G&T M&E Contractor Survey

April *2025*

G&T's M&E Contractor Survey summary for April 2025 analyses some of the key trends and themes generated from the responses of our most recent M&E contractor survey.

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Please note: *Although survey respondents operate across all geographical regions of the UK, the majority tend to operate in Greater London and the South East.*

G&T's latest survey of MEP contractors reveals a market still characterised by selective bidding, supply-side strain and persistent delivery risk, even as wider construction cost inflation has shown signs of stabilising. While demand from major sectors like data centres, healthcare, life sciences and infrastructure remains strong, contractors continue to report concerns about design maturity, risk transfer and capacity bottlenecks — all of which are driving more cautious behaviours in tendering.

General market sentiment remains resilient, but contractors remain highly selective over which opportunities they pursue. Most report healthy pipelines — particularly in data centres, healthcare and life sciences — yet capacity concerns, client-side design immaturity and fixed-price risk are leading more contractors to walk away from tenders that do not offer early engagement, two-stage routes or realistic preliminary budgets. However, with more projects slowing or going on hold, some see a window to secure MEP trades at more competitive value — particularly where clients can offer clarity on scope and early engagement.

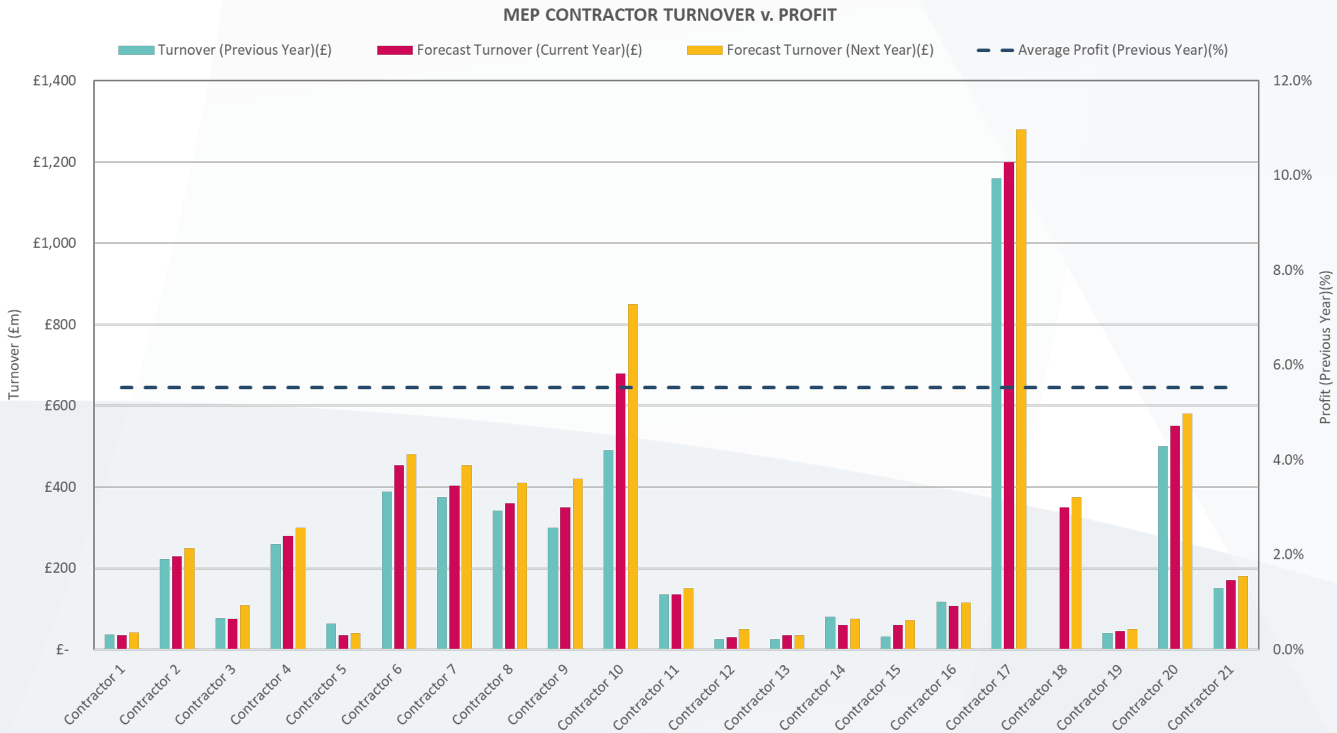
Price pressures in the MEP supply chain persist, fuelled by rising labour costs, fragmented Tier 1 contractor availability and increasing regulatory and legislative compliance costs. The recent announcement of new US tariffs on Chinese goods has also introduced further short-term price volatility risks into global materials markets, although the direct inflationary impact for the UK remains uncertain and will depend on how trade flows adjust. Fixed-price risks and design liabilities continue to deter early-stage commitments, with contractors increasingly seeking to de-risk tenders or withdraw from unbalanced opportunities.

Contractors also flagged the impact of ongoing design and legislative shifts — particularly around fire regulations, the Building Safety Act and carbon integration — all of which are complicating delivery and increasing design risk at tender. While some are adapting through earlier engagement or internal design validation, many cited poor coordination and late-stage design changes as key threats to programme and cost.

Key Takeaways from the Report

- *Tendering activity remains selective, with contractors prioritising well-developed schemes, early engagement and projects that allow risk to be managed upfront.*
- *Full MEP/MEPH procurement is the preferred delivery model, offering better programme control and interface coordination.*
- *Tender price inflation forecasts suggest continued upward pressure into 2025, driven by labour cost escalation, selective bidding and emerging price volatility risks linked to global tariffs.*
- *Pricing remains under pressure due to labour cost escalation, geopolitical uncertainty and sub-contractor insolvency risk.*
- *Legislative change (eg BSA) continues to impact risk allocation, design quality and preliminaries — particularly for high-risk buildings.*

Disclaimer*: The insights and forecasts in this report are based on the views of the contributing survey respondents and may not represent the official stance of Gardiner & Theobald LLP.*



95%

of contractors expect **turnover to increase** in their next financial year

by an average of...

