



GRC

QUANTITY
SURVEYORS

Public Sector Property Forum – Innovation & Excellence

27 August 2021



Topic

- Potential market movement in construction costs, how the environment, and inputs are changing, and what it means to Government client agencies and their financial reporting.



Content

- Intro - GRC
- Background
- Observations
 - Traditional
 - Non Traditional
- Forecasts
- Sensitivity Modelling
- Overview / Wrap Up

GRC Overview – When Costs Matter

GRC is an independent construction cost consultancy operating across Australasia and internationally. We are specialist quantity surveyors focusing on what we do best - **helping you successfully develop, build and maintain** natural and built property assets. When costs matter, we've got you covered.



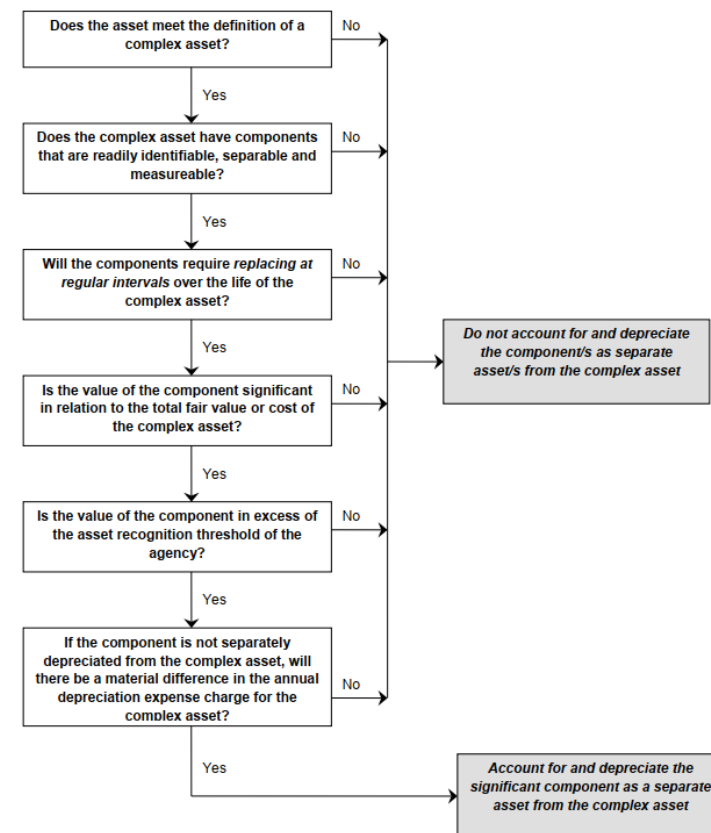


Portfolio Examples

- Hospital & Health Services (Cairns, Sunshine Coast)
- Department of Education
- Stadiums Queensland
- Arts Queensland
- Queensland Museum Network
- Department of Transport and Main Roads – Marine and Rail Infrastructure.
- TAFE Queensland / DESBT
- Queensland Ambulance Services
- Fire & State Emergency Services
- QLD Herbarium Botanical Gardens
- Sport & Recreation Facilities
- Parliamentary Services
- Mine Rehabilitation Unit (Significant Heritage Structures)
- Queensland Racing Integrity Commission
- Department of Agriculture and Fisheries
- Department of Environment and Science
- Department of Resources
- Queensland Miners Memorial
- Tweed River Sand Bypass Facility
- Brisbane Valley Rail Trail (Heritage Bridge Structures)

Complex Assets

- A Complex Asset as defined by the NCAPs is ‘a physical asset capable of disaggregation into separate and identifiable significant components’
 - Be separately identifiable and measurable and able to be separated from the complex asset;
 - Require replacement at regular intervals during the life of the complex asset to which it is related;
 - Exceed the asset recognition threshold for the agency;
 - Have a significant value in relation to the total cost of the complex asset; and
 - Have a different estimated useful life from the complex asset so that failure to depreciate it separately would result in a material difference in the annual depreciation expense for that asset.



