

# Benchmarking Construction for London

Quarter Three  
2022/23

Presented By  
**Steve Beard, Rachel Askew  
and Dan Pescod**

20th February 2023

**Beacon**  
Partnership

 calfordseaden



# Agenda

**PART 1**

Key Contacts and Members

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**PART 2**

Market Intelligence

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**PART 3**

Works Cost Output Data and Comparison to Last Quarter

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**PART 4**

Design and Sustainability Metrics

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**PART 5**

Annual Data Review

# Key Contacts



Steve Beard  
Beacon Partnership



Rachel Askew  
Beacon Partnership



Jeremy Harrod  
Calford Seaden



Daniel Pescod  
Calford Seaden



Peter Newman  
Calford Seaden

Beacon Partnership are responsible for facilitating the group and producing the quarterly reports and presentations.  
calfordseaden are responsible for analysing the works cost data and producing the average works costs.

# Current Members

The current group members are shown on this page. We've had two new members join this quarter, taking us to 18 members.



# Market Intelligence - Last Six Months

## Market Context

Construction output continued to grow in 2022 despite inflationary pressures.

Strong signs of inflation easing in early 2023.

Viability challenges being faced by many clients.

BOE interest base rate continued its upward trend, now at 4%.

## Contractors

Material prices starting to stabilise, albeit elevated against previous levels.

Material availability and supply chain delivery lead times improving.

Construction programme certainty reducing perception of risk.

Contractors still feeling the financial effects of inflation in 2022.

Risk of insolvency remains elevated.

## BCIS

Published BCIS for Q12023 all-in tender price index (TPI) for the last 6 months has risen provisionally by just 0.54%, compared with 2.77% at the last review. The general building cost index (GBCI) in Q12023 is now negative at -1.18% over the same period, compared with a 2.49% increase in Q3.

BCIS TPI covering the last 12 months provisionally recorded at 5.44%, with GBCI at 7.7% over the same period.

# Future Outlook

calfordseaden highlight the following key considerations for the future outlook:

## Market Outlook

Market volatility should continue to subside. Viability challenges likely to reduce construction output. Recession anticipated, although less protracted.

## Labour & Materials

Labour shortage correction inevitable. Material price sensitivity due to construction demand and fluctuating energy costs.

## Pricing

Reduced risk pricing in line with market stability. Increased competition in tender pricing due to reduced opportunities.

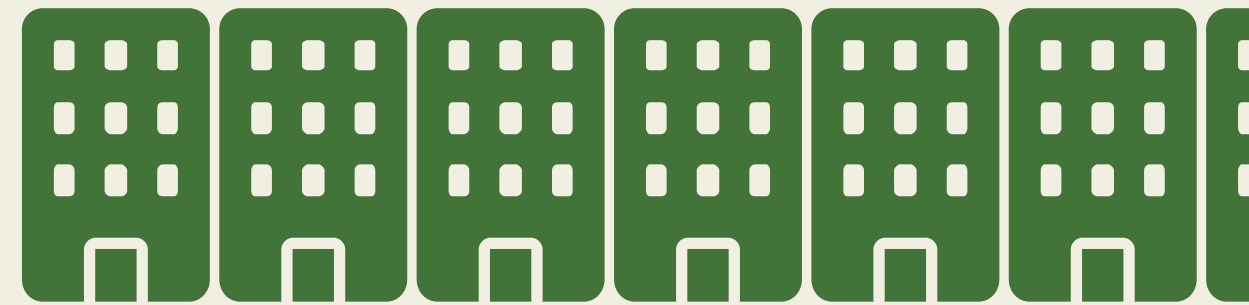
## Inflation

Inflation levels expected to reduce to levels around 2.5-3% over the next 12 months. BOE interest base rate may be close to peaking.

# Market Intelligence - Outlook



Published BCIS all-in provisional TPI increase forecast of 2.17% over the next twelve months (dated December 2022).

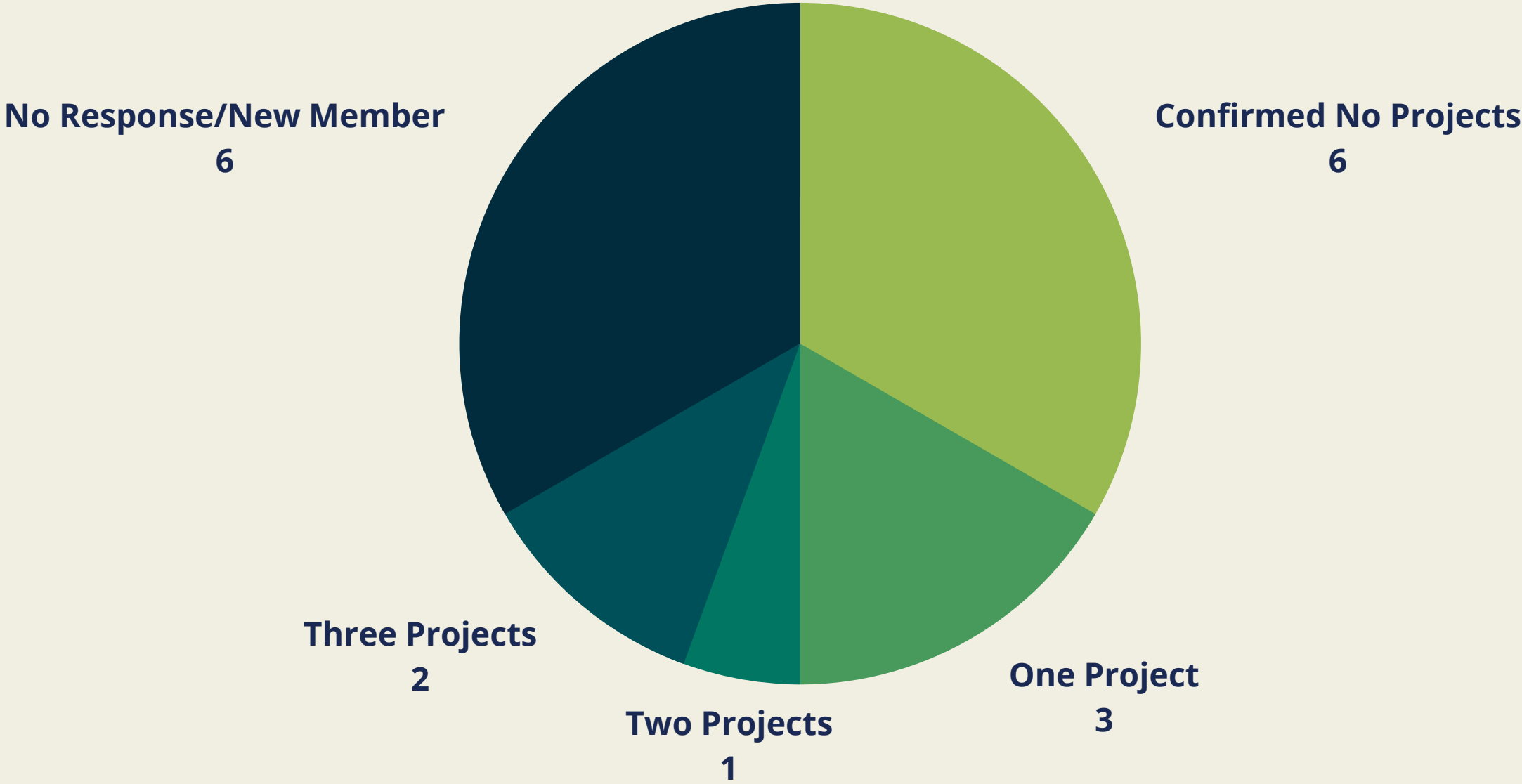


This is considerably lower than 6.2% at the last interval. This is a significant reduction to the last quarterly review and considered to be slightly optimistic compared with calfordseaden's expectations.

