

UK construction begins to respond, but pace of recovery remains uncertain

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[Mace Consult](#) has released a Q2 2025 Market View report highlighting signs the UK construction industry is beginning to respond to government investment. While new orders and infrastructure funding are starting to help build some momentum, the pace of recovery remains uncertain amid ongoing delivery challenges.

For the first time, Mace has separated tender price forecasts for real estate and infrastructure to reflect diverging market conditions. The national forecast for real estate is 3.5%, while infrastructure is expected to rise by 4.0% in 2025. London's all-in forecast remains at 3.5%. These figures reflect growing momentum in infrastructure, supported by the Spending Review, but also continued pressure from labour costs.

The report describes a market in transition. While overall construction output was flat in Q1, there were encouraging signs of activity, for example, all new work grew for the third consecutive quarter, and new orders rose by 26.6% compared to Q4 2024, the strongest quarterly increase in over a year. Public non-housing and private industrial sectors led the way, with output growth of 11.9% and 8.7% respectively.

Labour costs remain a key pressure point, with construction pay growth at 5.9% in April. However, a sharp drop in vacancies and payrolled employees, likely linked to the rise in National Insurance contributions, suggests the labour market may be loosening. Material prices have remained broadly stable, with BCIS estimating annual inflation at just 0.1%.

The Spending Review and Infrastructure Strategy are expected to drive long-term growth, with over £725bn in government funding committed. Key programmes include £14bn for Sizewell C, £39bn for affordable housing, and major transport investments across the North and Midlands. The NISTA pipeline is also expected to provide greater visibility and confidence across the sector.

However, the report cautions that capacity constraints and planning delays could limit progress as new orders ramp up. The sector must remain agile and collaborative to meet rising demand and deliver on government ambitions.

Oliver North, Director of Cost and Commercial Management, UK and Europe at Mace Consult, commented:

“The UK construction market is showing signs of resilience in 2025, with new orders rebounding and infrastructure investment gaining momentum following the Spending Review.

“Our updated tender price forecasts reflect growing momentum in infrastructure, supported by government funding and the NISTA pipeline, which will provide greater visibility and confidence across the sector.

“While stabilising material prices offer some relief, rising labour costs and ongoing skills shortages continue to challenge delivery. The sector is also navigating geopolitical uncertainty, from tariffs to global commodity shifts, which risks impacting future inflation.

“The industry must remain agile, as capacity constraints and planning delays could limit progress. As we look ahead, collaboration across the supply chain and a focus on productivity will be essential to sustaining growth.”