

Q1 2026

Market Intelligence Report



PICK
EVERARD

ARTELIA

About this report

This report forms part of Pick Everard's ongoing commitment to helping our industry understand market sentiment. We welcome the opportunity to discuss these insights further with clients and colleagues across the industry.

The survey was open from 18 March – 17 April 2026 with responses received from 103 market participants. Survey participants included contractors, developers, clients, consultants and our wider construction partners.

If you have any queries or for further information please contact marketing@pickeverard.co.uk

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Operations Director,
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Executive summary

In this edition, we team up with our colleagues at Artelia UK to review an increasingly complex economic and legislative landscape. Our survey of over 100 industry professionals confirms that the UK construction sector has entered a period of 'output inertia'.

Vital infrastructure and housing programmes are being stalled not by a lack of intent, but by the emergence of yet another major supply chain constraint affecting the global economy in the Strait of Hormuz. Following Covid-19 and the supply chain shocks from the Russia/Ukraine war, this is part of a 'triple shock' of high-impact delivery issues.

This external instability acts as a pivot point for an industry already struggling with a high-cost baseline driven by restrictive planning, increased taxation, and the necessary but expensive evolution of building safety regulations. With the Bank of England warning that CPI inflation could reach 6%, we are seeing a structural shift in global trade that domestic procurement alone cannot resolve.

The recent discussion in the Indonesian parliament regarding transit levies in the Strait of Malacca further signals that we could be witnessing a breakdown of frictionless global logistics.

Collectively, we discuss the solutions to these challenging issues: decoupling design and construction from its "oil-indexed" dependencies. Looking further into how we can create projects with Sovereign Design, prioritising onshore, low-energy materials to reduce the quantum of energy embodied in every project to de-risk construction and build greater resilience into project cost plans.

Construction outlook



Planning systems

Taxation

Regulations

Conflict

Inflation

In the UK, project viability is being tested by a complex intersection of internal and external pressures.

Long-standing structural issues, including a restrictive planning system, the fiscal impact of higher taxation, and the necessary but costly evolution of building safety regulations, have created an increasingly expensive and complex baseline for development.

Evidence suggests that the dispute in the Strait of Hormuz has acted as a tipping point.

Since the onset of the conflict, we have observed a measurable divergence in the market. While labour costs remain elevated but stable, the prices of energy-indexed materials like steel and glass have spiked by over 12%, breaking a year-long period of relative stability.

Coupled with the Bank of England’s 6% inflation warning, these external shocks are effectively stripping away the thin margins that remained after absorbing the cumulative costs of domestic regulatory reform and high interest rates.

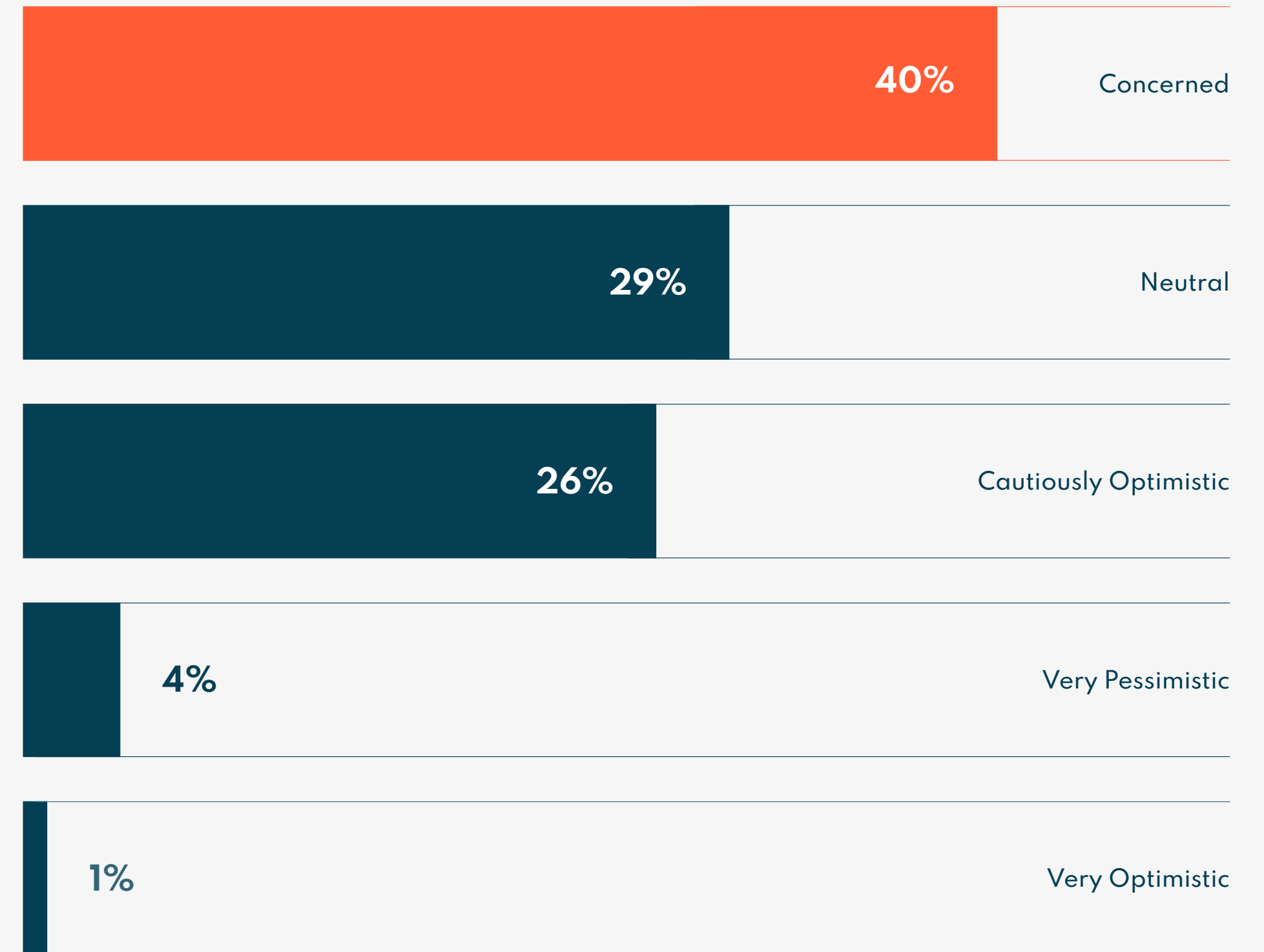
Having surveyed over 100 construction industry professionals, it’s clear to see that confidence is notably subdued across the sector.

