

## BCIS forecasts rise in building costs over next five-years

1 year ago



Building costs will increase by 17 per cent over the next five years to 1Q 2030, while tender prices will rise by 15 per cent over the same period, according to the latest construction forecast data from the Building Cost Information Service ([BCIS](#)).

New work output is expected to grow by 19 per cent over the forecast period.

Dr David Crosthwaite, chief economist at BCIS, said: “Sentiment in construction has changed significantly since the start of the year and, with economic growth stagnating and inflation starting to pick up again, stagflation is becoming a real possibility this year.

“As a result, we’re forecasting that 2025 will likely be another difficult year for construction with only minimal output growth evident before growth accelerates later in the forecast period.

“While the cost of borrowing is reducing, albeit slowly, we have yet to see increased levels of investment in built assets. Furthermore, we expect to see increases in both input costs and tender prices due to the National Insurance uplift, resulting in potential affordability issues.”

The BCIS All-in Tender Price Index, which measures the trend of contractors’ pricing levels in accepted tenders, or the cost to client at commit to build, saw annual growth of 2.3 per cent in 1Q 2025.

On the input costs side, labour remains the main driver, though annual growth in the BCIS Labour Cost Index is expected to have slowed in the first quarter of 2025 to 4.7 per cent.

Increases to employers National Insurance contributions and the National Living Wage will significantly

impact labour costs, with a monthly increase of 2.5 per cent forecast in April compared with March. The BCIS Labour Cost Index is forecast to increase overall by 18 per cent up to 1Q 2030.

Dr Crosthwaite added: “Similarly to our last forecast, given the continued tightening of the supply side, long-term loss of employment in the construction labour force, prevailing shortages of skilled labour and an expected uptick in demand from next year, the risks to this forecast remain on the upside.”

Materials cost inflation has been moderating since peaking in 2022 and annual growth in the BCIS Materials Cost Index was in negative territory from the third quarter of 2023 to the second quarter of 2024. BCIS expects the index to grow by 15 per cent over the next five years.

Output figures for 2024 remained disappointing, with the latest data from ONS showing total new work output fell by 5.3 per cent compared with 2023.

Dr Crosthwaite said: “We expect subdued growth in new work output through 2025 as a whole, with more robust growth evident over the remaining years of the forecast period. Much of the growth will be fuelled by a recovery in housing output, which is expected to grow significantly during the period, although from a relatively low base.

“However, the state of the public finances puts much public spending at risk and will likely impact growth in infrastructure output unless alternative funding sources can be found, while the subdued economic outlook is expected to dampen output growth in both the industrial and commercial sectors going forward.”

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