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# What's Keeping Australia's Builders Awake at Night?

The Structural Risks Impacting Building & Construction Business Value in Australia

**Advisory White Paper**

**2026**

\*Adapted from Bstar's inaugural Data Mining App. Used under licence with permission. Data based on 335 completed Risk and Value Driver Assessments or RAVDAs for the period between 1 January 2020 to 1 October 2025.

# Introduction

Australia's building and construction industry is operating in one of the most challenging business environments in recent decades. Escalating construction costs, labour shortages, tightening margins, regulatory complexity, and ongoing cash flow pressure are placing significant strain on builders across residential and non-residential sectors. Yet despite these challenges, many businesses continue to demonstrate resilience, adaptability, and strong operational performance.

Industry benchmark data shows that **73% of Building and Construction businesses are cash flow positive, while approximately 50% rate their cash flow as good or very good.** These businesses are typically characterised by stronger planning disciplines, better financial controls, and lower operational risk.

**For most building and construction business owners, a substantial portion of personal wealth is tied directly to the value of their business.** Protecting and growing that value now requires more than securing projects and generating revenue — it demands operational resilience, financial discipline, leadership capability, and strategic planning.

This white paper draws on Risk and Value Driver Assessments (RAVDAs) from 335 Building and Construction businesses across Australia. The findings reveal both the strengths and structural risks within the sector, **with owner reliance, cash flow pressure, profitability, and succession planning emerging as key concerns.**

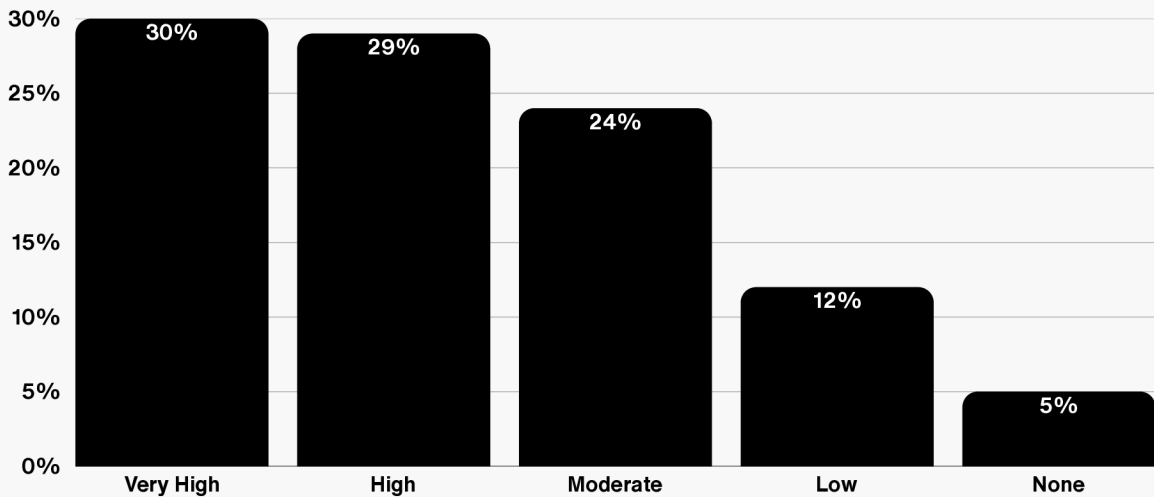
The findings reveal that many construction businesses remain operationally busy, but structurally fragile.

Concern #01

# Owners' Reliance

Owner reliance is the most prominent concern in the sector. **59% of businesses report high or very high dependence** on one or more owners for decision-making, client relationships, and operational control. **Businesses that are not owner reliant generate higher valuations.**

## Owners Reliance



**59%**

business owners have rated a high degree of owner reliance as their biggest concern.

**5%**

believe their business would run well without them.