Appendix 2.1 – Identifying Significant Components of a Complex Asset



Cost Structure & Margins

- CRC includes provisions for the additional direct non construction costs associated with the delivery of a new built asset.
- A new project will be delivered in a manner that is consistent with current construction design and delivery practices inline with the nature of the complex asset.

Inclusions

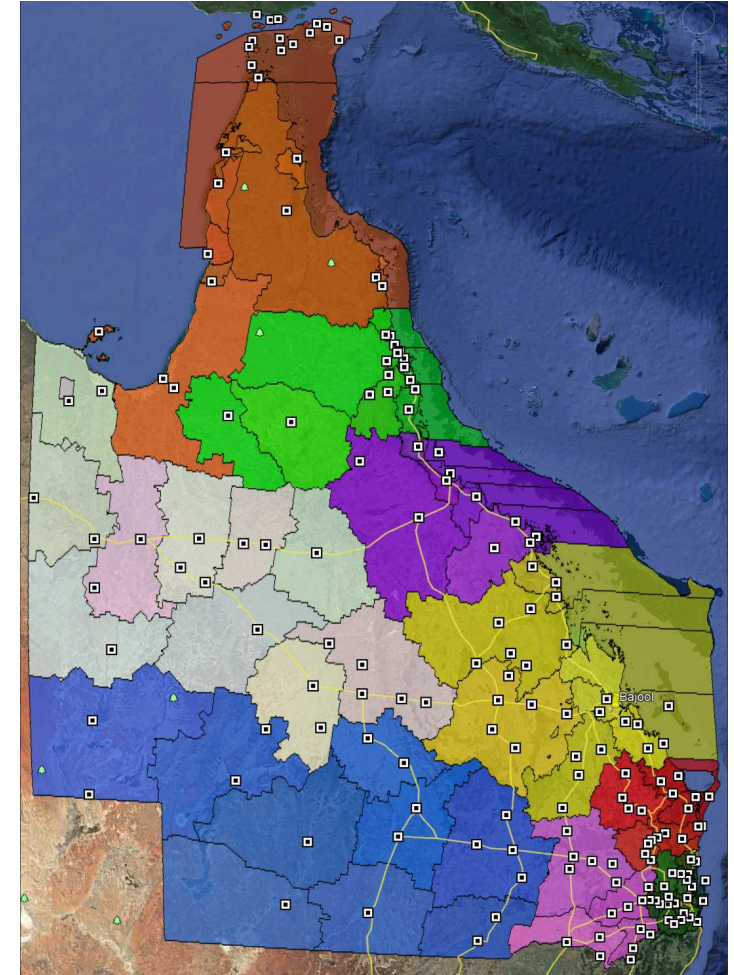
- Professional fees
- Statutory charges
- Geotechnical investigations and Contour Surveys
- Portable long service leave
- Construction Contingency
- Workplace health and safety
- Occupational health and safety
- Relevant authority charges, and;
- Information Technology (Used for the control of building systems)

