

How to navigate 2024: Balancing challenge with opportunity

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Alan Manuel

Group Chief Executive Officer, Currie & Brown

Why we must remain future-focused to mitigate construction cost shocks

A view from Alan Manuel, Group CEO

Looking at our latest market data and insights report, one word stands out above all others – uncertainty.

Across markets, this is coming from every direction. We are seeing significant geopolitical turmoil and stubborn inflation, acute skills and materials shortages and tightening sustainability regulation.

These factors – and many more – are driving up construction costs globally. We anticipate increases across every one of our operating regions in 2024. This follows a global construction cost increase of 3.64% in 2023.

Cost volatility is a significant challenge for the construction industry, but it is also nothing new. In the five years to 2023, global construction costs have risen by 21%.

As an industry we need to stop firefighting and work together to deal with this long-term trend. Collectively, we need to ask ourselves: “what can we do now to address cost drivers and create greater cost certainty in the future?”

This question lies at the heart of this latest report. Besides presenting you with the latest data and market intelligence, we have taken a step back and considered the dominant long-term trends disrupting our industry:

- New ways of working
- The need for sustainability
- Digitisation

Each of these present challenges, but they also bring opportunities to drive operational efficiencies and mitigate the impact of cost increases. Focusing on these areas in 2024 and beyond will be key to navigating ongoing uncertainty and creating better, sustainable built environments for all.

We hope that this report helps you to identify new opportunities for operational improvements and supports your project planning. If you would like further insight, please do not hesitate to contact us.



Alan Manuel

Group Chief Executive Officer
Currie & Brown

How to navigate 2024: Balancing challenge with opportunity

2024 looks complex and uncertain for the construction industry. Geopolitical turmoil, inflation, regulatory change, and resource and labour shortages are impacting costs, increasing risk and affecting growth.

We expect construction costs to rise across the globe this year. But, with uncertainty, we see opportunity. A focus on sustainability, digitisation and adaptability continues to transform the industry. Investing now to become more agile and efficient will create lasting value into 2024 and beyond.

Navigating with certainty

Organisations can manage potential disruption by adapting and investing in new ways of working. Innovations such as modular construction or new procurement models can address some of the common risks in 2024. Combining new ideas with deep knowledge and expertise will unlock opportunities and spark growth.

Embedding sustainability

The construction industry has a key role in sustainability and decarbonisation. Sustainability rules are tightening globally, testing scopes, budgets and timings. But **the goal is clear: build smarter, build better**. Embedding sustainable practices now and adapting to evolving policies will be critical in creating a better built environment for all.