# Project Data

# 9

Nine projects were analysed



The data that has been received is based upon construction tenders received by members in October to December 2022 (Quarter 3 of 2022/23).

Data was submitted by six members for eleven different development projects. Two of the submitted projects were not included within the analysis due to being a re-uploads of a previous scheme or a refurbishment project. Therefore, nine projects were included within the analysis.

Six members confirmed they did not receive any tenders during this time period and, therefore, were not able to submit any returns.



# Average Works Cost - Raw Data

The figures below summarise the average works cost per square metre for the raw data. This is based on the data as provided, including non-residential elements, with no adjustments. The cost per property hasn't been applied to the raw data as this would include costs associated with non-residential elements which shouldn't be included in the cost per property.

	Average m2 Cost Last Quarter	Average m2 Cost This Quarter
Lowest	£3,650	£3,120
Highest	£4,453	£5,499
Median	£3,980	£4,651
Mean	£3,995	£4,360

# Average Works Cost - Excluding Non-Resi

The figures below summarise the average works cost per square metre and the average cost per property excluding non-residential elements.

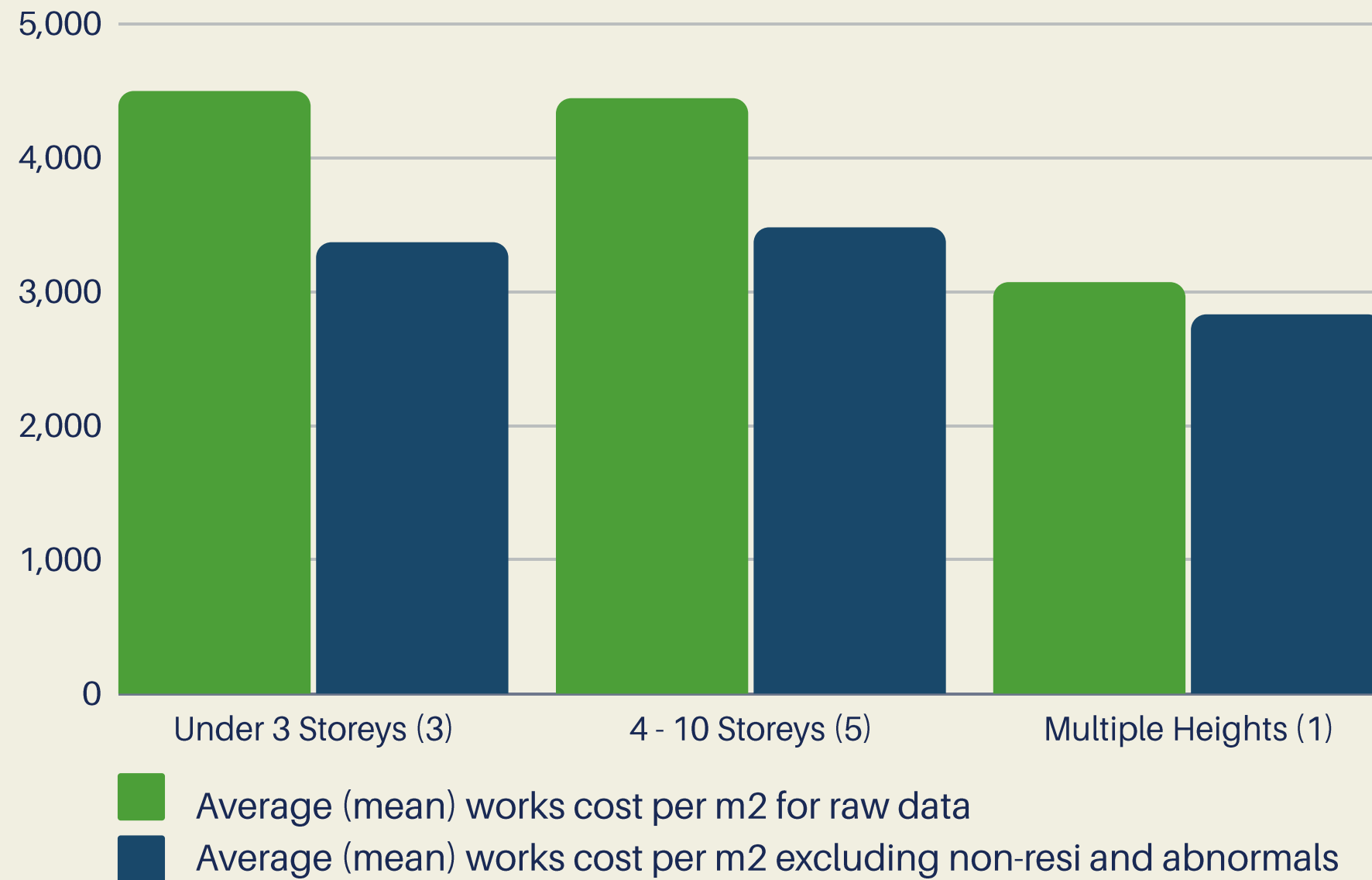
	Average m2 Cost Last Quarter	Average m2 Cost This Quarter	Average Cost Per Property
<b>Lowest</b>	£3,733	£3,120	£283,775
<b>Highest</b>	£4,453	£5,499	£540,346
<b>Median</b>	£3,980	£4,651	£355,317
<b>Mean</b>	<b>£4,042</b>	<b>£4,360</b>	<b>£383,769</b>

# Average Works Cost - Excluding Non-Resi and Abnormals

The figures below summarise the average works cost per square metre and the average cost per property excluding the non-residential elements and any abnormals.

	Average m2 Cost Last Quarter	Average m2 Cost This Quarter	Average Cost Per Property
<b>Lowest</b>	£3,370	£2,609	£235,731
<b>Highest</b>	£3,991	£4,269	£434,371
<b>Median</b>	£3,700	£3,270	£283,775
<b>Mean</b>	<b>£3,652</b>	<b>£3,363</b>	<b>£299,018</b>

# Average Works Cost by Storey Height



3

Two projects were under three storeys

5

Two projects were 4 to 10 storeys

- The chart below shows the average works cost for schemes of different heights.
- Costs were similar for schemes of different heights. There was one scheme with multiple heights which had lower costs.

