



VICTORIAN CIVIL CONSTRUCTION OUTLOOK:

HOUSING AND LAND DEVELOPMENT

MARCH 2026



CIVIL CONTRACTORS
FEDERATION
VICTORIA

Civil Contractors Federation Victoria is the peak representative body for the civil construction sector in Victoria.

As industry working for industry, we represent 450 contractor and associate members across the ‘horizontal’ civil construction and infrastructure maintenance supply chain. Forty-three per cent (43%) of our members are regional businesses, many of whom are family enterprises.

We are the Strategic Adviser to Government on the state’s civil construction industry, with the knowledge and authority to promote, cultivate and advance positive and relevant civil construction industry policy in Victoria.

As part of a federated structure nationally, with offices in every major capital city, we are well-positioned to capture, develop and share insights on civil construction matters from other jurisdictions. This helps us to inform industry best practice for the benefit of Victorian Government and industry stakeholders and ultimately the Victorian community.

The civil construction industry is responsible for the construction and maintenance of Victoria’s civil infrastructure, including roads, rail, bridges, water supply, pipelines, drainage, ports, energy and utilities infrastructure. Some of the businesses we represent also play a vital role in the housing and commercial building construction industry by providing earthmoving and land development services including the provision of power, water, communications, and gas.

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Acknowledgement of traditional owners

CCF Victoria acknowledges the traditional custodians of the lands on which we live and work. We recognise Aboriginal people as Australia's first peoples and the traditional owners of this land. In recognising their connection to our land and waterways, we pay our respects to their elders past, present and emerging.



FOREWORD

Construction of subdivisions infrastructure is critical to enabling new detached dwelling development. Detached dwellings built on greenfield sites require the subdivision of larger land parcels into smaller lots, while attached dwellings are typically built on infill sites where the land has already been subdivided. As such, the outlook for detached dwelling commencements plays a major role in determining the level of subdivision activity.

GROWTH STATE

Victoria's strong population growth and persistent dwelling stock deficiency continue to support new dwelling commencements, with subdivisions activity responding accordingly.

Although subdivisions activity remained stagnant to FY2021, the federal *HomeBuilder* program (now ceased) resulted in a surge in dwelling commencements in FY2022, with subdivision work done reaching record levels the same year. And, though current subdivisions activity remains below the historic peak, loosening monetary conditions and a subsequent return to dwelling commencement growth is expected to propel subdivision work higher over the forecast horizon. Government providing incentives or other policies to encourage enabling subdivision works would be a significant step forward, together with speedy planning approvals so land development can take place quickly to meet the targets.

INDUSTRIAL LAND DEVELOPMENT

The state government's recently released 10-year Plan for Industrial Land¹ is another significant consideration for civil contractors land developers, particularly those more invested in the commercial or non-residential land and subdivision space.

¹ <https://www.planning.vic.gov.au/guides-and-resources/strategies-and-initiatives/a-10-year-plan-for-industrial-land>

With the Plan for Victoria² forecasting the state's population levels to grow by 3.8 million people to 10 million by mid-century, such growth means not only more homes but also more jobs required.

Industrial land drives jobs growth and economic activity³ and prosperity. Industrial sites underpin freight as much as manufacturing or storage warehousing.

And, underpinning all of this: the civil infrastructure foundations that enable economic growth and community prosperity.

The Allan Government rightly acknowledges the lack of enabling infrastructure, delays or uncertainty in planning approvals and lack of coordination across government are constraining development. And this is where opportunity lies for our civil contractor members and the wider industry.

This Housing and Land Development report sets out the state of play and outlook for housing activity in Victoria; the outlook for civil works for housing and land development and; the opportunities, challenges and risks involved.

As with past sector outlook reports, I trust you find the data, insights and solutions in this paper helpful in planning your pipelines of work, and useful to other Government and industry stakeholders in your crucial planning work and decision-making.

