

Scanning for green shoots

Anticipating recovery
in a volatile environment

October 2025

cast-consultancy.com

Cast 

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Executive summary

The current UK construction market is arguably the most challenging it has been since the recession of the early 1990's. A multitude of factors have contributed to what can be seen as a perfect storm characterised by:

- A synchronised housing market downturn across both private and public funded new development
- Regulatory and market driven construction cost levels are now at a level that breach private sector investment and viability challenges or public value for money tests
- An absence of a deflationary cycle that we have seen in previous downturns that resets the cost / value balance. This suggests longer term structural imbalances in the market that will take longer to resolve
- A London market where the impact of the above cost / value imbalance has led to a virtual shut down of new development activity
- A poor macro-economic backdrop pervades sentiment in the sector at the moment. Whether this is in relation to public spending levels, fiscal policy, general consumer and housing market confidence, this is all reflected across a host of economic KPI's that have deteriorated since the positive sentiment following the election of the current government last year
- A private development and housing market now further in stasis awaiting the Autumn Statement in November
- And if all of the above was not enough, a post introduction Building Safety Act legacy that has effectively stalled the market for high density urban residential development through the inability of the Building Safety Regulator, until recently, to manage and resource the process



Mark Farmer
Cast Founder &
Board Executive
October 2025

All of the above has firmly impacted on construction activity and although it has taken a long time to feed through the lag from project commitments to project completions, the simple fact is that there is now not enough work for the core capacity that exists in the industry.

This is a very different challenge to what we have been historically lamenting in terms of skills shortages. Although this will no doubt recur in the future with a vengeance, the industry has unfortunately returned to a period of short termism and survivalism. With elevated industry insolvencies being fuelled both by current trading conditions and emerging legal implications of the Building Safety Act, supply chain fragility is high. Matching the remaining development opportunities with the supply chain that is capable of delivering is no easy task and attitudes to risk are constantly evolving.

“With elevated industry insolvencies being fuelled both by current trading conditions and emerging legal implications of the Building Safety Act, supply chain fragility is high.”

What is clear is that the government remains committed to its ambitions to use housing and infrastructure as foundations for growth in the economy.

What is less clear is how it is going to do that when the public purse is constrained and the private market needs a significant and rapid turnaround in the economic fundamentals that it relies on.

In the meantime, initiatives such as planning reforms, the establishment of the Construction Skills Mission Board, the publication of the new Infrastructure Pipeline or the reality of the new 10 year Affordable Homes Programme all seem dislocated from the construction demand being felt on the ground, risking a further 'hollowing out' of the industry and long-term ability to deliver the construction output that economic growth will require.

Despite all of this, the opportunity exists for clients to think counter-cyclically. Those that are building homes now can arguably be delivering into an under supplied market in 2-3 years' time.

This obviously requires a funding and risk model that enables bolder decision making. However, it feels that now is an opportunity to innovate development products and delivery models to face into what may just be the reality of a more challenging market in the longer term.

There is also a growing likelihood that supply chain price compression in response to falling order books is about to accelerate after a prolonged period of continuing inflation. This may well create opportunity to restore viability to schemes that have otherwise been stalled.

“...now is an opportunity to innovate development products and delivery models to face into what may just be the reality of a more challenging market in the longer term.”



Macro-economic overview

In the residential sector, continued economic uncertainty has stalled housing market activity, leading to significant reductions in new starts across the market.

This slowdown has been synchronised across the private for sale, build to rent, and affordable homes markets. A combination of viability challenges in the rental market, a backlog in the Building Safety Act process for higher-density developments, and weak sales market activity suppressing house price inflation have all contributed to the current development build rate being only 50-60% of the Government's annual target of 300,000 homes.

This situation has serious implications for the construction industry, with large parts of the workforce and supply chain facing reduced workloads. Because much of this workforce cannot easily transfer to other areas of construction, such as major committed infrastructure projects, there is a real risk of 'hollowing out' housebuilding capacity – ultimately driving higher inflation during any future recovery.

Sterling

Sterling suffered a steep drop at the start of 2025 triggered by concerns over sluggish economic growth. It has since rebounded sharply buoyed by stronger than expected UK GDP data and signs of a resilience in the UK economy.

SEP 2024

£1:\$1.28

SEP 2025

£1:\$1.35

Markets

The FTSE 100 has delivered strong returns in 2025. The index reached an all-time high in August driven by robust corporate earnings and expectations of interest rate cuts, amid global tariff-induced volatility. This contrasts to greater volatility in the US market over fears of a tech bubble.

FTSE 100 SEP 2024

8,329

FTSE 100 SEP 2025

9,234

Consumer Price Index including owner occupier's housing costs (CPIH)

The 17th September ONS update to CPI showed that the CPIH was at 4.1% in the 12 months to August 2025.

JUL 2024

3.1%

AUG 2025

4.1%

Gross Domestic Product (GDP)

Through mid-2025, the UK's GDP growth has been steady but modest – 0.7% in both Q1 and Q2. Growth projections for full year range from 1.0% to 1.2%, underscoring a cautious but resilient economic performance.

JUL 2024

0.0%

AUG 2025

1.1%

UK Bank rate

The Bank of England maintained the base rate at 4% on 18th September 2025. It is now in the balance as to whether we will see any further cuts this year. This is primarily linked to stubborn core inflation and in reality there is now also a link to the UK bond market, certainly in the run up to the budget in November.

