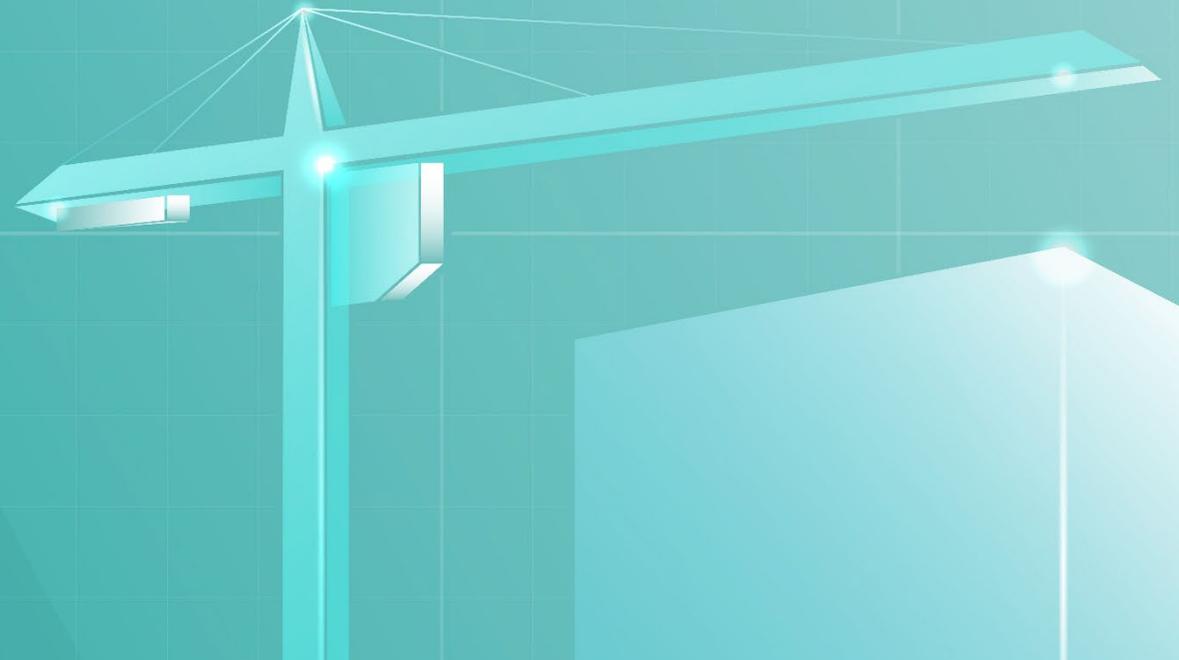


Gardiner & Theobald

# Market Update

*Selective momentum amid renewed volatility*

*Q1 2026*



The market is **stabilising**, with confidence improving after a subdued 2025. Investment remains **disciplined**, but **targeted schemes are re-mobilising** where viability and procurement clarity align. **Inflation is concentrated in labour, compliance and MEP capacity**, while most **materials remain relatively stable** despite emerging energy and geopolitical volatility. Pricing is increasingly shaped by **complexity and risk, widening tender spreads**



Watch our film →

## Agenda

MACROECONOMICS & CONSTRUCTION OUTPUT	<u>3</u>
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01

# Macroeconomics & Construction Output



## UK Economic Overview

**Fragile growth, easing headline inflation and cautious policy shaping a slow recovery...**

### *UK Growth Softens*

Momentum remains weak with subdued demand and cautious investment

### *CPI 3%* (Jan 2026)

Inflation easing; services pressures remain sticky

### *Interest Rates*

Bank Rate held at 3.75% in finely balanced decision

### *UK Construction*

#### *PMI 46.4* (Jan 2026)

Activity remains in contraction despite stabilising sentiment

### *5.2% Unemployment Rate* (Oct 25 – Dec 25)

Labour market loosening as hiring slows

### *Spring Statement*

Fiscal stability prioritised; no new demand stimulus

# UK Construction PMI (Feb 2026)



SERVICES

**53.9**

MANUFACTURING

**51.7**

CONSTRUCTION

**44.5**

## Construction contraction persists as housing weakness deepens...

Activity contraction accelerates again (PMI 44.5)

Housing weakness drags on overall activity

Demand conditions remain fragile

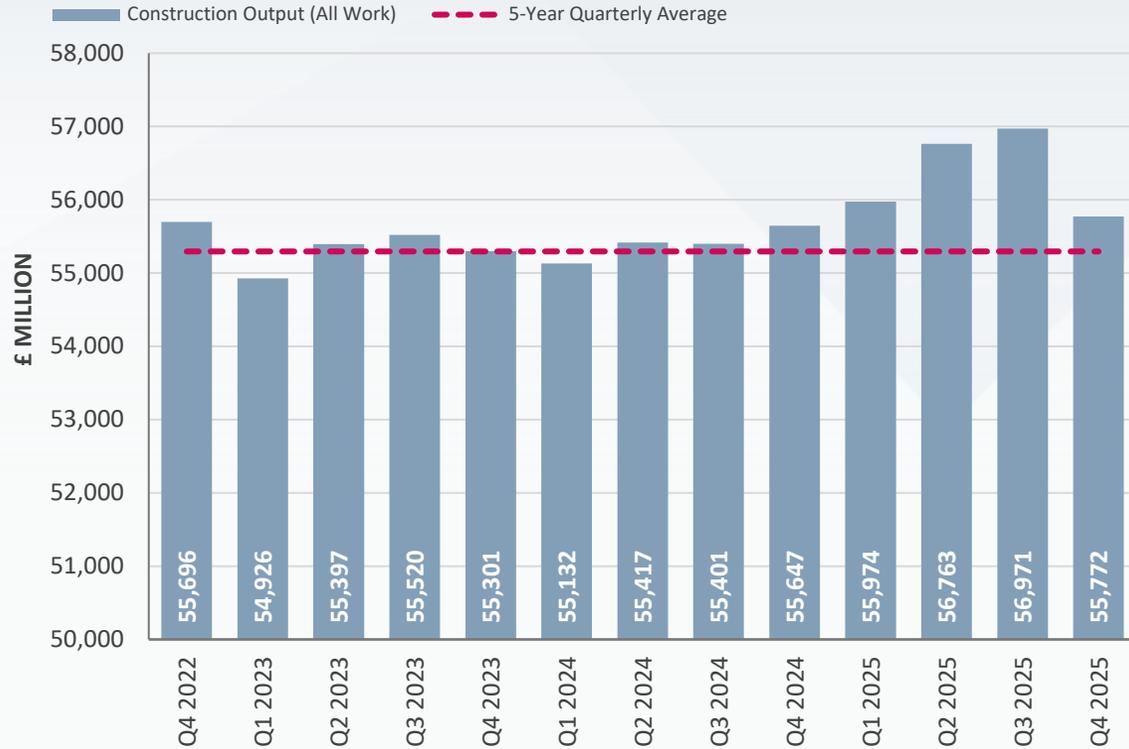
Confidence improves despite rising costs

Source: [S&P Global](#)

Note: The PMI is a subjective, sentiment-based index. Output and new order trends may therefore differ from official ONS data trends, which are based on hard economic data.

