PUBLICATION

TENDER PRICE FORECAST

UNITED KINGDOM EDITION

Q1 2023

RLB Rider Levett Bucknall

CONTENTS

INTRODUCTION

The tenth interest rate rise in succession at the end of January has highlighted the tortuous situation in the broad UK economy – namely the perceived need to drive down inflation versus the related downstream effect of exacerbating the economic slump of low levels of GDP, of recession and even ongoing negative GDP growth.

The IMF only recently flagged the UK economy to show -0.3% GDP growth this year, down 0.9% on its October 2022 forecast, rendering the UK economy the only one in the G7, including Russia, to shrink in 2023.

Meanwhile, the Chancellor, Jeremy Hunt, has recently spoken of concern about the expression of "a sense of declinism", and seeing as a solution, emphasis on enterprise, education, employment and "everywhere". Mr Hunt's speech was critiqued by the British Chambers of Commerce as needing attention to a further 2 e-s, namely energy and exports, whereas the Institute of Directors added, in its own analysis, the word empty.

With general inflation running at just over 10%, increases in living costs over the last year have been at levels unseen for over four decades. Further, fixed-term mortgage holders are having to expose themselves to re-financing at the end of fixes, at the highest levels of interest since the global financial crisis. Although unemployment appears to have been held at low levels, the concern is whether a breakout in job losses threatens mortgage security, and whether the housing market remains robust enough to withstand a general recession and a consequent drop in home values.

Notwithstanding the above, the construction sector ploughs on, though beset by input cost increases and challenging cost value stack-up issues on some projects.

Increases in the BCIS General Building Cost Index outstripped those of the BCIS All-in Tender Price Index for 2022 by 9.7% as against 7.6%. For materials, the uplift was 11.4% for 2022.

According to ONS figures, the volume (nett of any price changes) of work carried out across the UK construction industry in the year to November 2022, was 5% down on the last pre-covid year. However, the repairs and maintenance sector was up nearly 14% for the same timeframe, meaning that, overall, work volume was just over 1% higher than pre-covid.

Throughout the TPF, mention is made of prospects for replacement workload, and the ONS new orders statistics provide a backdrop for how the industry is replacing its workload pipeline. ONS new orders figures nationwide depict an industry bringing forward some 13% more workload volume than that in the last pre-covid year. Regional analyses in this TPF document address local variations on these figures.

