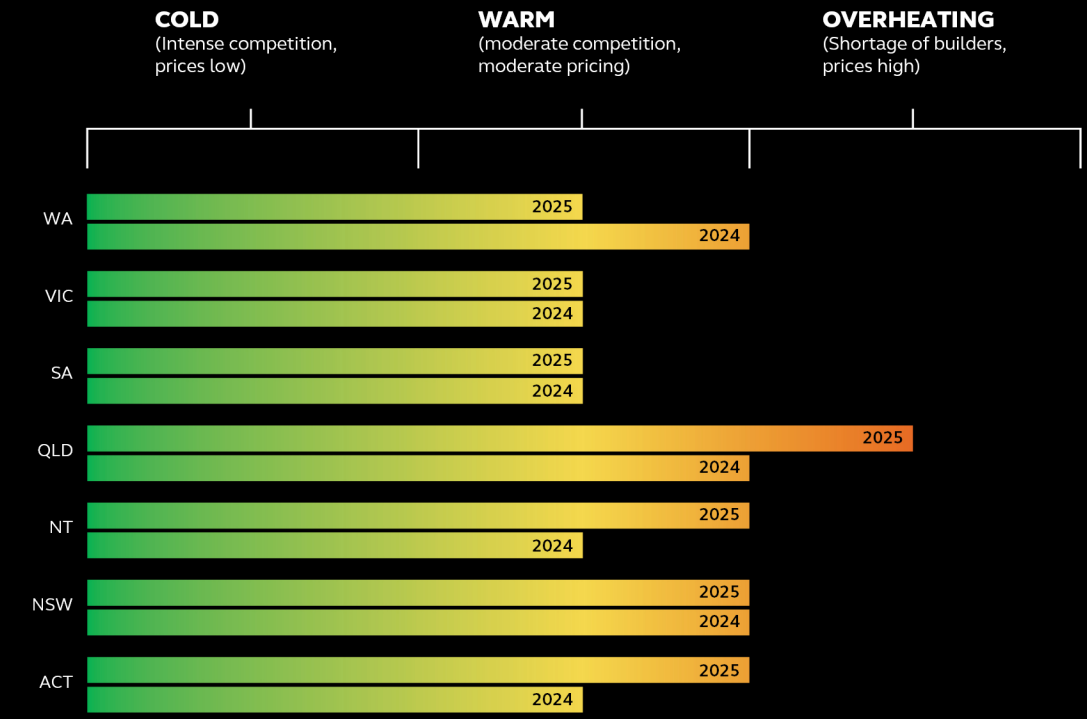
Australia's construction industry continues to face a mixed and uneven recovery in 2025. While some states are holding steady, others are heating up - and the shifting dynamics are creating new pressures across sectors, contracts, and workforce capacity.

This survey has identified the following key themes:

- **Market sentiment is diverging across states**, with QLD now representing the busiest market in Australia, while NSW and VIC show signs of slowing momentum.
- **Cost escalation remains a major concern**, with nearly half of respondents still absorbing up to 5% post-mitigation, and a quarter absorbing up to 15%.
- **Contractual risk allocation is worsening**, with over 60% of respondents reporting a decline in fairness and collaboration in contracting environments.
- **Labour and skills shortages are intensifying**, particularly in trades and professional services, driving up costs and limiting delivery capacity.
- **Industrial Relations is the top barrier to productivity**, followed by workforce shortages and regulatory burdens - with collaboration seen as the most effective remedy.

