exigere INSIGHT

Q2 2025
Façade market report

As higher levels of tender enquiries return to the façade supply chain, driven predominantly by a strengthening pipeline, our Façade Specialist Group considers the factors behind the market sentiment shift towards greater optimism compared to this time last year.

Despite a more positive outlook within the commercial cladding sector, concerns remain about committing to Higher-Risk Building projects, given the uncertainties around project delivery timescales.

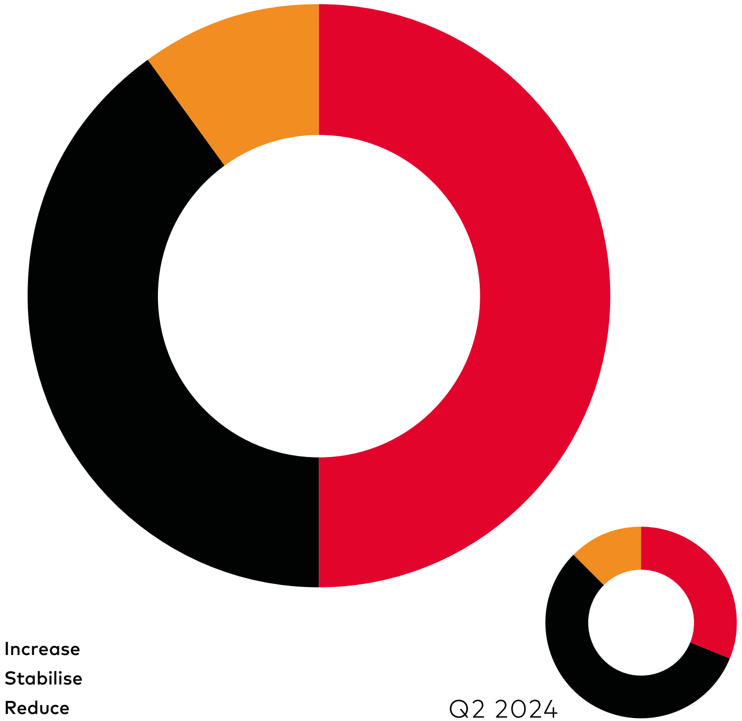
This is compounded by the widely reported challenges with implementing the UK Building Safety Act. Whilst optimism has increased, the overall backdrop remains fragile.

Tender enquiries in the façade sector may be on the rise but getting larger schemes to start-on-site remains a challenge, with bottlenecks increasingly occurring at the end of design stages.

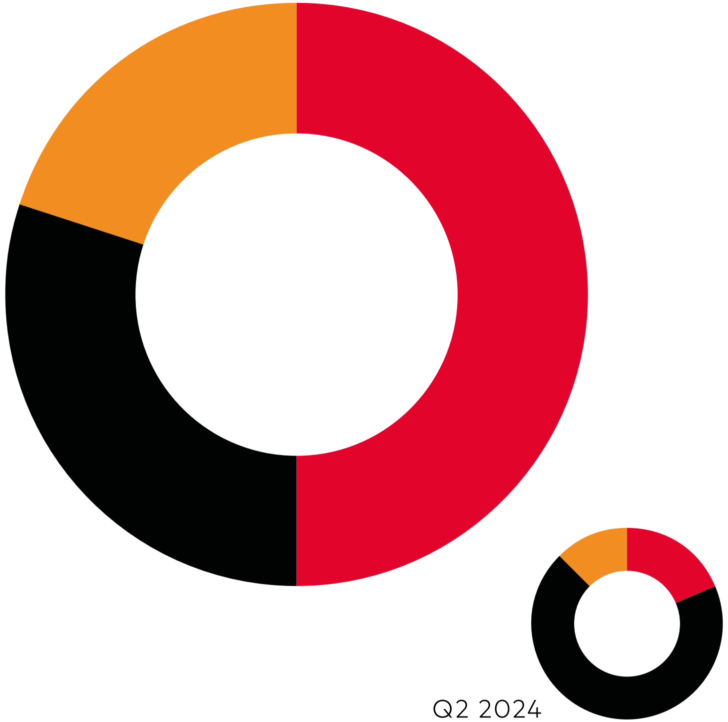
This report surveys the leading façade contractors operating in London and the UK across various sectors, project sizes and façade typologies, as well as a pool of major façade consultants, to provide an industry view of current trends and issues.

This year's survey data shows an upwards trend in positive sentiment towards the pipeline in the façade market for the year ahead. However, we expect that the expectation towards increasing profitability is unlikely to come to fruition given the backdrop of stalling schemes due to a fragile investment market.