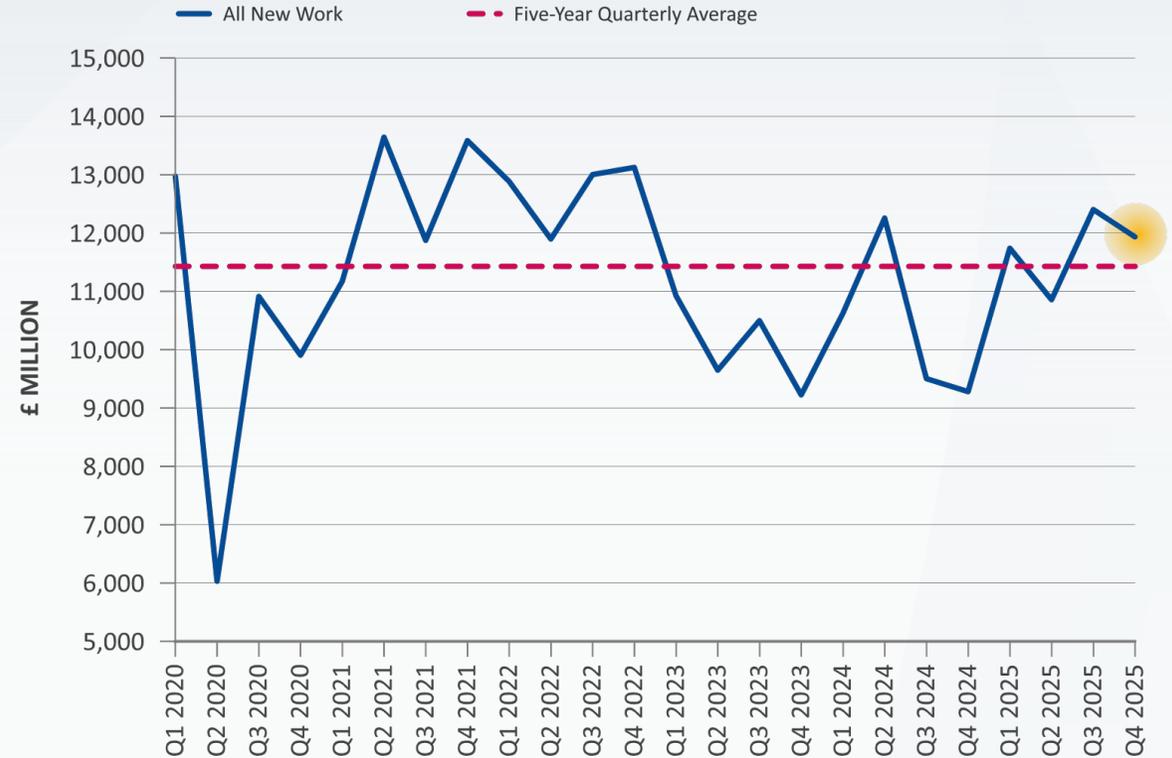
# UK Construction Output and New Orders (ONS)

UK CONSTRUCTION OUTPUT (Q-ON-Q)



**Output eased in Q4 after a Q3 peak, reflecting a market still reliant on legacy programmes**

UK CONSTRUCTION NEW ORDERS (ALL NEW WORK)



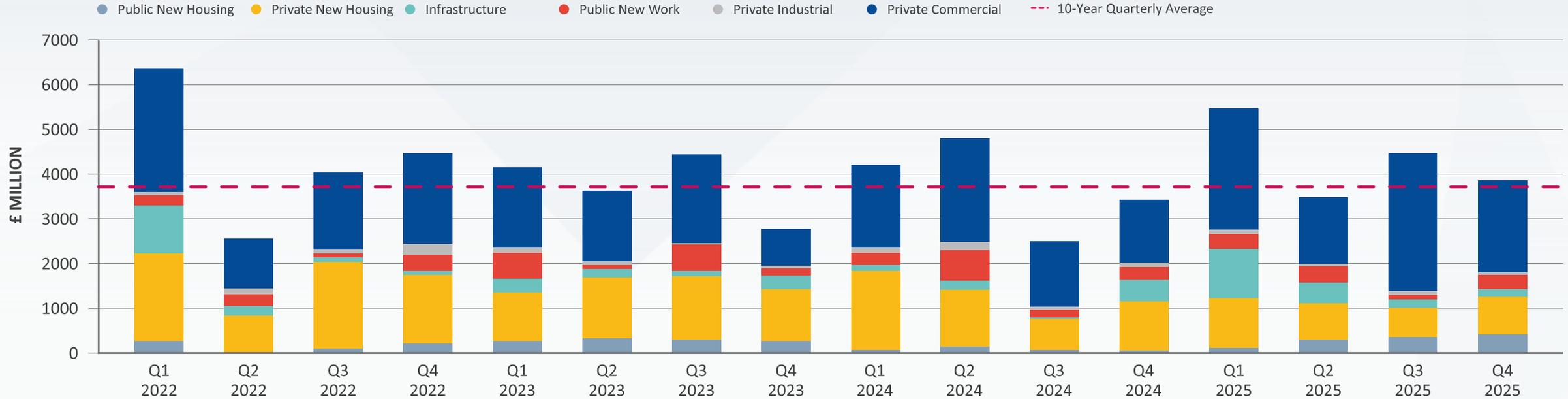
**New orders hover around trend, with volatility pointing to a fragile and narrowly driven pipeline**

*Note* ONS output and new-orders data can diverge from industry sentiment. The CPA has previously cautioned that ONS figures may be distorted by late data returns, modelling assumptions and seasonal-adjustment effects. PMI surveys, by contrast, capture sentiment and month-to-month momentum rather than actual volumes, so can soften earlier than hard data.

Source: [ONS](#)

# London: New Orders (ONS)

LONDON CONSTRUCTION NEW ORDERS (Q-ON-Q) BY SECTOR



## London new orders eased in Q4, with commercial still driving activity but overall momentum remaining uneven

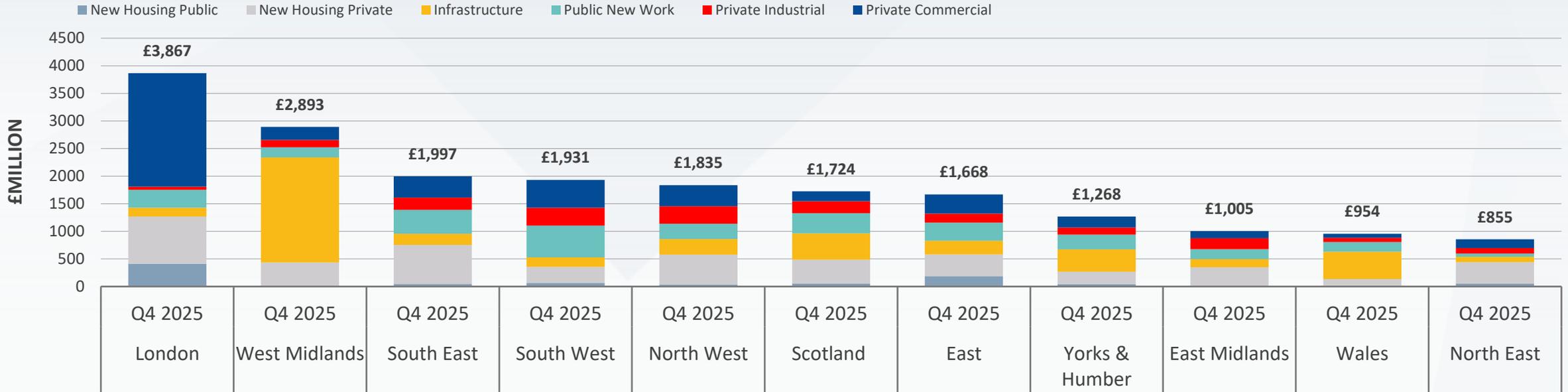
New orders moderated in Q4 to around £3.9bn, broadly in line with the long-term average after a stronger Q3 rebound

