



# Forecasts into 2017

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CIC Economic & Policy Forum – 13<sup>th</sup> September 2016  
Presented by Allan Wilén, Economics Director



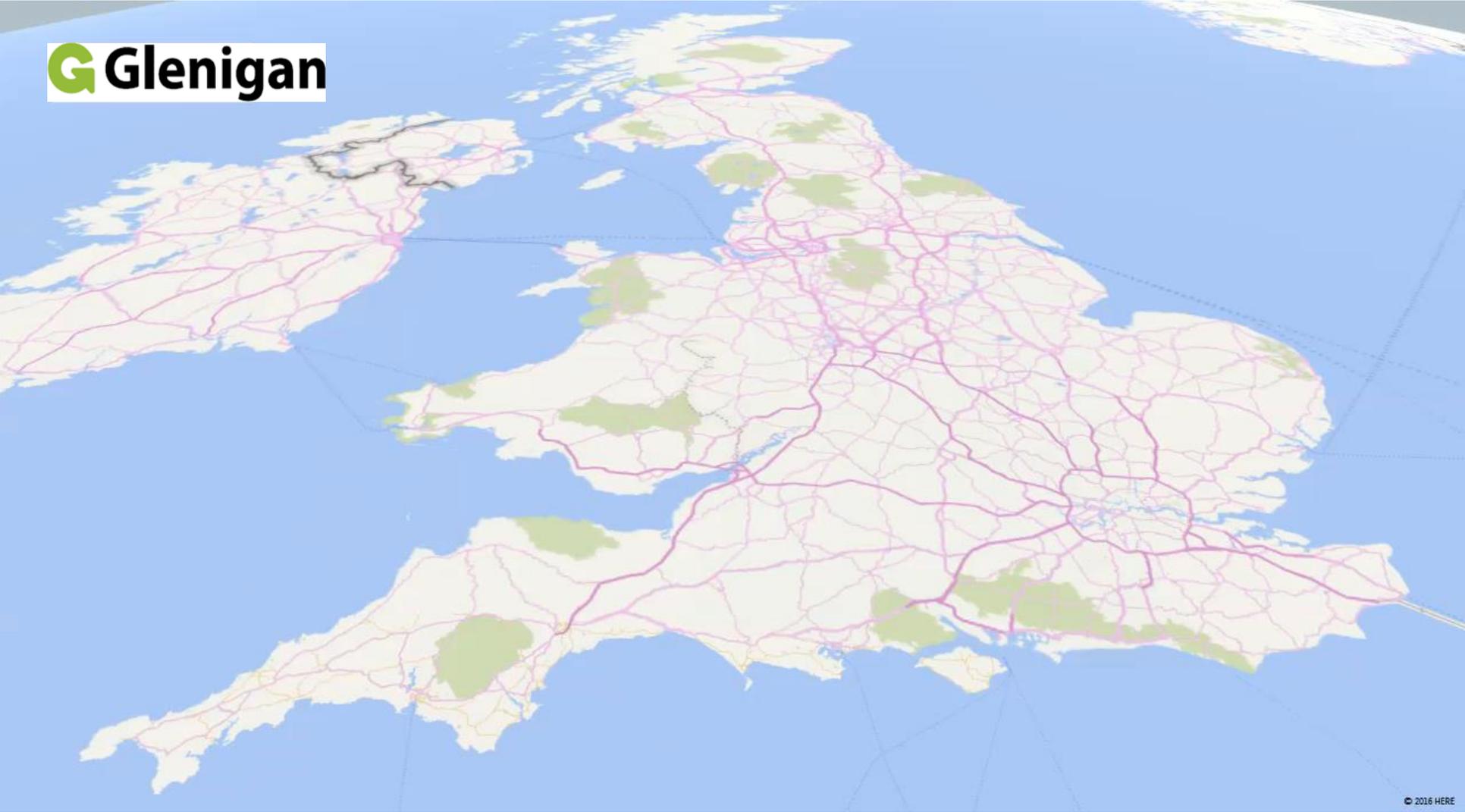
# Construction Forecasts for 2016 & 2017

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- Review UK's recent economic performance
- Assess the likely post-Brexit landscape for Construction
- Forecast prospects for construction sectors
  - Challenges & pressure points
  - Growth drivers & opportunities

# About Glenigan

 **Glenigan**



# About Glenigan

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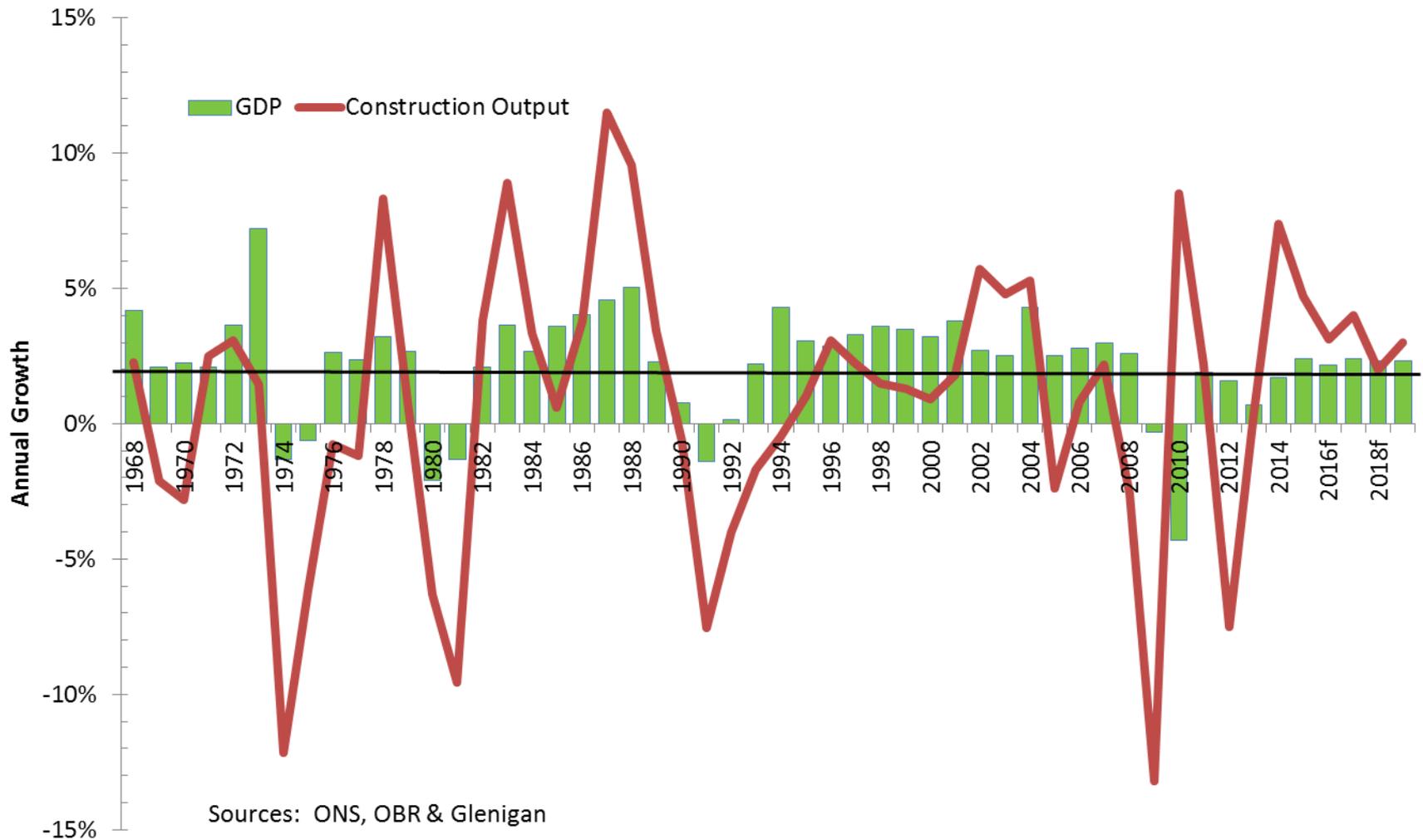
Glenigan provides market intelligence on the UK construction industry. Glenigan uses a robust research process to deliver timely and comprehensive construction project, company and market intelligence:

- Database over 17 years totalling almost 10 million planning applications
- Planning application data collection from all 464 UK local authorities
- A dedicated team of over 100 expert web & telephone researchers
- 10,000 unique non-planning projects a year from industry contacts
- Expert analysis, detailed market interpretation, data-driven forecasts and bespoke analysis

