INSIGHTS

Construction Market Intelligence

UK Edition

Q2 2024

Start reading

Introduction

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Tender prices continue to ease but margins tighten

Welcome to the Q2 2024 edition of Construction Market Intelligence, the new digital publication incorporating RLB's quarterly tender price forecast. As always, the aim of our experts is to provide the data, insights and analysis that you need to understand what is happening, and what is likely to happen, in construction around the UK.

This quarter we report that the easing of tender price uplifts is continuing, as we reported last quarter, alongside the need among contractors and subcontractors for replacement workload. Meanwhile, supply chain costs are becoming baked into the input cost environment, further tightening margins.

Concerns over geopolitical issues remain, with no resolution in sight, although marginal cost imposts on materials coming to the UK around the Cape of Good Hope are already mostly part of the new normal.

As we move toward the middle of the year, the uncertainty surrounding the timing of the next general election may begin to fade as it will become more likely to be a fourth quarter visit to the polls. From the perspective of the construction market, the timing matters, impacting projects moving toward and through tendering, and compressing policy implementation into tighter timeframes.

Economic growth is almost static and interest rates have yet to drop. Low levels of unemployment, normally a good sign of a burgeoning economy, are currently being seen as depicting a market that cannot resource itself due to skills shortages. On a positive note, inflation has fallen and continues to decline, which has been welcomed by those considering investment decisions.

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Executive Summary

MACRO ECONOMIC CONDITIONS

Key data

GDP forecasts for 2024:

+0.80% (OBR) | +0.40% (OECD) | +0.50% (IMF)

CPI forecasts for 2024:

+2.20% (OBR) | +2.75% (OECD) | +2.21% (IMF)

Unemployment forecasts for 2024:

4.40% (OBR) | 4.70% (OECD) | 4.15% (IMF)

Hopes for economy rest on interest rate cuts and post-election reset

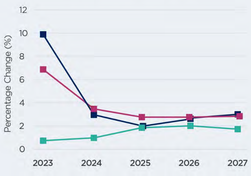
The flatlining of GDP growth reported in the last quarter has continued, and the OBR, IMF and OECD are all forecasting low growth levels for the years ahead. Although CPI is falling, down to 3.2% in the year to March, and unemployment has been low until the recent uptick to 4.2%, living standards in the UK have fallen significantly in recent years, and demand in the economy is now being impacted.

Newly published government borrowing figures show annual borrowing of 5-6% above government forecasts, which together with National Insurance cuts in March and ongoing high interest rates, could constrain tax cuts later in the year.

Given the Bank of England's target rate of 2% for inflation, there are obvious conflicting pressures to be faced. Any new government, whatever its political shade, is going to have little room for manoeuvre. Interest rates need to fall, to revive borrowing and investing, and spending plans need to be implemented to revive a somnolescent economy.

Once an election is out the way and if signalled interest rate cuts can be achieved, with great hopes for the green economy, decarbonisation, advanced manufacturing and life sciences sectors, the private sector may start to warm up.

Key economic forecasts



	2023	2024	2025	2026	2027
GDP (OBR Mar 24)	0.30	0.80	1.90	2.00	1.80
RPI (OBR Mar 24)	9.70	3.10	2.00	2.50	3.00
Wages and salaries	7.30	3.90	2.80	2.70	2.90

CONSTRUCTION PIPELINE PROSPECTS

Key data

New construction work done volume: -2.07% **full year 2023** (ONS)

Repairs and maintenance work done volume: +8.33% **full year 2023** (ONS)

Work done volume: +1.94% **full year 2023** (ONS)

New orders volume: -16.02% **full year 2023** (ONS)

Falling orders for new construction work raise insolvency concerns

The workload pipeline of contractors and subcontractors remains strained due to fewer new orders. Projects on the way to completion need to be replaced, but in overall terms that appears not to be happening at sufficient levels.

Consequently, the tightening of margins is continuing, increasing insolvency concerns. At a local level, tendering conditions vary and are dictated by where major projects sit in the build cycle. There are signs that clients are aware of the difficult trading conditions facing contractors and are now willing to work more collaboratively with them.

Overall, new orders for construction work fell by over 16% in 2023, according to the latest ONS statistics. The most notable fall lay in the private industrial segment, being down over 21%, with warehouses down more than 36%. However, private housing being down almost 29% has released significant resources to the market, given it accounts for 30% of the whole market's activity.

INPUT COSTS

Key data

Input costs forecast for 2024: +4.00% **full year 2024** (BCIS)

Input costs forecast for 2025: +2.90% **full year 2025** (BCIS)

Supply chains remain resilient and input costs have stabilised

As yet, there are no signs of a revival of the price spiking of input costs effected by the Ukraine war, despite its ongoing impact on the geopolitical sphere. Supply chains have clearly developed ways in which to deal with the uncertainty, and that is presumably why the Red Sea issue has hardly moved the needle.

Steel and timber prices are the notable movers downward, but for the rest of the materials universe, input costs have stabilised and it is business-as-usual, although contractors and subcontractors are increasingly having to make bidding decisions based on tightening circumstances of economic necessity.

TENDER PRICE FORECAST

Key data

RLB Weighted Average TPI 2024: +3.38% **full year 2024** (RLB)

BCIS Tender Price Index 2024: +1.50% **full year 2024** (BCIS)

Little change in forecasts indicate both stability and caution in the marketplace

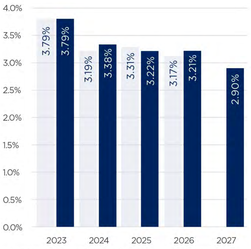
With the need for workload making bidding increasingly competitive, insolvencies in the supply chain continue to be an issue of concern. Clients' awareness of the extent of trimming of margins is a factor in understanding the extent of risk being taken on by bidding contractors and subcontractors.

RLB's forecasts are barely changed since the last quarter, reflecting stability in the marketplace. It also indicates an element of caution among bidders facing unknown political and economic outcomes, despite the imperative to replenish workloads.

The proximity of uplifts projected by the Building Cost Information Service (BCIS) in its General Building Cost Index and its All-in Tender Price Index, standing at similar levels to RLB figures, shows a tight marketplace in which workload continuation is pressing, but margins are slender.

Looking ahead to 2025, tender price forecasts gravitate towards outstripping input cost uplifts, but not drastically, the outlook remaining challenging for estimators given turnover imperatives.

RLB Tender Price Index uplifts published in **CMI Q2 2024** vs published in **CMI Q1 2024**



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 2023 (ONS).

Construction Market Intelligence (CMI) Q1 2024

Construction Market Intelligence (CMI) Q2 2024

KEY REFLECTIONS

Good news on the economy badly needed

The macro-economy remains in a parlous position, with competing adverse economic circumstances. The temptation for government to spend its way out of the stasis is strong, but unfunded spending has consequences. Regardless, the government urgently needs some economic good news as we approach the next general election.

Commodity costs falling, material costs rising

The softening of commodity input costs has helped the construction industry, but a business-as-usual sentiment has now taken over in the market for input materials. As such, the cost trend is upwards, despite pressure on all shades of contractors to obtain extra replacement work.

Supply and demand in market out of sync

The most pressing aspect of the current market can be said to be continuity. Mention is made at regional level of local sector expansions and compressions, but nationally the overall picture is of a need for new work. Major projects rolling to completion have released resources, but that does not translate to falling input costs, as labour resources have still to cope with the rising cost of living.

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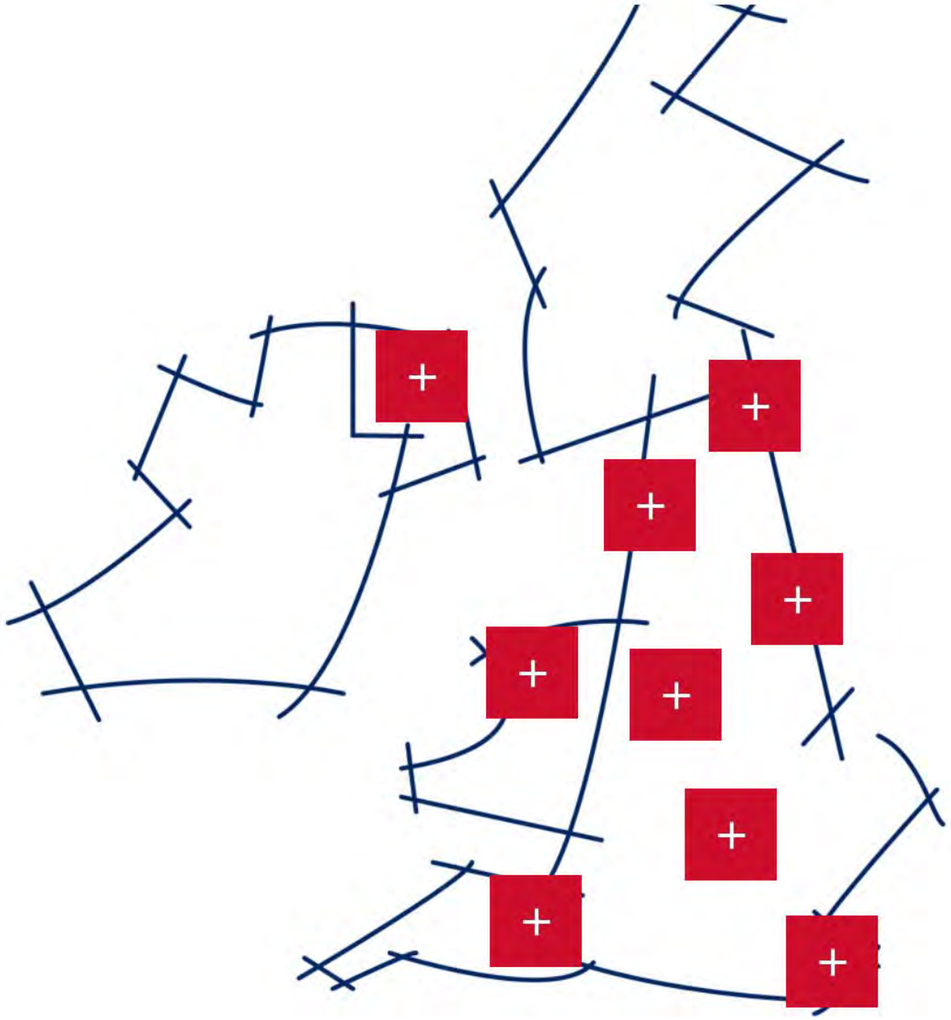
Regional Insights

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



London

Midlands

North East

North West

Northern Ireland

South East

South West

Wales

Yorkshire & Humber

Rider Levett Bucknall

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CONSTRUCTION COST CALCULATOR

London

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The residential construction market in London continues to face myriad challenges and opportunities.

The development pipeline is being hindered by planning risk, together with the introduction of the Building Safety Act and the requirement for all new buildings over 18 metres to have a second staircase. High interest rates, coupled with static house prices, are squeezing profit margins and viability, making it doubly difficult to get projects off the ground.

But there are green shoots of recovery, buoyed by resilient sectors such as build-to-rent and purpose-built student accommodation, which remain strong investment propositions for our clients. However, the supply of affordable housing lags behind, with limited new-build construction.

MARKET CONDITIONS & PIPELINE

Positive news on market activity despite funding constraints

There is an upward trend of new starts and enquiries about new projects. Contractors that have spoken to RLB seem busy and are positive about their future pipeline. General funding constraints throughout the private and public sector, however, seem to be stalling many areas of construction generally. The market continues to be impacted by macro-challenges over cost to build, cost to borrow and project viability.

More conversations are revolving around innovation and greener solutions, despite doubts about the ability of the market to meet net zero targets. Many clients are also talking positively about schemes that create real neighbourhoods and communities. Social value outcomes, rather than being considered as 'bolt-on' aspects, are now taking centre stage on developments. Trades linked to sustainability and social value are doing very well.

