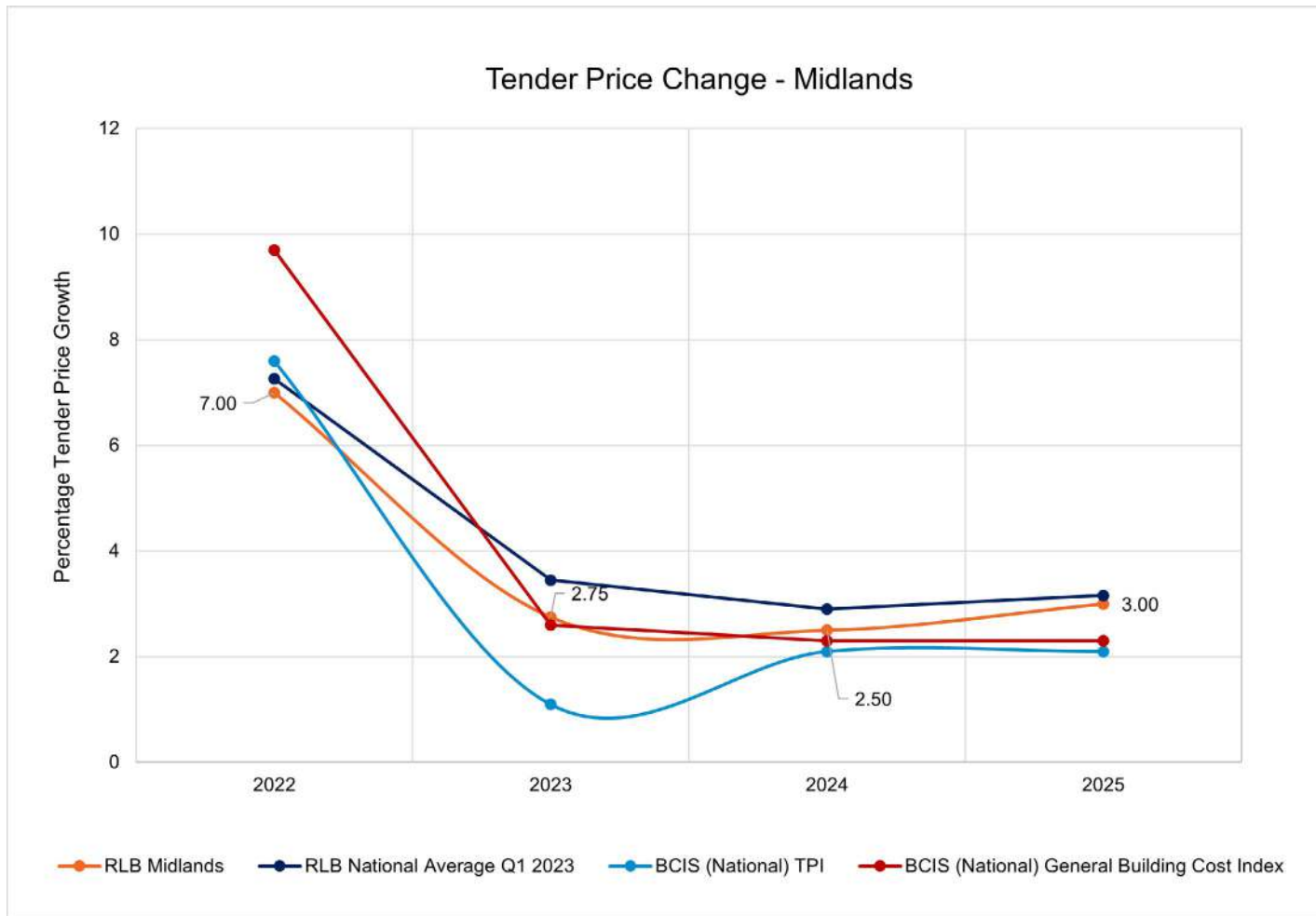


MIDLANDS

Source	% Uplift reported	2022	2023	2024	2025
Birmingham		7.00	2.75	2.50	3.00
Competitors/Others - Upper Range (Birmingham)		9.00	4.30	3.50	4.00
Competitors/Others - Lower Range (Birmingham)		5.00	3.00	2.50	3.00
RLB National Average		7.26	3.45	2.90	3.16
BCIS (National) TPI		7.60	1.10	2.10	1.10
BCIS (National) General Building Cost Index		9.70	2.60	2.30	2.30

