

From the ground up

Construction Survey Report 2026

Russell McLeagh





// In a market impacted by uncertainty and rising pressure, informed decisions are everything. Understanding where risks exist and opportunities lie helps you stay resilient and ready for what's next. //

Anna Crosbie, Partner, Russell McVeagh

Constructing confidence – the sector's next chapter

Resilience has been the buzzword in New Zealand's construction industry in recent years. Since our last survey in 2020, the sector has faced significant challenges, from economic headwinds and shifting political dynamics to evolving regulatory frameworks. As legal advisors deeply invested in the sector, we see first-hand how informed decision-making and proactive risk management can turn today's challenges into tomorrow's opportunities.

This report aims to provide practical, evidence-based insights that support better outcomes for all sector participants. We thank all respondents for their valuable and thoughtful contributions which have shaped this report.

// The building sector has the potential to be an economic powerhouse. //

[Hon Chris Penk, Minister for Building and Construction](#)

Please get in touch if you would like to discuss what the findings may mean for your organisation and projects.



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From the ground up

Construction Survey Report 2026

Key insights at a glance

01. Contract trends

The use of NZS 3910:2023 is mixed, with less than 40% adopting the new standard. Those who remain cautious expressed a preference for familiar contract forms until the latest standard is more widely tested.

02. Disputes

Most disputes are resolved without formal proceedings, highlighting the value of early engagement in a dispute process. Where formal resolution is required, adjudication and mediation are the preferred pathways.

03. AI and innovation

Over 80% of respondents are exploring or expect to see material impacts from AI in the next five years, particularly in contract administration, risk management and project delivery. The sector is cautiously optimistic about the potential for technology to drive efficiency.

04. Collaboration

Although the Accord was established with the worthy objective of fostering collaboration, its tangible influence on day-to-day practices within the sector remains uncertain.

Contents

Key insights at a glance	4
Who we heard from	7
Adoption of NZS 3910:2023	10
Time and delay	15
Price certainty	16
Disputes pulse check	18
AI's emerging role	23
Construction Sector Accord	26
Industry watch: Top priorities for the coming two years	28
Rise above: Turning risk into reward	31

Our survey gathered quantitative and qualitative insights from 95 professionals across New Zealand's construction sector in late 2025.



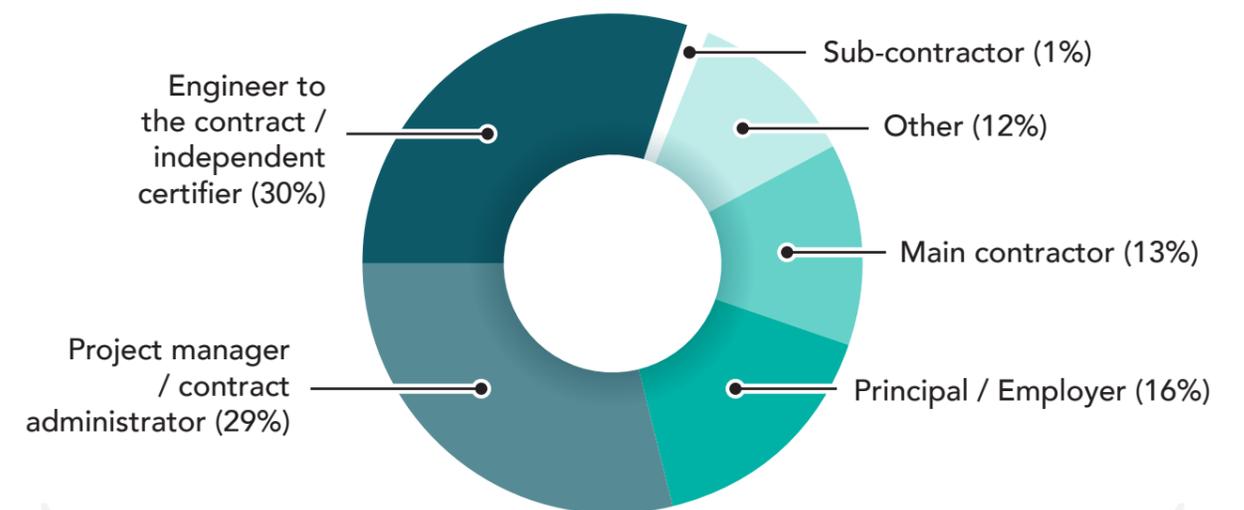
Who we heard from

Respondents represented a range of delivery-side roles. Engineers and project managers made up the largest group, followed by principals and main contractors.

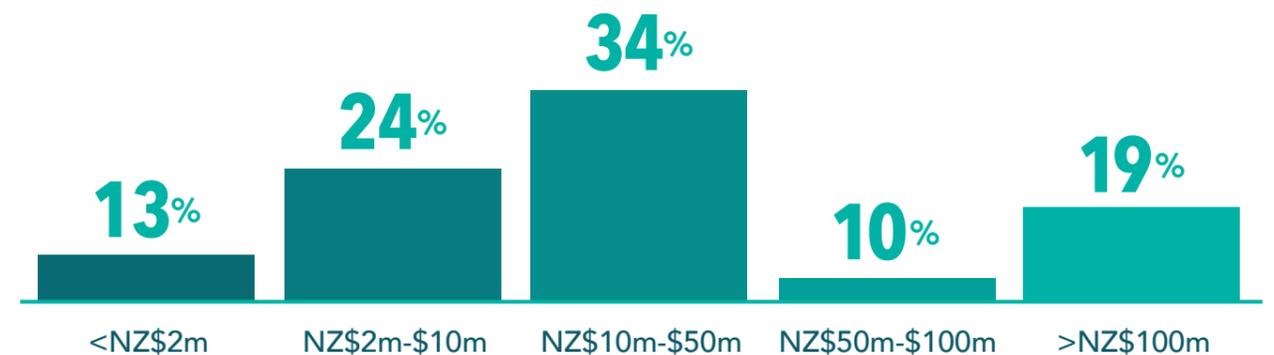
Most reported that projects they worked on over the past two years had a final contract value of between NZ\$10 million and NZ\$50 million.

These responses provided diverse perspectives on key industry matters, offering invaluable insights into contract administration, project delivery and commercial decision-making.

Survey respondent roles



Over the last 2 years, which value band did the majority of projects you worked on fall within?



