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Tender Price Forecast

for 2nd Quarter 2026 is...

3.50%

Annual UK Average

▲ compared to 3.00% Annual UK Avg. for Q1 2026

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 increased contractor appetite to secure future pipeline are providing an important counterweight. Whilst macroeconomic conditions remain volatile, our research suggests a period of selective cost pressure rather than broad-based escalation.

Our forecast reflects a scenario of stabilisation to the Middle East conflict over the next three months.

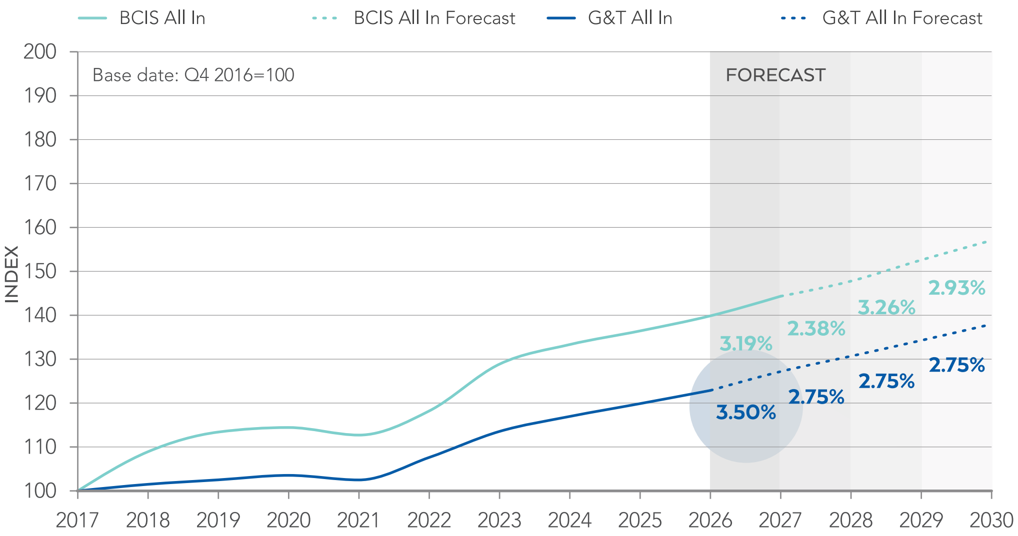
TENDER PRICE ANNUAL PERCENTAGE CHANGE Q2 2026

%	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**

Last* **Q1 2026**

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

TENDER PRICE TREND 'ALL UK TPI'



TENDER PRICE DRIVERS

1. Energy and fuel costs (oil, gas, electricity)
2. Macro-economic conditions
3. Material pricing and availability
4. Financing conditions/cost of capital
5. Labour pricing and availability

HOW DO WE REACH OUR TENDER PRICE FORECAST?

We conduct a detailed industry survey and consider factors including...

INPUT COSTS

▼	**5.8%** (6.4%)	●	BCIS Labour Cost Index Mar 25 – Mar 26
▼	**1.9%** (2.6%)	●	BCIS Materials Cost Index Mar 25 – Mar 26
▼	**3.7%** (4.3%)	●	BCIS Plant Cost Index Mar 25 – Mar 26
◀▶	**5.0%** (5.0%)	●	BCIS M&E Cost Index Mar 25 – Mar 26
▲	**65.6%** (-9.4%)	●	Oil Prices (Brent Crude) May 25 – May 26
▲	**27.6%**	●	UK NBP Natural Gas May 25 – May 26

KEY

Arrows indicate whether each indicator has increased, decreased or remained unchanged compared with the value reported in our previous TPI report.

● *High Cost Driver* ● *Medium Cost Driver* ● *Low Cost Driver*

Note: The figures shown in brackets represent data from the previous report.

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Our advice is to review each project on its own merits. This forecast publication must be treated as a guide only, being that it is based on averages of various types and sizes of projects across a region, ascertained through our latest market research.

14th May 2026

Our Tender Price Inflation report looks at the movement of prices in tenders for construction contracts in the UK. The report examines a number of contributing factors and is further informed by our market surveys and supply chain consultations. This forecast illustrates our view of annual tender price inflation from January to December 2026 and beyond.

OUR FORECASTS

The UK construction market moves through Q2 2026 in a more risk-sensitive position than at the start of the year. Earlier signs of improving momentum have been disrupted by renewed energy and geopolitical volatility, most notably due to the Middle East conflict. Softer demand, delayed project conversion and increased competition for workload continue to restrain pricing, but fuel, energy, shipping, metals and risk premiums are reintroducing upward pressure across selected packages.

Our current forecast uplift is not being driven by stronger underlying demand, nor does it represent a repeat of the 2021–22 materials shock. Material availability is better, labour supply is more balanced and main contractor OH&P remains largely stable. However, contractors and suppliers are becoming more cautious around their fixed-price exposure, quote validity, long procurement durations and energy-sensitive packages. Pricing pressure is emerging less through margins and more through preliminaries, package rates, risk allowances and selective supplier notifications.

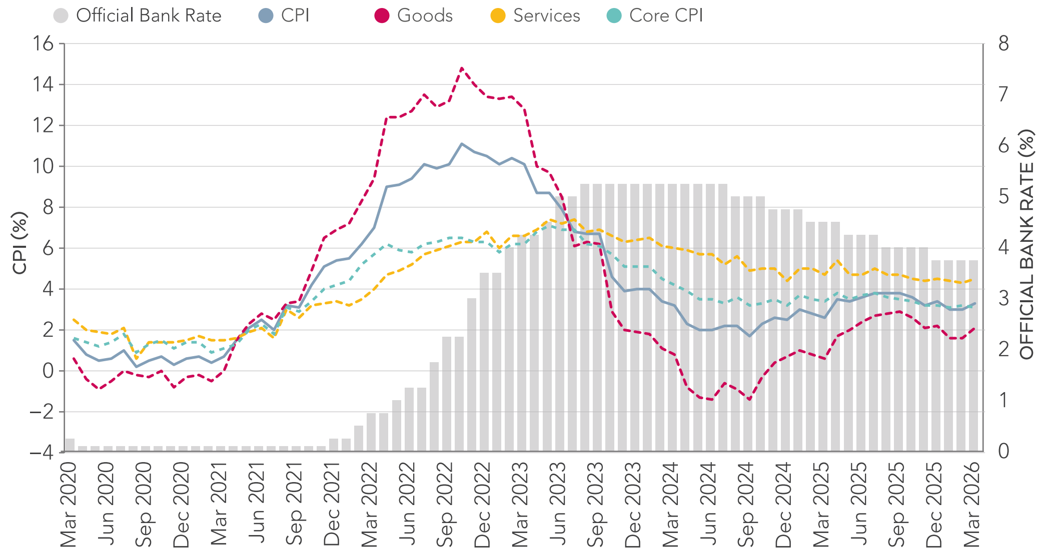
These inflationary pressures are being partly offset by demand-side relief, as project starts slow and more cautious design reviews push out procurement. Contractors are willing to fix pricing, absorb short-term volatility, or accept capped inflation mechanisms where pipelines are thin, teams are becoming available and projects offer credible forward workload.

