Market Intelligence Review
2017

Shaping public construction

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SCF captures market intelligence from key trade packages across SCF projects. On a quarterly basis, information gathered by the contractors through their trade supply chain provides a snap shot of changes year on year, with a forecast for the coming year. The data provides a high level view of the possible factors that may affect SCF client's projects going forward, and allow SCF clients to understand any changes from the previous year.

SCF provides a procurement vehicle for public sector clients across the South of England, with 10 national contractors, 70 clients and 130 live projects.

Looking back - 2017

Costs have increased on average by **8%** over the course of 2017 in key trade pacakges shown in Fig 1. Tower Cranes have shown the biggest year on year increase, whilst windows has seen only a marginal cost escalation. Increased inflationary pressure has led to increased costs related to some key materials, with bricks and steel being particularly effected.

Fig 1. Average increase in costs across the SCF (%)

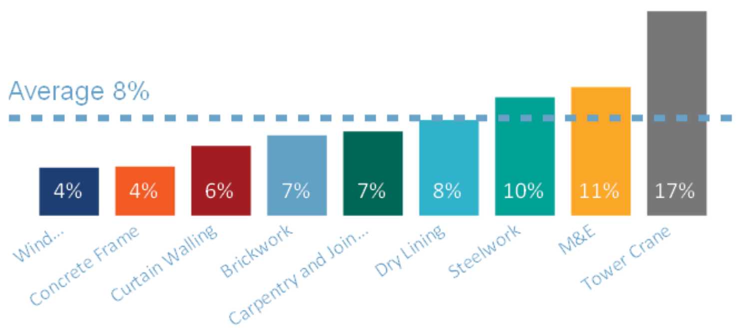
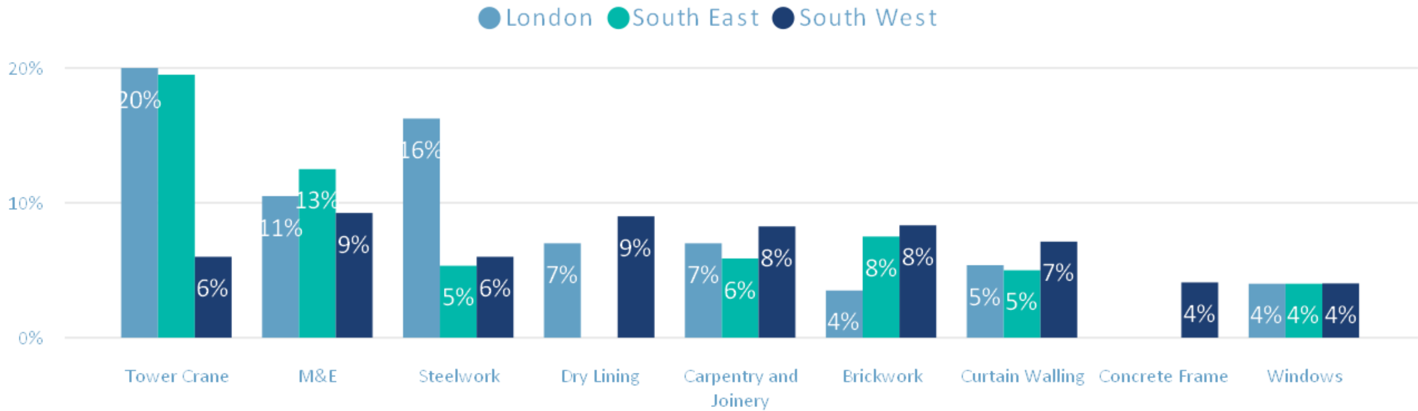


Fig 2. Average increase in costs by region (%)



Top 3

Tower Crane - Have seen costs increase in 2017 by **17%**, driven by prices in London where the on going construction of high rise buildings increases demand. In 2018, costs are forecast to rise, however, to a far lesser degree, at approximately **6%**.

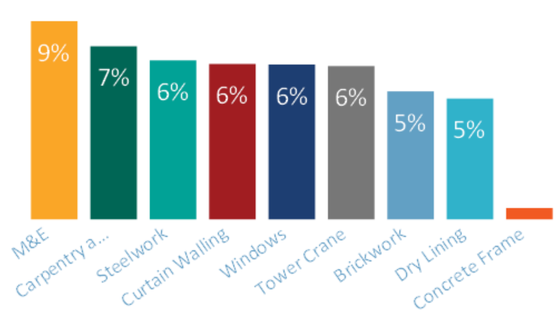
M&E - Shown consistent cost increases across the whole SCF region, averaging at **11%** when compared to 2016. This has been driven by increased material costs and on-going skills shortages.

Steelwork - Costs have increased by **10%** in 2017 largely due to currency pressures and increased energy and transport costs.

