



Southern Construction  
Framework

# SCF Market Intelligence

## Q4 2022

Exeter  
Police  
Station

We produce quarterly market intelligence reports based on data from our main contractors and their supply chain.

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# Introduction

## Q4 Market Intelligence Report



As part of SCF's commitment to collaboration and transparency, every quarter, SCF Main Contractors gather market intelligence from the construction industry through their trade supply chains.

With building costs having consistently risen throughout 2022, it is unsurprising that this trend has continued throughout Q4. The unrelenting impacts derived from inflation and the cost-of-living have made for volatile conditions surrounding the construction industry and wider economy. Although, uncertainty is prevalent, tender workload has remained strong with many SCF Main Contractors reporting an influx of new opportunities from within the market.

As a result, it remains crucial for public sector clients to develop a deeper understanding of the current

market conditions when procuring their projects. This will ensure the best possible cost and time outcomes as budgets come under ever-increasing stress; whilst ensuring maximum interest from the market.

To this end, SCF market intelligence analyses data across 10 key trade packages. Data is collected across four cities within the south of the UK. The analysis identifies regional market trends and forecasts for the following year by commenting on changes in tender workload, number of employees, building costs and material & labour availability. When compared with other indices, this survey provides a unique outlook for clients by identifying the perspective of those trades directly involved with construction providing a real-time representation of market trends.

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, to make decisions about material specification, construction methodology, off-site or automated construction techniques and project planning and programming, ensuring the best possible decision making to deliver maximum value.

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

### 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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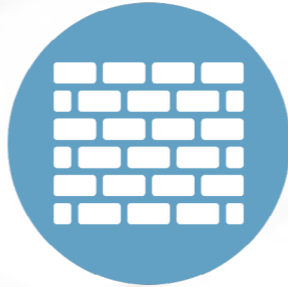


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## Trades featured



Carpentry & Joinery



Brickwork



Curtain Walling



Dry Lining



Groundworks



Concrete Frames



Mechanical & Electrical



Steelwork



Tower Cranes



Windows

# Tender Workload

SCF Main Contractors and their trade supply chains have observed an average increase of 1% in tender workload throughout Q4. Although a 1% increase is relatively conservative when compared with past quarters, SCF Main Contractors have identified the market to remain strong throughout Q4, with a large number of projects coming to market. Tender workload during Q4 was 6% greater when compared with this same time last year.

However, high levels of uncertainty surrounding future building costs and projects progressing to site has resulted in the supply chain adopting a cautious approach towards project selection, the supply chain are looking to target opportunities with a low level of risk and a high certainty of project progression.

In addition, with a rapid rise in building cost over the last 18 months, SCF Main Contractors have noted an average increase in the length of pre-construction programmes. With programme duration rising, SCF Main Contractors have noted this to also influence their capacity profiles. As a result, a 1% increase may suggest a stabilised tender workload due to a reduced capacity in bidding resource and a hesitancy to tender high risk opportunities.

The trades with the greatest quarterly change in tender workload include:

- Windows +6%
- Concrete Frame +5%
- Curtain Walling +4%
- Steelwork -7%

The data set highlights variation in tender workload across trades and regions. Workload in London has been particularly strong at 4.3% and a moderate 1% increase in the Southeast, however tender workload has declined in the Southwest with a 1% decrease.

As more clients look to reduce carbon within the construction life cycle, these aspirations may start to shift trade demands. SCF Main Contractors report that several subcontractor firms, particularly surrounding concrete manufacture, have looked into diversifying their offerings to align with increasing carbon requirements. In support of this, SCF Main Contractors have noted a greater variety of frame solutions, this may support as to why tender workload for trades such as steelwork have reduced over the course of Q4.

“Engage with the market early. Utilise soft market tests and bidders’ days to generate appetite for your scheme from Main Contractors. Importantly, set realistic dates for your procurement and hit those dates wherever possible – delays can have a large impact on a contractor’s capacity to bid your project.”

*There has never been a better opportunity for Clients to work with Main Contractors to identify options for carbon reduction within their projects. Through the use of Life Cycle Assessments and the SCF Net Zero Carbon Tool, SCF Main Contractors can review embodied carbon and provide suggestions for low carbon alternatives.* ”

## Quarterly Change in Tender Workload



To see trends in Tender Workload

[Click Here](#)

# Employment

SCF Main Contractors and their trade supply chains have observed a minimal change in the number of employees when compared with the previous quarter, with an average 1% increase throughout Q4.

The construction industry has long experienced a significant skills shortage, impacting upon the workforce available for recruitment. This suggests that even when expansion is targeted, securing workforce can be challenging, as a result tender workload may be levelling off due to an inability to obtain bidding resource.

In addition, SCF Main Contractors warn that with high levels of uncertainty, there may be a hesitancy from supply chain to commit to recruiting additional employees. Until there is a greater guarantee of projects progressing to site, recruitment may remain low. The trades with the greatest increase in the number of employees throughout Q4 include:

- Concrete Frame +7%
- Windows +3%
- Curtain Walling +3%

These three trades also reflect the greatest increase in tender workload during Q4, suggesting recruitment may be high in order to support this increased

demand. Demand may have been influenced by funding streams such as Salix Decarbonisation, where public sector bodies have looked to undertake glazing installation across their estates.

