



SteadWay

CONSTRUCTION MARKET INSIGHT GERMANY

for H1 2026





INTRODUCTION & MACRO ECONOMICS

Germany's economy continued to struggle towards the end of 2025 with GDP stagnating (0%) from Q2 to Q3 and Q4 forecasts suggesting only a modest 0.2% increase. This signals that the economy may be bottoming out, which is supported by an Autumn 2025 EU Economic Forecast report from the European Commission predicting that Germany's economy will rebound with 1.2% GDP growth in 2026 and 2027. This is largely driven by the ramp-up in public spending*, counterbalanced by the negative impact of the US sanctioned trade tariffs. A recent report from the German Council of Economic Experts predicts a more pessimistic GDP growth of 0.9% in 2026.

Table 1 - Key Economic Indicators in Germany

Indicators	2025	2026	2027
GDP Growth (% , yoy)	0.2	1.2	1.2
Inflation (% , yoy)	2.3	2.2	1.9
Unemployment (%)	3.6	3.5	3.3
Public Debt (% GDP)	63.5	65.2	67.0

Source: European Commission

*The German government agreed a "special fund" stimulus package of €500 billion in March 2025 which is dedicated to infrastructure and transformation over the next 12 years. Priorities include modernising the rail network, expanding clean energy, and future proofing hospitals, schools, universities, and digitalisation. It has also been agreed to remove the "debt brake" constraints on defence spending.

The German construction industry, as a whole, is proving quite resilient especially given the current economic challenges. While the residential, commercial and retail markets continue to struggle, other construction sectors are showing upward trends. Civil engineering, for example, is benefiting from the Government investment in infrastructure as well as private sector investment in AI delivery across the country, with Google announcing their plans to invest €5.5 billion in Germany in the period 2026 to 2029.

The residential sector has suffered from high interest rates, high construction costs, and increasing regulatory uncertainty, but due to the significant housing shortage as well as lower interest rates this sector could well see a resurgence in the short to mid-term.

Construction costs continue to increase, albeit at a far slower rate than what was experienced between Q1 2020 and Q1 2024. This is driven by increases in key input costs of materials and labour, but also offset somewhat by gradual decreases in energy prices.

The top three key risks in the German construction market most consistently noted by General Contractors were construction cost increases, skilled labour shortages and the struggling sectors noted above. Contractors order books for 2026 are reflective of the sectors they are working in, which aligns with the sectors struggling and developing as noted earlier.



INPUT COSTS

Material Costs / Energy Prices

The material costs in the German construction industry continue to be volatile with copper increasing by +3.5% compared to 2024. Cement has increased by 0.4% in the same period. Timber costs in 2025 were more than the previous year (+5.4%) with glass and glass products also being more expensive than a year earlier (+2.6%). By contrast, basic iron and steel were less expensive than in October 2024 (-5.1%), including reinforcing steel (-2.0%).

Energy prices in October 2025 were down 7.5% from the same month a year earlier with natural gas prices declining by 12.1% compared to October 2024. Electricity (-8.3%) and oil prices (-4.3%) were also significantly lower than in October 2024. It should be noted that these prices are down from the unprecedented high level of energy prices seen in the past 2-3 years, with the peak in 2023/2024 where, electricity prices had increased by approximately 35% since 2020.

Labour Rates

Despite the current economic challenges faced in the construction industry, there is still a shortage of skilled labour. This, along with strong trade union support, has resulted in labour rate increases over the past years, with an overall year-on-year increase for 2025 expected to be around 3.8%.

The minimum wage in Germany is currently at €12.82 per hour, increased from €12.41 per hour (+3.3%) in 2024. The minimum wage has increased to €13.90 per hour (+8.4%) from 01. January 2026.

General Contractor (GC) Markups

We are still experiencing around 20% General Contractor (GC) markups on construction cost based on a traditional single stage lump sum procurement route, including full design and specifications. We have also experienced higher than usual post tender discounts from GCs eager to secure contracts.

The GC Markup is made up of site overheads (BGK), head office overheads (AGK) and profit and risk ("Wagnis und Gewinn"), with the site set-up (containers, cranes, etc.) and scaffolding separately typically forming part of the measured works in the Bills of Quantities.



