GARDINER &THEOBALD

4TH QUARTER 2020

Our Tender Price Inflation report looks at the movement of prices in tenders for building contracts in the UK. The report examines a number of contributing factors and is further informed by our market survey responses and contractor consultations.

TPI

TENDER PRICE INDICATOR

In this issue

THE FUTURE OF AVIATION

INTRODUCTION

Our Tender Price Inflation report looks at the movement of prices in tenders for building contracts in the UK. The report examines a number of contributing factors and is further informed by our market survey responses and contractor consultations.

With the initial shock of COVID-19 now over, there have been some promising signs that an economic recovery is on the horizon. Re-opening construction sites has given the industry a substantial lift, allowing output and productivity levels to make a recovery. Although the pandemic continues to disrupt business and economic activity, construction has shown resilience in overcoming the initial disruption brought about by the pandemic.

While full recovery remains a distant prospect, many parts of the UK economy, construction included, have seen a notable V-shaped recovery in many respects. Government support measures have helped to boost confidence, deter job losses and bolster demand. Despite the lingering uncertainties over localised lockdown measures, the availability of a vaccine and indeed Brexit, we've seen evidence that investment plans are being reinstated and developers, although proceeding cautiously, are still actively progressing schemes.

The major cause for concern is the slowdown in new work coming forward. New orders are rising according to the monthly PMI data but enquiries and new tender opportunities are still very much below average. This will only act to place increased pressure on the supply chain to bid for work at any cost.

In the short-term, it's likely that some of the strong upward momentum over the summer will ease back, but by the beginning of 2022 a number of economists expect that the UK will have returned to pre-COVID-19 levels of output and activity. Although business sentiment has vastly improved in recent months, the fragile path to recovery is unlikely to be straightforward.

OUR FORECASTS

Our weighted UK average TPI forecast still shows a 1% fall in 2020, but our outlook for 2021 has improved since our last TPI report, rising from -1.5% to -1%. The 2021 UK weighted average has been pushed up by stronger anticipated inflation in some of the Northern regions as well as in Wales, Scotland and Northern Ireland. COVID-19 appears to have accelerated the trend of 'Northshoring', with a number of businesses opting to move some of their operations out of London and into Northern cities that typically offer cheaper office space and lower labour costs.

Once we reach 2022, we expect that many of the negative effects of COVID-19 will have dissipated and we'll begin to see tender price inflation increase. Accordingly, our UK average for 2022 has been raised from 0.5% to 1% and then from 1% to 1.5% in 2023 as we return closer to our long-term average.

We anticipate that some sectors will be more active than others over the next few years. Housing and public sector work are expected to be at the forefront of the recovery whilst the commercial sector is likely to scale back activity in the short-term whilst it assesses post-pandemic demand for office space. Aviation, leisure and hospitality are also likely to contract in the short-term. We expect that new build works will remain subdued but that there will be a stronger demand for layout alteration, re-purposing and refurbishment of existing stock, particularly in the commercial offices sector.

All forecasts take account of all sectors and project sizes as a statistical average, indicating an overall trend in pricing levels. It should be remembered that individual projects may experience tender pricing above or below the published average rate, reflecting the project specific components and conditions.

MACRO ECONOMICS

The UK economy took a battering in Q2 2020, suffering its largest quarterly fall on record. Revised data from the ONS showed that output in the UK dropped by 19.8% in the quarter, making it the worst contraction among major economies.

The record contraction was preceded by a quarterly fall in GDP of 2.5% in the January-March period. Taken together, the two quarters confirmed the largest UK recession in modern history as the economy shrank by almost a quarter in the first six months of 2020.

The ONS said that the services, production and construction sectors all suffered record falls in output between April and June, but the effects were most pronounced in those industries that were most exposed to public health restrictions and the effects of social distancing. Although the monthly GDP growth figures are more encouraging, with August marking the fourth consecutive month of growth, the economy is still 9.2% smaller than it was before the pandemic struck.

With output contracting by 35% in Q2 2020, construction was one of the most affected sectors in Q2 2020. Only a handful of other sectors were more badly affected. According to the IHS Markit/CIPS UK PMI readings, construction experienced the steepest contraction in activity compared to the manufacturing and services sectors. It also experienced the steepest recovery between April and June as the UK Government gave the industry a free pass, allowing work to continue on site under new site operating procedures and other safety measures.