Key Findings Numbers Talk

Top sector concerns



report that principal-initiated variations are the top cause of project delay



identify lack of project pipeline



cite economic and political uncertainty



note skills and experience shortages

AI



believe AI will materially impact industry practices within five years



are exploring the use of AI in construction

Contract and pricing trends



use retentions as a form of security



prefer fixed price lump sum contracts



have not yet adopted NZS 3910:2023

Disputes



say the frequency of disputes has stayed the same or increased



expect disputes to stay the same or increase over the next two years



indicate that more than 75% of their disputes are resolved informally

Shifting Perspectives

2020 ← vs → 2025

Market sentiment

Disruption with COVID-19, cautious optimism about public infrastructure investment

Uncertainty driven by economic and political instability, margin squeeze

Dispute trends

Rising frequency of disputes due to contract ambiguity

Stable frequency of disputes, most resolved by informal resolution

Contracting practices

Bespoke clauses seen as increasing risk, call for standardisation

Mixed adoption of NZS 3910:2023, contractual clarity is key

Collaboration and innovation

Accord impact uncertain, slow change

Accord discontinued, AI adoption rising

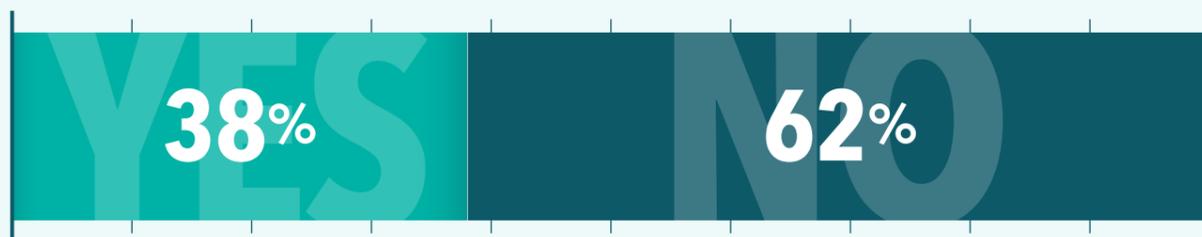
Source: Russell McVeagh 2020 Construction Report [Building Up New Zealand's Construction Industry](#)

Adoption of NZS 3910:2023 is mixed

Many industry participants have not yet adopted the 2023 revision of NZS 3910, the standard form of construction contract in New Zealand.

The [intention](#) of the 2023 revision was to reflect modern industry practice while remaining suitable for 'most contracts most of the time'. An overarching objective of the revision was to lessen the need to add special conditions of contract, thereby improving consistency, familiarity and efficiency in construction contracting.

Are you using the 2023 version of NZS 3910:2023?



'Wait and see' approach dominates

Respondents offered various reasons for not adopting the new standard including comfort with the 2013 form, perceived complexity around splitting the engineer's role, the time and cost required to transition, and lack of demand and uncertainty about the new standard's effectiveness

// An overarching objective of the 2023 revision was to lessen the need to add special conditions of contract. //

[Standards New Zealand reference guide](#)

Reasons for not adopting NZS 3910:2023

Content with the 2013 form, don't see a need to move



Cost and time of changing standard special conditions to new form not worth it



Contract administration/management (with independent certifier and contract administrator) considered unnecessarily complex



Separation of engineer's role not required on small projects



Not comfortable with changes to indemnity and a cap on liability



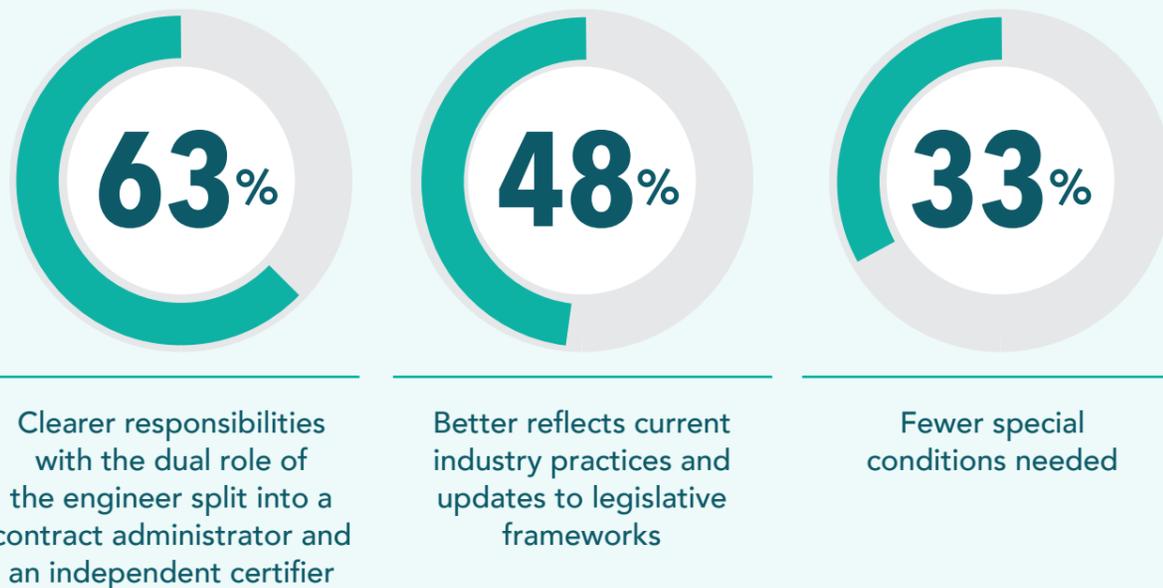
// We are sticking with what is familiar until other developers have lessons learnt to share from their experience. // - Survey respondent

// First adopter approach isn't quite the best in this case. // - Survey respondent

Early adopters see benefits

Although early adopters are in the minority, they have experienced benefits such as fewer special conditions, better alignment of terms with recent legislation, clearer language and more defined responsibilities resulting from the split of the engineer role.

