

ReedKnapp

Evidence-based advisory

The Building Products Industry Australia & New Zealand

A market map for chief executives: conditions and dynamics, the major players, and where to act.

STRATEGIC BRIEFING

Cement · Concrete · Lime · Bricks & Masonry · Roofing · Cladding · Aggregates · Frames & Trusses · Plumbing · HVAC · Paints

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Executive summary

The recovery has been re-priced

The trans-Tasman building products sector has waited two years for a rate-led residential recovery. In a single half-year, the conditions for that recovery have been withdrawn. The Reserve Bank has raised the cash rate three times in 2026: in February, March and May, to 4.35%. It held the rate in June and August, and Governor Bullock has explicitly left the door open to a further increase. Underlying inflation has re-accelerated to 3.6%, and the Bank does not expect it to return to the midpoint of the target band until 2028. The rates component of that dependency has now moved against the sector.

Two further shocks are specific to housing. The 2026–27 Federal Budget limits negative gearing to new builds and replaces the 50% CGT discount with an inflation-based method and a minimum 30% tax on gains, both from 1 July 2027. Separately, the ban on self-managed super funds borrowing to build residential property took effect on 10 August 2026; the HIA estimates that roughly 2,400 signed detached contracts will be cancelled and detached commencements will fall by 3.5–5%. Both measures preserve a relative advantage for new construction over established stock, which matters over a decade. Neither helps the next four quarters.

What has not changed is the shortfall. Australia is on track for roughly 980,000 dwellings, compared with the National Housing Accord's 1.2 million, and the target is not expected to be met until late 2030. The structural demand case remains intact. The path to it has become longer, more expensive and more political.

What CEOs should take from this brief

- **The composition of demand has inverted.** Building work is now the strength, and engineering the weakness. Building work done rose 10.0% year-on-year in the June 2026 quarter, while engineering construction fell 5.1%. Within residential, detached houses lead (approvals +15.8% y/y), and apartments have stalled (–1.5%). Any plan still built on “civil carries the load” needs revisiting.
- **Cost escalation has resumed, and the cause is external.** House construction output prices rose 5.9% over the year to June 2026, the fastest since mid-2023, with the ABS attributing the quarterly surge in electrical equipment, metals and freight to a Middle East supply disruption. Suppliers are recovering costs through levies and surcharges rather than through headline price increases, leaving unpassed costs in the channel.
- **FY26 confirmed that price and cost discipline, not volume, is what earns.** Boral lifted EBIT by 14% to \$535m and margin by 113bp to 14.1%; Fletcher Building returned to profit, with EBIT up 26% to NZ\$414m and net debt down to NZ\$637m; Reece grew ANZ EBIT by 6.1% while its US EBIT fell 13%. The dispersion between disciplined operators and cyclically exposed ones widened again.
- **Consolidation has progressed further.** Brickworks no longer exists as a listed company. It merged into Washington H. Soul Pattinson in September 2025, and the industrial property JV interests were sold to Goodman for A\$1.89bn in June 2026. Adbri is CRH-controlled, not Barro-controlled. SGH, with Steel Dynamics, bid A\$32.35 per share for BlueScope in February 2026, but the bid was rejected. It was the sector's largest attempted transaction in a decade.
- **Embodied carbon now has a clear path to mandation in Australia.** Building Ministers included a voluntary embodied carbon measurement and reporting pathway in NCC 2025 for commercial buildings, using the NABERS tool, and asked the ABCB to investigate a minimum standard for NCC 2028. Procurement is moving faster than the code — the NSW Sustainable Buildings SEPP, NSW infrastructure policy and Commonwealth procurement already require it. Separately, the Carbon Leakage Review recommends a border carbon adjustment starting with cement and clinker. Product-level EPDs are moving from an advantage to an entry ticket.
- **New Zealand's market opening has delivered volume, not price.** More than 250,000 products are now recognised, but both recognition tranches to date are for WaterMark plumbing; plasterboard and cladding remain prospective, no direct application route is yet open, and the responsible Minister now says prices will not “necessarily go backwards”. The real competitive pressure on plasterboard stems from the Commerce Commission's case against Winstone Wallboards, set down for trial in July 2027.

Bottom line: the structural case for this sector remains unchanged, while the cyclical case has weakened. The winners over the next five years will be those who treat FY27 as a margin and mix problem rather than a volume problem — by maintaining banking pricing discipline, shifting product towards the parts of demand that are actually growing (detached housing, data centres, defence, factory-ready formats), and getting carbon data and low-carbon product in place before procurement makes them compulsory.