Exclusions

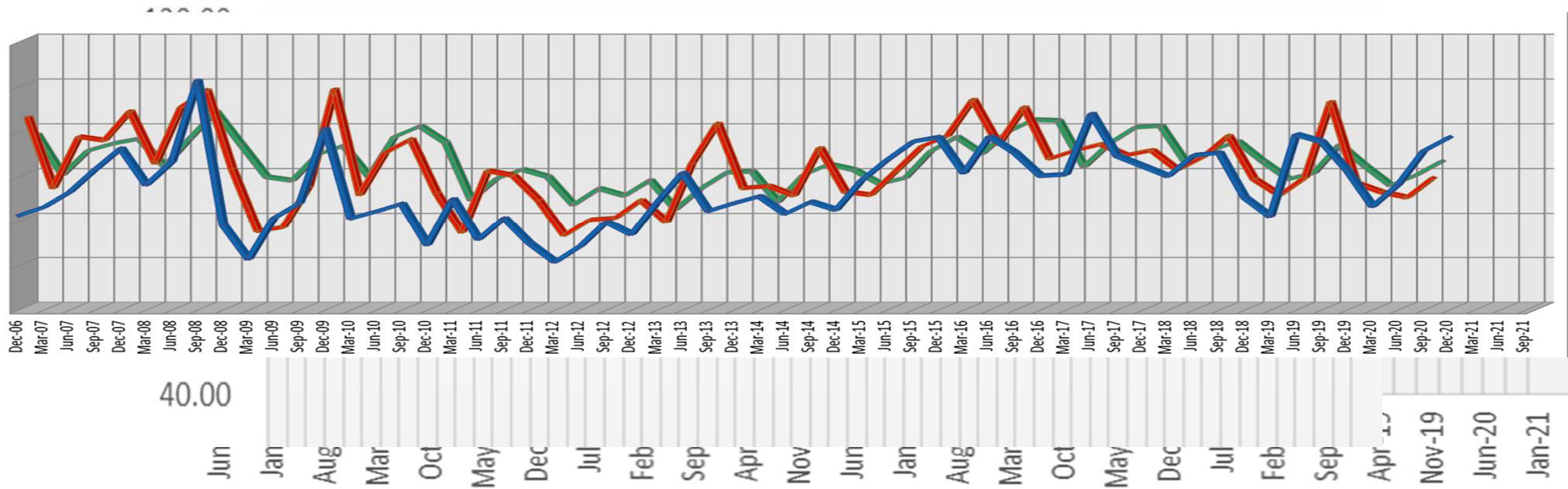
- Land (including Legal and financing costs)
- Demolition and site remediation
- Local authority headworks charges / costs
- Portable and attractive assets,
- Medical equipment
- Loose furniture and equipment
- Information Technology (Client Systems)
- Client Artworks (including memorabilia)
- Tenant Fit-out

Indexation & Adjustment Factors

- The Building Price Index is a market-based index, compiled and reviewed to reflect current construction market trends.
- The Locality Index is defined as a means to compare the same project from one site to another, for example Brisbane to Rockhampton.