While a minority of respondents report feeling optimistic (26%), this is materially outweighed by those expressing concern (40%) and pessimism (4%).

The relatively high proportion of neutral responses (29%) further reinforces the absence of clear positive momentum, suggesting that much of the market is in a “wait and see” position rather than actively confident.

This imbalance indicates a market that is not yet in contraction, but is highly sensitive to external shocks. The prevailing concern is being driven by macroeconomic and geopolitical pressures, most notably ongoing instability in the Middle East affecting oil prices, alongside the continued conflict in Ukraine. Both factors are contributing to volatility in energy and material costs, which are key inputs for construction pricing.

How would you describe the overall mood in the construction industry right now?

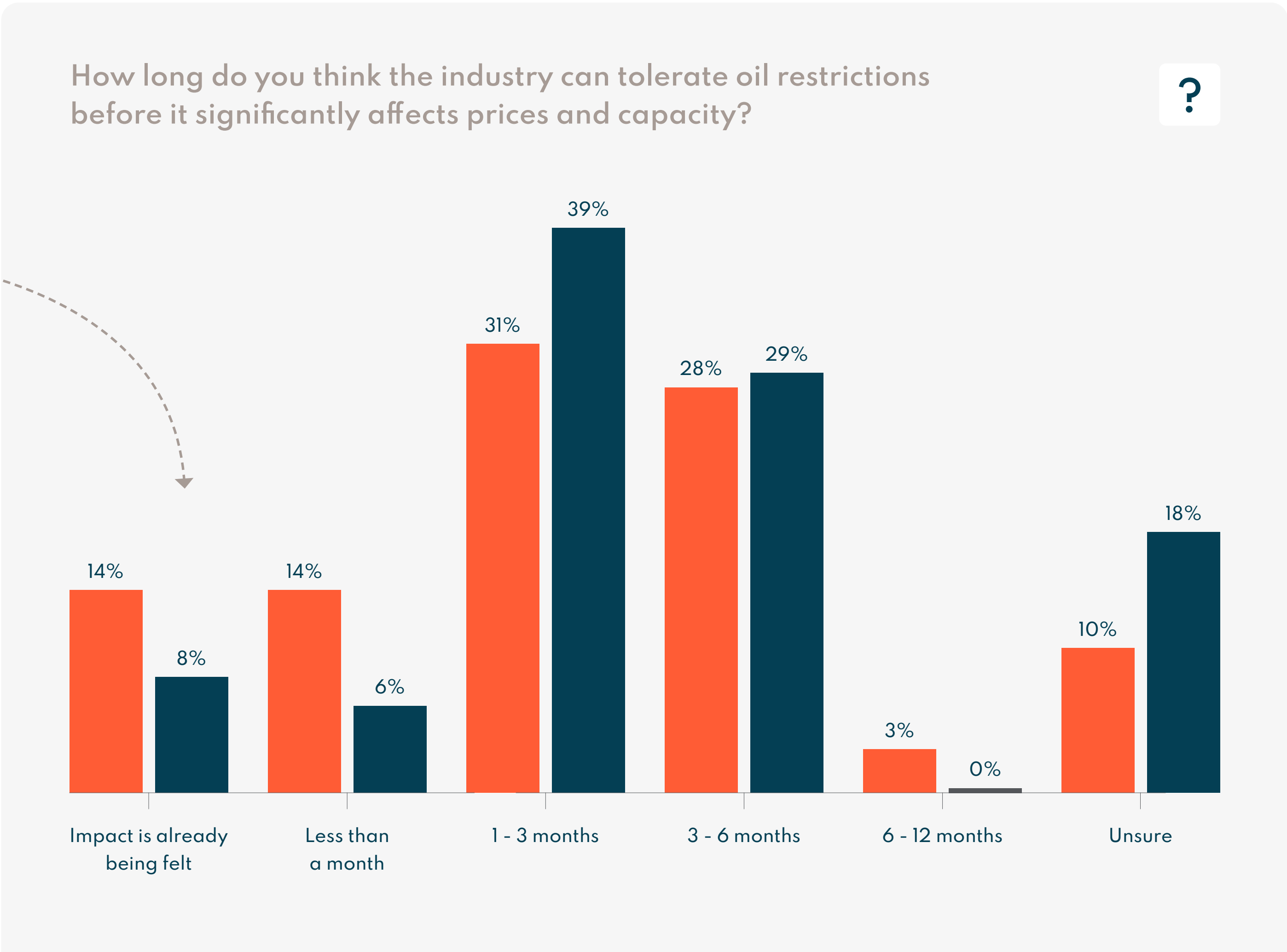


A notable divergence emerges between contractors and consultants in terms of how quickly these pressures are expected to materialise.

Contractors appear to be experiencing the effects earlier, with 28% reporting that impacts are already being felt or will occur within one month, compared to just 14% of consultants.

This suggests that cost pressures are already feeding into the supply chain and subcontractor pricing, even if they have not yet fully translated into consultant-led cost advice or client-facing budgets.

This lag effect is significant. It implies that current cost plans and feasibility studies may understate near-term inflationary pressures, creating a risk of budget overruns as projects move from planning into procurement. In particular, the clustering of responses around the 1-3 month and 3-6 month windows indicates that the market anticipates a relatively rapid escalation rather than a gradual increase.



Tender price competition is currently described as moderate; however, this should not be interpreted as a sign of stability. Instead, it may reflect a short-term equilibrium before upward pricing pressure intensifies. As input costs rise, contractors are likely to adopt more risk-averse pricing strategies, reducing competitive tension and driving tender returns upward.

The combined effect of these dynamics is a heightened risk to project viability. Clients may increasingly defer or phase schemes in response to cost uncertainty, which in turn could weaken contractor pipelines later in the year.

In summary, while the market is not yet distressed, it is clearly in a precarious position, with leading indicators pointing toward short-term cost escalation and increased delivery risk.



Rising input costs:
steel and glass have spiked by over 12%



Market data

ONS: Construction output in Great Britain

-2%
in the last 3 months

Total construction output is estimated to have fallen by 2.0% in the three months to February 2026; this is the fifth consecutive fall in the three-monthly series. However, on a monthly basis, construction output increased by 1.0% in February 2026, following a 0.5% increase in January 2026 and a 1.3% decrease in December 2025.

