TENDER PRICE **FORECAST**

for 3rd Quarter 2025 is...

2.25%

Annual UK Average

◀▶ compared to 2.25% Annual UK Avg. for Q2 2025

The UK construction sector enters late 2025 in a finely balanced position. Materials costs have stabilised, but labour remains a pressure point—especially for specialist trades and complex packages. Forward pipelines are under pressure amid slower project conversion, delayed client decisions, and regulatory drag, particularly around the Building Safety Act.

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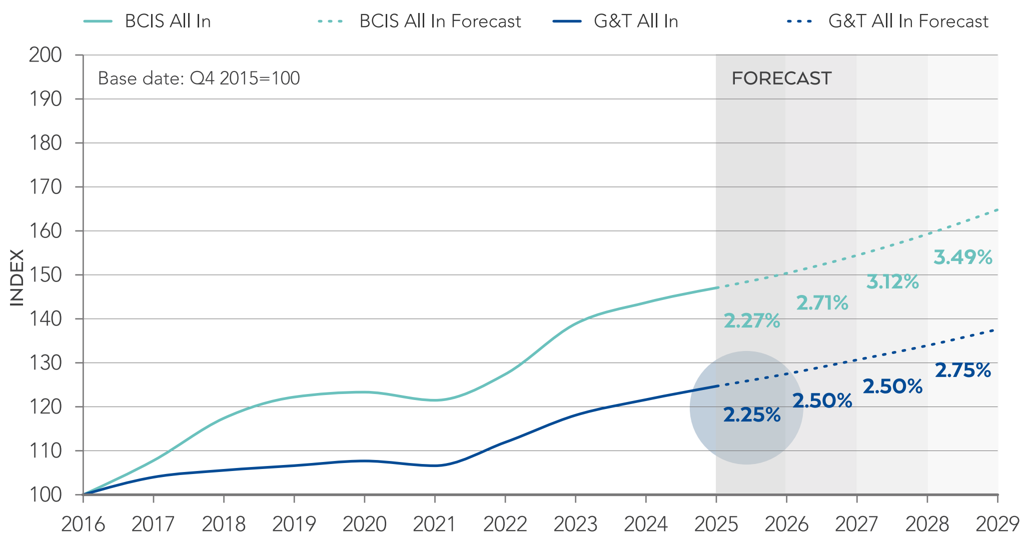
TENDER PRICE ANNUAL PERCENTAGE CHANGE Q3 2025

%	2025		2026		2027		2028	
Regional forecasts	**Now**	**Last***	**Now**	**Last***	**Now**	**Last***	**Now**	**Last***
Greater London	2.50	2.50	2.50	2.50	2.50	2.50	2.75	2.50
South East	2.25	2.25	2.50	2.50	2.50	2.50	2.75	2.50
South West	2.25	2.25	2.50	2.50	2.50	2.75	2.50	2.75
East (Anglia)	3.00	3.00	3.00	3.00	2.75	2.75	2.75	2.75
Midlands	2.50	2.50	2.50	2.50	2.75	2.75	2.75	2.75
Wales	2.25	2.25	2.50	2.50	2.50	2.50	2.50	2.50
Yorks & Humber	1.75	1.75	2.00	2.25	2.00	2.50	2.50	2.50
North West	2.50	2.25	1.50	2.25	2.50	2.50	2.50	2.50
North East	1.75	1.75	2.25	2.25	2.50	2.50	2.50	2.50
Scotland	2.25	2.50	2.50	2.50	2.50	2.75	2.75	2.75
Northern Ireland	2.25	2.25	2.50	2.50	2.50	2.50	2.50	2.50
UK Weighted Average	**2.25**	**2.25**	**2.50**	**2.50**	**2.50**	**2.50**	**2.75**	**2.50**

Last* **Q2 2025**

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

TENDER PRICE TREND 'ALL UK TPI'



HOW DO WE REACH OUR TENDER PRICE FORECAST?

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

INPUT COSTS

- ▲ 7.3% — BCIS Labour Cost Index, Jun 24 – Jun 25
- ▲ 0.2% — BCIS Materials Cost Index, Jun 24 – Jun 25
- ▲ 1.2% — BCIS Plant Cost Index, Jun 24 – Jun 25
- ▼ 3.6% — BCIS M&E Cost Index, Jun 24 – Jun 25
- ▲ 3.5% — BCIS General Building Cost Index, Jun 24 – Jun 25
- ▼ -16.8% — Oil Prices (Brent Crude), Aug 24 – Aug 25

KEY

Input cost arrows indicate the direction of change over the specified period. Please note that material price data from the Department for Business and Trade (DBT) is unavailable beyond Jan 2025, following a suspension prompted by ONS-identified issues with the underlying Producer Price Index (PPI) methodology.

High Cost Driver · *Medium Cost Driver* · *Low Cost Driver*

MACRO ECONOMICS

Unless otherwise indicated, figures represent annual growth rates for the stated period. Arrows indicate the direction of change in each indicator compared to the values reported in our previous TPI report.

- ▼ 1.2% — UK GDP Annual Growth Rate, Q2 2024 – Q2 2025
- ▲ 3.6% — CPI Jun 2025, 12-month rate
- ▲ 4.4% — RPI Jun 2025, 12-month rate
- ▼ 4.0% — UK Base Interest Rate, Aug 2025
- ▲ 4.7% — UK Unemployment Rate, Apr 2025 – Jun 2025
- ▼ 4.6% — UK Wage Growth, Average Weekly Earnings (Total Pay), Y-on-Y three-month average to June 2025
- ▼ 5.0% — UK Construction Wage Growth, Average Weekly Earnings (Total Pay), Y-on-Y three-month average to June 2025

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.

GT

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 survey and supply chain consultations. This forecast illustrates our view of annual tender price inflation from January to December 2025 and beyond.