SEP 2024

5.00%

SEP 2025

4.00%

Construction market overview

For the reasons set out above, the weak housing market has direct implications on the residential construction market.

Low levels of orders from for sale housebuilders is directly felt by the trades. Similarly, main contractors and their sub-contractors have seen a collapse in workload in the build to rent sector.

There is still a trade specific sensitivity to workload with early trades such as demolition, groundworks and concrete frames being particularly affected by the lack of new starts, backfilling completed schemes.

Pricing is volatile and the labour market has conflicting signs of both ongoing lack of skilled labour and possible under utilisation with downward pressure on day rates in some areas.

Appetite to take on fixed price work risk is variable and is reflective of scheme and client characteristics as well as general hunger for new orders.

Output

Although total annual output to July 25 showed an increase of 2.2% there is a lot of volatility within this number and in different sub sectors. Most of the growth was in infrastructure and relates to already committed projects, therefore it is increasingly disconnected from new orders and outlook.

JUL 2024 - JUL 2025

+2.4%

INCREASE IN CONSTRUCTION OUTPUT

New orders

Total new orders dropped by over 8% in the second quarter 2025. This was led by falls in both infrastructure and commercial orders – a sign that the future pipeline of work may be shrinking. On an annual basis new orders fell by 12%.

2Q 2024 - 2Q 2025

-12%

DECLINE IN UK CONSTRUCTION ORDERS

UK Construction PMI

The UK Construction PMI for July 2025 dropped to 44.3 from 48.8 in June. This was the steepest drop in activity since May 2020, due to sharp reductions in key sectors such as civil engineering and residential. New orders declined for the seventh consecutive month.

JUN 2025 - JUL 2025

-9.2%

PMI REDUCTION

Insolvencies

The UK construction industry has experienced the highest number of insolvencies among all sectors over the past 12 months, continuing a trend of financial distress in the sector.

APR 2024 - APR 2025

+4,032

RISE IN INSOLVENCIES

Materials

The material price index for 'All Work' decreased by 0.2% between July 2024 and July 2025 (source BCIS). However, there has not been any increase or decrease in the quarter this year.

JUL 2024 - JUL 2025

-0.2%

MATERIAL PRICE DECREASE

Labour

As of the second quarter of 2025, there were approximately 2.08 million people employed in the construction sector in the UK, down 0.38% in the year and well below the high of 2.58 million experienced in the third quarter of 2008.

3Q 2024 - 3Q 2025

-0.38%

CONSTRUCTION LABOUR FORCE DECREASE

The Bank of England base rate

The Bank of England maintains a cautious stance amid persistent inflationary pressures.

The Bank of England's latest Monetary Policy Committee meeting voted to maintain rates at 4%, citing concerns that inflation is still too high. While there have been gradual reductions over recent months, it is clear caution is being applied which will potentially slow down potential mortgage rate reductions.

The reality is that housing market transactions are being driven not just by interest rates but also by existing owners re-mortgaging from previous very low fixed rate deals as well as the absence of a *Help to Buy* type support package to help access to the market.

A glut of existing stock buy to let and second holiday homes coming to market due to tax changes are also suppressing overall prices.

2005 - 2025

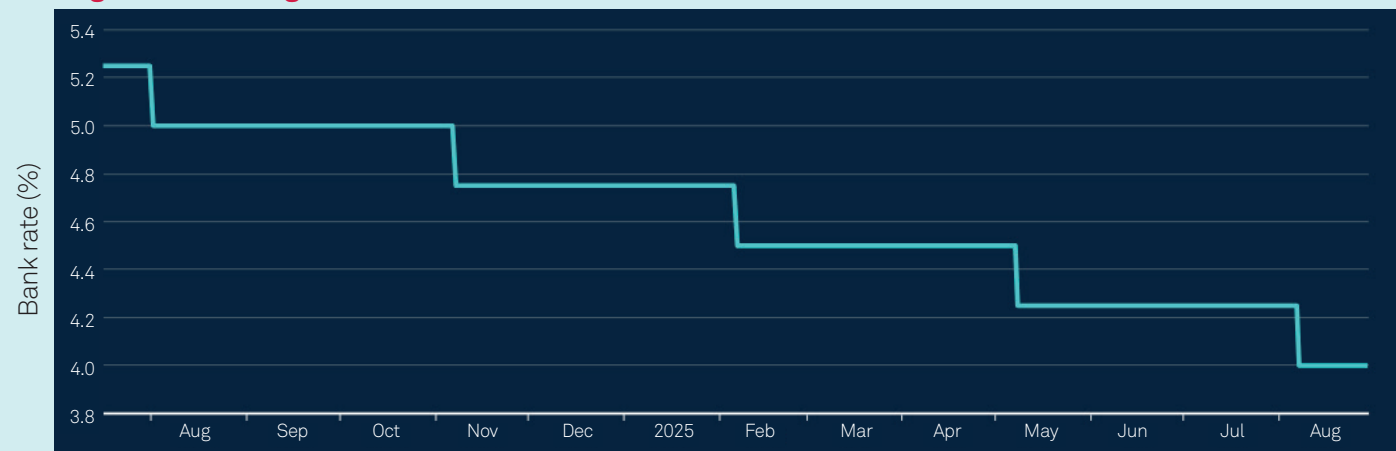


Current official
bank rate:

