GT GARDINER &THEOBALD

G&T M&E Contractor Survey

November *2025*



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Please note: *Although survey respondents operate across all geographical regions of the UK, the majority tend to operate in Greater London and the South East.*



G&T's latest MEP contractor survey shows a market that remains fundamentally busy — but increasingly selective, risk-sensitive and design-driven. Strong pipelines in data centres, pharma & life sciences, healthcare and infrastructure continue to anchor activity, yet contractors are choosing opportunities more carefully as fixed-price exposure, design immaturity and uncertain client funding make single-stage tenders harder to commit to. Short-term order books remain robust and visibility into 2026 has improved, but the outlook beyond this begins to thin as client decision-making slows and financial-close periods lengthen — sharpening focus on scope definition, preliminaries, programme realism and design liability. Pricing pressure remains rooted in labour inflation, supply-chain fragility and rising compliance demands, all of which are shaping how and when contractors engage.

Cost pressures persist, though the drivers have shifted. Materials inflation has largely stabilised, but labour costs, regulatory compliance and design-coordination effort are now the main upward pressures on pricing. Typical OH&P sits in the low-to-mid teens, preliminaries commonly in the mid-teens, and risk allowances remain modest, with a slight tilt toward increase among respondents. Contractors' inflation expectations remain firmly positive at around 4% per year through 2025–27, underpinned by specialist-labour scarcity in key sectors and long-lead exposure on plant such as switchgear, generators, cabling and sprinklers.



Risk appetite is tightening, with many contractors resisting poorly defined or high-exposure tenders. Recurring concerns include design immaturity, volatile plant lead times, supply-chain solvency, fixed-price risk and slower client decision making. Two-stage procurement and PCSAs are increasingly viewed as essential to de-risk design development, secure long-lead items and clarify responsibilities. Where single-stage routes remain, contractors emphasise the need for clear Stage 3/4 information, fair terms and adequate tender periods.

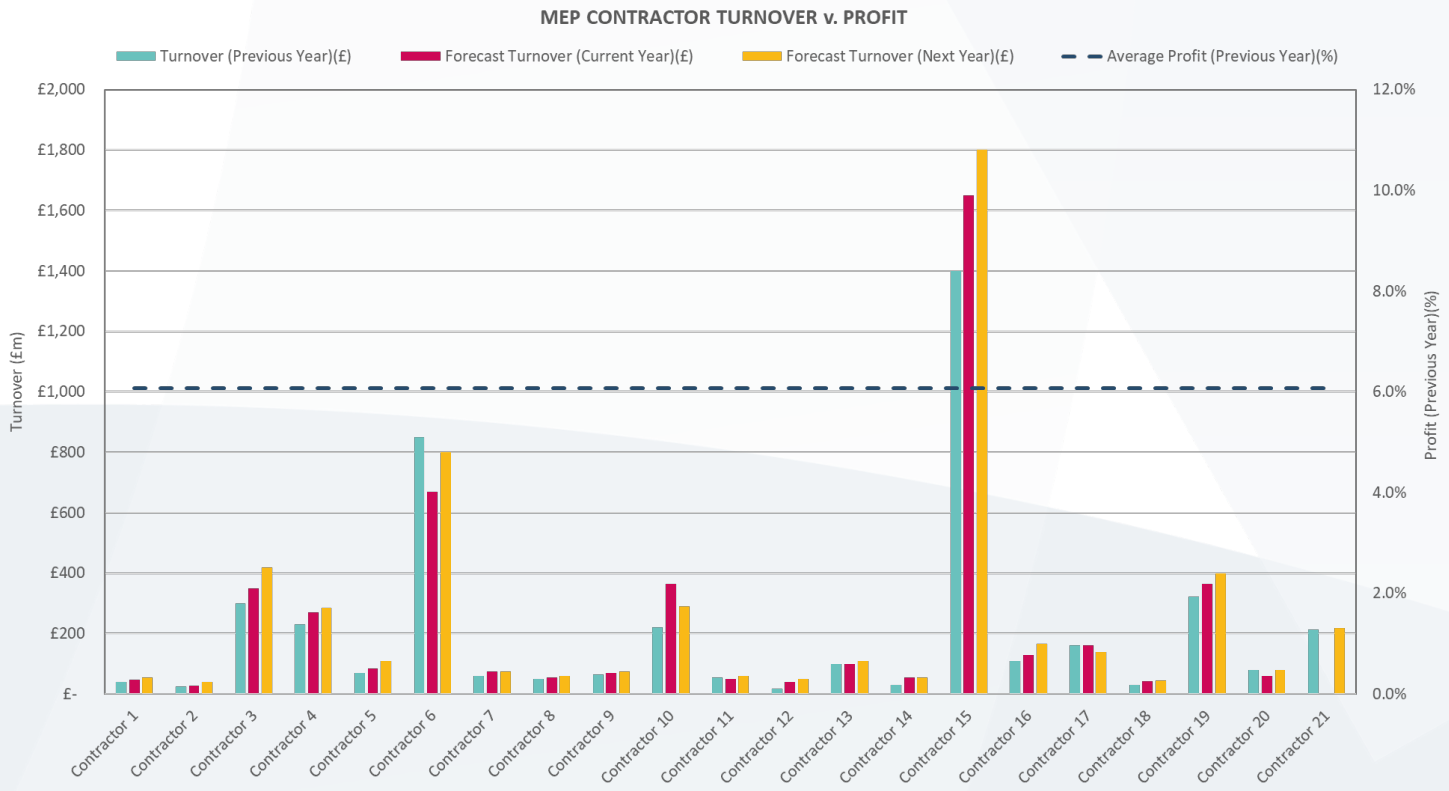
Resourcing is broadly stable, but pressure persists on specialist roles. While general capacity is available for most respondents, experienced engineers, planners and niche trades remain difficult to secure — particularly where data-centre activity continues to draw talent from the wider market. Several firms are strengthening in-house design capability, offsite delivery and digital tools. A minority can undertake embodied-carbon quantification at tender, though most note it is resource-intensive and only viable when design information is sufficiently mature, typically under two-stage routes.



Key Takeaways from the Report

- Demand remains strong but selective, with contractors prioritising well-defined, well-funded schemes
- MEP inflation remains positive, driven mainly by labour and long-lead plant rather than materials
- Early signs of more competitive tenders for the right project, helped by new entrants pushing into the market
- Preliminaries show an upward bias, while risk allowances are broadly flat but under pressure from higher design and compliance effort
- Risk is being managed more through project selectivity and route-to-market than through higher risk allowances
- Two-stage procurement is increasingly preferred to manage design maturity and long-lead risk
- Specialist labour remains constrained, especially in high-tech sectors pulling talent from the market

***Disclaimer**: The insights and forecasts in this report are based on the views of the contributing survey respondents and may not represent the official stance of Gardiner & Theobald LLP.*



81%

of contractors expect **turnover to increase** in their next financial year

by an average of...