The top 3 reported benefits of using NZS 3910:2023



Additional benefits of NZS 3910:2023

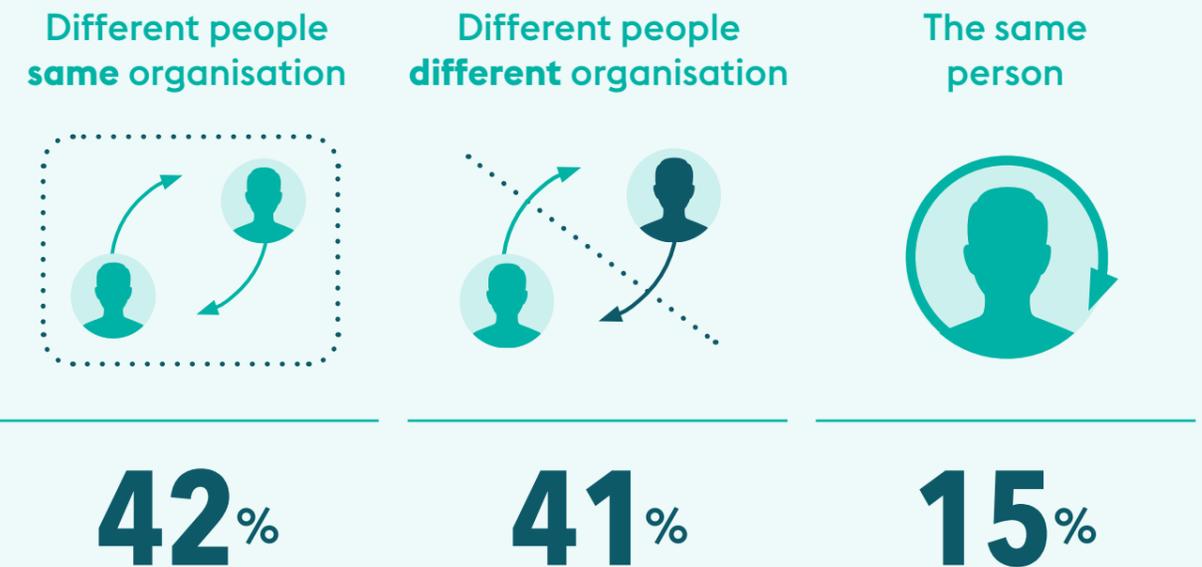


A reality check on split roles

Among users of NZS 3910:2023, the roles of contract administrator and independent certifier are mostly held by different individuals, with results showing an even split between the same organisation and separate ones. This marks a shift from previous industry practice under NZS 3910:2023, where the position of engineers and engineer's representatives were in the majority, filled by members of the same organisation.

“ Stronger role clarity allows procedural clarity that can lead to improved consistency across projects. ” - Survey respondent

When you are using NZS 3910:2023, are the independent certifier and the contract administrator:



“ Clients are misusing or misunderstanding the split and using it as a means to cut admin costs by using the wrong people to fulfil the Contract Administrator role. ” - Survey respondent

Our take

Despite the update to NZS 3910 being industry driven, most respondents perceive no compelling incentive to transition and have not enthusiastically embraced the new form - though few have substantive concerns with the revised content. Notably, the introduction of optional liability caps for contractors has not proved a barrier to adoption, suggesting such provisions are now viewed as standard commercial terms rather than exceptional measures.

The more contentious change is the formal separation of the traditional engineer role into distinct independent certifier and contract administrator functions - introduced by the Standards Committee to bolster confidence in certification decisions and reduce disputes. Respondents' views ranged from enthusiastic endorsement to strong scepticism, suggesting controversy lies less in the drafting than in practical application.

The industry challenge now is assisting principals to determine, for any given project, who should fulfil these roles and what degree of separation is appropriate. Unlike the 2013 form's combined engineer role, which offered flexibility through delegation, the new structure requires parties to plan upfront how these roles will work together.

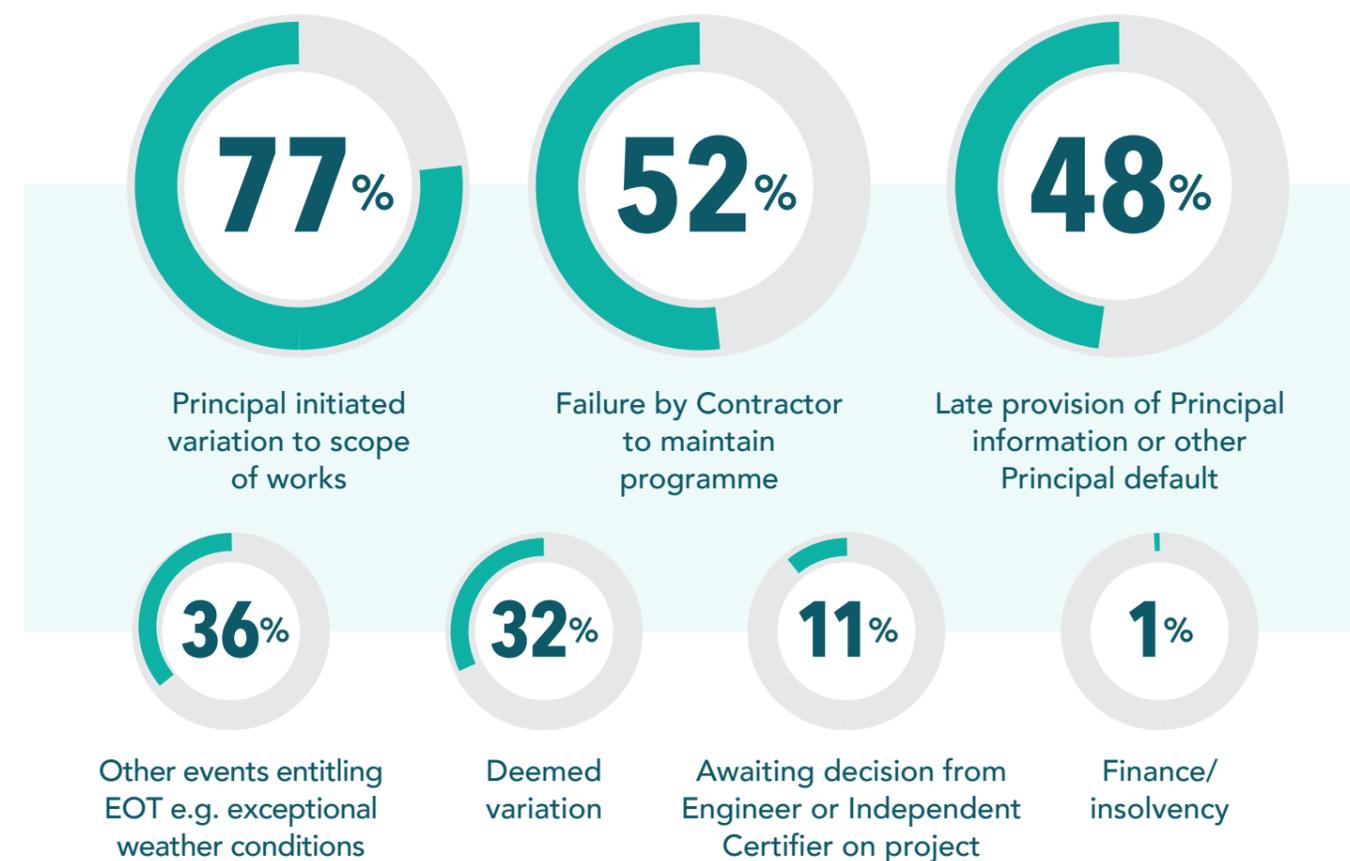
Both roles are demanding and require significant experience: the independent certifier must maintain sufficient distance from day-to-day management for credibility, but enough proximity to make decisions in a timely manner, while the contract administrator must balance extensive contract management duties with advocating for and advising the principal while fostering collaboration with the contractor.

