Turner & Townsend

Australia and New Zealand market intelligence report

Q1 2023

making the **difference**

Contents

Introduction

Our latest report finds that Australian and New Zealand's construction industries are under intense pressure as softening demand, increased construction costs, and skills shortages slow new investment across the region.

Australia's activity slows amid challenging market conditions

Australia's construction markets remained active over Q1 2023, despite a noticeable slowdown in new private sector investment, which will see activity soften over the outlook. Ongoing labour shortages, increased risk of builder insolvencies, and significantly higher construction costs continue to generate challenging market conditions.

Labour shortages remain the biggest challenge moving forward, with skills shortages being experienced across all markets. Additionally, higher preliminary costs are adding to construction costs, which are being driven by high inflation, high labour costs, and strong demand. On the other hand, there continues to be robust spending by state and federal governments on construction projects, which will help to keep markets active while private sector investment softens.

Stubbornly high inflation, ongoing interest rate hikes and uncertainty on the outlook are cooling economic activity across the Australian economy. The high cost of living pressures and the substantial increase in interest rates are having a significant impact on households across the country. While these tougher market conditions persist, we can expect that growth in the domestic economy will be weaker.

New Zealand gears up for a recession

The effects of high inflation, increased interest rates, and surge in construction costs have continued to impact new construction investment across New Zealand's markets. While there remains a sizeable pipeline of major infrastructure projects, total construction activity is expected to soften over 2023 and 2024.

While the prices for building materials appear to have stabilised, with some experiencing a decline, persisting skill shortages remain a crucial challenge across New Zealand's construction markets. We expect that elevated labour costs and market capacity constraints will continue to be the driving forces behind construction cost escalation in 2023.

New Zealand's economy contracted over the last quarter of 2022, a sign that the country's high inflation and higher interest rates are slowing activity across the economy. The chances of a recession in the New Zealand economy are now higher, affecting numerous sectors and industries with conditions already resembling those of a recession.

Australia market overview

A slowdown in new private sector investment is underway across Australian construction markets. The surge in construction costs, higher borrowing costs, and uncertainty around future demand are contributing to this slowdown, which is expected to see construction activity slow from the second half of 2023.

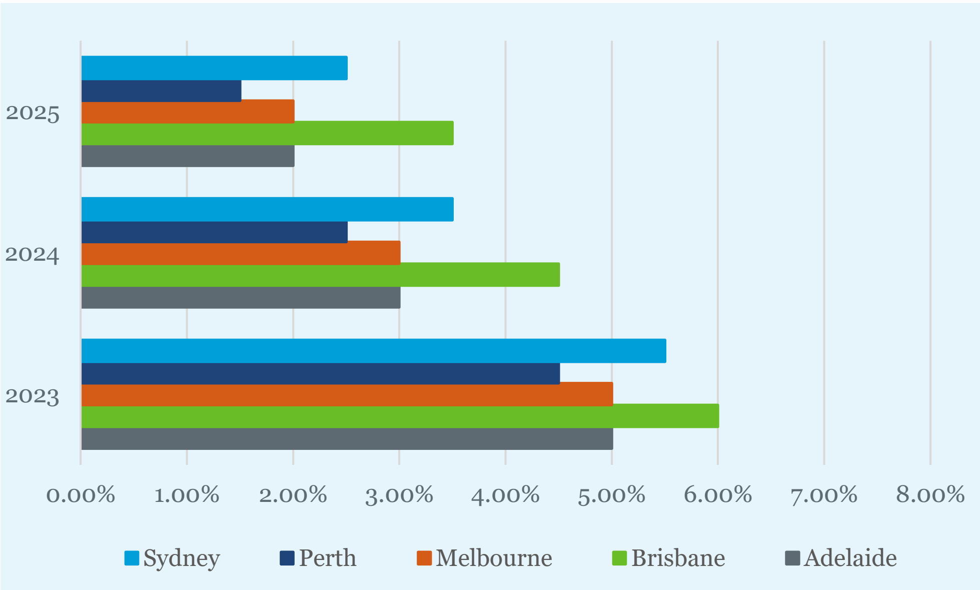
The construction sector is under intense pressure with ongoing labour shortages, increased risk of builder insolvencies, and significantly higher construction costs continuing to generate challenging market conditions. New residential and non-residential projects are seeing the biggest slowdown, particularly across the residential and commercial sectors. Despite there being an acute shortage of dwelling supply across the country, higher interest rates, higher construction costs and skilled labour shortages are making some new projects unfeasible, which is seeing fewer projects get underway.

On the other hand, there remains a significant pipeline of public sector projects across the country. There are growing concerns around how to deliver the vast pipeline of projects, given the unavailability of labour required and the associated cost. This has prompted the federal government to undertake an immediate review of the pipeline, with those projects yet to commence at risk of being cancelled or scaled back. Therefore, we are likely to see this pipeline slim, which should take pressure off markets, and prevent further construction cost escalation.

More positively, construction cost escalation is improving across Australian markets, with prices for some building materials now starting to stabilise. The easing of global disruption has given supply chains a chance to catch up, which has helped to cool costs in global markets.