+8.8%

(compared to forecast turnover for current year)

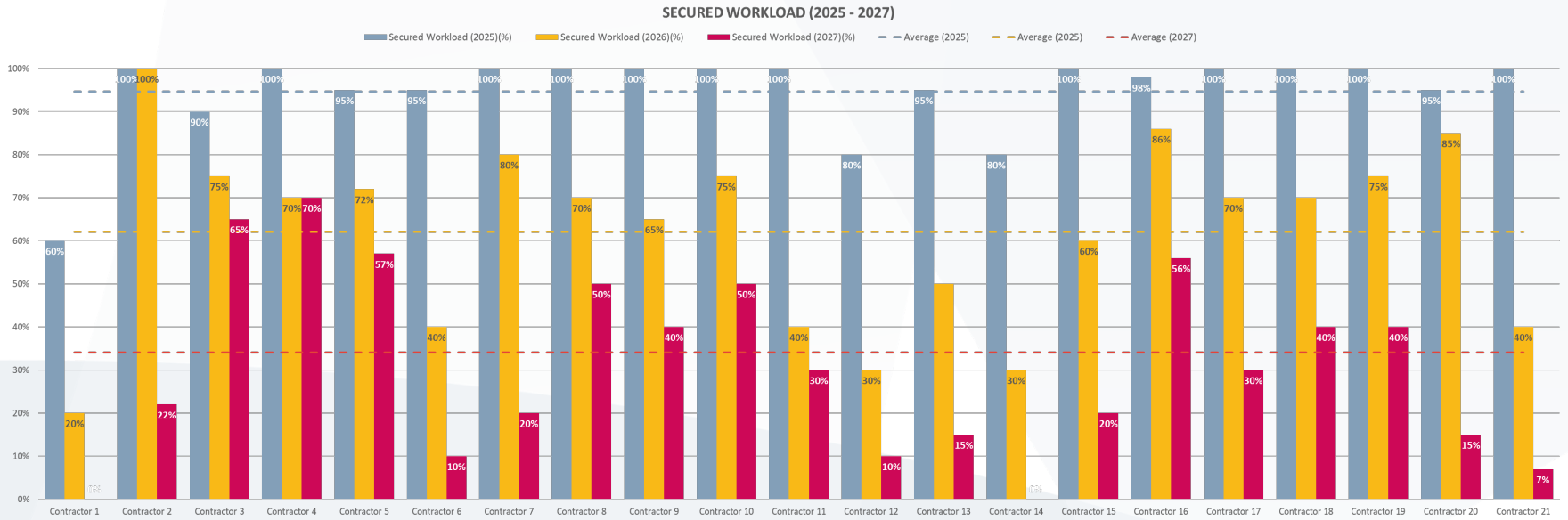
Average Profit

previous financial year...

6.1%

*(compared to **5.5%** in 2023-24)*

- Turnover continues to trend upward across most MEP contractors, with the majority reporting higher revenue in the current (2025-26) financial year compared with the previous year, and further growth forecast into next year
- Growth expectations remain broadly positive, though the scale varies by contractor: a handful anticipate strong double-digit increases, while others project only marginal uplift
- The revenue landscape remains highly polarised, with one very large contractor accounting for a disproportionate share of sector turnover, while most others sit within a far narrower band
- Profitability is stable but subdued, with average margins hovering around **6%** and little divergence year-on-year, suggesting tight pricing and limited scope for margin expansion despite rising workloads



On average, contractors have secured 95% of 2025 workloads, 62% of 2026 workloads and 34% of 2027 workloads

- **High 2025 coverage reflects strong demand from complex, systems-heavy sectors** (data centres, life sciences, key public-sector programmes), where long pre-construction phases mean contractors typically lock in delivery teams well ahead of site start
- **Secured workload for 2026 has risen to 62%** (up from **51%** in April), but respondents note slower client sign-off and a growing number of "verbally awarded" schemes not yet formally committed — creating a gap between pipeline and secured work
- **2027 visibility has ticked up to 34%** (from **31%** in April), but remains structurally limited as major tech, pharma and public-sector frameworks push scope and budget decisions into later phases and clients pause procurement until design certainty and funding align
- **Overall capacity remains because market growth is uneven —** buoyant DC, life sciences and office fit-out work sits alongside softer residential demand and delays at financial close, leaving some contractors very busy while others are still competing aggressively to fill order books

"Currently we see a dip in activity, first half of 2026. Second half we see activity picking up and accelerating into 2027 and beyond across all sectors we are involved in."

TYPICAL PROJECT OH&P, PRELIMINARIES AND RISK ALLOWANCE

TYPICAL OH&P

12.7%

(Range: **10% to 17.5%**)

TYPICAL PROJECT PRELIMINARIES

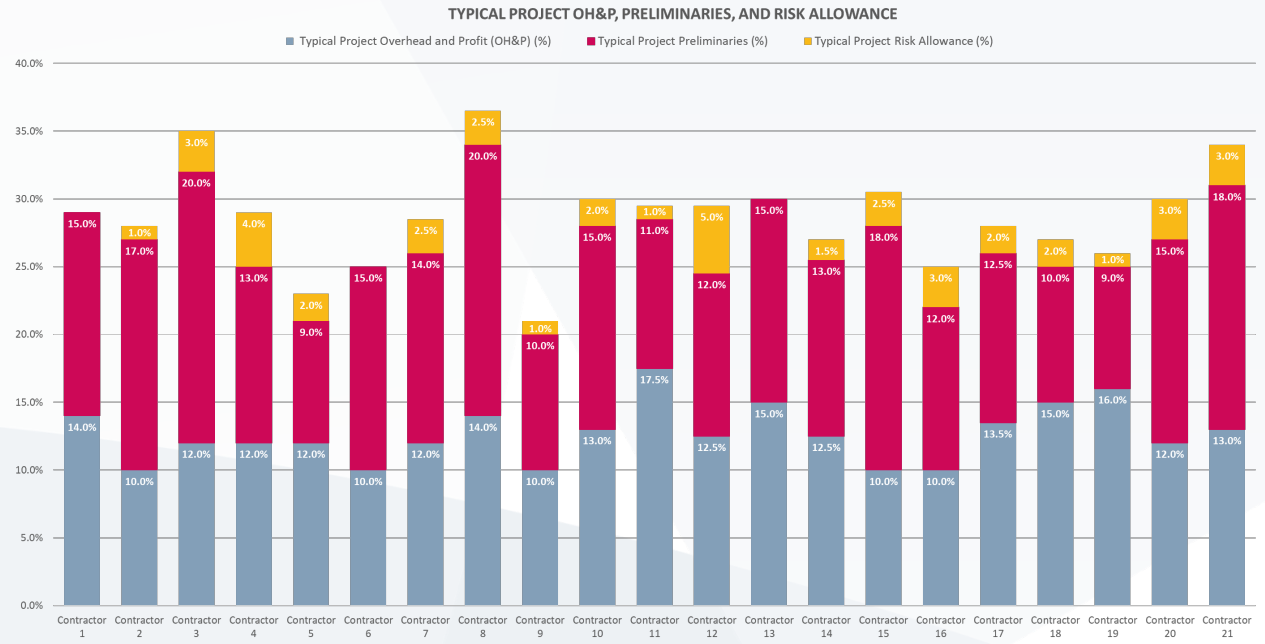
14.0%

(Range: **9% to 20%**)

TYPICAL RISK ALLOWANCE

2.3%

(Range: **0-5%**)