Annie Kessell, Executive Director (interim)

Civil Contractors Federation Victoria

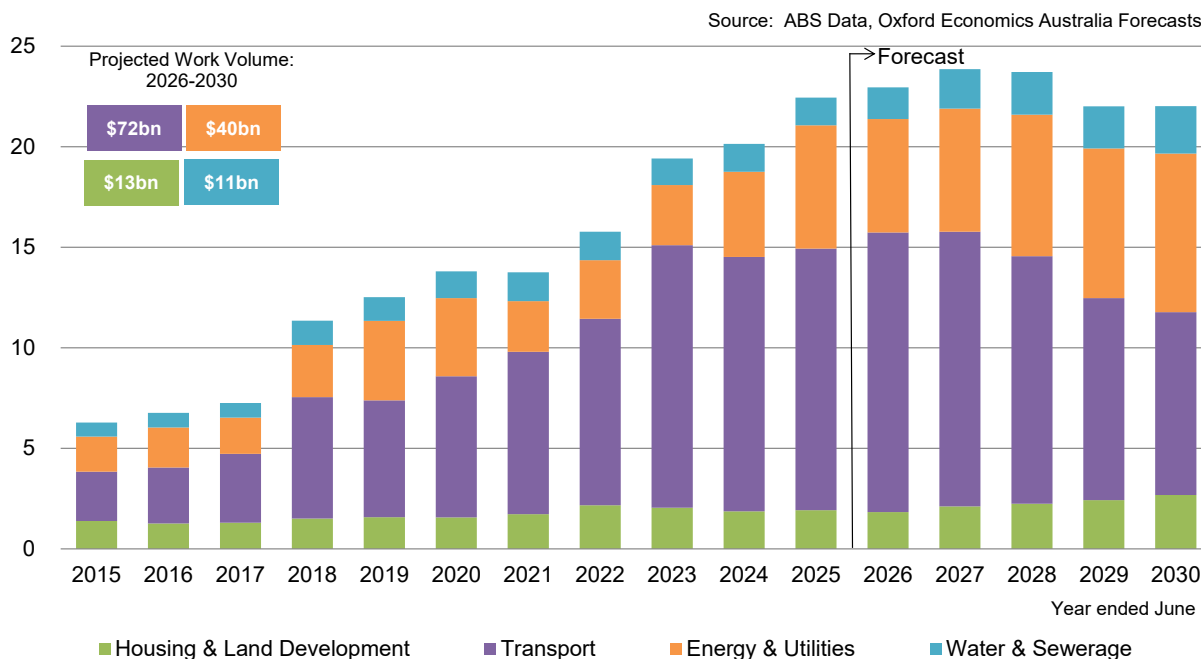
² <https://www.planning.vic.gov.au/planforvictoria/about-plan-for-victoria>

³ <https://www.vic.gov.au/sites/default/files/2024-12/Economic-Growth-Statement.pdf>



1. VICTORIAN CIVIL INDUSTRY SNAPSHOT

Fig. 1. Civil Construction Work Done, Victoria, \$Billion (Current Dollars)⁴



Victoria’s civil construction sector underpins the delivery of housing and land development infrastructure, supporting the wider state economy. In recent years, activity in the civil sector has expanded significantly, driven by major investment in large, generational transport projects.

While transport investment is expected to return to more modest levels, this will be partially offset by continued strong investment in other infrastructure including energy transition, water and sewerage, and housing and land development infrastructure. In delivering all these new infrastructure assets, Victoria’s civil industry will play a critical enabling role.

These shifts in civil construction investment drivers reflect a deeper shift from public to private investment that is currently underway in the national and Victorian economy. Predominantly, the recent boom in transport infrastructure has been publicly funded and financed through debt and recycling asset sales. Nationally, and in Victoria, public investment and consumption has been the key driver of economic growth. As investment priorities shift over coming years, growth in private investment is expected to accelerate and become the largest single driver of growth in the economy.

⁴ Fig.1 Chart based on latest ABS engineering construction data (Sept quarter 2025); forecasts by Oxford Economics Australia

This shift is already apparent in energy and technology sectors. Victoria is playing a significant role in building new electricity generation to support transition away from fossil fuels, and related electricity civil works have nearly doubled since 2023. Meanwhile, Melbourne (and Sydney) is witnessing a boom in data centre building to support cloud computing needs and, in future, AI.

Housing is the next (and largest) leg in the shift back to private investment. Supported by ambitious targets to boost housing supply and affordability, its success will depend heavily on the civil construction industry to provide critical enabling subdivision infrastructure.

Note: similar to other studies undertaken by Oxford Economics Australia for the Civil Contractors Federation, all dollar figures quoted in this report are in nominal (current) prices which include the impact of inflation. Hence movements in the dollar value of civil work over time include both movements in 'real' activity as well as the 'price' of that activity.

