COST OF CONSTRUCTION UPDATE FOR THE YEAR 2025: POSITION OF SRI LANKA (COLOMBO) WITHIN THE ASIAN REGION

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ABBREVIATIONS

CBSL	Central Bank of Sri Lanka
CIDA	Construction Industry Development Authority
GDP	Gross Domestic Product
PMI	Purchasing Managers' Index
SSCL	Social Security Contribution Levy
VAT	Value Added Tax

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1. ABSTRACT

The construction sector in Sri Lanka plays a vital role in national economic development, contributing approximately 7 - 8% to the GDP. After facing a period of economic instability, inflation, and disrupted project activity in previous years, the industry entered a phase of gradual recovery during 2024, and by 2025, demonstrates notable resilience. Amidst ongoing social, political, and fiscal reforms, construction demand is strengthening, and investor confidence is being slowly restored, supporting renewed activity across local markets. This study examines construction cost trends in Colombo, Sri Lanka, for 2025, comparing them with key cities in the Asian region. Data were obtained from local experts and internationally recognized cost surveys, covering six building types: high-rise apartments, prestige offices, 3-star and 5-star hotels, large shopping complexes, and industrial warehouses, with all costs converted into US dollars to ensure consistency in regional comparisons. Findings reveals that overall construction costs have increased in 2025 compared with 2024. The primary drivers were identified as rising labour wages influenced by statutory wage adjustments, skilled worker migration, and the use of foreign labour. Material costs remained relatively stable, and exchange rate fluctuations were minimal. Fiscal reforms, including changes to Value Added Tax (VAT) thresholds and the elimination of the Simplified VAT (SVAT) scheme, impacted project financing and cost structures. Despite these factors, Colombo maintains one of the most competitive construction cost positions in Asia, ranking among the lowest across most building categories. The findings underscore the importance of accurate, up-to-date construction cost information for project planning, feasibility assessment, and investment decision-making. Policy interventions targeting labour efficiency, streamlined taxation, and energy cost stability are recommended to sustain Colombo's competitiveness and strengthen the industry's role in supporting Sri Lanka's broader economic recovery.

Keywords: Built Environment, Cost of Construction, Inflation, Construction Materials, Investor, Asia.

2. INTRODUCTION

The construction industry is complex, uncertain, and heavily dependent on labour, materials, and multiple stakeholders (Lafhaj et al., 2024). The complexity directly affects project planning, timely delivery, and quality control, and thereby making effective cost management a critical requirement within built environment.

The built environment constitutes a fundamental driver of national growth, facilitating both the improvement of living standards through essential infrastructure and housing, and the scalability of business operations through the provision of purpose-built facilities and industrial zones. Meanwhile, a stable and growing economy enables investments that better align with regional and global standards. The construction sector makes approximately 7% contribution to Sri Lanka's GDP in the year 2024, highlighting the significance through economic activities and employment in the country (CBSL, 2025). In this context, Sri Lanka's economy recorded a growth of approximately 5% in 2024 and is projected to grow by 4.5% in 2025 according to Central Bank of Sri Lanka (CBSL) (CBSL, 2025). Hence, the consistent growth trajectory reflects the alignment with the broader trends in Asian region. Therefore, the reciprocal relationship between construction and the economy highlights the importance of reliable cost information for a sustainable development momentum.

From early 2024 onward, significant fiscal and regulatory requirements have reshaped the construction cost structures. The increase of VAT and Social Security Contribution Levy (SSCL) thresholds were at 80 million and 120 million earlier and they have been reduced to 60 million both effective from January 2024 (IRD, 2026). Lately, in the Annual Budget for 2026, the VAT threshold is proposed to be reduced further to 36 million from April 2026 (IRD, 2026). The threshold reductions have expanded VAT registration among small and medium scale construction firms enabling the recovery of previously embedded indirect taxes, improving cost transparency, and reducing tax cascading effects. Consequently, VAT is explicitly reflected in construction pricing, the net cost impact for VAT registered clients has been neutral or moderate, rather than inflationary, particularly in formal construction projects. However, the fiscal stability of this sector was negatively impacted by the abolition of the SVAT scheme in October 2025, a policy shift that has forced investors to navigate intensified liquidity constraints (IRD, 2025). The transition from a tax suspension mechanism to a refund-based model has directly inflated financing costs, particularly for capital intensive projects with extended gestation periods, necessitating a recalibration of project budgets to account for deferred tax recoveries (IRD, 2025). In addition, budgetary proposals for 2025 included a change of National Minimum Monthly Wage from Rs. 21,000 to Rs. 27,000 from April 2025 and it is expected be increased further to Rs. 30,000 in April 2026 (Ministry of labour, 2025).

Furthermore, the electricity tariff changes are done quarterly by Public Utilities Commission of Sri Lanka (PUCSL) to account for fluctuations in crude oil markets and rainfall patterns which affects the demand and supply of electricity within Sri Lanka, while paying attention to public proposals as well (PUCSL, 2025).

The Figure 1 shows the tariff changes for the industrial category (supply at 400/230v & contract demand >42kVA) as a general reference to reflect the change in prices.

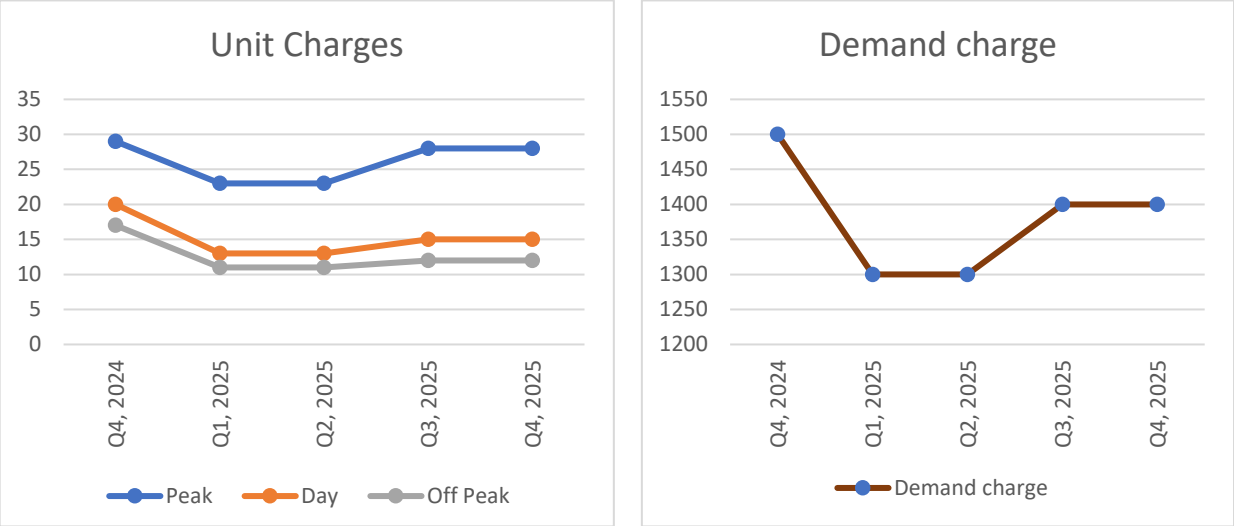

Figure 1: Electricity Tariff Changes

Despite negative impacts on construction costs, a brief period of relief was observed in construction due to reduction of CESS Levy on important cement by Rs.50 per 50kg bag, since late 2024. A move further by Committee on Public Finance (COPF) approved a reduction of Rs.100 per bag considering all the implied changes after CESS reduction (Parliament, 2025). However, this downward price trend was short lived by mid-2025, cement manufacturers were forced to increase wholesale prices by approximately Rs. 100 per bag to offset a sharp rise in production overheads, specifically escalating thermal energy costs and the rising global price of raw materials mainly the clinker (The Morning, 2025).