1. Market conditions & macro drivers

The demand backdrop across Australia and New Zealand in the second half of 2026 is no longer a trough giving way to recovery. It is a partial recovery, held back by monetary and tax policy, sitting on top of an undiminished structural shortfall. The two national pictures remain distinct and should be read separately.

Australia: recovering in volume, constrained by policy

The residential turn is evident in the data. Total dwelling approvals reached 18,328 in June 2026, up 7.2% on the month and 8.9% on the year, with private house approvals up 15.8% year-on-year. Building work done rose 10.0% over the year to the June quarter, with residential up 9.1% and non-residential up 11.5%. Queensland (+33.4% in the month), New South Wales and Western Australia are leading; Victoria, South Australia and Tasmania went backwards.

But the momentum in starts has gone. Commencements in the March quarter 2026 were 48,012, down 11.2% on the quarter and up only 0.2% on the year, compared with the 11.6% annual growth reported in the previous edition. The rolling annual total of 197,340 is still 12.0% higher than the year before, so the level has held while the growth rate has collapsed. Master Builders puts approvals for FY2025–26 at 205,249 against the 253,000 required, a deficit of 47,750 homes for the year and the second consecutive shortfall.

The policy overlay changed. Three rate rises pushed the cash rate to 4.35% by May, and the RBA's August forecasts show dwelling investment turning negative by late 2027, with national housing prices already 1.6% below their March 2026 peak. The Budget's negative gearing and CGT changes, along with the SMSF borrowing ban, compound this: the HIA surveyed builders representing 40% of national detached construction and found 3,613 SMSF contracts awaiting construction, of which two-thirds are expected to be cancelled. Its August forecast now has the Accord finishing 186,000 homes short; the government's own advisory council puts the gap at 220,000 and the target date at September 2030.

Non-residential and civil have swapped roles. Engineering construction work done fell 5.1% over the year to June 2026, and public-sector infrastructure work is at its lowest in over two years. Yet Master Builders' March 2026 forecasts still show \$769.4bn of engineering and \$377.5bn of non-residential building over the five years to 2029–30. Those forecasts pre-date the 2026 rate rises, as Master Builders notes. Data centres, defence and clean-energy work remain the genuine growth pockets; offices, retail and industrial remain weak.

New Zealand: consents strong, work put in place still weak

New Zealand's consents have recovered faster than its activity. Some 40,581 new dwellings were consented in the year to June 2026, up 19% and the first time the annual total has passed 40,000 since 2023, with Canterbury up 33% and Auckland up 20%. Yet monthly consents fell in both May and June. The RBNZ notes that residential investment contracted in the March 2026 quarter despite strong consenting activity, and that total construction activity has now fallen for two years running to NZ\$55.7bn in 2025.

Fletcher Building, the bellwether, upgraded FY26 guidance in July, citing improving fourth-quarter light building products volumes, and delivered a return to profit in August. Its guidance for the year ahead is nonetheless explicit: no meaningful recovery in underlying volumes until calendar 2027, with the first half of FY27 challenging and commercial projects delayed or cancelled due to cost and uncertainty. The RBNZ has also turned, raising the official cash rate to 2.50% in July and signalling that further increases appear likely.

Input costs and the cost-to-serve

Cost escalation has resumed on both sides of the Tasman, and the proximate cause is the same. Australian house construction output prices rose 2.0% in the June quarter and 5.9% over the year, the largest quarterly rise since June 2023, driven by electrical equipment (+7.4%), metals (+2.6%) and freight surcharges, which the ABS attributes to a Middle East supply disruption. The Cordell index shows the same trend, but more mildly, at 1.0% for the quarter, down from 0.2% in March. In New Zealand, Cordell recorded 3.5% annual growth, the strongest since mid-2023, with structural steel, plumbing components, insulation and aluminium roofing accessories all rising.

Two structural pressures underpin the situation. Labour remains scarce, with roughly 20,000 unfilled construction vacancies, apprentices in training at a five-year low, and 28,290 who left training without qualifying in 2025. The industry continues to fail at an elevated rate, although 2025–26 brought the first improvement in five years: 3,435 construction companies entered external administration, down 4.5%, but still a quarter of all Australian corporate failures. In New Zealand, 768 construction firms were liquidated in the year to March 2026, and construction accounted for 30% of February's business failures.

