



# Market Intelligence

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Q1 2023

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## Introduction

As part of SCF's commitment to collaboration and transparency, every quarter, SCF Main Contractors gather market intelligence from the construction industry directly through their trade supply chains. Consultants from SCF Consult share valuable insight towards their monitoring of the construction market and provide supporting commentary on the returned data.

Over the last three years, market conditions have been highly volatile, and it remains crucial for public sector clients to develop a deeper understanding of 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 indication 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, Consultants 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.



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## Tender Workload

Throughout Q1, the supply chain measured an average increase of 1% in tender workload when compared with the previous quarter. Although this appears to be a relatively small increase, it's important to recognise the reported high levels of tender workload over the past year following recovery from the pandemic and the resuming of construction projects.

SCF Main Contractors and their trade supply chains have reported healthy pipeline. Consequently, the supply chain advise that early visibility of projects will support in optimising their bidding resource and capacity, maximising interest within projects.

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

- M&E 6%
- Dry Lining 5%
- Windows 4%
- Curtain Walling 4%



Consistent with this, official statistics show new orders have rebounded after the pandemic much faster than all new work output. There would usually be a lag between the two, but the lack of recovery in output does indicate even once contracts are signed, work is not taking place at the speed one would expect it to. This contrast is most evident in the private commercial sector, where new orders were noticeably higher last year than in 2019, even though output was almost 30% lower in Q4 2022 than Q4 2019.



However, SCF Main Contractors have observed that preconstruction programmes are lengthening. Elongated preconstruction programmes are heavily driven by cost pressures, with historically set budgets no longer reflective of current market prices. Re-design work is now frequently being required in order to realign schemes towards affordability. High levels of uncertainty surrounding projects progressing to site has resulted in the supply chain adopting a cautious approach towards project selection, the supply chain is looking to target opportunities with a low level of risk and a high certainty of project progression.

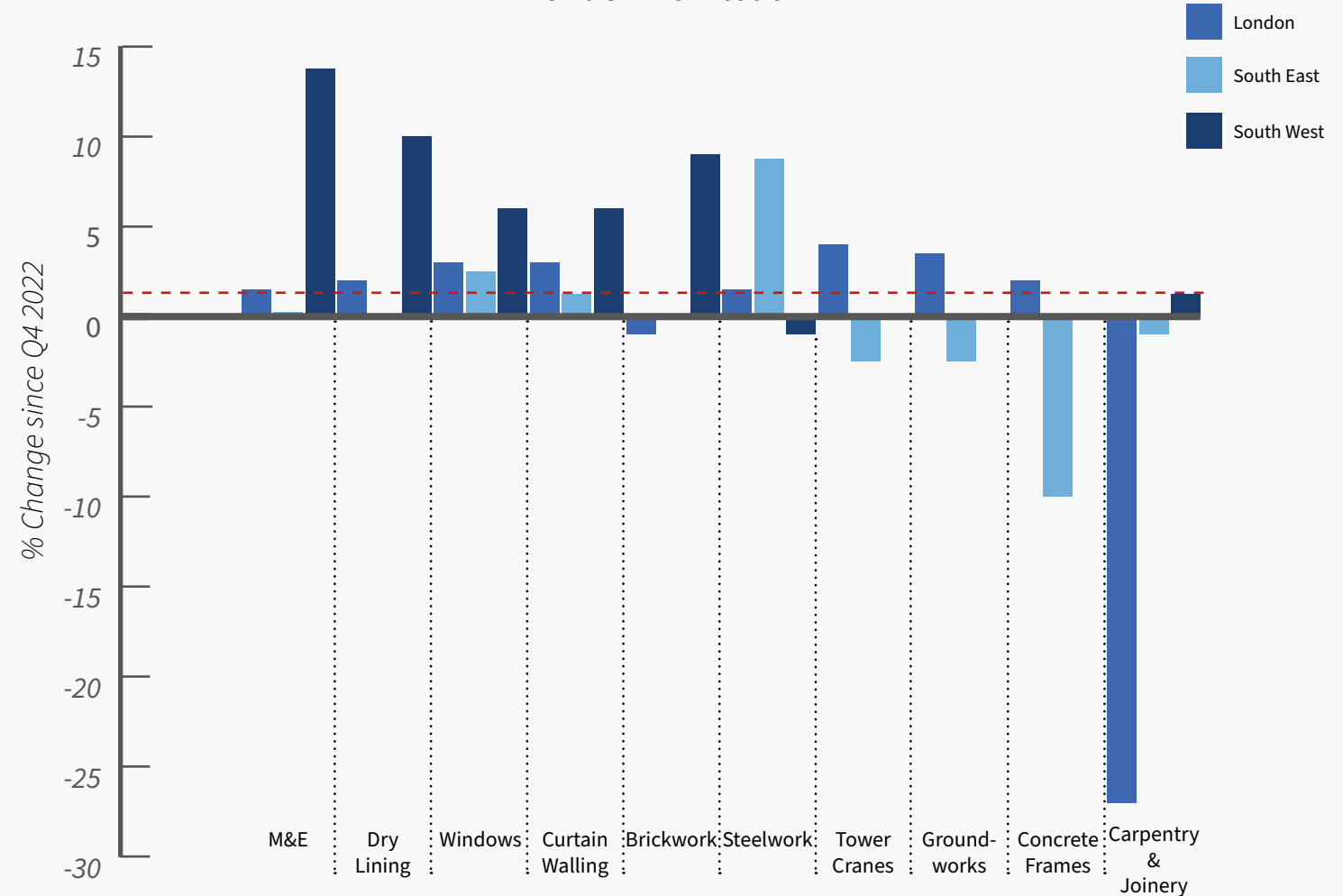
“Engage with the market early. Utilise soft market tests and bidders’ days to generate appetite for your scheme from Main Contractors. Importantly, set realistic dates for your procurement and hit those dates wherever possible – delays can have a large impact on a contractor’s capacity to bid your project.”

