



Southern Construction
Framework

Market Intelligence

Q2 2025



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Q2 2025 Key Statistics

Tender Workload	Building Costs	Change in Employment	Change in Material Availability
Average: +0.29%	Average: +1.2%	Average: +0.8%	Average: +0.31Wks
Groundworks: +8.1%	Brickwork: +1.9%	Groundworks: +5.4%	M&E: +0.71Wks
Tower Crane: +3.2%	Curtain Walling: +1.9%	Curtain Walling: +2.4%	Tower Crane: +0.67Wks
Steelwork: +2.3%	Roofing and Cladding: +1.8%	Roofing and Cladding: +1.4%	Carpentry and Joinery: +0.67Wks

“While the market remains competitive and relatively stable in terms of costs, the underlying pressures from regulatory delays, labour constraints, regional resource imbalances, funding uncertainty, and rising insolvencies are shaping a more cautious and selective supply chain. Continued monitoring and proactive engagement with contractors will be essential to navigate the months ahead.”

Janara Singh,
Assistant Framework Manager



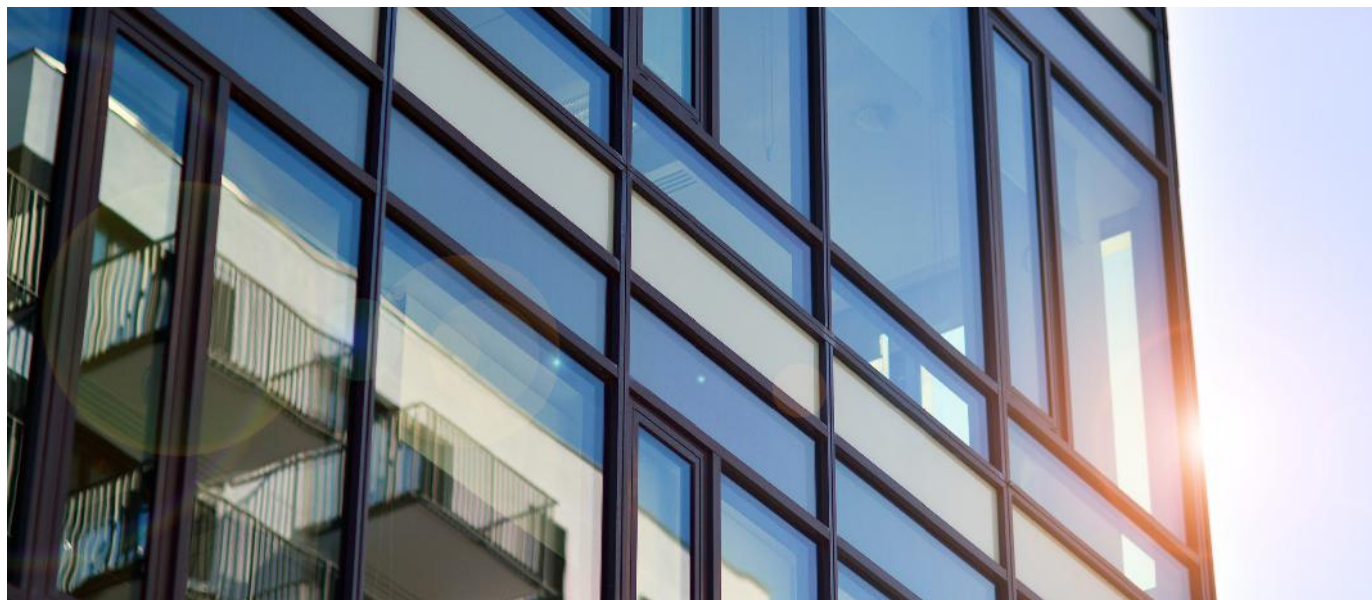
Data Insights

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.



Regional Insight

Across the South East, South West, and London, the UK construction industry continues to navigate a complex landscape shaped by regulatory changes, economic pressures, and shifting client behaviours. In Q2 2025, the Building Safety Act remains a significant disruptor, contributing to elongated pre-construction periods, repeat tendering, and selective subcontractor engagement. While tender workload has risen conservatively this quarter, 0.29%, we continue to see slow movement across some trades attributed to project phasing and design shifts.

Building Cost and Employment saw modest increases of +1.2% and +0.8% respectively, while insolvencies continued to rise, peaking at 447 in June. Material availability remains stable, though regional pressures persist especially in the South West, where major infrastructure schemes are straining capacity. The June Spending Review reaffirmed infrastructure investment but introduced tighter funding scrutiny, reinforcing a more risk-averse and delivery-focused market environment.