As for reducing reliance on special conditions, this goal appears to have been achieved for some participants. The 2023 form is a sound base document. However, as should be expected for any standard form, it will require adaption to specific project needs. This is a task made easier by its availability in editable format.

Widespread adoption has not yet reached a tipping point, but familiarity breeds confidence. We encourage industry participants who have used the 2023 form to share their experiences - whether positive or otherwise - so the sector can collectively build understanding of how the new structure operates in practice and help others make informed decisions about transitioning.

Where projects lose time and delay

Key drivers of project delays



Respondents also noted that recurring concerns include incomplete or poorly coordinated designs and unknown or conflicting services.

Our take

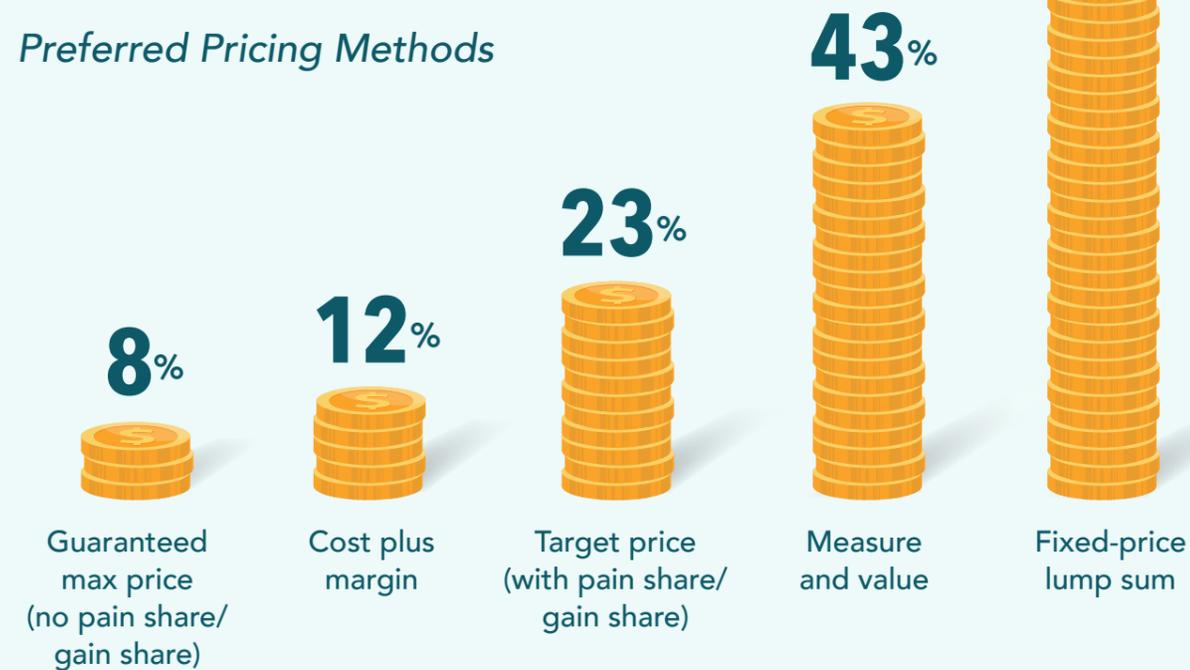
Respondents' views on the causes of delay will come as no surprise to industry veterans, but they bear repeating. On the principal's side, thorough preparation remains paramount - ensuring design and scope are sufficiently developed before going to market so that variations are minimised and information can be provided to the contractor when needed. On the contractor's side, adequate resourcing, effective supply chain and procurement management are critical.

The common thread is setting the project up for success from the outset: resisting the temptation to rush into tendering before the groundwork is complete, and maintaining rigorous contractor oversight, communication and collaboration on solutions throughout delivery.

Desire for price certainty

Fixed-price lump sum remains the strongly preferred pricing method, followed by measure-and-value and target price with pain or gain share. Cost-plus-margin appears as a moderate preference, while guaranteed maximum price is least preferred.

Preferred Pricing Methods



Our take

The emphasis on fixed-price contracts reflects a desire for certainty and reduced contract administration efforts in a cooler market, but it heightens the importance of complete designs and realistic programmes to minimise the risk of variations for both parties. Where project scope is likely to change, the procurement strategy must carefully weigh the risks and costs (including administrative costs) inherent in different pricing models, and contractual arrangements carefully tailored to a project’s specific risk profile and commercial drivers tend to deliver better outcomes.

