

Gardiner & Theobald

Market Update

Demand is softening. Pricing risk remains

Q2 2026



The UK construction market enters Q2 2026 with **workload weakening**, viability under pressure, and project conversion slowing. Forecasts point to a **challenging 6–9 months**, while renewed energy and geopolitical volatility has lifted **inflation and procurement risk** across fuel, logistics, steel/rebar, **MEP and specialist electrical packages**. Softer demand, better material availability than 2021–23 and improving contractor capacity should **limit broad-based pass-through**, creating **selective opportunities for better value** on well-defined schemes.



Watch our film →

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01

Macroeconomics & Construction Output





UK Economic Overview

Growth has proved resilient, but inflation risk and external shocks keep the outlook fragile...

UK Growth Holds Up

GDP up 0.6% in three months to Mar; outlook still fragile

CPI 2.8% (Apr 2026)

Headline inflation eases, but energy risks remain elevated

Rates Outlook Unsettled

Bank Rate held at 3.75%; market borrowing costs remain exposed to rate expectations

UK Construction

PMI 39.7 (Apr 2026)

Construction downturn deepens; weakest activity since Nov 2025

5.0% Unemployment Rate

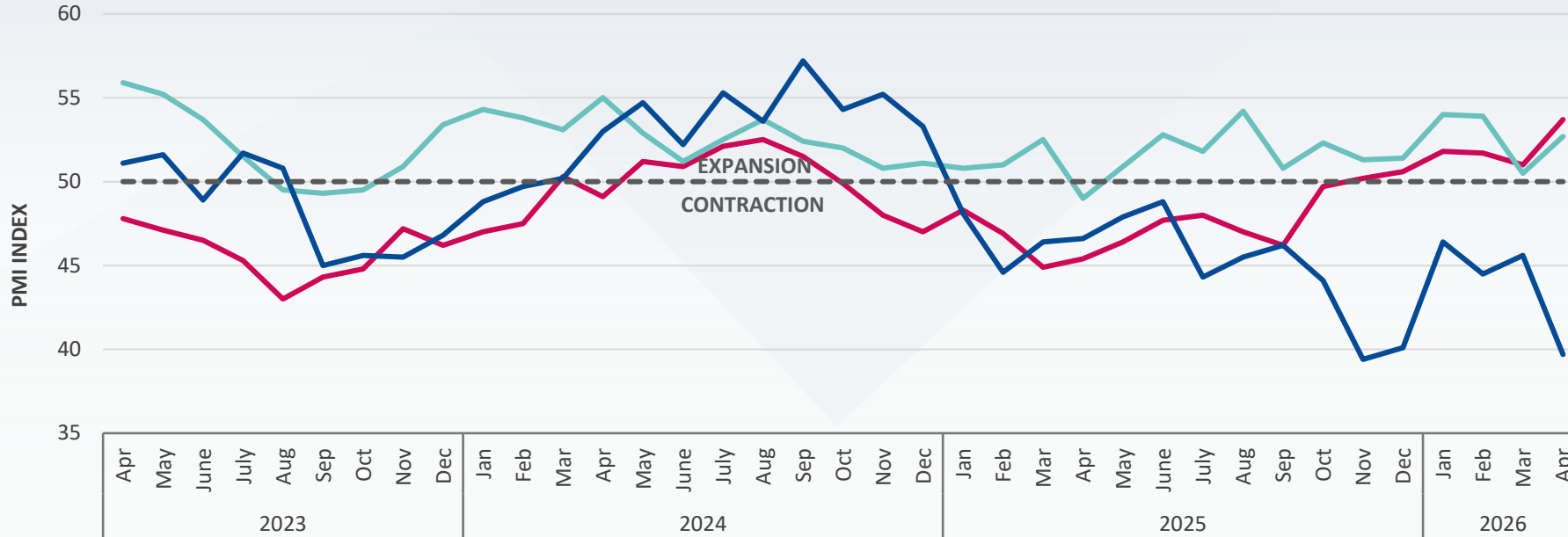
(Jan – Mar 26; up from 4.5% YoY)

Labour market softens; unemployment higher than a year ago

Middle East Conflict

Fuel, shipping and input cost pressures intensify

UK Construction PMI (Apr 2026)



MANUFACTURING

53.7

SERVICES

52.7

CONSTRUCTION

39.7

Construction downturn deepens as new orders weaken and cost pressures surge...

Activity falls sharply; PMI drops to 39.7

New orders weaken amid subdued client demand

Civil engineering weakest in April; housing remains pressured

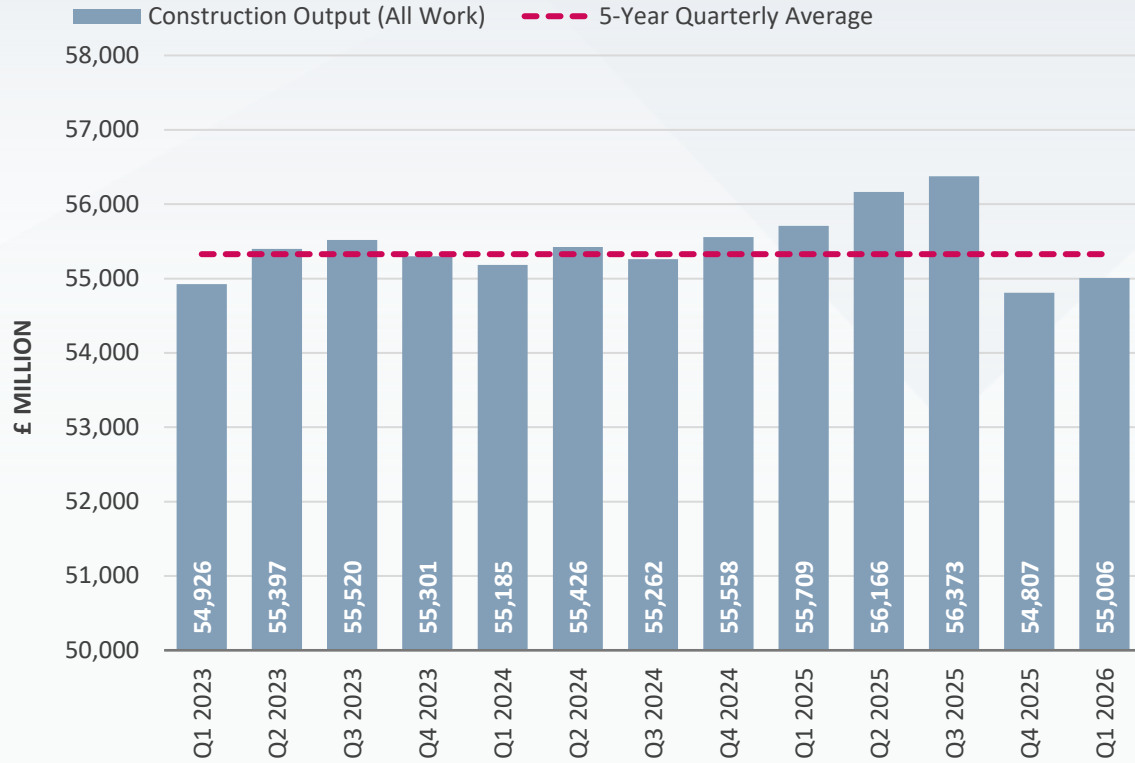
Input costs surge on fuel and transport pressures

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.

