

# QUANTEM

## MARKET REPORT

THIRD QUARTER – 2025



# FOREWORD

Quantem is an established independent Construction and Building Consultancy firm consisting of over 130 professional staff which has been operating since 2006.

Quantem brings together our people's specific skills to provide a best-in-class service that improves our industry and delivers successful project outcomes. We work across all sectors of the built environment. Our principle strengths are our hard-working and diverse team; our personal approach and attention to detail mixed with our technical knowledge and good commercial judgement.

We are fair, honest, collaborative, hard working with integrity and deliver value to all of our relationships. These are the values that ensure that Quantem will continue to succeed as a responsible business. We have extensive experience in the industry to apply to your projects to yield best value.



# EXECUTIVE SUMMARY

In Quantem's Quarter Three 2025 Market Report, we review Accelerated Procurement, Change of Use, Interest Rates Fall, and Retrofit versus Refurbishment.

## MATERIAL COSTS ARE STABILISING HOWEVER ONGOING LABOUR SHORTAGES AND PROJECT DELAYS REMAIN

Output growth is expected to be modest for 2025, driven by positivity in the housing sector, with financial constraints and regulations continuing to put significant pressures on project commencement and delivery.

### SNAPSHOT

- The Bank of England reduced the interest rate to 4.00%, however, inflation rose to 3.8% in July 2025.
- Material costs remain high but stabilising. Labour costs continue to pressure construction cost inflation.
- The Building Safety Act continues to put pressure on project starts with Client decisions in delay and Gateway sign off slow.
- Confidence in the UK economy remains fairly weak as UK long term borrowing costs hit their highest level since 1998.
- The uncertainty around US government policies is plaguing confidence in the global economy.

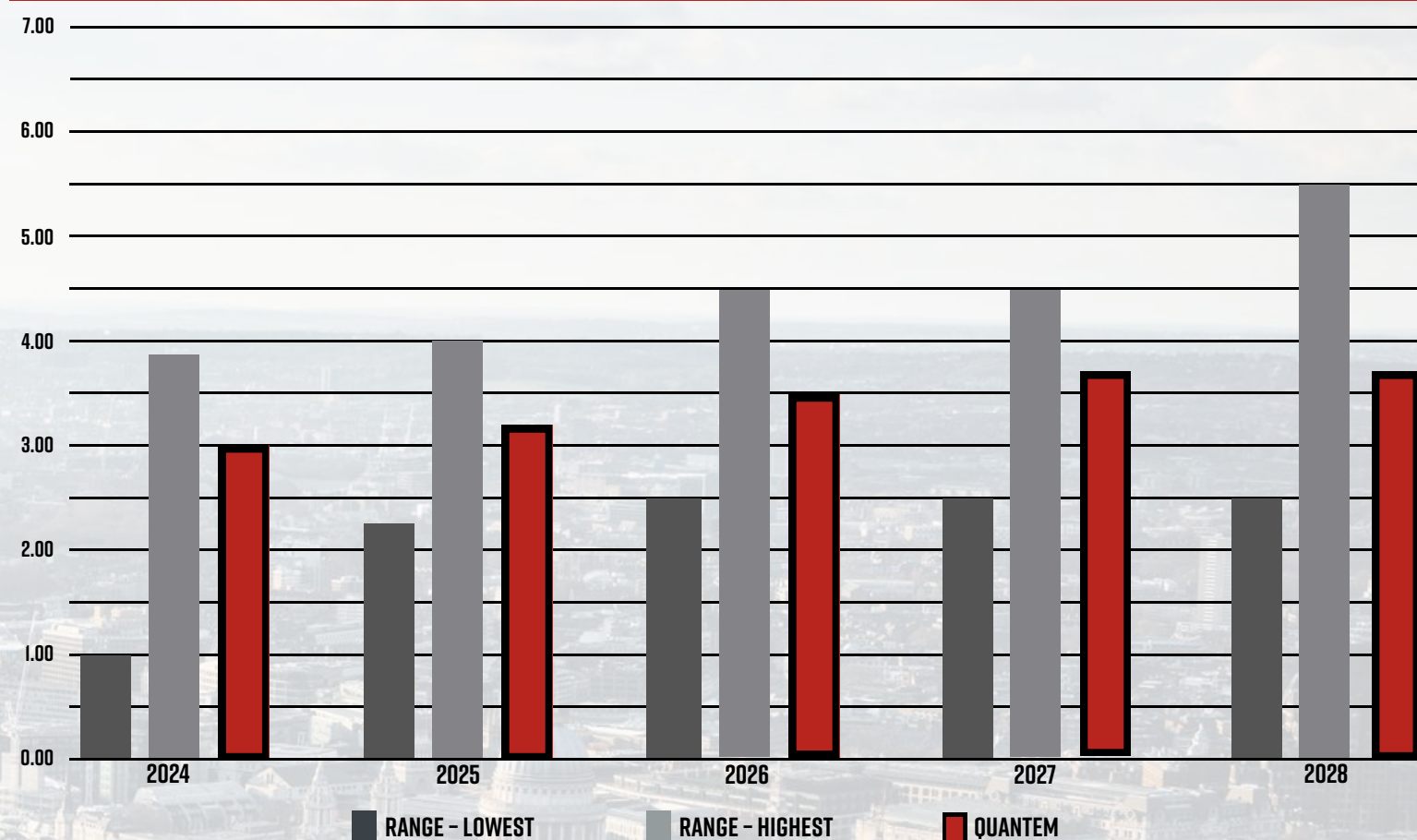
### POSITIVE SIGNS

- Growth in output in infrastructure and housebuilding continues to drive the construction industry in a positive manner.
- Construction output is expected to stabilise in 2026 if economic uncertainty can be reduced and subject to the Budget on 26th November.
- Tender prices are forecast to creep up to 3.25% for 2025 and continue with gentle rise through 2026 and beyond.
- UK government led investments in housing, healthcare and infrastructure, including clean energy initiatives, continue to provide growth in the public sector market and construction industry as a whole.
- There is continued demand for offices, particularly Grade A spaces in larger cities, and London offers an opportunity for the retrofit market as the supply of offices remains constrained.

