

QUANTEM

MARKET REPORT

FIRST QUARTER – 2026



FOREWORD

Quantem is an established independent Construction and Building Consultancy firm consisting of over 140 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 One 2026 Market Report, we review the Outlook for 2026, the Rebound in the Office Market, Selective Tendering from Contractors, and What Construction Leaders Need to Know in 2026.

SUBDUED SHORT-TERM ACTIVITY AND STRONGER LONG-TERM OPTIMISM, BUT THE CONFLICT IN IRAN MAY MITIGATE THIS OPTIMISM

Three weeks since the start of the conflict in Iran, immediate impact on oil and energy prices may mitigate optimism in early 2026, and data available for this report has not yet reflected the conflict.

S&P Global Construction Sentiment PMI is below 50% and ICAEW at -16.2, both point to a stable but somewhat contracting market. However, total new construction orders rose nearly 30% year-on-year, infrastructure planning approvals rose by 90% year-on-year, and private housing starts have begun to rebound. The IoD Directors' Economic Confidence Index, measuring optimism, rose to -48 in Jan 2026, up from -66 in Dec 2025, signifying a stabilization of confidence, with more directors less pessimistic.

SNAPSHOT

- MHCLG stated new housing starts in England +18% in the year to Sep 2025 but slowed thereafter, however private housing volume is expected by Experian to grow by 4.9% throughout 2026.
- Driven by AI demand, the UK data centre market is projected to significantly grow with new "Nationally Significant" status speeding up large-scale facility planning.
- Driven by de-carbonisation, The National Grid is ramping up a £35 billion "Great Grid Upgrade", contributing to an ONS expected 2.4% growth in infrastructure for 2026.
- Contractor cost pressures, with internal and supply chain price pressures including rising labour costs and NI increases.
- Middle East & Northern Africa (MENA) troubles already impacting energy cost, transport cost and confidence, with pricing elasticity stretched.

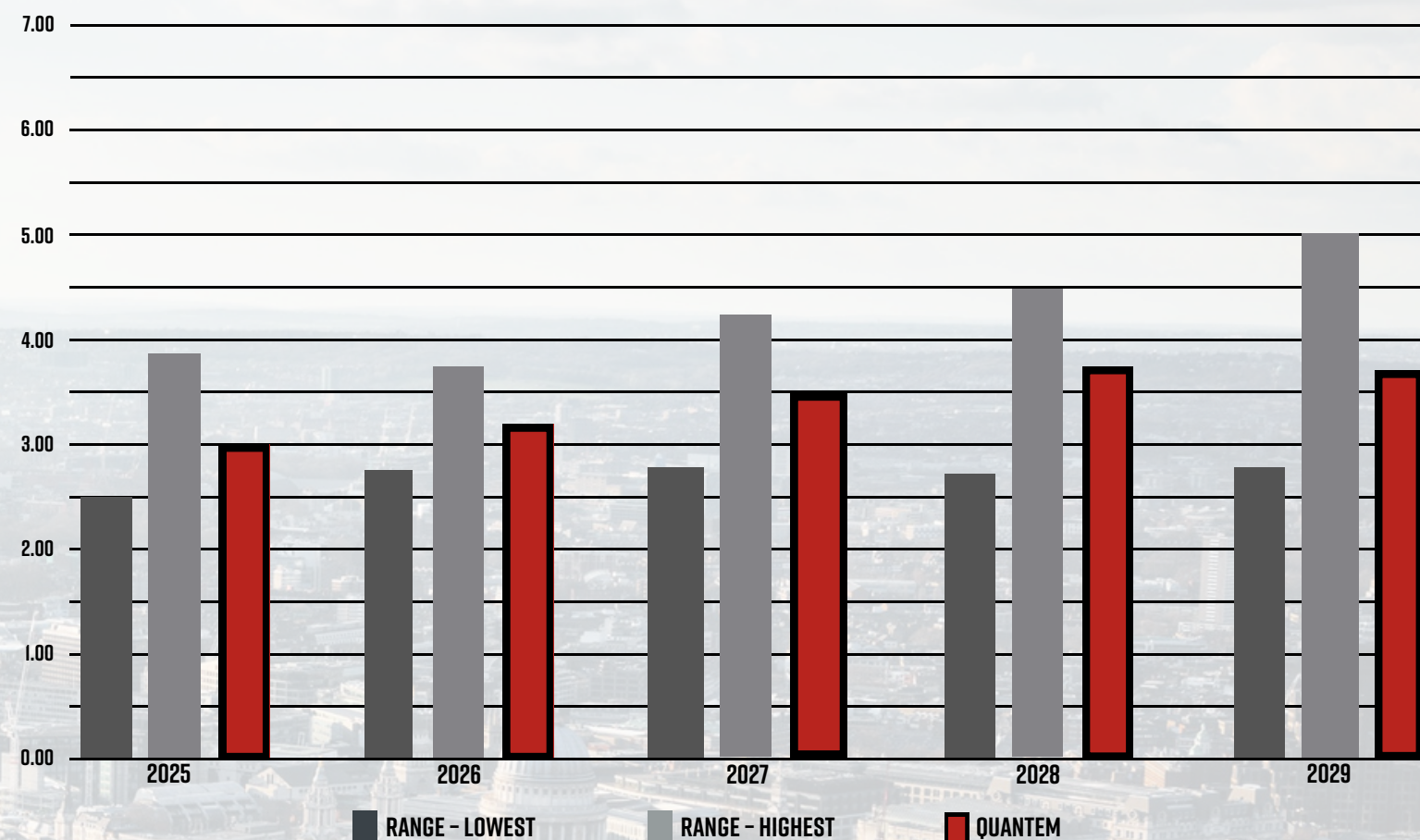
POSITIVE SIGNS

- Following £725 billion 10-Year Infrastructure Strategy, consent granted for the Outer Dowsing Offshore Windfarm to generate 1.5 gigawatts, enough green energy for 1.5m homes.
- Private Housing workload forecast by Glenigan to rebound with 6% growth in 2026 as consumer confidence stabilises.
- Anticipated growth from Savills in Industrial and Logistics of 2%-3%, driven by manufacturing and logistics demand.
- Colliers forecast a better office space demand in 2026 with more turnover, refurbishment, development and lending, but income-driven rather than yield-compression led.
- RIBA Future Trends survey recorded a positive Workload Index, ending months of negative balances and signalling a return of confidence in the pipeline.

RISKS

- If the current conflict in Iran continues in the medium term there will be early pressure on UK inflation, base rate stability and likely immediate impact leading to rising materials costs.
- Insolvency Service recorded 3,950 insolvencies in construction over 12 months, 17% of company failures, >102,000 construction firms classified in "significant" financial distress, +14% year-on-year, and unknown impact of HMRC crack-down on unpaid tax pushing "zombie" companies into insolvency.
- ONS construction workforce -3.9% through 2025. According to CITB, construction needs +47,860 workers annually to 2029 to meet demand, 35% of workers are over 50, and 750,000 workers are expected to retire by 2036.
- Irwin Mitchell obtained FoI yielded 5,594 homes are caught in delayed Gateway 3 awards, often taking much longer than the prescribed 8 weeks, despite BSR improvements, delaying handover of completed homes.
- UK construction output is forecast by the Construction Products Association to grow just 1.7% in 2026, down from the 2.8% predicted late 2025.