However, it is important to note that the SCF data set collects the change in the number of employees and does not necessarily reflect the relationship between new hires and those retiring or leaving the industry.

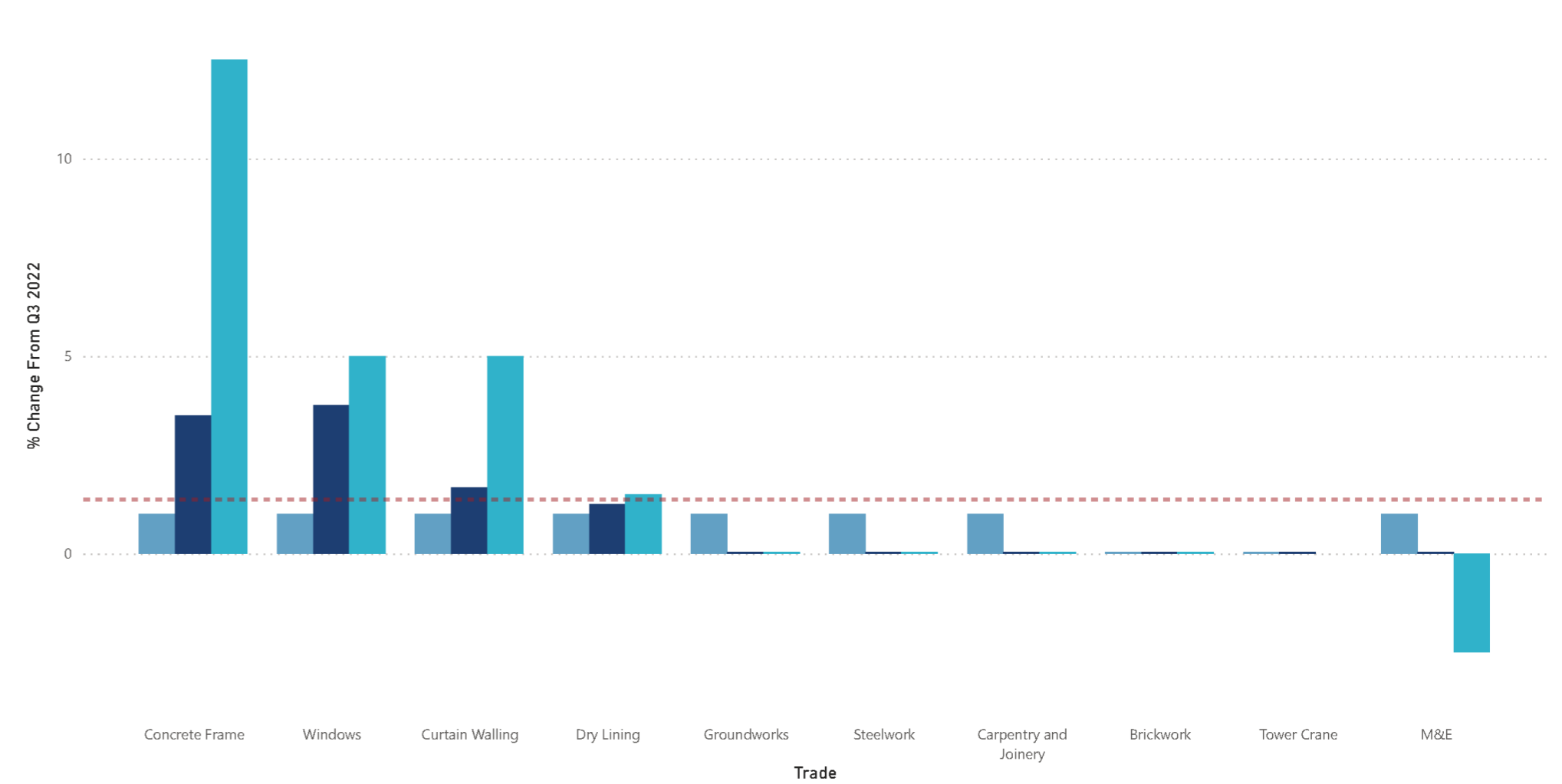
“Never has it been more important to engage your local supply chain to ensure they have adequate resources to support your scheme. Better still, if you can be open about future opportunities with your supply chain it will give them confidence to invest in new starters including apprentices to help address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

**Adam Sanford**  
Operations Lead



## Quarterly Change in Number of Employees

SCF (Regions) ● London ● Southeast ● Southwest



To see trends in Number of Employees

[Click Here](#)

# Building Cost

SCF Main Contractors and their trade supply chains have identified an increase in building cost throughout Q4, with an average rise of 7% across all trades.

The trades with the greatest quarterly increase include:

- Windows +14%
- Dry Lining +13%
- Curtain Walling +11%
- Groundworks +6%

Price notifications from manufacturers have frequently quoted changing energy costs as a key driver in adjusting material prices, with energy intensive products heavily impacted. SCF Main Contractors have noted that building costs were 16% greater during Q4 when compared with the same time last year, indicating the extent that inflation has had on material and labour costs over the last 12 months.