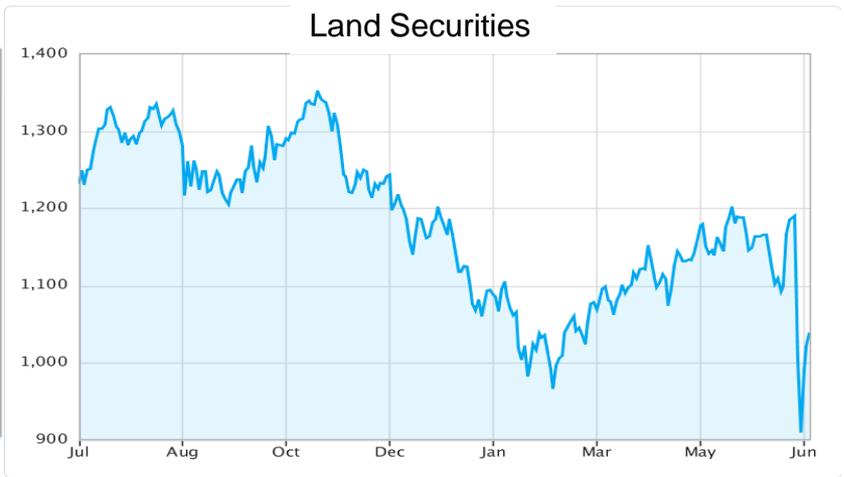
# UK Economy

- Private sector has lead UK growth
  - Consumer expenditure & retail sales growth
  - Rising employment
  - Housing market upturn
  - Strong growth in business investment
  
- Post-Referendum
  - Business investment hit by political & economic uncertainty
  - UK Manufacturing
    - Short term benefit from weaker sterling
    - Reduced access to Single Market threat to exporters
  - Weaker consumer spending
  - Renewed pressure on Government finances

