



INSIGHTS

Construction Market Intelligence

UK Edition
Q1 2024

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Introduction

Welcome to the Q1 2024 edition of **Construction Market Intelligence**, the new digital publication incorporating RLB's quarterly tender price forecast.

As always, our aim is to provide the data, insights and analysis that will enable you to fully understand what is happening, and what is likely to happen, in construction around the UK.

In this edition we report that tender price uplifts are continuing to ease, as we forecast last quarter, though alongside ongoing input cost inflation and competitive imperatives facing participants throughout the construction supply chain.

More widely, geopolitical concerns remain unresolved, and in fact have been added to in recent months, producing continuing concerns particularly in respect of materials' supply. Meanwhile, the Bank of England's official interest rate still sits at its highest level since February 2008.

Although the recent sharp uplifts in construction materials' price inflation have relented, and in some cases reversed somewhat, we are seeing continuing labour shortages, notwithstanding that project completions have in some locations released key trades contractors' employees back into the market.

Insolvencies and increasing urgency for contractors and subcontractors to fill dwindling order books are parallel concerns, while project viability constrains developers and limits bidding opportunities.



Roger Hogg

Chair, Global Research Committee

The mix of considerations and effects varies from location to location, but the component parts are fairly common to all, and government policy changes and alterations in emphasis can have a marked overall effect. Doubt as to when the next general election will be called introduces a whole new layer of uncertainty.

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Executive Summary

MACRO ECONOMIC CONDITIONS

Key data

GDP forecasts for 2024:

+0.70%
(OBR)

+0.70%
(OECD)

+0.60%
(IMF)

CPI forecasts for 2024:

+3.60%
(OBR)

+2.87%
(OECD)

+3.70%
(IMF)

Unemployment forecasts for 2024:

4.60%
(OBR)

4.74%
(OECD)

4.60%
(IMF)

Market situation highlights importance of effective cost management

Consumer price inflation is returning to more acceptable levels, but remains key to government policy and interest rates, even though low levels of unemployment signal a supposedly active economy. Almost flat GDP growth, however, underlies all of this.

The Building Cost Information Service (BCIS) is now projecting uplifts of 2.10% and 3.20% for 2024 in its All-in Tender Price Index and General Building Cost Index respectively.

These figures reflect a tight market with very competitive bidding coming up, which may yet result in problems for contractors in maintaining the boundaries of cost levels, emphasising the need for comprehensive project cost control and interim payment management.

CONSTRUCTION PIPELINE PROSPECTS

Key data

New construction work done volume:

-0.05%
year to November 2023
(ONS)

Repairs and maintenance work done volume:

+8.24%
year to November 2023
(ONS)

Work done volume:

+3.18%
year to November 2023
(ONS)

New orders volume:

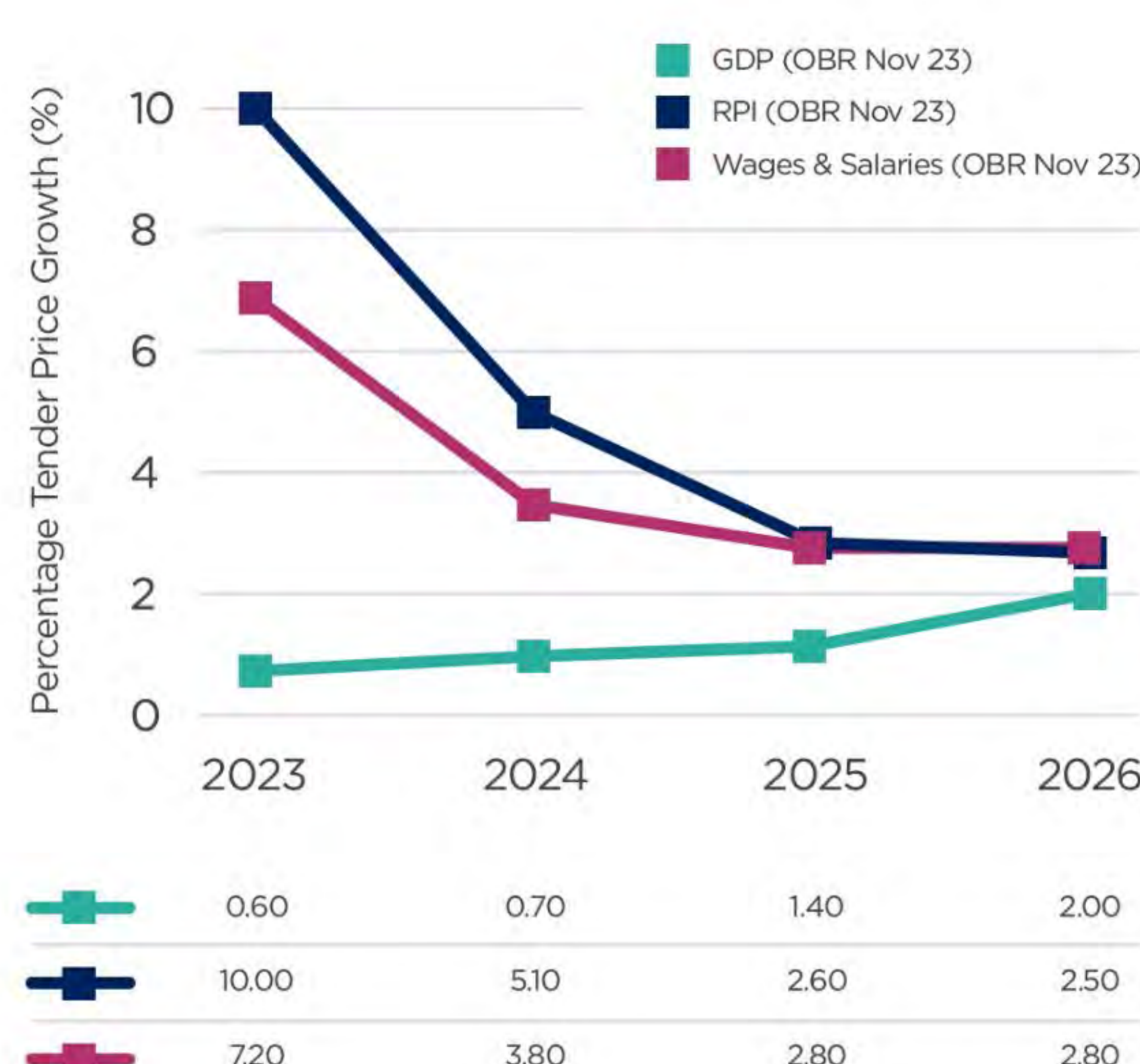
-14.12%
year to September 2023
(ONS)

Concerns over pipeline remain while redistribution of HS2 funding is eagerly awaited

The concerns voiced in Q4 2023 are continuing in respect of contractors' pipeline of workload. The need to refill order books is becoming more pressing and is slowly impacting on procurement options, softening, to an extent, contractors' reluctance to go with single stage bidding. That said, local conditions differ widely.

The proposed redistribution of funding previously set for the now cancelled northern leg of HS2 has yet to be determined and is eagerly awaited throughout the regions that are in line to benefit. While contractors were already focusing on refilling order books, the cancellation has not helped, but indications on how the freed-up money is to be spent could assist matters.

Clearly, the HS2 works were very much further on in the delivery process than replacement projects can be, so the prospect is of delay to the actual spend, regardless of the money being made available.



INPUT COSTS

Key data

Input costs forecast for 2023:

+3.10%
(BCIS)

Input costs forecast for 2024:

+3.20%
(BCIS)

Materials and labour costs set to moderate in 2024

Materials costs have softened considerably but, overall, inflated levels remain. Specific local conditions and make-up of particular projects render blanket statements about input cost problematic, with real on-the-ground local insight key to consideration of any particular project.

In some regions, margin trimming is noted in the fight to rebuild workload pipeline, but input costs are inescapable. Some locations report reduction of risk allowances, but whether that is a good thing depends on the rationale for reductions.

With steel and timber prices still well down on last year's figures, and workload numbers tailing, emphasis is moving toward the obtaining of work rather than so much on the effect of the previously rapid inflation of input costs.

Expectations for input cost movements over the next year or so suggest a more 'normal' state of price inflation, but that could be affected by supply chain issues arising from goods coming into the country from far afield, given the Red Sea situation. Labour costs are similarly moderating, though still tailing a falling level of general consumer price inflation.

TENDER PRICE FORECAST

Key data

RLB weighted average TPI 2024:

+3.19%
(RLB)

BCIS weighted average TPI 2024:

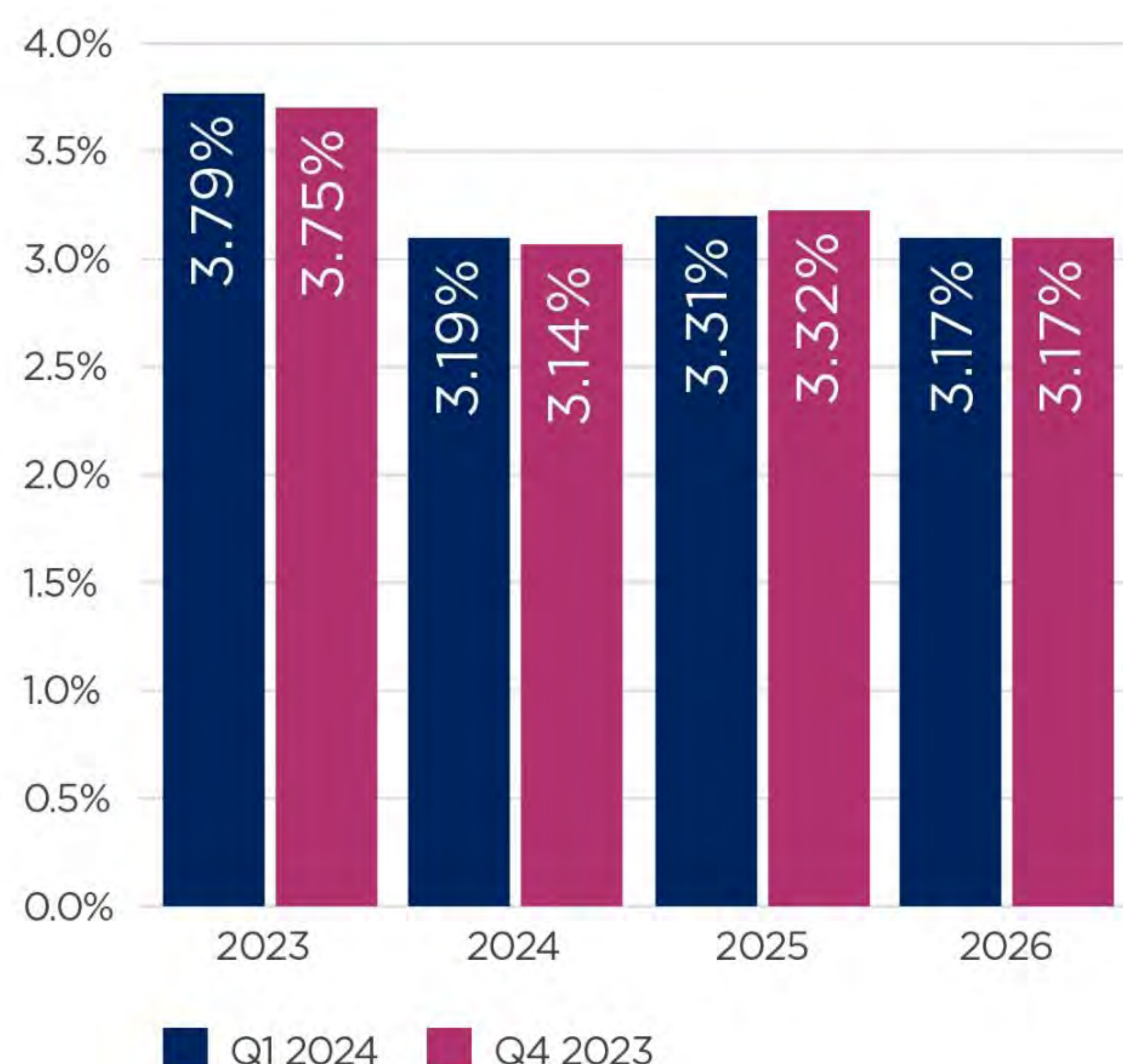
+2.10%
(BCIS)

Urgency for replacement workload will influence bidding and procurement

Nationwide, RLB's tender price forecasts for 2024 depict a very similar situation to that shown last quarter, with only very marginal changes, while still acknowledging an ongoing impact of workload wind-down as existing projects complete. Return to market of some stalled projects will depend on improved market sentiment and easing of interest rates to stimulate levels of activity.

Recent high-profile insolvencies provide salutary evidence of the risks in construction. Forecast values for upcoming uplifts are little changed on last quarter, as market exigencies have really not moved to any great extent. Tendering competitiveness and workload strictures are already baked into the forecasts, so changes will arise in upcoming forecasts as conditions change.

RLB weighted average TPI uplifts published in Q1 2024 CMI vs published in Q4 2023 CMI



The chart above shows an average of RLB's regional tender price forecasts for the respective years, weighted by regional new orders volumes of workload for the year to November 2023 (ONS).

KEY REFLECTIONS

Market uncertainty slowing project starts

Falling levels of general inflation, together with an easing of interest rates and an upturn in market sentiment could form a basis for re-ignition of construction activity, but for the moment, uncertainty appears to be constraining some projects' advancement to market.

Bidding expected to be more competitive

With the increasing flexibility of contractors and subcontractors due to the need to obtain fresh workload, expectation would be that bidding will become more competitive and projects could benefit from more widely available building resources in the marketplace.

Outlook remains cautious despite falling costs

Although levels of input cost uncertainty are somewhat alleviated, all is not yet business-as-usual because of ongoing economic and geopolitical considerations that have yet to be resolved and may continue for some time.

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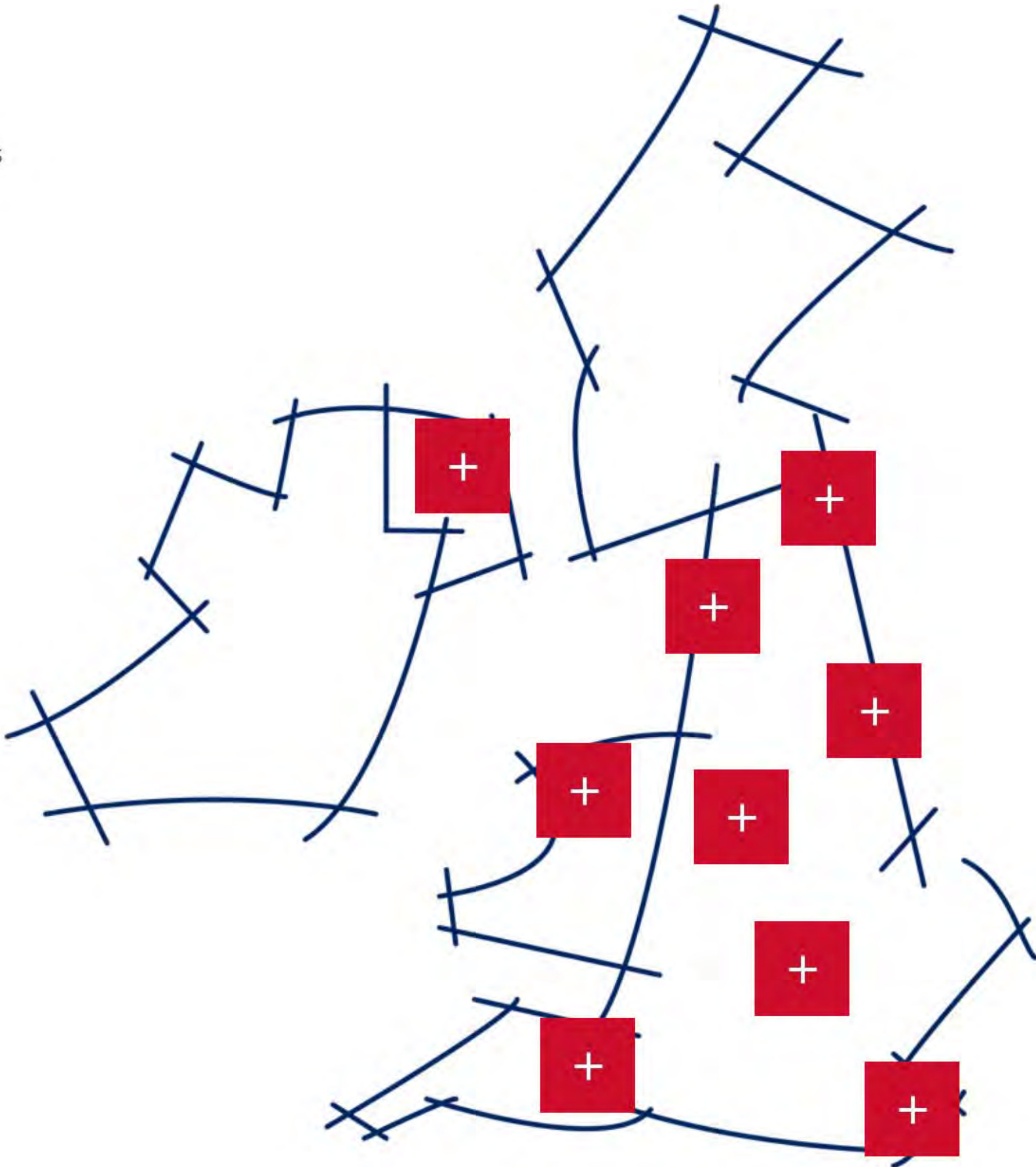
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Regional Insights

Click on the icons on the map to explore our findings and analysis of market conditions and tender prices at regional level.

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Northern Ireland



Peter Wilson
Senior Building Surveyor

After a two-year hiatus, the restoration of devolved government in Northern Ireland is very welcome news for the region's construction sector.

The return of the Northern Ireland Executive and Assembly, and with it local decision-making, will help to get the market moving forward again and unlock much-needed investment, enabling the region to realise economic and development opportunities.

Contact

MARKET CONDITIONS & PIPELINE

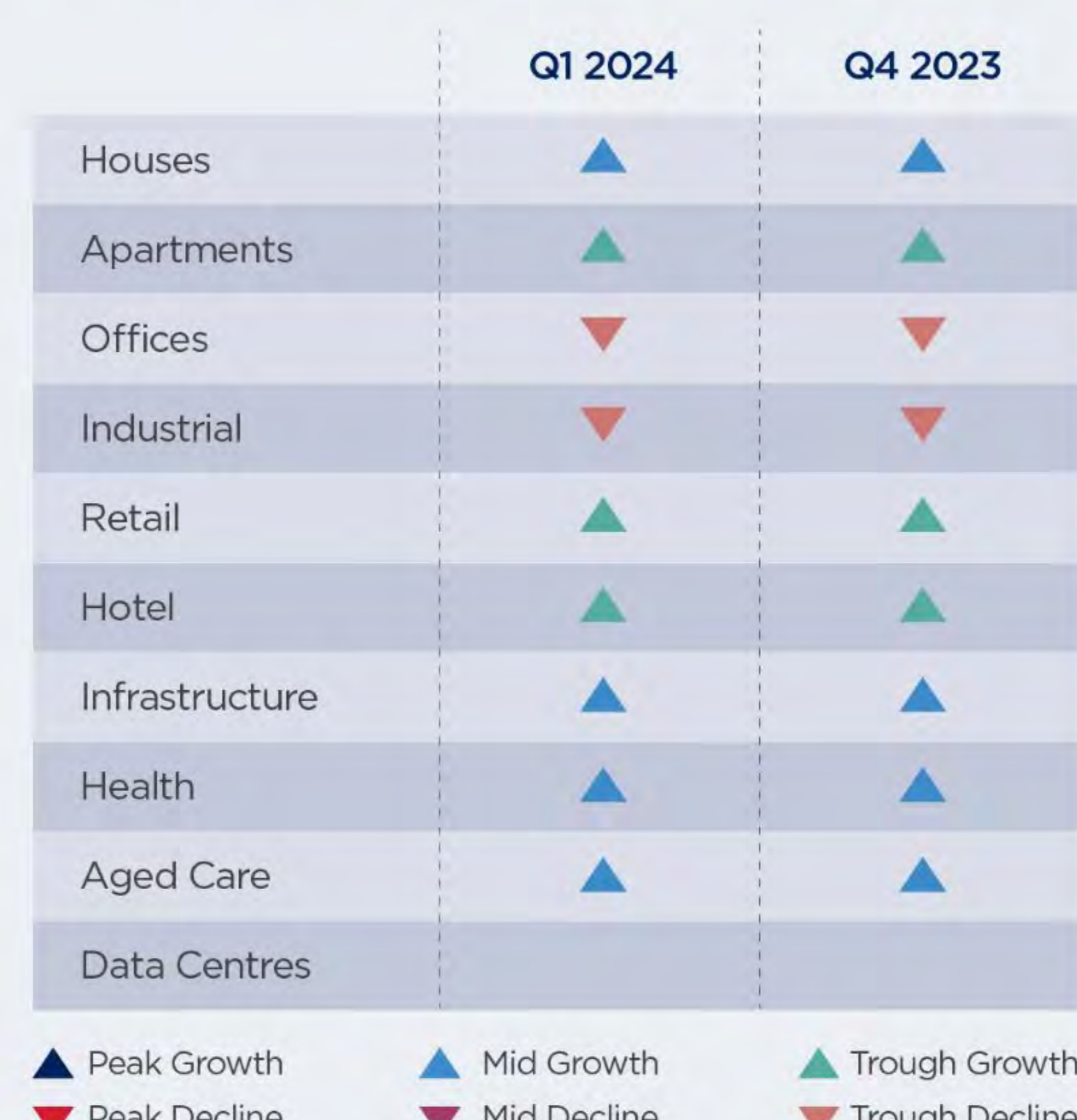
Return of devolved government will unlock investment

The market outlook for Northern Ireland is more positive now that devolved government has been restored, two years after it collapsed. A financial package worth £3.3bn was pledged by the UK Treasury once power sharing returned. The unlocking of investment will ease the strain on public sector services, while Stormont will also be able to borrow more money to pay for infrastructure projects.

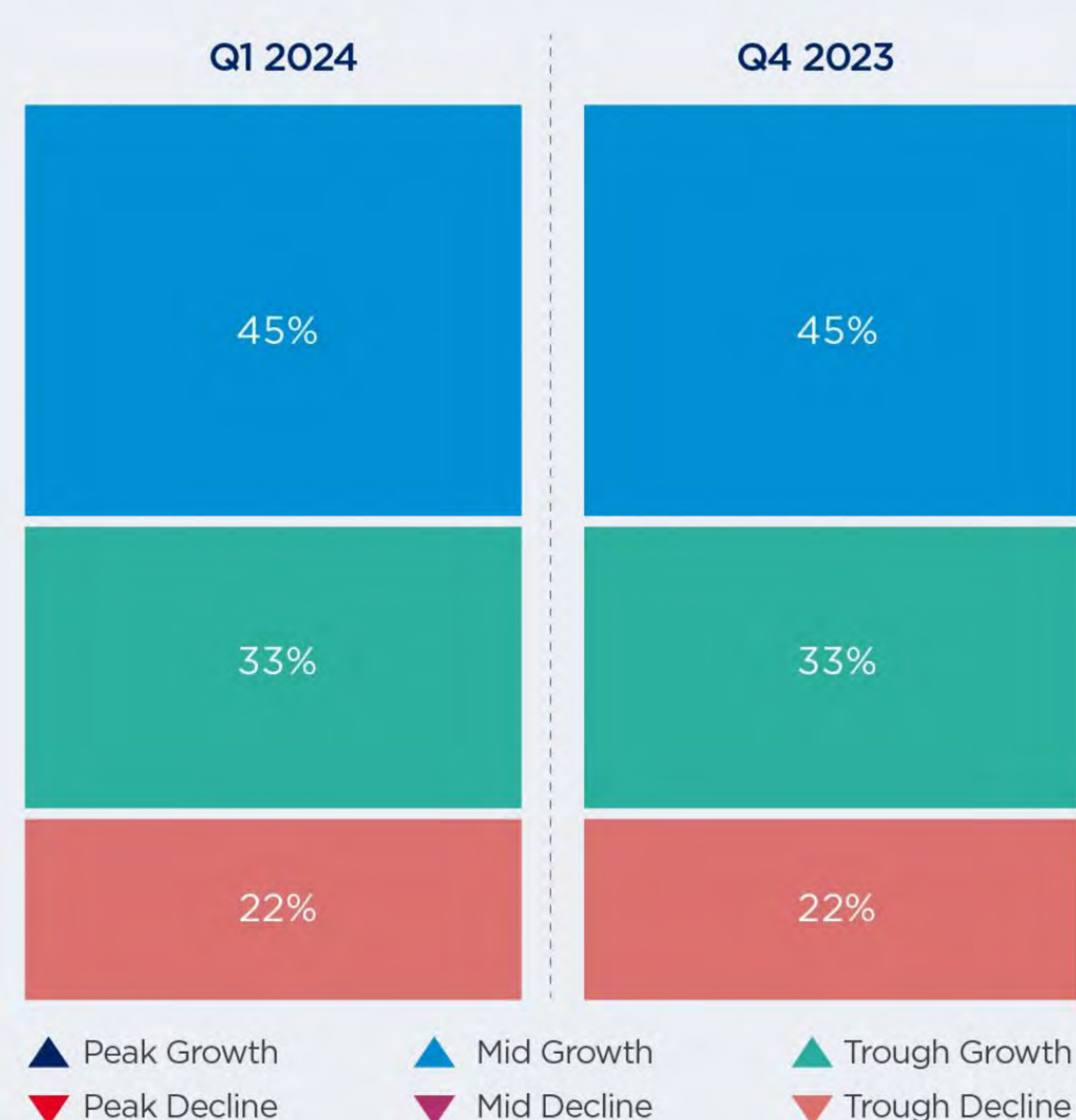
The stop/start nature of works in the public sector has impacted the region. The total volume of construction output remains stagnant. Although there are clear plans for new-builds in the education, health and public sectors, progress has been slow, which is directly linked to funding cuts. However, demand for student residential accommodation is increasing.

