Southern Construction Framework

Market Intelligence

Q1 2025

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Southern Construction Framework

Contents

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> *"While we anticipate 2025 to be more positive than 2024, there remains significant uncertainty in the market that could lead to considerable volatility, making forecasting challenging"*

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Data Insights

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. Our intelligence analyses data across 11 key trade packages from across the south of the UK, identifying regional market trends and forecasts for the following year.

Professional consultants from the SCF Consult framework also share their valuable monitoring of the construction market and provide supporting commentary on the returned data.

Data for this report has been formed from over 150 subcontractors from across the south of the UK, providing a real-time indication of market trends from those directly involved with construction. We share this information with our 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.

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Tender Workload

Compared to Q4 2024, where we observed a decrease in tender workload by 1.77% across all trades, **the pipeline for 2025 appears slightly more positive with an anticipated increase of 3.1% over the coming year.** However, considerable concerns remain regarding project delays. The process of converting projects from pre-construction to on-site continues to be slow, hindered by repeat tender exercises and ongoing value engineering.

This quarters busiest tenders were:

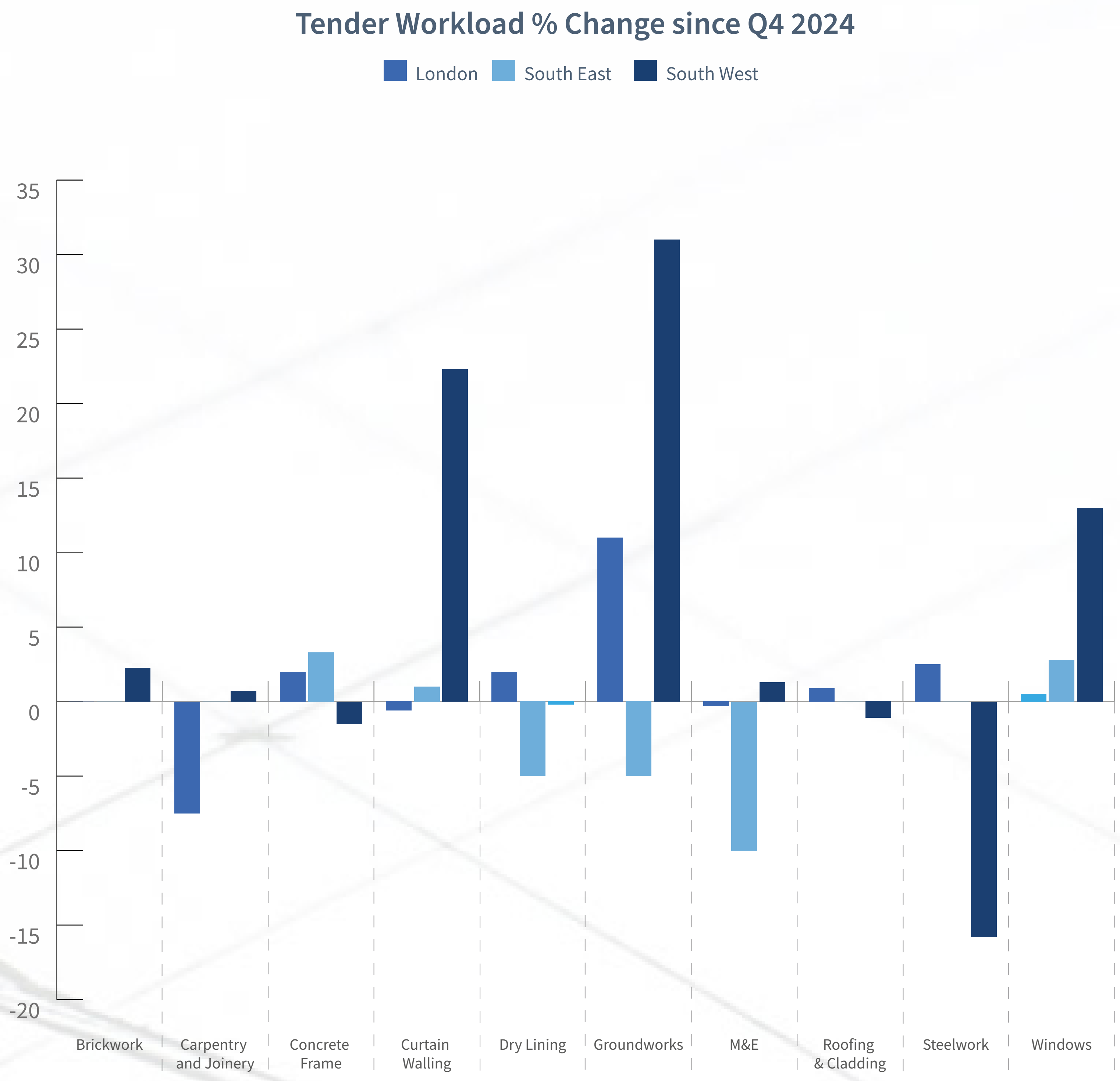
- Groundworks : 15.1%
- Curtain walling: 7.5%
- Windows: 5.2%

