

AUSTRALIAN CONSTRUCTION MARKET REPORT

MAY 2026



acif
Australian Construction
Industry Forum

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Foreword

The Australian Construction Industry Forum (ACIF) is pleased to present the May 2026 Australian Construction Market Report, providing rigorous, evidence-based insight at a time of renewed uncertainty for Australia's building and construction industry.

This edition comes at an important moment for industry leaders, policymakers and investors, as global shocks, higher inflation and rising interest rates reshape the outlook for activity across residential building, non-residential building and engineering construction.

Since the November 2025 report, the operating environment has shifted materially. What had looked like a cautiously managed soft landing has become a more difficult and volatile outlook. The surge in fuel prices, renewed inflationary pressure and the prospect of higher interest rates are expected to weigh heavily on demand, project feasibility and margins. After solid growth in 2025, the May 2026 forecasts point to total building and construction work potentially moving backwards in 2026.

Residential building remains central to the industry's outlook, but it is also the sector most exposed to changes in household borrowing capacity and confidence. Higher interest rates are expected to slow growth in new houses and alterations and additions, even as demand for housing remains underpinned by population growth and the continuing need to address Australia's housing supply challenge. Encouragingly, new other residential dwellings, including apartments and townhouses, are expected to show greater resilience, supported by policy priorities, planning reform and the ongoing need for more diverse housing supply. However, the report makes clear that the National Housing Accord target remains difficult to achieve without meaningful progress on productivity, approvals, labour capacity and cost pressures.

Non-residential building also faces a more uneven outlook. Strength in data centres, defence facilities and selected commercial projects is helping to support parts of the market, but this is being offset by weaker conditions in offices, industrial, retail and wholesale trade. Infrastructure construction provides some relief, particularly through electricity, pipelines, water and sewerage projects that support the clean energy transition. However, infrastructure growth is not expected to fully offset the softer outlook elsewhere, while heavy industry and mining construction is expected to ease after recent strength.

The industry continues to face persistent structural challenges. Labour shortages remain acute, productivity performance remains weak, wage and materials costs are elevated, planning delays continue to impede supply, and insolvency risk remains a significant concern. These pressures are not new, but they become more difficult to manage in an environment of higher interest rates, rising costs and weaker demand. The result is an industry that must plan carefully, manage risk closely and continue to advocate for reforms that improve delivery capacity.

The ACIF Construction Forecasting Council's work is especially valuable in this environment. By combining economic analysis, project pipeline intelligence and practical industry expertise, the forecasts provide a clear, independent and nationally consistent view of where activity is heading. They also highlight the importance of policy settings that support confidence, productivity, housing supply, infrastructure delivery and long-term industry resilience.

I extend my sincere thanks to Kerry Barwise for the analytical rigour that underpins this report, to Cotality for its vital project pipeline intelligence, and to all members of the Construction Forecasting Council for their insight and contribution. Their collective expertise ensures these forecasts remain a trusted resource for industry and government.

Australia's construction industry is fundamental to our economy, our communities and our future prosperity. The period ahead will test the sector's resilience, but it will also reinforce the importance of clear information, disciplined decision-making and coordinated reform. With the right focus, the industry can navigate this uncertainty while continuing to deliver the housing, infrastructure and built environment Australia needs.

Nerida Conisbee

Chair, Construction Forecasting Council
Chief Economist, Ray White Group





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Acknowledgements

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Cotality has been part of this work since it started in 2002, providing major projects data which adds to the rich information that underpins these ACIF Forecasts. We are grateful to all at Cotality who help make this happen.

Autodesk makes a significant financial contribution. We are grateful for their continued support and are proud to partner with them.



About ACIF

The Australian Construction Industry Forum (ACIF) is the meeting place for leaders of the construction industry in Australia. ACIF facilitates and supports an active dialogue between the key players in residential and non-residential building, engineering construction, other industry groups, and Government agencies.

Our members are among the most significant associations in the industry, spanning the entire asset creation process from feasibility study through design, cost planning, construction, building and management.

Our Agenda

ACIF seeks to develop a successful, strong and sustainable construction industry in Australia. ACIF is focused on creating a competitive construction and property industry that is a leader in building Australia's prosperity. As well as facilitating communication within the construction sector, ACIF provides governments and other agencies with a central and efficient industry liaison point.

ACIF's Policy and Advocacy

The construction industry is one of the main drivers of the Australian economy and its productivity and success is critical to the growth and success of the Australian economy.

ACIF identifies the most important issues on which to create policies, and then advocates on those issues. This assists ACIF's members and leads to increased productivity and efficiencies in the industry.

Strategic Forum

ACIF has partnered with its government counterpart, the Australasian Procurement and Construction Council (APCC) to focus government and industry on increasing productivity and developing the processes and culture of the industry to maximise the benefits for all Australians.

Since 2014, this partnership has been known as the Strategic Forum for the Australasian Building and Construction Industry and has produced a series of guides and resources around project team integration and building information modelling.

More information about these resources is available at www.acif.com.au/strategicforum.

Members

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ACIF and the ACM Report

The ACIF Construction Market Forecasts

ACIF Forecasts are the industry's compass pointing to the future. They provide rolling ten-year forecasts of building and construction activity. These forecasts are a primary source of market information for the building and construction industries in Australia, providing decision makers with comprehensive information and insight about the direction in which the building, and construction activity is heading.

The forecasts are revised and updated twice a year in order to ensure the outlook reflects the most recent information about what is actually happening and to refresh insights about what will happen next.

How the ACIF Forecasts are produced

The ACIF Forecasts are prepared by blending macroeconomic forecasts of the domestic and international economy with information about the projected share of construction activity by sector and by region. The outlook for expenditure is supplemented by Cordell Connect's project database – a repository for the building and construction project pipeline.

The forecasts start with the latest available evidence from the Australian Bureau of Statistics in *Residential Building*, *Non-Residential Building* and *Engineering Construction*. Detailed data is available for 20 sub-sectors. The regional analysis splits Australia-wide projections by state/territory, capital cities and 'rest of state'.

Quarterly forecasts are produced for the next 12 quarters to December 2028, while annual projections are provided for the next ten years to 2035.

All of the forecasts and data presented in charts and tables in this report are accessible to subscribers in the DataPack (via www.acif.com.au/forecasts).

The forecasts are projections of the future. They are based on statistics which are themselves estimates and which are subject to constant revision. Noise or error is inherent in the estimates of expected outcomes. They reflect the views of the ACIF CFC based on the information that is at hand.

Construction Forecasting Council

The ACIF Forecasts are produced by industry for industry. Industry insight is injected into the forecasts through ACIF's Construction Forecasting Council (CFC).

Both the wealth of professional experience of CFC members and the unique insight their respective organisations offer ensures that the ACIF Forecasts are credible and provide robust projections for the industry in Australia.

Nerida Conisbee, Chair	Ray White Group
Andrew Scott, Deputy Chair	Morgan Stanley
Kerry Barwise, Lead Forecaster	Barwise Consulting
Damon Roast	WT Partnership
David Roberts	Macquarie Bank
Gerard Burg	Cotality
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Colin Mitchell	BMD
Anneke Thompson	Colliers
Steve Kelk	McNab

The CFC is grateful for the support provided by NATSPEC who hosted the ACIF CFC workshop meeting in their offices in Sydney in April 2026.

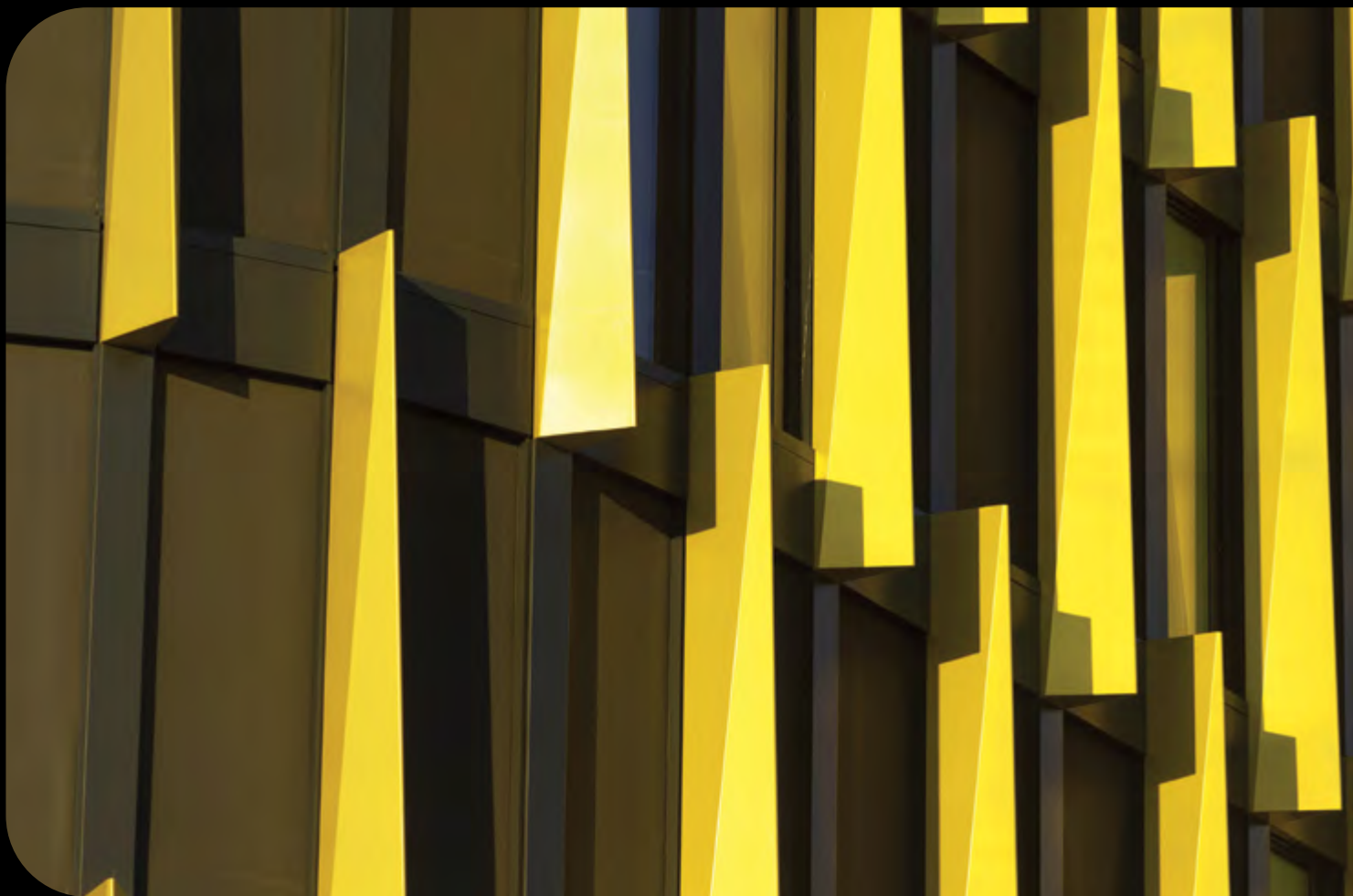
Forecast Sectors and Asset Types

Residential Building	Non-Residential Building	Engineering Construction
- New Houses - New Other Residential (Apartments and Townhouses) - Large Alterations and Additions - Other (Mainly Small Alterations and Additions)	- Accommodation - Education - Entertainment and Recreation - Health and Aged Care - Industrial - Miscellaneous - Offices - Other Commercial - Retail and Wholesale Trade	- Roads - Bridges, Railways and Harbours - Electricity and Pipelines - Water and Sewerage - Telecommunications - Heavy Industry including Mining - Recreation and Other



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Forecasts Highlights

Overview – shocks and uncertainty risk putting the industry into reverse

The surge in fuel prices, higher inflation and now higher interest rates will place a heavy toll on the building and construction industry.

The May 2026 update of the ACIF Forecasts projects that growth in the industry could be brought to a standstill. This is in sharp contrast to the 3.6 per cent growth seen over 2025. The building and construction industries now must endure a reversal of policy settings that could send performance backwards. This could lead to a contraction in work done of 0.8 per cent in 2026.

The slowdown expected in 2026 is being driven by forces outside of Australia's control. While there is much uncertainty about the future turn of events, particularly in the middle east and in global markets, one thing is clear: the RBA is determined to defeat the entrenchment of inflationary expectations, and it has begun a series of interest rate hikes to combat this risk.

The market response to higher interest rates is likely to be felt most keenly in *Residential Building*. The ACIF Construction Forecasting Council expects that the change will knock down growth in the value of work done from 6 per cent in 2026 to just 0.5 per cent in 2026. Most of the pain will be felt in building of new houses and in alterations and additions. The track record is very clear, change Australian households spending power and you will see lower spending in these categories in short order.

The May 2026 forecasts also foreshadow adversity in *Non-Residential Building*. While there is some sustained strength in categories such as *Other Commercial* reflecting the ramp up in investment in large scale data centres around the country, this will be overwhelmed by weakness in *Offices*, *Industrial* and *Retail and Wholesale Trade*. Activity in these areas will be dampened with higher interest rates. The net result is expected to be a 1.6 per cent fall from \$66 billion to \$65 billion in 2026.

Growth in infrastructure construction will bring some relief to the building and construction industries in 2026. This is largely attributable to growth in *Electricity and Pipelines*, supporting the transition to more sustainable energy supply. A key problem in 2026 is that growth in Infrastructure is not sufficient to fully offset weakness expected to prevail elsewhere.

There are many uncertainties in these forecasts. The possibility of a prolonged conflict in Iran weighs heavily on the outlook for the building and construction industry, as it does for the economy at large. The forecasts reflect the knowledge that this industry is particularly exposed to the impact of changes in interest rates. This impacts on demand and on costs, compressing margins and placing more stress on an industry that already tops the industry count for insolvencies.

It is also very difficult to assess the full impact of recent policy changes. Fiscal support to compensate households and business for cost increases by federal and state governments, comes at the risk of adding to aggregate demand and sustaining inflation. Withdrawal of budget "tax expenditures", such as negative gearing provisions in personal income taxation, may discourage investment in residential building, but it may also redirect investment into other asset classes, including commercial property, property trusts and managed funds.

The increase in uncertainty is possibly the gravest threat. It is very difficult for buyers and sellers to anticipate all the myriad fundamentals that are shifting in the winds of change right now. It is hard to anticipate how this plays out, but higher costs and higher risk generally result in less investment and growth.

Table 2.1 Building and Construction Activity in Summary

	2024	2025	2026	2027	2028
	Actual (\$ billion)		Forecast (\$ billion)		
Residential Building	137.6	145.8	146.6	146.7	153.6
Non-Residential Building	64.6	65.7	64.7	67.5	69.0
Infrastructure Construction	110.1	109.1	111.0	115.0	115.8
Heavy Industry incl Mining Construction	33.8	37.8	33.2	33.9	35.0
Total	346.0	358.5	355.5	363.1	373.4
	% change (YoY)		% change (YoY)		
Residential Building	0.8	6.0	0.5	0.1	4.7
Non-Residential Building	-0.7	1.8	-1.6	4.4	2.2
Infrastructure Construction	4.3	-0.8	1.7	3.6	0.7
Heavy Industry incl Mining Construction	7.3	11.7	-12.0	2.0	3.3
Total	2.2	3.6	-0.8	2.2	2.8

Source: ABS Building Activity and Engineering Construction for history and ACIF CFC for forecasts

Forecasts Highlights

Key trends

The May 2026 medium to longer term forecasts are based on a reference scenario where disruptions to global markets are resolved over 2026 and underlying influences then begin to reassert themselves.

Residential Building activity is expected to pause as the market digests higher interest rates and changes in negative gearing tax concessions for individual investors. The pause will impact most on demand for new houses and alterations and additions. We expect that new other dwellings (mostly apartments) will continue to experience strong growth.

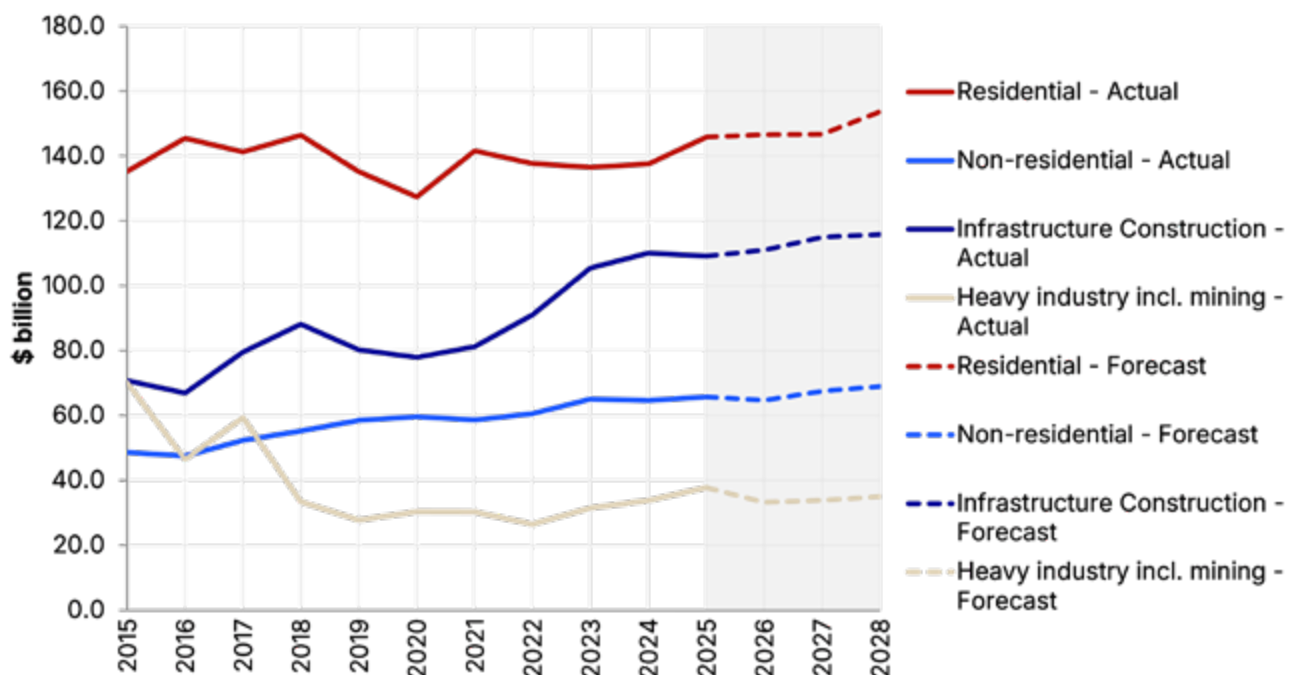
Residential Building activity will begin to shake off the influence of higher interest rates by the end of 2027. Growth will recover to 4.7 per cent in 2028, lifting activity to \$154 billion. Continued population growth, albeit at a less frenetic pace, will shore up growth in underlying demand. Continued roll out of support under the National Housing Accord and ongoing planning reforms will also assist with supply (see Table 2.1 and Figure 2.1).

It is likely that the period of higher interest rates will delay rather than cancel projects in *Non-Residential Building*. The forecasts project that this activity will grow by 4.4 per cent to \$68 billion in 2027. It will then return to rates of growth that are in proportion to underlying economic growth, hovering around 2 per cent.

Growth in infrastructure construction slowed last year. Growth in large-scale public transport projects has peaked and while there is still a large volume of work in hand there are now fewer announcements about new projects. Announcements about very large projects in electricity supply have been piling up over recent years. Approvals processes have delayed some of the larger proposals. The industry is adjusting and is now pivoting towards smaller scale, less complicated projects that have a greater probability of proceeding with less delay. Reflecting these developments work done is expected to lift modestly next year to \$105 billion. Spending in renewable energy supply will gather more momentum lifting to \$117 billion by 2027-28. (See Table 2.1).

The projected decline in *Heavy Industry including Mining* in 2026 reflects the base effect as work that commenced on a very large project last year will drop out of the growth picture next year. We are seeing fewer major projects being added to the database, suggesting that this category will see less growth in the medium-term outlook than it has seen in recent years.

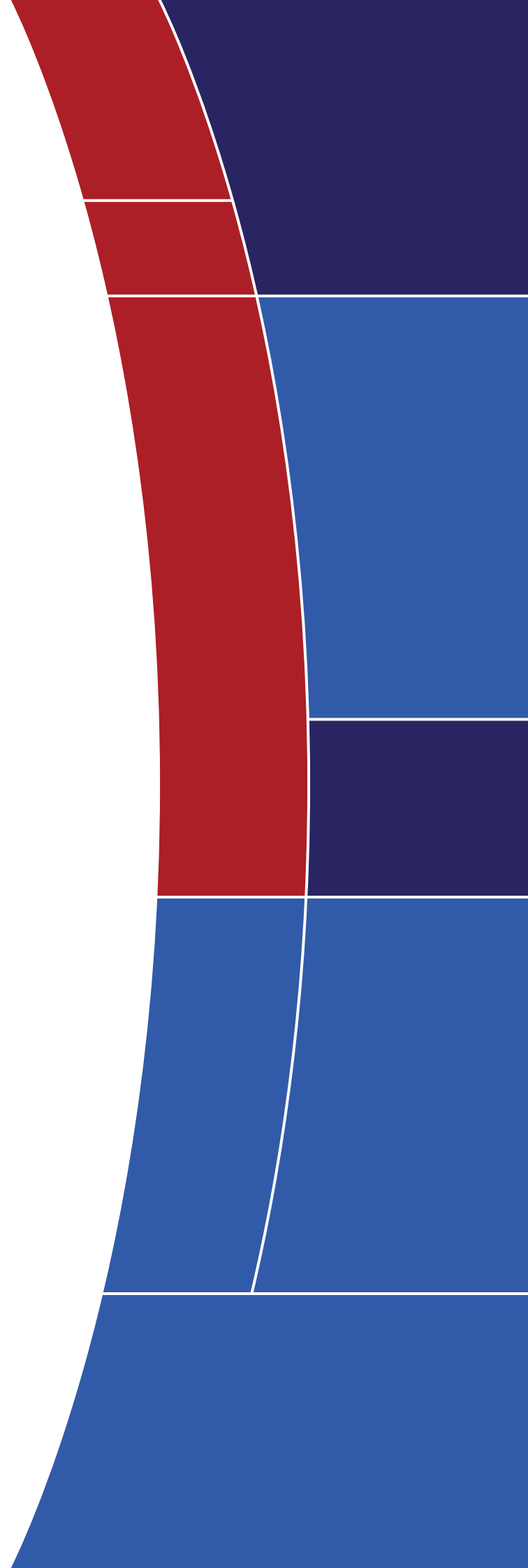
Figure 2.1 Australian Building and Construction Work Done (\$ billion, 2023-24 prices)



Note: CVM reference year 2023-24.

Source: ABS Building Activity, Engineering Construction, Annual National Accounts, and ACIF CFC

Forecasts Foundations



Forecasts Foundations

Stagflation risk returns

Interruptions to global oil supplies—sparked by the Iran War—led to oil prices rising by 60 per cent to around US\$110/bbl. This has raised concern about a return of global inflationary pressures, an increase in policy interest rates and lower economic growth (See Figure 3.1).

Global economy driving risk and volatility

The April 2026 IMF *World Economic Outlook* viewed that if the disruption was temporary, and if governments and central banks held their nerve, and did not overcompensate households and businesses, the situation would be manageable. The IMF reference scenario for a short-lived conflict projected a “weak but stable” global economy. Global growth is set at 3.1 per cent for 2026, with a slight recovery to 3.2 per cent in 2027. Global inflation is expected to rise modestly in 2026 before easing in 2027 under this scenario (See Figure 3.2).

Central banks in the advanced economies had been running down policy interest rates after suppressing the spike in inflation in mid-2022. Many central banks are now faced with a clear choice: look through to the other side of the fuel price surge or restart the business cycle and begin tightening rates. Up to early May 2026 most have elected to wait for additional information (See Figure 3.3).

Vulnerabilities in the Australian economy

The external oil supply shock and surging fuel prices are adding to underlying price pressures in Australia's economy, where demand was already outstripping capacity. Growth in Australia exceeded expectations in 2025. GDP rose by 0.8 per cent in the December 2025 quarter, bringing annual growth to 2.6 per cent (Figure 3.4).

Australia has become increasingly reliant on public spending. Rising public debt is eroding the government's ability to draw down on savings for the rainy days ahead. Weakening private sector investment, subdued productivity growth, and softening household spending are reducing Australia's resilience.

The problem is that even with moderate rates of growth Australia is seeing a rebound in inflation. The oil price situation adds an additional risk of embedding inflationary expectations. The RBA has acted firmly, tightening interest rates three times this year. Suddenly, Australia is contemplating the risk of stagflation with higher prices and little or no growth.

With a significant debt overhang from Covid era support, fiscal managers have some difficult choices to make. While there are strident calls for cost-of-living relief, governments have less room to manoeuvre. The recent federal budget has applied judicious spending support for the most vulnerable. The budget has also applied tax reform measures to pay for policy support. State Governments are also providing their own cost-of-living relief.

Australia may be attempting to weather this crisis with the two key policy levers moving in opposing directions—tightening monetary policy while also extending fiscal support. Budget support will add to demand, possibly confounding efforts to fight stubborn inflationary pressures. It is difficult to raise taxes without impacting on at least some consumers and businesses and disrupting their spending and investment.

Figure 3.1 Brent Crude Oil Price per barrel



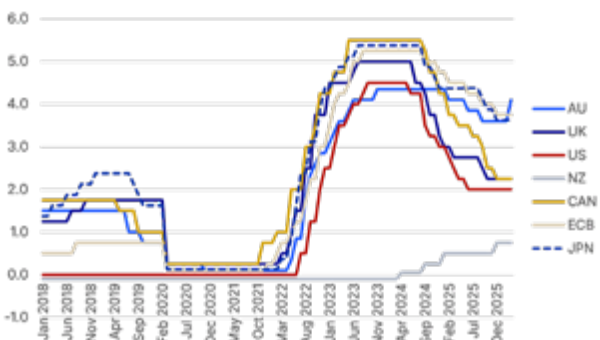
Source: Federal Reserve Bank of St. Louis

Figure 3.2 Growth in Global GDP



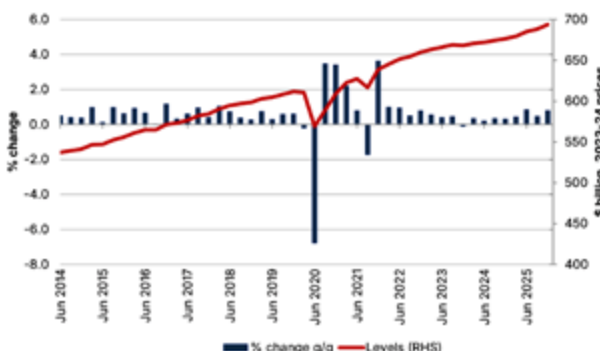
Source: IMF, WEO Update April 2026

Figure 3.3 Policy Interest Rates – Selected Advanced Economies



Source: Bank for International Settlements

Figure 3.4 Australian real GDP, chain volume measures, seasonally adjusted



Source: ABS Cat 5206.0

Forecasts Foundations

Building and construction industries

The key concerns (in addition to macro-economic issues) held by leaders in the building and construction industry as of early 2026 include:

Lingering labour shortages: We estimate that the industry requires an additional 168,000 workers over the next 5 years to meet underlying growth in demand. Shortages are particularly apparent for skilled trades, threatening to drive up wage demands once again.

Poor productivity: Labour shortages are connected to long-term productivity challenges faced by the construction industry. The record shows that change is essential. In terms of housebuilding, dwellings built per construction worker have declined by roughly 50 per cent since the 1970s.

High wage growth: The construction industry WPI (Wage Price Index) grew by 3.5% in the year to December 2025, continuing the pattern over the long run where wage costs have exceeded the average for all industries, leading to margin compression for builders.

Materials cost reprise: The level of materials prices is still stuck more than 40 index points higher than it was prior to Covid (see the level in the "All Index" in Figure 3.6). The industry is reliant on the transportation of heavy, bulky materials across the country, and it is inevitable that higher fuel prices will feed into materials costs if supply chain disruptions are sustained.

Regional hotspots: Cost pressures are particularly high in Brisbane and the Gold Coast (6-7 per cent expected increase), driven by pre-Olympic work. Price and cost pressures are also apparent in Perth where the industry is operating at or above capacity.

Persistent insolvencies: While there are signs of stabilisation, the construction industry continues to dominate ASIC's insolvency statistics accounting for a significant portion—roughly 27 per cent—of all corporate insolvencies. Over 2,800 construction insolvencies were recorded in FY2025. The structural conditions leading to builder insolvencies—fixed-price contracts, thin margins, and rising costs—are still in play.

Red tape: Delays and blockages in obtaining building approvals are a key source of anxiety for the industry. Government roundtables have identified that delays and blockages in planning approvals were a major obstacle to building new houses, with a consensus that reducing red tape and streamlining processes are crucial to increasing building supply. Substantive planning reforms are vital to restore growth and reduce the significant cost of delay.

Ongoing industrial relations issues: These include disputes over enterprise agreements, safety-related work stoppages, and allegations of corruption or unlawful coercion, particularly on large-scale projects.