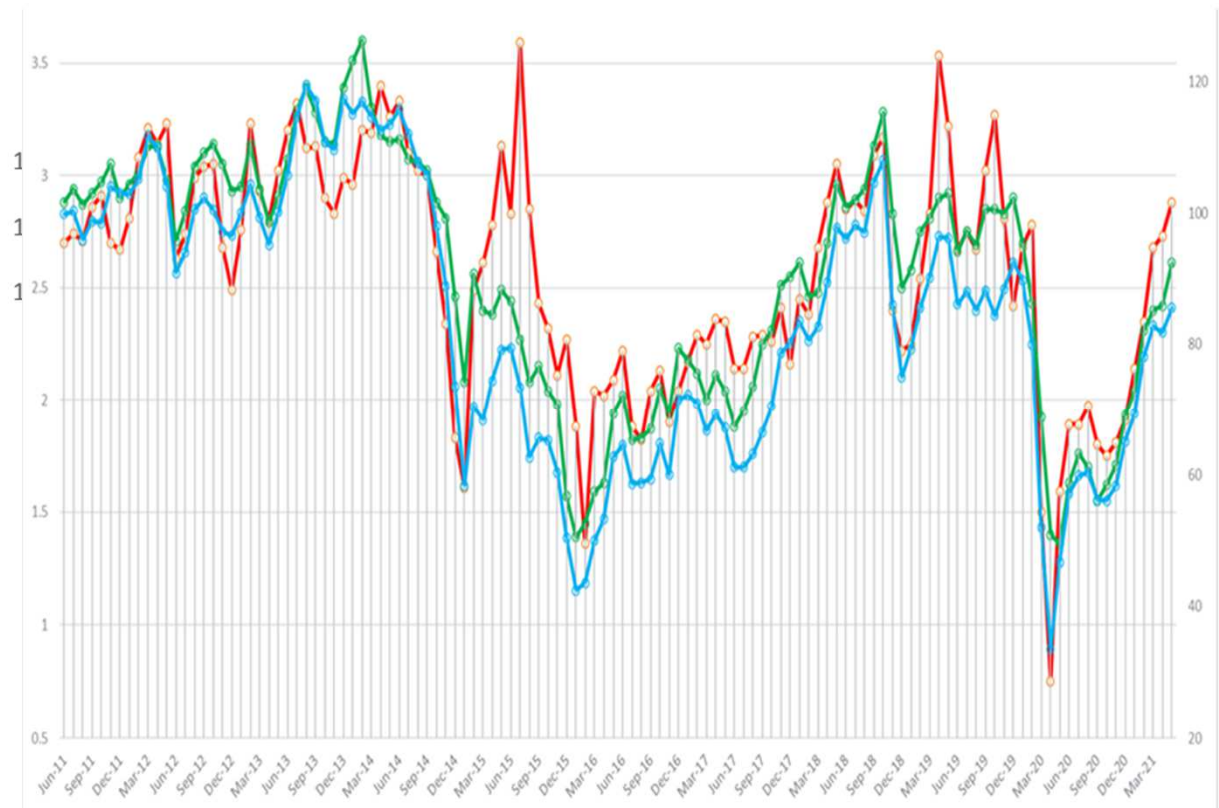


Observations - Traditional Market Indicators



Observations - Non Traditional Market Indicators

- Raw Material Prices
- Consumables
- Supply Pipelines / Availability
- Workloads of Key Trades
- Activity in Sectors





Observations – Non Traditional - Behavioral

- Tendering – from accepting a degree of cost risk to charging for it
- Project Procurement and Delivery methodologies
- Documentation Standards
- Perception of Risk
- Site Supervision / Delegation
- Contractual Relationships



Origin of Investment

- Government (Federal, State, Local)
- Institutional Investors (Super Funds etc)
- Corporate Investor
- Residential Investor (Mums & Dads)
- Owner Occupier

Observations - Construction Related Products

Residential



- Housing (New Construction)
- Housing (Refurbishment)
- Townhouses (New Construction)
- Apartments – Low Rise (New Construction)
- Apartments – High Rise (New Construction)
- Hotels
- Build to Rent
- Land Development
- Aged Care / Retirement Living
- NDIS / NRAS

Commercial



- Child Care
- Service Station
- Retail
- Office Accommodation (Inner City)
- Office Accommodation (City Fringe)
- Office Accommodation (Suburban)
- Mixed Use Developments
- Data Centres

Industrial



- Warehouse (Light Industry)
- Mining
- Utilities / Infrastructure
- Manufacturing
- Heavy Industry / Engineering

Government



- Health
- Education
- Public / Social Housing
- Sport & Recreation
- Community / Civic
- Justice / Law & Order
- Security / Defence
- Transport

