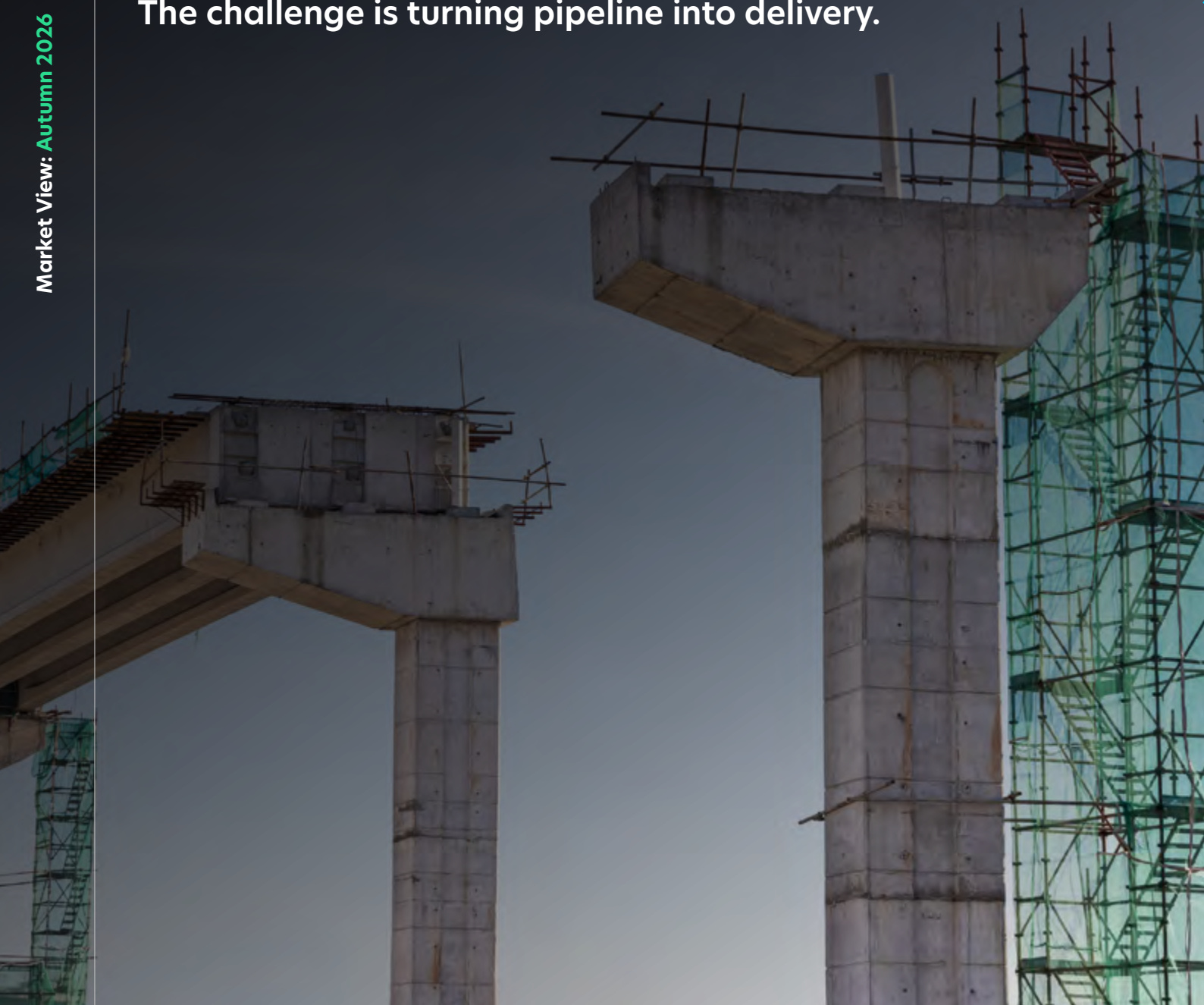
Contollo

Building the North

Minding the Delivery Gap

The North is not short of projects.
The challenge is turning pipeline into delivery.

Market View: Autumn 2026



Executive Summary

The Northern construction market is entering a new phase.

Demand is returning. Residential activity is also being supported by the Government's Social and Affordable Homes Programme (SAHP), the first wave of which allocated £529M to Greater Manchester – the largest share of any of the six mayoral areas in this round – to support around 4,400 new homes. However, viability across the wider residential sector remains a growing and mounting issue, particularly for higher-density and specialist residential typologies, and this is increasingly shaping where and how that funding translates into delivery.

The issue facing the North is no longer whether opportunities exist. The issue is how quickly those opportunities can be converted into construction activity.

Five Things to Watch

Demand is returning:	New orders are strengthening across the North, supported by infrastructure investment, industrial expansion and a gradual recovery in residential activity.
The recovery is uneven:	Infrastructure, energy, utilities and major regeneration programmes are carrying a disproportionate share of the pipeline, while residential and commercial development remain more selective.
Capacity is becoming the constraint:	The industry is not short of work, but specialist labour, subcontractor availability, utility connections and procurement capacity are becoming increasingly important factors in delivery.
Contractors are becoming more selective:	Competitive tendering remains available, but contractor choice is becoming increasingly targeted. Project readiness matters more than ever.
Future pressure is likely to build:	Current market conditions remain relatively stable, but the balance of evidence suggests increasing competition for resources as more projects move from pipeline into delivery.