[Learn more](#) →

S&P Global's purchasing managers' index

45.6
in March

S&P Global's purchasing managers' index registered 39.7 in April, down from 45.6 in March. The latest output reading was the weakest for five months.

[Learn more](#) →

Glenigan Index of Construction starts

-9%
in the last 3 months

The Glenigan Index data, reports on construction starts under £100m. Overall, the value of work starting on site in the three months to April fell by 9% and finished a fifth (-22%) below 2025 levels.

[Learn more](#) →

Construction Production Association (CPA)

-2.5%
in 2026

The Construction Production Association (CPA) is forecasting that construction activity will contract by 2.5% in 2026, while private housing output will fall by 7%. This is a sharp downward revision to the CPA's forecasts since the Winter forecasts, driven by the potential impact of global events.

[Learn more](#) →

Responding to evolving market conditions

In this context, the key risk to project success is not simply inflation itself, but how effectively clients respond to these evolving market conditions.

Clients who adopt a proactive and informed approach to risk management are more likely to maintain project viability. Key mitigating factors expected to play a significant role in risk management over the coming months are outlined to the right:

Collectively, these measures demonstrate how effective risk management and informed client decision-making can materially improve project viability, even in a challenging and uncertain market.



1

Prioritising locally sourced materials and specifying less energy-intensive products that are less vulnerable to major price fluctuations can help mitigate exposure to global supply chain disruption and inflationary pressures, while also supporting sustainability objectives.

2

Contractual arrangements should be carefully reviewed to incorporate appropriate fluctuation mechanisms linked to recognised indices. This approach provides greater pricing certainty for contractors and reduces the need for risk-loaded tender allowances.

3

Undertaking detailed Life Cycle Costing (LCC) analysis to design maximum value for money over the course of a building's life, rather than relying purely on capital investment cost.


Tender and cost

Inflation has re-emerged as a critical pressure point for the construction sector, following a period of relative stabilisation post-Covid and the initial Ukraine-driven cost spike.

Current data indicates that 80% of respondents are experiencing moderate to significant impacts, with a further 4% reporting severe effects. This confirms that inflation is no longer a residual risk but an active and material constraint on project viability.

The nature of this inflation is notably cost-driven rather than demand-led. Contractor feedback highlights ongoing increases in raw material prices, particularly steel, due to geopolitical instability and energy markets. Internationally sourced materials and specialist components remain particularly exposed.

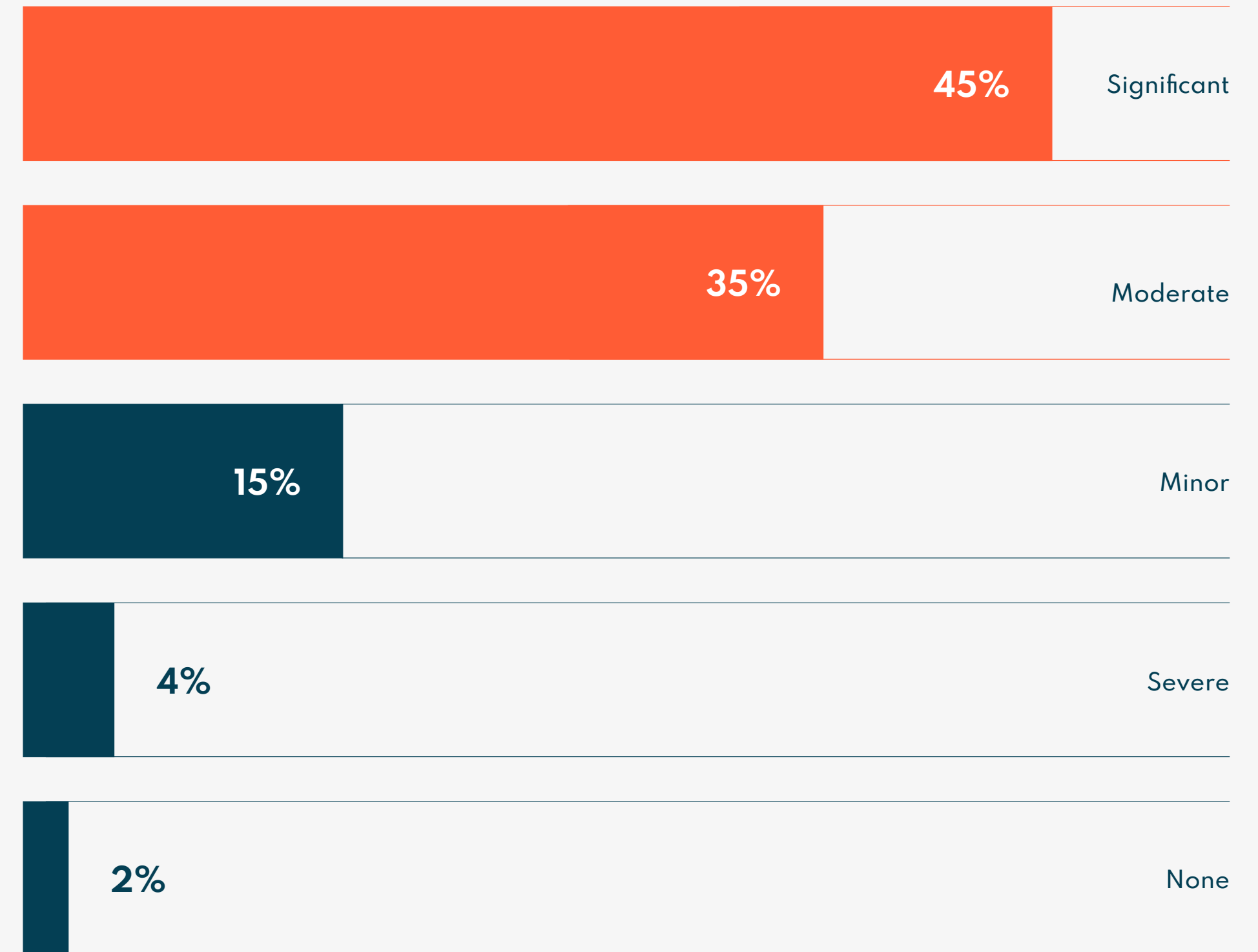
Beyond direct cost pressures, sustained inflation also presents a broader macroeconomic risk. Persistent inflationary conditions are likely to maintain upward pressure on interest rates, or at least delay anticipated rate reductions, increasing the cost of borrowing for both developers and investors. This has a direct impact on scheme viability, where higher financing costs can erode returns and reduce appetite for new investment.