2. Regulatory & policy landscape

Regulation is now a front-line strategic variable in both markets, and the directions have partly reversed since the last edition. Australia has slowed its building code but accelerated its carbon architecture. New Zealand has opened its product market wide while stepping back from carbon regulation altogether. It is now behind Australia on embodied carbon, having been ahead.

Australia: a paused code, an advancing carbon regime

The National Construction Code 2025 was released on 1 May 2026, but its reach is narrower than the date suggests. Victoria, Tasmania, Western Australia and the ACT have adopted it; New South Wales and Queensland have deferred for twelve months to 1 May 2027; South Australia has adopted only the plumbing volume; and the Northern Territory has not adopted it at all. The substantive changes are commercial rather than residential — mandatory on-site solar for Class 3 and Class 5–9 buildings, tighter waterproofing, carpark fire safety and condensation provisions. Building Ministers have separately agreed to pause further residential NCC changes until mid-2029.

The carbon architecture moved in the other direction. Building Ministers introduced a voluntary embodied carbon measurement and reporting pathway for commercial buildings in NCC 2025, using the NABERS tool, and asked the ABCB to investigate incorporating a minimum embodied carbon standard into NCC 2028. That is a dated path to mandation, and the tool behind it is already operating: Australia's first certified NABERS Embodied Carbon rating was awarded in December 2025, and the tool is referenced in the NSW Sustainable Buildings SEPP. It requires embodied carbon to be quantified before consent, in NSW infrastructure policy for projects above \$50m, and in Commonwealth procurement. Green Star Buildings v1.1, mandatory for new registrations from 1 May 2026, makes all-electric a minimum expectation, aligns embodied carbon reporting with NABERS, and adds a Design for Circularity credit. Procurement, in short, is running ahead of the code.

The most consequential item for heavy materials is the Carbon Leakage Review, which reported on 13 February 2026 and recommends a domestic border carbon adjustment, phased in **starting with cement and clinker**, with lime, hydrogen, ammonia, steel, iron and glass in a second phase. Implementation would not precede the 2026–27 Safeguard Mechanism review, which begins in the second half of 2026. Meanwhile, the EU's CBAM entered its definitive phase on 1 January 2026, and exporters without verified emissions data face default values with a 10% markup, rising to 30% from 2028. AASB S2 Group 2 entities began their first mandatory reporting period on 1 July 2026; construction, materials and manufacturing was the second-largest sector among the 259 sustainability reports lodged for December 2025 year-ends.

New Zealand: open market, retreating climate policy

The 2025 market-opening reforms are being implemented steadily, but their effect so far has been on supply rather than price. MBIE estimates that more than 250,000 products are now approved for use. Yet both tranches of Approved Products Certified Overseas recognitions; 22 notices covering over 92,000 WaterMark products in October 2025, then 54 notices covering about 38,274 more in February 2026, are plumbing and drainage only. Plasterboard, cladding, windows and doors remain prospective, and the direct application route for manufacturers was still being developed as at February 2026.

The rhetoric has been revised accordingly. In July 2025, the Minister said the changes had “the potential to reduce total building costs by thousands of dollars”. In August 2026: “*While we won't necessarily see the price go backwards*, I'm confident the changes we have made will dampen inflation by removing costs in the system.” Prices have, in fact, risen, with Mitre 10 notifying trade customers of increases of 2% to 70% across aluminium, timber, glass, insulation, plastics and membranes for June to September 2026. The more direct threat to incumbent plasterboard pricing is legal rather than regulatory: the Commerce Commission's case against Fletcher's Winstone Wallboards, which holds an estimated 97% of the NZ plasterboard market, goes to trial in the Auckland High Court in July 2027.

The Building Amendment Bill, introduced on 2 July 2026 and described by the Minister as the most significant reform to the building system in twenty years, is the key item to watch. It replaces joint and several liability with proportionate liability, mandates home warranties and designer professional indemnity insurance, halves PIM processing to ten working days, and creates a ten-working-day fast-track consent for solar-equipped and “sustainable” homes — the first New Zealand instrument to confer a consenting advantage on lower-carbon housing. Granny flat exemptions took effect in January 2026 for dwellings up to 70 m² using lightweight framing, with an extension to structural insulated panels and off-site pre-build to follow.