Under 3 Storeys	4-10 Storeys*	Multiple Heights
£3,363	£3,472	£2,822

Average (mean) works cost per m2 excluding non-resi and abnormal

\*This includes a project where abnormal could not be removed

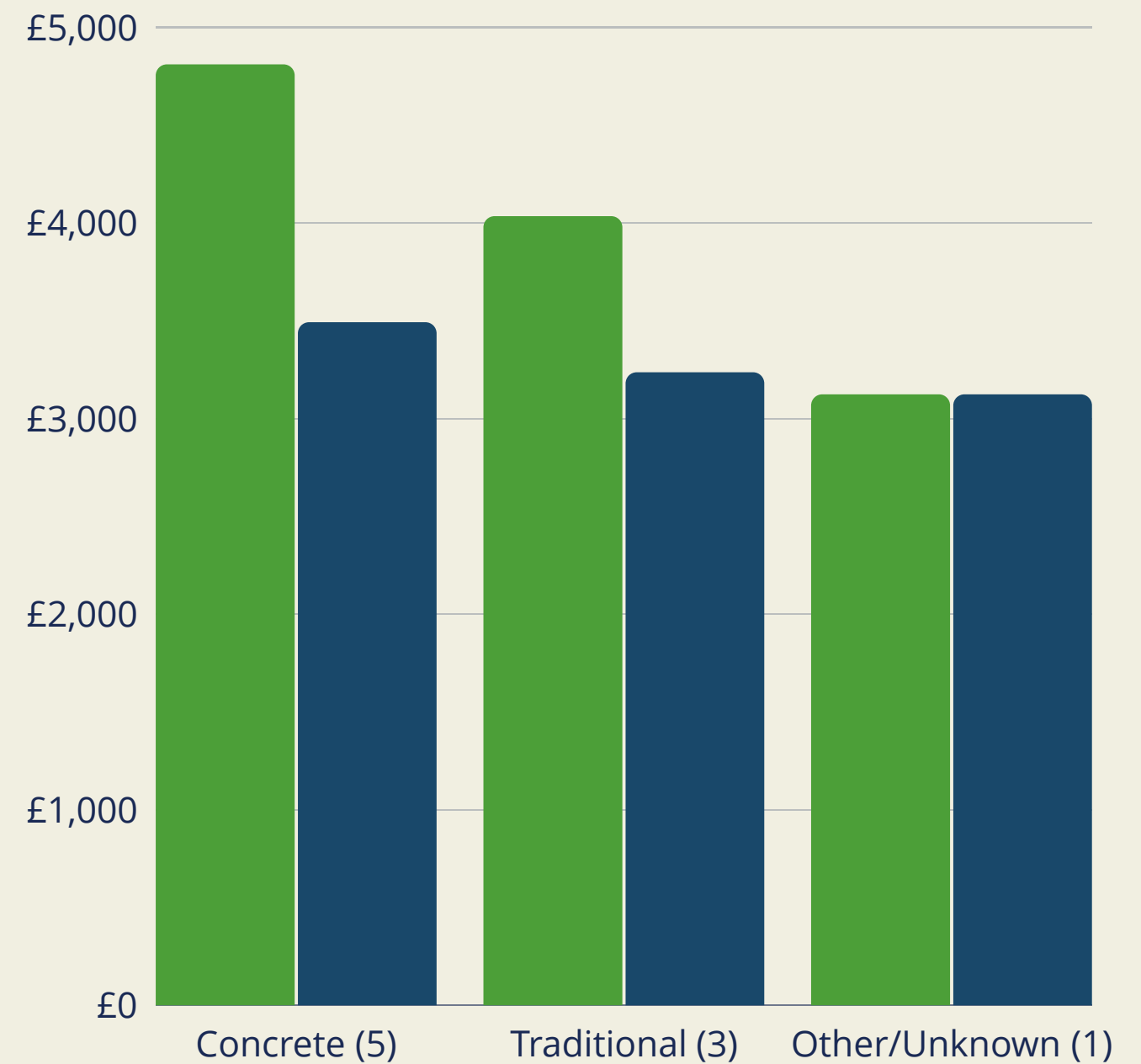
# Average Works Cost by Construction Type

Schemes built from concrete have a higher works cost, including greater abnormalities, than schemes built using a traditional construction type.

Concrete	Traditional	Other/ Unknown*
£3,489	£3,233	£3,120

Average (mean) works cost per m2 excluding non-resi and abnormalities

\*This includes a project where abnormalities could not be removed



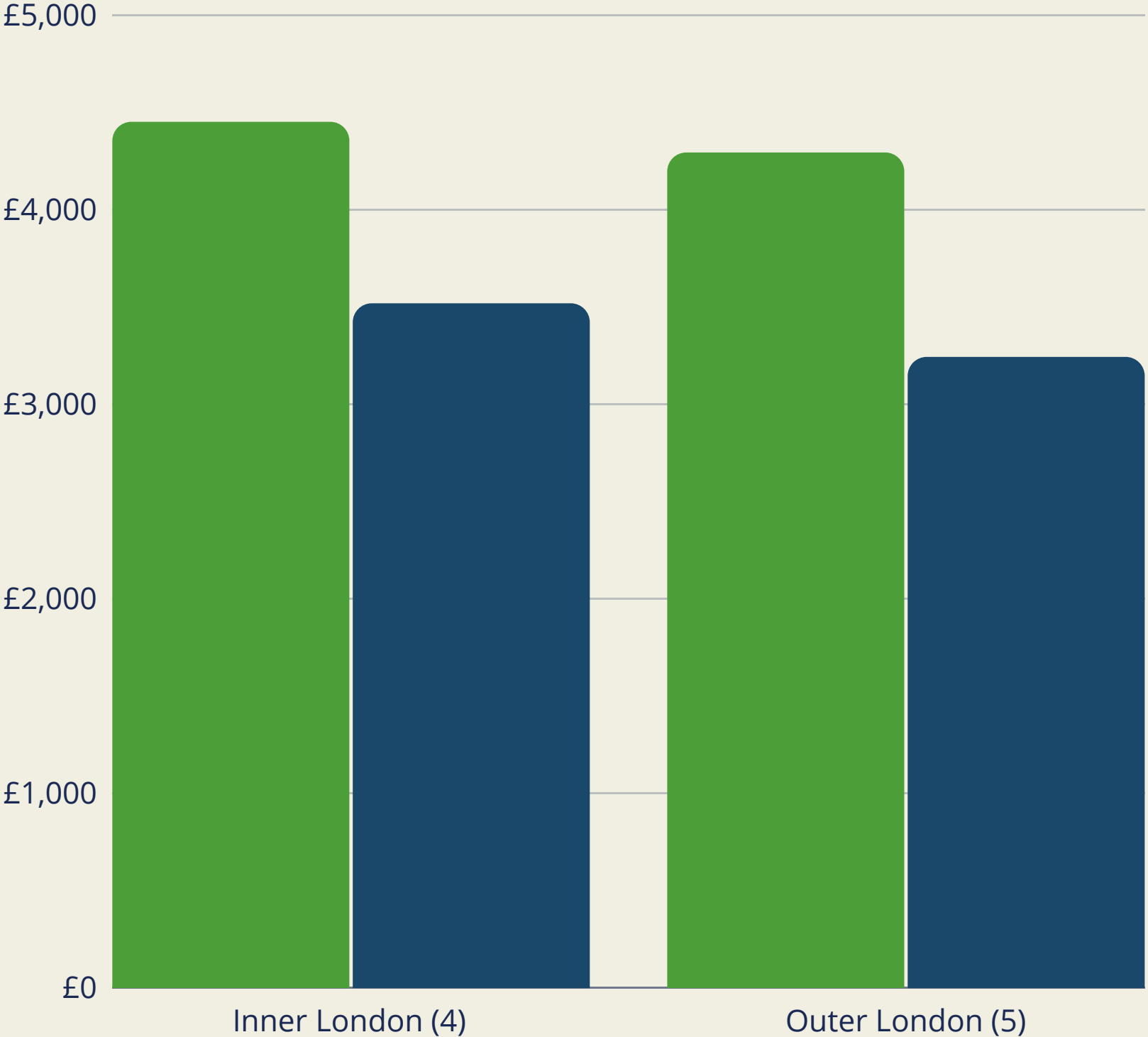
- Average (mean) works cost per m2 for raw data
- Average (mean) works cost per m2 excluding non-resi and abnormalities