Adapting for the future

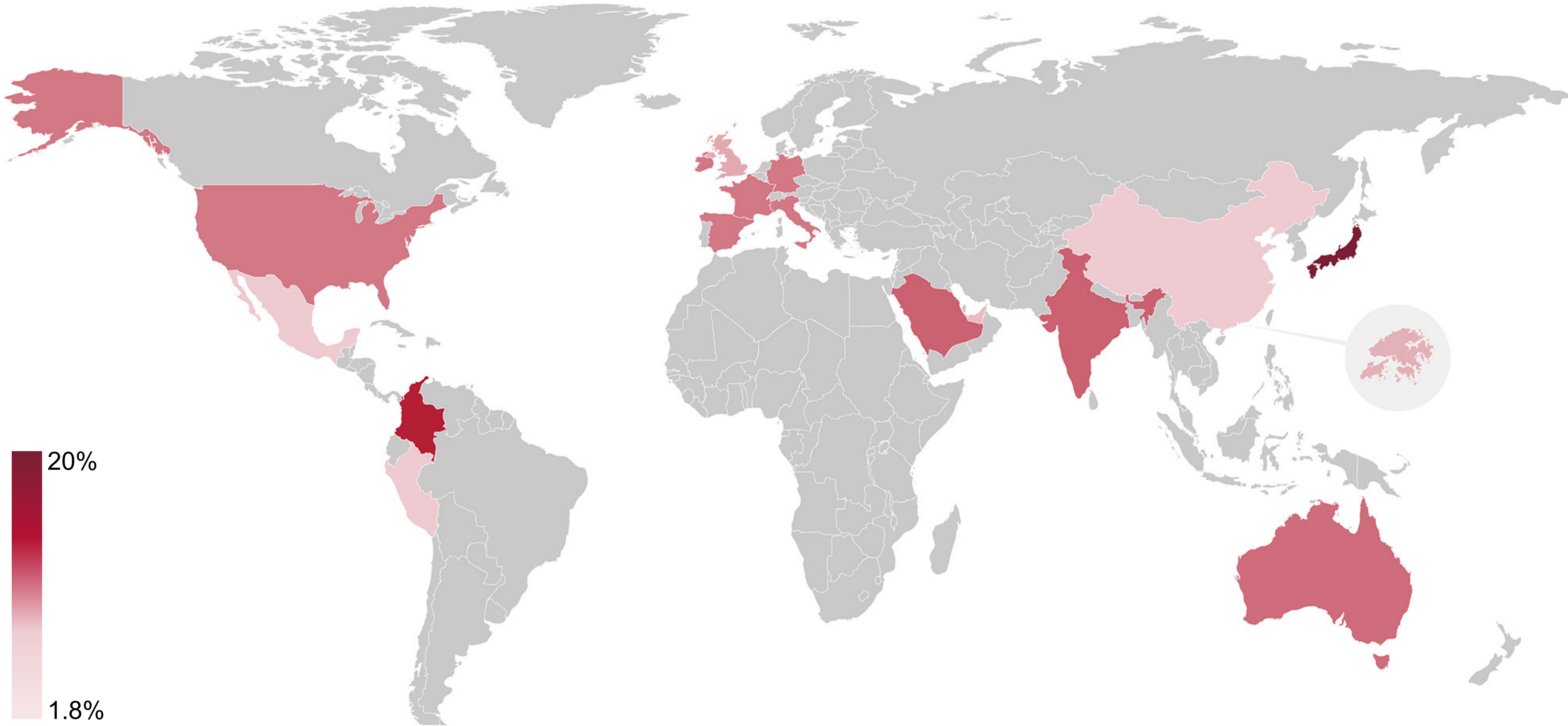
Digital innovation is revolutionising construction, from AI to advanced data analytics. Organisations must plan and invest in technologies that will enhance ROI and predict and manage future challenges. Using the right data, insight and technology will help organisations to deliver faster, better and with lasting value.

About this report

Based on our global experience, extensive data and local knowledge, this report explores the construction industry's costs, risks, and opportunities for 2024.

Global heat map

Heat map showing anticipated construction cost escalation in 2024. We predict that construction costs will increase across every one of our operating regions in the year ahead. The extent of these varies from market to market, but common drivers are clear.



Investing now to become more agile and efficient will create lasting value into 2024 and beyond.

Alan Manuel
Group Chief Executive Officer, Currie & Brown

UK and Europe: Navigating uncertainty for a steadier ride



The 2024 general election, high interest rates, and inflation are creating uncertainty for the UK construction industry. The 2022 spike in energy prices caused by the conflict in Ukraine has also increased awareness of the impact that global factors can have. At the time of writing, events in the Red Sea and wider Middle East are prominent factors in project risk assessments. The situation is still evolving at speed, meaning it is too soon to factor these events into our cost predictions. However, disruption may be felt more acutely on large-scale projects, which tend to rely more heavily on imported materials. To keep projects on track and to deliver ROI, organisations should keep a close eye on the situation and address cost increases if and when they arise.

Nick Gray, Chief Operating Officer, UK and Europe, predicts that the UK economy will remain flat through 2024, with public spending commitments, including transport infrastructure, health, and education, driving construction activity.