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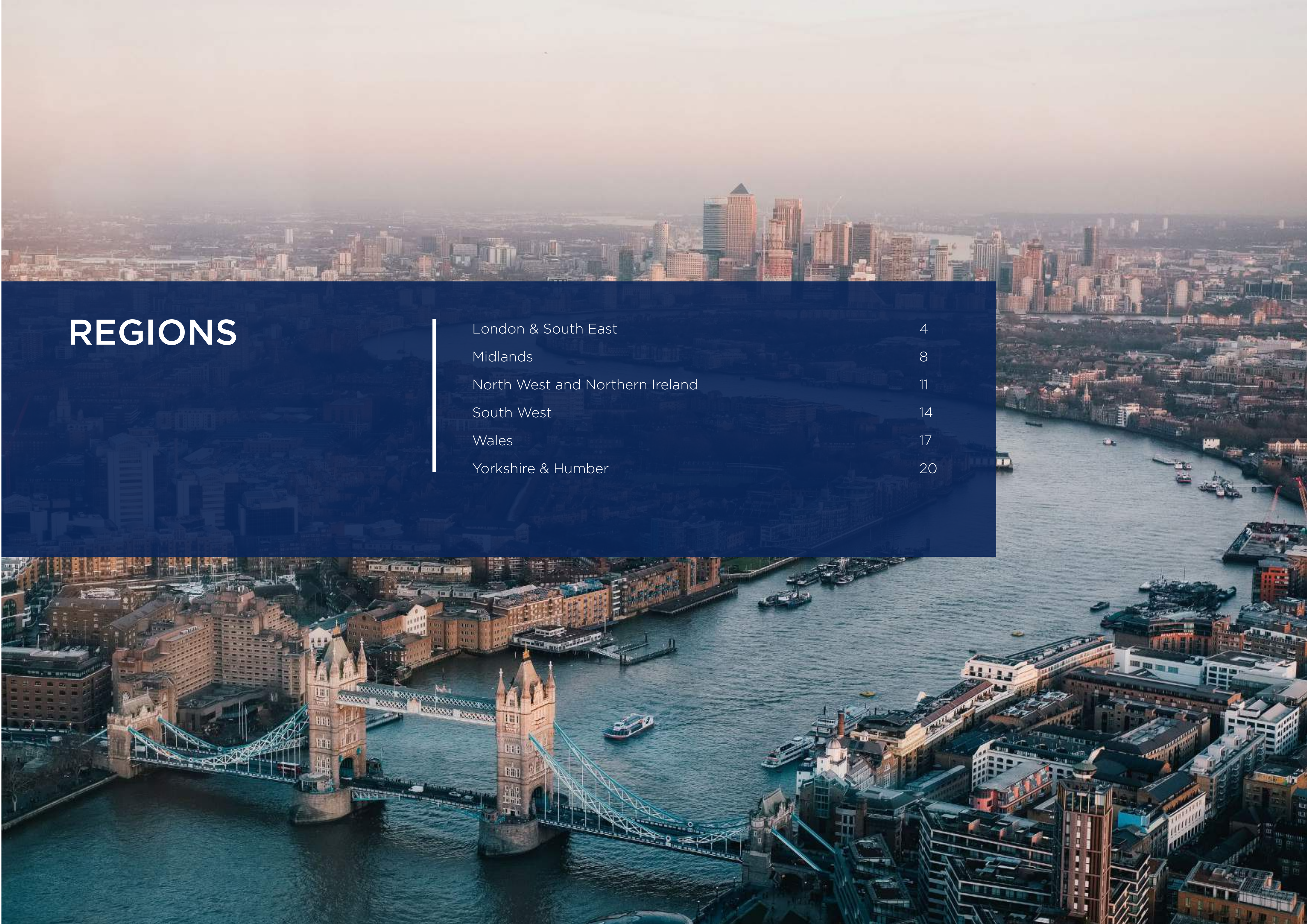
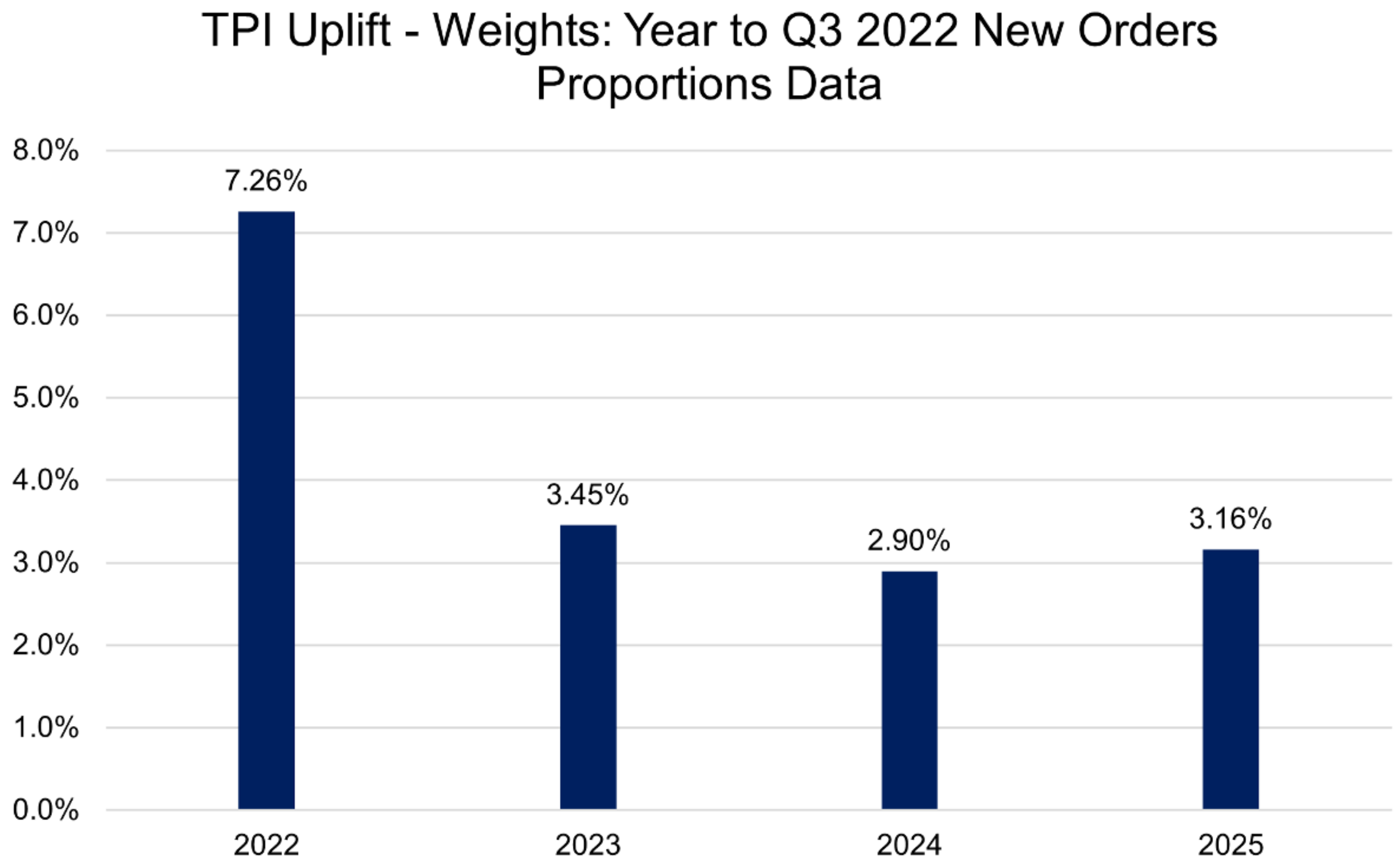
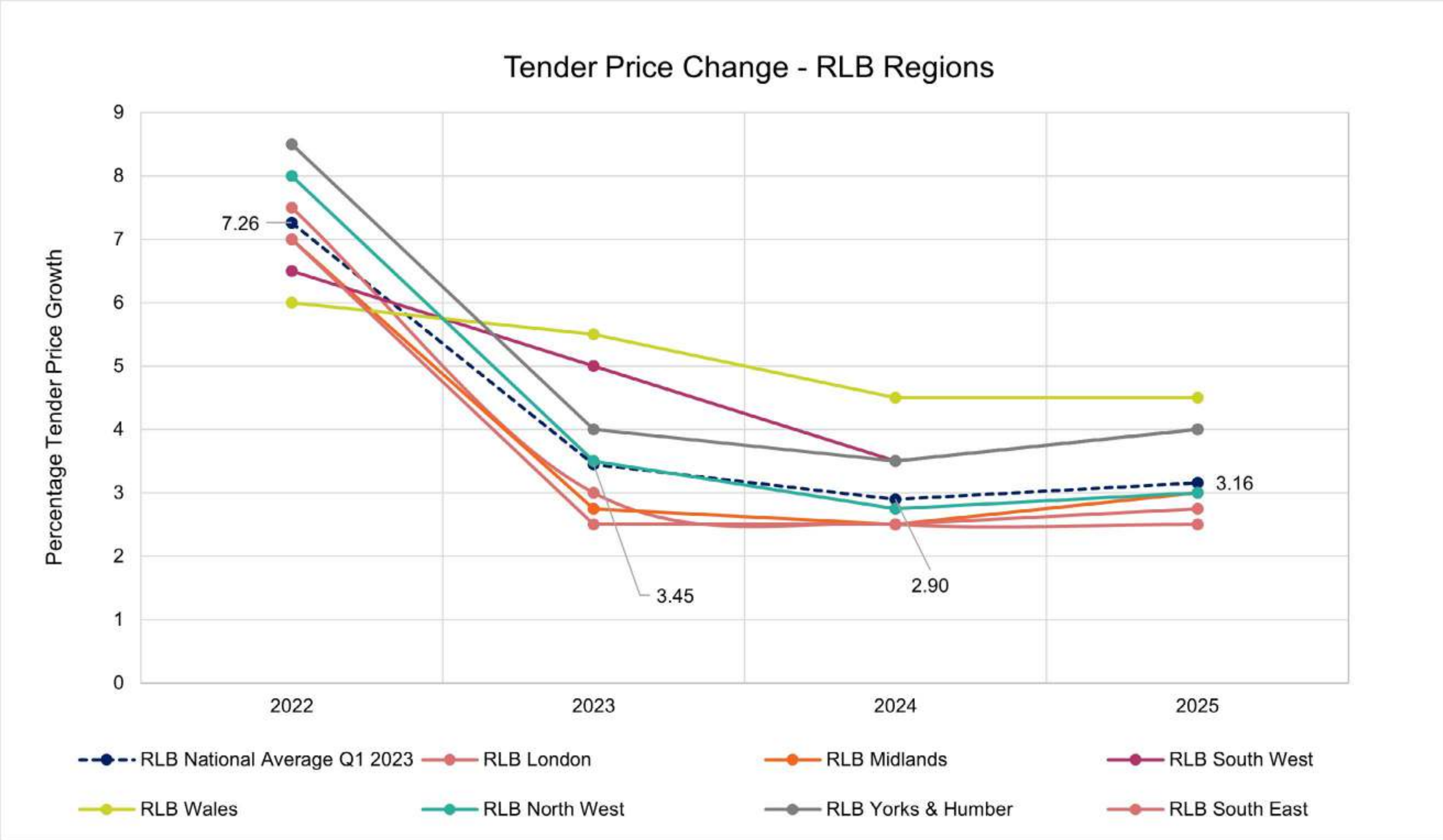


