



slattery

National Market Update August 2025

From disruption to discipline

Distilling conditions of an active market across key sectors and regions

From disruption to discipline

The forecast

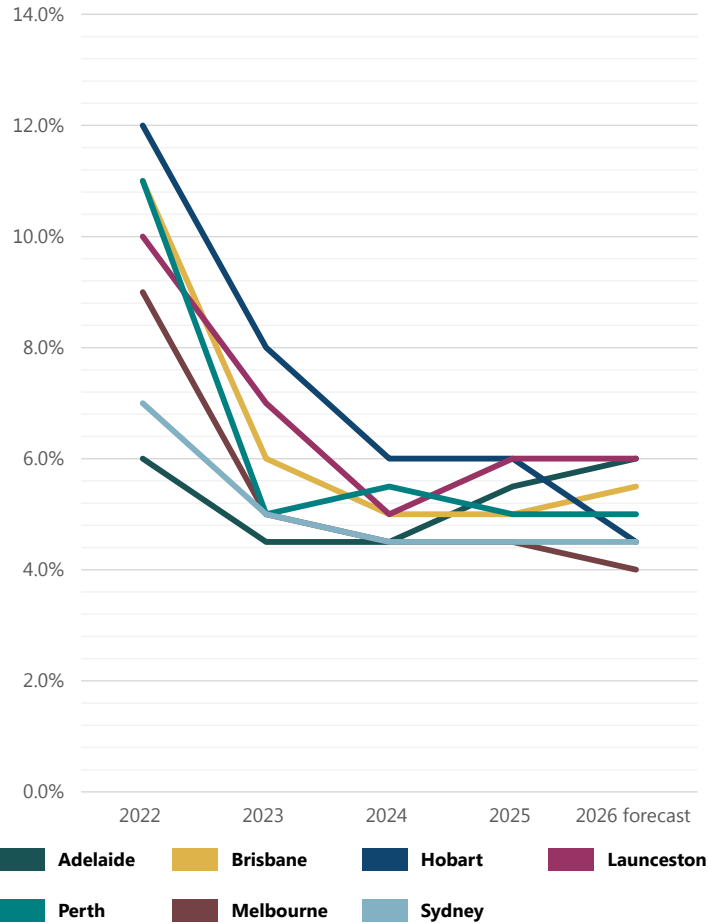
Australia’s construction market is entering a new phase marked by cost discipline, delivery scrutiny and deeper due diligence.

Activity is steady across most sectors and states. However, labour shortages, funding constraints and fragile confidence continue to shape how projects are scoped, priced and delivered.

Our latest cost escalation forecasts show the market returning – slowly in some regions, more sharply in others – to historical norms.

City	2022	2023	2024	2025	2026 mid-point forecast
Adelaide	6%	4.5%	4.5%	5.5%	6%
Brisbane	11%	6%	5%	5%	5.5%
Hobart	12%	8%	6%	6%	4.5%
Launceston	10%	7%	5%	6%	6%
Melbourne	9%	5%	4.5%	4.5%	4%
Perth	11%	5%	5%	5%	5%
Sydney	7%	5%	5%	4.5%	4.5%

Exhibit 1
Cost escalation by city
(2022-2026)



Key insight

Pricing has steadied. Material cost volatility has eased. We’re seeing more competitive pricing return to tender boxes. But this doesn’t mean costs will fall. It means the sharpness of escalation has softened.

Sarah Slattery
Director, Partnerships and Innovation

Exhibit 2
Cost escalation by city
(2022-2026)

Key factors influencing industry

Global outlook

Global growth is slowing, as trade barriers, tighter financial conditions and policy uncertainty weigh on confidence. Global GDP is expected to soften to 2.9% in both 2025 and 2026. Australia's economy is forecast to grow by just 1.8% in 2025, lifting modestly to 2.2% in 2026. ^(OECD).

Domestic economy

Inflation is easing, but construction activity remains strong, sustaining cost pressures. State-led pipelines continue to underpin activity, especially in housing and healthcare. ^(Reserve Bank, RICS).

Insolvencies continue to bite

Financial fragility remains a key concern. A staggering 3,596 construction companies entered administration in FY2025 – more than any other industry. Insolvency risk is driving stricter lender expectations and closer scrutiny of contractors and subcontractors. ^(ASIC).

