

# Construction

April 2026



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# Executive Summary

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## Executive Summary



The global construction industry is at a pivotal juncture. While the market continues to grow, near-term caution persists due to macroeconomic uncertainty and ongoing operational challenges across segments. A similar pattern is evident in Europe, where growth is primarily supported by infrastructure upgrade requirements, alongside increased investment in energy and electrification.

In the U.K., the construction market continues to remain subdued in the near term. Demand across residential and commercial segments is currently weak, compounded by operational constraints including labour shortages, material cost pressures, and protectionist policy measures affecting the broader operating environment. Although interest rates have begun to ease, they remain elevated, with anticipated rate cuts likely to gradually support a recovery in demand.

Looking ahead, government-led infrastructure investment and support for residential new build activity are expected to underpin market recovery. In addition, structural growth in segments such as energy and data centres is likely to drive a more meaningful uplift in construction output from 2027 onwards.

Given the uneven performance across sub-sectors, M&A continues to be a strategic priority for investors seeking exposure to higher-growth areas, including public housing, civil engineering, and infrastructure-related businesses. Additionally, consolidation is enabling companies to enhance operational efficiency and strengthen their negotiating position.

With stronger growth expected from 2027, 2026 is a critical year for market participants to execute growth strategies, particularly through M&A activity.



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## Market Overview

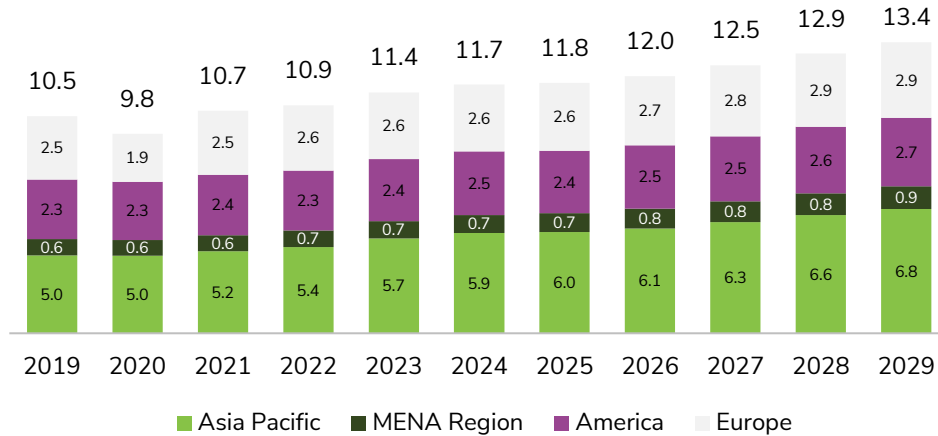


# Global Construction Market

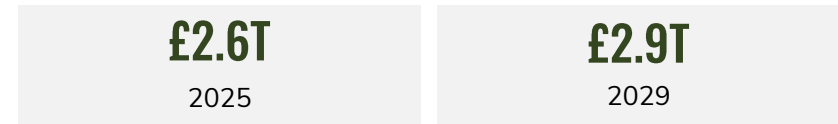
The global construction market is largely concentrated in the Asia-Pacific region, while Europe continues to hold a significant share, accounting for approximately 20% of the market

## Global Construction Output Value by Region<sup>1</sup>

£ trillions

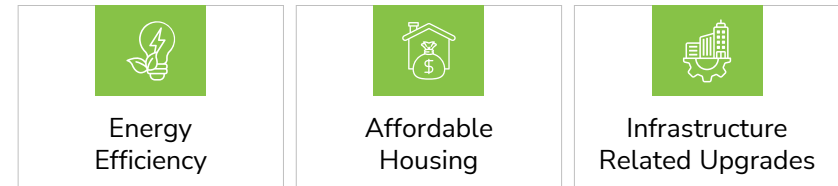


## European Construction Market<sup>1</sup>



European construction output is expected to grow steadily at a 2.74% CAGR from 2025 to 2029

### Driven by



## Asia Region

Asia-Pacific accounts for 45% of global construction output, driven by urbanisation, infrastructure budgets, digital infrastructure, and renewable energy investments. The market continues to grow at a faster pace. Renewable energy, transport, and digital infrastructure, particularly data centres and semiconductor facilities, remain key drivers.