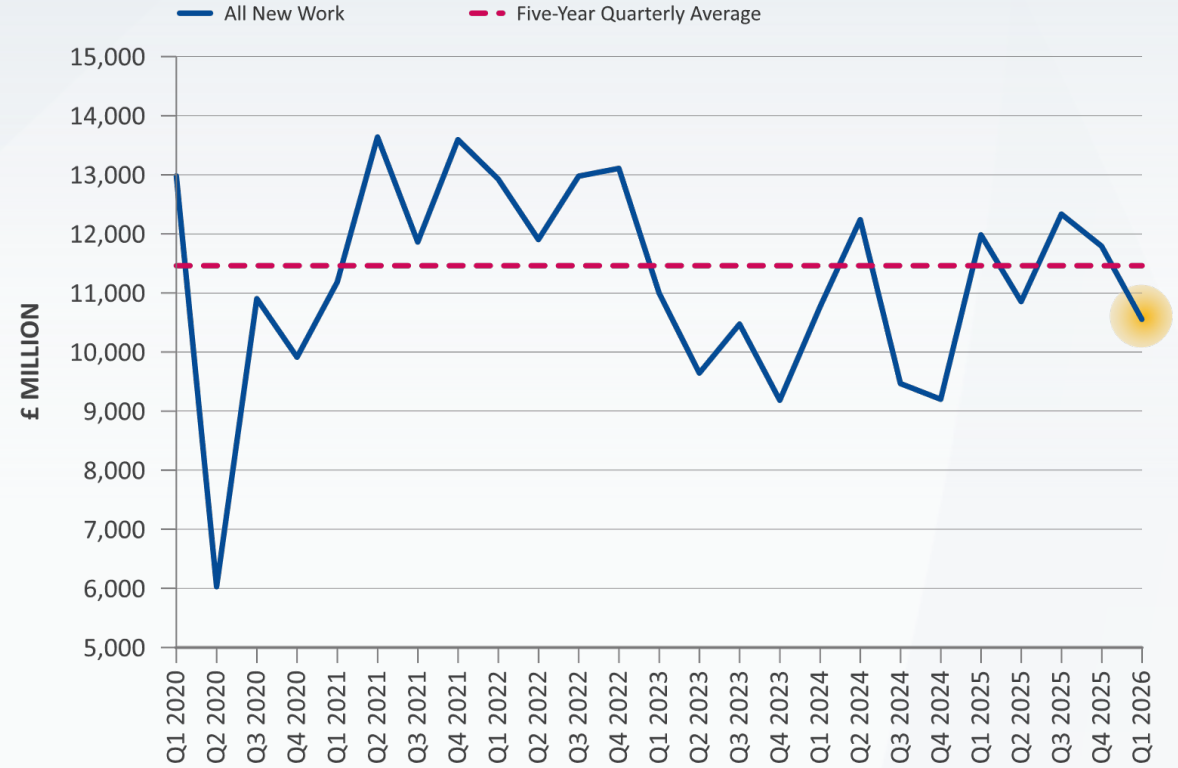
UK Construction Output and New Orders (ONS)

UK CONSTRUCTION OUTPUT (Q-ON-Q)



Output edges up after Q4 dip, but remains below 2025 peak

UK CONSTRUCTION NEW ORDERS (ALL NEW WORK)



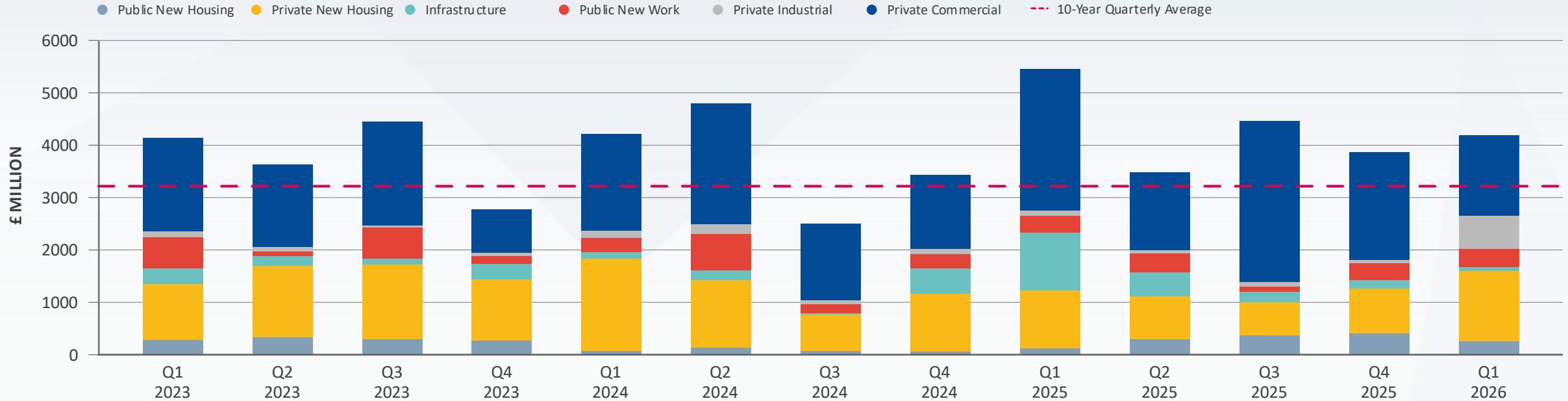
New orders fall below trend, pointing to a fragile forward pipeline

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 orders bucked the UK trend in Q1, but pipeline momentum remains uneven

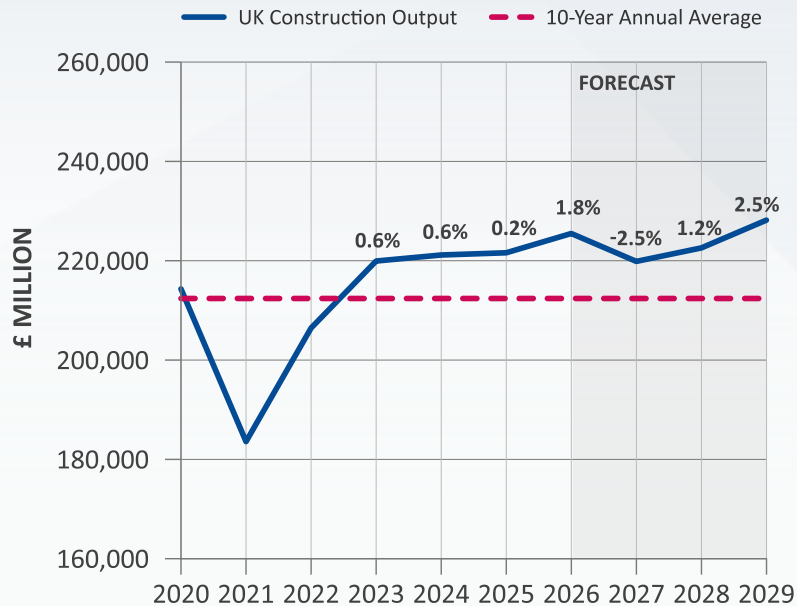
Orders increased to around £4.2bn, staying above the 10-year average despite wider UK weakness