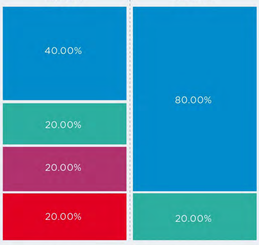
A number of schemes that have been stalled for a long time have been given approval in the past quarter, but planning is still being criticised for being slow. The legal battle over the redevelopment of the M&S Oxford Street site has left everyone wondering what the fate for other similar schemes might be.

Market sector activity analysis

	Q2 2024	Q1 2024
Houses	▲	▼
Apartments	▲	▼
Offices	▲	▲
Industrial	▲	▲
Retail	▲	▲
Hotel	▲	▲
Infrastructure	▲	▼
Health	▲	▼
Aged Care	▲	▲
Data Centres	▲	▲

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

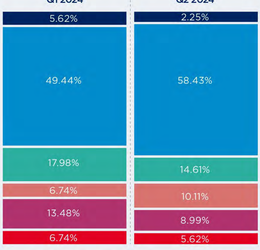
Market sector activity analysis: **London**



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

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**



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

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.

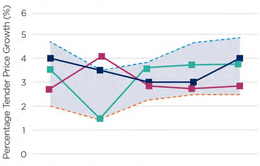
TENDER PRICES

Future tender price increases will be 'slow but steady'

It is unlikely we will see a fall in tender prices in the next 12 months, but everyone will be thankful for a more stable market.

In the longer term, we are likely to see tender prices show a slow but steady increase, much more like we experienced pre-2021.

Tender Price Change



	2023	2024	2025	2026	2027
RLB London	4.00	3.50	3.00	3.00	4.00
BCIS (National) TPI	3.50	1.50	3.60	3.70	3.80
BCIS (GBCI)	2.80	4.00	2.90	2.80	2.90
Competitors (High)	4.75	3.50	3.90	4.70	4.90
Competitors (Low)	2.00	1.50	2.25	2.50	2.50

INPUT COSTS

- Most commodity, materials and plant item prices prices have settled, apart from mechanical and electrical, which still have variable pricing and lead times.
- Concrete pricing remains somewhat volatile in the logistics and manufacturing sector due to the relatively large quantities and demand required on such projects.
- Setting wages to prevent workers leaving or striking over pay will be a growing challenge for the industry, and gender and ethnicity pay gaps are coming under increasing scrutiny.
- There are reports of skills and labour shortages but the opening of The Skills Centre at Earls Court and the launch of an all-female training course by HS2 demonstrate that the industry is prepared to invest to improve the situation.

SECTOR FOCUS

Commercial

There has been a definitive upturn in enquiries, and projects that have been stalled are now moving to procurement. There are more enquiries for 'cut and carve' projects and increasing discussions around change of use for office sites.

Education

The education sector is expected to grow due to the Department for Education's plan to rebuild hundreds of schools over the next decade. The programme will deliver new buildings that are net zero carbon in operation. As universities grapple with balancing onsite learning provision versus hybrid learning, student accommodation is set to be a focus area over the coming year.

Logistics & Manufacturing

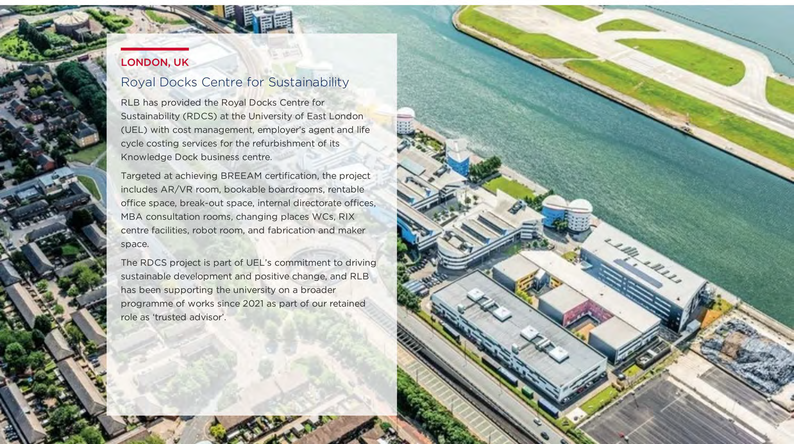
Activity in the end-user and manufacturing sectors remains buoyant as clients seek to deliver on extending/repurposing existing facilities and/or progressing business plans for new sites. Clients and funders, made nervous by the recent collapse of some well-known contractors, are undertaking a higher degree of due diligence on contractors and their supply chains.

Public & Civic

A key focus of retrofit work in this sector will centre around the Social Housing Decarbonisation Fund (SHDF). New grant funding of £80m has been released in SHDF Wave 2.2, while under SHDF Wave 3.0 around £1.2bn has been allocated for distribution between 2025 and 2028.

Residential

We have seen a steady uptick of interest over the past quarter, which points to a promising 2024 and 2025 for the residential sector. According to the government, the rate of housing delivery needs to increase from an average of 37,200 homes each year to 62,300 to meet targets set out in the London Plan.



LONDON, UK

Royal Docks Centre for Sustainability

RLB has provided the Royal Docks Centre for Sustainability (RDCS) at the University of East London (UEL) with cost management, employer's agent and life cycle costing services for the refurbishment of its Knowledge Dock business centre.

Targeted at achieving BREEAM certification, the project includes AR/VR room, bookable boardrooms, rentable office space, break-out space, internal directorate offices, MBA consultation rooms, changing places WCs, RIX centre facilities, robot room, and fabrication and maker space.

The RDCS project is part of UEL's commitment to driving sustainable development and positive change, and RLB has been supporting the university on a broader programme of works since 2021 as part of our retained role as 'trusted advisor'.

North East

Paul McGouran

Partner

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The sentiment of the construction market in the North East is generally optimistic, thanks to significant investment coming into the region. However, there is concern over the risk of delays to publicly funded schemes because of the forthcoming general election.

Nevertheless, aspirations for sectors such as public and civic, education and healthcare remain positive, with joint initiatives being explored to make best use of existing institutions and to encourage investment in research and development and life sciences within the region.

MARKET CONDITIONS & PIPELINE

Market confidence boosted by devolution deal and investment

Sentiment in the North East's construction sector remains positive, despite a moderate dip in activity over the last quarter. There has been no major change in new starts compared to the previous quarter but there is a slight decline compared to last year.

The recently announced devolution deal creating the North East Combined Authority means more funding and local decision-making powers over housing are coming to the region, sparking optimism and fresh hopes for regeneration and economic growth.

The government will provide the new North East Combined Authority with a package of financial investment potentially worth more than £100m, including £37m of flexible funding for the remediation of brownfield sites. The North East Investment Zone, which is set to go live and create up to 4,000 jobs, will benefit from an additional £160m of government money over the next 10 years.

There is still scepticism over project timescales due to challenges within the planning process. One major development that is progressing is the £450m Crown Works Studios in Sunderland, which has secured approval of its hybrid planning application, giving a further boost to the region's confidence.

Market sector activity analysis

	Q2 2024	Q1 2024
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: **North East**

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

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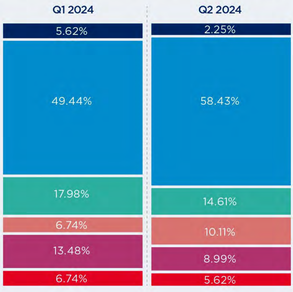
Market sector activity analysis: **National**



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

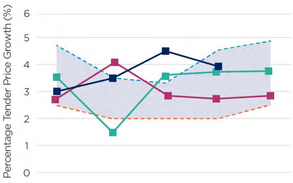
Consolidating the results of multiple regions results enables the calculation of a national representation of percentage of sectors in each phase of the cycle at a point in time.

TENDER PRICES

Prices will match inflation subject to supply and demand

Tender prices will typically rise in line with inflation over the next 12 months. Larger projects, however, may be susceptible to increased pricing levels due to factors of supply and demand in the region.

Tender Price Change



	2023	2024	2025	2026	2027
RLB North East	3.00	3.50	4.50	4.00	N/A
BCIS (National) TPI	3.50	1.50	3.60	3.70	3.80
BCIS (GBCI)	2.80	4.00	2.90	2.80	2.90
Competitors (High)	4.75	3.50	3.30	4.50	4.90
Competitors (Low)	2.50	2.00	2.00	2.00	2.50

INPUT COSTS

- Movements in commodity and materials prices are in line with current national trends for the construction industry.
- Skills gaps are having an adverse impact on labour availability and wages across the region.

SECTOR FOCUS

Commercial

Pilgrim's Quarter, a new office destination in the heart of Newcastle, is driving regeneration with various projects in progress around the city centre, and there are significant opportunities for future wider redevelopment. Sunderland City Council has high ambitions for the redevelopment and regeneration of Sunderland city centre.

Education

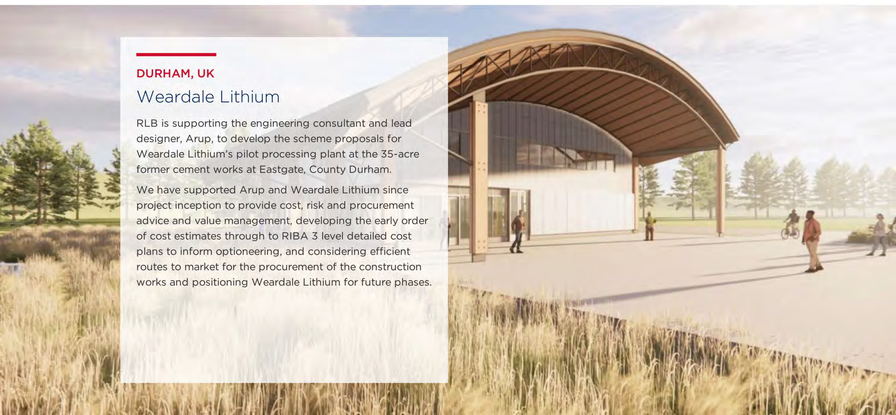
The education sector retains its strong share of starts for development projects within the North East region. This has increased significantly from the previous year.

Public & Civic

The government's announcement of £20m of funding to invest in community regeneration in Darlington and the allocation of further funding by Northumberland County Council to the Energising Blyth regeneration project have boosted public sector activity and pipeline.

Residential

This is the most active sector in the North East. Private housing schemes have accounted for 30% of new work starting across the region during the latest quarter.



DURHAM, UK

Weardale Lithium

RLB is supporting the engineering consultant and lead designer, Arup, to develop the scheme proposals for Weardale Lithium's pilot processing plant at the 35-acre former cement works at Eastgate, County Durham.

We have supported Arup and Weardale Lithium since project inception to provide cost, risk and procurement advice and value management, developing the early order of cost estimates through to RIBA 3 level detailed cost plans to inform optioneering, and considering efficient routes to market for the procurement of the construction works and positioning Weardale Lithium for future phases.

South West

Tim Collard

Senior Associate

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The outlook for the construction and property market in the South West looks positive and we are seeing new development opportunities in a variety of sectors, particularly for infrastructure and data centre projects.

Tender returns from contractors are relatively stable at present but labour costs, especially specialist trades in high demand such as mechanical, electrical and plumbing, are predicted to rise due to the increased activity in the region.

MARKET CONDITIONS & PIPELINE

Market buoyed by wave of new enquiries and projects starts

The construction market remains buoyant, with a noticeable increase in enquiries about infrastructure and data centre projects across the region. The residential sector looks more conservative in terms of growth.

Several large projects have been given the green light. Jaguar Land Rover has confirmed it will inject £4bn into building the UK's biggest electric vehicle battery factory at Bridgwater, Somerset. This development is expected to encourage further investment, which could lead to a spike in wage demands from specialist contractors across the region, causing build costs to rise.