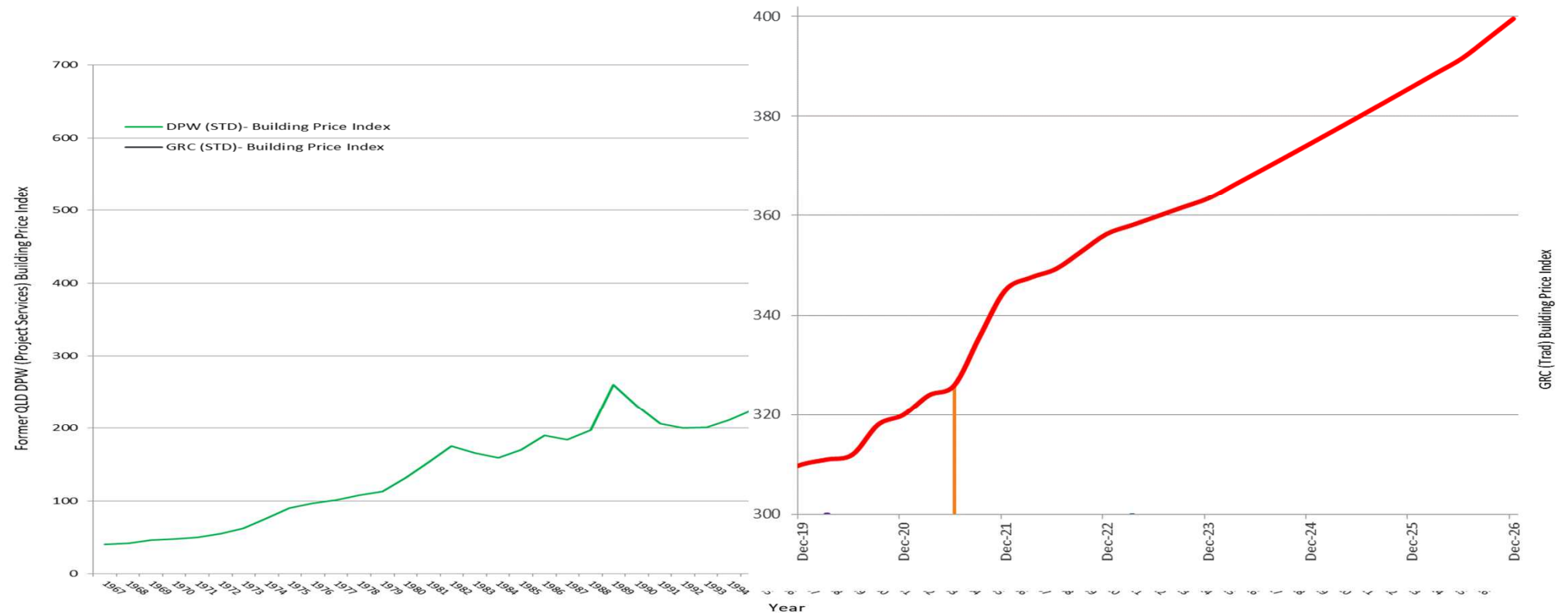
- Growth in Activity
- Static Activity
- Reduction in Activity



Market Drivers

- Demand - Product
- Capacity – Delivery
- Risk
- Material Supply Pipeline
- Labour / Skills
- Demographics
- Government Policies
 - Local Purchase
 - Training / Apprentice
- Conflict
- Trade Agreements