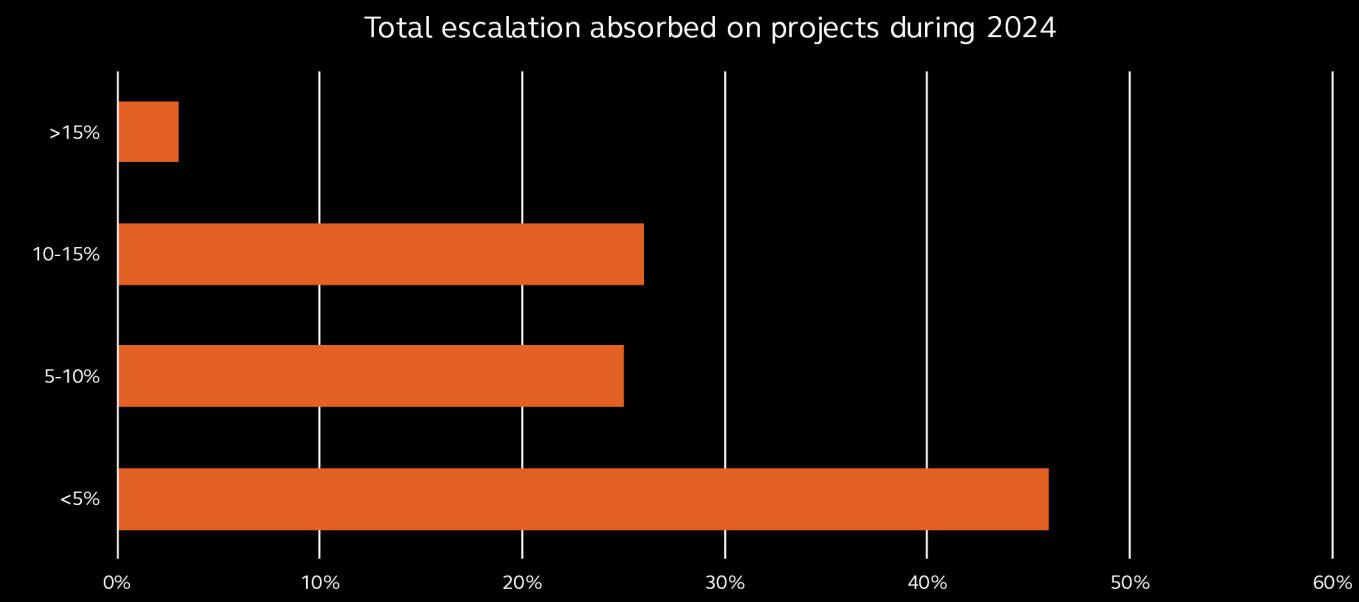
MARKET OUTLOOK

Market outlook in 2025 has remained consistent in selected states, with the same level of outlook reported as last year for NSW, VIC, SA. Interestingly, overall sentiment in WA declined while QLD and NT have actually increased since last years survey, indicating busier markets. QLD now represents the busiest state in Australia, according to the respondents.