Inflation 

Cost of borrowing 

New investment 

How significant is the inflation factor in the delivery of your organisation's projects?



Inflation next 12 months

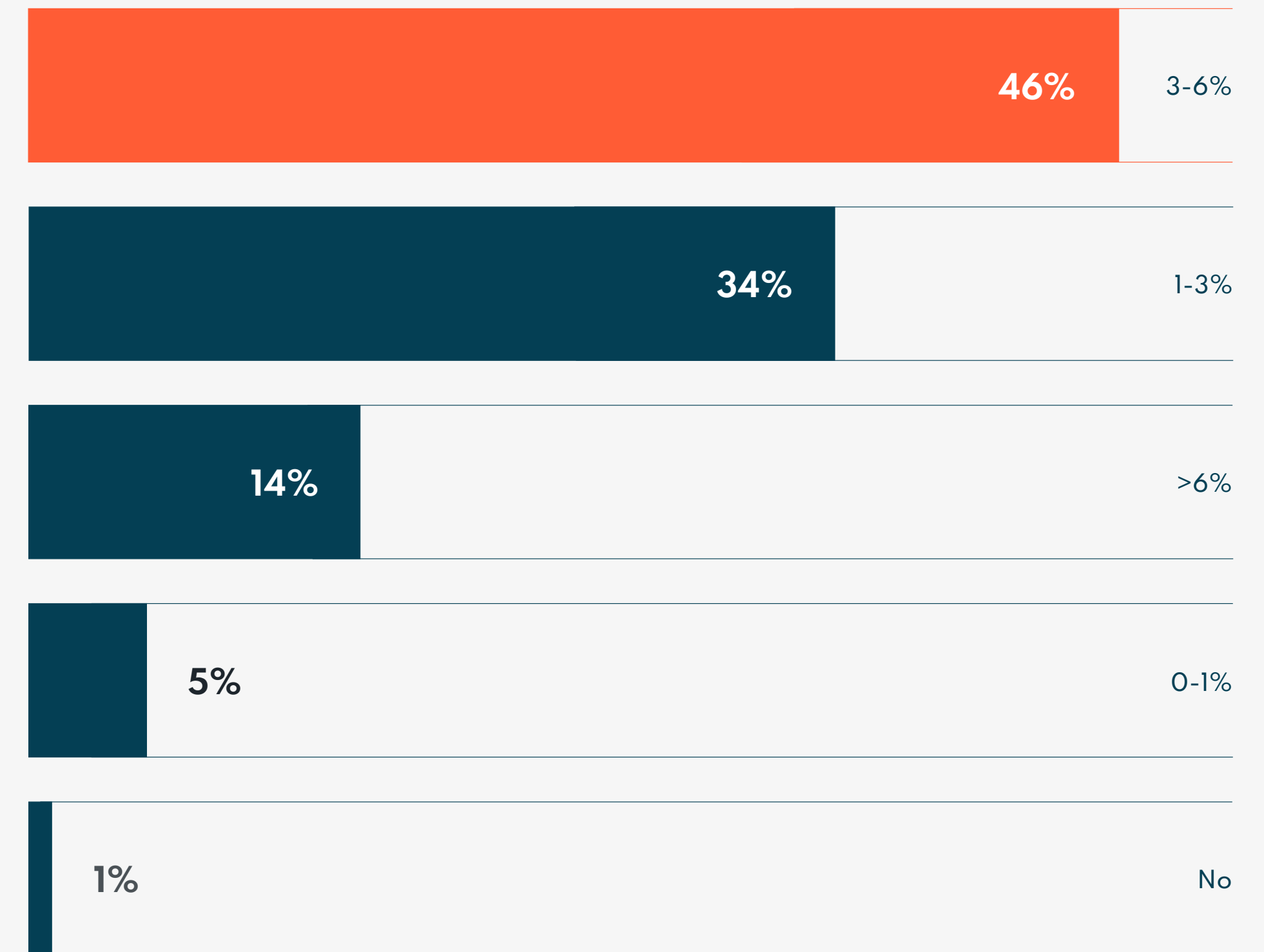
Looking ahead, expectations of 3–6% tender price inflation over the next 12 months (reported by 46% of respondents) indicate a sustained period of above-average cost growth.

This sits above the long-term industry trend and, importantly, is likely to exceed general CPI inflation, reinforcing the disconnect between construction-specific inflation and wider economic indicators. The 14% of respondents forecasting inflation above 6% further signals a meaningful upside risk.

From a commercial perspective, this creates a challenging environment for both contractors and clients. Contractors engaged on fixed-price or long-duration contracts without fluctuation provisions are particularly exposed, with margin erosion already evident. For clients, the implication is that cost certainty remains fragile, budgets established even 3–6 months prior may no longer be robust.



