

Geopolitical Tensions Ease as Tender Prices Rise in 2Q2026

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Tender prices increased by an estimated 1.0% between 1Q2026 and 2Q2026, according to the latest data from the [Building Cost Information Service](#) (BCIS).

The increase resulted in 3.2% annual growth in the BCIS All-in Tender Price Index (TPI).

The estimate reflects the consensus view of the BCIS TPI Panel, comprising cost consultants from firms involved in multiple tenders each quarter.

BCIS chief economist Dr David Crosthwaite said: “The true impact of the conflict between the US and Iran and the wider period of geopolitical uncertainty has yet to be reflected fully in tender prices, according to the latest meeting of the TPI panel. While the panel reported anecdotal evidence of cost increases across several energy-intensive materials and products, alongside higher fuel costs, the effect on contractor pricing behaviour is still emerging.

“This is to be expected as costs tend to move before prices. Commentary on current market conditions was mixed. Many contractors are reportedly seeking to secure their order books with some willing to pursue single stage tenders. Meanwhile, others are being more selective about the opportunities they target, choosing a few larger projects over multiple smaller schemes in some cases.

“At a sector level, appetite for new build housing is reportedly strong. In the residential and commercial sectors particularly, where client pipelines are more constrained, the panel suggested some contractors are willing to absorb input cost increases as replenishing workload becomes more of a concern.”

Two-thirds (67%) of the panel said contractors were eager to tender during the second quarter with 20%

reporting finding the desired number of suitable tenderers after searching.

Meanwhile, panel sentiment towards project pipelines softened slightly compared with the previous quarter.

A total of 40% reported an anticipated increase in their pipeline of projects going to tender over the next year compared with the previous 12 months.

This was down from 77% in 1Q2026. One-third expected no change while 27% predicted a reduction. This compares with no respondents reporting an expected reduction in the previous quarter.

Dr Crosthwaite added: “It remains to be seen how the peace agreement and any reopening of the Strait of Hormuz may influence pricing behaviour in the coming months.

“If the peace agreement holds, we would expect further easing in oil prices, which could help reduce fuel and transport costs across the construction supply chain.

“Even in this scenario, any impact on construction costs is likely to be gradual rather than immediate. As highlighted in the latest panel discussion, contractors continue to face a range of cost pressures, while attitudes to risk and pricing vary across the sector.

“In the near term, greater stability in geopolitical conditions and an improvement in demand, particularly in the residential sector, would provide a more supportive environment for contractors and the wider industry.”

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