Green shoots, grey skies

The uneven path to recovery

July 2026

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Executive summary

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This market outlook is being published during a period of continued uncertainty across the construction and development sectors. While many of the structural challenges affecting residential delivery remain firmly in place – including affordability pressures, regulation, planning delays and constrained funding markets – there are also early signs of stabilisation. Inflation has eased significantly from recent peaks, interest rates have begun to fall and sections of the supply chain are increasingly focused on securing work and supporting project viability. The path to recovery remains uneven, but opportunities are emerging for well-positioned projects and investors with longer horizons have become more active.

The parlous state of London's new homebuilding sector is perhaps a broader proxy for what is currently a dysfunctional market, struggling with planning and regulatory approval risks, unprecedented build cost levels, stubbornly high interest rates and low end demand for many products driven by structural lack of affordability. With the latest annual rolling starts numbering just 6,000* and still declining, compared with a target requirement of nearly 90,000 per annum, this is not a marginal debate; this is a market in crisis.

Widen this out to the national level and it's clear that the UK Government's ambition for 1.5 million homes in this Parliament is now completely out of reach. Best estimates suggest this will be nearer to 800,000 - 900,000 homes delivered by 2030.

The recent conflict in the Middle East has added complexity over near-term recovery prospects as well as adding risk to the likelihood of further energy cost led build cost inflation. The development and investment market remains challenging and the need to demonstrate viability and returns where cost and value dynamics have fundamentally moved over the last few years has meant that schemes need to be assessed more rigorously and in some cases what was originally planned needs to be altered.

Often, this is no longer just about building more on a site. Instead, it is about delivering development with a realisable exit value and strong market alignment. As a result, some schemes are changing use class and, in some instances, deliberately reducing density or height to enable less complex and more cost-effective construction. The historic reliance on multi-family residential apartments is under unprecedented pressure. While this trend first emerged in London, it is now evident across regional towns and cities. This may signal a long-term reduction in construction demand for this type of development relative to single-family housing and low-rise apartments. This is not just driven by the Building Safety Act and cost and programme risks but by end demand being impaired by affordability and growing sensitivity to service charges.

It is against this reality that the construction supply chain is navigating what is now its fourth year of subdued growth and volatile output. It is also the hard reality of what a new Prime Minister will be facing as they enter office and the challenge of revitalising a housing delivery market that is broken and which is not going to achieve the housing numbers which are politically seen as an imperative.

*Research by Jones Lang LaSalle

Widening out the construction sector's fortunes into infrastructure and public works, the picture is better but certainly not plain sailing. The Government's National Infrastructure & Services Transformation Authority (NISTA) pipeline was published just last year and is already behind its planned spend and commitment targets. The industry is looking for certainty in commitment. There are current concerns that the imminent changes in residency of Downing Street may bring with it different priorities in public spending that may create casualties in some public works programmes such as road building and HS2.

The supply chain trading environment remains challenging, with input costs still under pressure. The ability to drive further price reductions is increasingly limited, making return assumptions without a clear cost and waste reduction strategy high risk. Clients therefore need expert advice on market-aligned products, design and construction efficiencies, and the selection of construction partners who control their supply chains and are commercially focused on delivering lower-cost, higher-value solutions.

Although the sector continues to face significant headwinds, periods of market disruption often create the strongest opportunities for innovation and value creation. The projects most likely to succeed over the coming years will be those that combine realistic market assumptions with efficient design, proactive risk management and early engagement across the supply chain. Recovery may not be immediate, but there is a growing opportunity for those prepared to adapt to a fundamentally changed market.

A well-designed and risk-managed project increases contractor and supply chain confidence, strengthens market appetite, and enhances the ability to manage and absorb inflationary pressures.

Cast remains committed to ensuring we can help our clients outperform the market and improve project deliverability through fresh thinking and deep market knowledge and insights.

Macro-economic overview

The UK outlook over the next 6-12 months is one of cautious stabilisation rather than strong recovery. Growth is expected to remain modest, inflation is easing, and interest rates are likely to fall gradually but remain restrictive.

For construction and development, lower inflation and future rate cuts should improve confidence and investment, although high finance costs and uncertain demand will continue to limit weaker projects.

Recovery is expected to be gradual and selective, favouring well-capitalised developers, infrastructure, retrofit, energy, and policy-backed housing with clear funding and demand.

Sterling

Sterling suffered a steep drop in November 2025. It has since rebounded sharply to the same level as this time last year. The recovery has been supported by stronger-than-expected UK GDP data, a positive market reception to the Autumn Budget, a weaker US dollar following Federal Reserve rate cuts, and signs of resilience in the UK economy.

JUN 2025	JUN 2026
£1:$1.35	£1:$1.34

Markets

The FTSE 100 has delivered strong returns in 2026, up 17% over the last year. The index reached an all-time high in February of 10,911 driven by cheap looking UK valuations, and the promise of rate cuts. However, the story flipped in March with oil shocks, inflation fears, higher yields and geopolitical risks which overwhelmed the earlier "UK safe haven" trade.

JUN 2025	JUN 2026
8,864	10,347

Consumer Price Index including owner-occupiers' housing costs (CPIH)

The CPI including owner-occupiers' housing costs index rose from 137.7 to 141.8 over the last year, meaning the overall CPIH price level was about 2.8% higher than a year earlier. This is due to housing cost inflation slowing sharply in the period, but this was somewhat offset by the rapid increase in fuel prices in the same period.

APR 2025	APR 2026
4.1%	2.8%

Gross Domestic Product (GDP)

UK monthly GDP grew by an estimated 0.7% in the three months to April 2026, compared with the three months to January 2026, marking the fifth consecutive period of three-month-on-three-month growth. Construction supported this improvement, with output rising by 1.6% over the same period, continuing a partial recovery after five consecutive three-monthly declines between October 2025 and February 2026.

