

Tender prices up by 0.8%, reports BCIS

2 years ago



Tender prices increased by an estimated average of 0.8% between 3Q2024 and 4Q2024, according to the latest data from the [Building Cost Information Service \(BCIS\)](#).

The increase resulted in 2.3% annual growth in the BCIS All-in Tender Price Index, down from a peak of 10.3% observed in 2Q2022.

BCIS chief economist Dr David Crosthwaite said: “Our panellists suggested that procurement routes play a crucial role in tendering appetite and that contractors are increasingly risk-averse. The demise of ISG and others has reduced contractor capacity, making it harder to secure tender interest.”

Just over half (57%) of panellists reported the desired number of tenderers were found after searching in the last quarter, while 21% said it had been more difficult, and a further 21% said contractors were more eager – a broadly similar range of responses to 3Q2024.

Looking at their anticipated pipeline of projects over the next 12 months, half of the panel reported a slight increase, while 36% said it was unchanged for the year ahead, and 14% said it had reduced slightly.

Dr Crosthwaite said: “Logistical challenges cited by panellists in the last quarter include supply chain disruptions from contractor insolvencies causing project delays and tender issues. They also pointed to long lead times for mechanical, electrical and plumbing (MEP) equipment, especially for data centres, which requires careful planning.

“Indeed, the TPI panel continues to report strong differential movement between building work and mechanical and electrical (M&E) work, with costs more volatile for M&E. This was suggested to be driven by factors including skilled labour shortages and high demand for equipment like generators and sprinklers.”

Panellists reported ongoing concern in the sector around insolvencies, with the suggestion that the process of deciding and appointing contractors is being delayed as more thorough checks are undertaken.

There was also a suggestion that the collapse of ISG is affecting the stability of the trade supply chain exposed to non-payment of debt and increases to bond financing.

Other external factors cited by panellists were the Autumn Budget and US election, both of which present ongoing uncertainty, especially as the UK government's spending review has been put back to June 2025.

Dr Crosthwaite added: "The panel reported an expectation of more clarity around the infrastructure pipeline and planning once planning reforms and the results of the government's spending review are announced, although spending appears to be continuing at a steady level. Inflation slowing at a lower rate than expected has resulted in less confidence in further and faster interest rate cuts."

For more information, please visit: www.bcis.co.uk.