Southern Construction Framework

Market Intelligence

Q3 2025

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Contents

> "Insecurities in the marketplace are reshaping how the construction industry operates forcing businesses to become more agile, more selective, and more strategic than ever before."

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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.

Q3 2025 Key Statistics

Tender Workload	Building Cost	Employment	Material Availability
Average: +1.06%	**Average:** +1.5%	**Average:** +0.1%	**Average:** +0.15 weeks
Curtain Walling: +4.6%	**Steelwork:** +8.3%	**Drylining:** -4.0%	**Tower Crane:** -0.50 weeks
Carpentry & Joinery: +4.2%	**Drylining:** +2.6%	**Windows:** +1.6%	**Brickwork:** +0.73 weeks
Windows: -1.9%	**M&E:** +1.4%	**Concrete Frame:** +1.0%	**M&E:** +0.56 weeks

Regional Insights

Over 2025 our data suggests stability in the marketplace, with little fluctuation between quarters when compared to post-pandemic recovery. Average tender workload across all regions has been +1.5% during Q3 2025, significantly lower than Q3 2021 which saw a quarterly movement of +5.71%. This can be attributed to several factors, including regulatory delays, fluctuating material costs, labour shortages, and an unpredictable project pipeline. Consequently, our contractors have observed noticeable shifts in behaviour across the supply chain, reflective of insecurities in the marketplace. Contractors and suppliers alike are reassessing their strategies, with many adjusting their tendering approaches, cost structures, and workforce planning to remain competitive in a volatile environment.

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SCF Consult: Market Overview

One likely side effect of some of these issues and something that will be helping contractors is a deceleration in pay growth. In March, construction pay was growing at 6.4% a year, but it has since eased to 3.9%. This is barely above the rate of inflation, and noticeably weaker than the rate of pay growth across the whole economy, which stands at 4.7%. Other indicators which also point to a recent slowdown in the construction labour market are vacancies, which have dropped sharply since the start of the year. The number of payrolled employees has also declined over this time, with construction seeing a steeper reduction than most sectors. Potentially due to the rise in employers' National Insurance contributions, total payrolled employees have slipped by 0.1% since March. By comparison, construction has seen a 0.9% fall. Meanwhile, another government policy that came into effect in April, a large increase in the National Living Wage, is also affecting labour costs. PAYE data shows that median wages are rising at a considerably faster rate than mean wages, suggesting that those on lower pay are benefiting from the policy.

Regulatory Constraints

The regulatory landscape continues to be a defining factor in shaping tender activity and project delivery timelines, having a particularly negative effect on the London housing market London. **The implementation of the Building Safety Act (BSA) Gateway 2 has introduced significant delays in high-rise residential developments,** contributing to a -1.9% decline in window-related tenders in the capital.

This bottleneck has created uncertainty for contractors and developers, with many projects stalled awaiting compliance approvals. **While a recovery is anticipated over the coming months, the current environment has forced suppliers to adapt their strategies,** becoming more flexible and realigning their focus to trades and regions less affected by regulatory constraints.

In some cases, this has caused them to look for new opportunities, adding costs and pressures to the bidding process.

This shift is evident in the South West, where curtain walling and carpentry & joinery have seen notable increases in tender volumes, suggesting a shift toward façade and fit-out work in areas with fewer regulatory hurdles.

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SCF Consult Insight

There is much hope about a strong future pipeline, driven by large government projects, however, in many cases, these have yet to reach the market. Meanwhile for live projects, the time taken at the PCSA stage is often lengthening and getting schemes started on-site is proving more of a challenge. To combat this, recent changes have relaxed planning rules and affordable housing requirements. However, as always these will take time before boosting new projects, and there are still demand side factors potentially holding developments up.

Southern Construction Framework

SCF Top Tips

Navigating BSA Approvals

1

Build in extra time

For projects requiring BSA approval build in extra time when planning project timelines. Although backlogs are expected improve, utilise experience and lessons learnt from across the industry to help form a compliant application. Getting it right first time is a critical step in protecting your project from further BSA related delays.