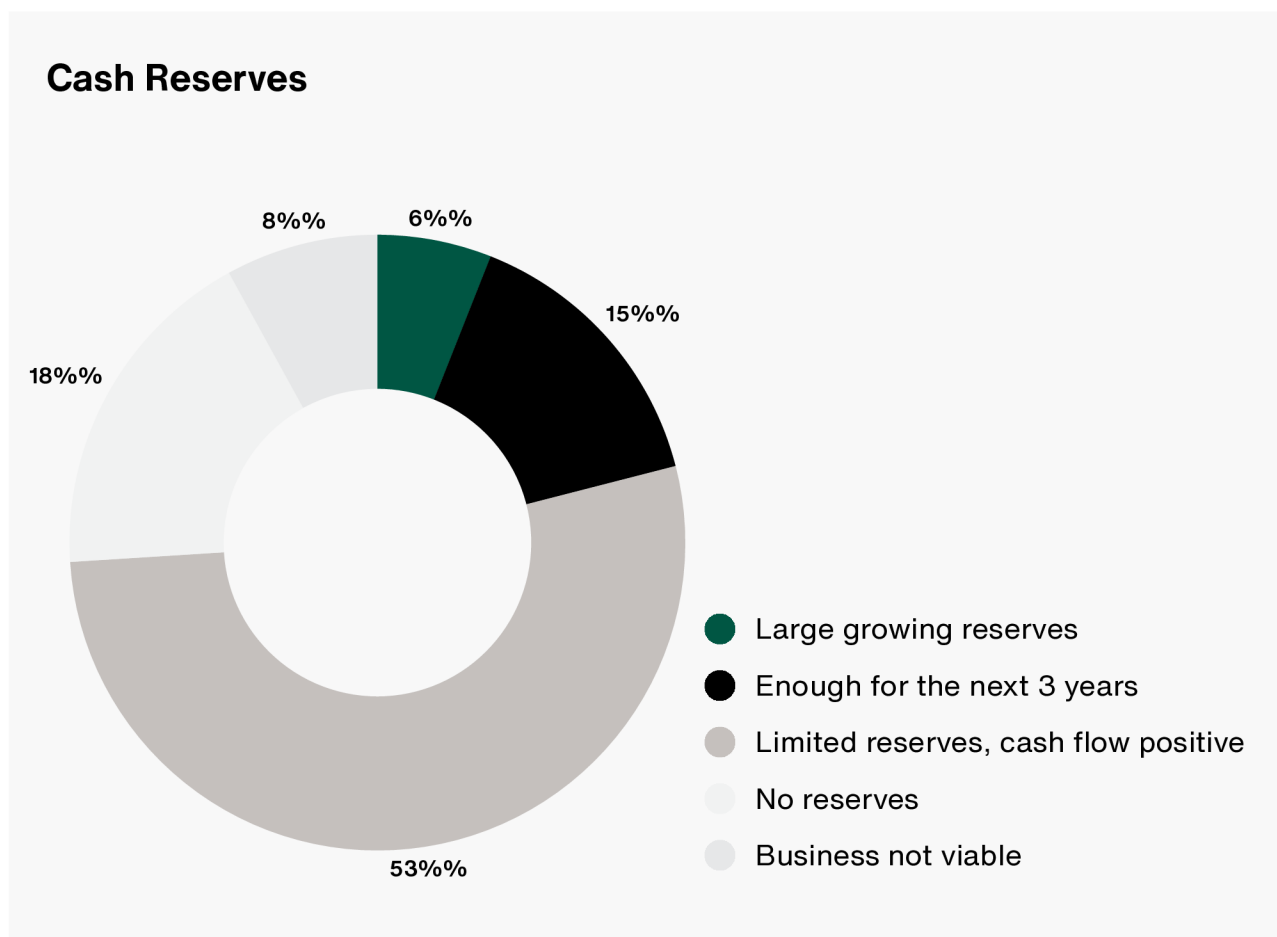
### Strategic Priority

Document systems and processes, strengthen leadership capability within the business, and progressively delegate operational responsibilities to reduce owner dependency.

## Concern #02

# Cash Reserves

**Cash reserves remain** a significant weakness across the sector. 18% of Building and Construction businesses report no cash reserves, while only 6% have large, growing reserves. In a sector exposed to delayed payments, cost overruns, subcontractor shortages, and weather-related delays, insufficient liquidity creates substantial financial vulnerability.



# 71%

have limited to no cash reserves.