+12%

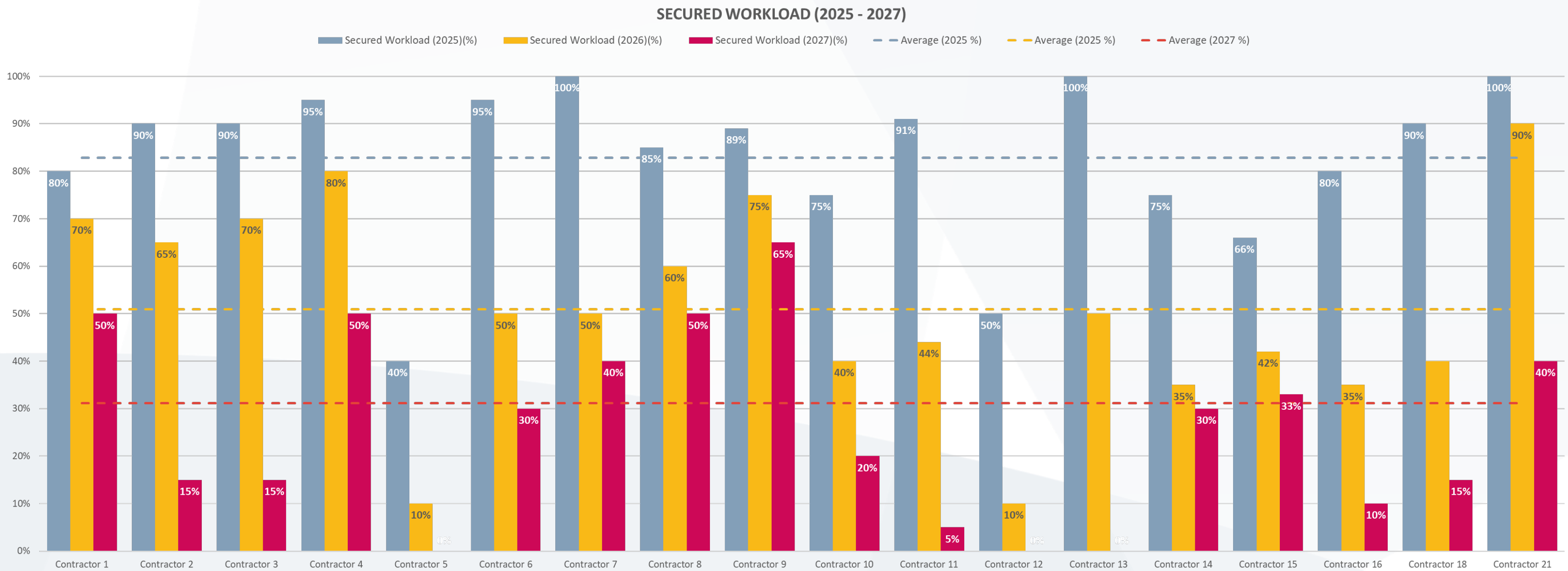
(compared to forecast turnover for current year)

Average Profit
previous financial year...

5.5%

*(compared to **5.4%** in 2023-24)*

- According to surveyed MEP contractors, turnover for the current financial year is projected to be, on average, **17%** higher than that of the previous year
- Contractors also expect turnover to rise again in their next financial year, with an average **increase of 12%** compared to the current financial year
- In line with previous surveys, most contractors (**95%**) anticipate that turnover in their next financial year will surpass the current year
- Average profit in the previous financial year (2024-25) rose slightly to **5.5%,** up from **5.4%** in 2023-24. Reported profit margins for 2024-25 ranged from **0%** to **12%**



On average, contractors have secured 83% of 2025 workloads, 51% of 2026 workloads and 31% of 2027 workloads

- The level of workload that has been secured for the next three years is on par with previous surveys
- A boom in opportunities from buoyant markets and a tight Tier 1 supply chain capacity are supporting workloads. However, most contractors still have some capacity to take on additional workload. Specifically, **66%** of contractors have at least **10%** slack available for 2025
- While several contractors reported that demand currently outstrips supply and competition for large-scale projects remains limited, others observed that certain firms have been aggressively securing work amid concerns that trade policy uncertainty and geopolitical instability are prompting some US tech companies to delay key investment decisions.

“As always, securing projects at the right value continues to be the main issue for MEP contractors. Unfortunately, there continues to be companies who are willing to cut margins to unsustainable levels and on top of that there are clients willing to accept those costs despite the obvious risks.”

TYPICAL PROJECT OH&P, PRELIMINARIES AND RISK ALLOWANCE

TYPICAL OH&P

11.6%

(Range: **9% to 15%**)

TYPICAL PROJECT PRELIMINARIES

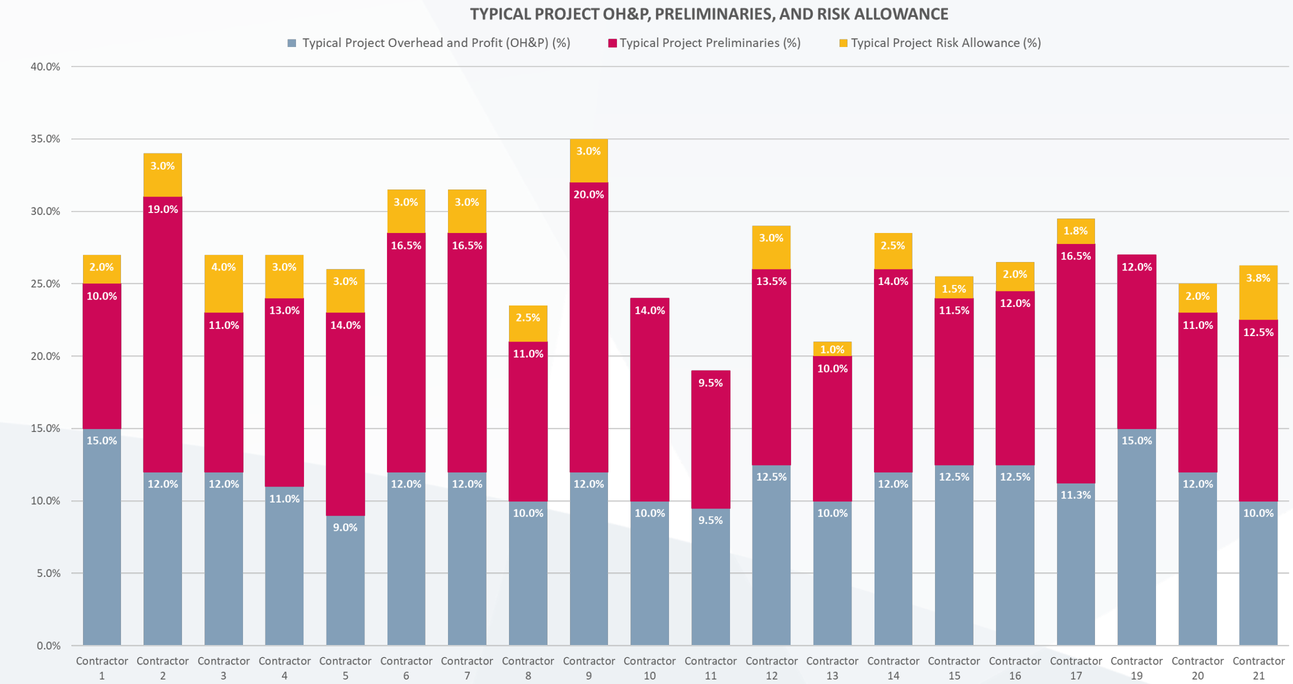
13.4%

(Range: **9.5% to 20%**)

