



Q3 2025

# MEP market report

Last year, our MEP market engagement and subsequent insight highlighted several key industry issues requiring strategic change to improve project outcomes. These included design inefficiencies, financial and risk pressures, and a growing need for greater collaboration.

Building on those findings and focusing on areas where we can influence positive change as cost consultants, this year's MEP market engagement centred on a key question: how can we improve the MEP pre-construction process from a design, cost and procurement perspective? The discussions explored the most significant challenges facing the MEP industry in 2025.

As part of the first in a series of roundtable discussions with design consultants, main contractors, and through visits to trade contractors' offices, we created a platform for participants to share candid views on the market. These sessions uncovered not only the challenges they currently face, but also their market forecasts and ideas on how the industry might evolve.

We were not disappointed by the honesty and depth of insights. With active participation from a broad range of engineers, main contractors and subcontractors, we gained a valuable perspective on the challenges facing the MEP supply chain and began shaping potential collaborative solutions for further discussion.

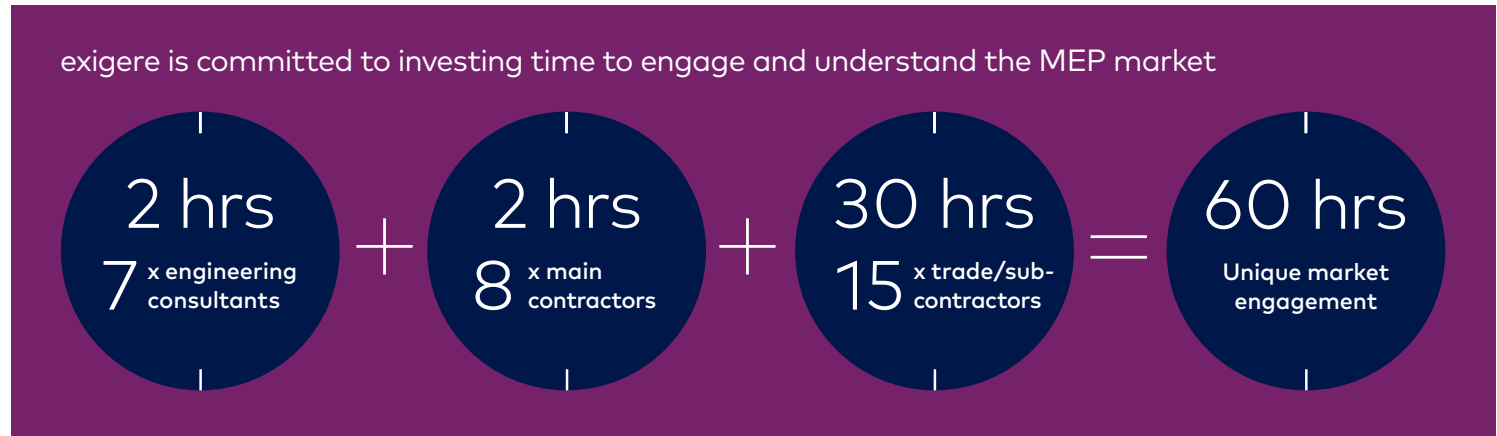
Across roundtable sessions with seven engineers, eight main contractors and over 28 hours of road trips to visit 15 trade contractors, supported by our quarterly supply chain survey, we asked two central questions:

Q What are the most significant issues, challenges and risks facing the MEP industry for 2025?

Q Can we improve the MEP pre-construction process?