4.00%

as of
September 2025

August 2024 - August 2025



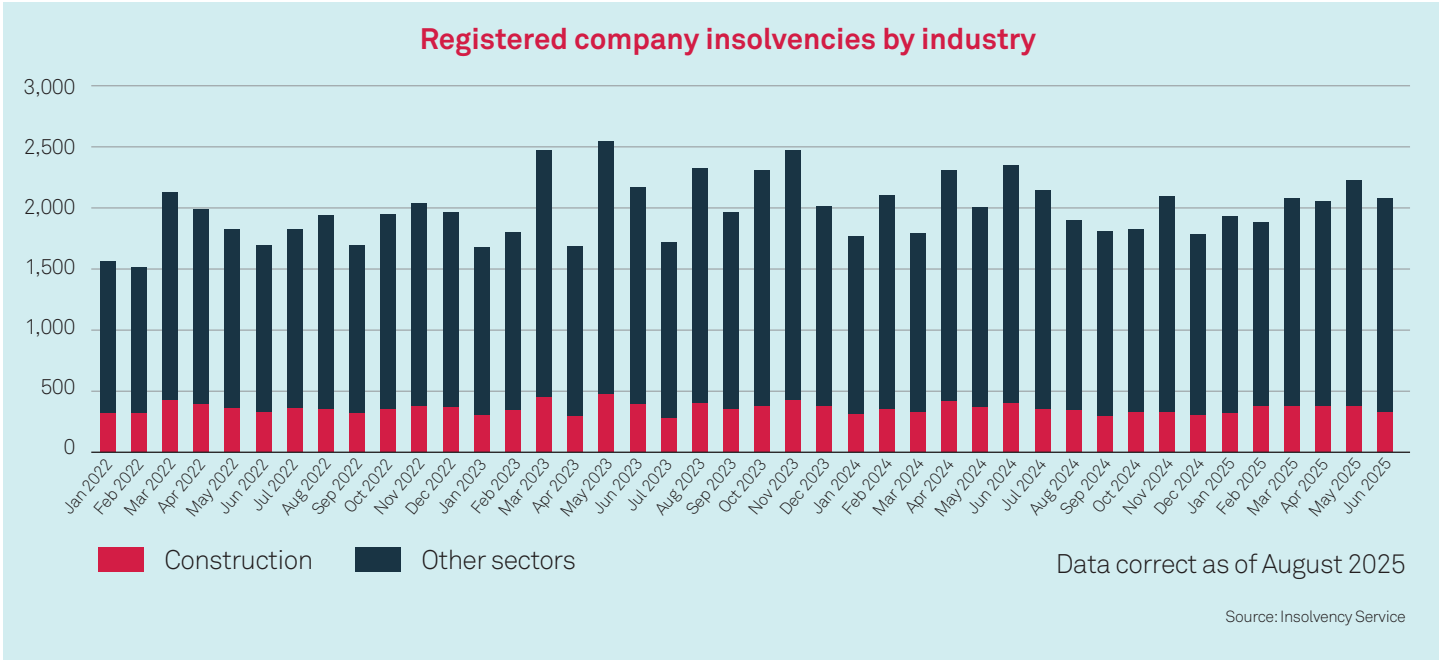
Source: Bank of England

Construction insolvencies

Construction sector insolvencies rose to 322 firms in July, a rise in June's figure of 324 according to the Insolvency Service. Construction has the highest number of insolvencies as a sector, representing 17% of all failures in the economy year to date.

Of the firms failing in July, 59% were specialist subcontractors, highlighting the supply chain fragility prevailing in the sector.

This reflects the impact of the ISG collapse which has rippled down to the supply chain and late payments to suppliers are contributing to business closures. There are also ongoing ramifications being felt from insolvencies of Henry, Blenheim House and Buckingham as administrators and liquidators try to crystallise recoverable value to creditors.



CN Construction News

Late-payment crackdown: can contractors rise to the challenge?

Published 05 August 2025

CN Construction News

Quiet month for business failures masks unresolved problems

Published 07 August 2025

CN Construction News

Ardmore company files administration notice

Published 29 August 2025

construction wave

Construction insolvencies: Subbies still the biggest casualties

Published 21 January 2025

BMN BUILDERS' MERCHANTS NEWS

Merchant insolvencies rise in July as market pressures mount

Published 13 August 2025

Some of the notable firms that have recently gone into administration in 2025:

January..... Connect Modular, Kaybridge Construction

February JS Wright & Co, TNA Electrical, Acheson Construction

March Colwin Construction, Marbank Construction

April..... Beyer Group

May..... Elements Europe, Corbyn Construction, Jans Offsite Solutions

June..... English Architectural Glazing Ltd

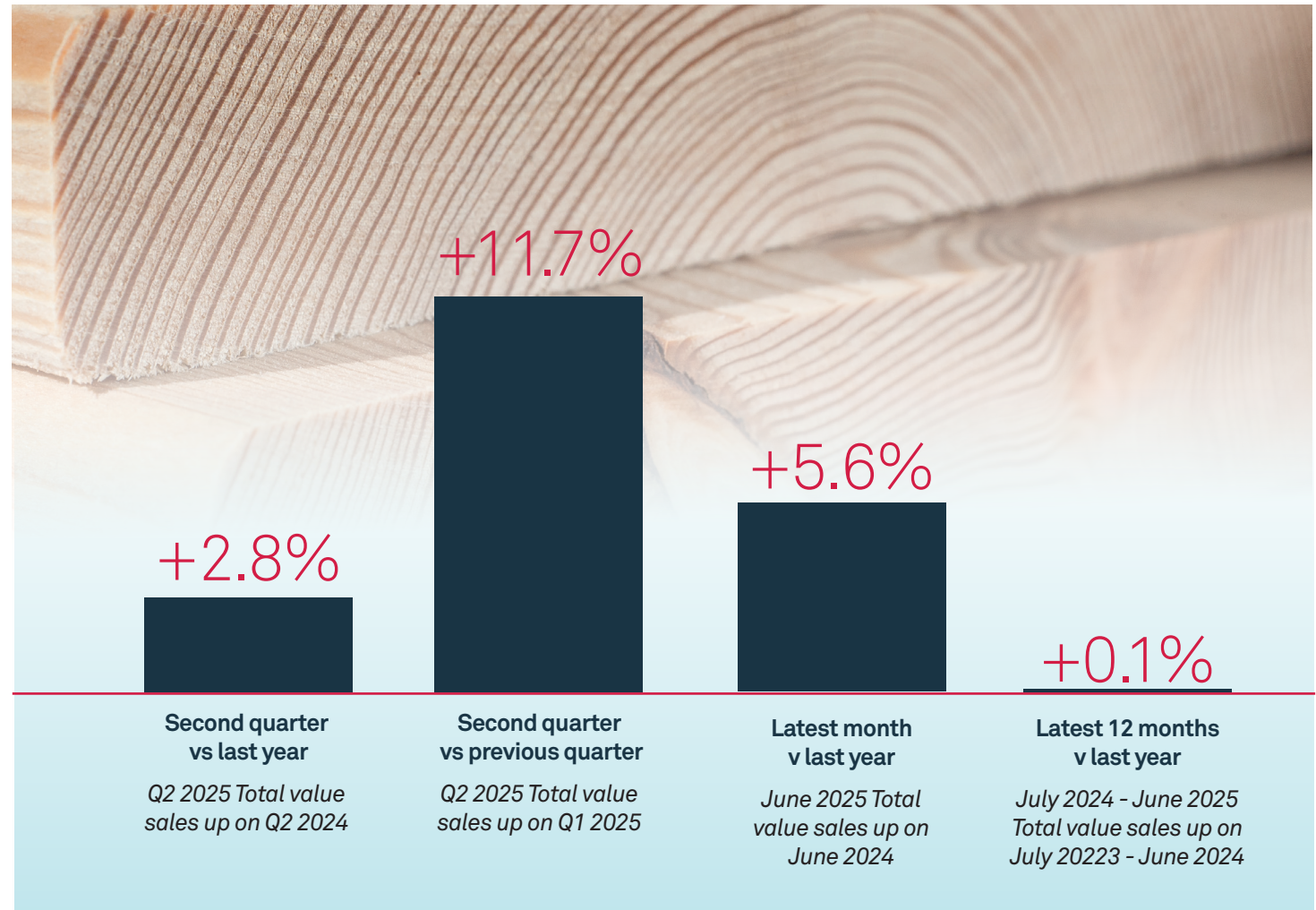
August Ardmore Construction

September HE Simm and Sons Ltd

Building materials market – macro perspective

The materials market is broadly flat with volumes and sales oscillating around zero growth.

- Total builders merchants value sales for Q2 2025 were up +2.8% compared to Q2 2024
- Total builders merchants volume sales were up +4.0% but prices were down -1.1%
- Quarter 2 2025 finished strongly, with total value sales for June up 5.6% year-on-year
- Total builders merchants volume sales increased by 6.7% and prices were lower by 1.0%



Source: BMBI Q2 2025 Highlights (unadjusted for 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)

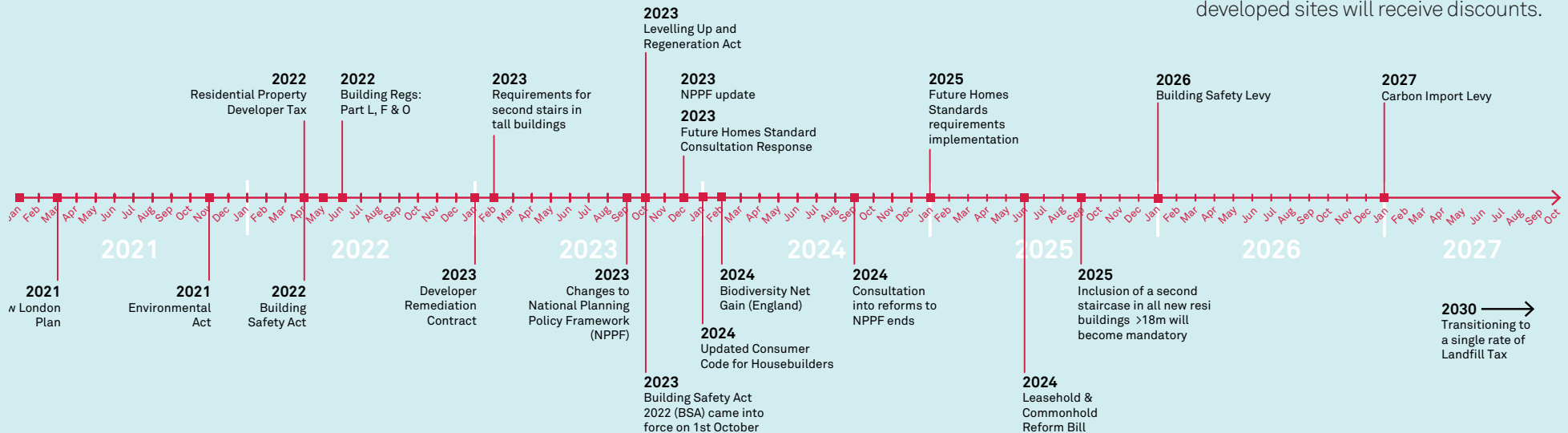
Amendments to the current policy are expected from the current government. Consultations closed 24th July 2025.