Uncertainty adds pressure: While builders must plan many years ahead and enter long term arrangements with their customers and suppliers, the industry is beset with wave after wave of unanticipated change. The insolvency statistics show that those businesses that do not anticipate the future will fail.

There is little or no capacity for the industry to absorb cost increases. In the end, the higher costs faced by the industry – in elevated materials prices, higher wages, an increased regulatory burden and compliance costs, planning delays and higher interest rate costs – will be passed through to the customer, driving prices up.

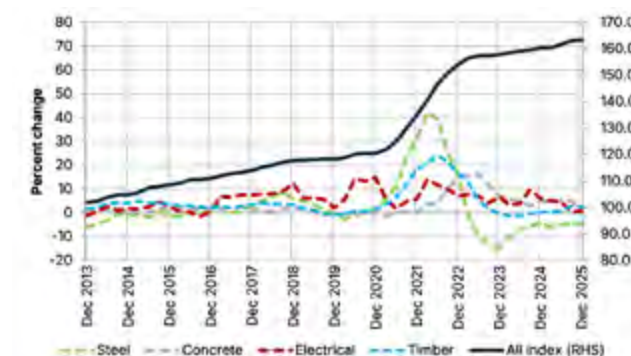
Figure 3.5 Wage Price Pressures



Note: Quarterly averages indexed to 2019=100.

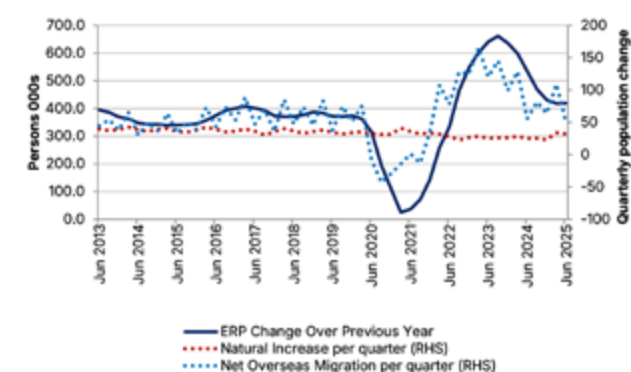
Source: ABS Cat No 6345.0

Figure 3.6 Price of Materials in House Construction



Source: ABS Cat No 6427.0

Figure 3.7 Population and Net Migration Levels (MAT)



Note: Rolling four quarter sum or Moving Annual Total (MAT).

Source: ABS Cat No 3101.0

Forecasts Foundations

Economic projections

Recycling the business cycle

While the geopolitical situation is inherently uncertain, and the implications of disruptions in critical energy supply chains are proving to be profound, we have been here before. Lessons from past economic difficulties—including the 2008 Global Financial Crisis (GFC) and the 2022 spike in energy prices and supply chain disruptions—demonstrate that a combination of coordinated fiscal and monetary policies can effectively steer the Australian economy toward calmer waters.

We foreshadow that the policy levers will again be deployed and drive another round of the shock-driven business cycle. This would involve the following elements and outcomes.

A short sharp spike in inflation: An uplift in inflation—driven by higher energy prices, adding to our pre-existing problems of high consumer demand exceeding supply and rising production costs—is already baked in. Headline CPI is expected to rise to an average of 4.9 per cent over the year, well up on the 2.8 per cent seen last year. While policy is expected to be effective in containing inflationary expectations, reflecting the firm stance approach adopted by the RBA in this cycle, the CPI is not expected to return to the RBA's 2–3 per cent target range until late 2027 or 2028.

Higher interest rates: The Reserve Bank of Australia (RBA) has signalled that rates may need to go higher to bring inflation back to target. Markets are pricing in further rate hikes in 2026, with estimates suggesting at least one more 25-basis-point increase, potentially raising the cash rate from 4.35 per cent to 4.6 per cent. This will be reflected in the forecast increase in the 90 Bank Bill rate.

A bump-up in unemployment: The labour market is slowing. Unemployment is expected to rise from recent lows to roughly 4.6 per cent–4.7 per cent by the end of 2026 and into mid-2027 as businesses face weaker demand and trim their workforce needs.

A brief lift in wages: Some increase in wages will be hard to avoid. We foreshadow that this will be contained to an uptick of 3.9 per cent in 2026. The WPI is expected to moderate in 2027, as the labour market softens.

A relatively strong exchange rate (AUD/USD): The Australian dollar has experienced appreciation due to higher interest rate expectations and higher domestic inflation outcomes. This also reflects some of the advantages Australia still receives as an energy exporter. A relatively firm Australian Dollar will help to contain inflationary pressures.

Subdued GDP growth: Real GDP growth is expected to falter in 2026. The surge in fuel prices, the uptick in inflation and the upward increments in interest rates will drag on household consumption and suppress private investment, including in dwelling investment. Growth is expected to fall to around 1.3 per cent, well down from 2025 levels, as business and households feel the squeeze of high prices and rates.

Table 3.1 Recent Economic Performance and Projections

	Metric (a)	Actual 2025	Forecast 2026	Forecast 2027	Forecast 2028
GDP growth	% change yoy	2.0	1.3	1.5	2.1
Unemployment rate	% yr avg	4.2	4.6	4.7	4.5
Wage Price Index	% yr yoy	3.4	3.9	3.3	3.2
CPI Inflation	% change yr avg	2.8	4.9	3.3	3.0
90 Day Bank Bill	% yr avg	3.8	5.0	4.0	3.5
Exchange Rate	AUD/USD yr avg	0.64	0.70	0.70	0.70

Note: (a) "yoy" = year-on-year. "Yr avg" = average of four quarters over financial year.

Source: Actual: ABS, Forecasts: ACIF CFC

Key risks in the macro-economic outlook

Global risks

The primary risk is a prolonged or worsening conflict in the Middle East, which threatens to sustain high energy prices (oil and LNG) and disrupt trade routes, particularly through the Strait of Hormuz. A longer or more severe conflict could put further upward pressure on global energy prices. The response to higher prices may be higher policy interest rates. Conversely, higher prices and prolonged uncertainty may cause households and firms to defer spending and business expansion decisions, reducing demand pressures which may oblige the RBA to review and possibly reverse their decision to tighten interest rates. Increased geo-strategic confrontation and rising protectionism—such as U.S.-China trade friction—continue to pose threats to supply chains and global productivity.

Productivity and policy support

The outlook and forecasted improvements are at risk if the necessary structural changes and policy support, particularly those aimed at boosting productivity in the building and construction industries, are not realized. Failure to achieve these changes would have serious negative implications, potentially jeopardizing improvements in housing supply and making increases in affordability unattainable.



Major Projects and the Outlook

Major Projects and the Outlook

Downtrend in the project pipeline deepens

The April 2026 refresh of the Major Projects Database showed continuation in the decline in the number and value of projects entering the development pipeline (see Table 4.1). The number of active projects entering the Database decreased again in the six months to April 2026. In total, only 489 new projects were entered, down from the 535 projects added over the six months to October 2025.

The real (inflation-adjusted) value of projects added to the Database rose to \$58 billion in the six months to April 2026, up from \$48.7 billion in October 2025. This slight recovery over the past half year belies the strong downturn over the year to April 2026 which saw the value of new projects decline by 51 per cent.

Trends by building and construction type

While all three sectors of construction saw strong downturns, the fall in value of new *Engineering Construction* projects entering the database was most pronounced, with April 2026 only one third the size of the equivalent value at the same time last year. *Residential Building* appears to have been impacted the least, however the drop in value and number of projects is still substantial. *Non-Residential Building* also saw a strong downturn of 30 per cent in the value of new projects added.

Table 4.1 Additions to the Major Projects Database (number and value of projects)

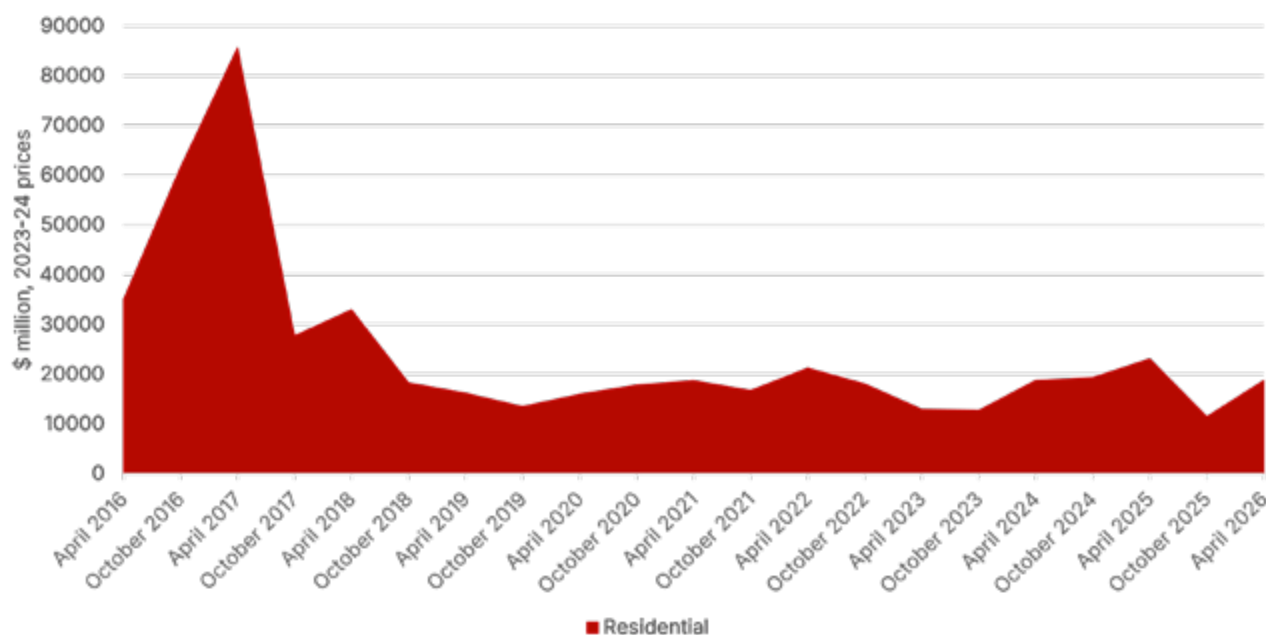
	6 months to October 2025		6 months to April 2026		Year to April 2026		Year to April 2026	
	Number	Value (\$ million)	Number	Value (\$ million)	Number	% change yoy	Value (\$ million)	% change yoy
Residential Building	178	11,401	209	18,704	387	-27	30,105	-29
Residential	178	11,401	209	18,704	387	-27	30,105	-29
Non-Residential Building	207	19,277	161	13,017	368	-34	32,294	-30
Accommodation	16	724	17	891	33	-37	1,615	-73
Education	49	2,407	37	1,870	86	-28	4,277	-28
Entertainment and Recreation	12	913	13	984	25	-24	1,897	44
Health and Aged Care	18	1,463	23	2,573	41	-31	4,036	9
Industrial	39	1835	33	2,628	72	-49	4,463	-56
Miscellaneous	26	9,163	12	922	38	73	10,085	1,086
Offices	20	1,034	9	1,839	29	-26	2,873	39
Other Commercial	8	882	7	919	15	-66	1,801	-87
Retail and Wholesale Trade	19	857	10	389	29	-41	1,246	-52
Engineering Construction	150	18,039	119	24,921	269	-31	42,960	-66
Roads	15	975	28	2,048	43	-25	3,023	-54
Bridges, Railways and Harbours	5	771	8	4,766	13	-46	5,537	213
Electricity and Pipelines	11	5,408	21	12,181	32	-82	17,589	-82
Water and Sewerage	10	651	10	1,433	20	5	2,084	-5
Telecommunications	0	0	0	0	0	0	0	0
Recreation and Other	12	1,081	13	496	25	-4	1,577	55
Heavy Industry including Mining	97	9,152	39	3,997	136	49	13,149	-34
Total	535	48,717	489	56,642	1,024	-31	105,359	-51

Note: Value in inflation-adjusted, 2023-24 prices.

Source: ACIF Major Projects Database and Cotality

Major Projects and the Outlook

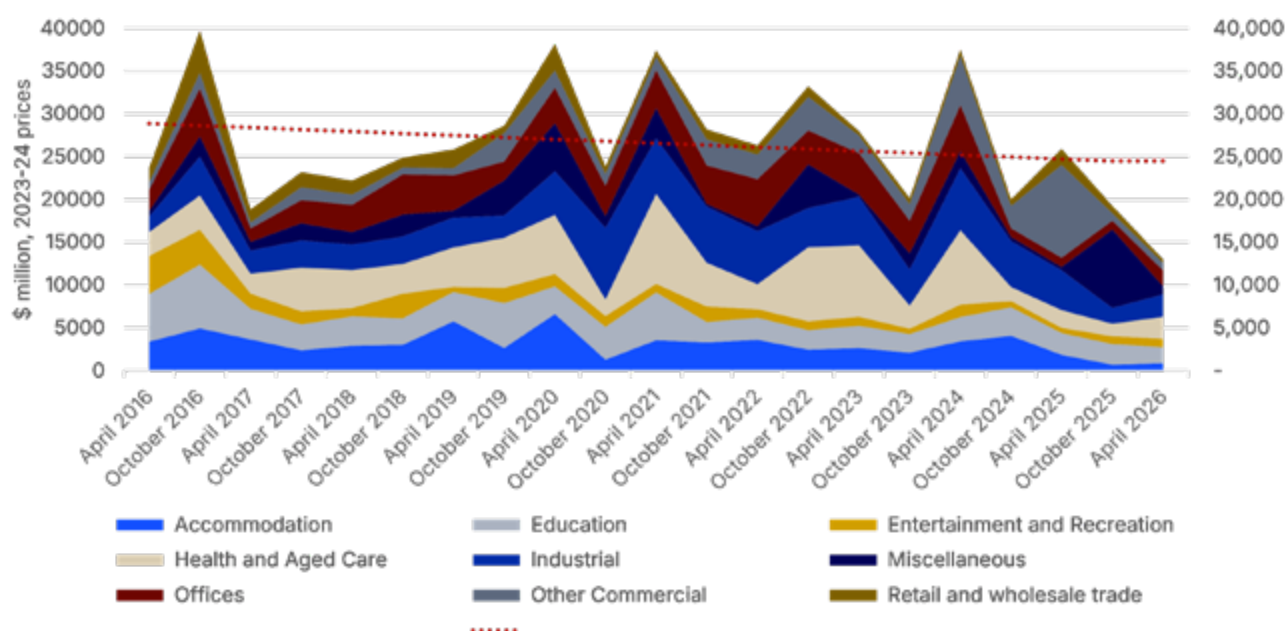
Figure 4.1 Value of Residential Building Projects Added to the Major Projects Database



Note: Value in inflation adjusted prices (Chain Volume Measures, reference year is 2023-2024).

Source: ACIF Major Projects Database and Cotality

Figure 4.2 Value of Non-Residential Building Projects Added to the Major Projects Database

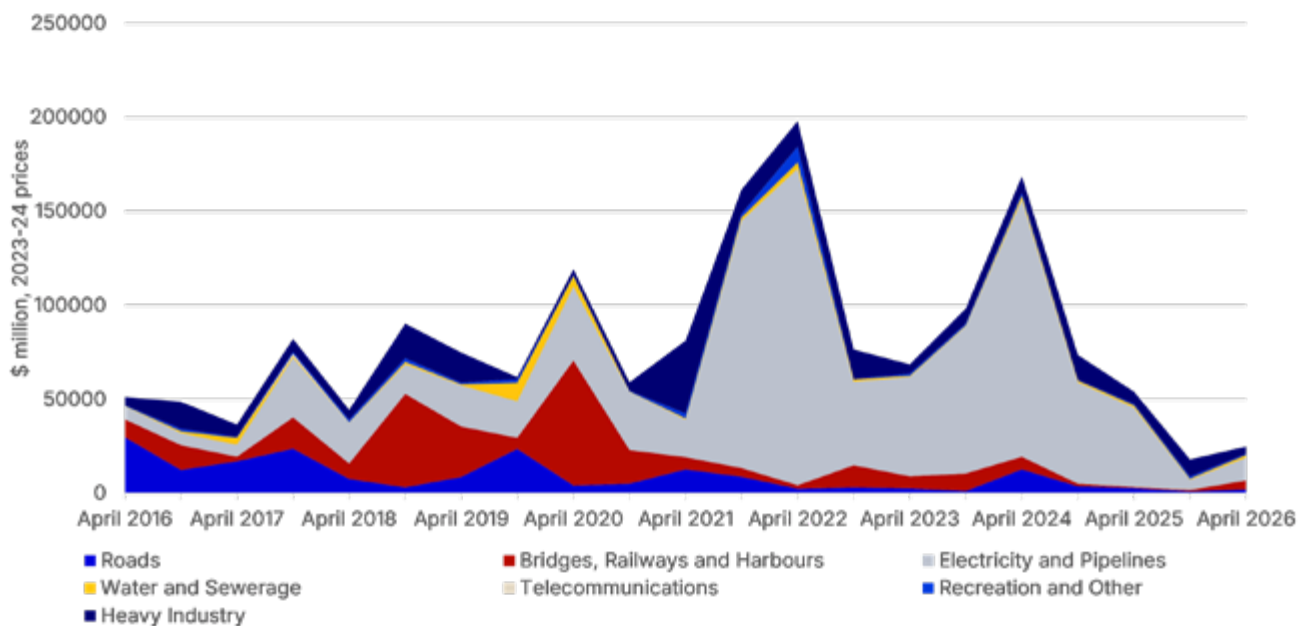


Note: Value in inflation adjusted prices (Chain Volume Measures, reference year is 2023-2024).

Source: ACIF Major Projects Database and Cotality

Major Projects and the Outlook

Figure 4.3 Value of Engineering Construction Projects Added to the Major Projects Database



Note: Value in inflation adjusted prices (Chain Volume Measures, reference year is 2023-2024).

Source: ACIF Major Projects Database and Cotality

Top 30 new additions list dominated once again by energy and transport

The top 30 largest projects added in the six-months to April 2026 are listed in Table 4.2.

Engineering Construction projects are on top of the list. This is a return to business as usual where large-scale energy and transport infrastructure dominate the list. It must be noted however that the value of new energy and transport projects represents a significant decline from the last six months and the previous year, where there were more than a dozen new projects with a value of at least one billion dollars and a handful of multi-billion-dollar projects. Nevertheless, the Tathra Wind Farm Eneabba and Tarraleah Hydropower Scheme Redevelopment are very worthy additions to the project pipeline.

Residential Building sees nine new projects in the top 30. One of these has a value of \$1.5 billion and there are several of a relatively large scale for this building type.

Major Projects and the Outlook

Table 4.2 Top 30 Largest Projects Added to the ACIF Major Projects Database

Project Name	Sector	State	Value (\$ million)	Status	Start Date	Project ID
TATHRA WIND FARM ENEABBA	Electricity and Pipelines	WA	\$4,500	Possible	Dec-27	8677299
PARRAMATTA LIGHT RAIL STAGE 2	Bridges, Railways and Harbours	NSW	\$3,900	Possible	Jun-26	8692487
TARRALEAH HYDROPOWER SCHEME REDEVELOPMENT	Electricity and Pipelines	TAS	\$2,000	Firm	Sep-27	8614921
ADVANCED RESOURCE RECOVERY CENTRE PRECINCT RESIDUAL WASTE TO ENERGY FACILITY DEVELOPMENT	Electricity and Pipelines	QLD	\$1,600	Possible	Jul-26	8531762
STAR OF THE SEA SOUTHPORT MIXED USE DEVELOPMENT STAGES 1-4	Residential	QLD	\$1,500	Possible	Feb-28	1926487
CRESSBROOK PUMPED HYDRO PROJECT (BIG-T)	Electricity and Pipelines	QLD	\$1,300	Early	Oct-30	8563641
TOWNSVILLE UNIVERSITY HOSPITAL EXPANSION STAGE 1A	Health and Aged Care	QLD	\$1,000	Registrations	May-26	8676659
GLENROWAN BATTERY ENERGY STORAGE SYSTEM WINTON	Electricity and Pipelines	VIC	\$900	Possible	Dec-26	8686980
OAKDALE EAST INDUSTRIAL ESTATE CONCEPT PLAN	Industrial	NSW	\$882	Commenced	Aug-24	8256735
1406-1408 ANZAC PARADE MIXED USE DEVELOPMENT	Residential	NSW	\$800	Possible	Mar-27	1478588
281 SPRINGVALE ROAD MIXED USE BUILDINGS STAGES 1 & 2	Residential	VIC	\$800	Possible	Feb-27	8685458
NORTH ROCKS VILLAGE MIXED USE DEVELOPMENT	Offices	NSW	\$785	Possible	Mar-28	8152508
KWINANA FREEWAY UPGRADE PROJECT	Roads	WA	\$700	Possible	Aug-26	8661102
LUMSDEN POINT GENERAL CARGO FACILITY & LOGISTICS HUB WHARFS WORKS PACKAGE 5A	Bridges, Railways and Harbours	WA	\$662	Commenced	Jan-25	8514969
MITCHELL RD & ASHMORE ST RESIDENTIAL DEVELOPMENT - PARK SYDNEY - OVERALL PROJECT	Residential	NSW	\$637	Commenced	Dec-23	1581722
SANDSTONE GOLD PROJECT	Heavy Industry	WA	\$606	Early	Jul-35	6888643
TARRONE POWER STATION PORT FAIRY	Water and Sewerage	VIC	\$600	Possible	Feb-27	1324580
STANLEY QUARTER WOOLLOONGABBA MIXED USE DEVELOPMENT STAGES 1 & 2	Residential	QLD	\$510	Possible	Jan-28	8686388
MUNMORAH POWER STATION REMEDIATION PROJECT	Electricity and Pipelines	NSW	\$500	Possible	Oct-26	1185553
NORTHERN GATEWAY BADGERYS CREEK	Residential	NSW	\$500	Possible	Mar-27	7269222
250-318 PARRAMATTA ROAD PADDOCK TO MARKETPLACE FLEMINGTON 2036 URBAN VILLAGE	Residential	NSW	\$500	Possible	Mar-27	7349336
SPRINGFIELD KNOWLEDGE PRECINCT	Residential	QLD	\$500	Possible	Mar-27	8139790
SYDNEY METRO WEST RAIL INFRASTRUCTURE TUNNEL METRO STATIONS & PRECINCTS STAGE 3	Bridges, Railways and Harbours	NSW	\$500	Possible	Dec-26	8161652
METRO WEST - HUNTER STREET STATION & PRECINCT	Other Commercial	NSW	\$500	Firm	Jun-26	8249528
HUNTER STREET EAST OVER STATION DEVELOPMENT - METRO WEST	Offices	NSW	\$500	Firm	Jun-26	8307654
HUNTER STREET WEST OVER STATION DEVELOPMENT - METRO WEST	Offices	NSW	\$500	Firm	Jun-26	8307668
HORNSBY TOWN CENTRE MASTERPLAN	Residential	NSW	\$500	Possible	Mar-27	8310627
MUSWELLBROOK PUMPED HYDRO ENERGY STORAGE PROJECT	Electricity and Pipelines	NSW	\$500	Possible	Feb-26	8488697
HEYWOOD BATTERY ENERGY STORAGE SYSTEMS	Electricity and Pipelines	VIC	\$500	Possible	Dec-26	8691311
TENNANT CREEK JOINT VENTURE COPPER/GOLD PROJECT	Heavy Industry	NT	\$462	Early	Oct-32	8339504



May 2026 Forecasts: The Big Picture

May Outlook – The Big Picture

Where has the work been in building and construction?

New *Residential Building* (including new houses and new attached dwellings) is the leading source of work in building and construction. (See Figure 5.1).

Relief in interest rates and a more accommodating macroeconomic environment lifted new residential building to \$90 billion by end 2025. It is notable that the level of work done in this building type is still well below the most recent peak in 2018 (the value of work done is calculated in real terms which accounts for inflation). Even the massive Covid era stimulus measures such as the HomeBuilder program have not been sufficient to return spending anywhere close to the levels achieved in 2018.

Work in residential alterations (including large and small alterations) is the third largest source of work, by value of work done. There was a mild uplift to end 2025 pushing this activity to \$55 billion. This was a rather lacklustre performance. Work on alterations has basically troughed and fallen from a peak in 2021 which was propelled by the Homebuilder program and a work-from-home renovation surge in the Covid era.

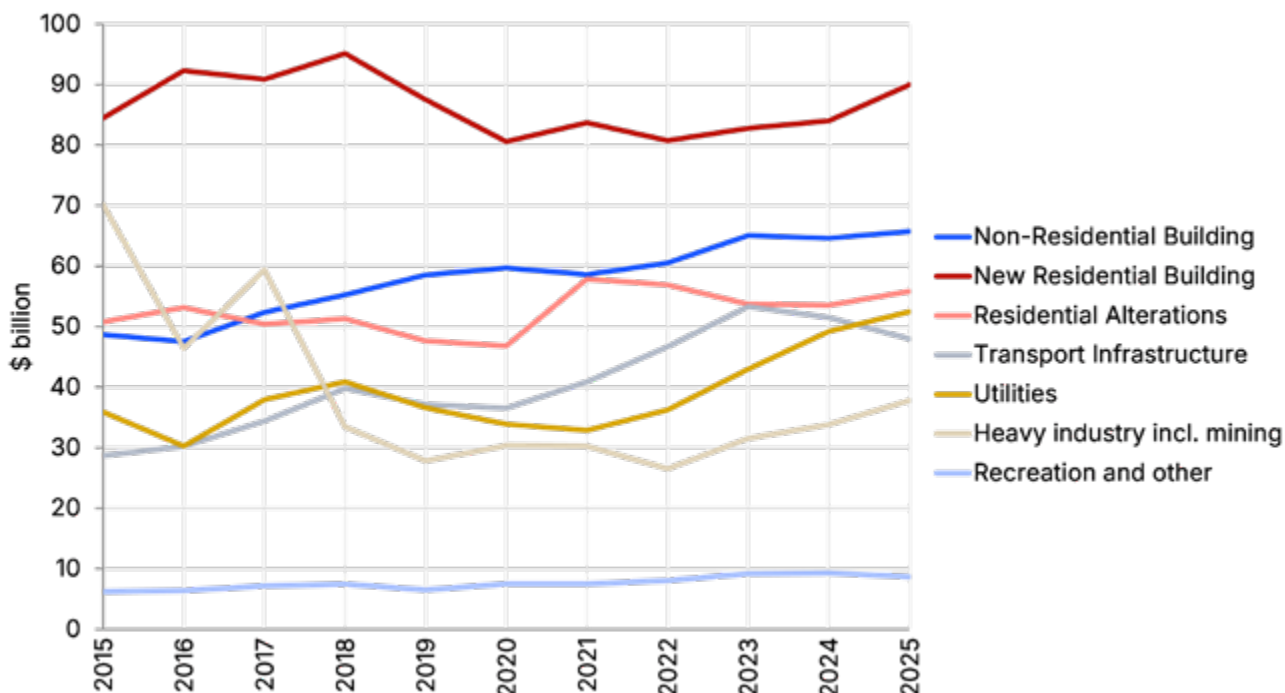
Non-Residential Building has maintained a steady if modest uptrend over the last decade. Growth tapered off over the last two to three years, but it was sufficient to propel this type to \$66 billion in 2025. *Industrial, Other Commercial* and *Health and Aged Care* saw an uplift in activity over recent years, while *Offices* and *Entertainment and Recreation* have been a drag on growth.

The value of work done in transport infrastructure peaked in 2023 with \$53 billion of work done. This reflected large increases in roads and in rail infrastructure, especially in large scale metro systems. *Roads* have been in decline in recent years which is the key driver in the reduction in overall transport infrastructure spending.

Work done in *Utilities* grew significantly in 2025 to reach \$52 billion. Declines in *Telecommunications* as the NBN roll out came to an end have been more than offset by substantial gains in *Electricity and Pipelines* and *Water and Sewerage*.

While far from a repeat of the mining boom, work done in *Heavy Industry including Mining* has been lifting over the last three years, rising to \$38 billion in 2025.

Figure 5.1 Australian Building and Construction Work Done (2023-24 prices, \$ billion)



Note: Financial year totals at 2023-24 constant prices.

Source: ABS Building Activity and Engineering Construction Surveys and ACIF CFC

May Outlook – The Big Picture

Where will the work come from next?

The May 2026 ACIF Forecasts project a decline in total building and construction activity over the remainder of 2026. The devil is in the detail, and we must dig deeper into the types and subcategories to see where the work will be and where it is expected to fall away. (See Table 5.1, Figure 5.2 and Figure 5.3).

