Southern Construction Framework

Market Intelligence

Q2 2026

W: southernconstructionframework.gov.uk

E: info@scfframeworks.org.uk

Contents

> "Despite ongoing uncertainties, the medium-term outlook remains cautiously optimistic, supported by resilient demand, although funding constraints and wider economic conditions continue to present potential risks to investment and project delivery."

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.

Q2 2026 Key Statistics

Tender workload	Build costs	Employees	Material availability
Average: +2.4%	Average: +5.6%	Average: +1.7%	Average: +0.4 weeks
Steelwork: +6.3%	**Steelwork:** +10.4%	**Concrete frames:** +7.0%	**Steelwork:** +0.9 weeks
Brickwork: +3.1%	**Roofing & cladding:** +7.2%	**Groundworks:** +5.2%	**Carpentry & joinery:** +0.9 weeks
Drylining: -0.5%	**Drylining:** +5.9%	**Carpentry & joinery:** -1.7%	**Brickwork:** +0.6 weeks

SCF Market Insights

Despite ongoing economic and geopolitical uncertainty, market conditions across the construction sector remain relatively stable, with businesses continuing to report healthy levels of activity and a strong underlying pipeline of opportunities. Long-term investment programmes and committed project portfolios continue to support demand. However, confidence remains sensitive to inflationary pressures, international trade developments and changing economic conditions, all of which are increasing scrutiny around project affordability, funding certainty and future investment decisions.

This quarter, discussions with our SCF contractors and supply chain partners indicate that while workloads remain strong, concerns regarding future cost escalation and supply chain resilience are becoming increasingly prominent. The potential impact of international tariffs and trade restrictions continues to be closely monitored, particularly in relation to steel and aluminium markets. Contractors have also highlighted ongoing challenges around the availability of certain low-carbon construction products, noting that domestic manufacturing capacity has yet to fully align with project requirements and sustainability ambitions.

Feedback from the latest Supply Chain Survey and contractor consultations highlights several recurring themes:

- **Overall activity levels remain healthy, with businesses reporting strong underlying demand and sustained project pipelines.**
- **Economic uncertainty, inflationary pressures and changing political priorities continue to influence confidence and investment decisions across both public and private sectors.**
- **Concerns remain around material pricing, particularly steel and aluminium, where tariffs, import restrictions and global supply chain dependencies have the potential to drive further cost volatility.**
- **While material availability remains generally stable, there is increasing concern that cost pressures may become more pronounced as existing stock inventories are replenished at higher replacement costs.**

Market Activity, Pipeline and Tender Workload

Tender workload is increasing, but project progression remains slow.

The resilience described in the wider market outlook is reflected clearly in tender activity. Despite ongoing economic uncertainty, bidding levels remain healthy across most trades, supporting the overall **increase of 2.4% in tender workload recorded since Q1 2026**. However, contractor feedback continues to highlight a growing disconnect between opportunities entering the market and projects progressing to site. Delays in planning approvals, client decision-making, funding approvals and governance processes are extending pre-construction periods and slowing mobilisation, even where underlying demand remains strong.

Steelwork recorded the strongest growth in tender activity, increasing by 6.3% and significantly outperforming other trades. Contractor feedback suggests this increase is being driven by strong infrastructure and commercial sector pipelines, alongside earlier market engagement from clients seeking to understand the future impact of the UK Carbon Border Adjustment Mechanism (CBAM).

Brickwork also reported a notable increase in enquiries (+3.1%), while **Drylining (-0.5%) was the only trade to record a decline**. As a later-stage package, drylining activity is particularly sensitive to project delays and therefore provides a useful indicator of the challenges currently affecting project progression.

Taken together, these trends reinforce a key message emerging across the market: opportunities continue to enter the pipeline, but conversion into live construction activity remains uneven.

Pipeline & Project Progression

Although project mobilisation remains slow, contractors continue to report a robust pipeline extending into 2027. Few projects are being removed from programmes; however, many are progressing more slowly through development, approval and procurement stages, increasing uncertainty around delivery timescales.