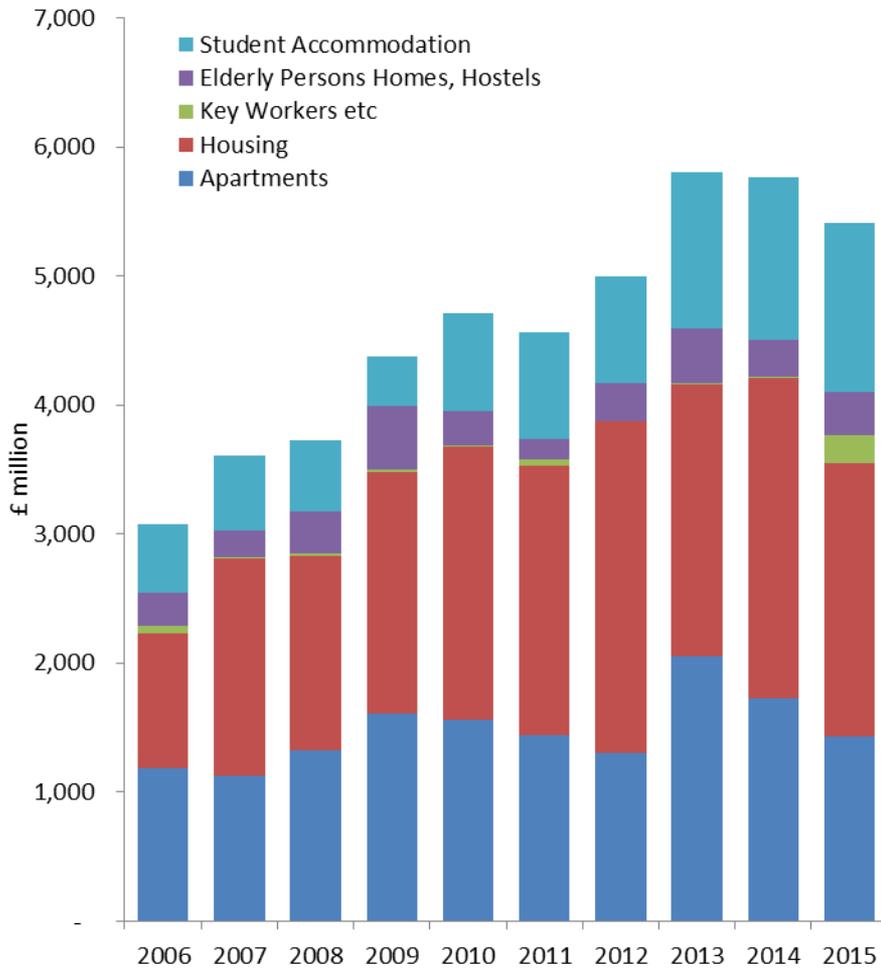
# Construction Output & Economic Growth



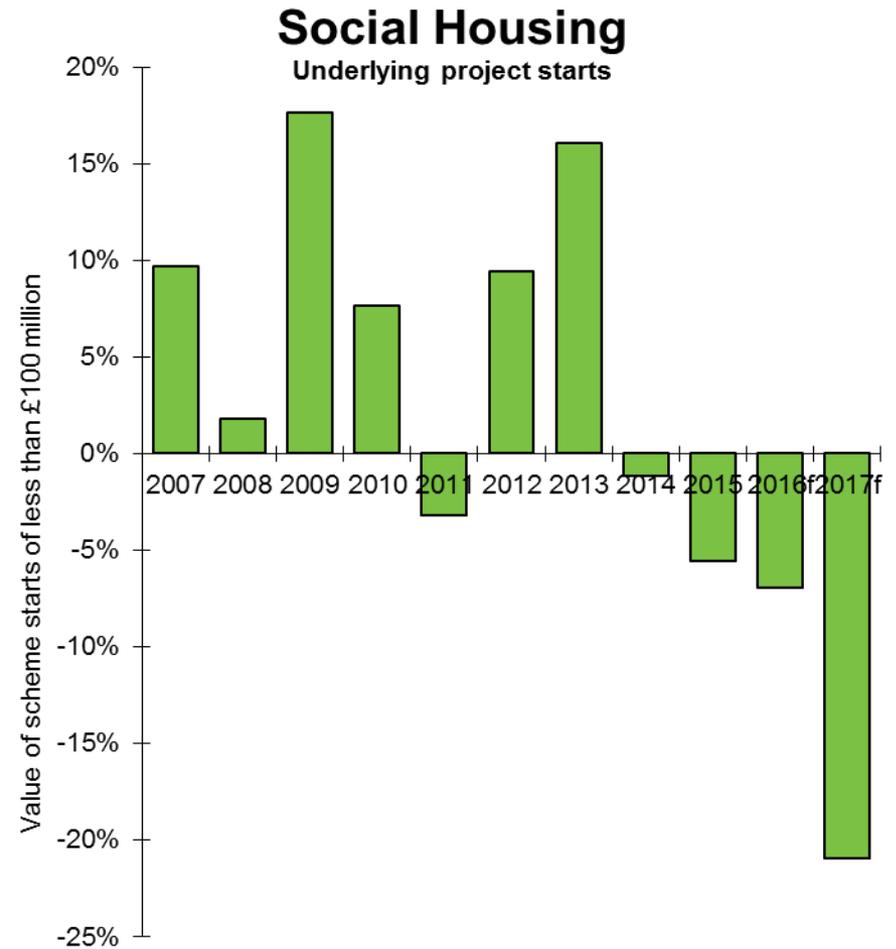
# Markets expectations



# Social Housing Growth

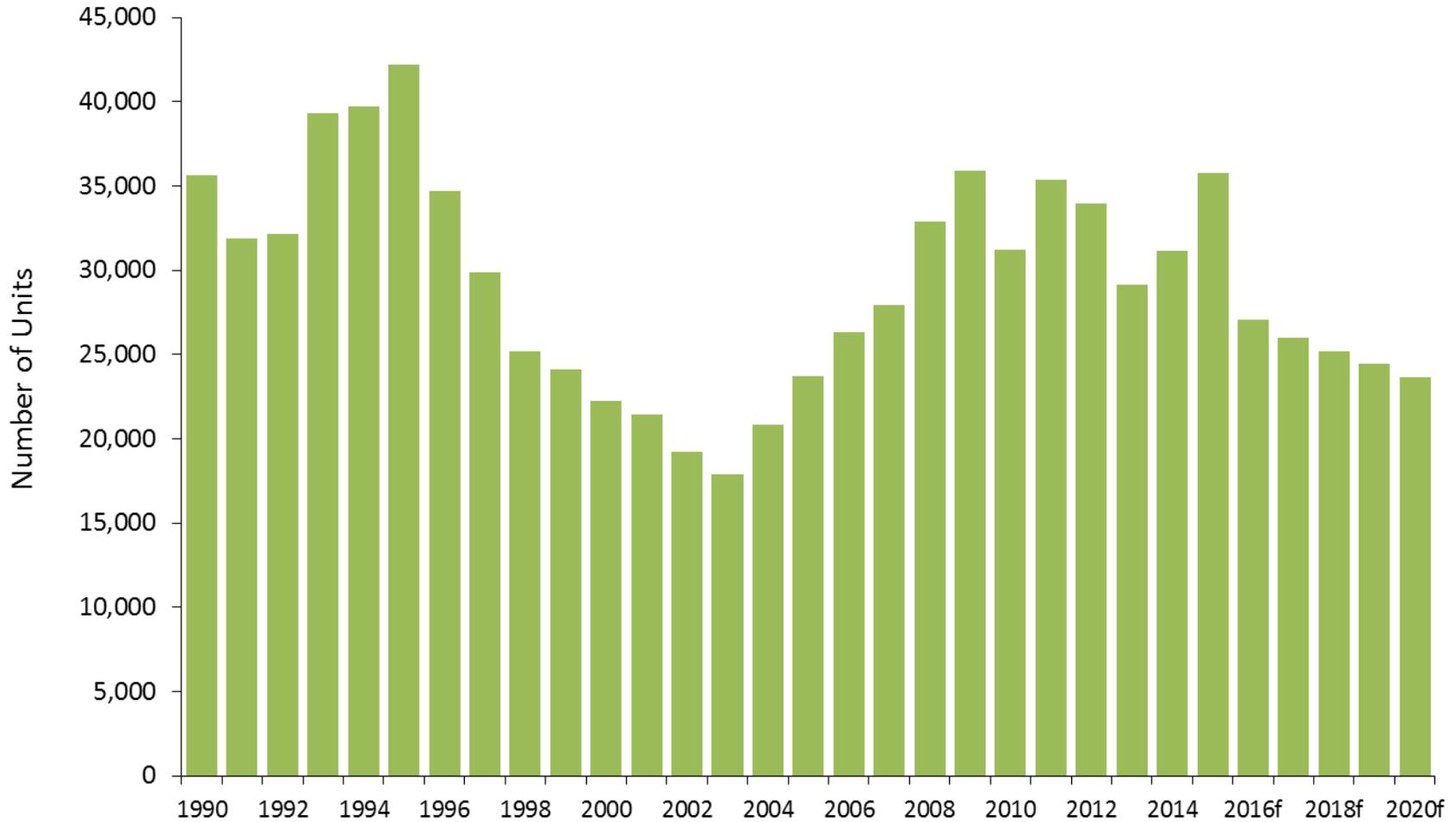


Source: Glenigan



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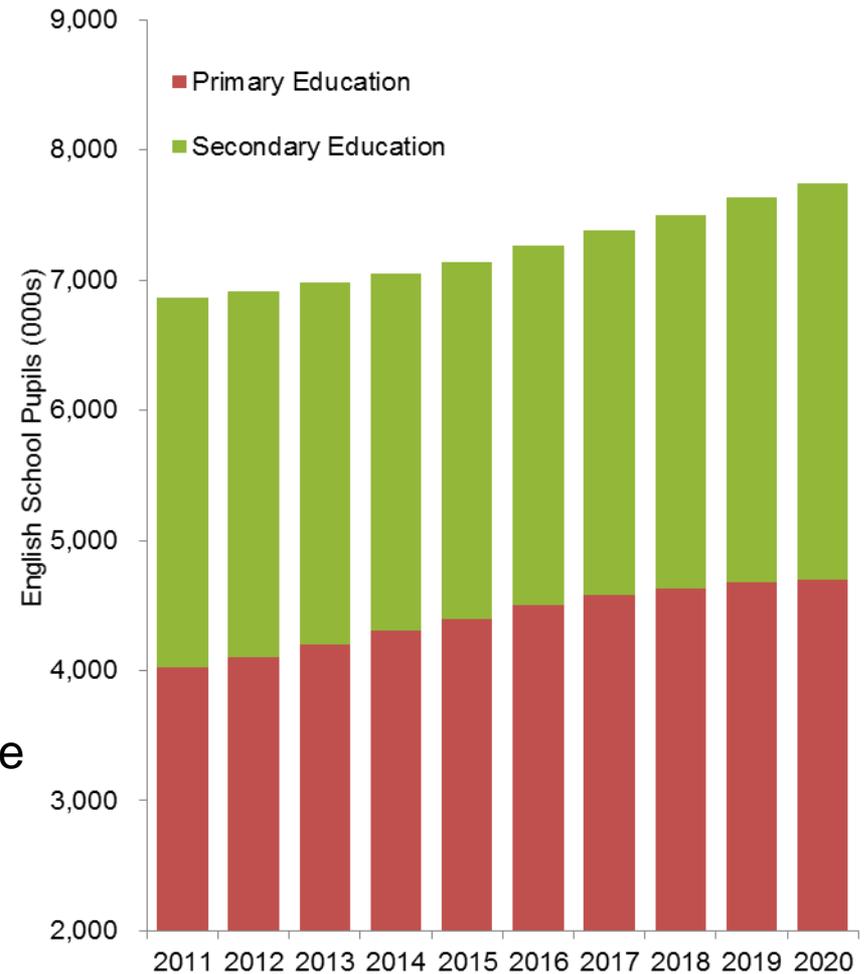
# New Social Housing Provision in England



Sources: ONS & Glenigan

# Education – Rising Pupil Numbers

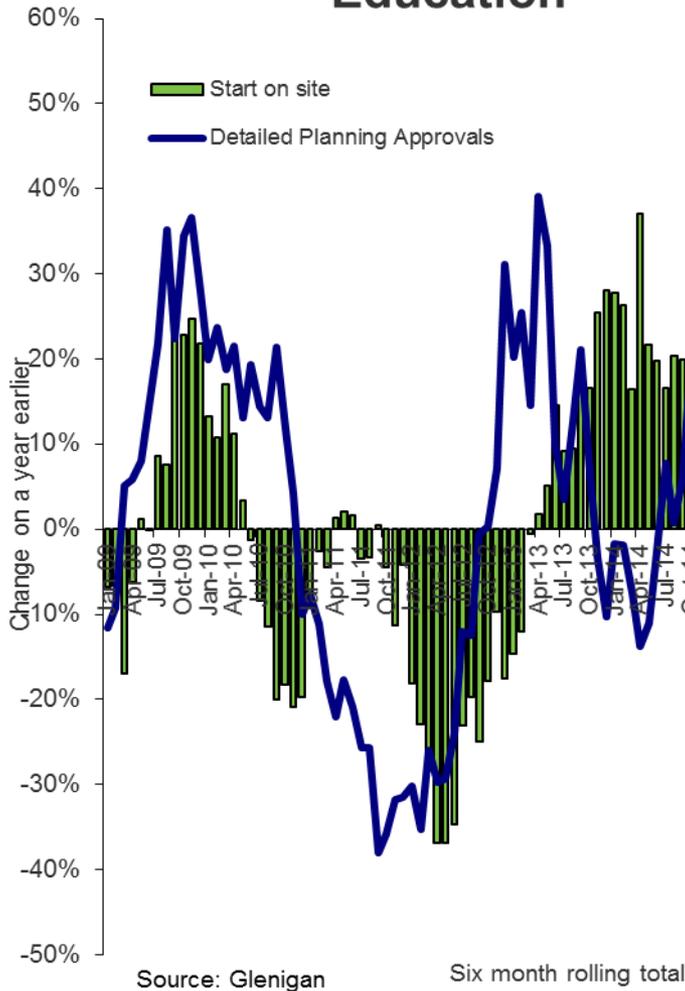
- Rising demand
  - More primary school pupils
  - Pressure switching to secondary education
- Government policy hampering delivery
  - Councils dependent on others to deliver school places
  - More Academies
  - Free school programme
  - Priority School Building Programme
- Competition fuelling investment
  - University development plans