Labour shortages remains the biggest challenge moving forwards, with skills shortages being experienced across all markets. Additionally, preliminary costs are increasing, which are being driven by high inflation, high labour costs, and strong demand. While we expect that construction cost escalation peaked in 2022, we are likely to see costs continue to rise in 2023, albeit at a softer pace. As activity slows across the private sector, and with the potential slimming of the infrastructure pipeline, we expect that construction cost escalation will ease over the coming years.

Figure 1:
Australia construction cost escalation



New Zealand market overview

The effects of high inflation, increased interest rates, and surge in construction costs continued to impact new construction investment across New Zealand's markets over Q1. While there remains a sizeable pipeline of major infrastructure projects, total construction activity is expected to soften over 2023 and 2024.

Price inflation, labour shortages, supply chain disruptions, and credit restrictions are influencing the construction market. The Reserve Bank's interest rate hikes have cooled demand from the private sector across the non-residential and residential sectors. The housing market's sensitivity to mortgage rate adjustments has contributed to a reduction in construction activity. As the market gradually cools, some minor price reductions have emerged, though they are not yet significant. However, any decreases in material prices are being offset by the challenges linked with labour supply and associated wage hikes.

Public sector investment remains strong and is contributing to the large pipeline of projects to be completed across the region. Investment in the renewable energy sector is growing significantly and should keep activity levels high. The pressure from public sector investments is keeping construction costs elevated given the limited pool of resources across the country.

While the prices for several building materials appear to have stabilised with some experiencing a decline, persisting skill shortages remain a crucial challenge across New Zealand's construction markets. We expect that elevated labour costs and market capacity constraints will continue to be the driving forces behind construction cost escalation in 2023.

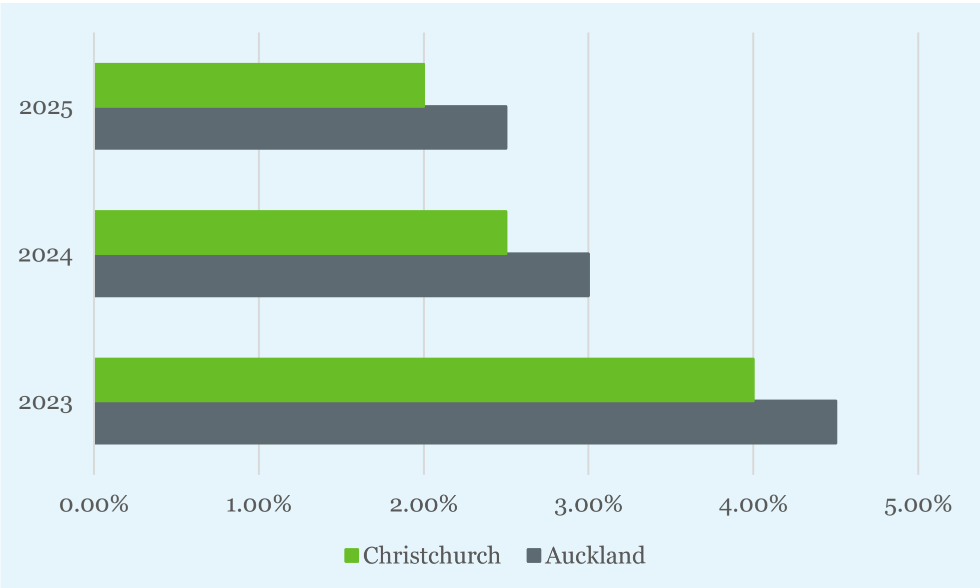


Figure 2:

New Zealand construction cost escalation

New South Wales

Top three market challenges in Q1 2023

Rising cost of construction	Skilled labour shortages	Market uncertainty

The New South Wales construction market remains resilient although market challenges remain prevalent. Many clients across the private sector have either slowed down, reduced scope, or altogether stopped some projects due to the increase in construction costs and uncertain outlook. Some developers are also putting projects on hold until prices stabilise with greater market certainty. With higher interest rates and escalated constructions costs, many contractors and sub-contractors are going into liquidation while others are under major financial stress.

Despite acute dwelling shortages across New South Wales, new investment into residential projects has been slow. The surge in construction costs and higher borrowing costs are making many new projects unfeasible, which means fewer projects are going ahead.

The outlook over the remainder of 2023 is somewhat uncertain, as more projects continue to be removed from the pipeline amid challenging market conditions. With many clients delaying projects until pressures around inflation and interest rates reduce, we expect that overall activity in the Sydney market will soften and tendering activity will start to cool. On the other hand, there is a large pipeline of major infrastructure projects underway and to be delivered which will help to offset some of the reduced private sector activity. However, the outcome of the federal government's investigation may lead to this pipeline being reduced.