OUR FORECASTS

The UK construction sector enters late 2025 in a finely balanced position. Input costs have largely stabilised and material availability is broadly steady, but labour remains a persistent pressure point—particularly for specialist roles and complex packages. While headline inflationary risk has receded, forward pipelines are under strain, with slower project conversion, delayed public sector decisions and protracted regulatory processes—most notably around the Building Safety Act—limiting momentum.

Contractors are adapting strategies to navigate procedural friction, selective demand and tighter risk appetites. Activity is steady in parts—particularly infrastructure, healthcare and regulated utilities—but confidence remains brittle, underpinned more by legacy workload than by new project starts. Residential new-build is the weakest segment, with viability gaps, slow planning and funding uncertainty weighing heavily, while fit-out, refurbishment and life sciences are holding up comparatively well.

The wider UK economic backdrop remains challenging. GDP growth forecasts for 2025 have been revised down to around 1.0–1.1%, with business confidence slipping further into negative territory amid concerns over rising costs, policy uncertainty and sluggish demand. Inflation is proving stickier than expected, limiting the scope for rapid monetary easing despite the Bank of England's recent rate cut to 4.00%. With consumer sentiment fragile and investment decisions being delayed, near-term economic conditions are likely to remain subdued, adding to the sector's cautious tone.

Tender price pressures are now driven more by structural factors than by materials volatility. Labour cost inflation remains elevated—running at around 5% year-on-year—despite softer demand, as shortages persist in key trades. Preliminaries are edging higher due to staff costs, National Insurance increases and compliance requirements, while OH&P levels remain broadly flat, sustained by competitive tendering and client resistance.

Materials costs are steady for most categories, with improved availability and shorter lead-in times. Pricing is becoming more competitive outside the busiest sectors, though specialist imports remain exposed to currency and geopolitical risks. The supply chain is financially fragile in places, with insolvency risk and tighter payment terms influencing pricing behaviour.

Our UK average Tender Price Inflation forecasts remain at 2.25% for 2025 and 2.5% for 2026, reflecting a stable but cautious near-term outlook. Public sector programmes will continue to provide a floor for activity, but sustained recovery will depend on improved investor sentiment and a faster pace of procurement and delivery.

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.

THE ECONOMY

Despite a solid 0.7% expansion in Q1, the UK economy's pace slowed to 0.3% in Q2, according to the latest ONS estimates. The strong first-quarter performance was fuelled by one-off factors—such as early-year stockpiling and investment front-loading ahead of US tariff shifts—which pulled some activity forward. As these one-offs faded, Q2 growth settled into a more modest rhythm, with gains in services and construction output offset by weaker production output.

The Office for Budget Responsibility expects the economy to expand by just 1.0% in 2025, with the July consensus from independent economic forecasters only marginally higher at 1.1%, both signalling a risk of near-term stagnation. This muted outlook is compounded by weaker business investment, subdued consumer spending and flat productivity growth, pointing to a recovery that remains hesitant and uneven.

Inflation remains stubbornly high. Headline CPI rose to 3.6% in June—exceeding both the Bank of England's 3.4% projection and its 2% target—while core inflation ticked up to 3.7% and services inflation held at 4.7%. The persistence of elevated services inflation points to entrenched domestic cost pressures, driven in large part by wage dynamics. At its August meeting, the Bank raised its near-term inflation profile, now expecting CPI to remain above 3.5% through the remainder of 2025 and warning of increased risks from "second-round" effects, with elevated inflation expectations potentially feeding into pay growth.

While wage growth has begun to ease, the Bank of England cut the Bank Rate by 25bps to 4.00% in August in a closely split decision—highlighting the MPC's divided view on the balance of risks. Policymakers now face a delicate trade-off - reining in inflation that remains stubbornly above target while preventing an overly aggressive stance from stalling already fragile growth.

Economic activity is likely to remain subdued through the second half of 2025, following the Q2 slowdown and the fading of early-year one-offs. Business confidence has slipped further into negative territory, according to the ICAEW's latest national Business Confidence Monitor, with rising costs, weak demand and

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the prospect of higher taxes in this autumn's Budget weighing on sentiment. Many firms are responding by tightening labour budgets—cutting back on hiring and bonus awards—and deferring investment decisions until there is greater policy and market clarity. Consumer sentiment remains fragile, with households focusing on essentials and deferring big-ticket purchases, leaving little scope for a meaningful near-term uplift in domestic demand.

CONSTRUCTION OUTPUT AND NEW ORDERS

UK construction output rose 1.2 % in Q2 2025, with new work up 1.1 % and repair & maintenance expanding 1.4 % on the previous quarter. June's monthly figures reveal a 0.3 % rise, propelled entirely by repair & maintenance—which rose 1.2 %—while new work declined 0.4 %. The sectors lifting the monthly gains were largely led by private housing and non-housing repair & maintenance, growing 3.7 % and 0.8 % respectively.

While Q2's construction output growth offers some respite, underlying conditions remain challenging. Total new orders fell 8.3% to £10.8 billion, led by steep declines in infrastructure, private industrial and private commercial awards. This divergence underscores a growing fragility - activity on site this quarter was sustained by the delivery of existing contracts, yet the forward pipeline is visibly thinning. The sector now faces the prospect of a bumpy autumn, with the upcoming Budget likely to prove pivotal in either stabilising demand or deepening the slowdown.

July's S&P Global UK Construction PMI reading of 44.3—the lowest since May 2020—underscores how sentiment has deteriorated despite Q2's modest output gains. The downturn reflects a sustained easing in new enquiries and tender opportunities. If this trend persists, project pipelines could begin to thin materially heading into 2026, intensifying competition for work. However, a combination of targeted fiscal measures in the Autumn Budget, easing financing costs, and the delivery of delayed schemes could help stabilise demand and lay the groundwork for a gradual recovery.