Additionally, construction industry indicators such as Sri Lanka Purchasing manager's Index (PMI) for construction recorded a robust 67.6 points which is highest since 2021, meaning higher activity levels and placing upward pressure of material costs through lengthened supplier delivery times (CBSL, 2025). Meanwhile, Sri Lanka has been reviving from economic downfall with the help of debt restructuring and further reforms guided by IMF from March 2023. The Extended Fund Facility Programme (EFF) by IMF has impacted Sri Lanka in terms of debt sustainability, actions against corruptions, transparency, and government reforms (IMF, 2025). IMF's Third and Fourth Reviews of the Extended Fund Facility (EFF) prioritized the clearing of government expenditure arrears to contractors and the resumption of major foreign funded infrastructure projects (IMF, 2025). Concurrently, the stabilization and appreciation of the Sri Lankan Rupee (gaining roughly 19% against the USD by early 2025) triggered a rare period of deflation starting in September 2024, which lowered the cost of imported materials and energy reflective administrative prices in terms of fuel and electricity (Central Bank of Sri Lanka, 2025).

CBSL maintained interest rates to maintain the inflation rates around the 5% target, adhering to Monetary Policy Regulatory Framework agreed with IMF, influencing financing costs for construction projects (IMF, 2025). Collectively, all developments since late 2024 highlight the construction environment characterized by both recovery and volatility, reinforcing the requirement for reliable source for context-based construction cost information to support accurate estimating, bidding, feasibility analysis, and sustainable investment decisions. Demand for rebuilding damaged residential buildings, infrastructure and agriculture is approximately USD 4.1 billion and is 4% of GDP 2024 in Sri Lanka this may increase the construction cost in Colombo from second quarter 2026 (Amaratunga & Kodituwakku, 2026).

3. METHOD

The paper presents an initial background study, literature analysis, and data collection and analysis using the document reviews and the cost analysis data available with the authors. The categories of costs are in line with the internationally published construction cost surveys, and the data is considered in single currency of US dollars for easy understanding and visualization. However, there are limitations due to exchange rate changes and costs would seem high for a stronger currency.

Table 1: The Building Categories Analysed

Category	Projects Considered Locally
Apartments high-rise	• Over 20 and up to 40 storeyed • Considered 90 – 120 m^2 per unit
High-rise prestige Offices	• Over 20 and up to 40 storeyed with modern facilities
Large Shopping Complex	• Large Malls
Industrial Warehouse	• Warehouses at 6.00 m eave height
Hotels: (a) 3 Star	• As categorized by tourism authorities
Hotels: (b) 5 Star	• As categorized as resort type hotels by tourism authorities

The cost was determined by calculating the average of the highest and lowest values. Moreover, the following provides the cost elements that have been included and excluded from unit rate calculations to make a uniform basis for comparison.

Table 2: Includes and Excludes in the Cost Data

Included	Excluded
Preliminaries	Loose furniture and fittings
Substructure and superstructure	Subdivision partitions in office buildings
Masonry works	Internal telecommunication systems
Doors and windows, joinery, and metal works	Sales and other value added taxes
Hard floor, wall, and ceiling finishes	Site works and drainage & tenancy works
Painting internal and external	Land cost
Mechanical, Electrical and Plumbing works	Legal and professional fees
Extra Law Voltage (ELV) systems	Interest/opportunity cost on investment

The costs of construction in different cities in the Asian region except Colombo were obtained from the Construction Market Update 2024 published by Rider Liver Bucknall, PAQS International Cost Summary 2024, and Turner & Townsend: International Construction Market Survey 2025. The table below presents the exchange rates used to convert each country's currency into USD.

Table 3: Exchange Rates

Country	Exchange Rate
Colombo	0.0032
Kuala Lumpur	0.2500
Shanghai	0.1400
Beijing	0.1400
Bangalore	0.0110
Jakarta	0.0001
Seoul	0.0007
Singapore	0.7800
Hong Kong	0.1300

The cost data of construction in Colombo was collected from experts in Sri Lanka using both the survey and the interviews. The collected data is analysed together with available data for other cities in Asian region. Majority of the data were obtained to reflect up to third quarter of 2025. The descriptive statistics were used to present the findings.

4. DATA COLLECTION AND ANALYSIS

This chapter analyses the collected data on construction costs of diverse types of buildings in different cities. Figure 1 to 7 below provide updates on the cost of construction in 2025 of various cities in Asia for the diverse types of buildings. The construction costs across various cities were standardized by converting them into US dollars, allowing for consistent and comparable analysis. The data was collected from Rider Liver Bucknall website and Arcadis website.

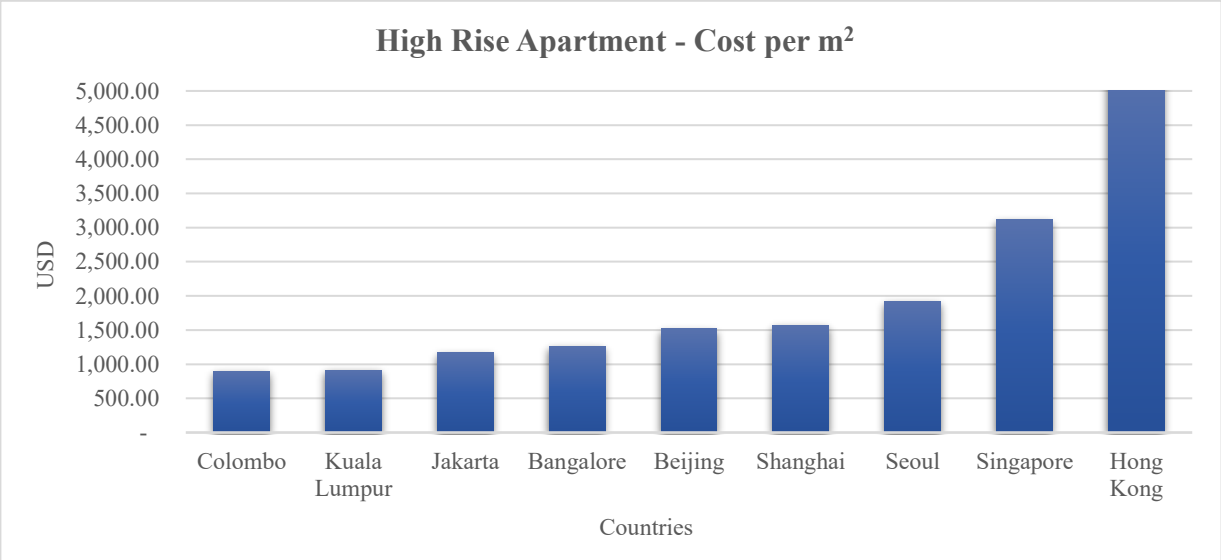

Figure 2: High Rise Apartment - Cost per m²

Figure 2 depicts the construction cost per m^2 for High rise apartment buildings in Asian countries. The cost includes the total cost of apartment buildings including finishes.