Since June, all UK construction PMI readings have shown a month-on-month expansion in activity. The latest construction PMI survey (covering September 2020) indicated the sharpest expansion in new order growth since before the pandemic-induced lockdown. Firms increased their purchasing

M&E COMPONENTS	FABRICATED STRUCTURAL STEEL	CONCRETE REINFORCING BARS (STEEL)	READY MIXED CONCRETE	OIL PRICES (BRENT CRUDE) *(As of 8th October 2020)*	CONSTRUCTION INDUSTRY *Average Weekly Earnings (Annual Growth to July 2020)*	MARGINS	UK MANUFACTURING OUTPUT *(July 19 – July 20)*
▼ *-1 to 1%* ▼	▼ *-2.3%* ▼	▼ *-9.1%* ▼	▼ *-2.5%* ▼	▼ *US$42.1/barrel* ▼	▼ *-5.3%* ▼	▼ *Reduced* ▼	▼ *-9.4%* ▼

INPUT COSTS YEAR ON YEAR (AUGUST 19 – AUGUST 20)

ONS building materials tables

Figures are cumulative annual. ▼△ denotes movement trend.

activity at the quickest pace in nearly five years as builders stocked up for Brexit, and sentiment towards future activity was the strongest it has been for seven months. Work undertaken in the residential and commercial sectors rose strongly as demand conditions improved but respondents noted that employment numbers continued to fall. Still, construction managed to outperform both the manufacturing and service sectors in terms of output growth and purchasing activity in September.

Two of the UK's main measures of inflation – the CPI and the RPI – fell to 0.2% and 0.5% respectively in August on an annual basis. The CPI annual rate is now at its lowest level in almost half a decade, primarily as a result of discounted meals through the Government's Eat Out to Help Out scheme and the temporary VAT cut for the hospitality sector. Although deflationary forces intensified in Q3, CPI is likely to bounce back in Q4. A comparison of independent forecasts for the UK economy published by HM Treasury in September 2020 showed that UK CPI (on average) is expected to grow by just 0.6% in 2020 – well below the Bank of England's 2% target. However, the same independent forecasters expect that CPI will grow by 1.9% in 2021[1].

Although the Bank of England has played down the idea of introducing negative base rates, it remains a potential 'tool in the bag' according to BoE Governor Andrew Bailey. The Bank said that the potential for more lockdowns could slow down or interrupt the UK's economic recovery and if this happens we're likely to see an interrupted or incomplete V-shape recovery. Whilst the Bank has held fire on further quantitative easing stimulus, some economists expect that the Monetary Policy Committee will expand its £745bn bond-buying target in November when more economic and labour market data becomes available.

Andy Haldane, chief economist at the BoE, pointed out that much of the good news over the UK economic recovery is being crowded-out by undue pessimism and fear. These worries are creating excess caution, fear and fatalism, Haldane argues. He said, "We now expect GDP to be around 3-4% below its pre-Covid level by the end of the third quarter. In other words, the economy has already recovered just under 90% of its earlier losses." With millions of jobs saved and a strong recovery in lost output, he said that avoiding economic anxiety will be crucial in supporting the ongoing recovery and that now is not the time for the economics of "Chicken Licken".

Despite a rise in the UK unemployment rate from 4.1% in the three months to July to 4.5% in the three months to August, up to 9.6 million job losses have arguably been averted as a result of the Government's Job Retention Scheme. However, in the coming months the unemployment rate is expected to rise significantly as the scheme unwinds and less viable jobs are ultimately terminated. The BoE has forecast that unemployment will hit 7.5% by the end of this year. For now though at least, redundancies (although rising sharply) are well below their peak during the 2008 financial crisis, the number of job vacancies continue to recover (albeit they are still 40% below pre-pandemic levels) and average weekly earnings are improving as more workers return from furlough leave.

Economists are expecting a rebound in economic growth in Q3, fuelled by stronger consumer spending. Although the UK is on the path to recovery, the threat of a second wave of COVID-19 cases, no-deal Brexit, and an anticipated sharp rise in unemployment could derail the recovery.

CONSTRUCTION OUTPUT

UK construction output (All Work) fell by a substantial **35%** in Q2 2020 – the largest drop since quarterly records began. However, recent month-on-month data is more encouraging, which show that UK construction output rose by 17.6% in July 2020, with all sub-sectors experiencing output growth.