G&T TPI SURVEY FEEDBACK

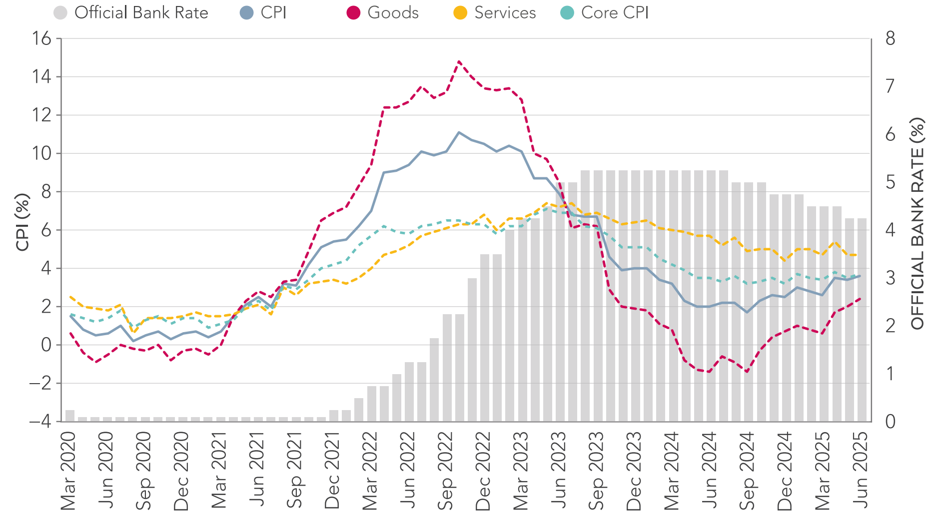
Workload

With the number of new projects in the pipeline remaining relatively flat in key sectors, contractor workloads have stagnated. G&T's latest analysis of Tier 1 main contractor pipelines indicates slippage in forward conversion rates, with more projects sitting in feasibility or delayed pre-construction phases. This reflects a cautious investment climate shaped by macroeconomic headwinds, regulatory uncertainty and fragile client confidence.

The residential sector remains one of the weakest performers. New schemes are struggling to get off the ground as clients delay decisions amid ongoing viability challenges and uncertainty over how the Building Safety Act gateway process will evolve. Planning delays, funding constraints and protracted regulatory processes are compounding the issue.

In contrast, activity in commercial and life sciences sectors is more stable. Several clients are using the quieter period to reposition assets—especially legacy offices—through refurbishment and fit-out projects aimed at meeting evolving ESG standards and anticipating a future uplift in demand around 2027–28. While new-build commercial office starts remain subdued, investment in trading assets continues, with developers positioning portfolios for the next development cycle.

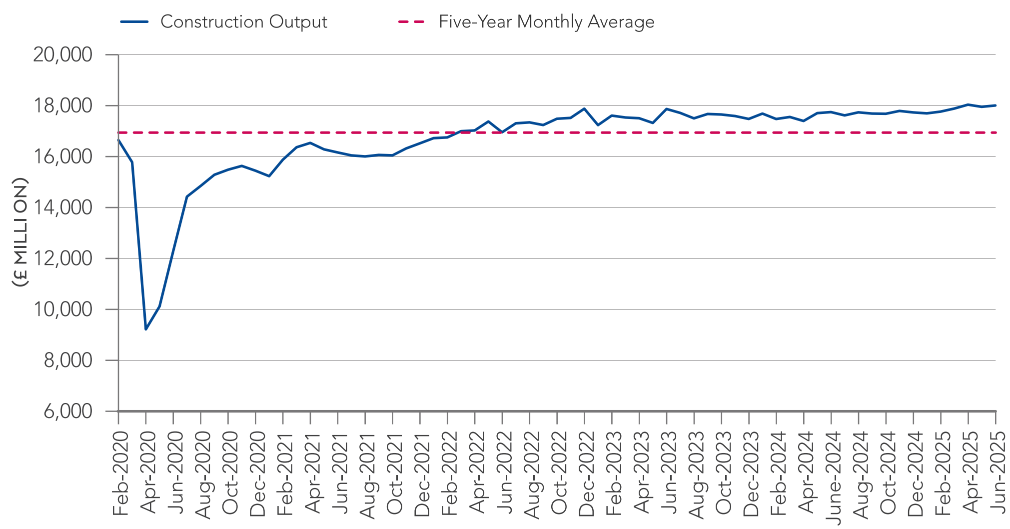
CPI GOODS, SERVICES AND CORE ANNUAL INFLATION RATES V OFFICIAL BANK RATE (UK): MAR 2020 TO JUN 2025



Source: *ONS*, *Bank of England*

CONSTRUCTION OUTPUT: ALL WORK

Seasonally adjusted



Source: *ONS*

Although many contractors remain busy in the near term, this is largely underpinned by legacy workload and projects already in flight. Workloads appear secure through to mid-2026, but gaps are beginning to emerge beyond that horizon, especially where project delays have pushed planned starts back into late 2026 or early 2027.

Early signs of market softening are clearest among early-works contractors. Basement, enabling and groundworks specialists are becoming increasingly active and price-competitive, indicating a degree of underutilisation. Main contractors remain broadly selective, but there is growing evidence of firms loosening their stance—responding more positively to early-stage enquiries, proactively pursuing opportunities and offering cost advice at RIBA Stage 2 or 3 to help secure future workload.

Fit-out and refurbishment pipelines remain relatively buoyant, but base build and shell & core packages are under more pressure, with fewer large projects being brought to market. As a result, some contractors—particularly those exposed to the residential downturn—are becoming more assertive in chasing work and seeking earlier engagement to secure positions on prospective bids.

Looking ahead, the remainder of 2025 is expected to remain broadly flat in workload terms. Moderate growth is anticipated to return in 2026, but sentiment remains cautious. Most contractors are prioritising resilience and viability over aggressive growth, with the focus on maintaining pipeline continuity through selective tendering, early involvement strategies and close client relationships.