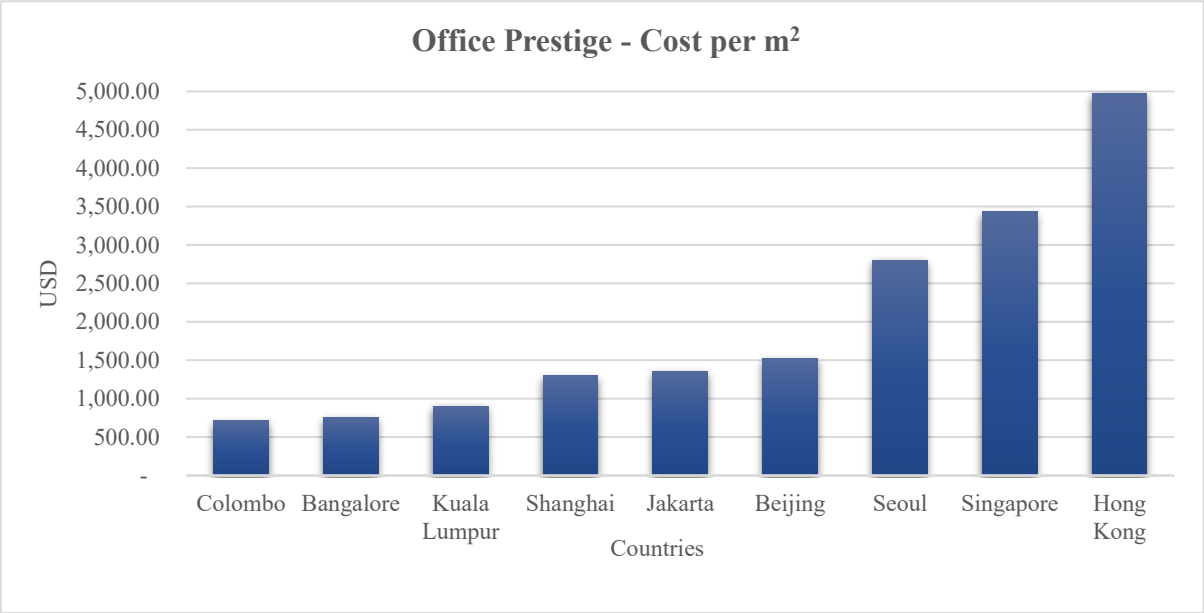

Figure 3: Office Prestige - Cost per m^2

Figure 3 depicts the construction cost per m^2 for high rise prestige office buildings with modern facilities. The cost data for Colombo excludes the cost of interior finishes and partitions.

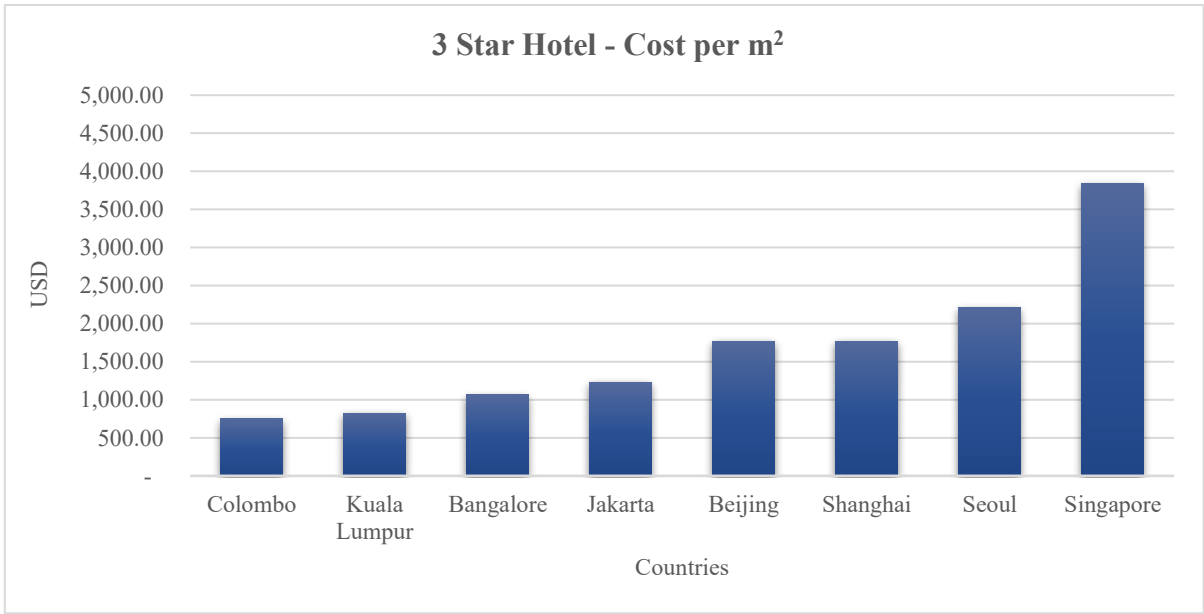

Figure 4: 3 Star Hotel - Construction Cost per m^2

Figure 4 depicts the construction cost per m^2 for 3-star hotel in Asian cities. The construction cost represents the total building cost excluding furniture, fittings, and external works. However, the cost data for Singapore, Beijing, Shanghai, and Hong Kong include the costs of furniture, fittings, and external works. Consequently, the construction costs of 3-star hotels in these cities are comparatively higher than those in other cities. Nevertheless, Colombo remains the city with the lowest construction cost.