## MENA

The MENA construction market is driven by sovereign-backed, non-deferrable demand, with a shift toward disciplined investments and greater use of public-private partnerships (PPPs). However, import-driven cost pressures, governance challenges, and rising ESG-related expenses continue to constrain the region's growth.

## Americas

The Americas construction market is expected to grow gradually, driven primarily by demand for data centres, logistics, and warehouse facilities. Meanwhile, inflationary pressures continue to affect housing affordability across the region.

Sources: Atradius, World Construction Network, Linesight, AECOM

1. USD values have been converted using a 0.75 exchange rate

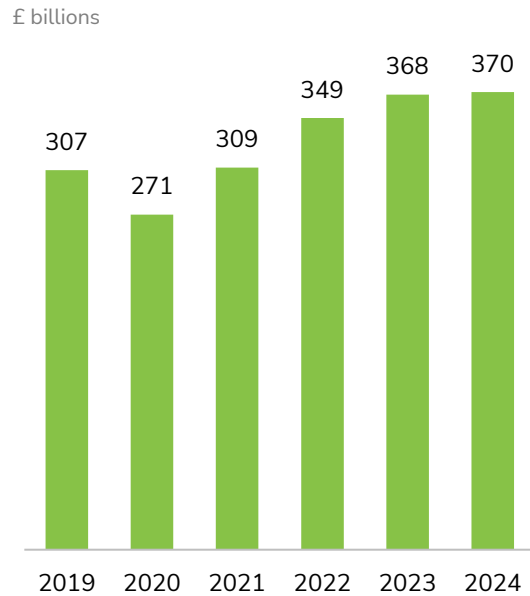
# UK Construction Market

The UK construction sector has expanded at a CAGR of ~4.8% since 2019, fuelled by industrial and infrastructure demand and rising housing prices, with growth expected to continue on structural demand drivers

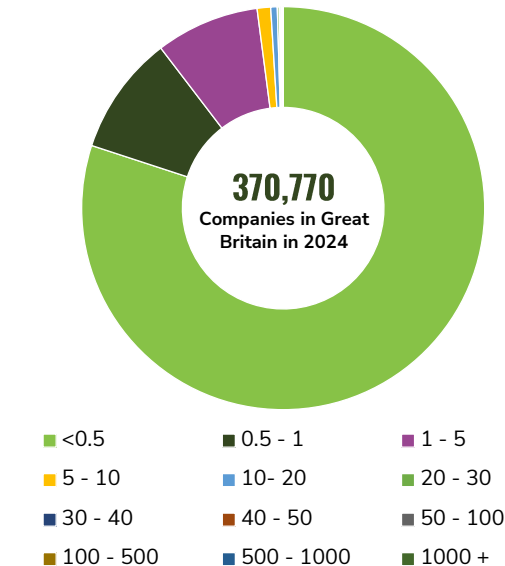
## Overview

- ◇ The UK construction industry represents a significant component of the economy, supporting large-scale employment and contributing materially to overall economic output.
  - Activity remains concentrated in residential construction, with infrastructure providing stability, while commercial and industrial segments contribute cyclically.
- ◇ Growth outlook remains supported by infrastructure investment and structural housing demand, although near-term activity is influenced by macroeconomic conditions.

