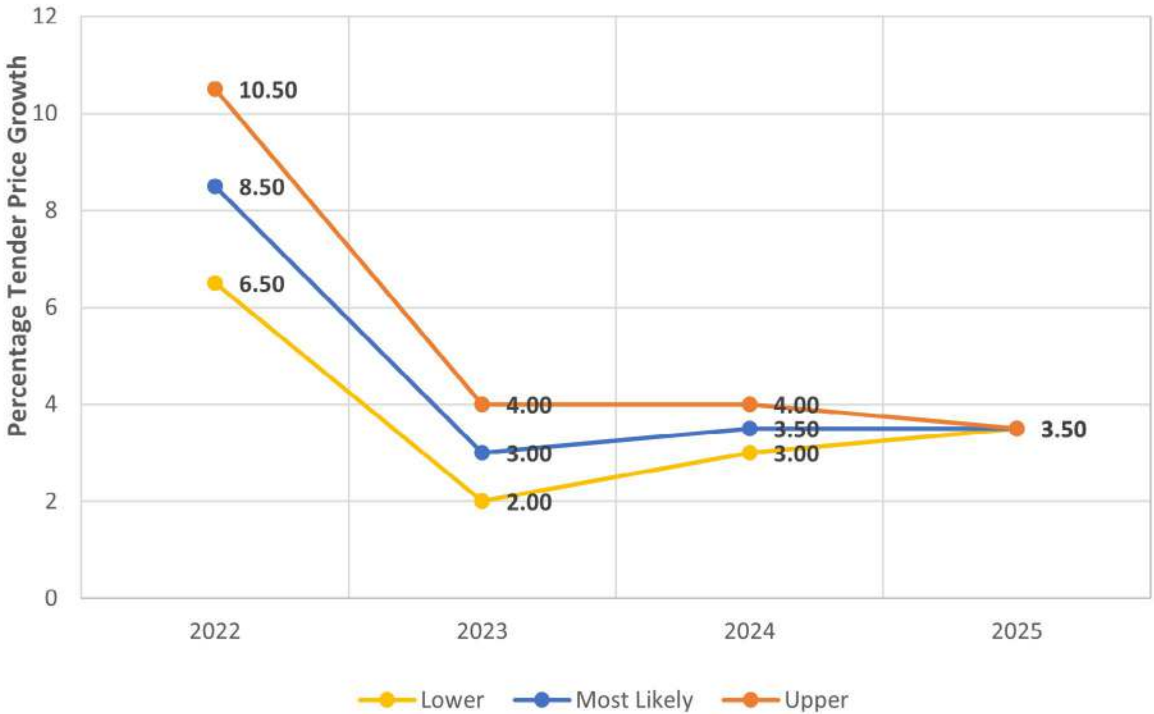
YORKS AND HUMBER

Source	% Uplift reported	2022	2023	2024	2025
Sheffield	Lower	6.50	2.00	3.00	3.50
Sheffield	Most Likely	8.50	3.00	3.50	3.50
Sheffield	Upper	10.50	4.00	4.00	3.50
Leeds	Lower	6.50	2.00	3.00	3.50
Leeds	Most Likely	8.50	3.00	3.50	3.50
Leeds	Upper	10.50	4.00	4.00	3.50
Competitors/Others - Upper Range (Yorks and Humber)		7.20	5.00	4.50	4.00
Competitors/Others - Lower Range (Yorks and Humber)		4.00	2.50	2.00	2.00
BCIS (National) TPI		7.80	6.20	3.30	3.40
BCIS (National) General Building Cost Index		10.00	4.00	3.30	2.90

Tender Price Change - Yorks and Humber



OVERVIEW - Yorks and Humber

Challenges continue, with material and labour prices affecting development opportunities across the region. These will no doubt continue to stifle growth in Yorkshire and Humber over the medium term. That situation is compounded further by the ongoing war in Ukraine, which has impacted significantly on energy prices and as a consequence has affected construction costs right across supply chains.

Price inflation as a result of the above issues is increasingly problematic for the region even though the post-Covid pent-up demand has subsided. There is increasing pressure on development costs and upon contracting organisations to reach acceptable terms with clients. A general trend of increasing risk on development projects in the region is another symptom of price inflation, as contractors seek to minimise their exposure. This trend is creating further difficulties in stalling project approvals and is damping the industry's performance.

This sharp price correction as a result inflationary pressures over the first half of 2022 will no doubt result in a settling effect on construction prices generally and see construction inflation levels fall somewhat over the coming 12 months. That is not to be misconstrued as a fall in costs, but as a reduction in level of ongoing increase.

Sectorally, Leeds' expansion and redevelopment of brownfield sites into housing and green spaces continues to sustain optimism in the local market, along with the education sector continuing to evolve post-Covid. With new challenges such as net-zero becoming increasingly vital due to energy price inflation, this is creating a positive shift across the industry which naturally can have an initial braking effect whilst clients and developers adjust. Infrastructure continues to offer reason for optimism across the region as does mixed-use development, however challenges within the commercial sector post-Covid remain whilst businesses adapt to new lower occupancy levels and new models of hybrid working.

Overall value of construction work done for the last four quarters as against the previous four, is up by over 23%, spread broadly proportionately between new work and repairs and maintenance. Infrastructure work was up over 41%, and new industrial project work by almost 56%. In respect of pipeline, overall volume of new work orders is up some 13% year on year, but the major statistic is that of private commercial work, which is up by over 60%. The picture flowing from these statistics suggests a still highly active market which is not only continuing to produce at high levels of capacity, but will yet be further stressed by additional labour and materials demand over and above the already existing workloads.

In summary, challenges continue across the region and whilst overall economic growth is expected to slow, inflation in supply costs will be constrained in respect of pass-through to clients, likely preventing a wholesale shift in tender prices in the short term.