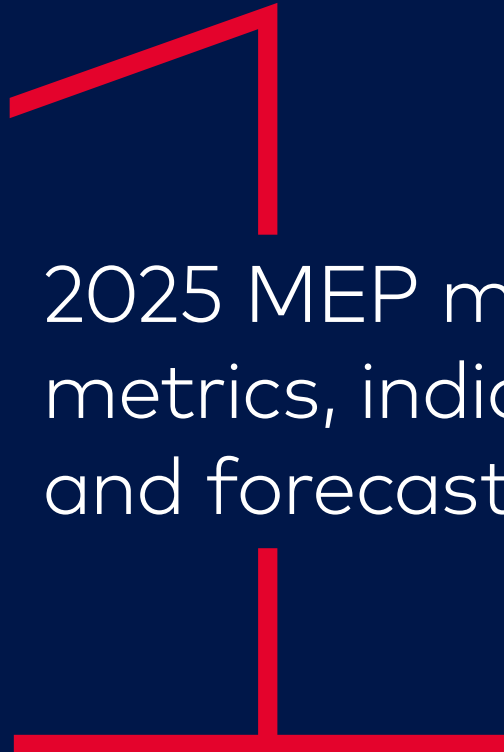
The following insight provides our findings and feedback from the MEP market and covers two main areas:

- 1 2025 MEP market metrics, indicators and forecasts
- 2 2025 MEP insight and key takeaways from our market discussions
  - Part A - Key ideas for improvements to the MEP pre-construction process
  - Part B - Enhancing MEP design precision through the RIBA stages



We would like to thank all the participants who took part in our roundtable and road trip discussions:

ENGINEERING CONSULTANTS	MAIN CONTRACTORS	TRADE/ SUBCONTRACTORS	
Cundall	Bovis	Bancroft	Maze Engineering
GDM	Kier	Briggs & Forrester	MCS
Hilson Moran	Mace	Dalkia	Phoenix ME
Hoare Lea	McLaren	Designers Group	PIP Services
NDY	Multiplex	ESG	ROC
Scotch Partners	Overbury	GBE	SES
Sweco	Skanska	GWE	SRW
	Structure Tone	MALA	



# 2025 MEP market metrics, indicators and forecast

**The following metrics and forecasts are based on insights gathered from our engagement with MEP contractors through our quarterly MEP Contractor Survey.**

The MEP market is showing signs of stabilisation in 2025, with MEP inflation forecast at 3.5%, rising to 4.0% in 2026. While costs remain steady, delays linked to the Building Safety Act and ongoing supply chain constraints impact delivery. Labour costs are increasing, particularly in London. Despite these challenges, MEP contractors anticipate a 10% rise in turnover. Optimism persists, with growth hinging on improved early engagement, stronger supply chains, and more effective pre-construction processes.

## MEP TPI

### No more hyperinflation

The market has settled, and we are not experiencing the same hyperinflation pressures of 2024, due to a slowdown in late 2024 and early 2025 in the tendering of viable, consented projects. The forecast for 2025 is 'stable/ manageable ' inflation and the market remains positive, driven by strong activity in workplace, repurposing, life sciences and data centres.

#### MEP TENDER PRICE INFLATION (AVERAGE)

2025 3.5%	2026 4.0%	2027 4.0%
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## On costs – ‘stabilising’

### PRELIMINARIES

⤴ up 16-17% typical average (previously 14%)

Costs have risen by 2%, driven mainly by staffing and preliminaries. This reflects realignment post-COVID, plus increased costs due to National Insurance and cost of living inflation.

### OVERHEADS AND PROFIT

⏪ no change 10% typical average (range 7-12%)

Contractor overheads and profit (OHP) remain stable, with a typical average of 10%. OHP covers a contractor’s business operating costs such as office staff, insurance, equipment and profit.

### RISK ALLOWANCE

⏪ no change 10% typical average (range 7-12%)

Risk allowances remain steady at 2.5% across main contractors, with MEP trade contractors typically applying a separate 5% to cover risks around design development, procurement clarity and delivery.

Persistent challenges include price fluctuations, unclear procurement routes, unforeseen site conditions and pressure to fix prices too early in design.



# Policy influences and things to watch!

## TARIFFS

### No change

US tariffs have minimal impact. Most materials are now sourced from China/Europe.



## LEGISLATION

### Cause of delay

The Building Safety Act continues to cause delays and uncertainty across the market.



## COMMODITY PRICES

### Potential cost increase

Copper prices have risen around 12% year to date (London Metal Exchange), driving the re-tendering of affected packages.

Further increases in cable and component costs are expected from Q2 2025 onwards. Instability in the Middle East and Eastern Europe, along with pressure on freight and raw material prices, are likely to drive continued inflation later in 2025.