Output hasn't fully recovered though, and in July it remained around 12.8% lower than in the same month in 2019. Since the all-time monthly low in April, when a substantial amount of work on site was paused, the residential housing sector has seen the strongest recovery in output value, rising by more than 123% to July. This is perhaps unsurprising as most residential contractors downed tools and halted their entire construction work during the early lockdown period.

In the commercial sector, although output has made a good recovery so far, it remains particularly vulnerable to delays and deferred investment. In line with Government guidelines, relatively few workers have returned to the office, and there is a clear lack of new work coming in to replace completed projects. Although the current uncertainty is prompting some developers to scale back in the short-term, once businesses have been able to fully assess their post-pandemic positions, we could see commercial output increase as firms opt to refurbish, alter or even re-purpose their existing space.

A significant chunk of output has been lost as a result of COVID-19 and output growth is expected to remain subdued for the remainder of 2020 as a number of projects are likely to be deferred to 2021. So far, in the 7 months to July 2021, output has been 18.5% lower than in the same period in 2019 so a recovery to pre-COVID-19 levels will take time. The Construction Products Association (**CPA**) expects that output will fall by 24.9% in 2020, followed by a 25.5% increase in 2021. Even with such a sharp recovery, pre-pandemic levels of output growth are unlikely to be achieved until 2022 at the earliest.

Although productivity levels on UK construction sites are now generally at 80-90% of pre-pandemic levels and individual task productivity is close to normal, the impact has been variable by trade, sector and project size. Projects that require multiple trades working in close proximity have been most affected due to the steps taken to implement social distancing and reduce the risk of transmission. Concreting,

UK GDP ANNUAL GROWTH RATE *(Q2 2019 – Q2 2020)*	CPI AUGUST 2020 *(12-month rate)*	RPI AUGUST 2020 *(12-month rate)*	UK BASE INTEREST RATE	UK UNEMPLOYMENT RATE *June – August 2020*	UK WAGE GROWTH *(Year-on-Year three month average to July 2020)*
▼ -21.5% ▼	▼ 0.2% ▼	▼ 0.5% ▼	◀ 0.1% ▶	▲ 4.5% ▲	▼ -1% ▼

[1]https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/919323/Forecomp_September_2020.pdf

core construction, steelwork and fit-out trades are reportedly working well below normal productivity levels whilst other trades (eg groundworks) have been largely unaffected.

The partial recovery in productivity levels since April has been impressive but output will continue to remain subdued whilst distancing measures remain. Many sites have reduced the number of trades and operatives on site at any given time, but extended site hours and flexible working shift patterns have helped to maintain activity levels. Guidance under the current Site Operating Procedures (**SOP**) will continue to be refined and improved which should bring some marginal productivity gains over the coming months. New innovations and greater collaboration will also help minimise the impact and cost of existing distancing restrictions.

NEW ORDERS

New orders hit their lowest level on record in the second quarter of 2020 and were around half the value they were in Q1 2020. The lack of new work coming forward indicates a potentially tough period ahead, placing a greater pressure on contractors to secure work at a lower cost.

All sub-sectors experienced heavy declines in Q2 with most seeing record quarter-on-quarter falls. New Public Industrial (eg roadworks, schools and hospitals) and Public Housing work were by far the least affected sectors falling by 10.9% and 15.2% respectively in the second quarter. New orders are likely to remain comparatively strong in these sectors as a result of the Government's recent spending commitments. The Prime Minister's 'Build, Build, Build' speech on 30th June 2020 promised £12bn over an eight-year period for the affordable homes programme, £760m to repair and upgrade schools, £900m on local growth and infrastructure projects and a further £100m on road projects.

Although new orders are expected to remain somewhat subdued in the second half of 2020, monthly contract award data from the likes of Builders' Conference show that even amidst the growing COVID-19 and Brexit uncertainty, there is clearly still strong demand for projects – particularly from the house-building and infrastructure sectors which accounted for some 37.6% and 30.5% of contract awards in August 2020 according to Barbour ABI.