Source: DfES

# Education

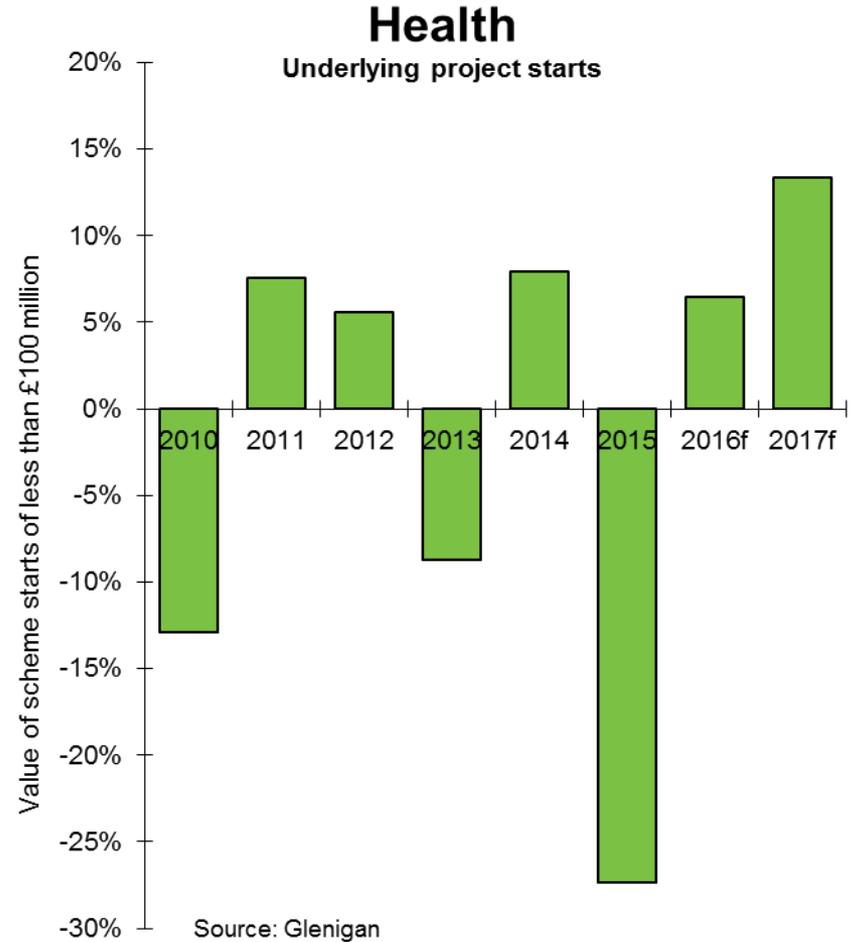
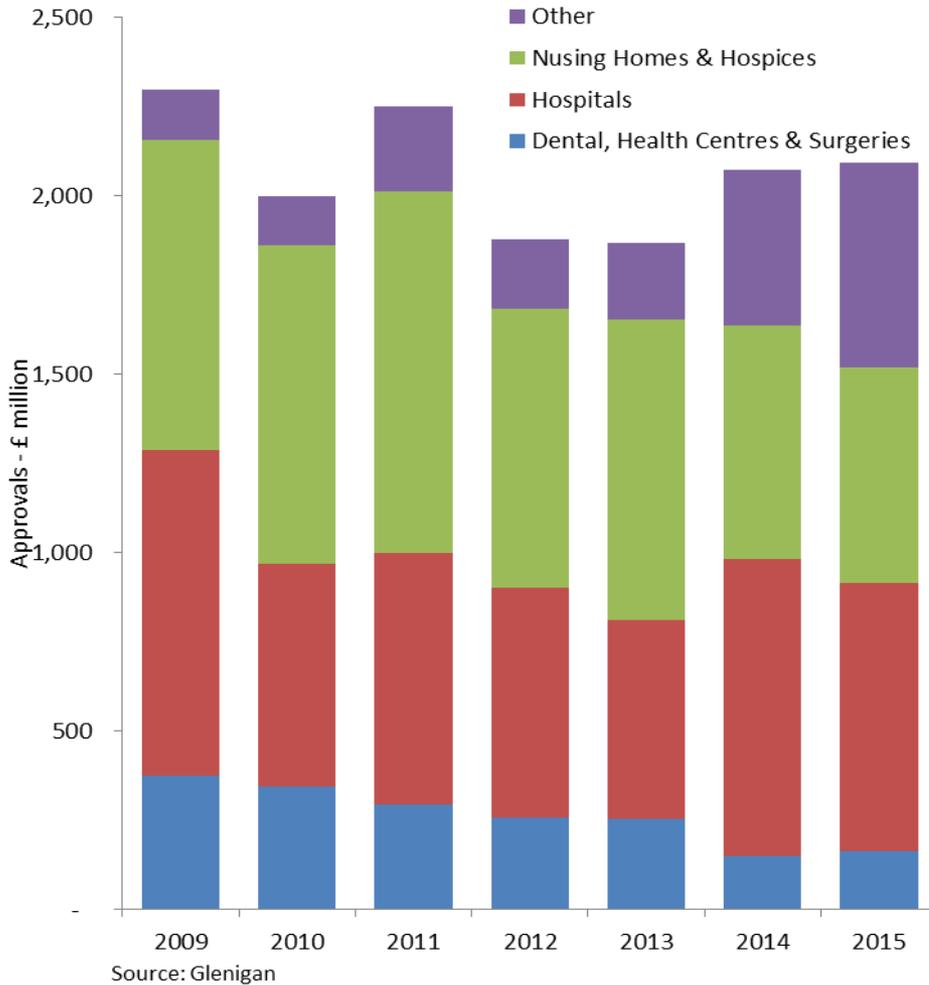
## Education