The growing gap between tender activity and project commencement has become an increasingly important feature of current market conditions. While these delays are unlikely to materially affect long-term demand, they create uncertainty across the supply chain and reduce confidence in project delivery programmes.

As a result, maintaining regular communication and engaging delivery partners early in the process is becoming increasingly important in preserving momentum and improving certainty.

Supply Chain Resilience

The effects of slower project mobilisation continue to be felt throughout the supply chain.

Building on themes identified in Q1 2026, contractors continue to adopt a proactive and collaborative approach to supply chain management. Businesses are working closely with key subcontractors and suppliers to improve visibility of future workloads, align resources and maintain delivery certainty.

Protecting established supply chain relationships remains a priority, particularly as organisations seek to manage ongoing inflationary pressures, insolvency risks and an uncertain economic backdrop.

A key challenge for specialist subcontractors remains the uncertainty created by extended pre-construction periods, lengthy approval processes and continued value engineering exercises.

Subcontractors are increasingly being asked to commit resource to projects that may not proceed to site for several months, often requiring them to turn away alternative opportunities in the meantime. This is placing pressure on both contractors and specialist subcontractors as they seek to balance securing future workload with maintaining operational efficiency and resource utilisation.

SCF Top Tip

Providing greater certainty around programme milestones and procurement decisions enables supply chain partners to plan more effectively, helping to preserve capacity and support reliable project delivery.

SCF Top Tips

Why Early Engagement Matters

In a market characterised by price volatility, extended pre-construction periods and growing pressure on specialist resources, early engagement is increasingly becoming a critical factor in achieving cost certainty, programme reliability and supply chain resilience.

Feedback received this quarter reinforces a consistent message from across the supply chain: projects that engage contractors and specialist subcontractors at an early stage are better positioned to manage cost, programme and delivery risk. With project approval periods becoming longer, quotation validity periods reducing and supply chains operating within an increasingly uncertain environment, early engagement is providing tangible benefits for clients and delivery teams alike.

1

Improving Cost Certainty

Early engagement enables clients to understand emerging market pressures before procurement decisions are finalised. Involving contractors and specialist suppliers during project development provides valuable insight into material availability, inflationary risks, programme constraints and procurement strategies. This allows budgets to be tested against current market conditions, reducing the likelihood of significant cost increases later in the project lifecycle.

2

Securing Supply Chain Capacity

Many subcontractors continue to report strong pipelines but uncertainty around project start dates. Early visibility of future work enables businesses to plan resources more effectively, retain skilled labour and coordinate procurement activity with greater confidence. For clients, this reduces the risk of capacity constraints and helps ensure critical resources remain available when projects move to site.

3

Supporting Effective Value Engineering

Where affordability pressures exist, early supply chain involvement can help identify practical and cost-effective alternatives before designs become fixed. Specialist subcontractors are often best placed to advise on buildability, material selection and sequencing opportunities, allowing value engineering exercises to improve project outcomes without creating unnecessary programme disruption or redesign costs.

4

Strengthening Supply Chain Resilience

Greater certainty allows suppliers and subcontractors to make more informed decisions around investment, recruitment and resource allocation. This is particularly important in a market where healthy workloads are often offset by delayed project progression. Organisations that provide better visibility of future opportunities are more likely to maintain strong supply chain relationships and preserve long-term delivery capacity.

5

Delivering Better Project Outcomes

Perhaps most importantly, early engagement encourages collaboration, transparency and shared ownership of project risks. Projects characterised by open communication, realistic programmes and early involvement of delivery partners are typically better placed to maintain programme certainty, secure competitive pricing and avoid unexpected challenges during construction.