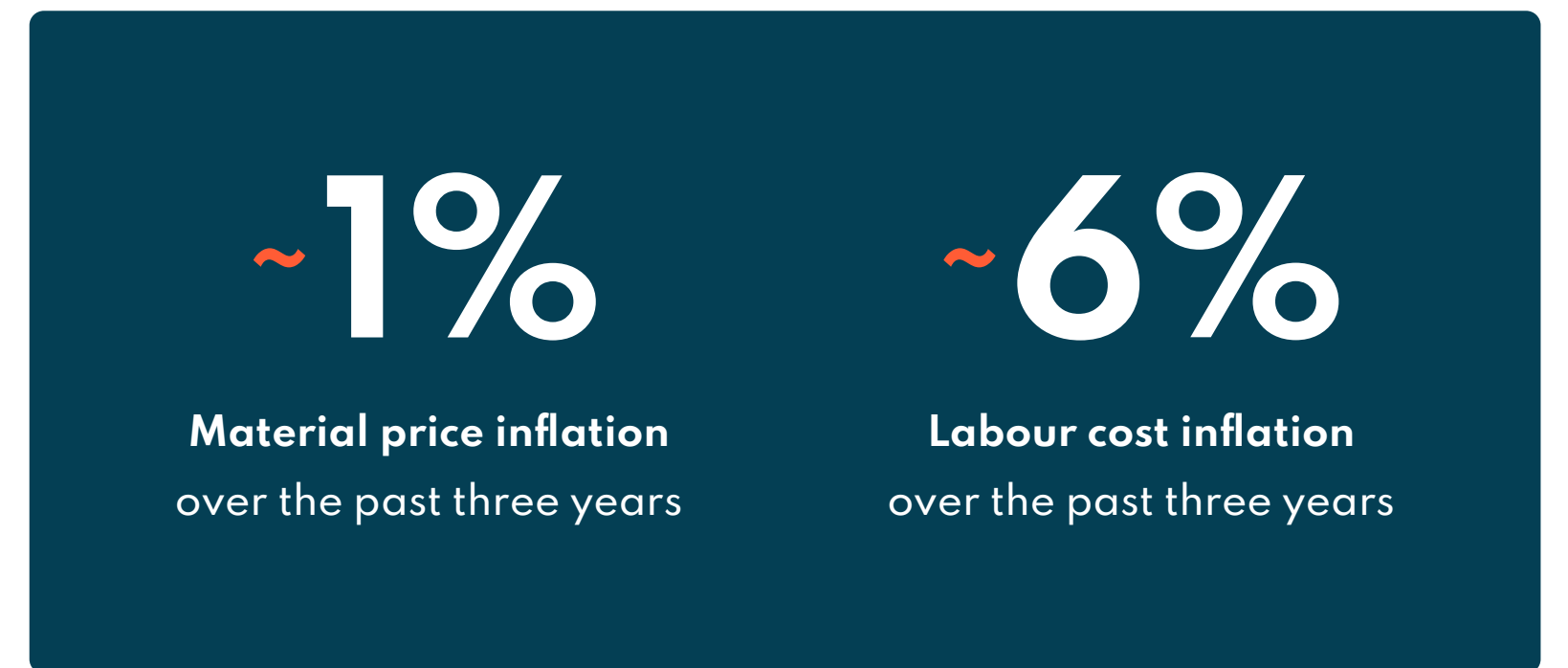
Do you think tender prices will continue to rise over the next 12 months, and if so, at what pace?



In response, we are likely to see increased use of risk allowances, shorter validity periods on tenders, and greater emphasis on fluctuation mechanisms.

Clients may also defer procurement decisions or re-scope projects to maintain viability, particularly where funding constraints are sensitive to cost escalation.

Over the past three years, material price inflation has remained relatively low at around 1% per annum, compared to labour cost increases of approximately 6%. However, this divergence is unlikely to continue with energy-intensive materials such as steel which are exposed to volatility in the global energy markets. Labour costs are expected to stay elevated due to the ongoing skilled labour shortage.



Procurement Act

The Procurement Act 2023 (PA23) came into force in February 2025 and was introduced with the aim of modernising and simplifying the legal framework governing how public bodies and utilities purchase goods, works and services.

Transparency and stronger controls

A year on, we are noticing a shift under PA23 with a move towards greater transparency across the full procurement lifecycle. The intention is to make it easier for suppliers to see what opportunities exist, how decisions are made and where public money is being spent.

Alongside this, the Act introduced strengthened rules around exclusion and debarment, including a central debarment register and expanded grounds for removing poorly performing or high-risk suppliers.

The aim here is to improve fairness and accountability, while creating a more level playing field for compliant and capable organisations.

At the same time, the Act places a clear expectation on contracting authorities to consider how barriers to SME participation can be reduced, signalling a shift towards a more inclusive procurement environment.



Opening the doors to SMEs

This focus on accessibility is one of the more tangible areas of progress so far. While not universal, there are early signs that SMEs are beginning to see some benefit from the changes.

Improved transparency in tendering appears to be another key driver. With 17% of respondents highlighting better visibility of opportunities, the market is becoming easier to navigate, particularly for smaller organisations without dedicated bid teams.

An engineering consultant responded to the Procurement Act's impact by commenting **"Full transparency is good for all."**

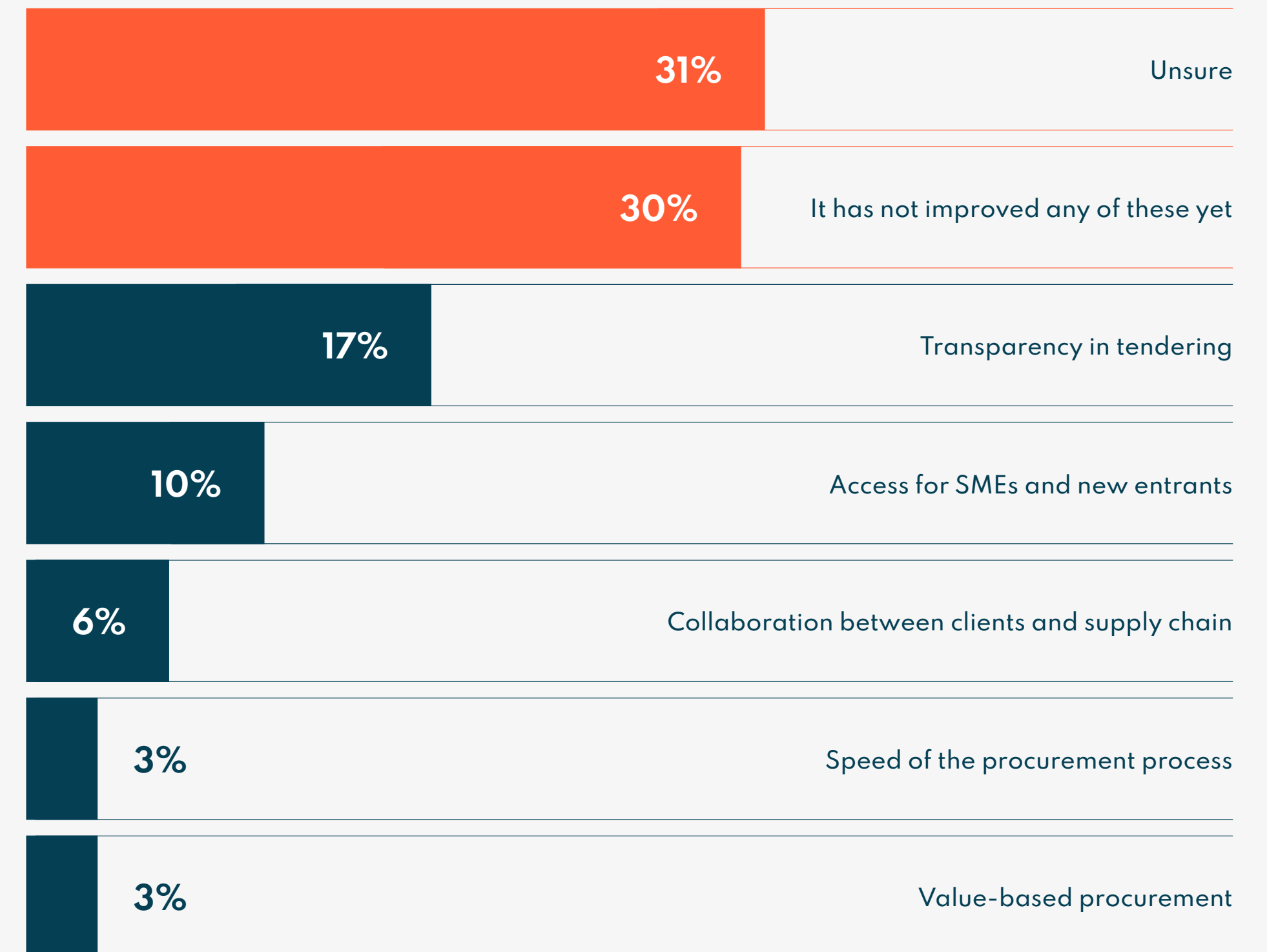
However, progress is uneven. While the intent to support SMEs is clear, delivery still varies across authorities, and for many smaller firms, the barriers have been reduced rather than removed entirely.