Private commercial remains the largest component, but fell back from Q4

Housing and industrial gains drove Q1 growth, while infrastructure remained weak

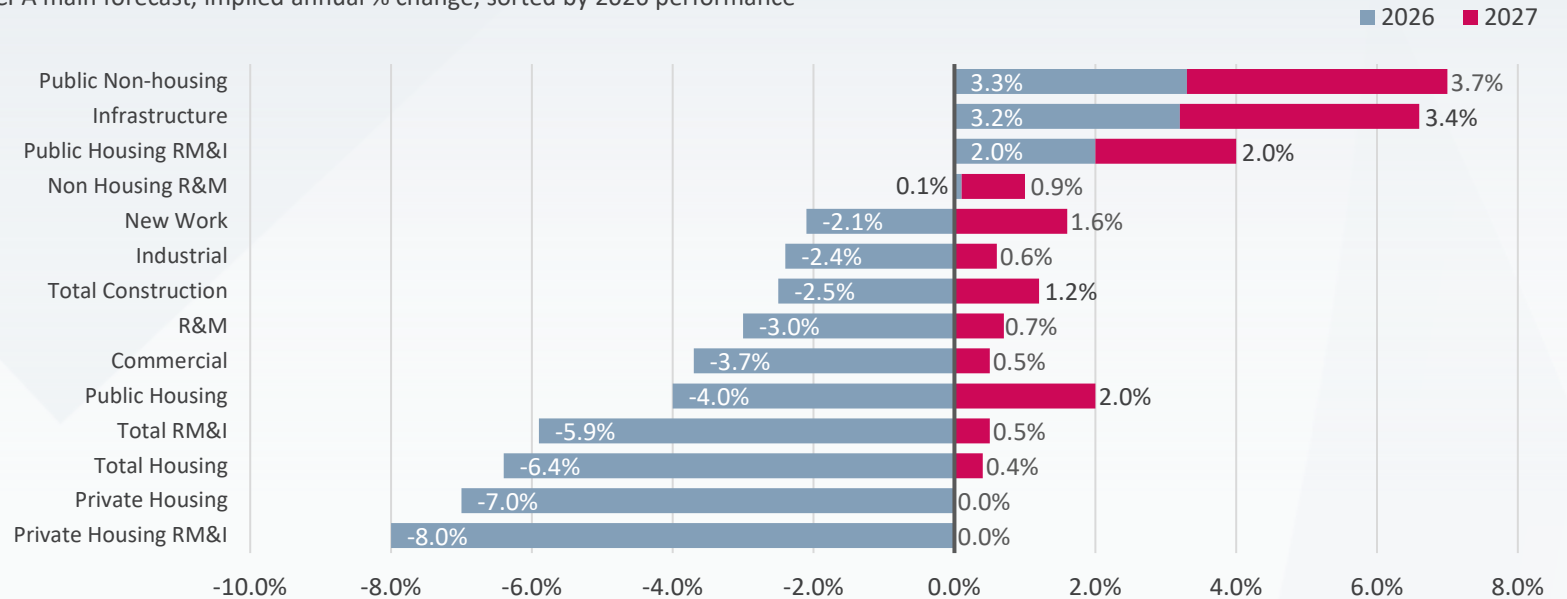
CPA: Construction Output Growth Forecasts (2026-2028)

UK CONSTRUCTION OUTPUT: CPA FORECAST



CONSTRUCTION OUTPUT FORECAST BY SUB-SECTOR

CPA main forecast, implied annual % change; sorted by 2026 performance



CPA: Output Recovery Pushed Back as Housing Weakness and Cost Risk Intensify

- **Output forecast to fall 2.5% in 2026**, before modest growth in 2027
- **Middle East conflict weakens outlook**, raising energy, shipping and financing risks
- **Housing bears the brunt**, with private housing and RM&I down sharply
- **Infrastructure remains resilient**, supported by energy, grid and water investment
- **Public non-housing grows**, while commercial is polarised between fit-out and delayed new-build
- **Investment and lending appetite are critical** to starts and pipeline conversion

02

Renewed Cost Risk: Middle East Conflict

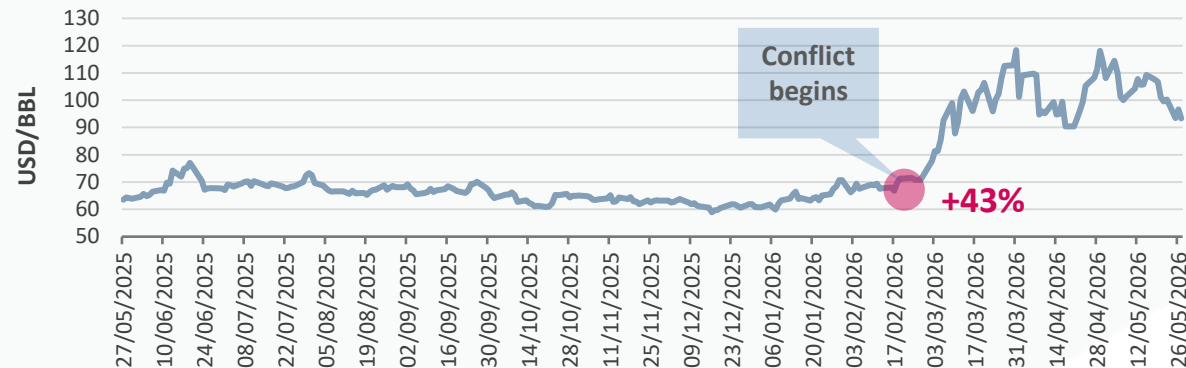
Iran Conflict: Energy volatility reshapes pricing and near-term risk

Energy prices have partly retraced, but construction pricing behaviour has already shifted

UK NBP NATURAL GAS QUARTERLY FUTURES (£/THERM)



BRENT OIL FUTURES (USD/BBL)



Market Position – What Has Changed

- Oil and gas spiked sharply after conflict onset, then partially retraced
- Gas remains more persistent than oil, keeping energy-sensitive inputs exposed
- De-escalation headlines can move prices quickly, but risk premia remain fragile

Construction Impact – What is Feeding Through

- Fuel surcharges, transport costs and selective material price increases are now visible
- Suppliers are shortening validity periods and adding qualifications/risk allowances
- Pass-through remains selective, strongest in energy-intensive and imported inputs

The shock is no longer theoretical - pricing behaviour has shifted, but broad pass-through remains conditional on duration, escalation and demand conditions.