Labour and skills shortages

Infrastructure Australia estimates a mid-2025 shortfall of nearly 178,000 workers for the current public infrastructure pipeline. Capacity constraints, especially in electrical and mechanical trades, are putting pressure on program certainty and costs. ^(Infrastructure Australia).

Material costs

Global tariffs and a weaker Australian dollar are elevating input costs. Steel, concrete and prefabricated components continue to influence tender pricing, particularly for large-scale and time-sensitive projects. While most prices have stabilised, they won't go backwards. ^(ABS)



This latest Slattery Market Update distils current conditions across key sectors and regions, helping our clients and partners make confident decisions in a market that's active, but under pressure.

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New South Wales

Image

Powerhouse Parramatta

What's happening

Residential momentum is returning, planning reforms are taking root and major milestones like Western Sydney Airport are reshaping the market. The interplay of policy ambition, program acceleration and market capacity will define NSW construction over the next 12 months.



Housing starts up, completions lag

A 24% quarterly jump in housing commencements is good news, but only 10,336 completions fell well short of the 19,600 needed to meet Housing Accord targets. The NSW Housing Pattern Book and new 10-day approval pathways for compliant low-rise homes aim to lift delivery. (Property Council of Australia)



Western Sydney Airport hits runway milestone

Terminal and runway works are complete, with the project on schedule for a late-2026 opening. It's drawing global attention for its scale and precinct-driven logistics demand. (International Airport Review)



Modular social housing rolls out

Factory-built modular homes under the Building Homes for NSW Program are cutting build times by up to 20%, showcasing how Modern Methods of Construction can help speed up delivery and ease program pressures. (NSW Government)



Planning reform for greater density

The NSW Government's new council "league table" tracks progress on Housing Accord targets, with underperformers risking planning powers. The Transport Oriented Development Program allows fast-tracking of mid-rise housing near train and metro stations. (NSW Government)

Key insight

“ NSW residential development is moving in the right direction. As projects cluster around growth corridors and planning reforms take hold, modern construction methods like modular builds offer new ways to improve program certainty and accelerate delivery. ”



Liam Manning

Executive Director, NSW



Queensland

What's happening

Construction costs are set to escalate as the state's project pipeline accelerates. Major transport infrastructure commitments, hospitals, residential developments and preparations for the 2032 Olympics are converging with significant implications for pricing and delivery.



Queensland's construction workforce shortfall

Infrastructure Australia estimates Queensland will face a shortage of 54,000 construction workers as Olympic-related projects ramp up. [\(ABC News\)](#)



Strong pipelines across key sectors sustaining pressure

Transport, renewable energy, healthcare and residential projects remain active across Queensland, adding pressure to resources, supply chains and costs. Notably, the state's hospitals program has reportedly blown out to \$16 billion. [\(ABC News\)](#)



Olympics program surging ahead

The Queensland and federal governments have agreed on a \$7.1 billion Olympic funding package, though actual costs could rise significantly as major venues, athletes' villages and associated infrastructure proceed. [\(Queensland Government\)](#)



Cost pressures likely to intensify by 2027

Olympics-related programs are expected to replicate a well-established pattern: every Olympics since 1960 has exceeded budget, with average overruns of 172% in real terms – the highest of any megaproject type. [\(Environment & Planning Journal\)](#)

Key insight

“A tsunami of projects is about to hit Queensland and workforce capacity will determine how quickly projects get out of the ground and at what cost. Many projects may be paused until after Olympics fever abates.”



Richard Kemp

Executive Director, QLD & WA



South Australia

What's happening

Strong public investment and a diverse project mix are keeping South Australia's construction sector buoyant. Contractors remain busy, particularly in healthcare and education. Tier 1 builders are looking interstate to plug persistent skills gaps.



Construction activity leads

South Australia recorded the highest level of construction work done in the March 2025 quarter, sitting 16.7% above the decade average. ^(CommSec)



Healthy pipeline of projects

More than 30 major projects worth over \$9.1 billion are planned, approved or underway across Adelaide, driven by investment in innovation districts, tourism, student housing and apartment growth. ^(City of Adelaide)



Prefab push to fast-track housing

The South Australian Government has launched a tender for 120 turnkey homes using prefabricated construction, aiming to cut build times and boost supply. The trial will test offsite manufacturing in regional and metro locations as a rapid response to the housing shortage. ^(SA Government)



Adelaide's \$15.4 billion North-South Corridor

The state's largest infrastructure commitment has supercharged industrial rents. Since early 2024, prime rents have surged by up to 20.3% and secondary rents by over 37% in key precincts, reflecting strong investor interest and future freight gains. ^(ILL)

Key insight

“South Australia's market is steady and sentiment upbeat. Defence, education and student housing projects are driving momentum and making cost control more critical than ever.”