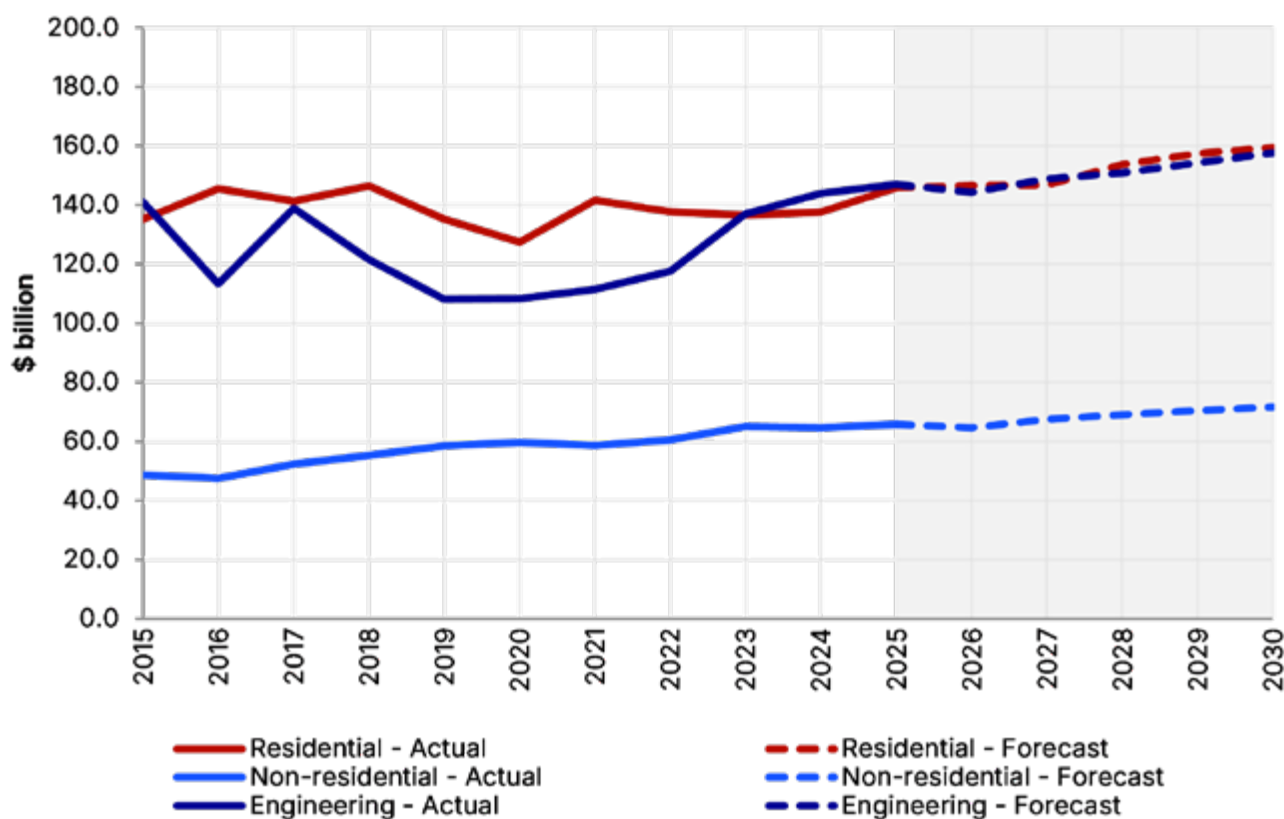
The recent increases in interest rates and the threat of more to come, will slow, but not eliminate, growth in *Residential Building* which is set to remain the largest of the three ACIF types in 2026. There will be a change in composition in *Residential Building* as *New Houses* slow and *New Other Residential* (mostly attached dwellings) continue to grow with relative strength reflecting public sector support and planning priorities. In the medium term, *Residential Building* activity is set to remain roughly on par with *Engineering Construction*.

Engineering Construction will experience a drop in work done in 2026. This type draws together transport infrastructure, utilities, *Heavy Industry including Mining* and other construction activities. Transport infrastructure projects including in *Roads and Bridges*, *Railways and Harbours* have been overtaken by a ramp up in clean energy projects in *Electricity and Pipelines* as well as *Water and Sewerage*. Activity in *Heavy Industry including Mining* is now expected to level out. Taking these influences together, growth is expected to maintain at reasonable, if less exciting, levels for the next five years, lifting *Engineering Construction* to \$158 billion by 2030

Non-Residential Building is the smallest of the three ACIF types. Overall, the volume of work in this sector is expected to contract by 1.6 per cent in 2026. The situation and outlook for this type of building reflects the diverse trends in its subcategories. Strength in building of data centres and defence facilities will generate a lift in the subcategories of *Other Commercial* and *Miscellaneous*. *Entertainment and Recreation* is expected to see a rebound with several large stadiums on the slate in the next few years. The earlier surge in *Industrial* has flattened out and this subcategory is expected to dip over the next few years, along with *Offices*. As a result, *Non-Residential Building* is expected to see only modest growth over the next five years.

We expect that building and construction activity will emerge from the uncertainties of the oil price surge and return to moderate growth in the medium term. Not every type and category will emerge as a winner in this race. The remainder of the report provides a guide that may help industry to navigate around uncertainties and key risks in the outlook.

Figure 5.2 Mid-Term Outlook for Work Done by Type (2023-24 prices, \$ billion)



Note: Financial year totals at 2023-24 constant prices.

Source: ABS Building Activity and Engineering Construction Surveys and ACIF CFC

May Outlook – The Big Picture

Table 5.1 Building and Construction Work Done by Type (CVM, 2023-24 prices)

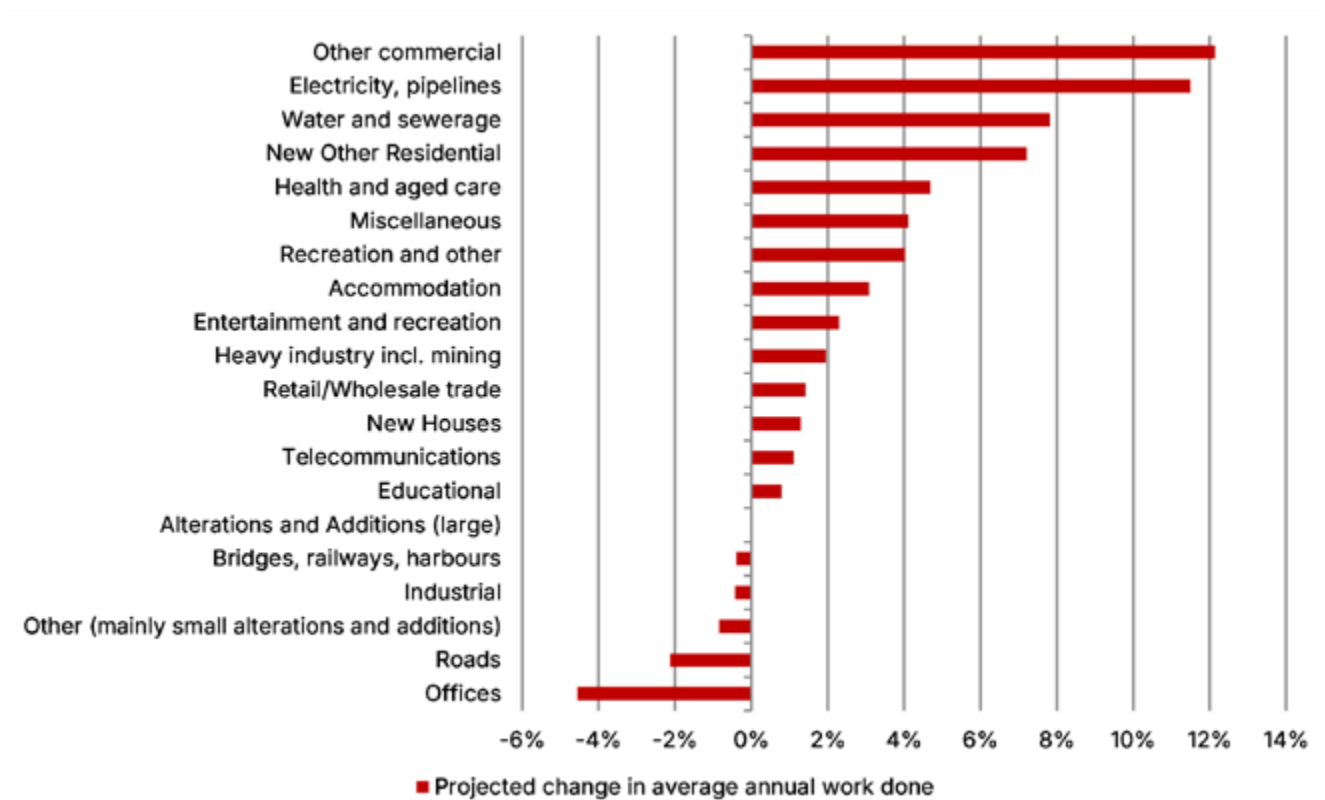
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	Actual (\$ billion)					Forecast (\$ billion)				
Residential Building	141.6	137.7	136.5	137.6	145.8	146.6	146.7	153.6	157.4	159.5
Non-Residential Building	58.6	60.5	65.1	64.6	65.7	64.7	67.5	69.0	70.4	71.7
Engineering Construction	111.5	117.6	137.0	143.9	146.9	144.2	148.9	150.8	154.2	157.6
Total Construction	311.7	315.8	338.6	346.0	358.5	355.5	363.1	373.4	382.0	388.7
	% change (YoY)					% change (YoY)				
Residential Building	0.0	-2.8	-0.8	0.8	6.0	0.5	0.1	4.7	2.4	1.3
Non-Residential Building	4.0	3.3	7.5	-0.7	1.8	-1.6	4.4	2.2	2.1	1.8
Engineering Construction	-1.0	5.4	16.6	5.0	2.1	-1.9	3.2	1.3	2.3	2.2
Total Construction	0.4	1.3	7.2	2.2	3.6	-0.8	2.2	2.8	2.3	1.8

Note: "YoY" = year-on-year.

Source: ABS and ACIF CFC

Reflecting these trends and cycles total or aggregate building work done is expected to fall by 0.8 per cent this year to \$355 billion (in real terms in 2023-24 prices). Detailed forecasts and the factors that shape them are provided in the rest of this report.

Figure 5.3 Australia - Projected change in average annual activity over the next five years



Note: Calculated by comparing the average activity over the past five years to the projected average activity over the next five years

Source: ABS and ACIF CFC

May Outlook – The Big Picture

Building and construction employment

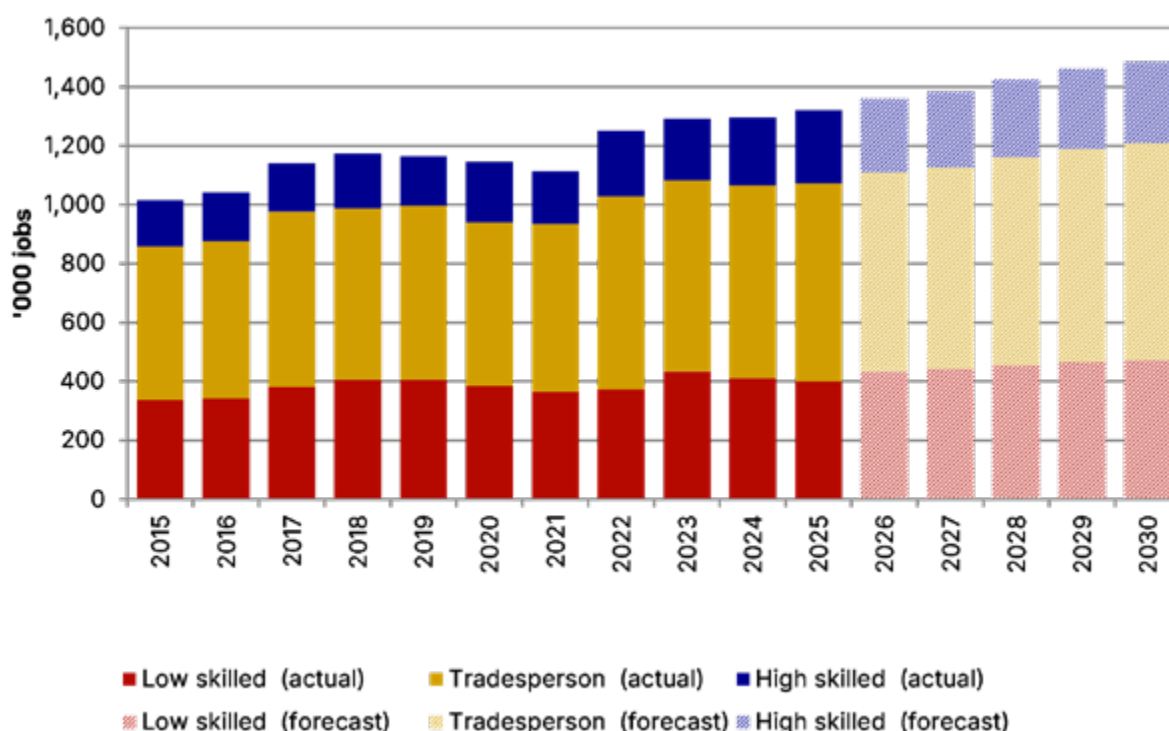
Employment in building and construction fell by 0.5 per cent to 1.36 million jobs by the end of 2025. In August 2025, construction employment made up 9.2 per cent of total Australian employment.

Construction employment is expected to grow by around 0.7 per cent this year and at an average rate of around 2 per cent per annum in the medium term, aligning with the ACIF Forecasts for work done. This growth would lift the number of persons employed in the industry to 1.5 million by 2030, an increase of about 168,000 workers.

Industry sources are concerned about finding enough employees to meet demand. The shortage of skilled workers is often cited as a key factor impacting efforts to reach the government's housing supply target. Despite easing job vacancies due to slower employment growth and reduced labour market pressure, key trades are still in short supply.

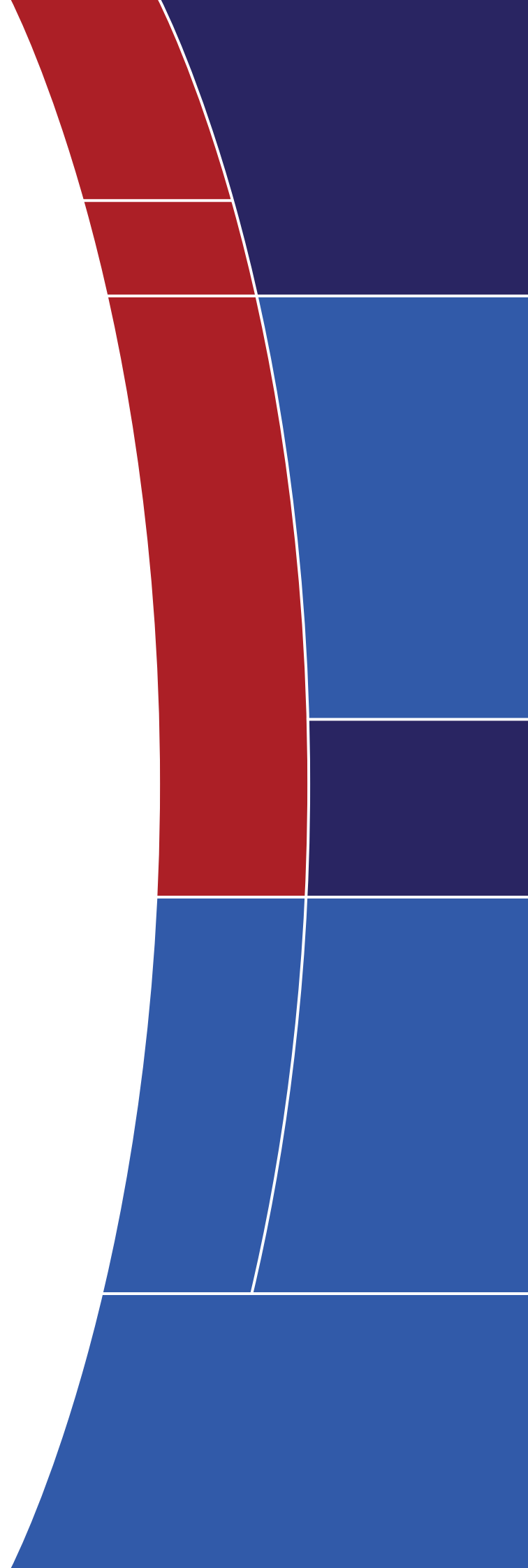
Poor productivity performance is one of the key drivers of nearly perpetual shortages of staff and skilled trades. In their February 2025 report, the Productivity Commission found that dwelling construction productivity has been stagnant at least for 30 years with the sector struggling to find and retain skilled workers. Complex and slow approvals processes, lack of innovation and workforce issues are the main factors that hinder productivity growth. The Productivity Commission found that policy improvements such as more transparent and coordinated building approvals, removing impediments to innovation and improving workforce mobility and flexibility could improve the situation.

Figure 5.4 Construction Industry Employment by Skill ('000 persons)



Source: ABS and ACIF CFC

Residential Building



Residential Building

Headwinds to knock down growth

Residential Building activity recovered last year, recording growth of 6.0 per cent in 2025. The industry responded well, as it normally does, to a series of reductions in interest rates up to August 2025.

Regrettably, the industry will be equally responsive to tightening monetary policy. The RBA delivered three consecutive increases of 25 basis points in the official rate up to May 2026. There are strong signs in the first half of 2026 that the market views that underlying price pressures, combined with the surge in inflation driven by the oil price crisis, will force the RBA to apply further hikes in interest rates.

Expectations about further interest rate increases have already reduced borrowing capacity. Mortgage stress is expected to rise. Auction clearance rates have dropped (some below 55 per cent in late March 2026), pointing to cooling of buyer demand.

While housing demand had been supported by population growth, the market is now shifting towards a moderation in demand and sales volumes have fallen below the five-year average.

There are fears about a new surge in construction costs exacerbated by the fuel crisis. Some pass-through of higher costs throughout supply chains is probably inevitable -- although the timing and size of the increase is uncertain. The increased risk and uncertainty point to difficulties in settling building contracts that will drag on building activity while buyers and sellers adjust.

Some in the building and construction industries are bracing for a “nightmare” cost push inflation path that would drive a spike in costs, force a sharp increase in interest rates, driving up the cost of debt, while creating a slowdown in both demand for housing and the ability to build it.

While not embracing the nightmare scenario the ACIF Construction Forecasting Council projects that the difficulties ahead will knock down growth in *Residential Building* activity from 6 per cent in 2025 to just half of one percent in 2026. The outlook for 2027 is for a weakened growth again. A mild recovery is projected in the medium term.

Table 6.1 Residential Building (Value of Work Done, CVM, 2023-24 prices, \$ million and % change)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	Value of Work Done (CVM, \$ million)					Forecast (\$ million)				
New Houses	56,021	51,280	51,842	51,612	54,485	54,339	54,560	56,288	58,157	59,054
New Other Residential	27,688	29,489	30,949	32,413	35,490	38,916	41,941	43,129	43,917	44,411
Large Alterations and Additions	15,388	14,657	14,138	13,884	14,766	14,020	13,080	15,010	15,205	15,460
Other (Mainly Small Alterations and Additions)	42,492	42,240	39,576	39,651	41,057	39,308	37,157	39,220	40,118	40,566
Residential Building	141,589	137,666	136,505	137,560	145,798	146,583	146,737	153,647	157,397	159,490
	% change (YoY)					% change (YoY)				
New Houses	14.6	-8.5	1.1	-0.4	5.6	-0.3	0.4	3.2	3.3	1.5
New Other Residential	-12.7	6.5	5.0	4.7	9.5	9.7	7.8	2.8	1.8	1.1
Large Alterations and Additions	15.6	-4.8	-3.5	-1.8	6.4	-5.1	-6.7	14.8	1.3	1.7
Other (Mainly Small Alterations and Additions)	26.8	-0.6	-6.3	0.2	3.5	-4.3	-5.5	5.6	2.3	1.1
Residential Building	11.1	-2.8	-0.8	0.8	6.0	0.5	0.1	4.7	2.4	1.3

Note: Figures are financial year totals at constant 2023-24 prices.

Source: ABS Building Activity Survey and ACIF CFC

Residential Building

Overview of the Residential Building pipeline

The value of residential building approvals has been in recovery since the end of 2023. (See Figure 6.1).

There were many factors driving the recovery in residential approvals, but it is very likely that three interest rate reductions over 2024-25 were an important factor.

Approvals for *New Houses* was the first sub-sector to recover from the trough in demand. While slower than *New Houses*, approvals for *New Other Residential* have also been ramping up. The most recent data suggests that this sub-sector accelerated sharply.

The upturn in approvals has translated into an upturn in dwelling commencements or starts. Most of the early growth was in new house starts. *New Other Residential* starts were slower to respond at first, but they have now overtaken new house starts. (See Figure 6.2).

This may reflect supply side constraints. Stand-alone houses are less vulnerable to planning and other delays. Planning delays can be a problem for higher density developments, but once they start to come through, they arrive in large numbers because of the density and scale of projects.

At the other end of the building pipeline, the situation for dwelling completions is subject to many complexities. Completions were remarkably stable during the period when approvals and commencements reached their historic highpoint. Completion numbers have been dropping off recently despite the uplift in commencements. This points to an elongation in the building time or development lag, especially for new other building types such as apartments (See Figure 6.3).

The recent dip in dwelling completions is consistent with the concerns raised by industry sources about problems with planning delays, the growing regulatory burden, poor productivity, and possibly also points to issues about the capacity of the industry to cope with its renewed workflow.

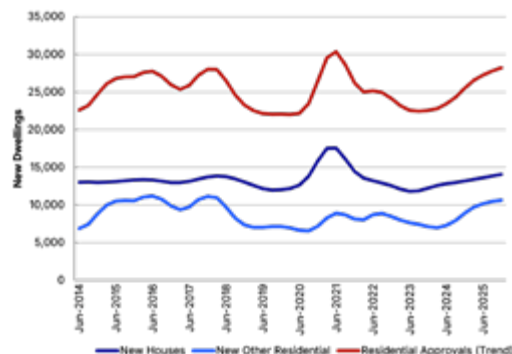
One consequence of these divergent trends is the recent uptick in number of dwellings in the building pipeline. The uptick is almost entirely due to a lift in numbers in new other dwellings. Numbers of new houses in the pipeline has been relatively stable. This suggests that the elongation of development time is most pronounced on higher density building projects. (See Figure 6.4).

Two implications from these observations are useful when framing forecasts.

1. Housebuilding responds in real time to changes in the market without much of a lag.
2. Building of new other dwellings (such as apartments) are subject to lengthening lags.

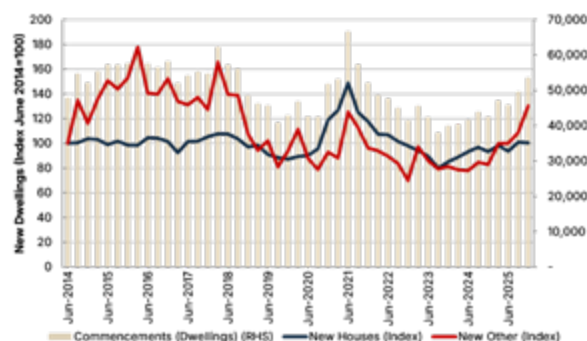
This means that it takes time for this segment to respond to changes in the market environment, but when they do flow through, the accumulation of projects in the development pipeline means that swings tend to have a great deal of momentum behind them that is often carried forward for some time.

Figure 6.1 Residential Building Approvals (\$2023-24 million)



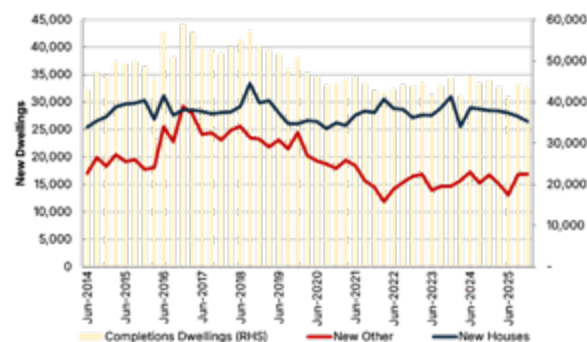
Source: ABS Cat. No. 8731

Figure 6.2 Commencements (dwellings)



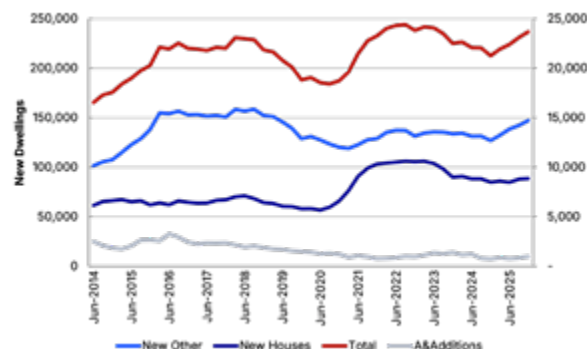
Source: ABS Cat. No. 8752

Figure 6.3 Completions (dwellings)



Source: ABS Cat. No. 8752

Figure 6.4 Building Pipeline (dwellings)



Source: ABS Cat. No. 8752

Residential Building

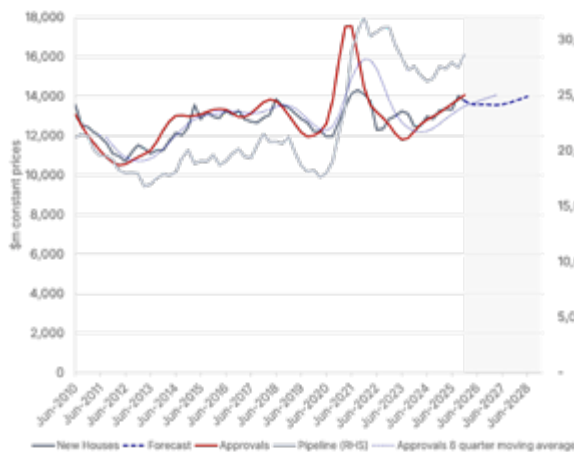
Forecasts for Residential Building

The outlook differs by subcategory (see Figure 6.5).

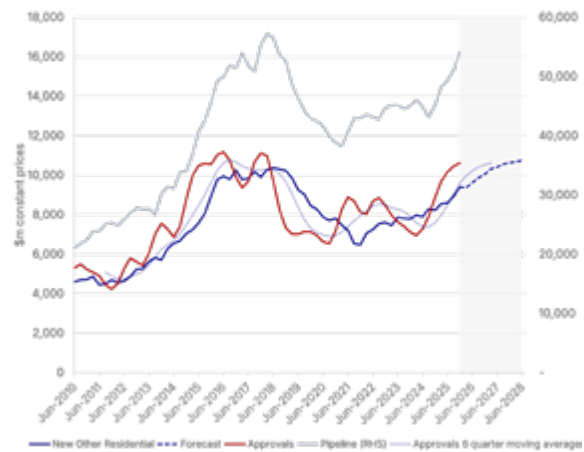
- **New Houses** – will contract by 0.3 per cent over 2026. New houses are subject to a shorter lag between the time that buyers obtain finance, find a builder, obtain approvals and commence building. They are very responsive to changed market conditions, especially to changes in interest rates. The increases in rates seen in early 2026 is expected to dampen demand (See Figure 6.5a).
- **New Other Residential** – growth in work in the development pipeline will carry forward into strong growth in 2026. Buildings in this category, especially higher-density multi-story buildings, are subject to prolonged lags as it takes time to obtain finance, secure pre-sales, obtain approvals and complete construction activities which frequently involve multi-year delays. The result is that much of the activity in any one year is predetermined by decisions taken a few years earlier. The category also benefits from planning, policy and financial support from Commonwealth and State Governments that will buoy activity. (See Figure 6.5b).
- **Large Alterations and Additions** – inflation driven stress in consumer budgets and higher interest rates will depress consumer confidence and spending in large alterations and additions (that require development approvals). (See Figure 6.5c).
- **Small Alterations and Additions** – consumers are expected to trim their discretionary spend. This category often follows a similar trajectory as *Large Alterations and Additions*. A significant dip in activity is in prospect in this year and in 2027. (See Figure 6.5c).

Figure 6.5 Residential Building – Work Done, Approvals, Work in the Pipeline and Dwelling Completions

a) New Houses



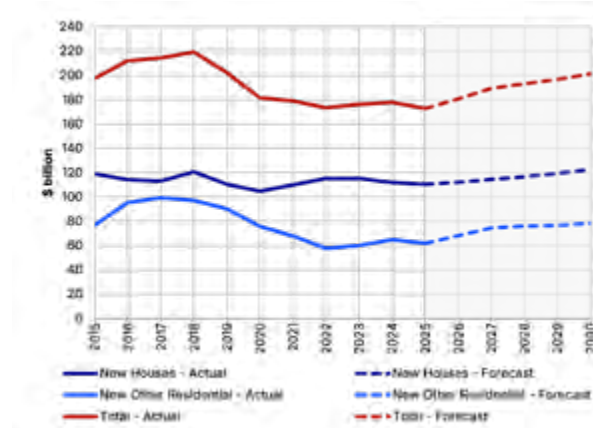
b) New Other Residential



c) Large and Small Alterations and Additions



d) Dwelling completions



Note: Series are seasonally adjusted quarterly levels at 2023-24 constant prices. Work in the pipeline includes work that has been commenced but is yet to be done and work that has been approved but not yet commenced.

Source: ABS Building Approvals, Building Activity, and ACIF CFC

Residential Building

Key trends in dwelling completions

The ACIF Forecasts measure completions because they provide an indication of when the supply of dwellings is available to meet demand. The outcome of recent policy announcements and programs pursued by government are expressed in terms of dwellings delivered and available for people to live in, which also puts the emphasis on completions.