# Average Works Cost by Location

- Four of the projects were located in inner London and five in outer London.
- Costs in inner London were slightly higher than outer London, both including and excluding abnormalities.

Inner London*	Outer London
£3,516	£3,241

Average (mean) works cost per m2 excluding non-resi and abnormalities  
 \*This includes a project where abnormalities could not be removed



■ Average (mean) works cost per m2 for raw data  
■ Average (mean) works cost per m2 excluding non-resi and abnormalities

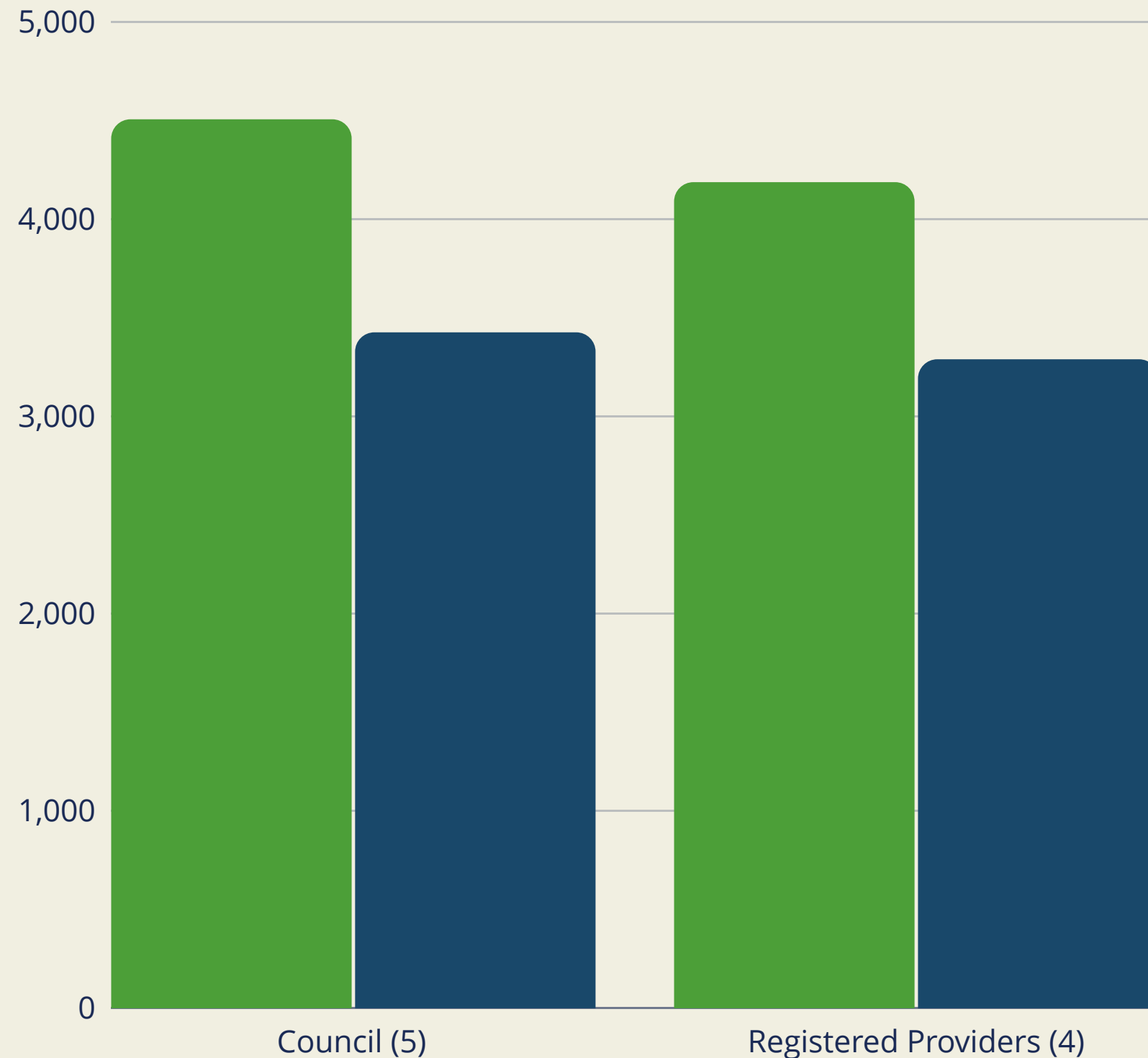
# Average Works Cost by Organisation Type

- Three of the projects are from Councils and two from Registered Providers.
- Costs for projects from Registered Providers were lower than costs for projects from Councils.