By contrast, Building for Climate Change has effectively been discontinued as a regulatory programme. Cabinet rescinded the decisions mandating energy performance ratings and construction and demolition waste minimisation plans. Officials told a select committee that the approach is now information and incentives rather than mandatory requirements, with metric changes deferred to the 2031 code review. What remains is a voluntary embodied carbon data repository. The implication is a reversal: for a product sold on both sides of the Tasman, the carbon compliance pull now comes from Australia.

3. Competitive structure & the major players

Two forces continue to shape the landscape: consolidation into a handful of disciplined, well-capitalised owners and a widening performance gap between vertically integrated majors and cyclically exposed specialists. The consolidation has progressed further than most sector maps show. Brickworks has ceased to exist as a listed company, having been absorbed into Washington H. Soul Pattinson in an A\$14bn merger completed in September 2025. Adbri is majority-owned by CRH. In February 2026, SGH, with Steel Dynamics, put forward a “best and final” A\$32.35 per share cash proposal, roughly A\$15bn, to BlueScope, which rejected it while leaving the door open to a higher offer. No formal withdrawal has been announced.

The FY26 results season made the operating lesson clearer than in FY25. Boral grew EBIT by 14% and expanded its margin by 113bp; Fletcher Building returned to profit and halved its gearing; BlueScope more than doubled its North American earnings. Every one of those gains came from price, mix, cost or geography, not from volume in the Australian or New Zealand residential market. Meanwhile, Reece added \$400m of revenue and produced flat EBITDA, and James Hardie lifted sales by 25% while net income fell 75%. Scale without pricing discipline did not convert.

Player & positioning	Strengths	Weaknesses / risks
Boral (SGH) AU's largest integrated construction materials business; 320+ sites, 72 quarries, 190+ concrete plants	Vertically integrated, hard-to-replicate quarry, cement, concrete and asphalt network. FY26 EBIT \$535m, up 14% on revenue of \$3.8bn (+5%), with margin up 113bp to 14.1% against a mid-teens target. Concrete volumes +7% and price +3%. Marulan quarry upgrade approved; leading alternative-fuels position at 48% substitution at Berrima.	Still geared to the Australian residential and infrastructure cycle at a point when engineering work done is falling. Analysts attribute part of the FY26 margin gain to unusually dry east-coast weather. High-carbon clinker exposure ahead of a cement-first border carbon adjustment. New CEO Matt McKenzie from April 2026; SGH guided only flat to low single-digit group EBIT growth for FY27 and the stock fell sharply on the result.
James Hardie Global fibre cement leader; ANZ + North America + Europe; US\$4.8bn revenue post-AZEK	Category-defining brand and an intact “material conversion” story from brick and masonry to fibre cement. FY26 net sales US\$4.84bn (+25%) with ANZ at 34.1% EBITDA margin. Q1 FY27 was strong enough to require early disclosure — net sales +64%, North American fibre cement volumes +20% organically, ANZ +14% in local currency, and FY27 guidance was raised without assuming any housing market improvement.	Roughly 70% exposed to a soft US repair-and-remodel and new-construction market. FY26 net income fell 75% and the AZEK acquisition carries US\$4.78bn of goodwill and US\$3.34bn of intangibles. Governance has been turbulent: the chair was voted off the board in October 2025, the stock was deleted from the MSCI Australia index in November 2025, and a shareholder class action over the FY26 guidance downgrade was filed in June 2026.
CSR (Saint-Gobain) Gyprock, Bradford, Hebel, Monier, PGH — inside a global major	Delivered above 17% EBITDA margin in 2025 inside a Saint-Gobain Asia-Pacific division that reached a record 18.5% margin in H1 2026 on 7.0% like-for-like growth. Saint-Gobain reports that Australian growth accelerated in the second quarter on an improving new construction market, helped by its specification-led model. Backed by global R&D, scale and a light-and-sustainable construction strategy, with local P&L agility retained.	No standalone Australian disclosure, which makes performance hard to verify externally; the divisional record margin is being carried substantially by India and South-East Asia rather than Australia. Residential is only about 8% of CSR sales, so the housing recovery leverage is smaller than the brand portfolio implies. Capital must be justified against Saint-Gobain's global internal competition.
Fletcher Building NZ's dominant heavy materials and distribution group; also Australian (Laminex, Iplex, Insulation, Stramit)	A credible turnaround. FY26 EBIT NZ\$414m (+26%) on revenue of NZ\$6.0bn (+7.3%), a return to profit at NZ\$228m after a NZ\$419m loss, operating cash flow NZ\$715m and net debt down to NZ\$637m — inside the target range. Light Building Products lifted EBIT 22% at a 10.7% margin. Construction was sold to VINCI for NZ\$315.6m and Reinforcing and Wire to United Industries.	No dividend for a third consecutive year. Guidance is for no meaningful volume recovery until calendar 2027, with commercial projects being delayed or cancelled. Distribution EBIT fell 37% and Residential & Development fell 21%. The Iplex WA pipe provision stands, with BGC litigation and a shareholder class action live, and the Commerce Commission's Winstone Wallboards case goes to trial in 2027.