As demonstrated within the SCF data set, building cost has rapidly increased due to a variety of factors over the last 24 months. Many suppliers have been caught out

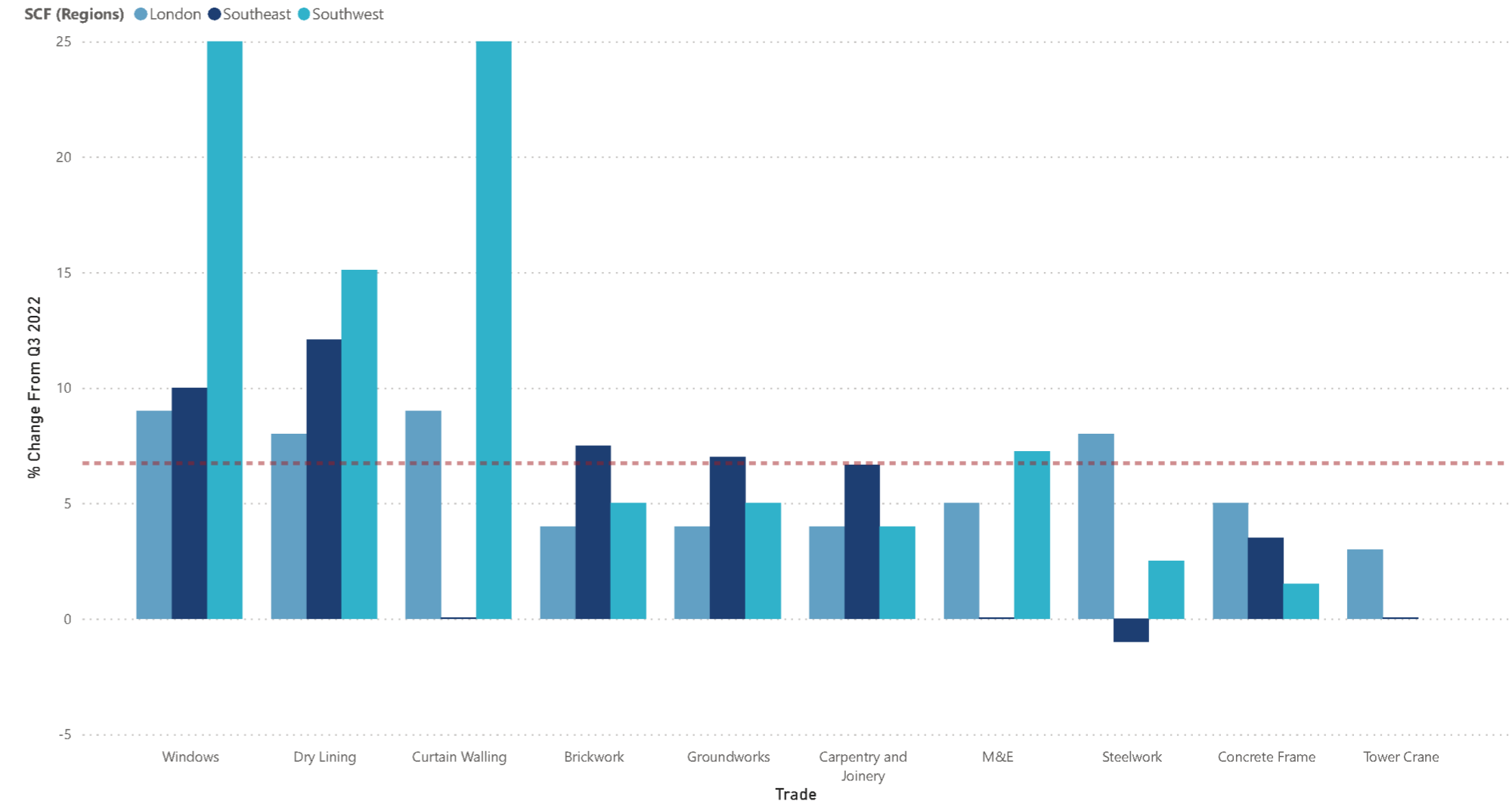
through fixed price contracts and rising interest rates and as a result, SCF Main Contractors have noted an increase in the number of supply chain insolvencies during Q4. Emphasis has been placed on the importance of utilising a managed supply chain, SCF Main Contractors are constantly looking to preserve and develop even closer relationships with the supply chain in order to share leading intelligence with clients and support decision-making.

However, SCF Main Contractors have noted market volatility to be improving, with greater foresight into price hike notifications from manufacturers when compared with previous quarters. In addition, the ease of obtaining fixed rates from the supply chain has improved when compared to peak volatility, nevertheless SCF Main Contractors report that this is by no means near to levels experienced pre-pandemic. It is still challenging for main contractors to secure fixed rates for extended periods of time and consequently many main contractors are drawn towards a two-stage procurement route.