A transparent approach to project budgets, risk allocation and pricing, will ensure an environment in which market risks can be effectively managed and mitigated, reducing uncertainty in procurement, and increasing certainty on costs.”

During Q1, Carpentry and Joinery firms measured an average change of -9% in tender workload across all regions. One reason for this may be due to a dip in the residential market, where carpentry is a core trade.

Output in the housing sector was almost 4% lower in the three months to February than it was in the previous three month period. Given the economic backdrop, significant build cost inflation and weaker house prices, many of the large housebuilders have highlighted their plans to complete fewer properties this year. There was also a noticeable drop in housing starts in England in the final quarter of 2022 and both of these point to a further decline in housing output in the coming months.

## Tender Workload



## Number of Employees

During Q1, a change in the number of employees increased by an average of 1% across all trades when compared to the previous quarter.

The trades with the greatest change in the number of employees since Q4 2021 include:

- Brickwork 3%
- Dry Lining 2%
- Groundworks 2%
- Carpentry & Joinery -3%

The SCF has been collecting market intelligence data from across trade supply chains for over 8 years. Data surrounding employment frequently captures a deficit between actual annual employment and forecasted employment at the beginning of the year, with an average difference of 3% over the last 3 years. This demonstrates a consistent shortage in skilled workers and the challenges associated with recruitment. The implications of Brexit and the pandemic have impacted upon the available resources within the construction industry, with many migrant workers returning to Europe, workers opting for early retirement and many choosing to leave the industry altogether.