2. Victoria's Housing Construction Outlook

2.1 Defining Housing and Land Development Civil Construction

Housing and land development civil construction data presented in this report is consistent with the *Engineering Construction Survey* published quarterly by the Australian Bureau of Statistics (ABS) since 1986. The ABS defines engineering construction as the total project value less the value of land and buildings and installed machinery and equipment which is not an integral part of the structure. Furthermore, engineering construction data includes rehabilitation or substantial 'one-off' repairs to road infrastructure which improves upon the original design standards but excludes maintenance which does not.

The ABS reports housing and land development civil construction within the *Engineering Construction Survey* as "subdivisions" within the Roads, highways and subdivisions segment. While not all housing and land development civil works is specifically road construction, the ABS tends to follow the convention of reporting this work according to its largest component (roads and related earthmoving), although it should be remembered that there is also a significant level of utilities work here also. Subdivisions also captures other private sector funded local road works such as roads in industrial or commercial subdivisions (although this is a very small component).

Although the ABS does not provide a specific series for subdivision construction, Oxford Economics Australia has developed its own proprietary subdivisions estimate of forecasts based on deep knowledge of Australia's building and construction sector (including project databases), and modelling of housing activity. Subdivision construction mirrors quite closely the housing construction cycle, as a large proportion of new houses are built in new subdivisions, with new roads. However, the cycles in house building and subdivision construction do not match exactly and there are variations through the cycle.

Basically, the volume of subdivision construction required to satisfy demand derived from housing construction depends on the existing level of lot subdivision stock. The subdivision construction cycle is essentially a natural stock cycle with uncertainty and long lead times between planning and completion influencing the stocking and de-stocking process. Investors (i.e. land developers) act in an environment characterised by uncertainty regarding underlying demand, uncertainty about the amount of house building and subdivision construction being undertaken, and uncertainty about prospective yields.

This uncertainty contributes to the classic boom and bust cycle. In a period of strong demand, activity tends to exceed the level of underlying or sustainable demand. Overbuilding is the result, with excessive building during the boom eventually leading to a situation of oversupply. As soon as the oversupply becomes evident, activity falls sharply. After the bust, activity levels stabilise below underlying demand, allowing absorption of excess stock built up during the boom. The emergence of un-met demand then leads to the next upturn in building activity. But

overall, building activity tends to cycle around the level warranted by underlying demand, with the over-building of the upturn cancelling out the under-building of the downturn.

2.2 Drivers of Housing and Land Development Civil Work

Population growth and the type of housing built are key drivers of housing-related civil work and demand. Strong population growth adds to demand for housing, whilst meeting this demand by greenfield detached house and land development on city fringes tends to have a much greater intensity (and need) for enabling civil infrastructure than infill developments (particularly attached high density dwelling developments) where existing infrastructure reduces the need for new works.