*The need for prompt payment throughout the supply chain has never been so prevalent. With SME's being vulnerable to cashflow challenges, it is more important than ever for the appropriate allocation of risk. Take a look at the SCF Fair Payment Charter for more information on SCF's commitment to fair payment.*

*Every year, the SCF Main Contractors conduct a supply chain survey to gather insights on industry issues from the supply chain. Results from the survey are used to support supply chain and resilience mapping from across the main contractors. Take a look [here](#) at our past surveys to learn more.*

## Quarterly Change in Building Cost



To see trends in Building Cost

[Click Here](#)

# Material Availability

SCF Main Contractors and their trade supply chains have measured an average increase of +1 week in material lead time when compared with the previous quarter.

Reports from the SCF Main Contractors warn that on the whole material availability has stabilised, however there are still products and materials that are subject to volatility with lead times greatly extended. Many challenges are still derived from the European market, heavily caused by the exclusion of Russian supply chains.

- The trades with the greatest quarterly change in material lead time include:
- Curtain Walling +4 weeks
  - Windows + 3 weeks

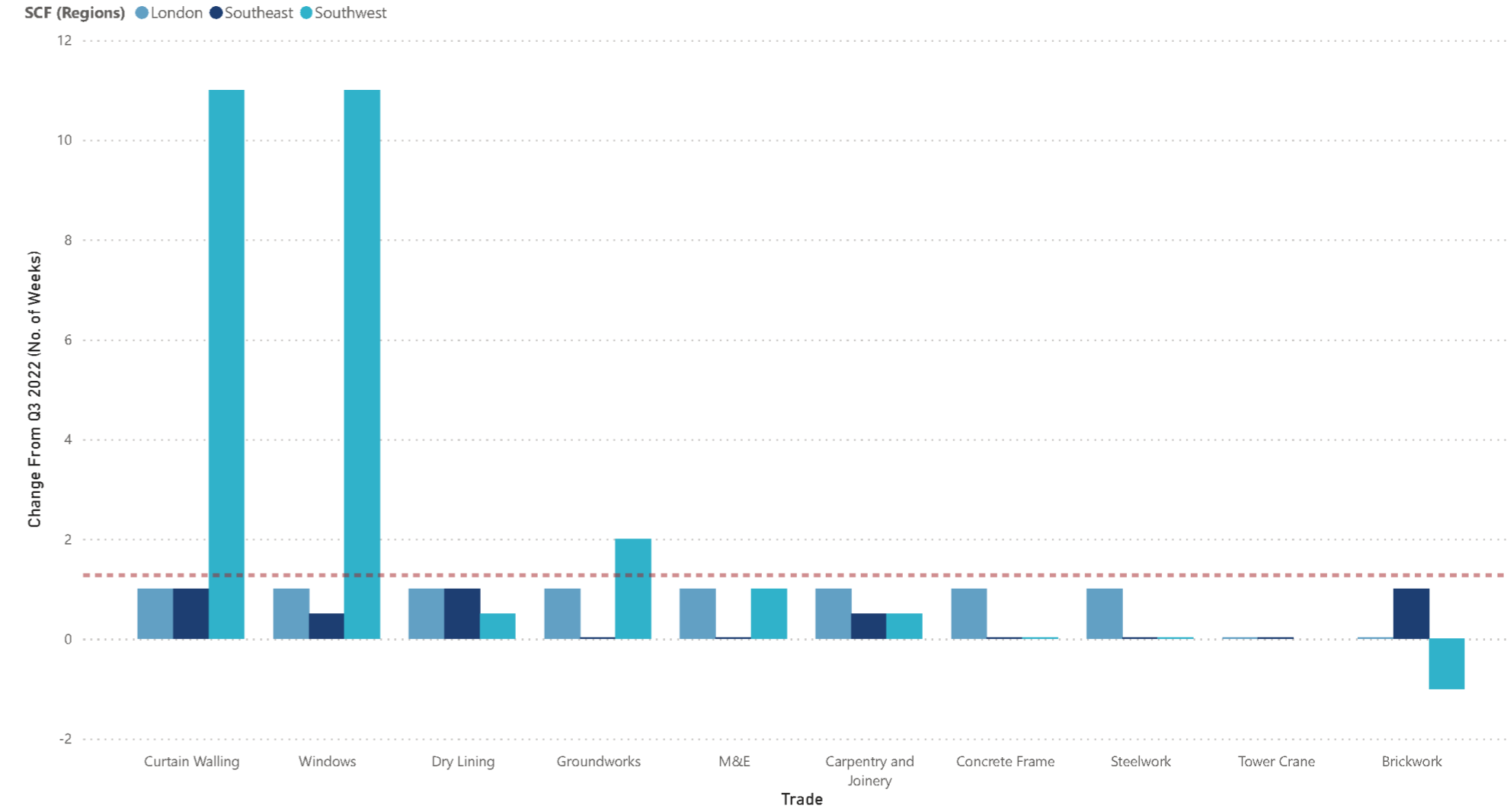
Change in lead time for curtain walling and windows varies greatly in region from across the SCF. A +1 week increase in lead time was observed in the Southeast and London, however supply chain in the Southwestern region identified an 11-week increase. Russia is a major exporter of aluminium billet which may have impacted upon curtain walling across suppliers.

