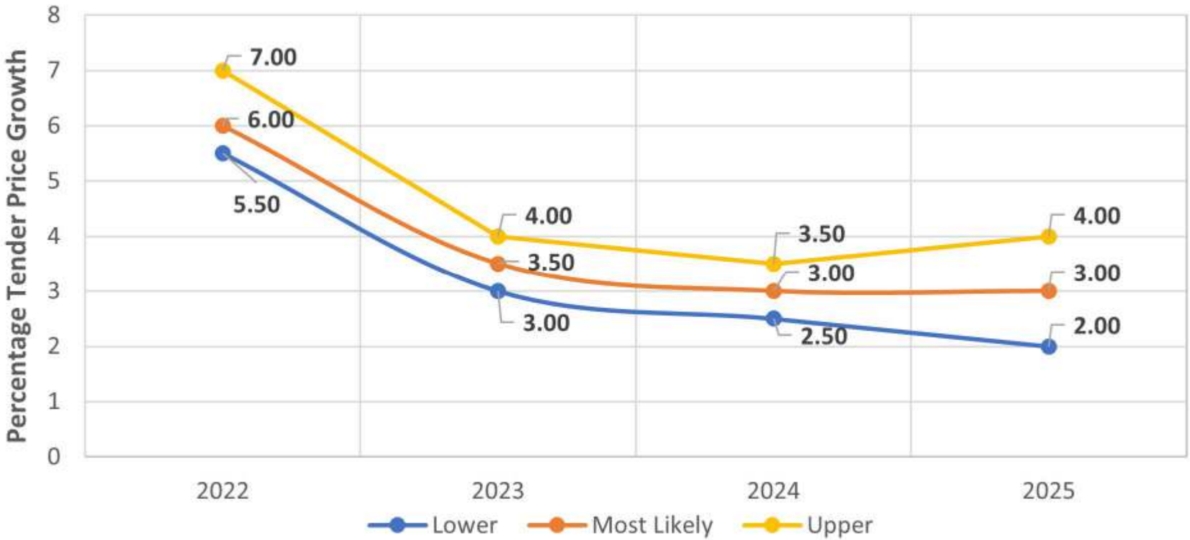
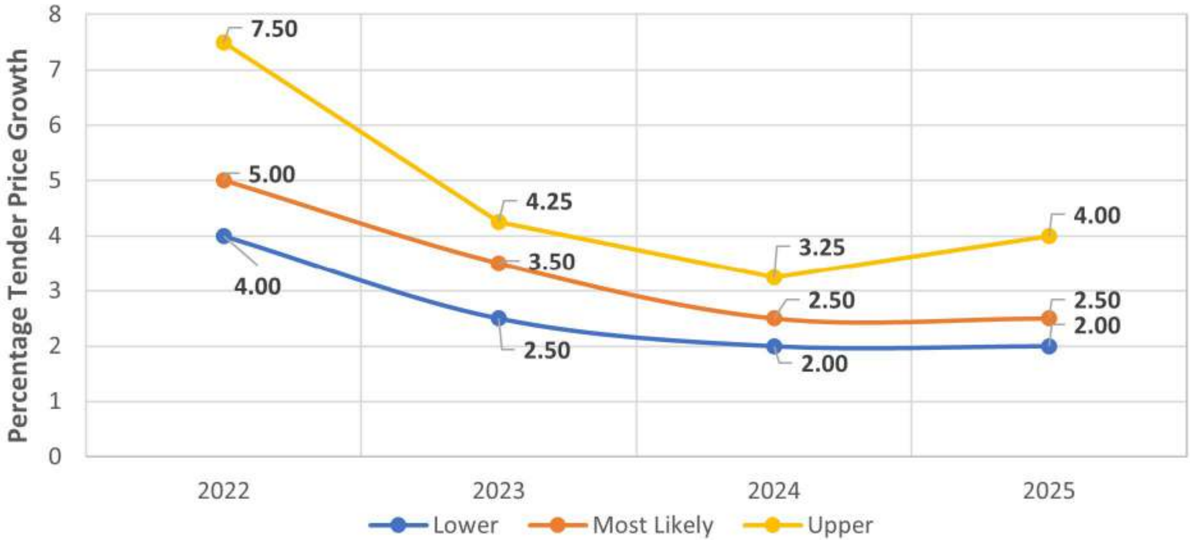
LONDON & SOUTH EAST