GDP GROWTH FROM JANUARY 2026 TO APRIL 2026	APR 2026
	0.7%

UK Bank rate

The Bank of England Rate has fallen over the last 12 months, but the cutting cycle has stalled. Over the year to June 2026, the Bank Rate fell from 4.25% to 3.75%, a decrease of 0.50 percentage points. This reflected two rate cuts, in August 2025 and December 2025, after which no further reductions were made as renewed inflation risks emerged.

JUN 2025	JUN 2026
4.25%	3.75%

Construction market overview

UK construction trading conditions remain subdued, with the June 2026 S&P Global UK Construction PMI at 38.4, only marginally above May's six-year low.

Demand is weakest in private commercial and residential new work, and recovery remains fragile. Although input cost inflation has eased, labour, specialist trades, MEP, preliminaries and imported components remain volatile. BCIS forecasts continued infrastructure cost pressure, with civil engineering costs rising 15% and tender prices 19% to Q1 2031.

Tendering is more competitive, but sustainable value depends on procurement quality, risk allocation and bidder resilience. With insolvencies still 18% above 2019 levels, 2026 remains a risk-sensitive market.

Construction output

Construction output is estimated to have grown by 1.6% in the three months to April 2026, compared with the three months to January 2026. Both repair and maintenance, and new work, grew over the period, increasing by 3.4% and 0.3%, respectively. Within repair and maintenance, the largest positive contribution came from non-housing repair and maintenance, which grew by 3.5%.

Q1 2026 - Q2 2026

+1.6%

INCREASE IN CONSTRUCTION OUTPUT

New orders

In new work, the largest positive contributor was private commercial new work, which grew by 2.1%, however total new work fell by 0.3% which is a sign that the future pipeline of work may be shrinking.

Q1 2026 - Q2 2026

-0.3%

DECLINE IN UK CONSTRUCTION ORDERS

UK Construction PMI

UK construction activity weakened materially over the last 12 months, with the Construction PMI falling from 47.9 in May 2025 to 38.4 in June 2026. The latest reading marked the 17th consecutive month of contraction, with residential, commercial and civil engineering activity all declining, while new orders fell at the fastest pace for six years.

MAY 2025 - JUN 2026

-9.5 POINTS

PMI SHARP CONTRACTION

Insolvencies

Construction continues to record the highest number of insolvencies of any sector. In the 12 months to the end of February 2026, 3,803 construction firms became insolvent, representing 17% of all industry cases where sector data was captured. This remains materially above pre-pandemic levels. However, this represents an easing on the previous year, down 6%.

FEB 2025 - FEB 2026

+3,803

RISE IN INSOLVENCIES

Materials pricing

The material price index for 'All Work' increased by 3.2% from April 2025 to April 2026. This indicates a renewed upward movement in construction materials pricing after the softer conditions seen through much of 2025.

APR 2025 - APR 2026

+3.2%

MATERIAL PRICE INCREASE

Labour availability

The latest ONS workforce data suggests construction labour capacity remains constrained. The UK construction workforce was estimated at 2.05 million in Q1 2026, down 4% on Q1 2025 and 14% below Q1 2006. Construction vacancies also fell to 29,000 in the three months to April 2026, around 4,000 fewer than the same period in 2025.

Q1 2025 - Q1 2026

-4%

CONSTRUCTION LABOUR FORCE DECREASE

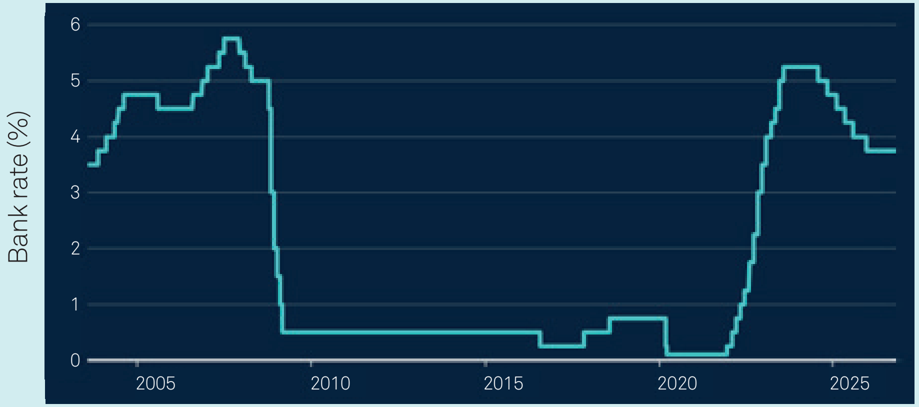
The Bank of England base rate

The Bank of England maintains a cautious stance, holding at 3.75% amid persistent inflationary pressures with two of the nine members of the committee voting to increase the rate by 0.25 percentage points to 4%.

The Bank of England's latest Monetary Policy Committee meeting voted to maintain rates at 3.75% (published 18 June 2026), citing concerns that while energy prices have fallen since the previous meeting they remain above pre-conflict levels and volatile. There is still a potential for second-round effects in prices and wages.

The conflict in the Middle East, and its impact on energy prices and the UK economy, remained the dominant source of uncertainty for the inflation outlook.

