QUANTEM

MARKET REPORT

SECOND QUARTER – 2026

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.

- 2006 – QUANTEM IS FOUNDED
- 2013 – BUILDING MAG. CONSULTANT OF THE YEAR
- 2014 – SECOND OFFICE OPENS – BIRMINGHAM
- 2017 – INTERNATIONAL OFFICE OPENS – NEW YORK CITY
- 2021 – EMPLOYEE OWNERSHIP TRUST
- 2023 – QUANTEM GROWS ABOVE 100 EMPLOYEES
- 2025 – DUBAI OFFICE OPENS
- 2026 – QUANTEM EXPANDS INTO SCOTLAND

EXECUTIVE SUMMARY

Quantem's Quarter Two 2026 Market Report reviews the short-term challenges that are currently suppressing market confidence. The report addresses the impact of the Iran conflict, the UK steel market, Gateway 2 approvals and PMI Construction sentiment. However, there are causes for optimism through 2026.

The overall average TPI for 2026 across sectors growing from +3.25% in 1Q26, to +3.50% in 2Q26 despite a down-swing in new orders in many sectors as increases in oil and energy costs have impacted construction pricing, together with pockets of scarcity creating trade-specific inflation.

IRAN CONFLICT TEMPERING UNDERLYING IMPROVEMENTS IN CONFIDENCE AND DEMAND

Following a fragile ceasefire a deal has been struck on 15/06/26 to seek an end to the conflict in Iran. If the deal is sustained and embeds, it will give greater stability for UK construction, lower oil, material pricing and shipping costs, improve market confidence, and reverse war-driven industry turnover contraction. It would also be the catalyst to unwind recent increased fixed price costing, with greater confidence in future pricing certainty. It is yet to be seen if recent price changes driven from conflict derived impact will subside, or if these pricing changes will be maintained.

SNAPSHOT

- Unemployment is up to over 5%
- BoE Interest rates hold at 3.75%
- UK Construction PMI falls further to 38.2 in May (a score below 50 indicates market contraction) down even further than the 39.7 low recorded in April 2026
- GDP movement is +0.6% for 1Q26 above expectations and against +0.2 in 4Q25
- ONS TPI (tender price index) of +2.5% in 1Q26 but is expected to rise to over 3% within 2026
- 38,010 new UK Housing starts were recorded in 4Q26 – a growth of +0.5% on previous quarter but still well below government targets; Gateway 2 approval percentage and numbers now increasing
- ONS Construction Output increases in 1Q26 but remains below 2025 levels
- Political uncertainty in the UK is adding to market uncertainty and affecting investment sentiment

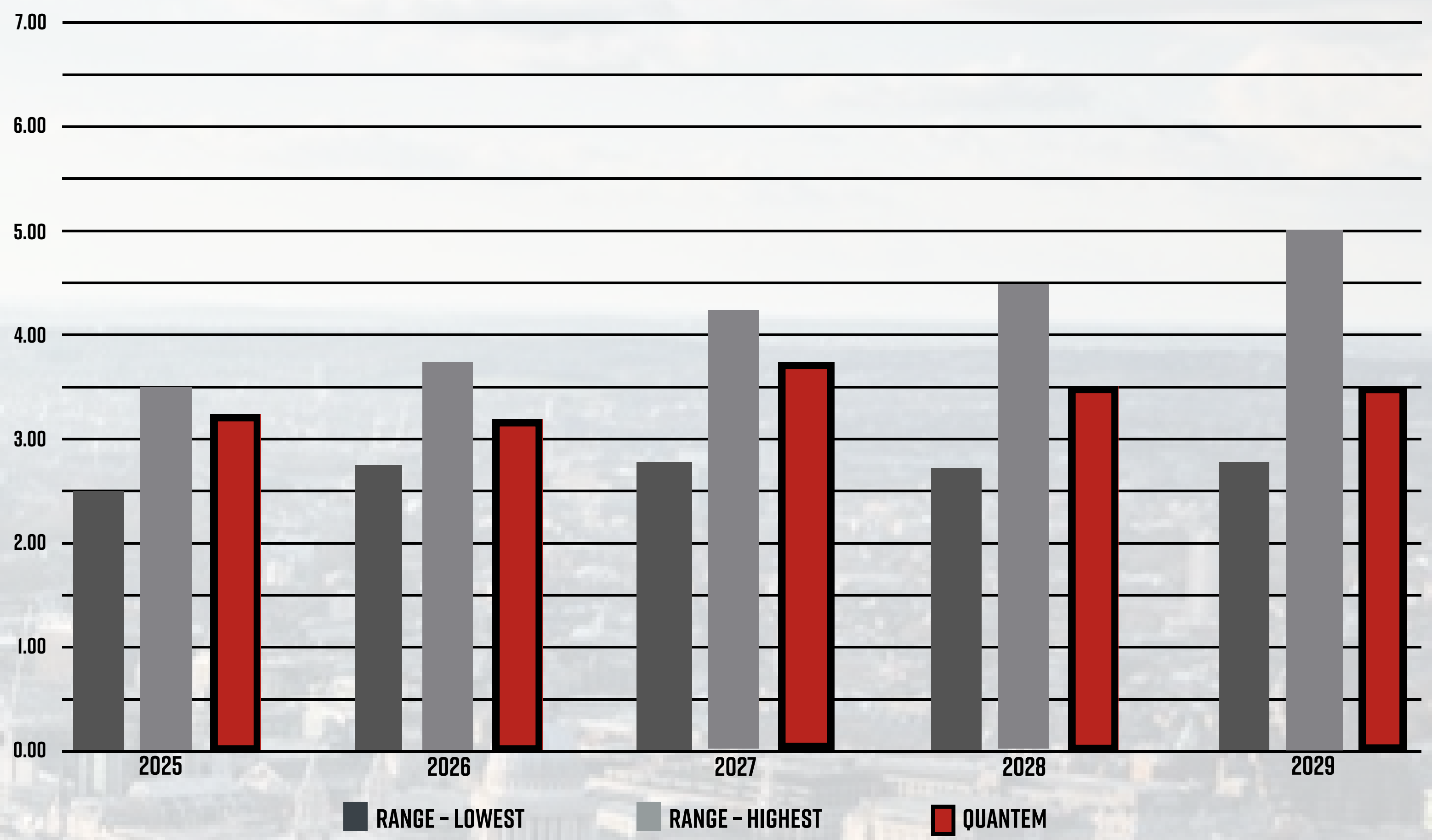
POSITIVE SIGNS

- London New Orders (ONS) increased slightly to £4.2bn in 1Q26
- £120bn construction and infrastructure framework launched
- Infrastructure Pipeline continues to yield new contracts
- Gateway 2 approval rates rise from 67% to 71% in the 12 weeks to 1 May
- £96 million investment for new vocational qualifications and to improve long-term apprenticeship retention

RISKS

- Major housebuilding developers are scaling back their exposure
- The Construction Products Association downgraded its forecast predicting -2.5% output for the year
- Home Builders Federation note concerns about the viability of new housing developments across the UK
- Construction insolvencies remain at uncomfortably high levels, continuing to make up the largest share of company failures

