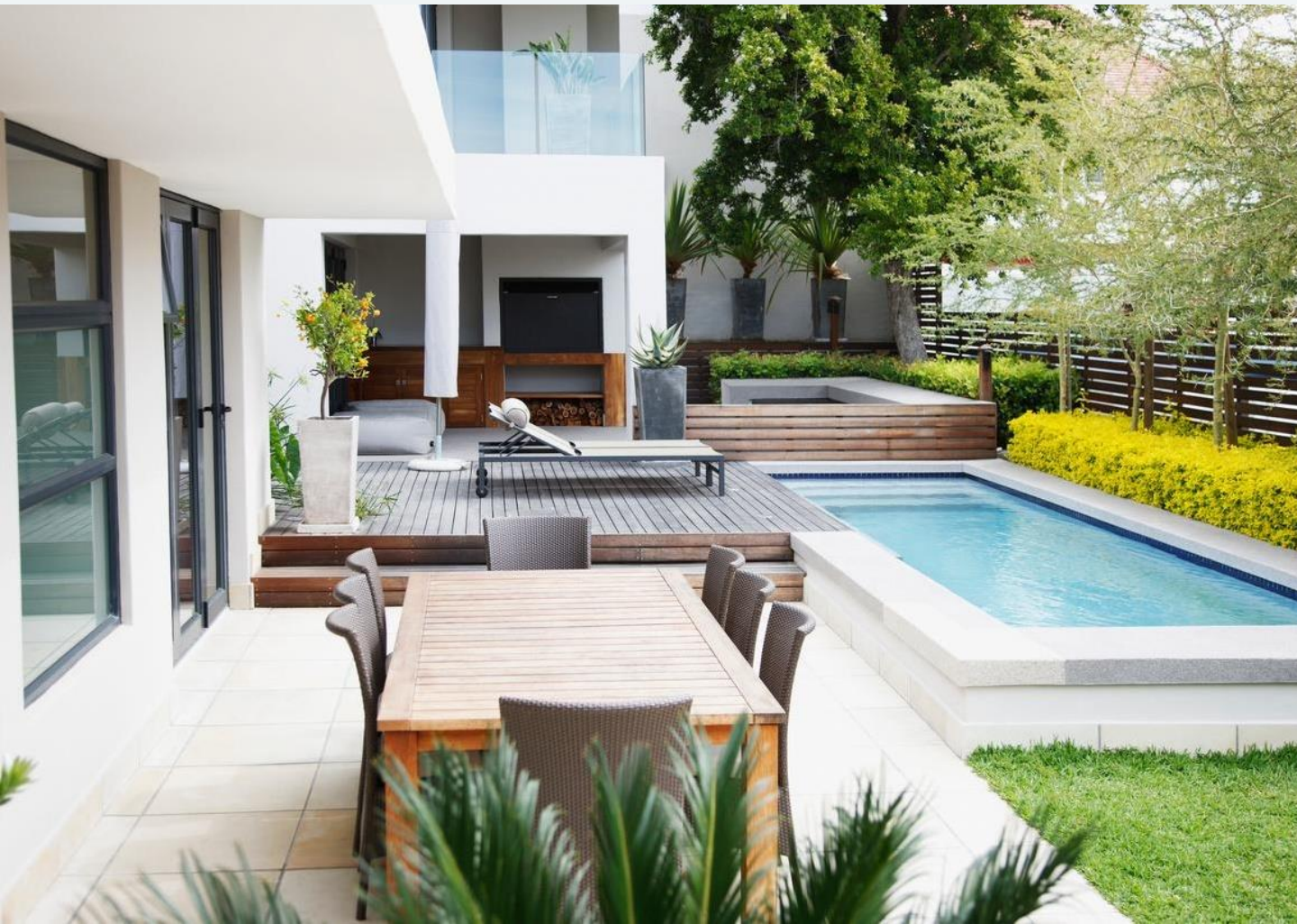


CORDELL BUILDING INDICES

# Cordell Construction Cost Index (CCCI)

Australia | Quarter 4, 2023



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# Introduction to Cordell Building Indices

The Cordell Building Indices (CBI) are a series of construction industry index figures that are used to monitor the movement in costs associated with building work within particular segments of the industry.