Forecast – GRC Building Price Index



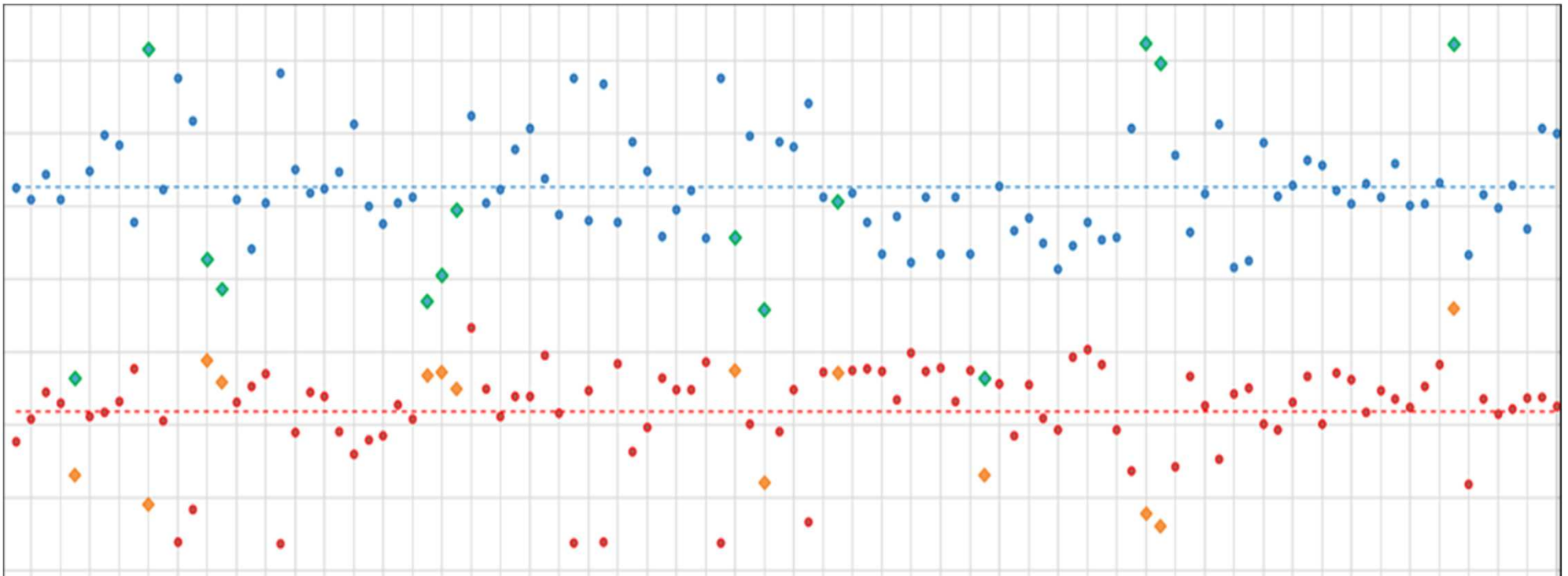
Forecast - Anticipated Trade Movement

Trade	Material Supply		Labour		Plant & Equipment	
	Year 1 2021 / 2022	Year 2 2022 / 2023	Year 1 2021 / 2022	Year 2 2022 / 2023	Year 1 2021 / 2022	Year 2 2022 / 2023
Demolitions	↔	↑	↔	↑	↑	↑
Excavations			↑	↑	↑	↑
Concrete formwork and reinforcement	↑	↑	↑		↑	↑
Civil drainage	↑	↑	↑	↑	↑	↑
Waterproofing	↑	↑	↔	↑		
Masonry	↑	↓	↑	↓	↑	↑
Structural steel	↑	↓	↔	↑		
Roofing	↑	↑	↑	↓		
Cladding	↑	↑	↑	↓		
Render	↑	↑	↑	↑		
Aluminium Windows & Doors	↑	↑	↑	↑		
Roller doors	↑	↑	↔	↑		
Window coverings	↑	↑	↑	↑		
Ceilings and partitions	↑	↑	↑	↑		
Floor coverings	↑	↑	↑	↑		
Tiling	↑	↑	↑	↑		
Carpentry	↑	↓	↑	↑	↑	↑
Door frames and doors	↑	↑	↑	↑		
Door and sundry hardware	↑	↑	↑	↑		
Metalwork	↑	↑	↑	↑		
Painting	↑	↓	↑	↑		
Joinery	↑	↑	↑	↑		

