

Arcadis says “Construction must rapidly adapt,” amidst soaring costs and rising uncertainty

3 years ago



- London is once again the most expensive construction location in the world, according to latest Arcadis report
- Cities across North America and Europe show double-digit cost increases, including Chicago, New York, Munich, Berlin, and Barcelona
- Melbourne and Sydney rank lower as higher costs get absorbed by the supply chain
- Doing ‘more with less’ will be critical to long term success, as inflationary pressures and geo-political uncertainty take their toll

London has returned to being the most expensive city in the world in which to build, according to the latest International Construction Costs (ICC) report, published by Arcadis. According to the study of comparative construction costs across 100 global cities, London ranked first, followed by Geneva (2nd) and Oslo (3rd). The five least expensive cities are found in Asia and India.

Due to a combination of cost drivers – including rising energy costs, materials shortages and labour availability – along with high sector-specific demand, particularly residential and industrial, markets in North America and many European cities recorded double-digit cost increases. As a result, American cities moved significantly up the ranking. This upward trend was also helped by the US dollar appreciating on average by 5% against most currencies. Cities in the UK and Germany also moved up the index.

Across Asia, the picture has been mixed, with costs remaining largely stable. One exception is Singapore, where difficulties in accessing labour triggered high levels of inflation. In Australia and the Middle East, on

the other hand, demand levels did not quite meet expectations, leading to a more competitive market and a more significant portion of costs being absorbed by the supply chain. This has resulted in locations such as Melbourne and Sydney dropping as much as 10 places in the ranking in 2022.

UK construction completed its recovery from COVID-19 by late 2021, but had changed shape significantly, with dynamic growth in both large-scale infrastructure and small-scale domestic home improvements. The UK's infrastructure investments are spearheaded by the Hinkley Point Nuclear Power Station and High Speed 2, where spend will really start to accelerate from 2022 onwards. The UK's building contracting sector has seen mixed fortunes. The logistics and industrial sub-sectors are booming despite long lead times for critical steel products, whereas commercial and public sector building development is slow, helping to keep construction markets competitive.

The 2022 Arcadis ICC Index covers 100 of the world's large cities across six continents. The cost comparison was developed covering twenty building functions, based on a survey of construction costs, review of market conditions and the professional judgement from its global team of experts. The calculations are based in USD and indexed against the price range for each building type relative to Amsterdam. Analysis was undertaken prior to the conflict in Ukraine, which is set to exacerbate material and hydrocarbon shortages, bringing significant repercussions for global commodity and energy markets, and increased global uncertainty.

In addition to providing a comparative index of global construction costs, this report also looks at construction around the world and notes that differing government COVID-19 strategies have resulted in varying paces of recovery. With the impact of materials shortages and rising costs being felt across the supply chain, businesses are looking towards tackling pressing and persistent problems such as low productivity, staff retention and project resilience. Sustainability is equally high on the agenda, with the economic pressure of resource scarcity and net-zero goals increasing the importance of doing more with less. The use of digital products and solutions to tackle resource scarcity and reduce waste are key, along with a focus on the full project lifecycle, rather than the cost of short-term returns.

A five-point 'Practical Guide' is presented in the report to provide a pragmatic guide to dealing with the challenges ahead, demonstrating how clients can rationalize, standardize, automate, and use digital processes to be more cost-effective, and meet essential sustainability goals.

Andy Beard, Global Head of Cost and Commercial Management at Arcadis, said:

"Construction has proved itself extremely robust during the last year in adapting to the most difficult of circumstances. Sustained delivery of housing and infrastructure, better use of data, and increasing investment in technological solutions such as modern methods of construction can both improve efficiency and aid the drive to net-zero.

"This adaptability will prove vital as businesses ready themselves for the uncertain and inflationary environment ahead. While on the surface the looming market conditions sound unfavourable, we believe these challenges more than ever present our industry with a great opportunity to drive forward innovation and cement a mentality of doing more with less to reduce our own impact on resource use and the environment."

Where do UK and Ireland cities rank?

Bristol - 11/100

Dublin - 12/100

Manchester - 14/100

Liverpool - 16/100

Edinburgh - 17/100

Cardiff - 18/100

Glasgow - 22/100

Birmingham - 25/100

Belfast - 36/100

10 most expensive cities

- | | |
|------------------|------------------|
| 1. London | 6. San Francisco |
| 2. Geneva | 7. Zurich |
| 3. Oslo | 8. Munich |
| 4. New York City | 9. Hong Kong |
| 5. Copenhagen | 10. Macau |

10 least expensive cities

- | | |
|-------------------|---------------|
| 100. Kuala Lumpur | 95. Nairobi |
| 99. Delhi | 94. Wuhan |
| 98. Mumbai | 93. Jakarta |
| 97. Ho Chi Minh | 92. Chengdu |
| 96. Johannesburg | 91. Guangzhou |

Download the report [International Construction Costs 2022 | Arcadis](#)

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