Three scenarios: residual upside risk to 2026 TPI

Illustrative uplifts show residual upside above the revised 2026 UK TPI baseline — not the full pre-conflict impact

Increasing impact on cost, procurement behaviour and viability




Scenario	Energy/Market Conditions	Construction Implication	Residual Upside
Stabilisation (base case) <i>(fragile ceasefire holds or gradual de-escalation)</i>	<ul style="list-style-type: none"> Energy prices ease but remain elevated Continued volatility, residual risk premium 	<ul style="list-style-type: none"> Selective cost pressure persists Procurement remains cautious but workable Softer demand limits pass-through 	Up to c.+1.0% above baseline
Prolonged disruption <i>(shipping disruption persists/ de-escalation stalls)</i>	<ul style="list-style-type: none"> Energy, freight, shipping and insurance costs stay elevated Confidence and investment sentiment remain weak 	<ul style="list-style-type: none"> Broader pass-through into energy-sensitive and imported packages Shorter quote validity, reduced appetite for fixed prices Procurement slows, decisions delayed 	Up to c.+2.4% above baseline
Escalation <i>(wider macro shock)</i>	<ul style="list-style-type: none"> Regional escalation or wider disruption Energy prices remain materially elevated Inflation, rates and confidence affected 	<ul style="list-style-type: none"> Cost and viability pressure combine Project conversion weakens Private-sector slowdown intensifies 	Up to c.+3.9% above baseline

Note: Scenario uplifts are illustrative upper-bound residual outcomes above the revised 2026 UK TPI baseline, assuming lagged and partial pass-through of energy, logistics and risk-pricing pressures during 2026.

02

MEP & Specialist Package Pressure





Strong near-term workloads, but pricing discipline is sharpening around risk, complexity and project quality.

Read the latest [M&E Survey](#) →

G&T M&E Survey (Q2 2026): Key Takeaways

MEP remains the clearest inflation pressure point, with risk concentrated around labour, plant, complexity and project quality.

- 1** Workload strong, forward visibility thinning
- 2** Viability slowing project conversion
- 3** MEP Inflation expectations remain elevated
- 4** Materials and complexity shaping pricing
- 5** Specialist MEP capacity still tight
- 6** Plant and electrical supply exposed
- 7** Risk managed earlier in procurement
- 8** Regulation extending pre-construction timelines

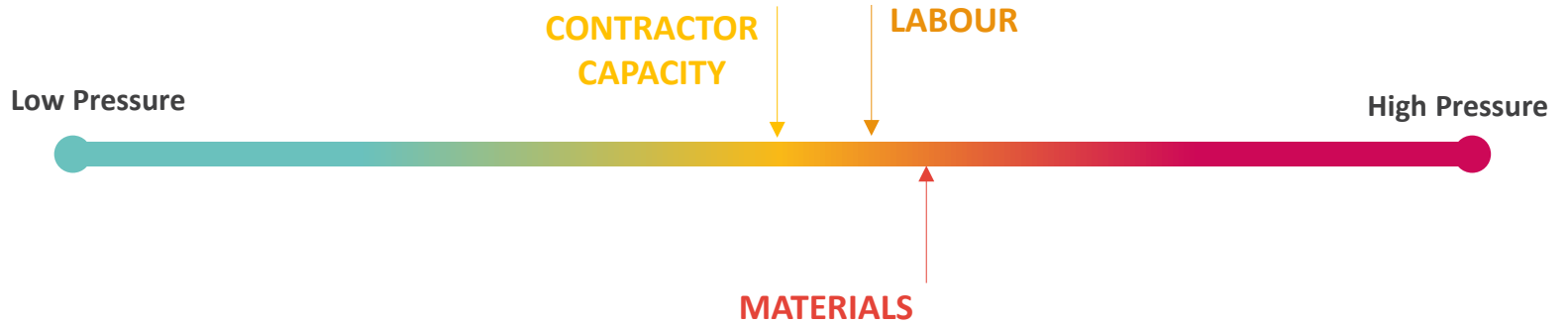
03

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 has a slight gradient and is set against a background of light blue and white geometric shapes.



Input Cost Drivers: Summary



Contractor Capacity

- Pipeline conversion remains uneven
- Tier 1s selective on risk and workload
- Tier 2 appetite rising as pipelines thin
- Capacity pressure easing, but not uniformly

Labour

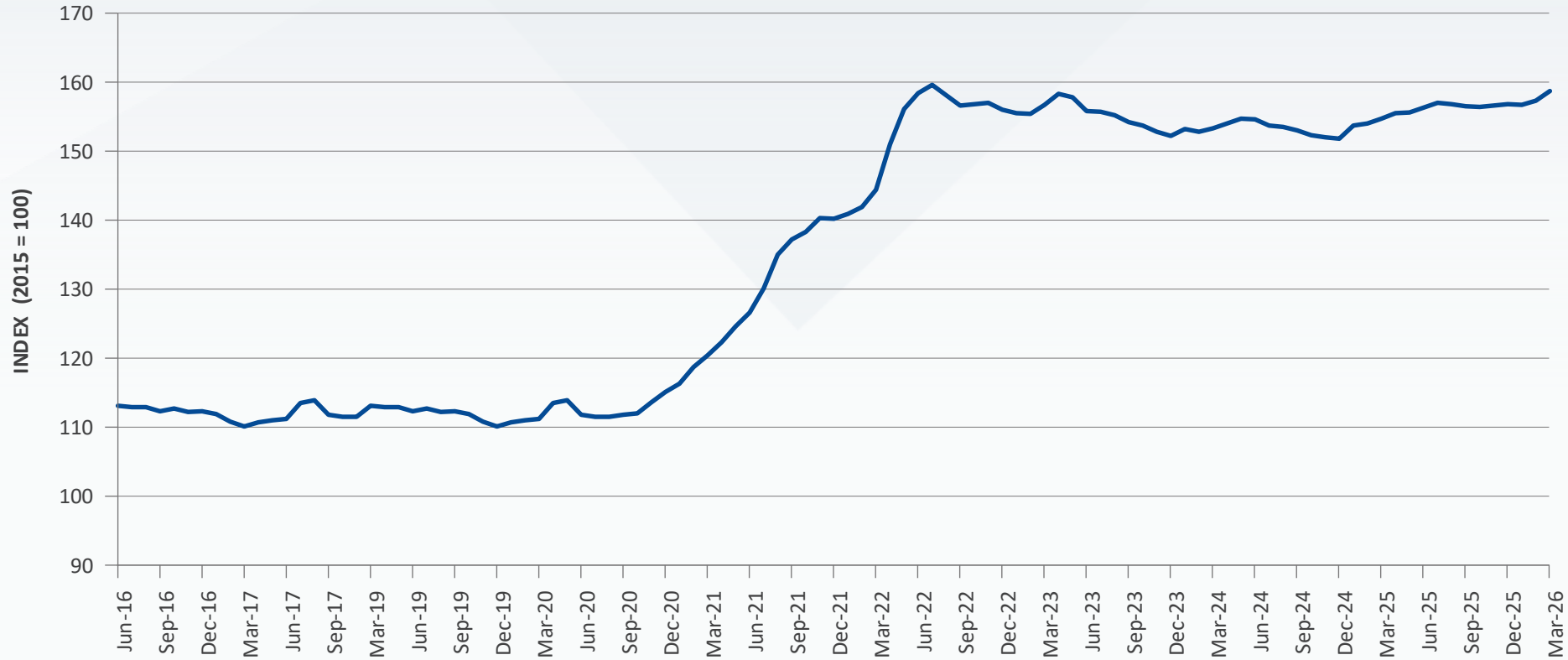
- Headline labour pressure has cooled
- Specialist trade shortages persist
- MEP and supervisory resource tight
- Key pressure point in exposed packages

Materials

- Headline inflation modest, but rising
- Energy, freight and metals pressure building
- Rebar, steel and MEP inputs exposed
- Pressure selective, but increasingly visible