Trade	Material Supply		Labour		Plant & Equipment	
	Year 1 2021 / 2022	Year 2 2022 / 2023	Year 1 2021 / 2022	Year 2 2022 / 2023	Year 1 2021 / 2022	Year 2 2022 / 2023
Appliances	↑	↑				
Electrical services	↑	↑	↑	↑		
Fire Services	↑	↑	↑	↑		
Mechanical services	↑	↑	↑	↑		
Hydraulic services	↑	↑	↑	↑	↑	↑
Sanitaryware	↑	↑	↑	↑		
Lift services	↑	↑	↑	↑		
Landscaping	↑	↑	↑	↑	↑	↑
Fencing	↑	↓	↔	↑	↑	↑
External works	↔	↑	↑	↑	↑	↑
Signage	↑	↑	↔	↑		
Civil works	↑	↑	↑	↑	↑	↑
Consultant fees			↑	↑		
Preliminaries	↔	↑	↑	↑	↑	↑
Margins			↑	↑		
Precast Concrete	↑	↑	↑	↑	↑	↑
Logistics / Shipping	↑	↑				
FF&E	↑	↑				
Retaining Walls	↔	↑	↑	↑	↑	↑
Shower Screens & Robes	↑	↑	↑	↑		
Staircase	↑	↓	↑	↑	↑	↑
Piling	↑	↑	↑	↑	↑	↑