INFLATION REPORT



2026 +3.50%

	QUANTEM	BCIS	G&T	MACE*	GLEEDS*	RLB	ARCADIS*	T&T	BUILDING MAGAZINE (AECOM)	RANGE		AVG 2Q 2026	QUANTEM PREVIOUS QUARTER
YEAR		Y	Y	Y	Y	Y	Y	Y		L	H		
	%	%	%	%	%	%	%	%	%	%	%	%	
2025	3.00	2.50	N/A	3.50	N/A	3.03	2.75	N/A	3.00	2.50	3.50	2.96	3.25
2026	3.50	3.00	3.50	3.00	3.50	3.45	2.75	3.75	3.80	2.75	3.80	3.34	3.25
2027	3.75	2.70	2.75	3.50	3.75	3.66	3.75	4.25	4.00	2.70	4.25	3.55	3.50
2028	3.50	3.10	2.75	4.00	3.75	3.84	4.50	4.25	4.00	2.75	4.50	3.77	3.75
2029	3.50	3.00	2.75	3.50	N/A	3.81	5.00	N/A	N/A	2.75	5.00	3.61	3.75

DRIVERS AND METRICS

INFLATION

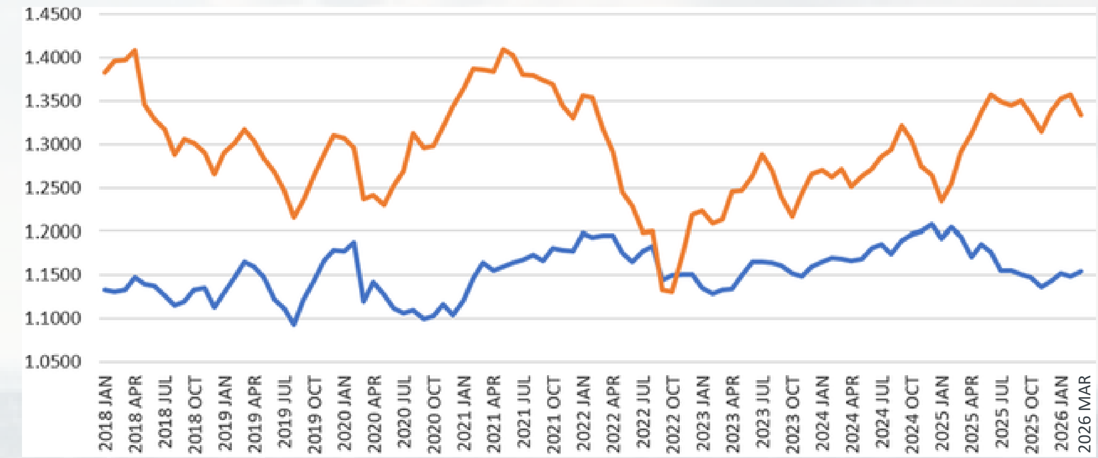
This Quantem report provides information to better inform decision making and strategic planning.

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.

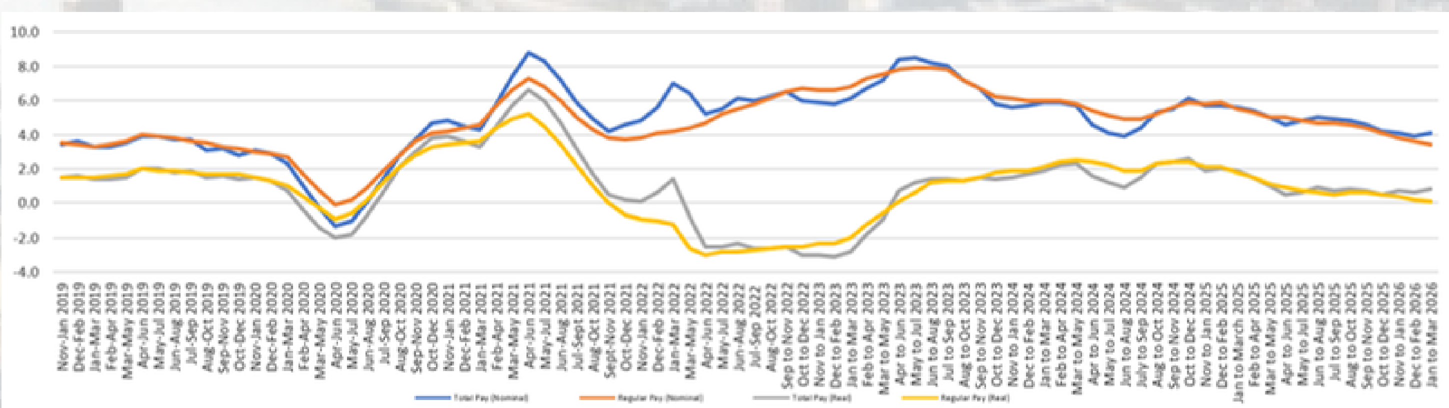
AVERAGE STERLING EXCHANGE RATE



	LAST YEAR	LAST PERIOD	THIS PERIOD	CHANGE	CHANGE
	MAY-25	APR-26	MAY-26	MONTH	YEAR
£:€	1.185	1.1483	1.1541	0.51%	-2.62%
£:$	1.3366	1.3576	1.3334	-1.78%	-0.24%

£:€ up in month buy 0.51%, down against € & $ in year.

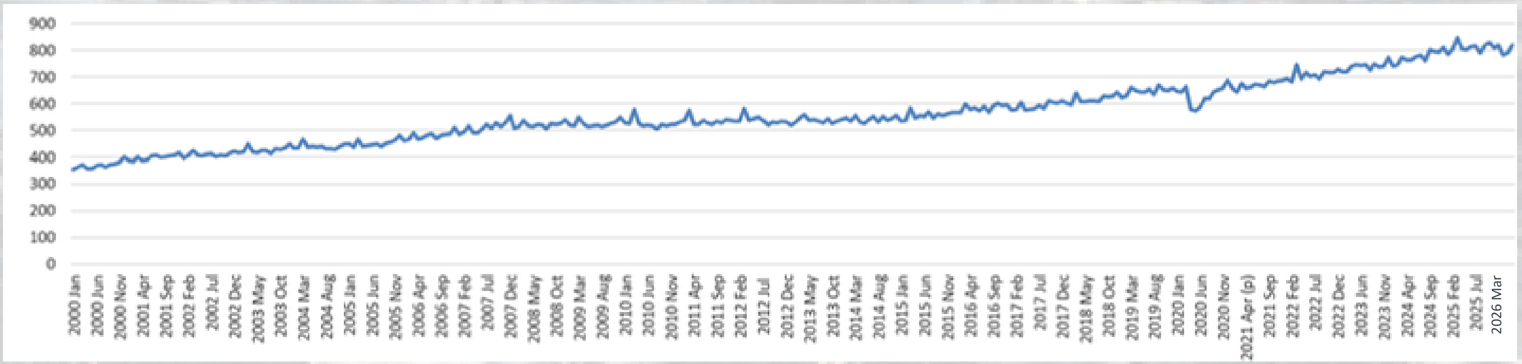
AVERAGE WEEKLY EARNINGS ANNUAL % GROWTH (ONS)



