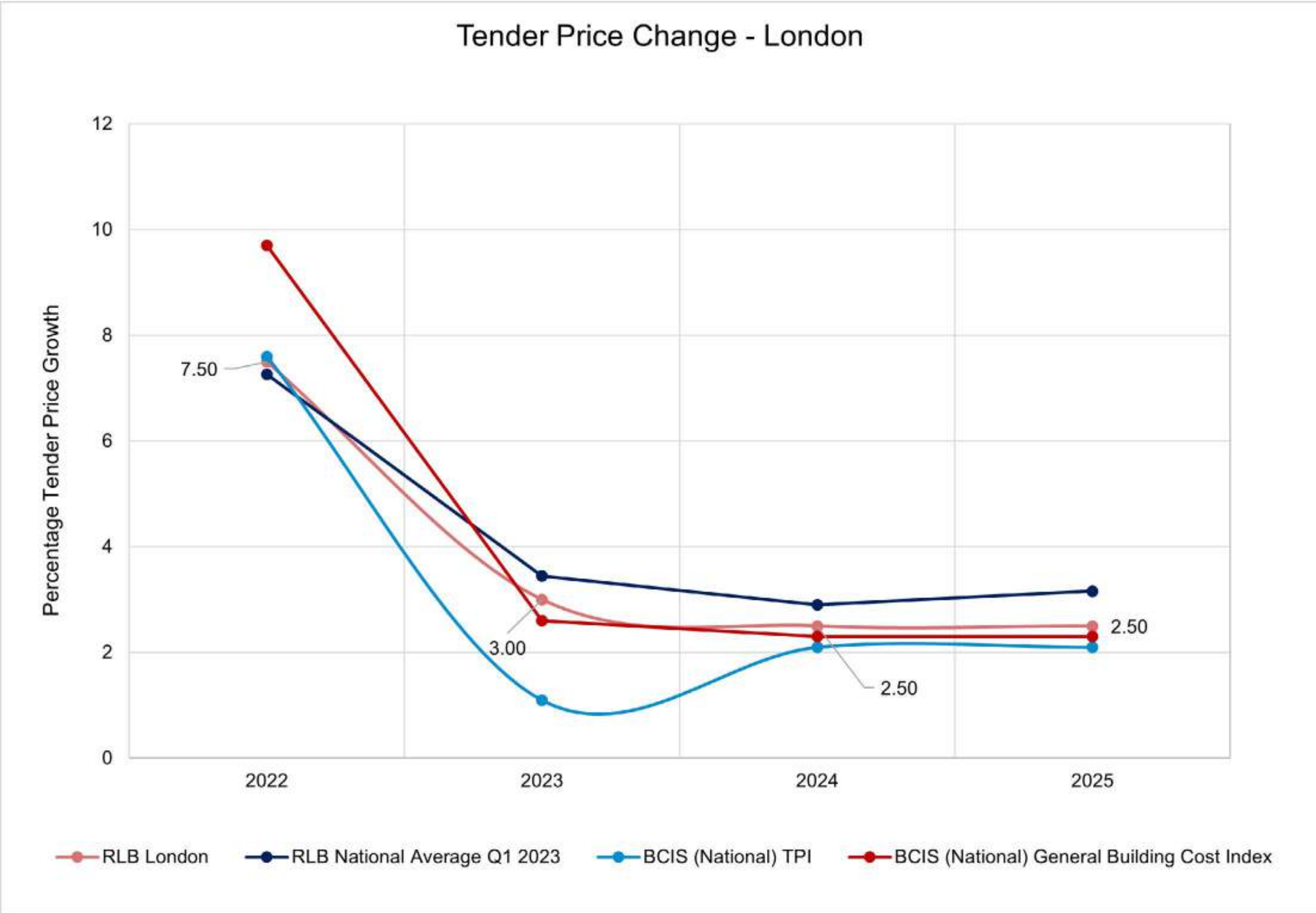
LONDON & SOUTH EAST

Source	% Uplift reported	2022	2023	2024	2025
London		7.50	3.00	2.50	2.50
Thames Valley		7.00	2.50	2.50	2.75
Competitors/Others - Upper Range (London)		10.00	5.00	4.00	4.30
Competitors/Others - Lower Range (London)		6.00	2.00	2.00	2.00
Competitors/Others - Upper Range (South East)		9.50	4.30	3.80	4.20
Competitors/Others - Lower Range (South East)		6.00	2.75	2.25	2.50
RLB National Average		7.26	3.45	2.90	3.16
BCIS (National) TPI		7.60	1.10	2.10	2.10
BCIS (National) General Building Cost Index		9.70	2.60	2.30	2.30

Tender Price Change - London



Tender Price Change - South East

OVERVIEW - LONDON & SOUTH EAST

It is anticipated that 2023 will be rocky at best, but messages are mixed, with both positives and negatives, especially when we listen to the news.

For London, new work value in the year to September 2022 was up some 38% on 2019 figures, driven by infrastructure work more than doubling in proportion, to over 20% of all work. New work in London now accounts for almost 80% of all work in construction, which is notable due to the fact that in other regions, it more likely covers approximately two thirds of the total.

London's new orders volume was +5% in the year to September 2022, as against 2019, recovering the ground lost in 2020. Only "other new work infrastructure", at 71% and "other new work excluding infrastructure", a catch-all category down to 63%, failed to recover to 2019 values. Private industrial volume more than doubled in the timeframe, and private commercial was up 21% since 2019.

In the South East, although overall market work value was marginally up on 2019 in 2022, the statistics show an imbalance of more repair and maintenance work having been done, being up over 23% for the same period. New work was recorded as being down 10%, although private industrial work was up almost 50%, though even at that, it amounts to less than 4% of total new work.

As regards new work orders for the South East, new work volumes for 2022 were almost 42% up on 2019, with all sectors, except "other new work excluding infrastructure", exceeding 2019 volumes. New infrastructure work volume was almost five times that of 2019, more than trebling that sector's contribution to the region's total work volume.

Despite this, workloads are cited in the marketplace as being down, but design teams and contractors tendering remain busy. New work coming to market is slower but not non-existent, nor slowing at an alarming rate.

The combination of this is that tender prices appear to be softening, but certainly not collapsing, while materials costs are starting to come down, as are fuel prices.

Construction labour supply growth remains weak, lower than pre-pandemic 2019 levels, and this plays its part in the Bank of England forecasting much slower economic growth than their previous forecast three months ago.

Programmes appear to be slowing, citing planning delays, rather than resulting in the halting of projects. Rather than shelving, it appears that investors and developers are biding their time to take advantage of the softening tender prices and perhaps even preferential procurement arrangements. Even six months ago, we were seeing contractors quite bullish in their preference for two stage tendering, whereas the tide appears to be turning in their appetite to entertain single stage a little more.

The Bank of England's current briefing on monetary policy indicates that they expect general inflation to drop below 8% by summer this year. A slow in construction cost inflation as a result of that reduction is expected as regards increases on wage and energy prices, the fundamental components of the rapid rise over the last 12 months but also key drivers in the cost of construction.