As the market begins to recover, Groundworks is one of the early trades to resume activity. This trend is evident in our data, which shows a notable up-tick in Groundworks operations. The Office for National Statistics reported a 0.4% increase in construction output in February 2025. This left Q1 output flat overall, however we have observed an increase in infrastructure activity of which Groundworks plays a crucial role. This increase may be attributed to seasonal demand, and local authorities drive to utilise their highways budgets as they approached financial year end. Last quarter, we noted the significant impact of Building Safety Act (BSA) delays, resulting in elongated pre-construction periods as projects awaited approval. While our forecasts predict 3.1% increase in tender workload by Q1 2026, we are still anticipating uncertainty. This is particularly evident in:

- Carpentry & Joinery : -2.7%
- Steelwork: - 4.6%

Supply chain feedback reflects ongoing market uncertainty, with suppliers adopting varied strategies in response. Some contractors have become more selective, prioritising projects with a high likelihood of progressing to site—highlighting a shift toward risk-averse decision-making. Others have widened their criteria, exploring different sectors or project values to fill order book gaps caused by delays.

Meanwhile, many are focusing on their core business areas to maintain consistency and ensure long-term sustainability. This range of approaches highlights the diverse ways firms are adapting to navigate current market challenges.



Impact of the Spending Review

While we anticipate a stronger pipeline over the next year, the outcomes of the June 2025 Spending Review will be crucial in determining public sector budget allocations and may significantly influence the pace and scope of future project developments. This will likely feature heavily during our Q2 report.

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Building Cost

In Q1 2025, building costs increased by 2.3% compared to the previous quarter. While this rise is consistent with seasonal trends and ongoing market pressures, it **remains below the UK's general inflation rate of 2.8%.** This indicates that, despite broader economic pressures, construction costs are rising at a more moderate pace than general consumer prices.