## DECARBONISATION

Increase in decarbonisation projects.

### Risk to complete by 2030

The rate of commercial refurbishments is to continue at pace driven by forthcoming EPC regulations mandating that rental properties achieve an EPC rating of C by 2027 and B by 2030.



## GENERATIONAL DESIGN CHANGE

Design solutions have evolved rapidly over the past five years, driven by ESG priorities, digital integration and changing occupier needs.

This shift in baseline expectations, particularly in workspace and life sciences, is placing greater demands on MEP strategies.

Buildings are now expected to support smarter systems, improved environmental performance and long-term adaptability from the outset.

As a result, design briefs are becoming more complex, requiring earlier technical input and leading to higher capital costs.

# MEP contractor pipeline and availability

## SECURED WORKLOAD (AVERAGE)

2025	2026	2027
80%	50%	30%

## TURNOVER

⤴ +10%

Turnover is expected to increase by an average of 10%, based on feedback from 10 of the 15 trade/subcontractors we spoke to.

## PIPELINE AND TENDERING

⤴ Capacity up

There is a strong sense that work is plentiful, although aggressive tendering remains a concern. Overall, contractor capacity is increasing.



# Labour and supply chain trends

## MEP PACKAGES

⤴ +3-5%

MEP packages are forecast to increase by 3-5% on average in 2025. The lower end of the range reflects stronger procurement strategies, improved design coordination and greater willingness to work.

### Previous increases:

- 2024: Typical increases range 7-12%
- 2025: Forecast average 3-5%

### Typical cost proportionment of overall MEP construction cost (London commercial MEP):

- Direct MEP labour: 10-12%
- Materials: 9-10%
- Plant and equipment: 20-22%
- Specialist packages: 40-45%
- Trade contractor preliminaries and risk: 17-19%

## LABOUR RATES (LONDON)

⤴ +10%  
Mechanical labour rates

+3.5%  
Electrical labour rates

Average labour rates (London):

### Mechanical:

- 2024: £36/hr
- 2025: £40/hr (+10%)

### Electrical:

- 2024: £42/hr
- 2025: £43/hr (+3.5%)

### Key drivers:

- Skilled labour shortage
- Data centre-driven demand
- Ageing workforce
- Lack of younger entrants entering the trades

Labour accounts for around 10-12% of total MEP construction cost.

## PLANT AND EQUIPMENT

⤴ +4%

Capital plant costs are forecast to increase by 4% in 2025.

This includes AHUs, MVHRs, switchgear and similar equipment.

Some price insulation exists where suppliers are 'ring-fenced' through early technical engagement, reducing direct price competition.

Plant accounts for approximately 20-22% of the total MEP construction cost.

## MATERIAL COSTS

⤴ +3%

Material costs are expected to rise by 2.5-4.5% (average +3%) in 2025.

These increases are linked to continued instability in global markets.

### Key drivers:

- Volatility in commodity prices (copper, steel, oil, plastics)
- Supply constraints linked to data centre demand

Material costs account for 9-10% of MEP construction cost. Products containing copper and cabling are particularly volatile

## SPECIALIST PACKAGES

⤴ +5%

Specialist subcontract packages are expected to increase by 4-6% (average +5%), with volatility continuing into late 2025.

- Sprinkler and fire alarm package costs remain volatile
- Fire alarm prices are now outpacing ductwork
- Ductwork packages are also increasing, particularly in Q1 2025

Specialist packages, including sprinklers, fire alarms, BMS, data and security, account for approximately 40-45% of the overall MEP construction cost.

## Supply issues and key long lead times

Lead times for several MEP components remain long or are expected to increase significantly in 2025, driven by strong demand, raw material constraints and specialist labour shortages.