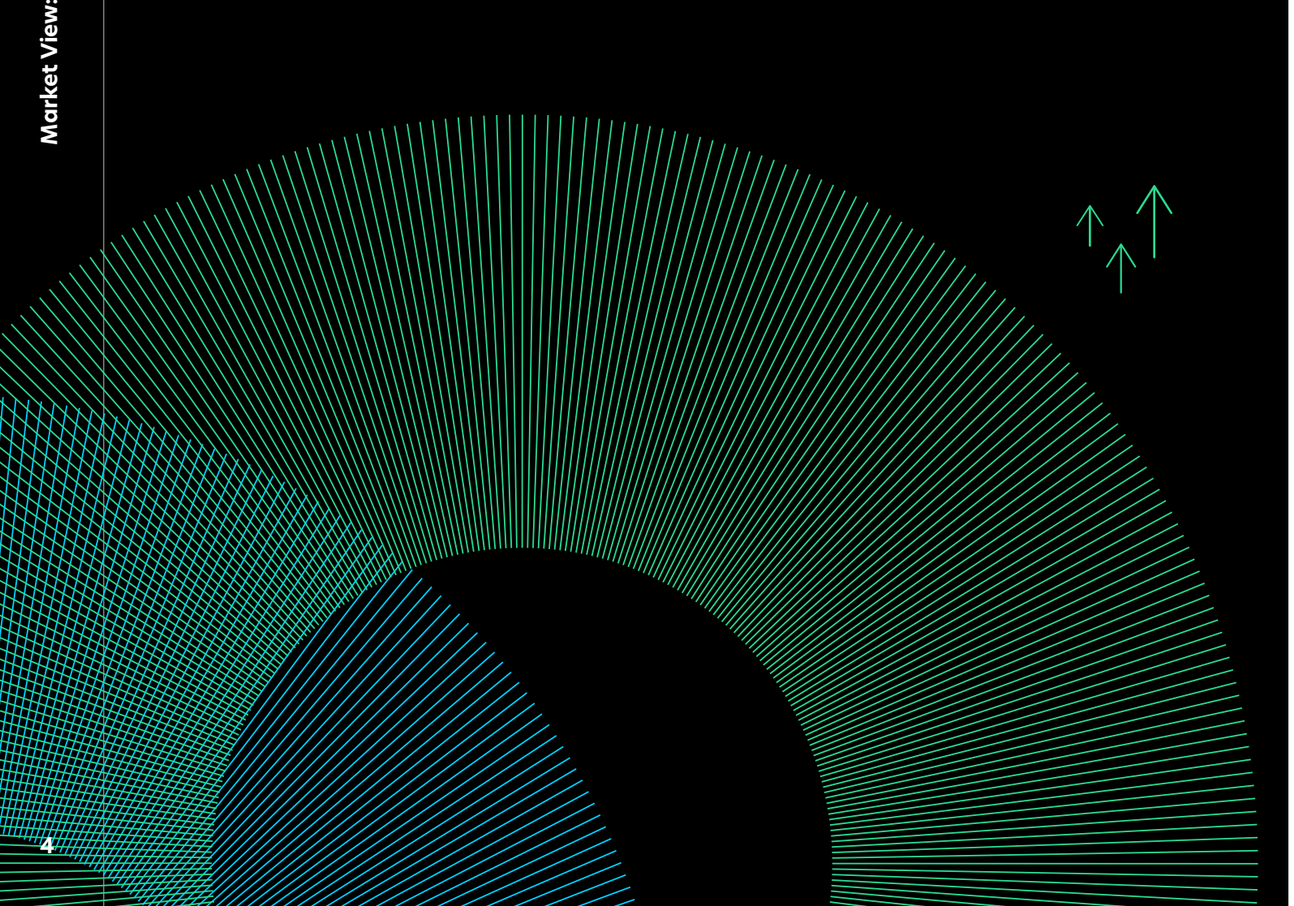
The Contollo View

The North is not short of projects. There is a substantial pipeline supported by infrastructure, energy transition, industrial investment and regional regeneration. The defining challenge over the next few years will be the industry's ability to convert that pipeline into delivery.

In our view, the challenge is shifting from generating opportunities to delivering them. Whilst important, the organisations that will perform best are unlikely to be those with the largest pipeline. They will be those that are best prepared to turn opportunity into delivery.

Introduction

This Autumn edition of Building the North looks beyond the headline measures of construction activity to examine the widening gap between pipeline and delivery, the constraints shaping project progression and what changing market conditions mean for clients over the next 12-24 months.



The Headline View

Market Signals At A Glance

Signal	Position
Orders	Strong ↑
Output	Moderate —
Residential	Improving ↑
Capacity	Pressure Building ↑
Market Sentiment	Balanced —
Forecast	Gradual Escalation ↑

What We Are Seeing

- **Demand** is returning, led by infrastructure, industrial activity and selected regeneration programmes.
- **New orders** are growing faster than current delivery.
- **Residential starts** are improving but remain below historic levels.
- **Capacity pressure** is now the strongest constraint in our forecast.
- **Contractors** remain competitive but are being increasingly selective.
- **Inflation** has moderated, but future pressure is likely to rebuild as projects move into delivery.

What This Means

Not all residential development is recovering at the same pace. High-rise residential, Build-to-Rent and student accommodation continue to face significant viability challenges, driven by construction cost, the availability of finance and, increasingly, regulatory requirements under the Future Homes Standard. Much of the improvement in residential activity is therefore concentrated in low-rise housing - a distinction that matters when interpreting headline "residential is recovering" figures.

In effect, the North now has a two-tier residential market: a low-rise sector showing genuine signs of recovery, and a high-rise and Build-to-Rent sector where viability continues to deteriorate rather than improve.

Clients who move slowly, transfer unreasonable risk or approach the market with under-developed projects are likely to pay for that uncertainty through higher pricing, reduced bidder interest and longer delivery programmes.

Key Themes for Autumn 2026

Demand is returning: New orders are growing significantly faster than current output, particularly across infrastructure and industrial sectors

Delivery is becoming harder: Planning, viability, Building Safety requirements, utility capacity in the network and growing contractor selectivity are extending development and procurement timelines.

Capacity is the next challenge: The market is moving from a pipeline challenge to a delivery challenge as projects progress through the system.

Is There Work?

The Pipeline Is Strengthening. Delivery Remains the Challenge.

Across the region, major residential, infrastructure, industrial, energy and regeneration programmes continue to support a substantial pipeline of future work.

The inflation shock that dominated 2022 and much of 2023 has largely worked its way through the system. Tender price inflation has moderated, material availability has improved and contractors are operating in a more stable environment. Yet despite those improvements, the market is not behaving as many would have expected.

44.3

UK Construction PMI, Aug 2026 - down from 44.7 in July

20th

Consecutive month below the 50.0 growth threshold

37.6

Residential activity index - sharpest rate of contraction

This mixed picture is reflected in wider market indicators. The S&P Global UK Construction PMI (Purchasing Managers Index) fell to 44.3 in August 2026, down from 44.7 in July, making the twentieth consecutive month below the 50.0 growth threshold. Residential was the only subsector to see its rate of contraction accelerate in August, with the residential activity index falling to 37.6, against 47.8 for commercial and 40.5 of civil engineering. Total new orders intakes also fell nationally in August, though at the slowest pace since September 2025. The construction industry therefore remains in contraction, and the picture has softened slightly since July, even as tender opportunities are reported to be improving in some areas.

The harder question is whether projects can move through funding, planning, approvals, procurement and mobilisation quickly enough to become real construction activity. This is where the market is now under pressure.

What This Means

The challenge lies in converting that pipeline into construction output.