Planning remains slow. We have witnessed significant delays in Newry, Mourne and Down planning departments, which is due to staff shortage issues. Clients continue to undertake pre-planning activity, but are conscious of planning delays and funding constraints.

Market sector activity analysis

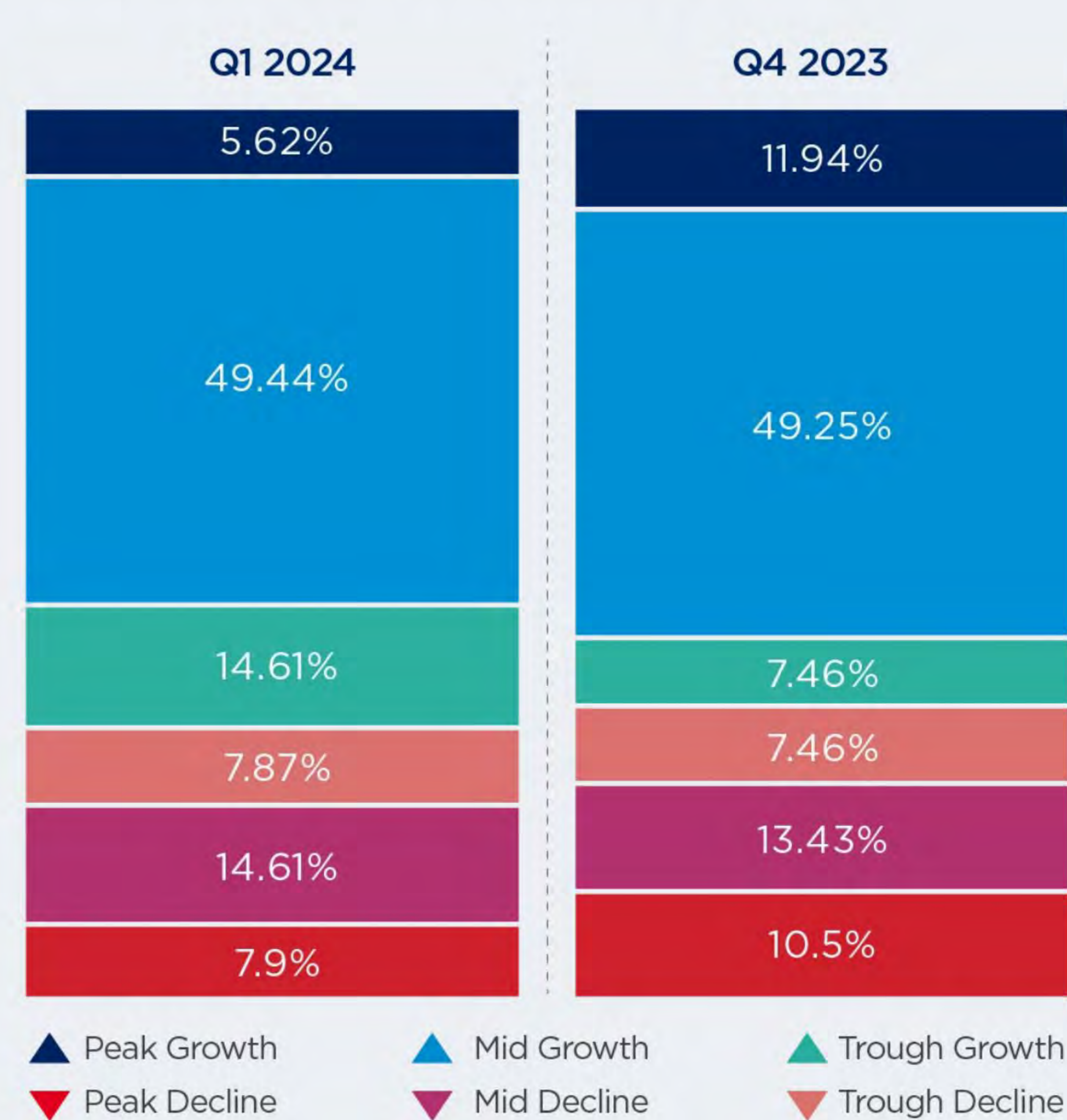


Market sector activity analysis: Northern Ireland



The RLB Market Activity Analysis is a representation of the development activity cycle for the construction industry. The model depicts an ideal continuous economic cycle, activity levels growing from trough, through mid, to peak and declining from peak, through mid, to trough. The subjective current performance of sectors is identified by ascribing one of the coloured arrows (shown in the legend of the chart) to each sector. NB: In this analysis, sectors are not individually weighted.

Market sector activity analysis: National



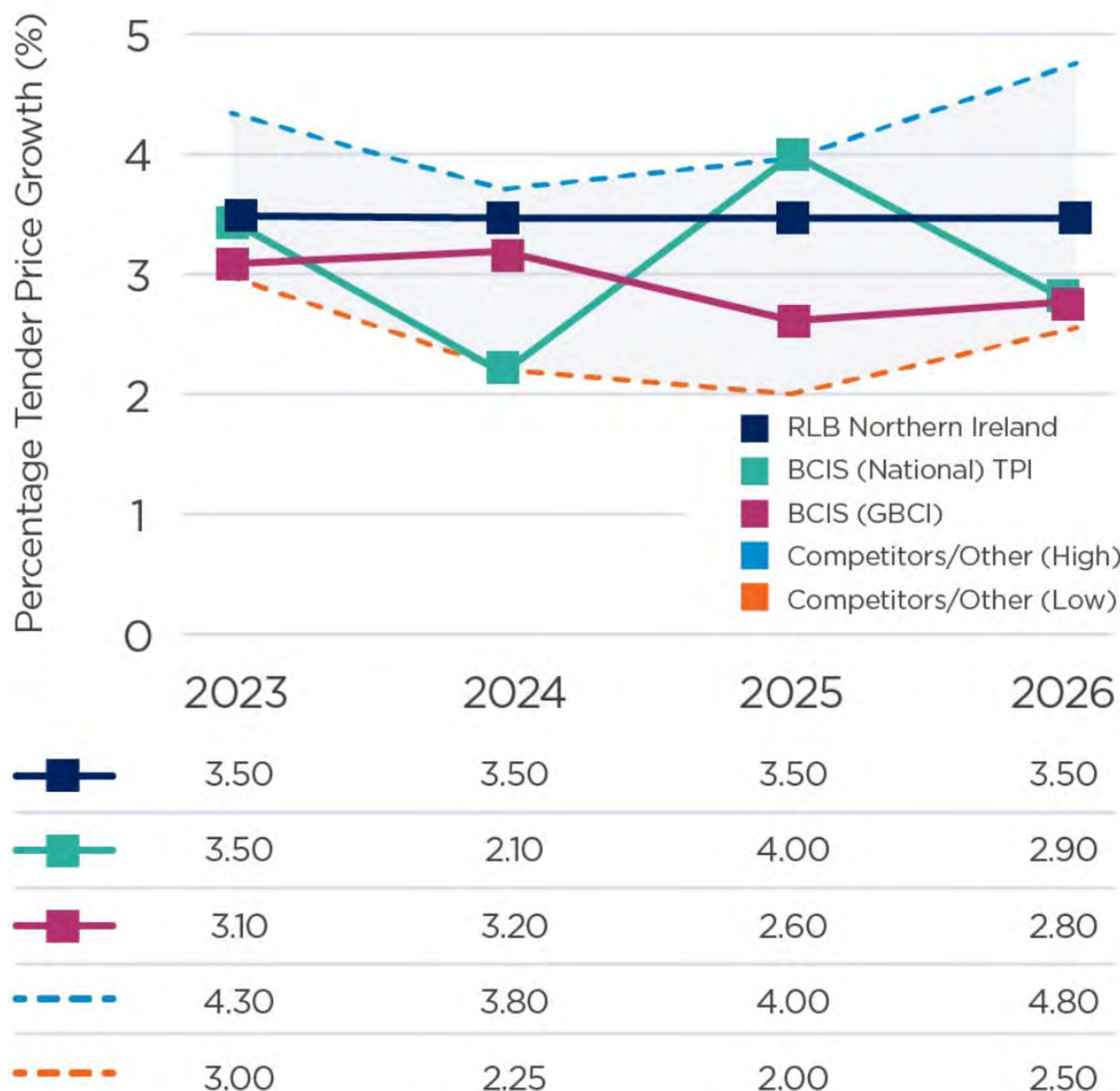
Consolidating the results of multiple regions results enables the calculation of a national representation of percentage of sectors in each phase of the cycle at a point in time.

TENDER PRICES

Risk of cost increases still a concern but outlook brighter

In the short term, concern on inflationary costs remain. In the long term, the restoration of devolved government in Northern Ireland should have a positive impact on public spending on projects, which is likely to affect tendering contractors' views of the market and pricing levels.

Northern Ireland | Tender Price Change



INPUT COSTS

- MEP contractors' costs are still significantly higher than other trades, with inflation higher for these elements.
- Steelwork is back to Q1 2022 levels and materials demands have relaxed compared to last year.
- An increase in labour costs is mainly linked to limited availability of skilled resources.

SECTOR FOCUS

Commercial

There is increased investment in Belfast city centre, with four new hotels passed for planning. Student residential and build-to-rent sectors remain strong.

Retail

One of the region's more active sectors. An increase in large portfolio sales is resulting in wholesale refurbishment and retrofit schemes. There is less focus on new-build.

Residential

Belfast City Council and its private sector partners are aiming to build over 30,000 new houses by 2035 – at a cost of £630m. The council aims to welcome an additional 66,000 residents to the city over the next 12 years – a target stated in its community plan, The Belfast Agenda.

Health

Funding cuts continue. Although new sites are being developed, the focus remains on preserving existing assets.

Logistics & Manufacturing

There is increased activity in this sector in the region. Public sector framework contracts have now been established with ICT teams, and projects are gaining much-needed traction.

Sport

Work on Casement Park in Belfast is progressing and the Irish FA says it is "confident" the redevelopment of the stadium will be completed in time for Euro 2028.

BELFAST, UK

ASSET MANAGEMENT INNOVATION

Danske Bank UK, a leading bank in Northern Ireland and a growing bank in Great Britain, has been helping people and businesses thrive for more than 200 years. We developed an award-winning digital solution which has transformed the bank's asset optimisation and budget management processes, allowing it to manage projects better and make informed decisions on capital and maintenance spending.

Read more



North East



Fiona Khosla
Partner

We are seeing a positive outlook in the North-East, despite the challenging economic backdrop which has hampered market activity over the last 12 months.

With growth relating to the digital and tech sectors and translational research projects unlocking new funding streams, the higher education sector is particularly well-poised to support regional opportunities in these areas. With new major developments underway in the region focused on research, tech and the circular economy, there is plenty to be optimistic about over the 2024 calendar year.

Contact

MARKET CONDITIONS & PIPELINE

Market hopeful after rise in construction starts

We are seeing a mixed picture at present, with reduced confidence in the region over the short-term outlook. This was highlighted in the latest PMI Business Index, where the North East had the lowest PMI in December 2023, albeit firms are forecasting a rise in the next 12 months.

There was an increase in construction starts in Q4 2023 of 11% over the previous quarter, and 14% compared to Q4 2022, which is promising and should boost market confidence. Contractors are keen to fill gaps in their order books.

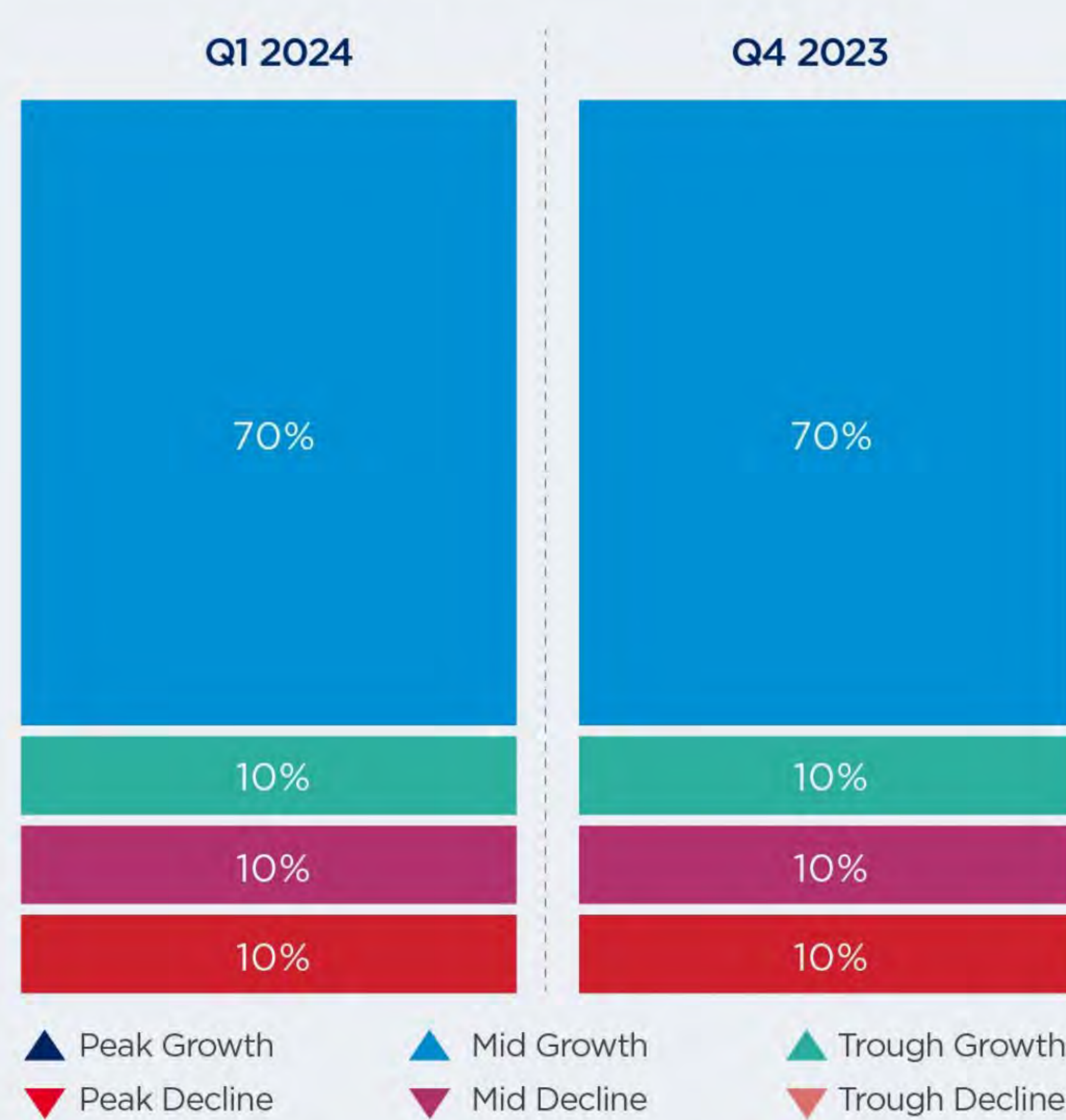
Project viability is an issue for the commercial and residential sectors, with some of the lowest rental values in the UK making this a much bigger challenge due to funder appetite and last year's increase in interest rates.

Planning determination periods are slowing, which is hampering the agility of developers in bringing new schemes to site. Middlesbrough, notably, is way behind its neighbours in the region, with a 13-week determination of 53.6% between 2021 and 2023.

Market sector activity analysis

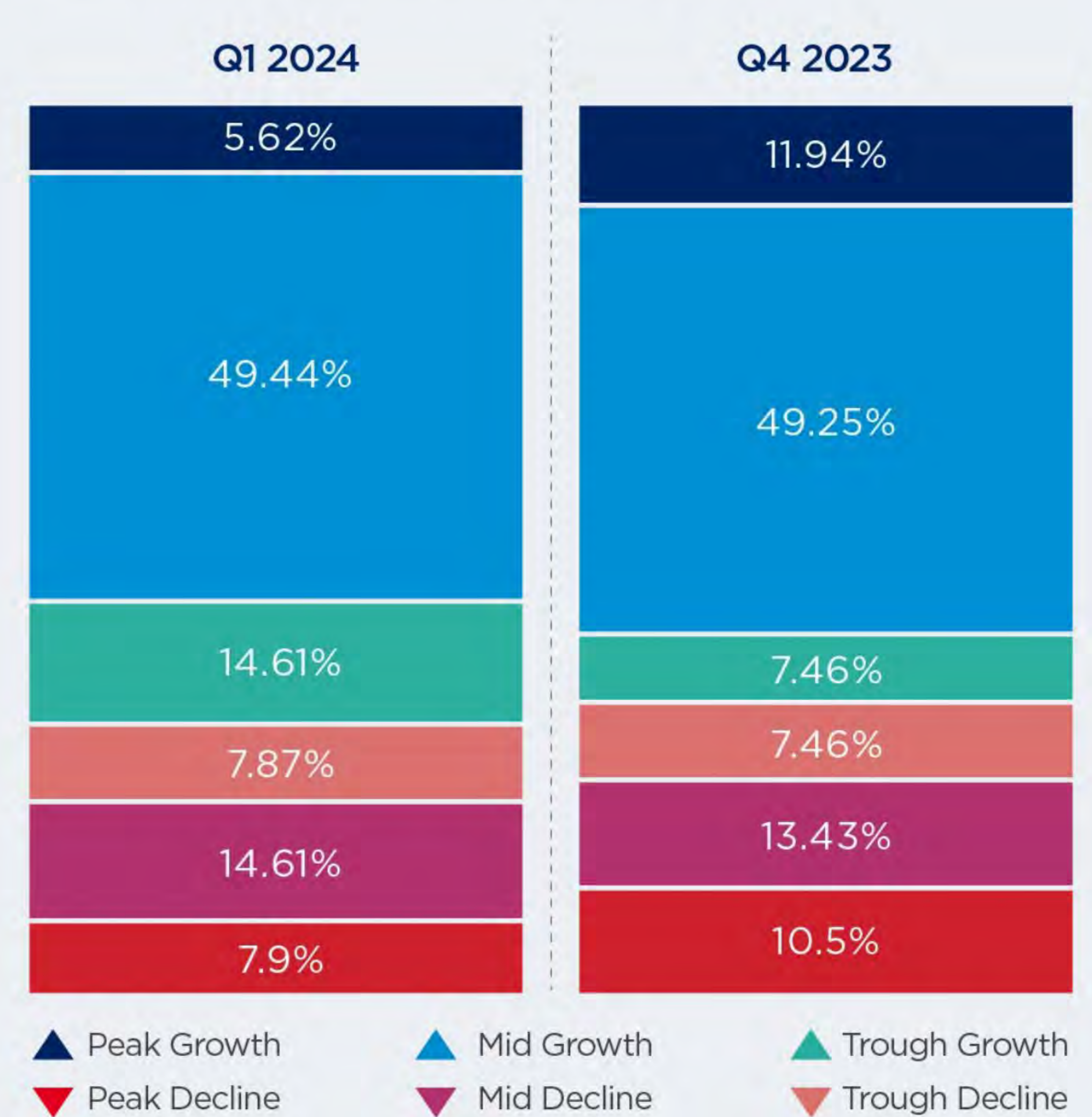


Market sector activity analysis: North East



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Market sector activity analysis: National



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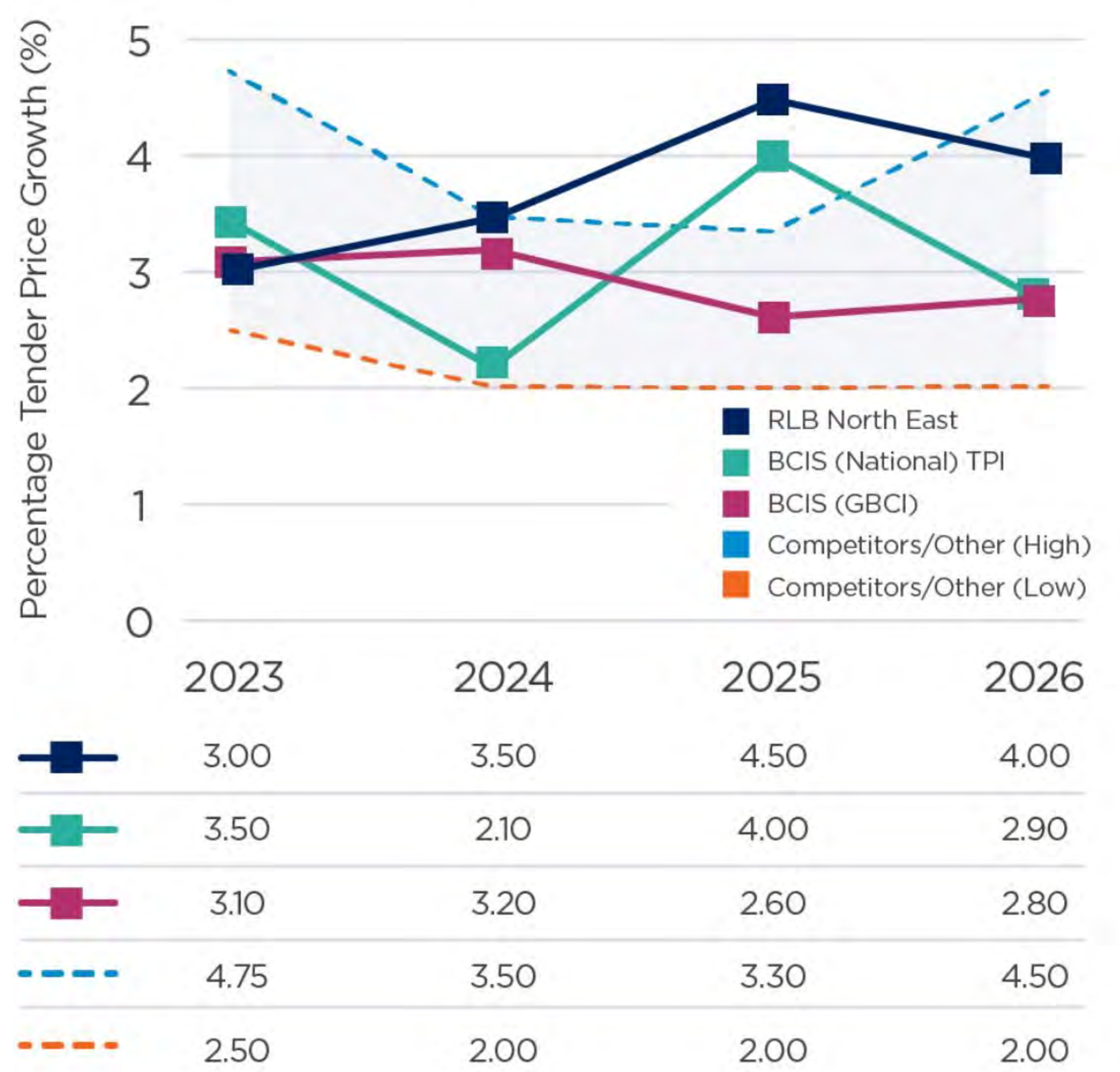
TENDER PRICES

Long-term stability in pricing levels anticipated

In the region, we have seen a steady increase in construction inflation to more typical levels, with demand-led inflationary pressure being offset somewhat by reductions in materials prices overall.

Beyond 12 months, we anticipate ongoing stability in tender price levels, with continued shifting of demand across sectors and the settling effect of more stable material prices. The impact of an upcoming UK general election and interest rate decisions could act as a significant catalyst for improvements in the long-term outlook.

North East | Tender Price Change



INPUT COSTS

- A reduction in steelwork and energy prices has reduced the pressure on construction materials prices in recent months.
- The reduction in materials prices overall currently is providing some relief on construction price inflation.
- Increasing demand in the digital and technology sectors is driving wage inflation among specialist construction teams.

SECTOR FOCUS

Commercial

Devolution plans for the North East that will see the region gain new political powers and £4.2bn in investment have been approved. This will provide significant funding for transport, education and skills, housing and regeneration, and support new commercial and tech-based development. Newcastle, having seen significant rises in digital and tech recruitment over the last 10 years, is set for continued growth in this area over the short and medium term, leading to more opportunities in the commercial office and life sciences sectors.