	LAST YEAR	LAST PERIOD	THIS PERIOD	CHANGE	CHANGE
	JAN - MAR 2025	DEC - FEB 2026	JAN - MAR 2026	MONTH	YEAR
TOTAL PAY (NOMINAL)	5.6	3.9	4.1	0.2	-1.5
REGULAR PAY (NOMINAL)	5.5	3.6	3.4	-0.2	-2.1
TOTAL PAY (REAL)	1.9	0.6	0.8	0.2	-1.1
REGULAR PAY (REAL)	1.8	0.2	0.1	-0.1	-1.7

Total av construction weekly pay down -1.1% in real terms

AVERAGE CONSTRUCTION WEEKLY EARNINGS



	LAST YEAR	LAST PERIOD	THIS PERIOD	CHANGE	CHANGE
	MAR-25	FEB-26	MAR-26	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%

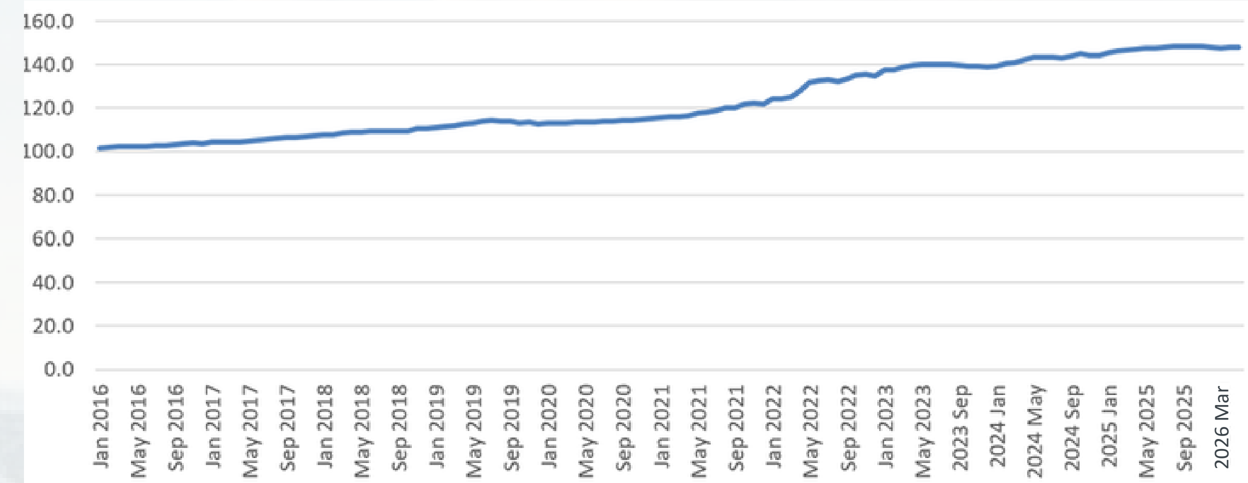
Total av construction earnings up +1.02% over year, but within this bonuses up +22.72%

BOE BASE RATE

	LAST YEAR	LAST PERIOD	THIS PERIOD	PERIOD	CHANGE
	MAY-25	DEC-25	MAY-26	MONTH	YEAR
BANK OF ENGLAND BASE RATE	4.25	3.75	3.75	0.00	-0.50

Remained at 3.75%, down from 4.25% one year ago

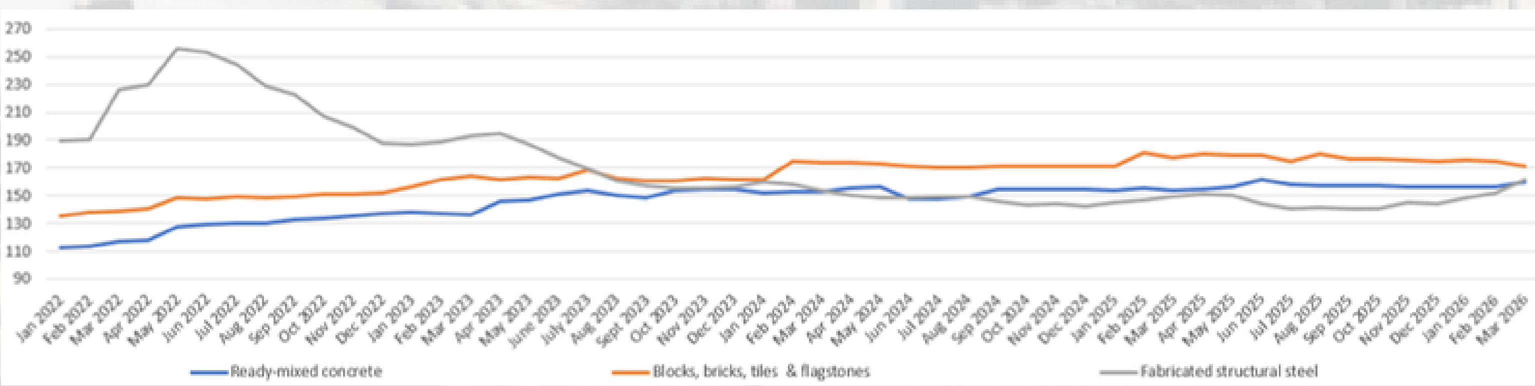
ALL CONSTRUCTION OUTPUT PRICES % CHANGE



	LAST YEAR	LAST PERIOD	THIS PERIOD	CHANGE	CHANGE
	MAR-25	FEB-26	MAR-26	MONTH	YEAR
CONSTRUCTION OUTPUT INDEX	146.7	147.9	148	0.10	1.30

Index up 0.10 in month and 1.30 over year

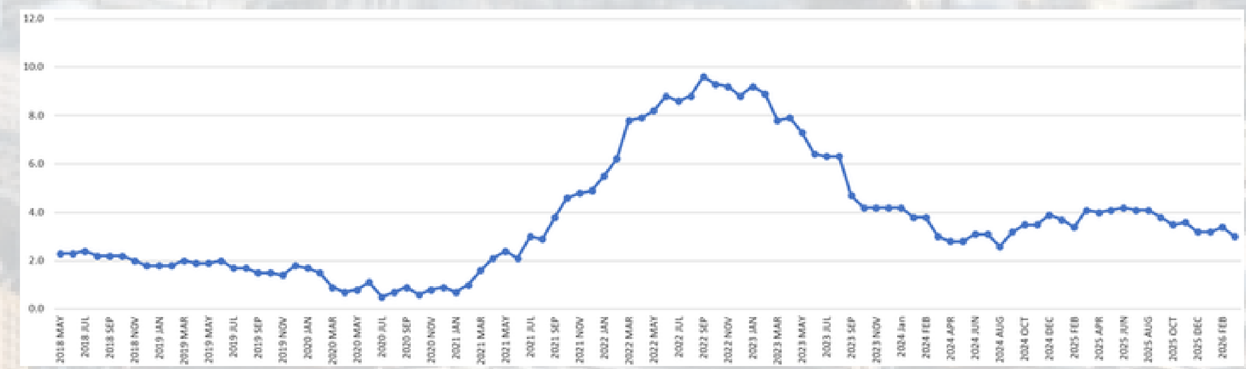
CONCRETE, BRICK & FABRICATED STEEL INFLATION INDICES (ONS)