## Market Size



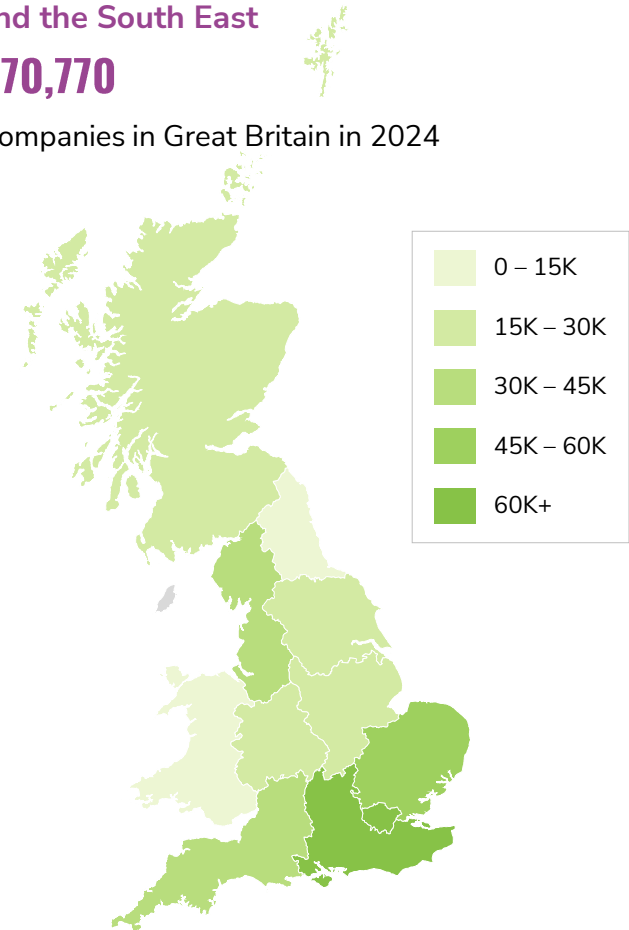
## Smaller Companies Dominate<sup>1</sup>



## The Market Activity is Heavily Concentrated in Greater London and the South East

**370,770**

Companies in Great Britain in 2024

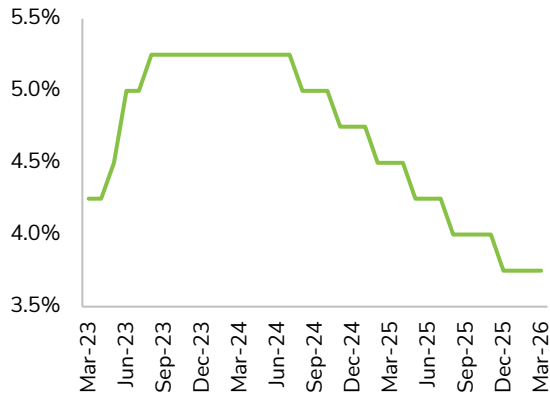


Sources: Office of National Statistics, GOV.UK  
1. By revenue size in £ millions

# UK Macro-Economic Environment

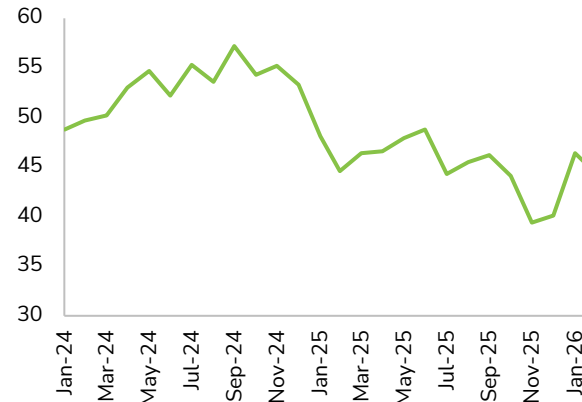
Despite early signs of stabilisation, the UK construction sector continues to operate in a constrained environment, with elevated financing costs and persistent input price pressures limiting a meaningful recovery in activity levels

## Interest Rates Remain Elevated Despite Recent Easing



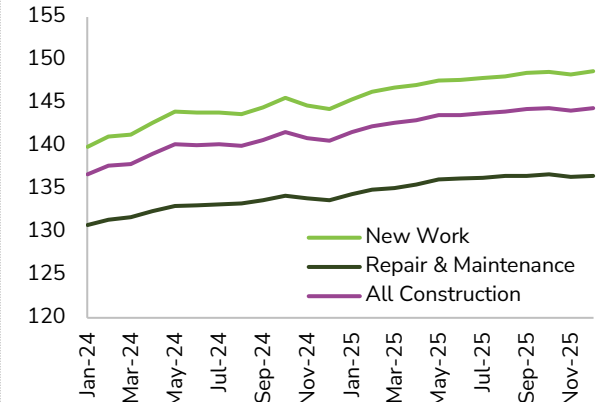
- ◆ Interest rates have started to ease after a period of aggressive tightening by the Bank of England, reflecting a gradual reduction in inflationary pressures.
- ◆ However, rates remain high compared to historical levels and continue to limit borrowing capacity for both developers and homebuyers.
- ◆ As a result, financing conditions remain restrictive, limiting new project initiation despite early signs of monetary easing.