TURNOVER Q2 2025



PROFITABILITY Q2 2025



Increase
Stabilise
Reduce

Façade contractor market sentiment highlights for 2025

- Greater positivity towards the UK market compared to this time last year owing to an expected increase in pipeline. Sentiment tempered by a fragile investment market with larger schemes potentially at risk of stalling.
- Increased frustration towards the 'unsteady' implementation of the Building Safety Act, with last year's nervous sentiment now bearing fruit. Focus shifting towards commercial projects with a perceived view of lower risk versus Higher-Risk Building projects in the residential sector.
- Continuation of contractors bidding for projects on a 'selective' basis as the number of enquiries remains high. Bottlenecks at the end of design stages need to be unlocked to make the perceived increase in pipeline an 'on-site' reality.
- Upward trending view of input cost inflation, indicating that we may see greater spreads in fixed price tender returns as risk perception diverges.
- Contractors generally opting to reinvest profits to build resilience for the future.

The UK market

The outlook from façade contractors on the London and wider UK construction market is positive.

However, this outlook bucks the negative Purchasing Managers' Index (PMI) trend of the past 5 months, so we expect this positive sentiment to dampen in the second half of 2025. Despite this, there continues to be a rising demand for low-carbon, energy efficient buildings, particularly in Central London. Selecting the right partner to deliver the façade is ever more critical given the envelope typically contributes 15-20% towards a building's embodied carbon A1-A5 and 10-15% of the project construction cost (assuming an efficient wall : floor ratio).

Competition is on the rise as façade contractors are reporting a potential bottleneck in the pipeline. Despite there reportedly being high volumes of tender enquiries, particularly for commercial office projects, not all projects are progressing to manufacturing and installation phases. Many façade contractors are shifting focus away from Higher-Risk Buildings in the residential sector due to the uncertainty of delivery timescales, unclear project programmes, and fears that projects may eventually stall. The gateway system aspect of the Building Safety Act could certainly benefit from refinement to help ensure façade contractors remain engaged in the residential sector.

1. Berners & Wells

This opinion is shared by the façade engineering consultants we surveyed this year, with all respondents relaying an optimistic outlook for this year's pipeline but with similar concerns over a further slowdown in the residential sector and potential lack of investment in larger schemes over the longer term. An increase in competition is reportedly driving downward pressure on fees at a time where the role of the façade engineer continues to become more onerous in the context of the Building Safety Act and increased rigour in design.

Our survey revealed that consultants in the industry have been seeking further consultation with the government to smooth the transition through Gateway 2 but it appears unlikely that any changes will be made this year.

In the meantime, clients and the supply chain would benefit from engineers and designers taking the opportunity to review their approach, exploring (with the support of clients) bringing a more detailed level of façade engineering into schemes at Stage 3 and moving away from a heavy reliance on the supply chain in Stage 4. Consideration should be given to early formal engagement in Pre-Construction Services Agreements for the duration of Stage 4 and potentially during Stage 3 for more complex façades with multiple interfaces and materialities.

The Gateway 2 backlog is contributing to many façade contractors having their in-house design teams working at or over capacity while their factories remain underutilised. This bottleneck presents a significant challenge. We anticipate that many façade contractors will struggle to deliver their 'in-design' pipeline once given the 'green light', and many clients may find themselves at the back of the queue despite believing they had secured factory slots to meet project programmes.

> 'Gateway 2 backlog is contributing to many façade contractors having their in-house design teams working at or over capacity while their factories remain underutilised.'

This may, in turn, place upward pressure on prices to meet such a sudden spike in demand. Openness and transparency between clients, main contractors and façade contractors are strongly encouraged to avoid surprises and facilitate smoother project delivery.

2. Vitrum

Materials, energy, transport and labour

Whilst most façade manufacturers agree that materials cost inflation has stabilised so far this year, the outlook for the remainder of the year is varied.

European glass manufacturers, such as NSG Group, have struggled to stay afloat since the energy price volatility triggered by the Russia-Ukraine war, coupled with a weak German economy and increased competition from China. Further float glass plants are expected to either cease production or temporarily shut down for repairs this year, which will inevitably lead to a spike in supply prices, potentially upwards of 15%, as availability tightens.

The cost of aluminium has stabilised in line with the steadying of energy price volatility in the year-to-date. If demand increases in 2025 in line with the expectations of the façade market, forecast cost increases are likely to return to normal levels of inflation at 3-5% for the year, potentially rising to 5-7% for the more in-demand low-carbon products. However, there is concern that energy prices will spike much higher than this in the short-to-medium term due to the recent turmoil and risk of conflict escalation in the Middle East. This would have a direct impact on the cost of glass and aluminium, particularly if liquified natural gas (LNG) supplies are affected between Qatar, the UK and Europe pending any potential closure of the Strait of Hormuz by Iran.