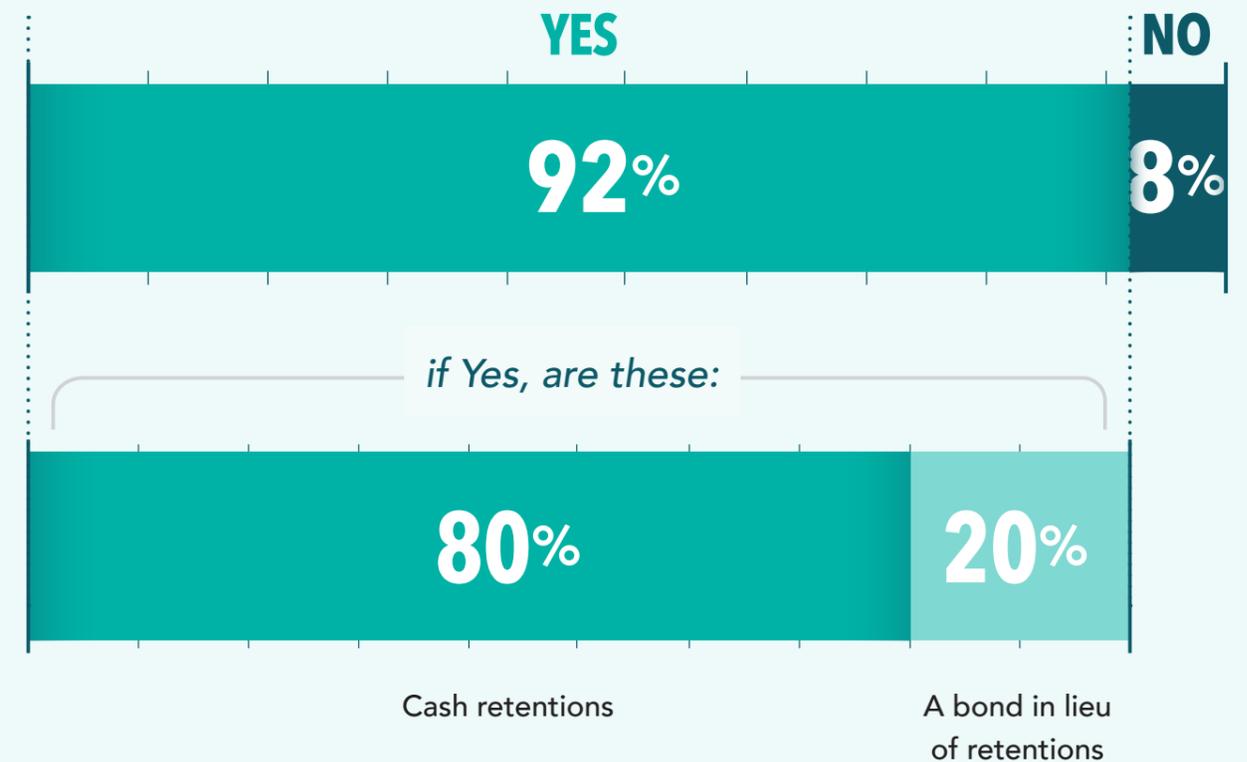
// **Weak market conditions have contractors entering contracts at very low margins. This is not sustainable, as contractors will seek to claw back profits.**

// - Survey respondent

Retentions in practice, cash versus bonds

Retentions are widely used in the industry and of those who hold retentions, 80% report utilising cash retentions, with a smaller proportion using bonds in lieu.

Do your contracts typically provide for the holding of retentions?



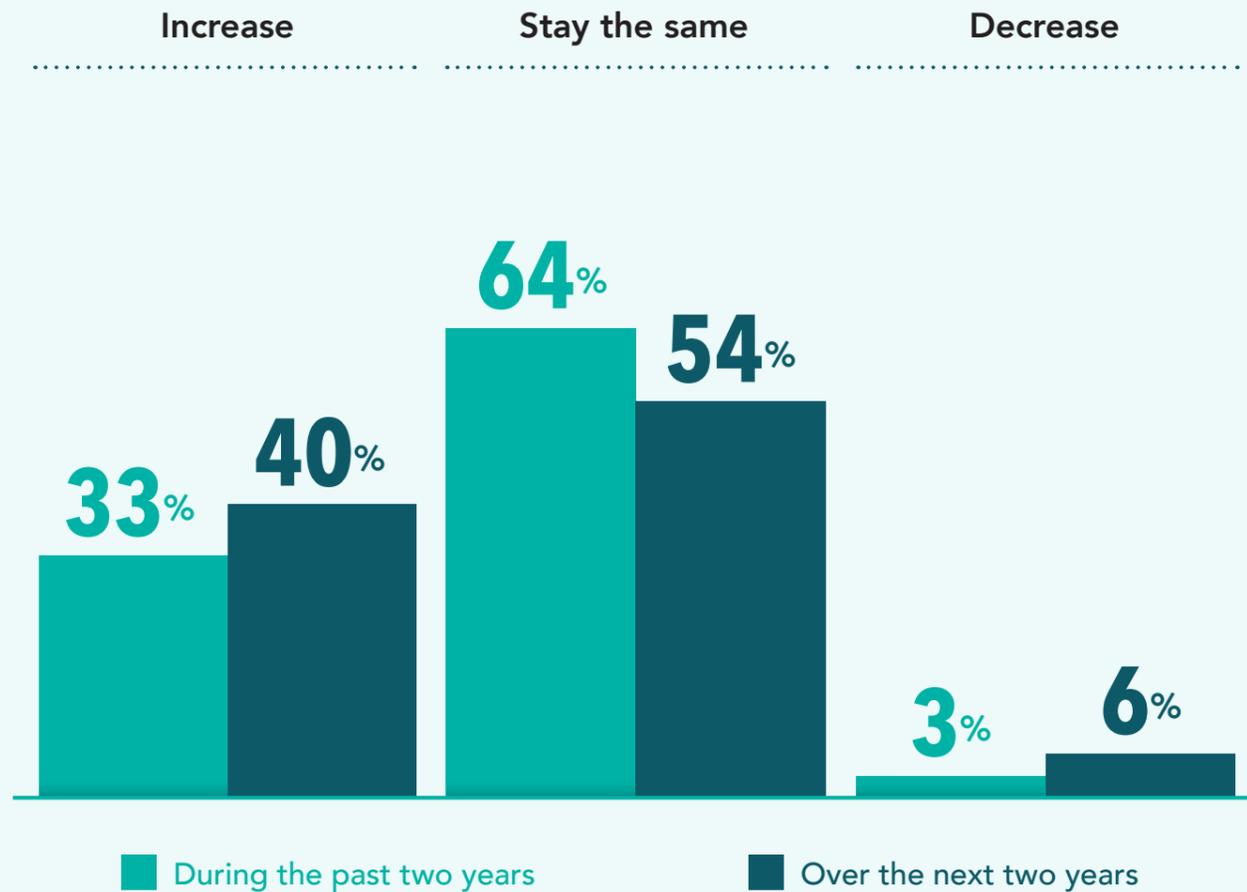
Our take

Cash-based retentions, which are required to be held in trust in accordance with the requirements under the Construction Contracts Act, remain prevalent. Performance bonds remain an attractive alternative for contractors as it can help alleviate working capital pressures for contractors, while continuing to provide protection for principals. Clearly defined conditions and timing for the release of retentions and/or for calling on a bond, can help minimise disputes at the conclusion of a project.

Disputes pulse check

Most respondents report that the frequency of dispute levels have stayed steady or increased over the past two years.

Would you say that disputes in the construction sector generally have/are expected to...



Looking ahead, most expect disputes to either rise or remain unchanged. It is anticipated that the main causes of construction disputes over the next two years will centre on delays and design errors.

