



New Zealand Construction Market Conditions Report

OCTOBER 2026

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About the author

Damon joined WT Australia in June 2022 as our construction economist to support the team and our clients in understanding economic conditions and their influence upon our projects. He brings 25 years of experience across the in-house and consulting worlds, with considerable expertise in local and key international markets.

Damon provides research and analysis to help inform our Market Reports, the needs of key clients and as inputs for our internal team and board. He is also available to assist our clients on research required for specific project opportunities.

While the onset of the Middle East conflict saw a hit to input costs in early to mid-2026, the state of play in tender prices has remained somewhat tepid. However, this divergence should narrow in the not-too-distant future, with economic and construction market conditions now in the early stages of what should be a robust recovery, especially once some near-term uncertainty clears.

But exactly how robust will this recovery be, and what will this mean for construction cost escalation? How might this outlook differ across New Zealand's major markets? And what might be the ongoing climate of elevated risks contribute to the three-year outlook?

In this edition of WT's New Zealand Construction Market Conditions Report, we dig deeper to try to answer these questions and more.

Cost escalation

Building

WT's view on cost escalation by city

	2025	2026	2027	2028	2029
Auckland	2.3%	2.5%	3.0%	4.0%	3.0%
Wellington	1.5%	3.0%	2.5%	3.0%	2.5%
Christchurch	2.0%	2.5%	3.0%	5.0%	3.5%
Queenstown	5.0%	5.5%	4.0%	6.0%	4.0%
New Zealand	1.9%	2.8%	3.0%		

Contribution to cost escalation by input

	2026	2027
Labour (Direct)		
Materials		
Plant and Equipment (Hire)		
Energy		
Freight		
Exchange Rates		
Indirect Costs / Other		
Total		

Legend

(all colours are versus long-term escalation averages)

-  Puts strong downward pressure on escalation
-  Puts downward pressure on escalation
-  Has no major impact on escalation
-  Makes escalation somewhat worse
-  Makes escalation much worse

Cost escalation

Infrastructure

WT's view on cost escalation by city

	2025	2026	2027	2028	2029
Auckland	2.5%	3.5%	3.5%	5.5%	3.5%
Wellington	1.0%	3.0%	2.5%	2.5%	2.0%
Christchurch	2.0%	2.5%	3.5%	4.5%	3.0%
Queenstown	5.5%	5.0%	4.0%	5.0%	4.0%
New Zealand	1.7%	3.5%	3.3%		

Contribution to cost escalation by input

	2026	2027
Labour (Direct)		
Materials		
Plant and Equipment (Hire)		
Energy		
Freight		
Exchange Rates		
Indirect Costs / Other		
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Legend

(all colours are versus long-term escalation averages)

-  Puts strong downward pressure on escalation
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Construction activity Barometer

Construction activity barometer by broad sector (New Zealand total)

	Construction Put-In-Place year ending June 2026 (inflation-adjusted)	Vs. Construction Put-In-Place year ending June 2016 to June 2025 (average annual)	Lead Indicators year ending June 2026 (inflation-adjusted)
Building			
			Consents
Commercial	\$1.5b	-24%	\$1.2b
Apartments	\$0.6b	-44%	\$0.7b
Industrial	\$2.6b	5%	\$2.1b
Social	\$3.2b	-11%	\$2.1b
Infrastructure			
Transport	\$1.9b	22%	
Utilities	\$2.1b	16%	
Other	\$0.5b	23%	

Source: Stats NZ, WT

Legend

- 2025/26 activity more than 20% above the annual average of the prior decade
- 2025/26 between 10 and 20% above the annual average of prior decade
- 2025/26 activity between -10 and +10% vs. annual average of prior decade
- 2025/26 activity between 10 and 20% below annual average of prior decade
- 2025/26 activity more than 20% below annual average of prior decade

Key points by year, key risks/implications

2027

- Increasing signs of economic recovery and improvement in market conditions should see (fundamental) cost pressures (i.e., from supply and demand, not from external factors (e.g., Middle East conflict) strengthen moving into 2027.
- This strengthening may be clouded somewhat by uncertainty around further Middle East impact, RBNZ rate increases and residual impact from the 2026 general election. But it is nevertheless expected and should see escalation move above that seen during 2026.
- This strengthening in economic and construction sector conditions should see the era of restricted pass-through of costs come to an end, definitely by 2028.
- Escalation is forecast to come in at 2.5 and 4 per cent (building) and between 2.5 and 4.5 per cent (infrastructure) across our key markets.

2028

- Moving into 2028 and the combination of a strengthening economy (with upside risk given strength in soft commodities prices, especially food) and improving sector demand drivers should see construction market conditions tighten.
- Adding to the case for stronger escalation, increased competitive pressure from Australia, especially so for building trades and resources, is set to ramp up from 2027 and build further into 2028. This should be led by Brisbane, with a strong upswing underway ahead of 2032 Olympics, but be seen in many Australian markets.
- Building is forecast to see escalation between 3 and 6 per cent, with infrastructure slated to come in between 2.5 and 5.5 per cent in our key markets.