COMPONENT	CURRENT LEAD TIME	FORECAST LEAD TIME (2025)
Air handling units	8-12 weeks	10-12 weeks
Thermal insulation	2-3 weeks	2-3 weeks
Air source heat pumps	8-12 weeks	10-12 weeks
Generators	20-30 weeks	72-104 weeks
Switchgear (MV)	20-30 weeks	26-32 weeks
Transformers	30-60 weeks	Up-150 weeks
Sprinklers	n/a	n/a

### KEY DRIVERS AND COMMENTARY

**Air handling units:** Lead times have stabilised but remain dependent on plant availability and manufacturing capacity.

**Air source heat pumps:** Significant demand for energy-efficient plant is expected to extend lead times, particularly as manufacturers struggle to meet new volumes.

**Generators:** Demand from data centre projects is expected to drive a major increase in lead times from manufacturers.

**Switchgear (MV):** Also affected by data centre demand, with longer lead times forecast in 2025.

**Transformers:** Lead times could reach 150 weeks due to raw material shortages and growing demand for high-power units used in renewable energy and data centre infrastructure.

**Sprinklers:** Remain highly volatile. Benchmarking norms have been exceeded over the past year, and there is a persistent shortfall in specialist subcontractors and available labour.

## Supply chain risks and challenges

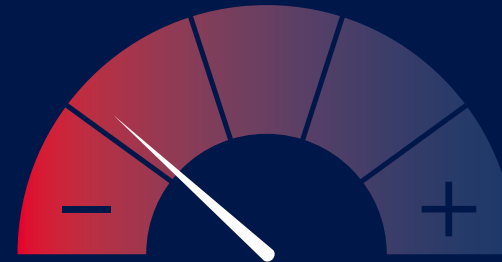
### TOP 5 CONTRACTOR CHALLENGES

- 1 Supply chain resilience and capacity
- 2 Protracted procurement processes
- 3 Cost of tendering and pre-construction 'at risk' periods
- 4 Productivity and efficiency through pre-construction phases
- 5 Obtaining performance bonds

### TOP 5 2025+ RISKS

- 1 Data centre equipment and resource strain
- 2 Quality of available labour
- 3 Sprinkler contractor availability
- 4 Lack of coordination and buildability
- 5 Gateway 2 of the Building Safety Act

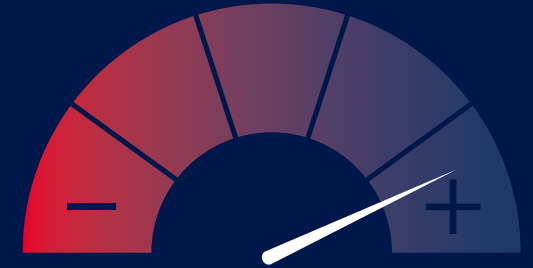
## Sentiment from the Industry



### MEP DESIGN CONSULTANTS

#### Feeling stressed and stretched

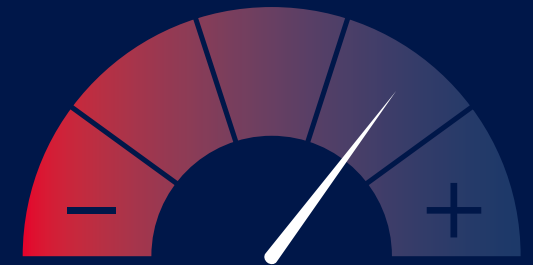
The past two years have been tough, with large projects on low fees, but there is now a growing sense of cautious optimism.



### MAIN CONTRACTORS

#### Feelings of positivity


There is currently an abundance of available work and a broadly positive outlook, there is concern about projects stopping pre-contract.



### MEP CONTRACTORS

#### Confident and competitive

Contractors are reporting steady workloads and a healthy level of activity and competition.



# MEP insight and key takeaways from our market discussion

## The key takeaways

**Our insight presents a high-level summary based on collective industry insights, rather than just our views at exigere. Through our market conversations, we have identified four key areas for improvement and offered insights on how these challenges could be addressed.**

## Part A. The key observations for improving the MEP pre-construction process

There is growing industry consensus that completing designs to RIBA Stage 3 has become more difficult, often due to tight timelines for decision-making. These pressures can lead to client-side delays and late design changes. While such changes may enhance quality, they also increase complexity, and cost remains a significant concern.