We expect residential and private commercial construction to remain subdued until interest rates fall. Falling property prices, a lack of skilled workers, expensive materials, sustainability compliance and sluggish productivity all present challenges to the market. New builds will take a back seat to refurbishments as the net zero agenda progresses. Overall, Nick predicts a 3-3.8% increase in UK construction costs in the next year.

A path to sustainable growth in the UK

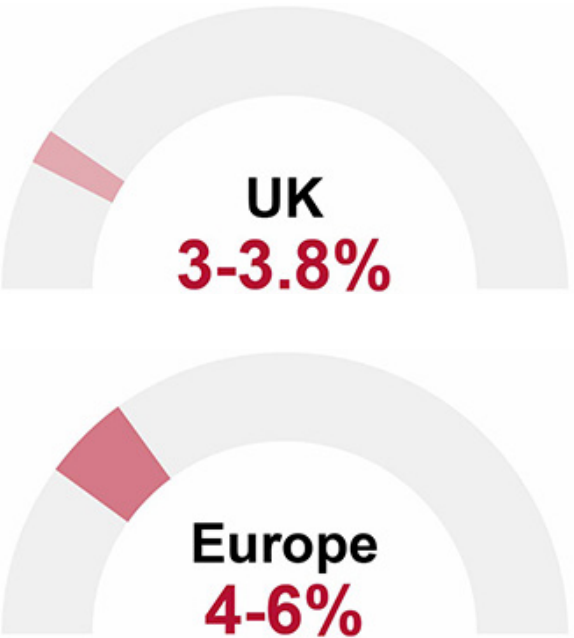
To effectively navigate 2024, the UK construction industry must meet multiple challenges. Organisations need to be agile to manage the demand for workers and materials and comply with new carbon reduction and building safety legislation. They also need to be open to innovation and use advanced digital technologies to drive efficiencies and meet clients' changing needs.

Case study

Using digital technologies to prioritise investments and mitigate risks

We're using integrated digital technologies, including electronic data capture, 3D scanning and data analytics to help one public sector client prioritise investments across a portfolio of 1000 properties, including schools and hospitals. Using 3D scanning technology, we create a point-in-time, digital replica of a building, which we use to identify potential risks and record conditions. We then apply data analytics to create different scenarios. We can see what needs to be done to comply with legislation, or what can be achieved with different levels of investment. The whole process provides greater transparency to the client, enabling them to make data-based decisions and deliver projects on time, on budget and to a high standard.

2024 forecast construction cost escalation



Past the peak: Cost inflation in Europe pulls back from the levels seen in 2023

Construction in Europe is expected to remain steady in the year ahead, although macroeconomic factors could lead to a decline. Governments across Europe are seeking to reduce inflation. Tight monetary policies have decreased investment, meaning organisations will need to be flexible and prepared to innovate to move forward.

We expect to see growth in infrastructure, data centre (see below), and hospitality construction, with a focus on sustainability. Strong labour markets, combined with low unemployment rates and rising wages are creating a challenging environment. This puts pressure on labour costs. From a rate of almost 9% in 2023, declining energy prices and stabilised material supply chains will curb cost increases in 2024 to around 4-6%.

Leading with data in Europe

We expect to see significant growth in data centres across the region. The growth of AI has led to increased investment due to a need for greater processing power and storage capacity requirements. This sector is constrained by power demand and environmental pressures, as sustainability policies come into force. The increase in demand is also driving scarcity of resources and experienced contractors. Organisations will need to diversify supply chains and materials options to mitigate this challenge and keep their projects on track and to budget.

Early collaboration with contractors will also be key. This helps the market understand project timelines and resource requirements and allows for a partnered approach to overcoming challenges. For example, skills shortages can be addressed by joint commitments to investing in training programmes.

We are working with several clients to develop faster and more collaborative procurement processes. We also develop clear and detailed target costs, helping our clients achieve value for money. In addition, we review design options and whole life carbon estimating to ensure a more sustainable future for the sector.

