

# Building Construction Costs Sri Lanka 2023/2024

**Ceylon Institute of Builders**

**CIOB**



Institute for Building Professionals  
Established - 1961



# Building Construction Cost Sri Lanka 2023/2024

## **Emeritus Prof. Chithra Weddikkara**

Chartered Architect/ Chartered Quantity Surveyor/Project Manager /Arbitrator *Advisor to CIOB*

## **Ch. QS Lalith Ratnayake**

Chartered Quantity Surveyor, Contracts and Project Management Consultant.

## **Arch. Isuru De Zoysa**

Chartered Architect, Landscape and Interior Consultant

## **Ch. Eng. Saliya Kaluarachchi**

B.Sc.(Eng), C.Eng (HLMIESL), MIM, MCIQB, MEGSL, Secretary CIOB

## **Note from President CIOB**

“This report is a result of the recent decline of the Sri Lankan Construction Industry as a direct result of the Economic crises.

It was at this time that the HE had appointed several sub-committees aimed at reviving the Sri Lankan Construction Industry. As a member of this Task I had been forced to view the calamities of our contractors and stakeholders. It was clear the main problem was the abnormal price increases in construction cost.”

“CIOB volunteered to tackle this issue head on, for which senior professionals from various stakeholder institutes and groups were happy to support. I thank all such invaluable persons both named and unnamed who have spent their selfless efforts to the betterment of Sri Lankan Construction, expecting nothing in return.”

“I am extremely honoured to say that this exercise has been very successful as the cost that had risen to the very top of the regions construction cost, we were able to bring down substantially to levels that are near normal.”

Special Thanks- Ch. QS Lalith Ratnayake for his continuous support.

## **Dr Rohan Karunaratne**

-President Ceylon Institute of Builders

-Past-president National Construction Association of Sri Lanka

-Vice-president Chamber of Construction Industry

-Chairman A.K.K Group of Companies- A.K.K. Engineers (Pvt)Ltd



# Introduction

In 2015 Sri Lanka's construction cost was generally in par with our neighboring countries. By 2016 when the industry was booming, there were copious amounts of projects at hand such as FDIs via BOI, GoSL projects, funding agencies such as ADB, JAICA, private sector projects, commercial and house buildings etc.

Unfortunately, the Easter Sunday attacks in 2019 were the beginning of the decline of the Sri Lankan Construction Industry. The industry started to decline rapidly, amidst continuous hits from covid, economic and forex crises and such associated events.

Due to these and as a result of the fact that the construction industry depends highly on imported materials (Over 80% of the material consumption), Sri Lankan construction cost skyrocketed as exchange rates and dollar hikes crippled the already fallen industry. Therefore, our construction cost surpassed all our neighboring countries including India, Pakistan, Bangladesh, Malaysia, Vietnam and Indonesia. Due to this unrealistic cost our construction projects including FDIs, GoSL projects, funding agencies etc. came to a complete halt.

When CIOB held a discussion with HE. Hon. Ranil Wickremesinghe, at the time of handing over the Construction Industry Roadmap, the topic of construction cost in Sri Lanka was discussed very seriously. There is a huge cascading effect of high construction cost. For example, within given budget restraints restarting projects is difficult. FDIs are also reluctant to come to Sri Lanka due to high construction cost; funded projects cannot be completed within allocated funds; everyday house builders and commercial/apartment projects etc. have also been abandoned due to abnormally high construction cost.

Therefore, CIOB came forward to discuss with architects, engineers, contractors, and material suppliers to discuss how to bring down this abnormal construction cost in par with our neighboring countries.



It was identified that even from the initial design stage; over-designing, imported materials used by some designers, unregulated and costly unusual designs, the construction cost increases. Then the procurement systems which doesn't fully cater for competitive bidding, inappropriate procurement strategies, unsuitable contract types, making large contract packages giving opportunities to few and discourage the involvement of SME's too contributes to higher costs. During the bidding documentation stages due to discrepancies and errors, cost increases are possible through variation costs, claims and disputes.

The interest rates also make a substantial impact on the construction cost and the high interest rates on borrowings have been reduced to somewhat affordable level.