Council*	Registered Providers
£3,424	£3,287

Average (mean) works cost per m2 excluding non-resi and abnormals

\*This includes a project where abnormals could not be removed



■ Average (mean) works cost per m2 for raw data  
■ Average (mean) works cost per m2 excluding non-resi and abnormals

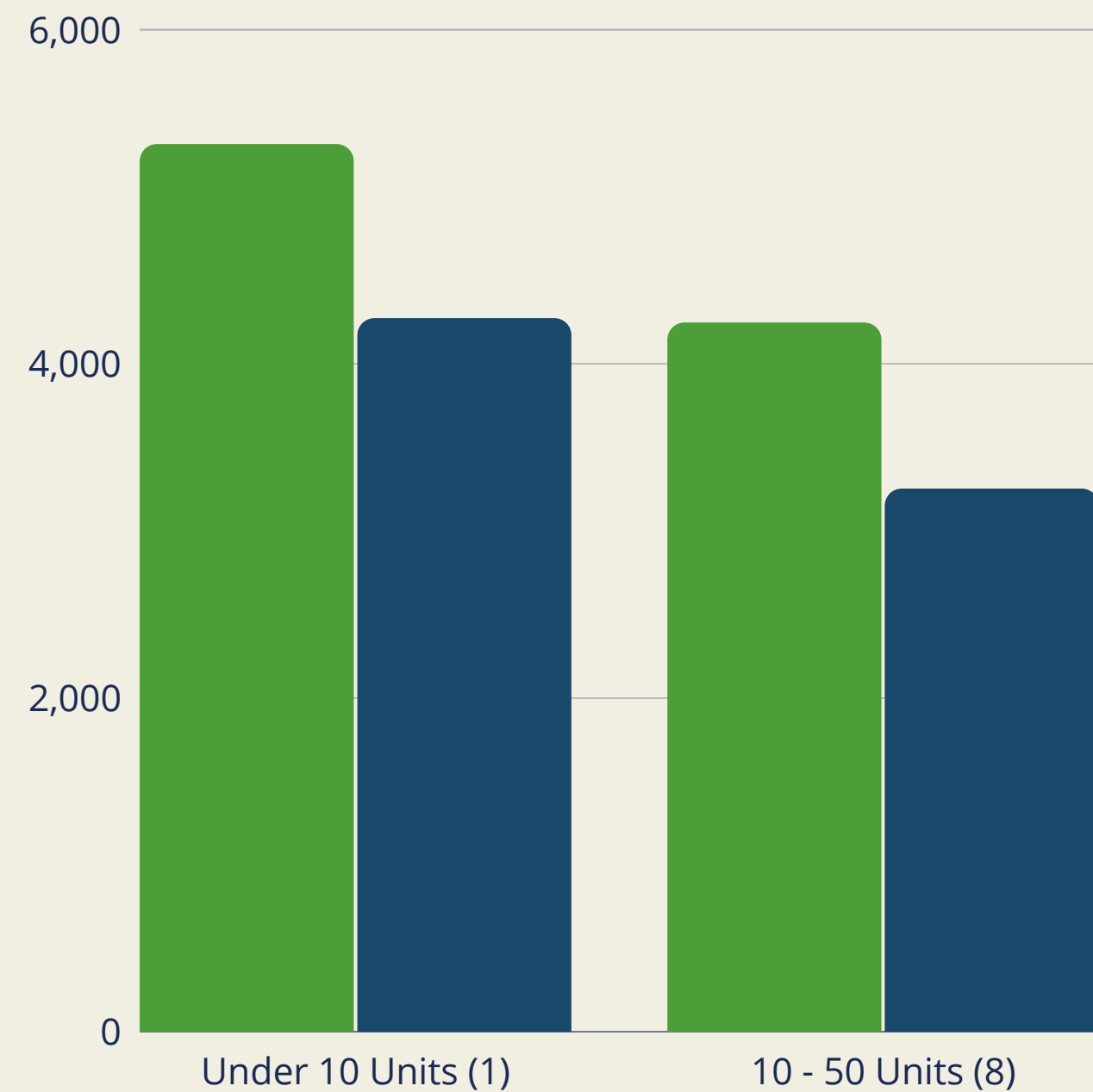
# Average Works Cost by Project Size

- Costs were similar for larger projects were lower than the one small scheme.
- Most projects were a similar size and there was only one project with less than ten units.

Under 10 Units	10 - 50 Units*
£4,269	£3,250

Average (mean) works cost per m2 excluding non-resi and abnormals

\*This includes a project where abnormals could not be removed



- Average (mean) works cost per m2 for raw data
- Average (mean) works cost per m2 excluding non-resi and abnormals



# Average Works Cost by Procurement Route

Most of the schemes were procured via a framework. These schemes had a higher cost than the scheme procured via a sub-PCR (Public Contracts Regulations) threshold tender list.

Framework*	Sub PCR Tender List	Other/Unknown
£3,497	£2,609	£3,337

Average (mean) works cost per m2 excluding non-resi and abnormals  
 \*This includes a project where abnormals could not be removed



■ Average (mean) works cost per m2 for raw data  
■ Average (mean) works cost per m2 excluding non-resi and abnormals