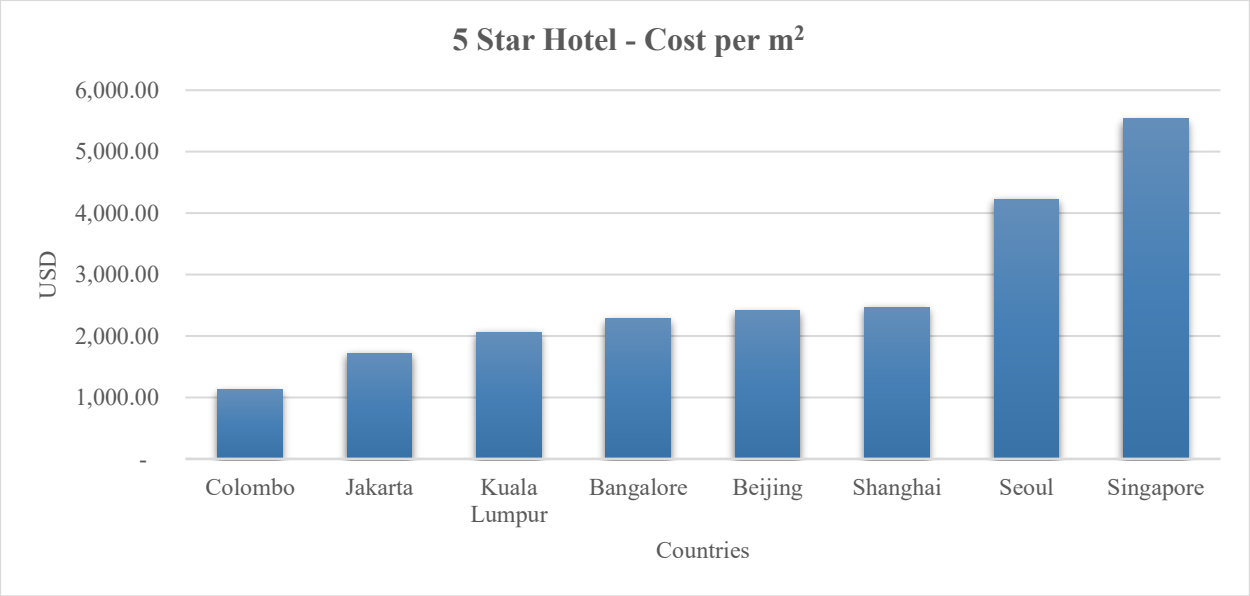

Figure 6: 5 Star Hotel - Construction Cost per m²

Figure 5 portrays the construction cost for 5-star hotels in Asian countries. Similar to 3-star hotel cost the construction cost for 5-star hotels in Singapore, Beijing, Shanghai, and Hong Kong include the costs of furniture, fittings, and external works. However, Colombo remains in the first lowest position. It is to be noted that these are for the resort type 5-star hotels and high end 5-star hotels in Colombo Urban areas have an estimated cost of USD 1400 – 1500 as reported by the survey responses which also positions Colombo in the lowest position in Asian countries.

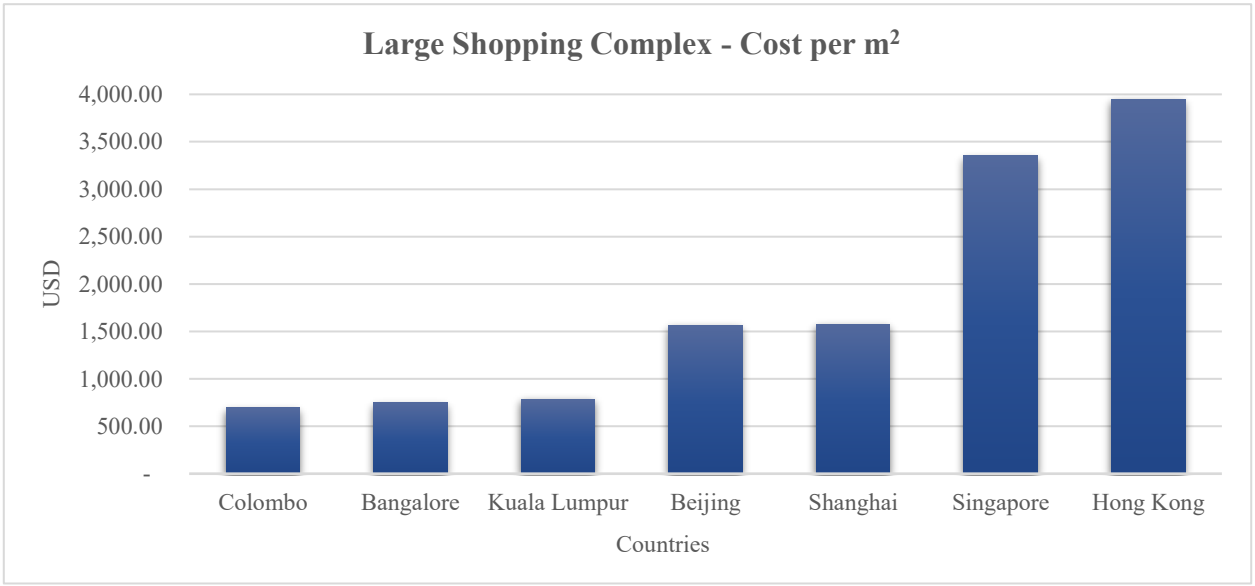

Figure 5: Construction Cost - Large Shopping Complex Cost per m²

Figure 6 portrays the construction cost for large shopping complex in different Asian cities for m^2. Further, the cost data for Singapore and Colombo exclude the cost of tenant fit-out areas and Colombo records the lowest position. In addition, in calculating the cost of shopping malls in the cities of Beijing, Shanghai, and Hong Kong, approximately 30%–40% of the total floor area is considered as arcade areas. Due to the unavailability of accurate cost data, the results are not compared under identical conditions.

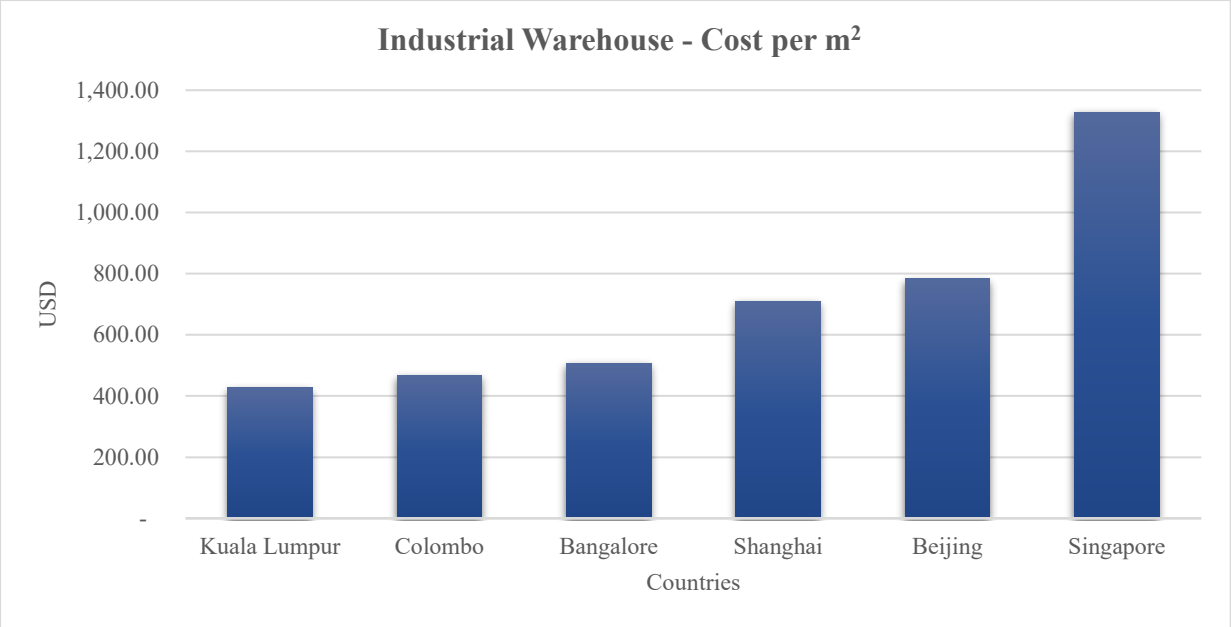

Figure 7: Industrial Warehouse - Cost per m²

Figure 7 depicts the cost per m^2 for industrial warehouse in different Asian countries. The cost comprises the rate per square meter for the shell only structure. Furthermore, the warehouse is considered a single storey building with metal cladding and without air conditioning.