While enquiries generally continue to be strong, projects are being held up by low resource levels within local authorities, causing a slowdown in projects starting on site. Clients are aware of the issues facing the local market, however, and are still positive about bringing projects to site and factoring longer lead-in time into programmes.

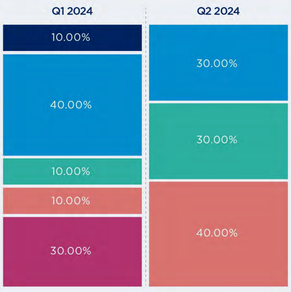
The government has placed Bristol City Council's planning department "under designation", meaning developers planning a residential development of between one and nine dwellings, or a development where the floorspace is less than 1,000 sq m, can bypass the council and apply direct to the national Planning Inspectorate for permission.

Market sector activity analysis

	Q2 2024	Q1 2024
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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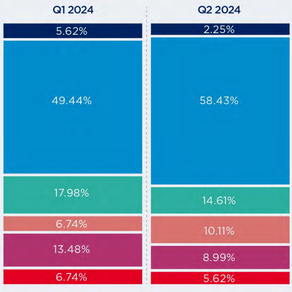
Market sector activity analysis: **National**



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

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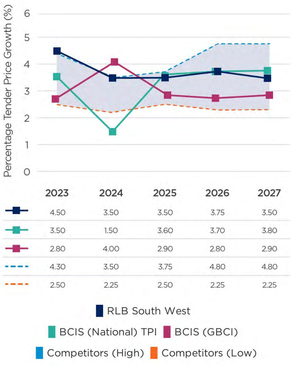
TENDER PRICES

Pricing levels set to rise but stabilise in the long term

It is anticipated that tender returns will begin to rise in the short term due to materials and wages growth.

In the longer term, prices are expected to stabilise – subject to the political landscape after the next general election.

Tender Price Change



INPUT COSTS

- Energy prices have started to drop and are predicted to fall by more than 10% in the coming months.
- Material prices have levelled among most elements. However, the costs of insulation – cladding and ceramic tiling – have risen steeply and this may affect the viability of external facade works programmes for local authorities.
- Specialist wages are likely to rise over the coming months due to the strong pipeline of work in the region. The finishing trades are already beginning to pass on staff wage increases.

SECTOR FOCUS

Commercial

There is growing demand for high-quality and sustainable office space in Bristol. Several significant new commercial office developments are under discussion. Clients see higher-end units as a way to encourage their employees to work more days in the office post-lockdown.

Education

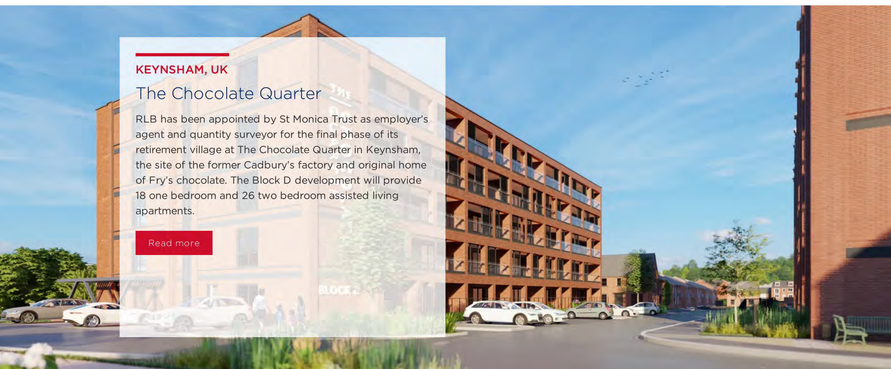
There is tough competition for enrolments in the higher education sector and universities are looking at investing in gymnasiums and other supporting facilities to entice students away from rival universities.

Infrastructure

The Royal Navy's Devonport Dockyard in Plymouth has secured £750m of investment which will deliver substantial upgrades to existing infrastructure to support and sustain the UK's submarine fleet. This project and the new Jaguar Land Rover gigafactory in Bridgwater are generating significant enquiries regarding development opportunities and will support a growing pipeline of work.

Residential

Strong residential demand is evident across the region. Exeter and Bristol have seen a revived interest in schemes that were previously held up at planning stage. The major housebuilders, however, are slowing their deliveries until after the anticipated cut in interest rates later this year.



KEYNSHAM, UK

The Chocolate Quarter

RLB has been appointed by St Monica Trust as employer's agent and quantity surveyor for the final phase of its retirement village at The Chocolate Quarter in Keynsham, the site of the former Cadbury's factory and original home of Fry's chocolate. The Block D development will provide 18 one bedroom and 26 two bedroom assisted living apartments.

Read more

Wales

Dan Walker

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The construction market in Wales is feeling more positive and optimistic about the outlook now that several large projects are going ahead and projects that have been in planning for several months are being approved.

The education sector, in particular, remains strong. There are a number of high-profile projects that are due to start on site, while universities and colleges are beginning to implement phases of their masterplans that have been in development for lengthy periods of time.

MARKET CONDITIONS & PIPELINE

Market in Wales sustained by developments in its major cities

The stability of the general economic situation in Wales is evident in the number of construction projects that are continuing. The construction market is performing well in Cardiff, Swansea and Newport, the three biggest cities in Wales.

With the ongoing demand for new houses and apartments, 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 effect of high interest rates on the sale of private units and the viability of build-to-rent schemes.

An influx of new investment into the data centre and renewables sectors will quickly swallow up available resources in the supply chain, which will have impacts on tender prices.

While major projects are getting underway, new starts overall are at a reduced rate compared to the previous quarter. Planning is still very slow, with projects being held up by low staffing levels within local authorities. While clients are still positive about bringing developments to market, there is greater awareness that there could be delays before their projects start on site.

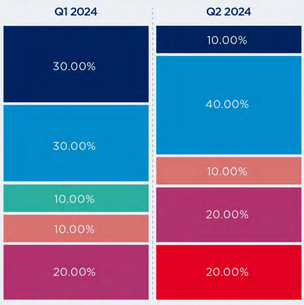
Market sector activity analysis

	Q2 2024	Q1 2024
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**



▲ Peak Growth ▲ Mid Growth ▲ Trough Growth

▼ Peak Decline ▼ Mid Decline ▼ Trough Decline

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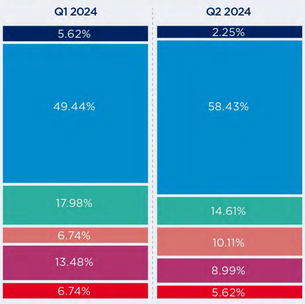
Market sector activity analysis: **National**



▲ Peak Growth ▲ Mid Growth ▲ Trough Growth

▼ Peak Decline ▼ Mid Decline ▼ Trough Decline

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.

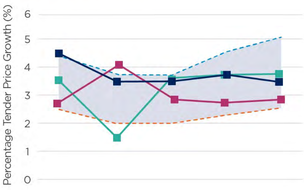
TENDER PRICES

Steady price rises forecast for short and long-term outlook

Tender prices will continue to rise from current levels in line with the cost of living. It is forecast that the uplifts in prices will be steady, rather than the drastic increases seen in previous years. Large projects are continuing across the major cities which will keep prices stable.

Looking beyond the next 12 months, tender prices are expected to rise steadily in line with industry forecasts.

Tender Price Change



	2023	2024	2025	2026	2027
RLB Wales	3.00	3.00	3.00	3.00	3.50
BCIS (National) TPI	3.50	1.50	3.60	3.70	3.80
BCIS (GBCI)	2.80	4.00	2.90	2.80	2.90
Competitors (High)	4.50	3.75	3.75	4.50	5.00
Competitors (Low)	2.50	2.00	2.00	2.25	2.50

INPUT COSTS

- Timber prices are slowly reducing while steel prices are slowly increasing. The scaling down of Tata Steel's operations at Port Talbot will mean there will be greater reliance on steel from India and China, which could lead to price turbulence.
- Specialist contractors are still extremely busy in the region, but their costs are levelling off and MEP tenders continue to be constant.
- Labour resources remain at capacity and wages remain stable.

SECTOR FOCUS

Commercial

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

Education

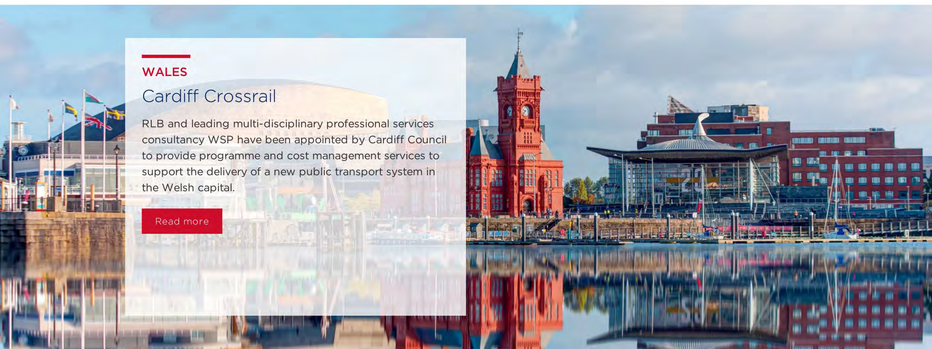
Refurbishment and expansion projects designed to create more learning spaces at schools are a key area of focus across the education estate in Wales.

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.

Residential

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



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

Midlands

Tom Ceasar

Associate

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The residential sector in the Midlands has seen a period of instability, but there is cautious optimism this will fade in the latter half of the year as the demand for housing remains strong.

While there have been numerous successful planning applications for high-rise residential projects in recent months, including build-to-rent, private rented sector and purpose-built student accommodation, this hasn't yet directly translated to starts on site.

As a result of these gaps opening up in pipelines, the residential sector has followed much of the construction market in terms of tender pricing, but with the additional pressures of the Building Safety Act also impacting the cost of delivering higher-risk buildings.

MARKET CONDITIONS & PIPELINE

Market is building momentum on the back of new investment

The Midlands construction market is gaining momentum with significant investment evident in a range of sectors. There is a particular focus on commercial, residential and infrastructure developments, as well as the green agenda.

Residential development continues to dominate the scene in Birmingham. The majority of schemes are within the Jewellery Quarter but we are seeing developers begin moving towards Digbeth, following on from the West Midlands Metro and HS2 works.

The city is undergoing a transformation. The large number of developments is likely to lead to population growth, which in turn will lead to more development. There are more than 20 city centre projects with planning permission ready to start, all of which will contribute to the new Birmingham skyline.

Planning is still very slow with projects being held up by poor resource levels within local authorities while Birmingham City Council remains under special measures. Clients are still taking developments forward but with a cautious outlook on the planning process.

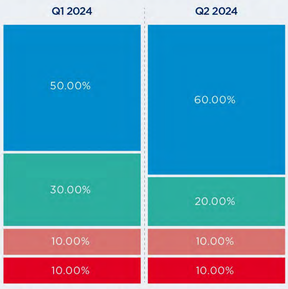
Market sector activity analysis

	Q2 2024	Q1 2024
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**



▲ Peak Growth ▲ Mid Growth ▲ Trough Growth

▼ Peak Decline ▼ Mid Decline ▼ Trough Decline

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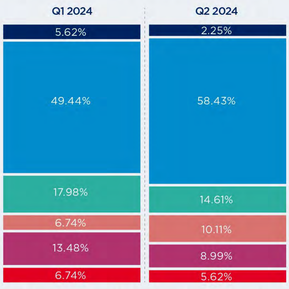
Market sector activity analysis: **National**



▲ Peak Growth ▲ Mid Growth ▲ Trough Growth

▼ Peak Decline ▼ Mid Decline ▼ Trough Decline

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.