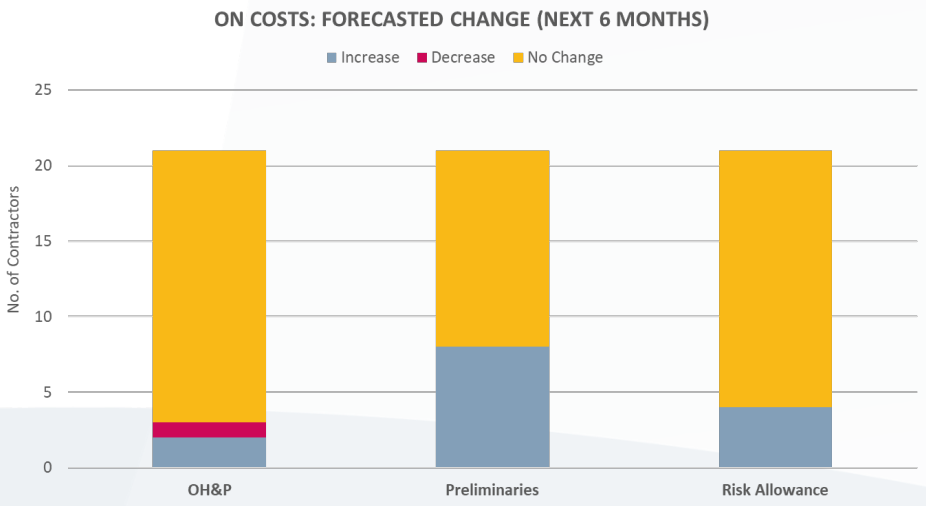


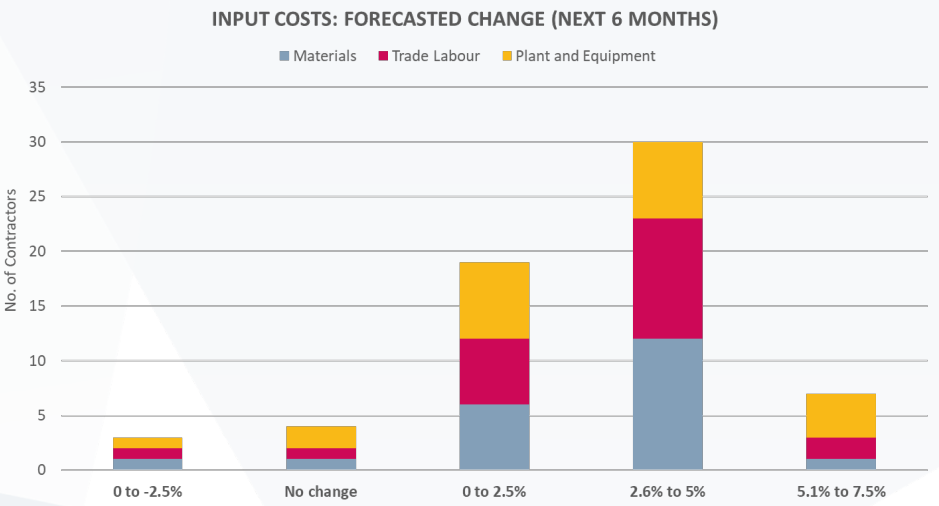
"Scarcity of good quality staff, with increasing salary demands, is driving up delivery costs — particularly on projects competing with the data centre sector for talent."

- Average Overheads and Profit (**OH&P**) rose from **11.6%** to **12.7%** since our **April 2025 M&E report**, while typical preliminaries costs rose from **13.4%** to **14%**
- Preliminaries are being pushed up by labour pressures — contractors cite rising salary demands, competition for specialist staff (especially with data centres), and challenges securing experienced supervisors and engineers
- The uplift in OH&P reflects a firmer risk stance, driven by pricing volatility, slower routes to financial close, and a need for stronger commercial buffers as uncertainty persists
- Risk allowances have edged down slightly (from **2.6%** to **2.3%**), reflecting greater confidence in near-term delivery despite lingering pressures such as long plant lead times, copper price volatility and inconsistent Stage 3/4 design quality

***Note**:* Variation in OH&P and prelims reflects differences in delivery models and cost allocation. Contractors with lighter site teams or more subcontracted work report lower prelims, while OH&P varies depending on how businesses allocate central overheads.

ON COSTS AND INPUT PRICES: FORECASTS





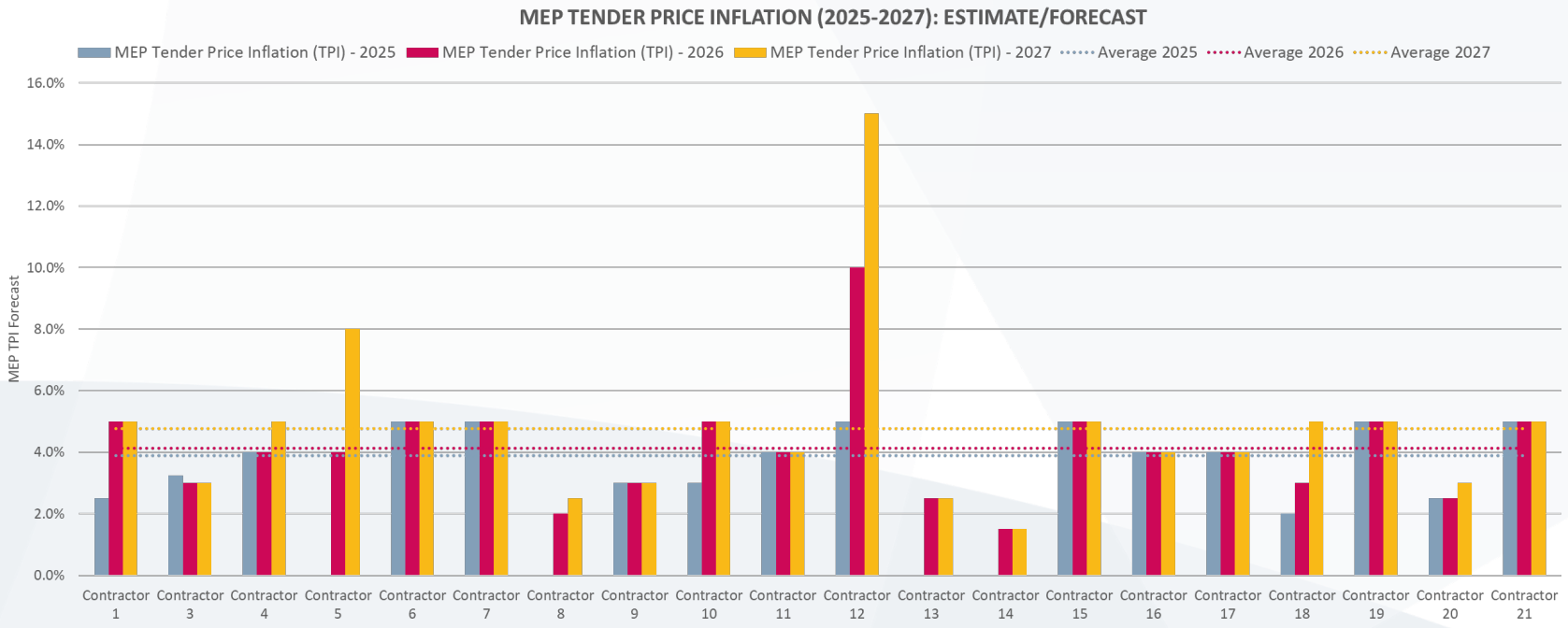
On Costs:

- OH&P remains broadly flat, with just **10%** of contractors expecting increases and **5%** expecting decreases, indicating stable overhead structures and little short-term movement in corporate cost bases
- Preliminaries show the strongest upward pressure, with **38%** of contractors forecasting increases — largely driven by wage inflation, tighter labour availability and higher site-management demands
- Risk allowances are expected to stay steady, with **81%** reporting no change and **19%** expecting increases, signalling cautious optimism and improving confidence in near-term delivery risk

Input Costs:

- Input costs are expected to rise across the board, with most contractors forecasting **2.6–5%** increases — a slight softening compared to our April survey — driven by ongoing material volatility (particularly copper and major plant) and annual supplier uplifts
- Labour remains the strongest inflationary force, with comments highlighting rising salary demands, competition for skilled M&E operatives and structural shortages — reflected in the clustering of trade labour forecasts in the **2.6–5%** range
- Plant and equipment inflation shows the widest spread, from marginal movement to **5–7.5%** increases, consistent with survey concerns around long lead times, constrained availability and higher hire/financing costs

**Note: on-costs refer to additional expenses beyond the direct construction works*



Average MEP Contractor Forecast (2025)

3.9%

Average MEP Contractor Forecast (2026)

4.1%

Average MEP Contractor Forecast (2027)

4.8%

"Labour remains the biggest inflationary force — rising salary demands, competition for skilled MEP operatives and structural shortages are keeping tender prices on an upward trajectory."