INFLATION REPORT



2026 +3.25%

YEAR	QUANTEM	BCIS	G&T	MACE*	GLEEDS*	RLB	ARCADIS*	T&T	BUILDING MAGAZINE (AECOM)	RANGE		QUANTEM PREVIOUS QUARTER
	%	%	%	%	%	%	%	%	%	L	H	
2025	3.00	2.50	N/A	3.50	3.25	3.03	2.75	3.75	3.00	2.50	3.75	3.25
2026	3.25	3.00	3.00	3.00	3.25	3.45	2.75	3.75	3.80	2.75	3.80	3.35
2027	3.50	3.40	2.75	3.50	3.50	3.66	3.75	4.25	4.00	2.75	4.25	3.75
2028	3.75	3.30	2.75	4.00	N/A	3.84	4.50	N/A	4.00	2.75	4.50	3.75
2029	3.75	3.40	2.75	3.50	N/A	3.81	5.00	N/A	N/A	2.75	5.00	N/A

DRIVERS AND METRICS



INFLATION

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

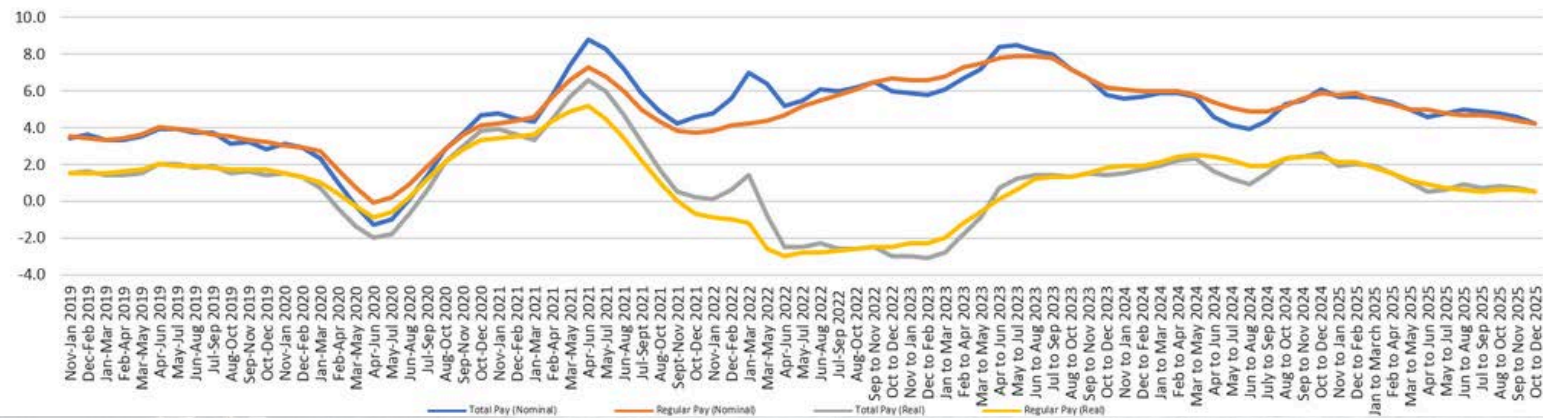
Through this section of our report, we review several drivers and influencers to construction inflation.

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.

ONS data used dates to December 2025 with updates not available at time of this report.

AVERAGE WEEKLY EARNINGS ANNUAL % GROWTH (ONS)



	LAST YEAR	LAST PERIOD	THIS PERIOD	CHANGE	CHANGE
	OCT - DEC 2024	SEP - NOV 2025	OCT - DEC 2025	MONTH	YEAR
TOTAL PAY (NOMINAL)	6.1	4.6	4.2	-0.4	-1.9
REGULAR PAY (NOMINAL)	5.9	4.4	4.2	-0.2	-1.7
TOTAL PAY (REAL)	2.6	0.7	0.5	-0.2	-2.1
REGULAR PAY (REAL)	2.4	0.6	0.5	-0.1	-1.9



REAL WEEKLY PAY

Total av construction weekly pay down -2.1% in real terms

AVERAGE STERLING EXCHANGE RATE



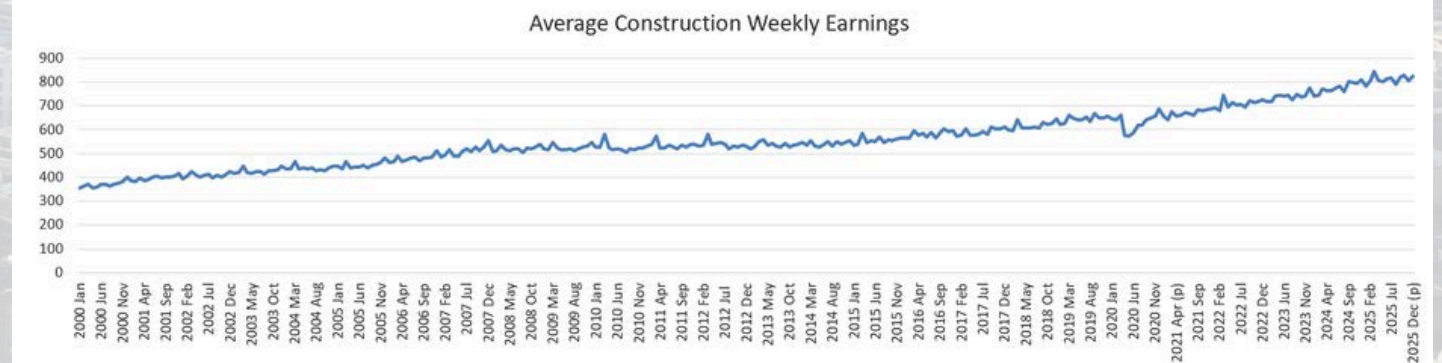
	LAST YEAR	LAST PERIOD	THIS PERIOD	CHANGE	CHANGE
	DEC-24	NOV-25	DEC-25	MONTH	YEAR
£:€	1.2079	1.1368	1.1429	0.54%	-5.38%
£:\$	1.2647	1.3143	1.3384	1.83%	5.83%



£:€ EXCHANGE

£:€ up in month, down against € in year and up in year against \$. ONS update to Jan 26 €1.1523, and \$1.3527, with these shifting further in the marketplace since Iran Conflict start.