Some key points from the revised forecasts (shown in Table 6.2 and in Figure 6.5d) are that:

- Total completions are expected to increase in 2026. The number of completions lags other indicators (work done and commencements etc) and so they increase in 2026 because of the increase in commencements and work done in 2025.
- Strong growth in completions in *New Other Residential* dwellings will drive growth in the number of dwellings completed this year and next.
- The impact of tighter monetary policy settings in 2026 and 2027 will be felt in completions statistics in the medium term. Based on experience in previous monetary policy cycles, higher interest rates work by deferring rather than cancelling projects in the residential development pipeline.
- Overall, the forecasts project that there will be 961,000 new dwelling delivered to the market over the five years to 2030.
- The forecasts suggest that the National Housing Accord target, to build 1.2 million new, well-located homes over five years, starting from 1 July 2024, will not be met.

Some industry participants in the CFC said that they felt that these projections were too optimistic. They view that the constraints that have impeded expansion of supply of dwellings such as high materials prices, growing labour costs, planning delays, poor productivity, have not been resolved. The threat of higher fuel prices, higher interest rates and a drop off in demand will add to these pressures. It may take longer to unwind these issues than reflected in the present forecasts. These issues should be added to the key risks to the outlook.

Table 6.2 Residential Completions by Sub-sector

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	Actual Completions (thousand dwellings)					Forecast (thousand dwellings)				
New Houses	110	115	115	112	110	112	114	117	119	122
New Other Residential	68	58	60	65	62	68	74	76	77	78
Alterations and Additions	1.2	0.6	0.8	1.3	0.5	0.5	0.5	0.5	0.6	0.6
Residential Building	179	173	176	178	173	181	189	193	197	201
	% change (YoY)					% change (YoY)				
New Houses	5.1	4.8	0.1	-3.0	-1.3	1.5	2.1	1.8	2.4	2.6
New Other Residential	-10.4	-15.0	4.0	8.0	-4.7	10.2	9.4	2.0	0.9	2.1
Alterations and Additions	2.7	-51.9	51.2	51.2	-56.9	-5.0	-6.3	10.7	4.0	-0.5
Residential Building	-1.4	-3.1	1.5	1.0	-2.9	4.6	4.8	1.9	1.8	2.4

Note: Figures for Alterations and Additions include conversions such as of warehouses or office space to residential.

Source: ABS Building Activity and ACIF CFC

Residential Building

Table 6.3 Top 30 Residential Building Projects added to the Major Projects Database

Project Name	State	Value (\$ million)	Status	Start Date	Project ID
STAR OF THE SEA SOUTHPORT MIXED USE DEVELOPMENT STAGES 1-4	QLD	1,500	Possible	Feb-28	1926487
1406-1408 ANZAC PARADE MIXED USE DEVELOPMENT	NSW	800	Possible	Mar-27	1478588
281 SPRINGVALE ROAD MIXED USE BUILDINGS STAGES 1 & 2	VIC	800	Possible	Feb-27	8685458
MITCHELL RD & ASHMORE ST RESIDENTIAL DEVELOPMENT - PARK SYDNEY - OVERALL PROJECT	NSW	637	Commenced	Dec-23	1581722
STANLEY QUARTER WOOLLOONGABBA MIXED USE DEVELOPMENT STAGES 1 & 2	QLD	510	Possible	Jan-28	8686388
NORTHERN GATEWAY BADGERYS CREEK	NSW	500	Possible	Mar-27	7269222
250-318 PARRAMATTA ROAD PADDOCK TO MARKETPLACE FLEMINGTON 2036 URBAN VILLAGE	NSW	500	Possible	Mar-27	7349336
SPRINGFIELD KNOWLEDGE PRECINCT	QLD	500	Possible	Mar-27	8139790
HORNSBY TOWN CENTRE MASTERPLAN	NSW	500	Possible	Mar-27	8310627
JANE ELIZA WATERFRONT ESTATE MASTERPLAN	SA	400	Possible	Mar-28	8323327
52 & 66 HILLIER ROAD MIXED USE DEVELOPMENT STAGES 1-4	SA	400	Possible	Jan-28	8680273
QUEENS PLACE TOWER - 350 QUEEN STREET MELBOURNE - STAGE 2	VIC	375	Possible	Mar-27	1803152
LA PELAGO	QLD	350	Possible	May-22	8226214
MOOLAP COASTAL STRATEGY PLAN	VIC	300	Possible	Mar-27	7088999
676-722 & 7002 RIPLEY ROAD MIXED USE DEVELOPMENT STAGES 1-9	QLD	300	Possible	Apr-28	8395476
PLAZA PARADE MAROOCHYDORE MIXED USE DEVELOPMENT	QLD	300	Possible	Jan-28	8689409
ROZELLE VILLAGE WAGGA WAGGA MIXED USE DEVELOPMENT	NSW	285	Commenced	Feb-26	2014880
DUET PORTSIDE WHARF HAMILTON MIXED USE DEVELOPMENT	QLD	250	Possible	Mar-27	8411292
DEFENCE HOUSING NSW REGIONS - NEW BUILDS VOLUME LEASING PROGRAM	NSW	250	Possible	Mar-27	8539779
DEFENCE HOUSING ACT REGIONS - NEW BUILDS VOLUME LEASING PROGRAM	ACT	250	Possible	Mar-27	8539802
DEFENCE HOUSING ADELAIDE REGIONS - NEW BUILDS VOLUME LEASING PROGRAM	SA	250	Possible	Mar-27	8539867
BREAKWATER POINT RESIDENTIAL & HOTEL MIXED USE DEVELOPMENT	QLD	250	Early	Feb-27	8603278
77 CASTLE STREET CASTLE HILL RSL CLUB SENIORS LIVING PRECINT - MONASH RESIDENCE	NSW	242	Possible	Mar-27	7336039
707-725 WELLINGTON & MURRAY STREETS MIXED USE DEVELOPMENT	WA	230	Possible	Jan-27	8686849
BOX HILL TOWN CENTRE PRECINCT	NSW	226	Commenced	Nov-25	6857495
TOWER 12 APARTMENTS & COMMERCIAL	VIC	200	Possible	Dec-26	8691735
55 BOUNDARY STREET MIXED USE DEVELOPMENT STAGES 1 & 2	QLD	200	Possible	Feb-28	1461192
PALMERA RESIDENCES SURFERS PARADISE APARTMENTS & FOOD & BEVERAGE	QLD	200	Possible	Mar-27	6880260
MOORABOOL & MALOP STREETS MIXED USE DEVELOPMENT	VIC	200	Possible	Nov-26	8615580
MINGARA RECREATION CLUB SENIORS HOUSING TUMBI UMBI	NSW	172	Possible	Dec-25	8585753

Source: ACIF Major Projects Database and Cotality

Non-Residential Building



Non-Residential Building

A mixed picture

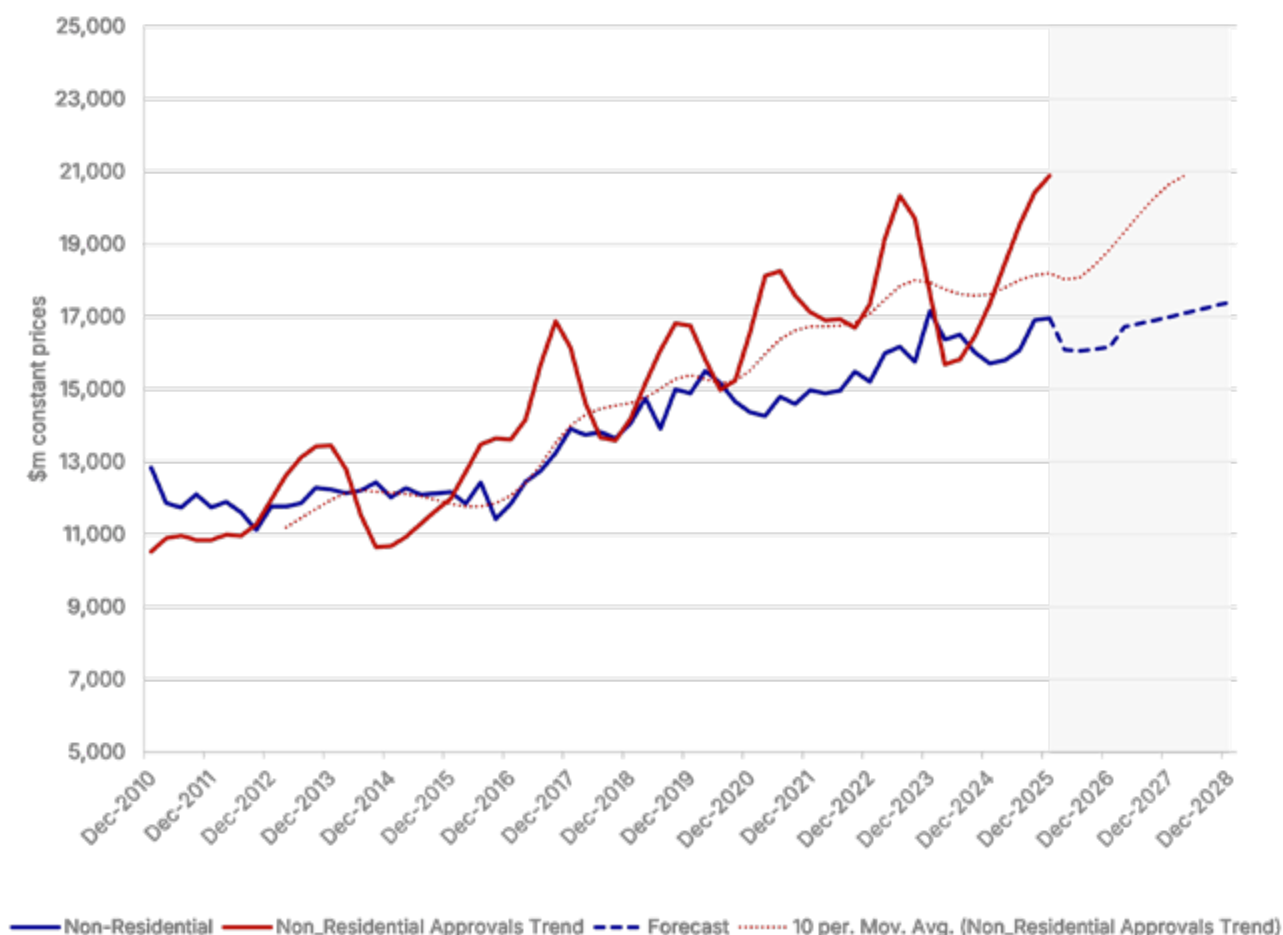
Non-Residential Building activity grew by 1.8 per cent in 2025. This was driven by a one-off increase in Defence spending and in *Accommodation*, which exceeded the predicted decline in *Offices* and sustained softening in *Industrial*.

Looking forward to 2026 we expect a tougher time ahead for *Non-Residential Building*. We view that the recent surge in approvals has reached its peak. The trend decline in new major projects in *Non-Residential Buildings* weighs heavily in our thinking. This foreshadows an imminent trough in new projects entering the development pipeline. This has been a reasonably reliable leading indicator slightly ahead of approvals in the past – including in the Covid crisis and in the GFC slowdown.

We are also concerned that heightened uncertainty about current economic conditions and policy settings will encourage CFOs and managers of the public sector budgets to exercise additional caution. This may not result in cancelation of projects; indeed, budgets may well include many announcements to shore up confidence, but it could result in the delay or commencement of new projects while the dust settles.

The forecast for 2026 involves a decline of 1.6 per cent in *Non-Residential Building* activity. The key drivers of the outlook are a sustained major decline in *Offices* and *Industrial*. In our view the forecast growth in subcategories including *Accommodation*, *Education*, *Health and Aged Care*, *Miscellaneous* (which includes defence), and *Other Commercial*, will not be sufficient to fully offset the decline in *Offices*. (See Figure 7.1 and Table 7.1).

Figure 7.1 Non-Residential Building – Work Done and Approvals



Note: Series are seasonally adjusted quarterly levels at 2023-24 constant prices. Work in the pipeline includes work that has been commenced but is yet to be done and work that has been approved but not yet commenced.

Source: ABS Building Approvals, Building Activity Survey and ACIF CFC

Non-Residential Building

Focus on data centres and Other Commercial

A massive surge in the number and size of data centres being announced and entering the building development pipeline has attracted much attention. These are essential to accommodate rising storage demands from businesses and households amid ongoing growth in online services. Investment, especially in so-called hyperscale data centres, has increased rapidly.

Data centres are not new to Australia, or the ACIF Major Projects Database. They are counted in the *Other Commercial* ACIF subcategory. *Other Commercial* includes buildings used in commercial trade that are not counted elsewhere. It also includes those associated with transport hubs and associated facilities, as well as car parks and data centres. Activity in this category is also benefiting from the spin-offs from airport terminal upgrades in Brisbane and Melbourne, as well as train and metro stations.

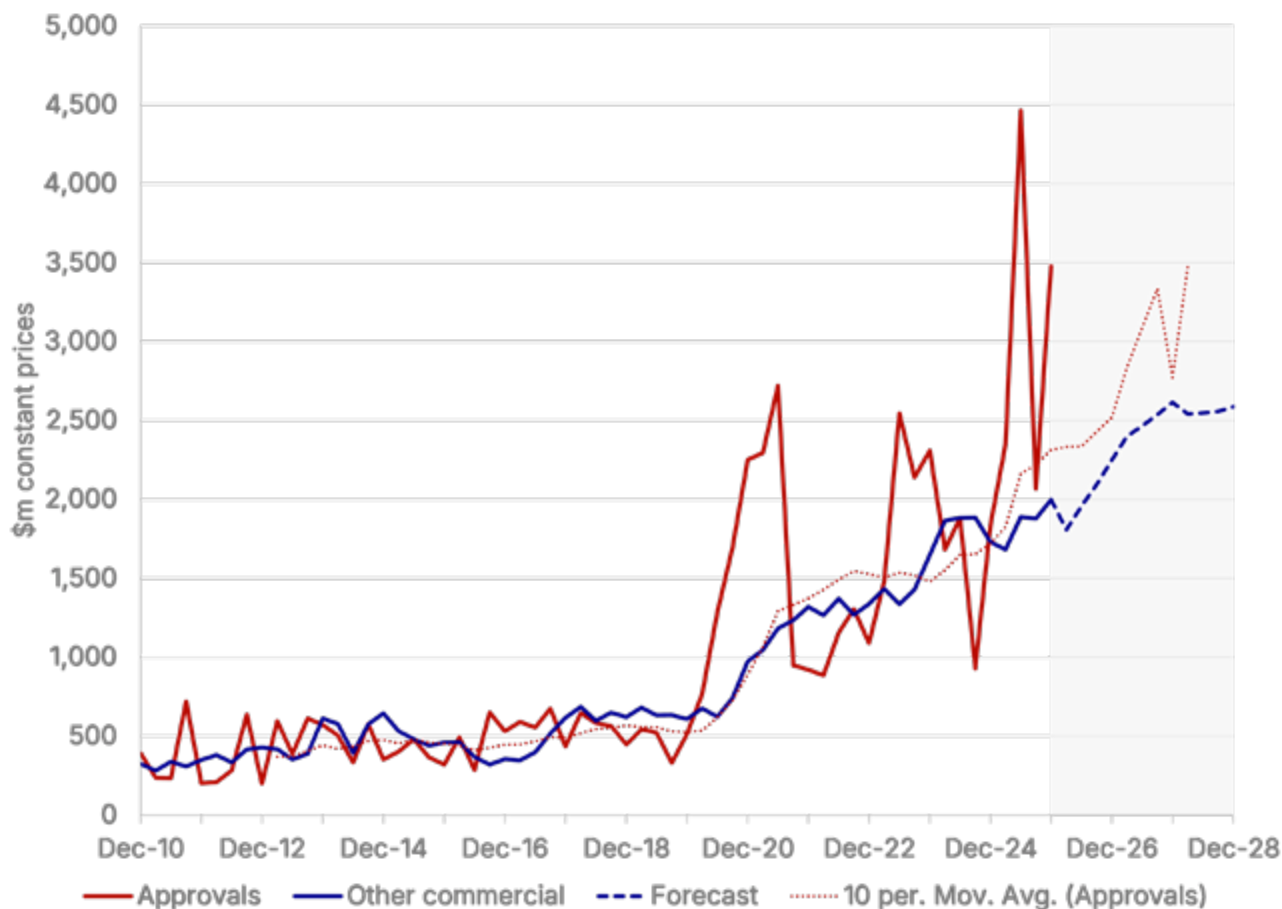
Work done in this subcategory sector has been a bright spot within *Non-Residential Building*. Work done grew by 1.1 per cent last year on top of a 26 per cent surge in 2024 and it is now worth \$7.4 billion per annum. There was a tremendous spike in the value of approvals in the early part of 2025. This points toward significant upside potential beyond the already very positive projection. (See Figure 7.8)

The forecasts factor in an average of 11.5 per cent growth per annum for the next three years. (See Table 7.1).

While the approvals data look very strong, this is clearly also a very volatile category. Volatility is also evident in the Major Projects Database figures. While May 2025 saw 10.8 billion dollars' worth of new projects added, November 2025 only saw a further \$882 million. There were only eight new projects added to the Major Projects Database in the six months to April 2026.

One potential downside risk is whether urban utilities capacity will be sufficient to meet the voracious energy and water requirements of the next generation of very large data centres. Other buildings in this subcategory, such as the stations for the Metro West for example, are tied to the fortunes of other large and expensive major projects, where emerging pressures on public sector budgets may force savings or delay.

Figure 7.2 Other Commercial (\$ million, 2023-24 prices)



Note: Series are quarterly levels, seasonally adjusted.

Source: ABS Building Activity Survey, Building Approvals, and ACIF CFC

Non-Residential Building

Medium term outlook for Non-Residential Building

Total work done in *Non-Residential Building* is projected to rebound in 2027, rising by 4.4 per cent to \$67.5 billion. The very large increase in *Other Commercial* is the driving force behind this change, supported by reasonably firm growth in *Entertainment and Recreation* (including stadium developments) and *Health and Aged Care* (especially reflecting large scale hospital projects). Details can be seen in Table 7.1.

The largest 30 projects that have been registered in the Major Projects Database in *Non-Residential Building* over the last six months (to April 2026) are shown in Table 7.2.

Table 7.1 Work Done in Non-Residential Building (2023-24 prices, \$ million and % change)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	Value of Work Done (CVM, \$ million)					Forecast (\$ million)				
Accommodation	3,444	3,057	2,775	2,839	3,377	3,562	3,560	3,611	3,546	3,606
Education	9,262	8,298	9,910	8,789	9,067	9,273	9,072	9,339	9,592	9,838
Entertainment and Recreation	4,531	4,608	4,263	3,800	3,969	4,018	4,537	4,845	5,033	5,169
Health and Aged Care	6,182	6,874	6,758	7,567	8,100	8,366	8,888	8,828	8,829	8,890
Industrial	9,111	10,951	13,737	12,680	12,519	11,740	11,330	11,384	11,547	11,757
Miscellaneous	4,824	4,745	4,360	4,621	5,318	5,412	5,705	5,881	5,824	5,957
Offices	10,035	9,558	10,333	9,899	8,676	7,575	7,150	7,212	7,680	7,841
Other Commercial	4,780	5,242	5,846	7,361	7,445	8,105	10,016	10,231	10,441	10,511
Retail and Wholesale Trade	6,455	7,211	7,089	7,044	7,263	6,622	7,248	7,651	7,939	8,098
Non-Residential Building	58,624	60,542	65,070	64,600	65,735	64,672	67,505	68,982	70,429	71,666
	% change (YoY)					% change (YoY)				
Accommodation	-24.4	-11.2	-9.2	2.3	19.0	5.5	-0.1	1.4	-1.8	1.7
Education	-5.4	-10.4	19.4	-11.3	3.2	2.3	-2.2	2.9	2.7	2.6
Entertainment and Recreation	4.7	1.7	-7.5	-10.9	4.5	1.2	12.9	6.8	3.9	2.7
Health and Aged Care	-10.3	11.2	-1.7	12.0	7.0	3.3	6.2	-0.7	0.0	0.7
Industrial	2.0	20.2	25.4	-7.7	-1.3	-6.2	-3.5	0.5	1.4	1.8
Miscellaneous	16.7	-1.6	-8.1	6.0	15.1	1.8	5.4	3.1	-1.0	2.3
Offices	-7.7	-4.8	8.1	-4.2	-12.3	-12.7	-5.6	0.9	6.5	2.1
Other Commercial	58.8	9.7	11.5	25.9	1.1	8.9	23.6	2.1	2.1	0.7
Retail and Wholesale Trade	-10.1	11.7	-1.7	-0.6	3.1	-8.8	9.5	5.6	3.8	2.0
Non-Residential Building	-1.8	3.3	7.5	-0.7	1.8	-1.6	4.4	2.2	2.1	1.8

Source: ABS and ACIF CFC

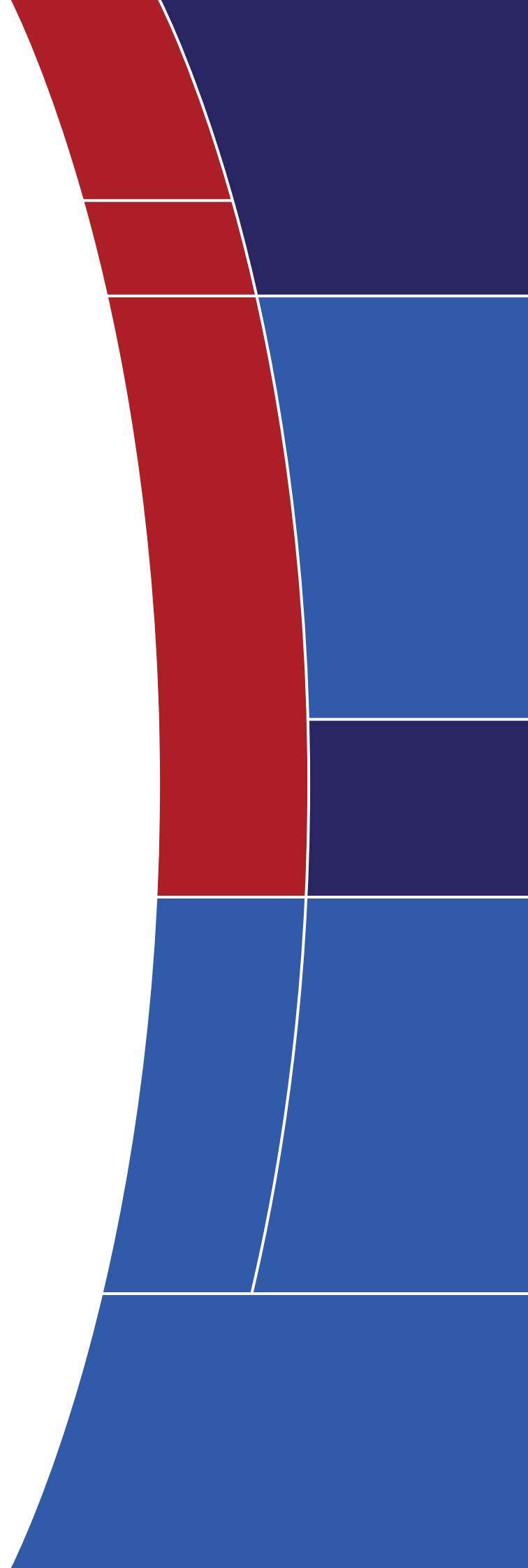
Non-Residential Building

Table 7.2 Top 30 Non-Residential Building Projects added to the Major Projects Database

Project Name	Category	State	Value (\$ million)	Status	Start Date	Project ID
TOWNSVILLE UNIVERSITY HOSPITAL EXPANSION STAGE 1A	Health and Aged Care	QLD	1,000	Registrations	May-26	8676659
OAKDALE EAST INDUSTRIAL ESTATE CONCEPT PLAN	Industrial	NSW	882	Commenced	Aug-24	8256735
NORTH ROCKS VILLAGE MIXED USE DEVELOPMENT	Offices	NSW	785	Possible	Mar-28	8152508
METRO WEST - HUNTER STREET STATION & PRECINCT	Other Commercial	NSW	500	Firm	Jun-26	8249528
HUNTER STREET EAST OVER STATION DEVELOPMENT - METRO WEST	Offices	NSW	500	Firm	Jun-26	8307654
HUNTER STREET WEST OVER STATION DEVELOPMENT - METRO WEST	Offices	NSW	500	Firm	Jun-26	8307668
RESERVE BANK OF AUSTRALIA MUSEUM SYDNEY REDEVELOPMENT	Entertainment and Recreation	NSW	402	Possible	Mar-27	8671396
WARRNAMBOOL BASE HOSPITAL INTERNAL REFURBISHMENT WORKS	Health and Aged Care	VIC	396	Registrations	Dec-26	8689782
RAAF BASE TINDAL & RAAF BASE EDINBURGH	Miscellaneous	SA	356	Commenced	May-23	8316578
AEGROS MANUFACTURING FACILITY BIOPARK AUSTRALIA	Industrial	QLD	352	Early	Dec-25	8358394
CENTURIA RESET DATA CLAYTON	Other Commercial	VIC	350	Possible	Mar-27	8686721
RAAF BASE EAST SALE FACILITIES & INFRASTRUCTURE	Miscellaneous	VIC	295	Firm	Jun-26	8459320
24-26 & 26A CONSTANCE STREET ROOMING & SHORT TERM ACCOMMODATIONS	Education	QLD	265	Possible	Mar-28	7541067
LDK SENIOR LIVING AMBERFIELD	Health and Aged Care	ACT	250	Commenced	Jun-23	8692290
1-29 QUEENS STREET SKYSCRAPER QUEENS BRIDGE HOTEL	Accommodation	VIC	240	Possible	Jun-26	8613297
94 NEWTON ROAD WAREHOUSE & DISTRIBUTION CENTRE	Industrial	NSW	214	Possible	Oct-27	8661961
BRISBANE 2032 OLYMPICS NATIONAL AQUATIC CENTRE	Entertainment and Recreation	QLD	200	Possible	Sep-27	8654384
COOKTOWN MULTIPURPOSE HEALTH SERVICE REDEVELOPMENT PROJECT	Health and Aged Care	QLD	200	Registrations	Mar-26	8663990
METROPOLITAN ADELAIDE REGIONS REDEVELOPMENT	Health and Aged Care	SA	184	Possible	Mar-27	2113371
18-28 TELETHON AVENUE MIXED USE DEVELOPMENT	Education	WA	170	Possible	Jan-28	2094127
DEEP MAINTENANCE MODIFICATION FACILITY AIRCRAFT HANGAR PAINT SHOP PROJECT	Industrial	SA	170	Possible	Sep-27	8667718
18 OASIS DRIVE RESORT COMPLEX	Accommodation	QLD	150	Possible	Apr-28	8685215
JAMES COOK UNIVERSITY CAIRNS CAMPUS RESIDENTIAL LAND REDEVELOPMENT	Education	QLD	150	Possible	Feb-27	8692307
BRISBANE 2032 OLYMPICS - LOGAN INDOOR SPORTS CENTRE (LISC)	Entertainment and Recreation	QLD	142	Firm	Jul-26	8559796
5 COTTONWOOD CRESCENT & LACHLAN AVENUE CO-LIVING HOUSING	Education	NSW	132	Possible	Dec-27	8681217
14 MONTGOMERY & WEEDMAN STREETS WAREHOUSE	Industrial	QLD	123	Possible	Dec-26	8659542
BELLINGEN SHIRE COUNCIL TOWN CENTRES MASTER PLANS	Offices	NSW	120	Possible	Mar-27	8458756
496 NORTHBOURNE AVENUE & ANTILL & CHALLIS STREETS STUDENT ACCOMMODATION BUILDINGS	Education	ACT	119	Possible	Feb-28	8670630
HUON AQUACULTURE FACILITY PORT HUON EXPANSION	Industrial	TAS	110	Possible	Mar-28	8670418
169-187 TOORAK ROAD MIXED USE DEVELOPMENT	Accommodation	VIC	105	Possible	Dec-26	8350094

Source: ACIF Major Projects Database and Cotality

Engineering Construction



Engineering Construction

Still losing momentum

Engineering Construction work done grew by 2.1 per cent to reach \$147 billion in 2025. This was much slower growth than expected, although it is consistent with the trend deceleration from double digit growth seen in recent years. Market indications, including trends in the Major Projects Database, point to a further slowdown in prospect.

Engineering Construction is any construction that does not have a roof. Where large scale projects include elements of both building and engineering construction the building component is excluded. The value of installed machinery and equipment not integral to the structure is also excluded. However, installation of machinery and equipment which is an integral part of a construction project is included (this is common in electricity generation or heavy industrial plant).

Deterioration in major project pipeline drags on the forecasts

One hundred and nineteen new *Engineering Construction* projects entered the Major Projects Database in the last six months (to April 2026) with a total value of \$25 billion. The number of new projects is in a substantial decline and represents the fifth consecutive period of downturn in new major project numbers. Looking at trends over the last year, the 269 new *Engineering Construction* projects added to the database over the last year was a fall of 66 per cent. These new projects had a combined value of \$43 billion (in constant prices), a 66 per cent drop in the value seen in the previous year.

A more concerning aspect of change in the Major Projects Database is the number and value of abandoned *Engineering Construction* projects. One hundred and ten *Engineering Construction* projects were abandoned over the last financial year. These had a combined value of \$58 billion (in current prices). In addition to being numerous, abandonments were also very valuable. The Central Queensland Hydrogen Project - CQ-H2, for example, had a value of \$14 billion (current prices).