Tender Workload

This quarter we have continued to observe repeat tender exercises, contributing to growing fatigue across the supply chain. Subcontractors remain selective, favouring projects they perceive as more likely to proceed to site. This cautious behaviour is being driven by a combination of planning amendments, cost feasibility reviews, and the growing complexity of building safety compliance. These factors are triggering repeat tendering exercises but also straining contractor resources and reducing their willingness to engage in non-essential activities.

In previous quarters we have noted the significant impact of Building Safety Act (BSA) delays, resulting in elongated pre-construction periods as projects awaited approval. This trend has continued into Q2 2025, with prolonged PCSA periods impacting the supply chains motivation and responsiveness. According to the Office for National Statistics (ONS), construction output in Great Britain fell by 0.6% in May 2025, following three months of growth. This was largely due to a 2.1% drop in repair and maintenance, although new work saw a slight increase of 0.6%.

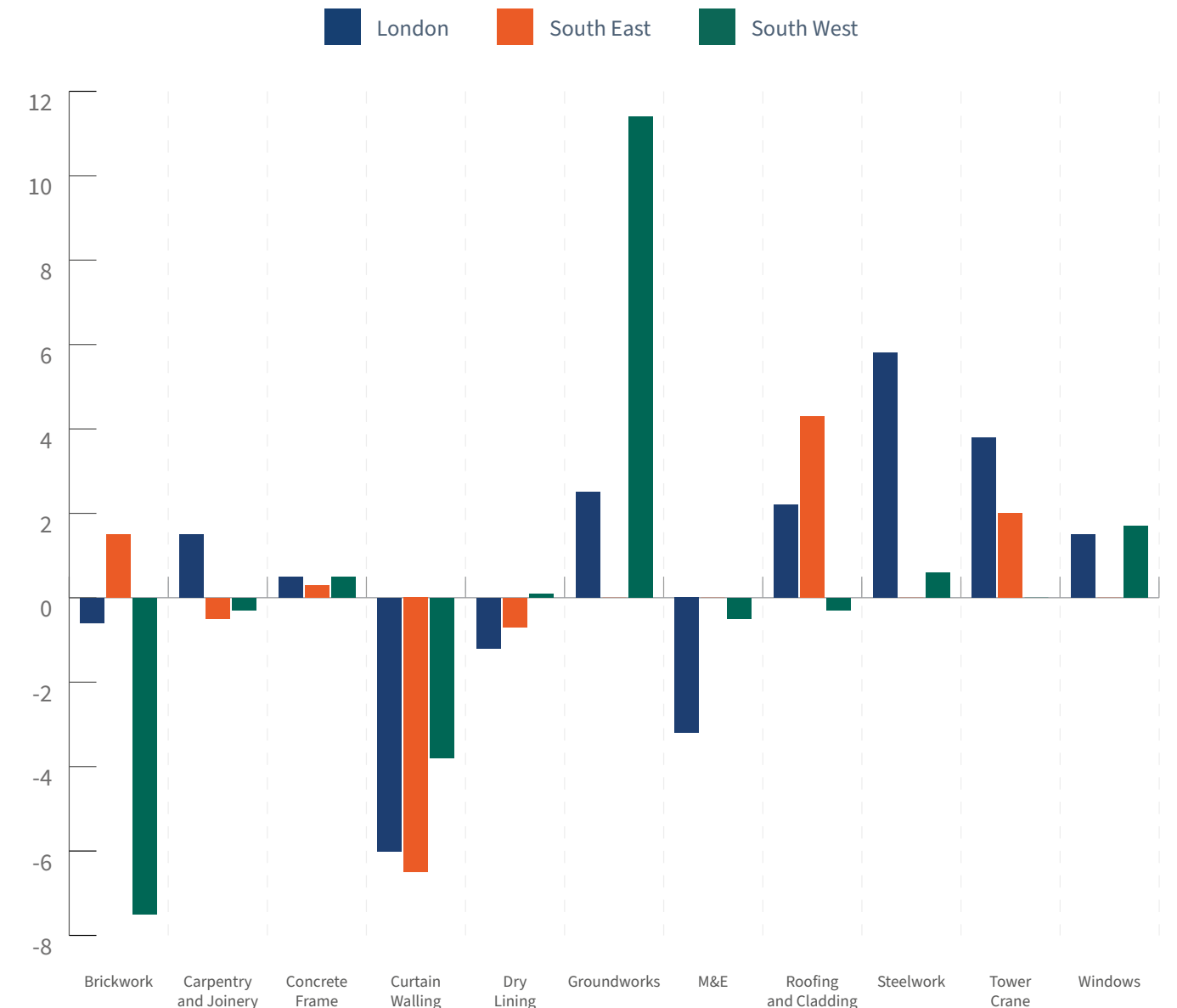
These delays are beginning to show in trade-specific data. While we have seen a modest regional increase of 0.29% in tender workload, our data indicates a decline in curtain walling (-6.0%) activity this quarter, likely reflecting the impact of BSR-related hold-ups. However, a notable increase in groundwork starts suggests that projects are beginning to progress, which may support increased curtain walling activity in the coming months. We have also observed a slowdown in Brickwork tender workload (+0.4%), which again may be attributed to schemes still waiting to come out of the ground. However, our contractors are also reporting a shift from traditional brickwork to brick slips, driven by two main factors: labour shortages and the increasing