### RISKS

- UK Construction insolvencies decreased 1.2% on the previous quarter and a 10.9% fall on 2Q 2024.
- Skilled labour availability remains an issue and the training of UK citizens remains a key issue to overcome the impacts of labour shortages.
- The S&P Global UK Construction PMI dropped to 44.3 in July 2025, the lowest level since May 2020, signifying the steepest contraction in over five years.
- GDP growth for 2025 has been reduced to 1.0% – 1.1% as apprehension remains over rising costs and future legislation.
- Meanwhile the pound weakened, falling by more than 1.5 cents against the US dollar to \$1.3390, its worst day since early April, when Donald Trump launched his global trade war.
- BCIS forecasts a 13-15% increase in material costs from 2025 to 2030.
- National Insurance contributions will rise from 13.8% to 15% which will put further pressure on labour costs and overall construction costs.

## INFLATION REPORT



2025 + 3.25%

YEAR	QUANTEM	BCIS	G&T	MACE*	GLEEDS*	RLB*	ARCADIS*	T&T	BUILDING MAGAZINE (AECOM)	RANGE		QUANTEM PREVIOUS QUARTER
	%									L	H	
2024	3.00	2.30	N/A	3.00	N/A	N/A	1.50	3.75	1.00	3.75	3.00	
2025	3.25	2.30	2.25	4.00	3.50	3.22	3.00	3.75	3.00	2.25	4.00	3.25
2026	3.50	2.70	2.50	4.50	3.50	3.50	4.00	4.25	4.00	2.50	4.50	3.50
2027	3.75	3.10	2.50	3.50	3.75	3.60	4.50	4.25	4.50	2.50	4.50	3.75
2028	3.75	3.10	2.75	4.00	N/A	3.77	5.50	4.25	N/A	2.75	5.50	3.75

# DRIVERS AND METRICS



# INFLATION

This Quantem report provides information to better inform decision making and strategic planning.

Through this section of our report, we review several drivers and influencers to construction inflation.

These are not weighted for influence or scale of relevance. Inflation statements are generic across regions and asset types.

You are encouraged to contact Quantem to receive our thoughts on specifics on your project that may influence matters.

## AVERAGE STERLING EXCHANGE RATE



	LAST YEAR	LAST PERIOD	THIS PERIOD	CHANGE	CHANGE
	JUN 2024	MAY 2025	JUN 2025	MONTH	YEAR
£:€	1.1811	1.1852	1.1768	-0.71%	-0.36%
£:\$	1.271	1.3366	1.3566	1.50%	6.73%

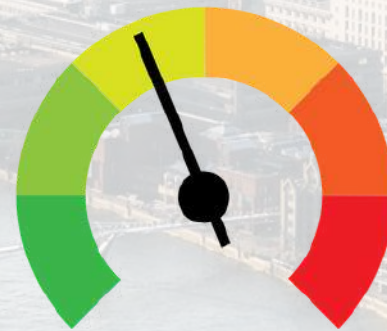
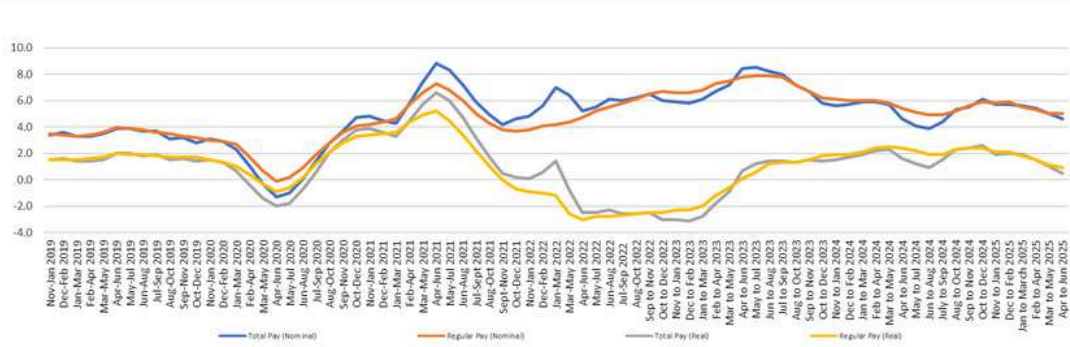


### £:€ EXCHANGE

Euro exchange decreased 0.71% on month

Dollar exchange increased 1.5% on month

## AVERAGE WEEKLY EARNINGS ANNUAL % GROWTH (ONS)

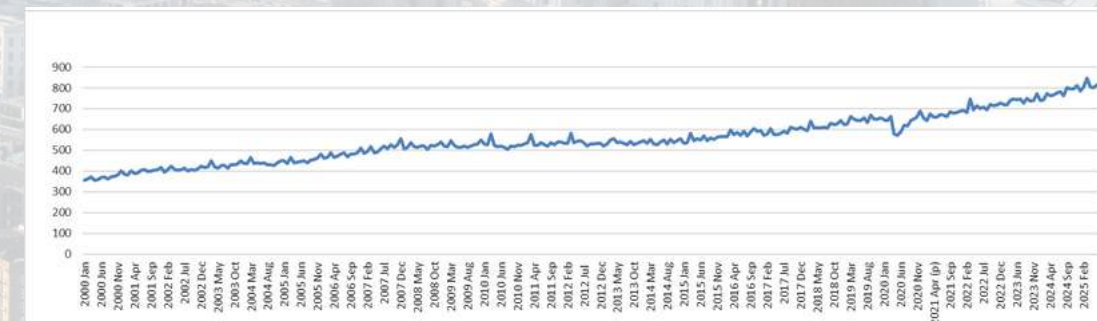


### REAL WEEKLY PAY

Decrease in weekly earnings in period and average decrease in nominal terms YOY.