Transforming energy efficiency: data centres fuelling communities in Europe

Data centres generate a huge amount of heat. With creative thinking, this heat can be put to good use in local communities. This is already happening at the Old Oak Common and Park Royal development in London. Here, the plan is to capture excess heat produced by four data centres and use it to help warm two hospitals and around 9,000 homes. This kind of approach needs a huge amount of planning and upfront investment. As specialists with vast cross-sector expertise, we are working with data centre clients to produce accurate cost estimates and build a business case to secure investment.





Americas: Workers wanted for high tech growth

2024 forecast construction cost escalation



We expect construction activity in the **US** to remain steady in 2024. However, by monitoring key indicators such as inflation, interest rates, and skilled labour shortages we are prepared to help clients navigate any unexpected turbulence. We are also keenly aware of possible changes due to political uncertainty with the upcoming presidential election. While this may seem like things are very much in flux, we do not anticipate anything slowing down over the year.

Data centres, manufacturing, and semiconductor facilities are driving growth. Subsidies from the CHIPS Act and Inflation Reduction Act have added fuel to already strong construction activity in the semiconductor, battery, and electric vehicle (EV) manufacturing sub-sectors. The U.S. Energy Department recently dedicated \$15 billion to enhance EV infrastructure which will likely fuel considerable growth in the sector in 2024. These high-demand sectors are putting added pressure on labour and resource shortages, particularly for mechanical, electrical, and plumbing trades, which is driving up costs.

As a result, Rachel Personius, Associate Director in Minneapolis, expects construction costs to rise by 3-6% in 2024.

Reducing carbon, reducing costs: delivering efficiencies in the US

Sustainability regulations and legislative changes are bringing new requirements for net zero and embodied carbon, e.g. the CA SB253 and SB261 Climate Accountability act of 2023. Organisations willing to get ahead and invest now can secure competitive advantage and avoid project delays or cancellation. This doesn't always have to cost more either.

Case study

Drawing on data to meet decarbonisation targets

We co-created a roadmap with a large corporate real estate client to achieve a carbon neutral target by 2030. As part of phase 1, we helped reduce the company's embodied carbon to achieve a substantial reduction in Global Warming Potential (GWP). Using cost management data from previous projects, and our proprietary Carbon Options Tool, we reduced embodied carbon to deliver a GWP reduction of more than 30% against the baseline as well as reducing costs by 10%.

High-demand sectors are putting added pressure on labour and resource shortages, particularly for mechanical, electrical, and plumbing trades, which is driving up costs.

Rachel Personius
Associate Director, Minneapolis

Infrastructure driving growth in Latin America

Infrastructure is expected to drive growth in Mexico, Colombia and Peru. Carlos Garza, Financial Planning and Analysis Director in Mexico City, anticipates an increase in Colombian construction costs of 8-9.5% in 2024. This upward trend is due to shortages of key materials like steel and copper, coupled with rising demand for a limited pool of skilled labour. We also expect cost increases in Mexico and Peru of 1.8-2.3% and 1-2.3% respectively. Navigating economic and political uncertainty in Latin America will take agility and a willingness to adapt to changing market conditions. Local knowledge together with data-driven insight can uncover opportunities for growth.



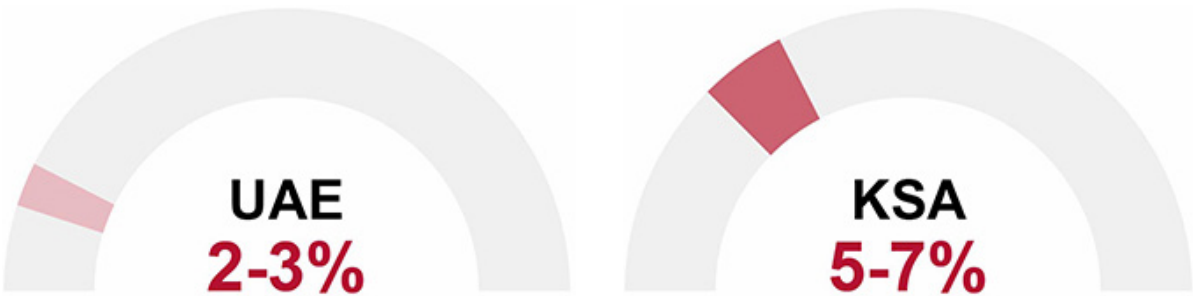


“ **Successful delivery in the region relies on deep local experience combined with expert insight.**