Input Costs: Material Prices

DBT: 'ALL WORK' CONSTRUCTION MATERIAL PRICES INDEX, UK



ANNUAL CHANGE

2.6% ▲

(Mar 25 – Mar 26)

PEAK TO CURRENT

-0.6% ▼

(Jul 22 – Mar 26)

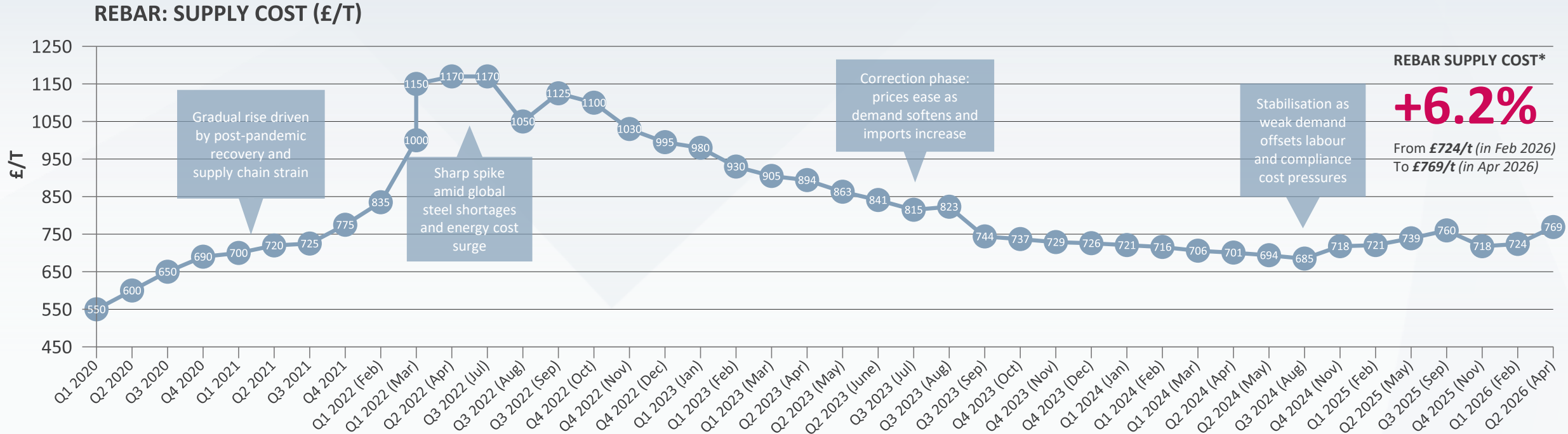
PRE-PANDEMIC CHANGE

+43.0% ▲

(Feb 20 – Mar 26)

Material prices are edging higher from an elevated base as energy, freight and metals risks re-emerge...

REBAR Price Trends



April's rebar uplift highlights renewed energy, supply and geopolitical risk in steel pricing...

April uplift interrupts the stabilisation story

Energy and freight pressure returns

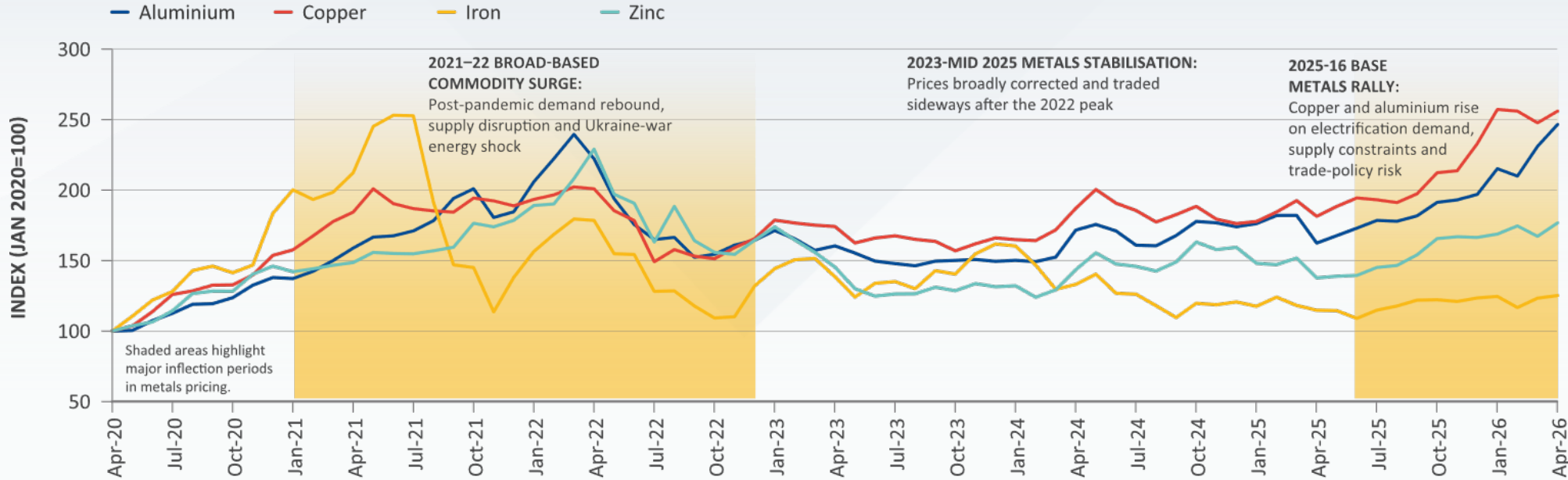
Weak demand limits sustained pass-through

Trade-policy risk clouds pricing certainty

*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



CHANGE
(APR 2025 - APR 2026)

- ▲ Copper +41.1%
- ▲ Aluminium +51.8%
- ▲ Zinc +28.3%
- ▲ Nickel +18.9%
- ▲ Iron Ore +9.1%
- ▲ Lead +1.4%

Energy shock and supply tightness amplify base-metals risk — shifting cost pressure toward MEP and specialist packages