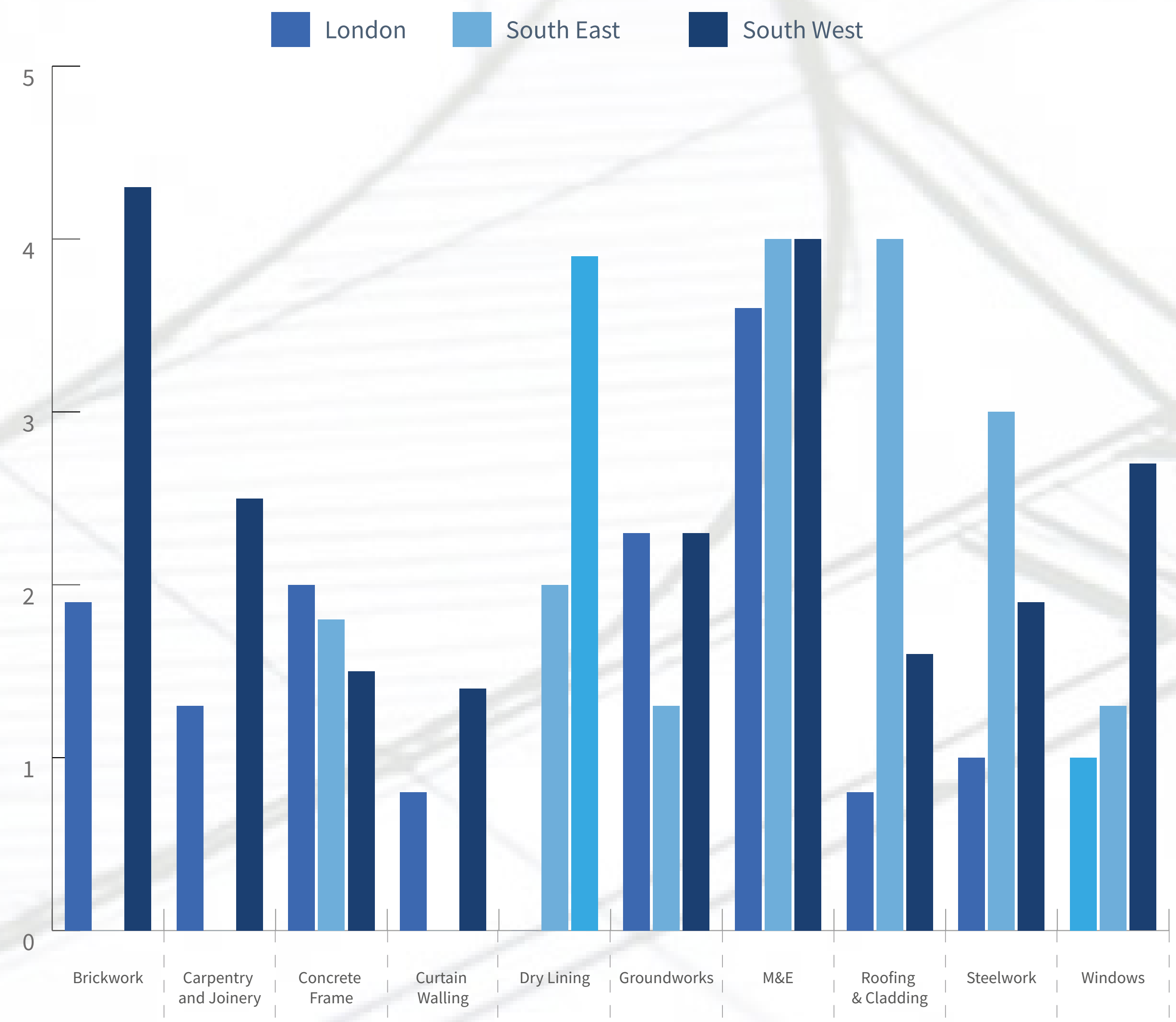
Our top trades this quarter are:

- M&E: 3.6%
- Brickwork: 3.3%
- Groundworks: 2.8%

M&E continues to experience upward pressure due to the integration of smart technologies, energy-efficient systems, and compliance with evolving building regulations. Brickwork costs are being driven by both material and labour shortages, while Groundworks reflects increased early-stage project activity and infrastructure investment.

In their recent report, Rider Levett Bucknall notes that although inflationary pressures are beginning to ease, cost escalation remains a concern—driven primarily by labour shortages and evolving regulatory requirements. This aligns with our forecast of continued cost volatility, particularly in trades such as M&E and Brickwork, which recorded quarterly increases of 3.7% and 3.3% respectively.

