



Shaping public
construction

SCF Market Intelligence

Q2 2021

Introduction



Every quarter, SCF Main Contractors gather market intelligence from the construction industry from their trade supply chains.

Data is collected for 10 high level construction trades across four cities within the South of the UK. This data is used to identify regional market trends and forecast for the following year by commenting on changes in tender workload, number of employees, building costs and material & labour availability.

SCF shares this information with its clients to highlight key areas of risk that may impact on project delivery. SCF Main Contractors and Clients can use this information to predict pressures and opportunities in the market, ensuring decisions can be made at an early enough stage in a projects' life to ensure the best outcomes and minimise risks in project delivery.

The Integrated Project Team uses this data to make decisions about materials specification, construction methodology, off-site or automated construction techniques and project planning and programming, ensuring the best possible decision making to deliver maximum value to our clients.

This data is made available publicly to the benefit of the wider industry and can help specialist suppliers manage their workflows and labour forces to serve SCF's market leading contractors in the best way possible.

This data, combined with SCF's integrated team approach, maximises the benefits of the two-stage open book process, ensuring predictable, high quality outcomes for our clients and their communities.

Trades

- Carpentry and Joinery
- Tower Cranes
- Groundworks
- Windows
- Curtain Walling
- Concrete Frames
- Brickwork
- Mechanical and Electrical
- Dry Lining
- Steelwork

Get in touch...

To discuss the SCF procurement process or a particular project you have in mind, please contact our Operations leads.



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Tender Workload

The Covid-19 vaccination programme and the progressive easing of lockdown restrictions has resulted in a continued recovery from the construction industry throughout Q2.

The residential sector is the largest part of the construction industry, and according to the ONS helping drive the industry's recovery. In addition, growth in the infrastructure sector has been rapid, helped in particularly by spending on roads. However, funding initiatives from Central Government such as Salix De-carbonisation programme, Towns Fund and Building Safety Fund (BSF) have also continued to drive workload throughout Q2.

As a result, SCF Main Contractors have observed an increased demand amongst construction trades. The supply chain has reported an average increase of 7% in tender workload across all trades when compared to this time last year.

Construction trades with the greatest annual increase in tender workload include:

- Tower Cranes (18%)
- M&E (16%)
- Dry Lining (14%)
- Groundworks (13%)

An increased commitment from public sector clients in resuming construction spend post covid restrictions has resulted in a strengthening pipeline. Consequently, suppliers have reported an average increase of 4% in tender workload across all trades when compared to the previous quarter.

Construction trades with the greatest increase over the past 3 months include:

- Brickwork (14%)
- Dry Lining (7%)
- M&E (7%)
- Tower Cranes (7%)

Within the South West, tender workload has decreased over the quarter for trades such as Steelwork (-6%) and Windows (-15%). This may be due to hesitation in the market derived from high material costs. However, volatility is apparent with tender workload in the South West for steelwork ranging from -15% to 7%. With issues regarding capacity amongst the supply chain, suppliers are increasingly selective over procurement opportunities.