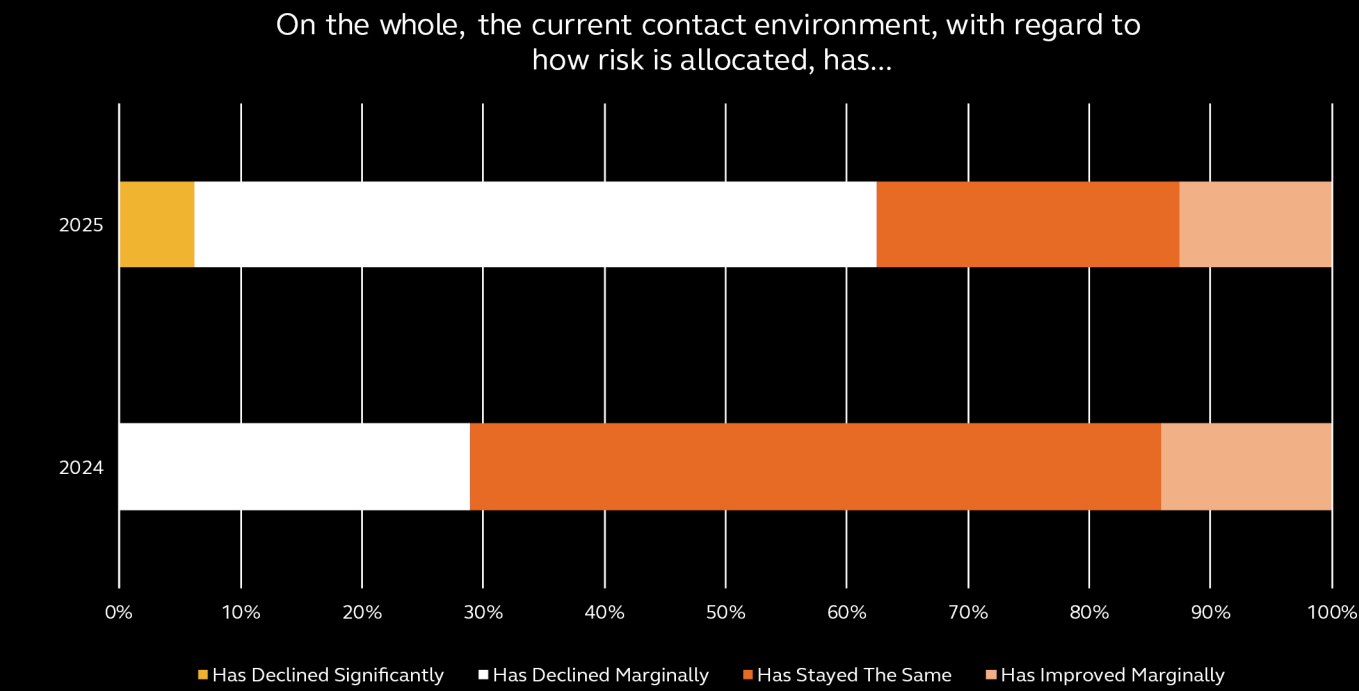
ESCALATION ABSORPTION

We asked respondents how much cost escalation they continue to absorb on their projects once all contractual mitigations had been implemented (i.e. scope adjustments, contract variations, extensions of time, etc). Responses indicate that contractors have continued to absorb significant levels of escalation. However, the peak that we have seen in previous surveys appears to be reducing although the overall amount of absorption remains high.



CONTRACTING ENVIRONMENT

More than 62% of respondents agree that the allocation of contractual risk has declined since the last survey. This paints a worsening picture from 2024 and continues to demonstrate that there has been no real movement in terms of improvement to contractual arrangements.



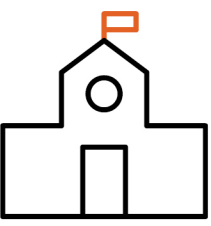
The sectors that are running hot

Based upon responses, the hottest sectors are Water and Sewerage (87%), Data Centres (80%), Social and Affordable Housing (80%), Retirement Living (78%), and Energy and Power (75%). Continuing the trend from last year, Transport Infrastructure (namely Roads and Rail) have continued their decline in contrast to the Aviation sector which has seen a significant resurgence.



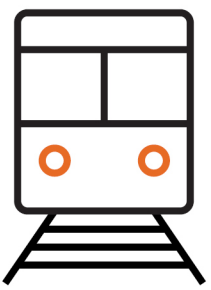
Commercial Property

78% of respondents have indicated that the Retirement Living Sector is a rising market along with Data Centres (80%), Social and Affordable Housing (80%), and Build-to-Rent (63%). On the other hand, 55% of respondents consider the Build-to-Sell private sector market to have stalled, which is a worrying indication considering the current housing crisis. Perhaps unsurprisingly, Commercial Offices (44%) and Retail (56%) are considered to be either stalled or in decline.



Social Infrastructure

As per last year's survey, Health continues to outperform the other sectors in this market with 52% of respondents in agreement as to the strength of the sector. Education in terms of both schools and tertiary establishments have both swung from sectors in decline to rising sectors, demonstrating the renewed strength in these sectors, with 62% of respondents in agreement.



Infrastructure

Energy and Power remains a dominant sector, which continues the trend that first started in 2022. Water and Sewerage has also continued to surge with 83% of respondents in agreement as to the growing strength of this sector. Roads, Bridges and Rail continue to stagnate with seemingly less investment than that in previous years. Paradoxically, Aviation has seen a significant change in its fortunes moving from 67% of respondents in 2024 agreeing that the sector was stalled or declining to 64% now indicating that this is sector is on the rise in 2025.

What Contractors said:

"Industrial relations is a significant issue which is placing significant cost burdens into the industry and negatively impacting productivity."

"We have seen the hyper escalation cool off, but [have] also experienced a decline in head contract awards which is placing pressure on the business."