TYPICAL RISK ALLOWANCE

2.6%

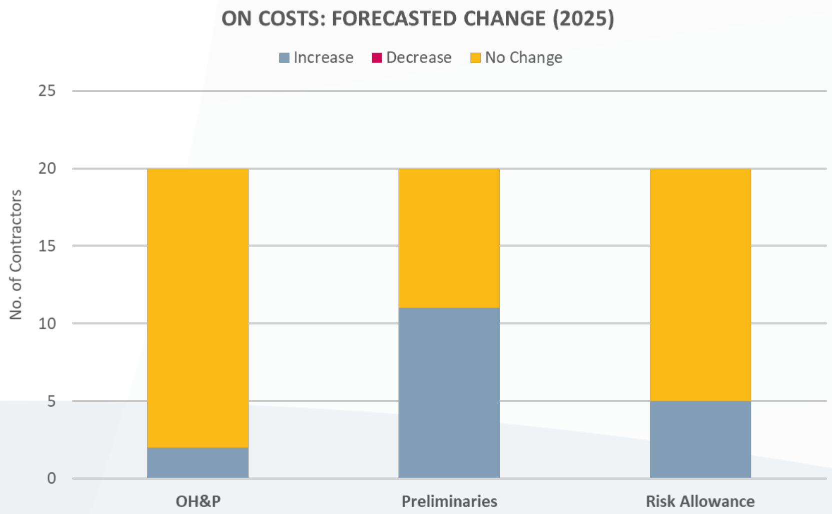
(Range: **0-4%**)

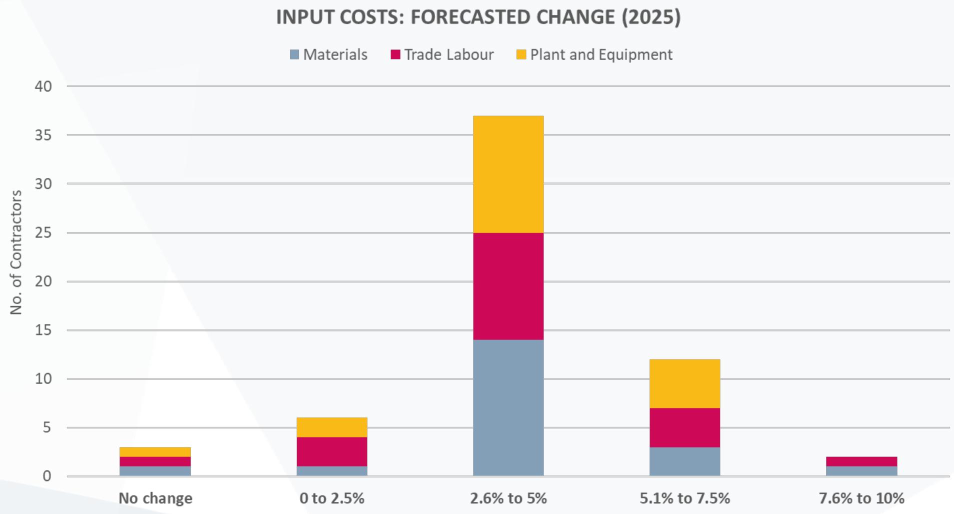


"Rising wage costs from MEP labour shortages and union agreements, along with extended project timelines from new safety regulations, continue to drive preliminaries higher."

- Average Overheads and Profit (**OH&P**) rose from **11.2%** to **11.6%** since our **June 2024 M&E report**, while typical preliminaries costs rose from **12.7%** to **13.4%.**
- Rising wage costs driven by MEP labour shortages and union agreements, coupled with extended project durations linked to new building safety regulations, have pushed preliminaries costs higher.
- OH&P remains supported by strong demand and constrained supply chain capacity, though average figures have eased slightly amid growing geopolitical uncertainty and shifting US policy, which may be dampening investor appetite.
- Risk allowances fell from **2.7%** to **2.6%** despite growing market uncertainties.

***Note**: Differences between typical OH&P and Preliminaries costs between contractors could be due to the sectors in which they primarily work, as well as the way they structure their pricing. For example, the **9.5%** preliminaries figure provided by one contractor may be due to passing most of the works onto sub-contractors and just performing a very high-level management role. Higher OH&P levels may be due to how individual companies cost their overheads. Some may include more scope than others within their overheads, such as director costs.





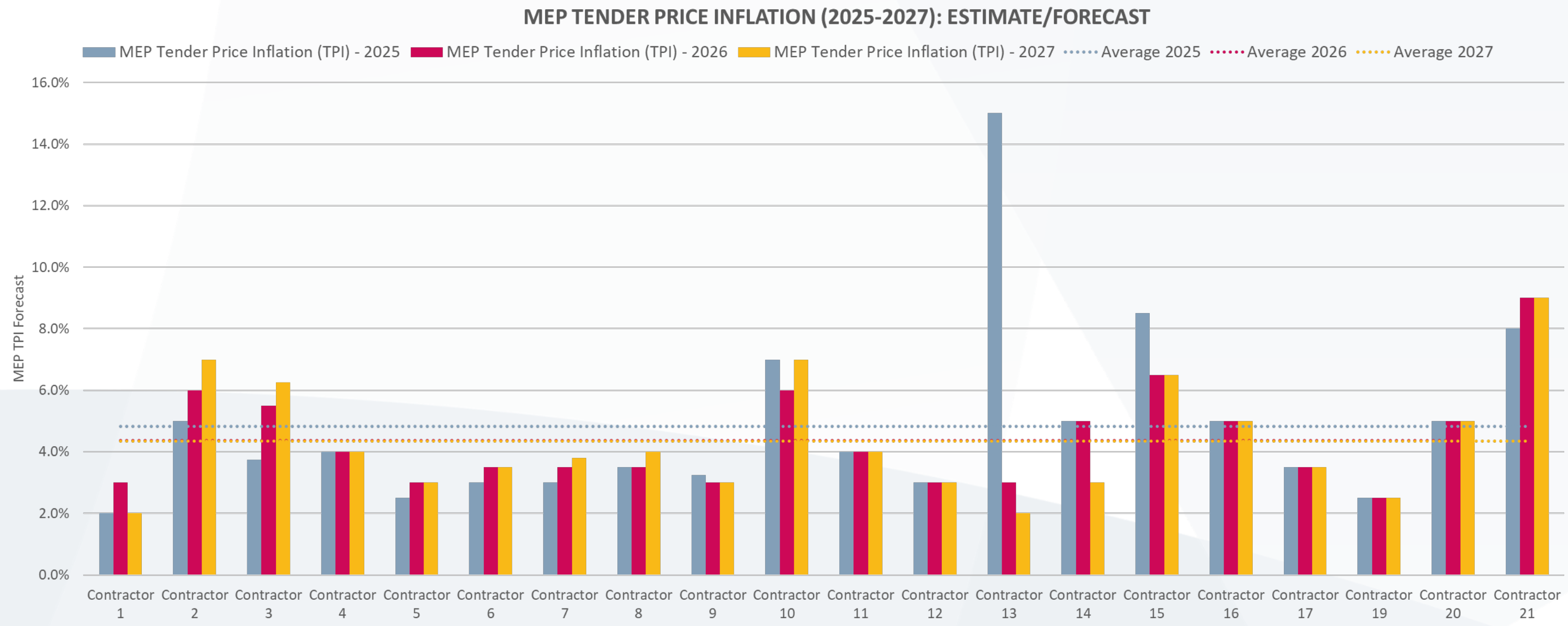
On Costs:

- **90%** of surveyed MEP contractors expect no change in OH&P for 2025
- However, **55%** expect preliminaries costs to rise this year due to labour cost pressures, extended project durations and regulatory pressures
- While average risk allowances may have decreased over the past 6-12 months, **75%** of contractors expect these levels to remain unchanged moving forward

Input Costs:

- The majority expect Input costs to rise by **'2.6% to 5%'** in 2025
- Contractors report short-term materials stability, but anticipate rising costs and lead time pressures later in 2025—driven by high demand, mid-year price hikes and the potential inflationary impact of US trade tariffs
- Good quality resource (across all disciplines) remains scarce and comes at a premium, driving labour costs higher
- Lead times for all plant and equipment have increased, largely due to high volumes of Owner-Furnished/Contractor-Furnished Contractor-Installed (OFCI/CFCI) equipment being procured for data centre projects in Europe and the US

**Note*: on-costs refer to additional expenses beyond the direct construction works*



Average MEP Contractor Forecast (2025)

4.8%

Average MEP Contractor Forecast (2026)

4.4%

Average MEP Contractor Forecast (2027)

4.4%

"With wholesalers signalling mid-year price hikes, inflation remains a significant and unpredictable risk. Coupled with labour shortages and cost pressures from Building Safety Act compliance, contractors must carefully manage inflation risk on long lead-in projects."

*This compares to a **G&T MEP** inflationary forecast range of **3 to 4.5%** over the next 12 months.

****Note**: M&E tender price inflation forecasts/estimates can be influenced by a variety of factors, such as size of the contractor, its purchasing power and the type/size/value of projects the firm typically works on. The forecasts provided are solely those of the survey respondents and do not necessarily reflect the views or opinions of Gardiner & Theobald.*

Market Pressures Currently Driving M&E Prices...

Skilled labour shortages driving delivery costs

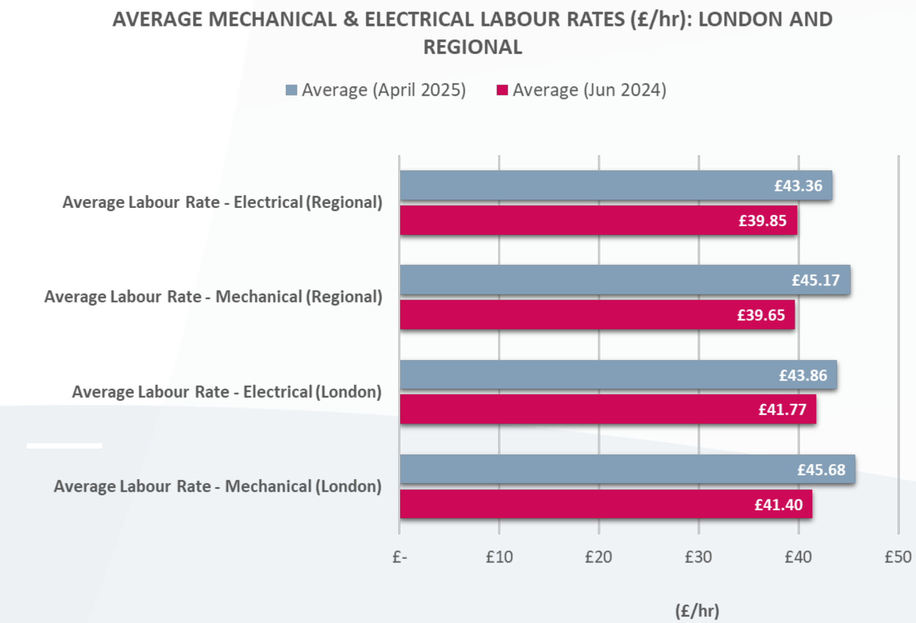
Capacity drain from high-spec, high-margin sectors

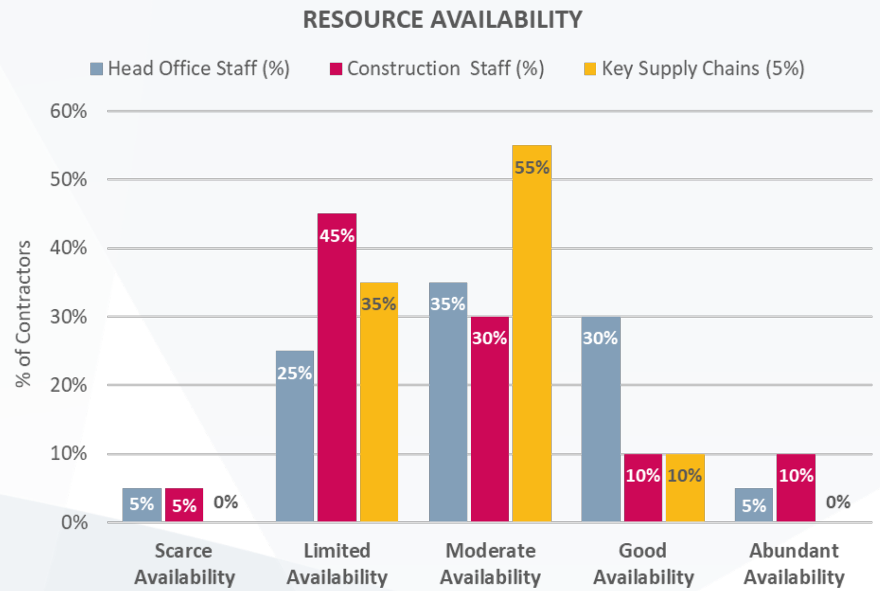
Escalating client expectations for smart and sustainable systems

Market volatility, tariff uncertainty, and supply chain supply chain fragility

Market Risks for 2025...

- Inflation and price fixing in a volatile market
- Worsening labour gap – in volume and capability
- Supply-demand imbalance and regulatory bottlenecks
- Market volatility unsettling clients and pausing programmes
- Financial health and supply chain resilience