REGIONS

RLB Regions' Weighted Average TPI Uplifts

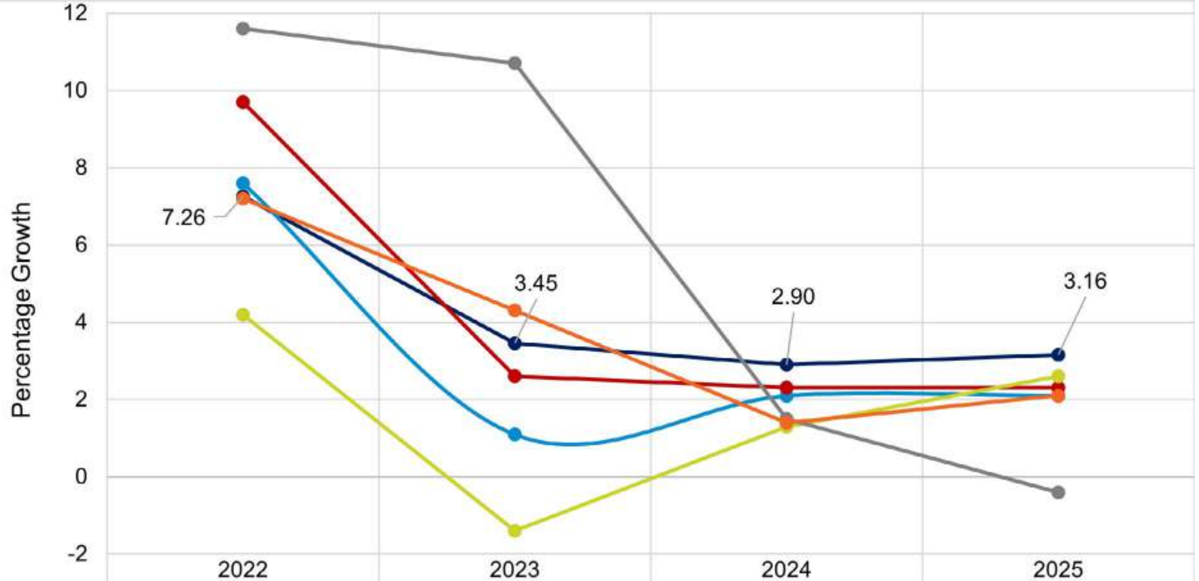


Consolidated Regional Tender Price Changes



Key Data Series Uplift

Key Data Series Uplifts

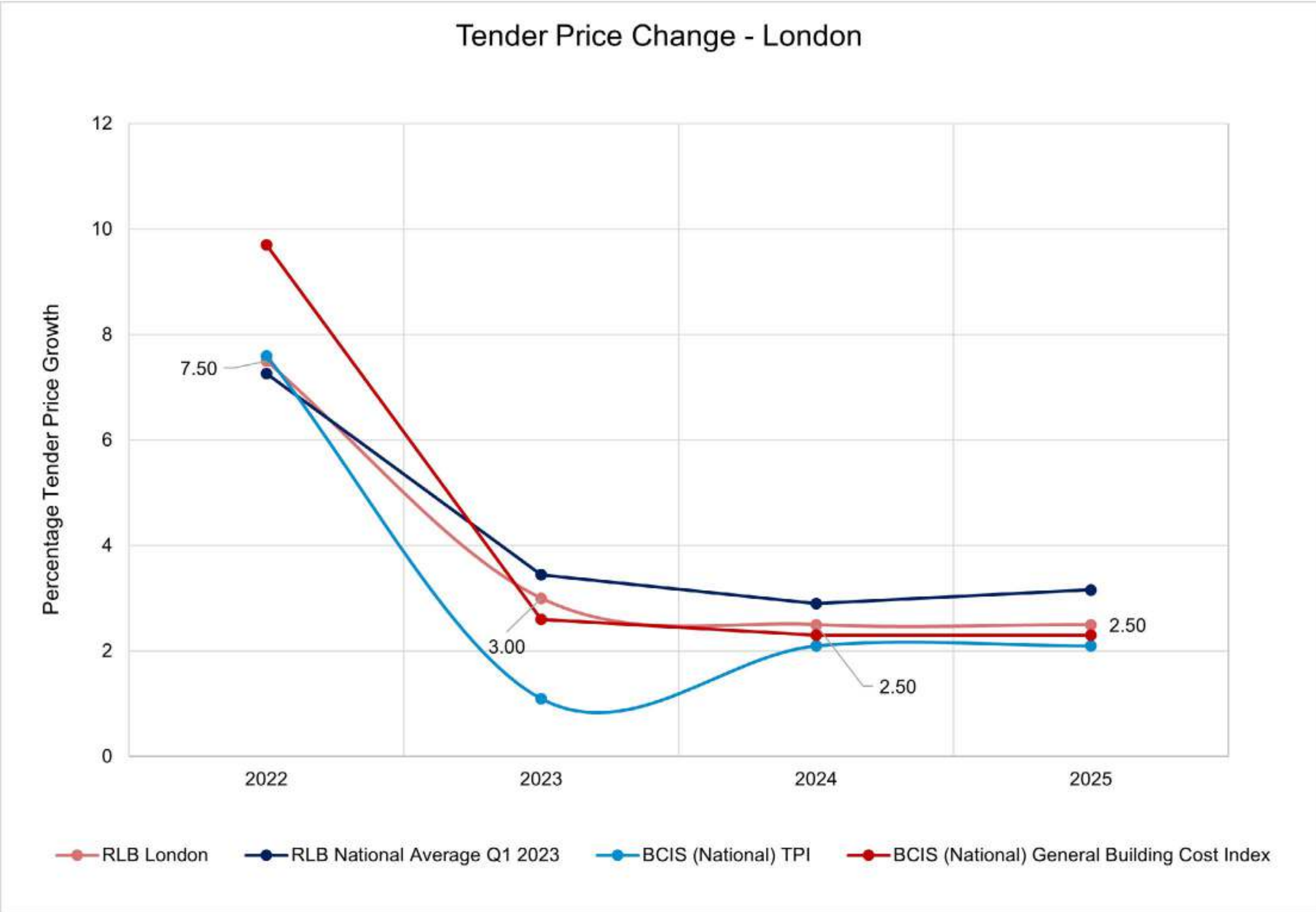


	2022	2023	2024	2025
RLB National Average Q1 2023	7.26	3.45	2.90	3.16
BCIS (National) TPI	7.60	1.10	2.10	2.10
BCIS (National) General Building Cost Index	9.70	2.60	2.30	2.30
GDP (OBR November 2022)	4.20	-1.40	1.30	2.60
RPI (OBR November 2022)	11.60	10.70	1.50	-0.40
Wages and Salaries (OBR November 2022)	7.20	4.30	1.40	2.10

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.

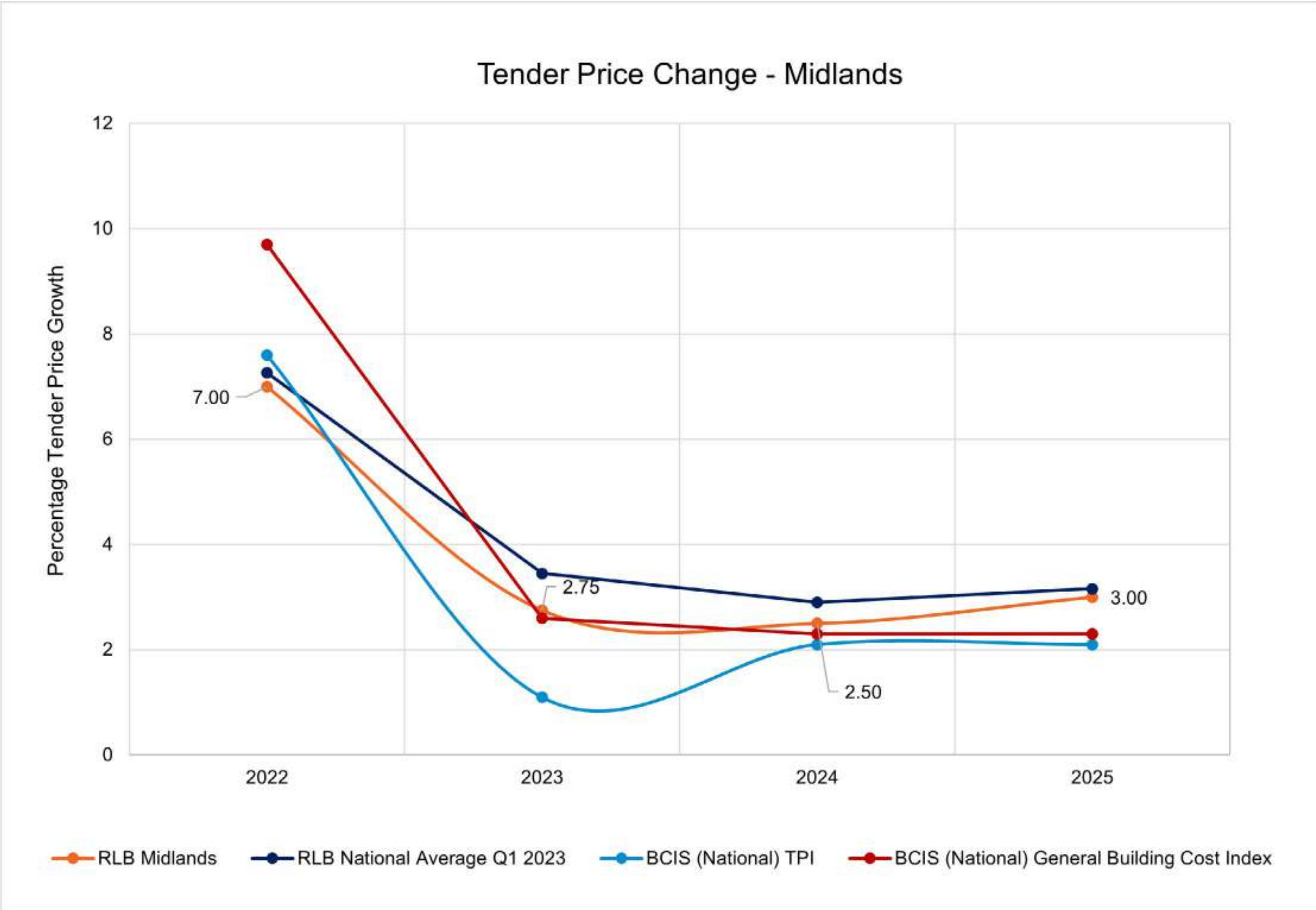
Programmes appear to be slowing, citing planning delays, rather than resulting in the halting of projects. Rather than shelving, it appears that investors and developers are biding their time to take advantage of the softening tender prices and perhaps even preferential procurement arrangements. Even 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.