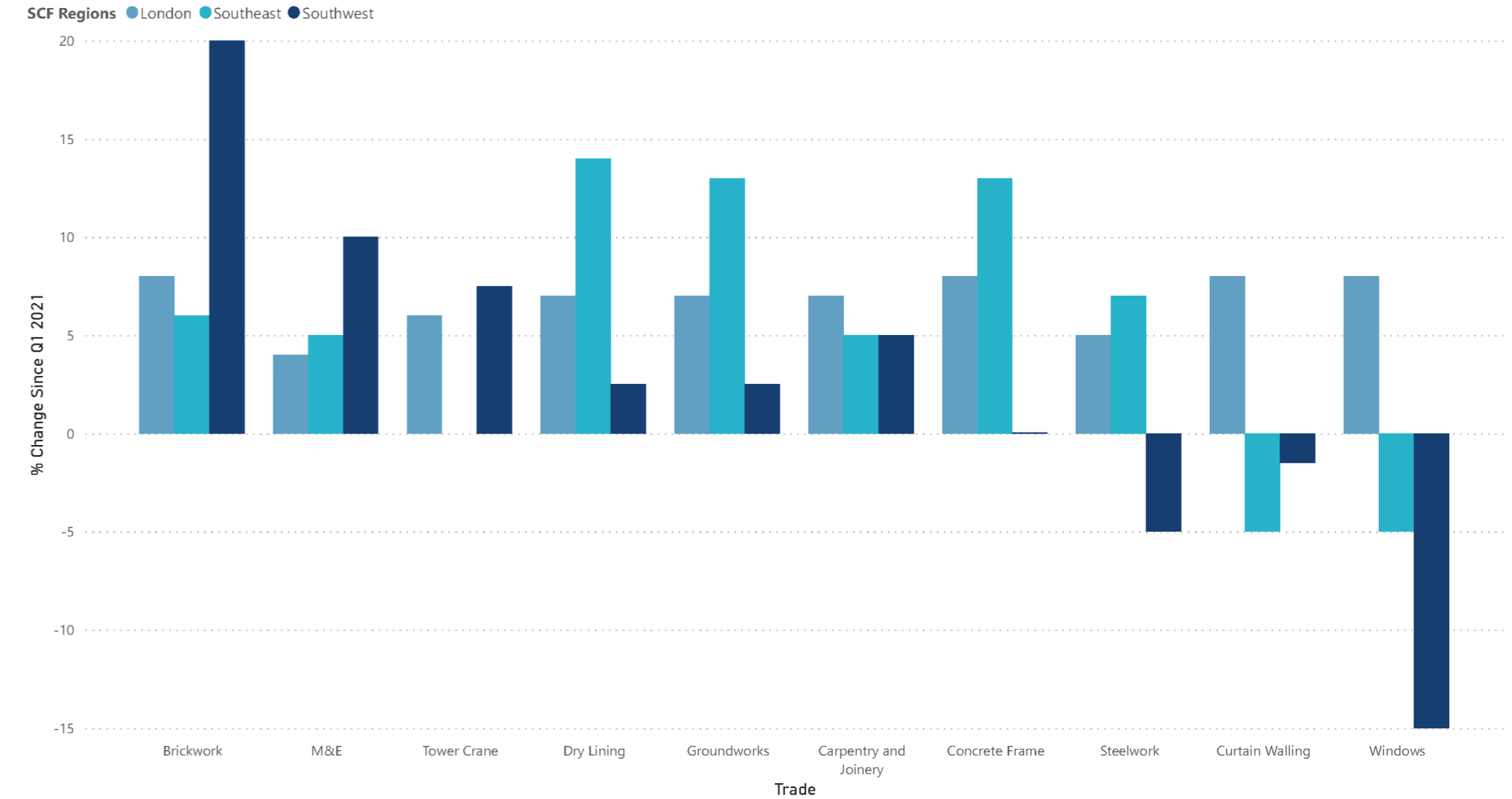


SCF top tip: Our main contractors also reported an increase in their own bidding activity, by providing an advanced notice to contractors helps them to bid your scheme. (If it's an SCF scheme, we will do the advanced notice for you)



SCF top tip: SCF publishes its pipeline on Local Supply Chain portal to help boost visibility and support the supply chain in managing workload.

Tender Workload (% change since Q1 2021)



Employment

Resumed construction activity has resulted in increased employment across the construction industry.

The supply chain has observed a 1% increase in the number of employees across all trades when compared to the previous quarter.

Trades with the greatest quarterly increase include:

- M&E (4%)
- Carpentry and Joinery (4%)
- Tower Crane (3%)

However, trades such as Curtain Walling (-2%), Groundworks (-1%) and Dry Lining (-1%) have reported a decrease in the number of employees when compared to the previous quarter.

A decreasing number of employees may reflect an unavailable workforce and shortage of skilled labour. The average number of Brickwork employees in the South East decreased by 12% when compared to the previous quarter, however changes in the number of employees ranged from -20% to 5% across different companies.

With definitive labour trends yet to be observed in the data, this supports the uncertainty within the current market and emphasises how long-term risks can make early fixed pricing more challenging.

As the UK has approached the deadline for the EU Settlement Scheme, the industry has reported a reduction of EU workforce, which has been particularly prevalent in areas surrounding London. This has also impacted on wider industry activity such as the reduced capacity for the haulage of construction materials.

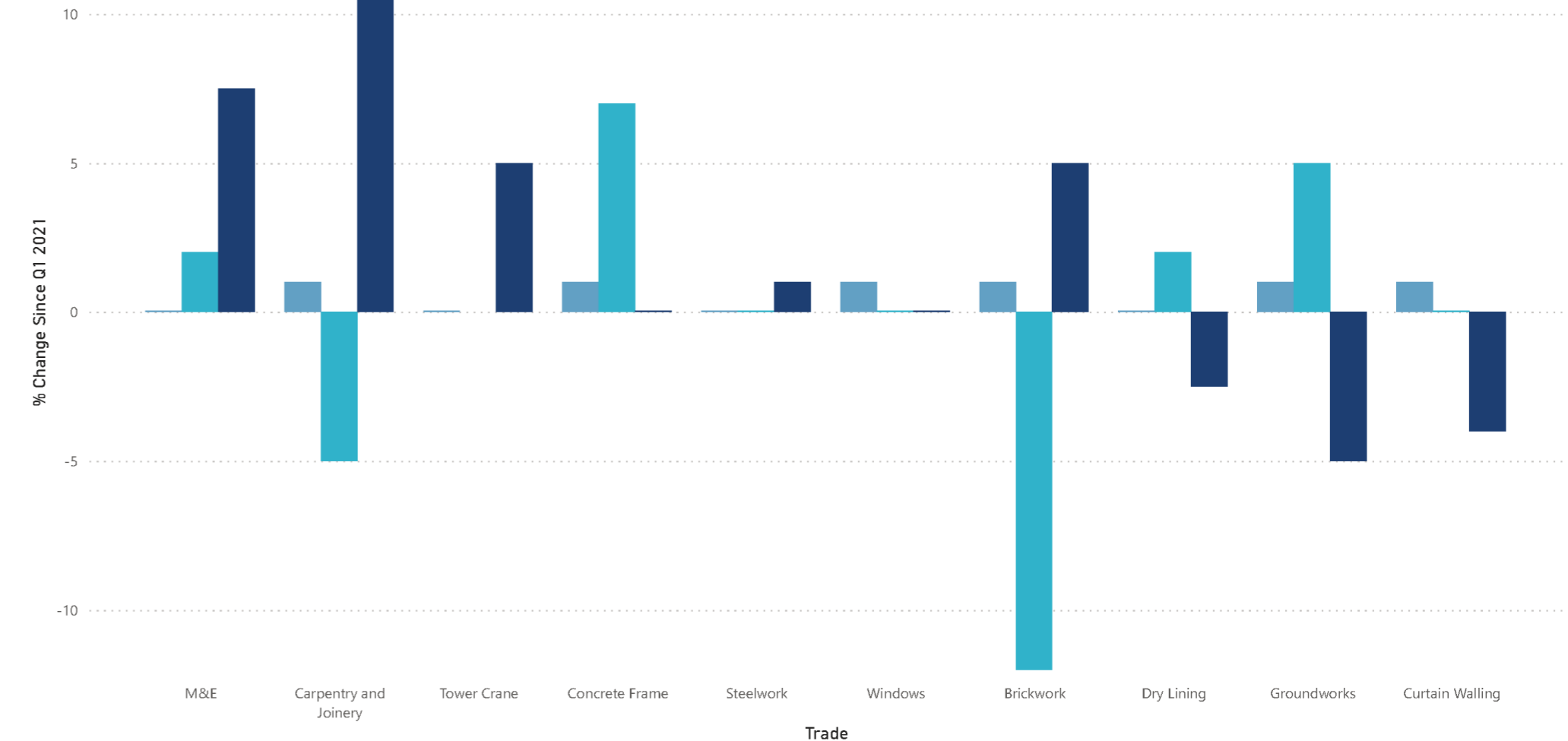


SCF top tip: *Never has it been more important to engage your local supply chain to ensure they have adequate resources to support your scheme. Better still, if you can be open about future opportunities with your supply chain it will give them confidence to invest in new starters including apprentices to help address long term shortages in key trades.*