AVERAGE CONSTRUCTION WEEKLY EARNINGS



	LAST YEAR	LAST PERIOD	THIS PERIOD	CHANGE	CHANGE
	DEC-24	NOV-25	DEC-25	MONTH	YEAR
AVERAGE WEEKLY EARNINGS	757.73	768.52	761.10	-3.12%	0.44%
BONUSES	53.58	21.01	62.87	199.26%	17.35%
TOTAL AVERAGE WEEKLY EARNINGS	811.31	806.58	823.97	2.16%	1.56%

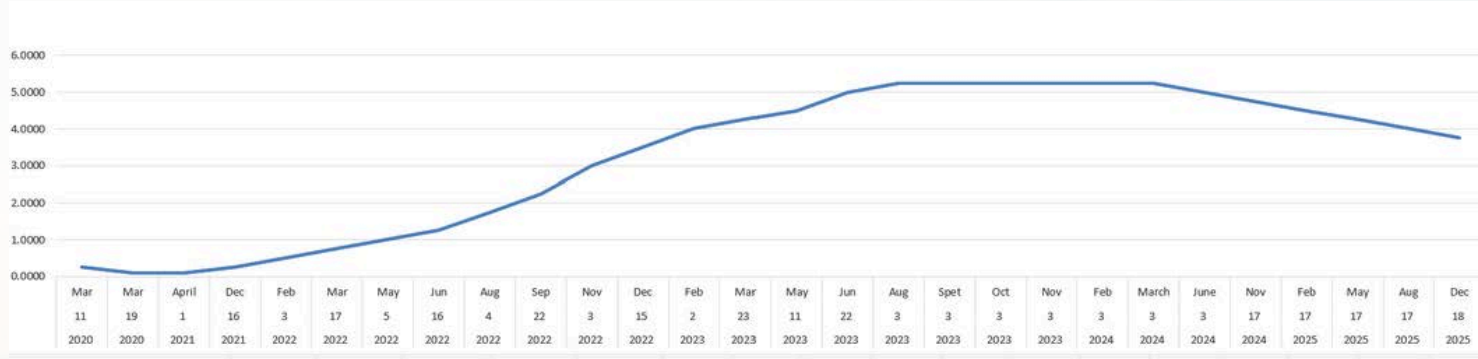


AVERAGE EARNINGS

Total av construction earnings up +1.56% over year, but within this bonuses up +17.35%

DETAIL MATTERS

BOE BASE RATE



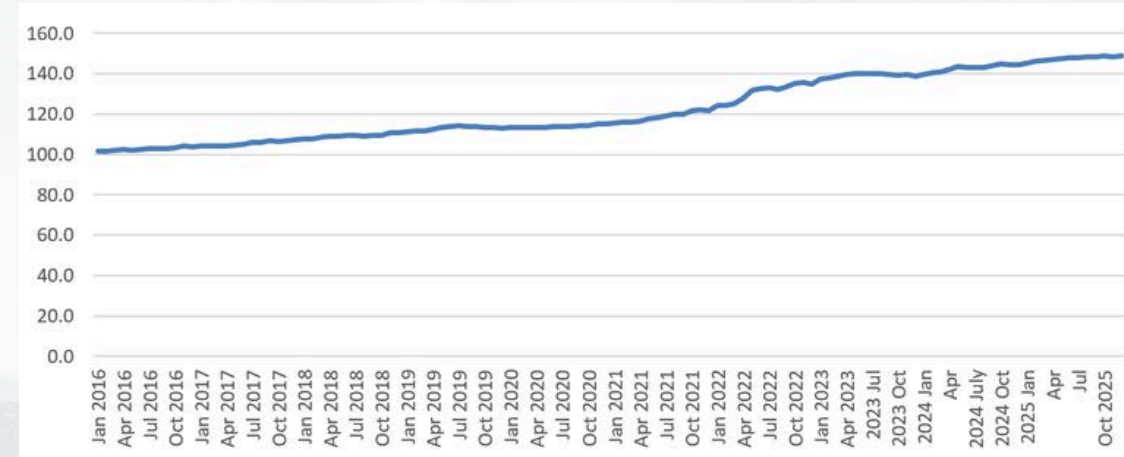
	LAST YEAR	LAST PERIOD	THIS PERIOD	PERIOD	CHANGE
	DEC-24	AUG-25	DEC-25	MONTH	YEAR
BANK OF ENGLAND BASE RATE	5.25	4.00	3.75	-0.25	-1.50



BOE BASE RATE

Dropped to 3.75%, down from 5.25% one year ago in late 2024, but could increase in 2026

ALL CONSTRUCTION OUTPUT PRICES % CHANGE



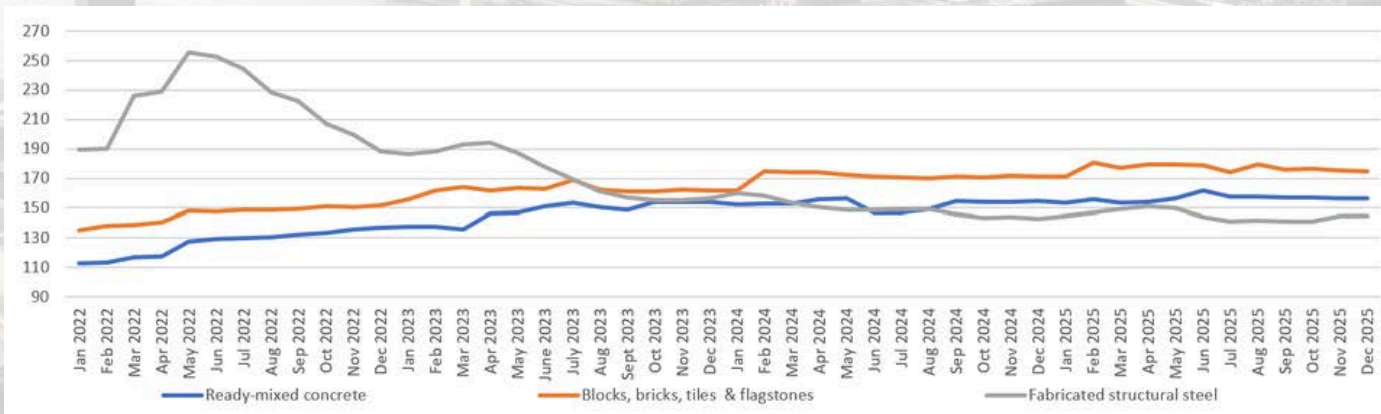
	LAST YEAR	LAST PERIOD	THIS PERIOD	CHANGE	CHANGE
	DEC-24	NOV-25	DEC-25	MONTH	YEAR
CONSTRUCTION OUTPUT INDEX	144.3	148.3	148.7	0.40	4.40



ACOP

Index up 0.40 in month and 4.40 over year up less than TPI

CONCRETE, BRICK & FABRICATED STEEL INFLATION INDICES (ONS)