The CBI indicate the rate of change in prices within particular segments of the Australian construction industry. The changes in prices are measured daily through the use of detailed cost surveys, and are reported on a quarterly basis. This ensures the most current and comprehensive industry information available.

Each index is based on a combination of labour, material, plant hire and subcontract services required to construct buildings within the particular segment being measured. The CBI measure the change in the cost of constructing buildings, and as such do not provide the actual costs.

## Key components

The indices are based on a comprehensive collection of labour, material, plant hire and subcontract costs covering all major trade categories within the segment being measured.

Each of the trade categories contains labour, material and plant hire costs combined in typical proportions required to construct the various types of buildings commonly found within each segment.



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In construction, you need a constant supply of work coming through the pipe to keep your team busy, and know your business is on track.

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6 ways we're seeing the construction industry use data to win new work and grow their profits using our key products Cordell Connect and RP Data Professional



Save money on advertising



Build relationships and generate leads



Market directly to prospective customers



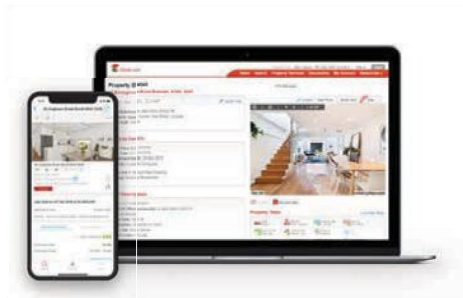
Understand property size, location and age before site visits



Prospect more effectively



Create quotes for jobs more quickly and accurately



## RP Data Professional

RP Data can help those in the construction industry identify target properties to purchase, create automatic valuations for more informed insights into pricing, verify information and ownership status, and conduct valuable research.

Find out more at:

[corelogic.com.au/rpdata](https://corelogic.com.au/rpdata)

Contact us today on 1300 734 318 or visit [corelogic.com.au](https://corelogic.com.au).



## Cordell Connect

Cordell Connect is an online leads generation and business development tool, providing you with timely details on construction, infrastructure and other building projects across Australia.

Know what projects are being planned or what stage of development the project is in, plus the relevant stakeholder contact details.

Find out more at:

[corelogic.com.au/cordellconnect](https://corelogic.com.au/cordellconnect)

# National



## 0.8%

QUARTERLY GROWTH



## 2.9%

ANNUAL GROWTH

The Cordell Construction Cost Index (CCCI) saw an acceleration in the quarterly pace of growth, with national construction costs rising 0.8% over the three months to December. This increase marks a reversal of the easing trend seen over the previous four quarters when the quarterly CCCI reading went from 4.7% over the September 2022 quarter to 0.5% over the three months to September 2023. Although the pace of increase in the index has risen, the latest growth rate remains 20 basis points below the pre-COVID decade average of 1.0%, suggesting that re-acceleration is more a return to trend rather than a new surge in construction costs.

According to the Cordell costings team, pricing remains generally unsettled, with no clear trend seen across most product types. Depending on the supplier, both increases and decreases were recorded in timber and metal prices, although we have seen rises in the price of hardware and chemical items.

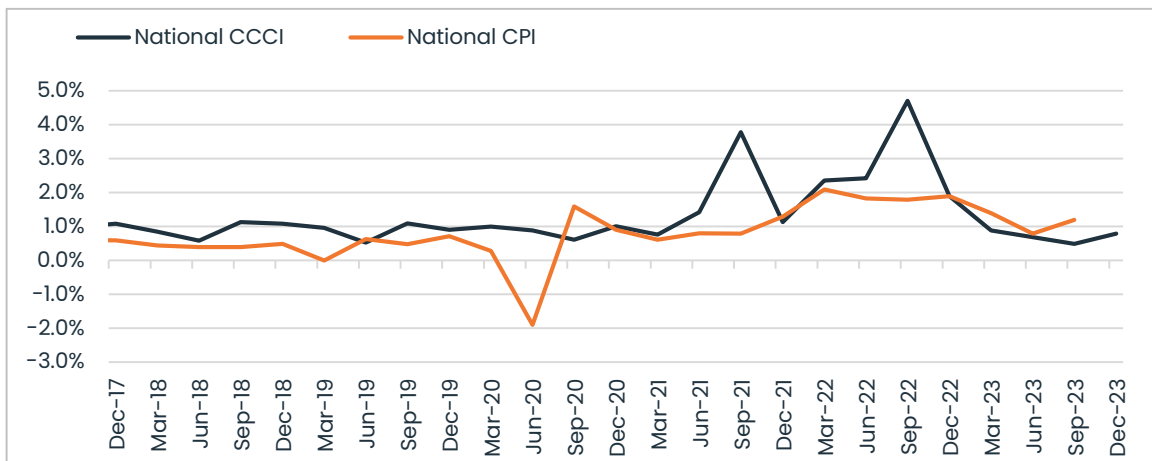
Price rises were also varied across the states, with an increased growth rate seen in NSW, VIC and WA, while SA and QLD both saw a reduction in quarterly CCCI growth. This quarter's relatively flat result in QLD has helped bring QLD growth rates back in line with the other states after recording a stronger increase over the past two years.