2029 and beyond

- By 2029, our base-case view is that the risk of an economic slowdown is set to be higher, with contagion effects from an end to the AI investment bubble in the US a likely cause. This is set to weigh on construction market conditions but not drive a marked fall.
- Cost escalation is forecast to range between 2.5 and 4 per cent for building and between 2 and 4 per cent for infrastructure across our key markets in 2029.
- Over the period to 2029 by key market, Auckland should be well into the next upswing in activity, led initially by major commercial/apartment/mixed-use developments, with increasing competition for resources from Australia. Christchurch should not be too far behind, although it started from a healthier position in the cycle than Auckland.
- Elsewhere, Wellington's medium-term prospects appear closely linked to central government spend and, in turn, implications for population growth, while Queenstown appears set to remain closely tethered to tourism demand (although stronger permanent population will provide more of a basis for medium-term investment).
- One possible impact of an economic slowdown may be to dampen the climate for investment in construction sector capability/capacity. WT believes there has been sufficient investment here over time and that this was crucial in seeing escalation return to 'normal' once the early 2020s disruption passed. However, if this investment is not sustained, the risk of productivity losses and higher escalation increases.
- Speaking of productivity, there is expected to be sector benefits by this time from ongoing AI progress. However, our base-case view is that this does not (yet) translate to much weaker cost escalation. This is more likely to be seen in the early to mid-2030s.

Risks/implications



Middle East conflict and other supply chain disruptions

- While prices of oil and oil products have retraced from the highs seen in the early months of the Middle East conflict, they remain above those levels seen in late February and risks of periodic price jumps remain elevated.
- These risks could last well into 2027 and perhaps beyond. This is based upon increasing signs the Middle East conflict will not be fully resolved swiftly and that other sources of supply or transport workarounds for key Gulf products may not come online until well into 2027 at the earliest.
- New Zealand's reliance on imports for a high % of materials and plant/equipment makes this a key risk for the outlook (as well as the associated risk to freight costs from this and any other supply chain disruption).



Competition for resources – Australia

- The larger Australian market is always a competitive risk, notably for key trades.
- The Australian construction sector is already in a strong position but is expected to strengthen further, notably in Brisbane ahead of 2032 Olympics but also in other major markets. This is likely to see the net outflow of trades to Australia, already at a high level, move above the record highs of the early 2010s.



Soft commodities: Middle East conflict impact, looming El Nino

- However, a cyclical slowdown and pause in the new major roading projects may dovetail nicely with New Zealand's renewed focus in this area. Hence, infrastructure may see less competitive pressures from Australia.
- A significant impact of the Middle East conflict – one not related to energy or to construction – has been on fertiliser, not just prices but also availability.
- This has already hit the coming harvest in Northern Hemisphere countries, with food prices expected to soar to record highs in response.
- New Zealand is well-positioned to take advantage of these strong market conditions, with flow-on effects which should drive construction activity higher. However, the forthcoming El Nino could see key New Zealand agricultural areas hit hard by drought, hence negating the local boost from high food prices.



Elevated global volatility/uncertainty/risk of crises

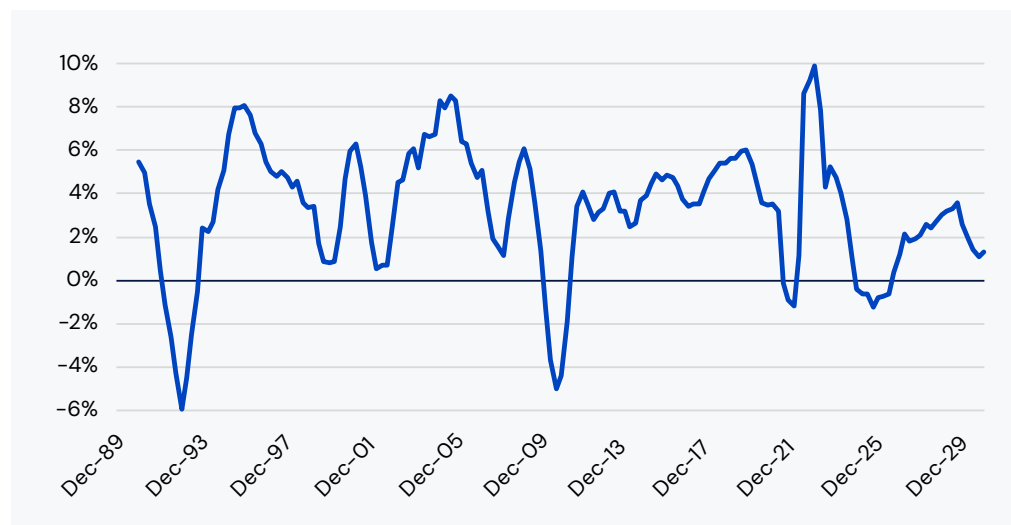
- While New Zealand is a generally well-run advanced economy (with manageable debt levels, overwhelmingly in local currency) New Zealand will always be at risk of non-trivial damage from any global economic or financial crisis.
- Currently, there are an above-average level of concerns, any of which may lead to an onset of crisis conditions internationally.
- These include but are not limited to: long-term or record highs in yields on long-term government bonds, global asset market values, AI capex (and hence debt) as well as a downturn in housing markets in Australia.