Expected causes of construction disputes in the next two years

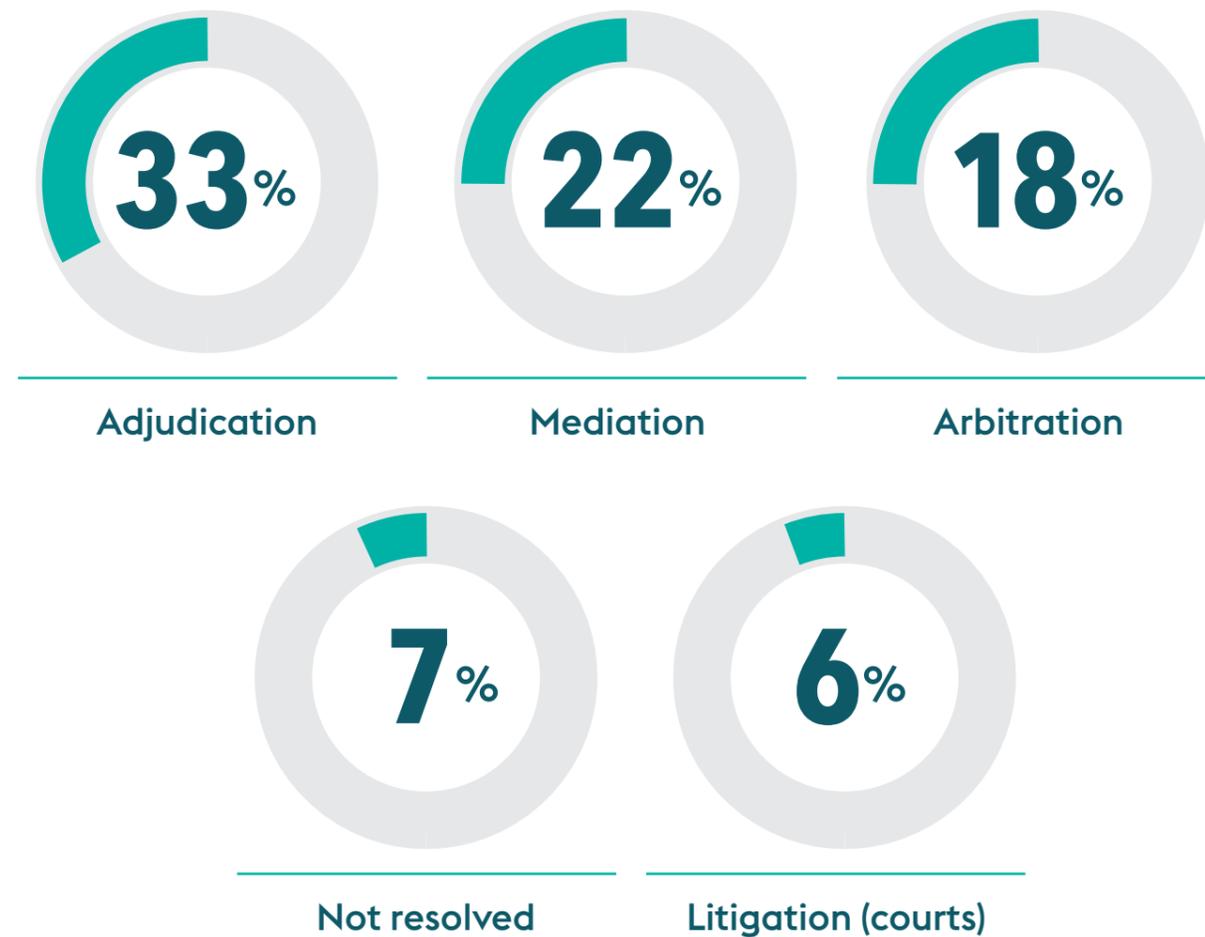


Importantly, 75% or more of disputes are resolved without formal processes for most participants, and where formal processes occur, adjudication and mediation are common pathways.

// It is a more challenging market with contractors taking an aggressive approach to securing work. Tighter margins inevitably put contractors on the back foot and increase the need to fight for variations or time claims. // - Survey respondent

85% of respondents settled over three quarters of their disputes without formal processes

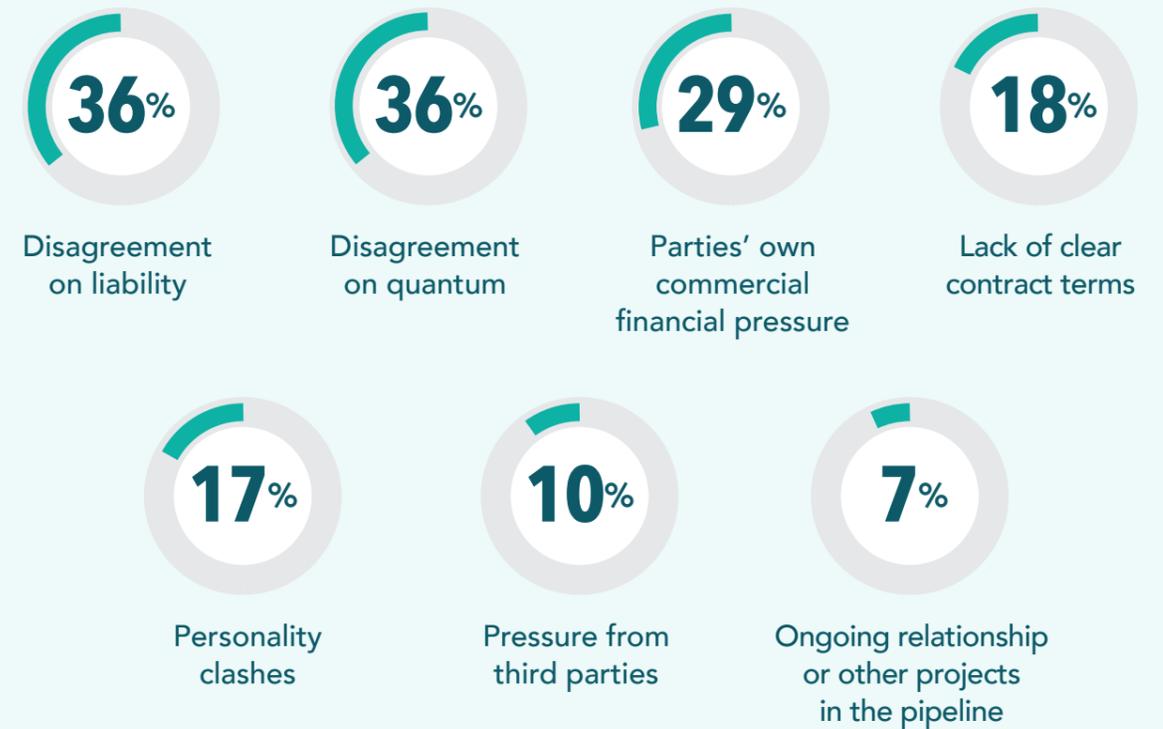
If your construction disputes required formal dispute resolution, how were they resolved?