Both the value and number of new contract awards appear to have been steadily growing month-on-month since May, but Builders' Conference said that contract awards in August were still 19% lower than they were in August 2019. The number of new tender opportunities were also nearly 70% lower than they were in the same month in 2019, with just 246 jobs up for tender. This was 63% below the monthly average of 672 projects that were available for tender between August 2019 and March 2020 - a clear sign that many investors/developers remain hesitant, deferring projects and adopting a wait-and-see approach.

The September PMI construction survey noted that whilst new orders have now risen for the fourth time in as many months, there is still a lack of new work coming in to replace completed contracts. This is acting as a brake on the speed of expansion in activity in the sector. The lack of new work is expected to be a key driver in more competitive tender pricing in the over the coming months, distorting 'real' TPI movement.

MARKET CONDITIONS

Whilst there were a number of very clear themes and expectations that emerged from our most recent TPI survey, the current market is expected to affect tendering differently depending on the project size, location and sector. However, most markets are expected to contract in the short-term and supply chain capacity is expected to increase, which is likely to translate into a more competitive tender environment and lower tender pricing for the remainder of the year and into 2021.

A greater supply of construction workers in the market has pushed labour rates down, with average weekly earnings in July 2020 being 5.3% lower than the same month in 2019. Vacancies in the sector also remain relatively low so those looking for new work may find themselves having to accept lower rates of pay. Whilst this has provided contractors with scope to reduce tender pricing, shortages of certain construction materials have added upward inflationary pressure to input costs so far this year. The net result has been that input cost inflation has remained fairly static, with lower tender pricing coming largely from movements in margin adjustment and/or competitive pricing.

The pandemic has undoubtedly dented client confidence which has had a corresponding negative impact on new project commissions. Consequently, the supply chain has become more aggressive in seeking work, translating into a greater prevalence of price reductions and discounted rates. In light of this, we have seen evidence of contractors dropping OH&P in order to win work, fill order books and secure turnover, but this is a trend that, so far, has been more prevalent among smaller contractors and sub-contractors. Larger tier 1 main contractors, who are generally better capitalised, are less inclined to take a 'work at any cost' approach. Tier 1 contractors are better positioned to adopt a more selective business development approach, taking on only quality projects that have lower risk profiles.

A number of survey respondents noted that the current and anticipated shortage of new work will really start to bite in early 2021. However, some sectors (eg Public Sector and Infrastructure) are likely to see some upward price pressure next year as spending and investment in these sectors is anticipated to rise.

Although a lack of new work will put downward pressure on tender prices in the short-term, there are some upward inflationary pressures countering against the softening market. These pressures include pricing in COVID-19 risk and lower levels of labour productivity, additional preliminaries costs for site set-up and also Brexit premiums. Indeed, a no-deal Brexit could potentially put a significant amount of upward price pressure on construction projects. Under the new UK Global Tariff (UKGT) regime, the average import tariff for the most heavily imported building materials/components from the EU is around 3.3%. There is also the added risk of a weaker pound pushing up construction material import costs from the EU which would increase project costs and tender pricing.

INPUT COSTS

MATERIAL COSTS

The closure of manufacturers and builders merchants in April made it difficult to obtain certain materials. Initially, this was accompanied by a corresponding drop in demand for construction material, but as restrictions were eased and work on site resumed suppliers struggled to meet the unleashed demand.

Against this backdrop, material prices spiked higher as the supply-side slowly ramped up production capacity and output. The difficulty in obtaining certain materials such as plasterboard, aggregates and bricks, MEP equipment and insulation led to longer lead times for some of these trade packages. Although the availability of materials has improved in recent months, according to the ONS's Business Impact of COVID-19 Survey, between 24 August and 6 September 2020 nearly 21% of construction firms had to change suppliers or find alternative solutions to get the materials needed. Over 6% of the surveyed construction firms said they were still unable to get the materials they required. However, since June supply has generally caught up with demand and materials have became more readily available, pushing prices back down.

Despite the recent volatility, since December 2019 construction material prices have been on a general upward trend, with the ONS' 'All Work' index showing a 2.4% rise over the period. However, with prices so volatile and a general expectation that prices will settle down as a result of lower demand, contractors are likely to view the recent rise as temporary and will therefore be unlikely to significantly alter bids.

Looking at specific key construction materials, fabricated structural steel prices recovered sharply between February and May 2020, partly fuelled by a Chinese construction boom pushing iron ore prices higher. However, since May steel prices have tapered off. In fact, most key construction material prices including rebar and ready-mixed cement have levelled off in the three months to August 2020, coinciding with the reopening of supplier and distribution channels.