Private commercial dominates activity, with housing improving and infrastructure volatile

Quarterly swings reflect lumpy project timing and uneven momentum rather than a clear directional trend

# Regional Comparison: New Orders (ONS)

REGIONAL CONSTRUCTION NEW ORDERS (Q-ON-Q) BY SECTOR - Q4 2025



## Q4 regional new orders reveal clear sectoral divergence across the UK

London remains the largest regional market, with private commercial accounting for a substantial share of total activity

The West Midlands’ Q4 position is infrastructure-led, resulting in a markedly different sector profile to London and the South East

Beyond the two largest regions, total order volumes are fairly close in size, although the sector mix varies from region to region

# Regional Comparison: New Orders (ONS)

REGIONAL CONSTRUCTION NEW ORDERS - Q3 V Q4 2025



## Q4 momentum diverges sharply across regions, with infrastructure-led growth offsetting broader weakness

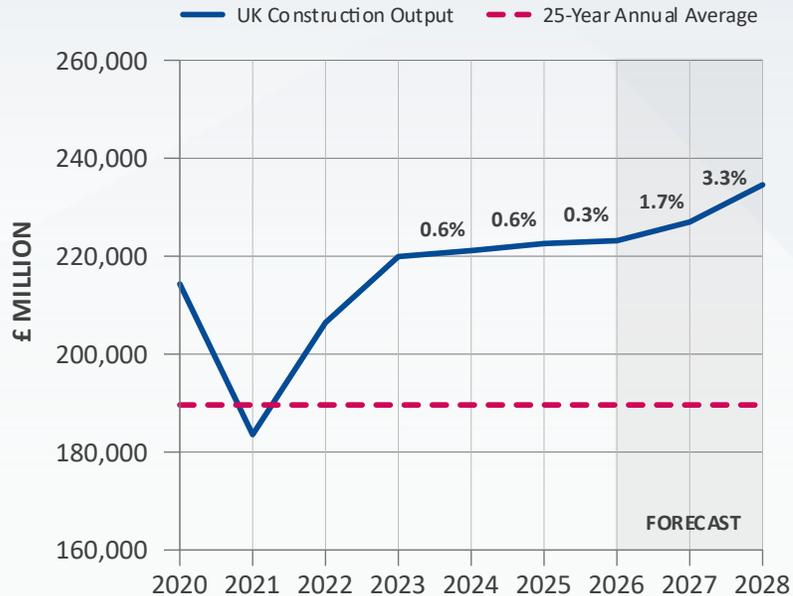
The West Midlands recorded the strongest quarter-on-quarter increase, more than doubling total new orders between Q3 and Q4

Most other major regions saw declines, including London, the South East and the North West

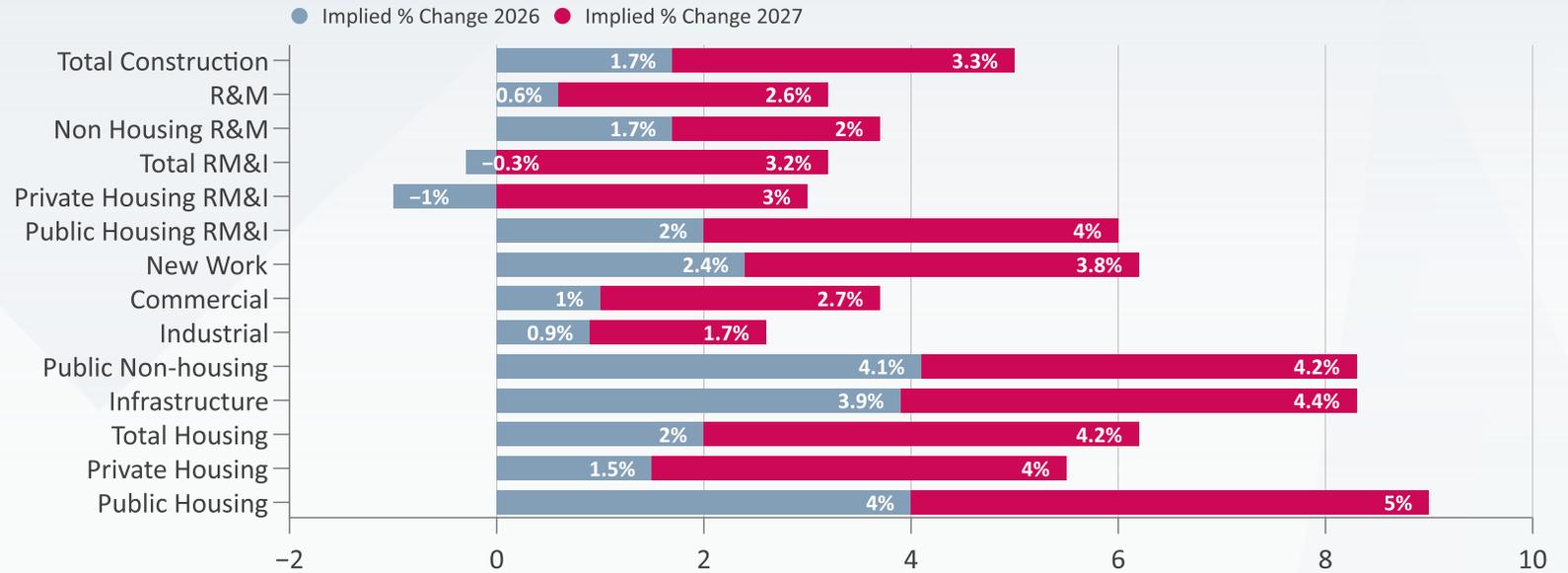
Growth was selective rather than broad-based, indicating continued volatility in regional pipelines

# CPA: Construction Output Growth Forecasts (2026-2027)

UK CONSTRUCTION OUTPUT: CPA FORECAST



CONSTRUCTION OUTPUT FOR 2026 - 2027 BY SUB-SECTOR: CPA MAIN FORECAST



## CPA: Output Recovery Pushes Out — Growth Revised Down, with Momentum Building into 2027

- 2026 output growth **revised down**, with recovery pushed out
- **Infrastructure and public non-housing** anchor near-term growth
- **Private housing recovery weaker**, constrained by affordability and confidence
- Commercial market **remains split**: refurbishment strong, new build lagging
- Fiscal uncertainty **dampened activity** through late 2025
- Growth momentum **builds into 2027**, signalling a gradual recovery

02

# Input Cost Trends – Materials, Commodities & Labour

A thick, dark blue curved line starts from the bottom left and sweeps upwards and to the right, ending near the top right corner of the slide. It is set against a background of light blue and white geometric shapes.