### Strategic Priority

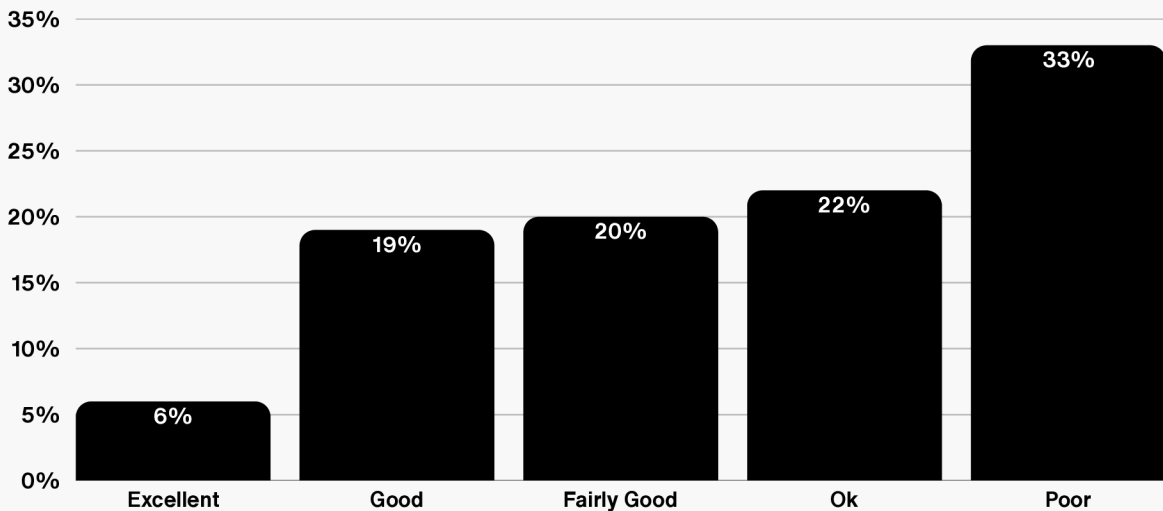
Establish formal reserve targets, improve working capital management, and separate operational cash requirements from contingency reserves.

## Concern #03

# Business Planning

**Strategic planning maturity** varies widely across the sector, 33% of owners rate their formal business planning as poor and another 22% consider it to be just ok. This lack of structured planning often results in reactive decision-making rather than deliberate value creation.

### Business Planning



# 45%

of owners consider their business planning fairly good to excellent.



Strong planning turns day-to-day activity into deliberate value creation.