Looking at other indicators, the value of work commenced has been trending down over the last couple of years. Advisors on the Construction Forecasting Council note that there appears to have been an emerging pattern where delays in planning and other development approvals have impeded new project commencement. Growth in work done has been achieved by running down the stock of work already 'in hand'. Inflows into the development pipeline are slowing, which will eventually slow growth in work done possibly contracting activity in some categories. The forecasts reflect lower growth over the medium term (see Figure 8.1).

The forecasts for work done in *Engineering and Construction* foreshadows a period where work done levels out followed by the resumption of growth at a steady pace rather than the double-digit growth seen in recent years (see Figure 8.1 and Table 8.1).

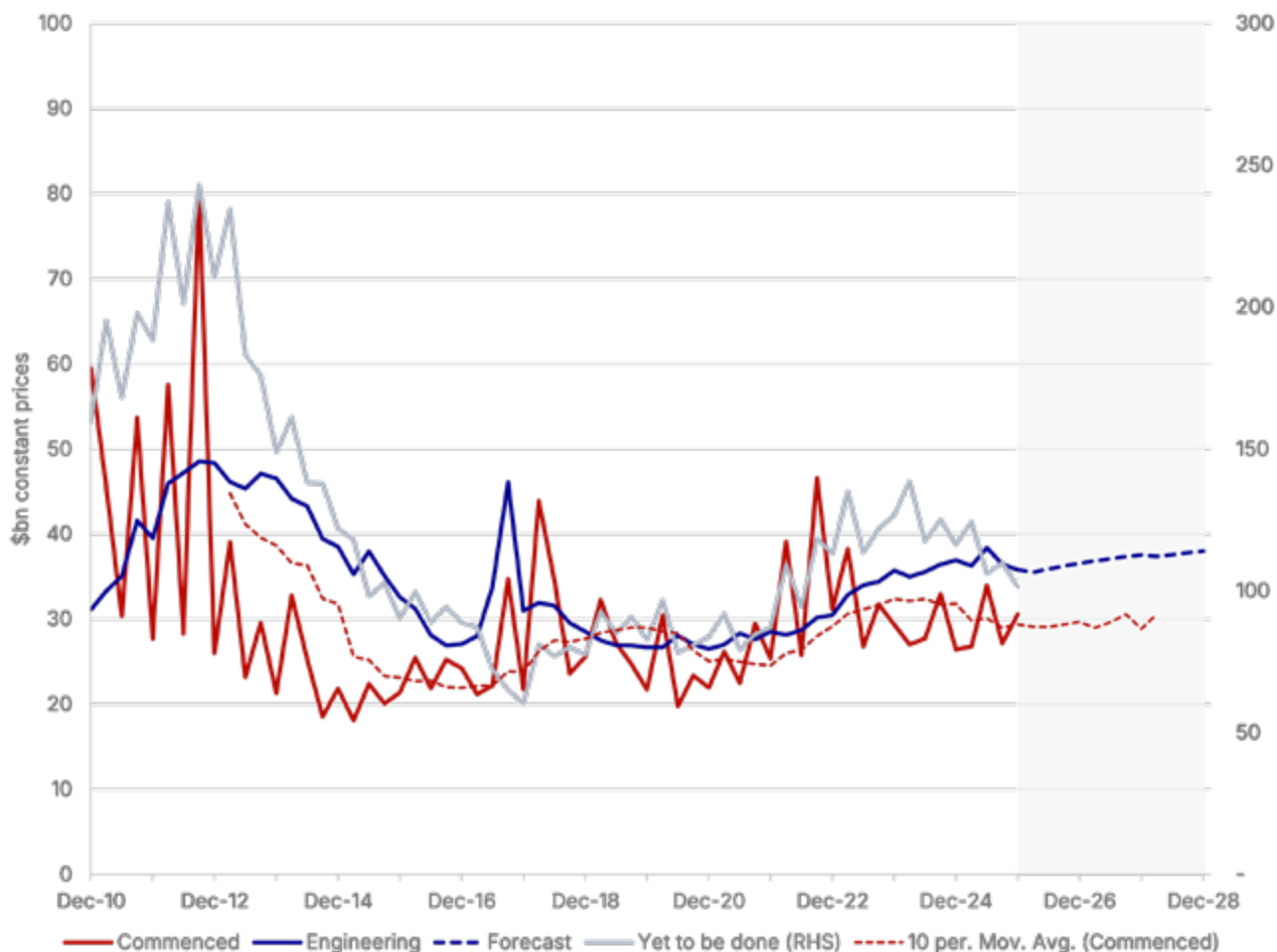
Table 8.1 Engineering Construction Activity in Summary (Value of Work Done, \$ billion, 2023-24 prices and % change)

	2025	2026	2027	2028
	Actual (\$ billion)	Forecast (\$ billion)		
Infrastructure Construction	109	111	115	116
Heavy Industry including Mining	38	33	34	35
Engineering Construction	147	144	149	151
	% change (YoY)	% change (YoY)		
Infrastructure Construction	-0.8	1.7	3.6	0.7
Heavy Industry including Mining	11.7	-12.0	2.0	3.3
Engineering Construction	2.1	-1.9	3.2	1.3

Source: ABS Engineering Construction Survey and ACIF CFC

Engineering Construction

Figure 8.1 Engineering Construction Total (Value of Work Done, Yet to Be Done, Commenced, \$ million, 2023-24 prices)



Source: ABS and ACIF CFC

Change in the mix

Transport oriented construction activity including *Roads and Bridges*, *Railways and Harbours* have been progressively losing their lead position. Their lead, and now relative decline, was due to many large-scale infrastructure projects, especially *Roads* and large rail projects (especially urban metro rail links) where spending is tapering out as State Government infrastructure programs ramp down. Utilities, including *Electricity and Pipelines*, *Water and Sewerage* and *Telecommunications*, now make up the bulk of *Engineering Construction* activity. This reflects particularly rapid growth in *Electricity and Pipelines* in recent years. (See Table 8.2).

Heavy Industry including Mining has remained the single largest subcategory in *Engineering Construction* in terms of work done in 2025. Activity grew by around 12 per cent last year to reach \$38 billion. The sub-category is very volatile and is projected to see a drop of 12 per cent next year. (See Table 8.2).

Engineering Construction

Focus on Electricity and Pipelines

Work done in *Electricity and Pipelines* grew by almost 9 per cent in 2025 to reach \$29.7 billion. Looking ahead the expectation is for significant growth over the medium term. (See Figure 8.2 and Table 8.3).

While pipelines previously drove construction activity during the mining and resources boom, the current surge is in electricity supply. Growth in activity is driven by a shift towards renewable energy generation and progress towards net-zero emissions targets. Work on this transition is already underway. Federal and state governments are investing heavily and offering incentives to promote the clean energy transition. This investment has boosted the construction of many large projects in renewable energy, including solar and wind generation, large scale battery storage, and electricity transmission networks.

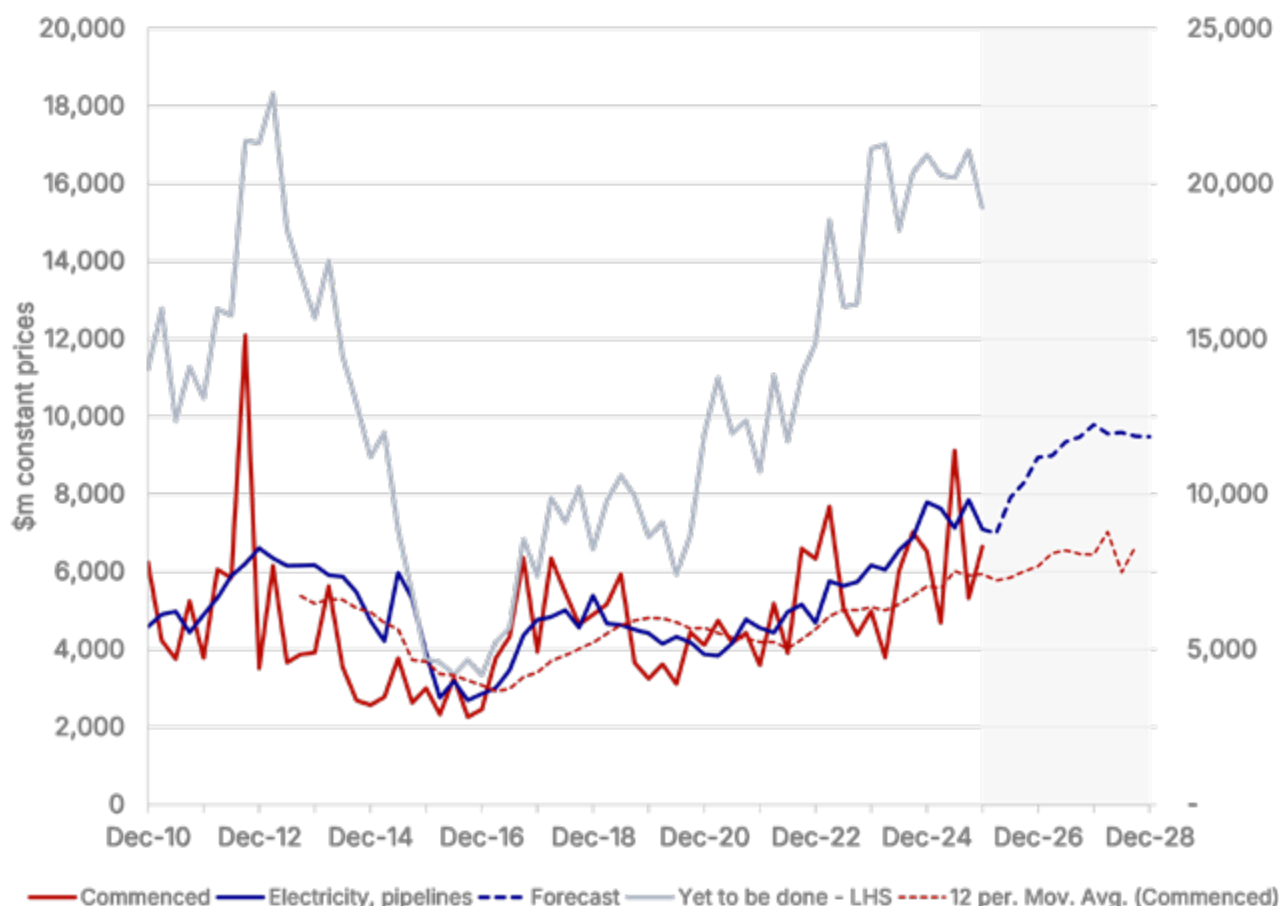
The clean energy transition dominates the Major Projects Database. Of the 7,511 active major projects in the database, 756 are in *Electricity and Pipelines*. These projects have a combined value of \$909 billion, with nearly all of this in electricity supply (that is, generation and transmission).

While the outlook is positive given the policy commitments, there are some concerns. Augmentation of electricity infrastructure is subject to delays caused by feasibility challenges, land access, and environmental approvals. Some key projects are in remote areas, creating capacity constraints and driving up construction costs. Project proponents are facing difficulties in obtaining a “green premium”. Without this the financial viability of many projects is not assured.

These difficulties are making an impact. The value of new projects within *Electricity and Pipelines* fell by 82 per cent in the April 2026 update compared to April 2025. While much reduced, this category is still seeing significant investor interest. Thirteen of the top 30 *Engineering Construction* projects entering the Database over the last six months were in *Electricity and Pipelines* including the Tathra Windfarm (WA, \$4.5 billion), Tarraleah Hydropower Scheme Redevelopment (TAS, \$2 billion), Advanced Resource Recovery Centre Precinct Residual Waste To Energy Facility Development (QLD, \$1.6 billion), and Cressbrook Pumped Hydro Project (Big-T) (QLD, \$1.3 billion). There has been a subtle shift in emphasis. The focus now is on smaller, less risky projects. There are no new additions that are above \$5 billion in value and there are far fewer in relatively higher risk areas such as offshore wind.

Forty-one projects in this category in the Major Projects Database were abandoned over the last financial year. Their combined value amounted to \$50.2 billion (in current prices) and several of the largest abandonments were offshore windfarms (see for example Kent, Midwest, Rottnest Island and Kingston offshore windfarms). Abandonment of projects with dubious economic viability is probably more helpful than hurtful. The previous stock of potential projects and hyped-up lists surpassed the industry’s capacity to deliver. The forecasts reflect the industry proceeding with construction of a more focused list of viable projects over a more realistic timeframe. (See Figure 8.2).

Figure 8.2 Electricity and Pipelines (Value of Work Done, yet to be Done, and Commenced, \$ million, 2023-24 prices)



Source: ABS Engineering Construction Survey and ACIF CFC

Engineering Construction

Table 8.2 Engineering Construction (Value of Work Done, CVM, 2023-24 prices)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	Value of Work Done (CVM, \$ million)					Forecast (\$ million)				
Roads	24,943	29,087	32,778	31,647	30,314	28,963	25,802	25,368	26,126	26,658
Bridges, Railways and Harbours	15,931	17,595	20,538	19,863	17,668	16,998	17,243	17,610	18,788	19,175
Electricity and Pipelines	17,316	19,242	23,299	27,287	29,720	32,159	37,617	38,127	37,859	38,226
Water and Sewerage	7,999	9,461	11,568	13,958	15,619	16,531	16,751	16,280	15,877	16,085
Telecommunications	7,565	7,573	8,125	7,989	7,145	7,145	7,683	8,106	8,670	8,923
Heavy Industry including Mining	30,262	26,529	31,528	33,831	37,797	33,247	33,899	35,004	36,003	37,388
Recreation and Other	7,483	8,062	9,181	9,313	8,671	9,158	9,875	10,292	10,859	11,112
Engineering Construction	111,499	117,550	137,015	143,887	146,935	144,201	148,870	150,787	154,183	157,566
	% change (YoY)					% change (YoY)				
Roads	7.72	16.62	12.69	-3.45	-4.21	-4.45	-10.92	-1.68	2.99	2.04
Bridges, Railways and Harbours	19.02	10.44	16.73	-3.29	-11.05	-3.80	1.44	2.13	6.69	2.06
Electricity and Pipelines	4.81	11.12	21.08	17.12	8.92	8.20	16.97	1.35	-0.70	0.97
Water and Sewerage	-4.85	18.27	22.27	20.66	11.90	5.83	1.33	-2.81	-2.48	1.31
Telecommunications	-15.77	0.11	7.28	-1.67	-10.57	0.00	7.52	5.52	6.96	2.92
Heavy Industry including Mining	-0.30	-12.33	18.84	7.31	11.72	-12.04	1.96	3.26	2.86	3.85
Recreation and Other	-0.34	7.75	13.87	1.44	-6.89	5.62	7.84	4.22	5.51	2.32
Engineering Construction	2.94	5.43	16.56	5.02	2.12	-1.86	3.24	1.29	2.25	2.19

Note: CVM = Chain Volume Measures, reference year 2023-24. "yoy" = change on the previous year.

Source: ABS and ACIF CFC

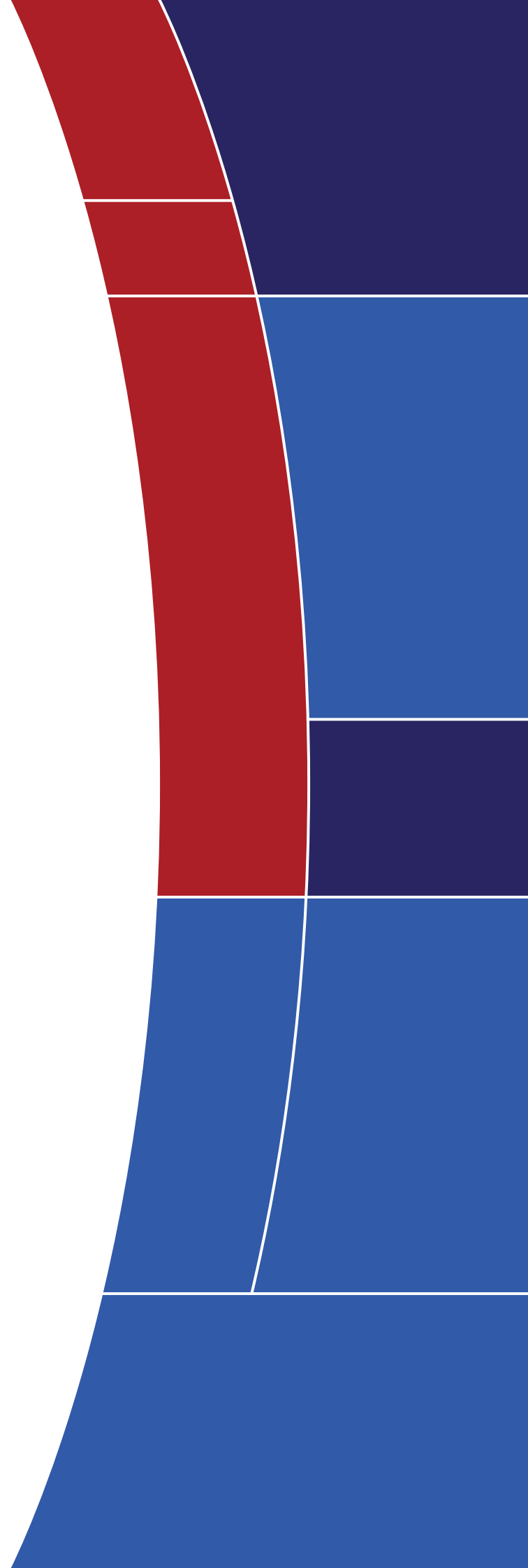
Engineering Construction

Table 8.3 Top 30 Engineering Construction Projects added to the Major Projects Database

Project Name	Category	State	Value (\$ million)	Status	Start Date	Project ID
TATHRA WIND FARM ENEABBA	Electricity and Pipelines	WA	4,500	Possible	Dec-27	8677299
PARRAMATTA LIGHT RAIL STAGE 2	Bridges, Railways and Harbours	NSW	3,900	Possible	Jun-26	8692487
TARRALEAH HYDROPOWER SCHEME REDEVELOPMENT	Electricity and Pipelines	TAS	2,000	Firm	Sep-27	8614921
ADVANCED RESOURCE RECOVERY CENTRE PRECINCT RESIDUAL WASTE TO ENERGY FACILITY DEVELOPMENT	Electricity and Pipelines	QLD	1,600	Possible	Jul-26	8531762
CRESSBROOK PUMPED HYDRO PROJECT (BIG-T)	Electricity and Pipelines	QLD	1,300	Early	Oct-30	8563641
GLENROWAN BATTERY ENERGY STORAGE SYSTEM WINTON	Electricity and Pipelines	VIC	900	Possible	Dec-26	8686980
KWINANA FREEWAY UPGRADE PROJECT	Roads	WA	700	Possible	Aug-26	8661102
LUMSDEN POINT GENERAL CARGO FACILITY & LOGISTICS HUB WHARFS WORKS PACKAGE 5A	Bridges, Railways and Harbours	WA	662	Commenced	Jan-25	8514969
SANDSTONE GOLD PROJECT	Heavy Industry	WA	606	Early	Jul-35	6888643
TARRONE POWER STATION PORT FAIRY	Water and Sewerage	VIC	600	Possible	Feb-27	1324580
MUNMORAH POWER STATION REMEDIATION PROJECT	Electricity and Pipelines	NSW	500	Possible	Oct-26	1185553
SYDNEY METRO WEST RAIL INFRASTRUCTURE TUNNEL METRO STATIONS & PRECINCTS STAGE 3	Bridges, Railways and Harbours	NSW	500	Possible	Dec-26	8161652
MUSWELLBROOK PUMPED HYDRO ENERGY STORAGE PROJECT	Electricity and Pipelines	NSW	500	Possible	Feb-26	8488697
HEYWOOD BATTERY ENERGY STORAGE SYSTEMS	Electricity and Pipelines	VIC	500	Possible	Dec-26	8691311
TENNANT CREEK JOINT VENTURE COPPER/GOLD PROJECT	Heavy Industry	NT	462	Early	Oct-32	8339504
REEVES PLAINS POWER STATION	Electricity and Pipelines	SA	450	Commenced	Jan-26	7178690
MID WEST ENERGY PROJECT (ENEABBA-MOONYOONOOKA) TRANSMISSION LINE STAGE 2 - NORTHERN SECN PROJECT	Electricity and Pipelines	WA	342	Commenced	Aug-25	877479
NORTH STANMORE RARE EARTH ELEMENTS PROJECT	Heavy Industry	WA	337	Possible	Sep-30	8446494
GYMPIE REGIONAL COUNCIL WATER & SEWERAGE ASSET CAPITAL WORKS PROGRAM 2026-2032	Water and Sewerage	QLD	300	Possible	Apr-27	8673429
909 SUNTOP STAGE 2 SOLAR FARM	Electricity and Pipelines	NSW	250	Possible	Dec-26	7323646
LAVERTON GOLD OPERATIONS RECOMMENCEMENT	Heavy Industry	WA	250	Early	Jul-30	8057498
EMU SWAMP DAM - GRANITE BELT IRRIGATION PROJECT	Water and Sewerage	QLD	240	Possible	Mar-27	815215
EXMOOR WIND FARM	Electricity and Pipelines	SA	221	Possible	Mar-27	1561164
SOUTH COBAR POLYMETALLIC PROJECT	Heavy Industry	NSW	214	Early	Jun-27	1683571
WIRLONG COPPER/SILVER PROJECT	Heavy Industry	NSW	214	Early	Mar-29	8498069
MALLEE BULL COPPER PROJECT	Heavy Industry	NSW	214	Early	Mar-28	8498417
BRISBANE 2032 OLYMPICS - STADIUM VICTORIA PARK	Recreation and Other	QLD	200	Possible	Sep-27	8654399
159 TULLY GORGE & SANDY CREEK ROADS BATTERY ENERGY STORAGE SYSTEM	Electricity and Pipelines	QLD	200	Possible	Feb-27	8665673
MARDIE SALT PROJECT - MARINE STRUCTURES CONSTRUCT - JETTY SMP MINOR WORKS	Heavy Industry	WA	190	Registrations	Mar-26	8692461
BULLABULLING GOLD PROJECT	Heavy Industry	WA	167	Early	Feb-35	8602885

Source: ACIF Major Projects Database and Cotality

Outlook in the States and Territories



State and Territory Overview

Overview

Population is a key driver of difference

Victoria and New South Wales experienced the largest swings in population because of Covid. (Figure 9.1). In both cases population contracted in 2020-21 with the largest falls and subsequent upswings in Melbourne and Sydney, the traditional arrival cities for new migrants, and the location of choice for large numbers of international students.

The population projections underlying the construction forecasts assume that net overseas migration will slow through 2025-26 and that intra-state migration, and hence population growth, in most states will be normalised.

Work done responds to changing needs of each state

The largest increases in population over the last decade have been in the eastern states of Victoria, New South Wales and Queensland leading to pressures on both housing and infrastructure, requiring an uplift in infrastructure investment in these states.

These trends will continue to shape the forecasts. States with the largest populations will continue to have their needs met by a correspondingly large share of the building and construction activity. New South Wales, Victoria and Queensland will benefit from having the larger population base with sustained population growth.

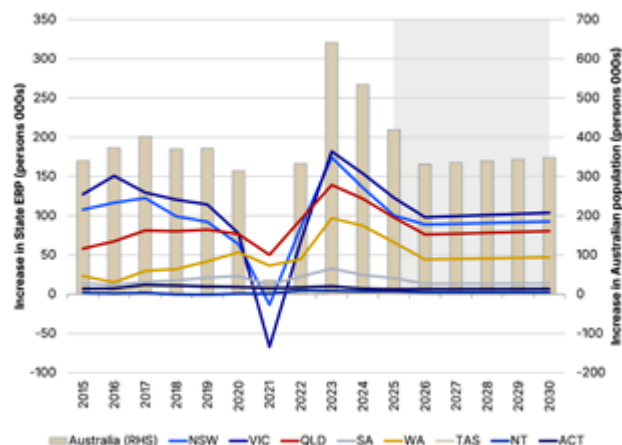
Western Australia is the main exception. Building and construction activity has been lifting more rapidly than population growth in Western Australia. This has been powered by expansion in mining in that state, which is expected to carry forward into the medium to longer term. (See Figure 9.2). One possible upward risk is that growth in Queensland will accelerate in the medium term in preparation for the 2032 Olympics.

Construction employment follows change in work done

Construction employment is projected to grow in proportion to growth in work done in each state. These projections incorporate a productivity neutral assumption. That is, labour productivity will remain largely static. In these forecasts the level of work done in each state is driven by demand which in turn is driven mostly by population. The more populous states on the eastern seaboard, New South Wales, Victoria, and Queensland, will continue to provide the most employment opportunities in construction.

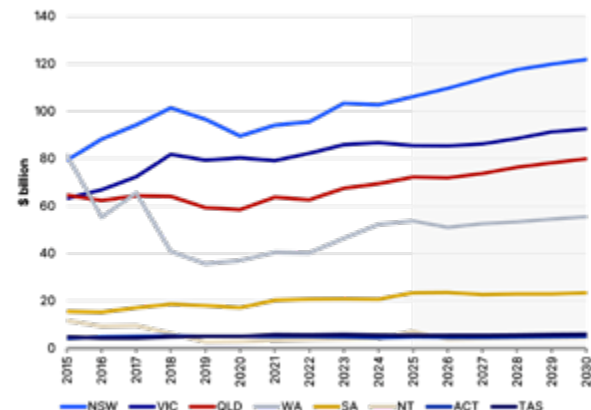
Employment growth in New South Wales has exceeded expectations and while growth is expected to flatten out somewhat in the future it will remain in the leading position. Modest growth in the immediate outlook for Victoria will be an improvement on recent performance. Western Australia will see the strongest rate of construction employment growth in the projections based on the reasonably outlook for mining and building activity at large. (Figure 9.3).

Figure 9.1 Population Growth by State (persons)



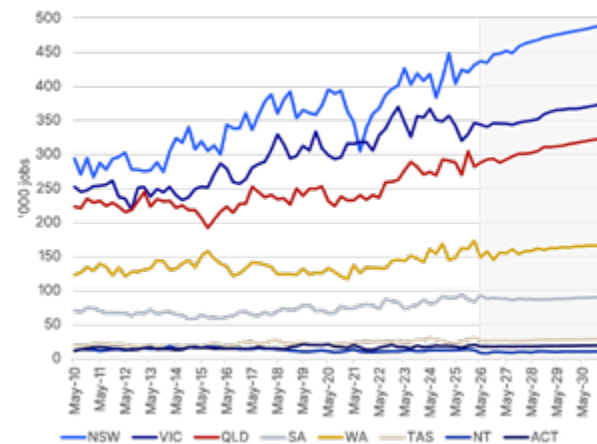
Source: ABS 5206.0 and ACIF Forecasts

Figure 9.2 Total Building and Construction Work Done by State (\$ billions, 2023-24 constant prices)



Source: ABS Building Activity and ACIF CFC

Figure 9.3 Construction Employment by State (level, thousand persons)



Source: ABS and ACIF CFC

State and Territory Overview

Changes in the Major Projects Database in the states and territories

Looking at the additions to the Major Projects Database recorded since the last set of ACIF Forecasts were produced can provide some insight into what is changing in the building and construction market in each of the Australian states and territories. One simple way to do this is to count the number of Major Projects that have entered the Database as an indicator of the level of interest in building and construction activity.

New South Wales, Victoria and Queensland are the states with the largest number of projects in the April 2026 update. There was a significant drop in the total number of projects across all categories in this round, only 489 total new projects compared to 535 in October 2025.

In *Residential Building*, New South Wales seems to be outperforming expectations with an increase to 82 new projects, up on the 69 projects that entered in the previous update. Four states saw an increase in project numbers while four saw a decline in new project numbers. Victoria still seems to be under the number expected for a state with its large and growing population base.

The *Non-Residential Building* category tells a story of decline in expected building activity. There were five states with a significant decline. New South Wales is down by 18 projects; Queensland is down by 13; and Western Australia is down by 19 projects compared to last round. The basic picture is that there are widespread and continuing shortfalls in new project numbers in *Non-Residential Building*. *Offices* can be viewed as the canary in the coal mine. There was only one new *Offices* building project in Victoria, and three states with zeros in the recent update.

Within *Engineering Construction*, New South Wales, Queensland and Western Australia have retained their leading position. Growth in project numbers in these states has stagnated or has slipped into significant decline (especially in Western Australia). Victoria is in 4th place with an unexciting 13 new projects.

Within *Engineering Construction*, the category and jurisdiction with the most projects added was *Heavy Industry including Mining* in Western Australia with 17 new projects. The drop from 46 new projects in the same category and region in the November update gives further cause for concern about stagnation. The number of projects in *Electricity and Pipelines* increased from 11 to 21, but this growth was very patchy, with some states seeing no or low growth in new projects in this category. Overall, there were a great many zeros across the states in the *Engineering Construction* category.