Bernhard Funke

Director, Project Controls



Tasmania

Image

The Shed, University of Tasmania

What's happening

Political and budget uncertainty create uneven conditions across the state. Persistent labour shortages, contractors at capacity and a heavy reliance on government-funded projects continue to drive escalation, with distinct differences emerging between the north and south.



\$30 billion infrastructure pipeline fuels activity

Tasmania's 10-year infrastructure pipeline exceeds \$30 billion, spanning 442 projects dominated by energy, transport, health and housing.

(Infrastructure Tasmania)



Distinct two-speed economy emerges

Variations in enterprise bargaining agreements mean higher wages in the south are adding further cost pressures, with travel allowances and labour availability expected to impact tender prices in the next six months.



Political uncertainty weighs on southern projects

Tasmania's election outcome, a Liberal win without a clear majority, creates ongoing uncertainty for the proposed Macquarie Point Stadium, with significant opposition from crossbenchers. (ABC News)



North running hot as capacity bites

Contractor capacity is stretched in the north, with several Tier 1 builders withdrawing from tenders in 2025. Mechanical and electrical trade shortages are inflating margins on complex projects.

Key insight

“ Tasmania's election has delivered more compromise and negotiation. North and south are moving at very different speeds, and that divide will shape delivery and costs. ”



Kim Monks
Senior Associate

Victoria

What's happening

Activity is picking up, but confidence hasn't yet followed. From a recovering residential pipeline to renewed retail energy and strong industrial growth prospects, Victoria's market is moving in the right direction.

Image

Albert Park Pitt Building,
Development Victoria



Building activity lifts, but confidence lags

Victoria recorded a notable rise in dwelling commencements and completions in early 2025, with 15,503 new homes starting and 14,266 completed. But industry confidence in Victoria remains the lowest in the nation. (Property Council of Australia)



Budget tilts toward delivery

Victoria's 2025–26 State Budget signals a shift from new infrastructure announcements to delivering existing commitments. The emphasis is on pipeline certainty and budget discipline. (Infrastructure Magazine)



Retail renaissance

Central CBD retail vacancy has dropped to 5.5%, down from a peak of 27.9% in 2021, with nearly 85% of shopfronts now occupied. A vibrant mix of global, national and independent brands is breathing new life into the city's retail core. (City of Melbourne)



Warehouse demand set to surge

Melbourne will need an extra 2 million sqm of warehouse space over the next decade to support strong population growth. With Victoria expected to add 900,000 residents, industrial demand is set to outpace Sydney and Brisbane. (The Industrialist)

Key insight

“Subcontractors remain disciplined and margins are holding firm. In this environment, cost strategy, not cost-cutting, sets successful projects apart.”



Domenic Schiafone
Director



Western Australia

What's happening

While the market has softened slightly, construction activity in WA continues to hum along – driven by strong public investment, record workforce numbers, a surging residential pipeline and big-ticket projects.



WA tops the table

Western Australia topped CommSec's State of the States report for the fourth consecutive time in July, leading on retail spending, housing finance and equipment investment. Only South Australia performed better in construction. (CommSec)



Residential pipeline surging

WA completed 20,639 new homes in 2024, up 18% year-on-year and the highest in more than seven years. Dwelling commencements rose 46% in the same period, sustaining construction momentum. (WA Government)



Big builds underway

Perth Airport's \$5 billion new terminal will span nearly 30 Optus Stadiums, and is among the most complex construction undertakings in the state's history. The WA Government appointed the managing contractor for the new Women's and Babies Hospital in May. (Perth Airport, WA Government)



Record workforce, rising demand

WA's construction workforce reached a record of 166,300 in early 2025, driven by growth in residential, commercial and mining-linked sectors. Labour shortages remain a key constraint as demand continues to outpace supply. (WA Government)

Key insight

“Western Australia is still busy, but the heat has come off. Some projects are being reworked, due diligence is tightening and costs are being scrutinised as financiers sharpen their focus on contractor solvency and delivery risk.”