Residential

The significant cost pressures and interest rate hikes which affected this sector in 2023 are likely to continue to have an impact in 2024. With much lower rental levels in the North East compared to the rest of the UK, this is going to have a lasting effect on the region for the short-to-medium term.

Education

There is much optimism in the region's education sector, particularly in higher education, with investment in research facilities being seen as key to future growth opportunities and funding streams. Examples of new projects include the £50m world-leading space skills, research and technology centre at Northumbria University.

Energy

Net Zero Teesside Power, the world's first commercial scale gas-fired power station with carbon capture, is now under construction and will position the region as a leader in green technology. This £1.5bn scheme will be the hub of a decarbonised group of industries on Teesside, creating jobs, investment opportunities and economic benefits.

NATIONWIDE, UK

MCDONALD'S

RLB is providing programme management, project management, cost management and CDM services for the upgrade and fit-out of the entire portfolio of McDonald's Restaurants Limited.

Read more



North West



Zoe Rowan
Partner

The North West, particularly the cities of Manchester and Liverpool, has seen much investment and activity over the last 18 months and this isn't likely to pause this quarter.

Despite difficult national economic conditions, and geopolitical impacts, the region continues to benefit from Levelling Up funding and is proving to be attractive to emerging industries such as life sciences and advanced manufacturing. The strong partnerships between public and private sectors continue to unlock the region's potential.

Contact

MARKET CONDITIONS & PIPELINE

Investment across sectors is improving region's outlook

Despite difficult economic conditions, Manchester remains a favoured city for private residential development and commercial developments. The Liverpool city region is seeing a marked increase in affordable housing projects. The region overall continues to benefit from Levelling Up Fund allocations.

The North West is proving attractive to emerging industries such as life sciences, advanced manufacturing, materials research and hydrogen generation. We also anticipate continuing growth in demand for sustainable buildings and infrastructure. Strong partnerships between the public and private sectors will be key to unlocking the significant potential the region has to offer in these areas.

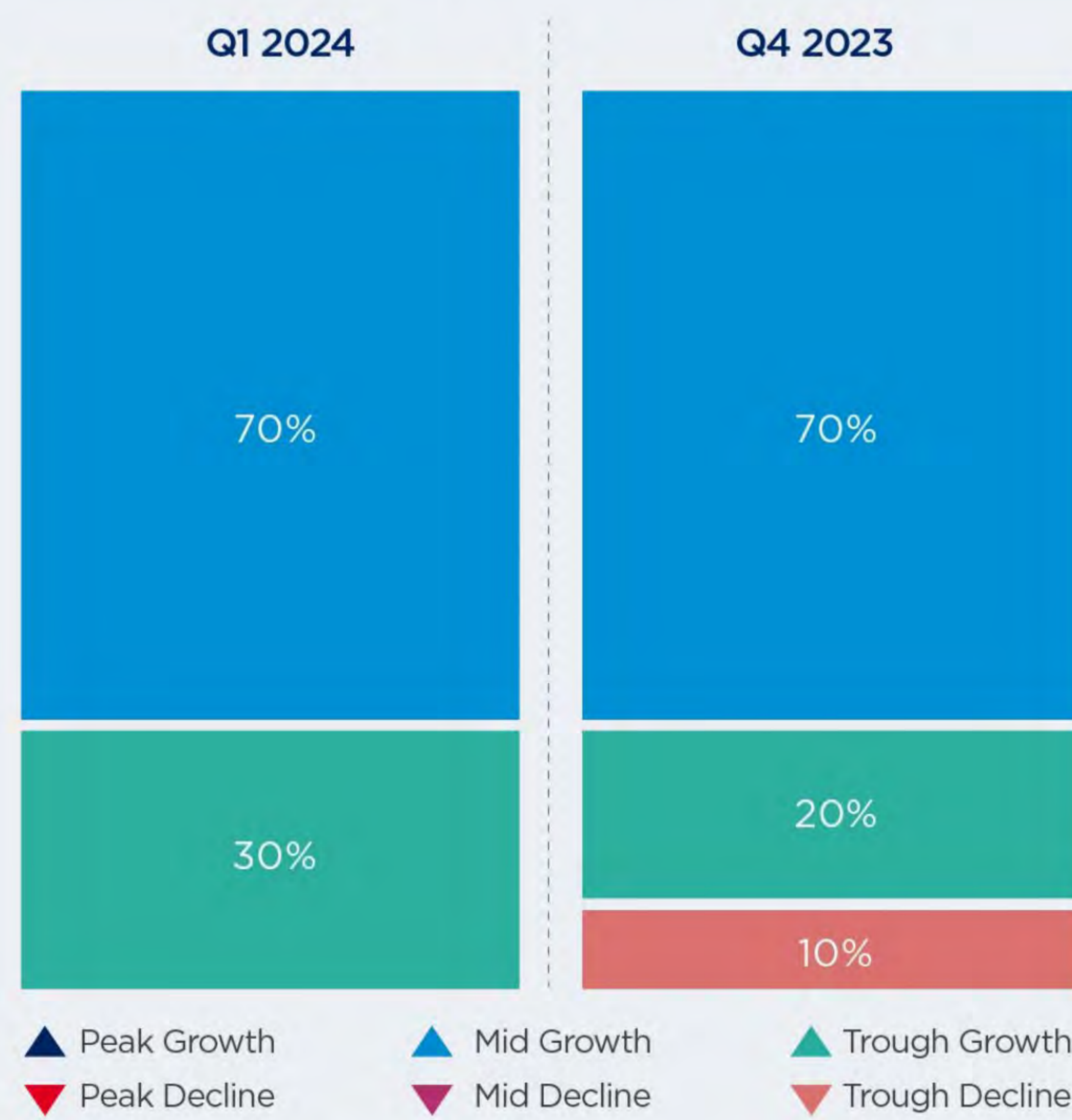
Projects were slow to get off the ground in previous quarters, but there are now signs that developers are more willing to progress projects. We are seeing a slow increase in bidding opportunities coming to market, suggesting a more optimistic outlook.

Planning consents have been slow in Liverpool as the council is still under special measures, slowing the turnaround of permissions. Elsewhere in the region it appears to be more consistent.

Market sector activity analysis

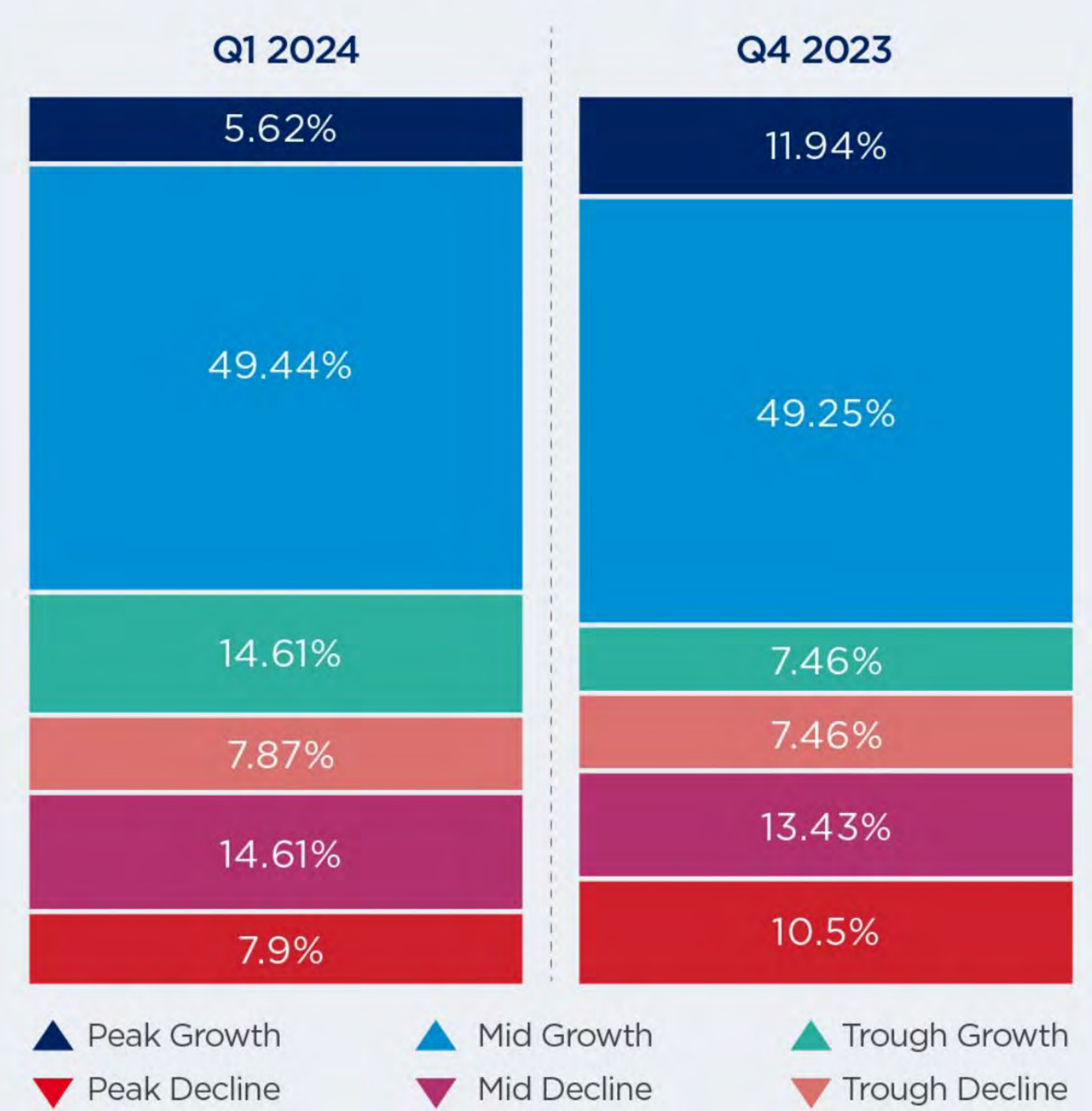


Market sector activity analysis: North West



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Market sector activity analysis: National



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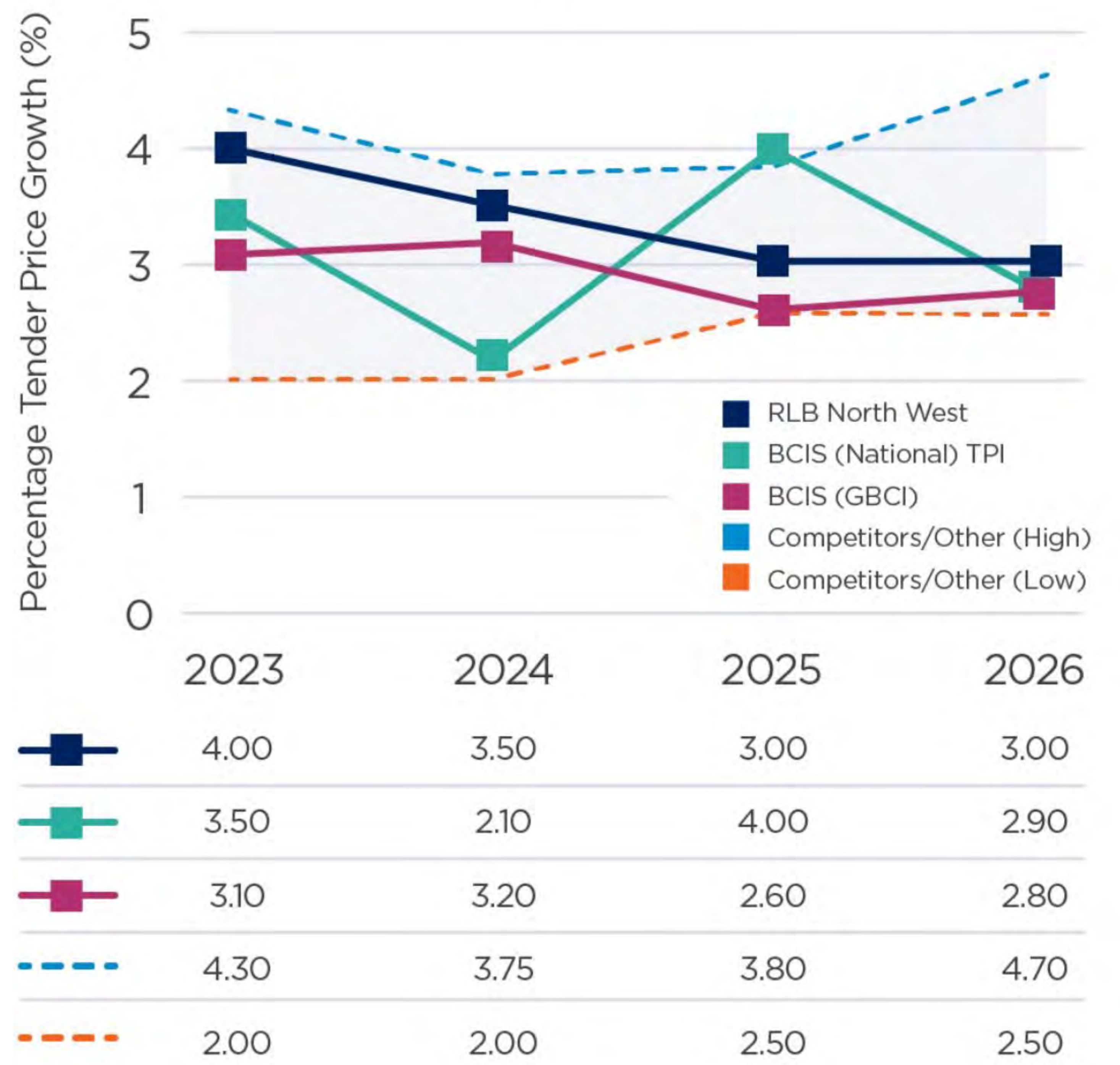
TENDER PRICES

Prices cooling as tenders become more competitive

The outlook suggests continued cooling of inflationary costs in the construction sector, which is already evident in contractors' pricing of projects in the first quarter of the year. Contractors are willing to competitively tender projects on fixed prices, and risk margins appear to be removed or greatly reduced.

A possible change of government in 2024 may impact upon public spending on projects going forward, which in turn will likely affect tendering contractors' views of the market and their pricing.

North West | Tender Price Change



INPUT COSTS

- Materials prices have levelled while steelwork pricing is back to 1Q 2022 levels.
- MEP contractors' costs are still significantly higher than those of other trades.
- We expect steady wage increases throughout 2024, but not to the extent of last year.

SECTOR FOCUS

Education

We currently have numerous projects ongoing within higher education, and our long-standing relationships with the region's universities should create further opportunities in the coming year.

Energy

There is a lot of activity around providing eco-friendly alternatives to fossil fuel heating systems. Plans have been approved to build a low-carbon hydrogen production plant, the first of its kind in the UK, at the Stanlow Manufacturing Complex in Ellesmere Port.

Logistics and Manufacturing

We are seeing increased activity in the sector, with clients looking at more projects which are more end user-led than developer-led.

Health

Outside of high-profile initiatives, such as the New Hospital Programme, capital budgets are limited for health trusts. The focus will therefore be on maintaining estates and 'business as usual'. The pressure on capital budgets is compounded by construction cost inflation, particularly to mechanical, electrical and plumbing (MEP) costs.

Sport

The sports sector is very active in the region. Everton FC's new stadium on Bramley-Moore Dock is into its final year of construction. Manchester City and Manchester United are also looking to redevelop and/or extend their stadia.

MERSEYSIDE, UK

LIVERPOOL WATERS

RLB is helping to deliver the Liverpool Waters district heating network for Mersey Heat, which will provide low-carbon heat to homes and commercial offices along the Liverpool waterfront, including our own office. We are supporting the project, which will potentially serve thousands of properties, with our cost management and contract administration services.

South West



Jon Barlow
Partner

The South West market stays active, receiving ample enquiries for commercial, digital, residential and education projects. There are some large investment schemes supporting positivity in the region.

Despite a slowdown in on-site project starts due to funding, feasibility or planning issues, clients remain optimistic about achieving commercial success on their projects.

Contact

MARKET CONDITIONS & PIPELINE

Investment grows despite slowdown in starts and planning

The market remains busy, with a good level of enquiries for commercial, residential and education projects across the region. Exeter continues to be a growing market, following investment in student accommodation by the university.

The construction of a £4bn gigafactory, making electric vehicle batteries for Jaguar Land Rover and other car makers, at the Gravity Enterprise Zone in Bridgwater, is expected to attract further investment, particularly in the education and training of the local population to provide the skills required. Somerset has also been identified by the NHS as a leading county in providing future training for the NHS, and this will require investment in training facilities.

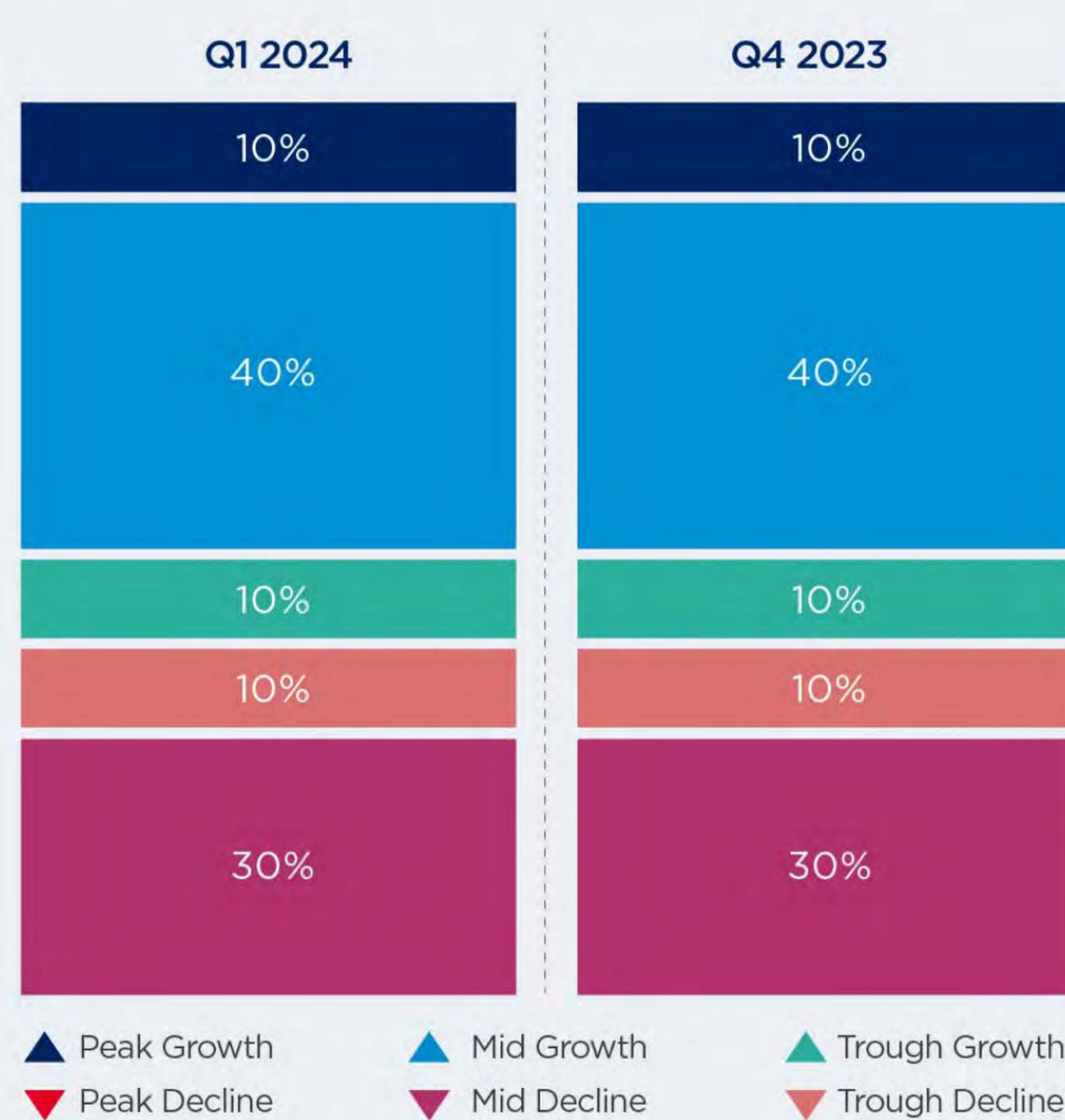
While enquires continue to be strong, there is a slowdown in projects starting on site, primarily due to funding and feasibility issues, or planning delays. Planning is still very slow, with projects being held up by poor resource levels within local authorities. Despite the longer lead-in period, clients are still positive about bringing projects to market.

Market sector activity analysis

	Q1 2024	Q4 2023
Houses	▼	▼
Apartments	▼	▼
Offices	▲	▲
Industrial	▲	▲
Retail	▼	▼
Hotel	▲	▲
Infrastructure	▲	▲
Health	▼	▼
Aged Care	▲	▲
Data Centres	▲	▲

▲ Peak Growth ▲ Mid Growth ▲ Trough Growth
▼ Peak Decline ▼ Mid Decline ▼ Trough Decline

Market sector activity analysis: South West



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Market sector activity analysis: National



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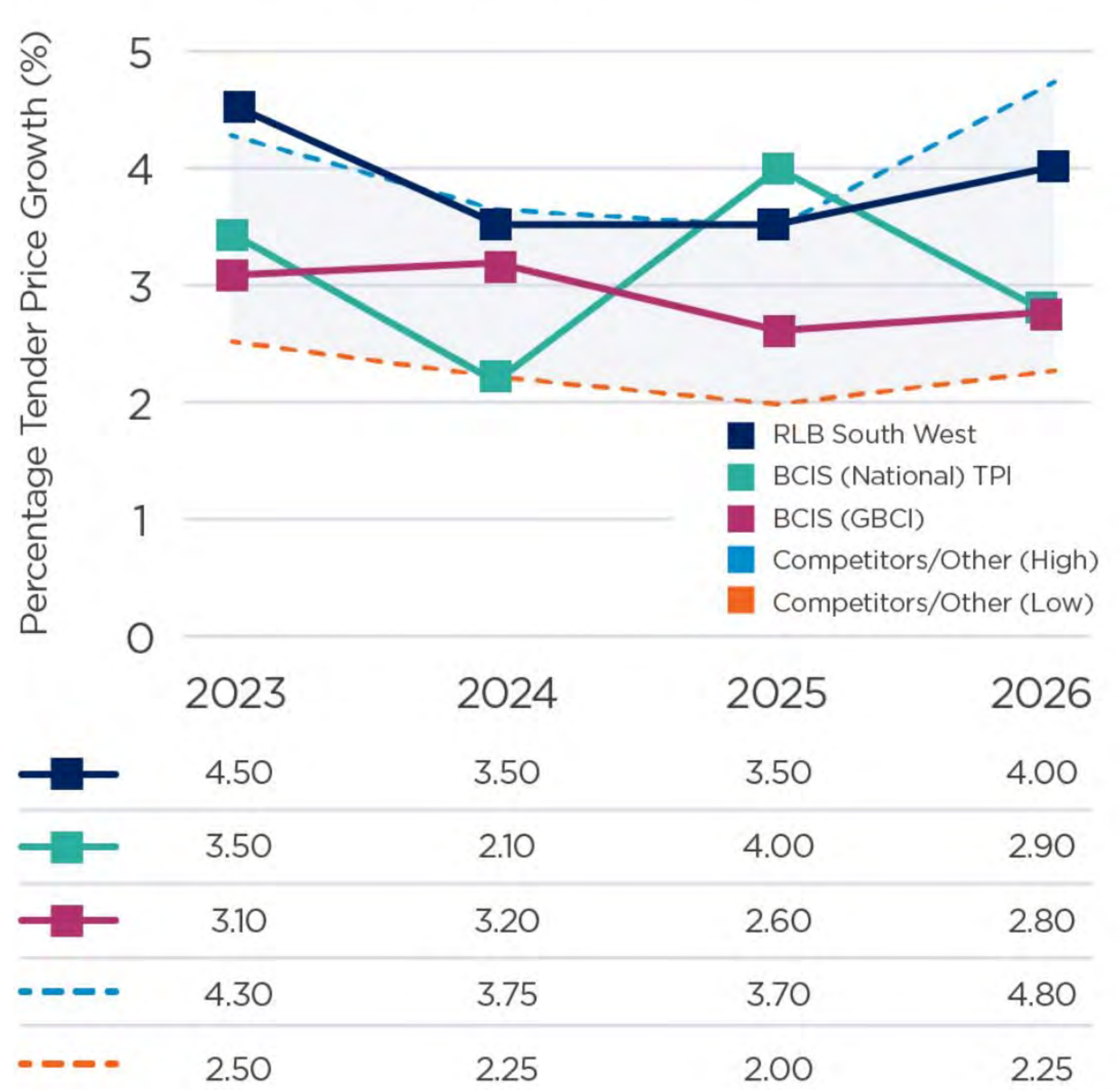
TENDER PRICES

Prices softening amid growing competition in the market

Although tender price level expectations are unchanged from last quarter's report, the market is softening and driving contractors' interest in pricing opportunities. Input costs have stabilised, though generally not fallen, so inflation in pricing can still exist even though increased competition is underway.