2005 - 2026

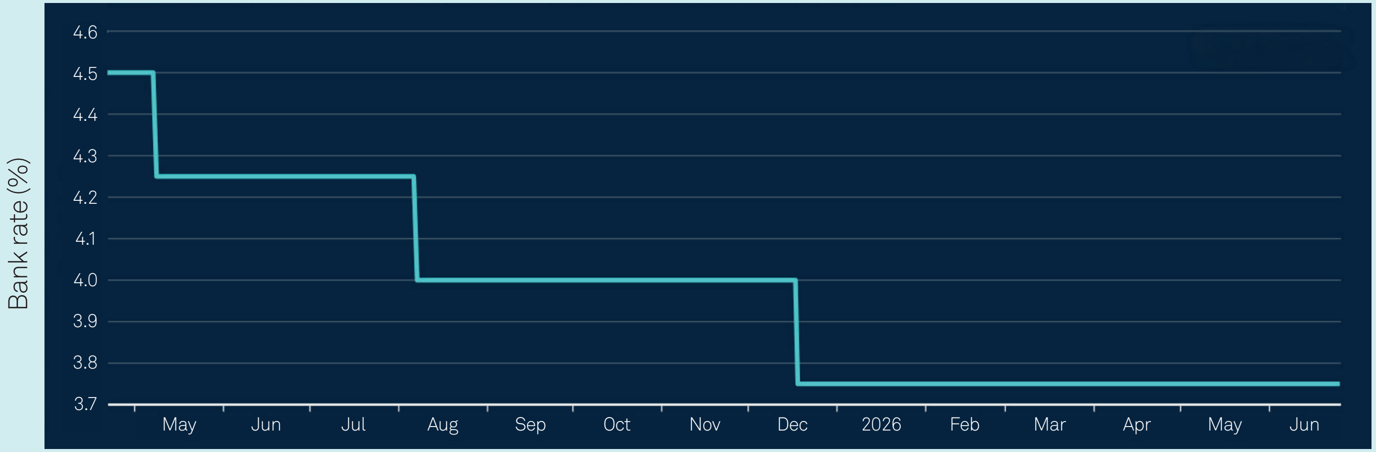


Current official bank rate:

3.75%

as of June 2026

June 2025 - June 2026



Source: Bank of England

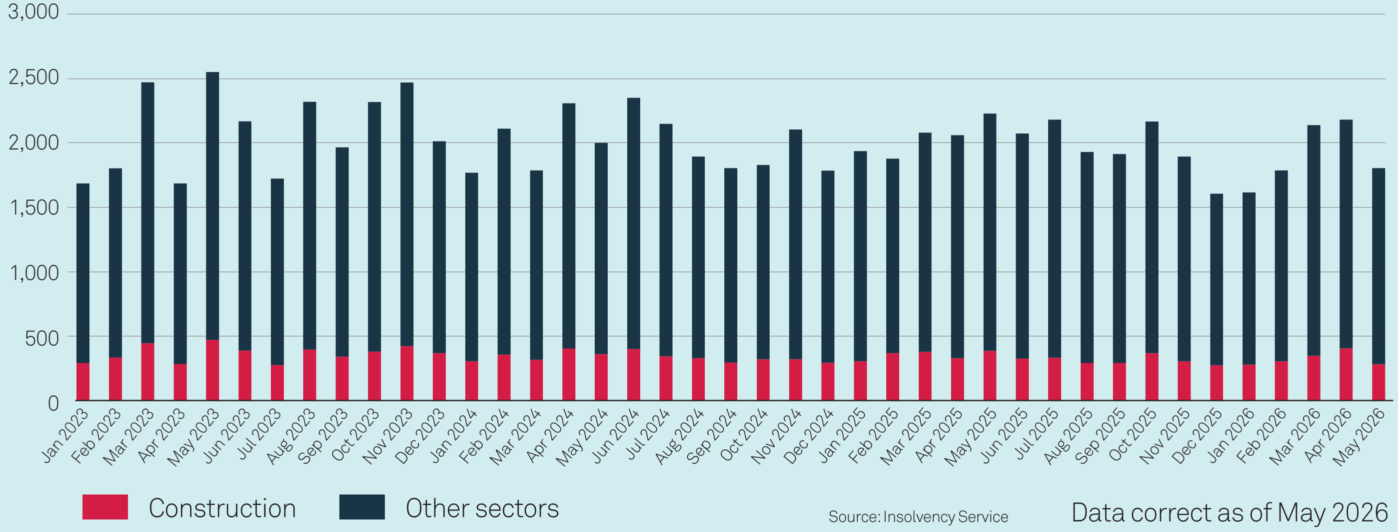
Construction insolvencies

There was a total of 3,803 construction company insolvencies in England and Wales (some of these have operated nationally) in the 12 months to March 2026, with construction continuing to record the highest number of insolvencies of any UK industry sector. Construction represented approximately 17% of all insolvency cases where industry classification was recorded.

While annual insolvency levels have eased marginally from the peak levels seen through 2024 and 2025, financial distress across the sector remains elevated. Pressure continues from weak project pipelines, low contractor margins, rising employment costs, delayed project starts and ongoing supply-chain fragility.

Despite some stabilisation in monthly administration activity, the impact of major contractor failures continues to ripple through the supply chain, particularly across fit-out, subcontractor and specialist trades. Contractors remain highly exposed to fixed-price contract risk, payment delays and reduced cash flow resilience.

Registered company insolvencies by industry



Some of the notable firms that have recently gone into administration in 2026:

January	Cauldwell Construction, FK Facades & Construction
February	Gilks (Nantwich); Jerram Falkus Construction; Artemis Interior Services
March	Hive Energy
April	Mackoy
May	Curo Construction; Offsite Engineered Products UK
June	Zentia; Ardmore Construction Group; Agetur

Construction Enquirer · 11d

Ardmore Construction Group collapses into administration

Ardmore Construction Group is being placed into administration today after mounting concerns over potential liabilities ...

yahoo!finance · 3h

Middle East conflict hit smaller construction companies hardest, data shows

New figures from the UK's Insolvency Service point to rising financial distress among small and medium-sized construction...

Construction Enquirer · 3d

Bathroom pod maker OEP went down owing £3.5m

Lancaster based bathroom pod specialist Offsite Engineered Products UK Ltd (OEP UK) went down owing more than £3.5m....

Building materials market – macro perspective

Materials market trading is broadly lower with volumes and sales oscillating around 3% lower than the previous year.