	LAST YEAR	LAST MONTH	CHANGE	THIS MONTH	CHANGE
	MAR-25	FEB-26	YEAR	MAR-26	MONTH
READY-MIXED CONCRETE	153.6	156.2	3.84%	159.5	2.11%
BLOCKS, BRICKS, TILES & FLAGSTONES	177.2	174.6	-3.39%	171.2	-1.95%
FABRICATED STRUCTURAL STEEL	149.3	152.2	8.24%	161.6	6.18%

Fabricated structural steel, has increased 6.18% in the month, Ready mix concrete up 2.11% in the same period

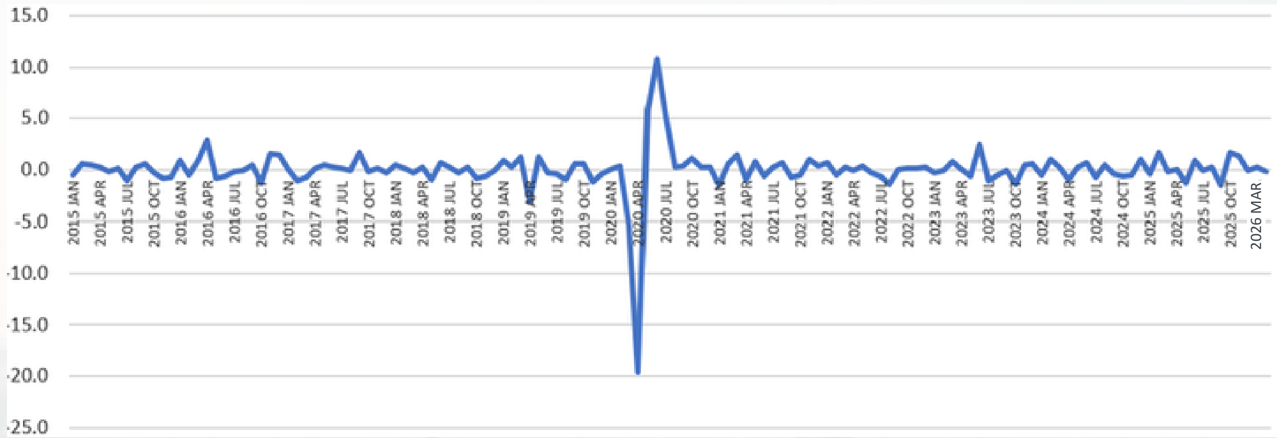
CPIH, OOH AND CPI 12 MONTH INFLATION (ONS)



	CPIH	CPI	OOH
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
FEB 2026	3.2	3.0	3.8
MAR 2026	3.4	3.3	3.6
APR 2026	3.0	2.8	3.6

All down on average c-0.3% in month, marginally down over year, but OOH down -3.3% over year

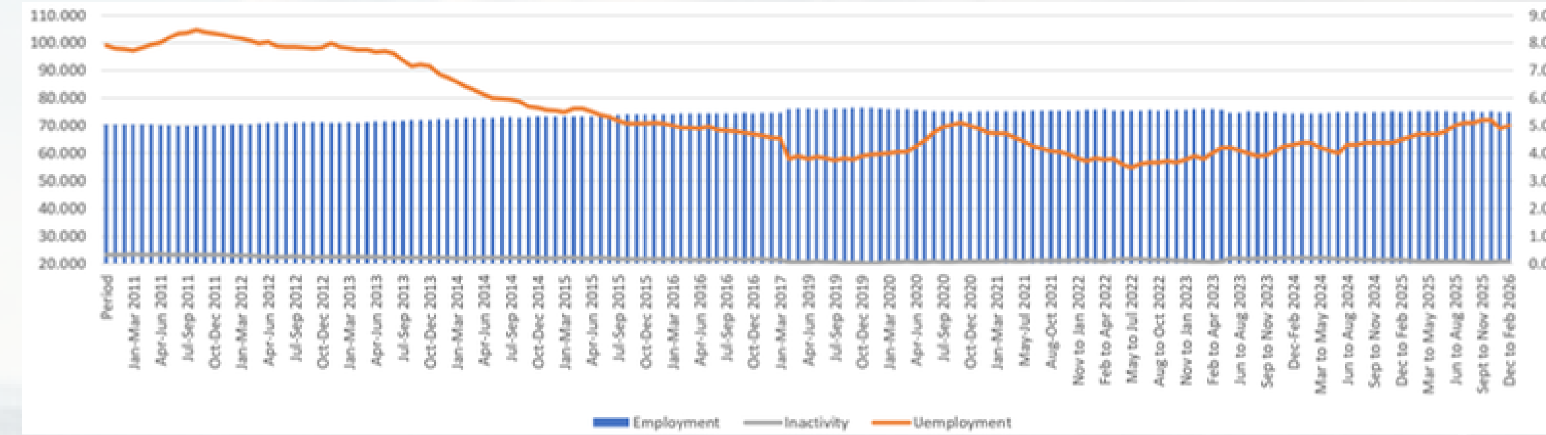
B-E PRODUCTION: CVM: ANNUAL & MONTHLY GROWTH (ONS)



	LAST YEAR	LAST PERIOD	THIS PERIOD	CHANGE	CHANGE
	MAR-25	FEB-26	MAR-26	MONTH	YEAR
MONTHLY GROWTH	-0.20%	0.30%	-0.20%	-0.50%	0.00%

Unchanged on year and down -0.6% in month

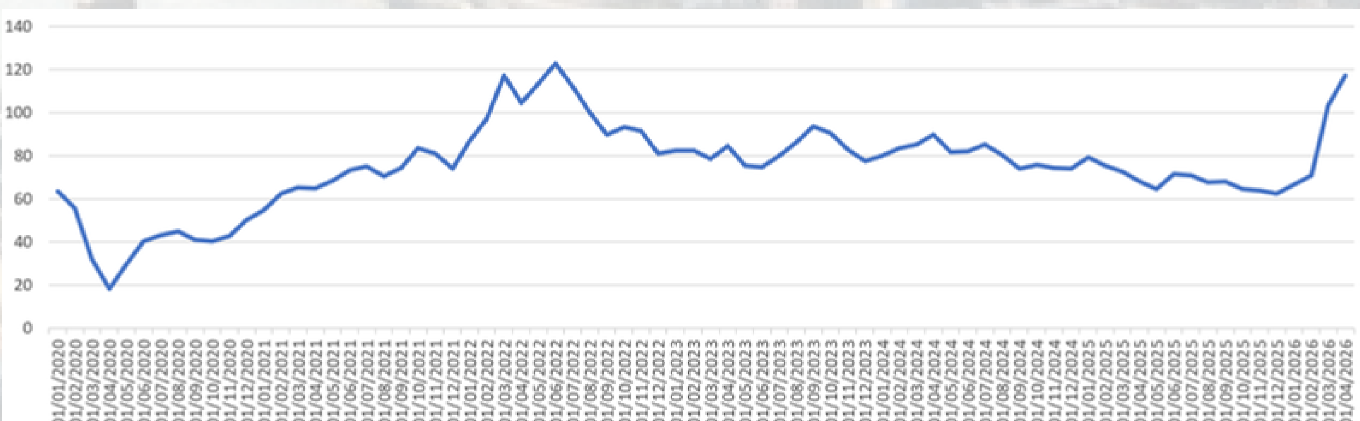
EMPLOYMENT, UNEMPLOYMENT AND INACTIVITY % (ONS)