challenge of achieving and demonstrating UKAS accreditation. Additionally, the growing use of fire cavity barriers is also influencing design and material choices, further compounding challenges across the Brickwork trade.

The June 2025 Spending Review has added a new layer of complexity to the market outlook. While the review reaffirmed the government's commitment to infrastructure investment, it also signalled a more cautious approach to capital funding allocations, with a stronger emphasis on value for money, project readiness, and delivery assurance. This has led to increased scrutiny of pipeline schemes, particularly those not yet at planning or procurement stage. As a result, a more risk averse bidding climate is emerging.



Tender Workload % Change since Q1 2025



Building Cost and Employment

Despite the operational challenges outlined above, our data suggests that building costs remain relatively stable, with a modest increase of +1.2% this quarter. Notably, the current rate of cost inflation remains below general inflation, indicating a more competitive market landscape.

Following the recent increases in National Insurance and the National Minimum Wage in April 2025, a significant rise in building costs was anticipated. However, contractors report that employers appear to be absorbing these additional costs. As a result, average employment has only risen by +0.8% this quarter. Despite this, recruitment activity remains subdued, primarily due to persistent uncertainty surrounding project progression. This hesitancy is also evident in ONS data, which shows that while construction wages have continued to grow, they are now increasing at a slower rate than the national average for the first time in five months.

This stagnation in recruitment poses a significant risk to the sectors long-term resilience. The CITB forecasts a 1.6% growth in UK construction output for 2025, with the workforce expected to reach 2.75 million by 2029. However, to meet this demand, the industry still needs to recruit nearly 48,000 workers annually. Without a clear and stable pipeline, attracting and retaining talent will remain a challenge, potentially constraining future capacity and delivery.

Insolvencies continue to exacerbate these pressures. In our Q2 2024 Market Intelligence report, we highlighted the impact of insolvencies across the construction industry. This quarter, we continue to see a rise in construction-related

insolvencies, averaging 423 per month. June saw 447 insolvencies, marking the highest monthly figure this year. Contractors report ongoing impacts from the collapse of ISG in September 2024, one of the UK's largest construction firms. ISG's collapse disrupted numerous major projects, and while many are now progressing, the redistribution of workloads has introduced further strain on already stretched resources.

In the South West, the insolvency of several regional fabricators has had a pronounced impact. Our data shows that employment in Curtain Walling has increased by 6.7% in the South West, compared to only 0.3% in the South East and London, highlighting the regional disparities in labour demand and the knock-on effects of supply chain disruption.