	LAST YEAR	LAST PERIOD	THIS PERIOD	CHANGE	CHANGE
	APR - JUN 2024	MAR - MAY 2025	APR - JUN 2025	QUARTER	YEAR
TOTAL PAY (NOMINAL)	4.6	5	4.6	-0.4	0
REGULAR PAY (NOMINAL)	5.4	5	5	0	-0.4
TOTAL PAY (REAL)	1.6	1	0.5	-0.5	-1.1
REGULAR PAY (REAL)	2.4	1.1	0.9	-0.2	-1.5

## AVERAGE CONSTRUCTION WEEKLY EARNINGS



### AVERAGE EARNINGS

Marginal (0.02%) increase in month of average weekly earnings. Bonusses have increased on last year by 19.69%

	LAST YEAR	LAST PERIOD	THIS PERIOD	CHANGE	CHANGE
	JUN 2024	MAY 2025	JUN 2025	MONTH	YEAR
AVERAGE WEEKLY EARNINGS	739.01	768.08	768.25	0.02%	3.96%
BONUSES	37.42	32.54	44.79	37.65%	19.69%
TOTAL AVERAGE WEEKLY EARNINGS	776.43	800.62	813.05	1.55%	4.72%

## BOE BASE RATE



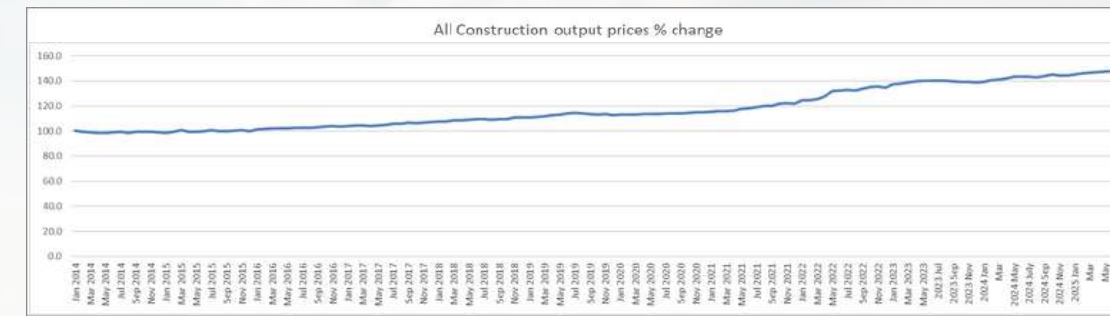
	LAST YEAR	LAST PERIOD	THIS PERIOD	CHANGE	CHANGE
	AUG 2024	JUL 2024	AUG 2025	MONTH	YEAR
<b>BANK OF ENGLAND BASE RATE</b>	5.25	4.25	4.00	-0.25	-1.25



### £:€ EXCHANGE

0.25% drop in BoE base rate to 4.00%

## ALL CONSTRUCTION OUTPUT PRICES % CHANGE



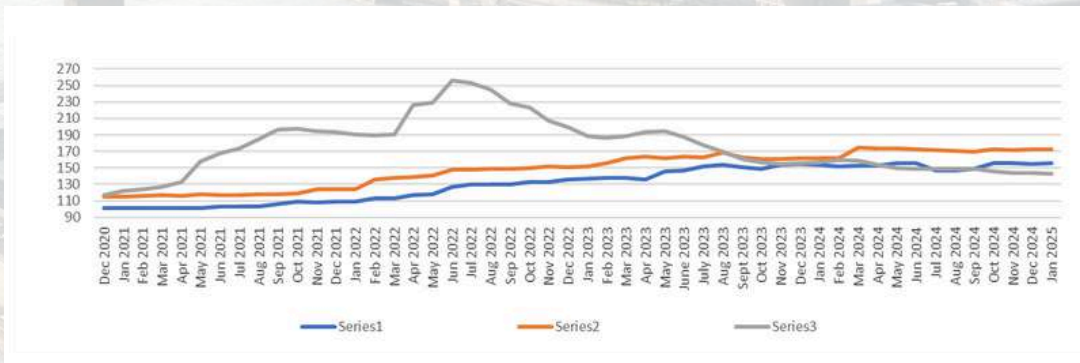
	LAST YEAR	LAST PERIOD	THIS PERIOD	CHANGE	CHANGE
	JUNE 2024	MAY 2025	JUN 2025	MONTH	YEAR
<b>CONSTRUCTION OUTPUT INDEX</b>	143.3	147.6	148	0.40	4.70



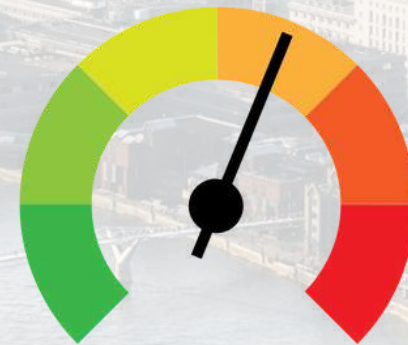
### ACOP

All construction output prices have risen in period and year, 0.4%, and 4.7%, respectively. Rate of increase continues to rise but at a reduced rate

## CONCRETE, BRICK & FABRICATED STEEL INFLATION INDICES (ONS)



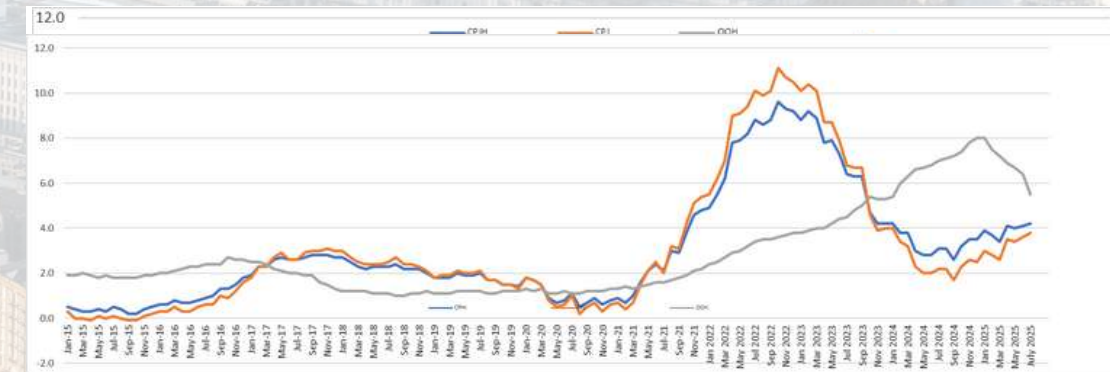
	LAST YEAR	LAST PERIOD	CHANGE	THIS MONTH	CHANGE
	JAN 2024	DEC 2024	YEAR	JAN 2025	MONTH
<b>READY-MIXED CONCRETE</b>	152.2	155.8	2.30%	155.7	-0.06%
<b>BLOCKS, BRICKS, TILES &amp; FLAGSTONES</b>	162	172.8	6.85%	173.1	0.17%
<b>FABRICATED STRUCTURAL STEEL</b>	159.8	142.7	-9.76%	144.2	1.05%