Historically, a strong pipeline would have provided confidence that activity would follow. Today, the path from project conception to project delivery has become longer and more complex. Planning requirements, viability pressures, Building Safety Act obligations, utility connections, funding approvals and contractor selectivity are all extending development timelines.

As a result, project success is becoming increasingly dependent on delivery readiness rather than project ambition.

What Clients Need to Know

The North is not short of projects.
It is increasingly short of easy projects.

The strongest opportunities remain available to clients that can move quickly, secure approvals, manage project risk effectively and reach the market with a clear delivery strategy.

A further headwind is approaching for residential development. The Building Safety Levy, a new charge on new residential developments in England, comes into effect on 1 October 2026 and will add directly to development costs. Combined with continuing viability pressure across higher-density and specialist residential typologies, this reinforces the case for early cost and design engagement on residential schemes rather than assuming today's softer tendering conditions will persist.

The next phase of the market is unlikely to be defined by who has the biggest pipeline. It will be defined by those who can quickly convert pipeline into construction activity.

Demand Is Returning. Output Isn't Following at the Same Pace.

Orders are rebuilding faster than projects are being delivered

The demand data is now stronger than the delivery data. Across 2025, all new work output remained subdued - falling slightly across the UK and increasing only modestly across the North. New orders told a very different story, rising by 12.7% nationally and 17.6% across the North.

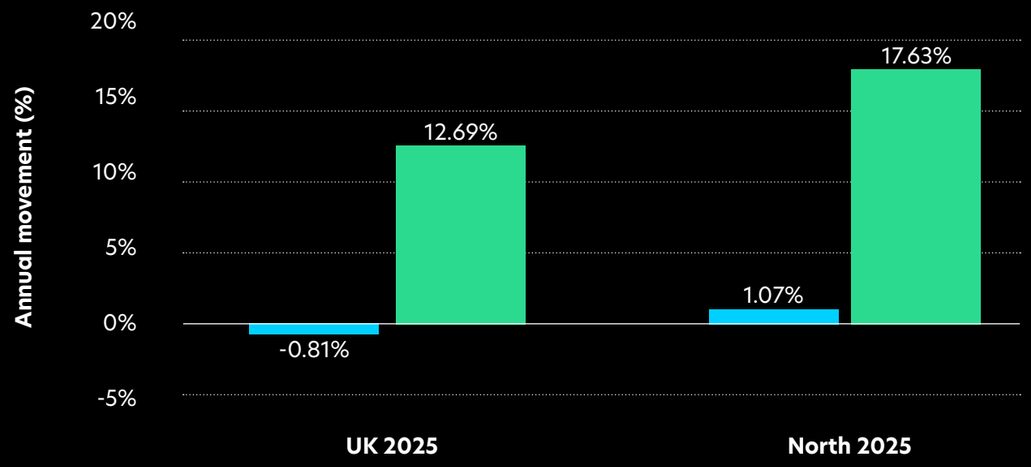
That gap matters. Output tells us what is being delivered today. Orders tell us what is likely to enter the market tomorrow.

For the ONS, "New Orders" refers to the total value of new construction contracts awarded to main contractors during a given period. It is a leading indicator of future workload, capturing work that has been commissioned but not yet delivered – distinct from Output, which measures work actually completed on site.

Taken together, the evidence points to a market where demand is strengthening faster than delivery.

More work is entering the pipeline than is currently reaching site.

Annual movement in all new work output and new orders, 2025



New orders strengthened materially during 2025, while new work output remained comparatively subdued, particularly across the North.

What This Means

The most significant finding is not that the market is weak. It is that orders and output are now moving at different speeds - more work is entering the pipeline than is currently converting into physical activity.

This is becoming one of the defining characteristics of the Northern market.

The barriers to delivery are no longer limited to construction costs. Planning requirements, Building Safety Act obligations, utility capacity, procurement strategy and funding certainty are all extending programme timelines and slowing project mobilisation. Evidence from our Contollo Pulse survey suggests these issues are now having a material influence on project progression across multiple sectors.

Residential provides a useful example. Low-rise housing starts are increasing and confidence is returning, yet activity remains materially below historic levels - particularly across higher-density and specialist typologies, as set out in the Headline View.

The result is a widening gap between market ambition and market delivery.

Why Projects are Taking Longer

Contollo Pulse survey responses have consistently highlighted:

Planning and funding delays

Planning approvals and funding challenges continue to extend development timelines.

Viability challenges

Viability constraints are delaying or reducing the number of schemes able to progress.

Building Safety Regulatory Approvals

Gateway approvals remain a critical checkpoint in the residential delivery process.

Utility and statutory provider constraints

Utility connections and statutory approvals are causing significant delays to programme and mobilisation, and capacity in the network is an increasing issue and concern.

Procurement complexity

Procurement routes, risk allocation and contract conditions are adding time and uncertainty.

Contractor selectivity

Contractors are increasingly selective about the opportunities they choose to pursue.

These factors are increasingly influencing whether schemes progress from pipeline to site, regardless of underlying demand:

Building Safety Regulator: performance is improving

The Building Safety Regulator remains an important factor in delivery timelines. Recent government data shows that Gateway 2 performance has improved, with new higher-risk buildings and conversions achieving a **91% approval rate** and a **22-week median approval time** in the May to July 2026 period.

That improvement is encouraging but the 22-week median approval period reinforces the importance of **design maturity** and **approval readiness** before procurement.

Gateway 2 performance

(May to July 2026)

91%

Approval Rate
New higher-risk buildings and conversions

22

Weeks
Median approval time (May to July 2026)

Improvement since BSR became fully operational (August 2025)

Approval Rate
39% → **91%**

Median Approval Time
43 weeks → **22 weeks**

Source: Contollo Pulse Survey (Autumn 2026) and Building Safety Regulator Data (May to July 2026)

What Clients Need to Know

Orders are growing faster than output. That is both a risk and an opportunity.

For clients with advanced projects, improving market confidence presents an opportunity to progress ahead of an increasingly crowded pipeline.

For clients still resolving planning issues, viability challenges, procurement strategy or Building Safety requirements, delays today may translate into greater competition for resources tomorrow.

Where Is The Work Coming From?

The Pipeline Is Rebuilding, But The Recovery Is Uneven

While construction output has recovered only modestly, the underlying pipeline is showing much stronger signs of life.

New orders across the North increased by 17.6% during 2025, outperforming the national increase of 12.7%. Momentum has continued into 2026, with Northern new orders increasing by 32.6% in the first quarter of 2026 compared with Q4 2025.