Against this backdrop, we have increased our 2026 UK average tender price inflation forecast to **3.50%**, up from **3.00%** previously. Our 2027 forecast remains unchanged at **2.75%**, recognising that some lagged pass-through into longer-duration procurement, preliminaries and risk allowances is likely to be offset by softer demand, competitive tendering and selective absorption of inflation exposure. Our longer-term forecasts also remain unchanged at 2.75% for both 2028 and 2029.

Overall, our view is for moderate, cost-led tender price inflation - upward pressure has increased in 2026, but weaker workload conversion, competitive pressure and improved general availability could prevent a more aggressive escalation.

All forecasts in this report take account of all sectors and project sizes as a statistical weighted average, indicating an overall trend in pricing levels. It should be remembered that individual projects may experience tender pricing above or below the published average rate, reflecting the project specific components and conditions. Please contact your Gardiner & Theobald expert for project specific advice.

CPI GOODS, SERVICES AND CORE ANNUAL INFLATION RATES V OFFICIAL BANK RATE (UK): MAR 2020 TO MAR 2026



Source: ONS, Bank of England

THE ECONOMY

The UK economy entered 2026 on a firmer footing than expected, with real GDP increasing by **0.6%** in Q1, following revised growth of **0.2%** in Q4 2025. The expansion was broad-based, led by services, while construction and production also contributed positively. However, the stronger outturn should be treated with caution. March provided a positive end to the quarter, but some activity appears to have been brought forward ahead of the expected energy price rises, and recent years have seen relatively strong first-quarter growth figures give way to softer momentum later in the year.

That initial growth now sits against a more uncertain forward outlook. The escalation of conflict in the Middle East has renewed volatility in global energy markets, raising the risk that higher oil and gas prices feed through into transport costs, inflation expectations and wider business confidence. This complicates what had previously looked like a gradual disinflationary path and reduces the likelihood of a smooth improvement in investment conditions through the rest of 2026.

Headline CPI inflation increased to **3.3%** in March 2026, driven partly by higher fuel and transport costs, while services inflation remains elevated, reflecting persistent domestic pricing pressures. Although inflation is significantly below the peaks seen in 2022–23, it remains above the Bank of England's **2%** target and continue to constrain the pace of monetary easing.

Earlier expectations of a clearer rate-cut cycle through 2026 have faded as Bank of England policymakers weigh weak domestic growth against renewed inflationary risks linked to energy markets and geopolitical instability. As a result, the current base case is increasingly centred around rates remaining higher for longer, with the Bank prioritising inflation credibility while assessing whether recent energy-driven pressures prove temporary or more persistent.

The labour market presents a similarly mixed picture. The unemployment rate unexpectedly fell to **4.9%** in the three months to February 2026, although this partly reflected rising economic inactivity rather than a broad-based strengthening in employment. Vacancies have continued to decline and payroll employment has softened, while wage growth has moderated to its lowest level in over five years. Overall, labour market conditions appear to be gradually cooling rather than deteriorating sharply, helping ease some domestic inflationary pressure.

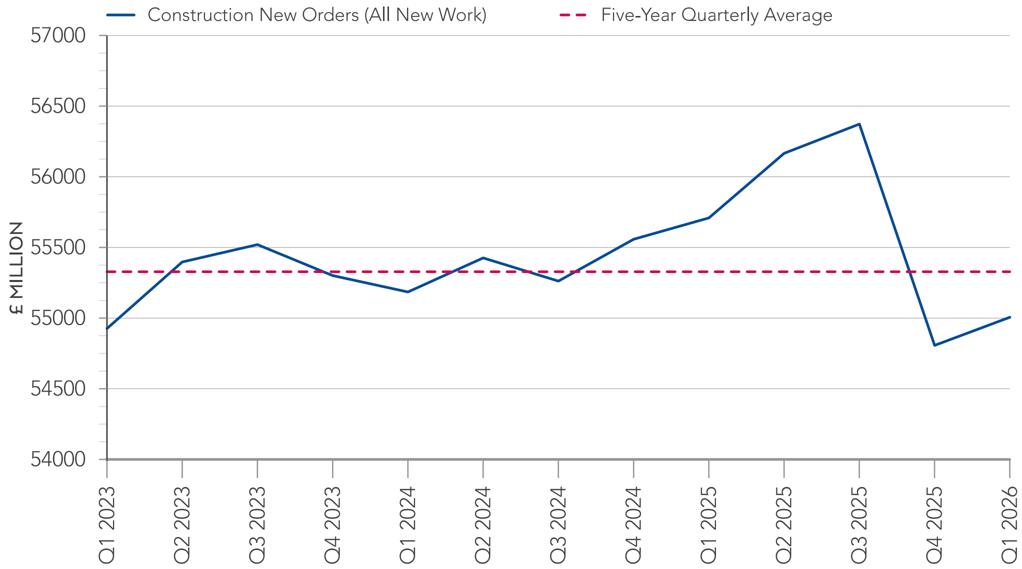
For construction markets, softer economic growth, weaker investment confidence and elevated financing costs continue to weigh on project viability and procurement activity in parts of the market. At the same time, renewed energy and commodity volatility has increased the risk of selective cost pressures re-emerging across energy-intensive materials, logistics and imported components. The industry therefore remains caught between subdued demand conditions and a supply-side inflation shock – a combination likely to sustain cautious pricing behaviour and elevated commercial risk sensitivity.