If a trade deal with the EU begins to look unlikely, further stockpiling or bulk buying of key materials in the final quarter of the year may exacerbate the delicate supply and demand issues and put some upwards pressure on material prices.

LABOUR

With labour rates being 5.3% lower in July 2020 than the same month in 2019 and construction job vacancies down by 29% in the three months between June and August 2020 compared to the same period last year, we anticipate that labour will act to lower input cost inflation and tender prices in the short-term.

We are yet to see how the ending of the Job Retention Scheme will impact the sector. Construction was heavily reliant on the scheme after it was initially launched but in recent months the proportion of construction firms workforce that were on furlough leave dropped substantially. At peak usage of the scheme in April, surveyed construction firms were reporting that over 45% of their workforce were furloughed. Fast forward to early September and this number dropped to just 5.9% - well below the 'All Industries' average of 10.7%.

With an average of 5.9% of UK construction firm's workforce on furlough or partial furlough leave, the potential risk for further job losses before the end of the year is significant. According to HMRC, as at 31 July 2020 around 277,000 construction employees remained furloughed. Some of these will be saved by the Chancellor's wage subsidy programme which will top up income for those asked to work reduced hours, but some further job losses will be inevitable.

September's UK construction PMI survey revealed that redundancies continue across the industry. It is, however, encouraging that that rate of job shedding has eased substantially. According to the survey, workforce contraction fell to its slowest rate in the last seven months. However, if new order growth continues to lag and an insufficient number of new projects come forward to replace completed ones, there could be further redundancies in 2021 as firms seek to restructure or downsize their operations. Ultimately, a larger pool of inactive labour, less new work and lower profit margins will all act to add downward pressure on labour input costs.

PROFITABILITY AND PROCUREMENT

Our latest TPI survey found that the majority of respondents (55%) believed that overhead and profit (**OH&P**) levels had remained more-or-less static in the three months to September 2020, whilst nearly 43% said that OH&P had increased. However, looking ahead to the next 12 months, this changes significantly. The vast majority (71%) anticipate that OH&P will decrease over the next year whilst the proportion of respondents anticipating that OH&P will remain the same fell to around 25%.

Discounting and commercial reductions have become more commonplace in the current tendering environment. Main contractor OH&P levels are expected to fall in order to secure turnover. Tier 1 Main Contractors working on larger schemes appear to be holding their pricing levels, but lower tier contractors are tightening their bidding and reducing OH&P to secure order books. Overall, we expect OH&P to fall from a pre-pandemic average of 5-6% to around 3-5% over the next year.

With regard to preliminaries, most respondents (65%) said that preliminary levels were largely unchanged in the previous three-month period. However, looking ahead to the next 12 months there was far less certainty. A slight majority (55%) anticipate that preliminaries will fall from their current average. However, a number of these respondents acknowledged that the current COVID-19 related working restrictions and distancing measures (which look set to stay in place into 2021) would push up direct costs (ie the cost of implementing SOP's) and indirect costs (ie reduced productivity and increased programme times). Despite this, those respondents generally thought that contractors would absorb these increased direct and indirect preliminaries costs in order to win work. Around 35% thought that preliminaries would remain unchanged over the next year, with some stating that upward pressure from higher direct and indirect preliminaries costs would generally balance out against the counteracting downward pressure from a shrinking pipeline and a desire to secure turnover.

The extent to which higher preliminaries costs are absorbed by contractors will depend on how many new tendering opportunities there are. New order values hit a record low in Q2 2020, so unless we see a significant recovery in new work contractors will be forced to be more competitive with their direct costs. On balance, we anticipate that preliminaries will rise marginally over the next 12 months, averaging around 16%. However, project size will play a key role here. Tenders for larger projects with longer durations may see SOP's and distancing restrictions relaxed as construction progresses. This is less likely to be the case for smaller projects.

Finally, our latest TPI survey revealed a notable shift in preferred procurement route. While the majority of respondents still said that design and build (**D&B**) was the most favoured procurement route over the past three months, single-stage tendering has become much more common. Just over 32% of respondents said that D&B single-stage was the most favoured route – on par with the proportion of respondents that said D&B two-stage was the most favoured route.