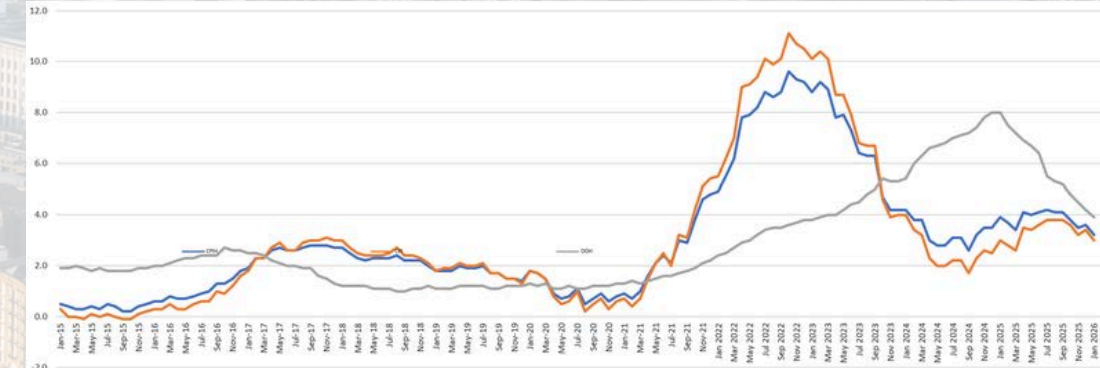
	LAST YEAR	LAST MONTH	CHANGE	THIS MONTH	CHANGE
	DEC-24	NOV-25	YEAR	DEC-25	MONTH
READY-MIXED CONCRETE	154.7	156.2	1.03%	156.3	0.06%
BLOCKS, BRICKS, TILES & FLAGSTONES	171.2	175.4	2.10%	174.8	-0.34%
FABRICATED STRUCTURAL STEEL	142.7	144.7	1.33%	144.6	-0.07%



KEY MATERIALS

Stable over month and year but metals likely to increase

CPIH, OOH AND CPI 12 MONTH INFLATION (ONS)



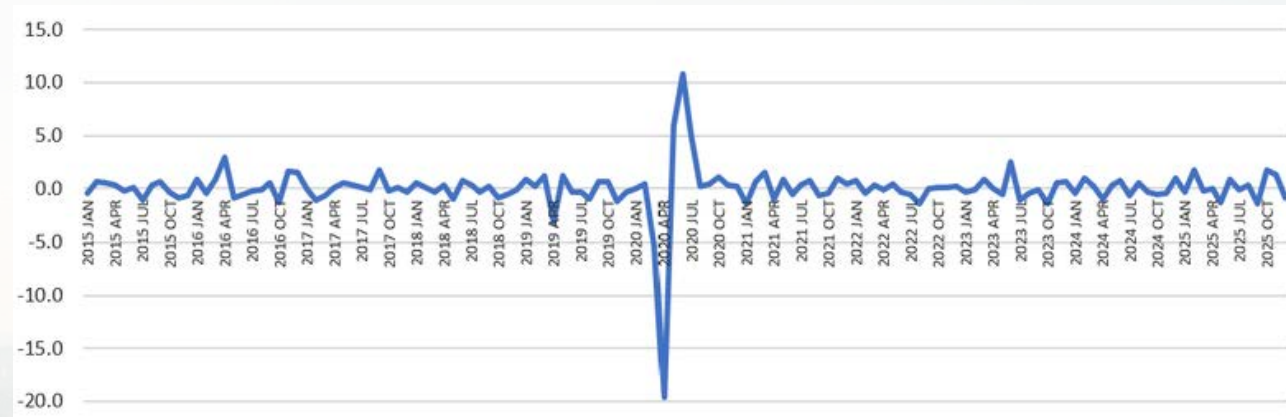
	CPIH	CPI	OOH
MAR 2025	3.4	2.6	7.2
APR 2025	4.1	3.5	6.9
MAY 2025	4.0	3.4	6.7
JUNE 2025	4.1	3.6	6.4
JULY 2025	4.2	3.8	5.5
AUG 2025	4.1	3.8	5.3
SEP 2025	4.1	3.8	5.2
OCT 2025	3.8	3.6	4.8
NOV 2025	3.5	3.2	4.5
DEC 2025	3.6	3.4	4.2
JAN 2026	3.2	3.0	3.9



INFLATION

All down c-0.3% in month, marginally down over year, but OOH down -4.1% over year

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



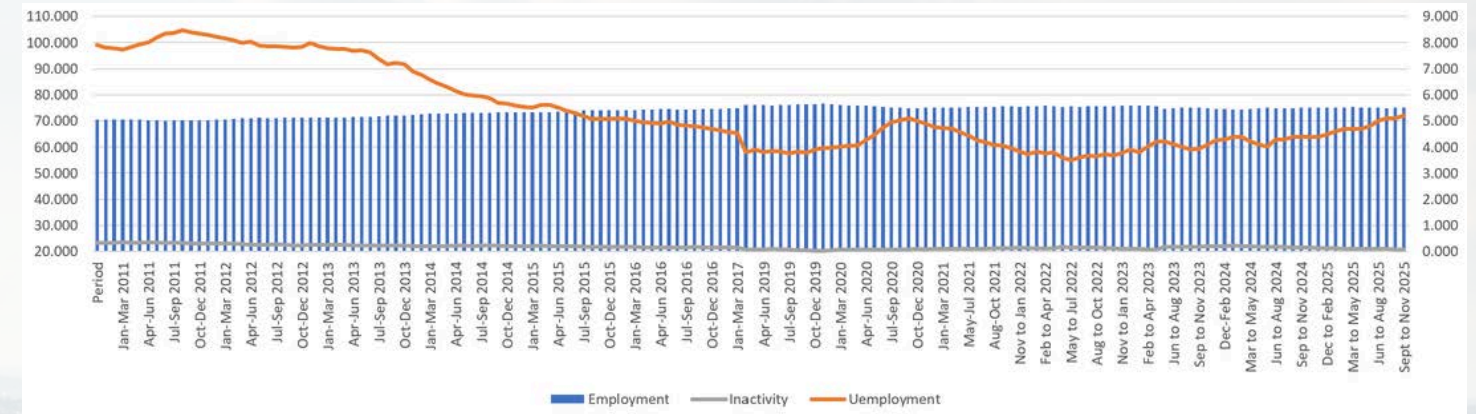
	LAST YEAR	LAST PERIOD	THIS PERIOD	CHANGE	CHANGE
	DEC-24	NOV-25	DEC-25	MONTH	YEAR
MONTHLY GROWTH	1.00%	1.70%	-0.90%	-2.60%	-1.90%



UK GROWTH

Down -1.9% on year and down -2.6% in month

EMPLOYMENT, UNEMPLOYMENT AND INACTIVITY % (ONS)



