LOCHLIE CONSTRUCTION GROUP

WHITEPAPER

Capability Over Capacity

The Real Constraint in Scottish Construction

INTRODUCTION

This paper reflects insights and observations raised during closed forum discussions with senior construction leaders operating across Scotland.

It highlights several significant challenges facing contractors, consultants and professional services working within the sector, and while individual experiences vary, there is a clear alignment on the issues and their impact on the industry.

This is not a theoretical perspective, but one grounded in the day-to-day realities of delivering projects in the current market.

EXECUTIVE SUMMARY

The Scottish construction sector is not short of opportunity.

Major public and private investment programmes remain active, with sustained demand across infrastructure, energy and highly regulated environments. The challenge lies in the industry's struggle to convert this demand into consistent, high-quality delivery. This is compounded by increasing client expectations around governance and risk.

A clear **delivery gap** is emerging, driven not by demand but by capability and resource.

> ***In this context, capability is not simply technical competence. It is the alignment of resource, leadership and operational control required to deliver projects consistently, predictably, and at the standard clients demand, while still protecting margin.***

As pressure builds across workforce, leadership and delivery models, capability is becoming the primary differentiator for commercial success.

KEY MARKET INDICATORS

1.2%	6.5%	3,590	4.5%	3.1%
Forecast market growth 2026	Annual infrastructure growth to 2029.	Additional workers needed per year in Scotland.	Year-on-year rise in total building costs	Tender price rise, early 2026.

Sources: Thomson Gray, CITB Scotland, BCIS (2025/2026)

MARKET OVERVIEW

Growth or Gridlock?

The Scottish construction market remains active, but uneven.

Overall growth is forecast at approximately 1.2% for 2026, with stronger expansion in infrastructure, where activity is expected to grow by up to 6.5% annually through to 2029[4].

At the same time, other areas of the market remain subdued. Private commercial development continues to face constraints, with activity shifting towards refurbishment rather than new builds[2].

This creates a fragmented landscape where demand is unevenly distributed.

Structural pressures shaping the market:

- Planning delays are slowing the progression of major residential schemes
- Project viability is under pressure, with total building costs rising by approximately 4.5% year-on-year[1]
- Tender prices continue to increase, with a 3.1% rise recorded in early 2026 and a longer-term inflation forecast of 17% over five years[16]

The result is a growing disconnect, with these pressures already influencing procurement decisions, project viability and delivery timelines.

> ***The pipeline is visible. Opportunity is present. But delivery is constrained.***

THE CORE CHALLENGE

The Capability Constraint

For many businesses, the question is no longer how to grow, but how to deliver with the precision and technical care the industry demands, despite current constraints.

Capability is the ability to plan, resource and control delivery across every stage of a project. It determines whether work can be executed consistently, margins can be protected, and client expectations can be met.

Where capability is underdeveloped, businesses experience:

WHERE CAPABILITY IS WEAK	WHERE CAPABILITY IS STRONG
X Programme delays	✓ Consistent, on-programme delivery
X Inconsistent delivery	✓ Protected margins
X Margin erosion	✓ Strong client relationships
X Increased operational pressure	✓ Repeat and higher-value work
X Reduced client confidence	✓ Clear competitive advantage

WORKFORCE

Workforce Reality: A System Under Strain

At the centre of the capability challenge is the workforce. This is an issue that is no longer cyclical, but structural.

Current projections indicate that Scotland requires an additional 3,590 workers each year to meet demand[4]. At the same time, 72% of small and medium-sized firms report significant shortages in skilled trades, with many experiencing delays across active projects[5].

3,590	72%
Additional workers needed in Scotland each year	Of SME firms reporting significant skilled trade shortages

Sources: CITB Scotland (2025-2029), FMB / Project Scotland (April 2026)

This is not confined to one part of the workforce. The shortage spans trade operatives, site management and project leadership. The impact is cumulative. As pressure increases on existing teams, the ability to build capability over time is limited. Recruitment alone is no longer sufficient.

There is also a growing tension between workforce expectations and operational reality. Flexible working models are becoming more common across industries, but are difficult to apply within a sector defined by physical delivery and programme certainty.

> ***These workforce challenges directly impact programme certainty, cost control and overall delivery performance.***

LEADERSHIP

Leadership: The Commercial Bottleneck

While workforce shortages are undeniable, the gap between technical competence and leadership ability is equally critical. Leadership capability directly determines whether projects stay on programme, protect margin and meet client expectations.

In many firms, the best technical experts are promoted into management roles based on operational experience. Without the right support and training, delivering complex, high-pressure projects becomes an unrealistic expectation.

This can lead to:

- Over-management
- Reduced ownership
- Lack of accountability
- Ineffective decision-makikng under pressure

The impact is commercial, with leadership capability directly influencing programme control, margin performance and client outcomes. As projects become more complex and delivery expectations increase, leadership is no longer a secondary consideration but central to the ability to execute work successfully.