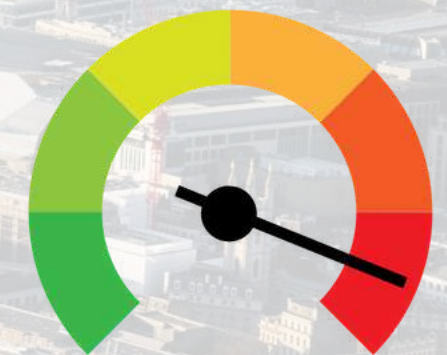
### KEY MATERIALS

Rates for all materials have largely held steady, but fabricated steel is up in period by 1.05%.

## CPIH, OOH AND CPI 12 MONTH INFLATION (ONS)



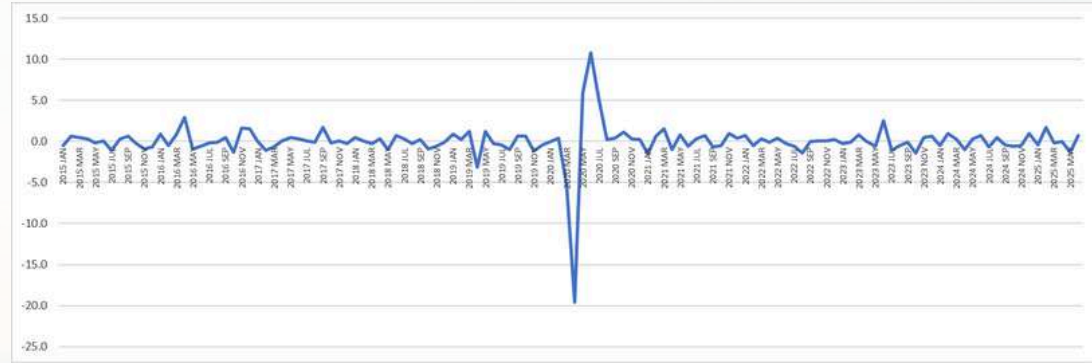
	CPIH	CPI	OOH
SEP 2024	2.6	1.7	7.2
OCT 2024	3.2	2.3	7.4
NOV 2024	3.5	2.6	7.8
DEC 2024	3.5	2.5	8.0
JAN 2025	3.9	3.0	8.0
FEB 2025	3.7	2.8	7.5
MAR 2025	3.4	2.6	7.2
APR 2025	4.1	3.5	6.9
MAY 2025	4.0	3.4	6.7
JUNE 2025	4.1	3.6	6.4
JULY 2025	4.2	3.8	5.5



### INFLATION

CPIH and CPI Levels have shown a continued uptrend in Q3 2025, back in line with Q1 2024. OOH has shown continued decrease so far in 2025.

## B-E PRODUCTION: CVM: ANNUAL & MONTHLY GROWTH (ONS)



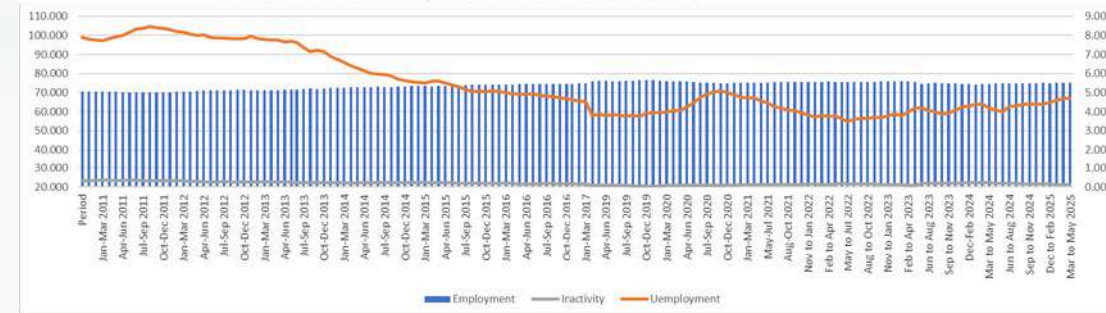
	LAST YEAR	LAST PERIOD	THIS PERIOD	CHANGE	CHANGE
	JUN 2024	MAY 2025	JUN 2025	MONTH	YEAR
MONTHLY GROWTH	0.70%	-1.30%	0.70%	2.00%	-0.00%



### UK GROWTH

2.0% increase in monthly growth and figures move into positive numbers in Q3 2025

## EMPLOYMENT, UNEMPLOYMENT AND INACTIVITY % (ONS)



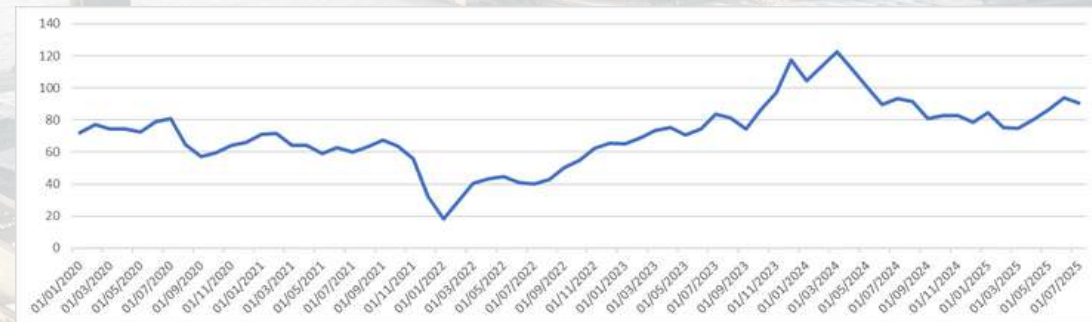
	LAST YEAR	LAST PERIOD	THIS PERIOD	CHANGE	CHANGE
	APR - JUN 2024	MAR - MAY 2025	APR - JUN 2025	MONTH	YEAR
EMPLOYMENT	75%	75%	75%	0.10%	0.80%
UNEMPLOYMENT	4.20%	4.70%	4.70%	0.00%	0.50%
INACTIVITY	22%	21%	21%	0.00%	-1.20%