"The reduction in large government infrastructure projects in VIC and NSW is going to drive intense competition across the country. QLD and SA are really heating up, and WA is forecast to do the same over the next couple of years. Resource mobility is going to become a key factor in productivity as the concentration of work shift from VIC+NSW to SA+WA+QLD."

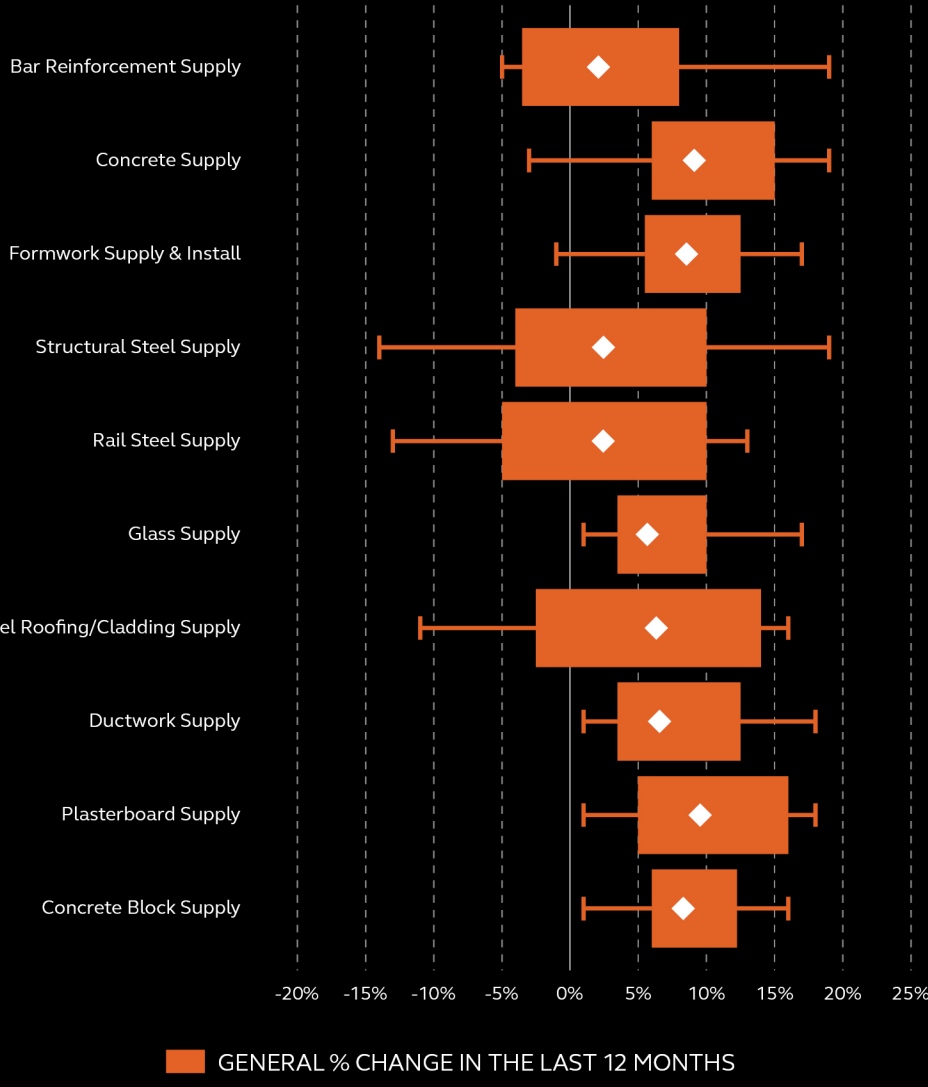
"Pipeline of work both in NSW and VIC is diminishing from their historic levels. Both NSW and VIC are turning to less collaborative more risk transfer contractual models, with NSW being the least favourable jurisdiction in terms of a collaborative environment of all the states."

"Although QLD is categorised as overheated, the spending seems to be stalled particularly in the QLD sector of health and Olympics and National Defence. There is a lot in the pipeline but actual tenders in the marketplace are very few in the first half of [2025]."