- Total builders merchants value sales for Q2 2026 were down -3.6% compared to Q2 2025
- Total builders merchants volume sales were down -8.1% but prices increased by 5.4%

Source: BMBI monthly report for February 2026 (published 28 April 2026) adjusted to remove the effect of trading days

Recent planning and regulatory changes

The regulatory and policy environment over the last few years continues to have a substantial impact, affecting confidence and impacting decision making.

The Carbon Import Levy (January 2027)

A new levy on carbon-intensive products such as iron, steel, glass, and cement is to be implemented from 2027 with the aim of protecting businesses against cheaper imports from countries with less strict climate policies.*

Imports of iron, steel, aluminium, ceramics, and cement from overseas will face a comparable carbon price to those goods produced in the UK.

Biodiversity net gain (2024)

A full consultation response and implementation timeline is expected to be published imminently, alongside a consultation response on implementing BNG for nationally significant infrastructure projects (NSIPs), which will go live in November 2026 (delayed from May).

Until changes are officially implemented which will require secondary legislation in some cases, BNG continues to apply in its current form.

Landfill Tax

The UK Government has confirmed that it will not proceed with transitioning to a single rate of landfill tax by 2030, following pushback from the construction industry. The Government will retain the exemption for quarries with disposal permits and will not abolish the lower rate of landfill tax or significantly restrict exemptions.

From April 2026, the UK standard Landfill Tax rate increased by £4.60 per tonne, from £126.15 to £130.75 per tonne, while the lower rate increased from £4.05 to £8.65 per tonne. Although these increases may appear modest on a per-tonne basis, they can have a significant financial impact on projects generating or disposing of large volumes of waste.

The Building Safety Act (2022) and Building Safety Levy (2026)

The Building Safety Act (2022) is the most significant regulatory disruptor in a generation. The Building Safety Levy, currently scheduled to be enforced from October 2026 in England, and April 2028 in Scotland, will fund safety remediation but add costs to most new residential schemes. The sector faces both cost pressures and opportunities from these changes. Previously developed sites will receive discounts, which vary by local authority but could be up to 50%.

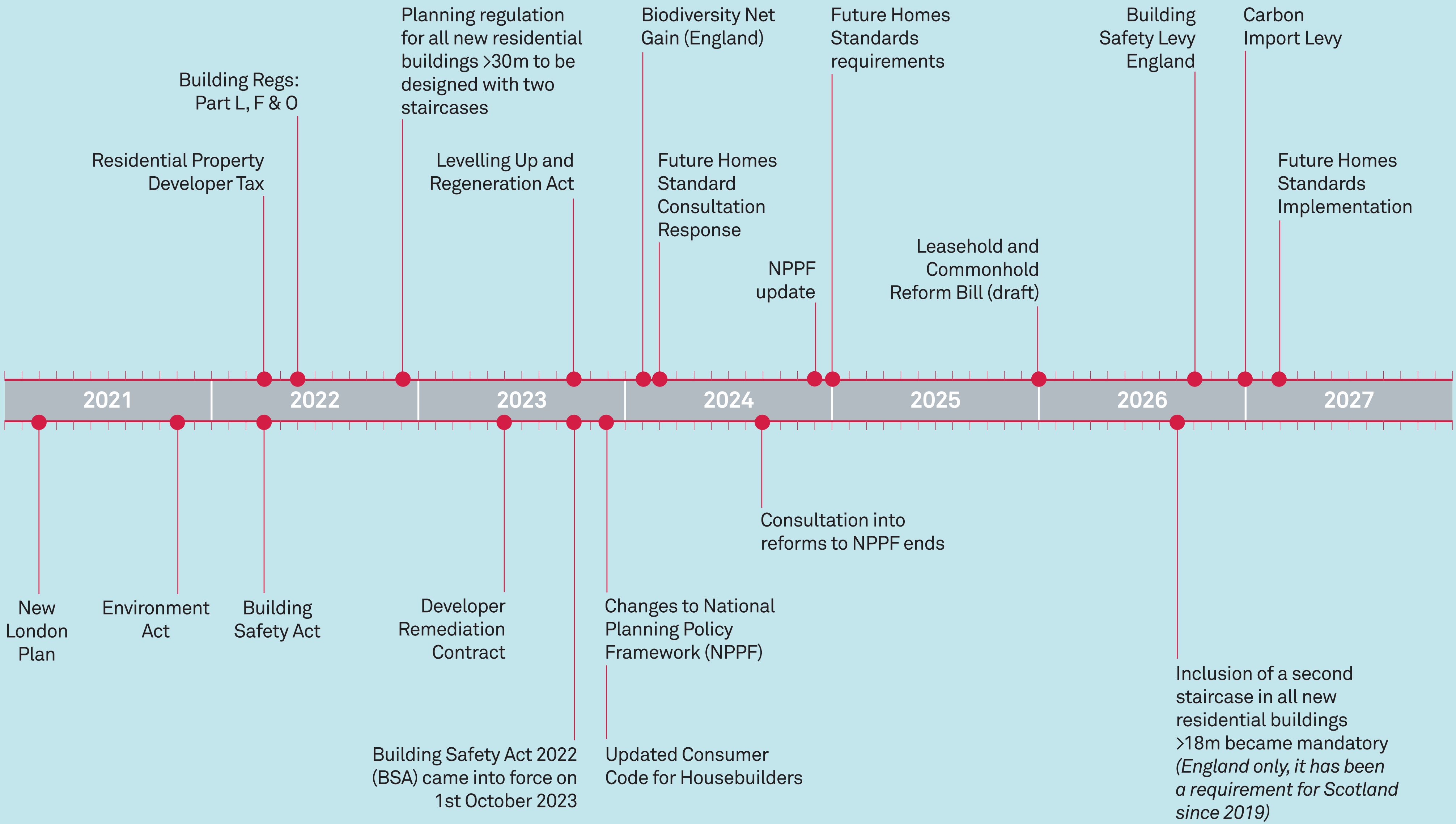
Steel Trade Measure (July 2026)

From 1 July 2026, the UK Government will limit tariff-free steel imports, reducing overall quota volumes by 51% compared with the steel safeguard measure.