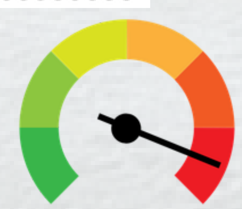
	LAST YEAR	LAST PERIOD	THIS PERIOD	CHANGE	CHANGE
	FEB-APR 25	DEC-FEB 26	JAN-MAR 26	MONTH	YEAR
EMPLOYMENT	75.10%	75.00%	75.00%	0.00%	-0.10%
UNEMPLOYMENT	4.60%	4.90%	5.00%	0.10%	0.40%
INACTIVITY	21.30%	21.00%	20.90%	-0.10%	-0.40%

Employment down -0.1% in year but unchanged in month. Unemployment up 0.4% on year

EUROPE BRENT OIL SPOT PRICE

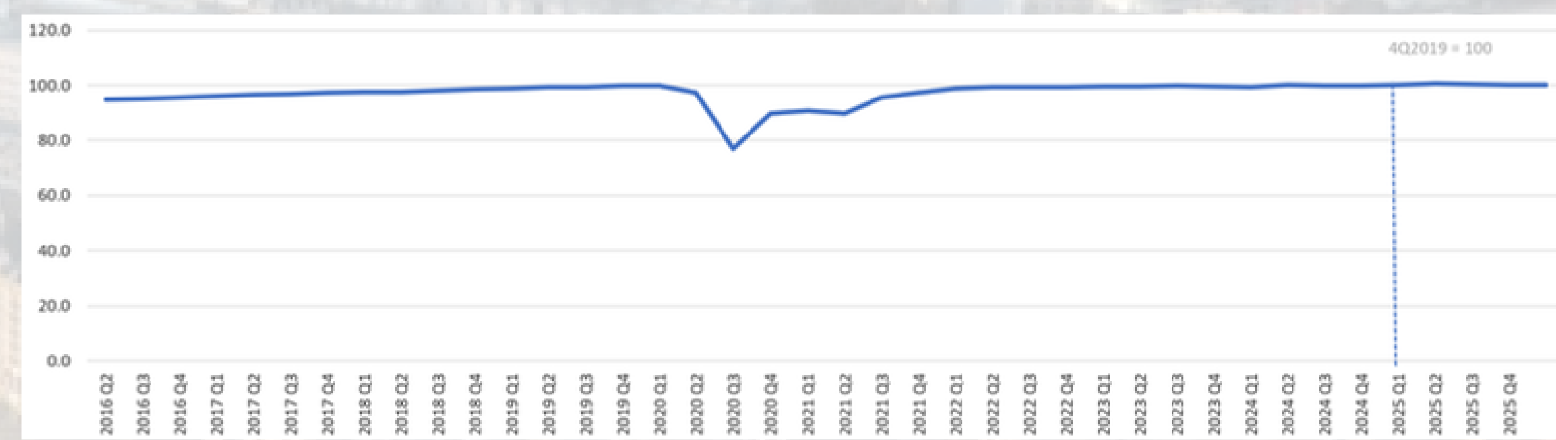


	LAST YEAR	LAST PERIOD	THIS PERIOD	CHANGE	CHANGE
	APR-25	MAR-25	APR-26	MONTH	YEAR
EUROPE BRENT OIL SPOT PRICE	68.13	103.13	117.29	13.73%	72.16%

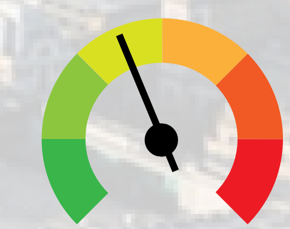


Oil prices have increased by 72.16% annually with prices increasing in the period by 13.73%

GDP QUARTERLY INDEX NATIONAL ACCOUNTS (ONS)

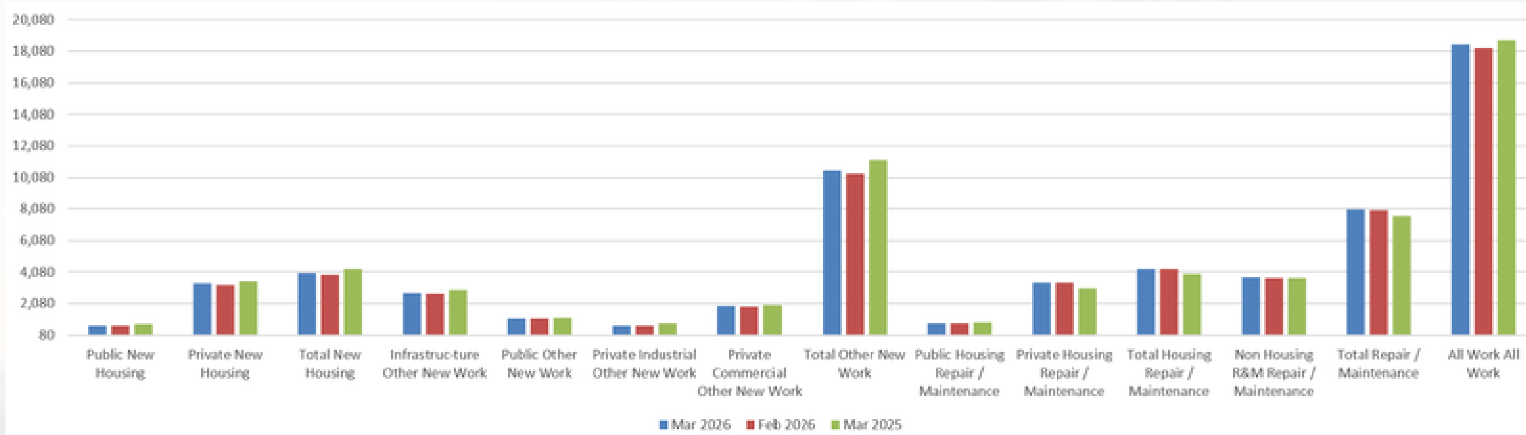


	LAST YEAR	LAST PERIOD	THIS PERIOD	CHANGE	CHANGE
	2024 Q4	2025 Q3	2025 Q4	QUARTER	YEAR
GDP QUARTERLY INDEX	100.1	100.1	100.1	0.00%	0.00%