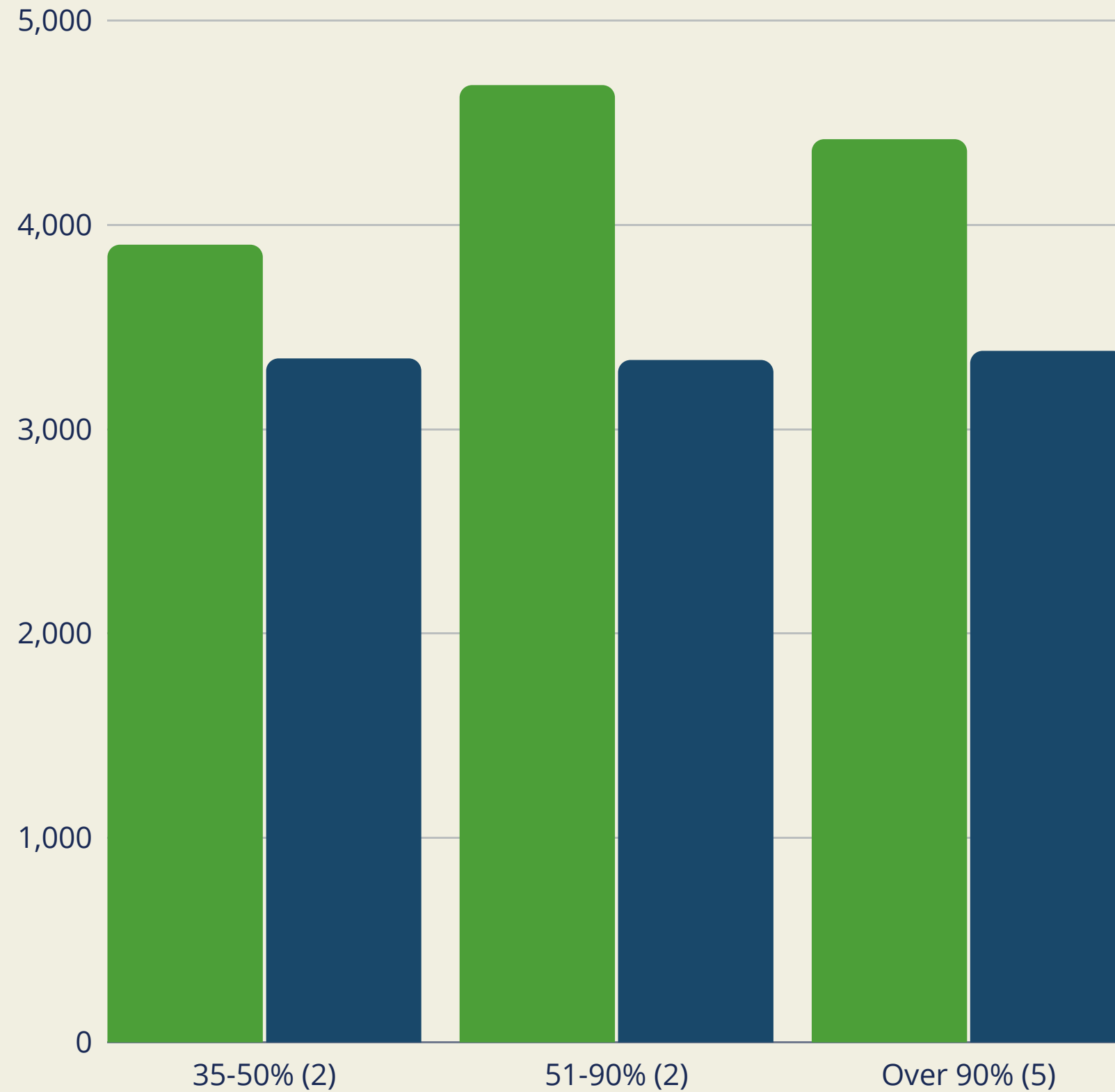
# Average Works Cost by Energy Strategy

We have grouped the schemes based upon their carbon reductions over Part L as outlined in the energy strategy.

Schemes with greater carbon reductions have higher raw costs, but costs for all schemes are similar once abnormalities have been removed.

35-50%	51-90%	Over 90%*
£3,344	£3,337	£3,381

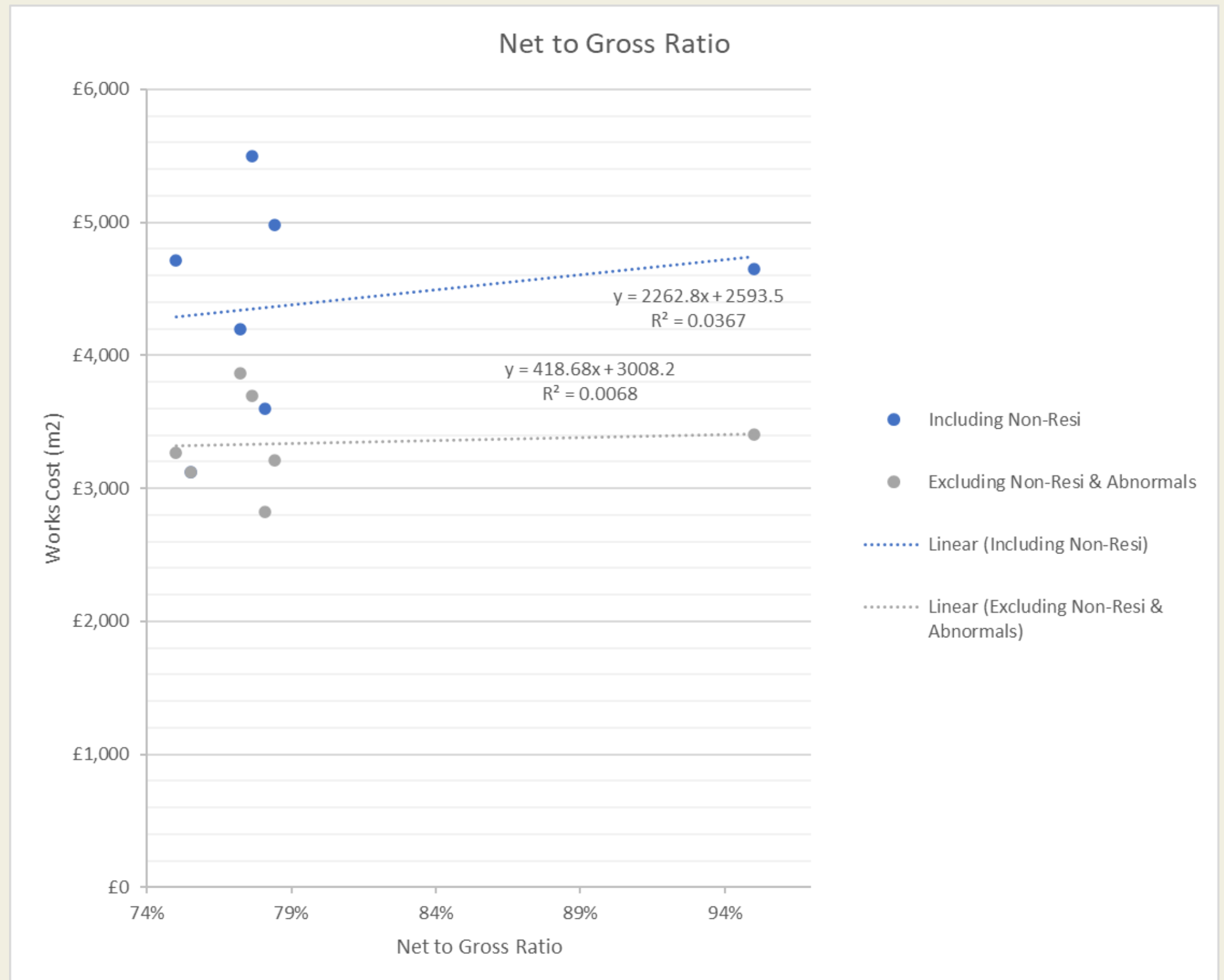
Average (mean) works cost per m2 excluding non-resi and abnormalities  
 \*This includes a project where abnormalities could not be removed



■ Average (mean) works cost per m2 for raw data  
■ Average (mean) works cost per m2 excluding non-resi and abnormalities