Source	% Uplift reported	2022	2023	2024	2025
London	Lower	5.50	3.00	2.50	2.00
London	Most Likely	6.00	3.50	3.00	3.00
London	Upper	7.00	4.00	3.50	4.00
Thames Valley	Lower	4.00	2.50	2.00	2.00
Thames Valley	Most Likely	5.00	3.50	2.50	2.50
Thames Valley	Upper	7.50	4.25	3.25	4.00
Competitors/Others - Upper Range (London)		9.00	5.70	5.00	4.50
Competitors/Others - Lower Range (London)		6.00	2.50	2.00	2.00
Competitors/Others - Upper Range (South East)		8.80	5.00	5.00	4.50
Competitors/Others - Lower Range (South East)		6.00	3.00	2.50	2.50
BCIS (National) TPI		7.80	6.20	3.30	3.40
BCIS (National) General Building Cost Index		9.70	3.00	3.50	2.90

Tender Price Change - London



Tender Price Change - Thames Valley



OVERVIEW - LONDON & SOUTH EAST

In general, workload levels remain high, although coloured by concerns as to the future.

ONS statistics show current value of work done in London in Q3 2022 as the highest on record, up over 7% on the previous quarter for new work (and up over 13% for total work as against Q3 2021), as well as up over 6% for repair and maintenance work.

Compared to Q3 last year, new work was up almost 16% by value and although a mixed bag by sector, up overall by almost 9% year to date as against last year. However, these uplifts include inflation to materials and labour costs.

For the South East, construction output was likewise up almost 26% Q3 to Q3, although new work coming on stream was down by over 5%. London and the South East now comprise approximately 31% of the total UK new work orders in the year 2022 to date, and are collectively less than 4% up by value on last year's first three quarters despite the BCIS Building Cost Index showing some 10% uplift for 2022.

These figures highlight one of the fundamental issues facing the UK construction industry as a whole and London and the South East in particular, namely that current workloads remain high, alongside high input cost imposts, and yet new orders are constrained by what may be sector-led confidence concerns.

In the present climate there is the sense of a constriction of return on investment. Bank of England inflation forecasts remain high, although commodity prices have moderated recently, but alongside the sharp increase in Base Rate, there is real uncertainty around commercial funding availability, mirrored in the current housing and mortgage market. Clients and developers alike are experiencing significantly challenging borrowing costs and criteria and without the continuing availability of debt, development may be affected.

On the ground, commercial new-build and refurbishment contractors are still seeing a good workload pipeline for 2022 and 2023, but mainly with legacy projects. Although there is little obvious evidence of projects being put on hold due to economic issues, the fact that there appears to be a lesser flow-through of replacement projects to market suggests that order books for 2024 could be under pressure.

In the rapidly growing logistics sector, end-user/tenant-led projects remain relatively strong, as businesses are still needing to relocate/expand/consolidate, in contrast with the more traditional developer-led speculative market, which is showing much reduced activity with a cautious "wait and see" approach from many developers. We are seeing this trend across the manufacturing and logistics/e-commerce sub-sectors. More generally, some developers are pushing ahead on a speculative basis with enabling works to make their sites ready and to be better able to attract end users/tenants as against other available site locations, to offer increased speed-to-market/go-live operations.

Where end user/tenant led projects are proceeding, this is subject to much more rigorous and lengthy due diligence to inform corporate investment decision-making. However, once decisions have been made, clients are still wanting their new facilities up and running as quickly as possible.