Underlying economic and construction sector assumptions and projections

Economy

New Zealand: Economic Growth (Domestic)

Annual % change / 2026+ = forecasts



Source: Stats NZ, WT

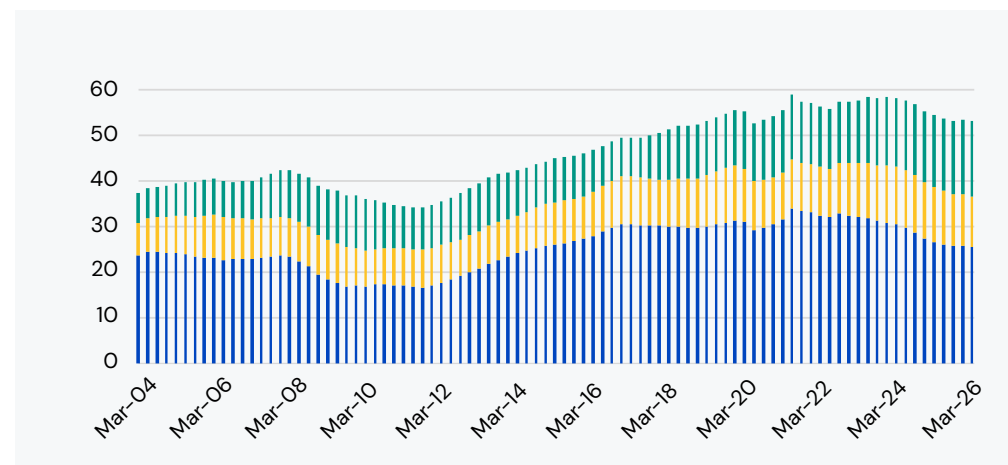
The economy has now emerged from recession. Despite the persistence of elevated inflation (which will likely see the RBNZ need to further lift rates) and uncertainty to rise ahead of the general election later this year, the economy should still see a solid recovery in coming years, before increasing risks of a US-led downturn by the end of the forecast period.

Construction

Broad Sector Overview

Total New Investment in Construction Sectors

\$b / put-in-place basis, moving annual total, inflation-adjusted



Source: Stats NZ, WT

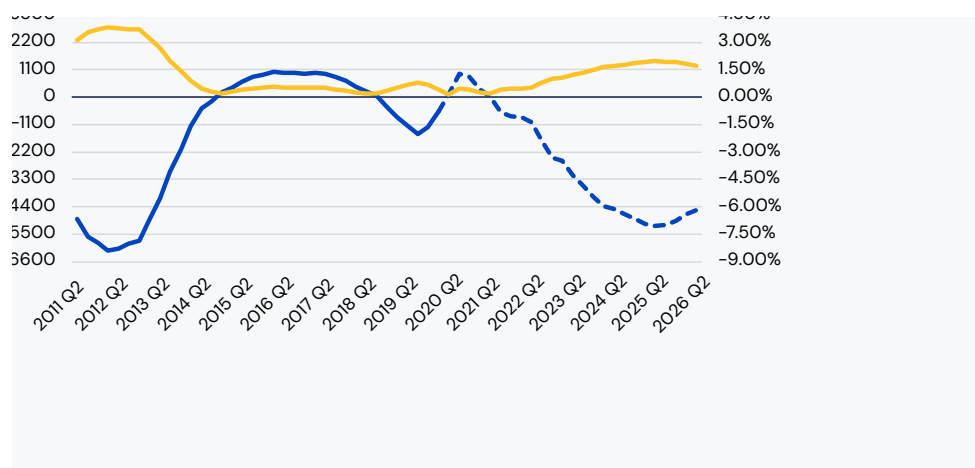
Legend ■ Residential ■ Non-residential ■ Civil infrastructure

While total construction activity peaked in 2021, it was elevated until early 2024 but since retraced to a 7-year low (outside of the pandemic) in the March quarter. The decline has been led by Residential (back to 2014 levels) while Non-Residential has also fallen back but is only at a 4-year low. Civil infrastructure, on the other hand, continues to hit new highs. This points to escalation pressures strengthening quite quickly once construction in the building sectors recovers.

Labour supply: impact of outflow of trades to Australia

Net inflow of jobs with Australia: Blue-Collar Trades

Annual total (migration), average (as % of jobs)



Source: Stats NZ, Australian Bureau of Statistics, WT

Legend — Data — Estimates — % of construction jobs (right axis)

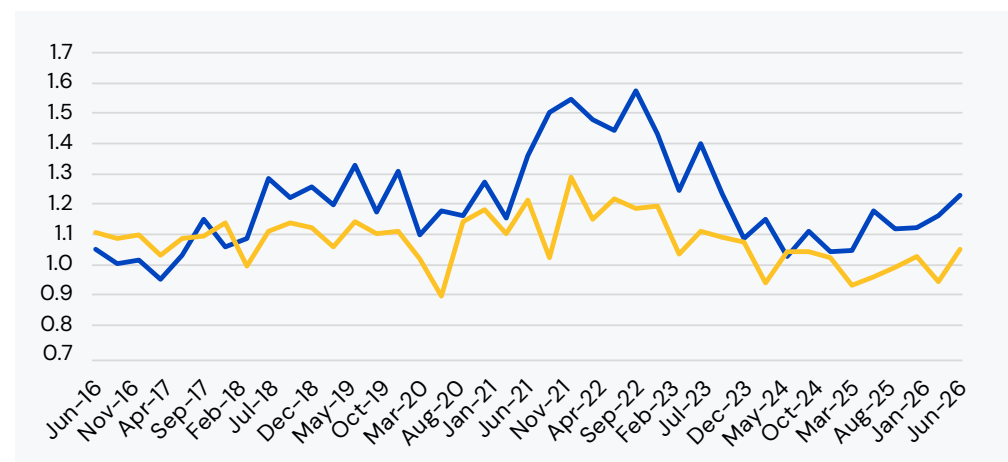
Concerns that significant portions of sector capability are being lost to the Australia market appear unfounded. Our analysis suggests there was a greater net outflow of trades to Australia during the height of the mining investment boom (the early 2010s). Furthermore, the impact of this net outflow (in terms of percentage of the construction workforce) is materially lower than in the early 2010s.