Table 9.1 Additions to the Major Projects Database by State and Territory (by State, Type and Number)

	ACT	NSW	NT	QLD	SA	TAS	VIC	WA
Residential Building	6	69	0	63	7	0	20	13
Residential	6	69	0	63	7	0	20	13
Non-Residential Building	6	63	4	50	12	3	34	35
Accommodation	0	6	0	3	4	0	0	3
Education	4	17	0	8	5	0	6	9
Entertainment and Recreation	2	2	0	3	0	0	2	3
Health and Aged Care	0	3	0	3	0	1	7	4
Industrial	0	13	0	16	0	0	8	2
Miscellaneous	0	7	4	5	2	1	2	5
Offices	0	8	0	4	0	1	3	4
Other Commercial	0	1	0	3	0	0	3	1
Retail and Wholesale Trade	0	6	0	5	1	0	3	4
Engineering Construction	0	29	8	32	4	5	12	60
Roads	0	2	0	8	1	0	1	3
Bridges, Railways and Harbours	0	2	0	1	0	0	2	0
Electricity and Pipelines	0	1	1	0	0	3	1	5
Water and Sewerage	0	4	0	0	0	0	1	5
Telecommunications	0	0	0	0	0	0	0	0
Recreation and Other	0	6	0	3	1	0	1	1
Heavy Industry including Mining	0	14	7	20	2	2	6	46
Grand Total	12	161	12	145	23	8	66	108

Source: ACIF Major Projects Database and Cotality

Australian Capital Territory

Growth in State Product has not translated into building and construction activity in the Australian Capital Territory as seen in Table 10.2. Public demand is a driver of activity with the Infrastructure Investment Program (IIP) set to spend \$8.3 billion over the five years to 2029-30. Key initiatives include the Northside Hospital, Light Rail Stage 2A, and \$620 million on housing to meet the goal of 30,000 new homes by 2030.

Only twenty-nine projects were added to the Major Projects Database in the last six months. While there are a few relatively large projects such as the LDK Senior Living Amberfield project (\$250 million), most projects entering the pipeline are just above the \$20 million dollar threshold.

Forecasts of the value of work done in the ACT point to two years of slowing activity. *Residential Building* is expected to contract again this year as inflation and higher interest rates wipe out any trace of incipient growth in demand or expansion in supply.

Table 9.2 Australian Capital Territory - Value of Work Done by Type (\$ billion, 2023-24 prices)

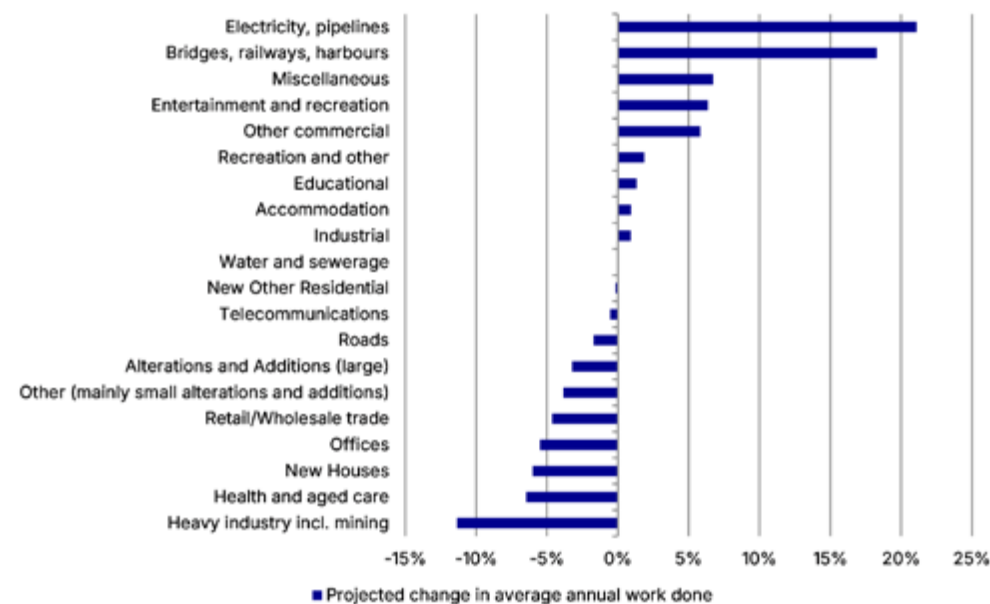
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	Actual (\$ billion)					Forecast (\$ billion)				
Residential Building	2.9	2.8	2.5	2.3	2.2	2.1	2.1	2.2	2.3	2.4
Non-Residential Building	1.3	1.3	1.4	1.4	1.2	1.1	1.2	1.2	1.3	1.4
Engineering Construction	0.8	0.9	0.9	0.8	1.5	1.5	1.3	1.3	1.2	1.3
Total Construction	5.0	5.0	4.8	4.5	4.8	4.7	4.6	4.7	4.9	5.0
	% change (YOY)					% change (YOY)				
Residential Building	-3.2	-1.0	-13.2	-6.7	-5.6	-5.5	0.9	6.0	6.2	1.0
Non-Residential Building	-5.6	-0.3	12.7	-3.6	-16.4	-4.1	5.6	2.8	8.6	3.3
Engineering Construction	11.7	8.4	4.4	-16.2	88.8	1.8	-10.4	-2.0	-8.0	4.4
Total Construction	-1.7	0.7	-3.4	-7.6	7.5	-2.9	-1.6	2.9	2.9	2.4

Source: ABS and ACIF CFC

Non-Residential Building saw a sharp downturn in activity over 2025 reflecting decline in *Offices, Retail and Wholesale Trade*, and *Health and Aged Care*, as well as a very sharp decline in *Other Commercial* (albeit coming off a historical high in 2024).

Engineering Construction was the sector with the most growth in calendar year 2025 due to a dramatic increase in *Bridges, Railways and Harbours* and *Electricity and Pipelines* which more than doubled. Some of these uplifts will be carried over into 2026, but the pipeline of new projects is running down, and a decline is in prospect in 2027 and 2028.

Figure 9.4 Australian Capital Territory – Projected change in average annual activity over the next five years



Note: Calculated by comparing the average activity over the past five years to the projected average activity over the next five years

Source: ABS and ACIF CFC

New South Wales

State Final Demand and Gross State Product were a quarter of a percent higher than expected in 2025-26, but expectations for 2026-27 and into the medium term have been revised slightly downward in the latest Budget Update for New South Wales. The unemployment rate (around 4 per cent) and population growth (just above 1 per cent) are both expected to remain stable going forward.

Despite expectations of a fall due to a higher interest rate environment *Residential Building*, New South Wales's largest category of work done, saw a strong increase over calendar year 2025. The momentum of projects in the pipeline, as well as a structural housing shortage in New South Wales continued to drive activity, and there was significant institutional investment in build to rent. Growth is expected to moderate in the remainder of this year as inflation, the rising cost of living and higher interest rates bite deeply into household budgets.

Table 9.3 New South Wales - Value of Work Done by Type (\$ billion, 2023-24 prices)

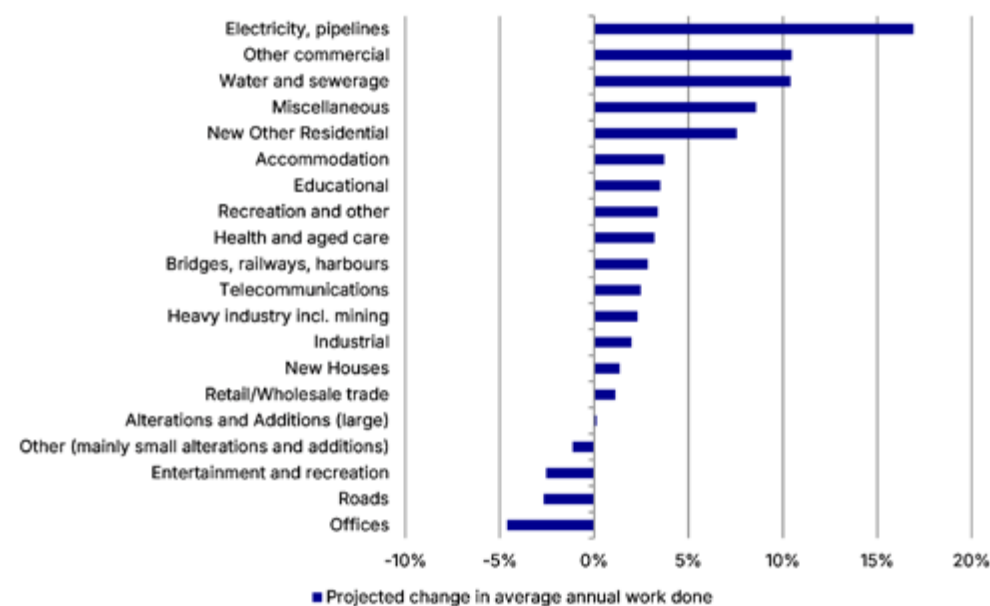
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	Actual (\$ billion)					Forecast (\$ billion)				
Residential Building	45.9	45.1	44.8	44.3	46.4	47.2	47.6	50.2	51.7	52.4
Non-Residential Building	20.2	19.0	20.2	19.5	20.2	19.9	21.4	22.3	23.0	23.4
Engineering Construction	28.0	31.4	38.3	38.9	39.6	42.5	44.7	45.0	45.3	46.0
Total Construction	94.1	95.5	103.4	102.7	106.2	109.6	113.7	117.5	119.9	121.8
	% change (YOY)					% change (YOY)				
Residential Building	12.8	-1.7	-0.6	-1.1	4.6	1.7	0.9	5.5	2.9	1.4
Non-Residential Building	-0.3	-6.0	6.4	-3.4	3.5	-1.3	7.5	4.2	2.8	2.1
Engineering Construction	-2.1	12.4	21.9	1.5	1.8	7.4	5.0	0.7	0.6	1.6
Total Construction	5.1	1.6	8.2	-0.6	3.4	3.2	3.7	3.4	2.0	1.6

Source: ABS and ACIF CFC

Reflecting the recent decline in approvals, *Non-Residential Building* is expected to contract in 2026. The reduction is expected to be concentrated in *Entertainment and Recreation*, *Offices*, as well as *Retail and Wholesale Trade*.

Elevation in the level of activity in *Engineering Construction* is expected to be carried into 2026, with a strong pipeline including significant new activities, particularly the Parramatta Light Rail stage 2 project (\$3.9 billion). *Electricity and Pipelines* is forecast to grow with the Munmorah Power Station Remediation Project (\$500 million) and Muswellbrook Pumped Hydro Energy Storage Project (\$500 million).

Figure 9.5 New South Wales – Projected change in average annual activity over the next five years



Note: Calculated by comparing the average activity over the past five years to the projected average activity over the next five years

Source: ABS and ACIF CFC

Northern Territory

The Northern Territory is navigating the transition from the construction to production phase in major mining and energy sector projects. Gross State Product grew by 2.8 per cent in 2025-26 and is expected to grow by a further 5.8 per cent in 2026-27. State Final Demand dropped by 0.7 per cent in 2025-26 and is expected to drop by 0.7 per cent in 2026-27, while the unemployment rate is expected to tick slightly higher than normal to 5.2 per cent into 2026-27. Population growth will remain steady at over 1 per cent over the next five years.

Building and construction work in the territory saw remarkable growth of 73 per cent last year. This reflected a surge of 113 per cent in *Engineering Construction*, as well as a 15 per cent uplift in *Non-Residential Building*. The sharp dip in the forecasts for 2026 should be seen as a return to long term trend levels of activity.

Table 9.4 Northern Territory - Value of Work Done by Type (\$ billion, 2023-24 prices)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	Actual (\$ billion)					Forecast (\$ billion)				
Residential Building	0.7	0.6	0.6	0.6	0.6	0.7	0.6	0.7	0.7	0.7
Non-Residential Building	0.6	0.7	0.9	0.9	1.1	1.0	1.1	1.1	1.1	1.1
Engineering Construction	2.0	2.4	2.4	2.6	5.5	2.1	2.5	2.7	2.7	2.8
Total Construction	3.3	3.7	3.9	4.1	7.2	3.8	4.2	4.4	4.5	4.7
	% change (YOY)					% change (YOY)				
Residential Building	-2.2	-3.8	0.2	0.6	1.1	4.6	-6.0	6.5	2.4	2.1
Non-Residential Building	1.1	13.3	31.9	4.0	15.0	-6.4	4.5	0.2	0.4	2.2
Engineering Construction	30.5	17.7	1.1	6.6	113.7	-62.1	19.5	8.1	1.6	4.8
Total Construction	16.4	12.6	6.7	5.1	73.8	-47.7	10.9	5.8	1.4	3.7

Source: ABS and ACIF CFC

The Territory is influenced profoundly by progress on the construction of projects in the pipeline. In the past six months, only three projects were added to the Major Projects Database, of which only the Tennant Creek Joint Venture Project (\$462 million) is of material scale. In mid-2025 there was a massive boost in activity in *Heavy Industry including Mining* due to the completion of the Barossa LNG Floating Facility and the first shipments of gas. This project alone is responsible for the large volatility in *Engineering Construction* across the Territory.

The other remarkable story within the Northern Territory is the very strong growth in *Miscellaneous* spending, due to several large-scale defence projects including the \$8-9 billion RAAF Base Tinal Redevelopment and Upgrade, as well as the \$3 billion Australian Defence Force Northern Territory Regions Facilities Littoral Manoeuvre Program project.

Figure 9.6 Northern Territory – Projected change in average annual activity over the next five years



Note: Calculated by comparing the average activity over the past five years to the projected average activity over the next five years

Source: ABS and ACIF CFC

Queensland

Despite a slowdown in 2024-25, Queensland's economy saw the strongest growth in Gross State Product of all the jurisdictions in Australia with 2.2 per cent growth. While the State has faced some challenges recently, with natural disasters and mining incidents causing disruption to mineral production and exports, the impact of US tariffs has been less than anticipated and consumer spending has rebounded.

State Final Demand is projected to increase to 3.25 per cent in 2025-26, while employment growth is expected to slow to 1.5 per cent over the next two years. The unemployment rate in Queensland has lifted and is expected to remain above 4 per cent over the medium term.

Dwelling Investment rose strongly up to the end of 2025 driving an 8 per cent increase in *Residential Building* activity. While this activity will be supported by the Queensland Governments new 'Boost to Buy' shared equity scheme, it is likely that successive increases in interest rates and the threat of more to come will drag down growth in 2026 and into 2027.

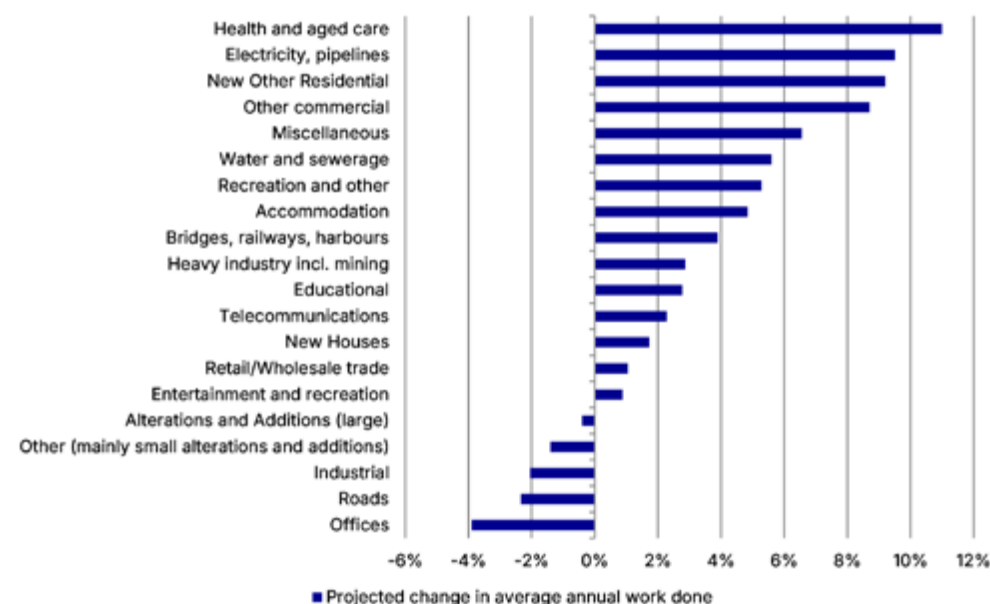
Table 9.5 Queensland - Value of Work Done by Type (\$ billion, 2023-24 prices)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	Actual (\$ billion)					Forecast (\$ billion)				
Residential Building	29.9	27.5	28.2	28.0	30.3	30.5	30.5	31.9	32.5	33.0
Non-Residential Building	9.7	10.9	11.0	11.6	12.3	12.2	12.4	12.6	12.6	12.7
Engineering Construction	24.1	24.2	28.3	29.8	29.6	29.3	30.8	31.9	33.2	34.2
Total Construction	63.7	62.6	67.5	69.5	72.2	71.9	73.7	76.4	78.2	79.9
	% change (YOY)					% change (YOY)				
Residential Building	22.8	-7.9	2.3	-0.4	8.0	0.6	0.0	4.7	2.0	1.5
Non-Residential Building	-6.8	12.0	1.1	5.1	6.3	-1.4	2.3	1.0	0.0	1.5
Engineering Construction	1.5	0.6	17.1	5.3	-0.7	-1.1	5.3	3.6	3.8	3.2
Total Construction	8.9	-1.7	7.8	2.9	4.0	-0.4	2.5	3.6	2.4	2.2

Source: ABS and ACIF CFC

The outlook for work in the *Engineering Construction* pipeline is strong with several projects in the \$7-10 billion range, including the Arrow Energy Surat Basin project, Collinsville Green Energy Hub and Australia Pacific LNG Gas Field Development. New projects in *Electricity and Pipelines* include the Advanced Resource Recovery Centre Precinct Residual Waste to Energy Facility Development (\$1.6 billion) and Cressbrook Pumped Hydro Project (\$1.3 billion). Within *Non-Residential Building*, *Health and Aged Care* is projected to be particularly strong with the Townsville University Hospital Expansion (\$1 billion) a recent addition to a very strong pipeline of projects. Projects related to the 2032 Olympic Games are gradually appearing in the Major Projects Database, presenting an upside risk to the projections.

Figure 9.7 Queensland – Projected change in average annual activity over the next five years



Note: Calculated by comparing the average activity over the past five years to the projected average activity over the next five years

Source: ABS and ACIF CFC

South Australia

The mid-year budget review for South Australia reported an improved outlook, with the forecast for Gross State Product and State Final Demand both increasing to 2.25 per cent for 2025-26. Expected employment also rose, reflecting strong public consumption and investment, improved private dwelling investment and household consumption. This is reflected in the improved *Residential Building* activity.

There is a similar picture for *Non-Residential Building*, with a boost in 2025, largely concentrated in *Other Commercial*, *Accommodation*, *Health and Aged Care* and *Retail and Wholesale Trade*, which are supported by a strong pipeline of projects. *Other Commercial* is perhaps the most important change within *Non-Residential Building*, having seen an 80 per cent increase two years in a row to reach \$374 million in 2025.

Engineering Construction is projected to see continuation of growth into 2026 and maintain this higher level over the medium and long term. A fall in *Heavy Industry including Mining* will be more than offset by increased activity in *Electricity and Pipelines* where the pipeline has been further strengthened by the addition of the Reeves Plains Power Station (\$450 million). *Water and Sewerage* is also expected to be a strong sub-sector after a very impressive 2025 which saw a 60 per cent jump in activity.

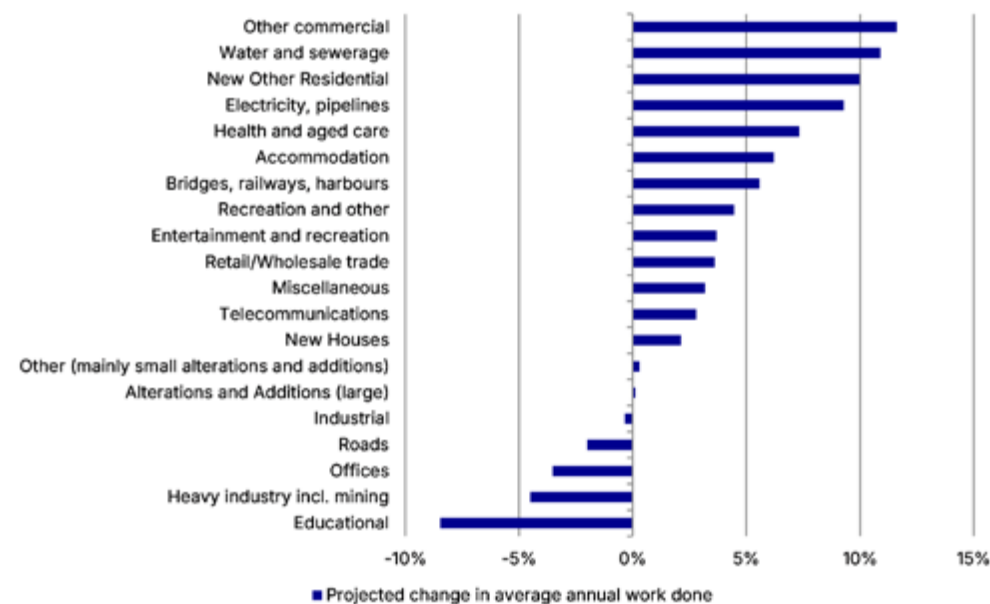
Table 9.6 South Australia - Value of Work Done by Type (\$ billion, 2023-24 prices)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	Actual (\$ billion)					Forecast (\$ billion)				
Residential Building	7.7	8.0	7.6	8.1	9.3	9.2	8.9	9.1	9.1	9.2
Non-Residential Building	3.9	3.8	4.1	3.8	4.3	4.2	4.1	4.1	4.0	4.1
Engineering Construction	8.7	9.0	9.2	8.8	9.8	10.2	9.6	9.8	9.8	10.1
Total Construction	20.3	20.8	20.9	20.7	23.4	23.5	22.6	22.9	22.9	23.4
	% change (YOY)					% change (YOY)				
Residential Building	9.9	4.4	-5.4	6.9	14.8	-1.3	-2.9	2.1	-0.3	1.0
Non-Residential Building	23.1	-3.2	7.7	-6.8	12.4	-3.2	-1.6	-0.4	-1.0	1.6
Engineering Construction	24.2	3.3	2.6	-4.3	11.4	4.1	-5.7	1.3	0.3	3.5
Total Construction	18.2	2.4	0.5	-0.7	12.9	0.6	-3.9	1.3	-0.2	2.2

Source: ABS and ACIF CFC

Residential Building activity is expected to maintain the 2025 recovery over the medium term with the supply of housing expected to grow in line with underlying demand, renewed population growth and government support for affordable and public housing. Within *Residential*, *New Houses* grew by 13 per cent over 2025 to reach over four billion worth of work done, and *New Other Residential* is also expected to grow from the strong recent performance, with projects such as the Jane Eliza Waterfront Estate Masterplan (\$400 million) and 52 & 66 Hillier Road Mixed Use Development Stages 1-4 (\$400 million) added to the pipeline in the last six months.

Figure 9.8 South Australia – Projected change in average annual activity over the next five years



Note: Calculated by comparing the average activity over the past five years to the projected average activity over the next five years

Source: ABS and ACIF CFC

The Tasmanian economic outlook was revised upwards in February 2026, and GSP growth is now projected to reach 1.5 per cent over 2025-26. Employment growth is expected to be slightly lower in 2025-26 while the forecast for unemployment is unchanged at 4 per cent. Population growth is also slightly lower than previously expected down to 0.5 per cent growth for 2025-26. The main risks to the economy are the US trade policy uncertainties, and inflation risks. In the longer term, maintaining population growth is considered a key structural risk.

Residential Building activity shrank markedly from 2021 to 2024, but the slowdown (almost exclusively within *New Houses*) is expected to moderate over the next two years in line with income growth and population growth.

Engineering Construction has an impressive pipeline of projects including the Project Renewable Future (\$6 billion), and Bass Offshore Wind Energy Project (\$4 billion). The pipeline for *Electricity and Pipelines* was further strengthened in the last six months by the addition of the two-billion-dollar Tarraleah Hydropower Scheme Redevelopment which is scheduled to start in 2027.

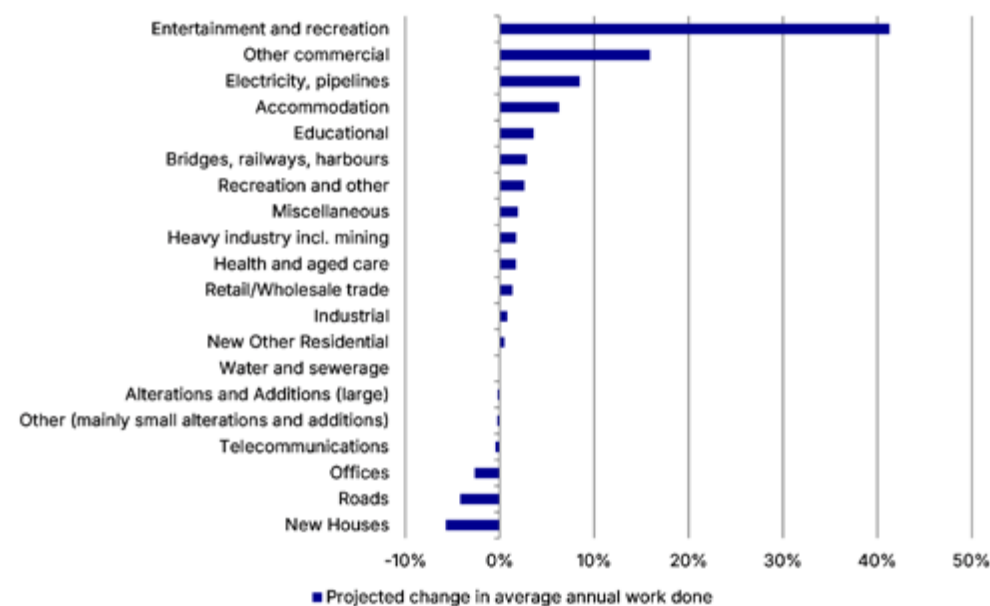
Table 9.7 Tasmania - Value of Work Done by Type (\$ billion, 2023-24 prices)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	Actual (\$ billion)					Forecast (\$ billion)				
Residential Building	2.7	2.4	2.4	2.1	2.1	2.0	1.9	2.0	2.1	2.1
Non-Residential Building	0.8	0.8	0.9	1.0	1.0	1.0	1.2	1.2	1.2	1.2
Engineering Construction	2.3	2.4	2.5	2.5	2.3	2.4	2.4	2.5	2.6	2.6
Total Construction	5.8	5.6	5.8	5.6	5.4	5.5	5.5	5.6	5.8	6.0
	% change (YOY)					% change (YOY)				
Residential Building	13.9	-10.2	-2.2	-11.2	0.9	-4.7	-7.8	5.9	4.2	1.6
Non-Residential Building	-2.8	-0.1	16.0	1.6	0.0	8.8	12.3	1.4	0.4	1.9
Engineering Construction	27.8	6.2	3.7	-0.1	-5.6	4.0	-0.1	1.6	4.5	2.0
Total Construction	16.0	-2.3	2.9	-4.4	-2.1	1.5	-0.6	3.0	3.5	1.8

Source: ABS and ACIF CFC

Overall private investment has been weaker in recent years, reflecting the global and national challenges and the Tasmanian government expects investment to fall in 2025-26. Despite this, there are important bright spots. In *Non-Residential Building* the Macquarie Point Stadium (\$1.2 billion) has now received parliamentary approval and entered the procurement phase, leading to an uptick in expected activity within *Entertainment and Recreation* over the medium term.

Figure 9.9 Tasmania – Projected change in average annual activity over the next five years



Note: Calculated by comparing the average activity over the past five years to the projected average activity over the next five years

Source: ABS and ACIF CFC

Victoria's economic situation and outlook reflect a mixture of resilient growth while confronting awkward pressure points and challenges. The economy achieved growth of 1.75 per cent over the year to June 2025 and has sustained strong employment growth. Fiscal support and a very large capital works program have driven growth in net debt that is projected to reach \$176 billion in 2026-27.

Residential Building expanded last year thanks to a 5.5 per cent growth in dwelling investment to the end of 2025 as well as ongoing public investment in housing programs such as the Big Housing Build and the Regional Housing Fund. Activity is expected to see a sharp moderation in growth as higher inflation, cost of living pressures and higher interest rates eat into demand in 2026 and 2027.

Non-Residential Building is expected to continue its trend decline, although the rate of decline will moderate in 2026. This reflects contractions in *Offices* and in *Retail and Wholesale Trade* as well as a return to normal levels of spending in *Health and Aged Care* after significant spending in 2023. Very strong growth is expected in *Other Commercial*, where there are 65 projects in the Major Projects Database, the largest of which is the NextDC Port Melbourne Data Centre (\$918 million), but this is not enough to offset softness elsewhere.