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



OVERVIEW - MIDLANDS

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.

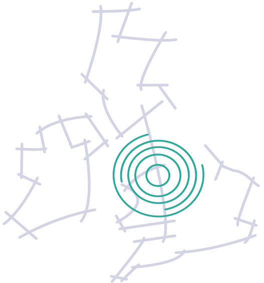
For health projects, the workload pipeline has been improving, with a number of consents secured through last year. Turning consents into committed schemes remains uncertain, whilst smaller projects are brought to market quicker as Trusts react to need and funding constraints.

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.

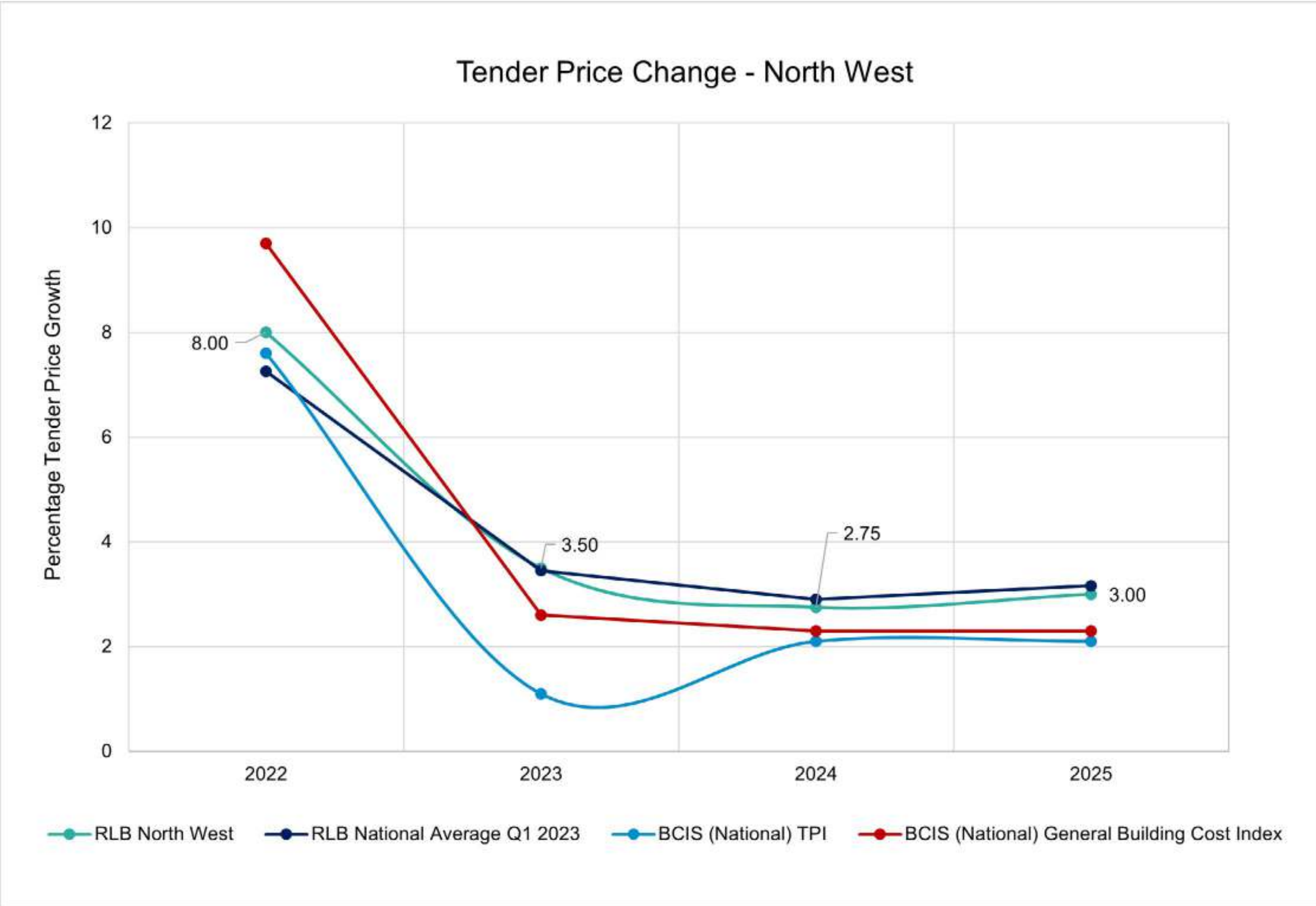
More than ever, tender price inflation varies by sector and scale of contractor. Whilst commodity pricing and the impact of energy pricing may be largely indeterminate, the pricing of risk and contractor's profit recovery will vary by the immediacy of the pipeline gap and need for replenishment. All-in 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.



NORTH WEST & NORTHERN IRELAND

Source	% Uplift reported	2022	2023	2024	2025
Manchester		8.00	3.50	2.75	3.00
Liverpool		8.00	3.50	2.75	3.00
Competitors/Others - Upper Range (North West)		9.00	4.30	3.80	4.20
Competitors/Others - Lower Range (North West)		6.00	2.00	2.00	2.00
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 - North West & Northern Ireland



OVERVIEW - NORTH WEST & NORTHERN IRELAND

The North West region and Northern Ireland continue to experience a challenging market as the economy has cooled over the last year. The key cities of Manchester, Liverpool and Belfast continue to produce encouraging growth despite the relative stagnation of the wider economy.

Total value of construction work carried out in the North West appears to have recovered to exceed pre-covid levels by 13% in the year to September 2022, according to ONS statistics. However, that uplift is muddied by the fact that repair and maintenance work is up by over 37% over the same period, whereas new work is only +3.5%. Within the new work, private industrial features as the principal growth area, showing an additional 80%, although still representing only 5% of the total market. Almost half of all new work done in the last year has been in the residential sector.

Total volume of new work orders for the year to September 2022 fell back significantly for 2022 as against 2021, to 4% down on 2019 volumes. Although new housing remained strong at +59% on 2019 volumes, infrastructure new orders were down over 60% since 2019. With private commercial steady, private industrial new orders became important, up by 90% and almost doubling the sectors share in the total of new work orders for the region.

On the ground, the volume of office, residential and student housing construction appears to have increased on the year, although for the hotels sector there appears to remain a decline. Liverpool however appears to be turning a corner, with a number of hotel schemes starting to progress.

Materials' price inflation continues to impact heavily on the industry and is expected to hold tender price inflation to typical historical levels through 2023, even though the market is affected by a cooling of the general construction-sector-wide economy.

Whilst optimism remains strong in the main, the overall reduced level of confidence across the sector as a whole is apparent. There is a reluctance, on the part of the major contractors, to compete in the current environment, which is causing clients to pause as they review already constrained budgets.