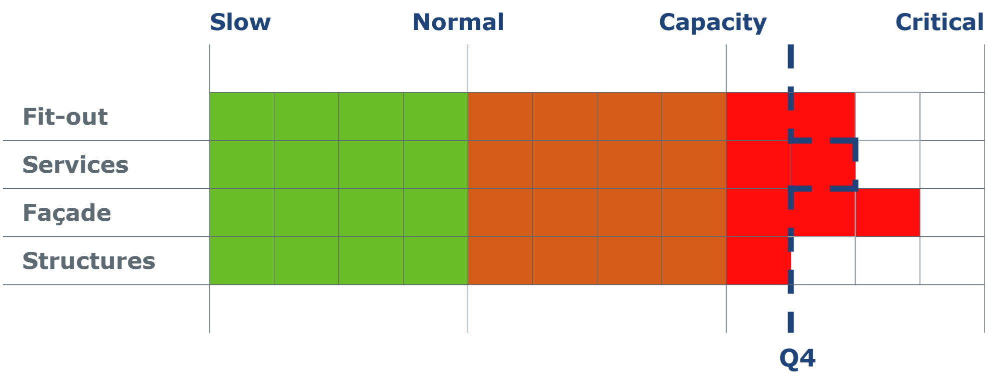
Despite the general level of activity softening, we are seeing an increase in tenders across some areas, including the high tech, industrial and defence sectors. There is also an increase in activity in the commercial fit-out sector as more people return to office work as opposed to working from home during the COVID-19 period.

Previous challenges associated with supply chains have eased. We have noticed supply lead times reduce, although they are still higher than pre-pandemic timeframes. Skill shortages remain the biggest challenge facing the New South Wales construction market with strong competition for skilled construction labour continuing. The return of skilled migration, as well as some cooling in activity over the next 12 months, should improve the availability of skills across the market.

Figure 3:

Supply chain capacity in New South Wales

Q1 2023



Queensland

Top three market challenges in Q1 2023

- Skilled labour shortages
- Rising construction costs
- Increasing contractor insolvencies

Construction activity in Queensland has remained high over Q1 2023. While macroeconomic conditions have continued to put development projects under pressure, market fundamentals and a high volume of projects still to be completed have kept activity levels high. An increase in government spending continues to keep activity levels high, with some concerns around market capacity to accommodate the pipeline of major projects underway.

We expect market activity will increase over the next six months as several major projects commence. Notably, Queensland Health's Capacity Expansion Program (CEP) projects have now had managing contractors appointed. The Olympics projects (and offshoots) are in planning, together with ongoing and planned infrastructure projects. There are also various projects from the defence and aviation sectors, which, together with current residential stock requirements, will lead to increased activity over the next six months.

We expect activity levels to be sustained at least over the next 12-24 months. However, market capacity issues are a concern. As government investments increase, with major projects emerging from the CEP, the industry will be waiting to understand the impact on the wider market as the construction sector struggles with labour shortages and various resource constraints.

We are seeing an increase in tenders due to high level of activity across most sectors. Various trades and materials remain impacted by supply chain disruptions and/or shortages. However, there has been some easing, especially for some materials, in line with global and national trends. Despite the borders reopening, the high volume of work in the market and the ongoing labour market restrictions means that some capacity challenges can be expected for some trades.

Labour market pressures remain and will likely worsen in the short term as the pipeline of projects continue to intensify. Rising construction costs remain another big challenge for the construction market in Queensland and this is contributing to the increasing incidence of contractor insolvencies.

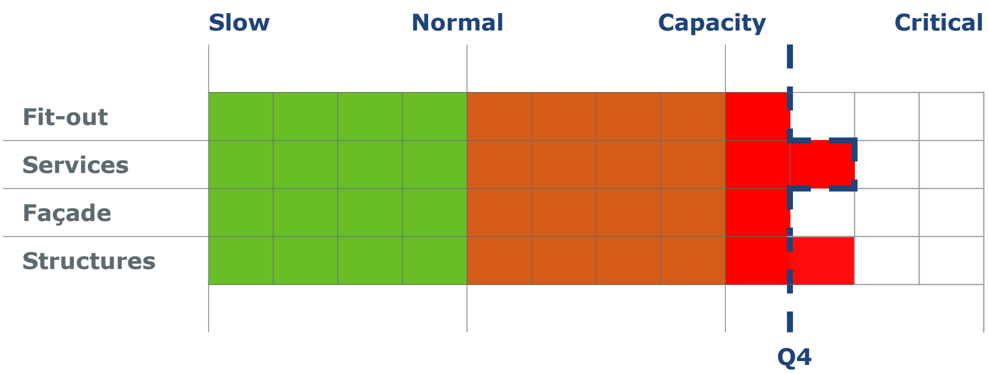


Figure 4:
Supply chain capacity in Queensland
Q1 2023

South Australia

Top three market challenges in Q1 2023

Rising construction costs	Skilled labour shortages	Excessive lead times

The pipeline of large projects from the public sector has continued to sustain activity levels in South Australia although inflationary pressure and high interest rates have negatively impacted the flow of new work from the private sector. Notably, there has been growth in renewable energy investments, which should see significant activity from the energy sector. Overall, the construction sector is quite active although high interest rates, long lead times and skilled labour shortages are still major challenges facing the South Australia market.

Over the next six months, we anticipate that the market will remain the same. However, being a relatively small market, resource and capacity constraints are a major concern as the pipeline of public sector projects continues to grow. Increasing cost of most trades is also a concern and could affect the outlook. Over the last 12 months, the prices of most trades have been on the rise with some trades like ceilings, partitions and glazing works increasing by as much as 10 to 15 percent.