Doug McGillivray
Managing Director,
Southern Gulf

Middle East: Adapting for growth

2024 forecast construction cost escalation



There are huge opportunities in the Middle East, driven partly by ambitious government development plans. Despite labour and resource shortages, the construction industry continues to grow. Successful delivery in the region relies on deep local experience combined with expert insight.

Agility creates opportunity – but a considered approach is key

Opportunities are opening up for global firms in Saudi Arabia as certain tasks, such as architectural design, can now be done remotely from overseas. In the UAE, buoyant market conditions have tempted some developers to fast-track the procurement of their developments. Construction contracts have been awarded before design has been completed. As design changes are often needed, this can result in challenges during the construction phase, including delays, cost increases and disputes. Understanding and monitoring costs at all design stages ensures success.

Meeting the needs of a growing population in UAE

A budget surplus due to high oil prices will provide opportunities in the UAE for social and infrastructure development. We expect activity to grow by 3.9% per year from 2024 to 2027, fuelled by the country’s population boom. The UAE’s goal to double tourists over the next decade will strengthen activity in the hospitality sector. Doug McGillivray, Managing Director, Southern Gulf, expects construction costs to increase by 2-3%.

Supporting Saudi Arabia’s Vision 2030

Saudi Arabia’s Vision 2030 and mega project pipeline continues to buoy its construction industry. James Irvine, Regional Managing Director, Saudi Arabia, expects to see continued growth in 2024 as we get closer to the Vision 2030 date. We foresee that residential, renewable energy, data centre, infrastructure, and hospitality construction will grow. The full impact of the 2034 FIFA World Cup remains to be seen once the official announcement is made. There is significant competition to attract and retain competent labour, consultants, and contractors. This will contribute to cost increases of 5-7% per year for the next two years.

Case study

From overrun to on budget: delivering cost savings in Abu Dhabi

In Abu Dhabi, we worked with the Sea World project team to reduce costs after our initial design cost plan showed a budget overrun of 15%. We focused on elements with higher costs than benchmarks, using our experience to identify alternative design solutions. We also highlighted areas where a ‘vendor neutral’ approach would provide more competitive pricing during procurement. The final design was delivered in line with budget and quality requirements.





Asia Pacific: Skills gap impact costs

The construction industry in China faced challenges in 2023 with developer liquidity issues and nervous investors. Stella Teoh, Director, Shanghai, predicts that the market will continue to falter, but with pockets of growth in infrastructure, electric vehicles, and high-tech construction. Despite the overall slowdown, skilled labour shortages will increase construction costs by around 1.8-2.3% in China next year.

Increased government investment in public housing in Hong Kong will strengthen construction activity. Labour shortages and the need to import workers will contribute to a moderate 2.5-3.5% increase in construction costs in 2024.

In Singapore, Taiwan, and Thailand, tourism will fuel the construction sector. We expect to see increased activity in hospitality, retail, food and drink, and aviation. Data centre construction will also grow in Taiwan and Thailand in 2024 – we project triple-digit growth in Thailand’s data centre market over the next two years. We predict that material and equipment costs will remain stable, while competition for skilled labour and contractors will drive up costs. Robert Cooper, Director, Bangkok, suggests that the industry should monitor the impact of the forthcoming increase in Thailand’s minimum wage and reactions to the newly elected prime minister.

Large projects have been adding pressure on competition for resources in Japan, resulting in cost surges of 30-40% over the past two years. These projects, along with increasing high-tech construction, will keep the market busy in 2024 despite cost increases and a weak Yen. Eng Tan, Director, Tokyo, predicts projects will take longer, with costs expected to rise by 10-20% in the coming year. This is due to delays on imported materials and long lead times on major equipment. New labour regulations (from April) limiting overtime may add fuel to the fire.