## PMI Shows Partial Recovery but Remains Below Neutral



- ◆ Construction PMI has shown partial recovery from recent lows, indicating a stabilisation in activity levels.
- ◆ However, the index continues to hover below the neutral threshold, suggesting that overall sector activity remains subdued.
- ◆ Weakness is particularly evident in private construction segments, where demand remains sensitive to financing conditions and economic uncertainty.

## Construction Output Prices Remain Elevated<sup>1</sup>



- ◆ Construction output prices have continued to trend upward, reflecting persistent cost pressures across materials and labour.
- ◆ Although the pace of cost increases has slowed since peak inflation, overall cost levels remain high, continuing to put pressure on contractor margins - particularly under fixed-price contracts.
- ◆ Ongoing cost inflation continues to affect project viability and pricing across the sector.

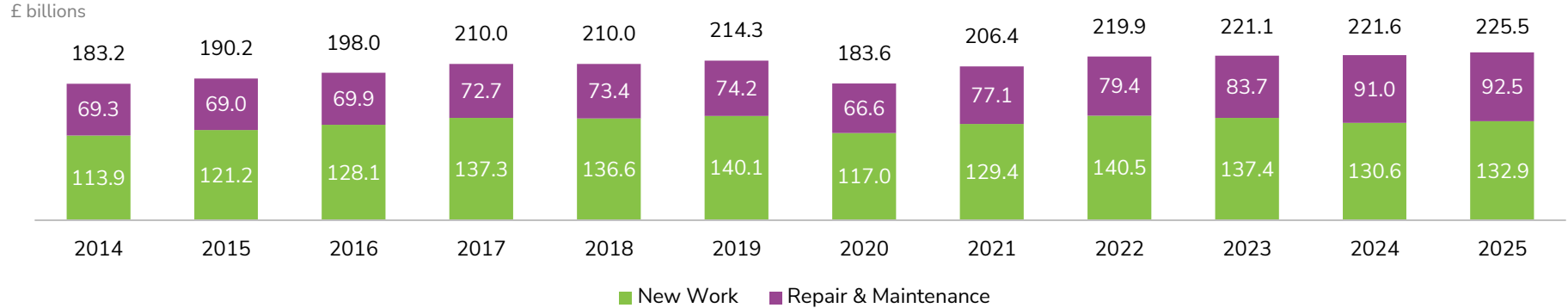
Sources: Office of National Statistics, S&P Global, Trading Economics

1. Data are presented as not seasonally adjusted index numbers with base year 2015 = 100, along with the corresponding percentage changes

# Construction Output

The UK construction sector is experiencing a two-speed dynamic, where stable headline output, supported by infrastructure and maintenance activity, masks underlying weakness in core demand-driven segments such as residential and commercial

## UK Construction Output: Growth Stabilising Amid Weak New Work Activity<sup>1</sup>



## Distorted Segmental Strength Across Sector

### New Work Continues to Remain Under Pressure

New construction activity remains under pressure, driven by a weakening forward pipeline, slower planning approvals, reduced project starts, and financing constraints impacting project viability.

### Residential Construction Acting as a Key Drag

Housing output has declined since 2022, falling from approximately £60 billion to £50 billion by 2025, driven by affordability constraints from higher mortgage rates, elevated inflation despite recent easing, and reduced developer activity due to profitability pressures, with margins down ~36%.

### Commercial Construction in Structural Decline

Commercial construction output has declined steadily from approximately £36.7 billion in 2019 to around £24.1 billion in 2025, driven by weaker office demand due to remote and hybrid work, along with subdued activity outside the London region.

### Infrastructure Segment Providing Stability

The need for infrastructure development, along with the growth of construction-intensive sectors such as energy, utilities, logistics, and digital infrastructure, continues to drive demand for the construction sector.

### Repair & Maintenance Driving Output Stability

Amid elevated economic uncertainty and increasing focus on energy efficiency standards, the repair and maintenance segment remains a priority for UK consumers, as ageing housing and infrastructure require upgrades.