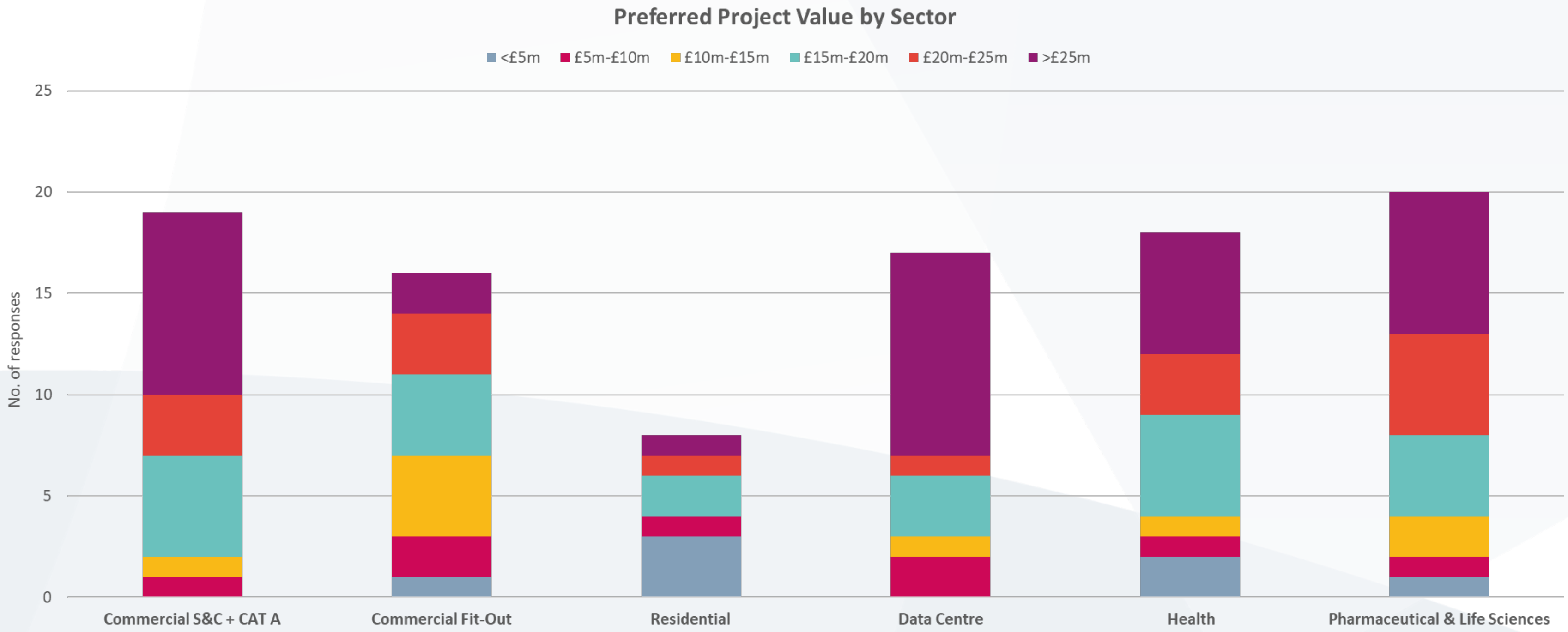


Average Mechanical and Electrical Rates (London) Increased by 10.4% and 5.0% Since June 2024 Survey

- The data centre boom and demand for large-scale, complex projects are absorbing key personnel, driving up salaries—especially in MEP project management, engineering and tier one operatives. Employers are often forced to exceed market rates to retain or attract experienced staff
- Overpromotion and inflated salary expectations, particularly among mid-tier candidates, are pushing averages higher. This misalignment is exacerbated by a limited pool of talent, fuelling a bidding war where pay often outpaces proven experience

Strained Supply, Divided Views: Getting the Right Resource Remains the Real Challenge

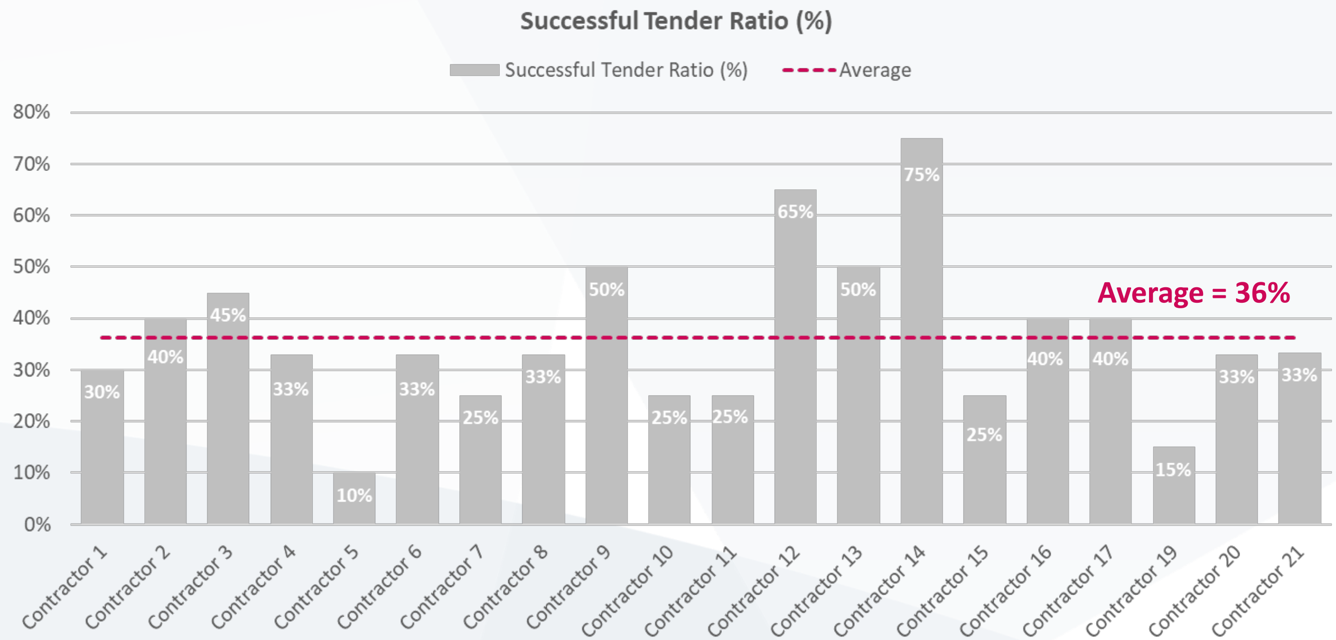
- While overall labour availability has improved for some generalist roles, the market is increasingly short of high-calibre personnel capable of delivering large, technically demanding projects. Quality assurance is now the greater challenge than headcount
- Tier 1 Ventilation and Sprinkler contractors, along with ductwork specialists, remain in short supply—particularly on large schemes. Additionally, 'grandfather rights' regulatory changes and the draw of direct client-side roles (especially in data centres) are further depleting the contractor talent pool



Contractors continue to prioritise high-growth sectors, such as Data Centres and Pharmaceutical & Life Sciences, while interest in high-value Residential projects remains muted due to weaker demand amid BSA-related delays

- Large-scale, technically complex sectors (Data Centres, Pharma) dominate contractor interest in high-value work
- Mid-tier projects remain popular in sectors with structured procurement and repeat client models
- The residential sector is seeing reduced contractor appetite, possibly due to margin erosion, planning delays or greater exposure to consumer market risk
- Fit-out continues to attract interest for mid-size schemes, reflecting high competition and rapid turnover dynamics

"…given the volatile market, risk of inflation, and recent high-profile insolvencies in the supply chain, we are adopting a more selective approach, with a harder stance on risk when choosing who we work with…"