Market Conditions

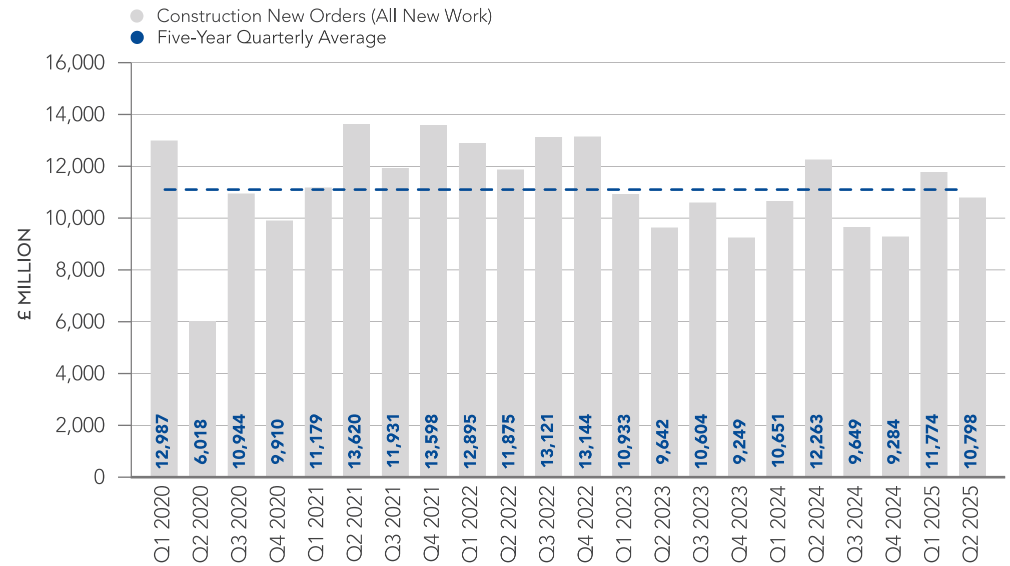
The UK construction market feels finely balanced. While broader economic conditions have shown tentative signs of stabilisation, the construction sector remains in a holding pattern—neither stalling nor surging.

Tendering activity has become more competitive, particularly outside the buoyant infrastructure sector and advanced manufacturing sectors. While pricing pressure has eased from the highs of 2022-23, underlying costs—especially labour—remain elevated, keeping margins under strain. Risk transfer and contract conditions are playing an increasingly central role in bid decisions, with some contractors opting out of opportunities deemed commercially unviable or high risk.

Workforce availability and capability remain persistent concerns, especially for key trades and specialist packages. But this is just one of several pressures weighing on contractors' operations and outlook. Recent survey feedback highlights a confluence of commercial and operational challenges—most notably higher borrowing costs, onerous contractual conditions, persistent site inefficiencies and rising compliance burdens linked to sustainability and safety regulation. These are not abstract risks: many contractors rated them as high or major threats to business performance over the next 12 months.

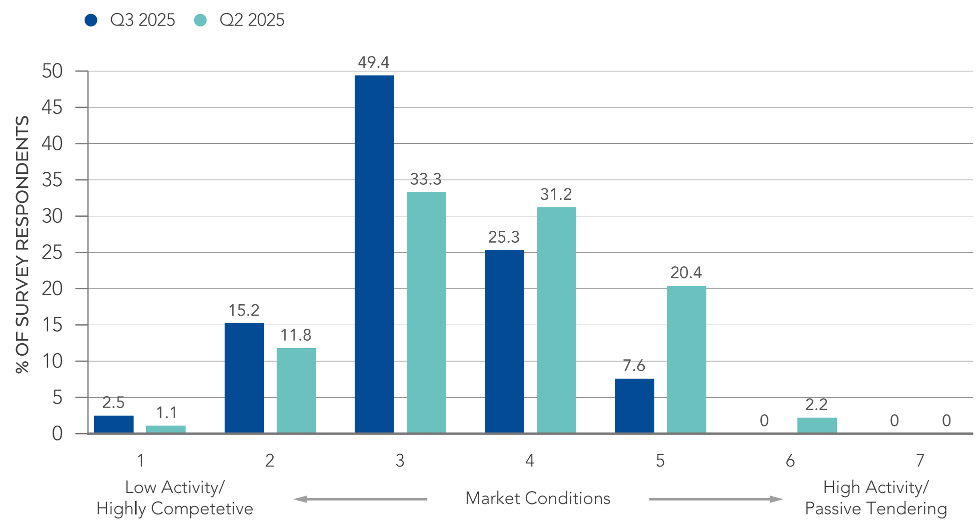
Rising overheads—from labour costs and logistics to compliance with evolving sustainability and safety regulations—continue to eat into margins. While material prices and lead times have broadly stabilised, strategic pressures have shifted towards risk transfer, cash flow fragility in the supply chain and a continued lack of confidence to invest in new projects.

UK CONSTRUCTION: NEW ORDERS (ALL NEW WORK)



Source: *ONS*

PERCEPTION OF MARKET CONDITIONS OVER THE NEXT SIX MONTHS (UK)



Source: *G&T Q3 2025 TPI Survey*

Financial pressure across the supply chain is adding to these concerns. Construction insolvencies remain elevated and profit warnings among listed firms in the sector hit a 12-month high. Specialist contractors remain especially exposed, with delayed project starts and tight margins contributing to increased financial fragility.

While the 2025 Spending Review and National Infrastructure Strategy have delivered welcome visibility on long-term investment, programme delivery remains slow. Extended pre-construction periods, constrained client-side resources, and complex business case approvals are limiting the pace at which public sector work is hitting the market—delaying any immediate uplift in workload.

This sentiment is reflected in recent survey data. Respondents' expectations for the next six months have shifted slightly towards caution. The majority still view market conditions as broadly stable—clustered around mid-point scores of 3 and 4—but the share selecting '3' rose from 39.8% to 49.4% between Q2 and Q3 2025, while the proportion choosing more optimistic scores declined. Fewer respondents selected '5' or higher. This points to expectations of muted market activity and heightened tendering competition in the near term.