While up over the quarter, the annual change in residential construction costs continued to ease as larger quarterly increases fell out of the annual calculation. At 2.9%, the latest 12-month increase

was the smallest annual rise in the national CCCI since the year to March 2007 (2.7%) and below the pre-COVID decade average (4.0%). This suggests that growth in construction costs have normalised after recording a recent peak of 11.9% over the 12 months to December 2022, albeit at a higher level. Although 26.6% higher than at the onset of the pandemic, the recent surge in CCCI is below the increases seen across national dwelling values, with CoreLogic's Home Value Index rising 31.3% over the same period (36.5% for houses and 15.7% for units).

The outlook for construction costs over the coming year is uncertain. While it's unlikely we'll see any declines in construction costs, the pace of growth could be influenced by several factors. Although dwelling approvals have risen from a recent low of 12,185 in January, the latest data from the ABS showed that dwelling approvals remained -15.8% below the decade average in November at around 14,500. Although a number of projects are still moving through the construction pipeline, the recent lull in approvals could result in a shortfall in new projects, which would help keep growth in building costs low, due to greater capacity in the construction sector. However, with the CPI continuing to ease, it's looking increasingly like we'll see a cash rate cut in the second half of 2024, which could fuel housing demand for both established and new dwellings. Regardless, the normalisation in CCCI growth will help provide some certainty for builders, insurance companies and homeowners alike.

## Quarterly change in construction costs v CPI, National



# New South Wales



**↑%** **1.0%** QUARTERLY GROWTH

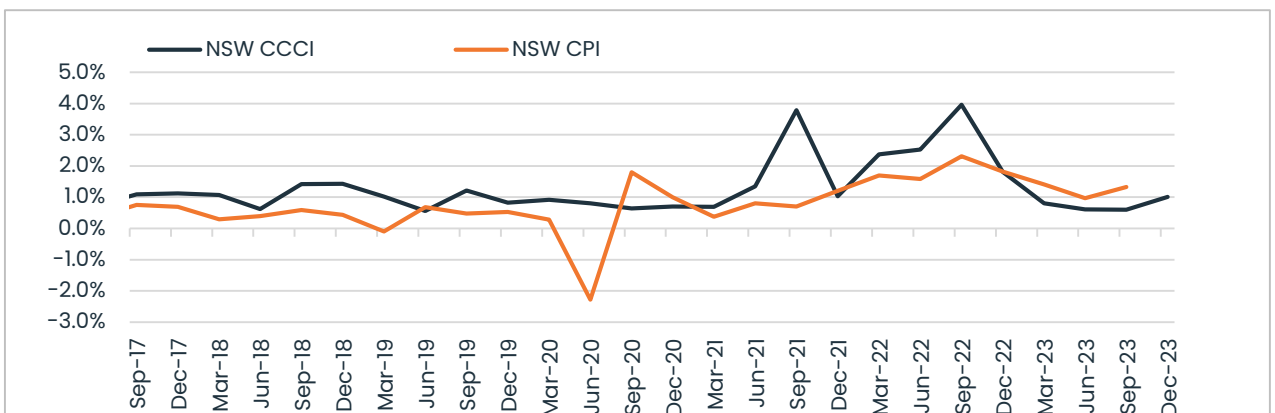
**↑** **3.1%** ANNUAL GROWTH

Across NSW, the CCCI rose 1.0% over the December quarter, up 40 basis points from the 0.6% rise seen over the September quarter. Although up quarter-on-quarter, the latest result is only 10 basis points above the pre-COVID decade average of 0.9%, suggesting the uptick is more of a normalisation in growth patterns instead of the start of a new growth cycle. This is supported by the annual result, which eased to 3.1%, the state's lowest annual change since the 12 months to March 2021 (2.9%).