Tender Price Change - Birmingham



The Midlands market started the new year pensively. The economic headwinds may be more trying than last year and deals may be more time-consuming to bring to fruition, but there is investment capital to be deployed and projects that will be bought to market. Whilst navigating uncertainty has become the new normal, contractors' pricing of profit and risk is likely to be sharper as they pursue gaps in workload pipeline.

Commodity pricing has settled down and tender price movement in 2023 is expected to be dominated by both the cost of labour and contractors' views on risk and profit in a tightening market. With the region being so well connected, competition for labour is often beyond immediate geographical boundaries and with a shortage of skilled labour in many trades, wage inflation is expected. 2024 is likely to see significantly less wage inflation than 2023. ONS data for 2022 shows the East Midlands Q2 "new starts" greater than Q3, whereas the West Midlands had significantly more volume in Q3. The year-on-year figures are expected to be down in both regions.

Work value in the Midlands is up mainly due to performance of the West Midlands, where the all new work category is up 20% on 2019, and repairs and maintenance by over 11%, both in comparison with the last year before covid. Repairs and maintenance work accounts for 34% of total value of work done. Most notable was new infrastructure, double the 2019 value.

Strong volume growth is apparent in Midlands new orders figures, with East Midlands up almost 65% and West Midlands up almost 52%. In the West Midlands, all sectors except new public housing are showing significant uplifts in volume of new orders, since 2019. This is replicated in East Midlands, except that new public housing composed 4% of the total for 2022, as against less than half a percent in 2019, and the "other new work excluding infrastructure" category was almost 40% down since 2019.

In the residential sector the number of planning consents on Build To Rent product has now translated to project starts. There are still more in the pipeline, with the Smithfield development in Birmingham amongst the most recent to lodge a planning

application. Purpose-built student accommodation also remains an active sector across the East and West Midlands.

The industrial and logistics sector is still building but has been impacted by softening investment yields and squeezed by continued price increases in key building materials. Pre-let opportunities and mid box schemes are still being brought to market, but with speculative big box schemes slowing and reducing the overall sector output. Both East and West Midlands regions are equally buoyant.

For health projects, the workload pipeline has been improving, with a number of consents secured through last year. Turning consents into committed schemes remains uncertain, whilst smaller projects are brought to market quicker as Trusts react to need and funding constraints.

Hotel projects are beginning to move again. Whilst operating costs are being hit hard by utility costs and the cost of labour, trade has been picking up and with some return of conferencing market.

The commercial sector in Birmingham has been driven by some high profile new developments but with increasing repositioning of existing assets, including both landlord Cat A projects and tenant – often with net zero carbon in mind, but more fundamentally to respond to the evolving needs of users returning to the office. The burgeoning life sciences sector is showing signs of increased activity in the East and West Midlands, with project starts increased and activity expected through the first half of 2023.

On-site HS2 construction activity is visibly progressing, but elsewhere civils contractors building roads for residential and commercial developments have seen some deferments, creating some contractor capacity. The region's light rail sector has been boosted through the City Region Sustainable Transport Settlement (CRSTS), £43m being awarded for the extension at West Midlands Metro Depot and £36.8m being allocated to progress Coventry's Very Light Rail.

More than ever, tender price inflation varies by sector and scale of contractor. Whilst commodity pricing and the impact of energy pricing may be largely indeterminate, the pricing of risk and contractor's profit recovery will vary by the immediacy of the pipeline gap and need for replenishment. All-in tender price forecasts are therefore fraught with being caught by the "averaging" of diverse sectors in the region and inflation forecasts should always be made in consideration of project-specific influences.