Agnes Tan
Senior Associate



Residential



Image

Johnston Street,
Abbotsford, MODEL

What's happening

Construction costs in Australia's residential sector are under pressure, as labour shortages, planning delays, material price volatility and subcontractor capacity all drive escalation.



1.2 million homes by 2029

While the National Housing Accord commits Australia to 1.2 million new, well located homes by mid 2029, major industry groups are predicting shortfalls of up to 285,000 homes. [\(Treasury, Realestate.com.au\)](#)



Build-to-rent a bright spot

With more than 65,000 BTR units either operational or in development, BTR is fast becoming a key contributor to housing supply pipelines, supported by federal tax incentives and state housing strategies. [\(Franklin.St\)](#)



Planning reform for greater density and fast-tracking approvals

The NSW Government has set a precedent with a council league table that monitors performance against the state's Housing Accord target. [\(NSW Government\)](#)



Productivity challenge in focus

The physical productivity of Australia's housing construction workforce has fallen by 53% since 1990, while labour productivity has declined by 12%, even after accounting for improvements in dwelling size and quality. [\(Productivity Commission\)](#)

Key insight

“Labour accounts for a sizeable percentage of a typical residential build, so all eyes will be on the Australian Government's Economic Reform Roundtable to see whether measures to improve productivity can ease workforce pressures and cool construction costs.”



Stamatia Priskas
Director

Commercial

What's happening

The office sector is entering a new phase. National vacancy has likely peaked, and a modest recovery is being driven by white-collar job growth, a limited supply pipeline and renewed interest in high-performing CBD assets.

Image

550 Bourke Street, GPT Spec Suites



Vacancy approaches a turning point

National CBD office vacancy was at 14.3% in the Property Council's August 2025 Office Market Report; the non-CBD office vacancy rate was 17.3%. Agents suggest the market is on a "path to recovery". *(Property Council, Cushman & Wakefield)*



ESG and disclosure pressure

New climate-related financial disclosure rules from 1 January 2025 will heighten scrutiny of office assets' carbon footprints and energy efficiency performance, driving upgrade programs. The proposed expansion of the Commercial Building Disclosure (CBD) program could accelerate this trend.



New supply well below average

Just 234,800 sqm of office space is under construction nationwide in 2025, 17% below the 10-year average. This limited pipeline is expected to stabilise vacancy and drive demand for high-quality existing stock. *(Colliers)*



White-collar job growth drives demand

Forecasts show an additional 50,000–60,000 white-collar jobs will be created in 2025, supporting up to 200,000 sqm of net absorption across CBD office markets. *(Investa)*

Key insight

Green shoots are emerging, as job-driven demand and ESG-led repositioning shift the office market from oversupply to opportunity.



Gowrishan Sivapathasundaram
Director

Retail



Image

Jam Factory, Gurner

What's happening

Retail is back on the radar. Sales are steady, investment is rising and returns are quietly outperforming other sectors. With a renewed focus on experience, Australia's retail landscape is entering a strategic, sustainable phase of growth.



Retail sales are up

Consumer retail spending rose 3.3% y-o-y to A\$37.3 billion in May 2025, although the Australian Retail Association warned: "We remain far from a retail recovery". (Australian Retailers Association)



Strategic value shift

Centre managers are futureproofing assets, adopting digital innovation, experience driven leasing and flexible formats to adapt to changing consumer behaviour and e-commerce competition. (JLL)



Renewed investor interest

With national shopping centre occupancy at 95% and minimal new subregional supply expected over the next three years, investor demand is rising. CBRE forecasts 10% growth in retail investment volumes in 2025. (CBRE)



Retail returns are elevated

Income returns in the retail sector are at their highest levels since mid-2016, delivering total returns ahead of office and logistics. This trend reflects a stabilising sector with strong fundamentals. (KPMG)

Key insight

“With fewer new builds and rising investor interest, the pressure is on to get retail costings right. From repurposing to repositioning, every dollar needs to work harder.”



Barry Laycock
Director



Industrial

What's happening

Lean on land, tight on space and still in high demand. Industrial remains a competitive corner of Australia's property market. While vacancy has crept up slightly, with e-commerce rising and zoned land in short supply, long-term fundamentals remain rock solid.



