Construction Market Trends

CIC Economic & Policy Forum

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About Glenigan & Construction KPIs

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
- Researching and compiling the Construction Industry KPI data for Construction Excellence, BIS and National Statistics
Post-Election Blues?

- Conservatives re-elected
- But new Government’s policies differ from coalition
- Glenigan reviewed implications for construction
- Greater emphasis on private sector
- Public investment still constrained
- Housing supply remains political priority
- New tools for delivery
- Energy policy shift
- EU uncertainties could dampen investment
- Political decisions required:
  - HS2
  - Airport Capacity
  - Energy policy
UK Economy - Government Policy & Forecasts

- Economic recovery
  - Government looking to private sector investment to lead recovery
  - Consumer expenditure & retail sales growth
  - Rising employment
  - Housing market upturn
  - Improved business confidence
  - Deficit reduction curbing growth
  - Access to capital finance remains limited
  - Improved manufacturing sector vulnerable to export weakness

Source: OBR - Summer Budget 2015
Social Housing Growth

Source: Glenigan
Education – Rising Pupil Numbers

- Rising demand - number of primary school pupils increasing
- Government promoting choice – free school programme
- Tackling poor learning environment – Priority School Building Programme
- Competition fuelling investment – University development plans

Source: DfES
Education – Planning Approvals

Source: Glenigan
Brighter Consumer Prospects

- Consumer confidence returns
  - Lower inflation
  - Increased employment
  - Wage growth
  - Rise in household spending

- Forecast rise in real earnings
  - Narrows gap between income and spending growth
  - Supports rise in household lending

Real Earnings & Household Spending

N.B. Average earnings growth deflated by CPI inflation
Sources: ONS, OBR Forecasts & Glenigan Analysis
Housing Market Activity

Sources: Bank of England & Halifax
Rising Planning Approvals & Approval Rates

Residential Planning Approvals

Source: Glenigan
Rising Planning Approvals Across UK

Source: Glenigan
Private Housing

- Three years of growth
- Further growth anticipated
  - Rise in household incomes and confidence
  - Improved mortgage finance availability
  - Government initiatives lifting market
  - Increase in planning approvals
  - Broader based regional growth
- Market Risks
  - Tighter lending rules & tax changes
- Industry Capacity Concerns
  - Skilled labour & material shortages

Sources: DCLG, Glenigan
Retail Construction

Retail Approvals

- Other
- Car Showrooms
- Shopping Centres
- Supermarkets
- Petrol Filling Stations
- Non Food Retail Warehousing
- Shops & Department Stores

Value of approvals, £m

Source: Glenigan

Internet Sales

Percent of total retail sales

Source: National Statistics
Retail Construction

- Retail sales rising, but shifting spending patterns
- Supermarkets
  - Top four C-store networks
  - Discounters step up investment
- Internet challenge:
  - New EU VAT rules may hit pure internet firms
  - ‘Bricks & clicks’ will still grow
- High street evolution
- More smaller scale fit-out projects
- Destination shopping centres – existing locations expanding

Source: Glenigan
Hotel & Leisure Starts

- Rising Employment
- Real Earnings growth
- Increased discretionary expenditure
- More overseas visitors
- Hotel expansion plans
- Growing development pipeline
- Further sector growth in 2015

Source: Glenigan
Hotel & Leisure Planning Approvals

Planning Approvals
Jan - Aug 2015

- London: 20%
- Scotland: 13%
- South East: 7%
- South West: 7%
- West Midlands: 5%
- Yorkshire & Humber: 10%
- East Midlands: 2%
- North West: 12%
- North East: 3%
- East of England: 10%
- Northern Ireland: 6%

Source: Glenigan
Industrial Renaissance

- Early casualty of credit crunch
- Strong turnaround in development pipeline
- Sharp rise in starts in 2014
- Manufacturing confidence improved
- Investor interest in logistics space
- Rapid on-line retail sales growth continuing

Source: Glenigan
Industrial Project Approvals

Approvals - Change on a year earlier

Source: Glenigan
Government Funding for Transport

Source: Investing in Britain's Future
Civil Engineering

- Rise in underlying project starts
- Rail and utilities driving growth
- Sustained project flow
- Major projects boost activity
  - Crossrail
  - Hinckley Point
  - Network Rail
  - Northern Line extension

Civil Engineering Projects

N.B. Excludes projects over £100m

Source: Glenigan
Construction Prospects

- Government looking to private sector to lead the recovery
- Public sector capital funding constrained by Budget deficit
- Improving consumer confidence
- Broader housing market upturn in 2015
- Retail property facing structural change
- Office Market strengthening in major conurbations
- Industrial upturn
- Rail & Energy support civil infrastructure activity
- Election may herald change of emphasis
- Post-election risk of referendum uncertainty
## Private sector drives recovery

<table>
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<tr>
<th>Change on previous year</th>
<th>2013</th>
<th>2014</th>
<th>2015f</th>
<th>2016f</th>
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<td>Private Housing</td>
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<tr>
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<td>-1%</td>
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<td>Retail</td>
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<tr>
<td>Hotel &amp; Leisure</td>
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<td>17%</td>
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<tr>
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<td>-6%</td>
<td>9%</td>
<td>11%</td>
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<td>Utilities</td>
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<tr>
<td>Total</td>
<td>8%</td>
<td>11%</td>
<td>7%</td>
<td>3%</td>
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