Landfill Tax

In April 2025 landfill tax rates in England and Northern Ireland increased by 23%. The government is in a consultation period to replace different rates with a single rate. This will add increased costs to schemes and impact locations for disposal.

The Building Safety Act (2022) and Building Safety Levy

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 2027 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.



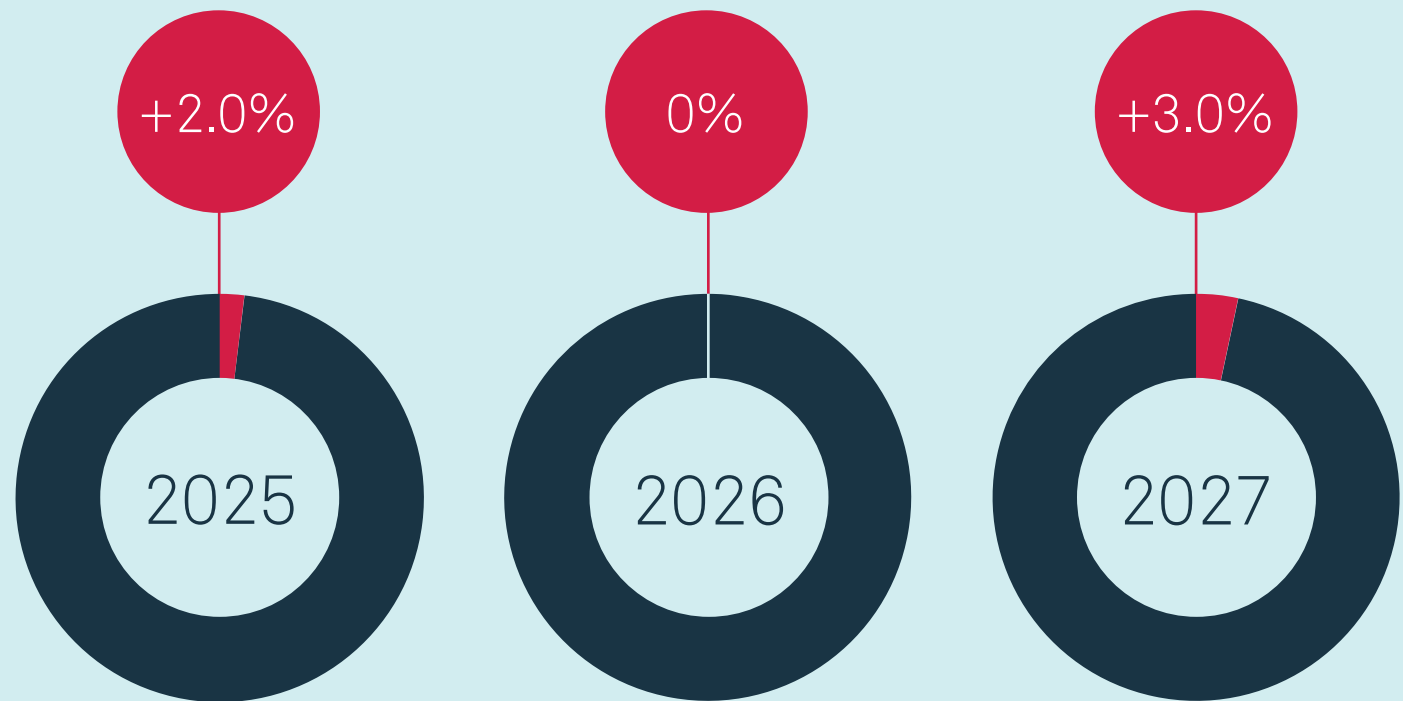
Forecast movement in Tender Price Indices (TPIs)

Next year could provide the opportunity to restore viability to schemes that have stalled.

We believe the averaged Tender Price Index forecast will be fairly steady for the remainder of this year with a notional 2.0% uplift, primarily influenced by market conditions in the first half of the year.

The slowdown in output and the reduced number of new residential starts have led to a sharp contraction in contractor and subcontractor workloads, with firms expected to focus on replenishing their order books over the next year.

Consequently, we forecast inflation to remain broadly flat in the coming year, before recovering to approximately 3% in the year that follows.



Cast and peer group views on TPIs

Cast's view is that all in TPI inflation for 2025, focusing on the residential and mixed-use sector, will be 2.0% (2.5%). This does not include for the impact of the multiple regulatory changes set out on [page 8](#).