Opportunities remain—for those willing to engage early, manage risk collaboratively and adapt delivery models to evolving client priorities. The second half of 2025 will test the industry's ability to maintain commercial discipline while remaining agile enough to respond to shifting market signals. Looking ahead, if inflation continues to ease and procurement pipelines accelerate, 2026 could mark the beginning of a more synchronised recovery.

INPUT COSTS

Key Inflationary Drivers

Contractors continue to face inflationary pressure from rising employment costs, Building Safety Act compliance and capacity constraints in parts of the supply chain. However, these are being tempered by subdued demand, stable materials costs and delays in procurement and PCSA conversion—factors that are increasing competition for live tenders. The table below summarises the key inflationary and deflationary forces currently shaping market conditions.

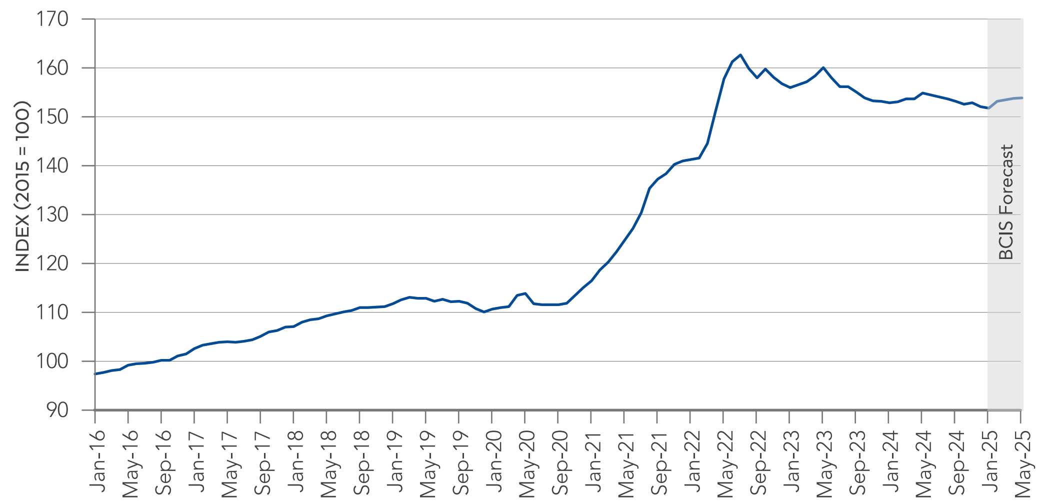
Material Trends

Materials supply conditions appear broadly stable across most product categories, with significantly less pressure than in the labour market. Availability continues to improve, with some noting reductions in lead-in times for major plant and a return to normal supply levels for steel and rebar. This easing is being attributed in part to reduced project activity, which is helping rebalance supply-demand dynamics. While global factors such as US policy or Chinese demand could still introduce volatility, most reported no significant issues in the period. Barring external shocks, materials supply is expected to remain steady in the short term.

The DBT has suspended publication of its material price data pending a full methodological review, with no official figures released beyond January 2025.[1] In the interim, BCIS has stepped in with provisional estimates, using its own modelling techniques to replicate the DBT indices. The All-Work Construction Material Prices Index fell by 0.6% in the year to May 2025 and now sits 5.4% below its July 2022 peak. Nevertheless, prices remain elevated—still 38.6% higher than in January 2020,

INFLATIONARY PRESSURES	DEFLATIONARY PRESSURES
• Higher employment costs (NIC increase in April 2025, National Living Wage uplifts, above-trend wage growth in construction) • Strong public sector pipeline (health, transport, energy, water) absorbing Tier 1/2+ contractor capacity and driving selective behaviour • Ongoing risk aversion around fixed-price contracting, driven by programme volatility, risk transfer and uncertain input costs • Labour shortages in key trades and pre-construction resources, constraining ability to scale delivery • Gateway 2 and BSA compliance requirements increasing costs and timelines for high-risk residential buildings • Increasing insurance and compliance costs under the Building Safety Act (fire safety design, PI premiums) • Supply chain fragility and insolvency risk driving more cautious pricing and stricter payment terms • Network infrastructure demand outpacing supply chain readiness—capacity constraints driving early cost uplifts • Potential upward pressure on energy-related inputs due to geopolitical risk and commodity volatility • Selective tiered bidding behaviour—contractors prioritising margin and project fit over volume	• Weak private sector confidence and investor caution delaying new schemes, especially in commercial and residential • Delays in PCSA conversions and stalled private projects freeing up supply chain capacity and intensifying competition • Procurement delays and extended pre-construction periods suppressing live tender volumes • Material price pressures have eased overall - stable or falling input costs for most materials • Single-stage procurement re-emerging outside London, offering quicker delivery routes and more competitive pricing • Tight lending criteria and cautious funders slowing down residential and speculative commercial development • Developers rebasing schemes at lower land values to unlock viability—supporting softer pricing strategies • Some datacentre and commercial office schemes slowing, easing MEP and façade-related input pressures • Short-term price stability supported by soft global commodity trends and weak new order growth in key sectors • Greater use of alliances and frameworks in the public sector improving risk-sharing and smoothing delivery pipeline

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



Source: DBT

1. In February 2025, the Office for National Statistics (ONS) identified methodological flaws in its Producer Price Index (PPI)—the statistical backbone for all Department for Business and Trade (DBT) construction material price indices, including the All-Work composite index and individual sub-indices. As a result, DBT suspended publication of material price data pending a full methodological review, with no official figures released beyond January 2025.

before the pandemic-triggered surge. BCIS's preliminary forecasts point to a modest (1.4%) rebound in prices since the start of 2025.