Average Successful Tender Ratio

36%

With ratios ranging between 10-75%

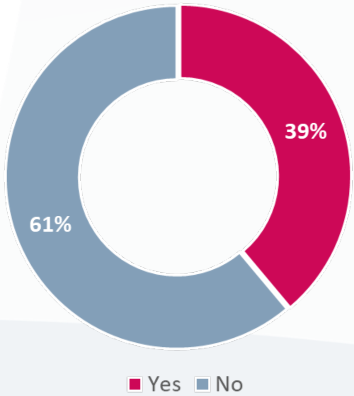
Successful tender ratio has risen since our June 2024 survey, where the average was **30%**

- Although the average successful tender ratio rose from **30%** to **36%**, some contractors reported lower ratios due to projects changing direction, being paused or taking longer to come to market
- Several contractors noted that market opportunities drive their diversification into high-growth sectors. While this approach fosters expansion, it can also affect their tender success rate, as balancing new market risks with sector expertise is key to maintaining competitiveness

Summary Takeaways:

- There's a **three-tier market dynamic**: a top tier of strategic high-success contractors, a middle tier of generalists with modest win rates and a bottom tier struggling to land work
- High-performing contractors are likely winning through **targeted bidding, deep sector expertise and strong client trust**
- Low-success contractors may need **to pivot from reactive bidding to proactive opportunity selection**

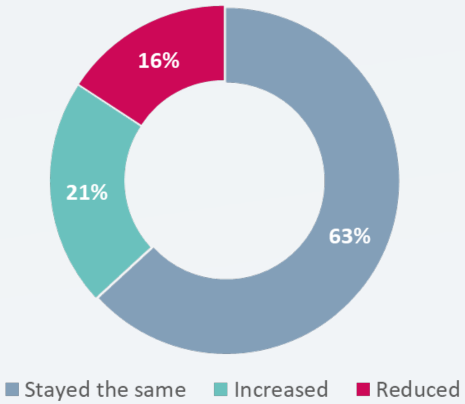
ARE YOU CURRENTLY EXPERIENCING ANY SUPPLY ISSUES WITH REGARDS TO MEP PRODUCTS/MATERIALS?



"Due to the high demand driven by sectors like data centres, we are experiencing extended lead times for critical plant and equipment, including generators, transformers and switchgear. However, early planning and proactive ordering have helped mitigate major disruptions to our project timelines."

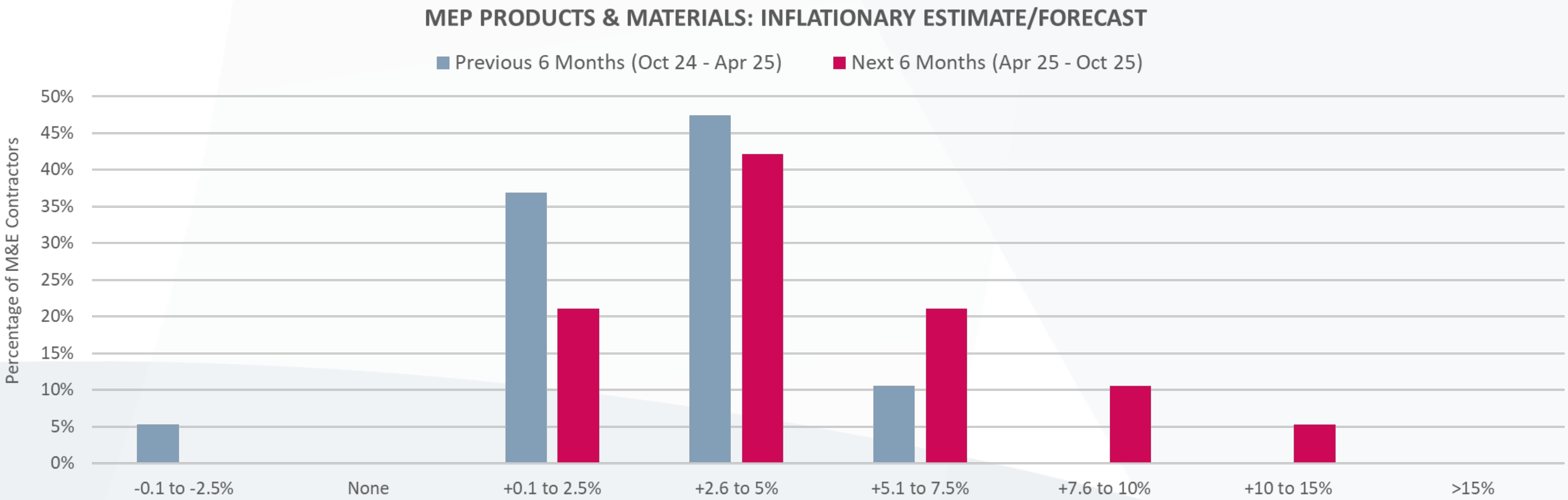
- **39%** of contractors are currently experiencing supply issues with certain MEP products/materials, compared to **30%** in the June 2024 report and **56%** in the Jan 2024 report.
- Extended lead times on critical equipment like generators, transformers and switchgear, driven by high demand in sectors such as data centres
- Early planning and proactive ordering strategies are crucial to avoid delays and ensure project schedules stay on track

MEP PRODUCTS/MATERIALS LEAD TIMES: PAST SIX MONTHS



MEP Products/Materials Affected by Long/Extending Lead Times:

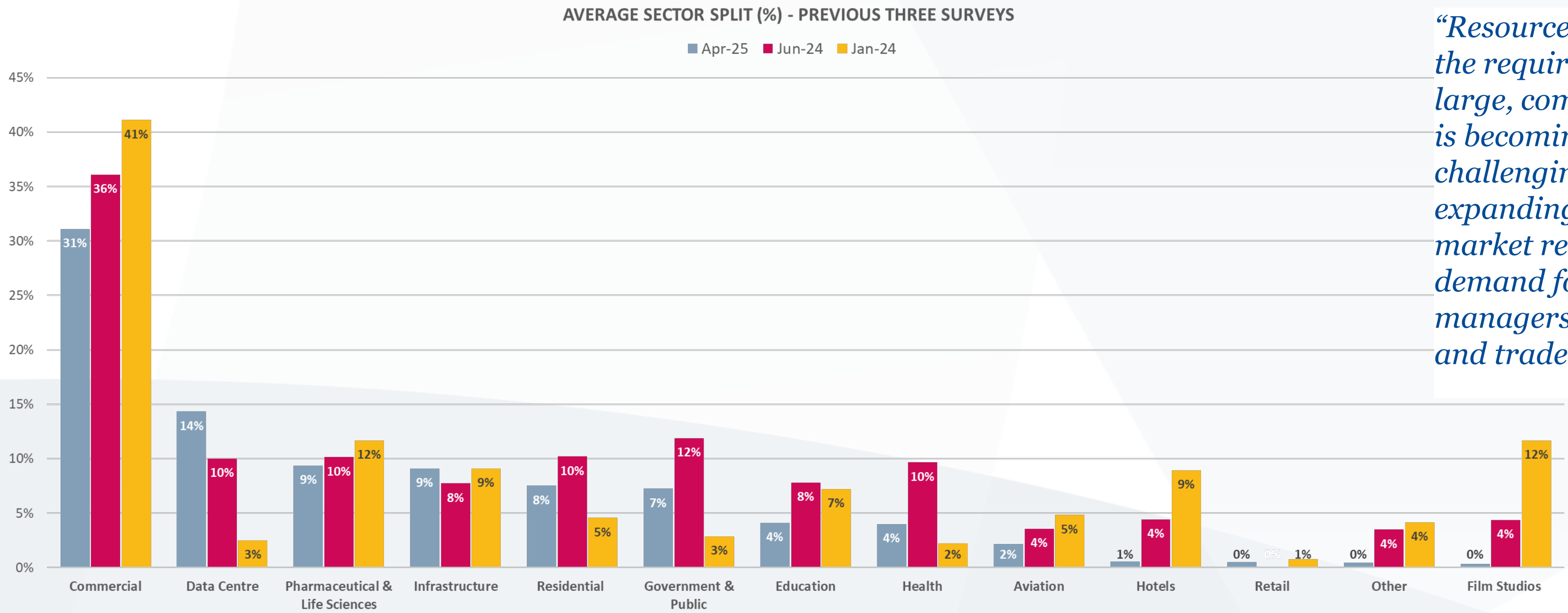
- Generators
- Transformers
- Switchgear
- Busbar
- Booster Sets
- UPS (Uninterruptable Power Supply)
- Down Flow Units
- Pumps
- Buffer Vessels
- Air Source Heat Pumps (ASHPs)
- Water Source Heat Pumps (WSHPs)
- Chillers
- Large Bore Pipework (>250mm)
- Valves/Fittings for Large Bore Pipework
- Ductwork
- Cabling/Conduit
- Panels
- Sprinklers



Inflation expectations for MEP materials are creeping upward again, as supply chain pressures and policy uncertainty unsettle earlier stability….

"While we expect to manage most cost pressures in the next few months, political and economic instability, along with supply chain challenges and US tariff impacts, are likely to lead to price increases later in the year. We're already seeing mid-year hikes from certain manufacturers, and while we're negotiating hard, further cost pressures are anticipated."

- Most contractors expect moderate inflation (**+2.6% to 5%**), but sentiment is shifting toward higher brackets for the second half of 2025
- Mid-year price hikes are already surfacing, with manufacturers like Schneider and insulation suppliers leading the charge
- US tariffs and geopolitical uncertainty are amplifying pricing risk, particularly for globally sourced MEP components
- Annual pricing cycles are breaking down, as more suppliers move to in-year adjustments and renegotiated terms.

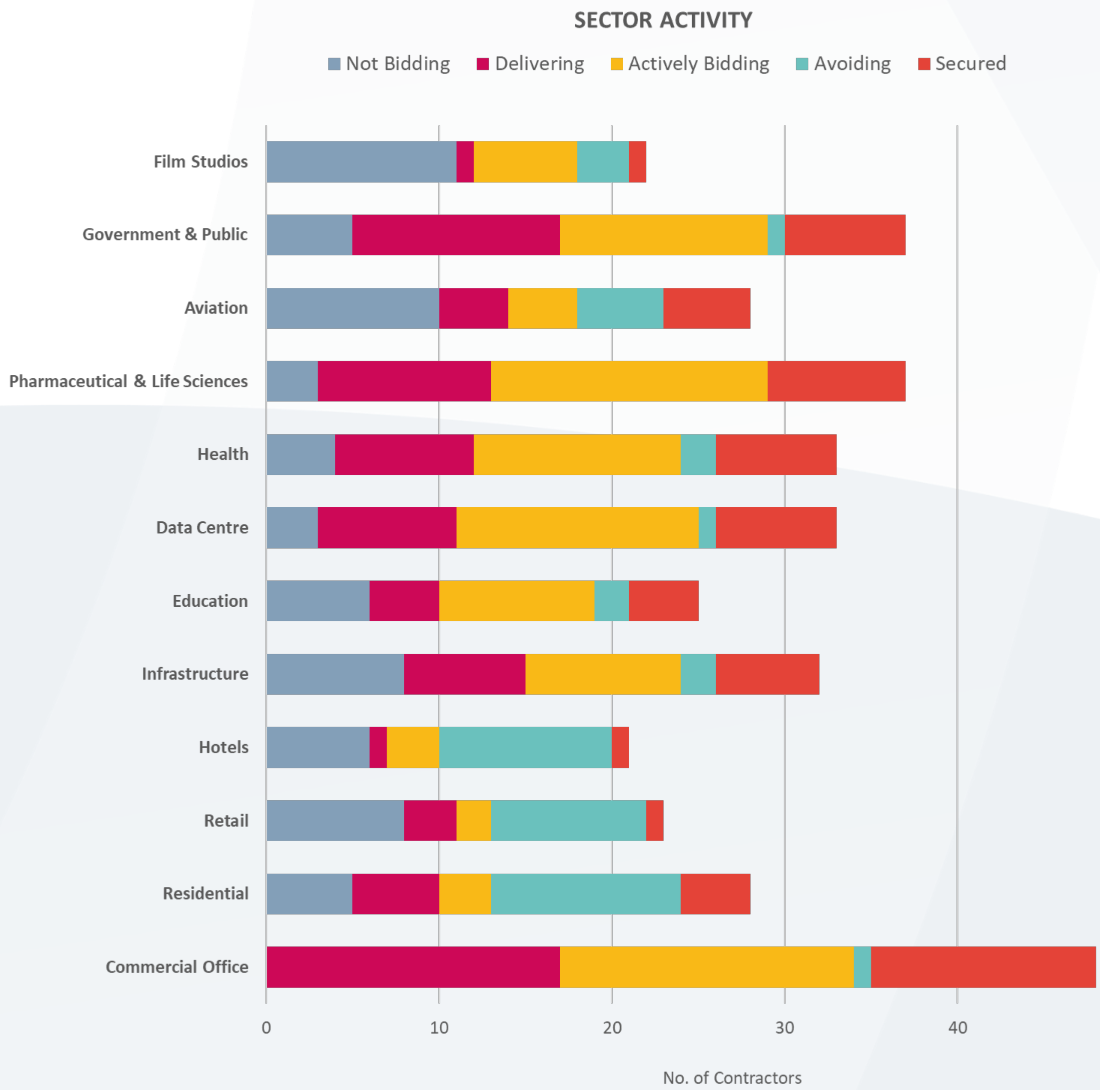


"Resource availability of the required calibre for large, complex projects is becoming increasingly challenging, as the expanding data centre market reshapes demand for project managers, engineers, and trade labour."

Sector focus is narrowing around high-growth niches, with data centres, decarb and SMART tech rising, while traditional commercial workloads retreat….