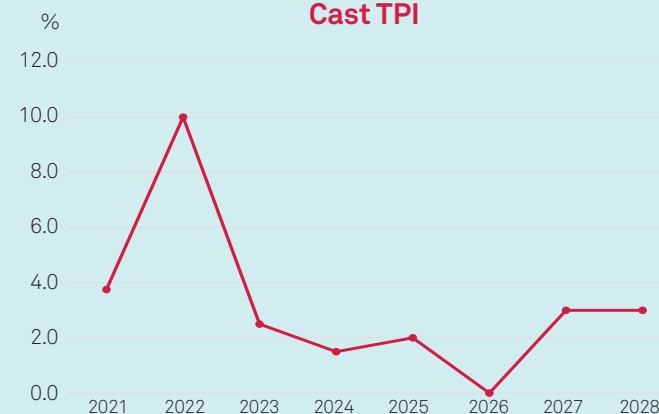
Tender Price Indices (TPI) – Status report (3Q 2025)

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%	3.0%	2.3%	3.5%	3.5%	3.0%	3.0%	2.0%	2.5%
2026	4.0%	4.0%	2.5%	3.5%	3.0%	3.5%	3.4%	0%	2.7%
2027	4.5%	4.5%	2.5%	3.8%	3.5%	3.5%	3.7%	3.0%	3.1%
2028		5.5%	2.5%		4.0%	3.5%	3.9%	3.0%	3.1%

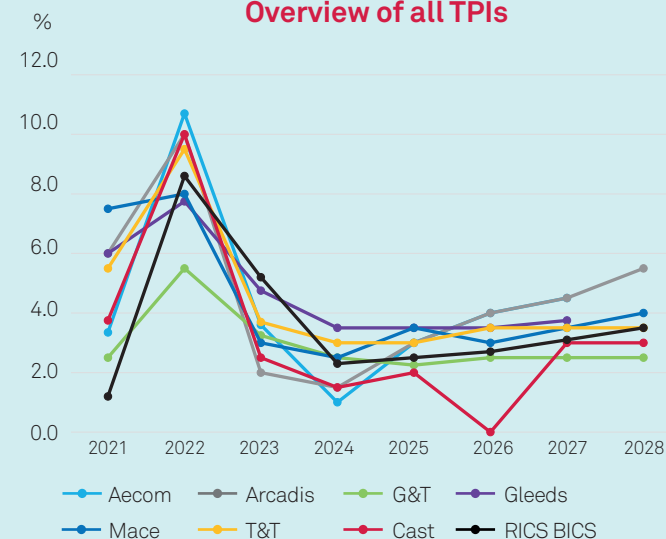
Sources

Aecom Market forecast: Q3 2025 Cautiously Optimistic
 Arcadis Market View Summer 2025 – Turning Tide (average of range taken)
 Gardiner & Theobald Market Update – A market in waiting Q2 2025 (UK weighted average)
 Gleeds UK Construction Market Report 2Q 2025
 Mace UK Market View 1Q 2025
 Turner & Townsend UK Market Intelligence Report – Power Play Q2 2025
 BCIS BCIS All-in TPIs (annual)