Middle East disruption is lifting energy, freight and metals risk

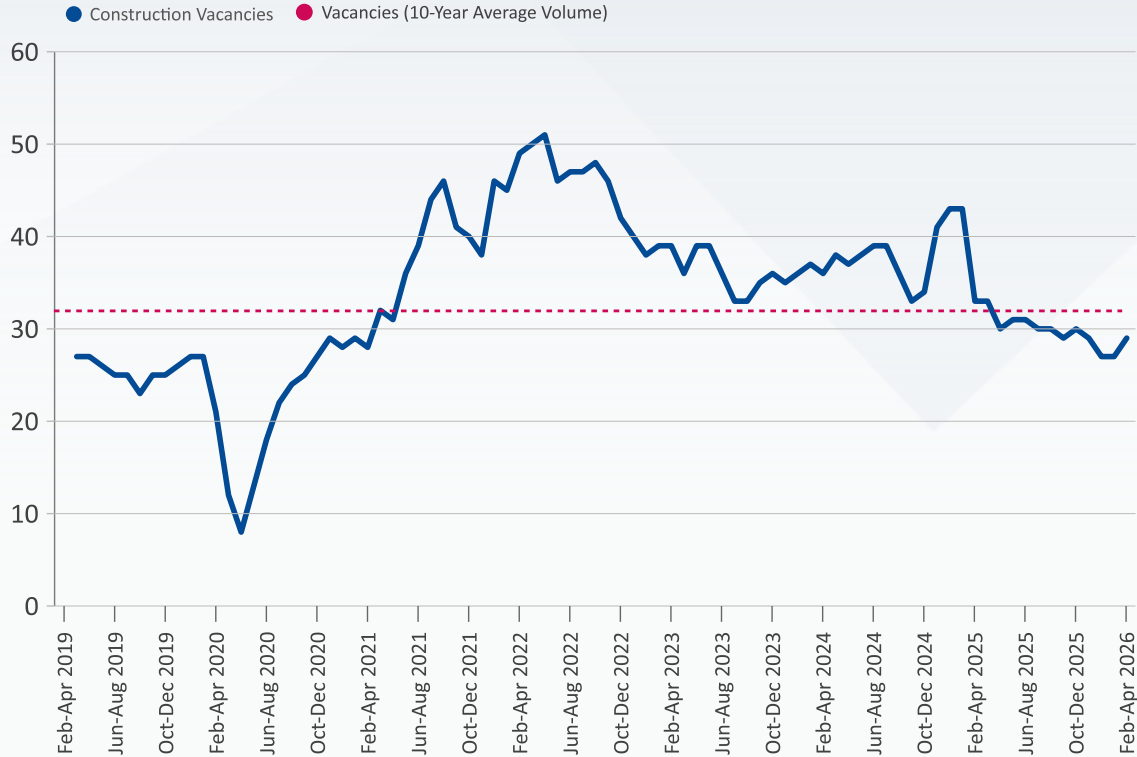
Copper prices reflect both electrification demand and constrained supply

Aluminium remains exposed to power costs and smelting constraints

Iron ore remains subdued, limiting broad steel pressure

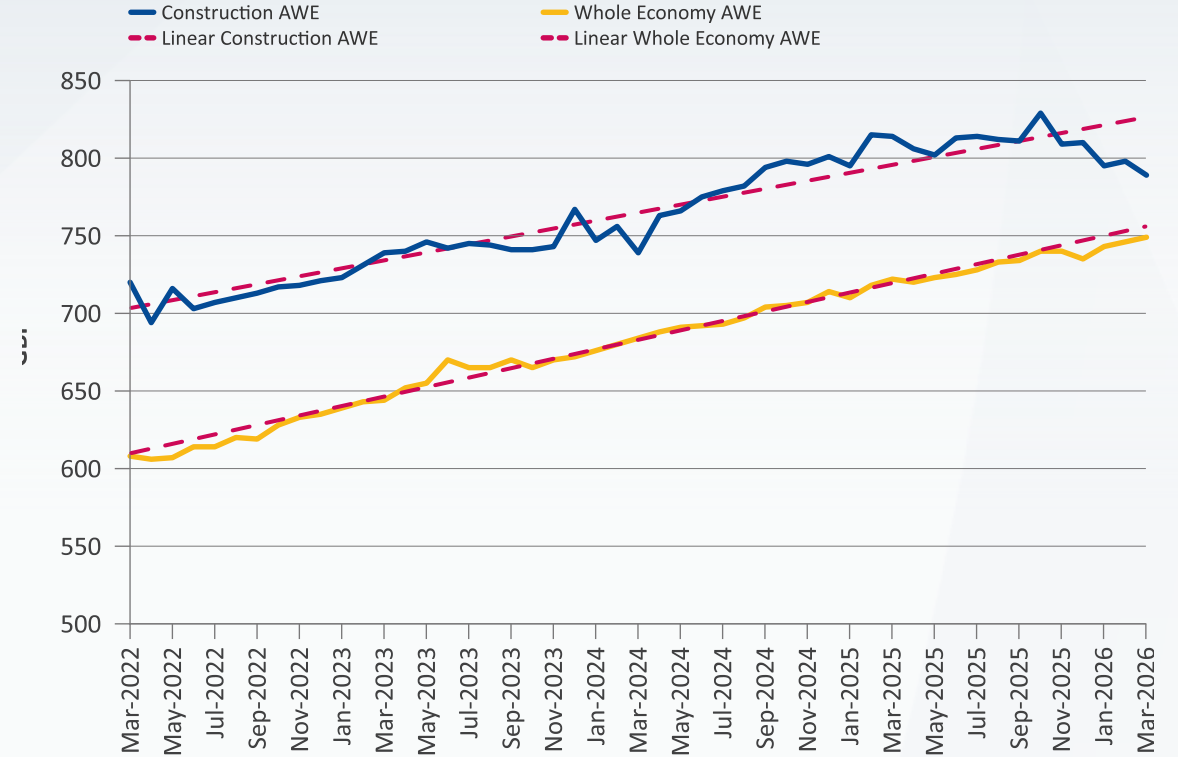
Labour: Broad cooling, specialist tightness persists

CONSTRUCTION VACANCIES



Vacancies remain subdued, signalling softer hiring demand

AVERAGE WEEKLY EARNINGS (UK CONSTRUCTION) SEASONALLY ADJUSTED



Construction pay has eased, but capability premiums persist

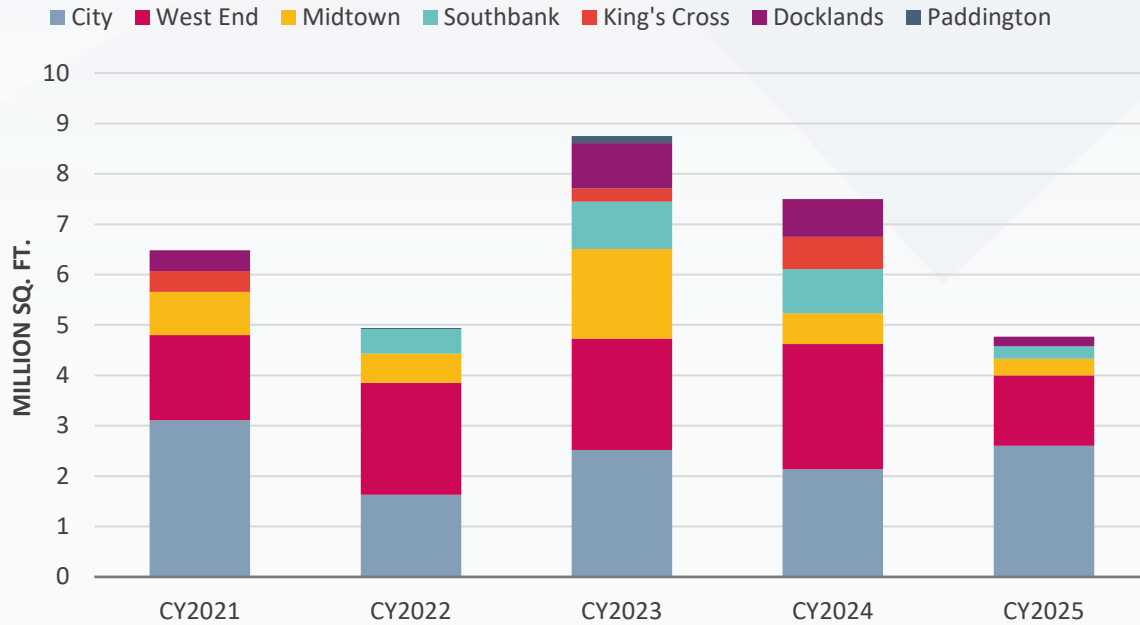
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Market Trends: Deloitte Crane Survey, UK Steel Strategy & Insolvencies