BASKET OF GOODS

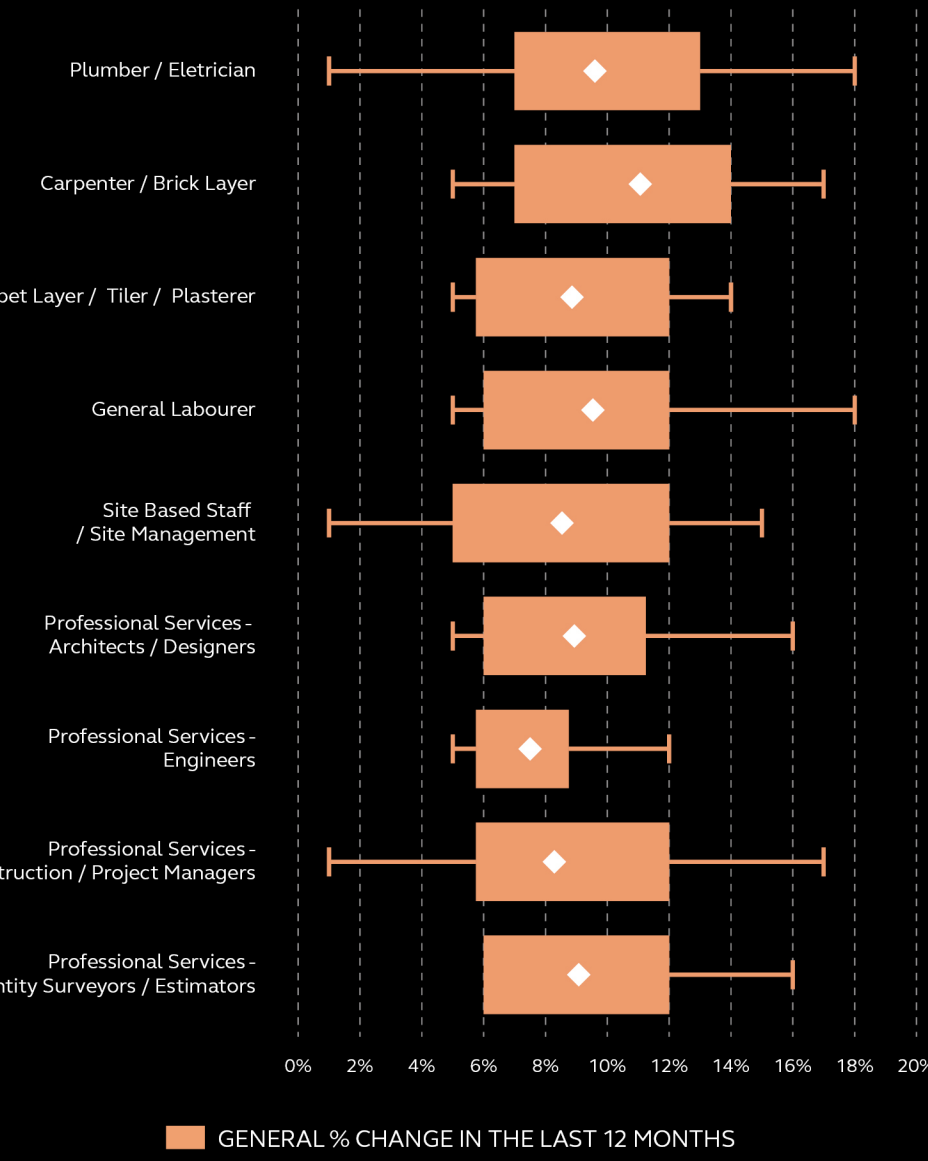
Cost of Key Materials

Pricing continues to ease across most material categories, with some respondents indicating that prices have actual fallen - although this is not a consistent picture. Concrete and Plasterboard both continue to attract the highest levels of escalation compared to other categories.

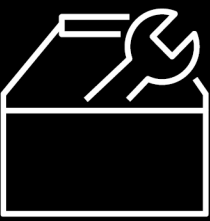


Cost of Skills and Labour

Cost escalation over the previous 12 months for some categories of labour and professional services are extremely broad, particularly in terms of Plumbers, Electricians, Site-Based Management Staff, Construction Managers and Project Managers. This provides further evidence of the cost impact of the widely reported labour and skills shortage.