With that said, the net outflow of trades to Australia weakened markedly before momentum slowed and a slight turnaround was seen over the last year. High housing prices and/or a shortage of rental stock may be factors, but this problem is set to worsen given an outlook of stronger construction activity in major Australian markets in coming years.

Key Indicators (Concurrent/Leading)

Key New Zealand Construction Indicators

metrics shown on a quarterly basis



Source: ABS, WT

Legend — Building Consents (ex Houses, million sq metres)
— Ready-Mixed Concrete Production (million m³)

While the New Zealand economy has only just emerged from recession and construction market conditions have been soft for some time, several key indicators are pointing to an uplift. Production of ready-mixed concrete hit a 2.5 year high, while building consents hit their highest mark since September 2023, both in the June quarter. Once any near-term uncertainty or restricted pass-through of costs subsides, the buoyant state of these metrics points to a stronger escalation profile in the years ahead.

Auckland

Key trends

- **Building consents:** Despite having fallen markedly, consents remain at an elevated level in historic terms, especially in attached residential (largely townhouses). Non-Residential consents have trended weaker since the late 2010s but lifted since March.
- **Job vacancies:** After falling to a 12-year low in late 2024, demand for labour has gradually ticked higher. Overall construction vacancies hit a 2-year high in March while full-year growth returned to positive territory in June for the first time in 3 years.
- **Competition for resources:** As the largest construction market and city in New Zealand, Auckland's main competition typically comes from major Australian markets. These are typically Sydney and Melbourne but is set to include Brisbane as its construction sector moves into a strong upswing ahead of the 2032 Olympics.

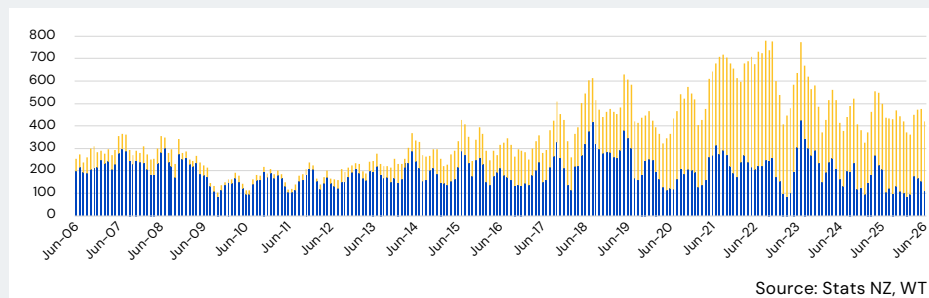
Local insights

- Auckland is not just New Zealand's largest city but has the most mature apartments sector, sustained strength in townhouse construction, and the strongest population growth of NZ cities in 2023 and 2024. While the RBNZ has pivoted back towards lifting the OCR, the 350 basis points of cuts prior to this have helped to underpin the residential, commercial and mixed-use pipeline.
- With that said, residential prices have remained sluggish, which has helped contain cost pressures and restrict pass-through of higher input costs of late. Soft prices have strained feasibilities for residential and mixed-use projects in the pipeline and hence seen contractors look to prioritise securing workload.
- Renewed focus on roading and the increased funding/initiatives to boost private involvement will support demand and conditions in infrastructure in/around Auckland.

Cost escalation	2025	2026	2027	2028	2029
Building	2.3%	2.5%	3.0%	4.0%	3.0%
Infrastructure	2.5%	3.5%	3.5%	5.5%	3.5%

Building consents by sector

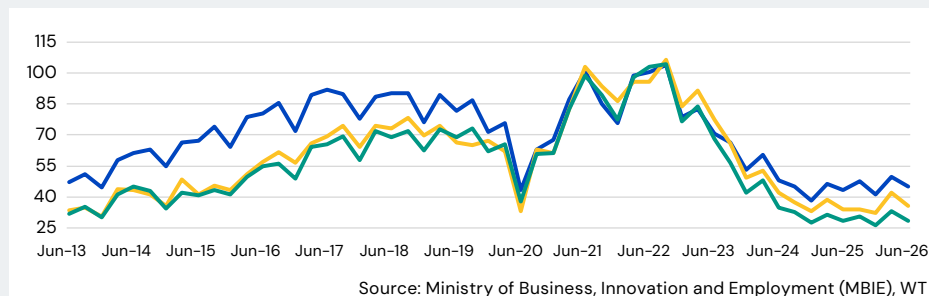
'000 square metres, monthly, showing last 3 months