Similar to the national trend, NSW dwelling approvals remain sluggish. Monthly new dwelling approvals remained -26.6% below the decade average at the end of November, which should help add downward pressure on construction cost increases as the flow of approved projects commencing slows down.

While growth in construction costs have seen a mild uptick over the quarter, growing affordability pressures, low consumer sentiment and looser supply levels saw the pace of growth across NSW dwelling values continue to ease, from 2.2% over the September quarter to 0.9% over the three months to December. This saw NSW's median dwelling value come in just shy of \$950,000 at the end of 2023, with a median house value of \$1,034,204 and a median unit value of \$783,488.


## Quarterly change in construction costs v CPI, New South Wales



# Victoria



 **1.1%** QUARTERLY GROWTH

 **2.9%** ANNUAL GROWTH

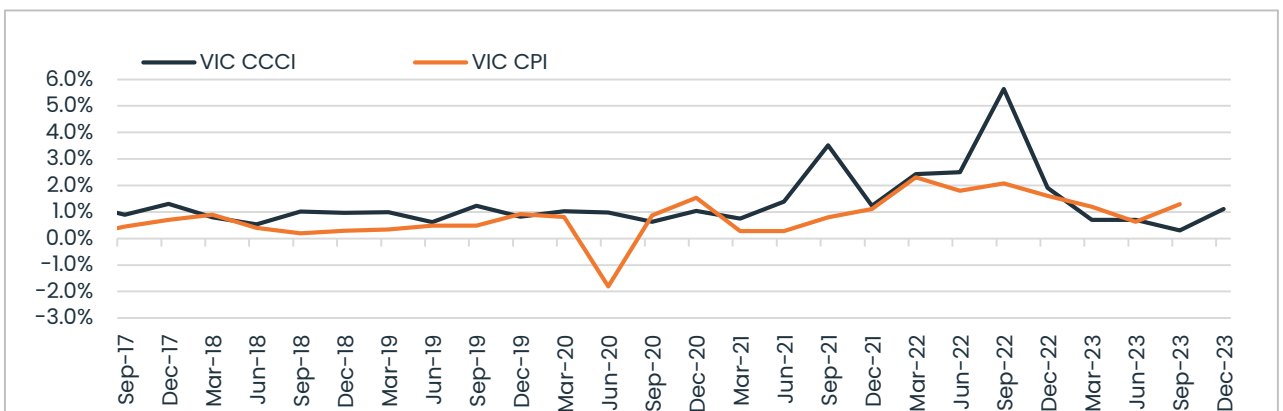
Victoria recorded the largest quarterly increase in construction costs among the states, with the CCCI rising 1.1% over the December quarter. This rise came after a relatively mild increase over the three months to September (0.3%), making it the fastest acceleration in construction cost increases among the states.

Despite the quarterly rise, the annual increase in the Victorian CCCI continued to ease to 2.9% over the 2023 calendar year. This is down from a recent high of 13.0% over 2022 and is Victoria's lowest annual change since the 2016 calendar year (2.6%).

The quarterly uptick in construction costs comes as the change in Victorian dwelling values shifts into negative territory, falling -0.1% over the December quarter, driven by a -0.2% decline in Melbourne dwelling values. As of December 2022, Melbourne's median dwelling value came in at \$780,457, while regional Victoria's median was a more affordable \$564,983.

After tracking below average through much of 2023, Victoria's new dwelling approvals normalised in November. While most other states' monthly count of new dwelling approvals was well below the decade average, Victoria's count came in just -0.2% below average at 5,341.