Clients perceive that the contractor is best placed to take on the risk and would prefer full visibility of costs at an early stage. Contractors appear to be increasingly willing to tender on a single-stage basis in this increasingly competitive tendering environment. This is particularly the case for smaller projects where there is much greater competition.

THE FUTURE OF AVIATION

The aviation sector has been hit hard as a result of the pandemic. Projects and expansion plans have been put on hold, cancelled or deferred for the foreseeable future, and many industry commentators are suggesting that activity in sector will be negatively impacted for years to come.

Although there is still strong underlying demand for air travel, global quarantine policies arguably need to stabilise in order for confidence in travel to fully return. The methodology used by the UK for determining which states should be subject to quarantine restrictions is opaque and not well-aligned with other countries. The stop-start-stop approach has also been unhelpful. Greater predictability and harmonisation will be crucial in restoring demand and confidence to travel by air.

A more coordinated Government approach could dramatically improve the prospects of the aviation sector. Quarantine measures, which dramatically reduce demand for air travel, could potentially be replaced by better testing regimes at airports which would help unlock demand for air travel. Indeed, the latest International Air Transport Association (IATA) survey of passenger attitudes show that two-thirds of those surveyed in the UK supported a testing approach. The UK Government has the opportunity to shape global aviation policy and accelerate its recovery.

LAY OF THE LAND

According to the Construction Products Association (CPA), 2019 was the high-water mark for aviation. After six years of falling output, construction work in the sector reached a five-year high in 2019 and, before the pandemic hit, output was forecast to continue its growth into 2020. Even when removing the Heathrow expansion from the equation, there was a strong pipeline of work. In early 2020, the CPA forecasted that aviation work would grow by 5% in 2020 and 3% in 2021. Rebecca Larkin, senior economist at the CPA, said that, "Airport expansion plans are in place at most airports around the country."

Since then, airlines and airports have seen a substantive reduction in sales revenues and cashflow, with passenger numbers falling by more than 99% year-on-year in April (the first full month of lockdown) at some airports. Heathrow, for example, made a recent statement saying that provisional traffic figures for August 2020 show that passenger numbers remain 82% down on last year and that the unprecedented drop in numbers has cost the airport over £1bn since the start of March. As a result, Heathrow has seen a dramatic reduction in its revenues and is becoming increasingly cash constrained[1].

This is an extract from a longer article. Visit: **marketintel.gardiner.com** to read in full.

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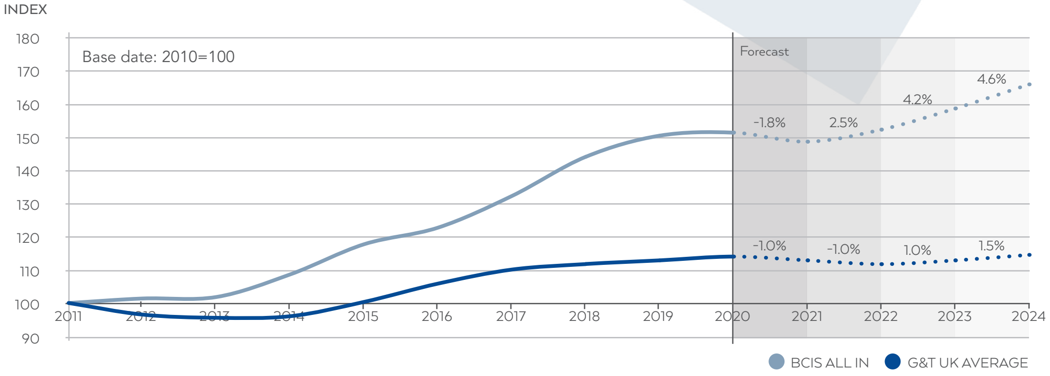
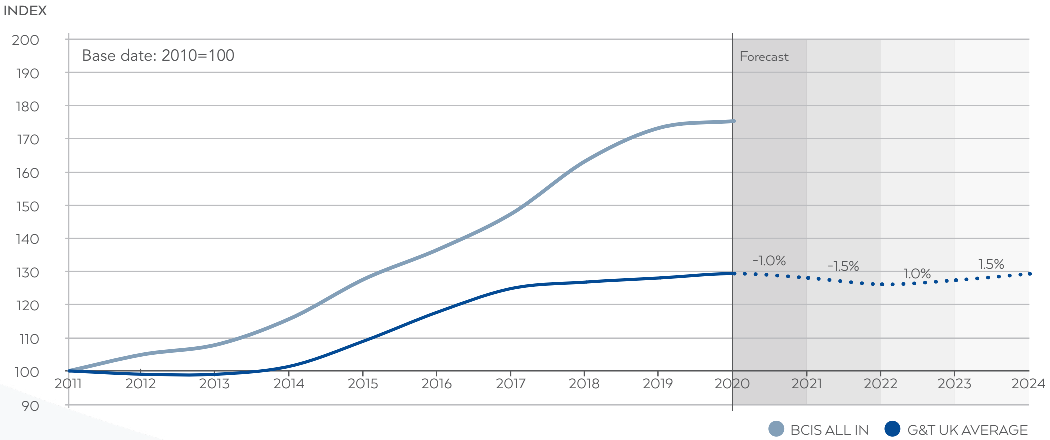
[1]https://www.theguardian.com/uk-news/2020/sep/02/heathrow-tells-staff-to-take-pay-cuts-of-15-20-or-face-job-losses