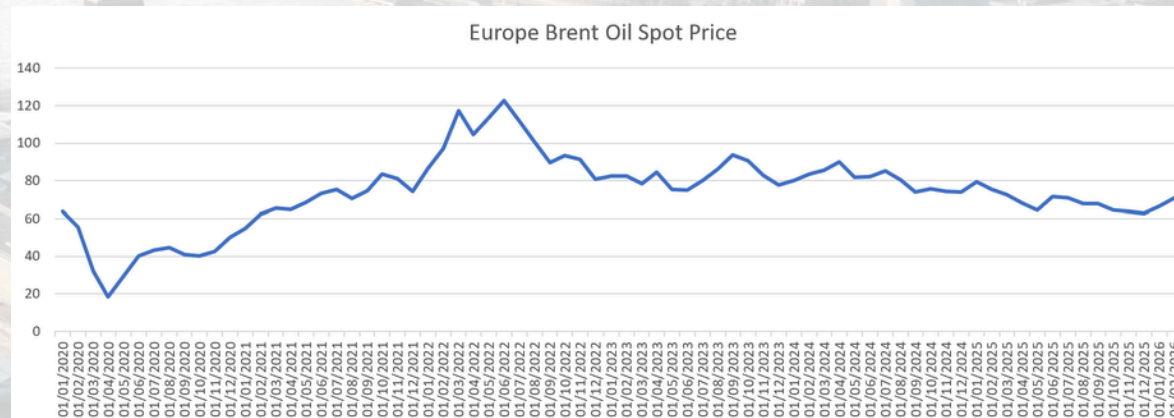
	LAST YEAR	LAST PERIOD	THIS PERIOD	CHANGE	CHANGE
	OCT-DEC 24	SEPT-NOV 25	OCT-DEC 25	MONTH	YEAR
EMPLOYMENT	75.00%	75.10%	75.00%	-0.10%	0.00%
UNEMPLOYMENT	4.40%	5.10%	5.20%	0.10%	0.80%
INACTIVITY	21.50%	20.80%	20.80%	0.00%	-0.70%



EMPLOYMENT & INACTIVITY

Employment down -0.1% in month but unchanged on year. Unemployment increased by 5.20%

EUROPE BRENT OIL SPOT PRICE

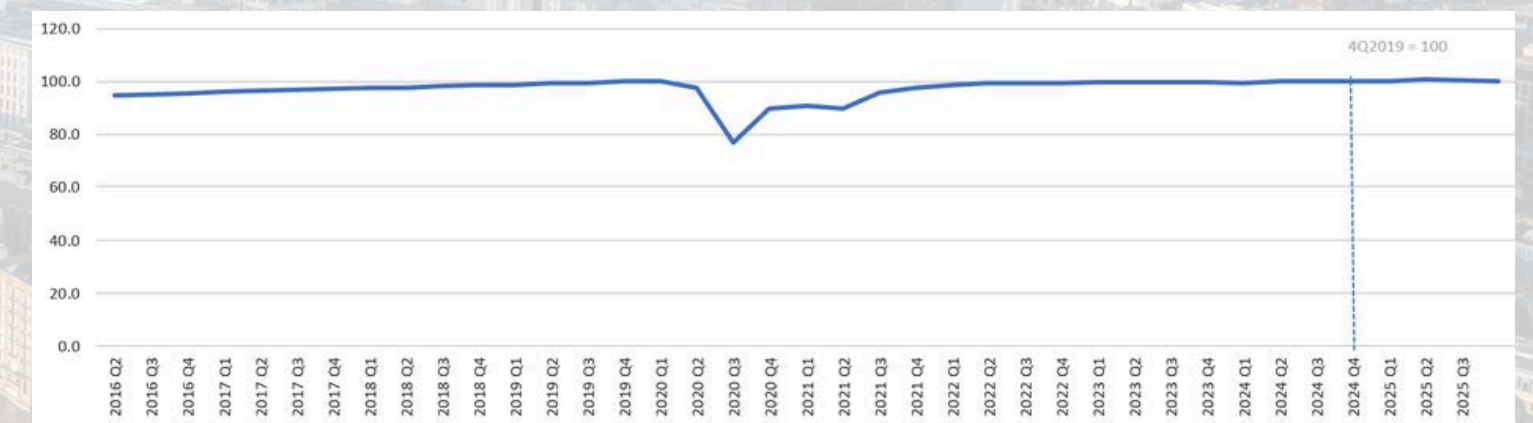


EUROPE BRENT OIL PRICE

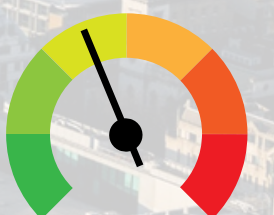
Oil prices decreased by 15.98% in 2025; the Iran war impact on oil price remains inflationary and volatile at over \$100 a barrel in March 2026

	LAST YEAR	LAST PERIOD	THIS PERIOD	CHANGE	CHANGE
	JAN-25	NOV-25	JAN-26	MONTH	YEAR
EUROPE BRENT OIL SPOT PRICE	79.27	63.80	66.6	4.39%	-15.98%

GDP QUARTERLY INDEX NATIONAL ACCOUNTS (ONS)



	LAST YEAR	LAST PERIOD	THIS PERIOD	CHANGE	CHANGE
	2024 Q3	2025 Q2	2025 Q3	QUARTER	YEAR
GDP QUARTERLY INDEX	100	100.3	100.1	-0.20%	0.10%



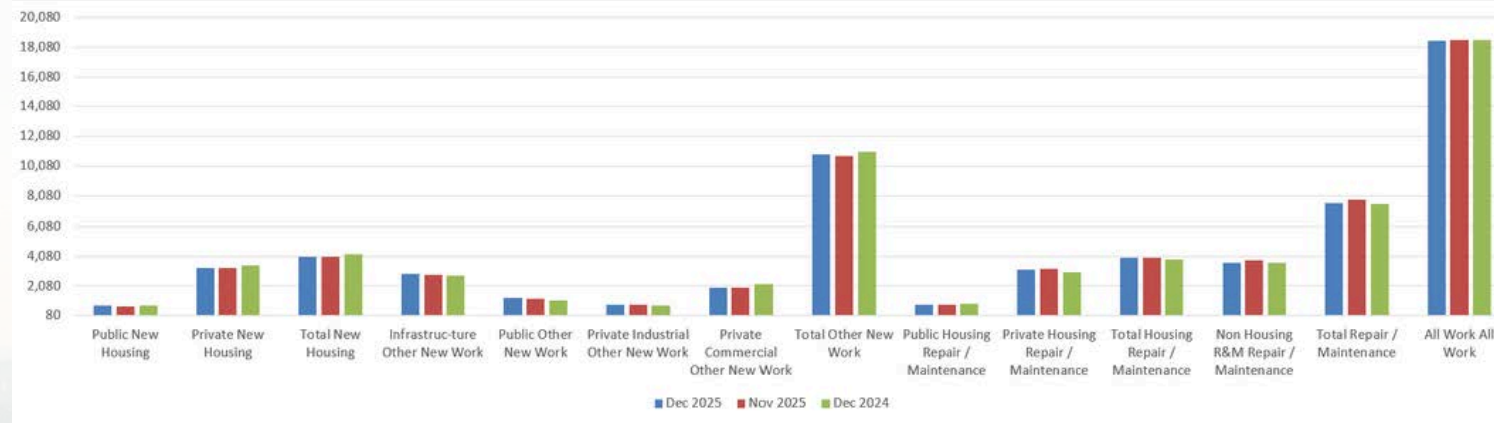
GDP QUARTERLY INDEX

No data published in period

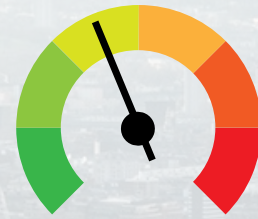
* 0.1% decrease in GDP in the quarter, with no GDP growth