CONSTRUCTION OUTPUT AND NEW ORDERS

UK construction output stabilised in Q1 2026, but the recovery was narrow and uneven. Official ONS data shows that total construction output rose by **0.4%** q-on-q, partially reversing the sharp **2.8%** fall recorded in Q4 2025. However, output remained **1.3%** below Q1 2025 levels, suggesting that the market found a floor, but not a firm recovery path. The headline improvement is therefore better read as a pause in deterioration rather than the start of a broad-based recovery.

The quarterly improvement was mainly supported by repair and maintenance, particularly private housing R&M and non-housing R&M, both of which grew strongly over the quarter. New work remained weaker overall, falling by around **1.9%** q-on-q, with most major new-build sectors contracting. The notable exception was private commercial new work, which rose by 1.6%, suggesting some resilience in parts of the commercial market. However, this was outweighed by wider weakness across housing, infrastructure and industrial work. The general picture is therefore one of stabilisation supported by R&M and selective

UK CONSTRUCTION OUTPUT



Source: *ONS*

commercial activity, rather than a genuine new-build recovery.

Monthly data was more encouraging, with output rising by **1.5%** in March, following revised increases of **0.5%** in February and **0.7%** in January. The March rise was supported by both new work (**+2.0%**) and repair and maintenance (**+0.8%**), providing a stronger end to the quarter. However, this should be treated with caution. The ONS noted anecdotal evidence that financial year-end effects may have lifted activity, while weaker new orders point to a thinner pipeline as existing schemes complete. With project conversion still slow and geopolitical uncertainty adding further pressure to cost and risk assumptions, March is better read as a temporary firming in activity than a decisive improvement in the growth outlook.

On the forward pipeline, the picture is more cautious. Total construction new orders fell by **10.5%** in Q1 2026, from **£11.8bn** in Q4 2025 to **£10.6bn**, and were **11.9%** lower than Q1 2025. The quarterly fall was mainly driven by weaker private commercial and infrastructure orders, suggesting that larger capital projects remain vulnerable to delayed approvals, viability pressure, funding constraints and investment committee caution. This is the more important forward-looking signal for TPI - current output may have stabilised, but the pipeline feeding future workload has weakened.

Overall, the latest data point to a market caught between steadier near-term site activity and weaker forward demand. Softer new orders and slower project conversion would normally temper pricing pressure, but this is being partly offset by renewed cost-side volatility. The key message for TPI is therefore that while output found some short-term support in Q1, the pipeline remains fragile – leaving tender pricing caught between softer workload visibility and renewed cost pressure.

G&T TPI SURVEY FEEDBACK

Workload

Construction workloads remain uneven and increasingly characterised by delayed conversion rather than a complete absence of opportunity. While some firms continue to report stable activity supported by previously secured schemes and long-duration projects, the replenishment cycle for new work remains weak and confidence fragile. Several survey respondents noted that projects reaching second-stage procurement or even contract execution are frequently failing to progress into delivery, often due to viability constraints, funding approvals, affordability pressures and weak investor sentiment. This is contributing to a growing disconnect between visible pipeline activity and actual site starts, with enquiries, bids and speculative input requests remaining active but conversion rates slowing materially. At the same time, some contractors are increasingly looking to secure future workloads amidst softer pipelines, with several respondents reporting teams beginning to come free and supply chains becoming more commercially competitive.

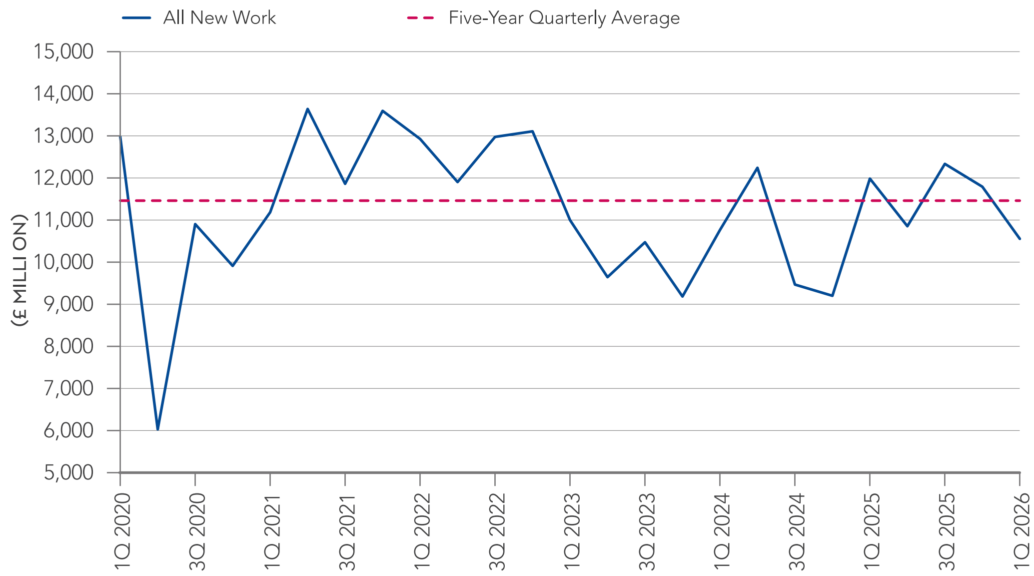
This softer sentiment is increasingly reflected in wider market indicators. The latest S&P Global UK Construction PMI fell sharply to **39.7** in April 2026, signalling the steepest decline in activity since late 2025, with respondents citing subdued demand, fewer tender opportunities and longer sales conversion periods linked to economic uncertainty and the Middle East conflict. However, broader pipeline indicators remain more resilient than current activity levels suggest, reinforcing the view that the market is experiencing a prolonged lag between planning, procurement and mobilisation rather than a collapse in underlying opportunity.

Sector conditions remain highly fragmented. Infrastructure-related activity continues to provide relative resilience, particularly across energy, utilities, aviation, defence and regulated investment programmes, where long-term funding cycles continue to underpin workloads. Survey respondents also reported stable pipelines within higher education, PBSA and selected major programmes.