Construction activity in India will grow. We will see increased government investment in infrastructure, urbanisation, and real estate, along with data centre and semiconductor growth. Satyakumar Shetty, Chief Operating Officer, India, notes that investors are hesitant ahead of countrywide 2024 elections. According to Satyakumar, construction costs will increase by 5-7% in 2024, driven by evolving regulations, skilled labour shortages and the need to comply with environmental standards. However, digital technologies help to reduce project costs and add value.

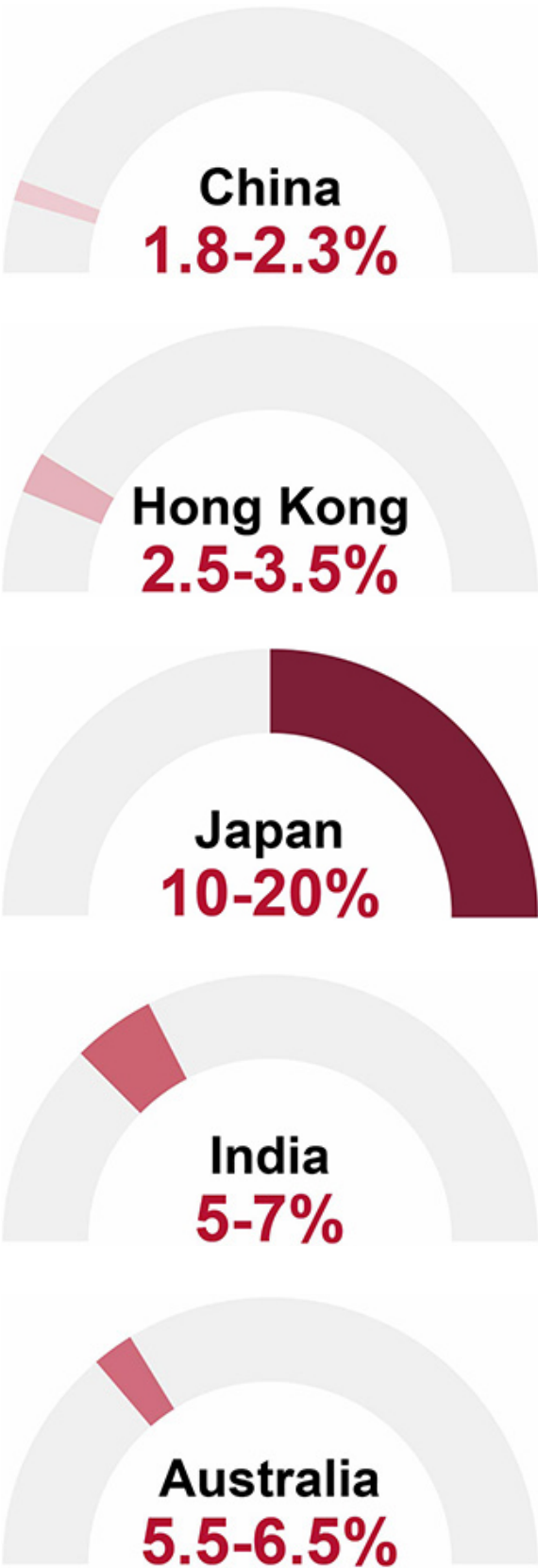
In Australia, we expect that high interest rates will lead to construction activity weakening slightly. Despite a potential slowdown and subdued market (with industry feedback indicating building value approvals fell over the last 12 months), we predict that construction costs will increase 5.5-6.5% in 2024. This is due to a severe shortage of mechanical, electrical, and plumbing labour. Other noticeable impacts on both pricing and delivery include the continuing insolvency of key subcontractors and concerns over significant fluctuations in tender pricing due to limited trade coverage being made available.