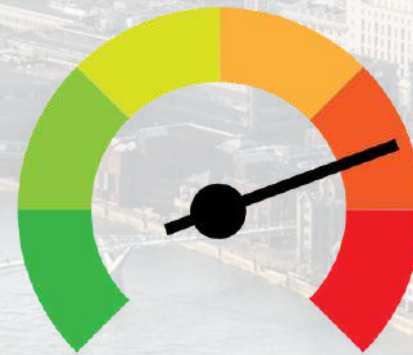
### EMPLOYMENT & INACTIVITY

Largely unchanged in period with a increase in unemployment yoy of 0.5% and employment increase of 0.8% yoy

## EUROPE BRENT OIL SPOT PRICE



	LAST YEAR	LAST PERIOD	THIS PERIOD	CHANGE	CHANGE
	JUL 2024	MAY 2025	JUL 2025	QUARTER	YEAR
EUROPE BRENT OIL SPOT PRICE	85.15	64.45	71.44	10.85%	-16.10%



### EUROPE BRENT OIL PRICE

Oil prices have increased by 10.85% in quarter, but still down over year.

## GDP QUARTERLY INDEX NATIONAL ACCOUNTS (ONS)



	LAST YEAR	LAST PERIOD	THIS PERIOD	CHANGE	CHANGE
	2024 Q1	2024 Q4	2025 Q1	QUARTER	YEAR
GDP QUARTERLY INDEX	100.1	100.1	100.7	0.60%	0.60%

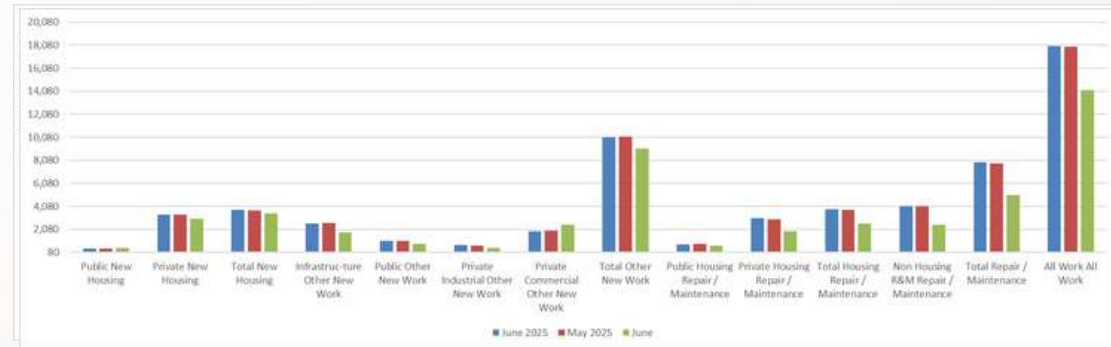


### GDP QUARTERLY INDEX

Delayed data issue. UK real gross domestic product (GDP) is estimated to have increased by 0.6% in Quarter 1 (Jan to Mar) 2025

\*2Q25 ONS data not available, 1Q25 shown here

## CONSTRUCTION OUTPUT: VOLUMES SEASONALLY ADJUSTED BY SECTOR (ONS)



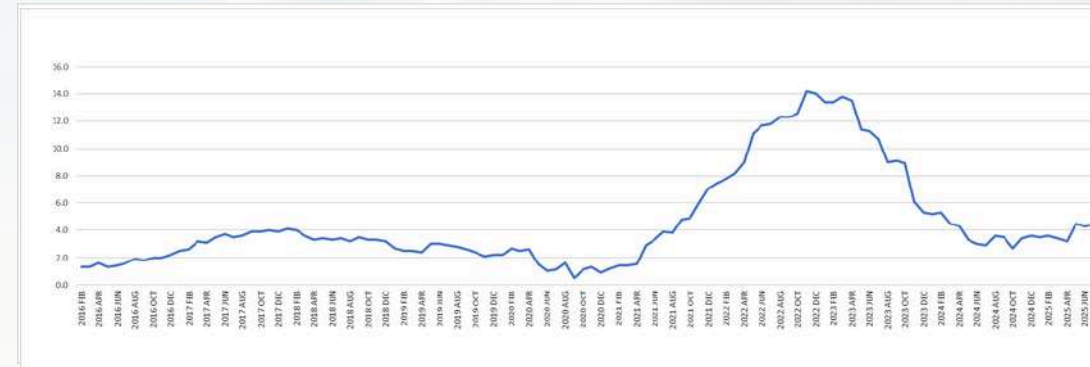
	LAST YEAR	LAST MONTH	CHANGE	THIS MONTH	CHANGE
	JUNE 2025	MAY 2025	YEAR	JUNE 2025	MONTH
PRIVATE NEW HOUSING	2,979	3,338	12.66%	3,356	0.54%
PRIVATE COMMERCIAL	2,504	1,952	-23.20%	1,923	-1.49%
ALL WORK	14,163	17,956	27.16%	18,009	0.30%



### CONSTRUCTION OUTPUT

A 0.30% annual increase in all work output. With housing up in the month and industrial down in the month