Take a look at some of our [SCF apprentice stories](#)

Change in number of employees (% change since Q1 2021)

SCF Regions ● London ● Southeast ● Southwest



Building Cost

An escalation in the cost of raw materials has been a key risk identified by the construction industry.

When compared to the previous quarter building costs in the South have increased by an average of 13% across all trades. Building costs are currently 16% greater when compared to this time last year.

Steelwork

The cost of steelwork is currently 48% higher when compared to this time last year and 38% greater when compared to the previous quarter alone. Covid-19 and Brexit has resulted in reduced availability from the global market, in addition to a significant decline in production at European steel mills.

Shortages partnered with a high demand, has resulted in British Steel closing new orders, with order acceptance limited to customer allocation only. Material allocation is not expected to be reviewed until September 2022. During May 2021, British steel announced a £150/tonne increase.



SCF Top Tip: Steel price and availability continue to fluctuate with limited predictability. Engagement with main contractors and their supply chain is essential for all projects and clients may need to be flexible in terms of early commitments, vesting, direct ordering etc. SCF main contractors will support clients to make informed decisions regarding risk, programme and cost.

A surge in cost is likely derived from an accumulation of factors including:

- High demand due to the resuming of pre-pandemic projects
- Injection of government investment
- Residual global Covid-19 impacts such as the misplacement of goods and social distancing throughout production.

A particularly high increase in the quarterly cost of steelwork in the South West (53%) reflects the decrease in tender workload (-5%), as a result this price inflation may be a result of reduced bulk savings.

Timber Frames

Similar to Q1, the cost of Carpentry and Joinery increased by 13% when compared to the previous quarter and 9% when compared to this time last year. This is likely derived from global shortages and changing global trade patterns.

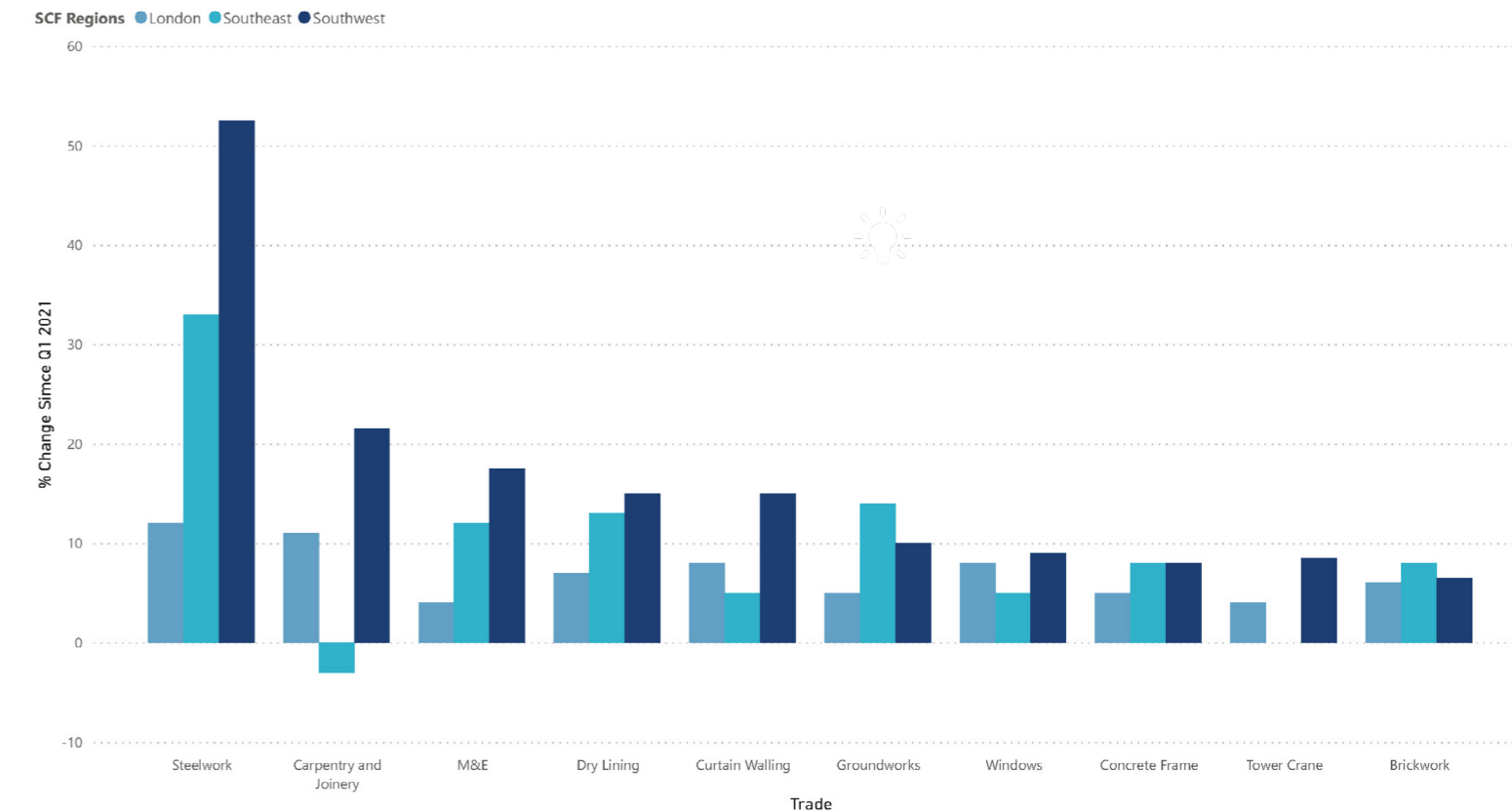
This report highlights volatility in the steel market, with greater stability observed with Concrete Frame from a volume and cost perspective. Through our Main Contractors we have reached out to the supply chain to undertake market intelligence on structural timber, including Glulam (glue laminated timber) and CLT (Cross-laminated timber).