2

Appoint Principal Designer early

Ensure the Principal Designer (under the Building Regulations) is appointed early and is actively involved in design development. Their oversight is crucial to ensuring the design meets BSA requirements and is ready for Gateway 2 submission.

3

Engage main contractor and supply chain early

Early engagement with a main contractor and their supply chain is vital to ensure a high quality application is submitted for approval. A proactive and collaborative approach helps identify potential issues early and integrate into design.

4

Start the ‘Golden Thread’ from day one

Start capturing and structuring your project’s ‘Golden Thread’ of information from day one. Use digital tools to manage design decisions, changes, and evidence compliance, whilst future-proofing your asset management.

Insolvencies

Supply chain insolvencies remain one of the most pressing risks facing the UK construction sector with our main contractors reporting this is near the top of their corporate risk register. **Despite employment levels holding steady overall, with a conservative +0.1% rise this quarter the fragility of subcontractor networks is becoming increasingly apparent**. Our contractors have reported a rise in companies bidding for smaller-value projects they would typically not tender, a sign of short-term reactivity as elongated preconstruction period are impacting anticipated turnover forecasts resulting in financial strain and a more competitive marketplace. In an extreme case, a South West drylining provider has reported a -34.3% drop in employment in a strategic effort to revise their strategies and downsized operations. The broader concern is that insolvencies can cause significant delays and cost overruns, particularly when specialist trades are involved. With construction accounting for 15.0% of all insolvencies in England and Wales in August 2025, according to The Insolvency Service, project teams are placing greater emphasis on financial due diligence and risk mitigation during procurement.

SCF Top Tip

A well-defined procurement strategy is essential to project success. Focus on selecting high-quality subcontractors with proven track records in delivery, compliance, and collaboration. Early vetting and alignment with project goals can reduce risk, improve build quality, and enhance programme certainty.

Skills Shortages

Skills shortages continue to challenge productivity and project timelines across the UK construction industry. In effort to combat this, as stated in the recently published Post-16 Education and Skills White Paper, the government is investing £100 million over the next 4 years to expand Construction Skills Bootcamps. This forms part of a wider £625 million investment aimed at boosting construction skills and helping to meet the national ambition of building 1.5 million homes.

Labour remains highly reactive, with workers frequently shifting between sites based on pay and conditions. The lack of good-quality labour is adding time to projects, as contractors struggle to secure skilled subcontractors. Apprentice retention is also a growing concern, with fewer young workers entering and staying in the industry. This is heightened by declining workforce mobility with many subcontractors being less willing to travel since the pandemic, and those who do require higher compensation, further inflating costs. As the industry looks ahead to Q3 2026, the low certainty of the pipeline conversion further exacerbating these challenges, making workforce planning increasingly difficult.