Moving beyond the next year or so, on-site activity levels will return, given stayed projects and any easing of planning timeframes. Other indicators of wider economy stability, namely GDP growth and interest rate cuts, could return projects to market, but then further increasing workload could even overtake availability of resources, placing cyclical pressure on inflation again.

South West | Tender Price Change



INPUT COSTS

- Materials price inflation is generally lower, but still affecting tender prices.
- Long lead MEP and plant pricing remains open to fluctuations.
- Labour costs across the region have stabilised.

SECTOR FOCUS

Data Centres

There is continued planned investment in the technology sector across the South West, predominantly around Bristol and the Gravity Enterprise Zone in Bridgwater. The Data Lab project is starting on site this quarter.

Residential

Residential demand across the South West region remains strong. Exeter and Bristol have seen a great deal of interest in student accommodation, with several schemes in planning and due to start in late 2024 or early 2025.

Educational

Clients in the education sector are steering away from new-build facilities and instead looking to improve campus efficiencies. This is interlinked with reviewing operational costs and reducing carbon emissions to meet net zero initiatives and 2030 carbon goals.

Logistics & Manufacturing

Activity and opportunities in this sector are growing, following new investment at the Gravity Enterprise Zone and news that Jaguar Land Rover and BMW are considering manufacturing plants in the region. Panattoni has had plans approved for a £700m redevelopment of the former Honda factory site in Swindon.

BRISTOL, UK

CASTLE PARK VIEW

Castle Park View, Bristol's tallest residential building, was completed ahead of schedule and on budget despite being built during the pandemic. RLB supported the project from the initial concept stage through to delivery.

Read more

Yorkshire & Humber



David Robinson
Senior Associate

Our involvement in the public sector remains strong, with many of our clients making use of Levelling Up and Towns Deal funding to support new residential, cultural and leisure-based schemes.

RLB's role in supporting multiple schemes across multiple local authority clients clearly shows confidence in the region despite the challenging economic and political backdrop being faced at present.

Contact

MARKET CONDITIONS & PIPELINE

Region's resilience holds up against challenging conditions

The region is proving resilient, particularly in Leeds and Sheffield, despite numerous schemes having been significantly impacted by the interest rate rises during 2023.

No significant change in Q1 2024 is expected, given current uncertainty and following the reduction of new starts in 2023. An improvement is anticipated during mid-to-late 2024, when an easing of interest rates is more likely, which should enhance confidence in new residential developments.

Labour and skills shortages continue to put pressure on contractors' ability to deliver development opportunities, which has held construction prices at typical levels despite a weakening in demand in key sectors.

Significant schemes are progressing through the planning system, including a new innovation hub at White Rose Park in Leeds, a 15-storey mixed-use scheme in Holbeck, and the 40-storey co-living King's Tower in Sheffield.

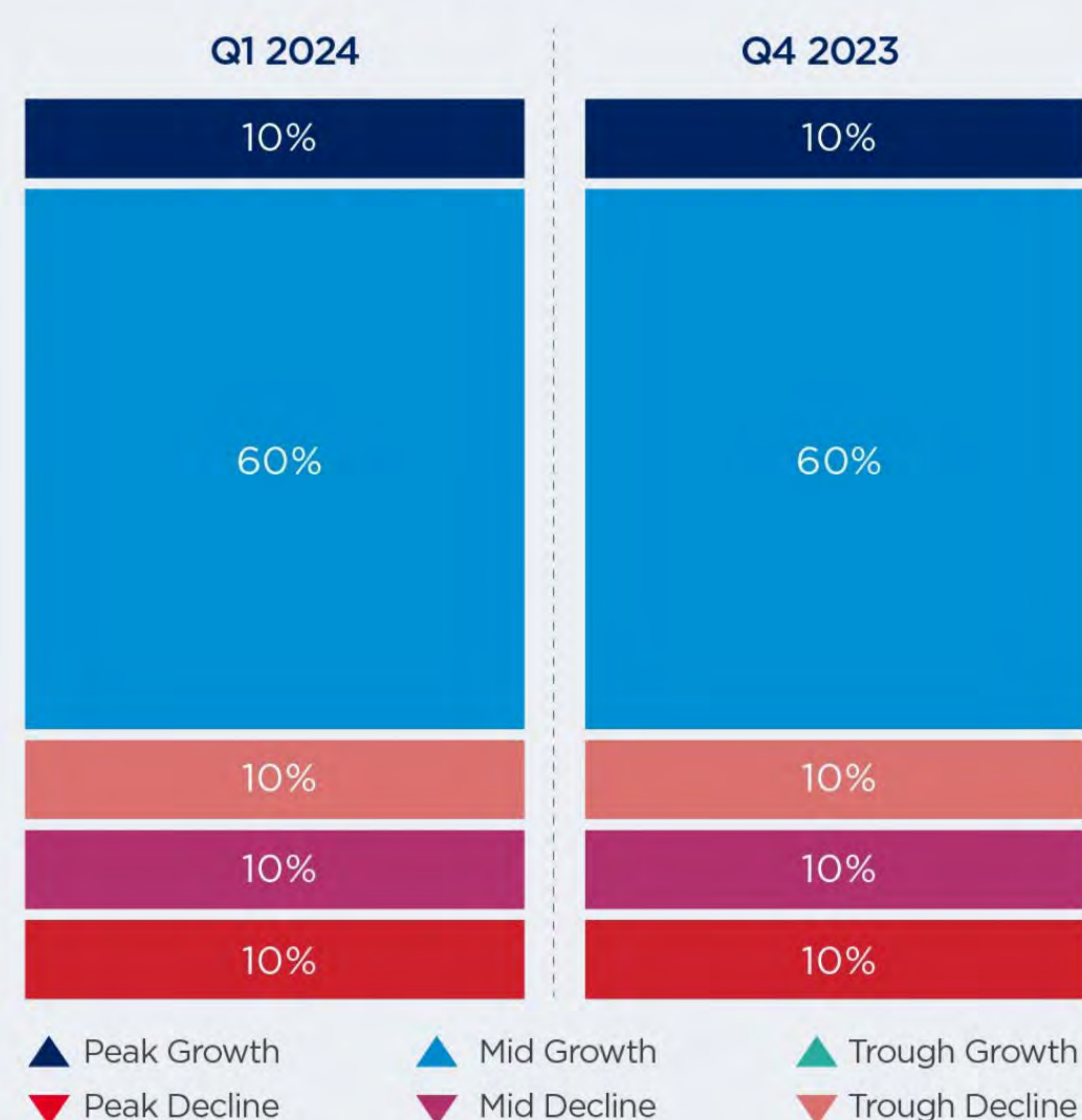
While positive opportunities are prevalent, investment is constrained due to reduced demand and more uncertain economic conditions, preventing commercial and residential developments from progressing quickly.

Market sector activity analysis

	Q1 2024	Q4 2023
Houses	▼	▼
Apartments	▲	▲
Offices	▼	▼
Industrial	▲	▲
Retail	▼	▼
Hotel	▲	▲
Infrastructure	▲	▲
Health	▲	▲
Aged Care	▲	▲
Data Centres	▲	▲

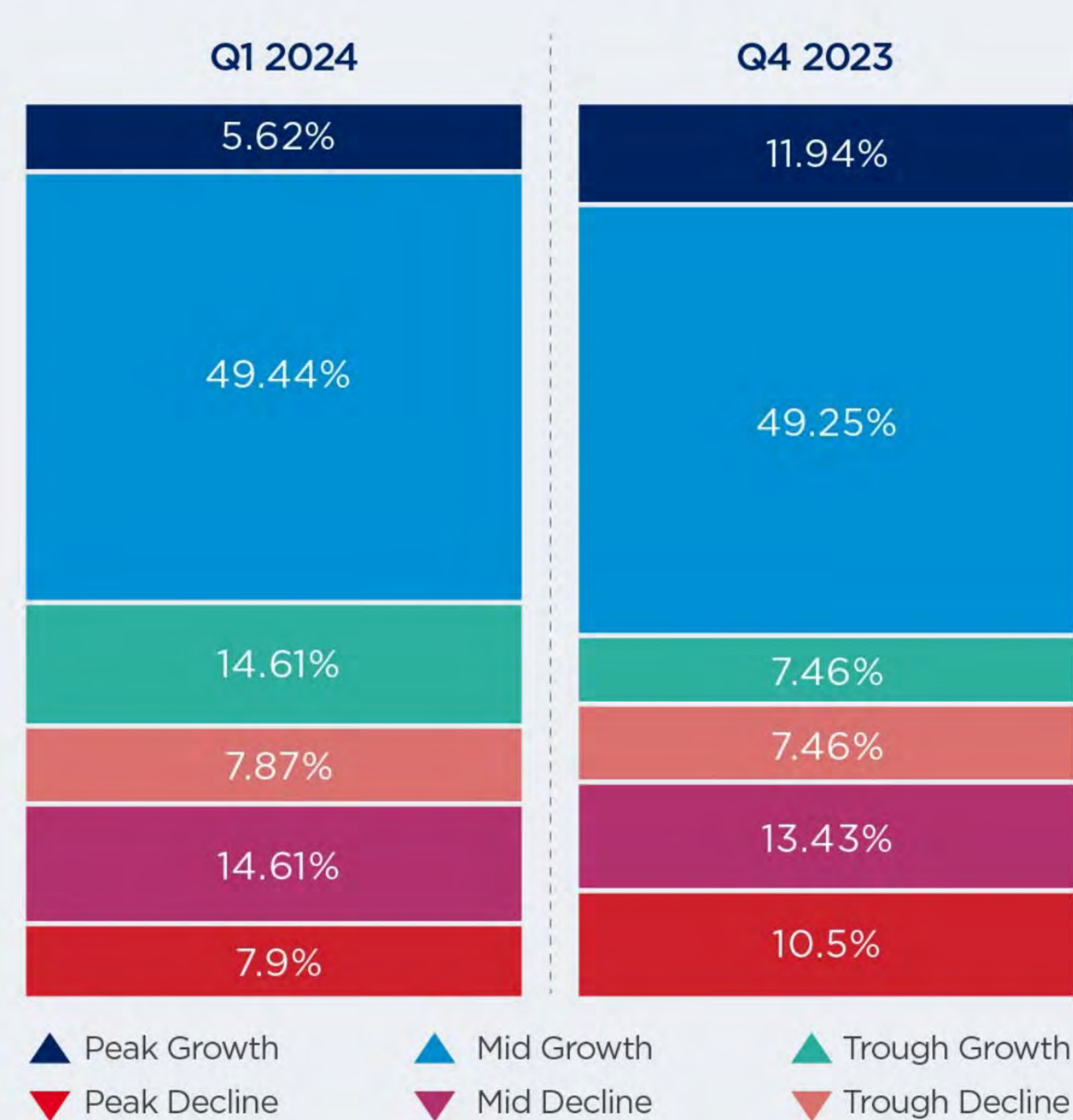
▲ Peak Growth ▲ Mid Growth ▲ Trough Growth
▼ Peak Decline ▼ Mid Decline ▼ Trough Decline

Market sector activity analysis: Yorkshire & Humber



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Market sector activity analysis: National



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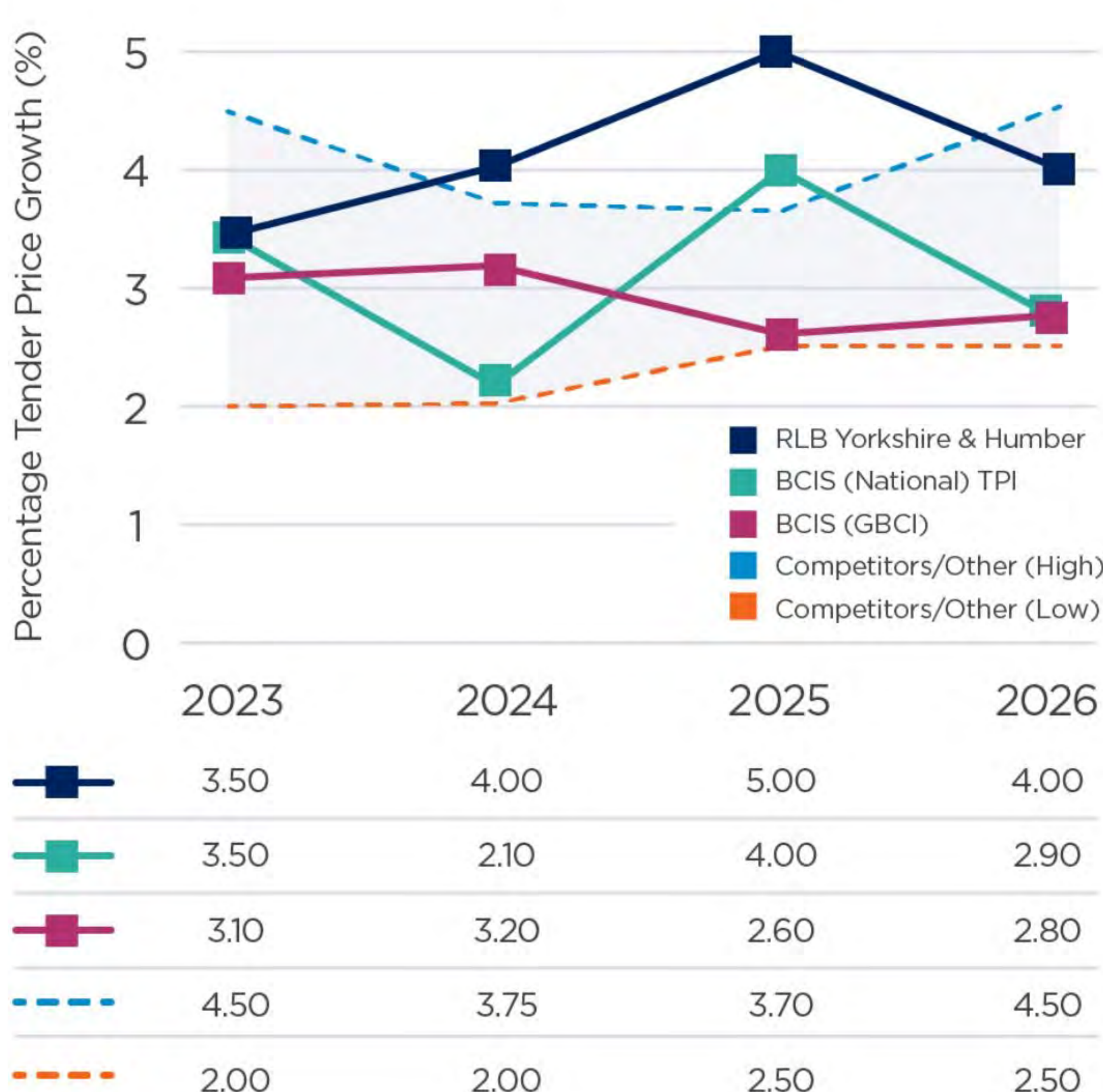
TENDER PRICES

Steady price inflation expected during 2024

A more regular increase in tender prices is expected during 2024, notwithstanding a cooling of the market in the early part of the year. The outlook for Q2 and beyond is more positive, with a return in consumer confidence which will impact directly on multiple sectors.

We anticipate sharper price increases in 2025 and beyond, but this is a significant assumption dependent on the outcome of the next UK general election and worldwide geopolitical events.

Yorksire & Humber | Tender Price Change



INPUT COSTS

- Prices of manufactured products such as windows are up, highlighting the impact energy, labour and transportation costs are having generally.
- There has been a reduction in materials prices overall, with key reductions in steel and timber.
- More typical labour cost increases are expected through 2024.

SECTOR FOCUS

Commercial

The shift towards high-quality and sustainable prime office space, particularly in Leeds, is a continuing trend as the region settles into hybrid working. Significant new commercial office developments are underway, and in the pipeline, which demonstrates the region's resilience despite the turbulence in the economic backdrop over the last 12 months.

Public & Civic

There are multiple public sector schemes in planning and development as local authorities create opportunities through the Towns Fund and Levelling up Fund. Challenges around project viability remain, as historic budgets often precede the significant levels of inflation experienced in 2023, which is slowing progress on many schemes in the region.

Education

Education institutions remain on their journey to rebalance meeting spaces to enhance the student experience and net zero hybrid working within the sector. The balance between committing funds to refresh and reducing carbon emissions shows new and refurbishment opportunities is a significant challenge for most education institutions.

Logistics & Manufacturing

There are continued opportunities across the region. However, developments have slowed as key logistics tenants hold investment decisions due to low consumer confidence levels. An increase in consumer confidence in the coming months should unlock multiple opportunities and promote sustainable growth in this sector.

SHEFFIELD, UK

STOCKSBRIDGE COMMUNITY HUB

RLB has been appointed to provide cost and project management services to support the delivery of a planned £20m community hub in Stocksbridge, near Sheffield. The three-storey building will include a library, cafe and nearly 15,000 sq. ft. of office space, creating opportunities for new businesses to establish and grow.

Image credit: Sheffield City Council and Coda Architects

Midlands



Adam Hope
Senior Associate - Cost Manager

Amidst the struggle of contractors to secure projects, a silver lining is emerging as prices experience a softening. Coupled with anticipated falls in interest rates, this holds the potential to catalyse a push in new development.

As contractors vie to bolster their order books, the market dynamics suggest a promising window of opportunity for the advancement of the industry.

Contact

MARKET CONDITIONS & PIPELINE

Slow start to year but confidence beginning to return

The latter part of 2023 remained difficult and new starts on site will be slow in the first half of 2024 due to the significant reduction in activity as a result of high interest rates and poor returns. But there are signs of confidence starting to come back to the market as inflation and build costs slowly settle.

Contractors' appetite for tendering has increased following the reduction in new starts. This is leading to an easing of build costs as competition for work stiffens. The risk appetite of contractors remains constrained, however, given key insolvencies last year, and this is reflected in a tight bond market.

Consents dropped slightly in 2023 across all sectors compared to 2022, although the latter part of the year saw an uplift in schemes going to planning. However, the planning process continues to be slow, particularly for infrastructure schemes awaiting highways approval, which has stifled several schemes in the region.

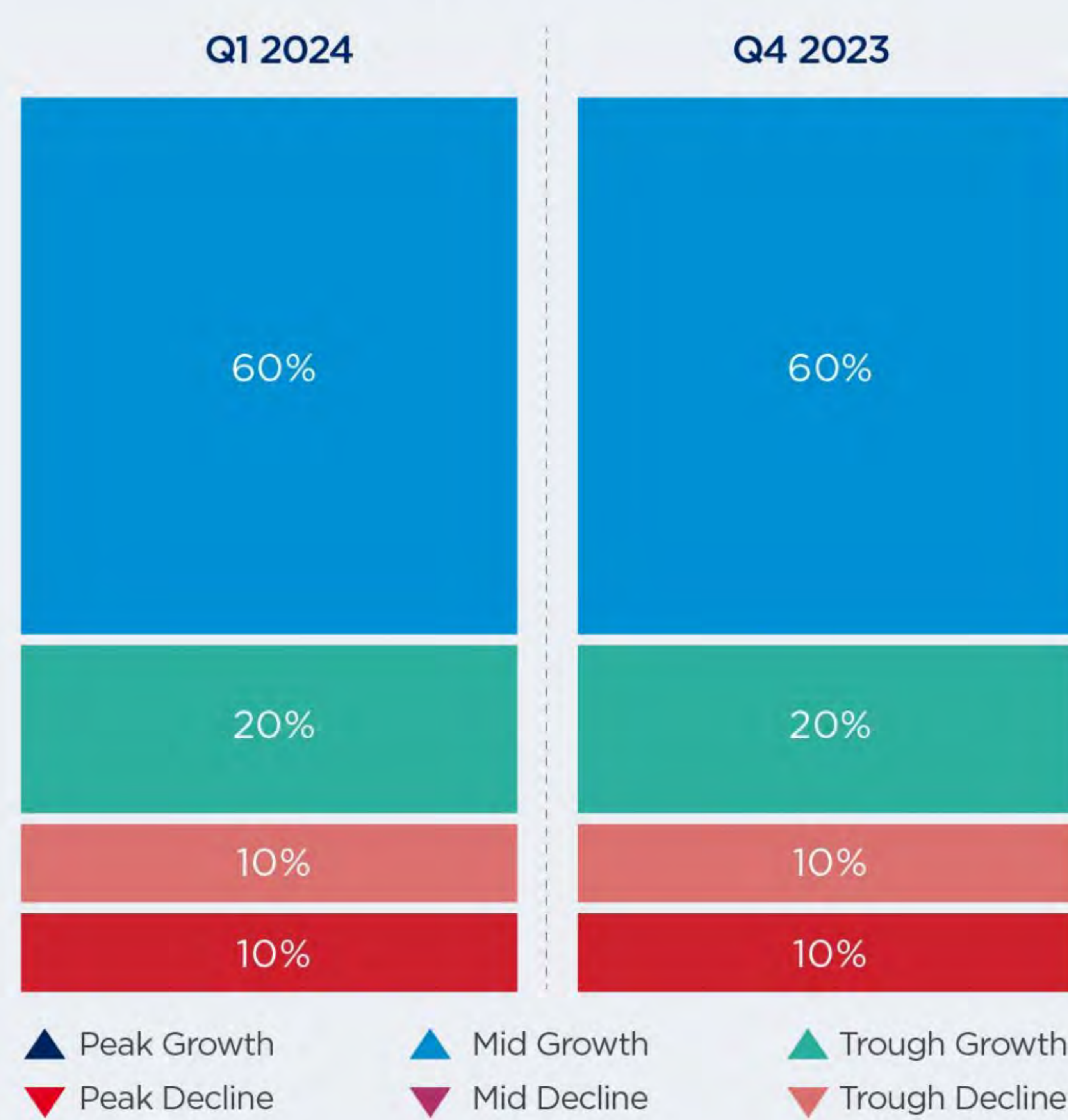
There has been a reduction in speculative applications caused by the high interest rates and consequent difficulty in making viability stack up.

Market sector activity analysis

	Q1 2024	Q4 2023
Houses	▼	▼
Apartments	▲	▲
Offices	▲	▲
Industrial	▲	▲
Retail	▲	▲
Hotel	▲	▲
Infrastructure	▼	▼
Health	▲	▲
Aged Care	▲	▲
Data Centres	▲	▲

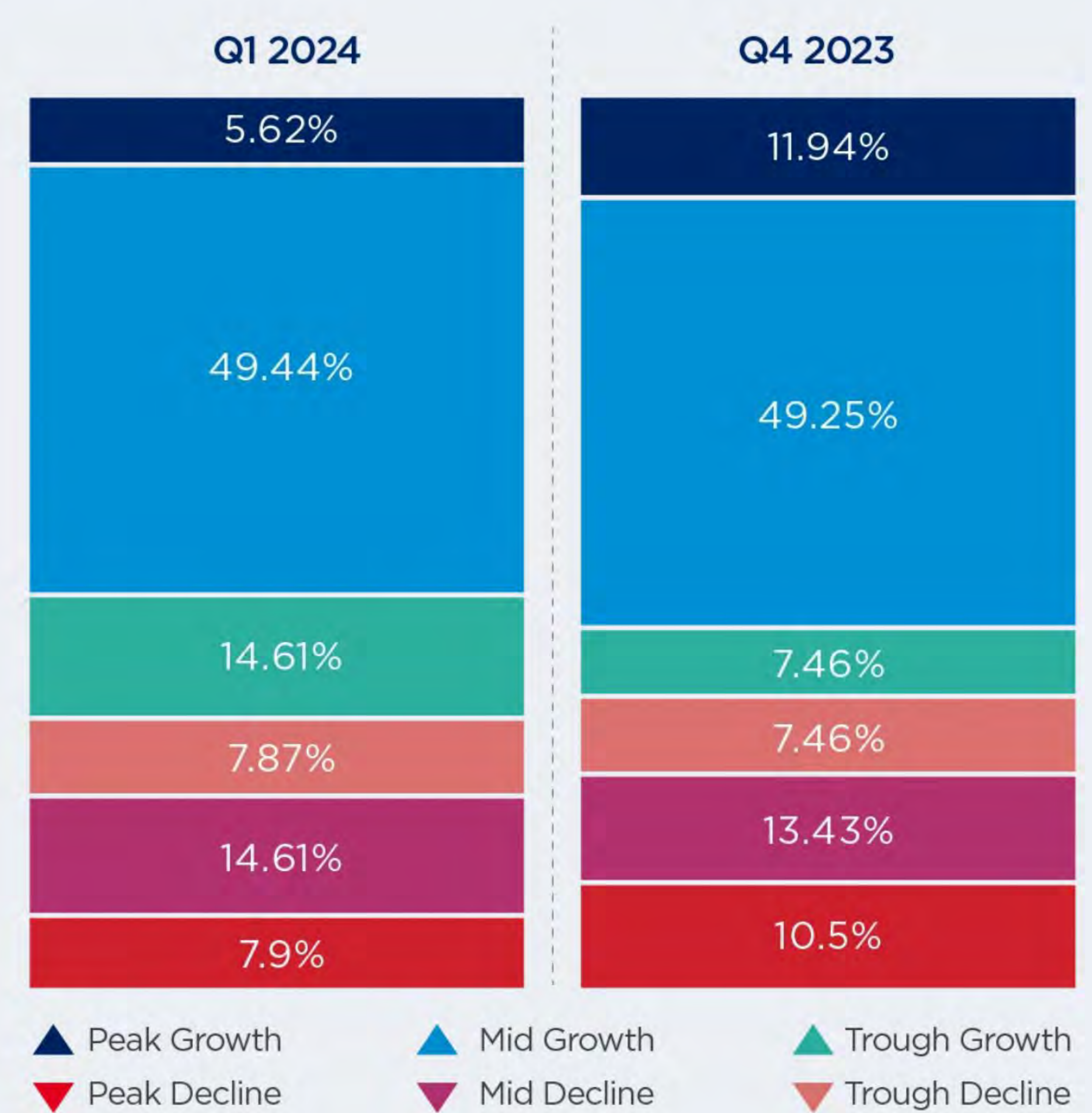
▲ Peak Growth ▲ Mid Growth ▲ Trough Growth
▼ Peak Decline ▼ Mid Decline ▼ Trough Decline

Market sector activity analysis: Midlands



The RLB Market Activity Analysis is a representation of the development activity cycle for the construction industry. The model depicts an ideal continuous economic cycle, activity levels growing from trough, through mid, to peak and declining from peak, through mid, to trough. The subjective current performance of sectors is identified by ascribing one of the coloured arrows (shown in the legend of the chart) to each sector. NB: In this analysis, sectors are not individually weighted.