Any imports above these levels will face a 50% tariff. The measure will apply to imports of steel products that can be made in the UK. The steel safeguard quotas and the 25% additional safeguard duty will cease to apply after 30 June 2026.

*The Government issued draft primary legislation on 24th April 2025

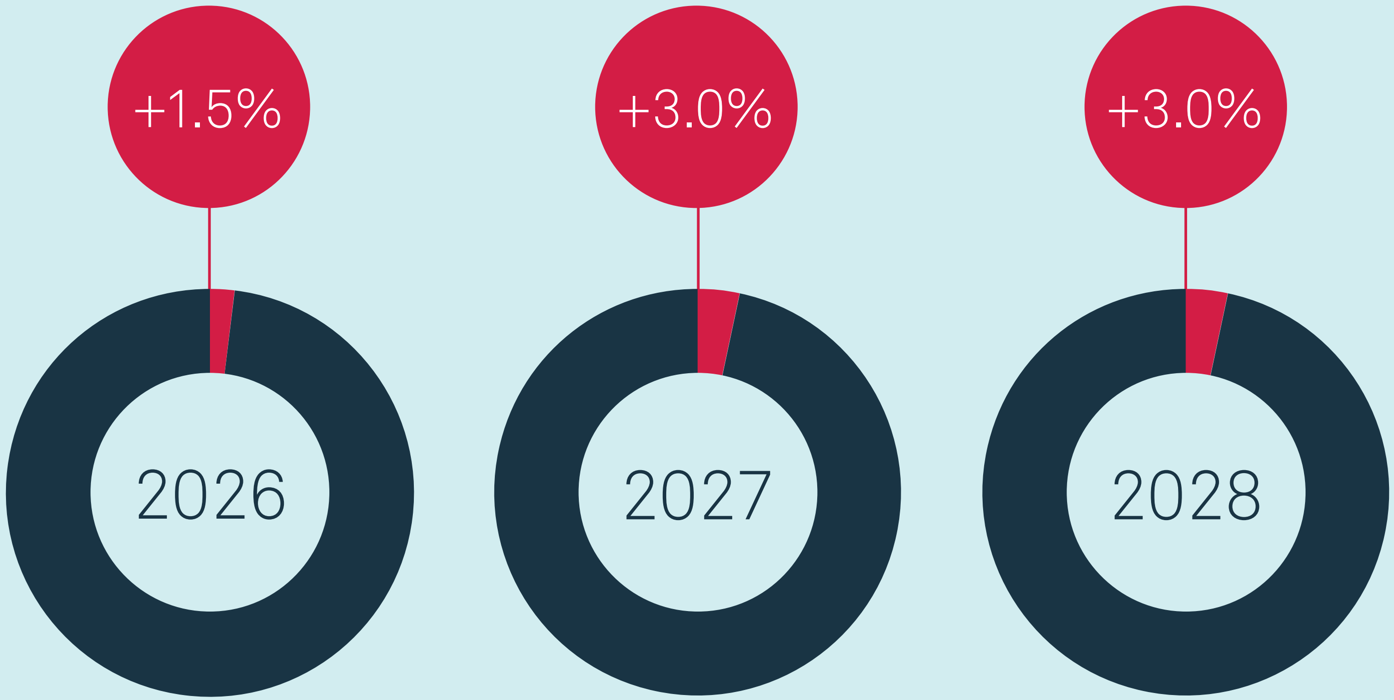
Recent planning and regulatory changes



Forecast movement in Tender Price Indices (TPIs)

Our forecast of 1.5% tender price growth in 2026 reflects a weak residential and construction market where high interest rates, reduced developer confidence, and constrained financing are limiting demand and pricing power. However, persistent cost pressures – particularly from labour, energy, and materials, alongside ongoing supply chain volatility – are preventing price declines and keeping inflation modestly positive.

For 2027-2028 (c. 3% per annum), we expect a more balanced recovery. Improving confidence and easing financing conditions should support activity, while structural pressures such as labour shortages, tighter regulation, and more risk-aware procurement sustain steady, moderate tender price growth.



Cast and peer group views on TPIs

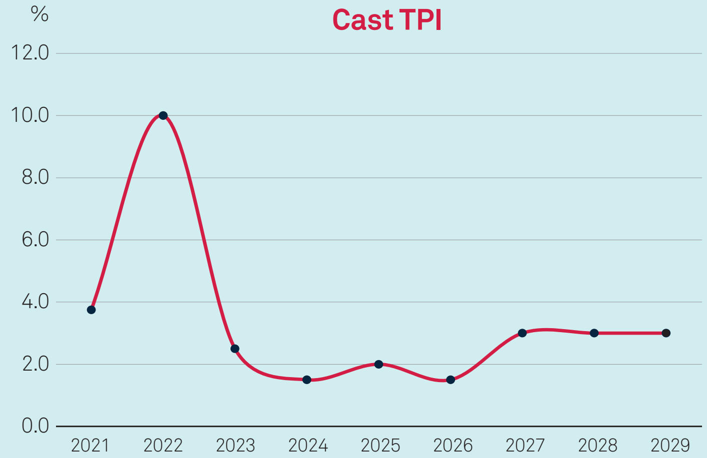
Cast's view is that all in TPI inflation for 2026, focusing on the residential and mixed-use sector, will be 1.5%. This does not include for the impact of the multiple regulatory changes set out on page 8.