2023 will impose further challenges. We are seeing a growth in education project works in Manchester, and an expected upsurge in hotel developments in Liverpool and Belfast. Northern Ireland as a whole, will see growth in asset optimisation, however the impact of the wider cooling of the economy is very difficult to judge at present. Alongside the above, Manchester has also seen a cooling of its commercial sector. We are hopeful that confidence will return during the rest of the first half of 2023, with a number of schemes that are currently on hold looking to recommence, depending of course on an outlook of favourable market conditions and borrowing funds' availability and cost.

SOUTH WEST

Source	% Uplift reported	2022	2023	2024	2025
Bristol		6.50	5.00	3.50	4.00
Competitors/Others - Upper Range (Bristol)		9.50	4.30	3.50	4.30
Competitors/Others - Lower Range (Bristol)		4.50	3.75	3.50	3.00
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 - Bristol

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Enquiries for larger projects are still emerging for the Bristol and Exeter areas, suggesting significant pent-up demand in the face of challenging wider economic circumstances. Also, across the main centres of the region, student residential projects continue to feed the market with workload.

In the South West as a whole, total new work carried out remains about 4% down on 2019 values, although the overall work figures are up by almost 13% due to increased repairs and maintenance work. Bright spots were in infrastructure spending, up almost 44%, and in private industrial work, up nearly 26%. However, combined, these two categories amount to less than 18% of all work.

However, the South West's market continued to attract new work volume in 2022, with an uplift of over 46% since 2019. All sectors were well up on 2019 volumes, having recovered rapidly and particularly in the last year.

From contractors' standpoint, Tier 1 and 2 businesses remain reluctant to commit to longer-term contracts on fixed prices, as uncertainty as to labour and materials cost inflation, as well as overall supply chain concerns, continue uppermost in estimators' and directors' minds. This situation is of course a extension of the circumstances of the last year, but is necessarily becoming even more relevant as long-term projects on fixed-price are having to be replaced in the workload pipeline by projects priced in the more uncertain current circumstances, exposing companies to broadly greater levels of risk on an ongoing basis.

For smaller contractors, the workload horizon is far closer than it is for the majors, and as a collective, their focus has to be on the dip in tender enquiries at the end of 2022. The imperative to replace workload nearing completion is driving sub-contractors toward more competitive and tighter bidding as some sectors of the industry, particularly the housing market, are beginning to slow. This is particularly prevalent in the finishing trades.

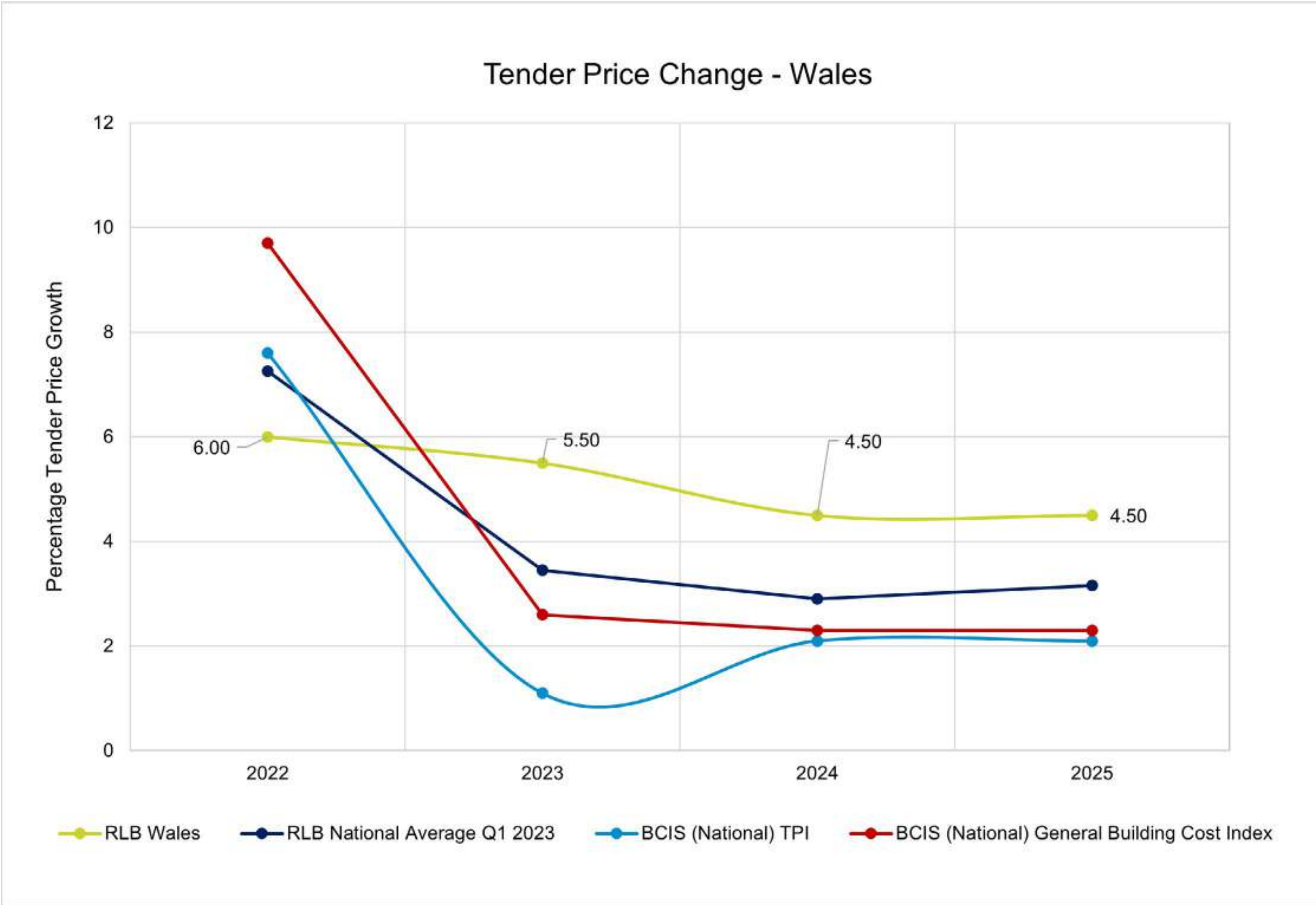
From the standpoint of developers, the move toward more competitive bidding from contractors, with a fading of concerns about seemingly ever-increasing commodities prices and their effect on downstream materials costs, is assisting in underpinning funding concerns and is permitting project feasibilities to progress toward the bidding stage, albeit at a lesser level now than was the case in early/mid 2022.

In overview, expectation is for a return to an "average amount" of growth in workload and in tender price movement in the fullness of the year, assuming of course, no further economic shocks and impacts on particularly the supply side of the equation.

WALES

Source	% Uplift reported	2022	2023	2024	2025
Cardiff		6.00	5.50	4.50	4.50
Competitors/Others - Upper Range (Wales)		9.00	4.50	3.75	4.00
Competitors/Others - Lower Range (Wales)		4.50	2.50	2.50	2.00
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 - Wales



OVERVIEW - WALES

Work carried out in Wales was recorded by ONS statistics as down in 2022 by almost 1% on 2019 figures, but value of repairs and maintenance works were up 27%. This amounted to an uplift of approximately 28% in the proportion of repairs and maintenance to the whole of work, taking that proportion to over 40% of all work done for Wales.

Welsh new work orders for 2022 showed a rapid expansion in volume, being by the end of the September 2022 year, more than treble the 2019 figure. All sectors were up significantly on the 2019 baseline, with the housing sector the only one not having doubled its volume of new work coming in.

Levels of construction activity in and around Cardiff are still high, although there are several large projects in the city centre which are nearing completion. This includes the new interchange bus station due for completion imminently.

Weighing against these completions, there are also several other large projects lined up to start shortly, which should provide some continuity for sub-contractors and certainly the opportunity to bid for significant replacement workload.

The planned large-scale residential development scheduled across the region will again provide major opportunities for sub-contractor bidding as the various projects come on-stream, particularly in light of the huge developments planned for the west and east of the city. In addition, there are several large school projects which have been awarded to Tier 1 contractors and will be under-way shortly.