Market sector activity analysis: National



Consolidating the results of multiple regions results enables the calculation of a national representation of percentage of sectors in each phase of the cycle at a point in time.

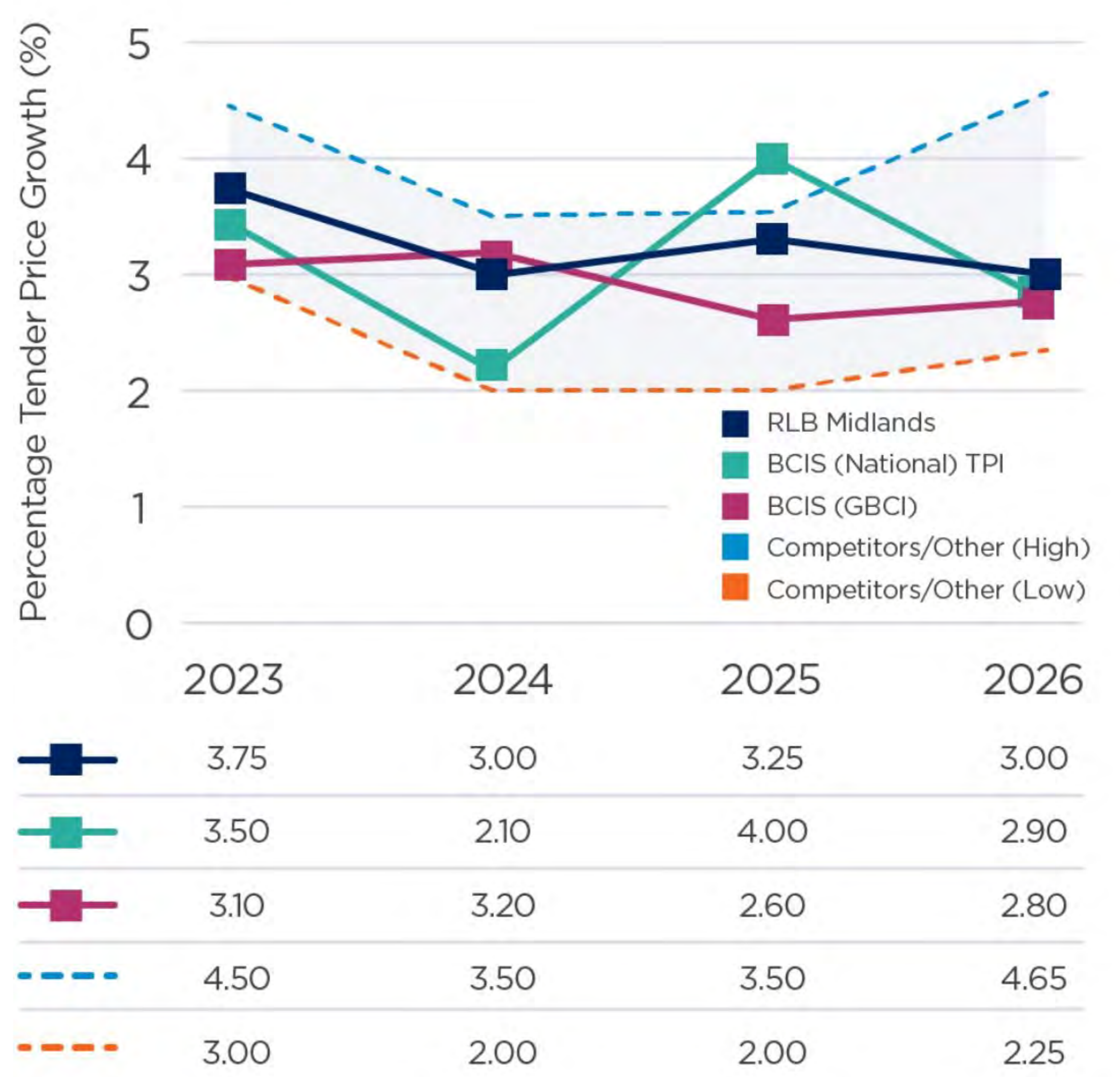
TENDER PRICES

Moderation in inflation levels projected for 2024

We project a moderation in inflation levels through the year, reverting to historical norms after what has been a period of abnormal escalation. This trend is expected to be underpinned by movement toward economic stability, particularly as the government takes further measures to curtail inflation.

This forthcoming stability holds the potential to engender confidence across the board, and is poised to act as a catalyst for renewed activity, marking a return to a more dynamic and growth-oriented business environment.

Midlands | Tender Price Change



INPUT COSTS

- Despite a slowdown in new starts, labour prices remain in line with the previous quarter as the cost of living crisis continues.
- Structural steel levels have significantly cooled compared to last year.

SECTOR FOCUS

Commercial

Despite the economic challenges experienced in the past year, there are substantial ongoing and planned commercial office initiatives in the region. Noteworthy examples include Paradise Birmingham, which is set to expand by approximately 500,000 sq. ft. by 2028, providing clear further evidence of the 'flight to quality'. Sizeable refurbishment projects are being driven by the necessity to decarbonise existing assets and comply with the Minimum Energy Efficiency Standard (MEES). These developments are raising optimism that investor confidence will strengthen.

Retail

The sector is generally expected to have a flat 2024, due to weakened consumer demand, low economic growth, and the impact of the National Minimum Wage increase on staff costs. All this will translate into slower construction starts. Hotels and pubs are predicted to perform better in terms of attracting investment, compared to restaurants. While larger pub companies will continue to sell off less profitable sites, a rise in freeholds bought by tenanted pub companies demonstrates continued demand and confidence.

Educational

Nervousness around student numbers, lingering inflation, high interest rates and sustainability aspirations have caused uncertainty within the higher education sector. Nevertheless, repurposing and refurbishment opportunities are growing, as universities consolidate space and look to offload under-utilised building stock. Increased funding streams for research and life sciences facilities are also creating opportunities for new-build projects.

Logistics & Manufacturing

Activity in the sector remains stable. Planning applications reduced in 2023, but there is evident increased competition. Developers are unlikely to push for speculative new starts while the financial market remains challenging. New starts are being delayed anyway by slow highways approvals and the lack of developable land. But developers are still looking to grow their portfolios and as such activity is focused on feasibility appraisals.

Public & Civic

There is a renewed drive to construct more affordable homes across the Midlands, with the West Midlands Combined Authority (WMCA) on track to meet its goal of delivering 215,000 new homes by 2031. Developers receiving WMCA funding for their schemes are required to make a minimum 20% of those homes affordable.

COALVILLE, UK

PROJECT POSEIDON

Motability Operations is the commercial organisation that delivers the Motability Scheme to more than 700,000 disabled people across the UK, helping them to access independent mobility. RLB is leading a project to transform the organisation's vehicle service centre at Coalville, Leicestershire. Using our multidisciplinary expertise, including project and cost management, building surveying, and contract administration and employer's agent services, we will help deliver a state-of-the-art facility that sets new benchmarks in efficiency and sustainability.

Read more

Wales



Thomas Davey
Senior Cost Manager

With net zero and EPC A goals becoming the new normal for all councils in Wales, we have seen a drive from them to lead the way forward on decarbonisation of their assets.

The main focus are areas of communal interest such as community centres and general public buildings, with the unit costs associated with these works slowly declining following the increase in their popularity.

Contact

MARKET CONDITIONS & PIPELINE

Activity levels begin to stabilise as new starts slow

Wales is currently showing signs of stable economic activity, which is evident in the number of construction projects that are ongoing. Cardiff, Swansea and Newport, the three biggest cities in Wales, continue to perform well.

There is a drive for new houses and apartments, meaning residential sites and planning consents are still being secured at pace. But this does not necessarily translate into starts, as developers landbank sites due to the impact of interest rates on the sale of private units and the viability of build-to-rent schemes.

The government's decision to cancel the northern leg of the HS2 high-speed rail project could be of benefit to the North of Wales as money is to be redirected to improve existing transportation links, while also creating new rail lines and stations.

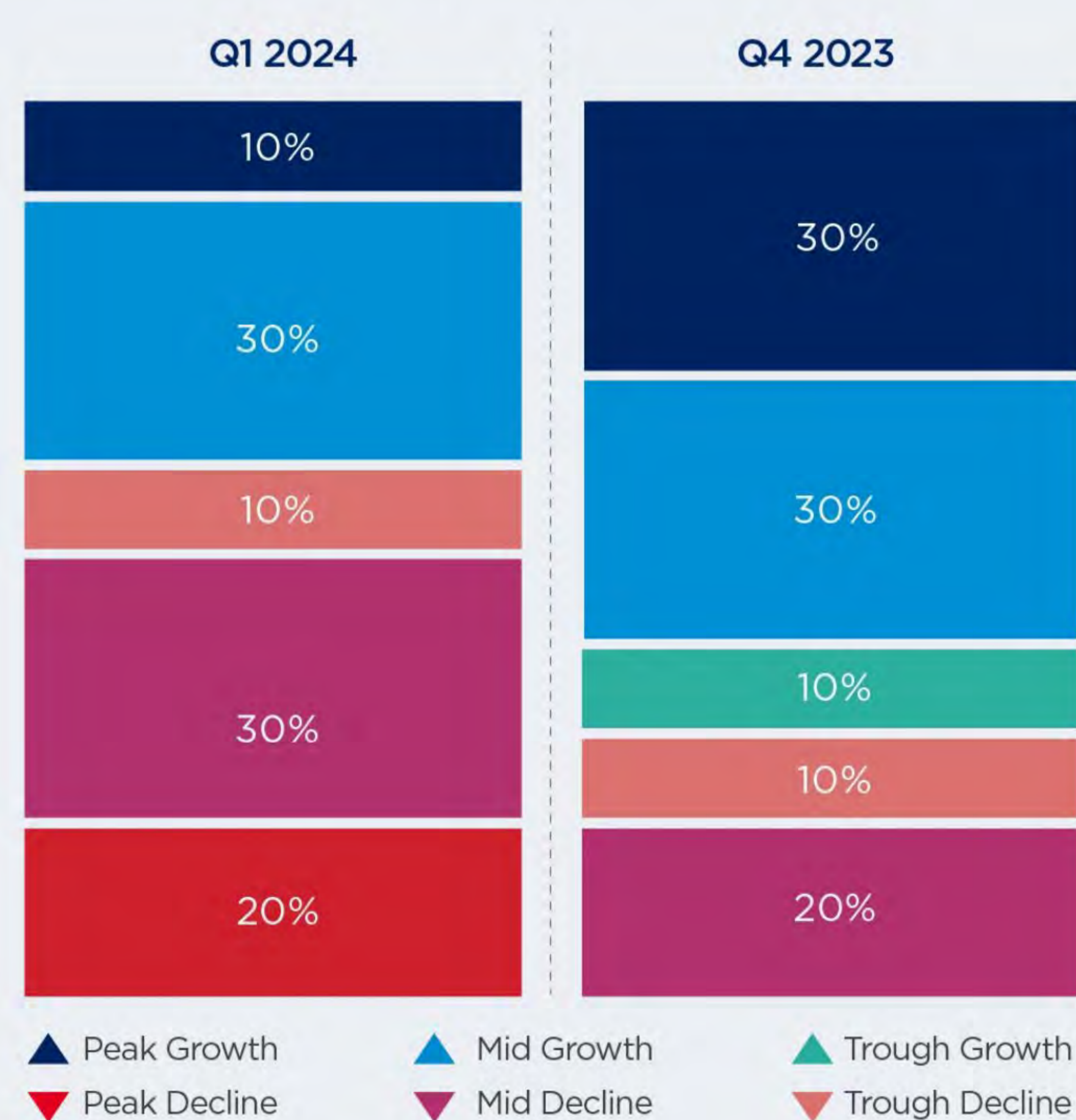
New starts are continuing at a reduced rate from the previous quarter. The planning process remains slow, with projects being delayed by staff resourcing issues within local authorities. Clients are still positive about bringing projects to market, but there is greater awareness that there could be long lead-in periods before projects start on site.

Market sector activity analysis

	Q1 2024	Q4 2023
Houses	▼	▲
Apartments	▼	▲
Offices	▲	▼
Industrial	▲	▲
Retail	▼	▼
Hotel	▼	▼
Infrastructure	▼	▲
Health	▲	▲
Aged Care	▲	▲
Data Centres	▲	▲

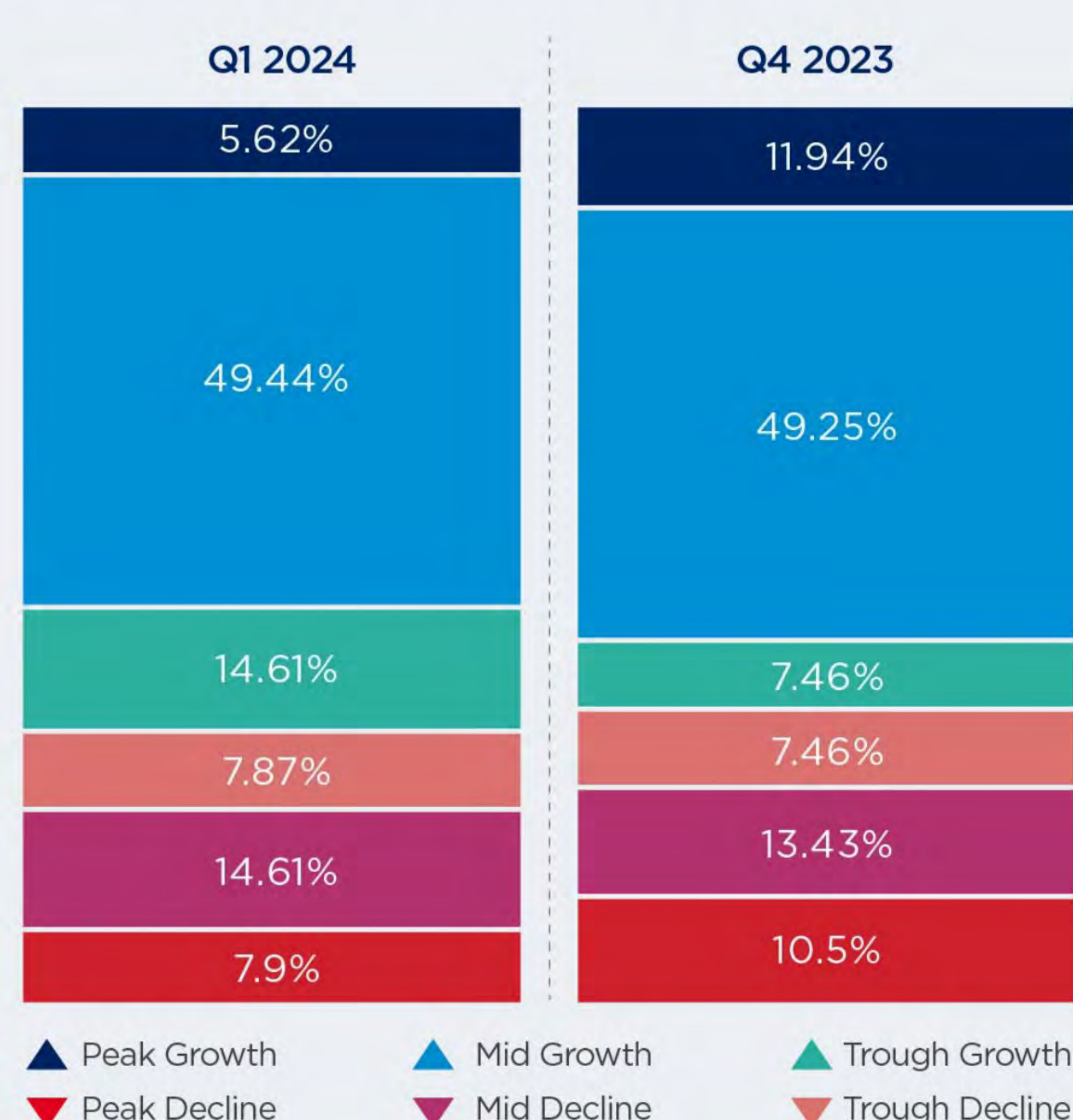
▲ Peak Growth ▲ Mid Growth ▲ Trough Growth
▼ Peak Decline ▼ Mid Decline ▼ Trough Decline

Market sector activity analysis: Wales



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Market sector activity analysis: National



Consolidating the results of multiple regions results enables the calculation of a national representation of percentage of sectors in each phase of the cycle at a point in time.

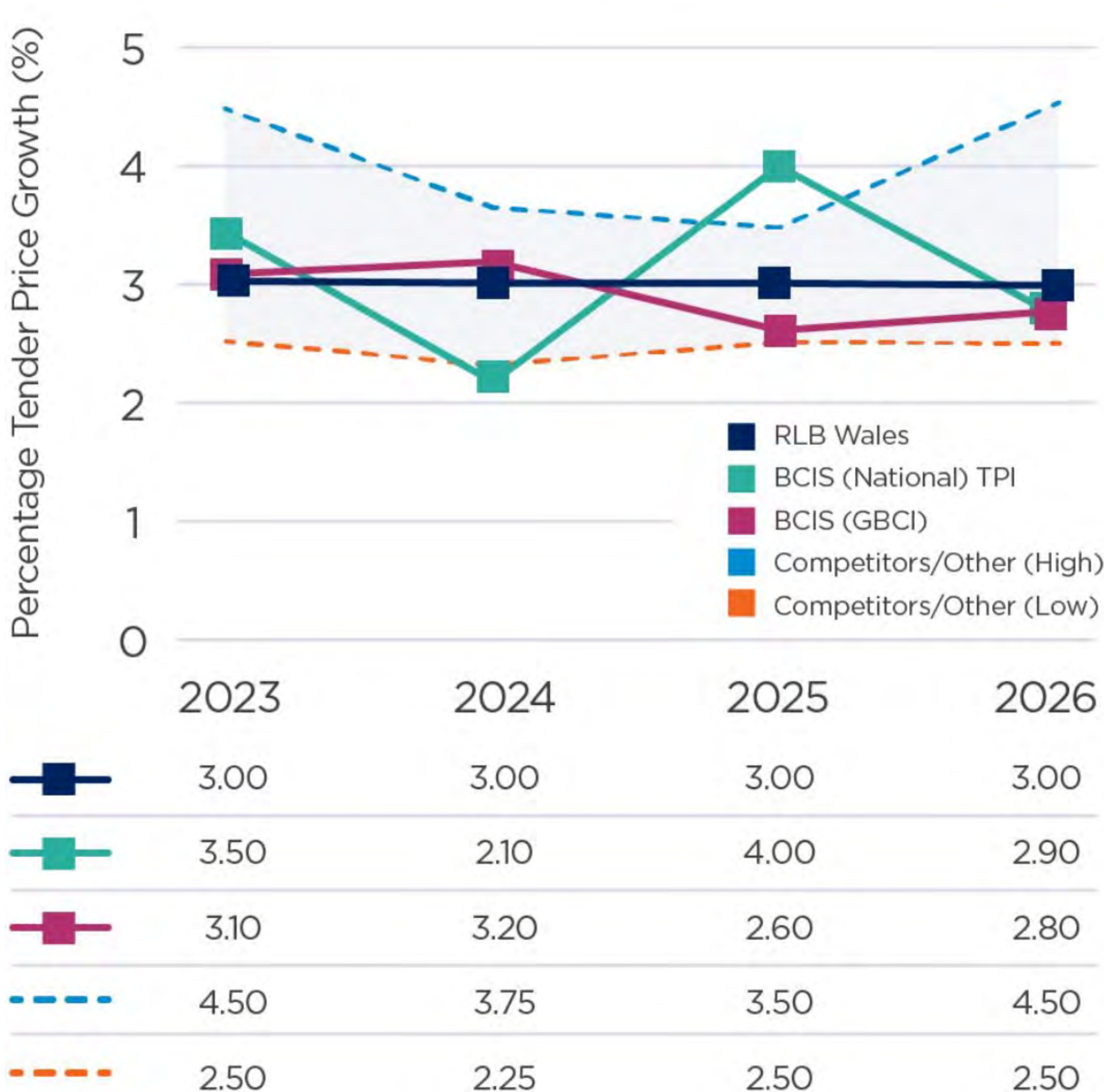
TENDER PRICES

Pricing levels set to track rise in cost of living

Tender prices will continue to rise in line with the cost of living in the next 12 months. It is forecast that the increase in prices from current levels will be steady, unlike the drastic increases experienced in previous years. Large projects are continuing across the major cities of Wales, which will help to keep prices stable.

The long-term outlook is that tender prices will continue to rise in line with industry forecasts, and there are no foreseen dominant factors likely to have a significant impact on them in either direction.

Wales | Tender Price Change



INPUT COSTS

- MEP contractors are still extremely busy in the region but costs are levelling off.
- Timber prices are slowly reducing, while steel prices are increasing slowly.
- The labour resource remains at full capacity and wages continue to be stable.

SECTOR FOCUS

Data Centres

New data centres and laboratories are in development across the nation, with some of these projects starting on site this quarter. Investment in technology and upgrading facilities is a strong growth pipeline.

Energy

The energy sector in Wales is emerging slowly, with acquisitions of several large sites that are planned for solar farms and battery storage facilities.

Education

Refurbishment and expansion projects associated with creating more school spaces is a key area of focus across the education estate in Wales.

Residential

Residential planning consents are still being secured at pace, but not translating to starts on site as developers bide their time. The levelling out of interest rates may improve activity but viability is still a challenge on many projects. There is continued high demand for shared ownership schemes.



CARDIFF, WALES

CARDIFF CROSSRAIL

RLB and leading multi-disciplinary professional services consultancy WSP have been appointed by Cardiff Council to provide programme and cost management services to support the delivery of a new public transport system in the Welsh capital.

Read more

South East



Kate Sorrell
Partner

The COVID-19 pandemic gave a significant boost to the life sciences and medical research and development market, in particular enhancing technologies and increasing digitisation to meet the heightening demand for testing, vaccines and treatments. This trend continues with many developers, universities and medical facilities branching out into this expanding asset class.

One of the key challenges faced by our clients is navigating the fluctuating landscape of construction. With high inflation and wage growth partly driven by geopolitical factors, balancing costs and the impacts on tender pricing becomes paramount in ensuring project success.

Contact

MARKET CONDITIONS & PIPELINE

Region stays positive despite viability and planning challenges

Generally, market sentiment remains positive and resilient across the South East. This is despite complexities and challenges on a number of key fronts that are having a significant impact on the ability of developers to move schemes through the planning system and on to the construction and delivery phase.

The picture is mixed when market conditions across the region are examined in more detail. There are notable differences between subregions and subsectors, which are all impacted by the same macro level issues faced by the industry as a whole, but to varying extents.

Viability challenges remain but there is growing expectation there will be some level of improvement in conditions during the course of 2024 despite the current economic backdrop. New project pipeline activity remains strong for many sectors, though certainly not all.