Commercial markets are showing tentative signs of improvement, particularly in prime London offices and selected regional city centres, where rising rents, low vacancy rates and improving investment activity are beginning to support confidence. However, this recovery remains narrow and concentrated in prime assets and top-tier locations, with affordability levels very challenging without secured pre-lets. Developers continue to prioritise refurbishment, retrofit and fit-out activity over major new-build commitments, with fit-out workloads remaining comparatively buoyant. Residential activity meanwhile remains the weakest-performing segment of the market, with viability pressures, delayed Gateway approvals and funding constraints continuing to suppress project progression.

Overall, the market appears to be in a transitional phase: workloads remain supported by historic pipelines and long-duration schemes, but the replenishment cycle for new work remains weak and highly selective. Although geopolitical tensions and energy markets are creating renewed input cost pressures in certain areas, softer demand conditions and increasing competition for workload are continuing to moderate pricing pressure across much of the market.

UK CONSTRUCTION NEW ORDERS (ALL NEW WORK)



Source: *ONS*

Several respondents also noted that tier two contractors and below remain willing to fix pricing and absorb short-term volatility in order to secure future workloads.

Market Conditions

Our survey responses point to a market operating at moderate activity levels, but with sentiment softening compared with Q1 2026. Conditions are not distressed across the board, but decision-making has become more cautious as clients and contractors reassess risk, funding certainty and price exposure. The survey distribution supports this, with responses remaining clustered around balanced competition, but showing a modest drift towards softer, more competitive conditions.

The Middle East conflict has introduced renewed uncertainty around fuel, energy, shipping and energy-intensive materials. Recent PMI data shows UK construction input cost inflation accelerating to its highest level since June 2022, while supplier lead times lengthened at the fastest pace since December 2022. Several survey respondents also noted early supplier price increase notifications, shorter price validity periods and contractor risk allowances linked to future uncertainty.

The impact, however, is not a simple repeat of the Russia–Ukraine shock. G&T's analysis frames the current episode primarily as an energy- and volatility-led risk event, rather than a broad structural inflation shock. Oil and gas prices have reacted sharply to developments in the Middle East, but the scale and persistence of the energy shock has, so far, remained more contained than the extreme dislocation experienced following Russia's invasion of Ukraine in 2022. The current conflict is also likely to have a less direct impact on construction material availability, with the main transmission routes instead running through energy prices, shipping costs, logistics disruption and wider market sentiment.

Combined with softer demand conditions, generally better material availability and greater competition for workload, this is limiting the immediate pass-through of cost pressure. In effect, the market is facing a volatility shock, but one landing in a more price-sensitive and demand-constrained environment.

G&T has modelled three indicative Middle East conflict scenarios against the latest 2026 UK TPI baseline: stabilisation (a fragile ceasefire or gradual de-escalation, with short-term volatility followed by gradual normalisation), prolonged volatility (a breakdown in the ceasefire or continued disruption, resulting in multi-month volatility), and escalation/macroeconomic shock (a wider Middle East conflict, prolonged disruption and broader macroeconomic shock). These are not forecasts, but illustrative upside-risk pathways showing how tender prices could respond if energy, shipping and sentiment effects persist or intensify. The model has been rebased to reflect the latest G&T forecast, so the scenario uplifts shown below represent residual upside above the revised baseline, rather than the full theoretical impact from a pre-conflict position.

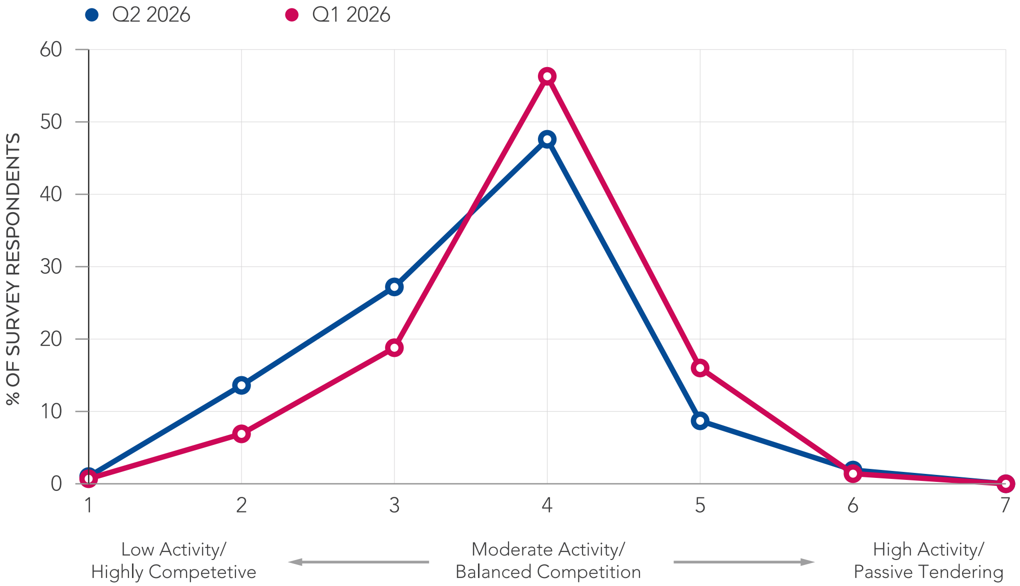
The results suggest that, at the upper end of each scenario range, the residual impact could be limited to around **1.0%** above baseline by year-end under a stabilisation scenario. A more prolonged period of volatility could add around **2.4%**, while an escalation/macroeconomic shock scenario could add around **3.9%.** This supports the view that the current episode is best understood, at this stage, as a volatility-led upside risk rather than a broad-based inflation shock, although it has widened the range of plausible 2026 tender price outcomes.

The more important second-order effect may be on confidence and viability. Prior to the escalation, market sentiment had been gradually improving, supported by expectations that lower interest rates would ease financing pressures and support development appraisals, investment decisions and project progression. Higher energy prices and renewed inflation risk have complicated that path. Although interest rates are still expected to trend lower over the medium term, financial markets no longer view the rate-cut cycle as straightforward or guaranteed, particularly if energy-related inflation pressures persist. Higher-for-longer financing costs would weigh most heavily on private housing, commercial development and other debt-sensitive sectors.