Player & positioning	Strengths	Weaknesses / risks
Washington H. Soul Pattinson (formerly Brickworks) AU & North American bricks, masonry and roofing inside a diversified investment house	The A\$14bn merger completed in September 2025 and Brickworks ceased to trade as a listed company, unwinding a 56-year cross-shareholding. The diversified structure cushions building-products cyclicality far more effectively than the old standalone. The industrial property JV was realised at scale, A\$1.89bn sale of the JV Trust interests to Goodman agreed in June 2026, leaving the Manufacturing Trust intact.	Building Products performance is no longer separately disclosed, which removes external visibility over the Austral Brick and North American businesses at exactly the point when brick faces structural substitution from fibre cement and cladding. Kilns remain capital-intensive with utilisation exposed to the detached cycle. Property earnings are now realised rather than recurring.
Reece Leading ANZ and US distributor of plumbing, bathroom, HVAC-R and waterworks; ~1,000 branches	Best-in-class distribution. FY26 revenue \$9.38bn (+4.5%) with ANZ revenue up 8.3% and ANZ EBIT up 6.1% to \$360m on a stronger second half. Continued through-cycle investment, with 25 net new US branches, and the dividend was lifted to 18.84 cents after the prior-year cut. Free cash flow of \$487m funded \$401m of buybacks.	Group EBIT still fell 2.6% to \$534m and EBITDA was flat on a \$400m revenue gain, which is a margin story the market did not like. US EBIT fell 13% with like-for-like sales down 1.7% in a constrained housing market. Management is flagging potential deterioration in ANZ lead indicators for FY27, and net debt rose to \$744m.
BlueScope, Adbri, Dulux and others BlueScope (steel/Colorbond), Adbri (cement/lime, CRH-controlled), DuluxGroup (Nippon-owned), Rinnai, Etex	BlueScope lifted FY26 underlying EBIT 72% to \$1.27bn on record Colorbond and Truecore despatches and a doubled North American contribution, with \$3.00 a share of returns planned for FY27 under new CEO Tania Archibald. Adbri, now 57% CRH-controlled, holds strong lime and WA/SA cement positions. Dulux remains the Australian paints leader. Etex is committing €27m across four Australian plasterboard plants, citing a market it expects to grow more than 20% by volume to 2032.	BlueScope's Australian Steel Products EBIT fell 28% despite record despatches — volume at record, margin squeezed by cheap Asian export steel with no domestic equivalent of US Section 232 protection. Adbri is sub-scale against Boral and energy-exposed, and faces the first phase of any cement border adjustment. Dulux is renovation-cycle and TiO ₂ exposed. HVAC electrification continues to erode gas incumbents.

Figures are latest reported (FY26 unless noted; James Hardie FY26 to 31 March 2026 plus Q1 FY27; Fletcher Building in NZD) and should be verified against company filings before external use.

4. Cross-cutting opportunities & threats

The same handful of forces cut across every category, but the balance between them has shifted since July. The opportunities are now largely structural and policy-driven; the threats are largely cyclical and immediate. Read vertically, they describe a sector that must fund a decade-long position from two or three difficult years.