Throughout Q4, the availability of plasterboard has reduced, with further issues surrounding specialist products such as bonding coat.

“SCF Main Contractors suggest that where possible avoid fixing specification at planning. This can limit your options in sourcing alternate materials over the course of your project.”

Consider early orders and premanufactured building elements of key materials on your critical path. This will support with timely completion and delivery.”

## Quarterly Change in Material & Labour Availability



To see trends in Material Lead Time

[Click Here](#)

# Looking ahead: 2023 Forecast

The SCF survey depicts life from the view of the supply chain and captures how individual businesses are faring throughout these challenging times. With considerable economic and political uncertainty, trade supply chains have found it particularly difficult to forecast what life will look like at this same time next year. To this end, SCF Main Contractors and their trade supply chains have forecasted the following market conditions over the next 12 months.

## Tender Workload

SCF Main Contractors and their trade supply chains forecast an annual increase of 2% in tender workload throughout 2023.

The trades with the greatest forecasted change in tender workload include:

- Windows +8%
- Tower Crane +7%
- Curtain Walling +6%
- Steelwork -3%

In January 2023, a new round of Levelling Up Funding totalling £1.2bn was allocated across the UK. However, over the coming months projects may be subject to delays as the industry responds to the Building Safety Act 2022.

## Employment

SCF Main Contractors and their trade supply chains forecast an annual increase of 4% in the number of employees throughout 2023.

The trades with the greatest forecasted change in the number of employees include:

- Windows +9%
- Concrete Frame +9%
- Dry Lining +7%
- Curtain Walling +5%

## Building Cost

SCF Main Contractors and their trade supply chains forecast an annual increase of 6% in building cost throughout 2023.

The trades with the greatest forecasted increase include:

- Carpentry and Joinery +16%
- Groundworks +9%
- Windows +8%
- Curtain Walling +6%

Many manufacturers have already shared price hikes from the New Year, with products and services ranging from facing bricks, cast stone, radiators to hard landscaping, all being impacted by uplifts.

SCF Main Contractors are wary that labour wage increases may yet have a greater impact on tender prices than at present. However, reports have shown that in some cases energy prices are starting to stabilise which may limit further volatility.

## Material Availability

SCF Main Contractors and their trade supply chains anticipate material lead time to remain constant over the next 12 months. Although material availability has become much more dependable, lead times have not returned to that observed pre-pandemic.

The trades with the greatest forecasted change in material lead time include:

- Groundworks +1 week
- Curtain Walling + 1 week



# SCF Consult - Reflective Note



The results from the latest survey were interesting, primarily in how optimistic they were. Workloads rose in Q4, but more notably, respondents expect them to rise by 2% this year. The fairly small rise in work in the final quarter of last year is not massively at odds to official output figures. These showed overall construction output rising 0.3% in the three months to November, with all new work growing 1.3%. While growth fell in Q3, and was slowing throughout 2022, it appears to have stabilised in the past few months. Similarly, work in the public non-housing sector has started to rebound. Accounting for a sizeable portion of SCF projects, the sector had a terrible third quarter, including July when output was almost as low as it was during the worst of the pandemic.