Sources: Office of National Statistics, PwC, Landlord Zone, Guardian, ICAEW, Xpedeon  
 1. Value seasonally adjusted

# Short-Term Pressures Persist as Market Challenges Continue to Weigh

The UK construction sector is currently operating under multiple structural and external pressures, with labour constraints, persistent cost inflation, geopolitical instability, and policy interventions tightening margins and limiting project viability

## Workforce Shortages

- ◇ The industry continues to face persistent and worsening labour shortages, driven by structural factors rather than cyclical weakness.
- ◇ With the UK-born workforce peaking between 50-64 years, the sector is expected to lose ~25% of its workforce over the next 10-15 years, creating a significant capacity gap.

## Inflation and Supply Chain Complexity

- ◇ Cost pressures remain elevated across the sector, with inflation and supply chain disruptions continuing to drive volatility in material and labour costs.
- ◇ The heavy reliance on imports for steel, bricks, and other construction materials continues to affect the construction segment amid macroeconomic instability.

## Geopolitical Instability

- ◇ Ongoing geopolitical conflicts are adding another layer of uncertainty, particularly through energy market volatility.
- ◇ Rising energy prices are affecting construction at multiple levels, from material production and transportation to on-site operations, amplifying existing cost pressures.

## Domestic Protectionist Measures to Impact in the Short-term

- ◇ Recent protectionist measures, such as steel tariffs, are introducing additional cost pressures into the system.
- ◇ The government's strategy aims to increase domestic steel production from 30% to 50%, supported by a 60% reduction in import quotas and a 50% tariff on excess volumes.

**Impact**

Labour constraints are already translating into project delays, rising wage costs, and reduced productivity, ultimately increasing execution risk and putting pressure on build quality and delivery timelines.

Combined with increasing borrowing costs, weakening demand it is delaying or reducing new project starts, particularly in rate-sensitive segments like housing.

Higher input costs, supply chain disruptions, and declining productivity, which in turn are delaying projects, weakening investor confidence, and increasing the risk of financial distress across the sector.

Expected to raise steel input costs in the near-term, compress contractor margins, and further strain project economics in an already challenging operating environment.

Sources: CITB, CIC, Office of National Statistics, Bank of England, Facilities Management Journal, The Week, Construction News

# ➤ New Build Market to Recover Meaningfully Starting 2027 (1/2)

The UK new build market is poised for a gradual recovery, led by residential and industrial growth, while infrastructure investment accelerates and commercial activity remains subdued

## ➤ Residential

## ➤ Commercial

## ➤ Industrial

### Overview

After two years of output contraction, residential construction is entering a gradual recovery phase, supported by public funding and improving private developer confidence. Growth is expected to be modest until 2027, with stronger uplift thereafter.

Commercial construction shows slight recovery, but weakness persists in office and retail segments, reflecting structural shifts in demand and cautious corporate investment.

Industrial construction continues to display strong momentum, driven by sub-segments requiring heavy build activity. Output remains resilient, supported by long-term structural demand.

### Drivers

- ◇ Falling mortgage rates improving affordability
- ◇ Government Affordable Homes Programme
- ◇ Stabilising labour and material costs

- ◇ Expansion of life sciences campuses
- ◇ Rising demand for logistics and last-mile warehousing
- ◇ London region experiencing higher commercial activity

- ◇ Energy transition projects
- ◇ Electrification initiatives
- ◇ Defence, factory construction, and data centre development

### Growth

**2.0%**    **4.5%**    **6.7%**  
2026F    2027F    2028F

**1.7%**    **2.8%**    **3.5%**  
2026F    2027F    2028F

**1.5%**    **2.4%**    **4.3%**  
2026F    2027F    2028F

# ➤ New Build Market to Recover Meaningfully Starting 2027 (2/2)

The UK new build market is poised for a gradual recovery, led by residential and industrial growth, while infrastructure investment accelerates and commercial activity remains subdued

## ➤ Infrastructure

### Overview

Infrastructure demand remains robust, with continued upgrades and increased participation from both government and private players, supporting broader construction activity.

## ➤ Health, Education and Other Non-residential

After exceptional growth in 2025, other public and institutional construction is expected to moderate to sustainable rates, consolidating gains rather than repeating outsized growth.