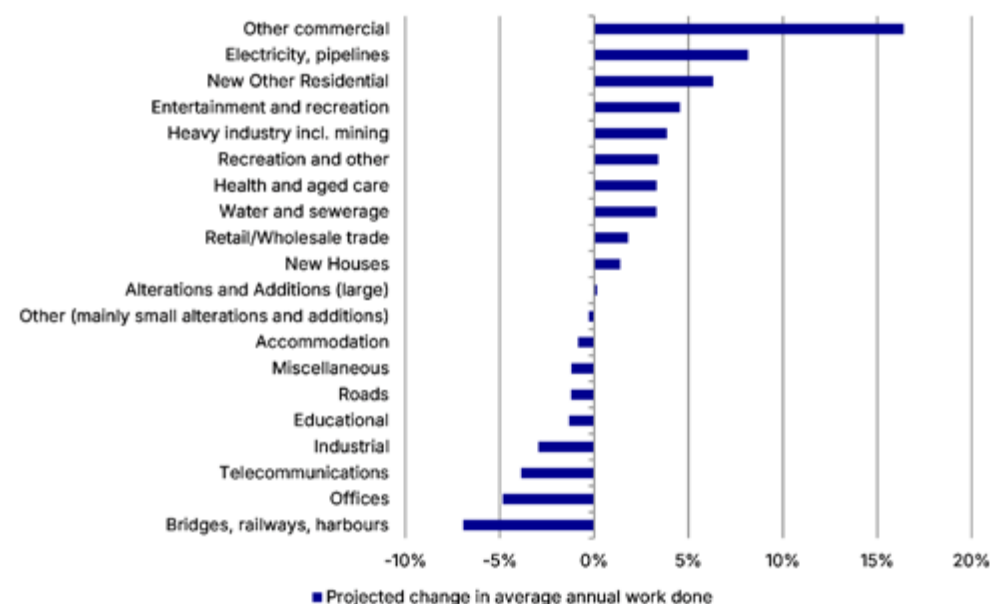
Table 9.8 Victoria - Value of Work Done by Type (\$ billion, 2023-24 prices)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	Actual (\$ billion)					Forecast (\$ billion)				
Residential Building	40.0	40.1	38.7	39.9	41.7	42.1	42.7	44.6	45.8	46.3
Non-Residential Building	17.2	18.5	20.3	20.0	18.8	18.7	19.4	19.7	20.4	20.7
Engineering Construction	22.0	23.7	26.9	26.8	25.0	24.6	24.2	24.2	25.1	25.4
Total Construction	79.2	82.3	85.9	86.7	85.5	85.4	86.2	88.5	91.3	92.5
	% change (YOY)					% change (YOY)				
Residential Building	1.3	0.2	-3.5	3.1	4.7	1.0	1.3	4.6	2.7	1.1
Non-Residential Building	-6.7	7.4	10.0	-1.5	-6.2	-0.4	3.4	1.9	3.6	1.6
Engineering Construction	-2.2	8.0	13.5	-0.3	-6.7	-1.9	-1.4	-0.2	3.7	1.6
Total Construction	-1.5	3.9	4.4	0.9	-1.4	-0.2	1.0	2.6	3.2	1.4

Source: ABS and ACIF CFC

Within *Engineering Construction*, *Electricity and Pipelines* is set to continue at elevated levels into the medium term supported by new projects such as the Glenrowan Battery Energy Storage System Winton (\$900 million) and Heywood Battery Energy Storage Systems (\$500 million). Commencement of work on further sections of the \$34.5 billion Suburban Rail Loop project could flip *Bridges, Railways and Harbours* from contraction into growth, presenting an upside risk to the projections.

Figure 9.10 Victoria – Projected change in average annual activity over the next five years



Note: Calculated by comparing the average activity over the past five years to the projected average activity over the next five years

Source: ABS and ACIF CFC

Western Australia

Looking back over 2025 the economy in Western Australia performed well. A thriving private sector, sustained commodity export income, and a string of budget surpluses are building in resilience. There are weak spots. Inflation, which was increasing before the recent fuel price surge, rose by 4.9 per cent in Perth in the 12 months to February 2026, rising to become the highest in Australia. Building and construction activity in Western Australia is particularly volatile. Double digit growth in 2023 and 2024 total building activity fell to 2.7 per cent in 2025.

The pattern of surge then ebb is particularly apparent in *Engineering Construction*. The ramp up in work on large scale LNG projects (Scarborough and Crux) as well as major iron ore projects (Onslow Iron and Western range) added over \$10 billion of work done in just two years. These projects will not add to growth a second time and there was a contraction in 2025. New projects in the database, such as the Tathra Wind Farm Eneabba (\$4.5 billion) will add to growth, but the pipeline is drying up and a slight contraction is foreshadowed in 2026.

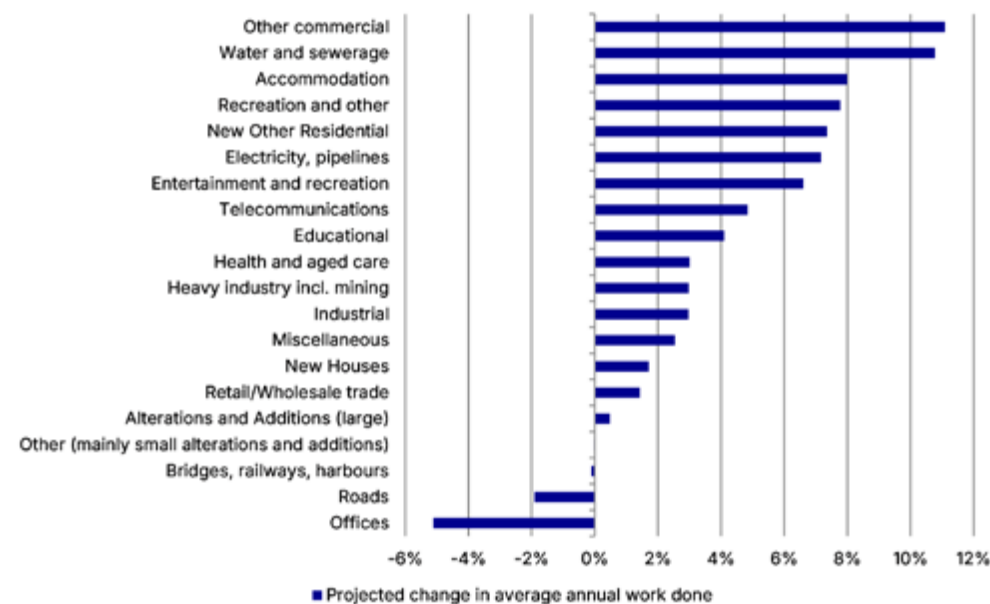
Table 9.9 Western Australia - Value of Work Done by Type (\$ billion, 2023-24 prices)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	Actual (\$ billion)					Forecast (\$ billion)				
Residential Building	11.9	11.0	11.8	12.2	13.2	12.9	12.6	13.0	13.3	13.5
Non-Residential Building	4.8	5.6	6.1	6.4	6.9	6.5	6.8	6.8	6.9	6.9
Engineering Construction	23.7	23.6	28.5	33.7	33.6	31.6	33.3	33.5	34.4	35.0
Total Construction	40.5	40.2	46.4	52.3	53.7	51.0	52.6	53.3	54.5	55.5
	% change (YOY)					% change (YOY)				
Residential Building	20.0	-7.2	7.0	3.3	8.0	-2.1	-2.6	3.6	2.0	1.5
Non-Residential Building	6.3	15.4	9.6	4.1	8.9	-5.6	3.7	0.7	0.6	1.4
Engineering Construction	5.2	-0.6	20.7	18.5	-0.3	-6.0	5.3	0.6	2.8	1.8
Total Construction	9.3	-0.6	15.4	12.7	2.7	-5.0	3.1	1.3	2.3	1.7

Source: ABS and ACIF CFC

The government is committing significant resources to support growth in building activity within housing supply and in areas such as *Health and Aged Care*. *Other Commercial* is expected to see a strong uplift over the next five years, reflecting investment in data centres such as the Abernathy Road (\$600 million), Greensquare (\$600 million) and Maddington (\$415 million) projects in the Major Projects Database. Nevertheless, there is still residual weaknesses in areas including *Offices*, *Industrial* and *Retail and Wholesale Trade*. The forecast projects that these subcategories will be impacted adversely by sustained interest rate increases over 2026 and into 2027.

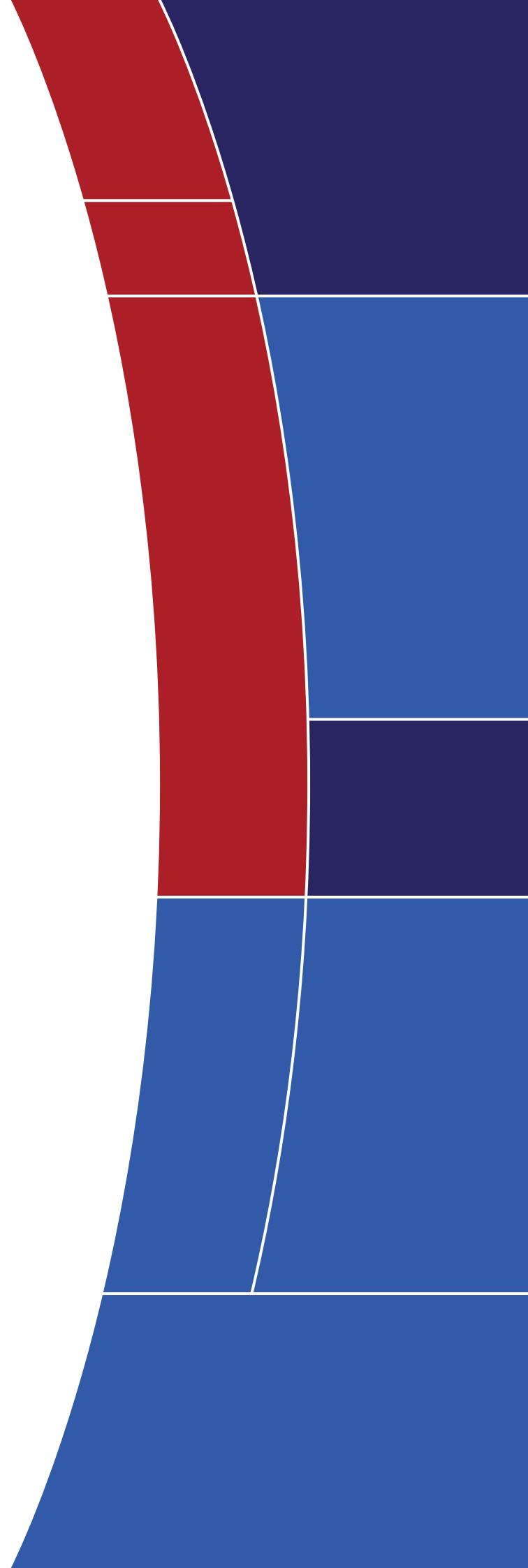
Figure 9.11 Western Australia – Projected change in average annual activity over the next five years



Note: Calculated by comparing the average activity over the past five years to the projected average activity over the next five years

Source: ABS and ACIF CFC

Appendices



Appendix A: Introduction to the database

The Major Projects Database provides a searchable inventory of building and construction projects that is used by builders and related professionals throughout Australia. ACIF uses information obtained from Cordell Connect to construct the Major Projects Database. Cordell Connect (operated by Cotality) provides an extensive, Australia-wide compilation of residential, commercial, industrial, community, engineering and mining projects.

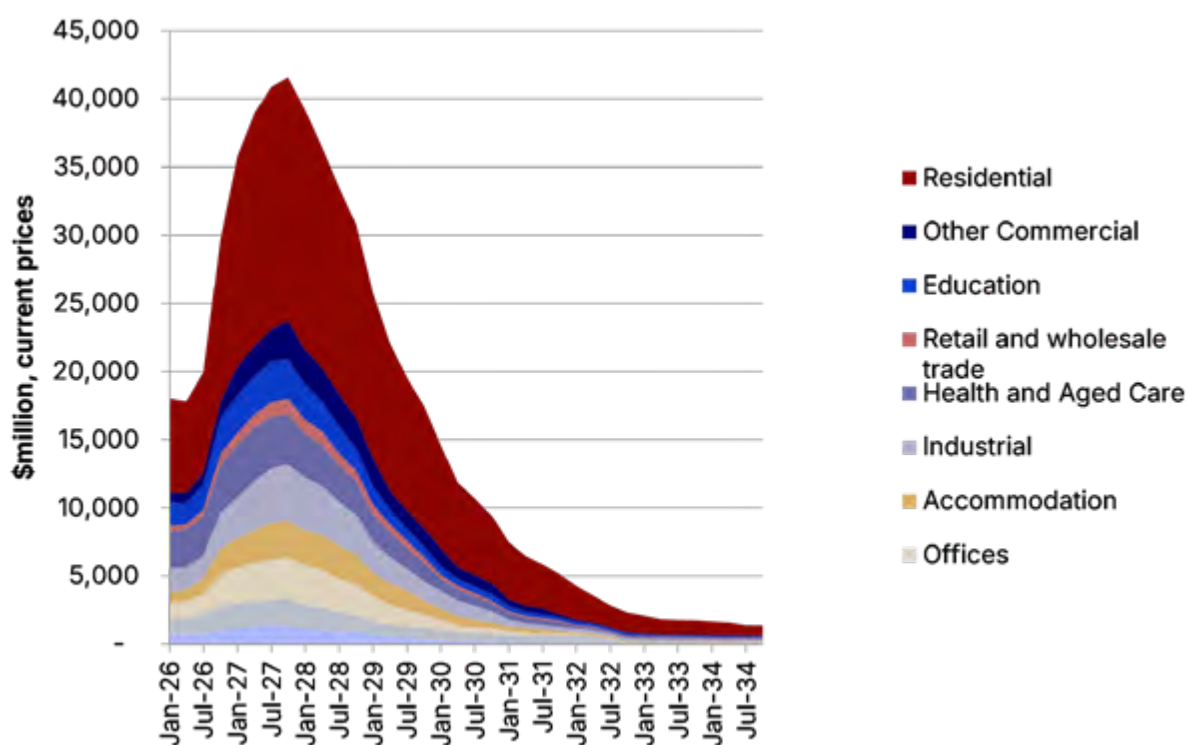
The ACIF Major Projects Database provides entries about building and construction projects currently under consideration or brought to the notice of researchers within Cordell Connect. A Major Project is an active project which is valued at \$20 million or more (in current prices). The database provides information on project readiness: “Early” projects are in preliminary stages of consideration; “Possible” projects are those still subject to feasibility testing and development approval; “Commenced” projects are already under construction and may even be approaching completion. Projects which have been completed, have been abandoned or deferred are not counted as being active and they exit the database.

This Major Projects data feeds into the preparation of forecasts provided in the remainder of this report. The full Major Projects Database is included in the “DataPack” that is available to subscribers via ACIF’s webpage (<https://www.acif.com.au/forecasts/purchase-forecasts>).

There are currently 5,080 “Commenced” or “Firm” projects in ACIF’s Major Projects Database with a total value of \$712 billion.

The stock of projects in Residential and Non-Residential categories has a value of \$591 billion. The annual value of building work done, if all the active building projects in the ACIF Major Projects Database were commenced and completed according to times announced, is plotted below.

Figure A.1 Value of Building Projects in the Major Projects Database in April 2026 (\$ million, current prices)

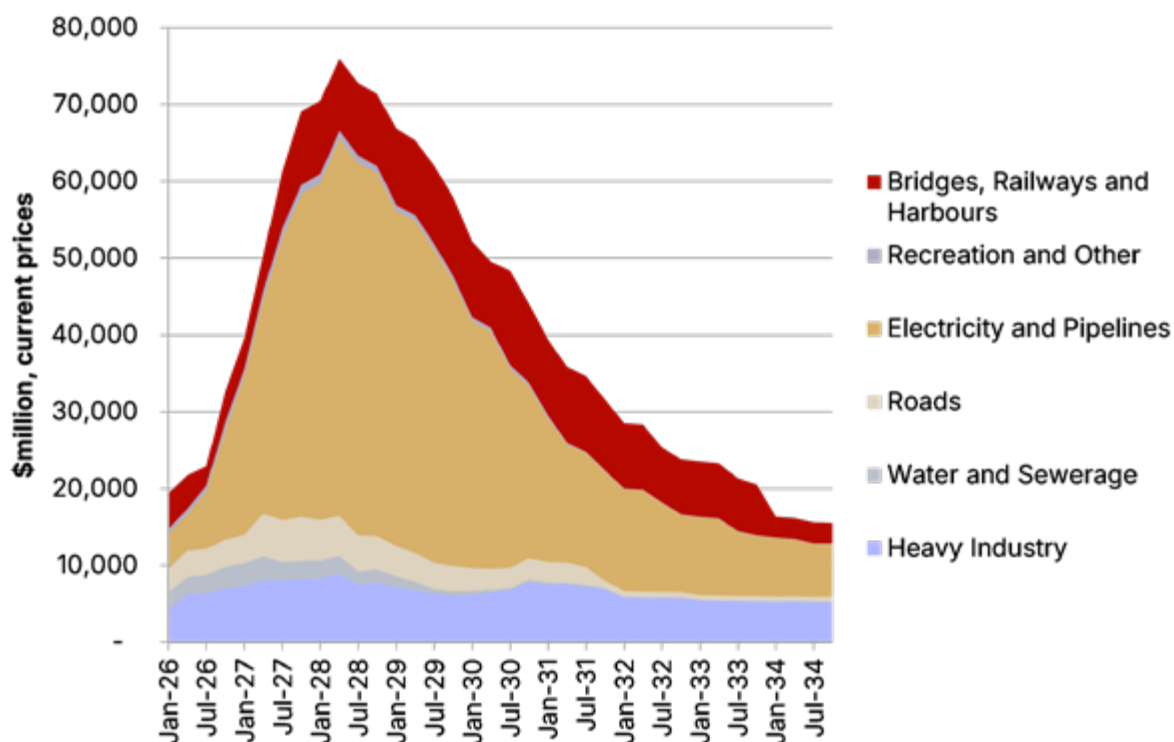


Source: ACIF Major Projects Database and Cotality

Appendix A: Introduction to the database

Engineering Construction has a combined project value of \$1.8 trillion (See Figure A.2).

Figure A.2 Value of Engineering Construction Projects in the Major Projects Database in April 2026 (\$ million, current prices)



Source: ACIF Major Projects Database and Cotality

The annual value of building and construction projects that is visible when looking at the stock of projects spread out over the announced development timeframe for every project should not be seen as a forecast of work to be done. Not all projects in the Database will begin construction immediately and some may not receive approval and may in time be abandoned. More projects will be added to the stock in coming years.

Appendix B: Data and Forecast Methodology

Data provenance

These forecasts consider data and other information available up to mid-April 2026. Of particular importance are the historical data or “actuals” published by the ABS (Australian Bureau of Statistics), including:

- “Building Activity, Australia, December 2025”, ABS Cat No. 8752.0, released 8 April 2026;
- “Engineering Construction Activity, Australia, December 2025”, ABS Cat No. 8762.0, released 25 March 2026; and
- “Australian National Accounts: National Income, Expenditure and Product, December 2025” ABS Cat No. 5206.0 released 4 March 2026.

The value of work done in the ACIF Forecasts are reported in Chain Volume Measures (CVM). That is, in real value terms (in constant prices) instead of nominal values (current prices). The reference year for CVM in these May 2026 Forecasts is 2023-24.

There are changes in the actuals (or history) and forecasts reported in this edition of the ACIF Forecasts.

There are sometimes discrepancies between the figures reported for Australia and the sum of the states and territories in the published ABS statistics. Such discrepancies may reflect data limitations, especially in relation to smaller jurisdictions. Consequently, the ACIF Forecasts sometimes also have discrepancies between the sum of the national aggregates or totals and the sum of the totals for the states and territories. It is recommended that readers refer to the ACIF dashboard when conducting detailed analysis of the forecasts for the states and territories to obtain a full picture.

Forecast building and construction asset types and sub-sectors

Residential Building	Non-Residential Building	Engineering Construction
• New Houses • New Other Residential (Apartments and Townhouses) • Large Alterations and Additions • Other (Mainly Small Alterations and Additions)	• Accommodation • Education • Entertainment and Recreation • Health and Aged Care • Industrial • Miscellaneous • Offices • Other Commercial • Retail and Wholesale Trade	• Roads • Bridges, Railways and Harbours • Electricity and Pipelines • Water and Sewerage • Telecommunications • Heavy Industry including Mining • Recreation and Other

Forecast methodology

The ACIF Forecasts are prepared using ‘top down’ and ‘bottom up’ analytical frameworks.

The ‘top down’ framework starts with the inclusion of economic forecasts. These include the major aggregates, such as GDP, employment and inflation, mapped to changes in the RBA’s cash rate, or a change in the exchange rate.

The key elements of the ABS National Accounts that relate to construction are tracked in detail, which is very helpful when projecting changes in construction expenditure which is largely a portion of Gross Fixed Capital Formation and public sector spending and investment. The top-down framework also contains considerable information about demographic change in Australia. Information is tracked about natural growth, net immigration and net internal migration.

The detailed building activity forecasts are then compiled drawing on ‘bottom-up’ information tracking actual construction projects and actual construction spending and employment over the recent past in considerable industry and geographic detail. Data is sourced from the ABS National Accounts, Finance Approvals and Buildings Approval data and Cordell Connect/Cotality. The forecasts are based on detailed leading indicators such as approvals, commencements and work yet to be done for each of the asset types that make up the Residential and Non-Residential building and Engineering construction sectors by construction type and subcategories and across Australia, by state, by capital city and by the rest of state. The ABS asset type definitions are included in the Appendix to this report.

Additional bottom-up information is factored into the ACIF forecasting methodology with the involvement of the Construction Forecasting Council (CFC). The CFC reviews and varies the initial results of the bottom-up framework through the conduct of forecasting workshops. It is notable that the CFC input is used to adjust the shares of activity between activity and over time based on discussion between industry experts and the forecasting team. This provides flexibility to respond to cyclical and industry specific factors while also preserving the overall integrity of the agreed macro-economic projections.

Appendix C: Major Project Stages

Definitions for the codes included in the Cordell Connect data provided in the 'Projects' forecast tool in the Customised Forecasts Dashboard are below.

Early	The project could fall under one of the following Cordell Early Planning reporting stages: • Rezoning Application • Preliminary Enquiries to Council • Site Acquisition • Feasibility Study
Possible	The project falls into one of the following stages: • Sketch Plans • DA Submitted/Approval • DA Refused • Working Drawings • Tenders for Consultants/Development • Tenders for Design/Construct
Registrations	Expression of Interest (EOI) is released on the project. Companies interested in tendering the particular project are submitting their EOI. Tender documents become available, so interested companies can familiarise themselves with the conditions of tendering, the advertised selection criteria, the specifications, and the conditions of contract, especially the clauses dealing with delivery and price variations, before deciding whether they are suitable or not.
Firm	The project is at one of the following Cordell Tender reporting stages: • Building Application/Approval • Contract under negotiation • Tenders Called/List of Tenderers • Lowest Tenderers named. No Tender Accepted. Tenders Closed Also includes projects where the contract has been let but construction has not commenced and projects where site preparation is in progress.
Deferred	The project has stalled for an unusual amount of time. The period of time may vary and can range from a couple of months at tender stage to years at the planning stage. Project can be deferred indefinitely.
Abandoned	Projects final reported with no end date. The project is not going ahead and will not reappear in its present form. Projects can be abandoned at any stage of development e.g. planning or tender stage.
Finished (i.e. no further info) in Planning	Projects final reported with no end date. The project can no longer be followed up. For example, contacts are no longer involved, Architect may not have heard from client and the development approval (DA) has expired, site sold to undisclosed developer, no further application in Council.
Finished (i.e. no further info) in Construction	Projects final reported with end date. Construction was found to be completed at time of call.

Appendix D: Building and Construction Types and Sub-sectors

ACIF Type and Sub-sector	ABS Category	Description
RESIDENTIAL BUILDING		
New Houses	New Houses	A house is a detached building predominantly used for long-term residential purposes and consisting of only one dwelling unit. Thus, detached 'granny flats' and detached dwelling units (such as caretakers' residences) associated with Non-Residential Buildings are defined as houses for the purpose of these statistics.
New Other Residential (Apartments and Townhouses)	New Other Residential Building	A New Other Residential building is a building other than a house primarily used for long-term residential purposes and which contains (or has attached to it) more than one dwelling unit (e.g. includes blocks of flats, home units, attached townhouses, villa units, terrace houses, semi-detached houses, maisonettes, duplexes, apartment buildings, etc.).
Large Alterations and Additions	Alterations & additions to residential buildings	Building activity carried out on existing buildings, which may result in the creation of almost new dwelling units. This includes adding to or diminishing floor area, altering the structural design of a building and adding rigid components which are integral to the functioning of the building. It also includes converting a non-residential building to a residential building, e.g. conversion of a warehouse to residential apartments. Conversion is considered to be a special type of alteration. 'Conversions, etc.' are the number of dwelling units created as part of alterations and additions to, or conversions of, existing residential or non-residential buildings and as part of the construction of non-residential building. 'Conversions, etc.' are included in the total number of dwelling units. However, while the value of conversions is included in the value of alterations and additions to residential buildings, the value of new dwelling units associated with non-residential buildings is included in the value of non-residential buildings.
Other (Mainly Small Alterations and Additions)	Private dwelling investment that has not been counted within residential building	Small alterations and additions include additions and extensions, internal renovations to kitchens, bedrooms, attics, living room areas, insulation, in-ground swimming pool, outside building, landscape contractor, other outside improvements. It includes work done by builders or contractors, interior designers, landscape designers etc. This series is not separately identified in ABS Building Activity publication but is derived from investment in alterations and additions published in the ABS Quarterly National Accounts that are not accounted for in the residential building statistics.
NON-RESIDENTIAL BUILDING		
Non-Residential Building	Non-Residential building	A Non-Residential building is primarily intended for purposes other than long-term residential purposes.
Accommodation	Short term accommodation buildings	Accommodation includes buildings primarily providing short-term or temporary accommodation. It includes self-contained, short-term apartments (e.g. serviced apartments); hotels (predominantly accommodation), motels, boarding houses, cabins and other short-term accommodation not elsewhere classified (e.g. migrant hostels, youth hostels, lodges).
Education	Education buildings	Education buildings include those used in the provision or support of educational services, including group accommodation buildings (e.g. classrooms, school canteens, dormitories).
Entertainment and Recreation	Entertainment and recreation buildings	Entertainment and recreation include buildings used in the provision of entertainment and recreational facilities or services (e.g., libraries, museums, casinos, sporting facilities).
Health and Aged Care	Health buildings, Aged care facilities	Health buildings include those used in the provision of non-aged care medical services (e.g. nurse's quarters, laboratories, clinics). Aged care facilities include buildings used in the provision or support of aged care facilities, excluding dwellings (e.g. retirement villages). Includes aged care facilities with and without medical care.

Appendix D: Building and Construction Types and Sub-sectors

ACIF Type and Sub-sector	ABS Category	Description
Industrial	Factories and other secondary production buildings, Warehouses, Agricultural and aquacultural buildings, Other industrial buildings not elsewhere considered (NEC)	Industrial buildings are used for warehousing and the production and assembly activities of industrial establishments, including factories and plants. Factory buildings include those that house, or are associated with, production and assembly processes of intermediate and final goods. Warehouse buildings are primarily used for storage of goods, excluding produce storage. Agriculture/aquaculture buildings include those that house, or are associated with, agriculture and aquaculture activities, including bulk storage of produce (e.g. shearing shed, grain silo, shearers' quarters).
Miscellaneous	Religious buildings, Other Non-Residential buildings NEC	Miscellaneous Non-Residential building includes religious buildings used for or associated with worship, or in support of programs sponsored by religious bodies (e.g. church, temple, mosque, church hall, dormitories).
Offices	Offices	Office buildings include those primarily used in the provision of professional and business services (e.g. accountancy, engineering, insurance and banking/ finance) and public administration.
Other Commercial	Transport buildings, Commercial buildings NEC	Buildings primarily occupied with or engaged in commercial trade or work intended for commercial trade that have not been classified as Retail trade, Warehouses, Industrial or Miscellaneous. This category also includes buildings that support transport activities or primarily used in the provision of transport services including passenger transport buildings (e.g. passenger terminals), non-passenger transport buildings (e.g. freight terminals), commercial car parks (excluded are those built as part of, and intended to service, other distinct building developments) and other transport buildings not elsewhere classified.
Retail and Wholesale Trade	Retail and wholesale trade buildings	Retail/wholesale trade buildings include those primarily used in the sale of goods to intermediate and end users.
ENGINEERING CONSTRUCTION		
Roads	Roads	Roads, highways and subdivisions include parking areas; cycle paths; airport runways; pedestrian and vehicle overpasses; traffic lights; roundabouts; associated road drainage works; street and highway lighting; road resurfacing, kerbing and guttering, road tunnels.
Bridges, Railways and Harbours	Bridges, Railways and Harbours	Railways include tracklaying; overhead power lines and signals; platforms; tramways; tunnels for underground railways; fuel hoppers. Bridges includes those for the support of roads, railways, causeways and elevated highways. Harbours include boat and yacht basins; breakwaters; retaining walls; docks and piers; terminals; wharves; dredging works; marinas.
Electricity and Pipelines	Electricity and Pipelines	Electricity generation, transmission and distribution includes construction of power stations; substations; hydro-electric generation plants; associated work i.e., towers; chimneys; transmission and distribution lines. Pipelines include oil and gas pipelines; urban supply mains for gas; pipelines for refined petroleum products, chemicals, foodstuffs, etc.
Water and Sewerage	Water and Sewerage	Sewerage includes sanitary and storm sewers; sewage treatment plants; stormwater drains; drainage systems. Water includes dams; weirs; reservoirs; embankments for water diversion; water pipelines; mains and treatment plants; flood prevention and erosion; aqueducts; water conduits; systems conveying water to residences, commercial and industrial establishments.
Telecommunications	Telecommunications	Telecommunications include mobile phone, radio, television, microwave and radar transmission towers; telephone lines and underground cables; coaxial cables.
Heavy Industry including Mining	Heavy Industry Including Mining	This category includes the construction of production, storage and distribution facilities; refineries; pumping stations; construction of mines; construction of chemical plants; blast furnaces; steel mills; other industrial processing plants; ovens.
Recreation and Other	Recreation and Other	Recreation includes golf courses; playing fields; racecourses; stadiums; swimming pools; landscaping; park construction.