 SME contractor

"To some degree, it is allowing SME contractors to access public contracts more easily and get paid faster, while introducing new compliance requirements."



Has the Procurement Act improved any of the following in practice? (Select all that apply)



A gradual transition

One year on, the data suggests that progress is incremental rather than immediate. Across 103 respondents, the dominant sentiment is that the Act has yet to materially shift procurement practices. Nearly 50% reported no noticeable impact, while 24% said it is too early to say.

This reflects a wider reality that legislative change takes time to embed. Many public sector organisations are

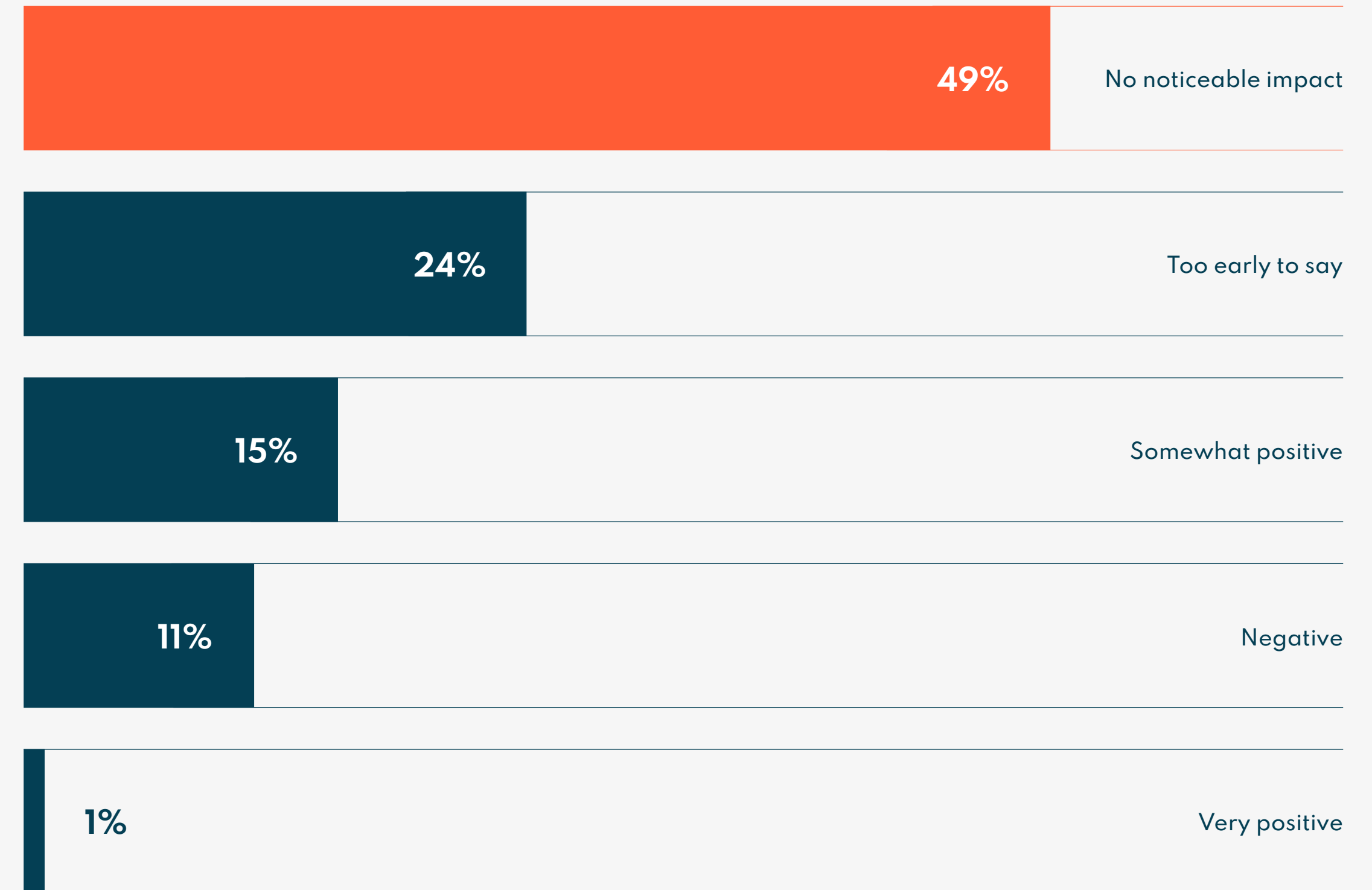
still adapting to the new requirements and in some cases, continue to rely on legacy frameworks aligned to previous regulations.

There is also limited evidence so far that the Act has improved speed or encouraged more value-led procurement, with only a small number of respondents identifying progress in these areas.

 Tier 1 contractor

“Procurement teams are still getting to terms with the full obligations... a number of clients are using existing frameworks that are compliant under the old regulations.”

