



Southern Construction  
Framework

# Market Intelligence

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Q4 2025

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“ Although the supply chain continue to behave reactively, largely due to uncertainty around project start dates, we are beginning to see signs of stabilisation, and a cautiously optimistic medium term outlook looking ahead into 2026. ”

**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.

## Q4 2025 Key Statistics

Tender Workload	Building Costs	Employment	Material Availability
<b>Average:</b> +0.25%	<b>Average:</b> +1.36%	<b>Average:</b> +0.11%	<b>Average:</b> +0.16 weeks
<b>Concrete frame:</b> +2.36%	<b>Steelwork:</b> +2.29%	<b>Roofing &amp; cladding:</b> +0.82%	<b>Tower crane:</b> +0.57 weeks
<b>Windows:</b> +2.14%	<b>Drylining:</b> +1.88%	<b>M&amp;E:</b> +0.62%	<b>Brickwork:</b> +0.45 weeks
<b>Brickwork:</b> +2.05%	<b>M&amp;E:</b> +1.42%	<b>Tower crane:</b> -0.59%	<b>Windows:</b> +0.28 weeks

## SCF Market Insights

Our data continues to show stability across the marketplace, indicating a gradual return to pre pandemic activity. Between Q3 and Q4 2025 we observed only conservative changes, particularly tender workload which saw +0.25% increase. This cautious activity reflects ongoing macroeconomic uncertainty and the slow release of schemes at pre construction stage.

Over the next 12 months we anticipate labour conditions to continue to be one of the main drivers of cost pressures, with insolvencies expected to persist into 2026. However, our contractors anticipate an increase in workload as the market strengthens over the coming months.

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Instant access to our quarterly market intelligence reports as soon as they go live.

## Tender workload

Whilst national output fell in 2025 the +0.25% increase in tender workload recorded by our contractors and subcontractors suggests an increase in output in 2026. At the trade level, the uplift remains marginal, suggesting contractors are selectively targeting opportunities to manage risk and resource efficiently. This aligns with national commentary noting labour scarcity, planning bottlenecks, and viability challenges.

Regionally, London remains the most sensitive to viability pressures, while the South West reports several projects launching in close proximity a factor likely to increase short term pressure on labour and materials.

### Early contractor engagement

This quarter our contractors noted shifting client behaviours, with more clients seeking earlier market insight to shape budgets and secure affordability. Many also show reduced appetite for single stage tenders, instead opting for two stage procurement to improve cost certainty in a volatile labour and compliance environment



### SCF – Mace Consult Insight

Viability problems and the lengthy time for higher-risk buildings to get approval from the Building Safety Regulator at Gateway 2 contributed to 2025 being a disappointing year for new housing starts. Q3 data from the Ministry of Housing, Communities and Local Government reported housing starts were up just 2.7% compared to Q3 2024, still well below levels seen in earlier years. However, with Gateway 2 delays easing, further interest cuts likely and the Planning and Infrastructure Bill passing into law, there are reasons for optimism. While viability will remain a headwind, and any pick-up is likely to be gradual and fall short of government ambitions, developers should be more confident that schemes they do take forward will receive approval.

By recommitting to their capital spending plans, November’s Budget was a positive for construction. There had been concerns that limited fiscal headroom would force the government to scale back the major announcements made in last summer’s Spending Review and 10-Year Infrastructure Strategy. However, stronger-than-expected OBR forecasts, combined with a range of tax increases, allowed the government to improve its fiscal position without cutting capital expenditure. As a result, we would expect the large capital departmental increases for defence, transport and energy to lead to more projects coming online in the next few years. With construction output currently still experiencing a number of challenges, capacity shortages shouldn’t be an immediate problem, but this will change as work starts on more of the proposed schemes.

## SCF Top Tips

# Navigating current client and contractor behaviours

Given the cautious approach to bidding observed through 2025, it is increasingly important for clients to ensure their projects are as attractive as possible. As we anticipate a significantly busier market heading into 2027, clients should focus on presenting a fair and balanced risk profile, ensuring budgets are well defined, and factoring in the complexities associated with compliance and regulatory requirements.

It is also crucial to “get it right first time” to avoid extended pre-construction periods and repeated value engineering exercises. Below are several ways SCF recommends clients maximise value and secure stronger outcomes from their contractor partnerships:

1

### Engage early to maximise value

Clients who bring contractors and key trades into the process sooner are consistently achieving better results. Early engagement:

- Provides clearer cost insight before design progresses
- Reduces the risk of late-stage redesign
- Improves buildability and programme certainty

2

### Stay close to the supply chain

With market sentiment still cautious, maintaining open and regular dialogue with subcontractors is essential. Proactive engagement allows clients to:

- Secure resource early
- Understand capacity constraints
- Build stronger delivery partnerships

Contractors report that many suppliers are currently seeking work, creating valuable opportunities for early relationship building.