Not reported by ONS since December 2025

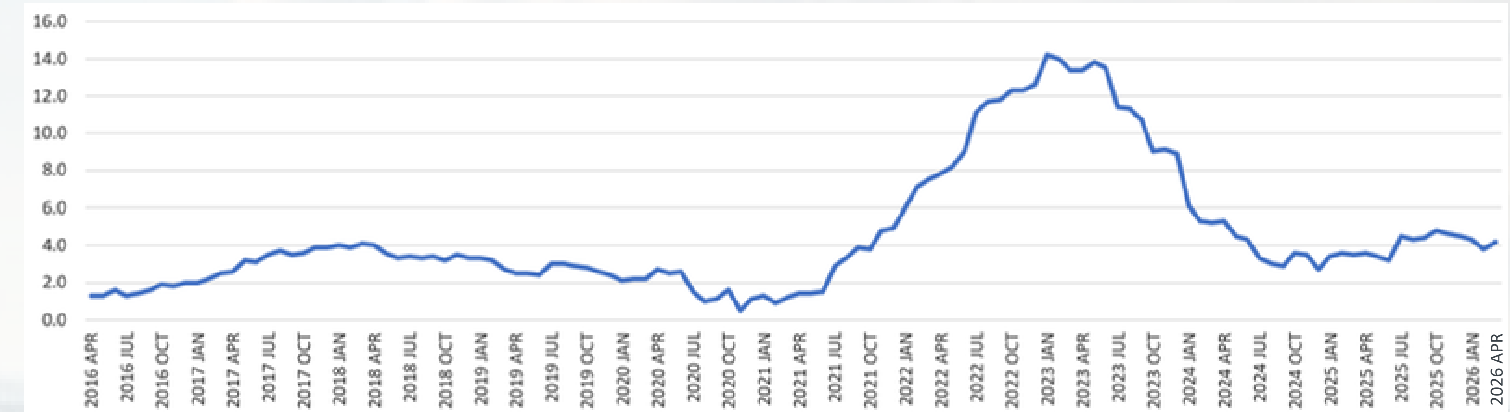
CONSTRUCTION OUTPUT: VOLUMES SEASONALLY ADJUSTED BY SECTOR (ONS)



	LAST YEAR	LAST MONTH	CHANGE	THIS MONTH	CHANGE
	MAR-25	FEB-26	YEAR	MAR-26	MONTH
PRIVATE NEW HOUSING	3,515	3,237	-5.32%	3,328	2.81%
PRIVATE COMMERCIAL	2,002	1,873	-3.25%	1,937	342%
ALL WORK	18,808	18,276	-1.37%	18,551	1.50%

A 1.37% annual decrease in all work output but Private Commercial down -3.25% over the year and Private New Housing down 5.32%

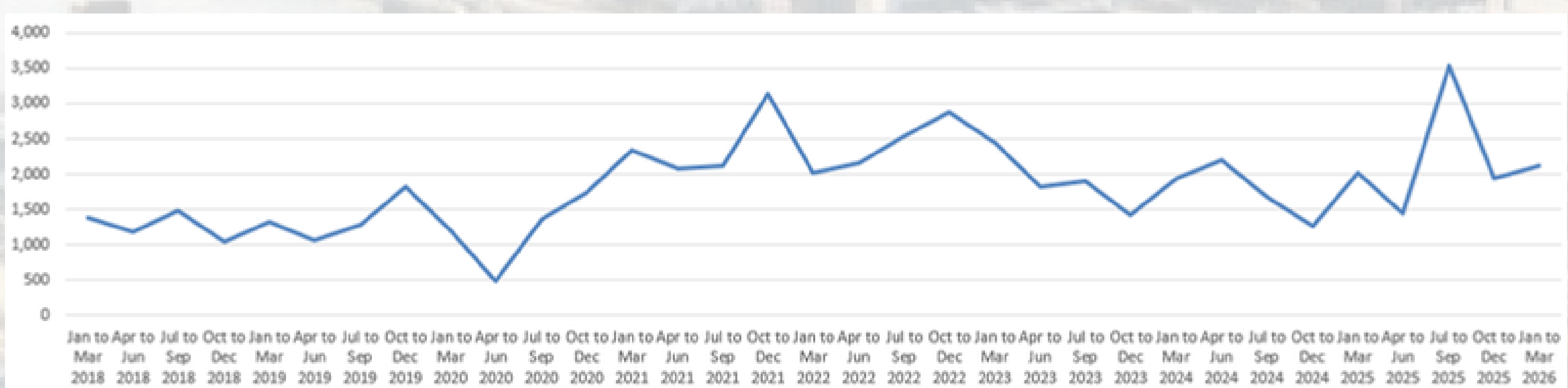
RPI ALL ITEMS: PERCENTAGE CHANGE OVER 12 MONTHS



	LAST YEAR	LAST PERIOD	THIS PERIOD	CHANGE	CHANGE
	APR-25	MAR-26	APR-26	MONTH	YEAR
RPI ALL ITEMS: PERCENTAGE CHANGE OVER 12 MONTHS	4.5	4.1	3	-1.10	-1.5

Down -1.5% in the month and -1.1% in the year.

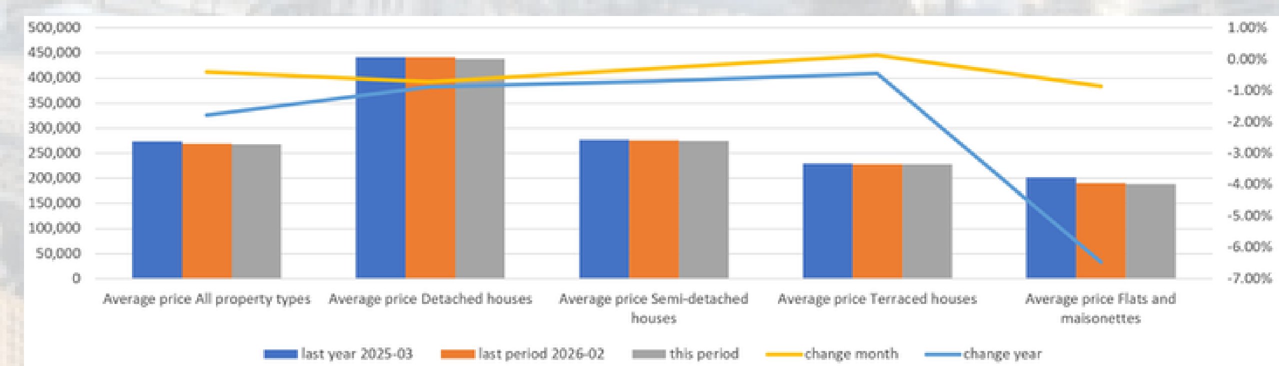
NEW ORDERS- INDUSTRIAL



	LAST YEAR	LAST PERIOD	THIS PERIOD	CHANGE	CHANGE
	JAN-MAR 25	OCT - DEC 25	JAN - MAR 26	MONTH	YEAR
ORDER VOLUME £M	2,029	1,937	2,114	177.0	85.0

Up in the month and up overall in the year, 177, and 85, respectively.