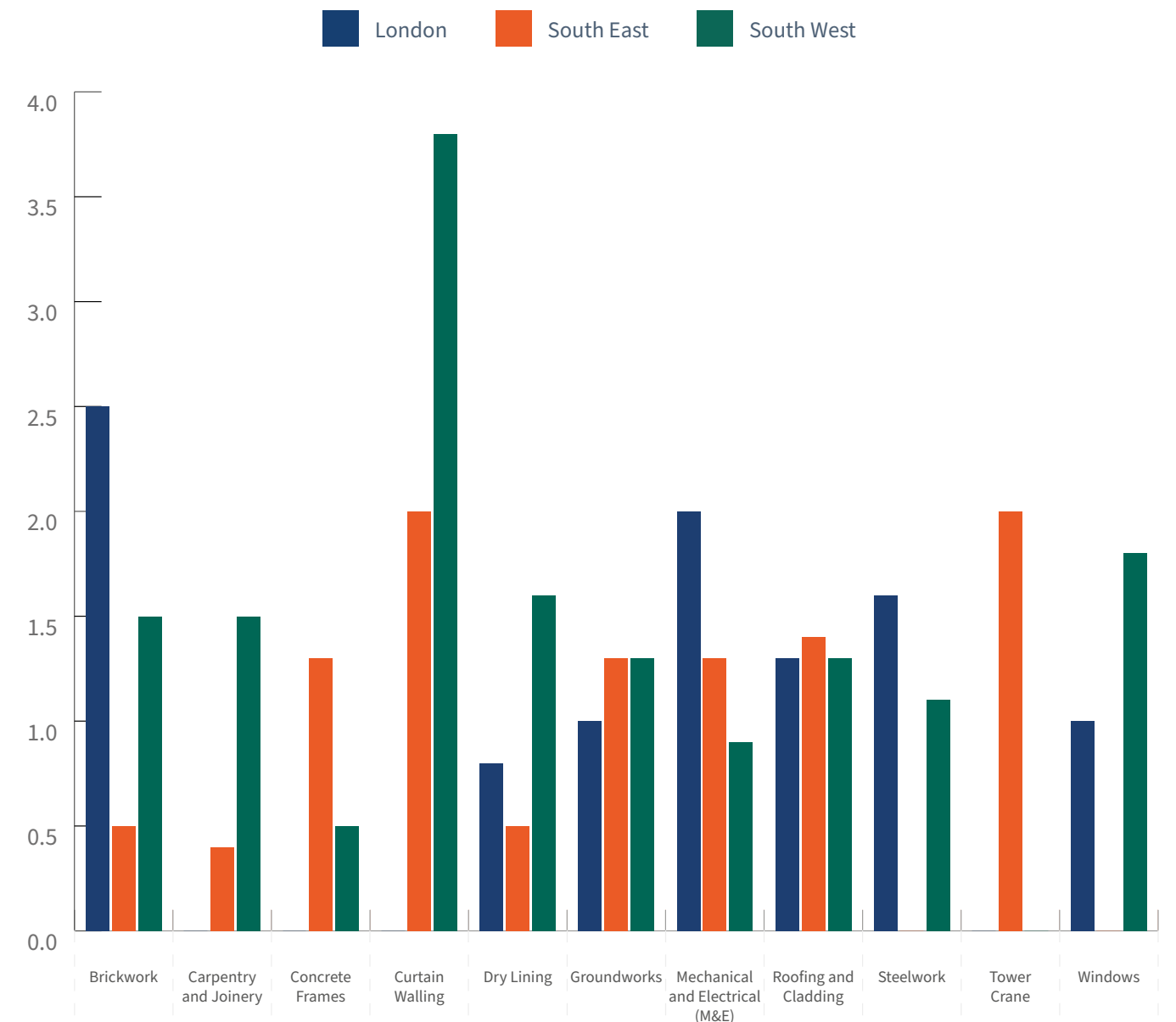
Material availability

Material availability has seen a **regional average increase of +0.31Wks this quarter**, with notable trade-specific changes:

- M&E: +0.71Wks
- Tower Crane: +0.67Wks
- Carpentry & Joinery: +0.67Wks

There are some regional pressures noted, with large-scale schemes like Hinkley Point and Bridgewater straining supply chain resources, especially in M&E. This is affecting bid returns and availability for other regional projects. To support the supply chain, SCF contractors are conducting regular capacity meetings to ensure that they can resource and bid for projects appropriately.

Building Cost % Change since Q1 2025



SCF top tip for clients

To keep projects resilient and on programme, engage early with envelope and Groundworks trades, secure long-lead materials in advance, and build flexibility into design and procurement strategies. This will help manage cost inflation, labour availability, and sequencing risks.

Q2 2026 Construction Forecast

Looking ahead, Q2 2026 construction forecast reflects a cautiously optimistic outlook across key trades, with steady growth expected in workload, costs, and employment. Brickwork and Concrete Frames are set to see consistent gains, while Tower Crane activity remains subdued suggesting a stable or saturated market. This divergence may be linked to a slowdown in high-rise developments and a shift toward mid-rise and modular construction, potentially influenced by delays related to the Building Safety Regulator (BSR). For clients, this presents both risks and opportunities: rising costs in core trades may pressure budgets, while reduced crane demand could offer leverage in procurement. Proactive planning, early contractor engagement, and flexible design strategies will be essential to navigate the evolving landscape.