## Input Cost Drivers: Summary

Low Pressure

High Pressure



### MATERIALS

- Pricing broadly stable; inflation modest
- Metals and electrical inputs remain watchpoints
- Structurally elevated cost base persists

### CONTRACTOR CAPACITY

- Tier 1 pipelines holding; selective bidding
- Tier 2 appetite rising as pipelines thin
- Competitive tension building, but uneven

### LABOUR

- Shortages persist in specialist trades
- Wage growth moderating but elevated
- Primary inflation driver

# Input Costs: Material Prices

DBT: 'ALL WORK' CONSTRUCTION MATERIAL PRICES INDEX, UK, WITH BCIS FORECAST



ANNUAL CHANGE

**3.3%** ▲

(Dec 24 – Dec 25)

PEAK TO CURRENT

**-1.8%** ▼

(Jul 22 – Dec 25)

PRE-PANDEMIC CHANGE

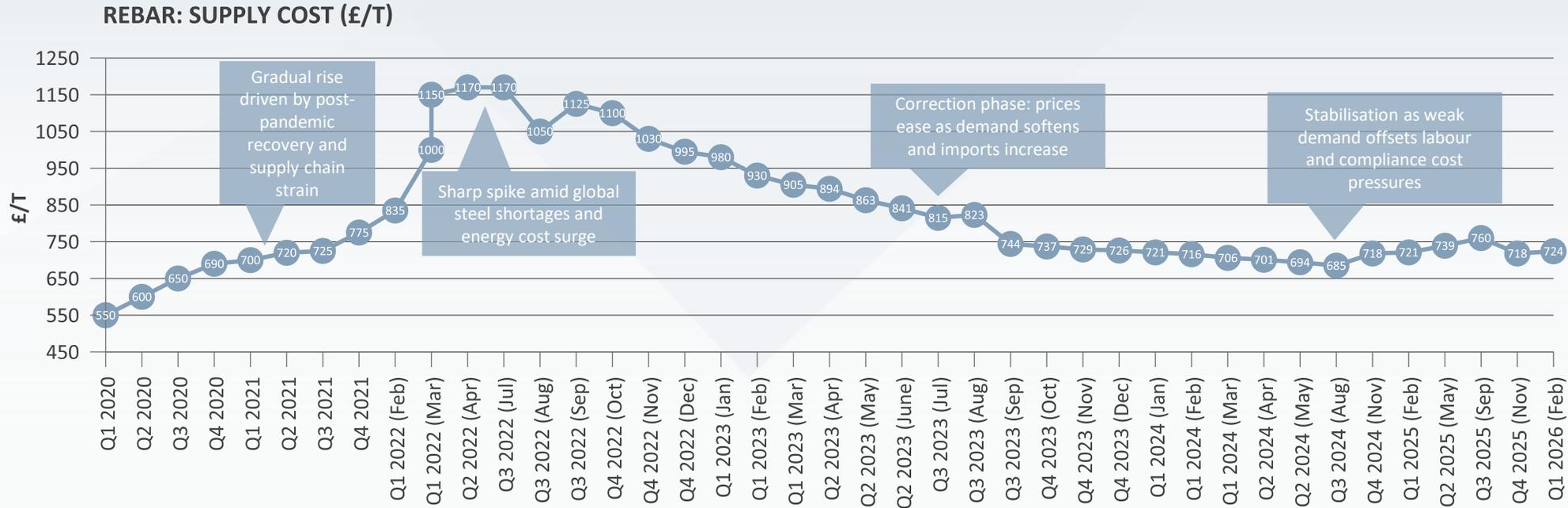
**+41.3%** ▲

(Feb 20 – Dec 25)

**Material prices broadly stable as supply chains normalise — with copper, metals and energy remaining key watchpoints....**

Source: [Department for Business and Trade \(DBT\)](#), [BCIS](#)

# REBAR Price Trends



REBAR SUPPLY COST\*

**+0.8%**

From **£718/t** (in Nov 2025)  
To **£724/t** (in Feb 2026)

## Rebar settles into a stable range as demand softens and structural supply risks remain contained...

Prices broadly flat following the earlier correction from 2022 peaks

Weaker private-sector demand is limiting pricing power despite ongoing infrastructure activity

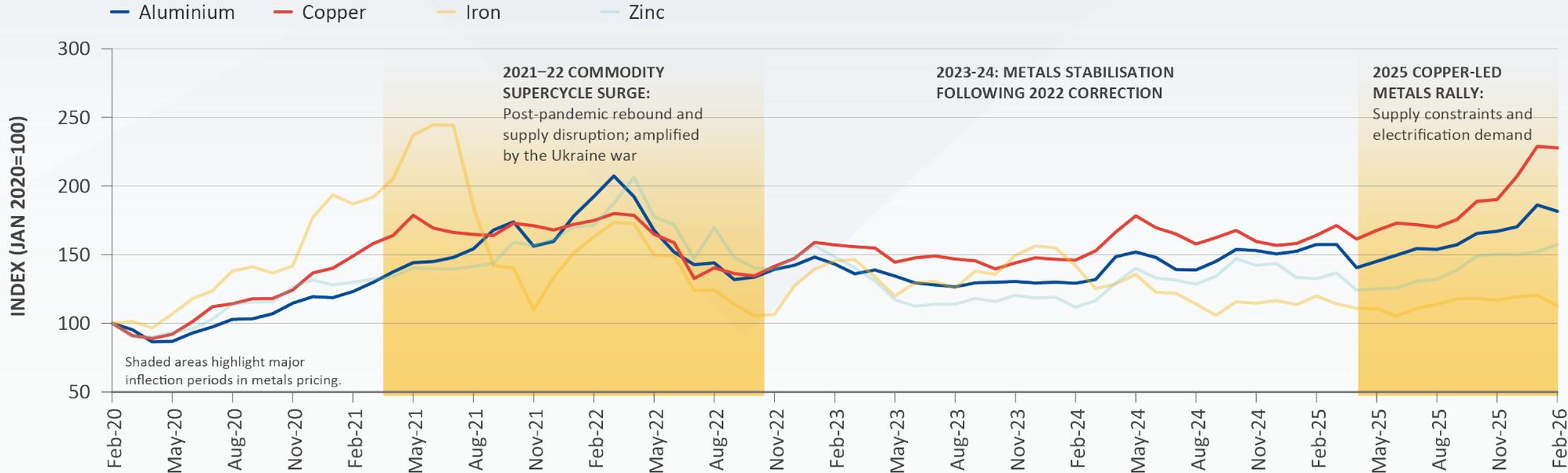
Import competition and currency effects continue to cap domestic upside

Steel restructuring adds sentiment risk; pricing remains demand-led

\*Data shows average supply cost of cut & bent rebar for a tonnage range 1-1,000 tonnes