TENDER PRICE INDICATOR TRENDS & FORECASTS

TENDER PRICE TREND **"ALL UK TPI"** Q4 2020



TENDER PRICE TREND **"LONDON TPI"** Q4 2020



Note: BCIS does not publish regional forecasts.

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TENDER PRICE CHANGE

TENDER PRICE ANNUAL PERCENTAGE CHANGE Q4 2020

%	2020		2021		2022		2023	
Regional forecasts	Now	Last*	Now	Last*	Now	Last*	Now	Last*
Greater London	-1.00	-1.00	-1.50	-1.50	1.00	0.50	1.50	1.00
South East	-1.50	-1.50	-1.50	-1.50	1.00	0.50	1.50	0.50
South West	-1.00	-1.00	-1.00	-0.50	0.00	0.50	1.00	1.25
East	-0.50	-0.50	-1.00	-1.00	1.00	1.50	1.00	1.50
Midlands	-1.00	-1.00	-0.50	-0.50	2.00	1.00	2.00	2.00
Wales	-2.00	-3.00	-1.50	-3.00	1.00	1.00	1.50	1.50
Yorks & Humber	0.00	-1.00	0.50	-3.00	1.00	0.50	1.50	1.00
North West	0.00	-2.50	0.50	-3.00	1.00	0.00	1.50	1.00
North East	-3.00	-3.00	-3.00	-3.00	-1.00	1.00	0.50	1.00
Scotland	-1.00	-1.00	-1.00	-1.50	0.00	0.00	1.00	1.00
Northern Ireland	-2.00	-2.00	-2.00	-3.00	0.00	0.00	1.00	1.00
UK Average (weighted)	**-1.00**	**-1.00**	**-1.00**	**-1.50**	**1.00**	**0.50**	**1.50**	**1.00**

Last* 3Q20

COMPARISON OF PUBLISHED FORECASTS FOR TENDER PRICE CHANGE

	G&T UK AVER. Q4 2020	**BCIS** UK AVER. OCTOBER 2020	**G&T** LONDON Q4 2020	**AECOM** UK AUGUST 2020	**ARCADIS** LONDON SUMMER 2020
	% CHANGE				
2020	-1.00	-1.80	-1.00	-2% to 1%	-4%
2021	-1.00	2.45	-1.50	-1% to 1%	-1%
2022	1.00	4.18	1.00	1% to 3%	2%
2023	1.50	4.58	1.50	N/A	5%

Note: All figures relate to year on year quarterly changes
Note: Aecom's forecasts are taken from their 'Scenario 2: Slower recovery after initial V-shaped sentiment rebound'

Our advice is to review each project on its own merits. This forecast publication must be treated as a guide only, being that it is based on averages of various types and sizes of projects across a region, ascertained through our latest market research. The quality, both of design and desired end product, procurement route (particularly ownership and transfer risk), delivery timescales, complexity of design and desire of contractors to tender should be carefully considered in project specific estimates and their outturn cost.

Suitable allowances should be made for project specific designs, site conditions and local market conditions, which should be reviewed regularly with your Gardiner & Theobald team to determine the appropriate base cost.