Fig. 2. Victorian Components of Population Growth, Thousands of Persons

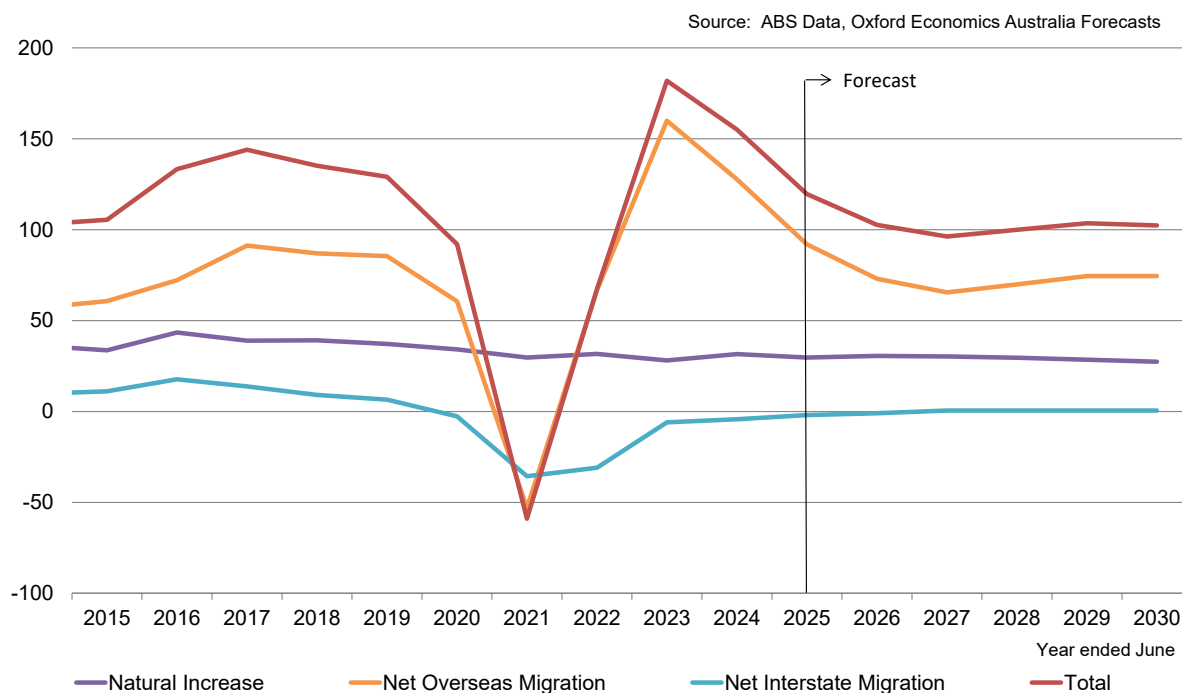
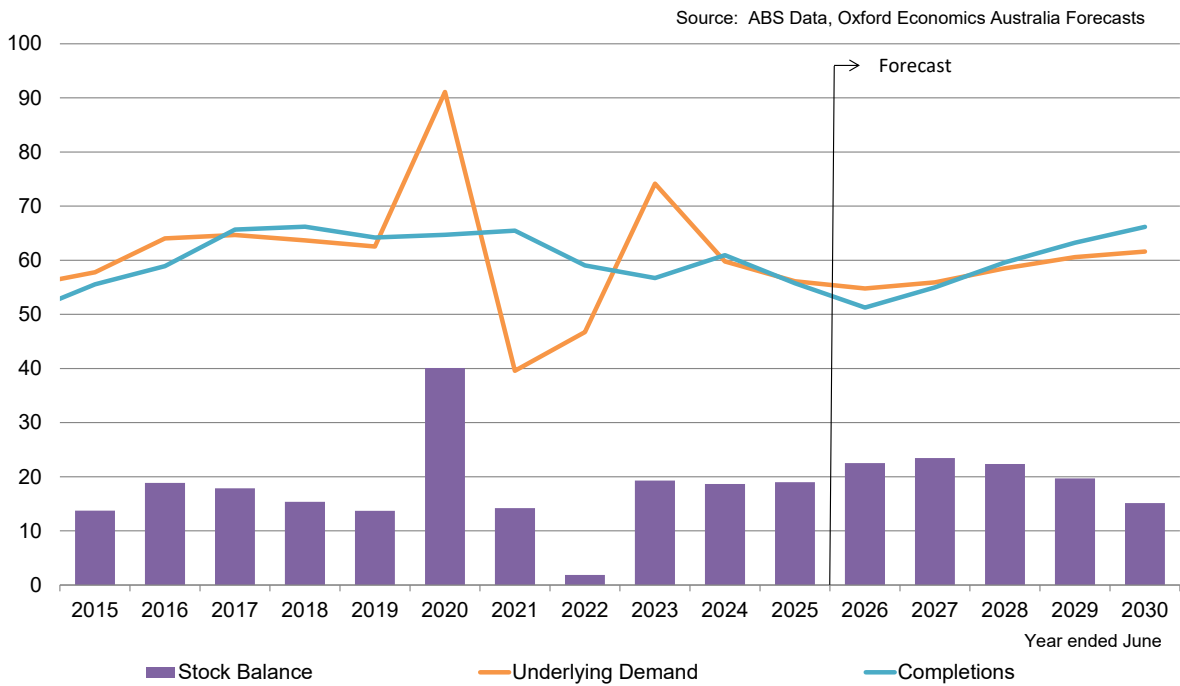


Fig. 3. Victorian Dwelling Stock Deficiency, Thousands



Strong population growth in Victoria, with supply in the long term unable to keep up, has opened up a long period of persistent housing stock deficiency. Victoria saw a record population increase in FY2023 of 182,000 persons, with population growth remaining elevated through FY2024. This surge in underlying demand widened the state’s dwelling stock deficiency, which despite mediating in FY2025 to 13,000 dwellings, is projected to peak over the forecast period at 18,000 by FY2028 as completions fail to keep pace. The resulting supply pressure is expected to drive a sustained uplift in dwelling commencements over the forecast horizon.