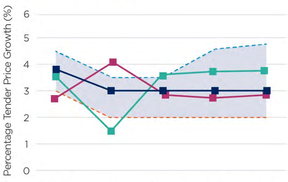
TENDER PRICES

Prices have levelled out while future inflation will be gradual

The 'super' inflation that we saw after Covid-19 has levelled out. Although tender prices are unlikely to fall, they may remain constant for a period before a gradual rise.

Looking beyond the next 12 months, prices will continue to rise but at a more gradual or steadier pace than in recent years.

Tender Price Change



	2023	2024	2025	2026	2027
RLB Midlands	3.75	3.00	3.00	3.00	3.00
BCIS (National) TPI	3.50	1.50	3.60	3.70	3.80
BCIS (GBCI)	2.80	4.00	2.90	2.80	2.90
Competitors (High)	4.50	3.50	3.50	4.65	4.80
Competitors (Low)	3.00	2.00	2.00	2.00	2.00

INPUT COSTS

- Most material prices have levelled out, but mechanical, electrical and plumbing costs remain high.
- Skills gaps and labour shortages are an issue for contractors due to the amount of competition in the region.

SECTOR FOCUS

Commercial

The Paradise development has transformed Birmingham city centre, and current and future phases will continue to be developed until the end of the decade. The significant increase in the availability of high-quality and sustainable office space has created a shift in demand, which appears to be growing.

Educational

Most of the region's universities are nearing the end of their five-year masterplans and are currently developing their 2025-30 masterplans. There is a strong focus on the utilisation and refurbishment of existing space and building stock, as against demolition/new-build, which contribute to decarbonisation, net zero and sustainability goals.

Infrastructure

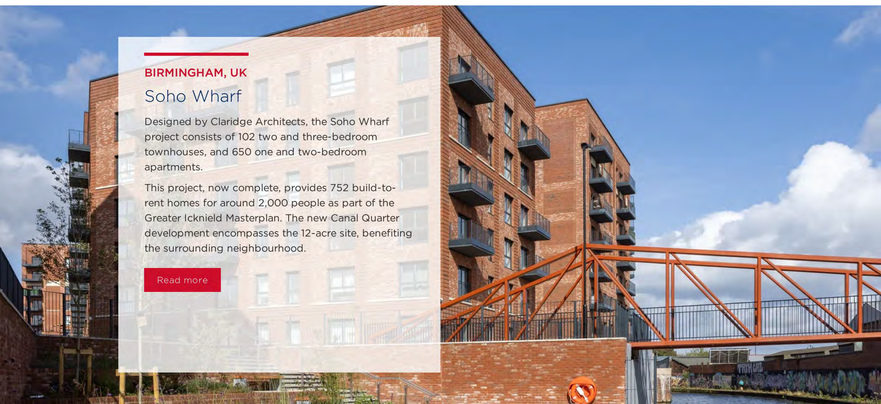
The planned expansion and improvement of road and rail networks will only contribute positively to the economic success of the Midlands. High-profile schemes such as HS2 and the extension of the West Midlands Metro continue to dominate the region's infrastructure sector.

Logistics & Manufacturing

The sector continues to be slightly constrained, with interest rates making site viability for speculative development challenging. However, there is still optimism and demand for quality space. New starts appear to be driven by early agreements for lease.

Residential

The strong demand for housing is continuing to fuel the surge of residential developments in the region. Interest rates and planning inertia remain a concern but new developers from outside the Midlands are entering the market and increasing competition.



BIRMINGHAM, UK

Soho Wharf

Designed by Claridge Architects, the Soho Wharf project consists of 102 two and three-bedroom townhouses, and 650 one and two-bedroom apartments.

This project, now complete, provides 752 build-to-rent homes for around 2,000 people as part of the Greater Icknield Masterplan. The new Canal Quarter development encompasses the 12-acre site, benefiting the surrounding neighbourhood.

Read more

Yorkshire & Humber

Lewis Hunt

Senior Associate

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The construction and property market in Yorkshire & Humber is experiencing steady growth, sustained by a mix of residential and commercial projects. Increasing demand for affordable homes is driving new housing developments.

Leeds and Sheffield are undergoing significant redevelopment, with high-quality office and commercial projects attracting growing private investment. However, challenges persist, including rising materials costs and a shortage of skilled labour. Despite this, the market outlook remains positive.

MARKET CONDITIONS & PIPELINE

Mix of private and public sector investment keeps market strong

The construction market in Yorkshire & Humber continues to be strong thanks to a steady level of activity and new starts in all areas across the region. There is a good mix of public and private sector projects making progress, with clients planning new developments as well as rationalising existing assets.

Leeds remains the region's hub for private developer investment. Sheffield, which in previous years has experienced most growth in public sector, healthcare and university construction projects, is now seeing more private investment coming into the city as market conditions become more viable.

Planning is taking longer than normal due to challenges in resourcing, discharging conditions and Section 278 agreements for public highways works.

The Building Safety Act and changes to the Building Regulations are causing challenges for clients around viability and this is impacting the design and construction of higher-risk buildings.

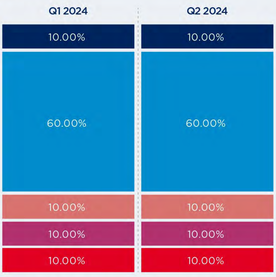
Market sector activity analysis

	Q2 2024	Q1 2024
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**



▲ Peak Growth ▲ Mid Growth ▲ Trough Growth

▼ Peak Decline ▼ Mid Decline ▼ Trough Decline

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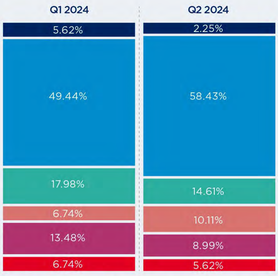
Market sector activity analysis: **National**



▲ Peak Growth ▲ Mid Growth ▲ Trough Growth

▼ Peak Decline ▼ Mid Decline ▼ Trough Decline

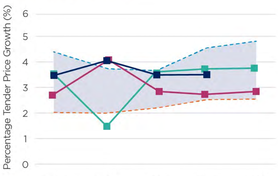
Consolidating the results of multiple regions results enables the calculation of a national representation of percentage of sectors in each phase of the cycle at a point in time.

TENDER PRICES

Outlook is for price inflation to return to historical norms

Over the next 12 months and beyond, tender prices are forecast to increase in line with inflationary levels typically seen in the market prior to Brexit, the pandemic and the war in Ukraine.

Tender Price Change



	2023	2024	2025	2026	2027
RLB Yorkshire & Humber	3.50	4.00	3.50	3.50	N/A
BCIS (National) TPI	3.50	1.50	3.60	3.70	3.80
BCIS (GBCI)	2.80	4.00	2.90	2.80	2.90
Competitors (High)	4.50	3.75	3.70	4.50	4.70
Competitors (Low)	2.00	2.00	2.25	2.50	2.50

INPUT COSTS

- In the past quarter, commodity and materials price movements in the region have mirrored national trends for the construction industry.
- There have been significant rises in preliminary costs – increasing from 15% to 20% on some developments.

SECTOR FOCUS

Commercial

The commercial market in Leeds continues to perform strongly, with office space uptake increasing and a new headline rental of £37 per sq ft, a rise of 3%. Average Grade A office rentals increased in the year and this upward trend is expected to continue.

Education

All colleges and universities in the region remain active in rationalising their estates and continue to focus on decarbonisation. The value of projects has reduced but there is more activity aimed at improving the student experience on campus.

Logistics & Manufacturing

Uptake in space continues at a steady rate across the Yorkshire & Humber region, specifically on the M1 and A1 transport corridors.

Public & Civic

Local authorities across the region are keen to decarbonise and rationalise their estates to meet new demands for hybrid working.

Residential

Private residential development remains a very robust segment of the market in Leeds and York. In the smaller towns across the region, local and regional planning authorities are still seeking to deliver affordable schemes as well as improve their current assets. Projects have been struggling with viability over the past year but there is optimism that a cut in interest rates will unlock new development.

LEEDS, UK

Leeds Technology Campus Redevelopment

Metropolitan and District Securities has appointed RLB to provide project management and quantity surveying services for the redevelopment of the former Technology Campus of Leeds University.

The project will involve the demolition of the existing campus and the construction of three new residential blocks of studio and cluster apartments providing accommodation for more than 500 students.

The development will include a range of amenities and facilities to enhance the student experience, including a gym, yoga studio, cinema room, bike store, roof terrace, communal and events spaces, and retail unit.

The building utilises the district heating network from the local authority and includes plate heat exchangers to optimise energy efficiency. The project is targeting an Energy Performance Certificate 'A' rating and BREEAM 'Excellent' certification.

Northern Ireland

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The restoration of devolved government is a huge boost to Northern Ireland's prospects and the construction market. It has already secured investment in infrastructure projects from the Shared Island initiative, which will improve connections between North and South. There is growing anticipation of funding commitments from the Northern Ireland Executive for public and residential developments that will help to unlock economic growth and regeneration.

MARKET CONDITIONS & PIPELINE

Market outlook is optimistic after restoration of devolution

The market remains steady and the sentiment generally is optimistic about the next 12 months. The restoration of devolved government should lead to new development and revised strategies which bring about improvements in the planning process and the agreement of, for example, a housing supply strategy. But currently there is still a lack of direction from the Northern Ireland Executive and, in the absence of funding, some projects remain on hold.

The Irish Government's funding commitment of more than €800m for cross-border projects under the Shared Island initiative will filter directly into Northern Ireland. The Derry and Strabane region is already benefitting from new investment in transport infrastructure.

Newry, Mourne and Down District Council is progressing through its planning backlog and we have seen traction on projects. The picture at other local authorities remains steady. Clients are aware of the isolated planning issues and remain positive about progress. The current planning system requires a number of policy changes to enable Northern Ireland to meet its renewable energy targets.

Market sector activity analysis

	Q2 2024	Q1 2024
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: **Northern Ireland**

▲ Peak Growth ▲ Mid Growth ▲ Trough Growth

▼ Peak Decline ▼ Mid Decline ▼ Trough Decline

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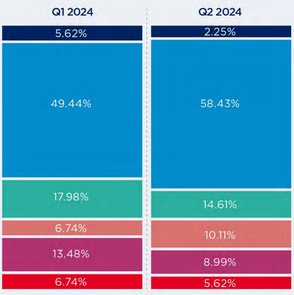
Market sector activity analysis: **National**



▲ Peak Growth ▲ Mid Growth ▲ Trough Growth

▼ Peak Decline ▼ Mid Decline ▼ Trough Decline

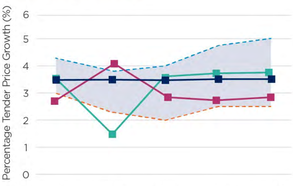
Consolidating the results of multiple regions results enables the calculation of a national representation of percentage of sectors in each phase of the cycle at a point in time.

TENDER PRICES

Long-term outlook points to more competitive tender prices

Currently, there are still concerns over the impact of inflationary costs. In the long term, the re-establishment of the power-sharing Northern Ireland Executive should boost spending on public sector projects, which is likely to attract growing interest from contractors and make tender pricing levels more competitive.

Tender Price Change



	2023	2024	2025	2026	2027
RLB Northern Ireland	3.50	3.50	3.50	3.50	3.50
BCIS (National) TPI	3.50	1.50	3.60	3.70	3.80
BCIS (GBCI)	2.80	4.00	2.90	2.80	2.90
Competitors (High)	4.30	3.80	4.00	4.80	5.00
Competitors (Low)	3.00	2.25	2.00	2.50	2.50

INPUT COSTS

- Movements in commodity and materials prices are in line with UK trends for the industry. In the retail sector, however, we are seeing a spike in contractors' fit-out costs.
- Skills gaps are impacting wages and labour availability.
- Wage expectations for skilled labour are increasing, particularly within MEP trades.