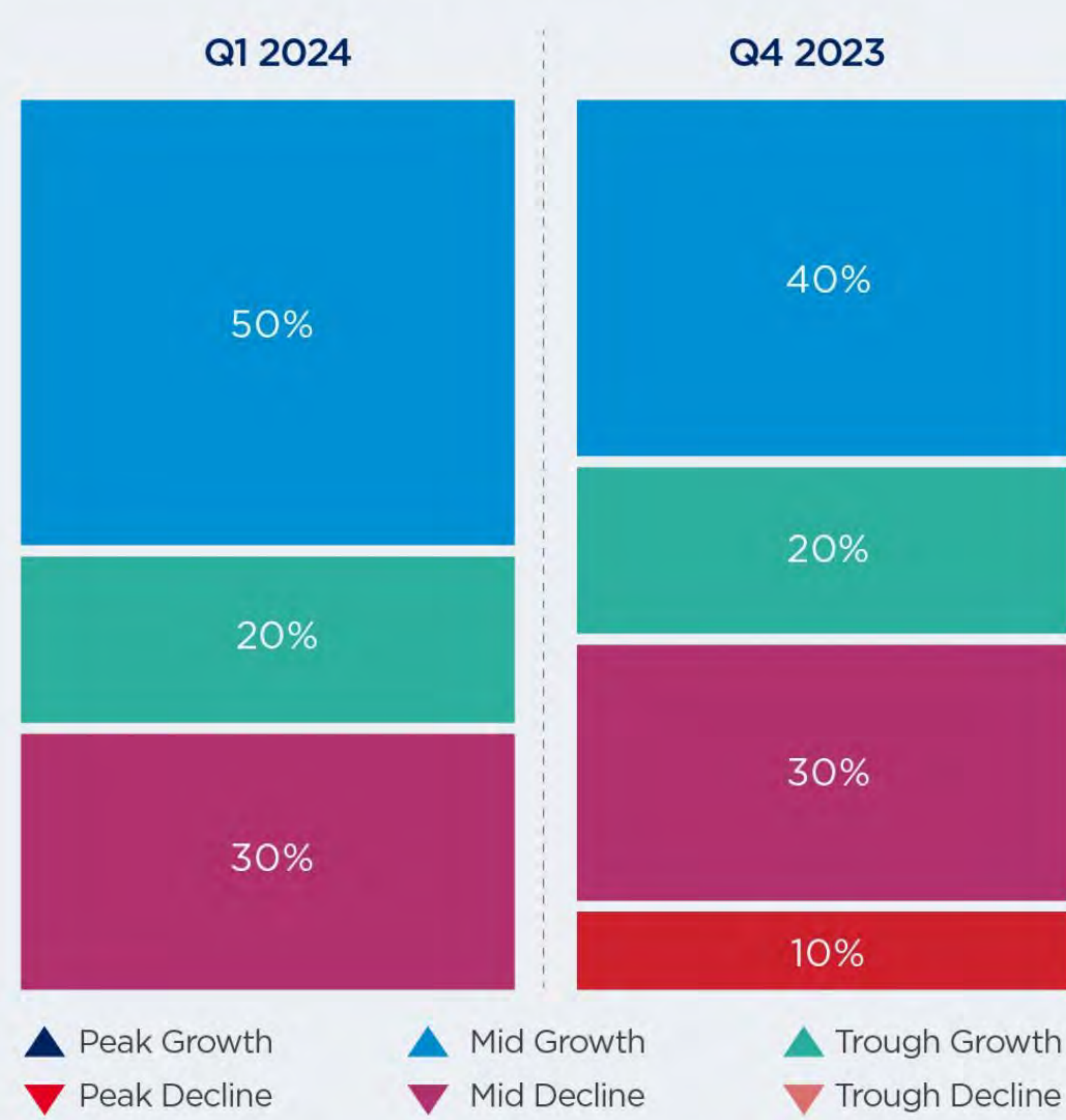
In addition, the expected general election in 2024 may bring with it increased levels of hesitancy and further potential issues in what is already a challenging planning environment.

Market sector activity analysis

	Q1 2024	Q4 2023
Houses	▼	▼
Apartments	▼	▼
Offices	▲	▲
Industrial	▲	▲
Retail	▲	▲
Hotel	▲	▲
Infrastructure	▼	▼
Health	▲	▲
Aged Care	▲	▲
Data Centres	▲	▼

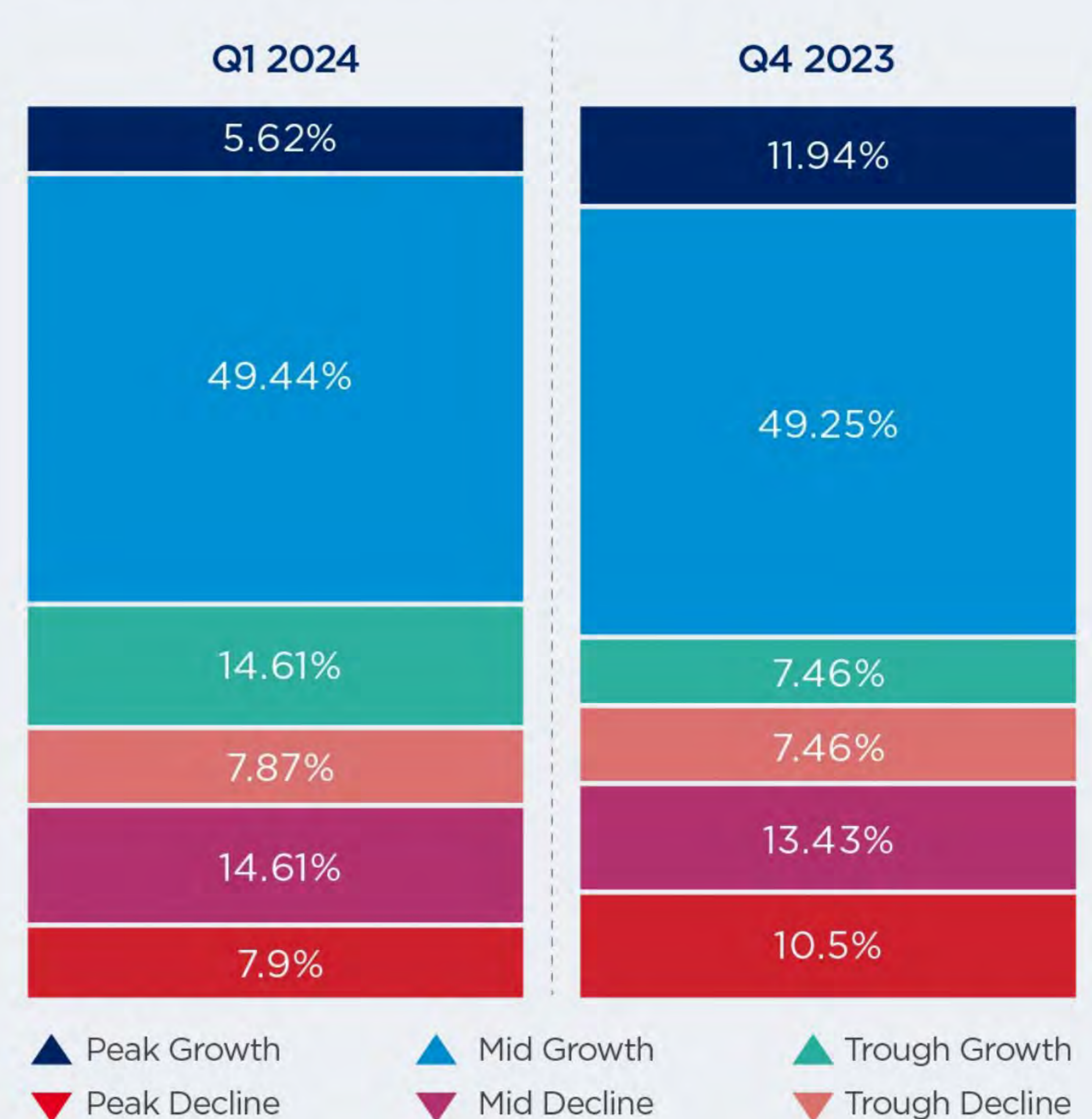
▲ Peak Growth ▲ Mid Growth ▲ Trough Growth
▼ Peak Decline ▼ Mid Decline ▼ Trough Decline

Market sector activity analysis: South East



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Market sector activity analysis: National



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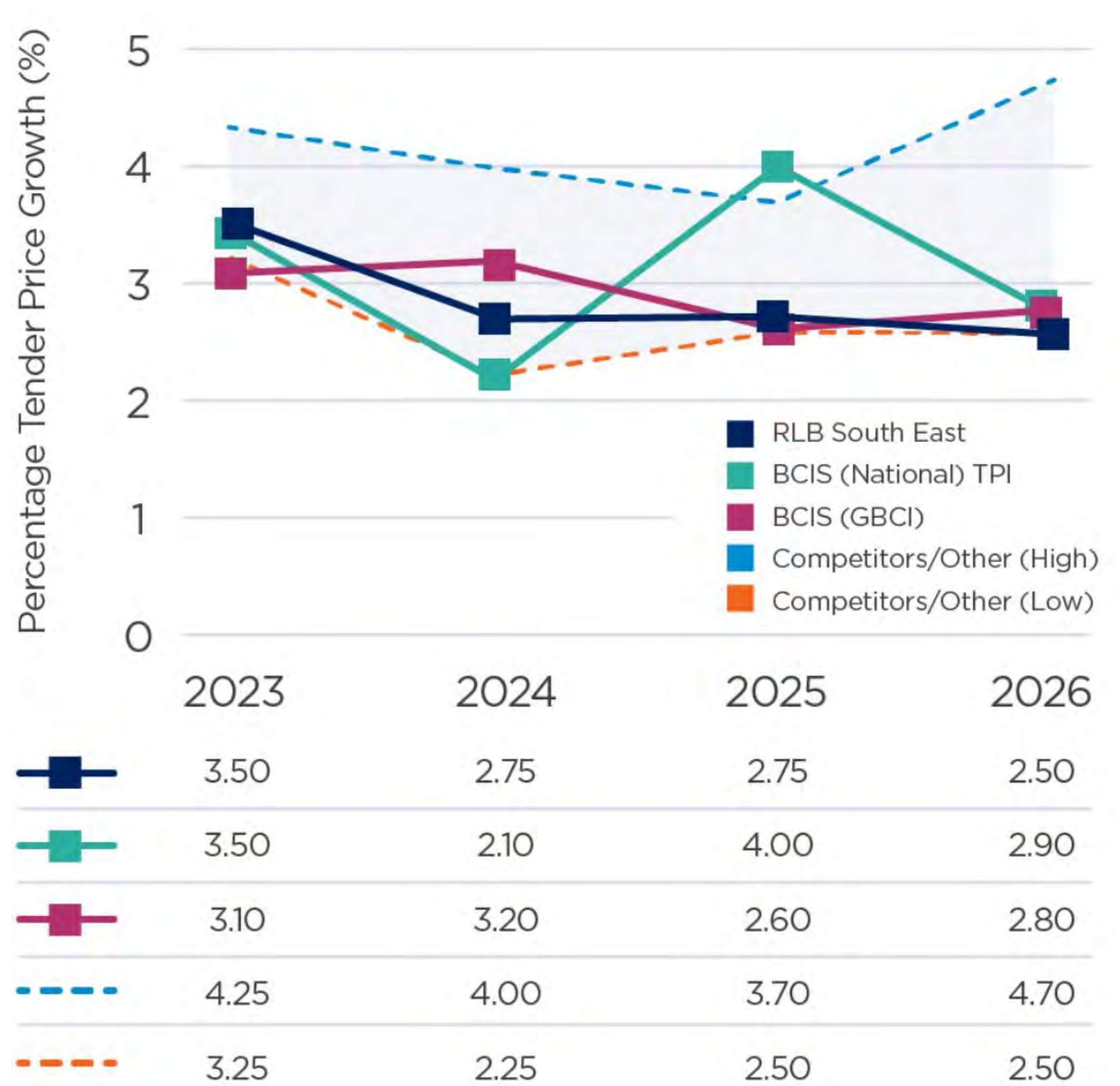
TENDER PRICES

Pricing levels on upward but moderate trajectory

Pipeline opportunity generally continues to be in a reasonable state across sectors, so we expect tender prices to remain on an upward trend, albeit at more moderate levels throughout 2024 in comparison to recent years of higher escalation.

Beyond 2024, the construction and property market will be influenced by the UK's wider political situation and economic issues, such as inflation levels and interest rates, as well as planning regulation and public sector investment programmes. While pipeline optimism remains, we expect pricing levels to continue on an upward but moderate trajectory.

South East | Tender Price Change



INPUT COSTS

- Overall pricing levels remain steady albeit still on an upward trend in the face of materials price inflation, labour and skills issues, and international supply chain complexities.
- Despite the ongoing need for order books to be filled, pricing remains reserved with no significant evidence of under-pricing in order to secure work.

SECTOR FOCUS

Commercial

A significant bounce-back in leasing activity was reported in the second half of 2023, with Q4 outperforming on several comparable measures. The frequently reported 'flight to quality' in the market has continued, with occupiers focused on securing Grade A space with strong sustainability credentials. It's expected this will continue in 2024, even though new developer-led speculative schemes are generally few and far between.

Educational

There is reasonable activity in the higher education sector generally across the South East. Many universities are forecasting significant capital investment programmes over the next five years and beyond, as they look to upgrade campus facilities to make them more attractive to students.

Health

Life sciences continues to be a strong sector in the Oxford-Cambridge arc. There is significant developer and occupier interest, leading to an ongoing pipeline of projects coming through the planning system and being built out on a speculative basis given the lack of supply.

Residential

Last year proved to be difficult for many parts of the residential sector. The expectation is that the market will remain challenging through early 2024 but improve later in the year. The lack of house building, either due to developer stagnation or planning issues, is resulting in fewer completions coming forward and the affordable housing sector has also been adversely impacted.



READING, UK

UNIVERSITY OF READING HEALTH AND LIFE SCIENCE BUILDING

RLB has worked with the University of Reading for over 20 years under consecutive framework agreements and was appointed to provide quantity surveying services on this complex laboratory project.

The main driver for this project was to consolidate the activities currently being undertaken within four buildings scattered around Whiteknights campus into one modern, state-of-the-art research and teaching facility.

Read more

London



Teodora Yankova
Assistant Cost Manager

The London market often sits in its own ecosystem unaffected or slower to see the impact of other regions. Yet this quarter, while we are seeing good levels of activity, and immediate order books are full, we need a healthy kickstart in certain sectors.

While we anticipate a steady increase in tender prices, in the short and long term, bidders who want to win projects need to price keenly. Improved funding and investment options would help investors and developers and bring more project viability to certain sectors.

Contact

MARKET CONDITIONS & PIPELINE

Good levels of activity but many sectors need a boost

Materials costs have been retreating and tender prices are expected to soften, but it remains to be seen whether this will translate into lower costs for clients, which in turn would get the construction market moving faster. A healthy kickstart is needed in many sectors.

Even so, building activity levels are good and immediate order books seem full, but the longer-term prospects and scheme viability are causing mild concerns among contractors.

Improvement of funding and investment options would help investors and developers. At the moment, many are holding out for better rents, yields and sale returns, and better value or cost. There is much activity around feasibility studies, surveying and improving stock, and optioneering for existing buildings.

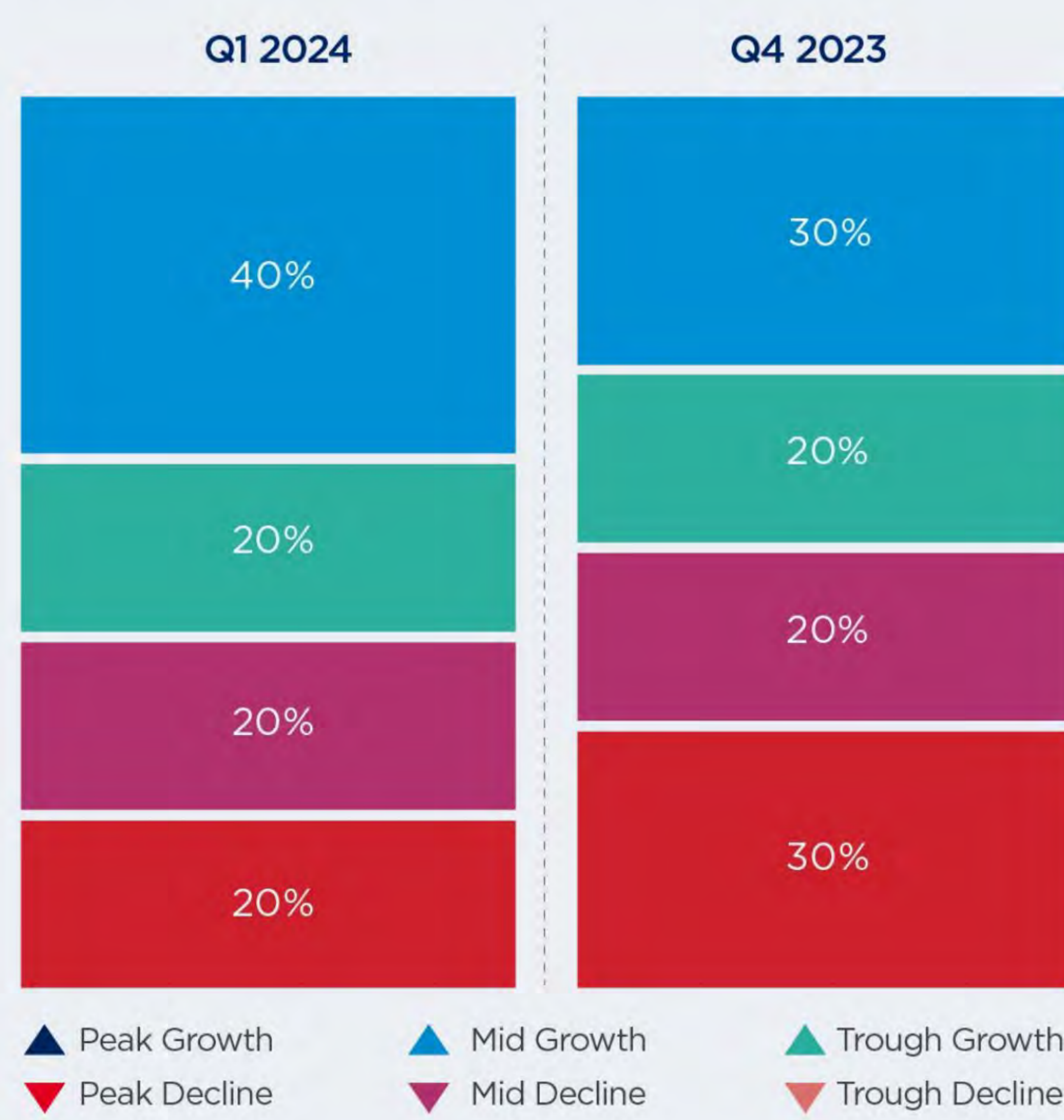
The planning process in the capital has been criticised for its slowness over the past few years now. Projects are having to go through more pre-applications than previously was the case, and a swifter process is needed.

Market sector activity analysis

	Q1 2024	Q4 2023
Houses	▼	▼
Apartments	▼	▼
Offices	▲	▲
Industrial	▲	▲
Retail	▲	▲
Hotel	▲	▲
Infrastructure	▼	▼
Health	▼	▼
Aged Care	▲	▲
Data Centres	▲	▼

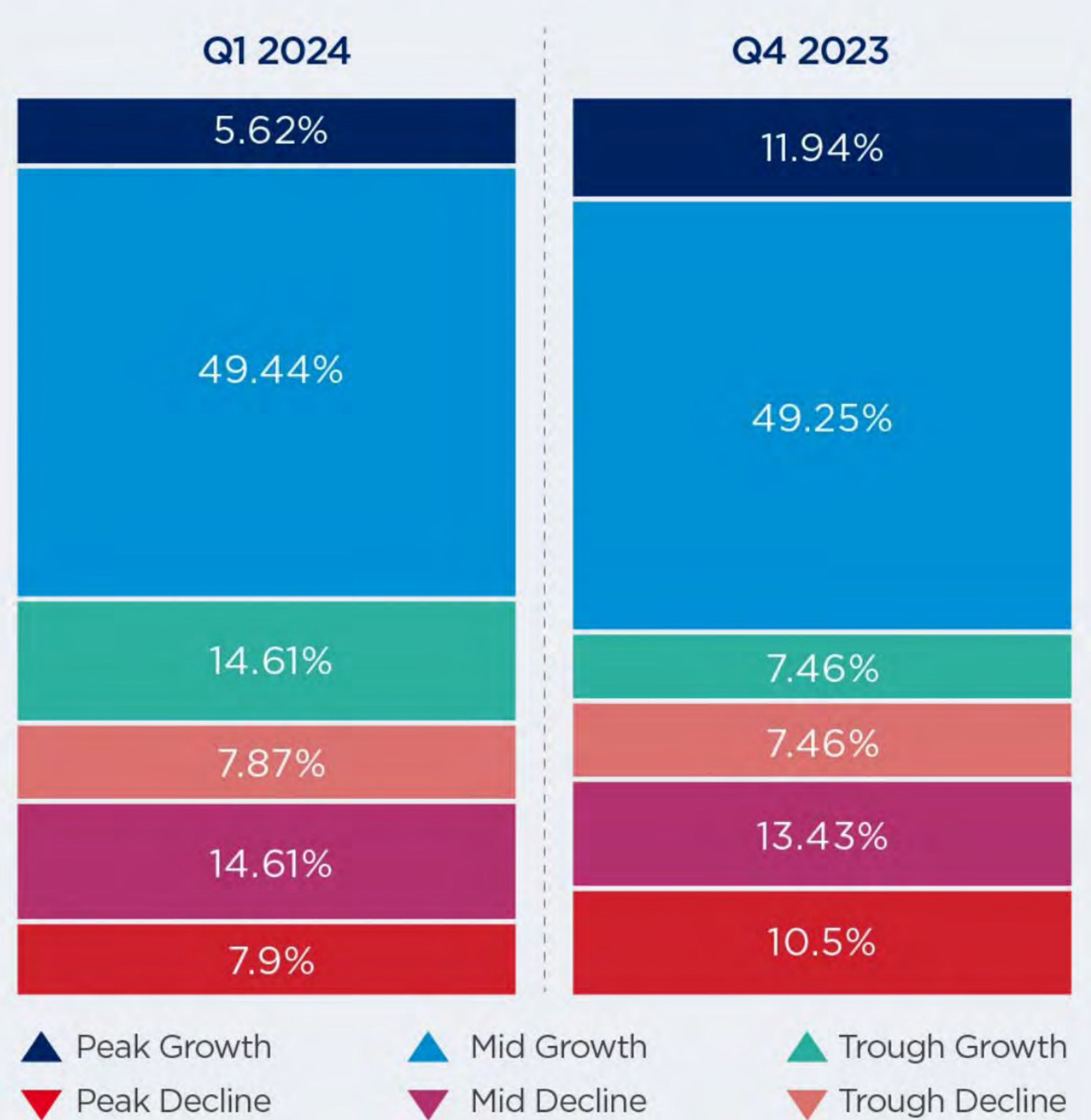
▲ Peak Growth ▲ Mid Growth ▲ Trough Growth
▼ Peak Decline ▼ Mid Decline ▼ Trough Decline

Market sector activity analysis: London



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Market sector activity analysis: National



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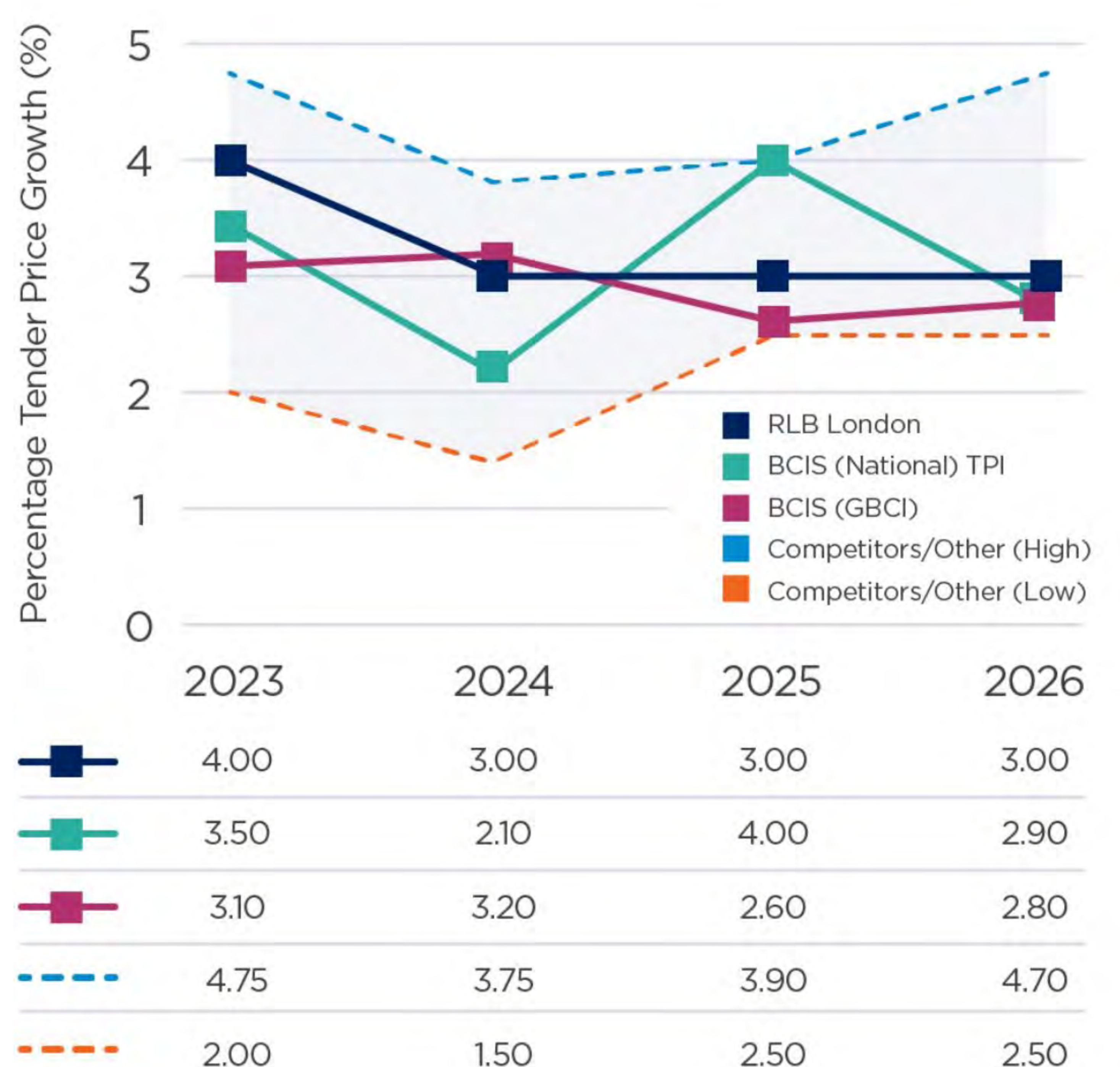
TENDER PRICES

Steady increase in prices expected in short and long term

We expect a very steady ascent in tender prices over the next 12 months, with small increases to cover fluctuations in input costs, such as materials and labour. We foresee that tenders will remain pricing-reserved and that bidders who particularly want to win projects will be pricing keenly.