3

### Look Ahead to 2027 Capacity Pressures

With UK construction activity forecast to surge from late 2026 into 2027 driven by major government backed infrastructure investment, planning reforms, and long term funding outlined in the Autumn Budget 2025, demand for materials, contractors, and labour is expected to tighten significantly. To avoid delays and secure capacity, it’s essential to **plan ahead now** and lock in your supply chain early.

# Labour shortages and insolvency risk are bigger concerns than material prices

## Construction cost movement

Building costs grew by an annual average of 2.25%, with a moderate 1.09% quarter-on-quarter increase from Q3 to Q4 2025. These rises remain below wider UK inflation, with CPI running at 3.2–3.4% in late 2025. This indicates that overall construction cost pressures remain comparatively subdued, with both material and labour costs climbing more slowly than prices in the broader economy.

## Labour as the main cost driver

Despite stable overall cost inflation, labour continues to be the primary source of upward pressure within the construction sector.

Forecasts indicate the industry will require around 266,000 additional workers by 2026, highlighting a severe and expanding skills shortage. This is especially acute in technical, specialist, and supervisory roles.

These challenges sit within a wider labour market context characterised by:

- Persistent high vacancy rates
- An ageing workforce
- Reduced workforce mobility post-Brexit
- The long-term effects of COVID-19 on retention and sector transitions

## Regional labour trends

These national trends are mirrored within the SCF supply chain, where regional labour market movement across the South East, London and South West shows an overall average increase of just +0.11%. Roofing and Cladding has seen the sharpest increase in employment at +0.82%, followed by M&E at +0.62%, reflecting high demand and continued scarcity of specialist skills. In contrast, Tower Crane labour rates have decreased by -0.59%, suggesting greater availability or reduced demand in this particular area.

## Impact of Industry Insolvencies

Industry insolvencies persist and remain to be one of the biggest risks of the market. While displaced workers are usually reabsorbed, the transition period brings:

- Short-term disruption
- Lower productivity
- Delays in resource mobilisation
- Additional strain on live project teams

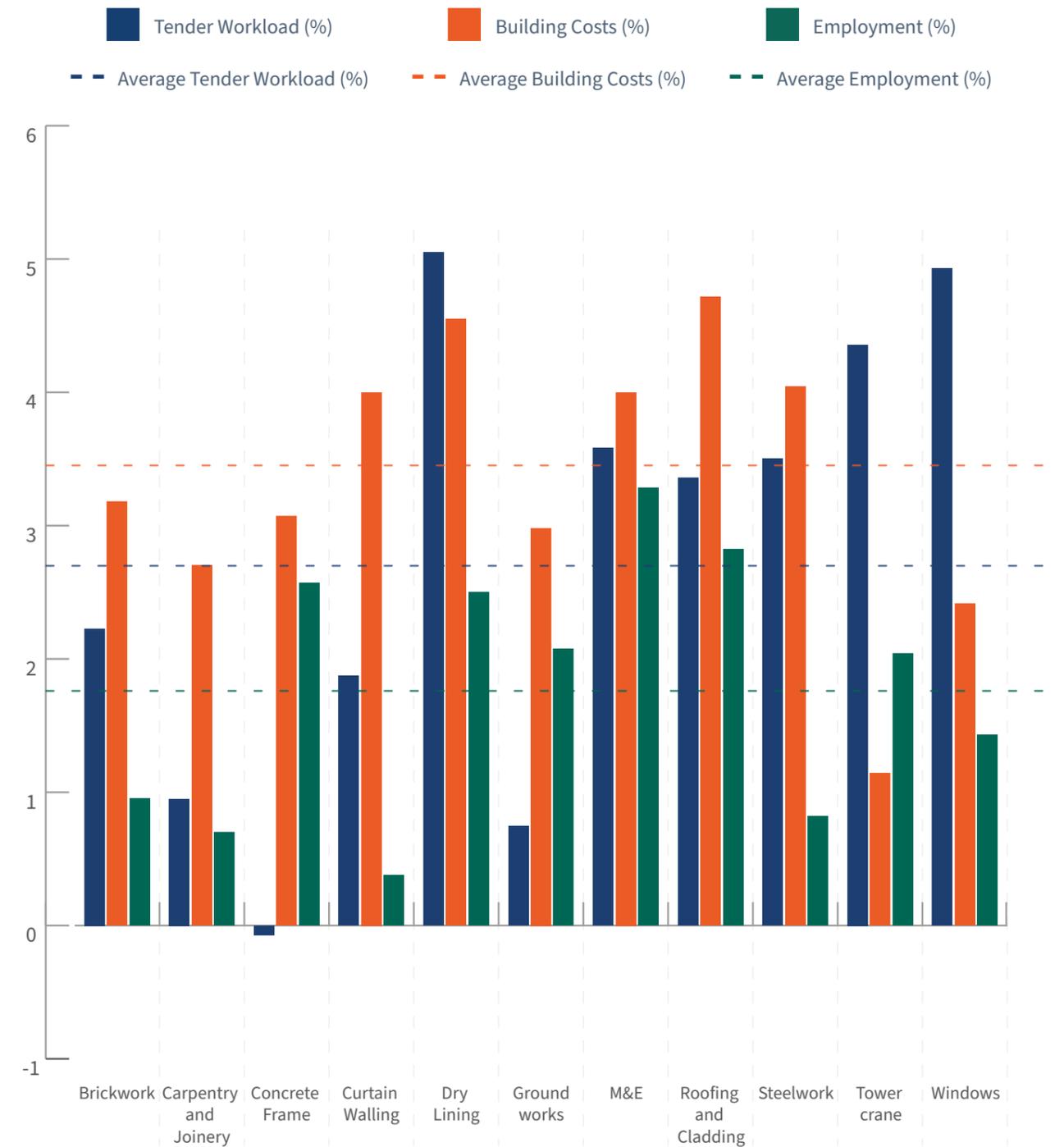
Combined, these issues place sustained pressure on project delivery and contribute to cost volatility.