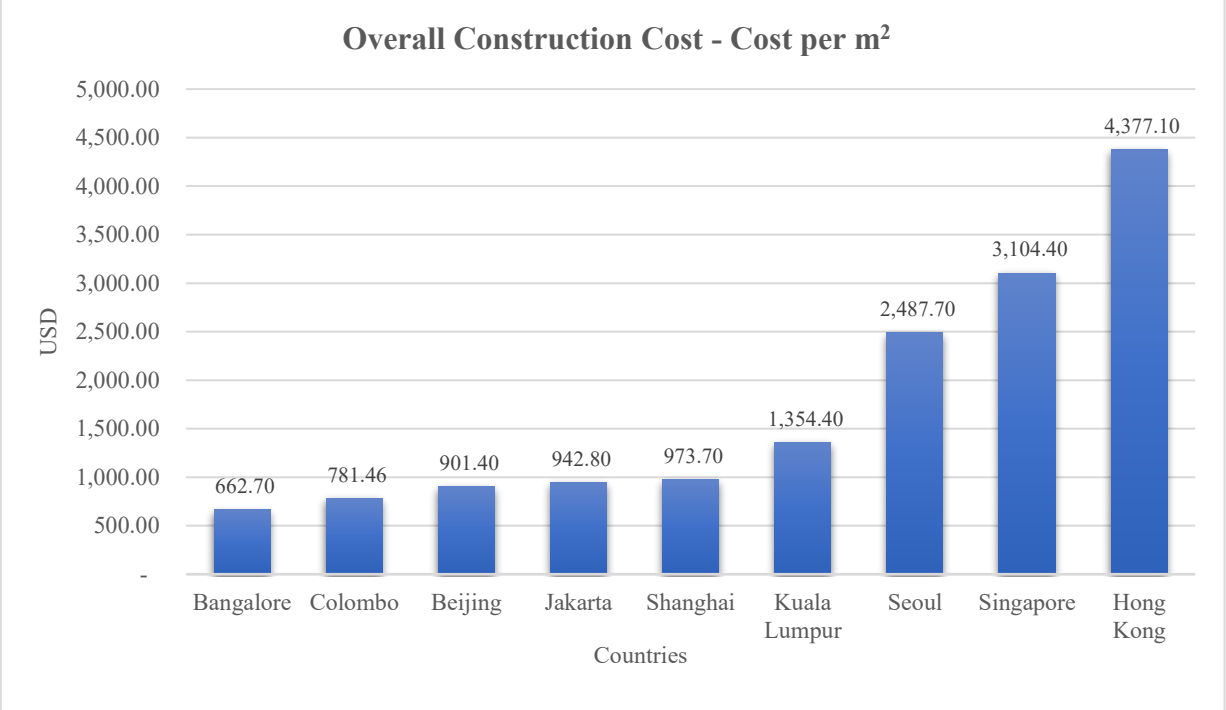

Figure 8: Overall Construction Cost per m²

Source – Turner & Townsend 2025

Figure 8 portrays the overall construction cost per m^2 in different Asian cities. Colombo still remains in the second lowest position in Asia. Since data for Mumbai were not available, data from Bangalore were utilised.

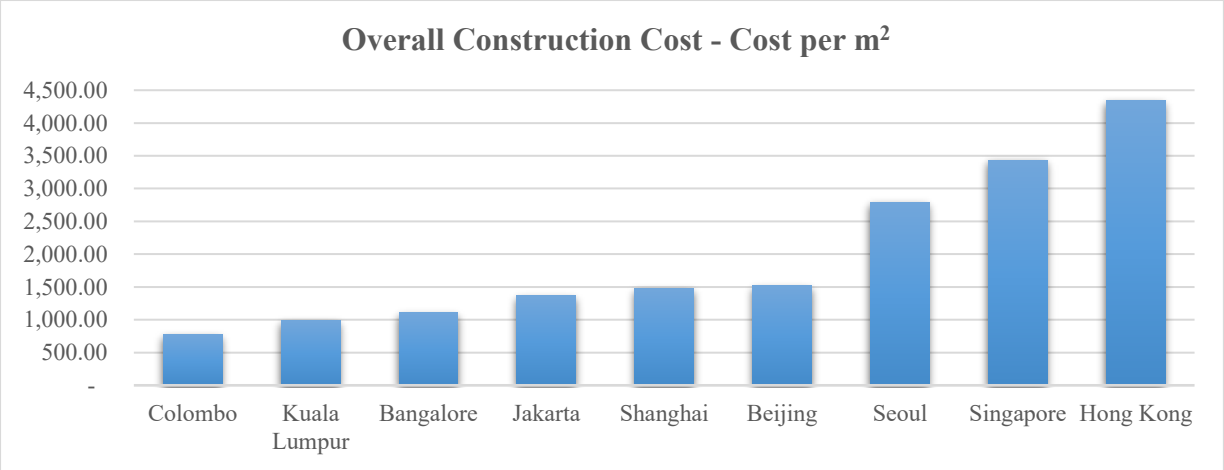

Figure 9: Overall Construction Cost per m² Based on the Collected Data

Further, Figure 9 portrays the overall cost data calculated from the data collected for each type of buildings. According to Turner and Townsend data, Bangalore is in lowest position and Sri Lanka obtains the second lowest position. However, according to the collected data from Rider Liver Bucknall and Arcadis Data, Sri Lanka is positioned in the lowest position in Asia. There is a discrepancy in data since the data was collected from various sources. However, Sri Lanka is in either lowest or second lowest position.

5. DISCUSSION

The construction industry in Sri Lanka has demonstrated a positive growth trend within the selected Asian cities when compared to 2022, with a notable acceleration observed from 2024 onwards. The performance of the Sri Lankan construction industry improved significantly from 2024, as evidenced by comparisons of construction costs per m^2 across all six building types with corresponding data from other countries. Furthermore, in 2024, Sri Lanka occupied the first three positions in ascending order when construction costs per m^2 were compared across each building category. However, in 2025, Sri Lanka notably recorded the lowest construction cost position in five building categories and the second-lowest position in the Industrial Warehouse Building category. Although construction costs in Sri Lanka have increased substantially compared to 2020, they have declined significantly relative to 2022 levels. Despite this increase, Sri Lanka continues to record the lowest construction costs across all analysed building categories within the Asian region.