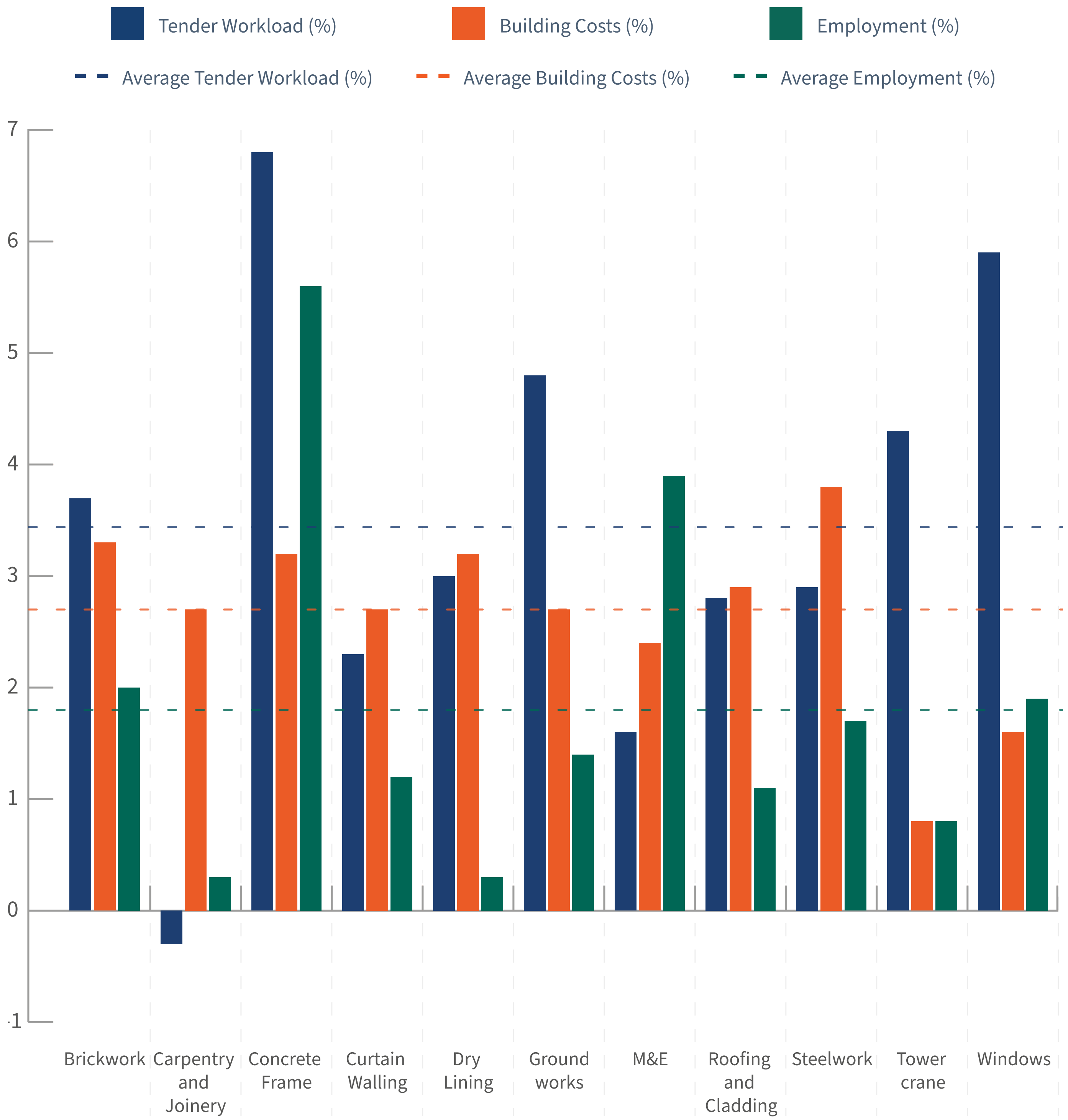
SCF Top Tip

The visibility and certainty of pipeline is crucial for supply chain when managing internal resource. In line with the Construction Playbook, the SCF publishes its pipeline on a publicly accessible portal, enabling SMEs to freely access and express their interest in trade packages.

Looking Ahead

Taking a look at Q3 2026, several emerging trends and challenges are expected to impact performance across the sector, including shifting regulatory landscapes and increased competition for resources.

Regional Forecast for Q3 2026



Pipeline Uncertainty and Supply Chain Impact

Whilst certainty surrounding project pipeline remains low, with limited confidence in conversion rates, we have observed ripple effects throughout the supply chain, particularly around strategic objectives and tendering opportunities. However, our data indicates a forecasted rise of **+3.4%** in tender workload, with notable increases expected in the following trades:

- Concrete Frames: +6.8%
- Groundworks: +4.8%
- Windows: +5.9%

We remain optimistic that, although reactive behaviours have been more evident post-pandemic, these insecurities will begin to ease with more pipeline and project certainty set to improve.