Vacancy remains structurally tight

While the national industrial vacancy rate edged up to 2.8%, it remains well below the 4% "equilibrium" threshold and is still among the lowest globally. (CBRE)



E-commerce drives logistics demand

Online sales penetration is expected to rise from 14% in 2025 to 17% by 2029. To support this growth, an estimated 1.7 to 1.8 million sqm of dedicated logistics space will be needed over the next five years. (CBRE)



Land scarcity is a long-term constraint

Australia's supply of serviced, zoned industrial land is structurally constrained. This scarcity, combined with ongoing e-commerce growth and population pressures, will continue to underpin long-term sectoral strength. (Savills)



Returns back in positive territory

Total sector returns hit 3.3% in mid-2025, marking two consecutive quarters of growth after four straight quarters of negative performance. (KPMG)

Key insight

"In industrial, there's no room for error – literally. With land tight and programs tighter, the real challenge isn't just building a shed, it's building it smarter, faster and future-ready."



James Doolan
Director

Health



Image

Paula Fox Melanoma and Cancer Centre, Alfred Health

What's happening

Population growth, ageing demographics, rising care complexity and lessons from the pandemic have driven governments to invest heavily in next-generation healthcare infrastructure. The result is a record pipeline of projects.



Record \$42 billion national hospital pipeline

Infrastructure Partnerships Australia tracks 54 major health infrastructure projects. Of these, 20 projects worth \$14.8 billion are under construction, and 34 projects totalling \$27.2 billion are yet to commence delivery. (Infrastructure Partnerships Australia)



Health infrastructure precincts

Around 27 major healthcare precincts are in operation or under development across Australia, led by Melbourne, Sydney and South-East Queensland. The largest, the \$5 billion Sunshine Coast Health Precinct, is under construction. (Property Council; Invest Sunshine Coast)



Healthcare property market doubling in value

Australia's Healthcare and Life Sciences property sector is on track to more than double in value by 2028, growing to \$12.1 billion, reflecting its status as a resilient and future-focused asset class (Property Council)



Flagship projects advance

The \$3.2 billion New Women's and Children's Hospital in Adelaide and the \$1.8 billion New Women and Babies Hospital in Perth highlight the scale of healthcare projects adding to cost pressures nationally. (DIT SA, WA Government)

Key insight

“Healthcare projects are among the most complex, labour-intensive and risk-sensitive builds. With billions committed to hospital programs nationwide, managing workforce pressures and delivery risks are critical to keeping costs under control.”



Sushma Suresh
Director



Infrastructure

Image

Muswellbrook Hydro Scheme, AGL, Idemitsu

What's happening

Priorities are shifting. Transport still dominates, but energy and water are gaining momentum. With \$213 billion in planned public infrastructure investment over the next five years and competition for delivery resources fierce, project certainty and cost discipline are essential.



Funding focus evolves

Transport projects still dominate the \$126 billion five-year pipeline, but Infrastructure Australia forecasts a six-fold rise in renewable energy builds to \$16 billion by 2028. This signals a shift in project type and in geography as activity moves north. (Infrastructure Australia)



Energy and net zero in overdrive

Decarbonisation is accelerating, with all tiers of government advancing net zero strategies and the new Transport and Infrastructure Net Zero Roadmap and Action Plan. Investors are on board, backing 264 active energy projects worth \$604 billion in capital expenditure, indicating strong appetite in the transition to cleaner, more resilient infrastructure. (Australian Government, Infrastructure Partnerships Australia)



Infrastructure investment still high

Australia's annual infrastructure spend has more than doubled in the past decade to around \$100 billion. It may drop 18% over the next three years, but will remain nearly 80% above past levels, with cost revisions likely to push totals higher. (CBRE)



Accurate cost estimates

With \$32.8 billion in known cost pressures across the national infrastructure pipeline, the need for rigorous, lifecycle-based cost estimates is evident. Detailed site investigations, realistic escalation and independent peer review. (Infrastructure Australia)

Key insight

As priorities shift from rail to renewables and water, delivery models must shift too. Scope creep, funding gaps and coordination risks aren't just cost issues – they define project performance and public impact.

Steve Rowe
Director





slattery

Shaping Australia's built environment with certainty.

Slattery is a national property and construction advisory firm, helping clients plan, adapt and invest with confidence. We partner with clients to uncover value, reduce risk and deliver smarter, more sustainable outcomes across Australia's cities and communities.

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Warrang

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