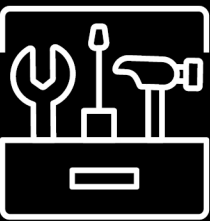


CAPACITY PERCEPTION



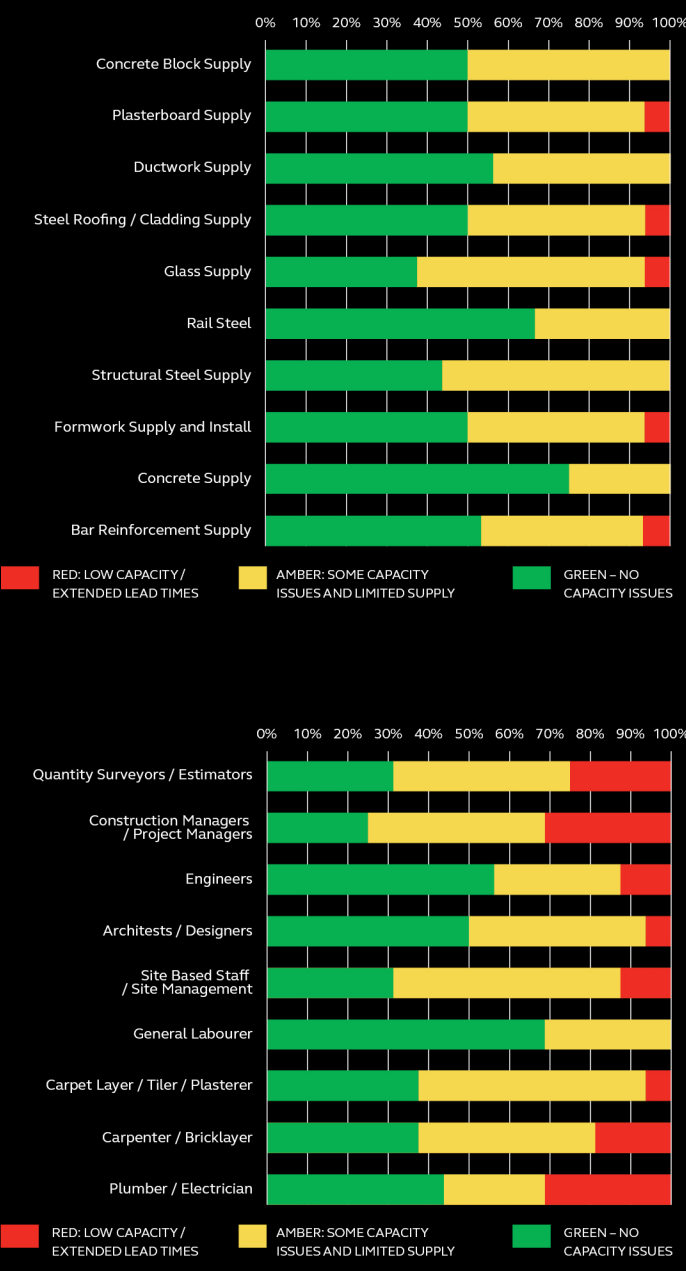
Materials Capacity

Material availability continues to improve, with less "red warnings" appearing on the dashboard.