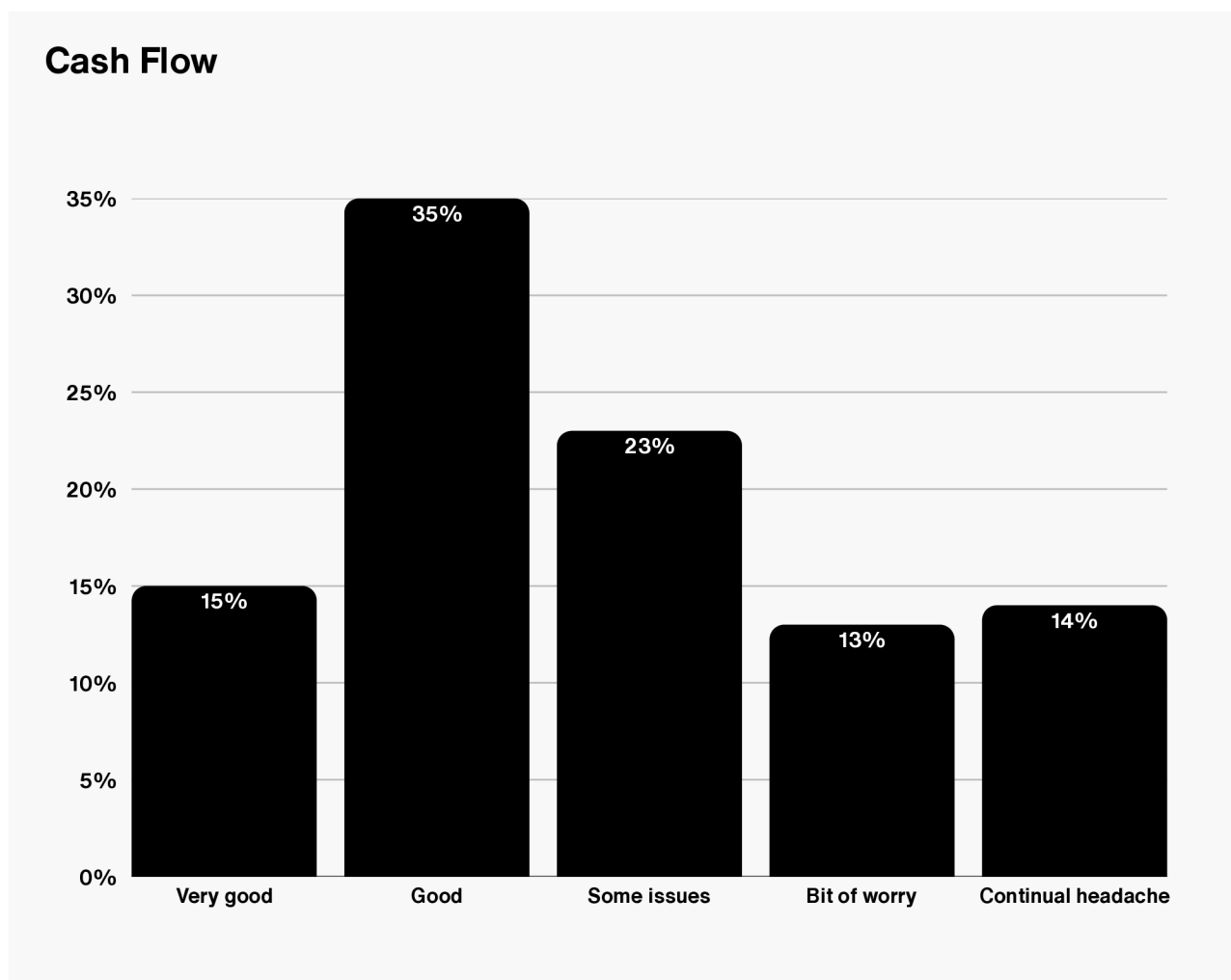
### Strategic Priority

Effective planning aligns operational activity with long-term objectives, including profitability, risk reduction, and succession. It also provides a framework for decision-making in uncertain conditions.

## Concern #04

# Cash Flow

**Cash flow pressure** remains a persistent concern. 27% of businesses experience regular, serious cash flow issues, with 15% describing cash flow as a continual headache. Weak cash flow management can impact payroll, supplier relationships, project delivery capability, and overall business stability.



# 50%

have good to very good cash flow.

### Strategic Priority

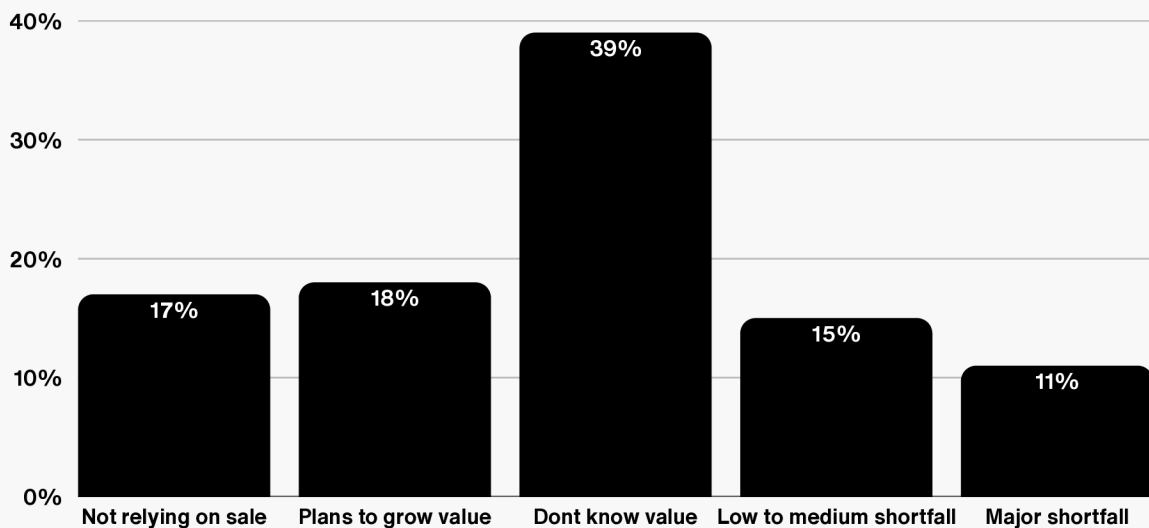
Strengthen forecasting processes, improve debtor management, closely monitor work-in-progress, and maintain tighter project cost controls.