Contractor bidding behaviour remains highly selective. Procurement route, design maturity, programme certainty and client credibility are increasingly important in determining appetite. Some Tier 1 contractors and specialist MEP providers remain relatively well utilised, but parts of the Tier 2 market are becoming more competitive as firms look to secure forward workload. The result is a tactical tendering environment - contractors may price keenly where projects are credible and risk is controlled, but remain cautious where inflation exposure, funding uncertainty or procurement quality are unclear.

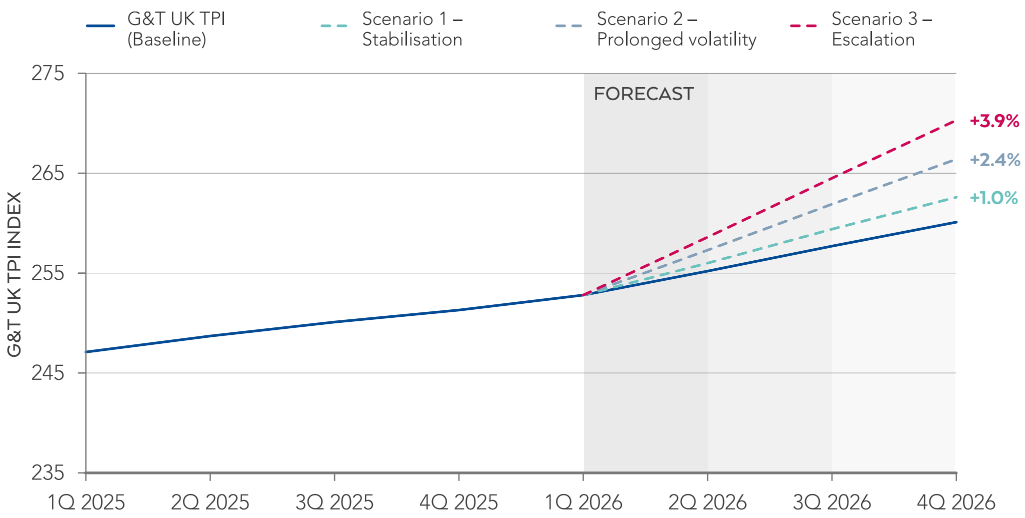
Overall, market conditions are better described as risk-sensitive than simply weak. Competitive pressure is present across much of the market, but geopolitical volatility is reintroducing uncertainty into pricing, procurement and investment decisions. For tender prices, this creates a finely balanced environment - softer demand is restraining pricing power, while energy-related cost risk, interest-rate uncertainty and selective supply-

MARKET CONDITIONS: NEXT SIX MONTHS (UK)



Source: *G&T Q2 2026 TPI Survey*

INDICATIVE 2026 TENDER PRICE OUTCOMES UNDER THREE MIDDLE EAST CONFLICT SCENARIOS



Source: *G&T analysis. Scenario lines show indicative residual upside above the latest G&T UK TPI baseline, after allowing for conflict-related risk already embedded in the revised 2026 forecast.*

chain constraints continue to prevent a more decisive easing in market conditions.

INPUT COSTS

Key Inflationary Drivers

Softer demand, slow project conversion and competitive pressure continue to moderate pricing across parts of the market, but the latest survey points to renewed cost risk linked to fuel, energy, shipping, imported materials and energy-intensive trades.

MEP remains the principal inflation risk, reflecting specialist labour constraints, imported equipment exposure, greater design responsibility and package complexity. Demand also remains strong across data centres, healthcare, energy, life sciences and major plant replacement programmes. Steel, façades, groundworks and civils/external works are also more exposed to the current energy and fuel shock. However, this is not a straightforward cost-led escalation cycle - general material availability is better than during the 2021–23 disruption period, softer demand is limiting pass-through in some areas, and contractors remain willing to price competitively or fix prices selectively where credible workload is available.

The table summarises the key inflationary and deflationary forces currently shaping market conditions.

Material Trends

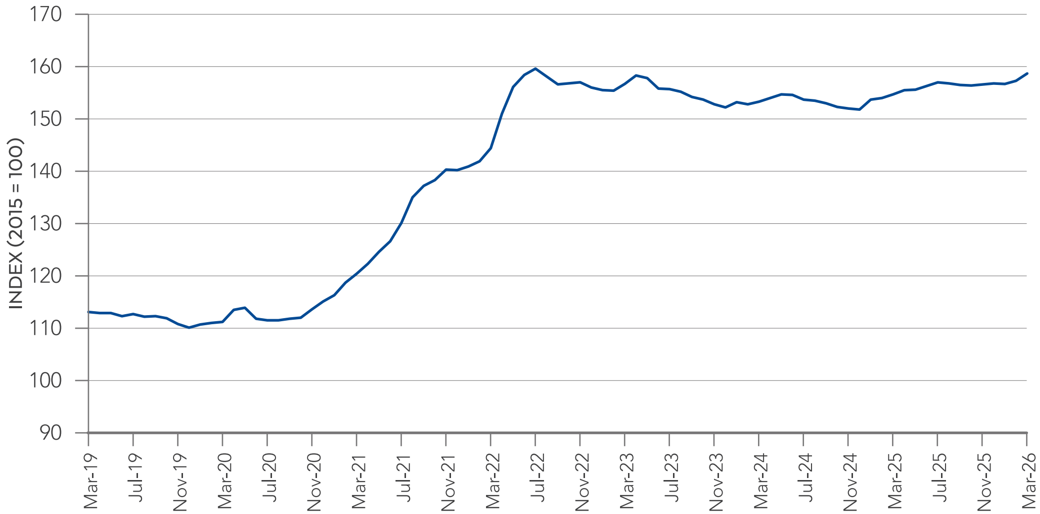
Materials inflation remains far more contained than during the extreme volatility of 2021–22, but the latest DBT data points to renewed upward movement. The 'All Work' construction materials price index reached **158.7** in March 2026, up **2.6%** year-on-year and **0.9%** month-on-month. The March increase follows a period of relative stability through much of 2025 and may capture some early energy and commodity pressure, although it is unlikely to fully reflect the later impact of the Middle East conflict. Cost pressure is likely to intensify further into April, in the next round of official data releases, particularly through fuel, energy, shipping and supplier risk allowances.