Similar to steel, raw material price increases for structural timber are unpredictable at present. The supply chain forecast further short term increases and for this to settle at around current rates until May 2022.

Some suppliers are able to forward purchase materials to lock in rates, but not provide fixed costs. Their tender prices are based on defined rates, which are then adjustable until Contract Award. The market is buoyant for these suppliers, with a lead-in period of ~16 weeks. Broken into design 5-6 weeks and manufacture 8-10 weeks.

Material viability is volatility across suppliers. Availability of raw materials ranges from 3-12 weeks and is largely dependent on the specification and source location. Be that the UK, Europe or in some instances the States.

Change in Building cost (% change since Q1 2021)



SCF top tip: A shortage of raw materials and the need to protect businesses has resulted in a reluctance from the supply chain to fix prices. Some tier 1 contractors within the industry have announced that all tenders will only be valid for 30 days, and SCF has anecdotal evidence the supply chain may only be fixing costs for as little as 5 days.



SCF top tip: Understandably Carpentry and Joinery is being seen as another area of uncertainty/increased lead times, but it is worth highlighting that shortages of high-grade lamella's are typical at this time of the year, often leading to increased lead times from 8 weeks to 10-12 weeks annually. Therefore, this shouldn't be seen as an item requiring significant deviation to contractor and clients business as usual.

Material Availability



The availability of materials and labour has been a key risk identified by SCF Main Contractors throughout Q1 2021 and this has continued into Q2. Lead time has further increased by an average of 2.5 weeks across all trades when compared to the previous quarter. Lead times are now three weeks greater than this time last year.

The impacts from both the pandemic and Brexit have resulted in the inconsistent supply of goods and materials. The supply chain has reported that the depletion of pre-Covid and pre-Brexit stockpiles and social distancing measures in plants and warehouses continue to support the gap between supply and demand.

Further challenges in transportation, including the misplacement of ships and the shortage of haulage vehicles and drivers, has impacted on availability.

Trade packages that are particularly impacted by delays in availability include Steelwork and Brickwork, which have an additional lead time of six and four weeks respectively when compared to the previous quarter.

Due to high workload in the residential sector, specialist suppliers continue to report the shortage of materials such as roofing membranes and tiles. A global shortage of microchips is increasing lead time for M&E services such as lifts, fire services and CCTV.



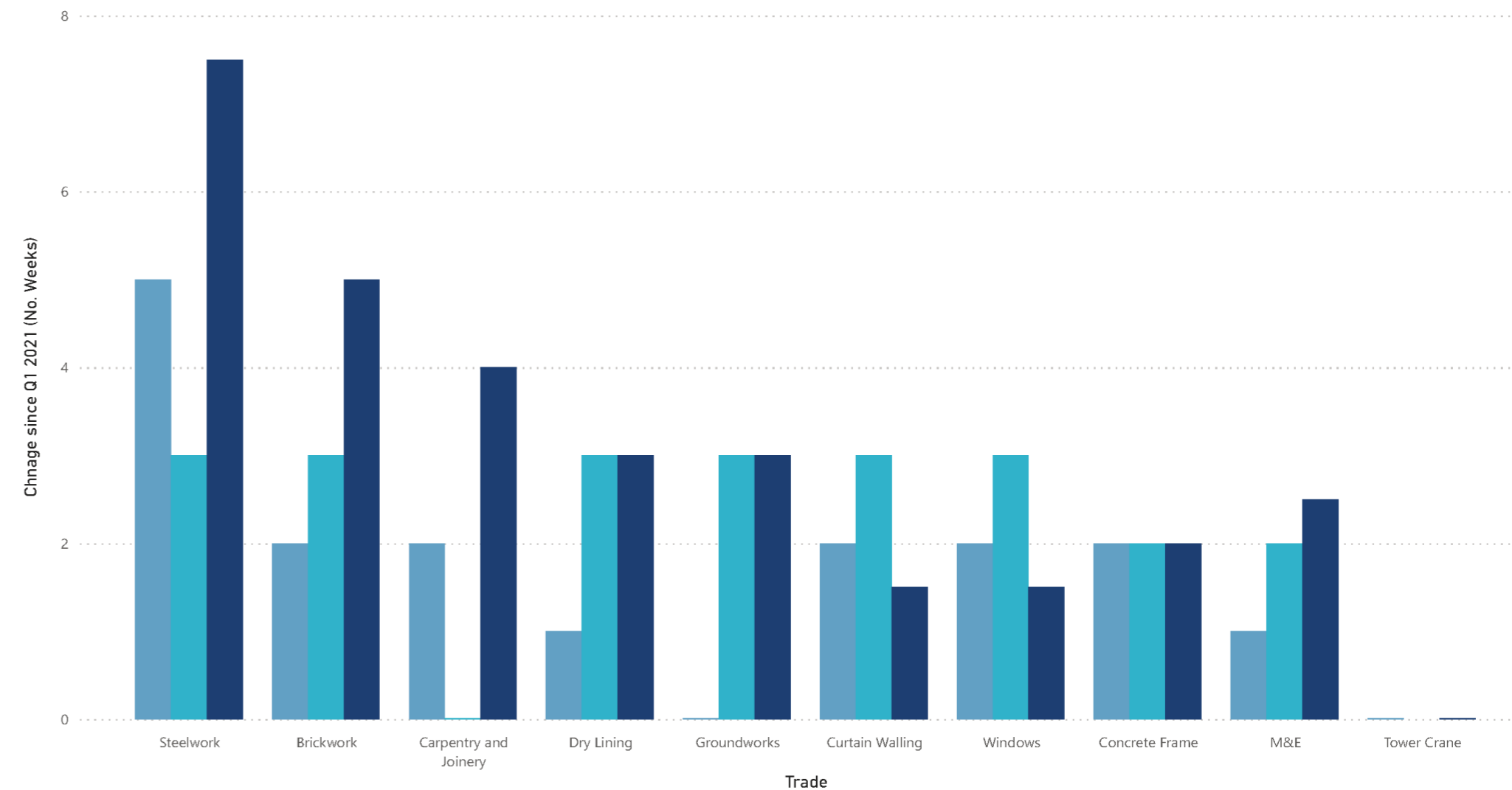
SCF Top Tip: Utilise early contractor engagement to collaboratively plan and consider material costs and construction methodologies prior to detail design to best mitigate against risks.