### Drivers

- ◇ Major water projects
- ◇ Increasing nuclear projects
- ◇ Aging infrastructure

- ◇ Supportive funding for Department of Health and Social Care (DHSC) and Department for Education (DfE)
- ◇ Ongoing prison-related projects
- ◇ Continued transportation-related construction

### Growth

<b>3.1%</b>	<b>4.2%</b>	<b>5.7%</b>
2026F	2027F	2028F

<b>3.1%</b>	<b>3.5%</b>	<b>1.0%</b>
2026F	2027F	2028F



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# M&A Landscape & Market Map

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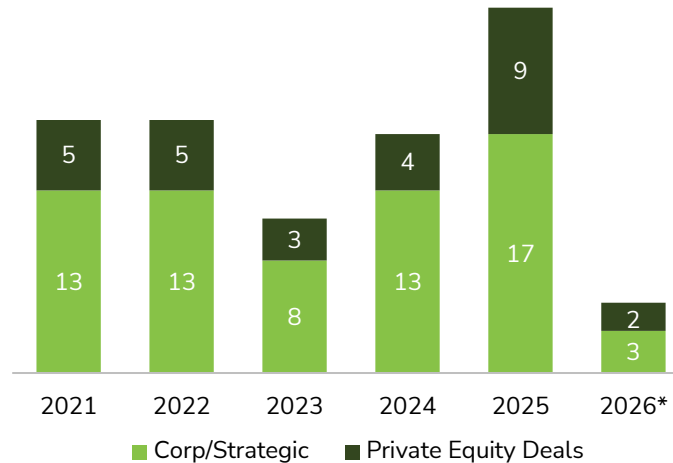
# UK Construction M&A

Despite ongoing resilience in UK construction M&A, participants are focusing on civil engineering and residential areas where structural drivers are strongest

## Overview

- ◇ UK construction M&A activity surged in 2025, reaching 26 deals, up from 17 in 2024, reflecting renewed investor confidence and strategic repositioning across high-growth segments.
- ◇ The infrastructure segment remained the most active, with a large portion of deals occurring in civil engineering and related construction, as companies strengthened their presence in this area.
- ◇ Residential followed closely, particularly in public housing, which continued to form an important part of business strategies, whereas commercial segments saw selective activity where buyers sought growth opportunities or strong backlog.

## M&A Deal Volume



## Valuation Multiples

1.2x

Implied EV/Revenue<sup>1</sup>

9.5x

Implied EV/EBITDA Median<sup>1</sup>

## M&A Drivers & Headwinds

### Drivers



Infrastructure & energy supercycle driving specialist acquisitions



Data centre & AI build-out fuelling buyers' interest



BoE rate cuts are reviving shelved leveraged deals



Fragmented market consolidating for procurement scale

### Headwinds



Soft commercial & residential pipelines suppressing valuations



































Increasing supply chain risks

Sources: PitchBook

1. EV/EBITDA & EV/Revenue median multiple calculated based on deals with disclosed financial data.

# UK Market M&A Deals

Date	Target	Acquirer	Implied EV £M	Implied EV / revenue	Implied EV / EBITDA	Description
Mar 2026						Provider of construction and scaffolding services, including emergency works, temporary structures, demolition, refurbishments, and end-to-end building solutions.
Jan 2026			-	-	-	Provider of bespoke engineered staircases and structural elements for luxury residential, commercial, and landmark projects.
Jan 2026						Provider of construction, design, development, and advisory services for high-end property investments.
Dec 2025		PWS Construction	4.0	-	-	Provider of construction and property development services across industrial, residential, and public sector projects.
Nov 2025			-	-	-	Provider of construction and civil engineering services for commercial and residential refurbishment projects.
Nov 2025			-	-	-	Provider of real estate development and construction services across residential and commercial sectors.
Nov 2025			-	-	-	Provider of building and civil engineering solutions for infrastructure, commercial, and public sector projects.
Sep 2025			659.9	2.7x	39.5x	Provider of real estate development, construction, and investment services for residential and commercial properties.
Jun 2025			-	-	-	Provider of construction and engineering services including groundwork, infrastructure, and bespoke joinery.
May 2025			-	-	-	Provider of civil engineering and utility services focused on sustainable infrastructure and drainage solutions.
May 2025			-	-	-	Provider of construction contract, risk, and dispute resolution consultancy for major projects.
May 2025			-	-	-	Provider of construction and civil engineering services for essential infrastructure projects.
Apr 2025			72.8	0.2x	-	Provider of integrated construction solutions including demolition, piling, and groundworks.
Sep 2024			1,141.5	0.9x	17.9x	Operator of a property development company delivering residential and commercial projects with a focus on affordable housing.
Aug 2024			7,204.0	4.4x	37.1x	Residential construction company building homes and apartments, with integrated land development operations.
Mar 2022	St William Homes		790.9	2.4x	-	Provider of housebuilding services focused on residential and mixed-use developments.
Apr 2021			482.9	1.2x	12.9x	Developer of residential properties offering design, construction, and home interiors solutions.