- Commercial workloads remain dominant but are in decline, falling from **41%** (Jan-24) to **31%** (Apr-25), as contractors pivot away from one-off projects toward longer-term, repeatable frameworks
- Data centres are surging back, now averaging **14%** of workload share (up from just ***3%*** in Jan-24), with contractors deploying top teams into this space amid sustained client demand
- Public and institutional sectors show volatility, with Government & Public dropping from **12%** to **7%**, while Education and Health fluctuate, suggesting sensitivity to funding cycles and project delays
- Emerging focus on decarb, SMART tech and MMC, as contractors seek growth in energy-led MEP work and intelligent buildings, supported by client interest in sustainability and digital integration

****Note**: This graph represents the average sector split across all contractors. The data is presented in its non-normalised form, so the percentages do not sum to 100%, adding up to 91%.*



Commercial remains the most active sector, with the highest volume of secured, delivering, and bidding contractors

Pharma, Government & Data Centres all show strong pipelines, with high levels of engagement across bidding and delivery stages

Contractor appetite is low in **Retail**, **Hotels** and **Residential**, where many are either not bidding or actively avoiding

Main Risks Facing UK MEP Market:

- **Persistent inflation uncertainty**, with challenges around fixing prices and managing cost risk on long lead-in projects.
- **Severe skilled labour shortages**, especially in specialist roles (eg BMS, fire alarm, sprinklers), compounded by retirements and poor pipeline of new engineers.
- **Geopolitical instability** (eg Russia, Ukraine, US tariffs) fuelling material cost volatility and disrupting global supply chains.
- **Growing contractor insolvency risk**, particularly for firms operating on unsustainably low margins or lacking cash reserves.
- **Supply chain fragility**, including lack of capable partners for large-scale projects, payment term pressures and upstream manufacturer risk.
- **Regulatory disruption**, including impacts of the BSA, firestopping and decarb regulations, and unclear design liability at tender stage.
- **Stacked project pipelines**, with simultaneous pressure from large-scale public and private initiatives (eg NHP, data centres) stretching delivery capacity.
- **Commercial model pressures**, such as poor value bidding, onerous client T&Cs and delays in financial close.
- **Offsite construction increasingly essential**, both as a risk mitigation strategy and response to labour scarcity.

Factors Influencing Successful Project Procurement

- **Early engagement** of MEP contractors, designers and supply chain to manage risk and influence design.
- **Transparent costing and realistic margins**, with open dialogue on risk, value and profitability.
- **Well-defined and complete design information** at tender stage, avoiding unclear scopes or late coordination.
- **Two-stage procurement models and PCSA agreements**, allowing for better cost certainty and smoother delivery.
- **Avoiding lowest-cost selection** — value and capability matter more than price alone in a risk-heavy market.
- **Realistic preconstruction and tender timelines**, with clear communication and decisive client involvement.

“The biggest risk on the horizon is geopolitical volatility — tariffs, global unrest and trade policy shifts are creating deep uncertainty around material costs and supply routes. It’s not just inflation we’re managing anymore - it’s a constantly moving target with structural consequences for project viability.”

What Market Pressures Are Driving Pricing?

Pressure Type	How It’s Impacting Pricing
Material & Labour Costs	Rising base prices and faster inflation pass-through
Contractor Capacity	Fewer Tier 1s available; premium for early commitment
Supply Chain Strain	Longer lead times; regional labour shortages (eg South East)
Risk Allocation & Design Quality	Higher risk pricing due to poor tenders & incomplete info
Buying Work	“Race to the bottom” bids as some firms chase workload
Geopolitics & Tariffs	Future price volatility feared, not yet materialised

“Some clients — particularly in the data centre sector — are willing to take on cost risk to secure early contractor engagement. One client put it plainly: ‘The aim is to take you out of the market so you’re focused, with your best teams, on our project.’”

Interesting MEP Market Trends

Surge in data centre activity driving top-tier contractor redeployment

Growth in energy-led and decarb-focused MEP projects

Increased uptake of two-stage tenders over lump-sum bids

Rising demand for SMART building integration and MMC adoption

Strategic/business model changes planned…

Stronger focus on data centres, decarb and direct-to-client energy-led work

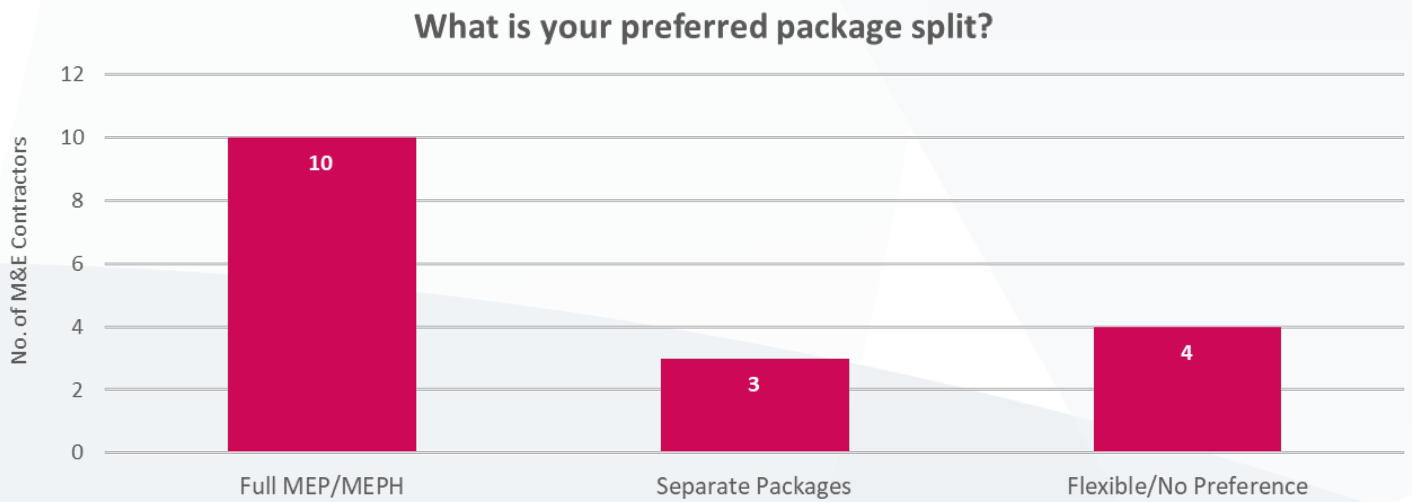
Increased selectivity in client engagement and credit risk management

Shift from one-off commercial jobs toward repeat infrastructure frameworks

Greater use of early-stage engineering to secure delivery certainty

Gradual in-house capability growth (eg ductwork, internal MEP delivery)

Following the administration challenges in the MEP market, we are seeing different approaches to procurement including splitting the packages. What is your preferred package split?



"Full MEP allows us to manage interface risk more effectively. One lead, one responsibility — it just works better for complex schemes."

"We prefer separate packages. It gives us more control over the supply chain and allows us to target specific margins on each discipline."

"We're open either way — the right route depends on the project complexity, design maturity, and client team experience."

Most MEP contractors favour a single-package approach — but flexibility remains key in matching procurement to project risk and design clarity

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