SCF Top Tip: Consider pre-manufactured building elements to facilitate timely completion and delivery.

Change in material availability (% change since Q1 2021)

SCF Regions ● London ● Southeast ● Southwest



Looking ahead

Tender Workload and Employment

As Covid-19 restrictions ease and construction activity continues to recover to pre-pandemic levels, the supply chain forecast a 7% increase in tender workload and employee numbers over the course of the next year.

The trades with the greatest Q2 2022 forecast in tender Workload include the following trades:

- Tower Crane 13%
- Brickwork 13%
- M&E 11%

The trades with the greatest Q2 2022 forecast in employee numbers include the following trades:

- Tower Crane 13%
- Brickwork 9%
- Carpentry and Joinery 8%
- Curtain Walling 8%

These forecasts reflect current pipeline in regard to re-cladding and residential projects.



[Click here to see Employment forecast](#)

Building Cost

An increasing in building cost is forecast to continue over the course of the year. The supply chain anticipates an average 6% increase by Q2 2022.

Over the next quarter, suppliers have shared further price increases surrounding a variety of materials and products. [See full list here.](#)

SCF Main Contractors and their supply chains have consistently reported volatile market conditions throughout Q2, with anecdotal evidence of daily market changes in regard to lead time and building cost. This dynamic nature is expected to continue throughout 2021.



[Click here to see Building Cost forecast](#)



SCF top tip: Manufacturers release price increase notifications and through SCF's one integrated team approach, main contractors share intelligence with project teams and aim to transparently negotiate the risk of price inflation. As a result, negotiating contract price during these market conditions can take longer than expected, so allow time to get it right in your programme.

Material Availability

An increase in lead time for material and labour is expected to continue over the course of the year, with a predicted increase of an average of 2 weeks by Q2 2022.

Brickwork and Carpentry & Joinery will be particularly impacted by increased lead times, with a forecast 4 week increase by Q2 2022.

In addition, lead times for Steelwork, Windows and Curtain Walling are forecast to increase by an additional 2 weeks by Q2 2022.

Derived from short supplies of raw materials, national suppliers from trades such as Steelwork, Dry Lining, M&E and suppliers of products such as insulated panels and cladding have warned of challenges in committing to supply allocation in the near future.

For example, critical raw materials used to coat steel are in short supply and as a result, deliveries in any given week may be disrupted at a short notice.

Throughout Q1 & Q2, material price inflation has been a key risk, but looking ahead, labour availability could become an increasing challenge. What will be particularly interesting is what happens when furlough ends. At the end of June, HMRC estimated that there were still almost 140,000 employments on furlough in the construction industry. This accounts for over 10% of total employments and if correct, means there could be considerable slack in the labour market. This could potentially help limit the number of vacancies and wage pressures.



[Click here to see Material and Labour Availability forecast](#)



SCF top tip: Consider availability and long lead times of materials: consult supply chains early to specify lower-risk items and when possible, procure items with a long lead time in advance