“ Over the years, most have recognised that resolving matters through mutual agreement is often the most efficient and practical approach to handling disputes today. ” - Survey respondent

Key barriers to settlement include disagreement on liability or quantum, parties’ own commercial pressure and unclear contract terms. It is also noted that parties involved can revert too quickly to their entrenched positions rather than engaging in constructive, collective problem-solving.

Issues that did not settle without formal dispute resolution



Our take

These insights underscore the importance of clear contract terms, robust project planning process and effective communication especially in a dispute process to support better outcomes for all parties. Engaging pragmatic and experienced lawyers can help avoid entrenched positioning.

How New Zealand measures up globally

North America

[Arcadis' 2025 report, Construction Disputes in Motion](#), notes growing use of alternative dispute resolution (ADR) and early settlement in North America, aided by digital tools. However, litigation still occurs for high-value disputes. In 2024, the average value of construction disputes in North America saw a significant surge, increasing by 40% - a stark contrast to the modest 1% rise observed from 2022 to 2023.



United Kingdom

In 2021, the average value of construction disputes in the UK more than doubled compared to the previous year. In the same year, the UK also recorded the shortest average dispute duration, at just under 12 months compared to other regions surveyed. This could be largely attributed to the widespread use of dispute resolution procedures such as adjudication, party-to-party negotiation and expert determination. Overall, adjudication referrals reached a record number between 2023 and 2024.

Sources:

[Construction Disputes in Motion: Speed, Agility, and Adapting to Change](#), by Arcadis 2025

[Report: Highest average dispute value ever recorded for UK in 2020](#), by Arcadis, 2021

[2024 Construction Adjudication in the United Kingdom: Tracing trends and guiding reform](#), by King's College London, 2024

The emerging role of AI:

Opportunities, challenges and safeguards

Most respondents are exploring AI, and more than 80% believe it will materially impact industry practices within five years.

Are you exploring the use of AI in your construction projects?



Anticipated benefits of AI adoption include:

- ✓ Accelerated take-offs and estimates
- ✓ Enhanced risk identification
- ✓ Improved document review and coordination
- ✓ More efficient administration

However, these advancements come with risks such as over-reliance on technology, lapses in quality control and issues stemming from insufficiently trained users.

How will AI impact the construction industry?

Comments from our survey respondents

Simplify lengthy specifications and contract documents

Poorly trained AI users will generate nonsensical communications

Enhance engineering design practices and assist in design and coordination

Improve the accuracy of estimates and aid clash detection

Streamline data collection

Easier to recall historic information

Legal/regulatory frameworks need to adapt

Offer wide range of research instantaneously

Speed up conceptual design and processes

Support analysis, site management and outcome prediction

Will need more integrated delivery and clarity re liability/obligations

Increased access by laymen and inexperienced principals is posing a real challenge

Increase quality and time efficiencies for contract administration and documentation

In the short term, AI is expected to deliver the greatest value in automating repetitive workflows, interrogating documents and improving the quality of notices.

Do you think AI will make a material impact to industry practices in the next five years?



Our take

Balancing innovation with prudent risk oversight

The transformative potential of AI in the construction industry is generally recognised. To ensure AI is used responsibly and effectively, organisations must implement robust governance and training. This involves proactively addressing legal risks around data privacy and intellectual property, regularly reviewing and updating contractual agreements to reflect AI-driven processes, and maintaining ongoing monitoring and audits of AI systems to uphold compliance and quality standards.

Construction Sector Accord gets mixed reviews

The Construction Sector Accord was a collaborative initiative between government and industry, designed to transform and strengthen New Zealand's construction sector.



The Accord was discontinued in 2022. Commentary from respondents suggests that the effectiveness of the Construction Sector Accord was mixed.

While some respondents acknowledged areas of improvement - including a greater understanding of appropriate risk allocation and the positive role the Accord played in encouraging organisations to develop project partnerships - others were less enthusiastic with a number suggesting it made no discernible difference.

Several respondents also expressed concern about the state of the sector following the Accord's conclusion, observing that risk allocation practices among Crown entities have moved away from the collaborative approach the Accord promoted, and suggesting that the industry itself should have taken up the Accord's work after it was disbanded.

Overall, respondents' experiences suggest that while the Accord prompted some positive shifts, its practical impact on day-to-day contracting practices and sector health is unclear.



“ Although the Accord had numerous good initiatives, it lost focus on its establishment goal to improve procurement, capability or resilience in the industry. ”
- Survey respondent

“ We have developed an independent approach with our project partners that focuses on relationships first to enable effective escalation should the situation demand it in the future. ”
- Survey respondent

Industry watch:

Top priorities for the coming two years

The construction industry is currently facing uncertainty regarding the project pipeline, as well as economic and political instability both domestically and globally.

Other concerns include skills and experience shortages, cashflow pressures and design quality. Some respondents also indicated that industry fragmentation and consenting frameworks contribute to these issues.

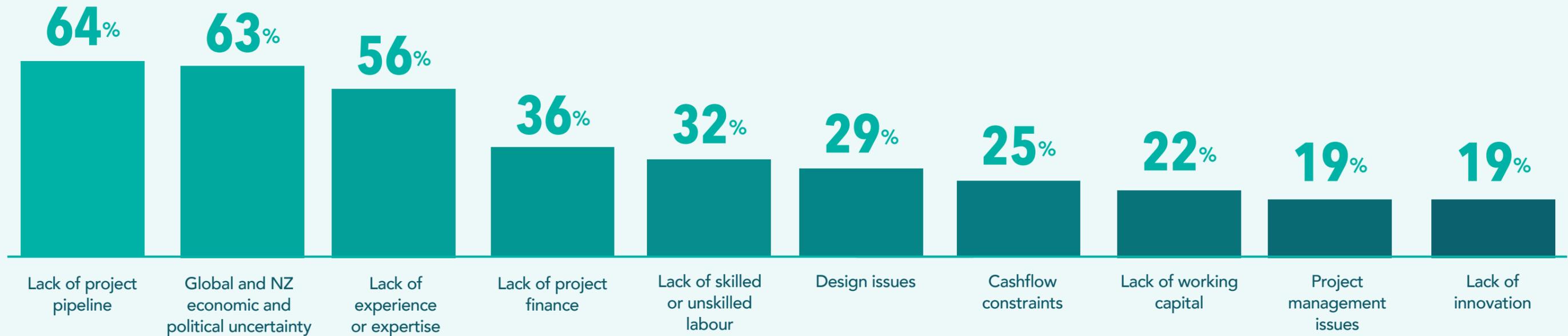
Our take

Looking ahead, two persistent headwinds dominate: an uncertain project pipeline - shaped by global and domestic economic and political volatility - and the closely related shortage of experience and delivery capability.