The modest rise in prices appears to be driven in part by higher payroll costs in the manufacturing sector—particularly the increase in employer National Insurance Contributions introduced in April—which are now being passed on through the supply chain.

Global tariff uncertainty may have also had a modest indirect impact, as some suppliers may have included contingency allowances in pricing to hedge against potential trade disruptions or cost volatility affecting globally traded materials such as steel and aluminium.

Rates for rebar, mesh, bricks & blocks, concrete, timber, drylining materials (including boards and metal components) and joinery works all have become more competitive according to recently surveyed main contractors. In some cases, wholesalers and manufacturers are holding higher levels of stock or maintaining production above current demand, contributing to modest downward pressure on prices. However, prices for more complex or imported materials—such as specialist cladding systems, aluminium, copper products, lift components and certain MEP-related products—remain firmer. This reflects a combination of longer lead times, exposure to currency fluctuations, and the application of supply chain risk premiums amid ongoing global uncertainty.

With overall stability returning to the market, contractors report no difficulties in securing fixed material prices from the supply chain—an important shift from the volatility of recent years. Most anticipate material cost inflation in the range of +0.1% to 2.5% over the next 12 months, marking a reversion to more typical, manageable rates of increase. That said, several risks remain. Geopolitical tensions could disrupt energy markets, posing a threat to pricing stability for energy-intensive materials and oil-based products such as insulation, plastics and bitumen. Global shipping costs also remain vulnerable to disruption, with potential knock-on effects for imported goods. A modest uptick in construction activity later in the year could apply additional upward pressure on prices, particularly where demand for specific materials temporarily outpaces supply. Overall, however, the pricing environment remains comparatively stable and well-behaved.

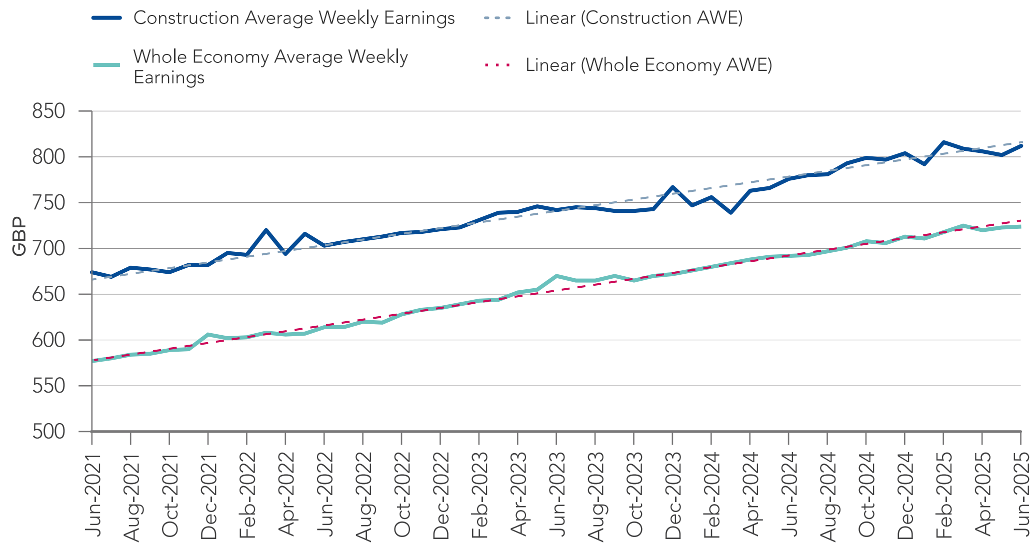
Labour Trends

Labour availability remains a significant constraint across the UK construction sector. Shortages are most acute in MEP and other specialist trades and are particularly evident on major programmes such as large-scale infrastructure and data centre projects, where demand is both skill-specific and concentrated. The latest S&P Global UK Construction PMI shows employment levels declining for a seventh consecutive month in July, driven by lay-offs, recruitment freezes and the non-replacement of leavers. Despite these reductions in headcount, sub-contractor rates continue to rise at one of the sharpest paces in the survey's history, even as usage declines and availability improves—indicating that the supply of critical skills remains structurally constrained.

Official pay data supports this picture of underlying tightness. ONS figures show that average weekly earnings (**AWE**) in construction increased by 5.0% year-on-year in the three months to June 2025, reaching £812—£88 higher than the whole-economy average of £724, which rose by 4.6%. Construction pay has now risen by approximately 25% since early 2020, outpacing most other sectors. While

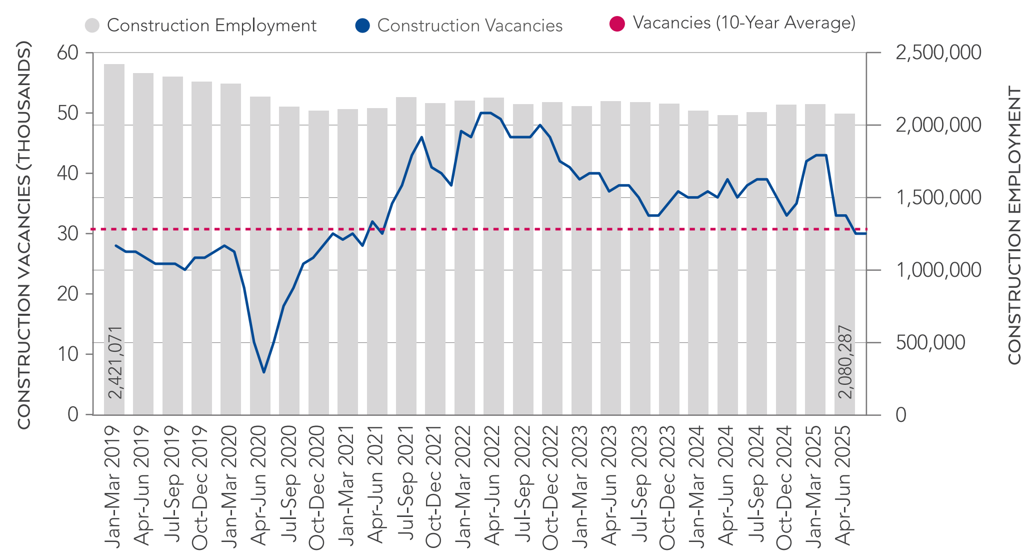
AVERAGE WEEKLY EARNINGS (UK CONSTRUCTION)

Seasonally adjusted



Source: *ONS*

CONSTRUCTION VACANCIES V EMPLOYMENT



Source: *ONS*

there has been a modest moderation from the peak growth rates recorded in 2023–24, wage inflation remains above historical norms and continues to be driven by competition for scarce skills. The Government's £625 million skills investment programme—aimed at training up to 60,000 additional workers by 2029—will provide some long-term capacity, but is unlikely to materially alter short-term labour market conditions.