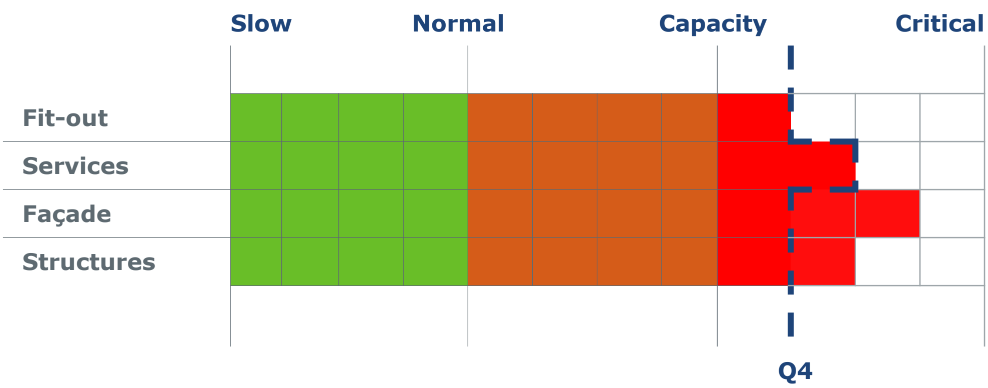
With regards to tenders, we are seeing an increase in tenders from the health and infrastructure sectors but a decline from the education sector. In general, tender conditions are not favourable as many contractors and sub-contractors are having difficulty remaining operational. Tender prices are therefore not as competitive as they used to be.

We are seeing more stability in the price of materials as global supply chains and international shipping costs have now stabilised. However, skill shortages remain a challenge, and this is contributing to stronger wage growth that continues to drive up construction costs.

Figure 5:

Supply chain capacity in South Australia

Q1 2023



Victoria

Top three market challenges in Q1 2023

Skilled labour shortages	Market uncertainty	Increasing contractor insolvencies

There has been little change in the Melbourne market over Q1 2023. Major Victorian Government projects such as the 'Big Build' infrastructure project, level crossing removal projects, health and social housing projects continue to progress. Thus, while there is a general decline in investment from the private sector, construction market activity remains on the higher end in Victoria.

There are expectations for increased activity over the next six months, particularly in the public sector. In the private sector major concerns around costs, inflation and interest rates have resulted in significant uncertainty around the viability of some projects. However, the general sentiment is positive with most projects likely to proceed soon.

Current tendering conditions appear to be challenging partially due to the current volume of work in the market. There is, however, a major challenge with the financial viability and sustainability of contractors. Many builders and contractors have gone into liquidation, and this is likely to result in higher margins and preliminary costs as there is now limited competition in the market. We are also seeing cost rising significantly as contractors are building in hefty premiums to accommodate the risks of uncertainty in the market.

Recent rains and flooding in parts of Victoria have affected the supply chain of quarry products such as aggregate and crushed rock and this has resulted in price rises. While the challenges associated with materials availability, skills and labour shortage remain the biggest challenge likely to impact the sector in the next six months.

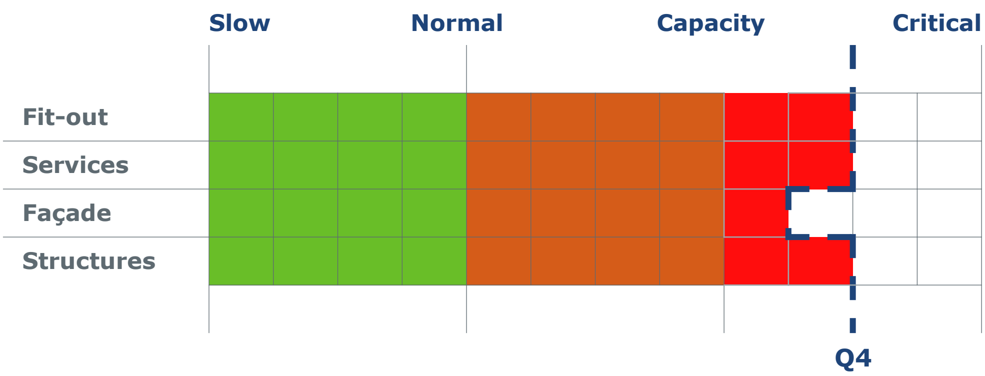


Figure 6:
Supply chain capacity in Victoria
Q1 2023

Western Australia

Top three market challenges in Q1 2023

- Skilled labour shortages
- Rising construction costs
- Excessive lead times

The Western Australia Government's annual budget announcement included major infrastructure and defence investments, which has increased demand for construction. However, the construction market is suffering from a skills and materials shortage due to the market's smaller size and due to the loss of resources to other states. This is increasing cost, time and quality pressure in the construction market with significant volatility being experienced in civil, concrete and steel prices with cost increases up by 40 percent for specialist trades.

We are expecting a major increase in activity levels over the next 6 to 12 months as several projects are currently at the planning stage. Within the public sector, there are expectations for increased activities within the education, justice and health sectors.