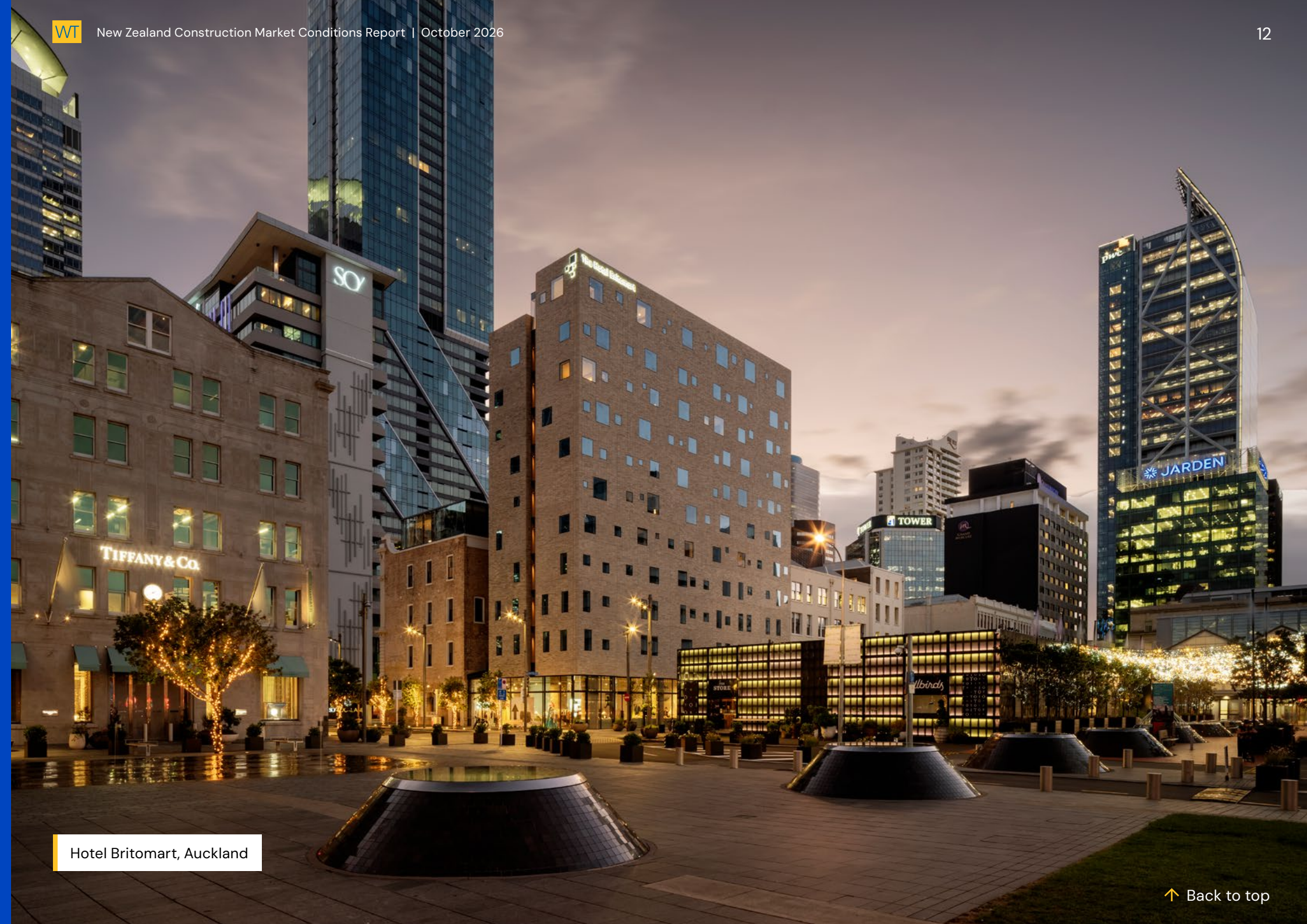
Legend ■ Non-residential ■ Attached residential

Job vacancies by construction occupation

Monthly, as at, index with 2022 = 100



Legend — Trades and technical — Machinery operators — Labourers



Hotel Britomart, Auckland

Wellington

Key trends

- **Building consents:** Despite the pandemic, consents maintained a solid level until 2022. Since then, consents have fallen significantly, hitting or nearing long-term lows. The picture outside of Wellington city is a little better but has also fallen back since 2022.
- **Job vacancies:** The weakness in consents is also apparent in demand for labour, which has followed a quite similar path to Auckland (although a portion of this improvement is likely being seen in the region outside of Wellington city).
- **Competition for resources:** Apart from the broader Wellington region, there are modest competitive pressures from nearby regions (Manawatu-Wanganui and Hawke's Bay). While these regions are somewhat smaller than Wellington, they are seeing somewhat better economic performance and population growth.