Case study

Using drone technology to accelerate cost assessments

A public sector client in India wanted to better understand what building works were needed and how much they would cost. They also needed this information fast. We recommended an aerial survey using drones to save time and cost. This method also allowed us to get exact measurements of hard-to-reach vacant land. The resulting drone videos, orthoimage and 3D models allowed the client to make fully informed decisions quickly about where to allocate budget.

2024 forecast construction cost escalation



Building a resilient future for APAC

The impact of China’s slowdown will ripple through the Asia Pacific construction industry in 2024 and beyond. We don’t yet know the size or duration of this ripple effect. Despite government action, any solution is unlikely to be a quick fix. For initial signs of recovery and renewed confidence in the economy, investors should keep an eye on the domestic property market and domestic consumption levels.

The effects of China’s situation are varied across the region. Growth forecasts for territories heavily reliant on China’s economy, such as Hong Kong and Macau, have been revised downward. Other countries, like Australia, may see a smaller impact.

Navigating the changing APAC construction market presents some challenges. **Those who adopt agile, sustainable and operationally efficient strategies will be the clear winners.** Many foreign investors are realising opportunities away from China, switching to locations such as India, Philippines, Malaysia, Vietnam and Korea. In these new markets, successfully negotiating complex regulations, market nuances and procurement intricacies requires local expertise, combined with asset-specific knowledge.

Case study

From vision to reality: enabling expansion in APAC

A manufacturer in Japan was seeking advice on a new location in Asia. With offices across the region, we reviewed regulatory hurdles, construction costs and contractor capability across multiple locations. Our local team streamlined the programme and reduced project costs using locally sourced materials, allowing the project to go ahead to scope, on time and on budget.





2024: Building resilience, realising opportunity

Uncertainty continues to be the only certainty in 2024. Resource scarcity, evolving regulations, decarbonisation goals and rising costs present challenges for the construction sector. But we believe that the potential for growth exists. At Currie & Brown, we unlock opportunities for our clients through:

Global insights, local expertise

With offices across the world, we see the big picture of global trends. But we understand that each market is different. Our teams use their deep local knowledge alongside an understanding of the global construction industry to add value to client projects.

Sustainable practices, integrated at every stage

Sustainability and having a positive impact on the world around us is at the heart of everything we do. We help clients by assessing designs for environmental impact and advising on ways to deliver a more sustainable built environment. Members of our team recently spoke at COP28 on ways to decarbonise the sector, showing our commitment to this critical cause.

Future-proof investments, driven by data and technology

Using the latest technology such as AI, data analytics and drones helps us drive efficiency in client projects. Our people are empowered to make quick decisions, informed by data, to help clients deliver projects on time.

“2024 will bring fresh challenges for the construction industry, but these also present opportunities for firms and their clients. By getting ahead on sustainability, embracing digital technologies, and developing new ways of working, both will benefit from operational efficiencies.

Alan Manuel
Group Chief Executive Officer, Currie & Brown

We provide the certainty needed to enable better sustainable built environments for all.



About us

Currie & Brown is a world-leading provider of cost management, project management and advisory services, covering the full range of public and private sectors. Our purpose is to add value that makes building a better future possible. We help clients navigate volatility and unpredictability, providing the certainty that enables better, more sustainable built environments for all. Our services reflect the complexity of physical assets' uses and integrated lifecycles, addressing every aspect, from concept, design and construction, to the assessment of best-value options for ongoing use, maintenance, operation and eventually deconstruction.

With principal offices in London, Dubai, Riyadh, Hong Kong, Mumbai, New York and Shanghai, we operate across 70 offices throughout the Americas, Asia Pacific, Europe, India and the Middle East.

Currie & Brown is a part of the Sidara collaborative.

About the research

The figures within the report have been extrapolated from regional sources that reflect escalation and growth cost at the time of publication in February 2024. No assurances are given that any future results or events will be consistent with any views, forecasts, advice, anticipations or expectations within the report.



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