Opportunities	Threats
• Undersupply is undiminished — the Accord will finish 186,000 to 220,000 homes short and the target date has slipped to late 2030. Latent residential demand builds while volume is suppressed. • New-build tax preference — negative gearing survives only for new builds and new-build investors retain the CGT discount option from July 2027. A structural tilt toward new construction sits behind the near-term shock. • Detached, data centres, defence — house approvals +15.8% y/y and non-residential building work +11.5% y/y are where the growth actually is. Product mix can be moved toward them now. • Carbon as specification advantage — NCC 2025's voluntary pathway, NABERS ratings, Green Star v1.1 and NSW/Commonwealth procurement already reward disclosure, with an NCC 2028 minimum standard under investigation. EPDs and low-carbon product win specification before they become compulsory. • Industrialised construction is being funded — \$39.3m for System 600, NSW legislating prefabricated buildings, WA committing \$48m to two advanced manufacturing facilities. Factory-ready formats are becoming a policy-backed channel.	• Monetary policy has reversed — three rate rises in 2026 to 4.35%, trimmed mean inflation at 3.6%, and a Governor keeping a further increase on the table. The RBA has dwelling investment turning negative by late 2027. • Housing tax shock — the SMSF borrowing ban alone is estimated to cut detached commencements 3.5–5%, with two-thirds of 3,613 signed SMSF contracts expected to cancel. • Engineering is contracting — engineering work done fell 5.1% y/y and public infrastructure work is at a two-year low. The pipeline forecasts pre-date the rate rises. • Imported cost inflation — house construction output prices +5.9% y/y on Middle East supply disruption, with suppliers holding back full pass-through through surcharges. Unpassed cost is sitting in the channel. • Carbon cost and border measures — a recommended cement-and-clinker-first border carbon adjustment, EU CBAM default-value penalties rising to 30%, and Safeguard baselines declining 4.9% a year.

The strategic tension in one line

The start of 2026 framed industry tension as a fragile recovery against a near-certain structural demand story. That framing still holds, but the fragility has been realised rather than avoided: monetary policy has tightened, housing tax policy has turned against investor-led supply, and imported cost inflation has restarted, all while the shortfall the sector is ultimately being built to serve has grown. The businesses that win will be those that fund the second story without being caught out by the first, using a suppressed FY27 to build pricing discipline, low-carbon product and factory-ready capability while competitors retrench.

5. Innovation scan: what to import from other geographies

Innovations already proven at commercial scale overseas and adoptable in ANZ in the near term. What is shipping and bankable, and where Australian practice has caught up.

Lens 1 — Decarbonisation and low-carbon materials

Carbon-captured cement has moved from first deliveries to industrial routine. Heidelberg Materials began delivering evoZero across Europe in October 2025, with deliveries from Brevik in Norway capturing 400,000 tonnes of CO₂ a year, with reductions assured by DNV and digitally traced. Padeswood in the UK is no longer at final investment decision: FID was taken in September 2025, and construction was on plan in July 2026 for a 2029 start, capturing around 800,000 tonnes a year. Holcim holds EU Innovation Fund grants for eight of 19 identified CCUS projects.

Australia has improved materially and in a distinctive direction. Boral commissioned a recarbonation-based capture pilot at Berrima and, in September 2025, produced concrete using recycled aggregate recarbonated with diverted kiln flue gas, replacing half the natural coarse aggregate in its Envisia mix. Alternative fuel substitution at Berrima reached 48% in FY26, against a 60% target backed by a \$25m NSW grant. Cement Australia's \$108m Railton upgrade lifts the alternative fuel share from 15% to 50%.

Near-term ANZ actions: accelerate the adoption of alternative fuels and supplementary cementitious materials as no-regrets cost- and carbon-reduction measures, while planning for declining global fly ash and slag availability; build product-level EPDs before state adoption of the ABCB provisions makes them a condition of specification; and model the cement-first border carbon adjustment now. It changes the economics of imported clinker well before it changes the economics of capture.

Lens 2 — Digital and automation: prefab, robotics, standards

Industrialised construction in Australia has passed the cost-parity threshold and gained policy support. Modscape's Modbotics operation reports that volumetric timber modules for medium density are within one to three per cent of conventional costs, and said in June 2026 that, on some projects, it is now cheaper before programme and certainty benefits. Its Essendon Fields factory is expanding to 55,000 m² with a second robotic cell, which will double automated output from mid-2027.

The scaffolding around it is genuinely new. New South Wales passed the Building (Approvals and Practitioners) Bill 2026, becoming the first Australian jurisdiction to define prefabricated buildings in law. The ABCB consulted again in July 2026 on a national voluntary certification scheme for prefabricated manufacturers, which will certify systems rather than individual products and commence in mid-2028. The Commonwealth committed \$39.3m to System 600, an open-source kit-of-parts standard that allows components from different manufacturers to connect without bespoke engineering, and Western Australia \$48m to two advanced manufacturing facilities alongside a \$240m Built Living plant at Neerabup.