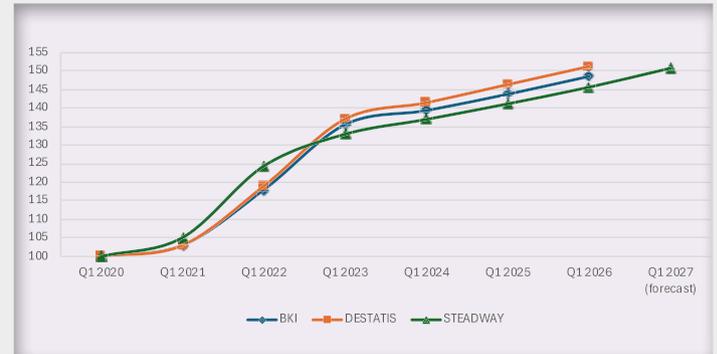
CONSTRUCTION COST TRENDS & FORECASTS

Construction cost inflation has slowed slightly from 3.5% to 3.3% in the second half of 2025, with published data showing an average overall increase of between 3.3% - 3.5% year-on-year to the end of 2025. This is aligned to what SteadWay is seeing in the market, from recent tender returns, where we have seen an overall 3.2% increase between Q1 2025 and Q1 2026.

The graph below illustrates how construction cost inflation has slowed down from 2024, to similar levels experienced before 2020 (3% year-on-year) but there are no signs currently suggesting construction costs decreasing (deflation) in 2026. Even though energy prices have decreased in 2025, labour and material costs have been on the rise and this would suggest that construction cost inflation until the end of 2026 could increase at a similar rate to 2025 (between 3% - 4%). Some industry publications suggest a 2-3% increase to construction costs in 2026.

Table 2 - Comparison of Construction Cost Indices

Construction Price Index	BKI	Destatis	SteadWay
Q1 2020	100,0	100,0	100,0
Q1 2021	103,0	103,0	105,1
Q1 2022	118,0	119,0	124,4
Q1 2023	135,6	137,1	133,0
Q1 2024	139,4	141,5	137,0
Q1 2025	143,8	146,4	141,2
Q1 2026	148,6	151,3	145,7
Q1 2027 (forecast)	TBC	TBC	150,8



Note: To create a like-for-like baseline of the published data from the BKI (Construction Cost Information Centre of the German Chamber of Architects) and Destatis (Federal Statistical Office of Germany) we have set the base date for BKI and Destatis at 2020 for comparison purposes with our cost data analysis.



PRICE TRACKER (H1 2026)

Description of Work	Indicative Rates (€)		
	Unit	Lower Range	Upper Range
Concrete (slab; C45/55; XC1)	m ³	€160	€220
Formwork (standard)	m ²	€60	€80
Rebar (B500)	t	€2,000	€2,500
Structural Steel (HEB)	t	€3,200	€4,000
Ductwork (standard)	m ²	€70	€80
Cable Trays (perforated steel; 100 - 300mm)	m	€80	€90
Pipework (steel pipes; DN 20 - 25; hot water)	m	€25	€30
Pipe Insulation (DN 20 - 25; 50mm thick)	m	€20	€30
Plasterboard Walls (125mm thick; Rw,P 56dB; non fire rated)	m ²	€90	€100
Plasterboard Suspended Ceiling (standard; non fire rated)	m ²	€60	€70
Carpet (standard office)	m ²	€40	€50
Glazed Partitions (D 100mm; 37dB; non fire rated)	m ²	€450	€550
Floor Screed (cement; 5kN; excl. insulation)	m ²	€30	€40
Raised Access Flooring (5kN; 150mm - 450mm)	m ²	€130	€150
Raised Access Flooring (8kN; server room; 150mm - 450mm)	m ²	€230	€250
Timber Door Single Leaf, T0 (37dB)	Nr.	€1,200	€1,600
Timber Door Single Leaf, T30 (37dB)	Nr.	€2,300	€2,600
Steel Door Single Leaf, T0	Nr.	€2,500	€3,000
Steel Door Single Leaf, T30	Nr.	€3,500	€4,000
Glass Aluminium Door Single Leaf, T30	Nr.	€5,000	€6,000

All the above rates exclude VAT and General Contractor's markups and are based on blended averages. They are purely intended as indicative and would vary depending on project specifics, such as location, size and type of building project. The materials described above represent a broad cross section of works in a typical building project. The range of unit rates quoted are on a supply and install basis and are pure generic in nature.



SteadWay



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This publication must be treated as an indicative guide only, as the information provided is based on averages across various types and sizes of projects in varying locations, with varying degrees of complexity. Project specifics must be carefully reviewed and analysed on a case-by-case basis and should be reviewed regularly with your SteadWay team in order to determine the appropriate base cost for the project.