SECTOR FOCUS

Education

Education pipeline is increasing. The Education Authority, which is responsible for delivering education services across Northern Ireland, held a pre-market consultation in March for the appointment for seven new school projects (following the withdrawal of tenders last year).

Health

Budgets for this coming financial year have not yet been approved. The main focus of clients is on maintaining and retrofitting existing assets to ensure the operational stability of buildings.

Infrastructure

The Irish Government has committed €600m of funding through the Shared Island Fund to the long-awaited upgrading of the A5 North-West road link, which will boost cross-border connectivity on the island.

Residential

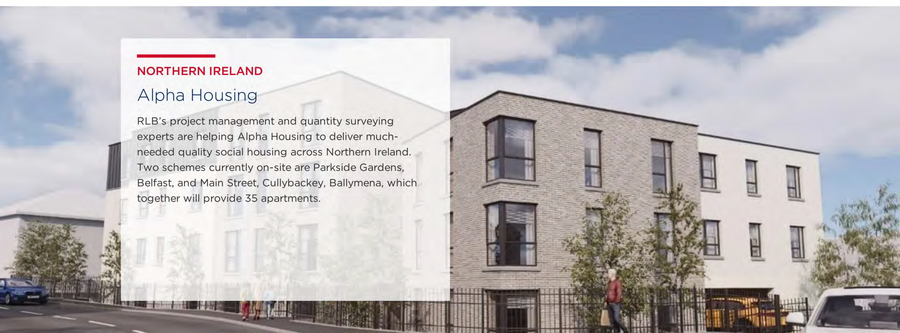
Residential development opportunities are steady, particularly for social housing. There are 1,348 new hotel bedrooms in the pipeline for Belfast. Three hotel projects are either in pre-planning or have submitted planning applications, including for The Dean, a new boutique hotel on Bedford Street.

Retail

The market remains focused on refurbishment of existing assets rather than new-build projects. There have been several large transactions involving shopping centres, including Forestside in Belfast and Rushmere in Craigavon.

Sport

The Irish Government has committed €50m through the Shared Island Fund to contribute to the redevelopment of Casement Park in Belfast as a landmark sports infrastructure project and enable it host matches as part of the EURO 2028 tournament.



NORTHERN IRELAND

Alpha Housing

RLB's project management and quantity surveying experts are helping Alpha Housing to deliver much-needed quality social housing across Northern Ireland. Two schemes currently on-site are Parkside Gardens, Belfast, and Main Street, Cullybackey, Ballymena, which together will provide 35 apartments.

North West

Stuart Wands

Partner

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In the last quarter we have seen an increase in project starts in the North West. The number of projects and opportunities progressing in Manchester and Liverpool is similar, but with the higher value of developments being in the Manchester conurbation. Lancashire and Cheshire are also seeing development opportunities moving forward.

The residential sector is the most prominent sector at the moment, with industry and logistics projects also showing an increase in activity. Several mixed-use developments are in planning as a result of investment from the Levelling Up Fund. The retail, leisure and commercial markets remain quite tight but there are signs that things are starting to move more positively.

MARKET CONDITIONS & PIPELINE

Clients and contractors are positive about region's outlook

There is growing confidence among clients as the economic outlook looks more favourable, though uncertainty over the timing of the forthcoming general election is holding some back from committing to projects. Contractors remain busy and continue to be positive.

The infrastructure sector is building momentum. Liverpool City Region Combined Authority is looking at using redistributed HS2 funding to support local infrastructure projects, including a major regeneration scheme in and around Liverpool Central railway station which should provide a significant impetus for development. Liverpool and Manchester are also benefiting from investment from the Levelling Up Fund.

Industry and logistics projects are particularly strong with a lift in new projects starting to emerge. Residential is another growth sector, accounting for around half of all noticeable new opportunities. Manchester continues to deliver a higher number of residential projects with several commercial schemes now being revisited following the downturn.

Levels of planning approvals are still low in the Liverpool City Region but there has been an improvement in the last half year. Manchester remains steady.

Market sector activity analysis

	Q2 2024	Q1 2024
Houses	▲	▲
Apartments	▲	▲
Offices	▲	▲
Industrial	▲	▲
Retail	▼	▲
Hotel	▲	▲
Infrastructure	▲	▲
Health	▲	▲
Aged Care	▲	▲
Data Centres	▲	▲

▲ Peak Growth ▲ Mid Growth ▲ Trough Growth

▼ Peak Decline ▼ Mid Decline ▼ Trough Decline

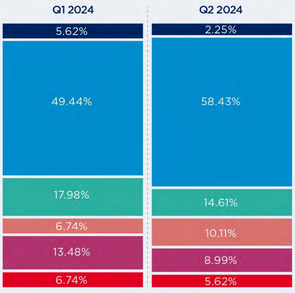
Market sector activity analysis: **North West**

▲ Peak Growth ▲ Mid Growth ▲ Trough Growth

▼ Peak Decline ▼ Mid Decline ▼ Trough Decline

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**



▲ Peak Growth ▲ Mid Growth ▲ Trough Growth

▼ Peak Decline ▼ Mid Decline ▼ Trough Decline

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.

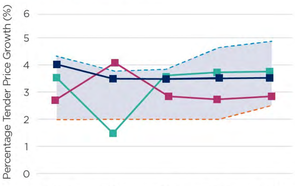
TENDER PRICES

Long-term trend in prices will be 'stable but upward'

Pricing has stabilised with a return to steady inflation levels expected over the next 12 months.

This stable but upward trend is forecast to continue in the long term but with some local spikes due to skills and labour issues.

Tender Price Change



	2023	2024	2025	2026	2027
RLB North West	4.00	3.50	3.50	3.50	3.50
BCIS (National) TPI	3.50	1.50	3.60	3.70	3.80
BCIS (GBCI)	2.80	4.00	2.90	2.80	2.90
Competitors (High)	4.30	3.75	3.80	4.70	4.90
Competitors (Low)	2.00	2.00	2.00	2.00	2.50

INPUT COSTS

- Commodity and materials price movements in the North West are in line with trends for the construction industry as whole.
- Skills gaps are having an adverse impact on labour availability and wages across the region.

SECTOR FOCUS

Commercial

The region's commercial sector currently presents a mixed picture but the outlook is improving. A number of schemes that had been shelved due to the downturn are now being looked at again by developers.

Infrastructure

A major new infrastructure works programme, worth approximately £1.5bn in total, is now out for tender and this will have a considerable impact on the Liverpool City Region.

Logistics & Manufacturing

Opportunities remain buoyant across the logistics and manufacturing sector, with new schemes, acquisitions and planning approvals all increasing.

Public & Civic

Several town centre regeneration schemes are now underway following the distribution of new investment from the Levelling Up Fund. The number of bids is starting to increase in the Liverpool City Region as issues within Liverpool City Council over procurement and planning are starting to be resolved following the intervention of government-appointed commissioners.

LIVERPOOL, UK

Merseyside Fire & Rescue Service

RLB is playing a key role in the construction of major new facilities for Merseyside Fire & Rescue Service. We are providing cost management and employer's agent services for the development, which consists of a state-of-the-art training academy, National Resilience Centre of Excellence and four-bay fire station.

Read more

South East

James Miller

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The Bank of England's Monetary Policy Committee is beginning to show signs that interest rates may reduce soon. Lower interest rates will reduce borrowing costs, assisting our clients to deliver much-needed affordable housing, also reducing mortgage and developer finance costs, all of which will help kickstart many new developments.

The big question for the residential sector will be what the next government brings? With borrowing costs forecast to reduce and hopefully the required political support, it will be great if the industry can achieve the 90,000 social rent homes per year called for by the Levelling Up, Housing and Communities Committee.

MARKET CONDITIONS & PIPELINE

Market growth hampered by political and economic factors

The region's construction and property sector remains resilient overall and, in some instances, shows signs of buoyancy. Main contractors feel positive about tender opportunities over the next 12 months, though the ongoing profit warnings and insolvencies in the industry are impacting optimism.

House building in the South East is not proceeding fast enough to meet targets and is being hampered by political and macro-economic factors that are impacting costs, funding and project viability.

There has been no significant change on the level of new starts compared to the previous quarter, but there are some major programmes of work coming through the development pipeline. These include town centre regeneration schemes and residential-led projects that have recently received planning approval.

Market sentiment is generally one of ongoing frustration with the region's planning departments. The consensus is that planning is likely to be significantly impacted by evolving political events throughout the remainder of the year.

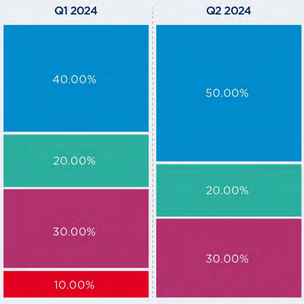
Market sector activity analysis

	Q2 2024	Q1 2024
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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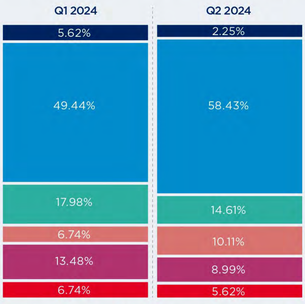
Market sector activity analysis: **National**



▲ Peak Growth ▲ Mid Growth ▲ Trough Growth

▼ Peak Decline ▼ Mid Decline ▼ Trough Decline

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.

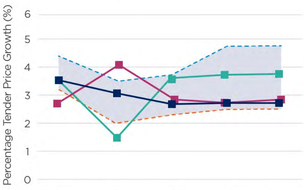
TENDER PRICES

Price stability expected for the next 12 months and beyond

The general expectation is that tender pricing will continue to follow a stable but upward trend for the foreseeable future.

Beyond that, the expectation is for more of the same, though this is dependent on what impact geopolitical events in the UK and globally might have on the market.

Tender Price Change



	2023	2024	2025	2026	2027
RLB South East	3.50	3.00	2.75	2.75	2.75
BCIS (National) TPI	3.50	1.50	3.60	3.70	3.80
BCIS (GBCI)	2.80	4.00	2.90	2.80	2.90
Competitors (High)	4.25	3.50	3.70	4.70	4.70
Competitors (Low)	3.25	2.00	2.25	2.50	2.50

INPUT COSTS

- Movements in commodity and materials prices and labour costs are in line with current national trends for the construction industry.

SECTOR FOCUS

Commercial

A mixed picture but there are signs of optimism with regards to the part letting of space at some of the more significant speculative commercial office developments. Regionally, the life sciences sector continues to be a key driver in the Oxford-Cambridge arc.

Educational

There is a significant programme of works forecast for schools across the region, driven by public sector funding programmes. In higher education, despite budgetary pressures, there is strong interest in capital investment programmes to upgrade estates and facilities to meet sustainability and net zero challenges.

Public & Civic

Over the last quarter there have been several announcements of large-scale town regeneration schemes incorporating a significant residential component. These are intended to be delivered through joint ventures made up of public and private sector partners.

Residential

The region's residential market remains challenging due to the impact of macro-economic factors. But it is expected that the private rented sector model will continue to gain traction, given the lack of rental options in key commuter locations across the South East.

BASINGSTOKE, UK

Hounsome Fields

Hounsome Fields, a development located on the outskirts of Basingstoke, Hampshire, will provide 433 much-needed affordable homes to the local community. RLB has been supporting the project since 2020, acting as employer's agent to VIVID, Hampshire's largest housing association and the sixth-largest developer of new homes among housing associations in England.