Considering the 2024 construction cost updates, Colombo continues to maintain the lowest cost position when compared with other cities in the Asian region. It is also important to note that construction cost comparisons involving Beijing and Shanghai are often subject to misinterpretation, as available cost data for these cities frequently represents shell and core costs only, excluding finishes, fit-outs, and building services. In contrast, the cost data utilised for Beijing and Shanghai in this study comprehensively includes finishes, fit-outs, and services costs.

The Figure 10 shows the percentage deviation of material prices and USD exchange rate from September 2024 to October 2025.

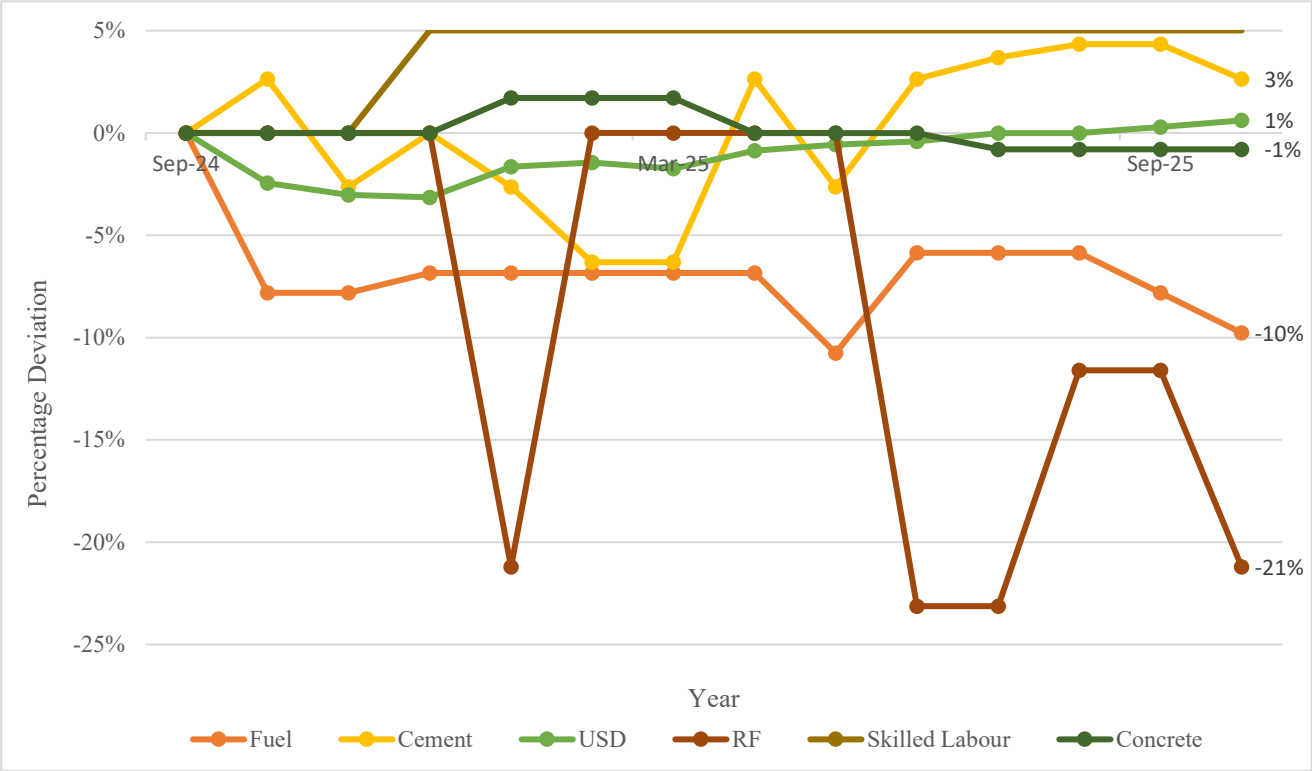

Figure 10: Percentage Deviation of Material Prices and USD Exchange Rate

According to the Construction Industry Development Authority (CIDA) bulletin of construction statistics published in 2025, the average prices of major construction materials, including reinforcement steel, fuel, and concrete, decreased by 21%, 10%, and 1% respectively in 2025 compared with 2024. In contrast, cement prices increased by 3% in 2025, despite a temporary decline observed in early 2025. During the same period, the USD exchange rate fluctuated within a margin of 1%. Despite the increase in certain material prices, the price of concrete declined by 1%, primarily due to the significant reduction in fuel prices.

However, the average construction cost increased in 2025 compared with 2024. The average construction cost was analysed in both USD and LKR. Construction costs increased by 81% when measured in LKR, whereas the corresponding increase was only 13% when expressed in USD for the same period. The increase expressed in USD is substantially lower than that observed in LKR, primarily due to fluctuations in the exchange rate. This discrepancy clearly demonstrates that exchange rate movements play a critical role in construction cost analysis. Despite the reduction in material prices and relative stability in the exchange rate, the increase in construction cost is mainly attributable to a substantial rise in labour wages. Labour wages increased considerably due to the high demand for skilled labour. In the absence of actual labour wage data, CIDA indices were analysed in this study. According to these indices, skilled labour wages increased by 5% in 2025.

Similarly, wages for unskilled and semi-skilled labour also increased significantly. With the help of Bidding data in year 2025 from VFORM Consultants Private Limited, it clearly shows that the prevailing of high labour rates, increase in item rates in Bills of Quantities of bids, less qualified firms, reduced number of competent Small and Medium Enterprises (SME). As the construction industry is highly labour intensive, the increase in labour costs has offset the reduction in material prices, resulting in an overall increase in construction costs.

The demand for skilled labour intensified due to the migration of local workers to foreign countries. To address the shortage of skilled labour and to meet project requirements, foreign labourers were employed in local construction projects, which directly contributed to the increase in labour wages. As a result of these price variations and changes in construction costs, although construction costs in Sri Lanka increased by 10% in 2025, Colombo remained the second lowest cost city on overall construction cost (Figure 8) in the region compared with 2024, while Mumbai continued to hold the lowest position and remained approximately 8% lower than Colombo. Therefore, despite the increase in construction costs, construction costs in Sri Lanka have not had a significant impact within the Asian region and have improved their relative positioning by remaining among the lowest in Asia in most categories.

Moreover, the Sri Lankan construction industry has shown 12.2% growth in the 3rd quarter of 2025 and generated Rs. 499.9 billion Gross Value Addition (GVA) (DailyMirror, 2025). Further, this has 6% of the country's total GDP for the period. In addition, despite the increase in material prices, cement supply has increased by 17.7% during the year. Moreover, mining of construction materials' sub-sector has recorded 17.8% growth and 49% increased log production by state timber corporation. In addition, Sri Lankan steel manufacturer Melwa has recorded a first ever large-scale export of 15,000 metric tons of reinforcement steel to the Canadian construction market. Finally, construction activities have expanded by 10.5%, real estate activities by 3.3% and professional services sector by 3.1%.