Skilled Labour Shortages, Skills Gaps and Apprentice Retention

The availability of high-quality labour continues to be a constraint, with a modest increase of **+1.8%** projected across the sector. The trades with the most anticipated increase are:

- Concrete Frames: +5.6%
- M&E: +3.9%
- Windows: +1.9%

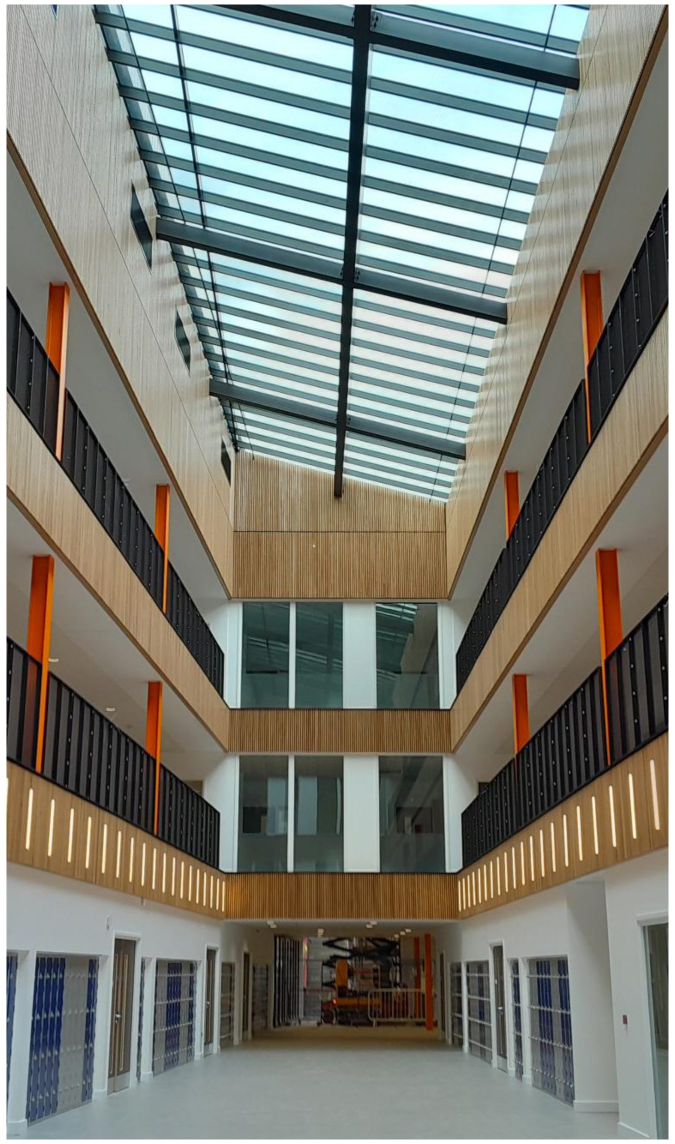
Skills shortages remain a key concern, particularly in specialist and technical roles. Apprentice retention continues to be a challenge, raising questions about long-term workforce sustainability.

However, there is cautious optimism that the UK Government's new Construction Skills Bootcamps will positively influence the construction industry's talent pipeline over the coming years.

Material Availability and Cost Pressures

Material availability is expected to remain relatively stable, with supply chain partners suggesting a conservative increase of **+0.61 weeks** in lead times. However, building costs are forecast to rise by **+2.7%** over the next 12 months, with the following trades expected to see the highest increases:

- Steelwork: +3.8%
- Brickwork: +3.3%
- Concrete Frames: +3.2%
- Drylining: +3.2%



Conclusion

Looking into 2026, the industry is likely to continue facing headwinds from labour shortages, cost inflation, and regulatory delays, particularly linked to BSA GW2 approvals. Yet, early signs of increased tender activity across key trades suggest a potential shift toward market stabilisation. The projected growth in workload and the introduction of the Construction Skills Bootcamps initiative offer hope for improved workforce resilience and long-term capacity building. While material availability remains steady, rising costs will require careful budget management and strategic procurement.

Overall, proactive planning and investment in talent and supply chain agility will be essential to navigating the year ahead with confidence.

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