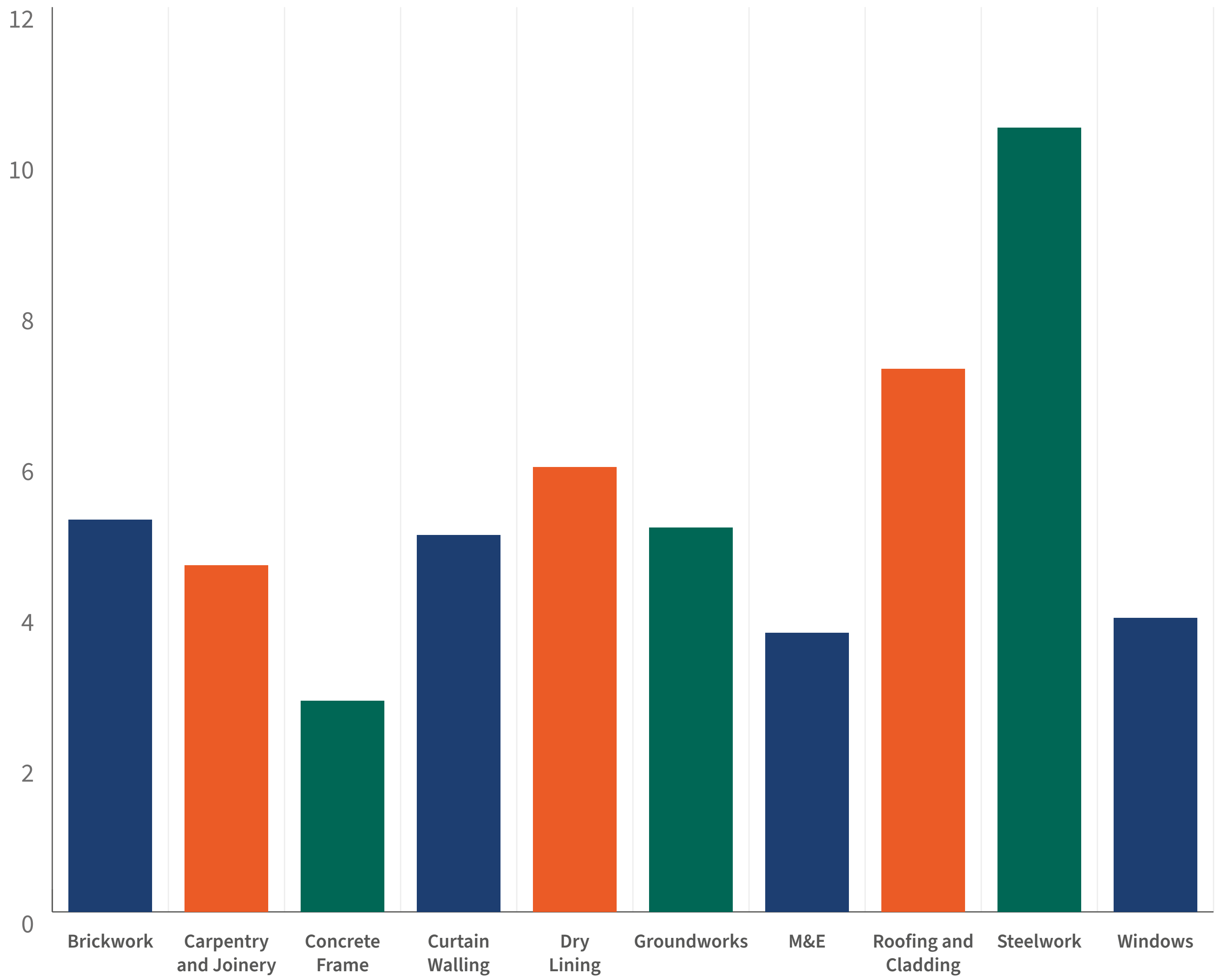
Cost and Commercial Pressures

Cost inflation remains elevated as market uncertainty continues to influence procurement and commercial decision-making.

Market conditions are increasingly changing week by week rather than month by month, increasing uncertainty, compressing decision-making timeframes and reducing confidence in early-stage cost plans.

As a result, **contractors are monitoring market conditions more frequently and placing greater emphasis on real-time pricing intelligence, supplier engagement and regular cost reviews to manage exposure to potential volatility**. This reflects growing recognition that assumptions considered valid only a few weeks earlier may no longer accurately reflect prevailing market conditions.