## Concern #05

# Assets and Income for Retirement or Next Ventures

**Retirement funding risk** is widespread. 83% of owners rely on selling their business to fund retirement or future ventures, yet 39% do not know its current value and 26% expect a funding shortfall. Overestimating business value or delaying succession planning can create financial shortfalls and limit future exit options.

### Will your business sale fund retirement or next business venture?



# 83%

of owners have a value gap risk.

# 39%

don't know what their business is worth.

### Strategic Priority

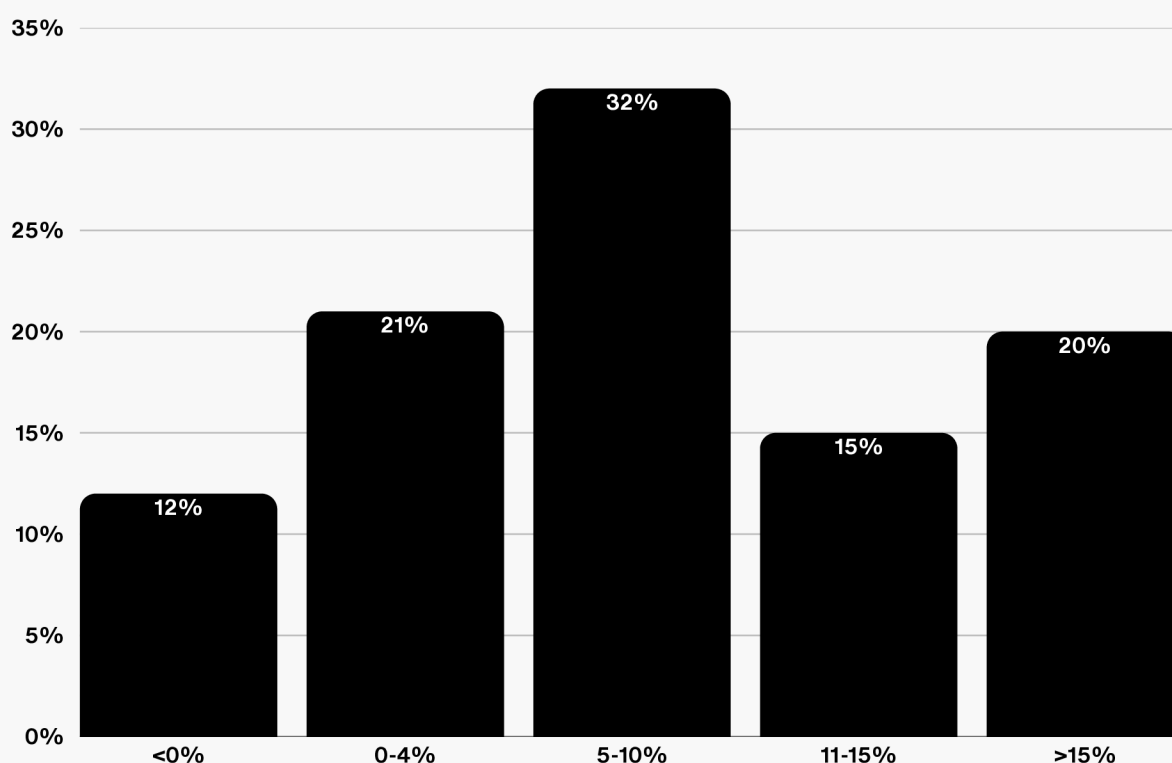
Regular valuation, clarity on value drivers, and alignment between business strategy and personal financial goals are essential to closing the value gap.