This regional strength stands in contrast to the national picture, where survey evidence continues to point to falling new order intakes overall - reinforcing that the Northern recovery in orders is not simply mirroring the wider UK trend.

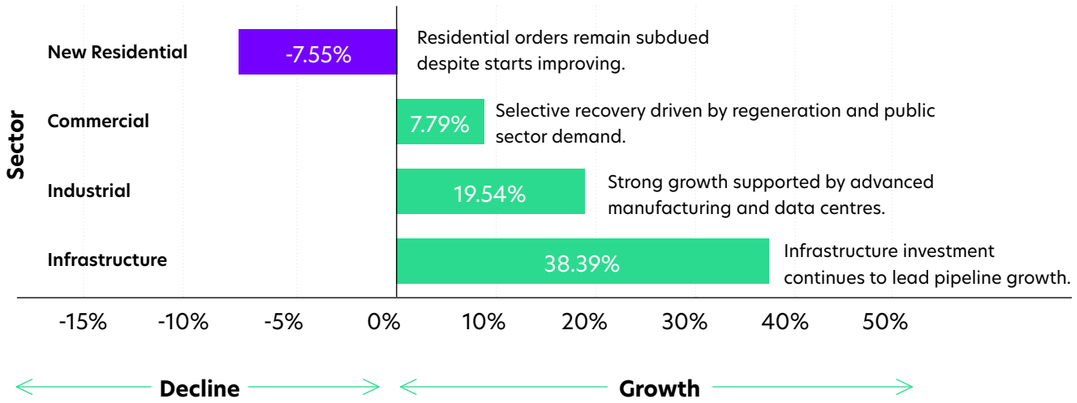
However, that recovery is not being driven evenly across all sectors.

Infrastructure remains the standout performer, with Northern infrastructure orders increasing by 38.4% during 2025. Industrial orders increased by 19.5%, while commercial orders grew by 7.8%. Residential remains the outlier, with new orders declining by 7.6% despite starts improving. The picture emerging is not one of a broad-based market recovery.

It is a market being pulled forward by a relatively small number of sectors, programmes and investment themes.

The recovery is not evenly spread

North new orders growth by sector, 2025 v 2024



Infrastructure and industrial activity are driving the recovery in new orders, **while residential remains more subdued.** This points towards an uneven pipeline rather than a broad-based market rebound.

This sector pattern in new orders is echoed in wider industry output forecasts. The Construction Products Association's Summer Forecast expects total construction activity to fall in 2026, with private residential under particular pressure, while infrastructure is still expected to grow, supported by energy, water and grid-related investment.

Pipeline Watch. Projects Driving Future Demand

The recovery is being supported by a growing pipeline of infrastructure, energy, manufacturing and government-backed investment programmes.

Theme	Key Projects	Why It Matters
Energy and Utilities	AMP8 Water Investment Programme Electricity Transmission and Grid Upgrades (Rewiring of Britain) HyNet North West (Liverpool Bay CSS) Redcar Waste-to-Energy Facility	Competes for civils, M&E and technical capacity.
Advanced Manufacturing	Port of Tyne Cable Manufacturing Facility MBDA Bolton Expansion Blackstone Hyperscale Data Centre	Supports industrial and specialist supply chain demand.
Transport and Infrastructure	TransPennine Route Upgrade (TRU) Northern Powerhouse Rail (NPR)	Drives long-term infrastructure workload.
Regeneration and Major Venues	The Redevelopment of Old Trafford Etihad Stadium Expansion Victoria North Regeneration Stockport Town Centre Regeneration	Supports mixed-use housing and public realm workloads.

A broad pipeline of investment is supporting future growth across the North, driving opportunities - and competition for delivery capacity.

Taken together, these projects illustrate a common theme. Much of the future demand entering the market is being driven by infrastructure, energy, advanced manufacturing and public sector investment rather than speculative private development.

Residential Is Recovering, But From A Lower Base

The residential sector presents a more nuanced picture.

New orders remain weak, reflecting the continuing impact of viability pressures, funding costs, affordability constraints and regulatory requirements. Yet beneath the headline figures there are signs that confidence is slowly returning.

Residential starts across the North increased from 27,420 in 2024 to 33,830 in 2025, indicating that more schemes entered construction last year. Completions moved in the opposite direction, falling from 39,470 to 33,980, reflecting the smaller pool of starts coming through from the downturn. As a result, starts and completions were broadly aligned in 2025, in contrast to the more uneven position seen in 2024.

This recovery is not evenly spread across the residential sector – it is concentrated in low-rise housing, while high-rise, Build-to-Rent and student accommodation remain constrained by viability.

Government intervention is also playing a role. The first wave of the Social and Affordable Homes Programme allocated £529M to Greater Manchester - the largest share of any of the six mayoral areas in this round - to support around 4,400 new social and affordable homes. This is a meaningful contribution to the residential pipeline, but it is targeted specifically at social and affordable tenures rather than general market residential, meaning it supports one part of the recovery story without resolving viability pressure across the sector more broadly.

Both measures remain well below the pre-Global Financial Crisis peak. The residential market is moving again, but the broader recovery remains gradual rather than transformational.