Building Cost % Change since Q4 2024



Employment

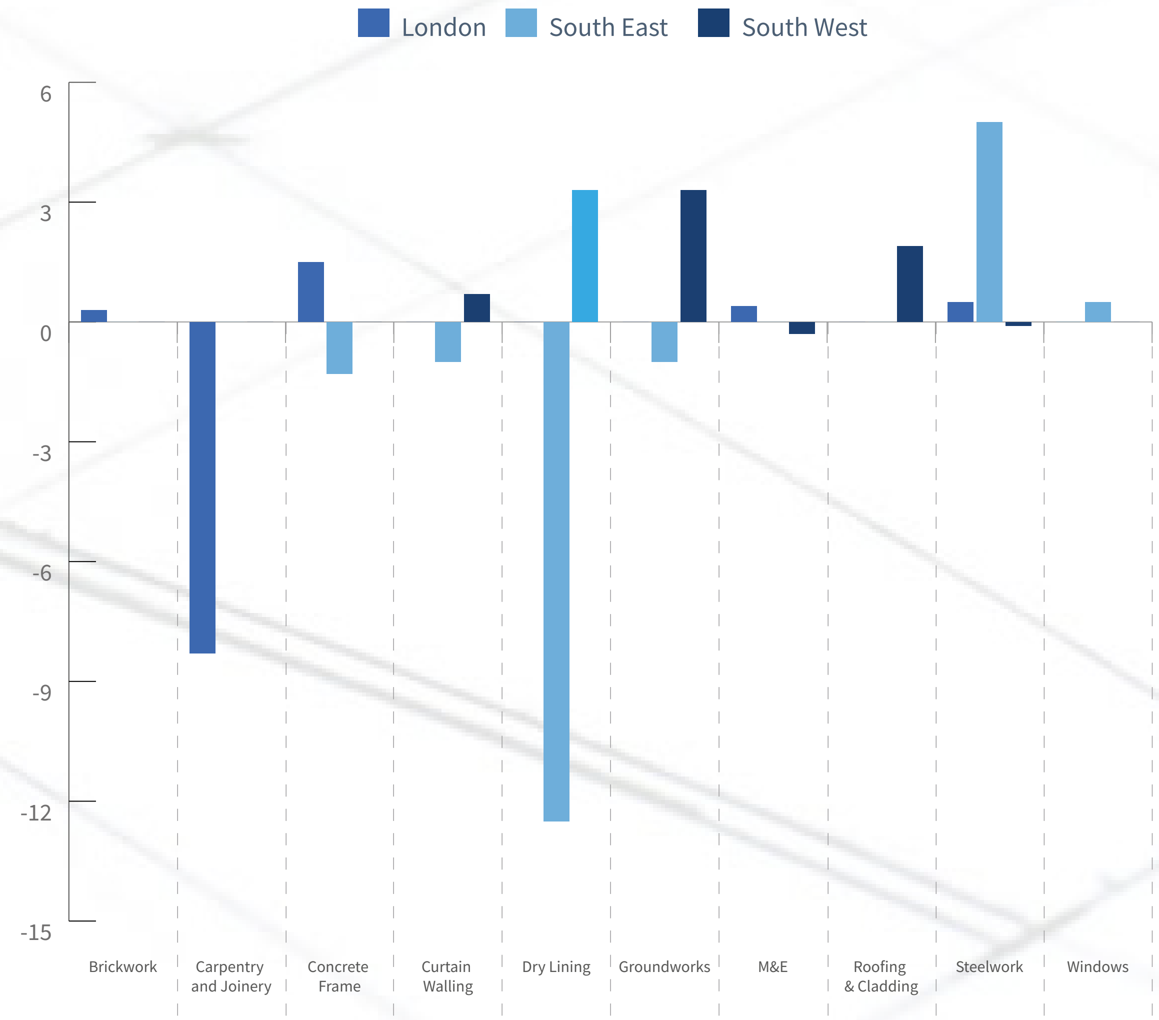
6 out of the 10 trades surveyed saw no change in employment over this quarter demonstrating stability, with employers seeking to maximise their existing workforce rather than expanding. The trades most impacted by employment were:

- Dry lining: 2.5%
- Roofing & cladding: 1.6%
- Carpentry & joinery: -3.3%

Employment in the dry lining trade saw a modest increase of 2.5% during this period. This growth reflects a steady demand across this trade, driven by ongoing residential and commercial construction projects. Additionally, the roofing and cladding sector also experienced an increase in employment this quarter (1.6%). This growth is attributed to the rising demand for energy-efficient and sustainable roofing solutions, such as solar panels and green roofs.

Conversely, whilst most trades remain stable, a decrease of -3.3% was observed in carpentry and joinery highlighting short-term challenges for this trade. However, the long-term outlook remains positive with our data forecasting an anticipated 6.3% increase by this time next year, suggesting upcoming stability in project pipelines.

Employment % Change since Q4 2024



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Material Availability

Material availability remained generally stable this quarter, with an average change in lead times of just 0.27 weeks. However, **regional and material-specific challenges persist, driven by factory capacity constraints, increased demand, and government-led initiatives.**

This quarters top trades were:

- Carpentry & joinery : 0.90 weeks
- Dry lining : 0.57 weeks
- Brickwork : 0.40 weeks

The Department for Business and Trade reports deliveries of bricks increased by 8.8% in March 2025, when compared with the previous year, demonstrating an increase in demand. In the Southwest, this has translated into extended lead times—now averaging 22 weeks—due to limited factory capacity in Europe and the UK government's push for increased housing delivery.