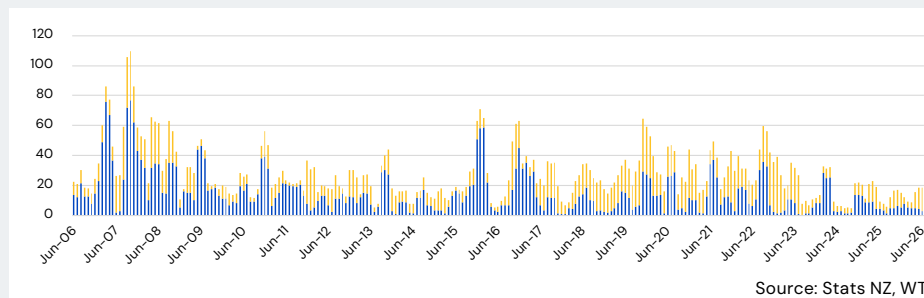
Local insights

- While larger cities often fare relatively well in times of economic weakness and recovery, Wellington's plight is due more to the tight rein on central government spend (and subsequently on headcount in the national capital). That this is expected to last at least until the recovery takes hold (and the election has passed) suggests soft conditions may persist.
- The tight rein on central government spend has manifest in weakness in local population growth. Across the region, its population is only 1% above the pre-pandemic level. For Wellington city, its population is no larger than seen in 2020.
- Not surprisingly, cost pressures have remained stifled and pass-through limited. In fact, this has become so entrenched, it has likely become a driver of escalation (via loss of some local capability due to prolonged soft conditions (which has meant cost pressures are more sensitive to any change in construction activity)).

Cost escalation	2025	2026	2027	2028	2029
Building	1.5%	3.0%	2.5%	3.0%	2.5%
Infrastructure	1.0%	3.0%	2.5%	2.5%	2.0%

Building consents by sector

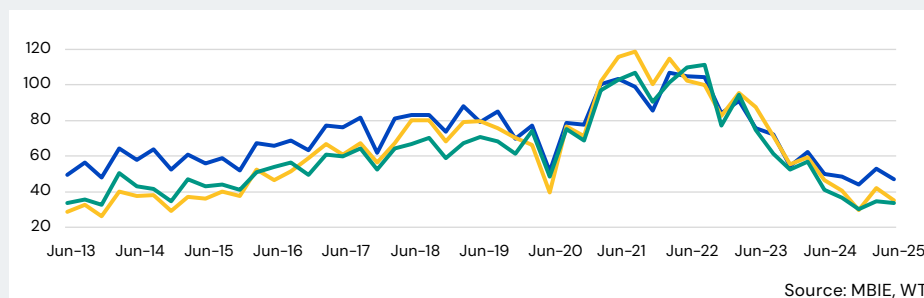
'000 square metres, monthly, showing last 3 months



Legend ■ Non-residential ■ Attached residential

Job vacancies by construction occupation

Monthly, as at, index with 2022 = 100



Legend — Trades and technical — Machinery operators — Labourers



BNZ Place, Wellington

Christchurch

Key trends

- **Building consents:** In contrast to other major markets, Christchurch has seen consents remain at or near elevated pandemic levels. Drivers of this strength have varied, both between non-residential and attached residential and within these sectors, with numbers strengthening early in 2026.
- **Job vacancies:** While the index fell back to levels seen in 2011 or 2012 (as in other major markets), the level of Christchurch's index remained somewhat higher. Increased demand saw vacancies at a 3-year high in March and a strong return to positive full-year growth in job vacancies from early 2026.
- **Competition for resources:** As the second-largest market in New Zealand, but one where market conditions have remained quite solid, there is little imminent competition for Christchurch resources at present. This could change when conditions improve in Auckland, with expected stronger demand from major Australian markets also a risk.

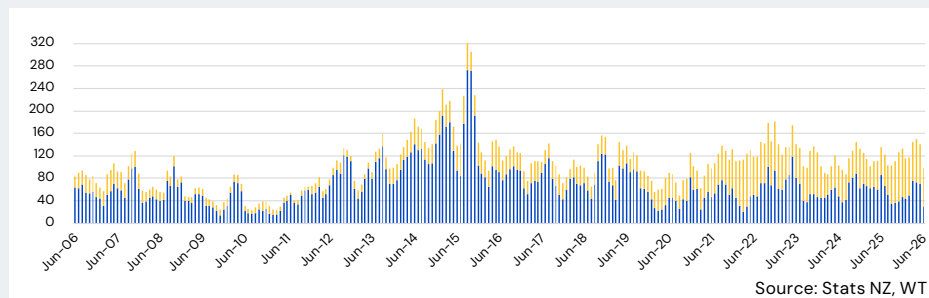
Local insights

- Despite the healthy and/or improving market metrics, the on-the-ground view from Christchurch is one where participants continue to report underwhelming local activity. This may reflect perhaps additional lags to the approvals numbers or maybe even a stronger local capability than other major markets (due to this being substantially strengthened as part of the earthquake rebuild).
- Whatever the cause/s, weaker conditions have persisted but should tighten initially into 2027 before doing so further in a delayed response to buoyant market metrics.