On large, complex MEP projects, engineers have raised concerns about progressing from Stage 3 to a fully coordinated Stage 4 design. The transition demands significant time and input from specialist contractors and can lead to a lack of confidence in consultant-led designs. Early engagement is essential to mitigate these risks.

To support better outcomes, the use of a design deliverables matrix before appointments are made is recommended. This helps clarify roles and responsibilities and avoids duplicated MEP design fees. It also enables early MEP contractor involvement, supporting continuity and accountability.

Complex MEP schemes often benefit from early selection and appointment of the MEP contractor to validate design proposals, advise on buildability and, in some cases, lead the design from Stage 3 onwards. An integrated design programme, aligned with strong cost and project management and supported by timely decision-making, is crucial for project success. Design periods should be protected to allow for completion of each RIBA stage, and sufficient time should be allocated for design validations before progressing.

Where design responsibility is transferred to the contractor, the programme must include time for proper peer reviews and technical validation. Across the board, the sector needs stronger engagement, clearer communication, and greater trust between all stakeholders.

Adopting best practice from the Construction Productivity Taskforce's Playbook (published in November 2022) could help build trust and foster collaboration in what remains one of the most fragmented parts of the industry.



## Design

Common grievances from design consultants include unclear client briefs and scope of services, which challenge their ability to deliver to the desired programme and design quality. These problems can be compounded by unrealistic design schedules and/or budgets that leave insufficient time for designing and coordinating schemes, contributing to confusion over deliverables. For instance, while MEP designers might be contracted under the BSRIA schedule of services, other professional team members follow RIBA-linked stage outputs.

Clearer deliverables, early engagement and more rigorous validation, especially on refurbishment projects, are essential to improving quality and reducing risk. Delays and uncertainty persist at early RIBA stages due to decision bottlenecks and late changes. High-risk schemes require full design completion by Stage 5, with specialist input and clear, shared CDP expectations to ensure design compliance and coordination.



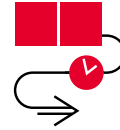
## Cost

Rising costs, limited supply chain availability and increased contractor risk allowances continue to challenge early cost certainty.

### To improve outcomes:

- Engage the MEP contractor early in the process
- Validate cost plans collaboratively with the supply chain
- Benchmark costs against design intent

A more integrated approach to risk management is also critical. This includes encouraging contractor awareness of inflation and allowing time for redesign and design validation, to avoid programme delays and improve cost accuracy.



## Procurement

Early engagement, particularly through pre-construction services agreements (PCSA), can significantly improve cost certainty. Starting coordination at Stage 3 and involving experienced MEP trade contractors early enhances efficiency and supports better integration.

While designers often express frustration at repeated changes during value engineering (VE), this process should not be seen purely as a cost-cutting tool. When handled well, VE can deliver programme benefits and support design efficiency. Integrated properly after Stage 3, it contributes to more robust and deliverable design outcomes.

Two-stage tendering for main contractors is common, although the MEP supply chain is often single-stage lump sum – a race to the bottom. Better collaboration between engineers and the supply chain is also vital. A more accountable and integrated approach to procurement, focused on delivering a fully coordinated and high-quality design, helps reduce risk and achieve better project outcomes.



## Collaboration

Improved collaboration and trust across the MEP supply chain would reduce conflict, support faster issue resolution and promote stronger design integration. This in turn drives better cost control, improved programme certainty and longer-term relationships built on shared project goals.



## Part B: MEP design precision through the RIBA stages

**We explored the expected accuracy and confidence levels of MEP design information across the RIBA stages, based on input from consultant engineers, main contractors and MEP contractors.**

Using the BSRIA BG/6 2018 guidelines as a reference point, we asked each party to estimate the percentage completeness of the design at each stage, to reflect how far along the design is expected to be and how confident teams feel in its accuracy.

**The key takeaway is that consultant engineers generally rated early-stage designs as more complete and reliable than MEP contractors did.**

**This difference in perception can lead to scope confusion, programme delays and frustration between project teams, particularly when design responsibilities move from consultants to contractors.**

### ACCURACY OF DESIGN

We asked each stakeholder group to indicate their view of design accuracy at each RIBA stage, referencing BSRIA BG/6 2018 benchmarks. The results highlight differences in how consultants and contractors view progress at each stage, particularly early on.