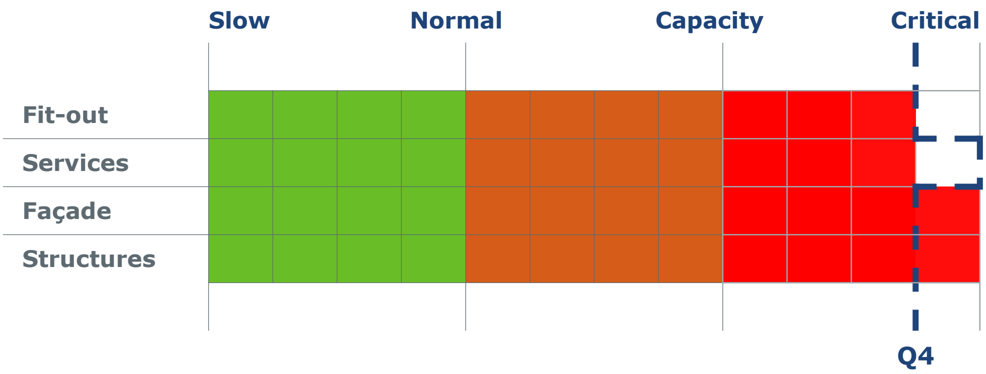
The impact of the government's multi-sector stimulus drive has resulted in tender prices increasing due to the limited availability of skilled labour and materials in Western Australia. We have tracked various real estate and infrastructure projects commencing procurement/starting onsite in parallel which will directly impact competition in the market. We have already started to experience significant cost increases in civil construction, steelwork, concrete and reinforcement due to the unavailability of skilled labour related to these trades.

The return of skilled migration and an influx of new international arrivals should help to improve labour market tightness over the next 12-24 months. After a period of low population growth, Western Australia now has the second highest rate of growth out all states, which is largely being driven by overseas arrivals.

Projections suggest that general construction cost indices will flatten over the next six months, however, individual projects need to ascertain their risk profile related to scope complexity, design risk transfer, site conditions, timing to market and key project drivers.

Western Australia has the difficult task of co-ordinating real estate, infrastructure and natural resources project supply chains. When these are competing in parallel, efficiencies and economies will be at risk.

Figure 7:
Supply chain capacity in Western Australia
Q1 2023



Auckland

Top three market challenges in Q1 2023

Rising construction costs	Skilled labour shortages	Market uncertainty

The construction sector in Auckland is experiencing a period of uncertainty, which is exacerbated by various challenges including capacity constraints, shortages of materials and labour, high inflation, and interest rate hikes. These factors have had a considerable impact on the construction market and have resulted in a decline in private investments in construction, despite notable efforts to mitigate their effects.

The residential market is currently in a downturn as pressures from high interest rates as well as labour and materials shortages continue to weigh on the economy. This has contributed to reduced activity levels in the construction market. However, this has been offset by efforts and investments from the government to rebuild infrastructure and property destroyed following the recent floods.

The government's $13 billion investment into the house rebuild program is expected to revitalise residential building activity. However, the effect on construction activity levels is not expected to be immediate and therefore, we predict slow residential building activity for the remainder of 2023. Public sector investment should, however, sustain activity levels over 2023. According to the New Zealand Infrastructure Commission, there is $12.9bn worth of major infrastructure projects to be delivered in 2023, which is helping to sustain activity in the market.

There is now a slight increase in the willingness of contractors to submit tenders, although the bulk of contractors are still under-resourced and largely impacted by ongoing labour market and materials shortages.

Material shortages are less common across a lot of projects, which shows that supply chain challenges are improving. Although global and national supply chain issues have started easing, the recent weather events in Auckland have significantly impacted local freight capacity. We expect that the prices of materials will stabilise once flood reconstruction efforts have been completed. Labour market constraints are slowly easing following the reopening of the borders and the introduction of fast-track visa applications. The three biggest challenges for the local construction market currently are rising construction costs, skilled labour shortages and market uncertainty.