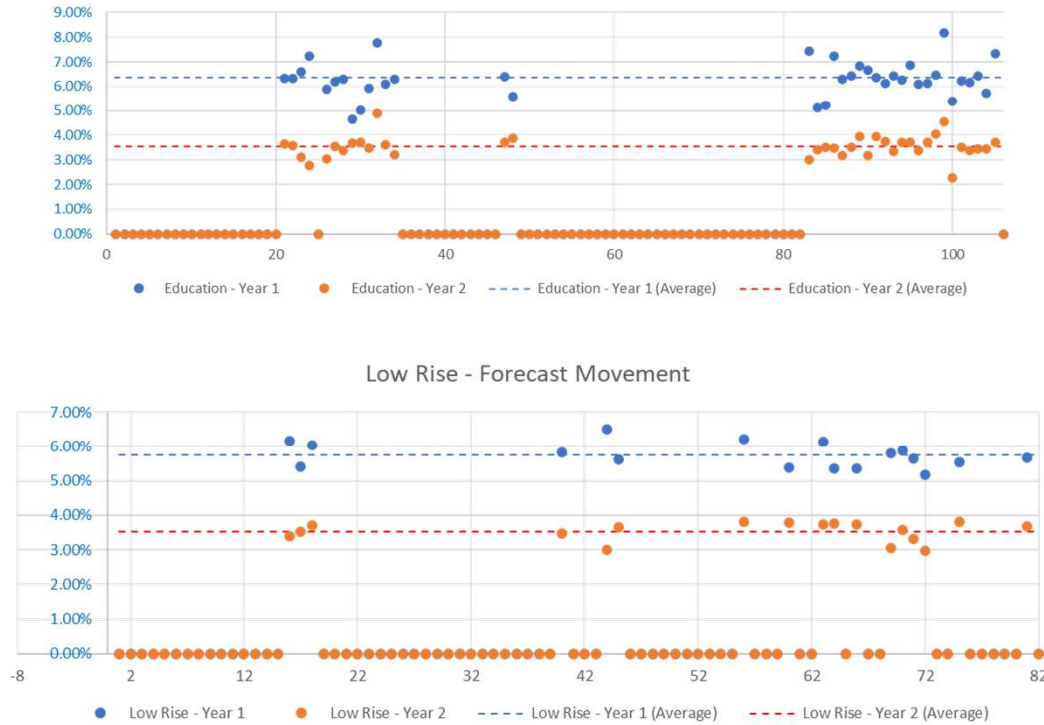
As at 15 August 2021

Sensitivity Analysis

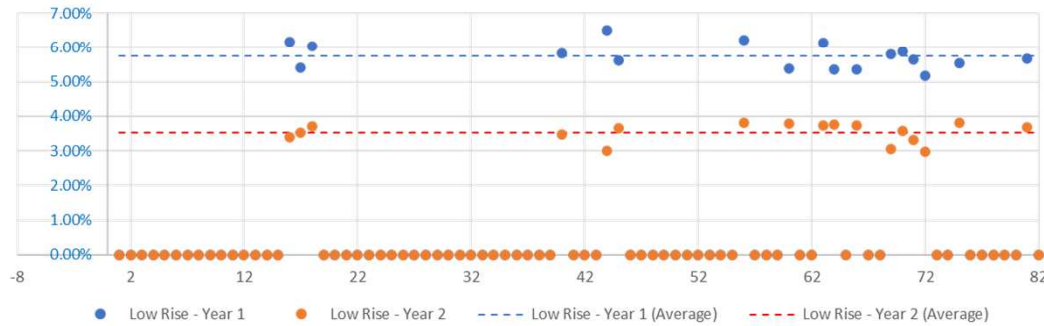


Sensitivity Analysis - Sectors

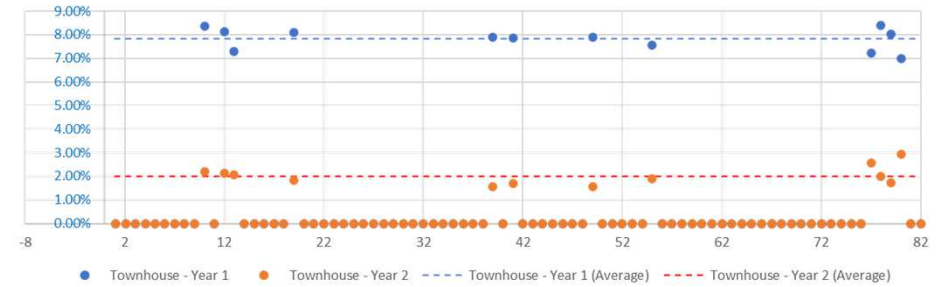
Education - Forecast Movement



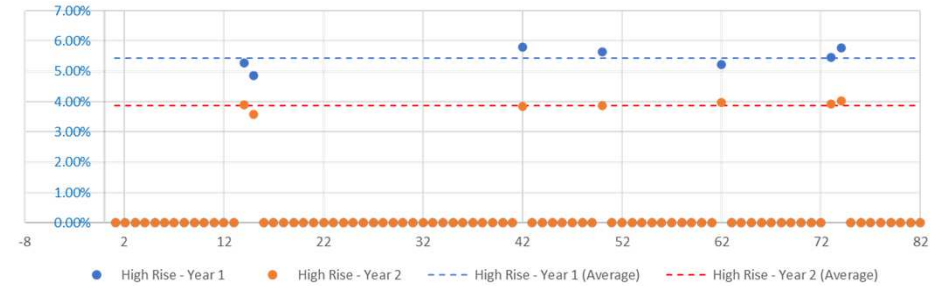
Low Rise - Forecast Movement



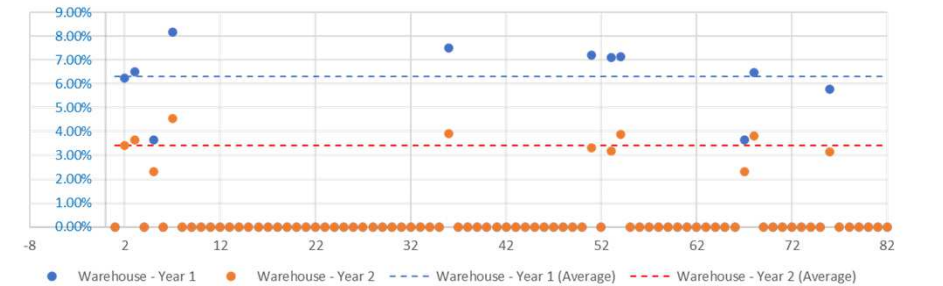
Townhouse - Forecast Movement



High Rise - Forecast Movement



Warehouse - Forecast Movement





Recap

- Many pressures on the inputs that make up construction costs
- Behavior within the market is changing
- Expect large spreads in pricing
- The opening up of Southern States from Lockdown, and Covid Recovery stimulus may diminish trade capacity
- Material supply pipelines will continue to be stressed
- Demographics are changing

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