Tender Workload

Tender workload is forecast to rise by 2.4%, with structural and finishing trades leading the way. Curtain Walling (+4.8%) and Drylining (+4.3%) are expected to show the strongest growth. The projected 4.2% cost increase in curtain walling reflects broader inflationary pressures, driven by global supply chain disruption and rising demand from infrastructure and renewable energy sectors. Stricter building regulations and sustainability targets are also increasing demand for high-performance systems, which come at a premium. Longer lead times for materials may delay project timelines, and subcontractor selectivity is likely to persist.



Building Costs

Overall construction costs are forecast to increase by 2.7% by Q2 2026, driven by sustained inflation in materials and labour. Recent changes to National Insurance and minimum wage are particularly impacting labour-intensive trades such as envelope and structural packages. The steepest cost increases are expected in:

- Curtain Walling: +4.2%
- Drylining: +3.5%
- Brickwork: +3.4%

These pressures may strain budgets and timelines, especially for projects in early design or procurement. To mitigate these risks, clients should consider early supply chain engagement and explore value engineering opportunities. Projects with flexible programmes may also benefit from sequencing adjustments to prioritise more stable trade packages.

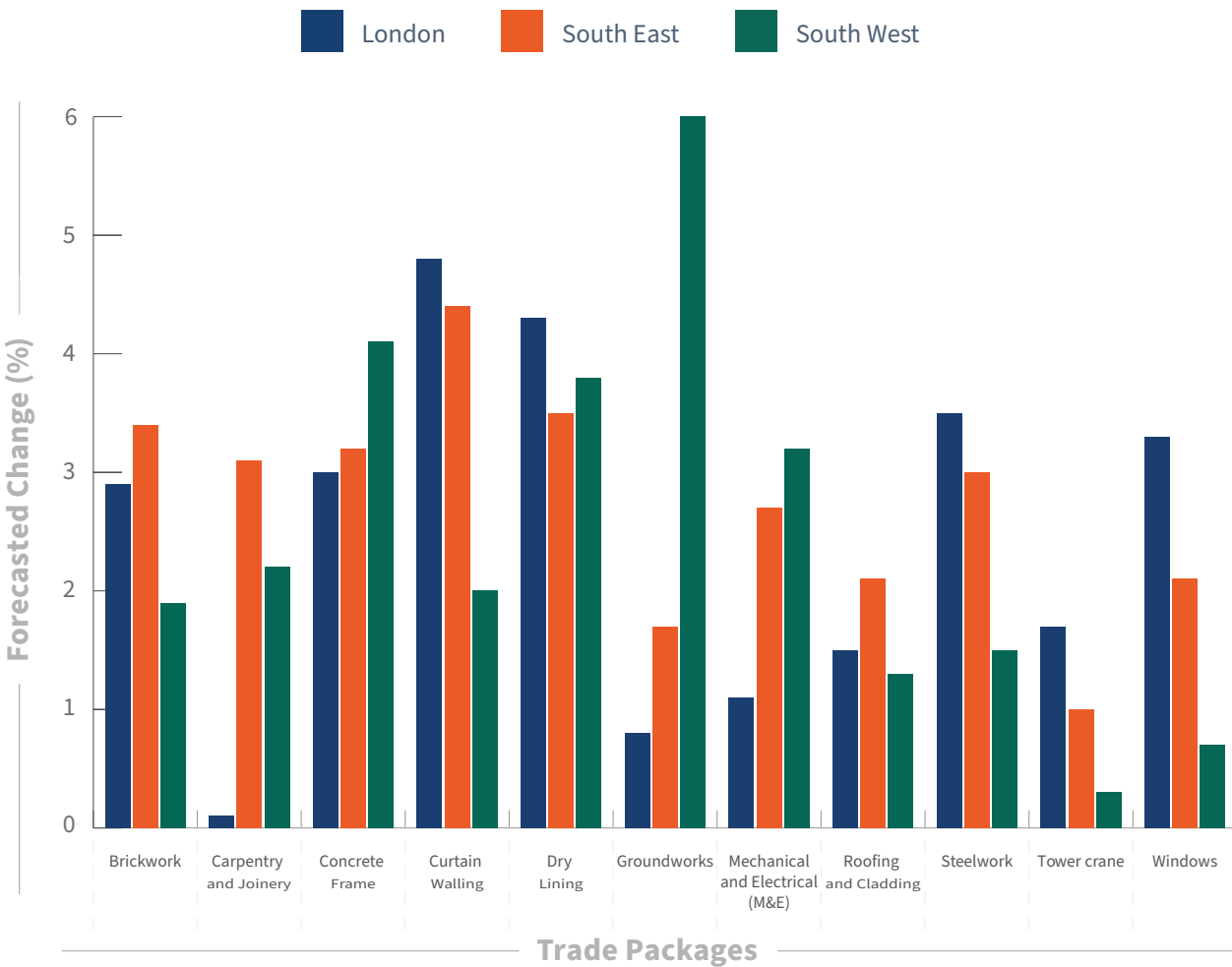
Employment

Employment across the sector is forecast to grow by 2.5%, supported by new project starts and sustained demand for skilled labour. Groundworks is expected to see the highest employment growth at 6.6%, despite modest workload and cost increases. This reflects its labour-intensive nature, critical role in early-stage construction, and continued demand for enabling works. However, recruitment may remain cautious due to regulatory uncertainty and financial pressures on the supply chain, potentially leading to uneven labour availability. Clients should act early to secure Groundworks contractors, monitor local labour markets, and ensure site readiness. Phased starts, preconstruction planning, and offsite solutions can help mitigate labour-related risks and maintain programme momentum.

Material Availability

Lead times for materials are expected to remain relatively stable over the next 12 months, changing by just 0.50 weeks. However, Roofing & Cladding and Windows are forecast to face the longest availability delays at 1.14 weeks. While this suggests a degree of predictability, delays in these key envelope elements could still impact project sequencing and delivery. To mitigate risk, clients should prioritise early procurement of long-lead items, monitor supplier lead times closely, and consider securing materials through framework agreements. A proactive approach will be essential to avoid bottlenecks and keep programmes on track.

Regional forecast for Q1 2026





Mace Sector Insight

Since Labour won last year's general election, the public sector has been waiting for details to emerge about their medium-term spending plans. In June 2025, the government published two reports providing this information and giving a clearer guide about their intentions. The Spending Review, followed a week later by the 10 Year Infrastructure Strategy, laid out not only where money would go, but also how the government intend to work with businesses and provide the long-term certainty needed to deliver their ambitions.