Beyond Cardiff, the Newport and Swansea markets are also busy, with the construction of major student accommodation projects being built-out by private developers for the Universities sector. This involves accommodation towers, and that workload is also supported by hotels' construction, providing a broad sweep of building work types and opportunities at head contract and sub-contract levels.

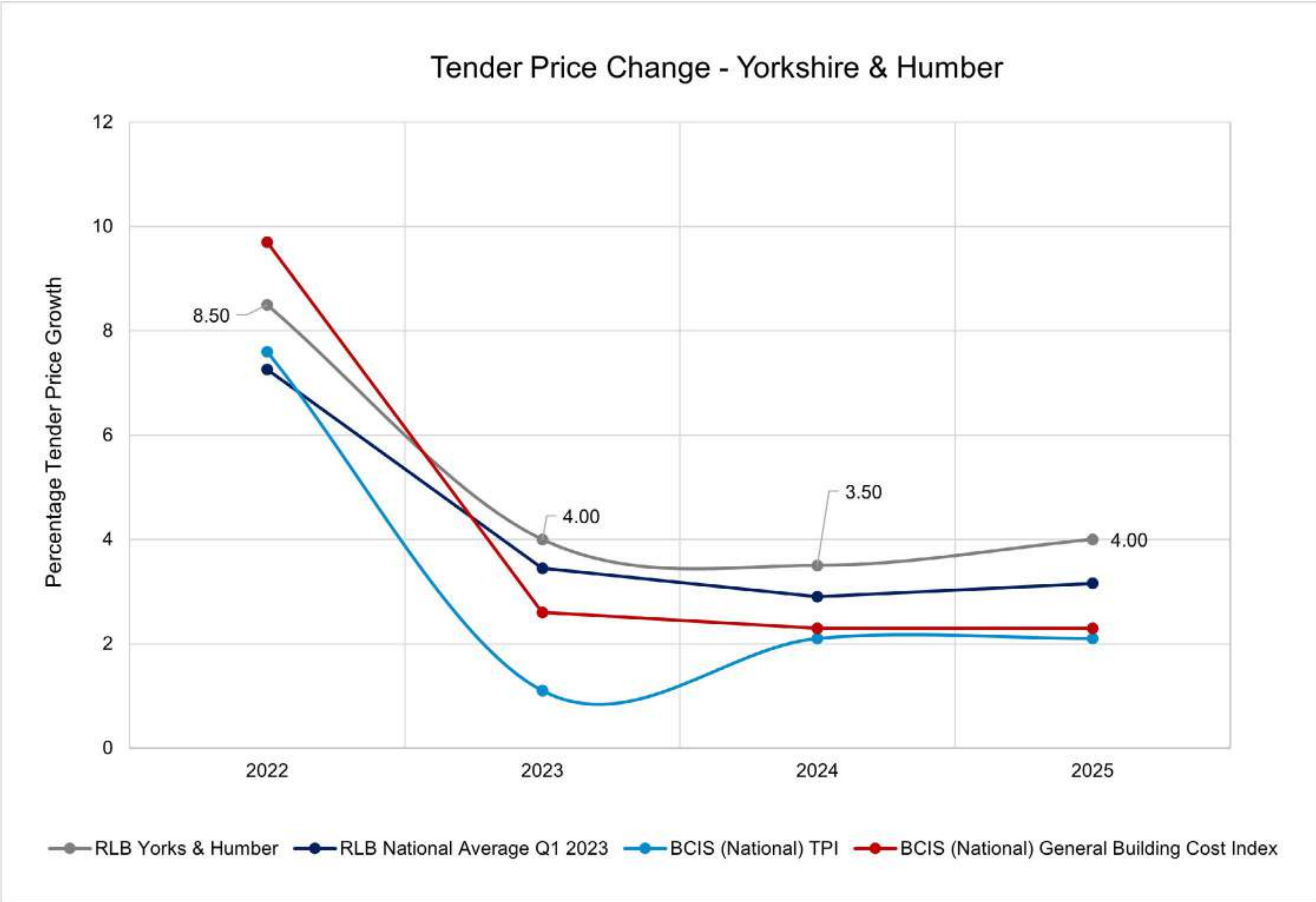
More widely still, the residential sector across Wales continues to move up through the gears, driven by the recent framework awards across south, north and mid-Wales.

Overall, the picture is of a busy market, even in light of the ongoing market stringencies of materials price uplifts and strain on viability stack-ups in the private sector. Where the public sector is driving, there may be less pressure from the budgetary standpoint, but value-principles continue to be applied.

YORKSHIRE & HUMBER

Source	% Uplift reported	2022	2023	2024	2025
Sheffield		8.50	4.00	3.50	4.00
Leeds		8.50	4.00	3.50	4.00
Competitors/Others - Upper Range (Yorks and Humber)		8.70	4.50	4.00	4.30
Competitors/Others - Lower Range (Yorks and Humber)		6.00	3.00	2.50	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 - Yorkshire & Humber



OVERVIEW - YORKSHIRE & HUMBER

The Yorkshire and Humber region is facing a challenging set of circumstances following general cooling of the economy. However, despite the economic backdrop, confidence in the region's major cities remains strong.

In Yorkshire and Humber, according to ONS, new work carried out was up in value by almost 18% to September 2022, and repairs and maintenance by over 22%, both in comparison with the last year before covid. Repairs and maintenance work accounts for 40% of total value of work done. Most notable was new infrastructure, double the 2019 value.

New orders in Yorkshire and Humber showed strong bounce-back in 2022, being up in volume by almost 38% since 2019. This was led by private commercial work and other new work excluding infrastructure, a catch-all category, which together now amount to 45% of new orders volume as against 23% in 2019.

These statistics are backed-up by the experience on-the-ground, which saw, through 2022, Leeds experience a record number of new construction starts, with growth strong in student residential, residential, education and commercial office space.

The forecast national recession is not likely to impact equally on all sectors, and so the impact of the economic backdrop remains to be fully understood across some facets of the construction industry. In the early months of 2023, we are now seeing a change in main contractor positions surrounding bidding, and an increased willingness to consider single-stage tenders, which is a notable change from 2022.

Materials' price inflation is continuing to add pressure to the sector and is expected to hold tender price inflation to typical levels through 2023, tempered by a cooling general construction-sector-wide economy.

Whilst confidence remains high in major cities, it is clear that reduced confidence across the industry as a whole is apparent, as reflected in the UK construction sector PMI index which dropped slightly in January 2023 in relation to the previous month.

2023 is looking to present new challenges for developments across the region, however the current level of activity across sectors is holding strong across Leeds, Sheffield and Yorkshire as a whole, so the impact of the wider economic cooling is yet to be fully understood in the sector.

Confidence in Leeds in particular can be seen in the growth in the hotel sector, with two new large hotel developments and a consistent volume of new office deals, which together demonstrates significant confidence post-pandemic.

SECTORS

SECTOR OVERVIEW

To further inform our analysis, this edition of the TPF includes the following section on analysis of sectors within the overall UK market. The intent of this analysis is to shed light on current and upcoming conditions in the various sectors, aside from any geographical linkages, and taking a view on the sectors' specifics rather on the location of the work.

Nonetheless, comments regarding performance within particular sectors should be read in tandem with the more general insights above, in respect of general market conditions locally,

The reader should note that while the TPF document highlights overall tender price forecasts for each region, these forecasts are broad-based and refelctive of the market as a whole. Individual projects, in whichever sector and in whichever location, will always be subject to specifics that may impact upon relative levels of cost, whether in terms of timing, local market workload bottlenecks, design specifics and/or particular client requirements.

COMMERCIAL

In the commercial office environment, there are significant challenges for the investor and developer, driven by a combination of economic, regulatory, geopolitical pressures and uncertainty.

The viability of commercial development has been sorely tested, having to mitigate for the rising costs of materials and labour, together with uncertain supply chains, a low level of occupier confidence and the increased cost of debt.