General material availability remains better than during the 2021–23 disruption period, with PMI and survey evidence pointing to only isolated pressures in areas such as steel, insulation/PIR and natural stone. Softer demand is also limiting the pass-through of higher input costs in some areas. DBT data shows notable March movements in fabricated structural steel, aggregates, imported plywood and concrete reinforcing bars, while copper and aluminium remain key watchpoints given their energy-intensive production processes and critical role in façades, curtain walling, cabling, electrical equipment and specialist MEP components.

The Middle East conflict has shifted the near-term risk profile, principally through energy and logistics channels rather than direct physical shortages of construction materials. Higher oil and gas prices feed into construction through several routes - diesel for site plant, haulage, transport, shipping and insurance, electricity and gas used in energy-intensive manufacturing as well as oil-derived products such as bitumen, plastics, insulation, sealants and waterproofing. The transmission is unlikely to be immediate or uniform. Many manufacturers purchase energy through fixed-price contracts or hedging arrangements, which can delay the pass-through of higher gas and electricity prices into factory-gate prices. However, compared with the 2022 energy shock, some suppliers appear to be reacting earlier and more defensively, through precautionary price notifications and shorter quote validity periods, before the full impact is visible in published indices.

INFLATIONARY PRESSURES	DEFLATIONARY PRESSURES
1. Energy, fuel and shipping volatility linked to the Middle East conflict	1. Softer private-sector demand and slow project conversion
2. Steel, aluminium, copper and other energy-intensive materials	2. Competitive pressure for credible live opportunities
3. MEP cost pressure - labour, imported components, design risk and specialist capacity	3. Contractors selectively fixing prices to secure future workload
4. Fuel-intensive trades, including demolition, groundworks and civils/external works	4. Improved general material availability compared with 2021–23 disruption
5. Shorter quote validity periods and increased contractor risk allowances	5. Weaker replenishment of new work in parts of the Tier 2 market
6. Skilled labour constraints in specialist trades and MEP disciplines	6. Some teams and supply chains becoming available as projects stall
7. BSA/Gateway compliance, design responsibility and regulatory cost burden	7. Affordability pressure and value engineering before commitment
8. Future workload pressure from data centres, healthcare, energy, aviation and infrastructure	8. Public-sector funding and procurement delays suppressing immediate demand

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



Source: DBT

Survey feedback supports this interpretation. Respondents reported early supplier notifications and shorter quote validity periods across steel/rebar, waterproofing, insulation, plasterboard, ductwork and MEP components. This is consistent with recent Construction Leadership Council commentary warning that the Middle East conflict has already added pressure to material costs, particularly for energy-intensive products and oil-based raw materials. However, softer workload conditions mean suppliers may not be able to pass through all cost increases in full, particularly in more competitive sectors.

The near-term outlook depends heavily on the duration of energy-market disruption, the expiry profile of manufacturer energy contracts, and whether suppliers can convert higher input costs into accepted tender pricing in a more competitive demand environment.

Labour Trends

The construction labour market has cooled materially, but this should be read as a demand-led easing rather than a structural improvement in labour supply. Softer workload, delayed starts and weaker private-sector demand have reduced immediate hiring pressure, with construction vacancies falling to **26,000** in Jan–Mar 2026, down from **43,000** a year earlier and around half the 2022 peak. This points to a more available labour market than during the acute tightness of 2021–23, but largely because firms are delaying recruitment, replacing fewer leavers and competing for a thinner flow of live work.

Pay data reinforces this shift. ONS average weekly earnings for construction fell to **£801** in February 2026, down **2.1%** year-on-year on a single-month basis and **0.4%** lower on a three-month average. This contrasts with whole-economy earnings, which continued to rise by **3.8%** on a three-month average. In short, construction wage pressure has cooled sharply and is now trailing the wider economy, reflecting softer site activity and greater spare capacity rather than an abundance of skilled labour.

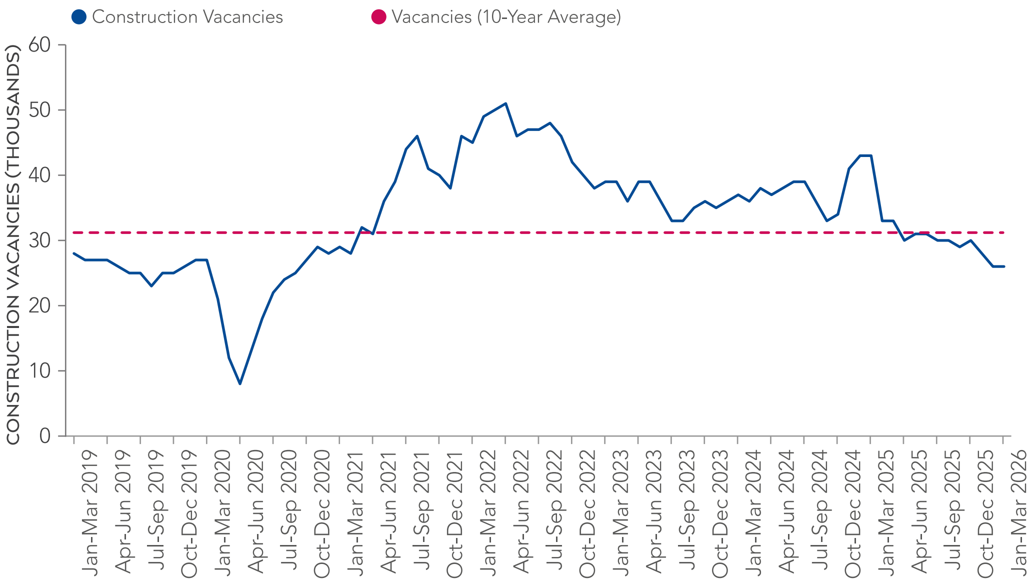
G&T is seeing Tier 1 main contractor and specialist pricing remain elevated on secured pipeline work, reflecting constrained supply and continued selectivity. By contrast, the wider Tier 2 and lower-tier market is becoming more competitive as reduced workload increases appetite for new opportunities.