In London, we observe a change of 1.5 weeks in material availability for concrete. Our London supply chain report that HS2 project continues to consume substantial amounts of concrete, making it challenging for smaller projects to source material, and therefore straining concrete availability.

We also observed a 0.53-week increase in lead times for insulation and dry lining materials, likely driven by the shift towards non-combustible insulation in response to updated building regulations. These same regulatory changes are also contributing to increased demand for roofing and cladding materials, which saw a 0.36-week rise in lead times.

Looking Ahead

Looking ahead, the industry is anticipating a period of cost volatility driven by material price increases, potential tariff impacts, and regulatory changes. The introduction of new US tariffs effective from April 5 is likely to affect material costs. Additionally, changes in the UK regarding National Insurance and minimum wage are expected to raise labour costs. While the full impact of these changes will unfold over the coming months, stakeholders should prepare for these fluctuations and consider strategies to mitigate their effects on project budgets and timelines.

Tender workload

Tender workload is forecast to increase by +3.1% by Q1 2026, with our data suggesting continued strength in structural and finishing trades, particularly Groundworks (+6.3%) and Carpentry (+5.0%).

Employment

We anticipate steady employment growth of +2.1% by Q1 2026. The trades with the highest forecasted growth are: Carpentry & Joinery: +3.6%, Dry Lining +3.4% and Curtain Walling +2.6%

Building Cost

We anticipate continued cost pressures, with a forecasted increase of +4.0% by Q1 2026. This reflects ongoing inflation in materials and labour. The areas where we expect the largest forecasted increases are: Curtain Walling: +5.6%, Dry Lining: +4.7% and Carpentry & Joinery: +4.0%.

Material Availability

Material lead times are expected to remain relatively stable over the next 12 months with an anticipated change of +0.45 weeks forecast for Q1 2026, though slight increases in lead times for key trades suggest ongoing supply chain sensitivity, particularly in Carpentry and Joinery (+0.90 weeks) and Brickwork (+0.80 weeks).

SCF Consult: Look Ahead

Over the past couple of months, much of the news has centred around tariffs. Having put a pause on the more severe tariffs, firstly for all countries bar China, and then a few weeks later China, markets, which had seen sizeable falls in the days after Donald Trump's announcements, have recovered to previous levels. For the UK, which had avoided "reciprocal tariffs", a trade deal left tariffs on most goods at 10%. More importantly the deal provided improved terms to carmakers and brought steel and aluminium tariffs down to zero. Overall, it is still very early days, and most of what we have seen so far is noise. With regards to tariffs direct effect on UK construction, the immediate impact is likely to be low, with SCF projects likely to be even less exposed. Nonetheless, uncertainty is unhelpful and there are a variety of ways in which tariffs may still affect the wider economy.

Despite the agreed deal helping some sectors and preventing a more damaging outcome, most exporters still face a 10% tariff and can expect sales to drop. Resulting in less scope to make long-term investments, even for private firms who don't export goods, uncertainty around growth and what happens if Mr Trump changes his mind may dent the attractiveness of new construction projects. Publicly funded schemes, which face a different type of viability pressure and where future revenue streams aren't linked to global growth should be more insulated. While slower growth has the potential to further weaken an already tight fiscal position, the more pressing concern for such projects is the government's forthcoming Spending Review. Presenting departmental spending for the next three years, it will be much more instrumental in determining the volume of construction projects that can take place over this time.

One positive from the initial market turmoil caused by the tariffs is it may help the viability of these schemes by lowering inflation. Oil is the clearest example of falling prices and Brent crude temporarily dropped below US$60 a barrel. In turn, petrol prices have slipped to their lowest level in four years. Furthermore, and partly due to these moves, in their latest set of forecasts, the Bank of England cut where they expect CPI inflation to peak from 3.7% to 3.5%. Still noticeably above the 2% target, if the tariffs do trigger a more pronounced downturn, then inflation could come down faster.