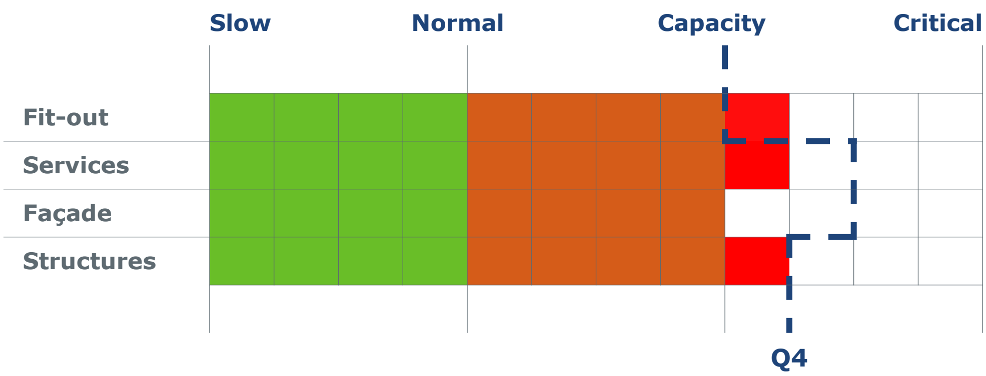


Figure 8:
Supply chain capacity in Auckland
Q1 2023

Christchurch

Top three market challenges in Q1 2023

Market uncertainty	Skilled labour shortages	Rising construction costs

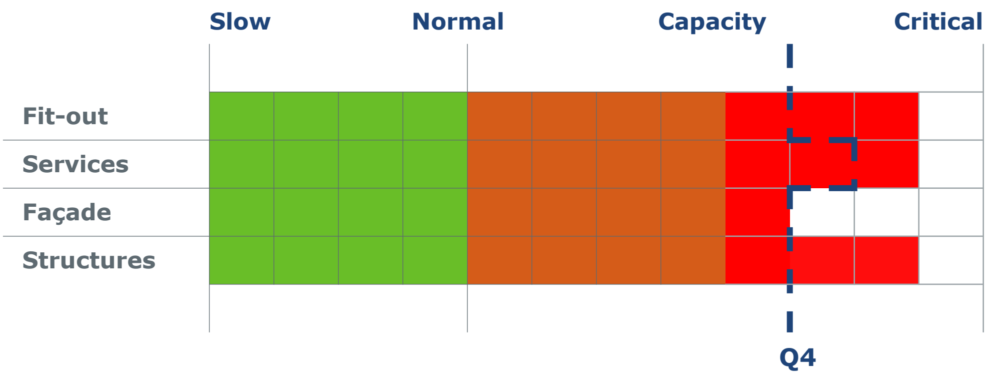
High inflation and ongoing tight labour market conditions have continued to dampen the residential housing market in Christchurch. Buyers are now even more reluctant to purchase houses and consequently developers have become more cautious to bring new projects to the market. Election-year policy incentives might see some major projects and programs starting. However, it is expected that the government will take a more cautious approach given they expect to spend around $13 billion on the cyclone rebuild program. Along these lines, rebuilding the damages from the recent cyclone is expected to increase construction activity levels as construction efforts are underway.

Generally, the increasing cost of goods and labour is fast eroding margins for major contractors, and this is affecting their willingness to tender. With market uncertainty being the biggest challenge facing the local market, major stakeholders are adopting a more cautious approach that is leading to less engagement in the construction market. Despite this, some trades are in very high demand. Notably so are trades related to finishes as most of the residential builds are at that completion stage. The demands of the Christchurch stadium seem to over stretch the concrete, formwork and reinforcement supply chain.

The global improvements in supply chain disruptions have not yet translated to better supply chain outcomes in the Christchurch market. Thus, major commodities and materials are still experiencing supply issues. These challenges, which were expected to persist through the first half of 2023, may not last given newer challenges imposed by the recent cyclone.

Following the reopening of New Zealand's borders, the construction sector is now seeing some improvement with regards to skills shortages. However, we expect that it will take time for the situation to fully resolve. Therefore, skill labour shortages is still a major issue in the Christchurch market together with rising construction costs and market uncertainty.

Figure 9:
Supply chain capacity in Christchurch
Q1 2023



Australia economic overview

Stubbornly high inflation, ongoing interest rate hikes and uncertainty on the outlook are slowing economic activity, with a considerable slowdown now underway across the Australian economy.

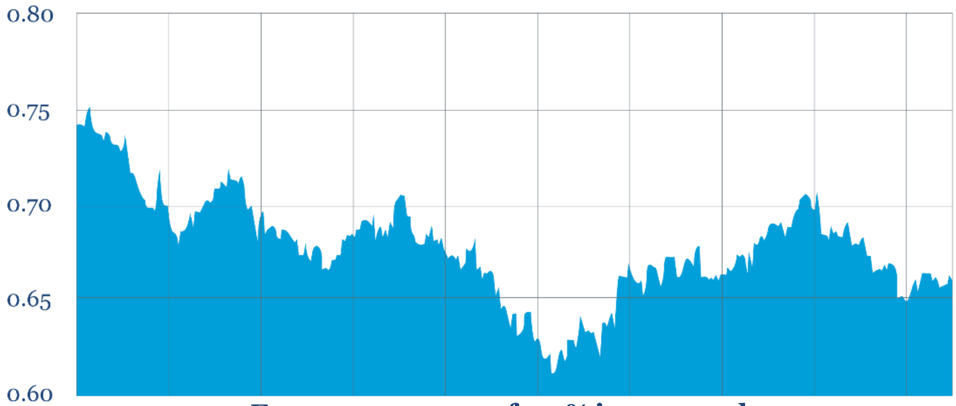
GDP growth eased down to 0.5 percent over the last quarter of 2022, with further slowing expected over 2023. Annual growth fell from 5.9 percent in September to 2.7 percent in December, and we expect further slowing in the annual growth rate over 2023 as low base effects are removed.

Inflation remains this biggest challenge in the Australian economy, with the Reserve Bank of Australia (RBA) undertaking an aggressive rate hiking cycle to get it under control. While there was a modest softening in inflation over the March quarter, it remains stubbornly high at 7 percent (year-on-year). While the RBA paused the cash rate over April, providing some hope to the market that rates could be at their peak, they have implemented a further 25 basis point increase in May, taking the cash rate to 3.85 percent.

The high cost of living pressures and the substantial increase in interest rates is having a significant impact on households across the country. Consumers have pulled back on spending and businesses are tightening their belts with new investment and expenditure. While these tougher market conditions persist, we expect that growth in the domestic economy will be weaker.

Despite these challenges, Australia's labour market is extremely tight with unemployment remaining around 3.5 percent. Skills shortages continue to be felt across all industries and this is helping to drive stronger wage growth. However, there remains a long way to go before wages are in line with inflation. In December 2022, annual wage growth was at 3.3 percent, while inflation was 7.8 percent. This means that real wages declined by 4.5 percent over 2022, which is another hit to households in the current high-cost market.