***This compares to a **G&T MEP** inflationary forecast range of **3% to 4%** over the next 12 months, subject to sector buoyancy, as lower ranges are typically achieved in slower-moving or less active sectors.

****Note**: M&E tender price inflation forecasts/estimates can be influenced by a variety of factors, such as size of the contractor, its purchasing power and the type/size/value of projects the firm typically works on. The forecasts provided are solely those of the survey respondents and do not necessarily reflect the views or opinions of Gardiner & Theobald.*

Market Pressures Currently Driving M&E Prices…

Wage inflation and specialist labour scarcity

Volatile material inputs

High plant and equipment costs

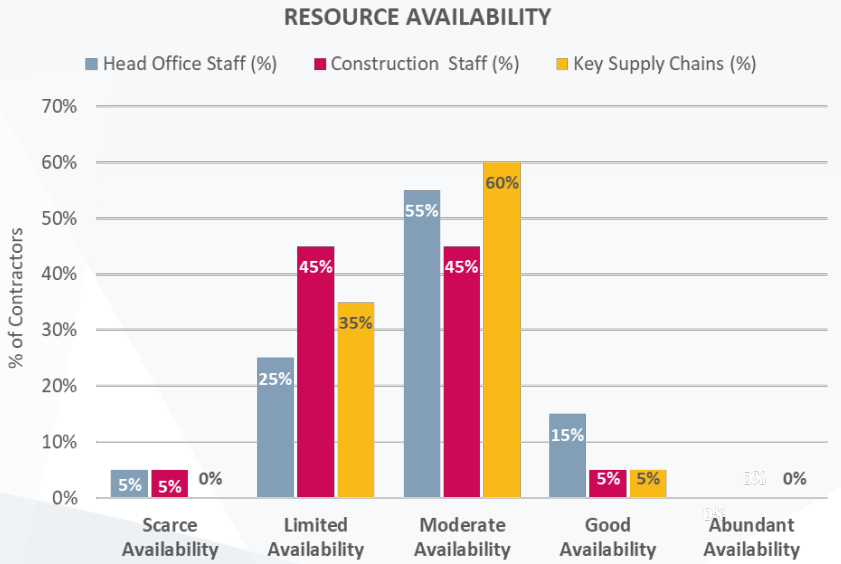
Design quality gaps and scope uncertainty



Market Risks for 2026…

- Structural labour shortages in key MEP trades
- Major plant bottlenecks driven by sustained global demand
- Volatile commodities and energy markets
- Supply-chain fragility (concerns over subcontractor resilience/health)
- Greater exposure to design quality issues
- Policy and geopolitical uncertainty



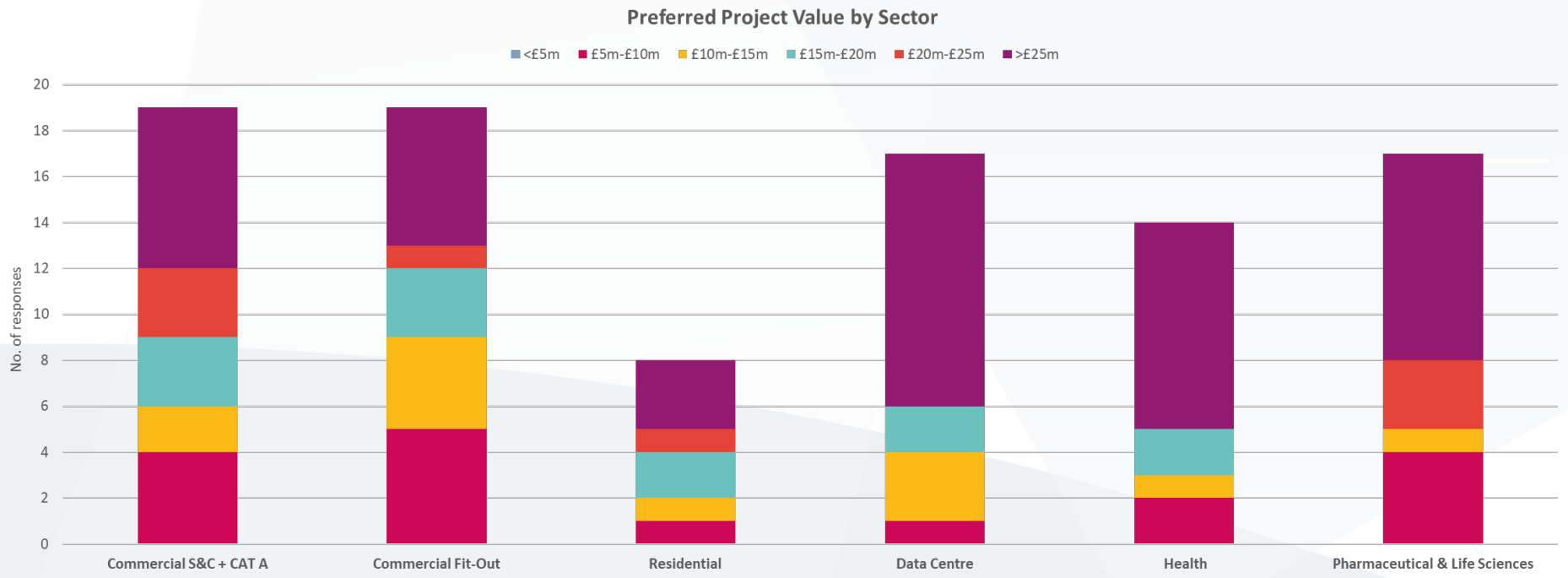


M&E Labour Rates Have Risen 5–9% Since April 2025 Across London and the Regions

- Rates have converged around £47–48/hr, with both London and regional markets seeing similar uplifts for mechanical and electrical trades
- Salary expectations have surged, with mid-tier candidates seeking senior-level pay and employers exceeding benchmarks to retain experienced staff
- Structural labour shortages persist, especially for supervisors, commissioning engineers and specialist operatives, driving continued upward wage pressure

Specialist M&E Resource Availability Remains Tight

- Construction labour remains constrained, with **45%** of contractors reporting limited access to site labour
- Key supply chains remain under pressure, with **60%** citing only moderate availability for specialist packages
- High-calibre technical roles are hardest to secure, particularly for QA, commissioning and complex MEP delivery personnel