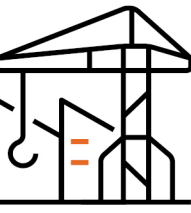


Skills and Labour Capacity

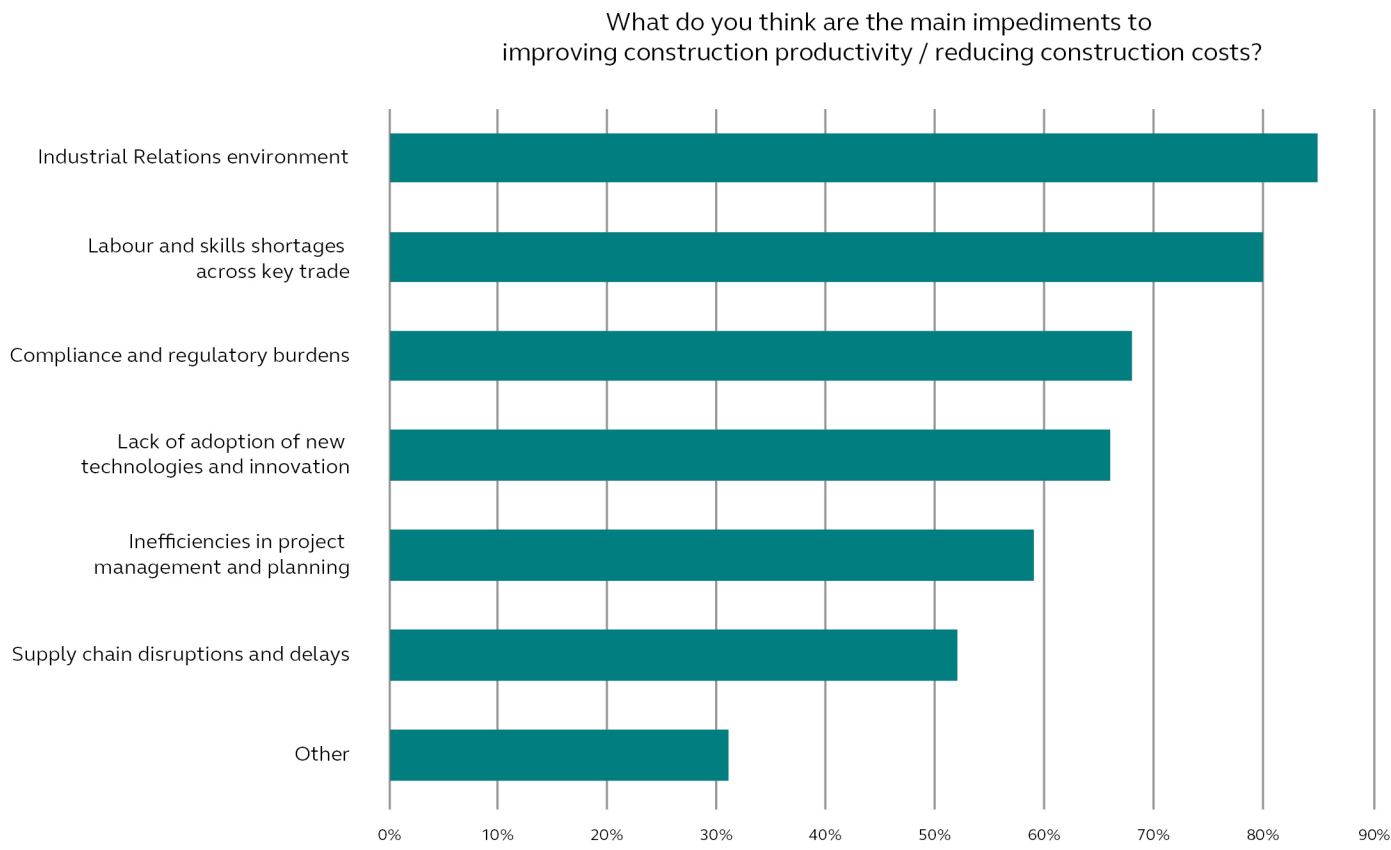
Key trades such as Plumbers and Electricians are becoming increasingly difficult to resource, with respondents indicating declining availability. Similarly, Construction Managers and Project Managers as well Quantity Surveyors are in increasingly high demand.