Why this matters to materials CEOs: System 600 is designed to break the single-vendor volumetric model in favour of a distributed component supply chain, an opportunity for component manufacturers and a threat to proprietary modular providers. The cautionary note is the August 2026 collapse of Perth manufacturer Bella Modular, which exposed a real consumer-protection gap: because homes are built off-site and owner-builders arrange their own transport, builders' indemnity insurance did not apply. Expect that gap to be legislated shut.

Lens 3 — Circularity and material substitution

Mass timber remains the substitution story, and 2026 delivered both a landmark and a warning in the same building. Atlassian Central in Sydney became the world's tallest hybrid timber building in April 2026 — 39 storeys, about 180 metres, with more than 30,000 m³ of timber storing 5,821 tonnes of CO₂, against a 50% upfront embodied carbon reduction target. But its CLT came from Stora Enso and its glulam from WIEHAG, both Austrian. Australia has three domestic CLT makers, XLam, NeXTimber and Cusp, and deemed-to-satisfy provisions to an effective height of 25 metres, unchanged in NCC 2025 and unlikely to extend before the residential pause lifts in 2029.

The honest read on cost has changed. The premium is not a materials premium: practitioners on Australia's largest timber projects report that raw structural timber costs often match or beat steel and concrete on major builds, with the excess stemming from an immature local supply chain, industry unfamiliarity, greater floor-to-floor heights, and full-scale fire testing. That is a capability premium, and it closes with capacity and repetition rather than on a date. The opening for ANZ manufacturers is exactly the import substitution the flagship projects are demonstrating.

Circular inputs moved from pilot to product. Holcim Australia launched ECOCycle in June 2026, an endorsement label that certifies 10% to 100% recycled C&D content by mass and is verified by SGS to ISO 14021. Boral is seeking accounting recognition for recarbonation, which reabsorbs 20–55% of process CO₂ over a building's life. Policy points the same way by another route: the Productivity Commission's January 2026 report declined to recommend recycled

content mandates, instead naming overly restrictive construction standards as the binding constraint, a deregulatory lever aimed at \$270bn of planned infrastructure spend.

6. Category snapshots

Concise profiles of each in-scope category: the core dynamic, the players that matter, and the single signal a CEO should track. Three cross-category patterns now dominate, namely substitution, with fibre cement and mass timber taking share from brick, concrete and steel; market-opening, as New Zealand's import reforms and distribution power reshape pricing; and carbon, which is becoming a specification and border-cost variable rather than a reporting variable.

Category	Dynamics	Key players	Watch signal
Cement	Consolidated, energy-intensive and high-carbon, with demand now less infrastructure-supported as engineering work contracts. Decarbonisation is both the defining agenda and a cost lever; a border carbon adjustment would hit this category first.	Boral, Adbri (CRH), Cement Australia; Golden Bay (NZ)	Alt-fuel %, border carbon adjustment design, Safeguard review
Concrete	Follows cement. Boral concrete volumes rose 7% with 3% price in FY26, pricing discipline again drove the margin. Recycled and recarbonated aggregates are moving from trial to product.	Boral, Hanson, Holcim; Firth (NZ)	Infrastructure pipeline timing; low-carbon mix uptake
Lime	Niche, energy-intensive, tied to construction and industrial/mining demand. Adbri remains the key Australian position with limited competition; sits in phase two of the recommended border adjustment.	Adbri (CRH)	Energy costs; industrial demand; carbon exposure
Bricks & masonry	Structurally threatened by fibre-cement and cladding substitution and by faster build methods. Now inside a diversified investment house rather than a listed pure-play, so performance visibility has dropped.	Soul Patts (Austral, PGH), CSR	Substitution rate; kiln utilisation; premium demand
Roofing	Split between concrete and terracotta tile and coated steel. BlueScope set record Colorbond and Truecore despatches in FY26, but Australian Steel Products EBIT fell 28% on import-driven margin pressure.	BlueScope, CSR, Soul Patts, Kingspan	Tile-vs-steel mix; Colorbond margin, not volume
Cladding	Still the growth battleground. Fibre cement continues to convert brick share; lightweight, low-maintenance and climate-resilient formats are winning. NZ import competition remains prospective, no overseas cladding recognitions have issued.	James Hardie, CSR (Hebel), Etex, Fletcher	Material conversion pace; first NZ cladding recognition
Aggregates	Privileged, hard-to-replicate quarry assets remain the most durable moat in the sector. Proximity to demand is everything, and the demand is shifting from civil corridors to detached housing growth fronts.	Boral, Hanson, Holcim; Winstone (NZ)	Reserves near growth corridors; engineering pipeline
Frames & trusses	The most direct beneficiary of industrialised construction, and now of System 600 and the NSW prefabricated buildings legislation. Softwood feedstock remains the structural constraint.	Fletcher, Tilling, Big River, independents	Prefab uptake; softwood supply; automation capex
Plumbing	Distribution-led and recovering in ANZ, Reece ANZ revenue +8.3% in FY26. New Zealand recognition of roughly 130,000 WaterMark products across two tranches makes the trans-Tasman market genuinely integrated.	Reece; Fletcher (Iplex); Reliance; GWA	NZ import entry; ANZ lead indicators; branch economics
HVAC	Structural electrification from gas to heat pumps continues to reshape the category, and NCC 2025 adds mandatory on-site solar for commercial classes in adopting states. Distribution remains strong.	Reece (HVAC-R), Rinnai, Daikin, Fujitsu	Electrification policy; NCC adoption by state
Paints	Mature, brand-and-channel driven and renovation-cycle exposed. Nippon Paint reports strong Pacific segment growth, though the disclosure blends Europe and currency effects.	DuluxGroup, PPG, Haymes	Reno cycle; TiO ₂ costs; premiumisation