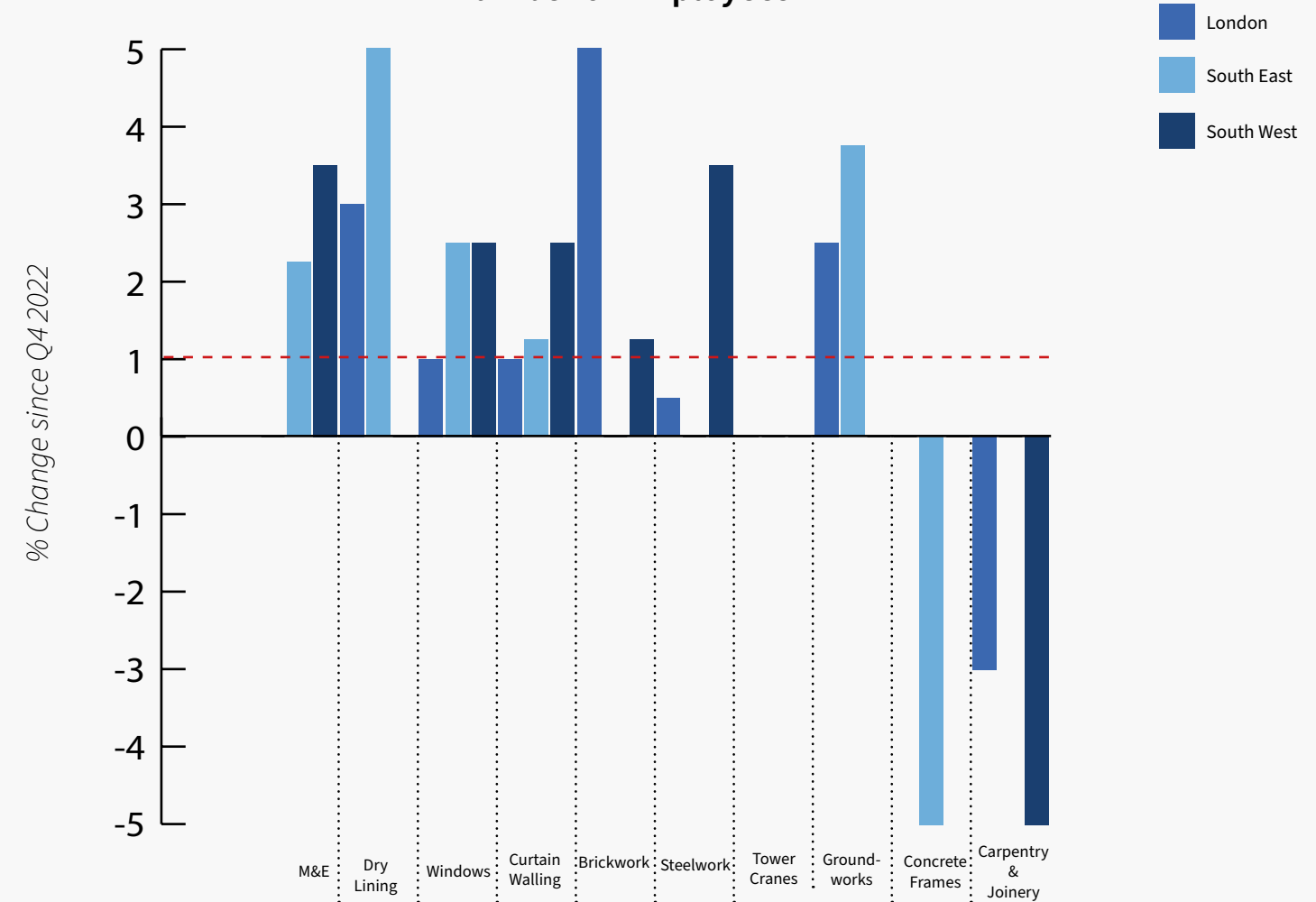
As a result, it is of no surprise that during Q1, the Migrant Advisory Committee recommended to central government the placement of construction trades on the Shortage Occupation List: Bricklayers, Roofers, Carpenters, Building & Construction trades, and Dryliners.



“ SCF Main Contractors are committed to developing the skills of the supply chain with the SCF being a partner of the Supply Chain Sustainability School. In a 2023 questionnaire, 75% of SCF supply chain use resources from the school to upskill their businesses on topics such as carbon, social value, and digitalisation.

To help address a long-term shortage in key trades, SCF Main Contractors are committed to providing an Employment and Skills Plan with a minimum number of apprenticeships for all SCF projects. ”