In tweaking the fiscal rules, the government were able to raise their capital expenditure budget by an additional £113bn between 2025-26 and 2029-30. This was the starting point for Infrastructure Strategy, where over the next decade, government funding will come to £725bn. While significant sums of money that will drive the construction industry going forward, when we look into the details, we see that as well as some big winners, not all departments are as fortunate. Much of the growth in capital expenditure set to take place during this parliament has already occurred and the plans leave several departments with no additional funding in the years to come.

Defence is the sector that will see the biggest real terms growth increase, with transport and energy also set for large gains. Excluding Sizewell C, the capital expenditure budget for the Department for Energy Security and Net Zero will, on average grow 2.6% a year between 2025-26 and 2029-30. Yet DESNZ also gives a clear example of how the government has frontloaded much of the expenditure. In the most recent fiscal year, the capital expenditure budget rose from £4.0bn to £9.4bn and while it will still grow in the coming years, it will be at a much slower rate.



Such dynamics are a particular worry for Ministry of Housing, Communities & Local Government. Having had a robust increase in Labour's first year, in real terms, there will be no additional money provided for capital expenditure for the rest of the parliament. With so many councils under pressure, the lack of new money is likely to limit the number of new construction projects getting the go ahead. Another key SCF sector, education, is also only due to experience only modest growth to 2029-30.

For the wider construction sector, as well as the opportunities that comes with so many new projects, there are risks. Notably there are concerns around the capacity of the market to deliver. Many of the schemes mentioned in the two government publications are much larger

than typical SCF projects, and there will be a need to make these smaller projects attractive to contractors whose attention may be elsewhere. All the recent insolvencies may also make it harder for the market to absorb such a pipeline. Alongside contractor capacity, there are worries about the labour market. While recent data shows a drop-off in payrolled employee numbers, and pay growth also appears to be cooling, this may be temporary. Large new projects will lead to an increase in demand for workers, who will be able to ask for higher pay, in turn putting pressure on budgets. It was only a few months ago where regular construction pay growth was rising at more than 6% a year, and the risk is skills shortages, combined with the need for more workers, causes renewed inflationary challenges.

Conclusion

Overall, while the market remains competitive and relatively stable in terms of costs, the underlying pressures from regulatory delays, labour constraints, regional resource imbalances, funding uncertainty, and rising insolvencies are

shaping a more cautious and selective supply chain. Continued monitoring and proactive engagement with contractors will be essential to navigate the months ahead.



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