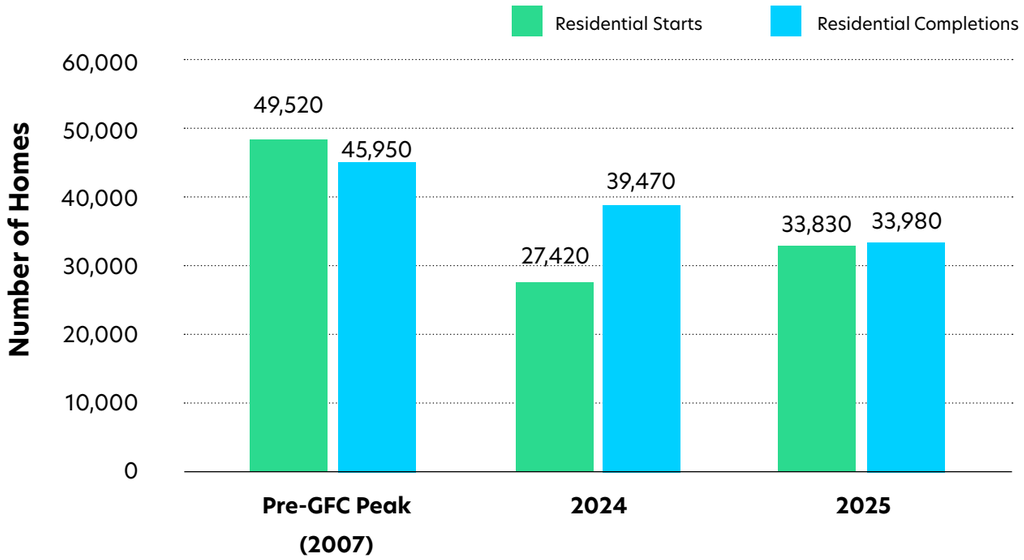
↑ **33,830**

Northern residential starts
2025

↓ **33,980**

Northern residential completions
2025

Residential starts and completions across the North



Starts are recovering

Residential starts increased from 27,420 in 2024 to 33,830 in 2025

Still below historic peaks

Activity remains well below pre-GFC levels of around 49,000 starts

Starts and completions are aligned

Starts and completions were broadly aligned in 2025

Source: MHCLG Table 209 | Data as at 2025

What This Means

The gap between starts and completions has narrowed materially since 2024, suggesting the market is beginning to move through the backlog created by the slower period rather than falling further behind.

What Clients Need to Know

Infrastructure, industrial and regeneration activity are likely to define the next phase of market growth.

Clients operating within these sectors should assume that competition for specialist labour, subcontractors and delivery resources will increase as more projects move towards site.

At the same time, residential and commercial sector focussed clients should not assume that softer conditions equate to an absence of competition. The market remains selective, and projects that provide certainty, clear scope and a credible route to delivery will continue to attract the strongest contractor interest.

The opportunity is not simply identifying where the work is.

It is understanding which sectors are likely to shape future capacity demand.

The Capacity Challenge

Demand is Returning. Capacity is Becoming The Constraint.

The conversation across the Northern construction market is gradually changing.

For much of the last three years, the dominant question was whether enough work existed to sustain activity. Today, the question is increasingly whether the industry can deliver the work already entering the pipeline.

The North currently supports a construction workforce of approximately 515,000 people. While workforce levels have increased over the longer term, recent growth has been limited. The industry has added only around 2,000 workers (net) since 2021 despite significant shifts in market activity. At the same time, CITB estimates the North will need to recruit an average of around 9,630 additional workers every year between 2026 and 2030, roughly 48,000 over the period. That equates to about 1.7% of the 2025 workforce each year and includes replacing people leaving the industry as well as meeting growth in demand.

Headline labour availability is not yet pointing to widespread constraint, but the position is tighter in specialist disciplines. Around 31,000 construction vacancies have been recorded nationally, while construction insolvencies, although improving from recent peaks, remain approximately 21% above the long-term average.

This distinction matters. The immediate risk is not a shortage of every type of construction labour. It is pressure emerging in the specialist resources required by a growing number of projects.

Can The Industry Keep Up?

Capacity, recruitment and financial resilience indicators

515,000

Northern Construction Workforce

Q1 - 2026

Only +2,000 workers added since Q1-2021

31,000

UK Construction Vacancies

Q1 - 2026

Labour availability remains a live issue

9,630

Additional workers needed each year, North, 2026-30

EQUIVALENT TO

c.1.7% of the 2025 workforce

3,948

UK Construction insolvencies

IN 2025

Still 21% above the long-term average

The North is not short of projects. The question is whether the industry can recruit, retain and resource enough people to deliver them.

National survey evidence also points to a market with spare labour capacity today. The August 2026 S&P Global PMI reported that construction employment continued to fall, although at a slower rate, and that subcontractor usage increased for the first time in almost two years.

That supports the view that labour is not currently the main inflationary pressure. The risk is what happens as more projects move into delivery and begin competing for the same specialist resources.

Northern Procurement Stress Map

While the overall Contollo Pulse Index remains broadly balanced, responses suggest that pressure is not appearing evenly across the supply chain. The following areas were most frequently identified as difficult to procure, resource or deliver.

Where pressure is emerging across key construction packages

Stress Level	Packages	Common Themes
Higher Risk Most pressure reported by Contollo Pulse respondents	• M&E Services • Utilities • Fire Engineering • Cladding • Specialist Subcontractors	• Capacity constraints • Limited bidders • Long-lead items • Design dependency
Variable Conditions vary by project, location and procurement strategy	• Structures • Steelwork • Drylining • Roofing • Joinery	• Project-specific • Regional differences • Procurement dependent
Competitive More competitive conditions reported by respondents	• Groundworks • Demolition • Enabling Works • Selected Finishes	• Strong market appetite • Wider supplier availability • Competitive tendering

This map reflects feedback from the first Contollo Pulse survey, combined with market intelligence and project experience.
It highlights where respondents are seeing the greatest pressure in securing capacity, resources and delivery.

Capacity Pressure Does Not Appear Everywhere At Once

Capacity constraints rarely emerge evenly across a market.

They tend to appear first in specialist disciplines, constrained subcontract packages and technical delivery functions before becoming visible through wider inflation or programme delays. Capacity constraints rarely emerge evenly across a market.

They tend to appear first in specialist disciplines, constrained subcontract packages and technical delivery functions before becoming visible through wider inflation or programme delays.

The first Contollo Pulse survey reinforces this point.

Respondents repeatedly identified M&E services, utility connections, specialist subcontractors, fire engineering and technical delivery resources as emerging pressure points. Several respondents also highlighted increasing contractor selectivity, noting that contractors are becoming more cautious about the opportunities they pursue and are increasingly favouring projects that offer stronger fundamentals and lower delivery risk.

Importantly, few respondents described an overheated market. Instead, they described a market that remains competitive whilst becoming increasingly selective.

What This Means

The constraint is increasingly delivery capability. The evidence suggests that projects are entering the pipeline faster than the industry's capacity is expanding. While this is not currently driving widespread inflation, it is influencing contractor behaviour, resource allocation and procurement outcomes.

The Contollo Pulse survey provides several examples.

Respondents highlighted utility connection delays, planning constraints, Building Safety approvals, specialist subcontractor availability, funders' appetite and contractor selectivity as recurring issues affecting project progression. These factors are often extending programmes and increasing uncertainty before they appear in official statistics.

What Clients Need To Know

The next phase of the market is likely to be shaped by resource allocation rather than project availability.

Contractor appetite remains healthy, but that appetite is becoming more selective. Projects that provide programme certainty, balanced risk allocation and clear procurement strategies are likely to attract stronger market engagement than projects carrying unresolved planning, viability or delivery risks.

Clients should pay particular attention to:

- **Utility connection strategies**
- **Specialist subcontractor availability**
- **M&E procurement**
- **Fire engineering resources**
- **Programme realism**
- **Early contractor engagement**

Increasingly, successful projects will be the projects that are easiest to deliver.