Over the longer term, diesel prices are predicted to remain stable as downward pressure is applied with fuel duty freezes in the UK and Europe, alongside the expected rise in electric vehicle adoption. Whilst oil prices have increased recently, they have not broken their 5-month high and remain in a downwards trend over the long term. Despite this, transport costs are expected to rise by 5-7% due to higher labour costs in the sector.

> 'Pressure has been building on the installation cost of façades over the past five years, driven by a shrinking pool of labour from the continent.'

Pressure has been building on the installation cost of façades over the past five years, driven by a shrinking pool of labour from the continent. Whilst some façade contractors expect relatively normal levels of labour cost inflation at 3-5%, others are more pessimistic, predicting increases of up to 10% as the order books of installation companies reach capacity later this year. This element of façade input costs is inevitably more difficult to fix given the lag between agreeing a fixed price and the invariably lengthy manufacturing period before installation commences on-site. As a result, clients may see greater spreads in tender prices due to this uncertainty.

Maintaining best practice when undertaking due diligence on the financial health of tendering contractors remains essential in the current market.

Emerging trends and sentiments

There seems to be a growing trend towards reinvesting profits into research and development to build future resilience, even at the temporary expense of shareholder profit.

This should reassure clients that the market continues to see value in raising the bar in sustainable construction practices and low-carbon solutions to meet the ever-increasing demand for energy efficient, environmentally friendlier buildings.

The trend towards renovation, retrofit and glass replacement projects continues. Clients are looking to reduce their carbon footprint and capital outlay by avoiding wholesale façade replacement unless absolutely necessary. However, this is balanced by growing demand for façades that perform better in terms of heat loss and solar gain.

Whilst technologies in glass manufacturing are advancing, better performance will generally be achieved by replacing the entire façade system (at the detriment of higher embodied carbon and, of course, cost).

As we highlighted in last year's annual report, the debate between unitised and precast façades remains a hot topic. With so many variables influencing the choice, the battleground is fiercely contested in new build projects between 7 and 15 storeys. Projects below 7 storeys tend to favour precast solutions, while those over 15 storeys often lend themselves to unitised curtain walling when considering a holistic balance of whole-project embodied carbon and façade package value.

'The trend towards renovation, retrofit and glass replacement projects continues as clients look to reduce their carbon footprint and capital outlay'

However, there is no 'one-size-fits-all' solution to this key decision based purely on storey height, particularly as low-carbon aluminium products are becoming more affordable and increasingly available in the market.


3. 1 Knightsbridge Green

Fundamentally, building less will always benefit both total cost and carbon. Therefore, prioritising lightweight façades over heavily extruded and 'bulky' designs should be given attention in Stage 2 alongside system selection, with bespoke unitised systems potentially adding real cost and carbon savings only on projects over 15 storeys, where the benefits of scale and repetition can be realised.

FEATURED PROJECTS

Front cover:
Ruby Stella Hotel RE Capital ©Ben Pipe

1. **Berners & Wells** Schroders ©Alan Williams
2. **Vitrum** Breakthrough Properties
3. **1 Knightsbridge Green** BEAM

The year ahead

On the compliance and performance front, we expect to see some tangible developments later this year with the Centre for Window and Cladding Technology (CWCT) expected to update its Technical Note 98: Fire Performance of Façades document.

It is anticipated that this update will provide greater clarity on fire stopping and cavity barrier testing requirements to help demonstrate compliance with the latest regulations and remove any ambiguity between current guidelines and regulations.

From a wider context, despite a more optimistic outlook from façade contractors for the year ahead, all are acutely aware that the UK construction market can be turbulent.

The construction output dataset produced by the Office for National Statistics (ONS) is declining, so we expect the sentiment of the façade supply chain to weaken in the second half of this year as the procurement lag trickles through.

Whether due to geopolitical uncertainty (including tariffs and wars) affecting supply chains and the availability of labour or backlogs closer to home caused by holdups at Gateway 2, façade contractors are being more selective. Most are focusing on securing work that offers delivery and payment certainty, with factors such as procurement strategy, client reputation and relationship, and level of risk or complexity in the façade design cited as the most important considerations in deciding whether or not to bid for a job.

May's 0.25% base rate was hoped to inject further confidence into the UK construction market, but with the Bank of England holding at 4.25% in June, there is now less anticipation of further rate cuts through the year. This will inevitably stifle the optimism for the year ahead as larger schemes which were hoped to become more viable may now struggle to attract the investment needed whilst the market remains fragile.

KEY TAKEAWAYS

Early supply chain engagement remains key to securing manufacturing slots and avoiding surprise cost escalation

There needs to be a strong focus on due diligence around contractor stability and financial strength

Successful projects are those with a clearly defined programme and procurement strategy

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