

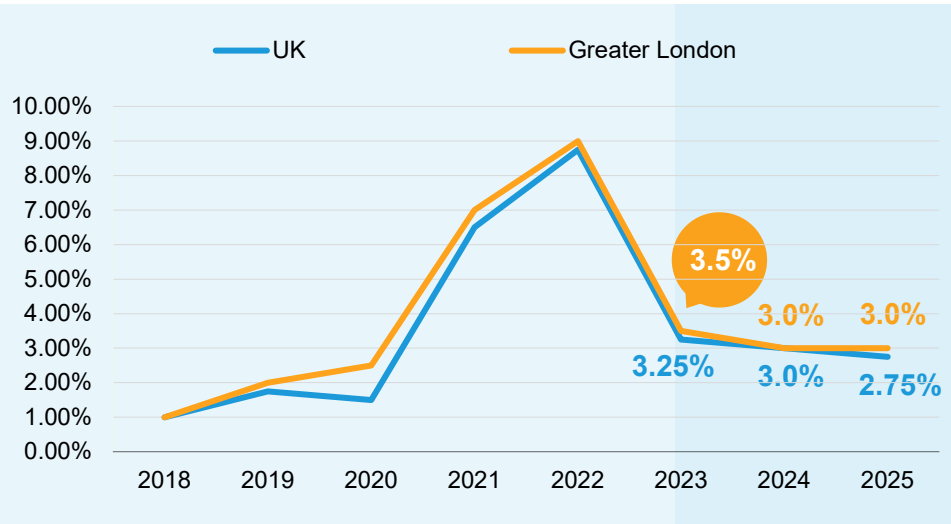
# TENDER PRICE INDEX

## Key Indices Forecast 2023 Q1



Tender price forecast (London) for Q1 2023:

**3.5%**

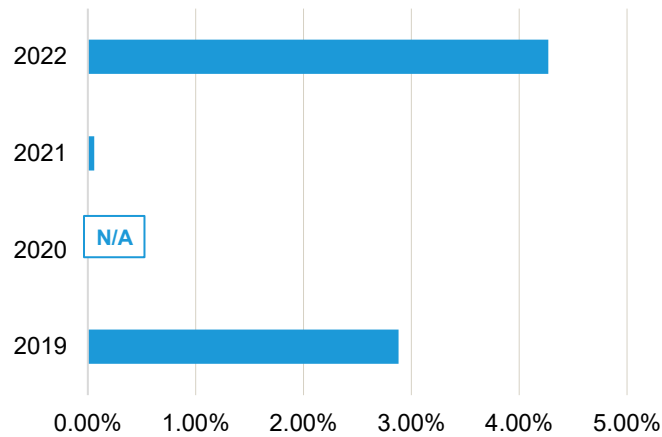


The UK economy shrank by 0.6% in September 2022, with GDP falling 0.2% overall in the run up to Liz Truss's mini-budget. A multitude of factors have fed into this; delayed Covid recovery as businesses have dealt with on and off again government support; the War in Ukraine impacting supply lines; Brexit restrictions on importing goods; an estimated 1 million days of work lost to Industrial Action across multiple sectors, as well as dealing with the highest rates of inflation since the early 1980s.

Growth in the construction sector slowed as businesses have struggled with growing materials cost, supply chain delays, growing labour vacancies and rising costs. An estimated 40% of construction projects' costs are materials and the UK imports 60% of the materials involved in building projects. The domestic production costs of these goods has increased as GDP growth has slowed across Europe in part due to the ongoing conflict in Ukraine, a pace that is expected to persist in 2023. While the costs of materials, energy and labour are expected to continue at a premium, constraining construction activity, there is however a glimmer of light for the UK commercial construction sector in that MEES regulations require all non-domestic properties to hold an EPC certificate of B by 2030. 51% of London Office stock holds an EPC rating of C or below, indicating 140m sq ft of space that will require upgrading.

Knight Frank expects construction activity to remain constrained in the short-term with the long-term seeing developers adapting to new materials and construction methods to meet regulatory pressure and combat increased building costs.

### LONDON CONSTRUCTION SALARIES PERCENTAGE CHANGE



Source: Hays Annual Salary Guide

### MACROECONOMICS

-0.04% ▼	Unemployment Rate
3.25% ▲	Interest Rates
4.10% ▲	FTSE 100
5.10% ▲	Inflation
-9.70% ▼	GDP
-6.40 ▼	Purchasing Managers Index
-26.00 ▼	Consumer Confidence Index
25.35% ▲	Energy
9.9% ▲	Labour

Source: The Office for National Statistics (Feb 2022 – Feb 2023)

### MATERIAL COST "BIG MOVERS"

Imported sawn/planed wood	-20%
Particle Board	-10%
Cement	17%
Builder's Woodwork	17%
Ready-mixed concrete	18%
Pre-cast concrete	18%
Concrete Steel bars	21%
Natural & Artificial Stone	30%
Asphalt	51%
Gravel, Sand, Clays & Kaolin	57%

Source: The Office for National Statistics (Oct 2021 – Oct 2022)

### KEY CONTACTS PROJECT & BUILDING CONSULTANCY



**Paul Prior**  
Partner, Cost Consultancy  
[Paul.Prior@knightfrank.com](mailto:Paul.Prior@knightfrank.com)



**Bryndis Sadler**  
Senior Research Analyst  
[Bryndis.Sadler@knightfrank.com](mailto:Bryndis.Sadler@knightfrank.com)