Cost escalation	2025	2026	2027	2028	2029
Building	2.0%	2.5%	3.0%	5.0%	3.5%
Infrastructure	2.0%	2.5%	3.5%	4.5%	3.0%

Building consents by sector

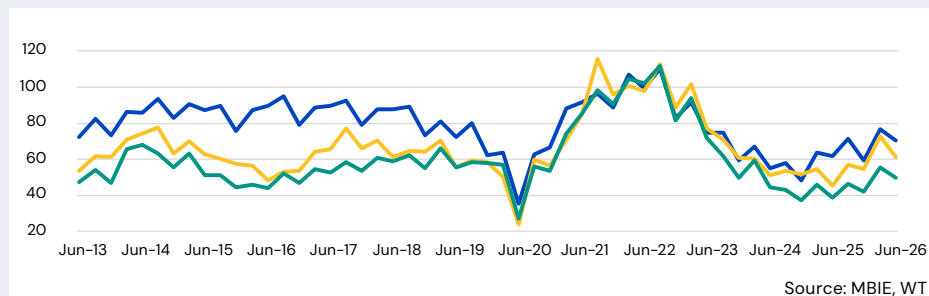
'000 square metres, monthly, showing last 3 months



Legend ■ Non-residential ■ Attached residential

Job vacancies by construction occupation

Monthly, as at, index with 2022 = 100



Legend — Trades and technical — Machinery operators — Labourers



Waitohi Ferry Redevelopment Project, Picton Ferry

Queenstown

Key trends

- **Building consents:** After falling back during 2024, consents have since shot up, to a level not seen (consistently) at any time previously in Queenstown. This strength is largely in attached residential (townhouses) but has seen non-residential move higher in 2026.
- **Job vacancies:** However, it is in demand for labour where the strength of Queenstown market conditions is most apparent. The job vacancies index trough of 2024 was higher than in any other market (only at a 7-year low). Also, this data is at the region level (Otago); data and feedback for Queenstown is somewhat stronger than Otago broadly.
- **Competition for resources:** That Queenstown is quite distant from other major markets, and that the supply of rental properties is constrained (in part due to regulations around short-term rentals), means the competition is heightened and against all other markets (especially major markets). This is reflected in higher wage pressures.

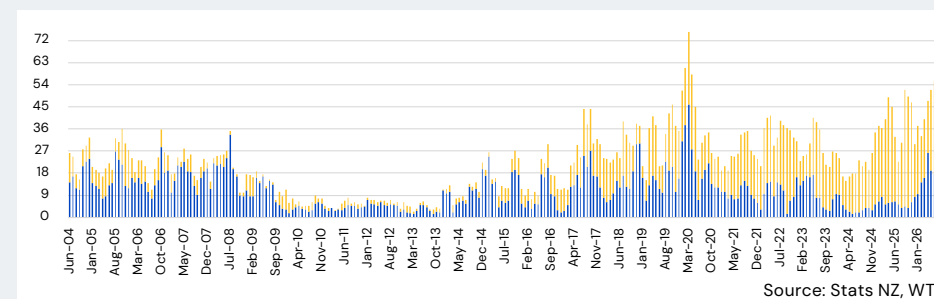
Local insights

- Queenstown's more remote geography and its status as a high-demand tourist town can mean construction projects can often have a speculative element (more so than most other markets) and that there is an additional cost premium for construction (usually seen in labour, accommodation and logistics costs).
- With that said, more recent data points to a sound basis for further tourism-related investment which could see less of a boom/bust construction profile. Tourist arrivals to Queenstown Airport are now around a third higher than pre-pandemic levels. Population growth in Queenstown also rebounded strongly; population is 15% higher than in 2020.
- In contrast, the major Otago market of Dunedin has seen population stagnate. It is (slightly) smaller than 2020. Consents in Dunedin have remained somewhat elevated. This suggests put downward pressure on Queenstown escalation in coming years.

Cost escalation	2025	2026	2027	2028	2029
Building	5.0%	5.5%	4.0%	6.0%	4.0%
Infrastructure	5.5%	5.0%	4.5%	5.0%	4.0%