What Is the Market Saying?

Contollo Pulse: Balanced, But Not Relaxed

The first round of Contollo Pulse responses suggests a market that remains balanced overall, but increasingly cautious beneath the surface.

Respondents reported continued access to competitive tenders and generally healthy contractor appetite. Across most sectors, tender returns remain broadly aligned with pre-tender estimates, with few signs of the widespread pricing escalation experienced during 2022 and 2023. At a headline level, the market remains competitive.

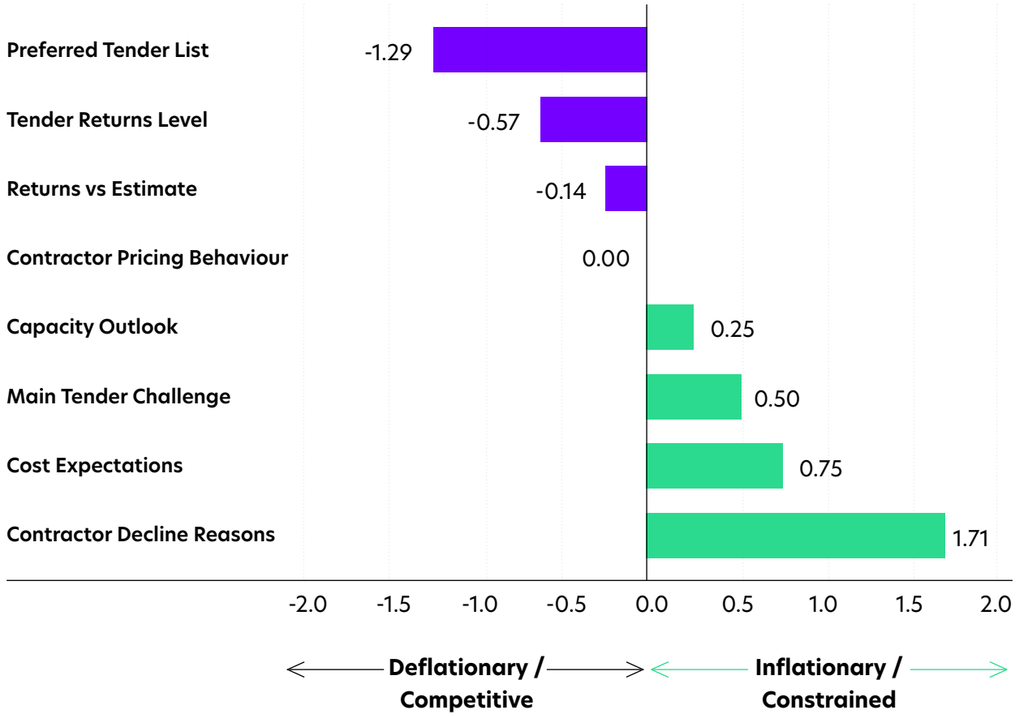
However, the survey also identified several emerging pressure points that are becoming increasingly influential in project delivery. Contractor selectivity, specialist subcontractor availability, utility constraints, regulatory approvals and material-cost uncertainty all featured prominently across responses.

The result is a market that feels busy but not overheated.

The overall Contollo Pulse score is close to neutral, but the underlying signals tell a more nuanced story. Competitive tendering remains present, while cost expectations, contractor selectivity and capacity concerns point to pressure building beneath the surface.

Balanced, but not relaxed

Average Contollo Pulse scores by market signal



Score range: -2 = strongly deflationary / competitive; +2 = strongly inflationary / constrained

Four Themes Emerging From Contollo Pulse

Key insights from the first Contollo Pulse Survey

01

Contractors Are Becoming More Selective

Contractors remain interested in opportunities but are targeting projects more carefully.

Risk profile, programme certainty, contract conditions and client quality are increasingly influential.

Competitive tendering still exists, but contractor choice is becoming increasingly targeted.

Whilst contractor appetite remains strong and tender returns are generally competitive; the market is becoming increasingly selective.

02

Delivery Constraints Are Overtaking Cost Constraints

Projects are often delayed before construction begins.

Planning approvals, viability, Building Safety requirements, utility connections and funding constraints all slow progression.

Projects spend longer in development and procurement before reaching site.

The issue is frequently not project ambition, but project readiness.

Development pipeline and delays in projects reaching site... various issues causing this... planning, funding, viability, Building Safety Regulations etc.

03

Specialist Resource Pressures Remain

- Headline labour pressures have moderated, but specialist capacity constraints continue in key areas.
- M&E services, cladding, utilities, fire engineering and specialist subcontract packages remain difficult to procure.
- Utility providers and statutory undertakers are creating growing programme risk.
- Constraints are localised for now, but often act as early warning signals of future pressure.

04

Market Uncertainty Has Returned

- Growing concern around material costs and international supply chains.
- Copper, steel, plastics, imported components and wider geopolitical developments are key concerns.
- These risks are reintroducing uncertainty into procurement and pricing decisions.
- Pressures are not yet driving significant escalation, but volatility is returning.

The overall Pulse Index remains close to neutral, but the market is showing early signs of pressure beneath the surface. Competitive tendering remains, but contractor selectivity, delivery constraints and specialist resource pressures are becoming more influential.

What This Means

The first Contollo Pulse survey does not suggest that the market is overheating.

Nor does it suggest that the industry has returned to the highly competitive conditions seen before the pandemic.

Instead, the picture sits somewhere between the two.

Tendering conditions remain competitive. Contractor appetite remains healthy. However, projects are becoming more dependent on strong procurement, realistic programmes and clear delivery strategies.

At the same time, specialist resource constraints, delivery delays and growing contractor selectivity are beginning to influence market behaviour before they are fully reflected in official statistics.

This is exactly what we would expect to see during the early stages of a market recovery.

Shifts in contractor behaviour can emerge before they become visible in headline inflation data.

What Clients Need to Know

The market remains competitive, but that should not be confused with unlimited capacity.

Projects that provide certainty, clear scope, realistic timescales and balanced risk allocation are continuing to attract strong market engagement.

Projects affected by viability concerns, regulatory delays, utility constraints or procurement uncertainty are finding progress more difficult.