Average change in Build costs since last quarter (Q1 2026)



Since Q1 2026, build costs have increased by an average of +5.6%. This continues the inflationary trend observed across the market, with our data showing annual cost growth of +8.3% compared with Q2 2025. While contractors remain confident in future workloads, maintaining certainty around project costs has become increasingly challenging as material, labour and energy markets continue to fluctuate.

The most pronounced increases were recorded in Steelwork (+10.4%) and Roofing & Cladding (+7.2%), reflecting continuing volatility in energy-intensive materials, steel-related products and internationally sourced components. Drylining (+5.9%), Brickwork (+5.2%), Groundworks (+5.1%) and Curtain Walling (+5.0%) also reported notable cost growth.

The annual increase reported through SCF data is significantly higher than the latest BCIS General Building Cost Index annual increase of 3.8%, suggesting that inflationary pressures within key construction trades continue to exceed broader industry averages. This difference is particularly evident within steelwork, roofing & cladding and other material-intensive packages, where contractors continue to report elevated cost pressures.

Contractors continue to report widespread cost pressures across a range of material groups, particularly those exposed to high energy consumption, international trade and imported components.

Inflationary pressures were most evident across:

- **Steel and aluminium products**
- **Copper and electrical components**
- **Insulation materials**
- **Fire protection products**
- **Gypsum-based products**
- **Blocks and bricks**

Rising energy costs, transportation charges, fuel surcharges and higher employment-related expenses have continued to affect manufacturing and distribution costs throughout the first half of 2026.

While some of the immediate volatility associated with recent geopolitical events has begun to ease, there remains little expectation that prices will return to previous levels. Instead, contractors increasingly believe that recent increases are becoming embedded within the supply chain, establishing a new pricing baseline from which future inflation will occur.

Emerging Risks

Several factors

Looking ahead, contractors continue to monitor a number of external factors that could introduce additional cost volatility over the next 12–24 months.

Key concerns include:

- **Political and policy uncertainty arising from recent changes in government leadership**
- **Carbon Border Adjustment Mechanism (CBAM) implementation in 2027**
- **Future steel import restrictions and tariffs**
- **Ongoing geopolitical instability affecting global supply chains**
- **Energy market uncertainty**
- **Further increases in employment and labour costs**

Although the full impact of these measures remains uncertain, many contractors are already incorporating greater contingency into pricing assumptions and procurement strategies to manage future exposure, similar to the approach adopted during previous periods of exceptional market volatility when fluctuation and hyperinflation provisions became more prevalent.

Affordability Pressures Are Increasing

Against this backdrop, affordability remains a growing challenge. A number of projects are being assessed against budgets developed several years ago, before significant changes in market conditions, regulatory requirements and sustainability expectations.

As those projects move towards procurement, the gap between historic budget assumptions and current market pricing is becoming increasingly apparent, leading to greater scrutiny of project scope, specifications and funding requirements.

The market is also experiencing increasing tension around fixed-price procurement. With suppliers reducing quotation validity periods and material markets remaining unpredictable, securing long-term fixed pricing has become progressively more difficult.

As a result, there is growing recognition that appropriate fluctuation mechanisms and realistic risk allocation will be required to maintain project viability and ensure risks are shared fairly throughout the supply chain.

SCF Insights

"In today's market, early engagement is no longer simply a procurement preference, it is a risk management strategy. Providing contractors and specialist suppliers with greater visibility and certainty supports more accurate budgeting, stronger supply chain resilience and improved project outcomes. As affordability, programme and resource pressures continue to increase, the benefits of engaging delivery partners early are becoming increasingly difficult to ignore"