## Education Underlying project starts



# Health

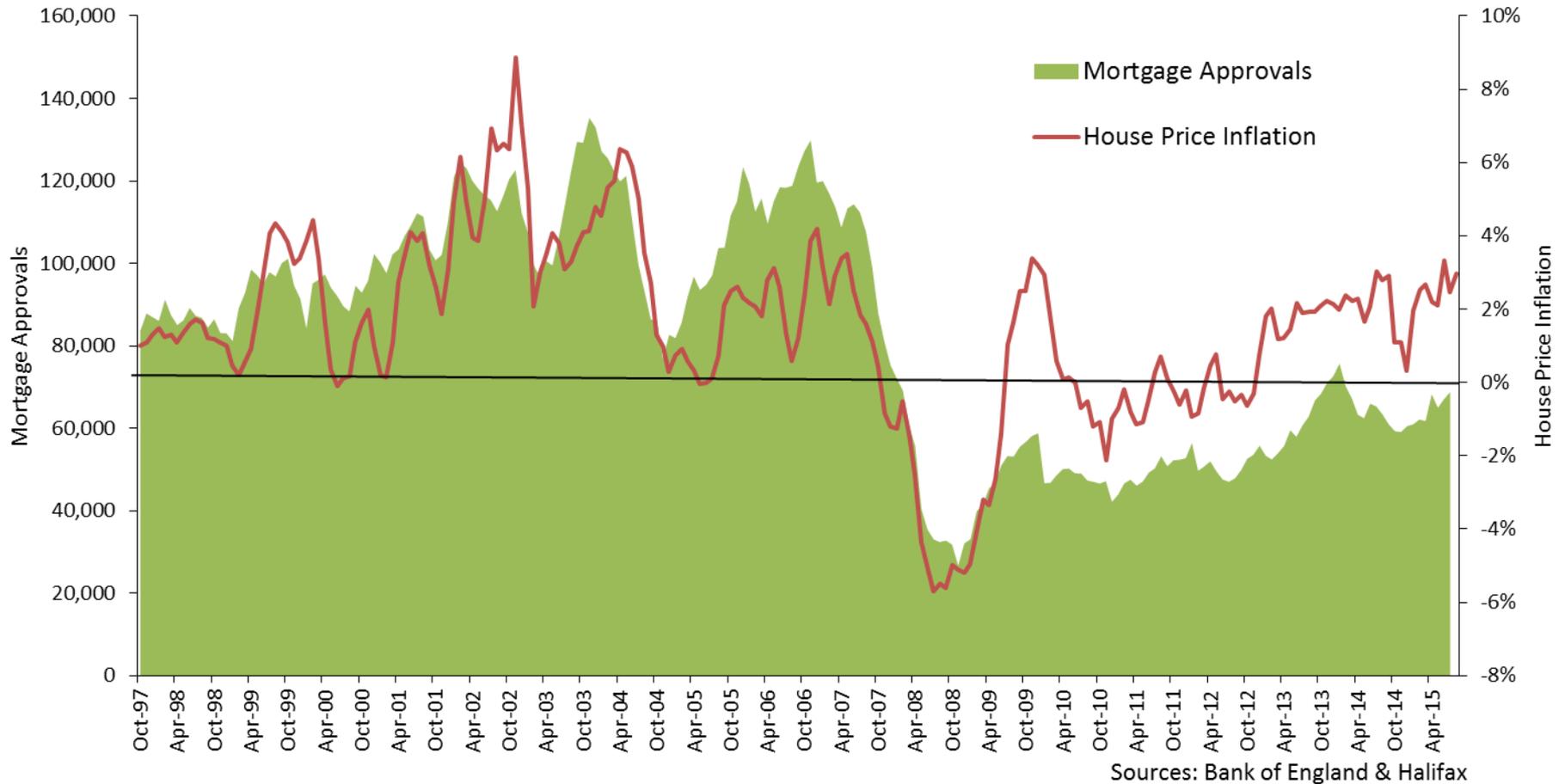


# Consumer Prospects

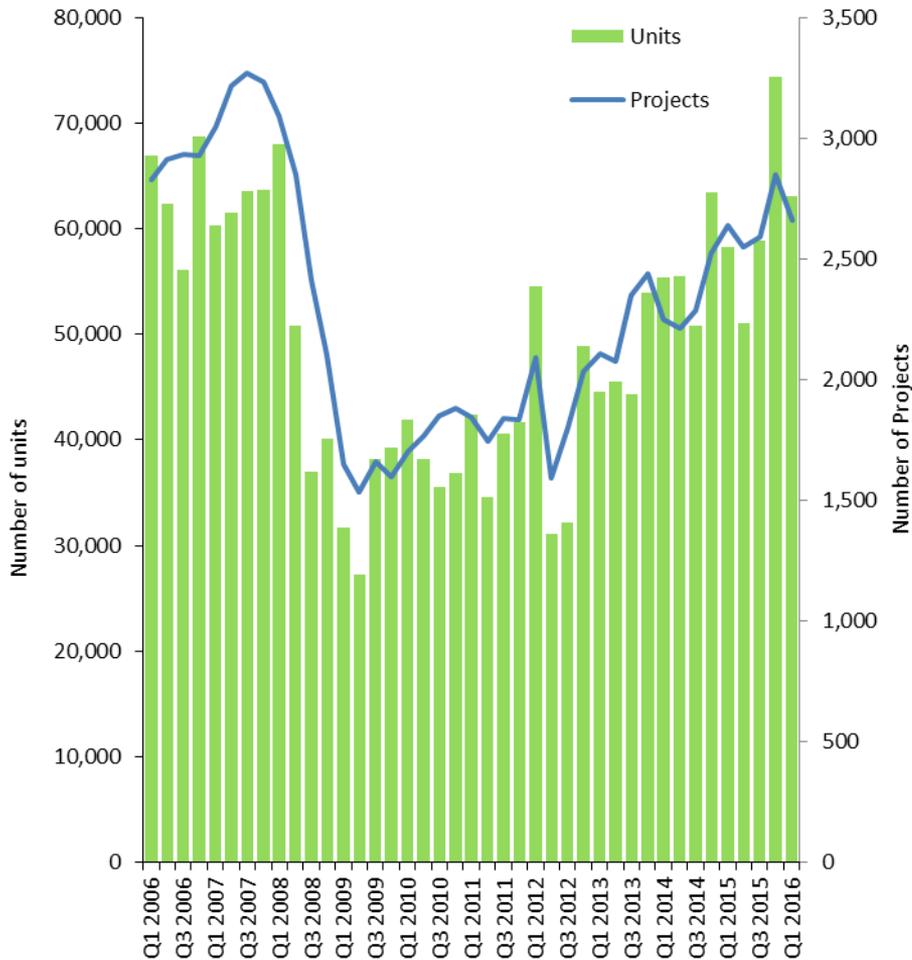
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- Consumer confidence has been rising
  - Lower inflation
  - Increased employment
  - Wage growth
  - Rise in household spending
- More uncertain outlook
  - Weaker employment growth
  - Imported inflation will squeeze household spending
  - Tighter lending rules

# Housing Market Activity



# Rising Planning Approvals & Approval Rates



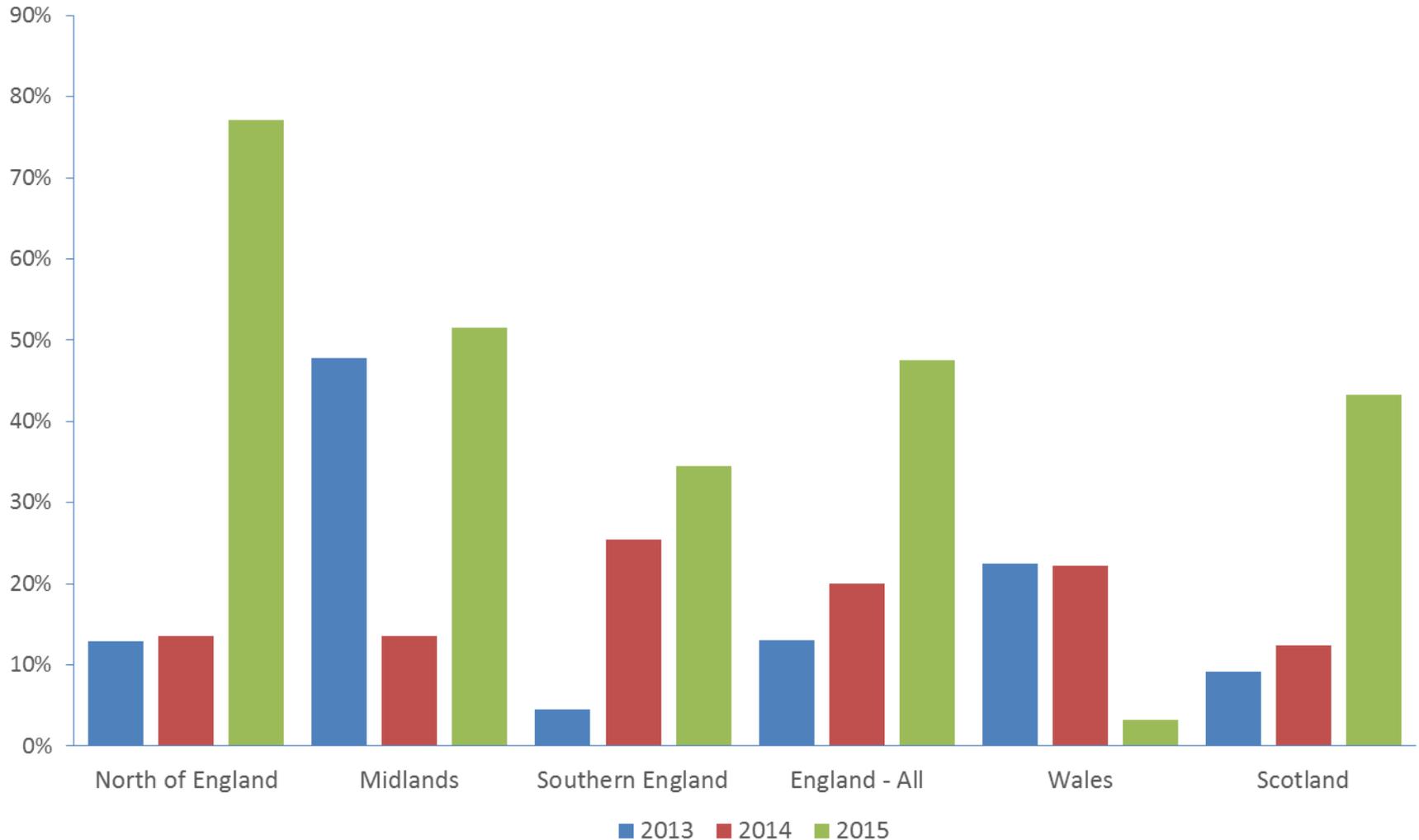
N.B. Includes residential projects of all sizes, residential units on non-residential schemes and conversions. Source: Glenigan