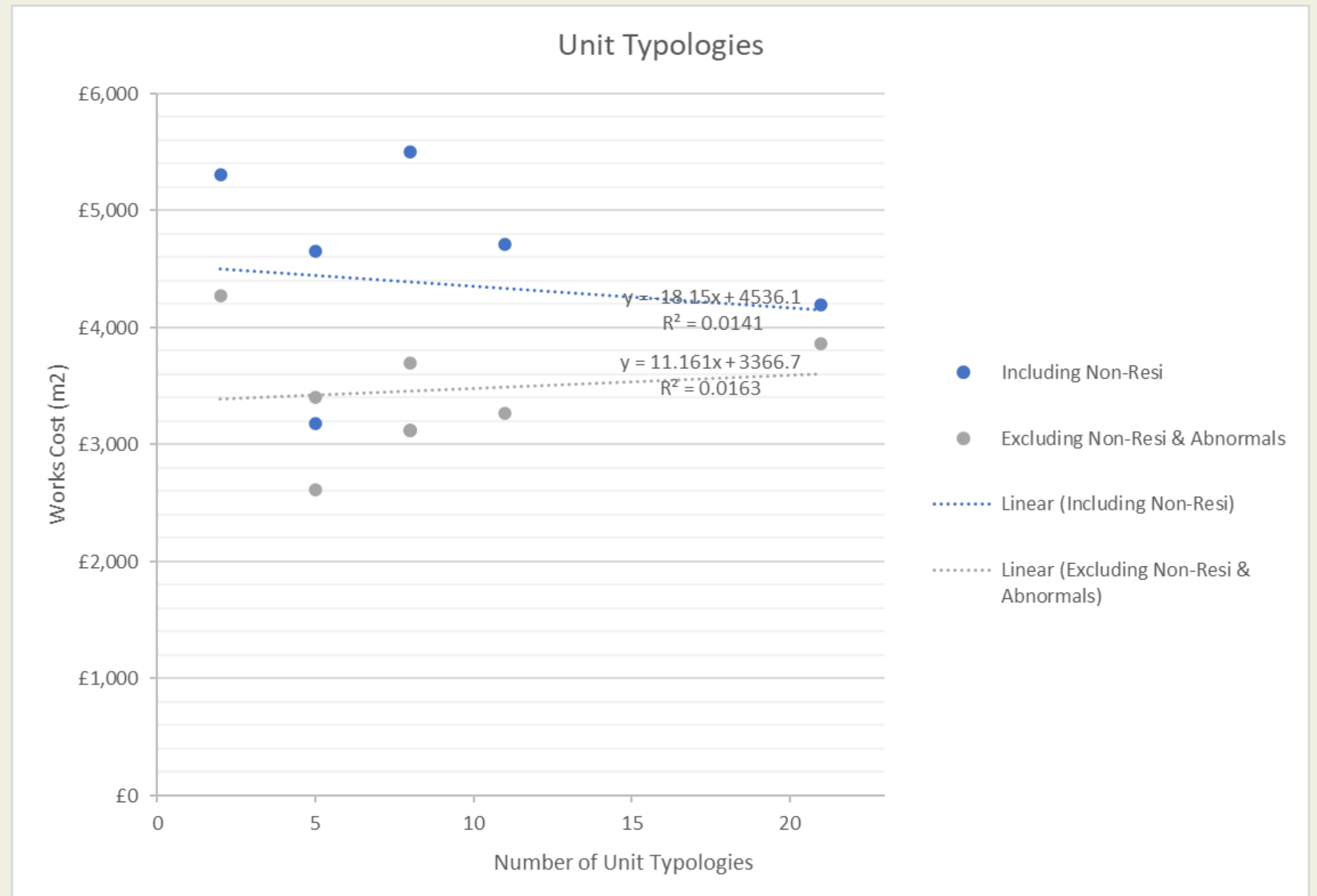
# Average Works Cost by Net to Gross Ratio

- The net:gross ratio has only been calculated for blocks of flats. This varied from 75% to 95%, with most schemes between 75% and 78%.
- Due to the very similar net to gross ratios across the range of projects, it is difficult to see a relationship between these figures and the costs.
- This graph shows little correlation between the net to gross ratios and costs.



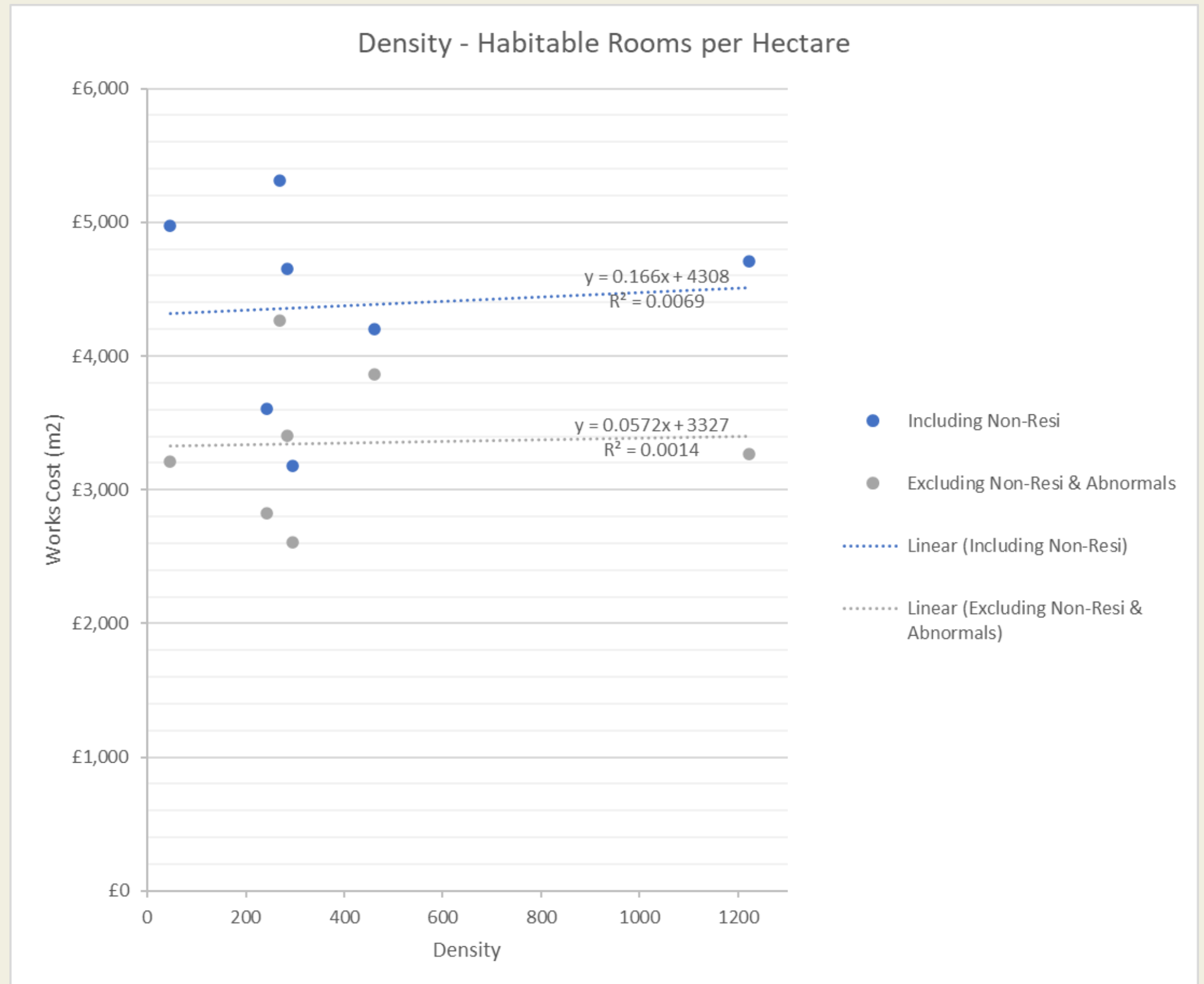
# Average Works Cost by Unit Typologies

- The number of unit typologies ranged from 2 to 21, with most schemes having under 11 typologies.
- The graph to the right shows little correlation between the number of unit typologies and the works cost.
- The scheme with the greatest number of unit typologies is the scheme with the highest number of units, which may also influence the works cost.