# Commodity Prices

WORLD BANK COMMODITY PRICE DATA - CONSTRUCTION-RELEVANT COMMODITY INPUTS: MONTHLY AVERAGE INDEX



## Copper-led metals rally signals construction cost risks toward MEP and electrical supply chains...

Copper demand accelerating on electrification, grid expansion and data centre growth

Aluminium rising on energy costs and constrained supply

Steel inputs comparatively subdued amid weak construction demand

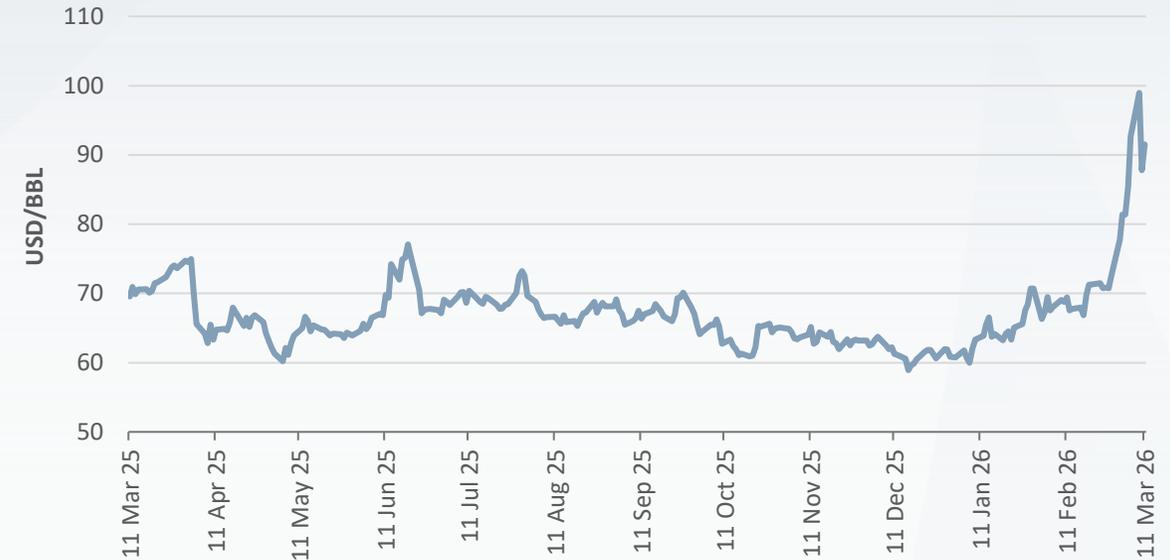
Construction cost pressure concentrating in MEP and electrical packages

# Energy Volatility Re-Emerges — Construction Cost & Risk Implications

UK NBP NATURAL GAS QUATERLY FUTURES (£/THERM)



BRENT OIL FUTURES (USD/BBL)



## Middle East Escalation: Energy price volatility reintroduces cost and programme risk for UK construction...

- Sustained elevation in oil prices would feed through into diesel, logistics and petrochemical-based materials (bitumen, plastics, insulation)
- Higher gas prices increased electricity and fabrication costs across steel, bricks, cement and MEP manufacturing
- Energy-intensive trades (MEP, steelwork, civils) most exposed to short-term input volatility
- Risk allowances and supply-chain contingencies likely to remain elevated until price stability returns

