



Southern Construction
Framework

Market Intelligence

Q1 2026

Contents

- [Data Insights](#) 2
- [Q1 2026 Key Statistics](#) 3
- [SCF Market Insights](#) 3
- [Market Activity, Pipeline and Tender Workload](#) 4
- [SCF Top Tips](#) 6
- [Cost and Commercial Pressures](#) 8
- [Cost and Commercial Pressures: Price Certainty](#) 10
- [Labour, Employment and Material Availability](#) 11
- [Look Ahead to Q1 2027](#) 12

“ Rapidly changing market conditions are driving extreme volatility across costs, supply chains and delivery programmes. Greater flexibility and adaptability from clients and consultants is now essential to enable projects to proceed. ”

Janara Singh,
Assistant Framework Manager



Q1 2026 Key Statistics

Tender Workload	Building Costs	Employment	Material Availability
Average: +2.6%	Average: +5.8%	Average: +0.1%	Average: +0.3 weeks
Brickwork: +10.9%	Steelwork: +13.3%	Curtain walling: +1.4%	Roofing & Cladding: +0.7 weeks
Steelwork: +6.1%	Groundworks: +6.3%	M & E: +1.0%	M & E: +0.5 weeks
Roofing & Cladding: +4.2%	Concrete Frames: +5.9%	Concrete Frames: -2.2%	Steelwork: +0.5 weeks

SCF Market Insights

Since Q4 2025, few could have anticipated the scale and pace of geo-political developments in the Middle East and the level of uncertainty these events have introduced into what had been a gradually stabilising construction market. The renewed volatility in global energy markets, trade routes and investor sentiment has disrupted cost expectations and undermined confidence across the construction supply chain.

This quarter, our SCF contractors and supply chain partners have consistently reported that rapidly changing market conditions are materially affecting their ability to manage costs and procurement risk. In response, many have moved away from monthly cost and availability reviews to weekly monitoring of material availability and pricing trackers, reflecting the growing need for near-real-time data to maintain cost accuracy, manage exposure and inform commercial decision-making.

Feedback from our Q1 2026 Supply Chain Survey and Contractor consultations highlights several recurring themes,

- Tender workloads continue to increase, however, conversion from tender to site start remains inconsistent and uneven.
- Construction-specific inflation continues to exceed headline CPI, while employment levels are subdued due to delayed project mobilisations.
- Material availability is becoming fragile, particularly for energy-intensive and imported products.
- Market conditions are now changing week-by-week rather than month-by-month, increasing uncertainty, compressing decision-making timeframes and weakening confidence in early-stage cost plans.

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.

Market Activity, Pipeline and Tender Workload

Tendering activity has increased materially this quarter, rising by +2.6% since Q4 2025. This reflects clients continuing to test the market and progress schemes to tender stage, despite ongoing macroeconomic uncertainty. However, contractors and sub-contractors report a marked increase in selectivity, with bidding strategies increasingly focused on projects that are fully funded, commercially viable and demonstrably capable of progressing without prolonged delays.

Additionally, this quarter the Residential Sector was consistently described as under severe pressure, with widespread pipeline slippage and a growing gap between planned and actual start dates. In the private sector more broadly, projects continue to miss anticipated release dates. Delayed schemes are frequently returning to the market simultaneously, creating short-term spikes in workload that strain estimating, design and pre-construction resources.

A persistent theme remains is the misalignment between design ambition and budget reality. This disconnect is driving repeated value engineering exercises, redesign cycles and extended Pre-Construction periods. As a result, the volume of enquiries continues to grow, while the proportion of projects converting to site remains constrained, contributing to inefficiency and increased bid costs across the industry.



A concern for the contractors currently highlighting the challenges facing the residential sector is that conditions will worsen. Alongside rising material prices undermining viability, the broader increase in inflation has caused the Bank of England to put on hold any further interest rate cuts. Before the war started, economists had expected that the Monetary Policy Committee would be able to lower interest rates at least twice, if not three times this year. Now, with consumer price inflation set to rise at a noticeably faster rate than previously forecast, interest rates are likely to need to stay on hold for some time. Additionally, the longer the Strait of Hormuz stays shut and the higher oil prices rise, the greater the risk grows of the Bank of England having to raise interest rates in order to curb widespread price increases. Higher borrowing costs for developers will add to the total cost of building out new sites. Furthermore, with the conflict causing mortgage rates to rise, and house price inflation already soft, the revenue side of viability models will also be weakening.