## RPI ALL ITEMS: PERCENTAGE CHANGE OVER 12 MONTHS



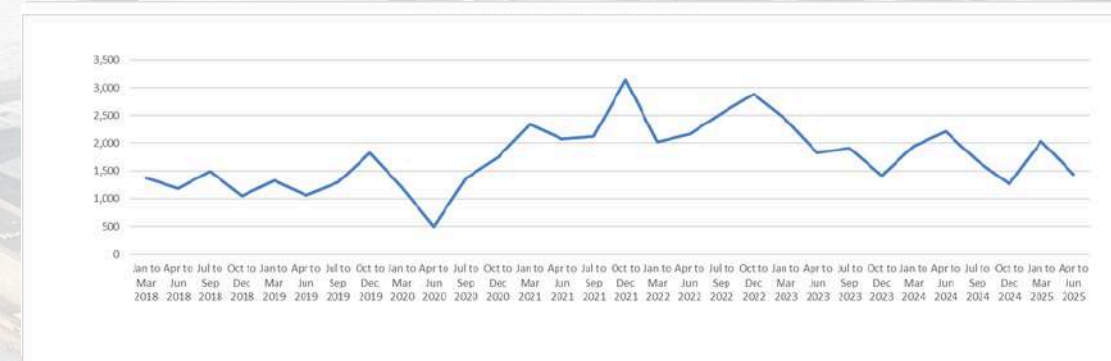
	LAST YEAR	LAST PERIOD	THIS PERIOD	CHANGE	CHANGE
	JUN 2024	MAR 2024	JUN 2025	MONTH	YEAR
RPI ALL ITEMS: PERCENTAGE CHANGE OVER 12 MONTHS	2.9	3.2	4.4	1.20	1.5



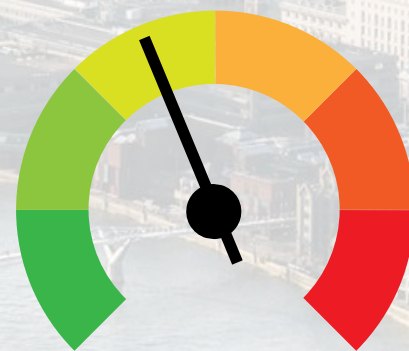
### 12 MONTH RPI

1.20% in the month and +1.5% on the year.

## NEW ORDERS- INDUSTRIAL



	LAST YEAR	LAST PERIOD	THIS PERIOD	CHANGE	CHANGE
	APR TO JUN 2024	JAN TO MAR 2025	APR TO JUN 2025	QUARTER	YEAR
ORDER VOLUME £M	2,209	4,952	1437.0	-3515.0	-772.0



### NEW ORDERS - INDUSTRIAL

down in both the year and the month

## AVERAGE HOUSE PRICE (LAND REGISTRY)



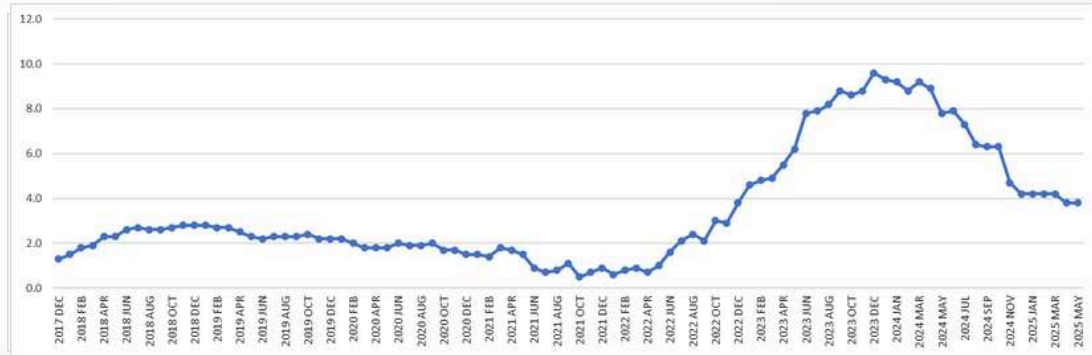
	LAST YEAR	LAST PERIOD	THIS PERIOD	CHANGE	CHANGE
	2024-06	2025-03	2025-05	MONTH	YEAR
AVERAGE PRICE ALL PROPERTY TYPES	259,922	272,922	268,652	-1.59%	3.25%
AVERAGE PRICE DETACHED HOUSES	420,161	442,098	441,439	-0.15%	4.82%
AVERAGE PRICE SEMI-DETACHED HOUSES	259,820	276,182	270,550	-2.08%	3.97%
AVERAGE PRICE TERRACED HOUSES	218,421	229,367	223,539	-2.61%	2.29%
AVERAGE PRICE FLATS AND MAISONNETTES	194,961	200,858	198,262	-1.31%	1.66%



### AVERAGE HOUSE PRICE

As of May 2025, the average house price in the UK is £268,652. [add full stop] Property prices have decreased by 1.59% compared to the previous month, and risen by 3.25% compared to the previous year.

## CPIH ANNUAL RATE



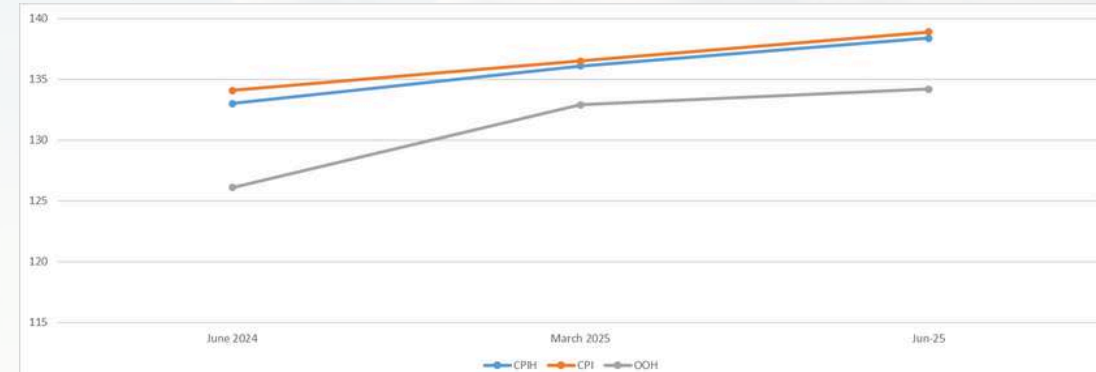
	LAST YEAR	LAST PERIOD	THIS PERIOD	CHANGE	CHANGE
	2024 JUN	2025 MAR	2025 JUN	MONTH	YEAR
<b>CPIH ANNUAL RATE</b>	2.8	3.4	4.1	0.7	1.3