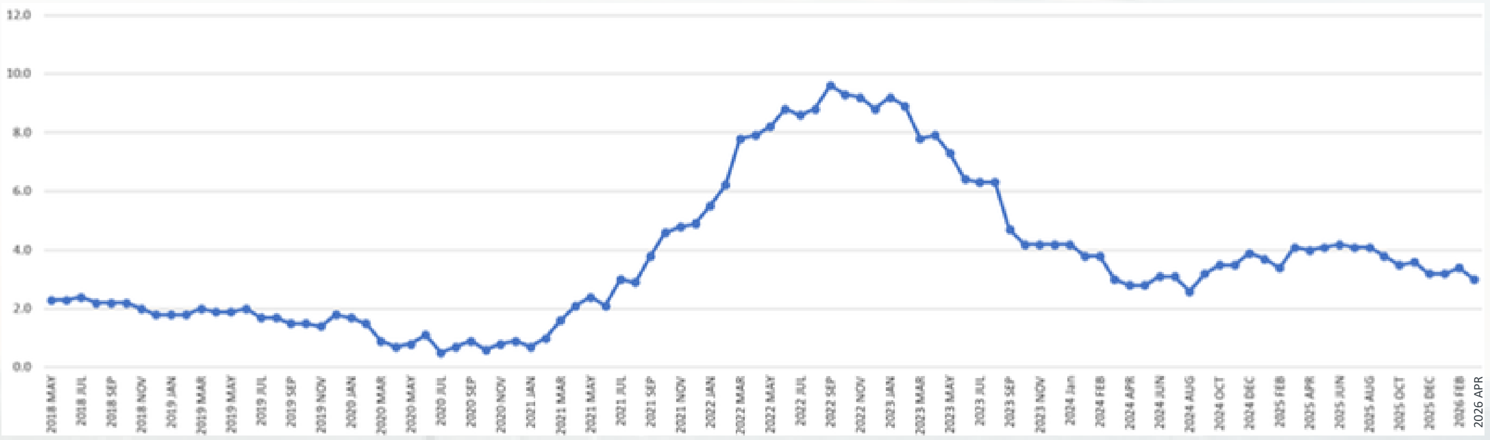
AVERAGE HOUSE PRICE (LAND REGISTRY)



	LAST YEAR	LAST PERIOD	THIS PERIOD	CHANGE	CHANGE
	MAR-25	FEB-26	MAR-26	MONTH	YEAR
AVERAGE PRICE ALL PROPERTY TYPES	272,922	269,204	268,132	-0.40%	-1.79%
AVERAGE PRICE DETACHED HOUSES	442,098	441,428	438,263	-0.72%	-0.88%
AVERAGE PRICE SEMI-DETACHED HOUSES	276,367	275,075	274,251	-0.30%	-0.70%
AVERAGE PRICE TERRACED HOUSES	229,367	228,044	228,340	0.13%	-0.45%
AVERAGE PRICE FLATS AND MAISONETTES	200,858	190,287	188,643	-0.87%	-6.48%

As of March 2026, the average house price in the UK is £268,132 Housing prices have decreased by 0.4% compared to the previous month -1.79% compared to the previous year.

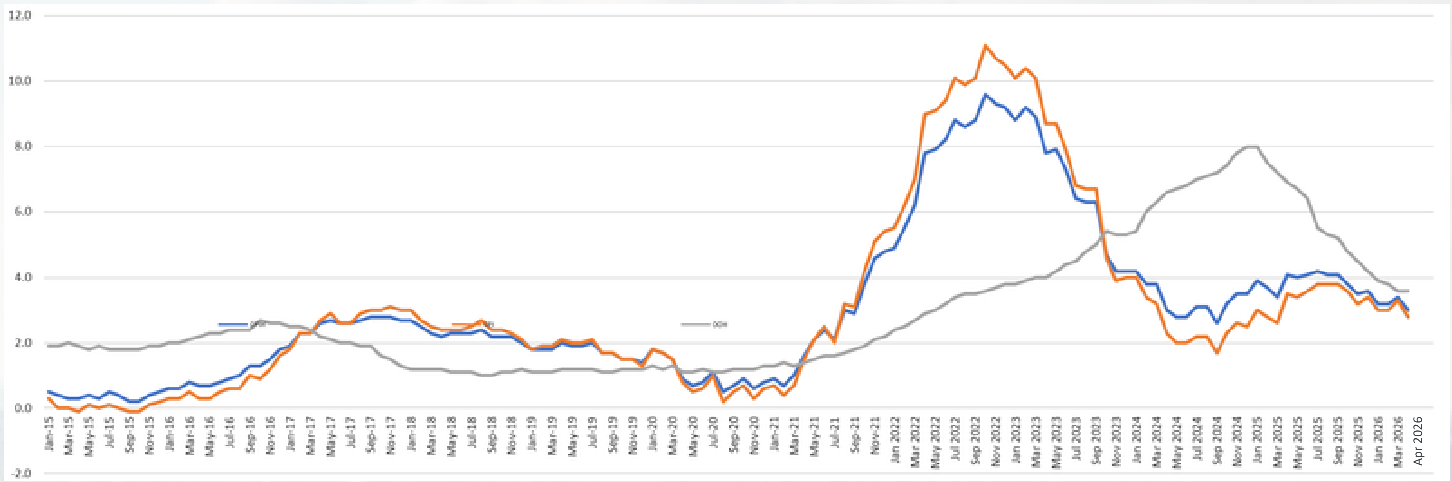
CPIH ANNUAL RATE



	LAST YEAR	LAST PERIOD	THIS PERIOD	CHANGE	CHANGE
	APR-25	MAR-26	APR-26	MONTH	YEAR
CPIH ANNUAL RATE	4.1	3.4	3.0	-0.4	-1.1

3.0% current annual rate, with a marginal decrease from last month and down -1.1% on year.

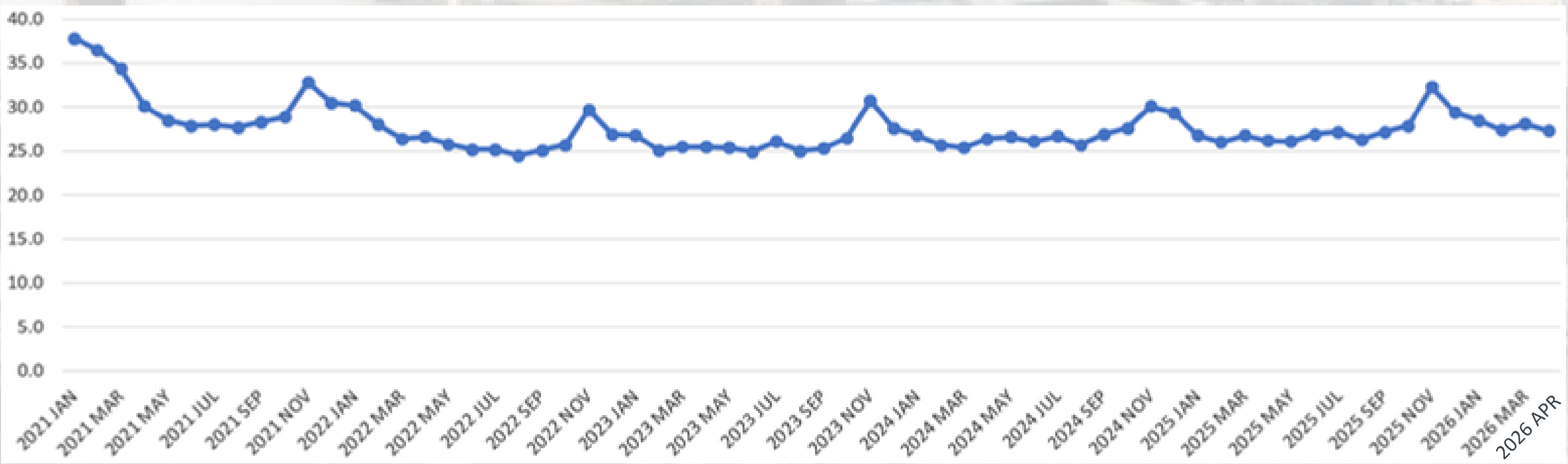
CPIH, OOH AND CPI INDEX VALUES (ONS)