mace



SCF Consult Reflective Note

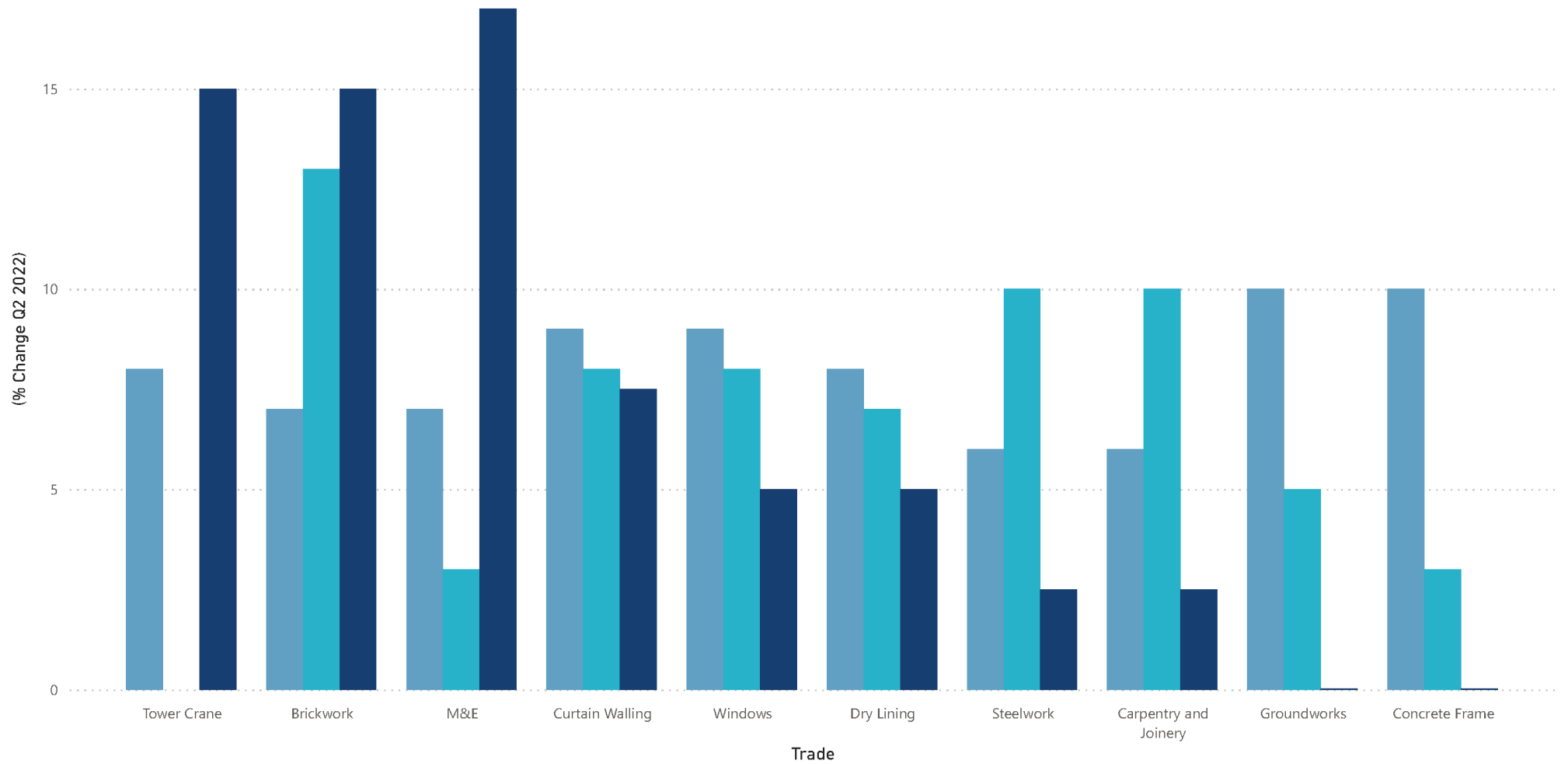
Survey data, by its nature of being anecdotal, often throws up quirks. One such example is falling building costs in the Carpentry and Joinery sector within the South East. This is the only category where building costs are falling, and it is also one where lead times and employment stand out as weak. Highlighting how a rising tide does not always lift all boats, the results may say more about how some of the respondents to the questionnaire are faring than the general state of the supply chain.

Yet this specific weakness is also interesting for two other reasons. Firstly, the struggles in some of the supply chain indicates we are not fully out of the woods in the battle between margin and turnover. Some firms, in less enviable positions, may still be willing to take a hit on price rises in order to win work. Secondly, while most data sources show that timber prices were rising in the second quarter, lumber statistics from the US suggest prices have eased considerably. Since hitting a peak in early May, prices had more than halved by July. Other commodities are also forecast to start easing in the second half of the year. In particular, Oxford Economics anticipate both copper and European steel to finish the year at a lower level than they currently are.

While construction material price inflation is substantial, prices are picking up across the board. The Bank of England have raised the level they expect inflation to peak at several times and are now forecasting it to breach 3%. This has led to some members of the MPC adopting a more hawkish tone than previously, starting to suggest some curbs to monetary stimulus may be necessary. Interest rate rises are not currently on the agenda, but if the Bank's forecasts are again wrong, and inflation is less transitory than expected, policymakers will find themselves in a more precarious position. Finally, the reopening of parts of the economy continues to boost GDP. Data for May was below consensus expectations, but overall GDP now stands 3.1% lower than its February 2020 level. There is now a strong possibility the economy will have made a full recovery by the end of the year.

Tender Workload (Q2 2022 Forecast)