### CPIH ANNUAL RATE

4.1% current annual rate, with a slight increase from last month

## CPIH, OOH AND CPI INDEX VALUES (ONS)



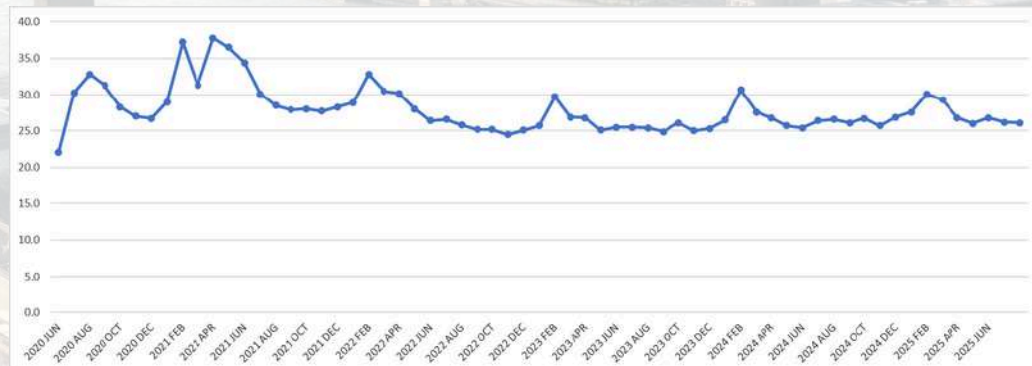
	LAST YEAR	LAST PERIOD	THIS PERIOD	CHANGE	CHANGE
	JUN 2024	MAR 2024	JUN 2025	MONTH	YEAR
<b>CPIH</b>	133	136.1	138.4	2.3	5.4
<b>CPI</b>	134.1	136.5	138.9	2.4	4.8
<b>OOH</b>	126.1	132.9	134.2	1.3	8.1



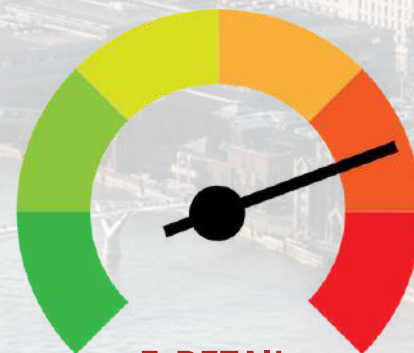
### CPIH, OOH & CPI INDEX

CPIH & CPI have increased in month

## % E-RETAIL (ONS)



	LAST YEAR	LAST PERIOD	THIS PERIOD	CHANGE	CHANGE
	2024 MAY	2025 MAR	2025 MAY	QUARTER	YEAR
<b>% RETAIL ONLINE</b>	26.6	29.3	26.1	-3.2	-0.5



### E-RETAIL

Down 3.2 in the month and 0.5 in the year

## RESEARCH AND INSIGHT CONTRIBUTORS

This market insight has been researched, calculated and presented by Quantem's Research and Insight leads from both our Birmingham and London offices.



**FAITH LUCAS | PROJECT SURVEYOR**  
 FAITH.LUCAS@QUANTEM.CO.UK  
 07756 868118



**TOM GLOVER | SENIOR SURVEYOR**  
 TOM.GLOVER@QUANTEM.CO.UK  
 07786 568160

# SOME FURTHER THOUGHTS



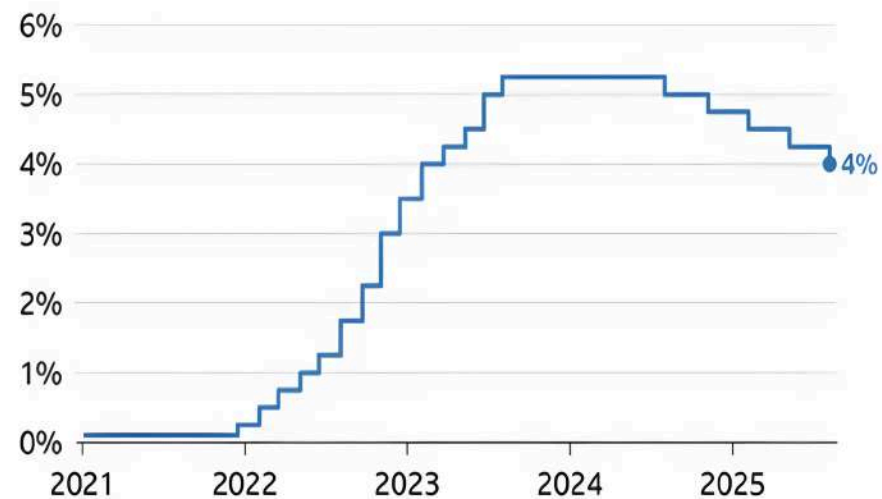
# THE DETAIL

## INTEREST RATES FALL

On 7th August 2025, the Bank of England lowered the base rate to 4.0%, the lowest level for more than 2 years, bringing back lower costs of borrowing.

After cutting the interest rate to 4.25% earlier in 2025, the Bank of England made a further reduction in August, reflecting expectations that fewer job vacancies will ease wage pressures and limit inflation.

### UK interest rates cut to 4%



Source: Bank of England. Last update: 7 Aug 2025



Image Source: [www.bbc.co.uk/news/articles/c5yprwyxjlxo](http://www.bbc.co.uk/news/articles/c5yprwyxjlxo)

Inflation is rising again, due to the increased costs of living, in particular food costs which impacts every single UK resident. The reduction in interest rate did not reduce inflation which rose to 3.8% in July 2025.

The construction industry is likely to react well to the fall in interest rates, as we see more investments in the built environment, however, investors will be wary of inflationary pressures which will impact build costs. Despite this, Clients are looking to push ahead with projects now if they obtain a favourable borrowing rate and try to avoid further inflation in the future.

Speak to Quantem about the current market and potential strategies to deliver your project.