## Residential Planning Approvals



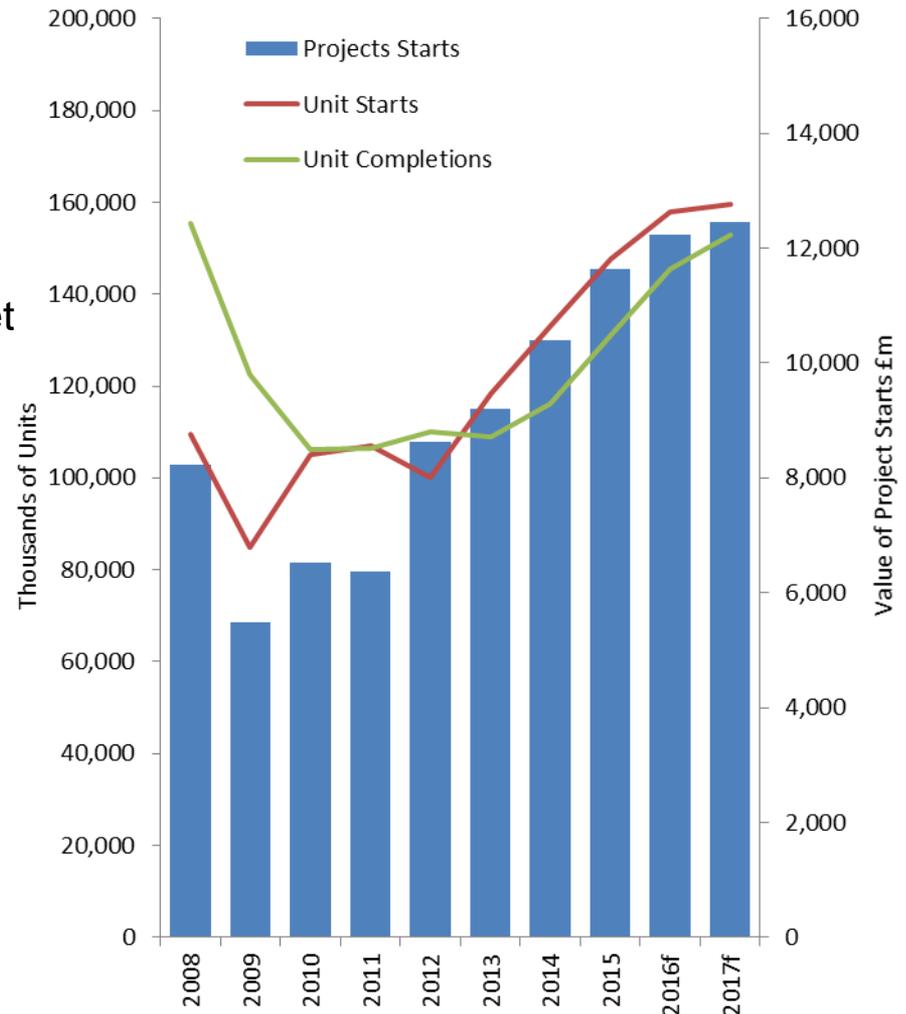
Source: Glenigan

# Strengthening Planning Approvals Across UK



# Private Housing

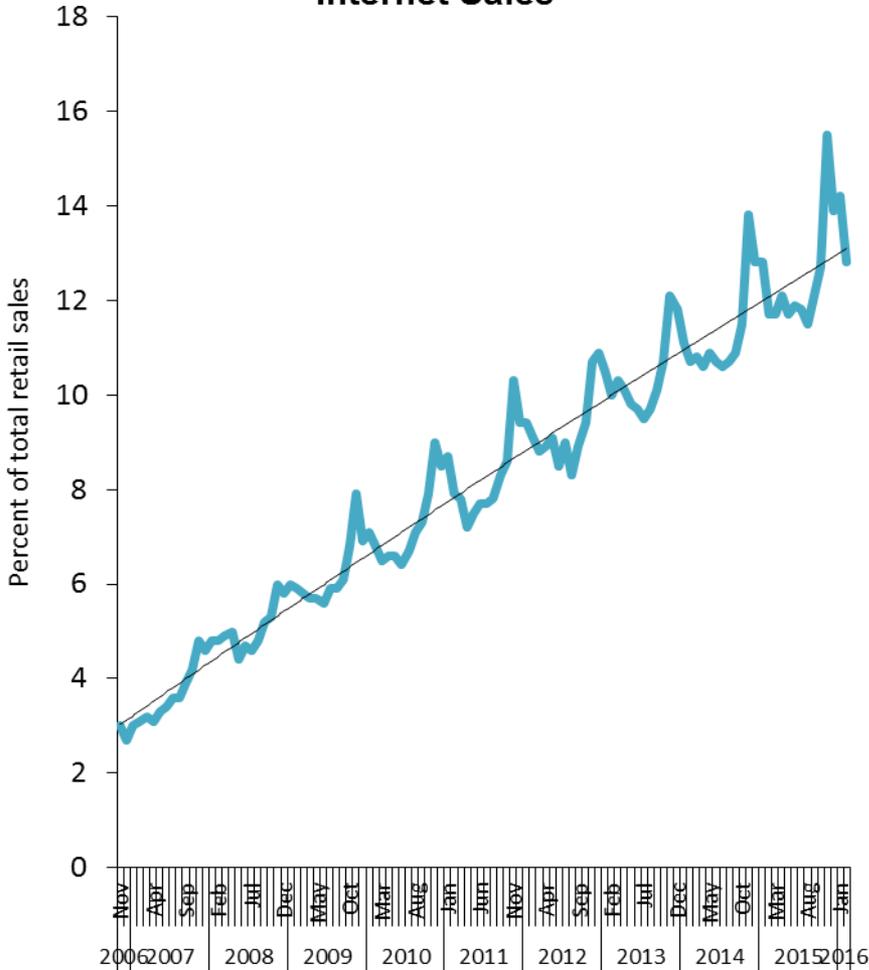
- Growth driven by
  - Rising household incomes and confidence
  - Improved mortgage finance availability
  - Government initiatives lifting market
  - Increase in planning approvals
- Brexit Market Risks
  - Uncertainty deters house purchasers
  - Weaker employment & earnings growth
  - Tighter lending rules
- Industry Capacity Concerns
  - Skilled labour availability
  - Material shortages & costs