Fig. 4. Victorian and Australian Dwelling Commencements, \$Billion, Current Dollars

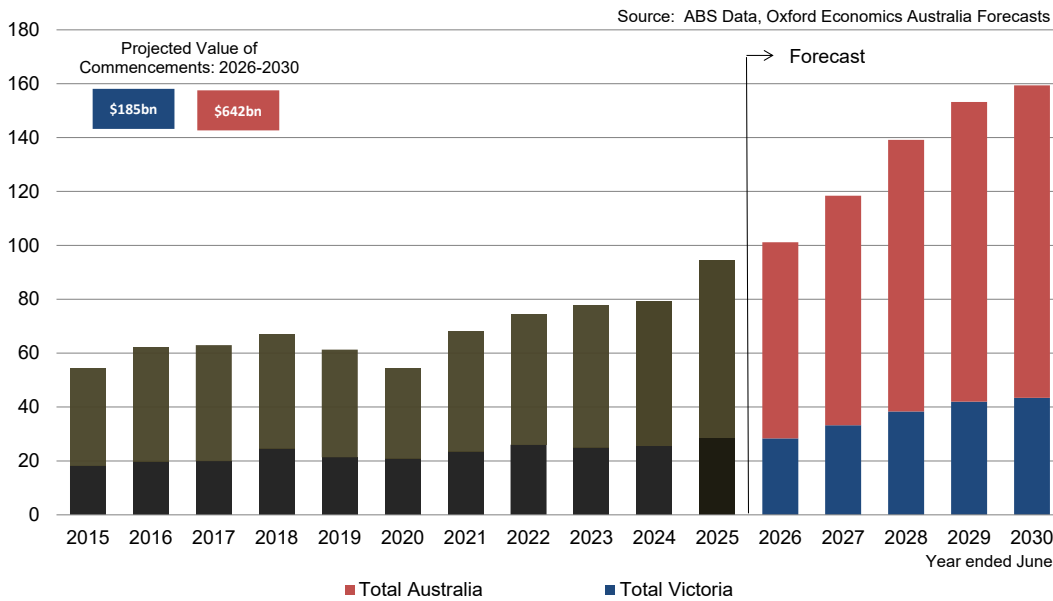
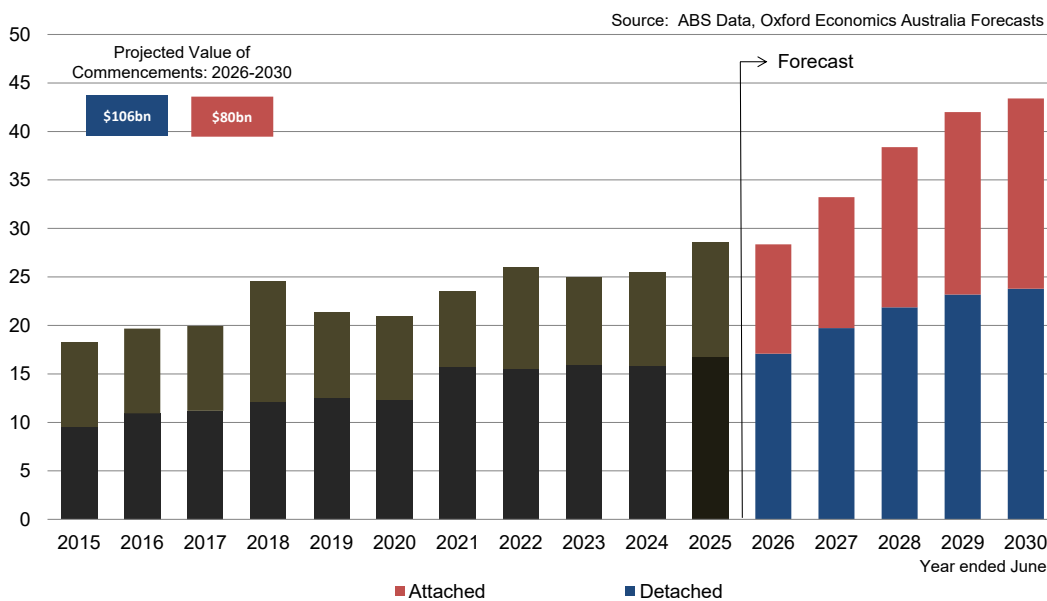


Fig. 5. Victorian Dwelling Commencements by Type, \$Billion, Current Dollars



Overall, Victorian dwelling commencements are expected to rise 52% to \$43 billion by FY2030 given population growth and the need to address a persistent undersupply of housing stock. Attached projects, particularly in the Build-to-Rent space are expected to see the strongest growth. Detached dwelling commencements, a principal driver of housing and land development civil works are forecast to grow more modestly, but still increasing a substantial

42% to \$24 billion. This reflects both a high-base set by the COVID-era *HomeBuilder* Program, and a softer greenfield market across Melbourne, with subdivision activity expected to more closely mirror this trend.