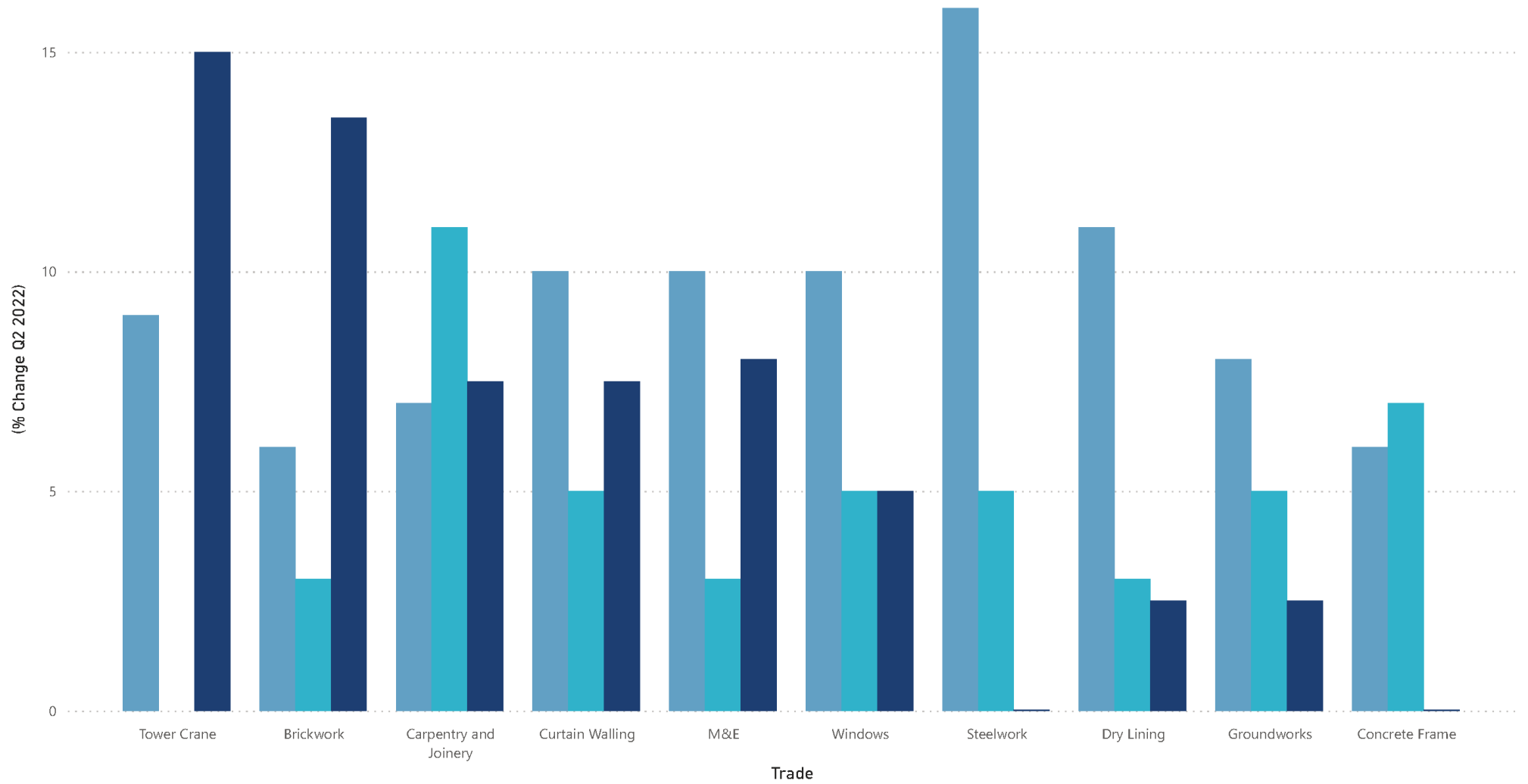
SCF (Regions) ● London ● Southeast ● Southwest



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Employment (Q2 2022 Forecast)

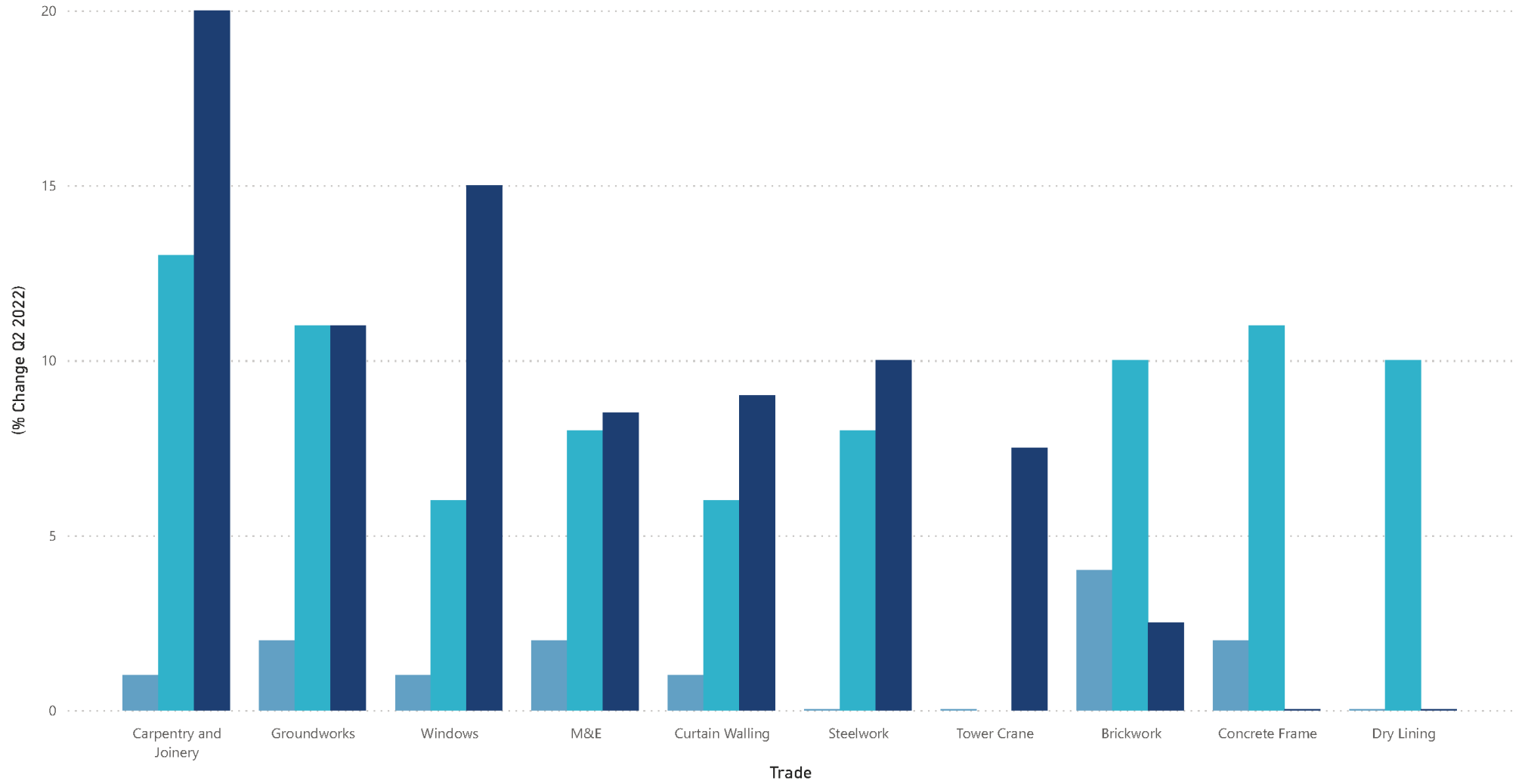
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Building Cost (Q2 2022 Forecast)