Survey feedback supports this picture. General labour and mid-tier subcontractor capacity appear more manageable than in the peak-tightness period, with some respondents reporting contractors actively chasing workload and teams becoming available. However, labour pressure remains highly trade- and sector-specific. MEP, electrical, public health, commissioning, façades, drylining and civils-linked roles were repeatedly identified as areas where capacity remains constrained, particularly among Tier 1 specialist subcontractors and on larger, more complex schemes.

The structural supply position remains fragile. CPA analysis indicates the UK construction workforce stood at around **2.06 million** in Q4 2025, broadly flat quarter-on-quarter but **3.9%** lower than a year earlier and **15%** below Q1 2019. The loss is concentrated in self-employment and older, experienced workers, weakening the industry's depth of supervision, trade knowledge and delivery resilience. This is why the market can feel soft today while still being exposed to labour-led inflation from constrained supply once activity recovers.

Several respondents noted that labour looks manageable while starts are subdued, but could tighten quickly if delayed schemes

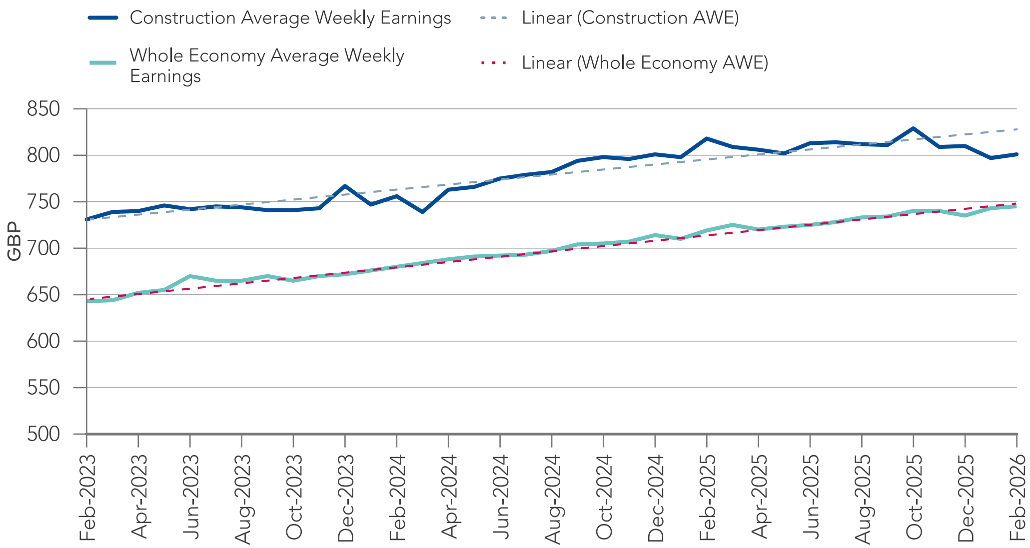
CONSTRUCTION VACANCIES



Source: *ONS*

AVERAGE WEEKLY EARNINGS (UK CONSTRUCTION)

Seasonally adjusted



Source: *ONS*

move forward together. CITB's latest workforce outlook still points to a need for around **239,000** additional workers over 2025–2029, underlining the scale of the challenge. The bottom line is the market has gained breathing space, not a bigger labour pool.

On-costs

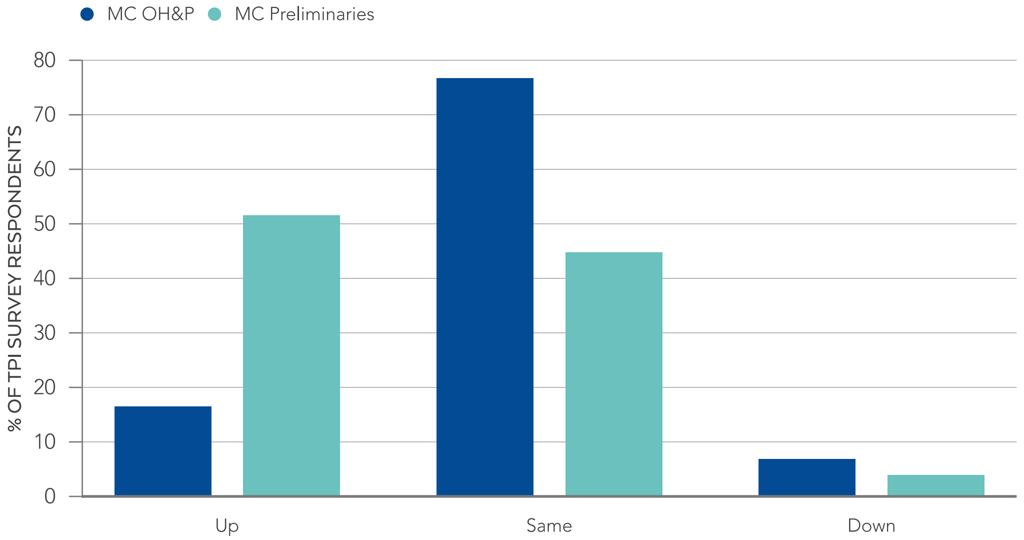
Commercial on-costs are sending a more divided signal than materials or labour. Main contractor OH&P remains largely steady, while preliminaries continue to show firmer upward movement. In Q2 2026, **81.2%** of survey responses reported no change in OH&P over the past three months, with only **16.8%** reporting an increase and **2.0%** a decrease. That is little changed from Q1 and reinforces the view that, in a competitive market, contractors are still finding it difficult to expand headline margin allowances on a broad basis.

Preliminaries present a different picture. In Q2 2026, **38.7%** of responses reported an increase in preliminaries over the past three months, compared with **60.7%** reporting no change and only **0.6%** reporting a reduction. This continues the pattern seen over recent quarters and confirms that preliminaries remain the more active area of cost movement. Survey commentary suggests that the main drivers are higher site staff costs, recruitment challenges in commercial and QS roles, longer programmes, compliance and assurance requirements, together with higher running costs for site operations, including fuel and energy-related items.