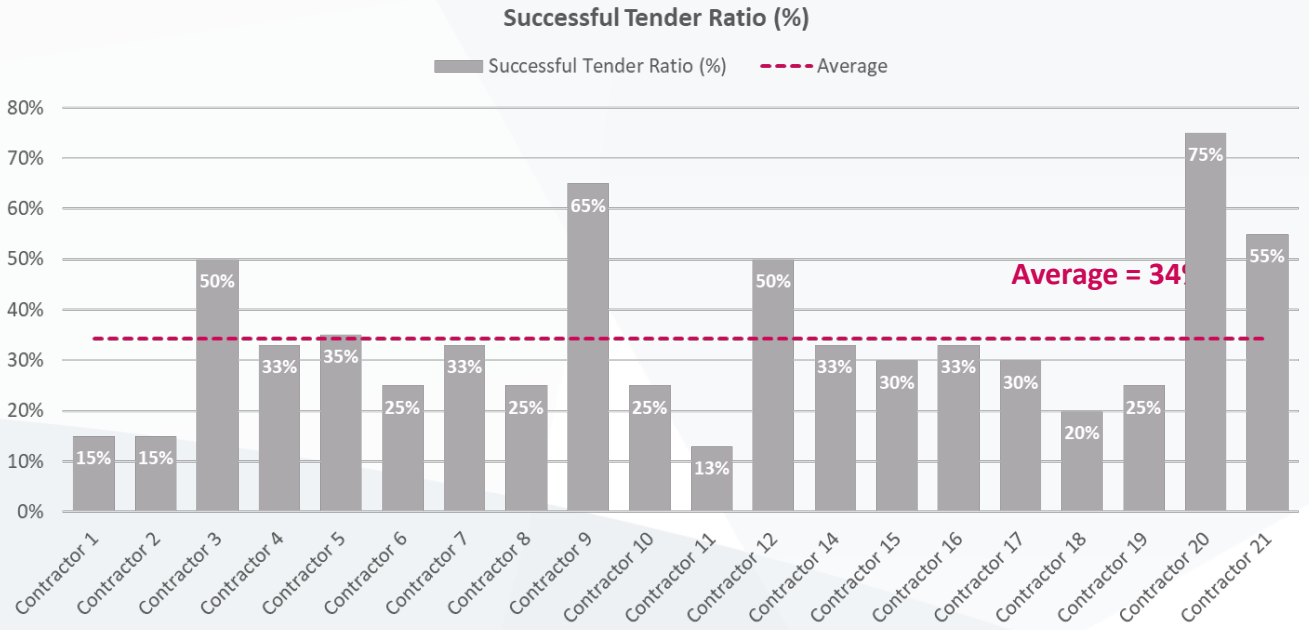
Contractors Continue to Target Larger, Complex Schemes — With Clear Preferences Emerging Across Sectors

"Our sweet spot is larger, technically demanding projects – data centres, pharma and major commercial jobs over £10m. That's where we can really leverage our tier-one delivery model."

- Strong preference for higher-value projects (£10m+), particularly in Commercial, Data Centres and Pharma/Life Sciences
- Data Centres dominate, with most contractors seeking packages above £25m and positioning themselves for high-spec delivery
- Residential appetite remains limited, focused mainly on shell-and-core rather than full-scope packages
- Preferred project value varies by region, with several noting capability shifts outside London due to scale and resource requirements.



"Market volatility means we're being far more selective — only pursuing opportunities where the client, sector and risk profile align. Diversifying into new growth sectors is essential, but it does lower win rates until the team builds experience."



Average Successful Tender Ratio

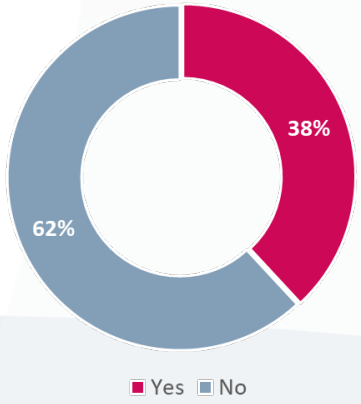
34%

With ratios ranging between 13-75%

Successful tender ratio has fallen since our April 2025 survey, where the average was **36%**

- Average successful tender ratios have dipped from **36%** to **34%**, with several contractors citing paused projects, slower routes to market and shifting client priorities reducing conversion
- Win rates remain highly polarised, ranging from **13–75%**, reflecting differing sector focus, bidding discipline and depth of client relationships
- Contractors expanding into new sectors report more variable success, noting that diversification brings opportunity but also exposes them to unfamiliar risks and increased competition
- A clear three-tier market persists, with a small high-success group (**50–75%**), a broad middle around **30–35%** and a lower tier struggling below **20%**
- Top performers win through disciplined bidding and strong sector alignment, especially in data centres, pharma and complex commercial work
- Contractors with weaker ratios may need to refocus on core strengths, as diversification into new sectors is diluting win rates amid increased competition and slower client decision-making

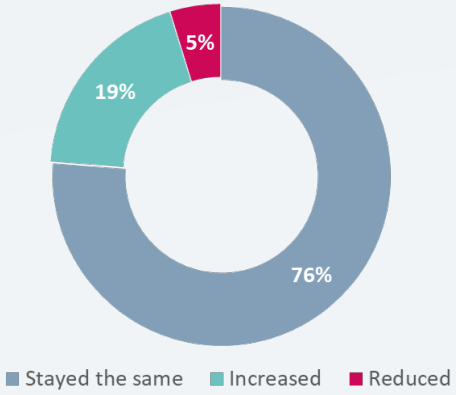
ARE YOU CURRENTLY EXPERIENCING ANY SUPPLY ISSUES WITH REGARDS TO MEP PRODUCTS/MATERIALS?



"Lead times on major plant — especially switchgear, generators and cabling — remain stubbornly long. Data-centre demand and manufacturing bottlenecks mean we're planning much earlier just to stay ahead."

- Although supply issues are not widespread, **38%** of contractors are still experiencing challenges — largely concentrated in key MEP plant (broadly unchanged from **39%** in the April 2025 report).
- Switchgear and generators remain the biggest pinch-points, with some respondents citing 52-week lead times and persistent demand from the data-centre sector
- Copper-driven products and cabling are under renewed pressure following global supply disruptions, contributing to short price-validity windows and tighter procurement cycles

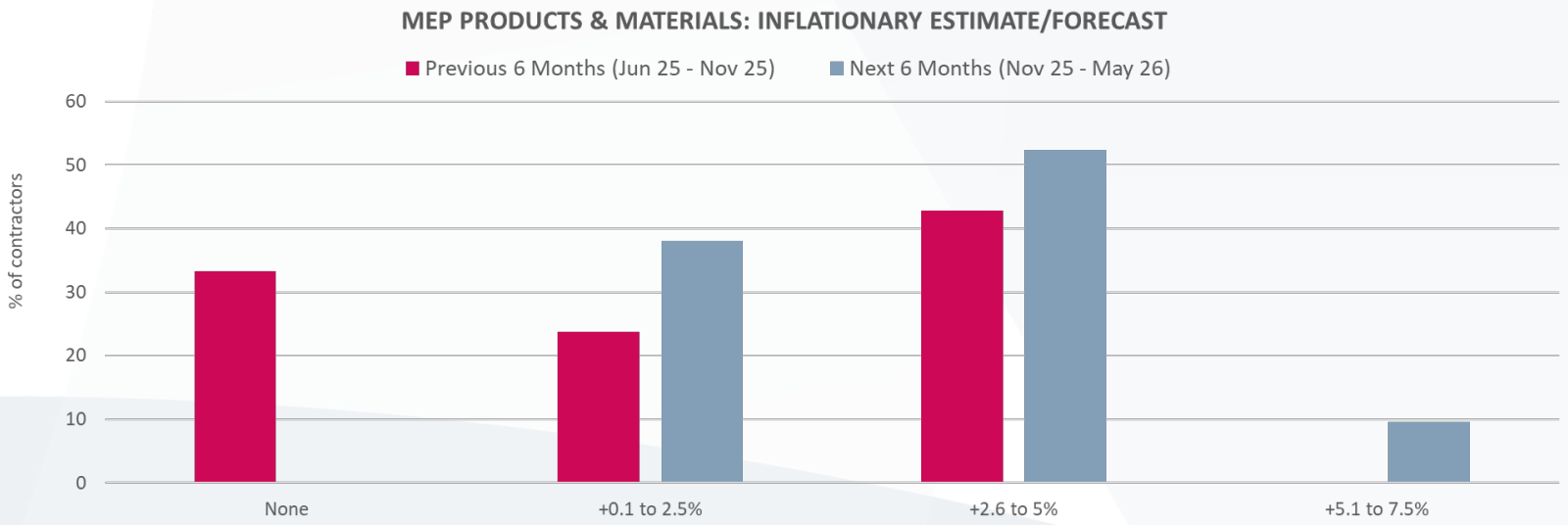
MEP PRODUCTS/MATERIALS LEAD TIMES: PAST SIX MONTHS