DELIVERY MODEL

Reclaiming Control

The structure of delivery is under increasing scrutiny. Although cost-driven oursources in a longstanding feature of the industry, it introduces risk, as control over delivery is diluted, impacting quality, programme certainty and cost management. This is particularly evident in complex or regulated environments where consistency is critical.

In response, there is a growing shift towards models that prioritise control. Firms are increasingly maintaining directly employed workforces and investing in internal capability to retain oversight of site behaviour, workmanship and delivery standards. This reduces reliance on third parties and improves consistency across projects.

TALENT DEVELOPMENT

The 'Grow Your Own' Imperative

> ***You cannot recruit your way out of a talent shortage. Long-term capability has to be created within individual companies, not sourced from a dwindling market.***
>
> ***This requires a much more deliberate approach to how to develop people.***

Apprenticeships play a key role, but only when embedded within a broader progression model. From entry into the industry through to skilled roles, supervision and leadership, capability must be developed deliberately over time. Historically, these pathways have been inconsistent, and as a result, the industry has struggled to retain and develop talent beyond early-stage roles.

Firms that are investing in structured development programmes are taking greater control of their future capability. They are not simply addressing short-term labour gaps but building resilience and long-term delivery strength.

MARKET ACCESS

Opportunity Must Be Earned

Opportunities across the Scottish construction sector remain significant. Investment and demand in energy, infrastructure and high-end residential refurbishments are high, but the gates to these projects are closing for firms without a proven track record for finishing what they start.

Clients are becoming more selective, placing greater emphasis on proven delivery capability, track record and consistent execution. This is particularly true for complex or high-risk projects. As a result, not all firms compete on equal terms.

Those with a demonstrable grip on their controls, internal capability and delivery secure higher-value, more rewarding work. The rest are being pushed toward higher-risk, lower-margin jobs.

As the market – and client expectation - grows, companies without the capacity to adapt will be increasingly filtered out.

CONCLUSION

A New Standard in Delivery

In conclusion, the key challenge facing Scottish construction is not a lack of pipeline, but the ability to convert it into consistent, high-quality delivery.

A distinct divide is emerging between those constrained by capability and those building it. This divide is already influencing which firms are trusted with higher-value, lower-risk projects, and which are not.

> ***Success in this market will not come from chasing growth, but from partnering with a business that is structured to handle it.***

LOCHLIE PERSPECTIVE

Responding to the Capability Challenge

At Lochlie Construction, these challenges reflect the realities we see across the projects we deliver and the environments within which we operate. The shift from capacity to capability is already shaping how construction businesses need to operate.

Our response has been to prioritise control, consistency and long-term capability development.

A Focus on Direct Delivery

We've made a conscious decision to maintain a directly employed workforce across our core trades.
This gives us an essential level of oversight in a market where quality can be hit-or-miss. Keeping our team in-house means we can directly manage site behaviour, workmanship, and safety standards, giving our clients greater certainty and peace of mind on the final build.

Building Capability from Within

We recognise that capability cannot be bought at the point of need; it has to be built. Our approach is to invest in long-term workforce development through structured apprenticeship programmes and clear progression pathways. By developing our own skilled trades and future supervisors, we're investing in sustainable solutions instead of focusing on short-term problems.

Strengthening Leadership

Technical skill is only half the battle. To manage the complexity of modern construction projects, we need leaders who can manage pressure, take ownership, and make high-stakes decisions. This is why we emphasise leadership training across the business, ensuring our managers have the skills they need to deliver consistent outcomes.

Delivering with Consistency

Ultimately, our capability is proven by what we leave behind on-site. Our focus is on controlled, consistent execution to ensure programme, quality and client expectations are met. This is what differentiates us from others who might struggle to access – and deliver – higher-value work.

Facing the future, today

Although the industry will continue to face challenges across workforce, leadership and delivery, they are not insurmountable.

Businesses that invest in capability, take ownership of delivery and build control into their operating model will be better positioned to succeed.

For Lochlie Construction, this is not a future ambition - it is how we operate today.

SOURCES

1 **Thomson Gray**
Scottish Construction Market Outlook, February 2026

2 **Ryden**
Scottish Property Review, January 2026

3 **Scottish Government**
Infrastructure Investment Pipeline, 2026

4 **CITB Scotland**
Workforce Outlook 2025-2029

5 **Federation of Master Builders / Project Scotland**
April 2026

6 **BCIS**
Scottish Tender Price Assessment, March 2026

Lochlie Construction Group
41 Johnstone Avenue, Hillington Park, Glasgow G52 4NZ

0141 212 0000
info@lochlie.co.uk
lochlie.co.uk