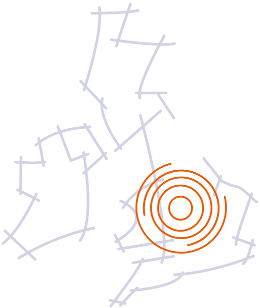
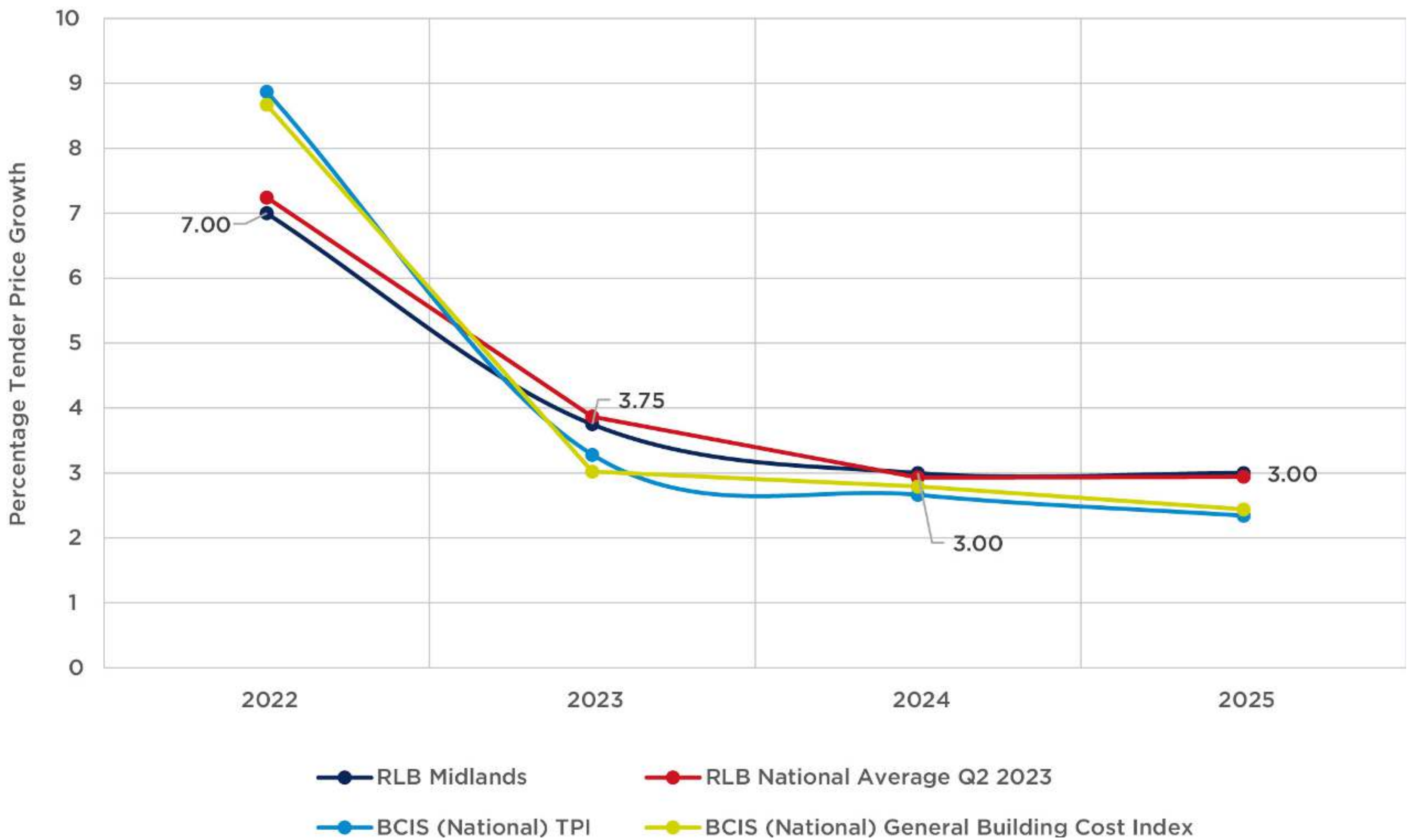


MIDLANDS

Source	% Uplift reported	2022	2023	2024	2025
Birmingham		7.00	3.75	3.00	3.00
Competitors/Others - Upper Range (West Midlands)		9.00	6.00	3.50	4.00
Competitors/Others - Lower Range (West Midlands)		5.00	3.00	2.50	2.00
RLB National Average		7.24	4.01	3.02	3.01
BCIS (National) TPI		8.87	3.28	2.66	2.34
BCIS (National) General Building Cost Index		8.67	3.02	2.79	2.44

Tender Price Change - Birmingham



OVERVIEW - MIDLANDS

As the UK moved through Q1 without entering recession, the Midlands region's construction sector remained strong, with activity levels slower but with a more optimistic outlook than when the year had started.

However, as successive interest rate rises impact borrowing costs, some sectors are faring better than others.

New house starts have declined in number, in some regional locations quite rapidly. Whilst there have been some high-profile project starts and forward fund deals signed, Build to Rent (BTR) projects are also generally proving more difficult to clear the starting blocks. The pipeline of new Purpose-Built Student Accommodation continues, with some key planning applications submitted in Birmingham and other regional cities showing similar activity.

Many tenants are taking advantage of lease-breaks, downsizing and focusing on quality rather than quantity of their spaces. Investment in existing stock is starting to be seen, with the principles of circular economy and net zero carbon being key aspirations of investors, developers and tenants. Industrial and logistics activity has been focused upon mid and small box deals.

Public sector activity remains balanced. Progress on the heavy infrastructure of HS2 is now apparent across much of the region, while in education, the higher education spending pipeline also looks promising in the medium term. A number of higher education projects are commencing their journey towards planning submission.

On the supply side, input costs have seen relatively persistent inflation. Despite some quite high-profile sub-contractor failures and production wind-down (particularly where exposed to volume house building), input costs are generally holding strong. This remains evident for energy-intensive materials, but has also been driven in the last two quarters by labour rates. Among the more heated trades are dry lining and MEP, but with many new BTR units currently under construction in the region, more capacity may open up as they reach completion.

Despite some weakening client pipelines and deferred projects, contractors' bid teams have remained fairly busy. This is particularly true for tier one contractors where single-sector exposure is less apparent. We have seen some increased appetite for single-stage tenders, but most contractors remain highly vigilant and sensitive to risk exposure. Contractors are looking to de-risk supply side price volatility, but also understand client funding arrangements and realistic project start dates.

As a result of the persistent input cost inflation and more resilience in pipelines than had been expected, we have revised upwards our regional tender price forecast for 2023.