The forward-looking responses strengthen this distinction. Over the next 12 months, **76.7%** of respondents expect OH&P to remain unchanged, with **16.5%** expecting an increase and **6.8%** a decline. By contrast, **51.5%** expect preliminaries to rise, versus **44.7%** expecting no change. This is a stronger inflation signal than in previous quarters and suggests that even if contractors struggle to move headline OH&P materially, they still expect upward pressure in the cost of project delivery and management.

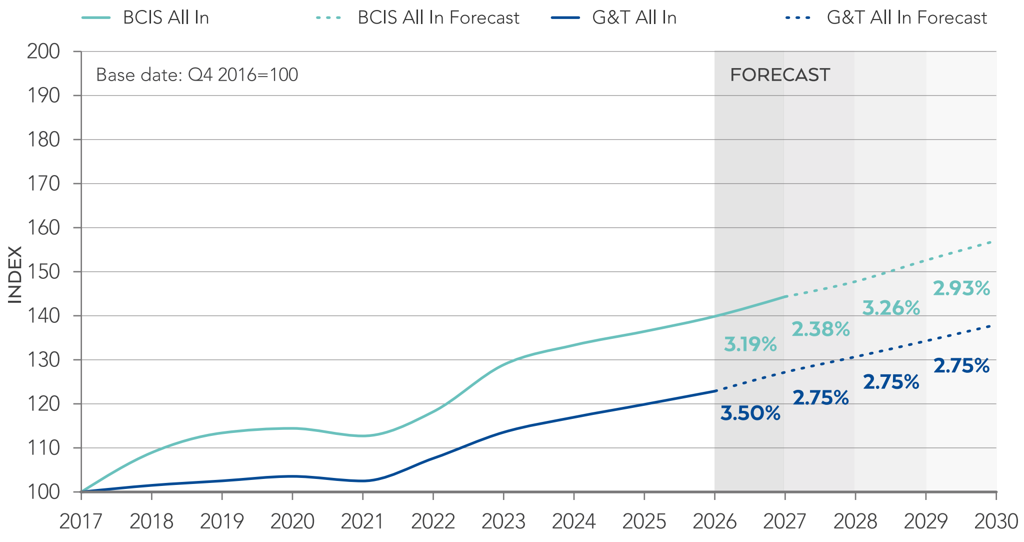
The broader implication is that commercial uplift is increasingly appearing around the margin line rather than directly in it. In other words, OH&P percentages may remain outwardly stable, but recovery is still being sought through preliminaries, package pricing, labour allowances and risk provisions. As a result, the headline margin position looks relatively flat, but underlying on-cost pressure has not gone away, it has simply shifted into less visible parts of the tender build-up.

INFLATIONARY PREDICTION FOR MAIN CONTRACTOR OH&P AND PRELIMINARIES OVER THE NEXT 12 MONTHS

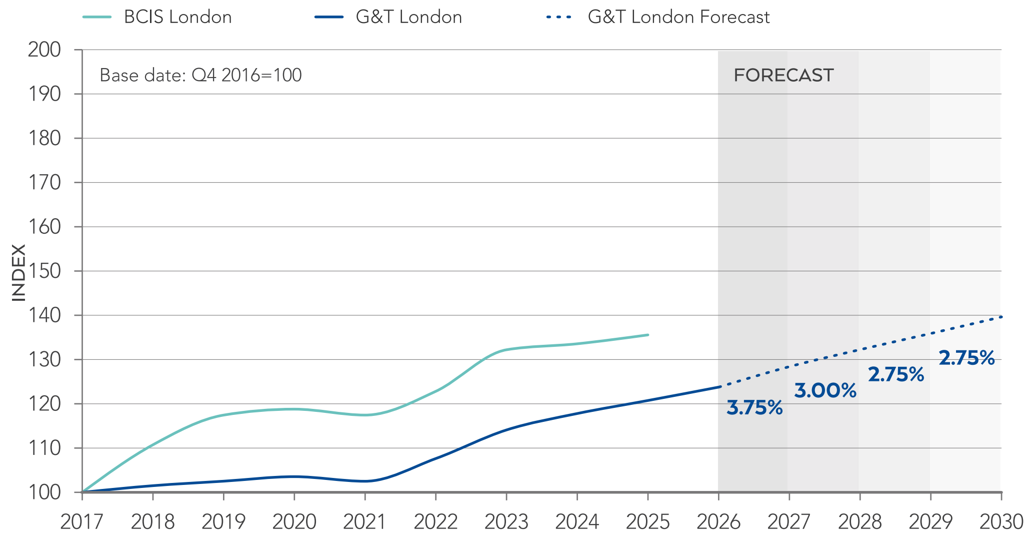


Source: *G&T Q2 2026 TPI Survey*

TENDER PRICE TREND 'ALL UK TPI'



TENDER PRICE TREND 'LONDON TPI'



Note: BCIS do not publish regional TPI forecasts.

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**

Last* **Q1 2026**

COMPARISON OF PUBLISHED FORECASTS FOR TENDER PRICE CHANGE

	G&T UK AVER.	**BCIS** UK AVER.	**G&T** LONDON	**AECOM** UK[1]	**ARCADIS** UK[2]
	Q2 2026	May 2026	Q2 2026	Q1 2026	Spring 2026
			% CHANGE		
2026	3.50	3.19	3.75	3.80	1.00 - 3.00
2027	2.75	2.38	3.00	4.00	2.00 - 3.00
2028	2.75	3.26	2.75	4.00	4.00 - 5.00
2029	2.75	2.93	2.75	N/A	4.00 - 5.00
2030	N/A	2.41	N/A	N/A	N/A

1. Aecom's TPI figures are 'central scenario' forecasts for the UK
2. Arcadis' TPI figures are for its 'Private Sector Construction TPI' series

Our advice is to review each project on its own merits. This forecast publication must be treated as a guide only, being that it is based on averages of various types and sizes of projects across a region, ascertained through our latest market research. The quality, both of design and desired end product, procurement route (particularly ownership and transfer risk), delivery timescales, complexity of design and desire of contractors to tender should be carefully considered in project specific estimates and their outturn cost. Suitable allowances should be made for project specific designs, site conditions and local market conditions, which should be reviewed regularly with your Gardiner & Theobald team to determine the appropriate base cost.