In the long term, we anticipate a steady increase in tender prices year on year, without any further blips of hyperinflation. External factors – notably, the next UK general election or global conflict – could, however, affect that landscape.

London | Tender Price Change



INPUT COSTS

- Infrastructure and MEP plant and equipment are the hot areas for pricing, due to wage increases of specialist labour and imported-plant inflation.
- Materials prices and availability have calmed generally, but world events could impact supplies of microchips and semiconductors used in plant and equipment.
- We anticipate that movements in wages will be steady increases, but there is still a skills shortage, so potential for churn and demands for higher wages generally.

SECTOR FOCUS

Commercial

Many investors and developers are still struggling to make potential projects viable, due to high interest rates and a fall in end-product values. There is a growing view that the second half of 2024 may well see the sector move in an upward direction, provided interest rates have peaked. Even a marginal interest rate reduction would improve investor sentiment, which should result in more projects getting the green light.

Education

Funding constraints and the RAAC crisis are still the biggest issues facing the education sector at the present time. Universities are struggling to make scheme viability studies work, as they try to balance income against the continual rise in costs and upkeep.

Data Centres

Despite inflationary pressures from global supply chain issues and rising materials prices, the demand for data centre capacity in London has seen a record take-up of space, with forecasts for the next five years predicting that built IT capacity will hit 2GW.

Logistics & Manufacturing

Obtaining planning consent continues to be a challenge for developers as local authority planning teams are generally under pressure resource-wise, making for much longer planning periods. Site-specific power availability is also a key factor. Ongoing market challenges are still having an adverse effect on developer appraisals, meaning many development decisions, especially on speculative schemes, are being deferred.

LONDON, UK

LANCASTER WEST ESTATE

RLB is deploying its multidisciplinary and retrofit expertise to support the Royal Borough of Kensington and Chelsea's refurbishment of the Lancaster West Estate, transforming it into a modern social housing facility aligned with 21st-century standards. Nearly 800 homes will be integrated into a new net-zero district heating scheme, putting the estate on track to achieve carbon neutrality by 2030.

Sector Snapshot

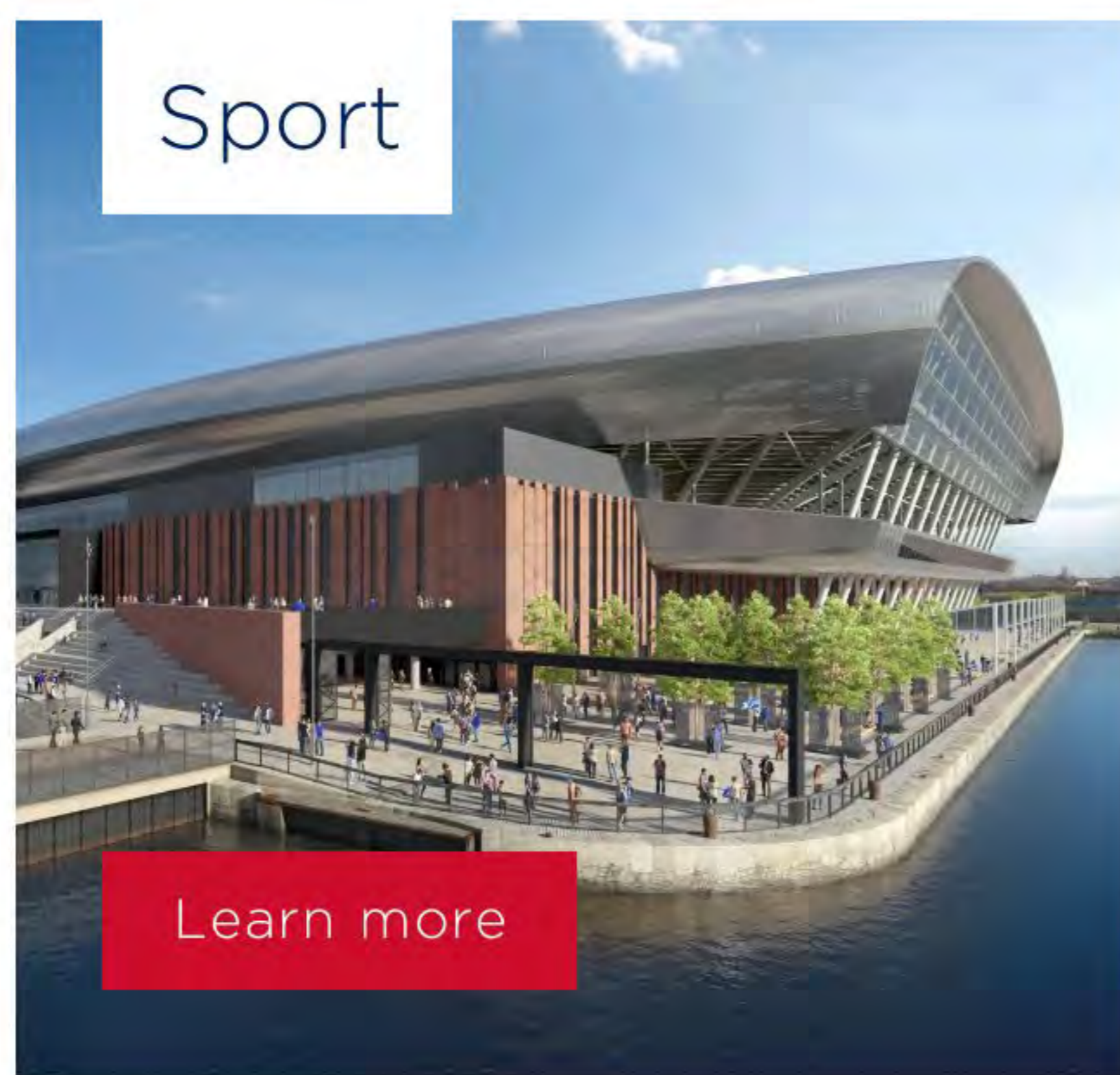
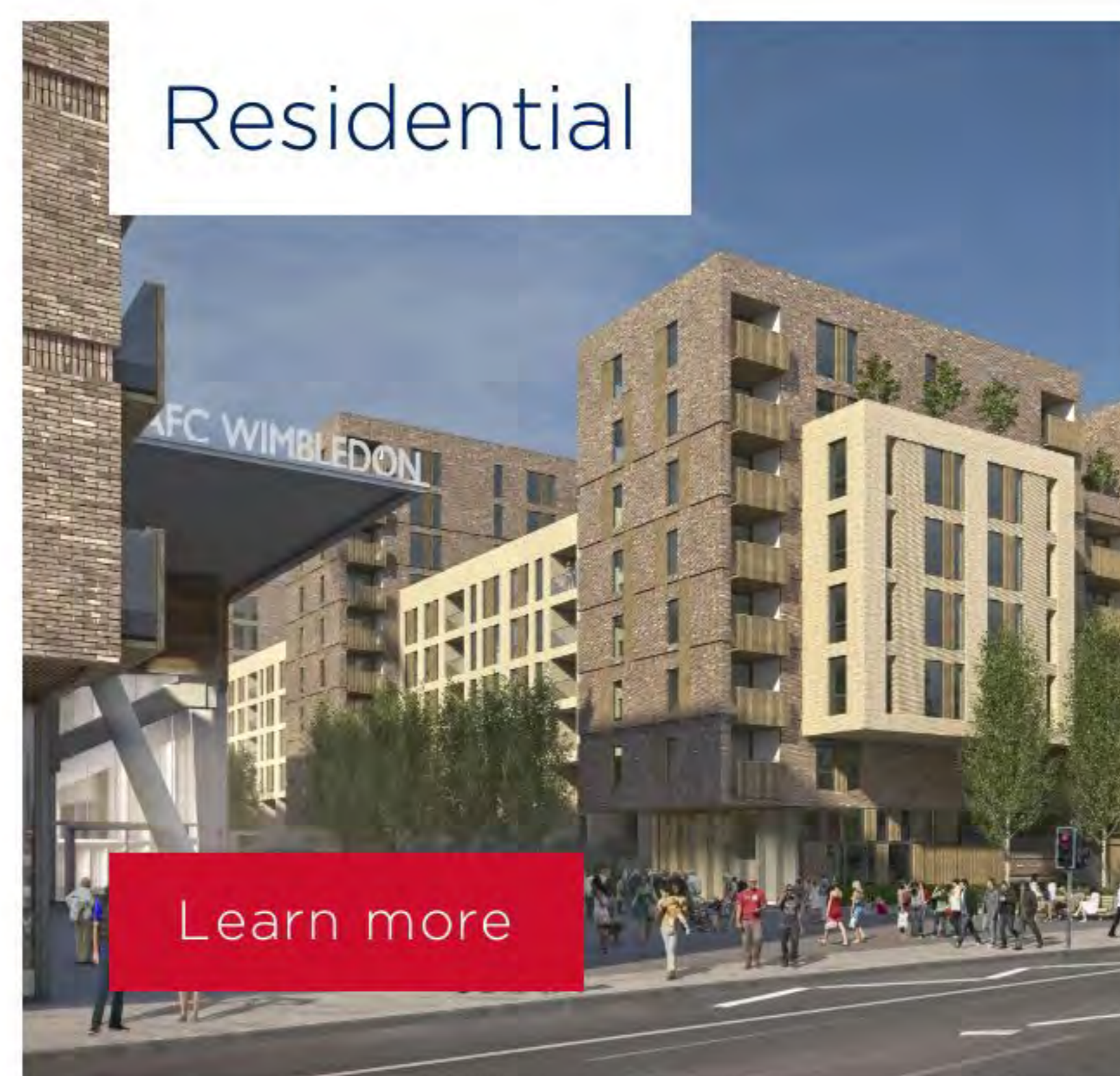
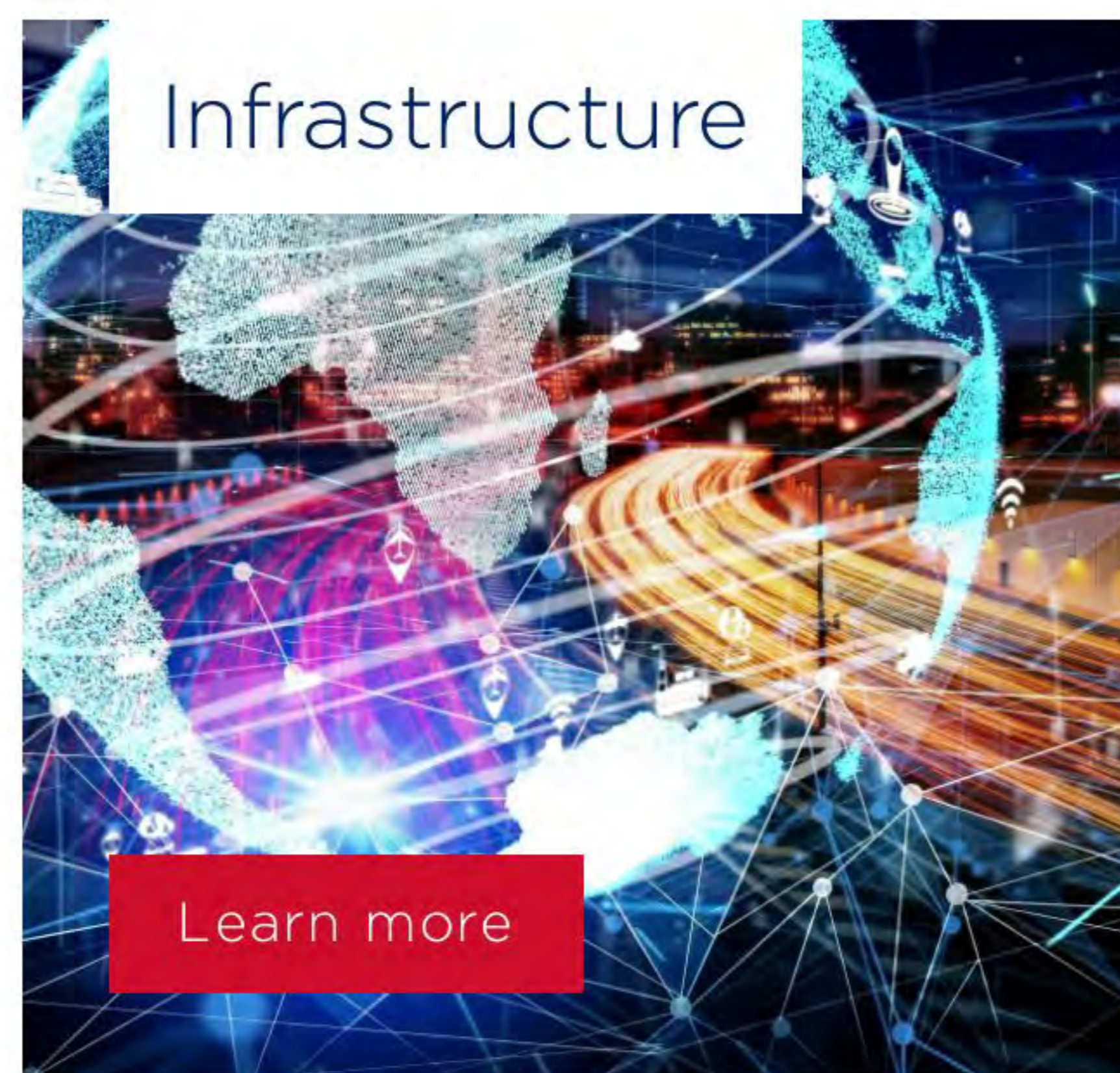
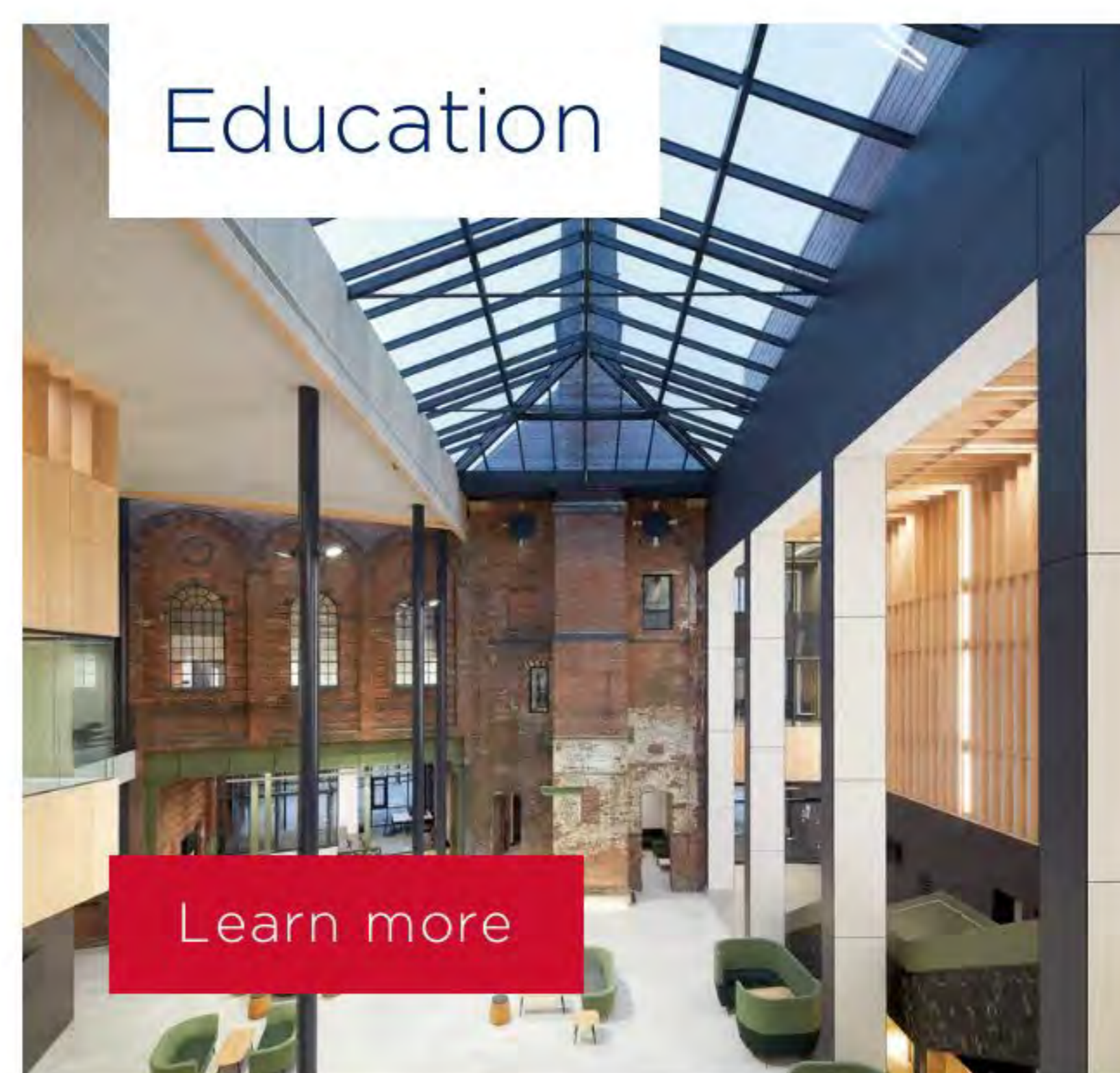
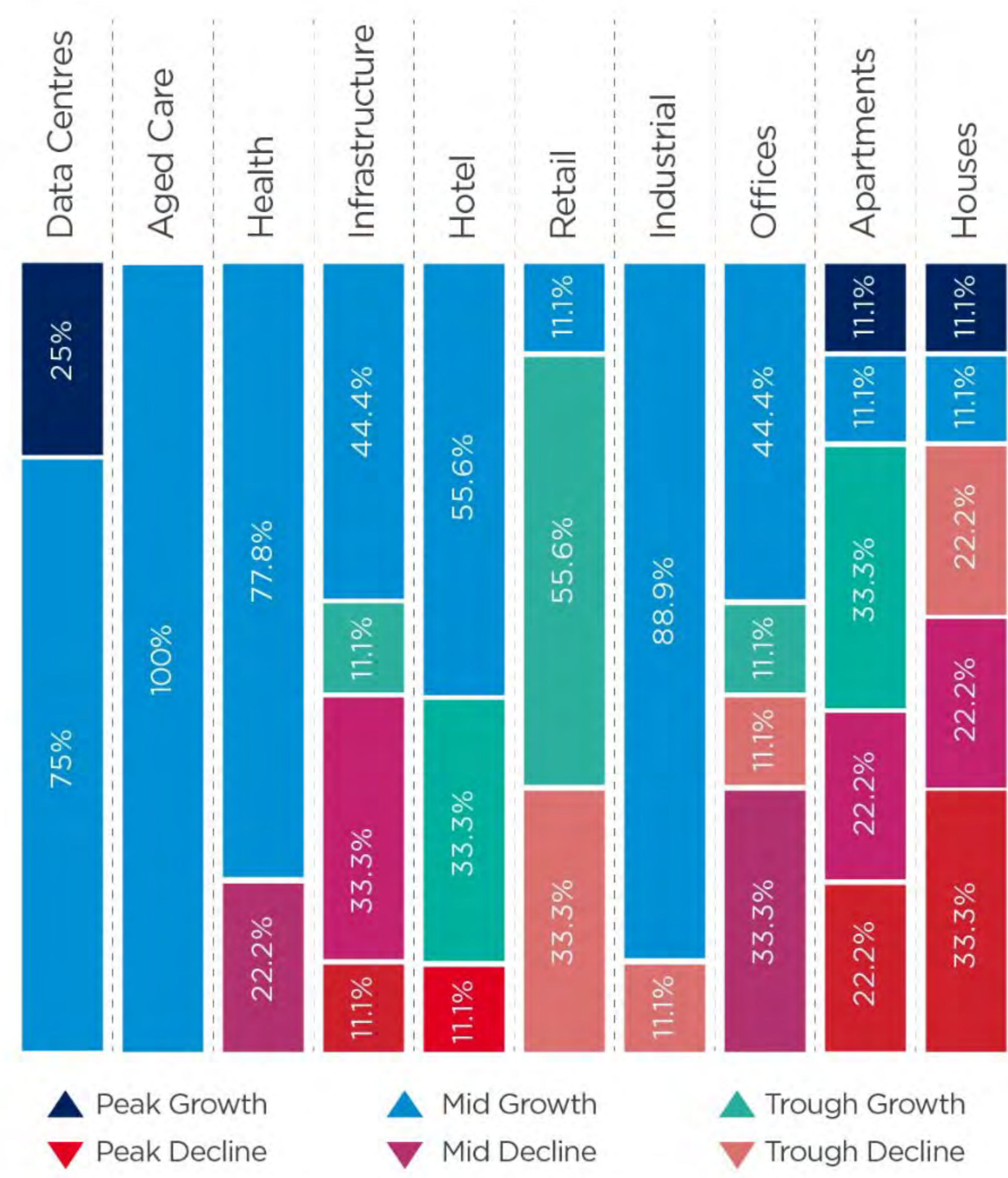


Consolidated view of regions reveals wide diversity across sectors

Our Sector Snapshot consolidates the views of work sectors from around the UK. The stacked chart depicts in percentage terms the proportions for particular levels of activity within each sector, as reported by our on-the-ground experts.

Although 100% of locations report mid-growth activity in aged care, the rest of the sectors show mixed results. There is evidence of peak growth in apartments and data centres, but likewise, some locations report contrary conditions.

In overview, given the spread of circumstances across the country, it is perhaps not surprising that a given sector might be experiencing very different conditions in different locations, but that does demonstrate how diverse the market is, and how local workload proportions will affect all aspects of pricing and procuring of works.



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Commercial



Paul Lonergan
Partner

Interest rate cut would boost optimism and investment

Many investors and developers are still struggling to make potential projects viable, due to high interest rates and a fall in end values.

Nonetheless, there is a growing view that the second half of 2024 may well see the commercial sector move in an upward direction, provided interest rates have peaked. Even a marginal interest rate reduction would improve investor sentiment and hopefully result in more projects getting the green light.

The fit-out market continues to be busy, especially for main contractors who are able to largely select which opportunities they are providing tenders on. The rising number of supply chain insolvencies has also led to some main contractors turning down opportunities where the procurement strategy holds a higher degree of risk.

Materials, labour and on-costs remain more stable after the sharp increases from 2021 and 2022, although these input costs are still impacted by inflation.

[Find out more about our sector expertise here](#)

Contact

HERTFORDSHIRE, UK

RIVERLABS

Riverlabs, a 28-acre life sciences campus in Ware, Hertfordshire, forms a vibrant hub within the 'Golden Triangle'. Comprising three phases of development, the campus offers state-of-the-art laboratory spaces with a focus on sustainability, targeting an impressive 75% carbon reduction.

Read more

Health



Stewart Binns
Partner - National Head of Healthcare

Uncertainty surrounds investment in new hospitals

The health sector continues to battle to provide services to an ageing population against the background legacy of an ageing estate.

Major investment promised by the government through the New Hospital Programme (NHP) lacks certainty for several of the 40 hospitals on the programme in terms of the finance available and timing of the award of monies. The addition to the programme of five hospitals substantially constructed of RAAC has increased the concerns of several hospital trusts about their place on the programme, particularly those in Cohort 3.

The scale of some projects on the programme is in a different league to projects delivered in recent years by most contractors. Hospital developments of this scale (some over £1bn) are inherently risky for contractors, so it will be interesting to see what the risk appetite is among individual contractors in scale and number.

How this will influence the contractor procurement route and risk transfer/retention should become clearer over the coming months. Even so, with a general election on the horizon, the NHP will be clouded with further uncertainty around programme timescales.

Meanwhile, work is ongoing on the development of Hospital 2.0, a standardised design for building future hospitals using modern methods of construction such as off-site manufacture.