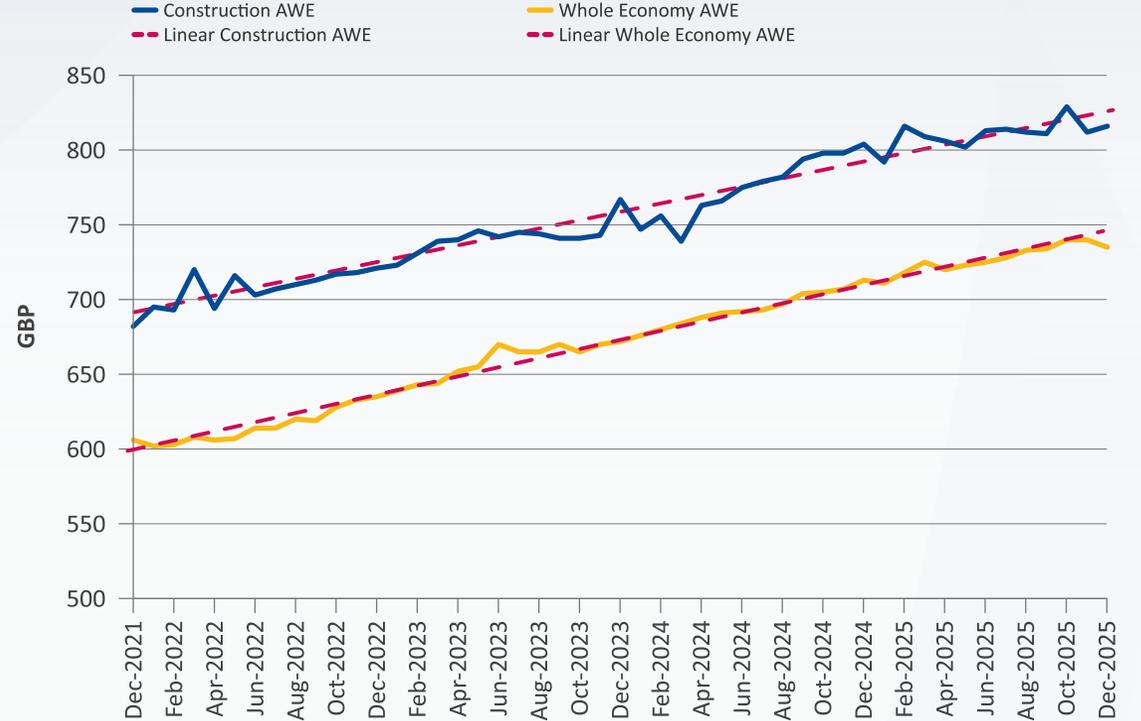
# Labour

### CONSTRUCTION VACANCIES



Construction vacancies soften further, signalling weaker hiring intent

### AVERAGE WEEKLY EARNINGS (UK CONSTRUCTION) SEASONALLY ADJUSTED



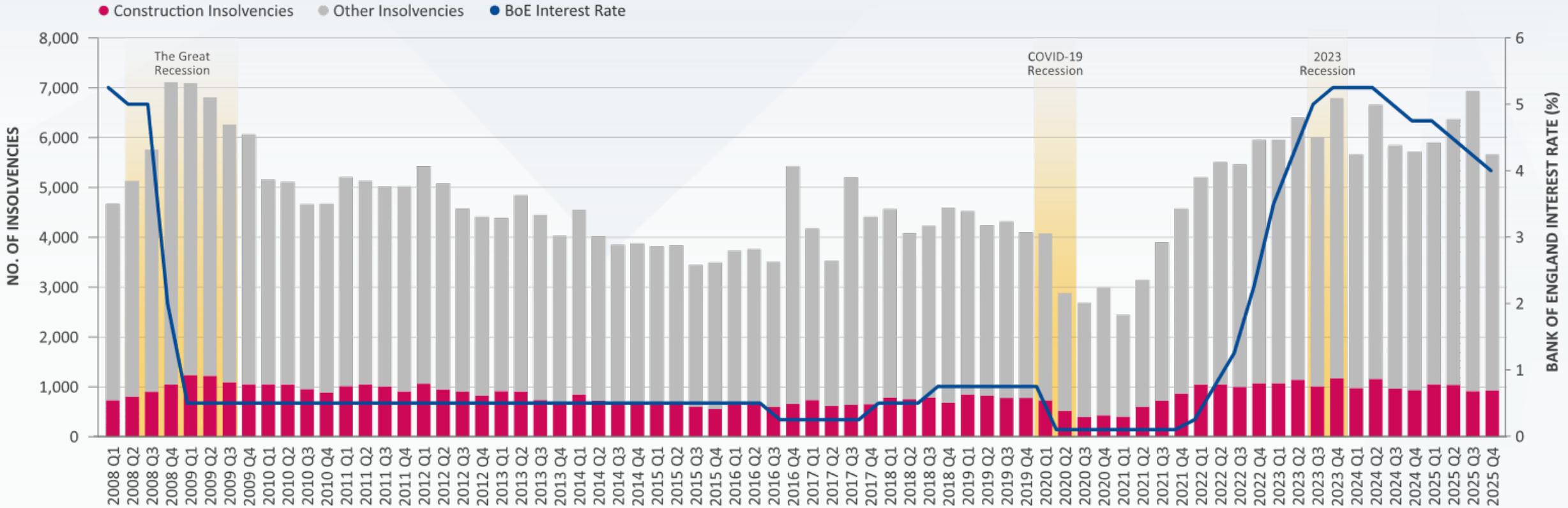
Pay growth normalises as demand eases; the premium for specialist capability persists

03

# **Market Trends: Insolvencies, M&E, Sector Overview & Spring Statement**

# Insolvencies & Interest Rates

UK INSOLVENCIES (CONSTRUCTION AND OTHER) VS BANK OF ENGLAND INTEREST RATE

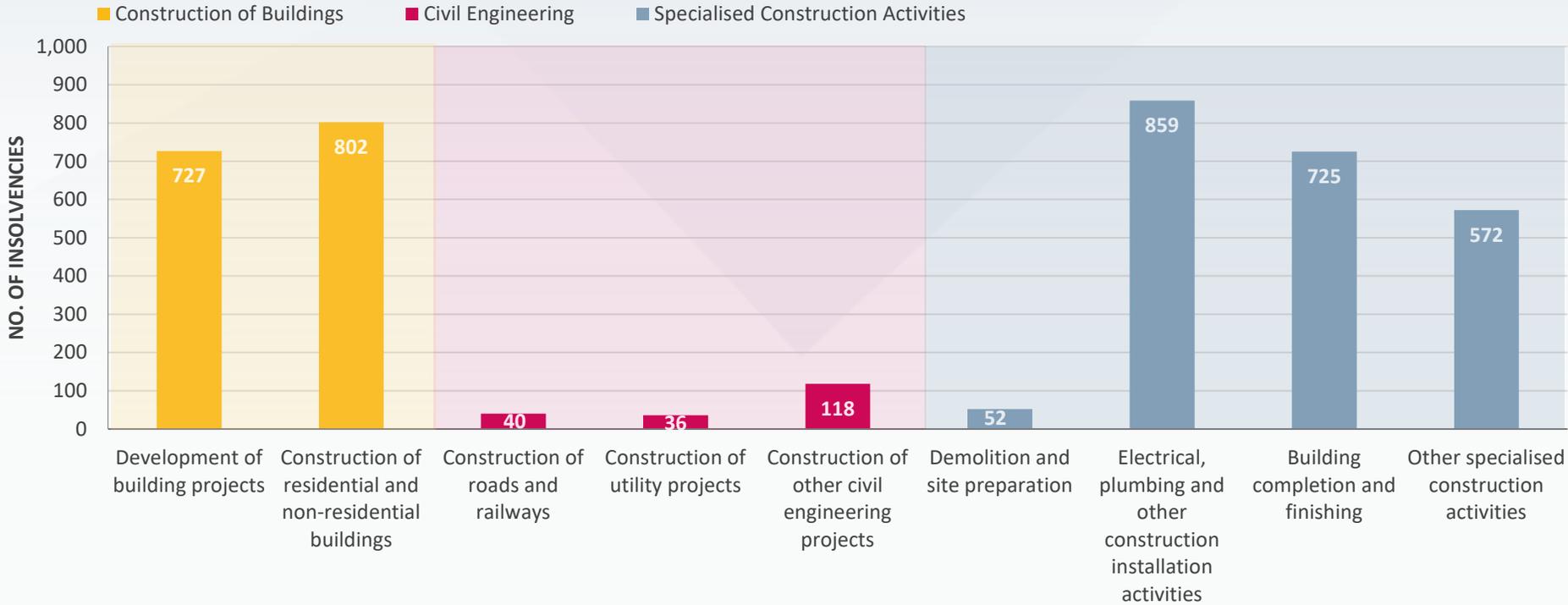


Construction insolvencies remain structurally elevated as higher financing costs and weak pipeline conversion prolong financial strain

Source: [The Insolvency Service](#), [Bank of England](#)

# Insolvencies remain high amid persistent financial strain

CONSTRUCTION INSOLVENCIES IN ENGLAND AND WALES BY TYPE: YEAR TO DEC 2025



## INSOLVENCIES BY TYPE (YEAR TO DEC 2025)

Specialised Construction Activities

56%

Construction of Buildings

39%

Civil Engineering

5%

**3,931 firms failed** in the year to Dec 2025 – **2.7% down** year-on-year but still elevated

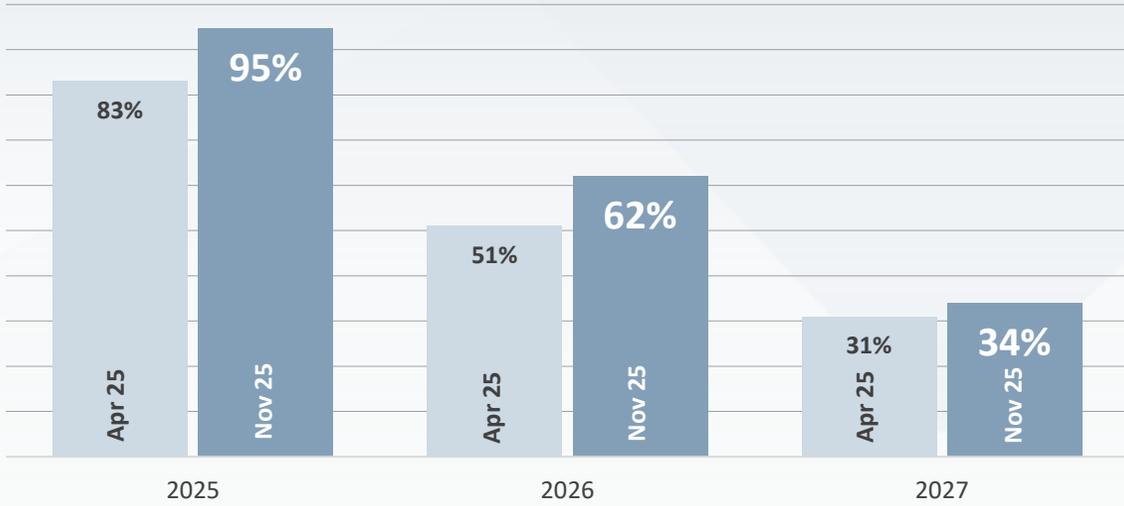
**Supply chain fragility** concentrated in **specialist trades (56%** of failures)