Building consents by sector

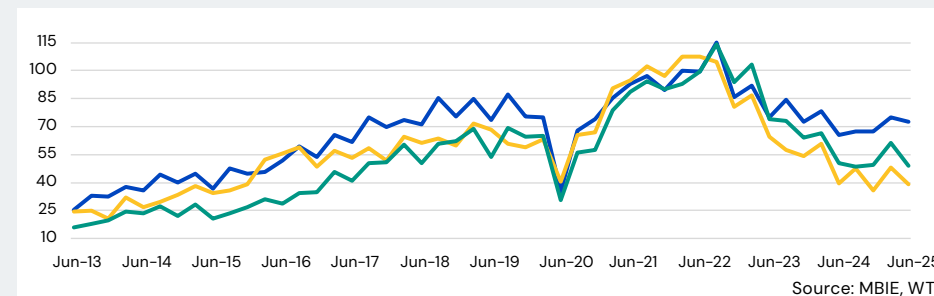
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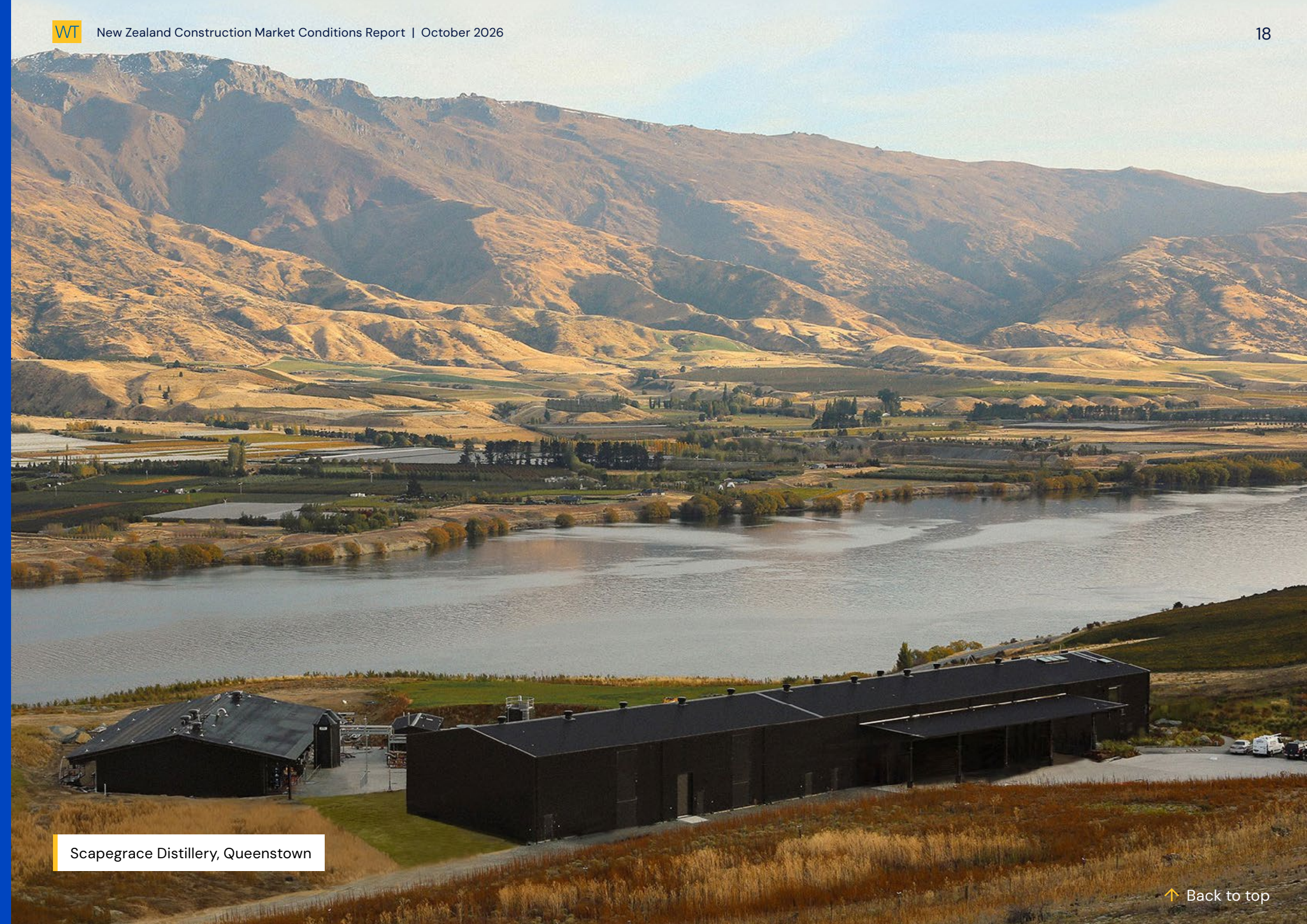
Legend ■ Non-residential ■ Attached residential

Job vacancies by construction occupation

Monthly, as at, index with 2022 = 100



Legend — Trades and technical — Machinery operators — Labourers



Scapegrace Distillery, Queenstown

Disclaimer / Methodology

This report, and the market data it represents, are general market information only. WTP New Zealand Limited (WT) does not make or imply any specific advice or applicability of this information to any individual recipient. WT has taken care to ensure accuracy and that all data and details are correct to the best of our knowledge but does not warrant completeness or infallibility of said information. WT and its staff do not accept any liability for any loss or damage whatsoever arising from the use or dissemination of any part of this report (via any medium).

While our view is based on a variety of sources (led by our own market insight), the general approach in this pack is based on considering a combination of escalation from the input cost perspective, and that from the (expected) movement in tender prices. This aligns with the traditional QS approach to escalation but also allows rationalisation of bottom-up (i.e. input-level) and top-down (i.e. sector or economy level) escalation perspectives.

The market-level data used in this report is based on various Stats NZ and MBIE data series, augmented by other economic, construction and construction cost data series.

Other points to note:

- All escalation shown is on a calendar year basis and is the % change between the full-year average vs the previous year's full-year average.
- Escalation contribution by input is on a general, New Zealand-wide basis. Our city-level estimates are general across sectors, project types and values (i.e. contractor tiers).
- In addition, escalation contribution by input assumes no other major drivers of escalation (e.g. large productivity increases, significant regulation changes re: approvals).

For more information on escalation relative to your project or sub-sector, please discuss with your usual contact or call your local WT office.



About us

At WT, we empower our clients to grow, inspiring confidence through independent advice and inventive thinking to create sustainable value across all aspects of the built environment.

We are a leading international project advisory firm with more than 75 years of multi-sector experience.

Our clients can tap into the collective thinking of over 2,000 of the best people in the industry, operating from 70+ offices throughout New Zealand, Australia, Asia, India, Middle East, North America, Africa, the UK and Europe.

In New Zealand, we support our clients across property, construction and infrastructure with an award-winning team of 80+ specialists in cost management and quantity surveying, advisory and project delivery.

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