Figure 10:
AUD USD performance
Q1 2022 – Q1 2023



Forex movement of -10% in 12 months

Figure 11:
AUD forex forecasts

	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024
USD	0.66	0.64	0.63	0.62	0.62
GBP	0.55	0.57	0.56	0.55	0.54
EUR	0.62	0.63	0.63	0.62	0.61
YUAN	4.73	4.85	4.88	4.88	4.82

	Latest	Previous
GDP quarterly growth rate	0.5% Sep 22 – Dec 22	0.7% Jun 22 – Sep 22
GDP annual growth rate	2.7% Dec 21 – Dec 22	5.9% Sep 21 – Sep 22
Inflation (annual)	7.0% Mar 22 – Mar 23	7.8% Dec 21 – Dec 22
Unemployment rate	3.5% Mar 23	3.5% Feb 23
Business confidence index	-1 Mar 23	-4 Feb 23
Retail sales	6.4% Feb 22 – Feb 23	7.5% Jan 22 – Jan 23
Interest rate	3.85% May 23	3.60% Apr 23

New Zealand economic overview

New Zealand's economy contracted by 0.6 percent over the last quarter of 2022, a sign that the country's high inflation and higher interest rates are slowing activity across the economy.

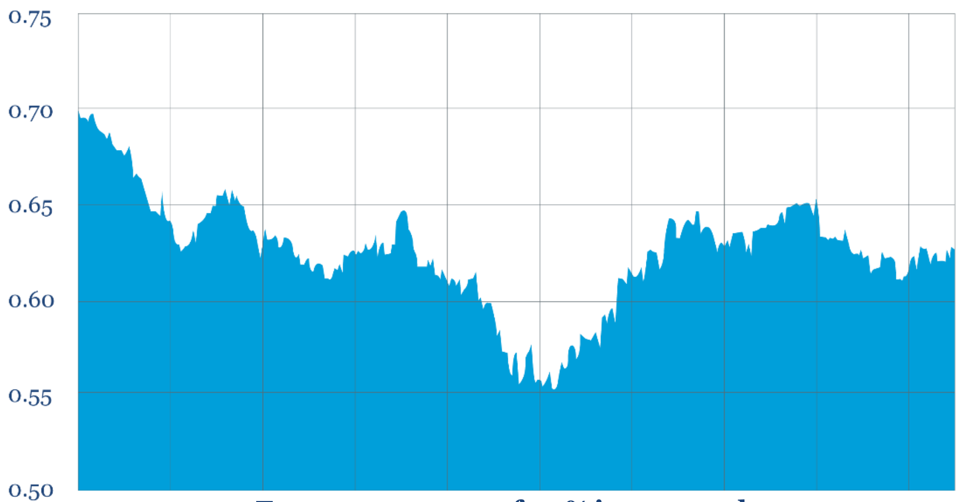
The chances of a recession in the New Zealand economy are now higher, with Statistics New Zealand reporting that economic weakness is broad-based, affecting numerous sectors and industries with conditions already resembling those of a recession. Initial forecasts by the Central Bank and Treasury that a recession was likely in the second quarter of 2023 are now being revisited as the data suggests that the economy might already be in a recession.

Inflation remains a major concern persisting at 7.2 percent. Food prices have strongly contributed to the inflationary pressure with the biggest annual increase since 1989, experiencing a 12.1 percent increase in March compared to last year. Recent extreme weather events, which have caused shortages of some fresh food and household goods, may exacerbate the already high levels of inflation.

Tight labour market conditions and global inflationary pressures add to the risk of further and sustained high inflation. In response, the central bank has implemented its most aggressive policy tightening in decades, raising the cash rate to 5.25 percent in April 2023, which has so far done little to curb inflation.

As the unemployment rate persists around 3.4 percent, it is expected that the severity of any recession as well as any current and future growth prospects of the economy will remain supported by low unemployment rates and high rates of participation, while exports and investment are expected to remain robust. Meanwhile, the strain on the labour market is anticipated to be relieved with the quick return of net overseas migration. Additionally, over 2023, we expect that high-interest rates and inflation will continue to restrict consumer spending, with homeowners bearing the brunt of these constraints.

Figure 12:
NZD USD performance
Q1 2022 – Q1 2023



Forex movement of -11% in 12 months

Figure 13:
NZD forex forecasts

	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024
USD	0.66	0.64	0.63	0.62	0.62
GBP	0.55	0.57	0.56	0.55	0.54
EUR	0.62	0.63	0.63	0.62	0.61
YUAN	4.73	4.85	4.88	4.88	4.82

	Current quarter	Previous quarter
GDP quarterly growth rate	-0.6% Sep 22 – Dec 22	1.7% Jun 22 – Sep 22
GDP annual growth rate	2.2% Dec 21 – Dec 22	6.4% Sep 21 – Sep 22
Inflation (annual)	7.2% Dec 21 – Dec 22	7.2% Sep 21 – Sep 22
Unemployment rate	3.4% Dec 22	3.3% Sep 22
Business confidence index	-42 Mar 23	-43 Sep 22
Retail sales	-4% Dec 21 – Dec 22	4.9% Sep 21 – Sep 22
Interest rate	5.25% Apr 23	4.75% Feb 23

A digital first approach: transforming performance of major programs

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The increasing complexity of major programs across real estate and infrastructure is being intensified by ongoing cost, labour and supply-chain challenges. Chief Digital Officer, Nathan Marsh, explains how adopting a digital-first approach across program strategy, set up and delivery will be critical to driving best outcomes.