## Quarterly change in construction costs v CPI, Victoria



# Queensland



 **0.1%** QUARTERLY GROWTH

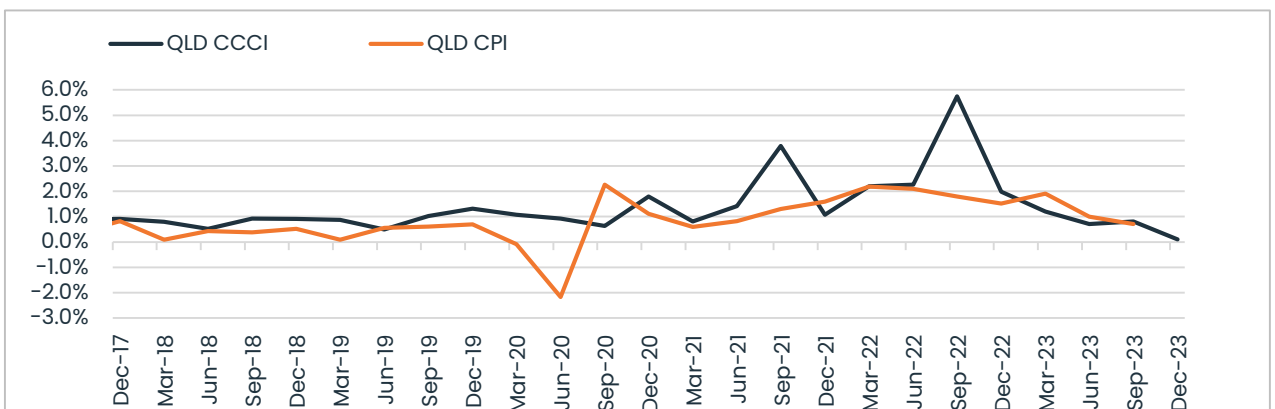
 **2.8%** ANNUAL GROWTH

Queensland recorded the lowest quarterly rise in construction costs among the states, with the CCCI rising just 0.1% over the December quarter. This relatively flat result is down from the 0.8% rise seen over the three months to September and is the state's lowest quarterly result since the March 2001 quarter when values fell -0.1%.

The December quarter's weaker growth helped bring QLD's annual growth rate back in line with the other states at 2.8%, 10 basis points below the national rate (2.9%). QLD had previously recorded the highest annual growth rate among the states over the 12 months to September (4.8%) and has seen the highest cumulative change since COVID (28.6%).

The CoreLogic home value index saw Queensland dwelling values increase by 3.0% over the final quarter of 2023, with Brisbane and Regional Queensland values up 3.7% and 2.3%, respectively. As of December 2023, QLD's median house value came in at \$768,502, while the median value of a unit was \$578,207. Monthly dwelling approvals across Queensland remained -20.0% below the decade average at the end of November. However, the temporary boost to the First Home Owners grant introduced in mid-November could help boost approvals over the coming months.


## Quarterly change in construction costs v CPI, Queensland






# Western Australia



 **0.7%** QUARTERLY GROWTH

 **2.3%** ANNUAL GROWTH

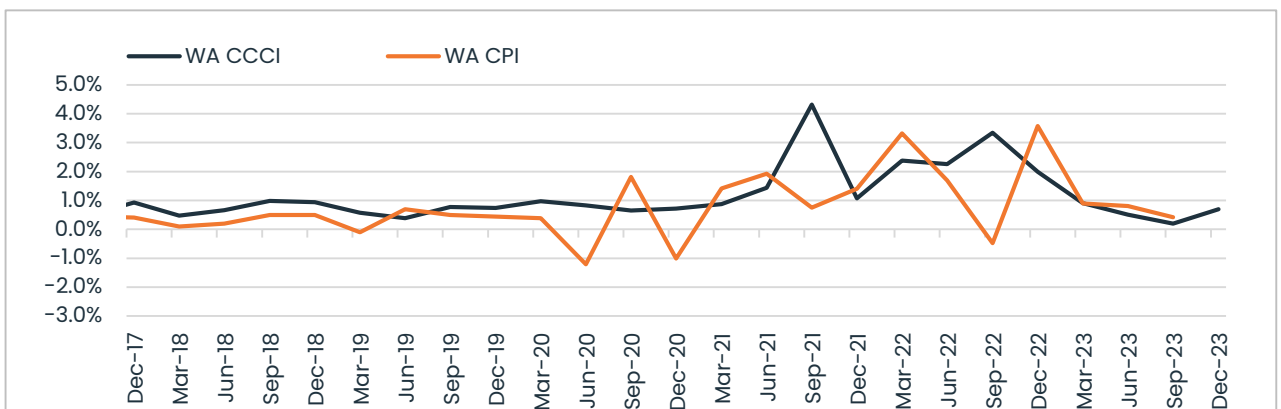
Western Australia, the latest CCCI showed construction costs rose 0.7% over the December 2023 quarter, up 50 basis points from the 0.2% rise seen in the three months to September. While up over the quarter, WA's latest result remained 10 basis points below the national increase (0.8%) in December and 20 basis points below the average quarterly rise seen across WA in the decade to COVID (0.9%).