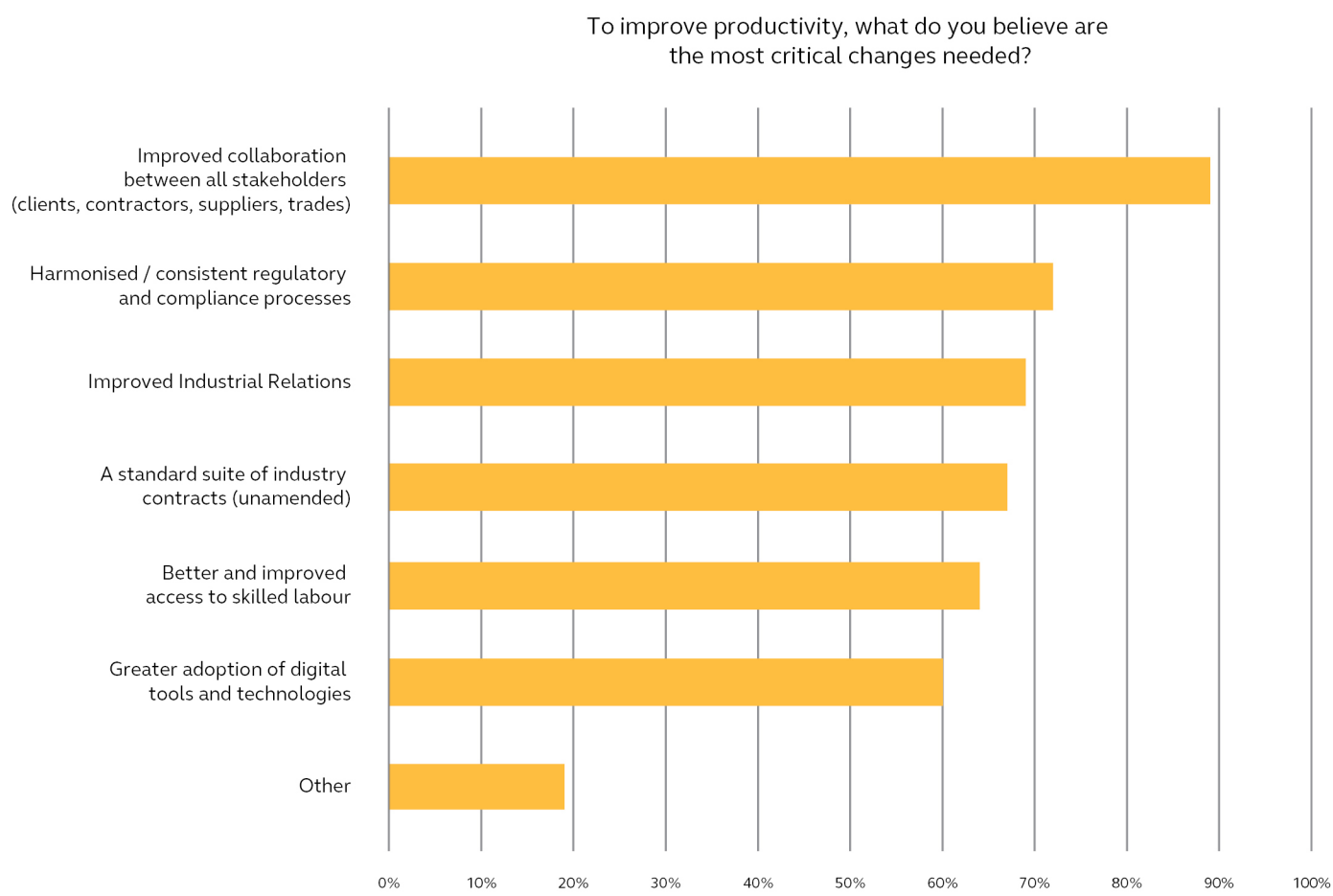
CONSTRUCTION PRODUCTIVITY



This year, we have introduced a new category regarding Construction Productivity. Overwhelmingly, 85% of respondents have ranked the Industrial Relations environment as being the main impediment to improving construction productivity. This is followed closely by Labour and Skills Shortages across key trades (80%) and regulatory burdens (68%).



We also asked respondents what measures should be implemented to improve productivity. Improved collaboration between project stakeholders came top with 89% of respondents in agreement, followed by harmonised / consistent regulatory and compliance processes (72%) and improved industrial relations (69%).



BUSINESS IMPACT

In last years survey, we asked respondents what the biggest factors were that significantly impacted or unfluenced business outcomes in the preceding 12 months. In 2024, the top response was overwhelmingly "Political Changes". Fast forward 12 months, and views have shifted considerably with the top three responses now comprising:

1. Onerous Contract Conditions
2. Productivity
3. Extended Lead Times