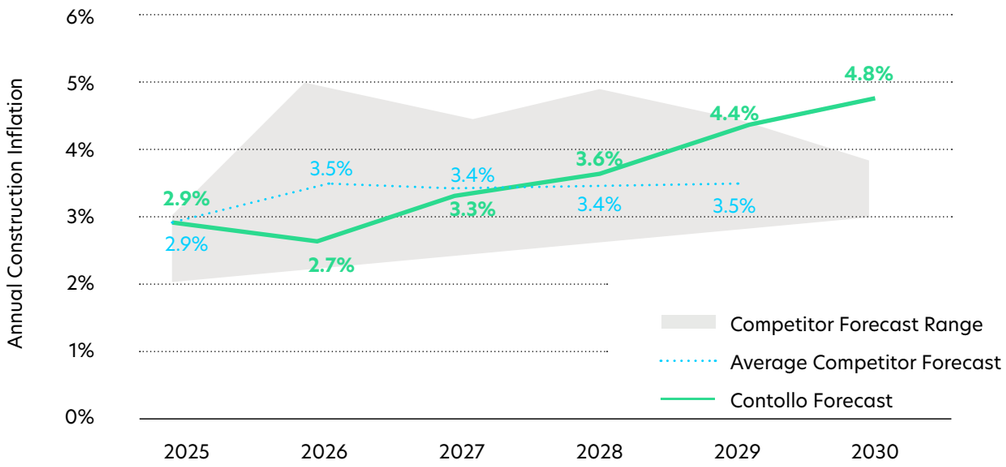
The strongest message emerging from Contollo Pulse is not that cost pressure is returning. It is that project readiness is becoming increasingly important.

Looking Ahead

From Pipeline to Pressure

The Northern construction market enters the second half of the decade from a very different position to that experienced during the inflation shock of 2022 and 2023. Yet the wider evidence base suggests the market is unlikely to remain static.

Orders are increasing, residential starts are slowly recovering and major infrastructure, utility and industrial investment programmes continue to build momentum across the region. At the same time, workforce growth remains modest, specialist resources remain constrained and the Contollo Pulse is signalling increasing contractor selectivity.



Contollo's central view sits close to market consensus through 2028. From 2029, our assessment reflects a widening range of outcomes as demand, capacity and labour pressure build simultaneously - with the pace of that build, and industry's capacity to absorb it, the key swing factor.

Score: Contollo analysis of competitor forecasts and ONS data (2025)

Note: Competitor range reflects minimum and maximum forecast values from selected industry sources.

Taken together, these trends point towards a market that may become progressively busier over the remainder of the decade, even if inflationary pressure is not fully visible right now.

The key question is not whether demand exists. It is how the industry responds as more of that demand moves into delivery.

Wider market indicators support a cautious short-term view. The CPA forecasts a fall in total construction activity in 2026, while PMI data remains below the growth threshold, with the pace of decline picking back up in August after a brief improvement in July. At the same time, infrastructure, utility and energy-related investment continues to provide a more resilient source of future workload.

Policy and Cost Watch

Things Clients Should Keep An Eye On

Issue	Market Relevance
Building Safety Levy	Adds further cost pressure to new residential developments.
Future Homes and Building Standards	Higher compliance and design requirements from 2027.
Steel Tariffs	Potential cost pressure on steel-intensive packages.
Carbon Border Adjustment Mechanism	Future carbon-cost exposure for materials such as steel and cement.
Energy and Geopolitical Risk	Continued uncertainty around materials, plant, logistics and fuel.

What This Means

Published forecasts remain relatively contained in the near term, although the range widens later in the forecast period.

The Contollo Forecast broadly aligns with market expectations initially but anticipates stronger pressure emerging from 2029 onwards.

This view is not based on expectations of another inflation shock.

It is based on the growing disconnect between demand and delivery.

The evidence presented throughout this report points towards a strengthening pipeline, increasing infrastructure investment, a recovering residential sector and growing competition for specialist labour and delivery resources. The Contollo Pulse further suggests that these pressures are already influencing contractor behaviour through greater selectivity and more cautious bidding strategies.

The implication is straightforward.

If more projects move from approval into construction over the next few years, competition for labour, specialist subcontractors and delivery capability is likely to increase. That is expected to place gradual upward pressure on market conditions and construction costs.

This forecast reflects the broader Northern construction market and is agnostic of sector. Specific sectors, materiality of scope and individual project characteristics will influence escalation differently, and these factors should be assessed on a project-by-project basis rather than applied uniformly from this market-level view.

The Contollo View

The Northern market is not booming. But the pipeline is rebuilding.

That recovery is uneven and increasingly concentrated in infrastructure, industrial, energy and regeneration activity. Headline capacity is not yet exhausted, but specialist pressures and contractor behaviour are already starting to change.

If more of today's pipeline converts into delivery, competition for capability is likely to increase. That is why project readiness matters now, before those pressures become widespread.

What Sits Behind The Forecast

Directional assumptions used in the Contollo Forecast Model, 2027-2030

Driver	2027	2028	2029	2030	What an increase means
Demand	–	^	^^	^	More work entering or moving through the market.
Capacity Pressure	–	^	^^	^^	Greater pressure on contractor and supply chain capacity.
Labour Pressure	–	^	^	^^	Greater labour costs, less availability or skills pressure.
Contollo Pulse	^	^	^	^	More inflationary contractor sentiment and tender behaviour.

Legend: – Broadly Unchanged ^ Increases Slightly ^^ Increases significantly

⚠ The forecast assumes that demand will start to strengthen more significantly from 2028, with capacity and labour pressures building as more projects move from pipeline into delivery. Contollo Pulse is expected to become more inflationary from 2027 as contractors become increasingly selective and specialist supply chain pressures become more visible.

Risks to the Contollo Forecast

Upside Risks

Why things could cost more

Infrastructure and utility investment accelerates faster than expected.

Building Safety approvals improve and unlock delayed projects.

Residential recovery gains pace.

Labour shortages emerge earlier than expected.

Downside Risks

Why things could cost less

Viability pressures continue delaying project starts.

Contractor competition remains stronger for longer.

Residential recovery remains subdued.

Economic uncertainty weakens private sector investment.

These risks are monitored continuously and may influence both the timing and magnitude of future cost movement.