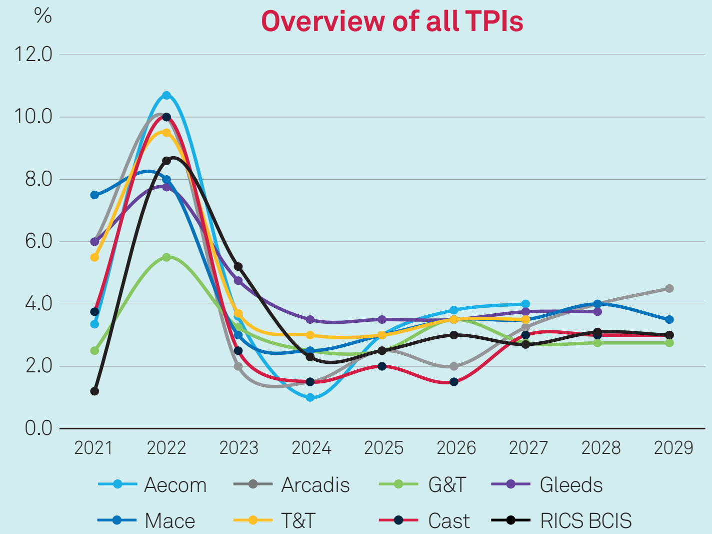
Tender Price Indices (TPI) – Status report (2Q 2026)

Year	Industry forecasts						Industry average (exc. BCIS)	Cast	RICS BCIS
	AECOM	Arcadis	G&T	Gleeds	Mace	T&T			
2020	-0.7%	-3.0%	-1.0%	0.0%	0.0%	-1.0%	-1.0%	-2.0%	-0.6%
2021	3.4%	6.0%	2.5%	6.0%	7.5%	5.5%	5.1%	3.8%	1.2%
2022	10.7%	10.0%	5.5%	7.8%	8.0%	9.5%	8.6%	10.0%	8.6%
2023	3.6%	2.0%	3.3%	4.8%	3.0%	3.7%	3.4%	2.5%	5.2%
2024	1.0%	1.5%	2.5%	3.5%	2.5%	3.0%	2.3%	1.5%	2.3%
2025	3.0%	2.5%	2.5%	3.5%	3.0%	3.0%	2.9%	2.0%	2.5%
2026	3.8%	2.0%	3.5%	3.5%	3.5%	3.5%	3.3%	1.5%	3.0%
2027	4.0%	3.3%	2.8%	3.8%	3.5%	3.5%	3.5%	3.0%	2.7%
2028		4.0%	2.8%	3.8%	4.0%		3.6%	3.0%	3.1%
2029		4.5%	2.8%		3.5%		3.6%	3.0%	3.0%

References

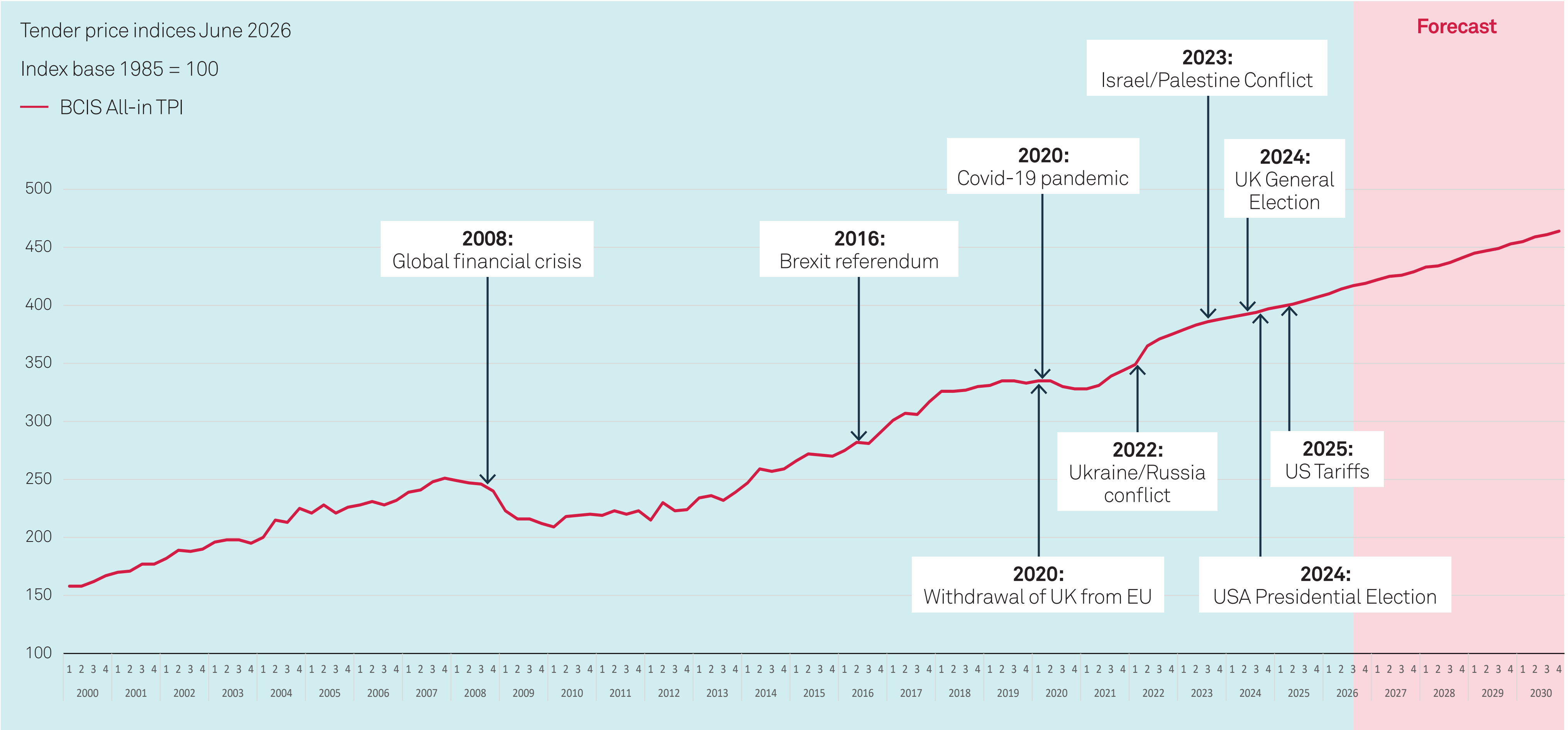
AECOM..............................Market forecast: Q1 2026
Arcadis..............................Spring Forecast 2026 (we have taken an average of ranges provided)
Gardiner & Theobald........Q2 2026 Update
Gleeds...............................Market Report Q1 2026
Turner & Townsend ....Market Intelligence – UKMI Q2 2026
BCIS..................................TPI – indices





Long-term Building Cost Information Service (BCIS) TPIs

The below chart provides a snapshot of how key events have impacted inflation over the last 25 years.