*“We continue to see interest in the Industrial and Manufacturing Sector. Industrial refurbishment is high on many Client’s agendas and Quantem have extensive experience / cost data to support on these projects. We are actively working on a number of food manufacturing projects and would happily discuss how we can help you unlock sites / projects.”*

*– Tom Bell, Industrial & Manufacturing Sector Champion.*

## RETROFIT VS. REFURBISHMENT

With these two words at the fore of the real estate sector, we explore the definitions and differences to understand how they are affecting the decision-making of strategies for the construction sector.

Refurbishment is an all-encompassing term for the process of improvement by cleaning, decorating and re-equipping, the term is often called renovation or restoration. It is intended to extend the lifecycle of a building.



Image is AI sourced

*“We are seeing the utilisation of Retrofit projects continue to increase in the PBSA sector due to their capacity to enhance both building performance and living experience within a summer programme.”*  
*– David Hadnutt, PBSA Sector Champion.*

Retrofit is the process of providing something with a component or feature not fitted during manufacture or adding something that it did not have when first constructed. This term has arisen due to the push to make buildings more energy efficient and achieve the UK’s sustainability goals.

In cities in the UK, it is notoriously difficult to demolish existing buildings so the focus has shifted towards a refurbishment approach to improving the existing stock of buildings. In the last few years, the term retrofit is being used to aid the understanding of what buildings require to be more marketable.

Retrofit can go hand in hand with lifecycle cost analysis, as the analysis can show the payback period of making certain retrofit techniques, such as VRF systems. However, the desire for quick return on investment, particularly within 3 years, is inhibiting the behavioural change needed to adopt retrofit in the industry.

Speak to us at Quantem if there are any queries on retrofit and refurbishment, and how it works in tandem with our lifecycle cost analysis.



Image source: [www.tourengroup.co.uk/projects/grosvenor-gardens/](http://www.tourengroup.co.uk/projects/grosvenor-gardens/)

## ACCELERATED PROCUREMENT

Procurement in the construction industry is being accelerated to stave off the outward pressures that are increasing costs and uncertainty of projects. The focus on adaptability with alignment of objectives is pivotal in successful project delivery.

Procurement in the UK construction industry is being accelerated through a combination of early engagement, improved planning, and innovative delivery models. In response to rising costs, global uncertainty, and regulatory pressure, new approaches focus on reducing risk and improving collaboration.

Typical models like two-stage design and build remain dominant but are being enhanced by early sub-contractor involvement to increase cost certainty and speed up delivery. Hybrid two-stage methods are also gaining traction for complex projects, where risk needs careful consideration by both parties prior to entering into contract.

Lessons from the pandemic and geopolitical shocks have shown that streamlined processes, better communication, and sustainability driven procurement can significantly boost productivity.

Ultimately, successful acceleration depends not just on contract type, but on early alignment of objectives, strong leadership, and collaborative behaviours across the supply chain to deliver better outcomes more efficiently.

*“By building strong relationships, not only with the main contractor but also across the supply chain, we help clients navigate uncertainty and maintain project momentum. This enables innovation to reach the market faster and more efficiently.”*

*– Jordan Woolf  
Life Sciences Sector  
Champion.*

## CHANGE OF USE

The real estate sector is shifting toward sustainable reuse, with policy tensions, rising costs, and evolving living models shaping development choices. Success depends on navigating regulation while meeting ESG goals and changing lifestyle demands.

The construction industry is facing growing challenges, especially around change of use policies. While updated Permitted Development Rights make it easier to convert commercial properties to residential, many local authorities are pushing back citing concerns over housing standards and loss of planning control.

Rising build costs and stricter EPC rules are prompting a shift toward refurbishment and repurposing rather than new build developments. Meanwhile, the market is trending towards sustainability, regional growth, and alternative housing models such as Build-to-Rent and co-living. Investors are also targeting stable asset classes like student accommodation and healthcare. Planning reforms may unlock future opportunities, however, this could be slow and legal complexities remain.

Success in this changing landscape will rely on navigating regulation, embracing ESG priorities, and meeting shifting lifestyle demands, particularly as flexibility and long-term value become key drivers of strategy and investment decisions.

*“Converting tired office buildings into hotels revitalises underused assets, boosts the local economy, and supports surrounding businesses – creating a vibrant urban environment while meeting the growing demand for beds.”*

*– Rav Sandhu  
Hotels Sector  
Champion.*



Image source: Pexels

Speak to us at Quantem about how to maximise value from your projects.

# INFORMATION USED

Information in this report has been compiled utilizing information sourced from the following organisations and persons:

- BCIS
- Institute For Government
- Land Registry
- ONS
- Bank of England
- The Construction Index
- Construction Products Association
- CIPS
- EIA
- Mace
- Arcadis
- Gleeds
- RLB
- Turner & Townsend
- Gardiner & Theobald
- Willmott Dixon
- Building.co.uk
- ESFC
- JLL
- The Guardian
- Material World
- Building.co.uk



*This report is based on market perceptions and research carried out by Quantem, as a consultancy firm for built assets. It is for information and illustrative purposes only and nothing in this report should be relied upon or construed as investment or financial advice (whether regulated by the Financial Conduct Authority or otherwise) or information upon which key commercial or corporate decisions should be taken.*

*While every effort has been made to ensure the accuracy of the material in this document, Quantem will not be liable for any loss or damages incurred through the use of this report.*

# QUANTEM

## LONDON

73-75 ENDELL STREET,  
LONDON, WC2H 9AJ

020 7240 5800

INFO@QUANTEM.CO.UK

## BIRMINGHAM

4 TEMPLE ROW,  
BIRMINGHAM, B2 5HQ

0121 233 9222

INFO@QUANTEM.CO.UK

## NEW YORK

117 EAST 31ST STREET,  
NEW YORK, 10016

+1 212-576-8400

INFO@QUANTEM.CO.UK

## DUBAI

DSO-IFZA, IFZA PROPERTIES,  
DUBAI SILICON OASIS

+971 50 467 7195

INFO@QUANTEM.CO.UK



[quantem.co.uk](http://quantem.co.uk)