## Number of Employees





# Building Cost

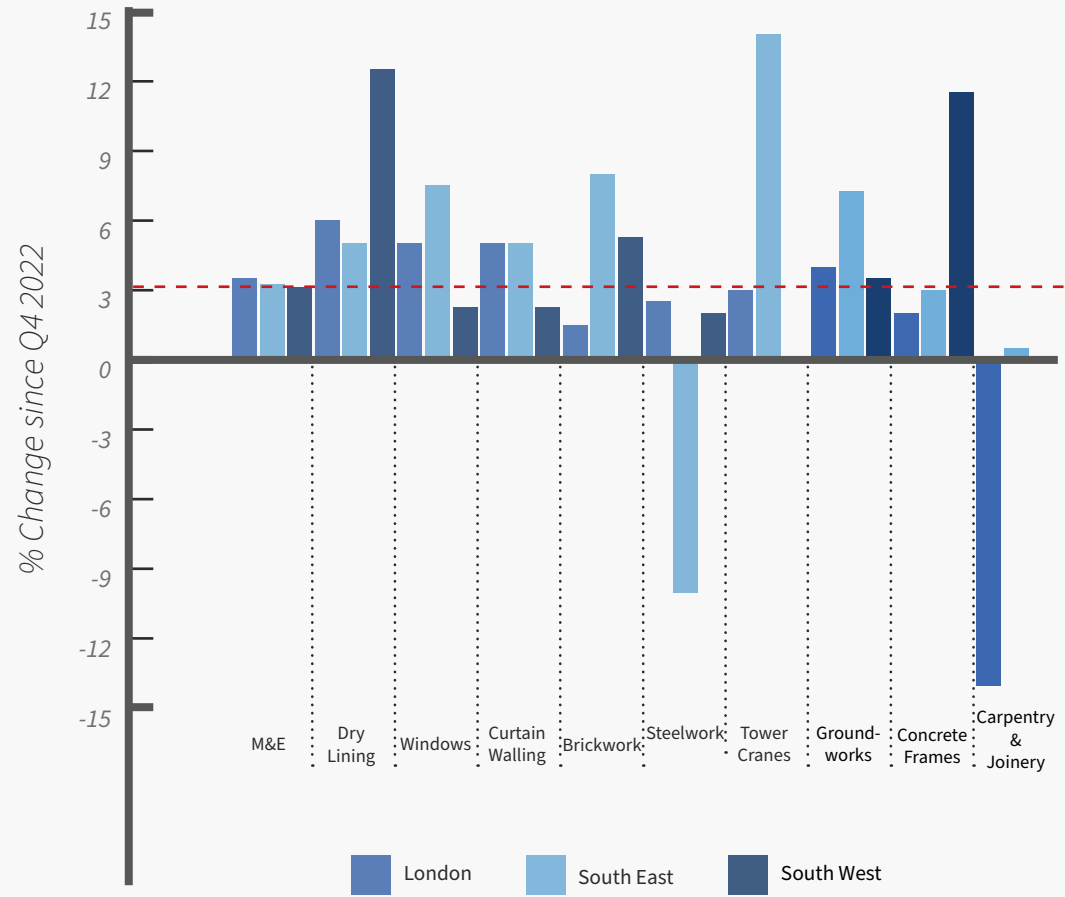
During Q1, building cost increased by an average of 3% across all trades when compared to the previous quarter. The trades with the greatest quarterly increase in building cost include:

- Tower Crane 9%
- Dry Lining 8%
- Concrete Frame 7%
- Groundworks 5%

At the end of Q4, main contractors were notified of numerous price hikes from manufacturers coming into effect in the new year, these cost escalations have been captured within our dataset. However, SCF Main Contractors have reported that at present material prices are now relatively stable, with the majority of building cost escalation currently derived from wage inflation throughout the supply chain. As expected, the rising cost-of-living has put pressure on businesses, with many workers requesting pay rises throughout the supply chain. However, throughout Q1, Carpentry and Steelwork firms identified a change in building cost of -5% and -2% respectively.

The supply chain measured building cost to be 11% higher during Q1 when compared with the same quarter of the previous year. Over the last 24 months, many subcontractors have been caught out through fixed price contracts and rising interest rates and consequently SCF Main Contractors have identified indications of insolvencies amongst the supply chain. As a result, contractors are ensuring a holistic approach to supply chain management in order to best manage capacity across different regions, pipelines, and customers. Main Contractors are constantly looking to preserve and develop relationships with the supply chain in order to share leading intelligence with clients and support decision-making.

## Building Cost



“ In a 2023 survey, 94% of SCF supply chain would be prepared to provide impartial early advice to clients and main contractors, with 86% of supply chain believing that collaborative tendering increases their ability to positively influence design and construction methodology.

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.



Data from BEIS also reflects this downward trend in timber and steel products. Prices of both rebar and fabricated structural steel have declined by more than 20% since May last year. There have been similarly large drops for both imported sawn wood and imported plywood from June 2022, when these products hit their peak. Over the past three months, these products have dropped between 5% and 8%. However, these are just the specific material cost, and the survey asks about building cost; not only will this include labour costs, but also other materials which the packages use. What is more, even though these material prices have sunk recently, they are still much higher than they were. Since the start of 2020, the two steel prices are still over 70% up, and are also over 50% higher than in January 2021. The two timber products have moved less, but a rise of 26% for imported sawn wood, and 46% for imported plywood since January 2021 is still substantial.