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Market update: What has changed since our March briefing

Middle East conflict, implications for Australian projects | May 2026

Executive summary

Since our March briefing, some risks are now appearing in pricing and procurement behaviour. Others remain possible, but are not yet evident in outcomes.

Where the geopolitical situation goes from here is uncertain. The better approach is to focus less on prediction and more on the factors that can be tested, managed and controlled.

This paper is structured around three decision points: early stage feasibility and budgeting, projects negotiating construction contracts, and ongoing projects under construction. Across all three, the evidence points to selective pressure rather than broad escalation:

- Bitumen: A clear stepchange in published bitumen indices is now evident, with emerging whole-of-life asset risks
- Fuel: Diesel price pressure has become more sustained, with fuel surcharges and formal fuel cost recovery mechanisms flowing through the contracting chain
- Shipping and logistics: War risk insurance and routing changes are driving higher freight costs, shorter price validity periods and reduced appetite for fixed pricing, particularly for imported or long lead components
- Materials: Pricing and validity risk is now clearer for selected polymer based products

The dominant risk is not volatility itself, but poor responses to uncertainty. Projects performing best isolate specific exposures and use clear mechanisms.





Cutting through the noise: what has changed and what has not

When we issued our [market briefing](#) in late March, the escalation in the Middle East was less than three weeks old. Our view then was that the main risk to Australian projects was volatility, not a structural break in supply.

Some commentators are suggesting double digit cost escalation because of the conflict. In our view, this is not supported by the data at this stage. The practical question for clients is not whether a single escalation percentage exists, but how to make decisions at each stage of a project without anchoring to headlines or shifting unquantified risk into fixed prices.

1

Decision stage 1: Budgeting at pre-design and design stage

2

Decision stage 2: Projects negotiating construction contracts

3

Decision stage 3: Ongoing projects under construction

1

Decision stage 1: Budgeting at pre-design and design stage

At early stage, adding a percentage to a cost plan is easy. The harder task is determining whether the uplift is real for your project and whether it changes feasibility in a way that would still hold in six to twelve months. Blanket allowances can force unnecessary value engineering, deferral or cancellation.

The better approach is to test sensitivity on the drivers that matter. Where the business case is marginal, the most effective lever may be staging, procurement sequencing or timing, not scope reduction.

For projects still years from procurement, treat alarmist contractor ECI allowances with caution. Do not lock in short-term conflict premiums or pre-conflict escalation baselines without clear evidence, agreed triggers and a commitment to re-test the estimate closer to market entry.

We are not seeing widespread delays or cancellations on committed projects. Delivery continues, particularly where pricing has been negotiated, relationships are well established, or scopes were substantially locked in prior to escalation.

Attention is shifting to the forward pipeline. The key question is whether volatility affects project affordability, timing and investment decisions. Where refreshed cost plans no longer fit approvals, expect deferrals, staged delivery or scope adjustment.

What to focus on now

- Test exposure, not averages
- Avoid locking in short-term assumptions
- Protect optionality
- Revisit assumptions closer to procurement



2

Decision stage 2: Projects negotiating construction contracts

The market response is showing up in tender validity, qualifications and adjustment mechanisms.

What we described in March as emerging contractor behaviour is becoming more consistent:

- shorter tender validity periods,
- targeted qualifications on fuel, freight and materials,
- increased use of provisional sums or capped escalation mechanisms, and
- resistance to blanket “cost escalation” clauses.

This reflects a reset in risk allocation, not a one-off reaction.

Where contracts lack clear escalation pathways, we are seeing increased claims tension and inconsistent outcomes. Conversely, where mechanisms are well defined and evidence requirements are clear, negotiations are progressing.

For civil and road projects, rise and fall mechanisms tied to published indices remain the main intended adjustment pathway for inputs such as bitumen. Clear mechanisms and agreed evidence thresholds reduce the risk premium that otherwise gets priced into lump sums. Deals are still getting done, particularly where scope is clear and decisions are timely.

What to prioritise in contracts

- Align governance to validity
- Use targeted mechanisms
- Set evidence thresholds upfront
- Focus on clarity, not transfer



Decision stage 3: Ongoing projects under construction

For live projects, the practical issues are cost and time impacts, procurement lead times, and claims behaviour. Better outcomes come from early engagement, shared data and fair adjustments that preserve delivery and value.

Force majeure and delay provisions are being explored on some projects. Outcomes remain highly contract specific and dependent on drafting, notice provisions and evidentiary thresholds. We are not seeing a consistent Australian precedent emerge, and claims behaviour continues to vary by project, sector and commercial relationship.

What to manage during delivery

- Address cost movement early
- Distinguish entitlement from outcome
- Target adjustments, not broad relief
- Maintain discipline in change control



“Although force majeure clauses commonly list “war” or “hostilities” as trigger events, claiming relief is rarely straightforward. Key issues include contractual thresholds (does the clause require the event to “prevent” performance, or merely “hinder” or “delay” it?), location requirements (must the event occur in Australia or can it occur anywhere?), and causation (the link between the Middle East conflict and local operations involves multiple steps).

Critically, force majeure usually excuses non-performance, it does not provide compensation where performance becomes more expensive. Unavailability of fuel versus increased cost of fuel is a critical distinction. In practice, many principals are taking a pragmatic approach, offering temporary pricing adjustments or rise-and-fall mechanisms tied to published indices rather than insisting on strict contractual positions that risk contractor insolvency or unsustainability in the supply chain.”

Jonathon Williams, Partner, MinterEllison





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Bottom line

The issue is manageable, but it deserves active management rather than monitoring. Since March, cost pressure has become clearer and is flowing through contracts and procurement, not just headlines. The key risk is not volatility itself, but blunt responses that misallocate risk or distort feasibility. The best position is clear scope, defined mechanisms and timely decisions.

Appendix: Evidence and market signals

A1. Energy and fuel pricing

In March, we noted early volatility in global energy markets flowing into Australian diesel pricing, with no confirmed supply interruption. Since then:

- Industry evidence now points to sustained diesel price pressure, with fuel surcharges more common across civil, logistics and plant-intensive scopes.
- Contractors are less willing to absorb open-ended fuel risk and increasingly seek explicit fuel adjustment mechanisms, often with caps or commodity-specific triggers.

Recent measures, including the temporary halving of fuel excise and changes to road user charges, have lowered headline pump prices. The commercial benefit is uneven. Under the Fuel Tax Credit regime, many operators see little net gain because lower pump prices are offset by lower Fuel Tax Credit entitlements. Others, particularly on-road users without full credit offsets, may see partial relief of about 32 cents per litre. Overall, the measures are modest relative to broader diesel price movements and do not materially change the risk profile for fuel-intensive projects. Diesel prices rose sharply after the escalation, with some markets up more than 70% at the peak before easing.



“In the face of increased fuel costs across the subcontracting chain, the Fair Work Commission has also taken steps to enable parties to pass up their increased costs to the head contract.

From 21 April 2026, the Road Transport Contractual Chain Order – Fuel Cost Recovery – 2026 requires primary parties in a road transport contractual chain to adjust rates fortnightly to ensure recovery of increased fuel costs. They must also take reasonable steps to ensure those adjustments flow down the chain to regulated contractors and employee-like workers.

The Order covers all road transport work, including principals and clients who procure goods delivered by road. It ceases to apply if the national average diesel terminal gate price falls below \$2.00 per litre. Non-compliance attracts civil penalties. ”

Allie Flack, Special Counsel, MinterEllison

What has not changed

There remains no evidence of an immediate Australian fuel shortage. The issue continues to be price volatility and cost transfer, not physical unavailability. Australia's fuel supply base has also diversified through new or expanded arrangements across multiple source markets, reducing immediate shortage risk despite ongoing price volatility.

A2. Shipping and logistics

In March, we said shipping disruption was rising, particularly from Red Sea diversions, with the main effects in freight costs, insurance and lead-time variability rather than broad supply failure. Since then:

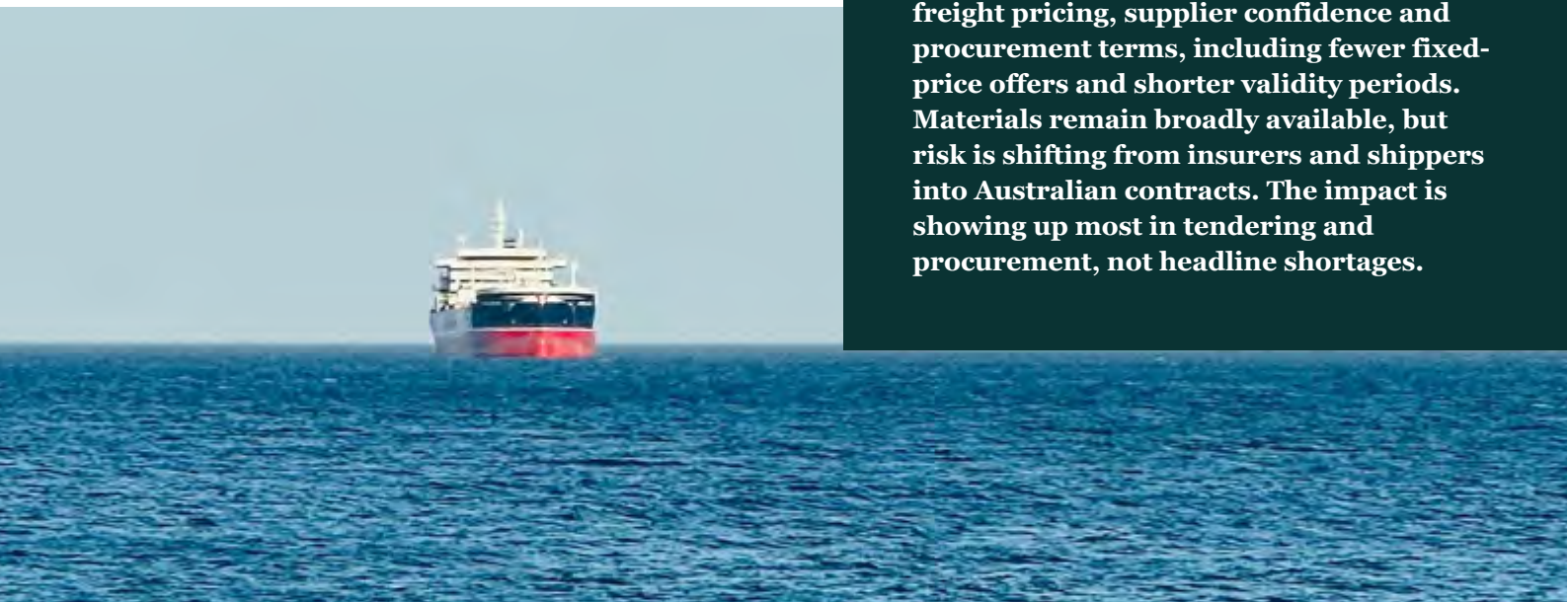
- Shipping routes remain disrupted and more expensive, with re-routing extending transit times and increasing price uncertainty.
- Australian projects with imported or long-lead components continue to face shorter price validity and less appetite for fixed pricing.

What has not changed

There is still no evidence of widespread material shortages in Australia. Risk remains selective and package-specific.

Client alert: shipping insurance risk transfer

Disruption to shipping routes through the Red Sea and the Strait of Hormuz has increased war-risk insurance premiums, reduced cover and shortened policy periods. These pressures are flowing into freight pricing, supplier confidence and procurement terms, including fewer fixed-price offers and shorter validity periods. Materials remain broadly available, but risk is shifting from insurers and shippers into Australian contracts. The impact is showing up most in tendering and procurement, not headline shortages.



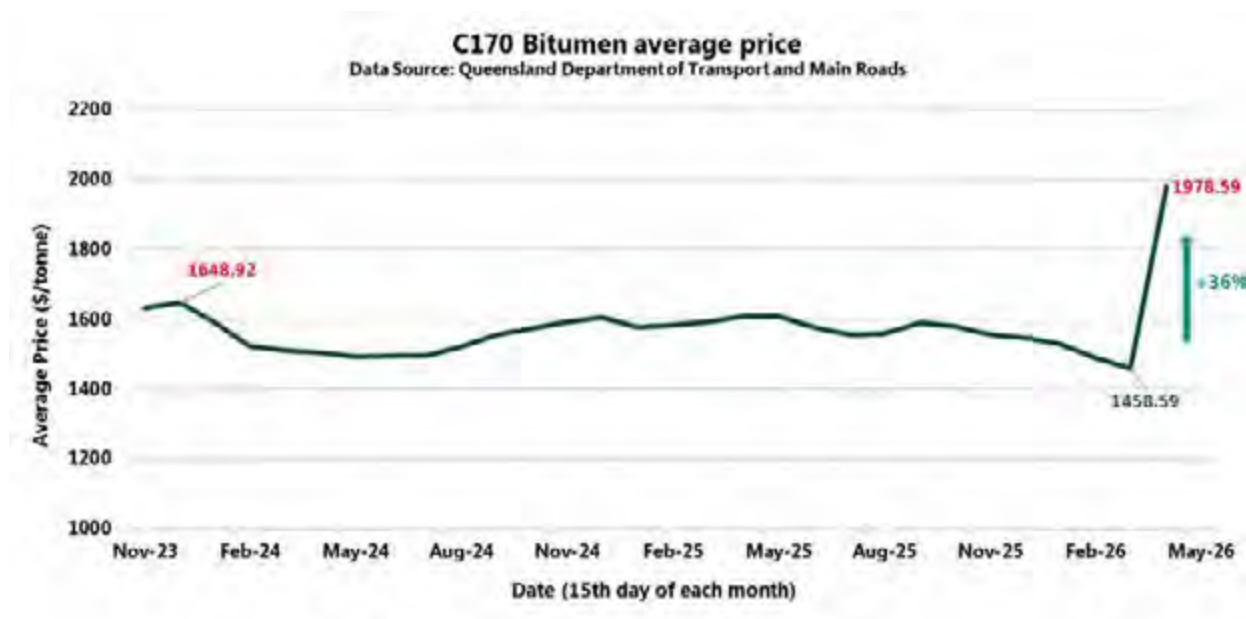
A3. Bitumen and road inputs

In March, we identified bitumen as an early-sensitive input and noted that initial increases could reflect normalisation from a low base rather than a geopolitical step-change.

Since then, published state indices show a clear step-change between March and April 2026 across multiple jurisdictions, including the Queensland Department of Transport and Main Roads release below:

“Bitumen supply is experiencing immediate and significant tightening as a result, and there is a real risk of stock depletion and stock outs in the near term.”

Australian Flexible Pavement Association (AfPA), Global Bitumen Supply Chain Disruption statement, March 2026



In parallel:

- Industry bodies report cancelled supply commitments and offshore force majeure notifications.
- Availability, spec compliance and lead times are emerging as secondary risks for road and asphalt intensive projects.

Specification relaxation and whole-of-life risk

Recent industry and government responses have introduced a risk beyond price. Reporting indicates some jurisdictions are temporarily relaxing Australian bitumen standards to allow offshore materials that do not meet historic specifications, to keep roadworks moving. Technical advice suggests these harder, non-standard grades may materially shorten pavement life.

Industry bodies have made the same point, warning that the waiver grades differ materially from Australian standards and are likely to reduce pavement life, increase maintenance frequency and raise long-term asset risk.

What has changed

Bitumen escalation is now confirmed, with emerging whole-of-life asset risk.

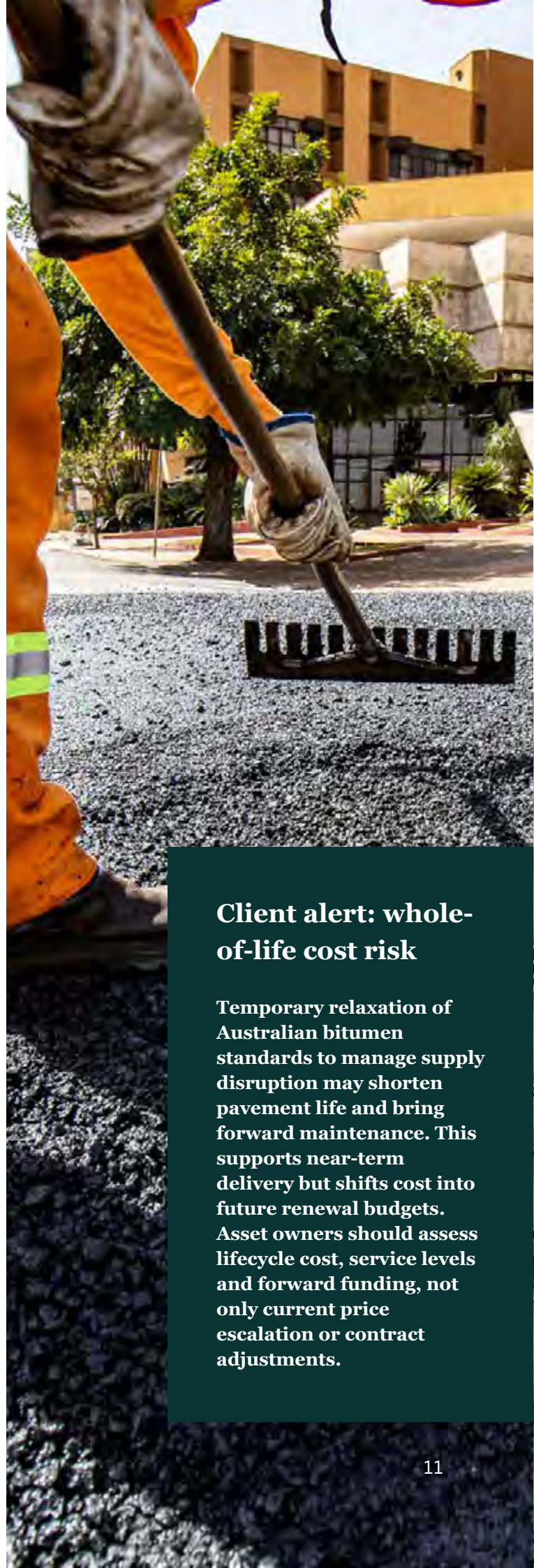
Implications for local government road asset owners

Local governments are likely to be most exposed. Councils manage about three quarters of Australia's road network and carry long-term maintenance responsibility within constrained, often inflexible renewal budgets. Shorter pavement life brings forward intervention cycles without creating new funding capacity.

The main risk is whole-of-life cost escalation rather than immediate capital overrun. The more likely effects are service pressure and deferred renewal backlogs over the medium term, particularly in regional and remote networks where wear sensitivity is higher.

Client alert: whole-of-life cost risk

Temporary relaxation of Australian bitumen standards to manage supply disruption may shorten pavement life and bring forward maintenance. This supports near-term delivery but shifts cost into future renewal budgets. Asset owners should assess lifecycle cost, service levels and forward funding, not only current price escalation or contract adjustments.



A4. Materials exposure beyond bitumen

In March, we identified exposure pockets in:

- polymer based products (PVC, HDPE),
- energy intensive metals, and
- long lead mechanical and electrical plant.

Since then:

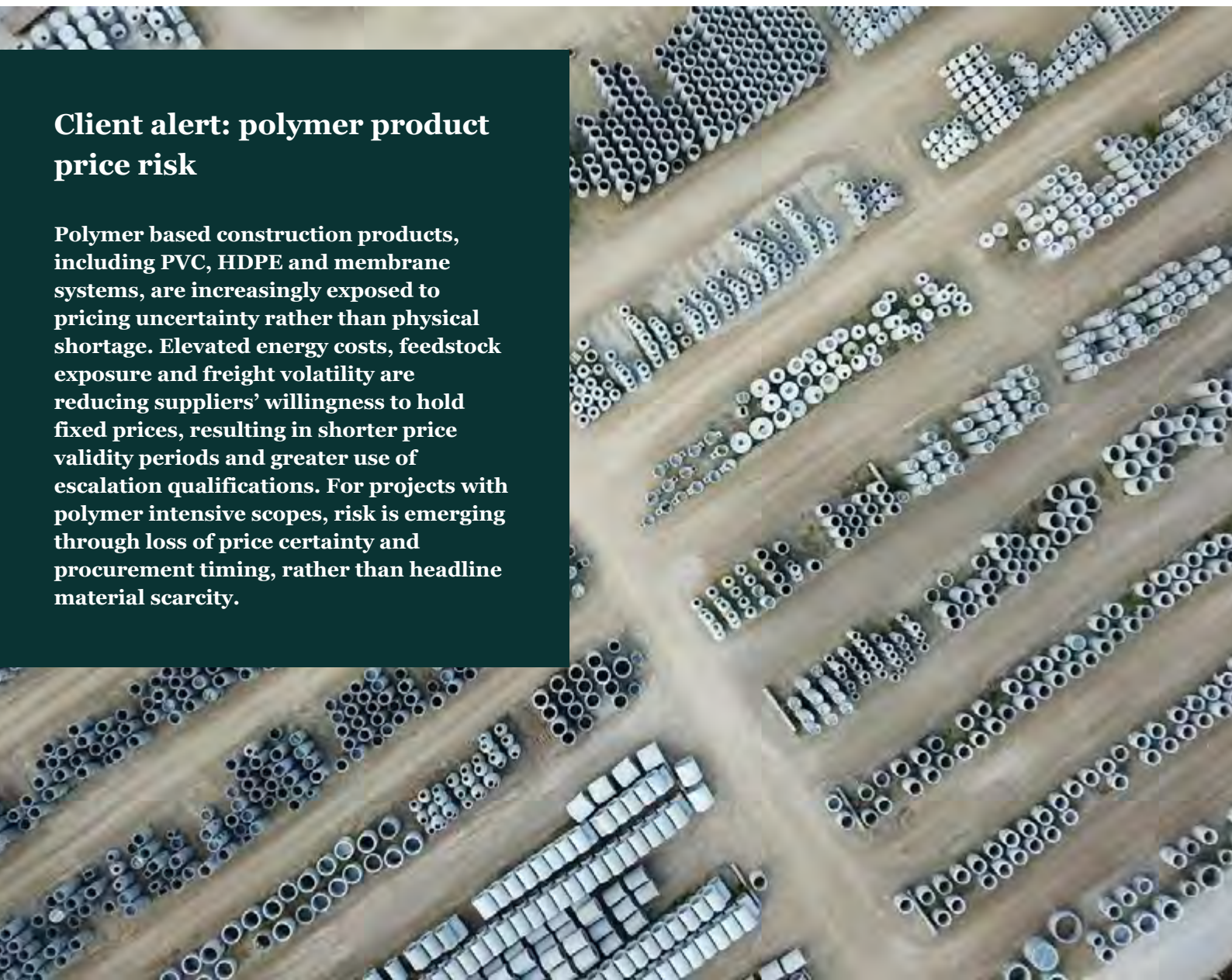
- Price movement has been confirmed in selected polymer-based products, with suppliers increasingly reluctant to fix pricing without escalation allowances.
- Mechanical and electrical packages remain exposed primarily through lead-time and pricing validity risk, rather than immediate cost spikes.

What has not changed

This is not a universal materials inflation event. Risk remains concentrated in identifiable inputs and scopes.

Client alert: polymer product price risk

Polymer based construction products, including PVC, HDPE and membrane systems, are increasingly exposed to pricing uncertainty rather than physical shortage. Elevated energy costs, feedstock exposure and freight volatility are reducing suppliers' willingness to hold fixed prices, resulting in shorter price validity periods and greater use of escalation qualifications. For projects with polymer intensive scopes, risk is emerging through loss of price certainty and procurement timing, rather than headline material scarcity.





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Thank you to Allie Flack and Jonathon Williams at MinterEllison for contributing legal commentary as noted.

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RLB Australian Construction Market Overview



The Middle East conflict will push up construction cost escalation

Strong construction sector at the start of 2026

Australia's construction industry entered 2026 with momentum. Construction work done reached a record \$318 billion in 2025, up 3.7% from 2024. Residential work done rose 7%, while engineering activity was supported by transmission, renewables, pumped hydro and water infrastructure. Non-residential growth was more subdued overall, but data centres, hospitals and aged care remained strong.

The near-term pipeline was also firm before the Middle East conflict began. Building approvals rose strongly over the year, led by apartment approvals, while data centre commencements and approvals rose rapidly, especially in Victoria and NSW.

Price pressures were already returning before the Middle East conflict

Overall construction cost escalation moderated in 2025. RLB's Tender Price Index slowed across most of Australia in 2025, but tender costs were still rising faster than pre-pandemic.

ABS producer price data also showed that escalation moderated in 2025, but price pressures were building even before the Middle East conflict started. There are signs of cost growth picking up, with building construction output prices rising 4.2% in the year to March 2026. House construction output prices rose 4.1% over the year, a sharp rebound from falling prices in late 2024 and early 2025. Output price growth remained below 2% in the heavy and civil engineering construction sector.

Labour shortages have continued to be a constraint in the construction sector. Skilled shortages among trades workers, construction managers and engineers continued to push up labour costs and extend project durations. Low productivity, insolvency risk, limited Tier 1 competition and high public-sector activity competing for labour and materials are also contributing to higher pricing.

Looking ahead, RLB had forecast before the outbreak of the Middle East conflict that Tender Prices would rise by around 4% to 6% across Australia in 2026.

Conditions strongest in Western Australia, South Australia and Queensland

Market conditions varied across Australia pre-conflict. Activity in Western Australia, South Australia and Queensland was strong, with a robust near-term pipeline, rising commencements and approvals, and capacity pressures.

Reflecting this strength, RLB had forecast cost pressures to rise most in Queensland, Western Australia and South Australia in the coming year. Defence, healthcare and infrastructure pipelines are tightening capacity and driving renewed competition for labour and Tier 1 resources.

In contrast, Sydney and Melbourne were expected to record more moderate cost escalation in 2026, although both remain above pre-pandemic norms. In Sydney, capacity constraints were expected to return in late 2026. In Melbourne, the data centre and education sectors are strong, but the housing sector is more subdued and feasibility remains challenging.

Conflict shock is flowing through supply chains

The Middle East conflict added a new cost shock to an already tight market.

The near-complete closure of the Strait of Hormuz has reduced the supply of oil and refined products. As a result, oil, refined products and oil-linked commodity prices have risen sharply. In the market, spot prices are trading at a premium to futures, reflecting shortages, but also an expectation that the conflict will be resolved shortly. Diesel and jet fuel prices have increased the most, with Australia particularly exposed because domestic production accounts for only around 15% of diesel consumption.

Higher oil prices have flowed through to a range of construction inputs. Oil-intensive products, such as plastic pipes and fittings, and bitumen, have seen the biggest price rises (see table).

RLB Australian Construction Market Overview

Price increases based on current supplier information, Australia

Construction input	Estimated price increase, February to May 2026
Diesel	+70 to +80%
Plastic pipe & fittings (PVC / PE / PP)	+25% to +40%
Bitumen / asphalt	+20% to +40%
Delivery fee surcharge	+10% to +20%
Electrical cable / conduit	+5% to +15%
Concrete	+6% to +12%
Preliminaries / ground works / piling	+5% to +12%
Quarry products / sand / aggregates	+5% to +10%
Reinforcement / structural steel	+4% to +10%
Aluminium / cladding / glazing	+4% to +8%
Imported machinery and equipment	+3% to +7%

Source: Supplier notices.

2026 escalation will be materially higher

The conflict is expected to lift 2026 construction costs substantially. Recent RLB project estimates point to construction cost uplifts of around 4% to 6% relative to pre-conflict.

In addition to price rises, the uncertainty created by the conflict has stalled the progress of some projects and threatened the feasibility of others.

The macroeconomic backdrop reinforces the price pressure. The economy was already operating above potential before the conflict, with low unemployment, rising inflation, skills shortages and rising interest rates.

Interest rates are likely to rise further due to rising inflation and higher inflation expectations. Higher rates, combined with higher construction costs, will make some projects unviable, particularly residential projects, where buyer borrowing capacity, presales and financing costs are most important.

Price pressures may persist into 2027

Construction price pressures may persist into 2027, but the outlook depends heavily on how long the Middle East conflict lasts. If disruption eases quickly, prices for oil-linked inputs should fall and escalation may gradually moderate. If the conflict persists, draw down of reserves may slow, with prices of freight-heavy or energy-intensive inputs staying elevated or rising further.

A prolonged conflict would keep construction costs higher for longer and could result in much higher interest rates, reducing project feasibility and weighing on dwelling supply.

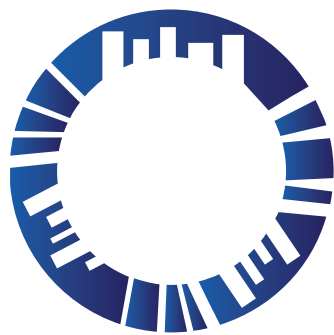
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