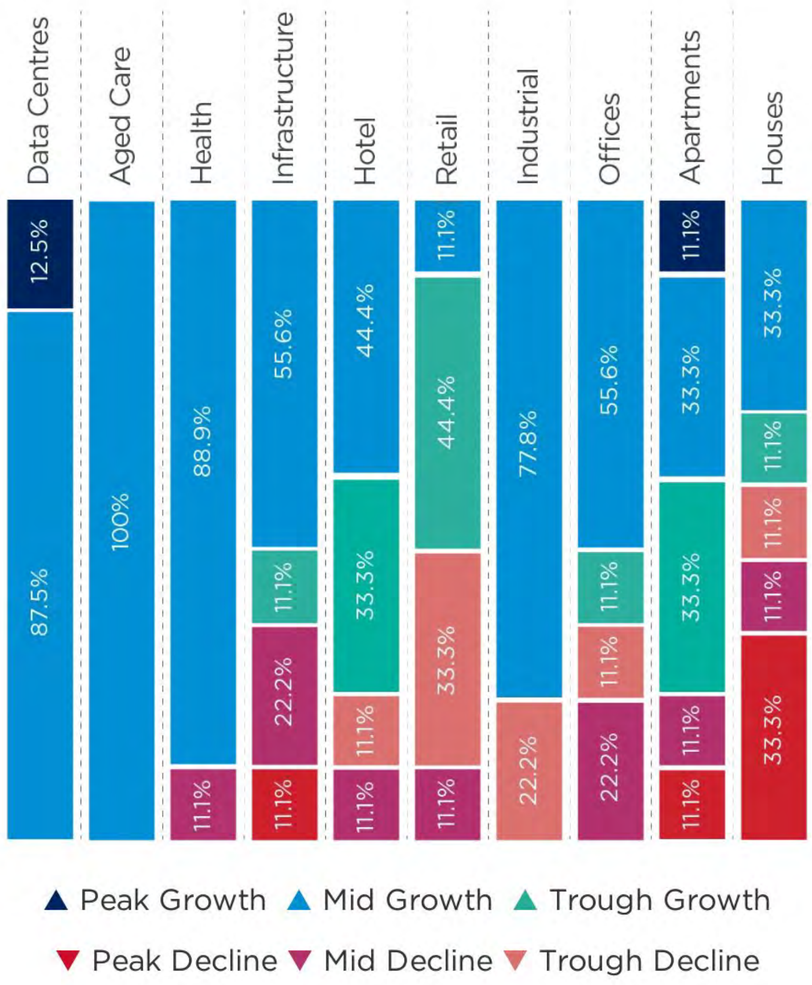
Read more

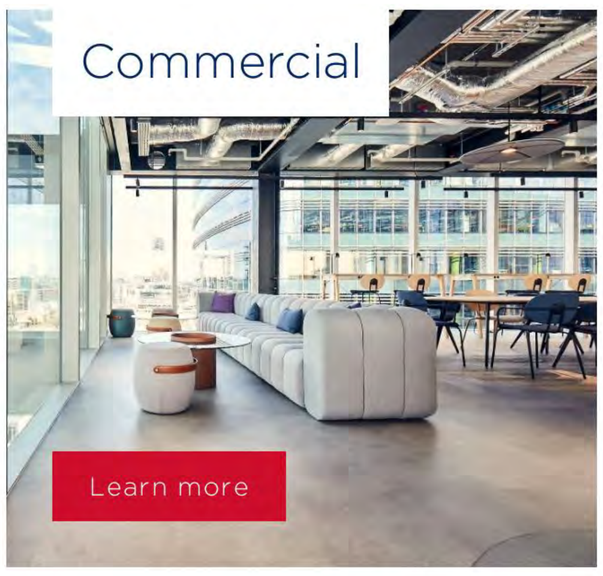
Sector Snapshot

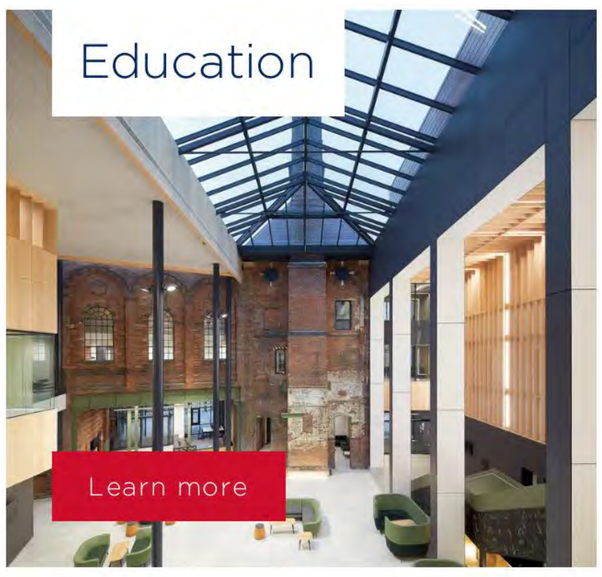
Consolidated view of regions reveals wide diversity across sectors

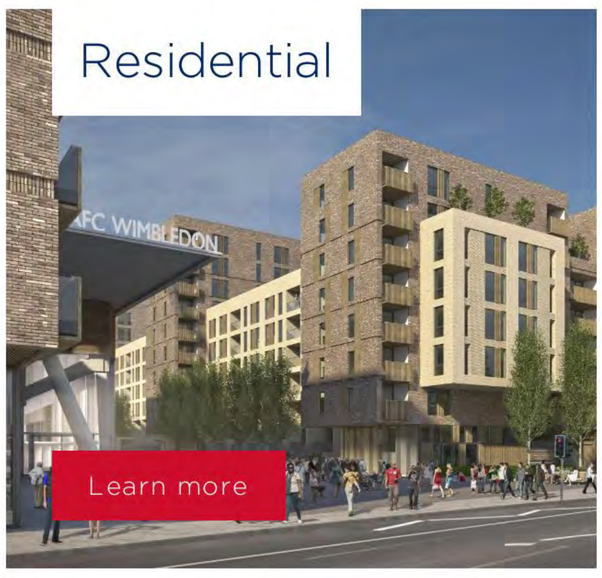
Our Sector Snapshot consolidates the views of work sectors from around the UK. The stacked chart depicts in percentage terms the proportions for particular levels of activity within each sector, as reported by our on-the-ground experts.

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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Education

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RAAC in schools and falling student numbers are sector's main concerns

RAAC continues to be a headline story in the schools subsector, following the recent publication of a final list of 234 impacted schools and colleges. The government has committed to the permanent removal of the material, although the main source of funding for this seems to be the School Rebuilding Programme, meaning schools affected by other condition issues may miss out.

The Spring Budget included funding for 15 new special schools at a cost of £105m, and unveiled plans for 20 alternative provision free schools. Further investment of £850m in the existing estate to make mainstream schools more inclusive has also been announced by the DfE. This funding is starting to make its way through to the supply chain and increase demand in the sector.

Universities have been increasingly anxious about trends and narratives concerning international student numbers. International education is an important market for the HE sector and contributes significantly to its overall financial health.

The outcome of the Migration Advisory Committee's recent review of the Graduate route visa arrangements, which concluded that the route is delivering on the government's International Education Strategy, has been welcomed by the sector. Much now will depend on the political response to the report, which, in an election year, may not be straightforward.

Until certainty around the approach to international students is established, there is likely to be an impact on the investment plans of universities.

Find out more about our sector expertise here

PROJECT

University of East London

Connected Campus, University East London

Connected Campus is the University of East London's multi-million-pound estates masterplan that aims to transform the learning and working experience across its three campuses at Docklands, Stratford and University Square. The programme is at the heart of its 2028 Vision to become the UK's leading career-intensive university with a diverse and inclusive culture that is sustainably fit for the future.

Since 2020, RLB has provided a seamless Project Management Office (PMO) solution to help the University realise its Connected Campus strategy and meet its ambitious milestones. Delivering cost and project management solutions across a fast-paced programme of work, with spends ranging from £19m to £40m, RLB's input has already helped the University deliver more efficient use of academic office space, and repurpose teaching and student-facing facilities for exciting new uses.

Highlights include:

- Delivering a programme of refurbishment works to reconfigure space to provide agile working space for academic staff as part of the 'Your Space, Your Place' initiative.
- Delivery of The Lounge and Pump House spaces to provide flexible event space.
- Refurbishment of areas in the Hospital and Primary Care Hub to create ward simulation space for clinical skills teaching to deliver a European first in end-to-end healthcare education.
- Hard and soft landscaping works in the public realm to create external study and collaboration space and improve accessibility across the University's campuses.
- Refurbishment of Grade II* listed 19th century Dome building to improve its useability and inclusivity.
- Opening of its pioneering Royal Docks Centre for Sustainability (RDCS) a refurbishment scheme, which includes new flexible teaching facilities.

The collaborative way of working between RLB and the University using the PMO solution is a key reason for the programme's success to date. The University requires works to be delivered at a fast pace to respond to the changing demands for teaching space typologies and course content. We have responded by developing flexible procurement strategies, in conjunction with the University's procurement department, that deliver on the programme aspirations yet works within budget constraints. We are also engaged in writing business cases for larger-scale developments to assist with securing external grant funding.

Image credit: © SophieMitchellPhotography

Logistics & Manufacturing

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New technologies and sustainability are driving sector's transformation

The integration of advanced technologies such as AI, the Internet of Things and blockchain into the sector will continue to be an accelerating trend. These technologies come with risks, but if managed correctly will enhance efficiency, transparency and traceability, driving productivity gains across the sector.

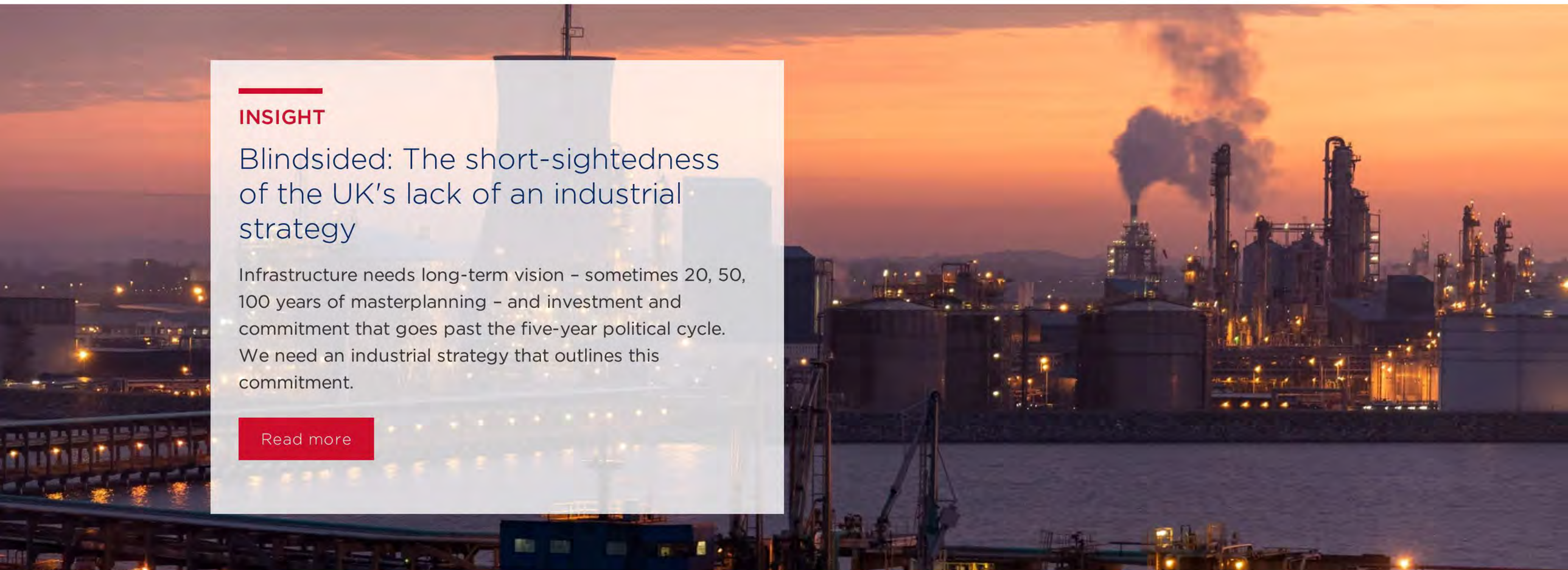
Additionally, there is a growing emphasis on sustainability and reducing carbon. With increasing consumer and regulatory pressures, businesses are adopting greener initiatives, such as renewable energy sources, waste reduction and recyclable packaging solutions. The focus for owners will be around decarbonisation of assets and repurposing.