Vacancy data indicates a cyclical easing in demand, but this should not be interpreted as evidence that underlying skills shortages have been addressed. Construction vacancies, while still broadly in line with their 10-year average, have fallen sharply over the past year—from more than 50,000 in 2021–22 to fewer than 30,000 in April–June 2025, the lowest level since the immediate post-pandemic rebound in 2020. This decline reflects weaker workloads and slower project starts, rather than a sustainable increase in the availability of skilled labour.

Looking ahead, business confidence has recovered marginally from June's two-and-a-half-year low but remains well below its long-run average. Structural shortages in specialist trades, coupled with policy and demographic headwinds, indicate that any cyclical easing in labour demand will be short-lived. As market activity recovers, upward pressure on wages and sub-contractor costs is expected to re-emerge, keeping labour availability and cost escalation as central risks to project delivery and tender pricing through 2026.

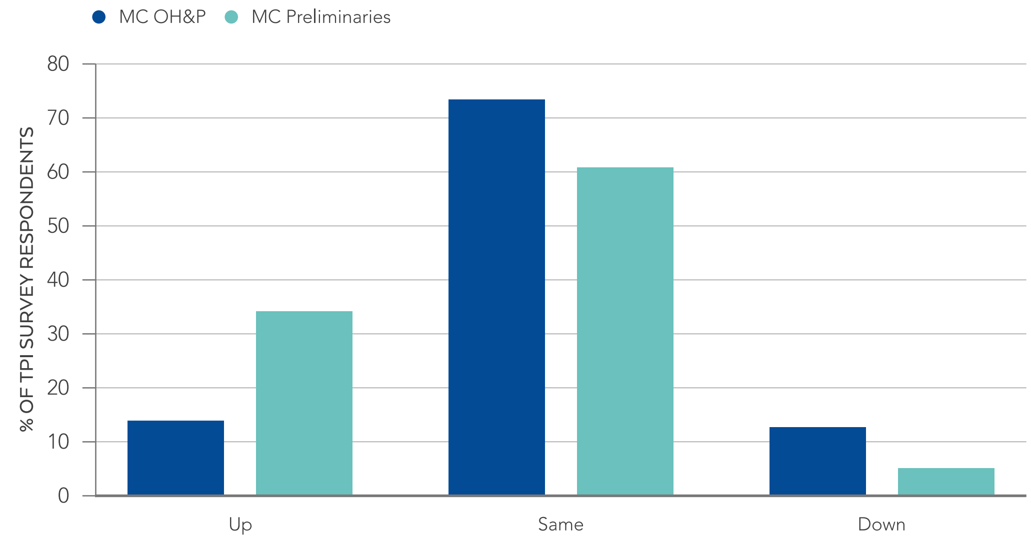
The CITB's Workforce Outlook 2025–29 projects the construction workforce will need to expand by approximately 239,000 workers over five years, reaching around 2.75 million by 2029. Nearly half of this increase will be in skilled trades such as carpentry, joinery, plumbing and electrical work, while infrastructure-linked roles—steelworkers, plant mechanics, scaffolders—are expected to see the strongest growth. These projections underscore the scale of sustained, structural expansion required to meet housing targets, infrastructure delivery and the sector's decarbonisation and digitalisation goals.

On-costs

Over the past three months, Main Contractor Overheads and Profit (**OH&P**) levels have remained broadly stable, with the majority of contractors holding margins flat despite sustained competitive pressure. This is reflected in our latest survey results, where 88% of respondents reported no change in OH&P percentages across project values. However, emerging nuances are worth noting. Several contractors flagged the use of artificially low OH&P allowances in two-stage tendering, with costs later recouped via inflated package pricing. Others noted a softening in OH&P—particularly in the Tier 2 market—driven by growing pipeline gaps and a more competitive tender environment. Tier 1 contractors, by contrast, appear more consistent in holding OH&P levels, with some MEP trades continuing to push for uplifts. Overall, while OH&P levels are holding steady on the surface, underlying dynamics suggest growing pressure, especially where confidence in future workload is fragile.

In contrast, preliminaries are experiencing a greater degree of upward pressure than OH&P. While 68% of respondents noted no change over the past three months, 28% observed an increase—driven largely by labour-related cost pressures. Contractors cited rising staff costs, wage inflation and increased National Insurance (**NIC**) contributions as key drivers. Several also highlighted that performance bond costs have increased, while others noted a growing tendency to reallocate preliminaries into trade packages—especially in two-stage tenders—masking the true cost uplift. While this can make headline prelim figures appear stable, underlying costs are often embedded elsewhere. Overall, preliminaries are trending upward, even if not always visible as a percentage of works.