These are not new themes, and there is growing cross-party recognition that providing confidence for nationally significant projects, and insulating them as far as possible from shifting priorities and electoral cycles, is critical.

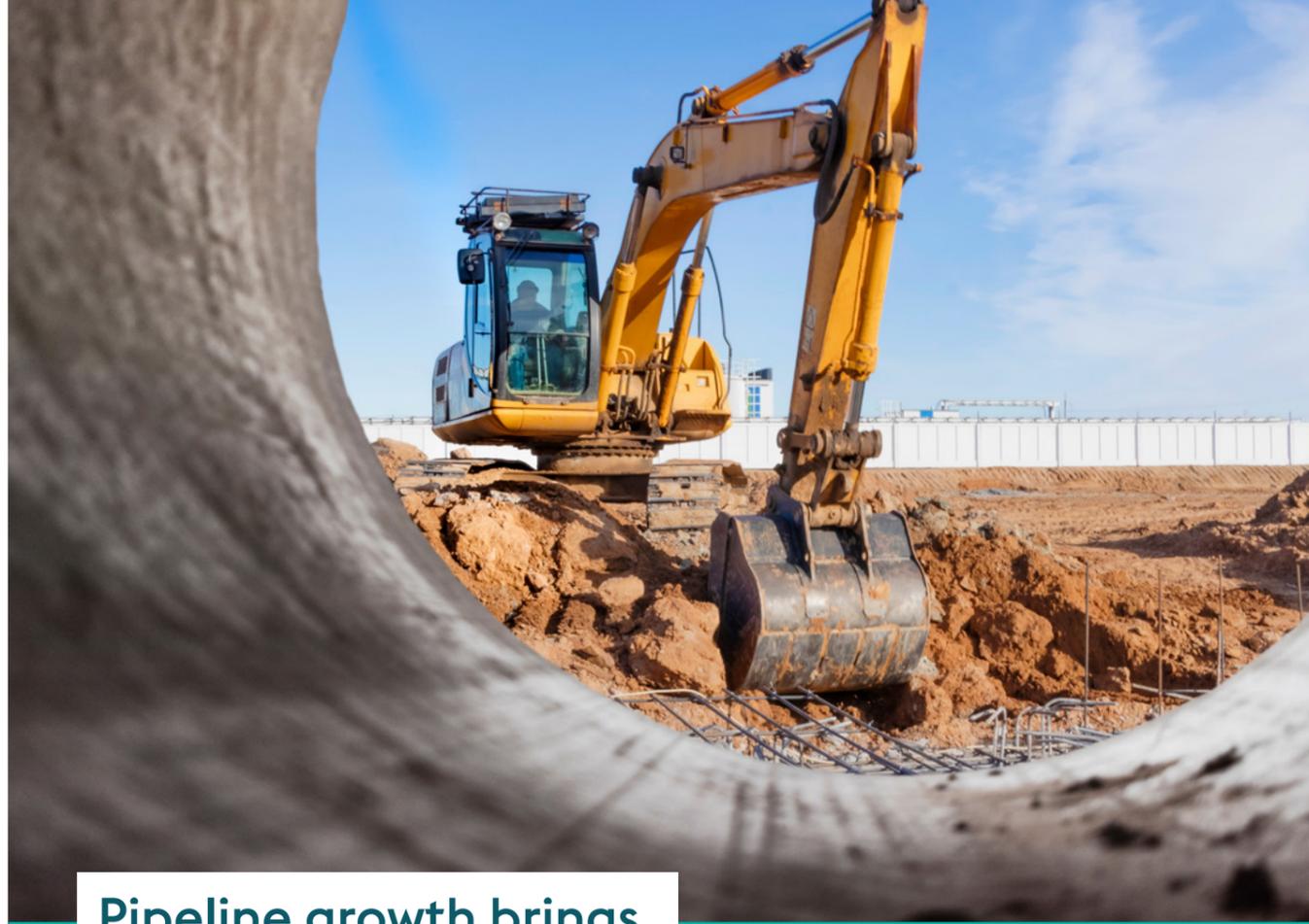
Our findings align with the sector's broad call for a transparent, agreed pipeline so owners, contractors and consultants can plan and invest in capability with greater confidence.

In your view, what are the main issues facing the construction industry in the next two years?



Other issues identified include:

-  Lack of competition/options
-  Quality, workmanship and/or fitness for purpose issues
-  Cost management issues
-  Insurance constraints
-  Supply chain issues
-  Poor communication
-  Lack of focus on asset maintenance/whole of life cost
-  Health and safety matters



Pipeline growth brings hope amid uncertainty

// From 2026, we are forecasting construction activity to trend upwards to \$65.4 billion in 2030 as the residential sector recovers strength. //

[National Construction Pipeline Report 2025](#)

Despite ongoing questions about long-term certainty, recent updates from the [Infrastructure Commission](#) and the latest [National Construction Pipeline Report 2025](#) offer reasons for optimism.

The Infrastructure Commission's latest quarterly update shows the National Infrastructure Pipeline now includes almost 12,000 projects worth \$275 billion, with \$181 billion fully or partially funded.

Looking specifically at infrastructure, the report forecasts a steady growth in activity to \$19.6 billion by 2030, even as further policy changes remain on the horizon. It notes that decisions have been made on future spending for some substantive projects, particularly in land transport, providing improved certainty of future work over the next three to six years.

Rise above: Turning risk into reward

When the outlook is uncertain, people naturally fall back on what is familiar. This instinct offers comfort but can limit progress. The winners in the coming years will be those willing to take calculated risks and move beyond entrenched positions. Opportunities will favour those who leverage competitive advantage and act decisively.

Insights from our survey show encouraging signs: steady adoption of NZS 3910:2023, growing interest in AI, and renewed focus on the basics of a settled design, clear communication and robust planning. These signal that the industry is preparing to seize opportunities, provided risks are managed thoughtfully.

By investing in capability, prioritising fair and transparent practices, and embracing innovation, the sector can lift productivity and deliver sustainable progress.

As trusted legal advisors, we are proud to play our part in helping our clients navigate complexity and turn uncertainty into opportunity.

We welcome the chance to tackle the tough stuff together, combining deep expertise with fresh thinking as the industry moves forward.

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