Monthly material price data published by BEIS can be very different to that which subcontractors will pass on and is likely to be considerably more volatile. Lags with contracts and fixed prices can obviously affect the prices clients pay. The project team can also look for alternative options in an attempt to keep costs down. If not all the cost increases subcontractors faced were immediately passed through the supply chain, then it would be unreasonable to also expect to see such large drops. Given all these factors, it is no surprise that there is not a one-for-one relationship between the BEIS material price data and the respondents to the SCF survey. Nonetheless, if these products continue to drop in the near-term, we would expect build costs to come down further.

## Material Availability

SCF Main Contractors report that on the whole material availability is not an issue at present. During Q1, material lead time increased by an average of 0.5 weeks across all trades when compared to the previous quarter.

The trades with the greatest change in material lead during Q1 include:

- Dry Lining + 1 week
- Brickwork +1 week
- Windows + 1 week
- Curtain Walling + 1 week

However, material lead time increased by an average of 2 weeks when compared with the same quarter from the previous year, suggesting stabilisation rather than a recovery in lead time. This stabilisation provides the supply chain with greater confidence and foresight into construction programmes.

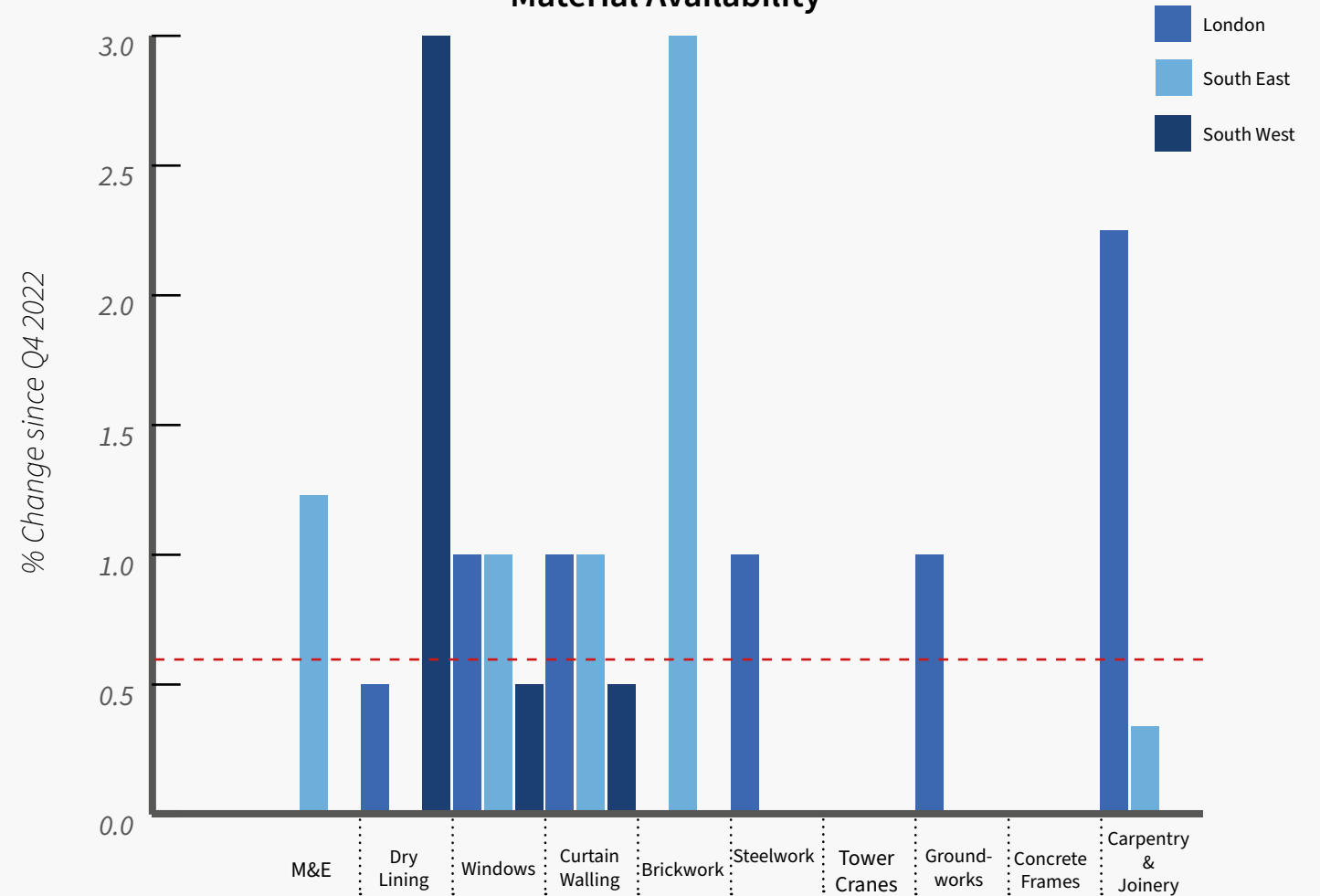


“ SCF Main Contractors suggest that where possible avoid fixing specification at planning. This can limit your options in sourcing alternate materials over the course of your project.

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

”

## Material Availability



## Looking ahead: Forecast Q2 2024

### Tender Workload

According to the trade supply chain, tender workload is anticipated to increase by an average of 3% across all trades by Q1 2024.

The trades with the greatest forecast increase in tender workload include:

- Groundworks 6%
- Steelwork 5%
- Dry Lining 5%
- M&E 4%

However, SCF Main Contractors report that it is important to note that tender workload amongst the supply chain will vary across different sectors. At present, trades associated with decarbonisation programmes and the recladding of high-rise buildings are expected to experience greater tender workload over the coming year.



On the other hand, new orders data for 2022 was discouraging surrounding schools and colleges. A lack of new orders last year, particularly in Q2 and Q3, may indicate limited tender workload in this sector come the new year.



### Employment

The supply chain anticipates an average increase in the number of employees to increase by 5% across all trades by Q1 2024.

The trades with the greatest forecast increase in employment include:

- Concrete Frame 10%
- Brickwork 9%
- Groundworks 7%
- Dry Lining 5%

### Building Cost

The supply chain forecast an average increase in building cost of 4% across all trades by this time next year.