Many companies are optimising their distribution networks to cope with ever-changing consumer preferences and ever-increasing volumes of e-commerce. This includes investments in warehouse automation, 'last mile' delivery solutions, and agile inventory management systems to meet the demands of an evolving market landscape.

In response to supply chain vulnerabilities, businesses are reshoring or near-shoring manufacturing operations, favouring locations north of the Mediterranean for enhanced security and reliability of delivery routes.

The sector faces a period of profound transformation, driven by the integration of new technologies and a heightened focus on sustainability. As companies navigate the complexities of the modern market, investments in efficiency, environmental responsibility and supply chain resilience are paramount. With strategic reshoring decisions, businesses are poised to thrive in an increasingly dynamic and competitive landscape, ensuring continued innovation and success in the future.

Find out more about our sector expertise here



INSIGHT

Blindsided: The short-sightedness of the UK's lack of an industrial strategy

Infrastructure needs long-term vision – sometimes 20, 50, 100 years of masterplanning – and investment and commitment that goes past the five-year political cycle. We need an industrial strategy that outlines this commitment.

Read more

Infrastructure

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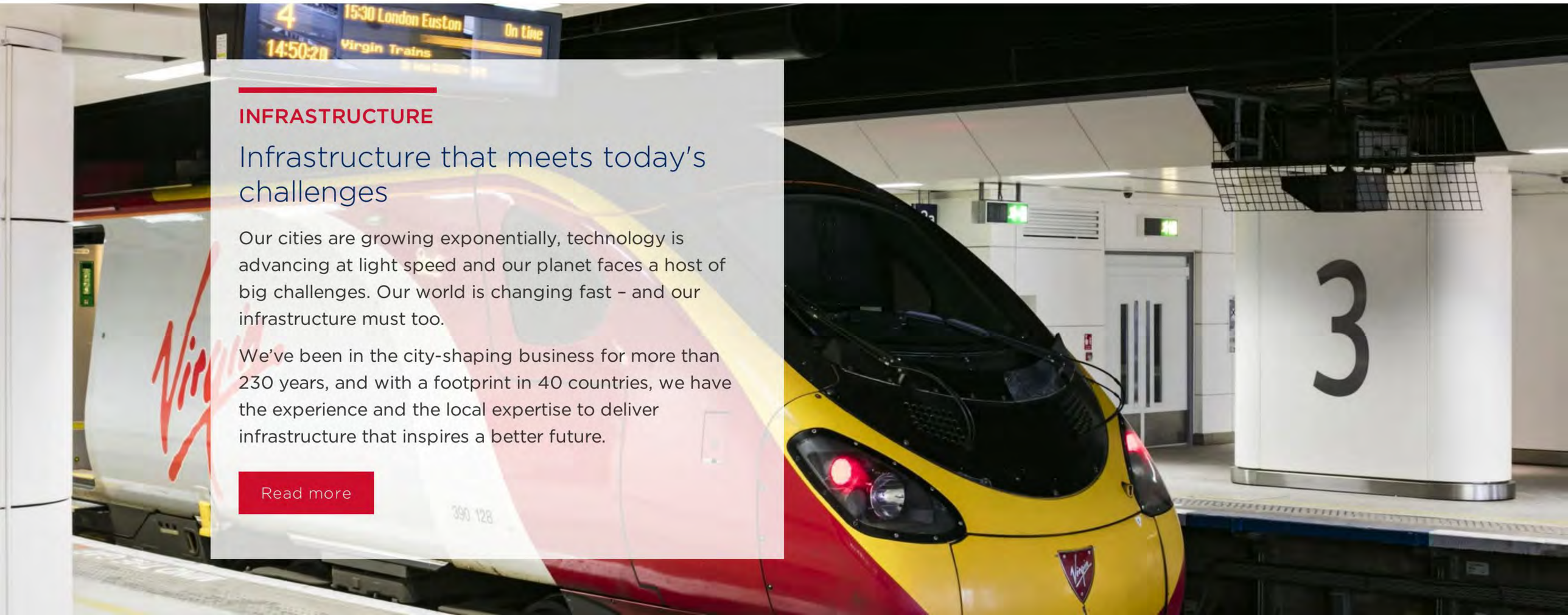
Sector's pipeline and opportunities look bright despite short-term concerns

Project and framework delivery, as well as future opportunities, have all grown over the last quarter. Construction has been a significant component of UK GDP growth. Pipeline visibility extends through 2024, and while the pre-election period will have an impact on public sector works, plans are already taking this into account.

Clients are aware of the constraints on resources across supply chains and are acting prudently when planning, evaluating and choosing organisations to work with. Due diligence has increased before committing to a project start, and this increased rigour is welcome.

Planning processes, spare power capacity and skill shortages remain key concerns that are difficult to change in the short term. The continuing reduction in inflation and the almost inevitable decline in interest rates will be welcome boosts for all.

Find out more about our sector expertise here



INFRASTRUCTURE

Infrastructure that meets today's challenges

Our cities are growing exponentially, technology is advancing at light speed and our planet faces a host of big challenges. Our world is changing fast – and our infrastructure must too.

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.

Read more

Sport

Jonathan Edwards

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High demand for venue projects as other subsectors face viability concerns

Sports venue development continues to experience growth and an increase activity on feasibility of new schemes. Confidence in the viability of arena and stadium projects has grown steadily since the pandemic and more owners are undertaking schemes to refurbish and enhance existing venues or build new ones.

The public leisure subsector is facing a period of increased uncertainty due to operational cost increases and local authority funding cuts. Key to the viability of public leisure facilities is reducing energy use and carbon emissions. This is a significant trend in the UK, where the focus is on the need to understand existing facilities and their condition, and the investment required to protect medium and long-term viability.

The events subsector remains buoyant, but is challenged by project viability for mega and large-scale events. The Commonwealth Games 2026 is still without a host country at present, while the organisers of major global events such as the FIFA World Cup and the Olympic Games are actively opening up the possibility of decentralised event delivery.

Find out more about our sector expertise here

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

Commercial

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Partner

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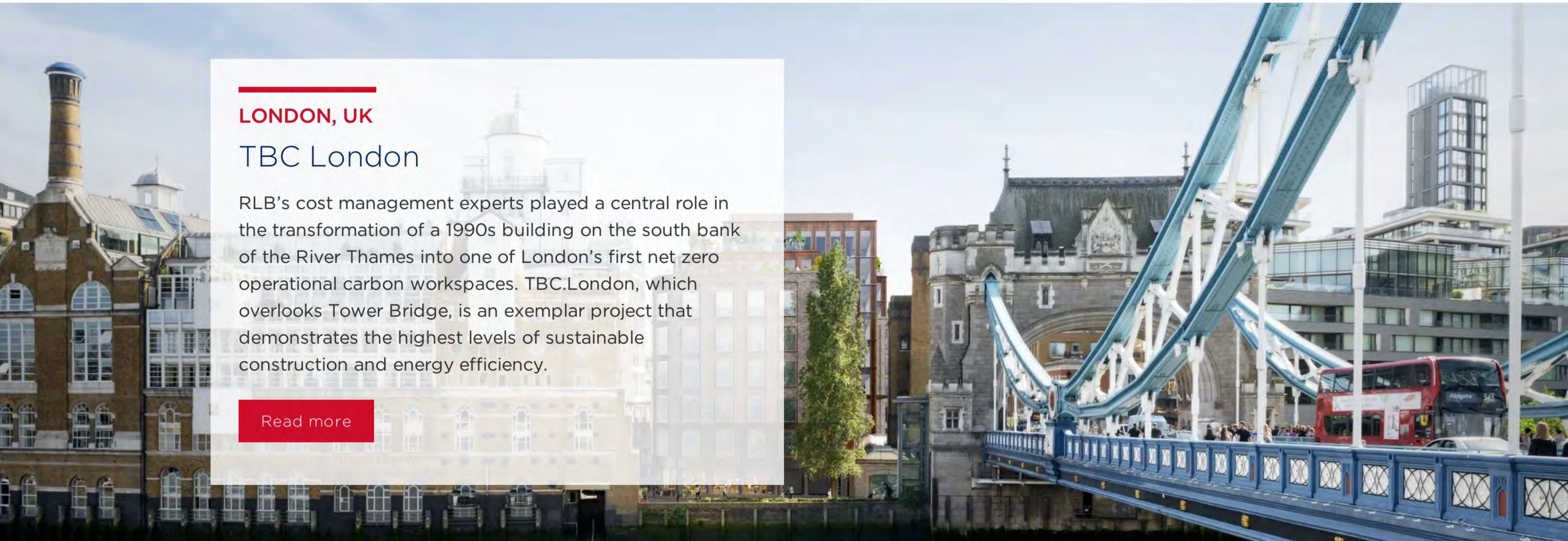
Improved investor sentiment rests on hoped-for cut in interest rates

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

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

A slowdown in development projects is to some degree being countered by an increase in activity in decarbonisation-driven projects.

Find out more about our sector expertise here



LONDON, UK

TBC London

RLB's cost management experts played a central role in the transformation of a 1990s building on the south bank of the River Thames into one of London's first net zero operational carbon workspaces. TBC.London, which overlooks Tower Bridge, is an exemplar project that demonstrates the highest levels of sustainable construction and energy efficiency.

Read more

Residential

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Developers becoming more optimistic about project viability and property values

Residential construction activity remains subdued, but there are early signs of confidence returning to the market as sales values and tender price inflation stabilise. High interest rates and mortgage costs, however, will continue to influence sentiment throughout the rest of 2024.

The year commenced with a mortgage price competition among lenders, spurred by favourable inflation data from late 2023. This momentum had waned by mid-February due to concerns that certain inflationary factors might delay the Bank of England's initial interest rate cut until the autumn. This narrative has since shifted, with the BoE now anticipated to proceed with the first cut during the summer.

As both inflation and interest rates are projected to decrease in the second half of the year, the sector is becoming more optimistic about development viability and property values. This positivity is evident in increased activity in the build-to-rent and purpose-built student accommodation sectors since the year began. But national housebuilders are likely to remain cautious until after the forthcoming UK and US elections.

Find out more about our sector expertise here

INSIGHT

Signs of green shoots in a subdued market

The Q1 2024 Construction Market Intelligence Report looked at market activity by sector and by region. It will be no surprise that we have reported for the first quarter that 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.