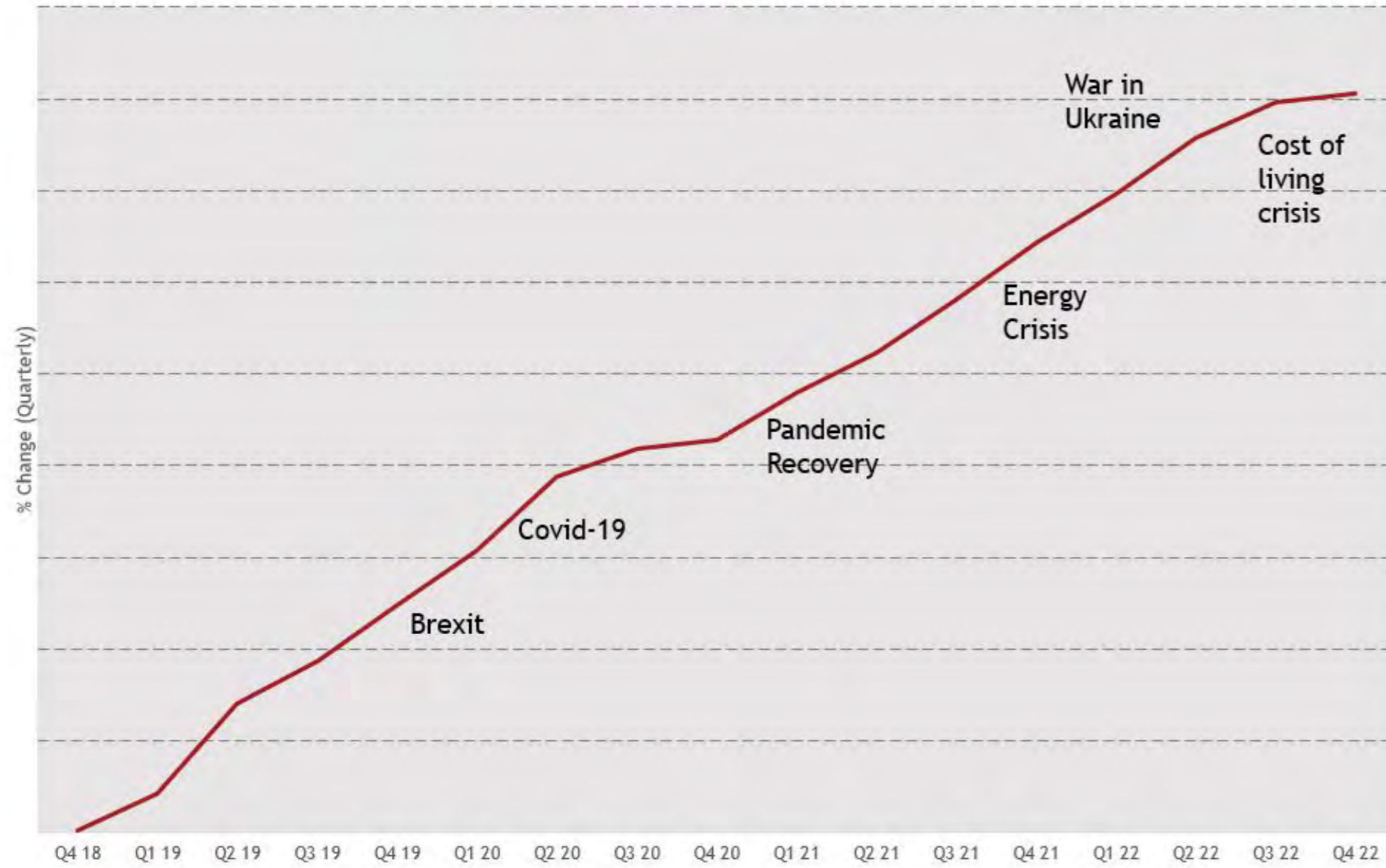
However, although what has happened is of interest, what is going to happen is more important for business planning. That those who answered the survey anticipate growth in 2023, is therefore of particular interest, especially as it conflicts with a variety of other forecasts. Both Experian and the Construction Products Association have recent published forecasts for the year ahead, predict that construction output will fall, albeit the CPA expect a much larger decline. Where the two forecasters agree is on the housing market, and the downturn in developments will be enough to drag down the wider industry.

For those on the SCF framework, whose focus may be on other sectors, where they disagree is potentially good news. Importantly, whereas the CPA are more negative, Experian are forecasting growth in both the commercial and public non-housing sector. While not expecting significant growth, that it is positive at all, is therefore somewhat in-line with the SCF survey.

One other forecast that is also worth mentioning comes from the S&P Global / CIPS UK Construction PMI. Part of this survey compares the numbers of respondents who anticipate business activity to rise over the next 12 months versus those who are expecting a fall. In the December survey, for only the sixth time on record, more were expecting a fall than a rise. By contrast, in the latest survey based on answers given in January, there was a sizeable change to this, with the new split going to 43% expecting an increase compared to 17% anticipating a decline.