### CONFIDENCE IN DESIGN

Stakeholders were also asked to estimate their confidence in the design at each RIBA stage. Again, the results show a noticeable gap between BSRIA benchmarks and the levels reported by MEP contractors, especially at early stages.

These observations show how expectations about design progress vary between consultant engineers, main contractors and MEP contractors.

There appears to be a misalignment between the expectations set out in BSRIA guidance and the reality reported by the industry.

#### ACCURACY OF DESIGN

RIBA STAGE	BSRIA BENCHMARK	ENGINEER VIEW	MEP CONTRACTOR VIEW
Stage 2	75%	65%	43%
Stage 3	85%	75%	70%
Stage 4	95%	85%	81%
Stage 5	100%	95%	96%

#### CONFIDENCE IN DESIGN

RIBA STAGE	BSRIA BENCHMARK	ENGINEER VIEW	MEP CONTRACTOR VIEW
Stage 2	70%	65%	39%
Stage 3	80%	70%	65%
Stage 4	90%	80%	74%
Stage 5	100%	90%	96%

Consultant engineers show higher early-stage confidence than MEP contractors, although by Stage 5 the levels are closely aligned.

This gap in expectations may lead to issues during procurement and coordination, especially when design responsibilities are passed from one team to another.

Introducing a design responsibility matrix early in the project helps clarify what is expected, when it is expected, and by whom. This improves communication, builds trust and supports smoother delivery.

## RIBA stages vs BSRIA Guide 6

The adjacent table presents a side-by-side comparison of RIBA Plan of Work stages and BG6 (CIBSE) deliverables, highlighting how building services inputs (mechanical, electrical and public health) align with architectural project milestones. This comparison illustrates how MEP design is intended to progress in parallel with the overall design process, from Stage 2 concept design through to Stage 4 technical design.

It also helps clarify responsibilities between architects, engineers and contractors, and promotes a shared understanding of who is doing what, and when. This reduces the risk of missed tasks, improves coordination, and supports clearer project expectations.

Establishing the building services consultant's scope of services from the outset, and aligning it with both RIBA and BG6, reduces design risk, limits site conflicts and delays, and supports smoother delivery.

Comparing the RIBA Plan of Work (Stages 2-4) with CIBSE BG6 requires an understanding of the distinction between the two:

- RIBA Plan of Work outlines the overall project lifecycle and design progression across disciplines.
- CIBSE BG6 defines the expected scope and deliverables for building services design, particularly for MEP systems.

The adjacent table provides a comparison of the key deliverables at each RIBA stage alongside those recommended in BG6.

We recommend BG6 is followed as a standard scope and aligned with RIBA.

RIBA STAGE	RIBA DELIVERABLES	BG6 DELIVERABLES
Stage 2 Concept Design	<b>Concept design report</b> <ul style="list-style-type: none"> <li>• Outline drawings (GA layouts, diagrams)</li> <li>• Design options</li> <li>• Preliminary cost plan</li> </ul>	<b>Initial MEP concept design</b> <ul style="list-style-type: none"> <li>• Outline MEP design drawings</li> <li>• Services spatial allowances</li> <li>• Engineering performance criteria</li> <li>• Concept-level energy model</li> <li>• Initial compliance assessments (e.g. Part L, BREEAM)</li> </ul>
Stage 3 Spatial Coordination (Developed Design)	<b>Developed design drawings</b> <ul style="list-style-type: none"> <li>• Coordinated layouts (architecture, structure, services)</li> <li>• Updated cost and risk plans</li> <li>• Planning submission documents</li> </ul>	<b>Fully developed MEP layouts and calculations</b> <ul style="list-style-type: none"> <li>• Coordination with other disciplines and compliance reviews</li> <li>• Fully coordinated MEP layout drawings</li> <li>• Detailed design calculations</li> <li>• Draft specifications and room data sheets</li> </ul>
Stage 4 Technical Design	<b>Final technical design pack</b> <ul style="list-style-type: none"> <li>• Construction drawings and specifications</li> <li>• Schedule of Works</li> <li>• Construction programme</li> </ul>	<b>Detailed MEP design drawings and final specifications</b> <ul style="list-style-type: none"> <li>• Equipment schedules and commissioning plans</li> <li>• Compliance documentation</li> <li>• Coordination with subcontractor design inputs (if D&amp;B)</li> </ul>