Supply Chain Resilience and Capacity Management

Contractors reported adopting a noticeably more hands-on and collaborative approach to supply chain management. This includes working closely with key suppliers and specialist subcontractors to align order books, smooth workflow and improve forward visibility, helping ensure that capacity can be managed sustainably and deliveries met reliably.

Protecting existing, proven supply chain relationships was widely viewed as critical by our SCF Contractors, in a market where supplier failure risk remains elevated. Contractors expressed the need to support known partners with established financial resilience and delivery performance. At the same time, many reported an increase in approaches from new suppliers seeking work, reflecting wider stress and reduced workload elsewhere in the market. This is a trend that we continue to observe from 2025 whereby businesses are reviewing their strategies and becoming more agile in line with work opportunities. While these approaches can offer short-term cost opportunities, contractors remain cautious, citing the additional risk and due diligence associated with onboarding unknown supply chain partners.



SCF Top Tips

Supporting Deliverability in a Volatile Market

Feedback from SCF contractors highlights several actions that clients and consultants can take to improve deliverability, manage risk and protect value for money in an increasingly volatile construction market.

1

Build greater flexibility into procurement strategies and governance processes

Greater openness to approaches such as early contractor involvement, two-stage procurement, single sourcing on critical packages (where permitted), and strategic partnering can help:

- Improve cost certainty through earlier market testing
- Reduce abortive tendering and re-procurement
- Enable more credible risk pricing aligned to actual market conditions

Flexibility at an early stage can reduce the need for repeated re-approvals later in the process, ultimately supporting smoother delivery and stronger value-for-money outcomes.

2

Use Early or Pre-Ordering of Key Materials as a Risk-Mitigation Tool

Where business cases, funding approvals and design maturity allow, early or pre-ordering of critical materials (such as structural steel and other high-volatility or long-lead items) can act as a legitimate risk-mitigation measure.

Early procurement can:

- Reduce exposure to tariff changes and price volatility
- Secure manufacturing slots and supply chain capacity
- Avoid late design compromises driven by availability rather than need

For public sector clients, early procurement decisions should be clearly documented as measures to protect programme certainty, cost control and delivery of the approved design, rather than as speculative commitments.

3

Align Design, Sustainability Objectives and Market Capability

With clients having to increasingly balance embodied carbon targets, social value commitments and affordability constraints it is important to test these ambitions against current supply chain capability early in the process. Engaging contractors and suppliers at an early stage allows clients to:

- Validate whether low-carbon materials can be sourced at scale
- Understand the cost and programme implications of sustainability requirements
- Make informed trade-offs before designs become fixed

Early alignment reduces the risk of late redesign, de-specification or cost increases that undermine original policy objectives.

4

Plan for Value Engineering as a Standard Programme Activity

Value engineering is commonplace during project development, particularly where cost plans are based on historic benchmarks that no longer reflect current market conditions.

SCF strongly recommended that programmes:

- Explicitly allow time for value engineering within pre-construction
- Treat value engineering as a planned, collaborative activity rather than an exception Building
- this time in from the outset can:
- Reduce pressure on approval gateways
- Improve the quality of decisions and audit trails
- Avoid repeated extensions to the pre-construction period

Planned value engineering supports stronger governance and reduces the risk of unplanned programme elongation.

5

Recognise That Early Collaboration Can Protect Value for Money

In volatile markets, delayed decision-making often increases overall cost and risk, even where it appears to defer commitment. Engaging early, sharing risk appropriately and allowing pragmatic procurement decisions better places clients to secure capacity, manage inflation risk and deliver projects that align with approved business cases and policy outcomes.

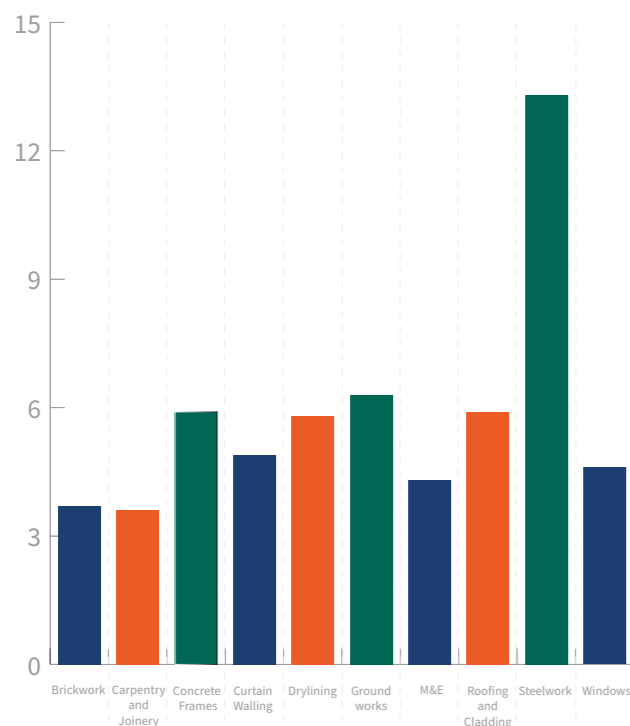
In many cases, early collaboration provides better value for money than prolonged deferral in pursuit of absolute certainty.