Adrienne Turner, SCF Framework Manager

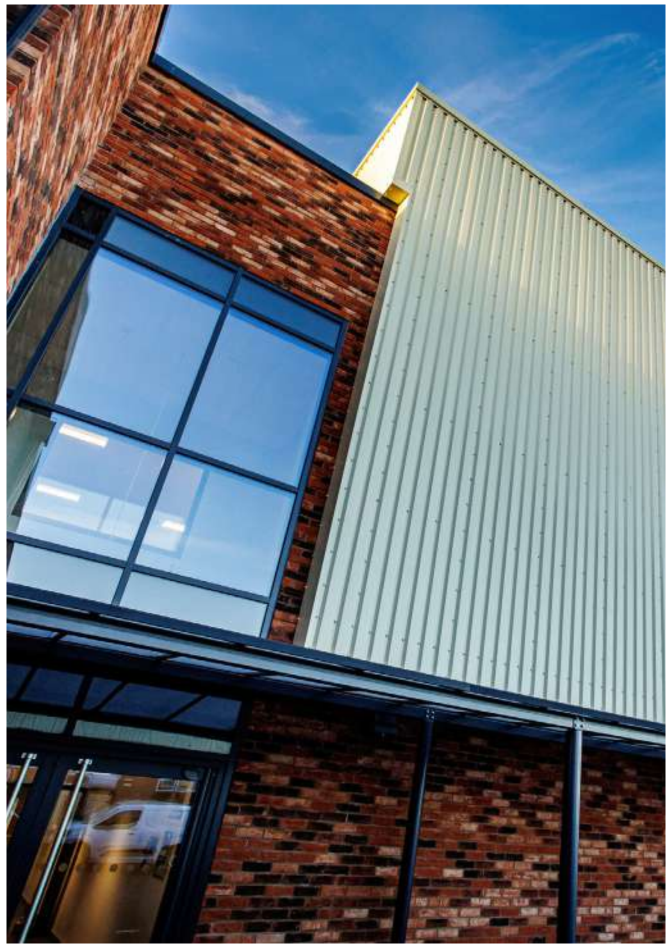
Southern Construction Framework

Labour and Employment

Labour availability remains stable, but underlying capacity pressures have not disappeared.

Employment levels across the sector remain subdued, with a conservative +1.7% increase since Q1 2026 reported, largely as a result of delayed project mobilisation rather than a lack of underlying demand. Contractors reported maintaining access to labour where possible while scaling workforce numbers cautiously in response to extended pre-construction periods and uncertainty around project start dates.

Although current employment growth remains modest, confidence in future workload continues to support workforce planning decisions. Many businesses reported retaining key employees despite slower site activity, recognising the challenges associated with recruiting and replacing skilled labour once market activity accelerates.



Feedback from the supply chain indicates that labour availability remains generally stable across most trades. However, specialist skills shortages continue to affect parts of the market, particularly where experienced operatives are required or where demand is concentrated around major infrastructure and public-sector programmes. Recruitment remains particularly challenging for certain supervisory, technical and specialist installation roles.

Wage pressures also remain evident across the industry. While labour inflation has moderated compared with the peak levels experienced during recent periods of market disruption, contractors continue to report upward pressure on salaries, driven by competition for experienced personnel, increasing employment costs and the need to attract new entrants into the industry.

A recurring concern raised by our SCF contractors is the long-term sustainability of the construction workforce. An ageing labour base, ongoing skills shortages and insufficient numbers entering certain trades continue to create structural challenges for the sector. While these issues are not currently constraining project delivery at scale, they are expected to become increasingly important as delayed schemes begin to progress and demand for skilled resources strengthens.

Looking ahead, contractors anticipate employment levels increasing during the latter part of 2026 and into 2027 as projects move beyond approval stages and into delivery. However, the pace of growth is likely to remain linked to project conversion rather than tender activity alone, reinforcing the importance of programme certainty and early visibility of future workloads.

Material Availability

Material availability remains stable, but supply chain resilience is becoming an increasing area of focus.

Material availability is generally reported as good across the UK construction industry, with few widespread shortages affecting project delivery. Feedback from SCF contractors indicates that access to most standard construction products remains readily available, with availability levels remaining largely unchanged throughout the quarter. This is reflected in our market data, which shows average material lead times increasing by only 0.4 weeks across all trades, indicating that the supply chain remains broadly stable at a headline level.