Major programs around the world continue to contend with what can be seen as a perfect storm of sustained inflationary pressures, from post-COVID disruption through to the dislocation of global supply chains associated with the conflict in Ukraine. While the rate of cost escalation is forecast to ease through 2023, prices of materials, services, components and energy are expected to remain significantly higher than pre-pandemic. Exacerbating these rising costs is an ongoing skills shortage.

At the same time major programs in real estate and infrastructure markets have never been more complex, with increased scale, duration, economic and environmental impacts, as well as the intricacies of a global supply chain that will evolve over the project's life. These programs will continue to need, and generate, larger volumes of data across integrated systems and operating in increasingly diverse supply chains.

Managing this growing complexity and challenges which major programs face requires increasingly sophisticated digital skills, integrated systems, and smarter use of well-secured and controlled data.

For program delivery teams, contractors, investors and partners, these principles are now business critical. A digital-first approach is about changing the way we design and deliver our work. Embedding digital practices will not only improve program performance and drive productivity, but also ensure the asset or scheme makes a positive difference throughout the project and after completion, delivering real economic, environmental and social value.

To do that, it is fundamental to embed a digital-first approach in the earliest stages of the program, from strategy, through set-up and finally throughout delivery.

1. Digital-first strategy – building an accurate baseline for digital and data across the program and supply chain

Defining the desired strategic outcomes must always be the starting point. The most effective programs focus these outcomes not just on commercial success – of cost and timescales – but also on the social, economic and environmental value created throughout delivery and after completion.

An honest appraisal of digital maturity and capability will then help to define a robust baseline from which you can build digital across the program to accelerate delivery when you are ready. Digital then needs to be embedded into the value case, vision and program leadership.

A clear, program-wide data and systems strategy is essential to help program teams understand how systems, interfaces, integrations, data flows and resilience can dovetail to support delivery and drive transformation.

2. Getting set-up for success – ensuring the systems, tools, integrations and ways of working are defined and understood before delivery

Building on the solid foundations put in place in the strategy will ensure the program is set up for success, focusing on the digital architecture needed to ensure teams and partners. Assessing readiness is crucial here, defining the capabilities, skills and systems the program needs across its lifecycle and supply chain.

These start to inform the digital operating model and how teams, systems, data and processes come together as the program's delivery engine. Establishing the digital ecosystem of partners, suppliers, service providers and stakeholders brings a further layer of integration across a complex set of elements.

Bringing all this together into a data and information framework ensures potential issues can be flagged in advance and that relevant data can enable fast, accurate and high-quality decision making.

3. Accelerating delivery – providing the data and systems for fast, accurate decision making

Program teams will now be well prepared to initiate the main delivery phases. This starts with robust digital project and program management, whether taking a waterfall, agile or blended approach, and powered by a digital project management office (PMO).

Delivery must increasingly be driven by accurate data analytics and intelligent automation to help accelerate pace, improve accuracy, spot errors and maintain a 24/7 capability every day of the year. These should interface with the supply chain to enable machine-to-machine interactions.

The assets themselves will be building and using their information-management strategy to create a data-rich picture of their design, construction and use.

This type of smart asset, such as one with a digital twin, helps teams design for handover and use, and adds commercial value to the asset and the dataset.

The backstop to all of this is the program robustness and resilience that has been designed in, set up well and managed effectively – keeping the program's systems, data and machines operating productively, safely and securely.

Leveraging digital platforms

Program platforms like Digital Controls industrialise designing, deploying and embedding a robust controls framework across a program's systems, data and decisions. When working with complex outcomes and long timescales, rigorous governance, controls and reporting are integral to success. Project risks of all types – from supply chain to cost management – should be carefully integrated.

A controlled digital environment will also bring stability to risk management, allowing project teams to understand the interdependencies between different risks and to make not just fast decisions, but the right ones.

Capabilities such as our own cloud-based platform - the HIVE - enable program teams to capture, organise and model critical cost, supply chain and performance data. It can also provide the portal for a suite of Power Apps that teams can use to accelerate delivery and maintain a high level of accuracy and program performance.

Getting digital first right does not just improve project outcomes and efficiency. There is also an increasing appreciation from investors and clients that a digitalised asset, such as a smart building or one with a digital twin and well-packaged data sets, offers greater value than its analogue equivalent.

Investors and asset owners are now expecting the construction and operational phases to be digital first and to produce an asset with an accurate data set and models.

Though the built environment sector has come a long way in adopting digital tools and data – from PMOs to building information modelling – there is still ground to make up to embed a truly digital-first approach that runs throughout a project's lifecycle from the earliest design stages to post completion.

Across the construction sector, clients need to focus on driving digitalisation, not only to improve productivity and commercial outputs, but also to deliver tangible societal change, making crucial headway on environmental targets and supporting sustained economic growth and resilience.

About Turner & Townsend

We are an independent professional services company specialising in programme management, project management, cost and commercial management and advisory across the real estate, infrastructure and natural resources sectors.

With 112 offices in 46 countries, we draw on our extensive global and industry experience to manage risk while maximising value and performance during the construction and operation of our clients' assets.

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