

BCIS reveals updated five-year construction industry forecast

3 months ago



Building costs will increase by a predicted 15% over the next five years to 3Q2030, while tender prices will rise by 16% 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 18% between 2025 and 2030.

Dr David Crosthwaite, chief economist at BCIS, said: “Heading into the last few months of the year, the “get Britain building” rhetoric hasn’t yet turned into delivery.

“Demand is broadly flat and inflation is sticky, leaving a stagflation-type squeeze: weak growth on one side, elevated labour and materials on the other and margins under pressure. We therefore expect only a modest uptick in output in 4Q2025.”

The BCIS All-in Tender Price Index, which measures the trend of contractors’ pricing levels in accepted tenders, i.e. the cost to client at commit to build, saw annual growth of 2.5% in 3Q2025, slightly up on the 2.3% recorded in the second quarter of the year.

On the input costs side, labour remains the main driver of project costs, with increases to employers’ National Insurance Contributions and the National Living Wage feeding into a 7.1% annual increase in the BCIS Labour Cost Index in 2Q2025. The index is forecast to increase overall by 15% between 3Q2025 and 3Q2030.

Dr Crosthwaite added: “Similarly to previous forecasts, labour cost risks remain on the upside, as skills shortages remain prevalent in the market and continue to impact projects.

“Likewise, while overall materials costs remain stable, the expected increase in market activity going forward could put inflationary pressure on the cost of construction materials.”

With 0.5% annual growth in the BCIS Materials Cost Index forecast for 3Q2025, BCIS expects costs to increase by 13% over the forecast period (to 3Q2030).

Total new work output fell by 5.1% between 2023 and 2024 and BCIS still expects subdued growth in new work output throughout 2025. ONS data showed a 1.1% increase in new work output in the second quarter of 2025 compared with 1Q2025, and an annual increase of 3.8%. The greatest annual increase in new work output in 2Q2025 was in infrastructure, which showed a 3.2% rise.

Dr Crosthwaite said: “We are expecting more robust new work output growth from next year and over the rest of the forecast period. Momentum should build in 2026 as delayed schemes progress, public investment starts to land and housing activity recovers.”

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