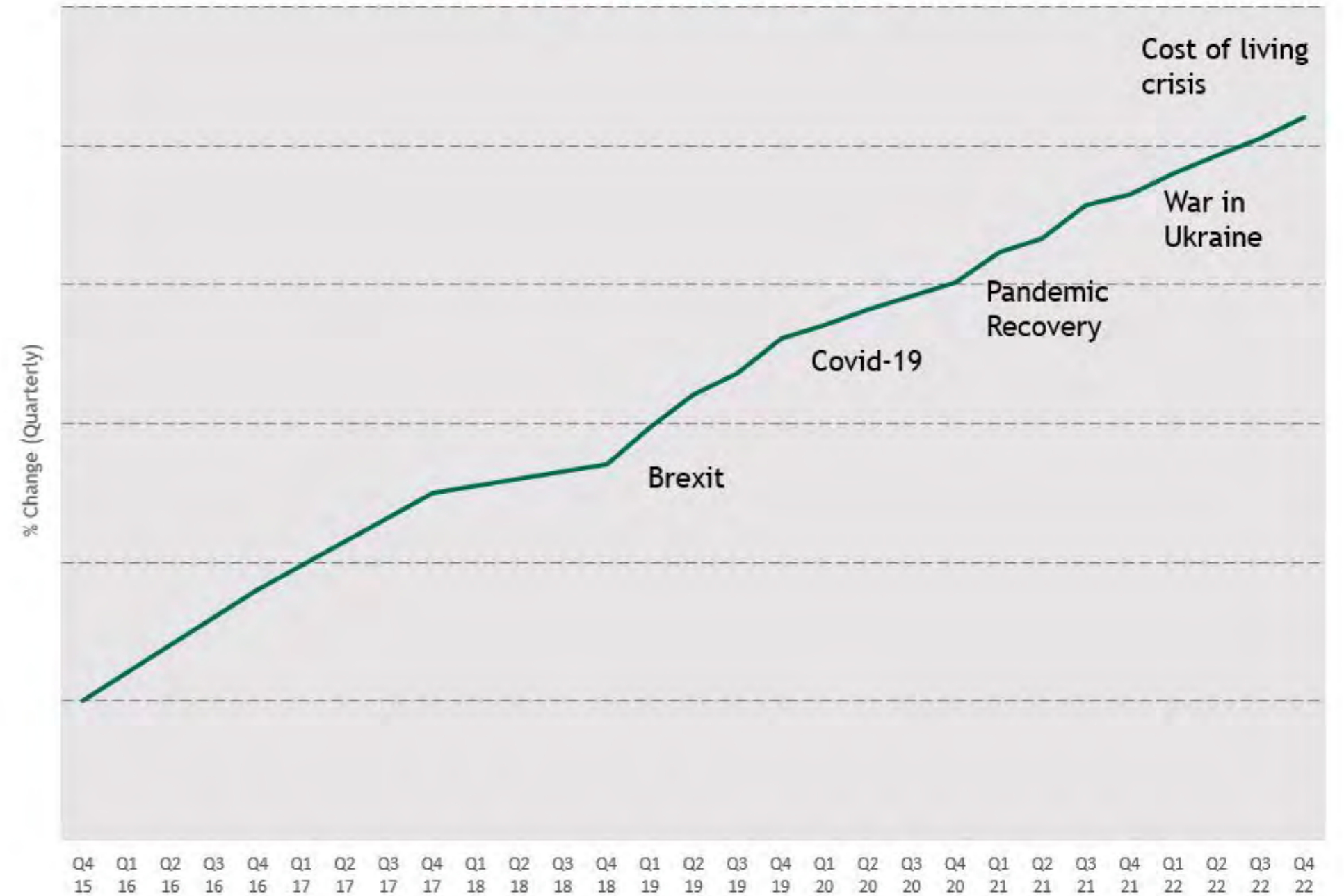
This latest survey is closer to the SCF one, but what the significant movement over a month, as well as the differences between Experian and the CPA, really shows is that there is a lot of uncertainty in the market. If there is growth this year, it is only likely to occur in certain sectors. Firms should also be preparing for what happens if growth does not materialise, and what that will mean for their business.

Change in Tender Workload



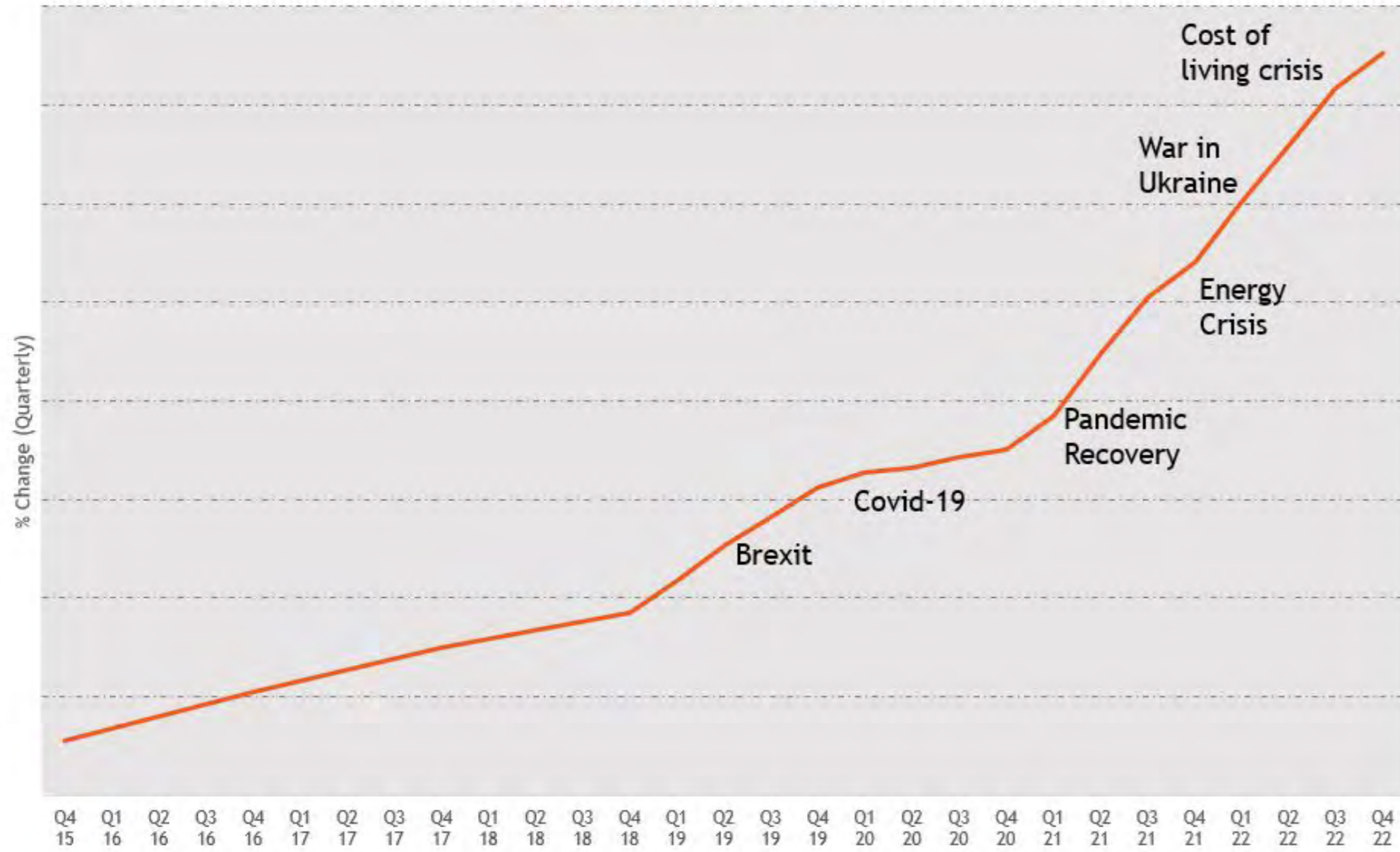
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Change in Number of Employees