One year on from the Procurement Act 2023 introduction, how would you rate its impact on public sector procurement so far?





Feedback from respondents reflects a mix of cautious optimism and ongoing frustration.



Consultant

"Increased emphasis on the contribution and needs of SMEs; more extensive use of PIN notices and advance information generally."

Contractor

"Puts barriers in the way of sensible communication. Everything is through a portal."

Client

"Added more bureaucracy and time to tenders and cost for public sector."

Contractor

"Slightly more visibility and process was a relatively simple to switch to."

Client

"Some slight delays - but better process overall."

Contractor

"The Public sector procurement still lacks agility and still focuses on 'lowest tender' however it is dressed up."

Consultant

"No impact has been noted as yet within the schemes I am sighted on."

Looking ahead

Overall, industry sentiment after the first year seems to be cautious and measured. The principles behind the Procurement Act 2023 are widely supported, particularly around transparency and SME access, but the practical impact is still emerging.

Many respondents describe little or no change in day-to-day procurement activity, while others highlight a lack of agility and a continued focus on lowest cost outcomes.

Looking ahead, the next 12 months are likely to be more telling. As more projects move through procurement cycles under the Act, there is potential for its intended benefits to become more visible.

Greater familiarity among procurement teams, combined with improved guidance and confidence in applying the rules, should help open up some of the flexibility built into the legislation.

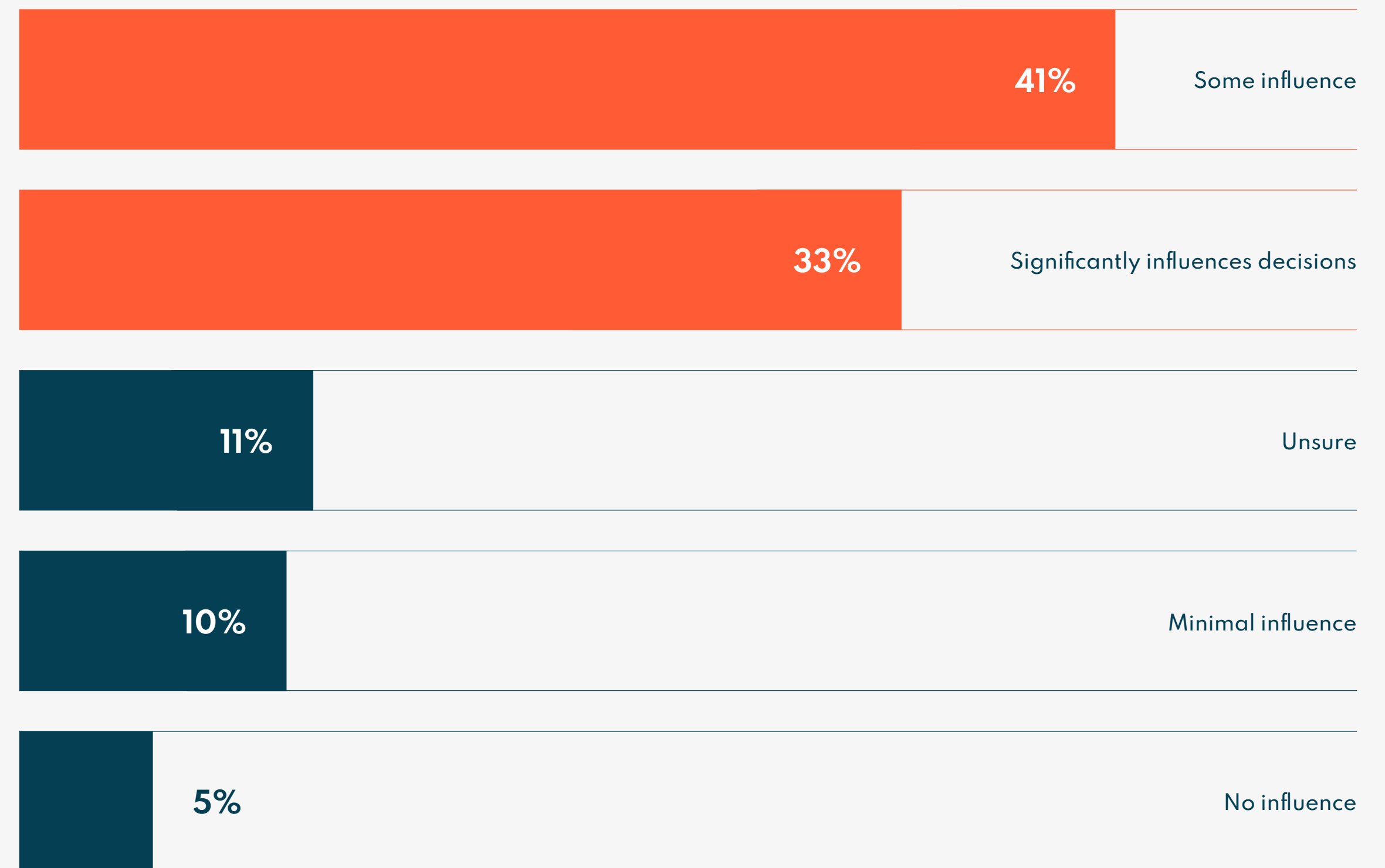
Planning and Infrastructure Act

Planning uncertainty is already influencing decisions across the vast majority of the sector. A combined 74% of respondents said it significantly or somewhat influences investment and development decisions, which shows this is now a standard part of how schemes are assessed rather than an occasional concern.

In practice, this often comes down to timing and certainty. It is not just whether a scheme is viable but whether it can realistically get through planning without long delays or unexpected changes. That uncertainty feeds directly into whether projects move forward, get scaled back or are paused altogether.



To what extent does uncertainty in the planning process influence investment or development decisions in your organisation?



Sentiment around the Planning and Infrastructure Act is mixed.

Only 1% believe it will significantly speed up decisions, while 23% expect some improvement. The largest group, 36% respondents, expect no noticeable change, and a further 10% think it could slow delivery.

This reflects a general industry scepticism that legislative reform alone will fix structural issues. While there is recognition that the system needs updating, many feel the bottlenecks sit in capacity and resourcing rather than rules.

The 30% of respondents who said it was too early to tell reinforce that view, with most waiting to see how the reforms are implemented in practice before changing their expectations.

We asked: In your opinion, what change to the planning system would have the biggest impact on accelerating development?

“Simplify the process.”