# Average Works Cost by Density

- Density was calculated based upon the number of habitable rooms per hectare.
- The density ranged from 46 to 1222 habitable rooms per hectare with an average of 403.
- The graph to the right shows little correlation between the density and the works cost.



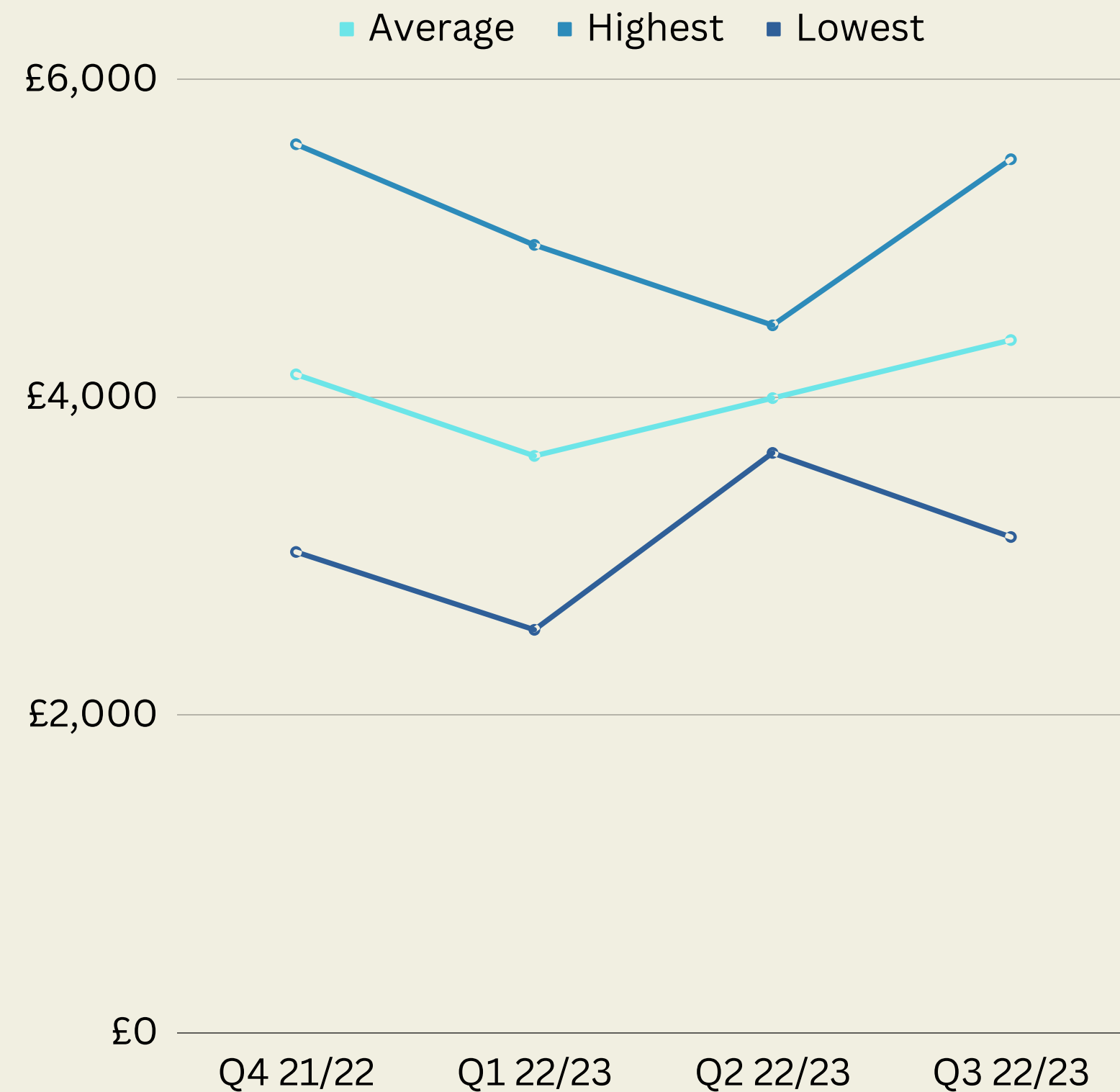
# Annual Average Works Cost

We have now received data for four quarters. We have compiled the data for all 29 submitted projects to generate an annual average works cost. The costs below are based upon the raw data received, rather than the data excluding abnormals, due to differing levels of information received on each project and the extent to which abnormals could be identified. In addition, all projects will have a certain level of abnormals and the number of projects included here, moderates the differences between them and any extremes.

	Annual Average m2 Cost (Raw Data)	Annual Average Cost Per Property (Raw Data excl. Non- Resi)
Lowest	£2,536	£245,033
Highest	£5,593	£540,346
Median	£3,980	£350,541
Mean	£4,097	£361,190

# Average Works Quarter by Quarter

- The graph to the right shows the change in the average, highest and lowest works cost on a quarter-by-quarter basis.
- This is based upon the raw data, including non-resi and abnormals.
- This shows that the average works cost has remained fairly similar across the year and is at a similar level now to the first quarter - £4,144 per m<sup>2</sup> in the first quarter, compared to £4,360 in the final quarter. This represents a 5.2% increase over the year.



# Methodology and Limitations

calfordseaden have reviewed the data that has been provided and outlined that the quality of cost information is subject to the following limitations.

UNIT NUMBERS	AREA (GIA & NIA)	NON RESI AREAS	ABNORMAL COSTS	SPECIFICATION
<p>Unit numbers have been taken from accommodation schedules, drawings or the tender report where stated. calfordseaden have not reconciled the accommodation schedules within the drawings.</p>	<p>GIA is assumed to be in accordance with the RICS Code of Measuring Practice and has not been checked. Where only the NIA of apartment blocks has been provided, 25% has been added to generate a theoretical GIA and effective net to gross of 80%. Where only the NIA of houses has been provided, 5% has been added to generate a theoretical GIA. If there is a minor discrepancy between the GIA provided in the CSA and planning forms, the figure given in the CSA will take precedence.</p>	<p>Non-residential areas have been accounted for where sufficient information has been provided. For most schemes, information cannot be extracted due to the CSA pricing template. For these projects the overall rate per square metre has been applied to the non residential elements to generate a theoretical cost for these works.</p>	<p>Accounted for and discounted where there is sufficient transparency in the CSA. These items were treated as abnormal:</p> <ul style="list-style-type: none"> <li>• Facilitating works including demolition</li> <li>• Site enabling and preparation</li> <li>• Roads, paths and surfacing</li> <li>• Soft landscaping</li> <li>• Fencing, railings and walls</li> <li>• External fixtures</li> <li>• External service - substation</li> <li>• Minor building works</li> <li>• Drainage diversion</li> <li>• Highways works s278</li> <li>• Network Rail liaison</li> <li>• Latent defects guarantee</li> <li>• Associated on-costs included as a proportion</li> </ul>	<p>Enhancements to the building envelope, equipment, finishes and their associated impact on price has not been extrapolated due to insufficient transparency in the CSA.</p>