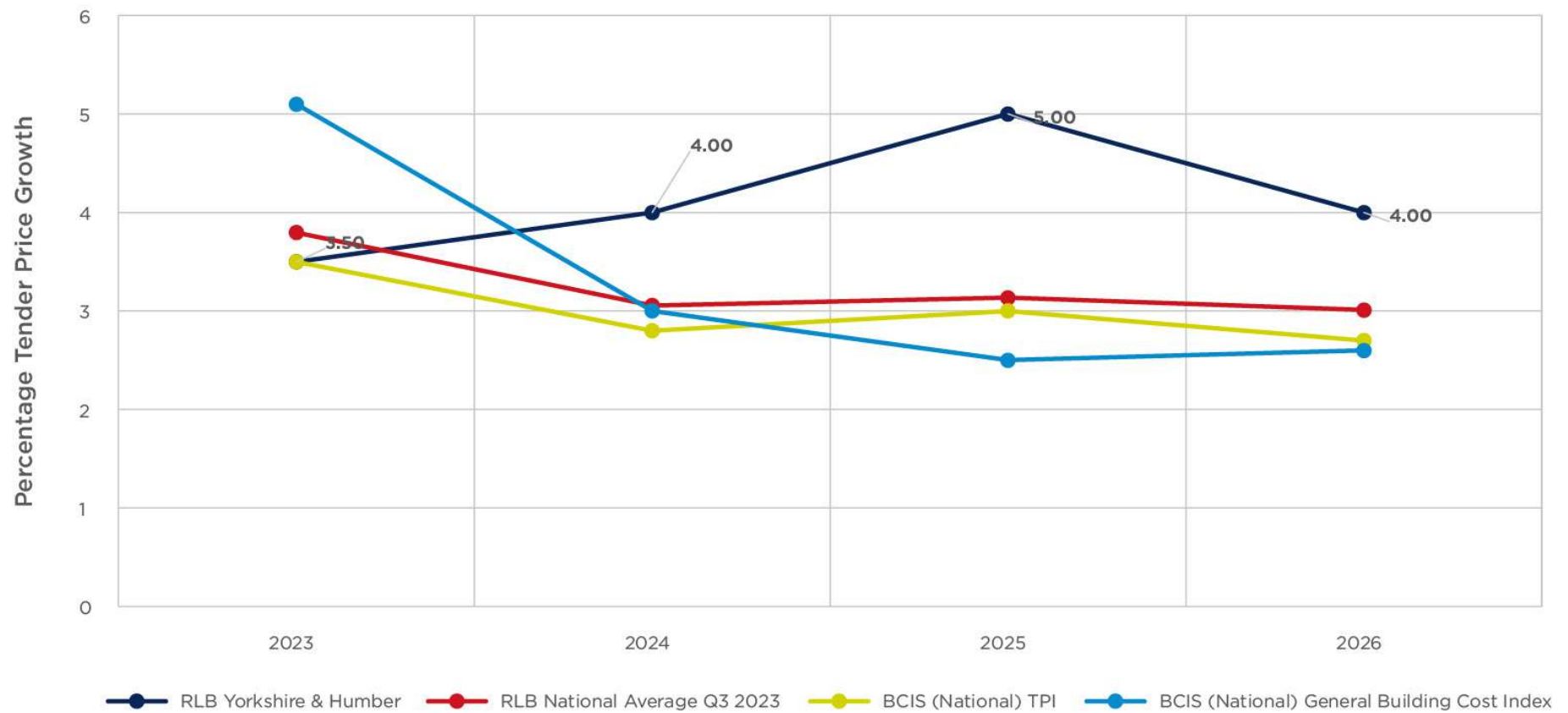


YORKSHIRE & HUMBER

Source	% Uplift reported	2023	2024	2025	2026
Sheffield		3.50	4.00	5.00	4.00
Leeds		3.50	4.00	5.00	4.00
Competitors/Others - Upper Range (Yorkshire & Humber)		4.50	4.00	4.00	4.80
Competitors/Others - Lower Range (Yorkshire & Humber)		2.00	2.00	2.00	2.00
RLB National Average		3.80	3.06	3.14	3.01
BCIS (National) TPI		3.50	2.80	3.00	2.70
BCIS (National) General Building Cost Index		5.10	3.00	2.50	2.60

Tender Price Change - Yorkshire & Humber



OVERVIEW - YORKSHIRE & HUMBER

Following the several increases in the Bank of England base rate, construction in Yorkshire and Humber has remained resilient, however the inevitable impact on public spending and a cooling of the housing market is working its way through to a slowing of the residential sector.

Despite this impact, other sectors and in particular the public sector, continue to support the industry for the time being. We anticipate new housing schemes will stall and continue to do so over the next several months whilst the market settles in the residential sector.

Labour and skills shortages are continuing to affect the region's ability to deliver. This is also resulting in inflationary pressure on contractors' costs, with suppliers and sub-contractors still holding strong positions and unwilling to commit to long-term fixed prices. This is likely to continue for the foreseeable future as the labour shortage and challenges faced around materials supply and prices continue.

Sectors clearly adversely impacted in the region are retail and hospitality sectors, with reduced consumer spending which is impacting directly on construction opportunities. These project types are likely to be slow to recover, given the longer-term shift in consumer habits to online spending. Reduced consumer confidence due to inflation and increases in the base rate are affecting demand for consumer goods and are impacting on new manufacturing developments and logistics in the region currently.

We expect the rebalancing and consolidation of the construction market in Yorkshire and Humber will continue for the remainder of 2023 and into early 2024, when consumer confidence may revive along with increased starts in the private sector market. This would coincide however with the potential for a general election, so 2024 could also present key challenges in public sector spending and decision-making until a new administration asserts their priorities and new spending plans.

Demand for "greener" office space across the region is a key area of growth which is continuing post-pandemic and due to an ever-increasing demand to move towards a net zero carbon economy. Many large employers in the region are refurbishing or relocating premises to provide flexible and improved office environments. This is a growing trend, with the shift of staff back to the office, and is becoming a key element for employers in any recruitment and retention drive. With new low carbon office developments such as City Square House in Leeds including 140,000 sq.ft of Grade A office space and the associated City Square alterations, confidence in the office market is clearly apparent and, we anticipate, here to stay for the medium-term as part of these new drivers for better, greener workspaces.

Despite the key challenges faced in the wider economy, there is a resilience and underlying confidence remaining in the sector, which continues to be demonstrated in new large-scale developments across the region. A key example is the Leeds Urban Village, which is a residential-led mixed-use scheme. Similarly, in Sheffield, large mixed-use developments such as 190 Norfolk Street and the Hive at Kelham Island have sustainability and wellbeing at their core and are exciting developments for the region.

Agreement of terms on large developments continues to be a challenge between clients and contractors, particularly around commercial risk and inflation. However, this is to be expected and flexibility will be required by all parties to prevent adverse impact on the pace of growth in the region.