Annually, Western Australia's CCCI increased by 2.3%, which was the lowest annual rate among the states. WA also recorded the lowest cumulative increase in construction costs since the onset of the pandemic, up 24.5% compared to a 26.6% rise nationally.

Over the same period, WA has seen established dwelling values rise by 47.3%. While most of the other states are starting to see a slowdown in value growth, WA still recorded a strong quarterly result (4.9%), thanks to its relatively affordable median dwelling value (\$627,945), low advertised supply levels and strong economic conditions.


Over the 2023 calendar year, WA recorded an average of 1,150 new dwelling approvals per month, which is -34.5% below the previous decade's average.


## Quarterly change in construction costs v CPI, Western Australia



# South Australia



 **0.5%** QUARTERLY GROWTH

 **2.8%** ANNUAL GROWTH

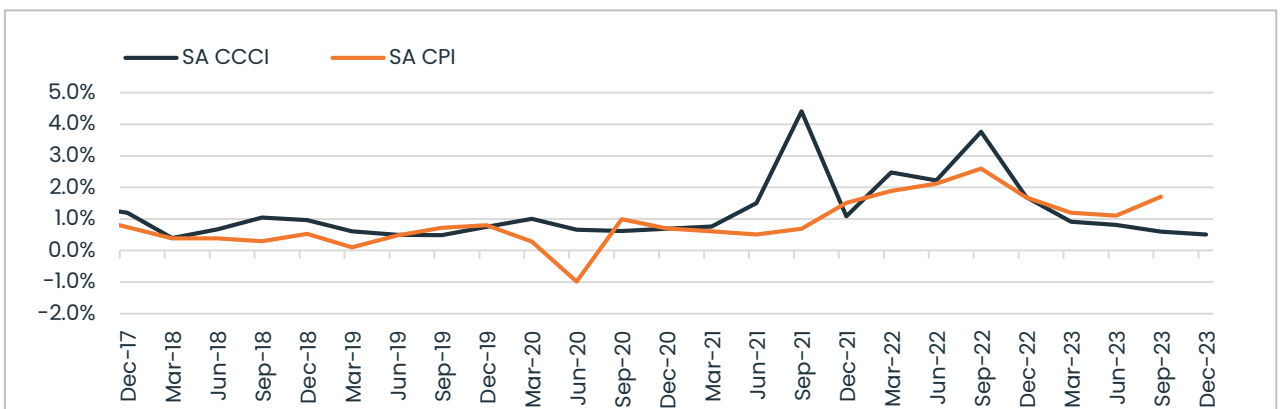
South Australia saw the CCCI increase by 0.5% over the three months to December 2023, down from the 0.6% increase over the September quarter. This took the latest quarter's result 40 basis points below the pre-COVID decade average (0.9%). It is the lowest quarterly increase since the September quarter of 2019 (0.5%), before COVID-related material constraints and HomeBuilder demand saw residential construction costs surge.

Similar to the quarterly trend, SA's annual change in construction costs dropped a further 1.3 percentage points over the December quarter to 2.8% over the 2023 calendar year. This is down from a peak of 10.5% seen over the 2022 calendar year.

The continued easing in SA's CCCI results is somewhat surprising given that monthly new dwelling approvals across the state have been roughly in line with the previous decade average over the past year, which should be adding upwards pressure to construction costs. Although in line with the decade average, new dwelling approvals are tracking lower than the high levels seen through 2021 and part of 2022.

While growth in construction costs are easing, SA's housing values is still recording strong growth, with the HVI rising 3.4% over the quarter and 8.9% over the year. As of December 2023, SA's median dwelling value was \$648,656.

## Quarterly change in construction costs v CPI, South Australia



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