Sources: PitchBook

# Construction Companies in the UK

UK construction landscape remains highly fragmented, with companies generating less than £5M accounting for over 95% of the market

## Multi-Segment



## Infrastructure



## Commercial



## Residential





















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## Public Comparables

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# Public Comparables

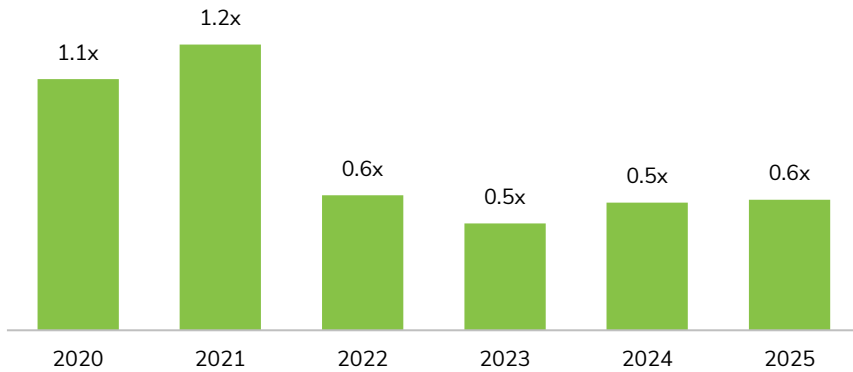
Listed Comparable Companies	Revenue £M	Gross Margin	EBITDA £M	EBITDA Margin	Enterprise Value £M	3 Year CAGR Revenue	TTM Avg EV/Revenue	TTM Average EV / EBITDA
Barratt Redrow (London) (LON: BTRW) 	5,927.3	14.2%	408.5	6.9%	3,484.9	(11.0%)	0.9x	12.8x
Persimmon (LON: PSN) 	3,387.0	17.3%	396.1	11.7%	3,452.7	(8.4%)	1.2x	9.9x
Berkeley Group Holdings (LON: BKG) 	2,387.1	26.8%	491.6	20.6%	2,937.7	NA	1.4x	7.0x
Balfour Beatty (LON: BBY) 	8,871.0	4.2%	327.0	3.7%	2,864.5	3.9%	0.3x	8.0x
Taylor Wimpey (LON: TW.) 	3,538.1	18.1%	158.4	4.5%	2,839.3	(12.3%)	1.0x	21.9x
Bellway (LON: BWY) 	2,782.8	15.1%	254.7	9.2%	2,466.4	(15.7%)	1.1x	12.2x
Morgan Sindall Group (LON: MGNS) 	4,701.5	12.1%	219.0	4.7%	1,518.8	12.2%	0.4x	7.7x
Keller Group (LON: KLR) 	2,954.6	NA	306.8	10.4%	1,406.5	0.7%	0.4x	4.0x
Vistry Group (LON: VTY) 	3,507.5	7.7%	196.3	5.6%	1,336.1	16.8%	0.7x	12.1x
Kier Group (LON: KIE) 	4,077.1	8.1%	196.9	4.8%	969.0	12.2%	0.2x	4.5x
Galliford Try Holdings (LON: GFRD) 	1,875.2	8.1%	63.1	3.4%	331.4	18.8%	0.2x	4.5x
Costain Group (LON: COST) 	1,137.2	9.7%	45.8	4.0%	322.4	(6.2%)	0.2x	5.8x
Crest Nicholson (LON: CRST) 	610.8	13.3%	24.8	4.1%	314.9	NA	0.8x	19.4x
Watkin Jones (LON: WJG) 	279.8	6.9%	(1.4)	(0.5%)	32.6	NA	0.1x	NM
J. Smart & Co. (LON: SMJ) 	23.2	18.6%	6.1	26.3%	31.8	27.6%	1.5x	5.6x
Nexus Infrastructure (LON: NEXS) 	65.9	15.6%	0.8	1.2%	10.6	NA	0.2x	17.4x
<b>Median</b>							<b>0.5x</b>	<b>8.0x</b>