Sources: DCLG, Glenigan

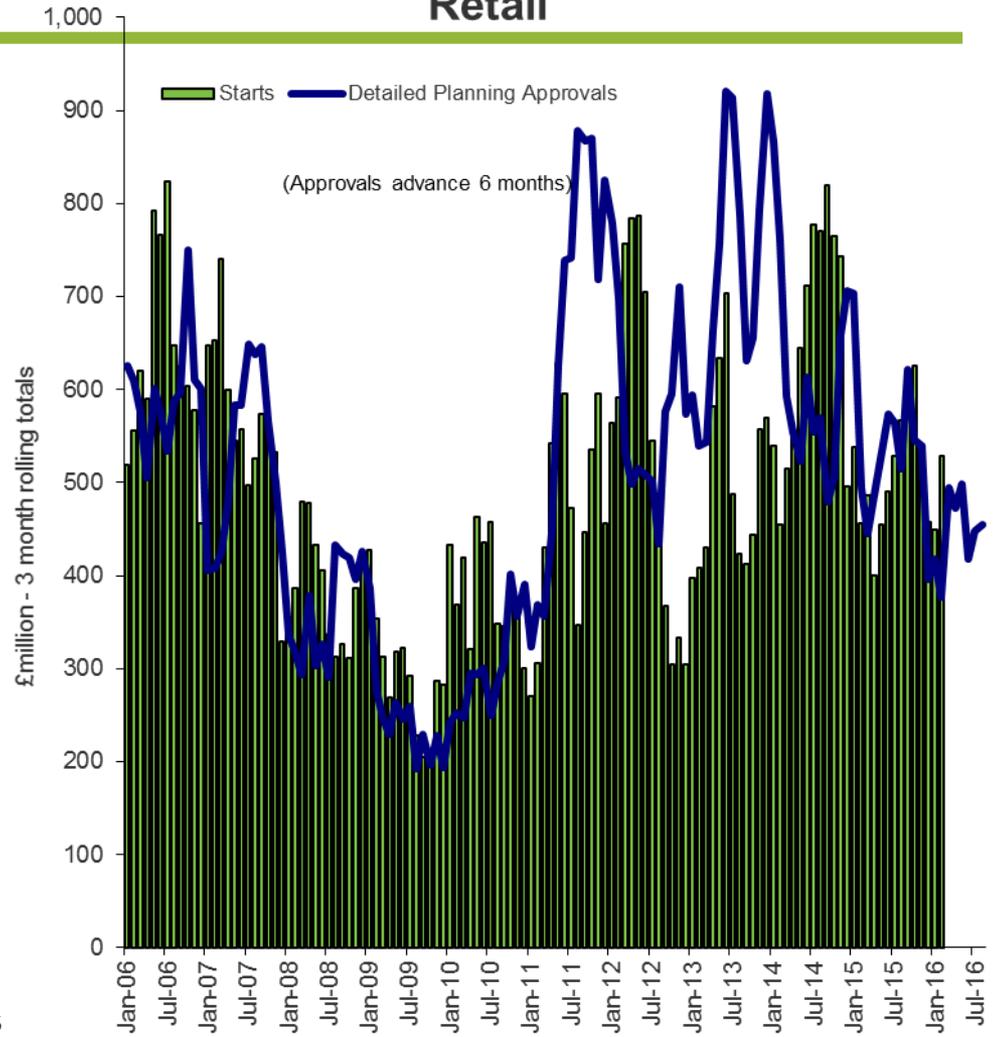
# Retail Evolution

## Internet Sales



Source: National Statistics

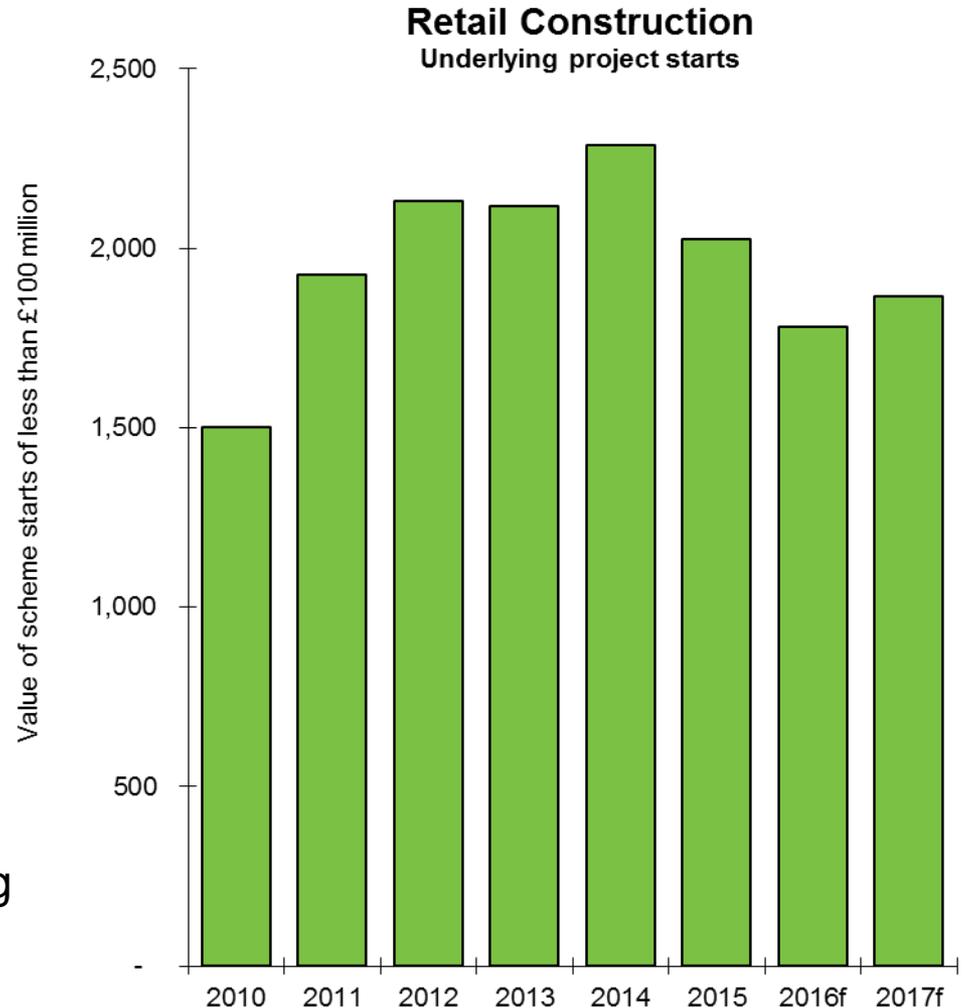
## Retail



Source: Glenigan

# Retail Construction

- Retail sales have been rising but:
  - Shifting spending patterns
  - Weaker consumer spending ahead?
- Supermarkets
  - Top four chains squeezed
  - Discounters step up investment
- Internet challenge:
  - High street evolution
  - More smaller scale fit-out projects
  - Destination shopping centres – existing locations expanding



Source: Glenigan

# Hotel & Leisure Starts

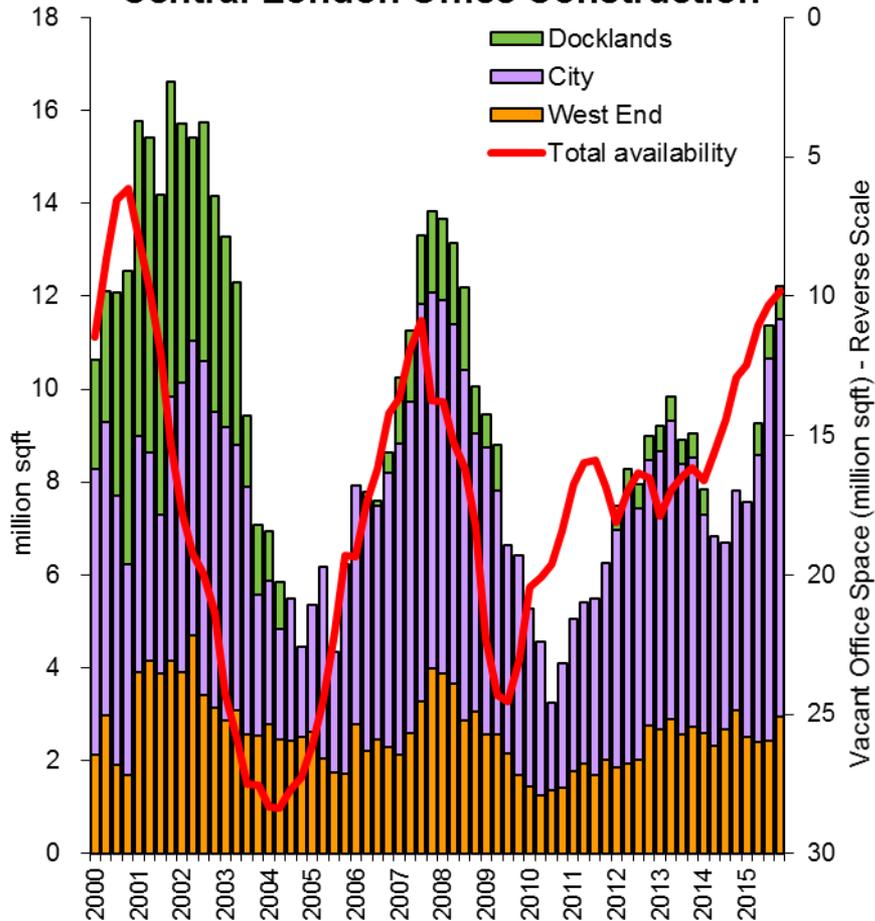
- How will UK consumers respond to Brexit prospects?
- Weaker Sterling boost for overseas visitors
- Hotel expansion plans
- Firm development pipeline
- Consolidation in 2016
- Renewed sector growth in 2017