For contractors the issues boil down to poor management, wastages, reworks, other inefficiencies, and poor decision making. In order to benchmark and to promote investments serious commitments must be given by the Contractors and Suppliers on the mark up levels, currently about 40% for both and shall maintain around 25%, if this benchmarking is to be achieved.

Such factors have led to about 24% increase in construction cost, which is clearly preventable, for example by using LEAN methodologies and local materials. Sri Lankan construction cost is significantly higher than that of India, Malaysia, Vietnam, Indonesia, Thailand, Bangladesh, and other such neighboring countries, which disrepute Sri Lanka as a developing nation.

When it comes to material suppliers, CIOB discussed abnormal price hikes of materials and prevention methods to reduce these. By identifying and targeting the causes of such price surges, for example due to taxation, foreign exchange prices, transportation, electricity, fuel price, shipping cost etc. these could be mediated by methods such as government policies. Encouraging the manufacturing and utilization of local materials is essential in this endeavor to reduce dangerous price hikes.

To this extent it is also necessary to deal with the bribery, corruption, commissions and harassment culture among some bureaucrats, which further inflames this problem.

If this is seriously considered and dealt with, cost reduces by about 24%, we can compete with our neighboring countries. Thus, we can restart halted projects, FDI's may come in, funded projects can resume, apartments and commercial projects shall re-commence and in short Sri Lankan development can continue.

To exercise this venture, CIOB gathered senior professional from Institute of Quantity Surveyors, Institute of Architects, Institute of Engineers, and formulated a critical analysis which proves that we could bring the construction cost down to near normal and to an acceptable price benchmark.

# Construction Cost 2018

Source: Turner & Townsend: International Construction Market Survey (2018)

**Table 1 Costs of construction (Residential) in US\$ per m2 and their rankings in ascending order**

City /Country	Individual detached or terrace style house medium standard		Individual detached house		Townho uses medium		Apartments low- rise medium		Apartments high-rise	
	Cost	Ranking	Cost	Ranking	Cost	Ranking	Cost	Ranking	Cost	Ranking
Bangalore	434.00	2	534.00	2	434.00	1	476.00	1	626.00	1
Ho Chi Minh City	430.00	1	480.00	1	614.00	5	740.00	5	800.00	3
Colombo	474.61	3	628.57	3	548.08	3	699.54	4	892.50	4
Jakarta	741.00	5	926.00	5	556.00	4	630.00	3	926.00	5
Kuala Lumpur	688.00	4	879.00	4	460.00	2	537.00	2	765.00	2
Seoul	1,384.00	6	2,047.00	6	1,637.00	6	1,324.00	6	1,685.00	6
Singapore	3,091.00	7	3,574.00	8	2,107.00	8	1,547.00	7	1,993.00	7
Tokyo	4,477.00	9	2,351.00	7	1,847.00	7	1,883.00	8	2,829.00	8
Hong Kong	4,360.00	8	8,333.00	9	3,865.00	9	3,197.00	9	3,488.00	9

**Table 2 Costs of construction (Industrial/warehouses) in US\$ per m2 and their rankings in ascending order**

City /Country	Construction Cost	Ranking
Ho Chi Minh City	350.00	1
Bangalore	403.00	2
Colombo	467.13	3
Jakarta	481.00	4
Kuala Lumpur	557.00	5
Seoul	1,083.00	6
Tokyo	1,523.00	7
Singapore	1,666.00	8
Hong Kong	2,180.00	9

**Table 3 Cost of construction (Hotels and Resorts) in US\$ per m2 and their rankings in ascending order**

City /Country	3 Star travellers		5 Star luxury		Resort style 5 Star	
	Cost	Ranking	Cost	Ranking	Cost	Ranking
Bangalore	736.00	1	1,628.00	3	1,279.00	1
Colombo	850.00	2	1,435.00	1	1,540.00	2
Jakarta	889.00	3	1,481.00	2	1,852.00	3
Ho Chi Minh City	1,300.00	4	1,900.00	5		
Kuala Lumpur	1,439.00	5	1,755.00	4	2,743.00	5
Seoul	1,805.00	6	3,853.00	7	2,468.00	4
Singapore	2,560.00	7	3,364.00	6	4,019.00	7
Tokyo	3,432.00	8	5,153.00	9	2,901.00	6
Hong Kong	4,069.00	9	4,941.00	8	5,522.00	8