Source: PitchBook

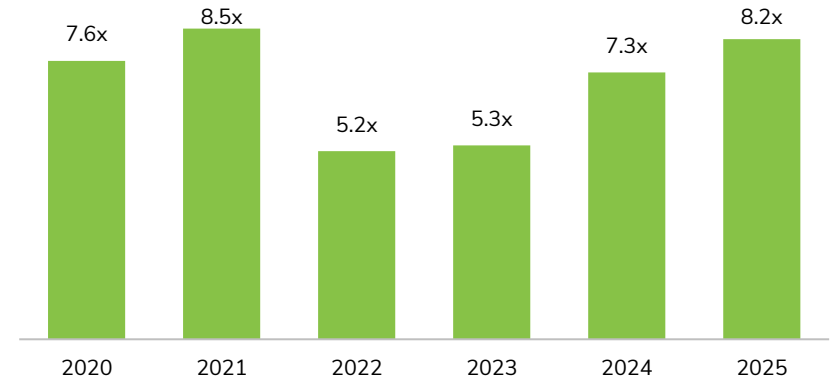
# Valuation Multiples Evolution

Challenging market conditions have continued to pressure valuation multiples, keeping them below their 2021 peak levels

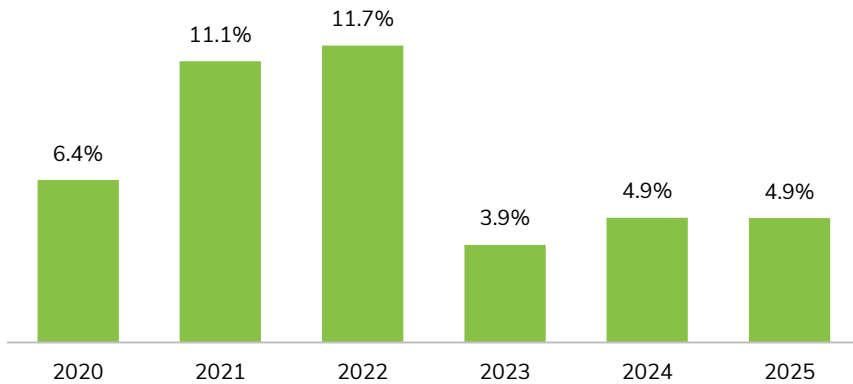
### EV/Revenue



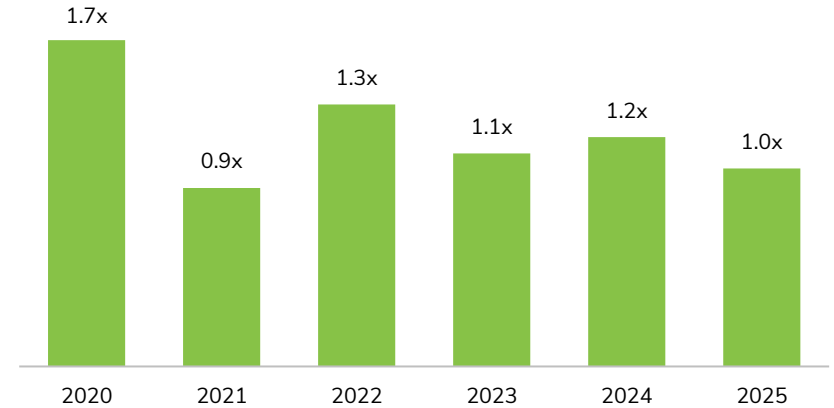
### EV/EBITDA



### Net Profit Margin



### Total Debt to EBITDA



Source: PitchBook

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