Cost and Commercial Pressures

The current Q1 2026 market has been described as highly volatile, with cost escalation interacting with wider commercial and contractual pressures. These pressures are influencing bidding behaviour, project selection and risk appetite across the supply chain.

Our SCF supply chain data indicates that building costs have increased by 5.8% since Q4 2025, significantly outpacing headline UK CPI inflation of approximately 3%. This reinforces the persistence of construction-specific inflation, driven primarily by material, labour and energy inputs rather than broader consumer price trends.

Average change in Building Costs since last quarter (Q4 2025)



Price pressure is evident across both imported and domestically produced steel, with contractors and supply chain partners receiving notifications of increases, in some cases with immediate effect and limited review periods. **Reported uplifts have typically ranged between +£60-£100 per tonne.** Our supply chain partners have reported they are anticipated steel prices to increase by +£300 around Q3 2026. Contractors also highlighted increasing tension between steel market conditions and the UK Government's drive for lower embodied carbon outcomes. While clients are setting more ambitious whole-life carbon targets, the UK steel market currently has limited capacity to supply low-carbon structural steel at scale with the options to substitute away from structural steel being currently limited.

Materials inflation remains the dominant concern. Products such as steel, cement, bricks, glass and plastics are highly energy-intensive, making them particularly sensitive to gas and oil price movements. Elevated oil prices are also feeding directly into transport and logistics costs, while continued disruption to global shipping has pushed container prices back towards post-COVID highs, increasing landed material costs.

While gas prices remain below the peaks seen following the conflict in the Ukraine in 2022, contractors warned that renewed volatility could quickly translate into further upstream cost pressure.

Steel Industry Volatility

Steel pricing was consistently identified as an area of concern, with several contractors highlighting the anticipated impact of steel import tariffs, including those scheduled to take effect from 1 July. Some instances were reported where suppliers temporarily restricted new orders or closed order books, reflecting short-term uncertainty.

Elsewhere, aluminium prices have increased by approximately 20% since the start of the year,

driven in part by Europe's continued reliance on imports. This is already affecting the cost of façade elements, windows and roofing systems.

Overall, while materials inflation is not expected to replicate the sharp, sudden increases experienced in 2022, the combination of energy price sensitivity, transport costs and evolving trade measures suggests that cost pressure across the construction supply chain will remain elevated in the near term, with continued uncertainty around the timing and scale of future movements.

“
The steel industry continues to face increasing vulnerability costs driven by global market pressures, energy price volatility, supply chain disruption, and evolving trade conditions. These factors are creating ongoing financial and operational challenges across the sector.
 Looking ahead, early engagement on future projects will be critical. Advance visibility of upcoming demand enables more effective procurement planning, supports better pricing stability, and ensures that material availability can be secured within the required timelines. Early collaboration also helps mitigate the impact of industry volatility by allowing sufficient time to plan supply chains, allocate stock where appropriate, and manage potential cost pressures.
 By maintaining strong stock levels and encouraging early engagement on future projects, we can better manage risk, maintain supply continuity, and support efficient project delivery despite ongoing uncertainty within the steel market. ”

- Mark White, MD, Snashall Steel

UK Steel Policy Outlook

Recent government policy developments, including proposals announced in the King's Speech to introduce legislation enabling the potential nationalisation of British Steel, further underline the strategic importance of domestic steel production and may influence future market stability and investment confidence.

Nationalisation could provide several benefits, including improved security of supply for key sectors such as construction and infrastructure, protection of critical UK steelmaking capacity,

and greater stability for jobs. It may also support longer-term investment in modernisation and reduce exposure to volatile global markets, improving overall supply chain resilience.