DETAIL MATTERS

CONSTRUCTION OUTPUT: VOLUMES SEASONALLY ADJUSTED BY SECTOR (ONS)



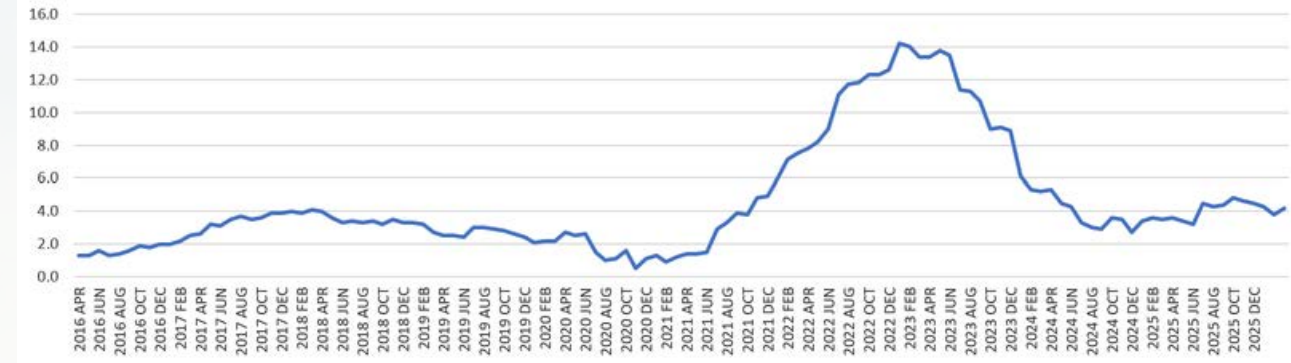
	LAST YEAR	LAST MONTH	CHANGE	THIS MONTH	CHANGE
	DEC-24	NOV-25	YEAR	DEC-25	MONTH
PRIVATE NEW HOUSING	3,476	3,294	-6.07%	3,265	-0.88%
PRIVATE COMMERCIAL	2,185	1,945	-10.02%	1,966	1.08%
ALL WORK	18,526	18,570	-0.27%	18,476	0.27%



CONSTRUCTION OUTPUT

A 0.82% annual decrease in all work output but Private Commercial down -10.02% over the year. Up 1.08% in month

RPI ALL ITEMS: PERCENTAGE CHANGE OVER 12 MONTHS



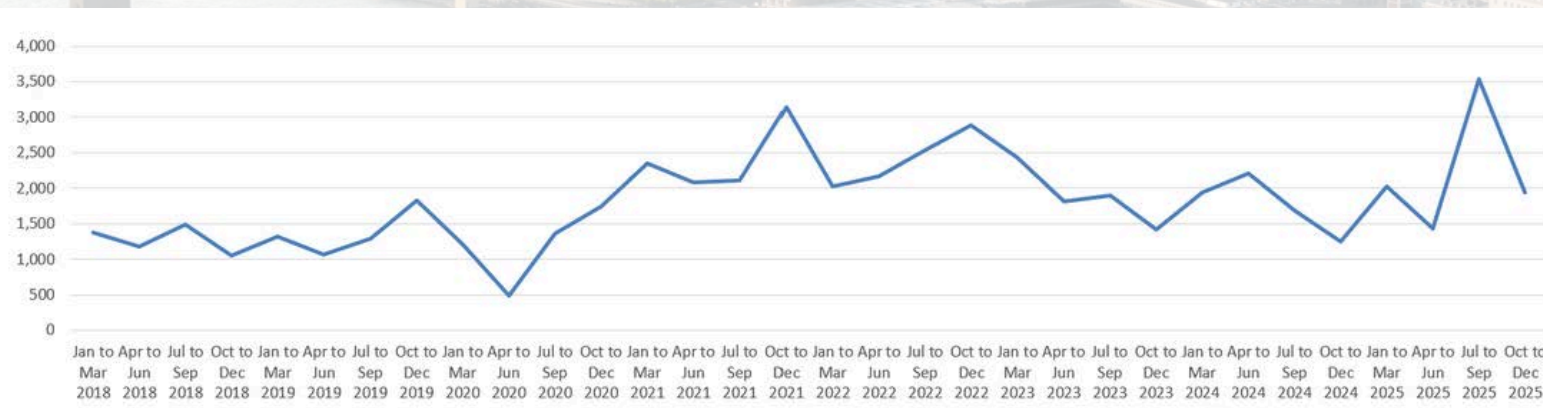
	LAST YEAR	LAST PERIOD	THIS PERIOD	CHANGE	CHANGE
	JAN-25	DEC-25	JAN-26	MONTH	YEAR
RPI ALL ITEMS: PERCENTAGE CHANGE OVER 12 MONTHS	3.6	4.2	3.8	-0.40	0.2



12 MONTH RPI

Down -0.4% in the month but up +0.2% on the year. Iran war impact expected to push this higher through 2026

NEW ORDERS- INDUSTRIAL



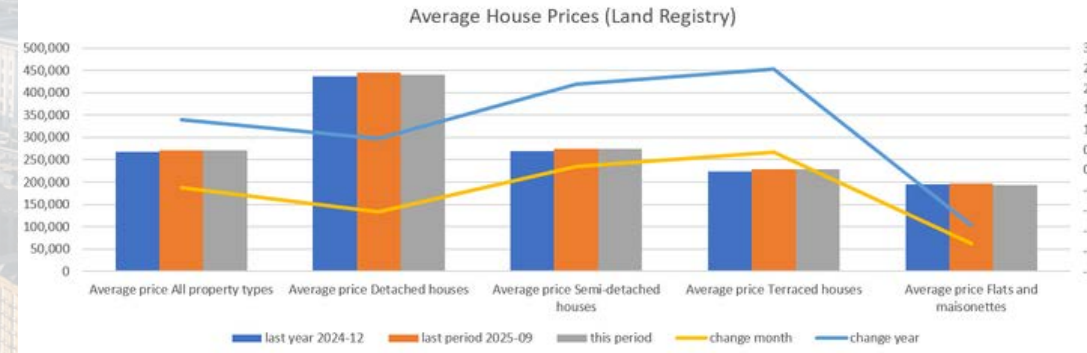
	LAST YEAR	LAST PERIOD	THIS PERIOD	CHANGE	CHANGE
	OCT-DEC 24	JULY-SEP 25	OCT-DEC 25	MONTH	YEAR
ORDER VOLUME £M	1,257	3,532	1,937	-1,595	680