Despite these issues there remains demand for Grade A space in London and across our regional cities, which is primarily being fulfilled by a refurbishment market that is better able to meet the regulatory and moral demands of lower carbon, time and cost in comparison with the equivalent new-build.

We are starting to see the signs of softer market pricing by the specialist supply chain as they react to the lower levels of mainstream commercial opportunity, together the increased interest from the residential supply chain, which appears to have been harder hit by regulatory requirements and occupier confidence and as a result of interest rate rises.

The awaited decentralisation of government departments is yet to kick-start the commercial sector's contribution to the levelling up agenda, although the mechanism via public sector commercial frameworks appears to have started.

FIT-OUT

In office fit-out specifically, we continue to see price increases driven by a shortage of raw materials and the impact on manufacturing facilities.

Materials and labour shortages, long lead in times and a number of large-scale fit-out projects in London particularly, means we have seen an increase in two stage procurement and the associated impact on increased tender prices.

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RESIDENTIAL

For residential, economic challenges continue to impact investor and developer confidence and as a result they are treating the first quarter of 2023 with caution.

The backdrop of inflation, rising interest rates, the cost-of-living crisis and increasing materials' and labour costs combined, has created the perfect storm for the housing market.

With house prices predicted to fall by over 5% during the year, there is a general nervousness regarding the current viability of developments, particularly in London, where we have seen schemes being paused, as developers protect their position through this financial turbulence. There are, however, very early signs that the turmoil created by last year's mini-budget is relenting as a new normal emerges in the mortgage market.

Alongside concerns around development viability, the sector is being particularly challenged through increased government regulation, including net zero commitments, secondary legislation from the Building Safety Act, the Levelling Up and Regeneration Bill, together with two further consultations, one on the National Planning Policy Framework and one on mandating second staircases in tall residential buildings. The introduction of the Building Safety Levy for cladding remedial works will again put pressure on viability and developer risk appetite.

While house builders and private residential developers are being more circumspect about new schemes in London, activity in the purpose-built student accommodation market remains strong, as the underlying demand continues to flow through the system.

From main contractor tenders received in London during January 2023, we are starting to see early the very early signs of a softening market and an easing of inflation in the sector.

EDUCATION

Workload in the sector remains buoyant particularly in the refurbishment and fit-out market with initiatives to drive up the condition of the estate, use space more efficiently and reduce operational energy and carbon.

In higher education, universities continue to respond to changes driven by covid; introducing more flexible working space for professional services staff and developing hybrid teaching space to blend face to face and online learning. Students have also returned to campus in force and with numbers set to continue to increase, driving the need for more efficient, higher capacity teaching space.

These factors mean that many universities are reviewing their estates strategies, looking at how to maximise the space dividends resulting from flexible working and how these can be best utilised. This is driving workload in refurbishment and fit-out in particular.

For schools the government remains committed to the expenditure levels for education set out in the CSR 2021 and delivery of the School Rebuilding Programme and other capital works expenditure focussed on improving the condition of the estate. These projects are now starting to reach the delivery stage and will increase workload for contractors on the DfE frameworks and those delivering refurbishment works.

HEALTHCARE

Although the UK economy appears to be contracting, the healthcare market remains relatively steady.

Several contracting organisations report softening pipeline, although this could be reversed once a significant number of schemes awaiting approval from DOHSC/ NHSE get the green light to proceed.

If the economy softens further, there is likely to more competition for available healthcare schemes as other sectors experience pipeline uncertainties and contractors diversify or focus on public sector work.

RETAIL

In retail, we expect activity to remain moderately high, with core players responding to the ever-changing market conditions in physical retail.

A positive recovery in footfall and a slew of "new-store-opening" statements, together with largely positive Christmas trading figures, lead us to believe activity will improve across the UK in the next quarter.

However, market predictions of a further slowdown in consumer spending and other continued existential factors will add a layer of caution to retailers' thinking and may eventually temper current plans considerably. This continued uncertainty, we believe, will feed through to moderate increases in tender pricing in line with generalised supply chain pressures but, as usual, tendering in a retail environment will remain highly competitive.

LOGISTICS

Demand for new warehouse logistics and manufacturing space continues to be relatively strong, led increasingly by end-users and tenants looking for build-to-suit solutions.

Occupiers are still seeking good quality new space, with emphasis on energy efficiency and strong ESG offerings, which is a good prospect for rents to remain relatively strong versus other sectors. Sector vacancy levels remain very low at under 4%, which is driving demand, and the availability of repurposed/second hand space is limited.

This continued end-user and tenant demand is a result of businesses needing to expand, consolidate, re-purpose or modernise (sometimes a combination). Some companies want to be UK-centric and more commercially and operationally robust in our post-brexit world. Business and board decisions to proceed may be taking longer to enable proper due diligence, however, they are happening. We are seeing increased opportunities and growth in the South-East.

The construction industry, and this sector in particular, faces a variety of challenges, including rising and unpredictable construction costs, albeit there is some optimism these rises may tail off for certain trades in 2023. Contractors and Tier 1 supply chain will continuously be looking at their project pipelines for 2023/24 in the light of scheme decisions and programme deferrals. Energy costs continue to play a significant part, together with labour shortages in key trades and the continued effects of the Ukraine war. Power availability remains a major challenge (cost and time) in getting the larger logistics and manufacturing schemes up and running. workforce labour shortages, including HGV drivers, are also impacting on project locations.

Whilst existing developers' speculative schemes continue to be built in 2023, many developers have put their future "spec plans" on hold, adopting a "wait and see" approach as these factors affect project viability/development appraisals. Developers are needing to be more agile/flexible in 2023 and beyond, to accommodate end-user demands and secure these customers over the medium to long term.