“Funding more planning officer resources to commit to adhere to decision and application timescales.”

“More planners within local authorities.”

“Having more planning officers to deal with cases swiftly.”

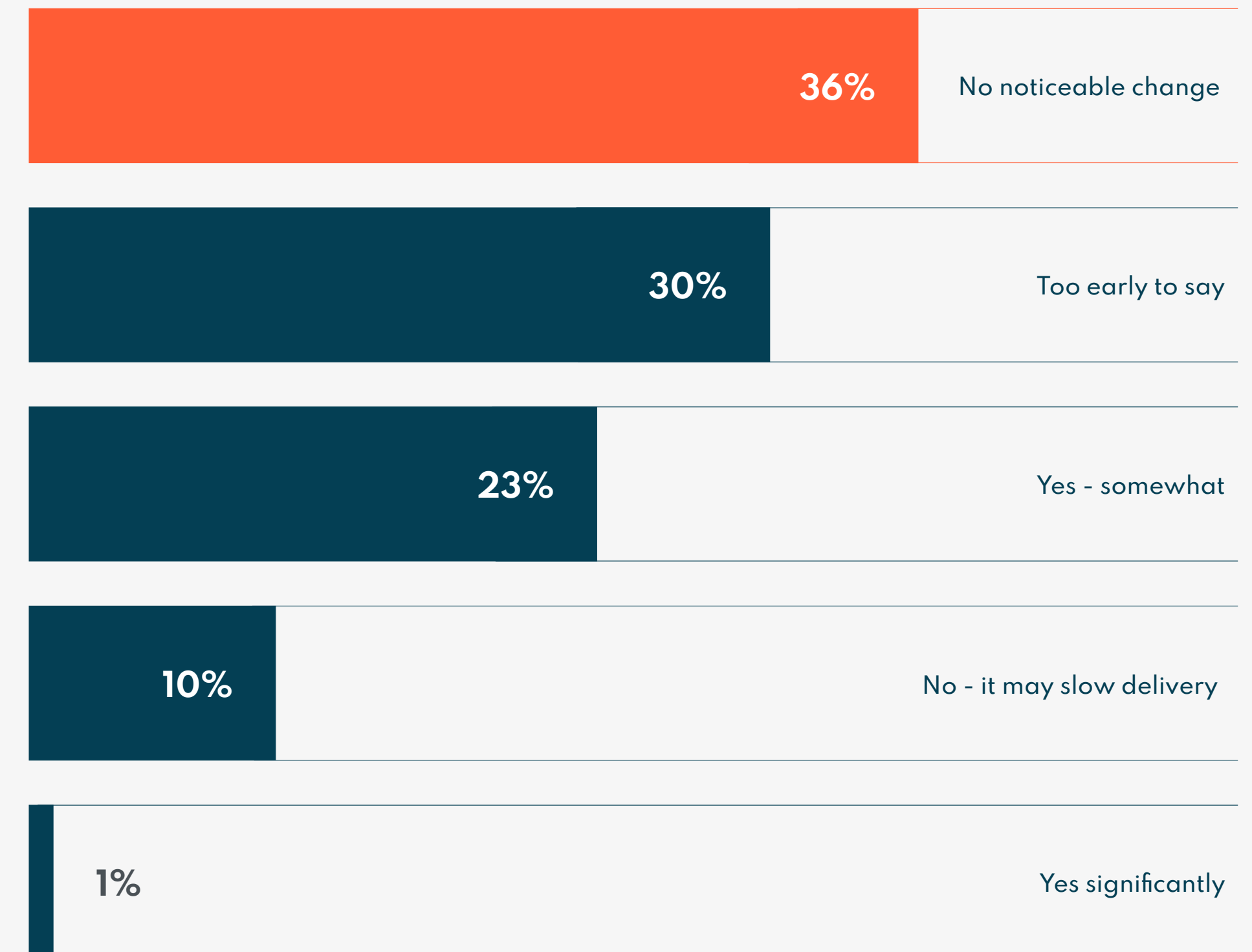
“A long term strategy that isn't prone to change.”

“Greater freedom in design and latitude in decision making ability to overrule restrictive conditions imposed by planners.”

“Less red tape.”

“Less detailed design being required at planning stage and more about the principles of a scheme as Building Regs needs to be complied with if it proceeds.”

Do you believe the Planning and Infrastructure Act will speed up planning decisions?



Legislation timeline

Building Safety Levy

One of the key upcoming changes for the industry is the Building Safety Levy, due to come into force on 1st October 2026. Introduced under the Building Safety Act 2022, the levy is intended to help fund the remediation of unsafe residential buildings across England, reducing reliance on leaseholders and shifting more of the cost burden onto developers.

The levy will apply to most new residential developments, including purpose-built student accommodation and build-to-rent schemes. It will be charged at the point of building control approval, with local authorities responsible for calculation and collection. Rates will vary depending on location and development type, with higher charges expected in areas of greater housing demand.

For developers, the introduction of the levy represents a new cost consideration that will need to be factored into early-stage viability assessments.

While the policy objective is to ensure a sustainable funding mechanism for building safety remediation, the industry will be closely monitoring its impact on housing delivery and development pipelines over the next 12 months as pricing structures are finalised and implementation approaches become clearer.

[Click here for more information](#)



30 September 2026

Building Regulations: Approved Document B updates (fire safety)



1 October 2026

Building Safety Levy



Late 2026

Planning and Infrastructure Act rollout



Thanks for reading
We hope you've found
our report insightful.

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Editors:

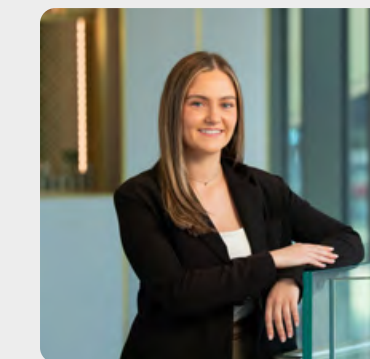


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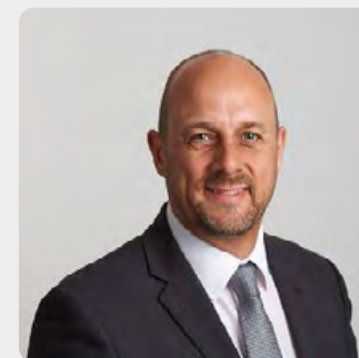
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