Cast

What we are seeing

We set out here some additional thematic commentary based on feedback from our delivery teams.

- Skilled labour
- Materials
- Insolvencies
- Building Safety Act (BSA)
- Procurement
- Environmental, social, and governance (ESG)
- General residential market

Skilled labour

Skilled labour remains a structural risk for the construction industry, despite weaker workload across much of the residential market.

The latest ONS and BCIS data estimates the UK construction workforce at 2.05 million in Q1 2026, down 4% on the same period in 2025 and 14% below the level recorded in 2006.

Construction vacancies have also fallen to around 29,000, suggesting industry scale reduction and more cautious recruitment rather than any easing of the underlying skills shortage.

Pay pressure remains concentrated in specialist roles, including building services, fire safety, façade installation, heat pumps, ventilation and electrical infrastructure. Employer National Insurance increased from 13.8% to 15.0% in April 2025, while the threshold at which employers become liable fell from £9,100 to £5,000 per employee. This continues to add pressure to directly employed labour costs and contractor overheads.

The key risk is that labour availability has weakened during the downturn. If residential output recovers, demand for competent supervisors, specialist trades and self-employed labour could return faster than workforce capacity, creating renewed wage inflation and increased delivery risk.

Materials

Material prices are no longer falling across the market as a whole. The Department for Business and Trade reported that the ***all work*** material price index increased by 3.2% in the 12 months to April 2026, with ***new housing*** materials also up 3.2%. This indicates that the market has moved from the softer conditions seen through much of 2025 into a period of renewed, albeit uneven, price pressure.

The picture remains mixed across product groups. Weak residential demand continues to suppress volumes for heavy materials, with brick and block deliveries below previous levels and ready mixed concrete demand remaining historically subdued. However, energy, fuel, imported components and specialist materials continue to create volatility, particularly in steel, aggregates, electrical equipment, copper and MEP-related products.

The current market offers selective procurement opportunities where suppliers are seeking workload. Low production volumes and fragile supply chains mean that pricing could move quickly if demand improves or energy costs rise further.

Landfill tax

The previously proposed move to a single Landfill Tax rate has not proceeded. However, Landfill Tax still increased from 1 April 2026, with the standard rate rising to £130.75/t and the lower rate increasing from £4.05/t to £8.65/t. The lower rate increase is particularly relevant to inert waste, excavation arisings, demolition material, remediation spoil and basement-led development.

The impact will vary significantly by site conditions, waste classification and disposal route, but brownfield and abnormal heavy sites are likely to see the greatest exposure.

The main implication for construction is the need for earlier waste strategy and more robust abnormal cost testing. Site investigations, material reuse opportunities, waste classification and disposal assumptions should be resolved as early as possible, particularly on former commercial, industrial and constrained urban sites.

The Iran Conflict

The conflict involving Iran has already had a clear short-term impact on the UK construction industry, primarily through energy markets and global supply chains rather than any direct disruption to domestic activity. The escalation in early 2026 led to sharp increases in oil and gas prices, with energy costs feeding quickly into the production and transportation of key construction materials such as steel, cement, glass and petrochemical products. At the same time, disruption to critical shipping routes – particularly around the Strait of Hormuz – has increased freight costs, caused delays to imported components, and added volatility to supply chains. These pressures have, in some instances, contributed to rising tender prices, tighter contractor margins and growing uncertainty in project delivery, with some developers already reassessing viability and slowing activity.

Looking ahead, the longer-term impact will largely depend on the duration and severity of the conflict, but several risks are already evident. Prolonged instability is likely to keep inflation higher for longer, particularly through sustained energy and logistics costs, which in turn could lead to elevated interest rates and borrowing costs, dampening investment across the construction and real estate sectors. Continued disruption to global trade flows may also encourage a shift toward more resilient but potentially more expensive supply chains, alongside greater use of risk allowances and shorter pricing windows in contracts.

While the UK's reliance on domestic and European supply provides some insulation, the sector remains highly exposed to global commodity cycles, meaning geopolitical instability in the Middle East will continue to act as a key external driver of cost volatility, project risk and market confidence in the medium term.

Insolvencies

Supply chain insolvencies remain a material concern, particularly among specialist subcontractors exposed to fixed-price risk, delayed starts, design uncertainty and weak cash flow. There were 3,803 construction company insolvencies in England and Wales in the 12 months to March 2026, representing around 17% of all recorded cases.

Recent failures across façade, fit-out, groundworks and specialist contracting reinforce the need to assess financial resilience beyond the main contractor. Due diligence should extend to key subcontractors where replacement capacity is limited, design responsibility is significant or programme exposure is high.

There is also growing concern around Tier 1 contractor exposure to Building Liability Orders and historic building safety claims. This may increase caution around legacy risk, tender exclusions and the willingness to accept complex remediation or higher-risk residential work.

The performance bond market remains difficult, with some contractors facing higher premiums, tighter terms or challenges securing cover.

Building Safety Act (BSA) England

The Building Safety Act continues to have a material effect on the programme, procurement and viability of higher-risk residential schemes. The Gateway 2 position has improved since the previous report. In the 12 weeks to 30 May 2026, the Building Safety Regulator made 358 Gateway 2 decisions across all categories, with an overall approval rate of 75%. Applications representing 14,928 units were determined, with 9,499 units approved. However, 38,775 units remained within live cases, indicating that the volume of schemes still moving through the system remains substantial.