Supply Issues were Reported for the Following Products/Materials…

- Generators / large gen-sets
- Primary electrical plant (eg, HV equipment)
- Switchgear
- Busbar systems
- Sprinklers
- Carbon pipe fittings
- Prysmian cable
- Cables generally
- Copper-dependent materials, including cable systems
- Light fittings
- Various smaller electrical items

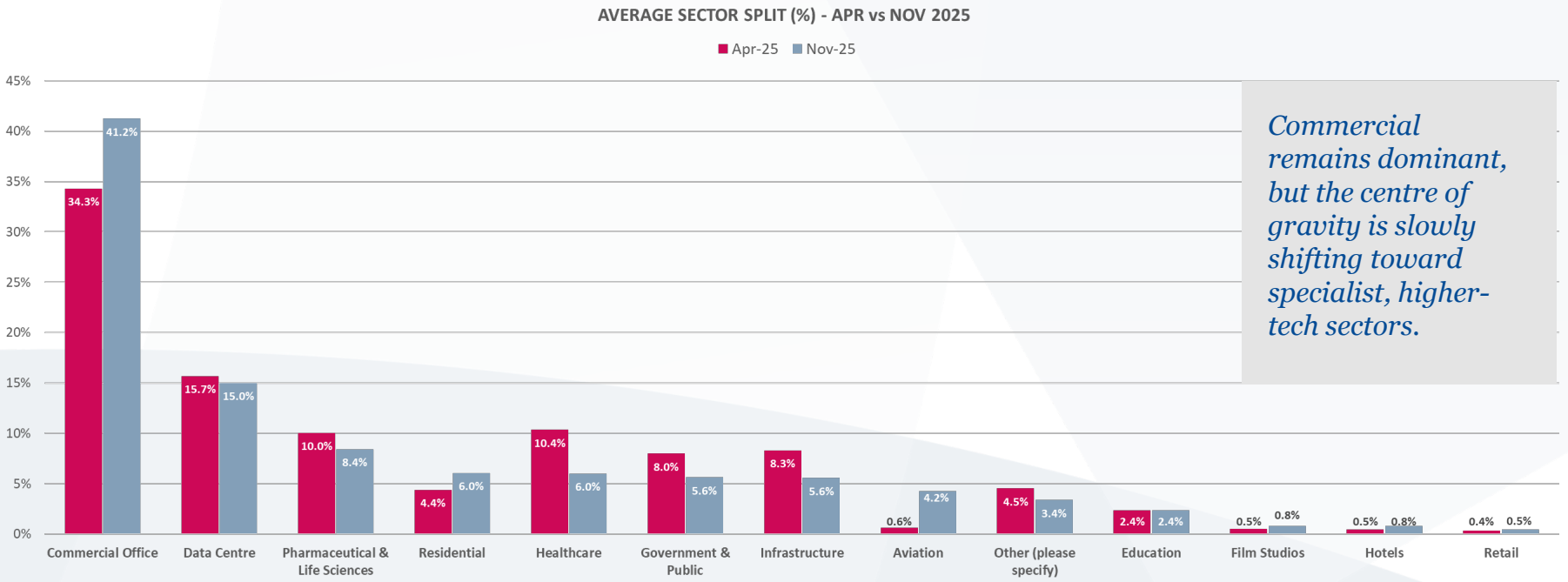
Note: *Respondents citing longer lead times for MEP products/materials over the past six months highlighted light fittings, major plant and equipment (eg large generator sets), and Prysmian cable.*



MEP material inflation views have been reined in since April, and are now tightly clustered around low-to-mid single-digit uplifts…

"No major surprises on materials in the last six months — most suppliers are holding prices, but we still expect the usual increases around January and April."

- Expectations have narrowed into a **0–5%** band, compared with a much wider spread (including **7.6–15%**) in April
- Around a third of contractors saw no inflation over the last six months, but most expect some uplift ahead
- Only **10%** now forecast **>5%** inflation, down from roughly a quarter of respondents in April
- Commentary highlights copper volatility and routine January/April supplier rises, rather than unexpected step-changes

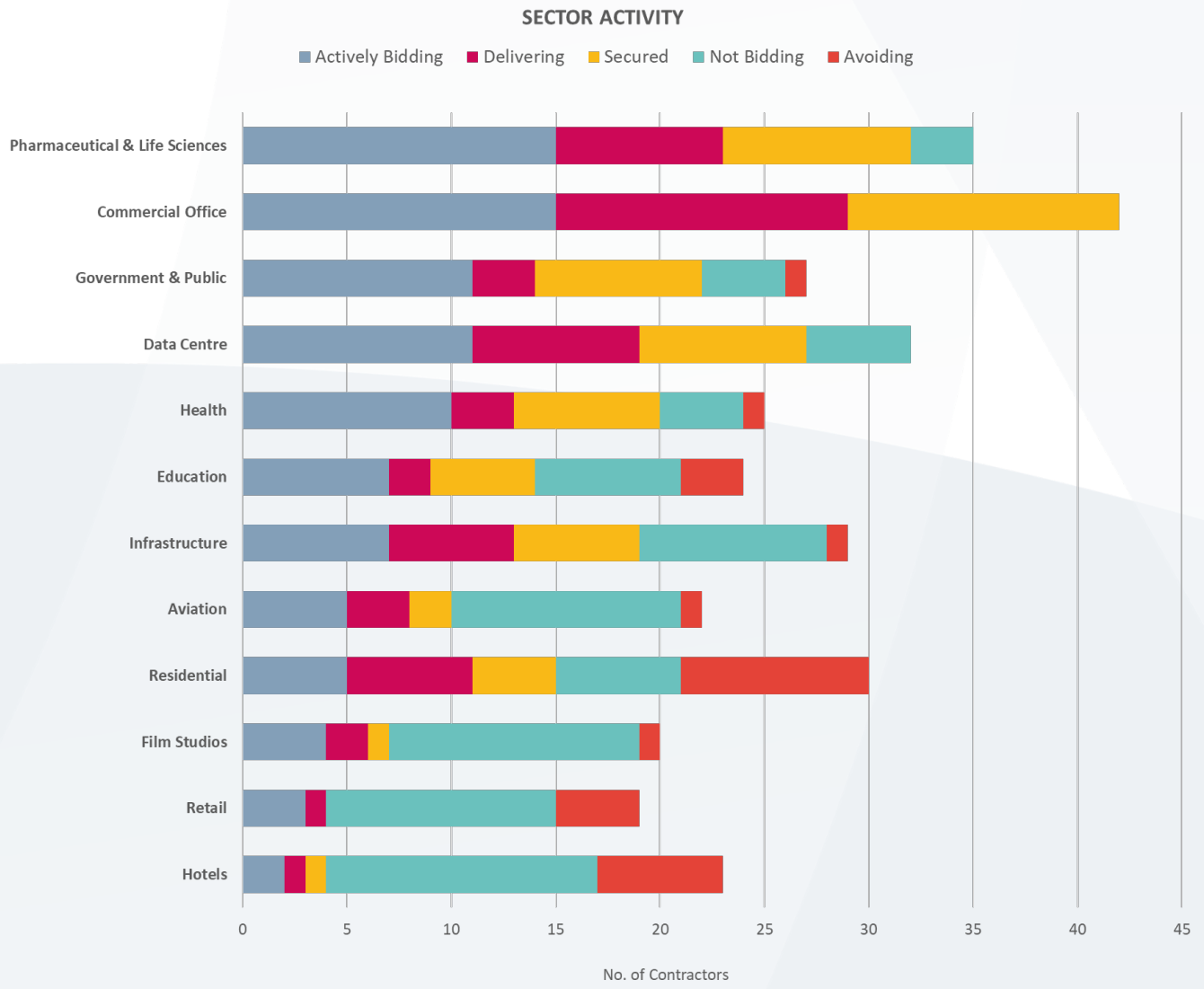


Commercial remains dominant, but the centre of gravity is slowly shifting toward specialist, higher-tech sectors.