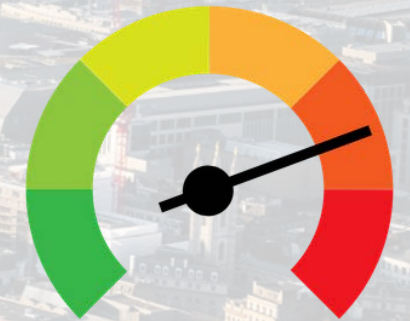
NEW ORDERS -INDUSTRIAL

Down in the month and up overall in the year

AVERAGE HOUSE PRICE (LAND REGISTRY)



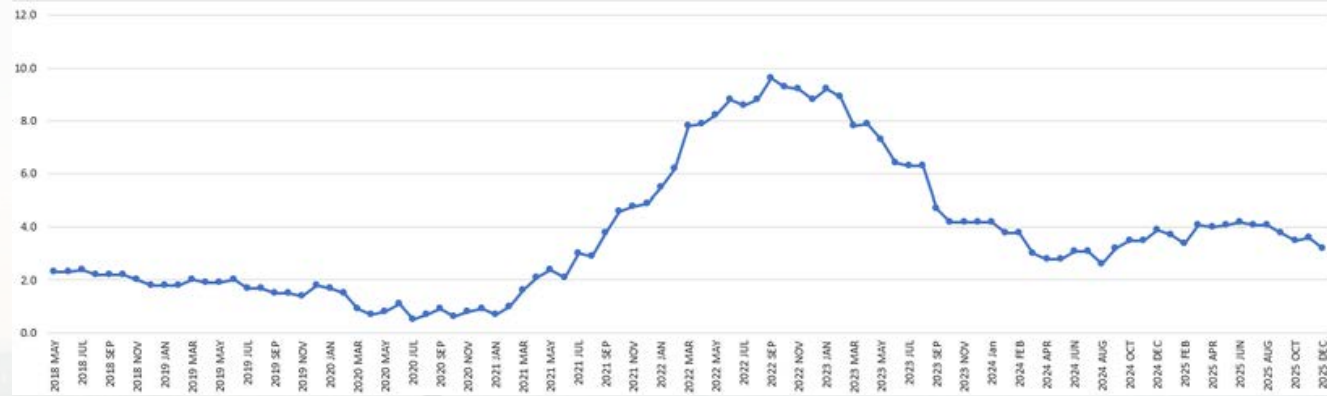
	LAST YEAR	LAST PERIOD	THIS PERIOD	CHANGE	CHANGE
	DEC-24	SEP-25	DEC-25	MONTH	YEAR
AVERAGE PRICE ALL PROPERTY TYPES	267,027	271,531	270,359	-0.43%	1.23
AVERAGE PRICE DETACHED HOUSES	437,204	445,097	440,564	-1.03%	0.76%
AVERAGE PRICE SEMI-DETACHED HOUSES	269,491	275,108	275,313	0.07%	2.11%
AVERAGE PRICE TERRACED HOUSES	223,766	228,454	229,449	0.43%	2.48
AVERAGE PRICE FLATS AND MAISONNETTES	195,480	196,316	192,826	-1.81%	-1.38%



AVERAGE HOUSE PRICE

As of December 2025, the average house price in the UK is £270,259 Housing prices have decreased by 0.43% compared to the previous month, but risen by 1.23% compared to the previous year.

CPIH ANNUAL RATE

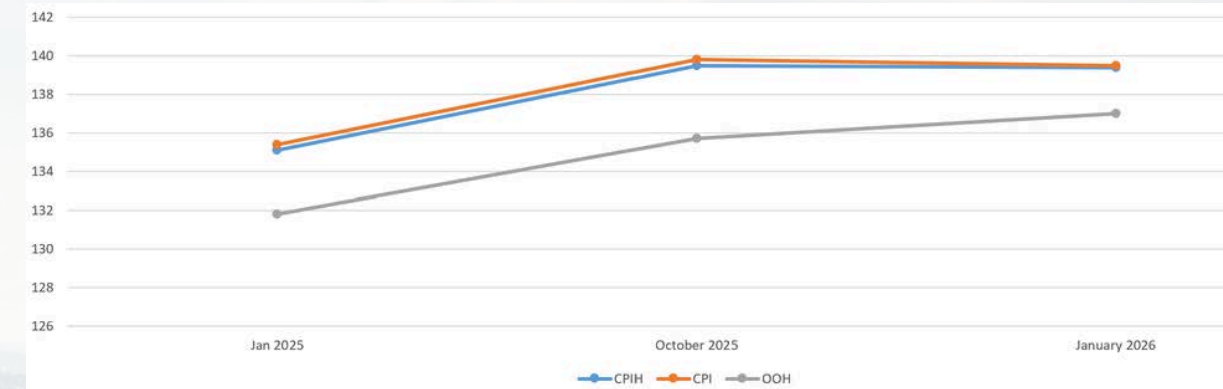


	LAST YEAR	LAST PERIOD	THIS PERIOD	CHANGE	CHANGE
	JAN-25	OCT-25	JAN-26	MONTH	YEAR
CPIH ANNUAL RATE	3.9	3.8	3.2	-0.6	-0.7



CPIH ANNUAL RATE
3.2% current annual rate, with a slight decrease from last month and down 0.7% over the year

CPIH, OOH AND CPI INDEX VALUES (ONS)

