International Construction Costs Report: What will it mean for 2015?
International Construction costs trends at a glance

This assessment is based on a comparison of local construction costs converted to Euros to enable direct comparison. This comparison is particularly relevant to international clients who procure construction in multiple locations using internationally traded currencies.

- Denmark and Hong Kong trail Switzerland as the most expensive nations in which to build
- The average cost of construction in Central London is even higher than in Switzerland
- Construction in Japan is now cheaper than the United States
- India is the cheapest country in the world for construction
- Commodity prices are to remain low which will limit growth in construction cost inflation
The annual ARCADIS International Construction Costs Report benchmarks building costs in 43 countries across the globe. This paper provides a snapshot of the current trends in the construction industry and an outlook for what this will mean in 2015. In addition to the overall costs, the paper also considers wider implications for retailers, healthcare providers, commercial and residential developers.

Construction markets in 2014

The 2014 results demonstrate the extent to which the economic recovery is affecting relative costs in many Western markets, while comparatively low costs in major Asian markets are encouraging increased investment which will underpin wider economic growth. With the exception of some European markets and locations such as Hong Kong, Qatar and Saudi Arabia where specific market constraints are driving inflation, price movements have been somewhat subdued during 2013/14, aided by weak commodity prices and plentiful material supplies.

The deep devaluation of many emerging market currencies relative to the Dollar and Sterling during 2013/14 means that relative costs have fallen steeply in these locations. Construction costs in India, Indonesia, Malaysia, Thailand and Vietnam are now all less than 35 percent of typical UK levels when costs are compared on the basis of a common currency. Similarly, relative costs in Japan have fallen to below the USA in our global rankings due to continued devaluation of the Yen.

Of particular note is the recovery of the UK’s construction industry. The strength of Sterling relative to the Euro and accelerating price inflation have propelled the UK up the rankings whilst established high-cost locations such as Switzerland and Denmark have held their places at the top of the cost league. Price inflation continues to affect the Hong Kong market, resulting in its elevated position in the rankings. Meanwhile, although the United States has experienced some cost inflation during 2014, this was not enough to change its position in the rankings.
International Cost Comparison (Indexation based on UK = 100)
Methodology

The comparative cost assessment is based on a survey undertaken by ARCADIS of construction costs in 43 locations, covering 13 building types. Costs are representative of the local specification used to meet market need. The building solutions adopted in each location are similar and as a result, the cost differential reported represents differences in specification as well as the cost of labour and materials – rather than significant differences in building function.

Costs in local currencies have been converted into Euros as a common currency for the purpose of the comparison, but no account has been taken of purchase power parity. High and low cost factors for each building type have been calculated relative to the UK, where average costs for south eastern England equal 100. The relative cost bars plotted in the chart represent the average high and low cost factor for each country, based on the costs of the 13 buildings included in the sample.

The comparisons presented in this report will be subject to variation over time as a result of factors including:

- Exchange rates
- Local market conditions
- Specification levels - particularly when related to projects targeted at global markets.