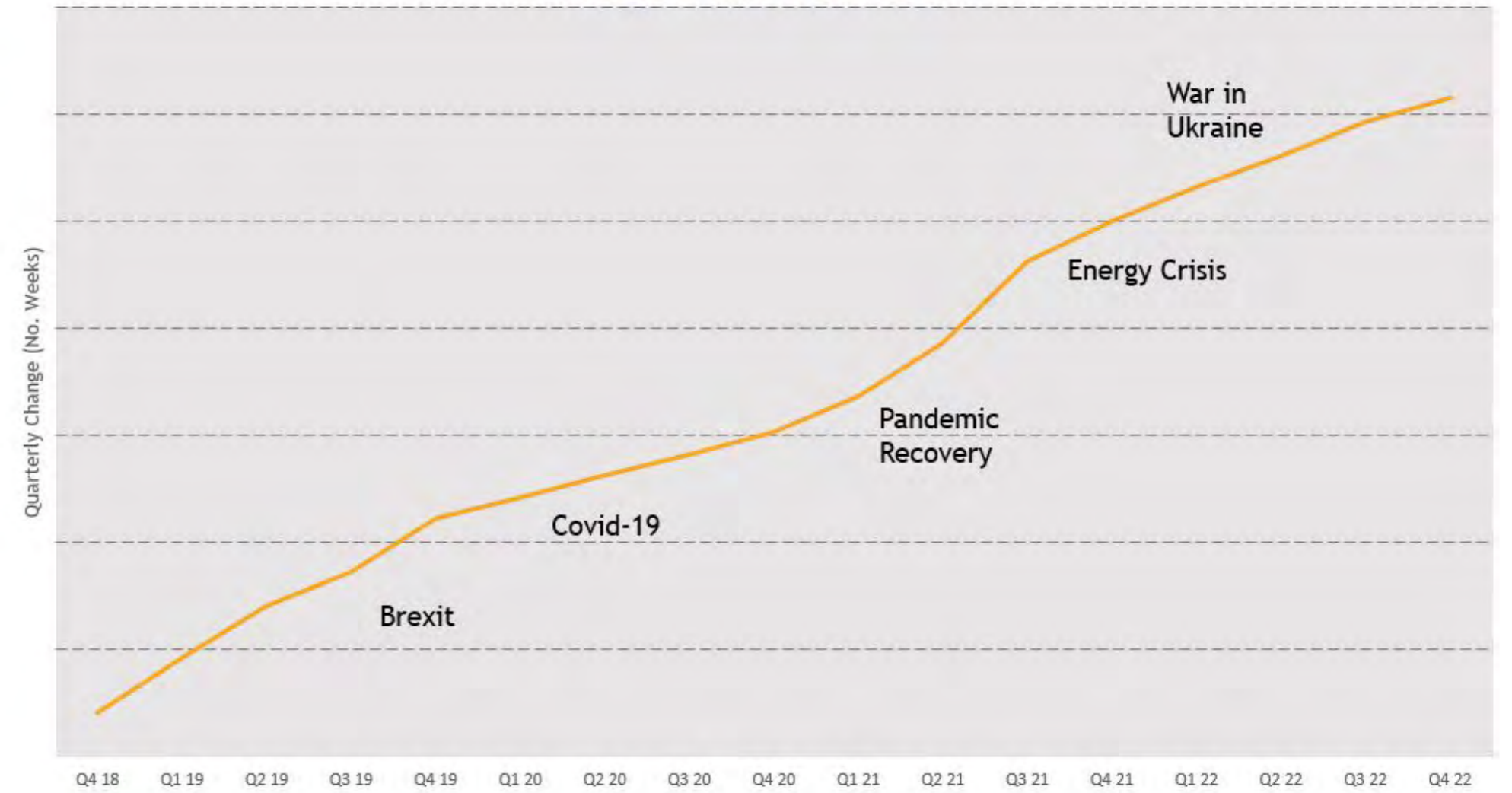
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Building Cost Over Time



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Change in Material Lead Time



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