BT LONDON, ONE BRAHAM
LONDON, UNITED KINGDOM

ASPEN|CONSORT PLACE
LONDON, UNITED KINGDOM

2 TRAFALGUR WAY
LONDON, UNITED KINGDOM

LIVERPOOL ONE SHOPPING CENTRE
LIVERPOOL, UNITED KINGDOM

QUEEN ALEXANDRA EMERGENCY DEPARTMENT REDEVELOPMENT
PORTSMOUTH, UNITED KINGDOM

IPORT
DONCASTER, UNITED KINGDOM

SCHOOL OF ARCHITECTURE AND BUILT ENVIRONMENT, UNIVERSITY OF WOLVERHAMPTON
WOLVERHAMPTON, UNITED KINGDOM

SEKLOW GATE, PARK SQUARE
MILTON KEYNES, UNITED KINGDOM

SUMMARY

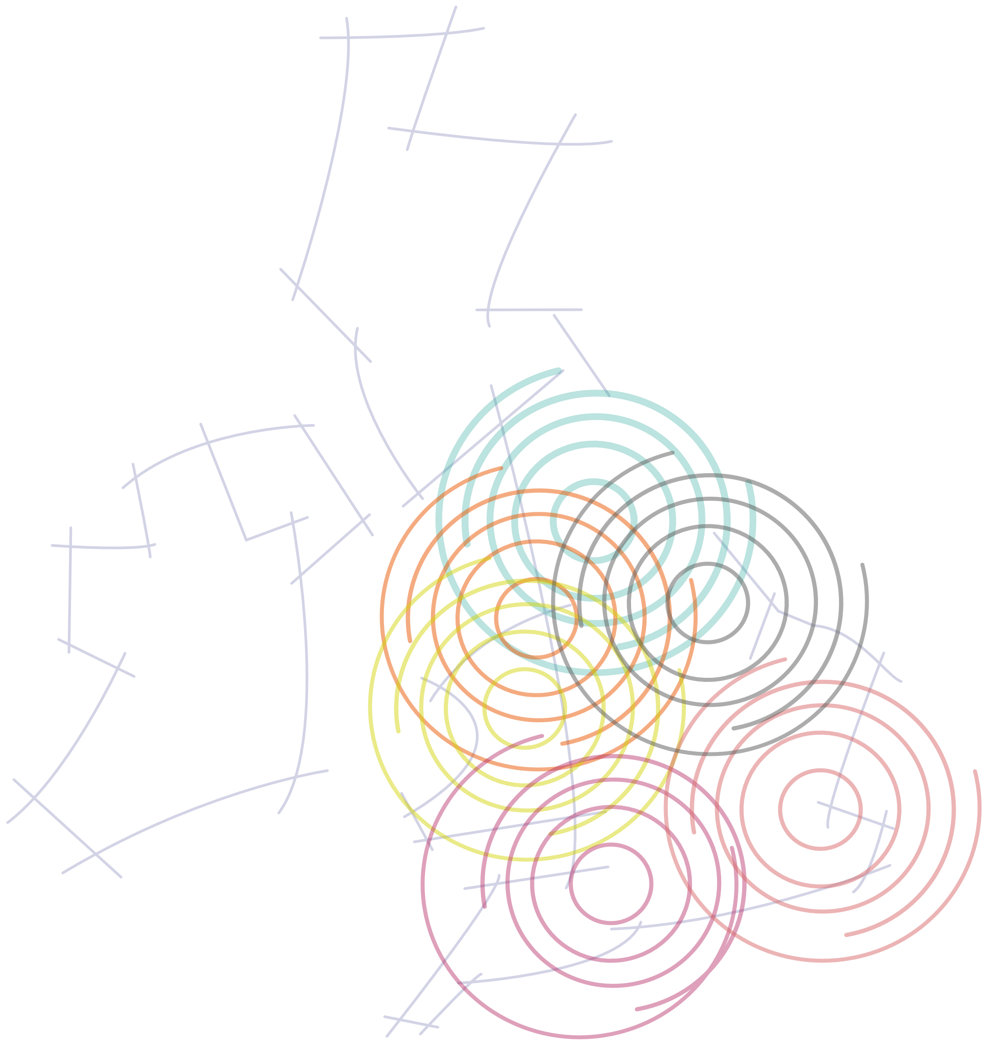
Despite the rather gloomy prognoses of the IMF and even the OBR in the UK, particularly in regard to GDP growth, the construction industry is markedly busy, even against a background of economic uncertainty and project-specific lead-time, delivery and general resource-shortage challenges.

BCIS forecasts for 2023 and beyond suggest a flattening of the input price increases that have been experienced over the last year, and a moderation of the levels of tender price uplift alongside.

The outcome of the economy's struggles with inflation and interest rate increases remains to be seen at this point, but the UK is by no means the only sufferer in the aftermath of the severe downsides of the covid times and the built-on effects of the Russia-Ukraine conflict. In addition, while we all think of covid as a thing of the rear-view mirror now, the effects have become ingrained in the economic system, as they undermined logistical networks which had been set to optimise advantages of just-in-time ordering, transportation and delivery, making lead-times compact and yet still predictable. Even now, some time after the worst of the lockdowns are over, confidence in that model is not yet returned, and it remains a matter for conjecture as to when, or if, it will return.

The situation in the Ukraine remains unresolved, and the final outcome can only be speculated upon, but its effects are similarly felt across many facets of countries' economies. The integrated nature of global trade and logistics has been particularly highlighted by what is on-face a local conflict, but which can be clearly seen to be affecting a large part of Europe, including the UK.

As a consequence, emphasis is being placed on procurement models and advice featuring methods of approach which deal with the additional risks now in play, and these approaches will continue to play a role for the foreseeable future.



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We are a global independent construction, property and management consultancy. We bring a fresh perspective combining technical expertise and technology to deliver value outcomes for our clients.

FLAWLESS EXECUTION

We offer a range of complementary cost consultancy, project management, programme management, building surveying, health & safety and advisory services. We work from conception, through design, construction and operational performance of facilities to their eventual disposal or reuse.

We are committed to developing new services and techniques aimed at enhancing our clients' businesses in the long term.

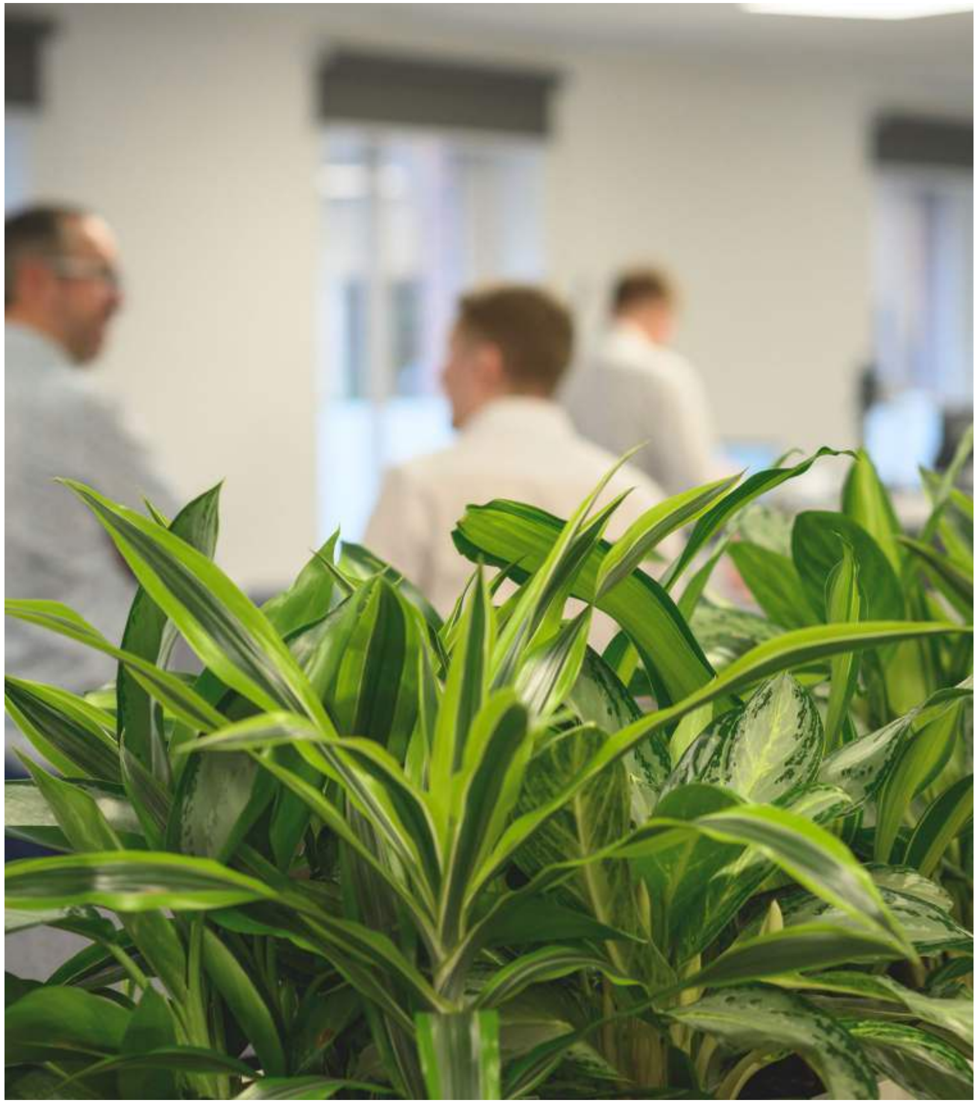
INDEPENDENT ADVICE

Our clients have rapid access to the latest industry intelligence and innovations, which serve to enhance value and mitigate risk.

We provide expert management of the relationship between time, cost, quality, safety, environment and social value. We do this through our global and local team of experts, who possess a passion for both core services and innovation.

OUR SERVICES

- Cost management
- Project management
- Programme management
- Building surveying
- Health & safety
- Specification consultancy
- Design management
- Strategic facility management
- Sustainability consultancy
- Contract advisory



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