## Concern #06

# Adjusted EBIT as % of Sales

**Profitability remains constrained** across much of the Building and Construction sector. Industry benchmark data shows that only 35% of businesses achieve adjusted EBIT margins above 10%, while 21% operate on margins of just 0–4%, and 12% are currently loss-making.

Adjusted EBIT as % of sales



# 35%

of owners had EBIT margins over 10%.

### Strategic Priority

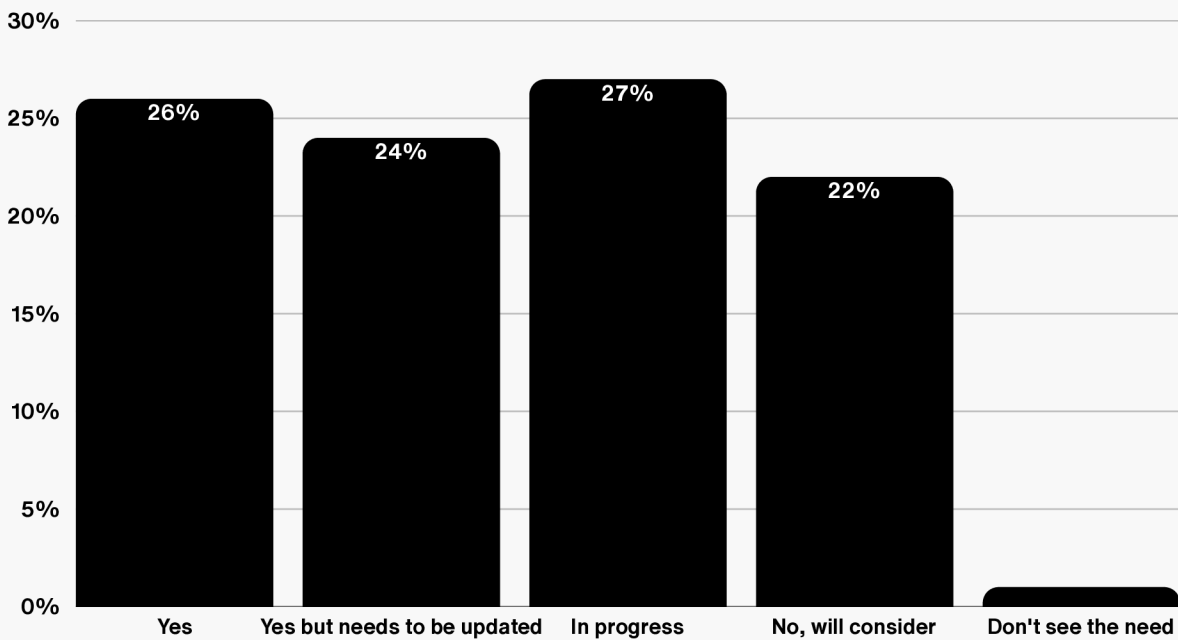
Margin improvement should be treated as a core value driver rather than simply a financial outcome.

Concern #07

# Asset Protection or Estate Planning

**Asset protection and estate planning** remain underdeveloped across much of the Building and Construction sector. Industry data shows that only 50% of business owners have some form of personal, family, or business asset protection arrangements in place, leaving many exposed to unnecessary financial and legal risk.

Asset protection & estate planning arrangements in place.



**50%**

do not have any form of personal, family, or business asset protection in place.