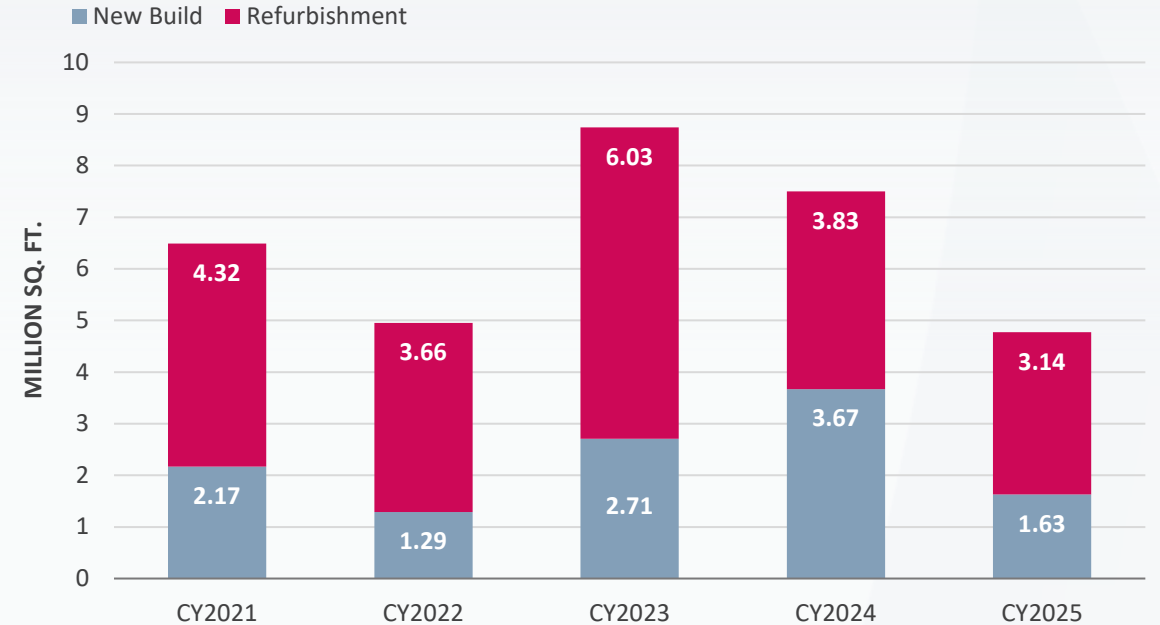
Deloitte London Office Crane Survey – 2025 in Review

New office starts fell sharply in 2025, with refurbishment carrying activity as new-build volumes retreated

NEW OFFICE CONSTRUCTION START VOLUMES: CENTRAL LONDON



NEW OFFICE START VOLUMES BY BUILD TYPE: CENTRAL LONDON



New starts fall back —
4.77m sq ft in 2025, down c.36% on 2024

Refurbishment leads —
3.14m sq ft, accounting for c.66% of starts

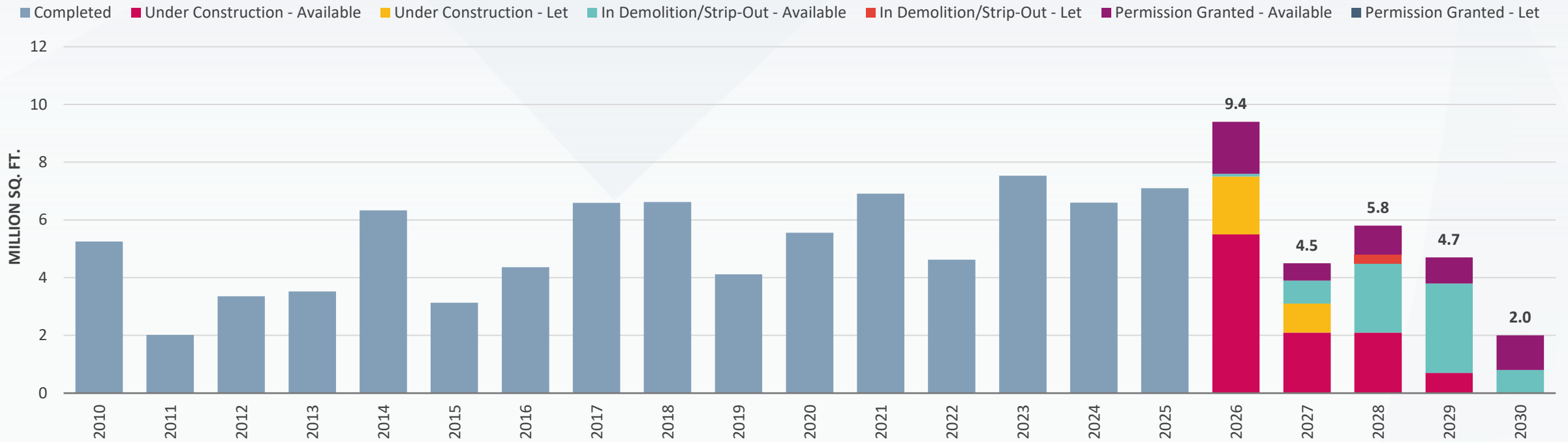
New build retreats —
1.63m sq ft, less than half the 2024 level

City drives activity —
2.60m sq ft, ahead of the West End

Deloitte London Office Crane Survey – 2025 in Review

Pipeline is heavily front-loaded in 2026, but future delivery thins sharply as market certainty weakens

CENTRAL LONDON: FUTURE OFFICE DEVELOPMENT FORECAST PIPELINE



2026 pipeline spike —
c.9.4m sq ft forecast

Delivery thins after 2026 —
c.4.3m sq ft annual average,
2027–2030

Certainty reduces —
later pipeline remains
conditional

Quality drives demand —
prime, sustainable space
favoured

UK Steel Strategy

Steel policy is unlikely to trigger a systemic cost shock, but it will reduce procurement certainty and increase product-level risk

Year	UK Steel Consumption	Share Met by UK Domestic Production
2022	8.7Mt	~40%
2023	8.1Mt	~39%
2024	9.3Mt	~30%

UK steel demand remains import-dependent, with domestic production meeting only **c.30%** of consumption in 2024.

Tighter import quotas therefore raise procurement risk where domestic supply cannot match required volume, specification or timing.