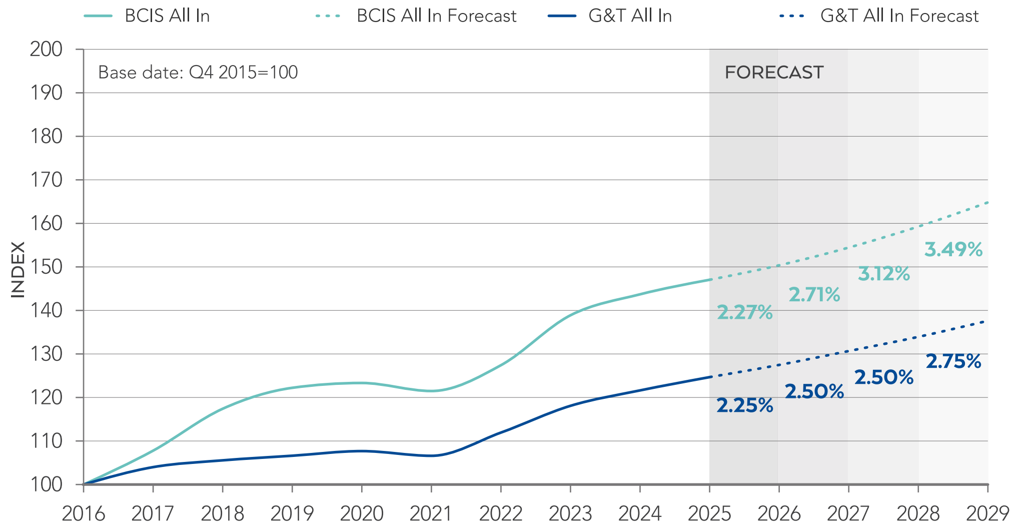
INFLATIONARY PREDICTION FOR MAIN CONTRACTOR OH&P AND PRELIMINARIES OVER THE NEXT 12 MONTHS



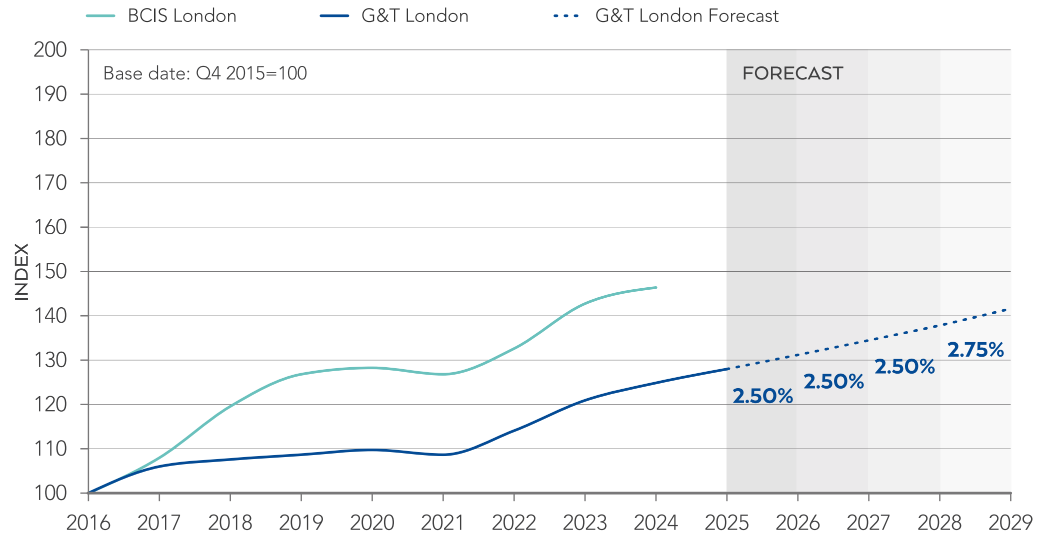
Source: *G&T Q3 2025 TPI Survey*

This dynamic is expected to continue. Around 73% of respondents expect OH&P to remain flat over the next 12 months, while 14% foresee increases and just 13% predict reductions. By contrast, inflationary expectations for preliminaries are more pronounced, with over a third (34%) anticipating further uplifts. This divergence reflects the more direct exposure of preliminaries to labour cost inflation, staff availability and regulatory burdens—whereas OH&P levels are being held steady through competitive tendering and client resistance.

TENDER PRICE TREND 'ALL UK TPI'



TENDER PRICE TREND 'LONDON TPI'



Note: BCIS do not publish regional TPI forecasts.

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East (Anglia)	3.00	3.00	3.00	3.00	2.75	2.75	2.75	2.75
Midlands	2.50	2.50	2.50	2.50	2.75	2.75	2.75	2.75
Wales	2.25	2.25	2.50	2.50	2.50	2.50	2.50	2.50
Yorks & Humber	1.75	1.75	2.00	2.25	2.00	2.50	2.50	2.50
North West	2.50	2.25	1.50	2.25	2.50	2.50	2.50	2.50
North East	1.75	1.75	2.25	2.25	2.50	2.50	2.50	2.50
Scotland	2.25	2.50	2.50	2.50	2.50	2.75	2.75	2.75
Northern Ireland	2.25	2.25	2.50	2.50	2.50	2.50	2.50	2.50
UK Weighted Average	**2.25**	**2.25**	**2.50**	**2.50**	**2.50**	**2.50**	**2.75**	**2.50**

Last* **Q2 2025**

COMPARISON OF PUBLISHED FORECASTS FOR TENDER PRICE CHANGE

	G&T UK AVER. Q3 2025	**BCIS** UK AVER. Aug 2025	**G&T** LONDON Q3 2025	**AECOM** UK[1] Q3 2025	**ARCADIS** LONDON[2] Summer 2025
	% CHANGE				
2025	2.25	2.27	2.50	3.00	2.00 - 4.00
2026	2.50	2.71	2.50	4.00	3.00 - 5.00
2027	2.50	3.12	2.50	4.50	4.00 - 5.00
2028	2.75	3.49	2.75	N/A	5.00 - 6.00
2029	N/A	2.70	N/A	N/A	5.00 - 6.00

1. Aecom's TPI figures are 'central scenario' forecasts for the UK.
2. Arcadis' TPI figures are for its 'London Building 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.