Cast TPI

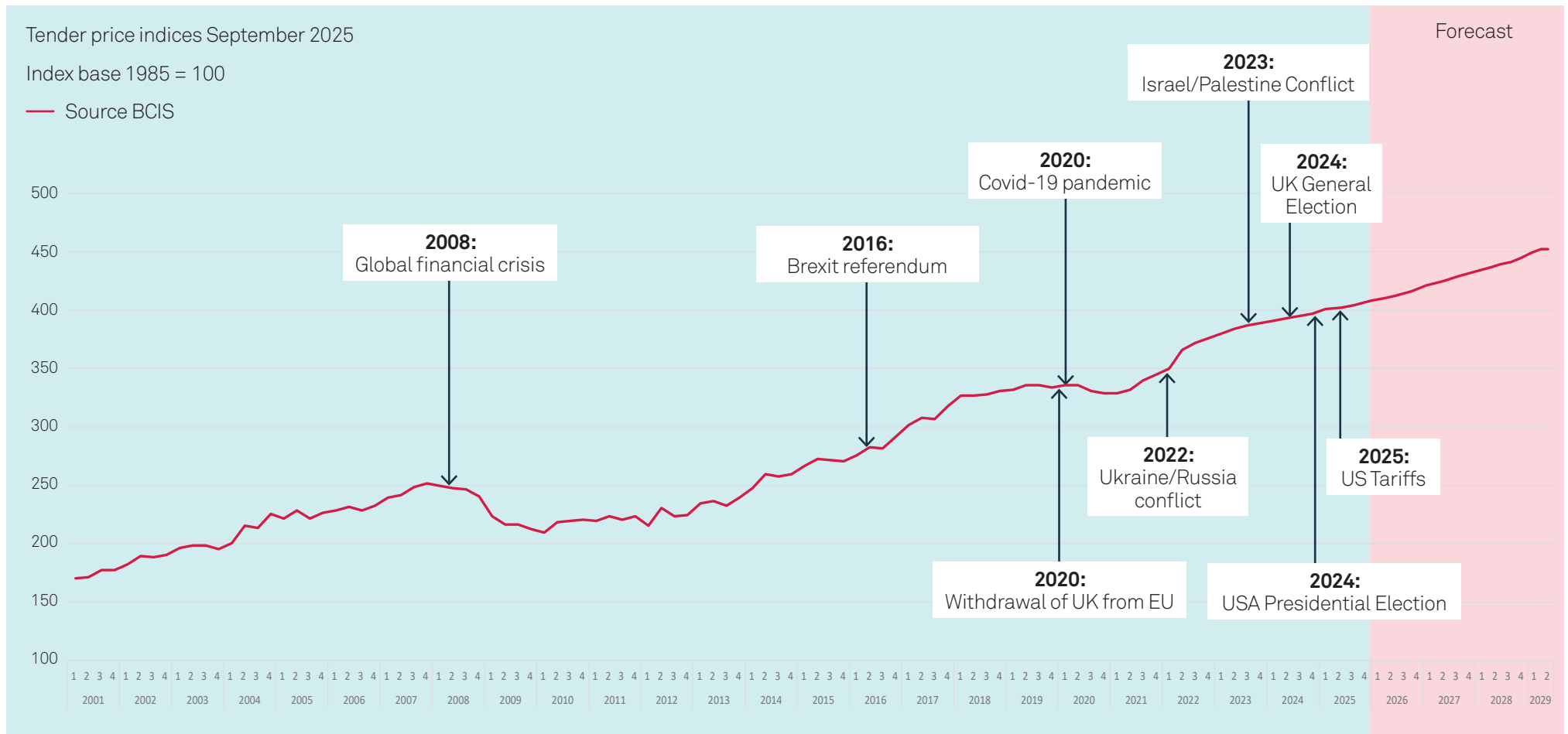


Overview of all TPIs



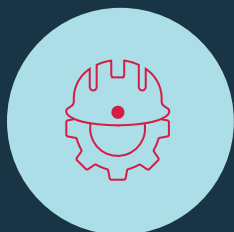
Long-term Building Cost Information Service (BCIS) TPIs

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

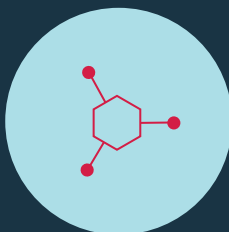


What we are seeing

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



Skilled labour



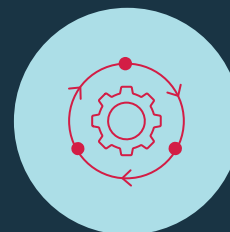
Materials



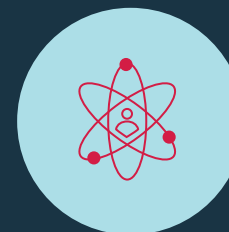
Insolvencies



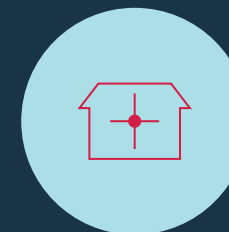
Building Safety Act
(BSA)



Procurement



Environmental,
social, and
governance (ESG)



General residential
market





Skilled labour

As expected since our last publication, shortage of skilled labour continues to be a concern, driven by aging works force and sharp decline in young entrants.

The number of people working in the industry has reduced slightly from the similar period last year. Average wage growth in construction has surged as low levels of skilled labour prevail, even with a marked reduction in workload.

The ONS reported that average weekly earnings in the industry increased by 7.5% over the year, compared to general economy rate of 5.3%. Contractor's margins are being squeezed because of having to pay an additional 1.2% NI contributions for PAYE staff. Specialty roles in "green skills" such as insulation, solar, and heat-pump installation in London have seen pay climb by approximately 22% over the past 12 months. The data centre sector continues to attract MEP labour to the detriment of other sectors, putting a pressure on prices and procurement.

There has also been increases in minimum apprentice wages. The industry's fragile workforce base represents one of the biggest latent risks to any recovery as industry output will not be accompanied by like for like competent worker growth. This creates a likelihood of higher wage inflation, especially for self-employed trades, and also of more variable quality delivery during any period of increased output.



Materials

In 2024-2025, the UK's construction materials landscape experienced notable shifts. Overall material prices cooled – by January 2025, the composite "All Work" materials price index had fallen around 0.9% year-on-year, marking the first annual decline in some time. However, precast concrete products, blocks, bricks, tiles, and flagstones saw increases of 5-7%, while builders' ironmongery rose by nearly 9.5%.

Altogether, while average material costs are stabilising, volatility persists across product categories, driven by energy prices, production constraints, and the push toward domestic resilience.

Recent well covered headlines have picked out that concrete readimix sales are at their lowest in the UK since 1963. This underlines the very depressed levels of activity currently being experienced across both new build and domestic repairs and maintenance markets. Another lead indicator is UK brick sales, which broadly remain steady but subdued.

Land fill tax

The UK Treasury's proposed reforms to the Landfill Tax – including phasing out the lower rate by 2030, abolishing exemptions (such as for quarry infill and qualifying fines) from 2027, and introducing a flat single rate – could dramatically inflate construction costs. Disposal costs for inert materials like soil and rubble may surge from just a few pounds per tonne to over £126 per tonne, a potential increase of 3,000%. For site developments generating large volumes of waste, this means disposal charges could escalate from tens of thousands to over a million pounds, significantly affecting project economics.

The removal of exemptions for quarry restoration threatens the viability of restoring worked-out sites, potentially undermining aggregate supply and delaying restoration commitments. These reforms risk making major housing and infrastructure projects financially unviable, while increasing the likelihood of fly-tipping and other environmental non-compliance. Agents across the sector anticipate steep rises in raw material prices, demolition and excavation costs, and overall pressure on profit margins and timelines.



Insolvencies

Supply chain insolvencies continue to be a concern and there is real concern about specialist subcontractor fragility.

There is also a growing concern about possible threats to the financial welfare of tier one main contracting businesses that have exposure to potential Building Liability Orders that might be served under the Building Safety Act. The recent decision by Ardmore to put one of its businesses into administration may be a lead indicator of major housebuilders and housing associations looking to seek recourse from contractors and pursuing claims despite attempts to shelter losses by putting a single group company into administration.