While availability remains strong, modest increases in lead times have been recorded across several trades. The largest increases were reported in Steelwork (+0.9 weeks) and Carpentry & Joinery (+0.9 weeks), followed by Brickwork (+0.6 weeks) and Mechanical & Electrical (+0.4 weeks). More moderate increases were reported within Curtain Walling (+0.3 weeks), Groundworks (+0.3 weeks) and Roofing & Cladding (+0.3 weeks), whilst Drylining recorded no change. Although these movements are not currently causing significant disruption to project delivery, they suggest that supply chains are becoming marginally tighter as workloads continue to strengthen. Contractors also report that lower stockholding levels throughout parts of the supply chain are reducing flexibility to respond to sudden changes in demand. While this has not yet resulted in widespread shortages, it could increase lead-time sensitivity should workloads accelerate more quickly than anticipated.

Emerging risks suggest current stability should not be taken for granted.

Despite the generally positive picture, SCF contractors continue to highlight concerns around longer-term supply chain resilience. Businesses report that manufacturers, distributors and suppliers are increasingly reducing stockholding levels in response to cost uncertainty and changing market conditions. Whilst this has not yet translated into widespread shortages, lower inventory levels reduce the ability of the supply chain to absorb sudden increases in demand or unexpected disruptions. Contractors also note that lead times are beginning to extend for some specialist, made-to-order and imported products, reflecting a more cautious and less flexible supply environment.

SCF Consult: Look Ahead

On July 20th, Andy Burnham became prime minister and while it is too early to say exactly what it means for construction, there are some initial indications.

Firstly, there are plans to provide more power to regions outside Westminster. Going forward, regions may have the ability to retain income tax. With fiscal headroom already under pressure and little ability to increase spending, an updated regional approach will inevitably create winners and losers, but for the overall construction industry it is likely to be neutral. The main risk is that if it leads to uncertainty around spending plans, it may deter investment.

Importantly, there will be a renewed focus on housing, the construction industry's largest sector. Burnham is keen to increase council housebuilding, and with the private residential sector currently facing multiple challenges, support for other types of development may help prevent a wider housing slowdown.

Defence is another key area, and the recent £8.4bn spending commitment for nuclear submarine investment will support tens of thousands of jobs across the UK.

Meanwhile, the latest annual report from the National Infrastructure & Service Transformation publication shows not only the large pipeline of infrastructure and construction projects, but also how many schemes continue to face significant issues that require attention.

In total, the 68 major construction projects are expected to bring benefits of £372bn, and their success will be essential to the construction sector's performance in the coming years.

Southern Construction Framework

Look Ahead to Q1 2027

Tender Workload: +4.8%

Trades with the highest anticipated change in tender workload:

Drylining +8.5%	Curtain Walling +6.5%	Brickwork +5.9%

Building Costs: +5.3%

Trades with the highest anticipated change in build costs:

Steelwork +9.5%	Drylining +6.1%	Windows +6.1%

Employment: +2.8%

Trades with the highest anticipated change in employment:

Concrete Frames +7.8%	Groundworks +4.5%	Brickwork +3.8%

Material Availability: +0.6%

Trades with the largest forecasted change in material availability:

Brickwork +1.1 weeks	Roofing and Cladding +0.9 weeks	Steelwork +0.9 weeks

The outlook for the next 6–12 months remains cautiously positive. Tendering activity continues to strengthen, supported by healthy pipelines and sustained levels of market demand. Supply chains remain generally resilient, and contractors continue to report good visibility of future opportunities extending into 2027.

However, the market continues to face several challenges. Cost inflation remains elevated, project mobilisation is often slower than anticipated, and affordability pressures are increasing as historic budgets are tested against current market conditions. Labour constraints, funding considerations and wider economic uncertainty are also influencing project viability and investment decisions.

In summary, the UK construction market continues to demonstrate resilience, supported by healthy demand, robust pipelines and generally stable supply chains. However, the challenges facing clients and contractors are increasingly centred on affordability, programme certainty and the successful conversion of opportunities into deliverable projects. Organisations that engage their supply chains early, maintain realistic cost assumptions and provide greater visibility around procurement and programme decisions will be best placed to secure capacity, manage risk and achieve successful project outcomes over the coming year.

Southern Construction Framework

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 250+ 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.