Sector focus is consolidating around core markets, with Commercial Office rebounding and Data Centres stabilising, while public and specialist sectors soften….

- Commercial Office has strengthened its position as the most active sector, rising from **34%** to **41%** of average workload as major refurb, retrofit and repositioning projects come through
- Data Centres remain a stable second pillar at around **15%**, underlining sustained demand even as capacity and resource constraints bite
- Healthcare, Government & Public and Infrastructure have all lost share (each down **c.2–4** percentage points), reflecting funding delays, affordability pressures and programme slippage
- Residential and Aviation edge up from a low base, while the long tail of Hotels, Retail and Film Studios remains small but active, often linked to specialist programmes or asset-specific upgrades

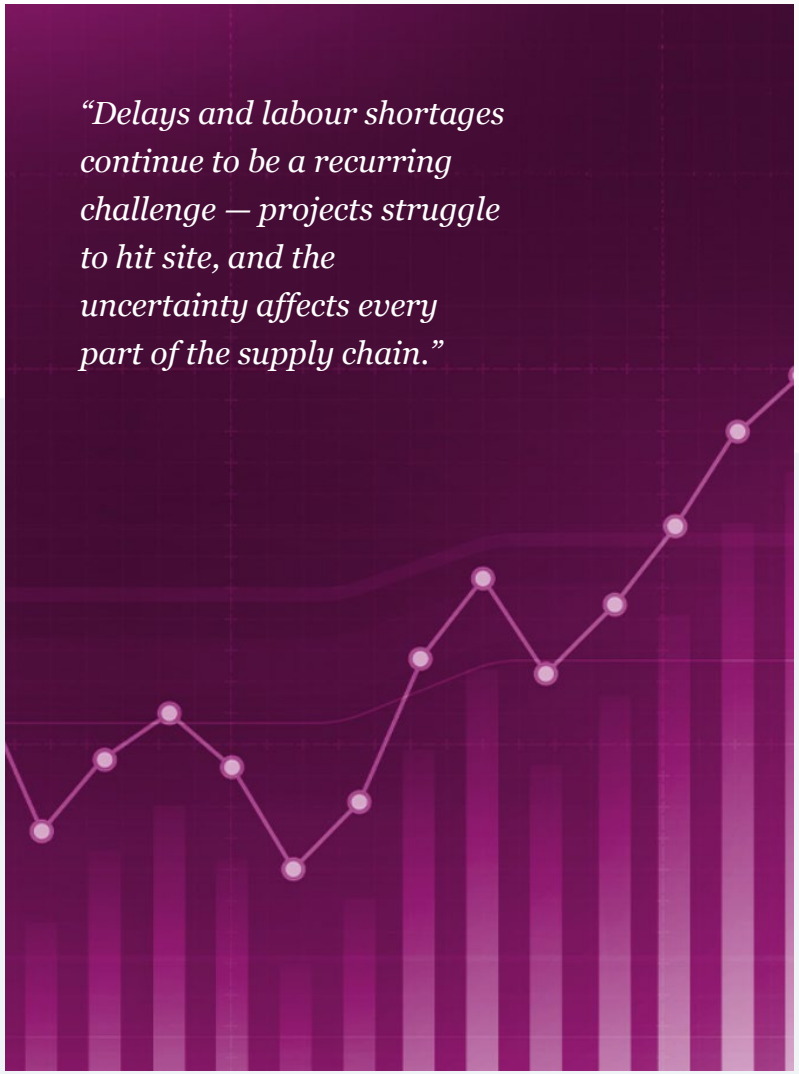
**Note: Percentages represent the average sector split for respondents and have been normalised, so totals sum to 100%.*



Strong engagement is concentrated in core sectors — Commercial Office, Pharma/Life Sciences and Data Centres show the highest levels of active bidding, live delivery and secured work, with virtually no withdrawal

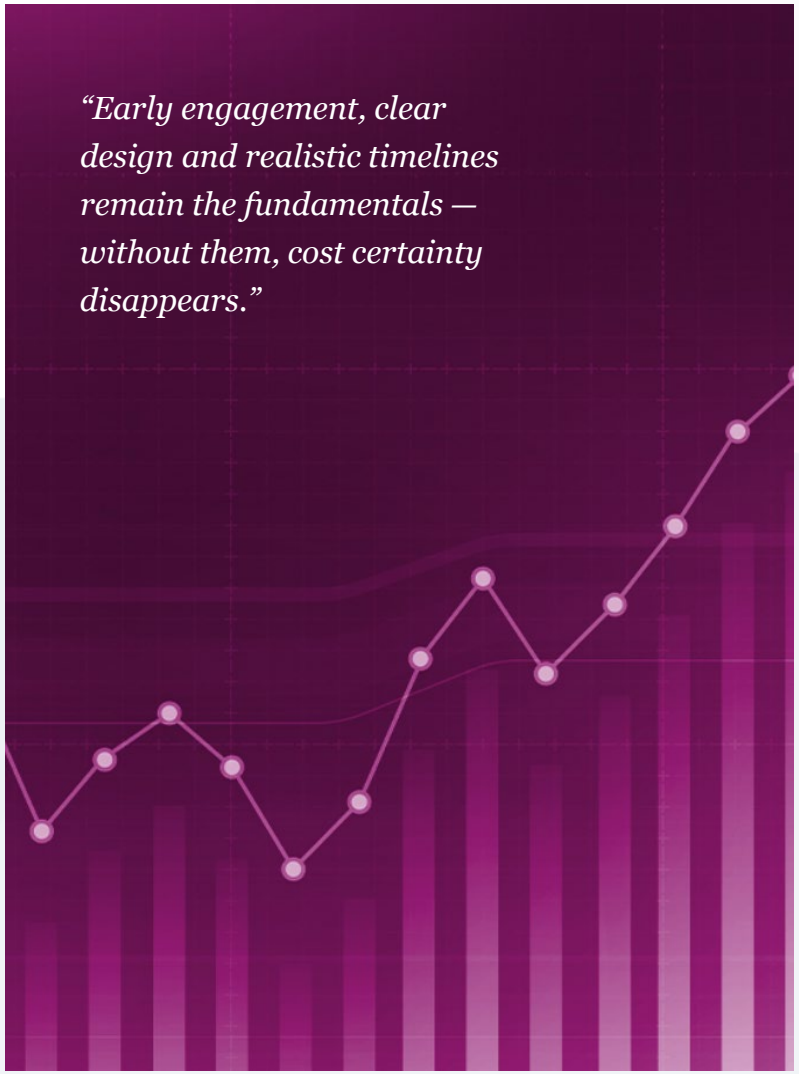
Contractors are stepping back from discretionary markets — Hotels, Retail, Film Studios and Aviation see very limited bidding activity and high “not bidding/avoiding” responses

Mid-tier public and social sectors are steady but uneven — Health, Education, Infrastructure and Government & Public show balanced activity, though funding certainty continues to shape confidence



Survey insights: key challenges over the next 12 months…

- **Skilled labour shortages**, especially in specialist and white-collar roles (QS, estimators, designers, CAD), and difficulty resourcing large volumes of MEP-led projects
- **Project delays**, including slow financial close, PCSA conversions not progressing, and lengthy pre-construction periods delaying start on site
- **Price and cost instability**, particularly copper price increases, material cost pressure, and risk of further inflation spikes
- **Supply chain exposure**, with concerns around partner solvency, large package sizes, and long lead times increasing dependency and risk
- **Political and economic uncertainty**, including The Budget, global volatility, tariffs, and inconsistent public-sector funding cycles
- **Quality and completeness of design**, with concerns over design liability, incomplete information and affordability-driven changes
- **Market hesitation**, with strong interest but fewer projects actually starting, slowing client decisions and affecting workload visibility