2.3 Housing and Land Development Civil Work State of Play

Victoria spent an estimated \$1.9 billion on subdivision construction in FY2025, a figure similar to that seen over the past four years. The static growth over the past five years is representative of relatively stagnant dwelling commencement growth within Victoria, particularly within the detached dwelling segment which drives the majority of the subdivision construction.

Whilst total Victorian dwelling commencements have grown 22% since FY2021 to \$29 billion in FY2025, growth in detached dwellings has been more modest at 7%, reaching \$12 billion. Recent building cost escalation, labour shortages, and tighter monetary conditions have favoured the economies of scale offered by attached-dwelling construction, which has grown 51% to \$12 billion.

2.4 Housing and Land Development Civil Outlook

While growth has been stagnant recently, the outlook for Victorian subdivision activity is much brighter. Total subdivisions construction activity is forecast to rise from \$1.9 billion in FY2025 to \$2.7 billion in FY2030, a 39% increase. This is in stark contrast to other aspects of roads civil construction in Victoria, with total roads activity falling nearly 40% in real terms by FY30 based on the completion of very large highways and arterials projects .

This growth is largely driven by an expected substantial uplift in dwelling commencements beginning in FY2027, with subdivision construction work done set to grow 16% in the same year - the largest uplift since the rapid *HomeBuilder* induced growth of FY2022.

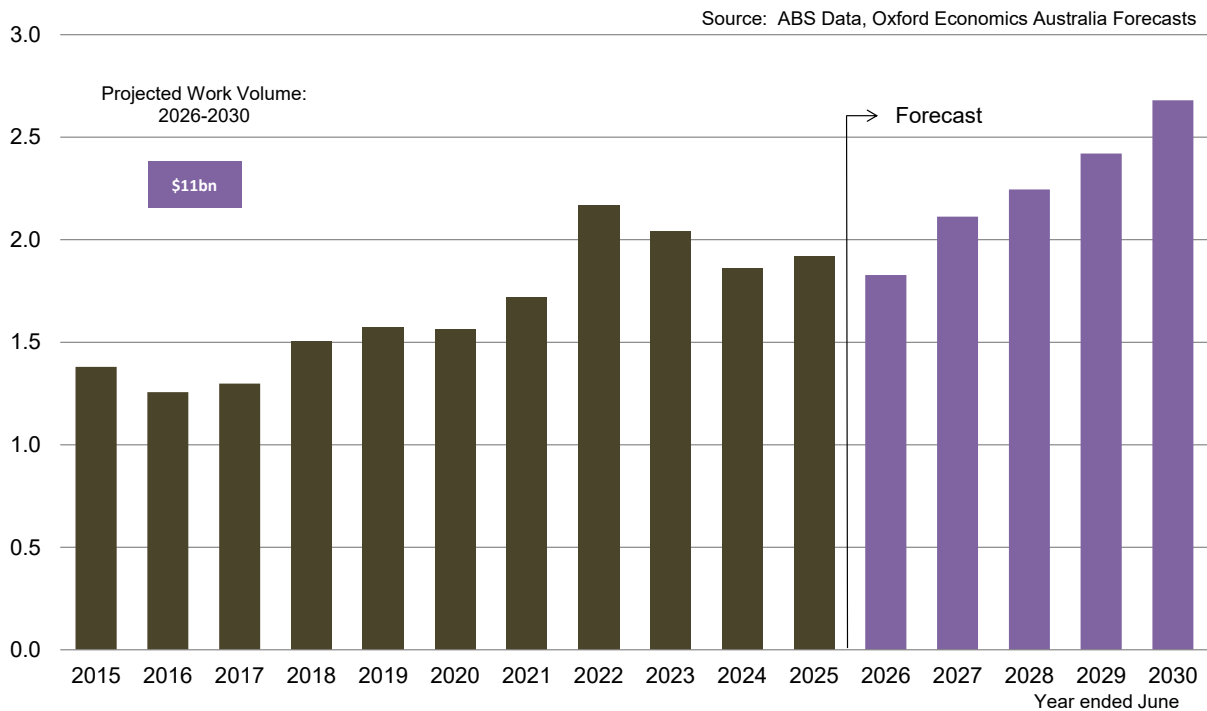
The strong uplift in housing activity will be aided by significant public policy support and medium to long term housing targets set by the Victorian Government⁵, notably:

- A long term target to build 2.24 million new homes by 2051 and
- A medium term target of enabling 800,000 homes to be built over the 10 years to 2034
- A contribution of 306,000 homes to the National Housing Accord target of 1.2 million homes over the five years to 2029

⁵ Victoria's Housing Statement, *The Decade Ahead 2024-2034*, Department of Transport and Planning

The rise in Victorian dwelling commencements will coincide with the broader national uplift over the coming years. Easing monetary conditions will provide an accommodative environment for national dwelling commencements, set to grow 62% over current levels to \$150 billion by FY2030.

Fig. 6. Victorian Subdivision Construction Work Done, \$Billion, Current Dollars



Overall, subdivision civil activity across Victoria is expected to average \$2.3 billion per annum over the five years to FY2030, a figure 17% higher than the estimated level of work done in FY2025 and also well above the average of the past five years, despite the impact of the *HomeBuilder* program.

While not completely offsetting the large fall in roads activity across the state as major roads projects end, this market is likely to be competing heavily for resources required in other ‘hot’ infrastructure market sectors in Victoria in coming years, notably energy, water, and data centres (which also may contribute to subdivisions work).

Proximity of housing to employment precincts, such as industrial developments, is a feature of government infrastructure growth plans



3. OPPORTUNITIES, CHALLENGES and RISKS

The steady growth outlook for housing and land development in Victoria will generate lots of work opportunities, broadly in line with related growth projections in the water, utilities and renewable energy sectors. At the same time – and corresponding with the same sectors – the next five-year outlook also flags significant risks and challenges.

OPPORTUNITIES

Housing - infill, urban renewal, greenfields and regional projects

With the Plan for Victoria⁶ and Infrastructure Victoria 30-year strategy⁷ highlighting integrated housing/transport/infrastructure projects⁸ and regional growth, civil contractors can target urban density infill enabling infrastructure works, precinct upgrades and local government programs. Contractors should anticipate more bundled procurements that combine civil enabling works with road/rail/utility upgrades; a good fit for those skilled and able to deliver multi-discipline packages.

Strong outlook for water sector opportunities

A strong growth outlook for water and sewerage civil work in Victoria, inevitably tied to housing demand, is expected to generate significant opportunities for civil contractors. Governments are increasingly recognising that meeting important policy goals across housing, energy, data, net zero and manufacturing will require enormous investment in bulk water infrastructure – meaning, fertile ground for civil contractors.

Growth in residential subdivision roads

While highway and toll road construction is expected to slow, there is projected growth in infrastructure for residential subdivisions. This segment is forecast to increase by 40% over the next five years, reaching \$2.6 billion by 2030. This growth is driven by strong housing demand and population increases, which require more residential infrastructure.

Industrial Land Development

The state government's recently released 10-year Plan for Industrial Land⁹ is another significant opportunity for civil contractors and land developers, particularly those more invested in the commercial or non-residential land and subdivision space.

The 10-Year Plan signals a staged release of ~5,800 ha and coordinated infrastructure to service them; creating demand for earthworks, roads, drainage, utilities, rail works, and precinct

⁶ https://www.planning.vic.gov.au/_data/assets/pdf_file/0033/739473/Final-Plan-for-Victoria-For-Web.pdf

⁷ <https://www.infrastructurevictoria.com.au/infrastructure-strategy>

⁸ <https://www.infrastructurevictoria.com.au/resources/victorias-30-year-strategy>

⁹ <https://www.planning.vic.gov.au/guides-and-resources/strategies-and-initiatives/a-10-year-plan-for-industrial-land>

enabling works. Contractors can anticipate multi-year packages and staged civil construction lots with opportunities for principal contractors and specialist subcontractors.

CHALLENGES, RISKS and SOLUTIONS

Cost escalation and supply chain pressures

Materials supply, plant and labour costs remain a perennial and volatile risk in civil construction.