While these measures are intended to safeguard supply and protect critical industry capacity, the longer-term implications for pricing and competitiveness remain uncertain, particularly in the context of ongoing cost pressures and the need to balance commercial viability with strategic objectives.

Cost and Commercial Pressures: Price Certainty

Price Certainty

Across the supply chain, price-holding periods are shortening rapidly. Traditional three-month price validity has become increasingly rare, with some suppliers now limiting prices to four weeks or less, particularly for steel and other energy-intensive products.

This reflects suppliers' limited ability to absorb rapid cost movements related to energy prices, logistics and trade policy uncertainty.

As a consequence:

- Contractors are less able to offer firm pricing for extended periods.
- Greater reliance is being placed on inflation, fluctuation and risk-sharing clauses.
- Early cost certainty at concept and developed design stages is being further eroded.

Wider Commercial Pressures

Beyond direct build cost inflation, contractors identified a range of compounding commercial pressures:

- Increased bonding requirements, raising both direct costs and administrative burden.
- Continued tension around retentions, with many clients still seeking 3–5% despite stated government ambitions to reduce or eliminate them.
- Shortened price validity periods, limiting contractors' ability to manage risk or sustain competitive tension during procurement.

Concerns were also raised regarding supplier failure risk, including:

- Loss of specialist trades or proprietary systems
- Increased de-specification during delivery
- Potential long-term impacts on build quality, performance and asset longevity
- Several contractors stated that they are now only converting projects that accept enhanced inflation or hyper-inflation clauses, reflecting an increasingly defensive commercial posture aimed at protecting margin and balance sheet resilience.

Labour, Employment and Material Availability

Labour and Employment

Employment levels across the sector remain subdued, largely due to delayed site starts rather than a lack of underlying workload. Contractors reported maintaining access to labour where possible but scaling workforce numbers cautiously. Despite current softness, pipelines remain broadly healthy, and contractors expect employment levels to rise as projects convert and delayed schemes reach site later in 2026.

Material Availability

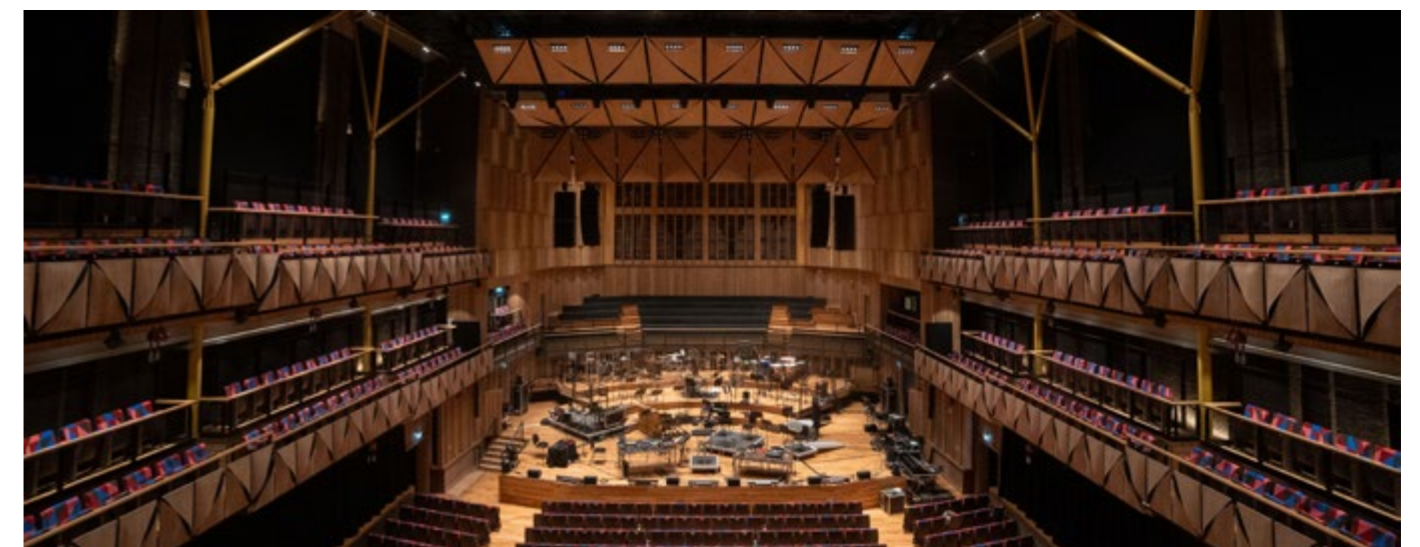
Our supply chain data indicates a 0.33% increase in material availability since Q4 2025, suggesting that overall availability is currently stable at a headline level. On the surface, this points to a market that is broadly functioning, with no immediate systemic shortages across core material categories.