**Strategic Priority**

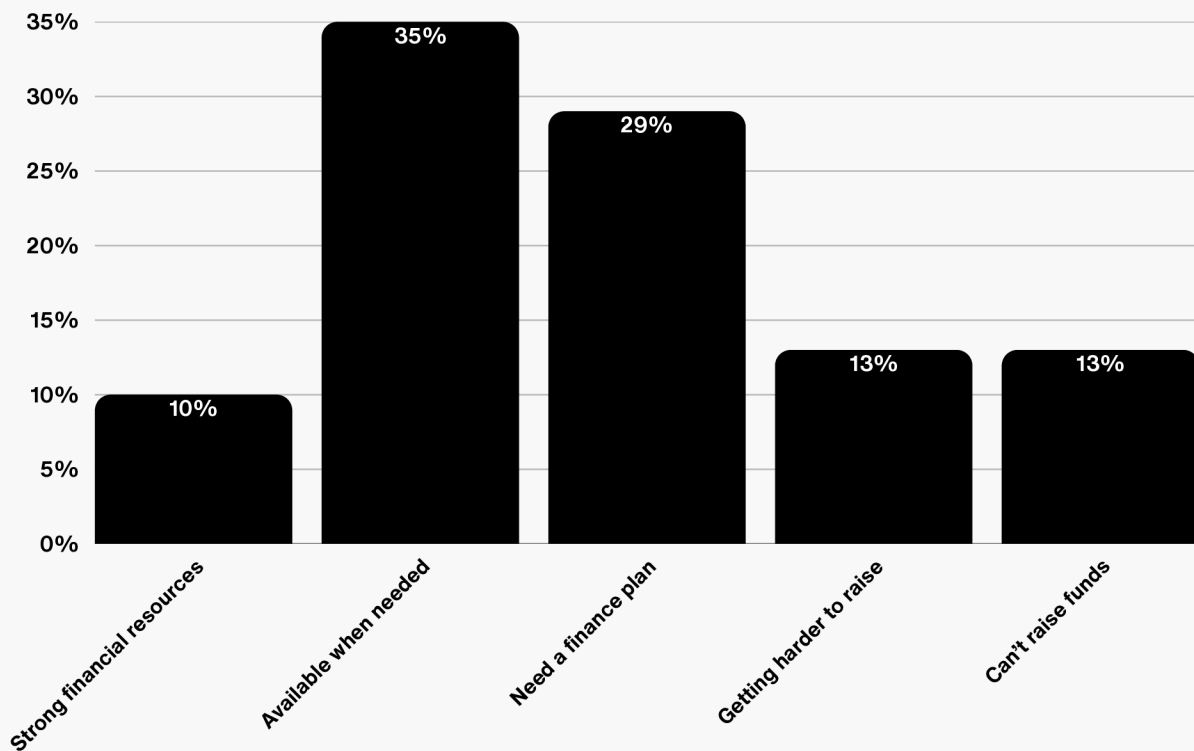
Builders should regularly review their asset protection, ownership, and estate planning to ensure they remain aligned with both business and personal objectives.

Concern #08

# Capital and Funding for Growth and Succession

**Access to capital** remains a significant challenge for many Building and Construction businesses. Industry data shows that only 45% of owners believe they can access the capital or funding required to support future growth, succession, or strategic investment.

## Is capital or funding available?



**55%**

need a finance plan or can't get funds

### Strategic Priority

Builders should proactively strengthen the financial and operational foundations that support capital readiness.

# Key Insights

## Builders With Strong Systems Outperform

Top-performing construction businesses consistently demonstrate:

- Lower owner reliance
- Stronger cash reserves
- Better planning disciplines
- More consistent profitability
- Improved operational systems
- Stronger leadership capability
- Greater financial visibility

These businesses treat operational resilience as a strategic advantage rather than an administrative requirement.

## The Education Gap

The findings also reveal a significant education gap relating to non-financial KPIs and operational value drivers.

While financial metrics are generally understood and monitored, many business owners have limited visibility into how operational indicators influence both business performance and enterprise value.

These include:

- Systemisation
- Staff capability
- Operational efficiency
- Leadership depth
- Client diversification
- Risk management
- Succession readiness

Builders who actively monitor and improve these areas are typically more resilient and achieve stronger valuation outcomes.



## Conclusion

Australia's building and construction industry continues to operate under significant pressure, but businesses that proactively address structural risks are better positioned to protect and grow enterprise value.

The evidence is clear: sustainable business value is no longer driven by revenue growth alone. It is built through operational discipline, financial resilience, leadership capability, and strategic planning.

The businesses that emerge strongest from the current environment are unlikely to be the largest builders — they will be the businesses with the strongest systems, financial discipline, and leadership capability.

We work with builders, construction business owners, and their advisers to identify the operational and financial risks impacting business value. Our advisory process helps construction businesses:

- Improve profitability
- Strengthen cash flow
- Reduce owner dependence
- Increase business value
- Prepare for succession or sale

To arrange a confidential discussion or request your Industry Top Performers Report, contact us at 03 5259 9970 to speak with Mark Hall our head of advisory.



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