The relationship between the percentage deviation in construction costs and fluctuations in the prices of reinforcement steel, concrete, and cement, as well as exchange rate variations up to 2025, with 2020 considered as the base year is illustrated in Figure 12. The data are based on annual average values rather than inconsistent peak values. The Figure 11 depicts the percentage deviation of the cost of construction up to 2025, considering year 2020 as the base year.

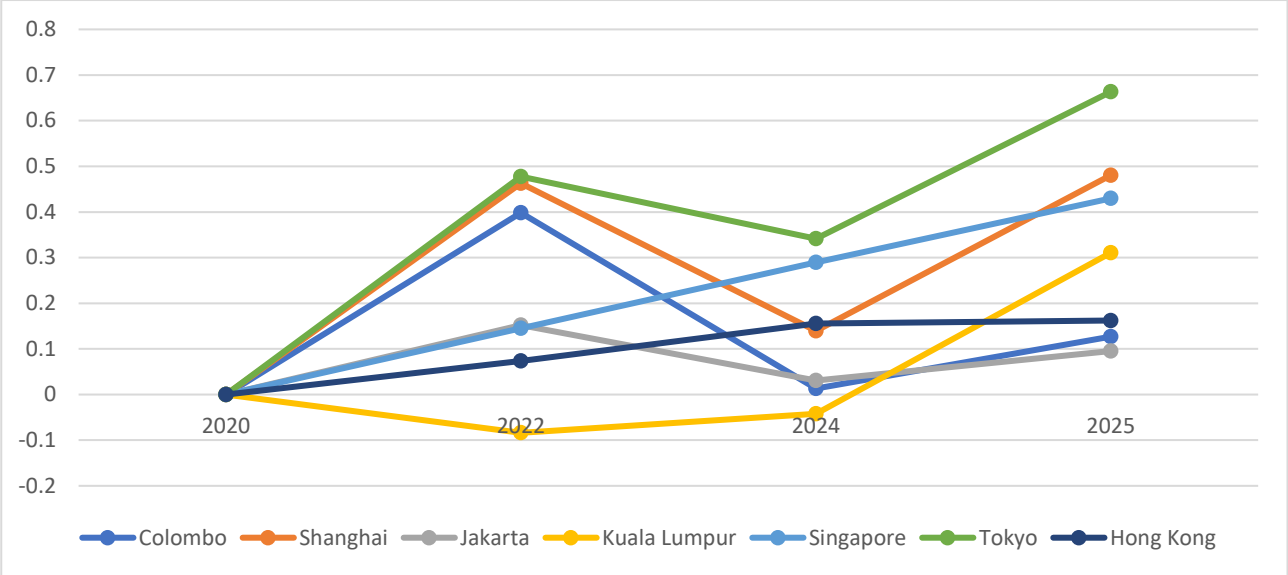

Figure 12: Percentage Deviation of Construction Costs in USD

(*Noteworthy to see that some countries have not been negatively impacted by the COVID pandemic and therefore a further verification of data available may be necessary on same*).

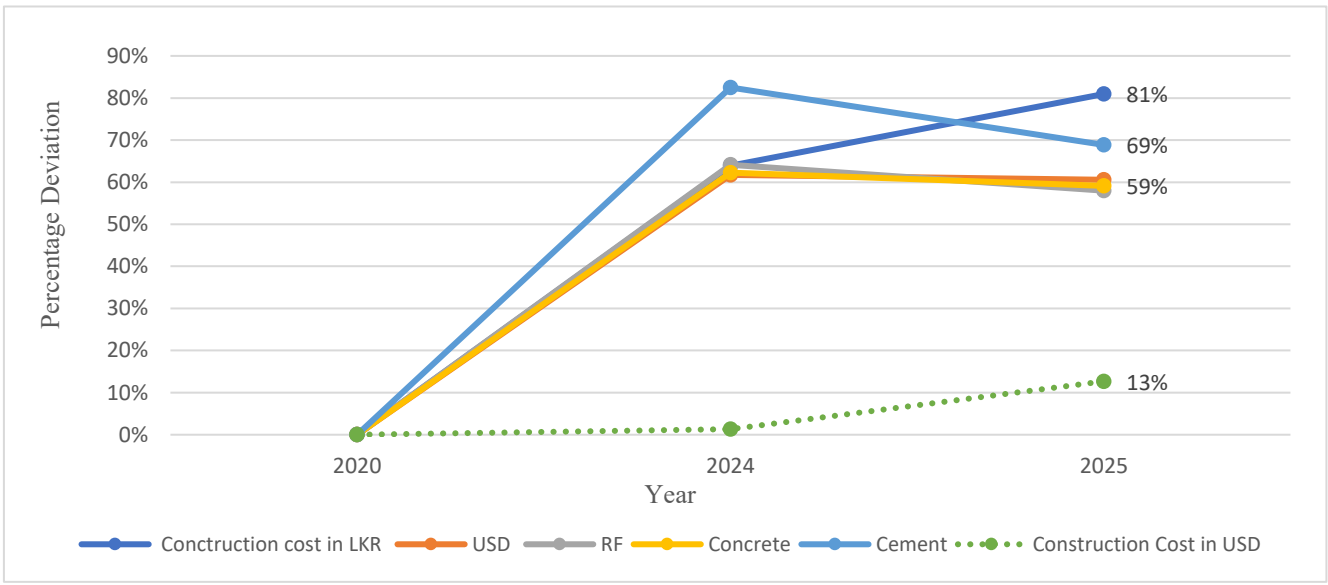

Figure 11: Percentage Deviation in Construction Costs and Other Variables

The graph demonstrates that each country responds differently to the impacts arising from the various events occurring during the period analysed. Compared to other countries Sri Lanka has recorded a higher value in 2022. However, in 2024 the construction cost significantly reduced and secured the 2nd lowest position despite its' high value in 2022. Further, in 2025 still the Sri Lanka secures the 2nd lowest position among the countries. Therefore, Sri Lanka has recovered within the last 3 years from a high inflation and substantial decline in the construction sector. As per the Figure 11 and Figure 12, the Colombo construction cost increased by 13% only in USD terms since the Year 2020, while the LKR depreciation against USD is 60% in which period. As a result, construction cost has increased by 81% in LKR terms. This signifies impact of exchange rate and currency depreciation in cost of construction in Sri Lanka.

Despite the significant and often unaffordable increase in construction prices for Sri Lankan residents, government and development projects continue to advance. On of the leading property developer has responded that the bidding strategy of the majority of the firms in late 2024 and year 2025 were with a focus of existence or continuation rather than making profits due to the downfall in the demand in the Year 2025 or aftermath of economic crisis.