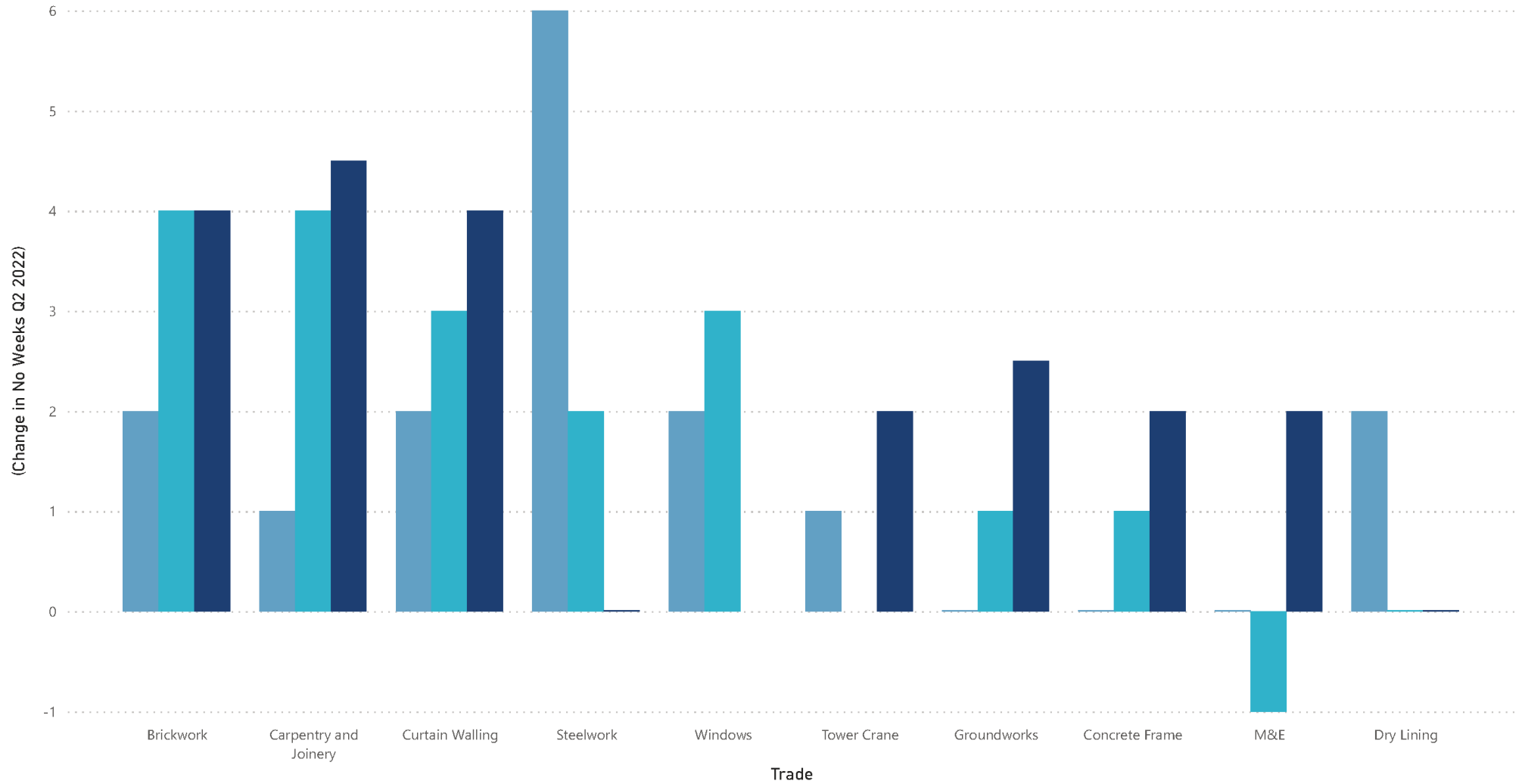
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Material & Labour Availability (Q2 2022 Forecast)

SCF (Regions) ● London ● Southeast ● Southwest



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These price increases have been collated from Q3 2021 notifications from subcontractors and building merchants such as Travis Perkins, Euroclad and British Steel.

Products	Q3 Price Increases - Starting July 2021
Timber	
Carcassing Timber	25% - 50%
CLS Timber	Up to 50%
PAR Timber	30%
PSE Timber	30% - 43%
Ply	20%
OSB & Chipboard	20%
Composite Decking	8% - 10%
Steel	
Cold rolled purlins	14.5% from 1 st August
Gypframe Metal Profiles	10.75% increase in May 2021
Catnic / steel lintels	16% -18%
Structured steel	£150 / tonne increase announced May 2021
Concrete	
Concrete / Aggregate Blocks	7% - 8%
Concrete Landscaping	6.3%
M&E	
Plumbing and mechanical	8% - 16% + 6% in January
Brickwork	
Bricks	3% - 8%
Insulation	
Roof insulation	10%
Insulation	10%
PIR Insulation	10% and +10% in August
Internal	
Bathroom Products	6-12%
Sanitaryware	4%
MDF Mouldings	37%
Plasterboard Products	15.8% + 3% from 1 st August
Fillers & Caulks	8-12%
Flooring products	5%-7.5% from 1 st June
Landscape	
Loose Fencing	25%
Decking	38%
Materials	
Cladding	Orders after May 21 have approximate 30 week lead time
Silicone	5%
Imported Stone	16%
Builders Metal work	12%
Others	
Simpson Hangers	12%
Cavity Trays	10%
Reinforcement Mesh	32.1%
Postcrete	3.5%
Power tool and consumables	9%