What Clients Should Do Now

Six Actions for the Next 12 Months

Turning market intelligence into project decisions

	What we're seeing	What clients should do
Move Earlier	New orders are growing faster than output, particularly across the North.	Advance project planning, approvals and procurement strategies now. The opportunity in today's market is not necessarily lower prices, it is securing access to delivery capacity before competition intensifies.
Secure Capacity Early	Infrastructure, industrial and regeneration activity are driving the next phase of growth and will increasingly compete for the same contractor and specialist resources.	Identify suitable contractors, key subcontractors and long-lead packages early. Do not assume future availability will mirror today's market conditions.
Prioritise Project Readiness	Contractors are becoming more selective and favouring projects with greater certainty, clearer scope and lower delivery risk.	Resolve planning issues, improve design maturity and reduce procurement uncertainty before approaching the market.
Treat Delay as a Cost Risk	Projects are taking longer to move through planning, funding, Building Safety Act requirements and procurement.	Focus as much on programme certainty as cost certainty. Delays can quickly erode viability and expose projects to changing market conditions.
Test Labour Assumptions	The North needs to recruit around 9,630 additional workers every year to 2030, while vacancies remain elevated and specialist skills remain constrained.	Stress-test labour availability, subcontractor capacity and specialist resource assumptions before finalising programmes and budgets.
Build Flexibility into Budgets	While inflation has moderated significantly, the evidence suggests capacity and labour pressures are likely to rebuild later in the decade.	Maintain realistic contingencies and avoid relying on today's market conditions persisting indefinitely. Future projects should allow for changing escalation and procurement conditions.

In Focus: The New Age of Uncertainty

Why global shocks still matter to Northern construction

The Northern construction market is becoming more active, but it is not becoming more insulated.

The data in this report points to a market where demand is rebuilding, capacity is tightening and contractor behaviour is becoming more selective. Most of that analysis is rooted in what is happening here in the North: orders, output, labour, insolvencies and project-level market feedback.

But construction does not operate in a sealed regional economy.

The cost of a project in Manchester, Leeds, Newcastle or Liverpool can still be affected by events taking place thousands of miles away. Energy markets, freight routes, steel trade policy, carbon regulation and geopolitical disruption all feed into the cost, availability and reliability of the materials and resources needed to deliver projects. That does not mean clients should panic every time oil prices move, or a trade route is disrupted.

It does mean that cost and programme certainty are becoming harder to predict.

Why this matters now

The construction market has already learned this lesson once.

The pandemic demonstrated how quickly global disruption becomes local project risk. Material delays, rapid price movement and changing contractor appetite flowed directly into procurement decisions, programmes and cost plans.

The same principle remains relevant today.

The Strait of Hormuz remains one of the world's critical energy chokepoints. The International Energy Agency states that around 20 million barrels per day of crude oil and oil products were shipped through the Strait in 2025, representing around 25% of world seaborne oil trade. It also notes that any disruption would have major consequences for global oil markets because bypass options are limited.

20M bdp

Crude oil & products shipped through the strait

~25%

Share of world seaborne oil trade

For UK construction, that matters because energy costs are embedded throughout the supply chain. They affect diesel, asphalt, logistics, plant, manufacturing, freight, materials and site operations. Even where materials are sourced domestically or from Europe, their production and movement remain exposed to global energy pricing.

The point is not that every geopolitical event will trigger another inflation spike.

The point is that construction remains exposed to shocks it does not control.

This Is Not Just About Oil

Geopolitical risk is now showing up through several channels.

Energy and freight:

Energy price volatility affects much more than fuel. It flows through diesel, logistics, plant, manufacturing and energy-intensive materials. Recent disruption has reinforced how quickly those assumptions can change when global supply routes come under pressure.

Steel and trade policy:

The UK has also moved into a more interventionist trade environment. From 1 July 2026, the UK Government introduced a new steel trade measure, reducing tariff-free steel import quota volumes by 51% compared with the previous safeguard measure. Imports above the new quota levels face a 50% tariff.

That does not automatically mean steel prices will surge. But it does mean clients should expect steel-intensive packages to remain exposed to trade policy, domestic production constraints and supplier behaviour.

Carbon and compliance costs:

The direction of travel is also clear on carbon. Materials such as steel and cement are increasingly exposed to carbon pricing, reporting and border adjustment mechanisms. The UK Government's steel trade measure implementation note also refers to the application of the Carbon Border Adjustment Mechanism (CBAM) on steel products.

For clients, the implication is simple: carbon is no longer only a design or ESG issue. It is increasingly a cost, procurement and supply-chain issue.

Contractors are becoming more selective:

Geopolitical uncertainty can also create demand, not just cost pressure.

Defence investment, energy security, grid resilience, data centres, advanced manufacturing and domestic supply-chain capability are becoming part of the construction pipeline. In the North, this matters because many of the projects now shaping future demand are linked to energy, utilities, defence, manufacturing and infrastructure.

That demand is positive for the region.

But it also competes for the same contractors, technical labour, M&E capacity, utilities specialists and specialist subcontractors needed across the wider market.

The Contollo View

Geopolitical risk should not be treated as a separate issue from construction planning.
It is now part of the delivery environment.

Many clients still treat global disruption as something to be picked up through an inflation allowance once costs start moving. That is too late. By the time prices have moved, the project may already be exposed through procurement, programme, contract terms or supply-chain strategy.

The better question is not:

“What will the next shock be?”

The better question is:

“How exposed is this project if one occurs?”

That exposure will vary significantly by project.

A low-rise refurbishment with a local supply chain will have a very different risk profile from a major mixed-use scheme with imported façade systems, complex MEP equipment, high steel content and tight programme constraints.

The same headline inflation forecast should not be applied blindly to both.

What Clients Should Do Now

Identify exposure early

Projects should identify packages with high exposure to energy, freight, steel, imported components, specialist plant or long-lead equipment. Contractors and specialist suppliers will often see disruption before clients do. Regular market testing and open dialogue are likely to be more useful than relying on published indices alone.

Test procurement routes and contract strategy

Single-stage competitive tendering may not be the best route where materials, logistics or programme risk are moving quickly. Earlier engagement may provide better visibility of cost and availability. Clients should also understand how contracts deal with material escalation, delay, force majeure, change in law, tariffs, freight disruption and supply-chain substitution.

Protect long-lead decisions

Design freeze, earlier specification decisions and clear procurement sequencing can reduce exposure to late substitutions and cost movement.

Use risk-based contingency

Contingency should not simply be a percentage added at the end. It should reflect actual risk: package exposure, supply route, procurement timing, contract form and programme criticality.

Why This Matters For The North

The North is entering a period where major infrastructure, industrial, residential, energy and regeneration projects are all competing for attention.

That is a good thing.

But it also means more projects will be exposed to the same global supply chains, specialist packages and energy-linked cost pressures.

The lesson from recent years is clear: global disruption becomes project risk quickly.

The clients best placed to manage that risk will be those that understand their exposure early, procure intelligently and treat resilience as part of project strategy, not as a late-stage contingency.

The next shock may not start in the North. But it can still decide which projects in the North succeed.

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