One to watch

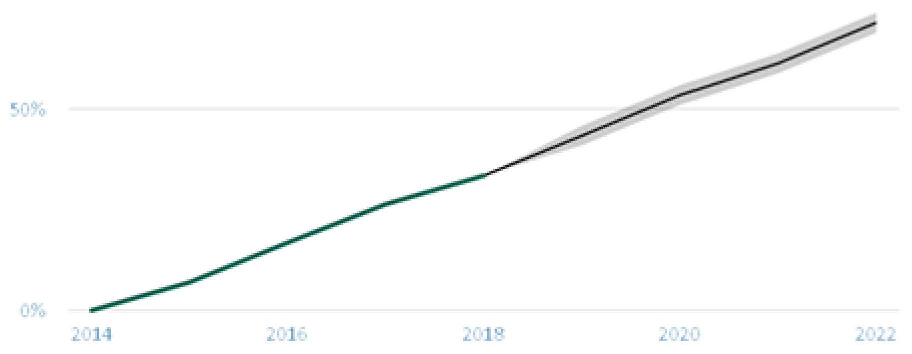
M & E trade packages could be the ones to watch throughout 2018. Costs have risen by **10%** in 2017, and this trend is forecast to continue in 2018.

Fig 3. 2018 forecast increase in costs



Looking forward - 2018

fig 4. Average cost increase - recorded and forecast (%)



The Market Intelligence SCF has collected since 2015 has allowed the production of this costs forecast for the 9 key packages. As the graph depicts, it will be crucial to keep an eye on these trades as the trends shows costs continuing to rise through to 2022. Further considerations should be given to the impact of Brexit on these forecast costs.

Contractors are expecting a decrease in availability of both the materials and labour force required in these key trades. Of particular note is Concrete Frames, which is predicting a further 10 week delay for materials and labour. Brickwork, as has been reported elsewhere, is also facing increasing delays. Where these packages are being used, clients and contractors should look to place orders earlier to ensure there is no detrimental effect on the construction programme.

Elsewhere, the number of employees in these trades has increased by around 6% across the South of England. Despite this, there are still concerns about skill shortages within the industry. The SCF, continue to support Trade apprentices in the region through the CITB Shared Apprentice Schemes.

Fig 5. Forecast decrease of availability of materials and labour (weeks)

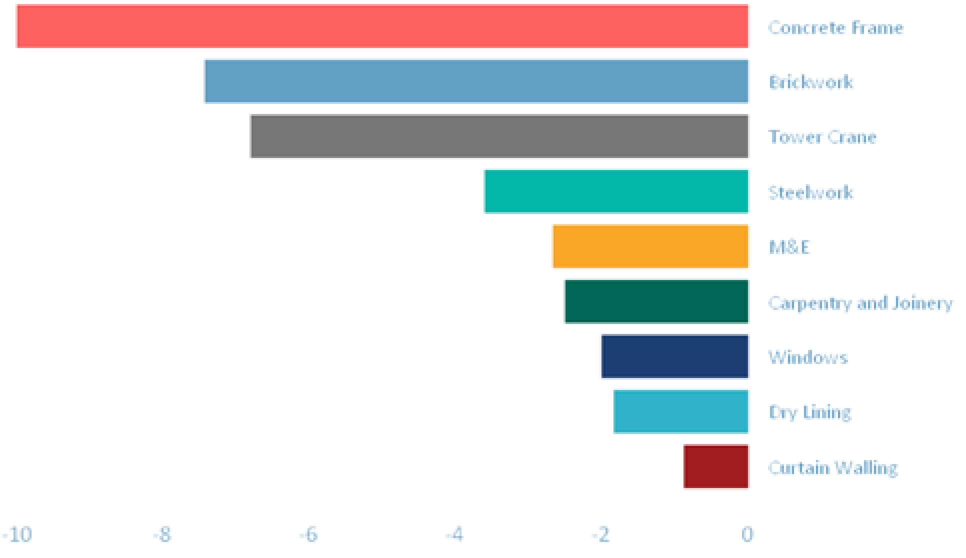
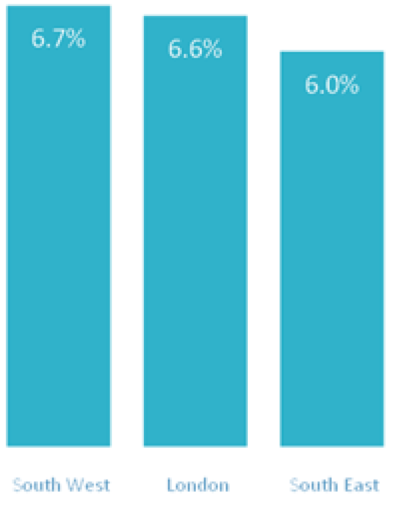


Fig 6. 2017 Avg increase in employees



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Keith Heard

Keith is a Chartered Civil Engineer with experience in all aspects of the procurement, design, delivery and commissioning of building and civil engineering projects, gained through a career working for contractors, project managers and client bodies.

James Wright

Joining the SCF team as a Framework Manager, James holds a Masters Degree in Quantity Surveying, having first obtained a Law Degree, both from Kingston University London.

For more information on SCF please visit our website
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