**Table 4 Overall cost of construction in US\$ per m2 and their rankings in ascending order**

City (Country)	Construction Cost	Rank
Bangalore	631.24	1
Ho Chi Minh City	657.72	2
Colombo	695.62	3
Jakarta	860.80	4
Kuala Lumpur	1,033.52	5
Seoul	1,727.76	6
Singapore	2,171.48	7
Tokyo	2,793.88	8
Hong Kong	3,766.16	9

The construction cost in Colombo was the third lowest in the South Asian region.

# Construction Cost 2022

## COST OF CONSTRUCTION IN US\$ PER M2

CITY/COUNTRY	APARTMENTS		HOTELS & RESORTS (Medium Rise)		WARE HOUSE	HOUSING			OFFICE BUILDINGS (Grade A)	
	MEDIUM RISE	HIGH RISE	3 STAR	5 STAR		TWO STOREY	TWO STOREY	SINGLE STOREY	MEDIUM RISE	HIGH RISE
						LUXURY	SEMI LUXURY	LOW INCOME		
Colombo - Sri Lanka	1,049	1,291	938	1,276	520	1,162	968	516	809	855

**Note:**

Exchange rate 1USD =  
Rs.350.00

# Construction Cost 2023 Nov.

## COST OF CONSTRUCTION IN US\$ PER M2

CITY/COUNTRY	APARTMENTS		HOTELS & RESORTS (Medium Rise)		WARE HOUSE	HOUSINGS			OFFICE BUILDINGS (Grade A)	
	MEDIUM RISE	HIGH RISE	3 STAR	5 STAR		TWO STOREY	TWO STOREY	SINGLE STOREY	MEDIUM RISE	HIGH RISE
						LUXURY	SEMI LUXURY	LOW INCOME		
Colombo - Sri Lanka	874	1,076	941	1,291	520	968	807	430	645	753

### Note:

Exchange rate 1USD =  
Rs.320.00  
Excluding final  
taxes

IQSSL, Focus Journal., 2023. IQSSL Technical Research  
Proceedings 2023,  
Cost of  
Construction

# CONSTRUCTION COST COMPARISON WITH COLOMBO AND KUALA LAMPUR 2023

## COST OF CONSTRUCTION IN US\$ PER M2

CITY/COUNTRY	APARTMENTS		HOTELS & RESORTS (Medium Rise)		WEAR HOUSES	HOUSINGS			OFFICE BUILDINGS (Grade A)	
	MEDIUM RISE	HIGH RISE	3 STAR	5 STAR		TWO STOREY	TWO STOREY	SINGLE STORY	MEDIUM RISE	HIGH RISE
						LUXURY	SEMI LUXURY	LOW INCOME		
Colombo - Sri Lanka	874	1,076	942	1,291	521	968	807	430	646	753
KL Malaysia	724	842	1,011	1,579	537	722	-	-	647	-
Reduction by 15% - 20%	175	215	N/A	N/A	N/A	194	121	65	N/A	N/A
Reduced Price	699	861	N/A	N/A	N/A	775	686	366	N/A	N/A
Benchmark for Sri Lanka	725	840	940	1,290	520	750	700	375	675	765
Benchmark in Rs. / m2	235,625	273,000	305,500	419,250	169,000	243,750	227,500	121,875	219,375	248,625
Benchmark in Rs. / ft 2	21,898	25,372	28,392	38,964	15,706	22,653	21,143	11,327	20,388	23,106