Read more

Public & Civic

Julian Henley

Partner – National Head of Public & Civic

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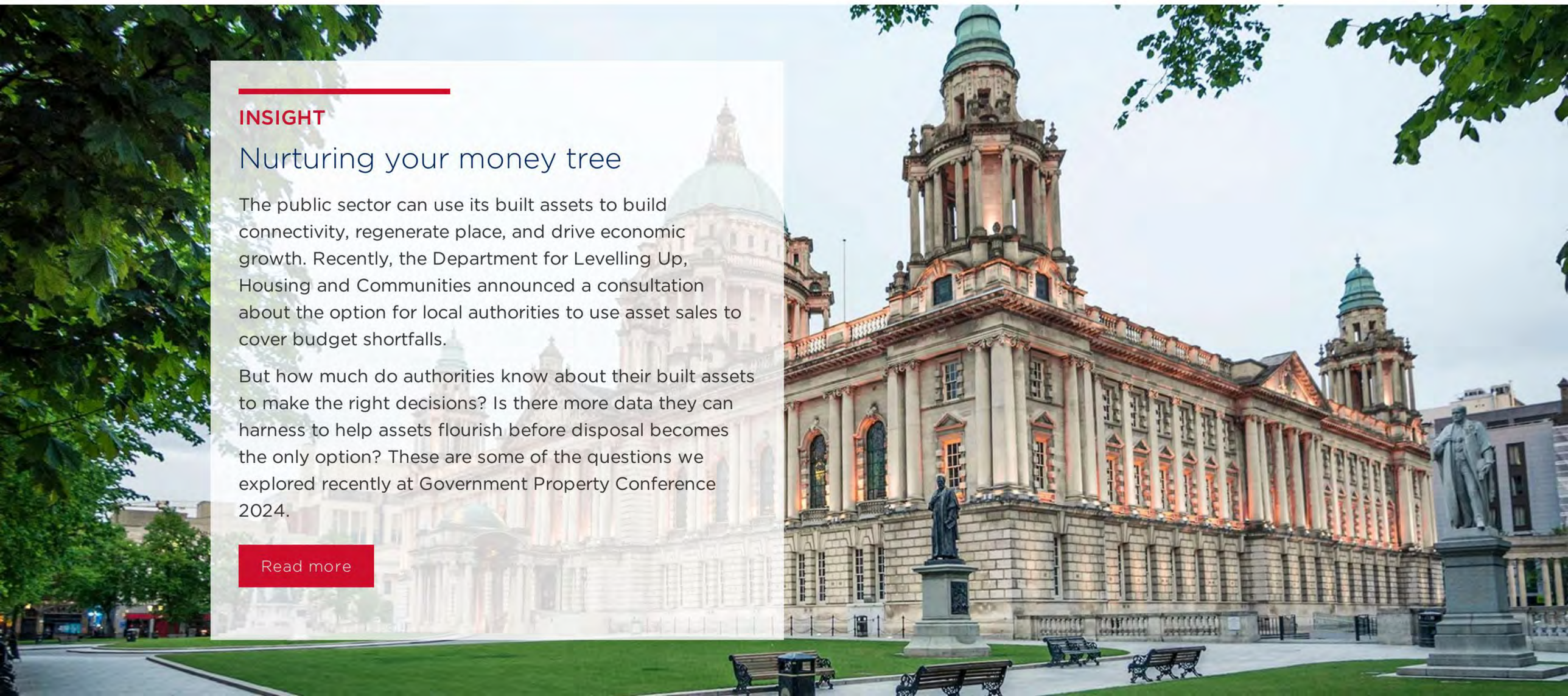
Sector ponders post-election direction of travel on funding and devolution

Many local authorities continue to navigate financial constraints amidst increasing demand for services, with some at risk of making further cuts to services to avoid section 114 notices. Despite this challenging environment, urban authorities buoyed by regeneration funding allocation have pressed ahead with gateway schemes, with a noticeable trend in community-based initiatives that include repurposed heritage assets.

Productivity was a key message emanating from the recent Spring Budget. A trailblazing devolution deal for the North East, new investments for the UK regions, a package of funding for village halls and a further allocation of funding for regeneration schemes in 20 towns, were among a suite of government announcements.

As we look ahead to the forthcoming general election, we will expect to see further debate around devolution and the growing responsibilities of local leadership. The announcements made in the Spring Budget could be an indication of the direction of travel on funding streams and powers on how money is spent, whichever political party forms the next government.

Find out more about our sector expertise here



INSIGHT

Nurturing your money tree

The public sector can use its built assets to build connectivity, regenerate place, and drive economic growth. Recently, the Department for Levelling Up, Housing and Communities announced a consultation about the option for local authorities to use asset sales to cover budget shortfalls.

But how much do authorities know about their built assets to make the right decisions? Is there more data they can harness to help assets flourish before disposal becomes the only option? These are some of the questions we explored recently at Government Property Conference 2024.

Read more

Data Centres

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Industry 'gold rush' put at risk by growing supply chain pressures

The UK and Europe's data centre industry is in a gold rush, fuelled by the surging demand for AI and cloud computing. Operators and contractors are bullish, with plans to build significantly more capacity this year. However, a dark cloud looms over this optimism – acute supply chain problems.

The conflicts in Ukraine and the Middle East together with increasing environmental regulations have introduced significant headwinds into the sector. Materials shortages, extended lead times for critical equipment and soaring costs are all squeezing profit margins. These problems are expected to intensify throughout the rest of 2024, with power connectivity, environmental regulations, geopolitical risks and extreme weather events posing the biggest threats.

These constraints aren't just bad for business; they threaten to slow down Europe's digital transformation. Consequently, operators and contractors must urgently prioritise the mitigation of supply chain risks. Collaboration and a focus on sustainable practices are crucial to ensure the data centre industry can capitalise on this golden opportunity and build a resilient future.

Find out more about our sector expertise here

INSIGHT

Data Centre Trends Report 2024

Cloud computing and AI technologies are driving demand for data centres, but growing construction supply chain risk jeopardises Europe's digital future, according to RLB's new Data Centre Trends Report.

We compiled this report based on a comprehensive survey of 475 executives from data centre operators and contractors across the UK and Europe.

Read more

Retail

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Outlook remains uncertain as projects increasingly focus on sustainability

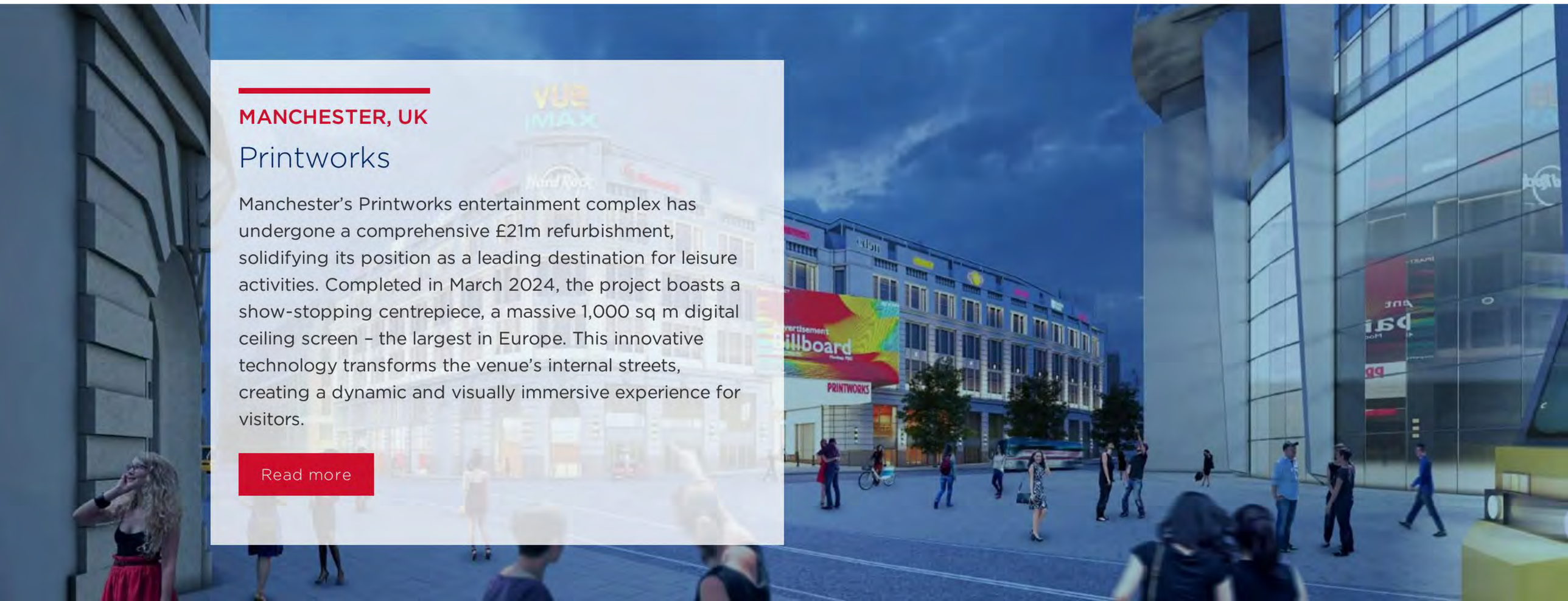
While key factors such as interest rates, GDP growth, employment rates and consumer confidence remain hard to predict, the main driver for the retail sector will continue to be investment in customer experience and price. Consumer footfall and sales increased slightly in Q1 of 2024, but the outlook is still changeable.

Development schemes face challenges but occupied property-related spend is showing signs of recovery after factoring in legislative changes and building condition issues, notably RAAC.

The asset management subsector is still dominated by repurposing of assets. Many successful operators continue to expand their brand portfolios by consuming distressed assets or effecting brand collaborations and enabling their own space-diversification plans.

Projects and retailers' plans are becoming progressively more focused on sustainability and compliance, driven by concerns among both consumers and investors. This trend has influenced most of the projects being delivered this year and is set to continue.

Find out more about our sector expertise here



MANCHESTER, UK

Printworks

Manchester's Printworks entertainment complex has undergone a comprehensive £21m refurbishment, solidifying its position as a leading destination for leisure activities. Completed in March 2024, the project boasts a show-stopping centrepiece, a massive 1,000 sq m digital ceiling screen – the largest in Europe. This innovative technology transforms the venue's internal streets, creating a dynamic and visually immersive experience for visitors.

Read more

Healthcare

Adam Hurst

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Drive for sustainability and digitalisation remains key focus of estate planning

The healthcare sector in the UK is seeing continued growth and transformation, driven by innovation, collaboration and a commitment to improving patient outcomes. With NHS Net Zero still a high priority, sustainability runs through the heart of estate planning and renovation.

The sector is in a strong position with over a decade of expertise and progress in sustainable healthcare, and the knowledge that NHS staff support its response to climate change. Alongside the drive to sustainability is the continued integration of digital health solutions into mainstream healthcare services. Utilising, and adapting to, digital services and tools facilitates easier access to healthcare services for patients while reducing strain on physical healthcare infrastructure.

The sector is witnessing a surge in investment and collaboration in research and development, particularly in areas such as AI-driven diagnostics, regenerative medicine and novel therapeutics. In addition, efforts to strengthen healthcare resilience and preparedness, particularly in the face of emerging infectious diseases and global health threats, will remain a priority on the national agenda.

Find out more about our sector expertise here

INSIGHT

Hospital roof improvement plan

Drone surveys help deliver a greener NHS

The Northern Lincolnshire and Goole NHS Foundation Trust serves a local population of more than 450,000 people and provides inpatient, day care and outpatient services. RLB's building surveyors were appointed to conduct a comprehensive inspection and thermal analysis of the roofs of the Trust's three hospitals in Scunthorpe, Grimsby and Goole, as well as other buildings, to support its journey to net zero.

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Creating a better tomorrow

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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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110
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The 2024 edition of RLB's annual Procurement Trends survey, 'Investing in Your Supply Chain', aims to give you the data, insights and analysis you need to understand what is changing in procurement within the UK construction industry.

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Data Centre Trends Report

Cloud computing and AI technologies are driving demand for data centres, but growing construction supply chain risk jeopardises Europe's digital future, according to RLB's new Data Centre Trends Report.

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ESG Report

RLB UK has for the first time published a report that records its Environmental, Social and Governance (ESG) performance.

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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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A quarterly publication from RLB's Research & Development department. Construction Market Intelligence is a compendium of economic and construction market data and related information on the United Kingdom construction industry.

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