This represents progress compared with the low approval rates and extended handling periods seen during 2025, but Gateway 2 remains a major programme risk. The issue is increasingly the maturity and completeness of submissions, with the BSR placing greater emphasis on coordinated technical evidence, competence, design responsibility and robust change control. This is increasing the need for earlier contractor and specialist engagement, more detailed pre-contract design work and higher professional fee exposure before a scheme can achieve price certainty.

We are seeing more positive early engagement discussions with the BSR on complex projects and masterplans, including how larger schemes can be structured and submitted. Staged applications and approvals with requirements are becoming better understood, although guidance and consistent market practice remain limited. While these approaches may support the delivery of complex schemes, they should not be assumed to eliminate Gateway 2 programme risk or reduce the need for a complete and coordinated submission.

The wider effect on the supply chain remains significant. The limited flow of higher-risk residential schemes into construction continues to reduce workload across specialist trades, particularly where viability pressures are already delaying development activity. Some schemes are still being held back from Gateway 2 submission because of regulatory uncertainty, although in many cases this is compounded by weak sales rates, elevated funding costs and reduced development viability. The next major challenge will be Gateway 3. The process for demonstrating that the completed building reflects the approved design, alongside the operation of the golden thread and change control procedures during construction, is less tested than Gateway 2. This will require close coordination between the employer, contractor, design team and specialist supply chain. It also creates potential exposure where design development continues during construction, contractor responsibilities are unclear or specialist packages are procured late.

Recent court cases

A recent UK court ruling under the Building Safety Act has confirmed that liability for historic building defects can be extended beyond the original contractor to associated group companies, even on a joint and several basis and before final liability is fully determined. This significantly increases risk exposure across corporate structures, undermining the traditional use of SPVs to ring-fence liabilities. For insurers, this is likely to drive higher premiums, tighter exclusions, and reduced capacity, reflecting broader and less predictable risk. Developers, contractors and funders face greater uncertainty, higher compliance costs and enhanced due diligence requirements, with potential implications for project viability and overall supply chain stability.

Procurement

Contractors generally remain hungry for work, particularly where schemes are sufficiently developed to allow a credible price and programme to be formed. Reduced residential and commercial workload has increased competition at early tender stage, with some contractors seeking to maintain turnover, retain teams and secure forward pipeline. This is creating selective procurement opportunities, although appetite varies materially by sector, geography, package complexity and risk profile.

Two-stage and negotiated procurement continue to be favoured for complex schemes. Initial tender positions can be commercially competitive where contractors are seeking workload, but these often require further design development, supply chain engagement and risk review before a fully deliverable contract sum is agreed. Maintaining competitive tension while recognising the distinction between an attractive opening price and a sustainable delivery price remains critical.

The Building Safety Act continues to limit the use of single-stage procurement for higher-risk buildings, even where the design is relatively advanced. Contractors are reluctant to accept full design, compliance and Gateway risk without earlier involvement and clearer responsibility for technical evidence, change control and programme exposure. This is increasing the need for pre-construction services agreements, earlier specialist input and greater upfront expenditure on design and professional fees, often before debt funding is fully available.

To address these market dynamics, we have adopted a fundamentally different procurement approach that strengthens resilience, enhances collaboration, and delivers improved outcomes.

Schemes outside the higher-risk building regime remain more attractive to contractors because they offer greater procurement flexibility and lower regulatory uncertainty. However, even on these schemes, contractors remain cautious around poorly coordinated design, long price holds, fixed price risk, payment terms and material volatility.

As Gateway processes become more established, contractor confidence may improve, but procurement strategy will continue to require earlier engagement, stronger design maturity and active management of supply chain risk.

Following a 2025 consultation on late payments, the UK Government announced in March 2026 that it intends to prohibit the deduction and withholding of retention sums altogether, rather than simply regulating or protecting them in escrow accounts. While the direction of policy is clearly towards a full ban, further consultation is planned on the detailed implementation, including potential amendments to the Housing Grants, Construction and Regeneration Act 1996 and transitional arrangement.

The change would likely benefit subcontractors and SMEs through improved cash flow and reduced insolvency risk, but it also introduces higher costs, new financial instruments, and a reallocation of risk. In the long term, it could modernise payment practices, but the transition period may involve disruption, pricing adjustments, and increased contractual complexity.

Environmental, social, and governance (ESG)

Funder, investor and occupier expectations around energy performance, operational carbon, climate resilience and asset accreditation continue to affect design, cost and viability. These requirements are increasingly linked to funding, lettability, operational performance and long-term value.

The Future Homes and Buildings Standards will increase this pressure from 2027. New requirements for on-site renewable electricity generation and higher energy efficiency will affect PV provision, roof layouts, façade performance, heating strategy, MEP coordination and overheating mitigation.

Requirements should be established early and tested against the value they create. The direction of travel remains towards higher performance, stronger evidence and greater accountability.

General residential market

The latest UK Government data shows a partial recovery in housing starts, but the delivery pipeline remains weak. England recorded 33,960 starts in Q1 2026, up 18% year on year but down 9% on Q4 2025. Annual starts reached 130,170 to March 2026, up 15%, while completions fell 6% to 143,110.

Estimated net additional dwellings totalled 199,500 in 2025 to 2026, below the 208,600 delivered in 2024 to 2025. The recent increase in starts partly reflects higher Building Safety Regulator reporting following reforms, rather than a broad-based market recovery.

Viability remains constrained by high costs, financing pressure, regulation and weak affordable housing demand.

Contact us

Cast is a specialist construction consultancy providing solutions for developers, investors, policymakers, and the supply chain. We are focused on helping deliver great homes and places viably whilst also addressing bigger economic, societal and environmental challenges.

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