What contractors say drives positive outcomes…

- **Early engagement and collaboration**, bringing MEP contractors and supply chain into the process sooner to shape scope, design and cost
- **Quality and completeness of design**, with clear, coordinated information released in line with milestones to enable procurement and cost certainty
- **Realistic programmes and tender periods**, avoiding compressed timeframes and enabling accurate pricing and planning
- **Trusted relationships and known partners**, reducing risk and supporting quality, compliance and programme certainty
- **Lead-in periods and pre-construction time**, allowing teams to manage long-lead items, secure supply chain capacity and maintain cost stability
- **Clear project certainty**, ensuring jobs will proceed to construction before committing significant resources
- **Appropriate competition and reasonable T&Cs**, supporting balanced risk allocation and reducing tender-stage friction



Interesting MEP Market Trends

Rising use of two-stage procurement and increased competition

Continued expansion of data centre activity, boosted by major US tech investment

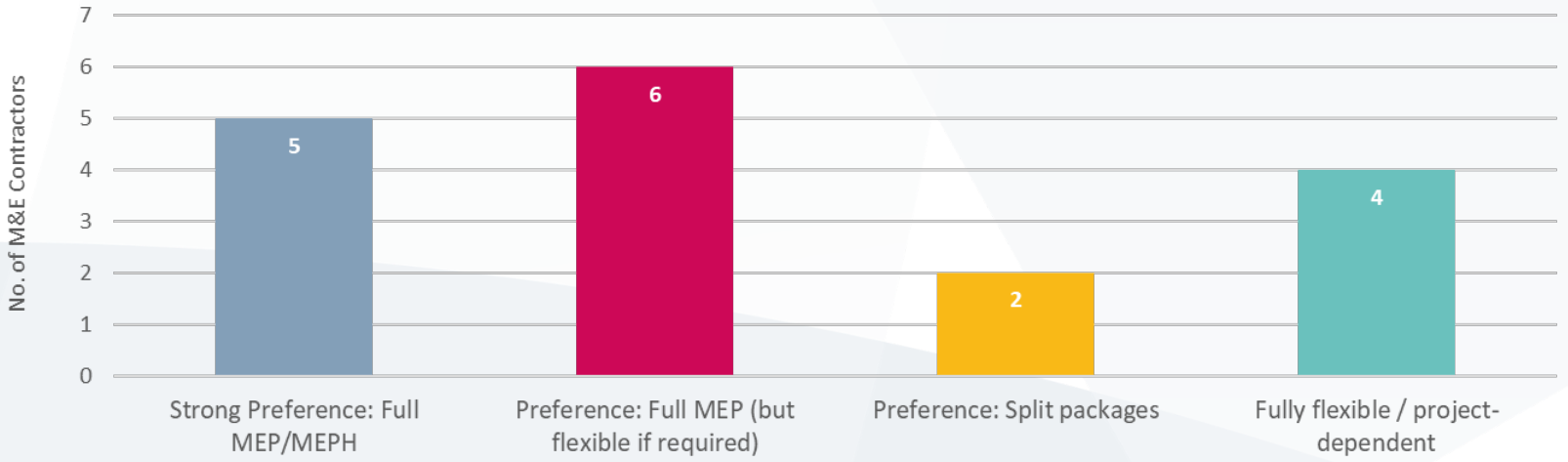
Growing focus on carbon targets, smart-building tech and digital solutions

Strengthening retrofit and plant-replacement market

Strategic/business model changes planned…

- Increased focus on infrastructure, public-sector and repeat-work frameworks
- More direct engagement with end-user clients
- Targeted expansion into growth sectors (DC, healthcare, defence, film studios)
- Strengthening of in-house delivery capability
- Regional expansion and investment in enabling infrastructure

Following the administration challenges in the MEP market, we are seeing different approaches to procurement including splitting the packages. What is your preferred package split?



"Our preferred procurement route is a full MEP package — we add most value when we control design, installation and completion end-to-end."

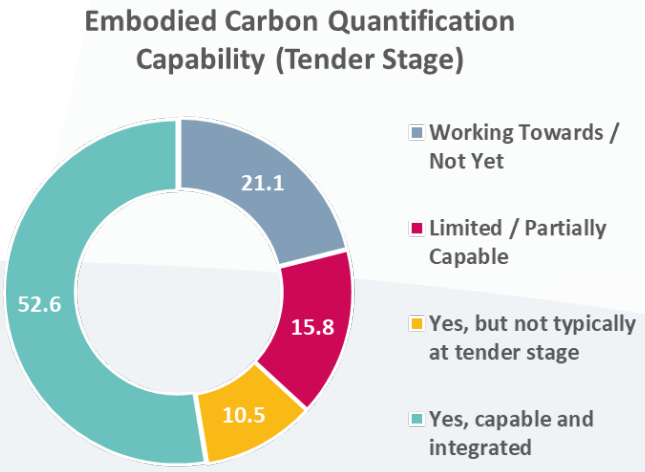
"We prefer full M&E packages, but we're happy to take single-discipline splits where it makes sense for the project."

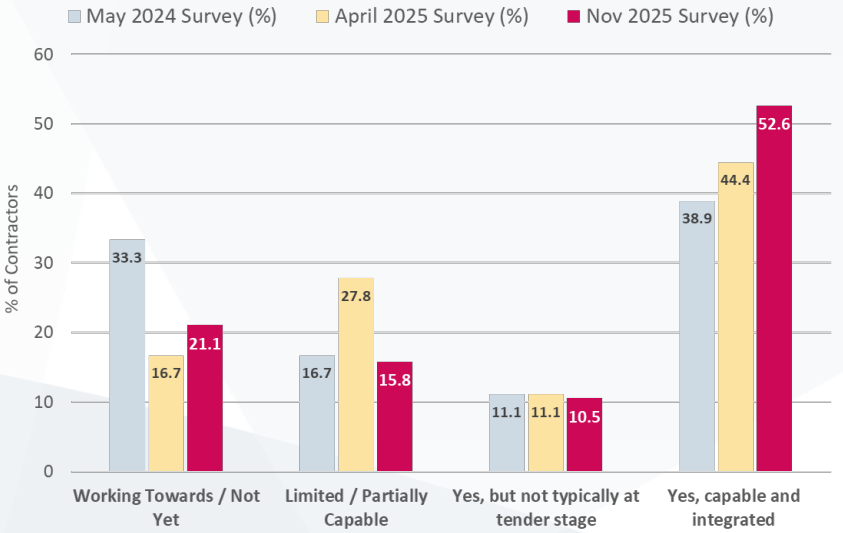
"We generally split packages where it helps de-risk delivery — some projects simply work better separated."

"We're open to any approach — full MEP or splits — the right answer depends entirely on size, complexity and programme."

Full MEP packages remain the dominant preference, with splits used selectively to manage risk and complexity

Embodied carbon capability is accelerating, with over half of contractors now providing integrated assessments at tender stage





Capability & Maturity

- Embodied carbon capability has strengthened materially, with a clear shift from “working towards” to fully integrated assessment over the last 18 months
- Most contractors can now quantify embodied carbon at tender stage, though the depth of analysis still varies widely between firms
- A minority remain in early development, citing limited data availability, immature internal tools, or resource constraints that make carbon assessment difficult under competitive tender deadlines

Practice, Tools & Constraints

- Several firms have built their own calculators and internal datasets, improving structure and repeatability of tender-stage assessments
- Robust carbon analysis remains challenging under single-stage tenders, with firms stressing that accurate quantification needs time, early engagement and stable design information
- Cost pressure often overrides low-carbon assessment, unless clients explicitly prioritise carbon outcomes

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