**Liquidity pressure persists** as pipeline conversion remains uneven

**Elevated distress** suggests **insolvency risk will remain high** into 2026

# M&E Market Survey: Outlook & Sector Priorities

M&E CONTRACTOR: AVERAGE SECURED WORKLOAD



- **Workload visibility improving** into 2026–27
- **Competition tightening:** Tender hit-rates down slightly (36% → 34%)
- **Bigger schemes preferred:** £25m+ consistent sweet spot

SECTOR ACTIVITY

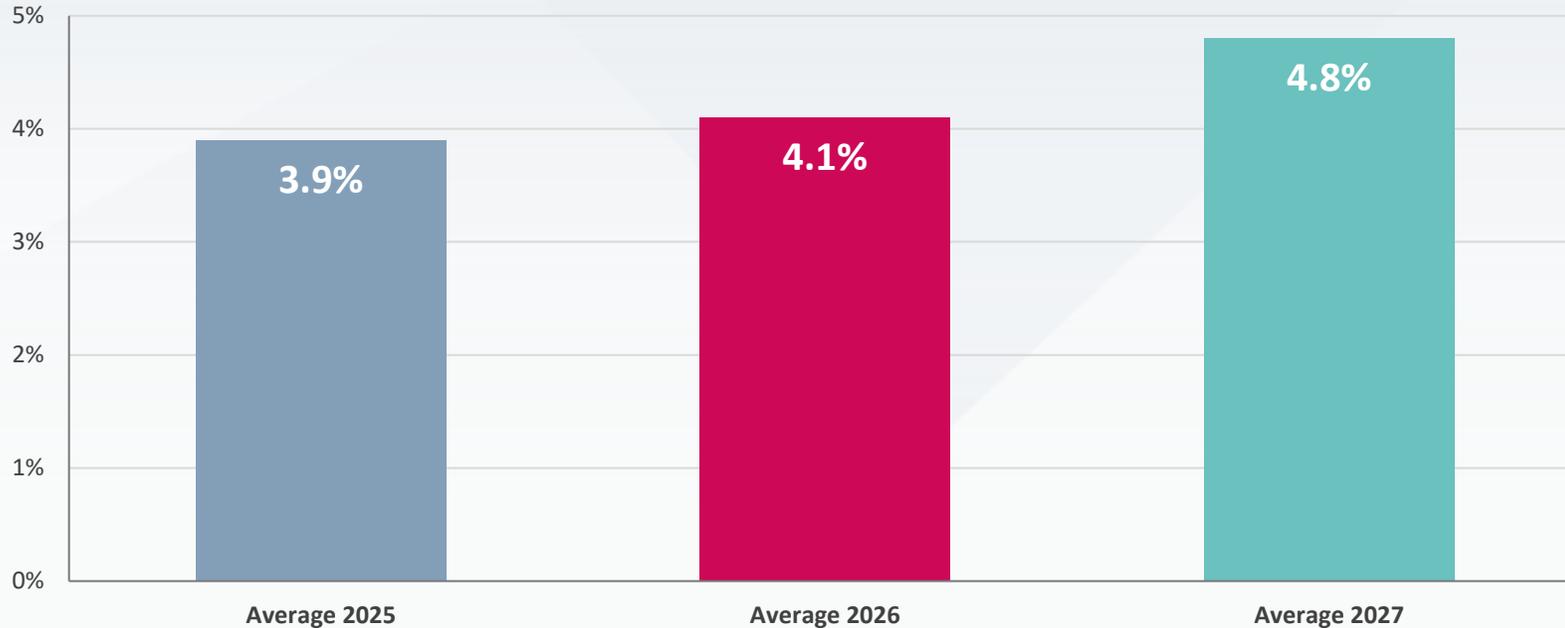
HIGH	MEDIUM	LOW
Office	Govt & Public	Residential
Pharma & Life Sciences	Health	Aviation
Data Centres	Infra	Film Studios
	Education	Retail
		Hotels

- **Office + Pharma & Life Sciences lead activity:** Strong workloads and broad engagement across pipeline
- **Data Centres remain a major growth engine** but capacity and lead-time pressures shape which schemes contractors pursue
- **Weak appetite persists in Residential, Hotels, Retail, Film, Aviation**

*Note: Sector groupings are based on total activity scores derived from the survey's five response categories (Actively Bidding, Delivering, Secured, Not Bidding, Avoiding). Higher-ranked sectors — including Pharmaceutical & Life Sciences — have the strongest positive activity balance, with high levels of bidding, delivery and secured work and minimal "not bidding/avoiding" responses.*

## M&E Market Survey: Cost & Capacity Drivers

### M&E TPI FORECAST: AVERAGE



*Labour shortages and cost pressures dominate, amplified by global volatility. Pricing shaped by competition and risk transfer; opportunities strongest in data centres, life sciences, and retrofit*

- **Surveyed contractors see TPI rising toward 4.8% by 2027**, driven by labour-led cost pressure as materials inflation stays moderate
- **On-costs diverging:** OH&P stable, prelims rising
- **Specialist roles tight** despite overall stable capacity
- **Labour uplifts** £2–£3/hr since April 2025



*A resilient M&E market with strong pipelines, ongoing cost pressures, and widening sector polarisation*

## G&T M&E Survey: Key Takeaways

MEP packages can be procured successfully in the current market, but some projects are experiencing **challenges with inconsistent tender pricing**. A **proactive approach to tendering** — including robust documentation, clear packaging strategy, careful selection of tenderers and appropriate risk transfer — **is essential to reduce this risk**.