A number of our projects continue to be impacted with either suppliers or sub-contractors that have ceasing trading, in addition to main contractors. We continue to advise clients to undertake financial due diligence on contractors and in some cases major sub-contractors.

The Performance Bond market remains difficult following these insolvencies with some contractors struggling to secure bonds or paying a significant premium to do so.



Building Safety Act (BSA)

The level of approvals in relation to Higher-Risk Buildings (HRBs) industry wide remains low (10% for new build and 19% for existing HRBs). In September 2025, Andy Roe (Chair of the BSR) said the average Gateway 2 handling time was 43 weeks. The uncertainty and additional time that the gateways have introduced into project programmes is impacting project viability.

There is no doubt that the all the above factors are having an extremely detrimental impact on the industry, with circa 40,000 homes (as at July 2025) caught up in Gateway 2 and an unknown number of projects being redesigned to avoid the gateways or being left on the drawing board. This a major contributor to the lamentable statistics about housing starts in 2025.

However, through our work with the Regulator (via the 20+ Gateway 2 applications currently underway for our clients) and our engagement with industry bodies focused on building safety, we are beginning to see early signs of change and progress. We have been involved with many positive early engagement conversations (a type of pre-app) with the BSR about complex masterplans and how these applications might be structured.

There is increasing recognition that the staged application mechanism, which has always been embedded in the Act, could potentially be used for early “basement box” applications, albeit we await more formal guidance on this. The approval with requirements (a conditional approval) mechanism is now more widely understood but we remain concerned that this approach may be slower to work its way through the BSR than a full approval. Attention is being turned to Gateway 3 to make sure that the guidance and process is clear and understood ahead of time rather than after the fact (unlike with Gateway 2).

However, in the interim period, the resulting lack of workload for HRBs risks being very disruptive for the supply chain. It is contributing further to the low levels of workload already being seen in the residential sector caused by viability challenges and weak market conditions. We are aware of multiple major schemes being held back from Gateway 2 submission due to a lack of confidence in the system, but this is likely to also be due to a lack of urgency to advance schemes which are not financially viable. Building safety is therefore a related, but in many instances, a distinct and parallel problem for the industry to navigate.

The elephant in the room in many respects is how the Gateway 2 to Gateway 3 process will be administered. The reality is that ensuring what is built is what was designed on paper poses much more of a challenge than vetting the initial design itself, both in terms of capacity and capability in the construction phase of the regulator’s role.



Procurement

We are seeing that contractors generally remain hungry for work, which is causing some to be more commercially aggressive. Some contractors have staff coming free from completing schemes and do not have sufficient follow on pipeline. Some have the stability of major projects such as HS2 or Sizewell but most are anchored to residential and commercial activity levels. This reduction in workload is affecting tender and negotiation director adjudication behaviours, certainly at the early stages of securing an opportunity.

The two-stage/negotiated tender process continues to be favoured by the tier 1 contractors and is also often used to improve an initial price point that may have been influenced by the workload hunger referenced above. This requires professional judgement in order to inject competitive tension and preserve viability whilst recognising what is a deliverable price for the project. This makes negotiations complex.

The introduction of BSA is still a barrier to the adoption of single stage tendering, even at Stage 3+, due to the need for the contractor to take responsibility for the design. The need for more pre-contract contractor involvement is increasing the upfront design and professional fees cost of projects, which is frequently funded by equity rather than debt. It is also changing the approach to competition in procurement which has been the basis of our industry for so long. This procurement trend has ramifications for the development financing industry that has long been reliant on full risk transfer as part of its underwriting due diligence.

Those schemes that don’t fall under the BSA umbrella are very attractive to contractors and we are seeing a more aggressive commercial approach. As the BSA gateway process becomes more streamlined and comes out of the learning curve, timescales will reduce and contractors will take a less risk adverse approach to projects.



Environmental, social, and governance (ESG)

As covered in our last market report, funder expectations for asset accreditations and the need to protect asset value are impacting design, costs, and viability.

It is therefore important from the project outset that such requirements are established and challenged to demonstrate value added, and not just extra cost.

There is currently also an interesting sentiment shift politically with more questions being asked about the UK's decarbonisation commitments. It remains to be seen whether this crystallises into any reversal of the current regulatory direction of travel under either this government or future administrations.



General residential market

In 2025, the UK residential construction sector continues to be depressed across all tenures. According to Office for National Statistics data, new private housing activity has edged ahead compared to last year, while overall construction output is modestly performing. However, the feeling on the ground, including from the major housebuilders, is weak rates of sale and significant development appraisal challenges are inhibiting commitment to build.

Viability challenges are being driven by lingering high build costs, flat or reducing values, stubbornly high financing costs and cost and time impact of increased regulatory burden (including the Building Safety Act Gateway 2 backlog).

Residential market – Scotland

As a footnote, the Scottish residential market has experienced its own dynamics over the recent period as a result of uncertainty over the Housing (Scotland) Bill which has now passed through Scottish Parliament and awaits Royal Assent. The lead up to this process has knocked investor confidence in the national build to rent market due to rent cap considerations. With clarifications now in place it is thought that the final statute will lead to a return to investment, albeit local viability challenges remain similar to those south of the border. Cast will be publishing a separate abridged market view for Scotland to better reflect the local outlook and devolved regulatory backdrop.



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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