# Looking ahead

2026 presents a promising outlook with increasing tender opportunities and gradual market recovery. However, delivery challenges remain evident across materials, labour, and regulatory processes. Proactive procurement, strategic workforce planning, and strong communication will be essential to navigating these conditions.

## Regional Forecast for Q4 2026



Our forecast for Q4 2026 suggest moderate movement:

- **Building Costs: +3.45%**
- **Number of Employees: +1.76%**
- **Tender Workload: +2.70%**
- **Material Availability: +0.46%**

### Building costs

Our forecast shows a clear uplift in building cost pressure, with the average increase rising to +3.45%, significantly above the +1.36% regional average recorded in 2025. The strongest pressures are concentrated in Roofing & Cladding (+4.71%), Drylining (+4.55%), Steelwork (+4.05%) and M&E (+4.00%). This level of growth sits above anticipated UK CPI inflation of around 2.5% for 2026, but is consistent with industry forecasts that construction costs will continue to outpace headline inflation due to structural labour shortages, regulatory impacts and services led cost pressures rather than material volatility alone.

### Tender workload

The Q4 2026 forecast shows a clear uplift in cost pressure, with the average tender workload increasing by +2.70%. The strongest growth is expected in Drylining (+5.05%), Windows (+4.93%), Tower Cranes (+4.36%) and M&E (+3.58%), while Brickwork remains moderate at +2.23% and Concrete Frames ease into slight decline (-0.07%).

### Employment

Moving into 2026, employment levels are forecast to recover more decisively, with the average number of employees increasing by +1.76% compared with the subdued +0.11% regional average seen in 2025. The strongest growth is expected in M&E (+3.28%), Roofing & Cladding (+2.82%), Concrete Frames (+2.57%) and Drylining (+2.50%), reflecting rising labour demand across key trades. This marks a clear shift from the uneven employment trends of 2025 and aligns with industry expectations that construction labour markets will remain tight in 2026, supporting sustained workforce expansion as workloads pick up.

### Material availability

Material availability is forecast to remain stable, with average lead times increasing by +0.46 weeks compared with the +0.16 week regional increase seen in 2025. The trades with the highest anticipated changes are Brickwork (+1.64 weeks) and M&E (+1.50 weeks), while Roofing & Cladding also predicts a notable rise (+0.64 weeks). Whilst most trades, such as Concrete Frames and Steelwork remain stable, the overall picture suggests a gradual re emergence of supply side pressure as workloads increase, contrasting with the relatively stable material conditions experienced during 2025.



### SCF Consult: Market Overview

Economic growth is set to be modest this year. Forecasters expect Gross Domestic Product (GDP) to rise around 1%, a slightly weaker pace than in 2025. Such limited growth will do little to support construction and helps explain why viability problems in the residential sector will persist. It also highlights how essential government spending will be for driving activity across the industry.

Geopolitical risks also continue to create uncertainty. Yet while the first month of the year has seen a number of headline events take place, it is important for UK businesses not to overreact to such news. Currently, the only issue likely to be of concern for the construction industry is whether oil prices rise further on the back of unrest in Iran. The price of Brent crude oil has increased by more than 10% since the start of the year, rising above US\$70 per barrel. Feeding through to the construction industry through higher petrol prices and material costs, as with many other events it could prove short-lived. However, for construction, as well as the wider UK economy the challenge will be if the situation escalates and oil prices surge.

## Conclusion

Overall, these expectations broadly align with wider industry forecasts of a gradually improving construction market, characterised by moderating but still elevated cost inflation and a cautious recovery in demand. While tender activity and pricing pressures are forecast to strengthen through 2026, underlying constraints remain evident, particularly within the labour market. In this context, our forecast +1.76% increase in employment may prove optimistic, as BCIS continues to highlight persistent skills shortages that could limit workforce expansion and place upward pressure on wages despite improving workloads.

As we look ahead, the market is expected to tighten as workloads increase through late 2026 and into 2027. In this context, early engagement, proactive supply chain planning, and clear risk allocation will be critical to securing capacity and maintaining deliverability. Clients and contractors that respond early to these structural constraints will be best positioned to navigate the next phase of the market cycle and capitalise on emerging opportunities as confidence continues to build.



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