**1** Workload remains healthy into 2026–27

**2** Sector appetite is sharply polarised

**3** Signs of increased inflationary pressures

**4** Labour is the dominant inflation driver

**5** On-costs are rebalancing, not falling

**6** Supply chains are stretched but coping

**7** Risk appetite is tightening; tolerance for scope, cost and design risk is falling

**8** Regulation and design change are reshaping delivery

Read the latest [M&E Survey](#) →

# Key Sector Trends: What are we seeing?



## Commercial office

- Capital focused on prime repositioning, not speculation
- Obsolescence accelerating → retrofit over new build
- Viability the binding constraint
- Market bifurcation: best-in-class wins; secondary drifts



## Residential

- Stabilised demand, no volume rebound
- Affordability & deposits suppress absorption
- Planning and regulation slow delivery
- Institutional capital reshaping tenure & models



## Infrastructure

- Regulated spend = core growth platform
- Energy transition & resilience dominate priorities
- Funding improving; execution capacity tight
- Delivery pace set by programme complexity & supply depth



## Industrial & Technology

- Structural demand intact (logistics & digital)
- Data centres & advanced manufacturing anchor confidence
- Output shaped by large-scheme timing volatility
- Investment sensitive to capital flows & energy costs

# Spring Statement 2026 - Implications for UK Construction

**Macro stability prioritised over stimulus — capital plans maintained, no new fiscal catalyst for construction demand**

## Key Spring Statement Headline

## Construction Market Implications

**Economic growth forecast revised (slower for 2026, improving later)** — OBR now expects 1.1% growth in 2026 vs earlier forecasts, with stronger growth in 2027–28

Slower near-term growth may delay some private sector investment decisions

**Inflation expected to fall towards target (OBR forecast)** — forecasts show inflation moderating in 2026

Headline inflation has eased but renewed Middle East tensions introduce energy and freight volatility risks

**Public borrowing and debt projected to improve** — borrowing down and fiscal headroom rising (expected surplus by late decade)

Greater fiscal stability supports long-term infrastructure planning, but no new spending commitments

**No major new tax or spending measures delivered in Spring Statement** — focus was on forecasts and stability, not policy changes

No fiscal stimulus to accelerate construction demand

**Government message emphasised stability and confidence** — Chancellor framed economic plan as “right one” amid uncertain global conditions

Reinforced confidence may support investor sentiment; however, without targeted measures, investment may remain selective

**Unemployment forecast to peak then fall** — OBR forecasts slight jobless rise this year then decline in later years.

Labour market softening could relieve wage inflation but may slow residential construction demand (driven by employment confidence)

**Geopolitical and energy price risks noted** — statement acknowledged the uncertain global backdrop (eg energy market volatility)

Heightened commodity price risk for energy-intensive trades; supply chain allowances and risk pricing remain important for tendering.

04

# Trends in Key Trades



## Key Trade Analysis – Overview

Low Pressure

High Pressure



COMPETITIVE

BALANCED/PROJECT-LED

HIGHER INFLATION

### COMPETITIVE

- Demolition/  
Enabling Works
- Earthworks
- Substructure

### BALANCED/PROJECT-LED

- Drylining
- Steelwork
- Brick & Blockwork
- Carpentry/Joinery
- Finishes
- Preliminaries
- OH&P
- Concrete

### HIGHER INFLATION

- MEP
- Lifts
- Façades

05

# Market Conditions



## Market Conditions

In our latest TPI, we noted the following market conditions in the UK construction sector:

Workloads stable, new work subdued

Pipeline resilient, conversion remains slow

Infrastructure demand outperforms private building

Two-speed market shaping pricing behaviour

Tender inflation cost-led, not demand-led

Labour and compliance drive price pressure

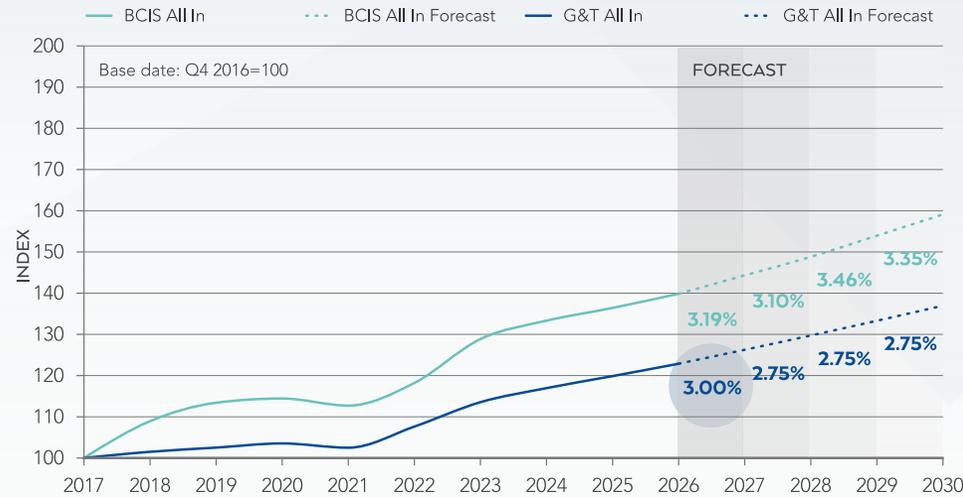
Materials inflation moderating; risks now trade-specific

Prelims rising as delivery and risk complexity increase; margin discipline holds

Read the latest [TPI Report](#) →

# TPI Q1 2026: Overview

## TENDER PRICE TREND 'ALL UK TPI'



## TENDER PRICE ANNUAL PERCENTAGE CHANGE Q1 2026

%	2026		2027		2028		2029	
Regional forecasts	Now	Last*	Now	Last*	Now	Last*	Now	Last*
Greater London	3.25	2.50	3.00	2.75	2.75	2.75	2.75	N/A
South East	3.00	2.25	3.00	2.50	2.75	2.75	2.75	N/A
South West	2.50	2.50	2.50	2.75	2.75	2.75	2.75	N/A
East (Anglia)	3.00	3.00	3.00	2.75	3.25	2.75	3.25	N/A
Midlands	2.25	2.75	2.25	2.75	2.50	2.75	2.50	N/A
Wales	2.50	2.50	2.75	2.75	2.75	2.75	2.75	N/A
Yorks & Humber	2.00	2.00	2.25	2.25	2.50	2.50	2.50	N/A
North West	2.25	2.00	2.25	2.50	2.75	2.75	2.50	N/A
North East	2.00	2.00	2.25	2.25	2.50	2.50	2.50	N/A
Scotland	2.50	2.50	2.75	2.75	3.00	2.75	3.00	N/A
Northern Ireland	3.00	2.50	3.50	2.75	3.50	2.75	3.50	N/A
<b>UK Weighted Average</b>	<b>3.00</b>	<b>2.50</b>	<b>2.75</b>	<b>2.75</b>	<b>2.75</b>	<b>2.75</b>	<b>2.75</b>	<b>N/A</b>

Last\* Q4 2025

*Our forward forecasts show annual tender price inflation (Jan-Dec)*

### UK AVERAGE

Tender Price Forecast (2026)

**3.00%**

### LONDON

Tender Price Forecast (2026)

**3.25%**

**Near-term tender price inflation expectations have edged higher as cost pressures — particularly labour, MEP and delivery costs — remain persistent despite subdued demand.**

While activity continues to be supported by legacy workloads, deferred projects are beginning to unlock selectively, allowing these pressures to feed more fully into tender pricing through 2026.

*Please note: G&T's TPI forecasts take account of all sectors and project sizes as a statistical average, indicating an overall trend in pricing levels. Individual projects may experience tender pricing above/below the published average rate, reflecting the project specific components and conditions.*

# Key Takeaways





## Key Takeaways

*Market conditions are stabilising, with confidence gradually improving*

*Investment remains selective, with schemes cautiously re-mobilising*

*MEP remains the principal inflation risk in 2026*

*Pricing dispersion is widening – inflation is increasingly project-specific*

*Find out more about our market intelligence and [how we can help](#) →*

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