However, this relative stability is widely viewed by contractors as fragile rather than secure. Feedback indicates that contractors are anticipating demand surges, particularly as delayed projects begin to convert and as schemes respond to affordability challenges through de-specification.

A key emerging risk relates to the increased use of alternative materials as part of value engineering and de-specification strategies.

While substitutions may reduce headline costs on individual projects, they are expected to drive concentrated demand elsewhere in the supply chain, particularly for lower-cost or non-traditional products. Contractors cautioned that this could transfer pressure from traditionally constrained materials into adjacent product groups, heightening strain on availability and extending lead times in areas that are not currently viewed as critical.

De-specification is being reported most frequently on fixed-price contracts, where contractors are seeking to maintain commercial viability in the face of ongoing inflation and reduced price certainty. Alternative products may introduce new risks, including unfamiliar installation requirements, changes to sequencing, reduced productivity, or increased coordination and compliance costs, which are often not adequately priced or allowed for. As a result, there is a growing tension between commercial drivers at main contract level and the practical implications for the specialist supply chain. Several contractors noted that forced or late-stage de-specification can undermine supply chain confidence, increase delivery risk and, in some cases, exacerbate failure risk among subcontractors already operating on compressed margins.



Look Ahead to Q1 2027

Looking ahead to Q1 2027, the market is expected to remain active but fragile, with increasing workload set against sustained cost pressure and tightening delivery constraints. Resilience across the supply chain is therefore emerging as a defining theme.



Tender workloads are forecast to increase by +4.0%, signalling continued intent to bring schemes forward. However, conversion to site is expected to remain inconsistent, reinforcing the importance of commercial and delivery resilience. Contractors are likely to remain selective, prioritising projects with clear funding, realistic programmes and risk profiles that can withstand ongoing volatility.

Build costs are forecast to rise by +8.0%, maintaining pressure on project affordability and margins. In this environment, resilience is increasingly linked to early cost certainty, realistic risk allocation and flexible procurement strategies, rather than reliance on fixed pricing in unstable market conditions. Projects unable to accommodate cost movement or contingency are expected to face heightened delay or redesign risk.

Employment levels are expected to grow by +5.0% by Q1 2027, reflecting cautious confidence as workloads increase. However, workforce resilience will remain uneven, with contractors managing labour growth carefully to avoid over-exposure ahead of secured site starts. Retention of skilled labour, rather than rapid expansion, is expected to remain the priority.



Material availability is forecast to extend by approximately one week, indicating increasing strain as demand builds. While widespread shortages are not anticipated, supply chain resilience will rely heavily on early engagement, forward ordering and stable supplier relationships, particularly where alternative materials or non-standard specifications are being considered.

Overall, the outlook to Q1 2027 suggests a market where success will be determined not solely by workload growth, but by the resilience of cost plans, supply chains and contractual structures. Projects and organisations that embed flexibility, collaboration and early decision-making are expected to be best positioned to navigate continued uncertainty.



From a macro economic perspective, higher inflation will result in slower growth. At the start of the year, the Treasury's collection of forecasts for the UK economy expected inflation to stand at 2.2% in Q4 2026, with GDP 1.0% higher than in 2025. The latest forecasts instead point to GDP growth of 0.6%, alongside inflation of 3.6% in Q4. Higher prices and rising uncertainty will hit spending by both households and businesses, and there remain clear downside risks to economic growth.

Acknowledgements

This report has been shaped through close collaboration with the SCF Main Contractors and their supply chain partners. We would like to sincerely thank our SCF main contractors for their engagement in the data collection and Market Intelligence Consultation, and the 320 supply chain partners who contributed their insights through the Q1 2026 survey. Your collective input provides critical, real time intelligence on current market conditions and risks, strengthening the quality of analysis and enabling more informed, resilient decision making for our clients.

We greatly value this continued collaboration, which is central to SCF’s commitment to transparency, partnership and delivery excellence. Below are the logos of supply chain partners who have kindly opted in to be recognised in acknowledgement of their contribution and continued support.



T: 0370 779 0304 (SE/London) | T: 01392 382444 (SW)
 E: info@scfframeworks.org.uk | W: southernconstructionframework.gov.uk