New import rules take effect from July 2026 – tariff-free steel import quotas will be reduced by **c.60%**, increasing exposure to quota availability and timing

Cost impact likely selective – total scheme impact should be modest, but steel-intensive packages may face greater pricing risk

Procurement timing becomes critical – earlier ordering, quota monitoring, shorter validity periods and tariff-risk clauses are likely to become more important

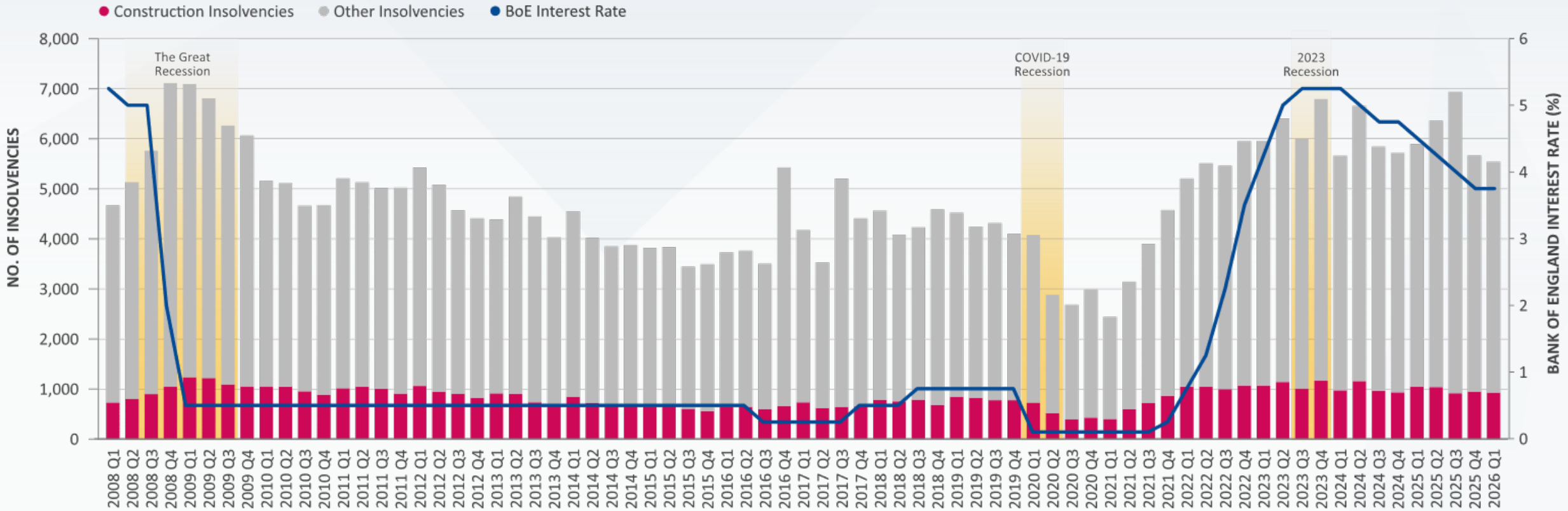
Above-quota tariff risk – steel imported above the new limits could face tariffs of up to **50%**, depending on product category, origin and quota position

Product-level risk matters – exposure will vary by steel grade, section, plate, coated product, origin and classification

Main risk is reduced certainty – clients will need clearer visibility on origin, availability, lead times, classification and supply-chain capacity

Insolvencies & Interest Rates

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



Construction insolvencies have eased from the 2023 peak, but financial strain remains elevated as weak pipeline conversion and cashflow pressure persist

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

05

Trends in Key Trades



Trade & Package Cost Pressure – Overview

Low Pressure

High Pressure



**COMPETITIVE/
EASING**

**MIXED/PROJECT-
DEPENDENT**

**ELEVATED PRESSURE/
RISK-EXPOSED**

Competitive/ Easing

- Demolition/
Enabling Works
- Earthworks/Groundworks

Mixed/ Project-dependent

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

Elevated Pressure/ Risk-exposed

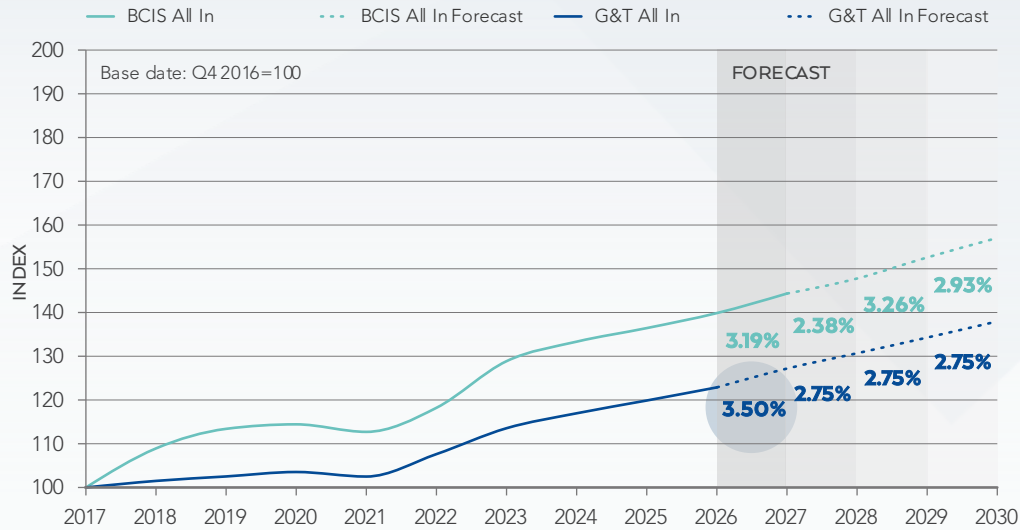
- MEP/Specialist Electrical
- Lifts
- Façades
- Steelwork

TPI Overview



TPI Q2 2026: Overview

TENDER PRICE TREND 'ALL UK TPI'



TENDER PRICE ANNUAL PERCENTAGE CHANGE Q2 2026

%	2026		2027		2028		2029	
Regional forecasts	Now	Last*	Now	Last*	Now	Last*	Now	Last*
Greater London	3.75	3.25	3.00	3.00	2.75	2.75	2.75	2.75
South East	3.50	3.00	3.00	3.00	2.75	2.75	2.75	2.75
South West	3.50	2.50	2.50	2.50	2.75	2.75	2.75	2.75
East (Anglia)	3.75	3.00	3.25	3.00	3.25	3.25	3.25	3.25
Midlands	2.75	2.25	2.75	2.25	2.50	2.50	2.75	2.50
Wales	3.00	2.50	2.75	2.75	2.75	2.75	2.75	2.75
Yorks & Humber	2.25	2.00	2.25	2.25	2.50	2.50	2.50	2.50
North West	2.75	2.25	2.50	2.25	2.50	2.75	2.50	2.50
North East	2.25	2.00	2.25	2.25	2.25	2.50	2.25	2.50
Scotland	3.00	2.50	3.00	2.75	3.00	3.00	3.00	3.00
Northern Ireland	3.50	3.00	4.00	3.50	3.50	3.50	3.50	3.50
UK Weighted Average	3.50	3.00	2.75	2.75	2.75	2.75	2.75	2.75

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

Last* Q1 2026

UK AVERAGE
Tender Price Forecast (2026)

3.50%

LONDON
Tender Price Forecast (2026)

3.75%

Renewed energy and commodity pressures have lifted short-term inflation risk, particularly where packages are exposed to energy, shipping, metals and imported components.

However, weaker workload conversion and rising contractor appetite are providing an important counterweight. Pricing pressure remains active, particularly where two-stage/pre-construction periods keep risk live for longer, but the outlook is for selective cost risk rather than broad-based escalation — with better value most likely on well-defined schemes.

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

Geopolitical and economic risks are weighing on workload

Weaker demand is beginning to ease capacity pressure

Contractors continue to price for cost and commercial risk

Better procurement opportunities may emerge into late 2026/2027

Find out more about our market intelligence and how we can help →

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