7. Implications & actions for CEOs

Five moves distinguish the businesses most likely to compound value through this cycle. They apply, with different emphasis, across every category in scope, and are more urgent than in July, because the assumed cyclical resumption has been withdrawn.

- 1. Plan FY27 as a margin and mix problem, not a volume problem.** FY26 proved the point twice over: Boral lifted EBIT by 14% on price and execution, while Reece added \$400m in revenue with flat EBITDA. With the cash rate at 4.35%, housing tax settings tightening, and engineering work contracting, volume is not going to rescue a weak price position. Institutionalise pricing discipline, take costs out now, and be explicit about which lines you are prepared to lose.
- 2. Reprice for imported costs before they reach your margin.** House construction input and output prices are rising again, driven by freight, electrical and metals costs, with Middle East supply disruption as a key factor. Suppliers across both markets are absorbing these costs through surcharges rather than list price increases. That unpassed cost is a margin liability sitting in the channel. Model the pass-through explicitly, and treat surcharge mechanisms as a pricing tool rather than an accounting one.
- 3. Shift the mix towards the demand that actually exists.** Detached housing approvals are up 15.8% year-on-year, while apartments are down; non-residential building work is up 11.5%, while engineering is down 5.1%; Queensland, New South Wales and Western Australia are growing, while Victoria and South Australia are not. That is a very different allocation problem from the one the sector planned for two years ago, and it is actionable within a single planning cycle.
- 4. Get carbon data in place ahead of the NCC 2028 review.** The path to mandation is clear: a voluntary NABERS-based pathway is in NCC 2025, and the ABCB has been asked to investigate a minimum embodied carbon standard for NCC 2028, while NSW and Commonwealth procurement already require quantification today. Add AASB S2 Scope 3 obligations flowing through customers' supply chains, EU CBAM default-value penalties, and a recommended cement-and-clinker-first border carbon adjustment. Product-level EPDs and credible low-carbon lines are becoming a condition of specification rather than a differentiator, and the first movers still command the premium.
- 5. Decide your position in industrialised construction while the standard is still being written.** System 600 is an open kit-of-parts standard designed to allow components from different manufacturers to connect; NSW has legislated prefabricated buildings into the approvals system; the ABCB scheme commences in 2028. Whether you supply the factory, build the factory, or are disintermediated by it is being determined now, through the standards work. Frames and trusses, cladding and lightweight systems are where this bites first, and the Bella Modular collapse is a reminder that the consumer-protection framework will tighten around whoever is in the chain.

A closing note on method

This report draws on FY26 results reported in August 2026, ABS and Stats NZ data to the June 2026 quarter, RBA and RBNZ decisions to 11 August and 8 July 2026, respectively, and regulatory instruments in force or introduced as at 1 September 2026. Financial and market figures are point-in-time and should be verified against primary filings before use in investment decisions. Where forecasters genuinely diverge, as they do on the timing of a residential recovery and the durability of the engineering pipeline, we have flagged the divergence rather than artificially resolving it.