	LAST YEAR	LAST PERIOD	THIS PERIOD	CHANGE	CHANGE
	APR-25	MAR-26	APR-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 & CPI have decreased c.0.8 in month and c.3.9 in year

% E-RETAIL (ONS)



	LAST YEAR	LAST PERIOD	THIS PERIOD	CHANGE	CHANGE
	APR-25	MAR-26	APR-26	MONTH	YEAR
% RETAIL ONLINE	26.2	28.1	27.3	-0.8	1.1

Down 0.8% in the month and up 1.1% in the year

RESEARCH AND INSIGHT CONTRIBUTORS

This market insight has been researched, calculated and presented by Quantem's Research and Insight lead.

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MARKET REFLECTION

THE WAR IN IRAN

The war in Iran has had a significant impact on the UK construction industry, mainly through rising energy prices, supply chain disruption, and increasing material costs.

Construction is dependent on energy intensive materials, e.g. steel, cement, glass, aluminium, and bricks. As gas and electricity prices increase, manufacturers face higher production costs which are passed on to contractors and thus, developers.

The conflict has also disrupted international shipping and logistics with increased insurance costs for cargo vessels and delays in global trade routes, particularly through the Strait of Hormuz. This has slowed deliveries of imported materials to the UK which has caused project delays, extended lead times, and unwillingness to fix prices.

These impacts have resulted in the UK construction industry becoming more apprehensive about taking on new projects with contractors becoming more risk averse and taking greater care when entering into fixed price contracts due to these volatile and unpredictable costs.

The inflationary pressure on the construction sector has also weakened investor confidence and limited the government's ability to hit housing and infrastructure targets. These impacts have resulted in the UK construction industry becoming more apprehensive about taking on new projects with contractors becoming more risk adverse and taking greater care when entering into fixed price contracts due to these volatile and unpredictable costs.

It is yet to be seen if recent price changes driven from conflict derived impact will subside following the ceasefire in the region.

"COST INCREASES CONTINUE TO PUT PRESSURE ON PROJECTS, YET THE INGENUITY WITHIN THE INDUSTRY TO FIND SOLUTIONS PREVAILS."

ALEX JONES, PARTNER - COMMERCIAL SECTOR CHAMPION

THE UK STEEL MARKET

The UK steel market faces an uncertain future with increasing input costs and the government are exploring multiple policies to protect domestic production and ensure the market is not left exposed to solely imports.

The government is taking drastic action to protect domestic steelmaking and build resilience in the supply chain. This will allow construction projects to use British made steel and not rely on foreign imports which can be subject to delays in delivery and volatile pricing.

The reduction in UK tariff-free import quotas is expected to significantly increase the cost of steel from 1 July, with the slashing of overall tariff-free steel import quotas by 60%, creating a new, artificially high, price floor in the UK market, meaning UK steel producers will no longer have to compete with low-cost international imports. With foreign competition restricted, domestic mills are able to raise their own prices to match the upwardly adjusted cost of imported steel.

Predominantly, the rescue of British Steel last year and the government has announced plans to enable the full nationalisation of British Steel after failing to find a commercially viable private sale.

The concern with foreign made steel is the UK's overreliance on it, particularly, low priced Chinese steel which has been flooding the market creating over supply.

However, there are plenty of UK projects, both private and public, which require steel and the UK has always had the capabilities to produce it. The need for reduced pressure on supply costs has only recently become apparent with the closing of steel plants across the UK.

"THE GOVERNMENT IS LOOKING FOR CHANCES TO ADDRESS THE ISSUE OF RELYING ON IMPORTED STEEL AND TRYING TO SUPPORT IN THE REDUCTION OF STEEL PRICE VOLATILITY."

CHARLES HICKS, PARTNER - INDUSTRIAL, LOGISTICS AND MANUFACTURING SECTOR CHAMPION

GATEWAY 2 APPROVALS RISING

Gateway 2 Approvals appear to be on the rise in the 12 weeks to 1st May 2026, outlining the continued improvements being made to the Building Safety Regulator and its functionality.

Since its conception the BSR has been plagued with issues of slow response times, whether positive or negative, which has had a significant effect on project starts and rising costs of projects. Recently, approvals have increases showing that the construction industry has a clearer understanding of the requirements introduced by the Building Safety Act. This includes developers, contractors, and design teams starting to adapt to the stricter safety requirements, including more detailed fire strategies, structural details, and compliance evidence.

Although this has costed more for the industry, in terms of specialist compliance teams, these investments are producing coordinated applications that satisfy the regulator's expectations. This is in reaction to the need to progress schemes due to financing pressures and growing costs, this is strongly related to investors now demanding evidence of regulatory compliance before supporting projects.

This growth also reflects the improved collaboration between regulators and the construction industry as a whole, whereas previous rejected applications lacked sufficient detail or failed to meet the new standards, this is beginning to shift.

""GOOD NEWS FOR THE SECTOR AS NEW PROJECTS CAN COMMENCE WITH GREATER CERTAINTY ON GATEWAY APPROVAL PERIODS."

CHRIS PATRICK, PARTNER - RESIDENTIAL SECTOR CHAMPION

CONSTRUCTION PMI

The Purchasing Manager's Index has declined for 16 consecutive months in April 2026 and was 39.7 in April which is the lowest reading in 5 months. This indicates contraction in the construction market with a reading below 50.

There has been concern that lower demand, limited new work to replace completed projects increased uncertainty due to conflict in the Middle East had lowered total new business at the sharpest rate since November 2025.

Business sentiment is broadly positive over the next 12 months, there remains strong feelings of uncertainty of the resilience of the construction industry.

However, businesses have come through similar market conditions before and are better prepared for lower demand and inflation on inputs. Yet if investment appetite should weaken then there is limited longer term growth prospects.

Civil engineering recorded the steepest decline in activity in April with housebuilding second and commercial work third.

The S&P Global reported the greatest increase in average subcontractor prices in 3 years which shows how much costs are being affected by external forces. This is therefore impacting the whole industry in which margins are becoming tighter.

"ALTHOUGH TOTAL VOLUME OF CONSTRUCTION ACTIVITY IS DOWN, THERE IS POSITIVITY AMONGST THE INDUSTRY THAT WORKS ARE CONTINUING AND NEW OPPORTUNITIES ARE JUST AROUND THE CORNER."

TONY PINCHESS, PARTNER - PM SENIOR LIVING CHAMPION

INFORMATION USED

Information in this report has been compiled utilising 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 & Theobold
- Willmott Dixon
- Building.co.uk
- ESFC
- JLL
- The Guardian
- Material World
- Building.co.uk
- S&P Global Uk Construction PMI

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.

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