[Find out more about our sector expertise here](#)

Contact

INSIGHT

Where are we with the NHP?

Cast your minds back to September 2019.

Boris Johnson and his government had been in tenure for around three months, global growth was forecast at 3%, the lowest level since 2008-9 but still an upwards trajectory, and the pandemic and Covid-19 were little known entities outside of virologist circles. For those of us working in the healthcare sector, September 2019 was a pivotable date as it was then that the Prime Minister announced the New Hospital Programme (NHP) with a pledge to build 40 new hospitals by 2030.

Read more

Data Centres



Robert Nicholson
Partner

Growing demand for IT space despite headwinds

The sector has faced significant headwinds in the form of inflationary pressures from global supply chain issues and across-the-board rises in materials prices, which have placed pressures on the delivery of IT space and market constraints on developers.

The largest driver of demand is expected to come from hyperscale clients – Amazon, Microsoft, Google – along with increasing demand from co-location providers with the rapid rise of online streaming, retail and commercial services. The recent emergence of AI into the mainstream could also significantly increase demand for data centre capacity, which may lead to overheating in the sector.

The lack of power availability is increasingly becoming a barrier to projects, due to capacity on the UK national grid coming under pressure from increased demand, the switch from fossil fuels to renewables, and restraints on the import of gas and power following from the Ukraine crisis. This is a common theme across Europe.

The impact of the COVID-19 pandemic did lead to significant increases not only in costs but in the lead times of a whole range of key equipment and materials, which is still impacting data centre development programmes. Lead times for high-voltage/medium-voltage switchgear and stand-by generators are double that seen pre-pandemic.

Taken together, this has led to more importance being placed on the pre-planning elements of projects to secure power supplies, improve data centre designs to increase cost efficiency and reduce power usage, and standardise designs for critical equipment.

[Find out more about our sector expertise here](#)

Contact

INSIGHT

THE FUTURE OF DATA CENTRES: TACKLING TALENT, POWER, AND PUBLIC PERCEPTION

RLB held the latest in a series of roundtables with key data centre stakeholders including engineers, architects, contractors, and occupiers. The crux of the discussion was around the conflicting conditions the sector is experiencing. The accelerating demand for data and digital services continues to drive the construction of data centres.

[Read more](#)

Logistics & Manufacturing



Mark Grayson

Partner - National Head of Logistics & Manufacturing

Lack of industrial strategy hindering investment

The logistics and manufacturing sector in the UK faces both challenges and opportunities on multiple fronts. Currently, the absence of an industrial strategy and an overly complex planning process are hindering investment.

The speculative warehousing market is grappling with the impact of rising finance costs, resulting in a scarcity of available high-quality warehousing. This trend is likely to persist throughout 2024, with build-to-suit developments and repurposing becoming more prevalent.

Despite the challenges, there is a noticeable surge in UK manufacturing investment, driven by organisations recognising the necessity of staying competitive as well as meeting growing demand. The allure of freeports and investment zones will be attractive to both home-grown and international businesses looking to develop, although their ultimate success depends heavily on a more simplified planning process.

We continue to see growth in automation across both the logistics and manufacturing markets, creating higher-value employment opportunities. This social value needs greater recognition by planners when considering the benefits of schemes for a particular area.

The sector's growth hinges on the implementation of a coherent and comprehensive industrial strategy, streamlining of the planning process, and addressing financial barriers to unlock investment.

[Find out more about our sector expertise here](#)

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INSIGHT

BLINDSIDED: THE SHORT-SIGHTEDNESS OF THE UK'S LACK OF AN INDUSTRIAL STRATEGY

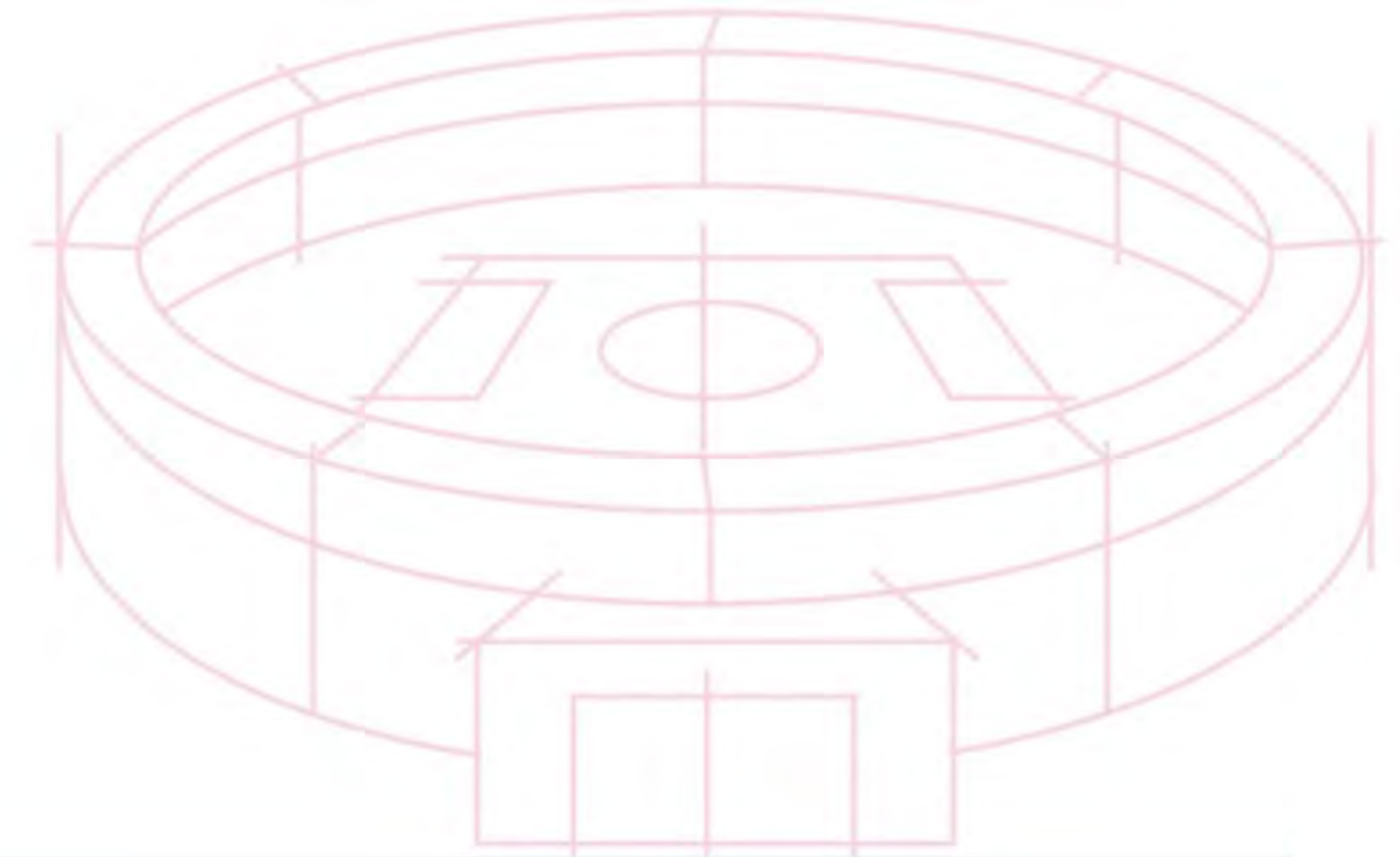
With the Party-political conference season all over, we have now all heard the promises from the politicians about what they will do after the next general election.

Read more

Sport



Jonathan Edwards
Partner - National Head of Sport



Challenges and opportunities lie ahead

The sports and leisure sector faces both dynamic challenges and opportunities in 2024. Stadia, once exclusive to sports events, are evolving into multi-purpose venues for international concerts and tournaments as they seek to bolster their business sustainability.

As the world becomes more interconnected, travel convenience plays a pivotal role in hosting international sporting competitions. Adapting to this shift is crucial, necessitating investments in infrastructure and health and safety.

Energy costs, an ever-present concern, impact sports and leisure facilities nationwide. Amid soaring expenses, the sector must explore alternative energy sources, for example, harnessing heat from data centres. Mitigating risks associated with RAAC structures demands attention to conduct surveys and repairs and address safety concerns. On top of this, local authorities are working to balance financial constraints while striving to provide essential leisure spaces for the good of public health.

The sector will have to contend with the lingering effects of contractor instability, a repercussion of industry upheavals such as the collapse of major contractors. Navigating these challenges demands strategic planning and resilience within the national sports and leisure landscape.

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GLOBAL

SPORTS EVENTS COST BENCHMARKING

A high-profile organiser of major multisports events commissioned RLB to collate and benchmark cost of construction data for its different events to improve planning of future projects. We applied our cost management and digital development expertise to develop a cost benchmarking system that would improve assurance of projected cost outcomes.

Read more

Residential



Paul Sambrook
Partner - National Head of Residential

Signs of green shoots in a subdued market

Residential construction activity remains subdued, continuing to decline at the end of 2023, with the combined challenges of high interest rates, inflation and mortgage costs affecting sentiment throughout the year.

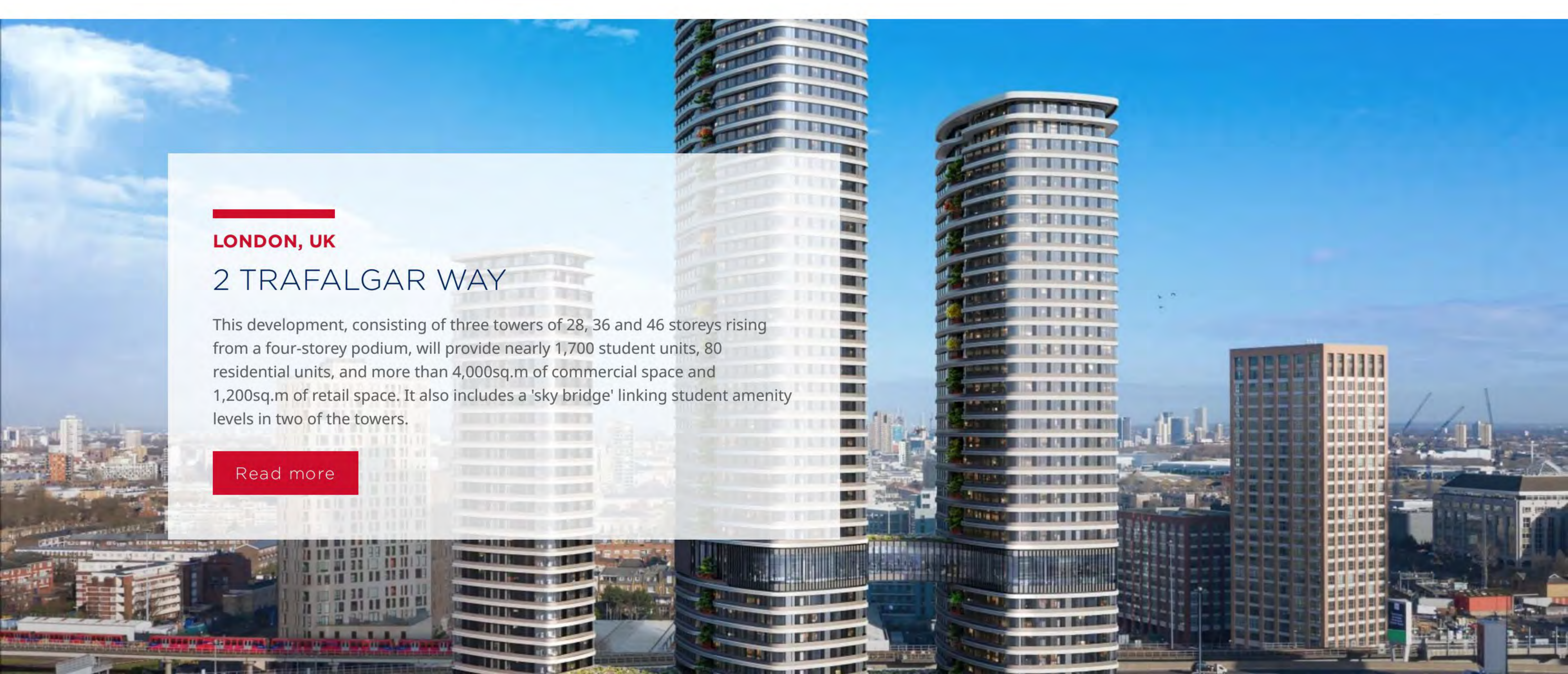
Furthermore, with the introduction of the regulatory requirements of the Building Safety Act and a planning system that remains extremely short of resources, developers have struggled with financial viability and the confidence to progress schemes.

The start of 2024 has seen some green shoots of recovery and a brighter outlook for the market is forecast for the second half of the year. Mortgage lenders dropping their rates is an encouraging sign that the decline in the UK housing market appears to have bottomed out. With both inflation and interest rates forecast to fall throughout 2024, the sector is becoming more positive on the outlook for both activity and property values.

This is reflected in the build-to-rent and purpose-built student accommodation sectors seeing an uptick in activity at the start of the year. Our national housebuilders, however, are likely to remain cautious until after the general election, which is expected in late 2024.

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LONDON, UK

2 TRAFALGAR WAY

This development, consisting of three towers of 28, 36 and 46 storeys rising from a four-storey podium, will provide nearly 1,700 student units, 80 residential units, and more than 4,000sq.m of commercial space and 1,200sq.m of retail space. It also includes a 'sky bridge' linking student amenity levels in two of the towers.

[Read more](#)

Education



Stephen Scott

Partner - National Head of Education

Major investment programmes in the balance

As we head further into 2024, the higher education sector is experiencing greater uncertainty as it grapples to balance opportunities and challenges.

On a positive note, the forecast for increased participation in higher education study is propelling many universities to invest in estate enhancements and improvements. Nevertheless, higher operational and energy costs, changes in government policies, particularly related to immigration, and a decline in the real-term value of fixed tuition fees, will determine the extent and speed of implementation of many planned campus capital investment programmes this year.

Colleges, local authorities and academy trusts continue to face the challenges of RAAC, which have compounded the need to improve the ageing school estate. A separate allocation of funding for RAAC in addition to a new wave from the Condition Improvement Fund is welcome, although greater clarity around this is still needed.

Many schools are struggling to find resource to deliver essential improvements to buildings and premises, which highlights the need for a Good Estate Management for Schools (GEMS) approach to planning condition and decarbonisation improvements.

All this is overshadowed by a potential change in the political landscape after the expected general election later in the year, which may create uncertainty and delays while a new government establishes its priorities.

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INSIGHT

WHEN RAAC IS THE TIP OF THE ICEBERG

There is a chain of events that estate managers can be all too familiar with. An emergency fix which, on the face of it, seems reasonably containable turns out to be the tip of the iceberg leading to a larger set of problems that need to be addressed.

Read more

Retail



Julian King

Partner - National Head of Retail

New technology driving investment by retailers

The retail sector in early 2024 paints a dynamic picture for retailers. With cost of living anxieties increasing, value reigns supreme. Retailers are optimising existing assets, diversifying offerings, and prioritising operational efficiency. Sustainability thrives as a strategic imperative, driven by both funding bodies and conscientious consumers.

Retailers are continuing their drive for productivity by incorporating advanced technologies and equipment that enables improved overall operational efficiency and quality analytics to optimise supply chains and enhance customer experiences. Much of the market activity is being driven by technology refresh cycles.

However, regulatory hurdles like the Building Safety Act and RAAC demand compliance, adding complexity. The economic climate swirls with uncertainty, fuelled by inflation and private equity activity. To prevail, retailers must be agile, embrace new technologies, and prioritise both sustainability and value. Those who adapt swiftly and prioritise responsible growth will navigate this dynamic landscape and seize the opportunities it presents.

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INSIGHT

THE RISE OF COMMUNITY CENTRIC RETAIL SPACES

The news that Wilko was going into administration came as no shock to those of us working within the world of retail estates. The high street retailer followed many renowned UK brand names over the last decade in its economic demise including Woolworths, BHS, Debenhams, Arcadia and Toys R Us and there has been much discussion previously about the operational failures of these brands. However, what really interests me as RLB's National Head of Retail is the lingering empty spaces that they leave behind in our communities, the opportunity within these spaces, and how forward-thinking developers, local authorities and investors are working with companies like RLB to help reshape and repurpose once-thriving retail units into community centric spaces.

[Read more](#)



Energy



Mark Clive

Partner - National Head of Energy

Net zero driving major projects forward

Ongoing work on national programmes across the sector continues, with planning and site acquisition issues at the forefront of challenges to projects making progress. Planning departments around the country are facing personnel shortages, and the complexity of packaging large sites for major developments is never going to be easy to resolve.

However, government policy, and in fact national and global imperatives, drive these projects forward, as does the opportunity that they present, particularly in respect of net zero obligations. Part of the problem lies in the progressive replacement of ageing but vital infrastructure, and the differing locational requirements of renewable energy production facilities, which in turn give rise to connection and grid distribution issues that need to be resolved.

Overall, the challenges are great, but the opportunities are yet greater, given the advantage of the UK's very particular climate and location characteristics. As projects reach the market, their large-scale nature results in a small pool of feasible head contractors, and a significant impact on local and regional resources, as evidenced by the effects of Hinckley B on its local markets. Local inflation hotspots will inevitably occur, a feature of very large projects which impacts heavily on budgeting and programming.

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RLB'S FOCUS ON EFFICIENCY TODAY

The world's energy sector is evolving rapidly as decentralisation, decarbonisation and digitisation converge.

Our specialists have spent more than 30 years providing cost and commercial management to energy companies – whether that's advising on renewable energy projects, masterplanning large-scale urban developments or adding value to the construction of the world's largest nuclear reactor.

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Infrastructure



Andy Stamps

Partner - National Head of Infrastructure

Landscape altered by scrapping of HS2 Phase 2

The UK infrastructure landscape has undergone significant changes because of the cancellation of the northern arm of HS2 announced last October. The ripples of this decision are still being felt and contemplated today. The pledge to divert the money saved to projects in the North of England, Midlands and Wales is eagerly anticipated and, as a consequence, much planning and preparation is underway across the wider supply chain.

Procurement activity is currently at elevated levels, and this trend appears set to continue through the first quarter of 2024. With a general election looming and purdah to negotiate, the second half of this year looks less certain. Much of the regulated cyclical infrastructure spending will remain unaffected, but outside of this sphere, increased borrowing costs will cause public investment to shrink. The exception to this is in defence, which has, for obvious reasons, become a higher priority over the last two years.

While inflation is falling from recent highs, it has not gone away. Wages for skilled labour and professional services remain under pressure. In the next 12 months, we expect further reductions in levels of inflation, but at a slower rate. Due to increased competition to maintain a strong pipeline, price increases are likely to be lower than in previous years, due to uncertainty on investment.

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INFRASTRUCTURE THAT MEETS TODAY'S CHALLENGES

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We've been in the city-shaping business for more than 230 years, and with a footprint in 40 countries, we have the experience and the local expertise to deliver infrastructure that inspires a better future.

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Public & Civic



Julian Henley

Partner - National Head of Public & Civic

Increased demand matched by financial constraints

Many local authorities are managing financial constraints influenced by reductions in central government funding, increased demand for services, particularly adult social care and social housing, and the impact of inflation and the cost of living crisis.

Although the Department for Levelling Up, Housing and Communities continues to provide a concentrated volume of funding through the Levelling Up Fund, a small but significant number of authorities remain at risk of insolvency.

Consolidation of the UK government property estate continues apace. Alongside adopting sustainable practices, and reducing carbon emissions, we anticipate that the use of data and the digital delivery of services will gain traction.

With several mayoral elections in May, we also expect to see greater debate around devolution and redefining the roles and responsibilities of local and central government. This could lead to more ambitious region-led growth and investment plans, potentially buoyed by a change in government.

[Find out more about our sector expertise here](#)

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CAMBRIDGESHIRE, UK

CAMBRIDGESHIRE COUNTY COUNCIL - HEAT DECARBONISATION STRATEGY

Cambridgeshire County Council (CCC) is committed to become fossil fuel free by 2025 and achieve net zero by 2050 as part of its climate change and environment strategy. RLB was appointed to develop heat decarbonisation plans for 22 council-owned properties across Cambridgeshire, which included corporate offices, children and family centres, libraries and community centres.

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Creating a better tomorrow

RLB is an independent global construction and property consultancy providing management and advice throughout the built environment.

We are committed to creating value for our clients, achieving commercial success, project and programme success and optimised assets to projects across the world.

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employees worldwide

1500

employees in the UK and Europe

140

offices across more than 40 countries worldwide

38

UK and Europe offices

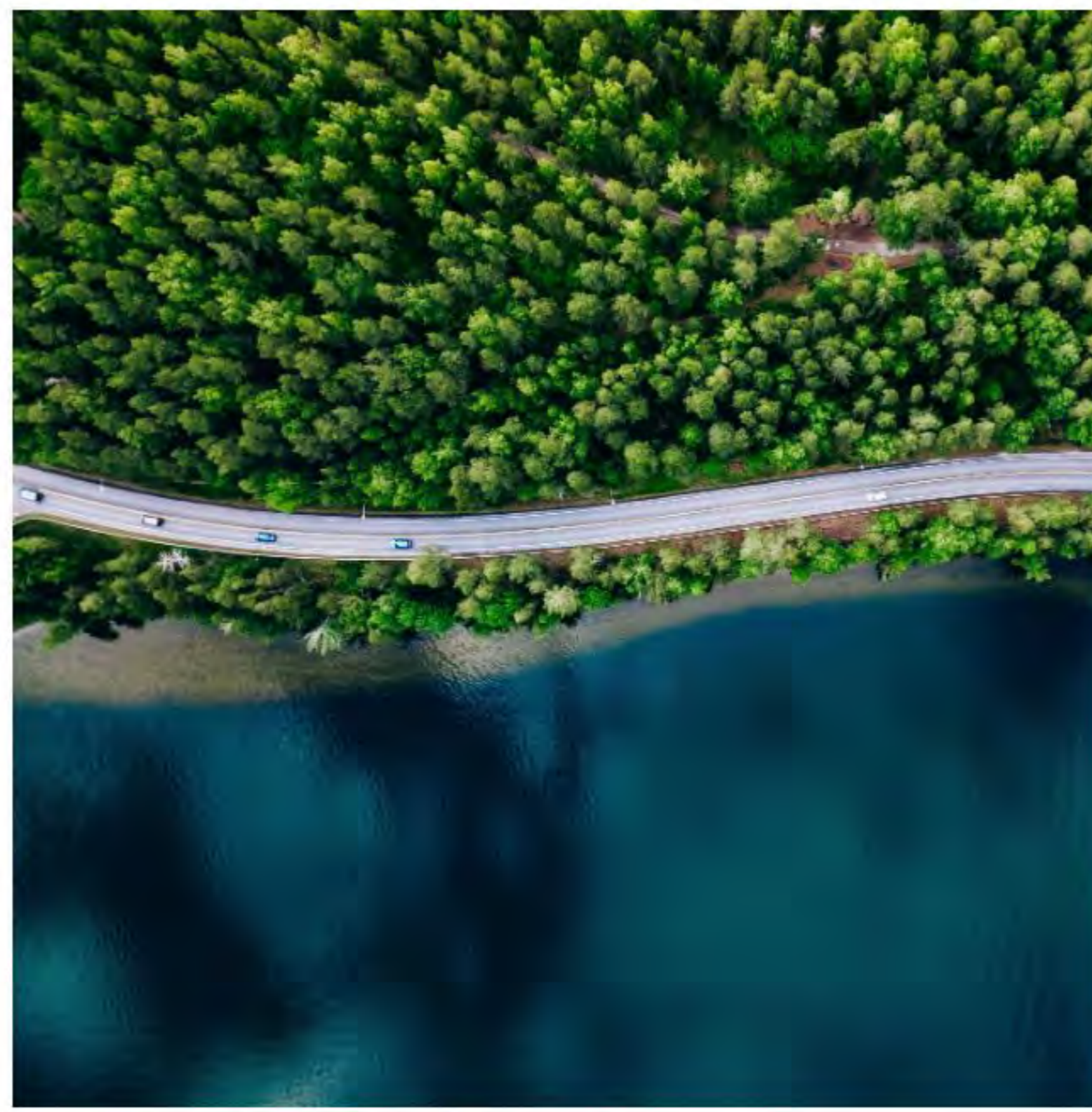
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[Digital Landscape Guide](#)

RLB Digital has created the Digital Landscape for SMEs in the Construction Industry, a guide to support business owners with the digitalisation of their organisation.

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[Net Zero Carbon Procurement Guide](#)

RLB's 2023 Net Zero Carbon Procurement Guide provides insight from across the industry on how sustainability is dealt with throughout the procurement process.

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[Considering the Building Safety Act When Procuring Buildings](#)

We all know that the Building Safety Act will have a significant impact on the delivery of higher risk buildings and the requirements of the Act need to be understood by those procuring such buildings.

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We take learnings from our global business and overlay them with an in-depth understanding of our clients' businesses, regardless of their sector or service, to create tailored solutions that deliver successful outcomes throughout the project life cycle.

Providing independent advice through the skills and passion of our people, we deliver value and sustainable outcomes that are relevant today and into tomorrow.



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