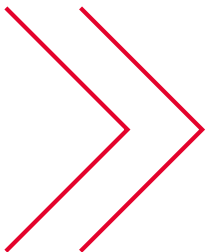
## Key ideas for improving the MEP pre-construction process

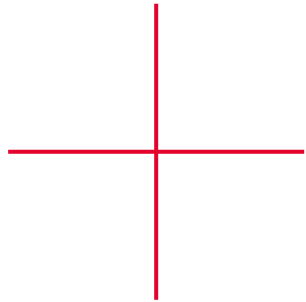
**The MEP pre-construction process continues to face significant challenges, particularly during the early RIBA stages. Compressed timelines, late decision-making and specialist or MEP contractor engagement that comes too late are impacting design quality, scope clarity and cost certainty.**

### IMPROVEMENT DEPENDS ON:

- Early engagement of MEP contractors with relevant experience
- A clearly defined and shared design deliverables matrix
- Strong, proactive cost and project management
- Realistic procurement routes and achievable timelines

Rising costs, long payment terms and increased risk exposure highlight the need for early cost plan validation with the supply chain. Effective value engineering, when integrated into the programme properly, together with improved collaboration and trust between stakeholders, is key to achieving coordinated and compliant MEP delivery.





## Conclusion

**The discussions highlighted a clear need for greater team alignment during the preconstruction stages to address persistent challenges in the MEP industry.**

The 2025 MEP market is stabilising, with moderate inflation and steadier costs. However, policy-related delays such as those linked to the Building Safety Act and decarbonisation targets continue to affect delivery. While supply chain disruption and rising labour costs remain, contractor sentiment is largely positive, with an expected 10% increase in turnover.

To improve preconstruction delivery, early contractor engagement is essential. This should be supported by robust cost and project management, clear procurement strategies and formal gateway reviews at the end of each RIBA stage. Early collaboration and design validation will play a critical role in achieving more coordinated and efficient outcomes.

## 2025 MEP market outlook

The MEP market shows signs of stabilisation in 2025, with tender price inflation forecast at 3.5% and expected to rise modestly to 4.0% in 2026. This indicates a shift away from the hyperinflation experienced in 2024. Preliminaries, overheads and risk allowances have remained largely stable. However, policy changes such as the Building Safety Act are continuing to cause programme delays.

Decarbonisation targets are also influencing long-term planning. Supply chain issues persist, particularly for specialist items such as generators, switchgear and fire-rated ductwork. Labour shortages, especially in

London, are pushing up costs and driving labour rates higher, with further increases expected over the coming year.

Despite these pressures, contractor sentiment remains broadly positive. MEP firms are forecasting a 10% increase in turnover, even as challenges with procurement processes, performance bonds and early design costs continue. While many design consultants report feeling stretched, the overall pipeline remains steady. Provided that early engagement, supply chain resilience and more efficient preconstruction practices are prioritised, the outlook remains optimistic.



## Looking ahead

**Progress in the MEP sector depends on moving away from a blame culture and towards a more collaborative and solutions-focused approach.**

By encouraging open dialogue, allocating sufficient time for design development and clearly defining responsibilities, project teams can improve both design quality and delivery efficiency.

Recognising progress, strengthening communication and building trust will help create a more resilient and forward-looking industry. These principles are essential for

delivering high-quality, sustainable projects that meet client expectations, comply with regulations and support long-term sector growth.

We look forward to our next series of road trips, where we will discuss these topics and a wider range of issues with our MEP consultancy colleagues to gain their perspectives.

Are you keen to get involved?

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