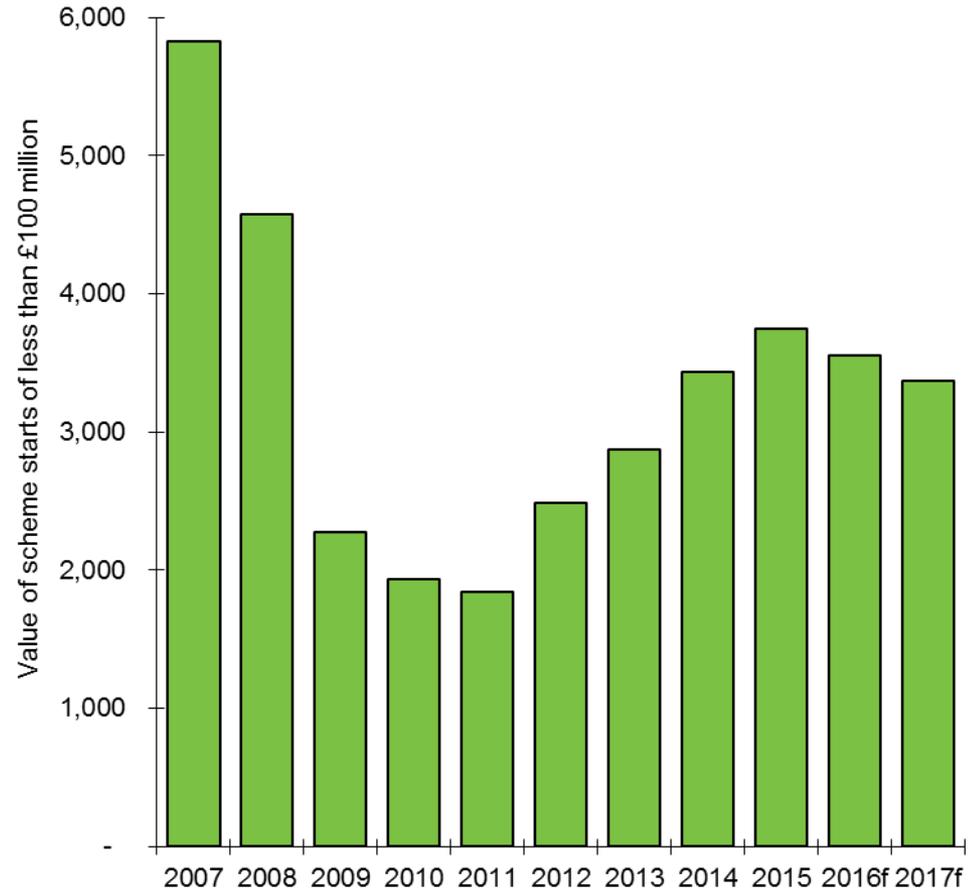
# Office Construction

## Office Construction Underlying project starts

### Central London Office Construction



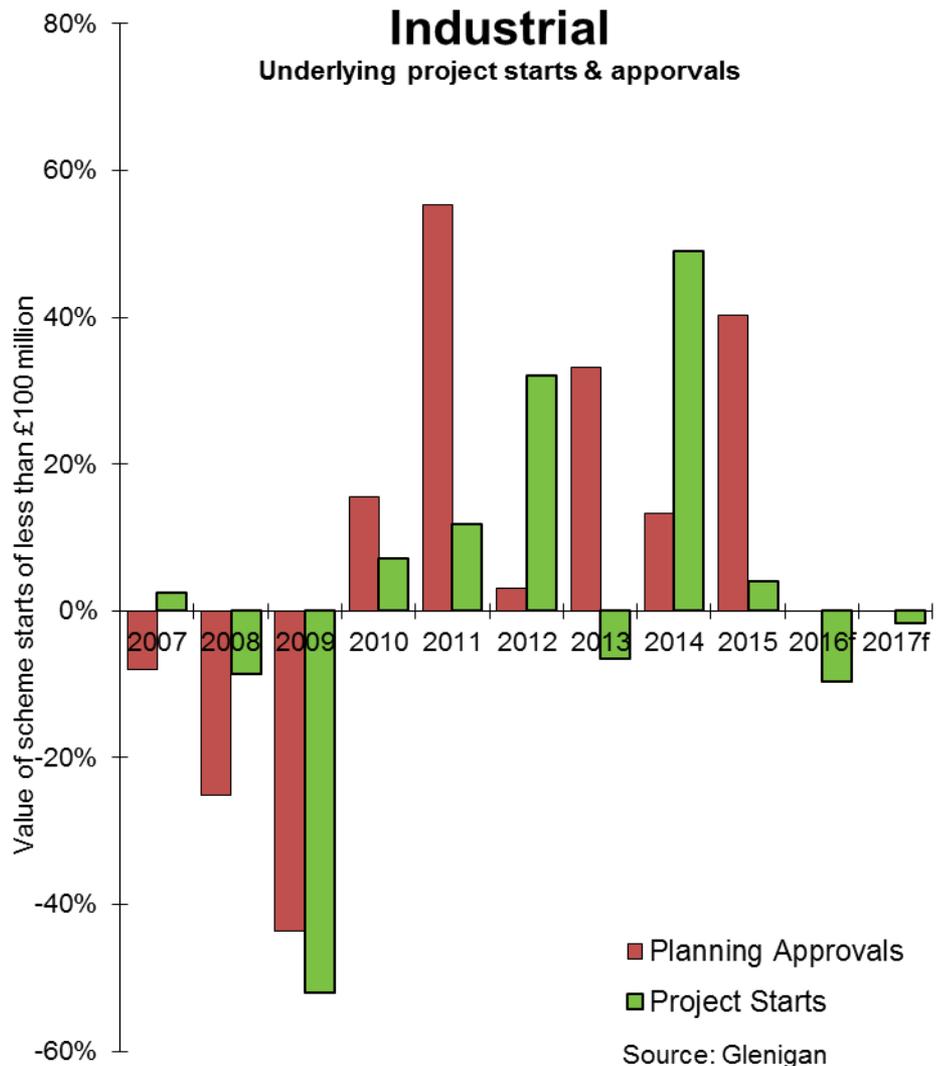
Source: Knight Frank



Source: Glenigan

# Industrial Renaissance

- Rapid growth in recent years
- Strong demand for logistics space
- Investors nerves have hit project starts,
- Strong development pipeline, but
  - Warehousing starts to remain weak near term
  - Manufacturers' long term outlook hit by Single Market fears



# Civil Engineering

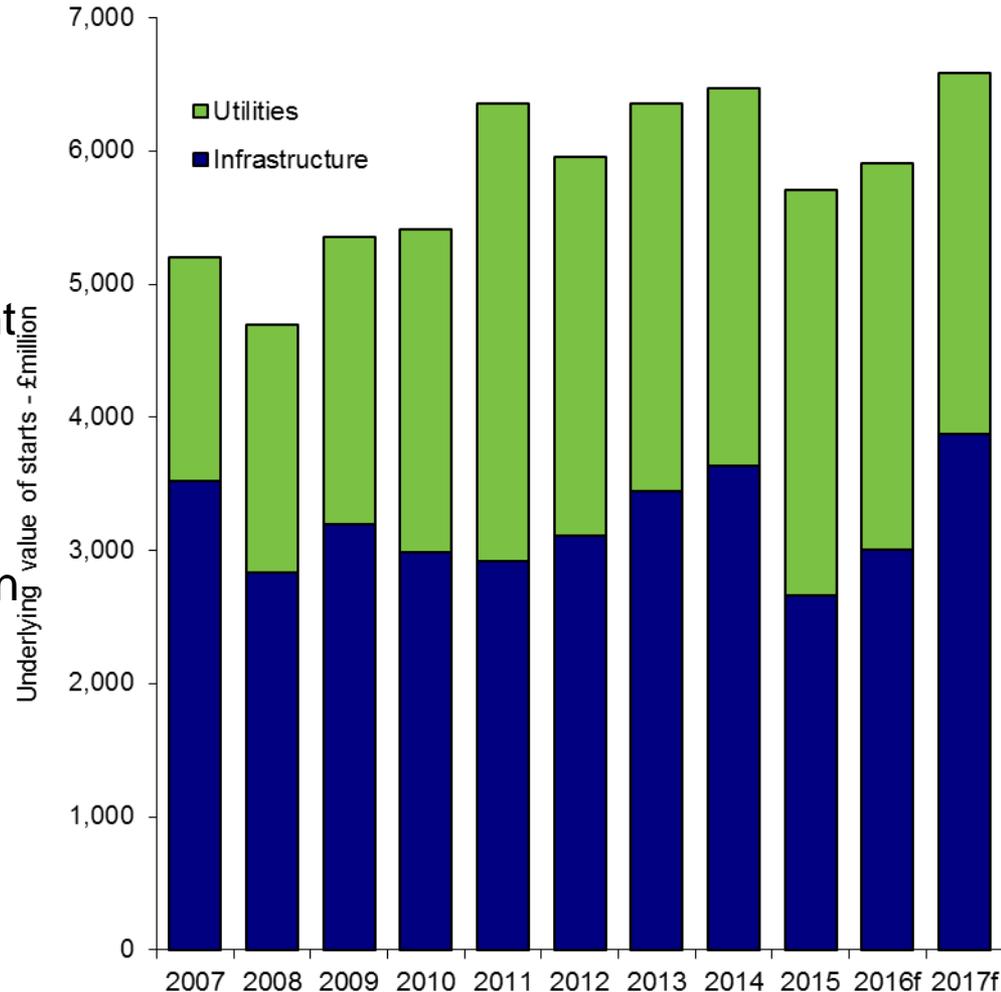
## ■ Faltering in underlying project starts

- Network Rail spending constrained
- Support for renewables cut
- New 'dash for gas'?
- Highway England development programme
- AMP6 gathers momentum

## ■ Major projects

- Crossrail –reduced contribution
- Northern Line extension
- Thames Tideway
- Hinckley Point, HS2, Airport Capacity?

### Civil Engineering Projects



Source: Glenigan

# Construction Prospects

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- EU referendum uncertainty prolonged by Brexit vote
- Slower UK economic growth
- Government has looked to private sector to lead the recovery
  - Business investment hardest hit by Brexit
  - Consumer confidence also vulnerable
- Weak housing market growth during 2016 & 2017
- Retail property facing structural change
- Office development pipeline vulnerable
- Industrial starts lower
- Civil infrastructure activity dampened by cost reviews, shift in energy policy & political prevarications
- Construction back in recession – falls in project starts & output

# Private sector drives recovery

Change on previous year	2014	2015	2016f	2017f
Private Housing	13%	12%	5%	2%
Social Housing	-1%	-6%	-7%	-21%
Industrial	49%	4%	-10%	-2%
Offices	20%	9%	-5%	-5%
Retail	8%	-11%	-12%	5%
Hotel & Leisure	20%	2%	-18%	7%
Education	10%	5%	-4%	6%
Health	8%	-27%	6%	13%
Community & Amenity	-6%	-17%	17%	5%
Infrastructure	6%	-27%	13%	29%
Utilities	-3%	7%	-5%	-6%
Total	10%	0%	-2%	1%

# Regional Growth



Source: Glenigan



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