The trades with the greatest forecast increase in building cost include:

- Windows 8%
- Curtain Walling 8%
- Groundworks 6%
- M&E 6%
- Tower Crane 6%

### Material Availability

According to the supply chain, material availability is not expected to be an issue over the following year, with a forecast average increase of 0.5 weeks in material lead time by Q1 2024.

The trades with the greatest forecast increase in material lead time include:

- Brickwork +1.5 weeks
- Carpentry & Joinery +1 week

## Preparing for the Building Safety Regulator

The 22nd March saw the inaugural Building Safety Regulator conference held in Westminster and was the first opportunity for many to engage with the people who will be regulating our industry. With the October deadline for Gateway 2 implementation looming, the message from the Regulators was clear - get yourselves organised now and don't wait for secondary legislation.

Building owners now have a duty to evidence to the regulator how their buildings will be constructed to meet the regulations, that their team of designers and contractors are competent and how they are planning on managing the buildings safety during occupation. Willmott Dixon have been helping steer and shape these new systems through our role as an Early Adopter and we have been implementing changes in our business to ensure we are ready for the new regime:

- Assessing competency of our design partners, installers and product manufacturers
- Having a robust change control system in place to maintain the Golden Thread of information throughout design and construction process
- Upskilling our people and our partners in the new requirements
- Ensuring we have efficient ways of evidencing that the installed works meet the regulations
- Simplifying our processes and procedures and supporting the right behaviours within our teams.
- Helping our Customers and our supply chain partners understand and meet their obligations.

Early engagement and co-operation between the Building Owner, Principal Designer and Principal Contractor will be key to delivering a successful application through Gateway 1 (planning) and Gateway 2 (pre start on site). The Regulator will require a higher level of design completeness before the project can commence on site. Contractor designed (CDP) elements that were traditionally procured later in the design process will need to be undertaken before Gateway 2.

Willmott Dixon have always been an advocate of early engagement and collaboration and now more than ever Building Owners will need a procurement route that will support this new early collaborative design process. The SCF framework enables Building Owners to appoint the right team of specialists to design a compliant building and make a successful application to the regulator.

The Building Safety Act will allow the current scope or higher risk buildings to be changed in the future to encompass more building types and it would be foolish to ignore the general direction of our industry being more compliant, more transparent and more responsible for the building we deliver.



**Graeme Whitty**  
National Product Director