Solutions include locking in long-lead items early; investing in multi-skilling apprenticeships and partnering with industry-specific skills training programs to increase certainty and security of labour pipelines, and; adopting productivity measures to reduce labour reliance.

Skills shortages

Rising construction costs and ongoing labour shortages hinder the civil industry's ability to deliver housing and land development projects on time and on budget. Independent analysis suggests the construction sector is 'bleeding talent' with turnover rates as high as 38%¹⁰. These pressures can slow down progress, increase risk and reduce profit margins for contractors.

Planning and approval delays

Despite well-intentioned reforms, PSPs (Precinct Structure Plans) and infrastructure agreements can still be delayed or revised, leading to scope creep and increased standards. Delays also push out works and increase holding costs.¹¹

Solutions contractors can adopt to mitigate such risks include:

- Seek early engagement with VPA/DEECA and developers during PSP drafting and updating; secure conditional access/early works agreements.¹²
- Negotiate clear escalation and extension mechanisms in contracts for planning-driven delays; price contingencies linked to defined PSP milestones.
- Offer conditional, staged mobilisations (for example: phased crews/equipment) to reduce client financing burdens.

Coordination of infrastructure and funding timing

Risk in infrastructure for industrial precincts often depends on staged public funding or developer contributions, potentially leading to a mismatch in timing that causes idle works or rushed delivery.¹³ Competitive tendering and developer margin pressure can also add to financial challenges, compressing contractor margins on big enabling works.

¹⁰ Australian Construction Employee Retention (Hucker, Empowered Women in Construction)

¹¹ <https://udiavic.com.au/wp-content/uploads/2025/09/UDIA-PSP-Reform-Playbook.pdf>

¹² <https://vpa.vic.gov.au/faq/what-is-a-precinct-structure-plan-ppsp-5/>

¹³ <https://www.planning.vic.gov.au/guides-and-resources/strategies-and-initiatives/a-10-year-plan-for-industrial-land>

Civil contractors will do well to pursue PPP/co-investment models or JV arrangements to spread delivery risk and structure contracts with clear payment milestones tied to infrastructure activation (not just physical completion), as two possible solutions to address financing risks.

Equally, to mitigate risks around competitive tendering and margin pressures, targeting niche specialist scopes where competition is thinner and differentiating through capability are tactics contractors can employ to hedge against finance-related risks.

Environmental and regulatory compliance

Increasing environmental standards, contaminated land issues and biodiversity requirements add scope, cost and timing risk.

To offset these risks, contractors should maintain strong environmental compliance teams, pre-construction site investigation workflows, and relationships with accredited remediation specialists. Also, price conservatively for unknowns and propose risk-share options (e.g., capped remediation allowances with shared upside).

Community and political risk

With a state election on the horizon and amid increased polarisation among voters and the community – which, area-dependent, can include activist and special interest groups, grassroots community opposition - changing political priorities or budget constraints can pause projects or alter project scope.

Solutions to such risks and challenges open to contractors include investing more in your community engagement capabilities and social licence measures and provide clear benefits (such as local employment). Additionally, closely monitoring policy announcements and diversifying pipelines across regions can also offset such risks.¹⁴

¹⁴ https://www.planning.vic.gov.au/_data/assets/pdf_file/0033/739473/Final-Plan-for-Victoria-For-Web.pdf



A shortage of civil skills, including from competition between water, energy and utilities sectors, is a real and present risk to land development delivery

4. ACTION STEPS

To exploit opportunities over the next 6-18 months, contractors should consider the following steps to best position themselves for work, to ensure a long pipeline of sustainable work.

1. **Map opportunities:** maintain a rolling tracker of PSPs, industrial land release tranches from the 10-Year Plan and Infrastructure Victoria priority projects.
 2. **Bid selectively:** focus on packages matching your core capabilities – for example, earthworks, utilities, remediation, road/rail enabling works.
 3. **Strengthen your early engagement:** resource pre-construction teams to join PSP stakeholder forums and VPA consultations.
 4. **Fix procurement & supply:** secure long-lead orders, partner with prefabrication suppliers and formalise subcontractor panels.
 5. **Risk allocation:** standardise contract addenda that clearly allocate planning, contamination and timing risks.
 6. **Skills & plant:** lock in apprenticeships, cross-skill and upskills your personnel, including subcontractors and potentially labour hire, and preserve plant availability windows.
 7. **Offer innovation:** upskill and pilot digital delivery, off-site construction and mechanised earthworks to improve margins and win tenders.
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