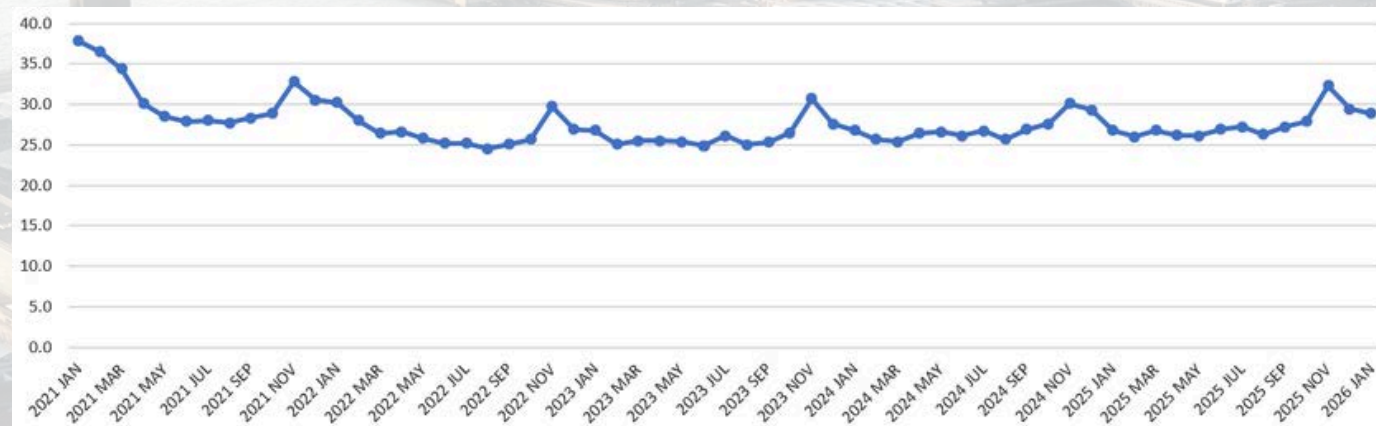


	LAST YEAR	LAST PERIOD	THIS PERIOD	CHANGE	CHANGE
	JAN-25	OCT-25	JAN-26	MONTH	YEAR
CPIH	135.1	139.5	139.4	-0.1	4.3
CPI	135.4	139.8	139.5	-0.3	4.1
OOH	131.8	135.7	137	1.3	5.2



CPIH, OOH & CPI INDEX
All up on the year with OOH up 1.3 month

% E-RETAIL (ONS)



	LAST YEAR	LAST PERIOD	THIS PERIOD	CHANGE	CHANGE
	JAN-25	OCT-25	JAN-26	MONTH	YEAR
% RETAIL ONLINE	26.8	27.9	28.9	1.0	2.1



E-RETAIL
Up in the month and 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.



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MARKET REFLECTION





WHAT CONSTRUCTION LEADERS NEED TO KNOW IN 2026

2026 is underway and leaders are preparing for what many hope will be an improvement from 2025, with modest increased growth forecast across the construction industry in 2026. Here are some things to know for this year.

There remains a shortage of labour across the UK construction industry as demand, whilst subdued in some sectors, is still generally gaining momentum across the industry, placing inflationary pressure on projects.

There is an ageing workforce, fewer younger entrants, and a lack of commensurate incoming overseas labour, meaning recruitment and staff retention has become a key priority for many construction and development businesses. Material costs are relatively stable, but with labour costs more difficult to predict, and background inflation pressure on wages, ensuring a strong supply chain is becoming key for business leaders when procuring and delivering projects.

Increasing regulatory compliance, including expanded Biodiversity Net Gain and upcoming Building Safety Levy, will put pressure on developer profit margins, and consequently output for the industry, at a time where viability remains challenging due to subdued forecast value growth.

Technology adoption is increasing, with BIM and AI becoming more prominent and used for data management and improving productivity. Leaders must continue to adapt to these changes and incorporate technology training to ensure upkeep with trends and to remain competitive in the market.

Sustainability and carbon regulation are now greater requirements with Clients more commonly requiring sustainability performance and accreditation to meet corporate and funding obligations.

THE SKILL SHORTAGE

“Winning teams need a world-class facility to perform at their best, and this new London campus is exactly that. As a proud British company, this represents a significant and continued investment in our UK talent and infrastructure. It’s an engine for collaboration, bringing our exceptional people together into a creative and innovation hub that delivers for our clients”

Cindy Rose, CEO of WPP (on One Southwark Bridge)

The shortfall in skilled labour, caused by a range of factors, continues to showcase the UK construction industry’s need for changes to meet demand. There are a number of methods being implemented to address the skills shortages.

Brexit led to less access to EU workers, and a lack of training and apprenticeship uptake has compiled the pressure on obtaining skilled labour.

Demand for construction remains high relative to labour supply; driven by UK housing needs and government projects, whilst wages remain stagnant and the stigma around construction being a low status industry continues to push people into other sectors.

In response, the industry is expanding apprenticeships and promotional campaigns, retraining and upskilling the existing workforce, exploring technological solutions, and seeking wider international recruitment.

The skills gaps will remain for at least a few years whilst the above takes effect, however, these initiatives have the ability to address the skills shortages in the medium to long term. The skills shortage affects a wide spread of trades including electricians, plumbers, gas engineers, carpenters, and bricklayers.

The UK construction industry is facing significant shortages in the availability of skilled labour caused by a number of factors. Including an ageing workforce with many experienced workers close to retirement age and not enough younger people entering the supply chain.



SELECTIVE TENDERING **FROM CONTRACTORS**

Contractors are becoming increasingly cautious about which projects they consider engaging on due to perceived project risks, sector-based concerns over their own legacy risks, and claims and final accounts still to be concluded.

Whilst demand is relatively subdued in certain sectors, some contractors are starting to reject tenders or withdrawing from tenders. Persistent insolvencies and continuing work winning price pressures across the supply chain, has meant main contractors are becoming more risk averse to taking on fixed price projects where these risks are not able to be readily managed, or unable to be passed through to suppliers.

This is further fuelled by volatility in labour pricing where it has become more difficult to price work confidently. A lack of protection from inflation, where the supply chain will not accept fixed pricing, makes tendering less attractive on some projects, notably long or complicated projects. There are also reports of subdued growth in new private sector orders, where contractors can be more selective and focus on projects where there is perceived greater certainty on profitability. This is perhaps truer where there is greater scale of work in certain trades, such as MEP, where supply is more constrained, making work winning for these trades more available, and thereby main contractors securing competitive fixed pricing for these sub-contractor work streams, more challenging.

In the residential arena, two-stage tendering for Higher Risk Buildings has become the norm to generate detailed design for Gateway approval. In other sectors, two-stage tendering, or negotiation, for main contractors is now becoming more prevalent to provide greater risk sharing between main contractors and clients, and to provide greater work-winning certainty for sub-contractors where main contractors are seeking to agree terms and fix pricing.

2026 OUTLOOK

The Construction Products Association have downgraded their 2026 growth forecast to just 1.7%, down from 2.8%, due to weak demand. Whilst Construction Output costs are expected to grow in 2026 by more than the level of general inflation, suggesting the supply chain are squeezing their pricing in a subdued market. Whilst materials inflation has generally stabilized, labour costs and costs associated with regulatory change means construction inflation at around 3% had been predicted for 2026. The impact of the Iran war is yet to be fully realised in these figures, but the supply of some key materials will undoubtedly experience increased cost inflation as a result of the conflict and energy crisis through 2026.

'Survive to '25' proved to not quite be the case, as a difficult 2025 saw reduced investor appetite and a downturn in construction and development output. But there is greater hope for 2026, as lower inflation and greater certainty in government policy might mean the start of greater demand, driven by Infrastructure.

Housing viability remains under pressure but is expected to make a slow recovery in 2026. Greater confidence in the commercial sector saw a +73% increase over the year on £100m+ transactions by the end of 2025.

Key trends for 2026 that will likely run and grow over the years include AI adoption to working practices to generate time and resourcing efficiencies, sustainability compliance to align to 2030 corporate and regulatory carbon mitigation strategies, and MMC to increase productivity on site and mitigate the impact of an ageing and diminished construction workforce.

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