### Notes

Exchange rate 1USD = Rs.325.00

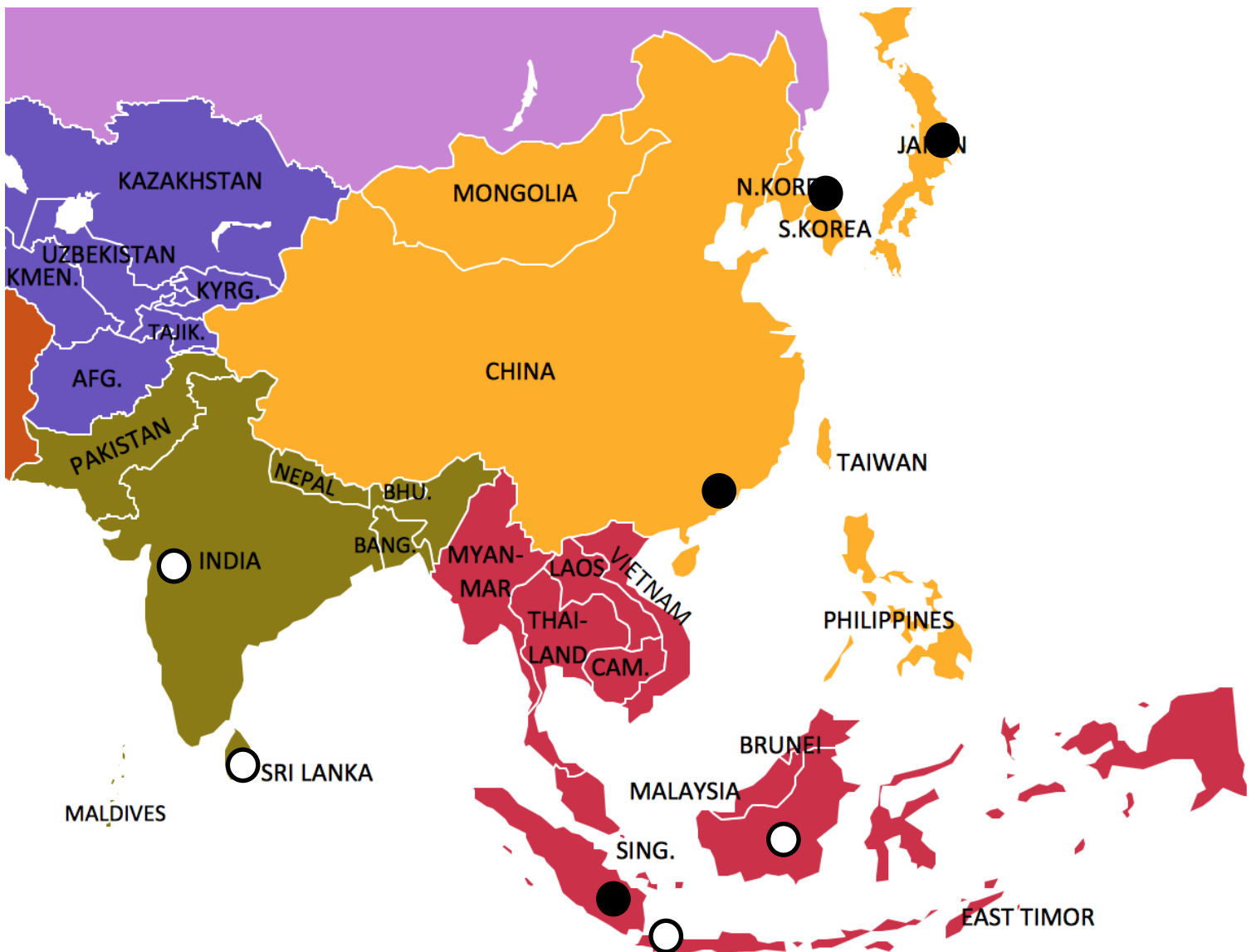
Excluding final taxes

References: International Cost Data Publications on websites, CIDA Cost Indices, IQSSL Publications, Expert Opinion Survey.



# The Current Climate

Given that construction cost skyrocketed in the year 2022, Currently Sri Lankan construction cost has reduced to levels in par with its neighboring countries namely, Indonesia, Malaysia, Vietnam etc. Therefore we are now in the range of \$1000 per m<sup>2</sup>, and less for other categories.



>\$2000 per m<sup>2</sup>

- Hong Kong
- Singapore
- S. Korea
- Tokyo

Around \$1000 per m<sup>2</sup>

- Bangalore
- Sri Lanka
- Indonesia
- Malaysia

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