Despite these issues still the investors are willing to invest in Sri Lanka due to its' strategic location in the Indian Ocean, strong tourism brand, and high demand for renewable energy, logistics and digital services. Further, port city is an important platform to attract investors towards the country. In addition, this project creates more employment opportunities and attract high end brands to settle in Sri Lanka and boost the economy. Further, this port city project will inject new impetus into Sri Lanka's economy. Moreover, numerous public sector projects have been initiated in 2025 to boost the economy and the construction sector. "Rividanavi" Solar Power Park project was initiated in September 2025 which will add 100 MW of capacity to the national electricity grid. In addition, India has assisted for housing scheme stage II of phase IV in Bandarawela. India agreed to construct 10,000 houses in various stages under different phases. Further, around 87 foreign projects were resumed under the new government which were halted during economic crisis including 11 projects by Japanese government and 76 projects by Chinese government (Economy next, 2025).

Although the period of double-digit construction inflation has ended, this does not imply that the industry's difficulties have been resolved. Revitalising the construction sector and positioning it as a dynamic and resilient industry remains challenging, as many subsectors within the value chain still require additional stimulus. The oligopolistic nature of material markets is often cited as a key contributor to elevated price levels. Moreover, the cost of financing continues to be significantly higher compared to international markets. In addition, increased taxation and prolonged approval procedures are regarded as major drawbacks of the Sri Lankan construction industry and act as deterrents to potential investors.

6. CONCLUSION AND RECOMMENDATIONS

This study examined construction cost trends in Colombo within a comparative Asian context using updated cost data reflecting conditions up to 2025. The study confirms that construction costs in Sri Lanka increased in 2025 compared with 2024. However, Colombo continues to remain among the lowest cost construction markets in the Asian region across most major building categories.

Accordingly, the above findings would be quite encouraging for investors who wish to invest in Sri Lanka. The misconceptions that construction costs level in Colombo, Sri Lanka, is higher compared to regional costs is therefore unfounded.

From the analysis, it is evident that the Colombo construction cost increased by 13% only in USD terms since the Year 2020. However, the LKR depreciation against USD is 60% in which period. For a simple calculation assume the construction cost of a m^2 is USD 100.00 in 2020 which is now USD 113.00. In the same period LKR to USD exchange rate rose from say Rs. 100.00 to Rs. 160.00. Now in USD terms it increases at the rate of 1.13 (113/100) while LKR depreciation being at the rate of 1.60 (160/100). Then the 1.13 X 1.60 becomes 1.81. Hence in LKR terms construction cost increased by 81%, as depicted in Figures 11 and 12 of this paper. This signifies impact of exchange rate and currency depreciation in cost of construction in LKR terms.

The question how Colombo Sri Lanka become competitive in 2025 should also be viewed rationally. With the substantial downturn in demand in the Year 2025 or aftermath of economic crisis the firms have secured projects for survival. In other words, in the period of late 2024 and Year 2025 bidding strategy, in a highly competitive time where less demand and more players, was existence or continuation in business than making profits for many firms in construction sector. This is evident from statements of property developers based on the Bids submitted by the Contractors, Subcontractors and Suppliers.

For an investor, next concern would be “Will this competitiveness continued to be there?” In reviewing the relevant literature and recent Bids received continuation of this level of competitiveness may not be there for 2026. In the findings, it discloses the Year 2025 is a special year for Sri Lanka, where firms took steadying time in continuing business and going into future. This is one of the key reasons why Colombo prices have become most competitive in most categories, in 2025 compared to previous papers published on this subject based on cost data in 2018, 2022 and 2024.

The above is a strong message that highlights the urgent need for capacity building within the construction industry to effectively manage rising construction demand, including the reconstruction of infrastructure damaged by the Ditwah cyclone. Furthermore, they have indicated with an example that it is difficult to find a good piling contractor at present, due to low capacity and high demand. That also signals that many projects have started and in substructure level. Thus, upward pressure for construction cost is expected. However, investors may remain optimistic of extremely competitive construction cost since there are cost reduction or downward pleasures also there. Mainly:

1. Duty concessions for Board of Investment (BOI) approved projects.
2. Concessions available for Port City Colombo.
3. Reduction in corruption level.
4. Reduced cost of finance, stable interest rates & exchange rates, lower and stable inflation rates, and availability of credit instruments, compared to past few years.
5. Improved balance of payment and foreign reserves.
6. Conducive reforms proposed including early project approvals.
7. Policy makers focus on improved law and order.
8. Political stability.

Overall, the findings suggest that Sri Lanka's construction industry has entered a phase of postcrisis realignment characterized by rising absolute construction costs but sustained regional competitiveness. Colombo's continued positioning among the lowest cost construction cities in Asia underscores the sector's capacity to absorb fiscal, labour, and energy related shocks without losing its relative market attractiveness.

It is necessary for the Sri Lankan construction market to induce joint ventures: of local firms; local and international firms; and Public and Private partnerships in going forward and to resolve; capacity issues, infusion of modern technologies and capital. In this evolving environment, access to reliable, timely, and context specific construction cost information remains critical for accurate cost estimation, feasibility analysis, investment appraisal, and policy formulation. To manage future cost pressures, policy interventions should focus on improving labour productivity through targeted training and retention strategies, easing investor liquidity constraints by streamlining VAT refund mechanisms, stabilizing energy pricing frameworks, and enhancing regulatory efficiency. These measures are essential to improve cost control, strengthen investor confidence, and sustain Sri Lanka's competitiveness within the Asian construction market. Addressing these structural challenges will enable the construction sector to consolidate its role as a key driver of national economic development and strengthen Sri Lanka's competitive standing within the broader Asian construction market.

In particular, rising labour wages and financing related pressures played a dominant role in shaping overall construction cost increases. Severe shortages of skilled and semi-skilled labour, exacerbated by outward labour migration and statutory wage revisions, significantly increased labour costs and offset reductions in material prices. Fiscal and regulatory reforms introduced since early 2024 further influenced construction cost structures. While reductions in VAT registration thresholds improved cost transparency, the abolition of the SVAT scheme had a direct adverse impact on investor and developer cash flows by shifting from a tax suspension mechanism to a refund-based system. This increased upfront capital requirements and financing costs for investors, particularly for large scale projects with extended payment cycles, which in turn influenced project viability and tender pricing.

7. LIMITATIONS

In this study main limitation was availability of reliable costs data. The disparities in data of diverse sources were frequent in both local and international publications. The construction product delivery levels or completion level considered for cost data is different in data sets. To make them comparable further evaluation was done. Adherence to a unified standard for construction cost data management is required to improve the accuracy of analysis. The Ceylon Institute of Builders (CIOB)'s initiative to have digital platform (buildmarket.lk) will help to have more reliable data and information with industry partners. Further, the recently proposed amendment to Construction Industry Development Act (CIDA) include National Data Base but it may not be specific to cost data of construction.

This article updates the previous technical paper, published in the year 2024 in VFORM website, titled as "*Cost of Construction Update for the Year 2024: position of Sri Lanka (Colombo) within the Asian Region*". Authors expect to update this article in the first quarter of year 2027.

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